

Virgin Money UK PLC FY 2020 Results Fixed Income Presentation - Transcript

Hosted by: Justin Fox (Group Treasurer), Andrew Downey (Head of Investor Relations), Matthew Harrison (Head of Treasury Debt Capital Markets) and Stephen Hynes (Head of Treasury Structured Funding)

Justin Fox, Virgin Money UK PLC

Good morning, everyone. And thank you for joining today's call. I hope you're all keeping safe and well in what continues to be challenging times. You have myself today, Justin Fox, the Group Treasurer and I'm joined by Andrew Downey, our Head of Investor Relations; Matthew Harrison, our Head of Treasury Debt Capital Markets who looks after our capital and unsecured issuance; and Stephen Hynes, our Head of Structured Funding who looks after our securitization and covered bonds.

After listening to your feedback, we've decided to start holding fixed income calls at every full year and half year results as part of our strategy to be more proactive on the debt investor engagement front going forward. So, if you do have any feedback following today's call, we'd be delighted to hear it.

You'll also see us doing more one to one engagements, speed dating events, in-conference investor meetings, non-deal road shows and post results investor calls. I'd also refer to the debt investor section of our website which also has a lot of information.

We've published some fixed income slides on the financial results section of our website, which Andrew and I will talk you through. We're going to give you a brief overview of our financial performance in 2020 and what we are seeing across our balance sheet before taking you through the capital and liquidity position of the Group, as well as touching on our funding plans for next year. Then at the end, as normal, we'll open up for Q&A.

With that, I'll hand over to Andrew to talk you through our Full Year 2020 Results.

Andrew Downey, Virgin Money UK PLC

Thanks, Justin. And good morning everybody.

As Justin said, what I'd like to do is just give you a quick high-level overview of the financial results, and in particular what has driven the provision and the assumptions behind that. Obviously, our CEO and CFO presented on Wednesday and gave a fairly detailed presentation. You'll be pleased to know I'm not going to subject you to quite that length of marathon presentation this time around but I just want to kind of step through a couple of slides.

So starting on slide four, I just wanted to talk you through the financial performance for the year.

Well our first half financial performance was resilient, the second half has obviously been impacted by the market-wide effects of the COVID pandemic.

In our lending book, we saw muted lending growth overall for the year, with a strong growth in business lending which is up nearly 14 percent due to the customer take-up at about £1.2 billion of the Government guaranteed lending, while our personal lending growth was dampened by the

lockdown impacts of the pandemic but actually our balanced transfer portfolio was more resilient in the market in the second half. There's 3 percent contraction in our mortgage book, really reflects the impact of our continued pricing discipline as well as the market shutdown.

Deposits, on the other hand, have grown really strongly during the period and this is really a function of consumer and business savings behaviors under lockdown, and in particular our relationship deposits, so that's our current accounts being linked savings balances that grew around 20 percent in the period.

Despite the challenges for the year, we did deliver a net interest margin of 156 basis points which was within our guidance, and we did remain very focused on delivering the self-help opportunities in terms of our cost space, with net cost reductions of about £30 million despite incurring around £14 million of COVID costs, and that reduced our costs 3 percent year-on-year to £917 million.

Our asset quality does remain resilient and importantly we have seen no material deterioration in arrears or asset quality across any of our portfolios to date. However, given the uncertain economic outlook and the yet to materialize impacts of COVID, we have chosen to apply additional conservatism to our economic scenarios and weightings as we assess that impairment provision and I'll explain those in a bit more detail shortly. This has therefore, led us to increase our on-balance sheet credit provisions to £735 million with enhanced coverage across all portfolios and this resulted in a significant impairment charge of £501 million, and therefore drove us to a statutory loss after tax of £141 million.

We did, however, retain a robust transitional CET1 ratio of 13.4 percent with a significant CET1 management buffer of around £950 million, which is obviously about our regulatory minimum requirements. And we continue to operate a strong liquidity and funding positions, and Justin will cover all of these in detail later.

Turning to our overall balance sheet position on slide five. I'll first start with just a high-level overview of where we stand today so as a reminder, we have a defensively positioned lending book. It is primarily made up of secured low average LTV mortgages counting for 81 percent of the portfolio, with prudently underwritten business and personal lending books making up the rest. We have, to date, seen no material deterioration in asset quality and haven't taken any material-specific provisions in relation to COVID. In fact, our arrears have reduced across most of the portfolios with the function of the Government support and forbearance measures, such as payment holidays. Additionally, our experience with payment holidays has been in line with, or better than our expectations, but it is very early days on that front.

Notwithstanding that picture on asset quality, we've adopted a deliberately cautious and conservative position on the forward-looking economic environment. We've applied an updated set of economic scenarios and weightings in assessing our current ECL provision, which reflects what we continue to believe as a highly uncertain economic outlook with an assessment of further restrictions to economic activity are likely over the coming period. It is important to note though that we have not yet factored in any near-term mitigation from the recent vaccine news pending greater clarity on outcomes and timelines. These conservative economics and weightings have therefore increased provision coverage across all of our portfolios with a total coverage ratio of 102 basis points. Stage migration is still largely model-driven as a result of the economic weightings, driving more into stage two, with stage three loans remaining stable.

On the right hand side of slide five, you can see the key asset quality metrics across our portfolios, which reiterate our current and historically prudent underwriting criteria and set the focus, in low

arrears levels across all of the portfolios and the good levels of collateral in the secured lending in mortgages and business. So, in short, we have not experienced any actual deterioration in portfolio strength. Arrears levels remain low and stable, and payment holiday experience has been in line or better than our expectations. However, what has changed is our assessment in view of the forward economic environment and our year end provision charge, stage migrations and coverage levels reflect this position.

I will now turn to the assumptions underpinning our ECL on slide six. So the impairment provision we have taken is driven by a conservative view of future macroeconomic outlook and it's been developed using a combination of economic scenarios and expert judgment following a comprehensive internal and governance process. We've updated our models based on IFRS9 economic scenarios sourced from Oxford Economics, which is relative to the scenarios we used at Q3 were more conservative across the key credit loss sensitive measures of GDP, unemployment and HPI.

In addition to considering the economic scenarios and shape relative to our own assessments and external benchmarks, the key estimation management have to then make is the probability weightings where we have conservatively applied significantly more weight into the base and downside scenarios, which now account to 90 percent of the total weighting.

