



**2019**

**Half year results**

Improving lives through Inclusive Capitalism

December 2019

# Financial highlights

Operating profit from divisions

**£1,186m**

(H1 2018: £1,059m)

**+12%**

Earnings per share

**14.74p**

(H1 2018: 13.00p)

**+13%**

Return on equity

**20.2%**

(H1 2018: 20.3%)

Book value

**£8.7bn, 146p**

(H1 2018: £7.7bn, 129p)

**+13%**

SII operational surplus generation

**£0.8bn**

(H1 2018: £0.7bn)

**+17%**

Interim dividend

**4.93p**

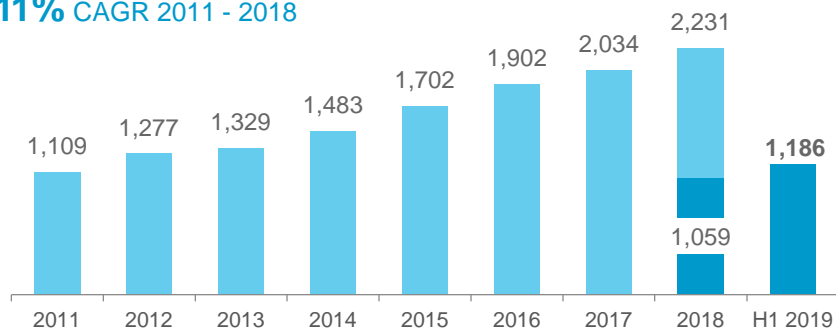
(H1 2018: 4.60p)

**+7%**

# An established track record of consistent growth

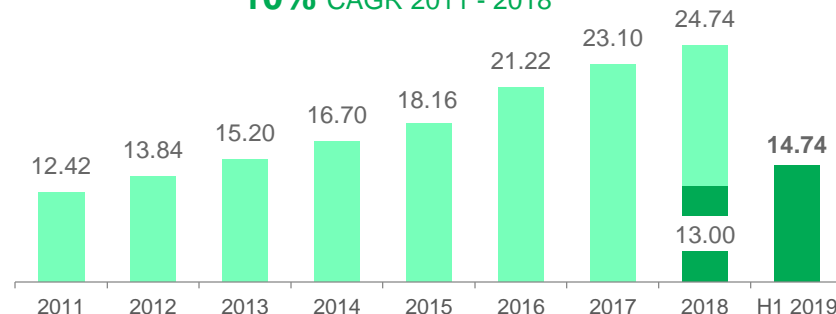
## Operating profit from divisions<sup>1</sup> (£m)

11% CAGR 2011 - 2018



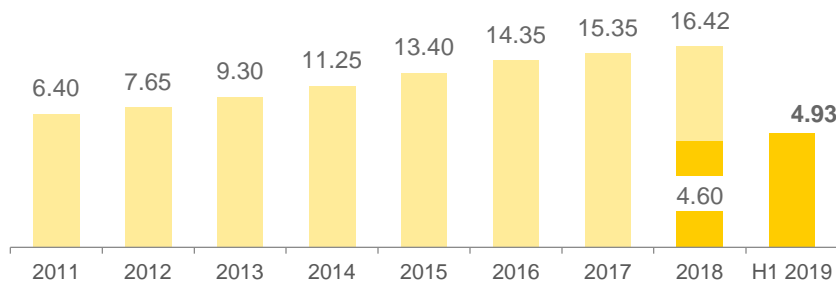
## Earnings per share (p)

10% CAGR 2011 - 2018



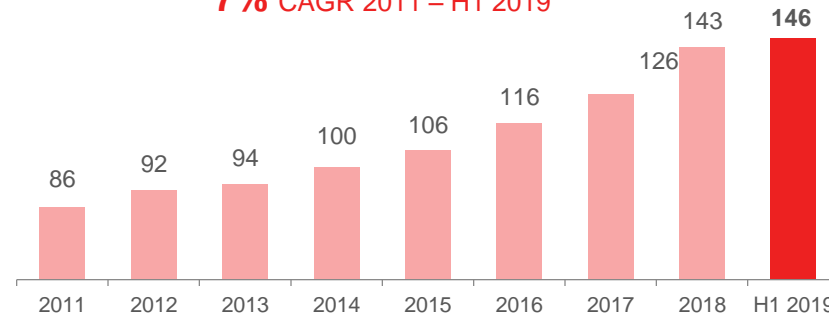
## Dividend per share (p)

14% CAGR 2011 - 2018



## Book Value per share (p)

7% CAGR 2011 - H1 2019



# We have 5 growing and profitable businesses

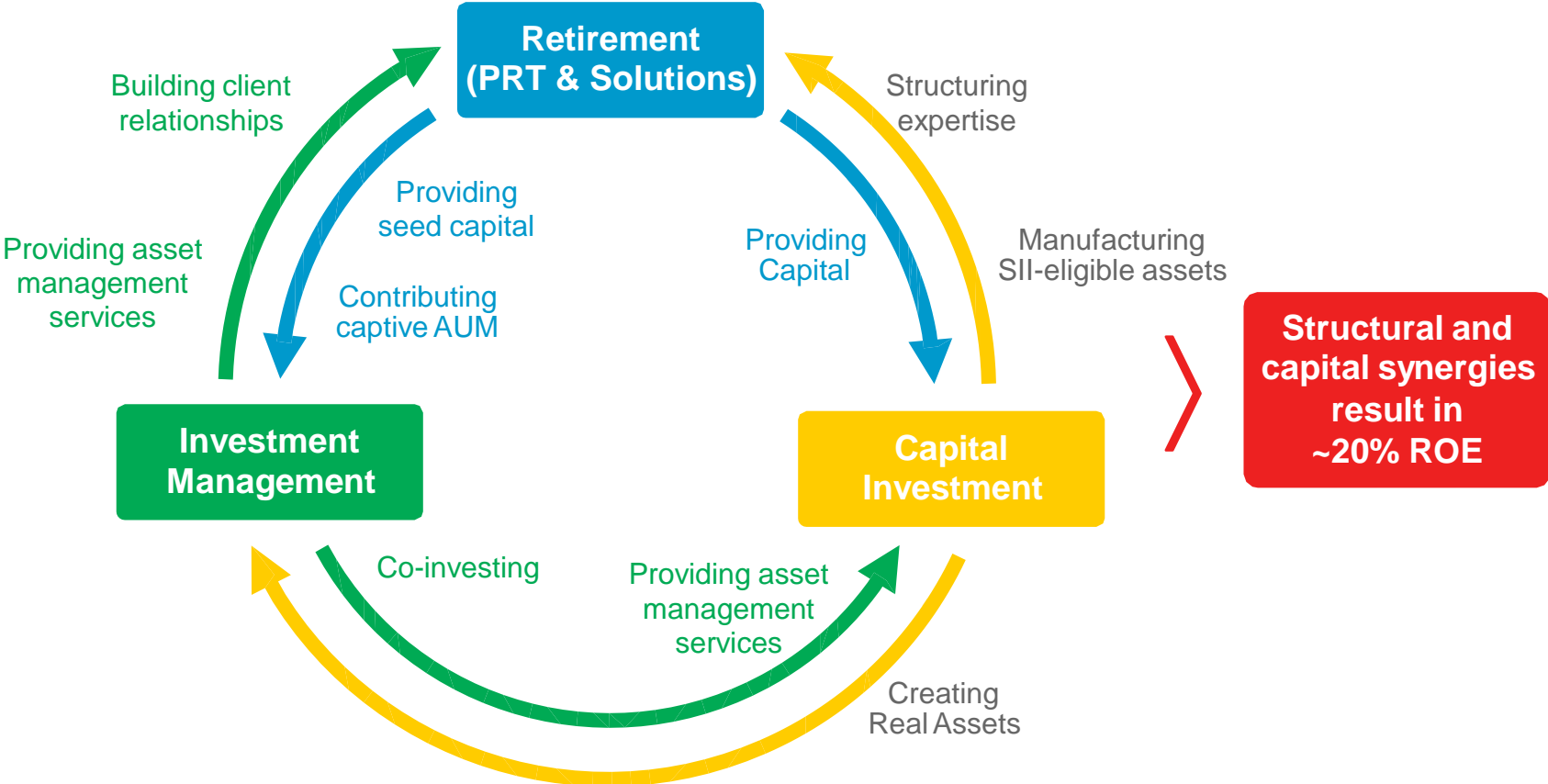
| Continuing Operating Profit from divisions (£m)   |  |      |      |      |            |              |              |            |  |
|---|--|------|------|------|------------|--------------|--------------|------------|--|
| Division  | Business                                 | 2016 | 2017 | 2018 | CAGR %     | H1 2019      | H1 2018      | %          | Growth opportunity   |
| LGRI  | Pension Risk Transfer (PRT) <sup>1</sup> | 651  | 716  | 832  | +13        | 524          | 361          | +45        | <ul style="list-style-type: none"> <li>• UK market: £25-30bn p.a. 30% market share</li> <li>• US market: \$25-30bn p.a. 3% market share</li> </ul>               |
| LGIM  | Investment Management                    | 366  | 400  | 407  | +5         | 205          | 203          | +1         | <ul style="list-style-type: none"> <li>• £1.1tn AUM (1.7% global market share)</li> <li>• \$74 trillion global AUM</li> </ul>                                    |
| LGC   | Capital Investment                       | 257  | 272  | 322  | +12        | 173          | 172          | +1         | <ul style="list-style-type: none"> <li>• Future cities: targeting 15 in the UK</li> <li>• Housing: £1bn+ revenue in 2019</li> </ul>                              |
| LGI   | Insurance                                | 303  | 303  | 308  | +1         | 134          | 154          | -13        | <ul style="list-style-type: none"> <li>• Innovative customer-centric technology driving growth</li> <li>• Lower costs drive improved customer pricing</li> </ul> |
| LGRR  | Retirement Solutions <sup>1</sup>        | 158  | 199  | 283  | +34        | 131          | 119          | +10        | <ul style="list-style-type: none"> <li>• Lifetime mortgages: £4bn p.a. 26% market share</li> <li>• Individual annuities: £4bn p.a. 18% market share</li> </ul>   |
| <b>Continuing operating profit from divisions</b> |  |      |      |      | <b>+11</b> | <b>1,167</b> | <b>1,009</b> | <b>+16</b> |  |

