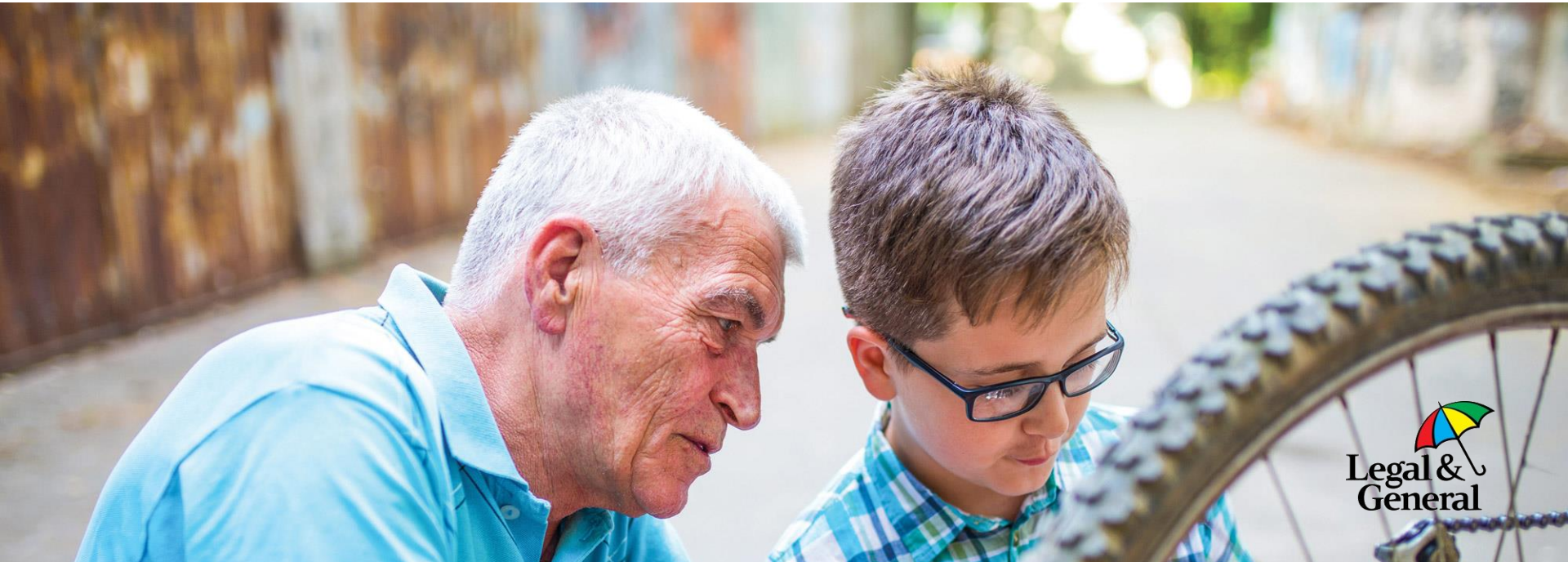


# Delivering inclusive capitalism

Sharing success with investors, customers and society

LEGAL & GENERAL GROUP PLC | BERENBERG CONFERENCE | DECEMBER 2018



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## Forward looking statements

