

Creating possibilities

for a more secure future

LEGAL & GENERAL GROUP PLC | YEAR END RESULTS – MARCH 2017



Forward looking statements

This document may contain certain forward-looking statements relating to Legal & General Group, 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 acquisition or combinations within relevant industries. As a result, Legal & General Group's actual future condition, performance and results may differ materially from the plans, goals and expectations set out in these forward-looking statements and persons reading this announcement should not place reliance on forward-looking statements. These forward-looking statements are made only as at the date on which such statements are made and Legal & General Group Plc. does not undertake to update forward-looking statements contained in this document or any other forward-looking statement it may make.

Full Year Results 2016

Nigel Wilson, Group Chief Executive

Earnings per share

22.20p

+19%

Return on equity

19.6%

2015: 17.7%

Full year dividend

14.35p

+7%



Strengthening our board and management team

Who	New Position	Background
Sir John Kingman	Chairman	Former Second Permanent Secretary, HM Treasury; former CEO, UKFI; former co-head of global FIG, Rothschild
Philip Broadley	NED, Audit Committee Chair	Group Finance Director at Old Mutual plc and the Group Finance Director of Prudential plc
Toby Strauss	NED, Risk Committee Chair	Group Director of Insurance & Chief Executive of Scottish Widows at Lloyds Banking Group
Lesley Knox	NED, Remuneration Committee Chair	Senior roles in financial services, including Kleinwort Benson and Bank of Scotland
Kerrigan Procter	Group Executive Director	CEO of LGR since January 2013, the Company's largest division by operating profit
Bernie Hickman	CEO LGI	MD Individual Retirement
Aaron Meder	CEO LGIM America	Head of Investment, LGIM
Cheryl Agius	CEO General Insurance	Head of the UK Strategic Pension Risk Transfer Team, LGR
Chris Knight	MD, LGR Retail Customers	CFO of Legal & General Retirement
Anton Eser	Chief Investment Officer	Co-Head of LGIM's Global Fixed Income business
Jeff Davies	Group Chief Financial Officer	Senior partner of E&Y - led the European Risk and Actuarial Insurance Services practice
Helena Morrissey	Head of Personal Investing	Chief executive of Newton Investment Management for 15 years
Garvan O'Neill	Group Director of Finance	PwC Ireland Head of the Financial Services Regulatory Practice. PwC partner for 15 years
Stephen Halliwell	CFO LGC	CFO at 3i Infrastructure plc
Paul Miller	Group Strategy and M&A Director	Head of EMEA Insurance, within the investment banking division, Goldman Sachs International

Financial highlights: continuing strong financial performance

Net release from operations

£1,411m

(2015: £1,256m)

+12%

Adjusted operating profit

£1,628m

(2015: £1,463m)

+11%

Profit after tax

£1,265m

(2015: £1,094m)

+16%

Earnings per share¹

22.20p

(2015: 18.58p)

+19%

IFRS return on equity²

19.6%

(2015: 17.7%)

Full year dividend

14.35p

(2015: 13.40p)

+7%

1. Represents adjusted earnings per share (EPS) which is calculated by dividing profit after tax by the weighted average number of ordinary shares in issue during the period. This excludes a £60m net loss arising on the disposal of Suffolk Life and Cofunds. Unadjusted EPS is 21.22p, up 17%

2. Return on equity (ROE) is calculated by dividing full year profit after tax attributable to equity holders of the Company by the average shareholders' equity during the period, excluding the £60m net loss as per note 1. Unadjusted ROE is 18.8%

Key financials: strong growth, attractive returns

	2011	2012	2013	2014	2015	2016
NET RELEASE FROM OPERATIONS (£m)	846	865	1,002	1,104	1,256	1,411
DIVIDEND (£m)	375	452	550	668	797	854
NET RELEASE FROM OPERATIONS RETAINED (£m)	471	413	452	436	459	557
DIVIDEND COVERAGE	2.26	1.91	1.82	1.65	1.58	1.65
DIVIDEND PER SHARE (p)	6.40	7.65	9.30	11.25	13.40	14.35
RETURN ON EQUITY (%)	14.9	15.4	16.1	16.9	17.7 ¹	19.6²
EARNINGS PER SHARE (p)	12.42	13.84	15.20	16.70	18.58 ¹	22.20²
BOOK VALUE PER SHARE (p)	86	92	94	100	106	116

N.B. Dividend coverage based on net cash generation

1. Excludes £25m loss in relation to disposals of Legal & General France, Gulf, Egypt and Ireland.

2. Excludes £60m loss in relation to disposals of Suffolk Life and Cofunds.

Clear and consistent strategy: excellent execution

Growth drivers

2016 achievements

Ageing demographics

- LGR record transactions £8.5bn, up 190%, including 6 US pension de-risking transactions
- £620m Lifetime mortgages sales, target £500m, voted best equity release / lifetime lender
- Agreement with Aegon to offer individual annuities to its vesting book of DC customers
- Solutions assets of £412bn, up 22%, UK market leader with 45% share

Globalisation of asset markets

- 252 US clients with £118.5bn assets, 4 of top 5 US DB pension funds
- Successfully winning US DC mandates, net flows £9.4bn (2015: £6.3bn)
- LGIM distribution agreements in Japan with Nikko Asset Management and Meiji Yasuda
- Partnering with Dutch investors in 'Build to Rent'
- Partnering with global investors in SME finance (Pemberton)
- LGIM total AUM of £894bn, up 20%, International AUM of £177bn, up 45%

Creating real assets

- £10bn of group-wide direct investments, up 39%
- £940m 'Build to Rent' housing pipeline with new homes in Salford, Bristol and Walthamstow
- UK infrastructure investments in London Gateway Port, Stratford, and Newcastle

Welfare reforms

- Market leading UK retail protection business, over 25% market share
- UK DC assets £57.1bn, up 24%
- DC bundled provider for Tesco Plc, with over 200,000 employees, more to follow, 50bps price cap
- 2.2m customers in over 9,000 schemes

Technological innovation

- Retail protection direct sales up 7%, General Insurance direct sales up 20%
- My Account: nearly 900k users with c.450k new customers signed up in 2016
- Investment and partnership with Smart Pension, a Fintech auto-enrolment pension provider

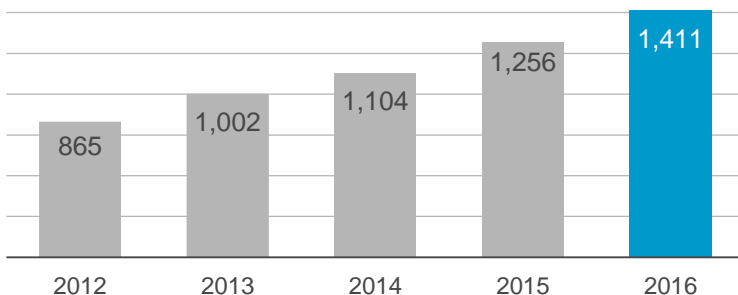
Today's capital

- SME debt finance, Pemberton's final close at €1.2bn, with 80% external investment
- SME equity finance, £150m venture with Woodford Investment Management & British Business Bank

Consistently delivering strong results

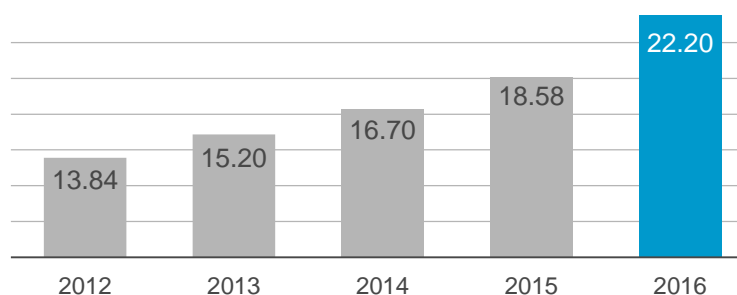
Growing net release from operations (£m)

13% CAGR



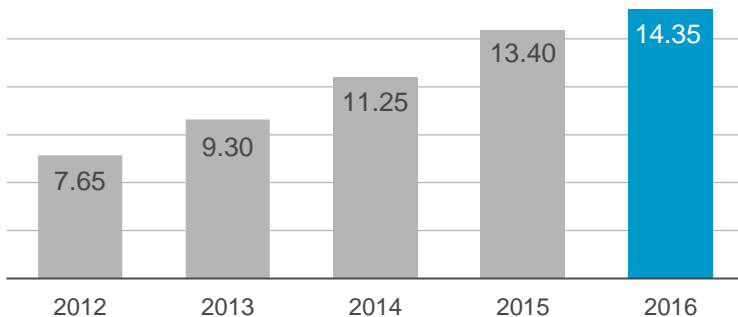
Consistent earnings per share growth¹ (p)

13% CAGR

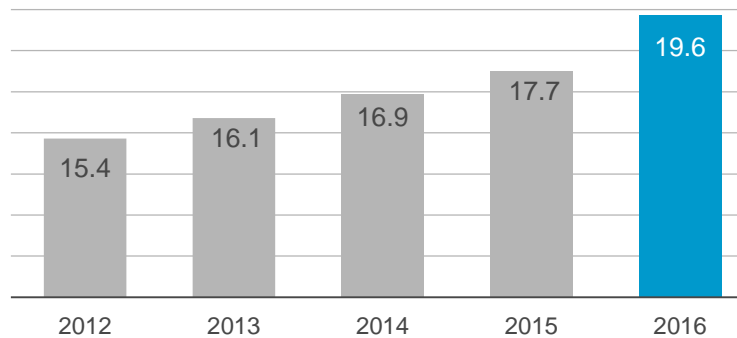


Increasing dividend per share (p)

17% CAGR



Increasing return on equity¹ (%)



1. 2015 represents adjusted EPS and ROE and excludes a £25m net loss arising on the disposal of Legal & General France and Egypt. Unadjusted EPS and ROE is 18.16p and 17.3% respectively. 2016 represents adjusted EPS and ROE and excludes a £60m loss arising on the disposal of Cofunds and Suffolk Life. Unadjusted EPS and ROE is 21.22p and 18.8% respectively.

