

# Our Investment Case



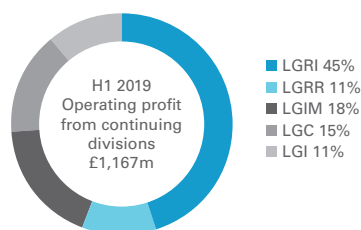
## Our business model

We're one of Europe's biggest and most successful asset managers with over £1 trillion of assets. We are also a UK market leader in managing risk, being the UK's leader in bulk annuities, life insurance and other retirement products for individuals and companies.

Our purpose is to improve the lives of our customers, create value for shareholders and build a better society for the long term. We have a unique mix of businesses which complement each other, working together to build value from creating synergies.



## Our diversified business model



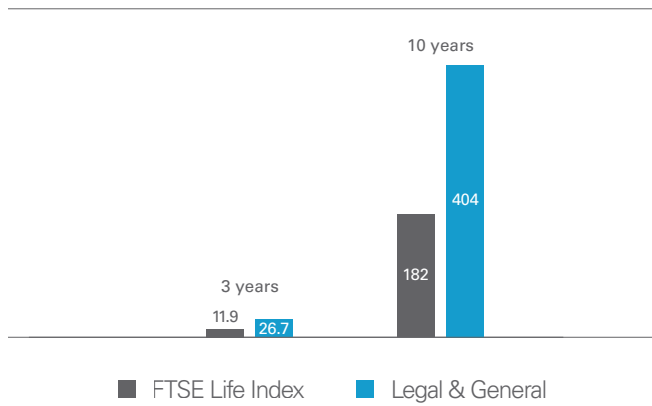
	Retirement and capital investment	Investment Management	Insurance
<b>Businesses</b>	Legal & General Retirement Institutional (LGRI) Legal & General Retirement Retail (LGRR) Legal & General Capital (LGC)	Legal & General Investment Management (LGIM)	Legal & General Insurance (LGI)
<b>How we create shareholder value</b>	We create shareholder value by generating profits over the long term by managing mortality risks and successfully investing assets	We create shareholder value by generating fee income on investment assets	We create shareholder value by effectively managing insurance risks through efficient underwriting, claims management and reinsurance.
<b>Assets and revenue</b>	Annuity assets: £72.1 bn Direct investments: £22.2 bn	Global assets under management: £1,135 billion	£1.4 billion gross written premiums H1 2019

Our three successful UK business areas are now using their skills and expertise to expand in much larger US markets.

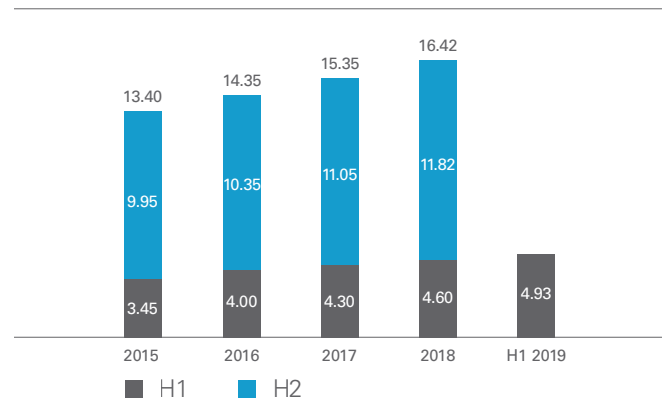
## Share and dividend growth

We have consistently delivered superior shareholder value through asset and dividend growth.

