Institutional Retirement

Deep Dive, December 2024

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Agenda for today

1. **Introduction**
   António Simões, Group CEO

2. **Our Institutional Retirement proposition**
   Andrew Kail, Institutional Retirement CEO

3. **Financial outlook**
   Jeff Davies, Group CFO

Followed by Q&A

Introduction

António Simões | Group CEO

A compelling vision for growth and shareholder value

Well-positioned businesses with competitive advantages aligned to structural trends

+

Simpler, more focused model with a rigorous approach to execution

+

Group synergies and disciplined internal capital allocation lead to enhanced shareholder returns

=

A simpler, more synergistic model, becoming more capital-light over time

Clear momentum in executing our strategy …

12 June — New strategy launched at Capital Markets Event in June

July & Aug

1 July	Private Markets Access Fund *(£12bn)*
15 July	Affordable Homes Fund with Access and GMPF *(£4bn)*

September

18 Sept	Disposal of CALA *(£1.35bn valuation)*
23 Sept	Build To Rent partnership with Nest and PGGM *(£4bn)*
24 Sept	Eric Adler appointed Asset Management CEO (now in role)

October

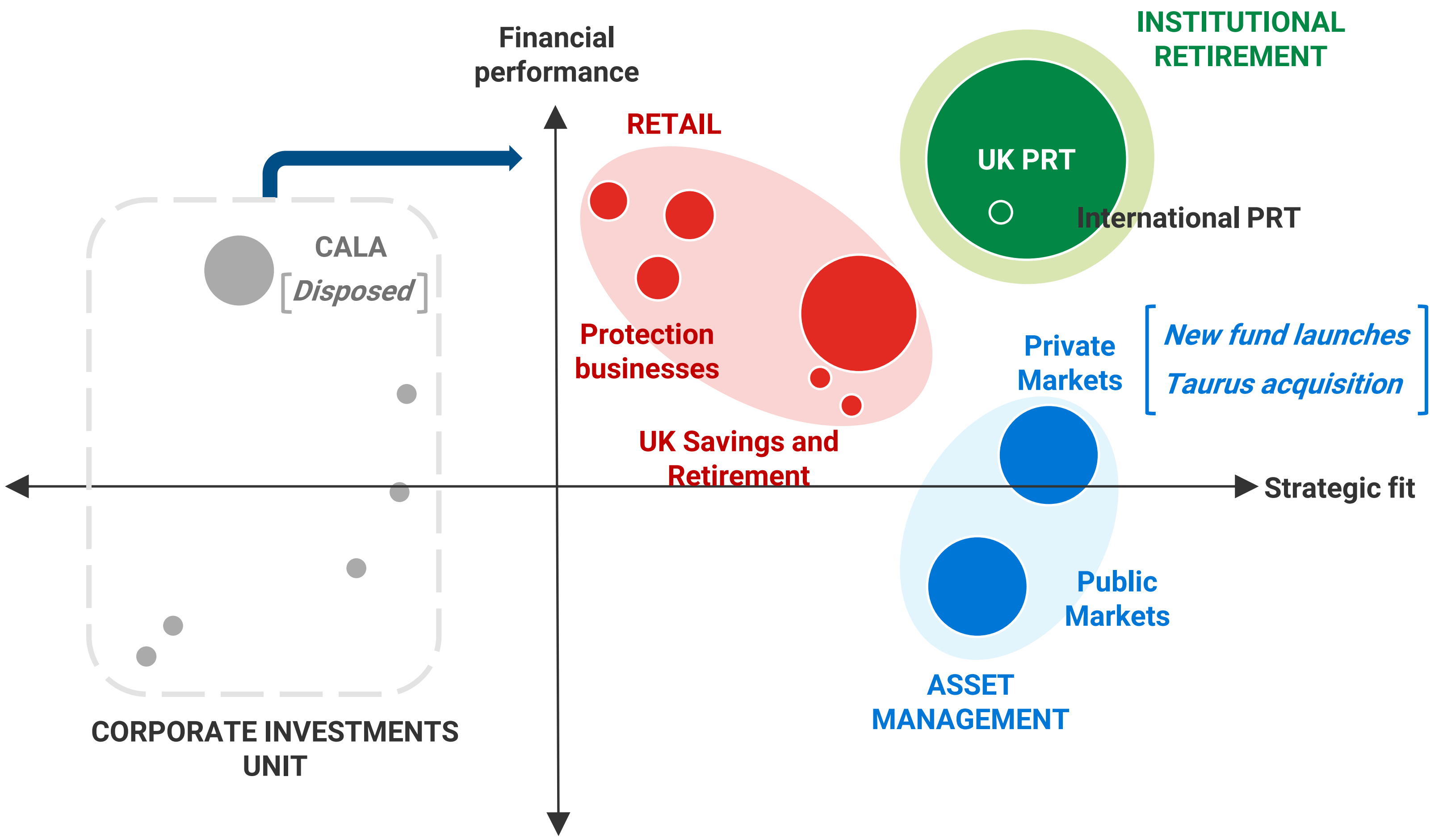
16 Oct	Laura Mason appointed Retail CEO (now in role)
16 Oct	Katie Worgan appointed Group COO (starting February 2025)
25 Oct	US real estate acquisition: Taurus *($200m initial seed funding)*

4 Dec — Today = first deep-dive, focused on Institutional Retirement

- Fund launches *(FY28 assets)*[1]
- Corporate transactions
- Team changes

1. Target asset creation for L&G balance sheet and third party capital strategies by 2028.

… with disciplined capital allocation



Investment above our 14% return on cash and capital hurdle

AND / OR

Returned to shareholders via dividends and buybacks

Our 2024 £200m buyback is now complete

Note: Size of bubbles illustrates approximate contribution to Group operating profit.

Refreshed management team to drive future growth

New appointments
Existing leadership

Divisional Leadership

Andrew Kail
Institutional Retirement

Eric Adler
Asset Management
In role as of 2nd December

Laura Mason
Retail
In role as of 2nd December

Functional Leadership

Jeff Davies
Finance + **Corporate Investments**

Emma Hardaker-Jones
HR + **Transformation**

Katie Worgan
Group COO
Starting February 2025

Asset Management: capital light business growth

Eric Adler
Asset Management

Divisional Capital Markets Event metrics

Operating profit by 2028	**£500-600m**
Cumulative ANNR[1] (2025-28)	**£100-150m**
Private Markets AUM (2028)	**£85bn+**

Private market fund launches to deliver £20bn private assets by 2028[2]

Average fee rate of 50-90 bps

US Real estate acquisition of Taurus

First $200m of seed invested

Growing in other areas – e.g. active fixed income, digital infrastructure

Average fee revenue margin increasing from 7bps

1. Annualised Net New Revenue.
2. Forecast assets created for L&G balance sheet and third party capital strategies.

Retail: proposition enhancements driving growth

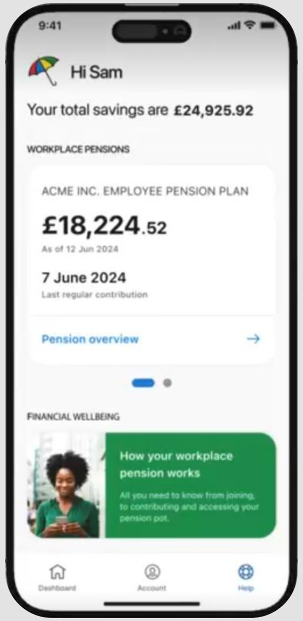
Laura Mason
Retail

Divisional Capital Markets Event metrics

Operating profit CAGR (FY23-FY28)	**6-8%**
Workplace net flows (2024-28)	**£40-50bn**

Launch of **Workplace DC app** for our **5.4m members**

+£4.5bn Q3 YTD net flows[1]



Download the L&G app today

Download on the App Store

GET Google Play

Very strong growth in individual annuities

£1.7bn Q3 YTD premiums (Q3 2023 : £0.9bn)

23.6% Lifetime Annuities market share[2]

Strong performance in Protection

£1.6bn Q3 YTD UK premiums (Q3 2023: £1.5bn)[3]

