H1 Results 2016
Moderator: Howard Davies
5th August 2016

FORWARD-LOOKING STATEMENTS

This transcript includes certain statements regarding our assumptions, projections, expectations, intentions or beliefs about future events. These statements constitute “forward-looking statements” for purposes of the Private Securities Litigation Reform Act of 1995. We caution that these statements may and often do vary materially from actual results. Accordingly, we cannot assure you that actual results will not differ materially from those expressed or implied by the forward-looking statements. You should read the section entitled “Forward-Looking Statements” in our H1 Results announcement published on 5th August 2016.

Operator: This is conference # 46989713.

Howard Davies: Morning. And welcome to our half-year results. And my most important role is to ask you to switch off your mobiles.

I was going to begin by apologizing for a rather complex set of results, but then I realized that complex results are what keeps bank analysts in business, and so you can look forward to an exciting Friday afternoon analyzing it.

The results demonstrate the underlying strength of our core business, generating solid operating returns in a current low interest rate environment.

It's been an uncertain time for banks throughout this year. Even before the referendum vote there were, of course, signs the global economy was slowing and that lower interest rates were going to be with us for longer.

It's too early for us to predict the full impact of the leave vote on the economy, and, therefore, on our own financial performance. We're monitoring our own customer activity closely, and also market indicators, and we'll have more to say about that later.

The action that's been taken over the last few years to de-risk the balance, to run down non-strategic assets and focus on core target markets, is positioning us well to deal with the current market uncertainty. And we are pleased that the difficult decisions taken earlier by management, at a different time, are giving us strength today.

We continue to work our way through the various legacy conduct and litigation issues we have to deal with. We've made a provision in this quarter in relation to the 2008 rights issue litigation, and have announced an agreement, in principle, to resolve the US RMBS investigations of the State of Connecticut Department of Banking. But the investigations by the Department of Justice and various other state attorneys general continue.

On Williams & Glyn, the Board has taken the decision to stop work on the plan to stand up and IPO a new bank and to focus on alternative options. We concluded that the technology risk, and the associated implications, are now clearer than they were at the end of the first quarter; and that, combined with a more uncertain economic outlook, and even lower-for-longer rate environment, undermine the standalone viability of the entity and meant that we could no longer prudently continue with the current plan.

We're in positive discussions with a number of interested parties around an asset sale, and we'll update the market as and when there are further developments.

The deadline set by the European Commission for the end of 2017, as part of the state aid obligations, remains in place.

The Board remain confident in the fundamentals of our strategy, and in management's demonstrated ability to deliver it. We aim to produce a lower cost, lower risk, higher return business, focused on retail and commercial markets in the UK and Ireland, and in Western Europe.

I'll hand you over to Ross, and then to Ewen, who will give you more detail; and I will return to open the Q&A. Ross?

Ross McEwan: Thanks very much, Howard. And good morning, everybody. Thanks for joining us for our first-half results briefing this morning.

I'll start by giving you the financial highlights for the first half, and then explain how we're positioned, given the uncertainty in the market; and then, I'll cover the progress against our plan, and give you an update on conduct and litigation. As usual, Ewen will walk you through the details of the financials.

The fundamentals of the plan remain the same: to deliver a sector-leading, lower cost, lower risk UK bank with solid returns, from great businesses.

We have strong positions in each of the markets that we like, in the UK and the Republic of Ireland, and Western Europe; and we see long-term good prospects in each.

We are half way through our five-year plan. The core bank is generating GBP1 billion of pre-tax profit per quarter, and it's returning 11 percent on equity. Costs are lower, and still falling; our capital ratio above our target; and we have a much better risk profile than probably ever before.

We're better for our customers, and we are winning more of their business.

The UK is our home market, and banks reflect the economies they serve. We know that an economic slowdown as a result of the leave vote will have an impact on us, but I think it's too early to assess what that full impact will be.

What we do know is that the UK economy starts from a position of relative strength, with good fundamentals, and we like its long-term prospects.

If a slowdown does occur, our funding, capital, and liquidity strength means that we will be there to support the UK businesses, and households, when they need us.

We expect competition to increase, and we are constantly sharpening our focus on excellent service so that customers choose us over the competition. A great service experience is the key to delivering sustainable returns, especially in more uncertain economic times.

We are positioned to deal with the challenges that the leave vote presents, and to help customers take advantage of any opportunities that may arise.

And above the macro uncertainty, we continue to deal with outstanding legacy conduct and litigation issues as prudently as -- for our shareholders as possible, and, at the same time, improving the core bank for our customers.

Let me give you more of a sense of how we did this quarter. You can see that our underlying performance was solid, and we are continuing to take costs out. The headline figure masks the strong underlying performance of our business, which made an adjusted operating profit of GBP716 million in Q2.

We made an attributable loss of GBP1 billion, 77million for the quarter, driven by the various conduct and litigation issues, which I'll touch on in a moment.

Our six franchises, the core franchises that we're concentrating on, delivered an adjusted return on tangible equity of 11 percent; a solid return in the current low interest rate environment.

We generated GBP1 billion of adjusted operating profit in Q2, adding to the GBP1 billion operating profit delivering in Q1.

And we continue to focus on becoming simpler. We've taken a further GBP404 million of costs out of the business in the first half of 2016, and we're on track to meet the GBP800 million goal we set for this year.

And our capital position is strong. Our common equity ratio is 14.5 percent, above our 13 percent target we set for 2016.

We're ready and willing to lend, and we are clear on the business we want to write. We've seen another strong quarter of growth with net lending up 7 percent in our PBB and CPB franchises from the end of 2015, and so we're on track to exceed our four percent target that we set for ourselves.

I also wanted to give you an early indication of what we've seen since the EU vote in terms of customer activity, because it's the customer activity that reflects what this business is.

We saw an initial slowdown in mortgage applications of 15 percent compared to the three weeks prior to the referendum, which has now stabilized. Some of this drop is seasonable, with July traditionally being a quieter month, probably around 4 percent.

Consumer spending levels have remained fairly stable, at an average of GBP230 million of debit card spending per day through June to July 10. So, no real change here.

Corporates are still doing business. And our flows have been solid, with stable levels of commercial banking loan applications or renewals submitting the three weeks following the referendum.

We also see opportunities within our CIB franchise, particularly in currencies and rates. Volatility in markets helps this business, and we have seen this over the last two to three months.

We will continue to monitor our customer activity closely. I wouldn't commit to these being long-term trends. We acknowledge that the economic outlook is more challenging, however, the quality of our book is better than it has been in recent years. And Ewen will take the time to walk you through some of the relevant exposures, later.

