LEGAL & GENERAL CAPITAL MARKETS EVENT: 5 DECEMBER 2016

NIGEL WILSON
Slide 3: Welcome - name slide
Welcome to our Capital Markets Event - and thank you for attending what will be an interesting and insightful dialogue and debate.

I would also like to thank my colleagues again for their continued high performance and delivery.

In 2016 we have had another terrific year.

Part of the purpose of today is to put right the communication mistakes of the past.

With hindsight, we should have been clearer when referring to S2 and dividends in March 2015 - it was simply meant to be a "belt and braces" disclosure. And in March this year, again on reflection, we should have better explained what our Solvency II coverage ratio of 140% might mean in the context of our dividend. It was never intended to be interpreted as a signal that this was a level at which we would cut our dividend - Simon will explain further in his presentation.

We should also have improved our disclosures recognising the huge variance in interpretation of many issues - we have indeed improved our disclosure as you will see today.

We would also like to thank several of this audience for contributing to this improved disclosure.

Slide 4: Capital market event objectives

We circulated these in advance - our objectives are to answer the relevant issues and questions raised by analysts, investors, and commentators.

We also want you to recognize that our commitment to deliver...that is our ambition...has not changed - we want to repeat the financial performance we achieved in 2010-2015 in 2015-2020.

We have continued to deliver in respect of our financials, but not in respect of returns to shareholders.

Slide 5: Agenda

The timetable...We will be making many of our outstanding senior management team available to answer your questions, both during the presentation and afterwards.

Slide 6: Our vision and equity narrative

We have built a focused high performing business.

We are addressing critical issues for our customers, but also for society.

We are market leaders in large attractive markets and have a unique business model which integrates asset management; pooling of risk and long-term investment.

Our positive supportive culture is unique - We succeed through hard work, excellent execution and most of all... through teamwork.

Slide 7: Focused high performing business

Our focus in attractive high growth markets coupled with excellent execution results in strong financial performance.

We are market leaders in global pension risk transfer, number one in the UK.

We are world leaders in LDI and world number 5 in Index.

We have successfully entered several new markets; Asset management and pension risk transfer in the U.S. has been a huge success, but also infrastructure, urban regeneration, housing, lifetime mortgages and SME finance here in the UK.

We are also number one in UK retail protection with a 25% market share.

However, we can perform better - in every division...We have not yet achieved our potential...anywhere.

Slide 8: Growth drivers

Through a combination of good analytical insights and some good luck, we have chosen to build our businesses around long-term structural growth drivers - both macroeconomic and demographic.

We are seen as providers of relevant solutions by many economic agents - and a partner of choice by our customers, suppliers, governments and indeed other institutions.

The world's population is simply getting older....there is more need for real assets....producing real returns....real jobs....technological innovation is positive for us....as is welfare reform.

Slide 9: Key financials

Our ambition is to repeat a similar operational performance in 2015-2020 as we did in 2010-2015.

Our current FY forecasts for 2016 has net cash generation around 6% ahead of consensus at around £1.4bn.

One point often ignored but worth noting is that our net cash retained has been around £500m per year - most of that cash is sitting on our balance sheet...and is delivering a poor return for shareholders....but it has increased our book value per share.

To date, we have constantly delivered strong results with double digit growth in EPS and net cash coupled with the ROE rising from 14.9% to around 20%...

Slide 10: Decluttering

We are decluttering our business - exiting those businesses which are not delivering sufficient growth, nor delivering acceptable financial returns or do not fit with our long-term strategy.

We have exited "old fashioned" businesses and we are investing in new modern high growth businesses.

Slide 11: Focused on high returns

We have focused our business from a position of strength....as Mark and Garvan will demonstrate we have a strong and resilient IFRS, EC and S2 balance sheet.

Our team will demonstrate the opportunities we have to accelerate our evolution...we are well positioned to continue to grow.

We take on rewarded risk and minimize unrewarded risks.

An effective risk management team and culture is key to our success.

Cala has proven to be an exceptional investment and helped to build our presence in housing and urban regeneration and on any future realisation event will support capturing these opportunities.

Our growth coupled with our low cost operating models allows us to deliver excellent returns for shareholders.

I will now hand over to Mark and Garvan.

SLIDE 12: MARK GREGORY

Slide 13: Balance sheet agenda
Thank you Nigel and good afternoon everyone.

So, in this first slot today, I'm going to explain how we approach the management of our Solvency 2 position, give you some insights into how our Solvency 2 balance sheet has progressed in 2016 - our first year under the new regulatory regime - and then provide you with some thoughts on how we anticipate the Solvency 2 net surplus generation progressing in 2017 and beyond.

In summary, I'm going to set out how we're able to support both business growth and our progressive dividend policy.

Garvan O'Neill, who is our Director of Group Finance, will then provide you with some extra colour on Solvency 2 sensitivities as well as setting out our approach to managing liquidity.

As you heard from Nigel, the business teams will then take you through how we intend to deliver the business growth.

Slide 14: Strong S2 capital position
Before we get on to new information, here is a reminder of some details I've shared with you previously - this is the Group's capital position on both an Economic Capital and Solvency 2 basis at year-end 2015 and half year 2016.

I would draw out 3 key messages:

... Firstly our Solvency II capital requirement...our SCR... at £9bn was £3.1bn higher at the half year than what we assess to be our 1 in 200 year economic capital requirement.

This can be thought of as a regulatory buffer.

Importantly however, provided we have correctly assessed our best estimate cashflows into the future then all of this SCR and other regulatory margins will be released over time.

...Secondly our economic capital requirement did not change in the first half of 2016 but the SCR

increased by a £1bn over the six months...

This reflects the fact that the valuation of the SCR is more volatile than the ECR which is partly why we hold a buffer above a 100% coverage ratio to absorb this volatility.

...And thirdly, our half year coverage ratio is 5% points higher after eliminating the SCR associated with our With Profits fund and the assets backing that With Profits SCR giving us a coverage ratio of 163% on a shareholder basis.

You'll be aware that different companies in the UK have adopted different bases for calculating their coverage ratio they disclose to the market.

You have told us this has served to create unnecessary confusion, so to be helpful, we will adopt the shareholder basis going forwards for disclosure purposes.

Slide 15: S2 New business and dividends well covered
Moving on then to how we are managing our Solvency 2 balance sheet in practice to support profitable new business growth and dividends.

This slide shows key elements of our forecast 2016 surplus emergence.

The expected existing business surplus mainly represents the back book releases from our annuity and insurance businesses plus the post-tax profits from LGIM and the return above risk-free rates on the shareholder assets outside the Matching Adjustment portfolio.

The next line represents the impact on our overall Solvency 2 surplus of the new business we have written this year - I'll come back to this in a minute.

We then define the Solvency II Net Surplus in any period to be the Expected release from existing business less the impact of writing new business.

You can see... in 2016... we are forecasting that our Net Surplus will cover the dividend cost by a healthy margin.

In any period, we will have market and other movements to arrive at the total Solvency 2 surplus. But importantly, we would expect these other movements to be no worse than net neutral over time.

From here and henceforth, we are confident that the Group will generate sufficient surplus to enable us to grow both the business and to pay a progressive dividend.

Let me tell you why.

Slide 16: Annuity profile
A key component is the impact on Solvency 2 surplus of writing new business - the new business strain.

So let me start by explaining the new business strain associated with our annuity business and the dynamics of our capital efficient proposition.

As we announced last month, we had written £6.3bn of new annuity business at that date.

Although as Kerrigan will cover later, we have now written rather more than this in 2016 meaning 2016 will be a record year for annuity sales as the strength of our proposition continues to resonate in the Pension Risk Transfer market both here in the UK and increasingly in the US.

Our new business strain on these annuity volumes amounts to less than £200m.

This represents the difference between the premium received and the aggregate of the best estimate liabilities, risk margin and SCR.

The new business strain under Solvency 2 equates to 2-3% of premium in 2016.

We then expect to get releases in respect of this business for decades to come, having achieved payback in around 4 years.

Clear evidence that Legal & General can write profitable new annuity business in volume in a Solvency 2 world.

Later, Kerrigan and Chris Knight will provide you with additional colour on how this is being achieved and our further growth opportunities for LGR going forwards.

Slide 17: New UK protection
Our diversified business model then provides a further material advantage over, for example, a monoline annuity provider.

Our market leading and profitable UK Protection franchise creates a Day 1 surplus as Solvency 2 allows us to include the expected future profits from that business.

We have to hold an SCR against this newly created value of In-Force but that SCR enjoys a significant diversification benefit against our annuity business in particular.

Hence you see we get a Day 1 benefit from our new Protection business but with much smaller releases thereafter - a very different profile compared to our new annuity business.

Slide 18: Group diversification
This slide brings together the new business from our annuity and insurance divisions, as well as from Workplace Pensions, Savings... and our US term assurance business.

In aggregate, all of our non-annuity new business provides a positive contribution to our Solvency 2 surplus on Day 1, giving us a payback on total new business strain of around 3 years.

Our Capital efficient business strategy operating in practice.

Slide 19: Beyond 2016
Moving to 2017 and beyond, what do we expect the key characteristics of our Solvency 2 balance sheet to be?

We are just completing the annual update of our 5 year business plan and in respect of Solvency 2, this shows our back book will continue to throw off substantial releases to surplus... which only reduce slowly

over time...and last for decades to come.

You will not be surprised to know that we expect to grow our business going forwards...including the size of our annuity business.

However, our capital efficient model means we can...and will...grow the business in a way that only creates a limited Solvency II strain.

Having done so, that will create its own new incremental backbook which in turn will payback in a small number of years followed by surpluses being generated for many, many years thereafter.

Elsewhere in our diversified business model, our growth ambitions for LGIM and LGC mean that we expect them to deliver increased profit contributions, which in turn will also contribute to our Solvency 2 surplus.

Overall, we are targeting the average annual growth in our Solvency II net surplus generation over the next five years to be in the mid to high single digit percentage range.

Put simply, we can deliver both new business growth and our progressive dividend policy in a Solvency 2 world.

And with that, I'll hand over to Garvan.

GARVAN O'NEILL
Slide 20: Strong S2 and IFRS balance sheet
Good afternoon everyone.

Looking at both our IFRS and SII balance sheets we start in a very strong position.

Over our five year planning horizon we see both balance sheets growing strongly with the net equity in our IFRS balance sheet growing considerably faster than our SII balance sheet.

This reflects the incremental prudence that is within the SII balance sheet, which ultimately will be released over the lifetime of the contracts.

From both an IFRS and SII perspective our overall balance sheet is tightly managed.

This is achieved through the combination of a strong asset liability matching mandate, regular monitoring and scenario testing.

For shareholder equity a well-diversified asset strategy, a conservative debt leverage profile and robust liquidity management deliver good shareholder protection and returns.

Specific to our SII own funds components, the significant majority of it is high quality Tier 1 capital.

This Tier 1 capital alone exceeds our capital requirement by £2.6bn or more than 28%.

At 30 June 2016 our own funds amounted to £13.7bn with surplus of £5.3bn.

A selection of management actions on both assets and liabilities, can be deployed as and when required, to further support this strong capital position.

Within these management actions is the opportunity to use our significant Tier 2 capacity.

Slide 21: Debt profile
We run a conservative debt leverage profile with debt maturities no more frequently than every two years.

We have maintained over many years a relatively constant ratio of debt to equity, with the majority of this debt being subordinated.

This works well from a Solvency II perspective.

We have found that maintaining our adjusted leverage ratio at or around 30% serves us well in terms of cost of capital, return on capital employed and credit agency rating.

Our Credit rating remains strong at AA- recognising the strength of our balance sheet combined with the strong risk management framework applied across the business, which you will hear more about later.