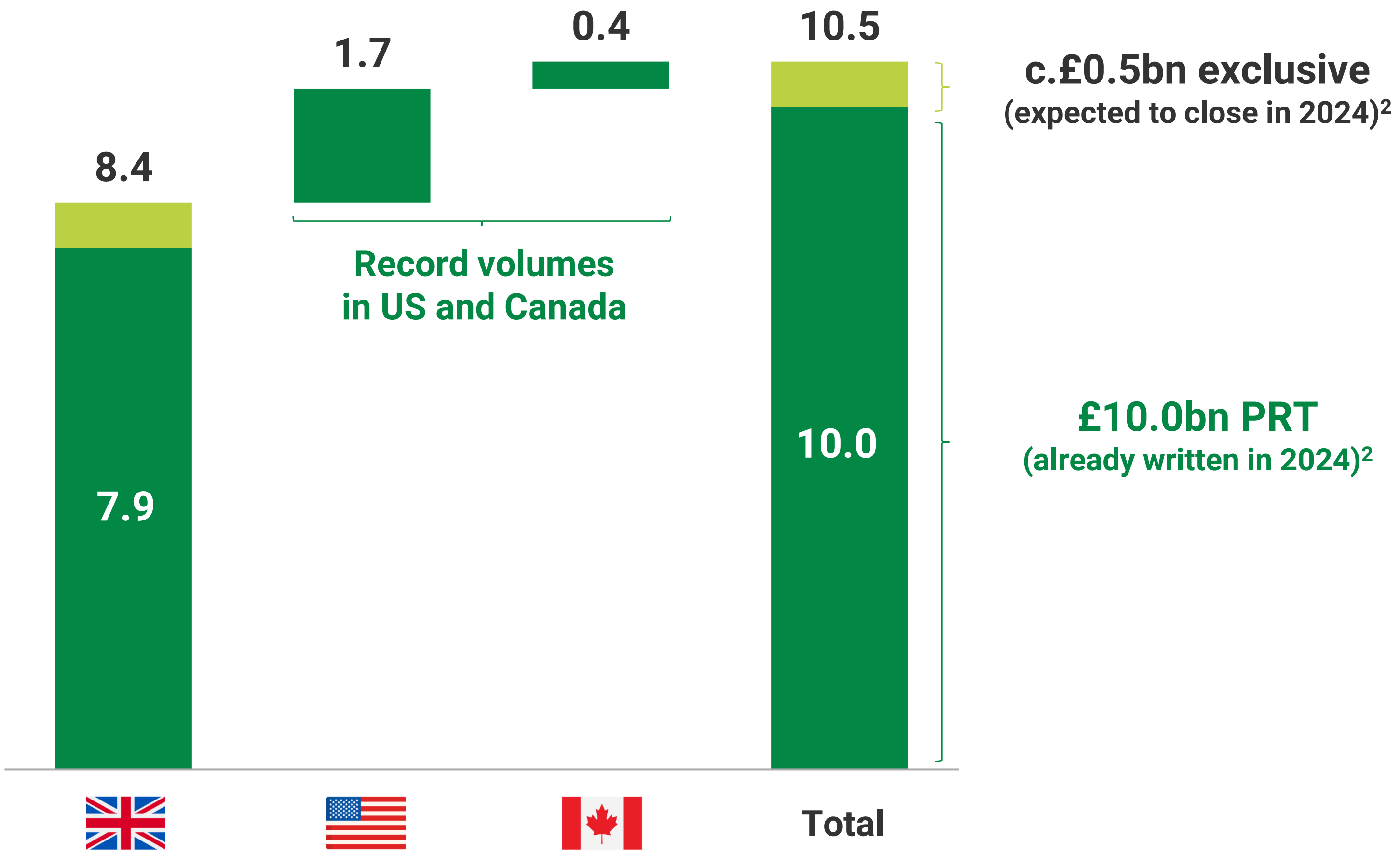
3.5% Improved UK NB margin (Q3 2023: 1.7%)[3]

1. Net flows includes Workplace and Retail savings net flows.
2. ABI data Q3 2024.
3. UK Protection premiums and margin reflect an aggregation of our Group and Retail Protection businesses.

Institutional Retirement: delivering our strong pipeline

Andrew Kail
Institutional Retirement

Divisional Capital Markets Event metrics	
UK PRT (2024-28)[1]	£50-65bn
UK PRT strain (2024-28)	<4%
Operating profit CAGR (FY23-FY28)	5-7%



1. PRT volumes are indicative. We will continue to prioritise pricing discipline over volume.
2. As at end November 2024.

Key messages

Sustainable Growth — Clear strategy with strong execution momentum

Sharper Focus — Disciplined approach to capital allocation

Enhanced Returns — On track to achieve our targets

Our proposition

Andrew Kail | Institutional Retirement CEO

Key messages

Attractive and growing market

- Growth in global Pension Risk Transfer (PRT) volumes to remain strong
- PRT is still the most attractive option for trustees and sponsors

Positioned to win

- Our competitive advantage is driven by our scale, asset sourcing and synergistic model
- We help clients of all sizes with innovative solutions and excellent client service

Value creation in all markets

- Bespoke asset manufacturing and origination driving consistent outperformance
- Through-cycle value creation as market environments change

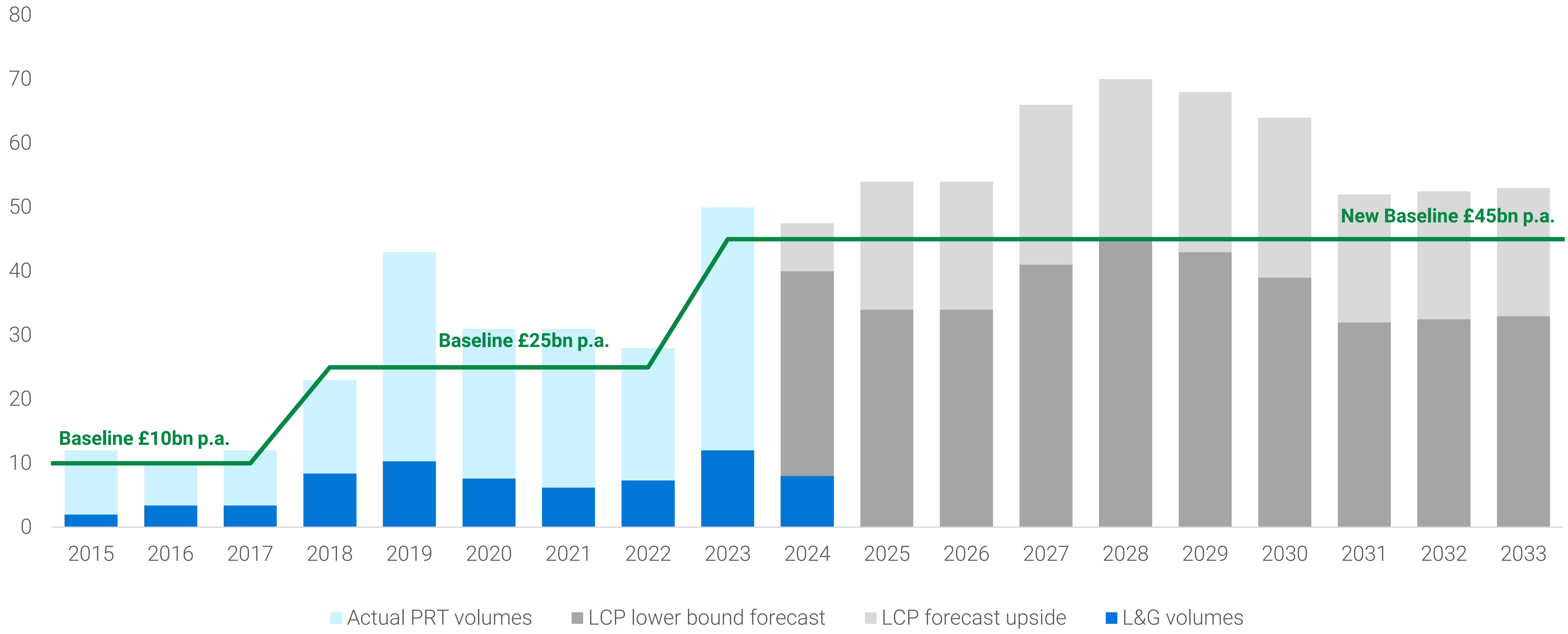
The £1 trillion global market opportunity

Market	Market size (GBP)	% insured today		% insured by 2033[1]	New business in next decade
	£1.8trn	16%	▶	c.50%	£0.5trn
	£2.4trn	11%	▶	c.30%	£0.4trn
	£1.1trn	10%	▶	c.15%	£0.1trn
Total	£5.3trn	12%		c.35%	£1trn

+ potential in other markets e.g. Netherlands, Japan

1. Market share applies to a smaller estimated Defined Benefit asset pool in 2033 as payouts to pensioners exceed the accrual of new benefits.

