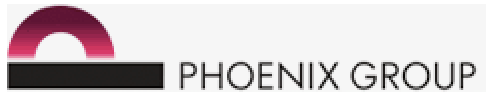

Phoenix Group plc 2012 Half Year Results

Thursday 23rd August 2012

Clive Bannister, Group Chief Executive

Good morning everyone and welcome to the Phoenix Group 2012 Interim Results presentation. Before we begin the formal business I'd like to say a few words about the chairman. As many of you know, Ron announced his intention to retire from the Group in March. Since then Alastair Lyons, the chairman of our Nominations Committee has led the search for his successor. And I'm pleased to announce today the appointment of Sir Howard Davies as chairman of the Phoenix Group to succeed Ron on the 1 October 2012.

Howard brings with him a wealth of relevant experience including his current roles at the Prudential plc and Morgan Stanley, plus his former roles as non-executive director of Paternoster UK Limited and his chairmanship of the FSA between 1997 and 2003. My colleagues and I, indeed the whole company, look forward to working with Howard.

I'm joined on the podium today by Jim McConville, our new group finance director, and Mike Merrick and Chris Samuel who are the CEOs of Phoenix Life and Ignis, respectively. Our chairman, Ron Sandler, is in the audience along with many senior members of the executive team and we are all at your disposal to answer any questions you may have at the end of the presentation.

The first half of 2012 was a period of strong financial performance during which we have also driven significant operational achievements despite the volatile external economic conditions. This financial and operational delivery represents another important step in the Phoenix Group journey culminating in a proposed interim dividend of 21 pence per share.

I'd like to step back and remind you of the targets we set ourselves at the start of this year for cash generation, MCEV enhancements and de-gearing - we set them out on the slide. The underlying strength of the business continues and through management actions such as the annuity transfer we have also been able to further de-risk the balance sheet and accelerate the release of capital which is evidenced through our growing free surplus.

But the world is a difficult place. There are economic headwinds which show no signs of abating and an evolving regulatory environment which is increasingly risk focused. It is right to be prudent in times of uncertainty and there is a balance to be struck between cash generation and ensuring we preserve capital in the life companies in order to safely navigate our way through uncertain times.

Cash generation is the key metric which we use to measure our performance and I'm very pleased to announce a £100 million increase in our 2012 cash generation target taking our target for the full year from the old £500 to £600 million range to a new target of between £600 and £700 million. To be in a position to outperform the challenging targets set at the

beginning of the year is a clear demonstration of the strength of the Phoenix business model.

We also had a longer term cash generation target to deliver £3.2 billion of cash between 2011 and 2016. Today we announce a £100 million increase in that range and therefore raise the longer term cash generation target for 2011 - 2016 to £3.3 billion.

We set a 2012 gearing target of 43% or better. At the 30 June our gearing level remained at 46% reflecting the fact that although significant free surplus has been generated at the life company level, through emerging surplus and management actions, we upstreamed a conservative £119 million of cash to the holdings companies in the first half.

At the time of our 2011 results we talked about how the financial strength of the business has improved through that year and the economic conditions had become more benign which gave us increased confidence in our ability to agree a re-terming of our bank debt. However the more benign markets that we saw in the first few months of this year have deteriorated and unfortunately the trajectory of the global economic conditions have not been as we would have wished. We have always said that it is important to agree a re-terming on terms that are sensible for all of our stakeholders. The desire to complete a re-terming remains at the forefront of our minds and there is certainly no management complacency on this objective. However we remain cognisant of the ongoing market volatility and economic headwinds which make it prudent to preserve cash and capital within the business at this time.

We continue to debate with our banks and I would like to thank them publicly for their willingness to engage in and support our re-terming discussions. We are determined to ensure that any new agreement makes sense for all of our stakeholders and are confident that we will successfully accomplish this in due course. In the meantime we should never forget that the Group's debt is competitively priced and serves all of our shareholders very well.

Turning to MCEV: The Group's MCEV increased modestly during the first half with £107 million of value generated through management actions including ongoing systems and modelling improvements and a £36 million benefit from the annuity transfer transaction. Through these management actions we have been able to more than offset the impact of economic and non-operating variances resulting in an MCEV of £2.135 billion. Since 2011 we have delivered a total of £272 million of MCEV enhancements demonstrating that we are well on track to beat our 2011 to 2014 target of £400 million.