Slide 22: H1 2016 experience and management actions
Since the official introduction of SII, we have only presented the market with two measures of our own funds and SCR.

Between these two measurement points we have seen an 11% movement in the coverage ratio.

This is despite the fundamentals of the business remaining largely unchanged.

Over the first half year, we experienced significant downward movements in the long term interest rate curve, a narrowing of spreads, significant weakening in sterling and positive movements in the FTSE.

Each of these has impacted the balance sheet in different ways, without changing the economics underling the exposures held on the balance sheet.

Added to the impact of these market movements on our half year 2016 ratio, was the predictable impact of our dividend.

We pay approximately 70% of our dividend in H1, equivalent to 6 percentage points of coverage.

During the first half of 2016 and continuing into the second half, we have deployed management actions only where it has been economically sensible to do so.

These included, hedging some parts of our US positions, hedging a proportion of our traded portfolios and rebalancing credit exposures where we saw opportunity to improve the overall credit exposure strength at an economically sensible cost.

Since the half year, a lot of these economic movements have partially reversed.

We do however expect continued volatility in the economic environment with the consequential impact on our coverage ratio.

As Mark mentioned, we hold a buffer above the 100% coverage ratio to absorb volatility, in line with our risk appetite to allow us to manage the business on an economic basis, rather than a strict Solvency II balance sheet metric.

Slide 23:
Across the shareholder and non-linked sub-set of our balance sheet, we carry a well-diversified portfolio of assets with a significant credit exposures spread across multiple sectors, geographies, currencies and ratings.

We maintain an average A- asset credit rating on this portfolio.

The shareholder portfolio of assets is managed and monitored extremely closely to identify opportunities and actions to be taken.

It is modelled frequently across multiple scenarios to determine the impact on the balance sheet of movements in the assets.

We have a strong track record over the past 20+ years in managing default and downgrade experience.

We have seen only one default, and limited downgrades to below investment grade, over the last 5 years.

This, in the context of a default allowance in our IFRS reserves of circa £2.2bn before including our additional default reserve of circa £500m.

Within our Solvency II calculations, we allow for defaults and downgrades mainly through the application of the Fundamental Spread mandated by EIOPA and the PRA.

This is set at a much higher level than our best-estimate of future defaults - and this is one of the key differences between the Economic Capital and Solvency II balance sheets shown by Mark earlier.

We have shown on this slide the scale of the credit portfolio and private property assets within the shareholder portfolio, which amount to £55bn, the proportion of assets in different ratings and a split of specific sectors.

Note, that this is a Group level view.

Much of this is similar to the information shown in the R&A at the mid-year, but with some updating to allow for a re-allocation of issuers, that were previously aggregated within "securitisations and debentures", to their underlying sectors, and the inclusion of "private" property investments of £2.5bn.

You will hear more detail about this shortly.

One of the stresses that we run on this portfolio is to determine how holdings would perform in the event of a 3 notch downgrade across all ratings on 20% of the portfolio and calculate the impact on our Solvency II balance sheet.

We show the impact of this stress on the Solvency II balance sheet.

We have applied a somewhat purist approach in assuming that, following the downgrade, we immediately rebalance back to the original portfolio through the sale of the downgraded bonds.

In practice, we would look to manage the impact through an asset by asset review and management of the position.

Indeed, this is the approach we have taken in the past - with, typically, a better outcome as compared to immediate sale.

As mentioned earlier, from an IFRS perspective, we carry significant reserves within our technical provisions to cover the impacts of defaults through the cycle such that our balance sheet remains strong through stresses which protects the balance sheet from having to take uneconomic actions.

Slide 24: Monitoring liquidity
Complementing our balance sheet strength is our overall liquidity strength.

We look at our liquidity position over our planning horizon across 4 different bases...

...These are:

- Free liquidity

- Internal cash generation

- SII surplus emerging in liquid form

- IFRS cash and near cash.

Each of these is monitored in order to check that, from all the liquidity perspectives, we have the required flexibility to enable us to react when opportunities arise.

Noteworthy is the level of ongoing liquidity that is within shareholder funds.

This allows us to maintain a discipline that internal dividends are received at a Group level well in advance of the declaration of our external dividend, and this is helped by our simple structure and business model.

These are held separately from the balance of funds that we hold in order to be in a position to quickly deploy funds to take advantage of opportunities as they arise.

I will now hand over to Simon and Anton who will outline our approach to managing risk.

SLIDE 25: SIMON GADD
Slide 26: Risk management agenda
…..Good afternoon everyone

Slide 27: Role of risk management
As Group CRO I am paid to worry about the future.

To ensure we understand, manage and can tolerate the downsides for the risks we take.

My remit covers the full range of financial, operational and conduct risks.

I am assisted by both a team of specialists in specific risk types, credit risk, market risk, operational risk etc, who look across the whole group to aggregate exposures.

I am also supported by a team of divisional CROs that sit within the engine room of the business advising and challenging the divisional management to optimise our risk taking activity.

As well as the risks inherent in our day to day activity, my team worry about external and emerging risks that may disrupt our strategy and ensure the business have well developed mitigation strategies and contingency plans.

One recent example was the EU referendum, where detailed scenario planning and hedging enabled us to be well prepared for the short term implications of either outcome from the referendum.

Looking forward to the resulting Brexit negotiations, Legal & General have limited direct business exposure to trading in Europe, so our scenario planning continues to focus on the potential implications for our asset exposures and any regulatory and operational implications.

Slide 28: Risk profile
My job starts with ensuring the Board has understood and articulated its risk appetite, both at a group level and in respect of each different risk type, and advising whether the risk appetite and strategy are aligned.

We then monitor to ensure our risk exposures are managed within this appetite.

We have an appetite for risks which we believe are rewarded, we understand and have the capability to manage, and we have tolerance for the downside.

These would include, credit, equity, property, mortality and longevity risks, where we express a positive appetite within defined tolerances and levels of diversification.

For other risks which are inherent in our business model, we have more limited tolerance and we mitigate these where it is practical and economically sensible to do so.

Some risks have a more onerous capital requirement under Solvency 2.

This chart shows the split of capital exposure by risk type and highlights that credit and market risks dominate our balance sheet.

Slide 29: Market Risk
However, the most important point to understand is the majority of this credit risk is taken within the annuity fund which has unique ALM characteristics.

Our annuity liabilities are very illiquid, and therefore we are very rarely a forced seller of assets.

So we predominantly hold credit and other fixed income assets for the cash flows they generate, we are

less interested in their current market value.

We hedge our interest and inflation risk against our IFRS liabilities, which does leave some residual non-economic exposure in the Solvency II balance sheet.

This does therefore bring in some artificial volatility due to movements in the swap rates curve, which the Board is prepared to tolerate while we have a substantial surplus buffer.

Economically we are really only interested in defaults, which change the cash flows, or downgrades which increase the risk of the cash flows not arriving.

As Garvan set out, managing the downgrade risk associated with BBB assets is particularly important, as downgrading to sub investment grade is penal from a capital perspective and a clear indicator of heightened default risk.

Anton will explain how we manage this risk in a moment, but ultimately this is one of the key reasons why we hold a surplus buffer above the 100% coverage ratio, to provide scope to absorb losses and give us freedom to take controlled risk.

We are looking to further diversify our credit exposure and take advantage of our illiquid liabilities by growing our Direct Investment portfolio in LGR.

This gives us some exposure to property ownership, but it is important to understand that the property is always secured by a long term lease to high quality counterparties.

Or the property is purely security in the event of default of a counterparty to which we have provided long term financing.

We are not planning to sell the property, so short term property market value fluctuations are not our primary concern, we are interested in the rental stream to match our liabilities.

Most important to me, is a robust underwriting, structuring and internal credit rating process for these long term investments.

The internal credit rating committee sits within my second line function, independent of the deal makers, with its members having several decades of experience from the mainstream rating agencies and their methodologies.

In terms of liquidity management, we hold ample gilts and cash to cover extreme liquidity and collateral requirements.

Around 20% of our surplus capital is invested by LGC in more illiquid assets, however, unlike a bank, many of the potential calls on our capital or surplus do not require short term liquidity.

For example whilst a pandemic does require liquidity, for which we have very liquid assets available, conversely a longevity stress does not require liquid assets.

Slide 30: Longevity, mortality and morbidity
Our risk management strategy for insurance risks is very similar, we take risks which are rewarded, we

understand and can tolerate the downside.

We limit the downside through reinsurance and ensuring sufficient diversification in our pool.

We have a deep understanding of longevity risk and the science of life expectancy, through a wide range of expertise across statistical analysis, demography and actuarial modelling, epidemiologists, and experts in medical science.

The critical difference from market risks, is longevity risk moves very slowly, so there is plenty of time to respond.

The risk is currently performing well versus pricing, but the onerous Solvency II risk margin requirements currently makes adding new longevity risk economically unattractive, so we have moved to a more syndicated model.

Mortality risk is a useful diversifier against longevity risk, particularly in tail scenarios, although we are careful not to over rely on this.

The key risks to manage are underwriting quality, which we continue to invest in our capability, but have the advantage of scale and high volumes of claims data to analyse and feedback into pricing.

Slide 31: Continuing to monitor the environment
The Brexit political process will be slow and unpredictable, but it is just one of many political, economic and regulatory uncertainties present in today's environment.

2016 has shown more than ever before how planning for the unexpected is valuable, so we have a range of monitoring actions and contingency plans in place.

As Group CRO, there are two key issues I continue to monitor.

Firstly, the Solvency 2 regime is still bedding down, it has increased volatility and complexity in our balance sheet which we are still learning to manage.

I thought it would be worthwhile to clarify our risk appetite here.

We want to hold a surplus buffer above the regulatory requirement of 100% coverage ratio, to give the management sufficient freedom to deliver our strategy.

The 140% coverage ratio referred to at our last year end results has been misinterpreted by some commentators.

It is best described as a threshold for increased monitoring.

We have a wide range of management actions available and depending on the circumstances and causes of the fall, we will decide whether to act, and if so, which actions to utilise.

These actions include, for example, asset de-risking, further reinsurance, restricting new business or raising debt.

Assuming the fall in coverage is due to a specific event, as opposed to a declining trend, then these actions would be considered before any review of dividends.

Clearly there is a continuum, if the coverage ratio falls closer to 100% the likelihood and extent of management actions we will deploy will increase.

For example, hedging our interest rates exposure to non-economic elements of S2 balance sheet, would only apply if our coverage ratio was getting too close to 100%.

The second key issue, from both an ALM and Solvency 2 perspective, is managing the risk of credit defaults and downgrades.

This is therefore an opportune moment for me to handover to Anton Eser, LGIM's UK Head of Global Fixed Income, who has managed our annuity credit portfolio for several years.

ANTON ESER
Slide 32: Annuity portfolio management
Thank you Simon. Good afternoon.

To give you a deeper understanding of how we manage credit risk, I'm going to give you some background to the team, discuss the investment philosophy and cover the key characteristics of the portfolio.

Firstly, some background to the team.

The Annuity Fund draws on resources across LGIM’s Real Asset and Global Fixed Income Team.

The £51billion Annuity Fund represents approximately 1/3 of the total assets under management.

The remainder is predominantly institutional clients with a bias to UK and US Pension Funds.

Given our client base the vast majority of our mandates target long term liabilities which shapes the investment culture of the team which I’ll discuss in the next few slides.

We have an experienced team of 153 investment professionals.

Performance has been excellent and we’ve received numerous industry awards.

Slide 33: Ensure stable through-the-cycle returns
Ultimately the objective of this mandate is to generate stable through the cycle returns to fund long term liabilities.

As Simon set out earlier the mark to market of the portfolio is not particularly relevant, however, the quality of the portfolio over time is crucial.

