

Legal & General announces new 5 year dividend, cash and capital ambitions

Legal & General Group Plc (“Legal & General”) will host a virtual capital markets event for investors and analysts today, Thursday 12 November. Presentations on the Group’s strategy, financial performance and ambitions will be made available on the Group’s website from 7am GMT: www.legalandgeneralgroup.com/investors/results-reports-and-presentations/

A live Q&A teleconference with Legal & General’s executive management team will be held at 10am GMT: +44 20 3936 2999 / +1 855 9796 654 (access code: 641392).

2020 Trading Update

The Group’s ambition remains for full year 2020 operating profit to be broadly in line with 2019 (2019: £2.3bn¹).

Legal & General has delivered a resilient performance in the year to date.² Our balance sheet has remained robust, with the Group’s solvency ratio currently in the mid-170s (%), slightly up from H1 20 (173%). Our annuity asset portfolio has performed well against a challenging market backdrop. The traded portfolio has experienced no defaults, and just 0.8% of net downgrades to sub-investment grade compared to around 1.7% for the index. The direct investment portfolio has also experienced no defaults and received 99.5% of scheduled cash flows.

Our market leading businesses have continued to trade well, notwithstanding the wider macro-economic environment.

- **Legal & General Retirement Institutional (“LGRI”)** – the PRT market has remained very active in 2020. In the UK we have written £4.7bn across 36 transactions year to date, and have another £1.7 billion in exclusive negotiations which we expect to complete in 2020. The US has had a strong performance completing \$1.2bn.³ We have good visibility over future transactions and are actively quoting on a pipeline that exceeds £20bn. We anticipate an approximate £200m LGR mortality reserve release (CMI-18) at year-end.
- **Legal & General Investment Management (“LGIM”)** – despite significant market volatility, LGIM’s diversified asset base has been resilient with AUM at £1,234bn and £6.4bn of positive external net flows as at 30 September.
- **Legal & General Capital (“LGC”)** – housing sales have recovered in the second half following the first half lockdown. As previously guided, full year residential housing sales are expected to be down 30% despite the strong second half performance. We are pleased with the progress made by Pemberton, ADV and NTR. Pemberton has now reached €8.5bn of committed capital.
- **Legal & General Insurance (“LGI”)** – year to date gross written premiums in the UK and US have reached £1,475m, up 5% on the prior year. At the half year we set up a prudent £44m future claims reserve, which is significantly in excess of H1 COVID-related claims.
- **Legal & General Retirement Retail (“LGRR”)** – continued recovery in individual annuity volumes: £747m year to date, down 10% year on year (but down just 2% in the second half). Lifetime mortgage advances of £613m, down 26% year on year.
- Additionally, we recently completed the sale of the Mature Savings business and expect to report the remaining IFRS profit on disposal of c.£325m in our full year results.

¹ 2019 full year operating profit comprises £2,651m operating profit from divisions, partially offset by £365m of group debt and central costs.

² To 31 October unless specified otherwise.

³ As at 4 November.

Group Strategy and Financial Ambitions

Legal & General is, primarily, a global provider of Retirement Solutions to corporates and individuals, with core skills in asset management and origination, mortality risk and technological innovation. We operate at scale, and are strongly positioned to capitalise on significant structural growth opportunities across our chosen markets. We are committed to Inclusive Capitalism and ESG, including positive Climate Change action.

We are today setting out new five year financial ambitions for the Group.

As 2020 is a pause year, the Board's current intention is to keep the final 2020 dividend flat.⁴

From 2021 the Board intends to grow the dividend at low to mid-single digits.

Over the period 2020-2024 our ambition⁵ is for:

- **Cash and capital generation to significantly exceed dividends***
- **EPS to grow faster than dividends**
- **Net surplus generation (i.e. including new business strain) to exceed dividends**

***We intend, in aggregate, to generate £8.0-9.0bn both of cash and capital, and to dividend £5.6-5.9bn.⁶**

Over the next five years we expect to deliver diversified growth across the Group. LGRI and LGRR provide highly predictable, stable cash flows from their growing back-books. We expect the annuity portfolio to be fully self-financing in the next three to five years. Our asset management and origination businesses, LGIM and LGC, operate in attractive and profitable markets, and maintain a strong commitment to ESG-aligned investing. LGI is applying technology best practice to transform to sustain its UK leadership, to grow in the US and to continue to expand into adjacent markets.

Nigel Wilson, Group CEO, said:

“Legal & General has a clear and well established strategy, and five strong businesses with distinct competitive advantages. The markets we operate in are large and growing and we are well placed to capitalise. We have announced today a clear set of five year financial ambitions, delivering an attractive combination of income and growth. We remain ambitious for the future, and are committed to delivering profitable growth through Inclusive Capitalism and ESG.”

⁴ The Board will make a final decision at year-end.

⁵ Our stated ambition is based on the aggregate performance over a five-year period. Performance may vary from year to year and individual statements may not be met in each year on a standalone basis.

⁶ Cash generation is IFRS net release from operations (excluding non-BAU mortality releases). Capital generation is Solvency II operational surplus generation. Dividends are on a declared basis. Assumes a flat final 2020 dividend, and 3-6% annual growth thereafter.

Notes to editors

Legal & General Group Plc

Established in 1836, Legal & General is one of the UK's leading financial services groups and a major global investor, with international businesses in the US, Europe, Middle East and Asia. With over £1.2 trillion in total assets under management, we are the UK's largest investment manager for corporate pension schemes and a UK market leader in pension risk transfer, life insurance, workplace pensions and retirement income. As at 11 November 2020, Legal & General has a market capitalisation of £14.1 billion.

Forward-looking statements

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

Further information

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