Legal and General Interim Results 2015 — Wednesday, 05 August 2015

Nigel Wilson: Good Morning and welcome to our 2015 Half Year Results.
The usual disclaimers apply… and please switch off mobile phones.

I would like to thank my colleagues for another, terrific six months of delivery and performance
with great growth in assets, cash and EPS double digit growth in net cash and 18% growth in operating profit, 19% RoE and 19% growth in interim dividend.

L&G is firing on all cylinder and we can accelerate further.

We are delivering our sixth consecutive year of double digit compound growth, across all our key financial metrics: op cash, net cash, operating profit, EPS and dividends …
…and veteran L&G observers… and indeed I see many in the audience… will recognise that the company is very different today in terms of its focus, business mix and its capability to execute successfully for customers and shareholders.

We continue to accelerate our evolution

Mark Zinkula has been leading LGIM into becoming an increasingly multi-profit, multi-channel, multi-geography business. We have successfully rolled out index in the US, expanded our Chinese business and successfully entered Japan, Korea and Taiwan and we've continued to grow the DC, LDI and Real Asset Businesses.

Asset management is a global business, and while we have moved fast and achieved a lot, we are at the early stages of globalising our business.

LGR under Kerrigan Procter has a market-leading position in pension de-risking and is evolving its business model successfully.

The evolution of our capital-lite model was driven by the sheer size of the de-risking market - a 10trn dollars global opportunity which means we needed to evolve to a new model.

The expected changes from Solvency 2 are acting as a positive catalyst accelerating us in a direction that we had already started to pursue.

Insurance, now under Duncan Finch, continues to lead and deliver premium growth in retail protection…

and recent comments from the government suggest that the successful public-private model of digital workplace pensions is now increasingly likely to be applied to other benefits too.

LGC under Paul Stanworth’s leadership continues to drive risk-adjusted returns upwards through direct investments in long-dated real assets where the banks have left behind “white space”.

Investment in housing and regeneration are economically useful for us, for you and for the broader economy… and socially useful too…. Alternative Finance has successfully expanded and Clean Energy is on its way.

LGA, Gene Gilbertson has been appointed CEO and President … progress so far is very pleasing in supporting our efforts to grow our businesses in the US

Savings, under Jackie Noakes and Mike Bury has delivered another solid performance.

And overlaying all this is the drive to digital… the second machine age is unfolding right now… I want us to be our own disruptor.

As well as pushing down unit costs, we are improving service to the benefit of customers and shareholders alike.

This slide is a snapshot showing the changes in our businesses; it's also how we see our simplified business structure.

The asset businesses on the left - LGIM, LGR, and LGC delivered £571m of Operating profit in the first six months of this year up 30% on the first half of 2014.

… And direct investments, including synergistic partnerships with PGGM, Schroders, Peel and Patron now amount to £6.2bn.

The insurance businesses at the top right - UK protection, GI and LGA - delivered £232m in Operating profits for the half year, up by 5%, with strong net cash generation.

And the Savings businesses at bottom right - a slow managed run-off in mature savings - and asset growth in platforms.

It is a far cleaner, less complex business model...but it still benefits from close collaboration where business moves seamlessly from one division to another...LGIM to LGR, or LGR to LGC.

"Synergy" is indeed an overworked word, but we have this with our management team.

We are growing the top line, but strategic clarity and consistency has to be matched to disciplined execution and cost control. This is true of total costs… and our approach to investment.

Our cost reduction programme is on track to deliver against an expense target for the full year of £1.17bn… £80m of savings with £40m of restructuring costs…an impressive 2:1 ratio.

Actual costs in H1 were £546m. This is not a one-off… it is part of a continuous drive to optimise the business. And we are already seeing the benefit with a 19.1% ROE.

Structural simplicity accompanies cost discipline.

Disposals and closures of non-core businesses are progressing well…We've now sold our Irish and our Estate Agency businesses whilst the sales of our French, Egyptian and Gulf businesses are scheduled to close in H2, with Germany to follow.

I will let Mark Gregory explain the accounting of these disposals.

Retail investments and Workplace moved to LGIM alongside the institutional business.

DC is performing strongly and Mark Zinkula and I have high hopes for Retail.

Acquisitions are selective and bolt-on:
NewLife in the lifetime mortgage sector is a good fit as the retail pension decumulation market changes, and individual annuities decline, creating a need for more flexible sources of retirement income.

We have doubled this year’s target for lifetime mortgage new business to £200m…. still not as high as I want but continuing a positive direction of travel..

This will be a familiar slide - but it’s worth re-iterating our ambition. Progress is on track for each of these nine goals for 2019.

You'll see some early evidence in today's numbers: on asset growth...GWP...direct investments and cost.

We are moving forward with the more strategic goals around mobile insurance, housing and welfare reform as well.

We have good organic growth...New Life is another successful bolt-on...and we are making "bolt-offs" as well.

We have short, medium and longer-term plans for growth - we are at the second or third floor and the elevator is travelling up.

I’ll now hand over to Mark G and then Mark Z, Kerrigan and Duncan to give more colour on their businesses, before coming back to round-up at the end…

Mark…

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Thank you Nigel.

Here's the financial summary for H1. Growth in our assets, growth in cash generation and profits and maintaining a healthy balance sheet whilst delivering a very good return on equity.

Performance has been positive, with good growth in stock - particularly low-teen growth in the asset management businesses - feeding through to 8% growth in operational cash, 11% growth in net cash and 18% growth in operating profit, at £750m for the first half... all of which have been supported by our ongoing focus on costs and efficiencies.

Profit before tax was up 6% at £672m. This is stated after a charge of £40m as a result of us classifying L&G France and L&G Gulf as 'held for sale'.

Nigel said I'd explain the accounting treatment: so here goes...

The relevant accounting standard is prudent and therefore asymmetric - where businesses are held for sale, and the expected net realisable value is lower than the carrying value then...
... We're required to write them down to net realisable value...
... Ahead of the actual completion of the transactions - hence the combined charge of £40m for our French and Gulf businesses.

Where expected net disposal proceeds are greater than carrying values... as is the case with our Egyptian and Irish businesses... then any gains are only recognised if the transactions are completed at the balance sheet date.

There endeth the accounting lesson!

Finally on this slide, the balance sheet remains strong on a regulatory and economic basis and we delivered an annualised return on equity of 19.1% in the first half.

