

2016

Legal & General Capital

18 April 2016

Mark Gregory

Group Chief Financial Officer

Paul Stanworth

Managing Director Legal & General Capital



Legal & General Capital

Mark Gregory

Group Chief Financial Officer

+15%

£233m

LGC Operating profit (2015)

16%

LGC as %
of Group
operating
profit (2015)

Sellside analyst teach-in on Legal & General Capital (LGC)

- Mark Gregory: Overview of LGC in Group context
 - Paul Stanworth: LGC: Strategy and Execution
 - Q&A
-

LGC: Important and growing part of the Group

ASSET MANAGEMENT

Operating Profit (£m)
2015 2014

Legal & General Investment Management

• Over \$1 trillion of assets

355	321
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Legal & General Retirement

• Over £43bn of assets

639	428
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Legal & General Capital

• £5.7bn of assets

233	203
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TOTAL

1,227	952
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INSURANCE

Operating Profit (£m)
2015 2014

Insurance

- Retail protection GWP £1,112m
- Group protection GWP £330m
- General insurance GWP £337m

293	370
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Legal & General America

• \$83m net cash

83	56
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TOTAL

376	426
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SAVINGS

Operating Profit (£m)
2015 2014

Savings

- £30bn of mature assets
- £77bn of platform assets

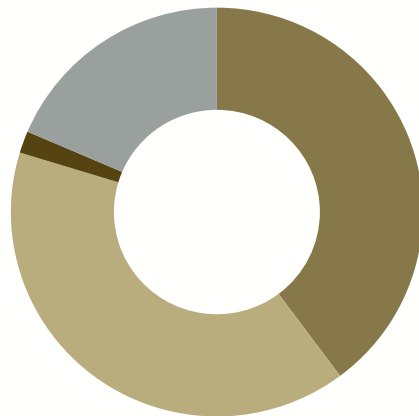
99	105
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Legal & General Capital: Financial overview

FINANCIAL HIGHLIGHTS	2015	2014
Net cash generation (£m)	187	162
Operating profit (£m)	233	203
LGC average assets (£bn) ¹	4.2	3.9
Direct investments (£m)	867	700
Traded portfolio (£m)	3,213	3,704
Treasury assets (£m)	1,585	718
Total assets	5,665	5,122

- Operating profit of £233m, up 15%
- Direct investments up 24% to £867m
- LGC delivers multiple drivers of value across the Group including generation of assets for LGR and new client revenue streams for LGIM

LGC DIRECT INVESTMENTS



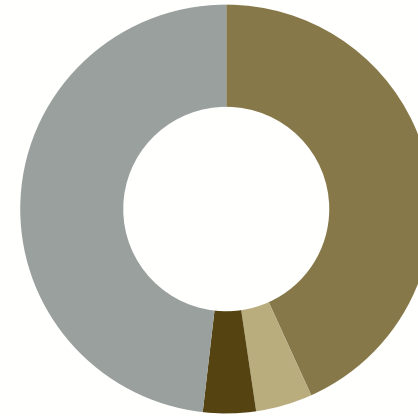
■ Housing	£345m
■ Urban Regeneration	£346m
■ Clean Energy	£15m
■ Alternative Finance	£161m

£867m

2015 Operating profit²

£69m

LGC TRADED PORTFOLIO



■ Equities	£1,389m
■ Fixed income	£143m
■ Multi asset	£133m
■ Cash	£1,548m

£3,213m

£154m

1. Excludes treasury assets

2. Total LGC 2015 operating profit £233m. £69m from direct investments, £154m from the traded portfolio and £10m from the treasury assets

Legal & General Capital

Paul Stanworth

Managing Director – Legal & General Capital

£867m

LGC Direct Investments (2015)

+33%

£69m

LGC DI Operating profit (2015)

Legal & General Capital: Evolution to Asset Manufacturing



Operating profit (£m)	156	196	223
Assumed return (%)	4.1	5.0	5.3
Average asset base (£bn)	3.8	3.9	4.2
LGC strategic direct investment (£m)	351	700	867

LGC Established

Three key functions;

- 1) **Implementing the investment strategy across the Group's £43bn principal balance sheet;**
- 2) Direct Investments
- 3) Managing the Group's debt and liquidity.