This mandate draws on both our long term macro views and our deep experience in credit research.

Our long term thematic approach drives the sector and geographic allocation while constant monitoring ensures we rotate the portfolio through time and seek to add value on a global relative value basis.

Slide 34: Investment philosophy and process
Given the long term nature of this mandate it's crucial we dedicate the majority of our analytical resources to understanding the key themes over the next 5-10 years.

While portfolio rotation can re-shape the portfolio, it's this structural outlook that drives the allocation over a longer period of time.

Thanks to this focus, our team was early to understand the migration of the banking crisis to European sovereign risk and have been ahead of consensus in identifying risks posed to emerging markets in more recent times.

Importantly, we believe that we are well placed to identify and manage future risks for global markets.

Declining demographics and a heavy global debt burden are structural factors that have weighed on growth and credit metrics.

The implications of these secular drivers are enormous: both in terms of distortionary monetary policy and political instability.

Indeed, such structural forces increase the chance of a material downside tail risk, potentially worse than a normal recession.

To mitigate this potential outturn, it's crucial these long term anchors flow through the characteristics of the portfolio.

Consequently, we have skewed the portfolio towards counter cyclical asset heavy sectors, with limited financial or European peripheral risk.

Our analysts are deeply integrated into our investment process providing valuable company inputs into our debate.

These themes also flow through their approach to credit analysis as they focus on stable cash flow generating businesses with real assets and quality management.

Slide 35: Current portfolio
So, how does this investment philosophy actually impact the breakdown of the portfolio.

On this slide we’ve provided a detailed split of the portfolio across public and private markets.

13.2% of the portfolio is invested via the Real Assets team with the balance being invested in public fixed income markets.

In addition, to help provide more detailed sector exposure we’ve re-allocated issuers that were previously under “securitisations and debentures” to their underlying sectors.

The portfolio is globally diversified with over 1,000 issuers across public and private credit markets.

There is a lot of information on this slide so it’s useful to think about the portfolio in 5 broad categories.

Firstly, 17.2% is invested in sovereigns, supranationals and sub sovereigns. The vast majority of this is held in gilts.

Secondly, we can group together our exposure to financials. Of that 13.4%, 94% is either secured or senior.

The subordinated bank exposure of 0.9% compares to a double digit percentage pre the Global Financial Crisis.

The third group is the 14.3% exposure to utilities of which the majority is regulated UK names like National Grid, Thames water, etc.

The fourth grouping maps across the more traditional non-financial corporate sectors from consumer goods and services to industrials.

This category is 29% of the portfolio.

Given the macro risks I described earlier the bias in this part of our portfolio is to be exposed to large US names with balance sheets that can sustain a material decline in global growth.

A large proportion of this portfolio is single A or above.

The final category combines our Real Economy classification from Property through to infrastructure and social housing.

This represents 22.8% of the portfolio and is asset backed with low LTVs.

Given our clear focus on countercyclical exposure, it is worth looking at the approximately 10% of the fund exposed to more cyclical sectors like Industrials - and Oil & Gas.

Within these sectors, we focus again on companies with automatic stabilisers with a particular emphasis on vertically integrated oil majors that have a natural hedge when oil prices fall.

Our exposure to industrials effectively encompasses the General Electrics and Siemens of the credit universe.

In essence, global companies with balance sheet buffers capable of absorbing external shocks.

As Garvan highlighted earlier, it's the BBB part of the portfolio that requires the greatest focus in the team given the capital implications of a downgrade to sub investment grade.

This requires constant monitoring by the portfolio managers and the analysts incorporating key components of our investment process.

Firstly, in addition to Groupwide quantitate risk models managed by Simon's team, credit analysts incorporate specific macro downside scenarios to stress potential ratings migration.

They take pre-defined downside macro scenarios over the next 12-24 months and use them to stress test

individual credits within the portfolio.

Each analyst then assesses the impact that scenario will have on credit ratings providing valuable information to the portfolio management team.

Secondly, the feedback between the strategists, portfolio managers and analysts is also formalised through monthly sector reviews and single name deepdives across the team where we constantly challenge our fundamental views on sectors and individual positions.

Stress testing and constantly challenging ourselves is a crucial part of the process to ensure we deliver stable through the cycle returns with a clear focus on potential downside risks.

With that, I'll hand over to Nigel for the Group Q&As

Slide 36: **Group Q&A NIGEL WILSON**

Nigel Wilson: Thank you. What I'm going to try and do is structure the Q&A so that people ask the questions just of the six speakers that we've had so far. The individual sectors, the individual business lines will present next, and we'll take all the questions on the individual business line in the second half of the presentation. So questions to Mark, myself, Simon, Anton and Garvan, please. Oliver followed by Jon, I think.

Oliver Steel: Oliver Steel at Deutsche Bank. Just one question. How does the growth in the net surplus generation feed through into the dividend growth?

Nigel Wilson: we're trying to delink the Solvency two metrics from the IFRS metrics. And indeed, the dividend policy as stated is on, I think, slide 92 in your pack. If you go to the back, you can read what that is. It's primarily driven by net cash, medium term and operating earnings over the medium term. And so there is no direct correlation between the net surplus generation and the dividend. Jon, followed by Alan.

Jon Hocking: Thank you. Jon Hocking for Morgan Stanley. You've given a, sort of, good update on the disclosure in terms of the flow and how you are covered in terms of the surplus and the… and the dividend. Can you try and link for us please how the flow in the stock works? You know, how should we think about the capacity of this business to actually grow the annuity business, maybe in a downsized scenario?

And what is the, sort of, appetite and how resilient is that to a shock? You know, are you going to be able to carry on writing the sort of volumes you've been writing if we see spreads widen, if pricing deteriorates? You know, how should we think about linking the two, the flow and the stock?

Nigel Wilson: Oh, I think I'd prefer it actually if Kerrigan answered that question of sec analysis. It's a very individual, specific question and some of that's covered in his presentation. So if that's okay, Jon, I'll take that in the second half.

Alan Devlin: Thanks. Alan Devlin from Barclays. Two questions. First of all, I think on Mark's slide 15 where you said the market move is offset by the other movements, does that include, you know, management actions? Would you not expect management actions to be, kind of, positive over time, given it's within your control and the things you can do?

And then second question on the… you, kind of, mentioned the tier two headroom. You know, what type of headroom do you think you have on tier two, both in a normal environment and then in a stressed environment if you did have to manage capital? Thanks.

Mark Gregory: Yes, thanks Alan. So clearly in my speech I used the phrase, no worse neutral over time, making the point, Alan, I would expect those things to be broadly beneficial over time, but in any one year, clearly market volatility inherently in the balance sheet will mean that could go another direction. So you're right, clearly we're working on things which will improve the capital position rather than making it… making it worse. So… but clearly, I can't guarantee that in every… in every… hence my phraseology around no worse neutral over time.

Nigel Wilson: It wouldn't have been the phraseology I'd have used but actually Mark's not [overtalking].

Mark Gregory: Yes, I like to be precise.

Mark Gregory: In terms of tier two headroom, clearly… first, I want to say before we get to that, in terms of debt capacity, clearly we want an efficient balance sheet but we're not looking to, kind of, raise lots and lots of debt to fund, you know, masses of growth, whatever. We want to maintain an efficient debt to equity ratio in the balance sheet.

But no, clearly, if we needed to then, as we stand today, we are getting on for a billion pounds worth of headroom in terms of… in terms of tier two. But clearly, as that balance sheet grows over time, as we get a bigger SCR – a lot of the metrics are driven off the regulatory SCRs – so as that gets bigger, so the capacity gets bigger with it.

Nigel Wilson: Can we take Greig and Andy? Whichever would like to take this.

Greig Paterson: Yes. So Greig Paterson, KBW. Just you made a comment about CALA. Just reading between the lines, sounds like there's a potential transaction there. I was wondering whether that would be material, how it would affect the Solvency two, etc.? That's question one.

The second one is thanks for the five-year guidance re Solvency two surplus. In the context of a progressive dividend, does that mean you're targeting stable Solvency two ratio or is that going to reduce over time or increase within that model? And then the third question is in terms of your credit ratings, obviously AA is much more onerous than the BBB on Solvency two, so I was wondering what are the… I mean, have you got any feedback, current thinking of the rating agencies areas of risk within those models?

Nigel Wilson: I'll take the first one, Mark, and you take the second two. I think when we set up, when we purchased CALA, there was a condition in the documentation and the agreement that there would be a realisation event in 2017 and 2018. So we're just flagging that that is a potential outcome.

Mark Gregory: Okay, yes, so on the net surplus, the net surplus…

Greig Paterson: Sorry, was that material…?

Nigel Wilson: It wouldn't… it wouldn't be material in the context of Solvency but it would be beneficial to Solvency.

Mark Gregory: Yes, it depends what you do to reinvest the monies, Greig. I mean, obviously if we realise an equity into cash, that's beneficial. But if we then reinvest it into something else, then around we go again, so. In terms of the net surplus generation and the impact that has on the company's capacity, clearly I didn't get the coverage ratio up there. Just give you a… give you a bit of a clue here. We can clearly grow the business, that new business will add some SCR, so we would expect broadly the coverage ratio over the five years to be broadly stable.

And on the rating agencies impacts of, you know, the ratio of BBBs and how we manage that, at the end of the day, you know, Anton took you through quite a lot of the detail there but clearly the thing is we were about as well. We recognise, as Simon said, that our biggest risk by far is credit risk on the balance sheet, therefore how we manage that, the diversification, the quality that team's performance over time – that is all relevant to the rating agencies as well. So I would think the things Anton took you through are very much the things that the rating agencies worry about and give us… and give us credit for as well.

Andy Hughes: Hi. Thanks so much. Andy Hughes from Macquarie. I guess a follow up question on the solvency ratio. I got the impression you were, kind of, trying to play down the solvency ratio under Solvency two, going forward. I know 2% or 3% is the annuity strain. But what would it be at 160%? Because clearly it wouldn't be 160% of 2% to 3%. It could be a much bigger number.

And the second question is, I guess, on the, kind of, credit risk capacity of the group, obviously it's 50%, well, 52% in the slides. Is that the, kind of, limitation as to how big the business can get? Or is the board not worried about how much credit risk you put on relative to the size of the group? Thanks.

Mark Gregory: Yes, on the first one, Andy, the impact of, I guess, the strain – obviously the strain of salvage that I showed there is broken down between incremental SCR, and then the incremental own funds we get to offset that SCR. So you're quite right. You know, clearly if we write down, lay down new business, new niche business – that does create additional solvency capital requirement. I would refer to my answer to Greig's question which is, over time, that we still expect the coverage ratio to remain broadly flat over time. So we are maintaining the ability to create enough own funds to keep the coverage ratio in a very good place.

Andy Hughes: Any idea?

Mark Gregory: Well, I've given enough colour for now. We gave 169 at year end, we gave 158 at the half year, so we know roughly what ballpark we're talking about there.

Nigel Wilson: Yes, I think the board does reflect on how much risk we're taking and there's a whole series of risk parameters which Simon develops and maybe you can just go through those at, sort of, length during one of the periods we have for break. But in… but in general, you know, we don't see, as a constraint for growth anything that's currently in our planning scenario in that the amount of opportunities that we have, we feel that we have the capital available and sufficient flexibility in all of our balance sheets to deliver that growth consistent with the direction and travel that both Mark, myself, my other colleagues have outlined. Andrew.

Andrew Crean (Autonomous): Good afternoon. A couple of questions. Between the net cash generation of 1.4 billion and the 1.1 billion of net surplus generations, 300 million – now that, I assume, is

made up of experience variances but also the ongoing organic capital requirements for business you've written. And I was wondering whether you could give us a figure for what the ongoing capital requirement you see annually on the business is.