As you can see, the output of this is a significant downward shift from the weightings we used at Q3 and reflects our preference to be cautiously positioned in the face of the highly uncertain economic environment. These weighted average outcomes acknowledge the likelihood of further restrictions and further potential COVID and economic headwinds, the impact of which as yet unclear, despite the extension of Government support.

So the combination of more conservative scenarios and weightings means that our weighted average economic assumptions have deteriorated quite significantly since Q3. That's the black dotted line relative to the grey dotted line on the three graphs on the right with the weighted average 15 percent year-on-year GDP decline assumed in 2020, and to put that in context the ODR had 11.3 percent in their latest forecasts that came out on Wednesday. Our average unemployment of 8.6 percent in 2021, with a peak of 10 percent in calendar Q1 2021, again, more conservatively than where the ODR was and accrued in peak-to-trough house price index fall to over 22 percent. We accept that these assumptions are conservative when compared to current market forecasts, and also when compared to some of our peers' last reported scenarios, but we would prefer to err on the side of caution given the uncertain outlook.

We also recognize that HPI at the moment is trending positively in the market rather than negatively but we are positioned for a peak-to-trough outcome over the coming years rather than responding to the latest month-to-month movements and clearly the outturn over the medium term is much more important than the short term in driving expected losses.

We've also reassessed our expert credit judgment overlays, which I will talk through on slide seven. The more conservative scenarios and weightings selected have resulted in a circa 70 percent year-on-year increase in the Groups modeled and individual ECL to £549 million at the end of September. In addition, the Group has specified a further £186 million in provisions with post-model adjustments, up from £49 million a year ago.

Post-model adjustments or PMAs are used to incorporate new or emerging risks not captured in model outcomes such as payment holidays or the role of the Government support As well as to address potential limitations in model sensitivities where they may not be reflective of the unique

economic stress scenarios we are currently experiencing or forecasting.

Following our internal processes, PMAs were judged to be required in our mortgages and personal books with £75 million and £111 million, respectively.

In mortgages, the PMAs primarily reflect the potential longer-term implications for customers who have taken a payment holiday.

While in personal, the PMAs relate to payment holiday assumptions, credit bureau data adjustments reflecting temporary improvements we don't believe are sustainable. And for our personal loan book specifically, a PMA for the unprecedented unemployment shock we are assuming which is difficult for the models to fully capture.

We did not assess any PMAs required in our business portfolio as we believe that the policies and frameworks in place to identify business customers experiencing financial difficulty are operating effectively given the more granular customer-specific assessments we are able to undertake, meaning that internal rating systems respond more dynamically as levels of customer difficulty potentially increase.

It's also worth remembering that we have assessed that 78 percent of our business book is in the least exposed or lower impacted sectors. The overall level of model provision and coverage for business was assessed as sufficient in the context of the portfolio shape and strength and it's been supplemented by the extensive number of customer segmental reviews undertaken in recent months.

So bringing it all together, we believe that the approach we have taken has led to an appropriate assessment of ECL for the conservative economic scenarios and weightings we have applied with £735 million of on-balance sheet credit provisions. While we do recognize the recent positive news in relation into the various potential vaccines they do remain subject to approval and the timing of when or even if these can be successfully rolled out at scale globally in a way that allows for a return to normal economic activity remains unclear.

Most economic forecasts, including ours, had always assumed a way out from the pandemic at some stage and so, this news therefore provides a clarity on that exit at some point in the future. If rapid adoption of vaccines or other measures improve the economic outcomes, then as and when that becomes clear, it will be reflected in our modeling and provisions. However, it still remains unclear what the ultimate economic impact for likely 12 plus months' period of disruption will be, with the potential for long-term economic scarring and actual asset quality impacts are only likely to emerge next year.

Our assessment has been through extensive Board engagement and internal governance and is based on experience in a variety of different crisis in different jurisdictions which informs our decision to adopt a cautious approach. In addition, as you would expect we have tightened our risk appetite on new lending to reflect the changed environment. This has included tools such as raising credit cutoff levels, reducing origination in potentially less resilient segments of the market and ensuring our BAU business lending is focused on cash-generative businesses.

Finally, we have also been beefing up both our resourcing and processes so that we are operationally ready for an expected increase in credit losses, with a more than doubling in the size of our collections and workout teams already secured for when required in 2021. The increased costs of this are therefore of course reflected in our 2021 cost guidance.

I will turn now to our provision coverage levels on slide eight. As you can see from the table the application of our more conservative economic scenarios and weightings has increased our provision coverage across all portfolios with total Group provision coverage of 102 basis points.

In mortgages, we have increased that provision coverage to 23 basis points, a relatively sharp pick up to Q3, which reflects the more conservative weighted economics, especially unemployment and HPI that resulted in the migration of around £6 billion of mortgage lending into stage two and the subsequent recognition of lifetime ECLs.

In personal, we have broken down the portfolio here into our credit cards and personal loans and overdraft books to reflect the different characteristics of the portfolio. In credit cards, we modestly increased the coverage to 537 basis points, where the lower relative scale of that change is reflective of the high-quality customer profile of our book, which is less sensitive to the more conservative economic scenarios we have used. In our much smaller personal loans and overdraft books, we have nearly doubled the coverage ratio since Q3. The relative size of the movement is partly reflected of the law of small numbers, but it also reflects a more prudent approach to our PMAs and in particular post-model recalibration of some of the model output sensitivities as previously discussed. At 824 basis points, we believe our coverage here is appropriate to the uncertain environment and reflects our conservative economic assumptions and weightings, in particular with that 8.6 percent average unemployment and a peak of 10 percent.

Finally, in business, we have also increased our coverage since Q3 to 391 basis points reflective of the increase in stage two loans as previously discussed.

So, in summary, the comprehensive approach we have taken here and in what must be remembered are our Full Year Results, incorporate some more conservative economic inputs and expert judgment overlays. And this has resulted in increased coverage across all of our portfolios and positions with £735 million on-balance sheet provisions as we enter what could be a highly uncertain economic environment in 2021. However, the recent news on vaccine clearly has the potential to improve the economic outlook and the operational transformation we have been delivering does leave us well positioned to capitalize in a more buoyant scenario.

I'll briefly finish this section by talking through the outlook on the slide nine. So, I just want to finish on the guidance and the outlook statements that we provided on Wednesday. In 2021, we're expecting a broadly stable net interest margin relative to the FY20 level of 156 basis points, with more opportunities than risks at present. Underlying operating costs of less than £875 million are expected, and this includes around £10 to £15 million of COVID costs that we expect to incur again next year. And for cost of risk we do believe that this will be lower than the FY20 level of 68 basis points.