Before we move onto operational highlights I just wanted to take the opportunity to talk a little more in detail about the economically compelling £5 billion annuity transfer which we announced on the 27 June this year. This is part of our ongoing programme of management actions which resulted in £252 million of acceleration of cash release in the life companies, and de-risked the balance sheet by reducing our sensitivity to longevity risk by approximately one third. The transaction has been structured initially as a reinsurance arrangement which we expect to be replaced by a Part VII transfer following court regulatory approvals during 2013.

We see a modest initial uplift in IGD surplus and headroom as a result of a reinsurance transaction. Once the Part VII transfer is completed in 2013 we would expect a further uplift in the IGD position at that point.

The first half of 2012 has been busy from an operational perspective. We completed the fund merger of NPI and PLL generating £100 million uplift in IGD and leaving just one UK life

company within the Impala silo. We continue to progress the fund merger of London Life and Pearl and expect completion to take place during the second half of 2012 which will again contribute towards our Group solvency position and further simplify the life company structure.

Our Solvency II programme is progressing well and we continue to work towards the implementation date of the 1 January 2014. We transferred another 230,000 policies onto our new and modern administrative platform BaNCS with a further 700,000 planned for migration during the second half of this year. This will mean that over half of our policies will be on BaNCS by the year end. And to serve policyholders we have been working to speed up claims payments and improving customer service, for example, with a new website for a number of our life funds.

Ignis too has been busy. Having achieved net third party inflows of £927 million during the first half of 2012 this is compared with £776 million in the previous similar period. It is also very pleasing to report that Ignis secured the mandate to manage the £5 billion of assets which were transferred to Guardian under the annuity transfer programme. The outsourcing of Ignis' fund management to HSBC is now well underway. This will transform Ignis' back office functions having already transferred 140 Ignis employees. We now possess a simplified operating platform from which to continue to grow the business. Ignis' strong fund management performance also continued with 13 out of 15 of the largest life funds outperforming their respective benchmarks.

I'd now like to hand you over to Jim who will take you through the financial review.

Jim McConville, Group Finance Director

Thank you, Clive. Good morning everyone. I'm very pleased to report a strong set of financial results today. We distributed £119 million of cash to the holding companies during the first half in line with the guidance that our 2012 cash generation will be weighted towards the second half of this year.

Group IFRS profits were £207 million this includes £59 million from the harmonisation of modelling and policies across Phoenix Life as part of our ongoing programme of system and modelling improvements. The Group result also includes £19 million of operating profits generated by Ignis.

Our Group MCEV remains stable at £2.1 billion despite the market volatility we have seen over the last few months and this is equivalent to £12.23 per share.

In accordance with FSA requirements the Group now undertakes a further Group solvency calculation the PLHL ICA calculated at PHL the same level at which we perform our IGD calculation. This is an assessment on a Pillar II basis of the capital resources and requirements arising from the obligations and risks which exist outside the life companies. At 30 June 2012 the PLHL ICA surplus was £400 million. I will take you through the details of the calculation shortly.

Group assets under management remain stable in the first six months following less than 1% to £71.6 billion at 30 June; with net third party inflows and positive market movements largely offsetting the impact of natural life company asset run-off.

Gearing remains stable at 46% reflecting the fact that cash generation for 2012 is weighted towards the second half of the year. And we are pleased to announce an interim dividend per share of 21 pence in line with the prior year.

Our free surplus position represents the excess capital over the life companies' capital policies which is available for distribution to the holding companies. During the first half the free surplus increased by £473 million to £566 million at 30 June. Strong IRFS operating profits of £184 million were a significant contribution to the increase in free surplus more than offsetting the impact of economic variances and non-recurring items.

The annuity transfer accelerated the release of £252 million of capital which contributed to the £448 million positive movement in capital requirements and capital policy. The additional capital that was released through this transaction has not yet been distributed from the life companies and continues to form part of the Phoenix Life free surplus at 30 June.

In March we said that the 2012 cash generation would be weighted towards the second half of the year. And given the ongoing market volatility and economic headwinds it is prudent for us to preserve cash and capital within the life companies at this time and not distribute all excess capital to the holding companies. However, having distributed £95 million of cash from the life companies to the holding companies during the first half, the remaining free surplus at 30 June of £566 million gives us confidence in our ability to meet our new cash generation target for the full year of £600 to £700 million.

Now moving to look at cash generation in more detail: £119 million of cash was distributed to the holdings companies during the first half of the year of which £95 million was distributed from the life companies with a further £24 million coming from Ignis. We made debt repayments of £103 million comprising the mandatory amortisation of £62.5 million on the Impala facility and £25 million on the Pearl facility; with an additional voluntary prepayment on the Impala facility of £15 million.