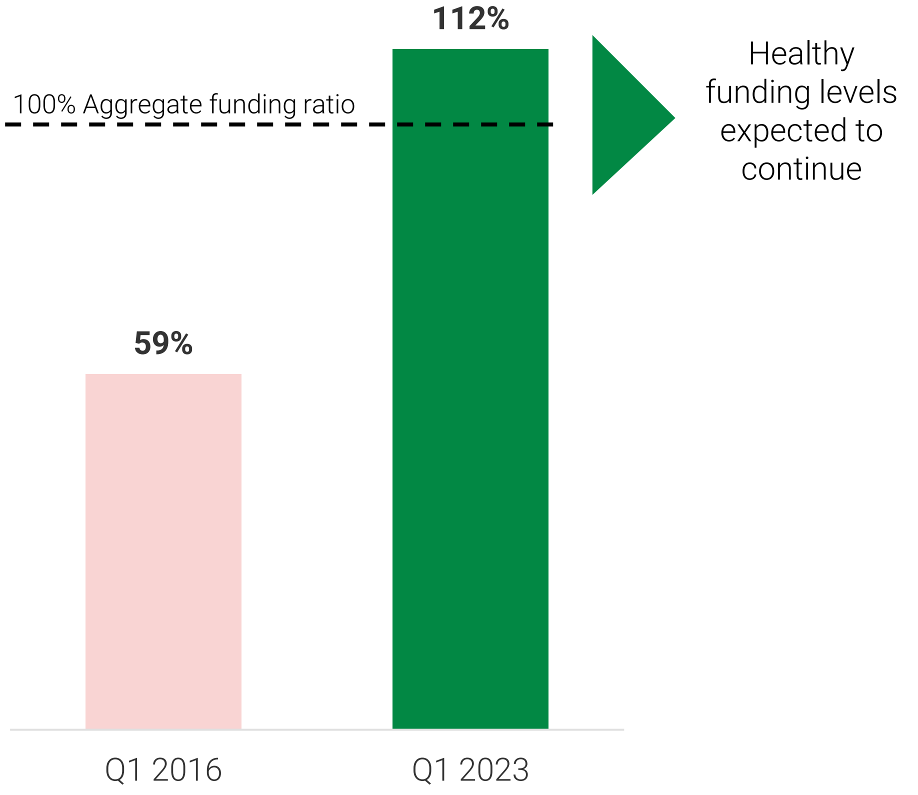
Elevated UK volumes over the next decade



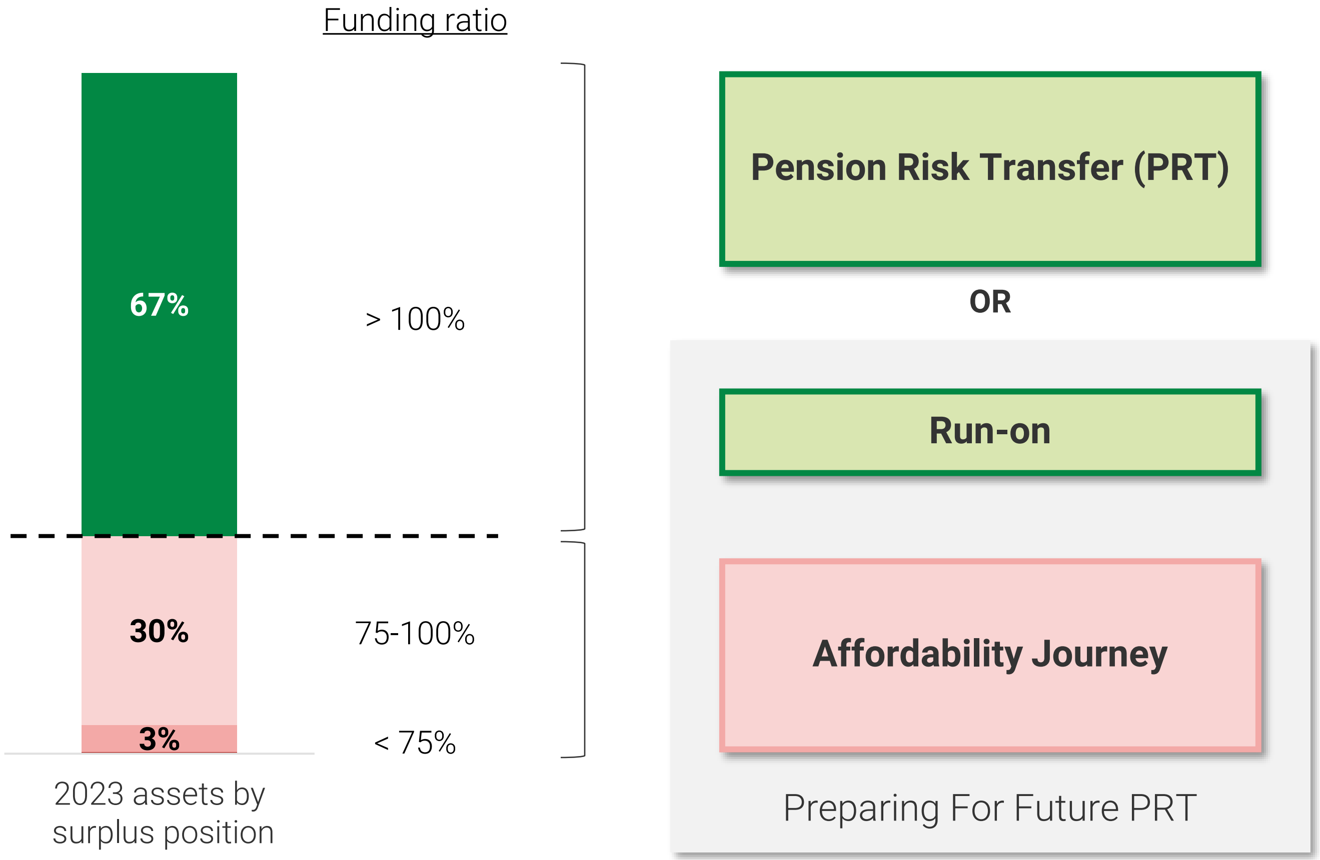
Source: LCP; 2024 L&G volumes are YTD.

Rising client demand for UK PRT solutions

Improved DB funding levels …



… unlocking new options for sponsors and trustees



Source: The Purple Book, published by the PPF in Dec 2023; Government consultation for defined benefit schemes.

PRT solutions remain the most attractive long-term option

Sponsors
Focus on core business

Trustees
Security of members’ benefits

Members
Award-winning client service

It remains a question of
'when' not 'if’
a scheme should fully insure and buy out its liabilities

LCP
PRT report – October 2024

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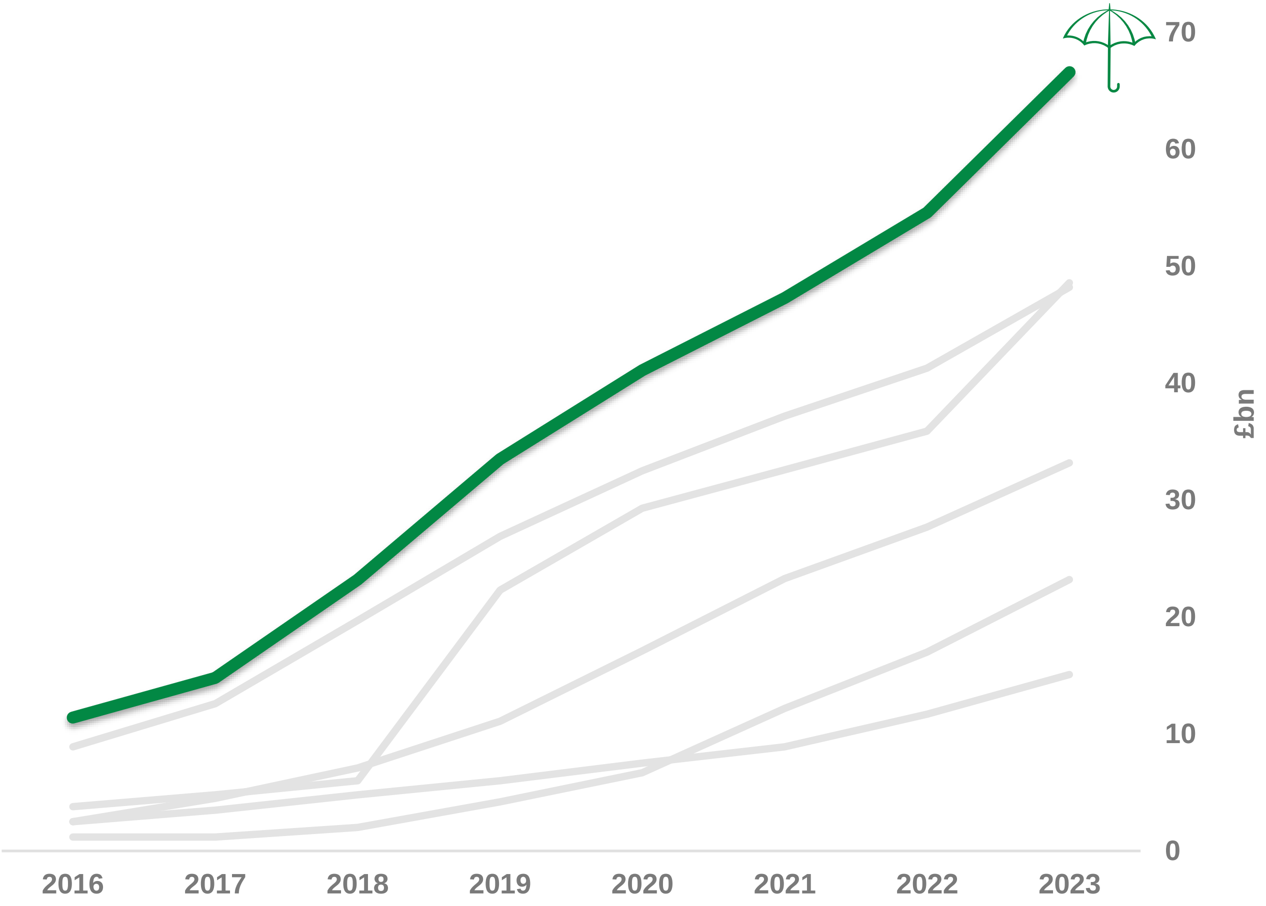
The leading global player in PRT

Total UK PRT written by L&G and competitors since 2016[1]



#1

35+ years
Longest serving provider

1m+
Retirement customers[2]

25%+
Market share (last 10 yrs)

£70bn+
retirement income secured

$12bn+
retirement income secured

CAD$2bn
retirement income secured

1. LCP data; excludes back book transactions, includes APP.
2. Total annuity customers across our Institutional Retirement and Retail divisions served by our single Group administration team.

