

Delivering inclusive capitalism

Sharing success with investors,
customers and society

LEGAL & GENERAL GROUP PLC | YEAR END RESULTS – MARCH 2018



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.

Financial highlights: continuing strong financial performance

Operating profit

£2,055m

(2016: £1,562m)

+32%

Profit before tax

£2,090m

(2016: £1,582m)

+32%

Earnings per share¹

31.87p

(2016: 21.22p)

+50%

IFRS return on equity¹

25.6%

(2016: 18.8%)

Net release from continuing operations²

£1,352m

(2016: £1,242m)

+9%

Full year dividend

15.35p

(2016: 14.35p)

1. Includes £274m mortality release (£332m gross of tax) and £246m one-off benefit following US tax reform

2. Net release from continuing operations, excluding Mature Savings, Legal & General Netherlands (LGN) and Digital Savings (2017: £102m, 2016: 169m), which have, or are being disposed of

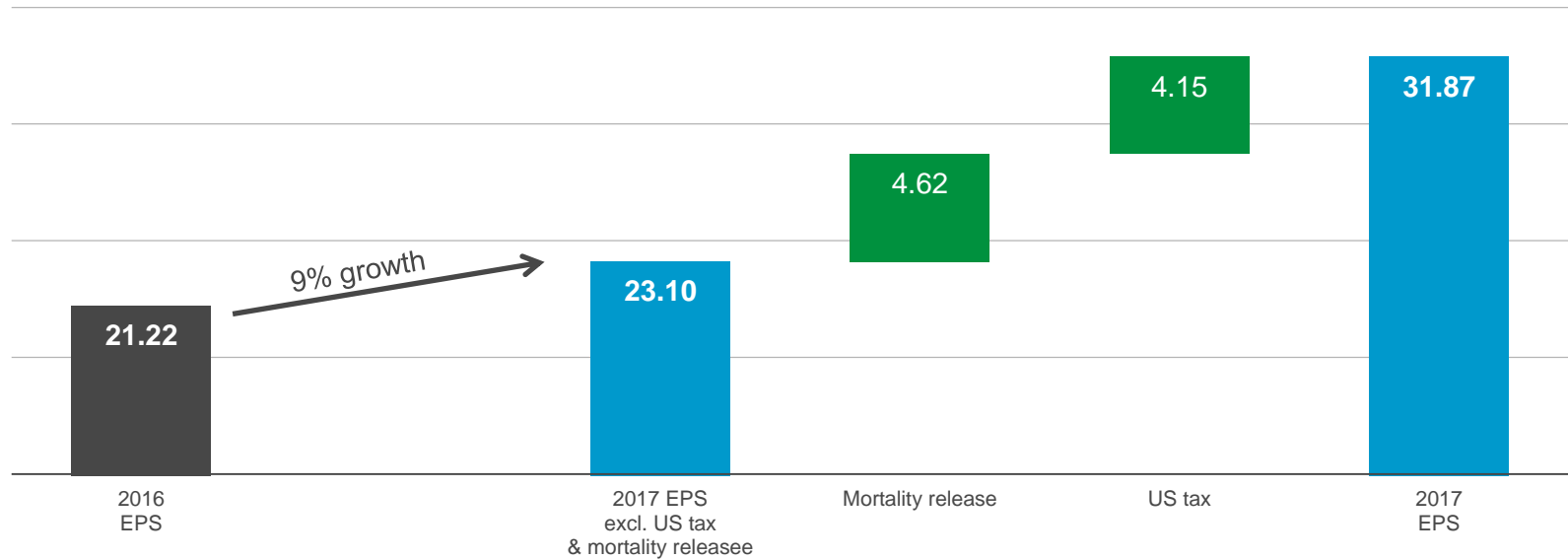
Key financials: strong growth, attractive returns

	2011	2012	2013	2014	2015	2016	2017	CAGR
OPERATING PROFIT (£m)	1,053	1,087	1,158	1,275	1,455	1,562	2,055	12%
NET RELEASE FROM OPERATIONS ¹ (£m)	846	865	1,002	1,104	1,256	1,411	1,454	9%
DIVIDEND (£m)	375	452	550	668	797	854	914	-
NET RELEASE FROM OPERATIONS RETAINED (£m)	471	413	452	436	459	557	540	-
DIVIDEND PER SHARE (p)	6.40	7.65	9.30	11.25	13.40	14.35	15.35	-
RETURN ON EQUITY (%)	14.9	15.4	16.1	16.9	17.3	18.8	25.6	-
EARNINGS PER SHARE (p)	12.42	13.84	15.20	16.70	18.16	21.22	31.87	17%
BOOK VALUE PER SHARE (p)	86	92	94	100	106	116	131	7%

1. Net release from continuing operations is £1,352m (2016: £1,242m)

EPS performance: consistent with longer term ambition

EPS: 23.10p (excluding mortality release and US tax)



- 2017 EPS of 31.87p, 50% higher than 2016 EPS of 21.22p
- One-off £246m benefit from revaluation of net deferred tax liabilities following US tax reform (4.15p)
- Result benefits from mortality releases of £274m net of tax (4.62p)
- **2017 EPS excluding mortality releases and US tax is 23.10p, 9% higher than 2016 EPS**

Reshaping the group has increased focus

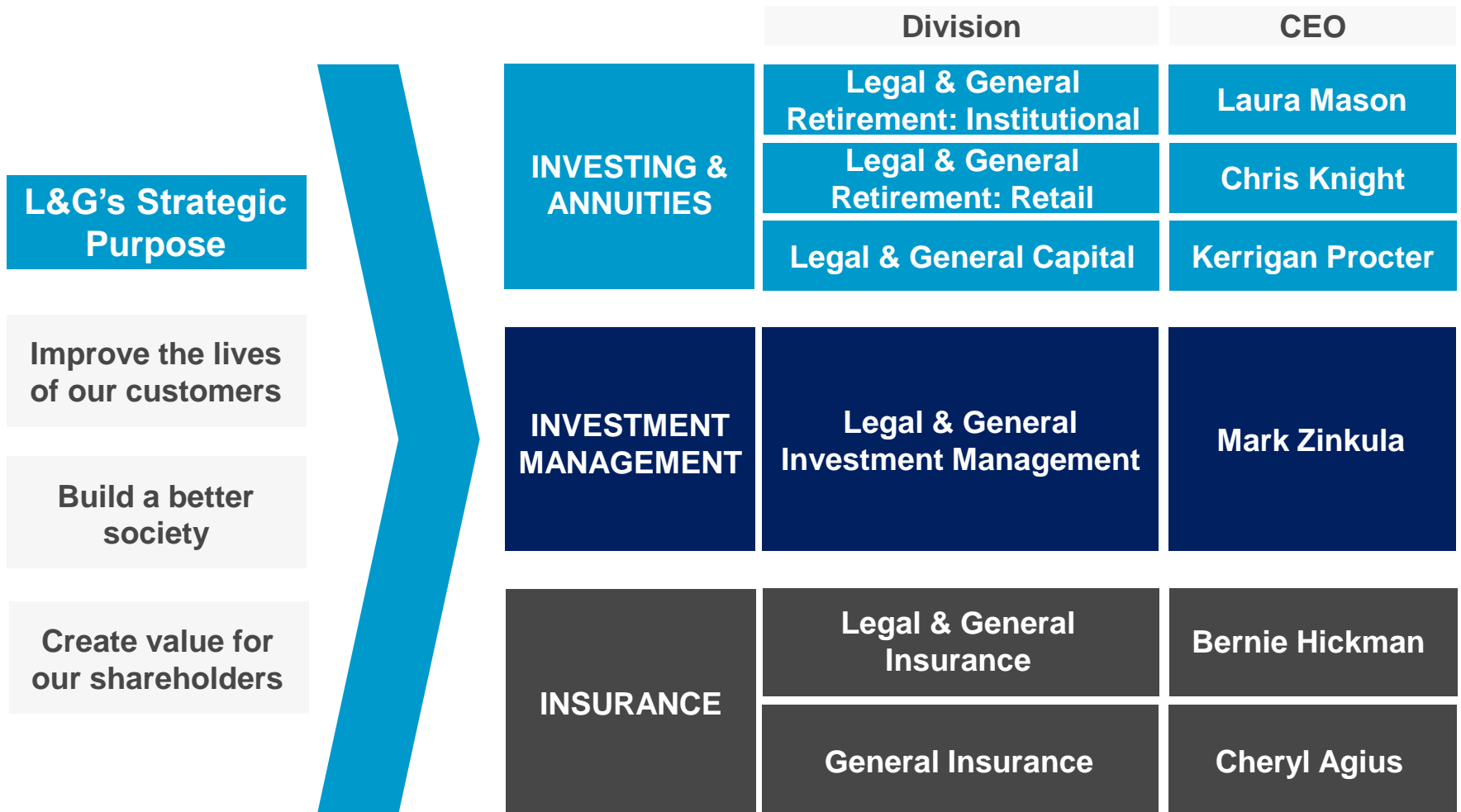
DISPOSALS, CLOSURES & SIMPLIFICATIONS

	Status	Proceeds
Mature Savings (H2 2017)	Sale agreed	£650m
Insurance: Netherlands business (H1 2017)	Sold	€161m
Savings: Cofunds (H1 2017)	Sold	£147.5m
Legal & General Germany (H2 2016)	Sold	-
Savings: Suffolk Life Group Limited (H1 2016)	Sold	£45m
Legal & General Ventures (Snow & Rock, Liberation Ale, ABI)	Sold	£141m*
Legal & General International Ireland – investment bonds (H2 2015)	Sold	£15m
Savings: Egypt business (H2 2015), 55% interest	Sold	\$54m (L&G share)
Savings: Gulf business (H2 2015)	Sold	-
Insurance: France business (H2 2015)	Sold	£159m
Xperience: Estate agency business (H2 2014)	Sold	£6m
Retail Investments transferred to LGIM: was 13 th now 3 rd in net flows	Simplified	-
Workplace integrated into LGIM's DC business, now £68bn AUM	Simplified	-
Withdrawal of investment advice: Network and Employed sales (2016)	Simplified	-

* Largely owned by With-Profits business

A clear strategy redefined: delivering inclusive capitalism

Reshaping of the Group leading to three focused business areas:



Mature Savings continues to be managed by Jackie Noakes

Excellent execution: clear and consistent strategy

Growth drivers

2017 achievements

Ageing demographics

- £6.4bn LGR transactions, including 15 US pension de-risking transactions
- Over **£1bn** Lifetime mortgages sales, market leader, 33% market share
- Solutions assets of **£463bn**, up 12%, UK market leader with 42% share

Globalisation of asset markets

- 349 US clients with £139.5bn assets, 4 of top 5 US DB pension funds
- Successfully winning US mandates, net flows £12.6bn (2015: £9.4bn)
- LGIM total AUM of **£983bn**, up 10%, International AUM of £228bn, up 29%

