LEGAL & GENERAL GROUP PLC

SOLVENCY AND FINANCIAL CONDITION REPORT

31 DECEMBER 2017

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SUMMARY

THIS DOCUMENT

This Solvency and Financial Condition Report (SFCR) for Legal & General Group Plc (the Group) is a regulatory document required by the reporting and Group supervision parts of the PRA Rulebook for Solvency II firms, and Directive 2009/138/EC of the European Parliament (Solvency II Directive) Articles 51 and 256. All values are (unless otherwise stated) as at 31 December 2017.

WHO WE ARE

We're not only a top 20 global asset manager, with assets under management of £983bn (2016: £894bn), but also the UK's largest provider of individual life assurance products and a market leader in managing retirement risk for pension schemes, both in the UK and the US. Established in London in 1836, we have been providing insurance for our customers for over 180 years. With around 8,000 employees we look after the financial security of over 10 million customers in the UK and US and manage investments for around 3,000 institutional clients.

WHAT WE DO

We enable our customers, who range from some of the world's largest companies and funds to millions of individuals and families, to manage their financial future whether by protecting against unforeseen events, helping to save for retirement or investing money to deliver growth over time. We deploy our strong balance sheet, our ability to understand and pool risk, our market insight and our capacity to create good value customer propositions for every customer, large or small. Our strong social purpose means that we strive at all times to do the right thing not just for our customers and shareholders, but for the broader economy and society at large.

OUR BUSINESSES

The Group is managed across divisions rather than legal entities. We have three focussed business areas which provide solutions for our customers, and the divisions align to those business areas as follows:

Business Area	Division	Purpose
Investing & Annuities	Legal & General Retirement: Institutional (LGRI)	Worldwide pension risk transfer business
	Legal & General Retirement: Retail (LGRR)	Individual retirement and lifetime mortgages
	Legal & General Capital (LGC)	Shareholder assets, traded, and treasury assets
Investment Management	Legal & General Investment Management (LGIM)	Institutional and retail investment management, and workplace savings businesses
Insurance	Legal & General Insurance (LGI)	UK retail and group protection, US protection business
	General Insurance (GI)	Short term household and other personal insurance

In December 2017 we announced the sale of the Mature Savings business to the ReAssure division of Swiss Re Ltd (Swiss Re) for £650m, the proceeds of which were received in cash in January 2018.

Swiss Re's ReAssure division is a life and pensions business designed to manage closed and non-core in-force portfolios, focusing on delivering excellent service and outcomes to policyholders. By transferring the Mature Savings business to Swiss Re, we are confident that this will deliver positive results for the existing Legal & General customers who will benefit from this focus and economies of scale in the specialisms required.

The business being sold comprises principally retail customers who hold traditional insurance based pensions, savings and investment products. Its assets at H1 2017 of £33bn include both unit-linked business and Legal & General's £21.4bn With-Profits Fund. With around 1 million customers, it has largely been closed to new business.

Legal & General's continued growth in these product areas will be through Legal & General Investment Management's (LGIM's) workplace pension business which now has approximately 2.5 million customers, through its intermediated retail savings business and through its personal investing unit which offers ISAs and Unit Trusts directly to customers.

Swiss Re will assume the economic exposure of the business from 1 January 2018 via a risk transfer agreement. It is expected that the formal transfer of the business will be completed in 2019, subject to satisfaction of normal conditions for a transaction of this type including court sanction. The transfer will be effected by way of a Part VII transfer under the Financial Services Markets Act 2000. Swiss Re has agreed an investment management agreement with LGIM to continue to manage the funds transferred.

For 2017 segmental analysis the Savings division is included in the Group's Annual Report and Accounts as discontinued operations, along with the income from Legal & General Netherlands and Cofunds, which were both sold during 2017. These businesses were previously components of the Legal & General Insurance and Savings divisions respectively.

OUR SOLVENCY POSITION AND PERFORMANCE

The Group's key performance and solvency measures as at 31 December 2017 were:

Measure	**2017**	2016
Operating profit (£m)	2,055	1,562
Solvency II Own Funds (£m)	15,355	14,069
Solvency II Regulatory Surplus (£m)	6,884	5,434
Solvency II Coverage ratio on a regulatory basis (%)	181	163
Solvency II Coverage ratio on a shareholder basis (%)	189	171

The Solvency II coverage ratio is the eligible Own Funds divided by the Group Solvency Capital Requirement (SCR).

In line with market practice, the shareholder basis excludes the contribution that the With-Profits Fund and the final salary pension schemes would normally make to the Group position. This is reflected by reducing the Group's Own Funds and the Group's SCR by the amount of the SCR for the With-Profits Fund and the final salary pension schemes. These exclusions have no impact on the Solvency II surplus.

The Group's regulatory surplus as disclosed in this document and the surplus on a shareholder basis, as disclosed in the Legal & General Group Plc Annual Report and Accounts, incorporate the impacts of a recalculation of the Transitional Measures on Technical Provisions (TMTP) based on 31 December 2017 economic conditions and changes during 2017 to the Internal Model and Matching Adjustment (MA). This calculation complies with current regulatory requirements to recalculate the

TMTP every two years, unless there are significant market movements or significant changes in the Group's risk profile triggering an earlier recalculation.

The Group uses Operating Profit as its measure of underwriting performance. The Operating Profit of £2,055m (2016: £1,562m) is inclusive of discontinued operations and primarily reflects:

- Increased annuity profits driven by strong performance from front and back books, with a positive impact of updating assumptions in relation to base mortality and future mortality improvements in the light of recent better than expected experience; and
- Continued strong performance from LGIM with strong flows across regions, channels and product lines.

Further details on our business and performance can be found in Section A: Business and performance.

ANALYSIS OF CHANGE IN OWN FUNDS

Over the reporting period the Group's Own Funds increased by £1.3bn to £15.4bn (2016: £14.1bn).

The main drivers of this increase were surplus generated by businesses plus issue of new subordinated debt, partially offset by redemption of Tier 1 subordinated debt and the payment of the final year end 2016 and interim 2017 dividends in the period.

OUR GOVERNANCE

The Group Board

The Board's role is to lead the Group and oversee its governance. It plays a key role in setting the Group strategy and its culture and values. The role of management is to deliver the strategy within the framework and standards set by the Board. It is the Board's responsibility to ensure we have an appropriate governance framework in place to continue to support our day-to-day operations and protect the interests of our stakeholders.

Risk Management Framework

Our risk framework is designed to enable the Group's Board to draw assurance that risks are being appropriately identified and managed in line with our risk appetite.

Our framework seeks to reinforce the parameters of acceptable risk taking, allowing business managers to make decisions that are consistent with our risk appetite.

We deploy a 'three lines of defence' risk governance model, whereby business divisions are responsible for risk taking within the parameters of our risk appetite and accountable for managing risks in line with our risk policies; risk functions led by the Group Chief Risk Officer provide objective challenge and guidance on risk matters; with Group Internal Audit providing independent assurance on the effectiveness of business risk management and the overall operation of the risk framework.

Own Risk and Solvency Assessment (ORSA)

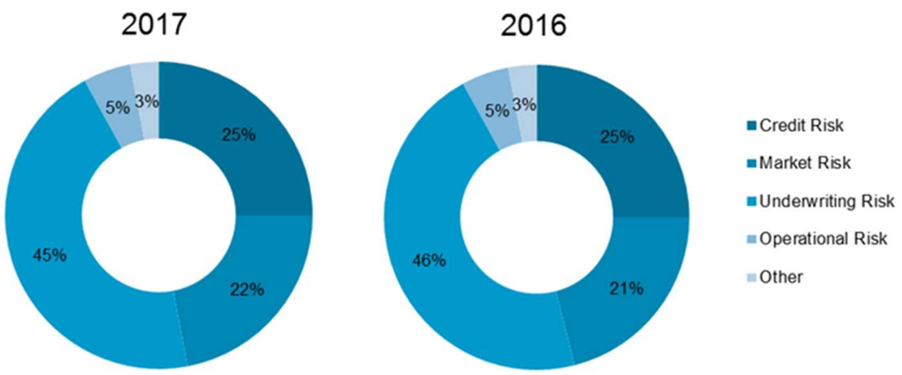
Our risk identification and assessment process forms part of our broader 'Own Risk and Solvency Assessment' process, on-going assessment of the risks to which the Group is exposed and an evaluation of the sufficiency of resources to sustain the business strategy over the horizon of the Group plan.

OUR RISK PROFILE

The Group is exposed to a number of risks through the normal course of its business. These risks are primarily:

- Longevity, mortality, morbidity and household insurance risks transferred to us by the customers of our annuities, protection and general insurance businesses;
- Investment risks, from holding portfolios of assets to meet our obligations to our customers and to deliver returns to shareholders; and
- Operational risks, in respect of our business processes and IT systems, as well as broader regulatory and legislative risks that can arise in the environments in which we operate.

The chart below shows a breakdown of the Group's SCR by major risk type. The split is shown before the effects of diversification.



OUR RISK-BASED CAPITAL MODEL

We assess on an on-going basis the capital that we need to hold in excess above our liabilities to meet the Group's strategic objectives and ensure continued solvency.

Our risk-based capital model seeks to provide a quantitative assessment of the Group's risk exposures. Our model forms part of the suite of tools that we use to evaluate our strategic plans, set risk appetite, allocate capital and evaluate product pricing. We also use our capital model to assess significant transactions, including large pension risk transfer deals. We calibrate our model to ensure that we hold sufficient capital to survive our assessment of a worse case 1-in-200 year event. In terms of our capital requirements, credit and insurance (longevity) risks remain our most significant risks. Market risk (which includes equity, property and interest rate risks) is another material risk for which we hold capital. One of the uses of our model is to calculate our Solvency II regulatory capital requirements. We have chosen to adopt a partial internal model (the Internal Model) approach to calculate the Solvency Capital Requirement (SCR) for all of the Solvency II regulated material insurance companies in the Group.

Further details on our risk profile can be found in Section C: Risk profile.

VALUATION FOR SOLVENCY PURPOSES

Assets, technical provisions, and other liabilities are valued on the Group's Solvency II balance sheet according to Solvency II regulations. The principle that underlies the valuation methodology for Solvency II purposes is the amount for which assets could be exchanged, and liabilities transferred or settled, by knowledgeable and willing third parties in an arm's length transaction.

As at 31 December 2017 Group's excess of assets over liabilities is £12,393m (2016: £11,495m), which is £4,474m higher than the value under IFRS. The difference is primarily explained by the overall value of technical provisions being lower on a Solvency II basis.

The Group has taken advantage of a transitional measure in respect of technical provisions, which allows for the recognition of a deduction from technical provisions calculated as the difference between their value under the current and previous solvency regimes. This transitional measure applies for 16 years from the date of introduction of Solvency II, and the deduction will be fully amortised over that period, i.e. by 1 January 2032. The value of the deduction as at 31 December 2017 was £6,244m (2016: £6,687m).

Technical provisions are calculated as the sum of Best Estimate Liabilities (BEL) plus Risk Margin (RM), less any transitional measures on technical provisions. The BEL represents the value of our best estimate of future cash flows on the in-force business and is calculated without any deduction for the amounts recoverable from reinsurance contracts. Where the PRA has granted approval for the use of a Matching Adjustment (MA) when calculating the BEL, this has been applied in line with the approved application. Further details can be found in Section D.2 Technical Provisions.

OUR CAPITAL MANAGEMENT

The primary objective of capital management is to optimise the balance sheet between risk and return, whilst maintaining capital in accordance with the Group's economic risk appetite and regulatory requirements.

Following the implementation of the Solvency II regulatory regime on 1 January 2016, the Group's capital resources are managed on the Solvency II basis, adopted by the Prudential Regulation Authority (PRA) at the balance sheet date.

The Group's SCR as at 31 December 2017 was £8,471m (2016: £8,635m). The SCR has been calculated with the Group's approved Internal Model. Further details can be found in Section E.2 Solvency Capital Requirement and Minimum Capital Requirement.

As at 31 December 2017 the Group had surplus Own Funds of £6,884m (2016: £5,434m), which gave a regulatory capital coverage ratio of 181% (2016: 163%). This buffer over the SCR ensures that the Group is still able to meet its insurance obligations after a 1-in-200 year event. In line with our risk management approach, we maintained an appropriate capital buffer throughout the year. The Group's Own Funds are represented by unrestricted Tier 1 capital and are not subject to any significant restrictions.

The Group's solvency position is described below, showing a reconciliation of the capital coverage ratio on a regulatory and shareholder basis.

(£m)	**2017**	2016
Solvency II Own Funds	15,355	14,069
Solvency Capital Requirement	(8,471)	(8,635)
Solvency II Surplus	6,884	5,434
Regulatory capital coverage ratio	**181%**	163%
Impact of minor true-up adjustments	-	(1)%
Impact of six months amortisation of TMTP to 1 January 2017	-	(2)%
Impact of a recalculation of the TMTP	-	5%
Impact of exclusion of the contribution to SCR of With-Profits Fund and final salary pension schemes	8%	6%
Shareholder basis capital coverage ratio (as disclosed March 2018)	**189%**	171%

Additional information on the regulatory capital coverage ratio can be found in Section E: Capital Management.

ANY OTHER INFORMATION

Disposals

The sale of Cofunds to Aegon was completed on 1 January 2017. The sale of Legal & General Nederland Levensversekering Maatschappij N.V.(Legal & General Netherlands) to Chesnara Plc (Chesnara) was completed on 6 April 2017.

The combined impact of these disposals provided a 2.5% benefit to the Group capital coverage ratio and a net increase to Solvency II surplus of £119m.

Sale of Mature Savings

On 6 December 2017 the Group announced its intention to sell the Mature Savings business to Swiss Re Ltd. Swiss Re assumed the economic exposure of the business from 1 January 2018 via a risk transfer agreement (RTA). The impact of the risk transfer agreement has been reflected in the 2017 Own Funds. Due to the proximity of the transaction to the year end, the model change to make an allowance on the SCR will take place in 2018 and therefore the SCR in 2017 does not include any impact of the RTA.

The impact of this treatment is to reduce the reported coverage ratio by 2%. Once the model change to reflect the RTA is implemented the coverage ratio will improve by an estimated 2%.

Transfer of pension scheme liabilities

On 4 January 2018, the With-Profits Fund, which forms part of the Mature Savings business, made a one-off payment to the shareholder fund in exchange for the removal of all future obligations in respect of both deficit repair contributions and on-going trustee expenses for the Legal & General Group UK Pensions & Assurance Fund and Legal & General Group UK Senior Pension Scheme.

Acquisitions

The acquisition of Buddies Enterprise Limited (announced on 17 October 2017) and the exchange-traded fund (ETF) platform Canvas (announced on 15 November 2017) have both been completed after year-end.

DIRECTORS' CERTIFICATE

LEGAL & GENERAL GROUP – FINANCIAL YEAR ENDED 31 DECEMBER 2017

The Directors acknowledge their responsibility for the proper preparation of the SFCR in all material respects in accordance with the PRA rules and Solvency II Regulations.

The Board is satisfied that to the best of its knowledge and belief:

(a) throughout the financial year to 31 December 2017, the firm has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the firm; and

(b) it is reasonable to believe that in respect of the period from 31 December 2017 to the date of the publication of the SFCR, the firm has continued so to comply and that it will continue so to comply for the remainder of the financial year to 31 December 2018.

Nigel Wilson

Chief Executive Officer

1 May 2018

AUDITORS' REPORT

Report of the external independent auditors to the Directors of Legal & General Group Plc ('the Group') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Group Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by the Group as at 31 December 2017:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Group Solvency and Financial Condition Report of the Group as at 31 December 2017, ('**the Narrative Disclosures subject to audit**'); and

- Group templates S.02.01.02, S.22.01.22, S.23.01.22 and S.32.01.22 ('**the Templates subject to audit'**).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the '**relevant elements of the Group Solvency and Financial Condition Report'**.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the **Other Information** which comprises:

- Information contained within the relevant elements of the Group Solvency and Financial Condition Report set out above which is, or derives from the Solvency Capital Requirement, as identified in the Appendix to this report;

- The 'Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Group Solvency and Financial Condition Report;

- Group templates S.05.01.02 and S.25.02.22;

- Information calculated in accordance with the previous regime used in the calculation of the transitional measure on technical provisions, and as a consequence all information relating to the transitional measure on technical provisions as set out in the Appendix to this report;

- The written acknowledgement by management of their responsibilities, including for the preparation of the Group Solvency and Financial Condition Report ('**the Directors' Certificate**');

- Information which pertains to an undertaking that is not a Solvency II undertaking and has been prepared in accordance with PRA rules other than those implementing the Solvency II Directive or in accordance with an EU instrument other than the Solvency II regulations ('**the sectoral information').**

To the extent the information subject to audit in the relevant elements of the Group Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Group Solvency and Financial Condition Report of the Group as at 31 December 2017 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based and as supplemented by supervisory approvals.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the relevant elements of the Group Solvency and Financial Condition Report* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Group Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you were:

- the directors' use of the going concern basis of accounting in the preparation of the Group Solvency and Financial Condition Report is not appropriate; or
- the directors have not disclosed in the Group Solvency and Financial Condition Report any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Group Solvency and Financial Condition Report is authorised for issue.

Emphasis of Matter - Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' of the Group Solvency and Financial Condition Report, which describe the basis of accounting. The Group Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Group Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Group Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Group Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Group Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Group Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Group Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Group Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Group Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based, as detailed below:

- *Approval to use a Transitional Measure on Technical Provisions*
- *Approval to use the transitional measure on technical provisions recalculated as at 31 December 2017*
- *Approval to use an internal model and the approval of subsequent major changes thereto*
- *Approval to use the matching adjustment*
- *Approval to include the Group's American subsidiaries in group solvency on the deduction and aggregation basis*
- *Approval to exclude 4 undertakings from group supervision.*

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Group Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the relevant elements of the Group Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the information subject to audit in the relevant elements of the Group Solvency and Financial Condition Report is prepared, in all material respects, in accordance with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Group Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Group Solvency and Financial Condition Report.

A further description of our responsibilities for the audit is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

This report, including the opinion, has been prepared for the Directors of the Group to comply with their obligations under External Audit rule 2.1 of the Solvency II firms Sector of the PRA Rulebook and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose save where expressly agreed by our prior consent in writing.

Other Matter

The Group has authority to calculate its Group Solvency Capital Requirement using a partial internal model ('the Model') approved by the Prudential Regulation Authority in accordance with the Solvency II Regulations. In forming our opinion (and in accordance with PRA Rules), we are not required to audit the inputs to, design of, operating effectiveness of and outputs from the Model, or whether the Model is being applied in accordance with the Group's application or approval order.

Report on Other Legal and Regulatory Requirements

Sectoral Information

In our opinion, in accordance with Rule 4.2 of the External Audit Part of the PRA Rulebook, the sectoral information has been properly compiled in accordance with the PRA rules and EU instruments relating to that undertaking from information provided by members of the group and the relevant insurance group undertaking.

Other Information

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Group's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The engagement partner on the audit resulting in this independent auditors' report is Andrew Kail.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants

7 More London Riverside, London SE1 2RT

1 May 2018

- The maintenance and integrity of the Legal & General Group Plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Group Solvency and Financial Condition Report since it was initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of Solvency and Financial Condition Reports may differ from legislation in other jurisdictions.

Appendix – relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit

The relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of Group template S.02.01.02:
  - Row R0550: Technical provisions - non-life (excluding health) - risk margin
  - Row R0590: Technical provisions - health (similar to non-life) - risk margin
  - Row R0640: Technical provisions - health (similar to life) - risk margin
  - Row R0680: Technical provisions - life (excluding health and index-linked and unit-linked) - risk margin
  - Row R0720: Technical provisions - Index-linked and unit-linked - risk margin

- The following elements of Group template S.22.01.22
  - Column C0030 – Impact of transitional on technical provisions
  - Row R0010 – Technical provisions
  - Row R0090 – Solvency Capital Requirement

- The following elements of Group template S.23.01.22
  - Row R0020: Non-available called but not paid in ordinary share capital at group level
  - Row R0060: Non-available subordinated mutual member accounts at group level
  - Row R0080: Non-available surplus at group level
  - Row R0100: Non-available preference shares at group level
  - Row R0120: Non-available share premium account related to preference shares at group level
  - Row R0150: Non-available subordinated liabilities at group level
  - Row R0170: The amount equal to the value of net deferred tax assets not available at the group level
  - Row R0190: Non-available own funds related to other own funds items approved by supervisory authority
  - Row R0210: Non-available minority interests at group level
  - Row R0380: Non-available ancillary own funds at group level
  - Rows R0410 to R0440 – Own funds of other financial sectors
  - Row R0680: Group SCR
  - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
  - Row R0750: Other non-available own funds

- Elements of the Narrative Disclosures subject to audit identified as ‘unaudited’.

A. BUSINESS AND PERFORMANCE

A.1 BUSINESS

A.1.1 COMPANY DETAILS

This report is prepared in respect of Legal & General Group Plc (Legal & General Group) for the financial year ended 31 December 2017.

The Company	Legal & General Group Plc One Coleman Street London EC2R 5AA
The supervisory authority responsible for financial supervision	Prudential Regulation Authority 20 Moorgate London EC2R 6DA
The external auditor	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT

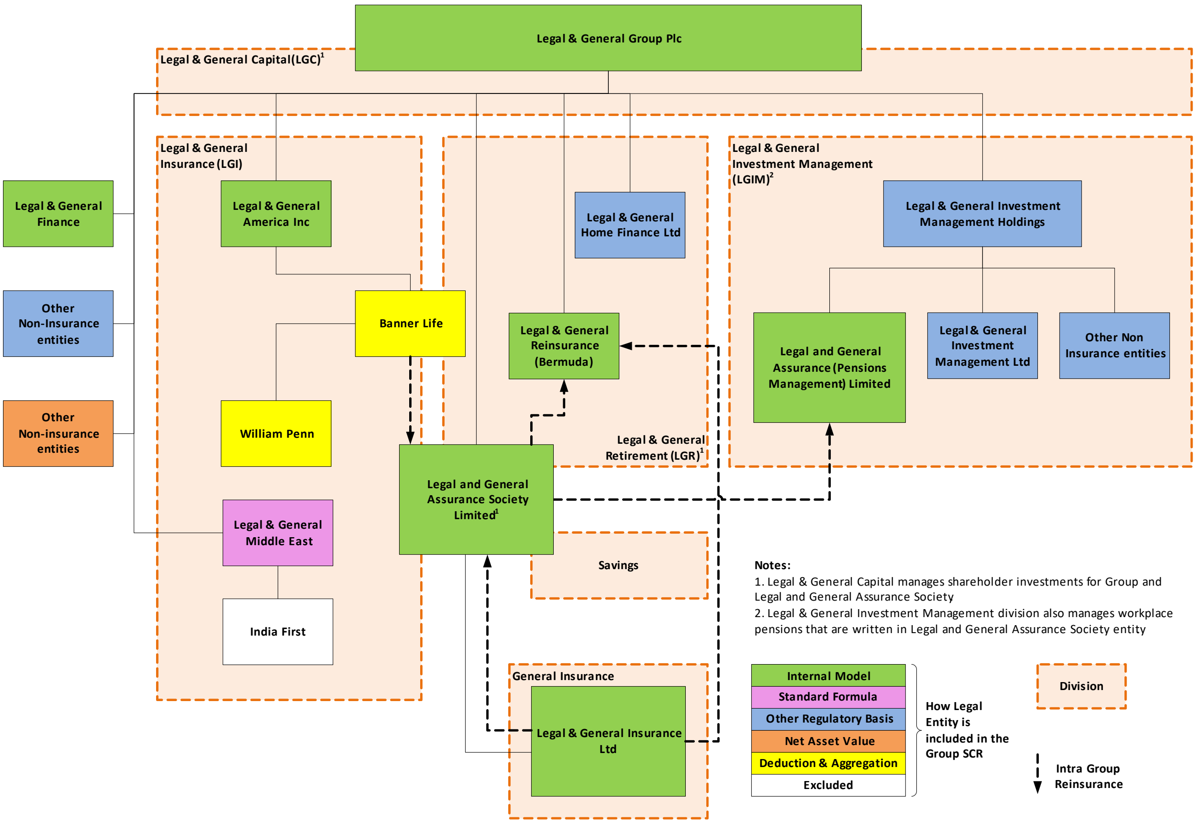
A.1.1.1 QUALIFYING HOLDINGS

The Group has issued 5,958,438,193 ordinary shares of 2.5p each, issued on the London Stock Exchange as at the reporting date. All shares issued carry equal voting rights. There are no qualified holdings of greater than 10% of the capital as at the reporting date.

A.1.1.2 GROUP STRUCTURE

A simplified group structure is shown in Diagram 1 below. The chart summarises the relationship between entity and divisional responsibilities (on a forward-looking basis), further details of the principal products written by each division is provided in A.1.2 below. The Group Board has ultimate responsibility for the Group's system of governance; this is described in further detail in Section B. System of governance.

Diagram 1: Division and Entity overview



A.1.2 MATERIAL RELATED UNDERTAKINGS

The particulars of the Company's subsidiaries as at 31 December 2017 are listed in the Quantitative Reporting Template (QRT) S.32 in Annex 1 of this document. The material insurance undertakings are summarised below:

Company name	Country	Proportion of ownership held within the Group
Legal and General Assurance Society Limited (LGAS)	England & Wales	100%
Legal & General Assurance (Pensions Management) Ltd (PMC)	England & Wales	100%
Legal & General Insurance Ltd (LGIL)	England & Wales	100%
William Penn Life Insurance Company of New York	USA	100%
Banner Life Insurance Company	USA	100%
Legal & General Reinsurance Co Ltd (LG Re)	Bermuda	100%

The proportion of voting rights is the same as the ownership held for each of the entities listed above.

There are no material differences between the scope of the Group used for the consolidated financial statements and the scope for Solvency II consolidated data, as determined in accordance with Article 335 of the Delegated Regulation[1].

Our overseas joint venture insurance operation in India has been excluded from the scope of group supervision under Solvency II, and this entity has been excluded from the consolidation. It is not considered to be material to the Group.

The consolidation treatment of entities varies depending on the nature of the entity, as prescribed in Article 335. A full list of subsidiary undertakings, associates, and joint ventures is contained in the QRT S.32.01, in Annex 1 of this document. The type and treatment of each undertaking can be found in columns C0050 and C0260 respectively.

A.1.3 PRINCIPAL PRODUCTS

A significant part of the Group's business involves the acceptance and management of risk.

A description of the principal products offered by the Group's business divisions is outlined below. The Group seeks to manage its exposure to risk through control techniques which ensure that the residual exposures are within acceptable tolerances agreed by the Board. The Group's risk appetite framework and the methods used to monitor risk exposures can be found in Sections B. Systems of governance and C. Risk profile.

Details of the risks associated with the Group's principal products and the control techniques used to manage these risks can be found in Section C Risk profile.

A.1.3.1 LEGAL & GENERAL RETIREMENT (LGR)

LGR business comprises pension risk transfers including bulk annuities and longevity insurance, retail annuity business and lifetime mortgages. Business is written through Legal and General Assurance Society Limited in the UK and Legal & General Reinsurance, in Bermuda. Lifetime mortgages are written in New Life Co.

LGR comprises LGR Institutional (LGRI), which transacts worldwide pension risk transfer business (including longevity insurance), and, Legal & General Retirement (LGRR), which represents individual retirement and lifetime mortgages.

A.1.3.1.1 ANNUITIES

Annuity products provide guaranteed income for a specified time, usually the life of the policyholder, in exchange for a lump sum capital payment. Immediate and deferred annuity contracts are offered. Immediate annuities provide a regular income stream to the policyholder, purchased with a lump sum investment, where the income stream starts immediately after the purchase. The income stream from a deferred annuity is delayed until a specified future date. Bulk annuities are also offered, where the Group accepts the assets and liabilities of a company pension scheme or a life fund, predominantly to UK clients, but also for US, Dutch and Irish clients. A small portfolio of immediate annuities has been written as participating business.

The Group also offers products for individuals that provide a guaranteed level of income over a chosen fixed period of time, in exchange for an initial lump sum payment from the policyholder. The products can provide a fixed lump sum at maturity and/or options to surrender on non-guaranteed terms.

[1] Commission Delegated Regulation (EU) 2015/35.

The Group has written some deferred annuity contracts with guaranteed minimum pensions. These options expose the Group to interest rate and longevity risk as the cost would be expected to increase with decreasing interest rates and improved longevity.

A.1.3.1.2 LONGEVITY INSURANCE CONTRACTS

The Group also provides longevity insurance products for company pension schemes, under which regular payments are made to the scheme reflecting their actual longevity experience, while the scheme makes an agreed set of regular payments in return. Some policies contain a guaranteed surrender value. The value of these guarantees is currently immaterial.

A.1.3.1.3 LIFETIME MORTGAGES

Lifetime Mortgages are a form of equity release mortgage that provide non-commercial borrowers with a loan secured against their main residence, without the need for regular repayments. They are regulated retail mortgages offered only to borrowers over the age of 60 through specialist intermediaries. Interest accrues over the term of the loan and is repayable at the time the principal becomes due. All Lifetime Mortgages provide a ‘no negative equity’ guarantee, which means that if the loan is repaid from the sale of the property and the net sale proceeds are lower than the balance of the loan, the Group will accept the net sale proceeds as full settlement.

A.1.3.2 LEGAL & GENERAL INVESTMENT MANAGEMENT (LGIM)

LGIM offers both passive and active investment fund management on either a pooled or segregated basis. Assets are managed on behalf of pension funds, institutional clients, sovereign wealth clients, retail funds and subsidiary companies within the Group. Legal & General Assurance (Pensions Management) Limited (PMC) is the Solvency II regulated entity within the LGIM division. LGIM also manages workplace pensions written in Legal and General Assurance Society Limited. The core asset classes are set out below.

A.1.3.2.1 INDEX FUND MANAGEMENT

The Group provides a diversified range of pooled index funds, providing a wide choice and the ability to pursue specific benchmarks efficiently. In addition, segregated solutions are offered to institutional clients providing large scale customisation against established market capitalisation weighted and alternative indices.

A.1.3.2.2 PASSIVE AND ACTIVE FIXED INCOME AND LIQUIDITY MANAGEMENT

The Group offers a range of pooled and segregated active fixed income funds. The LGIM liquidity funds offer institutional investors a solution for their cash management requirements across a range of core currencies. The liquidity funds aim to deliver competitive returns with a high level of diversification, whilst focusing on capital preservation through portfolios of high-quality liquid assets.

A.1.3.2.3 LIABILITY DRIVEN INVESTMENT (LDI)

A range of pooled and bespoke solutions to help de-risk corporate defined benefit pension schemes. These solutions will usually combine active or passive underlying portfolios with derivative overlays designed to meet clients’ specific liability matching requirements.

Solutions also includes a range of pooled multi-asset funds for retail and institutional clients, built using LGIM’s expertise in asset allocation, informed by an in-house research capability. The underlying asset classes may be managed on an active or passive basis within LGIM. An allocation strategy service is also offered to institutional clients, where clients may also allocate some of the portfolio to managers other than LGIM.

A.1.3.2.4 REAL ASSETS

A range of pooled or segregated real estate funds for both UK and overseas investors, offered via a mixture of pooled funds, specialist funds and partnerships. The business is based around in-house sector specialists with a dedicated research team.

A.1.3.2.5 ACTIVE EQUITY

An active equity management business comprised of teams focused on managing stock selection across different regions.

A.1.3.2.6 WORKPLACE PENSIONS

Workplace savings are a range of workplace pension solutions, focusing on the UK defined contribution auto enrolment schemes. These schemes offer a wide choice of investment options, including a self-investment option.

A.1.3.3 LEGAL & GENERAL CAPITAL (LGC)

LGC aims to increase the risk adjusted returns on the group's shareholder assets, and also manages direct investments in housing, urban regeneration, clean energy and small and medium size enterprise (SME) financing.

LGC's investments fall into two distinct categories; direct investments and traded assets. The value of, and income from, both categories is sensitive to conditions within investment markets and the broader economy. Potential volatility in returns is managed using a range of techniques, including performance benchmarks, foreign exchange and interest rate hedging, and exposure concentration limits by asset type, sector and geographic region.

A.1.3.3.1 DIRECT INVESTMENTS AND STRUCTURING

Direct investments are an integral part of the wider group strategy. Direct investments are typically illiquid investments entered into through acquisition, joint venture with strategic partners or by creating new companies directly. LGC seeks to create revenue-generating direct investments in sectors where there are significant funding shortfalls, namely housing, infrastructure (including urban regeneration and clean energy) and SME finance. LGC employs capital and sector expertise to target attractive risk-adjusted returns.

A.1.3.4 LEGAL & GENERAL INSURANCE (LGI)

The LGI business comprises:

- UK retail and group life insurance, critical illness cover, and income protection, written in Legal and General Assurance Society Limited;
- US protection and universal life business, written in William Penn Life Insurance Company of New York and Banner Life Insurance Company;

A.1.3.4.1 UK PROTECTION BUSINESS (RETAIL AND GROUP)

The Group offers protection products which provide mortality or morbidity benefits. These may include health, disability, critical illness and accident benefits; these additional benefits are commonly provided as supplements to main life policies but can also be sold separately. The benefit amounts would usually be specified in the policy terms. Some sickness benefits cover the policyholder's mortgage repayments and are linked to the prevailing mortgage interest rates. In addition to these benefits, some contracts may guarantee premium rates, provide guaranteed insurability benefits and offer policyholders conversion options.

A.1.3.4.2 US TERM BUSINESS

Individual term assurance provides death benefits over the medium to long term. The contracts have level premiums for an initial period with premiums set annually thereafter. During the initial period, there is generally an option to convert the contract to a universal life contract. After the initial period, the premium rates are not guaranteed, but cannot exceed the age-related guaranteed premium.

A.1.3.5 SAVINGS

A range of contracts are offered in a variety of different forms to meet customers' long-term savings objectives. Policyholders may choose to include a number of protection benefits within their savings contracts. The majority of the Savings products are closed to new business. On 6 December 2017 the group announced its intention to sell the Mature Savings business to Swiss Re Ltd.

A.1.3.5.1 WITH-PROFITS

With-profits products are only written in the With-Profits Fund, a ring fenced sub fund within Legal and General Assurance Society Limited. The With-Profits Fund ceased writing new business on 31 January 2015. Only increases to existing pension policies and new members to existing group Personal Pension Schemes, where allowed for in the policy terms and conditions, have been accepted after that date. With-profits forms part of the Savings division which is being sold to Swiss Re Ltd.

A.1.3.6 GENERAL INSURANCE (GI)

General Insurance provides household and other personal insurances such as pet, travel and lifestyle cover.

A.1.3.6.1 HOUSEHOLD

These contracts provide cover in respect of policyholders' homes, investment properties, contents, personal belongings and incidental liabilities which they may incur as a property owner, occupier and individual. Exposure is normally limited to the rebuilding cost of the home, the replacement cost of belongings and a policy limit in respect of liability claims.

A.1.4 SIGNIFICANT BUSINESS OR OTHER EVENTS

There are no significant events not covered elsewhere.

A.2 UNDERWRITING PERFORMANCE

We consider IFRS Operating Profit to be a good measure of the Group's underwriting performance. This is the key metric used to manage our business.

Operating Profit measures the pre-tax result excluding the impact of investment volatility, economic assumption changes and exceptional items and includes expected investment return. Operating profit therefore reflects longer-term economic assumptions and changes in insurance risks such as mortality and longevity for the Group's insurance business and shareholder funds, except for LGA which excludes unrealised investment returns to align with the liability measurement under US GAAP. Variances between actual and long-term economic assumptions are reported below operating profit. Exceptional income and expenses which arise outside the normal course of business in the period, such as merger and acquisition and start-up costs are excluded from operating profit.