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

# Our strategy is aligned to drivers of consistent structural growth

## Growth drivers

<p>Ageing demographics</p>	<ul style="list-style-type: none"> <li>• Target record year in UK PRT market, &gt;£5bn YTD and &gt;£2bn exclusive</li> <li>• \$25bn annual US PRT market opportunity</li> <li>• Lifetime mortgage market growing to £6bn by 2020</li> </ul>	<p><b>INVESTING &amp; ANNUITIES</b></p>		
<p>Globalisation of asset markets</p>	<ul style="list-style-type: none"> <li>• \$85tn global AUM growing to \$145tn by 2025; current market share 1.3%</li> <li>• ESG, FBI, European ETF markets all growing strongly</li> <li>• LDI / Solutions increasing US penetration</li> </ul>			
<p>Creating real assets</p>	<ul style="list-style-type: none"> <li>• Regional devolution driving committed £15bn growth in future cities</li> <li>• UK housing market shortfall of up to 300,000 units per year</li> <li>• Significant global infrastructure requirement: UK £380bn requirement; Europe €400bn; US \$ trillions...</li> </ul>		<p><b>INVESTMENT MANAGEMENT</b></p>	
<p>Welfare reforms</p>	<ul style="list-style-type: none"> <li>• UK DC market of £338bn in 2016 expected to grow to £871bn by 2026</li> <li>• UK ISA / D2C market £560bn in 2017, up 19%, growing to £1,340bn by 2022</li> </ul>	<p><b>INVESTING &amp; ANNUITIES</b></p>		<p><b>INSURANCE</b></p>
<p>Technological innovation</p>	<ul style="list-style-type: none"> <li>• Utilising ever cheaper technology to improve customer outcomes</li> <li>• Partnering with innovators and disruptors e.g. Salary Finance</li> <li>• Cloud, robotics, AI, big data, block chain and platforms built and utilised across our digital start-ups, scale-ups, and core business</li> </ul>	<p><b>INVESTING &amp; ANNUITIES</b></p>		
<p>Today's capital</p>	<ul style="list-style-type: none"> <li>• Invested in 240 UK start-ups to enable them to compete globally</li> <li>• Nearly €3bn committed AUM to Pemberton SME finance funds</li> </ul>	<p><b>INVESTING &amp; ANNUITIES</b></p>		

# We operate with 3 Business Areas and 6 Divisions

## L&G's Strategic Purpose

Improve the lives of our customers

Build a better society

Create value for our shareholders



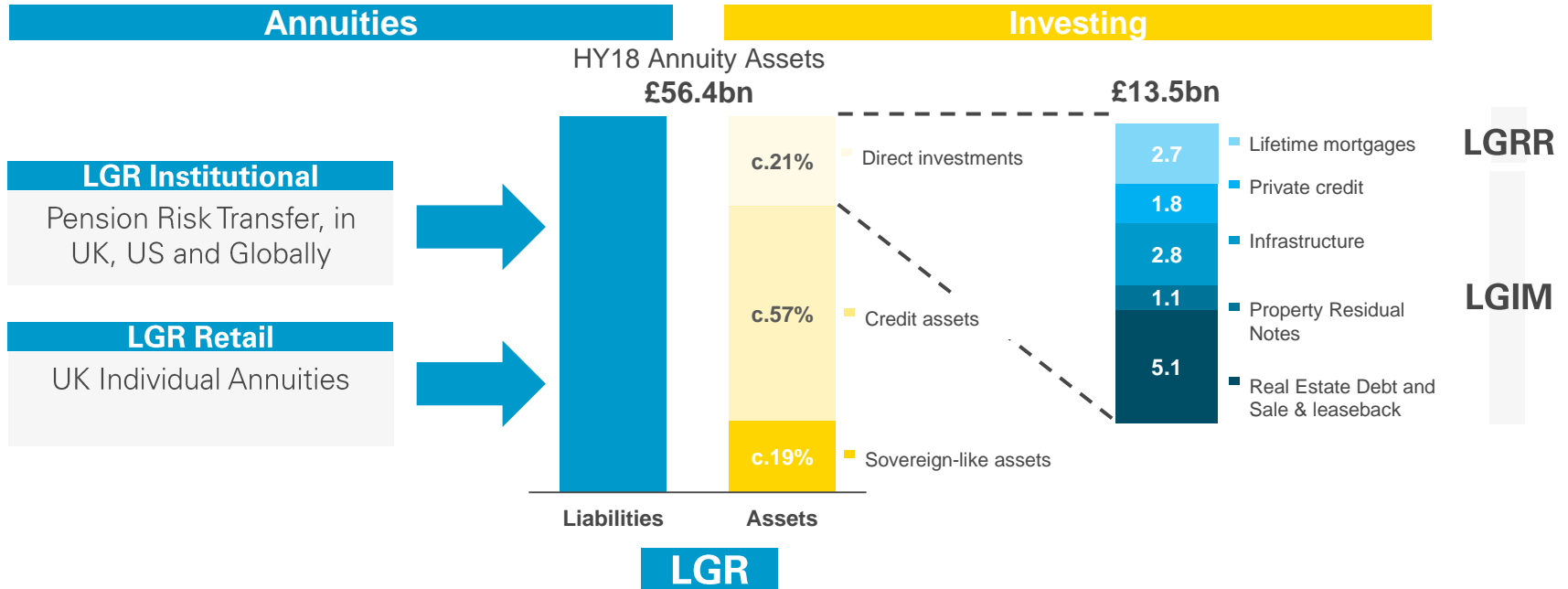
INVESTING & ANNUITIES	Legal & General Retirement: Institutional
	Legal & General Retirement: Retail
	Legal & General Capital
INVESTMENT MANAGEMENT	Legal & General Investment Management
INSURANCE	Legal & General Insurance
	General Insurance