Creating real assets

- **£14.4bn** of group-wide direct investments, up 44%
- £1bn 'Build to Rent' pipeline with new sites in Bath, Birmingham, Leeds and Brighton
- Extended Homes sector into Later Living through a new operating partnership
- UK infrastructure investments in Bracknell, Newcastle and UK transport

Welfare reforms

- Market leading UK retail protection business, 24% market share
- UK DC assets £68.2bn, up 19%, largest manager of DC assets in the UK
- 2.7m DC customers in over 14,000 schemes

Technological innovation

- Retail Protection direct sales 18% of total, General Insurance direct sales 38% of total
- Newly created Fintech business areas, to drive technology disruption across the Group
- My Account: over 1.5m users with c.630k new customers signed up in 2017

Today's capital

- Leading lender to Europe's corporates via Pemberton. 4 funds to date tracking to €3bn+ AUM
- Invested in over 100 start-ups to date via partnerships

Financial Highlights

Jeff Davies, Group Chief Financial Officer

Operating profit

£2,055m

+32%

Earnings per share

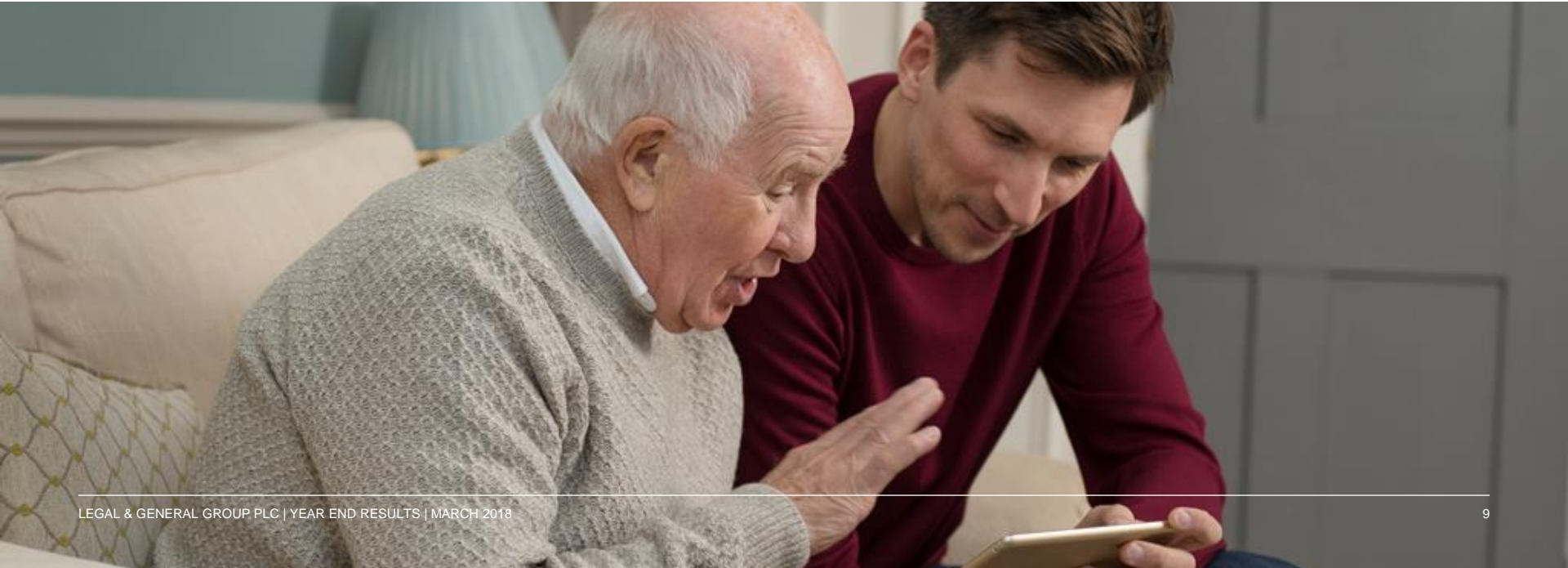
31.87p

+50%

Earnings per share excl. mortality release and US tax

23.10p

+9%



Consistent delivery: strong results

	2017	2016	%
Operating profit (£m)	2,055	1,562	32
Operating profit from continuing operations (£m)	1,948	1,447	35
Mortality release (£m)	332	-	n/a
Operating profit from continuing operations excl. mortality release (£m)	1,616	1,447	12
Net release from continuing operations ¹ (£m)	1,352	1,242	9
Total release ² (£m)	1,704	1,411	21
Subsidiary dividends remitted to Group ^{2,3} (£m)	1,583	1,085	46
Return on equity (%)	25.6	18.8	
Solvency II net surplus generation (£bn)	1.2	1.1	
Solvency II coverage ratio (%)	189	171	

1. Net release from continuing operations, excluding Mature Savings, Legal & General Netherlands (LGN) and Digital Savings (2017: £102m, 2016: 169m), which have, or are being disposed of

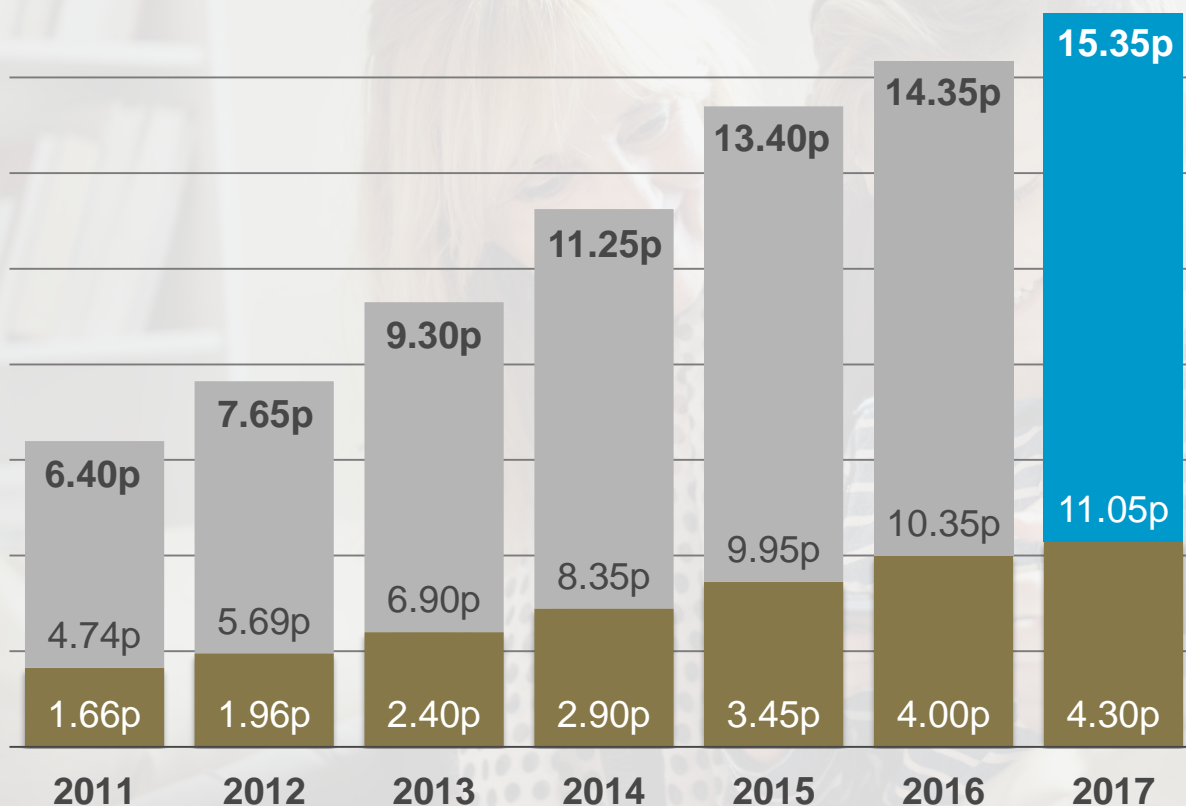
2. Includes £250m additional dividend from LGAS arising from the mortality release in 2017

3. Represents cash remitted from subsidiaries to Group in respect of the years financial performance

Full year dividend up 7% to 15.35p

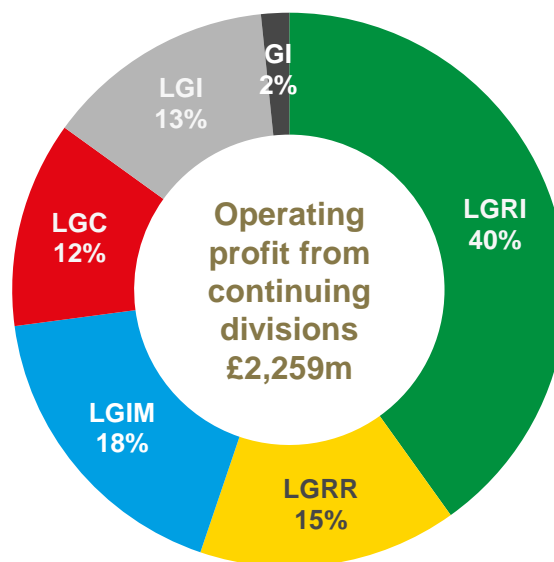
DIVIDEND

- Final
- Interim



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

Benefits of a diversified business model



Operating Profit (£m)	2017	2016	%
Legal & General Retirement Institutional (LGRI)	906	651	39
Legal & General Retirement Retail (LGRR)	341	158	116
Legal & General Investment Management (LGIM)	400	366	9
Legal & General Capital (LGC)	272	257	6
Legal & General Insurance (LGI)	303	303	-
General Insurance (GI)	37	52	(29)
Group	(311)	(340)	9
Operating profit from continuing operations	1,948	1,447	35

Excl. mortality release	
2017	%
716	10
199	26

1,616	12
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LGR: Consistently delivering