Looking more closely at the stock measures

LGIM AUM were £715bn versus the £640bn at half year 2014 … this was the result of strong net inflows, within which total external net flows of £13.8bn were up 62% year-on-year.

LGR, the other large asset business, had annuity assets of £43.4bn, compared with £38.5bn at the half year 2014.

Total annuity sales in the first half were £1.3bn with 86% being bulk annuity sales.

Insurance premiums were up 4% at £1.6bn versus the prior year comparator… Savings assets on the Cofunds platform grew 11% to £74.6bn and... in Mature savings... assets declined slightly to £34.8bn.

At every results presentation, I emphasise the connection between growth in stock and L&G's ability to generate cash. Here you see it again…

Our strategy is designed to deliver growth and efficiency gains and these are combining to drive our financial performance.

Which brings me to dividends. The Interim dividend announced today is 3.45p, up 19% … in line with our dividend policy … and represents another step in the progression, which has delivered a 21% CAGR since 2011.

I'll return to balance sheet matters shortly… but to round out the results from business divisions, Zink, Kerrigan and Duncan will cover LGIM, LGR and Insurance, and I'll cover L&G Capital, L&G America and Savings.

L&G Capital had a successful first half… growing operating profit by 13% to £115m and increasing net cash to £92m, up from £82m on the back of higher average assets over the period

The actual return on LGC assets was 4.2% versus 2.5% in H1 last year… benefitting from the continued direct investment in strategic businesses and projects … with £203m invested in the last 6 months.

LGC is establishing a strong track record for investing in sectors that need patient capital to replace bank and public funding…
... thereby improving returns for shareholders…
...and providing long term investment opportunities for LGR and LGIM clients.

LGC's investment activity is focused on four sectors ….

- Firstly housing, where LGC's house builder CALA continues to perform well.

The strategic landbank is being developed and two 'built to rent' projects in London and Salford are commencing to deliver around 500 homes

- Urban regeneration where LGC is providing funding, alongside external partners to regenerate UK towns and cities … and includes Media City in Salford … the regeneration of Bracknell in Berkshire and the projects in our English Cities Fund.

- Alternative finance, primarily through our investment in Pemberton providing debt finance to SMEs across Europe via their recently launched fund.

- and finally clean energy, which will see opportunities opening up as technology advances and Government subsidy regimes are reformed.

LGC works jointly with several external partners …. Broadening the skills available to L&G and increasing the supply of capital into these businesses

Building on our successful bilateral deals with the likes of PGGM, this model provides the basis of our work with the Government Regeneration Investment Organisation programme designed to attract co-investing overseas investors into the UK.

The pipeline of opportunities is strong and we expect to make new investments in the second half.

L&G America delivered increased Operational and Net cash in H1 - $80m of dividend compared to $73m in the prior year. Gross premiums, at $588m, were up 6%.

Operating profit however was lower: $61m compared to $72m.

The first half saw $13m of adverse mortality experience reflecting the net of reinsurance position.

Total claims gross of reinsurance were actually marginally lower than the pricing and reserving bases.

We adjusted our pricing last year, and again in 2015 under the new leadership of Gene Gilbertson - and we have seen lower new business volumes as a result … and have instigated a corresponding cost savings programme.

We expect to see full year new business volumes at around 20% lower for 2015 than 2014.

Savings Operational cash was flat in the first half, at £64m… and Net cash slightly increased to £59m.
Operating profit of £50m was down by £4m.

As we said at the year-end results, we have restated the LGIM and Savings comparators to reflect the transfer of our Workplace Savings business to LGIM.

Savings for L&G now has two broad components - the Platform business and the Mature business.

The Platform AUA has grown by 11% year on year to £75bn, and flows were positive for both Cofunds and Suffolk Life.

As the asset base grows on Platforms, we are continuing to focus on costs: Cofunds is on track to deliver the £11m of cost reductions by the year-end that we targeted at the time of acquisition.

Our Mature savings business - a legacy business effectively in gradual decline - has been tightly managed: assets at £35bn were slightly down, but in line with our expectations, and cost discipline here underpinned the positive shift in Savings Net cash contribution.

We've sold L&G Ireland and closed our With-profits fund to new business.

Now to the balance sheet, which remains strong.

On the Solvency 1 IGD basis our coverage ratio is 198%, in the middle of our target range, and we have a surplus of £3.8bn… after repaying €600m of Tier 2 subordinated debt at its first call date in June.

The default provision for the credit assets backing our annuity liabilities stands at £2.3bn…despite over the past five years having only experienced defaults of less than £10m.

Our economic capital position reflects the amount of capital the Board believes L&G needs to hold, above its liabilities, to meet our strategic objectives.

As I have said often, this is not a Solvency 2 assessment of capital…

Our economic capital position remains strong at 220% coverage ratio and the next slide shows the main movements since the year end

The new business we've written in the first half has more than covered its corresponding economic capital requirement by £0.1bn, the back book has generated £0.4bn of surplus whilst own funds have been reduced by the payment of the 2014 final dividend and the repayment of the €600m of sub debt.

There are some other important points I'd like to make on capital.

Firstly to update on Solvency 2.

We are working closely with the PRA and have submitted our applications to use our internal model to calculate the Solvency Capital Requirement, to use transitionals, matching adjustments and deduction and aggregation for L&G America.

We will update you as clarity emerges - but to manage expectations, this is unlikely to be before December.

Even then the actual S2 balance sheet going forwards from 2016 will rely on components of the year-end 2015 balance sheet.

I cannot give further guidance at this point - though I know you'll ask - but I would remind you of the PRA's recent clarification that transitionals will count as Tier One capital.

Specifically in relation to annuities, we've already moved to a capital-lite model to respond to the very significant demand in the pension de-risking market.

The impending Solvency 2 regime has been a catalyst in this regard.

Therefore we've accelerated implementation of the capital-lite model for new annuity business, with more use of reinsurance.

This capital-lite model means, for new annuity business, less risk will be retained on our balance sheet, and we'll optimise the return on the capital we deploy in this market.

It will change the shape of profit emergence - with a higher proportion of profit emerging in the year of sale, but less profit in total per contract over the whole of the contract life.

We're already starting to see the benefits in terms of LGR's new business surplus, operating profit and return on capital in these results.

I'll now handover to Zink to talk about LGIM.

Thank you Mark.

LGIM had an excellent first half, with operating profit up 18% to £176m and strong growth across the business.

We experienced continuing healthy demand for our LDI, Multi-Asset and Real Asset capabilities….and significantly better flows in our Index and Fixed Income products.