The Group's operating profit is presented in the following sections. Information on premiums, claims and changes in technical provisions, which can be considered as key elements of underwriting performance, is presented by Solvency II line of business in QRT S.05.01 in Annex 1 of this report.

The vast majority of the Group's business is written in the UK.

All 2016 comparatives shown below have been adjusted to reflect the sale of Mature Savings, with revenue and expenses for that business being categorised as profit from discontinued operations.

A.2.1 OPERATING PROFIT BY DIVISION

The table below shows the operating profit for the Group reported in the Group consolidated report and accounts. These results are on an IFRS basis.

(£m)	2017	2016
From continuing operations		
Legal & General Retirement (LGR)	1,247	809
- LGR Institutional (LGRI)	906	651
- Legal & General Retirement (LGRR)	341	158
Legal & General Investment Management (LGIM)	400	366
Legal & General Capital (LGC)	272	257
Legal & General Insurance (LGI)	303	303
- UK and Other	209	218
- US	94	85
General Insurance	37	52
Continuing operating profits from divisions	2,259	1,787
Discontinued operating profit from divisions[1]	107	115
Operating profit from divisions	2,366	1,902
Group debt costs[2]	(191)	(172)
Group investment projects and expenses	(120)	(168)
Operating profit	2,055	1,562

1. Discontinued operating profit from divisions primarily reflects the operating profit of the Savings division following the announcement in December 2017 to sell the Mature Savings business to Swiss Re. For these operating profit disclosures, discontinued operations also includes the results of Legal & General Netherlands and Cofunds. These businesses were sold during 2017 and were components of the LGI (UK and Other) and Savings divisions respectively.
2. Group debt costs exclude interest on non-recourse financing.

Legal & General Retirement (LGR)

LGR achieved record operating profits of £1,247m (2016: £809m) driven by strong performance from our front and back books, as well as a positive impact of £332m from updating assumptions in relation to base mortality and future mortality improvements in light of recent better than expected experience.

We will continue to review the appropriateness of our longevity assumptions. There is increasing evidence that the higher than expected level of recent mortality is in part due to medium or long-term influences. We will apply caution in our assessment of any reduction in longevity improvements, with any release being recognised over several years as greater certainty emerges.

Total new business was down 25% at £6.4bn (2016: £8.5bn), driven by the inclusion of a £2.9bn back book acquisition in 2016 that was not repeated in 2017. The business completed £3.9bn (2016: £3.7bn) of UK and US pension risk transfer business, and sales of individual annuities increased by 77% to £671m (2016: £378m). We made £1bn of lifetime mortgage advances, versus £620m in 2016.

LGR's £58.2bn asset portfolio backing its IFRS liabilities is well diversified. We hold £2.7bn of IFRS credit default reserves (2016: £2.7bn) against these assets and have experienced less than £10m in defaults in the last five years, with no defaults in 2016 or 2017.

Our direct investment portfolio is secured through directly negotiated covenants and security or collateral. This portfolio is now £12.2bn, (2016: £8.1bn) including £2,023m in lifetime mortgages (2016: £852m), and makes up c.21% (2016: 15%) of the assets within the annuity portfolio.

Legal & General Investment Management (LGIM)

LGIM operating profit increased by 9% to £400m (2016: £366m), while maintaining a steady cost income ratio.

LGIM continues to expand its business across channels, regions and product lines. External net inflows were £43.5bn (2016: £29.2bn), contributing to 10% growth in assets under management (AUM) to £983.3bn (2016: £894.2bn). Total revenue increased by 10% to £805m (2016: £730m), reflecting the record inflows and higher asset values throughout 2017.

LGIM's International business experienced net inflows of £33bn (2016: £14.5bn), with higher net flows in all regions, and a particularly strong performance in the US business. The Defined Contribution (DC) business continued to expand, with net inflows of £3bn (2016: £2.0bn) driven by our bundled business, which offers investment and administration services to DC schemes. The retail business experienced net inflows of £3bn (2016: £1.4bn).

Legal & General Capital (LGC)

LGC operating profit increased by 6% to £272m (2016: 257m) driven by returns from the division's £3.8bn (2016: £3.8bn) traded assets portfolio. and continued strong performance in the £1.5bn (2016: £1.1bn) direct investments portfolio, which contributed £124m (2016: 121m). This included £43m from CALA Homes, representing our share of the business' profit in 2017.

Legal & General Insurance (LGI)

LGI operating profit from continuing operations was flat year-on-year at £303m (2016: £303m). LGI America operating profit increased 11% to £94m (2016: £85m) driven by business growth, exchange rates and favourable mortality experience. LGI UK delivered robust profits of £209m (2016: £218m). Lapse experience impacted our retail protection business in the second half of 2017, in addition to adverse claims experience in group protection. Management actions taken to address the issues in group protection resulted in the business returning to profitability in the second half of 2017.

General Insurance (GI)

GI operating profit decreased 29% to £37m (2016: £52m), primarily due to higher than expected non-weather related household claims in Q1 2017, in line with wider market experience. The division's financial performance has been improved through actions taken across pricing, underwriting and claims management. As a result we have seen claims experience returning to the required levels.

Mature Savings

The business contributed £103m (2016: £105m) of operating profit in the year.

A.3 INVESTMENT PERFORMANCE

Investment performance is reported by the Group as investment return in our financial statements. The Group earns an investment return from holdings in financial instruments and property investments, held to back insurance and investment contracts on behalf of policyholders and as group capital. Investment return arising on assets held for sale as part of the sale of Mature Savings, is included in the total profit on discontinued operations. 2016 revenue has been restated to correspond with the 2017 treatment.

The total investment return as reported in the Group financial statements in 2017 was £33,457m (2016: £63,742m, after adjustment for discontinued operations).

The total investment return comprises the expected return included in the IFRS operating profit plus the variance between actual and expected investment performance. As such, there is some element of duplication with the underwriting performance reported in A.2 above.

Investment return includes dividends, rent, interest, and fair value gains and losses, excluding fair value movements attributable to available-for-sale (AFS) investments. Dividends are accrued on an ex-dividend basis. Interest and rent are included on an accruals basis. Interest income for financial assets which are not classified as fair value through profit or loss is recognised using the effective interest method.

Investment expenses are included in 'Other administrative expenses' found in Section A.4 below.

A.3.1 INVESTMENT INCOME AND EXPENSES

The table below presents the actual investment income and expenses split by Solvency II asset class and the component of such income and expenses.

Investment Return (£m)	**Income 2017**	**Gains and losses 2017**	Income 2016	Gains and losses 2016
Debt securities	1,840	286	1,612	6,116
Equities[1]	160	413	1,459	8,334
Assets held for index-linked and unit-linked contracts	7,144	22,204	6,685	43,686
Derivatives	-	773	-	(302)
Other financial investments	642	2,686	93	141
Total	9,786	26,362	9,849	57,975

1. Includes holdings in collective investment vehicles and holdings in related undertakings including participations

There were no material investment performance gains and losses recognised directly in equity all gains and losses recognised directly in equity are disclosed in the Group's report and accounts consolidated statement of comprehensive income.

A.3.2 INVESTMENTS IN SECURITISATION

The Group holds securitisations with a market value of £2.1bn as at 31 December 2017 (2016: £1.8bn), of which £0.9bn (2016: £0.6bn) is held for index-linked and unit-linked contracts.

A.4 PERFORMANCE OF OTHER ACTIVITIES

Other material income includes:

- Fees from fund management and investment contracts £771m (2016: £851m)
- Other operational income £212m (2016: £188m)

Other operational income comprises fee income from estate agency operations, agency fee income relating to distribution services, and income from consolidated private equity investments.

Expenses of the Group include:

£m	**2017**	2016
Acquisition costs[1]	734	739
Finance costs	212	191
Staff costs	702	629
Expenses attributable to consolidated private equity investment vehicles	-	132
Other administrative expenses	384	514

1. Acquisition costs comprise direct costs, such as initial commission, and the indirect costs of obtaining and processing new business.

The Group leases offices and other premises under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. None of the leases are considered material.

The Group does not hold any material finance leases.

Legal & General

A.5 ANY OTHER INFORMATION

There were no significant events other than those covered above.

B. SYSTEM OF GOVERNANCE

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

B.1.1 THE STRUCTURE OF THE BOARD

The Group Board of Legal & General is accountable for the long-term success of the Group by setting the Group's strategic objectives and monitoring performance against those objectives. The Board is led by the Group Chairman, and as at 31 December 2017 comprised four Executive Directors (the Group Chief Executive, the Chief Financial Officer, the Chief Executive Officer LGIM and the Chief Executive Officer LGC) and six non-executive directors. The day-to-day management of the Group is led by the Group Chief Executive.

The Group Board meets formally on a regular basis and at each meeting, considers strategic proposals, acquisitions and major transactions as a standing agenda item. The Group and its subsidiaries operate within a clearly defined delegated authority framework. The delegated authority framework ensures that there is an appropriate level of Board contribution to and oversight of key decisions and that the day-to-day business is managed effectively.

Legal & General Group is managed across divisions rather than legal entities. The Group's business divisions are:

- Legal & General Investment Management
- Legal & General Capital
- Legal & General Retirement
- Legal & General Insurance
- General Insurance
- Savings. (The sale of the Mature Savings division was announced on 7 December 2017 and is expected to complete in 2019.)

B.1.1.1 CHANGES OVER THE REPORTING PERIOD

There have been no significant changes to the system of governance over the reporting period.

B.1.2 DELEGATED AUTHORITIES

The Board delegated authority framework consists of a clearly defined schedule of matters reserved for the Group Board. The types of matters reserved for the Board include, amongst others, matters relating to the Group's strategic plan, risk appetite, and systems of internal control and corporate governance policies. Those matters which are not reserved are delegated by the Board to group level committees and to the Group Chief Executive, who then onward delegates decision making to the Group Capital Committee and his direct reports.

Matters delegated to Group level Committees (Committees of the Group Board) are as follows:

- **Group Audit Committee** The primary responsibility of the Committee is to assist the Board in discharging its responsibilities with regards to monitoring the integrity of the Group's financial statements, the effectiveness of internal control and the independence and objectivity of the internal and external auditors.
- **Group Risk Committee** The purpose of the Committee is to assist the Board in fulfilling its responsibilities in relation to the oversight of risk within the Group and to provide advice in relation to current and potential future risk exposures of the Group. This includes reviewing the Group's risk appetite and risk profile and assessing the effectiveness of the Group's risk management framework.

- **Group Remuneration Committee** Responsible for determining and approving the framework of the remuneration policy for the Group and its subsidiaries and specifically to manage Executive Director remuneration and the remuneration of other designated senior managers.
- **Group Nominations Committee** Responsible for leading the process for new appointments to the Group Board and for keeping under review the structure, size and composition of the Board.
- **Group Governance Committee** Responsible for overseeing and monitoring the Group's corporate governance framework and ensuring compliance with the UK Corporate Governance Code while promoting the highest standards of corporate governance across the Group.

The minutes of each of the Committees (with the exception of the Group Remuneration Committee) are submitted to the Group Board for information after each meeting and the Chairs of the Committees provide verbal updates to the Board on key items of business discussed, decisions taken and recommendations to the Board.

The Group Chief Executive delegates day-to-day operations and decision making in the following way:

- to the Group Capital Committee, which has a group-wide remit and joint decision-making responsibility in relation to certain capital allocation decisions for new product lines, large transactions and capital investments, M&A transactions and other material group-wide capital management and allocation matters that may arise; and
- to individuals, being the Group CEO's direct reports and heads of the Group's business divisions.

Each of the heads of the Group's business divisions then onward delegate to their direct reports the matters for which they have decision-making responsibility in relation to their area.

Each individual's schedule of delegated authorities operates in conjunction with their job description and relevant Risk and Capital Mandate. The Risk and Capital Mandates set the parameters of acceptable risk taking as regards the Group's core product lines and investment risk.

The diagrams in Annex 2 illustrate the Group's Governance framework.

B.1.3 INSURANCE COMPANY SUBSIDIARY GOVERNANCE

The following Legal & General entities are classed as Solvency II regulated insurance companies:

- Legal and General Assurance Society Limited (LGAS)
- Legal & General Insurance Limited (LGIL)
- Legal & General Insurance (Pensions Management) Limited (PMC)

The Legal and General Assurance Society Limited is the regulated entity through which the majority of the Group's individual and group insurance, pensions and annuities business is executed. The Board of the Legal and General Assurance Society Limited reports into the Group Board and the minutes of the Legal and General Assurance Society Limited Board meetings are submitted to the Group Board following each meeting.

Legal & General Insurance Limited is a direct subsidiary of the Legal and General Assurance Society Limited. The Board of Legal & General Insurance Limited reports in to the Legal and General Assurance Society Limited Board via the submission of minutes for noting following each meeting. To the extent material issues arise in relation to the business of Legal & General Insurance Limited, the Group Board has line of sight of these through the Legal and General Assurance Society Limited.

PMC manages pooled investment funds of third-party pension scheme assets. The Board of PMC reports in to Legal & General Investment Management (Holdings) Limited (LGIMH) and its minutes are submitted to the LGIMH Board for noting following each meeting. To the extent material issues arise in relation to the business of PMC, the Group Board has line of sight of these through LGIMH, the minutes of which are submitted to the Group Board following each meeting.

The sale of Legal & General Nederland Levensversekering Maatschappij was completed in April 2017.

Each entity delegates responsibility for setting and delivering strategy and day-to-day operational matters to the Group CEO subject to the authority delegated to the Group CEO by the Group Board. The Group CEO onwards delegates to the heads of the Group's business divisions.

Oversight of risk management, audit and remuneration responsibilities for these entities is provided by the Group Board committees, being the Group Risk Committee, Group Remuneration Committee and the Group Audit Committee.

B.1.4 REMUNERATION POLICY AND PRACTICES

B.1.4.1 PRINCIPLES OF THE REMUNERATION POLICY

Remuneration policy is consistent across the Group. In line with our remuneration principles, it is designed to reward, motivate and retain high performers in line with the risk appetite of the Group. The Group operates bespoke bonus plans where appropriate. However, the Remuneration Committee has ultimate discretion over all bonus plans.

Bonuses above a certain threshold are subject to deferral with the deferral amount increasing with the size of the bonus.

A summary of the remuneration structure for employees is shown below.

Base salary

The Group aims to attract and retain key employees by paying salaries which deliver competitive total remuneration. Factors taken into account when determining salaries include:

- The nature, size and scope of the role
- The knowledge, skills and experience of the individual
- Individual and overall business performance
- Pay and conditions elsewhere in the Group
- Appropriate external market data

Salary levels for all employees are reviewed on an annual basis taking into account the above factors. However, this does not mean a flat increase annually for all employees.

Annual bonus

The majority of employees participate in a discretionary bonus plan, unless an alternative plan applies based on role. An employee will be considered for a discretionary bonus award based on achievement against objectives, conduct and behaviours, the role performed during that year and internal relativities.
Variable pay awards are set to ensure an appropriate balance between fixed and variable pay, and are designed to reward performance at the individual, business division, and overall Group levels

Performance Share Plan (PSP)	Participation in the PSP is offered to a small number of senior executives each year in recognition of the strategic and influential role that they hold in terms of driving company performance, as well as their individual contribution. Participation in the plan for one year does not guarantee participation in future years. Where appropriate, grants under the PSP may also be made for new employees who join the Group during the year in key roles.
Other share plans and long-term incentives	The Group operates a Share Bonus Plan (SBP) which provides the vehicle for deferral of annual bonuses in the majority of cases and also allows for a limited number of awards of shares to high potential individuals and those with critical skills. In addition, the Group operates a cash-based long-term incentive plan for LGIM (LGIM LTIP) based on the financial performance of the division. Participation in the LGIM LTIP is limited to senior managers within the division.
Non-executive Directors (NEDs)	Fees for the Chairman and NEDs are set at an appropriate level to reflect the time commitment required to fulfil the role, the responsibilities and duties of the positions, and typical practice in the FTSE 100 and amongst other financial institutions.

Further details on the remuneration policy can be found in the Directors' Remuneration Report of the Legal & General Group plc Annual Report & Accounts.

B.1.4.2 PERFORMANCE CRITERIA FOR REMUNERATION

Annual incentives are designed to reward financial and non-financial performance that supports the business strategy, taking into account the Group's risk appetite and personal contribution in the business context that it was delivered. Targets are specific, measurable, set at the beginning of the year and communicated to employees.

For Code Staff in the control functions (internal audit, regulatory compliance and risk), separate performance measures have been designed which exclude any direct linkage to financial performance. Code Staff is a category of role defined under various applicable European Directives (CRDIII & IV, AIFMD, UCITS V, and Solvency II). The name is taken from the FCA's Remuneration Code that interprets and applies these Directives for the UK. Broadly, Code Staff includes roles that are considered to have the authority to take risks that could directly, or indirectly, affect one or more firms within the Group and its investors

Individual performance assessment is supported by a structured performance management framework. In reviewing an individual's performance against their objectives, the individual's approach to risk management (including environmental, social or governance risks) is considered when determining the overall level of bonus pay out. The bonus policy allows for zero bonus payments to be made when appropriate.

Deferred bonus

Under the group-wide deferral arrangements a significant proportion of the annual bonus for senior employees is deferred into group shares over a three-year period. The purpose of the deferral plan is to promote the sustainable long-term performance of the Group and to align the interests of our senior management with our shareholders.

Deferred awards for senior employees may be subject to forfeiture if the performance which led to a bonus being paid is found to be incorrect or in the event of personal misconduct. From 2015 onwards, annual incentive awards (including any deferred element) are subject to malus and clawback for material risk takers.

Long-term incentives

The Group provides long-term incentives which link reward with the long-term success and growth in value of Legal & General. Long-term incentive awards for most group staff are conditional on the satisfaction of total shareholder return (TSR), dividends per share, earnings per share and return on equity performance conditions which clearly aligns reward to the interests of shareholders and provides a degree of risk management (TSR reflects both underlying financial performance and the market's assessment of the quality and sustainability of those earnings).

The Remuneration Committee may exercise its discretion to scale back the vesting of awards if it was felt that the Group's financial performance did not justify the level of vesting (the Committee may not increase the award). The parameters which the Committee uses in making this assessment include market share, partnerships entered into and maintained, cost constraint, capital management, risk and shareholder perception.

Awards under the Group long-term incentive plan are subject to malus and clawback provisions.

B.1.4.3 SUPPLEMENTARY PENSION OR EARLY RETIREMENT SCHEMES

All employees in the UK have the opportunity to participate in a defined contribution pension plan, or receive a cash allowance in lieu of pension, or receive a combination thereof.

There are no supplementary or early retirement schemes.

B.1.5 MATERIAL TRANSACTIONS

There were no material transactions between key management personnel and the Legal & General group of companies during the period. All transactions between the Group and its key management personnel are on commercial terms which are no more favourable than those available to employees in general. Contributions to the post-employment defined benefit plans were £93m (2016: £75m) for all employees.

B.1.6 SOLVENCY II KEY FUNCTIONS

The Solvency II key functions within the Group's overall system of governance are the Risk Management and Compliance functions led by the Group Chief Risk Officer; the Internal Audit function led by the Group Chief Internal Auditor; and the Actuarial function, led by the Chief Actuary. The functions operate independently from the business line with the activities of the Risk-Management and Compliance function being mandated by the Group Board's Risk Committee and the Group Board Audit Committee establishing the role of the Group Internal Audit function through a formal Audit Charter. The Chief Actuary has the authority of the Board to report on those matters defined by legislation and regulation. The overall resourcing and effectiveness of the Risk Management, Compliance functions, and Actuarial Functions are assessed through a combination of Internal Audit review activity and by the governance forums to which the functions report. The effectiveness of the Internal Audit function is considered by the Group Board Audit Committee which may periodically seek independent external assurance. Further information on the Internal Audit function is contained in section B.5, and the Actuarial Function in section B.6.

Risk management and Solvency II compliance

The Group Chief Risk Officer (Group CRO) leads the Risk Management function, including the Solvency II Compliance function. The Group CRO reports functionally to the Chair of the Group Risk

Committee. Administratively, the Group CRO reports to the Group Chief Executive Officer. The Risk Management function is aligned to the divisional structure, with each division having their own risk management functions. The Group CRO is:

- Independent of the business line, with an independent reporting line to the Chair of the Group Risk Committee
- A provider of objective advice and guidance, oversight and challenge for all of the Group's risks
- Involved, where appropriate, in all material decisions to influence and provide objective challenge (e.g. products, pricing, projects, strategy, etc)

The Group CRO has a right to be heard in the setting of business strategy, product approval and capital planning activities, and may request revision to business proposals that may otherwise result in the Group operating outside agreed risk appetite. The Group CRO has authority to set and further refine risk limits within the parameters of the risk appetite agreed by the Group Risk Committee. The Group CRO has the right of escalation to the Group Risk Committee on any appropriate matters as they see fit.

Further detail is disclosed on Internal Audit in section B5, and the Actuarial function in B6.

B.2 FIT AND PROPER REQUIREMENTS

B.2.1 APPLICATION OF THE POLICY

The Group has in place a fit and proper policy, the purpose of which is to set out the procedures required by regulated firms within the Legal & General Group to assess the fitness and propriety of individuals who run these undertakings or who hold other key functions in them.

B.2.2 KEY REQUIREMENTS

In summary the policy requires that each insurance regulated entity shall establish, implement and maintain documented policies and adequate procedures to ensure that all persons who are responsible for running the entity or who are responsible for other key functions are at all times fit and proper.

The assessment of fitness and propriety covers the following factors:

- Honesty, integrity and reputation
- Competence and capability
- Financial soundness

B.2.2.1 LEGAL & GENERAL ASSESSMENT PROCEDURES

In support of the Group policy, defined processes are in place to ensure that the fitness and propriety of applicants is carefully considered before an application to the regulators to grant approval is submitted. An assessment will also be made before a notification is made to the regulators in relation to the appointment of a key function holder.

The Group will not support an application for approval or a notification if it is believed that the candidate fails to meet any element of the fit and proper test.

Each application will be looked at on its own merits, on a case-by-case basis, but the following principle generally applies to all applications:

- Has the candidate been open and honest with Legal & General and disclosed all relevant matters

If the candidate has disclosed any incidents pertaining to their fitness and propriety, the following will be considered:

- The seriousness of the issue and the relevance to the specific role applied for
- The passage of time since the incident occurred
- Whether the issue relates to an isolated incident or whether there is a pattern of adverse behaviour

Fit and proper assessment criteria have been developed and each application will be considered against these criteria, regardless of the current approved status of the individual.

The criteria are:

- knowledge – does the individual have generic knowledge of the industry sector and specific knowledge of the firm;
- qualifications – does the individual have prerequisite or supporting relevant qualifications;
- skills – does the individual demonstrate the appropriate level of business and interpersonal skills;
- behaviour – does the individual demonstrate the appropriate attitudes and standards of ethical behaviour; and
- expertise – does the individual achieve positive and fair outcomes and meet performance standards expected of the post.

The assessment criteria are also relevant in assessing the continuing fitness and propriety of approved persons.

B.2.2.2 MAINTAINING FITNESS AND PROPRIETY

From time to time, individuals will be required to certify that there has been no change to the information provided at the point of approval and consequently, the fitness and propriety status is unchanged.

The Group's Policies and Procedures place an obligation on approved persons to notify the Group Conduct Risk and HR Director in the event of any pending or actual criminal, civil or other disciplinary charges, judgements, petitions for bankruptcy, or other actions or disciplinary measures whatsoever, against them or any entity, body or other entity with which he/she is, or has been associated.

Should such a notification occur, the Group will assess the information to decide whether the individual remains fit and proper. If the assessment ultimately concludes that the individual can no longer remain as an approved person, a notification will be made to the regulators in line with the regulatory requirements.

The Group's performance management process is the primary mechanism for tracking on-going competency and the Group will take appropriate steps to monitor an individual's financial soundness on an on-going basis.

B.3 RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT (ORSA)

B.3.1 RISK MANAGEMENT SYSTEM

Legal & General deploys a 'three lines of defence' risk governance model, whereby:

- business divisions are responsible for risk taking within the parameters of our risk appetite and accountable for managing risks in line with our risk policies;

- risk functions led by the Group Chief Risk Officer (Group CRO) provide objective challenge and guidance on risk matters; with
- Group Internal Audit providing independent assurance on the effectiveness of business risk management and the overall operation of the risk framework.

Understanding the risks that we may be exposed to and deploying strategies to ensure residual exposures remain within acceptable parameters is an integral part of our business. We seek to deeply embed the necessary capabilities to assess and price for those risks that we believe offer sustainable returns within each of our operating businesses; as well as ensuring the skill sets to closely manage those risk factors which could otherwise lead to unexpected outcomes. Our risk management framework supports informed risk taking by our businesses, setting out those rewarded risks for which we accept exposure; and the risks that we want to avoid; together with risk limits and standards of internal control to ensure exposures remain within our overall risk appetite.

B.3.1.1 RISK APPETITE

The Group's risk appetite statement sets out our overall attitude to risk, and the ranges and limits of acceptable risk taking. The Group Board's Risk Committee leads an annual review of the Group's risk appetite, assessing the continued appropriateness of our key measures and tolerances relative to the risk exposures of the Group. Additionally, as part of the annual planning cycle, assessment is made of the level of risk taking proposed in the Group plan and the capacity for risk taking within the overall appetite framework.

The Group's risk appetite is approved by the Group Board on the recommendation of the Group Risk Committee and the Group Chief Executive. The regular management information received by Group Board and Group Risk Committee includes the Group's risk appetite dashboard setting out actual positions relative to the key targets and limits set in our risk appetite.

B.3.1.2 RISK TAKING AUTHORITIES

The parameters of acceptable risk taking defined within the Group's risk appetite are cascaded to business managers through 'Risk and Capital Mandates', empowering managers to make decisions that are consistent with appetite for risk.

Mandates articulate the product types and features that may be written; the asset classes that may be held; the target capital positions and ranges of earnings volatility within which the overall profile of risks should be managed; and tolerances for specific risk exposures. Activities that would result in a business operating outside agreed parameters require formal approval.

B.3.1.3 RISK POLICIES

Risk control

We set formal policies for the management of market, insurance, credit, liquidity and operational risks. The policies specify our overall strategies for ensuring each risk type is managed in line with our risk appetite and the minimum control standards that should be applied in managing our significant risk exposures.

Risk mitigation

We deploy a range of risk management techniques to manage and mitigate risks, so as to control risk exposures in line with our risk limits. For example, we use derivative instruments to hedge unrewarded risks as part of our asset liability management activity; and reinsurance programmes to transfer significant aggregations and concentrations of insurance risk exposures. Our framework of controls includes documented underwriting policies and structured delegated pricing and underwriting authorities. It also includes investment policies which take into account the nature of our liabilities, guarantees and other embedded options given to policyholders.

B.3.1.4 RISK IDENTIFICATION AND ASSESSMENT

Review process

We operate a risk identification and assessment process under which all our businesses regularly consider changes in the profile of existing and emerging risks. The assessment process evaluates the risks that are inherent in our products as well as those that are presented from changes in the environments that we operate in.

Own Risk and Solvency Assessment (ORSA)

Our risk identification and assessment process forms part of our broader 'own risk and solvency assessment'[2] (ORSA) process, our on-going assessment of the risks to which the Group is exposed and an evaluation of the sufficiency of resources to sustain the business strategy over the horizon of the Group plan.

B.3.1.5 RISK MANAGEMENT INFORMATION

Our risk management information framework is structured to report and support the review of on-going and emerging risks and assess actual risk positions relative to the risk limits and targets that we set.

B.3.1.6 RISK OVERSIGHT

The Group CRO, who is independent of the business line, supports the Group Board and its Risk Committee in articulating acceptable risk taking and ensuring the effective operation of our risk and capital framework. This includes on-going assessment of the Group's capital requirements to confirm that they meet regulatory solvency requirements.

The Group CRO also provides objective challenge and guidance on a range of risk matters to business managers, including the risks implicit in product developments, business transactions and new asset classes, and strategies for managing risks in line with the Group's overall risk appetite.

B.3.1.7 RISK COMMITTEES

The Group Board has ultimate responsibility for the Group's risk management framework. The Group Board's Risk Committee supported by the Group CRO, serves as the focal point for risk management activities. Details of the operation of the Group Risk Committee are set out in the Legal & General Group Plc Annual Report & Accounts.

Beneath the Group Risk Committee is a structure of formal risk oversight committees providing more focused review and challenge of specific risks to the Group, and reviewing the effectiveness of frameworks in place to manage those risks.

The Group Board:

- Owns the overall Risk Management framework
- Owns the Group's risk appetite statements
- Is the ultimate owner of the Group's regulatory relationships

The Group Risk Committee ensures the effectiveness of the overall risk management system and recommends to the Group Board material changes in risk appetite.

[2] Also known as the forward-looking assessment of own risks.

The Executive Directors are accountable for:

- The implementation and operation of the risk management system
- Identifying, measuring, managing, monitoring and reporting risks within the business
- Ensuring all business decisions are informed by risk-based measures by reference to the agreed risk appetite statements wherever appropriate
- Ensuring appropriate risk taking and risk assurance resources are in place

The Group CRO leads the risk management function which provides the second line of defence across the Group.

Group Internal Audit provides the third line of defence across the Group. It provides assurance to the Group Audit Committee, Executive Directors and risk management function that the design and operation of the risk management system is appropriate for all risk types.

B.3.2 OWN RISK AND SOLVENCY ASSESSMENT (ORSA)

The purposes of the Own Risk and Solvency Assessment (ORSA) are to assess our risks and to evaluate whether we have sufficient financial resources to sustain the business strategy over the plan horizon across a range of scenarios. The Group ORSA process covers each EU regulated insurer and the whole Group, including non-EU entities and non-insurance entities.

The ORSA process brings together, and is integrated with the business as usual risk and capital management processes by which we identify, assess, monitor and measure our risks, review our business against risk appetite and tolerances and project the solvency position over the business plan. The ORSA cycle is aligned with the strategic and business planning process so that the key elements can interact and inform forward-looking decision-making.

The Group Board is active in the ORSA and risk and capital management processes during the year. The ORSA policy was last reviewed by the Group Risk Committee (GRC) on behalf of the Group Board in July 2017. The last Group ORSA report was approved by the Group Board in February 2018.

Integration of Group and subsidiary ORSA processes

The Group is managed on a divisional basis. As such, ORSA (i.e. risk and capital management) responsibilities follow the Group's divisional management structure. Regular ORSA processes are aligned with the strategic and business planning process, with various Group functions coordinating and/or aggregating and divisions providing key ORSA inputs in line with the plan timetable.

In line with previous ORSAs and our PRA waiver, the Group and LGAS ORSA report is a single document. This reflects the involvement of LGAS in most of the Group's businesses. Other insurance entities produce a solo ORSA (or equivalent) report.

The core stages to the Group's ORSA process are as follows:

- Q1, review ORSA framework & policy along with lessons learn and feedback from the Group Risk Committee from the previous ORSA cycle
- Q2, stress and scenario tests determined and recommended in order to provide divisions with sufficient time to model the results of these tests.
- Q3, projections of capital requirements as part of the annual planning process ; stress and scenario testing results inform the review of the plan
- Q4, formal ORSA reporting, including the CRO's review of the Plan and ORSA reports

Throughout the year, Group monitors its performance against the current plan as well as monitoring risk and capital management information (MI).

B.3.3 GOVERNANCE OF THE INTERNAL MODEL

The Group Board is ultimately responsible for ensuring the continuous appropriateness of the design and operation of the Group's partial internal model (the Internal Model). This responsibility is discharged through the Group Risk Committee, whilst the Group Internal Model Committee (GIMC) oversees Internal Model activities.

The overall appropriateness and effectiveness of the Internal Model depends upon the effective operation of the Group's established internal control system.

First line business management are responsible for implementing adequate and effective controls over the Internal Model as well as the Group's material product risk exposures, with the on-going application and effectiveness of these overseen by second line group and divisional risk teams and by Group Internal Audit in the third line of defence. Material concerns are escalated to operational and senior management for resolution. The status of remediation activity is monitored by group and divisional risk teams, with significant issues escalated to the GIMC and where necessary to the Group Risk Committee.

This approach has ensured the implementation of adequate controls over the on-going appropriateness of the design and operation of the Internal Model, and these controls are subject to effective governance and oversight.

The Group Internal Model Governance Policy sets out the governance framework in place for the Group's partial Internal Model designed to mitigate model risk. This complements the Group's existing system of governance, highlighting specific requirements in respect of the Internal Model to ensure that it operates properly on a continuous basis, including ensuring that controls relating to the Internal Model are implemented in accordance with the Group Internal Control Policy and are adequate and effective at all times.

The Internal Model governance framework is outlined in the table below:

Board/Committee	Responsibilities
Group Board	Ensuring the on-going appropriateness of the design and operation of the Internal Model. This responsibility is discharged through the Group Risk Committee, subject to certain matters being reserved for its direct attention.
Legal entity boards	Ensuring the on-going appropriateness of the design and operation of their parts of the Internal Model; discharged by use and challenge of the model in decision making; ensuring that the model's scope remains appropriate; and ensuring that appropriate validation is performed.
Group Risk Committee (GRC)	Monitoring the performance and appropriateness of the Internal Model, including ensuring that related controls are adequate, effective, and implemented in line with the Group's Internal Control Policy. Primarily, the Group Risk Committee discharges these responsibilities through acting on the receipt of recommendations, analysis and reports from the Group CRO team and the GIMC.
Group Internal Model Committee (GIMC)	Overseeing the design, development and operation of the Internal Model to ensure that it operates as expected on a continuous basis to meet the Group's regulatory and economic requirements for risk-based capital management. This includes reviewing the effectiveness of internal controls as they relate to the Internal Model through the receipt of relevant reports and MI.

B.3.3.1 INTERNAL MODEL CONTROLS

First line business divisions are responsible for operating a robust control framework to manage exposures and mitigate unacceptable outcomes (per the Group's risk appetite), including the implementation of robust controls to mitigate key risks associated with processes they are responsible for, and to ensure that these are regularly reviewed and remain fit for purpose. Day-to-day responsibility for ensuring that robust internal controls are in place and are operating effectively over

Internal Model related processes is delegated to Internal Model Controllers (IMCs). IMCs provide first line management coverage of the Internal Model across all relevant legal entities and business divisions. Key responsibilities include ensuring compliance of their area with the requirements of the Group Internal Model Governance Policy and Group Internal Control Policy.

Oversight of the internal control system is provided by the Group Risk and divisional risk teams.

B.3.3.1.1 CHANGES OVER THE REPORTING PERIOD

There were no significant changes over the reporting period.

B.3.3.1.2 INTERNAL MODEL VALIDATION

The Group validation policy and associated standards define the Group's validation framework, and capture the requirements of the PRA Rulebook and relevant EU regulations. The framework requires an annual validation cycle for the Group's partial internal model (the Internal Model). This has been performed as part of the production of the SCR as at 31 December 2017. The objective is to produce a robust, proportionate and demonstrably complete approach to validation overseen by the Group Chief Risk Officer.

There is an annual assessment of which aspects of the Internal Model must be independently validated. Independent validation is carried out mainly by the second line, sometimes by a first line team from a different business division, or sometimes by an external party. Independent validators must demonstrate how independence is met and state any limitations on independence.

Requirements for each annual cycle are specified in the Validation Terms of Reference. Respective validators outline approach, activities, tools and aspects of the model in Validation Work Programmes. The results, conclusions and consequences including remediation are detailed in independent validation reports or validation reports prepared by the first line. These are presented to GIMC for approval.