- UK pension risk transfer market leadership
- Growing US business
- Delivering Retirement Income: UK individual annuities and lifetime mortgages
- Future Cities: direct investment in real estate and infrastructure / clean energy
- UK multi-tenure housing franchise
- Global institutional asset management
- \$183bn US business, growing in Asia and EMEA
- Focused on Index, Fixed Income, Solutions, Real Assets
- US and UK term life insurance
- FinTech investing
- UK household and pet insurance

# Investing & Annuities: LGR – A unique business model

Differentiated capability to attract annuity mandates – significant Global growth potential

Unique Group capability in sourcing Direct Investments and managing credit exposures



# Investing & Annuities: LGR Institutional new business update

	2018 YTD <sup>1</sup>	H1	H2 TD
<b>LGRI Completed Transactions</b>	<b>&gt;£8.4bn</b>	<b>£0.7bn</b>	<b>c.£7.7bn</b>
UK PRT	£7.7bn	£0.5bn	c.£7.2bn
International PRT	£0.4bn <sup>1</sup>	£0.2bn	£0.2bn <sup>1</sup>
Longevity Insurance	£0.3bn <sup>1</sup>	£0.0bn	£0.3bn <sup>1</sup>

## UK PRT Pipeline

UK PRT Actively Quoting as at HY Results	>£20bn
UK PRT Transactions completed with L&G since HY Results	– >£8bn
<i>UK PRT Transactions lost since HY Results</i>	– <£1bn
New UK PRT deals added to Actively Quoting since HY Results	£14bn
<b>Current PRT Actively Quoting Pipeline</b>	<b>c.£25bn</b>

- H2: completed a £2.4 billion buyout for the Nortel Networks UK Pension Plan covering around 15,500 pensioner members and around 7,200 deferred members.
- H2: includes a £4.4bn buy-in with British Airways PLC's pension scheme, covering c.22,000 pensioners. This is the largest ever bulk annuity policy arranged with a UK pension scheme
- IFRS and Solvency II impacts of YTD new business in line with previous levels reported by L&G
- Actively quoting on c.£25bn. Expect further transactions to be announced in coming months

