H1 2022 Results: Continued strong performance – 8% growth in Operating profit and EPS, 21% ROE and SII coverage ratio of 212%

Continued delivery of strong financial performance[1]

- **Operating profit of £1,160m, up 8%** (H1 2021: £1,079m)
- **Earnings per share of 19.28p, up 8% on H1 2021** (17.78p)
- **Profit after tax[2] of £1,153m** (H1 2021: £1,065m) and **Return on equity of 21.3%** (H1 2021: 22.0%)
- **Solvency II coverage ratio[3] of 212%** (H1 2021: 182%)
- **Interim dividend of 5.44p, up 5%** (H1 2021: 5.18p)

Growing contribution to our five-year (2020-2024) ambitions[4]

- **Cash generation of £1.0bn, up 22% year on year. Capital generation of £0.9bn, up 14% year on year**
- **Cumulative cash and capital generation of £4.3bn and £4.1bn respectively**, against our ambition of £8.0-9.0bn by 2024
- **Cumulative dividends declared £2.5bn** (H1 2022: £324m, 2020-21 £2,147m) against our ambition of £5.6-5.9bn by 2024

Strong PRT new business volumes and LGIM net flows

- **Global PRT new business premiums of £4.4bn** (H1 2021: £3.1bn), including our largest ever US transaction
- **LGIM record H1 external net flows of £65.6bn** (H1 2021: £27.4bn), with AUM down to £1.3tn due to market movements
- **Protection premiums of £1,605m** (H1 2021: £1,500m) and **Individual annuity premiums of £453m** (H1 2021: £483m)

A strong and resilient balance sheet

- **No defaults in H1 or for the last 13 years. £2.7bn credit default provision remains unutilised[5]**
- **99% investment grade** £73.2bn annuity bond portfolio
- **100% of scheduled cashflows** received from our Direct Investments
- **Strong and growing IFRS and Solvency II balance sheet**

Long-term, growth-oriented, and highly synergistic business model

- **An established track record:** HY11 to HY22 CAGR of 11% in EPS, 11% in DPS and 8% in book value per share
- **Highly synergistic:** four focused divisions that create a virtuous circle of internal demand and supply, supporting c20% ROE
- **Long-term and predictable value creation**: 40+ year duration business with earnings driven by a growing stock of assets
- **Attractive global growth markets:** retirement solutions ($57tn), asset management ($149tn), climate change ($20tn)[6]
- **A longstanding commitment to Inclusive Capitalism and a leader in ESG**: rated #1 Life & Health insurer by ShareAction

"We've made a good start to the year, with operating profit and EPS up 8%, cash and capital generation up double digits, DPS up 5% and a return on equity of 21%. We have delivered for our institutional clients and retail customers, while generating good volumes and margins in a buoyant PRT market and continuing to scale LGC at pace – both in the UK and now also in the US – originating assets for our own business and for third parties, whilst also delivering a positive outcome for the economies where we invest. Our balance sheet is strong and highly resilient, with a solvency ratio of 212% and with 100% of cash flows received from our Direct Investments. We are committed to providing financial security for our customers and colleagues in a tough economic climate and remain confident in our ability to grow profits sustainably and at attractive returns over the long-term."

Sir Nigel Wilson, Group Chief Executive

1. The Group uses a number of Alternative Performance Measures (including adjusted operating profit, net release from operations, return on equity and LGIM AUM) to enhance understanding of the Group's performance. These are defined in the glossary, on pages 99 to 105 of this report. Operating profit represents adjusted operating profit.
2. Profit after tax attributable to equity holders.
3. Solvency II coverage ratio of 212% is post £0.8bn payment of 2021 final dividend.
4. Cash generation defined as net release from operations and Capital generation defined as Solvency II operational surplus generation.
5. The reduction since FY21 (£3.4bn) reflects the formulaic impact to the discount rate as a consequence of rising interest rates and widening credit spreads.
6. $57tn retirement solutions market, Willis Towers Watson, 2022 Global Pension Assets Study; $149tn asset management market, BCG, Global Asset Management 2022; $20tn climate change market based on forecast that $130tn of investment is needed to 2050 in order to achieve zero emissions, scaled pro-rata to 2025. BloombergNEF: New energy outlook 2021 https://about.bnef.com/new-energy-outlook/

Financial summary

£m	H1 2022	H1 2021	Growth %
Analysis of operating profit			
Legal & General Retirement Institutional (LGRI)	560	525	7
Legal & General Capital (LGC)	263	250	5
Legal & General Investment Management (LGIM)	200	204	(2)
Retail[1]	332	292	14
Operating profit from divisions	**1,355**	1,271	7
Group debt costs	(108)	(120)	10
Group investment projects and expenses	(87)	(72)	(21)
Operating profit[2]	**1,160**	1,079	8
Investment and other variances (incl. minority interests)	207	241	n/a
Profit before tax attributable to equity holders[3]	**1,367**	1,320	4
Profit after tax attributable to equity holders	**1,153**	1,065	8
Earnings per share (p)	**19.28**	17.78	8
Book value per share (p)	**186**	164	13
Interim dividend per share (p)	**5.44**	5.18	5

1. From 1 January 2022, our insurance (LGI) and retail retirement (LGRR) businesses have come together to form Retail. The new division will focus on the savings, protection and retirement needs of our c12m retail policyholders and workplace members.
2. Operating profit is an Alternative Performance Measure and represents Adjusted operating profit as defined on page 99.
3. Profit before tax attributable to equity holders is an Alternative Performance Measure and represents Adjusted profit before tax attributable to equity holders as defined on page 100.

H1 2022 Financial performance

Income statement

Year to date operating performance is in line with our expectations, with H1 2022 operating profit up 8% to £1,160m (H1 2021: £1,079m). All four of our divisions are well positioned to execute on compelling structural market opportunities to deliver further profitable growth over the medium and long-term, notwithstanding market volatility.

LGRI delivered operating profit growth of 7% to £560m (H1 2021: £525m), underpinned by the performance of our annuity portfolio. We executed well, writing £4,449m of global PRT at attractive Solvency II new business margins of 8.7%.[1]

LGC operating profit increased 5% to £263m (H1 2021: £250m), driven by strong performance in our alternative asset portfolio. Our housing businesses – notably CALA and Affordable Homes – have delivered another period of strong trading performance. Our Alternative Finance (Pemberton) and Venture Capital investments also continue to perform strongly.

LGIM delivered operating profit of £200m (H1 2021: £204m), a resilient result in light of market conditions. Assets under management decreased to £1,289.7bn (H1 2021: £1,326.8bn). However, external net flows were strong: £65.6bn (H1 2021: £27.4bn), of which over half were from International clients, and with continued growth in higher margin areas such as thematic ETFs, fixed income, and multi-asset. The cost income ratio (59%) reflects the impact of challenged markets on revenue (H1 2021: 58%).

Retail operating profit increased 14% to £332m (H1 2021: £292m), driven by the on-going release from operations from the growing UK protection and individual annuity portfolios, in addition to valuation uplifts in two of our retail Fintech businesses over H1 2022. In the US, after significant claims in Q1 2022, mortality returned to normal levels in Q2. Total Covid claims over H1 2022 were in line with the £57m provision set up at year end.

Profit before tax attributable to equity holders[2] was £1,367m (H1 2021: £1,320m), reflecting positive investment variance of £207m (H1 2021: £241m). The key drivers of this positive investment variance are from the formulaic impact of rising interest rates on the Insurance reserves and strong portfolio performance in the annuity portfolio, partially offset by volatile global equity markets impacting LGC.

Balance sheet and asset portfolio

The Group's Solvency II operational surplus generation was up 14% at £946m (H1 2021: £831m). New business strain was £(121)m (H1 2021: £(158)m) which results in net surplus generation of £825m (H1 2021: £673m). UK PRT business has been written at a capital strain of less than 4%. We achieved self-sustainability on the UK annuity portfolio in 2020 and 2021 and expect to be self-sustaining again in 2022.

The Group reported a **Solvency II coverage ratio[3] of 212%** at H1 2022 (FY 2021: 187%, H1 2021: 182%) which, in addition to the contribution from net surplus generation, reflects the impact of market movements, principally from the non-economic impact of higher interest rates on the valuation of our balance sheet[4], partially offset by payment of the 2021 final dividend (£792m).

Our IFRS return on equity of 21.3% (H1 2021: 22.0%) reflects the continued strong performance of our business.[5]

Our diversified, actively managed annuity portfolio has continued to perform resiliently with no defaults. The annuity portfolio's direct investments continue to perform strongly, with 100% of scheduled cash-flows paid year to date, reflecting the high quality of our counterparty exposure.

[1] Solvency II margin represents UK pension risk transfer volume only.
[2] Profit before tax attributable to equity holders is an Alternative Performance Measure and represents Adjusted profit before tax attributable to equity holders as defined on page 101.
[3] Solvency II coverage ratio incorporates the impact of recalculating the Transitional Measures for Technical Provisions (TMTP) as at 30 June 2022.
[4] For example, UK 10 year Gilts at 2.23% at the end of the period, having increased 126bps between 31 December 2021 and 30 June 2022.
[5] Calculated using annualised profit for the year and average equity attributable to the owners of the parent of £10,835m.

Group Strategy

Legal & General has established expertise in asset origination (LGC) and asset management (LGIM), and in the provision of retirement and protection solutions to corporates and individuals (LGRI and Retail). We operate at scale and are strongly positioned to capitalise on significant growth opportunities across our chosen markets through our four main divisions:

Division	Provision	Description
LGRI	Retirement Solutions	A leading international manager of institutional Pension Risk Transfer (PRT) business
LGC	Asset Origination	An alternative asset origination platform generating attractive shareholder returns
LGIM	Asset Management	A global £1.3tn asset manager with deep expertise in DB and DC pensions
Retail*	Retirement & Protection Solutions	A leading provider of UK retail retirement and protection solutions and US brokerage term life insurance

* Note: as of 1st January 2022, and as highlighted previously, LGRR and LGI (our two retail businesses) were combined into one division, Retail. Under the leadership of Bernie Hickman, this division covers the savings, protection and retirement needs of our c12 million retail policyholders and workplace members.

A powerful business model

We have a unique and highly synergistic business model, which continues to drive our strong return on equity. Legal & General provides powerful asset origination and management capabilities directly to clients. These capabilities also underpin our leading retirement and protection solutions:

- **LGRI** is a market leader in UK PRT and a top ten player in the US PRT market, with annuity assets of £78.8bn.It provides long-term, captive AUM to LGIM. As noted, the annuity portfolio is continually being enhanced through the supply of alternative assets originated by LGC.

- **LGC** invests across four main asset classes (Specialist Commercial Real Estate, Clean Energy, Housing and SME Finance) to generate attractive risk-adjusted shareholder returns and to create alternative assets with which to back our annuity portfolio. LGC is also increasingly attracting third party capital investment directly and through collaboration with LGIM to meet the growing client demand for alternative assets.

- **LGIM** is a leading global asset manager, ranking 11th in the world[6] with £1.3tn of AUM of which £468bn, or 36%, are International assets. LGIM is a leading provider of UK and US Defined Benefit (DB) de-risking solutions. It is uniquely positioned to support DB clients across the full range of pension endgame destinations, including PRT with LGRI. 78% of LGRI's PRT transactions over the past three years were from existing LGIM clients.[7] LGIM is also the market leader in UK Defined Contribution (DC) pension scheme clients with DC AUM of £129.4bn – the leading player in a market with significant growth potential, with total UK DC assets expected to surpass £1.2tn by 2031.[8]

- **Retail** is a leading provider of UK retail retirement and protection solutions, and US brokerage term life insurance. The UK retail retirement business offers Workplace Savings, annuities, income drawdown and lifetime mortgages (LTM). Our UK and US insurance businesses generate day one surplus capital which partially offsets annuity new business strain. Retail is also an internal centre of excellence in technology, and manages a portfolio of successful, strategic Fintech business investments.

The synergies within and across our businesses drive profits and fuel future growth. The establishment of our Retail division is enabling us to better serve the needs of our retail customers and drive further synergies.

The integrated nature of our business model means that we have relationships with clients and customers that can and do last for decades. For example, an Index or Liability Driven Investing DB corporate client in LGIM typically becomes a PRT client after 14 years. LGRI will then typically have a relationship with that client for another 30 to 40 years. Equally, Retail Retirement and LGIM may have a 30-40-year relationship with a customer during the DC accumulation phase, and then extend that relationship for another 15-30 years during the decumulation phase across a suite of decumulation products including individual annuities, lifetime mortgages and drawdown.

The Group continues to build out, in a measured fashion, its international retirement solutions franchise. We have made excellent progress in the US over the last decade and will continue to build out our established businesses (LGRI, LGIM, Retail) in that market. LGIM continues to make good progress against its international expansion plans in Europe. Kerrigan Procter is co-ordinating the Group's expansion plans in Asia.

[6] IPE, Top 500 Asset Managers 2021.
[7] Three year average (H2 2019-H1 2022) measured by UK PRT new business volumes. Three year average measured by UK PRT deal count from LGIM clients is 62%.
[8] Broadridge, UK Defined Contribution and Retirement Income report 2021. 2021 UK DC Assets: £515bn.

A long-term commitment to Sustainability, ESG and Inclusive Capitalism

Our purpose is to improve the lives of customers, build a better society for the long-term and create value for our shareholders. This inspires us to use our assets in an economically, environmentally and socially useful way to benefit society – what we call **Inclusive Capitalism**. At a time when many in society are facing increasing economic hardship, we believe Inclusive Capitalism matters more than ever.

Our philosophy underpins our approach to Sustainability and to ESG (Environmental, Social, and Governance factors).[9] We think about Sustainability, and the long-term ESG impact of our business, in terms of:

1. **How we invest proprietary assets**.[10] Our ambition is to reduce our proprietary asset portfolio greenhouse gas emission intensity by half by 2030 and to net zero carbon by 2050 and we are on track to set our full suite of science-based targets in 2022 for publication in 2023. In 2021 we reduced the greenhouse gas intensity of the Group's balance sheet by 17.0% versus 2020, although this has been driven in part by COVID-19 and market volatility impacts.[11] We continue to make environmentally and socially useful investments. As at H1 2022, we have invested £1.4bn in clean energy and £8.0bn in social infrastructure. For more information please see our latest Climate Report, compliant with recommendations by the Task Force on Climate-related Financial Disclosures (TCFD)[12], and our latest Sustainability Report, which describes our activity in investing for positive social, economic and health outcomes.[15]
2. **How we influence as one of the world's largest asset managers with £1.3 trillion AUM**. We have £271.2bn AUM in ESG strategies and in H1 2022 we cast over 45,000 stewardship votes as we continued to encourage investee companies to behave responsibly.[13,14] LGIM is rated A+ for responsible investment strategy & active ownership from the UN Principles for Responsible Investment and ranked as one of the highest performers among asset managers for its approach to stewardship and holding companies to account on climate change by both FinanceMap and Majority Action.
3. **How our businesses operate**. We are committed to supporting our customers, employees, suppliers, shareholders and society at large. In the current economic environment, we recognise that support is more critical now than ever. For information on how we are supporting our stakeholders, see pages 38-52 of our Sustainability report.[15] We have committed to reducing the carbon emission intensity of our operating businesses. Our ambition is to operate our offices and business travel with net zero emissions from 2030, and for all our new homes to be net zero operational carbon from 2030. ESG criteria are included in executives' objectives and remuneration schemes.

Outlook

Medium-term growth: ambitious and deliverable

Our strategy has delivered strong returns for our shareholders over time. It has demonstrated resilience through the pandemic and positions us well to navigate – and even benefit from – the prevailing market environment. We are confident we can continue to deliver profitable growth as we execute on our strategy.

We set out our five-year ambitions at our Capital Markets event in November 2020. Cumulatively, over the period 2020-2024, our financial ambitions are for[16]:

1. Cash and capital generation significantly to exceed dividends (we intend to generate £8.0bn - £9.0bn of both cash and capital, and to pay dividends of £5.6bn - £5.9bn).[17]
2. Earnings per Share to grow faster than dividends, with the dividend growing at low to mid-single digits from 2021.
3. Net capital surplus generation (i.e., including new business strain) to exceed dividends.

We are now half-way through our ambition period and are on track to achieve or beat our cumulative cash and capital ambitions. In H1 2022, we have achieved 22% growth in cash generation and 14% growth in capital generation. Since the beginning of 2020 to date, we have achieved £4.3bn of cash generation, £4.1bn of capital generation and declared £2.5bn of dividends. We are confident that we will consistently grow cash and capital faster than our dividend commitment. The jaws between net capital surplus generation and the dividend are widening, providing attractive capital optionality. Even zero growth in cash and capital generation from now to 2024 would still see us meet our cash and capital generation ambitions.

We aim to deliver long-term, profitable growth across the Group. Our asset origination and asset management businesses, LGC and LGIM, operate in attractive and profitable markets, and maintain a strong commitment to ESG-aligned investing. With proven asset expertise in specialist commercial real estate, clean energy, housing and SME finance, LGC provides unique asset origination capabilities in sectors that have significant growth potential, which produce yield-creating assets that drive our annuity business and which appeal to third party investors. LGIM offers a range of investment solutions for institutional and wholesale clients and is

[9] For more information please refer to www.legalandgeneralgroup.com/investors/esg-investors/
[10] Proprietary assets relate to Investments to which shareholders are directly exposed (excluding client and policyholder assets, derivatives, cash, cash equivalents and loans), as disclosed in Note 7.01.
[11] This reduction is well ahead of the original -2% target over the same period, although it has been driven in part by COVID-19 and market volatility impacts. In particular, the impact of COVID-19 on 2020 emissions is partially seen in the 2021 numbers, due to the carbon data lag within the calculation, and we may see a partial reversal of this movement in future years. For more information, see our 2021 Climate report which is available on our website.
[12] Climate Report (TCFD) 2021 | Legal & General (legalandgeneral.com)
[13] AUM in responsible investment strategies represents only the AUM from funds or client mandates that feature a deliberate and positive expression of ESG criteria in the fund documentation for pooled fund structures or in a client's Investment Management Agreement.
[14] Represents voting instructions for main FTSE pooled index funds.
[15] Sustainability & Inclusive Capitalism report 2021 (legalandgeneral.com)
[16] The ambitions are based on the aggregate performance over a five-year period. Performance may vary from year to year and individual statements may not be met in each year on a standalone basis. Dividend decisions are subject to final Board approval.
[17] Cash generation is net release from operations, capital generation is Solvency II operational surplus generation. Dividends on a declared basis. On the basis of a flat final 2020 dividend, and 3-6% annual growth thereafter.

expanding geographically and into new channels. The annuity portfolios provide highly predictable, stable cash flows from their growing back-books. Retail is applying technological innovation to sustain its UK leadership, to grow in the US and to continue to expand into adjacent markets. The creation of a new Retail division enables us to increase our focus on serving the savings, protection and retirement needs of our retail customers.

We remain confident in our strategy and in our ability to deliver resilient, organic growth, supported by our strong competitive positioning in attractive and growing markets. Our confidence in our dividend paying capacity is underpinned by the Group's strong balance sheet, which has a £2.7bn IFRS credit default reserve and Solvency II surplus regulatory capital of £9.2bn, significant buffers to absorb a market downturn. We have a proven operating model which is reinforced by robust risk management practices.

Confident in achieving our ambitions

We remain confident in achieving our five-year (2020-2024) cumulative financial ambitions. **In H1 2022, we continued to build on the good start we made in 2020 and 2021, delivering double digit growth in both cash and capital generation**.

LGC and LGIM provide powerful asset origination and asset management capabilities directly to clients. These same capabilities also underpin our leading retirement and protection solutions. LGC has numerous investment opportunities across underserved asset classes and is continuing to scale the portfolio at pace. LGC intends to grow shareholder alternative AUM to c£5bn, with a blended portfolio return of 10-12%, by 2025. It also aspires to grow third party AUM to £25-30bn and to grow LGC operating profit to £600-700m by 2025. LGIM continues to focus on attracting higher margin net flows and on diversifying and further internationalising its business. The business seeks to grow profits in the range of 3-6% per annum, absent market shocks such as that experienced in the first half of this year.

LGRI wrote good levels of business at strong margins in H1 2022. Demand for global PRT is growing, as rising interest rates and widening credit spreads reduce pension deficits and allow more funds to consider de-risking. As such, advisers such as WTW and LCP are bullish on the prospects for PRT for the rest of 2022 and beyond.[18] We are well placed to participate. We continue to expect to write £40-50bn of UK PRT and $10bn of International PRT over a five-year period. More generally, a key competitive advantage is our ability to originate direct investments. This provides us with significant optionality. We can use these direct investments to create value in writing new annuity business, and/or by using them to increase returns on the back-book.

In Retail, we continue to target mid-single digit growth in revenues across our UK protection businesses, and to target average double digit growth in US new business sales out to 2025. The longer-term outlook for workplace savings, individual annuities and lifetime mortgages remains attractive, driven respectively by ongoing growth in the DC market and by an increasing consumer requirement to look to multiple sources of wealth to fund retirement. However, the lifetime mortgage market is becoming more competitive, and we will maintain pricing discipline at the expense of volumes if required.

We are pleased with the further progress we have made in H1 2022 and are confident in our ability to deliver further profitable growth going forwards. We are well-positioned to support the UK Government's two flagship policies of "Levelling Up" and "Addressing Climate Change".

We will continue to maintain a defensive and diversified asset portfolio and a long-term investment horizon, supporting all our stakeholders by delivering Inclusive Capitalism through investments – both for our own portfolio and for clients – in areas such as infrastructure, clean energy and affordable housing, and by providing products to support individuals' financial resilience.

Business segment outlook

Legal & General Institutional Retirement (LGRI)

LGRI participates in the global pension risk transfer (PRT) market, focusing on corporate defined benefit (DB) pension plans in the UK, the US, Canada, Ireland and the Netherlands, which together have around £8 trillion of pension liabilities due to **ageing demographics**.

We write direct business in the UK and US and are market leaders in the UK. We are supported by **LGIM's long-standing DB client relationships and investment capabilities** and **LGC's asset origination capabilities**, as well as wide-ranging skills across the Group which enhance our asset strategy and product innovation. During H1 2022, 74% by volume (40% by count) of our UK transactions were with LGIM clients, demonstrating the strength of our client relationships and the competitive advantage provided by our unique position as the only firm operating across the full pension de-risking journey.

The UK is our primary market and it is the most mature PRT market globally with £2.4 trillion of UK DB pension liabilities, of which only c13% have been transferred to insurance companies to date.[19] This leaves a sizeable opportunity for future market growth, which has been fuelled by rising interest rates and widening credit spreads reducing pension deficits and allowing more schemes to consider de-risking sooner than anticipated. Improved funding levels has seen an acceleration in demand for de-risking solutions from companies and pension plans: we expect the total UK PRT market to be c£35bn in 2022, with scope for a larger market dependent on a handful of bigger schemes.[20] In terms of medium-term outlook, market commentators anticipate between £30bn-£50bn of UK PRT demand per annum over the period to 2025, again highlighting the size of the opportunity.[21] **We continue to expect to write £40bn to £50bn of new UK PRT over 5 years**, but will continue to remain disciplined in our pricing and deployment of capital.

[18] WTW: Pension risk settlement: a review of 2021 & LCP: Rise of new market leaders and 'mega' transactions could be on the cards for the de-risking market in 2022.
[19] LCP Pensions De-risking report 2021, PPF; Hymans Robertson, 2022 Risk Transfer Report.
[20] LGRI market view based on discussions with external Employee Benefit consultants.
[21] LCP Pensions De-risking report 2021.

The US represents a further, significant market opportunity, with $3.8 trillion of DB liabilities, of which only c7% have transacted to date.[22] Since our market entry in 2015, our US business has written more than $7bn of PRT spanning 80 clients with 6 repeat clients. In H1 2022 we wrote our largest ever US deal (over $550m). We also actively quoted on selective Canadian, Irish and Dutch PRT opportunities and wrote our third Canadian deal in H1 2022. We are the only insurer providing PRT directly to pension plans across the UK and US. **Our ambition is to write more than $10bn of international PRT over the five years from 2020-2024.**

In addition to our source of new business emerging from LGIM LDI clients, our other competitive advantage is in originating assets via LGC, lifetime mortgages via Retail and sourcing assets via LGIM. LGC's asset creation is now beginning to scale and it is on track to deliver c£1bn of new assets by the end of 2022. This strong asset creation capability across the Group provides us with optionality to maximise shareholder value, either by deploying assets against new business – to improve pricing and margins – or by applying them to increase the returns on the back-book.

As the annuity portfolio scales, the growing amount of capital generated by the in-force book offsets both the capital investment required to fund new business and the portfolio's contribution to a progressive Group dividend, i.e. it is self-sustaining. The **UK annuity portfolio achieved self-sustainability in both 2020 and 2021**. Whilst we expect to achieve self-sustainability again in 2022, driven by our growing operational surplus generation, it is not something we necessarily aim to achieve in every year. The achievement of self-sustainability in any one year will vary depending on new business volumes and asset yields. Our ambition is, however, for net surplus generation to exceed dividends for the Group over the period 2020-2024.

Legal & General Capital (LGC)

LGC, the Group's alternative asset origination platform, will continue to deploy shareholder capital in a range of underserved areas of the real economy that are backed by long-term structural trends. LGC has three fundamental objectives: 1) profit and value generation within LGC for shareholders; 2) asset creation to back the Group's annuity liabilities and meet demand from LGIM's third party clients; and 3) a focus on ESG, securing long lasting value for society. LGC continues to make a substantial contribution to shareholder value creation and is well positioned to drive further meaningful growth as its underlying businesses and investments continue to scale and mature.

LGC is on track against its ambition to invest and manage over £30bn of alternative AUM by 2025, with an upgraded blended portfolio return target of 10-12% (previously 8-10%). In combination with the contribution from the Traded Portfolio, LGC aims to deliver operating profit of £600-700m in 2025. Additionally, we plan to increase fee-generating third party capital to £25-30bn (H1 2022: £15.6bn). We expect our existing platforms (Pemberton, Build-to-Rent, NTR) to continue to manage the majority of third-party AUM, building on their impressive growth to-date, but our ambition also includes incremental opportunities in Clean Energy, Later Living, Data Centres and our exciting new investment in the US, Ancora L&G, which is focused on working with anchor institutions (such as universities or research facilities) to acquire, manage and develop life science and technology focused real estate and innovation districts.

LGC's asset classes that include specialist commercial real estate, housing, clean energy, and SME finance have all been selected given the long term need for capital in these sectors, giving us a long-term opportunity to create assets: In the UK an estimated 340,000 new homes are needed each year, there are 1.2m people on the social housing list and 21% of homes in the private rented sector fail Decent Homes standard. Globally, an estimated $5tn a year is needed to fund measures to fight climate change. Through place-based social investment, LGC is creating much needed jobs, homes and infrastructure, driving growth, skills and innovation, and contributing towards a cleaner, greener future:

- The **specialist commercial real estate** portfolio includes capital-light urban regeneration (funded by LGRI or LGIM third parties), digital infrastructure and science and technology-focused real estate in the UK through Bruntwood SciTech and more recently in the US through Ancora L&G. Partnering with universities, local authorities and private sector experts, we have invested across twenty UK towns and cities, creating jobs, driving economic growth and revitalising local communities.
- As a **leading provider of homes**, with a commitment to tackling the affordability gap and the undersupply of housing (estimated to be around 340,000 homes required annually) across the UK, LGC's **housing** platform continues to expand across all tenures, ages and demographics, leveraging both traditional and modular construction in order to revolutionise and speed up delivery for all. We are well positioned to scale in order to achieve our long-term ambitions: 1) to deliver 10,000 multi-tenure homes per year (including over 3,000 traditional build to sell homes, 3,000 affordable and modular homes each, and 1,000 suburban rental homes); and 2) to develop c5,000 build to rent homes in our urban pipeline and 5,000 later living homes in our JV pipeline with NatWest Group Pension Fund. To ensure that the homes we build are future-proofed and sustainable, we have committed that all our new homes will be operationally carbon emission-free from 2030.
- In the **clean energy** sector, we are focused on investing selectively into attractive growth equity and low-carbon infrastructure opportunities. We are confident that our considered and selective approach to clean energy investing will continue to yield results in what can be a highly competitive sector. Growth equity targets early-stage scale-up companies that deliver innovative clean technologies required for a successful energy transition. Low-carbon infrastructure targets the renewable energy infrastructure investments needed to accelerate progress towards a low-cost and low-carbon economy.
- In **SME Finance**, we are continuing to support UK and European innovation, investing in the real economy and technological innovation in two SME Finance business areas: **Alternative Finance** – via our 40% stake in Pemberton, an alternative credit manager – and **Venture Capital** – via our Fund of Funds platform and via LGC's ownership of Accelerated Digital Ventures (ADV), a direct investment platform. Our SME Finance businesses are well positioned to scale in these highly attractive structural growth segments.

[22] ICI Q4 retirement market data.

Legal & General Investment Management (LGIM)

LGIM is a globally recognised investment leader, benefiting from a combination of scale and a diversified asset and client base, underpinned by clear structural demand for our capabilities. As L&G's asset manager, LGIM also plays a critical role in supporting our leading retirement and protection solutions.

Our purpose is to create a better future through responsible investing, and we are a global leader in ESG. Our five-year growth ambition is driven by the three pillars of our strategy to **modernise**, **diversify** and **internationalise** the business. The first half of 2022 saw significant moves in interest rates, inflation and global equity markets which impacted asset values across the board. We continue to adopt a disciplined approach to cost management and selectively invest for growth against this challenging backdrop. Our strategy remains to: 1) to **grow profits in the range of 3% to 6% per annum,** in normalised market conditions; 2) **increase AUM in international and higher-margin areas**; and 3) **diversify AUM** by client, channel and geography. We maintain our ambition for the cost income ratio to trend downwards after the period of investment over the near-term, and as markets and inflation normalise.

LGIM is one of the largest managers of corporate pension funds globally; we are a UK leader in corporate DB pensions, the UK's number-one DC manager, and ranked third for UK gross and net retail sales in Q2 2022.[23] We intend to maintain our strong position in the UK, which has been the bedrock of our success to date, while continuing to diversify our capabilities and broaden our reach internationally.

Modernise: LGIM continues to invest in the business to achieve the resilience and agility critical to future success. We are laying the foundations for continued global growth by investing in our people, our operating platform and our data capabilities. We are currently implementing a transformation of our strategic operating model to build a globally scalable platform and deliver best in class client service. This will be achieved by expanding our partnership with State Street and use of their Charles River technology.

Diversify: We are continuing to expand our investment offering, with a focus on higher-margin product areas such as Real Assets, ETFs, Multi-asset and Fixed Income. We see a sizeable opportunity in Real Assets and are expanding our distribution footprint and our range of capabilities: for example, we are launching a new renewable infrastructure equity offering in 2022 in partnership with NTR. As UK and US DB schemes approach funding maturity, many clients will look for self-sufficiency or buy-out options and, together with LGRI, our 'endgame' Solutions offering means we are well positioned to deliver on these options. We continue to demonstrate our leadership in ESG investing through our award-winning Investment Stewardship team and, in addition to offering a wide range of ESG-specific products, are driving further integration of ESG into our mainstream investment portfolios. Climate change remains a key issue and priority for LGIM and our leadership is underscored by the contribution of our CEO, Michelle Scrimgeour as Co-Chair of the Business Leaders Group at COP26, and the integration of our market-leading Destination@Risk tool into a number of net-zero aligned investment strategies.

Internationalise: LGIM aims to be an innovator in regions and countries where our strengths align to client needs. Over the last five years LGIM's International AUM has more than doubled to reach £468bn – 36% of LGIM's total AUM. Our ambition is to continue growing International AUM profitably and at pace in the US, Europe and Asia. In the US, we are deepening our strong client relationships through innovation in DC retirement income solutions and leadership in ESG. In Europe, we are building on our recent success, aiming to penetrate new markets and grow AUM across a broader range of investment capabilities. We are also well placed to realise growth in Asia, where we are expanding our distribution footprint across key markets and channels.

Retail

As of 1st January 2022, LGI and LGRR (our two retail businesses) were combined into one division, Retail. Under the leadership of Bernie Hickman, this division covers the savings, protection and retirement needs of our c12 million retail policyholders and workplace members. The combined division will strengthen its propositions by adopting best practices in customer experience development, digital transformation and agile culture.

Insurance

We anticipate continued premium growth across our UK and US protection businesses as **technological innovation** makes our products more accessible to customers and supports further product and pricing enhancements.

