



2019

Half year results

Improving lives through Inclusive Capitalism

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

Operating profit from divisions

£1,186m

(H1 2018: £1,059m)

+12%

Earnings per share

14.74p

(H1 2018: 13.00p)

+13%

Return on equity

20.2%

(H1 2018: 20.3%)

Book value

£8.7bn, 146p

(H1 2018: £7.7bn, 129p)

+13%

SII operational surplus generation

£0.8bn

(H1 2018: £0.7bn)

+17%

Interim dividend

4.93p

(H1 2018: 4.60p)

+7%

An established track record of consistent growth

Operating profit from divisions¹ (£m)

11% CAGR 2011 - 2018



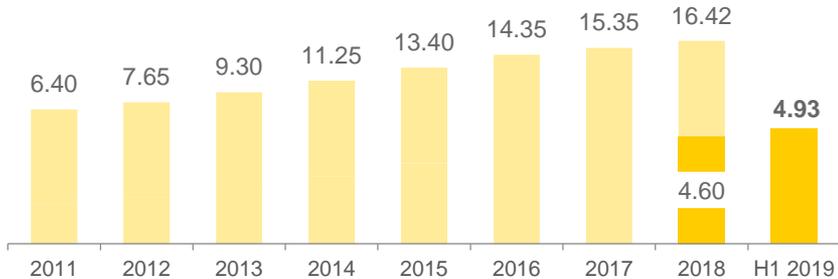
Earnings per share (p)

10% CAGR 2011 - 2018



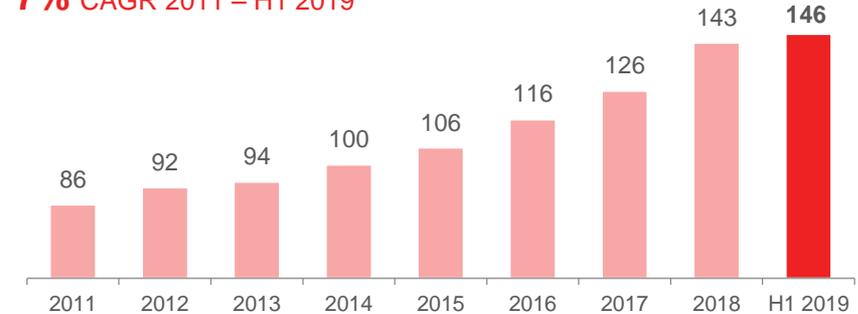
Dividend per share (p)

14% CAGR 2011 - 2018



Book Value per share (p)

7% CAGR 2011 - H1 2019



1. Includes discontinued operations

We have 5 growing and profitable businesses

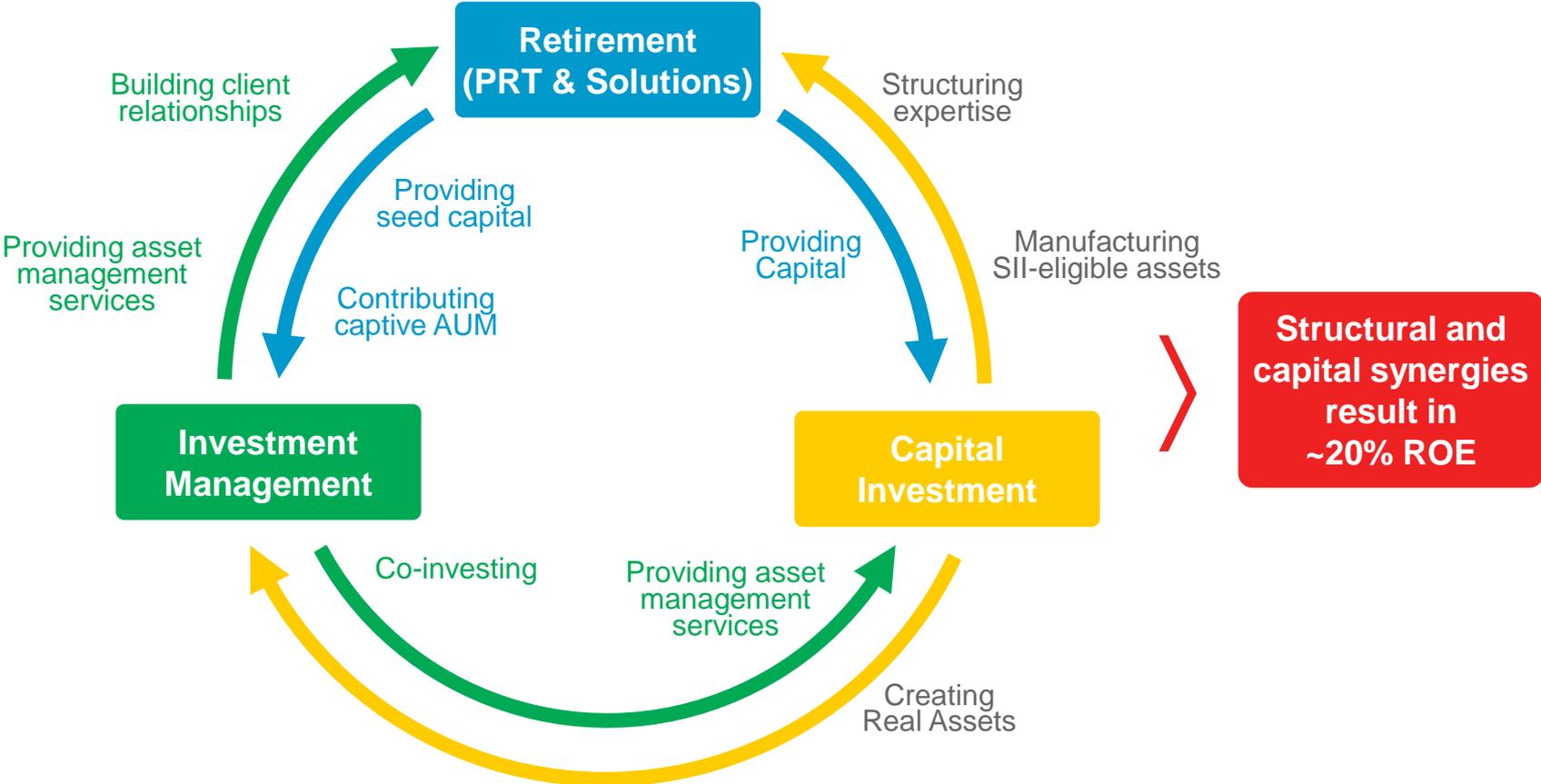
Continuing Operating Profit from divisions (£m)									
Division	Business	2016	2017	2018	CAGR %	H1 2019	H1 2018	%	Growth opportunity
LGRI	Pension Risk Transfer (PRT) ¹	651	716	832	+13	524	361	+45	<ul style="list-style-type: none"> UK market: £25-30bn p.a. 30% market share US market: \$25-30bn p.a. 3% market share
LGIM	Investment Management	366	400	407	+5	205	203	+1	<ul style="list-style-type: none"> £1.1tn AUM (1.7% global market share) \$74 trillion global AUM
LGC	Capital Investment	257	272	322	+12	173	172	+1	<ul style="list-style-type: none"> Future cities: targeting 15 in the UK Housing: £1bn+ revenue in 2019
LGI	Insurance	303	303	308	+1	134	154	-13	<ul style="list-style-type: none"> Innovative customer-centric technology driving growth Lower costs drive improved customer pricing
LGRR	Retirement Solutions ¹	158	199	283	+34	131	119	+10	<ul style="list-style-type: none"> Lifetime mortgages: £4bn p.a. 26% market share Individual annuities: £4bn p.a. 18% market share
Continuing operating profit from divisions					+11	1,167	1,009	+16	