# Investing & Annuities: LGR Top Direct Investments

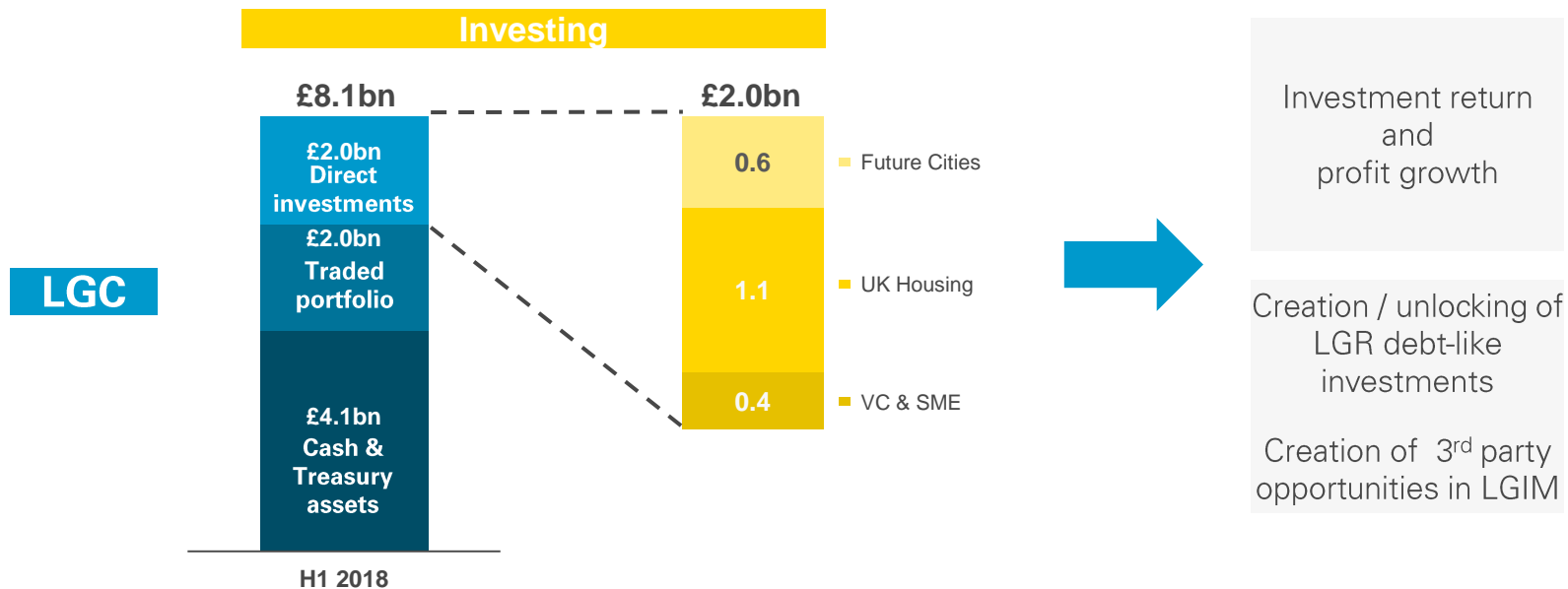
	Counterparty	Sector	Year of investment	Book value <sup>1</sup> (£m)
1	HMRC Buildings (Birmingham/Bristol/Cardiff/Edinburgh/Glasgow/Sheffield/Stratford)	Government	2016 – 2018	764
2	Places for People	Property (Income Strip)	2014	298
3	The Rolls Building (Secretary of State)	Property (S&LB)	2011	281
4	Foreign & Colonial (UK prime commercial property)	Real Estate Debt	2014	279
5	London Gateway Port	Infrastructure	2016	279
6	Campus Living Villages (student accommodation)	Infrastructure	2014	265
7	RBS	Property (S&LB)	2014	263
8	TFL (Transport for London), Stratford	Property (S&LB)	2016	235
9	BBC	Infrastructure	2017	223
10	Amazon distribution warehouse (London)	Property (S&LB)	2016	222
11	Imperial College (Income Strip)	Property (Income Strip)	2011	219
			<b>Total</b>	<b>3,328</b>

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

# Investing & Annuities: LGC – A unique group capability

Utilising Group capabilities to drive shareholder returns

Delivering Group benefits in LGR and LGIM





# LGC: Investing for the future

## Future Cities

### Urban Regeneration

- Real estate developments in UK cities, e.g. **Cardiff**
- **Newcastle Science Central** creating 4,000 jobs
- The UK's largest science & tech property business: £240m JV with **Bruntwood**

### Clean Energy

- Investment in **NTR** with 9 of 12 on-shore wind sites operational
- Invested in the most efficient solar panel through **Oxford PV**
- Developing limitless energy through **tokamak energy** nuclear fusion

## UK Housing

### Build to Sell

- **CALA** has increased units by 2.5x EBIT by 5x since L&G ownership
- **L&G Homes** is building more than 2.5k new homes across 3 sites

### Build to Rent

- 3k homes pipeline across 9 schemes

### Later Living

- Inspired Villages has 6 sites in development

### Affordable Housing

- 3k homes per year by 2022

### Modular Housing

- First homes on site in Crowthorne

## VC & SME

### VC

- Invested in **240 start-ups** in the UK
- **Accelerated Digital Ventures (ADV)** funds UK digital businesses to become global category leaders
- Examples: **SalaryFinance**, **Care Sourcer**, **Smartr365**