In the UK, our market leading retail protection business is supported by the strength of our distribution relationships, investment in our systems and platforms, and product enhancements, leading to robust delivery in H1 2022. We expect the total protection market to be slightly smaller in 2022, as the market benefited from the UK housing stamp duty relief in 2021. Our group protection business has also performed well, increasing premium income by 6% year-on year. **In line with our five-year ambition, we are targeting mid-single digit growth in revenues across our UK protection businesses.**

In the US, we anticipate our on-going technology investments and new partnerships will position us for premium growth as the market continues to recover from the distribution and underwriting disruptions caused by COVID-19. We are using technology to improve customer experience while reducing cost and becoming the partner of choice for a wide range of distribution partners. We are already the largest provider of term life assurance in the brokerage channel[24], and our digital first approach is aiming to achieve, on average, **double digit growth in new business sales out to 2025**.

We invest in Fintech start-ups and scale-ups that operate in adjacent markets where we have the relationships, capital or expertise to accelerate their growth and value creation. One such investment is Salary Finance, an employee benefits platform business, in which we have a 48% holding. Salary Finance remains one of the UK's fastest growing Fintechs and is well positioned for international growth. Other key investments like Smartr365 and Onto are growing rapidly. **We are targeting double digit growth for our Fintech businesses.**

[23] Pridham Report, Q2 2022.
[24] Ranked number one in the brokerage channel in Q1 2022 by new policies issued

Retirement

Workplace savings is a core part of the Group's retail proposition. The business is a growth area for the Group and we expect the market to continue to expand, driven by **ageing demographics** and **welfare reforms**. Our core focus is on better assisting our 4.7 million Workplace members to plan for their retirement whilst they are saving with us, as well as when they come to retirement. This will drive better customer outcomes and, at the same time, help us to retain more of our customers in retirement.

There are currently c£600bn in UK Defined Contribution (DC) accumulation assets and this is expected to more than double over the next ten years.[25] As a market leading provider in Workplace Savings, we are well placed to benefit from this expected increase in DC pension assets, and to grow administration revenues for the Retail division and fund management revenues for LGIM.

Prior to Covid-19, around £40bn of these DC assets were coming to maturity each year, with the individual annuity market accounting for just over 10% of these assets. The size of the individual annuity market dipped slightly during the pandemic as people deferred making retirement decisions. This trend has continued into 2022, given the current market environment. Over the medium-term, we do expect the market to recover as the DC market continues to grow, and as fewer people reach retirement with defined benefit pensions and so seek the longevity protection that an annuity provides. Retail Retirement has a strong market share in individual annuities, with a 20.5% market share at Q1 2022[26] and continues to explore and develop new product ideas to meet the needs of people reaching retirement.

The UK lifetime mortgage (LTM) market continues to represent a sizeable opportunity, with UK housing equity in over 55s at £2.6 trillion.[27] At present only c£5bn per year is being released through the LTM market. While we maintain a strong focus on the traditional LTM market, where we are focused on offering high levels of flexibility and choice, we are increasingly also focused on the "wealth" sector: those with higher value properties increasingly see the benefit in lifetime mortgages when planning the distribution of their estate to future generations. We continue to remain disciplined on pricing in order to deliver good margin assets to back our long-term annuity liabilities.

Across all our Retail businesses we continue to focus on our customers, with a particular focus on the technology that supports providing a more efficient and more personalised service.

A commitment to capital discipline

The Board maintains a strong commitment to capital discipline and continues carefully to assess the options for capital investment and return.

The Group has a track record of generating strong returns and has numerous compelling investment opportunities, not least in Legal & General Capital, which is investing to drive shareholder value and to originate assets for L&G, and for third parties.

The Group continues to invest to deliver further profitable growth over the medium and long-term, whilst maintaining a strong balance sheet and growing the dividend in line with the Group's stated ambition.

If at any point the Board believes that capital would be better deployed by returning it to shareholders, then it would not hesitate to do so.

Dividend

In line with our stated formulaic interim dividend policy, whereby the interim dividend grows at the same percentage as the total prior year dividend, the Board has declared an interim dividend of 5.44p, up 5% from the prior year (5.18p). This is consistent with our stated ambition to grow the dividend at 3-6% per annum between 2021 and 2024.

[25] Broadridge, UK Defined Contribution and Retirement Income report 2021.
[26] ABI Q1 2022 Report.
[27] Lifetime Mortgages | Legal & General (legalandgeneral.com).

Legal & General Institutional Retirement (LGRI)

FINANCIAL HIGHLIGHTS £m	H1 2022	H1 2021
Operating Profit	**560**	525
Investment and other variances	133	75
Profit before tax attributable to equity holders	**693**	600
Release from operations	310	252
New business surplus	156	68
Net release from operations	**466**	320
UK PRT	3,715	2,040
International PRT	734	107
Other PRT (longevity insurance, Assured Payment Policy, Insured Self-Sufficiency)	-	925
Total new business	**4,449**	3,072

Operating profit of £560m

LGRI continues to deliver strong operating profit of £560m, up 7% (H1 2021: £525m). Profit was underpinned by the performance of our annuity portfolio and supported by strong global pension risk transfer (PRT) new business volumes of £4.4bn (H1 2021: £3.1bn). The H1 2021 result included a positive contribution from COVID-related mortality that was not repeated to the same extent in H1 2022.

Release from operations increased 23% to £310m (H1 2021: £252m), reflecting the scale of the business as prudential margins unwind from the Group’s sizeable £78.8bn annuity portfolio (FY 2021: £89.9bn) supported by good asset origination.

Net release from operations was £466m (H1 2021: £320m) with new business surplus of £156m (H1 2021: £68m), reflecting successful execution in writing £4.4bn of new business volumes, supported by continued positive asset sourcing and attractive reinsurance terms.

During H1 2022 we wrote £3,715m of UK PRT which, delivered an 8.7% UK Solvency II new business margin (H1 2021: 8.7%). We continue to be disciplined in our pricing and deployment of capital. UK PRT volumes were written at a capital strain of less than 4%.

Successful execution over H1 2022

During H1 2022 LGRI underwrote £4,449m of PRT across 25 deals globally (H1 2021: £3,072m, 20 deals).

Legal & General has demonstrated successful execution, whilst remaining focused on value creation, and continues to play a key role in the UK PRT market. The UK market saw significant activity in H1, compared to the slower start to 2021. For the full year we are expecting c£35bn of volume to transact, with the potential for market volumes to be higher if a handful of bigger transactions come to market. We are well placed to capitalise on this opportunity.

LGRI's brand, scale and asset origination capabilities – through synergies and expertise within **LGIM** and **LGC** – are critical to our market leadership in the UK PRT market. Long-term client relationships, typically created and fostered by LGIM, have allowed us to help many pension plans achieve their de-risking goals. In H1 2022 we demonstrated our market leadership and solutions capabilities by writing a series of innovative transactions, including:

- c£2bn+ follow-on transaction with British Steel Pension scheme, executed under an umbrella agreement.
- c£420m buy-out with Innospec Limited Pension Plan scheme, securing benefits for around 2,400 members.
- c£370m buy-in with Heathrow's BAA Pension scheme securing benefits for more than 1,400 retirees.
- c£225m buy-in with Newell Rubbermaid UK Pension scheme, securing benefits for c1,700 retirees.
- Small scheme solutions. With 80% of our transactions falling into this category, we leveraged **technological innovation** to serve smaller pension plans efficiently.

Looking forward to H2 2022 and into 2023, we currently have a strong and active pipeline of c£25bn.

Well positioned to execute in H2 in the US and International markets

Despite a more competitive market in the US, which is typically slower over H1, LGRI delivered **US PRT new business premiums of $729m (H1 2022: £593m; H1 2021: $149m; £107m).** This included our biggest ever transaction at over $550m, which is our third transaction with this client, reflecting the credentials of our offering.

As in the UK, our international focus is on value creation. In addition to the fantastic start to the year in the US, in Bermuda we secured our third Canadian deal for CAD$230m, as we start to build momentum through our strategic partnerships in Canada.

As the only insurer providing PRT to pension plans globally, **Legal & General is uniquely positioned to offer holistic, global pension de-risking solutions**.

Total Annuity Asset Portfolio

	H1 2022	H1 2021
Total annuity assets (£bn)	**78.8**	85.8
Of which: Direct investments (£bn)	*26.3*	*25.8*

Annuity asset portfolio

The 'A minus' rated annuity asset portfolio of **£78.8bn**[28], which backs the IFRS annuity liabilities in LGRI and Retail, is well diversified by sector and geography. **Our ambition is to continue to collaborate with LGC, Retail and LGIM to strengthen our asset sourcing capabilities, including both self-manufactured and public assets with a strong ESG focus.** This core competitive advantage provides our annuity portfolio with long duration direct investments with higher risk-adjusted returns and optionality in asset deployment. We remain focused on reducing the carbon intensity of the portfolio and have set a target of 12% reduction against the 2019 baseline for 2022. We remain on track to achieve our portfolio decarbonisation target of 18.5% by 2025 and remain committed to reducing GHGs emission intensity by 50% by 2030.

Credit portfolio management

The fixed income portfolio of £73.2bn is comprised of £52.7bn of listed bonds and £20.5bn of Direct Investments. Approximately two-thirds of the portfolio is rated A or better, 35% rated BBB and 1% sub-investment grade.

The key objective of our annuity-focused, fixed income fund managers in **LGIM** is to manage the portfolio to match liabilities, while minimising credit downgrades and avoiding defaults. We constantly review our asset portfolio, including sector allocations and asset classes, in order to manage portfolio credit quality and to mitigate risks. We have vigorously stress-tested our portfolio to build resilience against a range of scenarios. In addition, we hold a **£2.7bn IFRS credit default reserve**.

We have kept lower-rated, cyclical exposures to a minimum and only 12% of our BBB assets are BBB-. We actively manage our asset portfolio and continue to take opportunities to improve credit quality at attractive pricing levels.

The two-pronged approach, comprising **defensive positioning and active management**, has helped us to mitigate downgrade and default risk. **Again, we have had no defaults**.

Direct Investment

Within the asset portfolio, we originated £1.6bn of new, high quality direct investments during H1 2022 which, along with market movements, brought the direct investment portfolio total to £26.3bn[29], including **£5.8bn in Lifetime mortgages**. Consistent with the broader bond portfolio, approximately two-thirds of the direct investment bond portfolio was rated 'A' or above using robust and independent rating processes which take account of long-term stress events on counterparties and the underlying collateral.

Our Direct Investment strategy is centred on ensuring the safety of policyholders' benefits. We believe, and have proved, that we can protect our policyholders *and* invest to deliver Inclusive Capitalism across our UK towns and cities. By accessing the power of pensions, we can generate positive societal impacts and drive economic growth.

During H1 2022 we have consciously allocated some Direct Investment assets to our back-book. This, complemented by a rotation of some of our excess gilts to high quality credit assets, has increased the total yield on our portfolio. We will continue selectively to allocate appropriate assets over the coming years to increase the portfolio's yield.

We have seen progress in the flow of asset creation from LGC to date and remain on track to source close to £1bn of new assets over 2022 through various LGC initiatives such as Build to Rent, Alternative Finance, Affordable Homes and Urban Regeneration schemes.

[28] Total annuity asset portfolio represents our UK and US annuity businesses (LGRI + Retail Retirement). See note 5.04 and note 7.01 for more detail.
[29] Includes annuity direct investment bonds (£20,498m), direct investment property (£5,632m), direct investments equity (£42m), and other assets (£94m). Please see note 7.02b for more information.

Legal & General Capital (LGC)

FINANCIAL HIGHLIGHTS £m	H1 2022	H1 2021
Operating profit	**263**	250
- Alternative asset portfolio	202	195
- Traded investment portfolio & Treasury	61	55
Investment and other variances	(308)	48
Profit before tax attributable to equity holders	**(45)**	298
Net release from operations	**208**	213
ALTERNATIVE ASSET PORTFOLIO £m		
Specialist commercial real estate	662	733
Clean energy	199	218
Residential property	2,190	1,914
SME Finance	688	561
	3,739	3,426
TRADED ASSET PORTFOLIO £m		
Equities	1,714	1,731
Fixed income	66	426
Multi-asset	199	223
Cash[1]	1,285	1,220
	3,264	3,600
LGC investment portfolio	**7,003**	7,026
Treasury assets at holding company	1,247	1,630
Total	**8,250**	8,656

1. Includes short term liquid holdings.

Total operating profit increased 5% to £263m

LGC operating profit increased 5% to £263m (H1 2021: £250m). This result principally reflects profits from our alternative asset portfolio of £202m (H1 2021: £195m). H1 2021 included a conservative Pod Point valuation increase ahead of last year's stock market listing.

The portfolio has continued to see valuation increases over H1 2022, notably in the Venture Capital portfolio and in Pemberton, complemented by another period of strong trading performance from CALA and Affordable Homes. Operating profit from the traded & treasury portfolio increased to £61m (H1 2021: £55m), driven by higher opening assets as a result of the strength in equity markets over 2021.

Profit before tax was £(45)m, driven by investment and other variances of £(308)m, compared to £48m in H1 2021, which largely reflects volatile global equity market performance in the traded portfolio.

Our growing alternative asset portfolio achieved a net portfolio return of 9.3% (H1 2021: 10.7%). In line with our business model, we expect to deliver a net portfolio return of 8-10% for the full year, growing to 10-12% by 2025 as our early-stage businesses continue to mature.

Alternative asset portfolio grew 9% to £3.7bn

LGC has continued to strengthen its capabilities across a diversified range of alternative assets that are underpinned by structural growth drivers. Our alternative asset portfolio increased to £3,739m (H1 2021: £3,426m) as we deployed a further £0.3bn into new and existing investments. Additionally, over H1 2022, we made new undrawn commitments of £0.1bn across our existing asset classes. Through these investments we originate assets that generate returns for shareholders, create attractive Matching Adjustment (MA)-eligible assets for our annuity portfolio, and supply attractive alternative assets to third party clients.

We have recently successfully originated assets for LGRI and Retail Retirement in Urban regeneration, Build to Rent, Affordable homes and Alternative Finance. We remain on track to deliver close to £1bn of new assets for the annuity portfolio over 2022.

Specialist commercial real estate: ongoing support of the levelling up agenda through strategic partnerships

Supporting the need to "Level Up" towns and cities across the UK, we continue to invest in partnership with public and private sector experts, to drive forward some of the largest urban transformation schemes, back digital infrastructure and fund the next generation of science and innovation centres. Supporting this objective, in H1 2022, we began construction on our £100m regeneration scheme in Sunderland Riverside and announced our ambition to expand our project Sky Elstree to include a further 10 stages over 65 acres, with 470,000 sq ft of stage space for filming.

Building on our flagship commitments in Oxford and Manchester, we signed in May a seven year £4bn commitment, working in partnership with West Midlands Combined Authority (WMCA) to invest in regeneration, net zero neighbourhoods, housing and levelling up across the West Midlands. The programme is designed to create vibrant, dynamic communities in the region which, by providing attractive environments for people to work, live and play, will further enhance the West Midlands as a driver of UK economic growth. This latest investment is a great example of how we bring together LGC's divisional specialisms to create a range of MA-eligible assets for the Group.

Through Bruntwood SciTech, we have continued to develop world-leading diagnostics and life sciences infrastructure. With a gross asset value of c£800m, Bruntwood SciTech now operates in 11 UK locations, across 7 cities, with a portfolio of over 2.4m sqft. Over H1 2022, we made our first investment in Scotland, the Met Tower, Glasgow, which is set to become a new hub for tech and digital businesses.

Another milestone achievement in H1 2022 was our first investment in the US. Our 50:50 partnership with US real estate developer, Ancora will create a real estate platform dedicated to driving life science, research and technology growth across the US. Ancora L&G will be capitalised by LGC to deliver $4 billion (£3.2bn) of existing pipeline and planned acquisition and development activity over the next five years. To support future growth, the partnership will be seeking third party co-investment partners to accelerate scaling the portfolio. LGC also continued to diversify into the digital infrastructure sector, acquiring an industrial landsite in Canning Town, London, to develop a new state-of-the-art datacentre. This latest scheme has the opportunity to support Group-wide synergies across Legal & General, working with LGIM as development advisor and providing a potential future investment opportunity for our annuity business.

Our specialist commercial real estate portfolio decreased to £662m (H1 2021: £733m), primarily driven by the sale of MediaCity in H2 2021.

Our Clean Energy portfolio expanded into new sectors

Supporting the Group's climate ambitions, we invest in early-stage innovative clean technology companies and low carbon energy infrastructure needed to meet UK and global UN climate targets and Sustainable Development Goals. We have a substantial pipeline of new investment opportunities including energy storage, electric vehicle technology and renewables and anticipate expanding our growth equity portfolio further through H2 after a busy H1 in which we completed several transactions.

During H1 2022, we began working with our new investee, Sero Technologies, and made multiple additional investments, entering new sectors through Rovco, Vaarst and Brill Power. We also secured investment in a portfolio of renewable energy projects that will create future assets for the annuity portfolio.

Sero Technologies is an energy technology and service company which creates tailored, net zero-energy retrofit plans for the residential sector. Residential retrofitting represents a significant market opportunity to achieve the UK's legally mandated target of net zero by 2050: almost every home will need to be improved or retrofitted with some combination of enhanced energy efficiency and low carbon heating.

Vaarst is a leading provider of subsea 3D computer vision technologies; supporting the offshore wind, wave & tidal, scientific, maritime security, and civil engineering industries. It is bringing forward ground-breaking AI-based technology, seeking to revolutionise how energy companies manage subsea infrastructure and improve asset integrity. Rovco delivers this technology into the energy transition space, focusing mainly on its use for subsea surveys in offshore wind and oil field decommissioning.

In June 2022, LGC led a Series-A funding round to support the expansion of Brill Power, a battery management system improving battery performance for energy storage. Batteries are crucial to the electrification of transport, and to powering our homes, businesses, and key infrastructure. Through extended lifetimes, improved safety, and waste reduction, Brill Power's work will help to support the net zero transition.

We also announced an additional investment into Kensa Group, a UK manufacturer and installer of ground source heat pumps. This investment brings LGC's total investment to £15.7 million over two years, continuing to support Kensa to scale up rapidly and accelerate the deployment of ground source heat pump networks to meet demand.

Our nuclear fusion business, Tokamak Energy, also reached a key milestone in H1 2022, moving closer to commercial fusion by reaching 100 million degrees celsius, a world record for a spherical tokamak.

Housing: platform continues to grow as LGC targets multi tenure opportunities

LGC continues to scale up its delivery across all housing tenures. Diversified across affordability and life stage, LGC's investments meet the UK's long-term social and economic need for quality housing for all demographics. During H1 2022, our housing portfolio grew to £2,190m (H1 2021: £1,914m) reflecting sustained long-term demand.

LGC's **Build to Sell** business, CALA, has continued to perform exceptionally over H1 2022. Having grown to become the 10th largest housebuilder in the UK by revenue, during H1 2022 CALA has delivered revenue of £701m (H1 2021: £610m) and operating profit of £98m (H1 2021: £78m) through the sale of 1,527 units (H1 2021: 1,479 units). Reservations on private units currently stand at a record 93% of the full year target, giving confidence in delivering the targets set out at the 2021 full year results of c3,000 homes delivered, £1.3bn revenue and £170m operating profit for 2022.

Our **Affordable Homes** business has continued to establish itself as one of the UK's leading institutional developers and managers of affordable housing. Delivering £22m of operating profit (H1 2021: £7m), our business continues to grow and over 2022 we increased our total number of operational affordable homes by 624 to a total of 2,291. Our development and operation pipeline now stands at over 7,726 homes, with a Gross Asset Value of around £1.2bn. In March 2022, we entered a partnership with Lovell Partnerships to increase the delivery of affordable homes and mixed tenure sites. The partnerships aims to deliver 3,000 multi-tenure properties over a five year period. To further boost our development plans, we secured an additional £150m revolving credit facility, bringing in external capital through a 'social loan' to support the continued growth of the platform.

Our **Modular Housing** business is making significant progress with projects and partners, designing and manufacturing homes in an innovative way which will transform the way homes are built. In H1 2022, we delivered a major independent scheme in Selby, where our first residents have now moved in, and progressed at pace with construction at sites in Bristol and Broadstairs for the delivery of 450 homes. H1 2022 revenues have already exceeded the revenue generated over 2021, highlighting the progress of the business. We are already delivering some of the most energy efficient homes in the country and are planning to release our first net zero carbon homes for sale at our site in Bristol in September.

Our urban **Build to Rent business** joint venture with PGGM has continued to make strong development progess across the UK's major towns and cities. Across the Group, we now have a £3.0bn portfolio of c8,200 homes with 24 schemes in operation or development, creating a strong pipeline of attractive, high quality assets for LGRI and LGIM clients. Our **Suburban Build to Rent** business has built its pipeline to over 1,000 homes across the UK, including schemes in North Horsham and Peterborough.

Growth in our **Inspired Villages** business continues at pace, driven by the partnership with **Natwest Group Pension Fund**. Our Later Living platform has made good planning and development progress, and Inspired Villages is on track to deliver over 5,000 homes for older people over the next 14 years. Over H1 2022, we acquired a new site in Horndean and secured planning permission for the third phase of our development Ledian Gardens, Kent, with construction also underway for our first two operationally net-zero carbon developments, bringing forward over 350 energy efficient homes.

SME Finance AUM increased to £688m (H1 2021: £561m)

Investing in the real economy and technological innovation through our **Alternative Finance** and our **Venture Capital** platforms, we are continuing to support growth businesses, delivering enhanced returns while boosting job creation, innovation, and science and technology advancements.

In the **Alternative Finance** sector we support UK and European mid-market lending through our investments in Pemberton, our asset manager specialising in private debt, in which we hold a 40% stake. The Pemberton platform has raised over €14.9bn (H1 2021: €10.9bn) across four strategies, since we first invested in 2014, with 172 investors globally. It currently has €11.8bn (H1 2021: €8.3bn) deployed across 88 companies, delivering €45m in revenue (H1 2021: €31m).

Our Venture Capital Funds platform backs over c500 start-up businesses across the UK and Europe through our fund-of-funds programme and via LGC's ownership in direct investment platform Accelerated Digital Ventures (ADV).

In light of its strategy to invest at seed, pre-seed and early stage funding rounds, LGC's Venture Capital Fund-of-Funds programme saw strong performance, with NAV growing by 16% to £198m over the six months to H1 2022.[30] Many of the funds we invested in early in the programme are now maturing, with the strongest companies securing new funding rounds at increased valuations. Demonstrating the value of our patient investment approach, the portfolio has now delivered a 23% IRR after fees since inception in 2016, despite a period of volatility over H1 2022.

[30] 16% growth rate excludes new investment and distributions.

Legal & General Investment Management (LGIM)

FINANCIAL HIGHLIGHTS £m	H1 2022	H1 2021
Management fee revenue	**485**	471
Transactional revenue	**9**	9
Total revenue	**494**	480
Total costs	**(294)**	(276)
Operating profit	**200**	204
Investment and other variances	**(7)**	(7)
Profit before tax	**193**	197
Net release from operations	**162**	163
Asset Management cost:income ratio (%)	**59**	58

NET FLOWS AND ASSETS £bn		
External net flows	**65.6**	27.4
Total net flows	**64.7**	22.0
- Of which international[1]	***34.5***	*15.0*
Persistency[31] (%)	**91**	89
Average assets under management	***1,361***	*1,281*
Assets under management as at 30 June	**1,290**	1,327
Of which:		
- International assets under management[2]	***468***	*434*
- UK DC assets under management	***129***	*125*

1. International asset net flows are shown on the basis of client domicile.
2. International AUM includes assets from internationally domiciled clients plus assets managed internationally on behalf of UK clients.

Operating profit resilient at £200m

Operating profit was slightly down at £200m (H1 2021: £204m), reflecting the impact of recent market volatility on assets under management.

Assets under management decreased by 3% to £1,289.7bn (H1 2021: £1,326.8bn), despite record half year external net flows of £65.6bn (H1 2021: £27.4bn). Annualised net new revenue (ANNR) of £13m (H1 2021: £11m) represents 3% (annualised) of prior year revenue and demonstrates the growth in higher-margin areas including thematic ETFs and Multi-asset.

Revenues increased by 3% to £494m (H1 2021: £480m) in response to strong flows, although growth in 2022 has been curtailed by the recent decline in assets under management due to falling markets and the sale of the Personal Investing business in 2021.

The cost income ratio of 59% continues to reflect a balanced approach to cost management, with careful cost control combined with considered ongoing investment in the business.

Growing International footprint

External net flows of £65.6bn represents 10% of opening external assets under management (annualised) and included strong International net flows of £34.5bn, reflecting our deep relationships with a number of leading international clients and underpinning our conviction in our ability to grow international AUM and earnings.

LGIM saw £22.5bn of net flows from Japanese clients and we are now Japan's 7th largest asset manager.[32] Asia (ex-Japan) saw flows of £11bn from multiple clients across the region, with combined Asia/Japan AUM reaching £124bn ($151bn). In Europe our ETF business continues to grow and we have signed several new distribution agreements in the European wholesale market. Our US DB de-risking business had a very strong start to the year, with net flows of $7.1bn representing the strength of our capabilities and client/consultant relationships in helping pension plans achieve their investment objectives. Improved funding ratios due to higher rates and wider credit spreads have increased demand for fixed income and customised liability hedging strategies.

International AUM of £468bn is up 8% (H1 2021: £434bn) and now constitutes 36% of total AUM.

[31] Persistency is a measure of LGIM client asset retention, calculated as a function of net flows and closing AUM.
[32] Ranked seventh by AUM, Japanese industry publication (Pension News) March 2022.

Ongoing strength in UK

The Defined Contribution (DC) business continues to attract new assets, with external net flows of £6.9bn, supported by ongoing growth in Retail's Workplace pension business, which now has 4.7 million members. Total UK DC AUM is up 3% with total AUM of £129.4bn (H1 2021: £125.5bn). This success is underpinned by LGIM's strong customer focus, as shown by a 93% persistency rate among our DC customers.

L&G also has one of the largest and fastest-growing UK Master Trusts, which now has £18.2bn AUM, reflecting the increasing appeal of the structure for DC plans wishing to outsource their governance, investment and administration. Growth in our UK Master Trust business continues to support growth in Multi-asset flows, since this is the default option for many of our clients. Our ability to offer investors an integrated blend of high-quality investment solutions, pensions administration and Master Trust governance for a value bundled price maintains a significant source of competitive advantage for LGIM's DC business.

Our UK Defined Benefit business delivered £22.5bn of net flows as improved funding positions enabled our clients to de-risk. In addition, we continue to provide a range of hedging solutions against a backdrop of market volatility.

In Wholesale, we ranked third for both gross and net fund sales in Q2 2022. We also continued to expand our Model Portfolio Service (MPS), further extending our successful Multi-asset proposition into the maturing advisory market, and with addition of two new funds, completing the build of our Future World Multi-Index ESG range. We believe our scale and expertise can disrupt this market while helping clients meet their investment objectives. The launch of our Global Thematic unit trust also makes our thematic strategies available to a wider client base. Our property fund for retail investors continues to be one of the market leaders with over £2bn of AUM and our higher margin Multi-asset funds now collectively have over £10bn in AUM from UK retail investors.

Growth in ETFs

Our ETF business continues to grow strongly following our acquisition of the Canvas business in March 2018. Over this period, revenue has more than tripled. The business has shown resilience in the first half of the year, against a challenging backdrop, with $0.4bn of external net flows delivering an annualised net new revenue of $2.6m.

A focus on thematic and fixed income ETFs have supported our strategy of growth into higher-margin areas, whilst our thematic equities continue to be the largest contributor of revenues. A diversified product mix with fixed income and commodities exposures have supported AUM/revenues so far this year.

LGIM continues to be ranked second on both AUM and net flows in the European thematic ETF market. We are also in the top 10 for fixed income flows, and in the top 10 by overall flows.

Breadth of investment management solutions

Asset movements[1] (£bn)	Index	Active strategies	Multi asset	Solutions	Real assets	Total AUM
As at 1 January 2022	**502.4**	**198.8**	**78.0**	**605.1**	**37.2**	**1,421.5**
External inflows	63.2	7.0	6.8	21.3	1.4	99.7
External outflows	(38.2)	(4.2)	(3.7)	(12.5)	(1.1)	(59.7)
Overlay net flows	-	-	-	25.6	-	25.6
External net flows	**25.0**	**2.8**	**3.1**	**34.4**	**0.3**	**65.6**
PRT transfers[2]	-	-	-	(0.4)	-	(0.4)
Internal net flows	(0.4)	0.2	-	(0.7)	0.4	(0.5)
Total net flows	**24.6**	**3.0**	**3.1**	**33.3**	**0.7**	**64.7**
Market movements	(57.8)	(25.2)	(8.0)	(102.4)	(1.9)	(195.3)
Other movements	0.4	1.6	-	(3.2)	-	(1.2)
As at 30 June 2022	**469.6**	**178.2**	**73.1**	**532.8**	**36.0**	**1,289.7**

1. Please see disclosure 5.01 for further details.
2. PRT transfers reflect outflows in respect of LGIM clients who have moved to PRT with LGRI

Solutions continued to deliver positive external net flows of £34.4bn (H1 2021: £18.8bn) driven by strong demand from UK, US and APAC DB clients as they continue to de-risk. We manufacture Solutions products in both publicly and privately traded asset classes and combine these together in integrated portfolios for our DB clients. We are well positioned to capitalise on this continuing trend. Together with our fiduciary business offering, and working closely with LGRI's PRT business, we can tailor solutions to DB schemes at all stages of their funding journey. We have recently signed an agreement with the British Steel Pension Scheme to manage the £9.9bn[33] assets of its DB scheme, which we believe is competitively differentiated in the market and provides a template for similar future deals.

Multi-asset strategies continue to be in demand from DC schemes and retail customers. External net flows into Multi-asset funds were £3.1bn (H1 2021: £1.8bn), and we have seen positive initial market sentiment following the completion of our Future World Multi-Index range.

Index reported positive external net flows of £25.0bn (H1 2021: £4.7bn) driven by new international flows into Japan (£22.7bn) and Asia (£7.9bn), partially offset by Index outflows in the UK and US, reflecting the structural trend of DB schemes de-risking and therefore shifting from index to LDI strategies.

Active Strategies delivered external net flows of £2.8bn (H1 2021: £2.3bn) as a result of positive net inflows from US and UK DB clients.

Real Assets saw total net flows of £0.7bn (H1 2021: £0.8bn) driven by additional Private Credit transactions to support LGRI's PRT proposition. We expect future growth in flows to be supported by our Build to Rent business and by Private Credit, which offers clients diversification of secure income and value protection solutions, and which UK DB investors are now accessing through our successful SIAF and STAFF private credit funds.[34] We are continuing to build on our partnership with NTR, a leading renewable energy specialist, to provide institutional investors in the UK, Europe and Asia access to the €1 trillion European energy transition, with first close expected in Q4 2022.

Investment performance

The market backdrop year-to-date in 2022, has been very challenging. War in Ukraine has led to an Energy crisis and contributed to spiralling inflation. This, in turn, has led to considerable volatility and weakness in both fixed income and equity markets with key benchmark indices posting double-digit negative total returns, leaving very little respite for investors. As a result, our short-term performance across some of our active strategies has been challenging.

In Solutions and Index investment success is driven by matching, for example liability driven strategies, or tracking indices predefined by our clients. We continue to consistently and successfully deliver against these target returns, evidenced by increasing client flows.

Performance of our UK-managed Active Fixed Income strategies remains strong with 94% of strategies out-performing over 3 years and 91%[35] over 5 years. Our US-managed Active Fixed Income strategies have also performed strongly.

Within Private Markets, 77%[36] of our Real Estate Equity funds have outperformed over 3 years and our Private Credit performance remains strong.

Our investment success is also evident in the number of independent awards we have won over H1 2022 for investment performance, including ESG award at the City AM Awards 2022, Investment Manager of the Year and Passive Manager of the Year at the European Pensions Awards 2022, and Residential Asset Manager of the Year at the Property Week Resi awards.

[33] £9.9bn of assets as at 31st March 2022.
[34] SIAF = Secure Income Assets Fund. STAFF = Short Term Alternative Fund.
[35] Net fund performance data versus key comparators (benchmark or generic peer groups as per the relevant prospectuses, and benchmark per the relevant prospectus or custom peer group for Multi-asset) sourced from Lipper for the LGIM UCITS. All data as at 30 June 2022.
[36] Based on Q1 2022 position.

Leading in responsible investing

LGIM continues to build on its credentials as a responsible investor and remains committed to leading the asset management industry in addressing the environmental and social challenges arising from a rapidly changing world.

