



# Improving lives through inclusive capitalism

Legal & General Group Plc Year End Results – March 2019



# Forward looking statements

This document may contain certain forward-looking statements relating to Legal & General, its plans and its current goals and expectations relating to future financial condition, performance and results. By their nature, forward-looking statements involve uncertainty because they relate to future events and circumstances which are beyond Legal & General's control, including, among others, UK domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory and Governmental authorities, the impact of competition, the timing impact of these events and other uncertainties of future acquisitions or combinations within relevant industries. As a result, Legal & General's actual future condition, performance and results may differ materially from the plans, goals and expectations set out in these forward-looking statements and persons reading this document should not place reliance on forward-looking statements. These forward-looking statements are made only as at the date on which such statements are made and Legal & General Group Plc. does not undertake to update forward-looking statements contained in this document or any other forward-looking statement it may make.

# Financial highlights

Operating profit from divisions<sup>1</sup>

**£2,231m**

(2017: £2,034m)

**+10%**

Earnings per share<sup>1</sup>

**24.74p**

(2017: 23.10p)

**+7%**

Return on equity

**22.7%**

(2017: 25.6%)

Book value

**£8.5bn, 143p**

(2017: £7.5bn, 126p)

**+13%**

SII operational surplus generation

**£1.4bn**

(2017: £1.3bn)

**+14%**

Full year dividend

**16.42p**

(2017: 15.35p)

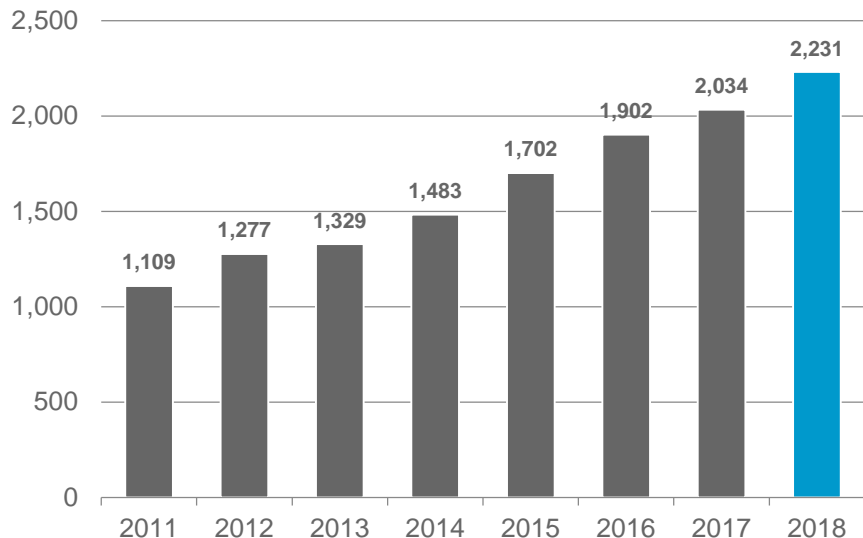
**+7%**

1. Excludes benefits of mortality release in both years, and one-off tax benefit in 2017 following US tax reform for EPS

# A consistent strategy: Consistently delivering

## Operating profit from divisions (£m)

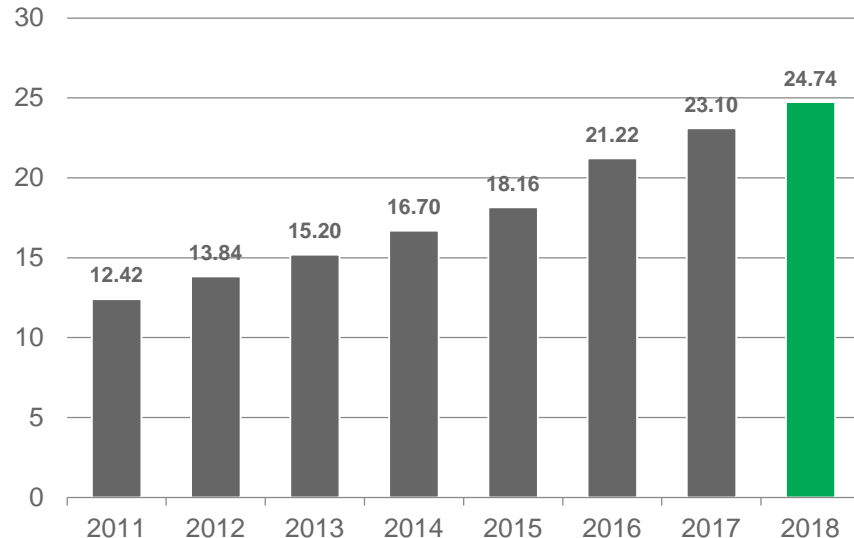
11% CAGR 2011 - 2018



Operating profit from divisions bridge (£m)	2017	2018
Mortality release	332	433
<b>Reported Operating profit from divisions</b>	<b>2,366</b>	<b>2,664</b>

## Earnings per share (p)

10% CAGR 2011 - 2018

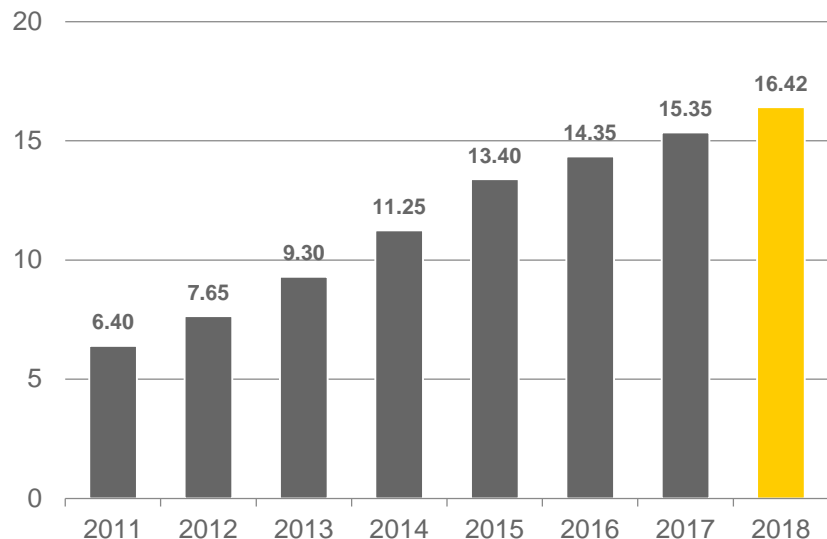


EPS bridge (p)	2017	2018
Mortality release	4.62	6.05
US tax	4.15	-
<b>Reported EPS</b>	<b>31.87</b>	<b>30.79</b>

# A consistent strategy: Consistently delivering

## Dividend per share (p)

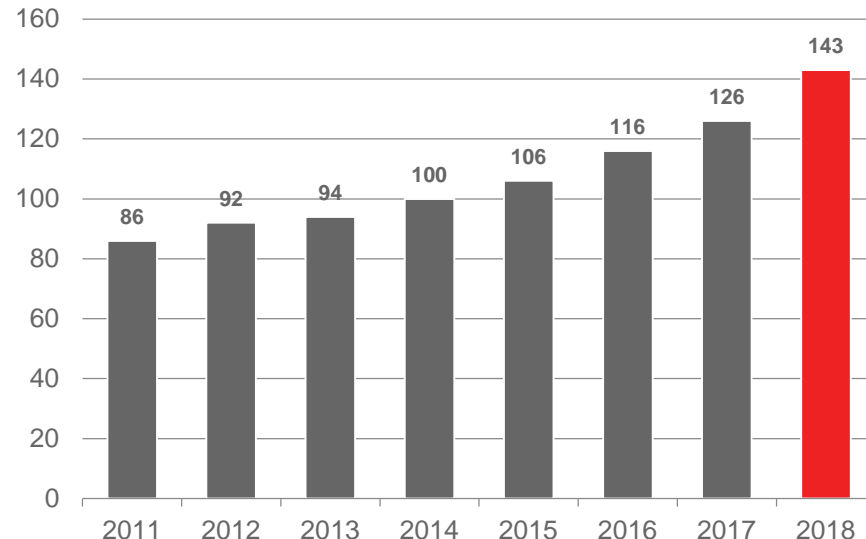
14% CAGR 2011 - 2018



DPS	2012	2013	2014	2015	2016	2017	2018
YoY Growth %	20	22	21	19	7	7	7

## Book Value per share (p)

8% CAGR 2011 - 2018



BVPS	2012	2013	2014	2015	2016	2017	2018
YoY Growth %	7	2	6	6	10	8	13
Book value <sup>1</sup> (£m)	5,441	5,569	5,949	6,321	6,934	7,505	8,515

1. Book value = Equity attributable to owners of the parent less goodwill

# Structural growth drives profit

	2018	2017	%	Growth	
Investing & Annuities	Legal & General Retirement: Institutional <sup>1</sup>	832	716	16	<ul style="list-style-type: none"> <li>Actively quoting on £20bn UK PRT business, market share c.30%</li> <li>c.\$27bn US PRT market opportunity p.a., market share 3%</li> </ul>
	Legal & General Retirement: Retail <sup>1</sup>	283	199	42	<ul style="list-style-type: none"> <li>LTM 30% market share</li> <li>Individual annuities 19% market share</li> </ul>
	Legal & General Capital	322	272	18	<ul style="list-style-type: none"> <li>Future cities: targeting 12 in the UK</li> <li>Housing: £1bn+ revenue in 2019</li> </ul>
Investment Management	Legal & General Investment Management	407	400	2	<ul style="list-style-type: none"> <li>£1tn AUM, \$80 trillion global assets</li> </ul>
Insurance	Legal & General Insurance	308	303	2	<ul style="list-style-type: none"> <li>Innovative customer centric technology driving growth</li> <li>Lower costs drive improved customer pricing</li> </ul>
	General Insurance	0	37	(100)	<ul style="list-style-type: none"> <li>Technology increasing customer engagement and choice</li> </ul>
Operating profit from continuing divisions		2,152	1,927	12	