And then secondly, Nigel, you said something about cash being retained on balance sheet and not earning a particularly good return. I noticed you sold a lot of things, you reorganised into four divisions and left two of your businesses out of those divisions – the UK P and C business and Mature Savings. Do you ever see a sense where you could look to return some of these disposal proceeds?

Nigel Wilson: Yes. that's making Mr Broadley chuckle in the front row there. So the… we've never actually… You know, myself, I'm not a huge fan of share buybacks which is, kind of, the return of capital. And we're delivering huge returns for shareholders at the moment. We haven't explicitly considered disposing of the divisions that you talked about but clearly the framework is a… is a framework for the group that we've had with the board on what divisions we should retain and which divisions we should sell.

We sold, as it were, a lot of the low-hanging fruit, as you will see in the next section. Some of these businesses are performing incredibly well at the moment and therefore deserve to be part of the… part of the group, and we'll continue to invest for growth. We're very long on cash at the moment. I, myself, feel a little bit uncomfortable about the amount of cash that we have as a group and that we should be trying to redeploy that cash, given the amount of returns that we can earn for shareholders.

And so we need more ideas from my colleagues, rather than less ideas, on how we can spend that capital. I think if we ever got to the stage where we ended up selling a few more divisions and ended up with even more cash, then at that point, I suspect the board will ask us to go away and consider whether we're just too cash heavy and we can finance the growth with very low strain that we have at the moment quite easily and therefore should look at alternatives like buying back shares. But it wouldn't be my personal preference, but it's one that I suspect our board may well challenge the executives to go away and have a look at. Mark?

Mark Gregory: Yes. So just on your question around the difference between net cash generation and net surplus generation, I mean, clearly, one's an IFRS measure based primarily on Solvency one whereas the other one clearly is a Solvency two metric. And just without continuing to suck eggs, Andrew, we recognise that, you know, Solvency one debt provisions do allow for some improvements but not the full… not the capital on top of that. Whereas clearly in Solvency two land, we're talking about the whole one in 200 capital requirements.

So at its core, provided we got the cash flows right over time, this is… economic profit will be the same under both measures. So it's all about the shape and timing of the emergence of those cash flows. And I would just point you to the most obvious difference being that the new business shape is just different. I mean, well, I've given you a number today. Broadly, in Solvency two land, we expect a new business strain of around 150 million in the current year. We're not clearly giving a new business surplus number for IFRS in the results today, but Nigel did give you a £1.4 billion of net cash generation in total.

You know, within that, clearly, the big delta does come from that we have written very profitable new business in 2016. So really, the biggest… big difference is recognition and the cash flows associated with the writing of new business where, one, we've got 150 million negative. That one, you can pretty much back solve, is pretty much most of the rest of the difference. But again, importantly in the end, economic profit is the same on both bases. So it's just talking about the timing and emergence and the shape of that… of those cash flows.

Abid Hussain: It's Abid Hussain from Credit Suisse. Just one question, if I can. Could you just briefly talk about the difference in new business strain for back book annuity deals versus traditional bulks?

Nigel Wilson: I think again, that's a very specific question. I'm going to get Kerrigan to answer that because he's got a lot of data in his pack. And if that's okay, we'll go back to that one there. Okay? I think we've finished all the questions. Or no, we haven't. Greig, you're back again.

Greig Paterson: I just want to have your thinking on this. I mean, you've… the last five years, you've focused on your net cash generation metrics and you spoke about the dividend and when IFRS phase… And, you know, annuity is a long-term business and I assume you're in this game for the long term. Under IFRS two, that's going to change to some kind of market consistent EV, i.e. similar to the Solvency two basis. You're currently using Solvency one. I mean, why are we still worried about this metric that's going to disappear if three years' time? I mean, why do you… why's your thinking still based around it. Should we not be moving on to Solvency two or some kind of view on where IFRS phase two is going?

Nigel Wilson: Yes, I think it's a very good question, Greig. I think there are two or three different parts to that answer. One is, Solvency two is just bedding down at the moment. IFRS is a… is a methodology well understood by our shareholders, well understood by our business, and we spend a lot of time modelling the business on that basis and on an EC basis. And Solvency two is just one of the… one of the metrics. The new accounting standards are several years off and how they come in and how they'll be interpreted will require a huge amount of work from my finance colleagues before we come to some new metric which is not yet invented on a policy which is not yet known. So we're not that clever, to be able to do that. If any of my colleagues want to give a better answer than that during the interim, I'll point you towards Garvan.

Thank you for all the questions. We've got a short break now

Nigel Wilson: I'd just like to introduce Bernie and John. Bernie Hickman is known to some of you but not to all of you. Bernie just did a fantastic job running retail protection in the… in the UK, did an amazing job helping me and guiding me through Solvency two in the… in the early days and did just an amazing job of setting up and getting the lifetime mortgage and the individual annuity business powering ahead in the UK.

John Hyde won't be known to any of you, I suspect, at the… at the moment. John has done a huge amount of work in the digital space and has joint responsibility now for developing our digital efforts in the UK, in the US and, indeed, in Asia, has done an amazing job at both GI and retail protection here in the UK. A couple of other bits I think we could've done a bit better on, but John can answer those questions in the… in the break. So I'll hand over to Bernie and John.

Slide 37 and 38:

Bernie Hickman: Great, thanks Nigel. That was a great introduction in the end, wasn't it? But… and it's, yes, great to see many familiar faces again and to speak to you in my new role, leading LGI.

Slide 39: Internationalising LGI

Legal & General Insurance has recently been formed to create another global business with a growth

strategy to deliver earnings that complement those from other divisions.

LGI has a turnover of over 2.2 billion pounds and provides life insurance, critical illness cover and income protection insurance for over 7 million people.

It is made up of three distinct customer markets...

Our UK Retail Protection business has built multiple competitive advantages, mostly via market leading deployment of technology.

This is a business I know well …. having worked in it for 10 years,...5 of those as Managing Director.

Our UK Group Protection business has a 17% market share with some established credentials in getting employees back to work following sickness.

However, work is required to build sustainable competitive advantages in this market, ensuring consistent delivery of earnings.

And in the United States, Legal & General America is focused on providing Term life policies via broker general agents.

John Hyde, who is Managing Director of Legal & General Direct, will describe in more detail the nature of LGI's competitive digital strengths.

But before I hand you over to John, I wanted to set out the overall financials for LGI and comment on some of the recent performance trends.

Slide 40: Cash and profits rebased

Over the last few years net cash has been growing as the overall size of the book has increased.

However changes to modelling for reinsurance contracts in 2015 and adverse Group Protection claims have reduced operating profit in 2016.

This is the new rebased level from which the business is expected to grow in 2017 and onwards.

One of the many attractive features of retail protection business as Mark has already referred to, is that new business actually generates surplus Solvency II own funds.

This is a very tangible feature of the diversification benefit of Legal & General writing insurance business...

...we can assist LGR growth by generating some of the capital that it needs to write annuity business;...

...in combination we can generate a more attractive shareholder return than either a pure insurance writer or a monoline annuity business.

In UK retail protection we have been pursuing a digital strategy for almost two decades with the launch of our first online application for term assurance in 2000.

Our future growth strategy is focused on replicating the success of our retail protection business in other customer markets.

I will now hand over to John.

JOHN HYDE

Slide 41: Digital innovation

Thanks Bernie…

The strength of the retail protection business is that it is market leading in every area...

...it has great products with competitive pricing delivered with excellent service through the widest range of distributors, as illustrated here.

Direct business, the area I am responsible for, has seen strong growth over recent years and now makes up over 20% of our business.

We are building a best in class digital marketing function enabling cost effective customer acquisition alongside building a digital eco-system that enables customers to research, buy and service their products through any digital medium they choose.

Our technology has also enabled excellent customer service with market leading point of sale decisions, making it ever easier for customers and advisers to do business with us.

Our digital approach is vital to successful partnering with a wide range of distributors.

Slide 42: Low cost scalable business model

More importantly our systems have been designed to provide high quality risk management and a wealth of rich data which provides cutting edge analysis to refine our underwriting approach.

The quality and sophistication of our underwriting, backed up with evidence from our data, has given reinsurers the confidence to price reinsurance premiums ever lower, as you can see from the top graph.

Lower costs , shown in the bottom graph plus lower reinsurance premiums, have enabled us to grow market share while still delivering good profit margins with low risk - a great combination for our shareholders.

Our focus going forward is to export our UK digital capability to other markets with the US being the first priority.

Slide 43: Our shared expertise

We already have a well-established, strong and integrated business in the USA, with LGA working closely with LGR and LGIM America.

The US market is large, should be larger and is digitally under developed.

Our goal is to enable customers in the US to buy a life policy online in a matter of minutes as opposed to the 30 or so days which is the industry standard.

In short, combining our core, long established insurer capabilities in the UK and the US with a new digital - age model will unlock profitable and scale growth.

I will now hand back to Bernie.

BERNIE HICKMAN

Slide 44: Delivering growth

Thanks John.

Digital transformation is essential to prevent disruptive new entrants destroying established businesses - stand still and you become the next Blockbuster dvd hire business, becoming the next Netflix in our chosen markets is the only sensible strategy... and a great opportunity.

Digital doesn’t need to come with tens of millions of IT spend and a gigantic change programme that invariably overruns and under delivers.

Our recent experience launching into the lifetime mortgage market is a case study in how, a small,

focused, high performing team can transform a bolt on acquisition into a market leading digital lender with a modest budget in a short space of time.

Phase 1 between March and June last year involved rebuilding the entire IT infrastructure, re-platforming the admin system, re-launching a market beating product range and rebranding the business - the IT bill didn't even reach half a million pounds.

Rapidly developing a digital business like this has been great fun and a blueprint I will be looking to take into LGI.

Looking ahead, we will continue innovating to drive growth in UK Retail Protection premiums and profits. In addition we will be deploying our strengths into other markets. One of these will be UK Group Protection which requires actions to address current areas of poor performance. Our key focus and main growth opportunity is accelerating the digital transformation of our US life insurance business, including diversifying distribution and products.

Without distracting from our US activities, we have longer term growth plans in other carefully selected markets with the greatest potential for growth through digital disruption.

Regions and countries with fast growing insurance markets but largely analogue business models, such as South East Asia, are the type of markets we will be exploring.

We have no interest in building old world, agency and bancassurance models - our focus will be next generation, digitally enabled distribution.

The goal is clear: deliver diversified earnings growth through technology innovation that complements the growth being delivered by LGR and LGIM.

I look forward to sharing the next chapters of the Legal & General Insurance story with you as they unfold over the coming years.

Nigel is now going to cover our General Insurance business.

NIGEL WILSON
Slide 45: General Insurance
Our General Insurance, Mortgage Club and Surveying businesses have all had very good financial performance year to date.

Our Mortgage Club is on track to deliver £50bn of mortgage originations and 500,000 surveys in 2016.

We are really pleased to have won 4 new accounts in GI which should add £30m - £40m of GWP next year... and the growth in GI Direct is another example of our digital capability.

Slide 46: Break

Slide 46: NIGEL WILSON - RESTART
We will now cover our 3 asset gathering businesses.

LGIM, LGC and LGR - who collectively contributed 76% of our operating profits in H1 2016.

Not only did these businesses share strong executional capabilities, there is tremendous synergy and teamwork...this is key to our success.

Slide 47: Our unique investment business model
The strong linking between our 3 asset gathering businesses is illustrated in this slide.

As you will see...our unique skills in asset management, risk pooling and investment in... and creation of... illiquid, long-dated investments provides us with strong competitive advantages.

And now I'll hand over to Mark Zinkula.

Slide 48: MARK ZINKULA
Slide 49: LGIM Agenda
Thank you Nigel and good afternoon everyone. We're now going to update you on our plans and progress for LGIM.

