Nationwide Building Society Annual Results 2022/23 Presentation

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Transcript *(amended in places to improve accuracy and readability)*

Nationwide Attendees:

Debbie Crosbie, Chief Executive Officer

Chris Rhodes, Chief Financial Officer

Muir Mathieson, Deputy Financial Officer & Treasurer

Robert Gardner, Chief Economist

Sarah Abercrombie, Head of IR, Credit Ratings & Treasury Sustainability

Introduction

Debbie Crosbie

CEO, Nationwide Building Society

Debbie Crosbie: Good morning everyone, and welcome to Nationwide Building Society's Full Year Results Call. I am joined this morning by Chris Rhodes, our Chief Financial Officer, Muir Mathieson, our Deputy Chief Financial Officer and Treasurer Robert, our Chief economist Robert Gardner. And I am Debbie Crosbie, the Chief Executive.

The Society's performance highlights

We are making strong progress against our strategy despite the economic challenges and market pressures that have impacted our costs. Our financial performance is the strongest on record with higher profits related mainly to increases in the bank base rate. This performance has allowed us to support members in new ways as they faced into the cost-of-living crisis.

We invested a £100 million into practical support, including an online hub, a dedicated cost of living telephone hotline, and we donated an additional £1 million to debt organisations and charities.

We also launched a cashback offer on supermarket shopping, which delivered benefit, directly to almost 5 million of our members. Our branch network is central to our support for customers, and I was particularly pleased to extend our branch promise to 2024, which means, we will not leave a town or city in which we are based without a branch.

In addition to our face-to-face services, we are continuing to enhance and improve our digital services to ensure that we can really deliver on giving our customers the choice of how they want to bank with us and simply brilliant service across all of our touch points. I am pleased that we remained number one for customer satisfaction amongst our peer group. That is now for 11 years running with a 3.8 percentage lead.

As a mutual, we aim to reward our savings customers with the highest savings rate we possibly can whilst ensuring, we remain financially sustainable over the long term. On average, deposit rates over the year were 65% higher than the market average, leading to an increase in our share of deposits.

We looked after almost one in every £10 saved in the UK. Our mortgage book grew to over £200 billion whilst our market share remained broadly flat, despite a highly competitive environment. We also grew our current accounts by over 3% to over 9 million accounts with one in five current accounts switchers moving to Nationwide supported by our Switching incentive.

All of this contributed to Nationwide delivering its highest ever level of member financial benefit of just over £1 billion. Of course, we are here to support our customers today, and for the long term, which is why it is important that we maintain our financial strength.

Our leverage ratio, which measures our ability to withstand economic shocks stands at 6% well above our minimum regulatory threshold. As our customers need to evolve, we are innovating and modernising.

Our difference is our mutual ownership model

So that journey began in earnest over the last year as we refined our purpose as well as refreshing our business strategy. Although we provide banking services, we are not a bank. I believe that we have a significant and an important role to play in delivering value and service in banking that offers a real alternative to the UK big banks.

Our new purpose is to provide banking that is fairer, more rewarding, and for the good of society. We aim to return greater value to members, deliver higher quality distinctive services, and be a force for good for society whilst operating as efficiently as possible.

But today marks our biggest statement yet on using our financial strength to benefit our members. We have announced our Nationwide Fairer Share payment, which will distribute £340 million of profit direct to eligible members with the deepest relationships through a £100 pounds payment directly into their current account in June.

To reward our loyal saving customers, we are also launching the Nationwide Fairer Share Bond, which is a highly competitive interest rate, and is available to all our members. These come on top of more than a £1 billion we returned to our savings and borrowing members through better rates over the last financial year.

It is because we are a building society, and owned by our members that we can reward them in ways that others cannot. It is now almost a year since I started at Nationwide, and in that time, I have seen the great potential we have to build a modern mutual that provides the best value in banking, brilliant service, and be good for society.

I hope that our ongoing commitment to deliver the services and products that our members value continues to help the society thrive, and stand out as a force for good, for value, and fairness. I am now going to hand you to Chris who is going to take you through the all-important numbers.

Financials

Chris Rhodes

CFO, Nationwide Building Society

Chris Rhodes: Thank you, Debbie. Good morning everyone. The economic outlook remains uncertain. And with rising bank rate and high inflation, customers have responded well to this difficult environment. And as a consequence, asset quality strong, and the rise in arrears we expected has not materialised.