Validation activity

Internal Model validation activity for the reporting period covered the whole of the Internal Model. The level of validation undertaken was consistent with the level of risk incurred. Independent validation was performed on those areas identified as most material to the Internal Model's operation and results. The outputs are validation reports, highlighting key findings, strengths, weaknesses, limitations and remediation actions.

B.4 INTERNAL CONTROL SYSTEM

The Group's internal control policy requires that each division's internal control system shall at least include administrative and accounting procedures, an internal control framework, appropriate reporting arrangements at all levels of the undertaking and a compliance function.

The Group's internal control framework seeks to ensure that:

- An organisational structure is defined, with clarity of roles, responsibilities and reporting lines
- Appropriate management information and reporting processes are defined
- Frameworks for decision making (including the delegation of authority) are articulated
- Clear segregation of duties is in place
- Conflicts of interest are managed
- Administrative and accounting procedures are aligned with group requirements
- Personnel have sufficient skills, knowledge and expertise to discharge their responsibilities (including those relating to the regulatory environment)

- Adequate and orderly records of business are maintained
- The security of customer data and other internal records is ensured
- Business procedures combat financial crime
- Processes are in place to deal with policyholder claims and complaints
- The integrity of manual and computerised business systems is ensured
- Processes ensure assessment of the possible impact of any changes in the legal environment

The Group's principal subsidiary operating boards and the Group Audit Committee oversee the adequacy and effectiveness of the internal control framework, primarily through the receipt of assurances in support of the UK Corporate Governance Code, and reports from Group Internal Audit, external auditors, and risk teams in the second line of defence.

B.4.1 SOLVENCY II COMPLIANCE FUNCTION

The Group has defined the Solvency II compliance function as being responsible for:

- advising the Group Board and its sub-committees on compliance with the requirements of the Solvency II Directive[3] and its associated laws, regulations and administrative provisions;
- advising the Group Board on the possible impact of any changes in the legal environment on operations of the undertaking concerned and the identification and assessment of compliance risk;
- developing and managing the Group's Solvency II Compliance Policy, which inter alia sets out the responsibilities, competencies and reporting duties of the (Solvency II) compliance function; and
- establishing and operating the Group's Solvency II Compliance Plan that details the activities the function will undertake in relation to compliance risk.

The Group has defined the Group Chief Risk Officer role as the functional head of Solvency II Compliance at the Group level, with the Risk, Actuarial, Group Finance and HR functions delivering activities in support of the Solvency II group level compliance function.

The Group's Solvency II Compliance Plan is defined as the review activities performed by the compliance function to support it in advising the Group Board and its sub-committees on compliance in relation to Solvency II matters.

B.5 INTERNAL AUDIT FUNCTION

Group Internal Audit (GIA) is an independent and objective assurance and advisory function whose primary role is to support the Group Board and Executive Management in the protection of the assets, reputation and sustainability of the Group.

GIA also supports Group Executive Management in accomplishing business objectives by adopting a systematic and disciplined approach to the evaluation and improvement of the design and effectiveness of the Group's risk management, control and governance processes.

Group Internal Audit carries out:

- independent reviews and audits of the controls mitigating the key risks in all areas of the business, prioritised according to the relative risk of each assignment as determined by the Group Chief Internal Auditor in conjunction with senior management;
- reviews of major business change initiatives; and
- reviews of the risk management and internal control processes GIA is responsible for the development of an internal audit plan, with a corresponding delivery timetable and budget. The plan typically details proposed audits over the next twelve months. GIA reviews the plan

[3] Directive 2009/138/EC of the European Parliament.

regularly and advises the Board of any material alterations to it. Any impact of resource limitations and significant interim changes are communicated promptly to the Board.

The Internal Audit plan is developed using a risk-based methodology, including input from senior management. Any significant deviation from the approved internal audit plan is communicated through the activity reporting process.

Internal control objectives considered by Group Internal Audit include:

- Effectiveness of design and operation of processes and their actual outcomes, assessed against the Group's established values, ethics, risk appetite and policies;
- The appropriateness of the organisation's risk and control culture, including the attitude and approach taken by all levels of management to risk management and internal control
- Efficiency of operations, and use of resources;
- compliance with policies, plans, procedures, laws and regulations;
- reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information; and
- safeguarding of assets.

The Group Chief Internal Auditor reports functionally to the Chair of the Group Audit Committee and administratively to the Group Chief Executive Officer.

The Internal Audit activity remains free from interference by anyone within the Group. This includes the choice of business areas to audit, procedures, frequency, timing, or the content of the Group Internal Audit reports. This ensures that the Group Internal Audit can maintain a necessary independent and objective perspective.

Internal auditors have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditors' judgement.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and will not lose their objectivity when forming judgements.

The Group Chief Internal Auditor confirms to the Group Audit Committee, at least annually, the organisational independence of Internal Audit activity.

B.6 ACTUARIAL FUNCTION

The actuarial function is split along legal entity lines, with the principal operating subsidiaries having actuarial functions. Legal & General America (LGA) and Legal & General Reinsurance (LG Re) have their own actuarial team but are not EEA insurers. They are therefore supported by the Group Actuarial Function Team for their Solvency II reporting.

The Prudential Regulatory Authority PRA have specified that firms should appoint a Chief Actuary who should fulfil the role of Head of Actuarial Function (a role that is not required by the Directive) and hold the Chief Actuary role as set out under the Prudential Regulation Authority's (PRA) senior insurance managers regime. For Legal & General, actuarial functions (and Chief Actuaries) are required for LGAS, PMC and LGIL. Additionally a Group Chief Actuary is required for the Group Actuarial Function.

The Chief Actuary of each entity presents an annual report to their respective Boards summarising the activities of the actuarial function that:

- Supports compliance with the requirements on the calculation of the technical provisions (TPs)
- Provides the opinions on the underwriting policy and reinsurance arrangements
- Contributes to the effectiveness of the risk management systems more widely

These reports are shared with the Group Chief Actuary.

The requirements covering TP calculations were addressed through various activities, including, in particular, Actuarial Function review of divisional and entity level calculations and the membership of oversight committees. A number of reports during the year were provided to the Board on the data, models, methodologies, assumptions and results of the Solvency II TP calculations.

Oversight of underwriting and reassurance by the actuarial function were provided substantially through the membership of Divisional Pricing and Capital Committees. Business division reports were produced on underwriting and reassurance, and Actuarial Function reports providing an actuarial opinion on these areas were provided to the Boards during the year.

The Actuarial Function contributes to the effective implementation of the risk management system through various activities and the membership of a number of key divisional, entity and group Committees with risk and financial reporting responsibilities. Areas of focus, both within the responsibility of the risk function and more generally, with significant levels of Actuarial Function involvement include: the Internal Model and SCR; the ORSA; identifying, measuring and monitoring risks; Asset Liability Modelling (including Matching Adjustment and liquidity management); product pricing; financial reporting; business plans; and Part VII transfers.

The Chief Actuary has a right to be heard in the setting of business strategy, product approval and capital planning activities, and may request revision to business proposals that may otherwise conflict with the overall underwriting policy or the adequacy of reinsurance arrangements. The Group Chief Actuary has the right of escalation to the Group Risk Committee on any appropriate matters as he or she sees fit.

B.7 OUTSOURCING

The Group's Outsourcing and Essential Supplier Services Policy sets out the framework and minimum standards of control and governance that the Group expects to be applied in the management of risks associated with outsourced supplier service arrangements. The policy specifies that an activity should not be outsourced where it would materially impair the quality of the Group's system of governance; unduly increase the Group's exposure to operational risk; impair the ability of supervisory authorities to monitor the Group's compliance with its obligations; or undermine continuous and satisfactory service to the Group's policyholders.

The policy requires that for all outsourced arrangements a rigorous evaluation and supplier selection process is undertaken having regard for the financial stability, expertise, ability and capacity of the supplier to deliver the required service. The policy also specifies that a written contract must be in place which includes: a service level agreement; the conditions under which the arrangement may be terminated; provisions for the orderly transition of services to another provider or the Group if the contract is terminated; a defined mechanism to resolve disputes arising out of or relating to the contract; appropriate contingency plans should the supplier be unable to provide the required service; and provision for the continued availability of any software upon which the Group is reliant. Contracts must also ensure access to the providers premises, business management and any data relating to the outsourced activity, by the Group's Internal Audit, Risk and Compliance functions, its external auditors and Supervisory Authorities; and appropriate warranties that Legal & General and client data is adequately protected against unauthorised access at all times. All outsourced arrangements must be managed under the direction of a named Legal & General relationship manager. The Risk Function maintains oversight of the management of outsourcing arrangements established by the first line business operations.

A number of the outsourcing arrangements used by the Group's insurance companies are considered to be essential to operations. These are:

Service providers	Entity	Goods/services	Jurisdiction
SunGard Availability Services (UK) Limited	LGAS, LGIL	Disaster recovery warm site	UK
IBM United Kingdom Limited	LGAS, LGIL	IT infrastructure and operations	UK
RR Donnelley Global Document Solutions Group Limited	LGAS, LGIL	Document printing and mailing	UK
Tata Consultancy Services Limited	LGAS, LGIL	IT application development	UK
Vodafone Ltd	LGAS, LGIL	Telephony and data connectivity services	UK
State Street Bank And Trust Company	LGAS	Fund pricing and valuations	UK

Insourcing is the use by one Group company of another Group company for the supply of business facilities or services. The Group's core insourced relationships are as follows:

- Investment management services provided by Legal & General Investment Management Limited (LGIM);
- Treasury services by Legal & General Finance Plc; and
- Employment, IT (through the Group's shared service IT function), and procurement services by Legal & General Resources Limited.

Legal & General Resources Limited is the main employment company for staff in the UK, and is also the company through which group-wide contracts for the supply of goods and services for Legal & General UK businesses are placed.

B.8 ANY OTHER INFORMATION

B.8.1 ADEQUACY OF THE SYSTEM OF GOVERNANCE

The Group Executive Risk Committee (a sub-committee of the Group Risk Committee) undertakes an annual review of the Group's risk management framework and broader system of governance to confirm its adequacy given the nature, scale and complexity of the risks inherent in its business. The most recent review was in February 2018, where the Committee concluded that the Group's risk framework aligns with the Group's key risk exposures, and operated effectively during 2017 in identifying material risk exposures.

B.8.2 ANY OTHER INFORMATION

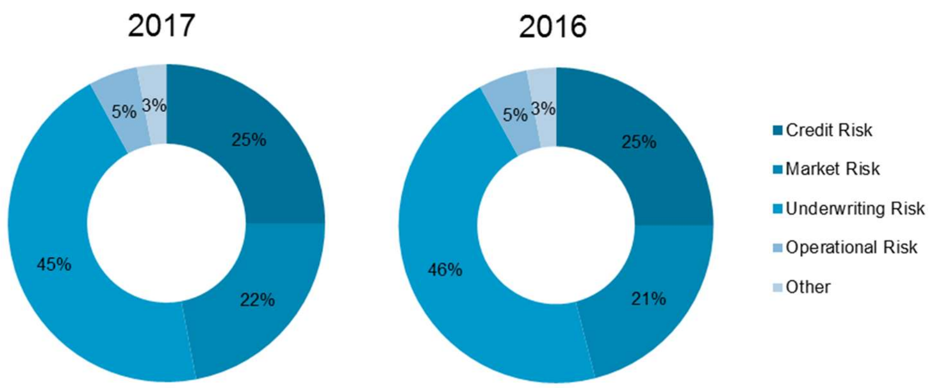
There were no significant events other than those covered above.

C. RISK PROFILE

MEASURES USED TO ASSESS RISKS

Our risk-based capital model (the Internal Model) seeks to provide a quantitative assessment of the Group's risk exposures. It forms part of the suite of tools that we use to evaluate our strategic plans, set risk appetite, allocate capital and evaluate product pricing. We also use our capital model to assess significant transactions, including large pension risk transfer deals. The key output from our capital model is the generation of capital requirements. We calibrate our model to a 99.5% value at risk confidence level over one year, equivalent to ensuring that we hold sufficient capital to survive our assessment of a worse case 1-in-200 year event. In terms of capital requirement, credit and insurance (longevity) risks remain our most significant risks. Market risk, which includes equity, property and interest rate risks, are also material risks for which we hold capital.

Below is the percentage breakdown of the Group's pre-diversified Solvency Capital Requirements by major risk categories:



The financial risks associated with LGIM's businesses are directly borne by the investors in its funds. Therefore detailed risk disclosures have not been presented.

PRUDENT PERSON PRINCIPLE

All investments held by insurance and reinsurance undertakings should be managed in accordance with the 'Prudent Person Principle'. The Prudent Person Principle requires companies to only invest in assets and instruments:

- whose risks can be properly identified, measured, monitored, managed, controlled and reported;
- that ensure the security, quality, liquidity and profitability of the portfolio as a whole;
- that are appropriate to the nature and duration of insurance and reinsurance liabilities; and
- that are in the best interest of policyholders and beneficiaries.

The Group risk appetite for credit and market risk is set in accordance with the Prudent Person Principle.

Group credit risk, market risk and asset liability matching policies define the Group's policy for the management of assets and the framework that supports its practical application, and have been defined in line with the Group risk appetite and the Prudent Person Principle. The policies are applicable to all entities in the Legal & General Group and any exemptions from the policy must be authorised by the Group CRO.

All divisions are required to invest their assets in line with Group policies. Compliance with the Group policies is monitored through the Group's risk framework described in Section B. System of Governance above. The following processes support the Group in ensuring it meets the Prudent Person Principle:

- Risk & Capital Mandates set out the parameters of acceptable risk taking; including the approach taken to ensuring investment decisions are made in accordance with the Prudent Person Principles;
- it is the responsibility of each business to ensure that adherence to the Risk and Capital Mandates are appropriately monitored with any exceptions escalated to the divisional risk committees and relevant Group committees; and
- the Group's Investment Management Risk Committee oversees the effectiveness of the overall framework for managing compliance with the Prudent Person Principles.

C.1 UNDERWRITING RISK

C.1.1 RISK EXPOSURE AND CONTROLS

The Group is exposed to underwriting (also known as insurance) risk as a consequence of offering the principal products outlined in Section A.1.2. Underwriting risk is the exposure to loss arising from experience being different to that anticipated. Detailed below are the principal underwriting risks to which the Group is exposed, presented by reference to the Group's business divisions, with associated mitigating activities:

UNDERWRITING RISK

Principal risks	Division	Control to mitigate the risk
Longevity, mortality & morbidity risks		
For contracts providing death benefits, higher mortality rates would lead to an increase in claims costs. The cost of health related claims depends on both the incidence of policyholders becoming ill and the duration over which they remain ill. Higher than expected incidence or duration would increase costs over the level currently assumed in the calculation of liabilities.	LGI	The pricing of protection business is based on assumptions as to future trends in mortality and morbidity having regard to past experience. Underwriting criteria are defined setting out the risks that are unacceptable and the terms for non-standard risks presented by the lives to be insured. Extensive use of reinsurance is made within the UK individual protection business, placing a proportion of all risks meeting prescribed criteria. Mortality and morbidity experience is compared to that assumed within the pricing basis with variances subject to actuarial investigation.
For savings contracts providing minimum assured death benefits, higher mortality rates may result in an increase in claims costs.	Savings[1]	The pricing basis for contracts providing minimum assured death benefits include provision for future trends in mortality based on past experience. The level of mortality risk accepted within each contract is not sufficiently material to warrant formal underwriting at an individual policy level.
Older contracts containing a basic guaranteed benefit expressed as an amount of pension payable or a guaranteed annuity option, expose the group to interest rate and longevity risk. The cost of guarantees increases during periods when interest rates are low or when annuitant mortality improves faster than expected.	Savings[1]	The ultimate cost of basic guarantees provided on older contracts will depend on the take up rate of any option and the final form of annuity selected by the policyholder. The group has limited ability to control the take up of these options. However, the book of business itself is diminishing in size. As at 31 December 2017 the value of guarantees is estimated to be £48m (31 December 2016: £59m).

Principal risks	Division	Controls to mitigate risk
Longevity, mortality & morbidity risks continued		
For annuity contracts, the group is exposed to the risk that mortality experience is lower than assumed. Lower than expected mortality would require payments to be made for longer and increase the cost of benefits provided. Lifetime mortgage business also explicitly has some exposure to the life expectancy of borrowers.	LGR	Annuity business is priced having regard to trends in improvements in future mortality. Enhanced annuities, which are priced taking account of impairments to life expectancy, are subject to specific underwriting criteria. Certain annuitant mortality risks, including enhanced annuities, are placed with reinsurers. The group regularly reviews its mortality experience and industry projections of longevity and adjusts the pricing and valuation assumptions accordingly. In pricing lifetime mortgage business, account is taken of trends in mortality rates in setting the amounts that are advanced to borrowers relative to the value of the property on which the loan is secured.
Persistency risk		
In the early years of a policy, lapses may result in a loss to the group, as the acquisition costs associated with the contract would not have been recovered from product margins.	LGI and Savings[1]	The pricing basis for protection business includes provision for policy lapses. Following the adoption of PS06/14 in 2006, the persistency assumption for non-participating protection business allows for the expected pattern of persistency, adjusted to incorporate a margin for adverse deviation. Actual trends in policy lapse rates are monitored with adverse trends being subject to actuarial investigation. For insured contracts, terms and conditions typically include surrender deductions to mitigate the risk. In later periods, once the acquisition costs have been recouped, the effect of lapses and surrenders depends upon the relationship between the exit benefit, if any, and the liability for that contract. Exit benefits are not generally guaranteed and the group has some discretion in determining the amount of the payment. As a result, the effect on profit in later periods is expected to be broadly neutral.
Expense risk		
In pricing long term insurance business, assumptions are made as to the future cost of product servicing. A significant adverse divergence in actual expenses experience could reduce product profitability.	LGR, LGI and Savings[1]	In determining pricing assumptions, account is taken of changes in price indices and the costs of employment, with stress testing used to evaluate the effect of significant deviations. Actual product servicing costs are monitored relative to the costs assumed with the product pricing basis, with variances investigated.
Concentration (catastrophe) risk		
Insurance risk may be concentrated in geographic regions, altering the risk profile of the group. The most significant exposure of this type arises for group protection business, where a single event could result in a large number of related claims.	LGI and General Insurance	Group protection business contracts include an 'event limit' capping the total liability under the policy from a single event. Excess of loss reinsurance further mitigates loss from the exposure. For general insurance business, the risk acceptance policy, terms and premiums reflect expected claims and cost associated with a location and avoids adverse selection. Additionally, exposure by location is monitored to ensure there is a geographic spread of risk. Catastrophe reinsurance cover also mitigates loss from concentrations of risk.
Epidemic (catastrophe) risk		
The spread of an epidemic could cause large aggregate claims across the group's portfolio of protection businesses.	LGI	The pricing basis for protection business includes an assessment of potential claims as a result of epidemic risks. Quota share and excess of loss reinsurance contracts are used by individual and group protection, respectively, to further mitigate the risk. Depending on the nature of an epidemic, mortality experience may lead to a reduction in the cost of claims for annuity business.

Principal risks	Division	Controls to mitigate risk
Weather events risk		
Significant weather events such as windstorms and coastal and river floods can lead to a higher instance of claims than anticipated.	General Insurance	The financial impacts of significant weather events are managed using excess of loss catastrophe treaties under which a portion of the costs of claims may be recovered from external insurers, although the group retains an element of the risk internally. The reinsurance is designed to provide financial protection against a modelled windstorm and coastal flood event with a return probability of 1 in 200 years.
Subsidence risk		
The incidence of subsidence can have a significant impact on the level of claims on household policies.	General Insurance	Underwriting criteria for general insurance business includes assessment of subsidence risk, with an appropriate premium being charged for the risk accepted in line with industry practice.

1. In December 2017, the group announced the sale of its Mature Savings business to Swiss Re. The sale is subject to regulatory approval and the Part VII transfer is expected to complete in 2019.

C.1.2 INSURANCE SPECIAL PURPOSE VEHICLES (SPVS)

The Group has no SPVs authorised under Article 211 of the Solvency II Directive.

C.1.3 RISK CONCENTRATION AND MANAGEMENT

There is limited potential for single incidents to give rise to a large number of claims across the different contract types written by the Group. In particular, there is little significant overlap between the long-term and short-term insurance business written by the Group. However, there are potentially material correlations of insurance risk with other types of risk exposure. The Group's capital model seeks to measure risk correlations particularly those that would tend to be more acute as the underlying risk scenarios become more extreme. An example of the accumulation of risk is the correlation between reinsurer counterparty risk with mortality and morbidity exposures.

While exposure to concentration risk is an inherent aspect of writing insurance business, we have limited appetite for the scale or frequency of events anticipated in product pricing materially diverging from expectations as a consequence of significant accumulations of exposure to a single event or counterparty. Where required, we will set limits on the aggregate values for individual lives that we will insure, and the minimum geographic spread of insurance business that we will accept. Reinsurance arrangements are also used to mitigate our risk.

Concentrations of risk are reported as part of the Group's risk monitoring and reporting framework. The risk management reports presented at divisional and group risk committees provide both qualitative and quantitative information on concentration risks, as well as on material risk drivers and mitigating actions taken where exposures are outside acceptable tolerances.

C.2 MARKET RISK

C.2.1 RISK EXPOSURE AND CONTROLS

The Group is exposed to market risk as a consequence of offering the principal products outlined in Section A.1.2. Market risk is the risk of adverse financial impact resulting, directly or indirectly, from fluctuations in interest rates, foreign currency exchange rates, equity indices and property prices. Market risk arises due to fluctuations in both the value of liabilities and the value of investments held.

Detailed below are the principal market risks to which the Group is exposed:

MARKET RISK

Principal risks	Division	Controls to mitigate the risk
Investment performance risk		
The Group is exposed to the risk that the income from, and value of, assets held to back insurance liabilities do not perform in line with investment and product pricing assumptions leading to a potential financial loss.	Annuities and Protection	Stochastic models are used to assess the impact of a range of future return scenarios on investment values and associated liabilities in order to determine optimum portfolios of invested assets. For immediate annuities, which are sensitive to interest rate risk, analysis of the liabilities is undertaken to create a portfolio of securities, the value of which changes in line with the value of liabilities when interest rates change.
The financial risk exposure for participating contracts is different from that for non-participating business. Greater emphasis is placed on investing to maximise future investment returns rather than matching assets to liabilities. This results in holding significant equity and property investments. Lower investment returns increase the costs associated with maturity and investment guarantees provided on these contracts.	With-profits[1]	These risks are managed by maintaining capital sufficient to cover the consequences of mismatch under a number of adverse scenarios. In addition, different investment strategies are followed for assets backing policyholder asset shares and assets backing other participating liabilities and surplus. The former include significant equity and property holdings, whilst the latter are invested largely in fixed interest securities. The assets held are managed so as to provide a partial hedge to movements in fixed interest yields and equity markets. The methodology used to calculate the liabilities for participating contracts makes allowance for the possibility of adverse changes in investment markets on a basis consistent with the market cost of hedging the guarantees provided. The methodology also makes allowance for the cost of future discretionary benefits, guarantees and options. The value of future discretionary benefits depends on the return achieved on assets backing these contracts. The asset mix varies with investment conditions reflecting the group's investment policy, which aims to optimise returns to policyholders over time whilst limiting capital requirements for this business.
For unit linked contracts, there is a risk of volatility in asset management fee income due to the impact of interest rate and market price movements on the fair value of the assets held in the linked funds, on which investment management fees are based. There is also the risk of expense over-runs should the market depress the level of charges which could be imposed.	Unit linked[1]	The risk is managed through maintaining a diversified range of funds in which customers may invest. The performance of linked investment funds relative to their investment objectives are subject to regular monitoring. Periodic assessment is also made of the long term profitability to the group of these funds. For some contracts the group has discretion over the level of management charges levied.
Property risk		
Lifetime mortgages include a no-negative equity guarantee which transfers an exposure to loss to the group as a result of low house price inflation and an exposure on specific properties which may underperform the general house price inflation for whatever reason.	Lifetime mortgages	To mitigate the risk, maximum loan to value ratios are set for all lending with further underwriting criteria setting out acceptable properties for lending purposes. Policy terms also require properties to be fully insured and maintained, including the right of inspection. Diversification of lending by property type and geographic region seek to control exposures to specific aspects of the property market.
Currency risk		
To diversify credit risk within the annuities business corporate bond portfolio, investments are held in corporate bonds denominated in non-Sterling currencies. LGC also invest in overseas assets. Fluctuations in the value of, or income from, these assets relative to liabilities denominated in Sterling could result in unforeseen loss.	Annuities and LGC	To mitigate the risk of loss from currency fluctuations, currency swaps and forwards are used to hedge exposures to corporate bonds denominated in currencies other than Sterling. Hedging arrangements are placed with strongly rated counterparties with collateral requirements being subject to regular review and reconciliation with the counterparties. In all cases, it is not possible to perfectly hedge currency risk, leading to some residual risk.

Principal risks	Product	Controls to mitigate the risk
Currency risk continued		
The consolidated international subsidiaries are revalued into Sterling potentially resulting in a loss to equity.	Group and LGC	
Inflation risk		
Inflation risk is the potential for loss as a result of relative or absolute changes in inflation rates. Annuity contracts may provide for future benefits to be paid taking account of changes in the level of inflation. Annuity contracts in payment may include an annual adjustment for movements in price indices.	Annuities	The investment strategy for annuities business takes explicit account of the effect of movements in price indices on contracted liabilities. Significant exposures that may adversely impact profitability are hedged using inflation sw aps. Annuity contracts also typically provide for a cap on the annual increase in inflation linked benefits in payment. It is not possible to perfectly hedge inflation risk linked w ith contracted liabilities, leading to some residual risk.
Interest Rate Risk		
Interest rate risk is the risk that the Group is exposed to low er returns or loss as a direct or indirect result of fluctuations in the value of, or income from, specific assets and liabilities arising from changes in underlying interest rates.	Annuities	To mitigate the risk that guarantees and commitments are not met, financial instruments are purchased, w hich broadly match the expected non-participating policy benefits payable, by their nature and term. The composition of the investment portfolio is governed by the nature of the insurance or savings liabilities, the expected rate of return applicable on each class of asset and the capital available to meet the price fluctuations for each asset class, relative to the liabilities they support.
The Group is exposed to interest rate risk on the investment portfolio it maintains to meet the obligations and commitments under its non-linked insurance and investment contracts, in that the proceeds from the assets may not be sufficient to meet the Group's obligations to policyholders. Additionally the Group is exposed to interest rate fluctuations on the repayments on variable rate debt issued by the Group.	Group and LGC	Asset liability matching significantly reduces the Group's exposure to interest rate risk. IFRS sensitivity to interest rate changes is included in Note 20 of the Group Annual Report and Accounts.

1. In December 2017, the group announced the sale of its Mature Savings business to Swiss Re. The sale is subject to regulatory approval and the Part VII transfer is expected to complete in 2019.

C.2.2 RISK CONCENTRATION AND MANAGEMENT

The Group holds a significant portfolio of investment assets to meet our obligations to policyholders. Investment classes include equities, bonds, properties and cash. Some exposure to concentration risk is an inherent aspect of operating significant portfolios of investment assets. However, we have limited appetite for the scale or frequency of events anticipated in investment management strategies materially diverging from expectations as a consequence of significant accumulations of exposure to a single event or counterparty. Where required, we will set limits on the maximum aggregate exposures to investment, banking and reassurance counterparties, sectors and geographies.

Concentrations of risk are reported as part of the Group's risk monitoring and reporting framework. The risk management reports presented at divisional and group risk committees provide both qualitative and quantitative information on concentration risks, as well as on material risk drivers and mitigating actions taken where exposures are outside acceptable tolerances.

C.3 CREDIT RISK

C.3.1 RISK EXPOSURE AND CONTROLS

The Group is exposed to credit risk as a consequence of offering the principal products outlined in Section A.1.2. . Credit risk is the risk of a financial loss as a result of the default or failure of third parties to meet their payment obligations to the Group, or variations in market values as a result of changes in expectations related to those risks. Detailed below are the principal credit risks to which the Company is exposed:

CREDIT RISK

Principal risks	Division	Controls to mitigate the risk
Bond default risk		
A significant portfolio of corporate bonds and commercial loans are held to back the liabilities arising from w riting general insurance and annuities business. Whilst the portfolio is diversified, the asset class is inherently exposed to the risk of issuer default, w ith financial loss.	Annuities, General Insurance, and LGI (US)	Portfolio level and specific issuer limits are set by financial strength rating, sector and geographic region so as to limit exposure from a default event. Issuer limits are regularly review ed to take account of changes in market conditions, sector performance and the re-assessment of financial strength by rating agencies and the groups ow n internal analysts. Exposures are monitored relative to limits. Financial instruments are also used to mitigate the impact of rating dow ngrades and defaults. If appropriate, actions are taken to trade out investments at risk of default.
Reinsurance counterparty risk		
Exposure to insurance risk is mitigated by ceding part of the risks assumed to the reinsurance market. Default of a reinsurer w ould require the business to be re-brokered potentially on less advantageous terms, or for the risks to be borne directly resulting in financial loss. Credit risk syndication also exposes the group to counterparty default risks w ith the group being required to carry an element of associated credit risk capital requirement on its balance sheet should the business not be re-brokered on the same	Protection, Annuities, General Insurance, and LGI (US)	When selecting new reinsurance partners for its protection business, the group considers only companies w hich have a minimum credit rating equivalent to A- from Standard & Poor's. For each reinsurer, exposure limits are determined based on credit ratings and projected exposure over the term of the treaty. Actual exposures are regularly monitored relative to these limits. Similarly, for longevity and credit risk syndication transactions, the Group targets the use of strongly rated counterparties and seeks to ensure that positions are fully collateralised. The adequacy and quality of collateral is subject to ongoing monitoring.
Property lending counterparty risk		
As part of our asset diversification strategy, w e hold property lending and sale and leaseback investments. We are inherently exposed to the risk of default by a borrow er or tenant.	Annuities and LGC	Each property lending and sale and leaseback investment transaction is subject to a due diligence process to assess the credit risks implicit in the transaction and confirm that any risk of default has been appropriately mitigated. We also protect our interests through taking security over the underlying property associated w ith the investment transaction.
Banking counterparty risk		
The group is exposed to potential financial loss should banks or the issuers of financial instruments default on their obligations to us. We are also exposed to counterparty risks in respect of the providers of settlement and custody services.	Group and LGC	The Group controls its exposures to banking counterparties and the issuers of financial instruments using a framew ork of counterparty limits. These limits take account of the relative financial strength of the counterparty as w ell as other exposures that the Group may have. Limits are subject to regular review w ith actual exposures monitored to limits. The group has defined criteria for the selection of custody and settlement services. The financial strength of providers is regularly review ed.

C.3.2 RISK CONCENTRATION AND MANAGEMENT

A significant portfolio of corporate bonds is held to back the liabilities arising from writing annuities and general insurance business. The Group can be exposed to concentrations of credit risk within the portfolio from events impacting a specific sector or geography or through concentrations of exposure to an individual counterparty. Accumulations of exposures to credit risk in relation to individual counterparties can also arise through holdings in cash, equities, bonds and property and through reinsurance and as a result of delegated premium collection arrangements.

The Group manages the credit concentration risk by setting quantitative limits on maximum exposures to counterparties. The Group Credit Risk Committee (GCRC) is responsible for reviewing the aggregate exposures for the Group and the extent to which specific limits are required for concentrations by counterparty, sector and geographic areas. Where exposures are identified as being outside acceptable ranges adjudicated by the Group Credit Risk Committee, it will initiate action with the relevant business firm(s) to manage the exposure.

C.4 LIQUIDITY RISK

C.4.1 RISK EXPOSURE AND CONTROLS

Liquidity and collateral risk is the risk that the Group, though solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can secure them only at excessive cost.

The Group's exposure to liquidity risk primarily arises from contingent events including pandemic mortality, weather events and timing difference of cash flows, such as claims due to policyholders and other operational cash flows. The Group is also exposed to 'collateral risk' under its derivatives contracts which could require the firm to post assets eligible as collateral on a short notice.

Detailed below are the principal liquidity risks to which the Group is exposed:

LIQUIDITY RISK

Principal risks	Product	Controls to mitigate the risk
Contingent Event Risk		
Events that result in liquidity risk may include a flu pandemic or natural disaster leading to significantly higher levels of claims than would normally be expected, or extreme events impacting the timing of cash flows or the ability to realise investments at a given value within a specified timeframe.	LGI, General Insurance and Group	The Group seeks to ensure that it meets its obligations as they fall due and avoids incurring material losses on forced asset sales in order to meet those obligations. A limited level of contingent liquidity risk is however an accepted element of writing insurance contracts. It is furthermore a consequence of the markets in which the group operates and the executions of investment management strategies. However, the Group's insurance businesses seek to maintain sufficient liquid assets and standby facilities to meet a prudent estimate of the cash outflows that may arise from contingent events. The level of required liquidity is identified using techniques including stress tests for shock events, with the profile of actual liquid assets being regularly compared to the required profile. The Group's treasury function provides formal facilities to other areas of the Group to cover contingent liquidity requirements arising from more extreme events and where investment assets may not be readily realisable.

Principal risks	Product	Controls to mitigate the risk
Collateral liquidity risk		
Within the annuities business, the use of financial instruments to hedge default, interest rate, currency and inflation risks can require the posting of collateral w ith counterparties at short notice.	LGR	Liquidity requirements to meet potential collateral calls under stressed conditions are actively managed and an appropriate pool of eligible assets specified in the agreements w ith counterparties is maintained. As at 31 December 2017, LGR held eligible collateral w orth four times the total amount of outstanding collateral (using the most representative definition of collateral contained w ithin the company's different collateral agreements).

Other risks	Product	Controls to mitigate the risk
Investment Liquidity Risk		
Within the w ith-profit fund, exposure to liquidity risk may arise if the profile of investment assets held to meet obligations to policyholders is not aligned w ith the maturity profile of policies, or the profile does not adequately take account of the rights of policyholders to exercise options or guarantees to specified early surrender terms or minimum rates of return.	Savings	Liquidity risk is managed ensuring that an appropriate proportion of the fund is held in cash or other readily realisable assets to meet each tranche of maturities and anticipated early w ithdraw als as they fall due. Where policyholders have discretion to require early payment of policy proceeds, contractual safeguards are in place to ensure that the fund and remaining policyholders are not disadvantaged should a material number of policyholders exercise this discretion.
Non-participating savings contracts are exposed to liquidity risk in that certain asset classes in w hich underlying funds invest, such as property, may not be readily realisable in certain market conditions, or only realisable at a diminution of value.	Savings	Liquidity risks associated w ith non-participating savings contracts are documented and communicated to customers w ithin product terms and conditions. The terms also highlight that for certain asset classes such as property, the Group retains the right to defer the processing of fund w ithdraw al requests for up to six months, should underlying assets need to be realised to meet payment requests.
Direct lending, sales and leaseback investments and lifetime mortgage business are inherently illiquid forms of investment, w ith limited secondary markets to realise the value of assets outside agreed redemption terms	LGR and LGC	Given the illiquid nature of the annuity and other liabilities the group is able and w illing to take advantage of the premium offered by illiquid assets. The Group, how ever, sets limits on the overall exposure to illiquid investment types taking account of the nature and type of liabilities that he assets are held to meet.

C.4.2 LIQUIDITY RISK MANAGEMENT

The Group does not seek exposure to liquidity risk as a part of its business model, but accepts that exposure to liquidity risk can arise as a consequence of the markets in which it operates, the products that it writes and through the execution of investment management strategies.