I've shared this triangle with you many times, because it's our plan on a page. We're committed to our long-term goals; but, with the increasingly uncertain economic outlook, we recognize that it is now going to be more challenging for us to achieve these by 2019.

The early action we've taken to restructure and refocus our business on our core markets, and dispose of any assets that didn't fit with that model, is standing us in good stead today. That plan is broken down into three clear phases.

In the first phase, we worked to clean up the balance sheet, getting the capital ratio up and costs out. We're now in the latter parts of Phase II: transforming the core business and working through our outstanding conduct and litigation issues.

We now need to focus on moving to the next phase of the plan: to become number one in our chosen markets, generating sustainable profits with a cost-to-income ratio at or below 50 percent, and a 12 percent return on equity. And, as I mentioned earlier, with an increasing uncertain economic outlook, we recognize that it may now be more challenging for us to achieve these by 2019.

As I said, we continue to work through our outstanding issues. Today, we have taken an additional GBP450 million PPI charge, primarily as a result of the new guidance given on the deadline from the FCA last week.

On RMBS, the investigations by DoJ and various other state attorney generals continue.

We are announcing today that we have reached an agreement, in principle, to resolve the US RMBS investigation of the State of Connecticut Department of Banking, and we are negotiating the settlement documents. The settlement amount is fully covered by an existing provision. But, to be clear, this is only one part of the outstanding RMBS claims.

We've also made a provision today relating to our 2008 rights issue shareholder litigation. I have no further update to give you on the FCA investigation in to GRG.

And on Williams & Glyn, as Howard mentioned, the Board has taken the decision to stand down the current plan of action on separating the business.

We have made good progress on standing up the required technology with more than 90 percent of the required 625 applications successfully delivered.

As part of the planned divestment of Williams & Glyn, we assessed the financial viability of the future Bank in the face of changing market conditions. Our goal was always to deliver a standalone bank that generated acceptable returns to future owners, and was a solid sustainable addition to the UK banking market.

Williams & Glyn, unlike any other challenger bank in the market, was to be stood up as a full-service retail and commercial bank, with all the operational requirements that that entails. The mix of the business means it needs to scale up significantly to generate acceptable returns; that was the plan.

W&G needs scale to succeed. It is now clear to the Board that Williams & Glyn would now be unlikely to grow its balance sheet to the extent necessary to deliver returns above the cost of capital within the next five years.

The technical and financial complexity of delivering this program means that it had exceptionally high hurdles to clear, which is why we opened up a second track of the program, to look at the possible trade sale, at the end of last year.

The business we are divesting remains attractive to the right owner, with the right scale, and we have had positive, but preliminary, discussions with interested parties. We will update the market as soon as we have anything further to disclose on these discussions. And this is a hurdle we have to clear, and we're working our way through the issues, as prudently as we possibly can.

As we progress through our plan, we're becoming a simpler bank. We've already reduced complexity for our customers: the key driver of hitting our 50 percent cost-to-income ratio target.

Over the last two years, our London property footprint has shrunk significantly.

CPB and CIB are now fully active in only 13 countries; down from 38 two years ago. We've fully exited six, including Russia, Kazakhstan, and South Africa in this half alone.

And we've simplified our product range; our offerings are down from 416 to 333 (sic - see slide 9, "339").

We've cut the number of registered companies by 40 percent; and we have retired more than 100 of our major legacy systems since January 2014.

We know we still have more to do, but I think this is good progress.

The investments we've been making in our core bank is starting to deliver, and I'd like to touch on a few highlights.

Digital solutions are helping us to provide a simpler and faster service to our customers. Our business line application process has gone from 11 days to less than 24 hours, on average. And the introduction of electronic signatures has reduced the mortgage switching documentation process from seven days to less than two.

We are the number one supporter of businesses in the UK. And last month we launched the GBP1 billion NatWest lending fund, and GBP100 million Royal Bank of Scotland fund, so we can support even more smaller businesses.

We will see a further three business accelerator hubs opened in the next half of 2016, reinforcing our support for new businesses across the country.

Our mobile app is one of the best in the market. And we were the first bank to be accredited by the Royal National Institute of the Blind, something that we're very proud of.

Our reward current account, offering customers three percent cashback on household bills, continues to grow well and now has 815,000 customer accounts, compared with 202,000 at the end of 2015. This is helping us to retain and deepen relationships with our most valuable customers.

Customers are changing the way that they bank. Digital transformation will help us build a simpler bank, improving customer experience and driving cost reductions.

We've seen a year-on-year increase of 25 percent to 4.1 million active mobile users, with 30 percent of the log-ons to our app now using biometrics.

Customers transferred money using our app, on average, six times a second during the first half of 2016.

Since Q1, consumers have been able to apply for unsecured products via the mobile banking app, and, so far, 69,000 have benefited; 10 percent of our total applications.

And I'd like to now touch briefly on our net promoter scores. Year on year, we have seen improvements in NatWest personal and Royal Bank of Scotland business, Rol, RBS commercial, and mid corporates. Royal Bank of Scotland business has also narrowed the gap to number one, from a zero to two million turnover customers in Scotland.

We have still a lot more to do to demonstrate further progress, and being better for customers, though.

Our core businesses have delivered an average of GBP1 billion adjusted operating profit for the last six quarters across NatWest, Royal Bank of Scotland, Coutts, Ulster, and the RBS brands. Our priority in these businesses is to reduce costs, while investing effectively to grow high quality returns.

It's clear that some of our franchises still need to do better; these are the ones we're repositioning for greater returns.

In Ulster Bank, Gerry Mallon joined us, as the new CEO, in June. His focus is on driving a strong and profitable bank, recognizing the need to reduce the cost base. We want to increase our mortgage market penetration and improve our capital efficiency in Ireland.

In private banking, our new CEO, Peter Flavel, has been in post a few months and has already made progress in reducing the costs. His focus is to meet more of our customer needs for lending and investments, working closely with PBB and CPB to develop referrals. Peter and his team are also working to relaunch the private banking proposition.

And finally, in CIB, adjusted operating costs are down GBP22 million in this quarter, and they will continue to fall. CEO Chris Marks' priority is to continue to reduce costs, and to stabilize income. Results have bounced back from Q1, and this business has been profitable in Q2.

CIB are also starting to work more closely with commercial banking to deliver for our large corporate customers.

We've continued to grow our businesses in our chosen markets, and the investments we're making in our front line advisors and relationship managers is starting to pay off. Total loan growth in our PBB and CPB franchises are seven percent in the first half of the year, surpassing our four percent loan growth target for 2016.