### SME

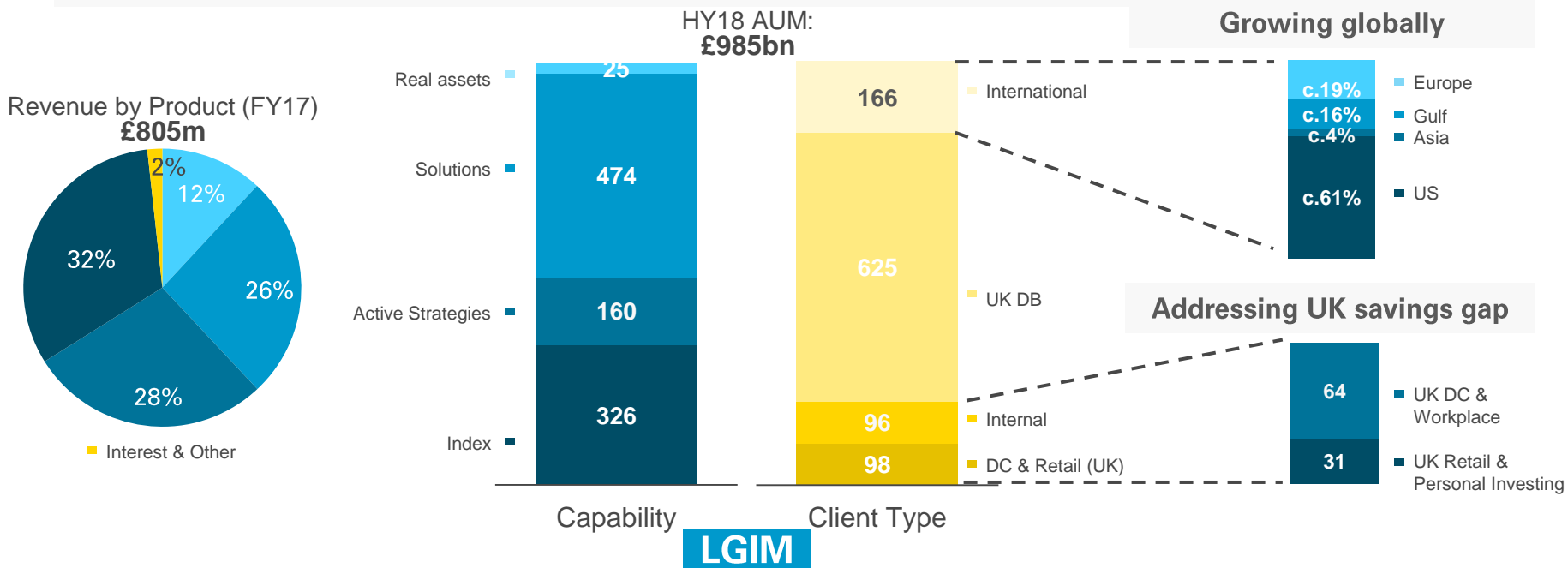
- **40% investment in Pemberton AM**, pan-European private debt and direct lending provider
- **LP investments** across a number of funds

