Legal & General Full Year Results 2016 Wednesday, 08 March 2017

Nigel Wilson

Slide 1: Hold Slide - Creating possibilities

Good Morning, thank you for coming to our Annual Results presentation for 2016.

As you moved through our building to the presentation, you will have seen many powerful authentic images of what we are achieving at Legal & General… such as our backdrop... which is our regeneration of Cardiff.

Technology and scientific developments are the most exciting for 150 years and yet, never has there been so much money available to invest, so cheaply priced and yet so poorly used.

We are in the second machine age or the fourth industrial age... there are so many great opportunities to grow and so few being seized...

We at L&G, find it inspiring to see in the UK that the "cup of entrepreneurial spirit" amongst our talented millennials within our great universities and cities is overflowing with commercial ideas.

Now is the time to be bold and support their ambition by having the confidence to invest our way to growth... including converting start-ups to scale-ups.

Legal & General has indeed stepped up... as our results demonstrate.

Slide 2: Forward looking statements

A couple of bits of housekeeping…

...here are the usual forward-looking statements… switch off mobiles... …and if there is a fire alarm … the home team will shepherd you downstairs…

Slide 3: Full year results 2016

This is another terrific set of results from Legal & General… profit before tax up 17% to £1.6 billion, EPS up 19% to 22.2p, and RoE close to 20% and the dividend up 7% to 14.35p.

...I'd like to thank all of my colleagues across the whole of the Group who have delivered not just these results... but in previous years as well.

I have every confidence that they will continue to deliver in 2017 and beyond.

We achieved these results despite all of the regulatory, political and economic shocks from Brexit, Solvency 2, legacy reviews, annuity thematic review, low interest rates, abolition of compulsory annuities etc.

The UK is a great place for L&G to invest... and as Mark Zinkula and Kerrigan will explain, the US is looking increasingly promising.

The Group's strategy is not reliant on short term economic outcomes...

We have a resilient growth business that has delivered consistently strong results since the financial crisis.

Our strategy is aligned to, what we believe to be, six established long term growth drivers...

... ageing demographics,

... globalisation of asset markets,

... creating new real productive assets

... reform of the welfare state,

... technological innovation,

... and providing 'today's capital'

These have proven to be powerful drivers of our growth.

We can look forward to the future with confidence, because our core markets are growing... because our market share is increasing, and as Mark Gregory will demonstrate, because our balance sheet is strong and because we have positive cash and earnings momentum.

Slide 4: Strengthening the team

Having spoken to many of you at the Capital Markets Event about our growth strategy for the next five years, a critical part of delivering that strategy is having the right team around me.

As you can see from this slide, through a combination of selective hiring and internal promotions, we have significantly strengthened our management bandwidth and technology capability.

What is pleasing is the combination of internal and external appointments.

It is really important to me that we develop and nurture our internal talent so that they achieve their full potential... this includes Kerrigan, Bernie, Chris, Cheryl, Aaron and Anton...

But there are also times we need to look outside the Group for people who will bring more pace and energy and a fresh perspective... for example, Jeff, Helena, Paul, Stephen and Garvan.

Furthermore, we have strengthened the Board, not just the Chairman's appointment, but also Philip, Lesley and Toby's appointments bring rich and relevant experience.

Slide 5: Financial highlights

Mark will go into our financial performance in more detail - but all our key financial metrics are really pleasing.

Slide 6: Key financials

One of my favourite slides... all our KPI's are strong, net cash, EPS, RoE, DPS... all demonstrate the tremendous growth we have achieved.

A couple of the lines we rarely comment on are the retained cash, which at £557m is a record, and almost £100m above last year... plus the growth in book value per share of around 10% to 116p is also a record.

Slide 7: Clear and consistent strategy

In terms of our six growth drivers, we made significant progress in all areas... the number and size of our achievements in 2016 is more than we have delivered in previous years.

We are indeed accelerating our evolution.

Some highlights are...

... LGR had record transactions of over £8bn

... LGIM AUM increased 20% to £894bn

... We now have £10bn in direct investments, up 40%

... UK DC assets grew 24% to £57bn

... Our GI direct sales grew 20%

... And we are making significant progress in digital insurance, housing, urban regeneration and SME finance... both debt and equity.

The slide also demonstrates that Legal & General is economically and sociably useful, providing solutions to Society's critical financial needs.

Slide 8: Consistently delivering strong results

What L&G has also delivered is resilience and consistency.

Our net release or cash has grown by 13% per annum to £1.4bn...

... EPS by 13% per annum to 22.2p

... DPS by 17% per annum to 14.35p

... and our RoE has risen from 15% to 20%.

I'll now hand over to Mark.

Mark Gregory

Slide 9: 2016 Financial Highlights

Thank you Nigel and good morning everyone.

By way of sign-posting, I'm going to cover the 2016 financials at a Group level, our dividend recommendation, the Group's capital position and...

... I will take you through the performances of our Insurance Division, General Insurance and Savings.

Kerrigan will cover Retirement, Mark Zinkula LGIM and Nigel L&G Capital... as Paul Stanworth is sadly attending a family funeral today.

Slide 10: Consistent delivery: strong results

As Nigel outlined, it’s been another positive year in terms of our stock of business...

… 20% growth in LGIM assets under management, now £894bn with £31.2bn of net inflows in the year

… 25% growth in LGR’s annuity assets, now £54bn with £7bn of annuity business written in the year

… and 39% growth in Direct Investments - now at £10bn across the Group

Moving to P&L, our renamed net cash generation... now called Net Release from Operations... was up 12% at £1411m, including a new business surplus of £155m.

Operating profit was up 11%...

... PBT was up 17%, on the back of this strong operating performance and a positive investment variance on our shareholder assets...

... and EPS was up 19%

... meaning our post-tax return on equity grew to 19.6%.

A high level summary of our capital position... the Group's Solvency II surplus at end 2016, was £5.7bn, equating to a coverage ratio of 171% on a shareholder basis... and our economic capital surplus grew to £8.3bn.

Slide 11: Strong growth: operating profit from divisions

This slide shows the operating profit from our Divisions, up 12% at £1902m.

As you can see, LGR had a very strong performance in 2016, but each division delivered a meaningful contribution, both in terms of profits and in terms of wider Group synergies.

Slide 12: Driving growth: increasing stock

I mentioned earlier some of the growth achieved in our business stock in 2016, but our strategy is focussed on delivering growth

... year in year out

... and here you can see the progression we have achieved over the last 5 years.

This sits at the very heart of our strategy and we're confident we can sustain it.

