

Improving lives through inclusive capitalism

Legal & General Group Plc



Goldman Sachs, 23rd European Financials Conference, Paris



Our strategy is aligned to 6 structural growth drivers

Growth drivers	Market opportunity		
Ageing demographics	<ul style="list-style-type: none"> PRT market: <ul style="list-style-type: none"> UK: >c£30bn p.a. of >£2tn DB pension liabilities US: c\$27bn p.a. of \$3.5tn DB pension liabilities UK LTM: £6bn p.a. by 2020 		L&G market share: 30% L&G market share: 3%
Globalisation of asset markets	<ul style="list-style-type: none"> Global AUM: \$80tn in 2018 Global leader in LDI / Solutions: <ul style="list-style-type: none"> UK: #1 US: #3 Asian asset management becoming third global pillar 	\$145tn by 2025	L&G AUM 2018: \$1.3tn L&G market share: 42% Increasing US penetration
Creating real assets	<ul style="list-style-type: none"> UK housing market shortfall: 320,000 units p.a. required UK infrastructure deficit: Over £500bn 		
Welfare reforms	<ul style="list-style-type: none"> UK DC AUM: £338bn in 2018 UK ISA AUM: £612bn in 2018 VC into DC using DC assets to fund the businesses of the future 	£871bn by 2026 £1,340bn by 2022	L&G market share: 21% L&G market share: 5%
Technological innovation	<ul style="list-style-type: none"> Utilising ever cheaper technology to improve customer outcomes, e.g. delivering LGI UK Retail Protection unit cost savings of 24%¹ Partnering with innovators, e.g. Salary Finance, Smartr365, Smart Pension 		
Today's capital	<ul style="list-style-type: none"> Committing capital to help UK Fintechs compete globally, growing VC into DC Continued demand for SME finance, e.g. Pemberton AUM: Around €4bn 		

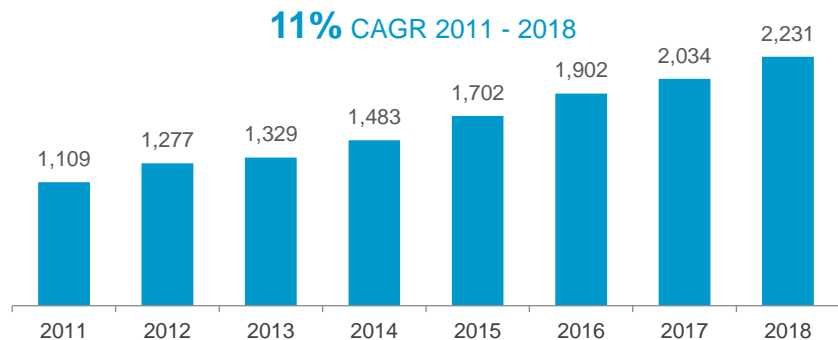
1. From 2014 to 2018 LGI UK retail protection existing business unit cost has reduced by 24%, despite cumulative price and salary inflation of more than 20%.

We have 5 growing and profitable businesses

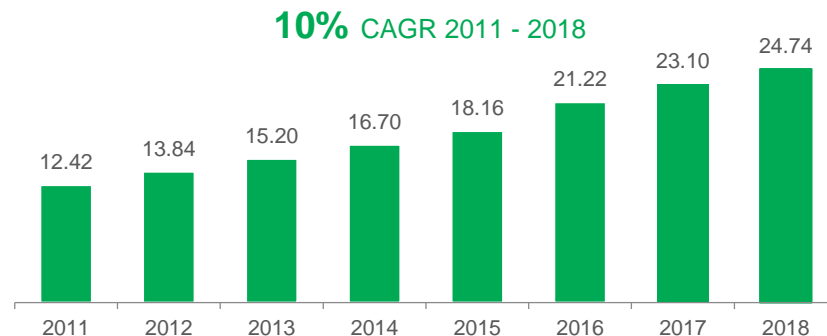
	2016	2017	2018	CAGR (%)	Growth
Pension Risk Transfer (PRT)¹	651	716	832	+13	<ul style="list-style-type: none"> UK market: £25-30bn per annum, 30% market share US market: \$25-30bn per annum, 3% market share
Investment Management	366	400	407	+5	<ul style="list-style-type: none"> £1tn AUM (1.6% global market share) \$80 trillion global assets
Capital Investment	257	272	322	+12	<ul style="list-style-type: none"> Future cities: targeting 12 in the UK Housing: £1bn+ revenue in 2019
Insurance	303	303	308	+1	<ul style="list-style-type: none"> Innovative customer-centric technology driving growth Lower costs drive improved customer pricing
Retirement Solutions¹	158	199	283	+34	<ul style="list-style-type: none"> Lifetime Mortgages: 30% market share Individual annuities: 19% market share
Continuing operating profit from divisions¹	1,787	1,927	2,152	+10	

An established track record of consistent growth

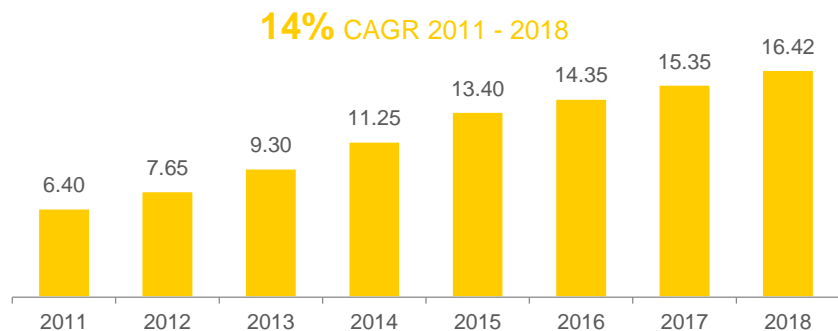
Operating profit from divisions¹ (£m)