PBB UK delivered a five percent net lending increase in the first half. Our performance in the mortgage market continues to the strong with lending up GBP3.4 billion in Q2, despite a slowdown in June, as buyers awaited the referendum outcome.

Our share of new business is 12 percent, compared to the stock share of 8.6 percent. But our story on growth is more than purely mortgages related. Our unsecured lending performance was positive, with gross lending in personal loans up 18 percent on first half of last year.

We remain committed to entrepreneurs and the smallest businesses, and our gross lending to small business was up 50 percent on H1 of last year. And our private business customer loans were up five percent this half.

Our commercial business delivered positive net lending for the sixth consecutive quarter, underlining our position as the biggest supporter of British businesses. And lending balances were up 9 percent this half alone.

Our plan is paying off. And over the first half of this year, we were the fastest growing large bank in the UK, growing customer loans by over GBP20 billion this half alone.

To summarize, our core bank delivered another solid performance this quarter. And we continue to work through those outstanding legacy issues that are within our control. Our capital and liquidity positions are strong, our costs are coming down in line with our plan, and customer service is improving.

There is much more to do, but we are making good progress. The referendum result has created uncertainty and could, potentially, make some of our long-term financial targets more challenging to achieve by 2019. However, we are well positioned to deal with the challenges the industry faces, and are sure we can get on with the job in hand, supporting our customers and delivering value for shareholders.

I'll now hand over to Ewen, who will take you through the results in more detail; and then, Howard will open up for questions. Thanks.

Ewen Stevenson: Thanks, Ross. Three messages from me today: firstly, despite the attributable loss, a good set of results for the core business; secondly, post the EU referendum, while the credit outlook has weakened, we substantially de-risked our loan exposures over recent years; and thirdly, in this new environment, while tougher with lower interest rates, weaker growth outlook, we consider ourselves relatively well positioned to continue to capture a profitable market share.

On this slide, I did want to spend a few minutes talking through Q2 results by franchise. Overall, as I said, a good set of results for us; progress against all of our financial targets that we set.

Central to our equity story is the left-hand side of this slide, a strong and growing core bank; across the six franchises, on a combined basis, GBP3 billion of income; and, for the second quarter in a row, over GBP1 billion of pre-tax profits, and a return of 11 percent.

As Ross highlighted, our growth in the UK continues to be well above market, that's both in absolute and relative terms. And this volume growth is having a significant shift in our balance sheet towards higher-yielding PBB and CPB customer loans.

Underlying like-for-like income across PBB and CPB was broadly stable on H1 2015. We had a much better quarter in CIB, and we had positive jaws across the three divisions.

We remain on track to deliver our cost target this year, and that's despite some recent adverse FX movements.

Turning to each of the franchises in more detail, UK PBB continues to do very well. Another quarter of good volume growth, mortgage flow share of 12 percent, representing annualized growth of 13 percent; the adjusted ROE was 24.2 percent; and the cost-to-income ratio, 58 percent.

As you've seen today, we've taken a further GBP450 million of PPI provisions. This predominantly relates to the new FCA consultation, out on Tuesday, and is my second attempt in recent months to do a full and final settlement for PPI provisions.

Post the EU referendum, we think UK PBB should continue to be well positioned. We expect to continue to capture share in mortgages. We've plenty of funding capacity, given the loan-to-deposit ratio of only 92 percent.

Ulster Bank Republic of Ireland was impacted this quarter by a conduct charge of EUR118 million. This relates to expected settlement costs on an industry review advice given to tracker mortgage customers.

Underlying this was good new business volume growth; the continued rundown of the tracker mortgage book; further proactive management of the NPL portfolio; and progress on operating costs. On a like-for-like basis, operating costs were down two percent in euros on one year ago.

With our new CEO in role, Gerry Mallon, and as the only banking group with large banks in both Ireland and the UK, we believe we're well positioned to continue to capture share in Ireland.

Commercial banking had its sixth consecutive quarter of volume growth. It's adjusted ROE of 6.6 percent this quarter was impacted by one larger single-name impairment charge. Its cost-to-income ratio was 59 percent.

We're confident that this franchise, the clear number one commercial and corporate bank in the country, is well positioned to continue to capture profitable share.

Private banking, it's beginning to turn around. Peter Flavel, the new CEO, has been in role now for several months.

Ross and I, as you know, have been talking consistently about our expectations on returns out of this business; this quarter's 10 percent adjusted return on equity is a positive step towards this. The improvement was really driven by just simple operating leverage, keeping income flat and cutting costs. However, I do recognize that, as a deposit-rich franchise, net interest income will be pressured in the coming quarters.

RBS international continues to perform well in each of the four markets, very high market share positions and attractive profit streams; in Q2, an adjusted ROE of 15.7 percent, and a cost-to-income ratio of only 35 percent.

Post the EU referendum, we don't expect any significant customer disruption to this franchise, albeit, similar to private banking, it will face the same net interest income challenges, given its low loan-to-deposit ratio.

CIB had a much better quarter than Q1, which, as you know, had a very tough start to the first six weeks of the year. Adjusted income was up 46 percent on Q1, and up 18 percent on Q2 of last year. Costs continue to come down; 12 percent lower than one year ago. And the franchise made a small profit, and adjusted return on equity of 3.5 percent, and a cost-to-income ratio of 76 percent.

Loss of passporting rights may create some cost fragmentation for us, but, equally, we can see opportunity post the vote. We're the largest UK corporate and commercial bank; we have natural flows and FX rates and financing as a result of this, with an expectation of more FX and interest rate volatility.

I've talked for several quarters now about our strong funding position. We remain very liquid. We remain structurally underweight of our net natural customer loan share in the UK. This is progressively getting addressed.

Both UK PBB and commercial banking have significantly revamped their service and product offerings. Our back-office delivery has materially improved with much greater capacity to handle high origination volumes. As a result, we're growing comfortably ahead of market growth rates at the moment.

You can see on this slide, compared to a year ago, while, overall, interest-earning assets are down 5 percent, we've had a 6 percent increase in interest-earning assets in our core bank. The yield on this new business is significantly higher than the yield on both the excess liquidity we're holding, and lower-yielding capital resolution assets that we're running off.

So our NIM has now improved by a further six basis points this quarter, and eight basis points over the last year. That's despite an ongoing mix shift within PBB towards secured; and within secured, a bias towards fixed-rate lending.

With a loan-to-deposit ratio of only 92 percent at the end of the quarter, we think we can continue to grow above market growth rates for a number of years.

