Close Brothers
Interim Results
Tuesday, 13 March 2018
9.30 am

Preben Prebensen – Chief Executive Officer
So I think we should get started. Good morning and welcome to the Presentation of our 2018 first half results. As usual, Jonathan Howell will take you through our financial performance and I will then provide an update on the Group and each of our businesses.

We also have several colleagues here today. We have Mike Morgan, the CFO of the Banking Division, Philip Yarrow, the Chief Executive of Winterflood and Martin Andrew, who runs Asset Management.

As usual we will be happy to take your questions after the formal Presentation.

We are pleased to report a good performance in the first half. We achieved good growth in profit and maintained a strong RoE. And we are increasing the interim dividend by 5% to 21 pence.

I am particularly pleased that all three divisions are contributing to this good result. The Banking Division delivered good profit growth with a stable net interest margin, low bad debt and continued loan book growth. This reflects the active management of our business portfolio through the cycle.

Winterflood has delivered another strong year of trading, supported by continued positive market sentiment.

And Asset Management is really moving forward benefiting from and investment in that business over recent years.

Most importantly we have delivered this performance while maintaining the strong client focus and the discipline of our business model.

I will now hand over to Jonathan who will take you through the first half performance in more detail.

Jonathan Howell – Finance Director
Thank you Preben and good morning everyone. As Preben said, our good performance has continued with a strong contribution from all three divisions. Overall adjusted operating profit increased 6% in the first half to £142 million. Adjusted earnings per share were up 7% and RoE remains strong at over 17%. Our capital position also remains strong with a CET1 ratio at 12.7% and leverage ratio of 10.7%.

We are pleased to announce today a 5% increase in the interim dividend to 21 pence. This reflects our continued profit growth and progressive dividend policy. All our businesses performed well in the period. In Banking, profit was up 5% to £129 million with a stable net interest margin and continued low impairments. We achieved good profit growth in Commercial up 9% and Retail which was up 7%. Property also performed well but was broadly flat due to provision releases in H1 last year.

Winterflood has continued its strong performance with an operating profit of £15 million. And we delivered a very good result in Asset Management with strong net inflows and adjusted operating profit of £11 million, up 25%.

Looking now at the Income Statement. Income was up 7% to £406 million with higher income in all three divisions. Expenses increased 6% to £239 million. This reflects continued growth and investment in the Banking Division and higher variable costs in both securities and asset management as a result of their strong trading performance. Impairment losses increased to £24 million. This largely reflects £5 million of provision releases last year. Excluding these, the bad debt ratio was stable. The effective tax rate decreased slightly to 25%. This reflects a 1% reduction in the Corporation tax rate. All in all this resulted in a 7% increase in earnings per share to 71 pence.

Our Balance Sheet remains simple and transparent. And the majority of assets and liabilities relate to our lending activities. We have maintained our prudent approach to funding and liquidity which is a key part of the business model. Total funding remained well in excess of the loan book at £8.9 billion, covering the loan book by 128% at the period end. The funding for the loan book had an average maturity of 21 months, significantly ahead of the loan book at 14 months. We held £1.1 billion of Treasury assets principally with the Bank of England.

We have maintained access to our diverse range of funding including both retail and corporate deposits as well as secured and unsecured wholesale funding. In the first half we issued our second public motor securitisation and we have made limited use of the term funding scheme which accounted for only 4% of our funding at the period end. We are now investing in a new deposit platform to further diversify our retail deposit offering.

Our business model is underpinned by a prudent capital position which supports our ability to lend through the cycle, invest in our business and pay a progressive dividend. In the first half, common equity Tier1 capital increased to £1 billion reflecting continued profitability. Risk weighted assets increased 3% to £8.1 billion, reflecting loan book growth and the mix of loan book at the period end. Overall the CET1 ratio increased slightly to 12.7% and remains comfortably ahead of minimum requirements. The total capital ratio remains at 15.2% and the leverage ratio remains strong at 10.7%. At this stage we expect limited impact from the changes to the standardised approach under Basel III. But we continue to monitor regulatory developments. We are also making good progress towards our transition to IFRS9 in the next financial year.

Turning now to the Banking Division where we continue to see good performance with high income and low impairments. Income was up 7% to £294 million with growth across all lending segments. Expenses increased 6% to £142 million and the expense:income ratio reduced marginally to 48%. We also continue to invest both in our systems and new business initiatives. The net interest margin remains stable at 8.2% reflecting our continued pricing discipline and a lower cost of funds.