1. LGR figures shown exclude mortality releases



## Financial Highlights

Jeff Davies, Group Chief Financial Officer



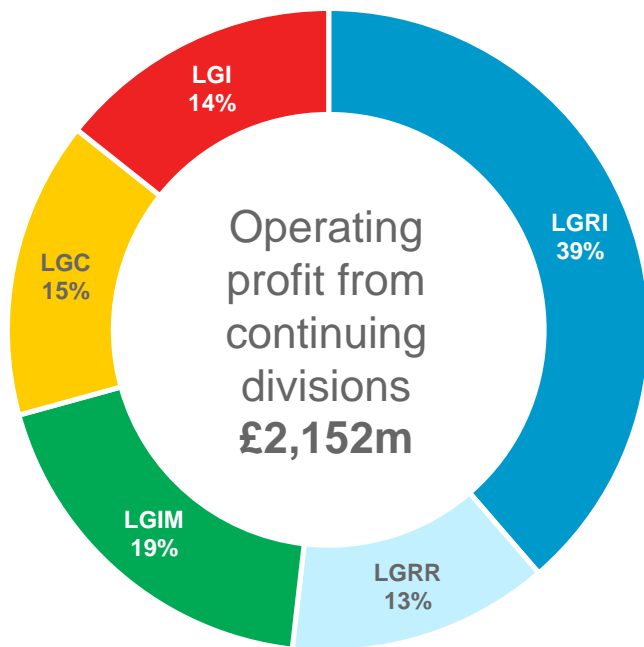
# Financial highlights: consistent delivery in 2018

Metric	2018	2017	%
<b>Operating profit from divisions excluding mortality release (£m)</b>	<b>2,231</b>	2,034	<b>10</b>
Group debt costs (£m)	(203)	(191)	(6)
Group investment projects & expenses (£m)	(126)	(120)	(5)
<b>Operating profit excluding mortality release (£m)</b>	<b>1,902</b>	1,723	<b>10</b>
Mortality release (£m)	<b>433</b>	332	
<b>Operating profit (£m)</b>	<b>2,335</b>	<b>2,055</b>	<b>14</b>
Investment & other variances (including MI) (£m)	<b>(207)</b>	35	<b>n/a</b>
<b>Profit before tax (£m)</b>	<b>2,128</b>	<b>2,090</b>	<b>2</b>
Earnings per share <sup>1</sup> (p)	<b>24.74</b>	23.10	<b>7</b>
Return on equity (%)	<b>22.7</b>	25.6	
Solvency II operational surplus generation (£bn)	<b>1.4</b>	1.3	<b>14</b>
Solvency II coverage ratio (%)	<b>188</b>	189	

1. Earnings per share excludes mortality release of £359m (net of tax) in 2018. 2017 excludes mortality release of £274m and US tax impacts of £246m



# Benefits of a diversified business model



Excluding mortality release £m	2018	2017	%
Legal & General Retirement Institutional (LGRI)	832	716	16
Legal & General Retirement Retail (LGRR)	283	199	42
Legal & General Investment Management (LGIM)	407	400	2
Legal & General Capital (LGC)	322	272	18
Legal & General Insurance (LGI)	308	303	2
General Insurance	0	37	(100)
<b>Operating profit from continuing divisions</b>	<b>2,152</b>	<b>1,927</b>	<b>12</b>
<b>Mortality release</b>	<b>433</b>	<b>332</b>	
Including mortality release £m	2018	2017	%
Legal & General Retirement Institutional	1,149	906	27
Legal & General Retirement Retail	399	341	17
<b>Operating profit from continuing divisions</b>	<b>2,585</b>	<b>2,259</b>	<b>14</b>

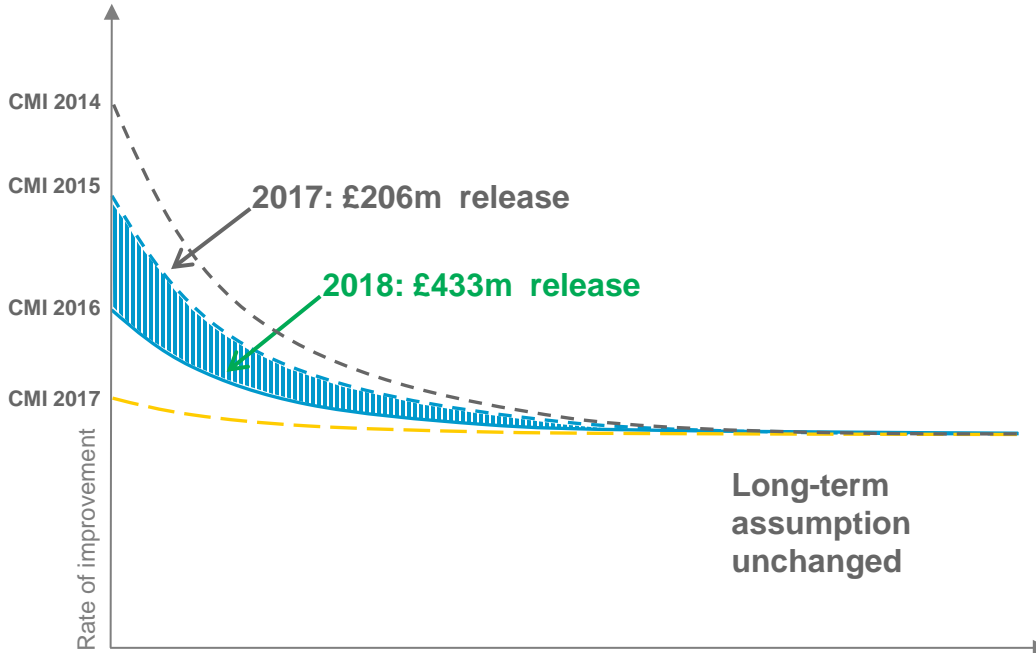
# LGR: Consistently delivering, record £10bn annuity sales

Financial Highlights	FY 2018	FY 2017
Release from operations (£m)	551	508
New business surplus (£m)	217	180
<b>Net release from operations (£m)</b>	<b>768</b>	688
Operating profit (£m)	1,548	1,247
<b>Operating profit excl. mortality release (£m)</b>	<b>1,115</b>	915
Profit before tax (£m)	1,643	1,251
<b>Total LGR new business (£m)</b>	<b>11,419</b>	6,423
LGR Institutional (£m)	9,427	4,748
LGR Retail (£m)	1,992	1,675
<b>Total annuity assets (£bn)</b>	<b>63.0</b>	58.2
Of which: Direct investments (£bn)	15.7	12.2
Solvency II new business margin <sup>1</sup> (%)	7.9	8.5
Solvency II new business strain <sup>1</sup> (%)	<4.0	

- Operating profit excluding mortality releases **£1,115m up 22%**, reflecting:
  - Strong performance from back book prudential margin releases and record new annuity business volumes of **£9.9bn** in 2018
  - Positive longevity variances driven by mortality experience in 2018 and routine updates to our assumptions relating to current mortality rates
- Direct investments grew by **£3.5bn** over 2018 reflecting continued success in sourcing attractive assets
- **Record UK PRT new business** - more than doubled, and margin has remained strong. We have maintained pricing discipline in a competitive UK annuities market and kept **SII strain below 4%**

# LGR: Change in mortality tables as improvement rate slows

## Changes to mortality assumptions in 2018\*



\* For illustrative purposes only

- Adopted the **CMI 2016** model for projecting mortality improvements in H2 2018
- Reflects an expectation of lower mortality improvement rates in the short and medium term
- Expected long term improvements are unchanged
- Impact is a **release of £433m** from our IFRS reserves
- Increasing evidence the observed slowdown in mortality improvement will persist
- Continue to apply caution in considering the move to the next set of mortality tables (CMI 2017)

Life Expectancies <sup>1</sup>	CMI2016	CMI2015	Change
Male aged 65	23.3	23.7	(0.4)
Female aged 65	24.5	24.7	(0.2)

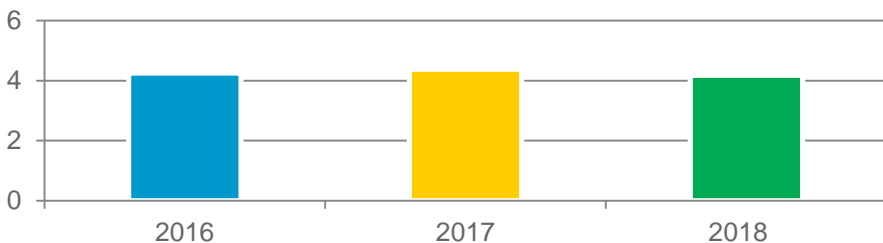
1. Illustrative figures based on Bulk Annuity population at 31.12.18

# LGRR: New Business

Total Sales (£m)	FY 2018	FY 2017
Individual annuities	795	671
New lifetime mortgages	1,197	1,004
<b>Total LGRR New Business</b>	<b>1,992</b>	<b>1,675</b>

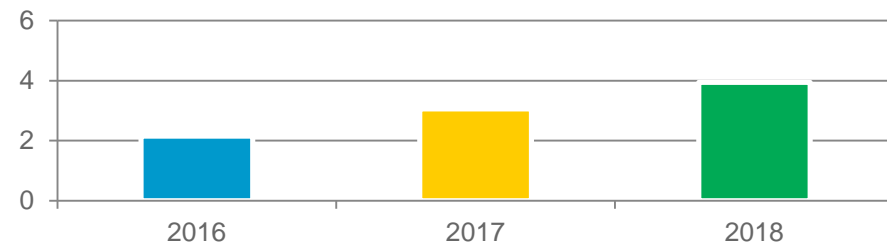
- Individual annuities up **18% to £795m** following significant improvement to our enhanced annuity proposition
- **£1.2bn lifetime mortgage sales up 19%**, driven by strong distribution partnerships and innovative product offerings

## Individual Annuities market volumes<sup>1</sup> (£bn)



- 19% market share at Q4 2018
- Expect to be top 2 in the UK individual annuities market for Q4 2018

## Lifetime Mortgages market volumes<sup>2</sup> (£bn)



- Market opportunity: £1.5tn over 55s housing equity<sup>3</sup>
- Anticipate LTM market of over £6bn by 2020
- Maintained 30% market share

