Lloyds Banking Group plc – 2011 Results

The Plaisterers Hall, London – Friday 24 February 2012

António Horta-Osório – Group Chief Executive

Good morning everyone. I'm pleased to be here to present our 2011 results and talk about our journey to become the best bank for customers.

After the first part of my presentation, Tim will give you the detail behind our 2011 financial performance and Mark Fisher, our Group Ops Director, will then cover integration and simplification. I will return to briefly cover the economic and regulatory environment, and future guidance. As you know Tim Tookey leaves today so you will hear a little more from me than I would normally expect. After that, for the question and answer session, I'll be joined by a number of our senior Executives:

- Alison Brittain, our Group Director of Retail
- Andrew Geczy, our CEO of Wholesale Banking and Markets
- John Maltby, who leads Commercial
- Antonio Lorenzo, Director of Strategy, Wealth, and International
- Toby Strauss, Director of Insurance,
- and Juan Colombas, our Chief Risk Officer

This team brings together many years of experience, and we are fully committed to executing on the strategic initiatives we set out in June last year. Today I would like to present some key points to start with then 2011 in context for Lloyds, Then discuss the progress we have made against our strategy. Provide you with an overview of our financial performance, where Tim will provide more detail later on. Mark will then cover costs and simplification. And then I will do the close with some remarks on the economic and regulatory environment, and our guidance for the year ahead.

Let me take you through the key points. We have achieved a significant reduction in balance sheet, and delivered a resilient performance given the challenging economic environment. And we have made good progress against our strategic initiatives, achieved strong market shares in our core segments and strengthened our franchise through:

- investment behind brands;
- distribution;
- customer relationships; and
- our people.

We are building a bank which has the balance sheet strength, efficiency and customer franchise to continue to deliver a resilient performance in challenging market conditions. Before I go into detail on our performance during 2011, I think it is important to set the context around what has been a very challenging year.

From an economic perspective, you will recall that at the time we announced the outcome of our Strategic review and our first half results in 2011, I emphasised the contagion risks from a sovereign debt crisis and the impact of a double dip. The risk has partly materialised and impacted on:

- the propensity of consumers to spend and invest;
- interest rates remaining low for longer
- continued high levels of impairment; and
- ongoing challenges in the Wholesale funding markets and related costs for the industry.

As we set out on our journey to become the best bank for customers, 2011 was focussed on establishing the right foundations from which to rebuild the business. We have had to tackle many internal challenges such as reshaping the organisational design to make us more agile and bring us closer to the customer. Developing a new culture on simpler values and increased urgency to tackle the problem and enhancing operational controls to manage the business more effectively.

And in terms of meeting customers' expectations, we took the responsible position in tackling PPI, which has required the significant mobilisation to process claims and has come at a significant cost. This was the right thing to do. It provided clarity for customers and shareholders, whilst also going some way to rebuild our customers' trust. The ICB outcome was uncertain for large parts of the year and, like many of our peers, we are being scrutinised much more by our Regulators.

We are at the beginning of this journey, and although 2011 showed good progress in building the right foundations to take us forward, we remain aware of the many challenges we continue to face. The turnaround at Lloyds will take 3 to 5 years to complete. Turning now to the progress we have made this year. To deliver on our strategy to be the best bank for customers, we are focusing on four key pillars:

- Strengthening our balance sheet
- Reshaping the business
- Simplifying the Group
- and Investing to grow our core business

We have made strong progress on each of these areas and I will now provide more detail on what we have achieved and why it has been so important to do this in the context of my earlier remarks. During 2011, we prioritised strengthening our balance sheet by focusing on four key areas in order to reduce our exposure to Wholesale funding markets and improve the quality of our assets.

First, the total balance sheet for the Group reduced by 2 per cent year-on-year. But the decline in our Banking funded assets was 10 per cent, primarily driven by non-core assets which we managed down by 27 per cent. It is important to note that from a funding perspective our banking funded assets are now less than £600 billion. Second, we delivered above-market growth of 6 per cent in customer deposits and this now provides 62 per cent of the Group's total funding requirements

Third, we improved the overall credit quality of our portfolio with a 13 per cent reduction in RWAs when compared to the decline in funded assets. These measures led to a reduction in our wholesale and government funding of 16 per cent and an improvement in its maturity profile.

Finally, we also increased the amount of liquid assets we hold providing an additional buffer to our funding position and increasing our resilience to market shocks. This has resulted in a significant strengthening of the balance sheet in 2011, and was clearly demonstrated in the substantial decrease in our Group loan to deposit ratio, down 19 percentage points and now only 5 per cent above our medium term target of 130 per cent. And in our core business we are now well below our target of 120 per cent.

Given the decrease we have achieved in RWAs, which in relation to our Non-Core assets has been achieved without significant hits to capital, we have been able to increase our Core Tier 1 ratio by 60 basis points to 10.8 per cent, despite the PPI charge equivalent to approximately 60 basis points of Core Tier 1 capital as well.

So in summary,

- we have a smaller balance sheet;
- underpinned by a stronger capital base;
- with less reliance on Wholesale funding markets and greater liquidity buffers.

Now I would like to focus on the core business, where we saw good underlying profit growth across all divisions apart from Wholesale, where the impact of customer deleveraging and challenging conditions more than offset the successful enhancement of product capability. At the same time, we have significantly reduced risk by a number of management actions including an accelerated reduction of non-core assets by £53 billion, which was more than half the amount we committed to delivering in the four year period to 2014.

A particular area of focus for the management team has been our retail deposit growth, where, despite the market slowing, we have maintained our momentum. This has been particularly noticeable in the successful relaunch of Halifax as a challenger brand. Our ISA promise in the first half of the year, and our savings prize draw in the second half, resulted in deposits growing 8 per cent year-on-year. Three times the market growth. This is strong evidence of the success of our multi-brand strategy. It provides flexibility to use our different channels to attract deposits and grow share whatever opportunities exist.

In this slide, I want to emphasise we have found ways to reward our customers through product innovation rather than our success being led through aggressive pricing strategies. We were not leaders in price, yet our growth was more than double that of the market.

Supporting our customers and the UK economy is at the heart of our strategy. In 2011, we provided £45 billion of committed gross lending to UK businesses, of which over £12 billion was to SMEs. We outperformed the market growing net loans and advances to customers of our core Commercial business by 3 per cent versus a market decline of 6 per cent according to Bank of England data.

In 2012, we will extend this support further to help stimulate growth and improve confidence, through: making at least £12 billion of gross new lending available, and deliver positive net lending growth again; and reducing the time it takes to get money to our customers through simpler end to end processes for loan approvals.

And that brings me neatly to the third pillar of our strategy, Simplification. Simplifying the Group is a key part of our strategy. We have an enviable foundation of knowledge and expertise based on the success of our integration programme, which is now delivering annual run rate savings of over £2 billion as we promised. This foundation gives us great confidence in delivering cost savings from Simplification. We've made a strong start and achieved run-rate cost savings of over £240 million last year. And underlying operating expenses have reduced 6 per cent in 2011.

Given the progress we have made, we are today announcing that we will increase our 2014 in year cost saving target by a further £200 million, to £1.7 billion, and our run rate target to £1.9 billion by the end of 2014.

While we are reducing costs, we are committed to improving the quality of our service for our customers, and I am very pleased that we've outperformed against the stretching targets we set ourselves. As you can see, we have achieved substantial reductions in reportable FSA complaints. This puts us ahead of our major banking competitors.

In 2012 we aim to improve further, by reducing complaints to only 1.3 per 1000 current accounts, and by 2014 we aim to reduce this to 1 per 1,000. But it's not just about complaints. Less time spent on complaints means greater time for our colleagues to devote to broadening our relationships, enhancing the customer experience and increasing the share of wallet of our customers. Now I will turn to the investment we are making in our core business and highlight a few examples of progress with the growth initiatives I announced at our strategic review.

In Halifax, we promised to relaunch the brand as part of our multibrand strategy, open all branches on a Saturday, and deliver new challenger products. We are making good progress, as I showed you earlier, regarding deposit growth. We have also seen growth in main banking customers up 4 per cent and direct mortgage lending up 8 per cent.

Turning now to SMEs. Here, our targeted customer propositions and advice model are having a positive effect as I described earlier on. Importantly, as this is a key part of our strategy, Commercial has been active in supporting the wider Group results, with good growth in cross-selling of insurance, wealth and financial markets products.

In Bancassurance, our wider distribution initiatives are beginning to gain momentum as we prepare our business model for RDR. In Retail, our Bancassurance initiative was a key driver behind the 6 per cent growth in other operating income, and our value over volume strategy resulted in a 23 per cent increase in UK new business profit.

With regard to Wholesale we have been refocusing the business and working on improving the range of products for our existing corporate customers. For example, in Debt Capital Markets, our Sterling market share has increased from 8 to 9 per cent as we develop this capital light franchise, supporting UK companies' access to capital markets.

And finally, on Wealth we see good opportunities. We are making enhanced use of the Group's "Insights" programme to identify customers most likely to benefit from Wealth services. This has resulted in 80 per cent of our customers within our newly developed Wealth proposition coming from our existing Group customer base. We have initiated IT development to provide an enhanced service for our execution only customers, and are building simpler processes for customers to move from other parts of our Group into Wealth.

