

Chairman's statement



“
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through inclusive
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Sir John Kingman
Chairman

Achieving inclusive capitalism

2020 has been an extraordinary year, and I should like to record my thanks, and those of my fellow Board members, to each of our 10,000 employees for their commitment. Covid-19 is the greatest challenge to our way of life in recent times. We thank the dedicated healthcare professionals and key workers who have worked so hard to keep us safe. Our thoughts are with those who have experienced illness or the loss of loved ones.

Our thoughts are also with the family and friends of Sir David Prosser, our former Chief Executive Officer, who sadly died in March 2020. Sir David was admired and respected by his colleagues and he transformed Legal & General to the market-leading Group we are today.

Millions of people rely on our global business and during the pandemic we have very largely succeeded in maintaining our excellent standards of customer service. Despite the disruption to their own lives, their families and their working environments, our employees showed extraordinary dedication and commitment to ensure that our customers'

pensions were paid, claims settled, and investments managed. We transacted over 60 new pension risk transfers, securing the pensions of over 50,000 people, and we continued to support around 4 million savers whose workplace pension schemes we manage.

This year has highlighted the importance of investment to the functioning of modern societies – something that will be critical to the recovery from Covid-19. What we do, through inclusive capitalism, investing in cities, housing and growing companies, makes a significant difference. At the same time, our long-term partnerships with world-leading academics continue to contribute to new, unique research into ageing, climate and infrastructure.

Even in exceptional circumstances, our resilient business model performed well. In the early stages of the Covid-19 pandemic, we traded through volatile markets and over the year, our balance sheet performance remained robust, with no credit defaults.

Financial resilience

As would be expected, our financial performance in 2020 has been impacted by the pandemic. However, despite the impact of lockdown on our housing businesses, Covid-19 related claims in our protection business and additional costs to keep our employees safe and continue serving customers, our operating profit of £2.2 billion was broadly in line with 2019. Profit for the year of £1.6 billion was down 13%, reflecting the impact of falling interest rates on claims reserves in our insurance business and unrealised reductions in asset valuations in our direct investment portfolio. Earnings per share was similarly down 3.9 pence to 27.00 pence.

Nonetheless, in spite of a challenging market environment, we have delivered financial metrics consistent with our five year objectives set out at the Capital Markets Event in November. Our retirement businesses and our investment management business delivered year on year growth. We achieved a return on equity of 17.3% and our Solvency II coverage ratio remained resilient at 177% on a shareholder basis.

While 2020 has been in some ways a 'pause year' in a financial sense, following a decade of consistent growth for shareholders, we remain confident and ambitious for the future. The fundamentals of our strategy are strong and our ambitions are underpinned by five strong businesses, each of which is expanding globally.

Legal & General operated throughout 2020 without accessing any furlough scheme or other Covid-19 business support. We have continued to pay Legal & General employees as normal.

The Board is aware of the importance of dividend income to our shareholders, particularly at a time when many other companies have been deferring or not paying their dividends. After very careful consideration, the Board decided to pay the final 2019 dividend. The interim 2020 dividend remained the same as that for 2019, and the Board recommends the final 2020 dividend remains the same as in the prior year.

The Board's intention for the future is to maintain its progressive dividend policy, with an ambition to achieve annual percentage growth in the dividend of low to mid-single digits.

Stakeholders

In the governance section of this report, we report on our wider engagement with stakeholders, including Lesley Knox's work as designated workforce director.

The Board always appreciates meeting shareholders in person and we deeply regret that our Annual General Meeting (AGM) had to be held behind closed doors because of restrictions put in place to prevent the spread of Covid-19. In December our virtual shareholder event included presentations from myself, the Chief Executive Officer and Committee Chairs, and we welcomed the opportunity to take questions from shareholders. Full details of the 2021 AGM and any special arrangements that may be in place in light of Covid-19 will be included in the Notice of AGM that will be sent to shareholders.

The Board

I am, as always, very grateful to the Group Board, whose wise counsel has been invaluable in a challenging year, during which the Board has necessarily met considerably more frequently than usual.

I am very sorry to have to say farewell to Julia Wilson, who will retire as our Senior Independent Director in March 2021. I thank her for her enormous contribution to the Board during her nine-year tenure, as well as for the invaluable support she has given me as Chairman. I am delighted that Philip Broadley, Chairman of the Audit Committee, will succeed Julia in the role of Senior Independent Director with effect from March 2021.

In June we announced the appointment to the Board of Ric Lewis, who brings 25 years of investment management experience, particularly in the real estate sector. In November we announced that Nilufer von Bismarck OBE will join the Board on 1 May 2021. Nilufer has spent a large part of her 34-year legal career working with major international financial institutions. Michelle Scrimgeour and Kerrigan Procter have stepped down from the Group Board, although their executive responsibilities are unchanged. This change ensures that non-executive directors are in a majority on the Group Board.

Outlook

We maintain a confident but cautious outlook for 2021. Our preparations for the challenges we face, including for Brexit, have been thorough and we are well positioned to play our role in the economic recovery from Covid-19.



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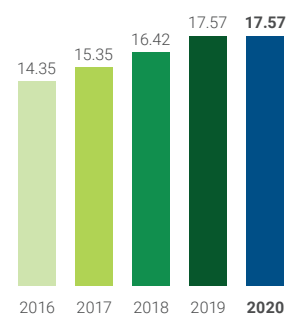
Annual General Meeting 2021

The Annual General Meeting will be held on 20 May 2021.

Dividend policy

We are a long-term business and set our dividend annually, according to agreed principles. The Board's intention for the future is to maintain its progressive dividend policy, reflecting the Group's expected medium-term underlying business growth, including 'Net release from operations' and 'Operating profit'.

Full year dividend p



Final dividend to be paid on 27 May 2021

12.64p

(2019: 12.64p)