# Investment Management: A diversified business, growing globally

Broadening investment capability

Targeting international growth

Growing Retail, Personal Investing and Workplace Savings

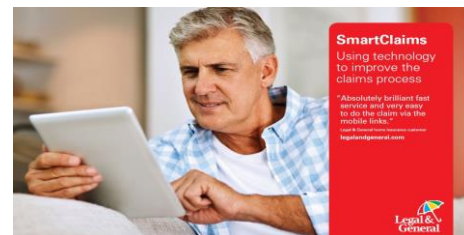
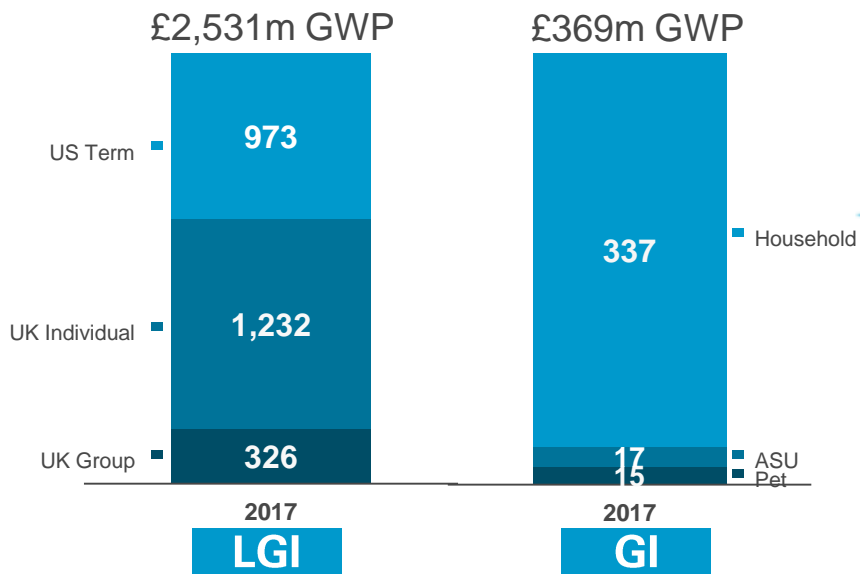


# Insurance: Becoming a fully digitally and data-enabled insurer

**Optimise Operations:** Utilising technology to execute and manage risk effectively

**Digitise and Diversify:** Broaden via partnerships and implement digital customer proposition

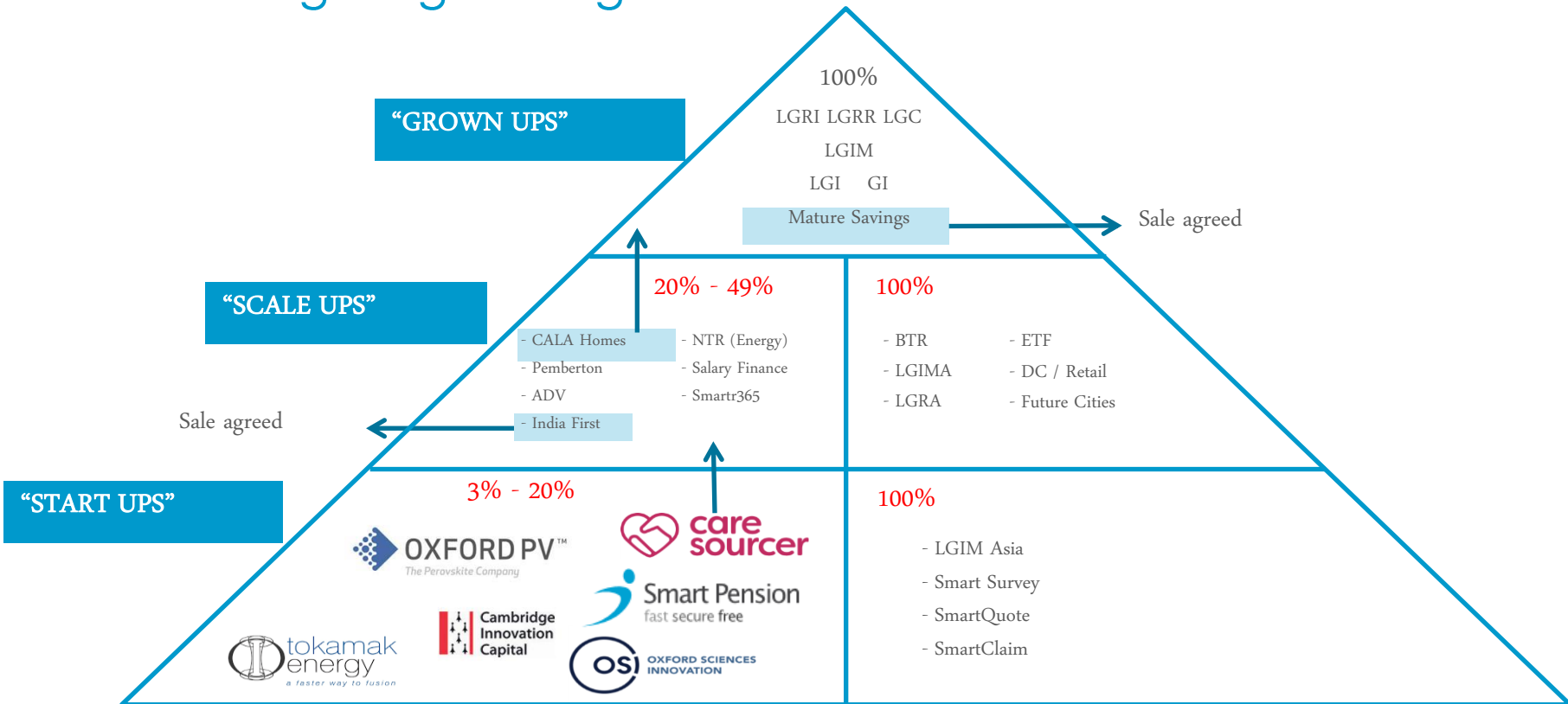
**Innovate and Explore:** Leveraging Group capabilities to expand in digital economy