With the outlook now for a tougher income environment, we know we need to be relentless on costs. We think we're building up a pretty credible track record of delivery on this.

Over the last 2.5 years, we've taken out GBP2.5 billion of cost, or 21 percent of our cost structure; that's a compound annualized reduction in nominal terms of nine percent. But we recognize that we need to continue to target this sort of reduction for a number of years, until we get our overall cost structure back to what we consider to be acceptable and competitive levels.

We've been told, by some people, that we've done the easy cost cutting and that it will get harder from here. I personally don't agree with that view. We've still got a lot of latent cost opportunity across the Bank. We've got firm plans to take it out, in addition to the longer-term opportunity to re-engineer the cost base via technology.

Another area that I think we've done a very credible job on is reducing our legacy exposures. These continue to get cleaned up and reduced. We've exited over GBP121 billion of legacy RWAs over the last six quarters. RWAs in our legacy portfolios are now down to just GBP55 billion; that's 23 percent of total RWAs. When I stood up here at the end of 2014, it was around 50 percent of our RWAs.

This quarter, we've completed the sale of private banking international; the residual operational risk RWAs of Citizens are now off our books; and capital resolution reduced RWAs by a further GBP5 billion.

In achieving this accelerated run off, we've also significantly de-risked as a result of this. But a combination of the new outlook, and relatively unfavorable FX over recent weeks, does mean that we expect the run rate of run off on capital resolution to moderate during the second half of the year, so we've adjusted our year-end target to GBP30 billion to GBP35 billion, from the previous guidance of GBP30 billion.

On disposable losses, there's no change to our previous guidance.

We do believe that we are going in to a tougher environment; but, equally, we're relatively comfortable with our exposures in our core credit books.

We've got a very well diversified portfolio, given our strengths in both retail and commercial banking. In recent years, in personal banking we've strongly prioritized secured lending over unsecured; and, in commercial banking, we've had conservative risk appetite limits. So we've not allowed ourselves to get overly exposed to any single sector.

In recent weeks, UK commercial real estate exposure has received a lot of attention from the investment community. In short, we don't feel overly exposed. Given our history, we've had a cautious new business risk appetite in this sector, and we've dramatically shrunk our legacy exposure.

We're the largest commercial bank in the country, so you would expect us to be one of the largest commercial real estate lenders. Our total UK exposure is now down to GBP25 billion and the average LTV is 53 percent.

We're also not overly exposed in the residential mortgage sector. Overall, it's only 44 percent of total customer loans; and within this, buy-to-let is only 14 percent of total mortgages, well below market averages.

The average LTV for the total mortgage book is 59 percent, and the average LTV of Q2 originations was only 68 percent. This is in line with the average LTV of new originations going back to 2014.

Similar to our commercial real estate exposure, our book has been heavily tested under recent Bank of England stress tests, and has performed relatively well under those severe modeled scenarios.

On legacy credit exposures, at the end of 2013 our risk elements in lending were 96 percent of the Bank's tangible equity. At Q2 this year, this was down to 29 percent. This is a result of a very deliberate and sustained commitment to de-risk our legacy exposure, together with a progressive improvement in the core loan books.

We've still got a few pockets of high risk elements in lending, such as in Ireland and in capital resolution, but overall we're in solid shape to deal with the downturn in the credit cycle.

Given the recent shift in market outlook I wanted to give you some thoughts on the new environment. Our medium-term targets are 12-plus percent return on equity; a sub-50 percent cost-to-income ratio.

It's really too early to give you revised guidance, but we recognize that reaching these targets by 2019 is now uncertain, and is likely to be more challenging.

On volume growth, we think our growth will now moderate across PBB and CPB from the very strong growth that we've seen in recent quarters. But we still expect to grow ahead of market, while remaining within our risk appetite limits.

On NIM, we've put in to the back of the slide pack a breakdown of our non-interest bearing demand deposits, some GBP85 billion at the end of the second quarter, which, together with our equity, means that we have around GBP125 billion of zero interest rate funding for the Bank.

So, on the longer term, as our hedges progressively roll off, 100 basis point negative shift in rates, without any management actions to protect asset side margins, would reduce income by just over GBP1.2 billion.

On non-interest income, we remain more positive. The final impact of the change in interchange fees will flow through this year. And we remain positive on the outlook for trading income in CIB.

A weaker net interest income outlook means that we need -- reinforces the need to be relentless on costs. As I said earlier, we think we've got the discipline and drive to continue to deliver on this.

On impairments, we do expect the cycle to now weaken. As a result of this, I think you should also anticipate a modestly higher day-one impact from IFRS9, compared to what would have been more benign modeling assumptions.

On capital resolution, much of the remaining wind-down is relatively insensitive to the changed environment. So, over the medium term, while we're signaling caution in relation to the 2016 RWA targets, we don't believe, at this stage, we need to change either the assumption that we're going to be in a position to wind up capital resolution at the end of 2017, or the GBP1.5 billion of total disposable losses to that point.

On pensions, while our current defined benefit pension liabilities are substantially ahead for interest risks, we've recognized that in this very low interest rate environment changes in discount rate assumptions could lead to higher levels of actuarial deficit at the time of the next triennial valuation. But, as a reminder, post the accelerated contribution that we made in Q1 of this year, there's no further top-up contributions required until Q1 2020.

To summarize, we've got a strong and growing core bank; delivered again in Q2 over GBP1 billion in operating profit; adjusted return on equity of 11 percent.

PBB and CPB are capturing share; much better customer servicing; better product offering; and, resultantly, income has stabilized across these two franchises.

CIB recovered strongly from a weak Q1, and overall costs continue to come down.

Legacy exposures continued to get cleaned up and reduced. Capital resolution RWAs down by a further GBP5 billion this quarter; and legacy RWAs are now less than one-quarter of our overall RWAs.

And on conduct issues, these are getting progressively settled or provided for.

The EU referendum does create new uncertainty for us and other banks, but we feel we're robustly positioned for this, both defensively and offensively.

Defensively, we've materially de-risked going in to this cycle. Our legacy credit portfolios are much reduced, much more seasoned, and our legacy rundown is well progressed.

Offensively, we've got six strong customer franchise positions, each well positioned to capture market share, and collectively producing attractive returns.

So, with that, I'll pass back to Howard to host the Q&A.

Howard Davies: Thank you very much, Ewen. We will, no doubt, get some up here on the screen, but I'll certainly begin with people in the hall. If you could say who you are – yes first one here – I’m pointing, I’m seeing you, yes - give your name and designation.