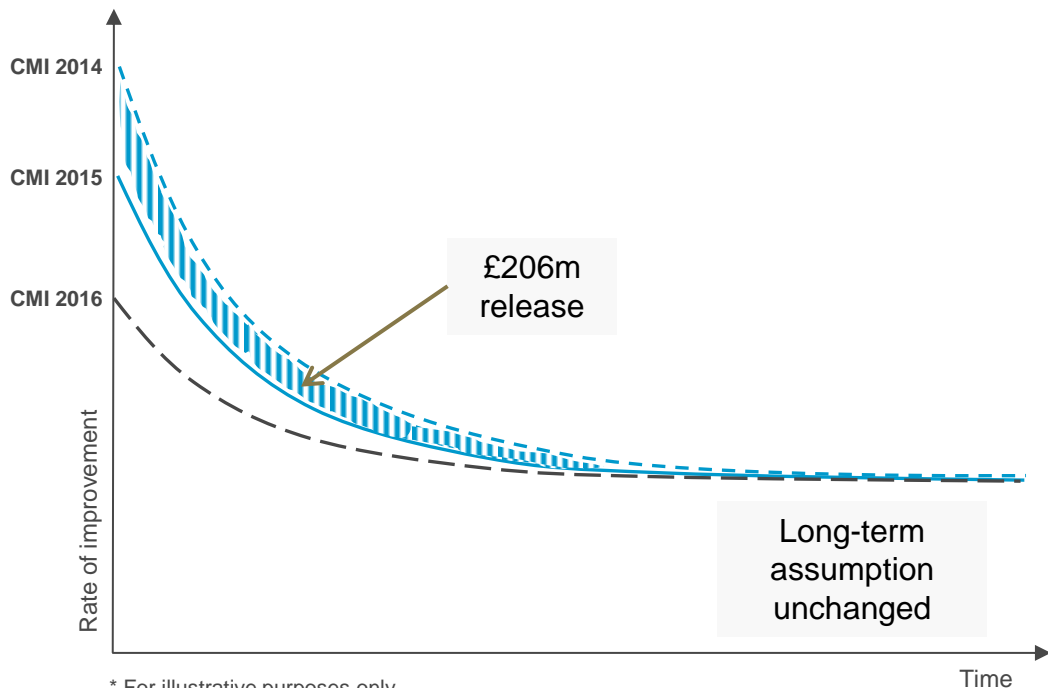
FINANCIAL HIGHLIGHTS	2017	2016
Release from operations (£m)	508	432
New business surplus (£m)	180	159
Net release from operations (£m)	688	591
Operating profit (£m)	1,247	809
LGR Institutional (£m)	906	651
LGR Retail (£m)	341	158
Operating profit excl. mortality release (£m)	915	809
Profit before tax (£m)	1,251	846
Total annuity AUM (£bn)	58.2	54.4
Of which: Direct investments (£bn)	12.2	8.1
Solvency II new business margin ¹ (%)	8.5	
Solvency II new business value add ¹ (£m)	346	
Solvency II new business strain (%)	< 4.0	

- Operating profit of £1,247m up 54%, reflecting:
 - Strong performance from front and back books
 - Positive impact of £332m updating assumptions in relation to base mortality and future mortality improvements in light of recent better than expected experience
- Operating profit excluding mortality release is £915m up 13%
- IFRS new business surplus of £180m reflects our success in securing good annuity volumes and attractive yields on direct investments (including lifetime mortgages)
- Pricing discipline has kept the SII new business strain below 4%

1. Excludes US PRT business

LGR: Change in mortality tables as improvement rate slows

Changes to mortality improvement assumptions in 2017*



* For illustrative purposes only

LIFE EXPECTANCIES ¹	CMI 2015	CMI 2014	Change
Male aged 65	23.5	23.6	(0.1)
Female aged 65	24.6	24.8	(0.2)

1. Illustrative figures based on Bulk Annuity population at 31.12.17

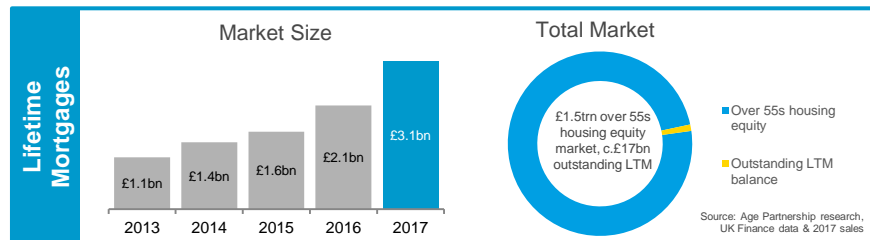
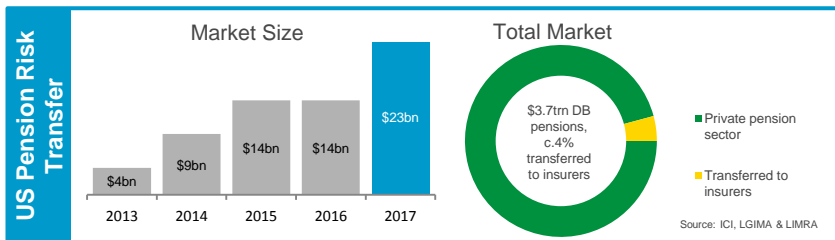
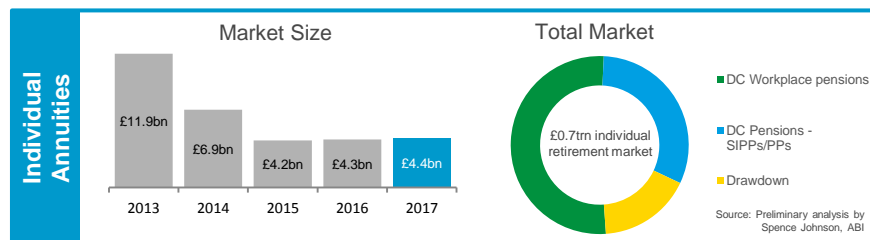
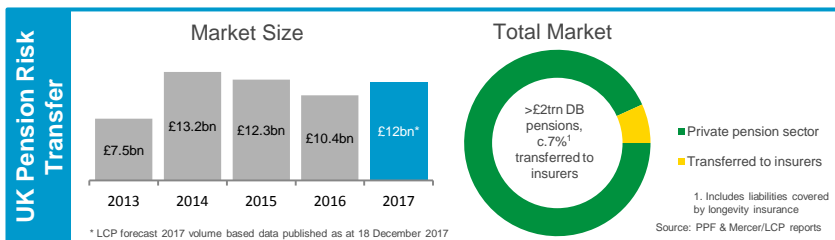
- Release of £126m in H1 2017 in respect of base mortality
- H2 2017 reviewed the appropriateness of the CMI 2015 model for mortality improvement
- Increasing evidence that the higher than expected level of recent mortality is in part due to medium or long-term influences rather than short-term factors
- Moved to an adjusted version of the CMI 2015 model in H2 2017. Short-term improvement rates prudently reduced to reflect emerging experience. Our long-term assumption currently unchanged
- Impact is a release of £206m from our IFRS reserves
- We will continue to apply caution in our assessment of the sustainability of any reduction in mortality improvements, with any release being recognised over several years

LGR: Continued strong momentum, significant opportunity

TOTAL SALES (£m)	2017	2016
Backbook acquisition	-	2,945
UK Pension risk transfer	3,405	3,338
US Pension risk transfer	543	347
Individual annuities	671	378
Longevity insurance	800	900
New lifetime mortgages	1,004	620
Total	6,423	8,528

Total new business sales of £6.4bn

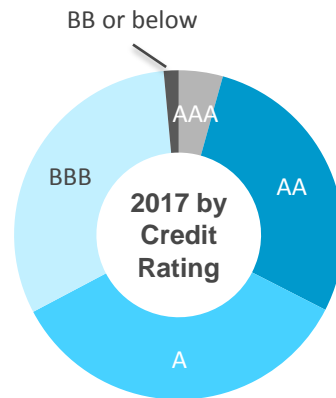
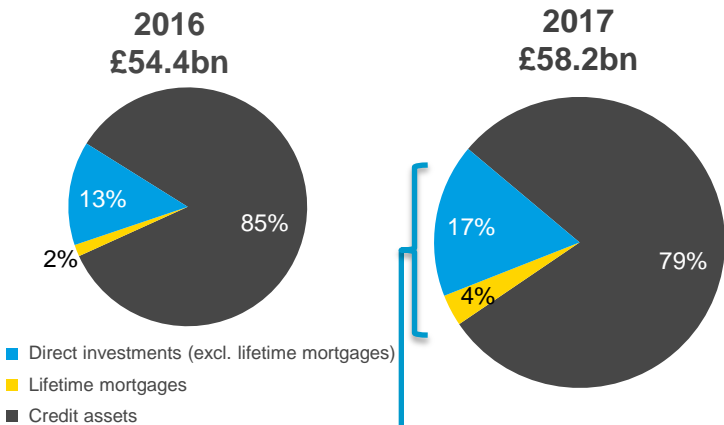
- Annuity premium of £4.6bn as demand remains strong, in particular US PRT sales increased by 56% and individual annuity sales increased by 78%
- £1.4bn of £3.4bn UK PRT transferred from LGIM clients
- £1.0bn lifetime mortgage sales, 33% market share



LGR: Defensive and well diversified asset portfolio

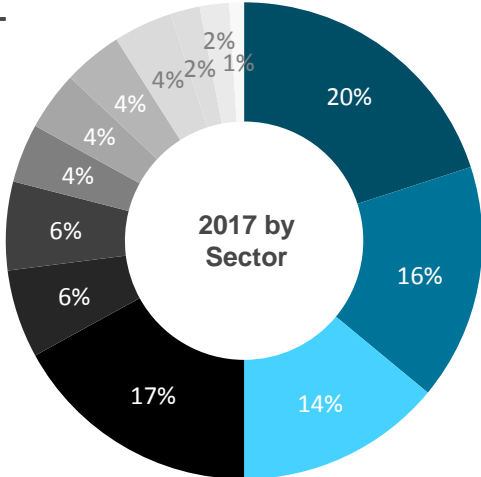
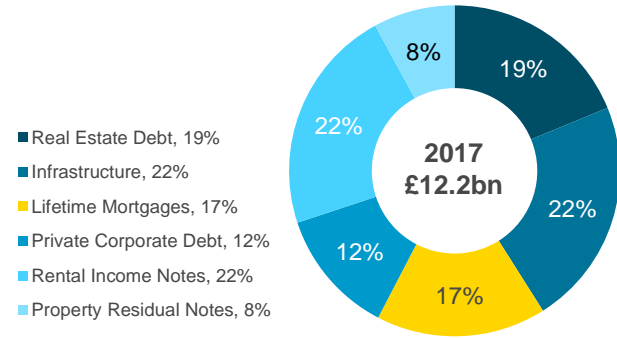
INCREASING PROPORTION OF DIRECT INVESTMENTS

.. WHILST MAINTAINING OVERALL CREDIT QUALITY & HIGH SECTORAL DIVERSIFICATION



- 20% of bond portfolio in Sovereign-like assets
- Around 70% of the bond portfolio is A rated or better
- Credit default reserve £2.7bn

WIDE SPECTRUM OF DIRECT INVESTMENT CLASSES



1. Sovereigns, Supras and Sub-Sovereigns 20%
2. Utilities, 16%
3. Consumer services and goods, 14%
4. Infrastructure, 17%
5. Technology and telecoms, 6%
6. Banks, 6%
7. Energy, Oil and Gas, 4%
8. Real Estates, 4%
9. Financial Services and Insurance, 4%
10. LTM Loans, 4%
11. Securitisations (collateralised credit), 2%
12. Industrials, 2%
13. Commodities, 1%