# Structural growth drives profit

		Operating Profit (£m)				H2 2018 Growth Drivers
		FY 2017	H1 2018	H1 2017	Var %	
INVESTING & ANNUITIES	Legal & General Retirement: Institutional	906	361	333	8	<ul style="list-style-type: none"> <li>Actively quoting over £25bn UK PRT business, &gt;£8bn UK PRT Transactions completed since HY</li> <li>\$25bn US PRT market opportunity</li> </ul>
	Legal & General Retirement: Retail	341	119	107	11	<ul style="list-style-type: none"> <li>LTM £600m H2 target</li> <li>Individual Annuities premiums up 16% in Q2</li> </ul>
	Legal & General Capital	272	172	142	21	<ul style="list-style-type: none"> <li>CALA and L&amp;G Homes build-to-sell</li> <li>Further investment in urban regeneration and clean energy</li> </ul>
INVESTMENT MANAGEMENT	Legal & General Investment Management	400	203	194	5	<ul style="list-style-type: none"> <li>US LDI / Fixed income positive trends continuing</li> <li>Several UK &amp; US DC mandate wins</li> </ul>
INSURANCE	Legal & General Insurance	303	154	147	5	<ul style="list-style-type: none"> <li>UK &amp; US premium growth both up 3%</li> <li>GP turnaround on track</li> </ul>
	General Insurance	37	(6)	15	-	<ul style="list-style-type: none"> <li>Double digit growth in direct premium</li> <li>Strong distribution pipeline</li> </ul>
<b>Total</b>		<b>2,366</b>	<b>1,003</b>	<b>938</b>	<b>7</b>	

# Sustaining long term growth



# Innovating and investing in digital and data

**smartr.365**

Uniting advisers & technology to empower better financial decisions  
Digital B2B mortgage broking platform

- Reduces 10 hours of work to 1
- £3m investment



Accessible tools for a new generation of personal investors

- 59% increase in conversion
- 100% increase in new customer acquisition



Workplace communications

- Personalised videos replacing standard mailings
- Increased engagement: 14% made changes
- Cost saving of 14p per member



**theidol.com**

Online insurance comparison tool

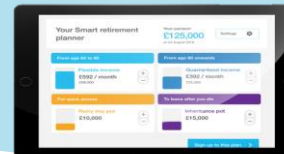
- Largest provider of travel insurance in UK
- Co-developing digital retirement solutions



**Smart Pension**  
fast secure free

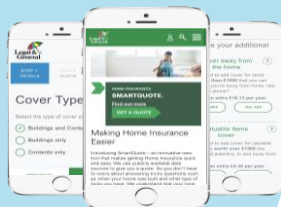
Digital DC auto-enrolment workplace platform for small businesses

- **Secure:** HTTPS website and 2 step security verification
- **Easy:** Only provider that offers an app and Alexa and Google Home compatibility
- L&G has a 17% stake and offers LGIM funds on the platform