Decision taken to close LGV

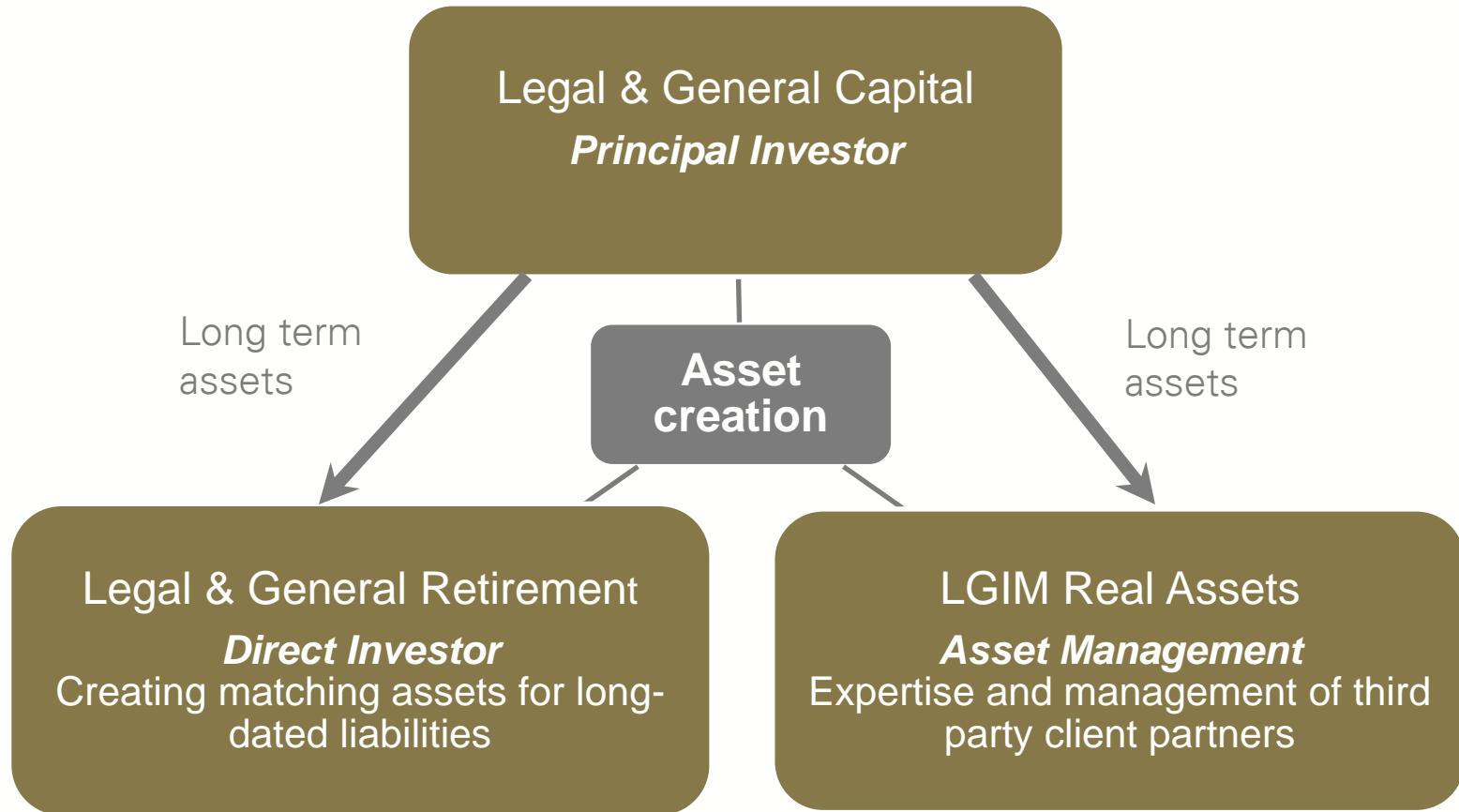
New Strategic Objectives

- 1) **Refocused to increase risk adjusted returns on solvency margin and surplus shareholder assets of £4.1bn (2015), (2014: £4.4bn).**
- 2) Providing better access to assets to back our annuity liabilities in LGR and LGIM.
- 3) Buying additional operational capabilities and developing strategic partnerships to ensure good access to direct investments.
- 4) Responsibility for annuity fund assets transferred to LGR and treasury assets to Group Finance

Creating multiple drivers of value for the Group

- 1) Focused solely on transforming capital intensive industries;
- 2) Our integrated asset managed business provides competitive advantage in delivering returns on real assets.

