

# Excellent execution delivering consistently improving financial performance



... and positively engaging with our customers



---

## Forward looking statements

This document may contain certain forward-looking statements relating to Legal & General Group, its plans and its current goals and expectations relating to future financial condition, performance and results. By their nature, forward-looking statements involve uncertainty because they relate to future events and circumstances which are beyond Legal & General's control, including, among others, UK domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory and Governmental authorities, the impact of competition, the timing impact of these events and other uncertainties of future acquisition or combinations within relevant industries. As a result, Legal & General Group's actual future condition, performance and results may differ materially from the plans, goals and expectations set out in these forward-looking statements and persons reading this announcement should not place reliance on forward-looking statements. These forward-looking statements are made only as at the date on which such statements are made and Legal & General Group Plc. does not undertake to update forward-looking statements contained in this document or any other forward-looking statement it may make.

## Financial highlights: continuing strong financial performance

### Operating profit<sup>1</sup>

**£988m**

(H1 2016: £777m)

**+27%**

### Profit before tax<sup>1</sup>

**£1,163m**

(H1 2016: £826m)

**+41%**

### Earnings per share<sup>1</sup>

**15.94p**

(H1 2016: 11.27p)

**+41%**

### IFRS return on equity<sup>1</sup>

**26.7%**

(H1 2016: 20.6%)

### Net release from operations

**£724m**

(H1 2016: £681m<sup>2</sup>)

**+6%**

### Interim dividend<sup>3</sup>

**4.30p**

(H1 2016: 4.00p)

1. Includes £126m base mortality release, as a result of continuing greater than expected mortality experience

2. H1 2016 excludes figures for Legal & General Netherlands (LGN) and Digital Savings (£46m), which have been disposed of

3. A formulaic approach is used to set the interim dividend, being 30% of the prior year full year dividend

# Strategic overview



# Clear and consistent strategy: excellent execution

## Growth drivers

## 2017 achievements

### Ageing demographics

- LGR transactions £3.2bn, including 3 US pension de-risking transactions
- £424m Lifetime mortgages sales, voted best equity release / lifetime lender
- Several distribution agreements delivering good growth in individual annuity sales
- Solutions assets of £446.1bn, UK market leader with 42% share

### Globalisation of asset markets

- 303 US clients with £126.5bn assets, 4 of top 5 US DB pension funds
- Successfully winning US mandates, net flows £8.6bn (H1 2016: £3.1bn)
- LGIM Japan business registration approved in August by the FSA (Japanese regulator)
- Partnering with global investor in 'Build to Rent'
- Partnering with global investors in SME finance (Pemberton)
- LGIM total AUM of £951.1bn, up 13%, International AUM of £198.3bn, up 31%

### Creating real assets

- £11.8bn of group-wide direct investments, up 18% from YE16
- c.£1bn 'Build to Rent' housing pipeline with new sites added in Bath and Leeds
- Extended Homes sector into Later Living through a new operating partnership
- Launching community development in Crowthorne to create 1,000 new homes
- UK infrastructure investments in London Gateway Port, Stratford, and Newcastle

### Welfare reforms

- Market leading UK retail protection business, 25% market share
- UK DC assets £62.8bn, up 26%, largest manager of DC assets in the UK
- 2.46m customers in over 12,000 schemes

### Technological innovation

- Retail Protection direct sales 19% of total, General Insurance direct sales 36% of total
- Newly created Fintech business areas, to drive technology disruption across the Group
- My Account: over 1.2m users with c.317k new customers signed up in H1 2017

### Today's capital

- Three new Pemberton funds are being launched. Targeting €3bn AUM growth in 2017
- Committed investment to three VC funds in the UK and Europe

# Focused, high performing business

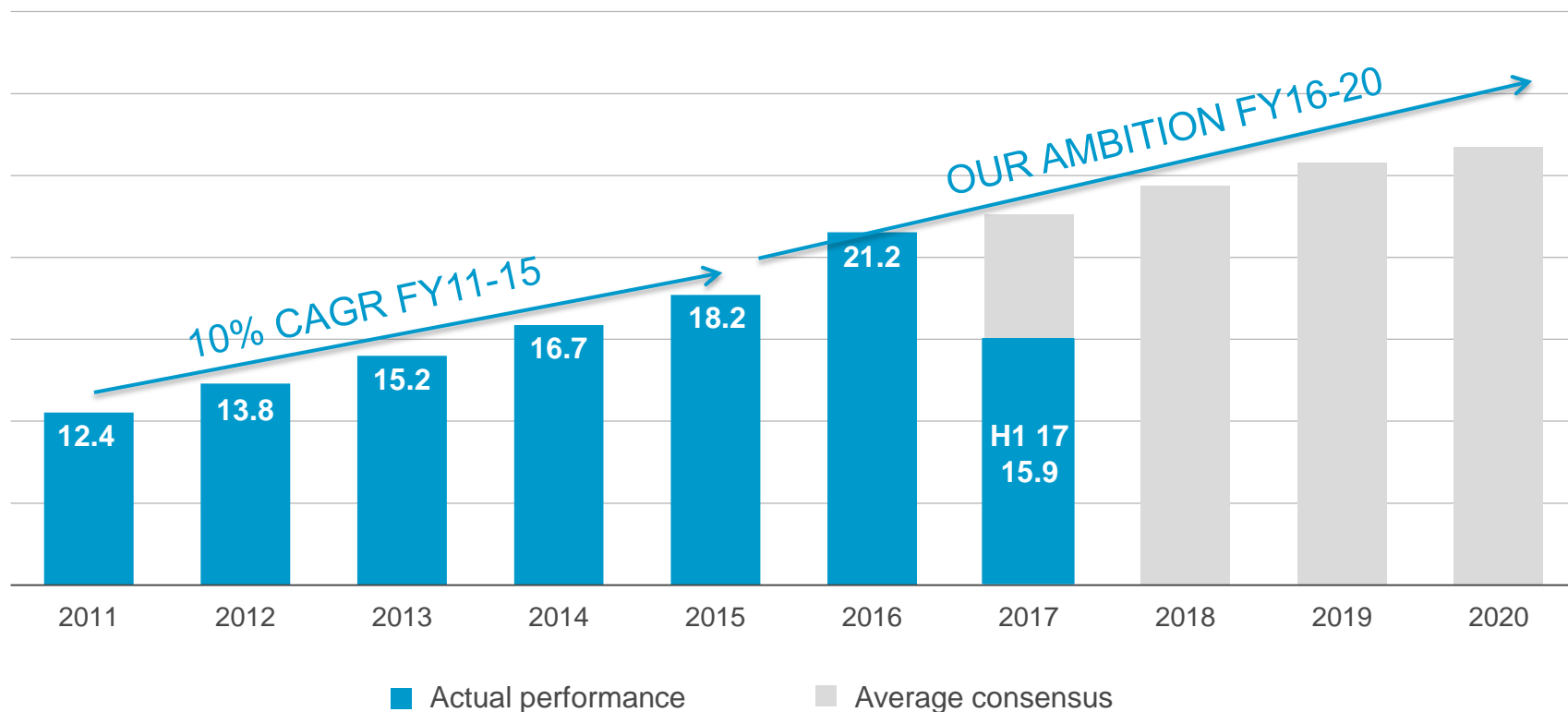
Operating profit £m	Divisions	H1 2017	%	Market position and share <sup>2</sup>
<b>Asset Management</b>	LGR <sup>1</sup>	<b>566</b>	51	<ul style="list-style-type: none"> <li>#1 in PRT, 30% market share</li> <li>#1 in LTM, 30% market share</li> <li>#3 Individual Annuities, 13% market share</li> </ul>
	LGIM	<b>194</b>	17	<ul style="list-style-type: none"> <li>#1, World leader in LDI, 42% market share in the UK</li> <li>#1 in UK Retail net sales</li> <li>#1 Manager of DC assets, #1 in DB</li> <li>UK #1 in Index, World #5, 4% market share</li> </ul>
	LGC	<b>142</b>	13	<ul style="list-style-type: none"> <li>#1 in City Centre Infrastructure</li> <li>#10 in Housing</li> </ul>
	<b>Total</b>	<b>902</b>		
<b>Insurance</b>	LGI	<b>151</b>	13	<ul style="list-style-type: none"> <li>#1 in UK Retail Protection, 25% market share</li> <li>#2 term life through BGA in the US</li> <li>#6 in Group Protection, 11% market share</li> </ul>
	General Insurance	<b>15</b>	1	<ul style="list-style-type: none"> <li>#7 in Household</li> </ul>
<b>Savings</b>	Savings	<b>52</b>	5	<ul style="list-style-type: none"> <li>Well managed run-off</li> </ul>
	<b>Total</b>	<b>218</b>		
<b>Operating profit from divisions</b>		<b>1,120</b>	100	