Slide 13: Full year dividend

Moving on then to dividend.

12 months ago, we announced our new progressive dividend policy reflecting the Group's medium term underlying business growth.

In line with our policy, the Board has considered the best trajectory of dividend growth... taking into account sustainability across a wide range of scenarios and the Group's anticipated financial performance.

Accordingly, the Board has recommended a final dividend of 10.35p giving a full year dividend of 14.35p, up 7% on 2015.

Slide 14: LGI: A growing book

In terms of divisional performance, I will start with our recently formed Legal & General Insurance, which combines our UK and US protection businesses.

Operating profit in the Insurance division was £317m for the year, up 5% after adjusting for the disposal of L&G France in 2015.

Slide 15: LGI UK: Growth in premiums and operating profit

Breaking down the Insurance division performance between the UK and US, and starting with the UK.

Operating profit was up 6% at £216m.

Our leading Retail Protection business in the UK continues to perform well, with new business up 5% and gross premiums up 6%.

However, operating profits from our UK Insurance business were held back by the performance in Group Protection, where the adverse claims experience we reported at the half year, continued in the second half.

Bernie has already started the process of addressing this.

Elsewhere in the UK, our Mortgage Club facilitated a record £53bn of mortgages in the year and our surveying business also had a record year by completing over half a million surveys.

Slide 16: LGI US: Increased release from operations and premiums

L&G America is the 10th largest term assurance writer in the US and the 4th largest in its core brokerage channel with gross premiums up 3% at $1220m.

Net release from operations for the business represents the dividends remitted in the year to the Group and this was up 10% at $91m.

Operating profit at L&G America was $115m.

LGA has already paid its 2017 ordinary dividend in February of $100m.

Following a minor equity capital restructure, all of the dividend will now get paid as an ordinary.

In 2016 and previous years, we used to receive an additional preference dividend of just under $3m in the fourth quarter.

Slide 17: GI: Strong results in a competitive market

Operating profit for our General Insurance business was £52m, up 2%.

For what is predominantly a household book, the profit performance did benefit from the relatively benign weather conditions in 2016, although we did have to absorb the first annual Flood Re levy of £9m, which added 3% points to the combined operating ratio of 89%.

Our direct business grew 20% and now accounts for 37% of gross premiums.

And in 2017, recently signed distribution agreements are expected to increase GI gross premiums by around 10%.

One final point on GI, we expect zero profit impact from the recent Ogden rate changes.

Slide 18: Savings: Delivering on our promise to simplify operations

In our Savings Division, which in 2016 comprised both our Mature Savings and Digital Savings businesses, net release from operations was down £17m year on year at £99m.

At an operating profit level, increased use of automation, including the use of robotics in our Mature Savings business... has meant profits were only down £1m at £105m... as we continue to manage the reducing contributions from our book, which is largely closed to new business.

Our Digital Savings business, which included the Cofunds and IPS platforms and Suffolk Life made an operating loss of £6m in 2016.

These businesses have now been sold.

Slide 19: Robust capital base

Moving on to balance sheet matters and in particular our capital position.

The Group's Solvency 2 surplus increased by £0.4bn since the half year... to £5.7bn at the year end.

Over the same period, our Solvency 2 coverage ratio, as calculated on a shareholder basis, increased by 8% points from 163% to 171%.

On a pro-forma basis of calculation, the coverage ratio increased from 158% to 165%.

81% of our £13.6bn of Solvency 2 own funds were core tier 1 assets.

These core tier 1 assets alone were £3.1bn more than the Group's capital requirement.

Our economic capital surplus increased to £8.3bn, representing a coverage ratio of 230%.

Our AA minus credit rating has been maintained and provides further evidence of our robust capital position.

Slide 20: Movement in S2 surplus

This slide provides you with a bridge of the £0.2bn increase in the Solvency II surplus over the year from £5.5bn to £5.7bn.

The operational surplus generation from existing business contributed £1.2bn.

In your Analyst Pack, you can see a reconciliation of the IFRS Release from Operations to this number.

The impact of writing new business in 2016, including the £7bn of new annuities, was to reduce Solvency 2 surplus by £0.1bn.

Your packs also provide a reconciliation of this number to the IFRS new business surplus.

An obvious point perhaps, but over time the aggregate cashflows will be the same, and so the only difference between IFRS and Solvency 2 is in the timing of the emergence of these cashflows.

Net surplus generation of £1.1bn in the year represents the combined result of operational surplus generation less new business strain.

Operating variances were a favourable £0.2bn in total and, included amongst other things...

... experience variances in the year

... changes in best estimate liability and capital calibrations

... changes in asset mix and

... as per the Solvency 2 requirement, a change to the capital in respect of the new business you expect to write in the subsequent year.

Market movements in the year reduced surplus by £0.3bn, as the impact of lower rates on the Solvency 2 capital requirement more than offset the benefit to own funds of higher asset values.

Slide 21: S2 new business value metric

And finally on Solvency II, this slide gives you our estimate of the present value of Solvency 2 surplus emergence from the key elements of the new business we wrote.

For example, the new annuity business we wrote in the UK is expected to deliver £693m of future surplus and our UK retail protection business, from which we get much of the benefit on Day 1, is expected to generate £139m.

This expected surplus generation from the new business shown on this slide is 9 times the total Solvency 2 strain of £100m we invested in writing this business.

Very clear evidence of our ability to grow the business profitably in a Solvency 2 world.

And with that, I'll hand over to Kerrigan …

Kerrigan Procter

Slide 22: Legal & General Retirement

Thank you Mark. Good morning.

Legal & General Retirement delivered strong results for 2016 with both record profitability and record new business sales of £8.5bn.

This was delivered with the backdrop of a new regulatory capital regime, which allowed us to successfully put into practice our plans for a capital-efficient approach under solvency II.

Slide 23: LGR: Delivering exceptional profit growth

Turning to LGR's financial results first, net release from operations was up 41% to £592m.

New business surplus increased to £159m.

In part, this reflects the growth in total new business sales.

It also reflects the capital-efficient business model where we expect to reinsure more of the longevity risk for UK PRT deals than previously.

Operating Profit was up 27% to £811m.

This included a positive financial impact of higher than expected mortality.

However, we have not made material changes to our forward-looking longevity assumptions.

Before making such a change, we would prefer to see more evidence, that the higher than expected mortality in recent years... is a trend that we could extrapolate many years into the future.

Our solvency II new business margin on UK annuities is 10.4% and the associated solvency II new business value add is £693m.