1. Figures shown exclude mortality releases

We have strong new business growth

Division	Business	Product	2016	2017	2018	CAGR %	H1 2019	H1 2018
LGRI	Pension Risk Transfer (PRT)	Global bulk annuity premiums (£m)	6,630	3,948	9,140	+17	6,677	735
LGIM	Investment Management	External net flows (£bn)	29.2	43.5	42.6	+21	60.3	14.6
LGC	Capital Investment	Direct investments (£m)	1,137	1,450	2,359	+44	2,638	2,005
LGI	Insurance	New business annual premiums (£m)	290	300	343	+9	178	163
LGRR	Retirement Solutions	Individual annuity premiums (£m)	378	671	795	+45	497	337
		Lifetime Mortgage advances (£m)	620	1,004	1,197	+39	489	521

A collaborative business model creating value for shareholders



Financial Highlights



Jeff Davies
Group Chief Financial Officer

Financial highlights: consistent delivery in 2019

Metric	H1 2019	H1 2018	%
Operating profit from continuing divisions (£m)	1,167	1,009	16
Discontinued operations (£m)	19	50	n/a
Operating profit from divisions (£m)	1,186	1,059	12
Group debt costs (£m)	(108)	(97)	(11)
Group investment projects & expenses (£m)	(73)	(53)	(38)
Operating profit (£m)	1,005	909	11
Investment & other variances (including MI) (£m)	48	33	n/a
Profit before tax (£m)	1,053	942	12
Earnings per share (p)	14.74	13.00	13
Return on equity (%)	20.2	20.3	
Solvency II operational surplus generation (£bn)	0.8	0.7	17
Solvency II coverage ratio (%)	171	193	

LGR: Consistently delivering strong results

Financial Highlights	H1 2019	H1 2018
Release from operations (£m)	303	275
New business surplus (£m)	185	23
Net release from operations (£m)	488	298
Operating profit (£m)	655	480
LGR Institutional (£m)	524	361
LGR Retail (£m)	131	119
Profit before tax (£m)	638	565
Total LGR new business (£m)	7,663	1,593
LGR Institutional (£m)	6,677	735
LGR Retail ¹ (£m)	986	858
Total annuity AUM (£bn)	72.1	56.4
Of which: Direct investments (£bn)	18.4	13.5
Solvency II new business margin ² (%)	7.8	
Solvency II new business strain ² (%)	c4.0	

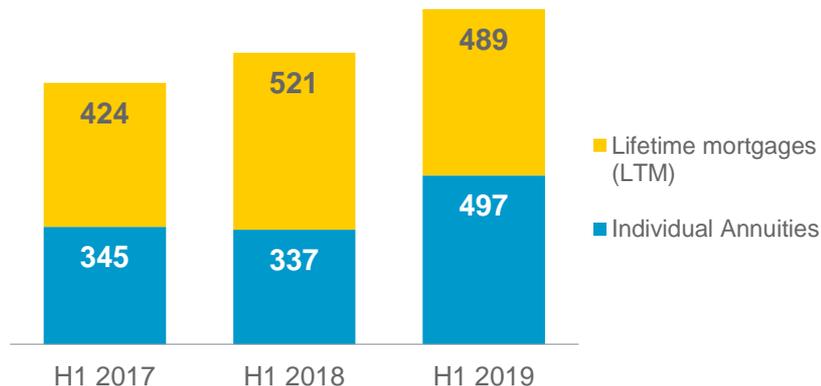
1. £986m LGR Retail new business includes Individual annuity volumes (£497m) and Lifetime mortgages advances (£489m)