LGIM: Continued strong performance

FINANCIAL HIGHLIGHTS	FY 2017	FY 2016
Operating profit ¹ (£m)	400	366
Total revenue (£m)	805	730
Total expenses (£m)	(405)	(358)
External net flows (£bn)	43.5	29.2
Of which: International (£bn)	33.0	14.5
Ext. net flows % of opening AUM	4.9	3.9
Closing AUM (£bn)	983	894
International AUM (£bn)	228	177
DC AUM (£bn)	68	57
Retail AUM (£bn)	30	24
Cost: income ratio (%)	50	49

- Operating profit up 9% to £400m, while maintaining a steady cost income ratio
- Strong flows across regions, channels and product lines
- Market leader in DB and the largest UK provider of LDI, with 42% market share²
- Largest manager of DC assets and ranked third in UK retail net sales³ for second consecutive year
- Successful international expansion continues with record net flows of £33.0bn and AUM up 29%
- 85%, 82% and 71% of active assets under management (AUM) above benchmark or peer group median over one, three and five years⁴

1. Operating profit includes Workplace Savings 2017: £0m (2016: £(6)m)

2. KPMG LDI Market Survey 2017

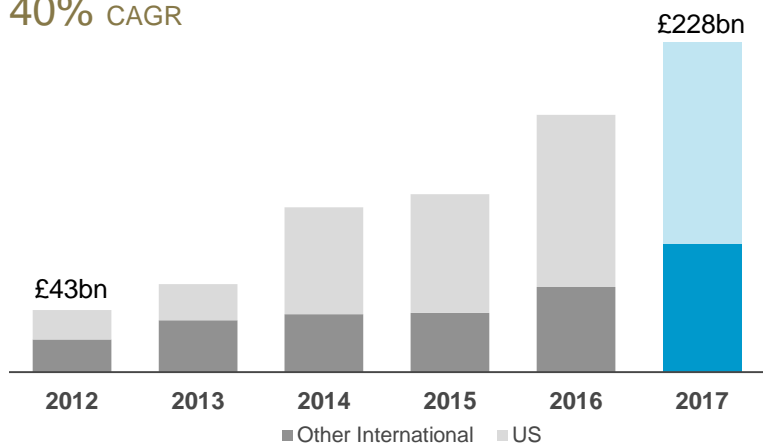
3. Pridham Q4 2017

4. Performance is measured on a gross-of-fee-basis for institutional accounts, and net-of-fee for retail funds. AUM as of 31 December 2017

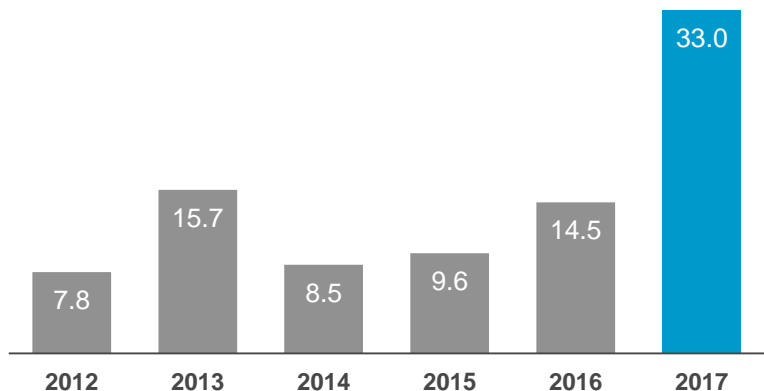
LGIM: Record international net inflows

International AUM Growth (£bn)

40% CAGR



International Net Flows (£bn)



- Total International AUM of £228.0bn, a 29% increase from 2016
- Record net International inflows of £33.0bn
- Higher net flows in all regions: US (£12.6bn), Europe (£12.6bn), Gulf (£3.6bn), and Pacific Rim (£4.1bn)
- 349 US clients (67 in 2013), total US AUM £139.5bn (\$188.8bn), 18% increase from 2016
- Expanding investment and distribution capabilities in Europe, including acquisition of Canvas, the European exchange-traded fund (ETF) platform
- Trading and index fund management capabilities established in Hong Kong, Tokyo distribution office opened, secured first Australian client

LGC: Growing our assets and building profitability

FINANCIAL HIGHLIGHTS	FY 2017	FY 2016
Net release from operations (£m)	224	214
Operating profit (£m)	272	257
- Direct Investments	124	121 ¹
- Traded Portfolio and other	148	136
Profit before tax (£m)	363	419
- Direct Investments	102	94
- Traded Portfolio and other	261	325
Assets (£m)	7,301	6,193
- Direct Investments	1,450	1,137
- Traded Portfolio and other	5,851	5,056
Of which: Cash & Treasury assets ²	3,435	2,700
Net portfolio return ³ (%)		
- Direct Investments	8.1	9.0
- Traded Portfolio excluding cash	10.2	11.8

- Overall LGC operating profit £272m, up 6% from 2016
- Direct Investments portfolio now £1,450m, achieving an 8.1% net portfolio return
- Disposals generated £369m of gross proceeds, ahead of FY target of £250m, with full asset disposals at or above 10-12% target IRR
- Invested or committed £668m into new opportunities and the existing portfolio
- Traded portfolio performed above assumed returns over the year, benefitting from positive equity market performance

1. 2016 benefitted from the reversal of £7m of accrued promote relating to CALA Homes

2. Includes short term liquid holdings

3. Net portfolio return calculated as PBT divided by average smoothed assets

LGI: A growing book, stable profit

FINANCIAL HIGHLIGHTS	FY 2017	FY 2016
Net release from operations (£m)	275	271
Operating profit (£m)	303	303
- UK	209	218
- US	94	85
Profit before tax (£m)	243	173
Gross written premium (£m)	2,531	2,409
- UK	1,558	1,512
- US	973	897
UK Protection Solvency II margin (%)	8.6	10.4
US Protection Solvency II margin (%)	11.7	12.4

- Operating profit flat on prior year, with positive growth in premiums in both UK and US resulting in a 5% increase to £2.5bn
- US profits have grown by 5% to \$121m (11% on a sterling basis), driven by business growth and favourable mortality claims experience
- Retail Protection continues to provide solid profits, despite adverse lapse experience in H2 and margins being impacted by competitive pressures
- In Group Protection, we undertook a range of actions, including pricing, to address poor performance, leading to a profitable H2
- \$105m dividend paid in February 2018 (2017: \$100m)

LGI figures exclude Legal & General Netherlands, which was disposed of in April 2017
LGI UK includes UK Retail and Group Protection, UK Surveying and the Mortgage Club businesses

GI: Strong direct premium growth

FINANCIAL HIGHLIGHTS	2017	2016
Net release from operations (£m)	30	42
Operating profit (£m)	37	52
Profit before tax (£m)	43	68
Gross written premium (£m)	369	326
Of which: Direct channel GWP (£m)	139	121
Combined operating ratio (%)	93	89

Operating profit (£m)	2017	2016
H1	15	31
H2	22	21

Combined operating ratio (%)	2017	2016
H1	95	85
H2	92	91

- GWP growth of 13%, despite competitive market and maintaining price discipline
- 38% of total GI sales are now through the Direct channel
- Profitability in Q1 2017 impacted by increased costs from non-weather claims, predominantly escape of water; addressed through a range of pricing, underwriting and claims management actions
- Market leading, digitally innovative application, SmartQuote launched
- 7 new distribution partnerships added since 2016, of which several commence in H1 2018
- Discussions well advanced with potential new partners, leveraging off SmartQuote capability
- Acquisition of Buddies, a pet Insurance provider, diversifying product range

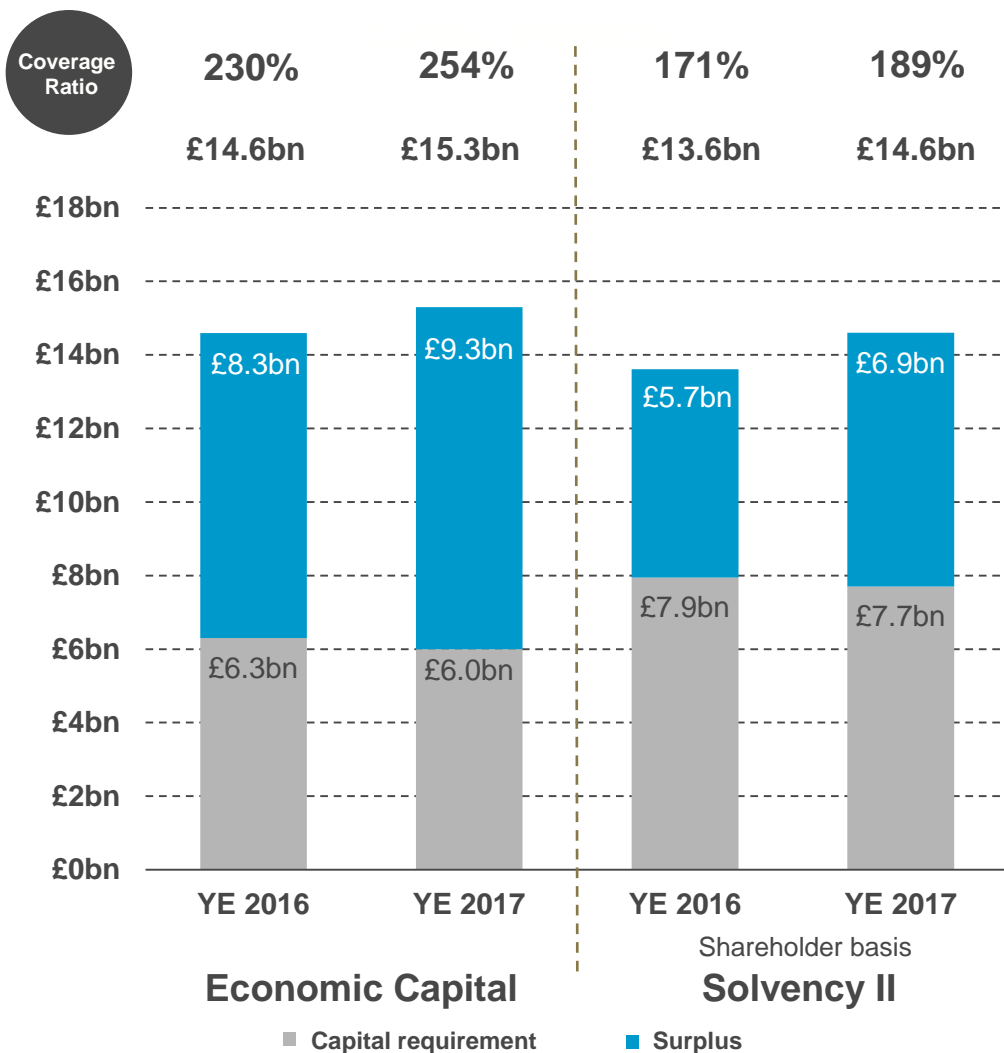
Savings: Sale announced in December 2017