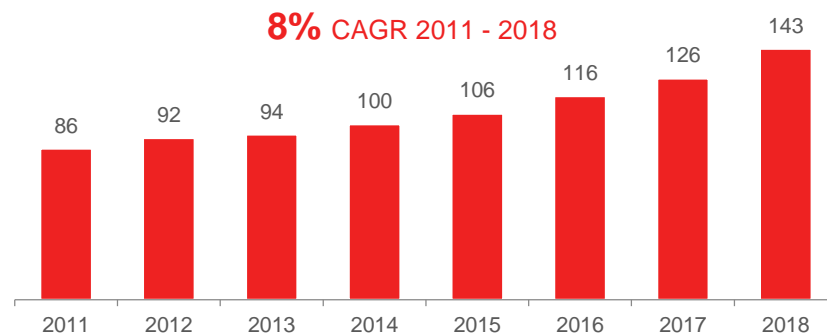
Earnings per share (p)



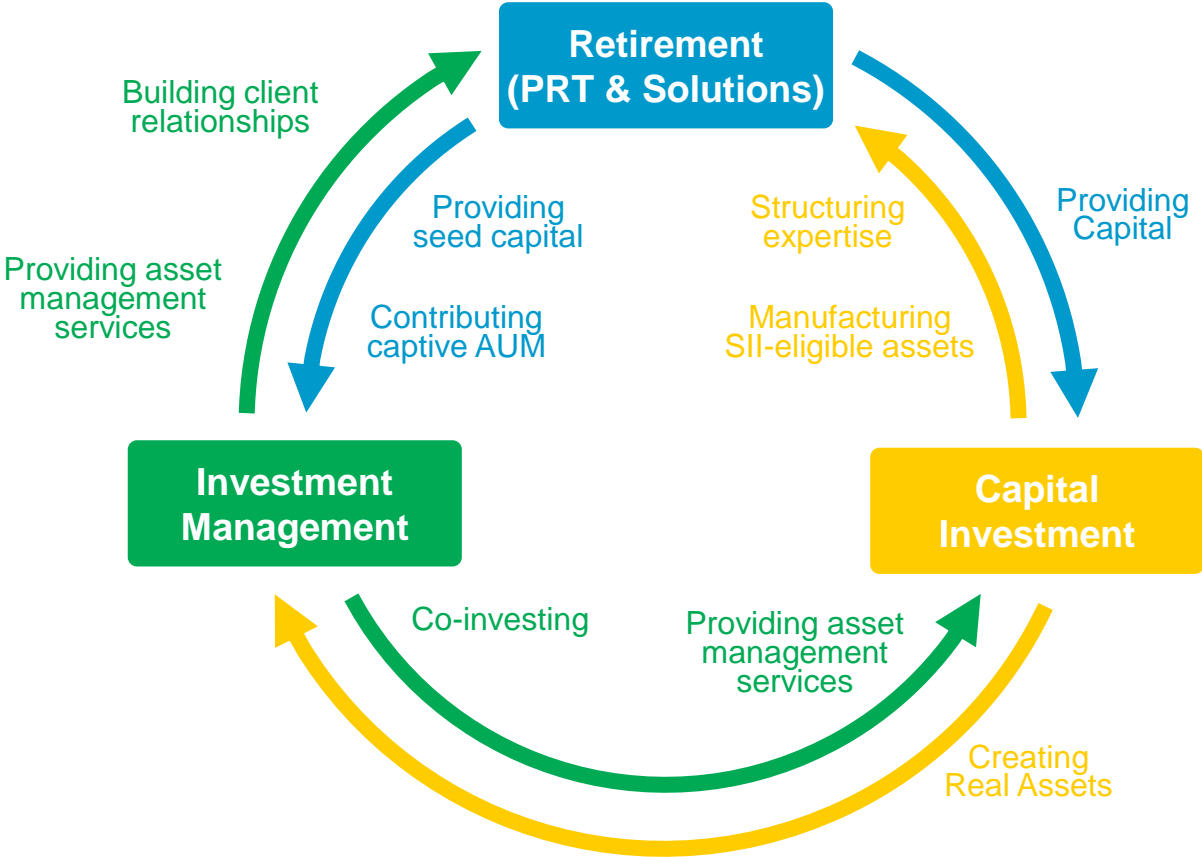
Dividend per share (p)



Book Value per share (p)



A business model with unique synergies in asset manufacturing and management



Able to meet customer needs across the pension risk transfer journey



c30% of 2018 UK PRT transferred from existing LGIM clients					
UK	#1 in DB		#1 in LDI	Only Future Cities developer	30% market share ¹ Competing across the size spectrum
US	A leader in DB		#3 in LDI	Developing Real Asset capabilities	3% market share ² Now winning on larger deals