2. UK business only

- **Operating profit of £655m, up 36%**, reflecting:
 - Strong performance from back book; run-off of prudential margins
 - **Record UK PRT volumes of £6.3bn**, including a £4.6bn buy-in with Rolls Royce – UK’s largest
 - **International PRT volumes of £0.4bn**, including our first Canadian deal
 - **Individual annuity volumes of £497m**, up 47%
- Direct investments grew by £4.9bn (36%) since H1 2018 reflecting continued success in sourcing attractive assets
- UK new business margin remains strong in line with FY 2018 (7.9%)
- We have maintained pricing discipline in a competitive UK annuities market with **Solvency II new business strain at c.4%**
- Currently reviewing the CMI 2017 mortality data, which is expected to complete by the end of 2019

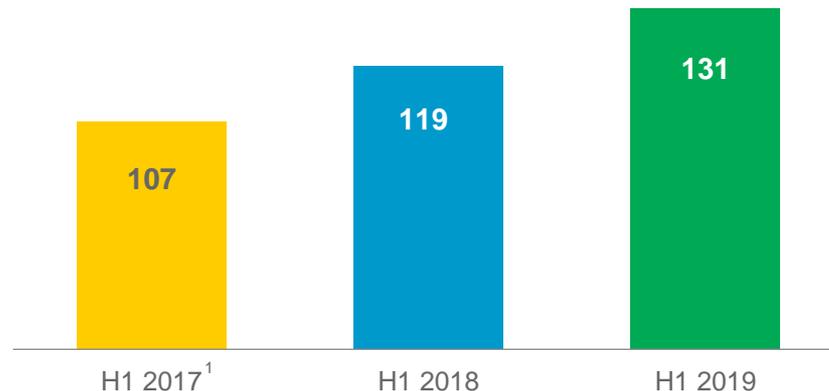
LGRR: Consistently delivering strong results

Total Individual Annuity and Lifetime Mortgage Sales (£m)



- **Individual annuities:** Significant growth in annuity volumes, improved customer journey and wider market penetration – **18% market share**
- **LTM:** Slightly lower than prior year, as we continue to manage risk and maintain pricing and underwriting discipline in a competitive market – **26% market share**

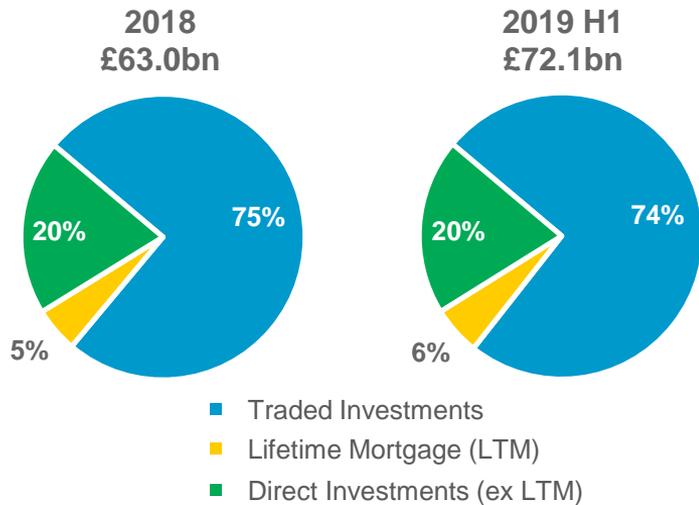
Operating Profit (£m)



- Strong operating profit growth driven by increasing individual annuity volumes

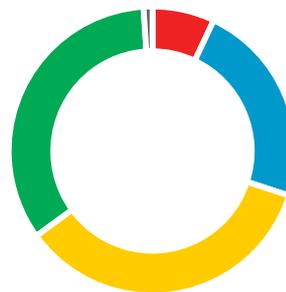
LGR: Diversified portfolio, high quality assets

LGR Asset portfolio



- **16%** in Sovereign-like assets
- **c.2/3rd A rated or better**
- Credit default reserve **£3.2bn**
- Bank exposure reduced from c. 20% pre-crisis to **5%**

LGR bond portfolio maintaining overall credit quality and high sectorial diversification

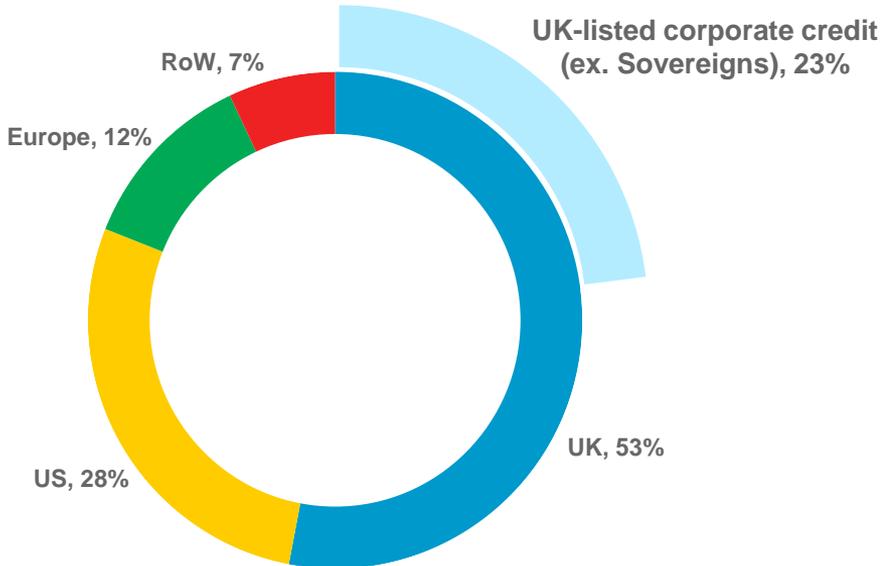


LGR bond portfolio sector split (%)

Consumer services and goods	18
Utilities	17
Sovereigns, Supras, Sub-Sovereigns	16
Infrastructure	15
Technology and telecoms	6
LTM Loans	6
Banks	5
Energy, Oil and Gas	5
Real Estate	5
Securitisations (collateralised credit)	2
Financial Services and Insurance	2
Industrials	2
Commodities	1
Total	100