**SmartSurvey**

- A new fully digital Survey
- Improves upon the existing paper based Homebuyers Survey, which is used on a nationwide basis



**SalaryFinance**  
Salary financing platform for workplace

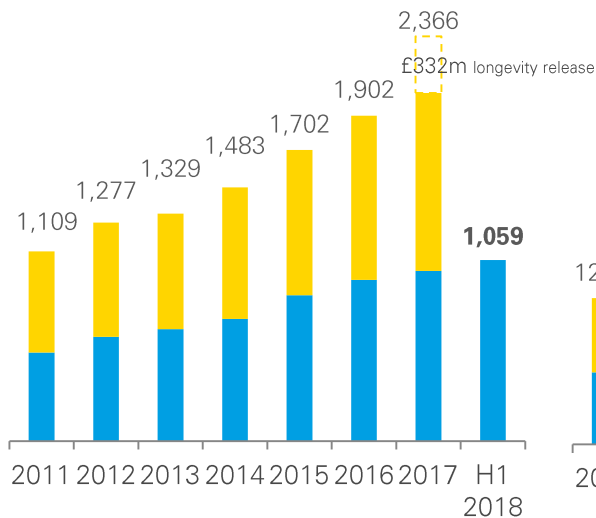
- >500k employees on platform
- Supports other L&G workplace offerings, such as DC and Personal Investing
- Better rates because repayment comes directly from employer



# Consistently delivering

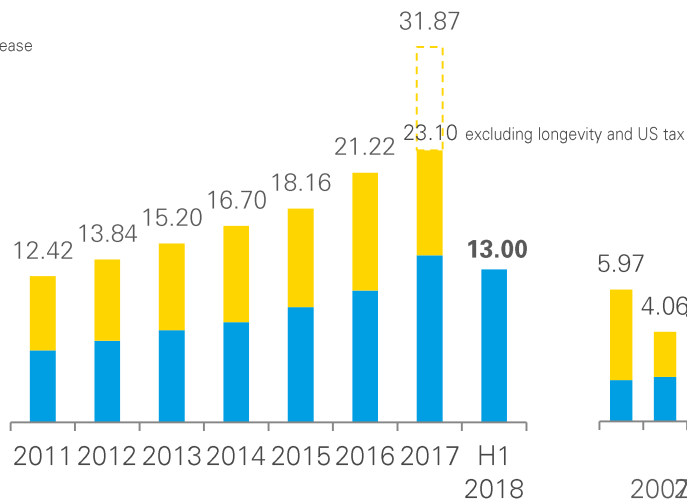
Operating profit from divisions (£m)

10% CAGR 2011 – 2018<sup>1</sup>



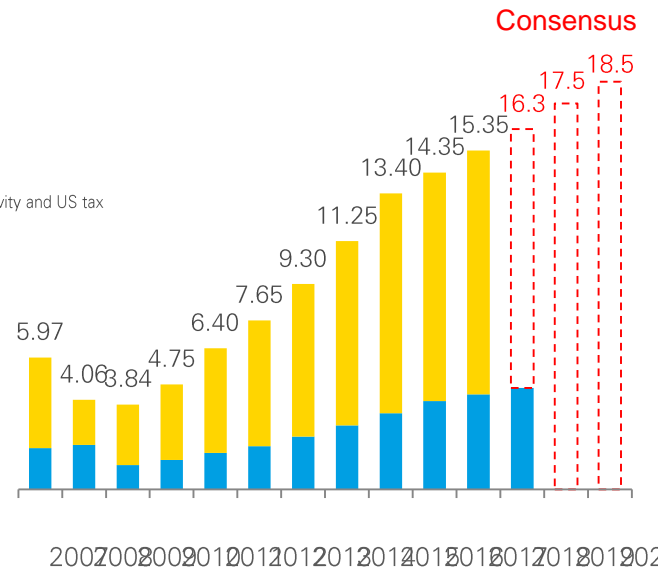
Earnings per share (p)

10% CAGR 2011 – 2018<sup>1</sup>



Dividend per share (p)

10% CAGR 2007 – 2018



1. 2017 excludes £126m base mortality release in H1 and £206m trend mortality release in H2

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