2016 Financial Highlights

Mark Gregory, Group Chief Financial Officer

Net release from operations

£1,411m

+12%

Operating profit

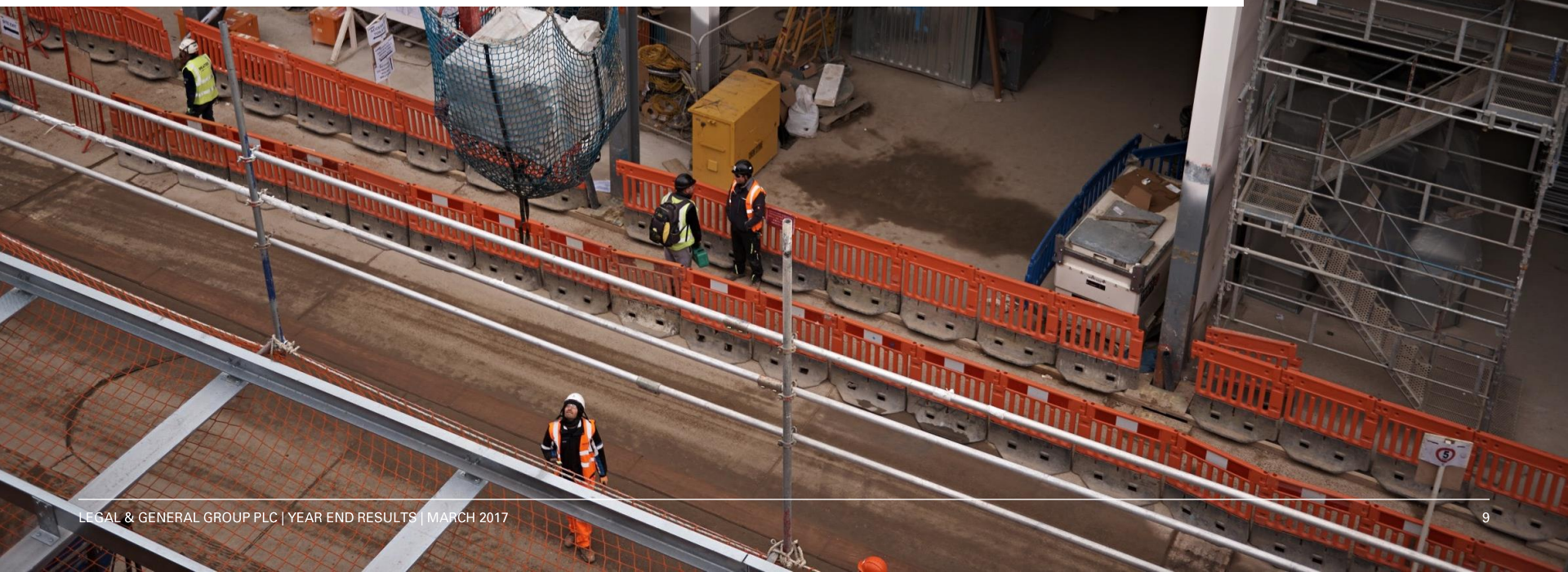
£1,628m

+11%

Profit before tax

£1,582m

+17%



Consistent delivery: strong results

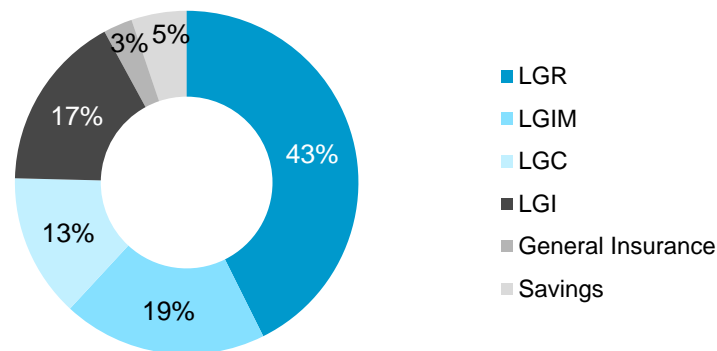
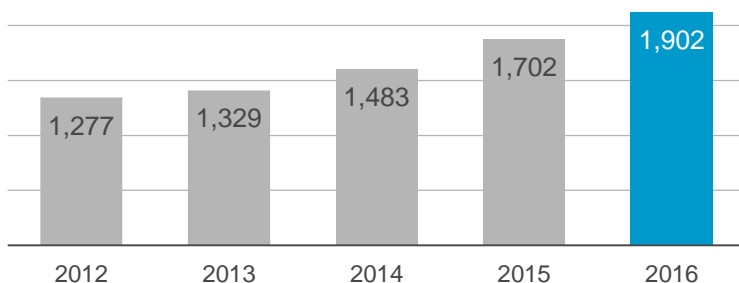
		2016	2015	YoY (%)
ASSETS & PREMIUMS	LGIM AUM (£bn)	894.2	746.1	20
	Annuity assets (£bn)	54.4	43.4	25
	Direct investments (£m)	10.0	7.2	39
	UK protection and GI gross premiums (£m)	1,838	1,779	3
CASH & EARNINGS	Release from operations (£m)	1,256	1,217	3
	Net release from operations (£m)	1,411	1,256	12
	Adjusted operating profit (£m)	1,628	1,463	11
	Profit before tax (£m)	1,582	1,355	17
	Adjusted earnings per share (pence)	22.20	18.58	19
CAPITAL	Shareholder basis: Solvency II surplus ¹ (£bn)	5.7	5.5	
	Shareholder basis: Solvency II coverage ratio ¹ (%)	171	176	
	Economic capital surplus (£bn)	8.3	7.6	
	Economic capital coverage ratio (%)	230	230	
	Adjusted return on equity (%)	19.6	17.7	

1. The Solvency II shareholder basis adjusts for the Own Funds and SCR of the With-profits fund and our final salary pension schemes.

Strong growth: Operating profit from divisions

Operating profit from divisions (£m)

10% CAGR

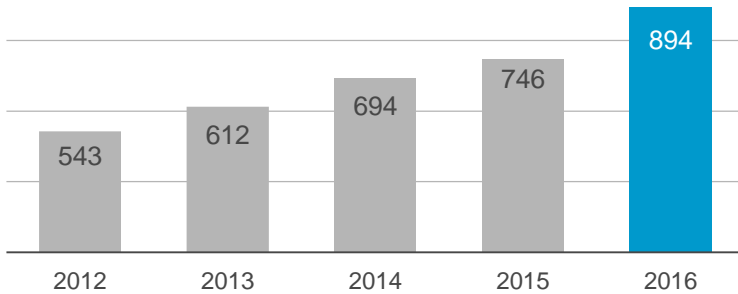


DIVISION	2016	2015	YoY (%)
Legal & General Retirement (LGR)	811	641	27
Legal & General Investment Management (LGIM)	366	355	3
Legal & General Capital (LGC)	257	233	10
Legal & General Insurance (LGI)	317	315	1
General Insurance (GI)	52	51	2
Savings	99	107	(7)
Operating profit from divisions	1,902	1,702	12

Driving growth: increasing stock

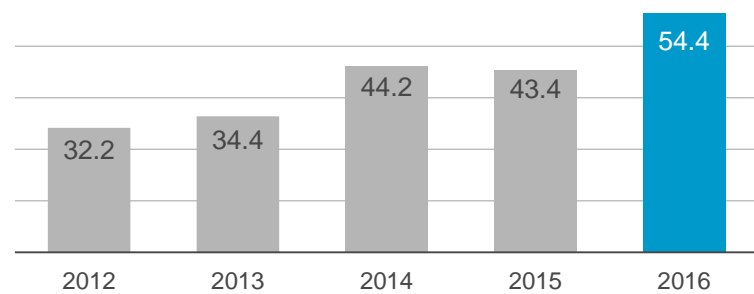
LGIM AUM growth (£bn)

13% CAGR



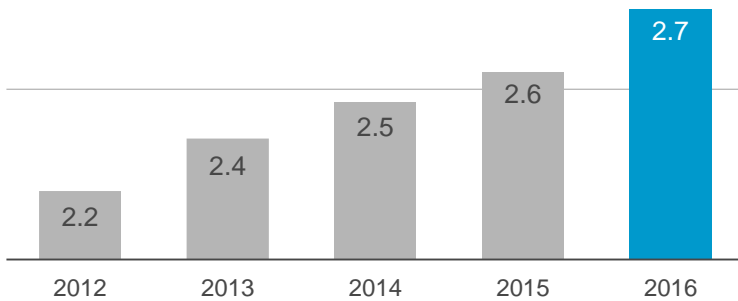
LGR assets growth (£bn)

14% CAGR



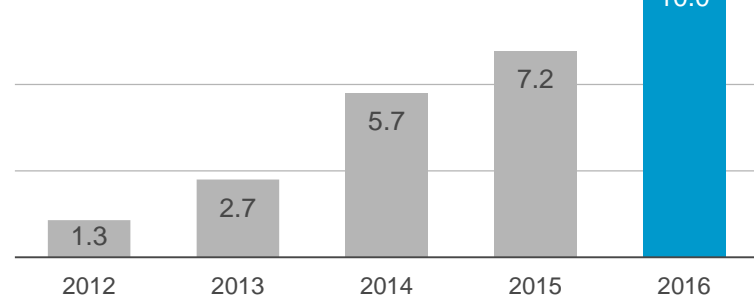
UK & US Insurance premium growth (£bn)

6% CAGR



Direct Investments (£bn)