The group seeks to manage its funds and liquidity requirements on a pooled basis and to ensure the group maintains sufficient liquid assets and standby facilities to meet a prudent estimate of its net cash outflows. In addition, it ensures that, even under plausible but unlikely severe conditions, the group has access to the funds necessary to cover all outgoings such as surrenders, withdrawals and maturing liabilities.

Overall, the Group maintains sufficient funds for business-as-usual purposes. Furthermore, it seeks to ensure that exposures to liquidity risk which arise across the Group are effectively managed so that the firm is able to meet payment and collateral obligations under unlikely but plausible, extreme liquidity scenarios.

It is the Group’s policy that business divisions remain self-sufficient from a liquidity perspective by maintaining sufficient liquid assets and assessing the appropriateness of the composition of the assets in terms of their nature, duration and liquidity to meet obligations as they fall due. The business divisions also need to maintain sufficient eligible assets to meet collateral requirements that arise from their normal business conduct and under the two defined stressed scenarios. To the extent that a business division is not self-sufficient, it is required to have a committed credit facility (standby facility) with the Group Treasury function to cover the risk exposure.

As at 31 December 2017, the Group had £3.6bn (2016: £2.9bn) of cash and cash equivalents in shareholder funds and non-profit non-unit linked funds and a £1.0bn syndicated committed revolving credit facility in place, provided by a number of its key relationship banks, maturing in December 2022.

The primary sources of liquidity across the Group are cash and gilts. In addition, the Group has a committed revolving syndicated facility.

C.4.3 LIQUIDITY STRESS TESTING

The exposure to liquidity risk is measured by a liquidity coverage ratio (LCR) under the two prescribed liquidity stress scenarios. The main purpose of the model is to measure the compliance to the approved risk appetite defined in the Group Liquidity Risk Policy. As a Group standard the liquidity stress testing is performed monthly or more frequently if needed.

LCR is defined as total sources of liquidity divided by total liquidity requirements and is calculated separately for each business division, entity and Group Treasury.

The Group Treasury function works with the business divisions to ensure that, at a local and entity level, businesses have developed and implemented their own liquidity risk framework and models, based on the assumptions and processes set out by Group Treasury. The framework and assumptions are reviewed and reaffirmed annually.

C.4.4 EXPECTED PROFIT IN FUTURE PREMIUMS

The total amount of the expected profit included in future premiums (EPIFP) as calculated in accordance with Article 260(2) of the Solvency II Delegated Regulation was £2,501m as at 31 December 2017 (2016: £2,885m).

C.5 OPERATIONAL RISK

C.5.1 RISK EXPOSURE AND MANAGEMENT

Operational risk is defined as loss arising from inadequate or failed internal processes, people, systems or external events. Potential for exposure to operational risk extends to all the Group's businesses. The Group has constructed a framework of internal controls to minimise material loss from operational risk events recognising that no system of internal control can completely eliminate the risk of error, financial loss, fraudulent action, or reputational damage.

Mitigation techniques are deployed via the Group's internal control framework, which comprises the systems, processes and procedures that ensure business operations are conducted so as to meet our obligations to all stakeholders, comply with regulation and legislation, and minimise the risk of material error or fraud. We aim to implement effective controls (both preventative and detective) to reduce operational risk exposures, except where the costs of such controls exceed the expected benefits. We accept that no system of control will eliminate the risk of financial loss or reputational damage, and we expect all employees to report weaknesses and deficiencies as soon as they are identified.

A variety of sensitivity tests have been undertaken within the calibration of the operational risk SCR, including: using alternative distribution shapes for operational risk scenarios; applying different techniques to combine scenarios; and varying correlation assumptions. The sensitivity tests employed have identified no material concerns with the results of the standard calibration.

Dependency on a single supplier (both internal and external to the Group) to provide a product or service supporting a critical business function can give rise to concentrations of operational risk. Techniques deployed to mitigate this include business continuity and recovery plans in the event of a supplier failure, a defined mechanism to resolve disputes relating to a contract, and orderly exit and termination plans. Further details are provided in section B.7: Outsourcing.

C.6 OTHER MATERIAL RISKS

No other material risks have been identified.

C.7 ANY OTHER INFORMATION

C.7.1 SENSITIVITIES

As part of the ORSA process a range of stress tests are carried out. The following sensitivities are provided to give an indication of how the Group's Solvency II surplus as at 31 December 2017 would have changed in a variety of events. These are all independent stresses to a single risk. In practice, the balance sheet is impacted by combinations of stresses and the combined impact can be different from adding together the impacts of the same stresses in isolation. It is expected that, particularly for market risks, adverse stresses will happen together.

Risk	Description	Impact on net of tax capital surplus as at 31 December 2017[6] (£bn)	Impact on Solvency II coverage ratio as at 31 December 2017[6] (%)
CREDIT	Credit spreads widen by 100bps assuming a level addition to all ratings[1]	**0.4**	**9**
	Credit spreads widen by 100bps assuming an escalating addition to ratings[1,2]	**0.2**	**7**
	Credit spreads narrow by 100bps assuming a level addition to all ratings[1]	**(0.5)**	**(10)**
	Credit spreads narrow by 100bps assuming an escalating addition to ratings[1,2]	**(0.3)**	**(8)**
	Credit migration[3]	**(0.5)**	**(6)**
MARKET	15% fall in property markets	**(0.4)**	**(4)**
	15% rise in property markets	**0.3**	**3**
	25% fall in property markets	**(0.6)**	**(7)**
	25% fall in equity markets	**(0.5)**	**(5)**
	25% rise in equity markets	**0.5**	**5**
	100bps decrease in interest rate (IFRS) / risk free rates (SII)[4]	**(1.0)**	**(19)**
	100bps increase in interest rate (IFRS) / risk free rates (SII)	**0.8**	**18**
	50bps decrease in interest rate (IFRS) / risk free rates (SII)[4]	**(0.5)**	**(9)**
	50bps increase in gilt spreads over EIOPA risk free rates	**(0.2)**	**(1)**
	50bps increase in future inflation expectation	**0.0**	**(2)**
	GBP exchange rates fall by 25%	**0.8**	**9**
UNDERWRITING	Substantially reduced risk margin[5]	**0.1**	**1**
	1% increase in annuitant base mortality	**0.1**	**1**
	1% decrease in annuitant base mortality	**(0.1)**	**(1)**

1. The spread sensitivity applies to the Company's corporate bond (and similar) holdings, with no change in the Company's long-term default expectations.
2. The stress for AA bonds is twice that for AAA bonds, for A bonds it is three times, for BBB four times and so on, such that the weighted average spread stress for the portfolio is 100bps.
3. Credit migration stress covers the cost of an immediate big letter downgrade on 20% of all assets where the capital treatment depends on a credit rating (including corporate bonds and Sale & Leaseback rental strips).
4. In the 'interest rate down' stress negative rates are allowed, i.e. there is no floor at zero.
5. This represents a reduction of two-thirds in risk margin (RM) and subsequent recalculation of the TMTP.
6. The 2017 sensitivities ignore the impact of the Mature Savings business (including the With-Profits fund) as the risks have been transferred to Swiss Re from 1 January 2018.

In the above sensitivity analysis the following management actions are assumed to reduce the SCR impacts, which are in-line with the Group's practice of managing the asset portfolio:

- The credit migration stress assumes a rebalancing of the annuity portfolio back to the original asset mix;
- The property stress assumes a rebalancing of the structured bonds from the Lifetime Mortgages SPV to the original credit rating;
- A dynamic currency hedge management action in the annuity business.

There are no other management actions taken to reduce the impacts. The above table does allow for the recalculation of the TMTP in line with management's view of the underlying risks.

The impacts of these stresses are not linear; therefore, these results should not be used to extrapolate the impact of a smaller or larger stress. The results of these tests are indicative of the market conditions prevailing at the balance sheet date. The results could be different if performed at an alternative reporting date.

C.7.2 MATERIAL CHANGES TO THE RISK PROFILE OVER THE REPORTING PERIOD

As part of the ORSA the Group has reviewed all material risks; credit and market risks and longevity improvements remain our key risk exposures. These risk exposures are expected to remain relatively stable.

D. VALUATION FOR SOLVENCY PURPOSES

Unless otherwise stated, assets and liabilities have been recognised in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

(£m)	**2017**	2016
IFRS equity	7,919	7,283
Solvency II excess of assets over liabilities	12,393	11,495
Difference	**4,474**	4,212

The difference in each of the component parts of the Solvency II excess of assets over liabilities to the valuation under IFRS is shown below:

As at 31 December 2017 (£m)	**Ref**	**Differences in the consolidation approach**	**Held for sale under IFRS**	**Conversion to aggregation under the D&A method**	**Solvency II valuation differences**	**Total**
		Note 1	Note 2	Note 3	Note 4	
Assets	D.1	(74,686)	-	(4,845)	(2,479)	**(82,010)**
Technical provisions	D.2	-	-	3,694	9,221	**12,915**
Other liabilities	D.3	74,554	-	416	(1,401)	**73,569**
Net increase/(decrease)		**(132)**	**-**	**(735)**	**5,341**	**4,474**

As at 31 December 2016 (£m)	Ref	Differences in the consolidation approach	Held for sale under IFRS	Conversion to aggregation under the D&A method	Solvency II valuation differences	Total
		Note 1	Note 2	Note 3	Note 4	
Assets	D.1	(54,836)	41	(4,595)	(2,664)	(62,054)
Technical provisions	D.2	-	(1,709)	3,404	9,027	10,722
Other liabilities	D.3	54,489	1,715	688	(1,348)	55,544
Net increase/(decrease)		(347)	47	(503)	5,015	4,212

Individual assets and liabilities have been valued separately and can offset each other, where permitted, in accordance with IFRS accounting principles.

Assets and liabilities (other than deferred tax) have been valued:

- on a going concern basis;
- in accordance with Article 75 of the Solvency II Directive or where specifically provided for by Delegated Acts:
  - where IFRS valuation is consistent with Article 75 this has been adopted, therefore Solvency II economic value is equal to IFRS fair value unless otherwise stated; and
  - where more than one valuation method is permitted by IFRS, only valuation methods that are consistent with Article 75 are applied.

Under IFRS, held for sale assets and liabilities (as defined under IFRS 5) are valued at the lower of carrying amount or fair value less costs to sell and may therefore need to be revalued to fair value in the Solvency II balance sheet, in accordance with Article 75.

Where the valuation of assets and liabilities is the same under IFRS, a description of the bases, methods and main assumptions can be found in the accounting policies and notes of the Group's annual Report and Accounts. Where there are material differences in valuation, these are described in the relevant sections below.

NOTE 1 - CONSOLIDATION APPROACH.

The Group has treated subsidiary entities in accordance with Article 335 of the Level 2 text. The consolidated balance sheet incorporates the assets, liabilities and equity of the parent company and all the insurance or reinsurance undertakings, third-country insurance or reinsurance undertakings, insurance holding companies, mixed financial holding companies, ancillary services undertakings and special purpose vehicles to which risk has been transferred, drawn up to 31 December each year. All intra-group balances and transactions are eliminated in full.

Subsidiaries are those entities (including special purpose entities) over which the Group directly or indirectly controls the vehicle (when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee).

Subsidiary undertakings which are credit institutions, investment firms and financial institutions, alternative investment fund managers, UCITS management companies, institutions for occupational retirement provision, non-regulated undertakings carrying out financial activities are reflected as the proportional share of the undertakings' own funds according to the relevant sectoral rules (incorporating any relevant regulatory waivers). These undertakings are included in the Holdings In Related Undertakings line in the Solvency II balance sheet. This differs from the IFRS treatment whereby most subsidiaries are fully consolidated in the Group balance sheet.

Other subsidiaries are incorporated into the Solvency II balance sheet in accordance with either quoted market prices or the adjusted equity method as appropriate to the individual vehicle. The adjusted equity method requires the participation to be presented as a single line item in the balance sheet, valued at the share of the excess assets over liabilities, calculated on a Solvency II basis. These undertakings are included in the Holdings In Related Undertakings Line in the Solvency II balance sheet. This differs from the IFRS treatment whereby most subsidiaries are fully consolidated in the Group balance sheet.

The presentational differences between the Solvency II and IFRS balance sheets created by the application of subsidiary rules under Solvency II, along with any valuation difference created by applying sectoral rules, results in a reduction of net assets by £132m (2016: £347m) in the Solvency II balance sheet.

NOTE 2 - HELD FOR SALE UNDER IFRS

Under IFRS, held for sale assets and liabilities are presented in the balance sheet separately to all other assets and liabilities at a value that is the lower of their carrying amount or fair value less costs to sell. In the Solvency II balance sheet the held for sale treatment is not recognised and therefore all assets and liabilities classified as held for sale under IFRS are recorded as normal in the relevant asset and liability categories. In order to make the IFRS numbers more comparable to the Solvency II numbers we have adjusted the IFRS numbers as presented in the Group Report and Accounts to reallocate the held for sale assets and liabilities back to their respective categories.

2016 comparatives have been included according to the presentation in the prior year SFCR, in which IFRS numbers were presented inclusive of the following held for sale adjustments:

- Sale of Legal & General Nederland Levensvervekering Maatschappij N.V. (LGN) to Chesnara Plc.
- Sale of Cofunds Limited (Cofunds) to Aegon. On reconsolidating Cofunds in the Solvency II balance sheet the reversal of impairment charges led to an increase in net asset value of £47m.
- Several investment properties where the Group had entered into advanced sale negotiations.

NOTE 3 - DEDUCTION AND AGGREGATION

During 2017, following changes to the structure of the Legal & General America insurance subsidiaries, the Group was granted approval to use Method 2 (Deduction and Aggregation (D&A)) with local statutory equivalence for the following firms:

- Banner Life Insurance Company (Banner Life)
- William Penn Life Insurance of New York (William Penn)
- First British Vermont Reinsurance Company II

These companies, which are fully consolidated in the IFRS group balance sheet, have been deconsolidated under Solvency II, and included as participations with a local statutory and regulatory value.

The impact of reclassifying the D&A firms as participations, along with the adjustment in net value, was a reduction of net assets of £735m (2016: £503m) under Solvency II.

The full list of related undertakings, along with its method of consolidation can be found in form S.32.01, shown in Annex 1 of this report.

NOTE 4 - SOLVENCY II VALUATION DIFFERENCES

Valuation differences between Solvency II and IFRS resulted in an increase to net asset value of £5,341m on the Solvency II balance sheet. Details of the valuation differences are described in the following sections.

D.1 ASSETS

The Group's assets as at 31 December 2017 under Solvency II are £423,867m (2016: £405,800m) compared to the total value of assets under IFRS of £505,877m (2016: £467,854m).

(£m)	Reference	2017	2016
IFRS Valuation of Assets		505,877	467,854
Solvency II Valuation of Assets		423,867	405,800
Difference		**(82,010)**	(62,054)
Explained by:			
Differences in the consolidation approach		(74,686)	(54,836)
Held for sale under IFRS		-	41
Conversion to aggregation under the D&A method		(4,845)	(4,595)
Solvency II valuation differences	D.1.1	(2,479)	(2,664)
Total		**(82,010)**	(62,054)

D.1.1 SOLVENCY II VALUATION DIFFERENCES

The Group's assets and the impact of valuation differences under IFRS are shown below:

Assets as at 31 December 2017 (£m)	**Reference**	**Solvency II**	**IFRS**	**Variance**	**Differences due to IFRS valuation differences**
Deferred acquisition costs and Goodwill	D.1.1.1	-	1,956	(1,956)	(549)
Intangible assets	D.1.1.1	-	141	(141)	(141)
Deferred tax assets		2	7	(5)	-
Property, plant and equipment held for own use		13	59	(46)	-
Investments (other than assets held for index-linked and unit-linked contracts)		128,875	87,394	41,481	-
Property (other than for own use)		*354*	*3,571*	*(3,217)*	-
Holdings in related undertakings, including participations		*70,964*	*327*	*70,637*	-
Equities		*3,684*	*5,125*	*(1,441)*	-
Bonds		*49,158*	*71,597*	*(22,439)*	-
Collective investments undertakings		*1,096*	*880*	*216*	-
Derivatives		*3,601*	*4,161*	*(560)*	-
Deposits other than cash equivalents		*18*	*1,733*	*(1,715)*	-
Assets held for index-linked and unit-linked contracts		285,216	400,223	(115,007)	-
Loans and mortgages	D.1.1.2	2,941	2,520	421	122
Reinsurance recoverables	D.1.1.3	2,573	5,800	(3,227)	(1,945)
Deposits to cedants		858	-	858	-
Insurance and intermediaries receivables	D.1.1.4	111	238	(127)	(120)
Reinsurance receivables	D.1.1.5	187	41	146	154
Receivables (trade, not insurance)		2,607	6,143	(3,536)	-
Cash and cash equivalents		484	990	(506)	-
Any other assets, not elsewhere shown		-	365	(365)	-
Total Assets		423,867	505,877	(82,010)	(2,479)

Assets as at 31 December 2016 (£m)	Reference	Solvency II	IFRS	Variance	Differences due to IFRS valuation differences
Deferred acquisition costs and Goodwill	D.1.1.1	-	2,116	(2,116)	(702)
Intangible assets	D.1.1.1	-	155	(155)	(228)
Deferred tax assets		3	5	(2)	-
Property, plant and equipment held for own use		15	76	(61)	-
Investments (other than assets held for index-linked and unit-linked contracts)		118,041	77,865	40,176	-
Property (other than for own use)		*414*	*3,958*	*(3,544)*	-
Holdings in related undertakings, including participations		*59,473*	*283*	*59,190*	-
Equities		*3,674*	*5,100*	*(1,426)*	-
Bonds		*49,645*	*62,430*	*(12,785)*	-
Collective investments undertakings		*827*	*653*	*174*	-
Derivatives		*3,696*	*4,827*	*(1,131)*	-
Deposits other than cash equivalents		*312*	*614*	*(302)*	-
Assets held for index-linked and unit-linked contracts		279,448	370,045	(90,597)	-
Loans and mortgages	D.1.1.2	1,585	1,414	171	-
Reinsurance recoverables	D.1.1.3	2,471	5,593	(3,122)	(1,761)
Deposits to cedants		906	-	906	-
Insurance and intermediaries receivables	D.1.1.4	78	193	(115)	(106)
Reinsurance receivables	D.1.1.5	148	40	108	133
Receivables (trade, not insurance)		2,269	5,022	(2,753)	-
Cash and cash equivalents		836	3,001	(2,165)	-
Any other assets, not elsewhere shown		-	2,329	(2,329)	-
Total Assets		405,800	467,854	(62,054)	(2,664)

D.1.1.1 DEFERRED ACQUISITION COSTS (DAC) AND INTANGIBLES

Goodwill and intangible assets have no active market and therefore are not recognised in the Solvency II balance sheet.

This results in a £1,956m (2016: £2,116m) difference arising on DAC and Goodwill, of which £1,407m (2016: £1,414m) arises from the Deduction and Aggregation treatment and the balance of £549m (2016: £702m) relates to a valuation difference.

For intangible assets the difference of £141m (2016: £228m) arises purely as a valuation difference.

D.1.1.2 LOANS AND MORTGAGES

The Group has recognised Lifetime Mortgage business in this asset class. Lifetime Mortgage business is written in Legal & General Home Finance Limited before beneficial ownership is transferred to LGAS. The transfer value of the assets includes a margin which brings the value closer in line with similar assets available in the market. In the IFRS balance sheet the increase in value on the transfer of the Lifetime Mortgage business is reversed as it represents a profit on intercompany transfers. On the Solvency II balance sheet the value including the margin is used as a proxy of fair value for the Lifetime Mortgage business. This gives rise to a valuation difference of £122m (2016: £55m included in 'Differences in the consolidation approach') on loans and mortgages.

D.1.1.3 REINSURANCE RECOVERABLES

The reinsurance recoverables and gross liabilities are calculated consistently with the best estimate liability in all cases, save that there is an allowance for the probability weighted best estimate of external reinsurer default. The value of the reinsurance recoverables has reduced by £3,227m (2016: £3,122m) under Solvency II. Of this, £1,282m (2016: £1,363m) is due to the removal of the IFRS reinsurance recoverables in relation to entities aggregated under the Deduction and Aggregation method. The remaining difference of £1,945m (2016: £1,761m) is primarily driven by the different valuation methodology in calculating the provisions.

D.1.1.4 INSURANCE AND INTERMEDIARIES RECEIVABLES

Insurance and intermediaries receivables are valued at fair value, in accordance with their treatment in IFRS. Balances due for general insurance business are included in insurance receivables under IFRS but are shown as insurance recoverables under Solvency II. The result is a presentational difference of £120m (2016: £106m) but is shown above as a valuation difference, offset within reinsurance recoverables.

D.1.1.5 REINSURANCE RECEIVABLES

Reinsurance receivables have been valued in accordance with their treatment in IFRS. The reinsurer's share of unpaid claims on investment contracts is included in the IFRS technical provisions (non-participating investment contracts). Under Solvency II they are shown as reinsurance receivables. The result is a presentational difference of £154m (2016: £133) but is shown above as a valuation difference, offset within technical provisions.

D.1.1.6 CHANGES IN ASSUMPTIONS AND VALUATION BASES

There have been no significant changes in assumptions, valuation bases or estimations for assets in the reporting period.

D.1.1.7 LEASES

There are directly held investment properties which appear on the Group Solvency II balance sheet where the Group acts as a lessor. The investment properties are carried at fair value and the Group's policy is to let investment properties to tenants through operating leases. The leases have varying terms, escalation clauses and renewal rights.

The Group acts as a lessor for one property accounted for as a finance lease. The lease which relates to the provision of healthcare services has a duration of 20.7 years and is included in the Solvency II balance sheet under Receivables (trade, not insurance) at a value equal to the present value of future lease payments (£92m).

Lease arrangements where Group acts as the lessee are disclosed in section A.4.

D.1.2 VALUATION UNCERTAINTY

The Group values its assets in accordance with Article 10 of the Solvency II Delegated Regulation. Valuations of assets are underpinned by a system of processes and controls to ensure that the Group complies with Article 267 of the Solvency II Delegated Regulation. Included within these processes is an assessment of valuation uncertainty and the extent to which asset valuations are appropriate in light of uncertainties that exist. This process focuses on, although is not limited to, assets that are valued using alternative valuation techniques. The Group has concluded that its assets are valued appropriately in accordance with Article 10 of the Solvency II Delegated Regulation and appropriately reflect consideration of valuation uncertainty.

D.2 TECHNICAL PROVISIONS (TPS)[4]

The Group's technical provisions are split below by Solvency II line of business. The table includes a comparison of Solvency II BEL to IFRS liabilities.

Technical provisions as at 31 December 2017 (£m)	Non-life (excluding health)	Health (similar to non-life)	Health (similar to life)	Life (excluding health and index-linked and unit-linked)	Index-linked and unit-linked insurance	Total
Best Estimate Liabilities	140	2	431	62,089	336,061	398,723
Risk Margin	9	-	2	5,733	112	5,856
Transitional Measure on Technical Provisions	-	-	-	(6,194)	(50)	(6,244)
Technical provisions total	149	2	433	61,628	336,123	398,335
IFRS	194	96	722	73,610	336,628	411,250
IFRS to SII BEL variance	(54)	(94)	(291)	(11,521)	(567)	(12,527)

Technical provisions as at 31 December 2016 (£m)	Non-life (excluding health)	Health (similar to non-life)	Health (similar to life)	Life (excluding health and index-linked and unit-linked)	Index-linked and unit-linked insurance	Total
Best Estimate Liabilities	118	1	449	60,365	322,073	383,006
Risk Margin	8	-	2	6,325	99	6,434
Transitional Measure on Technical Provisions	-	-	-	(6,655)	(32)	(6,687)
Technical provisions total	126	1	451	60,035	322,140	382,753
IFRS	262	6	689	71,342	321,177	393,476
IFRS to SII BEL variance	(144)	(5)	(240)	(10,977)	896	(10,470)

D.2.1 SOLVENCY II VALUATION BASIS

The technical provisions (TPs) are calculated as the sum of the best estimate liabilities (BEL) and the Risk Margin (RM) less the Transitional Measure on Technical Provisions (TMTP), calculated in line with PRA approvals.

The BEL reflects the probability-weighted average of future cash flows, taking into account the time value of money (expected present value of future cash flows) using the relevant risk-free interest rate term structure (including the Matching Adjustment where relevant). Deterministic and stochastic valuation techniques are used to calculate the BEL.

The main cash flows cover premiums, future financial obligations of policyholder benefits, expenses of running the business (including investment expense and commission payments). Future management actions are allowed for, where these are deemed to be objective, realistic and verifiable. The management actions used in the calculation of the TPs consider the time delays and costs applicable to their implementation.

The BEL is calculated gross, i.e. without deduction of the amounts recoverable from reinsurance contracts and reinsurance special purpose vehicles, but includes expenses in respect of these arrangements. The BEL is calculated at a level deemed appropriate for homogeneous risk groupings, at a minimum by line of business segmented according to Chapter 10 of the Prudential Regulation Authority (PRA) Rulebook for Solvency II firms.

[4] Risk Margin and Transitional Measures on Technical Provisions are not subject to audit.

Future premiums are only considered for the period up to where the policyholder or the Group has the option to establish, renew, extend, increase or resume the insurance contract. Except for LGA business ceded to Legal and General Assurance Society Limited, where the contract boundary is the maximum age in the contract, typically age 95 for Term assurance business.

Business not included in the cash flow projections on materiality grounds is explicitly allowed for in the BEL through manual adjustments. The most material un-modelled business reflects non-participating conventional pensions business within the with-profits BEL. This reflects less than 0.1% of the gross BEL. There are two instances where modelling simplifications are used, namely the allowance for catastrophe risk (e.g. epidemic and event risks) and mass lapse risk where data is limited and the probability weighted mean is not allowed for in the BEL. For these risks there is a corresponding offsetting amount in SCR.

The RM is the cost that would be incurred in holding eligible Own Funds (as defined in the PRA Rulebook for Solvency II firms) to cover the SCR necessary to support the insurance and reinsurance obligations over their lifetime, determined using a cost of capital rate. The RM is calculated separately from the BEL. The RM is the present value of the cost of capital required, to cover the SCR for certain defined risks (referred to here as the RM capital requirement), to meet adverse deviations on the underlying best estimate cash flows over the full run-off of the business. The RM capital requirement covers underwriting risk, credit risk associated with reinsurance contracts and operational risk. Future new business is not allowed for in the RM capital requirement. No allowance is made for the loss-absorbing capacity of deferred taxes as referred to in Article 108 of Directive 2009/138/EC.

The RM is calculated for each entity as a whole, allowing for diversification between the risks within the entity. The discount rate used in the cost of capital calculation is the relevant basic risk-free rate (excluding matching adjustment). The cost of capital rate is set to 6% as prescribed in Article 39 of the Delegated Regulation.

Where investment management agreements are in place with Legal and General Investment Management Limited, at a legal entity level the TPs are calculated using investment expenses on a fees (rather than costs) basis. On Group consolidation there is an adjustment to reduce this provision to the cost basis to eliminate any intragroup profit.

The calculation of the TPs is dependent on the quality of the data underlying the calculations. The data has been assessed in line with Article 48 of Directive 2009/138/EC. This assessment has concluded that the quality and sufficiency of data used in the preparation of the above TPs is such as to enable a reliable and adequate calculation of the technical provisions.

Further information on material elements of the technical provisions by division is set out below:

D.2.1.1.1 LEGAL & GENERAL RETIREMENT (LGR)

Best estimate liabilities (BEL)

Deterministic actuarial projection models are used, in line with the methodology described above.

In addition, insurance undertakings are permitted to apply a Matching Adjustment (MA) to the relevant risk-free interest rate term structure when calculating the best estimate of a portfolio of life insurance obligations, subject to prior approval by the supervisory authorities. The Group has been approved by the PRA to use a MA when calculating the BEL for the majority of its annuity business. This has been applied in line with the approved application.

Risk margin (RM)

The RM capital requirement is projected forward for each future year over the run-off of the business.

Longevity is the most material component of the RM capital requirement. Consequently, the RM calculation allows for more accuracy in calculating this component. Best estimate and stressed future cash flows are projected to capture the capital requirement at future points in time and the discounted cost of capital is applied. The capital requirement for other risk sub-groups are projected using a proxy approach, i.e. the projected capital requirements are estimated using appropriate carrier variables.

The Matching Adjustment Portfolio in LGR is not assumed to be ring fenced for the purpose of the risk margin calculation.

D.2.1.1.2 LEGAL & GENERAL INSURANCE (LGI)

Best estimate liabilities (BEL)

Deterministic actuarial projection models are used, in line with the methodology described above.

Risk margin (RM)

The RM capital requirement is projected for each future year over the run-off of the business by risk sub-group. The RM capital requirement is estimated, using appropriate proxy carrier variables e.g. percentage of BEL.

For reinsurance accepted from Legal & General America (LGA), the RM capital requirement is projected over the run-off of the business, with run-off factors determined by projecting the in-force business with real world best estimate assumptions to discrete points in the future. The capital requirement in intermediate years is calculated using linear interpolation. Stresses are applied to the individual non-hedgeable risk types. The RM capital requirement as at the valuation date is projected forward using these run-off factors.

D.2.1.1.3 SAVINGS INCLUDING WORKPLACE SAVINGS

Best estimate liabilities (BEL)

Deterministic and stochastic valuation techniques are used, in line with the methodology described above.

Stochastic valuation techniques are used where the cash flows exhibit the presence of material financial options and guarantees and management actions that are employed in the management of the With-Profits Fund. Deterministic actuarial projection models are used for all other BEL calculations.

For unit-linked business, the total BEL is split by unit and non-unit components. The unit BEL is the actuarially funded value of current units, including guaranteed additional units.

The With-Profits Fund has the ability to employ a range of management actions in the management of its business, as set out in the Group's Principles and Practices of Financial Management (PPFM). In accordance with Article 225 of the Delegated Regulation, future management actions have been allowed for in the BEL, provided that they are objective, realistic and verifiable. The impact of changes in policyholder behaviour has also been reflected in the BEL.

The surplus funds in respect of with-profits business refer to accumulated profits which have not been made available for distribution to participating policyholders at the valuation date. The surplus funds reflect the Own Funds, excluding the effect of the RM, the TMTP allocated to the With-Profits Fund and excluding the present value of future shareholder transfers defined in relation to future discretionary benefits. Surplus funds are shown in Annex 1 QRT S.23 Own funds in R0070.

Permanent enhancements to benefits resulting from the previous distribution of surplus assets are allowed for in the appropriate BEL.

Risk margin (RM)

The RM capital requirement is projected forward for each future year over the run-off of the business. The RM capital requirement is estimated using appropriate proxy carrier variables e.g. percentage of BEL.

D.2.1.1.4 UNIT-LINKED

The BEL for the unit-linked business is a combination of the bid value of policyholder units and a discounted value of future expected cashflows (i.e. expected fee income less expenses) over a suitable projection period using risk-free rates of return and best estimate experience assumptions.

For valuation purposes, all unit-linked contracts are treated as single premium policies and projected cash-flows assume no future premium payments accordingly.

The projection period differs for pooled business and segregated contracts, reflecting their inherently different contractual terms and conditions.

For the segregated business, the assets under management are excluded from the Solvency II balance sheet since these assets remain in the clients' possession. For the purposes of setting technical provisions under Solvency II rules, for segregated contracts the methodology directly reflects the Group's unilateral right to terminate the provided services upon one month's notice. Accordingly the present value of future projected profits on segregated contracts would be calculated using a one month projection period, and applying this as a reduction in balance sheet liabilities. In practice, the value is taken to be zero. This proportionate approach gives materially the same overall result on the Solvency II basis.

D.2.1.1.5 GENERAL INSURANCE

The general insurance BEL is comprised of claims and premium provisions. These are calculated separately for each line of business. The methodology relates only to the calculation for Household insurance, as other lines of business are not material at the Group level.

Claims provisions

Claims are split by peril across buildings and contents sections, with a number of different reserving methods used to calculate the best estimate ultimate cost of claims.

Fees and recoveries are projected separately and then combined with the claim projection to get a net claims projection.

Premium provisions

All in-force household policies at the valuation date are identified split by channel and section.

A reserve is held for events not in data (ENID), calculated separately for weather related and non-weather events. The weather ENID covers weather events which could happen in the future but haven't happened in the past. This data is sought from our reinsurance broker.

The non-weather ENID is estimated by the LGIL Reserving Committee, following a rigorous expert judgement process that considers a wide range of possible scenarios that could impact household contracts.

Risk margin

The RM is calculated using the GI Internal Model. The model is a multi-year model and allows for capital projections to be made over five years. For the purposes of the RM calculation the RM capital requirement in each future year of run-off is calculated over a five-year time horizon assuming no new business is written after year one. After five years the risks are assumed to be fully run off considering the short-term nature of the liabilities. The run off SCR for each non-hedgeable risk is modelled and aggregated allowing for diversification between the risks within the entity and discounted using the risk-free rate.

D.2.1.2 MAIN ASSUMPTIONS

This section covers the assumptions used in the calculation of the BEL for the Group's long-term insurance business.

Cash flow projections are determined using best estimate assumptions for each component of cash flow and for each policy group. The best estimate assumptions used in the valuation of the BEL are the same as those used for deriving IFRS assumptions, excluding any margin for prudence. In some cases, where the class of business is immaterial, the BEL uses the same assumptions as used for IFRS.

The best estimate assumptions are derived by reference to the most recent experience and any relevant market data (e.g. future mortality improvement factors issued by the Continuous Mortality Investigation Bureau).

Assumptions are set by following an established methodology which has been discussed with the Board. In some cases assumptions can vary significantly from year to year. An example would be the mortality rates for term assurance contracts, which reflect the mortality experience emerging from the block of assurance business.

Assumptions are set for homogeneous risk groups to avoid introducing distortions that might arise from combining business with different characteristics. At a minimum, these groupings are by line of business segmentation stipulated by the European Insurance and Occupational Pensions Authority (EIOPA).

Further details of the main assumptions are provided in Annex 2 of this report.

D.2.1.2.1 ECONOMIC ASSUMPTIONS

The economic assumptions have been set such that they reflect the economic conditions at the valuation date.

Risk-free yield curve

The valuation interest rate is based on a risk-free yield curve. The risk-free rate used is calculated based on the methodology specified by EIOPA, which is applied to construct zero coupon base rates from the underlying swap rates, and applies a credit risk adjustment. The Group use a continuously compounding version of this rate.

The Group has received approval from the PRA to apply a matching adjustment, which allows for an increase to be applied to the risk-free yield curve for the MA portfolios. No other adjustments have been made to the risk-free rate.

Inflation

Expense and unit cost inflation rates have been set by reference to external indicators as at the valuation date. Assumptions for claims inflation, such as for RPI-linked annuities, are set using an assessment of inflation implied by UK government bond yields or inflation swap curves.

Unit growth

For the calculation of the non-unit BEL on linked contracts, an assumption regarding the rate of future unit growth is required. The assumption made is that the growth rate before charges is the same as the risk-free discount rate.

Participating business

The stochastic model is based on a large number of market consistent economic scenarios derived from assumptions consistent with the deterministic assumptions. The model is calibrated using market data from a variety of sources. This enables assumptions to be determined for the term structure of risk-free interest rates, and for property and equity volatility.

Risk-free interest rates are determined as described above. Property volatility is set with reference to historic variations in property prices. Equity volatility is set such that the model reproduces observed market prices of traded equity derivatives. Correlations between asset classes are based on historic data.

Each investment scenario contains a consistent set of assumptions for investment returns and inflation.

D.2.1.2.2 NON ECONOMIC ASSUMPTIONS

Expenses

The cash flow projection used to calculate the BEL takes into account administrative, investment, claims and acquisition expenses, allowing for future expense inflation. The assumptions for long-term maintenance unit costs are set based on the forecast expenses, suitably adjusted where necessary, and include overhead expenses in line with the approved methodology.