It would, however, be wrong not to recognize due to the unprecedented nature of COVID the exact economic outlook for the U.K. is clearly evolving and remains hard to predict with any high degree of confidence at this stage. There are, as a consequence, opportunities and risks around our 2021 guidance as you can see on the slide. Including a potentially accelerating returns normalization if the possible vaccines can be rolled out quickly enough, but which we have not factored into our near term assumptions at present.

Looking to the medium term, given the economic uncertainties that persist, it is not appropriate at this stage to give firm medium term guidance, and so we have withdrawn the Group's 2022 targets

pending more certainty on that forward economic trajectory. However, we do continue to believe that Virgin Money has a clear path to delivering double digit statutory returns on tangible equity over the medium term, assuming no further deterioration in expectations, the economic outlook or change in interest rates. The improvement in returns will be built on the core pillars of the strategy that we outlined at our Capital Markets Day for which we are reprioritizing given the environment.

For the most material near-term returns and drivers being, a) the normalization of impairments as the environment stabilizes, and the reduction in exceptional costs as we complete our integration and transformation and, b) ensuring we continue to reduce our cost space through further digitisation to reflect the future operating environment, and as we evaluate the future opportunities arising from changing customer and colleague behaviour post-COVID. In addition, as part of that path to double-digit returns we are currently ascribing further, but more modest benefits, from optimizing our balance sheet mix in the medium term to invest a balance of margin accretive lending and a reduction in our deposit costs and delivering a more efficient capital base overtime.

I will now hand over to Justin who will take us through capital, funding, and liquidity.

Justin Fox

Thanks, Andrew.

Moving on to slide 11, as you can see here, we delivered underlying capital generation of 116 basis points during the year, but after absorption of the exceptional and non-operating items during the period, our IFRS9 transitional CET1 ratio finished only 10 basis points higher at 13.4 percent. Our transitional CET1 ratio has not been materially impacted by the impairment charge as a combination of the excess expected loss deduction and IFRS9 transitional relief, meant a net impact of just 2 basis points. RWAs absorbed 19 basis points of CET1 in the period, with AT1 coupons, exceptional costs and other items making up the rest. Our fully loaded CET ratio -- CET1 ratio is 12.2 percent after removing the IFRS9 transitional relief.

As you can see on slide 12, despite the increased impairment charge, we finished the year with a robust capital position across all metrics. Our Pillar 2A requirement reduced by 50 basis points in 2020 to 2.5 percent in CET1 terms, this is 0.1 percent higher than the figure we've disclosed in our Q3 trading update because our Pillar 2A is now set at a nominal level. While this provides stability should RWAs increase during the periods of stress, it also means that in percentage terms our requirement will vary slightly due to the movement in RWAs. The 0.1 percent increase is solely due to a small decrease in RWAs we saw over the quarter. Our lower Pillar 2A requirement means our CET1 minimum requirement or MDA hurdle has reduced by 50 basis points over 2020 to 9.5 percent. This also means we retain a significant CET1 management buffer as Andrew has already pointed out of £950 million, in addition to the £735 million of on-balance sheet provisions that we just talked you through.

One point I think that is worth noting is that our Pillar 2A requirement has now reduced by 1.1 percent in CET1 terms or 2 percent in Total Capital terms since we brought the two banks together in October 2018.

Total Capital of 20.2 percent and a U.K. Leverage ratio of 4.9 percent both also remain robust. And at 28.4 percent, we remain comfortably ahead of our expected 1 January 2022 end state MREL requirement of 27.3 percent.

Turning to next year's capital trajectory on slide 13. It's worth flagging that as we look into 2021 there are going to be several drivers to keep in mind when it comes to our capital trajectory. Firstly, on RWAs, we do expect to see credit risk RWA inflation begin to materialize in 2021 as Government support starts to recede and the actual economic effects begin to materialize. However, the timing of this remains very uncertain and will depend on how the environment evolves with the impact likely to have been pushed out further into 2021 given the recent extension of Government support measures and rises in HPI.

It is important to note that our forecast guidance for the scale of credit risk RWA inflation are also based on conservative economic scenarios, and so to the extent the economic outlook differs from that it will impact how our indicative guidance plays out here, as well as the timing point that I've already referenced.

Offsetting the expected headwinds from RWA inflation, we continue to expect a reduction in RWAs from the initiatives we spoke about at our Interim Results. Updates to our suite of business models and the move to IRB for our credit cards portfolio are expected to deliver modest benefits in the first half of our financial year, perhaps the larger than -- the larger expected benefit from the adoption of hybrid mortgage models we are targeting for approval in the Summer.

However, as ever with these sorts of initiatives, they do remain subject to regulatory approval so, as you know we have a strong track record here. If they are approved as planned though, then taken together with our current expectations for credit risk RWA inflation, we'll expect our RWAs to increase only modestly in Full Year '21. In terms of the trajectory for our transitional CET1 ratios therefore, while we anticipate the key drivers during the year broadly netting out, such that we are still around 13 percent at the end of the year, the in-year trajectory could be a little uneven given the moving parts in RWAs I've just talked about, the implementation of the EBA software intangible changes that we estimate will increase our CET1 ratio by around 40 basis points in fiscal Q1 and some unwind of the IFRS9 transitional relief as stage migration increases.

Turning now to the breakdown of our total capital stack on slide 14. As a reminder, all the Group's regulatory capital and MREL is issued by our holding company, Virgin Money UK PLC and is fully eligible from a CRD IV perspective, so you don't have to worry about grandfathering. There is also no FX exposure in the capital structure, providing stability during periods of market volatility.

As you can see, our excess Total Capital of 5.3 percent over our regulatory minimum is largely due to excess CET1. We don't have a target level of AT1 or Tier 2 per se, but we aim to maintain a headroom above the regulatory optimum to cover potential RWA fluctuations. Over the medium term, we will look to manage these buffers in an efficient way through potential redemptions and any refinancing activity without changing overall loss absorbing capacity.

Quickly, our call policy is remained unchanged. Future capital call decisions will be assumed -- assessed -- sorry will be assessed on a broad economic basis. That is balancing factors including the relative funding costs, current and future capital and MREL value, rating agency treatment and wider wholesale funding needs and of course calls are subject to the PRA's approval. For AT1 investors at the company level, Virgin Money UK PLC has available distributable items of £789 million representing 10 times our 2021 AT1 coupon payments.