LGR: UK-listed corporate credit is a relatively small proportion of our bond portfolio

Geographically Diversified Portfolio



- 23% of LGR's bond portfolio is invested in UK-listed corporate credit, excluding Sovereigns
- c.50% of these UK credit holdings are in multinational companies, e.g. GSK, Vodafone, Unilever
- c.1% of UK-listed corporate credit is sub investment grade
- 47% of LGR's assets are overseas assets. The currency risk is hedged

LGIM: Financials

Financial Highlights	H1 2019	H1 2018
Asset management revenue ¹ (£m)	434	414
Asset management expenses ¹ (£m)	(230)	(213)
Asset management operating profit (£m)	204	201
Workplace operating profit (£m)	1	2
LGIM operating profit (£m)	205	203
External net flows (£bn)	60.3	14.6
Of which: International (£bn)	44.6	9.9
External net flows % of opening AUM	5.9	1.5
Closing AUM (£bn)	1,135	985
International AUM (£bn)	343	229
UK DC AUM (£bn)	86	64
Retail AUM (£bn)	36	31
Asset management cost : income ratio (%)	53	51

1. Revenue and expenses exclude income and costs of £11m in relation to the provision of 3rd party market data (H1 2018: £8m), and also exclude revenue and expenses from our Workplace Savings business

2. Pridham Report Q1 & Q2 2019

- Operating profit up **1% to £205m**
- **AUM over £1.1tn**, driven by **external net flows of £60bn, 5.9% of opening AUM**, with continued diversification across channels, regions and product lines
- **International AUM of £343bn**, c.30% of total AUM
- International client net flows of £44.6bn driven by funding of a £37bn passive mandate with the Japan Government Pension Investment Fund providing us with a long term foundation for future growth in the region
- UK DC net flows of £3.6bn with assets of £86bn. Workplace customers increased by 10% to 3.4m
- Retail ranked 2nd in retail sales² for H1 2019 as we continue to develop our product range in the UK and distribution strategy in Europe
- **Cost Income ratio of 53%** reflects our continued investment in areas of the business experiencing strong growth or where increased automation and simplification will generate operational leverage

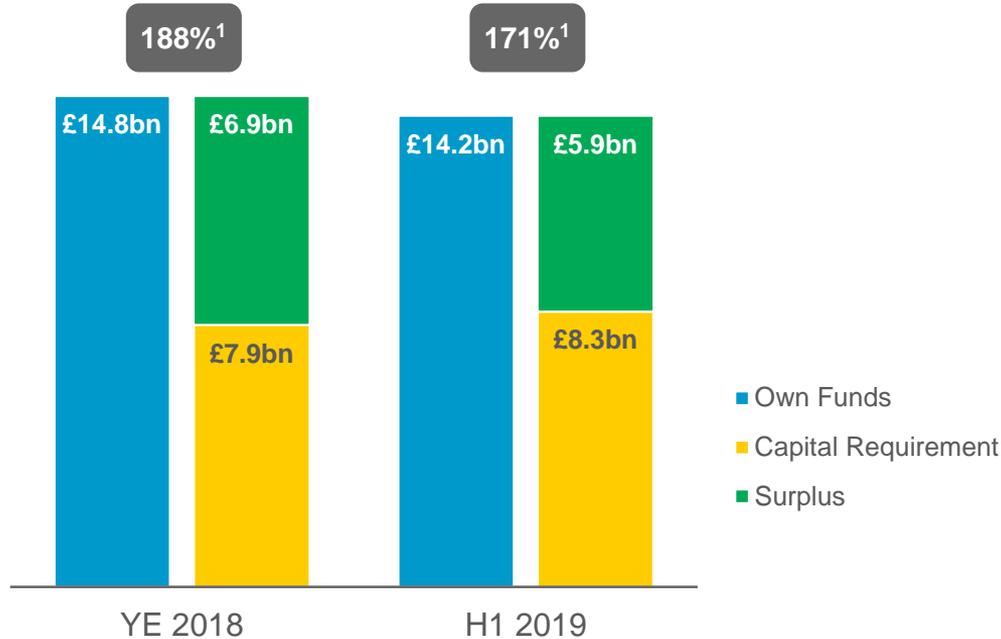
LGI: Financials

Financial Highlights	H1 2019	H1 2018
Net release from operations (£m)	170	157
Operating profit (£m)	134	154
- UK	93	136
- US	41	18
Profit before tax (£m)	0	117
New business annual premiums	178	163
Gross written premium (£m)	1,409	1,317
- UK	891	856
- US	518	461
UK Protection SII margin (%)	7.9	
US Protection SII margin (%)	10.8	

- New business up **9% to £178m** across the division
- Gross written premiums **up 4%** in the UK, **US up 5%** on a USD basis to \$670m
- **UK Operating Profit** lower due to prior year benefitting from model refinements. In addition, new US reserve financing reinsurance has reduced UK profits, which are now reported in the US
- **US profit above prior year at £41m** due to change in reinsurance, a reserve release, and lower mortality claims vs prior year
- Profit before tax impacted by a fall in government yields in both the UK and US
- \$107m dividend paid from US on 01 March 2019 (2018:\$105m)