1. UK market position and share, unless specified

2. Includes £126m base mortality release, as a result of continuing greater than expected mortality experience

# Replicating EPS growth in 2016 - 2020

## Earnings per share (p)



Note, 2017-2020 based on consensus as at 27 July 2017, not representing opinions, forecast or predictions of management.

# Financial Highlights

Jeff Davies, Group Chief Financial Officer

---

Operating profit

**£988m**

+27%

---

Profit before tax

**£1,163m**

+41%

---

Earnings per share

**15.94p**

+41%



**EVERY  
DAY  
MATTERS.®**



# Consistent delivery: strong results

		H1 2017	H1 2016	%
<b>Assets &amp; Premiums</b>	LGIM AUM (£bn)	<b>951.1</b>	841.5	13
	LGR new business (£m)	<b>3,188</b>	4,509	n/a
	LGI premiums <sup>1</sup> (£m)	<b>1,324</b>	1,235	7
	Direct investments (£bn)	<b>11.8</b>	8.4	41
<b>Cash &amp; Earnings</b>	Net release from operations <sup>2</sup> (£m)	<b>724</b>	681	6
	Total release <sup>3</sup> (£m)	<b>824</b>	727	13
	Operating profit (£m)	<b>988</b>	777	27
	Profit before tax (£m)	<b>1,163</b>	826	41
	Earnings per share (pence)	<b>15.94</b>	11.27	41
<b>Capital</b>	Return on equity (%)	<b>26.7</b>	20.6	
	Shareholder basis: Solvency II surplus (£bn)	<b>6.7</b>		
	Shareholder basis: Solvency II coverage ratio (%)	<b>186</b>		
<b>Dividend</b>	Interim dividend <sup>4</sup>	<b>4.30</b>	4.0	

1. Excluding Legal & General Netherlands (LGN)

2. H1 2016 excludes figures for LGN and Digital Savings (£46m), which have been disposed of

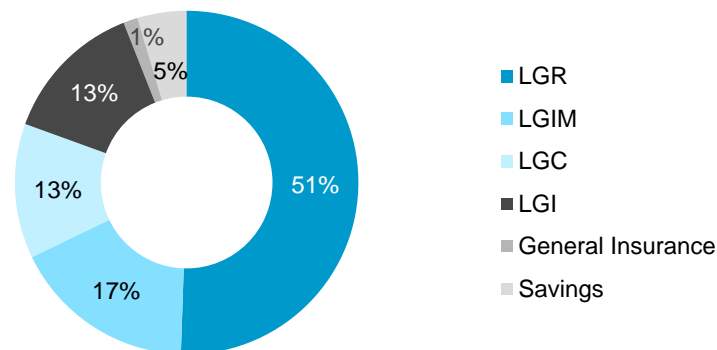
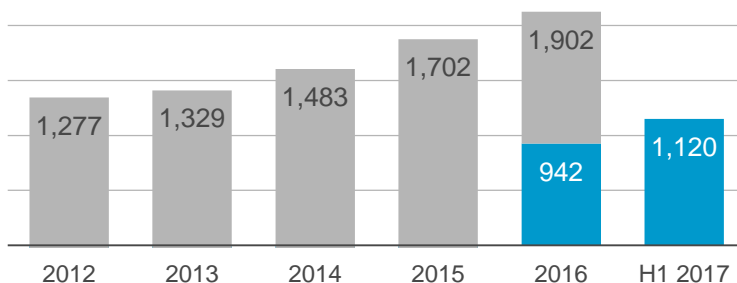
3. Includes £100m subsidiary dividend from LGAS to Group, arising from the base mortality release in H1 2017. This is in addition to the normal LGAS dividend

4. A formulaic approach is used to set the interim dividend, being 30% of the prior year full year dividend

# Continued growth: Operating profit from divisions

## Operating profit from divisions (£m)

10% FY12 – FY16



Divisions	H1 2017	H1 2016	%
Legal & General Retirement (LGR)	566	405	40
Legal & General Investment Management (LGIM)	194	171	13
Legal & General Capital (LGC)	142	135	5
Legal & General Insurance (LGI)	151	151	-
General Insurance (GI)	15	31	(52)
Savings	52	49	6
<b>Operating profit from divisions</b>	<b>1,120</b>	<b>942</b>	<b>19</b>