As at 30th June 2022, **LGIM managed £271.2bn (H1 2021: £252.3bn) in responsible investment strategies explicitly linked to ESG criteria for a broad range of clients**.[37]

LGIM has a strong, unified sense of purpose: to create a better future through responsible investing. To that end, we work to raise ESG standards on important global issues, leveraging our position as one of the largest global asset managers. LGIM is, for example, a founding signatory of the Net Zero Asset Managers Initiative, and has a global marketing partnership with Lewis Pugh, the UN Patron of the Oceans. Recent achievements include:

- **Commitment to net zero:**
    1. LGIM has committed to work in partnership with our clients to align 70% of eligible assets to net-zero carbon emissions by 2030, and to reach net-zero greenhouse gas emissions by 2050 or sooner across all eligible assets under management, in the same way that L&G has already committed to with its own balance sheet.
    2. Our DC default funds – available to over four million members across L&G Workplace Pensions and the L&G Mastertrust, have set interim targets to support their 2050 net-zero ambitions.
    3. LGIM Real Assets has committed to achieve net-zero carbon emissions across its UK real estate portfolio by 2050.
- **Product innovation**: The size of the global ESG market, currently $8 trillion, is expected to grow to $30 trillion by 2030.[38] We believe we are well positioned to benefit from this flow of AUM thanks to our authentic and differentiated proposition. We continue to build on our strong heritage in using index and active ESG investing insights to develop innovative new products, with 57% of our EU domiciled UCITS funds classified as ESG-incorporated (articles 8 or 9) under the EU annual Sustainable Finance Disclosure Regulation (SFDR) exercise. Around 85% of all new product development activity at LGIM is ESG-related, reflecting clients' belief in our heritage and strength in this area. Recent examples of ESG product innovation that place us at the forefront of growing client demand include:
    - The launch of a Global Diversified Credit fund aligned to the UN's Sustainable Development Goals.
    - The launch of a new Net Zero corporate bond fund, helping Fixed Income investors on their transition of their portfolios to Net Zero.
    - Continued bespoke ESG segregated account offerings for multiple clients, reflecting their individual ESG drivers and preferences.
- **Stewardship with impact**: LGIM is rated A+ for responsible investment strategy and governance, listed equity-incorporation, listed equity-active ownership and fixed income-SSA (supranational, sovereign, government agencies and subnational debt instruments) by the UN Principles for Responsible Investment. LGIM is ranked as one of the highest performers among asset managers for its approach to stewardship and holding companies to account on climate change by both FinanceMap and Majority Action, and in 2021 the Financial Reporting Council (FRC) recognised LGIM as a signatory to the UK Stewardship Code for our high standards of stewardship. We also recently published the sixth annual iteration of our market-leading Climate Impact Pledge, driving positive momentum to address climate risk, across approximately 1,000 companies and 15 climate-critical sectors. LGIM's voting decisions are guided by policies that are painstakingly researched, set and fine-tuned every year. We cast over 45,000 votes in H1 2022, and we publish all of our voting actions on our dedicated website. We also publicly disclose all rationales for votes against management and continue to publicly pre-declare our voting intentions on certain votes, for example where we consider the vote to be contentious, or as part of a specific engagement programme.
- **Investment in Tumelo**: In H1 2022 we acquired a minority stake in Tumelo, an ESG digital engagement platform, which we are providing to many of our DC pension clients. The technology enables pension scheme members to vote on the AGM proposals of companies they are invested in, driving greater consumer engagement and enabling LGIM to better understand members' views and therefore acting as an input to LGIM's engagement themes and voting stance.

[37] AUM in responsible investment strategies represents only the AUM from funds or client mandates that feature a deliberate and positive expression of ESG criteria, in the fund documentation for pooled fund structures or in a client's Investment Management Agreement.
[38] Broadridge Financial Solutions, November 2021.

Retail

FINANCIAL HIGHLIGHTS £m	H1 2022	H1 2021
Operating profit	**332**	292
- UK Insurance & Other	139	96
- US Insurance	46	38
- Retail Retirement	147	158
Investment and other variances	670	260
Profit / (loss) before tax attributable to equity holders	**1,002**	552
Release from operations[1]	345	262
New business surplus / (strain)	(2)	23
Net release from operations	**343**	285
Protection new business annual premiums	196	203
Individual annuities single premium	453	483
Workplace Savings net flows (£bn)[39]	4.3	6.0
Lifetime & Retirement Interest Only mortgage advances	338	414
UK Retail protection gross premiums	740	714
UK Group protection gross premiums	291	274
US protection gross premiums	574	512
Total protection gross premiums	**1,605**	1,500
Protection New Business Value	**92**	131
Annuities New Business Value	**32**	**33**
Solvency II New Business Value	**124**	**164**

1. Includes the annual dividend of $114m (H1 2021: $111m) paid by LGIA to the Group in March 2022.

Operating profit up £40m to £332m

During the first half of 2022, Retail operating profit increased 14% to £332m (H1 2021: £292m), driven by the on-going release from operations from the growing UK protection and individual annuity portfolios, valuation uplifts in both Salary Finance and Smartr365 and improvements in the discount rate for our US term liabilities. In the US, after significant adverse mortality experience over Q1 2022 (in line with the wider market), mortality returned to normal levels in Q2. Total Covid claims over H1 2022 were in line with the £57m Covid claims provision set up at year end.

Profit before tax was predominantly impacted by the formulaic change in discount rates. The positive investment variance of £670m was driven primarily by an increase in UK and US government bond yields which have resulted in a higher discount rate used to calculate the Insurance reserves. The UK 10 year gilt rate increased by 126bps and US 10 year Treasury yields increased by 150bps.

Solvency II New Business Value decreased by £40m to £124m (H1 2021: £164m) reflecting lower volumes in Retail protection after a strong first half in 2021, aided by the buoyant housing market. The Insurance business continues to generate Solvency II surplus immediately when written and provides diversification benefits to the Group, particularly the annuity business.

[39] This represents the Workplace Savings administration business. Profits on the fund management services we provide are included in LGIM's asset management operating profit.

Robust trading performance in H1

UK Retail protection gross premium income increased to £740m (H1 2021: £714m), with new business annual premiums of £85m (H1 2021: £105m) in a smaller market (2021 benefitted from a buoyant housing market driven by stamp duty relief). L&G leads the UK protection market with a market share of 22%[40], delivering a point of sale decision for more than 80% of our customers.

UK Group protection new business annual premiums were £63m (H1 2021: £55m) with gross written premiums increasing 6% to £291m (H1 2021: £274m). Our online quote and apply platform for smaller schemes launched last year and we are seeing strong growth in this part of the market. Group Protection supported 1,574 members of income protection schemes to return to work during the first half of the year.

US protection (LGIA) gross written premiums increased 5% (up 12% on a sterling basis, benefiting from FX movements) to $746m (H1 2021: $712m). New business annual premiums increased 5% to $62m (H1 2021: $59m), with strong new business margins of 10.7% (H1 2021: 11.5%). LGIA ranked number one in the brokerage general agency channel in the first quarter by new policies issued and number two in new premium. We continue to develop our market-leading, digital new business platform (Horizon) which is starting to deliver in line with expectation, and we expect to drive further sales growth and to reduce unit costs over the coming years. Two thirds of new business is now submitted through our Horizon platform and we expect this to increase over H2.

Legal & General Mortgage Club facilitated £50bn of mortgages, up 6% (H1 2021: £47bn), driven by continued strong demand in the mortgage/remortgage market. We remain the largest participant in the UK intermediated mortgage market and are involved in around one in five of all UK mortgage transactions. Our Surveying Services business facilitated over 276,000 surveys and valuations (H1 2021: 263,000). Since buying a new house is often a catalyst for purchasing life insurance, the Legal & General Mortgage Club is a supporting component of our overall offering to customers.

Individual annuity sales were £453m (H1 2021: £483m) in what has been a smaller overall market during 2022, as we expect retirees have been choosing to defer annuity retirement options, given the volatile macro-economic environment. Our relative performance has remained strong: our operational service, competitive pricing and intermediary presence allowed us broadly to maintain our market share at 20.5%.[40]

Lifetime mortgage advances, including Retirement Interest Only mortgages, were £338m (H1 2021: £414m). Throughout this period, we have maintained pricing and underwriting discipline. At H1 2022, LTMs were 7% of our total annuity assets and our LTM new business portfolio had an average customer age of 72 and a weighted average loan-to-value of c34% at point of sale.

Workplace Savings net flows were £4.3bn (H1 2021: £6.0bn), driven by continued client wins and increased contributions. Members on the Workplace pension platform increased to 4.7 million in H1 2022. We are continuing to focus on improving efficiency and scale as the business grows.

Scaling up our Fintech businesses

Retail has continued with its strategy to invest in and scale up innovative fintech businesses in adjacent markets.

Salary Finance, an employee benefits platform in which we have a 48% holding, continues to grow rapidly, with the platform now connected to over 4.2 million employees across the UK and US. Gross revenue grew to £20.5m, an increase of just over 60% year on year. It remains one of the UK's fastest growing Fintechs and is well positioned for growth in the UK, the US and beyond. Salary Finance completed a transaction to sell Work Report to Experian in H1 2022, generating a substantial cash injection as a result. The proceeds of this transaction, places Salary Finance in a strong position for continued growth.

Our c49% investment in Smartr365, a complete end-to-end mortgage platform designed to simplify the mortgage process for brokers, introducers, networks and consumers, has moved from start up to scale up across the UK mortgage broking market, also achieving a successful funding round over H1 2022. We now have around 3,400 licences signed up and continue to receive strong feedback on the proposition.

A new investment was made in Onto, an all-inclusive electric car subscription provider. Onto's growth plans include opportunities for a salary deduction workplace offering which L&G is ideally placed to support given our multiple, workplace-focused businesses and investments. Onto's business model also aligns well with our ambitions to help the UK economy transition to net zero.

The strategy of platform ownership and influence has continued to serve us well in the mortgage and home-financing "ecosystem". Our mortgage research tools for affordability, criteria and product reach over 19k advisers in the mortgage broking market following a focus on user growth through active promotion over the last six months. Within our Legal & General surveying business, our work to digitise the market has proved invaluable for lenders, primarily banks, through the pandemic and this trend has continued into 2022. Our digital valuation services have been used by many of our key clients with over 153k completed since 2019.

[40] ABI Q1 2022 Report.

Borrowings

The Group's outstanding core borrowings totalled £4.4bn at 30 June 2022 (FY 2021: £4.3bn; H1 2021: £4.5bn). There is also a further £1.2bn (FY 2021: £0.9bn; H1 2021: £1.1bn) of operational borrowings including £1.0bn (FY 2021: £0.9bn; H1 2021: £1.1bn) of non-recourse borrowings.

Group debt costs of £108m (H1 2021: £120m) reflect an average cost of debt of 4.9% per annum (H1 2021: 5.1% per annum) on an average nominal value of debt balances of £4.5bn (H1 2021: £4.8bn).

Taxation

Equity holders' Effective Tax Rate (%)	**H1 2022**	H1 2021
Equity holders' total Effective Tax Rate	**15.7**	19.5
Annualised rate of UK corporation tax	**19.0**	19.0

The H1 2022 effective tax rate reflects the different rates of taxation that apply to Legal & General's overseas operations, as well as applying the future enacted UK tax rate of 25% (which applies from 1 April 2023) on deferred tax movements in the period.

The tax rate on operating profits, excluding the impact of investment variance, was 17.2% (H1 2021: 16.1%).

Solvency II

As at 30 June 2022, the Group had an estimated Solvency II surplus of £9.2bn over its Solvency Capital Requirement, corresponding to a Solvency II coverage ratio of 212%.

Capital (£m)	H1 2022	2021
Own Funds	17,374	17,561
Solvency Capital Requirement (SCR)	(8,193)	(9,376)
Solvency II surplus	**9,181**	**8,185**
SCR coverage ratio (%)	**212**	**187**

Analysis of movement from 1 January 2022 to 30 June 2022[1] (£m)	Solvency II Own Funds	Solvency II SCR	Solvency II Surplus
Operational surplus generation	**748**	**198**	**946**
New business strain	175	(296)	(121)
Net surplus generation	**923**	**(98)**	**825**
Operating variances			(231)
Mergers, acquisitions and disposals			-
Market movements			1,194
Subordinated debt			-
Dividends paid			(792)
Total surplus movement (after dividends paid in the period)	**(187)**	**1,183**	**996**

1. Please see disclosure note 6.01(c) for further detail.

Operational surplus generation increased to £946m (H1 2021: £831m), after allowing for amortisation of the opening Transitional Measures on Technical Provisions (TMTP) and release of Risk Margin.

New business strain was £(121)m, primarily reflecting UK PRT volumes written at a capital strain of less than 4%. This resulted in net surplus generation of £825m (H1 2021: £673m).

Dividends paid represent the payment of the 2021 final dividend in June 2022, which is the larger of the two dividends paid during the year.

Operating variances include the impact of experience variances, changes to assumptions, and management actions. The net impact of operating variances over the period was negative and predominantly reflects timing differences which we expect to reverse in H2. Market movements of £1,194m primarily reflect the impact of rising rates on the valuation of our balance sheet, partially offset by weaker asset markets, predominantly in equities, credit spread dispersion in sub-investment grade assets, as well as a number of other, smaller variances.

The movements shown above incorporate the impact of recalculating the TMTP as at 30 June 2022.

Reconciliation of IFRS net release from operations to Solvency II net surplus generation[1]

The table below gives a reconciliation of the Group's IFRS Release from operations and Solvency II Operational surplus generation in H1 2022:

	£bn
IFRS Release from operations	**892**
Expected release of IFRS prudential margins	(273)
Release of IFRS specific reserves	(83)
Solvency II investment margin	67
Release of Solvency II Capital Requirement and Risk Margin less TMTP amortisation	343
Solvency II Operational Surplus Generation	**946**

The table below gives a reconciliation of the Group's IFRS New business surplus to Solvency II New business strain in H1 2022:

	£bn
IFRS New business surplus	**153**
Removal of requirement to set up prudential margins above best estimate on new business	94
Set up of Solvency II Capital Requirement on new business	(296)
Set up of Risk Margin on new business	(72)
Solvency II New business strain	**(121)**

1. Please see disclosure 2.02 and 6.01 (d) for further details.

Sensitivity analysis[2]

	Impact on net of tax Solvency II capital surplus H1 2022 £bn	Impact on net of tax Solvency II coverage ratio H1 2022 %
100bps increase in risk free rates	0.5	19
50bps decrease in risk free rates	(0.3)	(9)
Credit spreads widen by 100bps assuming an escalating addition to ratings	0.4	12
Credit spreads narrow by 100bps assuming an escalating addition to ratings	(0.4)	(15)
Credit spreads widen by 100bps assuming a flat addition to ratings	0.4	14
Credit spreads of sub-investment grade assets widen by 100bps assuming a level addition to ratings	(0.3)	(8)
Credit migration	(1.2)	(14)
25% fall in equity markets	(0.4)	(3)
15% fall in property markets	(0.9)	(9)
50bps increase in future inflation expectations	-	(3)
Substantially reduced Risk Margin	0.5	7

2. Please see disclosure 6.01 (f) for further details.

The above analysis does not reflect all possible management actions which could be taken to reduce the impact of each sensitivity due to the complex nature of the modelling. In practice, the Group actively manages its asset and liability positions to respond to market movements. Other than in the interest rate and inflation stresses, we have not allowed for the recalculation of TMTP. The impacts of these stresses are not linear therefore these results should not be used to interpolate or extrapolate the impact of a smaller or larger stress.

The results of these tests are indicative of the market conditions prevailing at the balance sheet date. The results would be different if performed at an alternative reporting date.

The impacts of credit spreads and risk-free rate sensitivities are primarily non-economic arising from movements in balance sheet items that result from changes in the discount rates used to calculate the value of assets and liabilities. The credit migration stress, in the absence of defaults, delays the emergence of operating surplus generation, but does not reduce the actual quantum of future releases. Similarly, equity and property stresses only result in losses if assets are sold at depressed values.

Solvency II new business contribution

Management estimates of the present value of new business (PVNBP) and the margin as at 30 June 2022 are shown below[1]:

	PVNBP	Contribution from new business	Margin %
LGRI - UK annuity business (£m)	**3,715**	**323**	**8.7**
Retail Retirement – UK annuity business	**453**	**32**	**7.1**
UK Protection Total (£m)	**870**	**50**	**5.7**
- Retail protection	578	28	4.8
- Group protection	292	22	7.5
US Protection (£m)	**391**	**42**	**10.7**

The key economic assumptions as at 30 June 2022 are as follows:

	%
Margin for risk	**4.1**
Risk free rate	
- UK	**2.3**
- US	**3.0**
Risk discount rate (net of tax)	
- UK	**6.4**
- US	**7.1**
Long-term rate of return on non-profit annuities	**4.4**

1. Please see disclosure 6.02 for further details.

The future earnings are discounted using duration-based discount rates, which is the sum of a duration-based risk free rate and a flat margin for risk. The risk free rates have been based on a swap curve net of the PRA-specified Credit Risk Adjustment. The risk free rate shown above is a weighted average based on the projected cash flows.

Other than updating for recent experience, all other economic and non-economic assumptions and methodologies that would have a material impact on the margin for these contracts are unchanged from those previously used by the group for its European Embedded Value reporting, other than the cost of currency hedging which has been updated to reflect current market conditions and hedging activity in light of Solvency II.

Principal risks and uncertainties

Legal & General runs a portfolio of risk taking businesses; we accept risk in the normal course of business and aim to deliver sustainable returns on risk based capital to our investors in excess of our cost of capital. We manage the portfolio of risk that we accept to build a sustainable franchise for the interests of all our stakeholders; we do not aim to eliminate that risk. We have an appetite for risks that we understand and are rewarded for, and which are consistent with delivery of our strategic objectives. Risk management is embedded within the business. The Group's Principal Risks and Uncertainties summarise key matters that may impact the delivery of Group's strategy earnings or profitability. The risks are expected to remain applicable for the remaining six months of the year.

RISKS AND UNCERTAINTIES	TREND, OUTLOOK AND MITIGATION
Investment market performance and conditions in the broader economy may adversely impact earnings, profitability or surplus capital. The performance and liquidity of financial and property markets, interest rate movements and inflation impact the value of investments we hold in shareholders' funds and to meet the obligations from insurance business; the movement in certain investments directly impacts profitability. Interest rate movements and inflation can also change the value of our obligations and although we seek to match assets and liabilities, losses can still arise from adverse markets. Falls in the risk free yield curve can also create a greater degree of inherent volatility to be managed in the Solvency II balance sheet, potentially impacting capital requirements and surplus capital. Falls in investment values can reduce our investment management fee income.	Whilst global and UK economic activity is returning to pre-pandemic levels, there remains significant uncertainty to the impacts of inflation on the sustainability of the recovery, particularly should current inflationary pressures become deep seated or should policy responses prove ineffective in response. Financial markets, as well as being impacted by the economic outlook also continue to be susceptible to shocks from a range of geo-political factors including the on-going war in Ukraine and potential further ruptures in the US-China relationship. The world also remains vulnerable to the emergence of new Covid-19 variants. Within the UK, uncertainty persists in certain elements of commercial property markets, and within our construction businesses supply chain and labour shortages are significant risks. We cannot eliminate the downside impacts on our earnings, profitability or surplus capital from investment market volatility and adverse economic conditions, although we seek to position our investment portfolios and wider business plans for a range of plausible economic scenarios and investment market conditions to ensure their resilience across a range of outcomes.
In dealing with issuers of debt and other types of counterparty, the group is exposed to the risk of financial loss. Systemic corporate sector failures, or a major sovereign debt event, could, in extreme scenarios, trigger defaults impacting the value of our bond portfolios. Under Solvency II, a widespread widening of credit spreads and downgrades can also result in a reduction in our Solvency II balance sheet surplus, despite already setting aside significant capital for credit risk. We are also exposed to default risks in dealing with banking, money market and reinsurance counterparties, as well as settlement, custody and other bespoke business services. Default risk also arises where we undertake property lending, with exposure to loss if an accrued debt exceeds the value of security taken.	Although the wider economy has largely recovered from the direct effects of global lockdowns, a range of industries remain vulnerable to further Covid-19 disease control measures including the leisure, transport, travel and retail consumer cyclical sectors, with the risk of downgrade and default remaining particularly as governments refocus economic support packages on ameliorating the effects of the current high rates of inflation in many economies. A period of sustained inflation with increases in interest rate suppressing economic activity in sectors reliant on discretionary spending could compound the effects. We continue to actively manage our exposure to downgrade and default risks within our chiefly investment-grade credit portfolios, through setting selection criteria and exposure limits, and using LGIM's global credit team's capabilities to ensure risks are effectively controlled, and where appropriate trading out to improve credit quality. In our property lending businesses, our loan criteria take account of borrower default and movements in the value of security. We manage our reinsurer exposures dealing only with those with a strong investment-grade rating at outset, setting rating based exposure limits, and where appropriate taking collateral. Whilst we manage risks to our Solvency II balance sheet, we can never eliminate downgrade or default risks, although we seek to hold a strong balance sheet that we believe to be resilient to a range of adverse scenarios.

RISKS AND UNCERTAINTIES	TREND, OUTLOOK AND MITIGATION
We fail to respond to the emerging threats from climate change for our investment portfolios and wider businesses. As a significant investor in financial markets, commercial real estate and housing, we are exposed to climate related transition risks, particularly should abrupt shifts in the political and technological landscape impact the value of those investment assets associated with higher levels of greenhouse gas emissions. Our interests in property assets may also expose us to physical climate change related risks, including flood risks. We are also exposed to the risk of adverse perceptions of the group and climate risk related litigation should our responses not align with environment, social and governance (ESG) rating expectations.	Climate change and failure to transition to a low carbon economy remains a significant risk that we believe has still to be fully priced in by financial markets, with delays in responding to the threats increasing the risk of sudden late policy action, leading to potentially large and unanticipated shifts in asset valuations for impacted industries. We continue to embed the assessment of climate risks in our investment process, including in the management of real assets. At the aggregate level we measure the carbon intensity targets of our investment portfolios, and along with specific investment exclusions for carbon intensive industries, we have set overall reduction targets aligned with a 1.5°C interpretation of the Paris Agreement, including setting near term science based targets to support our long term emission reduction goals. We are also closely monitoring the political and regulatory landscape, and as part of our climate strategy we engage with regulators and investee companies in support of climate action. We remain vigilant to ensure there is a resonance between what we say and what we do on ESG issues, and are alert to the risks of "greenwashing" while acknowledging we are a complex and multi-faceted business, and there are strongly-held but often conflicting views among our key stakeholders.
Reserves and our assessment of capital requirements may require revision as a result of changes in experience, regulation or legislation. The pricing of long-term business requires the setting of assumptions for long-term trends in factors such as mortality, lapse rates, valuation interest rates, expenses and credit defaults as well as the availability of assets with appropriate returns. Actual experience may require recalibration of these assumptions, increasing the level of reserves and impacting reported profitability. Management estimates are also required in the derivation of Solvency II capital metrics. These include modelling simplifications to reflect that it is not possible to perfectly model the external environment. Forced changes in reserves can also arise from regulatory or legislative intervention impacting capital requirements and profitability.	We undertake significant analysis of the variables associated with writing long-term insurance business to ensure that a suitable premium is charged for the risks we take on, and that reserves continue to remain appropriate for factors including mortality, lapse rates, valuation interest rates, and expenses, as well as credit default in the assets backing our insurance liabilities. In seeking a comprehensive understanding of longevity, we continue to evaluate how Covid-19 may impact wider trends in life expectancy. In our protection business, as part of our continuous evolution of our underwriting capabilities, we seek to ensure we fairly assess Covid-19 and associated impacts it has had on healthcare systems, including the deferral of medical treatments, as a risk factor. We cannot remove the risk that adjustment to reserves may be required as a result of these and other factors, although the selective use of reinsurance acts to reduce the impacts to us of significant variations in life expectancy and mortality. Other risk factors that may impact future reserving requirements include a sustained and rapid advances in medical science, beyond that anticipated, requiring adjustment to our longevity assumptions; and the emergence of new diseases and changes in immunology impacting mortality and morbidity assumptions. At present we do not believe climate change to be a material driver for mortality and longevity risk in the medium term, but we will continue to keep this under review.
Changes in regulation or legislation may have a detrimental effect on our strategy. Legislation and government fiscal policy influence our product design, the period of retention of products and required reserves for future liabilities. Regulation defines the overall framework for the design, marketing, taxation and distribution of our products, and the prudential capital that we hold. Significant changes in legislation or regulation may increase our cost base, reduce our future revenues and impact profitability or require us to hold more capital. The prominence of the risk increases where change is implemented without prior engagement with the sector. The nature of long-term business can also result in some changes in regulation, and the re-interpretation of regulation over time, having a retrospective effect on in-force books of business, impacting future cash generation.	Regulatory driven change remains a significant risk factor across our businesses. Areas of future change include HM Treasury's consultation on Solvency II and the Future Regulatory Framework post Brexit; and the UK's financial conduct regulator's proposal for a new Consumer Duty which will place obligations to evidence the delivery of good customer outcomes. We also continue to prepare in readiness for IFRS 17, which will introduce a new suite of financial reporting metrics. Within our property construction businesses, the Building Safety Bill and the Environment Act 2021 will also introduce new operating requirements. Our internal control framework seeks to ensure on-going compliance with relevant legislation and regulation. Residual risk remains, however, that controls may fail or that historic financial services industry accepted practices may be reappraised by regulators, resulting in sanctions against the group.

RISKS AND UNCERTAINTIES	TREND, OUTLOOK AND MITIGATION
New entrants may disrupt the markets in which we operate. There is already strong competition in our markets, and although we have had considerable past success at building scale to offer low cost products, we recognise that markets remain attractive to new entrants. It is possible that alternative digitally enabled financial services providers emerge with lower cost business models or innovative service propositions and disrupt the current competitive landscape. We are also cognisant of competitors who may have lower return on capital requirements or be unconstrained by Solvency II.	We continue to monitor the factors that may impact the markets in which we operate, including evolving domestic and international capital standards, and are maintaining our focus on developing our digital platforms. We have a number of direct investments in strategically important market segments to enhance delivery of our core businesses and LGIM continue to invest in technology to achieve the resilience and agility critical to future success. We observe a continued acceleration of a number of trends, including greater consumer engagement in digital business models and on-line servicing tools. It has also seen businesses like ours transform working practices, and we expect to continue to invest in automation, using robotics to improve business efficiency. Our businesses are also well positioned for changes in the competitive landscape that may arise from the roll out of defined benefit 'superfund' consolidation schemes, pension dashboards and 'collective' pension scheme arrangements. We continue to be supportive of the opportunity for reform of the Solvency II capital regime post Brexit.
A material failure in our business processes or IT security may result in unanticipated financial loss or reputation damage. We have constructed our framework of internal controls to minimise the risk of unanticipated financial loss or damage to our reputation. However, no system of internal control can completely eliminate the risk of error, financial loss, fraudulent actions or reputational damage. We are also inherently exposed to cyber threats including the risks of data theft and fraud. There is also strong stakeholder expectation that our core business services are resilient to operational disruption.	Our risk governance model seeks to ensure that business management are actively engaged in maintaining an appropriate control environment, supported by risk functions led by the Group Chief Risk Officer, with independent assurance from Group Internal Audit. Whilst we seek to maintain a control environment commensurate with our risk profile we recognise that residual risk will always remain across the spectrum of our business operations and we aim to develop response plans so that when adverse events occur, appropriate actions are deployed in a timely fashion. We remain, alert to evolving operational risks and continue to invest in our system capabilities, including those for the management of cyber risks, and continue to evolve our operational resilience capabilities in line with financial services regulatory requirements.
The success of our operations is dependent on the ability to attract and retain highly qualified professional people. The Group aims to recruit, develop and retain high quality individuals. We are inherently exposed to the risk that key personnel or teams of expertise may leave the Group, with an adverse effect on the Group's businesses. As we increasingly focus on the digitalisation of our businesses, we are also competing for data and digital skill sets with other business sectors as well as our peers.	Competition for talent across the full range of capabilities and qualifications remains intense and demands that the Group offers competitive compensation arrangements as well as opportunities for development and an attractive work environment. People with skills in areas such as technology and digital are particularly sought after across many business sectors, including those in which we operate. We also recognise the risks posed by the outlook for inflation in salary expectations across the wider employment market. Market-wide approaches to hybrid working are still evolving, and although we believe we are taking the right steps, there remains a risk that our model does not align with the expectations of those we seek to attract or retain. We continue to seek to ensure that key personnel dependencies do not arise, through employee training and development programmes, remuneration strategies and succession planning. Our processes include the active identification and development of talent within our workforce, and by highlighting our values and social purpose, promoting Legal & General as a great place to work. We also engage our people on new ways of working under our hybrid home:office model and are investing in technology and upgrading our buildings to support a range of working styles.

Notes

A copy of this announcement can be found in "Results, Reports and Presentations", under the "Investors" section of our shareholder website at www.legalandgeneralgroup.com/investors/results-reports-and-presentations.

A presentation to analysts and investors will take place at 10:30am UK time today at One Coleman Street, London, EC2R 5AA. There will also be a live webcast of the presentation that can be accessed at www.legalandgeneralgroup.com/investors/results-reports-and-presentations.

A replay of the presentation will be made available on this website by 12th August 2022.

Financial Calendar	Date
2022 interim results announcement	**9 August 2022**
Ex-dividend date (2022 interim dividend)	**18 August 2022**
Record date	**19 August 2022**
Dividend payment date	**26 September 2022**
2022 preliminary results announcement	**8 March 2023**

Definitions

Definitions are included in the Glossary on pages 101 to 105 of this release.

Forward-looking statements

This announcement may contain 'forward-looking statements' with respect to the financial condition, performance and position, strategy, results of operations and businesses of the Company and the Group that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as 'may', 'could', 'will', 'expect', 'intend', 'estimate', 'anticipate', 'believe', 'plan', 'seek', 'continue' or other words of similar meaning. By their very nature, forward-looking statements are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. The factors that could cause actual results to differ materially from those described in the forward-looking statements include (but are not limited to): changes in global, political, economic, business, competitive and market forces or conditions; future exchange and interest rates; changes in environmental, social or physical risks; legislative, regulatory and policy developments; risks arising out of health crises and pandemics; changes in tax rates, future business combinations or dispositions; and other factors specific to the Group. Any forward-looking statement contained in this document is based on past or current trends and/or activities of the Group and should not be taken as a representation that such trends or activities will continue in the future. No statement in this document is intended to be a profit forecast or to imply that the earnings of the Group for the current year or future years will necessarily match or exceed the historical or published earnings of the Group. Each forward-looking statement speaks only as of the date of the particular statement. Except as required by any applicable laws or regulations, the Group expressly disclaims any obligation to revise or update any forward-looking statement contained within this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.

Caution about climate information

This announcement contains climate and ESG disclosures which use a large number of judgments, assumptions and estimates. These judgments, assumptions and estimates are likely to change over time. In addition, the Group's climate risk analysis and net zero strategy remain under development and the data underlying the analysis and strategy remain subject to evolution. As a result, certain climate and ESG disclosures made in this announcement are likely to be amended, updated, recalculated or restated in future announcements. This statement should be read together with the Cautionary statement contained in the Group's 2021 Climate Report.

The information, statements and opinions contained in this announcement do not constitute an offer to sell or buy or the solicitation of an offer to sell or buy any securities or financial instruments nor do they constitute any advice or recommendation with respect to such securities or other financial instruments or any other matter

Going concern statement

Going concern statement is included on disclosure note 4.01(a) on page 52 of this release.

Directors' responsibility statement

We confirm to the best of our knowledge that:

i. The consolidated interim financial statements have been prepared in accordance with UK-adopted IAS 34 Interim Financial Reporting;

ii. The interim management report includes a fair review of the information required by DTR 4.2.7, namely an indication of important events that have occurred during the first six months of the financial year and their impact on the consolidated interim financial statements, as well as a description of the principal risks and uncertainties faced by the company and the undertakings included in the consolidation taken as a whole for the remaining six months of the financial year;

iii. The interim management report includes, as required by DTR 4.2.8, a fair review of material related party transactions that have taken place in the first six months of the financial year and any material changes in the related party transactions described in the last Annual Report and Accounts; and

iv. The directors of Legal & General Group Plc are listed in the Legal & General Group Plc Annual Report and Accounts for 31 December 2021. A list of current directors is maintained on the Legal & General Group Plc website: www.legalandgeneralgroup.com/about-us/our-management/group-board/.