1. Figures shown exclude mortality releases

# We have strong new business growth

| Division | Business                    | Product                           | 2016  | 2017  | 2018  | CAGR % | H1 2019 | H1 2018 |
|----------|-----------------------------|-----------------------------------|-------|-------|-------|--------|---------|---------|
| LGRI     | Pension Risk Transfer (PRT) | Global bulk annuity premiums (£m) | 6,630 | 3,948 | 9,140 | +17    | 6,677   | 735     |
| LGIM     | Investment Management       | External net flows (£bn)          | 29.2  | 43.5  | 42.6  | +21    | 60.3    | 14.6    |
| LGC      | Capital Investment          | Direct investments (£m)           | 1,137 | 1,450 | 2,359 | +44    | 2,638   | 2,005   |
| LGI      | Insurance                   | New business annual premiums (£m) | 290   | 300   | 343   | +9     | 178     | 163     |
| LGRR     | Retirement Solutions        | Individual annuity premiums (£m)  | 378   | 671   | 795   | +45    | 497     | 337     |
|          |                             | Lifetime Mortgage advances (£m)   | 620   | 1,004 | 1,197 | +39    | 489     | 521     |

# A collaborative business model creating value for shareholders



# Financial Highlights



## Financial highlights: consistent delivery in 2019

| Metric   | H1 2019      | H1 2018 | %         |
|--|--------------|---------|-----------|
| <b>Operating profit from continuing divisions (£m)</b> | <b>1,167</b> | 1,009   | <b>16</b> |
| Discontinued operations (£m)                           | 19           | 50      | n/a       |
| <b>Operating profit from divisions (£m)</b>            | <b>1,186</b> | 1,059   | <b>12</b> |
| Group debt costs (£m)                                  | (108)        | (97)    | (11)      |
| Group investment projects & expenses (£m)              | (73)         | (53)    | (38)      |
| <b>Operating profit (£m)</b>                           | <b>1,005</b> | 909     | <b>11</b> |
| Investment & other variances (including MI) (£m)       | 48           | 33      | n/a       |
| <b>Profit before tax (£m)</b>                          | <b>1,053</b> | 942     | <b>12</b> |
| Earnings per share (p)                                 | <b>14.74</b> | 13.00   | <b>13</b> |
| Return on equity (%)                                   | <b>20.2</b>  | 20.3    |           |
| Solvency II operational surplus generation (£bn)       | <b>0.8</b>   | 0.7     | <b>17</b> |
| Solvency II coverage ratio (%)                         | <b>171</b>   | 193     |           |



# LGR: Consistently delivering strong results

| Financial Highlights                             | H1 2019      | H1 2018    |
|--|--------------|------------|
| Release from operations (£m)                     | 303          | 275        |
| New business surplus (£m)                        | 185          | 23         |
| <b>Net release from operations (£m)</b>          | <b>488</b>   | <b>298</b> |
| <b>Operating profit (£m)</b>                     | <b>655</b>   | 480        |
| LGR Institutional (£m)                           | 524          | 361        |
| LGR Retail (£m)                                  | 131          | 119        |
| Profit before tax (£m)                           | 638          | 565        |
| <b>Total LGR new business (£m)</b>               | <b>7,663</b> | 1,593      |
| LGR Institutional (£m)                           | 6,677        | 735        |
| LGR Retail <sup>1</sup> (£m)                     | 986          | 858        |
| <b>Total annuity AUM (£bn)</b>                   | <b>72.1</b>  | 56.4       |
| Of which: Direct investments (£bn)               | 18.4         | 13.5       |
| Solvency II new business margin <sup>2</sup> (%) | 7.8          |            |
| Solvency II new business strain <sup>2</sup> (%) | c4.0         |            |

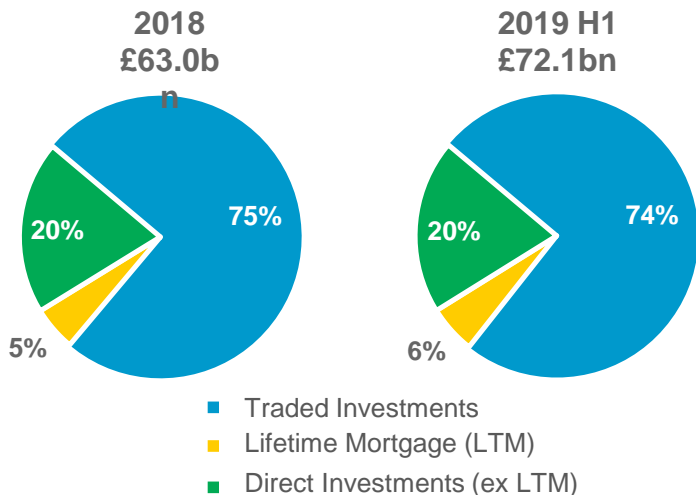
1. £986m LGR Retail new business includes Individual annuity volumes (£497m) and Lifetime mortgages advances (£489m)

2. UK business only

- **Operating profit of £655m, up 36%**, reflecting:
  - Strong performance from back book; run-off of prudential margins
  - **Record UK PRT volumes of £6.3bn**, including a £4.6bn buy-in with Rolls-Royce – UK's largest
  - **International PRT volumes of £0.4bn**, including our first Canadian deal
  - **Individual annuity volumes of £497m**, up 47%
- Direct investments grew by £4.9bn (36%) since H1 2018 reflecting continued success in sourcing attractive assets
- UK new business margin remains strong in line with FY 2018 (7.9%)
- We have maintained pricing discipline in a competitive UK annuities market with **Solvency II new business strain at c.4%**
- Currently reviewing the CMI 2017 mortality data, which is expected to complete by the end of 2019

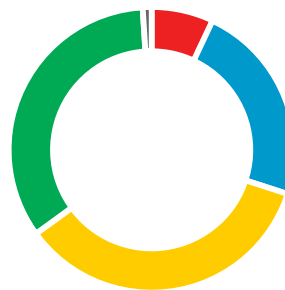
# LGR: Diversified portfolio, high quality assets