This was achieved with a capital strain of just under £200m.

Slide 24: LGR: Eight sources of profit

Let's turn to new business and our eight sources of profit.

Taking each in turn, we were pleased to be able to work with Aegon to acquire their back book of 27,000 open market individual annuitants in May 2016.

The deal is eligible for transitional relief, and we are comfortable with the longevity risk as the risk profile is comparable with business we wrote at the time.

Therefore, we have chosen not to reinsure the longevity risk on this book of business.

We see further opportunities for back book consolidation and will be exploring these using the same financial metrics as PRT.

We wrote £3.34 billion of bulk annuity business for UK private sector DB pension plans in 2016, predominantly in the second half of the year.

Notable transactions included, a £1.1bn buy-out with the Vickers Group Pension Scheme, part of the Rolls-Royce Group, in early November.

The Vickers scheme has been a longstanding client of Legal & General, becoming an LDI client in 2007.

We were particularly pleased that we were able to play a part in the successful decade-long de-risking and ultimate buy-out of the scheme.

In late December, we completed a £900m longevity insurance deal for a UK pension plan.

The pipeline for potential new UK PRT business is around the level of £13bn for deals currently being priced across the market.

Though as you know, the flow of big deals can be lumpy.

In aggregate, we reinsured 88% of the longevity risk for UK pension risk transfer business in 2016.

The US PRT business made solid progress again last year, writing $448m of new bulk annuity business over six deals.

This market has significant potential, with market volumes in 2016 around $14bn, and the indications are the market will be even bigger in 2017 supported by rising US nominal interest rates.

We continue to quote actively in this market, whilst always maintaining our capital discipline.

The Dutch buy-out market had a quiet year, but we have seen a large pick up in interest recently and will continue to support this market as a reinsurer through our reinsurance company L&G Re.

Slide 25: LGR: Retail Retirement individual annuities

Our individual annuity business is now in growth mode again.

Our sales fell from a peak of £1.3bn in 2013, to a low point of £327m in 2015, following Freedom & Choice in Pensions.

In 2016, this grew 16%, supported by... an increase in market volume, some competitors exiting the market and the start of our distribution agreement with Aegon.

We continue to participate in all parts of the market including standard, enhanced and fixed term.

As we have done in the past, we provide consistent pricing between external and internally-vesting annuities.

Slide 26: LGR: Lifetime Mortgages

Our Lifetime Mortgage market share was 29% in 2016, with sales of £620m... over 3x the sales of 2015.

Last year was the first year in which the market size exceeded £2bn, but we see further potential for market growth as more over 55's access their housing equity to support their financial needs in retirement.

We remain disciplined about Loan To Value and pricing.

LTVs are age dependent and our average portfolio LTV is 27%.

With our operational scale and matching adjustment efficient structuring, we can offer fair pricing to customers to support expansion of the market, while providing a good risk-adjusted return on assets to back our long-dated annuity liabilities.

Slide 27: LGR: Robust and well diversified asset portfolio

The £54.4bn asset portfolio backing our annuity reserves is a robust and well diversified investment grade credit and real assets portfolio.

The average portfolio rating is A-minus and the portfolio had no defaults again in 2016.

We hold a credit reserve of £2.7bn within these annuity reserves, which can be used to absorb many hundreds of millions of pounds of actual credit default experience on the IFRS balance sheet.

Over two-thirds of the assets are A rated or better, with £7.2bn of gilts included in the AA rating band.

We continued to build our direct investment portfolio, now at £8.1bn, making up 15% of our annuity reserves.

This includes £0.8bn of Lifetime Mortgages, a range of private credit assets including infrastructure, private placements and real estate debt, and properties with long-dated leases.

Direct investment improves the overall yield and credit diversification of the asset portfolio...

...and direct investments benefit from underlying security or collateral.

The asset management of the back book, including direct investing, is our eighth source of profit for LGR.

Slide 28: LGR: Delivering strong growth

Combining this with our seven new business sources, gives LGR a diverse set of opportunities for long-term profitable growth in both our corporate pension risk transfer business and our retail customer business.

I'll now hand over to Mark.

Mark Zinkula

Slide 29: LGIM

Thank you Kerrigan.

Slide 30: LGIM: Resilient performance in challenging markets

LGIM had another successful year.

Our results once again demonstrate the resilience of our business model despite challenges facing our industry, such as fee pressure, the FCA asset management study and poor performance of many active funds.

External net flows of £29bn were positive across most of our main product lines, client channels and regions.

Total LGIM operating profit increased by 3% to £366m, with the asset management operating profit, excluding the one-off adjustment for discontinuing box profits, up 7%.

We've maintained a stable margin of around 50% due to the scalable nature of our business model.

We are growing our market-leading position in the UK defined benefit or DB sector, with a broader range of strategies...

... and we are replicating this success in the defined contribution or DC sector.

Growth in our Retail business is also gaining momentum and we ranked third in net sales in 2016.

And our international expansion continues, with higher flows across all regions and particular strength in the US.

International AUM was up 45% at £177bn.

I will focus on all these growth areas in more detail in subsequent slides.

Slide 31: LGIM: Well positioned for continued growth

The many challenges facing the asset-management industry are also creating opportunities for managers with the right business model, products and distribution strategy.

We're gaining market share because we've positioned our business to benefit from several positive industry trends.

There are four product areas in the asset management industry that are expanding - Index, Solutions, Alternatives and Active Specialties - the majority of our assets fall into these categories.

Within the Solutions category, we are experiencing strong growth in Multi-Asset, Active LDI and Pooled LDI strategies.

And the fiduciary management proposition that we launched last year is also gaining momentum.

Our continued strong track record in Active Fixed Income is leading to increasing inflows, especially from US and UK institutional clients.

And there is growing demand for a range of alternative strategies such as Real Assets.

We continue to develop innovative direct investment strategies for our clients, such as the recently launched Build to Rent fund.

We have experienced net outflows from our Index business, largely from UK DB clients who are switching into LDI strategies, but we are seeing increasing flows into our Index funds from International and Retail clients.

Slide 32: LGIM: Core strength in UK DB pensions

Our strong position in the market starts with our fundamental strength in the UK defined benefit pensions sector.

We are the largest UK DB pension asset manager, with a 32% market share.

We have also built on our strength in Index to become the market leader in LDI, with a 45% market share.

We believe we are well positioned for the continued de-risking of DB schemes, taking clients through a range of solutions.

Our commitment to Real Assets, and market leading position in pension de-risking represents a significant opportunity for L&G.