Turning on now to our MREL position on slide 15. Despite the challenging backdrop, we are pleased to have successfully issued our inaugural Euro senior trade in June this year, which has been part of our ambition to diversify our funding bases. In addition to Sterling and Euro capability, we also have an Australian Dollar Funding Programme that we are yet to issue off.

As I've already mentioned, our MREL ratio is 28.4 percent, and this comfortably exceeds interim MREL requirements and is in line with our expected end-statement MREL requirements of 27.3 percent. This means that our future MREL issuance is solely focused on building a prudent management buffer over the expected end-state MREL minimum requirements, of fairly modest issuance between £500 and £750 million of holding company's senior unsecured debt planned in Full Year '21.

One question we get asked a lot is do you expect to become leveraged constrained for MREL purposes? The short answer is no. Given our forecast RWA density over the life of our plan we remain RWA constrained for MREL purposes.

Turning more broadly to our funding position and liquidity on slide 16 now. Alongside most of our peers we've seen exceptionally strong growth in deposits, which were up nearly 6 percent across the year owing to the impact of the pandemic on savings behaviors amongst both businesses and consumers.

With our personal customers saving more during lockdown and businesses holding prudent liquidity levels, as they focus on cash flow, we saw balances grow strongly in financial Q3 and those balances were largely maintained throughout the fourth quarter. A large proportion of that growth was in current accounts and as a result relationship deposits increased 20 percent year-on-year.

However, given the uncertain trajectory of the economic recovery, we're cautious about how sustainable these balances will be, recognizing that businesses and consumers may either have a greater need to access their savings if the future economic downturn appears or quickly increased spending as economic conditions improve, rapidly aligned to restrictions being materially eased with an improvement in confidence.

Given our much higher customer deposit balances, we have taken the opportunity to reduce our wholesale funding stack through the net repayments of nearly £2 billion worth of TFS-related balances and we've been less active in the secured markets whilst maintaining a strong liquidity position.

The 12 basis points -- the 12 percent reduction in the LCR over the period highlights the Group's ability to operate more efficiently while continuing to comfortably exceed both regulatory requirements and more prudent internal risk appetite metrics. Ensuring that we are well-positioned to continue providing support to our customers over the coming months through what are very uncertain times.

Deposit performance and outlook clearly then has an impact on wholesale funding needs. You can therefore expect secured issuance to be more modest as we respond to deposit flows, any issuance will likely be from our Lanark RMBS Master Trust or the Clydesdale Bank, formerly Virgin Money, Covered Bond Programme.

As I've said, we plan to issue £500 to 750 million of holding company senior debt as we continue to build a prudent management buffer over our expected end-state MREL minimum requirements and capital issuance plans will broadly be limited to refinancing.

As I will touch on later, ESG is a strategic priority for the Group so we're actively assessing green funding opportunities and may look to establish a green bond framework over the course of the

next year.

Let may make and offer a brief comment here on LIBOR transition. We continue to play an active role in driving an orderly transition from our representation in official sector and industry working groups. Following a consent solicitation process we successfully amended the interest basis on three of our Lanark RMBS securities in January and we'll look to launch similar exercises on our remaining LIBOR linked secured, unsecured and capital bonds over 2021.

Moving on now to our structural hedge on slide 17 where as you all know, this was unwound during Q3. There have been a lot of questions so hopefully this provides some additional clarity further from Wednesday's presentation.

The decision to unwind the hedge was because we believed that U.K. Base Rates had reached their lower bound level. As a result the benefit from the hedge had reached its maximum value, and that continuing to roll it the fundamental objective of having the hedge in place was no longer being met.

Our internal policy was that structured -- structural hedging is designed to smooth income overtime under a range of interest rate scenarios. Therefore, with a flat curve out to a five-year horizon, there was no longer any discernible benefit to be generated. Our hedge was of a size so that it was feasible for us to execute the required amount of swap without moving the market, albeit it took us around six weeks to do this.

Rather than just let the maturing hedges roll off, we executed opposing swaps with existing tenors to close out our notional hedge position and preserve the existing accounting treatment, thus allowing us to recognize the amortizing locked-in value of the difference in rates over the next five years. Our last disclosed notional volume at the first half was £24 billion yielding 90 basis points. It costs us about 10 basis points to execute, and so we have a net yield of circa 80 basis points with the notional coming down of approximately 1/60th per month over five years. This ensures that we locked in the existing NII contribution from our previous hedges and so there's no incremental impact in FY21 from this decision, with the impact of lower yields on the maturing hedges simply not being locked in for five years at current rates.

Now, clearly that has made us more rate-sensitive both upwards and downwards and so to help us protect us against the downside NII impact of a move to negative rates, we've allocated a portion of our CET1 management buffer to cover this risk. The intent being that the downside risk is more or less offset by an equivalent amount of capital. And our view is still prudent because if the maturity transformation risk of long-term borrowing being funded by short-term deposits is met by holding liquidity insurance then the NII risks associated with increased sensitivity to interest rate volatility is offset by holding more capital against that risk.

As well as allocating CET1 management buffer, we also agree with the Board a range of predefined triggers, which we review monthly at ALCO that can result in us amending our policies and of course there are a range of market indicators that we look at in Treasury.

Finally, we would measure different base rate sensitivities as part of our stress testing framework. We have not disclosed a sensitivity number at this stage given in a downward rate scenario the NII outcome will be dependent upon how this would be implemented by the Bank of England, down to zero rates or negative rates or reserves tiering, which is unclear at this stage despite an awful lot of debate over late Summer and into the Autumn.

The premise supporting the moves to negative rates is far from clear-cut, aside from the operational challenges regarding implementation, the choices around how negative rates could be implemented by the bank and the whole interplay with zero percent product floors and ultimately the reaction of market competitors.

We have responded to the PRA questionnaire on the operational challenges associated with a further move in base rate. It's worth noting that we have not been asked to, nor have we started work on implementing any changes.

Finally, I would note that despite deposit pricing improvements over this year, the bank still has a relatively high deposit cost as a result of the proportion of funds raised historically by the secondary savings market. This gives us more scope than many peers to margin management across the deposit book to help manage the NIM impact of a negative rate scenario.