## LGR Asset portfolio



- **16%** in Sovereign-like assets
- **c.2/3<sup>rd</sup> A rated or better**
- Credit default reserve **£3.2bn** (53bps)
  - £2.8bn prudent long-term prudent reserve
  - £0.4bn additional reserve
- Bank exposure reduced from c. 20% pre-crisis to **5%**

## LGR bond portfolio maintaining overall credit quality and high sectorial diversification

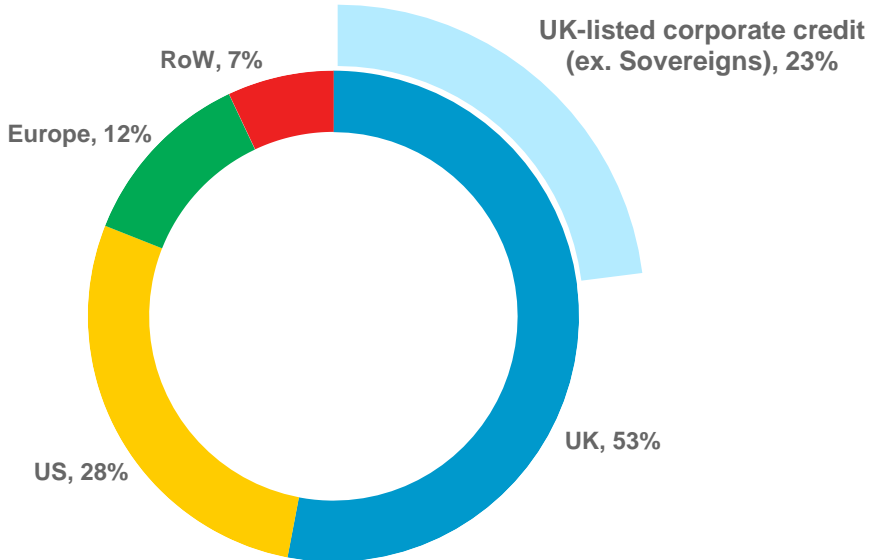


### LGR bond portfolio sector split (%)

|   |            |
|---|------------|
| Consumer services and goods             | 18         |
| Utilities                               | 17         |
| Sovereigns, Supras, Sub-Sovereigns      | 16         |
| Infrastructure                          | 15         |
| Technology and telecoms                 | 6          |
| LTM Loans                               | 6          |
| Banks                                   | 5          |
| Energy, Oil and Gas                     | 5          |
| Real Estate                             | 5          |
| Securitisations (collateralised credit) | 2          |
| Financial Services and Insurance        | 2          |
| Industrials                             | 2          |
| Commodities                             | 1          |
| <b>Total</b>                            | <b>100</b> |

# LGR: UK-listed corporate credit is a relatively small proportion of our bond portfolio

## Geographically Diversified Portfolio



- 23% of LGR's bond portfolio is invested in UK-listed corporate credit, excluding Sovereigns
- c.50% of these UK credit holdings are in multinational companies, e.g. GSK, Vodafone, Unilever
- c.1% of UK-listed corporate credit is sub investment grade
- 47% of LGR's assets are overseas assets. The currency risk is hedged

# LGR: Largest direct investments by exposure<sup>1</sup>

| Investment                                    | Sector                 | Year invested | (£m) | Valuation    |
|---|------------------------|---------------|------|--------------|
| 1 HMRC and DWP Buildings <sup>2</sup>         | Government             | 2016-2019     |      | 1,570        |
| 2 Places For People                           | Social Housing         | 2014          |      | 312          |
| 3 London Gateway                              | Transportation         | 2011          |      | 300          |
| 4 The Rolls Building, EC4, Secretary of State | Office                 | 2014          |      | 284          |
| 5 F&C Commercial Trust                        | Commercial Property    | 2016          |      | 281          |
| 6 CLV Ottoway                                 | Student Accommodation  | 2014          |      | 281          |
| 7 BBC   | Senior Unsecured Debt  | 2016          |      | 252          |
| 8 Thames Tideway                              | Utilities              | 2016          |      | 239          |
| 9 Amazon, Tilbury                             | Distribution Warehouse | 2017          |      | 233          |
| 10 West Transmission Financing PLC            | Utilities              | 2011 – 2012   |      | 229          |
|   |                        | <b>Total</b>  |      | <b>3,981</b> |

**28%**  
of DI  
portfolio

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

1. Based on direct investments sourced in the UK

2. Includes assets sourced up to 17 September 2019

# LGIM: Financials

| Financial Highlights                            | H1 2019      | H1 2018 |
|---|--------------|---------|
| Asset management revenue <sup>1</sup> (£m)      | 434          | 414     |
| Asset management expenses <sup>1</sup> (£m)     | (230)        | (213)   |
| <b>Asset management operating profit (£m)</b>   | <b>204</b>   | 201     |
| Workplace operating profit (£m)                 | 1            | 2       |
| <b>LGIM operating profit (£m)</b>               | <b>205</b>   | 203     |
| <b>External net flows (£bn)</b>                 | <b>60.3</b>  | 14.6    |
| Of which: International (£bn)                   | 44.6         | 9.9     |
| <b>External net flows % of opening AUM</b>      | <b>5.9</b>   | 1.5     |
| <b>Closing AUM (£bn)</b>                        | <b>1,135</b> | 985     |
| International AUM (£bn)                         | 343          | 229     |
| UK DC AUM (£bn)                                 | 86           | 64      |
| Retail AUM (£bn)                                | 36           | 31      |
| <b>Asset management cost : income ratio (%)</b> | <b>53</b>    | 51      |

1. Revenue and expenses exclude income and costs of £11m in relation to the provision of 3rd party market data (H1 2018: £8m), and also exclude revenue and expenses from our Workplace Savings business

2. Pridham Report Q1 & Q2 2019

- **Operating profit up 1% to £205m**
- **AUM over £1.1tn**, driven by **external net flows of £60bn, 5.9% of opening AUM**, with continued diversification across channels, regions and product lines
- **International AUM of £343bn**, c.30% of total AUM
- International client net flows of £44.6bn driven by funding of a £37bn passive mandate with the Japan Government Pension Investment Fund providing us with a long term foundation for future growth in the region
- UK DC net flows of £3.6bn with assets of £86bn. Workplace customers increased by 10% to 3.4m
- Retail ranked 2nd in retail sales<sup>2</sup> for H1 2019 as we continue to develop our product range in the UK and distribution strategy in Europe
- **Cost Income ratio of 53%** reflects our continued investment in areas of the business experiencing strong growth or where increased automation and simplification will generate operational leverage

# LGC: Financials

| Financial Highlights               | H1 2019      | H1 2018 |
|------------------------------------|--------------|---------|
| <b>Operating profit (£m)</b>       | <b>173</b>   | 172     |
| - Direct Investments               | 99           | 104     |
| - Traded portfolio and other       | 74           | 68      |
| <b>Profit before tax (£m)</b>      | <b>278</b>   | 82      |
| - Direct Investments               | 71           | 80      |
| - Traded portfolio and other       | 207          | 2       |
| <b>Assets (£m)</b>                 | <b>7,814</b> | 8,078   |
| - Direct Investments               | 2,638        | 2,005   |
| - Traded portfolio and Treasury    | 5,176        | 6,073   |
| of which: Cash and Treasury assets | 3,064        | 4,097   |

- Operating profit of **£173m**, in line with H1 2018 on a similar asset base with a different mix of early and mature stage DI