We saw positive momentum in the US, including winning our first Index mandates in the region.

We maintained a cost:income ratio of around 50% while we invest in expanding our business….as we continually focus on having the most efficient operating model possible.

We aspire to be economically and socially useful - and I'm pleased that the core themes of long term, responsible investment are moving increasingly centre stage.

We're very well positioned in many of our core markets and, to generate even greater long-term profit growth, we're assessing where we can accelerate business investment.

Our UK defined benefit Index business continues to decline as the DB market matures … but we've successfully transformed our business to position ourselves for future growth.

With an LDI market share over 40%, we have the leading position in the DB market as schemes seek to de-risk.

We continue to expand our range of solutions … and experienced record inflows in pooled LDI funds and delegated solutions as small and mid-size plans increasingly look to implement these strategies.

As DC gradually replaces DB, we're capturing a growing percentage of this market.

Our Real Assets business is growing rapidly….and we're seeing increasing demand from our international client base.

These graphs illustrate the accelerating growth in all of these businesses … and I'll elaborate on our expansion plans in the DC, Real Assets and International markets in my remaining slides.

With a business model primarily focused on the pension market, we're very committed to being a market leader in managing and administering DC assets as DC becomes the primary means of pension saving.

The transfer of the Workplace Savings business is progressing well. We had an excellent first half.

We now have 1.4 million bundled customers and the number of companies using our SME auto enrolment solution has grown by over 25% during the first half of the year.

Our recently established Investment Only platform has already generated £3.5 billion of assets….and our total DC assets under management now exceed £40 billion

We have a comprehensive business model for the DC market which delivers our full strength and capability - across investment, servicing and governance - to EBCs, corporates and the ultimate consumer - and we're well positioned to win irrespective of the pension reforms proposed by the Chancellor in his recent post budget consultation paper.

We expect accelerating growth as we roll out additional products….expand our distribution strategy….and continue to invest in our platforms.

Earlier this year, we announced the creation of a Real Assets business by combining our well-established and successful Property business and our recently created Infrastructure team.

While bringing these areas together under common leadership, we've been growing our property lending capability, expanding into the build to rent sector, and partnering with LGC on regeneration projects.

We recently closed our second property income fund, with over £400 million in equity from 16 investors from 10 countries.

And we're successfully growing our international client base … which includes the vast majority of the investors in our 2 income funds as well as 2 recent joint ventures with PGGM.

We have an experienced Real Assets team which has delivered strong performance….innovative products…leadership in sustainable practices….and expansion into new sectors.

This business is very well placed to deliver a growing share of LGIM's profit.

I'll close with a slide on our international expansion.

We had net inflows of £5.4 billion in the first half, once again primarily from our US business.

Our active fixed income performance in the US continues to be strong, with 100% of our composites outperforming their respective benchmarks over 1, 3 and 5 years.

This performance, combined with a highly regarded LDI capability, puts us in an enviable position in the US DB market as the implementation of de-risking strategies continues to gain momentum.

With the establishment of an Index business and expansion of our distribution strategy, we will grow the US business even faster.

Although international Index flows were low in the first half after a disappointing 2014, we're feeling more positive about this part of our business.

We won our first Index mandates in the US and also won several mandates in Europe and Asia….which we expect to fund during the second half of the year.

We anticipate higher growth in all regions this year as we continue to invest in our international expansion.

In summary, we're successfully executing our strategy to be a market leader in all of our core businesses … as we've transitioned from being a largely one-dimensional domestic asset management firm … to becoming a diversified, consumer-focused, international business that is experiencing accelerating growth.

Now I'll turn it over to Kerrigan

Thanks Mark

LGR had a successful first half with strong financial results, a steady flow of bulk deals and a promising start for our new lifetime mortgage business.

Net Cash is up 16% to £192m in H1 2015, driven by the operational cash increase from the larger stock of business, an increase in new business surplus through sourcing of attractive assets and the use of longevity reinsurance for

2015 deals.

Operating profit is up 49% to £280m, in part helped by further longevity reinsurance for bulk deals closed in 2014.

We wrote £1.15bn of business from 23 bulk annuity policies in the first half of 2015.

This was down from last year's record comparator.

But, the volume, the flow and the financial results all demonstrate our strong position in the market, our price discipline and the substantial opportunity the bulk market presents.

The individual annuity market remains challenging. We wrote £180m of new business in the first half of 2015, down 53% year on year.

The Q2 volume, after the introduction of Freedom & Choice on April 6th, was £81m.

We see little prospect of an upturn for individual annuities.

Our view remains that the full year volumes will be roughly half those of 2014.

We do however see a huge opportunity in Lifetime Mortgages.

We completed our £5m purchase of New Life Home Finance in March and rebranded it as Legal & General Home Finance in June.

As at 30 June we had funded £37m of new lifetime mortgages with applications running at £5m a week.

They are now around £7m a week.

We have therefore doubled our target for 2015 from £100m to £200m.

Given the $10trn potential size of the global pension risk transfer market, we embarked in late 2013 on a programme to reinsure or syndicate risk.

We have already reinsured the longevity risk of approximately three-quarters of bulk deals closed since the start of 2014, and have live reinsurance arrangements in place with seven reinsurers and a panel of more than a dozen. This is a deep market.

Selectively retaining risk on our balance sheet allows us to help a broad set of defined benefit clients to de-risk while delivering great returns on capital for our shareholders.

Solvency II supports a capital-lite front book strategy though the client need for pension scheme de-risking does not change.

Nor do the skill sets required to help those clients, namely integrated asset management, longevity management, DB pension administration and deal execution. All areas where we have a leading capability.

Meanwhile our stock of business, the back book, should be able to generate material levels of profit for around fifteen years.

We will deliver operating cash, while managing longevity risk, keeping tight control of costs and continually seeking to improve the yield on our assets.

Finally our international plans are progressing well.

We are now quoting live on US pension risk transfer deals and we have hired a team, led by George Palms, based out of a dedicated office in Stamford, Connecticut.

This team is tightly connected with L&G's other US business lines.

We will write business out of LGA using its balance sheet, regulatory approvals, administration and central services.

All fund management services will be delivered by LGIMA, so we have a highly credible, integrated L&G pension risk transfer capability in the US.

Put together... our cash generative back-book, our capital-lite front book, our burgeoning life time mortgage business and our entry in to the US give me great confidence in the future for LGR.

Now I'll hand over to Duncan.