Turning now to our financial performance. Our combined business profit was broadly in line with expectations, with a profit before tax of £2.7 billion. Our statutory result was impacted by the £3.2 billion PPI provision we took in the first half of the year. Underlying income in our Core business was down 5 per cent, reflecting subdued customer demand and lower interest rates. This was partly offset by a reduction in our core costs where operating expenses fell and we also benefitted from a fall in impairments. As a result, core underlying profit before tax and fair value unwind fell by 2 per cent but return on Risk Weighted Assets, increased to 2.5 per cent.

Turning to the core business performance:

Thanks to the improvement in our funding mix, margin performance was resilient declining by only six basis points. This was despite lower interest rates and the refinancing of a significant amount of government and central bank facilities at a higher wholesale funding cost.

The decline in non-core income and margin reflected the asset reductions we achieved in the year; higher funding costs on what is a predominantly wholesale funded business, and a higher proportion of impaired assets. As a consequence of some of the risk mitigation actions I talked about earlier, we saw declines in both core and non-core AQRs. Core performance continued to trend closer to our target of 50-60 basis points for the Group as a whole.

Now looking at the margin drivers in the core business in more detail. This slide first shows the progression of group asset and liability margins in the year. The point I want to make here is that you can see that by improving our pricing and mix on the asset side, we have been able to broadly offset the negative impact of more costly deposits. The real funding cost for Lloyds is therefore being driven by wholesale funding markets. And when you look at our core business, although we have been able to fully offset the decline in deposit spread and mix through repricing of our assets we still have some wholesale funding cost impact, but in the core business where we are focusing for the future, we have been able to fully offset the impact of liability cost and mix with the repricing and mix of our assets.

Turning now to impairments. Improving asset quality resulted in a continued decline in impairments in both core and non-core across all divisions. This reflected our prudent provisioning and the conservative approach to risk which we have fully embedded across the business. This is driving tangible benefits to the overall quality of loans being added to our book.

Looking now at the performance of each division's underlying core business in more detail, starting with Retail. Retail made good progress in executing against its strategy, despite subdued markets Retail delivered a 9 per cent increase in underlying core business profit before tax and fair value unwind; and the return on risk weighted assets increased by 40 basis points to 2.8 per cent.

As a result of our investment in multi channel, we saw a 9 per cent increase in active online customers, and successfully launched mobile applications from October 2011. We now have 1.5 million customers using this technology. The core Wholesale business saw a fall in profitability largely driven by a decline in income as a result of a reduced balance sheet as customers deleveraged; and challenging market conditions.

We did see growth in some of the capital-light businesses we are developing, such as our rates and foreign exchange businesses. Continued success in our growth initiatives, such as these, will lead to an increase in revenue per customer, a key KPI for this business. The rise in impairment was caused by the impact of a few specific large cases, reflecting the lumpier nature of Wholesale impairments.

Looking now at Commercial. Commercial delivered a strong operating and financial performance despite a challenging environment, thanks to its robust relationship model. Core profit before tax and fair value unwind more than doubled, due to higher income, combined with a reduction in both impairments and costs. As a result, return on risk weighted assets grew by 110 basis points to 1.8 per cent.

Turning now to Insurance. Here, profit before tax and fair value unwind increased by 11 per cent, driven by a reduction in operating expenses and insurance claims. Insurance remains a consistent contributor to the Group's overall performance, and the success of our value over volume strategy has delivered a 50 basis points increase in EEV new business margin, and increased Life, Pensions and Investments UK new business profit by 24 per cent despite sales being broadly flat.

In Wealth and International core total income increased by 6 per cent, and net interest margin by 85 basis points. This mainly reflected improved margins and strong volume growth in deposits. We saw strong progress in other parts of the franchise, with an 8 per cent growth in Affluent customers, and 22 per cent growth in customer balances for example.

This concludes the first part of my presentation. I would now like to pass over to Tim.

Tim Tookey – Group Finance Director

Thank you António and good morning everyone. This morning I am going to review the Group's full-year results for 2011,look at how the non-core run down has been managed and then review the further strengthening of our capital, funding and liquidity positions.

Despite the challenging external environment, we delivered a combined businesses performance broadly in line with our expectations. On this basis, and excluding all the volatile items, good or bad, underlying income declined by 10 per cent. This reduction reflects a smaller balance sheet, principally driven by the substantial run-off of non-core assets, the subdued demand in our core business, and the expected reduction in our net interest margin. Costs reduced by 4 per cent, mainly as a result of further integration synergies, as well as the initial cost savings delivered by the simplification programme. More from Mark on that later.

The impairment charge reduced by 26 per cent with reductions of over 20 per cent from each division. As a result of these factors, we have delivered a 21 per cent increase in profit before tax. And the picture isn't very different if we strip out the volatile items, liability management gains and asset sales which are set out on the next slide. Stripping those out the group profits are up 22 per cent. The Core business also performed well with strong margin performance and lower impairments delivering a 3 per cent profit growth. I will look at Core results again in a moment.

That was profit on a combined businesses basis but as I said, this measure of performance is somewhat obscured by volatility effects. Filtering out the noise down the page, and filtering out the noise created by volatile items as well as liability management and asset sales, we get a clearer view of the underlying performance, and see that underlying or clean profit for the year increased by 22 per cent. If we now take the profit numbers on a combined businesses basis from the top of this slide, then we need to include the other statutory items to get to the bottom line result. As expected the biggest effect came from the PPI provision which we reported in the first quarter. In addition this year, we have seen negative volatility from the insurance businesses, in contrast to a positive impact last year. The statutory result also includes charges for both integration and simplification delivery costs, as well as the costs of Project Verde.

If we now move from the performance at a Group level to the performance in the core business for a moment, as I said, I am pleased to report that our core business delivered a really good performance considering the challenging economic environment. We saw subdued demand for new lending and continued customer deleveraging in the core business and average interest earning assets are down 5 per cent, and of course that contributed to a 2 per cent decline in core income.

Now you have heard me talk before of higher wholesale funding costs in our business but this is much less of an issue in the core book which benefitted from an improved funding mix as a result of increased customer deposits. So our core net interest margin was down just 2 per cent or 6 basis points to 2.42 per cent.

Even with lower operating expenses, and given the small reduction income, the 3 per cent increase in profit before tax was mainly driven by the substantial reduction in the core impairment charge but this also includes the liability management gains and those volatile items.

To be fair, if we should strip out the one-offs and volatile items, and on this basis, core business profit before tax and fair value unwind decreased by just 2 per cent. This principally reflects the lower income arising from higher funding costs and the smaller balance sheet.

These same trends are prevalent if we look at Group income where the reduction is mainly a result of a smaller balance sheet with shrinkage in both core and non-core assets in 2011. Even though we have exceeded our Merlin lending targets, we continue to see subdued lending demand, as well as customer deleveraging continuing. At the same time, as we have said, we continue to reduce non-core assets in order to strengthen and de-risk the balance sheet. This shrinkage obviously had a negative effect on income, however it also creates a benefit from the reduced volume of costly wholesale funding required.

In addition to this volume effect, we have also seen a funding cost effect, with the biggest movement coming from the increase of the wholesale funding cost. Now this has had a large effect on our group margin, as Antonio showed, but was partly offset by the funding mix benefit we realised from increasing customer deposits. Doing the same analysis just for the core business, well we have a similar pattern although here I have drawn out separately the benefits of deliberate and continued asset margin widening activities which have fully offset the pressures on liability margins.

So the core income story can be simplified to a simple perspective of subdued demand and higher wholesale funding costs. So it's just as well that we are bringing down wholesale funding as fast as we can through deliberate and focussed risk management programmes.

I always give you a helicopter view of the margin drivers, and here it is the net interest margin in our banking businesses was 2.07 per cent as we have seen. The decline from 2010 is in line with our guidance but we have yet to see the full annualised impact of refinancing ourselves away from central bank facilities. In addition, on balance sheet liquid assets are up 44 per cent to £97 billion and that's expensive. In 2011, we also saw a continued impact from lower returns on invested assets and this will be somewhat of a feature of the next few periods as well. On the upside, however, we continue to reprice assets wherever appropriate and we have seen the margin benefit from a stronger deposit funding mix in the core business.

Turning briefly now to costs Total costs decreased by 4 per cent. But actually the costs we can directly control are down 6 per cent. This is great delivery of integration savings and the first deliveries of cost savings from the simplification programme. The bank levy shown here was accrued in the final quarter and was lower than initially expected, due of course to the improvements in the Group's funding profile.

I would now like to spend some time on impairments. I am very pleased with the continued reductions in the impairment charge in 2011, which is 26 per cent lower, and we have seen lower charges across all divisions. Especially pleasing is that we have delivered another strong year of non-core asset reduction and we have achieved that without taking additional impairments outwith our guidance.

Let's have a closer look at divisional performance using the usual charts. We saw a 29 per cent reduction in the Wholesale impairment charge in 2011. This reduction was mostly driven by lower impairment from the corporate real estate portfolios but this was partly offset by higher impairment on leveraged acquisition finance exposures. You may remember that we discussed those in the context of Q2.

In Wealth and International, impairment charges decreased by 23 per cent but the division's charge is still dominated by Ireland as you can see, and it is the slowing rate of impaired loan migration in Ireland that drives the lower divisional charge this year. Of the Irish wholesale portfolio 8 per cent is now impaired, a bit like my voice, at a coverage ratio of 61 per cent. We have made terrific progress on reducing Australia and New Zealand exposures where impaired assets are down by a third through well executed disposal programmes.

Retail's impairment charge reduced by 28 per cent, with a reduction in the unsecured charge more than offsetting the predicted increase in the secured charge. The decrease in the unsecured charge was largely a result of the improved quality of new business. The secured impairment charge increased exactly in line with expectations and mainly reflects a less favourable medium term outlook for house prices compared to the outlook that we had at the end of 2010.