Shareholder dividends in the first half of 2012 totalled £36 million being the 2012 final dividend of 21p per share. The cash outflows in respect of the shareholder dividends have been lower in previous periods due to a mandatory scrip option for certain shareholders. This no longer applies and we have now removed the scrip option so dividends will be paid entirely in cash.

And after all those receipts and outflows the closing cash of the holding companies at 30 June was £710 million. We continue to maintain a significant cash balance at the holding companies.

Turning to IFRS: We generated £207m of IFRS operating profit during the first half of 2012, which is significantly above the £136 million generated in the first half of 2011. In the first half of the year the Phoenix Life performance was enhanced by management actions totally £59 million in addition to the underlying recurring operating profit of the business. These are actions we have taken to harmonise methodologies and policies across Phoenix Life as part of our ongoing system and modelling improvements. It's an inherent part of our business model and forms part of our programme to improve the Group's operational, financial and capital efficiency. It's what we refer to as 'the Phoenix way' which we've spoken to you about in the past.

Ignis generated £19 million of operating profit, a £1 million increase on the first half of 2011 demonstrating the resilient nature of the the Ignis business model despite the market uncertainty over recent months. Group costs of £17 million were much lower compared to the first half of 2011 reflecting lower pension related charges and the non-recurrence of certain 2011 staff related costs.

We saw £82 million of adverse investment variance coming through below the line on an IFRS basis during the first half of 2012. This was largely driven by falling yields and negative property returns partly offset by the positive impact of narrowing credit spreads.

We incurred non-recurring costs of £29 million in the first half of which £21 million related to our Solvency II programme and the ongoing actuarial systems transformation. And after a tax credit of £38 million we recognise a profit after tax for the period of £9 million.

Here we set out the material movements in the MCEV over the first half. In line with the previous disclosures we've stripped out the value generated from management actions, from operating earnings and economic and non-operating variances to provide a more meaningful analysis of the operating earnings and variances. The Group MCEV increased modestly by £17 million, or 1% in the first half, as £107 million of incremental value from management actions more than offset the impact of economic and non-operating variances.

Operating earnings of £104 million were generated. This compares to £138 million generated in the first half of 2011. The decrease reflects the fall in the assumed long term rate of return. We generated £107 million of incremental MCEV enhancements during the first half through actions such as modelling and policy harmonisation within Phoenix Life and £36 million from the annuity transfer.

Finance costs of £75 million were incurred primarily comprising bank and related swap interest of £46 million and the coupon on the Tier I bonds of £26 million. And at the end of June the MCEV per share was £12.23 a 9p increase on the position at the end of 2011.

Before we go into detail on the Group's solvency position I thought it might be helpful to set out the ways in which we look at capital across the business. This slide sets out the various individual and Group solvency metrics which we use to manage the Group's capital position. I am sure the IGD and the individual life companies solvency calculations will be familiar to you and these are measures which we have reported on in the past.

In accordance with FSA regulations the Group now has a further solvency calculation the PLHL ICA which is measured at PLHL the same level at which we perform our IGD calculation. This is basically an assessment on a Pillar 2 basis of the capital resources and requirements arising from the obligations and risks which exist outside the life companies. This assessment is in addition to compliance with the regulatory requirements of the life companies. Its introduction is a reflection of the evolving regulatory environment which has become increasingly risk focused and I will take you through the components of the calculation shortly.

Our IGD surplus is the Group's solvency position calculated in accordance with the Pillar 1 rules. It is a consolidated view of the Group's capital resources and requirements on a Pillar 1 basis. The estimated IGD surplus and IGD headroom over capital policy remains robust at 30 June at £1.2 billion and £0.4 billion respectively with capital generation during the period offsetting dividends and debt refinancing and repayments.

Since 31 December 2010 we have increased the IGD headroom position from £0.1 billion to £0.4 billion as at 30 June, largely as a result of the management actions specifically undertaken to improve position. In the coming months we would expect the funds merger of London Life and Pearl to have a positive impact on the calculation. We would also expect the position to be enhanced further when the Part VII annuity transfer takes place during 2013.

This slide sets out in detail the various components of the PLHL ICA calculation and how it is derived. So starting from the left hand side the capital resources comprise three main elements: the cash and net assets within the holdings companies; a prudent assessment of the present value of future profits from Ignis; and the pension scheme obligations calculated on a Pillar 2 basis. Here we show that those three components contribute £0.2 billion of net assets to the PLHL ICA capital resources. To this we then add the free surplus in Phoenix Life which was £0.6 billion at 30 June. And that's after taking account of the capital policies within the life companies. And this gives us total capital resources in the PLHL ICA calculation of £0.8 billion.