Why our clients choose us

1. Competitive pricing

Benefits of our scale and whole L&G model creating value to share with clients in pricing

2. Brand, track record and purpose

Clients trust us; they value our heritage and recognise our values

3. Longstanding relationships

Deep client base and history of working with DB schemes and sponsors

4. Bespoke solutions for whole market

Tailored solutions for large clients and efficient proposition for small schemes

5. Client service

High quality service from our in-house administration team

1. Competitive pricing from our scaled synergistic model

Pricing advantages from …

Our model	Our scale
Differentiated asset origination	Expertise in longevity, reinsurance and portfolio management
Capital diversification	Operational capacity to write higher volumes

Cost efficiency from shared resources

2. Brand, track record and purpose

Brand

Household name with a 188-year heritage & constant FTSE 100 presence

"Trustees want L&G to be bidding for business. That's driven by their **brand awareness** and being a sustained leader in the market." (EBC)

Track record in PRT

Market leader with >35 years' experience and a track record of innovation

Purpose

Productive and responsible investment

BRITAIN'S MOST ADMIRED COMPANIES 2022 OVERALL WINNER

BRITAIN'S MOST ADMIRED COMPANIES 2023 OVERALL WINNER

CITY AM WINNER 2023

ESG Investor of the Year

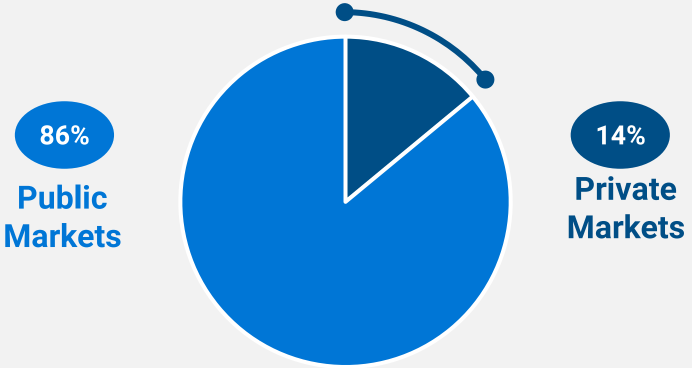
PENSIONS Age AWARDS 2023 WINNER

Sustainability Provider of the Year

3. Longstanding relationships from Asset Management

Asset Management: Strength in UK DB

c.1,700 UK DB schemes with an active L&G relationship



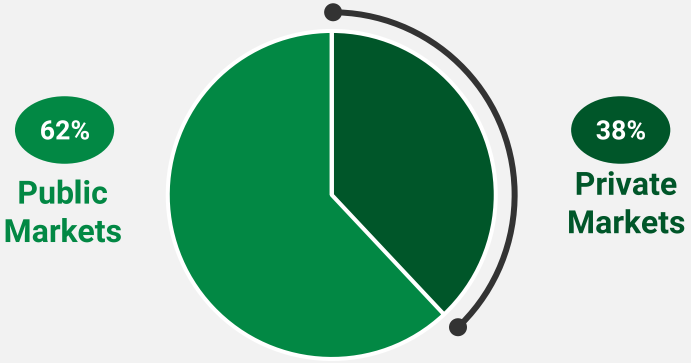
Average UK DB portfolio
Source: Pension Policy Institute report

84%

PRT volumes from Asset Management clients[1]

PRT extends relationships and delivers:

- Committed AUM
- Higher margin assets
- Investment in origination capabilities



Asset Management revenue increases 3x as schemes move to PRT with L&G

1. Last three years.

4. Whole of market, utilising bespoke solutions

Splits by scheme size

Premium (£) # Deals

ENDGAME – solutions for large schemes

FLOW – our dedicated buyout proposition for small schemes

Immediate transactable pricing

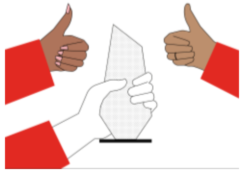
Standardisation for efficiency & scale

End-to-end solution reducing costs

5. High quality client service from our in-house team

First class buy-in administration	**£5bn** Paid to clients and customers in 2023[1]	**+70** World Class Net Promoter Score
Seamless on-boarding	**270k** Members onboarded in last five years	**0.07%** Member complaints
Efficiency through AI and automation	**28,000** Client calls answered	**<30 secs** Average call speed answer

CCA cca-global.com ACCREDITED MEMBER 2024



14 CCA Global Excellence Awards since 2021

1. Total payments to Institutional Retirement and Retail annuitants from our combined administration team.

Attractive and growing market

- Growth in global Pension Risk Transfer (PRT) volumes to remain strong
- PRT is still the most attractive option for trustees and sponsors

Positioned to win

- Our competitive advantage is driven by our scale, asset sourcing and synergistic model
- We help clients of all sizes with innovative solutions and excellent client service

Value creation in all markets

- Bespoke asset origination and manufacturing driving consistent outperformance
- Through-cycle value creation as market environments change

Our in-house asset manufacturing is a competitive advantage

£32bn

Direct Investments[1]

Differentiated alpha from in-house asset manufacture

£14bn Manufactured assets to-date

50-150bps Yield uplift range

Additional open market sourcing to meet scale demands

£18bn Open market sourced assets

30-50bps Yield uplift range

1. Direct Investments including Lifetime Mortgages as at HY24.

Enhanced returns from differentiated asset origination

Delivered | **Committed**

In-house manufactured DI	**c.50-150 bps uplift**[1]	
Open market sourced DI	**c.30-50 bps uplift**[1]	
Liquid Assets	c.150bps spread[2]	

Housing
c.£6bn in Life-time mortgages across UK and Europe

Oxford
£4bn investment partnership with Oxford University

Property
>£5bn in Sale and Leaseback as well as Build-to-rent

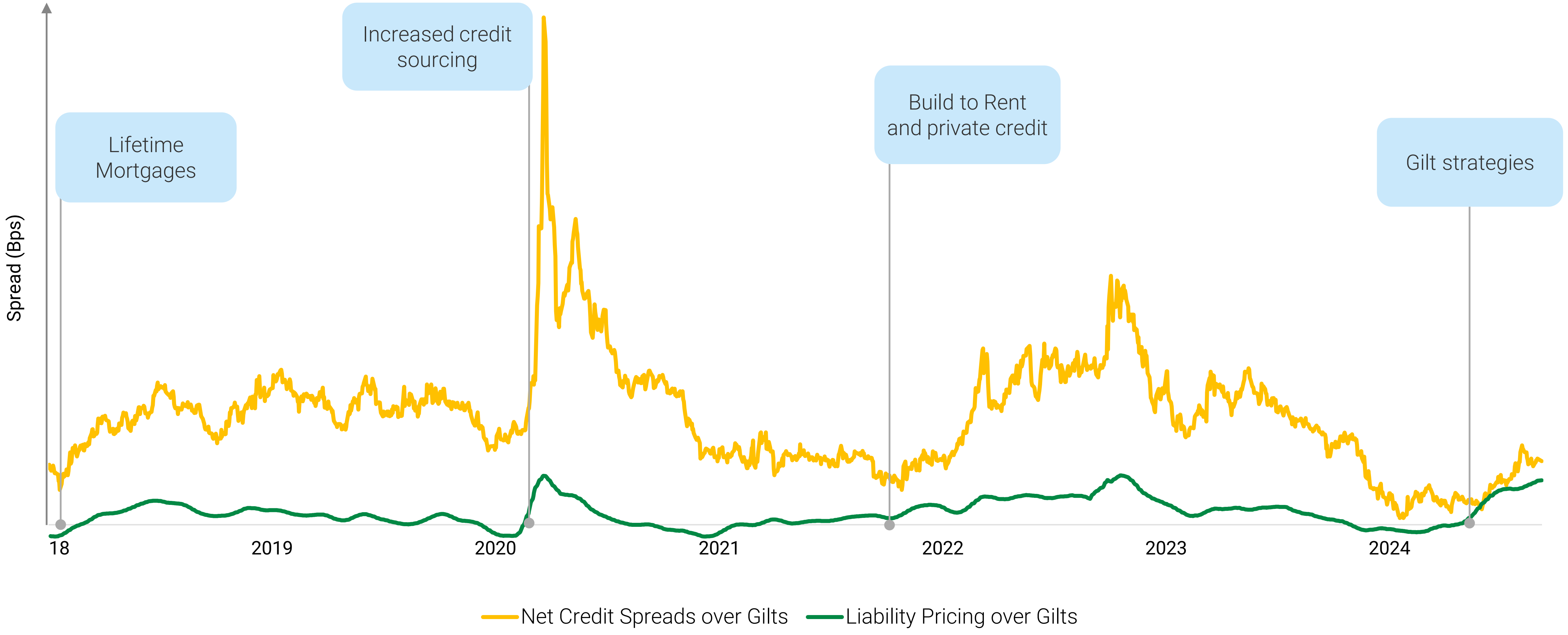
Affordable homes
£2bn to deliver 10,000+ new affordable UK homes