In Commercial, well the numbers are tiny but we still saw the impairment charge fall by 21 per cent reflecting the benefits of the low interest rate environment and our continued prudent credit risk appetite. Portfolio metrics including delinquencies and assets "under close monitoring" however, remain above normal levels. So the charges are down as expected, but perhaps more importantly there are good solid trends of improving asset quality across the board.

In Retail, the trends, which I have shown you before, have continued throughout the year with fewer cases entering arrears compared to 2010, in both the secured and unsecured portfolios. This shows that our prudent risk appetite and the higher quality of new business is delivering exactly what we expected it would.

In Wholesale and Commercial, we have also seen a reduction in newly impaired assets. Even more importantly though, the really troubled assets have been dealt with in prior periods and this shows through with the average provision needed on these newly impaired loans being materially lower than in 2010.

On Ireland, well although many economists report of improving conditions in Ireland, we have seen a modest increase in impaired loans in 2011, and coverage ratios have been increased to ensure we stay well provided due to continuing market weakness risks. In the slide appendix in your packs, there is the usual detailed slide showing the impairment trends by book within the Irish business.

So to summarise the Group's performance:

Well it is not always easy to summarise a full year's performance in a single sentence, but despite the volatile items, I see 2011 as a good year of delivery broadly in line with expectations whilst achieving an above-expectation reduction in the risk profile of our business.

Let me now update you on the profile and the management of the non-core business. Despite challenging market conditions, you have heard us say we achieved a substantial reduction in the non-core portfolio of £53 billion achieving in 12 months 50 per cent of a four year reduction target. Within this, we reduced the UK commercial real estate portfolio by£4.8 billion. What is important to point out here is that about 80 per cent of these CRE disposals were outside of London and of a value of £5 million or less each, which clearly shows that there is reasonable liquidity in that market and that we have been prudently provisioned.

In International, we saw some liquidity return in Ireland where cash sales and capital repayments were over €2 billion. In Australia and New Zealand we reduced our remaining exposures by about a £4.3 billion, disposing of about a third of the impaired assets in the whole region, including a £1 billion portfolio of loans in our two most challenging markets, which as you know are the Gold Coast and New Zealand. We now have no assets in the Gold Coast and our exposures in New Zealand have reduced to less than £200 million.

The non-core income statement shown here, shows both the impact of the smaller asset base as well as the impact of higher wholesale funding costs which have taken 45 basis points off the margin. Losses on asset sales are modest in the context of the reductions achieved but the main driver of the overall performance is the 28 per cent reduction in impairments. Non-core loss before tax was better by 7 per cent, with the improvement principally driven by those reductions in impairments and costs, partly offset however by lower income and lower fair value unwind.

But the income statement result is just one aspect of the non-core asset reduction process. So let's look at the impact on capital of our non-core portfolios. Despite the continuing impairments and the reduced margin in non-core, the rundown of the non-core portfolios in 2011 has been capital generative. The capital consumed by the loss after tax in the non-core business has been more than offset by capital released by the reduction in risk weighted assets from their disposal.

But of course, the full benefits of the run down are greater than this because not only did we achieve significant funding benefits, but we have also avoided future impairments on sold assets which could be several hundred million pounds in 2012 alone. In the news release we have provided extensive disclosure on our exposures to a number of Eurozone countries, but let me give you a brief overview on some of those positions other than our Irish book which we have just looked at.

We reduced our overall exposure to these countries by 26 per cent with substantial reductions achieved pretty much across the board. As previously reported, our largest exposures in these countries are retail and corporate assets, and exposures to banking groups.

At interims last year, I gave quite a lot of commentary on the Spanish corporate and retail exposures which I am not going to repeat here. But we feel that we are well provided and we are not unduly concerned. Exposures to local banking groups are mainly short term money market and trading exposures, or money market lines and repo facilities. Such exposures are down 36 per cent on last year and half of the residual exposures are backed by covered bonds.

Moving on now to our capital, liquidity and funding. Well - our Core Tier 1 capital ratio improved significantly to 10.8 per cent at the year end. We saw a 13 per cent reduction in risk-weighted assets predominantly from disposals of higher risk non-core assets, but also benefitting from improvements in the risk profile of our assets and better quality new business which is clearly reducing, as intended, the capital intensity of our balance sheet. The implementation of CRD III was exactly as predicted a year ago, reducing our Core Tier 1 capital ratio by 20 basis points.

The direct benefit of this risk reduction is that, despite the effect of the statutory loss including of course, the PPI provision, our Core Tier 1 capital ratio improved by 60 basis points and our total capital ratio improved to 15.6 per cent. Clearly a nice and strong position.

Let me give you an update on the impact we anticipate from the implementation of CRD IV. While the top bar here shows that we expect the January 2013 impacts of CRD IV, if modelled on our December 2011 balance sheet, it would reduce our current core tier 1 ratio by about 0.8 per cent, to 10 per cent. Looking further into the future, the transitional rules which phase in the new core tier 1 deductions will start in January 2014 and will take 5 years to come in. If we apply these future rules to a static balance sheet, then these would reduce our core tier 1 ratio by 0.25 per cent per annum due to the insurance deduction and other transitional adjustments, including excess expected loss. These are akin to permanent capital reductions but of course will take 7 years to be implemented.

Any residual deferred tax assets relating to trading losses that may still be on our balance sheet in 2014 would reduce the Core Tier 1 ratio in stages over that same 5 year transition period but the full value of these today on our static balance sheet is about 1.6 per cent.

So, if we did a fully loaded CRD IV assessment on our Core Tier 1 today, the chart tells us that we get to 7.1 per cent and of course this excludes the implied 2.2 per cent benefit from our CoCos. But this isn’t the real story for a number of reasons. The transitional rules are there for a purpose, including to deal with what are in effect timing differences and I see the value of our tax losses purely as a timing difference, with the value of these losses being there for the benefit of the bank and shareholders over the next few years.

These impact illustrations assume a static balance sheet, but as you know, our business is not static. We will see further RWA reductions from the non-core asset disposals and we are confident of improving earnings so the overall result will be a very manageable transition to the new world, one in which we will always maintain modest but prudent levels of capital in excess of regulatory requirements.

Turning now to funding. As António mentioned earlier, we have seen good growth in relationship deposits. This, together with lower loan balances, has improved the loan to deposit ratio to 135 per cent at the year end and we expect this will continue to improve in the future.

Moving on to wholesale funding. Well the combination of right-sizing the balance sheet and continued growth in customer deposits has seen the Group's wholesale funding requirement reduce materially in the past few years. Total wholesale funding reduced by 16 per cent to £251 billion, with the volume with a residual maturity less than one year falling £36 billion to £113 billion. Additionally, the Group term funding ratio improved to a very prudent 55 per cent.

Last year we exceeded our 2011 issuance target with over £35 billion achieved, which included some pre-funding for 2012. We have already achieved £15 billion of 2012 funding against our plans for £20 billion to £25 billion across all of the public and private issuance programmes. In addition, our reduced requirements now falls in line with our public term issuance plans of £10 billion to £15 billion per annum going forward. So this is a very good position to be in.

But, we also continue to maintain a strong liquidity position, and our primary liquidity portfolio at the end of the year was £95 billion. This is 84 per cent of all wholesale funding with a maturity of less than a year and provides us with a substantial buffer. In addition to this primary liquidity, the Group continues to hold more than £100 billion of secondary liquidity, giving us an overall 179 per cent coverage of all less than one year maturities.

So in summary, the Group delivered a combined businesses performance in 2011 broadly in line with our expectations despite the challenging external environment. The core business delivered a resilient performance with strong funding improvements resulting in a very good margin performance. Non-core asset reductions were fantastic, releasing capital to support core business growth in the future. Our actions in 2011 have materially reduced the risks in our balance sheet, strengthened our Core Tier 1 capital ratio, and further improved our funding position.

Well that's enough from me, and I will now hand you over to Mark.

Mark Fisher – Group Director, Group Operations

Thank you Tim and good morning everyone. I'd like to spend 10 minutes or so talking to you about our progress on costs and Simplification that I introduced when we were here in June last year.

So let's start with the costs. As Tim said, Total Costs reduced by 4 per cent absolutely. At Operating Expense level - excluding the major increases in the UK Bank Levy and the Financial Services Compensation Scheme charges – costs reduced by 6 per cent. This excellent result reflects the delivery of our planned Integration synergies with in-year integration cost savings in 2011 rising to £1,851 million compared to £1,361 million in 2010.

Our tighter approach to cost management, which I will describe later, and lower operating lease depreciation also helped to offset inflationary pressures. We announced in the final quarter of last year that we have achieved our Integration goal of £2 billion run rate synergies well within the three year target period. I am pleased to report that over and above completing Integration in the second half of last year we also have begun to deliver Simplification. You will note the programme has already generated savings of £242 million run-rate at December 2011, and I regard that as a strong start.

Rather than look at our performance on costs just for the last year it is worth looking at the longer term trend. This slide shows the progression of costs for Lloyds Banking Group from the acquisition of HBOS in January 2009 to the present day. The pro forma cost base of the newly combined Group was just over £12.2 billion and is now £10.6 billion – down just over £1.6 billion. This represents a 13 per cent absolute reduction. The principle driver is that Integration savings which have passed through to the bottom line. That number of £1,851 million savings is the in year benefit in 2011, which translates to the run rate of over £2 billion that we have already reported.