1. 2018 market based on Q4 ABI data

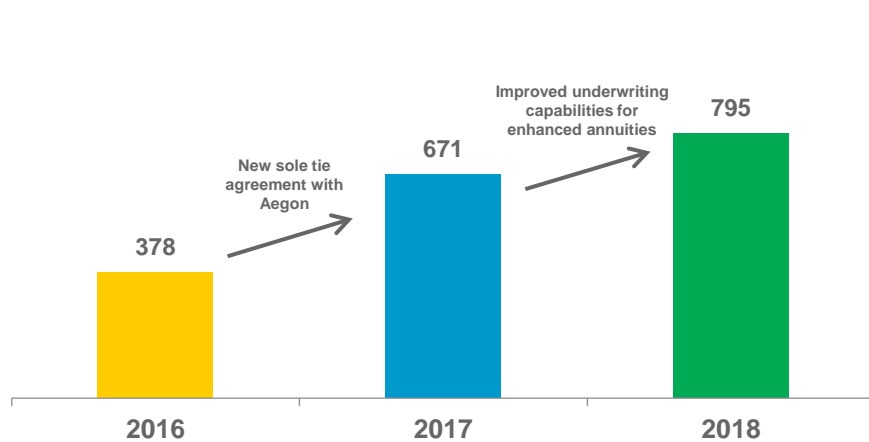
2. Equity release council

3. Age Partnership research

# LGRR: New business doubled since 2016

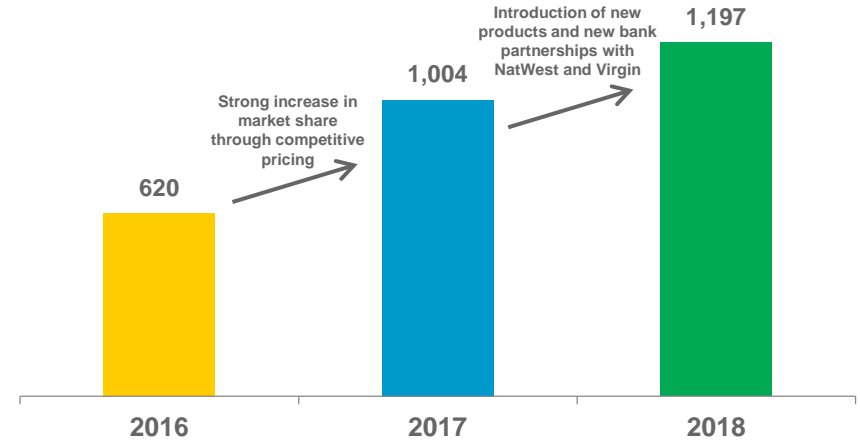
Operating Profit (£m)	2016	2017	2018
Operating Profit (excl. longevity release)	158	199	283

## Individual Annuities premiums (£m)



- Significant growth in enhanced annuity volumes due to increased pricing sophistication; now number two in the enhanced market<sup>1</sup>
- Market share has nearly trebled since Q1 2016 (7% to 19%)
- Further growth expected in 2019 through improved customer journey, expanding our distribution reach and further product enhancements

## Lifetime Mortgages advances (£m)



- Strong growth due to product innovation and increased banking partners
- Growth expected to continue through further product innovation and by providing the best experience for our customers

1. Q3 2018 ABI data

# LGIM: Financials

Financial Highlights	FY 2018	FY 2017
Asset management revenue <sup>1</sup> (£m)	840	805
Asset management expenses <sup>1</sup> (£m)	(433)	(405)
<b>Total LGIM operating profit (£m)</b>	<b>407</b>	<b>400</b>
<b>External net flows (£bn)</b>	<b>42.6</b>	43.5
Of which: International (£bn)	19.6	33.0
<b>External net flows % of opening AUM</b>	<b>4.3</b>	4.9
<b>Closing AUM (£bn)</b>	<b>1,015</b>	983
International AUM (£bn)	258	228
UK DC AUM (£bn)	71	60
Retail AUM (£bn)	31	30
Asset management cost : income ratio (%)	52	50

- Operating profit up **2% to £407m**
- Asset management revenues grew by 4%, despite adverse market conditions
- Asset management expenses increased by 7% reflecting continued investment, including data analytics, digital client portals, and optimised investment platforms
- **AUM over £1tn**, driven by **external net flows of £42.6bn (4.3% of opening AUM)**, with continued diversification across channels, regions, and product lines
- A market leader in UK DC assets, £71bn. Strong net flows of £8.4bn
- Retail ranked 2nd in retail sales<sup>2</sup> for 2018 and continues to strengthen its position in the market
- International client net inflows of £19.6bn driven by the US and the Gulf

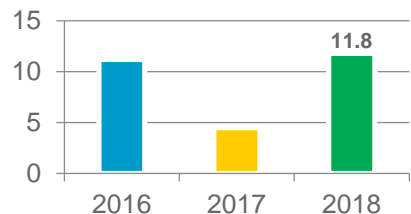
1. Revenue and expenses exclude income and costs of £19m in relation to the provision of 3rd party market data (2017: £17m), and also exclude revenue and expenses from our Workplace Savings and ETF businesses

2. Pridham Report Q4 2018

# LGIM: Continued diversification of the business

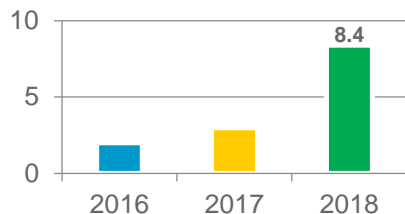
## External net flows £43bn

### DB Flows (£bn)



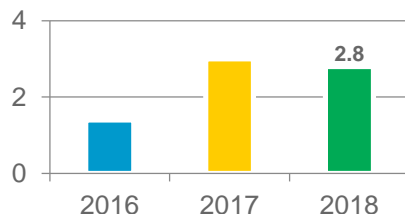
- UK DB clients de-risking by transitioning from Index into a broad range of LDI strategies
- Strong result in H2 with net flows of £12.1bn

### DC Flows (£bn)



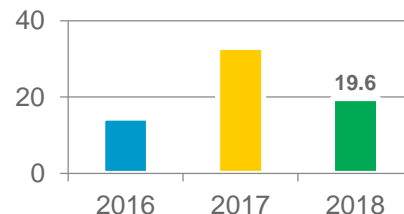
- AUM increased by 18% to £71bn (2017: £60bn)
- Inflows driven by the bundled business which provides administration services to DC schemes
- Member numbers increased to 3.1m

### UK Retail Flows (£bn)



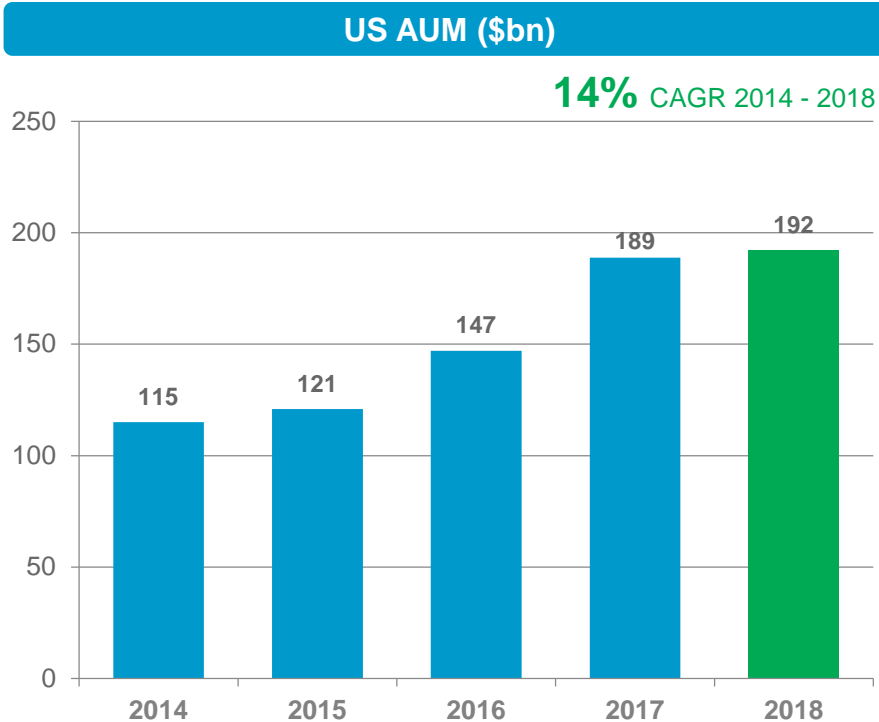
- Net flows of £2.8bn were positive across Index, Multi-Asset, Equities, and Property
- 2<sup>nd</sup> in retail sales in 2018

### International Flows (£bn)



- Positive flows in US, Gulf, and Asia
- Sovereign Wealth Funds have provided £6.8bn net inflows in the Gulf
- Decrease in net flows year on year driven by asset allocation decisions of European institutional clients

# LGIM: Continuation of positive momentum in the US



- Total US AUM of **\$192bn**, a **2%** increase from 2017
- Domestic client net flows of **\$15bn** (2017: \$16bn)
- **417** external US clients, **23%** increase on 2017 (338)
- Robust demand for US Fixed Income, Index, and LDI strategies
- LGIMA continue to see an increased demand for more customised strategies from Corporate DB clients
- Accelerating our US real assets capability



# LGIM: Long term strategic goal

## Three fundamental themes

### 1. Broadening our investment capability

- Driving growth in fixed income active strategies, e.g. High Yield and Emerging Market Debt
- Enhancing Multi-Asset and Fiduciary Management offerings
- Expanding Real Assets global capability
- Innovating across Index including launching a series of LGIM ETFs

### 2. Addressing the savings gap

- Commenced investment into our customer facing businesses: Retail, Personal Investing & Workplace Savings – digital development of operating platform and customer experience
- Total workplace schemes increased to over 14,000 with in excess of 3.1 million customers
- One of the largest and fastest growing Mastertrusts in the UK, with over £5bn AUM

### 3. Internationalising our core strengths

- International AUM increased by 13% to £258bn
- Strong US flows at \$15bn, 417 external US customer mandates, up 23% from 2017
- Building Asian and European distribution capability, including our ETF platform
- Strong 2019 pipeline

# LGC: Financials

Financial Highlights	FY 2018	FY 2017
<b>Operating profit (£m)</b>	<b>322</b>	272
- Direct Investments	<b>188</b>	124
- Traded portfolio and other	<b>134</b>	148
<b>Profit before tax (£m)</b>	<b>49</b>	363
- Direct Investments	<b>143</b>	102
- Traded portfolio and other	<b>(94)</b>	261
<b>Assets (£m)</b>	<b>8,642</b>	7,301
- <b>Direct Investments</b>	<b>2,359</b>	1,450
- Traded portfolio and Treasury	<b>6,283</b>	5,851
of which: Cash and Treasury assets	<b>4,438</b>	3,435
<b>Net portfolio return (%)</b>		
- Direct Investments	<b>7.4</b>	8.1