FINANCIAL HIGHLIGHTS	2017	2016
Release from operations (£m)	107	104
New business strain (£m)	(5)	(5)
Net release from operations (£m)	102	99
Operating profit (£m)	103	105

- Sale of Savings division to Swiss Re for £650m announced in Dec 17 and anticipated to complete mid 2019
- 1.0x SII own funds multiple achieved
- Long term investment management contract signed with LGIM
- Operating profit sustained through market growth and operational efficiencies and increased engagement of customers via digital channels

Savings prior year comparator excludes Digital Savings (£6m operating loss), which was disposed of in 2016

Robust capital position

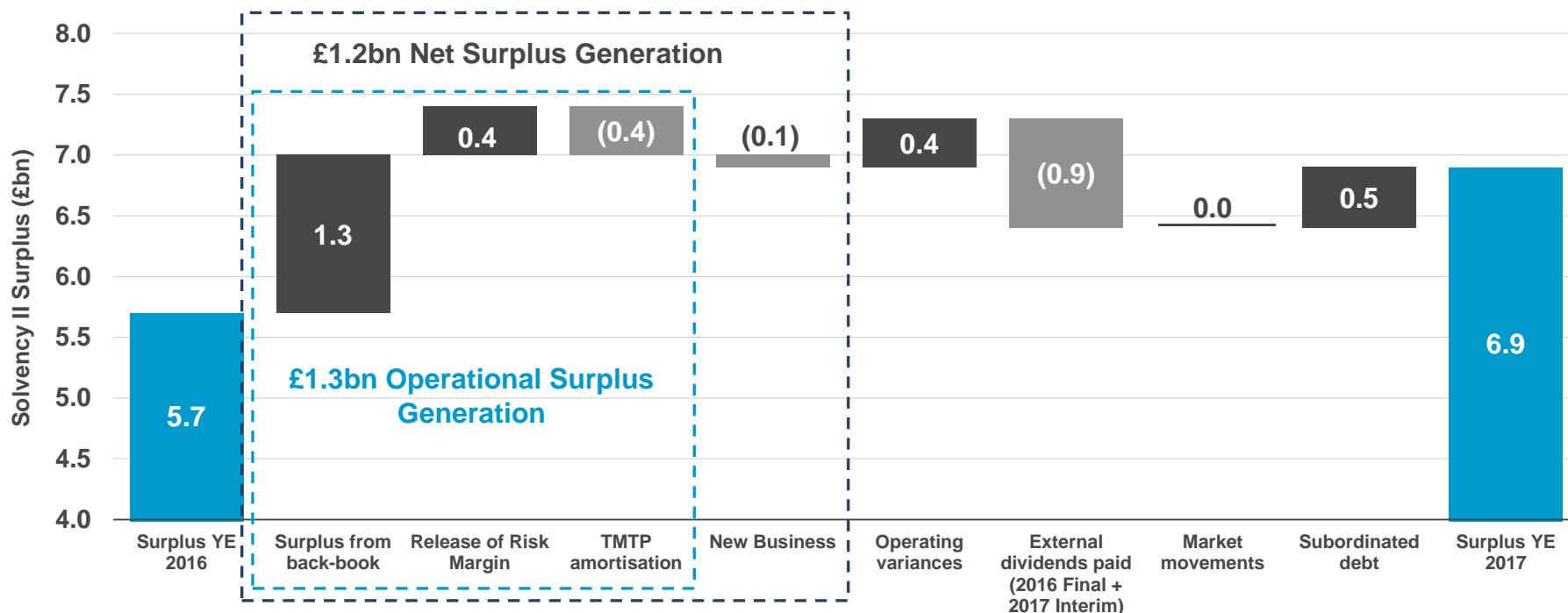


- Solvency II surplus of **£6.9bn**,
- Coverage ratio of **189%**
- Core tier 1 Own funds of £11.6bn (79%)
- Solvency II Surplus after dividend increased over 2017 due to:
 - Expected releases from back-book
 - Mortality releases
 - Model changes, offset by strengthening calibrations for rates and inflation
 - Management actions, including changes in asset mix, matching adjustment optimisation and hedging strategies
- **Coverage ratio as at 5th March 2018 is 196%**, benefitting from rising interest rates

Shareholder basis adjusts for Own funds and SCR of the With-profits fund and our final salary pension schemes. Including these, on a proforma basis, the Group's Solvency II coverage ratio was 181% (2016: 165%), with Own funds of £15.4bn and SCR of £8.5bn

Solvency II Own funds allow for a risk margin of £5.9bn (2016: £6.4bn) and TMTP of £6.2bn (2016: £7.0bn)

Movement in the Solvency II surplus



Net Surplus Generation £1.2bn

- Expected releases increase surplus by £1.3bn. This includes a run-off of the TMTP of £(0.4)bn and release of Risk Margin of £0.4bn
- Capital efficient annuity sales and a positive contribution from insurance new business reduces surplus by £(0.1)bn

Change in Surplus year on year £1.2bn

- Operating variances include mortality releases, experience variances, changes to valuation and capital calibrations and other management actions
- Strengthening calibrations for rates and inflation partially offset benefit within operating variances
- Payment of the 2016 final dividend (£0.6bn) and 2017 interim dividend (£0.3bn)

Estimated Solvency II new business value metric

2017	PVNB	Contribution from New Business	Margin %
UK Annuity business LGR (£m)	4,083	346	8.5
UK Insurance Total (£m)	1,496	129	8.6
Retail Protection	1,293	111	8.6
Group Protection	203	18	8.7
LGI America (£m)	764	89	11.7
SUBTOTAL (£m)	6,343	564	8.9

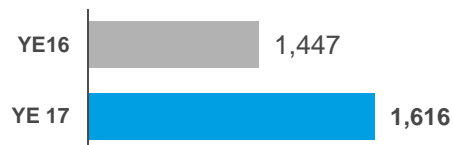
- This metric provides a measure of the value created in the business allowing for the run-off of Solvency II capital
- Continue to maintain good margins and pricing discipline
- Much of the change from end 2016 attributable to some increased competition in UK Retail Protection and changes in business mix
- For less than £100m of strain, £564m of value created

Follows the principles of EEV, but assumes profit emergence on Solvency II basis. Other methodologies are unchanged. Margins are based on unrounded inputs

In summary: Excellent growth

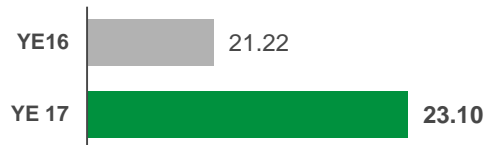
Operating profit from continuing ops.
excluding mortality release

£1,616m, +12%



Earnings per share excluding
mortality release and US tax

23.10p, +9%



2017 Mortality release

£126m Base

£206m CMI 2015

Return on Equity

25.6%



Solvency II coverage ratio

189%



Dividends remitted to Group

£1,583m



Solvency II coverage ratio as at 5th March 2018 is 196%

Group Strategy

Nigel Wilson, Group Chief Executive

Investing & Annuities

LGR AUA

£58.2bn

+7%

Investment Management

LGIM AUM

£983bn

+10%

Insurance

LGI & GI GWP

£2.9bn

+6%



Our six growth drivers: delivering inclusive capitalism

Growth drivers	Legal & General's Actions Broader Economic Potential
Ageing demographics	<ul style="list-style-type: none"> • Optimise longevity exposure for corporates • Deploy housing equity for old-age needs, add specialist housing for right-sizers • Enable high-quality, independent living and financial security
Globalisation of asset markets	<ul style="list-style-type: none"> • Provide value for money alternative to active equity • Design solutions to fit newer liability-aware investing and diversified growth strategies • Create efficient investment for a low-return environment
Creating real assets	<ul style="list-style-type: none"> • Real asset investments as principal • Development of new asset classes for third-party clients • Driving city growth and re-balancing regional economies
Welfare reforms	<ul style="list-style-type: none"> • Protection as a genuine welfare alternative • DC, auto-enrolment and effective decumulation to enhance pensioner resilience • Optimise focus for limited government spending
Technological innovation	<ul style="list-style-type: none"> • Direct retail sales deliver customer power and choice, including digital advice • Improve service efficiencies and lower unit costs • Deliver better value to consumers
Today's capital	<ul style="list-style-type: none"> • Scale vehicles for start-ups • Financing efficiency and productivity improvements • Higher quality, more productive jobs drive real wage increases

A clear strategy redefined: delivering inclusive capitalism

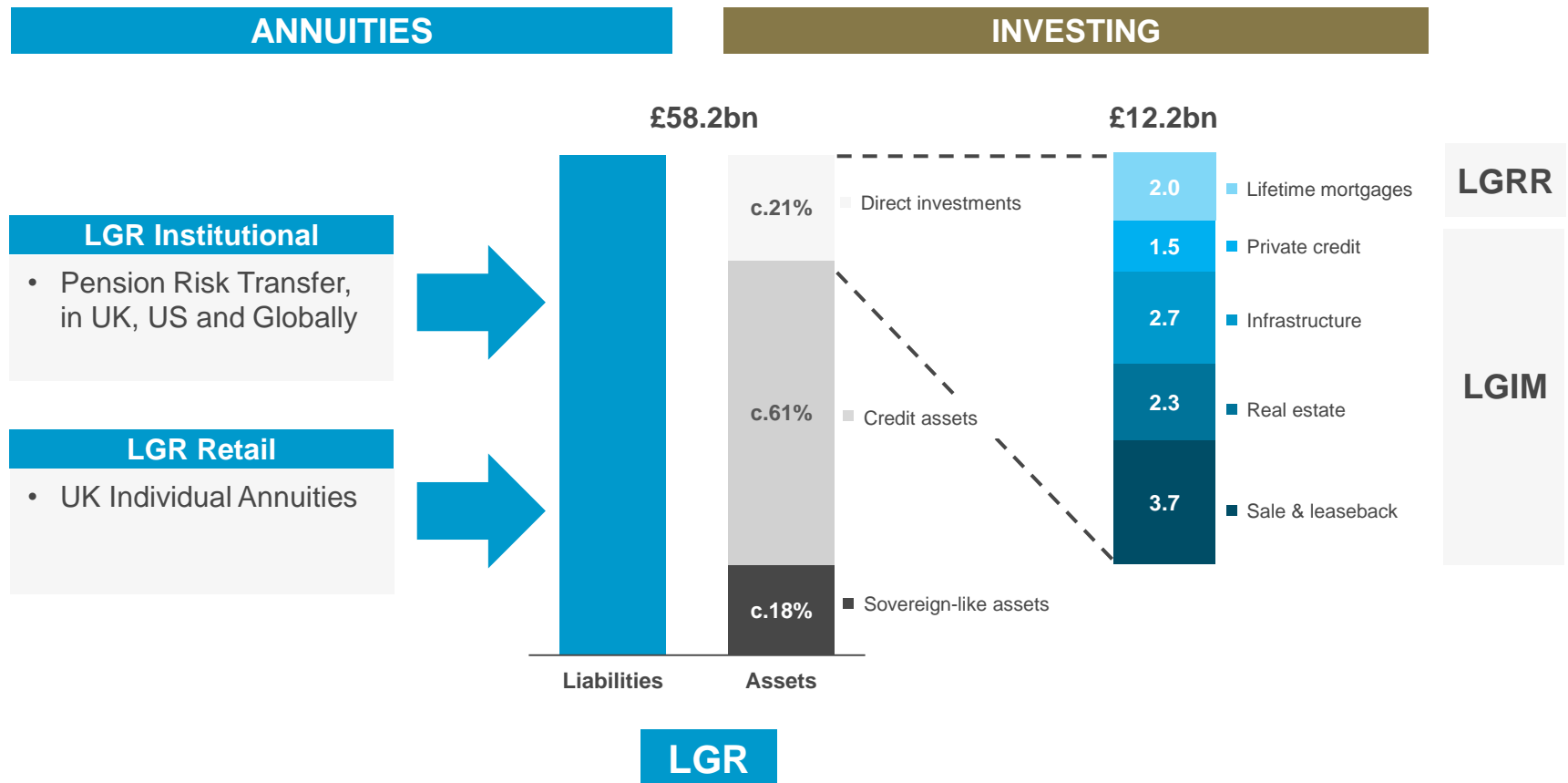
Reshaping of the Group leading to three focused business areas:



