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LEGAL & GENERAL LAUNCHES AFFORDABLE HOUSING ARM

Legal & General announces the launch of Legal & General Affordable Homes, a new wholly-owned affordable housing provider which it is establishing through a leading development and management platform.

Focused on supporting the UK's demographic and affordable living needs, and consistent with Legal & General's housing growth strategy, Legal & General Affordable Homes will lead the evolution of the affordable housing sector with an aim to become the leading private affordable housing provider in the UK. It forms a subsidiary of Legal & General Capital, which invests capital into sectors where there has been a shortage of investment and innovation, focusing on growth opportunities and scale ups.

The UK continues to have a chronic shortfall of over 100,000 homes per year. The position is particularly stark in the affordable housing sector with over 1.3 million households¹ on UK waiting lists with new additions averaging only 30,000 properties a year over the last 10 years. Legal & General Affordable Homes will aim to be fully operational and delivering 3,000 homes per year within the next four years.

With Legal & General's long term financial backing and utilising the housing management expertise of the leading existing affordable housing providers, the new business will be looking to accelerate and grow the provision of affordable housing across the UK, targeting all areas of the affordable housing market, including new build Section 106 and grant-funded affordable rent, social rent and shared ownership units.

Nigel Wilson, CEO of Legal & General, says: "Despite the fact that the UK is a great place to invest, thirty years of underinvestment have led to poor productivity, low real wage growth and numerous market failures. Affordable housing is a classic example of underinvestment with minimal new equity capital being deployed to the sector. This is not a sustainable position - either for the sector or for the 1.3million households currently on a waiting list. This important sector has now been added to Legal & General's £15 billion UK direct investment programme."

Simon Century, Head of Affordable Housing, says: "Many housing associations are becoming increasingly highly leveraged, as they have funded significant amounts of development through debt funding for many years. They have no ability to raise equity and maintain a sustainable financial structure – therefore forcing many to significantly limit their growth ambitions. Legal & General Capital is building a more natural and sustainable model – one in which institutional investors are the long-term holders of the assets

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/600/600.xlsx
<http://www.gov.scot/Topics/Statistics/Browse/Housing-Regeneration/HSfS/HousingLists>

working alongside the best-in-class affordable housing operators who will provide the highest-quality housing management.”

- Ends -

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Notes to editors -

Legal & General in Housing

A natural evolution and fit for its multi-tenure housing investment strategy, Legal & General has been involved in supply side housing activities for nearly 20 years. These include:

- Bringing housing back to the centre of the UK's cities through large scale regeneration, such as Salford, Plymouth, Liverpool, Bracknell, Newcastle and Canning Town
- Ownership of house builder CALA Homes, which is on track to deliver an annual capacity of 2,500 units and revenue of around £1bn in 2020, and believes it has the capability to build in excess of 3,000 units per annum thereafter. CALA has seen revenues grow from £241m in 2013 to £748m in 2017.
- Legal & General's total investment capability for the Build to Rent (BTR) sector currently stands at circa £1.5bn. It has secured around 2,000 homes under construction or in planning, with sites in Bristol, Edinburgh, Salford, Bath, Brighton, Leeds and Walthamstow, with the aim to have 6,000 in planning, development or operation by the end of 2019
- Delivering its first three new housing communities, Legal & General's housebuilding arm, Legal & General Homes, is bringing forward a housing pipeline of over 3,000 new homes. These include a 78-acre site in

Shrivenham, Oxfordshire with outline planning for 515 new homes, building 1,000 new homes on its 250 acre site in Crowthorne, Berkshire, called Buckler's Park, and 1,500 new homes at its 272 acre site in Finchampstead, also in Berkshire

- Revolutionising the construction industry through its modular housing factory in Leeds, it will deliver highly-sustainable precision-engineered homes. The homes are built using modern manufacturing techniques, in a precision engineering manufacturing environment, on a moving assembly line, which will be constructed and fitted out in the factory before delivery to site
- Providing later living accommodation through Inspired Villages Group, a best in class operator and developer of later living accommodation, established by Legal and General in 2017. Inspired Villages Group's development portfolio currently has around 1,000 homes

It is also a significant investor in student accommodation, having invested £1.5bn to date in this sector. This holistic approach provides Legal & General with the mechanisms to deliver high quality returns throughout market cycles by pivoting investment to where the need is greatest. A further example would be Legal & General's £40million investment in Thames Valley Housing Association which focused on providing high quality key worker accommodation for Imperial College NHS Trust and St George's Healthcare NHS Trust.

Legal & General Capital

Legal & General Capital (LGC) is the principal investment arm of Legal & General Group. Investing from Legal & General's £7.3bn shareholder balance sheet, LGC's purpose is to generate long-term shareholder value by injecting new capital into key sectors where there has been a shortage of investment and innovation. Focused on Housing, Urban Regeneration, Clean Energy and SME Finance, these sectors reflect our aim to invest for the long term in economically and socially useful assets, to secure competitive returns and to create new asset classes for Legal & General's varied investment requirements, for our partners and for the wider marketplace.

Legal & General Group

Established in 1836, Legal & General is one of the UK's leading financial services groups and a major global investor, with a number of growing businesses in the US. Over fifteen million people worldwide rely on us to help them save for the future and to protect their families and their homes.

We operate in three principal areas:

- Investing & Annuities, where we manage £58bn of retirement annuities for policyholders and invest for their long term return within Legal & General Retirement (LGR and LGRI), as well as investing our own balance sheet within Legal & General Capital (LGC);

- Investment Management, where we have £983bn in total assets under management from clients in the UK, US, Asia and EMEA and a leading UK workplace savings and retail investments business within LGIM; and
- Insurance, where we provide protection against life events for more than 4 million customers, with £2.9bn of gross written premiums principally in life insurance in the UK and US within Legal & General insurance and household insurance in the UK within our General insurance division.