SABB 3Q19 Results Webcast transcript

Moderator: Good day, everyone, and welcome to the third quarter of 2019 results conference call for Saudi British Bank. I'm Aybek Islamov, Head of MENA Bank's Research at HSBC and with us from SABB today, we have David Dew, Managing Director, and Mathew Pearce, Chief Financial Officer. They will run through their presentation and take questions afterwards. I strongly encourage everyone to submit their questions online through the question bar.

David Dew: Thank you, Aybek, and welcome everyone to our second quarterly results call, actually covering the third quarter. We're pleased to welcome our shareholders, potential investors and analysts. I am David Dew, the managing director of SABB and I am joined as you heard by Mathew Pearce, our Chief Financial Officer. First, let me say that I recognize we are competing with a rather significant announcement in the Kingdom today, so thank you very much all of you for taking the time to join us. I will provide you with some key messages as they relate to the third quarter and a brief update on the progress of our merger. Mathew will take you through the key highlights of our financial results for the third quarter. We will aim to take about 15 minutes following which we will have up to 45 minutes of Q&A.

So, if we can begin, the third quarter of 2019 represents the first full quarter since the legal completion of the merger of SABB and Alawwal Banks on the 16th of June. As such, our financial performance in the third quarter was more reflective of the merged banks current returns and operating results. Albeit, we are building up one-time integration costs in line with our integration plan. Growth remained challenging and the pressure of declining interest rates began to be felt. Mathew will talk more about these two points and I am sure you will want to ask some further questions.

Overall, SABB generated a solid return for the period and we paid an interim dividend while continuing to build capital reserves. As such, we are well positioned for future growth. In terms of the integration of the two banks, we are not updating any of our previous guidance or timelines. However, we do anticipate bringing forward some integration expense as we look to move to full integration on customer day one as quickly as possible.

Finally, I would like to note two important points. The first point, as much as we are focused on speedy integration, we are also mindful of the imperative to manage our ongoing day to day business and to meet our customer needs. As such, we have provided some examples of selective business initiatives in the third quarter and we can talk more about these or indeed other initiatives if you would like to do so. The second point, we are putting a lot of effort into the culture and the values of the merged bank. How we behave is critical to the long-term sustainable success of the business. We are proud of our track record in developing talent and our people initiatives remain fundamental to everything we do. I will now hand over to Mathew to take you through the financial results.

Mathew Pearce: Thank you David. I shall start from slide 8. Having legally merged on the 16 June 2019, Q3 represents the first full quarter of the merged bank.

On a year-to-date reported basis, for the first nine months of the year, SABB generated net income before zakat and income taxes of SAR 2.3 billion. This includes returns from the acquired Alawwal Bank portfolio since the merger date onwards. A resilient underlying performance given the benign economic environment, but the bottom line was depressed particularly by significant one-of credit losses experienced in the second quarter relating to

the merger. 2019 was also impacted by merger-related transaction and integration costs that will be incurred primarily over 2019 and 2020 as set out on slide 6.

Return on Equity was diluted by the merger following an increase in shareholders' equity by SAR 23 billion as consideration for the acquired business. Returns will be enhanced in the future as a full year of post-acquisition profits are booked and as the benefits of the merger are fully realised.

On a proforma basis, net income before zakat and tax was SAR 2.8 billion, similarly impacted by the credit losses in the second quarter and the merger-related expenses. Revenue was flat overall including an increase in Net Special Commission Income from the annualisation benefit of previous rate hikes in 2018, more than offsetting the impact from a decrease in lending. As we know, rates began to decrease in the third quarter but overall the average NIM for the year was higher. The benign economic environment also led to a decrease in non-funds income, particularly in loan origination and trade finance fees, whilst FX income showed some improvement. Underlying costs increased including some one-off items.

Our capital position remained strong with our CET1 ratio increasing in the quarter to 18.0%, having been impacted by a dilution of 200bps in Q2 from the merger.

The third quarter net income before zakat and tax was SAR 1.3 billion, which was down 14% compared with the comparative period on a proforma basis, from increased costs and lower revenue partly offset by lower credit impairments. Costs included merger-related transaction and integration costs. The lower revenue reflected a decline in NIM as benchmark rates and lending decreased. Cost of risk for the quarter was in line with previous guidance. The rest of the presentation unless otherwise stated will focus on the proforma results.