By order of the Board

Sir Nigel Wilson
Group Chief Executive
8 August 2022

Stuart Jeffrey Davies
Group Chief Financial Officer
8 August 2022

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1 Independent review report to Legal & General Group Plc

Conclusion

We have been engaged by Legal & General Group Plc ('the company') to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 which comprises the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Condensed Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows (pages 46 to 51) and the related explanatory notes to the interim financial statements (pages 35 to 45 and 52 to 72).

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity ("ISRE (UK) 2410") issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern, and the above conclusions are not a guarantee that the group will continue in operation.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 4.01, the latest annual financial statements of the group are prepared in accordance with UK-adopted international accounting standards. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK. In preparing the condensed set of financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

1 Independent review report to Legal & General Group Plc (continued)

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Salim Tharani

for and on behalf of KPMG LLP
Chartered Accountants

15 Canada Square
London
E14 5GL

8 August 2022

2.01 Operating profit#

For the six month period to 30 June 2022

	Notes	**6 months 2022 £m**	6 months 2021 £m	Full year 2021 £m
Legal & General Retirement Institutional (LGRI)[1]	2.03	**560**	525	1,154
Legal & General Capital (LGC)	2.04	**263**	250	461
Legal & General Investment Management (LGIM)	2.05	**200**	204	422
Retail	2.03	**332**	292	620
- Insurance[2]		185	134	268
- Retail Retirement[1]		147	158	352
Operating profit from divisions		**1,355**	1,271	2,657
Group debt costs[3]		**(108)**	(120)	(230)
Group investment projects and expenses		**(87)**	(72)	(165)
Operating profit		**1,160**	1,079	2,262
Investment and other variances	2.06	**207**	244	233
Losses attributable to non-controlling interests		**-**	(3)	(7)
Adjusted profit before tax attributable to equity holders		**1,367**	1,320	2,488
Tax expense attributable to equity holders	4.04	**(214)**	(258)	(445)
Profit for the period	3.01	**1,153**	1,062	2,043
Total tax expense	3.01	**287**	339	589
Profit before tax	3.01	**1,440**	1,401	2,632
Profit attributable to equity holders		**1,153**	1,065	2,050
Earnings per share:				
Basic (pence per share)[4]	2.07	**19.28p**	17.78p	34.19p
Diluted (pence per share)[4]	2.07	**18.37p**	16.96p	32.57p

1. From 1 January 2022, following changes to business unit responsibilities within the Executive Committee, the group's reportable segments have been updated to align with its five core businesses. Prior period comparatives have been restated to reflect this change in segmentation. Further details are provided in Note 2.08.
2. Insurance operating profit includes £46m (H1 21: £38m; FY 21: £(52)m) from US Insurance.
3. Group debt costs exclude interest on non-recourse financing.
4. All earnings per share calculations are based on profit attributable to equity holders of the company.

This supplementary operating profit information (one of the group's key performance indicators) provides additional analysis of the results reported under IFRS, and the group believes it provides stakeholders with useful information to enhance their understanding of the performance of the business in the period.

Operating profit measures the pre-tax result excluding the impact of investment volatility, economic assumption changes caused by changes in market conditions or expectations and exceptional items. It therefore reflects longer-term economic assumptions for the group's LGRI and Retail businesses and shareholder funds, including the traded portfolio in LGC. For the group's direct investments, operating profit reflects the expected long-term economic return for those assets which are developed with the intention of sale, or the IFRS profit before tax for the early stage and mature businesses. Variances between actual and long-term expected investment return on traded and real assets (including direct investments) are excluded from operating profit, as well as economic assumption changes caused by changes in market conditions or expectations (e.g. credit default and inflation) and any difference between the actual allocated asset mix and the target long-term asset mix on new pension risk transfer business. Operating profit also excludes the yield associated with assets held for future new pension risk transfer business from the valuation discount rate on insurance contract liabilities. Exceptional income and expenses which arise outside the normal course of business in the year, such as merger and acquisition and start-up costs, are also excluded from operating profit.

The group reports its results across the following business segments:

- LGRI represents worldwide pension risk transfer business including longevity insurance.
- LGC represents shareholder assets invested in direct investments primarily in the areas of specialist commercial real estate, clean energy, housing and SME finance, as well as traded and treasury assets.
- LGIM represents institutional and retail investment management.
- Insurance primarily represents UK protection (both group and retail) and Fintech business (UK Insurance and other), as well as US retail protection business (US Insurance).
- Retail Retirement primarily represents retail annuity and drawdown products, workplace savings and lifetime mortgage loans.

All references to 'Operating profit' throughout this report represent 'Adjusted operating profit', an alternative performance measure defined in the glossary.

2.02 Reconciliation of release from operations to operating profit# before tax

For the six month period to 30 June 2022	Release from operations[1] £m	New business surplus/ (strain) £m	Net release from operations £m	Experience variances £m	Changes in valuation assumptions £m	Non-cash items £m	Other[2] £m	Operating profit/ (loss) after tax £m	Tax expense/ (credit) £m	Operating profit/ (loss) before tax £m
LGRI[3]	**310**	**156**	**466**	**6**	**-**	**7**	**-**	**479**	**81**	**560**
LGC	**208**	**-**	**208**	**-**	**-**	**-**	**-**	**208**	**55**	**263**
LGIM	**162**	**-**	**162**	**-**	**-**	**-**	**-**	**162**	**38**	**200**
Retail	**345**	**(2)**	**343**	**(3)**	**18**	**(2)**	**(77)**	**279**	**53**	**332**
- Insurance	219	(8)	211	2	18	(1)	(77)	153	32	185
- Retail Retirement[3]	126	6	132	(5)	-	(1)	-	126	21	147
Total from divisions	**1,025**	**154**	**1,179**	**3**	**18**	**5**	**(77)**	**1,128**	**227**	**1,355**
Group debt costs	**(87)**	**-**	**(87)**	**-**	**-**	**-**	**-**	**(87)**	**(21)**	**(108)**
Group investment projects and expenses	**(47)**	**-**	**(47)**	**-**	**-**	**-**	**(34)**	**(81)**	**(6)**	**(87)**
Total	**891**	**154**	**1,045**	**3**	**18**	**5**	**(111)**	**960**	**200**	**1,160**

1. Release from operations within Insurance includes £85m of dividends from US Insurance.
2. Other includes experience variances, changes in valuation assumptions (includes changes to assets allocation) and non-cash items relating to US Insurance.
3. From 1 January 2022, following changes to business unit responsibilities within the Executive Committee, the group's reportable segments have been updated to align with its five core businesses. Prior period comparatives have been restated to reflect this change in segmentation. Further details are provided in Note 2.08.

Release from operations for LGRI and the UK protection business within Retail represents the expected IFRS surplus generated in the period from the difference between the prudent assumptions underlying the IFRS liabilities and our best estimate of future experience. For workplace savings within Retail Retirement, the release from operations represents the expected annual management charges generated from the in-force business less expected expenses. The Insurance release from operations also includes dividends remitted from US Insurance and IFRS profit after tax for the Fintech business.

New business surplus/(strain) for LGRI and the UK protection business represents the initial profit or loss from writing new business. This includes the costs associated with acquiring new business and setting up prudent reserves, net of tax. Similarly for workplace savings, this includes the cost of acquiring new business in the year less the annual management charges generated by the assets under administration (AUA), net of tax. The new business surplus and release from operations for LGRI and Retail excludes any capital held in excess of the prudent reserves from the liability calculation.

LGRI and Retail Retirement's new business metrics are presented based on a single target long-term asset portfolio. At certain period ends, depending upon the quantum and timing of pension risk transfer (PRT) volumes, we may have sourced more or less of the high quality assets targeted to support that business. At period end, the profit impact of the difference between actual assets held (including alternative surplus assets where suitable) and the long-term asset mix is reflected in investment variance.

Net release from operations for LGRI and Retail is defined as release from operations plus new business surplus/(strain).

Release from operations and net release from operations for LGC and LGIM represents the operating profit (net of tax).

See Note 2.03 for more detail on experience variances, changes to valuation assumptions and non-cash items.

All references to 'Operating profit' throughout this report represent 'Adjusted operating profit', an alternative performance measure defined in the glossary.

2.02 Reconciliation of release from operations to operating profit# before tax (continued)

For the six month period to 30 June 2021	Release from operations[1] £m	New business surplus/ (strain) £m	Net release from operations £m	Exper-ience variances £m	Changes in valuation assump-tions £m	Non-cash items £m	Other[2] £m	Operating profit/ (loss) after tax £m	Tax expense/ (credit) £m	Operating profit/ (loss) before tax £m
LGRI[3]	252	68	320	105	8	15	-	448	77	525
LGC	213	-	213	-	-	-	-	213	37	250
LGIM	163	-	163	-	-	-	-	163	41	204
Retail	262	23	285	16	1	1	(64)	239	53	292
- Insurance	151	8	159	4	1	4	(64)	104	30	134
- Retail Retirement[3]	111	15	126	12	-	(3)	-	135	23	158
Total from divisions	890	91	981	121	9	16	(64)	1,063	208	1,271
Group debt costs	(97)	-	(97)	-	-	-	-	(97)	(23)	(120)
Group investment projects and expenses	(30)	-	(30)	-	-	-	(31)	(61)	(11)	(72)
Total	763	91	854	121	9	16	(95)	905	174	1,079

For the year ended 31 December 2021	Release from operations[1] £m	New business surplus/ (strain) £m	Net release from operations £m	Exper-ience variances £m	Changes in valuation assump-tions £m	Non-cash items £m	Other[2] £m	Operating profit/ (loss) after tax £m	Tax expense/ (credit) £m	Operating profit/ (loss) before tax £m
LGRI[3]	512	193	705	40	212	27	-	984	170	1,154
LGC	379	-	379	-	-	-	-	379	82	461
LGIM	342	-	342	-	-	-	-	342	80	422
Retail	463	54	517	28	121	2	(138)	530	90	620
- Insurance	236	27	263	14	82	6	(138)	227	41	268
- Retail Retirement[3]	227	27	254	14	39	(4)	-	303	49	352
Total from divisions	1,696	247	1,943	68	333	29	(138)	2,235	422	2,657
Group debt costs	(186)	-	(186)	-	-	-	-	(186)	(44)	(230)
Group investment projects and expenses	(69)	-	(69)	-	-	-	(68)	(137)	(28)	(165)
Total	1,441	247	1,688	68	333	29	(206)	1,912	350	2,262

1. Release from operations within Insurance includes £80m of dividends from US Insurance.
2. Other includes experience variances, changes in valuation assumptions and non-cash items relating to US Insurance.
3. From 1 January 2022, following changes to business unit responsibilities within the Executive Committee, the group's reportable segments have been updated to align with its five core businesses. Prior period comparatives have been restated to reflect this change in segmentation. Further details are provided in Note 2.08.

All references to 'Operating profit' throughout this report represent 'Adjusted operating profit', an alternative performance measure defined in the glossary.

2.03 Analysis of LGRI and Retail operating profit

For the six month period to 30 June 2022

	LGRI[1] 6 months 2022 £m	**Retail[1] 6 months 2022 £m**	LGRI[1] 6 months 2021 £m	Retail[1] 6 months 2021 £m	LGRI[1] Full year 2021 £m	Retail[1] Full year 2021 £m
Net release from operations	**466**	**343**	320	285	705	517
Experience variances						
- Persistency	**-**	**(1)**	-	(6)	1	(5)
- Mortality/morbidity	**13**	**13**	27	18	24	29
- Expenses	**(7)**	**(7)**	(1)	(4)	6	(1)
- Project and development costs	**-**	**(1)**	(2)	(1)	(11)	(19)
- Other	**-**	**(7)**	81	9	20	24
Total experience variances	**6**	**(3)**	105	16	40	28
Changes in valuation assumptions						
- Persistency	**-**	**-**	-	-	-	(5)
- Mortality/morbidity	**-**	**18**	-	-	153	46
- Expenses	**-**	**-**	-	-	-	(1)
- Other	**-**	**-**	8	1	59	81
Total changes in valuation assumptions	**-**	**18**	8	1	212	121
Movement in non-cash items[2]	**7**	**(2)**	15	1	27	2
Other[3]	**-**	**(77)**	-	(64)	-	(138)
Operating profit after tax	**479**	**279**	448	239	984	530
Tax expense	**81**	**53**	77	53	170	90
Operating profit before tax	**560**	**332**	525	292	1,154	620

1. From 1 January 2022, following changes to business unit responsibilities within the Executive Committee, the group's reportable segments have been updated to align with its five core businesses. Prior period comparatives have been restated to reflect this change in segmentation. Further details are provided in Note 2.08.
2. LGRI Movement in non-cash items is driven by the net effect of the capitalisation and unwind of future asset management profits on assets managed by LGIM, and is a function of new business volumes and movements in the main unit cost assumptions.
3. Other includes experience variances, changes in valuation assumptions (includes changes to assets allocation) and non-cash items relating to US Insurance.

2.04 LGC operating profit

	6 months 2022 £m	6 months 2021 £m	Full year 2021 £m
Direct investments[1]	**202**	195	350
Traded investment portfolio including treasury assets[2]	**61**	55	111
Total LGC operating profit	**263**	250	461

1. Direct investments represents LGC's portfolio of assets across specialist commercial real estate, clean energy, housing and SME finance. Direct investments include operating profit in relation to CALA Homes of £98m (H1 21: £78m; FY 21: £132m).
2. The traded investment portfolio holds a diversified set of exposures across equities, fixed income, multi-asset funds and cash.

2.05 LGIM operating profit

	6 months 2022 £m	6 months 2021 £m	Full year 2021 £m
Asset management revenue (excluding 3rd party market data)[1]	**485**	471	980
Asset management transactional revenue[2]	**9**	9	32
Asset management expenses (excluding 3rd party market data)[1]	**(294)**	(276)	(590)
Total LGIM operating profit	**200**	204	422

1. Asset management revenue and expenses exclude income and costs of £15m in relation to the provision of third party market data (H1 21: £18m; FY 21: £32m).
2. Transactional revenue from external clients includes execution fees, asset transition income, trigger fees, arrangement fees on property transactions and performance fees.

2.06 Investment and other variances

	6 months 2022 £m	6 months 2021 £m	Full year 2021 £m
Investment variance related to protection liabilities[1]	**617**	230	111
Investment variance related to the traded investment portfolio and direct investments[2]	**(308)**	48	19
Other investment variance[3]	**(83)**	(23)	211
Investment variance	**226**	255	341
M&A related and other variances[4]	**(19)**	(11)	(108)
Total investment and other variances	**207**	244	233

1. The positive investment variance of £617m reflects the formulaic impact of an increase in UK and US government bond yields which have resulted in a higher discount rate used to calculate the group's protection liabilities.
2. The negative investment variance of £308m largely reflects volatile global equity market performance in the traded investment portfolio.
3. Other investment variance includes a negative variance in respect of the defined benefit pension scheme, reflecting the impact of the acquisition of annuity assets from LGRI and Retail Retirement, and the difference between the IAS 19 and annuity discount rates. This was partially offset by a positive variance from the UK annuity businesses, driven by good quality asset sourcing and improved cash flow matching within the portfolio.
4. M&A related and other variances includes gains and losses, expenses and intangible amortisation relating to acquisitions, disposals and restructuring as well as business start-up costs.

Investment variance includes differences between actual and long-term expected investment return on traded and real assets (including direct investments), economic assumption changes caused by changes in market conditions or expectations (e.g. credit default and inflation), the impact of any difference between the actual allocated asset mix and the single target long-term asset mix on new pension risk transfer business, and the yield associated with assets held for future new pension risk transfer business from the valuation discount rate.

The long-term expected investment return is based on opening economic assumptions applied to the assets under management at the start of the reporting year. The assumptions underlying the calculation of the expected returns for traded equity, commercial property and residential property are based on market consensus forecasts and long-term historic average returns expected to apply through the cycle.

The long-term expected investment returns are:

	6 months 2022	6 months 2021	Full year 2021
Equities	**7%**	7%	7%
Commercial property	**5%**	5%	5%
Residential property[1]	**3.5%**	RPI + 50bps	RPI + 50bps

1. In previous years the assumption RPI + 50bps was in line with average historical returns. Due to the current spike in inflation and in order to keep the rate aligned to average historical returns, it was updated to 3.5% in 2022.

Additionally, the LGC alternative asset portfolio comprises investments in housing, specialist commercial real estate, clean energy, and SME finance. The long-term expected investment return is on average between 8% and 10%, in line with our stated investment objectives. Rates of return specific to each asset are determined at the point of underwriting and reviewed and updated annually. The expected investment return includes assumptions on appropriate discount rates and inflation as well as sector specific assumptions including retail and commercial property yields and power prices.

2.07 Earnings per share

(a) Basic earnings per share

	After tax 6 months 2022 £m	**Per share[1] 6 months 2022 p**	After tax 6 months 2021 £m	Per share[1] 6 months 2021 p	After tax Full year 2021 £m	Per share[1] Full year 2021 p
Profit for the period attributable to equity holders	**1,153**	**19.47**	1,065	17.96	2,050	34.58
Less: coupon payable in respect of restricted Tier 1 convertible notes net of tax relief	**(11)**	**(0.19)**	(11)	(0.18)	(23)	(0.39)
Total basic earnings	**1,142**	**19.28**	1,054	17.78	2,027	34.19

1. Basic earnings per share is calculated by dividing profit after tax by the weighted average number of ordinary shares in issue during the period, excluding employee scheme treasury shares.

(b) Diluted earnings per share

For the six month period to 30 June 2022	**After tax £m**	**Weighted average number of shares m**	**Per share[1] p**
Profit for the period attributable to equity holders	**1,153**	**5,922**	**19.47**
Net shares under options allocable for no further consideration	**-**	**46**	**(0.15)**
Conversion of restricted Tier 1 notes	**-**	**307**	**(0.95)**
Total diluted earnings	**1,153**	**6,275**	**18.37**

For the six month period to 30 June 2021	After tax £m	Weighted average number of shares m	Per share[1] p
Profit for the period attributable to equity holders	1,065	5,929	17.96
Net shares under options allocable for no further consideration	-	45	(0.14)
Conversion of restricted Tier 1 notes	-	307	(0.86)
Total diluted earnings	1,065	6,281	16.96

For the year ended 31 December 2021	After tax £m	Weighted average number of shares m	Per share[1] p
Profit for the year attributable to equity holders	2,050	5,929	34.58
Net shares under options allocable for no further consideration	-	59	(0.34)
Conversion of restricted Tier 1 notes	-	307	(1.67)
Total diluted earnings	2,050	6,295	32.57

1. For diluted earnings per share, the weighted average number of ordinary shares in issue, excluding employee scheme treasury shares, is adjusted to assume conversion of all potential ordinary shares, such as share options granted to employees and conversion of restricted Tier 1 notes.

2.08 Segmental analysis

In 2021, the group operated five core businesses across four reportable segments that are continuing operations, with Retail Retirement and Legal & General Retirement Institutional (LGRI) combined into a single segment for reporting purposes, being Legal & General Retirement. From 1 January 2022, the group has made changes to the business unit responsibilities within the Executive Committee. Andrew Kail has become the Chief Executive Officer of LGRI, succeeding Laura Mason who had previously moved to become CEO of Legal & General Capital (LGC). Our two retail businesses, Retail Retirement and Insurance (comprising UK Insurance and other, and US Insurance), have come together under the leadership of Bernie Hickman. Reportable segments have therefore been aligned to the group's five core businesses. Group expenses and debt costs continue to be reported separately. Transactions between segments are on normal commercial terms, and are included within the reported segments. To enable comparison, segmental information for prior periods has been restated accordingly.

In the UK, annuity liabilities relating to LGRI and Retail Retirement are backed by a single portfolio of assets, and once a transaction has been completed the assets relating to any particular transaction are not tracked to the related liabilities. Investment variance is allocated to the two business segments based on the relative average size of the underlying insurance contract liabilities for the period.

Reporting of assets and liabilities by segment has not been included, as this is not information that is provided to key decision makers on a regular basis. The group's assets and liabilities are managed on a legal entity rather than a segmental basis, in line with regulatory requirements.

Financial information on the reportable segments is further broken down where relevant in order to better explain the drivers of the group's results.

(a) Profit/(loss) for the period

For the six month period to 30 June 2022	**LGRI[1] £m**	**LGC £m**	**LGIM £m**	**Retail Retirement[1] £m**	**Insurance £m**	**Group expenses and debt costs £m**	**Total £m**
Operating profit/(loss)#	**560**	**263**	**200**	**147**	**185**	**(195)**	**1,160**
Investment and other variances	**133**	**(308)**	**(7)**	**53**	**617**	**(281)**	**207**
Losses attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit/(loss) before tax attributable to equity holders	**693**	**(45)**	**193**	**200**	**802**	**(476)**	**1,367**
Tax (expense)/credit attributable to equity holders	**(88)**	**2**	**(39)**	**(24)**	**(162)**	**97**	**(214)**
Profit/(loss) for the period	**605**	**(43)**	**154**	**176**	**640**	**(379)**	**1,153**

For the six month period to 30 June 2021	LGRI[1] £m	LGC £m	LGIM £m	Retail Retirement[1] £m	Insurance £m	Group expenses and debt costs £m	Total £m
Operating profit/(loss)#	525	250	204	158	134	(192)	1,079
Investment and other variances	75	48	(7)	30	230	(132)	244
Losses attributable to non-controlling interests	-	-	-	-	-	(3)	(3)
Profit/(loss) before tax attributable to equity holders	600	298	197	188	364	(327)	1,320
Tax (expense)/credit attributable to equity holders	(110)	(54)	(44)	(35)	(91)	76	(258)
Profit/(loss) for the period	490	244	153	153	273	(251)	1,062

For the year ended 31 December 2021	LGRI[1] £m	LGC £m	LGIM £m	Retail Retirement[1] £m	Insurance £m	Group expenses and debt costs £m	Total £m
Operating profit/(loss)#	1,154	461	422	352	268	(395)	2,262
Investment and other variances	193	19	(11)	49	111	(128)	233
Losses attributable to non-controlling interests	-	-	-	-	-	(7)	(7)
Profit/(loss) before tax attributable to equity holders	1,347	480	411	401	379	(530)	2,488
Tax (expense)/credit attributable to equity holders	(213)	(93)	(79)	(63)	(59)	62	(445)
Profit/(loss) for the year	1,134	387	332	338	320	(468)	2,043

1. From 1 January 2022, following changes to business unit responsibilities within the Executive Committee, the group's reportable segments have been updated to align with its five core businesses. Prior period comparatives have been restated to reflect this change in segmentation.

All references to 'Operating profit' throughout this report represent 'Adjusted operating profit', an alternative performance measure defined in the glossary.

2.08 Segmental analysis (continued)

(b) Revenue

(i) Total revenue

	6 months 2022 £m	6 months 2021 £m	Full year 2021 £m
Total income	**(69,188)**	14,898	45,450
Adjusted for:			
Share of profit from associates and joint ventures, net of tax	**(4)**	(21)	(25)
Gain on disposal of subsidiaries, associates and joint ventures, and other operations	**(10)**	-	(149)
Total revenue	**(69,202)**	14,877	45,276

(ii) Total income

For the six month period to 30 June 2022	**LGRI[1] £m**	**LGIM[2,3] £m**	**Retail Retirement[1] £m**	**Insurance £m**	**LGC and other[4] £m**	**Total £m**
Internal income	**-**	**92**	**-**	**-**	**(92)**	**-**
External income	**(6,845)**	**(61,289)**	**(2,688)**	**1,007**	**627**	**(69,188)**
Total income	**(6,845)**	**(61,197)**	**(2,688)**	**1,007**	**535**	**(69,188)**

For the six month period to 30 June 2021	LGRI[1] £m	LGIM[2,3] £m	Retail Retirement[1] £m	Insurance £m	LGC and other[4] £m	Total £m
Internal income	-	80	-	-	(80)	-
External income	(20)	17,891	7	1,003	(3,983)	14,898
Total income	(20)	17,971	7	1,003	(4,063)	14,898

For the year ended 31 December 2021	LGRI[1] £m	LGIM[2,3] £m	Retail Retirement[1] £m	Insurance £m	LGC and other[4] £m	Total £m
Internal income	-	179	-	-	(179)	-
External income	4,842	35,738	1,117	2,029	1,724	45,450
Total income	4,842	35,917	1,117	2,029	1,545	45,450

1. From 1 January 2022, following changes to business unit responsibilities within the Executive Committee, the group's reportable segments have been updated to align with its five core businesses. Prior period comparatives have been restated to reflect this change in segmentation.
2. LGIM internal income relates to investment management services provided to other segments.
3. LGIM external income primarily includes fees from fund management and investment returns on unit linked funds.
4. LGC and other includes LGC income, intra-segmental eliminations and group consolidation adjustments.

2.08 Segmental analysis (continued)

(b) Revenue (continued)

(iii) Fees from fund management and investment contracts

For the six month period to 30 June 2022	**LGIM £m**	**Retail Retirement[1] £m**	**LGC and other[2] £m**	**Total £m**
Investment contracts	**-**	**49**	**-**	**49**
Investment management fees	**495**	**-**	**(92)**	**403**
Transaction fees	**9**	**-**	**-**	**9**
Total fees from fund management and investment contracts[3]	**504**	**49**	**(92)**	**461**

For the six month period to 30 June 2021	LGIM £m	Retail Retirement[1] £m	LGC and other[2] £m	Total £m
Investment contracts	-	46	-	46
Investment management fees	488	-	(80)	408
Transaction fees	9	-	-	9
Total fees from fund management and investment contracts[3]	497	46	(80)	463

For the year ended 31 December 2021	LGIM £m	Retail Retirement[1] £m	LGC and other[2] £m	Total £m
Investment contracts	-	97	-	97
Investment management fees	1,009	-	(179)	830
Transaction fees	32	-	-	32
Total fees from fund management and investment contracts[3]	1,041	97	(179)	959

1. From 1 January 2022, following changes to business unit responsibilities within the Executive Committee, the group's reportable segments have been updated to align with its five core businesses. Prior period comparatives have been restated to reflect this change in segmentation.
2. LGC and other includes LGC income, intra-segmental eliminations and group consolidation adjustments.
3. Fees from fund management and investment contracts are a component of Total revenue disclosed in Note 2.08 (b)(i).

2.08 Segmental analysis (continued)

(b) Revenue (continued)

(iv) Other operational income from contracts with customers

For the six month period to 30 June 2022	Retail Retirement[1] £m	Insurance £m	LGC and other £m	Total £m
House building	-	-	763	763
Professional services fees	4	41	-	45
Insurance broker	-	21	-	21
Total other operational income from contracts with customers[2]	**4**	**62**	**763**	**829**

For the six month period to 30 June 2021	Retail Retirement[1] £m	Insurance £m	LGC and other £m	Total £m
House building	-	-	651	651
Professional services fees	1	49	-	50
Insurance broker	-	2	-	2
Total other operational income from contracts with customers[2]	1	51	651	703

For the year ended 31 December 2021	Retail Retirement[1] £m	Insurance £m	LGC and other £m	Total £m
House building	-	-	1,314	1,314
Professional services fees	5	89	-	94
Insurance broker	-	11	-	11
Total other operational income from contracts with customers[2]	5	100	1,314	1,419

1. From 1 January 2022, following changes to business unit responsibilities within the Executive Committee, the group's reportable segments have been updated to align with its five core businesses. Prior period comparatives have been restated to reflect this change in segmentation.
2. Total other operational income from contracts with customers is a component of Total revenue disclosed in Note 2.08 (b)(i) and excludes the share of profit/loss from associates and joint ventures, and the gain on disposal of subsidiaries, associates and joint ventures, and other operations.

3.01 Consolidated Income Statement

For the six month period to 30 June 2022	Notes	6 months 2022 £m	6 months 2021 £m	Full year 2021 £m
Income				
Gross written premiums		**6,612**	4,263	10,375
Outward reinsurance premiums		**(1,576)**	(1,605)	(3,446)
Net change in provision for unearned premiums		**8**	35	42
Net premiums earned		**5,044**	2,693	6,971
Fees from fund management and investment contracts		**461**	463	959
Investment return		**(75,536)**	11,018	35,927
Other operational income		**843**	724	1,593
Total income	2.08	**(69,188)**	14,898	45,450
Expenses				
Claims and change in insurance contract liabilities		**(10,371)**	540	7,353
Reinsurance recoveries		**(295)**	(1,313)	(2,968)
Net claims and change in insurance contract liabilities		**(10,666)**	(773)	4,385
Change in investment contract liabilities		**(62,297)**	12,232	34,206
Acquisition costs		**416**	436	825
Finance costs		**145**	157	294
Other expenses		**1,774**	1,445	3,108
Total expenses		**(70,628)**	13,497	42,818
Profit before tax		**1,440**	1,401	2,632
Tax expense attributable to policyholder returns		**(73)**	(81)	(144)
Profit before tax attributable to equity holders		**1,367**	1,320	2,488
Total tax expense		**(287)**	(339)	(589)
Tax expense attributable to policyholder returns		**73**	81	144
Tax expense attributable to equity holders	4.04	**(214)**	(258)	(445)
Profit for the period		**1,153**	1,062	2,043
Attributable to:				
Non-controlling interests		**-**	(3)	(7)
Equity holders		**1,153**	1,065	2,050
Dividend distributions to equity holders during the period	4.02	**792**	754	1,063
Dividend distributions to equity holders proposed after the period end	4.02	**324**	309	790
		p	p	p
Total basic earnings per share[1]	2.07	**19.28**	17.78	34.19
Total diluted earnings per share[1]	2.07	**18.37**	16.96	32.57

1. All earnings per share calculations are based on profit attributable to equity holders of the company.

3.02 Consolidated Statement of Comprehensive Income

For the six month period to 30 June 2022	**6 months 2022 £m**	6 months 2021 £m	Full year 2021 £m
Profit for the period	**1,153**	1,062	2,043
Items that will not be reclassified subsequently to profit or loss			
Actuarial remeasurements on defined benefit pension schemes	**387**	116	53
Tax (expense)/credit on actuarial remeasurements on defined benefit pension schemes	**(97)**	(20)	(7)
Total items that will not be reclassified subsequently to profit or loss	**290**	96	46
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of overseas operations	**84**	(11)	(11)
Movement in cross-currency hedge	**5**	6	20
Tax expense on movement in cross-currency hedge	**(1)**	(4)	(7)
Movement in financial investments designated as available-for-sale	**3**	(8)	(3)
Tax on movement in financial investments designated as available-for-sale	**(1)**	1	-
Total items that may be reclassified subsequently to profit or loss	**90**	(16)	(1)
Other comprehensive income after tax	**380**	80	45
Total comprehensive income for the period	**1,533**	1,142	2,088
Total comprehensive income/(expense) for the period attributable to:			
Non-controlling interests	**-**	(3)	(7)
Equity holders	**1,533**	1,145	2,095

3.03 Consolidated Balance Sheet

	Notes	As at 30 Jun 2022 £m	As at 30 Jun 2021 £m	As at 31 Dec 2021 £m
Assets				
Goodwill		**71**	68	68
Other intangible assets		**406**	377	365
Deferred acquisition costs		**26**	46	26
Investment in associates and joint ventures accounted for using the equity method		**387**	314	375
Property, plant and equipment		**311**	322	316
Investment property	4.03	**10,976**	9,080	10,150
Financial investments	4.03	**462,329**	519,762	538,374
Reinsurers' share of contract liabilities		**6,040**	6,947	7,180
Deferred tax assets	4.04	**115**	12	2
Current tax assets		**699**	612	670
Receivables and other assets		**17,857**	14,331	8,625
Cash and cash equivalents		**24,774**	16,397	16,487
Total assets		**523,991**	568,268	582,638
Equity				
Share capital	4.05	**149**	149	149
Share premium	4.05	**1,017**	1,011	1,012
Employee scheme treasury shares		**(138)**	(90)	(99)
Capital redemption and other reserves		**381**	162	196
Retained earnings		**9,775**	8,620	9,228
Attributable to owners of the parent		**11,184**	9,852	10,486
Restricted Tier 1 convertible notes	4.06	**495**	495	495
Non-controlling interests	4.07	**(36)**	(34)	(38)
Total equity		**11,643**	10,313	10,943
Liabilities				
Insurance contract liabilities		**76,889**	86,339	89,825
Investment contract liabilities		**305,780**	358,613	372,954
Core borrowings	4.08	**4,356**	4,542	4,256
Operational borrowings	4.09	**1,182**	1,138	932
Provisions	4.13	**781**	1,113	1,238
Deferred tax liabilities	4.04	**407**	277	251
Current tax liabilities		**81**	57	84
Payables and other financial liabilities	4.11	**95,970**	80,785	74,264
Other liabilities		**894**	640	925
Net asset value attributable to unit holders		**26,008**	24,451	26,966
Total liabilities		**512,348**	557,955	571,695
Total equity and liabilities		**523,991**	568,268	582,638

3.04 Condensed Consolidated Statement of Changes in Equity

For the six month period to 30 June 2022	Share capital £m	Share premium £m	Employee scheme treasury shares £m	Capital redemption and other reserves[1] £m	Retained earnings £m	Equity attributable to owners of the parent £m	Restricted Tier 1 convertible notes £m	Non-controlling interests £m	Total equity £m
As at 1 January 2022	**149**	**1,012**	**(99)**	**196**	**9,228**	**10,486**	**495**	**(38)**	**10,943**
Total comprehensive income for the period	-	-	-	**90**	**1,443**	**1,533**	-	-	**1,533**
Options exercised under share option schemes	-	**5**	-	-	-	**5**	-	-	**5**
Net movement in employee scheme treasury shares	-	-	**(39)**	**(8)**	**10**	**(37)**	-	-	**(37)**
Dividends	-	-	-	-	**(792)**	**(792)**	-	-	**(792)**
Coupon payable in respect of restricted Tier 1 convertible notes net of tax relief	-	-	-	-	**(11)**	**(11)**	-	-	**(11)**
Movement in third party interests	-	-	-	-	-	-	-	**2**	**2**
Currency translation differences	-	-	-	**103**	**(103)**	-	-	-	-
As at 30 June 2022	**149**	**1,017**	**(138)**	**381**	**9,775**	**11,184**	**495**	**(36)**	**11,643**

1. Capital redemption and other reserves as at 30 June 2022 include share-based payments £78m, foreign exchange £233m, capital redemption £17m, hedging £52m and available-for-sale reserves £1m.