Cardiff
£1bn city centre regeneration

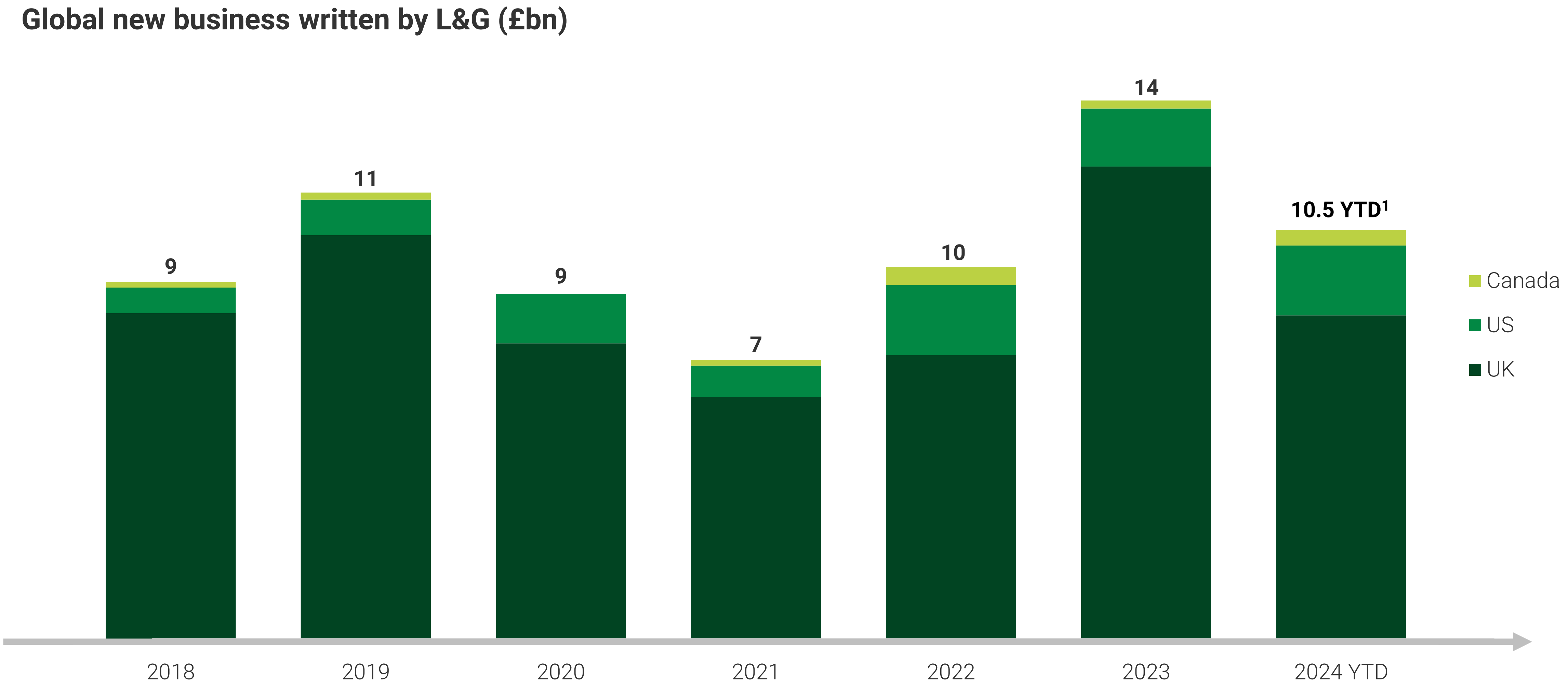
Private credit
Major opportunity for differentiated returns (e.g. via Pemberton)

1. Indicative range of historic yield uplifts over same-rated credit.
2. Liquid asset spread over the risk-free rate.

Agile asset allocations to seize on market opportunities



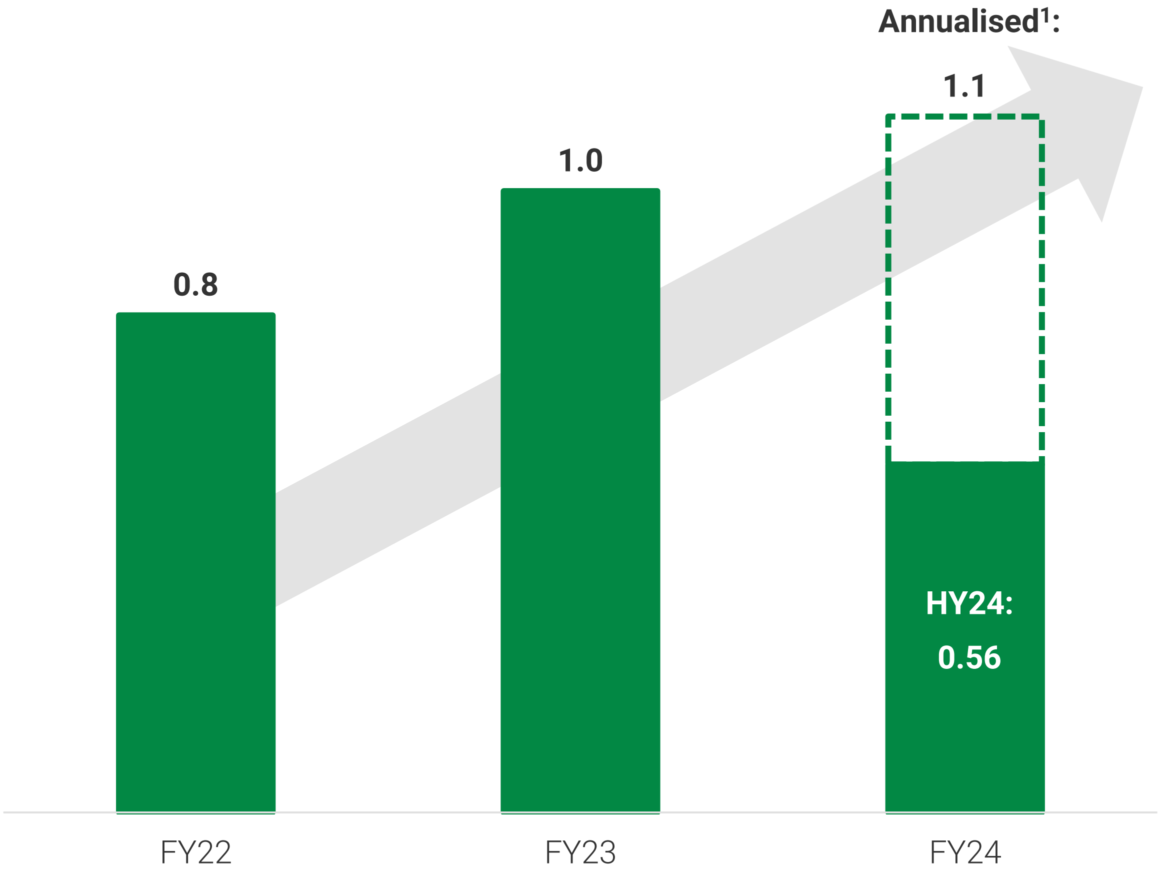
Success in writing PRT in changing market conditions



1. Written year to date or exclusive and expected to transact in 2024, as at end November 2024.

Performance generates consistent value creation

Institutional Retirement Operating Profit (£bn)



Robust operating profit of £1bn+

Strong growth outlook as we write new business

1. FY24 operating profit of £1.1bn is indicative at double that of HY24.

Recent successes and strong pipeline for 2025

2024 success stories

UK	4 x £1bn+ transactions in H2 12th ICI transaction – £7bn in total Opening of Glasgow office to onboard BSPS administration team	**£8.4bn** YTD volumes (written or expected to close in 2024)[1]
US	Top 10 US PRT writer	**£1.7bn** Record YTD volumes[1]
Canada	Largest L&G deal in Canada	**£0.4bn** Record YTD volumes[1]
		£10.5bn