## Direct Investments assets, up 31.6% to £2.6bn

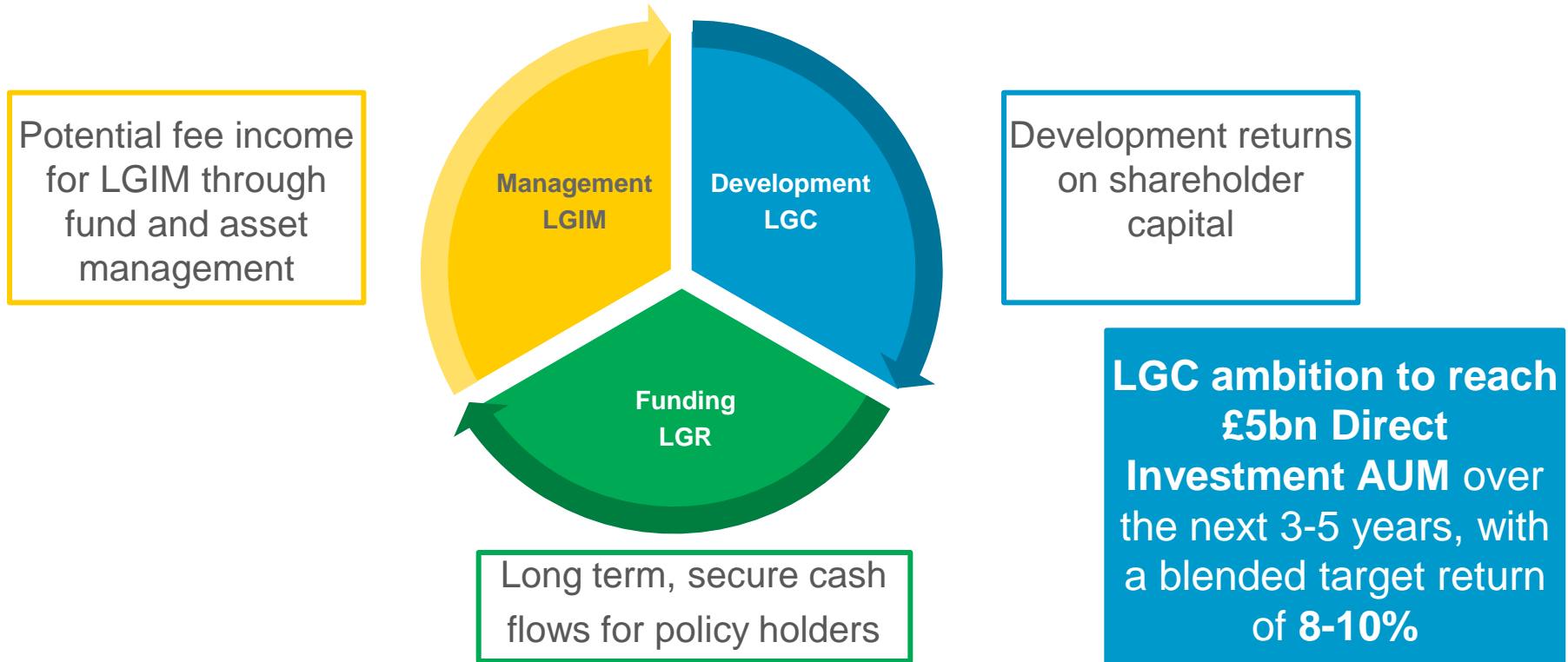
- Total investments and new commitments of £0.5bn, including our build to rent portfolio, and the expansion of our Affordable Housing and Later Living businesses
- In addition, we committed up to £4bn to the development of university accommodation and science and innovation parks in and around Oxford
- Net portfolio return of 5.6% (H1 2018: 9.1%), reflecting increased proportion of early stage development AUM and relative H1 2019 build to sell portfolio returns

## Traded Portfolio

- Traded portfolio returns have benefited from strong performance in equity markets

# LGC: Ambition

Our aim is to make investments in new assets which generate stable returns for shareholders, create assets for LGR, and desirable assets for LGIM



# LGI: Financials

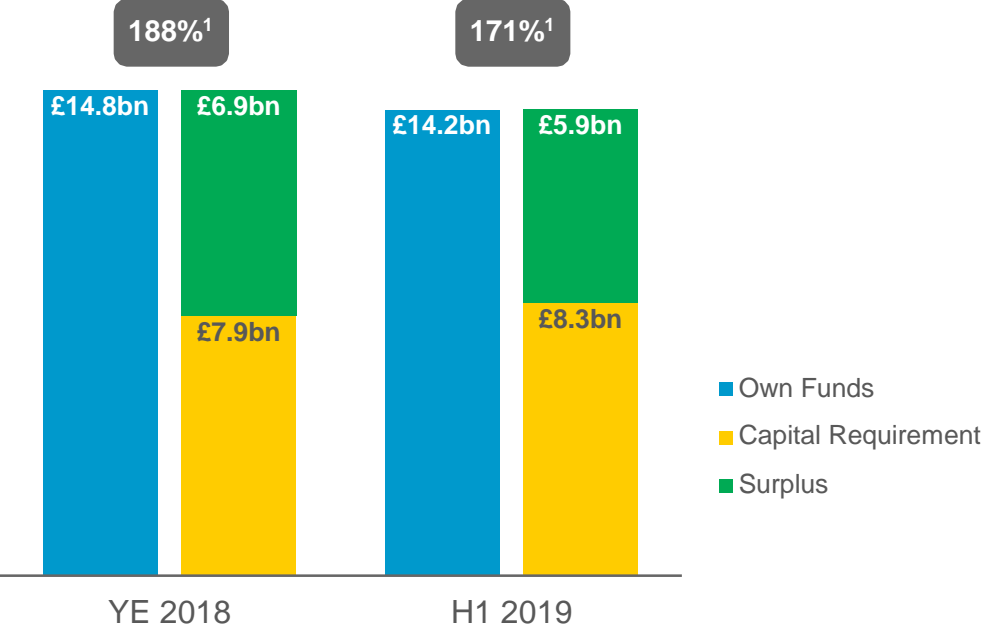
| Financial Highlights                | H1 2019      | H1 2018 |
|-------------------------------------|--------------|---------|
| Net release from operations (£m)    | 170          | 157     |
| <b>Operating profit (£m)</b>        | <b>134</b>   | 154     |
| - UK                                | 93           | 136     |
| - US                                | 41           | 18      |
| Profit before tax (£m)              | 0            | 117     |
| <b>New business annual premiums</b> | <b>178</b>   | 163     |
| <b>Gross written premium (£m)</b>   | <b>1,409</b> | 1,317   |
| - UK                                | 891          | 856     |
| - US                                | 518          | 461     |
| UK Protection SII margin (%)        | 7.9          |         |
| US Protection SII margin (%)        | 10.8         |         |

- **New business up 9% to £178m** across the division
- Gross written premiums **up 4%** in the UK, **US up 5%** on a USD basis to \$670m
- **UK Operating Profit** lower due to prior year benefitting from model refinements. In addition, new US reserve financing reinsurance has reduced UK profits, which are now reported in the US
- **US profit above prior year at £41m** due to change in reinsurance, a reserve release, and lower mortality claims vs prior year
- Profit before tax impacted by a fall in government yields in both the UK and US
- \$107m dividend paid from US on 01 March 2019 (2018:\$105m)



