

Chairman's statement



Sir John Kingman
Chairman



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Building success in challenging times

Legal & General's strategy is underpinned by long-term global trends which include ageing populations, technological innovation and the need for greater long-term investment. These trends, which we have identified as positive for us, play out over decades: as a long-term business they matter more to us than short-term market volatility or disruptions.

This was particularly important in 2018, a year characterised by heightened political uncertainty and correspondingly volatile markets. The combined impacts of the US-China trade dispute and Brexit uncertainty clearly impacted markets and indeed our own share price, particularly in the latter part of the year. However, as our financial results show, the direct impacts for our business were limited and in relative terms, our share price outperformed the sector domestically and internationally.

Profit growth continues

Operating profit increased by 14% to £2.3bn and earnings per share (adjusted for one-off items) increased by 7% to 24.7p. Profit before tax was flat at £2.1bn.

The Board has again considered carefully the best medium-term trajectory of dividend growth, taking into account both excellent continuing financial performance, and the importance to our shareholders of a rate of dividend growth which is sustainable in a wide range of potential economic scenarios. Accordingly, the Board is recommending a full year dividend of 16.42p for 2018, 7% higher than 2017.

Building resilience

At the time of writing, the path of the Brexit process is not yet clear. Nevertheless, the strength of our business model and our balance sheet gives us resilience, and indeed makes us well placed to continue to take advantage of the investment opportunities both in the UK, and in the US, which we see as a key growth area in the next few years. Our strategy reflects the fact that we are a long-term business, where our expertise in understanding longevity has made us a market leader in providing retirement solutions for customers. Our direct investments mean that our long-term funds are used to help society through investments in future cities, housing, and small business capital. The Board has been working closely with Nigel Wilson, your CEO and the Executive Committee in our strategic development, building continued growth for our business, its shareholders, customers and employees.

Responsibility in business

We are committed to being a responsible business in everything we do and we want to inspire those companies we work with and invest in, to be responsible too. We recognise the growing importance of sustainability, shown by our commitment to global agreements on development goals and climate change. We are committed to building an increasingly diverse business and have already taken action on gender diversity, both on our Board and in senior management. Our business aims to be economically and socially useful, and operates with a conscious culture of teamwork and collaboration.

Development of the Board

I'm delighted to welcome two new non-executive directors to the Board. Henrietta Baldock joined us in October 2018 and George Lewis in November 2018. They both bring extensive additional financial services expertise to the Board. I also welcome Michelle Scrimgeour, who will succeed Mark Zinkula as Chief Executive Officer of LGIM later this year, subject to regulatory approval. Mark will retire in August 2019 and I thank him for his great achievements in successfully building LGIM's scale and profitability in his eight years as CEO. I would also like to thank Carolyn Bradley, who resigned from the Board at the end of 2018.

Board engagement with key stakeholders

It's vital that our Board understands what's important to our shareholders, our corporate and individual customers and our employees. Lesley Knox has taken on additional Board responsibility as the designated non-executive director for engaging with our employees. Lesley's additional responsibilities build on my own meetings with management teams and employees across our businesses in both the UK and US. I would like to thank all our employees for their outstanding hard work and professionalism which makes Legal & General so successful.

As Chairman, I place great value on engaging effectively with all our shareholders, not only through this annual report but also by meeting you throughout the year. Our AGM in May is an important opportunity to meet shareholders and I hope to see as many of you as possible at our new venue.



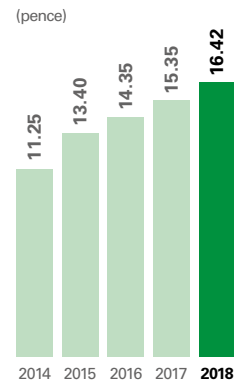
Sir John Kingman
Chairman

Annual General Meeting 2019

11am on 23 May 2019, at The British Medical Association, BMA House, Tavistock Square, Bloomsbury, London, WC1H 9JP

Dividend policy

We are a long-term business and set our dividend annually, according to agreed principles. The Board has adopted a progressive dividend policy, reflecting the group's expected medium-term underlying business growth, including 'Net Release from Operations' and 'Operating Profit'.



11.82p
Final dividend to be paid on 6 June 2019

Lesley Knox's employee role

Lesley is taking up the role as the Board Director responsible for employees. She will work with colleagues from around the business to ensure that the Board has a deeper understanding of employee issues. Lesley said: "Taking proper account of their interests... is an important part of our Board culture, and this can only be strengthened further by creating a specific responsibility for employee issues on the Group Board."

Photo: Sir John Kingman meeting employees on a Board visit to Cardiff.