Andrew Coombs: Good morning, it’s Andrew Coombs, from Citigroup. I had three questions, all relating to the net interest margin. First one, just as an aside, would be on Ulster Bank. The asset rate there has actually come down quite meaningfully QonQ, 2.33 percent to 2.87 percent; interested in the rationale behind that.

Then, the two bigger questions, I guess, the first one, if I look at your UK PBB margin that's actually improved dramatically QonQ. It appears to be due to quite a rapid decline in the customer funding rate. The first part of my question there would be does that mainly relate to the cut you put through in your main variable savings rate products to 0.25 percent during the quarter?

And, if that is the case, how much flexibility do you have to cut further in a lower rate environment on that product?

And then my final question, TFS. Given that you haven't re-capped the FLS, given that you have a deposit overhang, would you look to use TFS?

Howard Davies: All three are yours, Ewen.

Ross McEwan: Ewen, I think they're all Ewen.

Ewen Stevenson: Taking the last one first, Andy, on TFS, we'll obviously look at it. As we clearly said today, we're extremely liquid with a 92 percent loan-to-deposit ratio. We haven't had any difficulty lending, given the growth rates that you've seen in first half. So we welcome the package of measures, but I think it's more directed at other banks other than us. But if there's an opportunity to use it, we will.

You're right on PBB UK, it's mainly because of a cut in deposit rates on the asset side. I think we've continued to see a migration from standard variable rate to fixed rate. Standard variable rate is now down to 12 percent of the book.

Actually, for the first time, we've actually seen some growth in some of the other portfolios as well; unsecured has started to recover, and business banking is back up a bit.

Is there an opportunity to cut rates further in PBB UK? I'm looking at Les at the moment, but, yes, would be the answer to that. But, obviously, there's so far you can go towards zero.

And then Ulster, I think Ulster it's a euro-based bank that's beginning to feel the meaningful effect of interest rates in that environment.

Howard Davies: Thanks. To your right immediately there – with no jacket – we don’t discriminate sartorially here!

Tom Rayner: Sorry about that, it’s a little bit warm in here. It’s Tom Rayner, from Exane BNP Paribas. Maybe, I can have three questions as well, please. First one, on the structural hedge, Ewen, you gave some figures in your speech. It looks like a potential headwind of about 30 percent of core profits, and you said ex-management actions. I wondered if you could talk about what the management actions might be, and how effective they might be, in offsetting what could be quite a big headwind.

Second question was on the litigation provisions. I don't know if you can say how much of the other litigation provisions do relate to the 2008 rights issue. Because again, just trying to get an understanding what are your assumptions that you're making when you take that position? Are you assuming that you're going to lose any court case?

And then, my final question on Williams & Glyn, I just wonder if you could remind me the status of the convertible bond holders, and how that may affect any discussions with a third party. Thank you.

Howard Davies: I think first one is Ewen; second one is Ross; third one, I don't know if I have a bidder -- Ross, as well.

Ewen Stevenson: On the structural hedge, we have a hedge today of about GBP122 billion. That progressively rolls off over the next five years, so you'll see a progressive impact through the P&L over that period.

In terms of management actions, well, it's not a complex; growth asset side margins on the liability side, repricing down towards zero. I think, increasingly, you've seen a structural shift in terms of we started with things like the reward account, where we've now got 800,000 customers paying us GBP3 a week -- a month for that account. We've got about one-in-five of our current account holders now paying us fees.

And then, on costs, it just continues to emphasize the need to be relentless on cost reduction.

But I think, having said all of that, it does feel that given this interest rate environment for the UK banks will drive us to structurally lower our profitability for a period for the UK banking sectors.

Ross McEwan: Let's move on to the litigation provision. We have put numbers in the accounts here. It would be fair to say we're not going to say what the numbers are, because we have been in negotiation with the litigants.

You normally do go through a process of mediation before you hit the court, because often the first question you get asked when you get in to court from the judges, have you been through some form of mediation? We went in good faith in to that mediation. We didn't get a resolution. But having gone in to there, we did need to make a provision. We haven't disclosed it, for obvious reasons.

We would like to have solved it, didn't get done, and does now look like it will head in to the courts, and it will be a long one… which is a shame, but never mind.

On the convertible bond, that's – our behest is to win. We can convert that; and we will take that time, over the next few months, to work through that one. It's not part of our capital stake.

Ewen Stevenson: And it doesn't have any impact on our ability to sell the business. They've been good and supportive investors.

Ross McEwan: And just a reminder why it was there, because people sort of question it, I think it was a very strategic move to have an initial investor in an IPO. You immediately have 30 percent, 35 percent of the float taken away, which means you get down to below 50 percent very, very quickly. So I think strategically it was a great move, but obviously now unnecessary.

Howard Davies: Thank you. Immediately to your right – yes.

Chira Barua: Thank you, Chira Barua, from Bernstein. Two quick questions: Ewen, on mortgage RWA density, we have seen that go up from seven percent to ten percent in the last six months, sharply; if you could say what's driven that? And, secondly, if house prices come down abruptly, 10 percent, so what kind of RWA migration would you see? That's number one.

And the second one is on your PVA deduct. The PVA deduct also, in terms of capital, that's increased in the quarter, so what's driving that? That will be all. Great. Thank you.

Ewen Stevenson: What deduct has come?

Chira Barua: PVA, so your potential valued adjustment.

Ewen Stevenson: On RWA density in UK PBB, there were some modeling adjustments during the quarter, which was the main reason for that. Somewhere in the back you can see the breakdown of that. It was about GBP3.5 billion, I want to say, of RWA because of modeling changes.

Probably, the best way to look at stress sensitivity on RWAs is to actually look at the recent EBA stress test, where, I think, you get to numbers of about a 15 percent increase in RWAs in 2018, as a result of those stress assumptions. And then you can adjust accordingly, depending on how severe you want to stress our numbers.

On deduct, I think that's mainly driven by a pretty severe shift in interest rates in the last few days of the quarter.

Howard Davies: Directly behind you and then I’ll come to you.

James Invine: Hi, good morning, it’s James Invine, from SocGen. I've got two, please. The first is on CIB. Ewen, you sounded a bit more optimistic about the trading revenue in CIB, but you've still got a lot of the balance sheet to come out of that business; so, I think it's about 20 percent of risk-weighted assets, and 40 percent of funded assets. I was just wondering how much of the revenue in the first half that we saw is attached to those assets that are going to be disappearing?

And then, the second question is just on your continued equity issuance to pay the pref dividends. Is that linked to the Williams & Glyn situation, or that is just your own conservatism on capital? Thanks.