Turning to our ratings position, which you can see now on slide 18. Maintaining our current ratings through the period of stress and seeking ratings upside over the medium term is a strategic priority for the Group. In July, Fitch affirmed the Group's ratings, removed the rating watch negative and changed the outlook to negative. The negative outlook reflects Fitch's view that whilst risk remains tilted to the downside in the medium term, the Group's ratings are not immediately at risk from the impact of the economic downturn, due mainly to the bank's sufficient capital buffers and sound asset quality metrics at the entry point of the crisis and a relatively large and stable deposit funding base.

In November after affirming the U.K. sovereign rating, S&P confirmed the U.K.'s BICRA, the starting point or anchor for domestic U.K. bank ratings also remains unchanged. For most U.K. banks including the Group, remain on negative outlook, S&P noted that they expect U.K. bank ratings to remain unchanged absent further economic deterioration in 2021.

Our Moody's ratings remain on stable outlook and were not impacted following the U.K. sovereign downgrade in October 2020. The stable outlook is driven by Moody's view that the deterioration in asset quality and core profitability during the coronavirus outbreak will be balanced by reducing integration and execution risks, the potential synergies following integration and the lower risk of another spike in conduct costs.

We also had good news on the ESG rating front this year with a one-notch upgrade from MSCI and a 3.3 point improvement in our Sustainalytics score. As I will come on to we are setting ourselves a very high bar on ESG, so we're hoping for further improvements in these over the medium term.

Then, as you can see on slides 19 and 20, it is not just about products and proposition. We've always felt that the Virgin brand is a disruptive brand but it's also a force for good. The work of the Virgin Money Foundation and the founding of the not-for-profit Virgin Money Giving platform are just some examples of the positive DNA that exists in the brand.

Our ambition is to drive positive social and environmental impact through everything we do. And rather than speak in generalities, we've developed four specific big goals in the ESG space that are aligned to our Group strategic goals.

Alongside each of these new goals, we're setting out bold aspirations including the strengthening and extending of our net zero commitments across our financing activities. This includes setting the ambition to reduce the carbon emissions in our lending book by at least 50 percent by 2030.

We're also taking action to tackle the challenges of diversity, the Poverty Premium and are significantly enhancing our ESG disclosure and KPIs.

We're committed to working with leading industry forums which you may be familiar with such as the Partnership for Carbon Accounting Financials in the United States and the United Nations Principles for Responsible Banking. These partnerships will help us to accelerate this agenda and align with the 2015 Paris Agreement.

This is a significant agenda and we're starting from strong place with lending to carbon-related assets of only 0.1 percent of our total customer lending.

So to quickly conclude, firstly, we've not seen any material deterioration that serves asset quality, nor have we been required to take any material specific COVID-related provisions. Secondly, we have a deliberately conservative approach to the economic inputs for our ECL assessment. And finally, our capital, funding and liquidity remain robust for the potential challenges ahead with fairly modest issuance plans in FY21.

I hope you found this call helpful. As I've already mentioned, this is something we plan to do every Full Year and Half Year Results going forward. So, if you do have any feedback post the call, we'd be delighted to hear it. I'd also remind you that as Andrew said to begin with, there is a much fuller presentation of our results that was given by David and Enda on Wednesday which you will also be able to go back and look at.

We'll now open up the line for questions. Operator, please go ahead.

END OF PRESENTATION

Q&A

Operator

Thank you. As a reminder, if you'd like to ask a question, it is star one on your telephone keypad. When preparing to ask a question, please ensure your headset is fully plugged in and unmuted locally.

Our first question today comes from Daniel David of Autonomous. Daniel, please go ahead.

Daniel David, Autonomous

Hi, thanks. Good morning, everyone, and thanks for taking my questions. Just a couple if I may? Just on M&A more generally I'd be interested just to get your thoughts on M&A and if there's any interest going forward? And also, with regard to the prior deal, has that, should we assume that has been fully digested and that businesses are integrated now? And then just a quick second question on your bonds and where they trade. So, looking at your bonds outstanding I think it's fair to say you trade a bit wider than U.K. peers is it a priority to close that gap and if it is are there any certain actions that you think you can take to bring, to narrow the spread, I guess? Thanks.

Andrew Downey

Hi, Daniel. It's Andrew. So, I'll take the M&A and Integration one and I'll let you talk about bond spreads?

Justin Fox

Yeah.

Andrew Downey

So, in terms of M&A, I guess, look there's clearly, you know, there's been a pick-up in consolidation, you know, probably more so in Europe at the moment you know and you know we've all kind of seen that. I think from our perspective, we obviously did a pretty transformational deal a couple of years ago and we are still working through the process to integrate that. You know in terms of your question about when it will be integrated, we're aiming to have the core of that integration done by the end of next financial year. So, we are still very much working through that process at the moment. You know, so, at the -- you know, that remains our focus and priority at the moment.

Justin Fox

Ok. And on sort of bond spreads, yeah, as a Treasurer, you sit down and you look at your funding levels relative to peers and it is something that you think about a lot. And something I and the team have been talking about ever since I turned up in the Summer. The thing that goes through our mind most of the time is really trying to figure out where we think the right pricing level is for us relative to peers. That can be tricky for us because I've said this to a lot of people before I kind of see Virgin as being in a sort of category of one. And therefore, we're neither as large or as established as our much bigger peers but we clearly are very different to most of the challenger bank network.

So, it is something that we are very focused on seeing improve clearly there's an underlying benefits in terms of overall financial performance. In terms of how we're approaching that, well, look, having a session like today is the first start in terms of being more open and transparent to our investors. We worked really closely with Andrew to ensure that the presentation we gave on Wednesday gave sufficient weight to the types of metrics that debt investors would care about.

Over time, you know, the reason why we've added -- we looked at the Euro issuance and we have the Aussie dollar Programme is we're looking to be able to diversify away our traditional sources of funding which has traditionally been very focused on the Sterling market. So, over time, we think as our credit story becomes better understood, as our financial performance gets delivered and as we work constructively with the market, we hope that we'd be able to close the gap. It will be an ongoing endless debate as to where a Virgin Money should price relative to other peers but you know we certainly see it improving. And it will be one of the metrics I think, you know, that will continue to engage with the market on going forward.

Daniel David

Great, thank you very much.

Operator

Our next question comes from Lee Street of Citi. Lee, please go ahead.

Lee Street, Citi

Hello, morning and thanks for doing the call. Can I just pick up on the first question and your response to it? So, obviously, you know, you see yourselves, in a category as one neither being as big as the larger peers but obviously not as small as some of the challengers. So, I suppose my question is, you know, you're the only person from the structure. Are you of a size that can compete?

i.e., do you not need to be bigger to really compete with those bigger people into perhaps, you know, too big that -- and you're no longer just a niche player. So, it may be not inevitable in time that you look at -- for M&A whether that's a bank or building society or just books of business. That's sort of my first question, so if you could respond to the first question.