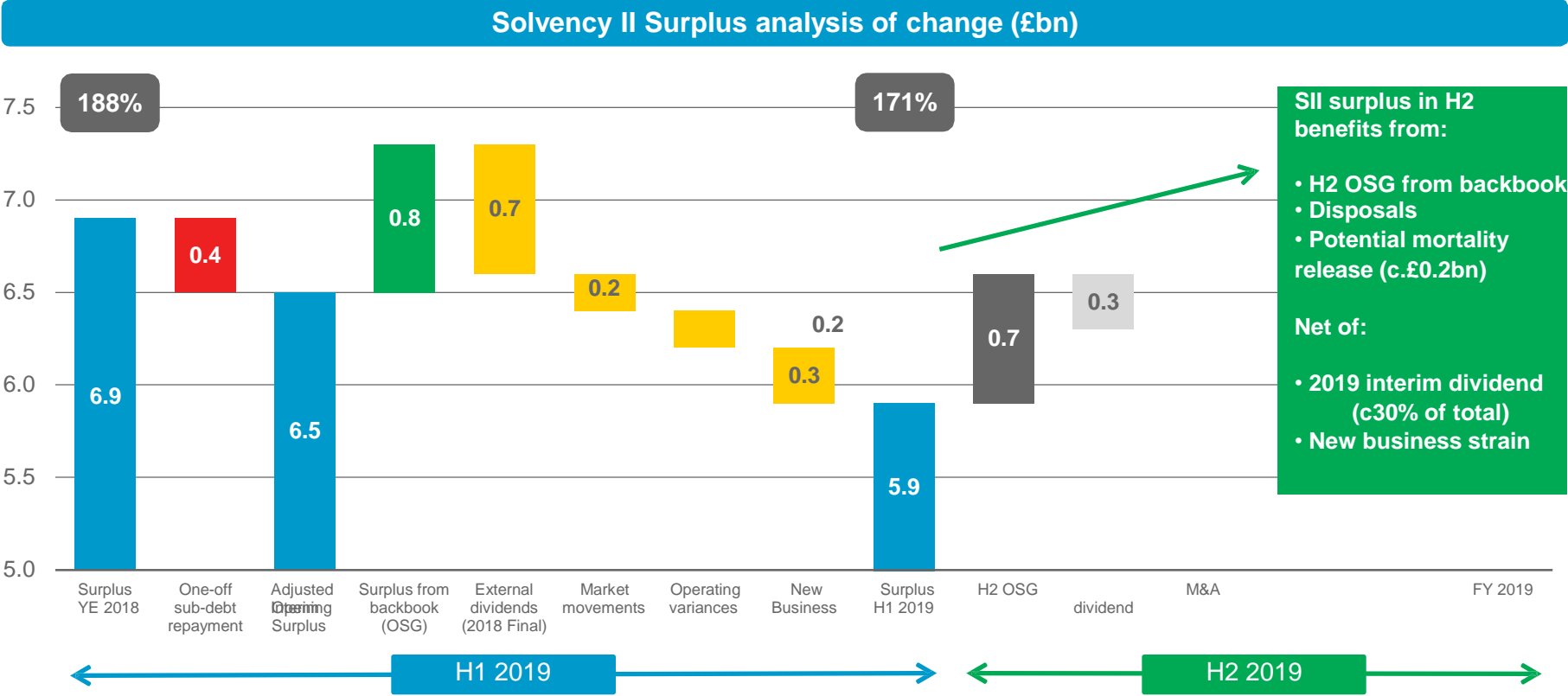
# Solvency II balance sheet: We maintain a significant Solvency II surplus

## Solvency II balance sheet



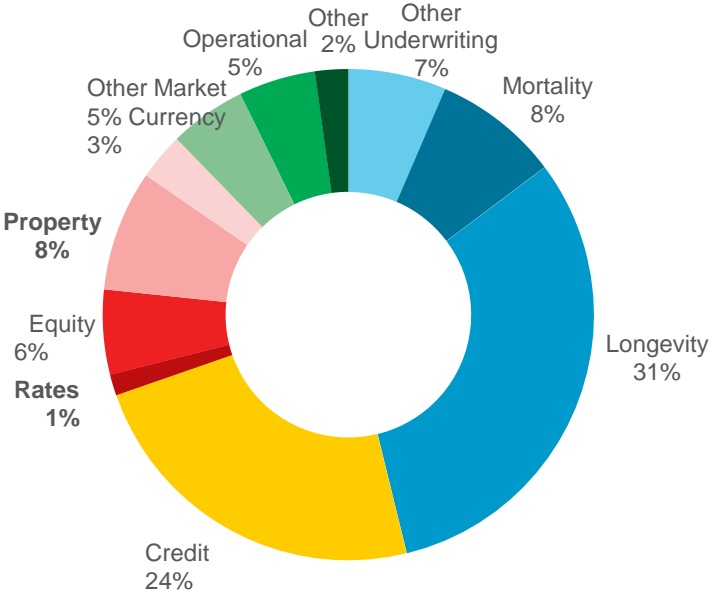
- Solvency II surplus of **£5.9bn**
- Coverage ratio of **171%**
- Core tier 1 Own funds of **£11.1bn (78%)**

# Movement in the surplus: Significantly impacted by dividend timing



# Solvency Capital Requirement: Our economic exposure to rates is low

## Solvency Capital Requirement (FY18)

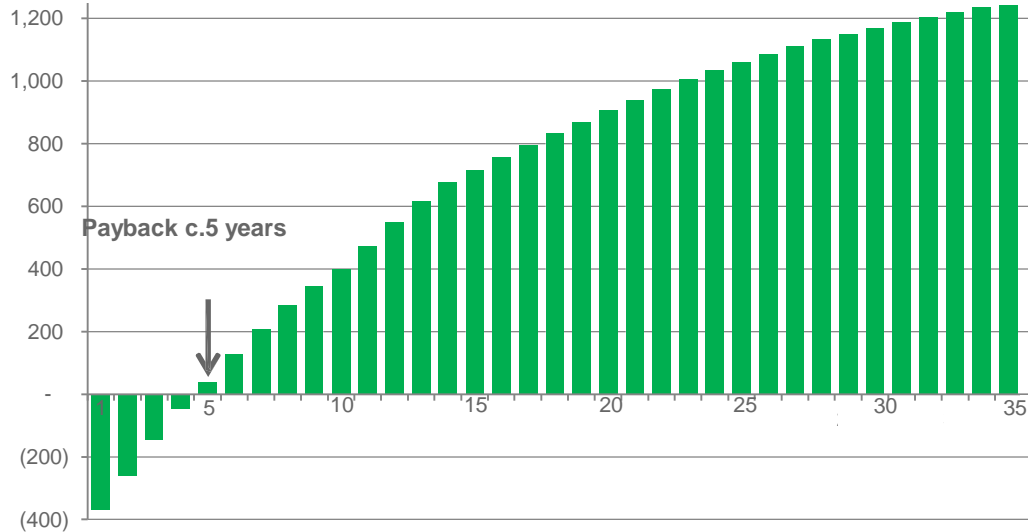


- Primary exposures are to Longevity & Credit
- Economic interest rate exposure is low
- Property exposure is just 8%

1. 2018 L&G Group SCR pre-diversified on a shareholder basis  
2. Other Underwriting risk shows the sum of pre-diversification SCRs for morbidity, expense, and persistency risks  
3. SCRs from Mature Savings and LGIL have been excluded

# New PRT business: Highly capital generative and c.5 year pay back

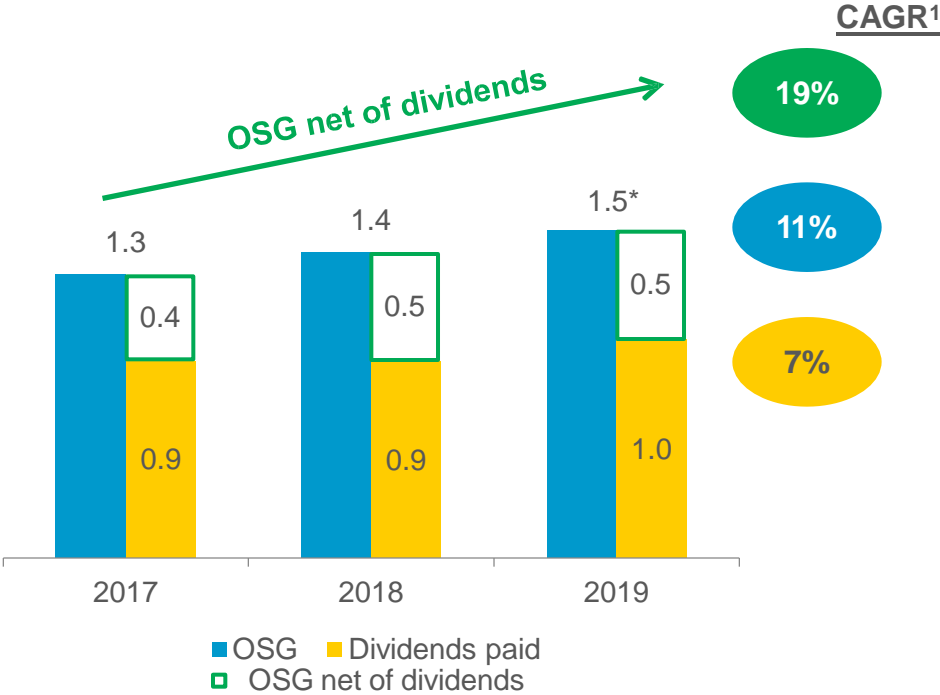
## Cumulative surplus generation<sup>1</sup> from £10bn of new UK PRT business (£m)