UK pipeline for 2025

£1bn
Additional exclusive volumes expected to complete in Q1 2025

10+
£1bn+ deals in the pipeline for 2025

£35bn+
Active deals in UK pipeline, expected to complete in 2025

1. As at end November 2024.

Key messages

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- Through-cycle value creation as market environments change

Financial outlook

Jeff Davies | Group CFO

Key messages

How we generate value	Economic value derived from earning a spread on growing PRT assets – timing and recognition varies under IFRS and Solvency
Track record in risk management	Value creation over decades demands a diligent approach to risk management – we have a good track record
Focus on 2024	Potential for additional capital returns to shareholders from writing capital-efficient PRT new business in 2024

Value generation principally from spread-based business

[Net spread × Originating assets and liabilities at scale] + Additional value creation

Value from net spread converted to IFRS and SII

Reporting treatment

Indicative asset margin[1]

IFRS

- New business spread capitalised upfront in store of future profits
- Steady release of store of future profits into P&L plus investment margin and other smaller operating items

Simplifies to …

Operating profit impact[2]

100-120bps

Solvency II

- Upfront capital strain on new business
- Release of SCR and Risk Margin (net of TMTP), plus investment prudence release and return on surplus

Simplifies to …

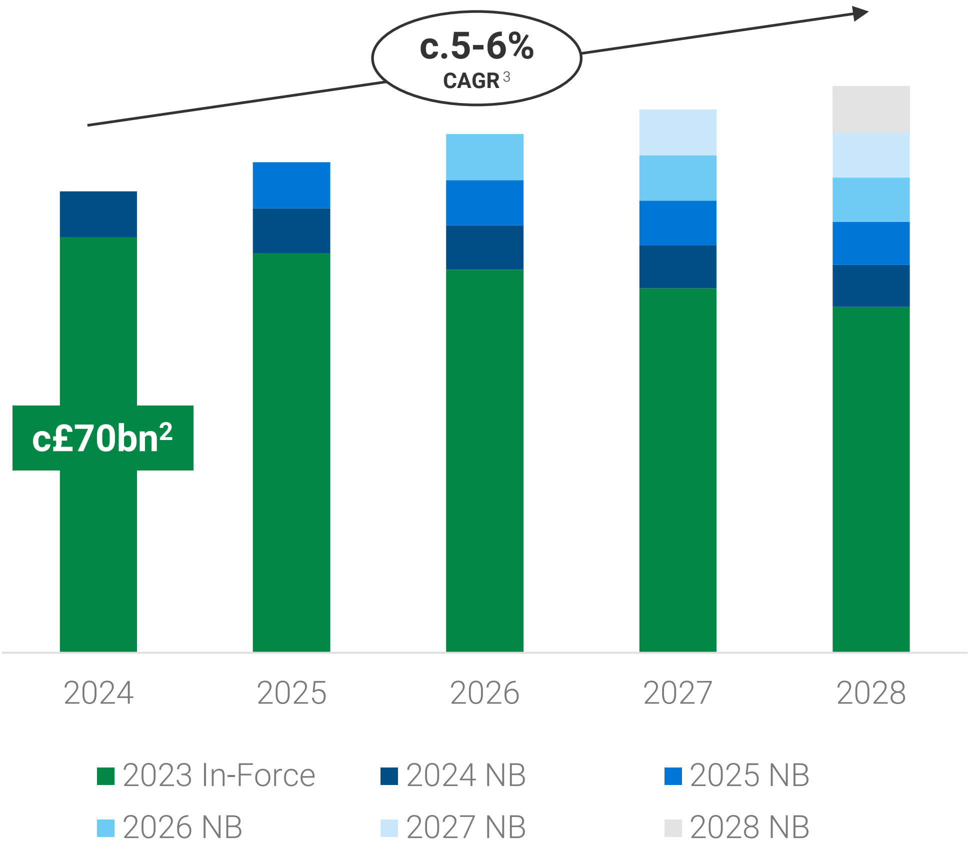
OSG impact[2]

90-110bps

1. Indicative asset margins for Institutional Retirement operating earnings and OSG, calculated as a margin on opening Institutional Retirement annuity assets and excluding back book optimisation.
2. Asset margin guidance for operating profit and OSG varies principally due to i) differences in economic bases, ii) timing of profit recognition and iii) tax – where OSG is net of tax, operating profit is gross of tax. Does not include profits generated in Asset Management from PRT.

Growing our asset base as we write new business

Indicative growth in Institutional Retirement assets[1]



Main drivers of net growth (indicative)

Driver	Impact
New business growth (assuming £10bn PRT p.a.)	**+10%**
Stable run-off of in-force book[4]	**(4)%**

1. Assumed new business growth of £10bn PRT per annum (with 25% Funded Re) based on indicative experience and market conditions in 2020-2023.
2. Estimated opening 2024 Institutional Retirement annuity assets were £68.9bn. In the UK, annuity assets across Institutional Retirement and Retail are managed together. We show here Institutional Retirement estimated annuity assets. Excludes derivative assets.
3. CAGR in assets varies with amount of new PRT business written. Indicatively, Institutional Retirement asset growth would be c7-8% CAGR assuming new business growth of £13bn PRT p a.
4. Run-off of in-force book is net of investment returns on the portfolio.

Further upside potential from back book optimisation

Ongoing optimisation of our Bond Portfolio

+

Switching Traded Assets into Direct Investments

+

Liability reinsurance

At least £1bn of additional cumulative value from back book optimisation of the annuity portfolio (2024-2028)[1]

1. Figures apply to UK Institutional Retirement and Retail annuity book. Institutional Retirement's share of these figures is approximately 80%. "At least £1bn of additional cumulative value" relates to OSG. Scope for additional back book optimisation beyond 2028.

Indicative value generation under Solvency II

Solvency II value creation[1]

‘Locked in’ value		Growth at 5-6% CAGR (assuming £10bn PRT p.a.)		Further upside
90-110bps Indicative OSG asset margin[2]	×	**c.£70bn** Opening Institutional Retirement assets	+	**£1bn+** Optimisation actions (2024-28)[3]

\+ **Additional c.£50m p.a. value generation in Asset Management from managing our annuity assets**

1. Forecast OSG generation (2024-2028) assuming £10bn PRT per annum is provided in the Appendix.
2. The equivalent asset margin ‘rule of thumb’ for IFRS operating profit is 100-120bps.
3. Figure applies to UK Institutional Retirement and Retail annuity book. Institutional Retirement’s share of these figures is approximately 80%.

Key messages

How we generate value

Economic value derived from earning a spread on PRT volumes – timing and recognition varies under IFRS and Solvency

Track record in risk management

Value creation over decades demands a diligent approach to risk management – we have a good track record

Focus on 2024

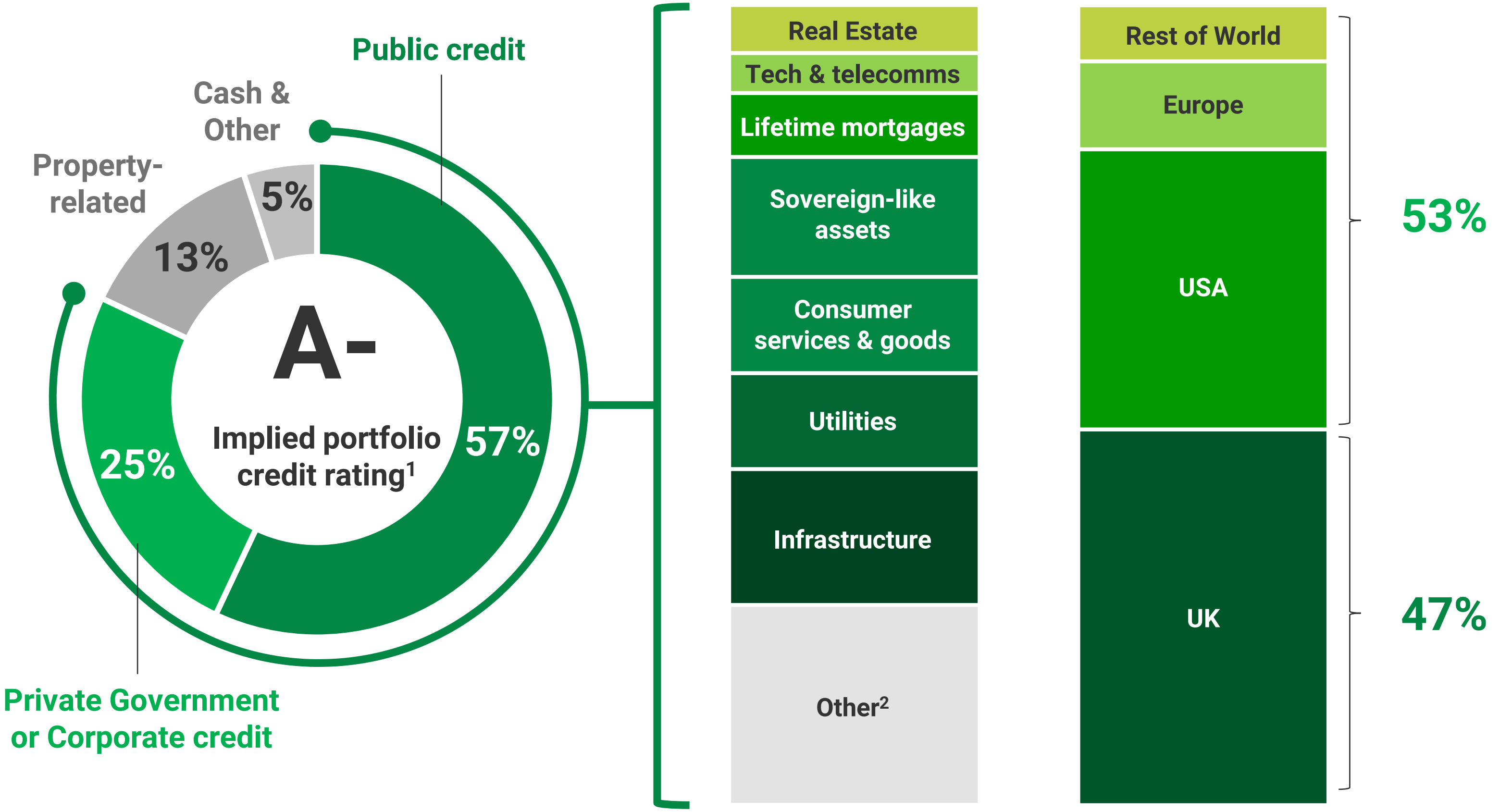
Potential for additional capital returns to shareholders from writing capital-efficient PRT new business in 2024