And the second one is probably a simpler one. You talked about running a management buffer over and above the end-state MREL requirement. Maybe I missed it, but can you give us an indication in basis points, if you like, of what size of management buffer one should be expecting you to look to run? That would be my two questions. Thank you.

Justin Fox

Ok. So, Andrew, should we share the first question which is really the competitors?

Andrew Downey

Yeah.

Justin Fox

Because what I'd like to do is actually give a customer perspective having not been a bank treasurer for a bit.

Andrew Downey

Exactly. Let me do the strategic bit and then I'll let you try that. So, thanks for the question, Lee. So, I think yeah, we -- I agree with you. We are kind of fairly unique in terms of our position in the market. It's always been, you know, frankly, one of the challenges we've had when talking to the equity markets about what are you, you know. We think there are genuine strengths in our position because, you know, we are of a size that means that we can be a bit more agile, you know, we can respond to the market a bit quicker. And the brand differentiation we have we do believe will come through over time.

Obviously, this year has been laid out implementing some of that and that, you know, meant that we haven't necessarily gained the momentum we would like, but I think into next year, we'll build on that. In terms of whether our size is a kind of constraint, longer-term, we don't believe it is, you know. We've outlined today on Wednesday that we do believe we have a path to double-digit returns on statutory equity. And, you know, we think we can do that by becoming more efficient and, you know, continuing to build out that customer proposition.

And I think in the new world, this kind of a new digital age, size for size sake is not necessarily going to be the answer. You know, as you would expect, we would always, you know, look at the market more broadly and consider opportunities but I think the primary focus for us is, you know, finishing the integration of Virgin Money and delivering on the opportunity we have here today. And, you know, as to what might happen in the future, we'll see.

Justin Fox

Yeah. And I'll add to that Lee because right before I joined here, I spent a couple of years outside of the sector, right, and effectively-being a corporate treasurer even if it was at a charity but a corporate treasurer who was being served by the vast majority of large U.K. banks in that space. And the things that I picked up in my time out from the market was the absolute need particularly in the SME space for a real alternative in terms of provider that really got to customers' needs because some of those can still be reasonably complicated and need a lot of handholding.

And not all corporate customers have the sort of access to sophisticated systems and processes that thought that may work very well in a retail environment but work less well in a sort of corporate environment. And that's where the need for relationship banking becomes really important. I think particularly in current times, a lot of customers out there want the guidance and support from their bankers rather than having to sort of phone into a call center. So, I think our model here is different and offers a proposition, particularly in the business space to offer an alternative, a decent alternative to the large-scale banks. I think there's a lot of opportunities to grow there.

And then on the retail side, the one thing I've been impressed with over the last few months is the degree of internal engagement around our revitalized ESG strategy. Again, as someone who looked outside at the banking sector and looked at the whole sustainability side, again coming, you know, coming at this from a charity lens. I think there's a lot of opportunity in scope for ESG to happen in the retail space. A lot of the focus right now is happening on the sort of corporate and commercial side. But the opportunity for developing within the U.K., the concept of a fully-fledged green mortgage is I think going to change a lot over the next 10 years.

And I think the sort of position we're in, being a slightly smaller entity and therefore being able to make decisions more nimbly does leave us well-positioned to, you know, adjust our strategy to support that because not only it is the right thing to do but it's also I think very, you know, will help our customers. So, I think we're pretty well-positioned and that's what I like about Virgin Money is that ability to be disruptive of our size. So, that hopefully answers your first question.

The second question on the MREL management buffer, if I'm really honest, I don't think of it in basis point terms. I think of it as in sort of notional terms because it really comes down to the buffers that you want to hold in terms of what risk are you trying to protect. Now, for some banks, that may be an element of FX risk and FX volatility that may impact their MREL requirements and ongoing basis. I don't think that really applies to us.

So, for us, it's about having sufficient buffer to basically accommodate a sort of market lockout. So, for us, it would come as a sort of percentage terms of our overall MREL outstanding in terms of theoretically there could be a market out and therefore that's what we're trying to assess. The length and duration of which is something we think about internally. So, it's the question of what would drive the size of the buffer.

Lee Street

All right. And can I quickly come back on the first one? I'm not going to ask about M&A again. This is different.

Justin Fox

Yeah.

Lee Street

So, obviously, if I look at -- your make up of your book on slide five here. It says 88 percent is mortgage and personal. So, 88 percent retail and you talk up your SME business credentials. On a look ahead basis whether that's one, two, or three years, how should I be thinking of that split of 88 percent retail versus 12% business might evolve?

Andrew Downey

Sure. So, I'll take that, Justin. So, we've set at the Capital Markets Day, we set out a kind of medium-term targets with an aspiration to get to a book that looks more like 75 percent mortgages, 15 percent business, and 10 percent personal. So, that's the sort of quantum we're looking for. You got to remember that, you know, particularly business here at 12 percent, it's kind of been inflated this year by the Government guarantee lending. So, when you strip that out, it's more like -- it would have been more like 10 percent BAU if that makes sense. So, it was quite a big move we were looking to do. That was very much going to be over a period of time but we will always naturally be very skewed to the mortgage purchase given its size.

We do believe it's an opportunity for us in business. And that really comes back to currently, our business franchise is largely a very regional franchise from the kind of heritage Yorkshire and Clydesdale business banking businesses. We have very good market shares in those sectors, you know, getting into kind of mid-team market shares but our national market share was more like three to three and a half percent.

The opportunity for us under the Virgin brand is to take what is a really strong business relationship manager proposition and go national with it under a brand that people recognize and understand. And we do believe over time that will help. And you'll be aware that we obviously succeeded in getting a £35 million grant award from the BCR which we are match-funding, and we intend to invest that into turbo charging the proposition for businesses.

Lee Street

All right. Thank you very much for all your answers. I'll leave the call to someone else. Thank you.

Operator

Our next question comes from Stephane Suchet of Credit Suisse. Stephane, your line is now open.

Stephane Suchet, Credit Suisse

Thank you very much for organizing this. This conference call is extremely useful and much appreciated. So, four questions, if I may. The first one is on the AT1 refinancing for next year. So, in the slide five, you mentioned that there's a headroom versus CET1. Also, you mentioned that you want to keep a certain headroom. So, how should we think about this security next year? Should we expect it to be refinanced or would you be happy to reduce your current headroom versus CET1 requirement?