And finally the bad debt ratio remained low at 0.7% with strong credit performance continuing across the Portfolio.

Overall the loan book grew to £7 billion, a growth rate of 1.7% in H1 consistent with this time last year. And we are 7% higher year-on-year. As you know, loan book growth is an output of our model and we maintain pricing and underwriting discipline at all stages of the cycle. Our portfolio is diverse and so growth rates in our businesses will diverge reflecting different market dynamics. In the first half the property book was up 4% to £1.7 billion, benefiting from continued demand for residential development finance.

The Commercial loan book grew 2% overall with growth in asset and invoice finance. And finally the retail loan book remained broadly flat as good growth in premium finance was offset by a small contraction in the motor finance book.

Looking now at the key metrics across the Banking Division. The net interest margin remains strong and broadly stable across all our businesses. At 7.8% in property, 8% in commercial and 8.8% in retail. Bad debts remained low, reflecting continued strong credit performance across the Portfolio. The bad debt ratio in Retail increased to 1.1% which was consistent with the second half last year.

Commercial achieved a particularly strong credit performance this year with low arrears and strong collections resulting in a bad debt ratio of 0.4%. And in property the ratio was up 0.5% compared to the small net recovery last year. And finally expense:income ratios were broadly stable across all three segments, despite ongoing investment in both Retail and Commercial.

Turning now to Winterflood which improved further on last year's strong trading performance. Income increased 3% to £56 million with higher trading income across the board and particularly in FTSE 350 and AIM stocks. And trading was consistently profitable with no loss days in the period. Expenses increased 4% to £41 million reflecting higher variable costs in line with trading performance. Overall Winterflood achieved a good profit of £15 million.

And finally we achieved a very good performance in Asset Management with strong net inflows and a significant increase in operating profit. Managed assets grew 9% to £9.7 billion driven by both strong net inflows at 13% and positive market movements. And total client assets were up 6% to £11.8 billion.

Operating income was up 12% with growth in both investment management and advice. Expenses increased 9% to £45 million with continued investment in people and technology. Overall, this resulted in 25% growth in adjusted operating profit to £11 million and an increase in the operating margin to 20%.

Thank you.

Preben Prebensen – Chief Executive Officer
Thank you Jonathan. So as you can see, our performance in the first half remained good, while maintaining the disciplined application of our business model. The loan book continued to grow and most importantly we maintained our margins and credit quality. Winterflood continued to benefit from high investor trading activity and Asset Management achieved significant growth in both client assets and profit.

And while this short-term performance has been good, we always manage our business for the long-term. Our strategic priorities are clear, to protect, improve and extend our established business model while maintaining strong focus on the needs of our clients and customers. Our business model is quite distinctive and differentiated and it has worked for us for a very long time. We maintain the same prudent underwriting and strong margins and we take the same conservative approach to funding, liquidity and capital management in all market conditions.

At the same time we are actively managing all of our businesses to maximise growth opportunities in our existing markets. And we are continuously looking at ways to expand into new niches and geographies but always within the boundaries of our model. This consistent approach means that we can serve and support our clients in a wide range of market conditions while delivering a strong return on equity and progressive dividend growth to our shareholders.

This is a familiar slide which demonstrates this long-term focus. It shows how we have been able to grow and operate profitably in a wide range of market conditions. As you know, growth for us is an output and it changes with faster growth in periods of low credit supply, and slower growth in more competitive market conditions.

And as you can see from the graph, growth has been moderating over the last two years, reflecting the high supply of credit at this stage in the cycle. It is at times like these that others might be attempted to change their approach and grow faster in the short term. But we firmly believe that our consistent long-term approach is the right one and it has been tested over a number of cycles.

At the same time we are always working to maximise the potential of each of our businesses. And that is why with this prudent and disciplined approach we are still growing. The loan book increased by 1.7% in the first half and is up 7% year-on-year with a solid pipeline.

Now turning to look in more detail at each of our lending businesses. In Retail we lent small businesses and individuals through a large network of motor dealers and insurance brokers who distribute our finance products. These intermediary partners value our expertise and high level of service we provide both to them and the end customer.

Our Premium Finance Business has evolved considerably in the last few years. We have invested heavily in the infrastructure and the customer proposition to maximise the potential of this business. We are now reaping the benefits in the form of new broker relationships and loan book growth of over 40% in the last three years. The multi-year investment programme in this business has continued and so has the momentum in business growth.