We have continued to price very competitively, particularly for deposits. Our market share of deposits has increased from 9.4% to 9.6%. Our member financial benefit has increased from £0.3 billion to £1.1 billion, largely because we have passed on a higher percentage of bank rate increases than the market.

We ended our financial year in a strong position with increased profits, a leverage ratio of 6%, and a 12-month LCR of 180%. It is the strength of our financial performance that means we are able to announce our Fairer Share payment where eligible members will benefit from a £340 million distribution that will be paid in June this year.

Net interest income growth led to an increase in profit

So turning to our financial performance. Underlying profits increased by 39% to £2.2 billion compared to £1.6 billion a year ago. Statutory profit is £4 million pounds lower than underlying profit due to below the line hedging items. Total income was 21% higher driven by improved savings margins with the net interest margin increasing to 1.57% from 1.26% a year ago.

Underlying costs are £89 million higher, reflecting higher business as usual, run costs partially offset by lower restructuring costs, and the non-repeat of fraud costs from last year. Asset quality remained strong with stable arrears during the period.

The net loan impairment charge of £126 million reflects ongoing economic uncertainty. Provision for liability in charges saw a small release of £9 million compared to a £56 million charge in the prior year as the remediation of legacy member processors draws to an end.

We maintain a low risk, strongly capitalised balance sheet

A broadly stable balance sheet reflects £2.7 billion growth in lending offset by a decline in liquidity and other assets. During the period, £4.5 billion of Bank of England TFSME was repaid. Deposit growth of £9.1 billion reflects strong inflows into deposit accounts and growth in our current account base.

During the second half of the year, deposit balances grew by £6 billion. Capital ratios remained strong with the leverage ratio growing to 6% and the CET1 ratio increasing to 26.5%.

Net interest margin supported by robust volumes

During the year, net interest income increased as a result of higher deposit margins partially offset by lower lending margins. Approximately 55% of the change in base rate has been passed through to our retail variable savings base. Our average member deposit rate for total deposits is now 178 basis points, which is 53 basis points higher than the market average deposit rate. This compares to 11 basis points 12 months ago.

As a consequence, our member financial benefit, which measures the value return to members through better long-term pricing, increased to £1.1 billion in the financial year. The net interest margin increased to 1.57% for the full year. We expect margins to remain broadly stable in the year ahead as reductions in mortgage book margins offset the benefits of higher bank base rate.

Mortgage market competition persists; base rate rises support deposit margins

Mortgage book margins continue to decline from their peak as mortgages written during the pandemic run-off. Completions in the last quarter of the financial year were written at circa 65 basis points on a blended basis. The mortgage market remains very competitive, and we expect new business margins to remain broadly stable at this level for most of the year, as market volumes remain approximately 20% lower than 12 months ago.

The deposit market is also becoming more competitive, as volume growth slows and the market continues to refinance TFSME maturities. We are likely to see deposit margins level off, and then decline later in the year as we reach peak bank rate, and competition increases.

Costs increase due to the inflationary environment and targeted investment spend

Total cost increased by £89 million due to inflationary increases in business as usual, run costs partially offset by lower restructuring costs and the non-repeat of one-off fraud costs.

However, total costs were 3% lower than reported prior to the pandemic for the year to April 2020. We expect costs in the next 12 months to be approximately 4% higher, as a consequence of inflation re-pressures and volume growth.

Stable credit performance amidst continued economic uncertainty

This year's cost of risk is 6 basis points reflecting greater economic uncertainty and affordability challenges presented by higher inflation and interest rates. This is broadly in line with the pre-pandemic period.

The provision charge includes modelled adjustments of £199 million. These comprise a probability of default uplift for continued economic uncertainty impacting borrower affordability, and a loss given default uplift for lower valuations on properties subject to cladding risk.

Strong asset quality sustained over the period

Secured asset quality is strong with stable arrears levels and falling levels of forbearance. The average LTV of new business reduced to 69% whilst the average stock LTV increased to 55% from 52%, reflecting recent house price declines. Unsecured arrears have risen slightly but remained below pre-pandemic levels.

The economic environment has deteriorated, with the outlook uncertain

The economic environment has deteriorated compared to 12 months ago with a significant level of uncertainty, which we have reflected in the wide range of outcomes in our economic scenarios and the probabilities we have allocated to each. On a probability weighted average basis, we expect larger falls in house prices and a greater rise in unemployment compared to our expectations 12 months ago.