The second question, if I may, is on issuance. You mentioned issuance next year is £0.5 to 0.7 billion. Just like to know if possible if in a specific currency will be in favour at the moment being Aussie Dollars or Euros or Sterling. And also how should we think about this transaction, one or two tranches?

Thirdly, on interest rate margin, we've seen quite a significant expansion of mortgage margins and I'm just a bit surprised by your guidance on external factors. Like the -- so just like to check with you, what am I missing here?

And softly -- sorry to labor the point on a minute Sabadell this morning said that activity is going to be managed for value, it could be for disposal. So, my question to you would be, once integration is completed next year, should TSB be offered to you or are you more thinking that at the end of the day buying more branches in today's world is not really relevant? Thank you very much.

Justin Fox

Okay. So, I'll take the first two questions and I'll leave the other two to Andrew. On AT1 specifically, I think it's too early for us to basically provide any clear-cut guidance as to what we may or may not do. We are -- the way I look at it right now we have some time to make those choices and how we approach looking at that transaction over the coming year in part to see how the year pans out. But also, clearly, you know, any approach for that transaction, we naturally have to be discussing with the PRA as part of that approach, but we are thinking about it. And -- but I think it's too early to comment specifically on that transaction.

On the second point in terms of issuance, again, it's really hard to be definitive on precisely

because it comes down to just how much we think that we need to issue next year to have that level of buffer that we think makes sense. I think historically, you know, we've clearly see, and we're really pleased with the exercise we did back in June. So, I would certainly say that we would consider strategically looking at other currencies other than sterling. And, you know, it could be, you know, more than one transaction that we would look to do next year. At the time, it's going to be driven by market considerations and the feedback from many of the investment banks who call us and give us their views. But, you know, I think the key thing for us is it goes back to that question originally as to where do you see sort of fair value in terms of your funding levels relative to peers. Ultimately, you know, we want to see well-executed transactions, we want to see hopefully progression in terms of our pricing and ensuring that, you know, these transactions are well diversified across a broader investor base going forward.

Andrew on NIM and M&A?

Andrew Downey

Sure. So, I'll just do M&A very quickly first. So, as you would expect, you know, I'm not going to comment on specific kind of banks out there. I think, you know, as I said, it's kind of the first couple of questions that the kind of primary focus for us is completing the integration of Virgin Money and delivering on the opportunity we have here. And, you know, again, I'm not, we're not necessarily sure that the size for size sake is the right thing. And, you know, to your point, we are in a more digital age now. So, you know, our primary focus certainly over the coming years is to build on that digital opportunity we have which is a combination of, you know, the strong digital platform we have and the brand to really go sell that into the marketplace.

In terms of NIM and mortgage spreads, so as Enda outlined on the call on Wednesday, at the moment, in terms of the kind of broadly stable NIM into next year, we've kind of assumed, you know, better mortgage pricing than we've seen historically, you know, in terms of our front book is expected to be better than our back book. But we haven't embedded the more recent pick up in mortgage spreads over probably the last six to eight weeks. And, you know, we remain cautious as to how sustainable the widening of mortgage spreads is in the longer term. You know, we do believe that, you know, certainly into the second half of next year from March onwards, you know, we could see that unwind. So, we've been fairly cautious about the assumptions we've used.

But, you know, we did call out the guidance we've given at the moment, as we sit here today, we do think that it's more weighted to opportunities than risks at present. And I think that the one thing to bear in mind is obviously, we're kind of -- we're implicitly guiding to a pickup in NIM next year from our Q4 exit rate. Our Q4 NIM was 152 basis points with guidance broadly stable at a kind of 156 level. So, implicitly, we are embedding a level of margin widening within that. And then the other bit just to bear in mind as we go into next year, we're still holding, you know, pretty significant excess liquidity particularly just given the uncertainties still around in the marketplace and that obviously has a cost. So, I guess those are the main moving parts.

Stephane Suchet

Thank you very much, Justin and Andrew. Very much appreciated.

Operator

Our next question comes from Guillaume Desqueyroux from Sanlam. Guillaume, your line is now open.

Guillaume Desqueyroux, Sanlam

Hi, good morning, and thanks again for the presentation. I have two questions if I may? The first one was simply on the new brand launch. So, I just want to know if the marketing cost that you're planning for this year has been postponed to next year, and is it, you know, well embedded into the cost projection of £875 million target that you have? And then if I can come back on the slide 13, on the well, CET 1, you mentioned the transitional, but I was more interested in the fully-loaded CET 1 if I may.

So, I see that it's 12.2 percent currently. And you mentioned the business mix that's been changed but I was wondering if you can comment on the various elements. You mentioned some volatility on the RWA and the timeline doesn't seem 100 percent clear to me because I see you in like three elements that you want to submit to the regulator and I just don't know if they have the resource to, you know, do all of that for you and all the other banks in the meantime and yeah, also the IFRS 9 release unwind. I was wondering it's just the BAU unwind or if it was a specific COVID-19 element that has been embedded in your RWAs? Thank you.

Andrew Downey

Sure. Should I take the first question, Justin, let you pick up the second one and I can jump in as well with that?

Justin Fox

Yeah.

Andrew Downey

Great. So, in terms of the brand re-launch and the cost associated with that, so the cost associated with the brand relaunch, we class that as an exceptional item so it's not an ongoing cost so that is not embedded in the £875 underlying cost number. However, it is in the guidance that we've given for our transformation and integration costs next year of £75 million which obviously goes below the line. We did pause a lot of that rebrand spending this year. We've done a little bit just around the sides. But you know the majority of that rebrand spend will be into next year's, but that's very much embedded in the guidance we've given for next year in that £75 million.

Justin Fox

Yeah. And in terms of the sort of end-state CET 1 ratio, you know, given that we're sort of saying roughly 13 then you see a similar type number on the transitional part -- sorry, on the fully-loaded CET 1 number, i.e. around the sort of 12 percent mark for next year. I accept that there are a number of moving parts within this sort of RWA trajectory next year. We have, you know -- our plans, vis-à-vis model changes are very well flagged with the PRA and there are ongoing discussions with them around the timing of that.