Slide 50: Consistent strong financial results
Over the past several years, LGIM has delivered consistent strong profit growth.... despite a challenging market environment and a complete transformation of our business model.

We are experiencing positive net flows across virtually all regions, channels and product areas.

And although we've been investing for growth, we've maintained a stable margin of around 50% due to the scalable nature of our business model.

We continue to grow our presence in the UK defined benefit sector.... as this market matures and increasingly implements de-risking strategies.... and we're also successfully growing our market share in the defined contribution pension sector.

Members of our workplace schemes have passed the 2 million mark and continue to increase.

Growth in our Retail business is also gaining momentum.

This business was ranked 13th in the market (gross) when it was transferred to LGIM in 2014.

We’ve repositioned the business and it was 6th in net sales last year and is on track to be top 5 this year.

And our international expansion continues with growth in all target regions, especially the US.

We'll focus on all of these growth areas in more detail in later slides.

Slide 51: Outperforming our peers

The asset management industry has been going through a period of consolidation over the past several years and this trend is continuing.

The industry faces many well-publicised challenges...such as fee pressure in this low yield environment, poor performance of many active funds and several proposed actions … to promote more competition in the recent interim FCA report.

Despite these headwinds, LGIM has continued to forge ahead, significantly outperforming the broader industry.

Since the financial crisis, global industry AUM has increased 37%, while our AUM is up by 150%, all through organic growth.

Net flows have been a fraction of pre-crisis levels and many firms are experiencing net outflows.... while we’ve had significant positive net inflows every year….with increasing diversification across regions, channels and products.

Industry profitability in 2015 is just slightly ahead of the 2007 level, while LGIM profit increased by 150% during this period.

Slide 52: Well positioned for future growth
While there’s a lot of attention on the challenges facing the asset management industry, it’s important to also focus on how these challenges are creating opportunities for managers with the right business model, products and distribution strategy.

We’re gaining market share because we’ve positioned our business to benefit from several positive industry trends.

As these trends gain momentum, we believe LGIM will continue to experience sustained growth.

There are 4 product areas in the asset management industry that are expanding...

...Index, Solutions, Alternatives and Active Specialties...

...and these 4 categories represent 94% of our assets.

As defined benefit pension schemes implement LDI strategies.... and defined contribution schemes primarily seek a range of multi-asset and drawdown strategies.... products broadly classified as Solutions are experiencing significant growth.

These products make up 46% of our assets and this is the most rapidly growing part of our business.

As the largest non-US Index manager, we are well positioned to grow our Index business as the shift from active to passive funds continues.

Index assets comprise 38% of our total assets.

There is growing demand for a range of alternative strategies, including Real Assets, and while this is a fast growing part of our business, we are taking steps to further accelerate the rate of growth.

And the majority of our Active strategies are in specialties that are experiencing growing demand.

We only have 6% of our assets in Active core strategies, which are strategies primarily managed against market benchmarks.

As you have seen, these types of strategies are experiencing fund outflows in the industry.

Slide 53: Diversifying solutions approach
We're winning because we were at the forefront in developing a comprehensive solutions approach across channels and regions.

We're delivering consistent strong results as we focus on a combination of 3 core strengths that differentiate LGIM from our peers: culture & client service, investment excellence and our solutions approach.

The strength of our culture and quality of our client service is demonstrated by our roughly 90% persistency rate year after year.... and the fact that 55% of our defined benefit pension clients have been with us for over a decade.

Our robust investment process has resulted in 88% of our flagship funds outperforming their respective benchmarks over the past 3 years.

And our solutions approach allows us to design funds, execute efficiently and successfully manage against our clients' objectives.

These core strengths are responsible for our success in the UK DB market, where we have over 30% market share, and we're building on these strengths in markets where there is significant growth potential.

Growth markets are now a material part of LGIM's business. More than 10% of our UK assets are in DC and Retail, and nearly 20% of our total AUM is now from international clients.

We're just getting started in these markets and have strong ambitions.

We expect to be a top 3 provider of defined contribution pensions in the UK.... and International assets will continue to account for an increasing proportion of total AUM.

I'll now turn it over to Aaron Meder, our current Head of Investment, who will soon become the CEO of LGIM America, to discuss each of these aspects of our value proposition in more detail.

AARON MEDER
Slide 54: Culture & client service
Thank you Mark.

As Mark mentioned one of our key points of differentiation is our client centric culture.

Just about every asset manager claims to be client centric …but we believe the numbers here suggest we really understand what it takes.

The first point I'll make is that we have invested heavily in our client facing people - not only the over 900 highly experienced client, sales, marketing, and support staff …but also the 120 investment solutions specialists.

These specialists work alongside our client teams to ensure the right level of dialogue with our clients … which has shifted from

"Look at this product…, isn't it great,… why don't you buy it?".... to

"Let's make sure …we really understand your problem and then we can discuss how to leverage our full range of capabilities to help solve it".

This client centric and solutions oriented culture has led to some impressive results. As Mark mentioned - we have high persistency levels and a very high percentage of long-term relationships.

We also have a successful track record of transitioning clients from index assets to LDI solutions,… active specialties,… and beyond to self-sufficiency or buyout with LGR.

This has resulted in 65% of defined benefit pension clients having multiple mandates with us.

We also use surveys to ensure the client experience remains a competitive advantage for us.

The survey results have been positive and consistent with our reputation in the market for reliability,… trustworthiness …and doing the right thing.

Slide 55: Investment excellence
Moving on to our second point of differentiation - investment excellence.

Whether a client has hired us to track an index,… outperform a traditional benchmark …or manage an outcome-oriented solution,… the numbers here demonstrate credibility to deliver against all of those objectives.

Our index capabilities have consistently done what they say on the tin …and tracked the index.

This has led to a large number of happy clients …that have evolved their mandate into active specialties and solutions.

And we have delivered consistent strong performance for our active clients …with 88% of funds outperforming over the past three years.

Our fixed income team has either the top …or near-the-top …risk adjusted long-term performance across US,… Sterling,… and Euro markets.

Our equity and property teams have demonstrated consistent long-term outperformance.

Our active LDI and multi-asset capabilities are relatively new …but now each has a three year track record of strong performance.

Overall, our consistent track record demonstrates to clients …that we have the skill necessary to help

them achieve their objectives.

Slide 56: Solutions approach
And now the third point of competitive advantage - our solutions approach.

For many years we've been transforming our business model …to focus on outcome-driven investment solutions alongside traditional mandates.

46% of our £842bn inassets under management is now in a solutions approach …across a range of investment strategies.

The key to this… is breaking down the investment silos that the traditional asset management business model was built on... and combining capabilities together to bring clients the best of LGIM.

We bring this to life via the 120 solutions specialists I mentioned earlier who, …first,… work with our client teams to understand the client's investment objective and then, …second,… work with our investment,… insurance …and retirement teams to design the most effective solution.

One increasingly common example of this would be combining our liability driven investment and fixed income capabilities …to deliver either a self-sufficiency or buyout-aware solution.

Another example would be the 2016 launch of our fiduciary management service…which leverages our full breadth of investment capabilities …and provides strategic advice to our UK DB clients.

This solutions approach has led to a large amount of assets managed in Solutions,… but has also contributed to very large businesses across Index, …Fixed Income …and Real Assets,… and has helped to migrate assets to LGR via buyouts …as evidenced by the TRW and Rolls-Royce transactions.

Slide 57: Core strength in UK DB pensions
I'll now talk about how we are positioned across our core UK DB market …as well as our growth markets in DC, …Retail,… and International.

Starting with the UK defined benefit market …we believe we are very well positioned for the continued de-risking of DB schemes.

As the chart shows …this involves taking clients from traditional market benchmarked strategies …to liability driven investment and Multi-Asset strategies, …and as a scheme's funding level improves we can then combine our LDI, …Credit, …and Real Assets capabilities to take them to their endgame destination …whether that be self-sufficiency or buyout.

Our strong position in this market starts with our fundamental strength in the UK defined benefit market.

We are the largest UK DB asset manager with a 32% market share.

This started with being the market leader in Index.

We leveraged those relationships to become the market leader in liability driven investment …where we developed one of the UK's first LDI strategies in 2001 …and launched a range of pooled LDI funds in 2005.

We are now the largest LDI manager in the UK with a 44% market share.

Whether schemes are targeting self-sufficiency or buyout …they will increasingly invest like an annuity fund.

This is where our commitment to Real Assets …and market leading position in buyouts …represent a significant opportunity for LGIM.

We insure 3,000 pension schemes and are paying over 1m pensions each year.

Slide 58: Continued growth in DC pensions and Retail
LGIM is also well placed to benefit from the rapid growth of the UK DC market,… which is expanding by 12% pa.

LGIM has 15% market share,… £50bn in AUM,… and 2m members … all driving strong cash flows

We offer a full product suite across our Investment Only and bundled solutions.

We have a strong position in the fastest-growing **bundled** market, …where we provide investment and administration …to defined contribution schemes.

This trend should mean greater persistency and increased revenue over time.

By 2025…, it is estimated that 80% of assets will be bundled.

The **Mastertrust** is our strategic bundled product for new DC business.

Master trusts are experiencing rapid growth… Spence Johnson estimates that master trusts will capture 49% of DC members and 16% of DC assets by 2025.

Trustee concerns over the fiduciary risks of offering drawdown …mean that they are likely to favour master trusts for retirement solutions.

As a result of these trends, …LGIM assets under administration have grown rapidly since launch with £2.4bn in AUA…highlighted by the onboarding of schemes such as Tesco.

As Mark mentioned, …our Retail business is also significantly increasing momentum.

We are well placed to succeed given the long-term trends in the retail market, …such as the rise of index funds.

And the solutions approach is shifting from DB …to DC …and retail …

We are seeing growth in the use of alternatives …and high-conviction active strategies, …which is supportive of our focus on multi-asset solutions …and real assets.

Slide 59: Successfully expanding internationally

Moving on to international expansion, …our International business now accounts for a material - and growing share - of LGIM's business with 18% of our AUM.

Our expansion into the US has been a major success.

We established ourselves in the US in 2006 …and started marketing our LDI and Active Fixed Income capabilities to US DB plans in 2010.

Over the past six years we've leveraged an outstanding active fixed income track record, …a solutions approach, …and more recently, our Index capabilities …to add 183 clients… approximately £100bn of AuM, …and firmly establish ourselves as a leading US pension solutions provider.

As US pension funds are just getting started on their de-risking journey…there will be lots of opportunities to further grow our DB business.

And there is an opportunity to expand further into the US.

There is a large amount of demand …from US and non-US clients… for Direct Investments to match long-dated liabilities.

We are looking to expand our Real Assets capabilities to meet this demand.

And the US DC market represents an incredibly large opportunity as well …with £10trn in AUM.

We are already seeing demand for our Index capabilities …and are well positioned to offer a range of retirement income solutions as the US DC market continues to move in that direction.

We are experiencing a steadily growing footprint in key European, …Asian …and Gulf regions …with £52bn of AUM.

We are expanding further into Japan… and Latin America in 2017.

In Japan we have signed business cooperation agreements with Meiji and Nikko Asset Management …and in Latin America with CreditCorp.

MARK ZINKULA
Slide 60: Key priorities
To sum all of this up … we believe our client centric culture, investment excellence, and solutions approach leave us very well positioned in our home market and internationally.

The opportunity is huge: LGIM's strategic markets account for almost £20trn of AUM.

Here in the UK we are confident we can maintain our market leading position as we take clients on their journey to their desired endgame destination of either self-sufficiency or buyout.

We are well positioned with a comprehensive set of solutions in DC and are performing strongly in Retail.