INVESTING & ANNUITIES: LGR - A unique business model

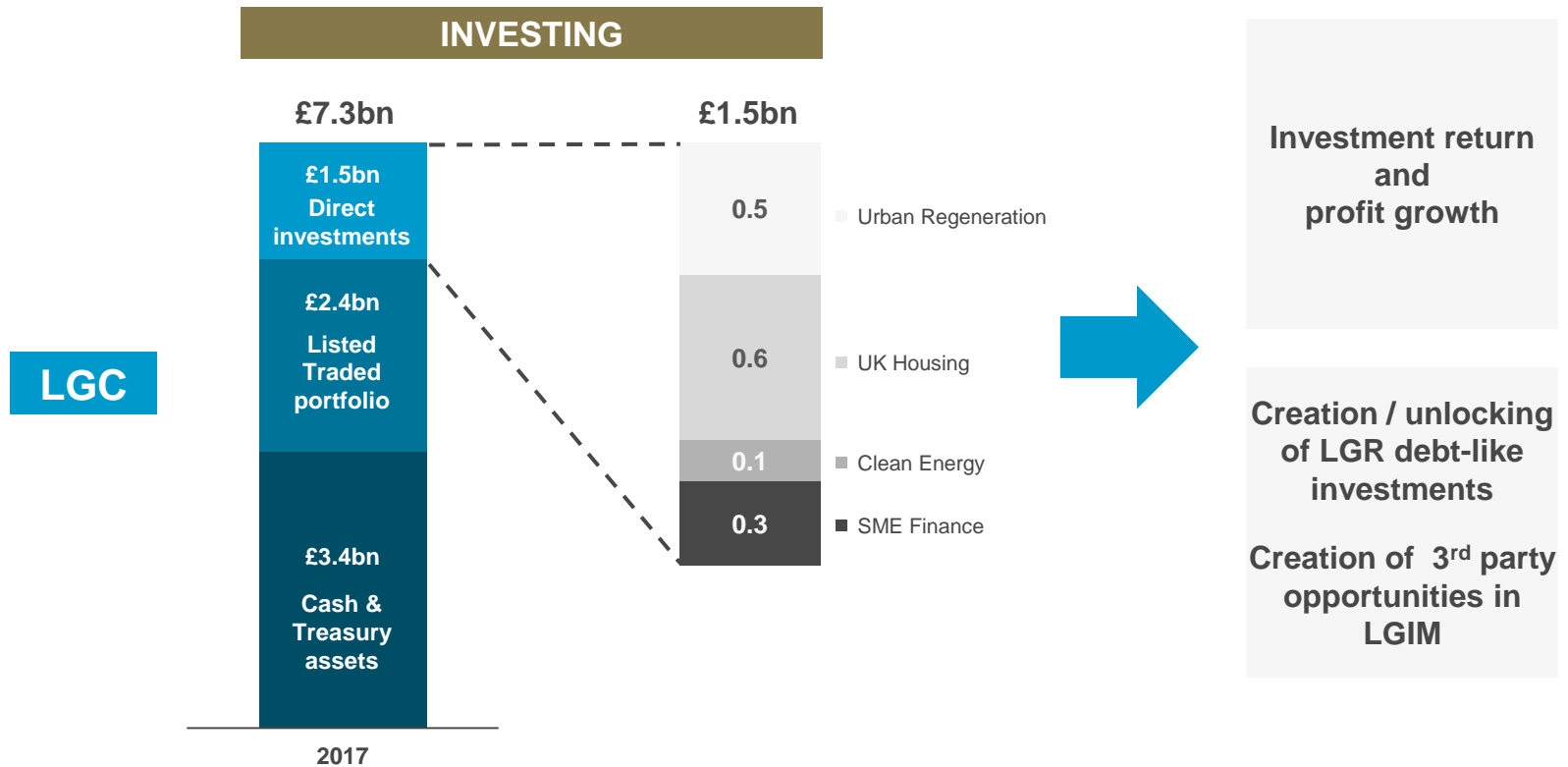
Differentiated capability to attract annuity mandates – significant Global growth potential

Unique Group capability in sourcing Direct Investments and managing credit exposures



INVESTING & ANNUITIES: LGC - A unique group capability

Utilising Group capabilities to drive shareholder returns
 Delivering Group benefits in LGR and LGIM