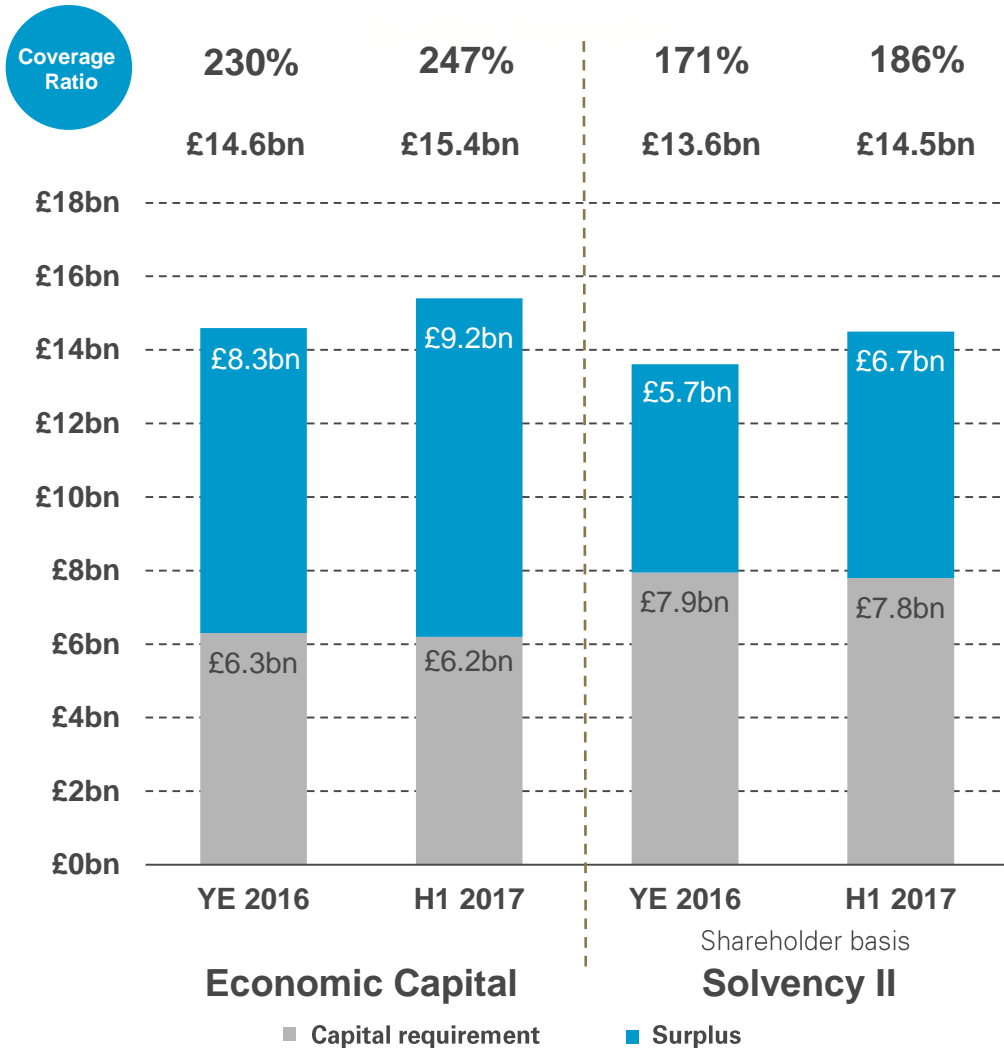
# Investment variance

	H1 2017	H1 2016
<b>Operating profit (£m)</b>	<b>988</b>	<b>777</b>
<b>Investment variance (£m):</b>	<b>169</b>	50
<i>LGR</i>	<b>38</b>	63
<i>LGIM</i>	<b>(4)</b>	(8)
<i>LGC</i>	<b>52</b>	60
<i>LGI<sup>1</sup></i>	<b>7</b>	(100)
<i>General Insurance</i>	<b>6</b>	10
<i>Savings<sup>1</sup></i>	<b>(7)</b>	4
<i>Group</i>	<b>77</b>	21
Minority interest	<b>6</b>	(1)
<b>Profit before tax (£m)</b>	<b>1,163</b>	826
<b>Profit after tax (£m)</b>	<b>952</b>	667
<b>Earnings per share (pence)</b>	<b>15.94</b>	11.27

- LGC: Favourable returns above the assumed return, driven by positive global equity markets
- LGI: Prior year investment variance of £(100)m driven by a reduction in UK government bond yields of c.100bps which impacted the discount rate used to calculate the reserves for our UK protection liabilities
- Group: £77m gain primarily driven by the Group's defined benefit pension scheme reflecting accounting valuation differences arising on annuity assets held by the scheme

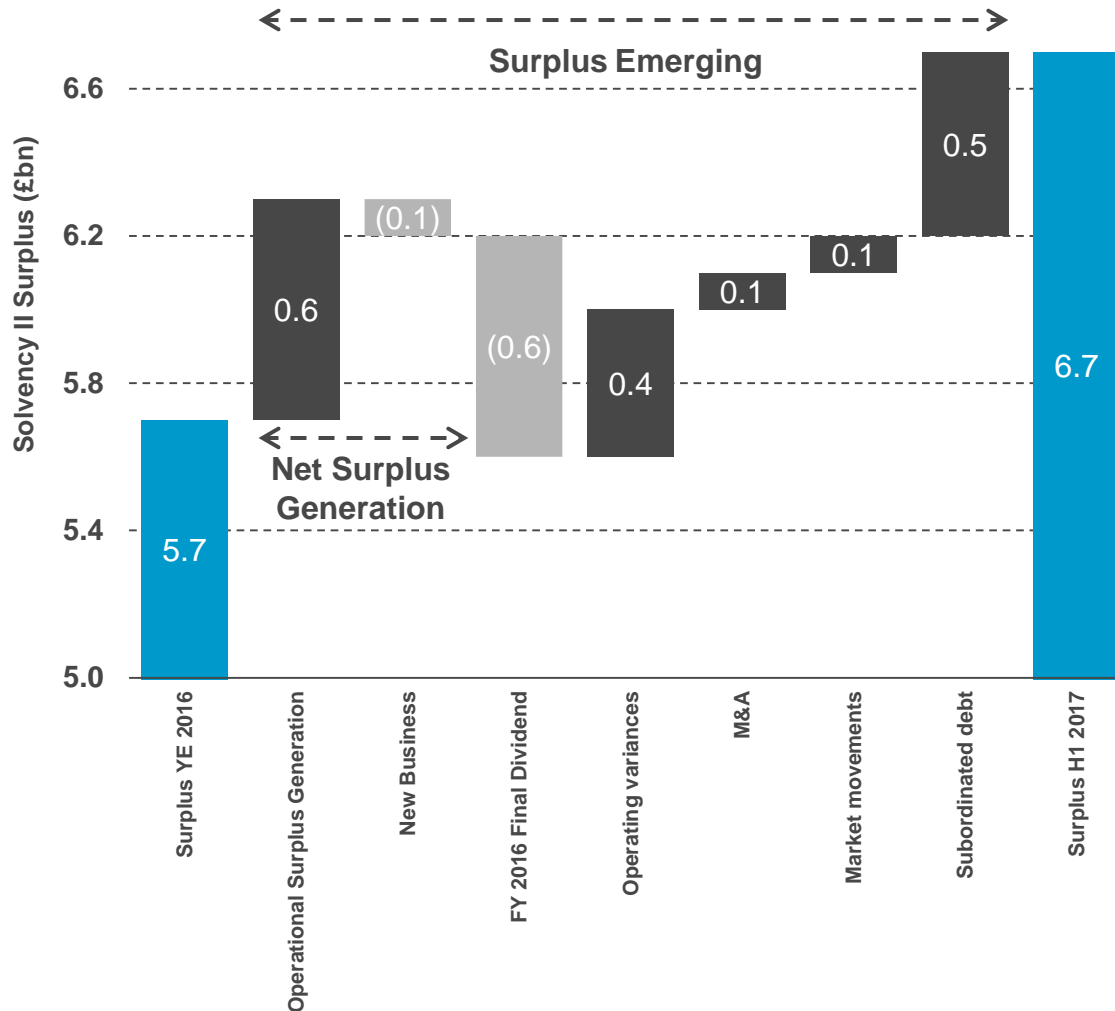
1. Net profit on disposals in H1 2017 of £17m in relation to the disposal of Legal & General Netherlands (H1 2016: £4m profit in relation to the disposal of Suffolk Life)