We now expect house prices to fall by 4.5% from December 2022 levels in our base case compared to an expectation of modest increases in last year's base case. Our downside and severe downside both have material falls in-house prices, and we have allocated a combined 45% probability to these two scenarios.

The labour market remains resilient with a current unemployment rate of 3.9%. Despite this, we have increased our peak unemployment rate in our base case to 5% compared to 4.2% 12 months ago, reflecting a more sustained period of higher bank rate. Inflation and higher interest rates continue to present the biggest risk to borrower affordability, and this is reflected in our IFRS9 charge, including the modelled PD uplift.

IFRS 9 staging and provisioning by portfolio

IFRS9 staging and provisions reflect the continued uncertainty and the wide range of possible macroeconomic outcomes. Total provisions for expected credit losses have increased to £765 million from £746 million a year ago. Coverage for prime mortgages were stable at 5 basis points with coverage across by to let lending increasing from 26 basis points to 44 basis points. This reflects the affordability pressure and uncertainty we see in this segment of lending.

Stage two balances for secured lending have increased by £19 billion. £12 billion of this increase is due to incorporating the additional modelled PD uplift relating to inflation and higher rates into the staging allocation, with the remainder being June due to updated economics and model changes.

Coverage for unsecured lending has reduced slightly from 11.4 basis points to 10.6 basis points but remains elevated compared to pre-COVID levels.

Our investment portfolio is predominantly HQLA with negligible held to maturity

Liquid assets represent 95% of our liquidity and investment portfolio. With the balance made up of securities that are non-liquidity eligible or posted as collateral.

Our liquid assets primarily comprise cash and government bonds. All assets have at least a Single A rating and are accounted for at fair value through other comprehensive income. Any fixed rate instruments in the liquid assets portfolio are fully asset swapped at purchase for the duration of the investment. And our net mark to market position, including hedgers at the financial year end, was a positive north £0.1 billion.

Breakdown of deposits and liquidity balances

Total deposits of £187 billion comprised of £183 billion in deposits from retail members, and £4 billion of business savings deposits. £29 billion, 15% of deposit balances are in excess of the £85,000 FSCS limit. Total liquidity balances represent over 170% of uninsured deposits. In addition, we estimate that we have approximately £70 billion of drawdown capacity at the central bank, much of which can be drawn intraday.

The 12-month LCR was 180%. Our internal assessment of liquidity, which is in excess of minimum regulatory requirements, and therefore, our binding constraint takes into account behavioural factors including the level of uninsured balances, digital activity, and the use of open banking facilities.

Our liquidity and funding position supports our financial strength

Our liquidity and funding position remained strong. We continue to pre-fund our repayment of TFSME drawings and when all TFSME has been repaid our expected LCR will sit in the range of 135% to 145%. This is broadly in line with pre-pandemic levels. We repaid £4.5 billion of our total £21.7 billion drawings in March, which ahead of any contractual repayment dates.

We issued £8 billion sterling equivalent of wholesale funding during the year and expect issuance in the next financial year to be in the range £6 to £8 billion depending on the size of the mortgage and savings markets. At present, it is our intention to maintain at least one benchmark outstanding in each instrument type across the liability structure.

We continue to ensure our issuance plans take account of credit rating agency requirements for loss absorbing capacity.

We meet current and expected regulatory capital requirements

Our capital resources are in excess of regulatory requirements with substantial buffers across risk-based leverage and MREL frameworks. The society holds surplus capital of £5.1 billion to the leverage requirement and £8.1 billion to the risk-based requirements.

The PRA has consulted on Basel 3.1, and our interpretation of the draft rules suggest our CET1 ratio would reduce to low to mid 20% on a pro-forma endpoint basis. The leverage ratio will remain our Tier 1 binding constraint.

Following the PRA granting a one-year general prior permission to repurchase up to 2% of CET1 resources effective from January 2023, we accepted tenders of a £100 million of CCDS under our open market repurchase facility in February. The 2% is dynamic, so based on CET resources as reported today, circa £175 million of repurchase capacity remains until the end of 2023.

Any future repurchases remain at Nationwide's discretion and subject to PRA permission remaining in place. We have today announced the Nationwide Fairer Share payment to return £340 million pounds of value directly to eligible members in June. Whilst we would like this to be an ongoing payment, any future payments remain discretionary subject to the ongoing satisfactory financial performance of the society.

The Fairer Share payment will only be considered after any payment of capital distributions, including those for AT1 and CCDS. Thank you. We will be very happy to take your questions.