Slide 33: LGIM: Continued growth in DC pensions and Retail business

But as the DB market is maturing, it’s important that we continue to grow our DC and Retail businesses.

We experienced a 23% increase in clients on our workplace platform last year, to more than 2.2m customers.

We have one of the largest and fastest growing master trusts in the market, and total DC AUM increasing by 24% to £57bn.

Last year, LGIM acquired a stake in Smart Pension, an online auto-enrolment platform focused on SMEs, and our presence in this market has grown significantly.

Our Retail business had net inflows of £1.4bn in 2016 and positive net flows every month despite industry net sales falling to their lowest level since 1995.

We are well placed to succeed given the long-term trends in the retail market, such as the rise of Index and Multi-Asset funds.

Slide 34: LGIM: Successfully expanding internationally

Finally we had another successful year expanding our international business, especially in the US.

Net flows were £9.4bn as we saw strong demand for our recently launched Index funds and continued growth in our LDI Solutions and fixed income strategies.

Our US expansion has been a major success.

We've leveraged our strong investment and solutions capabilities and now manage £119bn of assets and have over 250 clients in this important market.

We are expanding into the US DC segment and developing our Real Assets capability as we establish LGIM as a leading US pension solutions provider.

We also experienced higher net flows in our other target markets of Europe, the Gulf and Asia, and we are continuing to strengthen distribution in those regions.

To sum up, we’re confident we can maintain our leading position in UK DB and continue our strong growth in the UK DC and Retail sectors, and in our targeted international markets.

Despite the challenges facing the industry, our Solutions approach, exceptional client service and investment excellence, in addition to our focus on value for money and cost transparency, make us well positioned to successfully deliver for our clients…..and continue to gain market share in our target markets.

I will now hand over to Nigel.

Nigel Wilson

Slide 35: Legal & General Capital

Thank you Mark.

LGC delivered good results in 2016...

... achieving an overall 10% increase in Operating Profit of £257m...

... a 29% increase in PBT from £73m to £94m from direct investments

... with a 31% increase in direct investment assets from £867m to £1137m.

Slide 36: LGC: Realising profits through asset creation

LGC is delivering on its direct investment strategy and building a solid platform for growth.

In addition to improved PBT, LGC increased operating profits from direct investments by 75% to £121 million, delivering a net portfolio return of 9%... well on the way to our target range of 10% to 12%.

The Traded Portfolio including Treasury assets also had a strong year delivering a net return of 7%, on £5.1bn of assets and a PBT of £325m.

Slide 37: LGC: Maximising value for shareholders

LGC's purpose is to deliver shareholder value by investing the Group's £6.2bn of shareholder funds in direct investments to earn an improved risk-adjusted return.

However, LGC is also re-connecting long term savers with the direct financing of UK Housing, Infrastructure and SME capital by building new business models in these sectors, whilst providing Legal & General Group with growth opportunities, both as an asset manager and as an asset gatherer.

As the chart summarises, the business model is to acquire, develop or scale-up these assets and then look to sell externally or retain in the Group.

Slide 38: LGC: Disciplined approach across the asset lifecycle

Since LGC was established in 2013, it has been building a track record in each stage of its business model.

In 2016, LGC invested or committed £404m into new investments including a new project developing Newcastle Science Central, a public-private partnership with the city's university and council.

Pemberton successfully raised €1.2bn for its first fund and is targeting €3bn by the end of 2017.

In clean energy, NTR deployed 66% of the initial €246m fund and plans to launch a second €500m fund this year.

We have also delivered strong revenue growth from our existing businesses, including Cala, which had a record year building nearly 1500 homes, creating revenues of £718m, compared to £384m in 2014.

We have made good early progress on disposals in 2016 and are targeting proceeds of around £250m in 2017 as LGC realises value.

These include disposal of assets in Bracknell, Cardiff and Central London... we have already agreed £64m this year.

Together, this demonstrates LGC's maturing business and focus on performing at all stages of the business cycle.

Slide 39: LGC: Growth delivered across all areas since 2013

As you can see, since 2013 LGC has...

... increased operating profit at a compound growth rate of 13%

... grown total assets 3 times to £1.1bn

... increased operating profit 5 times to £121m

... all whilst doubling the net return on the portfolio from 4.7% to 9%.

Slide 40: LGC: Opportunity to grow in all sectors

We believe LGC has enormous growth potential.

Housing, Infrastructure and SME Finance will remain the key focus as LGC connects Legal & General's clients with the investment opportunities, to deliver the homes, cities and businesses of the future.

Cala homes is planning to build 5000 homes by 2020, our build to rent partnership will grow into a multi-billion pound fund and we will bring manufacturing and finance to the £143bn affordable housing sector.

We are regenerating 10 cities and towns, and we want to double this... ... building on our development model

... whilst creating the platforms to fund part of the UK's £40bn clean energy market.

And finally, we are seeding businesses to fund SMEs, where we are targeting £10bn AUM alongside our partners.

LGC has a terrific base to increasingly deliver value across the Legal & General Group.

Nigel Wilson

Slide 41: 2016 and beyond

And I will now like to turn to our Groupwide view of 2016 and beyond.

Slide 42: Decluttering

We have successfully completed significant decluttering of our business through selective disposals and several simplifications.

Slide 4 noted the improvement in the management and Board capability of L&G.

On this slide, we can note the disposal of operations in France, Germany, Ireland, Netherlands, Egypt and Bahrain but... also that simplification has helped our retail investment business rise from 13th to 3rd... and our UK DC business is now £57bn.

Much of this success is due to the heads of distribution in LGIM...

Sarah Aitken, Emma Douglas and Honor Soloman.. who will be shortly joined by Helena Morrisey.

L&G as a Group is delivering on diversity and diversity is delivering performance for L&G.

Slide 43: Technology as a core principle

As my colleagues have demonstrated, we are performing well.

However, we cannot be complacent.

We are in attractive growth markets and we are growing our market share... but every business is now threatened by technology disruption.

We believe we have selected businesses where we can have a resilient long term competitive advantage as long as we continue to execute well... and that includes technology.

We have shown on this slide six key technology developments... of which four are already BAU and where we made good progress in 2016...

... robotics

... big data

... platforms

... and the Cloud.

We also have commercial plans to develop these technologies for 2017 onwards to further improve our performance.

The other two key technologies, Blockchain and Artificial Intelligence are on our radar... but as yet, no meaningful commercial applications.