Multiple drivers of value to the Group beyond LGC's NAV



LGC's capital can unlock c.10x its value in the creation of assets for LGR and LGIM

UK Regeneration case study: Cardiff Central Square

SCHEME VISUALISATION



SUMMARY

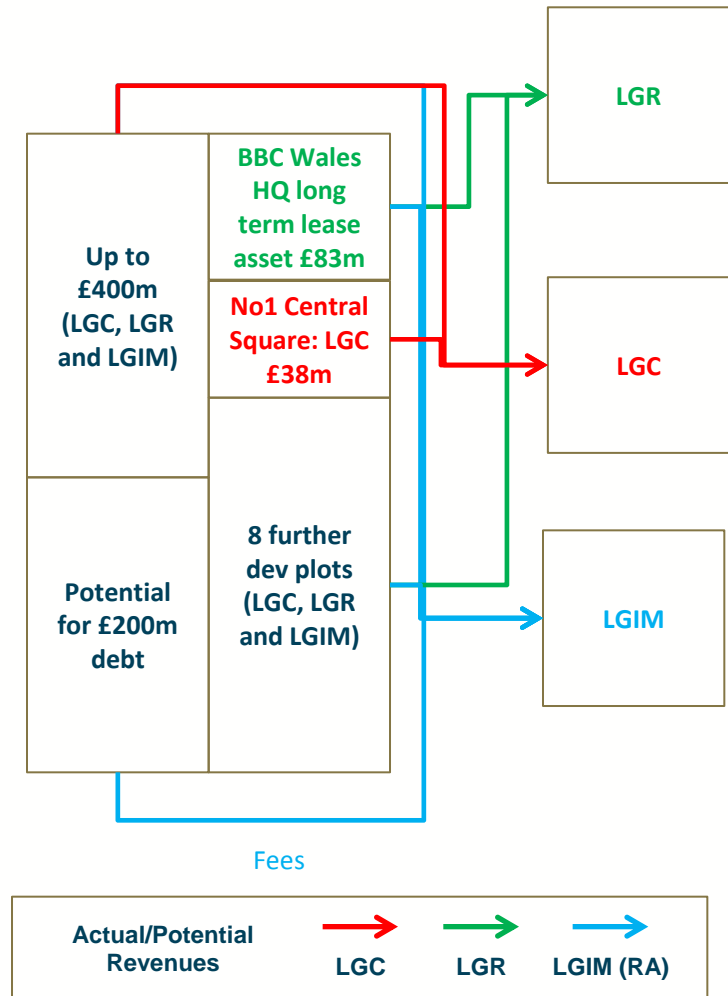
- Central Cardiff mixed-use redevelopment scheme in JV with local developer, RightAcres, and Cardiff County Council
- Initial phase: 150,000 sq ft BBC Wales HQ, pre-let on 20 yr lease / 135,000 sq ft office building, part pre-let to solicitors, Blake Morgan, with further potential pre-lets to private and public sector tenants.
- JV gives L&G first option to invest in the subsequent phases, including a bus station (leased to council) student accommodation, hotel, retail and PRS

L&G OPPORTUNITY

LGC: Origination of scheme to meet institutional investor requirements and provide attractive shareholder returns on development capital.