Mortality and morbidity

Regular investigations of mortality and morbidity experience against appropriate base tables are conducted, with the portfolio segmented by groups of contracts that are expected to exhibit similar mortality and/or morbidity trends. An investigation is normally carried out from time to time (typically every three years) to review the fit of the experience to an appropriate base mortality table. In other years, assumptions are compared to the results of the most recent experience investigations and revised where the experience implies a shift that is likely to be due to more than random fluctuation. The best estimate assumptions allow for claims incurred, but not reported, by the investigation date.

The assumption for annuitant mortality is set as a combination of a base table (i.e. the rate of mortality currently experienced by annuitants) plus future improvements (i.e. how the rates of mortality will change over time).

The mortality basis for retail protection business is set as a base table plus an allowance for deterioration in respect of contracts with critical illness cover benefits. Future mortality improvement assumptions are made for whole of life products.

For some classes where the reserves are insensitive to the chosen level of mortality, no investigation is carried out but an assumption is set in line with available data.

Persistency

Persistency experience can include lapses, take-up rates for guaranteed annuity options, partial withdrawals and early retirement, where relevant. Persistency rates are reviewed annually for most products to determine the best estimate. This investigation generally uses three years of data with a six month delay, to allow for lapses that the Group has not been notified of at the date of the investigation, to generate weighted average (by premium) lapse rates. The long-term persistency assumptions are set using these lapse rates. Alternative approaches are used if it is considered that the exposure is insufficient for the experience to be credible, observed lapse rates are excessively volatile or it is expected that the lapse experience will change in future.

Participating business

Participating business requires additional assumptions on future management and policyholder actions.

Future bonuses

Future reversionary and terminal bonuses are consistent with the assumed future investment returns and the bonus policies set out in the Group's principles and practices of financial management (PPFM).

Guaranteed annuity options

The guarantees are valued on a market consistent basis. The valuation methodology allows for the correlation between interest rates and the proportion of the policyholders who take up the option.

Guaranteed cash options

The liability is determined assuming that policyholders choose the most valuable alternative between the annuity and cash available at retirement.

D.2.1.2.3 GENERAL INSURANCE ASSUMPTION

Due to the short tailed nature of GI business and the amount of data available the impact of changes in individual assumptions generally have less impact compared to other classes of business, such as life or retirement products. The most material assumptions for the general insurance business include:

Risk premium for future exposure

Risk premium for future exposure assumes risk price from claim trends process. This uses a combination of actual data and external models to project the cost of future claims. External data from our reinsurance broker is used for the expected cost of weather events not in data (ENIDs) within the risk premium. Changes in the risk premium are fed through to the premium provisions.

Development factors

These are estimated using specialist software and applied to claims projections with the objective of developing claims to their ultimate level.

Prior loss ratio assumptions, including seasonality adjustments, are calculated. If recent data is volatile or lacks credibility then a prior loss ratio can be used. This will be based off past claims data, as will the seasonality adjustments.

D.2.1.3 MATERIAL CHANGES IN ASSUMPTIONS COMPARED TO THE PREVIOUS REPORTING PERIOD

The most material changes to assumptions from the previous reporting period to the current reporting period are listed below.

- Base annuitant mortality assumptions have been updated to reflect the most recent experience (reduction in BEL of £63m).
- Annuitant mortality trend assumptions have been updated to the CMI 2015 model, with no change to the long-term improvement rates (reduction in BEL of £244m).
- Annuitant expenses have been increased, reflecting increasing complexity in both the regulatory environment and the business, as well as an increase in customer needs. Expenses have grown by more than the size of the business, causing an increase in unit cost expense assumptions (increase in BEL of £155m). This is offset by a change in the arm's length fee adjustment made to eliminate any intra-group profit on investment fees charged by LGIM (decrease in BEL of £136m).
- There have been two significant changes in assumptions underlying US Protection business. An increase in post-level term lapse and mortality assumptions, following an improvement in the shock lapse modelling methodology and an analysis of recent experience, offset by a reduction in level-term mortality assumptions (overall impact on BEL is a an increase of £203m).

D.2.1.4 TRANSITIONAL MEASURES

The Group does not apply the transitional risk-free interest rate-term structure.

The Group applies the Transitional Measure on Technical Provisions (TMTP). As at 31 December 2017 the impact of not applying the transitional measure is provided in the table below:

As at 31 December 2017 (£m)	Regulatory basis	Impact	Adjusted balance
Technical provisions	398,335	6,244	404,579
SCR[1]	8,471	740	9,211
Basic Own Funds	15,473	(5,293)	10,180
Eligible Own Funds for SCR	15,355	(5,293)	10,062
Capital coverage ratio	181%	(72)%	109%

1. The Solvency Capital Requirement is not subject to audit

The TMTP has been calculated in line with PRA approvals.

D.2.1.5 VOLATILITY ADJUSTMENT

The Group does not apply a volatility adjustment.

D.2.1.6 MATCHING ADJUSTMENT (MA)

In common with other UK annuity providers, the Group has received approval from the PRA to apply a MA, in line with Article 77b of Directive 2009/138/EC.

The MA is applied as an addition to the risk-free interest rate term structure and applies to individual annuities and certain bulk purchase annuity schemes that meet the approved eligibility criteria. The assets contained within the matching adjustment portfolios are predominantly corporate bonds, but also long-term direct investments held in MA-eligible structures, such as infrastructure investments and lifetime mortgages.

As at 31 December 2017 the impact of change to zero of the MA is provided in the table below:

As at 31 December 2017 (£m)	Regulatory basis	Impact[1]	Adjusted balance
Technical provisions	398,335	7,016	405,351
SCR[2]	8,471	10,503	18,974
Basic Own Funds	15,473	(5,942)	9,531
Eligible Own Funds for SCR	15,355	(5,942)	9,413
Capital coverage ratio	181%	(131)%	50%

1. The impact is measured as the change due to setting the MA to zero. The impact has been calculated assuming no further recalculation of the TMTP.
2. The Solvency Capital Requirement is not subject to audit.

Losing MA approval is a remote risk for the business; however Article 296(2d) of the Solvency II Delegated Regulation requires the disclosure of the impact of a change to zero of the MA. We have an extensive controls framework to ensure our on-going MA compliance and we have a regular dialogue with the PRA about our MA strategy.

D.2.2 RECONCILIATION BETWEEN IFRS TPS AND SOLVENCY II VALUATION OF GROSS BEL

The table below bridges the BEL under Solvency II to the IFRS liabilities.

(£m)	2017	2016
Closing IFRS TPs	411,250	395,185
Removal of entities aggregated under the D&A method	(3,694)	(3,404)
Data changes	(175)	(97)
Model changes	(38)	(27)
Assumptions changes	(4,493)	(4,312)
Methodology changes	(4,127)	(4,339)
Closing Solvency II gross BELs	398,723	383,006

The reduction in liabilities from non-economic assumptions differences primarily relates to the removal of margins for adverse deviation allowed for in the IFRS liabilities. The BEL is calculated using best estimate assumptions excluding these prudent margins.

The increase in liabilities from economic assumption differences primarily relates to the move from discounting the cash flows at a prudent valuation interest rate (VIR) under IFRS to using the risk-free interest rate term structure plus MA for eligible liabilities under Solvency II. Implicit within this step is the allowance for investment expenses, which changes from an implicit allowance within the IFRS VIR to being an explicit cash flow under Solvency II. The same assumption applies under IFRS and under Solvency II, the only difference is in how it is allowed for, which should have very little impact.

Removal of entities aggregated under the Deduction & Aggregation method

As described in Section D.1.1.3 above the Group has been granted approval to use method 2 Deduction and Aggregation (D&A) for the consolidation of the Legal & General America businesses. This reduces the Solvency II BEL by £3.7bn for entities consolidated under the D&A approach. The NAV contribution of these entities is brought through in the Solvency II balance sheet as participations.

Methodology changes

The methodology changes can be broadly split into:

- £2bn is mainly due to the difference in accounting treatment for negative non-unit liabilities where under IFRS a negative non-unit liability for investment business is not allowed while this is allowed under Solvency II and outstanding claims;
- £0.8bn difference between floating and fixed legs on longevity swaps;
- £0.7bn of unallocated distributable surplus for with-profits business, which is not applicable under Solvency II;
- £0.5bn release of additional provisions for default risk and exchange rates that are held as IFRS liabilities, but under Solvency II are held within the Capital requirement; and
- £0.1bn arising from surplus asset hypothecation.

D.2.3 REINSURANCE RECOVERABLES

The calculation of the reinsurance recoverable asset is consistent with the calculation of the gross BEL described above, except that where a matching adjustment is applied to the gross BEL on eligible business, the equivalent reinsurance recoverable asset will be discounted at the risk-free interest rate term structure, excluding matching adjustment. The reinsurance recoverable asset is adjusted for the best estimate probability of reinsurer default, and includes an allowance for the timing difference between recoveries and reinsurance payments.

Reinsurance recoverables are described in Section D.1.2.3 above. The Group has no SPVs authorised under Article 211 of the Solvency II Directive.

D.2.4 LEVEL OF UNCERTAINTY ASSOCIATED WITH THE VALUE OF TECHNICAL PROVISIONS (TP)

A framework to assess the confidence in the methodology and assumptions used to calculate the TPs has been established by the Group Audit Committee. The framework allocates a status to the confidence in each of the assumptions or methodologies, based on a mixture of qualitative and quantitative criteria. The criteria set out in the framework and the initial assessments have been challenged and validated by experienced actuaries and accountants throughout the business.

The assumptions underpinning the Technical Provision calculations are the best estimate view of the Group. As one of the UK's largest life insurers, the Group has a significant amount of data regarding its own historic experience. Experience investigations using this data are undertaken regularly and the results are used to inform the choice of best estimate assumptions. This is augmented by expert judgement, in particular where past experience is not considered to be an appropriate reflection of future expectations. Where there is a high level of expert judgement required this has been highlighted in the confidence assessment. For example, confidence in the base annuitant mortality is good, but due to the reliance on expert judgement, when selecting the longevity trend assumption within a range of plausible alternatives, the longevity improvements have been highlighted as an area of future uncertainty. Overall the Group has a high degree of confidence in the assumptions underpinning technical provisions and hence the level of uncertainty in the technical provisions is low.

D.3 OTHER LIABILITIES

The Group's other liabilities under Solvency II are £13,139m (2016: £11,551m) compared to the total value of other liabilities under IFRS of £86,708m (2016: £67,095m).

(£m)	2017	2016
IFRS valuation of other liabilities	86,708	67,095
Solvency II valuation of other liabilities	13,139	11,551
Difference	**(73,569)**	(55,544)
Explained by:		
Differences in the consolidation approach	(74,554)	(54,489)
Held for sale under IFRS	-	(1,715)
Conversion to aggregation under the D&A method	(416)	(688)
Solvency II valuation differences	1,401	1,348
Difference	**(73,569)**	(55,544)

Changes to the consolidation approach, held for sale and use of the Deduction and Aggregation (D&A) method are as described above in Section D1.

Details of the Group's other liabilities and the impact of valuation differences under IFRS are shown below:

Other liabilities as at 31 December 2017 (£m)	**Reference**	**Solvency II**	**IFRS**	**Variance**	**Differences due to IFRS valuation**
Provisions other than technical provisions		52	74	(22)	-
Pension benefit obligations	D.3.1	1,293	1,266	27	28
Deferred tax liabilities	D.3.2	1,264	612	652	825
Derivatives		1,991	8,173	(6,182)	-
Debts owed to credit institutions	D.3.3	1,125	1,121	4	193
Insurance and intermediaries payables	D.3.4	461	70	391	394
Reinsurance payables	D.3.5	6	54	(48)	(48)
Payables (trade, not insurance)	D.3.6	3,866	72,337	(68,471)	(141)
Subordinated liabilities	D.3.7	3,081	2,876	205	205
Any other liabilities, not elsewhere shown	D.3.8	-	125	(125)	(55)
Total		13,139	86,708	(73,569)	1,401

Other liabilities as at 31 December 2016 (£m)	Reference	Solvency II	IFRS	Variance	Differences due to IFRS valuation
Provisions other than technical provisions		71	89	(18)	-
Pension benefit obligations	D.3.1	1,286	1,239	47	51
Deferred tax liabilities	D.3.2	1,245	814	431	827
Derivatives		2,007	9,014	(7,007)	-
Debts owed to credit institutions	D.3.3	984	1,005	(21)	192
Insurance and intermediaries payables	D.3.4	398	55	343	348
Reinsurance payables	D.3.5	15	58	(43)	(43)
Payables (trade, not insurance)	D.3.6	2,829	50,353	(47,524)	(177)
Subordinated liabilities	D.3.7	2,716	2,496	220	220
Any other liabilities, not elsewhere shown	D.3.8	-	1,972	(1,972)	(70)
Total		11,551	67,095	(55,544)	1,348

D.3.1 PENSION BENEFIT OBLIGATIONS

The Group operates the following defined benefit pension schemes in the UK and overseas:

- Legal & General Group UK Senior Pension Scheme (UK)
- Legal & General Group UK Pension & Assurance Fund (UK)
- Legal & General America Inc. Cash Balance Plan (US)

In the Solvency II Group balance sheet the surplus/(deficit) of the defined benefit pension schemes is reported as shown in the following table:

(£m)	2017	2016
Gross pension benefit obligations	1,293	1,286
Annuity obligations insured by LGAS (included in technical provisions)	(903)	(830)
Other amounts, largely Loss Absorbing Capacity of Technical Provisions (included in technical provisions)	(45)	(42)
Total Pension scheme deficit	**345**	414

Further detail on the pension benefit obligations is provided below:

	2017 £m	2017 %	2016 £m	2016 %
Bonds/Liability Driven Investment funds	1,120	86%	675	47%
Equity	91	7%	601	42%
Property	74	6%	68	5%
Cash	19	1%	94	6%
Other assets	6	0%	-	0%
Total Pension scheme assets	1,310	**100%**	1,438	100%
Current pensioners[1]	1,261	48%	1,298	48%
Non-pensioner liabilities	1,342	52%	1,426	52%
Total Pension scheme liabilities	2,603	**100%**	2,724	100%
Gross Pension benefit obligations	1,293		1,286	

1. 'Current pensioners' includes £903m relating to liabilities secured by way of annuities purchased from the Group. This amount is excluded from the assets.

Under Solvency II, the Group's defined benefit pension schemes are valued under the IAS19 basis, which uses a prescribed methodology also used in IFRS reporting. Valuation differences on the pensions insured internally within the Group account for the £28m (2016: £51m) valuation difference under Solvency II.

The Solvency II surplus/deficit is calculated as the fair value of plan assets less the present value of the defined benefit obligation at the balance sheet date, provided any surplus in the fund is not restricted.

D.3.2 DEFERRED TAX LIABILITIES

Deferred tax asset and liabilities are valued and measured in accordance with IFRS principles, with the exception that the carrying value of assets and liabilities for the calculation of temporary differences are the carrying values ascribed under Solvency II. Deferred tax is recognised on unused losses to the extent that it is probable that future taxable profits will arise against which the losses can be utilised.

There is an immaterial amount of non-expiring unused losses, for which no deferred tax asset is recognised on the Solvency II balance sheet.

Differences between the value of deferred tax assets and liabilities under Solvency II and IFRS arise mainly on the valuation of technical provisions and deferred acquisition costs.

The net deferred tax liability on the Group's Solvency II balance sheet of £1,262m (2016: £1,242m) and the equivalent net deferred tax liability on the IFRS balance sheet are summarised below:

(£m)	2017 Solvency II	2017 IFRS	2016 Solvency II	2016 IFRS
Deferred tax assets	(2)	(7)	(3)	(5)
Deferred tax liabilities	1,264	612	1,245	813
Net deferred tax liabilities	**1,262**	**605**	1,242	808

As at 31 December 2017 (£m)	Solvency II	IFRS
Deferred acquisition expenses	(18)	40
Difference between the tax and accounting value of insurance contracts	1,044	135
Realised and unrealised gains on investments	275	275
Excess of depreciation over capital allowances	(9)	(9)
Excess expenses	(31)	(31)
General provisions	85	85
Trading losses	(4)	(2)
Pension fund deficit	(69)	(69)
Acquired intangibles	(11)	3
Net deferred tax (assets)/liabilities	**1,262**	**427**
'Holdings In Related Undertakings Line' on Solvency II balance sheet		**(99)**
Net deferred tax liabilities valued on a D&A basis on Solvency II balance sheet		**277**
Net deferred tax (assets)/liabilities – IFRS balance sheet		**605**

As at 31 December 2016 (£m)	Solvency II	IFRS
Deferred acquisition expenses	26	45
Difference between the tax and accounting value of insurance contracts	1,003	90
Realised and unrealised gains on investments	257	255
Excess of depreciation over capital allowances	(13)	(13)
Excess expenses	(49)	(49)
General provisions	106	103
Trading losses	(7)	(3)
Pension fund deficit	(81)	(81)
Net deferred tax (assets)/liabilities	1,242	347
'Holdings In Related Undertakings Line' on Solvency II balance sheet		(56)
Net deferred tax liabilities valued on a D&A basis on Solvency II balance sheet		517
Net deferred tax (assets)/liabilities – IFRS balance sheet		808

There are no material unrecognised deferred tax assets.

D.3.3 DEBTS OWED TO CREDIT INSTITUTIONS

Under IFRS debts owed to credit institutions are held at amortised cost less impairment. On the Solvency II balance sheet bank loans are valued at fair value, excluding changes in own credit. This gives rise to a valuation difference of £193m (2016: £192m) between Solvency II and IFRS.

D.3.4 INSURANCE AND INTERMEDIARIES PAYABLES

All insurance payables are measured at fair value in line with IFRS. Outstanding claims which are included in participating and non-participating contract liabilities under IFRS are presented as payables under Solvency II, and this gives rise to a presentational difference of £394m (2016: £348m) which is offset by a corresponding change in the technical provisions.

D.3.5 REINSURANCE PAYABLES

Reinsurance payables are valued at fair value in line with IFRS. There is no valuation difference to IFRS. Certain items are treated as payables in IFRS but are incorporated into best estimate liabilities in Solvency II. This gives rise to a presentational difference of £48m (2016: £43m) which is offset by a corresponding change in the technical provisions.

D.3.6 PAYABLES (TRADE, NOT INSURANCE)

Under IFRS trail commission is included in payables but under Solvency II it is deemed to be intangible (in line with deferred acquisition costs and deferred income liability). As such it is eliminated from the balance sheet, giving rise to a valuation difference of £141m (2016: £177m).

All other payables within this line item are valued at fair value in line with IFRS.

D.3.7 SUBORDINATED LIABILITIES

Under IFRS subordinated liabilities are held at amortised cost less impairment. On the Solvency II balance sheet subordinated liabilities are valued at fair value, excluding changes in own credit. This gives rise to a valuation difference of £205m (2016: £220m) between Solvency II and IFRS.

D.3.8 ANY OTHER LIABILITIES, NOT ELSEWHERE SHOWN

Under IFRS there are some items that are not shown elsewhere such as DIL, reinsurer's share of DAC and assets held for sale. Reinsurer's share of DAC and held for sale liabilities are removed from the Solvency II balance sheet through the deduction and aggregation and held for sale adjustments.

Deferred income liability is intangible and therefore not admissible in Solvency II. This gives risk to a valuation difference of £55m (2016: £70m).

D.3.9 CHANGES IN ASSUMPTION AND VALUATION BASES

There have been no significant changes in assumptions, valuation bases or estimations for other liabilities in the reporting period.

D.4 ALTERNATIVE METHODS FOR VALUATION

Legal & General has in place a group-wide valuation uncertainty policy, which sets out the policy to ensure that all assets across the Group, valued using alternative valuation methods, are governed, controlled and valued in a manner that is appropriate and consistent with the requirements of Article 263 of the Delegated Regulation. These policies include a requirement for ensuring valuation models are reviewed on a timely basis and that independent review of the models and outputs is obtained on a regular basis

A Group Asset Valuation Uncertainty Committee ("the Committee") monitors the application of the processes and compliance with the Group policy. This includes setting the policies to ensure appropriate documentation, including documentation of the models, significant assumptions and limitations, sensitivities and an assessment of the resulting valuations.

The Committee is responsible for the oversight of asset valuations from each of the Solvency II regulated entities, Legal & General Capital Investments Limited, and LGA to confirm its asset values for the deduction and aggregation methodology. The Committee receives management information from each significant entity on their assessments of valuation uncertainty and provides oversight and challenge to these.

Whilst the Committee reviews all assets to which the shareholder has some exposure, its main focus is on assets which present the highest level of valuation uncertainty. These assets include:

Commercial real estate loans

These are illiquid private assets and valuations are derived by using a discounted future cash flow approach with yields based on selected comparator bonds with similar durations and investment grades, combined with an assumption on the initial spread of the investment.

Valuation uncertainty is assessed by adjusting the initial spread to calculate a plausible range of valuation scenarios to ensure that a fair value is reflected.

Income strips

These are property investment assets with lease durations typically in excess of 30 years. This asset class is valued using a yield to maturity discounted future cash flow approach based on comparator bond durations and investment grades, combined with assumptions on initial spread and future inflation factors.

The valuation uncertainty element has been assessed by calculating sensitivities to fixed income and property yields.

Lifetime mortgage loans

There is no market-observable value for Lifetime mortgage assets. However, the amount paid to acquire the assets at outset is objective and is assumed to be the market value of the loan at the start date.

Each Lifetime mortgage loan is valued by projecting the expected proceeds and discounting at an appropriate discount rate. The main component of the spread is an estimate of the expected spread if the loan were issued on terms currently offered on new loans (with comparable LTVs). This spread will change over time, and aims to capture movements in the illiquidity premium available from investing in such Lifetime Mortgage assets.

To project the expected proceeds, the assumptions include expected future property prices, volatility of property price growth, costs of selling the properties, decrement rates (mortality, morbidity and prepayment, as well as timing lags), and running expenses.

The asset valuation has been subjected to a variety of sensitivity tests covering reasonable ranges. The Lifetime mortgage portfolio is immature, and credible experience is yet to emerge.

Commercial mortgage loans

These mortgage loans are determined by incorporating credit risk for performing loans at the portfolio level and for loans identified to be distressed at the loan level. The projected cash flows of each loan are discounted along stochastic risk free rate paths and are inclusive of an Option Adjusted Spread (OAS), derived from current internal pricing on new loans, along with the best observable inputs. These are further adjusted for credit improvements due to seasonality and illiquidity premiums.

Valuation uncertainty arises from variation of the key assumptions on credit risk and liquidity premiums.

Investment property

Due to the non-heterogeneity of the property portfolio, the valuation of the Group's investment property assets are provided by external valuation experts on a quarterly basis which are calibrated to recent precedent transactions in the market place. The external valuations are performed in line with professional valuation standards as prescribed by the Royal Institute of Chartered Surveyors.

The valuation uncertainty element has been calculated by using various sensitivity analyses by property type to expected rental yields, property yields, credit ratings and other key inputs.

Sale and leaseback arrangements

For the Group, these are valued as investment property.

Non-traded or illiquid bonds and equities

Illiquid fixed income securities are valued using a price from the counterparty broker to the deal where possible. Where this is not available, the Group uses the purchase or issue price.

Illiquid equity valuations are derived in line with the IPEV guidelines, by establishing a valuation with reference to relevant market, income and cost factors. These valuations are subject to internal review through independent asset valuation committees. Where possible, the valuations are reviewed by independent expert valuation companies.

Following the completion of these processes the Group has concluded that its assets are valued appropriately in accordance with Article 10 of the Solvency II Delegated Regulation and appropriately reflect consideration of valuation uncertainty.

D.4.1 ADEQUACY OF THE VALUATION COMPARED TO EXPERIENCE

Where possible, the Group aims to value its assets using prices obtained from independent pricing providers. Where independent pricing is obtained, quality checks are performed to ensure valuations are appropriate. These include comparisons to like prices received from multiple providers, comparisons to previous day or period reported prices, spread tolerances built within the pricing, benchmarking to relevant indices and other tolerance based analyses. Deviations from tolerances are investigated and reported to the relevant asset governance process.

For assets where mark-to-market valuations from independent pricing providers are not available, the Group performs reviews to validate and verify the continued suitability of the model for valuation purposes. This includes verification of the information, data, assumptions and output of the model, and a review of the model to ensure that it is still appropriate. The latter might consider external factors such as developments in standard modelling techniques for the asset in question, or internal factors such as evidence of the valuation against purchases or disposals of similar assets.

D.5 ANY OTHER INFORMATION

There were no significant events other than those covered above.

E. CAPITAL MANAGEMENT

E.1 OWN FUNDS

E.1.1 OBJECTIVES FOR MANAGING OWN FUNDS

The Group Board has established Group Risk Appetite statements to set the Group's overall objective for capital; the Group aims to maintain an appropriate buffer of capital resources over the minimum regulatory capital requirements. The Board sets a quantitative risk appetite for the Solvency II coverage ratio and this is used to monitor the position relative to the Risk Appetite.

The Group Capital Committee considers and approves matters such as capital allocation, new product lines, large transactions and capital investments, mergers and acquisitions transactions, direct investment and other material group-wide matters that may arise.

The Group's capital position is monitored by the Group Capital Committee and Group Risk Committee on a monthly basis or more frequently if deemed appropriate. These committees identify if actions are required in order to maintain the Group capital position.

Each year the Group prepares a five-year Capital Plan, consistent with the Group's Strategic and Business Plans, to forecast how the capital position is expected to develop over the Group business planning period and to consider the impact of the Group's strategy on the capital position. Performance against the capital plan is monitored on a regular basis and is used to inform decisions on the Group's capital structure and dividend policy.

Regarding the Group's capital management, a combination of methods, as referred to in Articles 230 and 233 of the Solvency II Directive is used to calculate the Group solvency. The method used for each individual undertaking in the Group is described in Column C0260 of form S.32.01.22, attached as Annex 1 of this report.

E.1.2 QUANTITATIVE EXPLANATION OF OWN FUNDS

The components of IFRS equity and Solvency II Own Funds as at 31 December 2017 are as follows:

(£m)	**IFRS Equity 2017**	**Solvency II Basic Own Funds 2017**	IFRS equity 2016	Solvency II Basic Own Funds 2016
Ordinary shares	149	149	149	149
Share premium	988	988	981	981
Retained earnings and reserves	6,782	-	6,153	-
Surplus funds	-	263	-	224
Reconciliation reserve	-	10,993	-	10,141
Subordinated liabilities	-	3,080	-	2,716
Total	**7,919**	**15,473**	7,283	14,211

E.1.3 STRUCTURE, AMOUNT, AND QUALITY OF BASIC OWN FUNDS

All Legal & General Group Own Funds have been assessed as basic Own Funds. There are no ancillary Own Fund items included in total Own Funds. Basic Own Funds have been assessed against Article 71 of the Delegated Regulation and have been categorised accordingly.

The structure and quality of the Group's Own Funds by tier is as follows:

As at 31 December 2017 (£m)	**Ref**	**Total**	**Tier 1 Unrestricted**	**Tier 1 Restricted**	**Tier 2**	**Tier 3**
Ordinary share capital (gross of own shares)	E.1.4.1	149	149	-	-	-
Share premium account related to ordinary share capital	E.1.4.1	988	988	-	-	-
Surplus funds	E.1.4.2	263	263	-	-	-
Reconciliation reserve	E.1.4.3	10,993	10,993	-	-	-
Subordinated liabilities	E.1.4.4	3,080	-	-	3,080	-
Total basic Own Funds		**15,473**	**12,393**	**-**	**3,080**	**-**
Restrictions to Own Funds	E.1.5	(119)	(119)	-	-	-
Total eligible Own Funds to cover the SCR		15,354	12,274	-	3,080	-
Total eligible Own Funds to cover the MCR[1,2]		11,883	11,454	-	429	-

1. Excluding Own Funds from other financial sector and from the undertakings included via method 2 – deduction and aggregation.
2. Tier 2 funds eligible to meet the MCR are capped at 20% of the MCR, as specified in Article 82 of the Delegated Regulation.

As at December 2016 (£m)	Ref	Total	Tier 1 Unrestricted	Tier 1 Restricted	Tier 2	Tier 3
Ordinary share capital (gross of own shares)	E.1.4.1	149	149	-	-	-
Share premium account related to ordinary share capital	E.1.4.1	981	981	-	-	-
Surplus funds	E.1.4.2	224	224	-	-	-
Reconciliation reserve	E.1.4.3	10,141	10,141	-	-	-
Subordinated debt	E.1.4.4	2,716	-	608	2,108	-
Total basic Own Funds		14,211	11,495	608	2,108	-
Restrictions to Own Funds	E.1.5	(142)	(142)	-	-	-
Total eligible Own Funds to cover the SCR		14,069	11,353	608	2,108	-
Total eligible Own Funds to cover the MCR[1,2]		11,766	10,719	608	439	-

1. Excluding Own Funds from other financial sector and from the undertakings included via method 2 – deduction and aggregation.
2. Tier 2 funds eligible to meet the MCR are capped at 20% of the MCR, as specified in Article 82 of the Delegated Regulation.

An analysis of significant movements in the items of basic Own Funds during the period is provided in Section E.1.4.
Further details on the restrictions to Own Funds are provided in Section E1.5.

Group Own Funds are based on the consolidated Group IFRS balance sheet, from which all intragroup transactions have been eliminated, and Solvency II adjustments are performed net of intragroup transactions. With regard to Own Funds items issued at Group level, intragroup holdings of subordinated debt are also eliminated.

E.1.4 DETAILS OF OWN FUNDS ITEMS AND ANALYSIS OF SIGNIFICANT MOVEMENTS IN OWN FUNDS DURING THE YEAR

E.1.4.1 ORDINARY SHARE CAPITAL AND SHARE PREMIUM

As at 31 December 2017 the Group had an aggregate issued and paid up ordinary share capital of £149m (2016: £149m) and share premium of £988m (2016: £981m). The share capital remained unchanged from 2016. The share premium increased by £7m during the year which represents issuance of shares for savings related share options exercised during the year under employee share option schemes.

E.1.4.2 SURPLUS FUNDS

The Group has recognised £263m (2016: £224m) of surplus funds as at 31 December 2017. The value of surplus funds represents the excess assets over liabilities, excluding risk margin, of the With-Profits Fund after deducting the present value of expected future shareholder transfers. The surplus funds are available to fully support the With-Profits Funds SCR, thereby meeting the criteria for classification as Tier 1 own funds.

The Surplus funds has increased by £39m following the actuarial valuation of the With-Profits Fund for the year and primarily reflects an increase in accumulated profits driven by favourable movements from economics and investment returns of £67m, model changes of £19m, and the amount of pension scheme deficit attributed to the Fund reduced by £28m. These are partially offset by adverse impacts from an increase in the asset share liabilities of £54m and operational assumption changes of £22m. Other small movements include the expected return and changes to tax.

E.1.4.3 RECONCILIATION RESERVE

The Reconciliation reserve is a core component of the basic Own Funds. The following table sets out how the reconciliation reserve is determined:

(£m)	**2017**	2016
Excess of assets over liabilities	12,393	11,495
Ordinary share capital	(149)	(149)
Share premium account	(988)	(981)
Surplus funds	(263)	(224)
Reconciliation reserve	**10,993**	10,141

The Reconciliation Reserve is predominantly made up of the excess of assets over liabilities, adjusted for ordinary share capital, surplus funds and the share premium account, which are presented as separate components of Own Funds.

The movement in the excess of assets over liabilities essentially represents net profits generated by the Group, partially offset by dividends paid to the shareholders. During the year the Group paid £872m (£2016: £830m) in dividends to shareholders.

E.1.4.4 ANALYSIS OF MOVEMENT IN OWN FUNDS

An analysis of significant movements in Own Funds during the year is provided below:

(£m)	Own Funds
Own Funds as at 31 December 2016	14,069
Net surplus generation	1,061
Dividend paid	(872)
Other operating and non-operating variances	597
Subordinated debt	499
Own Funds as at 31 December 2017	**15,354**

The increase in Own Funds is primarily driven by the net surplus of £1,061m generated from the books of existing and new business and including the release of Risk Margin, reduced by the impacts of amortisation of TMTP and finance costs. Own Funds is further increased by other operating and non-operating variances including £432m from market movements and £210m from change in base mortality and improvement assumptions, partially offset by reflecting the Risk Transfer Agreement as part of the sale of the Mature Savings business. A net issue of subordinated debt and fair valuation movements contributed an additional increase of £499m to the Own Funds.

The increase is partially offset by the dividend of £872m paid to the shareholders during the year.

E.1.4.5 SUBORDINATED BORROWINGS

In assessing the quality of each material Own Fund item, the Group has considered, along with the outstanding duration, the extent to which it is available against the following criteria:

- Rank on insolvency before policyholder or non-subordinated creditors
- Encumbrances or connected transaction
- Pay distributions or coupons whilst in breach of the SCR
- Ability to redeem without supervisory approval

The Group's subordinated borrowings are given in the following table:

Solvency II Own Funds classi-fication	Coupon rate (%)	Issue date	Maturity date	Call date[1]	Issue amount	Solvency II value[2] 2017 (£m)	Solvency II value[2] 2016 (£m)	Transitional rules
Tier 1	6.385	02/05/2007	Perpetual	02/05/2017	£600m	-	608	-
Tier 2[3]	5.875	30/03/2004	Perpetual	01/04/2019	£400m	414	435	(a),(b)
Tier 2[3]	10.000	23/07/2009	23/07/2041	23/07/2021	£300m	324	332	(a),(b)
Tier 2[3]	5.500	27/06/2014	27/06/2064	27/06/2044	£600m	726	727	(b)
Tier 2	5.375	27/10/2015	27/10/2045	27/10/2025	£600m	615	614	-
Tier 2	5.250	21/03/2017	21/03/2047	21/03/2027	$850m	633	-	-
Tier 2	5.550	24/04/2017	24/04/2052	24/04/2032	$500m	368	-	-
Total subordinated debt						3,080	2,716	

1. Notes are callable every 5 years following the first call date
2. Solvency II value is net of internal holdings
3. Subject to transitional arrangements.

The Group has concluded that all subordinated borrowings are available.

Over 2017 the subordinated debt increased by £364m to £3,080m (2016: £2,716m). This was primarily driven by issuances of qualifying US Dollar subordinated notes with a total value of $1,350m and a redemption of 6.385% Sterling perpetual capital securities of the nominal amount of £600m. Other movements in the total value of subordinated borrowings relate to changes in the risk-free rates used for the Solvency II valuation of subordinated borrowings.

The Group has performed a review of each of the debt instruments treated as Group capital resources under the Solvency I regime against the required features in the Solvency II regulations and the transitional measures. The instruments have been classified under the Solvency II transitional arrangements as required.

The specific rationale for three of the instruments being subject to transitional arrangements rather than Solvency II compliant in their own right is as follows:

a) Solvency II does not allow redemption within the first five years unless there are provisions that the capital will be replaced with equal or better quality capital. These instruments contain this feature.
b) Solvency II directive requires the inclusion of insurance undertaking insolvent event language and / or Group SCR and solo SCR deferral triggers. These instruments do not contain these items.

E.1.5 RESTRICTIONS ON OWN FUNDS

A number of non-insurance regulated entities across the Group (e.g. LGIM) have an additional regulatory capital requirement above the capital requirement (sectorial basis) used in the Solvency

Capital Requirement (SCR) calculation. These entities' Own Funds items are eligible to meet the SCR of the regulated subsidiary but cannot be made available to cover the Solvency Capital Requirements of firms elsewhere in the Group, resulting in a restriction to be reflected in the Group eligible Own Funds. As at 31 December 2017 this has resulted in a restriction of £119m (2016: £142m).