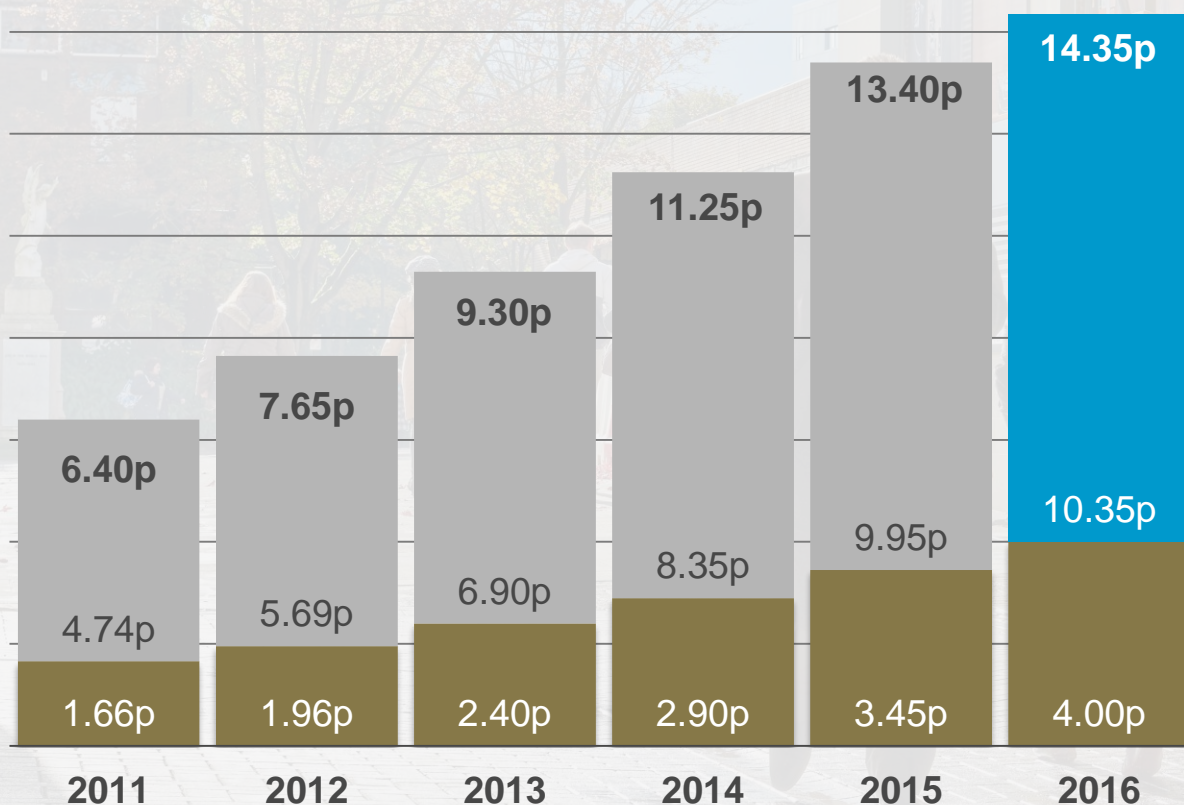
67% CAGR



Full year dividend up 7% to 14.35p

DIVIDEND

- Final
- Interim



The group has a progressive dividend policy, reflecting its medium term underlying business growth, including net release from operations and operating earnings

LGI: A growing book, flat operating profit

FINANCIAL HIGHLIGHTS	2016	2015
Release from operations (£m)	317	327
New business surplus (£m)	23	25
Net release from operations (£m)	340	352
Operating profit (£m)	317	303
UK & US Gross written premium (£m)	2,409	2,215
UK Protection Solvency II margin (%)	10.4	
US Protection Solvency II margin (%)	12.4	

- Operating profit flat year on year with adverse claims experience in UK Group Protection
- Robust result driven by strong expense discipline and continued strong Retail Protection performance
- Agreement in principle with Chesnara to dispose of Legal & General Netherlands for €160m. Expected to complete in H1 2017. LGN contributed £16m operating profit in both 2015 and 2016

LGI prior year comparator excludes Legal & General France (£12m operating profit), which was disposed of in 2015

LGI UK: Growth in premiums and operating profit

FINANCIAL HIGHLIGHTS	2016	2015
Release from operations (£m)	185	244
New business surplus (£m)	23	25
Net release from operations (£m)	208	269
Operating profit (£m)	216	204
Gross written premium (£m)	1,512	1,442
Mortgages facilitated (£bn)	53	46
Surveys completed (k)	523	482
Solvency II margin (%)	10.4	

- UK Protection gross premium up 5% in 2016, driven by strong new business sales from our market leading retail protection business and existing business retention
- Operating profit growth despite adverse experience in Group Protection, as a result of strong expense discipline and continued strong Retail Protection performance
- Group Protection claims experience driven by increased average claims costs on life assurance and income protection products. 2016 claims experience £(43)m (2015: £(20)m). Actions are being taken
- UK Protection SII new business margin of 10.4% reflects lower capital requirements under Solvency II compared to Solvency I
- Continued strong performance of the Mortgage club and Surveying businesses

LGI UK includes UK Retail and Group protection, UK Surveying and the Mortgage Club businesses

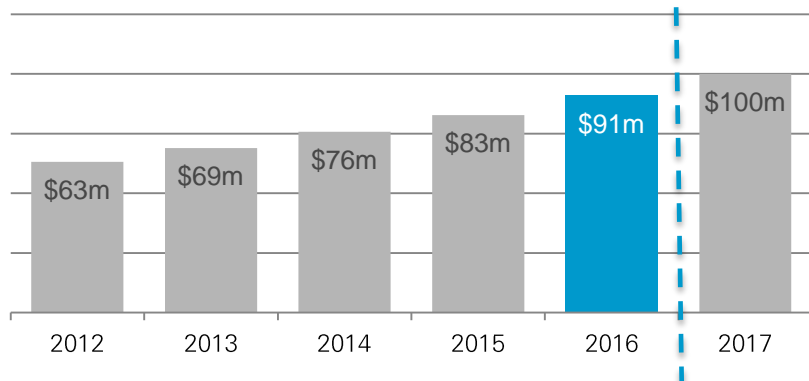
LGI US: Increased release from operations and premiums

FINANCIAL HIGHLIGHTS	2016	2015
Net release from operations (\$m)	91	83
Operating profit (\$m)	115	125
Gross written premium (\$m)	1,220	1,183
Solvency II margin (%)	12.4	

- Net release from operations up 10% to \$91m
- US Protection premiums up 3% to \$1,220m benefitting from strong relationships with brokerage general agents (BGA)
- Operating profit down 8% to \$115m, driven by adverse mortality claims experience
- 4th largest provider of term life through BGA distribution channel
- 10th largest provider of term life by APE in the US
- 1.2m customers
- \$100m dividend paid in February 2017 (2016: \$88m)

LGI US dividend (\$m)

10% CAGR



GI: Strong results in a competitive market

FINANCIAL HIGHLIGHTS	2016	2015
Net release from operations (£m)	42	41
Operating profit (£m)	52	51
Profit before tax (£m)	68	43
Gross written premium (£m)	326	337
Of which: Direct channel GWP (£m)	121	101
Combined operating ratio (%)	89	89

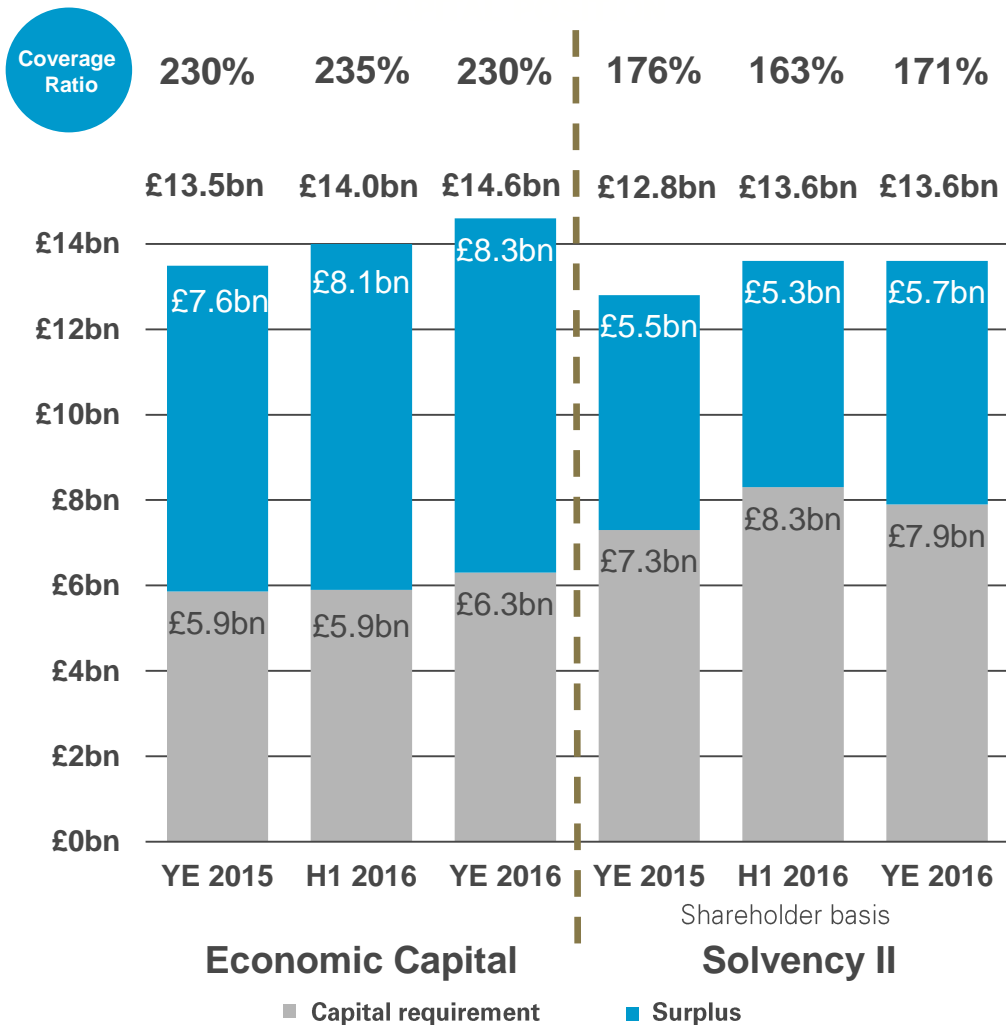
- Operating profit up 2% to £52m as a result of disciplined expense management and claims control, along with relatively benign weather experience, and in spite of a competitive market leading to a reduction in gross written premium
- Profit before tax of £68m up 58% as a result of strong investment performance
- 37% of sales through direct channel, representing 20% growth on 2015
- 2016 combined operating ratio of 89% includes the annual cost of the Flood Re levy of £9m paid in April 2016, adding 3% to the combined operating ratio

Savings: Delivering on our promise to simplify operations and enhance digital solutions

FINANCIAL HIGHLIGHTS	2016	2015
Release from operations (£m)	104	125
New business strain (£m)	(5)	(9)
Net release from operations (£m)	99	116
Operating profit (£m)	99	107
Of which: Mature Savings (£m)	105	106
Of which: Digital Savings (£m)	(6)	1
Mature Savings assets (£bn)	30.7	29.6

- Reduction in release from operations due to decline in book
- Mature operating profit sustained through market growth and operational efficiencies as a result of productivity improvements and automation
- Increased engagement of customers via digital channels
- The sale of Cofunds/IPS for £147.5m was completed on 1st January 2017
- Digital Savings contributed £6m operating loss in 2016

Robust capital position



- Solvency II surplus of **£5.7bn**
- The Solvency II shareholder basis adjusts for the Own Funds and SCR of the With-profits fund and our final salary pension schemes
- Solvency II capital requirement increase driven primarily by lower interest rates and new business. Economic capital requirement less sensitive to these impacts
- Core tier 1 own funds of £11.0bn (81%)
- S&P credit rating AA-

Economic Capital is the amount of capital that the Board believes the Group needs to hold, over and above its liabilities, in order to meet the Group’s strategic objectives.