LGR: Variety of asset origination opportunities, including £83m BBC Wales lease

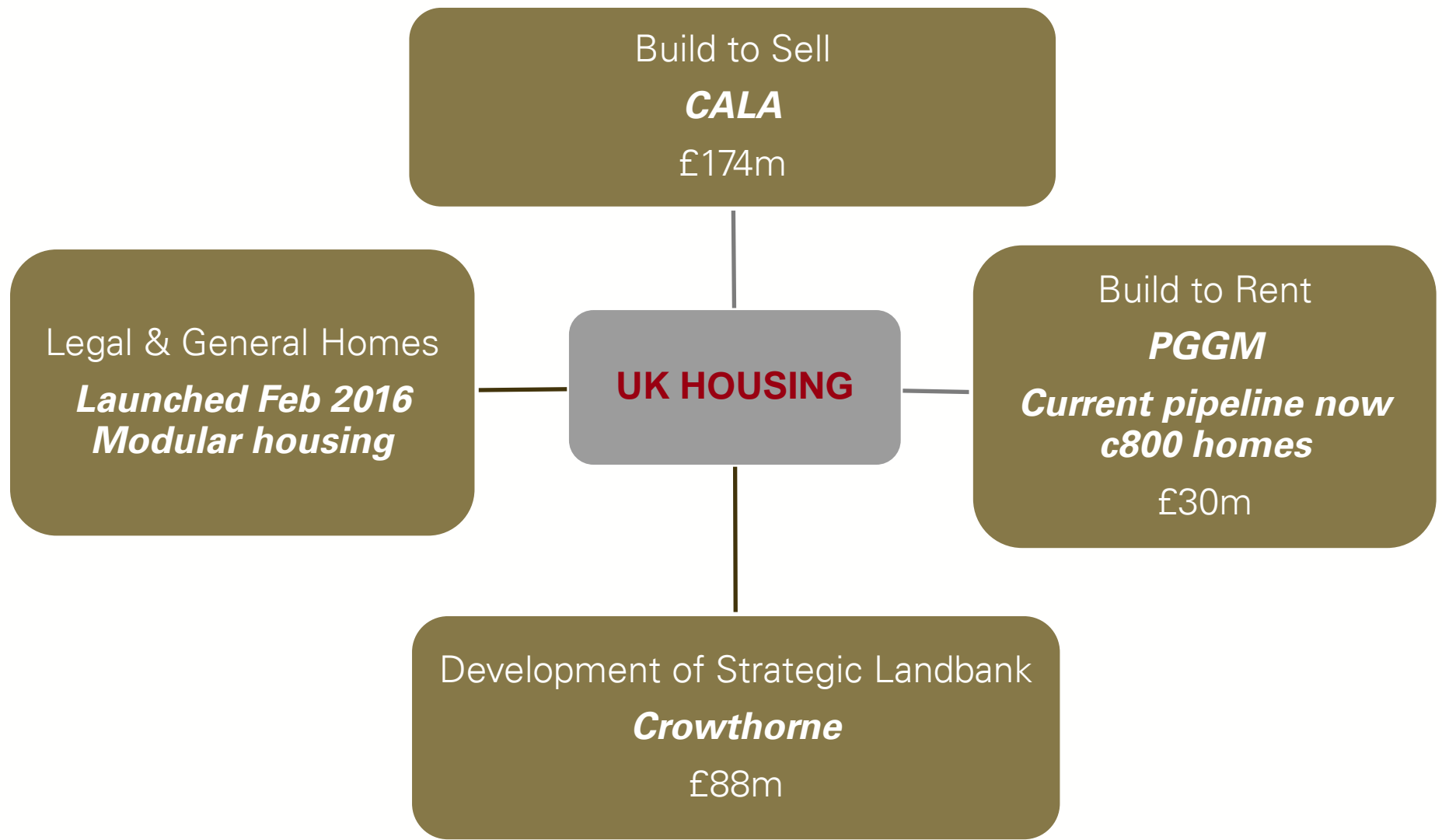
LGIM: Attractive long term development and asset management fees, plus equity, debt or property investments to syndicate to LGIM's global customers.



Sector focus where large funding gap exists

Sector	Opportunity	LGC Investment (£m)	Gross Development Value (£m)
UK REGENERATION	<ul style="list-style-type: none"> UK Government total debt is £1.56trn (82% of GDP), however total liabilities of £3.3trn Private long term investment is required. RIO has identified over £100bn+ of projects that require finance 	346	3,000
UK HOUSING	<ul style="list-style-type: none"> Britain is building approx. 50% of its 250k home requirement annually, with more seeking rental accommodation each year, requiring £15bn per annum of finance Need to transform our dysfunctional house building system to create high-quality cost efficient homes across the spectrum including using modular housing 	345	1,000
CLEAN ENERGY	<ul style="list-style-type: none"> The UK needs to accelerate clean energy investment to reach EU 20% by 2020 renewable energy generation targets requiring £35bn over 5 years The solution is the advancement of clean energy technologies 	15	200
ALTERNATIVE FINANCE	<ul style="list-style-type: none"> EU banks remain constrained, with many reverting to 'core' markets and large corporate clients, excluding £200bn for SME finance Opportunity to originate finance to established mid-market companies 	161	450