As at 31 December 2017 there were no restrictions on the Own Funds for any of the Matching Adjustment Portfolios (MAPs) or the ring-fenced funds (RFF) within the Company (2016: nil).

E.1.6 RECONCILIATION BETWEEN IFRS EQUITY AND EXCESS OF ASSETS OVER LIABILITIES

The reconciliation between IFRS equity and Solvency II excess of assets over liabilities is shown below:

(£m)	2017	2016
IFRS equity	7,919	7,283
Solvency II Excess of assets over liabilities	12,393	11,495
Difference	**4,474**	4,212
Explained by:		
Elimination of intangibles	(494)	(683)
Conversion to aggregation under the D&A method	(735)	(503)
Difference in the valution of technical provisions	6,964	6,988
Revaluation of subordinated debt and debts owed to credit institutions	(398)	(412)
Other valuation differences	(38)	(351)
Deferred tax impacts	(825)	(827)
Total	**4,474**	4,212

The increase in difference between IFRS equity and Solvency II net assets mainly resulted from movements in solvency valuation differences. An explanation of the material movements in each of the component parts of the Solvency II excess of assets over liabilities, including a qualitative explanation for the valuation adjustments, is presented in Section D – Valuation for Solvency Purposes.

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT[5]

E.2.1 SOLVENCY CAPITAL REQUIREMENT (SCR)

The total SCR for the Group as at 31 December 2017 was £8,471m (2016: £8,635m). This was calculated using the Group’s approved partial internal model. No element of the SCR is subject to supervisory assessment.

[5] The Internal Model and Solvency Capital Ratio are not subject to audit.

The table below provides an analysis of material changes to the SCR during the year:

(£m)	SCR
SCR as at 31 December 2016	8,635
Net surplus generation	(78)
Market movements	342
Other operating and non-operating variances	(428)
SCR as at 31 December 2017	**8,471**

- Net Surplus Generation includes SCR release from back-book and the addition from new business written over the year;
- Market Movements represents the impact of changes in investment market conditions over the period and changes to future economic assumptions; and
- Other operating and non-operating variances include the impact of experience variances, changes to valuation and capital calibration assumptions, changes to planned volumes of new business, tax rate changes, PRA approval of changes to the Internal Model and Matching Adjustment and other management actions including changes in asset mix, hedging strategies, Matching Adjustment optimisation and update to the longevity assumptions.

The Group SCR allows for diversification across the Group, and as such is less than the sum of the standalone SCR requirements for insurance entities. The main sources of diversification for the Group are derived from the different risk profiles of PMC and LGIL compared to the rest of the Group. The Group Internal Model allows a quantification and allocation of this diversification benefit and as at year end 2017 it allocated c.£180m of diversification benefit to PMC (2016: c.£175m) and c.£100m to LGIL (2016: c.£100m). In line with Solvency II regulations, there is no allowance for diversification when aggregating capital requirements from other financial sectors or firms included through the deduction and aggregation methodology.

Further information on the SCR by risk categories is provided in the QRT S.25 in Annex 1 of this report.

E.2.2 MINIMUM CAPITAL REQUIREMENT (MCR)

The Group's MCR as at 31 December 2017 was £2,147m (2016: £2,198m) as shown in the Own Funds QRT S.23.01.22.

In accordance with Solvency Directive Article 230(2), the Minimum Capital Requirement for the Group is the sum of the Minimum Capital Requirement for the subsidiary consolidated under Method 1 (accounting consolidation based method). Banner Life and William Penn are aggregated for group solvency purposes under Method 2 (deduction and aggregation) and have been excluded from the above MCR.

The change in the amount of the MCR over the year is not material.

E.3 USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

The duration based equity risk sub module is not used in the calculation of the Group's Solvency Capital Requirement.

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

E.4.1 INTERNAL MODEL

The Group uses a group-wide partial internal model (referred to as the Internal Model), as approved by the Prudential Regulation Authority (PRA). The Internal Model is used to calculate the capital requirements for the Group. The following sections describe various aspects of the Internal Model.

E.4.1.1 USE OF THE INTERNAL MODEL

The Internal Model is a key tool within the Risk Management framework. It plays a central role in the measurement of risks, as the Internal Model translates identified risk exposures into risk-based capital requirements. The Internal Model models the material and quantifiable risks that are identified as part of the Group's risk identification and review process.

The Internal Model's primary calculation engine, Algorithmics (Algo), has been designed to generate output at the level at which it will be used, i.e. at both a divisional and entity level, and by risk sub-category. This is important in ensuring its use and also helps to improve understanding and decision-making.

In addition to being the Internal Model's calculation engine, Algo is also employed by the Group for operational asset-liability management purposes.

Output from the Internal Model is used to formulate risk tolerances for the following group level risk appetite statements which are reviewed annually:

- The measure of return on risk-based capital;
- The appropriate additional capital resources to be held over the minimum regulatory capital requirements; and
- Management of volatility of earnings.

Output from the Internal Model is essential for effectively monitoring risk exposures across the Group. Effective management information (MI) informs and supports the decision-making, oversight and risk assessment responsibilities of the Group's risk and capital management committees.

The Group level approach also serves as a model for the MI required for lower-level (i.e. divisional, entity and business unit) committees.

In an Internal Model context, risk and capital MI assists the Group to monitor risk exposures in relation to appetite and limits.

E.4.1.2 SCOPE OF THE INTERNAL MODEL

We have chosen to adopt an Internal Model approach to calculate the Solvency Capital Requirement (SCR) for material insurance companies in the Group. The Internal Model covers all of the Group's material and quantifiable risk exposures, which are identified as falling into the following categories:

- Insurance;
- Market;
- Counterparty credit;
- Liquidity;
- Operational; and
- Group diversification.

The following subsidiaries are within the scope of the Group's partial internal model and are 'major business units':

Firms regulated on a solo basis

Entity	Model type	Description
Legal and General Assurance Society Limited (LGAS)	Partial Internal Model (The model includes business on a Standard Formula basis)	LGAS is a European economic area (EEA) composite insurer. LGAS currently operates primarily as a life and pensions business in the UK.
Legal & General Insurance Limited (LGIL)	Internal Model	LGIL is an EEA general insurer. A wholly owned subsidiary of LGAS, LGIL operates as a stand-alone business unit.
Legal & General Assurance (Pensions Management) Limited (PMC)	Internal Model	PMC is an EEA long-term insurer. PMC provides unit-linked pension policies and segregated Investment management services primarily to occupational pension scheme trustees.

Other firms included in the Group SCR

Entity	Model type	Description
Legal & General Group Plc	Internal Model	The Group level insurance holding company.
Legal & General Reinsurance Ltd (LG Re)	Internal Model	LG Re is a non-EEA reinsurer that started writing business during 2014, initially accepting primarily annuity related risks.
Banner Life Insurance Company William Penn Life Insurance Company of New York	Included in the model using the deduction and aggregation method based on the local statutory requirements	Banner and William Penn sell primarily individual protection policies in the US and are subsidiaries of the non-EEA holding company Legal & General America Inc.
Legal & General Finance Plc	Internal Model	Legal & General Finance is an ancillary firm whose principal activity is to provide funding to other Legal & General insured entities.

In line with the regulations Legal & General Finance Plc has been classified as a 'major business unit'. As an 'ancillary services undertaking' as defined in the Solvency II Delegated Regulation (January 2015), its activities are highly integrated with other insured entities within the Group.

The PRA has approved the use of the Deduction and Aggregation method to include the Legal & General America firms in the Group Solvency Capital Requirements (SCR) until 1 January 2021.

The Group's overall (SCR) includes the following elements. The percentages shown are as at 31 December:

	2017	2016
SCR for Internal Model firms	88.0%	86.9%
SCR for Group Pension Scheme	1.8%	2.1%
With-profits fund standalone position	7.0%	6.3%
SCR for Standard Formula firms	0.0%	1.2%
SCR for D&A Firms (Legal & General America)	2.4%	2.5%
Capital requirement for financial firms	0.8%	1.0%
Total Group SCR	**100.0%**	100.0%

Our Internal Model is integrated into our risk management and governance systems. The material risks identified through the risk framework are also those covered by the Internal Model and vice versa. Actual risk exposures relative to Internal Model derived risk limits are monitored and reported.

The output of the Internal Model is used:

- to measure and rank the relative profile of the Group's core risk exposures;
- in determining the Group's strategies, risk limits and tolerances for managing different types of risk exposure relative to risk appetite;
- in the own risk and solvency assessment (ORSA) for the Group and for relevant solo firms;
- as a key factor in decisions such as those covering capital allocations, product pricing and asset class selection; and
- in the assessment of significant transactions.

The Board is assured of the adequacy and effectiveness of the integration and use of the Internal Model through regular reporting to the Group Risk Committee, both as part of the formal management information received by the Committee and through briefings on the operation and development of the Internal Model.

The Group Internal Model SCR is calculated using a simple addition of the SCRs relating to separate categories of the Group's entities.

The Group uses the alternative aggregation Method 1 defined in the Solvency II Delegated Regulations for aggregation of the Internal Model SCR. The Legal & General America major business units are then aggregated for group solvency purposes under Method 2 (deduction and aggregation). Method 1 involves simple addition of various sources of SCR without allowing for diversification between them (but allowing for full diversification within each of the Internal Model and Standard Formula (SF) SCRs). The sources of SCR are as follows:

- Group Internal Model SCR, with full diversification between Internal Model firms (apart from any ring-fencing restrictions);
- SF SCR for SF firms, with full diversification between SF firms (this is now de minimis);
- SCR for undertakings included via the deductions and aggregation method;
- Proxy capital requirement for each financial firm individually, without diversification between them; and
- The value of reinsurance internal to the Group is eliminated at the Group level.

Our approach also includes the addition of required capital for pension schemes allowing for some diversification within the Internal Model assessment.

E.4.1.3 METHODS USED IN THE INTERNAL MODEL

The calculation approach used generates 500,000 simulations of 'risk drivers' such as equity returns and interest rates. The simulations are constructed in such a way that each risk driver follows a predefined distribution and that the relationship between any two risk drivers follows a predefined correlation assumption. The simulations can be looked at as a sample generated from a multidimensional distribution. This distribution is sometimes referred to as a 'marginal distribution'.

The multidimensional distribution is built from the risk driver distributions, correlation assumptions and a t-copula function which represents the dependency structure between the risks.

Each scenario is fed into an asset valuation module, which is capable of revaluing the Company's assets for each of these scenarios. The output is the total asset value under each scenario. This module covers the vast majority of the relevant assets.

Similarly, the scenarios are fed into a liability valuation module (and for certain situations the results from the asset valuation are also fed into the liability valuation module). Due to run time constraints, the liability valuation module is a simplified model (referred to as a 'proxy model').

The results of the liability valuation and the asset valuation module are combined for each scenario to give the resulting net asset position and the change in net asset value compared to the starting position. These results cover existing business, as well as the new business expected to be written over the following 12 months.

The risk measure used for the purpose of the Internal Model is a 'value-at-risk' measure (VaR); the VaR is defined as the estimated loss for a given probability over a one-year period.

By ordering the results (i.e. changes in net assets) the empirical aggregated loss distribution can be constructed. If the number of simulations is too small then the estimate of the percentile can be volatile and methods (such as smoothing) are required to stabilise results.

Whilst capital calculations are based upon a one-year VaR approach, the stresses applied in Algo are effectively carried out assuming that the event occurs exactly at the valuation date. An adjustment is made to allow for the investment return (using pre and post stress risk-free rates) that would be earned over the year on the eligible Own Funds.

E.4.2 THE RISK MEASURE AND TIME PERIOD USED IN THE INTERNAL MODEL

In line with Article 101 of the Solvency II Directive the Internal Model SCR is the 1-in-200 value-at-risk (VaR) of Own Funds over a one-year period.

E.4.3 MAIN DIFFERENCES AGAINST THE STANDARD FORMULA APPROACH

As described above, the Internal Model calibration standard is the same as for the standard formula. However, the detailed calculations differ in their sophistication and the extent to which they have been tailored to the Group's own risk profile. As part of the review of the Internal Model an annual exercise is carried out to assess the Group Standard Formula result.

Standard Formula is not the Group's regulatory basis. The production of a Group Standard Formula result is not carried out as part of the year end valuation cycle, and has been carried out on a proportionate basis and is not subject to the level of rigour as the Internal Model result validation.

The most significant (pre-diversification between risks) differences are as follows:

- Standard Formula has no inflation risk capital requirement, whereas the Internal Model has a non-zero amount;
- The capital requirement arising from spread risk (net of matching premium) is significantly higher (pre-diversification) for the Standard Formula than for the Internal Model, primarily due to the treatment of Special Purpose Vehicles (SPVs). Aside from this, the Internal Model calibration is significantly stronger than the Standard Formula, but there is an offsetting impact from lower than 100% correlation between the various Internal Model spread risk drivers. Also, differing treatments for asset types will influence the relative strength;
- Longevity risk capital requirement is lower (pre-diversification between risks) for Standard Formula than for Internal Model primarily because the Internal Model calibration (which targets base mortality as well as trend) is somewhat stronger than the Standard Formula;
- Lapse risk capital requirement is higher (pre-diversification between risks) for Standard Formula than for Internal Model, primarily because the Internal Model mass lapse calibrations for several products are lower than the Standard Formula;
- Operational risk capital requirement is lower (pre-diversification between risks) for Standard Formula than for Internal Model, primarily due to stronger calibrations in the Internal Model. However, Operational Risk does not diversify against other risks in the Standard Formula whereas it does within the Internal Model;
- Equity risk capital requirement is higher (pre-diversification between risks) for Standard Formula than Internal Model primarily due to different classifications of certain assets between the two bases;
- Property risk capital requirement is lower (pre-diversification between risks) for Standard Formula than Internal Model primarily due to different classifications of certain assets between the two bases;
- Loss absorbing capacity of deferred taxes (LACoDT) is lower for Standard Formula as there are less available profits on the Standard Formula to support simulated losses, primarily due to lower TMTP which is in turn due to the risk margin being lower on a Standard Formula basis;
- Mortality risk capital requirement is higher (pre-diversification between risks) for Standard Formula than for Internal Model, primarily because the Internal Model calibration is lower than the Standard Formula;
- Standard Formula has no non-market risk capital requirement on the pension scheme, whereas the Internal Model has a non-zero amount;
- The Internal Model uses a copula approach to aggregate the components rather than the matrix multiplication specified in the Standard Formula. This enables the Internal Model to more accurately allow for interactions between risks and non-normal risk distribution shapes and results in different diversification benefit under the Internal Model; and
- The Internal Model also allows for diversification between the business inside and outside the Matching Adjustment portfolio upon aggregation, whereas the Standard Formula does not.

E.4.4 INTERNAL MODEL DATA

In order to calculate our Solvency Capital Requirement our Internal Model is provided with data about our assets, liabilities and the risks associated with each of these. The majority of assets are modelled on an individual asset terms and conditions basis, providing readily validated valuations and granular modelling of how assets respond under different scenarios. Insurance liabilities are provided by our proven process for the calculation of best estimate liabilities; the same process provides figures for our IFRS reporting and calculation of technical provisions.

In order to assess the risks associated with our assets and liabilities a wide range of economic, market and insurance data and operational risk experience is used. Internal and external historical and experience data are used to project possible future scenarios, and external forecasts are used for example in life longevity, causes of death, epidemic risks and event catastrophe risks.

Data are used to assess:

- the likelihood and scale of individual risks; and
- how these risks are correlated, i.e. the extent to which a change in one risk is likely to coincide with a change in another risk.

Our Solvency II data governance framework has been designed to instil best practice in managing data risk and improving data quality to add robustness to model processes and outputs. The Solvency II Data Management Policy sets out the Group's requirements for managing data risk on data used to develop, populate, operate and validate the Internal Model. The data management control framework provides the conditions for business areas to ensure that all Internal Model data are recorded and that associated data risks and quality are managed effectively. The framework includes regular assessments of data quality and controls effectiveness.

The appropriateness of all internal and external data is considered and justified by the experts in each area of risk; and these justifications are independently validated.

E.5 NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

There have been no instances of non-compliance with either the MCR or SCR for any of Legal & General Solvency II entities over the reporting period.

E.6 ANY OTHER INFORMATION

Mature Savings

The Group announced the sale of the Mature Savings business to Swiss Re on 6 December 2017 for £650m. The proceeds were received by the Group at the start of January 2018 and the a Part VII transfer is expected to complete in 2019. Swiss Re assumed the economic exposure of the business from 1 January 2018 via a risk transfer agreement.

The impact of the risk transfer agreement has been reflected in the calculation of Own Funds. Due to the proximity of the transaction to the year end the model change required to reflect the impact of the agreement on the SCR has not been made. The change is expected in 2018. The impact of the treatment as at 31 December 2017 is to reduce the regulatory coverage ratio by 2%. Once the model change to reflect the risk transfer agreement is implemented the coverage ratio will improve by an estimated 2%.

Dividend

As at 7 March 2018 the Group declared a final dividend of £658m (2016: £616m) to be paid on 7 June 2018. The impact of this dividend payment as at 31 December 2017 would have been to reduce the regulatory solvency coverage ratio by 8% (2016: 7%).

ANNEX 1 – QUANTITATIVE REPORTING TEMPLATES (QRT)

LEGAL & GENERAL GROUP - SOLVENCY AND FINANCIAL CONDITION REPORT 31 DECEMBER 2017
Values are shown in £'000
S.02.01.02
Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	1,585
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	13,321
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	128,875,212
R0080	*Property (other than for own use)*	354,061
R0090	*Holdings in related undertakings, including participations*	70,964,048
R0100	*Equities*	3,683,934
R0110	*Equities - listed*	3,680,696
R0120	*Equities - unlisted*	3,238
R0130	*Bonds*	49,158,290
R0140	*Government Bonds*	11,621,145
R0150	*Corporate Bonds*	36,310,234
R0160	*Structured notes*	0
R0170	*Collateralised securities*	1,226,911
R0180	*Collective Investments Undertakings*	1,096,264
R0190	*Derivatives*	3,600,960
R0200	*Deposits other than cash equivalents*	17,655
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	285,216,495
R0230	Loans and mortgages	2,940,942
R0240	*Loans on policies*	79
R0250	*Loans and mortgages to individuals*	2,093,003
R0260	*Other loans and mortgages*	847,860
R0270	Reinsurance recoverables from:	2,572,639
R0280	*Non-life and health similar to non-life*	4,977
R0290	*Non-life excluding health*	4,892
R0300	*Health similar to non-life*	85
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	2,250,582
R0320	*Health similar to life*	58,992
R0330	*Life excluding health and index-linked and unit-linked*	2,191,590
R0340	*Life index-linked and unit-linked*	317,080
R0350	Deposits to cedants	858,239
R0360	Insurance and intermediaries receivables	110,948
R0370	Reinsurance receivables	187,293
R0380	Receivables (trade, not insurance)	2,606,505
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	483,912
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	423,867,091

LEGAL & GENERAL GROUP - SOLVENCY AND FINANCIAL CONDITION REPORT 31 DECEMBER 2017
Values are shown in £'000
S.02.01.02
Balance sheet

		Solvency II value	
	Liabilities	C0010	
R0510	Technical provisions - non-life	150,883	
R0520	*Technical provisions - non-life (excluding health)*	149,288	
R0530	*TP calculated as a whole*	0	
R0540	*Best Estimate*	139,835	Note 1
R0550	*Risk margin*	9,453	Note 2
R0560	*Technical provisions - health (similar to non-life)*	1,595	
R0570	*TP calculated as a whole*	0	
R0580	*Best Estimate*	1,548	Note 1
R0590	*Risk margin*	47	Note 2
R0600	Technical provisions - life (excluding index-linked and unit-linked)	62,061,179	
R0610	*Technical provisions - health (similar to life)*	433,497	
R0620	*TP calculated as a whole*	0	
R0630	*Best Estimate*	431,423	Note 1
R0640	*Risk margin*	2,074	Note 2
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	61,627,682	
R0660	*TP calculated as a whole*	0	
R0670	*Best Estimate*	61,379,760	Note 1
R0680	*Risk margin*	247,922	Note 2
R0690	Technical provisions - index-linked and unit-linked	336,123,015	
R0700	*TP calculated as a whole*	0	
R0710	*Best Estimate*	336,061,408	Note 1
R0720	*Risk margin*	61,607	Note 2
R0730	Other technical provisions	0	
R0740	Contingent liabilities	0	
R0750	Provisions other than technical provisions	52,016	
R0760	Pension benefit obligations	1,293,087	
R0770	Deposits from reinsurers	0	
R0780	Deferred tax liabilities	1,264,115	
R0790	Derivatives	1,991,083	
R0800	Debts owed to credit institutions	1,124,600	
R0810	Financial liabilities other than debts owed to credit institutions	0	
R0820	Insurance & intermediaries payables	460,877	
R0830	Reinsurance payables	5,859	
R0840	Payables (trade, not insurance)	3,866,697	
R0850	Subordinated liabilities	3,080,578	
R0860	*Subordinated liabilities not in BOF*	0	
R0870	*Subordinated liabilities in BOF*	3,080,578	
R0880	Any other liabilities, not elsewhere shown	0	
R0900	**Total liabilities**	411,473,989	
R1000	**Excess of assets over liabilities**	12,393,102	

Note 1
BELs are shown net of Transitional Measure on Technical Provisions (TMTP) applied
The total BEL above sum to £398,014m. The total unadjusted BELs of £398,723m can be seen in section D.2.2 on page 58 of the report.

Note 2
Risk Margin is shown net of TMTPs applied. The total Risk Margin above sums to £321m. The total unadjusted Risk Margin of £5,856m can be seen in section D.2.2 on page 58 of the report.

In total, TMTP of £6,244m was applied, and can be seen in section D.2.2 on page 58 of the report.

LEGAL & GENERAL GROUP - SOLVENCY AND FINANCIAL CONDITION REPORT 31 DECEMBER 2017
Values are shown in £'000
S.05.01.02
Premiums, claims and expenses by line of business

	Non-life	**Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**												**Line of business for: accepted non-proportional reinsurance**				**Total**
		Medical expense insurance	**Income protection insurance**	**Workers' compensation insurance**	**Motor vehicle liability insurance**	**Other motor insurance**	**Marine, aviation and transport insurance**	**Fire and other damage to property insurance**	**General liability insurance**	**Credit and suretyship insurance**	**Legal expenses insurance**	**Assistance**	**Miscellaneous financial loss**	**Health**	**Casualty**	**Marine, aviation, transport**	**Property**	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	*Gross - Direct Business*	0	6,748	0	0	0	0	329,163	8,694	0	0	0	24,833					369,438
R0120	*Gross - Proportional reinsurance accepted*	0	0	0	0	0	0	0	0	0	0	0	0					0
R0130	*Gross - Non-proportional reinsurance accepted*													0	0	0	0	0
R0140	*Reinsurers' share*	0	273	0	0	0	0	13,014	534	0	0	0	409	0	0	0	0	14,230
R0200	*Net*	0	6,475	0	0	0	0	316,149	8,160	0	0	0	24,424	0	0	0	0	355,208
	Premiums earned																	
R0210	*Gross - Direct Business*	0	7,074	0	0	0	0	308,673	8,118	0	0	0	22,375					346,240
R0220	*Gross - Proportional reinsurance accepted*	0	0	0	0	0	0	0	0	0	0	0	0					0
R0230	*Gross - Non-proportional reinsurance accepted*													0	0	0	0	0
R0240	*Reinsurers' share*	0	273	0	0	0	0	13,014	504	0	0	0	409	0	0	0	0	14,200
R0300	*Net*	0	6,801	0	0	0	0	295,659	7,614	0	0	0	21,966	0	0	0	0	332,040
	Claims incurred																	
R0310	*Gross - Direct Business*	0	3,014	0	-781	0	0	146,254	4,708	0	0	0	10,409					163,604
R0320	*Gross - Proportional reinsurance accepted*	0	0	0	0	0	0	0	0	0	0	0	0					0
R0330	*Gross - Non-proportional reinsurance accepted*													0	0	0	0	0
R0340	*Reinsurers' share*	0	64	0	655	0	0	637	773	0	0	0	49	0	0	0	0	2,178
R0400	*Net*	0	2,950	0	-1,436	0	0	145,617	3,935	0	0	0	10,360	0	0	0	0	161,426
	Changes in other technical provisions																	
R0410	*Gross - Direct Business*	0	0	0	0	0	0	0	0	0	0	0	0					0
R0420	*Gross - Proportional reinsurance accepted*	0	0	0	0	0	0	0	0	0	0	0	0					0
R0430	*Gross - Non-proportional reinsurance accepted*													0	0	0	0	0
R0440	*Reinsurers' share*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0500	*Net*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
R0550	**Expenses incurred**	0	3,337	0	0	0	0	152,803	3,949	0	0	0	8,706	0	0	0	0	168,795
R1200	**Other expenses**																	0
R1300	**Total expenses**																	168,795

LEGAL & GENERAL GROUP - SOLVENCY AND FINANCIAL CONDITION REPORT 31 DECEMBER 2017
Values are shown in £'000
S.05.01.02
Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	*Gross*	117,157	33,924	42,367,994	6,923,387	0	552,896	0	3,985,075	53,980,433
R1420	*Reinsurers' share*	30,988	1,157	537,829	1,813,743	0	0	0	0	2,383,717
R1500	*Net*	86,169	32,767	41,830,165	5,109,644	0	552,896	0	3,985,075	51,596,716
	Premiums earned									
R1510	*Gross*	117,157	33,924	40,673	6,877,548	0	552,896	0	3,985,075	11,607,273
R1520	*Reinsurers' share*	30,988	1,157	1,055	1,813,743	0	0	0	0	1,846,943
R1600	*Net*	86,169	32,767	39,618	5,063,805	0	552,896	0	3,985,075	9,760,330
	Claims incurred									
R1610	*Gross*	88,548	708,444	52,792,554	4,783,058	0	59,123	0	4,660,165	63,091,892
R1620	*Reinsurers' share*	17,446	812	1,335	1,559,593	0	0	0	0	1,579,186
R1700	*Net*	71,102	707,632	52,791,219	3,223,465	0	59,123	0	4,660,165	61,512,706
	Changes in other technical provisions									
R1710	*Gross*	32,755	-497,330	32,190,912	5,442,341	0	571,026	0	-2,828,119	34,911,585
R1720	*Reinsurers' share*	9,595	0	43,079	188,852	0	0	0	0	241,526
R1800	*Net*	23,160	-497,330	32,147,833	5,253,489	0	571,026	0	-2,828,119	34,670,059
R1900	**Expenses incurred**	25,102	27,405	375,151	708,503	0	12,285	0	37,926	1,186,372
R2500	**Other expenses**									625,139
R2600	**Total expenses**									1,811,511

LEGAL & GENERAL GROUP - SOLVENCY AND FINANCIAL CONDITION REPORT 31 DECEMBER 2017
Values are shown in £'000
S.22.01.22
Impact of long term guarantees measures and transitionals

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
R0010	**Technical provisions**	398,335,077	6,244,363	0	0	7,016,386
R0020	**Basic own funds**	15,473,680	-5,293,419	0	0	-5,942,357
R0050	**Eligible own funds to meet Solvency Capital Requirement**	15,354,557	-5,293,419	0	0	-6,946,529
R0090	**Solvency Capital Requirement**	8,471,355	740,040	0	0	10,503,166

Note
The information disclosed in this template is as defined in Annex I of Commission Implementing Regulation (EU) 2015/2542,and is as at 31 December 2017.
Values in this table alone do not provide sufficient information to gain a fair and transparent understanding of the Group's solvency position

Additional information on the Transition Measure on Technical Provisions and the Matching Adjustment can be found in section D.2 of the report.

LEGAL & GENERAL GROUP - SOLVENCY AND FINANCIAL CONDITION REPORT 31 DECEMBER 2017
Values are shown in £'000
S.23.01.22
Own Funds

	Basic own funds before deduction for participations in other financial sector	**Total**	**Tier 1 unrestricted**	**Tier 1 restricted**	**Tier 2**	**Tier 3**
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	148,961	148,961		0	
R0020	*Non-available called but not paid in ordinary share capital at group level*	0	0		0	
R0030	Share premium account related to ordinary share capital	987,614	987,614		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0060	*Non-available subordinated mutual member accounts at group level*	0		0	0	0
R0070	Surplus funds	262,828	262,828			
R0080	*Non-available surplus funds at group level*	0	0			
R0090	Preference shares	0		0	0	0
R0100	*Non-available preference shares at group level*	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0120	*Non-available share premium account related to preference shares at group level*	0		0	0	0
R0130	Reconciliation reserve	10,993,699	10,993,699			
R0140	Subordinated liabilities	3,080,578		0	3,080,578	0
R0150	*Non-available subordinated liabilities at group level*	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	0				0
R0180	Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
R0190	*Non available own funds related to other own funds items approved by supervisory authority*	0	0	0	0	0
R0200	Minority interests (if not reported as part of a specific own fund item)	0	0	0	0	0
R0210	*Non-available minority interests at group level*	0	0	0	0	0
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the	0				
	Deductions					
R0230	Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial	367,081	367,081	0	0	0
R0240	*whereof deducted according to art 228 of the Directive 2009/138/EC*	0	0	0	0	
R0250	Deductions for participations where there is non-availability of information (Article 229)	0	0	0	0	0
R0260	Deduction for participations included by using D&A when a combination of methods is used	572,284	572,284	0	0	0
R0270	**Total of non-available own fund items**	0	0	0	0	0
R0280	**Total deductions**	939,365	939,365	0	0	0
R0290	**Total basic own funds after deductions**	14,534,315	11,453,737	0	3,080,578	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0			0	
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0			0	
R0320	Unpaid and uncalled preference shares callable on demand	0			0	0
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
R0380	Non available ancillary own funds at group level	0			0	0
R0390	Other ancillary own funds	0			0	0
R0400	**Total ancillary own funds**	0			0	0

LEGAL & GENERAL GROUP - SOLVENCY AND FINANCIAL CONDITION REPORT 31 DECEMBER 2017
Values are shown in £'000
S.23.01.22
Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Own funds of other financial sectors					
R0410	Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies	247,958	247,958	0	0	
R0420	Institutions for occupational retirement provision	0	0	0	0	0
R0430	Non regulated entities carrying out financial activities	0	0	0	0	
R0440	**Total own funds of other financial sectors**	247,958	247,958	0	0	0
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method	572,284	572,284	0	0	0
R0460	Own funds aggregated when using the D&A and combination of method net of IGT	572,284	572,284	0	0	0
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	14,534,315	11,453,737	0	3,080,578	0
R0530	Total available own funds to meet the minimum consolidated group SCR	14,534,315	11,453,737	0	3,080,578	
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	14,534,315	11,453,737	0	3,080,578	0
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	11,883,110	11,453,737	0	429,373	
R0610	**Minimum consolidated Group SCR**	2,146,865				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	553.51%				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	15,354,557	12,273,979	0	3,080,578	0
R0680	**Group SCR**	8,471,355				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	181.25%				
	Reconciliation reserve	C0060				
R0700	Excess of assets over liabilities	12,393,102				
R0710	Own shares (held directly and indirectly)	0				
R0720	Foreseeable dividends, distributions and charges	0				
R0730	Other basic own fund items	1,399,403				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0				
R0750	Other non available own funds	0				
R0760	**Reconciliation reserve**	10,993,699				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business	2,480,455				
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	20,413				
R0790	**Total Expected profits included in future premiums (EPIFP)**	2,500,868				

LEGAL & GENERAL GROUP - SOLVENCY AND FINANCIAL CONDITION REPORT 31 DECEMBER 2017
Values are shown in £'000
S.25.02.22
Solvency Capital Requirement - for groups using the standard formula and partial internal model

Row	Unique number of component	Component description	Calculation of the Solvency Capital Requirement	Amount modelled	
	C0010	C0020	C0030	C0070	
3	10300I	Interest rate risk (other than pension scheme)	344,918	344,918	
4	10400I	Equity risk (other than pension scheme)	1,188,575	1,188,575	
5	10600I	Property risk (other than pension scheme)	967,034	967,034	
6	10700I	Spread risk (other than pension scheme)	4,805,584	4,805,584	
7	10800I	Concentration risk (other than pension scheme)	0	0	
8	10900I	Currency risk (other than pension scheme)	628,849	628,849	
9	11000I	Other market risk (other than pension scheme)	714,883	714,883	
10	10300P	Interest rate risk (pension scheme)	80,702	80,702	
11	10400P	Equity risk (pension scheme)	290,276	290,276	
12	10600P	Property risk (pension scheme)	22,724	22,724	
13	10700P	Spread risk (pension scheme)	556,838	556,838	
14	10800P	Concentration risk (pension scheme)	0	0	
15	10900P	Currency risk (pension scheme)	22,188	22,188	
16	11000P	Other market risk (pension scheme)	87,146	87,146	
17	19900I	Diversification within market risk (including pension scheme)	-2,733,824	-2,733,824	Note 1
18	20100I	Type 1 counterparty risk	198,808	198,808	
19	20200I	Type 2 counterparty risk	5,405	5,405	
20	29900I	Diversification within counterparty risk	-3,455	-3,455	
21	30100I	Mortality risk	439,232	439,232	Note 1
22	30200I	Longevity risk (other than pension scheme)	5,796,831	5,796,831	
23	30200P	Longevity risk (pension scheme)	378,498	378,498	
24	30400I	Mass lapse	416,846	416,846	
25	30500I	Other lapse risk	523,326	523,326	
26	30600I	Expense risk	496,181	496,181	
27	30800I	Life catastrophe risk	630,302	630,302	
28	30900I	Other life underwriting risk	123,813	123,813	
29	39900I	Diversification within life underwriting risk	-2,567,040	-2,567,040	Note 1
30	41600I	Other health underwriting risk	109,186	109,186	
31	50100I	Premium risk	0	0	
32	50200I	Reserve risk	0	0	
33	50150I	Premium risk if premium risk covers premium provision and business planned to be written in coming 12 months combined	117,671	117,671	
34	50210I	Reserving risk if claims provision and premium provision combined	20,478	20,478	
35	50300I	Non-life catastrophe risk	327,831	327,831	
36	59900I	Diversification within non-life underwriting risk	-110,917	-110,917	Note 1
37	70100I	Operational risk	981,564	981,564	
38	80100I	Other risks	65,784	65,784	
39	80200I	Loss-absorbing capacity of technical provisions	0	0	
40	80300I	Loss-absorbing capacity of deferred tax	-1,387,875	-1,387,875	
41	80400I	Other adjustments	-25,582	-25,582	

	Calculation of Solvency Capital Requirement	C0100	
R0110	Total undiversified components	13,512,780	Sum of components above
R0060	Diversification	-5,242,534	Note 2
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0	
R0200	**Solvency capital requirement excluding capital add-on**	8,270,246	
R0210	Capital add-ons already set	0	
R0220	**Solvency capital requirement for undertakings under consolidated method**	8,270,246	Total plus diversification (R0110 + R0060)
	Other information on SCR - ***For information only, embedded in components above***		
R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions	956,943	
R0310	Amount/estimate of the overall loss-absorbing capacity of deferred taxes	-1,387,875	
R0400	Capital requirement for duration-based equity risk sub-module	0	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	3,390,084	
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds	524,614	
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	5,782,847	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0	
R0470	Minimum consolidated group solvency capital requirement	2,146,865	
	Information on other entities - ***For information only, embedded in components above***		
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	65,784	
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies*	65,784	
R0520	*Institutions for occupational retirement provisions*	0	
R0530	*Capital requirement for non- regulated entities carrying out financial activities*	0	
R0540	Capital requirement for non-controlled participation requirements	0	
R0550	Capital requirement for residual undertakings	0	
	Overall SCR		
R0560	SCR for undertakings included via D and A	201,109	
R0570	**Solvency capital requirement**	8,471,355	

Note 1
These items represent diversification within individual risk categories. The total diversification within categories is £4,973m.