Thank you Kerrigan.

As it's my first appearance at one of these sessions, I'm delighted to be able to report that the performance of the Insurance business was strong in the first half of 2015.

We maintained Operational cash at broadly the same level as 2014 at £165m but reduced new business strain, enabling us to improve the net cash position by £7m also to £165m.

Operating profit of £192m is 7% ahead of last year driven by strong profits from Household, favourable claims experience in Group Protection and operating efficiencies.

UK Insurance gross premiums, our stock, grew again to just over £938m.

Our UK protection gross premiums were up 4% at £774m in H1 2015, however our household premiums fell from £178m to £164m reflecting competitive pricing in that market.

We continue to lead the UK Retail Protection market and importantly we have grown our Direct to Customer channel, L&G Direct, new business by 11% year on year.

In our Partnerships Channel we secured a new distribution agreement with Intrinsic in H1 and expect to see a positive impact from this in the second half.

Our protection margin remains strong at 8.5% and is slightly up on our full year 2014 margin.

Our mortgage club facilitated over £20bn of new mortgages in H1 2015, up £2bn on the same period last year and reinforces the Club's leadership in its market.

Our surveying business has completed over two hundred thousand residential surveys in the first half of 2015, a 92% increase on the same period last year, benefitting from winning several new large contracts in 2014.

Strategically, both our Mortgage Club and the surveying business remain core to our housing proposition, connecting us deeply with lenders, intermediaries and customers at the important mortgage event.

Group Protection gross and new business premiums were flat in the first half of the year at £229m and £40m respectively.

Our household insurance premiums have fallen by 8% year on year as we remain disciplined about pricing and our focus remains on delivering profit rather than chasing top line premium in a challenging market.

In the first half of 2015 our Combined Operating ratio was 82%, 6% ahead of the same period last year.

We expect intermediaries and partners to be the main distribution route for our insurance products for the foreseeable future but an increasingly important aspect of our business is the ability to interact directly and digitally with our customers, either through our own brand or through intermediary brands.

Strengthening our capabilities in marketing, digital and data analytics whilst simplifying products and customer journeys is essential to future success across all our distribution channels.

We continue to invest to build these capabilities and off the back of this investment I am pleased to say that our direct to customer business, L&G Direct, continues to grow strongly.

1 million customers have now bought insurance products from us directly and L&G Direct now represents 18% of

new retail protection business and almost a third of household gross premiums.

In H1 2010 our direct household business was 10% of our gross premiums, since then we have recorded a 27% compound annual growth rate in direct household premiums.

These figures illustrate that the Insurance division is successfully selling and connecting directly with customers, and the capabilities that we have built, and continue to build, are becoming increasing relevant and important to our intermediary partners as well.

The investment we have made in our Direct and digital capabilities is working, and these plus other initiatives, lead us to remain confident for our H2 performance.

I will now hand back to Nigel to close.

Thanks Duncan.

Bracknell town centre spent fourteen years being under-demolished...Now we're clearing the ground for a substantial rebuild with modern retail and housing.

We are seeing more IMBYs not NIMBYs... people want local jobs and growth.

This is part of our housing and regeneration business one of the selected growth businesses where we have already made the initial investment and which are now already delivering strong profit growth.

In operational terms, L&G's mix of businesses ... or our diversity ... comprises the three big-scale cash generators…

…a simplified insurance and pensions business,
…scale investment management and other asset businesses,
… a capital-lite de-risking and retirement business…
…plus existing growth businesses as "kickers".

Their growth is alongside the regular, cash-generative businesses at our core - which you know well and which have been covered today by colleagues.

LGIM is just beginning its journey in the US and Asia…these are huge opportunities.

We now have the management teams in place to deliver that growth.

CALA, our UK house builder taps into a structural shortage of housing in the UK.

Expansion into housing and urban regeneration utilises synergies with LGIM property and our £40bn per annum mortgage business, and uses our balance sheet strength - a marked differentiator versus competitors …

Workplace will continue to grow … minimum contributions will rise from 2% to 8% in 2018 …. We continue to win more customers

L&G Property will use its established expertise to grow in new markets… and lifetime mortgages will fill the gap left by individual annuities.

Very different from our historical model, and ready for the next phase of our growth.

Now I'll open up the floor to questions.

Andy Sinclair: Thanks, good morning. It's Andy Sinclair from BofA Merrill Lynch. Two questions; firstly you spoke about the increasingly capital-light model for annuities. I just wonder, you commented a bit briefly on this but do you think there's sufficient capacity in the reinsurance market that if you and other bulk annuity writers start making greater use of longevity reinsurance to tackle these trillions of DB liabilities and what are the limitations on volume here?

Secondly, just wondered if you could give us any quantification on the change in return on capital employed for the capital-light approach to writing annuity new business compared to the more traditional approach.

And thirdly, just looking at the economic capital methodology on longevity, just… I think you mentioned that the economic capital assessment ensures that the balance sheet makes sufficient allowance to meet a one in 200 stress over the run-off of liabilities rather than just over a one-year timeframe. I just wondered if you could elaborate a bit more on that and if that's materially different just to a solvency two basic approach. Thanks.

Nigel Wilson: There are six PhD students working at Cambridge right now trying to answer those questions, I think. However I'm going to let Kerrigan have first stab at them. Kerrigan also has a PhD, by the way.

Kerrigan Procter: So capital-light in the reinsurance market; as I said, it's a deep market. We can see capacity from a broad range of reinsurers and there's ever more… increasing range of reinsurers who want to join the panel. Some of them are looking at it as an offset for their more substantial mortality tail risk and some of them, increasing number are looking at it as a business line in its own right so we've got good visibility of substantial capacity there for years to come so no problem with writing the volumes for the foreseeable future, I think, on the longevity reinsurance side, we're confident with that market.

I think the next one, changes to return on capital employed for new business; I think – and I'm sure Mark will come in on this – there are plenty more discussions to come on the calibration facility; not really going to go there. The thing that is clear though is that the risk margin is new and the thing that longevity reinsurance does is removes the need to hold that risk margin and so clearly that has an impact on our thinking on the use of longevity reinsurance.

Nigel Wilson: I mean, in macro terms we don't see a problem or any issues in delivering a very strong return on capital. You know, in a sense we've been trialling this for about a year-and-a-half. We figured out about three years ago that we'd better develop a long and deep reinsurance market and originally we had a couple of reinsurers. We've now – we either got 11 or 12, I can't remember what we verified in the end but it was about a dozen people who are active in the reinsurance market. Mark, do you want to add anything to Kerrigan?