As we have discussed before, we are currently seeing high levels of competition in the UK motor finance market. However we take a long-term view here too. And we remain fully committed to supporting our dealers and customers. And we are making further investment in this area to improve the long-term relationships with our dealers as well as the end customer experience. But we approach the motor finance market in a way that fits with our model. We lend against assets we know and understand and on prudent and consistent terms. We lend predominantly against used cars, on prudent loan to values and future values and with low exposure to PCP. And we do not chase growth. We prioritise our pricing and underwriting discipline which means at times like this when competition is high, we forego market share.

A modest contraction in the Motor Loan Book alongside the stable impairments and margin demonstrate this approach in action, which is entirely consistent with our model at the current stage in the cycle.

In the Commercial segment we provide specialist, secured lending to a large SME customer base. We do this through our core asset and invoice finance businesses as well as more specialist product lines such as renewable energy, technology leasing and more recently the financing of legal fees. Our Portfolio is diverse and is distributed by a strong nationwide sales force who have significant expertise. They provide a high quality service to our customers and generate high levels of repeat business.

Despite active competition in the Asset Finance Market, we have continued to grow this business while at the same time maintaining our pricing and underwriting discipline, demonstrated by the stable net interest margin and strong credit performance in the first half. Our invoice finance business also delivered good growth supported by recent expansion into new products and geographies.

At the end of the last financial year we acquired Novatas, a specialist provider of loans to clients of law firms. The business has now been fully integrated and is progressing well.

We are also seeing good demand for our ABL offering where we have invested to expand our distribution capabilities.

Extending into new markets and products that fit with our model and risk appetite has always been an integral part of our strategy. But we do this slowly and with patience. And we are continuing to slowly and carefully progress our longer-term initiatives in technology leasing and in Germany.

Our property business focuses on specialist residential development to experienced property developers. As you know, we do not lend to the Buy-to-Let sector or provide residential or commercial mortgages. We lend at conservative loan to values and our lending is short-term. Over many years of lending in this sector we have build a strong market position focused on high service levels, expertise and long-established customer relationships. We work with like-minded property developers who are focused on the long-term and who value our speed of service and our knowledge of property development. And we continue to see high levels of repeat business from these relationships.

We have enjoyed strong growth in this Portfolio over several years and the pipeline remains solid. Our core market is new build family housing with a typical unit price of around £500,000 and we continue to see strong structural demand here. We have also expanded and diversified our business into high quality, regional locations where we have seen stronger demand in recent years.

Lending outside London and the South-East now represents around 30% of our overall Portfolio and continues to grow.

Moving onto Winterflood, which delivered continued strong performance in the first half. Market sentiment remained positive in the first half with equities performing well and a number of indices reaching new record levels. Winterflood's operating profit increased to £15 million, driven by higher trading activity across both the FTSE 350 and AIM.

This demonstrates the expertise of our traders who consistently maximise daily trading opportunities both in positive and more challenging market conditions. And trading has been consistently profitable with no lost days in the first half and only one in the last 18 months.

As a daily trading business, Winterflood is sensitive to changes in market conditions, but as a market leader it is also well placed to benefit from strong demand for its execution services. And it is continuing to expand its client base of retail intermediaries as well as institutional investors.

And finally, Asset Management, which delivered a strong improvement in performance in the period with annualised net inflows increasing to 13% and significant growth in operating profit. As you know, we have invested significantly in this business in recent years and we are pleased to now see that translate into strong performance. In the first half, net inflows increased to nearly £600 million with a strong performance from all our distribution channels and particularly from our own advisers as well as third party IFAs. As a result our total managed assets now stand at £9.7 billion and total client assets are approaching £12 billion. The operating margin also increased significantly in the first half to 20% reflecting the operating leverage inherent in this business.

So as you can see our Asset Management Business has evolved considerably, reflecting our investment in new hires, systems upgrades and small IFA acquisitions. And we continue to focus on growing our client base both organically and through selective hiring and acquisitions and the business remains well positioned for further growth longer-term.

So to summarise, we have achieved a good performance in the first half of the year and our consistent approach continues to deliver good results across all our businesses. We remain committed to supporting our clients and customers and maintaining the discipline of our proven business model. And we are well positioned to deliver a good result for the full financial year.

Thank you and we will now be happy to answer any questions you have. As usual please can I ask you that you give your name and company before asking a question.