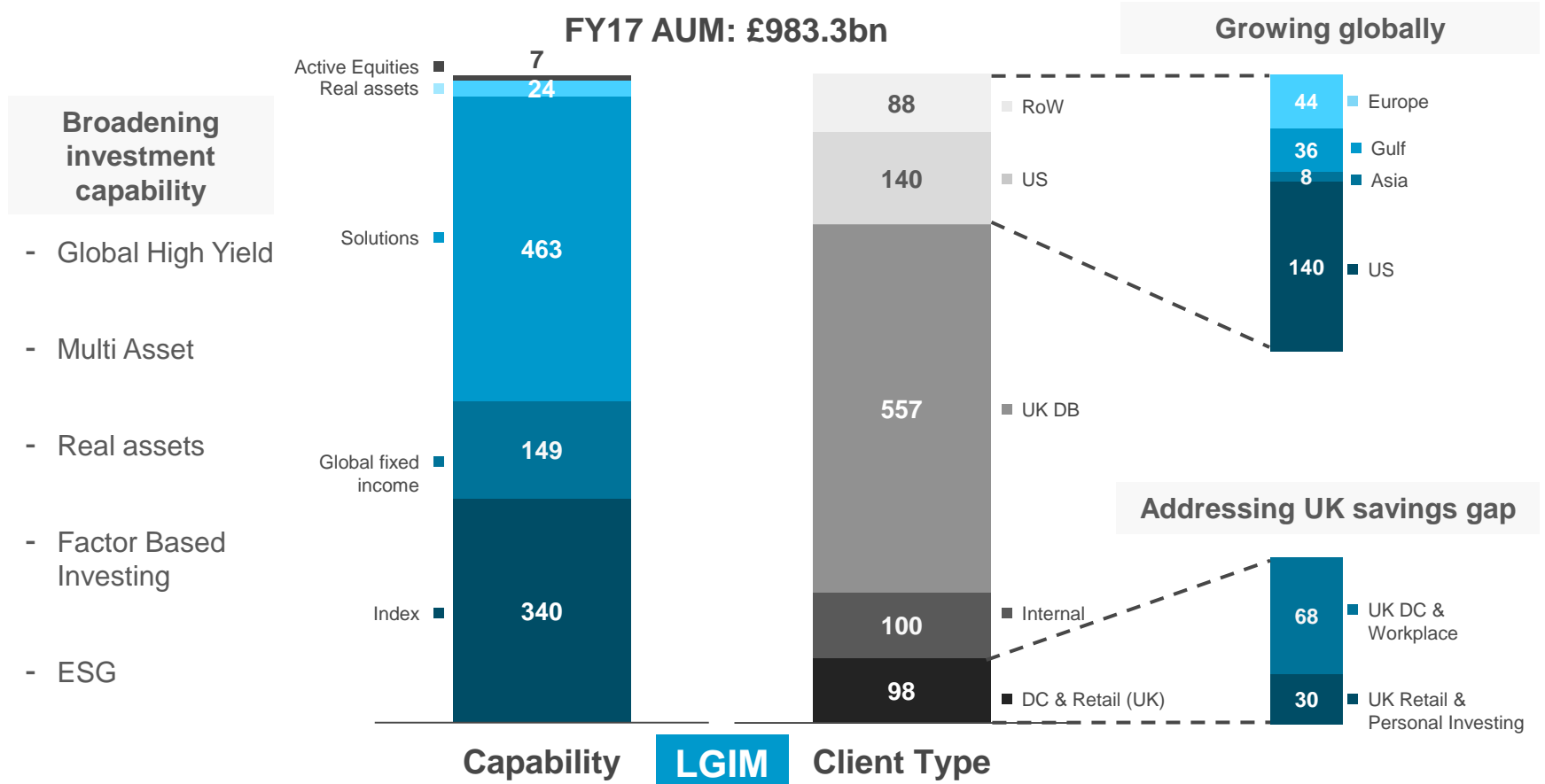


INVESTMENT MANAGEMENT: A diversified business, growing globally

Broadening investment capability

Targeting international growth

Growing Retail, Personal investing and Workplace Savings

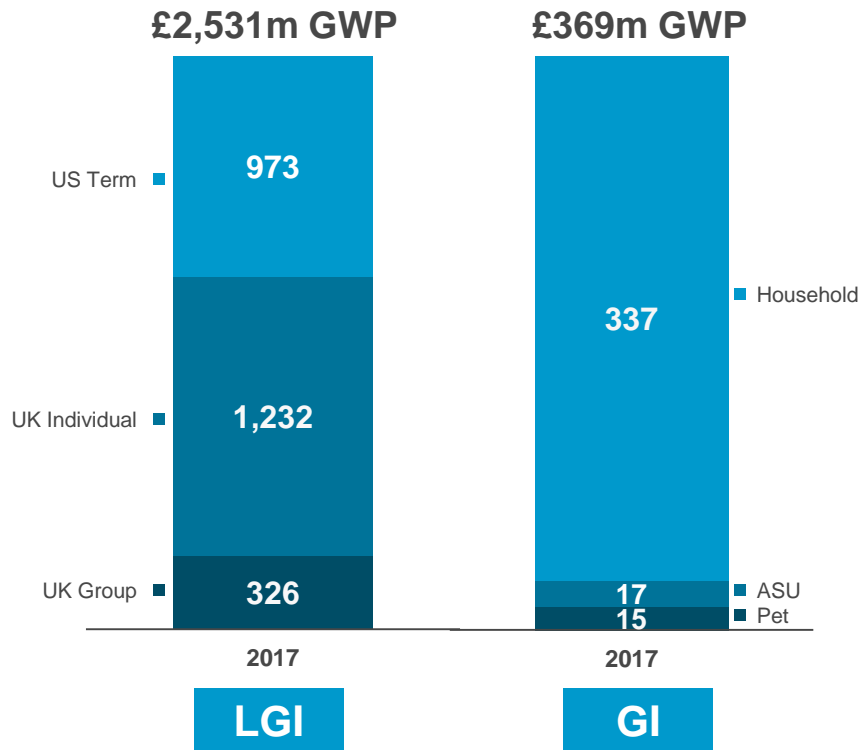


INSURANCE: Becoming a fully digitally and data-enabled insurer

Optimise Operations: Utilising technology to execute and manage risk effectively

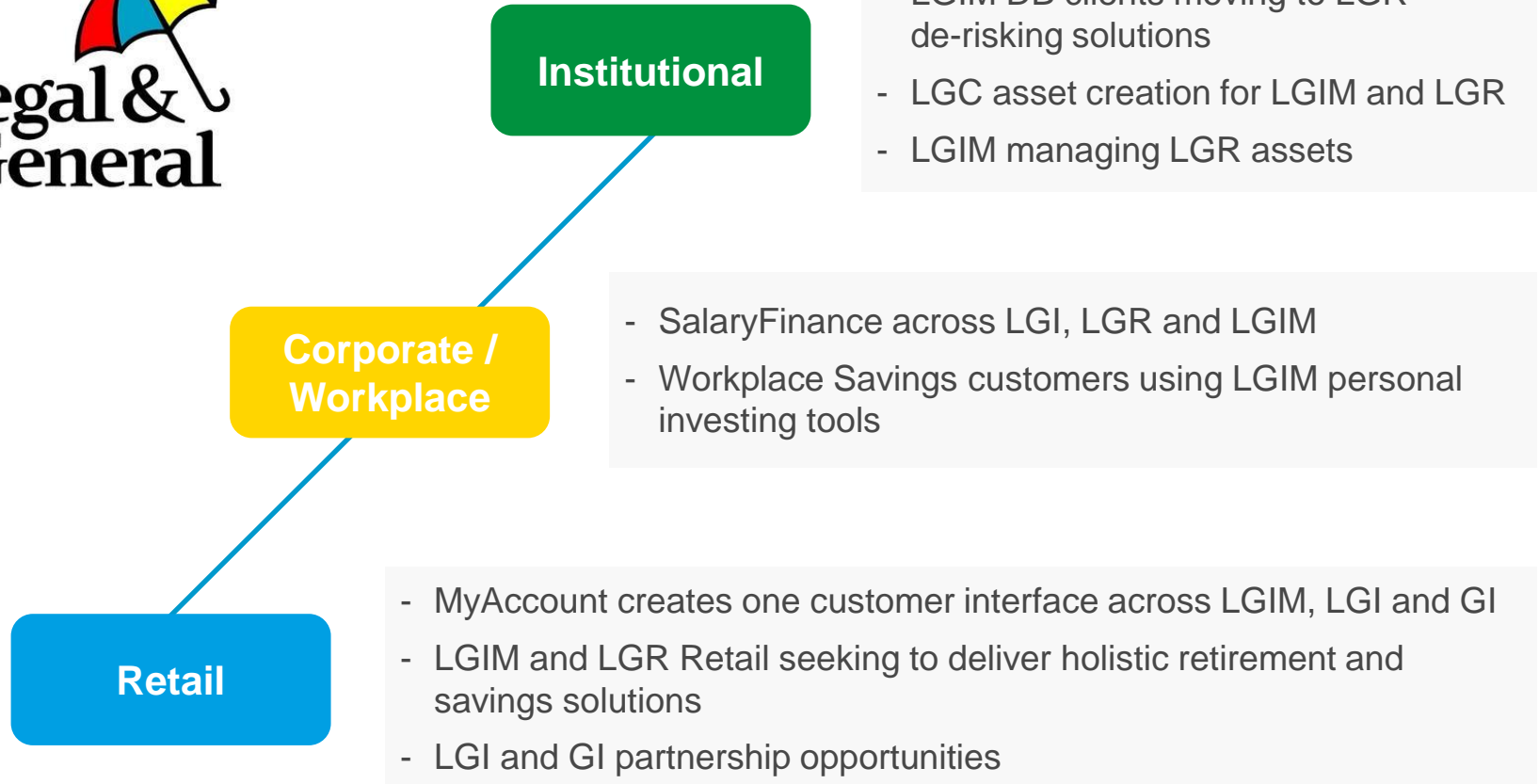
Digitise and Diversify: Broaden via partnerships and implement digital customer proposition

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



Unique culture of collaboration

Delivering for customers by co-operating across the business



“Cultural outcomes in firms need to embody respect for public interest objectives, and there is no doubt that the definition of the public interest has expanded in the last twenty five years.” Andrew Bailey, Chief Executive, FCA

Expansion in the US



George Palms
CEO,
LGRA



Aaron Meder
CEO,
LGIMA



Drew Love
SVP & CFO,
LGIA

Legal & General Investment Management America (LGIMA)

Location: Chicago, IL. Started in 2006

	2012	2017	CAGR %
AUM (\$bn)	33	189	42
Clients	46	349	50

Largest UK fund manager in US

- Strong success in core defined benefit channel
- Clients include 4 of top 5 US DB pension funds
- Fixed income / LDI / Index expertise
- Significant expansion potential across clients and investment capabilities

Legal & General Retirement America (LGRA)

Location: Stamford, CT. Started in 2015

	2016	2017
PRT premiums (\$m)	448	713
No. of PRT deals	6	15

Significant progress in US PRT mandates in 2017

- US PRT market: \$3.7 trillion DB liabilities, only c.4% transacted to date
- Significant early success via consultant led market
- Strong pipeline and growing capability

Legal & General Insurance America (LGIA)

Location: Frederick, MD. Acquired in 1981

	2012	2017	CAGR %
Gross premiums (\$m)	922	1,254	6
Policyholders (m)	0.97	1.3	5

Second largest provider of US term life in broker market

- Growth via partnerships and digital proposition
- Launching an improved automated underwriting application in 2018
- Balance sheet, operations and customer service support for LGRA

LGIM Environmental, Social and Governance: The \$100bn Future World Fund

Launch: Feb 2017 Fund size: \$6.3bn

Aims:

- to provide **better risk-adjusted returns** over the long term by using an alternatively-weighted index rather than a conventional market-capitalisation index. Research has shown that this can add value over the long-term
- Addresses the investment risks associated with **climate change** by incorporating a climate 'tilt'. This gives investors greater exposure to companies that are likely to benefit from the **transition to a low-carbon economy**
- Finally, the Fund takes our approach to climate change one step further by incorporating LGIM's innovative **Climate Impact Pledge**. This is a targeted engagement process where we work directly with companies to bring about positive change, and exclude those who don't meet the required standards after a certain engagement period

Selected as the default fund for HSBC Bank (UK) Pension Scheme

November 2016 Future World Fund For Investment Professionals

The Future World Fund

Investing for the world you want to live in

The Future World Fund targets better risk-adjusted equity returns than a traditional index strategy. It also incorporates a climate 'tilt' to address the investment risks associated with climate change.

Identifying 10 potential factors to better risk-adjust returns (over the long term)

Responding to climate change risk

Investing through a positive long term

The Fund focuses on an alternative approach to identify 10 potential factors to better risk-adjust returns (over the long term). The Fund aims to capture the benefits of these factors by investing in companies that are likely to benefit from the transition to a low-carbon economy. The Fund's 'tilt' is an innovative approach to addressing climate change risk, which is designed to increase exposure to companies that are likely to benefit from the transition to a low-carbon economy.

EFFECTIVELY MANAGING YOUR CLIMATE CHANGE RISK

The Future World Fund tracks an index that aims to incorporate the long term transition towards a low carbon economy. Climate change presents a series of investment risks to certain companies' future earnings through regulatory restrictions, lower oil carbon emissions and technological advances that threaten incumbent business models.

The Fund's 'tilt' is an innovative approach to addressing climate change risk, which is designed to increase exposure to companies that are likely to benefit from the transition to a low-carbon economy.

FACTOR-BASED TILTS AND THE POTENTIAL FOR BETTER RISK-ADJUSTED RETURNS OVER THE LONGER TERM

Academic research¹ has shown that we can 'tilt' a traditional market capitalisation weighted index according to the following factors, that have been selected with the aim of adding value:

Value Stocks that are 'cheap' or trading at a discount to their fair value and/or company financial data.

Low volatility Stocks that have exhibited more stable stock market price over time.

Quality Stocks with strong, sustainable returns characterised by high profitability and low debt levels.

Size The factor which includes companies that risk ranked in terms of their market capitalisation.

The Future World Fund retains the transparency and cost efficiencies of a conventional index fund, but also provides the opportunity to enhance investment returns by incorporating these factor tilts. Please note that the factor mix may change over time. We advise that the factors are related to the longer-term time horizon of investors in the Fund.

¹ Sources of academic research are available on request.

Legal & General INVESTMENT MANAGEMENT

November 2016 ESG Spotlight For Investment Professionals

ESG SPOTLIGHT

Time to act on climate change:

Engagement with consequences

Mervyn Oms is responsible for engaging on sustainability issues globally and the development of responsible investment solutions.

Governments globally have committed to tackling climate change. The historic Paris Agreement to address climate change entered into force on 4 November 2016 with the US, China, India and Europe all ratifying their national commitments. The direction of travel is clear: halving the global average temperature rise to well below 2°C against pre-industrial levels.

Alongside the political will for change, some of the world's largest investors, including public and private pension funds and university endowments, are increasingly recognising that they need to address the long term financial risks and opportunities associated with the shift away from traditional energy models.

As one of the largest institutional asset managers in Europe, LGIM has always played its part by using its scale to ensure companies are addressing the transition to a low-carbon economy. In our wider funds, which have to hold all the companies in the benchmark index, we have focused on using engagement with the underlying companies to drive change, rather than excluding stocks or sectors (divestment).

The investment risks surrounding climate change have become so urgent that for the first time, we are going beyond simply engaging with companies in order to hold them to account on the issue. Companies that fail to embrace the transition to a low carbon economy by demonstrating adequate strategy, governance and transparency will be excluded from our new Future World Fund range. In all other funds where we cannot divest, we will vote against the share of the board to ensure we are using our voice across all of our holdings. This is the first time we have pledged to do so on a global scale for the issue of climate change.

