



Legal & General builds on strong Q1; announces debt issuance to capitalise on new business opportunities

Legal & General Group Plc (“Legal & General”) today updates on its performance during the first quarter of 2020, and announces its intention to issue debt to capitalise on new business opportunities, taking account of current favourable debt market conditions.

COVID-19 is having an unprecedented impact on our customers, employees and society at large. Legal & General continues to support all of our stakeholders and we have done everything we can in recent weeks to help our customers through this difficult period. At this time, our commitment to Inclusive Capitalism and to investing in the real economy is more important than ever.

New business update

Despite the evolving situation with COVID-19, Legal & General remains well placed to deliver strong, attractive growth and returns in our core markets, which are aligned to our six, long-term, structural growth drivers: ageing demographics, globalisation of asset markets, investing in the real economy, welfare reforms, technological innovation and addressing climate change.

Our business continues to perform strongly, broadly in line with prior year.

Specifically, year to date as at 31 March 2020:

- LGRI (our Institutional Retirement business) transacted £1.2 billion of global Pension Risk Transfer (PRT) across 12 transactions and is in exclusive negotiations on a further £0.7 billion of PRT transactions which are expected to complete within the next month. Additionally, LGRI is actively quoting on a further global PRT pipeline of more than £26 billion.
- LGRR (our Retail Retirement business) delivered individual annuity sales of £223.1 million, up 4% (Q1 2019: £215.2 million) and lifetime mortgage advances of £206.8 million, down 8% (Q1 2019: £224.2 million).
- LGIM (our Investment Management business) achieved external net flows of £10.6 billion and total AUM is estimated at £1,140 billion. Revenue increased 10% to £226.4 million over the period (Q1 2019: £205.4 million).
- LGC (our early-stage investment business) paused traditional construction operations and will restart as and when it is safe to do so; for example, we have recently reopened our Modular Homes business with procedures to ensure the safety of our employees. Revenue from house building has stopped since March. Although this can be partially offset by careful cost management, we expect LGC operating profit to be down year on year. Despite the lockdown we are still securing planning permissions across the UK, including for a Later Living facility on the site of our former head office in Kingswood. We expect to secure further planning permissions, positioning us to continue investing in the UK and helping to meet the country’s need for affordable housing.
- LGI (our Insurance business) achieved total gross written premiums of £697.2 million, up 4% year on year (Q1 2019: £673.1 million). COVID-19 has led to a number of life insurance claims in the UK and the US. Our thoughts are with the families of those customers. To date our overall COVID-19 claims remain modest. We continue to monitor mortality claims, however, our overall exposure is limited as we reinsure the majority of our UK mortality risk.

Institutional demand for new business remains robust. Additionally, our business model is such that the majority of our earnings are generated from existing business and we remain confident in our H1 2020 outlook.

Balance sheet strength

Legal & General's balance sheet remains strong and the solvency ratio robust. The position has moved broadly in line with published sensitivities since the latest published figure of 174% on 28 February 2020.

Our £75.9 billion annuity portfolio¹ continues to perform in line with expectations, with minimal impact from downgrades and no defaults year to date. The downgrade and default experience of the portfolio has outperformed the market due to thoughtful asset allocation and active management aimed at avoiding downgrades and defaults, not simply beating a benchmark. For example, we have limited exposure to airlines, hotel, leisure and traditional retail which together represent less than 2% of our portfolio¹. Downgrades within investment grade have minimal impact on our solvency ratio and our defensive positioning has meant that we have realised approximately a third of the traded credit downgrades to sub-investment grade experienced by the market (less than £250 million of our portfolio). Our balance sheet is further underpinned by a £3.2 billion credit default reserve¹.

Legal & General also announces that we expect to launch shortly a GBP-denominated benchmark Tier 2 subordinated debt issuance. Given the robust new business activity year to date and the strong pipeline, we wish to capitalise on favourable debt market conditions to provide optionality for further new business activity over the remainder of the year and into 2021. Legal & General will confirm the amount of debt raised after the issuance has settled.

Protecting our customers, employees and society

At this difficult time our priority is looking after our customers, safeguarding the wellbeing of our employees and supporting the needs of the broader society through Inclusive Capitalism.

Customers: We continue to service our customers, paying annuities and claims as they arise and providing reliable customer service. We paid 96% of life insurance and critical illness claims in Q1 2020, the same rate as we paid in Q1 2019. With more than three million people in the UK relying on Legal & General for financial security in retirement, we are committed to providing consistent, reliable service to each of our customers.

Employees: Supported by our established agile working technology, Legal & General's employees have been operational throughout the lockdown with approximately 90% of employees now working effectively from home. We have maintained all employees' jobs at full pay while supporting their physical and mental wellbeing through online resources and outreach.

Society: We have launched a range of initiatives to help meet the growing social needs arising from the COVID-19 disruption. With COVID-19 disproportionately impacting the health and wellbeing of older populations, we believe our £20 million sponsorship of Edinburgh University's research into elderly care is more important than ever. As such, we are accelerating components of this arrangement. Recognising the stress on the NHS and its workers, we are supporting the NHS in a variety of ways, including by offering free accommodation for NHS key workers at our Build to Rent sites. For more details of our efforts to help society through the COVID-19 pandemic, please refer to our website: www.legalandgeneralgroup.com/media-centre/in-the-news/our-response-to-covid-19-the-coronavirus/

“Legal & General's outstanding front-line staff have continued to help provide more certainty for our millions of insurance and pension customers who we recognise are often under pressure as a result of COVID-19. Our business remains robust and is performing broadly in line with the prior year despite tremendous volatility and disruption. Our current strength underpins our future focus and determination to use Inclusive Capitalism to help address the economic dislocation caused by the pandemic and to help drive economic growth over the longer-term.”

Nigel Wilson, Group Chief Executive

¹ As at 31 December 2019.

Notes to editors

Legal & General Group Plc

Established in 1836, Legal & General is one of the UK's leading financial services groups and a major global investor, with international businesses in the US, Europe, Middle East and Asia. With over £1.1 trillion in total assets under management, we are the UK's largest investment manager for corporate pension schemes and a UK market leader in pension risk transfer, life insurance, workplace pensions and retirement income.

As at 23 April 2020, Legal & General has a market capitalisation of £11.4 billion.

Forward-looking statements

This announcement may contain certain forward-looking statements relating to Legal & General, 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 acquisitions or combinations within relevant industries. As a result, Legal & General'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 does not undertake to update forward-looking statements contained in this announcement or any other forward-looking statement it may make.

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