For the six month period to 30 June 2021	Share capital £m	Share premium £m	Employee scheme treasury shares £m	Capital redemption and other reserves[1] £m	Retained earnings £m	Equity attributable to owners of the parent £m	Restricted Tier 1 convertible notes £m	Non-controlling interests £m	Total equity £m
As at 1 January 2021	149	1,006	(75)	198	8,224	9,502	495	(31)	9,966
Total comprehensive income for the period	-	-	-	(16)	1,161	1,145	-	(3)	1,142
Options exercised under share option schemes	-	5	-	-	-	5	-	-	5
Net movement in employee scheme treasury shares	-	-	(15)	(15)	(5)	(35)	-	-	(35)
Dividends	-	-	-	-	(754)	(754)	-	-	(754)
Coupon payable in respect of restricted Tier 1 convertible notes net of tax relief	-	-	-	-	(11)	(11)	-	-	(11)
Currency translation differences	-	-	-	(5)	5	-	-	-	-
As at 30 June 2021	149	1,011	(90)	162	8,620	9,852	495	(34)	10,313

1. Capital redemption and other reserves as at 30 June 2021 include share-based payments £86m, foreign exchange £27m, capital redemption £17m, hedging £37m and available-for-sale reserves £(5)m.

3.04 Condensed Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2021	Share capital £m	Share premium £m	Employee scheme treasury shares £m	Capital redemption and other reserves[1] £m	Retained earnings £m	Equity attributable to owners of the parent £m	Restricted Tier 1 convertible notes £m	Non-controlling interests £m	Total equity £m
As at 1 January 2021	149	1,006	(75)	198	8,224	9,502	495	(31)	9,966
Total comprehensive income for the year	-	-	-	(1)	2,096	2,095	-	(7)	2,088
Options exercised under share option schemes	-	6	-	-	-	6	-	-	6
Net movement in employee scheme treasury shares	-	-	(24)	(15)	8	(31)	-	-	(31)
Dividends	-	-	-	-	(1,063)	(1,063)	-	-	(1,063)
Coupon payable in respect of restricted Tier 1 convertible notes net of tax relief	-	-	-	-	(23)	(23)	-	-	(23)
Currency translation differences	-	-	-	14	(14)	-	-	-	-
As at 31 December 2021	149	1,012	(99)	196	9,228	10,486	495	(38)	10,943

1. Capital redemption and other reserves as at 31 December 2021 include share-based payments £86m, foreign exchange £46m, capital redemption £17m, hedging £48m and available-for-sale reserves £(1)m.

3.05 Consolidated Statement of Cash Flows

For the six month period to 30 June 2022	Notes	**6 months 2022 £m**	6 months 2021 £m	Full year 2021 £m
Cash flows from operating activities				
Profit for the period		**1,153**	1,062	2,043
Adjustments for non cash movements in net profit for the period				
Net losses/(gains) on financial investments and investment property		**80,187**	(5,227)	(26,062)
Investment income		**(4,651)**	(5,790)	(9,865)
Interest expense		**145**	157	294
Tax expense		**287**	339	589
Other adjustments		**88**	44	137
Net decrease/(increase) in operational assets				
Investments held for trading or designated as fair value through profit or loss		**14,200**	5,804	4,616
Investments designated as available-for-sale		**(3)**	15	(21)
Other assets		**(8,086)**	(4,931)	139
Net (decrease)/increase in operational liabilities				
Insurance contracts		**(13,621)**	(2,615)	726
Investment contracts		**(67,182)**	15,069	29,409
Other liabilities		**2,481**	(10,114)	(11,161)
Cash utilised in operations		**4,998**	(6,187)	(9,156)
Interest paid		**(139)**	(160)	(301)
Interest received		**1,808**	3,368	5,060
Rent received		**185**	184	373
Tax paid[1]		**(376)**	(276)	(564)
Dividends received		**2,491**	2,307	4,419
Net cash flows from operations		**8,967**	(764)	(169)
Cash flows from investing activities				
Acquisition of plant, equipment, intangibles and other assets		**(60)**	(137)	(205)
Disposal of plant, equipment, intangibles and other assets		**-**	2	-
Acquisition of operations, net of cash acquired	4.16	**(2)**	-	-
Disposal of subsidiaries and other operations, net of cash transferred		**-**	-	217
Investment in joint ventures and associates		**(34)**	(2)	(56)
Disposal of joint ventures and associates		**40**	-	177
Net cash flows (utilised)/generated from investing activities		**(56)**	(137)	133
Cash flows from financing activities				
Dividend distributions to ordinary equity holders during the period	4.02	**(792)**	(754)	(1,063)
Coupon payment in respect of restricted Tier 1 convertible notes, gross of tax	4.06	**(14)**	(14)	(28)
Options exercised under share option schemes	4.05	**5**	5	6
Treasury shares purchased for employee share schemes		**(50)**	(24)	(34)
Payment of lease liabilities		**(18)**	(17)	(37)
Proceeds from borrowings	4.10	**385**	252	449
Repayment of borrowings	4.10	**(210)**	(162)	(798)
Net cash flows utilised in financing activities		**(694)**	(714)	(1,505)
Net increase/(decrease) in cash and cash equivalents		**8,217**	(1,615)	(1,541)
Exchange gains/(losses) on cash and cash equivalents		**70**	(8)	8
Cash and cash equivalents at 1 January		**16,487**	18,020	18,020
Cash and cash equivalents at 30 June/31 December		**24,774**	16,397	16,487

1. Tax comprises UK corporation tax paid of £223m (H1 21: £155m; FY 21: £368m), withholding tax of £147m (H1 21: £118m; FY 21: £188m) and overseas corporate tax of £6m (H1 21: £3m; FY 21: £8m).

4.01 Basis of preparation

The group financial information for the six months ended 30 June 2022 has been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and with IAS 34, 'Interim Financial Reporting'. The group's financial information has also been prepared in line with the accounting policies which the group expects to adopt for the 2022 year end. These policies are consistent with the principal accounting policies which were set out in the group's 2021 consolidated financial statements, except where changes have been outlined below in "New standards, interpretations and amendments to published standards that have been adopted by the group". These are consistent with UK-adopted international accounting standards, issued by the International Accounting Standards Board and adopted by the UK Endorsement Board for use in the United Kingdom.

The preparation of the Interim Management Report includes the use of estimates and assumptions which affect items reported in the Consolidated Balance Sheet and Income Statement and the disclosure of contingent assets and liabilities at the date of the financial statements. The economic and non-economic actuarial assumptions used to establish the liabilities in relation to insurance and investment contracts are significant. For half year financial reporting, economic assumptions have been updated to reflect market conditions. Non-economic assumptions are consistent with those used in the 31 December 2021 financial statements, except as disclosed in Note 2.03.

The results for the half year ended 30 June 2022 are unaudited but have been reviewed by KPMG LLP. The interim results do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The results from the full year 2021 have been taken from the group's 2021 Annual Report and Accounts. Therefore, these interim accounts should be read in conjunction with the 2021 Annual Report and Accounts that have been prepared in accordance with UK-adopted international accounting standards, comprising International Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and related interpretations issued by the IFRS Interpretations Committee, and with the requirements of the Companies Act 2006 applicable to companies reporting under IFRS. KPMG LLP reported on the 2021 financial statements, and their report was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. The group's 2021 Annual Report and Accounts has been filed with the Registrar of Companies.

Key technical terms and definitions
The interim management report refers to various key performance indicators, accounting standards and other technical terms. A comprehensive list of these definitions is contained within the glossary section of these interim financial statements.

Alternative performance measures
The group uses a number of alternative performance measures (APMs), including net release from operations and adjusted operating profit, in the discussion of its business performance and financial position, as the group believes that they, complemented with figures determined according to other regulations, enhance understanding of the group's performance. Definitions and further information in relation to the group's APMs can be found in the Alternative Performance Measures section of these interim financial statements.

Tax attributable to policyholders and equity holders
The total tax expense shown in the group's Consolidated Income Statement includes income tax borne by both policyholders and shareholders. This has been split between tax attributable to policyholders' returns and equity holders' profits. Policyholder tax comprises the tax suffered on policyholder investment returns, while shareholder tax is corporation tax charged on shareholder profit. The separate presentation is intended to provide more relevant information about the tax that the group pays on the profits that it makes.

(a) Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position in the current economic climate are set out in this Interim Management Report. The financial position of the group, its cash flows, liquidity position and borrowing facilities as at 30 June 2022 are described in the IFRS Primary Financial Statements and IFRS Disclosure Notes. Principal risks and uncertainties are detailed on pages 26 to 28.

The directors have made an assessment of the group's going concern, considering both the group's current performance and outlook for a period of at least, but not limited to, 12 months from the date of approval of the interim financial information using the information available up to the date of issue of this Interim Management Report.

The group manages and monitors its capital and liquidity, and applies various stresses, including high inflationary scenarios, to those positions to understand potential impacts from market downturns. Our key sensitivities and the impacts on our capital position from a range of stresses is disclosed on page 80. These stresses do not give rise to any material uncertainties over the ability of the group to continue as a going concern. Based upon the available information, the directors consider that the group has the plans and resources to manage its business risks successfully and that it remains financially strong and well diversified.

Having reassessed the principal risks and uncertainties (both financial and operational) in light of the current economic climate, as detailed on pages 26 to 28, the directors are confident that the group and company will have sufficient funds to continue to meet their liabilities as they fall due for a period of, but not limited to, 12 months from the date of approval of this Interim Management Report and therefore have considered it appropriate to adopt the going concern basis of accounting when preparing the interim financial information.

4.01 Basis of preparation (continued)

(b) New standards, interpretations and amendments to published standards that have been adopted by the group

The group has applied the following amendments for the first time in its six months reporting period commencing 1 January 2022.

Annual Improvements to IFRS Standards 2018-2020
These amendments, issued in May 2020, make minor amendments to IFRS 1 'First-time Adoption of IFRS', IFRS 9 'Financial instruments', IAS 41 'Agriculture' and the Illustrative Examples accompanying IFRS 16 'Leases'. These amendments did not have a material impact on the group's consolidated financial statements.

Amendments to IAS 16 – Property, plant and equipment
These amendments, issued in May 2020, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. These amendments did not have a material impact on the group's consolidated financial statements.

Amendments to IAS 37 – Provisions, contingent liabilities and contingent assets
These amendments, issued in May 2020, specify which costs a company includes when assessing whether a contract will be loss-making. These amendments did not have a material impact on the group's consolidated financial statements.

Amendments to IFRS 3 – Business Combinations
These amendments, issued in May 2020, update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. These amendments did not have a material impact on the group's consolidated financial statements.

(c) Future accounting developments

IFRS 17 – Insurance Contracts
IFRS 17, 'Insurance Contracts' was originally issued in May 2017 by the IASB, and subsequent amendments were issued in June 2020. The standard is effective for annual periods beginning on or after 1 January 2023 following endorsement for use in the UK in May 2022. The standard will be applied retrospectively, subject to the transitional options provided for in the standard and provides a comprehensive approach for accounting for insurance contracts including their measurement, income statement presentation and disclosure.

The key general principles of IFRS 17 are that an entity:

- Identifies insurance contracts as those under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;

- Separates specified embedded derivatives, distinct investment components and distinct non-insurance goods or services from insurance contracts and accounts for them in accordance with other accounting standards;

- Aggregates the insurance contracts into groups it will recognise and measure;

- Recognises and measures groups of insurance contracts at:

    - A risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all available information about the fulfilment cash flows; and
    - An amount representing the unearned profit in the group of contracts (the contractual service margin or CSM);

- Recognises profit from a group of insurance contracts over the period the group provides insurance coverage. If a group of contracts is expected to be onerous (i.e. loss making) over the remaining coverage period, a loss is recognised immediately.

IFRS 17 is an accounting change and therefore, while it will have an impact on the timing and profile of profit recognition, we expect the underlying economics and cash generation of the group's businesses to remain the same. While the group continues to refine its methodology and completes the development of models and operational capabilities, it is not possible to provide a reliable estimate of the impact of adopting IFRS 17, nor of the ongoing impact on the group's financial results. However, it is expected that there will be a significant reduction in group equity on adoption, as previously recognised profit will be deferred in the balance sheet within the insurance liability contractual service margin, and released in the future.

4.01 Basis of preparation (continued)

(c) Future accounting developments (continued)

In terms of key accounting policies and approaches relating to IFRS 17, the group is able to set out the following at this time:

- The group will be applying the General Measurement Model to all business measured under IFRS 17.
- On transition to IFRS 17, the group will apply the fully retrospective approach unless impracticable. In some instances, this will lead to the modified retrospective and fair value approaches being used for specific groups of insurance contracts.
- For annuity business the selection of a rate at which to discount future cashflows for groups of insurance contracts is a key determinant in the valuation of the insurance liability. We intend to apply a top down discount rate to such groups, starting from an appropriate asset portfolio with economic deductions.
- IFRS 17 requires an accounting policy decision as to whether to recognise all finance income or expense in profit or loss, or whether to disaggregate the income or expense that relates to changes in financial assumptions into other comprehensive income. All finance income and expense will be included in profit or loss except for protection business where we intend to disaggregate such changes.

The group has a fully mobilised and well progressed programme to implement the new standard. Work is continuing throughout 2022 to finalise technical compliance as well as to test and embed the required systems and operational capability. Communication and training plans are in place for impacted employees, and the Finance function operating model is being refined to ensure the business is ready to implement the new standard.

IFRS 9 – Financial Instruments
In July 2014, the IASB issued IFRS 9, 'Financial Instruments' which was effective for annual periods beginning on or after 1 January 2018. The standard replaces IAS 39, 'Financial Instruments: Recognition and Measurement'. It includes new principles around classification and measurement of financial instruments, introduces an impairment model based on expected credit losses (replacing the current model based on incurred losses) and new requirements on hedge accounting. The IASB subsequently issued 'Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts' which allows entities which meet certain requirements to defer their implementation of IFRS 9 until adoption of IFRS 17, 'Insurance Contracts' or 1 January 2021, whichever is the earlier. In June 2020, the IASB agreed to extend the temporary exemption in IFRS 4 from applying IFRS 9 to annual reporting periods beginning on or after 1 January 2023. The group qualifies for, and is making use of, this deferral option.

In December 2021, in order to alleviate operational complexities and potential one-off accounting mismatches in comparative information between insurance contract liabilities and related financial assets on the initial application of IFRS 17, the IASB issued an amendment to IFRS 17 titled 'Initial Application of IFRS 9 and IFRS 17 – Comparative Information'. If an entity applies IFRS 17 and IFRS 9 at the same time, this amendment permits it to present comparative information about financial assets derecognised in the comparative period as if the classification and measurement requirements of IFRS 9 had been applied to them. The group has chosen to restate comparative information and to apply this classification overlay to all financial assets in scope. Due to the application of the new classification and impairment requirements, the transition to IFRS 9 will generate a day-one impact on group equity, which is not expected to be significant. Similarly, the ongoing impact of IFRS 9 on the group's financial results is not expected to be significant.

IFRS 9 classifies financial assets into the following three categories: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets is based on the entity's business model for managing them, as well as their contractual cash flow characteristics. The group expects to reclassify a certain amount of financial assets as a result of these assessments, in order to better align the accounting treatment of assets that are backing insurance contract liabilities under IFRS 17.

With the exception of financial assets measured under FVTPL, the group will apply an expected credit loss impairment model to all financial assets in scope (including lease receivables and contract assets). The new impairment model requires utilising not only past events and current conditions but also reasonable and supportable forward-looking information, in order to assess the credit risk profiles of those financial assets in scope. The group will recognise either twelve months or lifetime expected credit losses in the Consolidated Income Statement at each reporting period. The group intends to use the practical expedient for financial assets deemed to have low credit risk at the reporting date, which allows recognising twelve months' expected credit losses. Additionally, for trade receivables, contract assets and lease receivables, the group plans to use a provision matrix method to calculate and recognise lifetime expected credit losses.

Most requirements around financial liabilities in IAS 39 have been retained by IFRS 9. Therefore, financial liabilities are expected to be classified and measured under their current categories (either FVTPL or amortised cost).

Finally, hedge accounting requirements have been revised by replacing some of the prescriptive rules in IAS 39 with more principle-based requirements, to be better aligned with the risk management activities of an entity and reflected accordingly in the financial statements. As such, going forward more risk management strategies should be able to qualify for hedge accounting.

The group has a fully mobilised programme to implement the standard. Work will continue throughout the remainder of 2022 to finalise technical compliance as well as to test and embed the required systems and operational capability. Communication and training plans are in place for impacted employees, and the Finance function operating model is being refined to ensure the business is ready to implement the new standard.

4.02 Dividends and appropriations

	Dividend 6 months 2022 £m	Per share[1] 6 months 2022 p	Dividend 6 months 2021 £m	Per share[1] 6 months 2021 p	Dividend Full year 2021 £m	Per share[1] Full year 2021 p
Ordinary dividends paid and charged to equity in the period:						
- Final 2020 dividend paid in June 2021	**-**	**-**	754	12.64	754	12.64
- Interim 2021 dividend paid in September 2021	**-**	**-**	-	-	309	5.18
- Final 2021 dividend paid in June 2022	**792**	**13.27**	-	-	-	-
Total dividends[2]	**792**	**13.27**	754	12.64	1,063	17.82

1. The dividend per share calculation is based on the number of equity shares registered on the ex-dividend date.

2. The dividend proposed at 31 December 2021 was £790m based on the current number of eligible equity shares on that date.

Subsequent to 30 June 2022, the directors declared an interim dividend of 5.44 pence per ordinary share. This dividend will be paid on 26 September 2022. It will be accounted for as an appropriation of retained earnings in the year ended 31 December 2022 and is not included as a liability in the Consolidated Balance Sheet as at 30 June 2022.

4.03 Financial investments and investment property

	30 Jun 2022 £m	30 Jun 2021 £m	31 Dec 2021 £m
Equities[1]	**182,847**	207,803	213,049
Debt securities[2,3]	**237,976**	278,858	296,930
Derivative assets[4]	**28,017**	15,449	16,792
Loans[5]	**13,489**	17,652	11,603
Financial investments	**462,329**	519,762	538,374
Investment property	**10,976**	9,080	10,150
Total financial investments and investment property	**473,305**	528,842	548,524

1. Equity securities include investments in unit trusts of £17,572m (30 June 2021: £15,681m; 31 December 2021: £18,248m).
2. Debt securities include accrued interest of £1,497m (30 June 2021: £1,389m; 31 December 2021: £1,420m).
3. A detailed analysis of debt securities to which shareholders are directly exposed is disclosed in Note 7.03.
4. Derivatives are used for efficient portfolio management, especially the use of interest rate swaps, inflation swaps, credit default swaps and foreign exchange forward contracts for asset and liability management. Derivative assets are shown gross of derivative liabilities of £34,044m (30 June 2021: £18,249m; 31 December 2021: £15,718m).
5. Loans include £101m (30 June 2021: £149m; 31 December 2021: £92m) of loans valued at amortised cost.

(a) Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurements are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the group's view of market assumptions in the absence of observable market information. The group utilises techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

The levels of fair value measurement bases are defined as follows:

Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: fair values measured using valuation techniques for all inputs significant to the measurement other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: fair values measured using valuation techniques for any input for the asset or liability significant to the measurement that is not based on observable market data (unobservable inputs).

All of the group's Level 2 assets have been valued using standard market pricing sources, such as IHS Markit, ICE and Bloomberg, or Index Providers such as Barclays, Merrill Lynch or JPMorgan. Each uses mathematical modeling and multiple source validation in order to determine consensus prices, with the exception of OTC Derivative holdings; OTCs are marked to market using an in-house system (Lombard Oberon), external vendor (IHS Markit), internal model or Counterparty Broker marks. In normal market conditions, we would consider these market prices to be observable market prices. Following consultation with our pricing providers and a number of their contributing brokers, we have considered that these prices are not from a suitably active market and have therefore classified them as Level 2.

The group’s investment properties are valued by appropriately qualified external valuers using unobservable inputs, resulting in all investment property being classified as Level 3.

The group’s policy is to re-assess categorisation of financial assets at the end of each reporting period and to recognise transfers between levels at that point in time. At 30 June 2022 debt securities totalling net £0.8bn transferred from Level 1 to Level 2 in the fair value hierarchy.

4.03 Financial investments and Investment property (continued)

(a) Fair value hierarchy (continued)

For the six month period to 30 June 2022	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Shareholder[1]				
Equity securities	**3,492**	**1,995**	**22**	**1,475**
Debt securities	**76,814**	**27,622**	**27,265**	**21,927**
Derivative assets	**25,071**	**6**	**25,065**	**-**
Loans at fair value[2]	**1,701**	**-**	**1,701**	**-**
Investment property	**6,156**	**-**	**-**	**6,156**
Total Shareholder	**113,234**	**29,623**	**54,053**	**29,558**
Unit linked				
Equity securities	**179,355**	**178,691**	**25**	**639**
Debt securities	**161,162**	**129,689**	**30,836**	**637**
Derivative assets	**2,946**	**125**	**2,821**	**-**
Loans at fair value	**11,687**	**-**	**11,687**	**-**
Investment property	**4,820**	**-**	**-**	**4,820**
Total Unit linked	**359,970**	**308,505**	**45,369**	**6,096**
Total financial investments and investment property at fair value[2]	**473,204**	**338,128**	**99,422**	**35,654**

For the six month period to 30 June 2021	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Shareholder[1]				
Equity securities	3,088	1,821	4	1,263
Debt securities	82,699	34,034	26,375	22,290
Derivative assets	14,019	2	14,017	-
Loans at fair value[2]	4,152	-	4,152	-
Investment property	5,103	-	-	5,103
Total Shareholder	109,061	35,857	44,548	28,656
Unit linked				
Equity securities	204,715	204,055	23	637
Debt securities	196,159	146,780	49,029	350
Derivative assets	1,430	89	1,341	-
Loans at fair value	13,351	-	13,351	-
Investment property	3,977	-	-	3,977
Total Unit linked	419,632	350,924	63,744	4,964
Total financial investments and investment property at fair value[2]	528,693	386,781	108,292	33,620

1. All non-unit linked assets are classified as Shareholder assets. Shareholders of the group are directly exposed to market and credit risk on those assets including those backing the non-profit-non-unit linked business.

2. The above tables exclude loans (including accrued interest) of £101m, which are held at amortised cost (30 June 2021: £149m).

4.03 Financial investments and investment property (continued)

(a) Fair value hierarchy (continued)

For the year ended 31 December 2021	Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Shareholder[1]				
Equity securities	3,185	1,854	63	1,268
Debt securities	86,803	32,593	29,887	24,323
Derivative assets	13,203	9	13,194	-
Loans at fair value[2]	2,240	-	2,240	-
Investment property	5,710	-	-	5,710
Total Shareholder	111,141	34,456	45,384	31,301
Unit linked				
Equity securities	209,864	209,119	25	720
Debt securities	210,127	170,838	38,726	563
Derivative assets	3,589	90	3,499	-
Loans at fair value	9,271	-	9,271	-
Investment property	4,440	-	-	4,440
Total Unit linked	437,291	380,047	51,521	5,723
Total financial investments and investment property at fair value[2]	548,432	414,503	96,905	37,024

1. All non-unit linked assets are classified as Shareholder assets. Shareholders of the group are directly exposed to market and credit risk on those assets including those backing the non-profit-non-unit linked business.
2. This table excludes loans (including accrued interest) of £92m, which are held at amortised cost.

4.03 Financial investments and investment property (continued)

(b) Level 3 assets measured at fair value

Level 3 assets, where modelling techniques are used, comprise property, unquoted securities, untraded debt securities and securities where unquoted prices are provided by a single broker. Unquoted securities include suspended securities, investments in private equity and property vehicles. Untraded debt securities include private placements, commercial real estate loans, income strips, retirement interest only and other lifetime mortgages.

In many situations, inputs used to measure the fair value of an asset or liability may fall into different levels of the fair value hierarchy. In these situations, the group determines the level in which the fair value falls based upon the lowest level input that is significant to the determination of the fair value. As a result, both observable and unobservable inputs may be used in the determination of fair values that the group has classified within Level 3.

The group determines the fair values of certain financial assets and liabilities based on quoted market prices, where available. The group also determines fair value based on estimated future cash flows discounted at the appropriate current market rate. As appropriate, fair values reflect adjustments for counterparty credit quality, the group's credit standing, liquidity and risk margins on unobservable inputs.

Fair values are subject to a control framework designed to ensure that input variables and outputs are assessed independent of the risk taker. These inputs and outputs are reviewed and approved by a valuation committee and validated independently as appropriate.

Climate risk

The group’s asset portfolio can be exposed to climate change through both:
- Transition risks from the move to a low-carbon economy and the impact this has on asset valuation and the wider economic environment; and
- Physical risks from the impact on asset holdings as a result of severe weather events and longer-term shifts in climate.

Exposure to the physical risks of climate change are minimised in the direct investment portfolio through rigorous assessment of potential investments, particularly in ensuring there is low susceptibility to extreme weather events. The group monitors the carbon intensity of the investments held at a portfolio level to help understand the environmental impact and reduce high carbon intensive investments in the future. Further detail can be found in our Climate Report (TCFD).

The group’s assets are valued, where possible, using standard market pricing sources or appropriately qualified external valuers and therefore reflect current market sentiments in respect of climate risk.

Equity securities

Level 3 equity securities amount to £2,114m (30 June 2021: £1,900m; 31 December 2021: £1,988m), of which the majority is made up of holdings in investment property vehicles and private investment funds. They are valued at the proportion of the group's holding of the Net Asset Value reported by the investment vehicles. Other equity securities are valued by a number of third party specialists using a range of techniques which are often dependent on the maturity of the underlying investment but can also depend of the characteristics of individual investments. Such techniques include transaction values underpinned by analysis of milestone achievement, and cash runway for early/start-up stage investments, discounted cash flow models for investments at the next stage of development and earnings multiples for more mature investments.

Other financial investments

Lifetime mortgage (LTM) loans and retirement interest only mortgages amount to £5,758m (30 June 2021: £6,325m; 31 December 2021: £6,857m). Lifetime mortgages are valued using a discounted cash flow model by projecting best-estimate net asset proceeds and discounted using rates inferred from current LTM loan pricing. The inferred illiquidity premiums for the majority of the portfolio range between 100 and 250bps. This ensures the value of loans at outset is consistent with the purchase price of the loan, and achieves consistency between new and in-force loans. The mortgages include a no negative equity guarantee (NNEG) to borrowers. This ensures that if there is a shortfall between the sale proceeds of the property and the outstanding loan balance on redemption of the loan, the value of the loan will be reduced by this amount. The NNEG on loan redemption is valued as a series of put options, which we calculate using a variant of the Black-Scholes formula. Key assumptions in the valuation of lifetime mortgages include short-term and long-term property growth rates, property index volatility, voluntary early repayments and longevity assumptions. The valuation as at 30 June 2022 reflects a long-term property growth rate assumption of 2.9% annually, after allowing for the effects of dilapidation. The values of the properties collateralising the LTM loans are updated from the date of the last property valuation to the valuation date by indexing using UK regional house price indices.

Private credit loans (including commercial real estate loans) amount to £12,115m (30 June 2021: £12,232m; 31 December 2021: £13,521m). Their valuation is determined by discounted future cash flows which are based on the yield curve of the LGIM approved comparable bonds and the initial spread, both of which are agreed by IHS Markit who also provide an independent valuation of comparable bonds. Unobservable inputs that go into the determination of comparators include: rating, sector, sub-sector, performance dynamics, financing structure and duration of investment. Existing private credit investments, which were executed back as far as 2011, are subject to a range of interest rate formats, although the majority are fixed rate. The weighted average duration of the portfolio is 9.1 years, with a weighted average life of 11.9 years. Maturities in the portfolio currently extend out to 2064. The private credit portfolio of assets has internal ratings assigned by an independent credit team in line with internally developed methodologies. These credit ratings range from AAA to BB-.

Private placements held by the US business amount to £1,932m (30 June 2021: £2,090m; 31 December 2021: £1,762m). They are valued using a pricing matrix comprised of a public spread matrix, internal ratings assigned to each holding, average life of each holding, and a premium spread matrix. These are added to the risk-free rate to calculate the discounted cash flows and establish a market value for each investment grade private placement. The valuation as at 30 June 2022 reflects illiquidity premiums between 10 and 70bps.

4.03 Financial investments and investment property (continued)

(b) Level 3 assets measured at fair value (continued)

Commercial mortgage loans amount to £1,080m (30 June 2021: £408m; 31 December 2021: £1,021m) and are determined by incorporating credit risk for performing loans at the portfolio level and for loans identified to be distressed at the loan level. The projected cash flows of each loan are discounted along stochastic risk free rate paths and are inclusive of an Option Adjusted Spread (OAS), derived from current internal pricing on new loans, along with the best observable inputs. The valuation as at 30 June 2022 reflects illiquidity premiums between 20 and 30bps.

Income strip assets amount to £1,580m (30 June 2021: £1,527m; 31 December 2021: £1,626m). Their valuation is outsourced to Knight Frank and CBRE who apply a yield to maturity to discounted future cash flows to derive valuations. The overall valuation takes into account the property location, tenant details, tenure, rent, rental break terms, lease expiries and underlying residual value of the property. The valuation as at 30 June 2022 reflects equivalent yield ranges between 2% and 7% and estimated rental values (ERV) between £16 and £310 per sq.ft.

Other debt securities which are not traded in an active market amount to £100m (30 June 2021: £143m; 31 December 2021: £99m). They have been valued using third party or counterparty valuations, and these prices are considered to be unobservable due to infrequent market transactions.

Investment property

Level 3 investment property amounting to £10,976m (30 June 2021: £9,080m; 31 December 2021: £10,150m) is valued with the involvement of external valuers. All property valuations are carried out in accordance with the latest edition of the Valuation Standards published by the Royal Institute of Chartered Surveyors, and are undertaken by appropriately qualified valuers as defined therein. Whilst transaction evidence underpins the valuation process, the definition of market value, including the commentary, in practice requires the valuer to reflect the realities of the current market. In this context valuers must use their market knowledge and professional judgement and not rely only upon historic market sentiment based on historic transactional comparables.

The valuation of investment properties also includes an income approach that is based on current rental income plus anticipated uplifts, where the uplift and discount rates are derived from rates implied by recent market transactions. These inputs are deemed unobservable. The valuation as at 30 June 2022 reflects equivalent yield ranges between 2% and 16% and ERV between £1 and £396 per sq.ft.

The below table breaks down the investment property by sector.