Mark Gregory: Yes, I guess it's particularly on the economic capital buy. I guess it adds a bit of colour and clearly the actual EC treatment depends a lot on each individual deal you end up doing. I would say broadly in economic capital land the reinsurance plays have been broadly neutral to economic capital. We get a little bit of economic capital requirements release but we obviously pay a little bit to the reinsurers for their profit margin just so we do.

I think, as Kerrigan says, it is and it's broadly neutral but there was quite a lot of it in the past. I would say categorically it's likely to be a good trade to do. The risk margin is going to be quite punitive, particularly in a low-interest-rate environment for things like longevity risk so certainly from an S2 perspective it's a bit of a no-brainer.

Nigel Wilson: Are you going to do some work? You're just standing there holding the mic.

Jon Hocking: Jon Hocking from Morgan Stanley. I've got three questions, please. On the annuity business again, do you think, based on what it's reasonable to assume at the moment, that the capital requirement is still going to go up post solvency two so as the price of annuities for pension derisking clients could go up and do you think it's going to have an impact on the potential volume if that assertion's true?

Second one on the direct business; to what extent is the insurance direct business linked into direct offerings on the asset management side and for pensions or is this just an insurance silo direct business?

And then finally on the lifetime mortgage business, there's still quite a lot of negative press on lifetime mortgages and I just wondered, given how strong your brand is, what the reputational risks are here and whether you're doing anything different from a conduct or disclosure or product structure perspective than your peers. Thank you.

Nigel Wilson: Yes. Bernie can pick up the lifetime mortgage one. It's very sad that you had such negative comments on stuff. You should become a member of one of our risk committees, Jon. Duncan, will you pick the second up?

Mark: Yes, this is on capital requirements post… I think, you know, we've made it quite clear in a press release today that we do expect for new business the capital requirement for solvency two to be higher than solvency one. I think you have to take that in the round, the kind of what we call capital.

Clearly under solvency there's a solvency capital requirement, then there's a risk line and I think in the kind of round, I think those are all kind of capital we have to hold. I think, you know, there's no doubt now that under solvency two the aggregate of risk margin and SCR will be higher than the equivalent under solvency one. We're not saying how much yet until we actually get the final calibrations and our internal model approved but certainly directionally I think we now take the view that solvency two will be, will require more capital for annuity business than it would have been under solvency one.

Nigel Wilson: Duncan?

Duncan Finch: Yes, the direct business that I talked about this morning was limited to the insurance products that we offer so that's the extent of that business but clearly there are, you know, the potential for broader opportunities to move your direct model. Once you've got a, you know, the capabilities and the skills you can utilise those skills in many other places, whether that's through intermediaries or through other distribution routes as well but what I talked about was just insurance.

Nigel Wilson: And if you go through 'My Life' there'll probably be a great deal for you, Jon.

Bernie Hickman: Yes, so on the lifetime mortgages, you know, we're very aware of the history of the market, where we've been developing our products very conscious of the need to make sure we give good value for customers and flexible products and that we've really thought through those reputational issues. But I think the big point is that you're going to get the occasional press story from products that were sold many years ago. There are hundreds of really happy customers out there who, you know, want to fund a great retirement lifestyle, are sitting on huge equity growth in their houses and they love this product; you know, someone giving them, you know, a chunk of money which they can really then put to use in their lifetime.

So I'd say there's many, many really happy customers with this product and that's why we're focused on giving great value, great products to increasing numbers of customers who we think are going to increasingly want to access their equity through this product.

Nigel Wilson: Excellent. I think we spent ten years deciding whether to enter this market or not, it was taken that serious by our board and we, the customer research, as Bernie mentioned; this gets some of the highest customer research satisfaction of any financial services product so it's very, you know, the modern version of this is very much enjoyed. You've got high prices, high house prices and very low interest rates so it's very different from the product that may have been sold ten, 12 years ago.

Andy Hughes: Thanks very much; Andy Hughes from Macquarie. A few questions about the retirement business as well, I'm afraid. The first one is on kind of how much you need to sell to keep the earnings flat going forward from the annuity book because you've pointed out that the annuity business you write going forward won't have the same margin on assets that the back book had so clearly you need to sell a lot more new business than you sold previously to grow the earnings going forward.

Second question is on the kind of margin that you're going to be making on this stuff when you pay out reinsurance. Presumably it's not anywhere near as high but it's capital-light so your ROE's still quite high but the returns are low. And the second question – sorry – is what distinguishes you now from everyone else in the market so presumably everyone else in the market can get reinsurance from the same panel of reinsurers, they're going to do pretty much the same thing with the assets. You know, can L&G make superior returns than everybody else in the market?

And the final bit is a cheeky question on data quality so you guys have always told me the annuity data quality is really good and now I see an assumption change for unreported deaths so does that mean you're not so sure about the data quality as you were before? Thank you.

Nigel Wilson: I think I'll answer the last one. We've always been incredibly prudent and it's good, you see, you're reverting back to type. I was worried there that the two of you were happy and jolly and getting…It's good to see you back.

I think at a macro level I would personally be very disappointed if we were sat here in two, three, four, five years' time and saying LGR hadn't grown its earnings so I think we've got a great opportunity to grow our earnings going forward and I know Kerrigan, Bernie and the rest of the team are absolutely determined to do that. That was an intro to Kerrigan's answer, which he's had a bit more time to think about.

Kerrigan Procter: Well, I think probably the first two questions are related and really what's going on is if you can strike your longevity reinsurance somewhere between your best estimate and your prudent reserve then it will tend to bring profit up front and so there's less overall but it's more up front.

Of course, as in most markets, it depends on where you strike that reinsurance arrangement and of course what we need for this market is to be attractive to our clients, ourselves and the reinsurers and so depending on the deal and the type of longevity risk, it will shape that profit to more up front and reduce quantum depending on where you strike it between best estimate and prudential reserve. So that's really probably the answer to both your questions.

Nigel Wilson: And the other point I'd like to make is that our retail perfection model is already this model and we do have probably the best margins, the highest market share and we've grown organically, increased our market share from 5% to 25% whilst we've had this model already so we're… it's a fairly proven, well-trodden route for us as a firm.

Is it possible to have not a question on LGR, just so that my other colleagues cannot sit here in silence? So Oliver. Then to you, Greg, okay.