The FCA's focus on value for money and cost transparency will further improve our position across all UK markets.

And internationally, we see a tremendous opportunity in the US across DB and DC channels and more generally as a Global DC pensions solutions provider.

Now I'll hand over to Paul Stanworth to talk about LGC.

PAUL STANWORTH
Slide 61: Paul Stanworth
Slide 62: LGC agenda
Good Afternoon and thanks Mark.

I'm delighted to update you on the progress of LGC - a rapidly growing division which is delivering significant profits to the Group.

Joining me is Laura Mason who is the Director of Direct Investments…

….in our presentation we are going to cover what we do, why we operate in the areas we do and the performance of the platform that we have built.

Slide 63: Overview
LGC invests £6bn of the Group's shareholder funds. This is permanent capital supporting our long term insurance businesses.

We deliver sustainable and growing returns, and provide valuable strategic investment opportunities for the Group.

The investments are focussed on three main sectors - housing, infrastructure and finance for small and medium sized businesses.

These sectors are suffering a funding gap which can be filled by long term investors.

The role of LGC is to develop the means for investors to access these sectors directly.

Our approach is to work with trusted partners with proven experience, where we add funding and financial expertise.

We develop the asset or business platform then bring in long term investors before exiting.

Given the nature of our investments, the Group get access to these first - generating powerful synergies for the Group.

Slide 64: What we have achieved so far
Since it was established in 2013, with the purchase of Cala Homes, LGC has established a successful track record.

We have trebled the total direct investments to just over £1bn, with investments in all the key sectors.

Laura will give you more detail on these investments and how we manage them shorty.

Slide 65: Balancing cash and profit
LGC delivers profits and cash to the Group.

To be clear on the point of Profit Before Tax, the PBT on direct investments is based on the independent valuation of these assets plus the actual trading revenues of the operating platforms.

On this basis, the direct investments have made a strong financial contribution, increasing PBT by 46 per cent from 35 million pounds in the first half of 2015 to 51 million pounds for the first half of 2016, 53% of which was from operating entities.

Overall PBT for the traded and direct investment portfolio has increased by seventy five per cent from 111 million pounds to 195 million pounds over the same period.

We also deliver cash via dividends, coupons and sales of assets from the traded and direct investment portfolio.

These combine to provide LGC with the means to contribute to the Group dividend.

We expect a greater proportion of the revenue to emerge from asset sales of direct investments in the future as our existing portfolio matures.

Slide 66: Scaling up
At the half year, we had invested eighteen percent of the funds in direct investments in all the three identified sectors.

We do this in a disciplined way, ensuring that we meet Group liquidity ratios and within the scope of the Group's capital strength.

Our direct investments need to meet clear investment criteria and we have two key financial targets.

Firstly, we seek a return on our assets of between ten and twelve per cent and, secondly, a return on risk capital of at least twenty per cent.

We're also capital efficient - overall our traded and direct investment portfolio, together, represents just six per cent of the Group SCR.

Therefore we have scope to move more of our traded portfolio into direct investments and still meet these investment criteria.

We also have the additional funding source of reinvesting proceeds from direct investment sales.

The combination of reinvesting sales and reallocating from traded assets provides LGC with significant scope to deliver growth.

I shall now pass over to Laura who will highlight the growth opportunity in our chosen sectors and give you more detail on the direct investments we've made so far.

LAURA MASON
Slide 67: UK real asset opportunity

Thank you Paul and good afternoon everyone.

The sectors we're focusing on give us opportunity - both in terms of a funding gap and the potential to build platforms that create assets for institutional investors.

Looking first at the funding gap:

The shortage of housing in the UK is well recognised, with an estimated £150bn required to deliver the homes we need.

In the regeneration space, we are aware of around £100bn of investment that is needed across our towns and cities;

... according to the National Grid to "go green" by 2020 around £40bn is needed to secure a cleaner, cheaper and more reliable energy system;

...and to ensure that the UK stays competitive on a global scale British SME businesses need an estimated £125bn.

It is clear that the Government and banks do not have capacity to meet these requirements but that there is a wall of institutional money that does.

Slide 68: Delivering into global asset shift
The real asset investment opportunity is here and institutional investors are changing their asset allocation accordingly.

The graphs show these changing allocations all moving to higher proportions of real assets from traditional traded portfolios.

L&G is ideally placed to capture this asset allocation change.

Slide 69: Strong business model
Moving on to our operating model.

We focus on choosing partners who...

...firstly, have the necessary proven sector expertise...

...secondly, can bring us direct access to deal flow that we wouldn't otherwise see...

...and thirdly, where we can add real value by scaling the opportunity.

We bring capital, but we also bring the financial expertise, corporate governance and management that are needed to grow these businesses and maximise their returns.

Slide 70: Delivered solutions in every sector
This focused model has proved very successful. Looking at examples in each of our sectors...

...In Housing - Together with the Dutch Pension Fund PGGM, and the LGIM Real assets division, we are

investing 600 million pounds to develop Build to rent properties in the UK.

Once income producing they're sold to long term income seeking investors.

In Infrastructure, we've partnered with the clean energy specialists NTR to launch an onshore wind construction fund.

This 250m Euro fund closed earlier this year with two significant investments from large pension funds.

And in Urban Regeneration, through our English Cities Fund, in partnership with the Homes and Communities Agency and a regional developer, Muse, we have regenerated five sites in cities across the UK.

This has also delivered a number of assets for LGR and LGIM's investment property funds.

To support financing of SMEs we've established a lending platform with a private debt specialist, Pemberton, who have now closed their first fund at 1.2bn Euros providing debt financing to SMEs in the UK and Europe.

Our partners are leaders in their sectors.

...Pemberton was awarded Global Newcomer of the year in 2015...

...Muse has 30 years of urban regeneration experience and has won many awards for their work and NTR has a 40 year track record in the Infrastructure space.

Slide 71: Top direct investments
On this slide we've listed our top 10 direct investments, the year we invested, and their current book value.

Shown are some of the assets I've just mentioned, and as you can see, these assets are diversified by sector and also by geography.

These 10 represent almost 90% of our direct investment portfolio.

We also have a strong pipeline including many opportunities that have been brought to us by our current partners.

This pipeline will deliver assets to us that meet our investment criteria.

I'll now hand back to Paul to conclude

PAUL STANWORTH
Slide 72: Experienced team
Thank you Laura.

Looking at our platform...

...The core senior investment team consists of 29 specialist investment professionals with skills combining

private equity, construction, asset management and finance.

Together, the team have an average of 20 years' experience each in their fields.

Our most recent joiner Stephen Halliwell, for instance, was formally CFO of 3i Infrastructure PLC.

This team is also supported by our Group risk and legal teams who have extensive capability.

We have a rigorous governance process covering all our decisions, with strict approval limits governing each transaction.

A key part of our approval process is setting out how LGC and our partners manage and mitigate the operational, development and financial risk of each investment.

All transactions - at the very least - go through LGC and the Group Board Executives for approval.

Large transactions such as MediaCity and Cala have the additional requirement of being approved by the Group Board - ensuring stringent oversight is achieved.

Slide 73: Clear synergies with L&G Group
Laura has already given some examples of our partnerships. The opportunities for synergies with the Group are clear.

One example is LGC's Cardiff project, one of the deals that has been completed as part of our RIO partnership with Government.

This transaction has great synergies with LGR and L&G real assets - drawing on their 30 years of property experience.

It is a transformational redevelopment scheme in the centre of Cardiff.

LGC partnered with the leading local developer RightAcres in 2015 to build out the scheme and jointly control site.

There are two buildings being built, with LGC and Right Acre having options on the rest of the site.

LGC committed 37 million pounds on the first building as an initial development.

LGR was therefore able to access an attractive Sale & Leaseback on the second building which is pre-let to the BBC Wales on a 20 year lease.

As we reach an acceptable level of pre-lets on the other buildings, we have the option to proceed, but importantly no obligation.

In addition, LGIM earn fees on any buildings which are owned by LGC and LGR.

This example shows how we not only access the pipeline of assets for the Group, but also how we minimise the risk to LGC.

Slide 74: Creating multiple sources of profit growth
So to conclude, we are focussed on delivering higher risk adjusted returns on the shareholder funds.

This will be done by increasingly redeploying capital from traded assets into direct investments…

...building on the profitable track record that we have established over the last three years…

…supporting the UK funding gap in housing, infrastructure and financing of small and medium sized businesses...

…and remaining disciplined about our approach to investing.

LGC has a huge opportunity to utilise Legal & General's unique combination of permanent capital in a leading investment institution.

We see several sources of profit growth from our activities in these sectors and I am confident that this will deliver enhanced, sustainable economic returns for our customers and shareholders alike.

Thank you and I'll now pass on to Kerrigan.

SLIDE 75: KERRIGAN PROCTER
Slide 76 - LGR Agenda
Thank you Paul.

In my four years heading up Legal & General Retirement, the retirement market has undergone significant change, most recently as a result of Freedom and Choice in pensions and of course Solvency II.

We have responded quickly to the challenges.

Our response to Freedom & Choice was to launch a lifetime mortgage business on 1st April 2015.

Since then, we have originated £719m of lifetime mortgage loans, with £518m year to date.

Our response to Solvency II for UK pension risk transfer was to move to a capital-efficient approach.

Year to date we have written £6.9bn of annuity business with total Solvency II capital strain of less than £200m.

The UK pension risk transfer growth opportunity is huge and we are uniquely well positioned to capitalise on this opportunity.

However, we are also keen to export our expertise to the US where a similar opportunity exists.

We are making good progress in this market and have closed five deals so far this year.

LGR has achieved strong profit growth.

But as you have heard, we have only been able to get there with a lot of help from our friends.

Anton talked about how LGIM's active fixed income and real assets teams manage LGR's assets.

Aaron covered LGIM's incredible connections with defined benefit pension clients.

Bernie talked about the diversification benefit of writing mortality risk in the insurance business alongside longevity risk in the retirement business.

And Paul covered how LGC put shareholder funds to work to not only achieve excellent returns but also to provide relevant investment opportunities for LGR.

L&G's whole is truly greater than the sum of its parts.

Slide 77 - Helping customers achieve financial security in retirement
We have a market leading retirement business covering global pension risk transfer, UK individual annuities and UK lifetime mortgages.

We have guaranteed a pension for life for over a million people and we hold £51bn of assets to back these promises.

The scale of our balance sheet means that we are able to use the capital released as the book runs off to fund our new business growth while contributing to the Group's distributable surplus.

We entered the pension risk transfer business in 1987 and since then have written over 1,600 bulk annuity deals and hold £32bn of reserves to back those defined benefit pension liabilities.

Pension risk transfer business can be lumpy, but if we look across the last three years we have just under one third of the UK pension risk transfer market.

We have accumulated a vast quantity of longevity data from our 30 years in the PRT business and we support a 25-person strong longevity science team able to extract the information hidden within this data.

Furthermore, we have extensive links into scientific research to help us understand long-term trends in morbidity and mortality.

Put together, we believe we have superior longevity science intellectual property for defined benefit pensions.

The success of our colleagues in LGIM in the defined benefit pension market means that Legal & General has an ongoing relationship with almost 50% of the nearly 6,000 possible UK defined benefit pension customers.

This is a notable competitive advantage relative to our peers.

Chris Knight, LGR's CFO is now going to take you through the next section.

CHRIS KNIGHT
Slide 78 - Delivering 8 sources of profit
Thank you Kerrigan.

In Kerrigan's four years, we have grown assets by 14% per annum, and operating profits by 32% per annum.

As a management team, and with all the growth opportunities we see, our aim is to continue to grow the business in scale and to grow profits faster than assets.

With the demise of the Secondary Annuity Market, we now have 8, not 9, sources of profit.