	30 Jun 2022 £m	30 Jun 2021 £m	31 Dec 2021 £m
Retail	**951**	962	1,025
Leisure	**505**	453	482
Distribution	**1,613**	1,277	1,552
Office space	**4,688**	3,832	4,223
Industrial and other commercial	**2,005**	1,803	1,767
Accommodation	**1,214**	753	1,101
Total investment property	**10,976**	9,080	10,150

4.03 Financial investments and investment property (continued)

(b) Level 3 assets measured at fair value (continued)

	Equity securities 2022 £m	**Other financial investments 2022 £m**	**Investment property 2022 £m**	**Total 2022 £m**	Equity securities 2021 £m	Other financial investments 2021 £m	Investment property 2021 £m	Total 2021 £m
As at 1 January	**1,988**	**24,886**	**10,150**	**37,024**	1,801	21,957	8,475	32,233
Total gains/(losses) for the period								
- in other comprehensive income	**-**	**3**	**-**	**3**	-	(8)	-	(8)
- realised gains/(losses)[1]	**6**	**(5)**	**30**	**31**	1	(9)	-	(8)
- unrealised gains/(losses)[1]	**144**	**(3,643)**	**571**	**(2,928)**	97	(422)	249	(76)
Purchases/Additions	**179**	**2,110**	**330**	**2,619**	90	2,007	449	2,546
Sales/Disposals	**(266)**	**(1,105)**	**(105)**	**(1,476)**	(59)	(821)	(93)	(973)
Transfers into Level 3	**67**	**-**	**-**	**67**	-	8	-	8
Transfers out of Level 3	**(10)**	**-**	**-**	**(10)**	(30)	(44)	-	(74)
Foreign exchange rate movements	**6**	**318**	**-**	**324**	-	(28)	-	(28)
As at 30 June	**2,114**	**22,564**	**10,976**	**35,654**	1,900	22,640	9,080	33,620

	Equity securities 2021 £m	Other financial investments 2021 £m	Investment property 2021 £m	Total 2021 £m
As at 1 January	1,801	21,957	8,475	32,233
Total gains/(losses) for the year				
- in other comprehensive income	-	(3)	-	(3)
- realised gains/(losses)[1]	31	12	(4)	39
- unrealised gains or (losses)[1]	208	(87)	1,028	1,149
Purchases/Additions	130	5,429	985	6,544
Sales/Disposals	(153)	(2,351)	(334)	(2,838)
Transfers into Level 3	2	10	-	12
Transfers out of Level 3	(31)	(112)	-	(143)
Foreign exchange rate movements	-	31	-	31
As at 31 December	1,988	24,886	10,150	37,024

1. Realised and unrealised gains/(losses) are recognised in investment return in the Consolidated Income Statement.

4.03 Financial investments and investment property (continued)

(c) Effect of changes in assumptions on Level 3 assets

Fair values of financial instruments are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable current market transactions in the same instrument and are not based on observable market data.

Where material, the group assesses the sensitivity of fair values of Level 3 investments to changes in unobservable inputs to reasonable alternative assumptions. The table below shows the impact of applying these sensitivities on the fair value of Level 3 assets as at 30 June 2022. Further disclosure on how these sensitivities have been applied can be found in the descriptions following the table.

		Sensitivities	
	Fair value 30 June 2022 £m	Positive impact £m	Negative impact £m
Lifetime mortgages	**5,758**	**216**	**(216)**
Private credit portfolios	**15,127**	**821**	**(821)**
Investment property	**10,976**	**915**	**(1,075)**
Other investments[1]	**3,793**	**339**	**(274)**
Total Level 3 assets	**35,654**	**2,291**	**(2,386)**

1. Other investments include Level 3 equity securities, income strip assets and other traded debt securities which are Level 3.

The sensitivities are not a function of sensitising a single variable relating to the valuation of the asset, but rather a function of flexing multiple factors often at individual asset level. The following sets out a number of key factors by asset type, and how they have been flexed to derive reasonable alternative valuations.

Lifetime mortgages

Key assumptions used in the valuation of Lifetime mortgage assets are listed in Note 4.03 (b) and sensitivities are applied to each assumption to arrive at the overall sensitised values in the above table. The most significant sensitivity by value is +/-10% instant reduction in property valuation across the portfolio which, applied in isolation produces sensitised values of £71m and £(143)m.

Private credit portfolios

The sensitivity in the private credit portfolio has been determined through a method which estimates investment spread value premium differences as compared to the institutional investment market. Individual investment characteristics of each holding, such as credit rating and duration are used to determine spread differentials for the purposes of determining alternate values. Spread differentials are determined to be lower for highly rated and/or shorter duration assets as compared to lower rated and/or longer duration assets. A significant component of the spread differential is in relation to the selection of comparator bonds, which is the potential difference in spread of the basket of relevant comparators determined by respective investors. If we were to take an AA rated asset it may attract a spread differential of 15bps on the selection of comparator bonds as opposed to 40bps for a similar duration BBB rated asset. Applied in isolation the sensitivity used to reflect the spread in comparator bond selection results in sensitised values of £274m and £(274)m.

Investment property

Investment property holdings are valued by independent valuers on the basis of open market value as defined in the appraisal and valuation manual of the Royal Institute of Chartered Surveyors (RICS). As such, sensitivities are calculated through a mixture of asset level and portfolio level methodologies which make reference to individual investment characteristics of the holding but do not flex individual assumptions used by the independent expert in valuing the holdings. Each method is applied individually and aggregated with equal weighting to determine the overall sensitivity determined for the portfolio. One method is similar to that used in the private credit portfolio as it determines the impact of an alternate property yield determined in reference to credit ratings, remaining term and other characteristics of each holding. In this methodology we would apply a lower yield sensitivity to a highly rated and/or shorter remaining term asset compared with a lower rated and/or longer remaining term asset. If we were to take an AA rated asset with remaining term of 25 years in normal market conditions this would lead to a 15bps yield flex (as opposed to a 35bps yield flex for a BBB rated asset with 30 year remaining term). The methodology which leads to the most significant sensitivity at the balance sheet date is related to an example in case law where it was found that an acceptable margin of error in a valuation dispute is 10% either way, subject to the valuation being undertaken with due care. If this sensitivity were to be taken without a weighting it would produce sensitised values of £723m and £(723)m.

It should be noted that some sensitivities described above are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

4.04 Tax

(a) Tax expense in the Consolidated Income Statement

The tax expense attributable to equity holders differs from the tax calculated at the standard UK corporation tax rate as follows:

	6 months 2022 £m	6 months 2021 £m	Full year 2021 £m
Profit before tax attributable to equity holders	**1,367**	1,320	2,488
Tax calculated at 19.00%	**260**	251	473
Adjusted for the effects of:			
Recurring reconciling items:			
(Lower)/higher rate of tax on profits taxed overseas[1]	**(32)**	(32)	(104)
Non-deductible expenses	**-**	4	6
Differences between taxable and accounting investment gains	**(6)**	(9)	(13)
Foreign tax	**1**	-	-
Unrecognised tax losses	**1**	-	1
Other	**3**	-	-
Non-recurring reconciling items:			
Adjustments in respect of prior years[2]	**(1)**	12	24
Impact of the revaluation of deferred tax balances[3]	**(12)**	32	58
Tax expense attributable to equity holders	**214**	258	445
Equity holders' effective tax rate	**15.7%**	19.5%	17.9%

1. The lower rate of tax on overseas profits is principally driven by the 0% rate of taxation arising in our Bermudan reinsurance company, which provides the group with regulatory capital flexibility for both our PRT business and our US term insurance business. This also includes the impact of our US operations which are taxed at 21%.
2. Adjustments in respect of prior years relate to revisions of prior estimates.
3. The Finance Act 2021 increased the rate of corporation tax from 19% to 25% from 1 April 2023. The prevailing rate of UK corporation tax for the year remained at 19%. The future enacted tax rate of 25% has been used in the calculation of UK deferred tax assets and liabilities in respect of temporary differences arising in the period, being the rate of corporation tax that is expected to apply when the majority of those deferred tax balances reverse.

4.04 Tax (continued)

(b) Deferred tax

Deferred tax (liabilities)/assets	30 Jun 2022 £m	30 Jun 2021 £m	31 Dec 2021 £m
Overseas deferred acquisition expenses	**110**	88	95
Difference between the tax and accounting value of insurance contracts	**(901)**	(652)	(695)
- UK	**(198)**	(231)	(269)
- Overseas	**(703)**	(421)	(426)
Realised and unrealised gains on investments[1]	**79**	(22)	(83)
Excess of depreciation over capital allowances	**20**	23	22
Excess expenses	**-**	1	-
Accounting provisions and other	**32**	(37)	55
Trading losses[2]	**410**	320	348
Pension fund deficit	**(42)**	15	9
Acquired intangibles	**-**	(1)	-
Net deferred tax liabilities	**(292)**	(265)	(249)
Analysed by:			
- Deferred tax assets[1]	**115**	12	2
- UK deferred tax liabilities	**(218)**	(209)	(215)
- Overseas deferred tax liabilities[2]	**(189)**	(68)	(36)
Net deferred tax liabilities	**(292)**	(265)	(249)

1. The deferred tax asset represents £113m of US unrealised losses on investments (H1 21: £nil; FY 21: £nil) and £2m of UK restricted losses (H1 21: £12m; FY 21: £2m) that are not capable of being offset against other deferred tax liabilities or future trading profits.

2. Trading losses include UK trade and US operating losses of £3m (H1 21: £12m; FY 21: £2m) and £407m (H1 21: £308m; FY 21: £346m) respectively. Overseas net deferred tax liabilities is wholly comprised of US balances as at 30 June 2022 and includes the US deferred tax asset. The losses are not time restricted, and we expect to recover them over a period of 15 to 20 years, commensurate with the lifecycle of the underlying insurance contracts. In reaching this conclusion, we have considered past results, the different basis under which US companies are taxed, temporary differences that are expected to generate future profits against which the deferred tax can be offset, management actions, and future profit forecasts. The recoverability of deferred tax assets is routinely reviewed by management.

4.05 Share capital and share premium

Authorised share capital	**Number of shares**	**£m**
At 30 June 2022, 30 June 2021 and 31 December 2021: ordinary shares of 2.5p each	**9,200,000,000**	**230**

Issued share capital, fully paid	**Number of shares**	**Share capital £m**	**Share premium £m**
As at 1 January 2022	**5,970,415,817**	**149**	**1,012**
Options exercised under share option schemes	**2,162,898**	**-**	**5**
As at 30 June 2022	**5,972,578,715**	**149**	**1,017**

Issued share capital, fully paid	Number of shares	Share capital £m	Share premium £m
As at 1 January 2021	5,967,358,713	149	1,006
Options exercised under share option schemes	2,500,221	-	5
As at 30 June 2021	5,969,858,934	149	1,011
Options exercised under share option schemes	556,883	-	1
As at 31 December 2021	5,970,415,817	149	1,012

There is one class of ordinary shares of 2.5p each. All shares issued carry equal voting rights.

The holders of the company's ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at shareholder meetings of the company.

4.06 Restricted Tier 1 convertible notes

On 24 June 2020, Legal & General Group Plc issued £500m of 5.625% perpetual restricted Tier 1 contingent convertible notes. The notes are callable at par between 24 March 2031 and 24 September 2031 (the First Reset Date) inclusive and every 5 years after the First Reset Date. If not called, the coupon from 24 September 2031 will be reset to the prevailing five year benchmark gilt yield plus 5.378%.

The notes have no fixed maturity date. Optional cancellation of coupon payments is at the discretion of the issuer and mandatory cancellation is upon the occurrence of certain conditions. The Tier 1 notes are therefore treated as equity and coupon payments are recognised directly in equity when paid. During the period a coupon payment of £14m was made (H1 21: £14m; FY 21: £28m). The notes rank junior to all other liabilities and senior to equity attributable to owners of the parent. On the occurrence of certain conversion trigger events the notes are convertible into ordinary shares of the Issuer at the prevailing conversion price.

The notes are treated as restricted Tier 1 own funds for Solvency II purposes.

4.07 Non-controlling interests

Non-controlling interests represent third party interests in direct equity investments, including private equity, which are consolidated in the group's results.

As at 30 June 2022, non-controlling interests primarily represent third party ownership in Thorpe Park Holdings, a mixed residential/commercial retail space in which the group holds 50%.

No other individual non-controlling interest is considered to be material on the basis of the period end carrying value or share of profit or loss.

4.08 Core borrowings

	Carrying amount 30 Jun 2022 £m	**Fair value 30 Jun 2022 £m**	Carrying amount 30 Jun 2021 £m	Fair value 30 Jun 2021 £m	Carrying amount 31 Dec 2021 £m	Fair value 31 Dec 2021 £m
Subordinated borrowings						
10% Sterling subordinated notes 2041[1]	**-**	**-**	313	315	-	-
5.5% Sterling subordinated notes 2064	**590**	**546**	589	771	590	776
5.375% Sterling subordinated notes 2045	**604**	**610**	604	699	604	673
5.25% US Dollar subordinated notes 2047	**707**	**690**	621	703	635	694
5.55% US Dollar subordinated notes 2052	**414**	**416**	364	413	373	428
5.125% Sterling subordinated notes 2048	**400**	**391**	400	478	400	461
3.75% Sterling subordinated notes 2049	**598**	**523**	598	659	598	632
4.5% Sterling subordinated notes 2050	**500**	**456**	500	582	500	558
Client fund holdings of group debt[2]	**(50)**	**(46)**	(41)	(49)	(44)	(51)
Total subordinated borrowings	**3,763**	**3,586**	3,948	4,571	3,656	4,171
Senior borrowings						
Sterling medium term notes 2031-2041	**602**	**707**	603	866	609	846
Client fund holdings of group debt[2]	**(9)**	**(10)**	(9)	(12)	(9)	(11)
Total senior borrowings	**593**	**697**	594	854	600	835
Total core borrowings	**4,356**	**4,283**	4,542	5,425	4,256	5,006

1. These notes were redeemed in full on 23 July 2021.

2. £59m (30 June 2021: £50m; 31 December 2021: £53m) of the group's subordinated and senior borrowings are held by Legal & General customers through unit linked products. These borrowings are shown as a deduction from total core borrowings in the table above.

The presented fair values of the group's core borrowings reflect quoted prices in active markets and they have been classified as Level 1 in the fair value hierarchy.

4.08 Core borrowings (continued)

Subordinated borrowings

10% Sterling subordinated notes 2041
In 2009, Legal & General Group Plc issued £300m of 10% dated subordinated notes. These notes were called at par on 23 July 2021.

5.5% Sterling subordinated notes 2064
In 2014, Legal & General Group Plc issued £600m of 5.5% dated subordinated notes. The notes are callable at par on 27 June 2044 and every five years thereafter. If not called, the coupon from 27 June 2044 will be reset to the prevailing five year benchmark gilt yield plus 3.17% p.a. These notes mature on 27 June 2064.

5.375% Sterling subordinated notes 2045
In 2015, Legal & General Group Plc issued £600m of 5.375% dated subordinated notes. The notes are callable at par on 27 October 2025 and every five years thereafter. If not called, the coupon from 27 October 2025 will be reset to the prevailing five year benchmark gilt yield plus 4.58% p.a. These notes mature on 27 October 2045.

5.25% US Dollar subordinated notes 2047
On 21 March 2017, Legal & General Group Plc issued $850m of 5.25% dated subordinated notes. The notes are callable at par on 21 March 2027 and every five years thereafter. If not called, the coupon from 21 March 2027 will be reset to the prevailing US Dollar mid-swap rate plus 3.687% p.a. These notes mature on 21 March 2047.

5.55% US Dollar subordinated notes 2052
On 24 April 2017, Legal & General Group Plc issued $500m of 5.55% dated subordinated notes. The notes are callable at par on 24 April 2032 and every five years thereafter. If not called, the coupon from 24 April 2032 will be reset to the prevailing US Dollar mid-swap rate plus 4.19% p.a. These notes mature on 24 April 2052.

5.125% Sterling subordinated notes 2048
On 14 November 2018, Legal & General Group Plc issued £400m of 5.125% dated subordinated notes. The notes are callable at par on 14 November 2028 and every five years thereafter. If not called, the coupon from 14 November 2028 will be reset to the prevailing five year benchmark gilt yield plus 4.65% p.a. These notes mature on 14 November 2048.

3.75% Sterling subordinated notes 2049
On 26 November 2019, Legal & General Group Plc issued £600m of 3.75% dated subordinated notes. The notes are callable at par on 26 November 2029 and every five years thereafter. If not called, the coupon from 26 November 2029 will be reset to the prevailing five year benchmark gilt yield plus 4.05% p.a. These notes mature on 26 November 2049.

4.5% Sterling subordinated notes 2050
On 1 May 2020, Legal & General Group Plc issued £500m of 4.5% dated subordinated notes. The notes are callable at par on 1 November 2030 and every five years thereafter. If not called, the coupon from 1 November 2030 will be reset to the prevailing five year benchmark gilt yield plus 5.25% p.a. These notes mature on 1 November 2050.

All of the above subordinated notes are treated as Tier 2 own funds for Solvency II purposes unless stated otherwise.

Senior borrowings

Between 2000 and 2002 Legal & General Finance Plc issued £600m of senior unsecured Sterling medium term notes 2031-2041 at coupons between 5.75% and 5.875%. These notes have various maturity dates between 2031 and 2041.

4.09 Operational borrowings

	Carrying amount 30 Jun 2022 £m	**Fair value 30 Jun 2022 £m**	Carrying amount 30 Jun 2021 £m	Fair value 30 Jun 2021 £m	Carrying amount 31 Dec 2021 £m	Fair value 31 Dec 2021 £m
Euro Commercial Paper	**50**	**50**	50	50	50	50
Non-recourse borrowings	**1,004**	**1,004**	1,064	1,064	874	874
Bank loans and overdrafts	**91**	**91**	2	2	-	-
Operational borrowings[1]	**1,145**	**1,145**	1,116	1,116	924	924

1. Unit linked borrowings with a carrying value of £37m (30 June 2021: £22m; 31 December 2021: £8m) are excluded from the analysis above as the risk is retained by policyholders. Operational borrowings including unit linked borrowings are £1,182m (30 June 2021: £1,138m; 31 December 2021: £932m).

Syndicated Credit Facility

As at 30 June 2022, the group had in place a £1bn syndicated committed revolving credit facility provided by a number of its key relationship banks, maturing in December 2024. No amounts were outstanding at 30 June 2022.

4.10 Movement in borrowings

	30 Jun 2022 £m	30 Jun 2021 £m	31 Dec 2021 £m
As at 1 January	**5,188**	5,613	5,613
Cash movements:			
- Proceeds from borrowings	**265**	269	503
- Repayment of borrowings	**(210)**	(162)	(798)
- Net increase/(decrease) in bank loans and overdrafts	**120**	(17)	(54)
Non-cash movements:			
- Amortisation	**1**	1	3
- Foreign exchange rate movements	**184**	(19)	10
- Other	**(10)**	(5)	(89)
Core and operational borrowings	**5,538**	5,680	5,188

4.11 Payables and other financial liabilities

	30 Jun 2022 £m	30 Jun 2021 £m	31 Dec 2021 £m
Derivative liabilities	**34,044**	18,249	15,718
Repurchase agreements[1]	**47,103**	47,703	46,331
Other financial liabilities[2]	**14,823**	14,833	12,215
Total payables and other financial liabilities	**95,970**	80,785	74,264

1. The repurchase agreements are presented gross, however they and their related assets (included within debt securities) are subject to master netting arrangements. The significant majority of the repurchase agreements are unit linked.
2. Other financial liabilities includes trail commission, lease liabilities, FX spots and the value of short positions taken out to cover reverse repurchase agreements. The value of short positions as at 30 June 2022 was £4,779m (30 June 2021: £4,320m; 31 December 2021: £5,418m).

Fair value hierarchy

As at 30 June 2022	**Total £m**	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Amortised cost[1] £m**
Derivative liabilities	**34,044**	**291**	**33,713**	**40**	**-**
Repurchase agreements	**47,103**	**-**	**47,103**	**-**	**-**
Other financial liabilities	**14,823**	**4,815**	**81**	**-**	**9,927**
Total payables and other financial liabilities	**95,970**	**5,106**	**80,897**	**40**	**9,927**

As at 30 June 2021	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Amortised cost[1] £m
Derivative liabilities	18,249	397	17,780	72	-
Repurchase agreements	47,703	-	47,703	-	-
Other financial liabilities	14,833	5,484	15	10	9,324
Total payables and other financial liabilities	80,785	5,881	65,498	82	9,324

As at 31 December 2021	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Amortised cost[1] £m
Derivative liabilities	15,718	331	15,316	71	-
Repurchase agreements	46,331	-	46,331	-	-
Other financial liabilities	12,215	5,438	55	-	6,722
Total payables and other financial liabilities	74,264	5,769	61,702	71	6,722

1. The carrying value of payables and other financial liabilities at amortised cost approximates its fair value.

Significant transfers between levels

There have been no significant transfers of liabilities between Levels 1, 2 and 3 for the period ended 30 June 2022 (30 June 2021 and 31 December 2021: no significant transfers).

4.12 Foreign exchange rates

Principal rates of exchange used for translation are:

Period end exchange rates	**30 Jun 2022**	30 Jun 2021	31 Dec 2021
United States dollar	**1.22**	1.38	1.35
Euro	**1.16**	1.17	1.19

Average exchange rates	**6 months 2022**	6 months 2021	Full year 2021
United States dollar	**1.30**	1.39	1.38
Euro	**1.19**	1.15	1.16

4.13 Provisions

	Note	**30 Jun 2022 £m**	30 Jun 2021 £m	31 Dec 2021 £m
Other provisions	4.13 (a)	**182**	108	213
Retirement benefit obligations	4.13 (b)	**599**	1,005	1,025
Total provisions		**781**	1,113	1,238

(a) Other provisions

Included within Other provisions are amounts relating to new and existing M&A and restructuring transactions. This includes costs that Legal & General Investment Management (LGIM) has committed to incur to extend its existing partnership with State Street, to increase the use of Charles River technology across the front office and to deliver middle office services going forward.

(b) Retirement benefit obligations

The Legal & General Group UK Pension and Assurance Fund (Fund) and the Legal & General Group UK Senior Pension Scheme (Scheme) account for the majority of the UK and worldwide assets of, and contributions to, such arrangements. The Fund and Scheme were closed to future accrual on 31 December 2015.

As at 30 June 2022, the combined obligation arising from these arrangements has been estimated at £594m (30 June 2021: £980m; 31 December 2021: £1,020m). The retirement benefit obligations are a component of Provisions on the Consolidated Balance Sheet. The after tax surplus, net of annuity obligations insured by Legal and General Assurance Society (LGAS), has been calculated to be £131m (30 June 2021: deficit of £28m; 31 December 2021: deficit of £22m).

The group operates two other defined benefit pension schemes, both of which are closed to future accrual and have a combined retirement benefit obligation of £5m (30 June 2021: £25m; 31 December 2021: £5m).

4.14 Contingent liabilities, guarantees and indemnities

Provision for the liabilities arising under contracts with policyholders is based on certain assumptions. The variance between actual experience from that assumed may result in those liabilities differing from the provisions made for them. Liabilities may also arise in respect of claims relating to the interpretation of policyholder contracts, or the circumstances in which policyholders have entered into them. The extent of these liabilities is influenced by a number of factors including the actions and requirements of the PRA, FCA, ombudsman rulings, industry compensation schemes and court judgments.

Various group companies receive claims and become involved in actual or threatened litigation and regulatory issues from time to time. The relevant members of the group ensure that they make prudent provision as and when circumstances calling for such provision become clear, and that each has adequate capital and reserves to meet reasonably foreseeable eventualities. The provisions made are regularly reviewed. It is not possible to predict, with certainty, the extent and the timing of the financial impact of these claims, litigation or issues.

Group companies have given warranties, indemnities and guarantees as a normal part of their business and operating activities or in relation to capital market transactions or corporate disposals. Legal & General Group Plc has provided indemnities and guarantees in respect of the liabilities of group companies in support of their business activities including Pension Protection Fund compliant guarantees in respect of certain group companies' liabilities under the group pension Fund and Scheme. LGAS has provided indemnities, a liquidity and expense risk agreement, a deed of support and a cash and securities liquidity facility in respect of the liabilities of group companies to facilitate the group’s matching adjustment reorganisation pursuant to Solvency II.

4.15 Related party transactions

(i) Key management personnel transactions and compensation

There were no material transactions between key management and the Legal & General group of companies during the period. All transactions between the group and its key management are on commercial terms which are no more favourable than those available to employees in general. Contributions to the post-employment defined benefit plans were £51m (30 June 2021: £52m; 31 December 2021: £109m) for all employees.

At 30 June 2022, 30 June 2021 and 31 December 2021 there were no loans outstanding to officers of the company.

The aggregate compensation for key management personnel, including executive and non-executive directors, is as follows:

	6 months 2022 £m	6 months 2021 £m	Full year 2021 £m
Salaries	**3**	3	10
Share-based incentive awards	**5**	5	5
Key management personnel compensation	**8**	8	15

(ii) Services provided to and by related parties

All transactions between the group and associates, joint ventures and other related parties during the period are on commercial terms which are no more favourable than those available to companies in general.

Loans and commitments to related parties are made in the normal course of business.

The group has the following material related party transactions:

- Assured Payment Policies (APPs) have been transacted between the group's defined benefit pension schemes and LGAS. An APP is an investment contract product sold by LGRI which, issued to a pension scheme, provides the scheme with a fixed or inflation-linked schedule of payments to match the scheme's expected liabilities. As at 30 June 2022, LGAS recognised a liability related to the APP transactions of £968m (30 June 2021: £1,251m; 31 December 2021: £1,214m) which is included in the group's investment contract liabilities. The UK defined benefit pension schemes hold transferable plan assets of the same amounts, which do not eliminate on consolidation.

- Loans outstanding from related parties at 30 June 2022 of £20m (30 June 2021: £22m; 31 December 2021: £15m), with a further commitment of £2m;

- The group has total other commitments of £1,061m to related parties (30 June 2021: £1,206m; 31 December 2021: £1,158m), of which £736m has been drawn at 30 June 2022 (30 June 2021: £738m; 31 December 2021: £726m).

4.16 Acquisitions

Ancora L&G LLC

On 25 May 2022 Legal & General Capital (LGC) announced that it has formed a 50:50 partnership with US based real estate developer to create a real estate platform dedicated to driving life science, research and technology growth across the US.

As part of the transaction, the group transferred consideration of $4m (£3m) in cash, in return for a 50% shareholding in Ancora L&G LLC. As a result of the transaction, in line with IFRS 3 'Business Combinations', the group controls Ancora, and therefore the assets and liabilities acquired have been included in the group's consolidated financial statements, using the group's accounting policies. Goodwill of £3m has been recognised on consolidation.

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5.01 LGIM total assets under management[1] (AUM)

For the six month period to 30 June 2022	Index £bn	Active strategies £bn	Multi asset £bn	Solutions[2] £bn	Real assets £bn	Total AUM £bn
As at 1 January 2022	**502.4**	**198.8**	**78.0**	**605.1**	**37.2**	**1,421.5**
External inflows[3]	63.2	7.0	6.8	21.3	1.4	99.7
External outflows[3]	(38.2)	(4.2)	(3.7)	(12.5)	(1.1)	(59.7)
Overlay net flows	-	-	-	25.6	-	25.6
External net flows[4]	**25.0**	**2.8**	**3.1**	**34.4**	**0.3**	**65.6**
PRT transfers[5]	-	-	-	(0.4)	-	(0.4)
Internal net flows[6]	(0.4)	0.2	-	(0.7)	0.4	(0.5)
Total net flows	**24.6**	**3.0**	**3.1**	**33.3**	**0.7**	**64.7**
Market movements	(57.8)	(25.2)	(8.0)	(102.4)	(1.9)	(195.3)
Other movements[7]	0.4	1.6	-	(3.2)	-	(1.2)
As at 30 June 2022	**469.6**	**178.2**	**73.1**	**532.8**	**36.0**	**1,289.7**
Assets attributable to:						
External						1,190.7
Internal						99.0

For the six month period to 30 June 2021	Index £bn	Active strategies £bn	Multi asset £bn	Solutions[2] £bn	Real assets £bn	Total AUM £bn
As at 1 January 2021	429.9	193.6	65.7	557.2	32.5	1,278.9
External inflows[3]	47.8	10.0	4.9	20.2	0.6	83.5
External outflows[3]	(43.1)	(7.7)	(3.1)	(8.0)	(0.8)	(62.7)
Overlay net flows	-	-	-	6.6	-	6.6
External net flows[4]	4.7	2.3	1.8	18.8	(0.2)	27.4
PRT transfers[5]	(0.4)	(0.5)	-	(2.8)	-	(3.7)
Internal net flows[6]	(0.3)	(2.3)	0.1	(0.2)	1.0	(1.7)
Total net flows	4.0	(0.5)	1.9	15.8	0.8	22.0
Market movements	37.9	(4.3)	4.2	(19.2)	0.4	19.0
Other movements[7]	(0.4)	1.3	-	6.0	-	6.9
As at 30 June 2021	471.4	190.1	71.8	559.8	33.7	1,326.8
Assets attributable to:						
External						1,213.6
Internal						113.2

1. Assets under management (AUM) includes assets on our Investment Only Platform that are managed by third parties, on which fees are earned.
2. Solutions include liability driven investments and £386.9bn (30 June 2021: £345.3bn) of derivative notionals associated with the Solutions business.
3. External inflows and outflows include £2.3bn (30 June 2021: £3.3bn) of external investments and £2.0bn (30 June 2021: £1.2bn) of redemptions in the ETF business.
4. External net flows exclude movements in short-term Solutions assets, as their maturity dates are determined by client agreements and are subject to a higher degree of variability. The total value of these assets at 30 June 2022 was £68.8bn (30 June 2021: £51.5bn).
5. PRT transfers reflect UK defined benefit pension scheme buy-outs to LGRI.
6. Internal net flows includes legacy assets from the Mature Savings business sold to ReAssure in 2020.
7. Other movements include movements of external holdings in money market funds, other cash mandates and short-term solutions assets.

5.01 LGIM total assets under management[1] (AUM) (continued)

For the year ended 31 December 2021	Index £bn	Active strategies £bn	Multi asset £bn	Solutions[2] £bn	Real assets £bn	Total AUM £bn
As at 1 January 2021	429.9	193.6	65.7	557.2	32.5	1,278.9
External inflows[3]	99.4	18.7	15.1	34.4	1.7	169.3
External outflows[3]	(94.5)	(15.8)	(8.1)	(25.5)	(1.8)	(145.7)
Overlay net flows	-	-	-	11.0	-	11.0
External net flows[4]	4.9	2.9	7.0	19.9	(0.1)	34.6
PRT transfers[5]	(0.6)	(0.7)	-	(2.9)	-	(4.2)
Internal net flows[6]	(1.0)	(1.8)	0.2	(1.5)	2.0	(2.1)
Total net flows	3.3	0.4	7.2	15.5	1.9	28.3
Market movements	68.7	1.8	5.1	8.6	2.8	87.0
Other movements[7]	0.5	3.0	-	23.8	-	27.3
As at 31 December 2021	502.4	198.8	78.0	605.1	37.2	1,421.5
Assets attributable to:						
External						1,306.3
Internal						115.2

1. Assets under management (AUM) includes assets on our Investment Only Platform, that are managed by third parties, on which fees are earned.
2. Solutions include liability driven investments and £383.2bn of derivative notionals associated with the Solutions business.
3. External inflows and outflows include £5.5bn of external investments and £3.0bn of redemptions in the ETF business.
4. External net flows exclude movements in short-term Solutions assets, as their maturity dates are determined by client agreements and are subject to a higher degree of variability. The total value of these assets at 31 December 2021 was £71.2bn.
5. PRT transfers reflect UK defined benefit pension scheme buy-outs to LGRI.
6. Internal net flows include flows in legacy assets from the Mature Savings business sold to ReAssure in 2020.
7. Other movements include movements of external holdings in money market funds, other cash mandates and short-term solutions assets.

5.02 LGIM total external assets under management and net flows

	Assets under management at			Net flows for the six months ended[1]		
	30 Jun 2022 £bn	30 Jun 2021 £bn	31 Dec 2021 £bn	**30 Jun 2022 £bn**	30 Jun 2021 £bn	31 Dec 2021 £bn
International[2]	**377.1**	344.8	377.3	**34.5**	15.0	14.5
UK Institutional						
- Defined contribution	**129.4**	125.5	137.7	**6.9**	4.4	5.0
- Defined benefit	**630.3**	689.6	733.3	**22.5**	4.6	(13.9)
Wholesale[3]	**45.5**	45.5	49.1	**1.4**	1.3	1.2
ETF[4]	**8.4**	8.2	8.9	**0.3**	2.1	0.4
Total external	**1,190.7**	1,213.6	1,306.3	**65.6**	27.4	7.2

1. External net flows exclude movements in short-term solutions assets, with maturity as determined by client agreements and are subject to a higher degree of variability.
2. International assets are shown on the basis of client domicile. Total International AUM including assets managed internationally on behalf of UK clients amounted to £468bn as at 30 June 2022 (30 June 2021: £434bn; 31 December 2021: £479bn).
3. Wholesale represents assets from the Retail Intermediary business and £0.3bn of assets from Personal Investing customers that did not migrate to Fidelity International Limited.
4. ETF reflects external AUM and flows invested on the platform. Total AUM managed on the platform is £9.9bn ($12.0bn) in H1 22 (H1 21: £9.4bn ($13.0bn); FY 21: £10.1bn ($13.7bn)) and flows of £0.6bn ($0.8bn) in H1 22 (H1 21: £2.5bn ($3.4bn); FY 21: £2.9bn ($3.9bn)) which include internal investment from other LGIM asset classes.