In line with our strategy of reducing the size of our non-core Assets in the Assets Finance business, Operating Lease depreciation has also reduced substantially over the period by £663 million. These reductions have been partly offset by cost increases reflecting the Bank Levy, wage inflation, National Insurance, energy costs, and VAT together with some early investment in the strategic initiatives that Antonio described earlier.

Last but not least, the early mobilisation of Simplification has now delivered £178 million in the year. This is particularly pleasing as it overlaps with the key closing stages of the Integration and once again demonstrates the maturity of our Change Management capability to deal with both complexity and scale. All in all I hope you agree this shows a strong downward momentum in costs and evidence of our determination to deliver benefits and savings through to the bottom line.

Now for a closer look at how our Simplification Programme is going.

Simplification is central to our strategy of becoming the best bank for customers. Customers will experience processes with fewer steps, more automation and more transparent outcomes. Fewer errors will mean fewer complaints and increased brand consideration. Antonio has already detailed the progress we are making on reducing complaints and we are determined that Simplification will enable us to reduce those FSA reportable complaints to less than 1 per 1000 in 2014.

Simplification will generate significant financial benefits. I have previously described to you the “ice berg” effect where simpler processes and fewer errors and complaints lead to a virtuous circle of lower cost primary processes generating fewer demands for secondary processes of error correction, rework, complaint handling, and so on. And whilst the majority of Simplification benefits will flow to the bottom line approximately one third of the benefits over the life of the programme will be used to fund investment in our strategic growth initiatives. And for our colleagues, Simplification will eliminate low value tasks, increase cross skilling, and free up time to spend with customers to deepen relationships and drive income growth.

Hopefully you recognise this slide from last year. Simplification is organised into four key streams: Operations & Processes; Sourcing, Organisation, and Channels & Products. You'll see that at the outset of the programme last year we had identified 111 initiatives. That number has now grown to 183, reflecting the additions of new ideas as well as deletion of some ideas that didn't provide the right financial payback, and it also reflects the added granularity of our plans as we move into delivery mode. With the core technical aspects of Integration now complete we have been able to move substantial and highly skilled resources onto our programme of transforming the business and technology, harnessing automation and workflow tools; simplifying the organisation; and driving out cost.

I reported last time on the Cost Management approach that we have implemented. This is now maturing into a very effective process bringing both detail and control to all aspects of our cost base. 14 dedicated cost management units, each responsible for a single cost type now review and control all costs and budgets on an end to end basis across all divisions and businesses reporting to a Group Cost Board chaired by me. We have extended this process now to look at costs which are netted off income, for example insurance claims.

It is the success we have had in 2011 in reducing operating expenses, the good early mobilisation of the programme, the increasing detail and definition of our plans, and the growing maturity of our cost management approach that, as Antonio has already outlined, leads us to increase our cost target to £1.7 billion of in year cost savings in 2014.

Let me give you a bit more detail on that early mobilisation. I have already highlighted the benefits achieved in 2011. These run rate benefits were delivered primarily through our Sourcing and Organisation workstreams. By the year end we had announced 2,098 role reductions and achieved 1,665 job savings. I am pleased to say we continue to achieve over half of our role reductions through natural attrition and redeployment.

We've centralised our corporate functions such as HR, Finance and Risk, removing duplication of activity and strengthening our control. In the Wholesale and Retail Banks we've increased leadership spans of control and reduced management roles.

All these restructures demonstrate what I talked to you about last time in terms of flattening the organisation to a 7 by 10 structure, that is seven layers from top to bottom with average spans of control of 10 or more, this gives increased personal accountability and promote a high performance culture.

And we have made good progress on our plans to reduce the number of suppliers we have, rationalising contracts and removing 2,351 suppliers since the first of July. In terms of the heavy lifting part of the programme aimed at reengineering our processes we have completed a mapping of all our processes and this is it. Don't worry, you are not meant to be able to read it but it shows the core processes of the Bank.

Now behind each of those boxes we've mapped how many times we do the process, where it is done, who does it, the time they take, the costs involved, the error rates involved and the complaints we get. Now the data is not 100 per cent complete but it is good enough to let us identify the target areas for our improvement. Now we've mapped 910 processes and that covers the day to day activity of over 85,000 of our employees.

Not surprisingly for a Bank, around 16,000 employees are in the top 5 processes which surprise, surprise are paying money in and taking it out, opening accounts, answering general enquiries and sales prospecting. Now clearly, we can't fix all 900 plus processes simultaneously – that would be like trying to boil the ocean.. But the top 125 processes account for the work of around 68,000 of our colleagues, so that's where we are directing our focus as we believe these will do most to simplify customer service and enable us to maximise cost savings potential.

We will take one of three approaches to simplifying those processes. Where possible, we will automate so once the button is pressed, technology and systems will execute the request with no further human intervention. We estimate that around 30 per cent of processes could be handled this way.

If full automation is not appropriate, we will harness technology like image and workflow so the work is sent to the right place, first time, for fulfilment. And finally, there are times when automation just is not appropriate, for example dealing with bereavement, so we will have Centres of Excellence where trained and highly skilled colleagues can provide the right support for customers.

We are in the process of finalising our design choices for our key processes and will shortly mobilise the first 30 workstreams to start making changes on the ground. We have already begun to build the technical architecture and infrastructure to support these programmes. As I mentioned earlier, we are now moving into delivery mode. Since the end of the year we've announced a further 1,690 role reductions bringing the total for the programme to date to over 3,700.

But let me give you a few examples of things that are coming in the next few months:-

Antonio has referred to our very successful cash ISA campaign, but our underlying cash ISA process has been extremely manual. This month we have launched an improved process, supported by elements of automation that will significantly improve this year's customer experience and our efficiency for the tax year end coming soon. In quarter 4 of this year, we intend further to reduce the ISA switching timeframes and to have a fully automated process by 2013.

In Account transfer or Switchers, that is new accounts transferring into the Group from competitors, which I am pleased to say is a high volume activity. In April we will introduce a new transfer process that will reduce the time to transfer by up to 30 per cent, reduce our data re-entry by 65 per cent; and we think will eliminate errors by 50 per cent.

Now as Antonio has mentioned, the online channels continue to grow rapidly, with over 1.5 million downloads of our mobile apps. At one point in December last year LBG brands were number 1, 2 and 3 most popular free financial downloads from the Apple App Store. This is leading to increased usage so that on the first business day of 2012, we saw a record of 3.7m customers logging on through both internet and mobile. That's a staggering number, far more than any daily branch or telephony traffic.

There is a lot more to come this year from Simplification. It ranges from improvements to the functionality of our telephone service right through to re-engineering the way we clean our major office. This latter improvement for example should give us a reduction of 15 per cent in cleaning costs.

To summarise. I believe we have made a good start to Simplification. Integration delivered its synergies of £2 billion. A fantastic achievement and most importantly it shows what we can do. We have taken the Integration savings through to the bottom line reducing so our Total Cost Base is reduced by 13 per cent since 2008 and our Operating Costs by 6 per cent in 2011 alone, all of this supported by a much tighter and more disciplined approach to the management of costs.

Our early deliverables from Simplification have already generated £178 million of benefits. We are well through detailed analysis and are mobilising at scale to deliver.

And finally with this strong momentum we are now targeting an additional £200m of cost savings, that is £1.7 billion of in year savings in 2014.

Thank you, I'd now like to hand back to Antonio.

António Horta-Osório – Group Chief Executive

Thank you Mark. I will now turn to the economic and regulatory environment, summarise our 2011 performance, and comment on our guidance and outlook, before concluding.

Turning first to the economic environment. The outlook for the UK economy remains uncertain and to some extent contingent on developments in the Eurozone. We believe the most likely scenario is for the weakness we saw in the second half of 2011 to continue in the first half of this year, followed by a relatively shallow recovery in the second half and in to 2013. As a result, we expect UK base rates to remain at current levels through 2013, and unemployment to rise from current levels to peak at around 9 per cent next year. However, we expect CPI inflation to fall from current high levels to below 3 per cent this year, and possibly below 2 per cent next year.

UK property prices are likely to reflect this weak economic environment, with house prices remaining broadly flat in 2012 and 2013 and commercial property prices likely to be marginally weaker in 2012, before recovering in 2013.

In terms of the regulatory environment, the publication of the ICB's final report and the Government's response to it have represented significant steps in providing greater clarity. On capital, the proposals are consistent with the targets we set in the strategic review, and, although much work remains to be done on the details of the implementation, we are on track to achieve the recommended capital levels, as well as to comply with the requirements of CRD IV.

We also welcome the Government's endorsement of the ICB proposals to ring fence retail banking operations as part of a wider regulatory framework. As a predominantly retail and commercial bank, we would expect to be less affected by the implementation of a ring fence than other market participants. However, we believe it will be important for any transition period to be flexible in order to minimise any impact on economic growth, and to enable banks to implement the required structural changes.

Finally, the Retail Distribution Review is expected to have a significant impact on the way in which financial services are delivered in the UK, especially to retail customers. As we stated at the time of the Strategic Review, we see a substantial opportunity arising from this change, given our franchise, brands and product capability.

Now, moving on to guidance. In 2012, given the economic outlook, and non-core asset reductions, subdued demand in the core book, higher wholesale funding costs and interest rates remaining low, we expect our banking net interest margin to decrease in 2012 by around the same amount as we experienced in 2011.In terms of the 2012 margin shape, we would expect significant reductions during the first half of 2012, and then flattening in the second half. We expect our total income to be lower than in 2011 and we would continue to expect subdued demand in the core loan book.