- Overall LGC operating profit **£322m, up 18%**, led by increased Direct Investment portfolio including the full ownership of CALA

## Direct Investments

- Total new investment and new commitments of **£1.3bn** including investment in Science and Technology sector
- Direct Investments portfolio has increased by **63% to £2.4bn** in 2018
- Net portfolio return of 7.4% reflects continued new investment. Existing assets performing well

## Traded Portfolio

- Lower operating profit reflecting strategic reduction of equity portfolio; £1.5bn at end 2018 (2017: £2.1bn)
- Significant PBT variance driven by volatility in global financial markets, particularly traded equities

# LGI: Financials

Financial Highlights	FY 2018	FY 2017
Net release from operations (£m)	236	275
<b>Operating profit (£m)</b>	<b>308</b>	303
- LGI UK	246	209
- LGIA (US)	62	94
Profit before tax (£m)	307	243
<b>New business annual premiums (£m)</b>	<b>343</b>	300
<b>Gross written premium (£m)</b>	<b>2,580</b>	2,531
- LGI UK	1,608	1,558
- LGIA (US)	972	973
UK Protection SII margin (%)	7.1	8.6
US Protection SII margin (%)	11.2	11.7

- Operating Profit of **£308m**, a **2%** increase on prior year, continuing to contribute stable profits to the Group
- Strong new business growth across the division, up **14%** to **£343m**
- Gross written premiums up 3% in the UK, US up 4% on a USD basis to \$1,299m
- LGI UK delivered operating profit of **£246m** following the successful turnaround in Group Protection, model refinements and assumption changes
- UK Retail Protection margins impacted by competitive market environment
- LGIA profit below prior year due to higher than expected mortality claims in contrast to positive experience in 2017, in line with wider experience in the US life sector
- \$107m dividend paid by LGIA on 01 March 2019 (2018:\$105m)

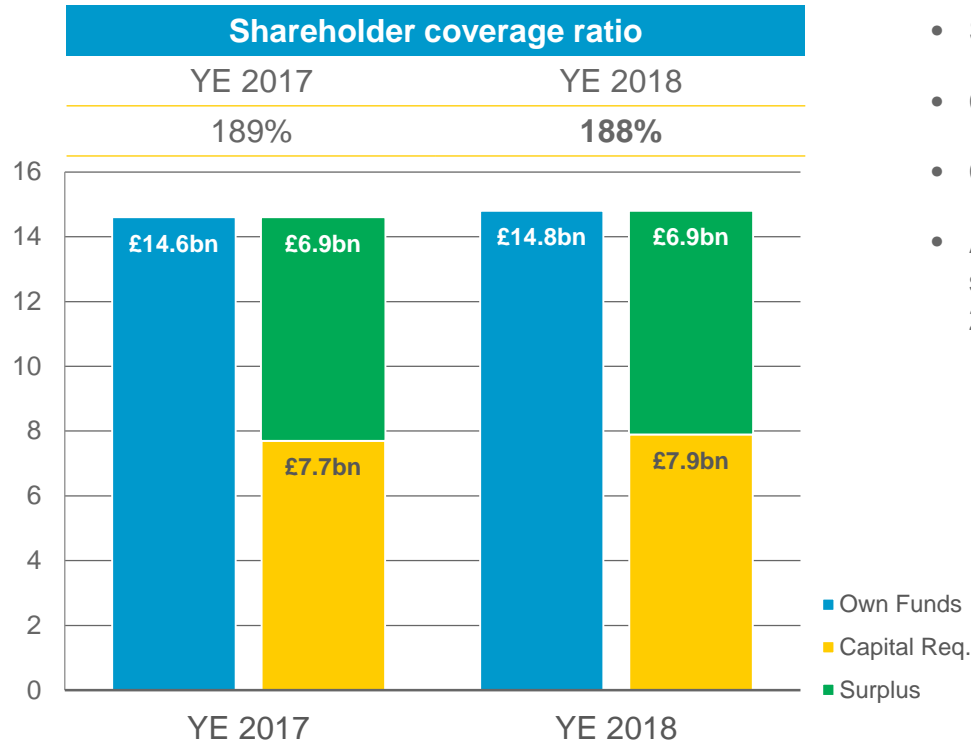
# General Insurance: Financials

Financial Highlights	FY 2018	FY 2017
Operating profit (£m)	0	37
Profit before tax (£m)	(27)	43
<b>Gross written premium (£m)</b>	<b>410</b>	369
Of which: Direct channel (£m)	148	139
Combined operating ratio (%)	104	93
<b>Excluding freeze &amp; subsidence impacts<sup>1</sup>:</b>		
Operating profit (£m)	26	20
Combined operating ratio (%)	97	99

- **Premium up 11% to £410m**, in a competitive market
- Direct channel share of total premiums at **36%**
- Profit impacted by a number of severe weather related claims, notably Q1 freeze and Q3/Q4 subsidence surge, both impacts in line with wider market experience
- During the year we launched our first SmartQuote affinity partnership with Co-Op and our first Pet affinity partnership with Asda
- In addition we entered an arrangement to provide underwriting capacity to Pen Underwriting, who are a significant writer of UK property risks

1. Normalised result removing impact of weather and subsidence experience variance relative to expected long term view. For 2018 this increases profitability given the significant weather experience, whereas for 2017 profits reduce given relatively benign weather experience

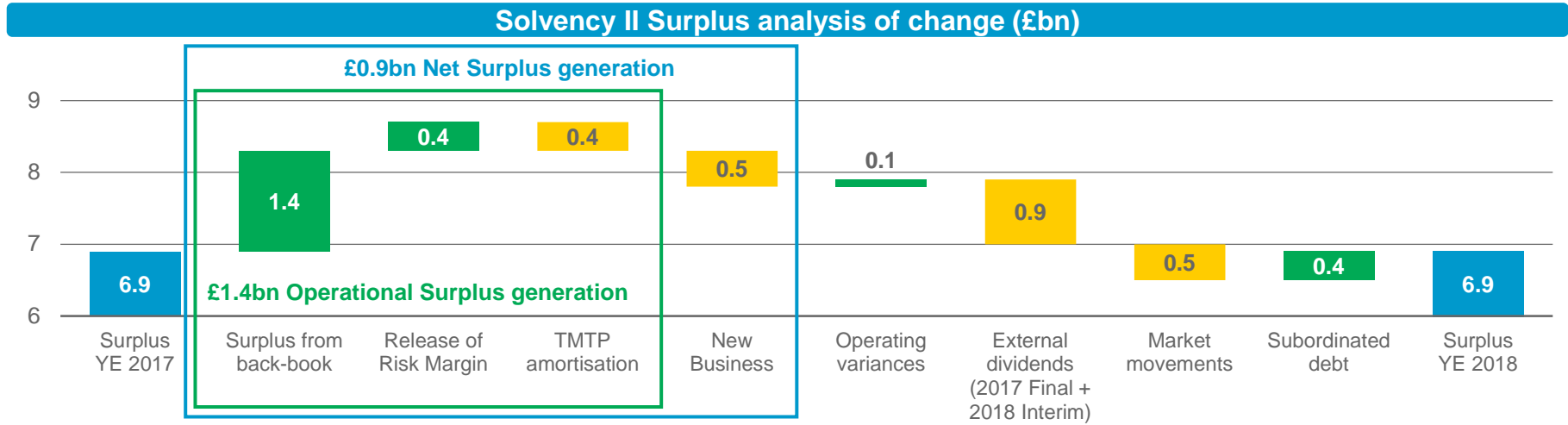
# Solvency II Balance sheet: Robust capital position



- Solvency II surplus of **£6.9bn**
- Coverage ratio of **188%**
- Core tier 1 Own funds of **£11.5bn (78%)**
- **As at 4<sup>th</sup> March 2019**, and excluding £400m of subordinated debt which is to be redeemed on 1 April 2019, **we estimate the ratio was 190%**

The Solvency II figures incorporate management's estimate of the impact of recalculating the Transitional Measures for Technical Provisions (TMTP) as at 31 December 2018

# Movement in the Solvency II Surplus



## Net surplus Generation £0.9bn

- £1.4bn release from back-book, up 14%
- New business reduces surplus by £0.5bn, driven by record annuity volumes in LGR
- Strain on UK PRT less than 4%

## Change in Surplus £0.0bn

- Operating variances of £0.1bn include the impact of experience variances, the change in our mortality assumptions across the business, changes to model calibrations and management actions
- Market movements £(0.5)bn reflect weaker asset markets, predominately equities, as well as a number of other smaller variances

## Estimated Solvency II new business value metric

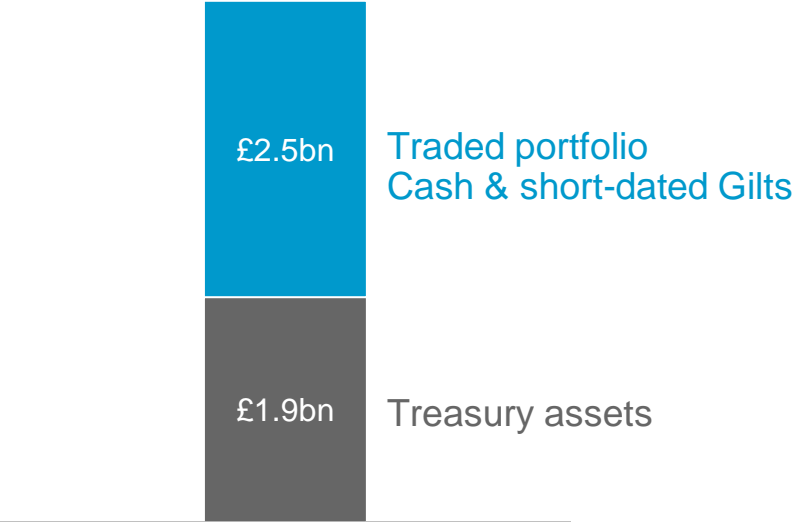
Business	PVNB <sup>1</sup> (£m)	Contribution from new business (£m)	Margin <sup>1</sup> %
<b>UK Annuity business (LGR)</b>	<b>9,148</b>	<b>722</b>	<b>7.9</b>
<b>UK Insurance Total (LGI)</b>	<b>1,609</b>	<b>115</b>	<b>7.1</b>
Retail Protection	1,271	93	7.3
Group Protection	338	22	6.4
<b>LGI America (LGI)</b>	<b>854</b>	<b>96</b>	<b>11.2</b>
<b>Sub-total</b>	<b>11,611</b>	<b>933</b>	<b>8.0</b>