5.03 Reconciliation of assets under management to Consolidated Balance Sheet financial investments, investment property and cash and cash equivalents

	30 Jun 2022 £bn	30 Jun 2021 £bn	31 Dec 2021 £bn
Assets under management	**1,290**	1,327	1,421
Derivative notionals[1]	**(387)**	(351)	(383)
Third party assets[2]	**(429)**	(441)	(480)
Other[3]	**24**	10	7
Financial investments, investment property and cash and cash equivalents	**498**	545	565

1. Derivative notionals are included in the assets under management measure but are not for IFRS reporting and are thus removed.
2. Third party assets are those that LGIM manage on behalf of others which are not included on the group's Consolidated Balance Sheet.
3. Other includes assets that are managed by third parties on behalf of the group, other assets and liabilities related to financial investments, derivative assets and pooled funds.

5.04 Assets under administration

	Workplace[1] 30 Jun 2022 £bn	**Annuities[2] 30 Jun 2022 £bn**	Workplace 30 Jun 2021 £bn	Annuities 30 Jun 2021 £bn	Workplace 31 Dec 2021 £bn	Annuities 31 Dec 2021 £bn
As at 1 January	**65.7**	**89.9**	50.8	87.0	50.8	87.0
Gross inflows	**6.1**	**5.0**	7.5	3.7	11.9	8.7
Gross outflows	**(1.8)**	**-**	(1.5)	-	(3.4)	-
Payments to pensioners	**-**	**(2.4)**	-	(2.2)	-	(4.6)
Net flows	**4.3**	**2.6**	6.0	1.5	8.5	4.1
Market and other movements	**(6.9)**	**(13.7)**	3.4	(2.7)	6.4	(1.2)
As at 30 June/31 December	**63.1**	**78.8**	60.2	85.8	65.7	89.9

1. Workplace assets under administration as at 30 June 2022 includes £63.0bn (30 June 2021: £60.1bn; 31 December 2021: £65.6bn) of assets under management included in Note 5.01.
2. Annuities assets under administration as at 30 June 2022 includes £69.9bn (30 June 2021: £77.3bn; 31 December 2021: £80.6bn) of assets under management included in Note 5.01.

5.05 LGRI new business

	6 months 30 Jun 2022 £m	6 months 30 Jun 2021 £m	6 months 31 Dec 2021 £m	Full year 31 Dec 2021 £m
Pension risk transfer				
- UK[1]	**3,715**	2,965	3,275	6,240
- US	**593**	107	682	789
- Bermuda	**141**	-	147	147
Total LGRI new business	**4,449**	3,072	4,104	7,176

1. UK pension risk transfer includes a £nil (H1 21: £925m; H2 21: £nil) Assured Payment Policy (APP).

5.06 Retail new business

	6 months 30 Jun 2022 £m	6 months 30 Jun 2021 £m	6 months 31 Dec 2021 £m	Full year 31 Dec 2021 £m
Individual annuities	**453**	483	474	957
Lifetime mortgage loans and retirement interest only mortgages	**338**	414	434	848
Total Retail Retirement new business	**791**	897	908	1,805
UK Retail protection	**85**	105	95	200
UK Group protection	**63**	55	33	88
US protection[1]	**48**	43	48	91
Total Insurance new business	**196**	203	176	379
Total Retail new business	**987**	1,100	1,084	2,184

1. In local currency, US protection reflects new business of $62m (H1 21: $59m; H2 21: $65m).

5.07 Gross written premiums on insurance business

	6 months 30 Jun 2022 £m	6 months 30 Jun 2021 £m	6 months 31 Dec 2021 £m	Full year 31 Dec 2021 £m
UK Retail protection	**740**	714	730	1,444
UK Group protection	**291**	274	131	405
US protection[1]	**574**	512	541	1,053
Longevity insurance	**154**	152	155	307
Total gross written premiums on insurance business	**1,759**	1,652	1,557	3,209

1. In local currency, US protection reflects gross written premiums of $746m (H1 21: $712m; H2 21: $737m).

6.01 Group regulatory capital – Solvency II

The group complies with the requirements established by the Solvency II Framework Directive, as adopted by the Prudential Regulation Authority (PRA) in the UK and measures and monitors its capital resources on this basis.

The Solvency II results are estimated and unaudited. Further explanation of the underlying methodology and assumptions are set out in the sections below.

The group calculates its Solvency II capital requirements using a Partial Internal Model. The vast majority of the risk to which the group is exposed is assessed on the Partial Internal Model basis approved by the PRA. Capital requirements for a few smaller entities are assessed using the Standard Formula basis on materiality grounds. The group's US insurance businesses and Legal & General Reinsurance Company No. 2 are valued on a local statutory basis, following the PRA's approval to use the Deduction and Aggregation method of including these businesses in the group solvency calculation.

The table below shows the group Own Funds, Solvency Capital Requirement (SCR) and Surplus Own Funds, based on the Partial Internal Model, Matching Adjustment and Transitional Measures on Technical Provisions (TMTP) as at 30 June 2022.

(a) Capital position

As at 30 June 2022 the group had a surplus of £9,181m (31 December 2021: £8,185m) over its Solvency Capital Requirement, corresponding to a Solvency II capital coverage ratio of 212% (31 December 2021: 187%). The Solvency II capital position is as follows:

	30 Jun 2022 £m	31 Dec 2021 £m
Unrestricted Tier 1 Own Funds	**13,255**	13,254
Restricted Tier 1 Own Funds[1]	**495**	495
Tier 2 Subordinated liabilities	**3,733**	3,995
Eligibility restrictions	**(109)**	(183)
Solvency II Own Funds[2,3]	**17,374**	17,561
Solvency Capital Requirement	**(8,193)**	(9,376)
Solvency II surplus	**9,181**	8,185
SCR Coverage ratio	**212%**	187%

1. Restricted Tier 1 Own Funds represent Perpetual restricted Tier 1 contingent convertible notes.
2. Solvency II Own Funds do not include an accrual for the interim dividend of £324m (31 December 2021: £790m) declared after the balance sheet date.
3. Solvency II Own Funds allow for a Risk Margin of £3,782m (2021: £5,488m) and TMTP of £3,291m (2021: £4,736m).

(b) Methodology and assumptions

The methodology, assumptions and Partial Internal Model underlying the calculation of Solvency II Own Funds and associated capital requirements are broadly consistent with those set out in the group's 2021 Annual Report and Accounts and Full Year Results.

Non-market assumptions are consistent with those underlying the group's IFRS disclosures, but with the removal of any margins for prudence. Future investment returns and discount rates are those defined by the PRA, using risk-free rates based on SONIA market swap rates for sterling denominated liabilities. For annuities that are eligible, the liability discount rate includes a Matching Adjustment. This Matching Adjustment varies between LGAS and LGRe and by the currency of the relevant liabilities.

At 30 June 2022 the Matching Adjustment for UK GBP denominated liabilities was 138 basis points (31 December 2021: 104 basis points) after deducting an allowance for the fundamental spread equivalent to 57 basis points (31 December 2021: 54 basis points).

6.01 Group regulatory capital – Solvency II (continued)

(c) Analysis of change

The table below shows the movement (net of tax) during the six month period ended 30 June 2022 in the group's Solvency II surplus.

	6 months 30 Jun 2022 Own Funds £m	6 months 30 Jun 2022 SCR £m	6 months 30 Jun 2022 Surplus £m
Opening Position	**17,561**	**(9,376)**	**8,185**
Operational Surplus Generation[1]	**748**	**198**	**946**
New business strain	**175**	**(296)**	**(121)**
Net surplus generation	**923**	**(98)**	**825**
Operating variances[2]			**(231)**
Market movements[3]			**1,194**
M&A, portfolio and business transfers			**-**
Subordinated liabilities			**-**
Dividends paid[4]			**(792)**
Total surplus movement (after dividends paid in the period)	**(187)**	**1,183**	**996**
Closing Position	**17,374**	**(8,193)**	**9,181**

1. Operational Surplus Generation includes a £176m release of Risk Margin and £(173)m amortisation of the TMTP.
2. Operating variances include the impact of experience variances, changes to valuation assumptions, methodology changes and other management actions including changes in asset mix. The net impact of operating variances over the period was negative and predominantly reflects timing differences which we expect to reverse in H2.
3. Market movements represent the impact of changes in investment market conditions during the period and changes to future economic assumptions. The movement during the period primarily reflects the impact of rising rates on the valuation of the balance sheet, partially offset by weaker asset markets, predominantly in equities, credit spread dispersion in sub-investment grade assets, as well as a number of other, smaller variances.
4. Dividends paid are the amounts from the 2021 final dividend paid in H1 2022.

The table below shows the movement (net of tax) during the year ended 31 December 2021 in the group's Solvency II surplus.

	Full year 31 Dec 2021 Own Funds £m	Full year 31 Dec 2021 SCR £m	Full year 31 Dec 2021 Surplus £m
Opening Position	17,316	(9,880)	7,436
Operational Surplus Generation[1]	1,144	492	1,636
New business strain	330	(684)	(354)
Net surplus generation	1,474	(192)	1,282
Operating variances[2]			26
Market movements[3]			727
M&A, portfolio and business transfers[4]			77
Subordinated liabilities[5]			(300)
Dividends paid[6]			(1,063)
Total surplus movement (after dividends paid in the period)	245	504	749
Closing Position	17,561	(9,376)	8,185

1. Operational Surplus Generation includes a £612m release of Risk Margin and £(433)m amortisation of the TMTP.
2. Operating variances include the impact of experience variances, changes to valuation assumptions, methodology changes and other management actions including changes in asset mix.
3. Market movements represent the impact of changes in investment market conditions over the year and changes to future economic assumptions.
4. Includes the impact of the sale of the Personal Investment business.
5. Reflects the redemption of £300m debt issued in 2009.
6. Dividends paid are the amounts from the 2020 final dividend and the 2021 interim dividend.

6.01 Group regulatory capital – Solvency II (continued)

(c) Analysis of change (continued)

Operational Surplus Generation is the expected surplus generated from the assets and liabilities in-force at the start of the year. It is based on assumed real world returns and best estimate non-market assumptions. It includes the impact of management actions to the extent that, at the start of the year, these were reasonably expected to be implemented over the year.

New Business Strain is the cost of acquiring and setting up Technical Provisions and SCR (net of any premium income) on actual new business written over the period. It is based on economic conditions at the point of sale.

(d) Reconciliation of IFRS Release from operations to Solvency II Operational surplus generation

(i) The table below provides a reconciliation of the group's IFRS Release from operations to Solvency II Operational surplus generation.

	6 months 2022 £m	Full year 2021 £m
IFRS Release from operations	**892**	1,441
Expected release of IFRS prudential margins	**(273)**	(496)
Releases of IFRS specific reserves[1]	**(83)**	(162)
Solvency II investment margin[2,3]	**67**	213
Release of Solvency II Capital Requirement and Risk Margin less TMTP amortisation	**343**	640
Solvency II Operational surplus generation[4]	**946**	1,636

1. Release of prudence from IFRS specific reserves which are not included in Solvency II (e.g. long-term longevity and expense margins).
2. Release of prudence related to differences between the PRA defined Fundamental Spread and Legal & General's best estimate default assumption.
3. Expected market returns earned on LGR's free assets in excess of risk-free rates over 2022.
4. Solvency II Operational Surplus Generation includes management actions which at the start of 2022 were reasonably expected to be implemented over the year.

(ii) The table below provides a reconciliation of the group's IFRS New business surplus to Solvency II New business strain.

	6 months 2022 £m	Full year 2021 £m
IFRS New business surplus	**153**	247
Removal of requirement to set up prudential margins above best estimate on new business	**94**	280
Set up of SCR on new business	**(296)**	(684)
Set up of Risk Margin on new business	**(72)**	(197)
Solvency II New business strain[1]	**(121)**	(354)

1. UK PRT new business volume during the first half of 2022 was £3.7bn (Full year 2021: £6.2bn).

(e) Reconciliation of IFRS equity to Solvency II Own Funds

A reconciliation of the group's IFRS equity to Solvency II Own Funds is given below:

	30 Jun 2022 £m	31 Dec 2021 £m
IFRS equity[1]	**11,679**	10,981
Remove DAC, goodwill and other intangible assets and associated liabilities	**(428)**	(406)
Add IFRS carrying value of subordinated borrowings[2]	**3,813**	3,700
Insurance contract valuation differences[3]	**2,808**	4,132
Difference in value of net deferred tax liabilities	**(494)**	(716)
Other	**105**	53
Eligibility restrictions	**(109)**	(183)
Solvency II Own Funds[4]	**17,374**	17,561

1. IFRS equity represents equity attributable to owners of the parent and restricted Tier 1 convertible notes as per the Consolidated Balance Sheet.
2. Treated as available capital on the Solvency II balance sheet as the liabilities are subordinate to policyholder claims.
3. Differences in the measurement of technical provisions between IFRS and Solvency II.
4. Solvency II Own Funds do not include an accrual for the interim dividend of £324m (31 December 2021: £790m) declared after the balance sheet date.

6.01 Group regulatory capital – Solvency II (continued)

(f) Sensitivity analysis

The following sensitivities are provided to give an indication of how the group's Solvency II surplus as at 30 June 2022 would have changed in a variety of adverse events. These are all independent stresses to a single risk. In practice, the balance sheet is impacted by combinations of stresses and the combined impact can be larger than adding together the impacts of the same stresses in isolation. It is expected that, particularly for market risks, adverse stresses will happen together.

	Impact on net of tax Solvency II capital surplus 2022 £bn	**Impact on net of tax Solvency II coverage ratio 2022 %**	Impact on net of tax Solvency II capital surplus 2021 £bn	Impact on net of tax Solvency II coverage ratio 2021 %
50bps increase in risk-free rates[1]	**0.3**	**9**	0.5	10
100bps increase in risk-free rates[1]	**0.5**	**19**	0.9	19
50bps decrease in risk-free rates[1,2]	**(0.3)**	**(9)**	(0.6)	(10)
Credit spreads widen by 100bps assuming an escalating addition to ratings[3,4]	**0.4**	**12**	0.6	13
Credit spreads narrow by 100bps assuming an escalating deduction from ratings[3,4]	**(0.4)**	**(15)**	(0.6)	(14)
Credit spreads widen by 100bps assuming a flat addition to ratings[3]	**0.4**	**14**	0.7	14
Credit spreads of sub investment grade assets widen by 100bps assuming a level addition to ratings[3,5]	**(0.3)**	**(8)**	(0.4)	(7)
Credit migration[6]	**(1.2)**	**(14)**	(0.9)	(10)
25% fall in equity markets[7]	**(0.4)**	**(3)**	(0.5)	(3)
15% fall in property markets[8]	**(0.9)**	**(9)**	(0.8)	(7)
50bps increase in future inflation expectations[1]	**-**	**(3)**	-	(2)
Substantially reduced Risk Margin[9]	**0.5**	**7**	0.6	7

1. Assuming a recalculation of the Transitional Measure on Technical Provisions that partially offsets the impact on Risk Margin.
2. In the interest rate down stress negative rates are allowed, i.e. there is no floor at zero rates.
3. The spread sensitivity applies to the group's corporate bond (and similar) holdings, with no change in long-term default expectations, post management actions. Restructured lifetime mortgages are excluded as the underlying exposure is mostly to property.
4. The stress for AA bonds is twice that for AAA bonds, for A bonds it is three times, for BBB four times and so on, such that the weighted average spread stress for the portfolio is 100 basis points. To give a 100bps increase on the total portfolio, the spread stress increases in steps of 32bps, i.e. 32bps for AAA, 64bps for AA etc.
5. No stress for bonds rated BBB and above. For bonds rated BB and below the stress is 100bps. The spread widening on the total portfolio is smaller than 2bps as the group holds less than 2% in bonds rated BB and below. The impact is primarily an increase in SCR arising from the modelled cost of trading downgraded bonds back to a higher rating in the stress scenarios in the SCR calculation.
6. Credit migration stress covers the cost of an immediate big letter downgrade on 20% of all assets where the capital treatment depends on a credit rating (including corporate bonds, and sale and leaseback rental strips; lifetime mortgage senior notes are excluded). Downgraded assets in our annuities portfolio are assumed to be traded to their original credit rating, so the impact is primarily a reduction in Own Funds from the loss of value on downgrade. The impact of the sensitivity will depend upon the market levels of spreads at the balance sheet date.
7. This relates primarily to equity exposure in LGC but will also include equity-based mutual funds and other investments that receive an equity stress (for example, certain investments in subsidiaries). Some assets have factors that increase or decrease the stress relative to general equity levels via a beta factor.
8. Assets stressed include residual values from sale and leaseback, the full amount of lifetime mortgages and direct investments treated as property.
9. Assuming a 2/3 reduction in the Risk Margin, allowing for offset from an equivalent reduction in the Transitional Measure on Technical Provisions.

The above sensitivity analysis does not reflect all management actions which could be taken to reduce the impacts. In practice, the group actively manages its asset and liability positions to respond to market movements. Other than in the interest rate and inflation stresses, we have not allowed for the recalculation of TMTP following a stress.

The impacts of these stresses are not linear therefore these results should not be used to interpolate or extrapolate the impact of a smaller or larger stress. The results of these tests are indicative of the market conditions prevailing at the balance sheet date. The results would be different if performed at an alternative reporting date.

6.02 Estimated Solvency II new business contribution

(a) New business by product[1]

Management estimates of the present value of new business premium (PVNBP) and the margin for selected lines of business are provided below:

	PVNBP	Contribution from new business[2]	Margin[3]	PVNBP	Contribution from new business[2]	Margin[3]
	6 months	**6 months**	**6 months**	Full year	Full year	Full year
	2022 £m	**2022 £m**	**2022 %**	2021 £m	2021 £m	2021 %
LGRI - UK annuity business	**3,715**	**323**	**8.7**	6,059	574	9.5
Retail Retirement - UK annuity business	**453**	**32**	**7.1**	957	61	6.4
UK protection business	**870**	**50**	**5.7**	1,883	149	7.9
- retail protection	578	28	4.8	1,476	120	8.1
- group protection	292	22	7.5	407	29	7.1
US protection business[4]	**391**	**42**	**10.7**	842	113	13.4

1. Selected lines of business only.
2. The contribution from new business is defined as the present value at the point of sale of expected future Solvency II surplus emerging from new business written in the year using the risk discount rate applicable at the end of the year.
3. Margin is based on unrounded inputs.
4. In local currency, US protection business reflects PVNBP of $508m (31 December 2021: $1,159m) and a contribution from new business of $54m (31 December 2021: $155m).

The decrease in LGRI margin was driven by the shorter average duration for the schemes written in the first six months of the year, compared to the schemes written in prior year.

The increase in Retail Retirement margin is driven by pricing that is focused on both value and volume in light of the lack of growth in the overall retail market. There was also a benefit from the rise in interest rates over the first half of the year.

The UK protection contribution from new business is supported by robust volumes, particularly in the group protection business. Retail protection business is impacted by a smaller market (2021 benefitted from a buoyant housing market driven by stamp duty relief) and competitive conditions in 2022.

The US protection business margin, whilst still very strong, reduced compared to the prior full year. The decrease is driven by pricing actions and an increase in acquisition expenses.

(b) Basis of preparation

Solvency II new business contribution reflects the portion of Solvency II value added by new business written in the period. It has been calculated in a manner consistent with principles and methodologies which were set out in the group's 2021 Annual Report and Accounts and Full Year Results.

Solvency II new business contribution has been calculated for the group's most material insurance-related businesses, namely, LGRI, Retail Retirement and Insurance.

Intra-group reinsurance arrangements are in place between US, UK and Bermudan businesses and it is expected that these arrangements will be periodically extended to cover recent new business. The US protection new business margin assumes that the new business will continue to be reinsured in 2022 and looks through the intra-group arrangements.

6.02 Estimated Solvency II new business contribution (continued)

(c) Assumptions

The key economic assumptions are as follows:

	30 Jun 2022	31 Dec 2021
	%	%
Margin for Risk	**4.1**	4.1
Risk-free rate		
- UK	**2.3**	0.9
- US	**3.0**	1.5
Risk discount rate (net of tax)		
- UK	**6.4**	5.0
- US	**7.1**	5.6
Long-term rate of return on non-profit annuities	**4.4**	2.5

The future earnings are discounted using duration-based discount rates, which is the sum of a duration-based risk-free rate and a flat margin for risk. The risk-free rates have been based on a swap curve net of the PRA-specified Credit Risk Adjustment. The risk-free rate shown above is a weighted average based on the projected cash flows.

Other than updating for recent experience, all other economic and non-economic assumptions and methodologies that would have a material impact on the margin for these contracts are unchanged from those previously used by the group for its European Embedded Value reporting, other than the cost of currency hedging which has been updated to reflect current market conditions and hedging activity in light of Solvency II. In particular:

- The assumed future pre-tax returns on fixed interest and RPI linked securities are set by reference to the portfolio yield on the relevant backing assets held at market value at the end of the reporting period. The calculated return takes account of derivatives and other credit instruments in the investment portfolio. The returns on fixed and index-linked assets are calculated net of an allowance for default risk which takes account of the credit rating and the outstanding term of the assets. The allowance for corporate and other unapproved credit asset defaults within the new business contribution is calculated explicitly for each bulk annuity scheme written, and the weighted average deduction for business written in 2022 equates to a level rate deduction from the expected returns for the overall annuities portfolio of 19 basis points.

- Non-economic assumptions have been set at levels commensurate with recent operating experience, including those for mortality, morbidity, persistency and maintenance expenses (excluding development costs). An allowance is made for future mortality improvement. For new business, mortality assumptions may be modified to take certain scheme specific features into account.

The profits on the new business are presented gross of tax.

6.02 Estimated Solvency II new business contribution (continued)

(d) Reconciliation of PVNBP to gross written premium

A reconciliation of PVNBP and gross written premium is given below:

	Notes	**6 months 2022 £bn**	Full year 2021 £bn
PVNBP	6.02 (a)	**5.4**	9.7
Effect of capitalisation factor		**(0.9)**	(2.1)
New business premiums from selected lines		**4.5**	7.6
Other[1]		**0.9**	1.8
Total LGRI and Retail new business	5.05,5.06	**5.4**	9.4
Annualisation impact of regular premium long-term business		**(0.2)**	(0.2)
IFRS gross written premiums from existing long-term insurance business		**1.8**	3.3
Deposit accounting for investment products		**(0.4)**	(2.1)
Total gross written premiums[2]		**6.6**	10.4

1. Other principally includes annuity sales in the US, lifetime mortgage loans and retirement interest only mortgages, and quota share reinsurance premiums.
2. Total gross written premiums includes £55m (2021: £109m) of gross written premiums relating to a residual reinsurance treaty following the disposal of the General Insurance business in 2019.

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Investments

7.01 Investment portfolio

	Market value 30 Jun 2022 £m	Market value 30 Jun 2021 £m	Market value 31 Dec 2021 £m
Worldwide total assets under management[1]	**1,295,640**	1,333,203	1,426,462
Client and policyholder assets	**(1,175,344)**	(1,218,560)	(1,309,772)
Investments to which shareholders are directly exposed	**120,296**	114,643	116,690

1. Worldwide total assets under management include LGIM AUM and other group assets not managed by LGIM.

Analysed by investment class:

	Notes	Annuity[1] investments 30 Jun 2022 £m	LGC[2] investments 30 Jun 2022 £m	Other shareholder investments 30 Jun 2022 £m	Total 30 Jun 2022 £m	Total 30 Jun 2021 £m	Total 31 Dec 2021 £m
Equities		**65**	**3,071**	**356**	**3,492**	3,088	3,185
Bonds	7.03	**73,174**	**947**	**2,693**	**76,814**	82,699	86,803
Derivative assets[3]		**24,832**	**239**	**-**	**25,071**	14,019	13,203
Property	7.04	**5,632**	**524**	**-**	**6,156**	5,103	5,710
Loans[4]		**1,346**	**377**	**79**	**1,802**	4,301	2,332
Financial investments	4.03 (a)	**105,049**	**5,158**	**3,128**	**113,335**	109,210	111,233
Cash and cash equivalents		**2,665**	**1,276**	**1,032**	**4,973**	3,740	3,596
Other assets[5]		**94**	**1,894**	**-**	**1,988**	1,693	1,861
Total investments		**107,808**	**8,328**	**4,160**	**120,296**	114,643	116,690

1. Annuity investments includes products held within the LGRI and Retail Retirement portfolios including lifetime mortgage loans & retirement interest only mortgages.
2. LGC investments includes £60m (30 June 2021: £52m; 31 December 2021: £54m) of equities that belong to Legal & General Reinsurance Company Limited.
3. Derivative assets are shown gross of derivative liabilities of £28.4bn (30 June 2021: £17.7bn; 31 December 2021: £14.1bn). Exposures arise from use of derivatives for efficient portfolio management, especially the use of interest rate swaps, inflation swaps, credit default swaps and foreign exchange forward contracts for assets and liability management.
4. Loans include reverse repurchase agreements of £1,701m (30 June 2021: £4,152m; 31 December 2021: £2,240m).
5. Other assets include finance leases of £85m (30 June 2021: £87m; 31 December 2021: £86m), associates and joint ventures of £387m (30 June 2021: £314m; 31 December 2021: £375m) and the consolidated net asset value of the group's investments in CALA Homes and other housing businesses.

7.02 Direct investments

(a) Total investments analysed by asset class

	Direct[1] investments 30 Jun 2022 £m	Traded[2] securities 30 Jun 2022 £m	Total 30 Jun 2022 £m	Direct[1] investments 30 Jun 2021 £m	Traded[2] securities 30 Jun 2021 £m	Total 30 Jun 2021 £m	Direct[1] investments 31 Dec 2021 £m	Traded[2] securities 31 Dec 2021 £m	Total 31 Dec 2021 £m
Equities	**1,431**	**2,061**	**3,492**	1,202	1,886	3,088	1,248	1,937	3,185
Bonds[3]	**21,773**	**55,041**	**76,814**	22,218	60,481	82,699	24,237	62,566	86,803
Derivative assets	**-**	**25,071**	**25,071**	-	14,019	14,019	-	13,203	13,203
Property[4]	**6,156**	**-**	**6,156**	5,103	-	5,103	5,710	-	5,710
Loans and other receivables	**71**	**1,731**	**1,802**	119	4,182	4,301	63	2,269	2,332
Financial investments	**29,431**	**83,904**	**113,335**	28,642	80,568	109,210	31,258	79,975	111,233
Cash and cash equivalents	**116**	**4,857**	**4,973**	221	3,519	3,740	114	3,482	3,596
Other assets	**1,988**	**-**	**1,988**	1,693	-	1,693	1,861	-	1,861
Total investments	**31,535**	**88,761**	**120,296**	30,556	84,087	114,643	33,233	83,457	116,690

1. Direct investments, which generally constitute an agreement with another party, represent an exposure to untraded and often less volatile asset classes. Direct investments also include physical assets, bilateral loans and private equity, but excluded hedge funds.
2. Traded securities are defined by exclusion. If an instrument is not a direct investment, then it is classed as a traded security.
3. Bonds include lifetime mortgage loans of £5,758m (30 June 2021: £6,325m; 31 December 2021: £6,857m).
4. A further breakdown of property is provided in Note 7.04.

7.02 Direct investments (continued)

(b) Direct investments analysed by asset portfolio

	Annuity[1] 30 Jun 2022 £m	**Shareholder[2] 30 Jun 2022 £m**	**Insurance[3] 30 Jun 2022 £m**	**Total 30 Jun 2022 £m**
Equities	**42**	**1,192**	**197**	**1,431**
Bonds[4]	**20,498**	**3**	**1,272**	**21,773**
Property	**5,632**	**524**	**-**	**6,156**
Loans and other receivables	**-**	**71**	**-**	**71**
Financial investments	**26,172**	**1,790**	**1,469**	**29,431**
Other assets, cash and cash equivalents	**94**	**2,010**	**-**	**2,104**
Total direct investments	**26,266**	**3,800**	**1,469**	**31,535**

	Annuity[1] 30 Jun 2021 £m	Shareholder[2] 30 Jun 2021 £m	Insurance[3] 30 Jun 2021 £m	Total 30 Jun 2021 £m
Equities	9	1,077	116	1,202
Bonds[4]	21,023	3	1,192	22,218
Property	4,639	464	-	5,103
Loans and other receivables	-	119	-	119
Financial investments	25,671	1,663	1,308	28,642
Other assets, cash and cash equivalents	100	1,814	-	1,914
Total direct investments	25,771	3,477	1,308	30,556

	Annuity[1] 31 Dec 2021 £m	Shareholder[2] 31 Dec 2021 £m	Insurance[3] 31 Dec 2021 £m	Total 31 Dec 2021 £m
Equities	12	1,124	112	1,248
Bonds[4]	23,029	3	1,205	24,237
Property	5,286	424	-	5,710
Loans and other receivables	-	63	-	63
Financial investments	28,327	1,614	1,317	31,258
Other assets, cash and cash equivalents	96	1,879	-	1,975
Total direct investments	28,423	3,493	1,317	33,233

1. Annuity investments includes products held within the LGRI and Retail Retirement portfolios including lifetime mortgage loans & retirement interest only mortgages.
2. Shareholder primarily includes the LGC direct investment portfolio along with £60m (30 June 2021: £52m; 31 December 2021: £54m) of equities that belong to other shareholder funds.
3. Insurance primarily includes assets backing the group's US protection business.
4. Bonds include lifetime mortgage loans of £5,758m (30 June 2021: £6,325m; 31 December 2021: £6,857m).

7.03 Bond portfolio summary

(a) Sectors analysed by credit rating

As at 30 June 2022	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Other £m	Total[2] £m	Total[2] %
Sovereigns, Supras and Sub-Sovereigns	1,696	8,049	1,169	294	11	1	11,220	15
Banks:								
- Tier 2 and other subordinated	-	-	68	52	3	1	124	-
- Senior	-	1,336	2,336	942	1	-	4,615	6
- Covered	120	-	-	-	-	-	120	-
Financial Services:								
- Tier 2 and other subordinated	-	118	50	32	-	17	217	-
- Senior	51	307	439	368	-	-	1,165	2
Insurance:								
- Tier 2 and other subordinated	59	175	32	51	-	-	317	-
- Senior	5	166	416	462	-	-	1,049	1
Consumer Services and Goods:								
- Cyclical	-	39	1,360	1,877	159	3	3,438	4
- Non-cyclical	323	880	2,531	3,732	247	-	7,713	10
- Health care	-	608	808	761	4	-	2,181	3
Infrastructure:								
- Social	184	891	3,660	882	79	-	5,696	7
- Economic	273	173	891	3,744	180	-	5,261	7
Technology and Telecoms	141	325	1,546	2,801	20	1	4,834	6
Industrials	-	52	613	659	29	-	1,353	2
Utilities	386	628	4,711	5,523	28	-	11,276	15
Energy	-	-	331	765	16	-	1,112	1
Commodities	-	-	337	781	25	8	1,151	2
Oil and Gas	-	505	873	316	226	24	1,944	3
Real estate	-	23	1,906	1,677	107	-	3,713	5
Structured finance ABS / RMBS / CMBS / Other	539	771	463	695	30	-	2,498	3
Lifetime mortgage loans[1]	3,721	1,146	497	381	-	13	5,758	8
CDOs	-	47	-	12	-	-	59	-
Total £m	7,498	16,239	25,037	26,807	1,165	68	76,814	100
Total %	10	21	33	35	1	-	100	

1. The credit ratings attributed to lifetime mortgage loans are allocated in accordance with the internal Matching Adjustment structuring.
2. The group's bond portfolio is dominated by investments backing LGRI's and Retail Retirement's annuity business. These account for £73,174m, representing 95% of the total group portfolio.