In terms of costs, we expect to reduce nominal costs further, driven by Simplification.

We also expect to see a further decline in the Group impairment charge, in similar percentage terms to the reduction we saw in 2011, as a result of further asset quality improvements across all the divisions, with the largest improvement coming from International. We also expect the benefit from fair value unwind to reduce to around £500 million. We expect to continue to strengthen our balance sheet in 2012, by a further reduction in non-core assets of around £25 billion, and by improving our funding position through further deposit growth at least in line with the market.

For the medium-term, we remain confident that the targets we set out in the Strategic Review in June 2011 are achievable over time. However, as we indicated in our Q3 IMS, we now expect the attainment of our income-related targets to be delayed as a result of the weaker than expected economic outlook. This will also delay the attainment of our return on equity target to beyond 2014. We continue to expect to deliver our balance sheet, cost and impairment targets by the end of 2014, and in some cases sooner. As you have heard, we have increased our cost savings target by a further £200 million by 2014. And we now expect to deliver our Group loan to deposit ratio target in 2012, two years ahead of plan.

So, to summarise, we are building a bank which has the balance sheet strength, efficiency and customer franchise to continue to deliver a resilient performance in challenging market conditions. Given we are likely to have lower interest rates for longer and higher regulatory costs along with deleveraging in credit markets, it will be those banks who can create competitive advantage through a lower risk premium combined with best-in-class efficiency who will achieve superior returns and will capture the opportunities as economic conditions will improve.

Thank you very much for listening and lets me now turn to questions and answers which Kate will facilitate.

Question and Answer Session

Question 1: Chris Manners, Morgan Stanley

Morning everyone. It's Chris Manners from Morgan Stanley here. So two questions if I may. The first one was on the core average interest earning assets development. Obviously you commented that there was subdued demand for new loans in the core division, average interest earning assets went down about £20 billion last year. Would we be expecting the average interest earning assets in Core to continue to fall into 2012?

And the second question was on CRE slotting and obviously the Royal Bank (of Scotland) saying that it was going add around £20 billion to their RWAs. Do you have a figure for that? Thanks.

Answer: António Horta-Osório

Okay, thank you very much Chris. Well about our core book. It is very interesting the question you make because we are absolutely investing in the core book. And the fact is that the economy is deleveraging as a whole and therefore customers in general are having less credit in relation to either GDP or to their disposable income. But we are targeting and have improved significantly our positioning in our core segments. For example, in savings as I showed you, we have got probably a 50 per cent market share of net savings flows. In terms of mortgages we have had a 20 per cent market share of gross mortgage lending and in the core segment of first time buyers 24 per cent. Nevertheless as you said, given that customers are repaying on accelerated way mortgages, the total mortgage book goes down.

And in SMEs, which is our other core segment, we have increased net lending by 3 per cent, while the market has gone down by 6 per cent, so here we have a significant market share improvement. Our objective always subject to market conditions in competitive conditions is to keep very strong market shares in our core segments, such as that when those markets recover, we will recover and grow with them. So in this context how do I see 2012 which is the core of your question. I think that the mortgage market is going to behave very much in line with this year. More or less flat as you are asking. I can see SMEs net lending to continue to be negative, but we have publically committed and I am very confident about it, that we will again provide at least £12 billion of gross lending to SMEs and that we will achieve again positive SME net lending.

And on the corporate space we have been prioritising according to the segments, where we have been focusing more on medium corporate and the ones which are more attractive. And less focus on the ones where we have less margins versus our cost of funding, and on the higher segments, which I think will be a similar picture next year but less pronounced because as you know the market overall in corporate is also going down 5 per cent. So that is why I said that in 2012 I continue to foresee subdued demands in our core book. But keeping very good market shares in our key segments and in some of them, as SME for example, continue to have positive net lending in spite of a negative market growth as a whole.

Relating to your second question of CRE slotting, the impact on ourselves is not as high as Royal Bank has stated yesterday, but I will ask Juan Colombas our Chief Risk Officer to give you some more colour into it.

Answer: Juan Colombas

Good morning. The impact of slotting in our portfolio, if we do it today, we think it will be at the order of less than £10 billion and it will depend on the pace of implementing it and the run-down of our portfolio. In 2011, our CRE portfolio went down by 15 per cent, you can make this number from the pages in the appendices. It will depend on also on the pace of its implementation. This is not exactly as it is, where we are incorporating this number also with what will be the impact on the excess of expected loss through implementation. But what we think, I mean to summarise the number in our single one, the impact would be equivalent to RWAs of less than £10 billion.

<u>Question 2: Robert Law, Nomura</u>

Robert Law of Nomura. Could I explore two areas please? First of all thanks for the guidance on the margin and the factors behind it. And I was wondering if I could invite you to comment about how long those factors are sustained for. So if one looks into not too much 2012 but beyond, what does it take for these factors to start to moderate? So if you look at the slide that you gave I think on page 19 of the slide pack, have we seen the end of the wholesale funding pressures this year? What happens if rates stay low? What are the hedging impacts that you have and how do they run off? So I am looking for some kind of indications of what it takes for this progressive decline in the margin to ameliorate in subsequent years?

Answer: António Horta-Osório

Robert, thank you very much. Look, I think the way we should look at it is exactly as you said in terms of the underlying factors and each one can make its expectations on how those factors will evolve. In terms of 2012 vs. 2011, to position this first. The fact that we think that the margin will decrease more significantly in the first half and then flatten in the second half is mainly due to the fact that in the comparison with 2011 we have in the first six months of 2011, the cost of the SLS which was extremely low as you know, so it was like a kind of subsidy which in the comparison makes the comparison negative. And on the other hand, we had the wholesale cost of funding increasing especially in the second half of the year when the crisis started in the summer. And we have also increased the amount of liquid assets we hold on the balance sheet in the second half of the year as well. And those assets have a cost because as you know funding them has a negative cost for us.

As we go further, what is our strategy in terms of what we control and how do we see the factors that we do not control? So from the second half of 2012 onwards, we will no longer have the distortion on the comparison, both from the liquid assets and from the SLS effects of 2011. Still the wholesale costs of funding we think it will continue to be high, although with all the improvements we have made in terms of capital liquidity we would expect it on a relative basis to start trending lower because we will need less and less wholesale funding and our position is improving sustainably. But we are thinking as I told you that it will remain high and therefore that is a negative effect in terms of margin, but progressively lower because we will need less and less wholesale funding.

And in terms of our core book which as I showed you in one of my slides, we have a deliberate policy of offsetting the higher cost of deposits and mix on the liability side with the asset re-pricing and the mix on the asset side. And we expect that equation to continue to hold. And the more the core represents of the total bank, the more important that picture is versus the picture of the non-core where basically all the non-core is wholesale funded.

<u>Question 3: Jason Napier, Deutsche</u>

Good morning, it’s Jason Napier from Deutsche. Two questions, firstly on the simplification cost savings. I appreciate the programme hasn’t been running all that long and results so far are indeed impressive. But if I look at the run rate at the end of the period at about £242 million, £178 million for the overall period, I just wonder how steep a hockey stick we are looking at, particularly as related to 2012 given that you are obviously aiming for a colossal saving as recent or as near as 2014?

And then the second question is a sort of follow on from Robert’s question on net interest margin. I wondered whether you would comment on, whether the shape of NIM compression in the next six months is similar to what you have seen in the last twelve as far as the split between core and non-core is concerned. Obviously the NII in non-core is a very small number and the numbers are already down 45-46 bps in the last twelve months. If you could just talk about how you see core margin evolving over the next twelve, that would be great.

Answer: António Horta-Osório

Okay, relating to the first question which is a great question. I will let Mark go into detail in this question, Mark please.

Answer: Mark Fisher

Well we are not disclosing a specific year by year forecast with simplification, but we have clearly set the end point and £1.7 billion we have got three full years of 2012, 2013 and 2014 to get there. As you say we start effectively on a 242 start point. Let me put it like this, it is definitely not a flat line with a hockey stick at the end. It is a much more linear increase, but nevertheless the heavy lifting parts I referred to, they do take time to build and mature. So there is a reasonable linear increase with some acceleration towards the back end as they, you know, the IT development which takes, you know, sometimes a year or more, you do it, you implement it, you then have to really exploit those things. So it is going to gather pace through there, but it is definitely not a hockey stick.

Further Answer: António Horta-Osório

There is a second question. Look Jason we only give guidance for the Group as a whole and we don't split between core and non-core book. But to give you a bit more insight on the flavour of 2011, as you saw in my presentation on Tim's as well, our core margin has only decreased by six basis points. Because as I showed in my slide, we were able to fully offset the higher cost of deposits with the mix on the deposits and with the repricing of the assets. And we expect that to continue. Therefore on the core book the only impact that makes the margin go down is the wholesale cost of funding. So depending on your expectation on wholesale cost of funding and the amount that we will need, which will go down, you can make your own expectation.

On the non-core, which as you say, we don't find very relevant, the important thing is to look at the non-core assets as a whole and as long as we do it as we have been doing it holistically and we shed non-core assets in a way that is accretive to capital, as we have committed at the strategy review last year. And at the same time has minimal hits to the balance sheet and therefore increased core tier 1 as they are liberated, and do not originate provisions for the future, and finally, also release liquidity. That is the holistic equation that we should look at the non-core books, very different as you were saying, from how we look at the core book.