Key UK housing businesses



In addition £53m of landbank and other assets

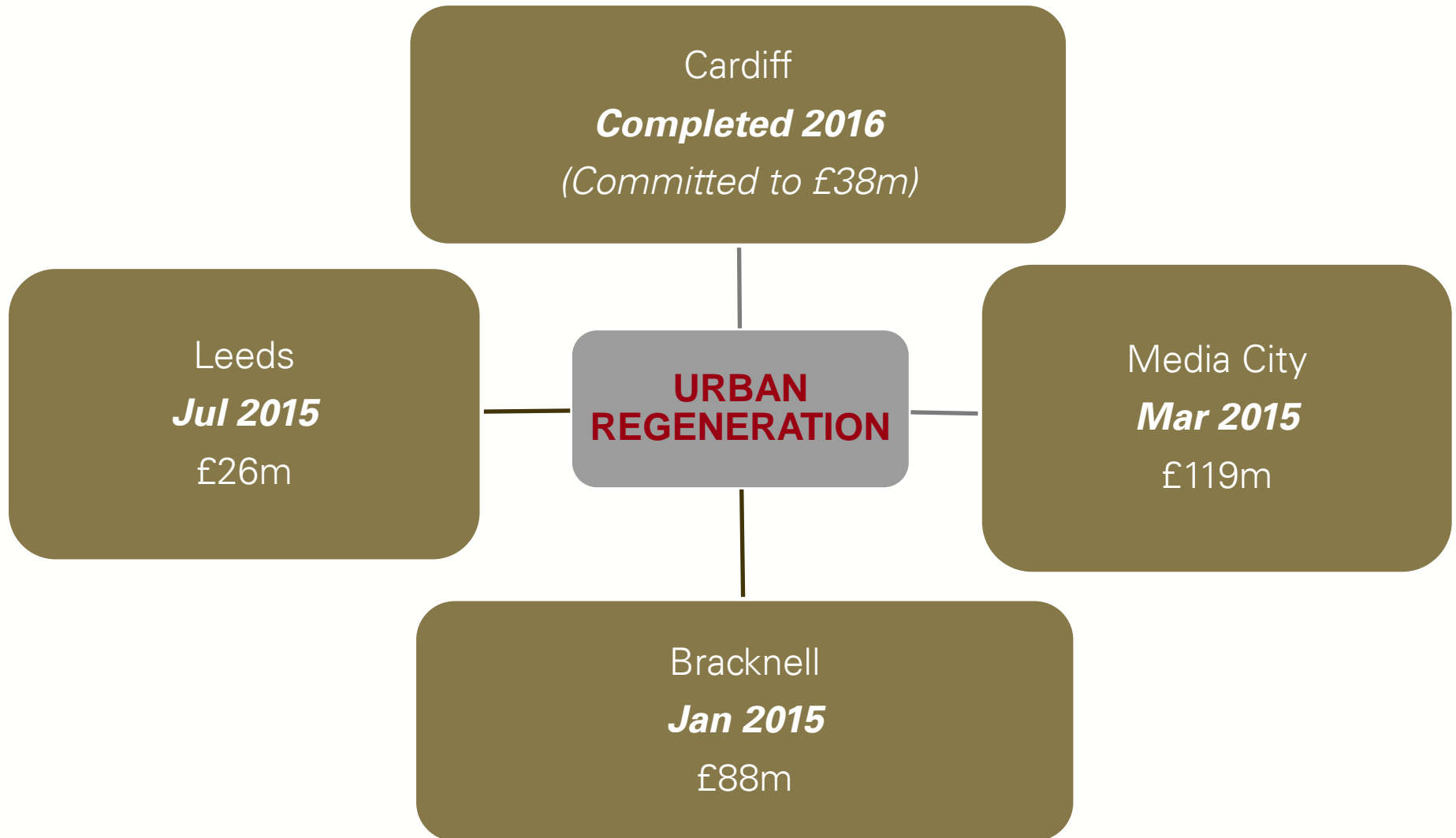
CALA Homes

FINANCIAL HIGHLIGHTS	30 Jun 2015	30 Jun 2014	
Total group revenue (£m)	512	285	79%
Profit before tax ¹ (£m)	51	27	90%
House sales gross margin	23.4%	22.8%	60bps
Operating margin	14.3%	13.6%	70bps
Return on capital employed	18.4%	14.9%	350bps
Home Completions	993	743	34%
Average selling price (£k)	509	423	20%
Contracted land bank GDV (£bn)	5.2	4.7	11%