7.03 Bond portfolio summary (continued)

(a) Sectors analysed by credit rating (continued)

As at 30 June 2021	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Other £m	Total[2] £m	Total[2] %
Sovereigns, Supras and Sub-Sovereigns	1,925	10,091	1,249	335	10	-	13,610	17
Banks:								
- Tier 2 and other subordinated	-	-	58	39	4	-	101	-
- Senior	-	1,024	3,490	790	2	-	5,306	6
- Covered	151	-	-	-	-	-	151	-
Financial Services:								
- Tier 2 and other subordinated	-	113	57	21	-	-	191	-
- Senior	55	443	406	393	9	-	1,306	2
Insurance:								
- Tier 2 and other subordinated	64	196	31	58	-	-	349	-
- Senior	-	221	405	542	-	-	1,168	1
Consumer Services and Goods:					-	-		-
- Cyclical	-	84	1,135	1,772	193	-	3,184	4
- Non-cyclical	338	1,052	2,658	3,936	344	-	8,328	10
- Health care	-	605	851	690	5	-	2,151	3
Infrastructure:								
- Social	208	746	4,669	916	77	-	6,616	8
- Economic	311	51	766	4,053	183	-	5,364	6
Technology and Telecoms	174	209	1,462	3,085	22	1	4,953	6
Industrials	-	31	672	694	22	-	1,419	2
Utilities	-	207	5,629	5,861	27	-	11,724	14
Energy	-	-	468	589	16	-	1,073	1
Commodities	-	-	365	910	8	-	1,283	2
Oil and Gas	-	560	1,047	389	274	-	2,270	3
Real estate	-	11	1,728	1,591	177	-	3,507	4
Structured finance ABS / RMBS / CMBS / Other	423	798	403	603	24	1	2,252	3
Lifetime mortgage loans[1]	3,852	1,509	524	427	-	13	6,325	8
CDOs	-	55	-	13	-	-	68	-
Total £m	7,501	18,006	28,073	27,707	1,397	15	82,699	100
Total %	9	22	34	33	2	-	100	

1. The credit ratings attributed to lifetime mortgage loans are allocated in accordance with the internal Matching Adjustment structuring.

2. The group's bond portfolio is dominated by investments backing LGRI's and Retail Retirement's annuity business. These account for £78,226m, representing 95% of the total group portfolio.

7.03 Bond portfolio summary (continued)

(a) Sectors analysed by credit rating (continued)

As at 31 December 2021	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Other £m	Total[2] £m	Total[2] %
Sovereigns, Supras and Sub-Sovereigns	2,008	10,348	1,302	360	9	-	14,027	16
Banks:								
- Tier 2 and other subordinated	-	-	56	36	3	-	95	-
- Senior	95	1,858	3,998	738	1	-	6,690	8
- Covered	138	-	-	-	-	-	138	-
Financial Services:								
- Tier 2 and other subordinated	-	111	60	72	-	8	251	-
- Senior	57	416	422	315	-	-	1,210	1
Insurance:								
- Tier 2 and other subordinated	61	192	32	62	-	-	347	-
- Senior	4	196	460	535	-	-	1,195	1
Consumer Services and Goods:								
- Cyclical	-	33	1,399	1,760	206	-	3,398	4
- Non-cyclical	350	1,003	2,737	3,836	346	-	8,272	10
- Health care	-	690	837	889	5	-	2,421	3
Infrastructure:								
- Social	215	780	5,001	900	79	-	6,975	8
- Economic	303	50	1,121	4,294	191	-	5,959	7
Technology and Telecoms	177	307	1,530	3,024	22	2	5,062	6
Industrials	-	31	688	558	30	-	1,307	2
Utilities	27	206	5,666	5,947	30	-	11,876	14
Energy	-	-	385	840	16	-	1,241	1
Commodities	-	-	365	889	8	-	1,262	1
Oil and Gas	-	546	971	387	271	-	2,175	3
Real estate	-	16	1,802	1,587	122	-	3,527	4
Structured finance ABS / RMBS / CMBS / Other	450	860	445	668	28	-	2,451	3
Lifetime mortgage loans[1]	4,238	1,550	584	470	-	15	6,857	8
CDOs	-	-	54	13	-	-	67	-
Total £m	8,123	19,193	29,915	28,180	1,367	25	86,803	100
Total %	9	22	35	32	2	-	100	

1. The credit ratings attributed to lifetime mortgage loans are allocated in accordance with the internal Matching Adjustment structuring.
2. The group's bond portfolio is dominated by investments backing LGRI's and Retail Retirement's annuity business. These account for £81,812m, representing 94% of the total group portfolio.

7.03 Bond portfolio summary (continued)

(b) Sectors analysed by domicile

As at 30 June 2022	UK £m	US £m	EU £m	Rest of the World £m	Total £m
Sovereigns, Supras and Sub-Sovereigns	7,685	1,774	768	993	11,220
Banks	1,514	1,849	812	684	4,859
Financial Services	341	403	380	258	1,382
Insurance	101	1,131	19	115	1,366
Consumer Services and Goods:					
- Cyclical	473	2,299	395	271	3,438
- Non-cyclical	1,888	5,311	354	160	7,713
- Health care	275	1,842	63	1	2,181
Infrastructure:					
- Social	4,965	524	158	49	5,696
- Economic	3,711	881	264	405	5,261
Technology and Telecoms	403	3,080	699	652	4,834
Industrials	189	799	313	52	1,353
Utilities	6,303	2,583	1,877	513	11,276
Energy	312	633	1	166	1,112
Commodities	37	449	151	514	1,151
Oil and Gas	167	567	686	524	1,944
Real estate	1,938	934	544	297	3,713
Structured Finance ABS / RMBS / CMBS / Other	704	1,503	11	280	2,498
Lifetime mortgage loans	5,758	-	-	-	5,758
CDOs	-	-	-	59	59
Total	36,764	26,562	7,495	5,993	76,814

7.03 Bond portfolio summary (continued)

(b) Sectors analysed by domicile (continued)

As at 30 June 2021	UK £m	US £m	EU £m	Rest of the World £m	Total £m
Sovereigns, Supras and Sub-Sovereigns	9,937	1,900	861	912	13,610
Banks	1,807	1,828	1,241	682	5,558
Financial Services	532	344	555	66	1,497
Insurance	103	1,239	60	115	1,517
Consumer Services and Goods:					
- Cyclical	446	2,088	503	147	3,184
- Non-cyclical	1,952	5,822	382	172	8,328
- Health care	285	1,785	80	1	2,151
Infrastructure:					
- Social	5,826	582	160	48	6,616
- Economic	3,941	847	226	350	5,364
Technology and Telecoms	407	2,981	707	858	4,953
Industrials	186	815	351	67	1,419
Utilities	6,834	2,230	2,075	585	11,724
Energy	229	622	96	126	1,073
Commodities	6	564	183	530	1,283
Oil and Gas	213	634	792	631	2,270
Real estate	2,089	562	620	236	3,507
Structured Finance ABS / RMBS / CMBS / Other	919	1,237	11	85	2,252
Lifetime mortgage loans	6,325	-	-	-	6,325
CDOs	-	-	-	68	68
Total	42,037	26,080	8,903	5,679	82,699

7.03 Bond portfolio summary (continued)

(b) Sectors analysed by domicile (continued)

As at 31 December 2021	UK £m	US £m	EU £m	Rest of the World £m	Total £m
Sovereigns, Supras and Sub-Sovereigns	9,829	1,892	1,244	1,062	14,027
Banks	2,253	1,799	1,956	915	6,923
Financial Services	425	429	517	90	1,461
Insurance	113	1,291	15	123	1,542
Consumer Services and Goods					
- Cyclical	473	2,213	442	270	3,398
- Non-cyclical	1,879	5,828	391	174	8,272
- Health care	284	2,054	82	1	2,421
Infrastructure					
- Social	6,141	628	154	52	6,975
- Economic	4,348	902	309	400	5,959
Technology and Telecoms	412	3,025	782	843	5,062
Industrials	190	681	354	82	1,307
Utilities	6,963	2,158	2,217	538	11,876
Energy	415	667	1	158	1,241
Commodities	20	537	175	530	1,262
Oil and Gas	196	626	785	568	2,175
Real estate	1,895	734	602	296	3,527
Structured finance ABS / RMBS / CMBS / Other	861	1,395	10	185	2,451
Lifetime mortgage loans	6,857	-	-	-	6,857
CDOs	-	-	-	67	67
Total	43,554	26,859	10,036	6,354	86,803

7.03 Bond portfolio summary (continued)

(c) Bond portfolio analysed by credit rating

As at 30 June 2022	**Externally rated £m**	**Internally rated[1] £m**	**Total £m**
AAA	**3,449**	**4,049**	**7,498**
AA	**13,439**	**2,800**	**16,239**
A	**17,049**	**7,988**	**25,037**
BBB	**19,723**	**7,084**	**26,807**
BB or below	**777**	**388**	**1,165**
Other	**19**	**49**	**68**
Total	**54,456**	**22,358**	**76,814**

As at 30 June 2021	Externally rated £m	Internally rated[1] £m	Total £m
AAA	3,254	4,247	7,501
AA	14,732	3,274	18,006
A	20,595	7,478	28,073
BBB	21,462	6,245	27,707
BB or below	970	427	1,397
Other	1	14	15
Total	61,014	21,685	82,699

As at 31 December 2021	Externally rated £m	Internally rated[1] £m	Total £m
AAA	3,506	4,617	8,123
AA	15,544	3,649	19,193
A	21,240	8,675	29,915
BBB	20,715	7,465	28,180
BB or below	950	417	1,367
Other	10	15	25
Total	61,965	24,838	86,803

1. Where external ratings are not available an internal rating has been used where practicable to do so.

7.03 Bond portfolio summary (continued)

(d) Sectors analysed by Direct investments and Traded securities

As at 30 June 2022	Direct investments £m	Traded securities £m	Total £m
Sovereigns, Supras and Sub-Sovereigns	747	10,473	11,220
Banks	742	4,117	4,859
Financial Services	507	875	1,382
Insurance	116	1,250	1,366
Consumer Services and Goods:			
- Cyclical	579	2,859	3,438
- Non-cyclical	489	7,224	7,713
- Health care	283	1,898	2,181
Infrastructure:			
- Social	2,953	2,743	5,696
- Economic	3,762	1,499	5,261
Technology and Telecoms	192	4,642	4,834
Industrials	99	1,254	1,353
Utilities	1,679	9,597	11,276
Energy	368	744	1,112
Commodities	70	1,081	1,151
Oil and Gas	61	1,883	1,944
Real estate	2,287	1,426	3,713
Structured Finance ABS / RMBS / CMBS / Other	1,081	1,417	2,498
Lifetime mortgage loans	5,758	-	5,758
CDOs	-	59	59
Total	21,773	55,041	76,814

7.03 Bond portfolio summary (continued)

(d) Sectors analysed by Direct investments and Traded securities (continued)

As at 30 June 2021	Direct investments £m	Traded securities £m	Total £m
Sovereigns, Supras and Sub-Sovereigns	991	12,619	13,610
Banks	628	4,930	5,558
Financial Services	396	1,101	1,497
Insurance	162	1,355	1,517
Consumer Services and Goods:			
- Cyclical	469	2,715	3,184
- Non-cyclical	386	7,942	8,328
- Health care	339	1,812	2,151
Infrastructure:			
- Social	3,507	3,109	6,616
- Economic	3,696	1,668	5,364
Technology and Telecoms	129	4,824	4,953
Industrials	58	1,361	1,419
Utilities	1,656	10,068	11,724
Energy	331	742	1,073
Commodities	57	1,226	1,283
Oil and Gas	57	2,213	2,270
Real estate	2,109	1,398	3,507
Structured Finance ABS / RMBS / CMBS / Other	925	1,327	2,252
Lifetime mortgage loans	6,325	-	6,325
CDOs	-	68	68
Total	22,221	60,478	82,699

7.03 Bond portfolio summary (continued)

(d) Sectors analysed by Direct investments and Traded securities (continued)

As at 31 December 2021	Direct investments £m	Traded securities £m	Total £m
Sovereigns, Supras and Sub-Sovereigns	1,037	12,990	14,027
Banks	665	6,258	6,923
Financial Services	432	1,029	1,461
Insurance	119	1,423	1,542
Consumer Services and Goods:			
- Cyclical	498	2,900	3,398
- Non-cyclical	512	7,760	8,272
- Health care	357	2,064	2,421
Infrastructure:			
- Social	3,699	3,276	6,975
- Economic	4,267	1,692	5,959
Technology and Telecoms	153	4,909	5,062
Industrials	60	1,247	1,307
Utilities	1,883	9,993	11,876
Energy	475	766	1,241
Commodities	55	1,207	1,262
Oil and Gas	56	2,119	2,175
Real estate	2,091	1,436	3,527
Structured Finance ABS / RMBS / CMBS / Other	1,021	1,430	2,451
Lifetime mortgage loans	6,857	-	6,857
CDOs	-	67	67
Total	24,237	62,566	86,803

7.04 Property analysis

Property exposure within Direct investments by status

As at 30 June 2022	Annuity[1] £m	Shareholder[2] £m	Total £m	%
Fully let	**5,190**	**-**	**5,190**	**84**
Development	**442**	**403**	**845**	**14**
Land	**-**	**121**	**121**	**2**
Total	**5,632**	**524**	**6,156**	**100**

As at 30 June 2021	Annuity[1] £m	Shareholder[2] £m	Total £m	%
Fully let	4,035	-	4,035	79
Development	604	323	927	18
Land	-	141	141	3
Total	4,639	464	5,103	100

As at 31 December 2021	Annuity[1] £m	Shareholder[2] £m	Total £m	%
Fully let	4,746	-	4,746	83
Development	540	293	833	15
Land	-	131	131	2
Total	5,286	424	5,710	100

1. The fully let annuity property exposure includes £4.9bn (30 June 2021: £4.0bn; 31 December 2021: £4.5bn) let to investment grade tenants.
2. The above analysis does not include assets related to the group's investments in CALA Homes and other housing businesses, which are accounted for as inventory within Receivables and other assets on the group's Consolidated Balance Sheet and measured at the lower of cost and net realisable value. At 30 June 2022 the group held a total of £2,072m (30 June 2021: £2,190m; 31 December 2021: £2,044m) of such assets.

Alternative Performance Measures

An alternative performance measure (APM) is a financial measure of historic or future financial performance, financial position, or cash flows, other than a financial measure defined under IFRS or the regulations of Solvency II. APMs offer investors and stakeholders additional information on the company's performance and the financial effect of 'one-off' events, and the group uses a range of these metrics to enhance understanding of the group's performance. However, APMs should be viewed as complementary to, rather than as a substitute for, the figures determined according to other regulations. The APMs used by the group are listed in this section, along with their definition/explanation, their closest IFRS measure and reference to the reconciliations to those IFRS measures.

The APMs used by the group may not be the same as, or comparable to, those used by other companies, both in similar and different industries. The calculation of APMs is consistent with previous periods, unless otherwise stated.

Adjusted operating profit

Definition

Adjusted operating profit is an APM that supports the internal performance management and decision making of the group's operating businesses, and accordingly underpins the remuneration outcomes of the executive directors and senior management. The group considers this measure meaningful to stakeholders as it enhances the understanding of the group's operating performance over time by separately identifying non-operating items.

Adjusted operating profit measures the pre-tax result excluding the impact of investment volatility, economic assumption changes caused by changes in market conditions or expectations and exceptional items. It therefore reflects longer-term economic assumptions for the group's insurance businesses and shareholder funds, including the traded portfolio in LGC. For direct investments, operating profit reflects the expected long-term economic return for those assets which are developed with the intention of sale, or the IFRS profit before tax for the early stage and mature businesses. Variances between actual and long-term expected investment return on traded and real assets (including direct investments) are excluded from adjusted operating profit, as well as economic assumption changes caused by changes in market conditions or expectations (e.g. credit default and inflation) and any difference between the actual allocated asset mix and the target long-term asset mix on new pension risk transfer business. Adjusted operating profit also excludes the yield associated with assets held for future new pension risk transfer business from the valuation discount rate on insurance contract liabilities. Exceptional income and expenses which arise outside the normal course of business in the year, such as merger and acquisition and start-up costs, are also excluded from adjusted operating profit.

In certain disclosures, the group may use the term 'operating profit' as a substitute for adjusted operating profit, but in all circumstances it carries the same definition and meaning.

Closest IFRS measure

Profit before tax attributable to equity holders.

Reconciliation

Note 2.01 Operating profit.

Return on Equity (ROE)

Definition

ROE measures the return earned by shareholders on shareholder capital retained within the business.

ROE is calculated as IFRS profit after tax divided by average IFRS shareholders' funds (by reference to opening and closing shareholders' funds as provided in the IFRS consolidated statement of changes in equity for the period).

Closest IFRS measure

Calculated using:

- Profit attributable to equity holders
- Equity attributable to owners of the parent

Reconciliation

Calculated using annualised profit attributable to equity holders for the period of £2,306m (30 June 2021: £2,130m; 31 December 2021: £2,050m) and average equity attributable to the owners of the parent of £10,835m (30 June 2021: £9,677m; 31 December 2021: £9,994m), based on an opening balance of £10,486m and a closing balance of £11,184m (30 June 2021: based on an opening balance of £9,502m and a closing balance of £9,852m; 31 December 2021: based on an opening balance of £9,502m and a closing balance of £10,486m).

Assets under Management

Definition

Funds which are managed by our fund managers on behalf of investors. It represents the total amount of money investors have trusted with our fund managers to invest across our investment products.

Closest IFRS measures

- Financial investments
- Investment property
- Cash and cash equivalents

Reconciliation

Note 5.03 Reconciliation of assets under management to Consolidated Balance Sheet financial investments, investment property and cash and cash equivalents.

Net release from operations

Definition

Release from operations plus new business surplus/(strain). Net release from operations is also referred to as cash generation, and includes the release of prudent margins from the back book, together with the premium received less the setup of prudent reserves and associated acquisition costs for new business. Net release from operations is a component of adjusted operating profit (after tax), and excludes predominantly the impact of experience variances and changes in valuation assumptions.

Closest IFRS measure

Profit before tax attributable to equity holders.

Reconciliation

Notes 2.01 Operating profit and 2.02 Reconciliation of release from operations to operating profit before tax.

Adjusted profit before tax attributable to equity holders

Definition

The APM measures profit before tax attributable to shareholders incorporating actual investment returns experienced during the year and the pre-tax results of discontinued operations.

Closest IFRS measure

Profit before tax attributable to equity holders.

Reconciliation

Note 2.01 Operating profit.

* These items represent an alternative performance measure (APM)

Adjusted operating profit*

Refer to the alternative performance measures section.

Adjusted profit before tax attributable to equity holders*

Refer to the alternative performance measures section.

Alternative performance measures (APMs)

An alternative performance measure is a financial measure of historic or future financial performance, financial position, or cash flows, other than a financial measure defined under IFRS or the regulations of Solvency II.

Annual premium

Premiums that are paid regularly over the duration of the contract such as protection policies.

Annuity

Regular payments from an insurance company made for an agreed period of time (usually up to the death of the recipient) in return for either a cash lump sum or a series of premiums which the policyholder has paid to the insurance company during their working lifetime.

Assets under administration (AUA)

Assets administered by Legal & General which are beneficially owned by clients and are therefore not reported on the Consolidated Balance Sheet. Services provided in respect of assets under administration are of an administrative nature, including safekeeping, collecting investment income, settling purchase and sales transactions and record keeping.

Assets under management (AUM)*

Refer to the alternative performance measures section.

Assured Payment Policy (APP)

An Assured Payment Policy (APP) is a long-term contract under which the policyholder (a registered UK pension scheme) pays a day-one premium and in return receives a contractually fixed and/or inflation-linked set of payments over time from the insurer.

Back book acquisition

New business transacted with an insurance company which allows the business to continue to utilise Solvency II transitional measures associated with the business.

CAGR

Compound annual growth rate.

Cash generation

Cash generation is an alternative term for net release from operations.

CCF – Common Contractual Fund

An Irish regulated asset pooling fund structure. It enables institutional investors to pool assets into a single fund vehicle with the aim of achieving cost savings, enhanced returns and operational efficiency through economies of scale. A CCF is an unincorporated body established under a deed where investors are “co-owners” of underlying assets which are held pro rata with their investment. The CCF is authorised and regulated by the Central Bank of Ireland.

Credit rating

A measure of the ability of an individual, organisation or country to repay debt. The highest rating is usually AAA and the lowest Unrated. Ratings are usually issued by a credit rating agency (e.g. Moody’s or Standard & Poor’s) or a credit bureau.

Deduction and aggregation (D&A)

A method of calculating group solvency on a Solvency II basis, whereby the assets and liabilities of certain entities are excluded from the group consolidation. The net contribution from those entities to group Own Funds is included as an asset on the group’s Solvency II balance sheet. Regulatory approval has been provided to recognise the (re)insurance subsidiaries in the US and Bermuda on this basis.

Defined benefit pension scheme (DB scheme)

A type of pension plan in which an employer/sponsor promises a specified monthly benefit on retirement that is predetermined by a formula based on the employee’s earnings history, tenure of service and age, rather than depending directly on individual investment returns.

Defined contribution pension scheme (DC scheme)

A type of pension plan where the pension benefits at retirement are determined by agreed levels of contributions paid into the fund by the member and employer. They provide benefits based upon the money held in each individual’s plan specifically on behalf of each member. The amount in each plan at retirement will depend upon the investment returns achieved and on the member and employer contributions.

Derivatives

Derivatives are not a separate asset class but are contracts usually giving a commitment or right to buy or sell assets on specified conditions, for example on a set date in the future and at a set price. The value of a derivative contract can vary. Derivatives can generally be used with the aim of enhancing the overall investment returns of a fund by taking on an increased risk, or they can be used with the aim of reducing the amount of risk to which a fund is exposed.

Direct investments

Direct investments, which generally constitute an agreement with another party, represent an exposure to untraded and often less volatile asset classes. Direct investments also include physical assets, bilateral loans and private equity, but exclude hedge funds.

Dividend cover

Dividend cover measures how many times over the net release from operations in the year could have paid the full year dividend. For example, if the dividend cover is 3, this means that the net release from operations was three times the amount of dividend paid out.

Early stage business

A recently created company in the early stage of its life cycle (typically up to 18 to 24 months since establishment), which has not broken even yet. This usually means the entity is not fully operational yet, and the management team is still being developed.

Earnings per share (EPS)

EPS is a common financial metric which can be used to measure the profitability and strength of a company over time. It is the total shareholder profit after tax divided by the number of shares outstanding. EPS uses a weighted average number of shares outstanding during the year.

Eligible Own Funds

Eligible Own Funds represents the capital available to cover the group's Solvency II Capital Requirement. Eligible Own Funds comprise the excess of the value of assets over liabilities, as valued on a Solvency II basis, plus high quality hybrid capital instruments, which are freely available (fungible and transferable) to absorb losses wherever they occur across the group.

Employee satisfaction index

The Employee satisfaction index measures the extent to which employees report that they are happy working at Legal & General. It is measured as part of our Voice surveys, which also include questions on commitment to the goals of Legal & General and the overall success of the company.

ETF

LGIM's European Exchange Traded Fund platform.

Euro Commercial paper

Short term borrowings with maturities of up to 1 year typically issued for working capital purposes.

Full year dividend

Full year dividend is the total dividend per share declared for the year (including interim dividend but excluding, where appropriate, any special dividend).

FVTPL

Fair value through profit or loss. A financial asset or financial liability that is measured at fair value in the Consolidated Balance Sheet reports gains and losses arising from movements in fair value within the Consolidated Income Statement as part of the profit or loss for the year.

Generally accepted accounting principles (GAAP)

These are a widely accepted collection of guidelines and principles, established by accounting standard setters and used by the accounting community to report financial information.

Gross written premiums (GWP)

GWP is an industry measure of the life insurance premiums due and the general insurance premiums underwritten in the reporting period, before any deductions for reinsurance.

ICAV – Irish Collective Asset-Management Vehicle

A legal structure investment fund, based in Ireland and aimed at European investment funds looking for a simple, tax-efficient investment vehicle.

Insurance new business

New business arising from new policies written on retail protection products and new deals and incremental business on group protection products.

International financial reporting standards (IFRS)

These are accounting guidelines and rules that companies and organisations follow when completing financial statements. They are designed to enable comparable reporting between companies, and they are the standards that all publicly listed groups in the UK are required to use.

Key performance indicators (KPIs)

These are measures by which the development, performance or position of the business can be measured effectively. The group Board reviews the KPIs annually and updates them where appropriate.

LGA

Legal & General America.

LGAS

Legal and General Assurance Society Limited.

LGC

Legal & General Capital.

LGIM

Legal & General Investment Management.

LGRI

Legal & General Retirement Institutional.

LGRI new business

Single premiums arising from pension risk transfers and the notional size of longevity insurance transactions, based on the present value of the fixed leg cash flows discounted at the SONIA curve.

Liability driven investment (LDI)

A form of investing in which the main goal is to gain sufficient assets to meet all liabilities, both current and future. This form of investing is most prominent in final salary pension plans, whose liabilities can often reach into billions of pounds for the largest of plans.

Lifetime mortgages

An equity release product aimed at people aged 55 years and over. It is a mortgage loan secured against the customer's house. Customers do not make any monthly payments and continue to own and live in their house until they move into long-term care or on death. A no negative equity guarantee exists such that if the house value on repayment is insufficient to cover the outstanding loan, any shortfall is borne by the lender.

Longevity

Measure of how long policyholders will live, which affects the risk profile of pension risk transfer, annuity and protection businesses.

Matching adjustment

An adjustment to the discount rate used for annuity liabilities in Solvency II balance sheets. This adjustment reflects the fact that the profile of assets held is sufficiently well-matched to the profile of the liabilities, that those assets can be held to maturity, and that any excess return over risk-free (that is not related to defaults) can be earned regardless of asset value fluctuations after purchase.

Mature business

A company which has been operative for more than three to five years. It generates regular revenue streams but the growth rate in its earnings is expected to remain broadly flat in the future. At this point in its life cycle, a complete and experienced management team is in place.

Morbidity rate

Rate of illness, influenced by age, gender and health, used in pricing and calculating liabilities for policyholders of life products, which contain morbidity risk.

Mortality rate

Rate of death, influenced by age, gender and health, used in pricing and calculating liabilities for future policyholders of life and annuity products, which contain mortality risks.

Net release from operations*

Refer to the alternative performance measures section.

Net zero carbon

Achieving an overall balance between anthropogenic carbon emissions produced and carbon emissions removed from the atmosphere.

New business surplus/strain

The net impact of writing new business on the IFRS position, including the benefit/cost of acquiring new business and the setting up of reserves, for UK non profit annuities, workplace savings and protection, net of tax. This metric provides an understanding of the impact of new contracts on the IFRS profit for the year.

OEIC – Open Ended Investment Company

A type of investment fund domiciled in the United Kingdom that is structured to invest in stocks and other securities, authorised and regulated by the Financial Conduct Authority (FCA).

Overlay assets

Overlay assets are derivative assets that are managed alongside the physical assets held by LGIM. These instruments include interest rate swaps, inflation swaps, equity futures and options. These are typically used to hedge risks associated with pension scheme assets during the derisking stage of the pension life cycle.

Paris Agreement

The Paris Agreement is an agreement within the United Nations Framework Convention on Climate Change effective 4 November 2016. The Agreement aims to limit the increase in average global temperatures to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels.

Pension risk transfer (PRT)

PRT represents bulk annuities bought by entities that run final salary pension schemes to reduce their responsibilities by closing the schemes to new members and passing the assets and obligations to insurance providers.

Persistency

Persistency is a measure of LGIM client asset retention, calculated as a function of net flows and closing AUM.

Platform

Online services used by intermediaries and consumers to view and administer their investment portfolios. Platforms usually provide facilities for buying and selling investments (including, in the UK products such as Individual Savings Accounts (ISAs), Self-Invested Personal Pensions (SIPPs) and life insurance) and for viewing an individual's entire portfolio to assess asset allocation and risk exposure.

Present value of future new business premiums (PVNBP)

PVNBP is equivalent to total single premiums plus the discounted value of annual premiums expected to be received over the term of the contracts using the same economic and operating assumptions used for the new business value at the end of the financial period. The discounted value of longevity insurance regular premiums and quota share reinsurance single premiums are calculated on a net of reinsurance basis to enable a more representative margin figure. PVNBP therefore provides an estimate of the present value of the premiums associated with new business written in the year.

Proprietary assets

Total investments to which shareholders are directly exposed, minus derivative assets, loans, and cash and cash equivalents.

QIAIF – Qualifying Investor Alternative Investment Fund

An alternative investment fund regulated in Ireland targeted at sophisticated and institutional investors, with minimum subscription and eligibility requirements. Due to not being subject to many investment or borrowing restrictions, QIAIFs present a high level of flexibility in their investment strategy.

Real assets

Real assets encompass a wide variety of tangible debt and equity investments, primarily real estate, infrastructure, and energy. They have the ability to serve as stable sources of long-term income in weak markets, while also providing capital appreciation opportunities in strong markets.

Release from operations

The expected IFRS surplus generated in the period from the difference between IFRS prudent assumptions and our best estimate of future experience for in-force LGRI, Retail Retirement and UK Insurance businesses, the post-tax operating profit on other UK businesses, including the medium term expected investment return on LGC invested assets, and dividends remitted from US Insurance.

Retail Retirement new business

Single premiums arising from annuity sales and individual annuity back book acquisitions and the volume of lifetime and retirement interest only mortgage lending.

Retirement interest only mortgage (RIO)

A Retirement Interest Only (RIO) mortgage is a standard retirement mortgage available for non-commercial borrowers above 55 years old. A RIO mortgage is very similar to a standard interest-only mortgage, with two key differences:

- The loan is usually only paid off on death, move into long-term care or sale of the house.
- The borrowers only have to prove they can afford the monthly interest repayments and not the capital remaining at the end of the mortgage term.

No repayment solution is required as repayment defaults to sale of property.

Return on Equity (ROE)*

Refer to the alternative performance measures section.

Risk appetite

The aggregate level and types of risk a company is willing to assume in its exposures and business activities in order to achieve its business objectives.

SICAV – Société d'Investissement à Capital Variable

A publicly traded open-end investment fund structure offered in Europe and regulated under European law.

SIF – Specialised Investment Fund

An investment vehicle regulated in Luxembourg targeted to well-informed investors, providing a great degree of flexibility in organization, investment policy and types of underlying assets in which it can invest.

Single premiums

Single premiums arise on the sale of new contracts where the terms of the policy do not anticipate more than one premium being paid over its lifetime, such as in individual and bulk annuity deals.

Solvency II

The Solvency II regulatory regime is a harmonised prudential framework for insurance firms in the EEA. This single market approach is based on economic principles that measure assets and liabilities to appropriately align insurers' risk with the capital they hold to safeguard the policyholders' interest.

Solvency II capital coverage ratio

The Eligible Own Funds on a regulatory basis divided by the group solvency capital requirement. This represents the number of times the SCR is covered by Eligible Own Funds.

The Solvency II coverage ratio incorporates the impacts of a recalculation of the Transitional Measures for Technical Provisions and the contribution of our defined benefit pension schemes in both Own Funds and the SCR.

Solvency II new business contribution

Reflects present value at the point of sale of expected future Solvency II surplus emerging from new business written in the period using the risk discount rate applicable at the end of the reporting period.

Solvency II Operational Surplus Generation

The expected surplus generated from the assets and liabilities in-force at the start of the year. It is based on assumed real world returns and best estimate non-market assumptions. It includes the impact of management actions to the extent that, at the start of the year, these were reasonably expected to be implemented over the year.

Solvency II risk margin

An additional liability required in the Solvency II balance sheet, to ensure the total value of technical provisions is equal to the current amount a (re)insurer would have to pay if it were to transfer its insurance and reinsurance obligations immediately to another (re)insurer. The value of the risk margin represents the cost of providing an amount of Eligible Own Funds equal to the Solvency Capital Requirement (relating to non-market risks) necessary to support the insurance and reinsurance obligations over the lifetime thereof.

Solvency II surplus

The excess of Eligible Own Funds on a regulatory basis over the SCR. This represents the amount of capital available to the company in excess of that required to sustain it in a 1-in-200 year risk event.

Solvency Capital Requirement (SCR)

The amount of Solvency II capital required to cover the losses occurring in a 1-in-200 year risk event.

Total shareholder return (TSR)

TSR is a measure used to compare the performance of different companies' stocks and shares over time. It combines the share price appreciation and dividends paid to show the total return to the shareholder.

Transitional Measures on Technical Provisions (TMTP)

This is an adjustment to Solvency II technical provisions to bring them into line with the pre-Solvency II equivalent as at 1 January 2016 when the regulatory basis switched over, to smooth the introduction of the new regime. This will decrease linearly over the 16 years following Solvency II implementation but may be recalculated to allow for changes impacting the relevant business, subject to agreement with the PRA.

Yield

A measure of the income received from an investment compared to the price paid for the investment. It is usually expressed as a percentage.