Solvency II balance sheet: We maintain a significant Solvency II surplus

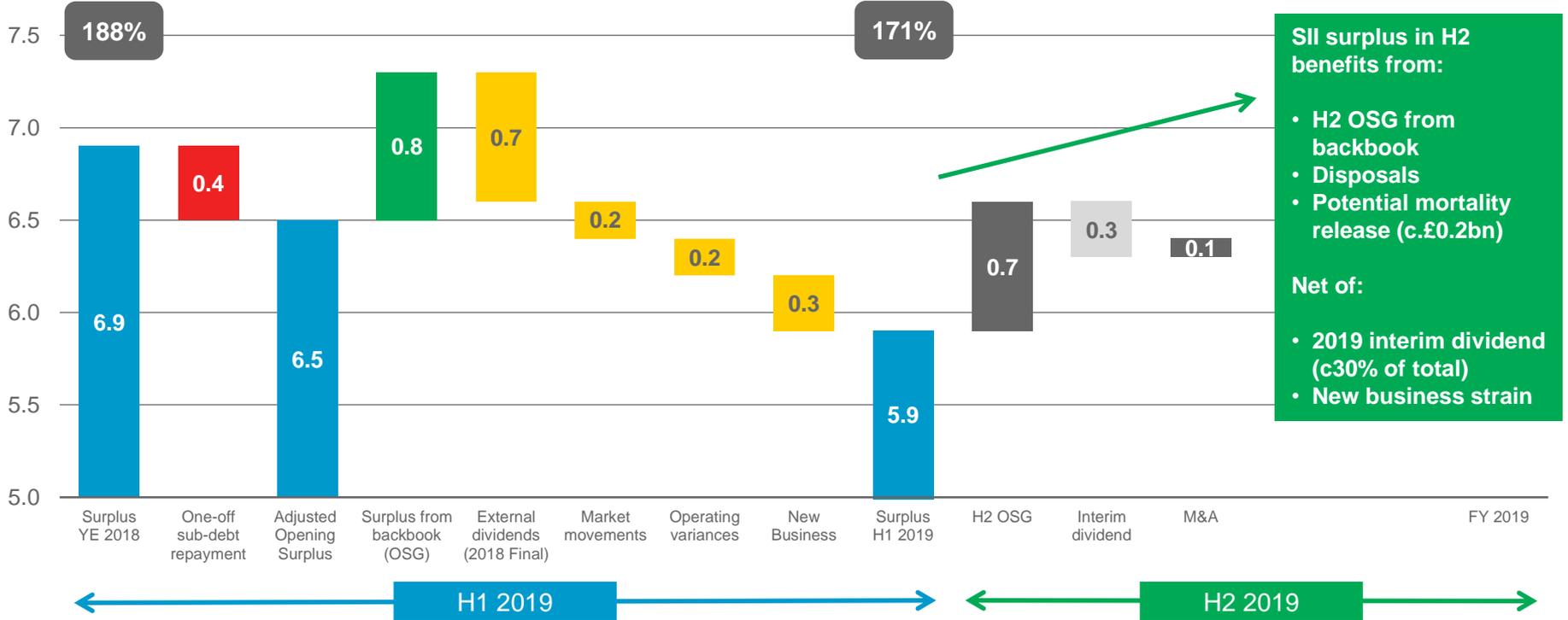
Solvency II balance sheet



- Solvency II surplus of **£5.9bn**
- Coverage ratio of **171%**
- Core tier 1 Own funds of **£11.1bn (78%)**

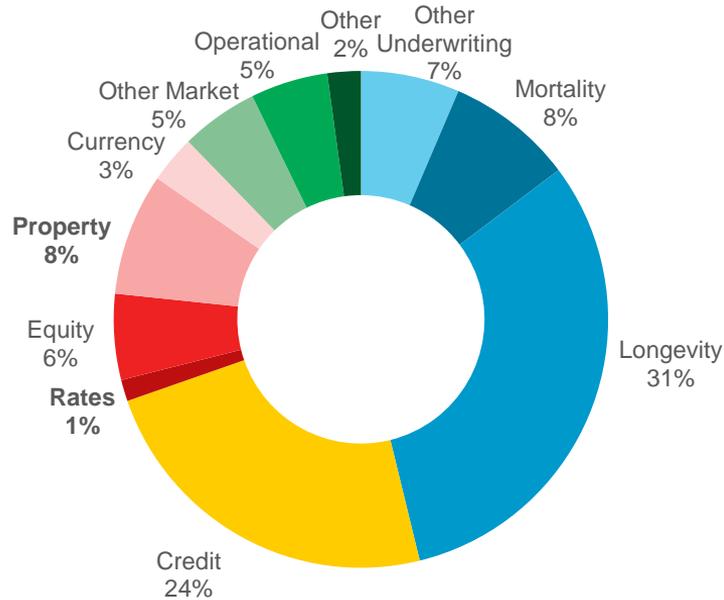
Movement in the surplus: Significantly impacted by dividend timing

Solvency II Surplus analysis of change (£bn)



Solvency Capital Requirement: Our economic exposure to rates is low

Solvency Capital Requirement (FY18)

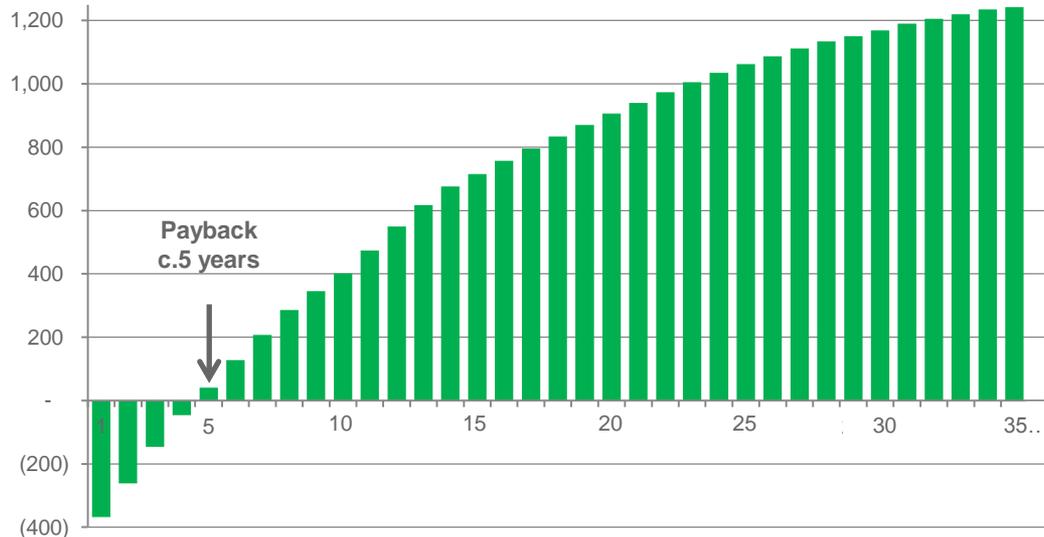


- Primary exposures are to Longevity & Credit
- Economic interest rate exposure is low
- Property exposure is just 8%