Moving on to slide 9. Net special commission income, which represents 77% of revenue, was SAR 2.0 billion for the quarter, 5% lower than the same period last year and 7% lower than Q2. This reflected decreases in benchmark interest rates and lower lending balances, whilst cost of funding was managed lower through a reduction in more expensive time deposits. Average interest earning assets fell reflecting the fall in customer lending, mainly in our corporate and institutional banking business. Net special commission income margin fell c. 10 bps from Q2 to 3.2% in Q3, in line with previous guidance.

On to slide 10. Excluding merger-related costs, on a year-to-date basis, costs increased 6.7%. In Q3, costs included SAR 137 million of merger-related expenses. Excluding these merger-related items, costs increased 6.6% vs the same quarter last year, and were marginally lower compared to Q2. Q2 included SAR 127 million of merger-related expenses. As we saw on slide 6 we have accelerated the integration spend and expect c. 40% of the total integration cost to now be incurred in 2019. However the total integration cost is still expected to remain the same, as per previous guidance.

Our cost efficiency ratio for the third quarter was 35.7%, which was a 1 percentage point increase compared with the trailing quarter. This deterioration was driven by lower revenue in the third quarter whilst, as I mentioned, underlying costs were marginally lower compared to Q2.

Slide 11 continues the impairment analysis we presented at our last call. On a year-to-date basis, expected credit losses of SAR 2.4 billion included one-off credit losses experienced in

the second quarter relating to the merger. Q3 credit losses of SAR 236 million were 35% lower year-on-year and represented a 58 bps cost of risk, within historic normal range. The NPL ratio of 4.7% and coverage ratio of 127% were broadly unchanged since Q2, when the accounting for the merger incorporated the purchased credit impaired loans of the Alawwal Bank portfolio.

Turning to slide 12. The progress we made in the third quarter was to split out SAR 2 billion of other intangible assets from goodwill on a provisional basis, reducing goodwill to SAR 13 billion. The purchase price allocation will be finalised within twelve months from the legal merger date. As required by accounting standards, we will conduct the annual testing for impairment of goodwill in the fourth quarter.

On to capital. Firstly you will recall CET1 was diluted by 200 bps from the merger. Thereafter, in Q3, our CET1 ratio increased to 18%. The increase was driven by 50 bps from the net income for the quarter and 40 bps from the decrease in the balance sheet, partly offset by the payment of the interim dividend.

Finally, before I pass you back to David for closing remarks, a few comments on our balance sheet. Gross customer lending balances fell 3% during the third quarter. The fall in the third quarter was mainly in the Corporate and Institutional banking business, with Retail Banking lending broadly unchanged overall. Customer deposits fell 6% in the third quarter. The prior quarter included temporary balances relating to the timing of the foreign investment inflows into the Kingdom, as a result of index inclusion, where SABB plays a significant role as the leading settlement bank in Saudi Arabia. In addition, we also actively reduced our time deposit balances. Our demand deposits as a percentage of total deposits was healthy at 66%.

I’ll now hand you back to David.

David Dew: Thank you, Mathew. So, to sum up briefly, integration gathers pace with progress made across all the major work streams. The third quarter performance provides a more normalized set of results generating SAR1.3bn of net income before Zakat and income taxes. The margin outlook remains challenging given the sequential cuts to benchmark rates and current US rate outlook. We saw muted corporate lending growth in the market. However, we are well positioned and we have the capacity to support our customers’ lending requirements. Our balance sheet, capital and funding all remained strong and our continued resilient results support our future dividend distribution capacity. So that completes the formal presentation and I will now hand back to the moderator and begin the Q&A.

Moderator: Thank you, David. We would like to open up the Q&A session. As a reminder, please submit your questions online through the webcast and I will address the question with David and Mathew. We have a question from Elena Ponceca, from The National Investor, and Elena was asking, can you please give us more colour on the direction of credit growth, margins and cost of risk going forward? Also, which industries are driving your loan growth?

David Dew: Okay. I'll take the first part of that and then hand over to Mathew. So, as you saw in our third quarter results, we actually saw a decline in the overall loan book. And as Mathew said, the decline was essentially in our corporate book. So, in terms of the sectors driving credit growth, that was not applicable for SABB in the third quarter. That said, the new bookings that we did originate, and indeed the pipeline that we have is essentially in three areas, but a significant amount of it is government-related and some of the Giga

projects and some of the significant government-related projects that are in the pipeline. And a significant part of it is government-related entities and particularly oil and gas projects led by Aramco. So, although we didn't see corporate loan growth in the third quarter, we remain encouraged by our pipeline and we continue to believe that we are close to seeing that downward momentum reverse itself, and we will start to generate actual loan growth.