Slide 44: Financial ambition

At our recent Capital Markets Event, we said that 'our financial ambition' is a similar performance in 2016-2020 to what we achieved in 2011-2015... where EPS grew by 11% per annum, from 12.4p to 18.6p and net cash by 10% per annum from £846m to £1256m.

We have made a good start in 2016 with EPS rising by 19% and net cash by 12%.

We need to continue to execute against our 2020 strategic goals shown on the slide, to deliver a strong financial performance.

We are aiming for global leadership in pension de-risking...

... we are organically building a world class asset management business

... we are on track to become the UK leader in direct investments

... and also market leader in the digital provision of insurance and retail investments.

But, we also have important customer objectives... helping people achieve financial security affordably and, we aspire to be a leader in financial solutions ... and a globally trusted brand.

I now would like to open up to questions. Who's going to put their hand up first? Why don't we start with Alan?

Alan Devlin Thank you very much. Alan Devlin from Barclays. I've got three questions; first of all on the dividend. Can you give a bit more colour around your thinking on the dividend, driven by the underlying medium-term growth of the business plus you stressed the dividend. I wonder if you could give a bit more of your view on both of those, particularly what you think the underlying growth part of Legal is and hence the dividend going forward.

Secondly, on L&G Insurance, can you give more colour on what's going on in Group protection, and what gives you the confidence that you'll grow earnings in L&G Insurance this year or is it just an easy comparative? And then finally on LGIM, I think you got £30 billion of flows the last two years; the fourth guidance of the inflows is a bit vague. I'm just wondering what's going, what's the pipeline like and is £30 billion a good number to take going forward? Thanks.

Nigel Wilson Those are all good questions. I have every confidence that Bernie has got an easy target for 2017 and beyond in Group protection. If Bernie picks up that one. On the 17%, it was about the sustainability across a lot of scenarios and I'll ask Mark to pick that up. It used to be 17%. And on LGIM, you know, the £30 billion is clearly an impressive number compared to lots of competitors but can we do better, Mark Zinkula? So if Mark goes first.

Mark Gregory On dividend, clearly we're not giving a dividend forecast going forwards today, but clearly we have taken account of our new dividend policy which talks about our thoughts on our underlying business growth going forward, and clearly we set our dividend for 2016 in the context of how we see that playing out. We're going to give a lot of scenarios to the board to work out kind of what sort of things could, both upsides and downsides, and clearly we're recognising the performance in 2016. So we're very comfortable with the 7% growth in the dividend 16 over 15. But clearly the board will make its own call year in, year out. But clearly we are cognisant of our new policy in terms of how we set that dividend in 2016.

Alan Devin [Inaudible].

Mark Gregory We took lots of different scenarios, Alan, in terms of growth, new business growth and things which could happen to the balance sheet, but we're comfortable with that level of sustainability.

Nigel Wilson On the stressing, there was one slide that Kerrigan put up which had the, sort of, extra buffer we've got for defaults on the various scenarios and if somebody wants to ask Kerrigan that question I would encourage them to do so. Bernie?

Bernie Hickman Yes, on Group protection claims, it's important to remember that we retain most of the risk for Group protection as opposed to retail protection where we reinsure most of the risk. There is going to be inherent volatility in the business. In 2016 in our life business, for Group Life, we had broadly the number of claims we expected but the actual average amount was higher than we expected. In income protection there was a small number of large schemes whose claims experience was poor and we had more claims than we expected.

So we understand what happened but it's not acceptable, that performance is not acceptable, and so we're taking a range of actions to address performance. So we'll be re-pricing the schemes as they come up for scheme renewal and we'll be improving our approach to risk selection, making sure we can accurately forecast future claims, which is at the heart of running this business. And so whilst those are going to take some time to work through, there's early signs of claims trending back and so that gives us confidence that operating profit's going to improve. And it's not in Nigel's DNA to set any easy targets, so no, it's not an easy target.

Nigel Wilson This is my annual battle on targets. I mean Bernie conned me on the lifetime mortgage targets last year and easily out-performed them. You're right, Alan, he's been set an easy target for 2017 and beyond. I have every confidence that he'll deliver. Mark?

Mark Zinkula Just the last couple of years, let me go back quite a while, LGIM has been outperforming the market in net flows as a percentage of opening AUM. We're certainly well-positioned to continue doing that. We should hold ourselves to that standard for sure. It won't be a straight line because we have predominantly an institutional client base, the flows can be very lumpy, but in terms of trends I think in our newer capabilities and newer markets for index, we continue to see an increase in gross flows and for the most part net flows.

Where I'm probably most concerned is an increasing trend towards some of the very large investors taking, consolidating assets and taking more in-house. Those tend to be extremely low fee index mandates for the most part, but that is one area where on a net basis you can potentially see more volatility going forward.

Alan Devlin Thank you.

Gordon Aitken Gordon Aitken from RBC. Three questions please; first on longevity. You mentioned the spike up in deaths and I hear what you were saying. You want to see more of a trend there before you feel it can be extrapolated, but can you just give us an idea of sensitivity if you were to move to CMI 16, what value could be released?

The second question on, I see the stat, two-thirds of large DB schemes you expect to de-risk by, of some kind by 2020. I've seen that stat before, the two-thirds. I haven't certainly seen it to 2020. Can you just explain a bit more about that because that is just huge and the sector as a whole doesn't have enough capital to deal with that?

And the final question on strain, it seems that the demand is ever-increasing for bulks whether or not it's back books or DB schemes. The supply doesn't seem to be increasing, so if you can just talk a bit about strain as a proportion of the price. I think large schemes, it's always been about 5%, so if you can talk about how that's moved.

Nigel Wilson That's an excellent synopsis of the industry actually, three of the better questions, and I'm delighted to hand over those questions to my colleague, Kerrigan Procter.

Kerrigan Procter On the longevity side, as we said, we have a large team and plenty of data. We talk about 16 million man years of data just from the last five years, and we break it up into many different sectors and we analyse it thoroughly. As you were making the point, there have been cold winters and there's been an ineffective flu vaccine, how much do we extrapolate that into the future? And we're still going through that and that will be a discussion, I'm sure, in the first half of this year again about how much we extrapolate that into the future.

CMI 15 seemed to follow the higher mortality more than we were certainly comfortable with at the time, so that would have been a step too far I think. Hence is why we're still on the CMI 14, adapted CMI 2014 model. So I think it's unlikely we'll go to unadulterated CMI 2015 but of course that will be discussions as we go into the first half of the year.

