

Legal & General agrees £4.8 billion full buy-in for the Boots Pension Scheme

- Secures the benefits of all 53,000 retirees and deferred members of the Scheme, making it the UK's largest single transaction of its kind by premium size and, for L&G, the largest single transaction by number of members.
- Builds on a long-standing relationship with Boots. Legal & General has provided investment management services to the Scheme for over 20 years.
- Legal & General has written £13.4 billion of global Pension Risk Transfer (PRT) business year to date.

UK's largest single buy-in by premium size

Legal & General Group plc ("Legal & General") today announces that it has agreed a £4.8 billion full buy-in with the Boots Pension Scheme ("the Scheme"). This buy-in secures the benefits of all 53,000 retirees and deferred members of the Scheme, making it the UK's largest single transaction of its kind by premium size and, for L&G, the largest single transaction by number of members.

The sponsoring company, Boots ("the Sponsor"), founded 174 years ago, is the UK's leading health and beauty business with over 2,000 stores and 52,000 employees.

Legal & General has a long-standing relationship with Boots, having provided investment management services to the Scheme for over 20 years. This buy-in begins the conclusion of a de-risking process that the scheme first embarked on in 2001.

This transaction represents another innovative step forward in DB pension de-risking by providing a combined investment and insurance solution for the Scheme's asset holdings, allowing the Scheme to achieve the certainty of a transaction whilst also maximising value by transferring its assets (or the associated sale proceeds) to Legal & General.

Legal & General worked in close partnership with the Sponsor and Trustee to manage this transaction which incorporated both asset transition and deferred premiums features.

This bulk annuity is Legal & General's largest ever single PRT transaction.

Cardano was the strategic advisor to Walgreens Boots Alliance and lead broker for the transaction, while Baker McKenzie provided legal advice. Aon was strategic adviser, lead investment adviser and broker for the transaction representing the Trustee, while Sackers provided legal advice. Slaughter and May and Simmons & Simmons provided legal advice to Legal & General.

We have now written £13.4bn of global PRT year to date

Activity in the UK PRT market remains strong, with rising pension funding ratios driving unprecedented demand. At the half year, Legal & General's global PRT premiums totalled £5.0 billion. Since then, the Group has completed a further £7.2 billion of new business in the UK, and a further \$1.5 billion in the US. In aggregate, Legal & General has transacted circa £13.4 billion of global PRT this year (£10.2 billion of net premiums¹).

¹ This figure allows for anticipated Funded Reinsurance

Since the beginning of 2018 we have written a total of £59.6 billion of PRT:

L&G PRT volumes (£ billion)	2018	2019	2020	2021	2022	YTD
UK	8.4	10.3	7.6	6.2	7.2	12.1
International	0.8	1.1	1.3	1.0	2.3	1.3
Total	9.2	11.4	8.9	7.2	9.5	13.4

Accelerating demand is enabling Legal & General to acquire these liabilities earlier than it might have a year ago, thereby increasing the average lifespan of the PRT portfolio.²

In addition to the £10.2 billion of global net PRT premiums written year to date, we have also written £1.2 billion of individual annuities, taking total annuity net premiums written year to date to £11.4 billion.³

Indicatively, this creates new business CSM of c£910m, adding to the Group's total CSM balance. This was £12.4bn at HY23 and had grown at 7% over the year. The additional CSM created so far in H2 demonstrates our ability to continue to grow the CSM balance.

We operate a capital light business. We have deployed £270 million of capital to write £12.1 billion of UK PRT.⁴ As indicated at HY23, we expect to achieve self-sustainability on the UK annuity portfolio again in 2023.

A strong solvency position providing significant firepower, and a progressive dividend

As at 17 November, and net of this transaction, Legal & General's solvency ratio was estimated to be 224%.⁵

This strong solvency position provides the Group with significant firepower to continue to invest in attractive growth opportunities. The Board continues to weigh investment carefully against the relative attractiveness of returning additional capital to shareholders.

As highlighted at the HY23 results, we continue to expect Net Surplus Generation (Operational Surplus Generation plus New Business Strain) to exceed dividends in 2023. The Board has announced its intention to grow the dividend at 5% per annum to FY24.