Question and Answer Session

Question 1 : Charmsol Yoon, UBS
Hello, Charmsol Yoon from UBS just two questions. One on funding. Can you share how your retail deposit cost has evolved over the period, both on front and back basis?

And secondly, do you have any plan to issue more wholesale debts in the near term?

And the second question is on the Irish Motor Book, can you share how your Motor Book has grown over the period please? Thank you.

Preben Prebensen
So on funding, Jonathan do you want to take those?

Answer: Jonathan Howell
Yes first of all, the important thing is to look at our funding across the piece. We have deliberately run a very diversified funding model. And the other important thing to

understand, the difference between us and many other UK banks is that we borrow long and lend short. And when we say long, you know the average term of our term funding is 34-38 months. And so therefore any underlying changes in the deposit rate or current market rates take a long time to flow through into our funding costs.

In terms of deposits, we have seen, so then we had two very different deposit markets, one is retail and the other is an SME deposit book that we have build up over many, many years. Clearly the SME deposit book is cheaper than retail and we have seen both of those up to now just coming down slightly and we are probably at an inflexion point when we are beginning to see those increase slightly.

In terms of wholesale funding, yes we are constantly in the wholesale market. In the last 12 months or so we did a Tier2 issuance, part capital, part funding. We also have done a motor securitisation and we are always looking at the right time to round out our mix and source and pricing of funding.

Preben Prebensen
And I am just looking for the Irish growth in particular. Do we break that out? So the Irish book grew in the first half, the UK motor book contracted slightly in the first half, so the contraction was 3% in overall terms and Ireland grew about 5% in that period.

<u>Question 2 : Gary Greenwood, Shore Capital</u>
Hi, it's Gary at Shore Capital. I have got two. The first one on the Bank. You had the improvement in the cost:income ratio to 48% in the first half. I think historically you have run at 49-50%. Should we think of that as just a slight dip and it will normalise back to that 48-49-50 going forward or is there something more sustainable there?

And then on the Asset Management Division, good to see the operating margin now pushing higher. I think sort of in the bottom end of the range of your quoted peer group now. Where do you see that margin stabilising in due course?

Answer: Preben Prebensen
So let me take that one and then Jonathan you might take the cost:income ratio point.; So in terms of the operating margin in Asset Management, it is a high fixed cost business and there really is leverage in that business. And as we have said before we have built the business and so as scale increases we would see over the longer-term an increase in the margin of that business and we are comfortable with that.

The one thing I would just say is that actually the pace of that change now that we have got to a respectable margin in the business, is really up to us. And so what we will do is look at our opportunities to grow the business through selective hiring, small acquisitions, that kind of thing. And judge the long-term value of doing those things against the operating margin in the business. And so it is in our gift. If we didn't continue to invest in the long-term we would obviously see that margin go up, but we think it is better for the business that we continue to do those things. So that is really how we look at that.

Jonathan on the cost:income ratio?

Answer: Jonathan Howell
Yes Gary, thanks for that question. I mean as you know, but it is probably worth repeating, the model of our Bank is very different from a normal Retail lending bank. We have high touch, localised underwriters and account executives providing local client service and high value add. That means by definition we have a lower level of operational gearing than other UK Retail banks. The other point that is worth making,

and that won't change and that is just part of the business model. The other point that is worth making is exactly to repeat back your question. We have been at 49-50% cost:income ratio for 10 years or so. That is unlikely to change. I will not read too much into the 48% level that we just reported in the first half of this year. And importantly we will continue to be very tight and tough on business as usual costs because that gives us the capacity to maintain the very important investment programme that we have, both in infrastructure and in new initiatives.

And I think one of the differentiators we have at Close Brothers is the ability to continue to invest in medium term and long-term projects throughout the cycle and we don't want to lose that. And that goes with the responsibility as well and that responsibility is to make sure we do manage business as usual costs and we do manage the phasing and timing of those long-term projects to make sure that we are in a position to continue to move forward profit, earnings and ultimately dividend. And it is up to us to manage the dynamics between the tension of short term profit versus long-term investment and we will continue to keep our eye on that.

Gary
Thank you.

Question 3 : JP Morgan Cazenove Raul Sinha
Hi good morning, it's Raul from JP Morgan Cazenove, can I have two please. The first one is on the NIM or the margin outlook. Could you talk a little bit about how you see that trending from here? I think you are at the bottom end of your long-term 8-10% range.