Question 4: Tom Rayner, Exane

Thanks Kate, it is Tom Rayner from Exane BNP. Could I have a couple please, one on costs and the other on non-core? I wouldn't mind a third, but maybe I shouldn't try that, okay. Just on the costs, the last two years the statutory costs have been above £13 billion and obviously there is a lot of focus on the underlying measures. I am just trying to get a feel as we get to 2014 and we reach full achievement, I mean restructuring can become a bit of a habit on ongoing process. I am just trying to get a sense that we will have seen a convergence in the statutory expenses number and the underlying number by the time we get to the end of the programme. And as I say, I have a second question. Do you want me to do it now or wait?

It is really a sort of update on the non-core assets again, 2014 assuming we are at about £90 billion. Can you give us any sort of flavour of what the plan then is? I mean are we going to see this reduce to zero? If so what is the capital implications or may we see some of these assets sort of drift back into part of sort of core Lloyd's business? And I am just trying to get a sense of what happens post 2014? Thanks.

Answer: António Horta-Osório

Okay, relating to the first question on costs I will ask Mark to give you some more colour as well on what you ask.

Answer: Mark Fisher

Okay, as you say there are some quite heavy below the line costs including the integration was by far the biggest factor of that over the period. Quite obviously that is done. Verde is a different feature, obviously that is growing, but again in the period we are looking at, obviously that will be finished in the middle of the period. So it is definitely also going to go away and as we have discussed simplification, we have outlined the costs there which when we declared last summer, the target costs for simplification are £2.254 billion, the vast majority of which will go below the line. But as you say we don't intend that to become a habit.

The simplification is transformational in the sense it really will move our systems and processes and customer service to a completely different base. So clearly I would expect to be able to improve after that, but I am not expecting maybe at quite such a heavy pace. Or if we do, we will have to generate equivalent benefits.

Answer: António Horta-Osório

Tom, relating to your second question. The fact that we were able to do £53 billion of non core asset reduction without any significant hit to capital as we discussed was a very good achievement in difficult market conditions from the team and from the committee that we put in place that sees this, as I said, in a holistic way. So given that we have another £50 billion to go in terms of our target for 2014, what we said is that within the same principles we will do at least £25 billion, which is again more than half of what we have to do in the next three years, and that is our base case to start with. So I think the implication of what you are asking is that most likely we will be ahead of target for 2014 if this continues at the current pace. But we are going to absolutely privilege the criteria that I told you which is capital release which is less provisions for the future, therefore risk and liquidity liberation, very important, for the whole liquidity position of the bank. In the present market conditions and last year was very difficult as we have commented on, it is, we are very comfortable we can do at least £25 billion within those criteria for the current year and therefore as you say, we will have only like £15-£20 billion to do.

Question 5: Rohith Chandra-Rajan – Barclays Capital

Thanks good morning. Rohith Chandra-Ragan from Barclays Capital. Could I have two as well please? First one just on the near term guidance on impairments, where you know you are talking to reduced impairments across all of the divisions, but particularly in the international businesses. Given your cautious outlook on the UK economy, I just wonder if you could talk a bit more about your expectations particularly in the UK corporate book and the degree of confidence that you have around that in terms of impairments for 2012 and onwards?

And then the second question was a sort of medium term question just in terms of, your income aspirations. You talked quite a bit today about net interest income, the lower rate of environment, deleveraging the economy etc. I just wondered in terms of the non interest income drivers, given that there was a lot of focus placed on those within the new strategy, how you expect those to proceed versus the original expectations back in June? Thank you.

Answer: António Horta-Osório

Okay, Rohith, that is a very good question because it is absolutely true as you say, and it might look even a bit inconsistent. We are cautious about the outlook, I think we all share that the economy is going to be probably flattish this year and then slow recovery next year. So it will be again a long and difficult recovery. More difficult than everybody would have anticipated a year ago. But it is as true that we see across all divisions very good performance in terms of impairments across the board. And all the leading indicators that we have point in the same direction. And that is why we are very comfortable when we are guiding you to a same percentage reduction in terms of our Group provisions for 2012, the same as we have in 2011.

With especially important contribution from the International Division. So that is something which, in terms of the underlying performance of the portfolios, makes us very comfortable.

What are the main reasons behind that comfort, going a bit deeper, and how can they be contrasted to what you say, our cautious outlook on the economy? Well I think we have to split core and non core. And when you look at non-core, we start from a base where we have less £53 billion of non-core assets on the book. And those £53 billion of non-core assets that no longer exist in the book, as Tim mentioned, do not generate more provisions in the future. And those include almost £5 billion in CRE, those include £2 billion of cash from Ireland, to give you two examples. Significant cash receivables from Australia and New Zealand apart from non-core Treasury securities. So as Tim showed, very much across the board. So in terms of the non-core, the fact that we reduced 27 per cent our non-core assets, and especially based on risk criteria, is one of the major reasons why there is a significant improvement going forward, those risky portfolios disappeared.

When we go into the core book, you can see as well from all my slides in all divisions, that although we have been going up, for example, SMEs loans going up 3 per cent, risk weighted assets going down by 3 per cent. In retail assets go down 3, risk weighted assets go down 6 per cent. In all divisions, you have the same behaviour which means, as Tim also showed, that the new loans that we are getting into the books are less risk and more in line with our more prudent approach to risk which is the Lloyds heritage type of risk management that Lloyds used to have, and therefore the new business has a lower risk premium for the future. And this will translate as well into lower impairments in spite, and I fully agree, and I was the first to tell it, that we are going to face a very challenging economic environment. Would you like to add something to this in terms of 2011?

Answer: Tim Tookey

I agree with what you said, I think if you wanted to see the trends, I would take you back Rohith to my slide which showed the reducing level of capital intensity required by the business. I would also look at the arrears trends which are down steadily half on half on half. The trend is getting a bit boring actually, just showing the steady improvement in the quality of the book. But I was really pleased to see the reduction in new to impaired in wholesale, in commercial and the slowing migration to impaired in Ireland. Those are all good signs of the improving quality in the book.

António Horta-Osório

Juan could you also add some colour about 2012 impairments and NPLs perspectives?

Answer: Juan Colombas

Yeah. Our outlook for 2012 as Antonio was saying, is to improve lower level of impairments in the wholesale book as well. We are monitoring the entries into what we call the business support unit where we treat all the bad assets and the trends in terms of entries are encouraging. So we see it, I mean when you compare the second half with the first half of 2011, you see significant reduction in the second half against the first half. So we think this together with what Tim is saying, and it is that the level of impairment that we have to charge for the new entries into BSU is lower, that is what is making it work.

Answer: António Horta-Osório

Thank you Juan. And just to the second part of your question. As we said, we think our income related targets for 2014 will be delayed beyond 2014 given the weaker economic environment. But we still expect to achieve them over time and that includes Rohith what you asked about OOI where we had some improvement last year already. We are working on the growth initiatives that are all based on the capital light projects which will increase OOI further as we go and we are continuing to be committed to achieving around 50 per cent of OOI of our total income over time.

Question 6: Manus Costello, Autonomous

Good morning, it's Manus Costello from Autonomous. I have got a couple of questions for Tim or perhaps Andre actually. I notice that you have decided to issue some equity to settle the coupon payments in some of your hybrid instruments, I wondered what is going on there and if that is something we should see going forwards or if that is a one off?

And my second question is that, like RBS, you are on review for downgrade to your P1 rating and I wondered what impact that would have on your business? And in particular what we should expect to see in terms of mitigating measures? Would we expect to see the liquidity pull fall? Would we expect to see significant outflows of corporate deposits and short-term wholesale funding? If you could give some colour around that please?

Answer: Tim Tookey

Thanks very much for that Manus. On the equity piece, the answer to your question is, we haven't done yet. But we have set out in the notes an intention this year now that we finally free of the coupon blocker from the EU which is a terrific position to be in now that it is our intention to issue what would be a very modest level of new equity to satisfy the coupons on the instruments that are due for benefiting from the EU blocker coming off. This is a small amount. I mean we are talking less than 1 per cent in terms of dilution, but the benefit obviously is that it does it in a capital neutral way. And I think in the current environment it is my view, it is our view that that is probably the right thing to do at this time. You ask whether that is something you should expect into the future? I think we will probably do that for this year and then will take a rain check and see how we feel about the future next time.

On the second part of your question, yes there is an awful lot of banks in this situation right now. But we have set out in one of the notes, deep in the appendices in the news release, today some quite extensive disclosures on what the impact might be. It is very difficult to predict how this is going to be, so we have illustrated what might happen. I mean we saw virtually no change in patterns from either corporate or pricing or accessibility to the debt markets in the autumn and the downgrades that happened then. And I think it is one of the things that makes me feel very comfortable about it because we are sitting on £200 billion of primary and secondary liquid assets which is a very strong position to be in. It is over 170 per cent as I said in my chart, of all maturities that are due in the next twelve months which is a very good position to be on. Put on top of that the fact that we continue to outperform the market in growing retail deposits, add onto that the fact that we have done £15 billion of term funding for this year, against a target of £20-£25 billion and there is a degree of scepticism of whether we can grow the core book in the room.

So I might not even need £20-£25 billion, so you can't have it both ways guys. I look at it and I say, with so much uncertainty out there, we are in a very good overall position.

Question 7: Michael Helsby – Bank of America, Merrill Lynch

Thank you, it's Michael Helsby from Merrill Lynch. Just a couple of questions please. Just on costs, I see where you have exited the fourth quarter on Opex at £2.4 billion and that has been progressively trending down in every quarter. Is that the base that we should be looking at for 2012 if you could give us any guide, if there is any particular investment that you are going to be doing in 2012?