Nigel Wilson I think it's fair to say deaths have been much greater than we anticipated pretty much for the last three or four years and it's very difficult to quantify that because it becomes such a big number if you extrapolate for the next 20 years. There are many, many actuaries and they're all rubbing their toys and patting themselves to try and figure out what it is. And hopefully this is the year that some actual smoke will emerge from all of these discussions because I get increasingly frustrated by it.

Kerrigan Procter I think on the two-thirds of DB de-risking, I think what we're referring to there is broader de-risking, so that's LGIM clients moving to self-sufficiency. We're already about 45% of inflation interest rate risk hedged in that market already, so I think as we go to 2020 that's the sort of figure that we're thinking about. Some of those of course will go all the way to buy out or buy in and some will stick with longevity insurance or LDI in its many forms. So that's what we meant by that broad prospectus of de-risking there.

And then on strain, the final point is you see great figures but that was from a range of business. I think it's kind of mid single digits strain is the right area, so low to mid single digit. 2016 of course was a great year.

Nigel Wilson We've built a business model that's particularly capital efficient whether it's an economic capital or a Solvency II with the direct investment, the lifetime mortgage, the great terms that we get for longevity reinsurance, and a great capability between Kerrigan's team and Mark's team to work with clients over a long period of time coming up with terrific solutions.

Jon Hocking, Morgan Stanley. Morning. Jon Hocking from Morgan Stanley. I've got three questions please. Just to come back on the dividend, obviously for a long time the Group was increasing the pay out ratio. Now we've got a dividend increase which is below the growth in cash and below the growth in operating profit. So is there an explicit intention going forward to grow the cover? That's the first question.

The second question, on the Solvency II transitionals, there seems to be some issue of the recalculation. I wondered what that was and I wonder whether you could give us the actual sterling million balance for the transitional number at the end of the year.

And then just finally, I just wondered on the annuity book whether the scope of the matching adjustment had changed over the year, whether there's any opportunity to get any further assets inside the scope. Thank you.

Nigel Wilson I think on the first one there wasn't a target cover ratio, so it ended up as an output rather than an input into the discussion on the dividend. Mark, do you want to comment on the Solvency II, and Kerrigan?

Mark Gregory Yes, so just on the TMTP points of the transitional measure point, so we didn't meet the PRA's criteria to actually recalculate the transitionals. We did at the half year; I think the whole industry did at the half year. The PRA particularly pointed to interest rate movements as being one of their catalysts for allowing a regular recalculation. To be absolutely clear, John, we will be allowed to recalculate no later than the end of 2017. So this is just a timing difference between when we can and when we can't recalculate.

The reason we give you one on a dynamic basis, our view is that the rest of the balance sheet all moves dynamically, all the features, it's all marked to market and therefore this one bit, if it doesn't move as well, it just gives you a slightly misleading figure. So our view is we're better off giving you the bigger, on a chewed up basis as we would see it and we'll keep doing that going forwards as well, whether it be good news or bad.

Nigel Wilson Kerrigan?

Kerrigan Procter Yes, has the MA scope changed? The big change over the year was matches or some approval for our lifetime mortgage assets where we've put a Solvency II efficient structure in place. We only had 200 million of lifetime mortgages at the end of 2015 so it wasn't, sorry at the end of 2015, so it wasn't worthwhile putting that in place for that time. We're always exploring various asset classes and they always need to go, or generally need to go through a matching adjustment approval process so we keep looking at that. But the majority of the assets, we're comfortable with the matching adjustment efficiency of those.

Anasuya Iyer, Jefferies. Hi, so three questions; the first one, I think on your spread sensitivities on Solvency II, I think the direction of those have changed between the widening and narrowing. I just wondered if you could talk about that a bit more, what it means, if it means anything for cash.

The second question was I think even in your market moves, even though yields were up in the second half, spreads narrowed, equity markets were up but I think the market movements and Solvency II ratio was still only I think plus 300 or so. So I wonder if you could talk about whether that was different from the sensitivities you provide because it looks like it is.

And finally, can I ask, you've hired Paul Miller for the strategy and M&A; has your M&A strategy changed there, is there any plans or is there regional focus, such as the US? Thank you.

Nigel Wilson Mark, do you want to just walk through the first two and I'll pick up the third one?

Mark Gregory. Yes, you're quite right, we did, the sensitivity to credit spreads did move from the start of the year to the end of the year, so spread narrowing would have boosted the surplus at the start of the year. By the end of the year it had gone in the other direction. I'm just going to be a bit techie; I'll just quickly go through what's going on there.

So you have to think about it in two parts really; on the own funds part, particularly with spreads going out, that brings down asset values. But as Kerrigan said earlier, we have got more assets now into the MA portfolio, and when I say the MA portfolio, pretty much the assets and liabilities move together. So by spreads widening, actually the impact on the own funds would reduce by having more assets inside the MA portfolio.

And then the other impact is on the capital requirement calculation itself and here you're actually getting a secondary effect. Because rates have gone lower, the impact is spread widening. Of course you start from a lower risk free rate, you add a spread onto that and that actually has a bigger proportionate boost on the discount rate you used in calculating the capital requirements. Actually the benefit to the capital requirement as spreads go wide actually more than offset the diminution to own funds from spreads going wide. They just change direction because you've got two moving parts with own funds and capital requirements. They just change their relative importance over the course of the year. But that was very much on the balance sheet at year end and it could flip again in the future.

Mark Gregory On the market movemenst one thing that did happen in the second half which we didn't give a sensitivity before was actually our exposure to inflation so again in the packs this time round we have given you an inflation exposure. And actually in the second half even though rates went higher actually future inflation expectations went about 25 basis points more than that. And even though we're well matched for inflation across in our economic view of longevity risk because Solvency II extends all the liabilities out a long way. We're not matched against out there for where the inflation expectation is going higher that does have an impact coming through the capital and therefore it's through that market movement slide.

Nigel Wilson Bringing in Paul I think the key thing is Strategy and M&A or M&A and Strategy I think that emphasises what we need to do. Our general philosophy on acquisitions is bolt-on driven and I think we've had a number of very successful bolt-on acquisitions. I think the other thing that we're finding is there's a huge number of people want to partner with us whether it's in the UK or the United States. And we've got a lot of success in working with partners whether it's in Build to Rent regeneration in CALA Homes, the Smart Pension is another partnership. Pemberton is another partnership and Paul will be a person who coming from a very disciplined financial background will help us on those. And the last point you raised was about America, Paul has actually done a lot of work while he was at Goldman's on America. We might as well have him full-time working for us I think it's a lot cheaper actually than other things. But we have as Mark said we've been stunningly successful in the United States. However we haven't been quite as successful as I'd like us to be. And I think with more opportunities and indeed the board would like us to be.

