Interviewer: Mark, this is another great set of results. What are your highlights?

Mark Gregory: Yes indeed. They're really great results really right across the group level metrics. I would call out: we had net release from operations growth at 12% up to £1.411 billion, our profit before tax was up 17% at £1.582 billion. Our adjusted earnings per share were up 19% at 22.2 pence, meaning our overall annualised return on equity for the year was up at 19.6%. So really very healthy indeed, which meant the board was able to recommend a 7% growth in the full year dividend to 14.35 pence to reward our shareholders.
In balance sheet terms, we have a very healthy regulatory balance sheet position so we have a £5.7 billion of regulatory capital surplus, equating to a 171% coverage ratio. So again, overall very pleased with the results in 2016.

Interviewer: Mark, I can see you've rewarded shareholders with good dividend growth and updated guidance.

Mark Gregory: Yes, we were very keen to reward our shareholders through dividends, we do see that as being a very important part of our equity story, so we announced a new progressive dividend policy this time last year. So this is the first time we've disclosed and recommended a dividend in the context of that new policy. So what we're trying to do there? We're trying to reflect the fact that we've got a strong management team, we've got a good opportunity set going forwards, now clearly we have to test the resilience and sustainability of the dividend against lots of economic different scenarios but also take into account what we expect to be the financial performance going forwards. So accordingly, the board has recommended an increase in the full year dividend by 7% to 14.35 pence.

Interviewer: It's one year in for Solvency II. How's the market getting to grips with it?

Mark Gregory: I think it is slowing, it's a very big change for all of us, so the change from Solvency I to Solvency II was a very big change for the whole insurance sector right across Europe. There have been a few teething problems as you might expect. So for example, both the UK industry and the PRA would agree that probably things like the risk margin have not been put quite in the right place and we expect those to get changed in due course. But overall, we're happy with how Solvency II has landed. Now importantly we have a resilient balance sheet against economic, political and other shocks, and during the course of this year, we increased our Solvency II surplus to £5.7 billion equating to a coverage ratio of 171%.

Interviewer: And turning to your business divisions, Legal & General Retirement, that's had a record year.

Mark Gregory: Yes very strong indeed. So total annuity assets now up 25% at £54.4 billion meant we grew the operating profit in LGR: up 27% at £811 million. Again very strong results and going forwards, we see very big demand out there. So in the UK and outside the UK, strong demand from corporates to move their pension risk off their balance sheet onto the likes of L&G. That's very positive for us.

In the lifetime mortgage market, again we only entered that market last year and we advanced £620 million of new lifetime mortgages in 2016. Again, we'd expect that to grow as people look to access the wealth tied up in their house to fund their retirement and we also saw some growth back in the individual annuity markets. That grew last year back up to £378 million. Again, we haven't seen growth in that market for two or three years so that's all very pleasing.

Interviewer: LGIM's good value client proposition has again resonated well with the market?

Mark Gregory: Yes very, very strong year from LGIM. Total assets under management up 20% at nearly £900 billion meant it grew its operating profits to £366 million. Within LGIM, we are seeing a lot of growth now outside the UK shores, so we have now £177 billion of assets managed on behalf of external clients, we had net fund flows from international clients of £14.5 billion now and with positive inflows in US, in Europe, in the Gulf and in Asia more generally, so positive momentum for LGIM outside the UK.

Here in the UK, we saw good growth in the UK defined contribution pension market. We now manage over £57 billion on behalf of defined contribution pension clients here in the UK. On our auto-enrolment platform, we now have over 2.2 million customers, assets of nearly £21 billion on our auto-enrolment platform. Elsewhere in the UK, in the retail funds space, we had a good year last year, so LGIM ranked number three last year for retail net inflows in market share terms. We have now just over £24 billion of retail funds assets as well, so really good progress right across the board within LGIM.

Interviewer: Legal & General Capital has also had a record year, what in particular has pleased you there?

Mark Gregory: Yes a good year. So operating profits were up 10% at £257 million, and they're very focused on trying to invest the shareholder capital, this is money backing our capital requirement as well as our surplus assets on generating good, healthy risk-adjusted returns going forwards. To do that, they are focused on where we regard as being some quite big funding gaps in the UK. Those being: housing, infrastructure and SME finance. Really in all those three areas, good progress in 2016.

So in housing, for example, CALA Homes which is our housebuilder, where we have a 47% share: that produced record sales in profits in 2016. We launched our first build-to-rent institutional fund and that's attracted nearly a billion pounds in assets at its first close. We've also launched our modular housing business just outside Leeds so again, some new things going on in that space.

In infrastructure we've invested in various towns and cities around the country, so in Cardiff, in Salford, in Bracknell, in Newcastle, various places we're looking to boost economic activity through infrastructure investment.

In SME finance, our joint venture with Pemberton, that closed its first mid-market loan fund last year at just under 1.2 billion euros and with various new offerings targeted for 2017, we are expecting them to try and achieve something like three billion euros of assets under management this year.

Interviewer: And Mark, going forward how do you see the group performing?

Mark Gregory: Well again, we've set our stall out very clearly now for a number of years to really tie our strategy back to what we regard as being six long term macro growth trends and I think we are delivering against those. And clearly we are focused primarily in the UK and US, they are pretty resilient markets with good economic growth predictors. I think we're in the right territories, so I'm very confident we can continue the growth trend for many years into the future.

Interviewer: Thanks ever so much Mark.

Mark Gregory: Thank you.