Diligent selection and management of key risks

Credit risk	Well-positioned diversified investment grade portfolio High quality Direct Investment portfolio Strong track record of mitigating default and downgrade risks
Longevity risk	Longevity risk on new business substantially reinsured with a diverse reinsurance panel Residual longevity risk retained from business written pre-2016
Market risk	Diversified investment portfolio and effective hedging strategies for interest rates, inflation and currency mitigate market risk

Strong credit management of our high-quality annuity portfolio

Public and private credit portfolio



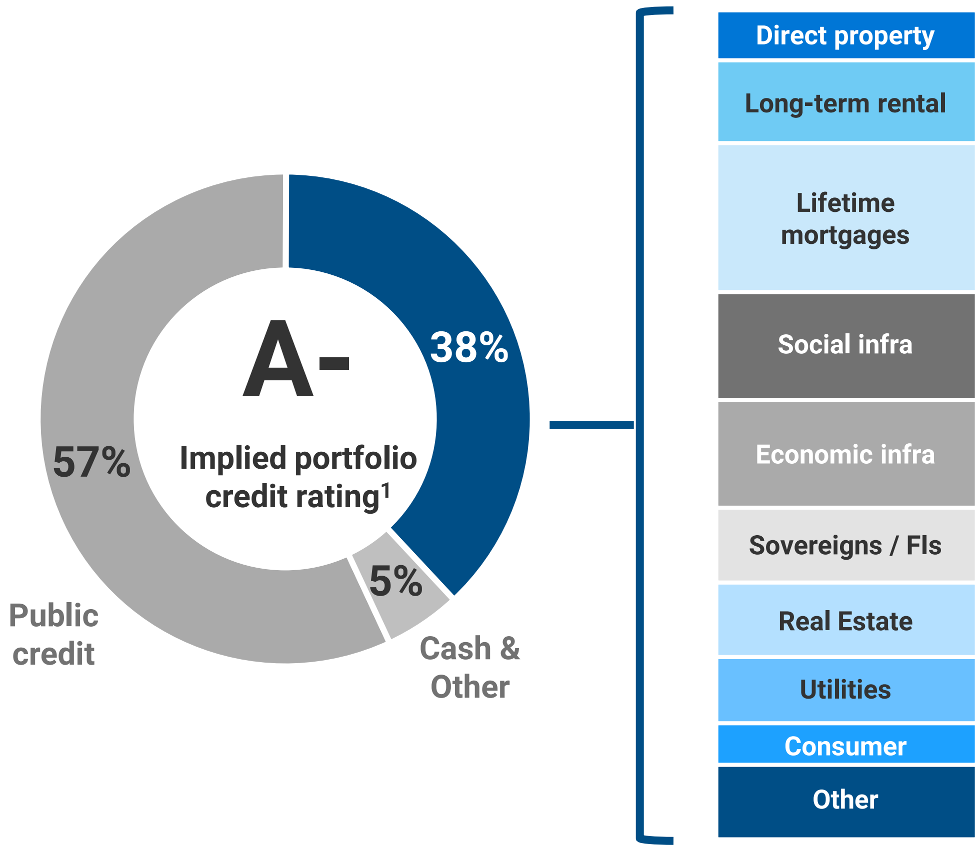
Stable portfolio managed to mitigate downgrades and defaults

c.99% investment grade

1. All data shown as at HY24. Implied credit rating determined by Weight Adjusted Rating Factor (WARF).
2. Other comprises allocations at or below 5% to sectors such as Banking, Healthcare, Industrials and others.

Our Direct Investments provide very reliable cashflows

£32bn in Direct Investments (c.38% total annuity portfolio)



c.67% of Direct Investments A rated or better

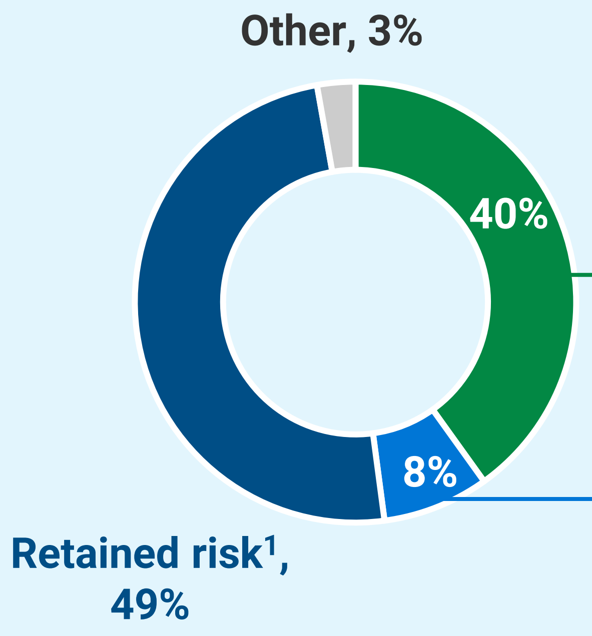
99.9% scheduled cashflows received[2]

32% LTVs on Lifetime Mortgages demonstrate quality

1. All data shown as at HY24. Implied credit rating determined by Weight Adjusted Rating Factor (WARF).
2. Since 2016.

Around half of total annuity book longevity risk is reinsured

Longevity risk management of annuity back book



Longevity reinsurance

- Buoyant longevity reinsurance swap market with competitive pricing
- Active panel of 19 high quality counterparties

Funded reinsurance

- Helpful risk and capital management tool to support large transactions
- Robust approach complying closely with PRA policies

1. Includes longevity risk retained on individual annuities.

Key messages

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Focus on 2024	Potential for additional capital returns to shareholders from writing capital-efficient PRT new business in 2024

Strong 2024 performance with £10.5bn new business volumes

Higher risk-free rate

+

Tighter corporate credit spreads

+

Wider long-dated gilt spreads

Increased use of gilts-based investment strategy

2024 YTD metrics

£10.5bn	c.7%	14%+	c.1%
Total PRT new business volumes[1]	IFRS new business margin[2]	Return on capital	UK PRT capital strain
Maintaining price discipline	*Strong returns for low-risk investment*	*Highly attractive returns on capital*	*<4% CME metric*

1. Written year to date or exclusive and expected to transact in 2024, as at end November 2024.
2. Calculated as a percentage of premium net of funded reinsurance. New business CSM and RA adjusted to a) include annuity book optimisation from Direct Investment capacity enabled by gilts-based investment strategies, and b) to remove timing constraints, primarily those on reinsurance imposed by IFRS17.