The ultimate goal is to make the companies successful in the long run by addressing the challenges of climate change and low carbon opportunities. Our innovative approach, harnessing the combined power of divestment and voting, ensures that our engagement, on behalf of our investors, has real consequences. Representing over \$10 billion of assets that we manage on behalf of our clients, this one voice can carry a lot of weight.

The message is simple to all of the companies we invest in: it is no longer enough to talk, we need to act now.

Legal & General INVESTMENT MANAGEMENT

November 2016 Diversified Thinking For Investment Professionals

DIVERSIFIED THINKING

The rise of factor-based investing

From securities to asset classes, to factors

Arvind Das is responsible for LGIM's research in the field of factor-based investing. Arvind joined LGIM in 2016 from Redwood where he held the role of Senior Vice President.

Arvind Flood is a fund manager in the Multi-Asset Funds team with his responsibilities including portfolio management and ongoing development of a multi-factor equity strategy.

INTRODUCTION

There are more than 40,000 publicly traded companies in the world - that's a lot of securities. Investors bundle securities together to form asset classes such as stocks, bonds, commodities and currencies. They do this because they recognise that securities within asset classes tend to perform similarly. However, the 2008 global financial crisis showed that asset classes that may look different can end up behaving in a very similar fashion.

Factor-based investing, which seeks to identify the underlying characteristics that drive performance, has grown rapidly since the crisis. This is because investors are looking to go beyond asset class labels and understand the true drivers of risk and return in their portfolios. Figure 1 shows the historical and projected growth of assets we consider to be invested in factor-based strategies.

In this article, we look at the rationale for factor-based investing and explore how it can be integrated into your portfolio.

Factor-based investing, which seeks to identify the underlying characteristics that drive performance, has grown rapidly since the crisis. This is because investors are looking to go beyond asset class labels and understand the true drivers of risk and return in their portfolios. Figure 1 shows the historical and projected growth of assets we consider to be invested in factor-based strategies.

Investors use factor-based investing across equity, fixed income and multi-asset strategies to seek

Legal & General INVESTMENT MANAGEMENT

2016 Corporate Governance Report

Active ownership

Positive engagement to enhance long-term value

Active ownership means using our scale and influence to bring about real, positive change to create sustainable investor value. Our Annual Governance Report explains how we achieved this in 2016.

Legal & General INVESTMENT MANAGEMENT

Build to Rent Fund: £10bn opportunity

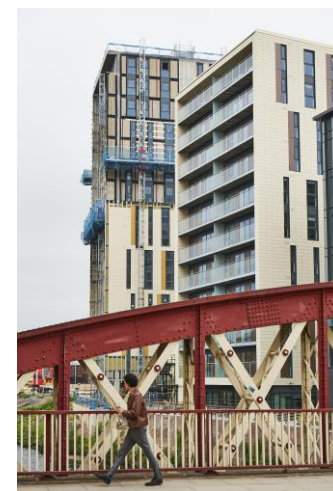
Collaboration between LGC and LGIM launched £600m open-ended BTR fund. Now over £1bn investment capability and growing.

Using long term capital to address the chronic long term lack of housing supply and meet the increasing demand for affordable, quality rental accommodation.

In total 2,000 homes under construction or in planning at seven sites, with the aim to have 6,000 in planning, development or operation by the end of 2019.

The story so far...

- 2015 Walthamstow: 440 homes as well as 20,000 sq ft of commercial accommodation
- 2016 Bristol: 255 homes above c.11,500 sq ft of commercial space
- 2016 Salford: 225 new homes on two sites; first site delivered Jun 2017
- 2017 Bath: 171 apartments, 126 car parking spaces and 17,000 sq ft of retail space
- 2017 Leeds: 250 homes as well as 8,640 sq ft of commercial and amenity space
- 2017 Birmingham: 220 residential units and 7,500 sq ft of commercial space, 61 car parking spaces and a public square
- 2018 Brighton: 200 homes and up to 3,000 sq m of commercial space



The State Yard, Salford

LGC: Later Living

Significant market opportunity

- 65+ year old population forecast to grow by 50% by 2033
- 3.3m Last Time Buyers ('LTB') looking to downsize with £820bn LTB housing wealth locked up in homes no longer fit for purpose
- 1% of 60+ in UK live in retirement housing vs 5-10% in US/Australia
- Existing stock not fit for purpose; 49% of accidental deaths in 65+ linked to fall in the home



Strong strategic fit for L&G Group

- Close alignment with L&G's long term growth drivers; ageing population, creation of real assets and the reform of the welfare state
- Retirement solutions a core capability of the wider L&G Group
- Compliments L&G's approach to UK's residential housing supply issue with multi-tenure offering including build to sell and build to rent



Targeted implementation

- Stringent selection policy for initial sites and operating partner to ensure long-term congruence with L&G desired product and level of service offering
- Initial acquisition of Inspired Villages Group for £40m, consisting of two schemes of c.300 units
- Second acquisition of the Renaissance Villages Group for £51m, taking the total pipeline to c.1,000 units and providing accelerated operational leverage



Digital: Disruption is a privilege and a responsibility

SmartQuote

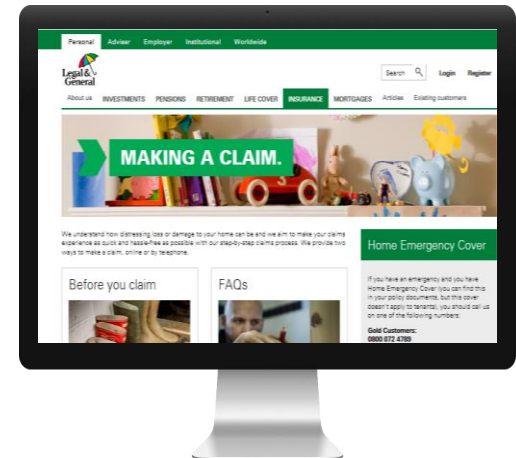
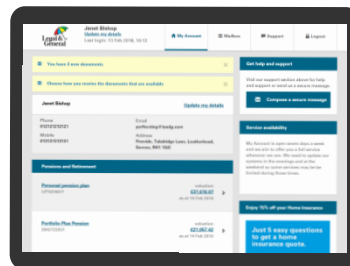
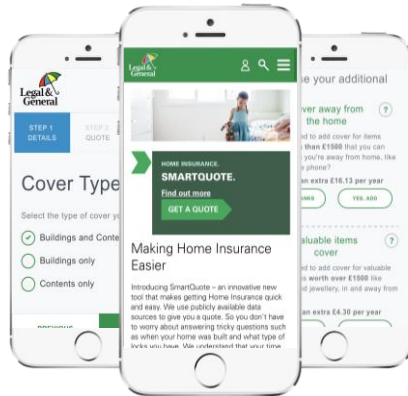
- Reduced 30+ difficult questions to who you are, where you live and if you have had previous claims
- Provides a quote in about 90 seconds by answering just five basic questions
- Uses Big Data and over 150 data sources to calculate customer's risk more accurately than the previous 30 questions

MyAccount

- 633k customers registered on My Account, 39% more than in 2016, bringing the total to 1.5 million
- Customer visits increased by 54% to just over 3.3m, 60% of customers made a returning visit
- Our customers completed over 898k transactions in My Account

SmartClaims

- First service launched out of our Beta Programme
- Launched in just six weeks and within 3 months became the preferred process for all contents claims
- Processing time has been halved with extremely positive customer feedback



Digital: Disruption is a privilege and a responsibility

Robotics

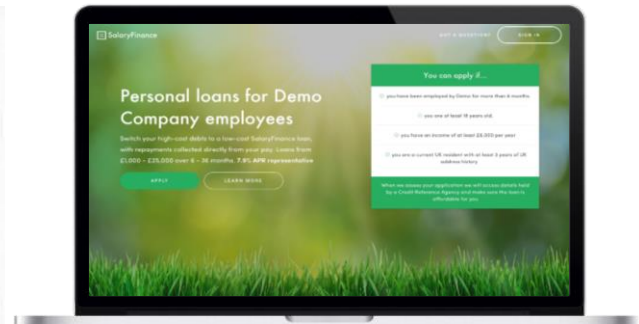
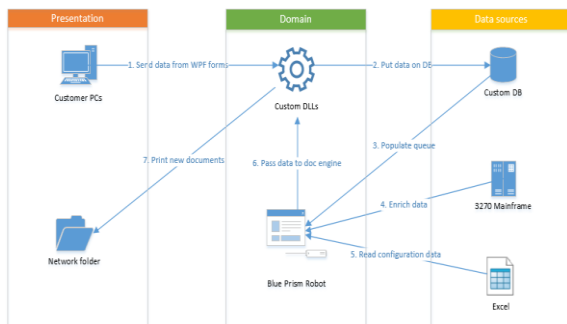
- 50 robots deployed to date across the whole of L&G
- Across L&G, teams of dedicated BluePrism developers in place to identify and deliver automation opportunities
- 2017 cost savings in LGI alone have quadrupled compared to 2015
- Next generation of robots will be desk-side assisted robotics

Slice Labs

- Technology partnership to offer on-demand homeshare insurance
- Allows customers to use a mobile app to purchase insurance when their home is 'at risk' e.g. when using Airbnb

SalaryFinance

- 250,000 people added to the platform since L&G investment in September
- From application to having the money in the bank account can take as little as 7 minutes
- Partners with many major employers in the United Kingdom
- Yorkshire Building Society became the latest supplier and partner in January 2018, adding savings solutions to the platform



Our financial ambition

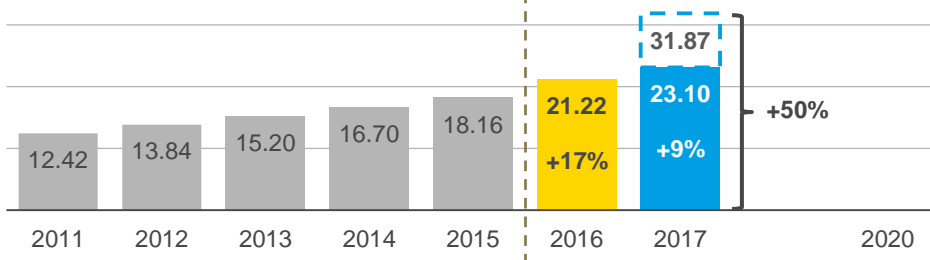
Between 2011 – 2015 we achieved a 10% growth in EPS

Our ambition is to replicate this performance out to 2020

Earnings per share (p)

10% CAGR 2011 - 2015

13% CAGR 2015 - 2017



2017 EPS is 31.87p. Excluding mortality releases and US tax, 2017 EPS is 23.10p

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
- Delivering Inclusive Capitalism

Delivering inclusive capitalism

Sharing success with investors,
customers and society

LEGAL & GENERAL GROUP PLC | YEAR END RESULTS – MARCH 2018