The benefit of this diversified model is truly apparent when you consider that we have continued the development of the business despite events such as the loss of much of the individual market, the advent of Solvency II, and falling real interest rates.

Our £51bn back book is a wonderful platform to have.

It gives us around £10bn of undiscounted future profits, which will be declared over the next 60 years.

And we have added significantly to that stock of future profits already.

This year, the Aegon individual annuity portfolio acquisition has been matched with £3bn of pension risk transfer sales, and we are once again seeing growth in our own individual annuity business.

Our entry into the Lifetime Mortgage market last year has been cemented this year...

...we have led the market in pricing, product design, service standards and customer focus.

Our nascent US business has written more deals this year and we have added capability to our Bermuda reinsurance operations.

Slide 79 - UK PRT
We still see the UK PRT market as a major growth opportunity for LGR and the Group.

As well as further back-book consolidation opportunities, there remains a very strong pipeline of new business out there.

At the end of 2015, UK private sector defined benefit pension liabilities totalled £2.1trn.

Of this £2.1trn we estimate only around 5% has gone all the way through to buy-in or buy-out.

Even in challenging economic conditions, we have seen the flow of PRT deals push through the £10bn per annum floor.

With 2/3rds of the large pension funds surveyed saying they intended to use pension risk transfer solutions in the next five years, we are confident that this trend will continue.

The funds that are typically most ready to transact are those that have already begun their de-risking journey, hedging their inflation and interest rate exposure via LDI mandates - there is roughly three quarters of a trillion pounds of assets in this position, of which around a half has been de-risked with the help of LGIM.

Legal & General is uniquely positioned to help pension funds across all stages of the de-risking journey.

The £2.5bn TRW buy-out we completed in 2014 and the £1.1bn buy-out with Rolls Royce that we announced last month are perfect examples of clients that began their investment de-risking journey with LGIM (coincidentally both in 2007) and completed it with buy-outs with Legal & General Retirement.

Slide 80 - Financially attractive business
So, it is clear that the demand for UK pension risk transfer remains strong and that we are well positioned to access the opportunity.

What I want to convey to you in the next section of our presentation is that we have successfully leveraged our market position and our intellectual property to address the Solvency II challenges.

This is enabling us to deliver low single digit new business S2 strains (when expressed as a percentage of premium) on typical pension risk transfer deals.

We are therefore confident that we can continue to meet the demand for pension risk transfer solutions.

Now to explain the charts in more detail…

... The charts represent what has been a typical PRT deal in 2016, excluding Aegon, although under many metrics the Aegon deal was not significantly different to a typical front-book deal.

For a typical deal we expect the difference between our premium and the best estimate liability value to be in the high single digits when expressed as a percentage of the premium.

Under IFRS, we only take a small amount of this profit upfront with the rest being released in future years as our prudence margins unwind.

If we just applied the Old Solvency I mode of doing business, with no direct investment, an A- credit portfolio and no longevity reinsurance we would get a strain under Solvency II of perhaps in excess of 20%.

However, with selective DI, more like an A+ credit portfolio, 80% longevity reinsurance and recent pricing we get back to a low single digit strain – indeed not so very far off the capital strain under Solvency I.

Again, we don't see a huge difference in the final result between back-book and front-book deals - with the transitional allowance for a backbook deal removing the need for longevity reinsurance and the pricing adjusting to reflect the cost of Solvency II capital.

If we look at it from a margin perspective we again see that the adjustments to the model have more-or-less completely offset the cost of the additional S2 capital requirements in 2016.

In the next few slides, we'll cover in a little more detail the expertise we have drawn on to allow us to deliver such fantastic financial results.

Slide 81 - Superior longevity science
We are market leading pension risk transfer experts with a 25 strong team of highly qualified longevity professionals who dedicate their time to researching and understanding at a very granular level longevity

experience and future trends.

We have been collecting and analysing longevity data for over 30 years.

Even considering only the last five years, we have over 16 million person years of experience data which covers a wide range of socioeconomic and occupational classes in the US and the UK.

This data is specifically useful for the PRT business which is where the huge opportunities are.

Recent years have seen levels of mortality which have diverted from the ever-downward trend line which is already priced into our offerings.

Time will tell whether this is a temporary divergence, or a more sustained change in trend.

The latter would be a very material positive for us, although we do not feel the need to rush to judgement on the issue.

Slide 82 - Actively managing our exposure
On the previous slide we showed our approach to understanding the longevity risk to which we are exposed.

This is essential when it comes to gaining competitive advantage in pricing and also when engaging with the reinsurance market and selecting the risks we wish to off load.

Prior to Solvency II, we were less active when it came to reinsuring our longevity risk in comparison to our peers.

We understood the risk - we were rewarded for it - so it made sense to keep it.

Wind forward to Solvency II and we are no longer as rewarded for holding longevity risk, because the burden of the risk margin is too great, at least for the time being.

Reinsurance is therefore an essential tool for managing the solvency II new business strain.

In anticipation of Solvency II, we significantly ramped up our reinsurance capability and now reinsure circa 80% of our new business longevity exposure and about a quarter of our backbook.

We have extensive relationships with all the major reinsurers both through our retirement business and our protection business and have seen capacity strengthen with new reinsurers coming into the market and others expanding the range of risks they are willing to reinsure.

We have concluded automatic and bespoke reinsurance treaties split by scheme size.

We have the ability to reinsure any combination of immediate and deferred annuity risk, and to reinsure asset exposure.

We draw the analogy with the very uneconomic XXX capital rules which were inflicted on the US term assurance industry in the early 2000's.

In that market we led the implementation of ever-more cost effective and capital efficient solutions over time.

We have been successful there, and we expect to be successful here.

We are confident that both the capacity in the market and the strength of our relationships will ensure we can continue to adopt an economically attractive and capital efficient strategy for many years to come.

I'll now hand back to Kerrigan.

KERRIGAN PROCTER
Slide 83 - Robust asset portfolio
Thanks Chris.

Chris has covered how our longevity risk management expertise has enabled us to continue to participate effectively in the market under the new regulatory capital regime.

Earlier Anton covered the high level of diversification by issuer, sector and geography within the asset portfolio and talked about LGIM's risk aware approach to managing the portfolio credit risk.

This leaves me to delve into LGR's direct investment portfolio in more detail.

Slide 84 - Direct investments delivering enhanced value
The self-manufacture of assets to create new real, productive assets is a cornerstone of our investment philosophy.

With our balance sheet size and the long-term nature of our liabilities, we are able to invest for a size and term that differentiates us from many other investors, and allows L&G to get directly involved in the structuring of the assets.

This is good for our pensioners, since the assets provide long-term reliable cashflows to back pension promises.

This is good for the economy as it helps provide jobs and supports economic growth.

This is good for our shareholders as we earn an illiquidity premium over tradeable bonds.

Our direct investments to date are generally managed by LGIM and involve leases to high quality tenants with the underlying property as additional security, direct lending to companies secured on property or bespoke lending into infrastructure deals.

A strategic investment by LGC can sometimes be the catalyst for a further LGR investment in a debt-like asset.

The Cardiff City Centre investment described by Paul earlier is a good example of this.

Or LGR can develop assets directly, such as the origination of lifetime mortgage loans through its lifetime mortgage business.

The salient features of all these forms of LGR direct investment are cashflows to match pension payments, earning an illiquidity premium over tradeable bonds and coming with strong security or collateral.

To date, LGR have over £8.2bn invested in this way.

Slide 85 - High quality DI portfolio
We have shown here the top 10 direct investment holdings.

The portfolio has an average A- rating similar to the rest of the annuity book.

All of the properties are occupied with long-term leases and we have not yet had any tenant or borrower defaults.

To give some feel for the portfolio, I will give a bit of detail on one of our student accommodation assets and one of our infrastructure assets.

Slide 86 - Investing long term money
The development funding we provided for Imperial College's postgrad studio apartments near Clapham Junction is a great example of one of our investments in student housing.

It is a strong credit rating; is ranked the number 4 university in the UK and number 9 globally…with a large London asset base... the probability of default is low.

We structured the deal as an income strip meaning we are able to treat the asset as debt on our balance sheet, with no residual property risk.

Slide 87 - Investing long term money (contd)
Moving on to our investment in the London Gateway.

This is a deep water port 25 miles from the centre of London that is able to handle Ultra Large Container Vessels - these are expected to become 80% of the global shipping fleet.

Just to look a little bit more into the investment.

Berths 1 and 2 were completed in December 2013 and the port has been fully operational since then.

The funds we provided this year were used to refinance existing debt and finance the Berth 3 construction work which has now completed.

This asset provides us with strong stable cash-flows and we will be applying for better Solvency II treatment for infrastructure assets in 2017.

This is also a great example of where we have worked closely with our LGIM colleagues who sourced the asset and negotiated strong structural protections over many months.

Slide 88 - Lifetime mortgages
Now on to lifetime mortgages.

This has been one of our great success stories this year highlighted earlier.

Our rationale for entering this market was twofold:-

Firstly, we wanted to provide our customers with more freedom and choice when it came to funding their retirement.

With more than £1.5trn of housing equity owned by the over 55s it was clear to us that this had to form part of any future retirement proposition.

The growth opportunity in this market is huge perhaps in the region of 25% p.a.

The second reason why this market is so important to us is that it provides us with another long term asset that matches our liabilities well and provides a value uplift versus tradeable bonds.

As we are using our annuity customers money to fund our lifetime mortgage lending we are of course very cautious about the risks that we take.

The typical loan we offer is £70k to a 70 year old with a loan to value of no more than 40%.

This would allow for something like a 20% immediate house price fall followed by house price inflation of around 1.5% per annum for the life of the mortgage before our negative equity guarantee bites.

Our portfolio is diversified across Great Britain.

This is a great product for our retirement customers and a great asset for our balance sheet.

Slide 89 - Replicating our model globally

Chris and I have hopefully given you a good insight into the way in which we manage our UK business and how we continue to adapt to the regulatory changes that have come to play.

The US has public defined benefit pension liabilities of $3.2trn and there is a further $2trn if we take into account Canada, Netherlands and other European countries.

Whilst of course each market has its own nuances, fundamentally the expertise and skills required to play in these markets are the same as those we have demonstrated in the UK.

Our annuity operations were established at L&G Re in 2013 and then in 2015 in the US.

Since then we have continued to build out our teams and capabilities and we were delighted to land our first deals in both the Netherlands and in the US in 2015. Since then we have added a further 5 deals in the US this year.

I am really optimistic about the future potential for our growth in these markets and that we will be able to replicate the continuing success we have enjoyed in the UK.

Thank you for your time.

Slide 90 and 91: NIGEL WILSON

Nigel Wilson: Thank you to all the team for their excellent presentations today. I've got just a couple of things to wrap up with. First, why are we winning? I think you'll understand why we're winning having seen the quality of the management team today. I feel very privileged to be the Chief Executive of L&G because I manage to work with such outstanding individuals. But perhaps more importantly, they regard themselves as a team. What differentiates us and what is unique I think to L&G is the teamwork and you see that teamwork today expressed in many different ways.

The second thing is the future growth and I'm really, really excited about the team's capability to drive future growth in this business. Aaron's going back to the United States. I have absolute confidence that there are huge opportunities that we'll see there. He will be talking about them next year. Bernie's been giving it large about how much success he can have in America, he's been coming with me on the last two or three trips to the US and we can see huge opportunities there.

You heard from Chris and from Kerrigan about the great opportunities that exist in the LGR space, not just in the UK but also in the United States and the rest of the world. And the LGC in the last three years has got off to a great start. We've identified three growth markets and we're executing incredibly well. That's why we've managed to deliver a 20% return on equity and have driven cash and earnings so well over the last few years.