- **Payback on new PRT business is c.5 years**
- £10bn of UK PRT new business will generate:
  - A c.4% strain in year 1
  - OSG of c.£100m in year 2
  - OSG of over £1bn over the expected life of the transaction

# Growth in OSG provides capacity both for dividend progression and new business investment

## Operational Surplus Generation & Usage, £bn



- OSG is growing strongly and faster than the dividend: each year our capacity to invest in new business grows
- Investment in new business is discretionary but attractive, further contributing to OSG in subsequent periods
- We may choose periodically to deploy more capital in a period than we generate

\* FY 19 estimate  
 1. CAGR calculated on unrounded values  
 Note: Dividends are not directly linked to OSG; a number of metrics are considered when assessing dividend affordability

# Delivering Inclusive Capitalism



# We are growing share in exciting markets and expanding into new, adjacent opportunities

Our strategy is aligned to our 6 structural growth drivers

| Growth drivers                   | Market opportunity      | market (%) | L&G             |                  | Market size & growth               |
|----------------------------------|-------------------------|------------|-----------------|------------------|------------------------------------|
|                                  |                         |            | 2018            | 2023e            | share L&G new business opportunity |
| 1 Ageing demographics            | UK PRT                  | 30         | £30bn           | £150bn cum.      | Maintain leading UK share          |
|                                  | US PRT                  | 3          | \$27bn          | \$150bn cum.     | Grow share internationally         |
|                                  | UK Individual Annuities | 18         | £4bn            | £6bn             | Maintain leading UK share          |
|                                  | UK LTM                  | 26         | £4bn            | £8bn             | Maintain leading UK share          |
| 2 Globalisation of asset markets | Global AUM              | 1.7        | \$74tn          | \$101tn          | Grow internationally               |
|                                  | Global Revenues         | <1         | \$279bn         | \$330bn          | Improve mix                        |
| 3 Creating real assets           | UK Housing market       | c.2        | 165k            | 300k gov. target | Continue to invest                 |
|                                  | UK Infrastructure       | n/a        | >£500bn deficit | -                | Continue to invest                 |

# We are growing share in exciting markets and expanding into new, adjacent opportunities





































Our strategy is aligned to our 6 structural growth drivers

| Growth drivers             | Market opportunity                           | market (%) | Market size & growth |          | L&G                              |
|----------------------------|--|------------|----------------------|----------|----------------------------------|
|                            |  |            | 2018                 | 2023e    | share & new business opportunity |
| 4 Welfare Reforms          | UK DC AUM                                    | 19         | £397bn               | £641bn   | Maintain leading UK share        |
|                            | UK ISA AUM                                   | 1          | £608bn               | £1,444bn | Grow UK share                    |
|                            | VC into DC                                   | -          | -                    | -        | Champion & drive the market      |
| 5 Technological innovation | Lowering unit costs & improving service      | -          | -                    | -        | Drive & adopt tech change        |
|                            | Retail Protection (APE)                      | 23         | £739m                | £810m    | Maintain leading UK share        |
|                            | US Protection                                | 3.6        | \$3.1bn              | \$3.4bn  | Grow US share                    |
|                            | Group Protection (GWP)                       | 18         | £2.3bn               | £2.6bn   | Invest for growth                |
|                            | Partnering with innovators                   | -          | -                    | -        | E.g. SalaryFinance               |
| 6 Today's Capital          | Committing capital to help start-ups compete | -          | -                    | -        | E.g. OSI and Balderton           |
|                            | Continued demand for SME finance             | -          | -                    | -        | E.g. Pemberton                   |



# We are replicating our UK business model abroad

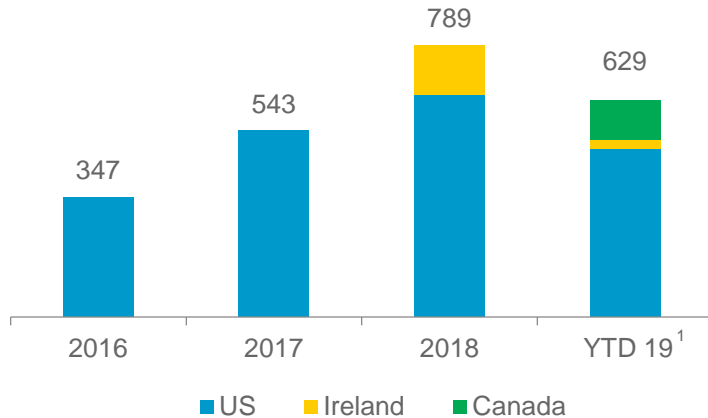
We operate in 85% of the global DB pensions market

|             |   | Mkt (£tn) | % DB Market Insured | L&G | size   | mkt Presence | L&G Status  |   | Asset Solutions   | Capital   | Synergies Retirement Insurance  |
|-------------|---|-----------|---------------------|-----|--|--------------|---|---|---|---|---|
|             |   |           |                     |     |  |              | Mgt   | PRT   |   |   |   |
| UK          |  | 2.2       | 8                   | ✓   | A market leader in asset management, LDI, PRT & DC   |              |  |  |  |  |  |
| US          |  | 2.8       | 5                   | ✓   | Leader in LDI and c.40% success rate <\$100m PRT     |              |  |  |  |  |  |
| Japan       |  | 2.3       | -                   | ✓   | Top 3 non-domestic manager of institutional pensions |              |  |  |  |  |  |
| Netherlands |  | 0.9       | 5                   | ✓   | Market entry   |              |  |  |  |  |  |
| Canada      |  | 0.9       | 2                   | ✓   | Market entry   |              |  |  |  |  |  |
| Ireland     |  | 0.1       | 2                   | ✓   | Market entry   |              |  |  |  |  |  |

# We are growing our PRT business and LGIM internationally

## International PRT Premiums (£m)

Volumes doubled in size in 3 years



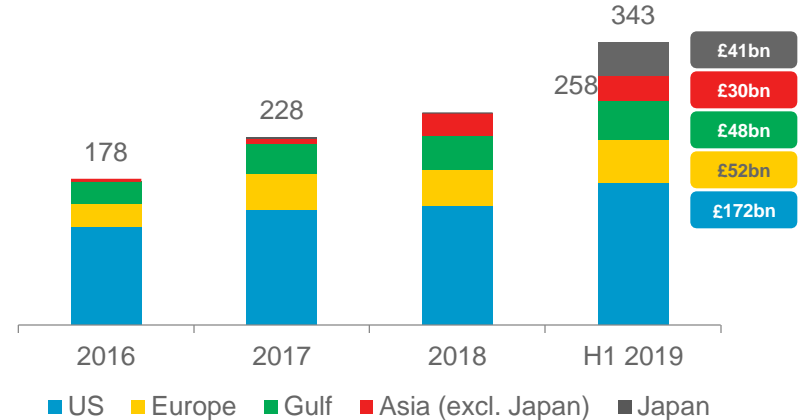
### US:

- c.40% success for deals <\$100m across 2017 and 2018
- Won our largest fully retained US PRT deal of over \$200m in H1 2019

**Canada:** Won first deal in partnership with Brookfield

## International LGIM AUM (£bn)

AUM doubled in size in 3 years



### Total International AUM up 24% CAGR since 2016

**US:** Strong pipeline for H2 2019 flows

**Japan:** £37bn passive mandate with Government Pension Investment Fund in H1 2019

1. International PRT premiums as at July-19

# Delivering Inclusive Capitalism

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

Our ambition is to replicate this performance out to 2020:  
**11% achieved to end 2018**

2020 onwards:  
Delivering on our global ambition

- Achieve global leadership in pensions de-risking
- Provide a suite of products to maximise retirement income
- Use 'patient capital' to become the UK leader in direct investments including housing and regeneration
- Build a world class international asset management business
- Address UK savings gap through retail investments and workplace pensions
- Deliver financial protection from life events for customers
- Become a leading data driven and digitally enabled insurer