Oliver Steele: It's Oliver Steele of Deutsche Bank. Just to humour you I won't ask you a question about any of that. So the first one, which is a sort of roll-on from it, is if you're going to accelerate the profit recognition on annuities – and I accept you're not going to talk about the dividend sort of officially until next year but – how conceptually will you treat earlier profit recognition when you think about the dividend going forwards?

Second question is, you're looking to sell various overseas businesses, what are you thinking about doing with the proceeds?

Nigel Wilson: I think they're actually good questions, Oliver. I think on the dividends, if I answer I'll get into trouble so I'll let Mark answer the dividend question, I'll come back on the proceeds.

Mark Gregory: Yes, on the second one, clearly we are committed to give an updated dividend policy at the time of the prelims next year. I mean, I know you're very keen to understand how we think about that going forwards but I think we just have to make the board go through the proper machinations and considerations around what that looks like.

I mean, clearly you're quite right, this will introduce an element of more variability in the cash number compared to profits that we've had in the past but I think these things work through practically but clearly the board will make sure what they come up with will be good guidance for you. Any more than that at this stage I think I'd better say anything more about.

Nigel Wilson: On use of proceeds, I think there are a few areas that we'd like to spend some money on. I think LGIM in America's growing so well that we'd like to accelerate the growth. We're going to accelerate the growth anyway. Mike has put together an outstanding team over there, they're doing incredibly well but we're short of LGP and real asset businesses and we'd like to make acquisitions in that space.

We continue to look at the ETF space where again we're doing build-buy, classic build-buy analysis. We're going to send the proceeds. That's an area I'd like to spend space and Duncan, as he mentioned, has just done a fabulous job in the whole digital fintech space and we seem to get an endless number of people coming into the building offering us fantastic new businesses to buy which are just about to take off and if we just paid a massive multiple of revenue we could be home and hosed, or not. So if you see announcements in those areas don't be surprised. Next, Greg, I promised Greg. Steve, you've done an absolutely useless job, you're never doing it again.

Greg: I mean, this is just for forecasting purposes and it is LGR but if you look at the guidance you've given for the LGR back book this year and you look at the fact that the tax loss disappears and the fact that you've overlaid the reinsurance contracts you've set out in future cashflow, what is the sort of sterling million headwind those two items create so that we can sort of, you know… so we can do some kind of adjustment to our models relative to assets, etc? So what, if you hadn't lost your tax loss and you hadn't overlaid the reinsurance, what would be the sterling million in force for 16, what would be the difference?

Nigel Wilson: It's a good job you don't sit on our budget committee because you, you know, you'd just be a walkover, Greg, because, you know, in macro terms I don't accept that Kerrigan has got a headwind working against him

Greg: The point – the thing I just want to – I always do my three questions. Co-funds; there were some rumours about co-funds. I wonder if you could just elaborate on your sort of strategy towards co-funds and this is just obviously two questions about deduction and aggregation. Given that you won't be getting that diversification credit and you've got these mortality headwinds, etc, I mean, what's your thoughts around selling that business? Does it fit into the plans, the strategy?

Nigel Wilson: Okay, I'll do the second one and between Mark and Kerrigan, if you can decide.

Mark Gregory: Yes, so just on the, I guess, the headwinds that you've described then, Greg, so on the tax point we had about 35 million of carry-forward tax losses still to use up in our annuity business at start of the year. Actually instead of profit though we actually used them up. In terms of cash we've only released half of it at the half year so you'll see the full impact of that spread across the full year in terms of the net cash numbers so that's, so to answer your question, that was going to… about a 35 million headwind, in your language, year on year next year.

I think in terms of the benefit of reinsurance, I guess you do some simple maths. I mean, this year we've generated a new business surplus on LGR of 22 million on the back of 1.3 billion of annuity sales. This time last year we had about 22 million new business surplus on the back of, you know, 3.3 billion of annuity sales so you can go and work out directionally kind of the benefit we're getting from reinsurance and it depends by each deal we do and each terms we write it on but it gives you some sense of the benefit of reinsurance in terms of the cash generation in the year of sale.

I'll let you do the maths, Greg. You can kind of solve that to get some clue.

Nigel Wilson: Kerrigan, is there anything you want to add to that?

Kerrigan Procter: Well, I think overall, you know, what we're talking about with our back book; we've reinsured some risk but there's a substantial stock of business there that's going to deliver really material profit, profit before cash, before tax for the next…

Nigel Wilson: What he's saying there, Greg, just for clarity; there's more winds behind us than headwinds in what we're going to do with the back book so I know you'll always take a negative view on these things but I think going forward there's such a big – you know, we've got a massive amount of gilts we've not put into direct investment. The upside from – and that is just one of a long list of things.

We've never tried to fully optimise the back book but, you know, certainly from the second half really of this year and onwards there's much more of a separation between the back book and the front book and there'll be a – and we'll talk a lot more about that at the year end and try and give greater clarity on the levels of cash that we're going to generate going forward but it's not a…

The offsets are more than the headwinds going forward in my – Kerrigan may have a different view as we go through the arm wrestling budgeting process but I'm sure he will do.

On co-funds, we've had a number of approaches on co-funds. There's lots of speculation in the media around that and Mike, who's sat in the front row, has been working with me on what are the strategic options for co-funds going forward. We don't have anything to report today but at some point Mike will finish his study and finish the analysis that he's been doing and again we'll update the market when we've got something concrete to say. But we're looking at a number of fairly – you know, Mike's a very creative and innovative individual – lots of interesting ideas as to how we might be able to leverage the co-funds platform going forward.

LGA; it fits with the group. As I think Kerrigan mentioned, it's a vehicle for doing lots of our pension risk transfer in America and so – and we've never really had – you know, in terms of diversification benefits we think the benefits from growing our US business more than offset any minor loss in diversification benefits we get. Mark, is there anything?

Mark Gregory: That's true.

Nigel Wilson: There you go; pleased to hear it's true.

Anasuya Iyer(Jefferies): Can I ask three questions, please? The first one's just coming back to the reinsurance capacity. We certainly have heard reinsurers talk positively about longevity reinsurance market but I just wonder if some of that capacity comes from the fact that there's too much alternative capital in the PNC side of the reinsurance market and if that market turns what happens then to the longevity reinsurance, whether that tap turns off and if so what's plan B if there is one.

Second question is if the shape of your profitability on the longevity side has changed, I just wonder if it makes any difference to the diversification benefits against your protection book if at all.

