MARK GREGORY, CFO – PRELIMINARY RESULTS 2015.

Interviewer:

Mark, top-line numbers look good across the board, but what are your highlights?

Mark:

Yes, I'm very pleased, these are definitely strong numbers again from us in 2015. In terms of highlights, I would point to net cash generation up 14% year on year, operating profit also up 14%. Our adjusted earnings per share, they're at 18.58 pence, that's up 11% year on year. Our return on equity is 17.7% year on year. So very healthy numbers and our inaugural Solvency II balance sheet - that's at £5.5billion surplus. So a number of very very strong numbers right across the board.

Interviewer:

Digging a little deeper into your numbers, you've actually delivered double digit dividend growth and announcing a new dividend policy today.

Mark:

You know, clearly on the back of those very, very strong financial performance numbers in 2015, we have announced a very healthy growth in dividends, so the dividend is up 19% at 13.4 pence and we're very pleased to be able to reward our shareholders. And then going forwards, we have announced a new policy today so we now have a progressive dividend policy reflecting the underlying medium term business growth of the organisation. And we'll judge that by things such as net cash generation growth and operating profits going forwards. So very keen to keep rewarding our shareholders for the growth in the business through the payment of an ordinary dividend: that's very important to us.

Interviewer:

I see for the first time you've reported your numbers with the Solvency II capital regime.

Mark:

Yes, so Solvency II has finally arrived. It's been a long time in gestation but we've finally got there, so we've announced for the first time today our opening Solvency II balance sheet position. We have a £5.5billion surplus under the new regulatory regime called Solvency II so that means we're covering our capital requirement with a ratio of 169%, so we have a strong balance sheet under the new regime. The only real impact will be on the new UK pension risk transfer business and again we've already adjusted our strategy to reflect the new capital-lite model going forwards anyway, so really from where we are, no real change for our strategy from this point forwards.

Interviewer:

And turning to your business divisions, LGIM has added nearly £40billion in net flows in 2015.

Mark:

Yes, LGIM had a fantastic year so external net inflows were £37.7billion, just a tremendous result, and a lot of that came from international growth - of that £9.5billion came from international clients. A lot of that came from the US business but also from Asia, so we won new clients in Japan, Taiwan, Korea as well as existing clients in China: that was all good.

So in aggregate, total assets at LGIM now are £746billion which we think makes it the fifteenth biggest global asset manager by asset size, so that's come a very long way in not much time. In terms of profitability, profits at LGIM were up 11% at £355million so a lot of that extra growth and size and scale is coming through into the profit number as well.

Interviewer:

And I can see Legal & General Retirement has delivered its first international pensions de-risking deal in 2015. That's true, we've been saying for a while we've been looking to expand outside the UK, there are very large pockets of Defined Benefit pension schemes outside the UK, particularly in the US. So in 2015, we wrote our first ever deal in the US for Royal Philips at $450million and we also wrote our first scheme in the Netherlands as well, around 200million euros so that's good growth but back in the UK, still our core market, 63 schemes written last year and profitability-wise, a fantastic year from LGR: operating profits up 49% at £639million so that business is really going from strength to strength.

Interviewer:

Just to touch back on the UK insurance market, you guys are a really big player in that UK market. How has that business performed this year?

Mark:

A good year for our Insurance business, again as you say we have a very big market share there, we are the largest player in the retail protection market in the UK, at around 25% of that market. Our total UK insurance premiums were just under £1.8billion last year. The business produced operating profit at £293million and it's a very nice business. Our General Insurance business had a combined operating ratio of just under 90%, despite the floods in the UK in December, so very happy with the progress of that business.

Interviewer:

So things are looking good. But looking forward, how do you see the Group performing?

Mark:

Well, we set our strategy out deliberately to try and tap into what we see as being long-term macro growth drivers and that's very much been the theme for a while now, so we're very happy with our strategy so it all now depends on can we keep executing very well from one year to the next. Now clearly there are some headwinds out there, we recognise that global growth is slowing as we speak and likewise, clearly in the UK, we have certain headwinds potentially from the likes of Brexit which we have got to contend with in the next few months, but in the long term we are very happy that our strategy is tapping in to these true global long term macro growth trends. Providing we can keep executing well, I have every confidence for our success going forwards.

Interviewer:

Great, thanks ever so much Mark.

Mark:

Thank you.