The capital requirement is the assessment of risks held outside the life companies including those in relation to the Group's pension schemes. At 30 June the capital requirement totalled £0.4 billion. Deducting the requirement from the resources gives us a PLHL surplus, ICA surplus of £0.4 billion as at 30 June which represents a capital requirement coverage of 200%.

Here we have set out the PLHL ICA surplus headroom and sensitivities. We aim to ensure that the PLHL maintains an ICA surplus of at least £150 million. At 30 June the ICA surplus was £0.4 billion and therefore the headroom was £250 million, £150 million lower than the IGD headroom of £0.4 billion at the half year.

We have also set out the sensitivities to show the impact of various market stresses on the PLHL ICA surplus. The sensitivities reflect the impact of the market movements not only on the life companies but also on its staff pension schemes. The capital requirement in respect of pension scheme risk is particularly sensitive to movements in real yields as this has a direct impact on the size of the scheme liabilities. The life companies are more sensitive to movements in equity markets, property values and credit spreads. And as you would expect we intend to reduce the capital requirements and volatility of the PLHL ICA through de-risking our hedging strategies as part of our ongoing programme of management actions. And over time we expect these management actions to have a significant impact on the calculation and its sensitivity to market stresses.

Now turning to asset mix: Although we can't predict how the ongoing Eurozone crisis will unfold and what the impact of indirect exposure to the crisis through contagion risk may be we have sought to limit our direct exposure to certain economies. We have consciously managed down our exposure to peripheral Eurozone countries over the last 12 to 18 months. We have minimal shareholder exposure to the equities of peripheral Eurozone countries. Our direct shareholder exposure to the debt of Portugal, Italy, Ireland, Greece and Spain remains low at just £251 million, a 31% reduction since the year end. This has been achieved through active management of our holdings and exposures ensuring we are only taking a considered level of risk which is appropriately rewarded. And all of these numbers are fully marked-to-market and reflected in the IFRS and MCEV numbers that we have reported.

Group assets under management remains stable falling less than 1% to £71.6 billion at 30 June with net third party inflows and positive market movements totalling £1.2 billion offsetting the natural run-off of the life company assets to a large extent.

Ignis saw net third party inflows of £927 million during the first half primarily in liquidity and property asset classes and to the Absolute Return Government Bond Fund. I will talk more about Ignis' progress in the third party space shortly.

In addition to these inflows Ignis also secured the mandate to manage the £5 billion of assets which are being transferred to Guardian under the annuity transfer. This is not

expected to have a material impact on Ignis' overall IFRS operating profit but will mean a significant increase in its overall third party assets under management as the asset transfer during the second half of this year.

Of Ignis' £927 million of net third party inflows, £707 million of inflows were into the liquidity fund which has achieved top quartile performance in the year to 30 June 2012. We have seen £225 million of third party inflows into the Absolute Return Government Bond Fund of which £194 million was in the last six months. The fund has achieved an absolute return in excess of 9% since inception in March 2011. This investment performance in third party funds goes hand-in-hand with the strong inflows Ignis has generated and combined, these two factors demonstrate the way in which Ignis is making strides in the development of its third party franchise.

Finally, turning to dividends: I am pleased to report a proposed interim dividend of 21 pence, this is in line with the 2011 interim dividend and on an annualised basis represents the maximum it is possible for us to pay under the current facility agreements. In the past we have offered the scrip alternative to give shareholders the option to receive their dividends in the form of Phoenix Group shares rather than cash. We have now removed the scrip dividend option to avoid the dilutive impact on shareholders. And that brings me to the end of the detailed financials, I'd like to hand you back to Clive for the outlook and closing remarks.

Clive Bannister

Jim, thank you. We've talked in detail about our targets for 2012 and beyond, as a reminder this slide. We have increased our cash generation target for 2012 from between £500 and £600 million up to £600 and £700 million. We've increased our long term cash generation target to £3.3 billion for the period 2011 through to 2016. We reiterate our target to reduce our gearing to below 43% or better by the end of 2012. Finally, we reiterate our MCEV management actions target of delivering £400 million of incremental embedded value by 2014. Thus despite the ongoing economic uncertainty I am pleased to be able to report that we remain on track to meet all of our financial targets in 2012.