Ewen Stevenson: On the second one it's we have agreed with the PRA that we will continue to issue GBP300 million of equity issuance until the point that we have the ability to return to capital distributions. So you should just assume that that's going to be a continuous feature of our equity issuance through to the point of distributions again.

On CIB, you're right, that the target is to get down to GBP30 billion of RWAs, versus about GBP36 billion in Q2.

I don't think the revenue base there will be is -- our forecast, medium-term forecast, of when we've talked about GBP1.3 billion revenues last year, and the assumptions that we need to get back to cost of capital returns, are based on very modest income growth off that GBP1.3 billion. It's mainly, the CIB return story is mainly a cost cutting story.

James Invine: But in terms of what those assets have actually generated in the first half, do you have a number for that?

Ewen Stevenson: I don't. I'd have to get you the detail afterwards, Chris has got them.

Ross McEwan: Chris, do you have any on-hand detail on that?

Chris Marks: Well, I can give you the numbers. There's a pretty detailed plan (inaudible) some of those assets. A lot of it's driven by industry measures; a lot of the movements across SG&A movement of the derivative book to a more clear basis.

There's still capital tied up in uncleared derivatives that will change over time. So we've got a pretty granular plan about how the current balance sheet, current capital consumption, and current leverage that the book -- the business consumes moves to the target end-state model; and it doesn't involve an erosion of future revenues, or capacity for future revenues.

James Invine: Great. Thanks.

Howard Davies: I'm going to take one from the webcast. Given Brexit, and the resulting impact on Ireland, what are your thoughts on Irish reserve releases?

Ewen Stevenson: As you've seen in recent quarters, I think Irish reserve releases have been slowing down. I'm not sure that Brexit has any undue impact on that other than whatever your views are on the impact on Irish real estate valuations. But I think, increasingly, Irish reserve releases is less and less of a feature of our equity story.

Howard Davies: Thank you. Yeah, in the middle here, thanks. Where's the microphone gone? Thank you.

Rohith Chandra-Rajan: Good morning, it's Rohith Chandra-Rajan from Barclays. A couple from me, as well, please, if I could. First one, on Williams & Glyn, clearly, there's quite a significant change in the plan, it looks like you're halting the program, but there's no change to the restructuring charge expectation. I think you'd previously said about GBP50 million a month, and the restructuring charge in the quarter was, I think, GBP187 million.

So just curious as to why you're not expecting a change in the restructuring charge, and what the plan is from here. And also, if you're expecting there to be any renegotiation with the EC in terms of structural timing.

And the second one's just a quick one. If you could update us on US RMBS, whether discussions with FHFA or DoJ have begun, and what your expectations are on the timeline there, please?

Howard Davies: Do you want to do the first one or?

Ross McEwan: I'll have a go on both of them, seeing it gives Ewen a bit of a break.

First off, on DoJ, no news on that one. Still, obviously, communication, but there's no negotiations going on whatsoever on the charge or the price; still feeding information. So, as we've said, there's no update on it.

We did have one settlement that was disclosed around Connecticut, which is a smaller settlement, so we're pleased to get that one tidied up. And nothing else on RBS from either FHFA or DoJ, so those are still sitting there.

And we do know that others are talking. But as we've always said, we're probably the last on the list given the court date times that we've got. I think we are 17 out of 17.

On Williams & Glyn, we haven't done any replanning since the Board made the decision to actually halt option one. We will do some planning around the numbers. There will be, obviously, some costs of standing down the program. And we'll also have to look at the costs of ongoing, of moving towards the trade sale as opposed to an IPO, which we've been working through.

And we haven't had any conversations with the European Commission about changing the timing. We're still working towards the end of 2017. But we have put in our disclosures that is -- could be a problematic time for us. So, working through those.

Howard Davies: OK, I've got one more from the webcast. On mortgage lending, is LTV your main criteria for mortgage lending? Do you have other criteria, for example, linked to the borrower's available net income? Do you want to do that, or do you want --?

Ross McEwan: Both. We have maintained in our mortgage lending, along with other lending related to income, actually, quite a high level of interest rate expectation from customers, not the two percent, or three percent, or four percent; there's always been quite a large buffer on top of that, that we measure their ability to pay as not the two percent.

So, it is LTV; it's quality of the asset; and it's the quality, ability of the individual to pay, both today and in future, based on what we know. That's why we've been very strong on it. And we haven't changed that at all, as well, I'm looking at Les. I'm not aware of any changes over the last even three years (multiple speakers).

Raul Sinha: Hi, good morning, it’s Raul Sinha from JPMorgan Cazenove. If I can ask a couple, please? Just a first one for you, maybe, Ross: on the broader impact on margins on RBS of the measures that were announced by the Bank of England yesterday, if you look at what the Bank of England seems to be suggesting, you know, they are trying to imply that the TFS, the scheme is constructive such that the negative impact of the rate cut on the banks should be offset by, obviously, the cheap funding available.

Now, I think that, that statement is valid at the industry level, but, clearly, that might not be true for individual banks. So I was just wanting to get your thoughts on given the fact that you're the largest commercial lender and you've been growing your mortgage book significantly, and, obviously, liquidity position, does that end up at the more negative end for you?

And also, on the corporate bond scheme, obviously, do you expect that to lead to spread pressure on the corporate side?

Ross McEwan: I'll pick up the first one. Certainly, we haven't worked this through the system yet to see what impact. As Ewen said, we're at a 92 percent loan-to-deposit ratio, so we're well funded for lending. So we just have to work through how this comes through in to our funding.

I think there were really positive moves, because Governor Carney basically said there's money to lend; stop saying there isn't, let's get on with the job. And the other, I think, very positive thing he said yesterday was, we are not going negative, because that has been, I think, a major concern for banks, and probably yourself. So, I think some two very clear signals there.

Yet to flow through: if we can use it, we'll use it. And if it helps us -- the aim is to help bring down the cost of funding, and I take those as positives. We just haven't worked those through our book yet.

Raul Sinha: OK. Just another one, if I can, maybe for Ewen, on the credit environment and impairment outlook. For a long period of time, over the last 12 to 18 months, you've had releases and very little impairment, but for the last two quarters now you've taken a provision charge on shipping. This quarter, you've had oil and gas.

In your outlook statement you make a relatively cautious statement about the large single name exposures, so would you encourage us to start thinking about a more normalized level of impairment going forward? And can I ask if you have an idea of what that might be for RBS in the new form?