- Legal & General's first strategic investment in UK Housing
- In total £145m invested capital for 46.5% of CALA Group from Mar 2013
- Carrying value £174m as our investment is not marked to market
- CALA acquired Banner Homes in 2014; the group is now a top 10 UK housebuilder by revenue
- Awarded "Scottish Housebuilder of the Year 2015" at Scottish Home Awards and awarded silver for the UK's "Best Medium Housebuilder" by What House?

Key urban regeneration projects



Legal & General Capital

- Continuing to grow in the four identified sectors
- Going up the value chain for assets Legal & General would have owned anyway
- Unlocking 10x its value in the creation of assets for LGR, LGIM and other third parties
- Increasingly important profit centre for the group going forward

Questions & Answers

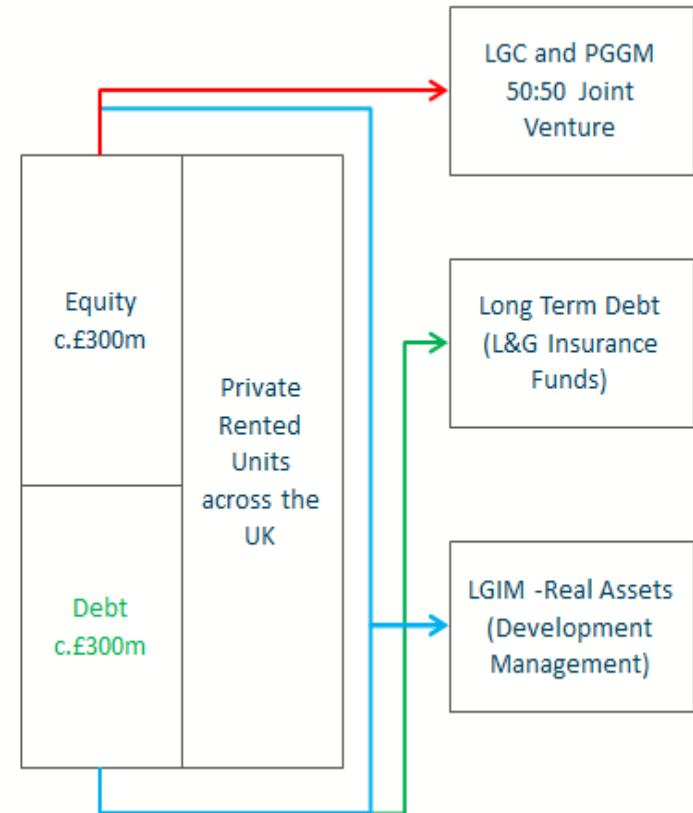
Appendices



Case Study: PGGM Build to Rent Joint Venture



- LGC entered a joint venture with the Dutch pension fund PGGM in January 2016 to create a platform for development and investment into purpose built UK rented accommodation.
- The initial fund managed by LGIM Real Assets has a projected £600m Gross Development Cost.
- The venture will build out rental schemes, and hold stabilised investments.
- Projects in Walthamstow, Bath, Bristol and two in Salford. More to come



Our Partners



Homes &
Communities
Agency



UK Trade
& Investment

Forward looking statements

This document may contain certain forward-looking statements relating to Legal & General Group, its plans and its current goals and expectations relating to future financial condition, performance and results. By their nature, forward-looking statements involve uncertainty because they relate to future events and circumstances which are beyond Legal & General's control, including, among others, UK domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory and Governmental authorities, the impact of competition, the timing impact of these events and other uncertainties of future acquisition or combinations within relevant industries. As a result, Legal & General Group's actual future condition, performance and results may differ materially from the plans, goals and expectations set out in these forward-looking statements and persons reading this announcement should not place reliance on forward-looking statements. These forward-looking statements are made only as at the date on which such statements are made and Legal & General Group Plc. does not undertake to update forward-looking statements contained in this document or any other forward-looking statement it may make.



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