The figures incorporate management’s estimate of the impact of recalculating the Transitional Measures for Technical Provisions (TMTP) as at the end of 2016 as we believe this provides the most up to date and meaningful view of our Solvency II position. The conditions set out by the PRA to allow a formal recalculation of the Group’s TMTP were not met as at end 2016 but, in line with PRA guidance, a formal recalculation will take place no later than 1st January 2018.

On a Solvency II proforma basis including the Own funds and SCR of the With-profits fund and our final salary pension schemes, the Group’s Solvency II coverage ratio was 165%, with Eligible Own funds of £14.3bn and SCR of £8.6bn

Movement in the Solvency II surplus

	2016 £bn	Comments
Operational surplus generation	1.2	• Substantial and diversified expected releases
New business strain	(0.1)	• Capital efficient annuity sales • Positive contribution from insurance new business
Net Surplus Generation	1.1	
Dividends paid	(0.8)	• Final 2015 £592m + Interim 2016 £238m = Total £830m
Operating variances	0.2	Over time, we expect these movements to be neutral
Market movements	(0.3)	
Total Surplus over year	0.2	

Estimated Solvency II new business value metric

FY 2016	PVNB	Contribution from New Business	Margin %
UK Annuity business LGR (£m)	6,661	693	10.4
UK Insurance Total (£m)	1,466	153	10.4
Retail protection	1,255	139	11.1
Group protection	211	14	6.6
LGA (£m)	631	78	12.4
SUBTOTAL (£m)	8,758	924	10.6

- The new metric provides a measure of the value created in the business allowing for the run-off of Solvency II capital
- Follows the principles of EEV, but assumes profit emergence on Solvency II basis. Other methodologies are unchanged
- Expected experience is unaffected by moving from a Solvency I to a Solvency II regime, i.e. the best estimate cash flows are the same
- For annuities business the Solvency II basis generates more strain than Solvency I (implying lower profit margin)
- For protection business the Solvency II strain is lower (implying higher profit margin)

Legal & General Retirement

Kerrigan Procter, Chief Executive Officer LGR

Operating profit

£811m

+27%

New business sales

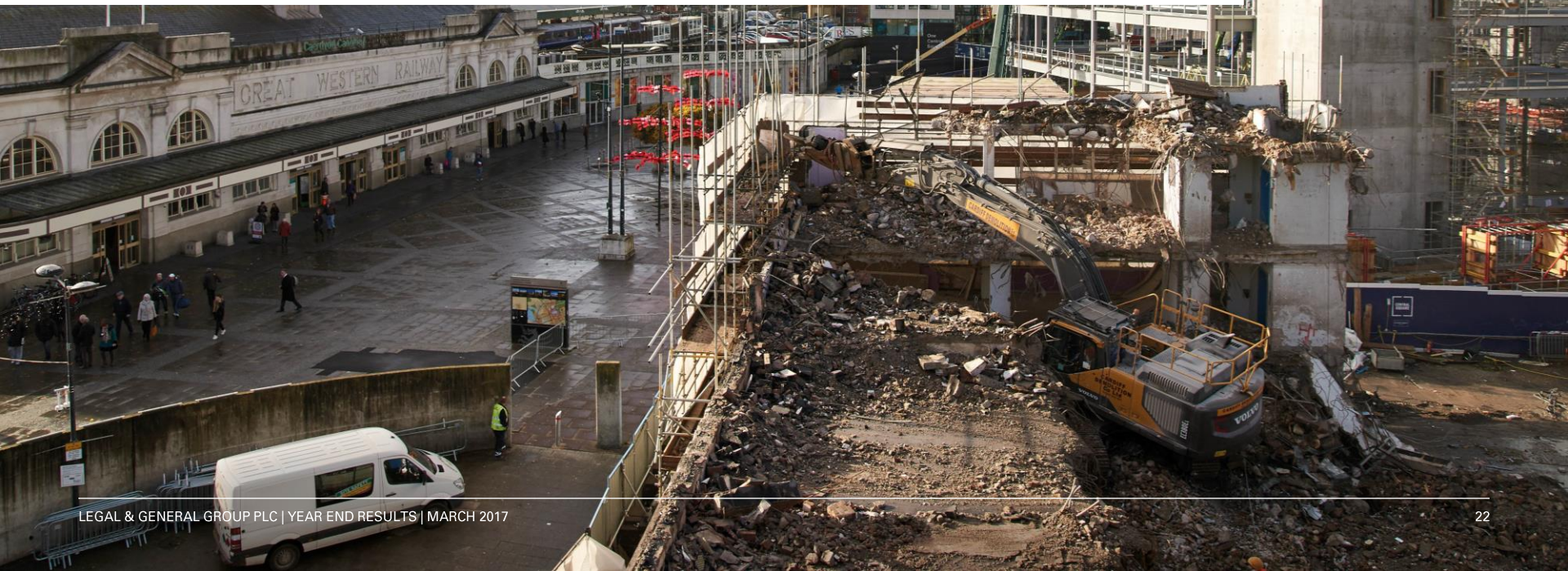
£8.5bn

+190%

AUA

£54.4bn

+25%



LGR: Delivering exceptional profit growth

FINANCIAL HIGHLIGHTS	2016	2015
Release from operations (£m)	433	374
New business surplus (£m)	159	45
Net release from operations (£m)	592	419
Operating profit (£m)	811	641
Profit before tax (£m)	847	719
Total annuity AUA (£bn)	54.4	43.4
Of which: Direct investments (£bn)	8.1	5.7
Solvency II new business margin ¹ (%)	10.4	
Solvency II new business value add ¹ (£m)	693	

Backbook acquisition (£m)	2,945	-
UK Pension risk transfer (£m)	3,338	1,977
US Pension risk transfer (£m)	347	295
Netherlands Pension risk transfer (£m)	-	145
Individual annuities (£m)	378	327
Total Annuity sales (£m)	7,008	2,744
Longevity insurance (£m)	900	-
New lifetime mortgages (£m)	620	201
Total sales (£m)	8,528	2,945

- Operating profit of £811m up 27%, reflecting:
 - increased scale of business
 - profitable new business written in 2016
 - impact of positive mortality experience
 - longevity insurance reserve model refinement
- Total new business sales of £8.5bn up 190%:
 - annuity premium of £7.0bn, including £2.9bn backbook acquisition from Aegon and 6 US PRT deals totalling £347m (\$448m)
 - £900m reinsured longevity insurance deal transacted in December
 - focus on return on capital, delivering strong Solvency II new business margin of 10.4% and future surplus releases
 - £620m lifetime mortgage sale reflecting strong growth since entry in May 2015 with 29% market share in 2016

LGR : Eight sources of profit

Back book for cash and capital

- Existing £54.4bn annuity portfolio – generated £433m operational release and £592m net release in 2016
 - Asset strategy being optimised with direct investments and lifetime mortgages
-

Back book acquisitions

- Acquisition of £2.9bn Aegon UK back book in H1 2016
 - Successfully completed £1.4bn Lucida transaction in 2013
 - c.£100bn of UK individual annuity back books opportunities
-

UK capital efficient front book

- Evolving to meet anticipated demand, £2.1trn of DB liabilities in the UK
 - £3,338m written in 2016 with low single digit capital strain (as % of premium)
 - Currently quoting on around £13bn of buy-in / buy-out deals
-

Longevity Insurance

- £900m reinsured longevity insurance transaction written in December 2016
 - Total of £6.9bn of longevity insurance deals completed since 2011
-

US pension risk transfer

- 6 deals written in 2016 totalling \$448m
 - First US PRT transaction in 2015 (\$450m)
-

Global reinsurance hub

- First Dutch deal in Dec 2015. A+ rating from Fitch and S&P. Achieved DNB registered reinsurer status in 2016
-