Ewen Stevenson: That's an excellent question. We've had a long debate on what normal is, and I don't think we have a view on what normal is in this interest rate environment.

If you look at risk elements in lending for the last couple of quarters, I think the core books have basically stabilized, i.e. they're not improving and they're not deteriorating. If you look at the impairments that we had in Q2, they were largely in areas that were already under stress: oil and gas, metals and mining, shipping. So it's really too early to see the direction of travel in new areas on the book.

The other place you can obviously look is the Bank of England stress test at the more extreme end and work back from that.

But we're really struggling to say what is normal. Do we expect them to trend a bit higher? Yes. But we're in a very abnormal interest rate environment, so we're not sure going back to historical precedents provides much guidance to people.

Peter Toeman: Peter Toeman, HSBC. In the past, you've talked about RBS being a business of about GBP12.5 billion of revenues and about GBP6.5 billion of costs by 2019. Appreciate the revenue outlook is going to be weaker. Could you maybe update your expectation for the cost figure, or perhaps explain how the cost base could be pushed lower than GBP6.5 billion?

Ross McEwan: Yes, I'll pick that one up. We are -- look, we have been working towards getting to GBP6.5 billion, and we've got a pretty clear plan on how to get to that.

With income being under more pressure, my Executive team are working through the plan now for a lower cost base for the organization. We haven't fully -- we haven't finalized that. We're in the early stages of it. I think you'll probably see something from us in the first quarter of next year, before we'd come out and make statements on that one.

But we have been working towards the GBP6.5 billion. And it's not just in the last month, but over the last six months, we've been working through interest rates. They're going to be lower for longer, and we need to adjust it.

The other thing that we have got is you're seeing a lot of significant changes in customer behavior in banking as well that we need to actually take into consideration.

A lot more customers, both in the business sense and in an individual sense, wanting to do things on their mobile phone or online, which actually has quite a big impact on how you structure yourself. And we're having to think about that from front to back of the business.

And our Chief Operating Officer is working with the businesses on how do you process accordingly electronically. So some big changes, from a customer end, that we're also looking at that, I think, will have some significant impacts on our cost structure going forward; and then, of course, technology to help.

Michael Helsby: It’s Michael Helsby, Bank of America Merrill Lynch. I've got two questions, please. First one, Ewen, you mentioned the reward current account, and, I must admit, it is fantastic, and I'd recommend everyone to get one.

Ross McEwen: Could we get that on video, please? Just get that, we're going to play that on national TV.

Michael Helsby: It really is good. I guess, because it's so good, as a customer I feel a benefit because the rewards outweigh the fees. But from an analyst's perspective I worry about that, because you're talking about the offset from the fees.

So I just want -- in an aggregate level, because I appreciate I maybe am a bit different than everyone else, from that perspective, what -- does it wash out? And do the fees cover the rewards?

Howard Davies: Yes, I think it's embarrassing for any analyst to confess not to being a Coutts customer, but apart from that…

Les Matheson: It's a great question. The answer's fairly simple. The answer is two-fold. One is when people take out the reward account what they end up tending to do is to keep much higher balances in their current account, and they tend to use it a lot more. That means they get even more familiar with the Bank, and they tend to like some of the things that they see, and then, generally, they end up buying more products from us.

We've now had it out for, actually, almost a year. And what we're seeing is that the percentage of people who are taking additional products is a bit higher than we expected. So it is actually meeting the goals that we had.

The only good news is we don't have any interest on that account, but one or two of our competitors do. They might be thinking about that.

Michael Helsby: Thank you. Sorry, second question is just on your approach to the mortgage market. You're putting up some blistering numbers at the moment. I think one of your competitors -- clearly, with a lower interest rate environment, and it's a lower risk book, one of your competitors is hoping that the price dynamics might change, i.e., prices might go up.

What we're seeing in the market, post Brexit, is that prices are coming down, and banks, because it's the lowest risk lending that you're doing, the appetite to do more mortgages seems to be going up as well. I was wondering if I could get your perspective on that from a new business perspective, but also from -- I saw Barclays and, I was going to call it Abbey National, Santander cut their SVR yesterday; what your approach is going to be on that one. Thank you.

Ross McEwan: I'll pick that up, and then we'll feed it to Les. It's quite interesting, and I won't name by name, but it's been interesting the ones that have cut their prices. Their price is actually still higher than ours, considerably higher than our four percent. That's just another advert for why you should be doing business with us, not somebody else.

But we're going to be reviewing all of our pricing over the next week or so, as things flow through.

We have been very cautious in the mortgage market. Ewen gave you the loan-to-values. We haven't changed any of our policies for chasing. What we've been doing is building distribution. We've been doing it for four years now. And that's been our strategy: build distribution, get your people really skilled and qualified, and work with the broker market in a better way.

I think there will be more competition in this marketplace. I can't see prices going up, particularly with the moves that were made yesterday by the Bank of England. I think you are seeing them wanting to put money in to the marketplace and to get things coming down. So I think you're going to see more pressures here. We just need to make sure that we don't chase those things down ourselves.

I know Les has been doing some technical pricing pieces in certain segments of the marketplace. So we do it. But we do like mortgages, as long as we don't end up in the same mess that the industry ended up in 10 years ago.

Howard Davies: I might just add that the Board, through the Risk Committee, with the help of the Chief Risk Officer, keeps an eye on the progress of this, and makes sure that we are not growing out of appetite; we are currently within the Board's defined risk appetite.

Ross McEwan: I think that's really important.

Ewen Stevenson: The other point, Michael, when you describe it as blistering growth, we had 12 percent flow share, a current account share of 16 percent. I think that's more a statement about the lack of growth of some of our peers, rather than our growth.

Ross McEwan: The other thing we have had, we've got a 92 percent loan-to-deposit ratio. So we are open for secured mortgages, as long as they're good secured mortgages.

Robert Noble: Hi it’s Robert Noble, RBC. You increased the estimate for your interest rate sensitivity on the decline of 25 basis points. I was just wondering what drove the increase in your estimate for a rate cut there; and also, what value of loans on your balance sheet are variable rates? Thank you.

Ross McEwan: Variable home loan rates are 12 percent, on an SVR. The bulk of them are on a fixed rate. And there's a small portion, I think about nine percent, that are on a tracker-type arrangement. So the bulk of our lending is on fixed rate, and most of that is on two year.

Ewen Stevenson: Yes, on the specific question, we need to get IR to come back to you. But the numbers that I focus on, and I think you should focus on, is the overall GBP122 billion of structural hedges we've got on, and that progressively rolling off over a five-year period.