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

# ESG approach



# ESG approach: Delivering Inclusive Capitalism

Our businesses act in a way that is both economically and socially useful, delivering inclusive capitalism, and are aligned to 6 structural growth drivers:

| Growth drivers                   | ESG alignment example   | L&G progress   |
|----------------------------------|---|--|
| 1 Ageing demographics            | <b>£54bn corporate DB pension deficit</b> in the UK <sup>1</sup> – Insuring DB pensions improves security for pensioners and backing-assets can be reinvested in real assets benefiting younger generations and strengthening the intergenerational contract. | 1.1m individuals in the UK rely on L&G for security in retirement through annuities                                |
| 2 Globalisation of asset markets | Global AUM is projected to grow at 6% p.a. to \$101tn <sup>2</sup> , representing an <b>enormous opportunity to benefit both society and investors through a sustainable investment approach.</b>   | LGIM IMAs embed ESG principles   |
| 3 Creating real assets           | <b>Investment in global sustainable energy infrastructure needs to triple</b> to \$1.25 trillion p.a. <sup>3</sup> by 2030.   | £28bn of direct investments creating positive social and environmental impact                                      |
| 4 Welfare Reforms                | UK DC AUM is projected to grow at 10% p.a. to £641bn, as <b>companies and governments shift retirement planning risk to individuals.</b>  | £86bn DC AUM across 3.1m customers in the UK   |
| 5 Technological innovation       | Technology improves customer outcomes, reduces waste and improves efficiency.   | Reducing waste and saving costs by sending personalised videos instead of paper benefit statements for DC pensions |
| 6 Today's Capital                | Funding for UK start-ups is less than half than the US-normalised level <sup>4</sup> , representing an opportunity for investment to <b>create jobs and stimulate economic growth.</b>  | £102m total investments in early-stage start-ups in the UK   |

*“Inclusive capitalism can deliver better returns by unlocking this money and putting it to work building better societies, tackling the climate emergency, reducing inequality, closing the infrastructure gap and fostering a new intergenerational contract.”*

**Nigel Wilson**  
Chief Executive Officer

# Inclusive Capitalism naturally align to ESG principles

## Our ESG approach considers:

1. Our operations
2. Our £95.0bn asset portfolio<sup>1</sup>
3. Our influence as a leading global asset manager with more than £1.1tn AUM

## Examples of ESG metrics

| Environmental   | Social   | Governance  |
|---|--|---|
| Ranked 4 <sup>th</sup> among global insurers for approach to climate risk and opportunity <sup>1</sup>                      | £28bn social impact from investments and programmes to date  | NEDs on Board: 67%  |
| 24% reduction in carbon intensity of Group asset portfolio <sup>2</sup> and commitment to 2°C climate objective             | Creating 20k new jobs in regional cities through property platform driving science & technology growth | NEDs with insurance, asset management, or finance experience: 88%                         |
| All renewable energy for operations   | Delivering 80k+ new homes over the next 5 to 10 years (3k p.a. of affordable)                          | Women on Board: 42%   |
| 2m homes powered by L&G investments in wind farms   | 50/50 by 2020 gender diversity programme <sup>3</sup>  | Women on Executive Committee: 33%   |
| LGIM’s IMAs embed ESG principles, excluding investments in pure thermal coal and assets excluded from our Future World fund |  | LGIM awards: 1. Best Investor Engagement <sup>5</sup><br>2. Best ESG Manager <sup>6</sup> |

1. Investments to which shareholders are directly exposed  
 2. Asset Owners Disclosure Committee  
 3. Decrease from 2017 to 370 CO2e/£m invested  
 4. 50/50 by 2020 aims to have 50% of senior management roles filled by women  
 5. 2018 ICSA award for the investor who, in the judgment of FTSE 350 company secretaries, conducted the most constructive engagement during the year. This award recognises LGIM for demonstrating a high standard of stewardship in the market.  
 6. Corporate Adviser Awards 2018 – The award ‘recognise[s] and reward[s] advisers and providers that have brought innovation to the field of workplace financial services’

# ESG example in action: Future Cities – Cardiff

## *Investing in real assets, real jobs, real skills, resulting in real wage increases*

### Regenerating the heart of the Welsh capital

|                  |       |                    |        |
|------------------|-------|--------------------|--------|
| Investment Value | £400m | People benefitting | 10,000 |
|------------------|-------|--------------------|--------|

In September 2015, Legal & General entered into a joint venture partnership with Rightacres (a local developer) and Cardiff Council to bring forward Cardiff Central Square, a prime regeneration site in the heart of the city. Together, the public-private alliance has enabled this scheme to take place and is delivering real UK growth and supporting the transformation of Cardiff city centre.

Since then, there have been a number of key benefits secured for the people and economy of Cardiff and the surrounding area:

- 10,000 local jobs created across Central Square
- As a result of the relocation of BBC Wales to Central Square, Cardiff is now regarded as one of the UK's largest media centres outside of London
- BBC Wales has committed to creating 20 new full time journalism and apprenticeship and trainee placements, part of a wider package of up to 300 new training places to support news, sport and radio posts

The relocation of BBC Wales is expected to deliver £1.1bn to the GVA of Cardiff City region over the next decade, which equates to an additional 1,900 FTE jobs being undertaken by people in the city



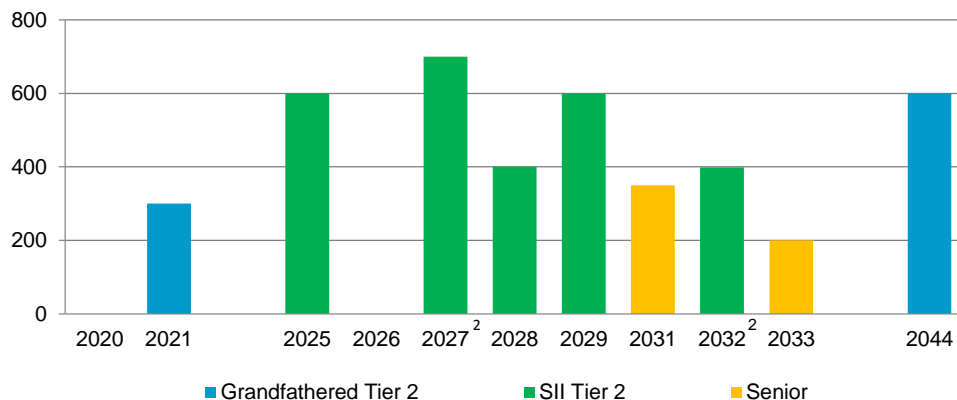


# Appendix



# Debt instruments summary

Debt Redemption Profile (£m)<sup>1</sup>



| Rating Type               | Entity / Instruments      | Moody's | S&P    |
|---------------------------|---------------------------|---------|--------|
| Financial Strength Rating | L&G Assurance Society Ltd | Aa3     | AA-    |
| Instrument Credit Ratings | L&G Finance plc / Senior  | A2      | A      |
|                           | L&G Group plc / Tier 2    | A3      | BBB+   |
| Outlook                   |                           | Stable  | Stable |

| Issue Date | Entity          | SII Classification   | Rating (Moody's / S&P) | Currency | Amount (Ccy m) | Coupon (%) | Call Date     | Maturity Date |
|------------|-----------------|----------------------|------------------------|----------|----------------|------------|---------------|---------------|
| Jul 09     | L&G Group plc   | Grandfathered Tier 2 | A3 / BBB+              | GBP      | 300            | 10.0       | July 2021     | July 2041     |
| Oct 15     | L&G Group plc   | SII Tier 2           | A3 / BBB+              | GBP      | 600            | 5.375      | October 2025  | October 2045  |
| Mar 17     | L&G Group plc   | SII Tier 2           | A3 / BBB+              | USD      | 850            | 5.25       | March 2027    | March 2047    |
| Nov 18     | L&G Group plc   | SII Tier 2           | A3 / BBB+              | GBP      | 400            | 5.125      | November 2028 | November 2048 |
| Nov 19     | L&G Group plc   | SII Tier 2           | A3 / BBB+              | GBP      | 600            | 3.75       | November 2029 | November 2049 |
| Nov 00     | L&G Finance plc | Senior               | A2 / A                 | GBP      | 350            | 5.875      | -             | December 2031 |
| Apr 17     | L&G Group plc   | SII Tier 2           | A3                     | USD      | 500            | 5.55       | April 2032    | April 2052    |
| Mar 02     | L&G Finance plc | Senior               | A2 / A                 | GBP      | 200            | 5.875      | -             | April 2033    |
| Jun 14     | L&G Group plc   | Grandfathered Tier 2 | A3 / BBB+              | GBP      | 600            | 5.5        | June 2044     | June 2064     |