# Robust capital position



- Solvency II surplus of **£6.7bn**
- The Solvency II shareholder basis adjusts for the Own Funds and SCR of the With-profits fund and our final salary pension schemes
- Solvency II capital requirement decrease driven primarily by existing business release, disposal of LGN and Cofunds, net of new business strain
- Core tier 1 own funds of £11.6bn (80%)
- The Solvency II figures incorporate management's estimate of the impact of recalculating the Transitional Measures for Technical Provisions (TMTP) as at 30 June 2017 as we believe this provides the most up to date and meaningful view of our Solvency II position
- On a regulatory basis including the Own funds and SCR of the With-profits fund and our final salary pension schemes, the Group's Solvency II coverage ratio was 180% (2016: 165%), with Eligible Own funds of £15.2bn and SCR of £8.5bn

# Movement in the Solvency II surplus



## Net Surplus Generation £0.5bn

- Expected releases increase surplus by £0.6bn. This includes a run-off of the TMTP of £(0.2)bn and release of Risk Margin of £0.2bn
- Capital efficient annuity sales and a positive contribution from insurance new business reduces surplus by £(0.1)bn
- Includes US term business, which will be reinsured and financed in H2. For the remaining businesses, the new business strain was less than £50m

## Surplus Emerging £1.0bn

- FY 2016 final dividend of £(0.6)bn
- Operational variances have improved surplus by £0.4bn, includes £0.1bn longevity reserve release
- The disposal of LGN and Cofunds has increased surplus by £0.1bn, 2.5% impact on coverage ratio
- Positive market movements £0.1bn
- Net issue of £0.5bn subordinated debt

## Estimated Solvency II new business value metric

H1 2017	PVNB	Contribution from New Business	Margin %
<b>UK Annuity business LGR (£m)</b>	<b>1,859</b>	<b>166</b>	<b>8.9</b>
<b>UK Insurance Total (£m)</b>	<b>754</b>	<b>69</b>	<b>9.1</b>
Retail protection	632	61	9.6
Group protection	122	8	6.5
<b>LGA (£m)</b>	<b>376</b>	<b>48</b>	<b>12.8</b>
<b>SUBTOTAL (£m)</b>	<b>2,989</b>	<b>283</b>	<b>9.5</b>

- This metric provides a measure of the value created in the business allowing for the run-off of Solvency II capital
- Follows the principles of EEV, but assumes profit emergence on Solvency II basis. Other methodologies are unchanged
- Continue to maintain good margins and pricing discipline
- Much of the change from end 2016 attributable to changes in business mix

## LGI: A growing book, stable operating profit

FINANCIAL HIGHLIGHTS	H1 2017	H1 2016
Release from operations (£m)	<b>166</b>	148
New business surplus (£m)	<b>3</b>	7
Net release from operations (£m)	<b>169</b>	155
Operating profit (£m)	<b>147</b>	146
Profit before tax (£m)	<b>143</b>	31
UK & US Gross written premium (£)	<b>1,324</b>	1,235
UK Protection Solvency II margin (%)	<b>9.1</b>	
US Protection Solvency II margin (%)	<b>12.8</b>	

- Operating profit is largely flat on H1 2016 with adverse experience in UK Group Protection
- Offset by strong performance in US protection due to business growth and favourable mortality experience
- LGI gross premiums increased by 7%

LGI figures exclude Legal & General Netherlands, which was disposed of in April 2017

## LGI UK: Stable premiums and operating profit

FINANCIAL HIGHLIGHTS	H1 2017	H1 2016
Release from operations (£m)	<b>86</b>	87
New business surplus (£m)	<b>3</b>	7
Net release from operations (£m)	<b>89</b>	94
Operating profit (£m)	<b>90</b>	103
Profit before tax (£m)	<b>87</b>	(14)
Gross written premium (£m)	<b>833</b>	815
Mortgages facilitated (£bn)	<b>29</b>	26
Surveys completed (£'000)	<b>262</b>	250
Solvency II margin (%)	<b>9.1</b>	

- Growth in GWP reflects strong performance in Retail Protection, with Mortgages and Surveying business also performing favourably
- Group Protection impacted by adverse experience (£26m)
- Adverse claims experience primarily in a relatively small number of income protection schemes
- Actions taken in the first half of 2017 are expected to lead to improved second half performance

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



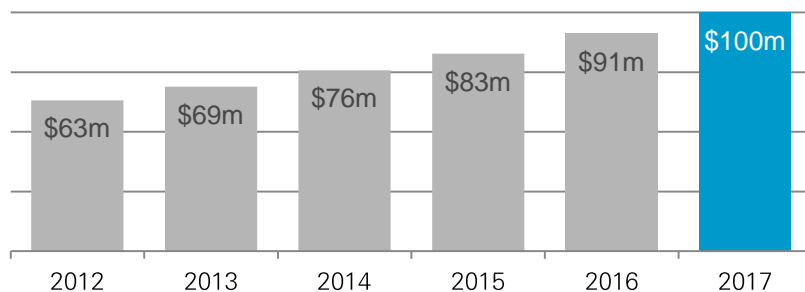
# LGI US: Increased release from operations and premiums

FINANCIAL HIGHLIGHTS	H1 2017	H1 2016
Net release from operations (\$m)	<b>100</b>	88
Operating profit (\$m)	<b>72</b>	62
Profit before tax (\$m)	<b>71</b>	64
Gross written premium (\$m)	<b>618</b>	601
Solvency II margin (%)	<b>12.8</b>	

- Net release from operations up 14% to \$100m. Dividend paid in February 2017
- US Protection premiums up 3% to \$618m, benefiting from strong new business performance; H1 2017 APE up 17% to \$48m
- Operating profit 16% above prior year at \$72m, due to business growth and favourable mortality claims experience
- 2nd largest provider of term life through BGA distribution channel (based on APE) and 9th largest provider of term life in the US market overall
- 1.2m customers
- Focus on developing online applications, including automated underwriting to deliver a better customer experience, scalability, reduced unit costs and enhanced risk management