I will make one comment briefly on margins and that is that we continue to see quite severe competition for quality assets. So, there is very significant competition in the overall marketplace for the limited supply of quality assets currently available in the market. So that also causes some downward pressure on margins, given that we are entirely focused on our risk appetite and delivering the risk appetite as set by the Board. Mathew, I'll let you add some further comments on the margin and cost of risk please.

Mathew Pearce: Thank you, David. With regards to margin, our guidance is unchanged as to what we provided at the second quarter. So, for those who are not so up to speed with that guidance, we guided that for every 25-basis points reduction in the benchmark rate that we would see up to 10 basis points reduction in our NIM. You've seen some of that occurring in the third quarter now and that guidance continues going forward. That's not withstanding, as David mentioned, that at any time a change in mix in the portfolio can impact NIM.

With regards to cost of risk, we provided some level of guidance at Q2, which we provided over the medium term where we talked about a range of 30 to 60 basis points. We maintain that guidance over the medium term, but we should all be aware that there are still some challenges in the economy at this time. We are not providing any quarter by quarter guidance and we're not providing a 12-month forward guidance. We are illustrating how we expect as we move back towards a normal credit environment, how we would expect the portfolio to operate.

Moderator: We have the next question from Naresh Bilandani from JP Morgan Chase Bank, can you please talk about the impact on the market liquidity from the large IPO currently coming into the market and how that should affect the short-term interest rates and lending book?

David Dew: I'll take that one. So, clearly it was a significant formal announcement today. But having said that, there are still significant unknowns in terms of the IPO, not the least of which is the overall valuation and indeed the amount of shares that will be put on offer. So, I think all we can say at this point is that it is likely to be a significant financing opportunity for all the banks in the Kingdom. And it's really too early to start to speculate on what the overall size might be and therefore the overall impact on market liquidity. That said, we have done our scenarios, we understand our balance sheet capacity. We understand very well the normal prudential ratios and regulations in which we need to operate, and we are very comfortable that we will continue to do precisely that. So, I think we look at this more as an opportunity than we do as a challenge to liquidity or indeed any other of those key regulatory ratios. Next question, please. Moderator.

Moderator: We have a question from Shabbir Malik on why retail loan growth has been so subdued for SABB?

David Dew: Okay, I'll take that one. Thank you, Shabbir. As I'm sure many of you on the call are aware, retail loan growth in the Kingdom in the current market is being propelled

essentially by mortgage lending. As I said in the context of corporate, but it applies equally to retail, we are driven by our overall risk appetite. We are driven by a very strong desire to adhere to responsible lending guidelines broadly defined, and we have historically, as a smaller retail bank in the Kingdom, tended to focus on the more affluent end of the market. And indeed, the expatriate end of the market given our longstanding partnership with HSBC.

So, as we continue to do quite well in the more affluent end of the market and we continue to do quite well in the expatriate market, the expatriate market is not a market for home loans. And the affluent market is not particularly growing in the context of home loans. The growth in home loans has been primarily in the lower income segments. And when we look at the average home loans in the market today, it is significantly below the average home loans that we have historically booked in SABB. So, what we're doing, we obviously continue to watch the market very carefully. We are well aware of what is going on in the market. We continue to discuss our overall risk appetite with our Board, and we will continue to refine our risk appetite and see if we can be a little more competitive further down the home loan spectrum. Because as I say, we do recognize that is currently where the vast majority of the growth is taking place.

Moderator: And a follow-up related to the balance sheet from the Vikram at NBK capital, the decline in the balance sheet size, is this expected to continue into 2020?

David Dew: No, it is not. We have actually been guiding for about a year now that overall we expected to see loan growth for SABB in low single digits. Now clearly, we did not achieve that in the third quarter. We were not a long way off of that at the half year. So, as we said at the half year, we were broadly flat at the half year in the legacy SABB book, and for reasons that you will probably appreciate, there was some decline in the legacy Alawwal book. The legacy SABB book was broadly flat; yes, we have dipped in the third quarter, but that should not be an indication of what we expect in the fourth quarter or indeed 2020. We aim to be competitive. We aim to maintain and indeed grow our overall market share. As I said earlier, we see a very promising pipeline. So, I would hope that we can report more positive loan growth in the coming quarters.