On bad debt, Irish NPL covers now at 62 per cent which is currently very high, I was wondering if you could talk about the outlook as you see it for NPL formation in Ireland? I appreciate you know asset values are still depressed and there is no liquidity, but just how you see NPL formation given NPLs are very high as well?

And just finally, I was wondering if you could give us a comment on how you see the LTRO? You have clearly got a big funding requirement in non-core, a lot of that is European, it just begs the question why you don't spread the pain of that and use the LTRO while it is there?

And then just attached to that, but maybe, it is just the £25 billion of assets that you are running off in non-core, can you tell us if that is all now interest earning assets or if any of that is maybe in trading or something like that?

Answer: António Horta-Osório

Mark maybe you can take the cost one and then Juan will take the Ireland NPL one and I will take the LTRO one and we will think whether we answer the fourth!

Answer: Mark Fisher

So essentially the question, do you take Q4 and extrapolate it and I think I would rather you didn't. The costs are quite lumpy so things like the bank levy, FSC compensation, bonus accruals, impact of pay rises, do make the quarterly trend a little bit more volatile. So it is far easier to think of it I think in terms of the long-term rate of cost decline on an annual basis and really to think about it much more as an annual trend rather than trying to extrapolate a quarter by four, could lead you to wrong answers.

Answer: António Horta-Osório

Basically the idea that I think you should keep is, we are going in an accelerated way, nominal costs start to reduce quickly this year and are going to continue to reduce. We are increasing our targets for the end of 2014 and you can extrapolate how we are going to do until then. But we are going quicker than we expected at a sustainable pace. That is the way I would put it.

Answer: Juan Colombas

Ireland, we have two books in Ireland. One is the wholesale and the other one is retail. I think the picture is different in both. So in wholesale we have £17 billion net and if you look at the numbers at the end we have an impaired asset preview of 84 per cent. So you cannot impair more.

So we have impaired everything. And in spite this level of impairment we have a coverage ratio of 61 per cent which is extremely high. So the more you impair the new assets that you impair normally have a lower coverage ratio. In spite of that, in spite of having almost the whole book our coverage ratio is 61. So for wholesale we are comfortable with our current provisional levels in a very bad book. But we feel that we have done the right thing in terms of provision coverage.

In retail the picture is different. So you have seen increased level of impaired assets in 2011. We think the overhang on Ireland on the property market will continue, so we are not very optimistic in spite of the economy growing in 2011 and the latest outlook that came out yesterday was for growth also in 2012. We think this is not going to impact positively in the property markets, so we continue being very cautious on Ireland. What we think is that the level of coverage we have in our impaired assets is very good so we are on 70 per cent in the mortgage book in Ireland. It is a £7 billion portfolio, so it is a small one. But we have a very high level of coverage and on top of that, we are keeping a very conservative policy in terms of recognition of impaired assets. So you compare NPLs or 90 days plus arrears in the mortgage book in Ireland with your impaired assets, we have today 18 per cent, 90 days plus and 20 per cent impaired. You do the same with the competitors, their picture is totally different. So they review it from kind of 10 per cent to, kind of, 5 per cent. So we are impairing more because we are seeing that the lower level will have to take more than the 90 days plus. So we think the 70 per cent in our case is again, as it happens in the wholesale, it is a higher level even when you compare like-for-like. And the comparative ratio with competitors is at levels of 50 per cent. So we think we have taken a big hit for the next year, for 2012, we think that the situation will continue at that rate. But our impairment charge in Ireland we think we have taken one offs in 2011 and therefore we could see in 2012 compared to 2011 some improvement.

Answer: António Horta-Osório

Michael relating to the LTRO, we have not yet taken a decision. And as we just discussed, we are improving our funding position substantially. We have already done more than half our funding plan for the year. We don't really need to access the LTRO. But, and we are going to take a definite decision on this next Monday when we have our Group ALCO. But as you said, we are thinking about our European non-core assets which are Euro based and where we have more assets than liabilities. And given those are non-core assets which we will run down most of them over the next three years, it might make sense from a risk management and liquidity prospective to match those assets with using the LTRO in moderate amounts and have them ring-fenced and therefore having a much better risk management in terms of our non-core Euro assets. So we are thinking about that.

António Horta-Osório

It is correct, it is not on our margin guidelines.

Answer: Tim Tookey:

I will deal with the fifth part of section one of question two!! You asked if all disposals contributed to average interest earning assets? The answer is no Mike they don't because our Treasury assets don't count into that total. And I might just say, you will find pages 106-110 of the appendices particularly fascinating if you want to understand Ireland, dissected every which way, so that may help you understand the Irish book.

Question 8: Arturo Frias, Santander

Hi good morning. Arturo Frias from Santander. Two questions as well, one on strategy and one on capital please. One on strategy is related to the wholesale unit. The wholesale unit is the only one that has seen the returns coming down this year. The return on risk weighted assets pre tax is 1.4 per cent, that equals an RoE of around 10, which is not the end of the world, but it is clearly diluting the RoE of retail, commercial and wealth which are all above 15 per cent. So my question is, probably you are not very happy with that 10 per cent RoE in wholesale, what are you going to do about that? And the other problem is that wholesale is the biggest division in RWA terms. So are you going to decrease wholesale in terms of RWAs or are you going to substantially increase the returns on that division? Or are you just happy with the other divisions doing the heavy lifting and wholesale diluting it?

And the second question is on capital. The CRD4 guidance I think if I add the DTAs and the insurance, is now 285bps. And if I remember correctly, the last time we talked about this, it was going to be in the region of 200bps. So am I right, is the impact now a bit worse? And if yes, where are we with your guidance of being prudently in excess of 10 per cent core tier 1 by 2013? Thank you.

Answer: António Horta-Osório

Okay Arturo, thank you very much and welcome back as Kate said, I will take the first question and ask Tim to answer the insurance one about the difference that you mentioned. Well obviously we are not happy with the return over the year of the wholesale division, obviously not. On the other hand we recognise that it was an especially difficult year. The decrease on the profitability of the unit is a result of both deleveraging on our core corporate customers on one hand, and second, and especially, very difficult market conditions which made customers transact less and therefore our growth initiatives and our plans of enhancing the share of wallet of fee based capital light products was less successful in the year which we would hope to change.

So in terms of the future, I would separate this in two parts. On the non-core, because there are substantial assets on the non-core division, which are wholesale. We want, as in the other non-core divisions to shed them as soon as possible within the holistic view of balancing liquidity, capital and result on the sale. We have been successful as well on the wholesale division this year and we plan to do the same and reduce non core wholesale as quickly as possible within this criteria.

In terms of the non-core, of the core part of the business, we have significant growth initiatives in wholesale, such as the arena platform launched last year for money markets and foreign exchange transactions, where we have had a substantial increase in terms of volumes and we can ask Andrew to give you some flavour on that. And we have other initiatives which take longer like transaction banking that require investments in order to generate income. But the strategy for wholesale in terms of principles is very clear. We do not want, as I said in the strategy review, to build a big investment bank. We do not want to have an equities business. We do not want to have an advisory business. We do not want to have trading. We want to have our wholesale business focused on mid corporates. Focused on our extremely strong positions in SMEs, on the retail business and help those areas get a bigger share of wallet of those customers, especially with products orientated to OOI because they will be capital light products. So those are the principles of the strategy that we have set out in June and those principles I would say are even more valid today.

In any case, Andrew I would really like that you say something about the success we have with the first initiatives with the arena foreign exchange and the rates business?

Answer: Andrew Geczy

Certainly, I think there have been a couple of things we have been investing early on in on the business itself. The foreign exchange business is a great example. Through Arena we have been changing the way or responding to the way customers want to do business. The corporate customers have said to us that they want to transact over an e.channel where we have built an e.channel they have responded to that. We have also expanded our foreign exchange business in the financial institution and our volumes are up significantly there inside our foreign exchange business.

I think the other piece that happens, not just in foreign exchange, but our debt capital markets business. Antonio mentioned earlier that the sterling investment grade bond business, we have had an increased market share there. We had an increased market share in our lending business aspect as well. So we have seen growth in our key initiatives in each of them.

The last point to highlight though is that these product initiatives are only linked to what our customers want. We are building a platform, we are building capability to serve our customers and the customers are responding to that.

Answer: Tim Tookey

I will take the CRD4 Arturo for you. The 285 bps you are getting to is the five lots of 25 bps and then the 160(bps) for tax. I do see those very differently and I do see that the 25 bps as akin to a permanent change in the capital rule. Whereas the tax deduction or the losses I do see that very differently. Comparing that to the 2 per cent which is five lots of 0.4 that was flagged last summer, of course that five lots of 0.4, didn't include any aspect of the deferred tax at all. The 0.4 in each year was made up of two parts. There was 0.2 to do with insurance deduction and a further 0.2 to do with the other changes which was principally excess expected loss. So that 0.4 has now translated into the 0.25 that we have today, which you are doing five times to get to 125. So it has actually come down. How has it come down? Well part of the answer is on page 197 of the news release where we have actually this year taken a £720 million approximately charge against core tier 1 for the increase in excess expected losses. That brings down the amount therefore that we have to absorb into the future. And that is about 20 bps worth, so that is the lion share of it. The rest of the benefit would come from the capital restructuring we did in the insurance businesses which we completed in July of last year.

The reason this time I have been specific on the tax point, although I do regard it as very different is because we had a number of people reading our tax note in the statutory accounts and coming up with different answers. So I thought I would just put the number on a slide and make it easy for everybody to understand what it is. And that is where you get the 1.6 per cent that you get today. So actually we have got an improvement in our implied CRD4 position, partly through the mitigation actions we have undertaken and also the fact that the excess expected loss has swung against us during the year.