1. 2018 L&G Group SCR pre-diversified on a shareholder basis
2. Other Underwriting risk shows the sum of pre-diversification SCRs for morbidity, expense, and persistency risks
3. SCRs from Mature Savings and LGIL have been excluded

New PRT business: Highly capital generative and c.5 year pay back

Cumulative surplus generation from £10bn of new UK PRT business (£m)



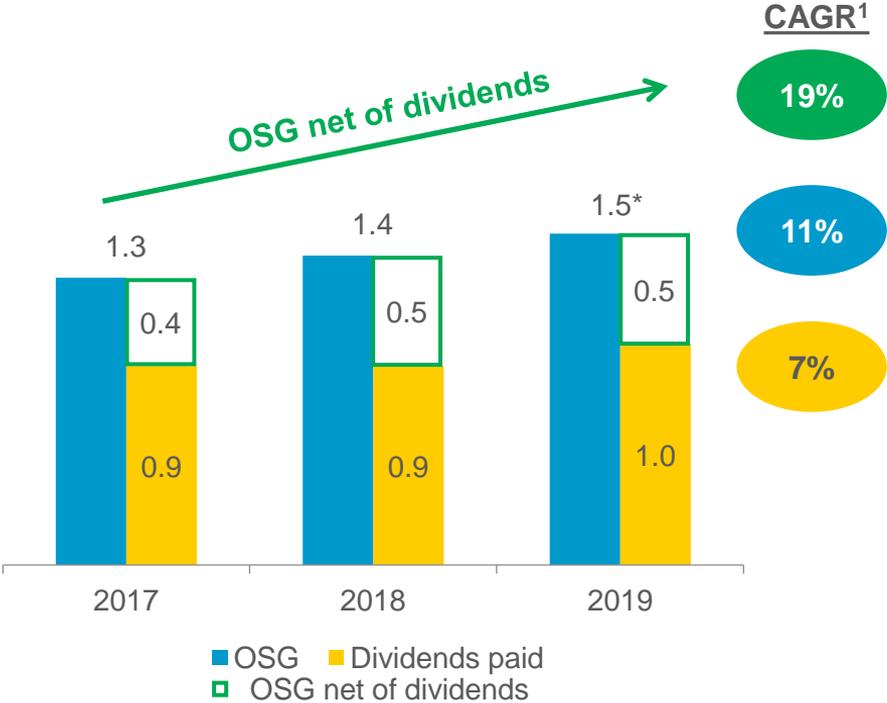
- **Payback on new PRT business is c.5 years**

£10bn of UK PRT new business will generate:

- A c.4% strain in year 1
- OSG of c.£100m in year 2
- OSG of over £1bn over the expected life of the transaction

Growth in OSG provides capacity both for dividend progression and new business investment

Operational Surplus Generation & Usage, £bn



- OSG is growing strongly and faster than the dividend: each year our capacity to invest in new business grows
- Investment in new business is discretionary but attractive, further contributing to OSG in subsequent periods
- We may choose periodically to deploy more capital in a period than we generate

* FY 19 estimate
 1. CAGR calculated on unrounded values
 Note: Dividends are not directly linked to OSG; a number of metrics are considered when assessing dividend affordability

In summary: Continued growth

Operating profit from divisions

£1,186m

(H1 2018: £1,059m)

+12%

Operating profit

£1,005m

(H1 2018: £909m)

+11%

Earnings per share

14.74p

(H1 2018: 13.00p)

+13%

Return on equity

20.2%

(H1 2018: 20.3%)

Solvency II coverage ratio

171%

(2018: 188%)

SII operational surplus generation

£0.8bn

(H1 2018: £0.7bn)

+17%

Legal & General Capital



Kerrigan Procter
Chief Executive Officer

LGC: Financials

Financial Highlights	H1 2019	H1 2018
Operating profit (£m)	173	172
- Direct Investments	99	104
- Traded portfolio and other	74	68
Profit before tax (£m)	278	82
- Direct Investments	71	80
- Traded portfolio and other	207	2
Assets (£m)	7,814	8,078
- Direct Investments	2,638	2,005
- Traded portfolio and Treasury	5,176	6,073
of which: Cash and Treasury assets	3,064	4,097

- Operating profit of **£173m**, in line with H1 2018 on a similar asset base with a different mix of early and mature stage DI