Moderator: Question from Sara Boutros from CI Capital, which sectors should be watching out for the potential asset quality deterioration?

David Dew: Okay. I'll also take that one, but I think I'll ask Mathew to add a flavor to that one because it is important. So, the first comment I will make is that we do tend to be at the conservative end of the risk spectrum. And I think in the context of NPLs and the adjustments that we made in the second quarter, both to the acquired book and indeed to the legacy SABB book, which certainly position us at the conservative end of the overall risk spectrum. So, I think that we are well positioned from an overall cost of risk perspective. There's reason for optimism in the overall economy, there's reason for optimism in certain sectors and I've touched on one or two, but actually parts of the consumer sectors are also doing a little better than they've done in previous quarters.

But the stress and the major area of concern from a sector perspective as far as NPLs are concerned remains building and construction. That’s where the real stress is certainly in our book, but I think it's a fair reflection of the overall banking system. But again, when you look at those stresses and actually you look at NPL ratios and cost of risk, they are, one, well

within normal economic cycles, there's nothing particularly unusual in this economic cycle. And two, they are well within the bank's capacity to absorb from a capital and reserves perspective. So, although we're seeing this as part of a normal economic cycle, I don't believe it is anything to be excessively concerned about. Mathew, if you'd like to perhaps add some further colour.

Mathew Pearce: Thank you, David. I think when you look at the asset quality question, there are two components to it really, and completely agree with what David said. Of course, having done the accounting for the merger, we have effectively by incorporating the credit impaired loans from Alawwal Bank, driven up the overall NPL ratio. And that lens of accounting is very different to what you might find in a bank that was otherwise managing it on an amortized cost basis and does tend to drive that number up as at the merger date. So, we've had a bit of a tailwind from that that's pushed us up a bit above the average.

Secondly, then on the originated portfolio and taking those two together, yes, we're running towards the top end of the market. We don't believe that there's any meaningful reason why we are significantly ahead of the market. We are comfortable with how we have assigned our book on a credit quality perspective that represents the right picture of the book. And as David said, and as I mentioned in the Q2 call, if not at the peak near enough to, in a normal economic cycle. And this is how we see this. So, we don't expect this to grow meaningfully higher than where it is. And we think that there's no particular reason why we are significantly ahead of the market.

Our portfolio is 75% corporate. If you look across what the market has done the last few quarters this year, I mean for the third quarter, the corporate lending is technically down for the quarter, about half a percent down and that same level since March. So it hasn't really moved overall as a sector since March, having made a bit of a spurt at the beginning of the year. So, the corporate environment is still quite benign. Confidence is not significant to drive that. And so, when you look at the lending overall in banks, it's really driven from the retail portfolios, not from the corporate portfolios. And quarter by quarter, it can vary between bank because of some of the size of the transactions done. And I'll just reference back to David's previous comments with regards to retail and perhaps some need overall to participate to some extent in retail and mortgages.

Moderator: Next question from Sara Boutros from CI Capital on operating expenses, excluding integration costs, how do you assess the 6.6% year on year growth? How do you see this going forward in 2020 in particular?

David Dew: So, I'll give you a perspective on that, but I'll again, ask Mathew to give a little more colour around it. So historically we've always controlled our costs pretty effectively and in fact, legacy SABB had the lowest cost efficiency ratio in the market for an extended period of time. So, our core cost controls very much remain in place and will continue to remain in place. So, I think it's a fair challenge to then say, well, okay, how come did you have underlying costs excluding integration of 6.7%, which is a reasonably significant increase.

We continue to see salary pressures and obviously people costs continue to be the single biggest component of our cost base. Competition for talent is as strong as it has ever been. As I said earlier, we are extremely proud of our track record in developing talent but we have to try and remain competitive with the marketplace to indeed retain a lot of that talent. So,

we do continue to see cost pressures from an overall salary and compensation perspective. We continue to invest in technology and digital, and so there are ongoing increases in technology costs, which is another important component of our overall cost base. And there are also a couple of one-offs in there that won't be repeated in the future and indeed one or two reversals of previous accruals. So, in some respects things have come together to cause a blip in our underlying cost base that is on the high side and we will be looking to reduce in the coming quarters. But Mathew, please a little more colour.