And within that, if you could address the point about the TFS. Would you expect there to be some margin benefit ahead as the market starts to get a little bit more rational in pricing as the TFS has ended?

The second one is on capital. I was just wondering if you might be able to share any headwinds to capital that we should expect in terms of regulatory changes ahead? And what sort of range you might want to run in terms of CET1? Thank you.

Answer: Jonathan Howell
Okay, just on Capital, we are in a strong position, 12.7% CET1 and that compares to most of the UK banks. So much significantly higher minimum regulatory requirement than us and they are targeting 12-14% so we feel very comfortable at 12.7% CET1 ratio. And at leverage we are running at 10.7% and that compares to most of the UK banks, that are somewhere between 4-6% leverage ratio.

At this point of the cycle, as loan book growth is slightly more modest than where it was previously, we do see the opportunity to accumulate capital and in the first half this year we have accumulated 10 basis points of CET1. And if you look back at the last fully year and you strip out the one-off effect of the move to 150% risk weighting of assets for property, that was a 30 basis point increase in CET1 ratio.

So these levels of loan book growth, it was 7% last year, 7% year-on-year on an annualised basis so far in the first half, you can see that we are beginning to accumulate CET1 capital off what we consider to be a very strong base.

In terms of headwinds and regulatory issues, I suppose there are two. One is IFRS9, we transition to that on the 1st August for our full year FY19. We are continuing to refine and validate our models and our assumptions and that process will be ongoing.

And in due course between now and that transition date we will give you a formal update and guidance on what the transition impact will be on our CET1.

What I can say at this stage though is that there is nothing in that that is giving us cause for concern, there is nothing in that that is going to change the way we consider our strategy or our capital planning in a material sense. The impact will be slightly higher, will be higher than the large UK banks just by the virtue of the fact that our bad debt ratio in our business model at 70 basis points in the first half compares to most of the big UK banks who are on say 20-30 also basis points charge. So there will be a higher impact, but nothing that is going to materially change the way we think about things.

And then we have got Basel III which has come out in terms of at the Basel Committee level they have given rules. We have got to see how those are going to be implemented by the EU and all the PRA in detailed rules. But as I said earlier, it is going to have a limited impact on us. Again it won't change the way we strategically think about our financial planning or our capital planning. I think there are two things that are worth noting is that it did clarify that the risk weighting of property assets will be at 150%. That is exactly the rate that we are on. So there would be no change for us if that is how the rules are finally implemented by the PRA.

And the other thing that is worth noting is that there will be a conversion factor relating to undrawn commitments for borrowers. That conversion factor has been set at 10% at the Basel Committee level and again that will have a slight negative impact on us but very limited and probably better than where we could have imagined a few months ago.

So all in all, the two sort of regulatory headwinds that you quite rightly refer to, we believe are quite manageable within our strategic framework of what we want to achieve.

Answer: Preben Prebensen
On the funding side, let me just take the one on TFS. First of all just to remind people our usage of that is only 4% of our borrowings. And so the move away from that is really not a significant issue for us. You are right that other lenders do use it more and that is kind of a matter of public record. But I would say we are not looking for a great boost from this because the transition is over a 4 year period and of course they all have access to the retail deposit funding market. So since we use it very little and they use it more, it is kind of on the positive side of the ledger, but we aren't looking for it to be a major factor in the market. There is a lot of money around.

In terms of net interest margins. I think at this level, at 8.2% it is worth remembering that our 10 year average is 8.9% and that we have been in the kind of low 8s for some time now. That is always a Portfolio effect, it depends a bit on mix. Jonathan pointed out some of our businesses are marginally below that average and some are above it. Property for example is slightly below that average. Premium is above it. So it all depends on what is happening within the Portfolio. And obviously we also benefit from any decline in the cost of funds in our net interest margin and that helped us a bit in this six month period. But we haven't really seen a very significant change for the last year or two in net interest margin.

One final point on that is to us the point is not so much whether it is 8.2 or 8.1, it is a lot more than everybody else's. And that produces the returns and our ability to invest and provide the return to shareholders and so on. So it is less a question of kind of where it is relative to itself than where it is as a business model relative to the market.

<u>Question 4 : John Cronan, Goodbody</u>
Thank you, it's John Cronan from Goodbody. Just furthering on from that point on NIM, in relation to the investment in the deposit platform, is there anything you can point to in terms of specific potential expectations around funding benefits and time accruing from that initiative? And indeed the investment spend and how we should think about how that will map out over the coming reported periods?