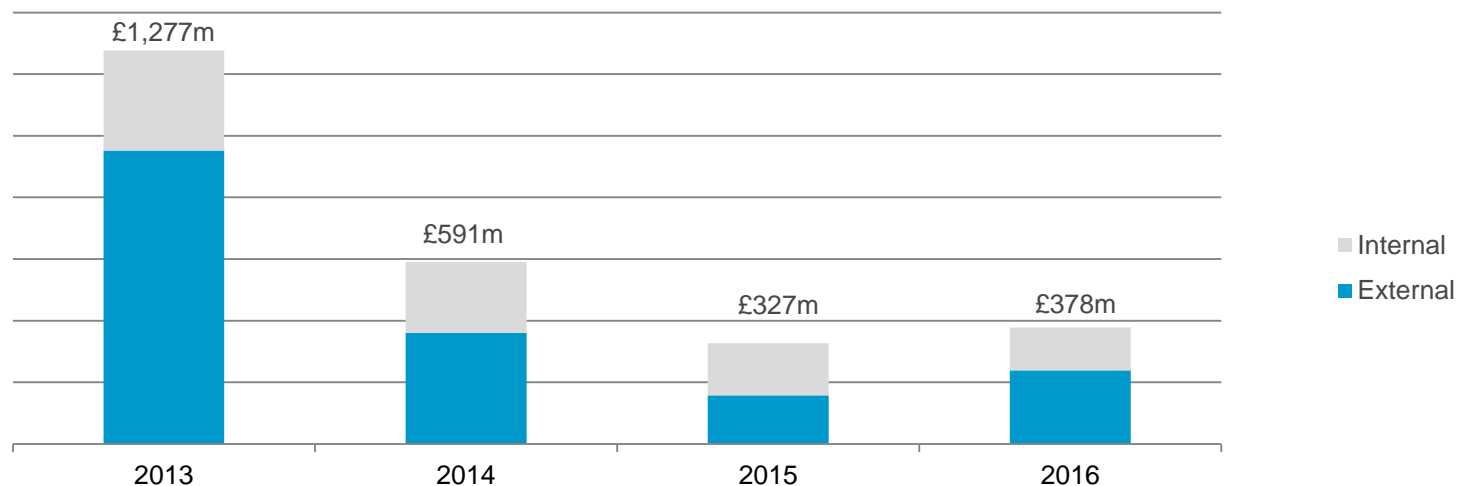
Individual retirement

- Strong individual annuity sales growth of 16% at £378 million in 2016 (£327m FY15)
 - Distribution agreement with Aegon increases future flows
-

Lifetime mortgage

- £1.5trn of housing equity owned by the over 55's in the UK; Long term illiquid asset creation for our annuity fund
 - Strong entry into the market since entry in May 2015 with £620m sales in 2016 (2015: £201m)
-

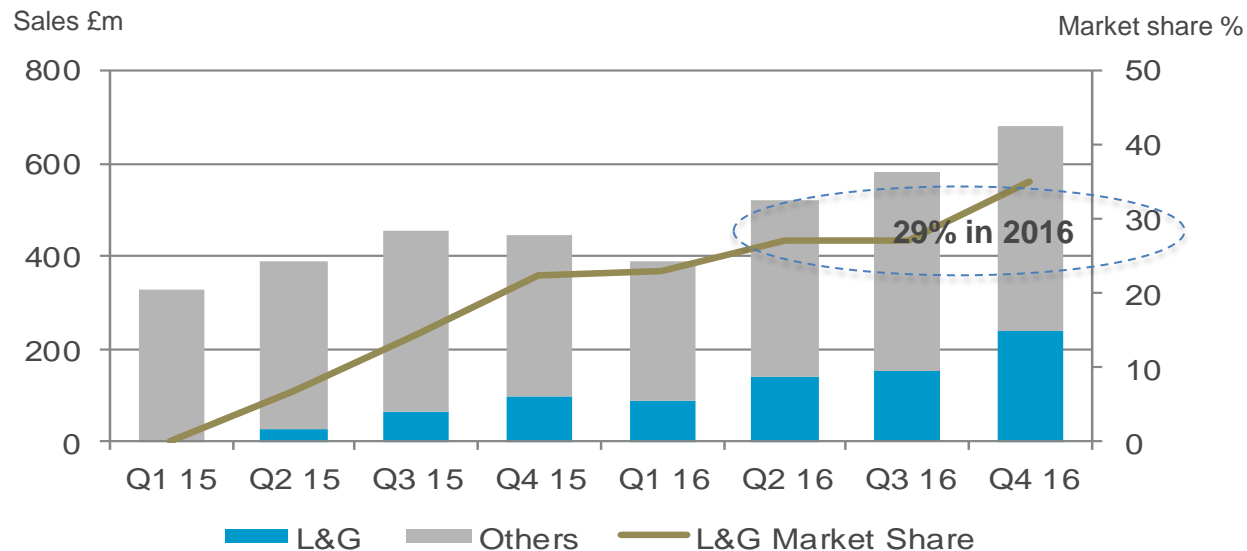
LGR: Retail retirement – Individual annuities



Individual Annuities in growth mode again

- c.75% decline in sales as predicted following Freedom & Choice in Pensions
- £378m written in 2016, up 16%
- Supported by an increase in market volume and the distribution agreement with Aegon
- Active participation in all parts of the market
- No widespread past business review required following the annuities thematic review

LGR: Retail retirement – Lifetime Mortgages



Market leading customer proposition

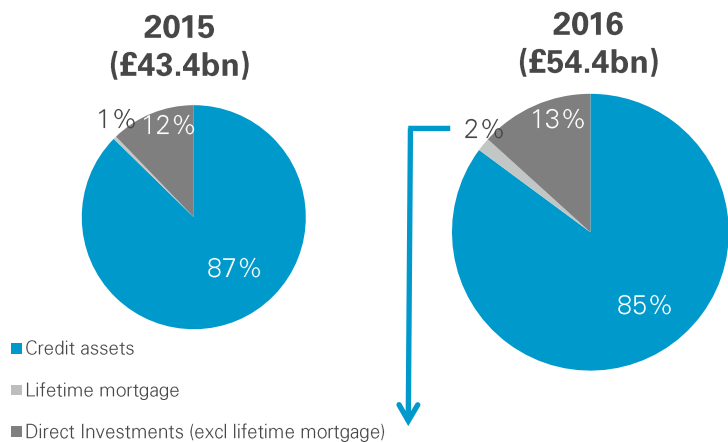
- Wide range and competitively priced product offering
- Fair lending framework – unique approach which includes providing free bereavement, financial and well-being counselling services for lifetime of product
- Innovative solutions to meet market needs – partnered with high street bank to address “Interest Only shortfall” problem

Diversified and risk-balanced book

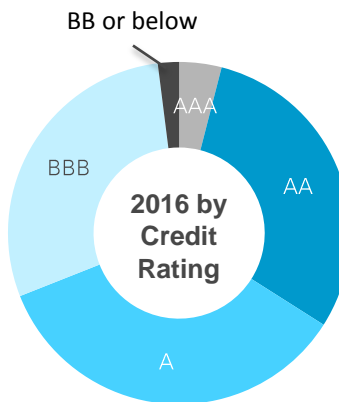
- Average LTV (loan advanced) of 27%
- Average customer age of 71
- Geographical region spread

LGR: Robust and well diversified asset portfolio

INCREASING PROPORTION OF DIRECT INVESTMENTS



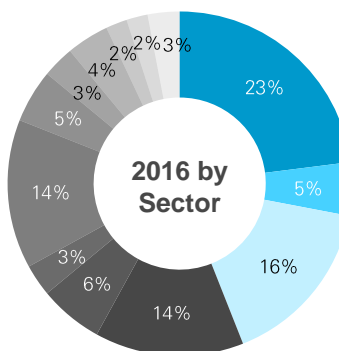
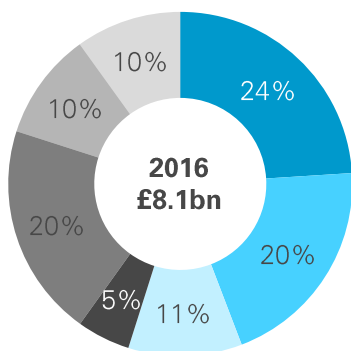
.. WHILST MAINTAINING OVERALL CREDIT QUALITY & HIGH SECTORAL DIVERSIFICATION



- Strong credit quality of asset portfolio
- Over two thirds of the £49.5bn bond portfolio A rated or better, with 29% in BBB and 2% in sub investment
- High sector diversification. The bond portfolio has 5% in Banks, 4% in Energy, Oil and Gas and 5% in Property.

WIDE SPECTRUM OF DIRECT INVESTMENT CLASSES

- Real Estate Debt, 24%
- Infrastructure, 20%
- Lifetime Mortgages, 11%
- Private Corporate Debt, 5%
- Property Rental Notes, 20%
- Property Residual Notes, 10%
- Income Strips, 10%

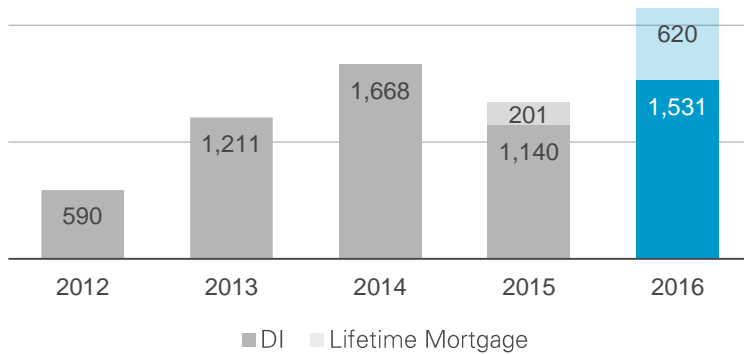


- 1. Sovereigns, 23%
- 2. Banks, 5%
- 3. Utilities, 16%
- 4. Consumer services and goods, 14%
- 5. Technology and telecoms, 6%
- 6. Industrials, 3%
- 7. Infrastructure, 14%
- 8. Property and property backed securities, 5%
- 9. Securitisations (collateralised credit), 3%
- 10. Energy, Oil & Gas, 4%
- 11. Commodities, 2%
- 12. LTM Loans, 2%
- 13. Financial Services and Insurance, 3%

LGR: Delivering strong growth

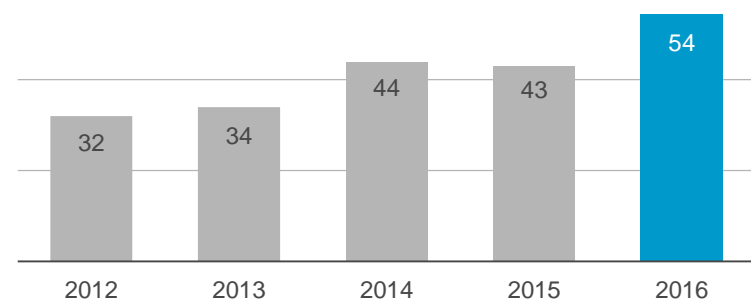
New direct investments (£m)

38% CAGR



AUA (£bn)