- This metric provides a measure of the value created in the business allowing for the run-off of Solvency II capital
- Continue to maintain good margins and pricing discipline
- Much of the change from end 2017 attributable to some increased competition in UK Retail Protection and changes in business mix

1. Follows the principles of EEV, but assumes profit emergence on Solvency II basis. Other methodologies are unchanged. Margins are based on unrounded inputs

# Cash position: £1.5bn surplus liquidity available for investment

## Group liquidity resources

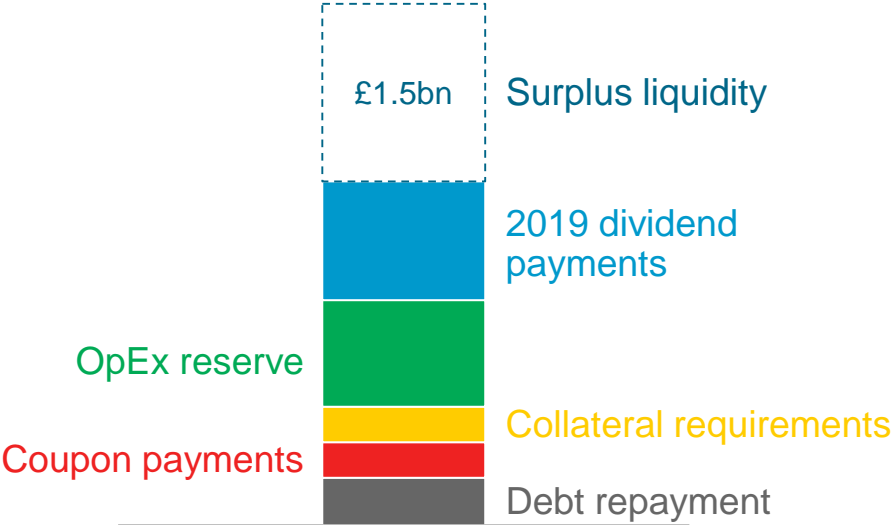


FY 2018

Total liquidity resources

**£4.4bn**

## Group liquidity requirements



Total liquidity requirements

**£2.9bn**



# In summary: Continued growth despite market volatility

Operating profit from divisions<sup>1</sup>

**£2,231m**

(2017: £2,034m)

**+10%**

Earnings per share<sup>1</sup>

**24.74p**

(2017: 23.10p)

**+7%**

Return on equity

**22.7%**

(2017: 25.6%)

Solvency II coverage ratio

**188%**

(2017: 189%)

**190% at 4<sup>th</sup> March 2019**

SII operational surplus generation

**£1.4bn**

(2017: £1.3bn)

**+14%**

Surplus liquidity

**£1.5bn**

1. Excludes benefits of mortality release in both years, and one-off tax benefit in 2017 following US tax reform for EPS



## Legal & General Retirement Institutional

Laura Mason, Chief Executive Officer

Operating profit:

**£832m**

(2017: £716m)

New business:

**£9,427m**

(2017: £4,748m)

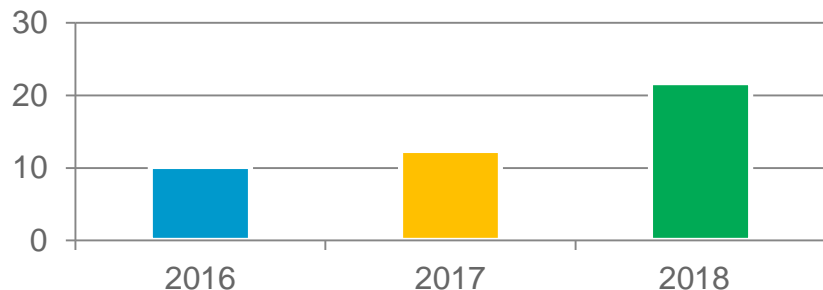


# LGRI: New Business – Record year

Total Sales (£m)	FY 2018	FY 2017
UK Pension risk transfer	8,351	3,405
International Pension risk transfer	789	543
Longevity insurance	287	800
<b>Total LGRI New Business</b>	<b>9,427</b>	<b>4,748</b>

- **£9bn+** premium for global bulk annuity transactions including:
- **£4.4bn** buy-in with British Airways – UK’s largest
- **£2.4bn** PPF+ buy-out with Nortel Networks Pension Plan
- **\$844m** of US PRT transactions, up 18% from 2017
- **€159m** of Irish deals through our partnership with New Ireland

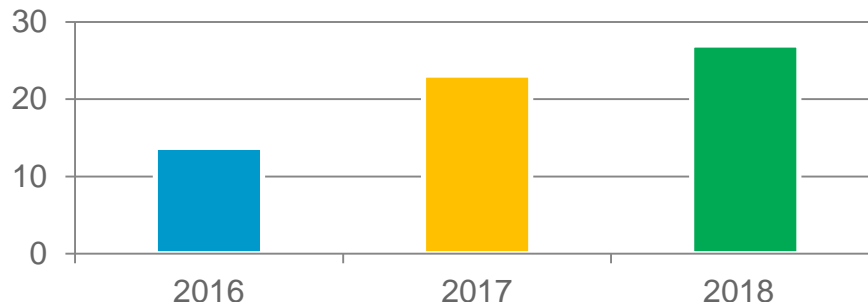
UK PRT market volumes<sup>1</sup> (£bn)



- Size of market: **>£2tn** DB pensions
- Of which only **c.8%** transferred to insurers

1. L&G estimate  
2. LIMRA report

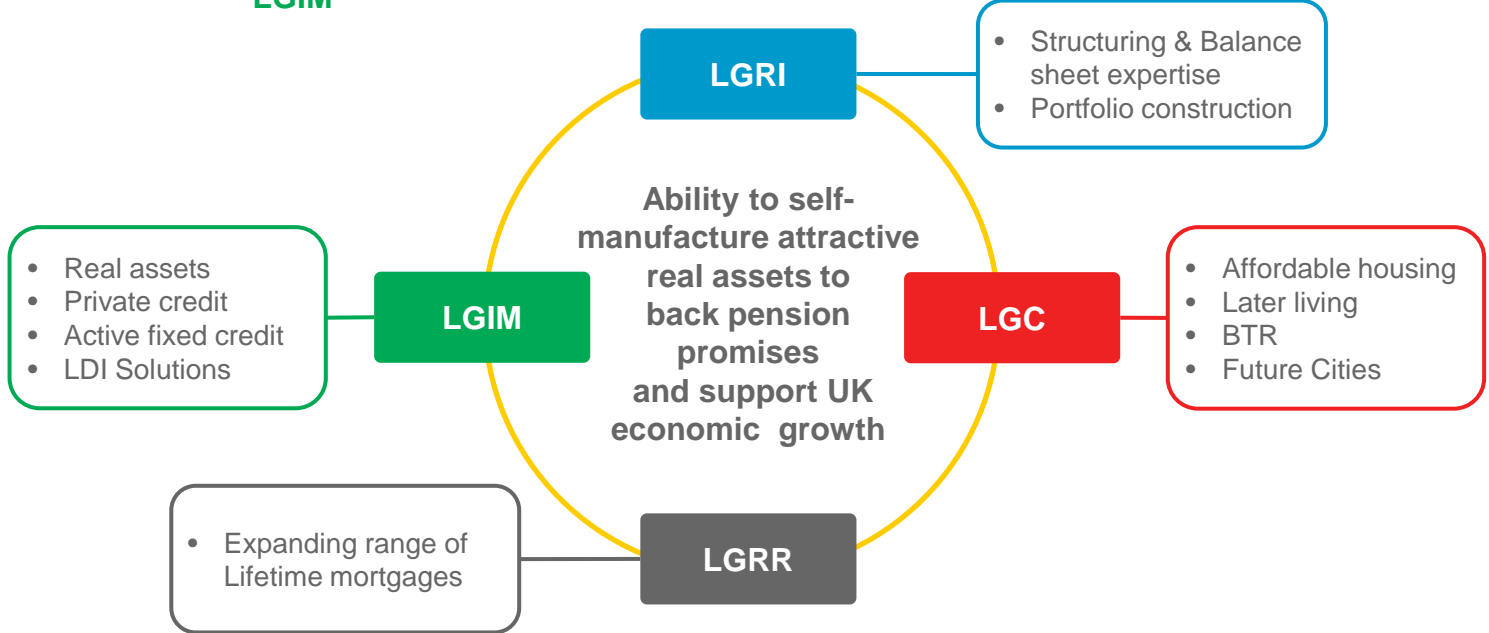
US PRT market volumes<sup>2</sup> (\$bn)



- Size of market: **\$3.5tn** DB pensions
- Of which only **c.5%** transferred to insurers

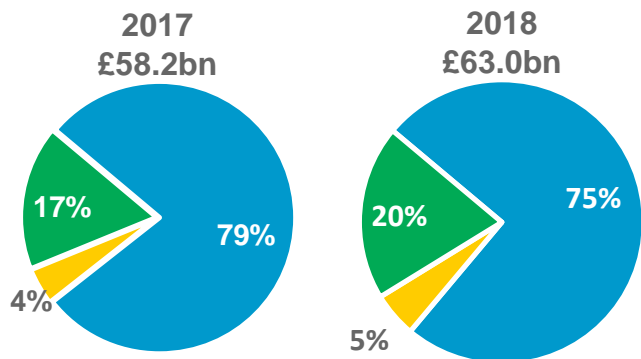
# LGRI: Market leading end-to-end de-risking solutions

c.30% of 2018 UK PRT premium transferred from existing LGIM clients



# LGR diversified portfolio, high quality assets

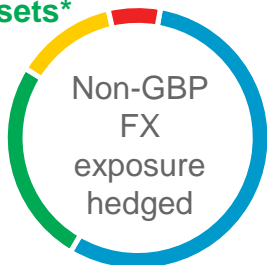
## LGR Asset portfolio



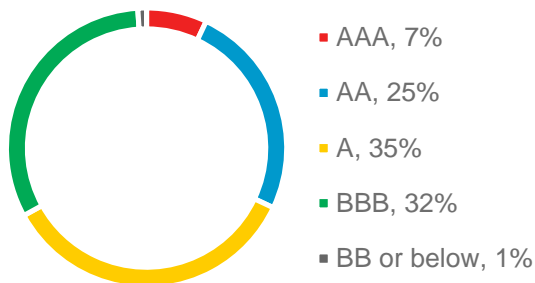
- Traded investments
- Lifetime mortgage
- Direct Investments (excl. lifetime mortgage)