## LGI US dividend (\$m)

10% CAGR



## GI: Strong direct premium growth

FINANCIAL HIGHLIGHTS	H1 2017	H1 2016
Net release from operations (£m)	<b>12</b>	25
Operating profit (£m)	<b>15</b>	31
Profit before tax (£m)	<b>21</b>	41
Gross written premium (£m)	<b>173</b>	156
Of which: Direct channel GWP (£m)	<b>63</b>	54
Combined operating ratio (%)	<b>95</b>	85

- GWP growth of 11% driven by a 17% growth in the Direct channel and the impact of new distribution partnerships won in the last two years
- Direct growth is being delivered across both Household and Pet products. Pet GWP has increased by 72% compared to H1 2016
- 36% of sales now through the Direct channel
- Further growth in GWP is expected through the implementation of SmartQuote and a new partnership agreement which will deliver additional premium in 2018
- Profitability in H1 2017 has been impacted by increased costs from non-weather claims, predominantly escape of water claims. Actions are being taken to address this. Q2 experience already improved

## Savings: Profits remain robust through favourable market conditions, careful cost management and increased efficiency

FINANCIAL HIGHLIGHTS	H1 2017	H1 2016
Release from operations (£m)	<b>53</b>	53
New business strain (£m)	<b>(2)</b>	(3)
Net release from operations (£m)	<b>51</b>	50
Operating profit (£m)	<b>52</b>	55
Mature Savings assets (£bn)	<b>30</b>	29

- Sustained release from operations primarily due to market conditions
- Reduction in operating profit reflects expected run off profile of book
- Strong cost management and focus on efficiencies
- Wider use of automation and greater engagement with customers via digital channels

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

# Legal & General Retirement

Kerrigan Procter, Chief Executive Officer LGR

Operating profit

**£566m**

+40%

New business sales

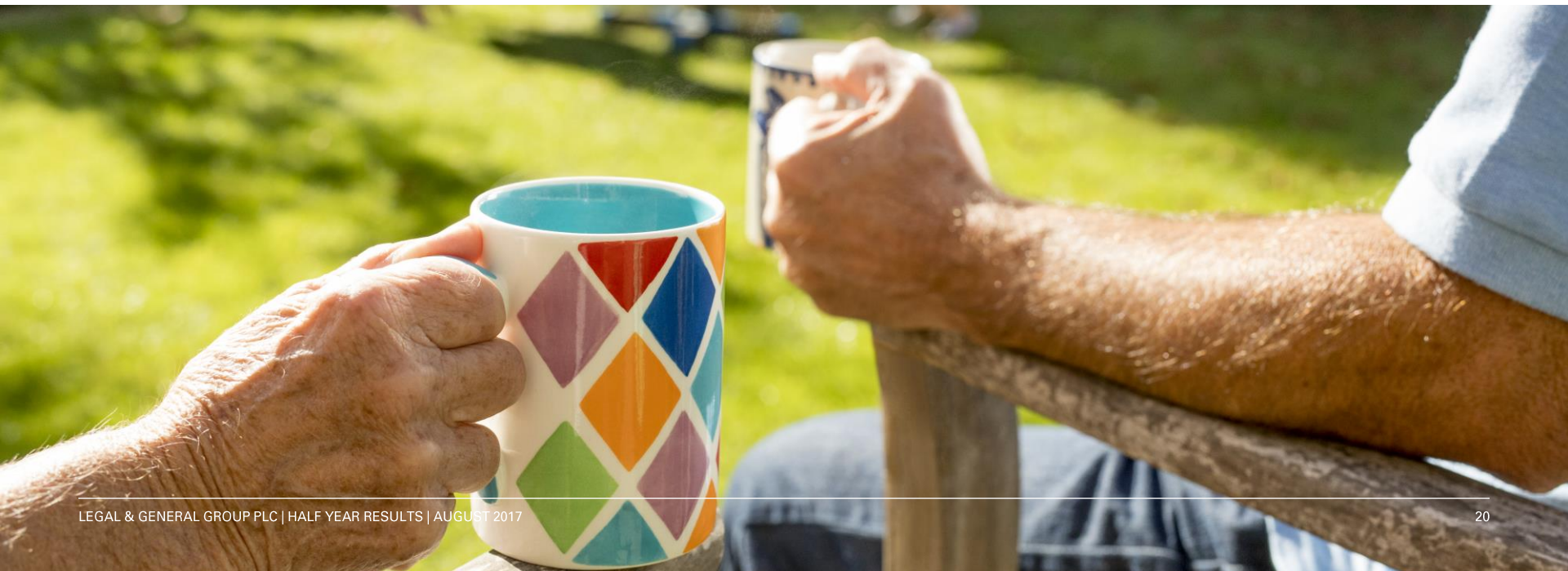
**£3.2bn**

H1 2016: £4.0bn

AUA

**£55.6bn**

+9%



# LGR: Consistently delivering strong profits

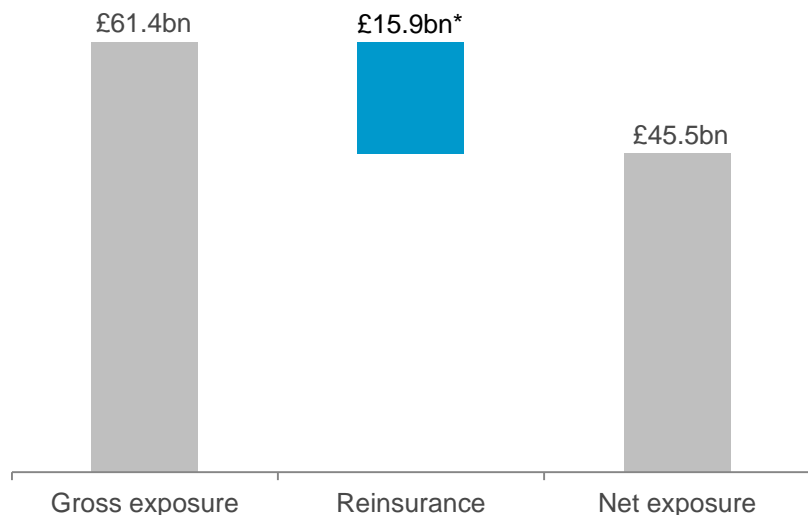
FINANCIAL HIGHLIGHTS	H1 2017	H1 2016
Release from operations (£m)	<b>256</b>	204
New business surplus (£m)	<b>51</b>	79
Net release from operations (£m)	<b>307</b>	283
Operating profit (£m)	<b>566</b>	405
Profit before tax (£m)	<b>604</b>	468
Total annuity AUM (£bn)	<b>55.6</b>	<b>51.0</b>
Of which: Direct investments (£bn)	<b>9.8</b>	<b>6.6</b>
Solvency II new business margin <sup>1</sup> (%)	<b>8.9</b>	
Solvency II new business value add <sup>1</sup> (£m)	<b>166</b>	
Solvency II new business strain (%)	<b>&lt; 4.0</b>	
Backbook acquisition (£m)	-	2,945
UK Pension risk transfer (£m)	<b>1,504</b>	640
US Pension risk transfer (£m)	<b>115</b>	45
Individual annuities (£m)	<b>345</b>	158
Longevity insurance (£m)	<b>800</b>	-
New lifetime mortgages (£m)	<b>424</b>	231
<b>Total sales (£m)</b>	<b>3,188</b>	<b>4,019</b>