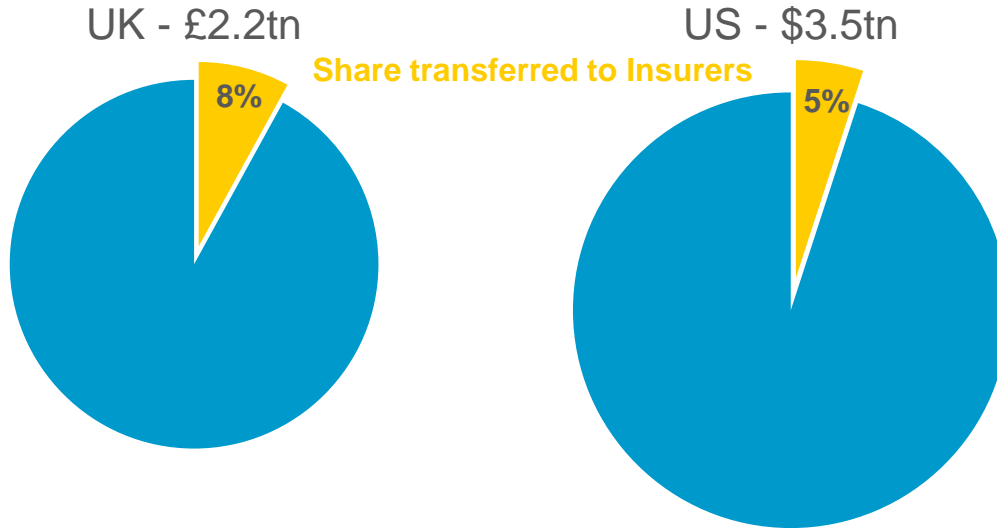
1. Cumulative market share, 2016 to 2018 is 32%.

2. Cumulative market share, 2016 to 2018. 16% market share of bids placed in final rounds, primarily on cases <\$100m across 2017 and 2018.

PRT: A long-term, secular growth opportunity

UK and US corporations have approximately £5tn of DB pension liabilities

Total corporate DB pension liabilities¹



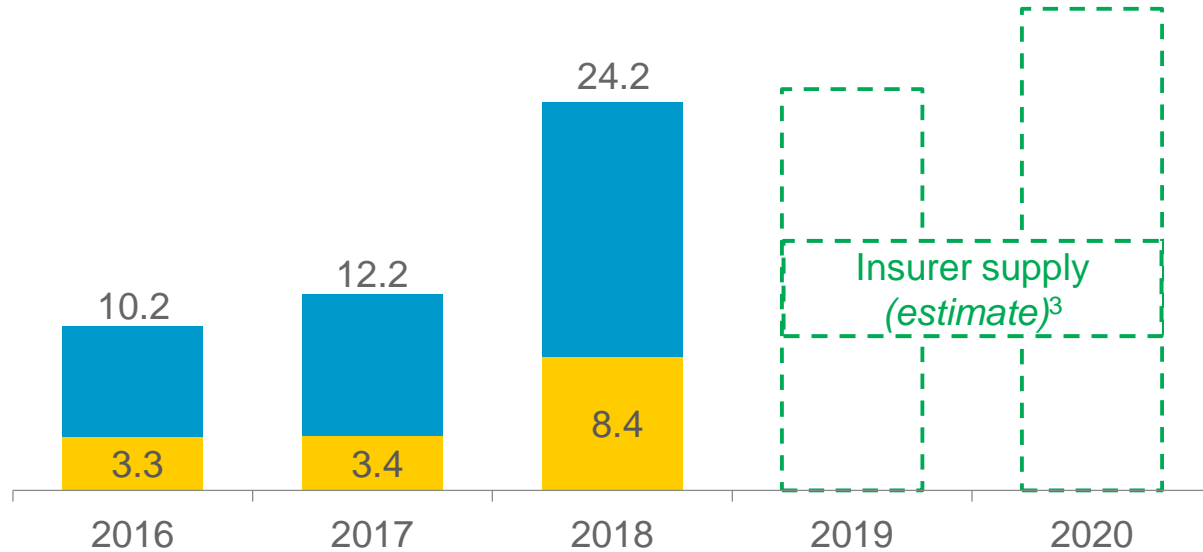
- Only 8% of UK corporate DB pension liabilities have transferred to date – a huge addressable market remains
- The US corporate DB market is larger and more nascent
- L&G is the only provider with meaningful exposure to both markets

UK PRT is growing rapidly with more demand than insurers can supply

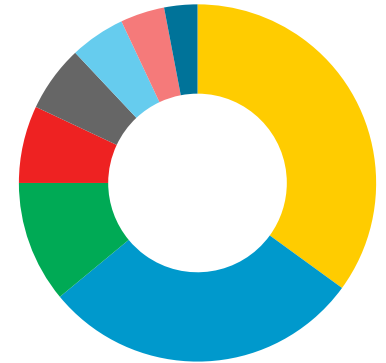
UK PRT bulk annuity premiums¹ (£bn)