Direct Investments assets, up 31.6% to £2.6bn

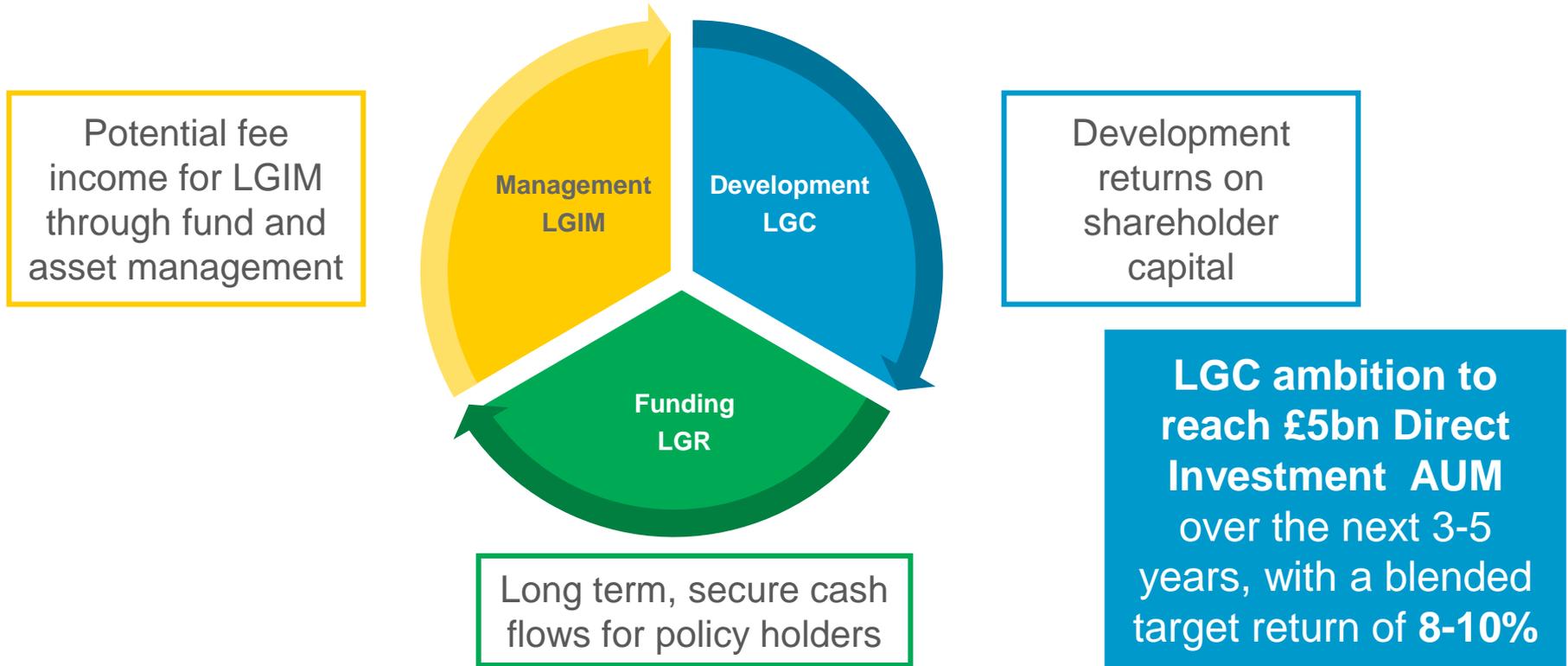
- Total investments and new commitments of £0.5bn, including our build to rent portfolio, and the expansion of our Affordable Housing and Later Living businesses
- In addition, we committed up to £4bn to the development of university accommodation and science and innovation parks in and around Oxford
- Net portfolio return of 5.6% (H1 2018: 9.1%), reflecting increased proportion of early stage development AUM and relative H1 2019 build to sell portfolio returns

Traded Portfolio

- Traded portfolio returns have benefited from strong performance in equity markets

LGC Ambition

Our aim is to make investments in new assets which generate stable returns for shareholders, create assets for LGR, and desirable assets for LGIM



Asset creation

Creation of real assets to support LGR's growing annuity business and provide third party opportunities for LGIM



Affordable Housing

- Source and develop shared ownership and affordable rented homes
- Create matching adjustment eligible assets for LGR's growing annuity business
- Assets have long-dated index linked income profiles providing a funding opportunity via LGR debt



Private Sector Rental

- Fund development of private rental schemes for LGIM clients
- Create and develop build to rent assets which can be sold to LGIM's Build to Rent fund once rental returns stabilise



Oxford University Partnership

- Committed to invest up to £4bn of L&G funds over ten years in the development of Oxford University staff and student housing, and science and innovation districts on multiple sites in and around Oxford
- Creating attractive assets to back LGR annuities or to form part of LGIM managed funds



Build to sell

- Combined operations of LGC build to sell businesses
- In CALA, c.1,100 units sold in H1 2019 with 90 active sites
- Revenues of £401m in H1 2019, despite current market environment



Rental sector

- Affordable Homes: Secured first four schemes, with c.300 new homes. Pipeline of over 40 UK sites, providing 1,500 affordable homes in next 24 months
- Build to Rent: 13 schemes across the UK, delivering c.4,500 homes. New sites in Glasgow, Brighton and Wandsworth



Later Living

- Established our later living urban development offering, **Guild Living**, partnering with global experts to deliver a new class of urban retirement communities. Plan to deliver over 3,000 new retirement homes over the next five years
- Inspired Villages Group: Completed village centres at two of our sites, Austin Heath and Gifford Lea

Future Cities



New Developments

- Cardiff Central Square: Providing a transport interchange, 318 build to rent apartments and 100,000 sq ft of office space.
- Bath: 5.5 acre riverside site at Bath North Quays; L&G's first urban later living community



Renewable Infrastructure

- Together with NTR, invested c.£130m in 19 onshore wind and solar assets across Europe
- Purchased a 13% stake in Pod Point, a UK provider of electric vehicle charging points



Digital Opportunities

- Digital infrastructure fastest growing infrastructure segment
- Invested c.£60m in Kao Data Centre in Harlow, targeting the Cambridge to London corridor

SME Finance: Principal investing to drive economic progress

**Strong growth in AUM
(and revenue) at Pemberton**



**Commitment to investing in
start-ups via expert managers**



**Opening up access for DC investors
into a strongly growing asset class**

Delivering Inclusive Capitalism



Nigel Wilson
Group Chief Executive Officer

We are growing share in exciting markets and expanding into new, adjacent opportunities