1. Legal & General outstanding debt and capital instruments greater than £100m, based on the earliest of the first call date or maturity date

2. GBP/USD rate at time of pricing used to convert to £ equivalent

# Debt instruments: Solvency II instrument features

|                                | Restricted Tier 1  | Tier 2<br>S&P/Moody's eligible   | Tier 3   |
|--------------------------------|--|--|--|
| <b>Subordination</b>           | <ul style="list-style-type: none"> <li>Senior only to equity</li> </ul>  | <ul style="list-style-type: none"> <li>Senior to Tier 1</li> </ul>   | <ul style="list-style-type: none"> <li>Senior or pari-passu to Tier 2</li> </ul>   |
| <b>Maturity / Redemption</b>   | <ul style="list-style-type: none"> <li>Perpetual callable: Min 5 years to call</li> <li>Repayable or redeemable at the option of the issuer only, subject to prior regulatory approval</li> <li>Mandatory deferral in case of (i) breach of SCR, (ii) insolvent issuer or insurer winding up, (iii) no regulatory consent</li> </ul> | <ul style="list-style-type: none"> <li>Dated callable or bullet : Min 10 years to maturity and min 5 years to first call Mandatory</li> <li>deferral in case of (i) breach of SCR, (ii) insolvent issuer or insurer winding up, (iii) no regulatory consent</li> </ul> | <ul style="list-style-type: none"> <li>Dated bullet: Min 5 years</li> <li>Mandatory deferral in case of (i) breach of SCR, (ii) insolvent issuer or insurer winding up, (iii) no regulatory consent</li> </ul> |
| <b>Coupon Payment</b>          | <ul style="list-style-type: none"> <li>Mandatory cancellation upon breach of SCR, insufficient distributable items, or at the discretion of the regulator</li> <li>Optional cancellation (no dividend pusher or stopper)</li> <li>Cancelled coupons non-cumulative</li> </ul>  | <ul style="list-style-type: none"> <li>Mandatory deferral upon breach of SCR</li> <li>Optional coupon deferral (dividend pusher)</li> <li>Deferred coupons cumulative</li> </ul>   | <ul style="list-style-type: none"> <li>Mandatory deferral upon breach of MCR</li> <li>Deferred coupons cumulative</li> </ul>   |
| <b>Step-up</b>                 | <ul style="list-style-type: none"> <li>Not permitted</li> </ul>  | <ul style="list-style-type: none"> <li>Max 100bps or 50% of initial credit spread after year 10</li> </ul>   | <ul style="list-style-type: none"> <li>Not applicable</li> </ul>   |
| <b>Write-Down / Conversion</b> | <ul style="list-style-type: none"> <li>Share conversion or write-down in case of:               <ol style="list-style-type: none"> <li>SCR below 75%</li> <li>breach of MCR or 100%</li> <li>SCR breach not remedied in 3 months</li> </ol> </li> </ul>  | <ul style="list-style-type: none"> <li>Not required</li> </ul>   | <ul style="list-style-type: none"> <li>Not required</li> </ul>   |
| <b>SII Capacity Limit</b>      | <ul style="list-style-type: none"> <li>Up to 20% of Tier 1</li> </ul>  | <ul style="list-style-type: none"> <li>Up to 50% of SCR</li> </ul>   | <ul style="list-style-type: none"> <li>Up to 15% of SCR</li> </ul>   |
| <b>Ratings Credit</b>          | <ul style="list-style-type: none"> <li>S&amp;P 100% equity credit</li> <li>Basket D – 75% credit</li> <li>Fitch 100% equity credit</li> </ul>  | <ul style="list-style-type: none"> <li>S&amp;P 50% equity credit only if min. 10 years remaining after the first call date</li> <li>Moody's: Basket B - 25% equity credit if initial min. maturity is 30 years</li> <li>Fitch: 100% equity credit</li> </ul>           | <ul style="list-style-type: none"> <li>S&amp;P: 0% equity credit</li> <li>Moody's: 0% equity credit</li> <li>Fitch: 100% equity credit</li> </ul>  |

# LGC: Asset creation

Creation of real assets to support LGR's growing annuity business and provide third party opportunities for LGIM



## Affordable Housing

- Source and develop shared ownership and affordable rented homes
- Create matching adjustment eligible assets for LGR's growing annuity business
- Assets have long-dated index linked income profiles providing a funding opportunity via LGR debt



## Private Sector Rental

- Fund development of private rental schemes for LGIM clients
- Create and develop build to rent assets which can be sold to LGIM's Build to Rent fund once rental returns stabilise



## Oxford University Partnership

- Committed to invest up to £4bn of L&G funds over ten years in the development of Oxford University staff and student housing, and science and innovation districts on multiple sites in and around Oxford
- Creating attractive assets to back LGR annuities or to form part of LGIM managed funds

# LGC: L&G Homes



## Build to sell

- Combined operations of LGC build to sell businesses
- In CALA, c.1,100 units sold in H1 2019 with 90 active sites
- Revenues of £401m in H1 2019, despite current market environment



## Rental sector

- Affordable Homes: Secured first four schemes, with c.300 new homes. Pipeline of over 40 UK sites, providing 1,500 affordable homes in next 24 months
- Build to Rent: 13 schemes across the UK, delivering c.4,500 homes. New sites in Glasgow, Brighton and Wandsworth



## Later Living

- Established our later living urban development offering, **Guild Living**, partnering with global experts to deliver a new class of urban retirement communities. Plan to deliver over 3,000 new retirement homes over the next five years
- Inspired Villages Group: Completed village centres at two of our sites, Austin Heath and Gifford Lea

# LGC: Future Cities



## New Developments

- Cardiff Central Square: Providing a transport interchange, 318 build to rent apartments and 100,000 sq ft of office space.
- Bath: 5.5 acre riverside site at Bath North Quays; L&G's first urban later living community



## Renewable Infrastructure

- Together with NTR, invested c.£130m in 19 onshore wind and solar assets across Europe
- Purchased a 13% stake in Pod Point, a UK provider of electric vehicle charging points

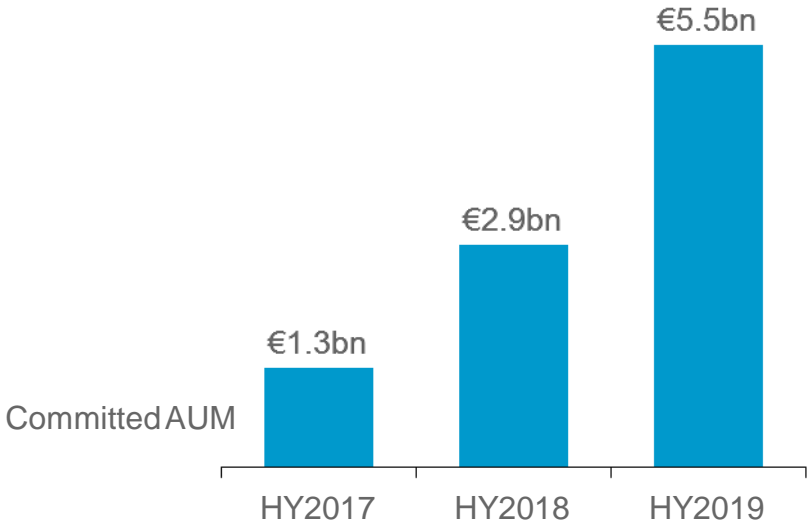


## Digital Opportunities

- Digital infrastructure fastest growing infrastructure segment
- Invested c.£60m in Kao Data Centre in Harlow, targeting the Cambridge to London corridor

# LGC: SME Finance - Principal investing to drive economic progress

Strong growth in AUM  
(and revenue) at  
Pemberton



Commitment to investing in  
start-ups via expert  
managers



Opening up access for DC investors  
into a strongly growing asset class