14% CAGR



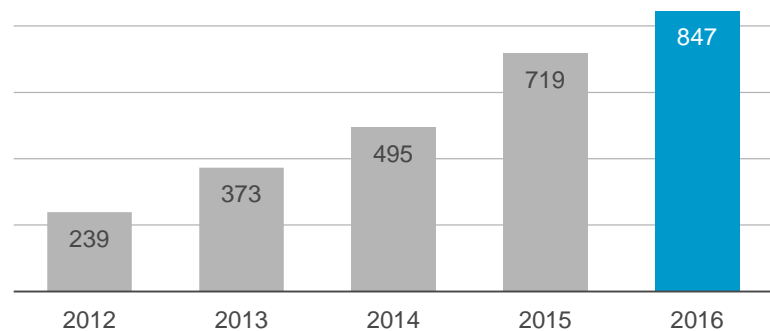
Annuity single premium (£m)

32% CAGR



Profit Before Tax (£m)

37% CAGR



1. Retail 2016 £3,323m includes £378m of individual annuities in addition to Aegon's individual back book transaction (£2,945m)

2. Lucida acquisition (2013) included in Corporate PRT

Legal & General Investment Management

Mark Zinkula, Chief Executive Officer LGIM

AUM

£894bn

+20%

Total net flows

£31.2bn

2015: £33.3bn

Operating profit

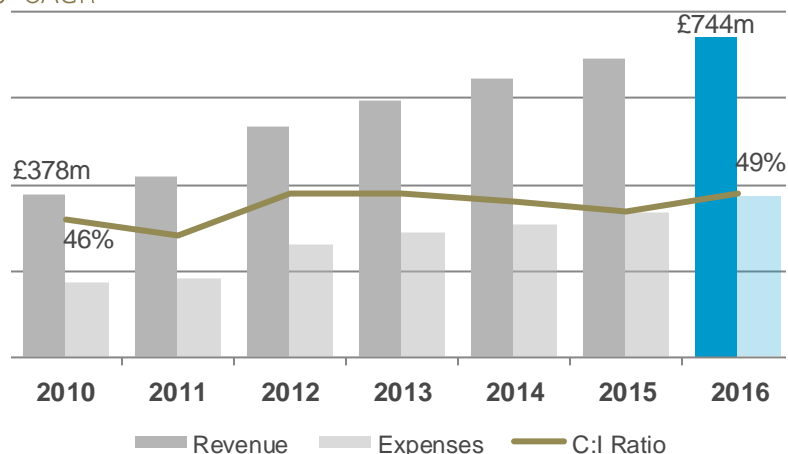
£366m

+3%

LGIM: Resilient performance in challenging markets

REVENUE GROWTH WITH A STEADY MARGIN

12% CAGR

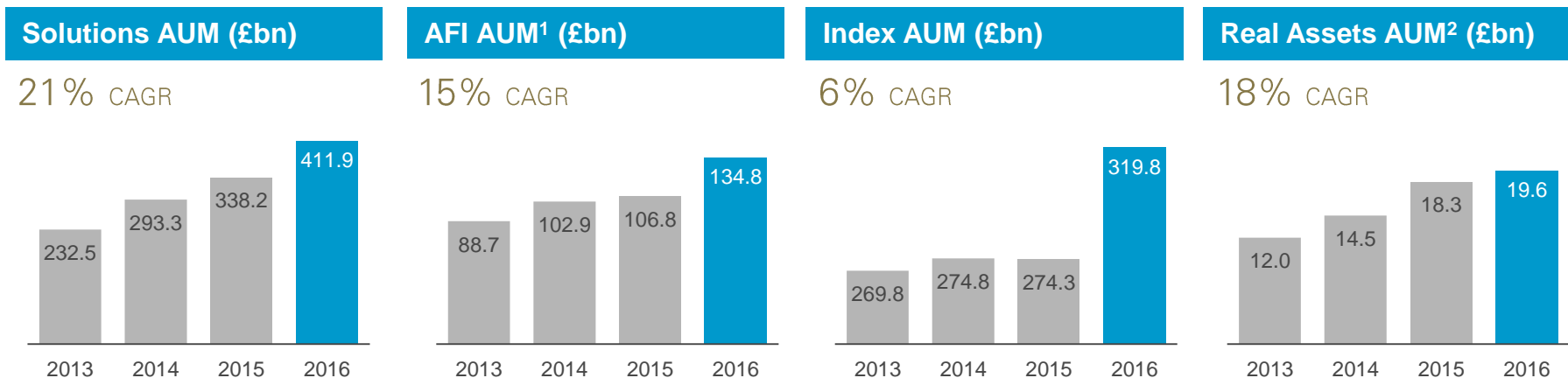


- LGIM operating profit up 3%; Asset Management operating profit excluding the one off adjustment for box profits, up 7%
- Steady cost income ratio of c.50%
- External net flows of £29.2bn, with higher net inflows across all regions
- DC business continues to expand with more than 2.2m clients on its workplace platform (2015: 1.8m) and £57.1bn in AUM
- Retail business ranked third in UK net sales in 2016 (Pridham)
- International expansion continues, with AUM up 45% at £177.4bn (2015: £122.4bn)
- Majority of our funds outperformed their respective benchmarks over 1, 3 and 5 years

FINANCIAL HIGHLIGHTS	2016	2015
Operating profit (£m)*	366	355
Total revenue (£m)	744	694
Total expenses (£m)	(372)	(335)
Closing AUM (£bn)	894	746
International AUM (£bn)	177	122
DC AUM (£bn)	57	46
Retail AUM (£bn)	24	20
Cost:income ratio (%)	49	48

*Operating profit includes Workplace Savings 2016: £(6)m (2015: £(4)m)

LGIM: Well positioned for continued growth

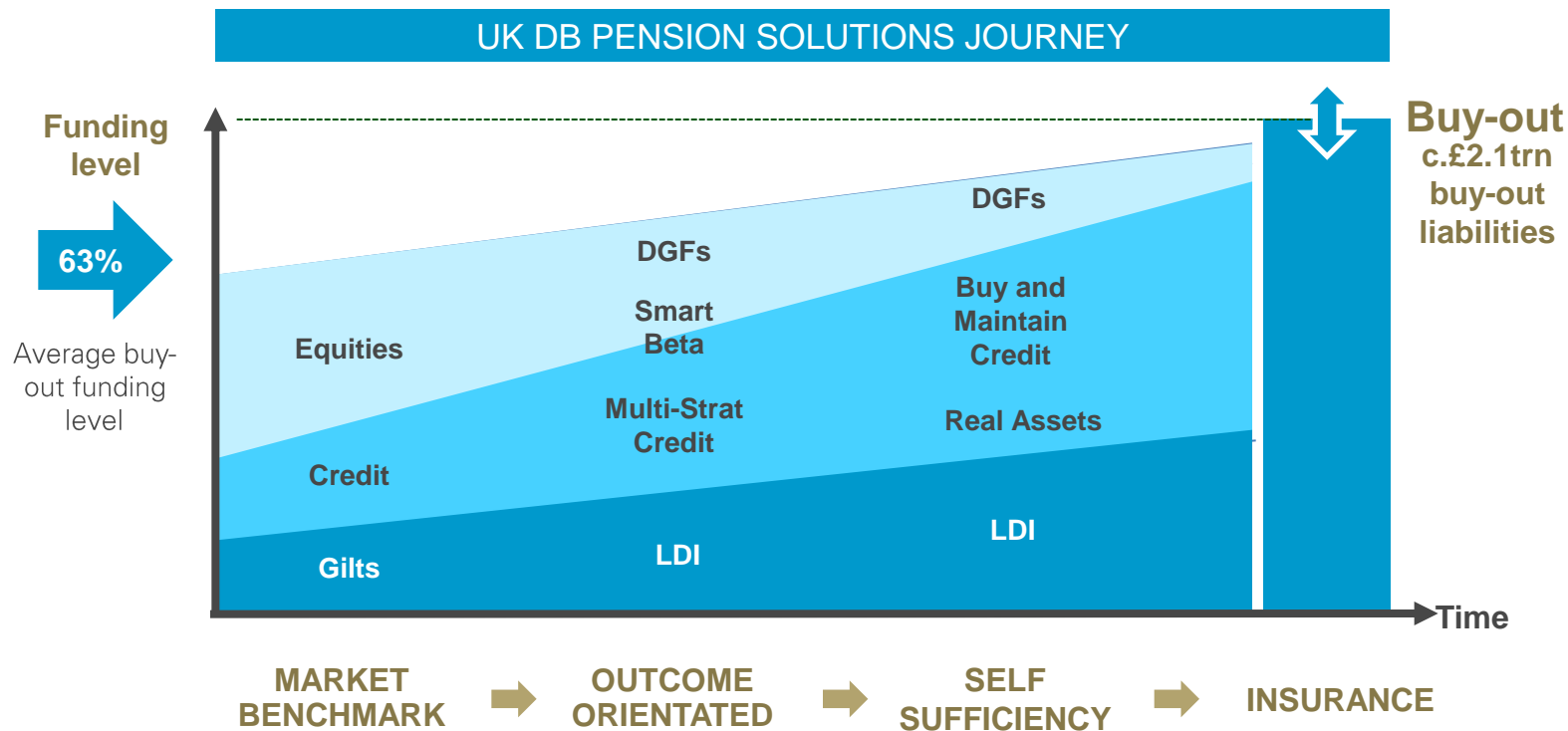


- Maintaining strong position in UK DB and DC as pension schemes seek a broader range of solutions
- Continuing to diversify the business through the growth in Solutions, Active Fixed Income and Real Assets
- Growth in Active Fixed Income (AFI) driven by UK and US institutional clients
- Well positioned in Index, with strong inflows from international and retail clients as the business expands its distribution strategy
- Strengthening private credit capabilities and increasing Real Assets AUM

1. Global fixed income

2. Comprises Property and Infrastructure AUM

LGIM: Core strength in UK Defined Benefit pensions



- Largest UK DB pension manager with 32% market share. Largest UK LDI manager with 45% of market
- Core DB business continues to evolve, with strong growth in active and pooled LDI and increasing momentum in fiduciary management strategies
- Continue to build a broader range of capabilities, with a focus on liability aware investing, diversified growth strategies and real assets

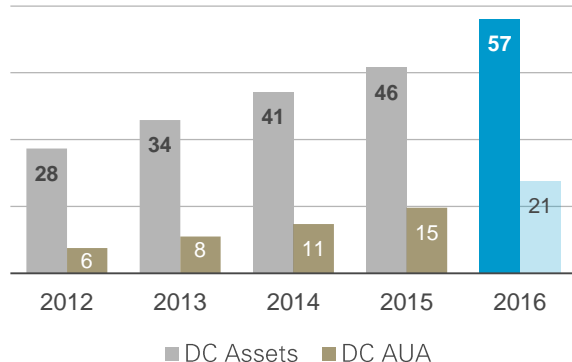
Source: The Pensions Regulator’s Purple Book 2016 Data as at 31 March 2016. IPE Research. 2016 KPMG LDI Survey. Insurance statistics as at August 2016.