Mathew Pearce: For a bit of role reversal, maybe I'll be a bit on the optimistic side compared to where I normally am from my conservative nature, but as David highlighted, yes, we're up 6.7% year-on-year. There were actually some reversals in the previous year and some one-off costs in the current year, which drove most of the 6.7%. Were you to strip those out, you'd get more down to 2% inflation, but you'll always hear us talk about how cautious and conservative we are. I mean, there's always some one-offs from time to time, and so we hesitate to use these as excuses and list those out and suggest that there is a low underlying inflation rate when, as David highlighted, there's a number of cost pressures out there.

In addition to that, I'd also say if you look at the third quarter versus the second quarter pro forma, and all this information's out there, when you strip out the merger related expenses as highlighted in the presentation, you get to Q3 as one and a half percent lower than the second quarter. I think there's some signs of optimism in there in terms of what we're doing merging the two banks together and starting to make some progress. I just look at that as a positive sign that we haven't seen continued cost pressure into the third quarter. I think we've been doing a good job as a bank even pre-merger preparing ourselves for this and how we'll manage our cost base. I think over the next year and some as we embark on the operational merger, we will continue with that and inevitably, whilst we're doing the merger, there'll be a few areas of costs that we won't necessarily be incurring to the extent that we might have done in the past, given that there's only so much that we can handle at any one time.

So yes, the costs are up year on year. There are some one offs. The underlying inflation rate is a little lower. There's some positivity in Q3 versus Q2 and David referenced the overall cost efficiency. I had guided at Q2 that you should expect over the course of the merger that we'd highlighted that we should be returning back more towards the pre-merger SABB cost efficiency ratio as we deliver upon these synergies.

Moderator: Can you give us an idea on how SABB plans to amortize intangibles, and that question comes from the Mohammed Musa from Hassana.

Mathew Pearce: Thank you, Mohammed. We will be providing fuller disclosure at the year end as we finalize this accounting in terms of the useful economic lives. The disclosure we've given indicates that there are three types of intangible assets within there, but we haven't broken out the split of those. The primary one that you'd often expect in a banking merger is around the core deposit intangible. The value of that low or zero rate funding as that constitutes the vast bulk of that SAR2bn that we split out so far. And generally speaking, a useful economic life for such a portfolio is longer term. So, we haven't begun charging the amortization rates in the third quarter and we're going to begin in the fourth quarter because currently it's provisional and because of the longer life span, it isn't that material a number to

put into the third quarter at this stage given we're still doing provisional accounting. We'll provide a full analysis of the year end in terms of each of the intangibles and the useful economic lives around it for you to be able to do your profiles going forward.

Moderator: Next question from Naresh Bilandani. What would be your preferred CET1 targets over the medium term?

Mathew Pearce: We haven't given public guidance. However, our viewpoints around it is that we look at the sector as being well-capitalized. We will have to see where we fall out of the third quarter, but at the second quarter we ended up at the median level in a well-capitalized sector. That seems like a comfortable position for us to be in. Capital, I guess is one of those things, you can have too much and you can have too little and how to get to that just-right median position, in a well-capitalized sector. Seems about right to us, were the sector to become less well capitalized, perhaps moving more towards the upper tier to maintain a better than market capitalization ratio would feel right to us. So, for the time being, if you have an outlook of rather benign growth for the short-term period, I think us maintaining the median level in the current sector is about the right position to fall to. David, did you want to add to this?

David Dew: No, I think that's a good summary, Mathew. Nothing to add.

Moderator: Question from Chiro Ghosh, what is your dividend outlook?

Mathew Pearce: Thanks, Chiro. So, I think you should expect that we should be maintaining a level that's similar to the payout ratio that SABB has been delivering over recent times pre-merger and at the interim level in terms of the payout ratio. I think you've seen that SABB historically had been paying out about 30% and in 2017 increased that onwards to the 60 to 65% range. As you know, we are limited at 75% because of the 25% statutory reserve component. So, it's somewhere between the range that we've been paying up to date and 75% in that range is where we'll operate. Ultimately, it is a Board decision to be supported by SAMA, but I think you can feel pretty comfortable in operating at the kind of range that I've highlighted, that 60 to 65% range, perhaps at times moving up towards 75%, but probably to be more comfortable, I would stick to that historic 60 to 65% range.

David Dew: I'll just add a comment to that, and that is that we have no desire whatsoever to retain additional capital over and above what we need for the business. So, if we see good growth opportunities in the future and we've hinted that we certainly are hopeful of that and we do actually expect to start to generate growth again, then that clearly comes with a capital requirement and that's absolutely fine. We will generate growth and meet that capital requirement. If for any reason growth is lower than we are anticipating, we don't anticipate simply keeping capital idle that we don't need. We would look to, as Mathew suggested, return as much capital to shareholders rather than retain it for ourselves. But I'm a little more optimistic that we can actually start to generate loan growth and that will therefore generate a capital requirement in itself.