L&G Market Share: 32%

£50bn+ demand²



2018 UK PRT Market Share⁴ (%)



1. Hymans Robertson

2. Lane Clark Peacock

3. Willis Towers Watson, Aon, Lane Clark Peacock, Mercer

4. Pension De-risking Report 2019, Lane Clark Peacock

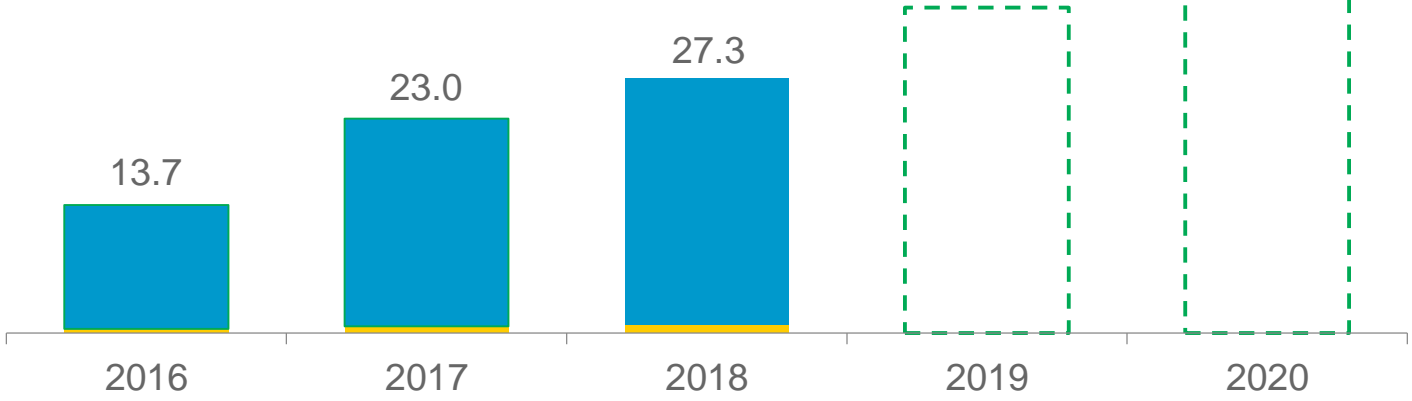
US PRT market is a similar size to the UK and L&G has room to grow

US PRT bulk annuity premiums¹ (\$bn)

L&G Market Share: 3%

Experts expect c25% growth in premiums p.a.³

16% win rate on small transactions²



L&G (\$m)	2016	2017	2018
	448	713	844

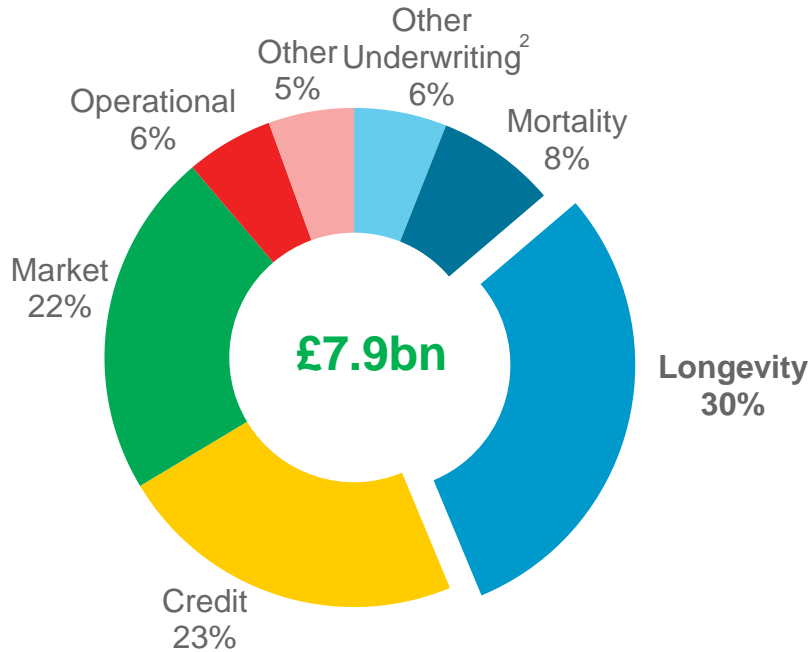
c\$220m bulk annuity written

L&G's largest single US PRT transaction

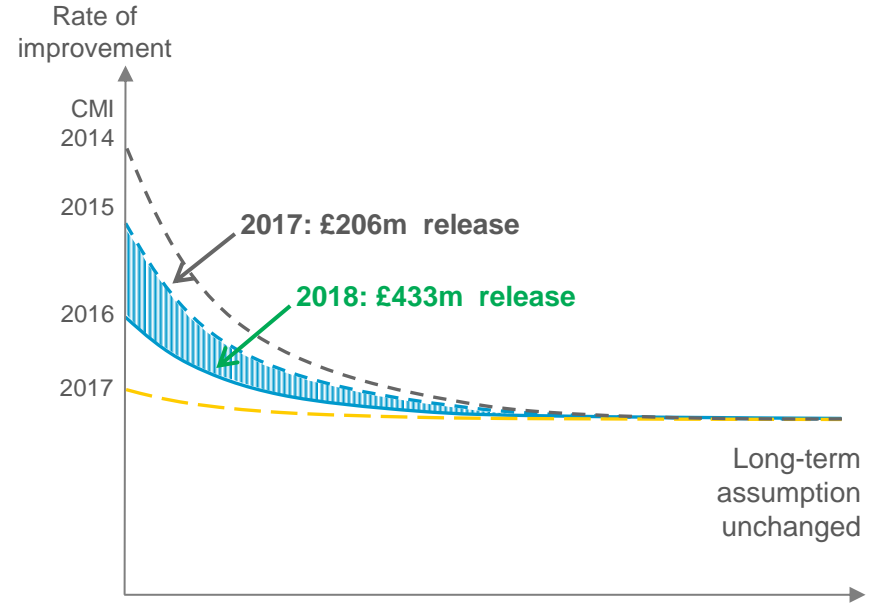
1. LIMRA
 2. 16% market share of bids placed in final rounds, primarily on cases <\$100m across 2017 and 2018
 3. Aon, ICI

Our primary risk exposure is to longevity, which is going in our favour

L&G Solvency Capital Requirement¹



Changes to UK mortality assumptions



For illustrative purposes only

Illustrative figures based on Bulk Annuity population at 31 December 2018

1. 2018 L&G Group SCR on a shareholder basis.

2. Other Underwriting risk includes morbidity, expense, persistency, concentration, weather events, and subsidence risks.