Q&A

Speaker: Thank you, Chris, and good morning everyone. If you would like to ask a question, please type it into the webcast portal. We do already have a few questions. So the first one is from Rohith Chandra-Rajan at Bank of America, and it is one for Robert. What are your expectations for mortgage lending and are there early signs of a recovery in mortgage demand?

Robert Gardner: So we are seeing modest recovery in mortgage approvals seen from the Bank of England data and industry-wide application data, again suggests things are improving gradually. The market is likely to remain relatively subdued in near term because we do have household finances still under pressure.

If you look at housing affordability, it is still more stretched than it was when mortgage rates were their lows in 2021, but we do expect activity to gradually move higher, albeit, although being relatively subdued, as I say, by historic standards.

Speaker: Thank you, Robert. The next question is from Ali Woods.

What do you expect to happen to mortgage spreads going forward and a follow-up from Rohith? How is the mix between lending to existing customers and new customers impacted spreads? So, if Chris, you could take that please.

Chris Rhodes: Yeah, so like I said, in the last quarter, completions were at 65 basis points. Current spot is broadly at 65 basis points, and I expect that to persist for the remainder of the year because of the subdued market that Robert has talked to. The mix between existing and new is roughly 50-50. And I think if I remember the numbers correctly, the equivalent of the 65 was 68 when we gave you the half year update.

Speaker: Thank you, Chris. I have got a question from Lee Street at Citi. Another one on margin for you, Chris. What was your Q4 exit net interest margin and can you add a bit more colour on the net interest income trend you expect for the next financial year?

Chris Rhodes: Thanks, Lee. Look, so I am guiding you to a broadly flat margin for the year as a whole. In terms of Q4, I am not going to disclose that number, but if I point you back to the presentation, you can see the H2 margin was 166 basis points.

So we are clearly expecting some moderation in the run rate margin out of the second half of the year. So, I am guiding you to roughly 157 for the year as a whole.

Speaker: Thank you. How do you expect the evolution of pass through to play out going forward? And maybe Debbie, you can come in with a follow-up on that, which is, can you comment on your response to the treasury select committee on pass through?

Chris Rhodes: So to date, we have passed through 55% of bank rate rises, and that is the reason for the increase in member financial benefit from circa £300 million to £1.1 billion. My expectation is that both future base rate rises, and indeed the deposit market as a whole will become more competitive in the next 12 months.

There are lower volumes out there. There were clearly market outflows in Q1, and there is TFSME to refinance. So my expectation is that deposit margins will fall this coming year, hence the guidance on margin.

You would in all reason expect mortgage margins to respond to that, but again, I think that is towards the tail end of the year as we start to see the impact of margins having hit their peak.

Debbie Crosbie: Thanks. And just briefly on the treasury select, we are still finalising the response, but as you would expect, we are going to cover the fact that all of our profits are retained for the benefit of members. So it is absolutely our mission to ensure that where we can affordably pass through more, we will.

And as Chris has already covered, our deposit rates were on average 65% higher than the other high street banks. So we think we have positioned ourself very well. They are also interested in the practices that we have around on sale and off sale rates, and how do we think about informing customers and members when new rates arrive? And we are very proactive, so we do not have different on sale and off sale rates.

What we do is we make sure that we give access to our members to all of the rates that they qualify for. We proactively reach out to our customers when we have a new rate and encourage them to consider as appropriate to them. So whilst we are still finalising the response, I am optimistic that we have got some very good things to explain to treasury select committee about how we think about pass through and how we reward our loyal members.

Speaker: Thank you. There is a question on deposit mix for Chris, please. Two-thirds of deposits are instant access. Have you seen much movements in that, and how do you expect it to evolve?

Chris Rhodes: So in terms of overall shape of the deposit base, what we have seen is movements from current accounts, and almost to Debbie's point, lower paying instant access accounts into term products and term ISAs. I would expect as we progress through the year to continue to see deposit pressure or deposit outflow from current accounts into interest bearing accounts.

And at the moment that would reflect in a greater proportion of term. I think as we see bank rate peak and the yield curve effectively step down, that trend will slow in terms of movements into fixed rates. But I continue to expect a migration from current accounts into interest-bearing products.

Speaker: Thank you. And one for Muir from Rohith, please. Any thoughts on potential changes to funding or liquidity regulation or the deposit guarantee?