I'll now hand over to questions. Who wants to go first, Jon Hocking, perhaps? I hope it's the same question, Jon, because they've been practicing the answer.

Jon Hocking: It's a slightly different one. Two questions please; could you just talk broadly about how you think about the risk appetite the Group has for annuities, so what proportion of liabilities you're comfortable with, what are... because obviously there's more terror risk in that business than there is in the rest of the book, you know, how you think about sustainability of cash flow and capital etc? That's the first question.

And then sort of linked, how do you think about bridging the gap between what you see as the economic view in terms of pricing and what Solvency II allows you to do, so particularly in terms of either matching adjustment constraints, equity release, you know, how you think about the economics of that versus the Solvency II and how you manage that? Thank you.

Nigel Wilson: Yes, both excellent questions. I'll get Simon to just talk about the overall Group risk appetite and where annuities fit within that, and then Kerrigan, if you answer the bits that Simon left out and also answer the very tricky seconds question.

Simon Gadd: So, yes, I represented the current balance of risk on our balance sheet. It's fair to say that credit risk and market risk already have a significant proportion. The plans that we have in Kerrigan's business; clearly there is a scope still to increase that. Our balance sheet has the potential to do that. But there are plenty of other businesses that you've heard about this afternoon that add top line to the coverage ratio, add to our own funds without particularly adding to the bottom line, the SCR. So we would like to grow the balance sheet in a more balanced way, which is why this syndicated model that we've moved towards is going to be a bigger part of the future. But from a capital perspective we have plenty of headroom still to be able to grow the annuity business.

Kerrigan Procter: On the flow, I'm very happy with the 2.7 billion of annuity business we wrote last year 2015. I'm very happy with the 6.9 billion year to date this year. As long as we continue writing it low to

mid single digit strains, which we expect to do, then I think we'll keep to meet Mark's view that over the medium term there were some net neutral surplus generation. So that's a great picture; we're pretty confident of continuing that approach. In none of those conversations does anything about the spot, the current coverage ratio come into play, so confident about that growth in those markets.

And I think really, linking to Simon's point and I made the point in my speech, the whole of L&G is greater than the sum of the parts. It works well as a diversified insurer and we're keen to continue that, and you've seen that today from the other conversations with the other divisions.

Nigel Wilson: Okay. Any more questions? Andrew?

Andrew Crean: Yes, I've got three questions if I can. You've mentioned or given a growth rate over the next five years for net surplus generation of mid to high single digit, so 7-9%. Would you expect cash generation, therefore dividend growth, at a similar rate?

Secondly, could I ask on the annuity business which has been written this year, what is the impact on the coverage ratio, or put another way, can you give us the numerator and denominator which adds up to that less than 200 million surplus impact?

And then thirdly, again on the annuity business, could you say what your target as a percentage of the total the annuity portfolio you'd want for infrastructure or direct investment and lifetime mortgages and how that would lift the overall yield on the portfolio?

Nigel Wilson: Gosh, those are all excellent questions. I'm just trying to decide which of my colleagues is worthy of answering those questions. I've had instructions off Mark not to answer the first question as I will give a very explicit answer to the first question. Mark's going to give a less explicit answer to the question. And Kerrigan and Chris between them answer the second and third question.

Mark Gregory: Just your first point, a clarification, Andrew; when I used mid to high single digit, I'm not quite sure that translates to 7-9%. That was random. It's a bit like my colleague on my left here, he can round up any number and so can you it seems. So just go away and re-translate that comment. Clearly in terms of dividend, it's a board decision. We have our progressive dividend policy in existence and clearly we see lots of great opportunities for the Group and we're very keen to make sure we have a sustainable growing dividend as well. So you'll have to wait for that one for March and beyond to get more details on that.

Chris Knight: We said the difference between a premium and best estimate liabilities under Solvency II was in the high single digits. We said that our strain after paying for SCR and the remnants of the risk margin after we had done 80% longevity reinsurance, we're looking at low single digit strain; we've said 2-3% for 2016. So I think the gap there gives you the answer for roughly what the SCR is but obviously it differs very much by, a lot by deals. That's an average. And we've seen, as things have progressed over the year, an evolution in pricing in market terms.

To answer your third question, I think roughly a third in terms of our proportion of total DI and lifetime mortgage assets over a long period of time.

Andrew: [Inaudible]

Chris Knight: It'll be what it is, I guess, in the market.

Nigel Wilson: North of 100 basis points.

Andrew Crean: Thank you.

Nigel Wilson: We're determined to finish by 5:30 so everybody can have an informal drink afterwards and ask whatever questions they've got.

Greig Paterson: I was enjoying the fact that they brought the mic over for me to answer management's questions. It shows confidence in my insights, thank you. I've actually got four questions and you can answer them briefly if you want. One is digital and I appreciate you've got initiatives at play but I hear the same story from Aviva and I hear the same story from the various European players. To me there's a margin compression theme going on there. I wonder if you just want to discuss to what extent you've experienced that as these digital benefits get competed away.

The second question, lifetime mortgages, if you go and look at Moneyfacts, I think your teaser rate is 3.7 and that compares to 5.5 for JRP and I think 5% Aviva, so it's very aggressive pricing. I was wondering if that's just a short term strategy. Are you going to pull back your pricing to your peers or do you feel that you'll just carry on and they must move to your levels?

The third thing is if you look at, and please excuse me, I might have got this wrong because of seasonality, but if you take the first half of your asset management profit and you annualise it, it doesn't look like your asset management business is growing its profits this year. And obviously there's a challenge between trying to expand your capacity versus growing the, for long term business, top line. I wonder if you can talk about those jaws and your expectations for those jaws.

As a final point, a key element that has arisen recently in your P&L is the LGC but when you look at the subcomponents of LG profits, even the operating profit, you've got the one; you've got the numbers jumping around quite materially now that we've seen the breakdown. I was wondering if you expect an aggregate, to have a sort of stable operating profit growth going forward on that, ie its contribution to IFRS and NCG or is that going to jump around a lot.

Nigel Wilson: That's a new record for questions from Greg and I think, Bernie, would you answer questions one and two, Mark, can you answer three, and Paul, four? Thank you. The answer to one is, by the way, we have no compression.

Bernie Hickman: Yes, digital is one of those unstoppable, one of the six unstoppable trends and you have to be on there and you can't be complacent. What we've experienced, particularly in the UK retail protection is fairly consistent margins over a long period of time, and good healthy margins over quite a considerable period of time. But that is a factor of continually innovating, continuing to push on, sharing some of that with the customer and maintaining good, healthy profit margins.

Nigel Wilson: Lifetime mortgages, are you going to answer that one?

Bernie Hickman: Sorry, I didn't pick up on that one. I've kind of moved on, Nigel. What was the question again, Greig?

Greig Paterson: [Inaudible].

Bernie Hickman: Yes, so it is currently a pretty price sensitive market and we've got to always balance up. You know, clearly we want to write lifetime mortgages at a good yield. We're constantly re-evaluating that as gilt yields move and, or asset yields move and to make sure we strike the right balance there.

Nigel Wilson: I think in general you always find us as pretty price competitive, whether it's in the annuity business, individual annuity business, wherever there's any open market competition. I think the differential in price that you're referring to is much smaller than that when you do a like for like across all product sectors. And I think we'd be marginally cheaper than Aviva but not much cheaper than Aviva over a period of time, Greig. I think you'll find both us and Aviva will be competitive in the lifetime mortgage as indeed we are in other markets, and similarly for individual annuity markets and definitely in the LGIM space where we've always been very competitive on pricing, hence we've built huge industrial scale in our business. Over to you, Mark.

Mark Zinkula: With regards to your question on the profitability for first half of the year, obviously our revenue is going to be largely driven by asset values. Asset markets got off to a very difficult start to the year. There was a significant sell off, if you recall, back in the first two months of the year which impacted not just us but the whole industry. But ultimately in looking longer term, things we can influence and have greater control over, the fund performance and the quality of our products and customer service and so forth, and that ultimately leads to net inflows for us, again across basically all of our core channels and regions and product areas in the first half of the year and that compounds over time. So really, you can't really just annualise the first half of the year because asset markets have obviously recovered since then.

Nigel Wilson: We've got to do better in the second half than we did in the first half is the kind of answer to that. Paul?

Paul Stanworth: Just on that last point, our expectation is the portfolio will become more obviously direct investment than traded. And the traded portfolio is, by their nature, will have much more volatile profits than direct investments. And they've also got a lower return than direct investments. So our view is that they will increase and become more stable over time. And I think that as the portfolio becomes bigger, there's going to be a diversity of assets coming through in terms of their maturity to realise those profits, bearing in mind that it has been ongoing for about three years, two or three years and therefore a number of the projects we've started, like Cardiff and others, are really at the start of their journey. So I would say increased and more stable is what you should expect.

Nigel Wilson: Andy?

Andy Hughes: Thanks very much, Andy Hughes from Macquarie. A couple of questions if I could, one about LGC and I'm trying to understand the return on SCR metric at 20% because it seems like it's only 1.6% a year, because your SCR is 6%, the Group SCR. So I'm wondering, is that really value metric and how does that work and which of these metrics you've listed here are the most important for different parts of the business?

And the second question on LGC, obviously you highlighted the recent mortality trend. LGR, sorry, on LGR, you highlighted the recent mortality trend over the last five years with very limited improvements, and obviously that's factored into the reinsurance pricing you're getting. Presumably the reinsurers are looking at that in a different way to the way you are, so if you're right does the reinsurance capacity dry up in delaying putting these changes through, or if the other way goes and it goes in your favour, aren't you losing a lot of mortality profits by reinsuring the risk anyway? Thank you.

Nigel Wilson: Kerrigan, do you want to answer the second question? Paul, can we do the maths between now and when you talk to Andy afterwards as to how that works out?

Kerrigan Procter: Yes, I think the whole industry, and Simon mentioned it earlier in his speech, longevity developments happen very slowly over a long period of time. We understand that, we understand that we need to take our time over deciding whether it's a blip or a change in trend. All the reinsurers understand that pretty well too. So our job is to go to that reinsurance market, make sure that they've taken as much account as possible of that trend and get the best price out of them and make sure we understand where our pricing is and our reserving is both in a blip or if it is a trend. And we've done a really good job at executing with that big pool of reinsurers on that basis. So we understand and they understand and we work well together on that basis.

I don't think there's any let up in potential reinsurance capacity that we have. At least 13 reinsurers on our panel, they're already hungry for more business and we can get good competitive tension with whatever deal that we're looking at. So none of that picture... You have to understand what you're doing of course and the reinsurers do, we do, and none of that picture worries me in terms of potential growth and capacity in that market.

Nigel Wilson: I said to everyone that we'd finish at 5:30 and we're... Oh, is there one more question? Sorry, one last question.

Trevor Moss: It's Trevor Moss from Berenberg. I just thought I might invite you, Nigel, or perhaps Bernie to discuss what you're thinking in terms of rolling out the retail protection strategy in the US. You didn't really talk about it. You talked about wanting to do it. You didn't really talk about what you were going to do.

Nigel Wilson: Well, I think we'll cover that... We haven't yet done a presentation to the board. I think Bernie has actually got to do it, I think it's in January or February. He's had three visits so far with me over there, so it's a bit premature I think even for Bernie to come forward with lots of ideas. We just wanted to let you know that's what we're doing. We've reorganised the business, and maybe afterwards Bernie can talk about some of the initial working hypothesis that him and John have developed. But we'll cover it in a lot more detail when we do the year end results in March.

I'd just like to say thank you to everyone for your attention. We've covered a lot of material very quickly. We were told that's what would meet the needs of the audience today after some of the very long sessions we've done in previous days like this. And we welcome you all to a drink in, next door. So if you move next door there's some drinks, and thank you again.