Note 2
This item represents diversification between risk categories. The total diversification within and between risk categories is £10,215m.

S.32.01.22

Undertakings in the scope of the group

Row	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	Criteria of influence: % capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Inclusion in the scope of Group supervision: YES/NO	Date of decision if art. 214 is applied	Group solvency calculation: Method used and under method 1, treatment of the undertaking
Row	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	GB	213800JH9QQWHLO99821GB05210	Specific code	103 Wardour Street Retail Investment Company Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
2	GB	213800JH9QQWHLO99821GB10910	Specific code	245 Hammersmith Road Limited Partnership	Other	Limited by shares	Non-mutual		50.00%	50.00%	50.00%		Significant	50.00%	Included in the scope		Method 1: Adjusted equity method
3	GB	213800JH9QQWHLO99821GB05220	Specific code	7T Developments Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
4	GB	213800JH9QQWHLO99821GB10930	Specific code	Accelerated Digital Ventures Limited	Other	Limited by shares	Non-mutual		46.00%	46.00%	46.00%		Significant	46.00%	Included in the scope		Method 1: Adjusted equity method
5	JE	213800JH9QQWHLO99821GB10920	Specific code	Access Development Limited Partnership	Other	Limited by shares	Non-mutual		50.00%	50.00%	50.00%		Significant	50.00%	Included in the scope		Method 1: Adjusted equity method
6	GB	213800JH9QQWHLO99821GB05250	Specific code	Adam Kennedy Estate Agents Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
7	GB	213800JH9QQWHLO99821GB10940	Specific code	Air Energi Group Holdings Limited	Other	Limited by shares	Non-mutual		29.00%	29.00%	29.00%		Significant	29.00%	Included in the scope		Method 1: Adjusted equity method
8	GB	213800G8IDPE56ETLV96	LEI	Antham 1 Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
9	JE	213800JH9QQWHLO99821GB11420	Specific code	Atlantic Quay Three Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
10	US	213800JH9QQWHLO99821US94250	Specific code	Banner Life Insurance Company	Life insurance undertaking	Limited by shares	Non-mutual	Maryland Insurance Administration	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 2: Local rules
11	JE	213800JH9QQWHLO99821JE95020	Specific code	Bishopsgate Long Term Property Fund General Partner Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Significant	100.00%	Included in the scope		Method 1: Adjusted equity method
12	JE	213800JH9QQWHLO99821JE95030	Specific code	Bishopsgate Long Term Property Limited Partnership	Other	Limited by shares	Non-mutual		25.00%	25.00%	25.00%		Significant	25.00%	Included in the scope		Method 1: Adjusted equity method
13	JE	213800JH9QQWHLO99821GB10520	Specific code	Bracknell Property Unit Trust	Other	Limited by shares	Non-mutual		50.90%	50.90%	50.90%		Significant	50.90%	Included in the scope		Method 1: Adjusted equity method
14	JE	213800JH9QQWHLO99821GB10840	Specific code	Bucklersbury House Unit Trust	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
15	GB	213800JH9QQWHLO99821GB09310	Specific code	Canary Property Unit Trust	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
16	GB	213800JH9QQWHLO99821GB09320	Specific code	Cardiff Central One Property Unit Trust	Other	Limited by shares	Non-mutual		99.00%	99.00%	99.00%		Dominant	99.00%	Included in the scope		Method 1: Adjusted equity method
17	JE	213800JH9QQWHLO99821GB10530	Specific code	Central St Giles Unit Trust	Other	Limited by shares	Non-mutual		50.00%	50.00%	50.00%		Significant	50.00%	Included in the scope		Method 1: Adjusted equity method
18	GB	213800JH9QQWHLO99821GB05360	Specific code	Chineham General Partner Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
19	GB	213800JH9QQWHLO99821GB05370	Specific code	Chineham Shopping Centre Limited Partnership	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
20	GB	213800JH9QQWHLO99821GB09250	Specific code	Chineham Shopping Centre Unit Trust	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
21	GB	213800JH9QQWHLO99821GB05380	Specific code	City & Urban Developments Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
22	GB	213800JH9QQWHLO99821GB05430	Specific code	Ealing General Partner Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
23	GB	213800JH9QQWHLO99821GB05440	Specific code	Ealing Shopping Centre Limited Partnership	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
24	GB	213800JH9QQWHLO99821GB09260	Specific code	Ealing Shopping Centre Unit Trust	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
25	GB	213800JH9QQWHLO99821GB10960	Specific code	ECV Partnerships Tattenhall Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
26	GB	213800JH9QQWHLO99821GB10970	Specific code	ECV Partnerships Warwick Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
27	GB	213800JH9QQWHLO99821GB05480	Specific code	English Cities Fund	Other	Limited by shares	Non-mutual		35.40%	35.40%	35.40%		Significant	35.40%	Included in the scope		Method 1: Adjusted equity method
28	BM	213800JH9QQWHLO99821BM00010	Specific code	First British Bermuda Reinsurance Company II Limited	Reinsurance undertaking	Limited by shares	Non-mutual	Bermuda Monetary Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 2: Local rules
29	US	213800JH9QQWHLO99821US14183	Specific code	First British Vermont Reinsurance Company II	Reinsurance undertaking	Limited by shares	Non-mutual	Vermont Department of Financial Regulation	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 2: Local rules
30	US	213800JH9QQWHLO99821US04030	Specific code	Global Index Advisors Inc.	Credit institution, investment firm and financial institution	Limited by shares	Non-mutual	U.S. Securities and Exchange Commission	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Sectoral rules
31	JE	213800JH9QQWHLO99821JE95040	Specific code	Gracechurch Property Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
32	GB	213800JH9QQWHLO99821GB05510	Specific code	Gresham Street General Partner Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
33	GB	213800JH9QQWHLO99821GB05520	Specific code	Gresham Street Limited Partnership	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
34	GB	213800JH9QQWHLO99821GB09270	Specific code	Gresham Street Unit Trust	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
35	GB	213800JH9QQWHLO99821GB07000	Specific code	Haut Investments Limited	Other	Limited by shares	Non-mutual		47.80%	47.80%	47.80%		Dominant	47.80%	Included in the scope		Method 1: Adjusted equity method
36	IN	213800JH9QQWHLO99821IN09410	Specific code	IndiaFirst Life Insurance Company Limited	Life insurance undertaking	Limited by shares	Non-mutual	Insurance Regulatory and Development Authority of India	26.00%	26.00%	26.00%		Significant	0.00%	Not included in the scope (art. 214 b)	2016-01-01	No inclusion in the scope of group supervision as defined in Art. 214 Directive 2009/138/EC
37	GB	213800JH9QQWHLO99821GB05540	Specific code	Industrial Property Investment Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
38	GB	213800JH9QQWHLO99821GB11480	Specific code	Inspired Villages Group Limited	Other	Limited by shares	Non-mutual		49.00%	49.00%	49.00%		Significant	49.00%	Included in the scope		Method 1: Adjusted equity method
39	GB	213800JH9QQWHLO99821GB97451	Specific code	Investment Discounts On Line Limited	Credit institution, investment firm and financial institution	Limited by shares	Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Sectoral rules
40	GB	213800JH9QQWHLO99821GB10980	Specific code	IPIF Trade General Partner Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
41	JE	213800JH9QQWHLO99821GB11430	Specific code	Kingsland Industrial Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
42	GB	213800JH9QQWHLO99821GB10700	Specific code	L&G Cash Trust	Other	Limited by shares	Non-mutual		92.90%	92.90%	92.90%		Dominant	92.90%	Included in the scope		Method 1: Adjusted equity method

Undertakings in the scope of the group

									Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
Row	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
43	LU	213800JH9QQWHLO99821GB11460	Specific code	L&G Commodity Index Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
44	IE	213800JH9QQWHLO99821GB11410	Specific code	L&G Emerging Markets Equity Index Fund	Other	Limited by shares	Non-mutual		24.50%	24.50%	24.50%		Dominant	24.50%	Included in the scope		Method 1: Adjusted equity method
45	GB	213800JH9QQWHLO99821GB10990	Specific code	L&G European Equity Income Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
46	GB	213800JH9QQWHLO99821GB10400	Specific code	L&G Multi-Asset Target Return Fund	Other	Limited by shares	Non-mutual		99.70%	99.70%	99.70%		Dominant	99.70%	Included in the scope		Method 1: Adjusted equity method
47	GB	213800JH9QQWHLO99821GB10750	Specific code	L&G MultiManager Balanced Trust	Other	Limited by shares	Non-mutual		49.80%	49.80%	49.80%		Dominant	49.80%	Included in the scope		Method 1: Adjusted equity method
48	GB	213800JH9QQWHLO99821GB10720	Specific code	L&G MultiManager Income Trust	Other	Limited by shares	Non-mutual		20.50%	20.50%	20.50%		Dominant	20.50%	Included in the scope		Method 1: Adjusted equity method
49	GB	213800JH9QQWHLO99821GB11210	Specific code	L&G Real Capital Builder Fund	Other	Limited by shares	Non-mutual		99.90%	99.90%	99.90%		Dominant	99.90%	Included in the scope		Method 1: Adjusted equity method
50	GB	213800JH9QQWHLO99821GB11240	Specific code	L&G UK Mid Cap Index Fund	Other	Limited by shares	Non-mutual		45.00%	45.00%	45.00%		Dominant	45.00%	Included in the scope		Method 1: Adjusted equity method
51	IE	213800JH9QQWHLO99821GB10190	Specific code	Lagoon 3	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
52	IE	213800JH9QQWHLO99821GB10200	Specific code	Lagoon 4	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
53	IE	213800JH9QQWHLO99821GB10730	Specific code	Lagoon Finance Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
54	GB	213800JH9QQWHLO99821GB05610	Specific code	Latchmore Park Nominee No.1 Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
55	GB	UHW8J6W3L0NAAJPWCH59	LEI	Legal & General (Caerus) Limited	Credit institution, investment firm and financial institution	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Sectoral rules
56	GB	213800JH9QQWHLO99821GB05620	Specific code	Legal & General (PMC Trustee) Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
57	GB	213800WT2FV8TTBG4574	LEI	Legal & General (Portfolio Management Services) Limited	Credit institution, investment firm and financial institution	Limited by shares	Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Sectoral rules
58	GB	213800JH9QQWHLO99821GB05060	Specific code	Legal & General (Portfolio Management Services) Nominees Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
59	GB	213800JH9QQWHLO99821GB09120	Specific code	Legal & General (Strategic Land) Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
60	GB	549300AJXEFOY444EO24	LEI	Legal & General (Unit Trust Managers) Limited	Credit institution, investment firm and financial institution	Limited by shares	Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Sectoral rules
61	GB	213800JH9QQWHLO99821GB05050	Specific code	Legal & General (Unit Trust Managers) Nominees Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
62	US	213800JH9QQWHLO99821US36150	Specific code	Legal & General America Inc.	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
63	GB	213800KFZMHN5JMTPI10	LEI	Legal & General Asian Income Trust	Other	Limited by shares	Non-mutual		22.30%	22.30%	22.30%		Dominant	22.30%	Included in the scope		Method 1: Adjusted equity method
64	GB	213800JH9QQWHLO99821GB11220	Specific code	Legal & General Authorised Contractual Scheme	Other	Limited by shares	Non-mutual		64.80%	64.80%	64.80%		Dominant	64.80%	Included in the scope		Method 1: Adjusted equity method
65	GB	213800Z7VL8B5PLQJ965	LEI	Legal & General Authorised Contractual Scheme - L&G Real Income Builder Fund	Other	Limited by shares	Non-mutual		95.80%	95.80%	95.80%		Dominant	95.80%	Included in the scope		Method 1: Adjusted equity method
66	GB	213800JH9QQWHLO99821GB05630	Specific code	Legal & General Capital Investments Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
67	GB	213800JH9QQWHLO99821GB05650	Specific code	Legal & General Co Sec Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
68	GB	213800JH9QQWHLO99821GB09110	Specific code	Legal & General Development Assets Holdings Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
69	GB	213800JH9QQWHLO99821GB05680	Specific code	Legal & General Distribution Services Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Limited by shares	Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
70	GB	213800USG18JGRN9EQ90	LEI	Legal & General Dynamic Bond Trust	Other	Limited by shares	Non-mutual		35.20%	35.20%	35.20%		Dominant	35.20%	Included in the scope		Method 1: Adjusted equity method
71	GB	213800I2ZF7JRQ8Q2678	LEI	Legal & General Emerging Markets Government Bond (Local Currency) Index Fund	Other	Limited by shares	Non-mutual		34.70%	34.70%	34.70%		Dominant	34.70%	Included in the scope		Method 1: Adjusted equity method
72	GB	213800FWBWOJEX2XZX77	LEI	Legal & General Emerging Markets Government Bond (US$) Index Fund	Other	Limited by shares	Non-mutual		43.30%	43.30%	43.30%		Dominant	43.30%	Included in the scope		Method 1: Adjusted equity method
73	GB	213800JH9QQWHLO99821GB11000	Specific code	Legal & General Employee Benefits Administration Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
74	GB	213800JH9QQWHLO99821GB05700	Specific code	Legal & General Estate Agencies Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
75	GB	213800OK851HMU3QA115	LEI	Legal & General Ethical Trust	Other	Limited by shares	Non-mutual		42.50%	42.50%	42.50%		Dominant	42.50%	Included in the scope		Method 1: Adjusted equity method
76	GB	213800ICCVSYFHCO4857	LEI	Legal & General European Index Trust	Other	Limited by shares	Non-mutual		50.30%	50.30%	50.30%		Dominant	50.30%	Included in the scope		Method 1: Adjusted equity method
77	GB	213800BENVO8O97LVB42	LEI	Legal & General European trust	Other	Limited by shares	Non-mutual		64.90%	64.90%	64.90%		Dominant	64.90%	Included in the scope		Method 1: Adjusted equity method
78	GB	213800AJC8I72ZCD2E71	LEI	Legal & General Finance PLC	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
79	GB	213800JH9QQWHLO99821GB05710	Specific code	Legal & General Financial Services Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
80	GB	213800NBH8PCPDVJOV48	LEI	Legal & General Fixed Interest Trust	Other	Limited by shares	Non-mutual		37.90%	37.90%	37.90%		Dominant	37.90%	Included in the scope		Method 1: Adjusted equity method
81	IE	213800JH9QQWHLO99821IE02020	Specific code	Legal & General Fund Managers (Ireland) Limited	Credit institution, investment firm and financial institution	Limited by shares	Non-mutual	Central Bank of Ireland	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Sectoral rules
82	GB	213800KFT8IYVAP9KS02	LEI	Legal & General FX Structuring (SPV) Limited	Special purpose vehicle other than special purpose vehicle authorised in accordance with Art. 211 of Directive 2009/138/EC	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
83	GB	213800QP6LZTBSKZU913	LEI	Legal & General Global Emerging Markets Index Fund	Other	Limited by shares	Non-mutual		50.90%	50.90%	50.90%		Dominant	50.90%	Included in the scope		Method 1: Adjusted equity method
84	GB	213800Z9N3OILJFLNC70	LEI	Legal & General Global Real Estate Dividend Index Fund	Other	Limited by shares	Non-mutual		65.20%	65.20%	65.20%		Dominant	65.20%	Included in the scope		Method 1: Adjusted equity method

Undertakings in the scope of the group

									Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
Row	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
85	GB	213800JH9QQWHLO99821GB10560	Specific code	Legal & General GP LLP	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
86	GB	213800JH9QQWHLO99821GB05740	Specific code	Legal & General Grenfell Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
87	GB	213800JH9QQWHLO99821GB08050	Specific code	Legal & General Growth trust	Other	Limited by shares	Non-mutual		90.10%	90.10%	90.10%		Dominant	90.10%	Included in the scope		Method 1: Adjusted equity method
88	GB	213800YSUVVHCQVEL772	LEI	Legal & General High income Trust	Other	Limited by shares	Non-mutual		57.90%	57.90%	57.90%		Dominant	57.90%	Included in the scope		Method 1: Adjusted equity method
89	GB	213800JH9QQWHLO99821GB05070	Specific code	Legal & General Holdings No.2 Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
90	GB	213800JH9QQWHLO99821GB11010	Specific code	Legal & General Home Finance Administration Services Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
91	GB	213800JH9QQWHLO99821GB09020	Specific code	Legal & General Home Finance Holding Company Limited	Mixed financial holding company as defined in Article 212 (1)(h) of Directive 2009/138/EC	Limited by shares	Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
92	GB	213800JH9QQWHLO99821GB09030	Specific code	Legal & General Home Finance Limited	Credit institution, investment firm and financial institution	Limited by shares	Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
93	GB	213800JH9QQWHLO99821GB09230	Specific code	Legal & General Homes (Services Co) Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
94	GB	213800JH9QQWHLO99821GB11040	Specific code	Legal & General Homes Communities (Arborfield) Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
95	GB	213800JH9QQWHLO99821GB11050	Specific code	Legal & General Homes Communities (Crowthorne) Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
96	GB	213800JH9QQWHLO99821GB11060	Specific code	Legal & General Homes Communities (Shrivenham) Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
97	GB	213800JH9QQWHLO99821GB11070	Specific code	Legal & General Homes Communities Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
98	GB	213800JH9QQWHLO99821GB09220	Specific code	Legal & General Homes Holdings Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
99	GB	213800JH9QQWHLO99821GB09240	Specific code	Legal & General Homes Modular Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
100	IE	213800JH9QQWHLO99821IE10720	Specific code	Legal & General ICAV	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
101	IE	213800LPFTDQVNP63Z92	LEI	Legal & General ICAV - L&G Asia Pacific ex. Japan Equity Index Fund	Other	Limited by shares	Non-mutual		71.70%	71.70%	71.70%		Dominant	71.70%	Included in the scope		Method 1: Adjusted equity method
102	IE	2138009N444CX2GNGO28	LEI	Legal & General ICAV - L&G Diversified USD Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
103	IE	213800IXB2YO576Y3H12	LEI	Legal & General ICAV - L&G Europe ex. UK Equity Index Fund	Other	Limited by shares	Non-mutual		44.10%	44.10%	44.10%		Dominant	44.10%	Included in the scope		Method 1: Adjusted equity method
104	IE	213800VB5QUTO3CKW512	LEI	Legal & General ICAV - L&G Global Small Cap Equity Index Fund	Other	Limited by shares	Non-mutual		33.50%	33.50%	33.50%		Dominant	33.50%	Included in the scope		Method 1: Adjusted equity method
105	IE	213800XZ3N7J6LSA4789	LEI	Legal & General ICAV - L&G North American Equity Index Fund	Other	Limited by shares	Non-mutual		48.00%	48.00%	48.00%		Dominant	48.00%	Included in the scope		Method 1: Adjusted equity method
106	GB	213800JH9QQWHLO99821GB05770	Specific code	Legal & General Insurance Holdings Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
107	GB	213800JH9QQWHLO99821GB05780	Specific code	Legal & General Insurance Holdings No. 2 Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
108	GB	213800VTGAH76TQX1J40	LEI	Legal & General Insurance Limited	Non life insurance undertaking	Limited by shares	Non-mutual	Prudential Regulation Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
109	GB	213800JH9QQWHLO99821GB05790	Specific code	Legal & General International (Holdings) Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
110	GB	213800JH9QQWHLO99821GB05800	Specific code	Legal & General International Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
111	GB	213800JH9QQWHLO99821GB05010	Specific code	Legal & General Investment Management (Holdings) Limited	Mixed financial holding company as defined in Article 212 (1)(h) of Directive 2009/138/EC	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Sectoral rules
112	US	549300M32WBVVFDTS111	LEI	Legal & General Investment Management America, Inc.	Credit institution, investment firm and financial institution	Limited by shares	Non-mutual	U.S. Securities and Exchange Commission	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Sectoral rules
113	HK	213800JH9QQWHLO99821HK02910	Specific code	Legal & General Investment Management Asia Limited	Credit institution, investment firm and financial institution	Limited by shares	Non-mutual	Securities & Futures Commission	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Sectoral rules
114	IE	213800JH9QQWHLO99821GB10900	Specific code	Legal & General Investment Management Funds ICVC	Other	Limited by shares	Non-mutual	Financial Conduct Authority	100.00%	78.70%	78.70%		Dominant	78.70%	Included in the scope		Method 1: Adjusted equity method
115	JP	213800JH9QQWHLO99821GB11450	Specific code	Legal & General Investment Management Japan KK	Credit institution, investment firm and financial institution	Limited by shares	Non-mutual	Financial Services Agency	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Sectoral rules
116	GB	2138005NNERSR7ODIC73	LEI	Legal & General Investment Management Limited	Credit institution, investment firm and financial institution	Limited by shares	Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Sectoral rules
117	US	213800JH9QQWHLO99821US04020	Specific code	Legal & General Investment Management United States (Holdings), Inc.	Credit institution, investment firm and financial institution	Limited by shares	Non-mutual	U.S. Securities and Exchange Commission	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Sectoral rules
118	GB	2138004P86AIU9KJD719	LEI	Legal & General Japan Index Trust	Other	Limited by shares	Non-mutual		50.80%	50.80%	50.80%		Dominant	50.80%	Included in the scope		Method 1: Adjusted equity method
119	GB	213800JH9QQWHLO99821GB05810	Specific code	Legal & General Kingston Upon Hull Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
120	GB	213800JH9QQWHLO99821GB05820	Specific code	Legal & General Leisure Fund Trustee Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
121	GB	213800JH9QQWHLO99821GB05830	Specific code	Legal & General Life Fund Limited Partnership	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
122	GB	213800JH9QQWHLO99821GB09010	Specific code	Legal & General LTM Structuring (SPV) Limited	Special purpose vehicle other than special purpose vehicle authorised in accordance with Art. 211 of Directive 2009/138/EC	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
123	GB	213800JH9QQWHLO99821GB05840	Specific code	Legal & General Middle East Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
124	GB	213800EXRCY8DIMEAO47	LEI	Legal & General Mixed Investment 0-20% Fund	Other	Limited by shares	Non-mutual		54.70%	54.70%	54.70%		Dominant	54.70%	Included in the scope		Method 1: Adjusted equity method
125	GB	213800FDK3HXR91UNJ16	LEI	Legal & General Multi-Index Funds - Legal & General Multi-Index Income 6 Fund	Other	Limited by shares	Non-mutual		23.00%	23.00%	23.00%		Dominant	23.00%	Included in the scope		Method 1: Adjusted equity method
126	GB	213800JH9QQWHLO99821GB05850	Specific code	Legal & General Overseas Holdings Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation

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Undertakings in the scope of the group

Row	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	Criteria of influence: % capital share	Criteria of influence: % used for the establishment of consolidated accounts	Criteria of influence: % voting rights	Criteria of influence: Other criteria	Criteria of influence: Level of influence	Criteria of influence: Proportional share used for group solvency calculation	Inclusion in the scope of Group supervision: YES/NO	Inclusion in the scope of Group supervision: Date of decision if art. 214 is applied	Group solvency calculation: Method used and under method 1, treatment of the undertaking
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
127	GB	213800JH9QQWHLO99821GB05860	Specific code	Legal & General Overseas Operations Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
128	GB	213800RV69QAMCUUQP06	LEI	Legal & General Pacific Index Trust	Other	Limited by shares	Non-mutual		38.30%	38.30%	38.30%		Dominant	38.30%	Included in the scope		Method 1: Adjusted equity method
129	GB	213800JH9QQWHLO99821GB05120	Specific code	Legal & General Partnership Holdings Limited	Mixed financial holding company as defined in Article 212 (1)(h) of Directive 2009/138/EC	Limited by shares	Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Sectoral rules
130	GB	213800JH9QQWHLO99821GB00792	Specific code	Legal & General Partnership Services Limited	Credit institution, investment firm and financial institution	Limited by shares	Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Sectoral rules
131	GB	213800JH9QQWHLO99821GB05870	Specific code	Legal & General Pension Fund Trustee Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
132	GB	213800JH9QQWHLO99821GB05880	Specific code	Legal & General Pension Scheme Trustee Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
133	GB	213800AJ4H1CUB5QNX65	LEI	Legal & General Pensions Limited	Special purpose vehicle other than special purpose vehicle authorised in accordance with Art. 211 of Directive 2009/138/EC	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
134	GB	213800JH9QQWHLO99821GB05890	Specific code	Legal & General Property Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
135	GB	213800JH9QQWHLO99821GB05900	Specific code	Legal & General Property Partners (Industrial Fund) Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
136	GB	213800JH9QQWHLO99821GB05910	Specific code	Legal & General Property Partners (Industrial) Nominees Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
137	GB	213800JH9QQWHLO99821GB05920	Specific code	Legal & General Property Partners (IPIF GP) LLP	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
138	GB	213800JH9QQWHLO99821GB10590	Specific code	Legal & General Property Partners (Leisure GP) LLP	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
139	GB	213800JH9QQWHLO99821GB05940	Specific code	Legal & General Property Partners (Leisure) Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
140	GB	213800JH9QQWHLO99821GB05950	Specific code	Legal & General Property Partners (Life Fund) Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
141	GB	213800JH9QQWHLO99821GB47041	Specific code	Legal & General Property Partners (Life Fund) Nominee Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
142	GB	213800JH9QQWHLO99821GB05970	Specific code	Legal & General Property Partners (UK PIF Geared) Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
143	GB	213800JH9QQWHLO99821GB05980	Specific code	Legal & General Property Partners (UK PIF) Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
144	GB	213800JH9QQWHLO99821GB05990	Specific code	Legal & General Property Partners (UKPIF Geared Two) Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
145	GB	213800JH9QQWHLO99821GB06000	Specific code	Legal & General Property Partners (UKPIF Two) Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
146	GB	213800JH9QQWHLO99821GB05130	Specific code	Legal & General Re Holdings Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
147	BM	213800QVB8WWDL51HK08	LEI	Legal & General Reinsurance Company Limited	Reinsurance undertaking	Limited by shares	Non-mutual	Bermuda Monetary Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
148	BM	213800JH9QQWHLO99821BM00030	Specific code	Legal & General Resources Bermuda Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
149	GB	213800JH9QQWHLO99821GB06010	Specific code	Legal & General Resources Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
150	GB	21380081MP6MEQJET187	LEI	Legal & General Retail Investments (Holdings) Limited	Mixed financial holding company as defined in Article 212 (1)(h) of Directive 2009/138/EC	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Sectoral rules
151	BM	213800JH9QQWHLO99821GB09100	Specific code	Legal & General SAC Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
152	GB	213800JH9QQWHLO99821GB11080	Specific code	Legal & General Senior Living Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
153	GB	213800JH9QQWHLO99821GB06020	Specific code	Legal & General Share Scheme Trustees Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
154	LU	213800JH9QQWHLO99821LU96010	Specific code	Legal & General SICAV	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
155	GB	213800CWHOHPVRFZDA88	LEI	LEGAL & GENERAL SICAV - L&G ABSOLUTE RETURN BOND FUND	Other	Limited by shares	Non-mutual		93.00%	93.00%	93.00%		Dominant	93.00%	Included in the scope		Method 1: Adjusted equity method
156	GB	213800SIJ46ILXYN8O51	LEI	LEGAL & GENERAL SICAV - L&G ABSOLUTE RETURN BOND PLUS FUND	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
157	GB	213800ES48I97ADSUQ86	LEI	Legal & General SICAV - L&G BUY AND MAINTAIN CREDIT FUND	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
158	LU	213800ZVSCE7L3KU6U28	LEI	LEGAL & GENERAL SICAV - L&G EMERGING MARKETS BOND FUND	Other	Limited by shares	Non-mutual		100.00%	99.90%	99.90%		Dominant	99.90%	Included in the scope		Method 1: Adjusted equity method
159	LU	2138006RKFXVH1NL4H90	LEI	LEGAL & GENERAL SICAV - L&G EMERGING MARKETS SHORT DURATION BOND FUND	Other	Limited by shares	Non-mutual		82.60%	82.60%	82.60%		Dominant	82.60%	Included in the scope		Method 1: Adjusted equity method
160	GB	213800D2L3KB3XYWQ480	LEI	Legal & General SICAV - L&G Euro High Alpha Corporate Bond Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
161	GB	213800DYRUXZU68IM445	LEI	Legal & General SICAV - L&G Multi-Strategy Credit fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
162	GB	213800T9PN3V4EPPUM78	LEI	Legal & General SICAV - L&G UK CORE PLUS BOND FUND	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
163	GB	213800JH9QQWHLO99821GB06050	Specific code	Legal & General Surveying Services Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
164	GB	213800JH9QQWHLO99821GB11090	Specific code	Legal & General Tattenhall Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
165	GB	213800JH9QQWHLO99821GB06060	Specific code	Legal & General Trustees Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
166	GB	213800NLXZ3K4C7QXA32	LEI	Legal & General U.S. Index Trust	Other	Limited by shares	Non-mutual		38.80%	38.80%	38.80%		Dominant	38.80%	Included in the scope		Method 1: Adjusted equity method
167	IE	213800JH9QQWHLO99821IE02040	Specific code	Legal & General UCITS Managers (Ireland) Limited	Credit institution, investment firm and financial institution	Limited by shares	Non-mutual	Central Bank of Ireland	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Sectoral rules
168	GB	213800J1A318S531GT94	LEI	Legal & General UK Alpha Trust	Other	Limited by shares	Non-mutual		57.90%	57.90%	57.90%		Dominant	57.90%	Included in the scope		Method 1: Adjusted equity method

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	Undertakings in the scope of the group								Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
Row	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
169	GB	213800KE8SS7VUVDUC06	LEI	Legal & General UK Equity Income Fund	Other	Limited by shares	Non-mutual		24.90%	24.90%	24.90%		Dominant	24.90%	Included in the scope		Method 1: Adjusted equity method
170	GB	213800JH9QQWHLO99821GB10640	Specific code	Legal & General UK PIF Two GP LLP	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
171	GB	213800JH9QQWHLO99821GB08070	Specific code	Legal & General UK Smaller Companies Trust	Other	Limited by shares	Non-mutual		63.80%	63.80%	63.80%		Dominant	63.80%	Included in the scope		Method 1: Adjusted equity method
172	GB	213800JH9QQWHLO99821GB08060	Specific code	Legal & General UK Special Situations Trust	Other	Limited by shares	Non-mutual		68.20%	68.20%	68.20%		Dominant	68.20%	Included in the scope		Method 1: Adjusted equity method
173	GB	213800JH9QQWHLO99821GB11100	Specific code	Legal & General Warwick Gates Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
174	GB	213800FCHCNERLM1G641	LEI	Legal and General Assurance (Pensions Management) Limited	Life insurance undertaking	Limited by shares	Non-mutual	Prudential Regulation Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
175	GB	213800LKFXEMM8WLMA04	LEI	Legal and General Assurance Society Limited	Composite undertaking	Limited by shares	Non-mutual	Prudential Regulation Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
176	JE	213800JH9QQWHLO99821GB11490	Specific code	Leisure Fund Unit Trust	Other	Limited by shares	Non-mutual		21.20%	21.20%	21.20%		Significant	21.20%	Included in the scope		Method 1: Adjusted equity method
177	IE	213800JH9QQWHLO99821IE02050	Specific code	LGIM (Ireland) Risk Management Solutions Plc	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
178	IE	213800941WV6KCMQ4G51	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2020 Fixed Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
179	IE	213800S85SNVQD7EL529	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2020 Inflation Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
180	IE	213800D7RY14IIFSAH66	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2020 Real Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
181	IE	2138004IJ8KA1W3MEA50	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2024 Leveraged Index-Linked Gilt Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
182	IE	213800F687CJ8P5MNS13	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2025 Fixed Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
183	IE	213800TUDKQ1JXA35704	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2025 Inflation Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
184	IE	213800NRUJOVYNWRRZ17	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2025 Real Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
185	IE	2138004VCDEILQMHHS87	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2030 Fixed Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
186	IE	2138006LWBRVWFMWSR02	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2030 Inflation Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
187	IE	2138009MLH74KJ96LF76	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2030 Leveraged Index-Linked Gilt fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
188	IE	2138002AD2JAFG2T6X21	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2030 Real Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
189	IE	213800U83I2RPLZVB906	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2034 Leveraged Index-Linked Gilt Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
190	IE	213800XCOZ1O5OOSYS07	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2035 Fixed Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
191	IE	213800QTCAOHWTNPNB95	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2035 Inflation Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
192	IE	213800QGQWR4NDVE5X78	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2035 Real Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
193	IE	213800XKA7X3OGZJRC45	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2037 Leveraged Index-Linked Gilt Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
194	IE	213800RHT43PL1VAUN95	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2038 Leveraged Gilt Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
195	IE	2138002W643ZACLLU115	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2040 Fixed Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
196	IE	213800WCLGVVDNJOVA05	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2040 Inflation Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
197	IE	213800TRZCGU73DGNZ53	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2040 Leveraged Index-Linked Gilt Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
198	IE	213800M9P63GXX67CQ14	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2040 Real Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
199	IE	21380034FZCG7S6OZU34	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2042 Leveraged Gilt Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
200	IE	213800FRM52MADDUAR40	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2042 Leveraged Index-Linked Gilt Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
201	IE	2138009YI5CV66N93D59	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2045 Fixed Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
202	IE	213800B1WK9EDRE4XJ19	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2045 Leveraged Gilt Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
203	IE	213800MSGMNVT5MPBV57	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2045 Real Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
204	IE	2138001ZX589S6983H89	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2047 Leveraged Index-Linked Gilt Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
205	IE	213800X4P3DELXHNNM12	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2049 Leveraged Gilt Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
206	IE	213800F22H8H831GMX30	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2050 Fixed Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
207	IE	213800ZT35HUVVCDOH47	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2050 Inflation Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
208	IE	2138009RYH3G9FAOYE66	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2050 Leveraged Index-Linked Gilt Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
209	IE	213800KO5KOPP3HEFI93	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2050 Real Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
210	IE	213800IC7AS1E1NLHA08	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2055 Fixed Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method

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Undertakings in the scope of the group