Answer: Preben Prebensen
So I think the only thing I would share with you on the deposit platform is that Malcolm Hook, our Treasurer when he presented that significant investment spend and all of the additional functionality that that would bring us, against a backdrop of likely rising interest rates, was that it would more than pay for itself in terms of its benefit to us in ability to tap different parts of the retail deposit base. Right now we are very much a fixed term deposit platform and that gives us a lot more functionality. So it should be a good thing going forward.

So there was a second part to your question?

Answer: Jonathan Howell
Yes it was just about spend. I mean I think we don't break out individual project by project. We have got 3 or 4 major projects going at the moment. We have got investment in motor, investment in premium. The Treasury Deposit Platform are the investor infrastructure spends that we have got going at the moment. We see that as a Portfolio. They have started at different stages. They all have a life span of 2-3 years and that will just be part of our normal depreciation run off and cost profile. So don't expect any sort of unusual additional costs or additional depreciation coming through as a result of one project, it is part of a portfolio. And as I said to Gary and his question earlier, we manage that Portfolio to ensure that we are able to continue good cost control across the piece and are able to continue to improve profit and earnings. And that is just part of managing the short term requirements of earnings development against long-term requirements of improving the business.

<u>Question 5 : Shailesh Raikundlia, Panmure Gordon</u>
Morning, it's Shailesh Raikundlia from Panmure Gordon. I just want to follow-up on the capital question actually. On your CET1 ratio, 12.7% you have already 360 basis points of headroom over your minimum requirement. I mean based on the return on equity you are generating at the moment and your payout ratio, I see a huge excess capital forming in the next 2-3 years. Can you just let us know how your thinking is in terms of the amount of capital that you want to hold on a long-term basis and whether there is any plan to return that to shareholders at some point?

Answer: Preben Prebensen
So shall I take the first part of that and then Jonathan you can follow-up. So we think it is very important for a bank, an organisation of our size, for all our stakeholders to look at capital funding liquidity and just go tick, tick, tick. If they pause and we have to engage with them significantly around any of those then that is a value issue in our view. We have always managed ourselves very prudently in all of those respects, the funding model, the amount of liquidity, the capitalisation of the Group.

And if you go back to periods of low loan growth when we accumulated capital before. Our favourite slide which kind of shows that graph over time, we had a period of 2004-2007 where we were growing at about 4% and we were accumulating capital. And the outside world was growing at 20% and it was spending capital. And we came under well were questioned significantly about why we didn't return capital at that stage. We didn't because we think it is prudent that we hold a solid amount of capital including some kind of buffers against what might happen. And what might happen could be a regulatory thing or it could be a market thing. Well we all know what happened in 2007-2008 and we were able to grow at 20% a year when everybody else retreated. So part of this is just simply the way we do things and you don't want to run very skinny. And the other point it is, it is a judgement call.

So we look at capital as a kind of stack that is regulatory amount that probably other stakeholders including bond holders, rating agencies and things like that, that have a kind of view about what else should be there and then there is kind of judgemental piece against what might happen and to give us optionality when other people don't have it. That has been really important for us over 30 years that optionality. So I think it is unlikely we are going to suddenly look to run skinny and kind of shave that opportunistically in terms of returns, other than the progressive dividend which we are very committed to.

Answer: Jonathan Howell
There is just one small thing to add to that is that one of the things that we often repeat about our capital planning policy is that we want to have capital to be able to grow at all points of the cycle. And that includes the super cycle growth rate that we see immediately after a period of recession. We want to have sufficient capital to be able to invest through the cycle and that was the discussion we have just been having earlier about investment plans. And then we also want to have sufficient capital to be able to continue to pay a progressive dividend. And that for our long only investors is very, very important and we take that very seriously and this organisation has not cut its dividend since 1984 when the company was listed. And I think that is another important aspect and consideration of the capital planning that we do.

Another thing just to add to Preben's point is absolutely you have quoted quite rightly, at us, the minimum regulatory requirement above that we have requirements of the rating agencies debt holders, depositors and then on top of that we want a management buffer. We tend to have bigger room in those and bigger opportunity to absorb sort of regulatory shocks. I think the larger banks you will see that the gap between their minimum regulatory requirements and what they consider to be a buffer is normally thinner than we would naturally hold. And that goes to the points that Preben has just said.

Preben Prebensen

Other questions? Thank you very much indeed, thank you.

End of Q&A