**Total shareholder return (%) to 31.08.18**

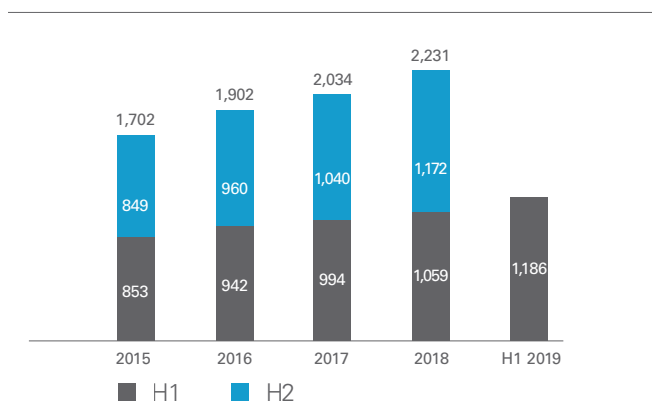


**Dividend per share (p)**

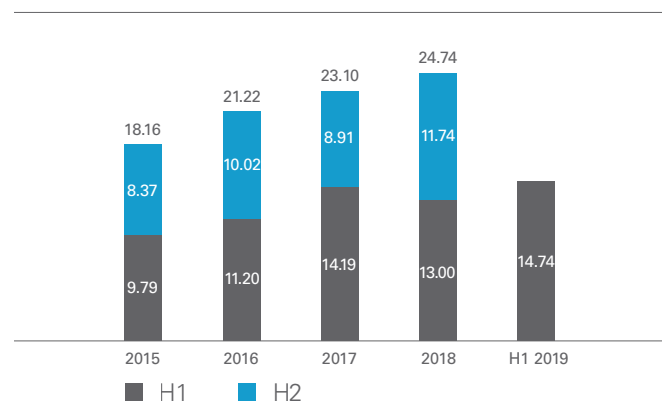


## Our performance

**Operating profit from divisions (£m)**

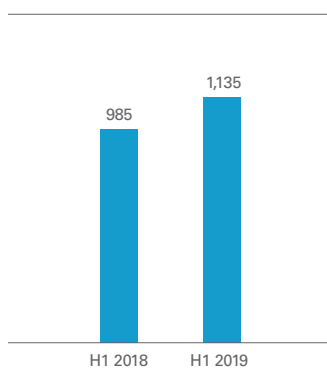


**Earnings per share (p)**

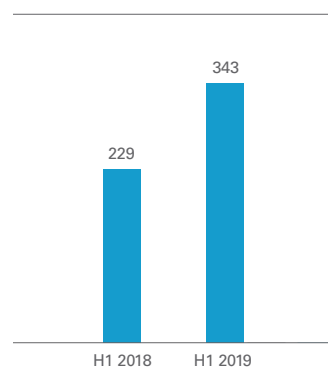


## Asset growth

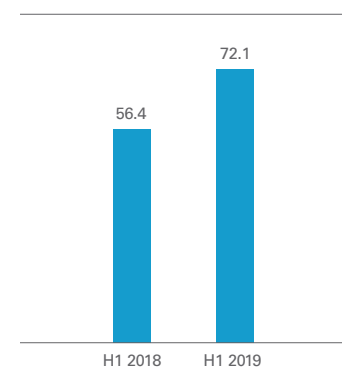
**Global AuM (£bn)**



**International AuM (£bn)**



**Annuity assets (£bn)**



## Capital strength

We have a robust capital position with a Solvency II surplus of £6.9bn and a coverage ratio of 193%. Our surplus increased by £1.2bn year on year to the end of 2017. Our coverage ratio is benefiting from increasing interest rates.

### Our key differentiators

- **Business model:** Combining businesses that provide patient capital to match long term, stable liabilities and driving growth through stable, fee driven businesses. We create growth from excellent synergies across our major group businesses. For example, we are the only company that helps clients across all aspects of the pensions de-risking journey
- **Market leadership:** We deliver value for customers and have become the market leader in most of our major markets with 25% to 40% shares
- **Scale:** We benefit from achieving scale in our market leading businesses. There is huge future market demand in key markets such as pensions de-risking and managing DC pensions assets
- **Proven track record:** Trusted brand in existence for 180 years with excellent relationships with numerous institutional customers leaving us well placed to assist and take over management of pension assets
- **Investing for growth:** We continue to invest for long term growth in our market leading businesses

### Retirement

- One of the world's leading bulk annuity providers, helping companies de-risk their defined benefits while providing security in retirement to more than 1 million people
- Building a natural pipeline of future pensions business through our close working relationships with clients throughout the pension risk lifecycle

### Investment Management

- One of the world's leading asset managers, managing pension assets for third-parties and in-house pensions worth over £1 trillion. Around 3,000 institutional clients
- Alignment to growth areas in asset management e.g. index, multi-assets, ESG
- Industry leading fund management cost income ratio of circa 50%
- Diverse sectorial and geographic distribution and asset production, with offices in US, Europe and Asia

### Capital Investment

- In-house capability: to originate and warehouse higher yielding infrastructure and housing assets to support and match pension obligations
- Multiple investment partners enable us to initiate self-generated products and provide liquidity for asset sales

### Insurance

- Leading edge data analytics/technology in insurance to deliver efficient customer solutions e.g. Smart Quote
- Our longstanding market leadership makes Insurance a hugely cash generative business

## Strategy and focus

We have a clear and consistent strategy, based upon six global growth drivers, which continue to create real demand for our products and services.

### Ageing demographics

Global leadership in pensions de-risking. Provide a suite of products to maximise retirement income

### Technological innovation

Become a leading data-driven and digital-enabled insurer

### Welfare reforms

Deliver financial protection from life events for customers

### Creating real assets

Become the UK leader in direct investments including housing and urban regeneration

### Globalisation of asset markets

Build a world class international asset management business

### Creating today's capital

Benefit from the huge demand for new capital from SMEs and start-up businesses

## Financial ambition

Between 2011 to 2015, we achieved a 10% growth in earnings per share. Our ambition is to replicate this performance out to 2020. 11% achieved to end 2018.