- Operating profit of £566m up 40%, reflecting:
  - Increased scale of business
  - Profitable new business written in 2017
  - Positive impact of £126m updating assumptions in relation to base mortality in light of recent greater than expected experience
- Our forward-looking longevity reserves have not yet been adjusted for trend experience
- Total new business sales of £3.2bn:
  - Annuity premium of £2.0bn, showing high growth for UK PRT, US PRT and individual annuity sales
  - £800m reinsured longevity insurance deal transacted in June
  - £424m lifetime mortgage sales, 30% market share

1. Excludes US PRT business and longevity insurance

# LGR: The rate of mortality improvement is slowing

## LONGEVITY EXPOSURE AS AT 30 JUNE 2017



\* Excludes pass-through longevity insurance

- Longevity risk managed through risk selection and reinsurance
- Reinsured £15.9bn of longevity risk over the past 6 years
- Post-SII we are targeting to reinsure 80%-90% longevity risk from new UK PRT business – flow treaties for small schemes help us achieve this
- Pre-SII business has a lower reinsurance level due to transitional capital relief

## MORTALITY IMPROVER BASIS

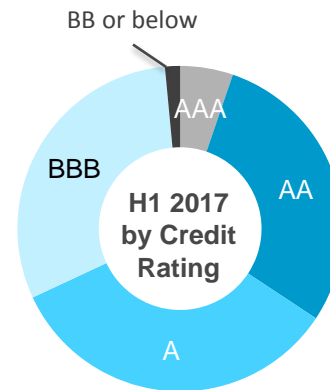
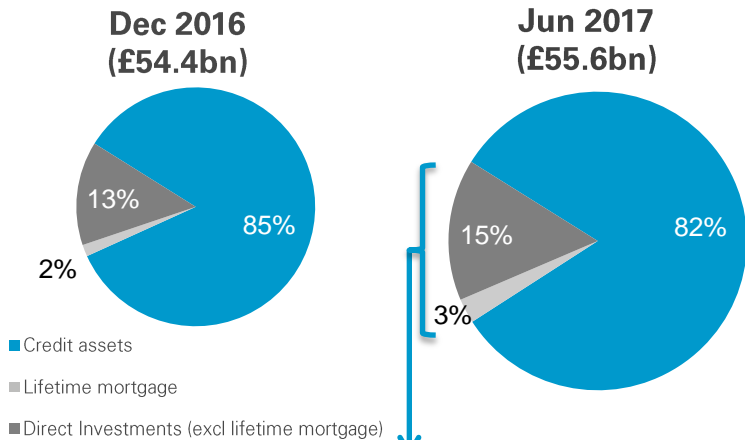
Year End	Mortality Improvers
2010	CMI 2009
2011	CMI 2009
2012	CMI 2011
2013	CMI 2012
2014	CMI 2013B
2015	CMI 2013B
2016	CMI 2014 Adjusted

- Mortality experience greater than expected for a number of years; release of £126m of prudence within our reserves from base mortality assumptions
- Investigating the appropriateness of the CMI 2015 model for longevity improvement in H2 2017

# LGR: Defensive and well diversified asset portfolio

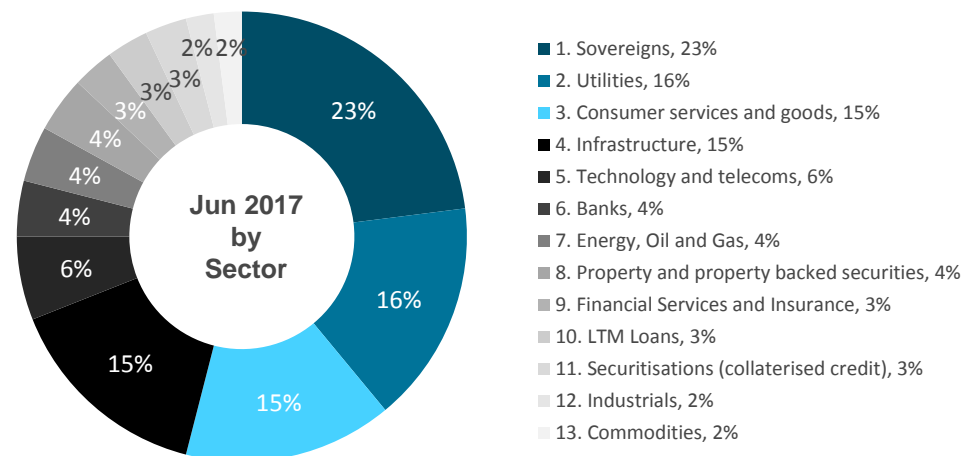
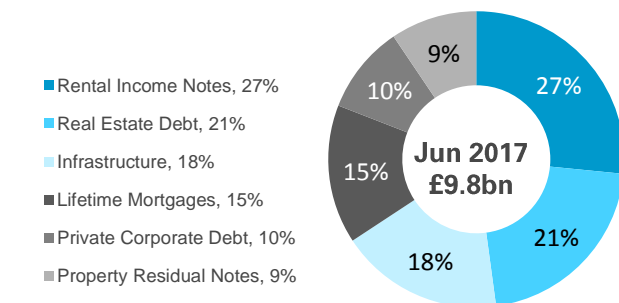
## INCREASING PROPORTION OF DIRECT INVESTMENTS

## .. WHILST MAINTAINING OVERALL CREDIT QUALITY & HIGH SECTORAL DIVERSIFICATION



- Over two thirds of the £51.5bn bond portfolio is A rated or better
- £7.2bn in gilts
- Over 50% in sovereigns, utilities and infrastructure
- Less than 4% in banks, and in Energy Oil & Gas