Our strategy is aligned to our 6 structural growth drivers

Growth drivers	Market opportunity	L&G market share (%)	Market size & growth		L&G new business opportunity
			2018	2023e	
1 Ageing demographics	UK PRT	30	£30bn	£150bn cum.	Maintain leading UK share
	US PRT	3	\$27bn	\$150bn cum.	Grow share internationally
	UK Individual Annuities	18	£4bn	£6bn	Maintain leading UK share
	UK LTM	26	£4bn	£8bn	Maintain leading UK share
2 Globalisation of asset markets	Global AUM	1.7	\$74tn	\$101tn	Grow internationally
	Global Revenues	<1	\$279bn	\$330bn	Improve mix
3 Creating real assets	UK Housing market	c.2	165k	300k gov. target	Continue to invest
	UK Infrastructure	n/a	>£500bn deficit	-	Continue to invest

We are growing share in exciting markets and expanding into new, adjacent opportunities

Our strategy is aligned to our 6 structural growth drivers

Growth drivers	Market opportunity	L&G market share (%)	Market size & growth		L&G new business opportunity
			2018	2023e	
4 Welfare Reforms	UK DC AUM	19	£397bn	£641bn	Maintain leading UK share
	UK ISA AUM	1	£608bn	£1,444bn	Grow UK share
	VC into DC	-	-	-	Champion & drive the market
5 Technological innovation	Lowering unit costs & improving service	-	-	-	Drive & adopt tech change
	Retail Protection (APE)	23	£739m	£810m	Maintain leading UK share
	US Protection	3.6	\$3.1bn	\$3.4bn	Grow US share
	Group Protection (GWP)	18	£2.3bn	£2.6bn	Invest for growth
	Partnering with innovators	-	-	-	E.g. SalaryFinance
6 Today's Capital	Committing capital to help start-ups compete	-	-	-	E.g. OSI and Balderton
	Continued demand for SME finance	-	-	-	E.g. Pemberton

We are replicating our UK business model abroad

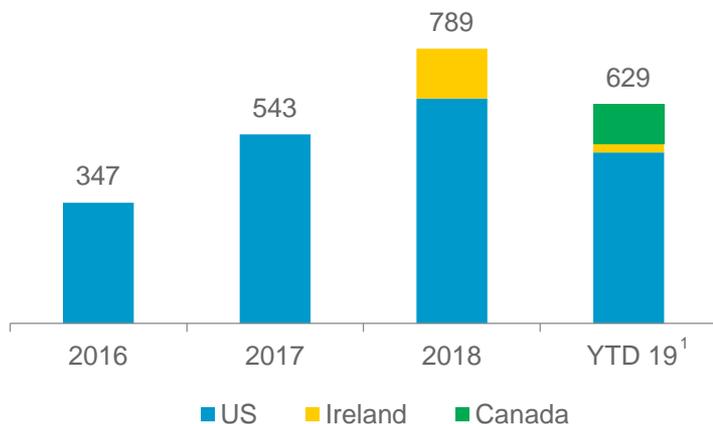
We operate in 85% of the global DB pensions market

DB Market	Mkt size (£tn)	% DB mkt Insured	L&G Presence	L&G Status	Synergies				
					Asset Mgt	PRT	Retirement Solutions	Capital	Insurance
UK 	2.2	8	✓	A market leader in asset management, LDI, PRT & DC					
US 	2.8	5	✓	Leader in LDI and c.40% success rate <\$100m PRT					
Japan 	2.3	-	✓	Top 3 non-domestic manager of institutional pensions					
Netherlands 	0.9	5	✓	Market entry					
Canada 	0.9	2	✓	Market entry					
Ireland 	0.1	2	✓	Market entry					

We are growing our PRT business and LGIM internationally

International PRT Premiums (£m)

Volumes doubled in size in 3 years



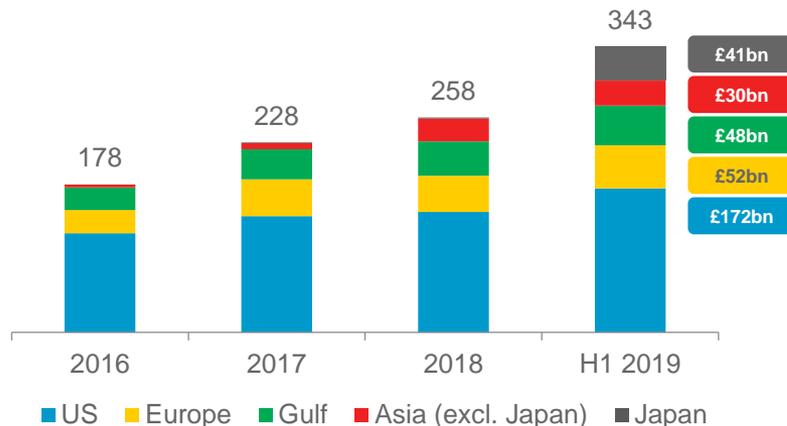
US:

- c.40% success for deals <\$100m across 2017 and 2018
- Won our largest fully retained US PRT deal of over \$200m in H1 2019

Canada: Won first deal in partnership with Brookfield

International LGIM AUM (£bn)

AUM doubled in size in 3 years



Total International AUM up 24% CAGR since 2016

US: Strong pipeline for H2 2019 flows

Japan: £37bn passive mandate with Government Pension Investment Fund in H1 2019

1. International PRT premiums as at July-19

Delivering Inclusive Capitalism

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

**Our ambition is to replicate this performance out to 2020:
11% achieved to end 2018**

**2020 onwards:
Delivering on our global ambition**

- Achieve global leadership in pensions de-risking
- Provide a suite of products to maximise retirement income
- Use 'patient capital' to become the UK leader in direct investments including housing and regeneration
- Build a world class international asset management business
- Address UK savings gap through retail investments and workplace pensions
- Deliver financial protection from life events for customers
- Become a leading data driven and digitally enabled insurer

To be a leader in financial solutions and a globally trusted brand