LGIM: Continued growth in DC pensions and Retail business

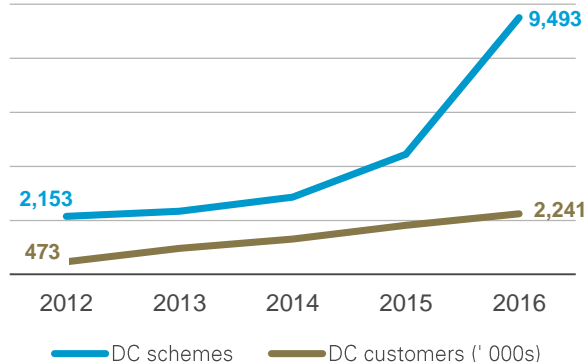
DC AUM and AUA growth (£bn)

DC AUM

19% CAGR

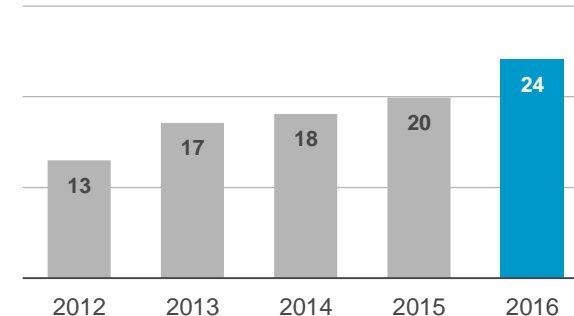


DC client growth



Retail AUM (£bn)

17% CAGR



Market leading capabilities for UK DC clients:

- Strong growth in DC assets, up 24% to £57.1bn
- Number of pension schemes serviced has more than doubled to over 9,400
- Building presence in SME market following investment in Smart Pension, an auto-enrolment platform
- Leadership in product development (Multi-Asset Funds, Pathway Funds, Future World Fund)

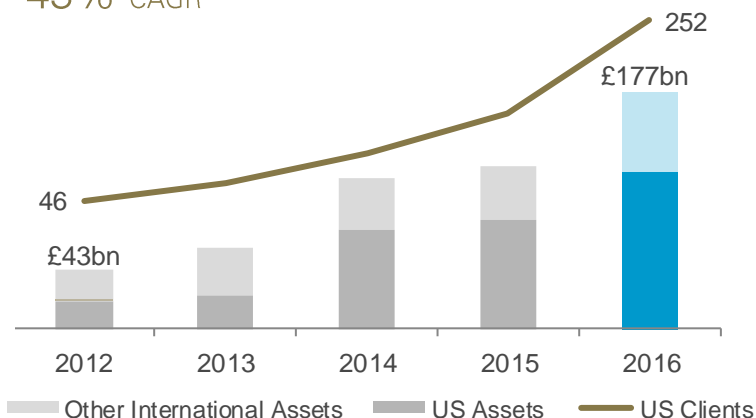
Accelerating growth in our Retail business:

- Robust performance in a challenging market, with positive net flows every month and net new business of £1.4bn (2015: £1.2bn)
- AUM increased to £24.1bn
- Continue to build our offering in Index, Multi-Asset and Active Specialties with increased focus on sales through wealth managers

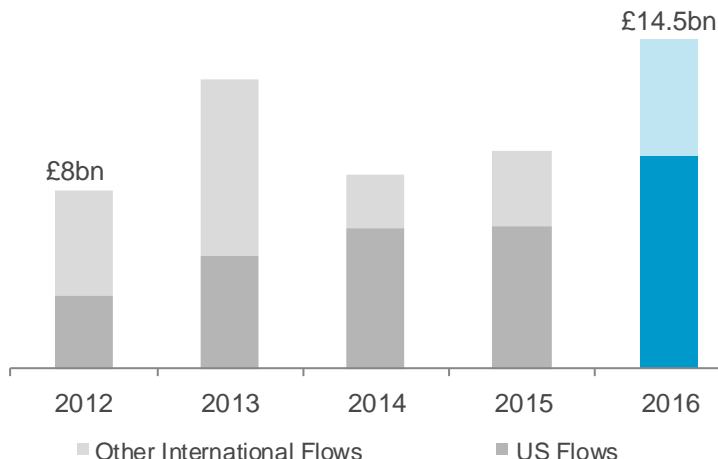
LGIM: Successfully expanding internationally across all regions

International AUM Growth (£bn)

43% CAGR



International Net Flows (£bn)



- Total international AUM of £177.4bn, a 45% increase (2015: £122.4bn)
- Strong net international inflows of £14.5bn (2015: £9.5bn)
- Significant growth in the US business, with net flows of £9.4bn (2015: £6.3bn). Growing demand for Index and continued strength in Solutions and Fixed Income
- Expanding into US DC market and developing US Real Assets capability
- Higher net flows across Europe (£2.6bn), the Gulf (£1.6bn) and Asia (£0.8bn)
- Expanding range of SICAV and ICAV products for international markets
- Developing trading and fund management capabilities in Hong Kong
- Opened office in Tokyo

Legal & General Capital

Paul Stanworth, Managing Director LGC

Operating profit

£257m

+10%

DI Profit before tax

£94m

+29%

Total assets

£6,193m

+9%

LGC: Realising profits through asset creation

FINANCIAL HIGHLIGHTS	2016	2015
Net release from operations (£m)	214	187
Operating profit (£m)	257	233
- Direct Investments	121	69
- Traded Portfolio and other	136	164
Profit before tax (£m)	419	117
- Direct Investments	94	73
- Traded Portfolio and other	325	44
Assets (£m)	6,193	5,665
- Direct Investments ¹	1,137	867
- Traded Portfolio and other	5,056	4,798
Net portfolio return %	7.4	2.3
- Direct Investments	9.0	9.2
- Traded Portfolio and other	7.0	1.0

- Operating profit and PBT from Direct Investments increase year on year by 75% and 29% respectively
- 44% of Direct Investment operating profit delivered from LGC's share of operating businesses' profit
- PBT of Direct Investments is based on independent valuation of assets, or trading profits from our investments
- Direct investments earned a net portfolio return of 9.0% and an average 33% return on solvency capital

1. Direct Investment assets exclude two LGC assets valued at £91m at 31 December 2016 which have entered advanced disposal negotiations and are classified as "assets held for sale" and reported separately

LGC: Maximising value for shareholders

What we do

How we achieve this

Maximise risk adjusted returns

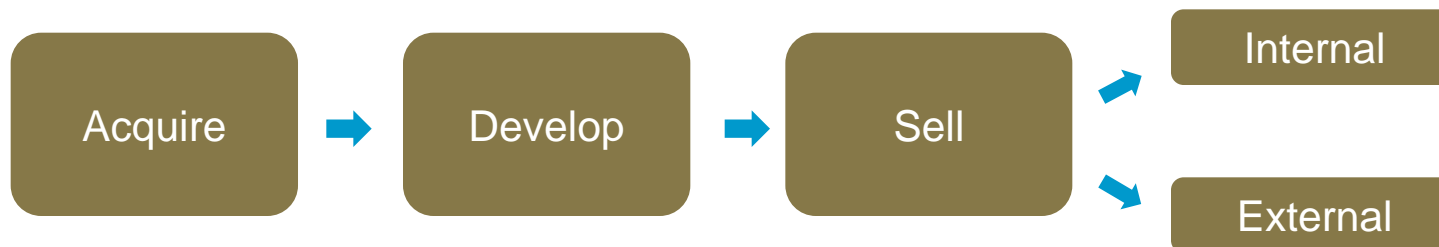
- Invest L&G's £6.2bn shareholder funds
- Grow shareholders' returns through strategic investment in Direct Investments which are forecast to double to over £2bn over 3 years
- Deliver robust portfolio IRR from Direct Investments of 10-12% over the long-term

Create new asset classes and business models

- Focus on three Direct Investment sectors where there is a "£ multi-billion" funding gap: **Housing, Infrastructure and SME Finance**
- Collaborate with strong commercial partners and bring our financial expertise and proven ability to scale and grow businesses
- Create investment vehicles to re-connect long-term investors to our key sectors

Provide investment opportunities for the Group

- Create asset pipeline which will be sold internally or externally
- Create new long-term asset management opportunities
- Create business platforms which may be scaled-up by the Group



LGC: Disciplined approach across the asset lifecycle

Performance in 2016

Acquire

- Invested or Committed £404m into new assets and funds over 2016, including £65m committed to **Newcastle Science Park** (a partnership with the Council and University)
 - **Pemberton** closed European Mid-Market Fund 1 at €1.2bn
 - **NTR** acquired six new wind farm sites, deploying 66% of €246m committed into the **NTR Wind 1 LP** fund
-

Develop

- £65m of PBT generated from trading profits in our investments (3x increase on FY15)
 - **CALA Homes** delivered a record year
 - Ongoing projects benefitted by £29m PBT from valuation increases
-