<u>Question 9: Peter Toeman, HSBC</u>

Peter Toeman from HSBC. Tim could I, from your comments, assume that there is no P&L impact in 2012 from the end of the coupon blocker on regulatory capital, that there is no adverse P&L consequence?

And how does the ability now to pay coupons or regulatory capital make you feel about paying dividends on equity capital?

Answer: Tim Tookey

I will answer the first question. The second question is probably a question for when I have gone! The answer is yes, there is no impact on the P&L from what we are doing. Shall I stretch it out? It is approximately nil!

Answer: António Horta-Osório

Well about the dividends, what I would say about the dividends is. We have made a lot of progress since last year, but the answer is very similar, i.e, we do not. We want to have our regulatory requirements clearly defined and then we want to prudently meet them. We know that the dividend policy is very important for our shareholders, we are absolutely mindful of that. And I think that when you look at the core book, and you see that we have a core book that generates more than £6 billion of pre tax profits in a difficult year, and with a return on risk weighted assets of 2.5 per cent, you can have an idea on the future of what that book will look like and what dividends it can generate. Nevertheless, we are waiting for the full clarity on the ICB discussion with the Treasury now for implementation. And we are waiting for the CRD clarification as well in order to implement those rules as well. I have to add that versus what we said in June, and we said at the time we wanted to have a capital ratio of core tier 1, capital ratio prudently above 10 per cent, when the CRD implementation would start, so in 2013. I think all the numbers move in the direction of what we said a year ago. And if you apply, as you saw in Tim's slide, current CRD rules to the present position, we are already at the core tier 1 level of 10 per cent for January 2013 without any management mitigating actions and without any profit reduction.

<u>Question 10: Mike Trippett, Oriel Securities</u>

Morning, Mike Trippett at Oriel. Two questions. I am still trying to understand within the retail division, you talk about impairments up because of your outlook on house prices. Yet the risk weighting on that book is down. I am just trying to square that with now, as you just pointed out Tim, the expected additional losses in the core tier 1, you have taken a charge in 2011. So I am just trying to square that circle on impairment versus risk weighting?

And the second question is on non-core. As you sort of progress through that run-off, I am just trying to understand how the loss, what I am trying to understand is what the capital released would be in 2012? If funding costs are going up presumably your opportunity cost is higher on that book. So if you could throw a bit of light on that one in terms of capital release?

Answer: António Horta-Osório

I can start from the second one and tell you. That is exactly one of the reasons why we have accelerated the non-core reduction during the year as wholesale funding costs were going up as you correctly say and the opportunity cost is higher. So it is an additional incentive. Everything else constant, for you to accelerate the non-core reduction, once it is totally wholesale funded as you just said. So for 2012 our expectation as I just said, is to do again at least half of what we have committed to do up to 2014 which will have a benefit obviously in terms of the wholesale funding position. But we want, Mike, to keep the other criteria which is not only to release liquidity, but to be capital accretive as we had committed for the period 2012-14. And we want to have into consideration the hedge to the book which then increase our core tier 1. I think you should think along the same lines that we have followed in 2011 for 2012 and given that we have still £110 billion of risk weighted assets on the non-core book, which is like a third of our total risk weighted assets, as you correctly say, there is a lot of capital still tied in that portion of the book.

Relating to the first part and RWAs, I would ask Juan to make a few comments on how they evolve and how you square the circle that you mention.

Answer: Juan Colombas

Yes the RWAs in retail are reducing because the quality of the retail book is improving. In terms of how these fit with increase of impairments in 2011 in the mortgage book, in what we have done in 2011 is to change our outlook for house prices for the future. And that was the reason for the increase and the reason we have increased the coverage in the mortgage book from 23.5 to 25.6 per cent. So for 2012, what does it mean in terms of the performance for the future? What you can see in the appendices information we have provided that the main stream and regular book are performing very well and the specialist book in the first half of 2011 increased arrears in the second half it has flattened. And at some point it will have to season, because it is a closed book since 2009. It has happened three years since we closed it. So at some point we should have to have see decrease in overall arrears in this book. But at the same time as Antonio was mentioning, the outlook for the economy is not positive, unemployment will rise in 2012 and 2013 and therefore we are keeping a cautious view of the retail book for 2012.

Answer: António Horta-Osório

We are expecting as we said in the beginning that overall in terms of the retail book, non performing loans will continue to decrease in 2012.

Answer: Juan Colombas

The biggest improvement in retail is coming from the unsecured book where in 2011 we had seen significant improvement in the level of impairment charge. For 2012 our expectation is to continue with this increment.

Further answer:

Can I answer the last part of your question Mike, how does that interact with the £720 million excess of expected loss? This is an interplay between the assets that have run off during the year and fair value. So at the start of the year we didn't have an overall excess expected loss and expected losses were more than fully provided by the impairments on the balance sheet and the fair value provisions, so the excess was zero, there wasn't one. One of the benefits of running off, well I suppose not a benefit is it? One of the effects of running off non-core assets that are very well provided, you know we had the huge benefit of turning over to cash and liberating capital of course. But we have actually had exactly the predicted uncovering if you like of an excess expected loss on the rest of the book. And that is the £720 million which appears on I think page 197 which is the capital note. That is what I was predicting would happen when we were giving the guidance on CRD4 to come back to Arturo's question, when we were looking at Basel 3 impact last summer and February of last year. And that is coming through now as we expected. So the future uncovered is reduced.

Question 11: Raul Sinha, JP Morgan

Good morning everybody it's Raul Sinha from JP Morgan here. If I can have two please. Firstly if you could give us an update on Verde, how is the sale going and maybe if you could give us the P&L contribution for the year?

And secondly I was wondering if you might be able to talk about your restructuring policy around loans in the wholesale division or in the corporate division? I mean yesterday we saw in RBS roughly £23 billion of corporate restructured loans. I was wondering if you might be able to give us some indication of what that number might be for you?

Answer: António Horta-Osório

I will answer your question about Verde and then Juan will tell you about the restructuring policies on the wholesale division. In terms of Verde, as you know we are in exclusive talks with the Co-operative Group where we are progressing well. And we have said that we will update to market by the end of Q1. And I do not want to add more. We are progressing well, together with the Co-operative Group, with the Regulator and we keep at the same time, as we have said, the IPO route in parallel is a contingent plan and we are progressing well and expect to update by the end of Q1.

Relating to the restricting policies on the wholesale division, can you comment Juan?

Answer: Juan Colombas

Yes, what I can tell you about how we manage the restructure of the loans in the corporate book, everything is done through the business support unit entirely so and the policies that we are following in the business support unit are I think very prudent, not only in the way we do it, also in the way we recognise it and keep it until we are totally sure that it is sorted.

Question 12: Gary Greenwood, Shore Capital

Thanks, it is Gary Greenwood from Shore Capital. I have got two questions. The first, something I am struggling with a bit is the return on equity in the retail banking division, which I think is around 25 per cent and that is not dissimilar to what we are seeing from Barclays or from the Royal Bank of Scotland. But clearly it is very healthy return on equity. Given the commentary that we hear from politicians, from the ICB, from consumer watchdogs about UK retail banking not being competitive enough, I mean I am just wondering how sustainable you think the returns are in that business over the medium term?

And then the second question is just on Verde, and it is just in terms of your preliminary assessment, when you came to the view of choosing the Co-op as your preferred option. I am just interested in how you think that they might be able to fund the bid on the basis that they are a mutual organisation with a core tier 1 ratio sub 10 per cent which likes other mutuals? So I am just interested in how you have gained comfort that they can back it up with the money?

Answer: António Horta-Osório
Relating to Verde, I am sorry but you will have to understand that given we are in exclusive cover sessions with both the Co-operative and our advisors, with their advisors, we are obviously considering everything both from their capital raising perspective. The business as you know, will be more or less funded because there was the option of having the smaller business. But we are in exclusive conversations and I would not like to go in to detail but will update at the end of the quarter, everything that you ask is obviously being taken into consideration on the negotiations we are having.

Relating to retail, as I showed in my slides, the return on risk weighted assets in retail increased from 2.4 per cent to 2.8 per cent. That is a pre-tax return on risk weighted assets. So if you look on an after tax basis, it would come to about 20 per cent - 21 per cent which we think that for a retail business in the present market conditions, is absolutely fine. We have to go, if you put now the political question or the social question, into the future, what I would answer to you is the following: As I said in my closing remarks, I strongly believe that we are going to go through a period of lower interest rates for longer, which normally affects retail negatively. At the same time you are going to go through a period of higher regulatory costs and scrutiny. And of deleveraging customer base because that versus GDP or income, is too high. So in these contexts, what will be critical in my perspective is to offer transparent products to customers, well priced, that offer superior value for money and where the winners will be, as I said in my concluding remarks, is on building a competitive cost advantage in terms of costs. By being able to deliver the same value for money for customers with a more efficient machine or factory, which is what Mark showed you. And secondly, building a lower risk premium going forward getting lower risk assets into the book in a sustainable way, which are the points that Juan has been asking. And I think we have made major progress on those and I think when you combine both those two, if you assume the same environment I am telling you, that is what will make the difference and those two criteria will differentiate the banks that will have superior returns from the ones who don’t. It will not be an income equation from my point of view, it will be a costs and risk premium equation for the foreseeable future.

Closing comments: António Horta-Osório
Thank you very much.

End of Presentation