And the third question is just on America; I just want to get a feel for the pension derisking market there and I wonder if – what proportion of your LDI clients in the US you've been talking to in terms of them, their inclination to derisk and get a buy-in or buy-out from you. Thanks.

Nigel Wilson: Yes, can I ask Mark just to talk a little bit about the LDI business in the States? Because I'm worried you were going to doze off. Yes, just talk – because that leads naturally into some of the other questions that you…

Mark Zinkula: Quiet time for Kerrigan. The market in the US is lagging the UK by several years and so, and as with the UK it started with the larger plans or the more sophisticated plans and so forth and then now it's working its way into some of the small or mid-size plans so I alluded to this earlier but we launched some pooled funds to have a more compelling proposition for some of the smaller plans to implement derisking solutions in a way that's economically efficient for them.

With many of our clients we're definitely in discussion with them – or they're in discussion with us, I should say – about looking at their endgame strategy. For many plans in the US it will just be local self-sufficiency, they'll just continue to manage, they'll have an asset strategy that's better hedged to their liability profile and expected benefit payments but they'll continue to just have a span of the assets for them but increasingly plans are thinking about offloading that longevity risk in some manner in the US market and the bulk annuity market, again, isn't nearly as developed in the US as it is in the UK and I guess that's a little transition for Kerrigan to talk about that.

Kerrigan Procter: Yes, we have over 100 clients in the States.

Mark Zinkula: 120. The first time Nigel has ever rounded down.

Kerrigan Procter: Yes, I mean, those clients are exactly just the same model as in the UK. They are exactly the ones who are interested. They're down the derisking path and they want to talk next about where they might go on pension risk transfers so it's a really interesting business model. In fact one of the LDI salespeople from LGIMA moved over to run the sales for pension risk transfer earlier this year so there's a very close connect there between LGIM now and what we're doing with LGR in the US and very exciting.

Just back on the reinsurance capacity, as I said, that its people looking for an offset to their mortality risk, some people getting interested in it as a business line in its own right. I think at the edges then people coming, moving in from, you know, with capital to spare from other parts of the market or more attractive use of capital and all those things will develop.

I think once they're in the market they'll stay in the market actually and so I've got great confidence there and also it's part of our, necessarily part of our skill set to cultivate those links with a broad panel of reinsurers and encourage them into the market so I have no problems dealing with that.

Of course there are things further down the line; rather than just linear reinsurance there'll be tail risk, longevity reinsurance. That's an interesting angle, or you can embed things in the insurance-linked securities, something else which we're exploring. So there's a long line of great ideas that the team are implementing to really get the best price for ourselves and for our clients in that market so very exciting indeed.

You talked about some of the diversification benefit against our protection book, which is mostly UK longevity risk with the diversification of the US mortality risk that we keep. As we build the US capability there I think that diversification benefit will be even more pronounced, US mortality against US longevity so I think we're on a positive path on that route as well.

Nigel Wilson: Andrew.

Andrew Crean: Hello, good morning, this is Andrew Crean with Autonomous. Could I ask three questions? On the dividend I'm still not entirely sure or I need some help on this. You have historically changed the balance between interim and final from time to time and I don't know whether the interim lift is a signal to define them. You've talked about moving towards 1.5 times cover and I think the market's been confused as to whether that is towards in 2015 or to so if you could give us some help on that…

Secondly I think we probably do want to understand what the economics, overall cash economics on the annuity business and the capital-light model is relative to the others. You've given some indication in terms of the fall in the EV new business margin. Is that a good sign of that?

And then thirdly in the balance of the business, as I look on one of your slides, the balance between asset management and insurance and savings business; the savings business, the asset accumulation part of the savings business looks relatively small in the context of the whole earnings of the group and I just wonder whether you're happy with that if, you know, accumulation is the funnel by which you access retail decumulation opportunities.

Nigel Wilson: Okay, Mark, if you pick up the last question about, you know, the opportunity for retail in the market and we just pick up the others?

Mark Gregory: Yes, particularly on dividends, Andrew, we've given obviously no guidance about whether that's a different proportion of the interim and I should think the board will take its own view at year end about how it thinks about the final dividend but we are clearly saying today we regard the interim dividend as being in line with our existing dividend policy. Read into that what you want but that's what we're saying explicitly around what we're doing so…

And in terms of your question about whether it's to 1.5 or towards 1.5 times at year end, we are very clear; it's towards 1.5 times so that doesn't rule out 1.5 times, that's simply saying it is in the range towards 1.5 times.

Nigel Wilson: Okay. I was waiting until you fell asleep.

Gordon Aitken: Yes, I've got three questions, please.

Nigel Wilson: Three have been very popular today.

Mark Gregory: We didn't answer Andrew's third question, did we? We only answered Andrew's one.

Nigel Wilson: Oh, we only answered one of your questions. God, that was such a long answer, I thought we'd answered them all!

Mark Gregory: No, I'm still on the first one.

Kerrigan Procter: Do you want me to pick up the point on margins? Yes, so I mean, directionally the point that you can reinsure between your prudent reserves and your best estimate, you bring the cash forwards, you see a higher new business surplus and a lower margin so that's directionally what you should be looking at. As ever with these reinsurance deals, it depends on the price, depends on the longevity which you're looking at so you'll flex up and down and those two parameters will flex so there's more going on in that margin statement than just that because we wrote shorter-dated business rather than longer-dated business in Q1, sorry, in H1 also so there are plenty things going on there but directionally your thinking's right, I believe.

Nigel Wilson: I can sense an autonomous research paper coming. Mark, do you want to talk about retail in the UK?

Mark Zinkula: Yes, certainly. So retail; as you know, the unit trust business transitioned to LGIM early part of last year and we're in the process of – well, we've launched a lot of products, particularly in the multi-asset space, multi-index space, leveraging our index building blocks to have good-value products for that market. Our property fund has been a big seller, you know, we're getting a lot more competitive in the index space as well in retail.

So we currently rank, I think, 13th and we have aspirations to be considerably higher than that, we should be higher than that, hired Mr Salomon towards the end of last year to build out the retail distribution effort, hired a head of retail sales, just announced that a couple of weeks ago and so we're in the process of now continuing to build out and improve and expand our distribution there so we have high hopes for the retail businesses, as Nigel mentioned earlier.

Nigel Wilson: From a sort of Newcastle to Arsenal, if you think of the Premier League, from 13th to maybe third over the next couple of years but I think we have that sort of ambition… is that… we've… you know. That was exaggerated, a dream of 13th. Did we answer all your questions? Sorry about that, Andrew, I got too excited.