We feel that we have been prudent in the assumptions around the timing of when those opportunities arise within our planning. And clearly, we've been looking as part of our budgeting process at various sensitivities around the timing of those issues. Similarly, the focus is that you know -- really around the trajectory of what the economic outturn looks like and how that impacts

our sort of forward-looking sort of hearth for CET 1 to the extent that we see. Although we feel that the way that we've modeled this is conservative and more prudent towards bringing forward a lot of the conservative assumptions but if they don't manifest themselves then clearly there is a benefit but that may be a timing issue.

So, we feel that we have sort of front-loaded that to a certain extent. And clearly then going back to the CET1 is clearly at the moment, you know, the regulatory focus is still around the transitional type approach to CET 1. Andrew, is there anything that I missed in terms of on that subject?

Andrew Downey

I think Guillaume mentioned the IFRS 9 transitional release unwinds, so maybe just touch on that. So, you know, that one's quite a hard one to call, you know, that will really reflect the extent to which stage two loans migrate to stage three. And obviously, as we sit here today, you know, it's very hard to predict that. I think it's fair to say that's probably been pushed out a bit further into next year just given the extent of the Government support through to March.

And that's kind of why it is, you know -- I accept that is quite hard to kind of forecast the kind of the trajectory intra year next year for CET 1 on certainly on a transitional basis. And, you know, we understand that but I think the point we're trying to just reiterate is that, you know, assuming that we do get those kind of opportunities approved by the regulator and we would expect it to be circa at 13 percent next year. But, you know, it could be a little bit uneven during the year.

Guillaume Desqueyroux

But I think this is the way I just like to confirm. Did you -- under my second question, on your -- at the beginning of your answer, did you say that basically the target for the fully-loaded CET 1 is 12 percent?

Justin Fox

That's not the target, it's where if you end up at 13 percent on a transitional basis, you're then looking at a slightly lower number on a fully-loaded basis.

Guillaume Desqueyroux

Okay, thank you. Thanks for the call once again.

Operator

Our next question is from Jakub Lichwa of RBC. Jakub, your line is now open.

Jakub Lichwa, RBC

Hi, there. My next question was actually answered. But if I have opportunity then, can you comment actually about sensitivity to negative rates at all, if any, on the NIM, please?

Justin Fox

Yeah, so I'll just provide -- yeah, why don't you go?

Andrew Downey

Yeah, so just as what Justin was probably about to say we haven't given any explicit sensitivities at this point I think, you know. As you would imagine, it's very, very hard to give a sensitivity when you're not clear on, you know, how negative rates would or could be implemented. So, you know, we steered away from trying to guess that. I think the things that people just need to bear in mind is the thinking about this is that particularly for us, you know, the high cost of deposits that we do have today means that we do have the opportunity to kind of mitigate some of the effects of, you know, potential moves to negative rates by going harder at the deposit book.

And that's probably not available to others in the market so that will provide some degree of offset. But, you know, as a function of taking off the structural hedge, we are obviously more rate sensitive and there is an impact from that but it's very hard to call in terms of what that looks like as the sensitivity at the moment just given the uncertainties, etc.

Jakub Lichwa

Okay, thank you.

Operator

Our next question comes from Christy Hajiloizou from Barclays. Christy, please go ahead.

Christy Hajiloizou, Barclays

Hi. Good morning, everyone. Thanks for the presentation. One of my question did already get asked actually but I'll take the opportunity to ask one more. In the prepared comments, you reference that you've tightening credit criteria on new lending or you had tightened some credit criteria on new lending recently.

I was just interested given the focus of regulators, the central bank on maintaining credit to the economy, do you think there are any incentives that the central bank could provide or maybe through regulatory relief that could encourage banks to perhaps continue to keep the taps open more freely or do you think there could be any pressure from the regulators to not tighten credit criteria and to kind of continue lending even if that means sort of slightly higher credit risk? Thank you.

Justin Fox

I'll give you my perspective on this because it's something we have been talking about internally and clearly, this is sort of a personal view. The nature of what we're experiencing right now is very unlike any other type of sort of stress environment we've witnessed before. And therefore, you know, my overall perspective across the market is there isn't a lack of credit availability. There is credit available in the market but what we're seeing is a very prudent and cautious approach on the part of personal customers and on businesses.

So, you know, we said that a lot of the drawdowns we see, for example, under the BBLS and CBILS is effectively being deposited back as cash right, as businesses, you know, worry, or are concerned about the long-term outcome and outturn for their businesses going forward. therefore, they're being prudent and cautious. We're seeing it also on the sort of personal side where we're not seeing the sort of degree of spending. Particularly, you know, we're expecting

post the end of the furlough. We thought that we might see a change in sort of deposit behavior but that hasn't really materialized.

So, it isn't really a lack of credit availability which we've seen in previous recessions or in previous economic downturns or particularly post the Brexit vote, right, which was to introduce the TFS scheme. I don't think, you know from the conversations we have with the regulator is I don't feel under -- there is a drive towards changing our credit risk appetite, you know, lots of questions about, you know, being prudent in terms of how our lending capability would be. I mean, the only thing that we sort of contemplated is what could central banks – and sorry, just to finish on that point, that leads me to believe that there is a limit around the degree to which monetary policy can help and if you read what most economists talk about right now is actually fiscal stimulus that's more need as opposed to much further monetary easing.

The only thing we sort of talked about and ruminated about internally is -- and we've seen this from some economists is well, maybe, you know, there could be an adjustment in terms of how the TFS scheme operates to offer a sort of a much lower funding rate for banks provided that there's some sort of transmission mechanism back through the lending channel as a more targeted approach to, you know, improving sort of increasing liquidity, but that would really change the whole nature of how central banks support would need to work. So, that's more difficult I think to contemplate. I mean, generally speaking, you know, we are trying to support our customers as much as possible, but in a prudent world where, you know, clearly economic scenarios are becoming, as we're demonstrating are far more cautious.

Christy Hajiloizou

Lovely. Thank you.

Operator

We have no further questions. I'll now hand back to the management team.

Justin Fox

Listen, I really appreciate everybody joining in today. And, you know, I've always been told that feedback is a gift, and we'd like to receive it even if it doesn't come wrapped up in a bow. So, hopefully, you've all found this useful. As I said, we will -- we have available the webcast on the equity presentation which goes into a lot more detail. We're here. We're available. We're very happy to engage with all of you and try and improve this on a go-forward basis.

With that said, I'd like to thank you all for taking the time out and spending an hour and a quarter with us this morning and listening in. It is very much appreciated.

Thank you and have a good weekend.

[ENDS]