I would actually focus less on our table, because it shows you just a one-year impact. We are in to an interest rate environment now where I think you're going to see the full impact roll out over five years.

Howard Davies: I've got one more from the webcast, then I'll come back. On Williams & Glyn, does the new plan for trade sale involve higher or lower exit costs than the previous plan?

Ewen Stevenson: As someone said earlier, we have been spending GBP50 million, GBP60 million a month. There's probably around about GBP200 million of break costs associated with what we announced this morning. There will be incremental costs involved in a trade sale.

If you think about, ultimately, there's two ways to separate out Williams & Glyn: one is to put it on to its own separate platform and sell the platform, the other is to migrate the customers on to someone else's platform. That still involves quite a bit of complexity and quite a bit of cost.

I wouldn't assume that the overall timetable has changed materially. I think, probably, what has changed is probably the point of getting to certainty has probably been brought forward, because it's not dependent on a back-end weekend when you need to migrate the customers on to your own system. But the overall timetable to completion probably hasn't changed materially.

Chris Cant: Good morning it’s Chris Cant, Autonomous. I just wanted to come back on this point about your loan-to-deposit ratio being quite low, and your ambition to, essentially, fill that gap with lending growth. Obviously, that's going to be more difficult in this environment, and I'm just thinking about how this interacts with your ambition to improve your net promotor scores.

I know the disclosure you've given today, quarter over quarter, shows a tick down in net promoter scores for a number of your brands, and I'm just thinking about how that's likely to trend if you're forced to try to price away liquidity because you can't actually deploy it in to lending. Is that going to constrain your ability to improve your relationships with customers? Thanks.

Ross McEwan: Yes, a good question on the net promoter score. Most of the drop was in our business banking area, our net in small entail. We've changed the model there, which would impair it over the next six to 12 months.

What's interesting, when we changed the model in the mid-market commercial space our net promoter score changed what customers actually got used to the model, and now it's the highest in the marketplace. So they're number one in customer set for that mid-market. We expect that to bounce back, also in business banking, as customers get used to a model which is quite different. But very open for them to make a phone call any time they like and get somebody.

So I think there's a piece of work going on in our customer service delivery and model change that's hit our customer service scores more than anything else.

As long as our pricing remains I think fair in the marketplace, I think it doesn't impact so much how the customers feel about us; it's when you get out of kilter with pricing in the marketplace that they start to worry about you and not be as happy. But it's really service delivery that they like, which hits your customer service score metrics.

Howard Davies: We're running over time, but I've got a couple more I'll try and get in.

Fahed Kunwar: Fahed Kunwar, Redburn. Just a couple of questions on the core Tier 1. Just following up on the RWA inflation of GBP3.9 billion, it's quite big and not – you haven’t really seen anything from your peers, either. Is there a further impact here from the consultation paper put through from the PRA, I think it was last week, on mortgages?

And the second point, which is a clarification on the pension hit. I understand there's no top up until 2020, but can we expect another, in the next few quarters, a rate -- a hit from a reduction in the discount rate? And is using the EBA stress test hit a decent way of flexing how big that hit could be?

Ewen Stevenson: On the second question, no. Legally, we don't have to agree further top-up contributions with the trustee until after the next triennial valuation.

The next triennial valuation is at the end of 2018. We then have a 15-month period to conclude that renegotiation, which takes us until Q1 2020. There is very, very limited ability of the trustee in any point in that period before then to come back and ask for additional contributions. So, for modeling purposes, you should assume that there's no impact until Q1 2020.

On the GBP3.9 billion of RWA inflation, it wasn't related to the Bank of England paper. We're still working that through that. We do think there will be some modest RWA inflation that will come as a result of that. I think, overall, it's probably within the bounds of what you may see come of Basel III plus IV anyway in the next six months.

Howard Davies: OK, we're going to have to take the last one here.

Martin Leitgeb: Martin Leitgeb, Goldman. Two questions, please. The first one, just a follow up on your comments on competition, mortgages; and also, your more cautious outlook for volume growth from here.

Is the tone on volume growth mainly driven by your expectation of system loan growth to slow down somewhat in light of the referendum outcome? Or do you see the risk that your share of flow, which you say it was around 12 percent over the last couple of quarters, could come under pressure as probably more people, more companies get access to cheaper funding via the TFS?

And the second one is just briefly to touch on credit risk in light of the expected slowdown in economic activity. Obviously, you provide good disclosure in terms of your mortgage book, and also commercial real estate. In terms of SME book, how should we think about the resilience of that book to potentially slow down? Thank you.

Ross McEwan: I'll do the first one. Our estimations around the mortgage slowdown were around system loan growth, as opposed to us losing share. I think we've built up the distribution to continue to do pretty well and work above our system of share, so it's more around system growth that we saw coming off.

Ewen, on the credit risk, it relates back to the other question about what do we see?

Ewen Stevenson: Yes, probably, again, the best thing to look at is the results out of the Bank of England stress test results last year. What you see in the non-commercial book is the absolute level of non-CRE commercial losses are in line with Lloyds and behind Barclays, despite us being a bigger lender to the commercial real estate sector. But you can look at that and then do your own adjustments.

Howard Davies: I think we'd better wind up, but, Ross, wants just a couple of points, before we finally close.

Ross McEwan: Thanks very much. I think the results here show that we are making good progress working through the litigation and issues and transforming the Bank back in to a really good customer bank.

We have been generating GBP1 billion of profit per quarter pre-tax for the last six quarters, so really strong consistency here.

And we are showing growth in the quarter of this Bank, which is what we set out to achieve. But it has to be good, solid long-term growth, as opposed to growth at the expense of our risk factors.

But we are stronger. We're showing resilience, even as things do slow down in the marketplace. And we've got good funding here to actually keep going in the market.

And, as I say, we are the fastest-growing large bank, which was something that we found ourselves looking at saying we're the one growing in this marketplace. If you contrast that three years ago, we were the ones being criticized for not being there, and not being there for customers and lending.

So I think you're seeing a stark difference between the Bank we were and the Bank we are. We are a very focused UK, Republic of Ireland business, with good offshoots in Western Europe.

I think we've still got things to do. And we know we've got the conduct and litigation, but we've been trying to be as open with you about what those issues are. And we still know RMBS.

We've had on that list 2008 rights issue; we've had on that list GRG; we've had on that list all of those bits, pensions and things, and we're quietly ticking off these things. So, we're getting there.

Thank you very much for your time.

Howard Davies: Yes, thank you for coming. Thank you for your questions. Look forward to reading your verdicts; that's my exciting Friday night. Thank you.

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