Low strain gilts approach provides scope for larger buybacks

Gilts-based strategy	Day One	Thereafter
IFRS impact	Highly attractive returns on capital Slightly lower growth in store of future profit	Release of store of future profits with significant scope for back book optimisation
Solvency II impact	Highly attractive returns on capital Significantly lower initial strain	Capital generation from in-force with significant scope for back book optimisation

We anticipate returning a proportion of the capital not used on strain

On track to deliver Divisional and Group CME metrics

Group	
Core Operating EPS CAGR (FY24-FY27)	6-9%
Operating Return on Equity (2025-27)	>20%
Cumulative SII capital generation (2025-27)	£5-6bn

+ mid-single digit FY24
core operating profit growth

Institutional Retirement	
UK PRT (2024-28)	£50-65bn
UK PRT strain (2024-28)	<4%
Operating profit CAGR (FY23-FY28)	5-7%

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Q&A

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- PRT is still the most attractive option for trustees and sponsors

Positioned to win

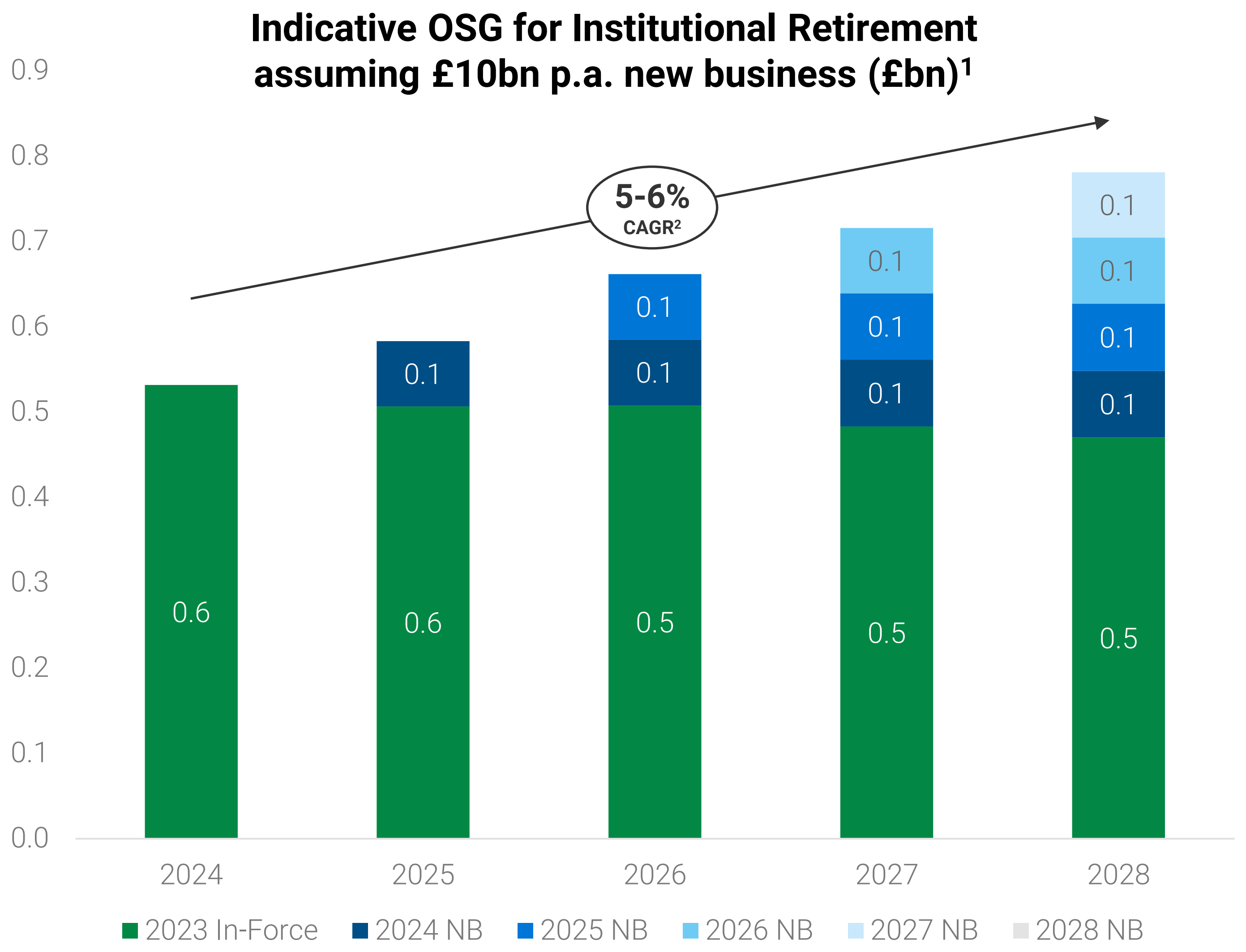
- Our competitive advantage is driven by our scale, asset sourcing and synergistic model
- We help clients of all sizes with innovative solutions and excellent client service

Value creation in all markets

- Bespoke asset origination and manufacturing driving consistent outperformance
- Through-cycle value creation as market environments change

Appendices

Capital generation will also grow as we continue to write PRT



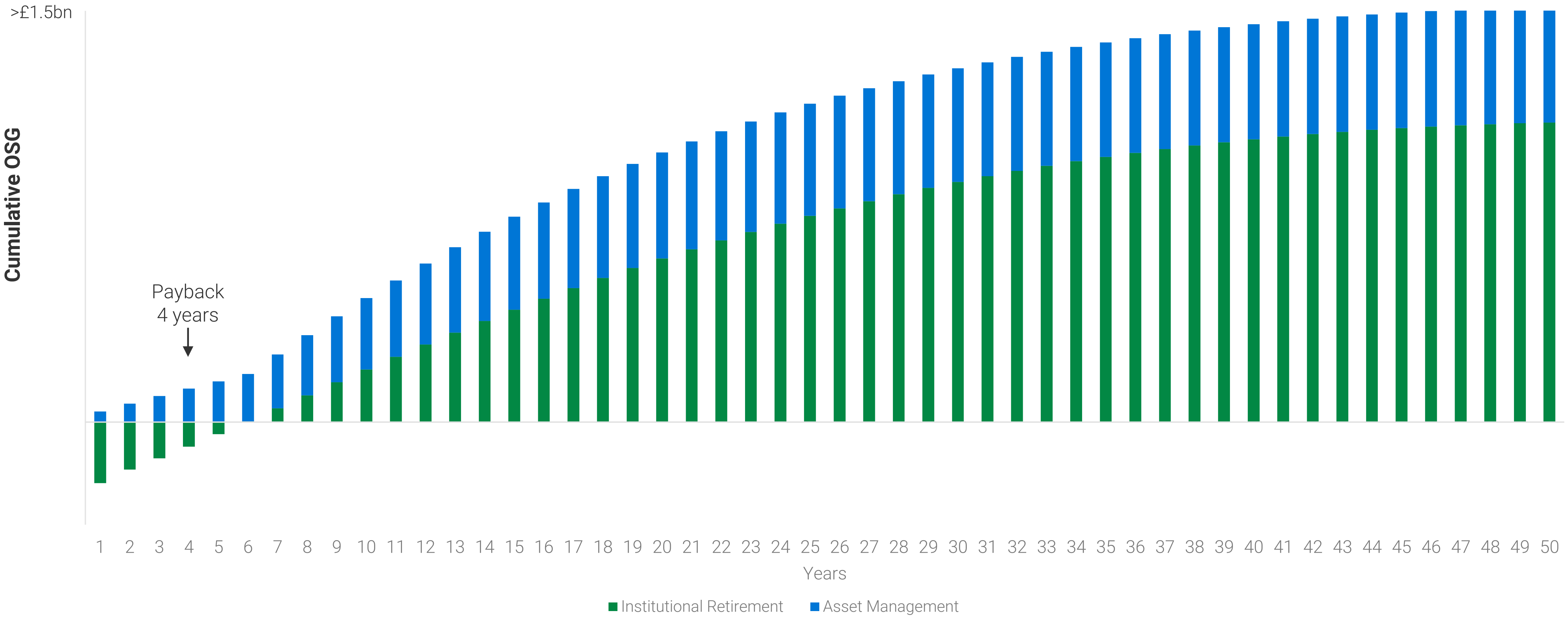
Additional upside from:

- Asset Management fees associated with PRT (c.£50m per annum)
- Back book optimisation and management actions

1. Assumed new business growth of £10bn PRT per annum (with 25% Funded Re) based on indicative experience and market conditions over 2020-2023. Actual outcomes will vary depending on business mix, level of reinsurance and prevailing market conditions. Operational surplus generation is net of tax. Includes returns on Direct Investments.
2. Indicative CAGR includes assumed management actions of £0.2bn p a.

New business creates additional future long-term capital flows

Writing £10bn of UK PRT generates more than £1.5bn of surplus



Based on indicative experience and market conditions over 2020-2023. Actual outcomes will vary depending on business mix, level of reinsurance and prevailing market conditions. Asset Management includes fees for managing the assets + returns on Direct Investments. Operational surplus generation is net of tax.

Expected Capital Emergence for Institutional Retirement[1]

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045-2053	2054-2062	Total
In Force[2] Business	611	595	546	534	507	485	470	457	437	473	455	438	419	403	381	361	342	322	302	233	212	1,089	350	**10,422**
£10bn[3] of UK PRT new business	(277)	76	78	79	78	76	74	72	69	67	63	61	58	56	53	51	48	46	43	41	38	255	139	**1,344**

1. Includes returns on Direct Investments but does not include asset management fees.
2. Includes estimated contribution from International business.
3. Assumed to be written mid-way through the year.