

Nigel Wilson on creating possibilities



WATCH THE VIDEO

Nigel Wilson discusses our 2016 results and the group's strategy
www.legalandgeneralgroup.com/investors/video_nigel_wilson_fyr2016.asp



Nigel Wilson has been Group Chief Executive Officer since June 2012 and believes that the company is extremely well placed to benefit from opportunities in UK and global markets. He talks about the need to boost investment in infrastructure and find solutions to some challenging pension issues, delivering real financial security for everyone.

🔗 **Nigel, how should shareholders be feeling about your 2016 results?**

🔗 We've delivered a terrific financial performance with profit before tax increasing by 17% to £1.6 billion, and IFRS profit after tax by 7% to 1.3 billion with a return on equity of 19%. We remain the UK's biggest investment manager for UK pension schemes, are No 1 in retail protection, bulk annuities and liability driven investments (LDI). And we're steaming ahead in newer businesses such as lifetime mortgages and auto-enrolled pensions. Our successful results and our strong

capital position mean that we're again able to recommend an increased dividend for shareholders.

🔗 **Has Brexit already affected your business and what is likely to happen in the future?**

🔗 Our Board saw Brexit as a distinct possibility and were ready for any fallout. No business can isolate itself from geo-political events of this scale. However, we believe that our exposure to risks from the EU market is limited. The UK remains a fantastic place to operate and there are excellent opportunities to increase investment and build economic growth. I believe the UK is crying out for more productive jobs, better housing and modern infrastructure. In addition, opportunities still exist to expand our footprint internationally, especially in US and Asian markets. We're not complacent about economic risks and political uncertainty right across the world, but believe that the UK can perform strongly if we adopt a positive attitude to seizing business opportunities.

🔗 **So are you changing your strategy?**

🔗 The Board reviews our business strategy with me regularly and remains convinced that we're on the right course. Our strategy is based upon six global growth drivers which are long term in nature and we see as being resistant to short-term economic changes. These growth drivers help generate business growth and increased earnings. Good examples are our 'global demographics' growth driver, which inspires us in our pensions risk transfer business and the 'technical innovation' growth driver which means we're implementing low cost operating models in our back offices including straight-through processing.



We've committed ourselves to a £15 billion programme of direct investments in housing, infrastructure and SME financing and we've already invested over £10 billion..."

Nigel Wilson
CEO, Legal & General

How important are international markets to you compared to the UK?

A Our skills in managing risks and looking after assets have been developed in the UK, but I believe they can be replicated internationally. There are approximately \$70 trillion of investment assets across the globe. Our aim is to double our share from around 1.5% (\$1.1 trillion). The US has many of the UK's market characteristics, such as increasingly unaffordable defined benefit (DB) pensions and a need to build assets in defined contribution (DC) schemes. Asia represents around one third of global wealth and has massive potential to expand DC pension assets and sovereign wealth funds.

Do you think that pensions are still in crisis?

A DB pension schemes both in the private sector and the public sector are struggling to meet the expensive promises that they've made to employees and pensioners. The total UK DB private sector pension deficit is estimated by PwC to be £560 billion at 31 December 2016. We are able to offer a full range of derisking solutions from better matching assets to liabilities, to LDI, to buying out liabilities using bulk annuities. The harsh reality

is that the DB model is broken, so we also help companies set up more affordable DC schemes, where we're a market leader in auto-enrolment, with over two million members in all our DC schemes.

What have you achieved in rebuilding Britain?

A We're totally committed to rebuilding Britain and creating new jobs, homes and communities. Because we need to match our long-term pensions liabilities with better yielding returns, we've committed ourselves to a £15 billion programme of direct investments in housing, infrastructure and SME financing. We've already put over £10 billion into direct investments. Some key schemes I'm really proud of in 2016 are our urban regeneration projects in Salford, Cardiff and Bracknell, with future projects being set up in Walthamstow and Bristol. Some particularly exciting developments are the new science park in Newcastle and our plans to develop modular homes.

Are you doing enough to keep your customers happy?

A Our commitment through the 'technological innovation' growth driver is designed to make sure that we deliver exceptional service to customers. This not only involves building slick digital application processes but making sure that all our back office systems are fast and efficient and are designed with customers' needs in mind. We were voted by consumers as 'best life insurance provider' and 'best home insurance provider' at the January 2017 Moneyfacts Consumer Awards.

REGENERATION OUR £400 MILLION CARDIFF SCHEME



INFRASTRUCTURE

We aim to have regeneration projects in 10 major cities by 2021.

See pages 17 to 19