Gordon Aitken : Gordon Aitken from RBC. So first question is on this still taxing pensions like ISAs. I think you said that you were well-placed irrespective of the result of that but, I mean, most insurance companies would be very, and very happy with the status quo we have at the moment. You've obviously got a slightly different business. Would you be actually happier if it pushes towards ISAs?

Second question is writing bulks in the US; what's stopping you writing a bulk in the US, is it demand, is it the fact you've got so much on in the UK, relationships, risk, competition? Just talk a bit about that.

And then a final point on solvency two and capital; I mean, the risk margin is new. It's a function of interest rates which, you know, have improved over the second quarter. It's a function of longevity reinsurance; you're obviously using a lot more of that. So, I mean, is the capital requirement – one of your peers said it was 15% all in all with the risk margin and the other margins, was 15% at the start go the year with no reinsurance – where does it now sit between a sort of eight and 15% range? I mean, is it sitting, if you're using 75% ranges, is it sitting just above 8% so are we talking about a very small increase in capital requirement? Thank you.

Mark Zinkula: As I mentioned earlier, what we have here is one model versus the other, I mean, the reality of it; you look at… We specialise in managing pension risk as an organisation. We do within LGIM of the vast majority of the assets that we manage. We have been at our best historically - I think it's safe to say this – when there's been a need for innovation in a market; in the growth phases of the DB market here, in the maturity phase of the DB market in the LDI space. As we entered the DB market in the US again there was a need for innovation and we filled that void.

In the DC market here with auto-enrolment, our approach for our governance, for our master, our bundled DC proposition and so forth; we're fine with the status quo; we'd be fine with change. You know, what we're concerned about is that if there is change its sensible change and in order to influence that debate so ultimately if there's going to be change in the model it's ultimately in the best interests of consumers. But as I mentioned before, I'm confident we can win either way.

Kerrigan Procter: What's stopping us in the US then? Nothing. We have administration in place, we have regulatory approvals in place, we have the team in place, we can quote on – we're comfortable with our longevity pricing, we're comfortable with our asset pricing, the asset management by LGIMA. We've come honourable second on a couple of deals, which is not a bad place to be when you're entering a market. You understand exactly where the price is and I'm very hopeful that we'll be an even more honourable first at some point very soon.

Nigel Wilson: I've joined a couple of the sales pitches and when I join it doesn't make any difference whatsoever. Then I get the reflected glory when we win and so I've seen that there is a higher probability of winning on a couple of deals so I'm going with Kerrigan and the rest of the team pitching for the business. I'll be sulking if we don't win something in the second half of this year.

Mark Gregory: Last one on the risk margin and…

Nigel Wilson: Yes, do you want to cover that?

Mark Gregory: I guess, as always with this sort of question, Gordon, it does depend. So as you say, the risk margin is interest-rate-sensitive, that's something we have to be cognisant of and clearly any benefit we get from reinsurance, as always, depends on the actual terms we get for the reinsurance.

But, and then clearly I'm conscious that Nick at PRU has proved how capital markets might look in a combined solvency two SCR plus risk margin world. There's no doubt that reinsurance under current economic environment is actually extremely beneficial and again, give you some sort of rule of thumb, it's kind of… we take a view that, you know, reinsurance would probably halve the level of combined capital, ie, SCR and risk margin we need to hold against annuity new business. You know, it is a material benefit but that does depend on pricing, it does depend on interest rates.

Nigel Wilson: We're going to take one last question and then we'll hang… Any other questions anybody has, just because we'll, a lot of people have to move on to various other things, we promised we'd finish by quarter-to and so one last question. Anybody else wants to ask any other questions; all of the management team will stay behind and answer anybody's specific questions so…

Allan Devlin: Thanks, Allan Devlin from Barclays; a couple of questions. First of all on LGIM, which had very strong flows in the first half but can be lumpy. Is that number sustainable or, you know can we take that forward? Or it could even be higher?

And the second question no this bulk annuity business; given your preference for writing bulks and economics, the difference in economics in the US versus the UK, given US you can use US equivalence, US interest rates might be up faster than the UK, etc…

Nigel Wilson: Very good first question there. Now, I would like to answer that one myself but sadly I'll have to pass it over to Mark.

Mark Zinkula: Yes, so in short, flows will continue to be lumpy but I do think, you know, the trend line should be higher going forward than we've seen the last couple of years. I think the institutional market flows that you've seen some of our competitors have announced results recently as well… they've been, yes, net flows across the industry and institutional space the last two or three years have been relatively flat for a variety of reasons. A lot of this is in the sovereign wealth fund space, I believe. The data isn't broken out in that way but anecdotally that seems to be the case but we don't have a lot of assets currently.

But certainly as we've taken our index business internationally trying to get some traction, there's only one direction that business can go, kind of almost by definition, over a long period of time and, but the flows will continue to be lumpy going forward. As I alluded to before, we know of some sizeable inflows coming in in the second half of the year but there's also one sizeable outflow that we know about of 1.5 billion or so, not due to any performance or service issues, just a client strategy change.

So not every quarter will be positive net flows but we do expect as a percentage of assets to be more in this ball park, net close as a percentage of assets, more in the ball park we're in now in the mid, you know, single-digit percentages hopefully at least rather than low single-digit percentages.

Nigel Wilson: I'd go for high myself but then…

Kerrigan Procter: Yes, on the US versus UK, I mean, as I think you all know, we deploy shareholder capital where it's most productive to employ it so we have a consistent return on economic capital hurdle rate and we use that right across business lines and across time and so that's what we look at, whether a US deal's attractive relative to a UK deal.

So no difference there but certainly the US market offers diversification both on longevity risk, on market cycle, range of clients, services; the LDI clients are coming out and the fixed-income clients coming out of LGIM so really attractive from that point of view and of course the different market cycle where we might see the interest rate rises on the nominal side, especially the US sooner than the UK, I think, will be interesting for the development of the size of business coming through that market.

So really interesting US market but consistent metrics applied all across all others.

Nigel Wilson: I'd like once again to say thank you to all of my colleague's right across the company who've delivered a fantastic performance in the first half of this year. I suspect an even better performance in the second half of this year and beyond and I think you'll see a bit of a narrative of that today. And thank you again for all of your interest and the detailed questions that you had and I look forward to some of my colleagues answering some of the even more detailed questions after this meeting ends so thank you.