## Geographical diversification with bias to GBP assets\*

- UK, 56%
- US, 25%
- Europe, 13%
- RoW, 6%



## Asset portfolio maintaining overall credit quality and high sectorial diversification\*



- 17% in Sovereign-like assets
- c.2/3<sup>rd</sup> A rated or better
- Credit default reserve **£2.9bn**
- Bank exposure reduced from c. 20% pre-crisis to **5%**

Sector*			
Sovereigns, Supras, Sub-Sovereigns	17%	Energy, Oil and Gas	5%
Infrastructure	16%	Real Estate	5%
Utilities	16%	Securitisations (collateralised credit)	3%
Consumer services and goods	16%	Financial Services and Insurance	2%
Technology and telecoms	6%	Industrials	2%
LTM Loans	6%	Commodities	1%
Banks	5%		

# LGR diversified, high quality assets: Direct Investments

## Wide spectrum of Direct Investment classes



- Real Estate Debt, 16%
- Infrastructure, 21%
- Lifetime Mortgages, 20%
- Private Corporate Debt, 16%
- Rental Income Notes, 19%
- Property Residual Notes, 8%

## Diversified portfolio maintained good overall credit rating



- AAA, 14%
- AA, 17%
- A, 34%
- BBB, 33%
- BB or below, 2%

- High quality investments: <2% sub investment grade
- >90% of portfolio MA eligible
- PRA approval in 2018 for >£500m of Direct Investments to become MA eligible
- Exposure to offices dominated by
  - HMRC Buildings (4% of total DI),
  - the Rolls Building Secretary of State (2% of total DI)
  - Transport for London, Stratford (1% of total DI)

## ...Investing in high quality assets through enhanced covenants, structure and security

Sector			
Offices	15%	Hospitals	2%
Energy, Networks and Utilities	12%	Hotels & Leisure	4%
Student Accommodation & Universities	10%	Retail & Banking	2%
Transportation	9%	Senior Unsecured Debt	8%
Social Housing & Care Homes	8%	Miscellaneous	4%
Industrial & Distribution Warehouse	6%	Lifetime Mortgages	20%

\* Based on direct investments sourced in the UK

## LGR: Largest direct investments by exposure\*

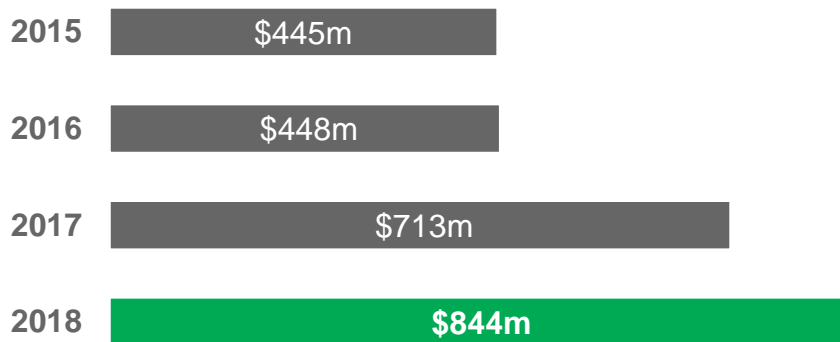
	Counterparty	Sector	Year of Investment	Investment value (£m)
1	HMRC Buildings	Government	2016 – 2018	744
2	Places for People	Property backed lease	2014	305
3	The Rolls Building (Secretary of State)	Property backed lease	2011	284
4	Foreign & Colonial (UK prime commercial property)	Real Estate Debt	2014	276
5	London Gateway Port	Infrastructure	2016	276
6	Campus Living Villages (student accommodation)	Infrastructure	2014	264
7	TFL (Transport for London), Stratford	Property backed lease	2016	235
8	Amazon distribution warehouse (London)	Property backed lease	2016	228
9	BBC	Alternative Finance	2017	224
10	Imperial College (Income Strip)	Property backed lease	2011 – 2012	216
			<b>Total</b>	<b>3,052</b>

- Assets are predominantly in city locations, with long duration cash flows secured against high quality tenants, with limited downside valuation risk e.g. HMRC, BBC

**18% of overall portfolio**

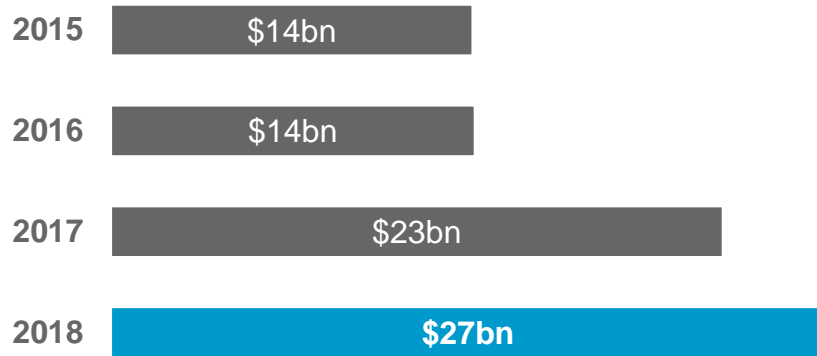
# LGRA: Successful international expansion

## Fast growing US PRT sales



- In 2018, LGRA wrote **\$844m** in premium, **18%** increase vs 2017 and **88%** vs 2016
- LGRA has written **c.\$2.5 billion** spanning **43** clients since entering the US PRT market in 2015
- Highly successful with the initial target market of **<\$100m** cases (**40%** over 2017 and 2018)
- LGRA has scaled up capacity and expanded infrastructure investing in the US

## ...in a buoyant US buyout market



- The US PRT market grew 18% to \$27 billion in 2018
- Reinsurance partnerships have been developed to enhance capital utilisation and increase competitiveness on larger transactions
- Key partnership transaction completed in 2018 paving the way for similar transactions in 2019



# In summary: Well positioned to keep delivering

UK PRT Market

**>£2.0tn**

c.8% transferred

Pipeline: £20bn

YTD volumes: £1.3bn<sup>1</sup>

US PRT Market

**\$3.5tn**

c.5% transferred

Netherlands / Ireland / Canada

**International Opportunities**

**Exclusive reinsurance partnership**

Asset portfolio management

**£63bn**

**A minus rated  
Diversified portfolio**

Asset manufacturing:  
LGIM & LGC

**Capability to self-manufacture attractive assets**

Asset manufacturing:  
LGRR: Lifetime mortgages £1.2bn

**£6bn**  
**2020 Market volumes**



**Legal & General Capital**  
Kerrigan Procter, Chief Executive Officer

Operating profit:  
**£322m**  
(2017: £272m)

DI portfolio:  
**£2,359m**  
(2017: £1,450m)



# Legal & General Capital: Strong year for growth

## Utilise shareholder capital to deliver new investment to drive growth

### Our investment strategy

- Sectors with shortage of long term capital
- L&G has relevant skill set
- Act as a catalyst to create assets for L&G

### Significant investment in 2018

CALA **£315m invested**

Bruntwood  
SciTech **£250m commitment, (£116m drawn)**

Pemberton  
NTR and VC **£205m invested**

Direct Investment portfolio by sector (£m)	2018	2017
Future Cities	787	566
Housing	1,158	588
SME Finance	414	296
<b>Total assets</b>	<b>2,359</b>	<b>1,450</b>

Direct Investment portfolio by operating model (£m)	2018	2017
Wholly owned operating businesses	1,095	549
Investments through joint ventures or minority shareholdings	740	542
Externally managed funds	524	359
<b>Total assets</b>	<b>2,359</b>	<b>1,450</b>

# LGC: Future Cities strategy

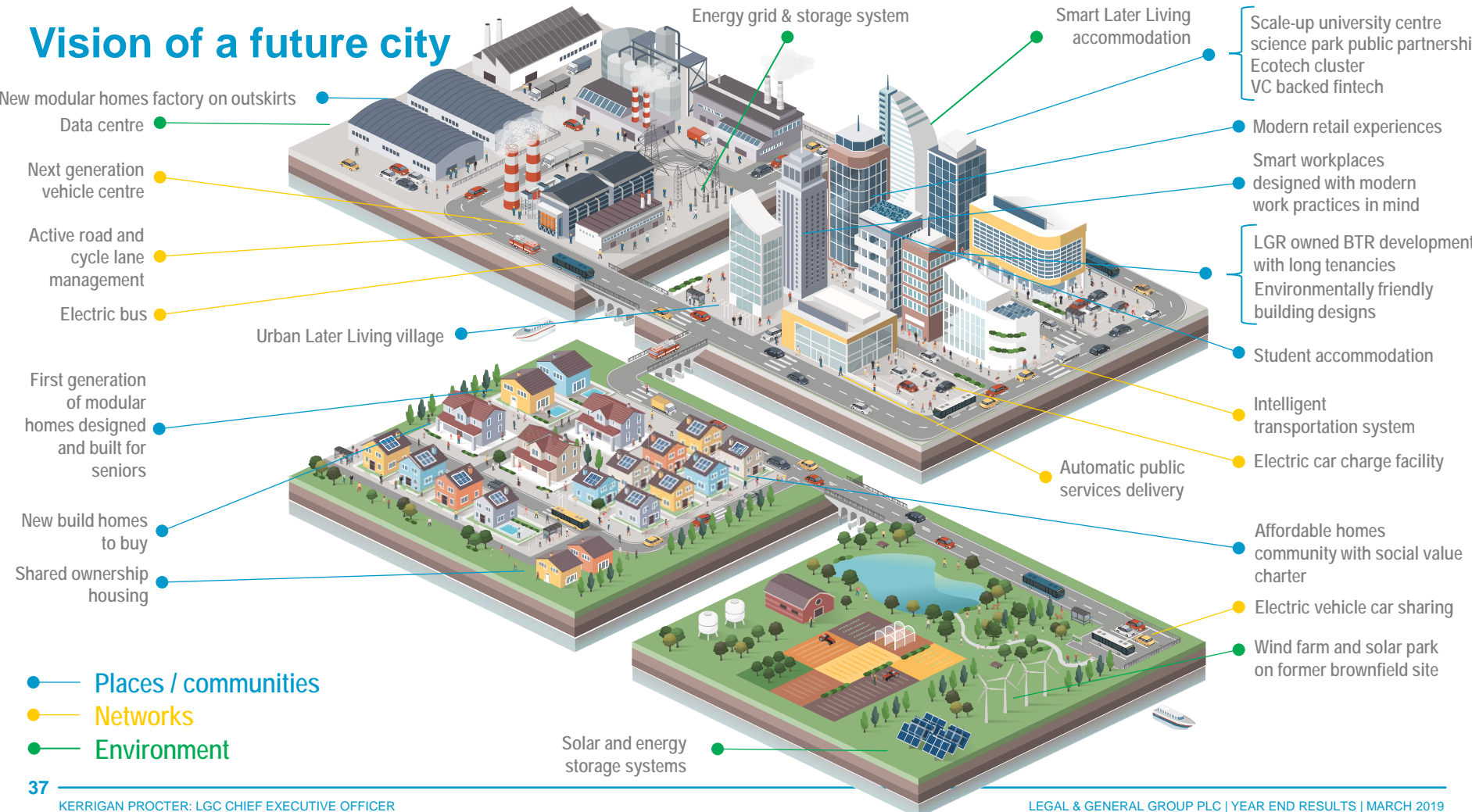
## Making a positive difference to the UK economy

