Joe: I'm joined by Mark Gregory, Group Chief Financial Officers. Hi Mark.

Mark: Hello.

Joe: So Mark, another great set of figures. What are your highlights?

Mark: I think, for me, I guess just the broad-based nature of the performance of the group. You know, we're a highly focused group, but we have some nice diversification and those businesses have come together to generate some more very healthy numbers in 2014. So, net cash up ten per cent to £1.1bn, operating profit was also up ten per cent at £1.275bn last year, EPS also up ten per cent at 16.7 pence and the group board has recommended another significant increase in the dividend for the year up 21 per cent at 11.25 pence. So really I think for me just a broad-based nature, another year of really solid financial progress for the group.

Joe: Lets dig a bit deeper into your dividend now, as I understand, once again, you've announced double-digit growth…

Mark: Yeah, well we do see rewarding our shareholders through the ordinary dividend as being one of our, you know, the key way we look to reward our shareholders, so in that sense the board is looking – always looking – to make sure that we do reward our shareholders appropriately. So as I said, this year we have increased our dividend, you know, quite sharply – again 21 per cent up. Indeed, if you look over five years, we paid 3.84 pence back in 2009, having paid 11.25 pence this year. That equates to a 193 per cent increase in our dividend over that five-year period.

And looking further forward, you know, we have set out the dividend guidance which says that subject to our Solvency II position being no worse than our Solvency I surplus, we will look to reduce our cash coverage of dividend further in 2015 towards 1.5 times – it's currently 1.65 times based on the 2014 dividend payment.

Joe: Turning to your business divisions, Legal & General Investment Management just keeps on getting bigger and bigger…

Mark: Yes, it's a real, real quality business for us and total assets at LGIM now up to nearly £709bn in just such a tremendous business model. A lot of growth going on in the UK, also, probably even more so outside the UK as we look to internationalise what LGIM does. So total net flows last year at LGIM were £7.6bn, but actually within that £8.5bn came from our international clients outside the UK. And, within that, the American business, based out of our Chicago office is doing very, very well indeed. So total international assets now £129bn in total, some very good growth there coming through active fixed income, liability driven investments, and increasingly now in the index management space in total.

I guess one other key thing I'll draw out about LGIM is that people tend to think of LGIM as a passive fund, an index fund house. In reality, no. We actually have more liability driven investment assets at £293bn than we do index assets at £275bn. So I think we really are changing the shape and dimensions of LGIM.

Joe: Legal & General Retirement now. How did the budget changes impact this part of the business?

Mark: Well they were significant and, you know, we were fully supportive of what the chancellor announced back in March in terms of his freedoms and choices for pensions going forward. And we remain fully supportive of them. But actually it did have a big impact on our individual business – I'll come back to that in a second. I think the key thing about L&G is that we managed to, pretty much overnight, just take a view; we wanted to deploy our capital in a different part of the annuity market than we have done historically, so we saw a bigger proportion allocated to annuities in 2014. As a result we actually had a record year for annuities. In total last year we wrote £8.5bn of annuity transactions in 2014 – that was more than double the previous record we achieved in 2013. And obviously, within that bulk, annuities played a very, very big part. We had, you know, two of the largest ever schemes within the UK written with ICI and TRW. Just worth bearing in mind is how big our annuity business has become. You know, we have over a million customers now who will be receiving their pension or will do when they retire from Legal & General. Very, very big business in its own right. And on the individual side as I say, we said at the time of the budget when the chancellor stood up in March, that we thought that would probably halve the size of individual annuities sales that we wrote in 2014 – in reality I think we're 54 per cent down in the end, so pretty much as we said at the time of the budget ended up being the reality.

Moving forward, the new regime does come in formally at the start of the new tax year next month and we have a series of different solutions for customers for when these come in. So we will have a cash-out plan to make sure people can access their pensions in a very tax-efficient way, we'll have a fixed-term retirement plan which means that customers can actually defer their decision for a number of years whilst having investment certainty during that time, and we've just announced we're going to enter the lifetime mortgage markets, so if people want to access the equity in their homes to actually give them an income in retirement that'll be possible as well. So we just move on, our strategy is nice and flexible and, again, we're just looking to respond to the new freedoms which are going to be out there.

Joe: Now, what have your insurance and savings businesses achieved during 2014?

Mark: Well, they're both quality franchises and I'll perhaps deal with the insurance businesses first. So within that the real jewel is our retail protection business, where we have about 25 per cent new business market share, so our total premiums last year received on retail protection were just over a billion pounds. Combine that with our group protection, i.e. what employers offer to their employee bases, we wrote nearly £400m in premium last year, so in total those two businesses equate to about £1.4bn.

On the general insurance side, another profitable year there. Our combined operating ratio was 87 per cent, so that business continues to deliver good results for the group.

On the savings side, you know, we are managing, essentially, the decline of our mature savings business, with the introduction and growth of our digital savings business on the other side of the equation. So in aggregate last year, total savings was at £90m operating profit, just up marginally from the prior year. And on the growth digital businesses, I guess the highlight was workplace savings, you know, assets there on our platform up 28 per cent at just over £11bn last year. We think we acquired about 20 per cent of all new auto-enrolees in the market in 2014, so good progress in that regard and 2015 has started healthily as well. So more to do on the digital savings side. You know, Cofunds now has £70bn plus of assets so very, very sizeable, the largest in the UK, but again we're still working on making sure more of that drops through to bottom line profitability.

Joe: Looking forward, how do you see the group performing?

Mark: Well I think we're in good shape. Clearly we've set our stall out and we've identified these five macro themes which are going to drive our growth over the longer term and I think we demonstrated over the last few years it is performing for us, both in kind of lean years, externally, and indeed in more bullish years and it's the strategy has proven to be very, very resilient.

Joe: Are there any risks out there?

Mark: I think there's plenty of risks. I mean clearly there's lots of things on the external horizon which, again, one has to be cognisant of. Clearly there's geo-political risks, it's not hard to see plenty of hotspots around the world as we speak; obviously the Eurozone is an on-going issue. Obviously we see issues in Russia and the Ukraine, the Middle East etc. Clearly in the UK we have an impending election coming up and clearly there, we look for a clean result in either direction. I don't think anyone relishes the idea of perhaps being a hung parliament and a need for another election, but clearly that is a possible outcome. So lots of external factors.

I guess internally, the risks, clearly we have to keep making sure we execute very, very well. This year we have the final year before the introduction of Solvency II, which we'll be heavily engaged with our regulator to make sure that the new regulatory capital regime is one which supports our business model going forwards as well. So, you know, lots of risks in total, but again I'm confident that our strategy that we set out does give us a high degree of resilience.

Joe: Mark, thanks for your time.

Mark: Thank you.