To conclude: We have delivered a strong set of results today which demonstrate the resilience of the Phoenix Group. We generated £568 million of free surplus, increased our 2012 cash generation target to £600 - £700 million, significantly de-risked the balance sheet through the annuity transfer transaction, delivered £207 million of IFRS operating profits and generated £107 million of incremental MCEV through management actions. These are metrics well within our control and against them the Group has performed well.

We remain convinced of the inherent value of this business and have a clear strategy to deliver that value to our shareholders. Our focus for 2012 and beyond remain: to re-term our debt on a basis and at a time which makes sense for all of our stakeholders; to ensure that we achieve the financial target we have set ourselves in respect to cash generation, MCEV and reduced gearing; to build upon our operational improvements in Phoenix Life and to continue to improve Ignis' investment performance and grow its third party assets as we build its overall platform for future growth.

I started this presentation with comments regarding the chairman and I wish to end in a similar vein but focused on a thank you to Ron. Ron must be credited with steering the Phoenix Group through a very challenging restructuring in 2009 to a public listing in 2010, assisting in restructuring the management and through to the stabilisation of the business. To these obvious public and commercial achievements I would also like to thank Ron for his integrity, personal guidance, leadership and friendship. Ron, I do this on behalf of the entire company, thank you very much.

This brings to the end the formal presentation. Thank you very much for your engagement. I'd now like to move on to questions. Would you please wait for the microphone to be brought to you; would you give us your name and the institution you represent and then we'll answer the question. It is my intention to answer any questions that may be on the phone or on the internet at the end of the session. Thank you very much.

Question and answer session

Question 1

Jon Hocking - Morgan Stanley

The disclosure on the ICA is very welcome so thank you. Can you comment a little bit on the ICG whether you have an ICG requirement from the FSA which is higher than the ICA? That's the first question.

Second question, in terms of the headroom that you've always disclosed on the IGD basis should we now think about this new ICA buffer as the real constraint in terms of the amount of cash you can actually take out of the life companies to repay against the debt?

And then the third question, you've mentioned you've included the pension scheme on an ICA basis, what do you mean by that? Are you including it on a multiple of stressed contributions in the way some of your competitors are if you've actually done a full ICA type calculation as if it were life insurance liabilities? Thank you.

Answer: Clive Bannister

Jon, thank you very much, three questions there. I'm going to take the middle one and I'm going to ask Jim to answer the first one and answer the third.

Your second question was about whether the PLHL ICA represents a biting test and how does that compare with our current Pillar 1 IGD test. We've always had the Pillar 1, we've had Pillar 2 at the lifeco level the involvement or introduction of a Group ICA, PLHL ICA test reflects Pillar 2 in that respect, captures and encompasses risks that are not just in the life company but over the overall group. We are judged on the most onerous of those two tests and so at the moment it is currently the PLHL ICA test. That's how I would answer your second question and the first question is about IGD.

Answer: Jim McConville

Yes thank you Jon, let me take your last question first. The calculation I believe is similar to that adopted if it were in the life companies. It picks up the net present value on a best estimate basis of pension liabilities and then adds in a capital requirement which is on a stressed basis consistent with the approach taken by the life companies.

In relation to your first question we are required to hold a balance of £150 million so anything over and on top of that is headroom.

Question 2

Oliver Steele - Deutsche Bank

Two questions. The first is I think you had a £440 million boost of free surplus from various actions, modelling actions but that also included the Guardian deal, so I'm really wondering what the non Guardian deal part of that was? I mean you've been doing this for a while I'm wondering how sustainable those sort of benefits are likely to be going forwards?

The second question is you've increased your annuity sales quite a lot during the half year, I'm just wondering what the rationale is behind that?

Answer: Clive Bannister

Two questions. On the free surplus we've recognised emerging free surplus I think £252 million but I'll let Jim give you more details on that. Mike, perhaps you would deal with the sustainability of our management actions. And then perhaps also comment on the annuity sales which are not always even throughout the year.

Answer: Jim McConville

So the £448 million you referred to, Oliver, includes, as you say, the benefits from the annuity transfer which totalled £252 million. The bulk of the remaining benefits came from a reduction in our capital requirements from our ICA, annual ICA refresh.

Answer: Mike Merrick, Chief Executive, Phoenix Life

Two of the actions that are referred to here are about harmonising, modelling and policies. I think we see further opportunities to continue to do that. We see further opportunities to reduce risk and also further opportunities to improve the structure of the life companies. So I think there's more to come.