The UK Real Asset opportunity

Climate Change – Unknown billions

Long term capital

Pension Funds £1,300bn

Insurance Funds £900bn

Sovereign Wealth Funds £4,800bn



Funding requirement

Housing £150bn

Regeneration £100bn

Clean Energy £40bn

Transport £90bn

SME Finance £125bn

Reduced capacity

Banks Governments



Long term direct investment programme

Our Regeneration and Build to Rent investments

£15 billion

direct investment programme with
£14bn invested to date

We focus on direct investments in
three key sectors:

- UK housing and infrastructure
- UK urban regeneration
- SME Finance

**“We aim to invest for the long term in
economically and socially useful
assets”**

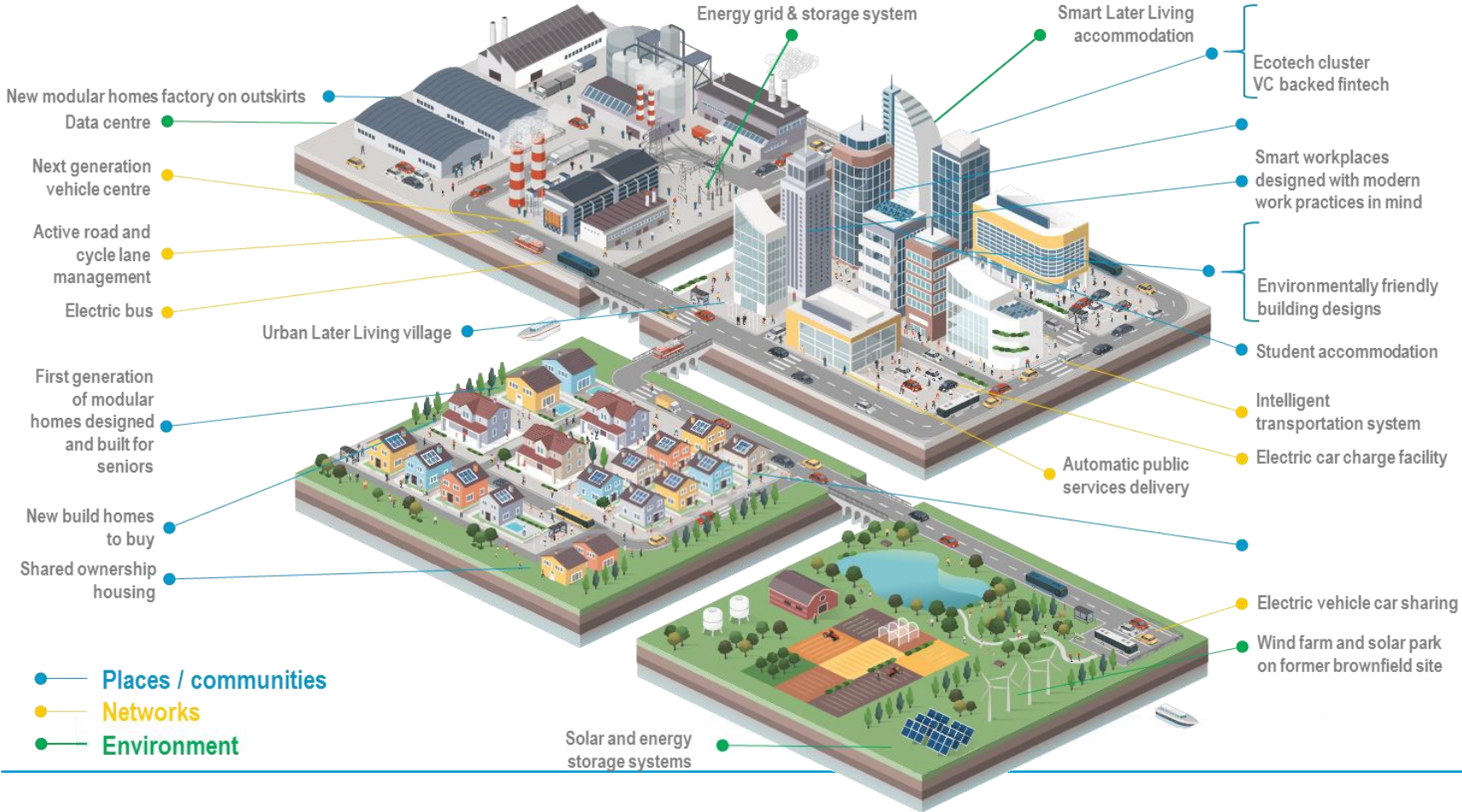


	Science Central, Newcastle
	Thorpe Park, Leeds
	Media City, Salford Quays
	New Bailey, Salford
	Canning Town, London
	Town Centre, Bracknell
	Central Square, Cardiff
	Millbay, Plymouth
	St Paul's Square, Liverpool
Build to Rent	
	Bath
	Birmingham
	Bristol
	Leeds
	Salford
	Walthamstow
Nationwide	
	CALA Homes

We are in the early stages of self-manufacturing assets

		Manchester	Cardiff	Newcastle	Leeds	Bristol	Bath	Oxford	Cambridge	Sheffield	Brighton	Birmingham	Edinburgh	Glasgow	Belfast	London
Future Cities	Urban regeneration															
	Clean energy															
Housing	Build to rent															
	Affordable housing															
	Later living															
Lifetime mortgages																

Inclusive investments: Future Cities



Manufacturing assets benefits the whole Group

Example: Central Cardiff mixed-use redevelopment scheme



Sep
2015

1 JV with Cardiff County Council and local developer, RightAcres – initial equity investment (£37m), further equity investment on Two Central Square (£33m)