Moderator: Onto cost synergies, question from Shabbir Malik. Your realization date for synergies is 4Q 2021, can you provide some more colour on this and is there a possibility to realise anything before?

David Dew: Thank you, Shabbir. I'll start this one and again then hand over to Mathew. That as a time frame is way too precise, and I don't think you should actually think about it that way, although, yes, that's probably what we'd put in our little schematic in the deck. But the way I think you should think about it is that we said synergies will come in on a fully phased basis after three years. So, if you look at the synergy guidance we've given, you could assume that on a fully phased basis, the full annual impact of those synergies will begin to be felt after three years.

Clearly, we are working as hard as we possibly can to generate synergies as quickly as we possibly can. And in fact, we've already started that journey. Now, I'm not anticipating any significant synergy reporting this year and, in all probability, there won't be a huge number to report next year, because this year and next year are years when we will incur integration costs and the expectation is that the integration costs will outweigh the synergies. Where I think it starts to get more interesting is in 2021 when we have concluded the vast majority of the integration costs and we will start to see synergies kicking into a meaningful level and you will progressively see that delta start to improve.

So, I wouldn't look at it as a particular quarter as being the magic quarter. At some point there will be a tipping point and the synergies will start to outweigh the integration costs and then the delta will start to improve materially. And I think as long as we continue to guide appropriately, and that is what we are doing today, repeating our previous guidance, then you will start to get a good sense as to when that tipping point is at some defined point in the future.

Mathew Pearce: So, we merged in mid-2019 and we've often said it would take two to three years. So, from that point forward, the kind of timeframe that you've mentioned, Shabbir, is not outside of that realm. And as you know, we've talked about a lot of the things that we're doing, we’ll be reducing the cost base naturally, so it'll take a little period of time. And for a merger like this, I think a couple of years is quite appropriate.

Moderator: Next question from Sara Boutros at CI Capital, what should we look for as triggers for an improved corporate lending outlook?

David Dew: I think overall banks are a reflection of the underlying economy. You can kind of diverge from the underlying economy for a relatively short period of time, but you can't diverge over a long period of time. So, number one is the overall health of the underlying economy. As we've said on a couple of occasions now, we are encouraged by signs. There's evidence that the non-oil sector of the economy is growing. I think we all understand the dynamics around the oil part of the economy. And in some respects, we should look beyond that and then we should look at the sort of core fundamental economy if you like, and not focus too much on the oil-related components of it. So, I think the underlying economy is one.

Obviously, each bank operates on a risk appetite. We are no exception, and we've indicated that we are not sitting here expecting our market share to continue to decline. We are very mindful for legacy SABB, we did have three years of deleveraging and legacy Alawwal has also seen deleveraging in the last couple of years. And that deleveraging will come to an end. So, if you look at our particular circumstances, I think you can also expect to see loan growth resume in future quarters.

Moderator: And the next question is from Abdul Rahman at Derayah Financial, can you please inform us about the provision expenses coming from SABB and the amount coming from Alawwal since the merger was completed?

Mathew Pearce: So, I'll repeat what we described in Q2 in terms of the expenses that we referred to as one-off. So, from the Q2 results, you could see that we had about SAR400m of credit charges from Alawwal, from acquisition up to the June 30 date. And there was a one-off charge of around about SAR1.2bn on the SABB side. Since then, obviously into the third quarter, and this is going to be the case across a number of our data points, which is why it is no longer split out, but we now look at it as a single bank in terms of how we manage it and indeed, David had highlighted earlier in his slides when he talked about progress to date and integration that we've begun some of the migration of the corporate portfolio from one system to another. So, we don't look at it as two separate banks anymore, we look at it as one merged bank. But I recognize that there's a lot of focus on the large credit charges in the second quarter. So, I wanted to highlight that split at that point in time.

David Dew: I think we've got time for one more question.

Moderator: Currently we have no further questions.

David Dew: Okay. Well thank you for attending our third quarter results call. We hope that you will share our enthusiasm for the prospects of our bank and the exciting journey ahead. We look forward to engaging with you at our next quarterly call and indeed during any future events. Many thanks and goodbye.

[END OF TRANSCRIPT]