In fact the board is, we're having our strategy in the United States this year for the first time because the number scale of opportunities that are coming our way is immense. We've got to figure out how do we filter those and how do we prioritise those and which ones are best for the long term creation of our new for shareholders.

Andy Sinclair, BAML. Thanks, Andy Sinclair from Merrill, two questions as usual on LGIM.

Nigel Wilson Go on I've only got three questions.

Andy Sinclair Full strong assets up 20% year on year. I just wondered if you could talk about what this means for profitability. It seems the cost income ratio was down a little bit just a fraction was there any change in margins or was that just the box profits? Secondly, just mentioned about bolt-ons but what about bolt-offs? The remaining mature savings book are you keen to retain that or could you be interested in selling that at some point? And thirdly on lifetime mortgages if targeted what 800 million of new lifetime mortgages this year. Could you give us an idea of how you expect that to be split between genuine new business versus re-broking from competitors in that space?

Nigel Wilson Chris Knight I'm going to ask you to pick up the third question on there. It's a very good question on LGIM and Mark should pick that one. I'll just pick on the you know the board has a very disciplined approach to which assets to keep and we have been sellers of business as well that is not being in the long term interests of ownership and mature savings and Jackie who's here runs mature savings. We have very grown up discussions about whether that should be kept for the long term or not and you're right to highlight it. It's one of those ones that would be under perpetual consideration for us as a company.

Mark Zinkula So in regards to your question around the link between asset growth and revenue growth and margins going forward all else equal I do think key pressure's going to continue so it will take more asset growth to generate revenue growth. But again obviously that depends on the mix of business going forward and so forth. I think with our business model you'd have a very scale of business model really across the board and by design. So I think we can maintain we have and we saw the graph earlier even as our business has been completely transformed over the last ten years. So all the growth that's coming from capabilities and client channels and geographic regions that frankly didn't exist when Kerrigan and I would have joined the firm roughly a decade ago. But we still have been able to maintain roughly the same margins because we're able to get the operational leverage from our existing businesses and invest that to grow our businesses in a very disciplined way. And I expect that to continue going forward. And regards to the cost income ratio yes it went from 48 to 49% but that's still pretty good.

Nigel Wilson Could have been better.

Chris Knight Thanks and the lifetime mortgage 800 million the vast, vast overwhelming majority of it is genuine new business new to the market. There's a little bit which is further loans to existing customers and it's a very, very tiny amount which is we're seeing of re-broking at the moment.

Nigel Wilson And you're very confident on 800 million.

Chris Knight Very confident.

Nigel Wilson There we go. If we just work down the line.

Andy Hughes-Macquarie Hi, Andy Hughes-Maquarie four questions.

Andy Hughes-Macquarie So the first one is on the dividend unfortunately and I'm just trying to get my head around the kind of dividend growth and the Solvency II cash generation. So it's 1.2 billion Solvency II cash generation less the dividend less the interest it doesn't leave a lot of spare money behind. And I wonder if you're looking at things in a different way i.e. excluding the risk margin. So if we looked at the new business of minus .1 and Solvency II, took out the risk margin would the cash flows look better? The second question is on LGIM. Obviously you highlight the asset management review and fee pressure within LGIM. Obviously there's an article back last year talking about some of the high fee funds you have on the tracker side going up to 1.5%. So I'm wondering how should we think about the fee compression within LGIM in particular are we going to have a kind of cut off where you rebase a lot of the retail funds down to the current new business level. And maybe give us a feel for what the new money coming on is fee margin versus that going off. And then the third question is on the three to four years of high deaths so if deaths have been higher for three to four years. Does that mean LGR is over earning for the last three or four years? And you know in terms of dividend and how does that circle round in terms of your view on that? Are you kind of projecting forward continuing high level of deaths to get to your dividend decision given the surplus, the Solvency IIsurplus, thanks.

Nigel Wilson On the dividend I can, let me tell you the two hypothesis you came up were not relevant at all to any of the discussions that we had at the board. So we can kind of say that they're just not part of the dividend discussion at all. Do you want to pick up the LGIM?

Mark Zinkula Yes so I think regards to your question so again taking a step back to look at the nature of our assets and our feed upon ratio is already extremely low. Within the index space it is mostly institutional assets that have been very competitively priced and yes there continues to be fee pressure in that space but a lot of that has already played out. In regards to all of our other capabilities again because they're relatively new to the organisation it's been priced at relatively current terms so to speak. So going into the part of our business that would be legacy, index, share classes, this would be a fairly small part of our overall revenue and I don't have the number committed to memory and I don't know Sean if you know it. We are going through a review and have been for a while of our back books so the extent it makes sense to re-price or have clients shift from one share class to another. We're going through that process I don't anticipate it being you know material to our overall financial results. When you look at it as the, you know the scale of relativity to overall business.

Nigel Wilson Okay can we have Oliver?

Oliver Steel, Deutsche Bank Oliver Steele, I have two questions.

Nigel Wilson Two questions.

Oliver Steel So the first is you've not been particularly successful in the past in retail savings but you've now had Helena Morrissey which is a pretty big hire. So I wonder what the strategy is there and sort of let's leave it at that what's the strategy there? Secondly looking at the inflows into LGIM I mean you've shot the lights out on the LDI side and yet index has clearly seen outflows. I think you sort of touched on that earlier by talking about sort of large, one or two large players. But I wonder what drove the LDI net inflows and particularly was that again one large fund? And how easily can we sort of take the inflows that you're taking into LDI and sort of extrapolate that into future bulk annuity sales?

Nigel Wilson What I'm finding very pleasing about today we used to get no questions on LGIM and Mark used to sit up here and not answer a single question and now he's proving to be incredibly popular. Must be doing a pretty good job on presenting, take it away, Mark.

Mark Zinkula I really miss the Solvency II question. Okay regards to retail so we, the Unit Trust visits moved across to LGIM a few years ago, three years ago. And we've hired new leadership in that area, Honor Solomon we brought in largely new leadership and promoted some people in the organisation and so forth, rebuilt the team, rationalised the product offering. In 2015 we were sixth in net flows which was the highest ever last year we were third, Nigel of course you can imagine what the target is for this year. But we have I think yes we're starting to hit stride in the UK market and we have increasingly high ambitions for that space. In regards to Helena's appointment so if you think about the bulk of our business which is a strength from DB to DC and then the DC space. Obviously most of the relationships initially at least certainly would be at the workplace. As time goes on obviously there's going to be bigger pools of money with individuals and we need to engage with those employees and their broader families and so forth to a greater extent. So Helena is coming in to kind of lead the build-up of our strategy in our business and the direct to consumer space. But again kind of thinking about how our business model's evolving over the next few decades frankly kind of in that perspective.