Andrew Kail, CEO, Legal & General Retirement Institutional

"We are very pleased to have agreed this buy-in today with the Boots Pension Scheme, representing our largest ever single transaction. This is testament to our long-standing relationship with the client, and I am proud that we have been able to work seamlessly across our insurance, reinsurance and investment management capabilities to deliver an excellent outcome."

We are continuing to see an unprecedented acceleration in demand in this sector, driven by more pension schemes being closer to buyout than ever before. Against this backdrop, we have posted a record year with £13.4bn of global PRT written to date."

Alan Baker on behalf of Law Debenture, as Chair of Trustee, Boots Pension Scheme

"This agreement with Legal & General gives added protection to our members' long-term benefits by removing market uncertainty and other financial exposures. We welcome the additional payment from Boots, in addition to the sum it has already committed. As a result, the Scheme will not be reliant on Boots to pay benefits to members and pensions will be protected for decades to come."

"I would like to take this opportunity to thank my fellow Trustee directors and our predecessors, the Scheme officers and advisers for their hard work over many years to reach this positive outcome for our members."

² Advisors suggest annual UK PRT volumes alone could exceed £50 billion for at least the next five years (Lane, Clark & Peacock)

³ Individual annuity volumes to 10 November (NB: we retain all the risk on our individual annuity book)

⁴ This includes a reduction in capital usage from risk margin reform on business written in 2023 year to date

⁵ This includes the estimated impact of risk margin reform

Sebastian James, Senior Vice President and Managing Director, Boots

"We are very pleased to have achieved the gold standard outcome for our pension scheme and to have fully secured the benefits of all members with a highly respected insurer. This will provide greater certainty to both the scheme members and to Boots, and is an excellent outcome for both parties."

Notes to editors

About Legal & General

Established in 1836, Legal & General is one of the UK's leading financial services groups and a major global investor, with over £1.2 trillion in total assets under management (as at HY23) of which c40% (circa £0.5 trillion) is international. We have a unique and highly synergistic business model, which continues to drive strong returns. Legal & General provides powerful asset origination and management capabilities directly to clients, which also underpin our leading retirement and protection solutions. We are a leading international player in Pension Risk Transfer, in UK and US life insurance, and in UK workplace pensions and retirement income. Our purpose is to improve the lives of our customers and create value for our shareholders. Through inclusive capitalism, we are investing in long-term assets, such as real estate and infrastructure, that can help build a better society for the future. As at 23 November 2023, Legal & General has a market capitalisation of £13.6 billion.

About Legal & General Retirement Institutional

Legal & General Retirement Institutional (LGRI) works with trustees and sponsoring companies of defined benefit (DB) pension schemes of all sizes to settle their pension obligations and secure scheme members' benefits, through a full range of buy-ins, buyouts and other de-risking solutions. Our Client Services' 12-month rolling Net Promoter Score (NPS) is above 70, which is widely regarded as being at a "world class" level. Including the premium to be received in relation to this transaction, LGRI has annuity assets estimated at £63bn.

About Boots UK

Boots is the UK's leading health and beauty retailer with over 52,000 team members and 2,100 stores, ranging from local community pharmacies to large destination health and beauty stores.

Boots serves its customers and patients' wellbeing for life. It is the leading provider of healthcare on the high street and the UK's number one beauty destination.

Boots has an unrivalled depth and breadth of product offering, which incorporates its extensive own brand range and innovative portfolio of brands, including No7, the UK's No1 skincare brand, Soap & Glory, Liz Earle Beauty and Sleek MakeUP. For over 170 years, Boots has listened, learned and innovated, and it continues to challenge itself to improve its products and services every day.

Boots is part of Walgreens Boots Alliance, which is a global leader in pharmacy-led, health and wellbeing retail. More company information is available on boots-uk.com.

*Figures accurate as of 31 August 2023

Further information

Name: Sinead Andrews

Role: Communications Manager

Division: Legal & General Retirement Institutional

Tel: 07384452353

Email: Sinead.andrews@landg.com

Name: Lauren Kemp

Company: Legal & General

Role: Interim Group Head of Media & Issues

Tel: 07946514627

Email: lauren.kemp@lgim.com