Capital

LGIM

2 Forward funding of: £83m BBC Wales HQ, pre-let on 20 year lease, and £117m HMRC office, pre-let on 25 year lease – MA eligible

LGIM

PRT

3 One and Two Central Square, multi-tenanted: Mixture of leases, not matching adjustment compliant so have been sold by LGC, generating substantial profit

Capital

LGIM

4 Next phase of development (in advanced negotiations): Requires equity investment from LGC and will introduce residential to be acquired by LGIM-managed BTR fund

Capital

LGIM

5 LGIM earns management fees for managing the whole complex

LGIM

PRT

6 JV gives L&G right of first refusal to invest in further 7 phases

Capital

LGIM

PRT

2019
and
beyond

Manufacturing assets benefits from strategic partnerships

Example: Manchester regeneration project

L&G is involved in £3bn of regeneration projects in Manchester, developing commercial, residential, leisure and infrastructure projects and creating homes and jobs.

Capital Investment

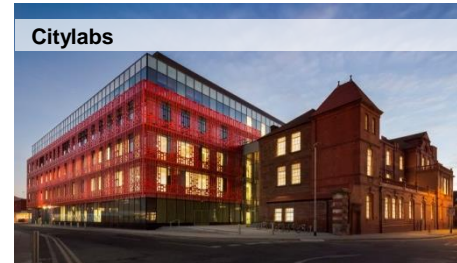
Project	Value	Partner
MediaCityUK	£1bn	Peel
New Bailey	£750m	Homes England & Muse (English Cities Fund)
Manchester Science Park	£400m	Bruntwood SciTech
Citylabs	£550m	Bruntwood SciTech
Circle Square	£500m	Bruntwood SciTech

Bruntwood JV is the UK's largest scientific research facility provider

Investment Management

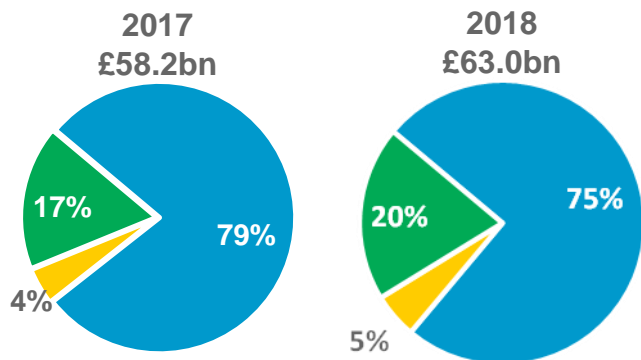
LGIM Real Assets as Agent

48/50 Market Street
 Ashton Leisure Park
 Trafford Park
 Piccadilly Gardens
 King Street
 19-31 Piccadilly
 Malmaison Hotel



PRT and Retirement Solutions: A diversified portfolio, high quality assets

PRT & Retirement Solutions Asset portfolio



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

Geographical diversification with bias to GBP assets¹

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



Asset portfolio maintaining overall credit quality and high sectorial diversification¹



- AAA, 7%
- AA, 25%
- A, 35%
- BBB, 32%
- BB or below, 1%

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

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

Capital Investment: Long-term investment driving balance sheet efficiency

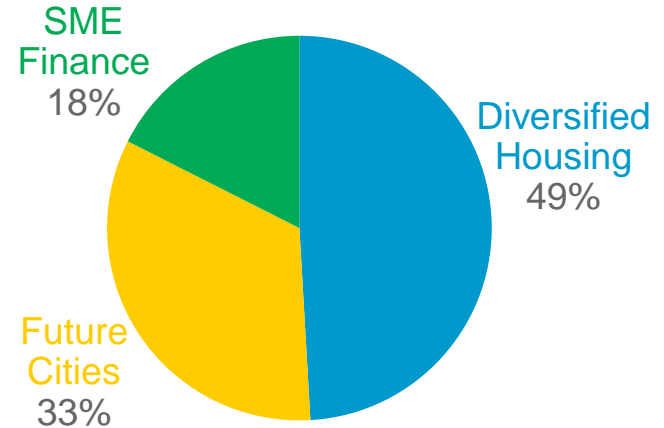
LGC Assets (£m)

	2014	2015	2016	2017	2018
Direct Investments	700	867	1,137	1,450	2,359
Traded Portfolio	2,073	2,165	2,356	2,416	1,845
Cash & Treasury	2,349	2,633	2,700	3,435	4,438
Total Assets	5,122	5,665	6,193	7,301	8,642