In regards to LDI flows are we broadly classified solutions and there is a lot in there so I guess the way that I would describe it when Kerrigan started building the LDI business initially a lot of the mandates were starting as hedging mandates. Starting with pension plans managing their fund established volatility more carefully. Rather than assuming an infinite time rise or markets being reversed or so forth and the rest is strategy. As time has evolved increasing percent of those flows or we call active LDI we're trying to outperform that liability benchmark which leverages at an expanding range of capabilities within LGIM. Within fixed income and real assets and multi-asset and so forth. And then also as time has gone on increasingly our clients or we're having increasing growth from smaller midsize plans right where this approach was adopted initially with larger plans. It pulled out the I strategies or more recently produced sharing management strategies. In addition and we expect that trend to continue so we're seeing increasing momentum. As I pointed out earlier that's kind of the active LDI, pulled LDI for the sharing management concept. And then in multi-asset where they cross a range of clients which we classify as solutions especially in the DC market but that really cuts across all of our distribution channels. And again we expect to continue to see compounding growth in our multi-asset strategies.

Nigel Wilson We're going to do the last three questions, one, two, three.

Colm Kelly. Colin Kelly, UBS, thank you for taking my questions. Just going back to Solvency II just to be clear as to why the regulatory Solvency II ratio wasn't provided. I appreciate the transitional capital recalculation point but that is part and parcel of Solvency II so maybe just a little bit more colour on why that's not provided given the importance of the metric. Secondly on the Solvency II disclosure due in May of this year. As it was regulators and industry indicating the importance of this. How well positioned is Legal and General for this and is there any messages or anything you want to flag ahead of that for investors? And then thirdly you talk about a, you know a healthy pipeline of 13 billion of bulk annuities. Can you give some colour on the stock of liquid assets that are readily available to back that? Are you not utilised for current schemes and presumably that's a key driver of the 10.4% maybe this margin you can achieve on that business, thank you.

Nigel Wilson I'll answer the third question there because we've already got all of the direct investments in hand for the volume targets for 2017 so that's a really, really important message for clients. The other two questions are a bit trickier so I'm going to give them to Mark Gregory.

Mark Gregory Yes in some ways I guess my answer to the first one, Colin was in your, is in your second question you will get regulatory position in May. But we believe basically the good news turnaround we think is the right way to do it? No in reality we've still got the audit to do, that's something to do, balance sheet we are it's equivalent to the old PRA returns. We've got to go through the whole audit process for that balance sheet and that's not yet been completed when it is completed then we'll disclose those in the middle of May. But overall my message is that what we've given today is a good indicator of where we expect that won't be really different from that when you get to see the numbers in May.

Colm Kelly Okay.

Mark Gregory In terms of core messages I would say I've just got that big picture we've written seven billion new annuities in 2016 we paid a good dividend in 2016 we've culminated rates going down by 100 basis points. And the surplus went up by £200 million so wherever the detail in the returns come May bigger picture we're in good shape.

Kerrigan Procter Okay.

Abid Hussain Morning, it's Abid Hussain from Credit Suisse just one question if I can.

Nigel Wilson Very popular.

Abid Hussain Can I just go back to the dividend outlook please. I'm just wondering how should we think about the dividend cover and the metrics that you prefer to use in the board room. Is it you know should we be thinking about the net release from operations or the some of the net surplus generation or is it the IFRS profits or is there something else altogether?

Nigel Wilson No I think we look at both earnings for share and net release as the two key metrics, but overall you know Mark did five, ten and even 20 year models and scenarios when the board reflected on this. There was a lot of attention over the five to ten years and I think the word that John used was sustainability under all scenarios so we could have a very robust and resilient model. So if earnings and whatever fluctuate around particularly on the downside then we've got sufficient fire power for sort of projecting a very healthy progressive dividend. We will be around obviously the management team afterwards for questions. Andrew.

Andrew Crean Morning, it's Andrew Crean from Autonomous. Can I ask one question and request? The question is what is the balance between the amortisation of transitionals and the run down in the risk margin each year? And then the request is I think one of the problems we have with the stock is people's worries over credit crisis and how that might affect you. And I was wondering whether you might be able to give at some point the impact on your earnings and cash and Solvency II surplus of an average year on credit defaults. And you know going back over history the sort of worst years so that we can actually get a sense as to the survivability of the business on those situations.

Nigel Wilson Yes those are very good questions, actually, Kerrigan if you want to answer the second one and just go through in an average year if we have three, 400 million like what you would see as a couple of sectoral or a country specific. Or something where you have a default that run into the hundreds of millions because we've had pretty much zero for a number of years. And Mark do you want to pick up the other question?

Kerrigan Procter Great, yes that's fine, go first on that as you said we had 2.7 billion in credit default reserves and we did plenty of scenario analysis on whether the whole portfolio gets downgraded by a couple of notches. Or whether specific sectors have a more severe downgrade and that leaves us pretty comfortable. But we can take 700 million of default losses through our IFRS balance sheet while still having enough for our best estimate default provisions after those events after a succession of those events. I mean of course...

Nigel Wilson That's quite a big buffer that we've got already on the balance sheets in relation to what would be pretty high and a very historic high level of defaults. Mark.

Mark Gregory Yes it's a little bit kind of a runoff of a transitional compared to the runoff of the risk margin again you'll get more details in May, Andrew. But just as a rule of thumb we expect to have roughly about a third of our day one risk margins still on the balance sheet at the end of 16 years. Whereas at the point the transitional will have fully run off I want to say when I guided towards how do you think about net surplus generation at the Capital Markets Day in December I'm talking about mid to high single digits. I did allow for the fact that there will be a slight mismatch between the runoff for the risk margin and the transitional in giving you that sort of guidance. So it's all in our scenario planning going forwards.

Nigel Wilson Thank you for all of your questions today and again thank to all of my colleagues for another year. And I'd like to take this opportunity to say a special thanks to Mark Gregory who is stepping down after 18 years at least ten of which have been successful here at Legal and General. He's been a terrific colleague we've worked on many things together he's got a great team spirit which I think has captured Mark. So again we're going to stay around and answer further questions thank you for all of your interest and the high quality of questions that we had today, thank you.