## WIDE SPECTRUM OF DIRECT INVESTMENT CLASSES

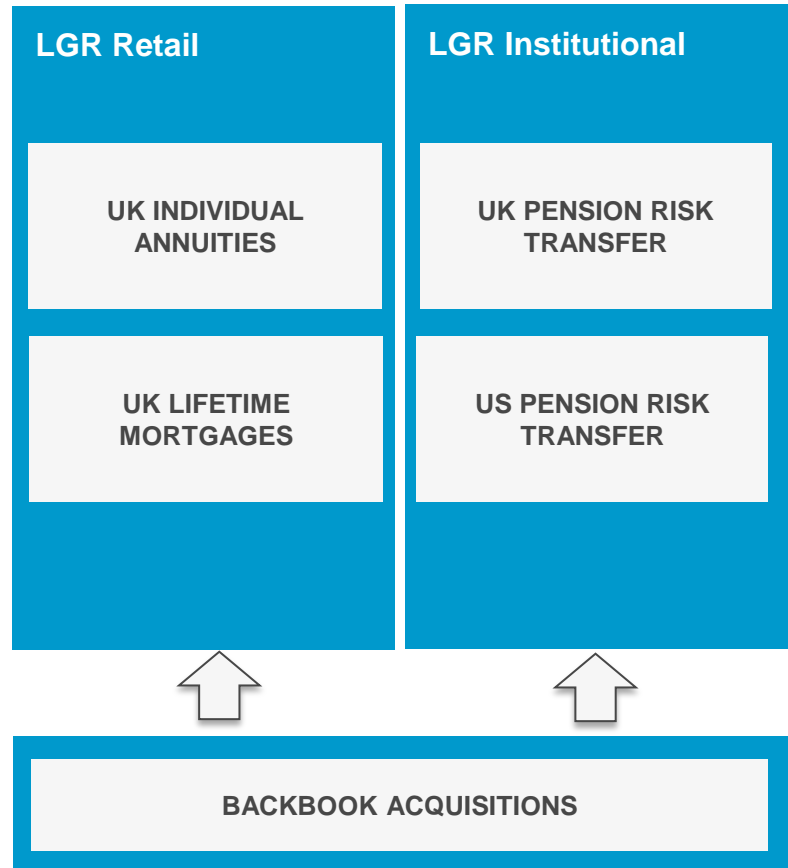
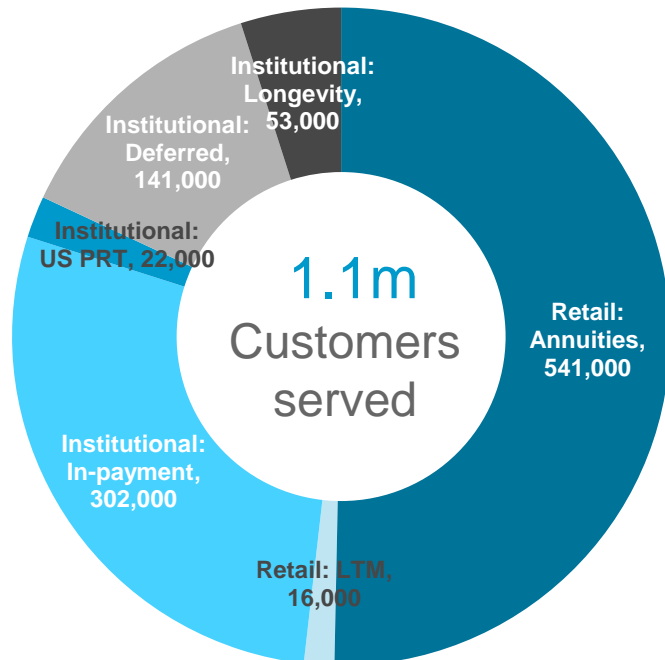


# LGR Retail & Institutional Businesses

**BOTH OUR RETAIL & INSTITUTIONAL BUSINESSES HAVE SHOWN STRONG GROWTH**

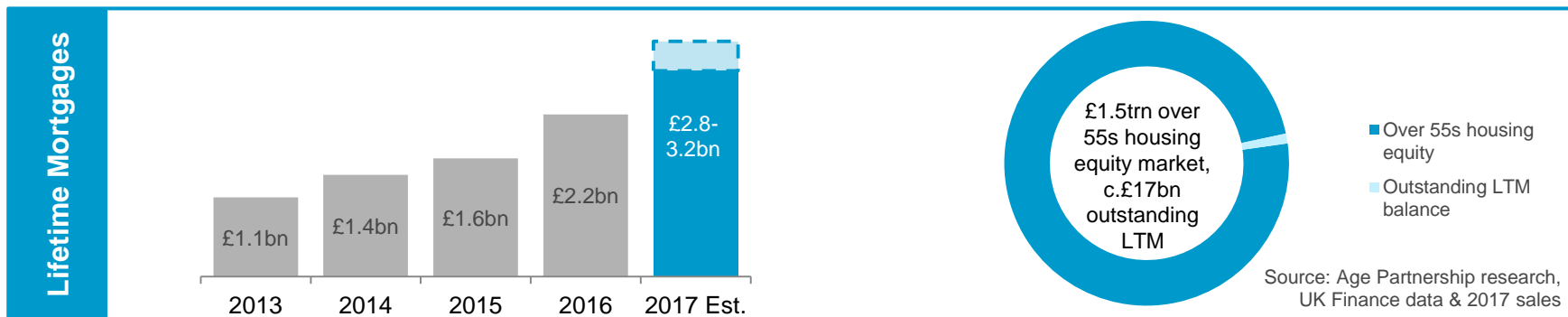
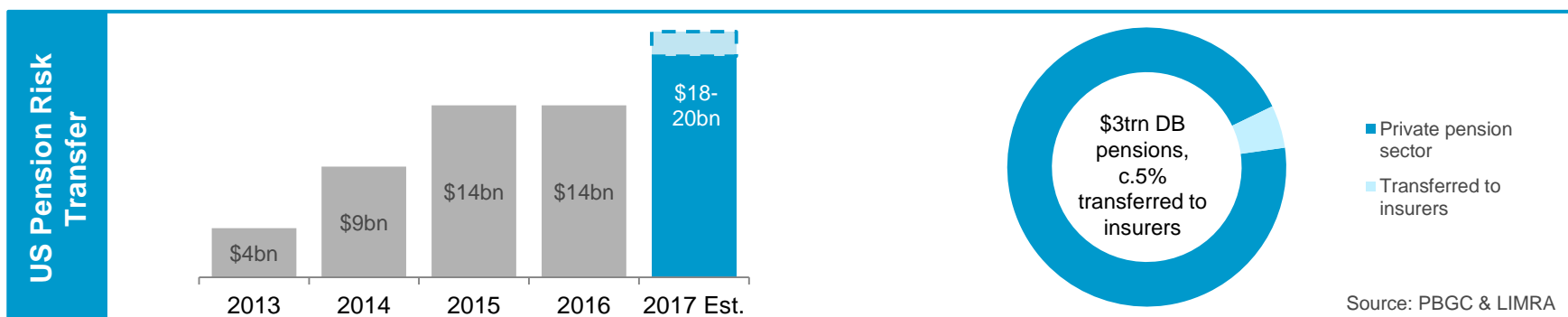
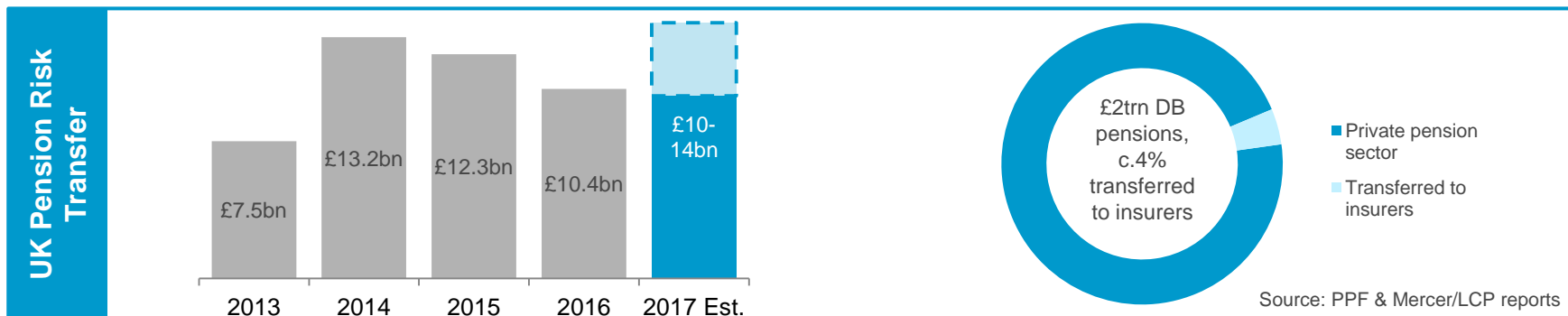
**DIVERSE SOURCES OF PROFIT**