+14%

CAGR 2014 – 2018 in total assets

LGC Direct Investments



Our investment strategy

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

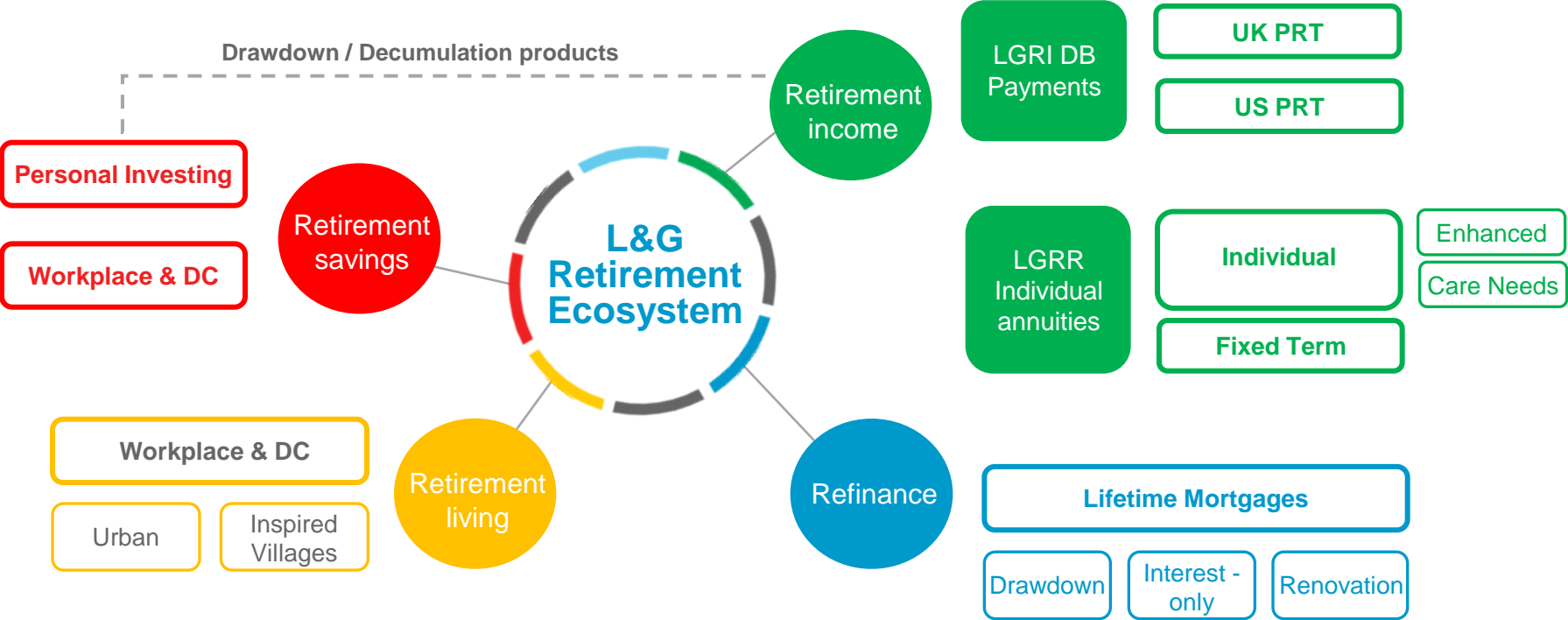
Largest direct investments by exposure¹

	Counterparty	Sector	Year of Investment	Investment value (£m)
1	HMRC Buildings	Government	2016 – 2019	1,074 ²
2	Places for People	Property backed lease	2014	305
3	The Rolls Building (Secretary of State)	Property backed lease	2011	284
4	Foreign & Colonial (UK prime commercial property)	Real Estate Debt	2014	276
5	London Gateway Port	Infrastructure	2016	276
6	Campus Living Villages (student accommodation)	Infrastructure	2014	264
7	TFL (Transport for London), Stratford	Property backed lease	2016	235
8	Amazon distribution warehouse (London)	Property backed lease	2016	228
9	BBC	Alternative Finance	2017	224
10	Imperial College (Income Strip)	Property backed lease	2011 – 2012	216
			Total	3,382

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, Amazon

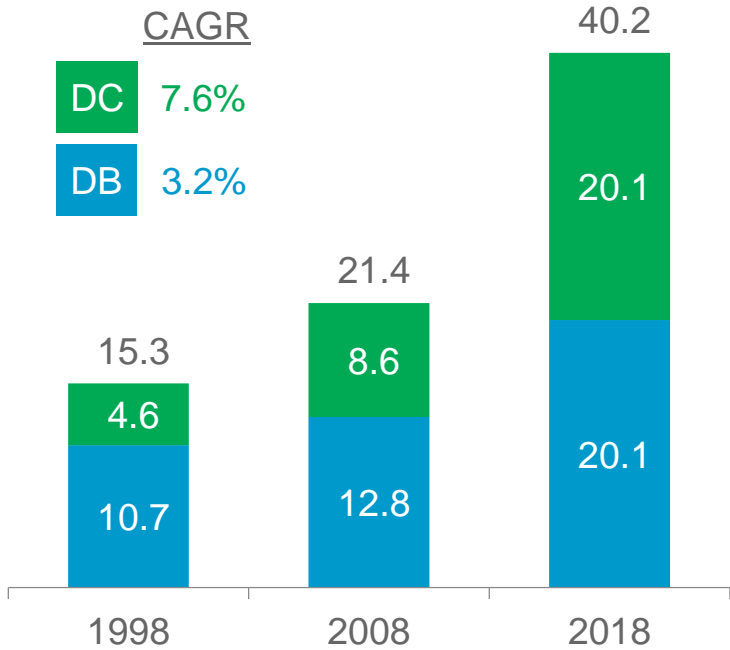
c27% of overall DI portfolio

Creating a diverse retirement ecosystem by leveraging on L&G's synergies



Globally, DB remains a huge opportunity, but DC is growing faster

Global Pension Assets¹ (\$tn)