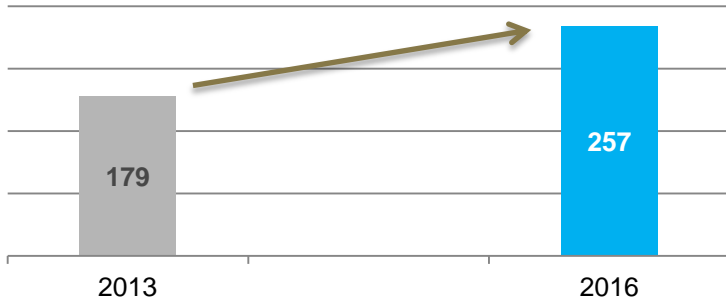
Sell

- Sales generated £17m proceeds in 2016 with £250m target for 2017
 - **Salford and Walthamstow** developments sold into **Access Development Partnership**
 - **ECF** and **Bishopsgate** executed commercial and residential sales
 - Terms agreed on buildings in Bracknell, Cardiff and Central London
-

LGC: Growth delivered across all areas since 2013

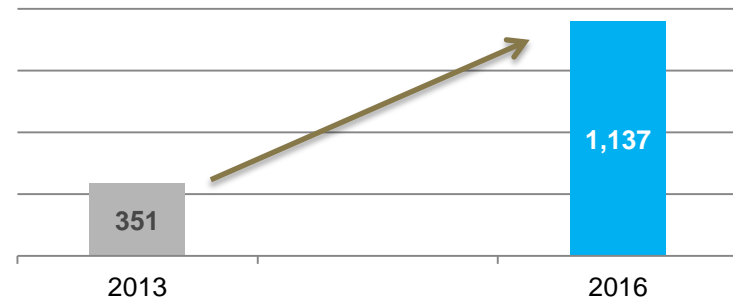
Operating Profit – LGC total (£m)

13% CAGR



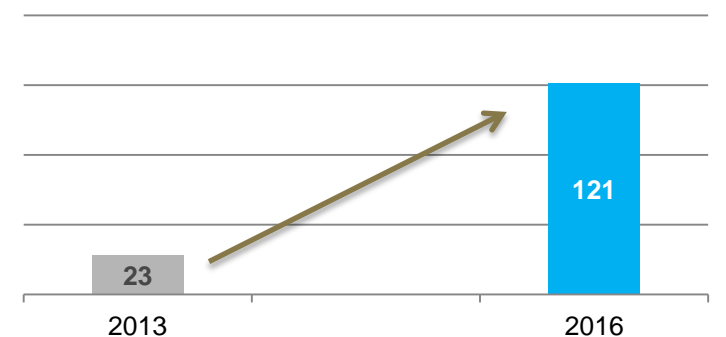
Total Assets - Direct Investments (£m)

3X INCREASE IN TOTAL ASSETS



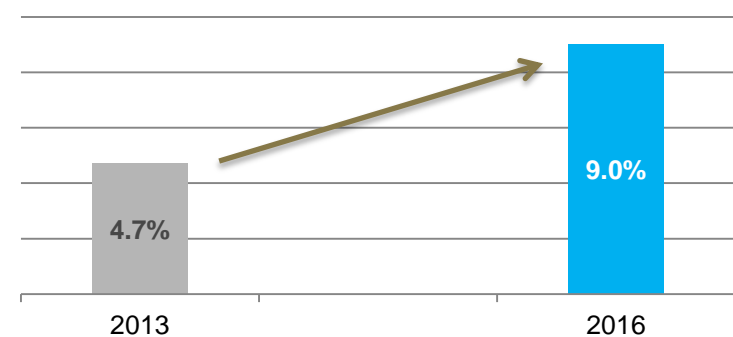
Operating Profit – Direct Investments (£m)

5X INCREASE IN OPERATING PROFIT






Net portfolio return – Direct Investments (%)

2X INCREASE IN NET PORTFOLIO RETURN



LGC: Opportunity to grow in all sectors

Sector	Macro theme	Scaling up businesses	Developing new businesses
Housing 	<ul style="list-style-type: none"> UK builds around half of the target 300,000 new homes p.a. New forms of capital and technology required to supplement existing industry 'Generation Rent', 5.7m private renters by 2018 3.3m "senior" buyers, with £820bn of equity seeking aspirational "downsizer" homes 	<ul style="list-style-type: none"> CALA Homes Build-to-rent Build-to-sell Strategic land bank 	<ul style="list-style-type: none"> Manufactured house building Affordable housing Senior living
Infrastructure 	<ul style="list-style-type: none"> UK National Infrastructure Pipeline: projects worth £290bn of investment to 2020-21, 50% to be private sector funding UK Urban Regeneration funding need of £100bn £40bn clean energy market becoming "subsidy-free" and consolidating 	<ul style="list-style-type: none"> Urban regeneration projects (10 projects) Clean energy aggregation platforms 	<ul style="list-style-type: none"> Further urban locations Transportation Hubs Energy asset technology innovation
SME Finance 	<ul style="list-style-type: none"> £150bn UK SME debt financing market with £60bn of new lending per year £5bn support from UK Government to grow UK SMEs £1bn funding gap for UK SMEs 	<ul style="list-style-type: none"> SME Senior Secured loans 	<ul style="list-style-type: none"> SME equity (growth and venture) Trade receivables

2016 and beyond

Nigel Wilson, Group Chief Executive

Earnings per share

22.20p

+19%

Return on equity

19.6%

2015: 17.7%

Full year dividend

14.35p

+7%



De-cluttering our business has increased focus

DISPOSALS, CLOSURES & SIMPLIFICATIONS

	Status	Proceeds
Legal & General International Ireland – investment bonds (H2 2015)	Sold	£15m
Legal & General Germany (H2 2016)	Sold	-
Xperience: Estate agency business (H2 2014)	Sold	£6m
Insurance: France business (H2 2015)	Sold	£159m
Insurance: Netherlands business (H2 2016)	Sale agreed	€160m
Savings: Egypt business (H2 2015), 55% interest	Sold	\$54m (L&G share)
Savings: Gulf business (H2 2015)	Sold	-
Savings: Suffolk Life Group Limited (2016)	Sold	£45m
Savings: Cofunds (2017)	Sold	£147.5m
Legal & General Ventures (Snow & Rock, Liberation Ale, ABI)	Sold	£141m*
With-profits closure to new business	Run-off	-
Retail Investments transferred to LGIM: was 13 th now 3 rd in net flows	Simplified	-
Workplace integrated into LGIM's DC business, now £57bn AUM	Simplified	-
Withdrawal of investment advice: Network and Employed sales (2016)	Simplified	-

* Largely owned by With-Profits business

Technology as a core principle: Six key trends

“What we are doing”

2016

2017 onwards

Robotics

Deployment of robotics across high volume and repeatable processes resulting in:

- Increased processing speed
- Efficiency improvements of c. 8%
- 99.9% accuracy
- Cost savings

Continue to build on our success with robotics and exploit broader conversational commerce capabilities such as webchat and chatbots to:

- increase automation
- reduce call times
- extend self-service capabilities

Big Data

Usage of Big Data to provide a guaranteed quote based on six simple questions.

- Accuracy of pricing improved
- Call times expected to reduce significantly

Created improved sources of asset and liability data to deliver same day pricing and economic capital modelling

Extend our use of real real-time Big Data to enable automated medical underwriting and to deliver further improvements in asset and liability pricing and back-book management

Platforms

Further improvements to legalandgeneral.co.uk and My Account

- Site visits increased by 30% to 12.7 million
- My Account visits increased to 2 million
- My Account functionality have helped our customers to complete over 509,000 transactions

Build out My account to create personal digital ecosystems for consumers including insurance, savings and retirement choices

Cloud

Increased flexibility through use of Cloud:

- Extended our analytics and actuarial modelling performance
- Reduced costs of storage
- Enabled communication and collaborative tooling for an agile workforce

Extend our use of cloud-based solutions to improve agility and further support the use of technology to innovate

Artificial Intelligence

- **Watching brief**

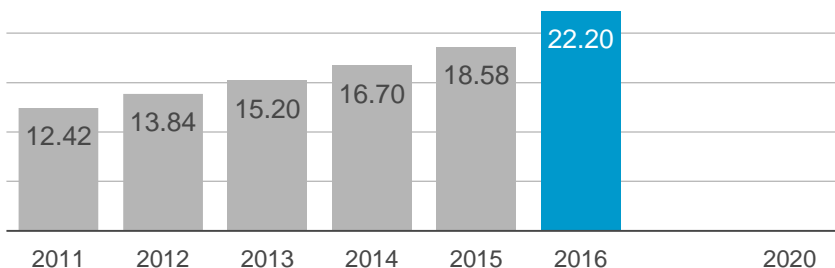
Explore commercial opportunities

Blockchain

Our financial ambition is a similar performance in 2016 – 2020 to that achieved in 2011 - 2015

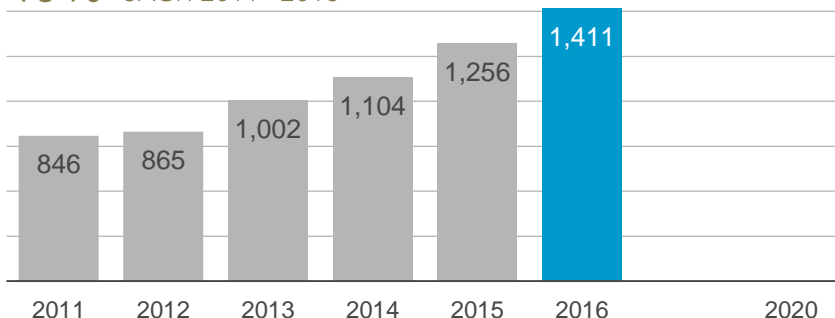
Earnings per share (p)

11% CAGR 2011 - 2015



Net release from operations (£m)

10% CAGR 2011 - 2015



Our Strategic goals to 2020:

- Achieve global leadership in pensions de-risking and provide a suite of products to maximise retirement income
- Help people achieve security affordably through insurance and workplace pensions
- Use our existing skills and expertise to build a world class international asset management business
- Use 'slow money' to become the UK leader in direct investments including housing and urban regeneration
- Achieve market leadership in digital provision of insurance and retail investments
- To be a leader in financial solutions and a globally trusted brand

Creating possibilities

for a more secure future

LEGAL & GENERAL GROUP PLC | YEAR END RESULTS – MARCH 2017