Muir Mathieson: Yeah, thanks Rohith. So clearly, in light of the banking failures globally in the earlier months, this year is a hot topic around deposit guarantee and how that might impact funding and liquidity regulations as well and is a subject of hot debate for regulators and banks globally. I think a key focus for the regulators in the UK is continuity of access as much as the absolute level of deposits that are guaranteed or the FSCS 85k limit.

In terms of funding and liquidity regulation, I think it has become clear that no one single metric should be relied upon too heavily. And certainly, the way that we always think about prudently managing the balance sheet, we look at a range of metrics, a range of scenarios, a combination of risks to make sure that Nationwide will stay resilient whatever the scenario.

Speaker: Thank you. Moving on to credit quality and asset quality, question from Lee Street. What are your thoughts on the increase in stage two balances, please?

Chris Rhodes: Yeah, thanks Lee. That is two drivers. One is a basis of preparation increase. So, £12 billion of the increase in stage two across the mortgage portfolio is simply down to the fact that we have incorporated what last year we call the post-model adjustments. This year it is the modelled PD uplift into the staging criteria.

Was not there last year, so that is £12 billion of the £19 billion total increase. The balance is down to the change in the economic scenarios and particularly the slightly higher interest rates and the sensitivity of those models to interest rates. So two-thirds of the increase is purely a basis of prep.

Speaker: Thank you. On a similar topic from Luis Garrido, what do you expect the NPL ratio to be in the buy to let book in the next year?

Chris Rhodes: I am not sure that is the number we can kind of point you to. It is a very hard number to estimate. What I can point you to is the risk section of the preliminary results.

And if you kind of do your little spreadsheet and work through the PDs, you can work out the expected PD inherent within the expected loss charge. The only observation I would make is we are not seeing arrears rise at the moment. The expected loss charge assumes they do, but the current trend is not aligned to that as they were.

Speaker: Thank you. I have got a couple of questions about the Nationwide Fairer Share payment. Where will that be reported in the P&L going forward? And are the capital ratios that we report on page 17 pro-forma for that distribution please?

Chris Rhodes: It was declared and approved last night, therefore, it is neither in the P&L or balance sheet. It will appear in the P&L next year. Because it is a distribution of member value, it appears on the face of the P&L. It will be above provisions and charges. So you will see it reduce profits, but we will highlight underlying profit, pre and post-member distribution, but it will be on the face of the P&L from next year.

Speaker: Thank you. Back to credit quality again.. In terms of sensitivity, if the severe downside were to happen throughout next year, what would the P&L outcome be?

Chris Rhodes: Okay, so let me point you to note eight where we disclose the expected loss charge of a 100% allocation to each scenario. If we were to assume a 100% to the severe downside, and the severe downside remained the same, the circa £760 million current expected loss would rise to £1.35 billion.

So that gives you effectively a £600 million uplift in the ECL to that you would need to add broadly write-offs during the year. So there will be a, if you like, £700 million P&L charge, all things being equal, same scenario, and same start point.

Speaker: Thank you. A question on the mortgage market share, it was lower in the second half of the year. And the question is commenting on competition in this space. Can you give any indication on market shares going forward?

Chris Rhodes: So, our strategic objective is to maintain our current position, and therefore by implication hold our market share off stock, broadly stable. As you point out, we went back 20 basis points during the year. In the summer, competition was intense and margins were not at a level where we wanted to compete very strongly.

So that set us up with a pipeline slightly smaller than we would normally have heading into the fiscal event. And clearly, the fiscal event has somewhat creates some volatility and reduction in volume. So our expectation is for broadly stable market share, but this year was impacted by our view on margins in the height of the summer, and the disruption from the fiscal event in the autumn.

Speaker: Thank you. A question for Debbie, is there any appetite to potentially deploy some of our excess capital for acquisitions?

Debbie Crosbie: So we are really focused on our strategy as stated and improving what we do today, of course, is something presented itself that was very attractive for our members. We would evaluate it, but we have no immediate plans to look at that at the moment.

Speaker: I have got a question, a specific one on the Fairer Share. How does that work for joint account holders?

Debbie Crosbie: They both get it as long as they both qualify. So that is if they both have a current account and they both have an additional mortgage or savings account with a £100 balance, they will both get it.

Speaker: Thank you Debbie. A question for Muir, can you describe the benefit you have received from your structural hedge this year, please?