Row	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	Criteria of influence: % capital share	Criteria of influence: % used for the establishment of consolidated accounts	Criteria of influence: % voting rights	Criteria of influence: Other criteria	Criteria of influence: Level of influence	Criteria of influence: Proportional share used for group solvency calculation	Inclusion in the scope of Group supervision: YES/NO	Inclusion in the scope of Group supervision: Date of decision if art. 214 is applied	Group solvency calculation: Method used and under method 1, treatment of the undertaking
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
211	IE	213800PTOPXK9AUQ7V89	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2055 Leveraged Gilt Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
212	IE	213800FBORGLUCYWB664	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2055 Leveraged Index-Linked Gilt Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
213	IE	213800MBBRM7ZEKUGK91	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2055 Real Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
214	IE	213800R1ALYJ7513PB15	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2060 Fixed Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
215	IE	21380047SAW8H8ENBN97	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2060 Inflation Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
216	IE	2138007ORTV9VXAYYA73	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2060 Leveraged Gilt Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
217	IE	213800CCHZX2GDIMPA29	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2060 Real Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
218	IE	2138006KKHYFORYLOA07	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2062 Leveraged Index-Linked Gilt Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
219	IE	213800D1PPMCE5H33G17	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2068 Leveraged Gilt Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
220	IE	2138009FVE6UF4UAWA73	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM 2068 Leveraged Index Linked Gilt Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
221	IE	213800VPAMVYCYMV2T54	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Active Gilts All Stocks Fund AH	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
222	IE	2138008QPGKWCYOQ1583	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Bespoke Active Credit Fund AM	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
223	IE	213800E9II7HTHQZ8R17	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Bespoke Active Credit Fund BP	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
224	IE	213800H3UHXXMJ6V9798	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM BESPOKE ACTIVE CREDIT FUND BS	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
225	IE	213800P4WIFFTUIR9G73	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Euro 2030 Real Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
226	IE	213800S2NZF9VFTUI661	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Fixed Long Duration Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
227	IE	2138009UJIT5OWO4JC12	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Fixed Short Duration Fund	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
228	IE	213800CZ9HIK5L8B4Y57	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Hedging - Fund A	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
229	IE	213800OM2RDQP5ARFF46	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM HEDGING - FUND AC	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
230	IE	213800SMJTDAAXRRKI85	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Hedging - Fund AE	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
231	IE	213800TP1HHPAIHNCE07	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Hedging - Fund AI	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
232	IE	2138006S1FXHNAOWPZ38	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Hedging - Fund Ak	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
233	IE	2138001MCGJS9Z1Q4O23	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Hedging - Fund AN	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
234	IE	213800GAZN5GW432GI64	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Hedging - Fund AO	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
235	IE	2138002O37H1Y16JWX10	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Hedging - Fund AP	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
236	IE	2138006IX8XRER3BOH57	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM HEDGING - FUND AR	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
237	IE	2138003L433Y11U7AU83	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Hedging - Fund AS	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
238	IE	213800JH9QQWHLO99821GB10800	Specific code	LGIM (Ireland) Risk Management Solutions Plc - LGIM HEDGING - FUND AT	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
239	IE	213800JH9QQWHLO99821GB10760	Specific code	LGIM (Ireland) Risk Management Solutions Plc - LGIM HEDGING - FUND AU	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
240	IE	213800JH9QQWHLO99821GB10770	Specific code	LGIM (Ireland) Risk Management Solutions Plc - LGIM HEDGING - FUND AV	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
241	IE	213800ZD58YSGFJSUZ32	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM HEDGING - FUND AZ	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
242	IE	213800IKB7LGRH4AXM75	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Hedging - Fund B	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
243	IE	213800IVWP4AA11DQJ83	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM HEDGING - FUND BA	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
244	IE	2138002LUW1MHEH1NV43	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM HEDGING - FUND BB	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
245	IE	213800JH9QQWHLO99821GB10780	Specific code	LGIM (Ireland) Risk Management Solutions Plc - LGIM HEDGING - FUND BF	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
246	IE	213800JH9QQWHLO99821GB10790	Specific code	LGIM (Ireland) Risk Management Solutions Plc - LGIM HEDGING - FUND BH	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
247	IE	213800Z73UNTZIHW5X36	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM HEDGING - FUND BI	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
248	IE	213800P7XO6XLQ6IPL95	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Hedging - Fund BJ	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
249	IE	213800V6DIAHJCDUKY81	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Hedging - Fund C	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
250	IE	213800CN3Y1FGA2L6W51	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM HEDGING - FUND CI	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
251	IE	213800AJ6D4G7XTQ1V31	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM HEDGING - FUND CJ	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
252	IE	2138009NUIECLOXWUD14	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Hedgi	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method

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Undertakings in the scope of the group

									Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
Row	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
253	IE	213800I8CDT19N9FL506	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Hedging - Fund H	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
254	IE	213800NOC3QZXVVZ6W20	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Hedging - Fund I	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
255	IE	213800GH91IAN689YM04	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Hedging - Fund J	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
256	IE	2138006RVV3EJYP3SP69	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Hedging - Fund L	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
257	IE	213800ZXGMXWXD31J415	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Hedging - Fund M	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
258	IE	213800JBBUPAI69DAM52	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Hedging - Fund O	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
259	IE	213800FDP4ROXDJSRS68	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Hedging - Fund P	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
260	IE	213800D4YLJWSDCMH413	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Hedging - Fund Q	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
261	IE	213800PPU8E841B71G28	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Hedging - Fund R	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
262	IE	2138004Z5FHE5QEZC240	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Hedging - Fund V	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
263	IE	21380034WPBU4PG5V270	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Hedging - Fund W	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
264	IE	213800MYEI4SX4CYT593	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Hedging - Fund WH	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
265	IE	213800MV5NBQ3QV7U351	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Hedging - Fund WS	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
266	IE	2138009DZ6GVB5SLN174	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Hedging - Fund WT	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
267	IE	2138005MJ2KNJ57CIP92	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM Hedging - Fund Z	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
268	IE	213800UGW572KMZDVY23	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM HEDGING - FUND ZZ	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
269	IE	213800JS6SCR26913L70	LEI	LGIM (Ireland) Risk Management Solutions Plc – LGIM LEVERAGED GILT PLUS FUND	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
270	IE	213800CRXY7E8IFNAF35	LEI	LGIM (Ireland) Risk Management Solutions Plc – LGIM LEVERAGED INDEX LINKED GILT PLUS FUND	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
271	IE	213800K9AX1P2PV8X187	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM REAL LONG DURATION FUND	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
272	IE	213800UY1XDS9H5OCX38	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM REAL SHORT DURATION FUND	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
273	IE	213800Z9WPDKFRNAPU81	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM SOLUTIONS FUND CA	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
274	IE	213800S2ZBCRAQ37OI38	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM SOLUTIONS FUND CB	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
275	IE	213800SE7Q69822A8L63	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM SOLUTIONS FUND CU	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
276	GB	2138008WUNKVBYYWMK57	LEI	LGIM (Ireland) Risk Management Solutions Plc - LGIM SYNTHETIC LEVERAGED CREDIT FUND	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
277	IE	213800JH9QQWHLO99821GB10820	Specific code	LGIM (Ireland) Risk Management Solutions Plc - LGIM UK Smaller Companies Alpha Fund plc	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
278	GB	213800JH9QQWHLO99821GB05030	Specific code	LGIM Commercial Lending Limited	Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
279	GB	213800JH9QQWHLO99821GB18241	Specific code	LGIM Corporate Director Limited	Other	Limited by shares	Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
280	GB	213800JH9QQWHLO99821GB10210	Specific code	LGIM Global Corporate Bond Fund	Other	Limited by shares	Non-mutual		73.60%	73.60%	73.60%		Dominant	73.60%	Included in the scope		Method 1: Adjusted equity method
281	GB	213800HR77K2NMOFU194	LEI	LGIM International Limited	Credit institution, investment firm and financial institution	Limited by shares	Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Sectoral rules
282	IE	213800JH9QQWHLO99821GB10740	Specific code	LGIM Liquidity Funds Plc	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
283	IE	213800SH16GUU1ZUNX26	LEI	LGIM Liquidity Funds Plc - LGIM EURO LIQUIDITY FUND	Other	Limited by shares	Non-mutual		43.80%	43.80%	43.80%		Dominant	43.80%	Included in the scope		Method 1: Adjusted equity method
284	GB	213800DBB4A9OPYN9154	LEI	LGIM Liquidity Funds Plc - LGIM Sterling Liquidity Plus Fund	Other	Limited by shares	Non-mutual		96.30%	96.30%	96.30%		Dominant	96.30%	Included in the scope		Method 1: Adjusted equity method
285	IE	213800JH9QQWHLO99821GB11350	Specific code	LGIM Managers (Europe) Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
286	GB	213800JK8U46713L3454	LEI	LGIM Real Assets (Operator) Limited	Credit institution, investment firm and financial institution	Limited by shares	Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Sectoral rules
287	GB	213800JH9QQWHLO99821GB11120	Specific code	LGIM Real Assets Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
288	GB	213800JH9QQWHLO99821GB06150	Specific code	LGP Newco Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
289	GB	213800JH9QQWHLO99821GB06160	Specific code	LGPL Cornwall Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
290	GB	213800JH9QQWHLO99821GB08030	Specific code	LGV 7 Private Equity Fund Limited Partnership	Other	Limited by shares	Non-mutual		99.70%	99.70%	99.70%		Dominant	99.70%	Included in the scope		Method 1: Adjusted equity method
291	GB	213800JH9QQWHLO99821GB21912	Specific code	LGV Capital Limited	Credit institution, investment firm and financial institution	Limited by shares	Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Sectoral rules
292	GB	213800JH9QQWHLO99821GB05150	Specific code	LGV Capital Partners (Scotland) Limited	Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Sectoral rules
293	GB	213800JH9QQWHLO99821GB05160	Specific code	LGV Capital Partners GP LLP	Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Sectoral rules
294	GB	213800JH9QQWHLO99821GB05140	Specific code	LGV Capital Partners Limited	Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Sectoral rules

Undertakings in the scope of the group

Row	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	Criteria of influence: % capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Inclusion in the scope of Group supervision: YES/NO	Date of decision if art. 214 is applied	Group solvency calculation: Method used and under method 1, treatment of the undertaking
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
295	GB	213800JH9QQWHLO99821GB10950	Specific code	Mithras Investment Trust	Other	Limited by shares	Non-mutual		27.90%	27.90%	27.90%		Significant	27.90%	Included in the scope		Method 1: Adjusted equity method
296	GB	213800JH9QQWHLO99821GB10680	Specific code	ND7 Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
297	GB	213800JH9QQWHLO99821GB09080	Specific code	New Life Mortgage Funding Limited	Other	Limited by shares	Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Sectoral rules
298	GB	213800JH9QQWHLO99821GB09090	Specific code	New Life Reversions Limited	Other	Limited by shares	Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Sectoral rules
299	GB	213800JH9QQWHLO99821GB09060	Specific code	NLR Nominee No.1 Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
300	GB	213800JH9QQWHLO99821GB09070	Specific code	NLR Nominee No.2 Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
301	GB	213800JH9QQWHLO99821GB06230	Specific code	Northampton General Partner Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
302	GB	213800JH9QQWHLO99821GB06240	Specific code	Northampton Shopping Centre Limited Partnership	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
303	GB	213800JH9QQWHLO99821GB09290	Specific code	Northampton Shopping Centre Unit Trust	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
304	GB	213800JH9QQWHLO99821GB97452	Specific code	NSC Building A Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
305	GB	213800JH9QQWHLO99821GB97453	Specific code	NSC Building B Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
306	IE	213800JH9QQWHLO99821GB10310	Specific code	NTR Wind Management Limited	Other	Limited by shares	Non-mutual		25.00%	25.00%	25.00%		Significant	25.00%	Included in the scope		Method 1: Adjusted equity method
307	GB	213800JH9QQWHLO99821GB06250	Specific code	Old Cornwall Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
308	LU	213800JH9QQWHLO99821GB11470	Specific code	One Piccadilly Gardens s.a r.l.	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
309	GB	213800JH9QQWHLO99821GB06270	Specific code	Partnership Nominee Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
310	GB	213800JH9QQWHLO99821GB09170	Specific code	Peel Media (Holdings) Limited	Other	Limited by shares	Non-mutual		50.00%	50.00%	50.00%		Significant	50.00%	Included in the scope		Method 1: Adjusted equity method
311	GB	213800JH9QQWHLO99821GB06280	Specific code	Performance Retail (General Partner) Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
312	GB	213800JH9QQWHLO99821GB06290	Specific code	Performance Retail (Nominee) Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
313	GB	213800JH9QQWHLO99821GB06300	Specific code	Performance Retail Limited Partnership	Other	Limited by shares	Non-mutual		50.10%	50.10%	50.10%		Dominant	50.10%	Included in the scope		Method 1: Adjusted equity method
314	LU	213800JH9QQWHLO99821GB08010	Specific code	Performance Retail Unit trust	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
315	JE	213800JH9QQWHLO99821GB08020	Specific code	Procession House One Unit Trust	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
316	GB	213800JH9QQWHLO99821GB06330	Specific code	Rackhams Birmingham Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
317	GB	213800JH9QQWHLO99821GB10690	Specific code	Real Income Builder	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
318	GB	213800JH9QQWHLO99821GB06350	Specific code	Sapphire Campus Management Company Limited	Other	Limited by shares	Non-mutual		9.50%	9.50%	9.50%		Dominant	9.50%	Included in the scope		Method 1: Adjusted equity method
319	GB	213800JH9QQWHLO99821GB06360	Specific code	Sauchiehall Trustee Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
320	JE	213800JH9QQWHLO99821GB10860	Specific code	SCBD S6 Trust	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
321	GB	213800JH9QQWHLO99821GB11130	Specific code	Senior Living (Bramshott Place) Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
322	GB	213800JH9QQWHLO99821GB11140	Specific code	Senior Living (Durrants) Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
323	GB	213800JH9QQWHLO99821GB11150	Specific code	Senior Living (Exeter) Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
324	GB	213800JH9QQWHLO99821GB11160	Specific code	Senior Living (Ledian Farm) Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
325	JE	213800JH9QQWHLO99821GB11440	Specific code	Senior Living (Liphook) Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
326	GB	213800JH9QQWHLO99821GB11170	Specific code	Senior Living Finance 1 Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
327	GB	213800JH9QQWHLO99821GB11180	Specific code	Senior Living Medici Holdco Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
328	GB	213800JH9QQWHLO99821GB11190	Specific code	Senior Living Medici Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
329	IE	213800QJI1LMN74GPL72	LEI	Sennen Finance Designated Activity Company	Other	Limited by shares	Non-mutual	Central Bank of Ireland	0.00%	0.00%	0.00%		Significant	0.00%	Included in the scope		Method 1: Adjusted equity method
330	GB	213800JH9QQWHLO99821GB10150	Specific code	STERLING LIQUIDITY FUND	Other	Limited by shares	Non-mutual		53.40%	53.40%	53.40%		Dominant	53.40%	Included in the scope		Method 1: Adjusted equity method
331	JE	213800JH9QQWHLO99821JE95070	Specific code	Synergy Gracechurch Holdings Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
332	GB	213800JH9QQWHLO99821GB06390	Specific code	Synergy Gracechurch Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
333	GB	213800JH9QQWHLO99821GB11500	Specific code	Tattenhall Care Village LLP	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
334	GB	213800JH9QQWHLO99821GB06400	Specific code	Terminus Road (Nominee 1) Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
335	GB	213800JH9QQWHLO99821GB06410	Specific code	Terminus Road (Nominee 2) Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
336	GB	213800JH9QQWHLO99821GB06460	Specific code	The Pathe Building Management Company Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method

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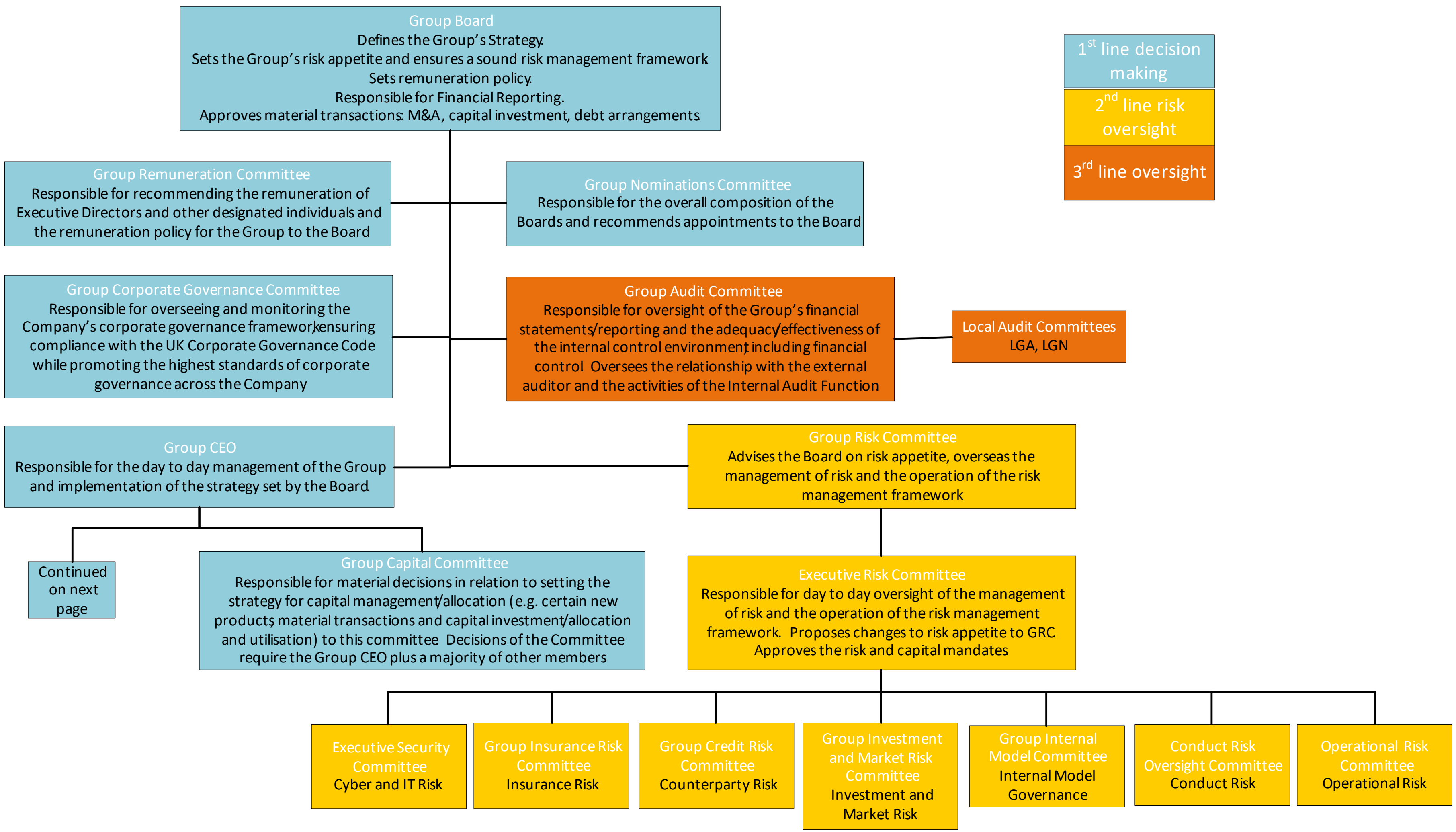
Undertakings in the scope of the group

										Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
Row	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
337	GB	213800JH9QQWHLO99821GB11230	Specific code	Thorpe Park Developments Limited	Other	Limited by shares	Non-mutual		50.00%	50.00%	50.00%		Dominant	50.00%	Included in the scope		Method 1: Adjusted equity method
338	GB	213800JH9QQWHLO99821GB09130	Specific code	Thorpe Park Holdings Limited	Other	Limited by shares	Non-mutual		50.00%	50.00%	50.00%		Significant	50.00%	Included in the scope		Method 1: Adjusted equity method
339	GB	213800JH9QQWHLO99821GB09150	Specific code	TP 2005 Limited	Other	Limited by shares	Non-mutual		50.00%	50.00%	50.00%		Dominant	50.00%	Included in the scope		Method 1: Adjusted equity method
340	GB	213800JH9QQWHLO99821GB09160	Specific code	TP Property Services Limited	Other	Limited by shares	Non-mutual		50.00%	50.00%	50.00%		Dominant	50.00%	Included in the scope		Method 1: Adjusted equity method
341	GB	213800JH9QQWHLO99821GB10870	Specific code	UK PIF FGP LLP	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
342	GB	213800JH9QQWHLO99821GB10160	Specific code	US DOLLAR LIQUIDITY FUND	Other	Limited by shares	Non-mutual		40.40%	40.40%	40.40%		Dominant	40.40%	Included in the scope		Method 1: Adjusted equity method
343	JE	213800JH9QQWHLO99821JE95090	Specific code	Vantage General Partner Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
344	GB	213800JH9QQWHLO99821GB11200	Specific code	Warwick Gates LLP	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
345	GB	213800JH9QQWHLO99821GB06610	Specific code	Whitegates (Holdings) Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
346	GB	213800JH9QQWHLO99821GB06620	Specific code	Whitegates (Tyne & Wear) Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
347	GB	213800JH9QQWHLO99821GB06640	Specific code	William Parker and Son (Reading) Limited	Other	Limited by shares	Non-mutual		100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
348	US	5493001KE6Q5DH04LJ92	LEI	William Penn Life Insurance Company of New York	Life insurance undertaking	Limited by shares	Non-mutual	NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 2: Local rules

Legal & General

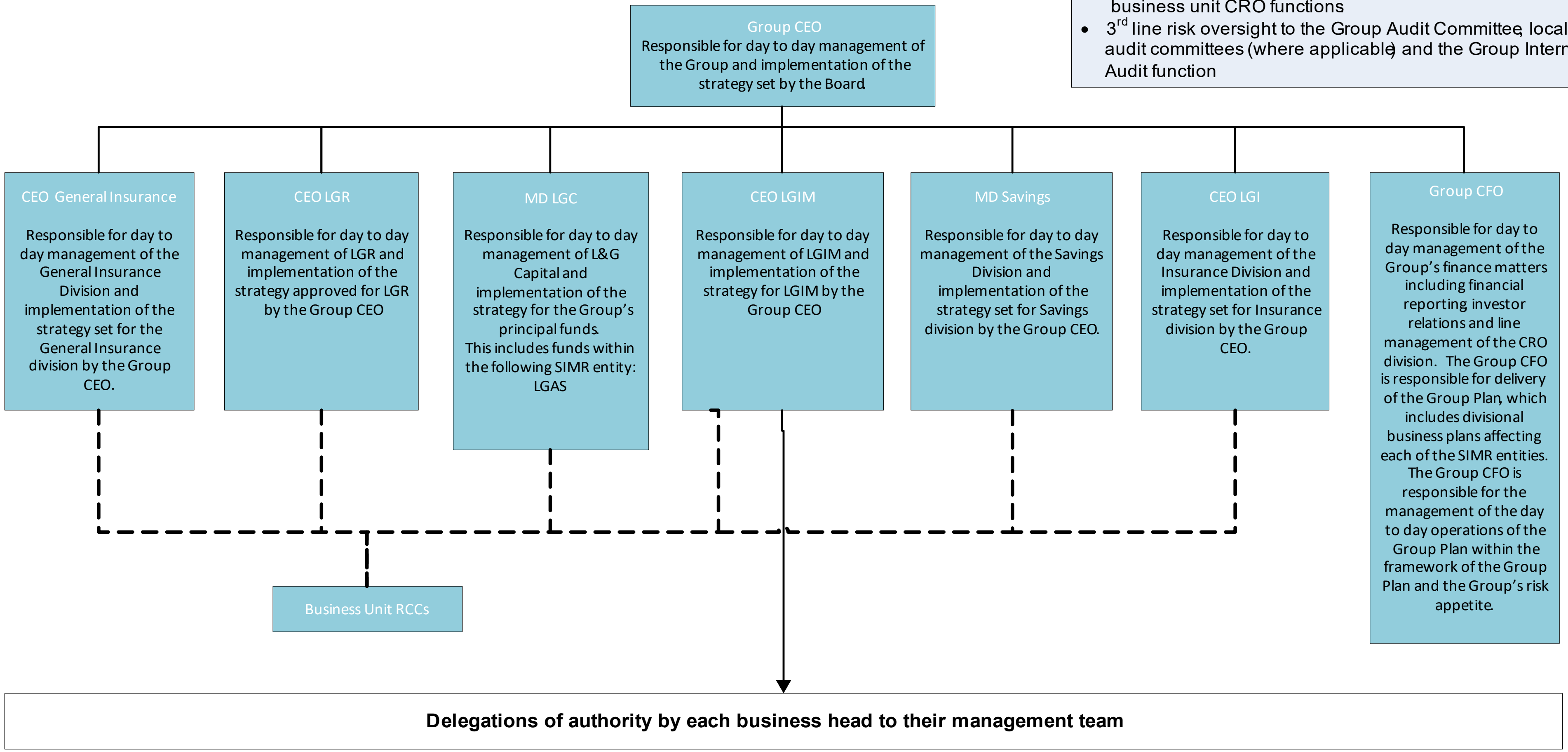
ANNEX 2 – GROUP GOVERNANCE FRAMEWORK



LEGAL ENTITY DELEGATIONS

The legal entities delegate

- certain decision making to relevant Executives and business heads and their 1st line committees.
- 2nd line risk oversight to the Group and business unit 2nd line risk oversight committees and the Group level and business unit CRO functions
- 3rd line risk oversight to the Group Audit Committee, local audit committees (where applicable) and the Group Internal Audit function



ANNEX 3 – MAIN ASSUMPTIONS UNDERLYING TECHNICAL PROVISIONS

Non-linked individual term assurances	
Smokers	80% TMS00/TFS00 Sel 5
Non-smokers	70% TMN00/TFN00 Sel 5
Non-linked individual term assurances with terminal illness[1]	
Smokers	57% - 74% TMS00/TFS00 Sel 5
Non-smokers	50% - 71% TMN00/TFN00 Sel 5
Non-linked individual term assurances with critical illness (Sold until 31/12/2012) [2]	
Smokers	101% - 121% ACMS04/ACFS04
Non-smokers	100% - 146% ACMN04/ACFN04
Non-linked individual term assurances with critical illness (Sold from 01/01/2013) [2]	
Smokers	104% - 122% ACMS04/ACFS04
Non-smokers	103% - 146% ACMN04/ACFN04
Whole of Life[3]	
Smokers	Bespoke tables based on TMS00/TFS00, AM92/AF92 and UK death registrations
Non-smokers	Bespoke tables based on TMN00/TFN00, AM92/AF92 and UK death registrations
Annuities	
Annuities in deferment[4]	81.3% - 89.6% PNMA00/PNFA00
Bulk purchase annuities in payment[5]	81.3% - 89.6% PCMA00/PCFA00
Other annuities[5]	69.8% - 128.3% PCMA00/PCFA00

1. The percentage of the table varies with the duration that the policy has been in-force for the first five years.

2. The percentage of the table varies with the duration that the policy has been in-force for the first two years. For term assurance with critical illness, morbidity rates are assumed to deteriorate at a rate of 0.50% p.a. for males and 0.75% p.a. for females. There is an additive loading of 1% for guaranteed term contracts post policy duration 5.

3. The percentage of the TM00/TF00 tables varies with the duration that the policy has been in-force for the first five years. Thereafter, a bespoke mortality table constructed based on TM00/TF00 tables, AM92/AF92 tables and UK death registrations. Mortality rates are assumed to reduce whilst business is ceded to reinsurer (after which any reduction is maintained but no further reduction is applied) based on CMI2014 model with a long term annual improvement rate of 1.5% p.a. for males and 1.0% p.a. for females.

4. Table created by blending PCXA00 with PNXA00 tables. The base table to be used for bulk purchase annuity policies in deferment is PNMA00 up to and including age 55 and PCMA00 for age 65 and above for males. The identical method is applied to females using PNFA00 and PCFA00.

5. For vested annuities, mortality rates are assumed to reduce according to an adjusted version of CMIB's mortality improvement model; CMI 2015 with the following parameters:

Males: Long Term Rate of 1.50% p.a. up to age 85 tapering to 0% at 120
Females: Long Term Rate of 1. 0% p.a. up to age 85 tapering to 0% at 120

Different business classes have different effective dates for applying improvers.

For certain annuities, a further allowance is made for the effect of initial selection.

The basis above is applicable up to age 90. After age 90 the basis is blended towards a bespoke table from age 105 onwards

Lapse Rates

	Years 1-5	Years 6-10	Years 11+
Level Term	6.3%-13.3%	4.3%-7.5%	2.8%-4.7%
Decreasing Term	7.4%-10.5%	6.8%-9.8%	5.8%-8.0%
Investment Bond	1.6%-4.1%	5.62%-11.4%	4.41%-7.08%

GLOSSARY

A

ALM
Asset liability management.

Annuity
A regular payment from an insurance company made for an agreed period of time (usually up to the death of the recipient) in return for either a cash lump sum or a series of premiums which the policyholder has paid to the insurance company during their working lifetime.

B

Basic Own Funds
The surplus of assets over liabilities and subordinated liabilities.

Best estimate liability (BEL)
The probability-weighted average of best estimate future cash flows, discounted using risk-free term structure of interest rates (adjusted for a matching adjustment where appropriate).

C

Capital coverage ratio
Also known as the solvency coverage ratio. The eligible Own Funds on a regulatory basis divided by the Group Solvency Capital requirement. This represents the number of times the SCR is covered by eligible Own Funds.

CEO
Chief Executive Officer.

Code Staff
A category of role defined under various applicable European Directives (CRDIII & IV, AIFMD, UCITS V, and Solvency II). The name is taken from the FCA's Remuneration Code that interprets and applies these Directives for the UK. Broadly, Code Staff includes roles that are considered to have the authority to take risks that could directly, or indirectly, affect one or more firms within the Group and its investors.

CRO
Chief Risk Officer.

D

DAC
Deferred acquisition costs.

Deduction and Aggregation (D&A)
A method of solvency consolidation, where approved non-EEA entities' contribution to the group Solvency II balance sheet is based on the entity's local regulatory basis.

E

EEA
European economic area.

EIOPA
European Insurance and Occupational Pensions Authority.

Eligible Own Funds (EOF)
The amount of Own Funds available to meet the SCR and MCR. This includes any adjustments for eligibility requirements as defined by the Solvency II regulations.

EPIFP
Expected profit included in future premiums.

G

GIMC
Group Internal Model Committee.

I

IFRS operating profit
Operating profit measures the pre-tax result excluding the impact of investment volatility, economic assumption changes and exceptional items. Operating profit therefore reflects longer-term economic assumptions and changes in insurance risks such as mortality and longevity for the Group's insurance business and shareholder funds, except for LGA which excludes unrealised investment returns to align with the liability measurement under US GAAP. Variances between actual and smoothed assumptions

are reported below operating profit. Exceptional income and expenses which arise outside the normal course of business in the period, such as merger and acquisition and start-up costs are excluded from operating profit.

Internal Model
A solvency calculation model tailored to the individual risk profile of a specific firm.

International financial reporting standards (IFRS)
These are accounting guidelines and rules that companies and organisations follow when completing financial statements. They are designed to enable comparable reporting between companies, and they are the standards that all publicly listed groups in the European Union (EU) are required to use.

L

LGA
Legal & General America.

LGAS
Legal and General Assurance Society Limited.

LG Re
Legal & General Reinsurance Limited.

LGC
Legal & General Capital division.

LGI
Legal & General Insurance division.

LGIL
Legal & General Insurance Limited.

LGIM
Legal & General Investment Management.

LGR
Legal & General Retirement division.

Liability driven investment (LDI)
A form of investing in which the main goal is to gain sufficient assets to meet all liabilities, both current and future. This form of investing is most prominent in final salary pension plans, whose liabilities can often reach into billions of pounds for the largest of plans.

Lifetime Mortgages
An equity release product aimed at people aged 60 years and over. It is a mortgage loan secured against the customer's house. Customers do not make any monthly payments and continue to own and live in their house until they move into long-term care or on death. A no negative equity guarantee exists such that if the house value on repayment is insufficient to cover the outstanding loan, any shortfall is borne by the lender.

Liquidity coverage ratio (LCR)
The measure of exposure to liquidity risk. The LCR is defined as total sources of liquidity divided by total liquidity requirements.

Longevity
Risk associated with increasing life expectancy trends among policyholders and pensioners.

M

Matching adjustment (MA)
An adjustment to the risk-free interest rate term structure used to calculate the best estimate of a portfolio of eligible insurance obligations. Its use is subject to prior supervisory approval where certain eligibility criteria are met.

MAP
Matching Adjustment Portfolio.
A portfolio of assets created to back a certain set of liabilities, which is then eligible for a matching adjustment.

MCR
Minimum Capital Requirement is calculated using a prescribed formula and which is the minimum level of capital below which the amount of financial resources should not fall.

Method 1
Also known as the Accounting Method. A method of solvency consolidation for groups which reflects the underlying information of the in-scope entities.
Method 1 is the default method of calculation.

Method 2

Also known as the Deduction & Aggregation method (D&A). A method of solvency consolidation, where approved non-EEA entities' contribution to the group Solvency II balance sheet is based on the entity's local regulatory basis.

MI

Management information.

Mortality rate

Rate of death, influenced by age, gender and health, used in pricing and calculating liabilities for future policyholders of life and annuity products, which contain mortality risks.

N

Notional Solvency Capital Requirement

A Notional Solvency Capital requirement is calculated for a specific group of business, such as the With-Profits Fund, on a standalone basis.

O

ORSA

Own risk and solvency assessment, also known as the forward-looking assessment of own risks.

Own Funds

The amount of capital available to cover a firm's SCR.

P

Pension risk transfer (PRT)

PRT represents bulk annuities bought by entities that run final salary pension schemes to reduce their responsibilities by closing the schemes to new members and passing the assets and obligations to insurance providers.

PIM

Partial internal model.

PMC

Legal and General (Pensions Management) Limited.

PPE

Property, plant and equipment.

PPFM

The principles and practices of financial management (PPFM) used to manage the with-profits business.

PRA

Prudential Regulation Authority was created as a part of the Bank of England by the Financial Services Act (2012) and is responsible for the prudential regulation and supervision of insurance companies in the UK.

Purchased interest in long-term business (PILTB)

An estimate of the future profits that will emerge over the remaining term of life and pensions policies that have been acquired via a business combination.

Q

QRTs

Quantitative reporting templates.
Templates defined by EIOPA for the regular reporting of financial information.

R

Reconciliation reserve

A basic Own Funds item, comprising the excess of assets over liabilities, adjusted for other basic Own Funds items comprising of own shares, foreseeable dividends, restricted Own Fund items, and other non-available Own Funds.

Ring-fenced funds (RFF)

Own Funds that can only be used to cover a particular segment of liabilities or particular risks and cannot be made available to cover liabilities or risks outside the ring-fenced fund.

Risk appetite

The aggregate level and types of risk a company is willing to assume in its exposures and business activities in order to achieve its business objectives.

Risk margin (RM)
The cost of providing funds to cover the Solvency Capital requirements over the lifetime of the associated insurance policies. The approach for calculating the risk margin is prescribed in Solvency II regulations.

S

SBP
Share bonus plan.

SCR
Solvency Capital Requirement is the amount of capital that insurance and reinsurance undertakings are required to hold and is calibrated to ensure that all quantifiable risks are taken into account in a 1-in-200 year risk event.

SFCR
Solvency and Financial Condition Report.

Solvency coverage ratio
Also known as the capital coverage ratio. The eligible Own Funds on a regulatory basis divided by the Group Solvency Capital Requirement. This represents the number of times the SCR is covered by eligible own funds.

Solvency II
Taking effect from 1 January 2016, the Solvency II regulatory regime is a harmonised prudential framework for insurance firms in the EEA. This single market approach is based on economic principles that measure assets and liabilities to appropriately align insurers' risk with the capital they hold to safeguard policyholders.

Solvency II Delegated Regulation
Commission Delegated Regulation (EU) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

Solvency II Directive
Directive 2009/138/EC of the European Parliament (Solvency II Directive).

SPV
Special purpose vehicle.

Standard Formula (SF)
A standardised solvency calculation method, not tailored to the individual risk profile of a specific firm. It aims to capture the material quantifiable risks to which most undertakings are exposed.

Surplus
The excess of eligible Own Funds on a regulatory basis over the Solvency Capital Requirement. This represents the amount of capital available to the company in excess of that required to sustain it in a 1-in-200 year risk event.

T

Technical provisions (TP)
The sum of the best estimate liabilities and the risk margin.

TMTP
Transitional measure on technical provisions.

Total shareholder return (TSR)
TSR is a measure used to compare the performance of different companies' stocks and shares over time. It combines the share price appreciation and dividends paid to show the total return to the shareholder.

V

Value-at-risk (VaR)
The estimated loss for a given probability over a one-year period.

W

With-Profits Fund
Individually identifiable portfolios where policyholders have a contractual right to receive additional benefits based on factors such as the performance of a pool of assets held within the fund, as a supplement to any guaranteed benefits. An insurer may either have discretion as to the timing of the allocation of those benefits to participating policyholders or may have discretion as to the

timing and the amount of the additional benefits.

Y

Yield
A measure of the income received from an investment compared to the market value of the investment. It is usually expressed as a percentage.