- Since 2015, LGC has committed over **£600m** to UK regeneration schemes worth **over £6bn**. Funding the creation of:
  - over 3.0m sq. ft. of commercial space
  - tens of thousands of jobs in Bracknell, Cardiff, Leeds, Newcastle and Manchester
- We have created a model and extensive relationships that we can build on and replicate
- Cities need investment to adapt, change and innovate:
  - creating sustainable communities with good employment opportunities, high quality and varied housing and
  - easy access to an efficient and comprehensive public transport system whilst
  - reducing our impact on the environment



Driving the improvement of **places, networks** and the **environment**

# Vision of a future city



New modular homes factory on outskirts  
 Data centre  
 Next generation vehicle centre  
 Active road and cycle lane management  
 Electric bus

Urban Later Living village  
 First generation of modular homes designed and built for seniors  
 New build homes to buy  
 Shared ownership housing

Urban Later Living village

Solar and energy storage systems

Energy grid & storage system

Smart Later Living accommodation

Scale-up university centre  
 science park public partnership  
 Ecotech cluster  
 VC backed fintech

Modern retail experiences  
 Smart workplaces  
 designed with modern work practices in mind

LGR owned BTR development with long tenancies  
 Environmentally friendly building designs

Student accommodation

Intelligent transportation system

Electric car charge facility

Automatic public services delivery

Affordable homes  
 community with social value charter

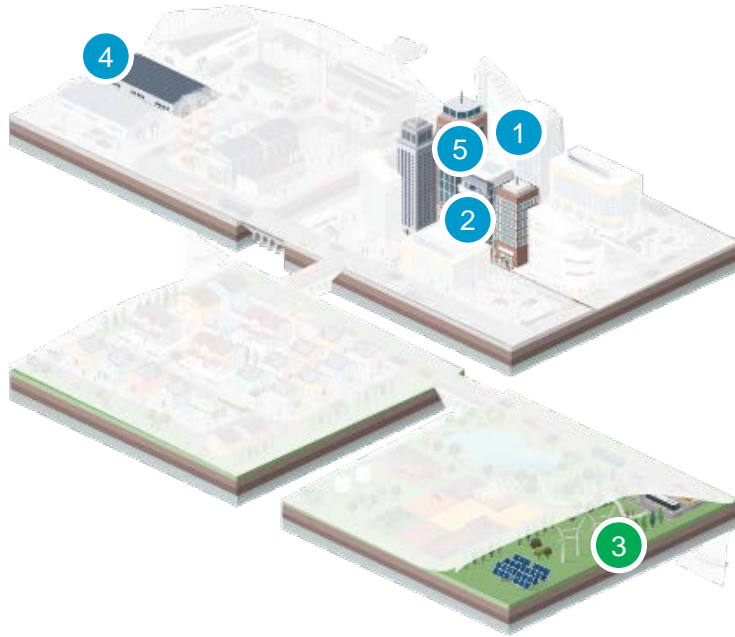
Electric vehicle car sharing

Wind farm and solar park on former brownfield site



# Leeds

## Legal & General Capital activities



**BTR scheme: Leeds City Centre**



**Innovative design and build: Modular factory**



**Modern commercial & retail: The Springs**



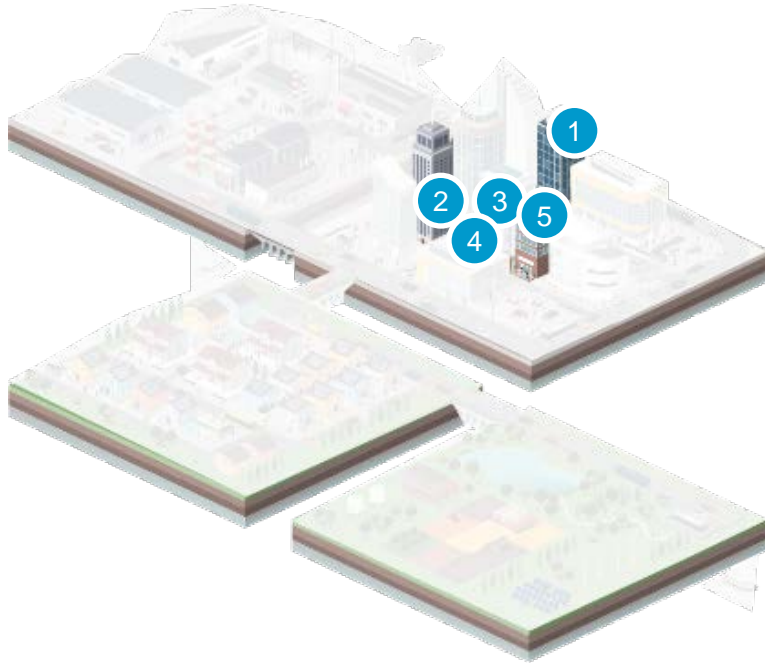
**Technology and innovation: Bruntwood SciTech – The Platform**