Muir Mathieson: Yeah, of course. So we have got a disclosure on slide 24 in the appendices to the presentation today, which unpacks our structural hedge. And what you can see in that disclosure is we have got a total quantum of structural hedge in place of £43 billion. We structurally hedge our general reserves, our CCDS and what we prudently deem to be stable current accounts, and the receive fixed leg of that hedge during the year has increased from

0.64% to 1.17%. So you can see there what the additional tailwind we are getting from that structural hedge now is.

Speaker: Thank you. Back to the Fairer Share payment, what criteria have you set for deciding the amount of member distributions and how does that align with the CCDS and AT1 distribution decisions?

Chris Rhodes: So we have set ourselves a set of financial guardrails that I will describe rather than put a precise number on. In a sense, we are post any Fairer Share distribution and clearly post our normal capital distributions. The society needs to generate sufficient profit to keep its leverage ratio stable and absorb balance sheet growth.

Clearly, that number moves around depending on the size of the mortgage market, and therefore the growth in the balance sheet. But the principle approach is we will be capital self-sufficient post the Fairer Share payment on an ongoing basis with a stable leverage position. The £100 interestingly was a piece of work through the autumn that we did when we reset the strategy.

Clearly, Debbie led us all through that. Member research came back and said somewhere between £75 and a £100 is what members would expect as a fair reward for their loyalty and contribution to the society.

Muir Mathieson: And can I just add to that one as well, Chris, just to really emphasise the comment you made earlier, that the Fairer Share payment only gets considered after the distributions on CCDS and AT1 are made in full.

Chris Rhodes: Yeah, so whilst not a technical creditor hierarchy, it is our own imposed creditor hierarchy.

Speaker: Thank you. I have got a question for Muir please. Are you able to disclose the spot LCR at the end of the year and at the half one point please?

Muir Mathieson: We do not disclose spot. We disclose our average, but you can hopefully see very clearly from the chart on slide 15 how the 12-month rolling average has trended over the year. And again, just the most important point to say here is whilst it sits very strong 180% today and has sat around that level for some time now, we expect that to trend back down to 135% to 145% as Chris said, once we fully repaid TFSME.

In fact, we have essentially pre-funded all of our TFS repayments to that level. If we chose to, we could repay all of our TFSME today, and our LCR would sit at around that level, which is comparable to pre-pandemic levels.

Speaker: Thank you, Muir. A few questions on the new strategy. So I will merge them into one question for you, Debbie.

Are you planning to diversify the business as part of your new kind of purpose and strategy that you have set out?

Debbie Crosbie: I think what we all recognise is that the history of Nationwide has meant that it is really focused on savings and mortgages. We have made a number of recent strides in gaining current accounts, but I will just reiterate the importance that we believe on expanding our current account relationships to really deepen those relationship, so that we can ensure that we can provide, a wider range of services to our existing members.

So that is current accounts that will push into mortgage and savings, credit cards, personal lending. So the initial focus of the strategy is all about deepening the relationships, attracting new members and new customers. As we look ahead into Horizon two and three, of course, we will evaluate new opportunities.

And we have always had an ambition, and if the right opportunity presented itself to consider in the future maybe looking at owner managed businesses, but that is not for now. It is absolutely the focus on doing what we do really well, expanding the reach that we have with existing members and continuing to attract newer, younger, and more diverse relationships for the future.

Speaker: Thank you. A question, which is another general one. Do you think there are any prospects that the Bank of England will increase the minimum reserve requirements for banks and building societies?

Chris Rhodes: No insight or intelligence on that.

Speaker: Thank you. And now a more specific one on margin. You shared the information that 19 basis points of the margin was from timing impact. Will that fall away as rates stabilise, please?

Chris Rhodes: Short answer. Yes. Timing difference, if rates stabilise, there is no timing difference.

Speaker: Thank you. And just as a reminder if you have got any further questions, please type them into the box on the portal. We have got a quick follow-up on Fairer Share. Since it is going through the P&L, will there be a benefit from a tax shield?

Chris Rhodes: So we are assuming it is corporation tax deductible. Clearly, we have to agree that with HMRC.

Speaker: Okay. I do not think that there are any more questions at this point. So I had like to hand back to Debbie to close the call please.

Debbie Crosbie: Just very briefly, we are very proud of the strong financial results, but in particular, the way that this has allowed us to announce the Fairer Share, and of course that is on top of our £1 billion of member financial benefit. We are a very confident that we are in very good health, and we are a very safe and secure institution. And thank you for your questions and look forward to talking to you all again at the half.

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