In terms of annuity sales I think we've given previous guidance that we write about £800 million a year of annuities. I think about 450 of that is in respect of guaranteed annuities to become annuities, and 350 is in respect of policyholders who choose to take annuities with us. I thought the number for the first half of the year was £160 million that we wrote so in respect of the customers who choose annuities with us I think the numbers are quite in line with what we've said before.

<u>Question 3</u>

<u>Ashik Musaddi - JP Morgan</u>

You mentioned that London Life will be transferred to Pearl so can you give some colour on what's the added capital benefit out of that, and I guess it'll be completed in the second half, so can you confirm that?

And the next on Ignis basically the £5 billion is getting transferred to Guardian and still Ignis will maintain the mandate to manage that. So is there any change in pricing or something like that and how does the margin look like if there is any change in pricing? Thank you.

Answer: Clive Bannister

Ashik, thank you very much for your question, the first part was about London Life and Pearl and the economic consequences of that; I'll leave that to Jim. And then perhaps Chris you would deal with the issue on the pricing of the transfer to Guardian. Thank you.

Answer: Jim McConville

Thank you, Ashik. What we will see when we complete the merger which is going through the court approval process and it's expected to complete by September is a benefit to our cash position and our ICA position, and also a benefit to our IGD position. We've never previously disclosed the benefits of individual actions so it's not the intention to do so now, but the numbers will be reasonably significant.

Answer: Chris Samuel, Chief Executive, Ignis Asset Management

May I start by saying we're obviously delighted to have won the mandate to continue to manage the £5 billion. I think specific pricing is something that should remain confidential but what we have said is that we don't expect it to have a material impact on Ignis' results.

Question 4

Randeep Grewal – F&C

The policies bringing them in line is that done in proportion to the number of policies you manage to put on to the new computer system or is it done independent of that? And if it's done independent bringing them on to new computer systems does that lead to an increase in various kinds of releases as you get more handle onto the policies?

Clive Bannister

And you're referring to the 230,000 which we have transferred into the BaNCS already and a further 700,000 to follow on in the second half of this year. That will take us to just over half of our 6.1 million policyholders and it's part of...we're going to harvest and benefit from the investments made in this computer platform which allows us to do this. But I'll let Mike answer the question in terms of the degree, I think you have in part answered it, but the degree of further modelling benefits and what comes from the collateral benefits from putting policyholders on this new platform.

Answer: Mike Merrick

I think it's important to differ--...there are two separate things here. One is the movement of policyholders onto a new platform and that does generate the potential for additional benefits and additional management actions that we've seen before as we go through cleaning the policy data. But the management actions we report in these results are more about harmonising the policies in terms of the policy approach we adopt to certain issues. So one issue we addressed in this half year is our policy to the point at which we recognise...we write off the liabilities in respect of policyholders where we're paying an annuity but we've lost touch with them. We suspect that they have died but we haven't yet confirmed that. So harmonising the policy is the way in which those liabilities are treated, so two different things.

Further question

Can I just ask one further follow up question in a different area? You talked about re-terming of the debt but you actually said re-terming of the bank debt. Do you expect it in future to be bank debt or how far are you in progressing looking at doing a private placement or something else?

Answer: Clive Bannister

Thank you for the question on re-terming. It is our number one management objective and if I can state the challenge it's not a credit issue as we've said many times before. It is the issue of getting better symmetry between the long nature of our cashflows and balancing that against the bullet payments that we have in '14, '15 and '16. That challenge is one which is subject to being solved in a number of ways and therefore when we talk with our banks, and as I said I want to publicly thank them for their good engagement and the discussions we've had on re-terming, there are a range of options, but our principle challenge is re-terming the £2.4 billion of bank debt that we have outstanding.

And I think I would just say in that context that this, I know for many people it's a 'when', I'm glad it's a when and not an 'if', and that's how we feel, we are confident that this will be done, and we want to do something which is right and fair for all of our stakeholders. And it's worth reminding everyone the value of the debt and the structure that the debt provides in our capital structure because of its competitive pricing at the moment. So it's a journey which we travel on, confident in its successful outcome.

Concluding comments: Clive Bannister

So there are no further questions. Well listen, I thank you very much indeed for taking this time on a Thursday before a holiday weekend. These were strong results of which we are proud; cash generation at £119 million maintaining our MCEV, the progress we've made in the very good ending cash surplus in the life companies, holding company cash at £710 million and this positions us well for what we've always said in terms of cash generation will be a back-ended second half of the year and we look forward to seeing you, our third quarter results will be announced on the 31 October.

So thank you very much indeed.