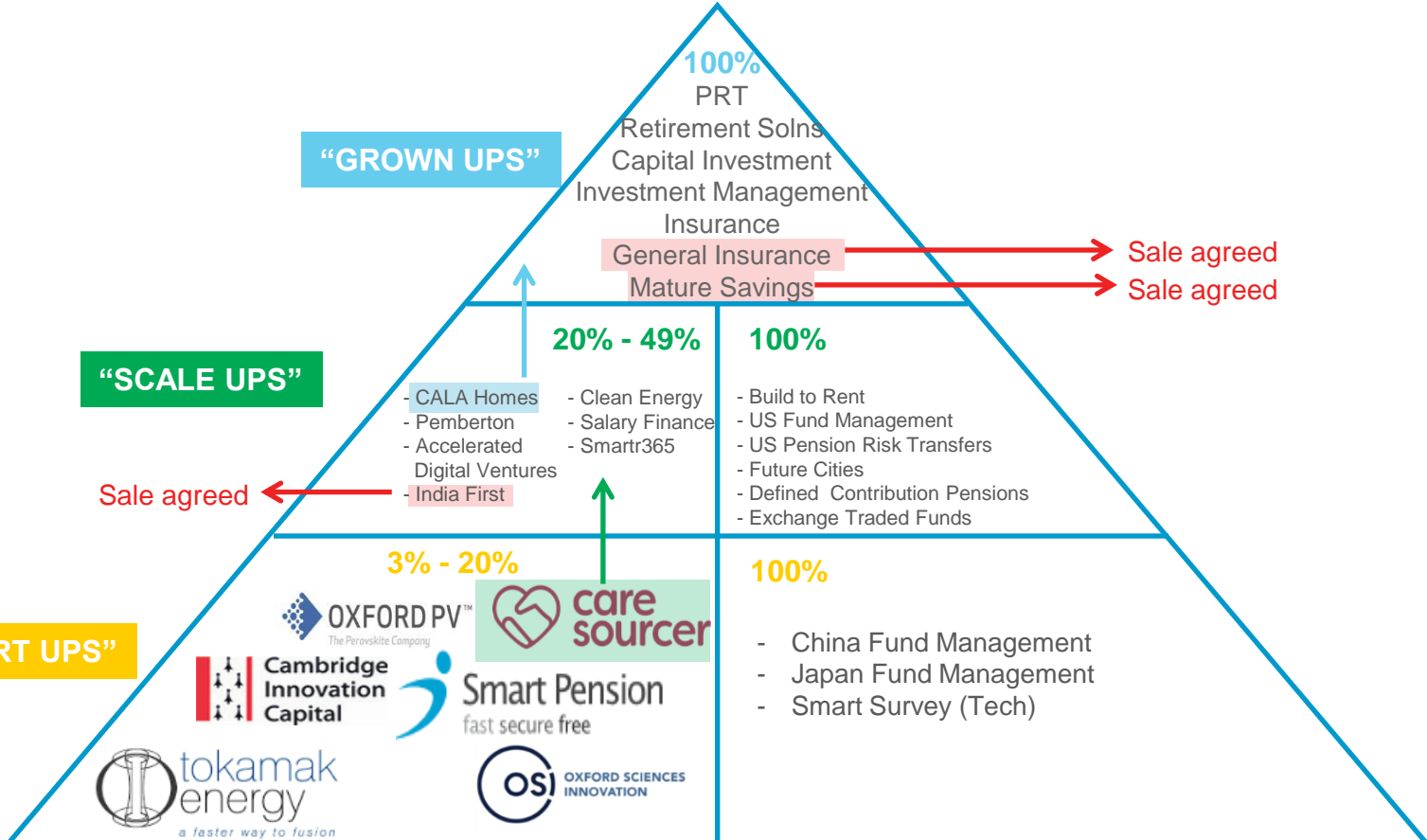


- L&G is the leading asset manager of UK DB and DC pension schemes
- UK DC assets are expected to grow to £871bn by 2026² (CAGR: 13%)

	UK Market AUM ³ (£bn)	L&G		
		AUM (£bn)	Share (%)	Position
DC	338	70.8	21	#1
DB	1,573	640.3	41	#1

1. Willis Towers Watson
 2. DC: Market Intelligence 2017 UK Defined Contribution and Retirement Income
 2. DB AUM: PPF's Pensions Purple Book 2018; DC AUM: Broadridge

Actively managing our portfolio to sustain profitable growth



CALA Homes: Purchased 52% and now own 100%
Theidol.com: 100% purchased and within LGI

India First: 26% owned – Sale agreed £79m
Mature Savings – Sale agreed £650m

Caresourcer – increased holding to 27.22%
(Direct 20%, Indirect 7.22%)

Moving from low growth/low return businesses

Business line	Geography	L&G entity	L&G shareholder proceeds £m	Cash received
Savings	UK	Mature Savings	650	2018
		Cofunds	148	2017
		Suffolk Life Group Limited	45	2016
		Ireland	15	2015
	Middle East	Egypt 55% interest	32	2015
Insurance	UK	General Insurance	242	2019
	India	IndiaFirst Life	79	2019
	Europe	Netherlands	137	2017
		France	159	2015
Other Investments	UK	Legal & General Ventures, Estate agency business, Gulf, Germany	28	Various
Total			1,535	

- Generating **£1.5bn** of proceeds for investment in higher growth and return businesses

Our Strategic Goals to 2020

- Globally **trusted** brand
- Achieve global leadership in **pensions de-risking**
- Provide a suite of products to maximise **retirement income**
- Help people achieve **financial wellbeing** through insurance, pensions, lifetime mortgages and annuities
- Build a **world class international asset management** business
- Using **patient capital**: UK leader in direct investments including housing, cities of the future, infrastructure and clean, green and cheap energy
- Achieve market leadership in **digital provision** of insurance and retail investments
- **Delivering Inclusive Capitalism**

Our financial goal to 2020

Replicate our track record of growth over the last five years

Defining trust: The earned respect of stakeholders, underpinning mutually successful commercial relationships

Forward looking statements

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