**Solar and wind generation: Derbyshire and Yorkshire**

# Manchester

## Legal & General Capital activities



BTR scheme: Salford



Mixed-use development: Salford New Bailey



University science and technology: Bruntwood SciTech - Bright Building



International hub for technology and innovation: MediaCity



Innovation hub: Bruntwood SciTech - Citylabs

# Infrastructure supporting Future Cities

Legal & General Capital activities



Data centres: KAO



Clean energy generation: NTR



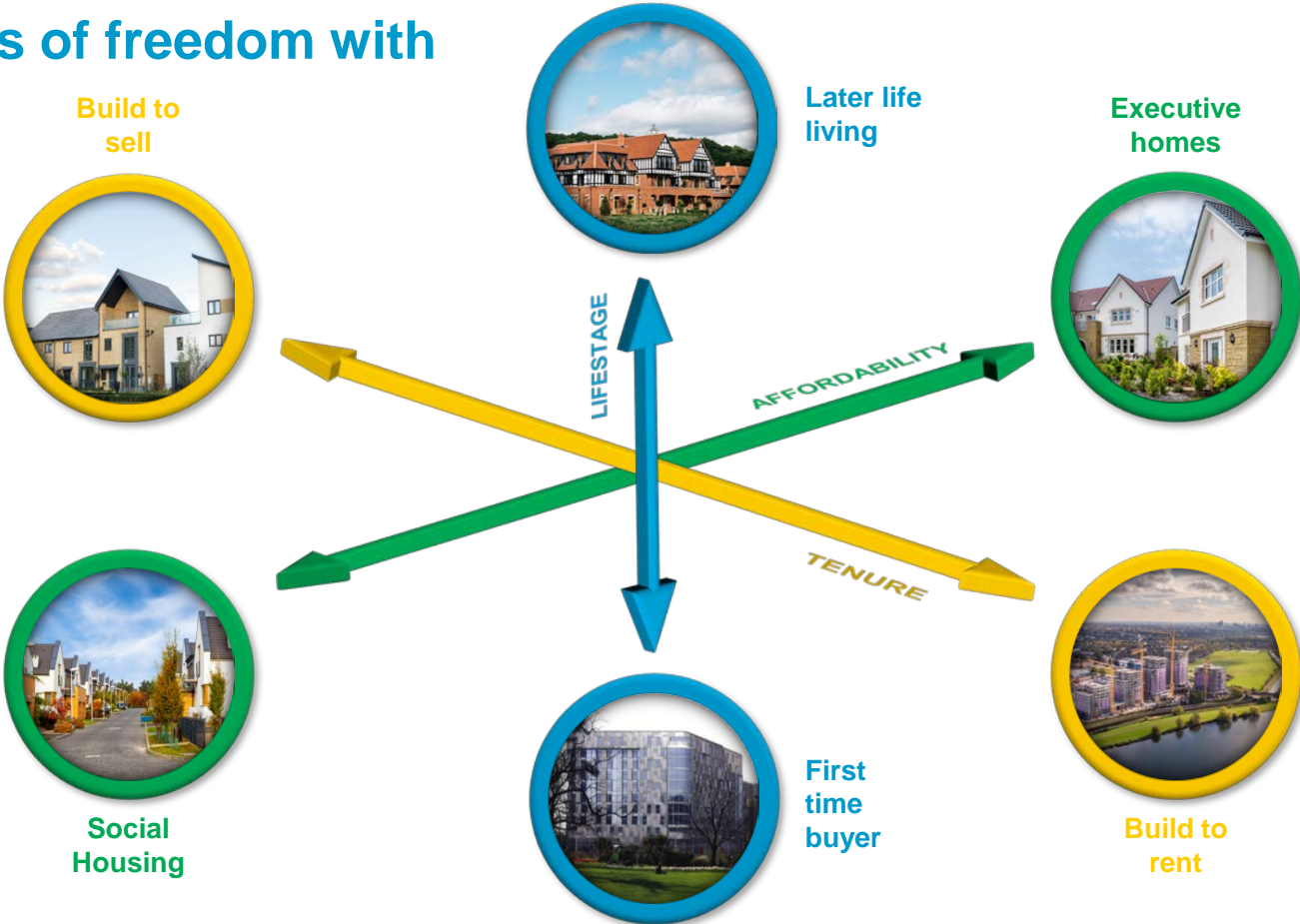
Solar solutions: Oxford PV



Electric vehicle charging: Pod Point



# Three dimensions of freedom with L&G's Homes

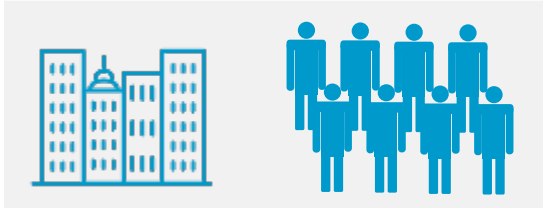


**Traditional and modern methods of construction**

# What next?

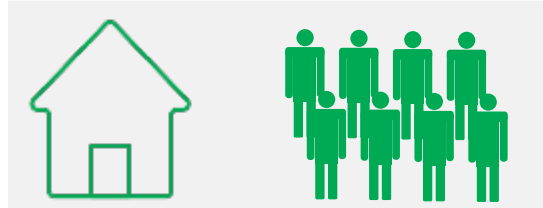
## Future Cities

- Extend across more UK cities
- Explore concept applicability to the US



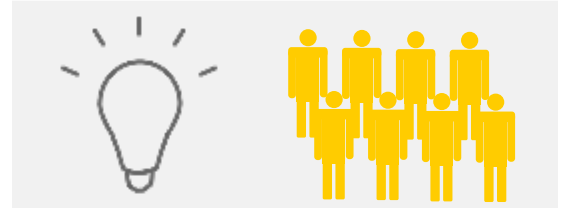
## Housing

- Delivery and execution of Three Dimensions of Freedom housing strategy



## Investing in SMEs

- Selectively support “Start ups” to “Scale ups” strategy





**Nigel Wilson**  
Group Chief Executive Officer



# Growth compounders

Growth drivers	Opportunity	L&G impact
<b>Ageing demographics</b>	<ul style="list-style-type: none"> <li>• UK PRT market volumes of £30bn expected to be the new norm</li> <li>• c.\$27bn annual US PRT opportunity</li> <li>• Opportunities in the Netherlands, Ireland and Canada</li> <li>• Lifetime mortgage (LTM) market growing to £6bn by 2020</li> </ul>	<ul style="list-style-type: none"> <li>• UK PRT, c.30% market share</li> <li>• Continue to build on success in the US</li> <li>• Market leading LTM offering &gt;£1bn of LTM assets sourced p.a.</li> <li>• New solutions for “later life living”</li> </ul>
<b>Globalisation of asset markets</b>	<ul style="list-style-type: none"> <li>• ESG, FBI, European ETF markets all growing</li> <li>• LDI / Solutions increasing US penetration</li> <li>• Asian asset management becoming third global pillar</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to broaden investment capability</li> <li>• £42.6bn net inflows, of which £19.6bn International</li> <li>• LGIM AUM £1tn, Revenue: £840m</li> </ul>
<b>Creating real assets</b>	<ul style="list-style-type: none"> <li>• Regional devolution increasing demand for urban regeneration</li> <li>• UK housing market shortfall, 340,000 units required p.a.</li> <li>• Significant global infrastructure requirement</li> </ul>	<ul style="list-style-type: none"> <li>• Creating real assets to address societal need whilst benefitting shareholders and manufacturing assets for LGR</li> <li>• Aim to build over 70,000 new homes in the next 5 – 10 years</li> </ul>
<b>Welfare reforms</b>	<ul style="list-style-type: none"> <li>• UK DC market expected to grow to £871bn by 2026</li> <li>• UK ISA / D2C market £560bn in 2017, up 19%, growing to £1,340bn by 2022</li> </ul>	<ul style="list-style-type: none"> <li>• A market leader in UK DC assets, 18% market share</li> <li>• UK DC AUM £71bn</li> <li>• Digital / platforms investment commenced</li> </ul>
<b>Technological innovation</b>	<ul style="list-style-type: none"> <li>• Utilising ever cheaper technology to improve customer outcomes</li> <li>• Partnering with innovators and disruptors e.g. Salary Finance, Smartr365</li> </ul>	<ul style="list-style-type: none"> <li>• Unit cost efficiency in all businesses</li> <li>• Disrupting ourselves to drive our businesses forward</li> </ul>
<b>Today’s capital</b>	<ul style="list-style-type: none"> <li>• Committing capital to help UK Fintechs compete globally</li> <li>• Continued demand for SME finance from the non-bank sector</li> </ul>	<ul style="list-style-type: none"> <li>• The future – start-up to scale up to grown up</li> <li>• Opportunities to complement existing offering</li> </ul>

## Moving from low growth/low return businesses

Business line	Geography	L&G entity	L&G shareholder proceeds £m	Cash received
Savings	UK	Mature Savings	650	2018
		Cofunds	148	2017
		Suffolk Life Group Limited	45	2016
		Ireland	15	2015
	Middle East	Egypt 55% interest	32	2015
Insurance	India	IndiaFirst Life	79	2019
	Europe	Netherlands	137	2017
		France	159	2015
Other Investments	UK	Legal & General Ventures, Estate agency business, Gulf, Germany	28	Various
<b>Total</b>			<b>1,293</b>	

- Generating **£1.3bn** of proceeds for investment in higher growth and return businesses

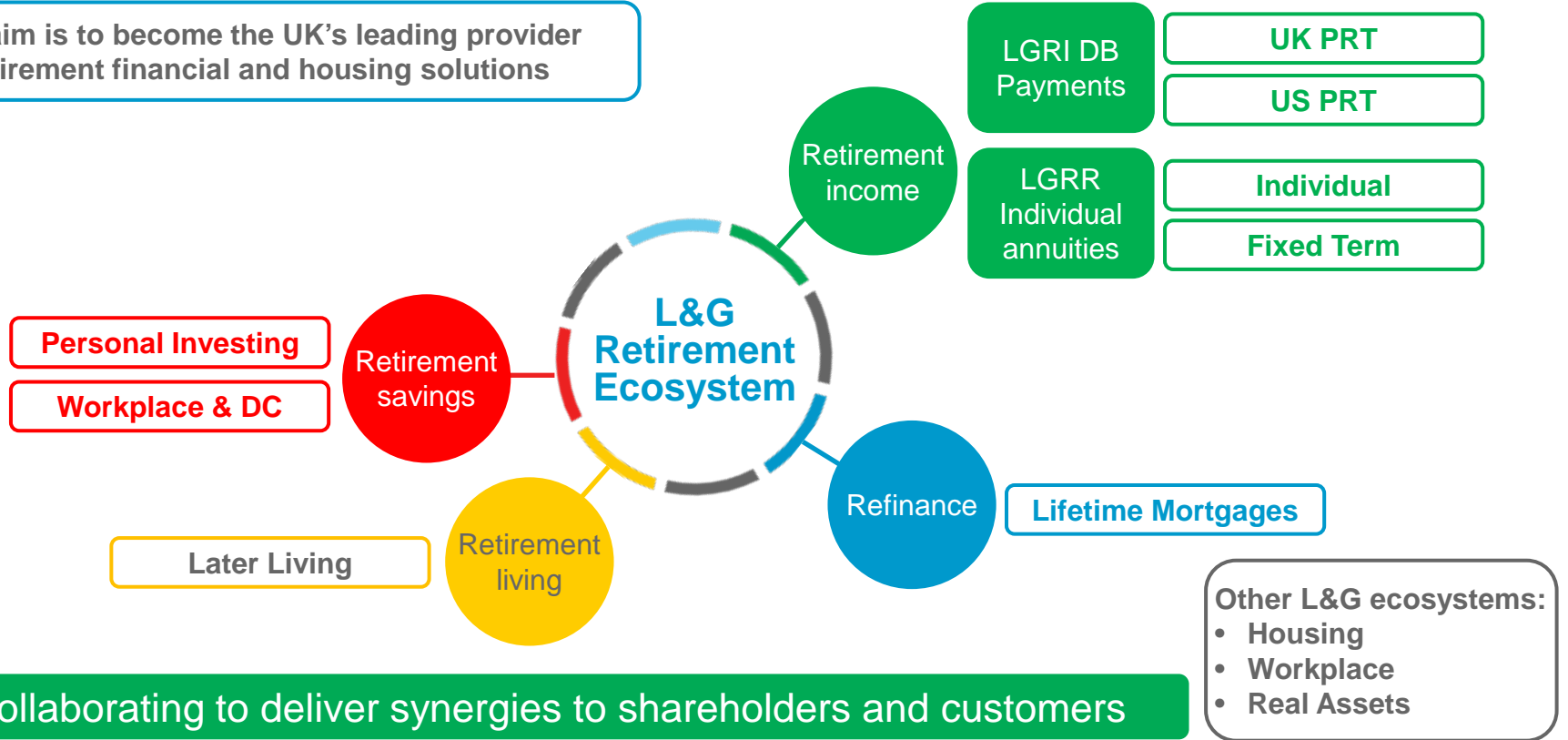
# Moving into high growth, high return businesses – many growth opportunities to seize

	LGR			LGC		LGIM	Insurance	
	PRT	Retail	Housing	Future Cities	SME Finance	Fund Management	Life	GI
UK	●	●	◐	◑	◑	●	●	●
USA	◑	○	○	○	○	◑	●	○
Europe	◑	○	○	○	○	◑	○	○
Asia	○	○	○	○	○	◐	○	○

- **UK** – Strategic roll out is completed – Execution is key
- **USA/Canada** – Growth options created – Accelerating growth is key
- **Europe/China/Japan** – Selective, measured successful market entry – Options created

# L&G's UK Retirement ecosystem

Our aim is to become the UK's leading provider of retirement financial and housing solutions



# Delivering inclusive capitalism

Between 2011 – 2015 we achieved a 10% growth in EPS

Our ambition is to replicate this performance out to 2020:  
**11% achieved to date**

## Investing & Annuities

- Achieve global leadership in pensions de-risking and provide a suite of products to maximise retirement income
- Use 'patient capital' to become the UK leader in direct investments including housing and regeneration

## Investment Management

- Build a world class international asset management business
- Address UK savings gap through retail investments and workplace pensions

## Insurance

- Deliver financial protection from life events for customers
- Become a leading data driven and digitally enabled insurer

**Deliver Inclusive Capitalism**

**To be a leader in financial solutions and a globally trusted brand**





# Improving lives through inclusive capitalism

Legal & General Group Plc Year End Results – March 2019