	H1 2017	H1 2016
<b>AUM (£bn)</b>		
Retail	21.5	20.8
Institutional	34.1	30.2
<b>Total LGR</b>	<b>55.6</b>	<b>51.0</b>





# LGR: Executing on the growth opportunities in vast markets



# Legal & General Investment Management

Mark Zinkula, Chief Executive Officer LGIM

AUM

£951bn

+13%

Total net flows

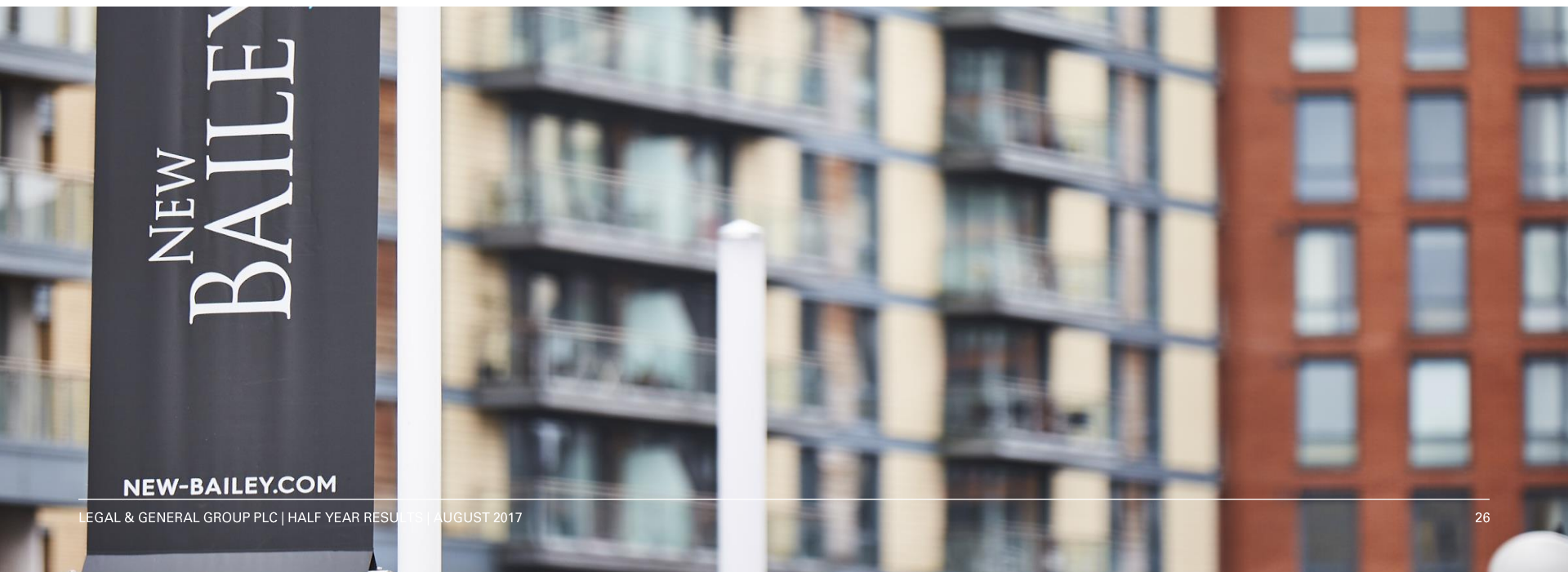
£21.7bn

H1 2016: £9.6bn

Operating profit

£194m

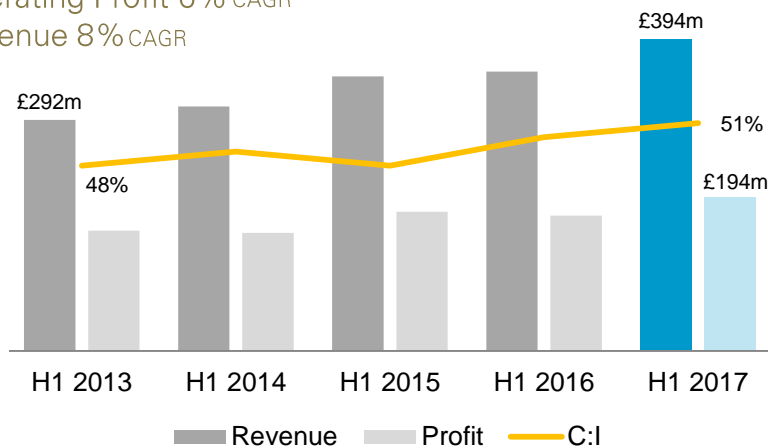
+13%



# LGIM: Continued strong performance

## OPERATING PERFORMANCE

Operating Profit 6% CAGR  
Revenue 8% CAGR



- LGIM operating profit up 13% to £194m, while maintaining a steady cost income ratio
- External net flows of £21.7bn, with strong flows across all channels, regions and most product lines
  - LGIM remains the largest UK provider of LDI, with 42% market share (KPMG)<sup>3</sup>
  - LGIM is experiencing rapid growth in UK DC market and is now the largest manager of DC assets
  - Positive momentum in Retail continues with LGIM ranking first in UK net sales in Q2<sup>4</sup>
  - Successful international expansion continues with net flows of £17.9bn and AUM up 31%
- Majority of our funds outperformed their respective benchmarks over one, three and five years

FINANCIAL HIGHLIGHTS	H1 2017	H1 2016
Operating profit (£m) <sup>1</sup>	<b>194</b>	171
Total revenue (£m) <sup>2</sup>	<b>394</b>	348
Total expenses (£m) <sup>2</sup>	<b>(200)</b>	(174)
Closing AUM (£bn)	<b>951</b>	842
International AUM (£bn)	<b>198</b>	152
DC AUM (£bn)	<b>63</b>	50
Retail AUM (£bn)	<b>27</b>	21
Cost: income ratio (%)	<b>51</b>	50

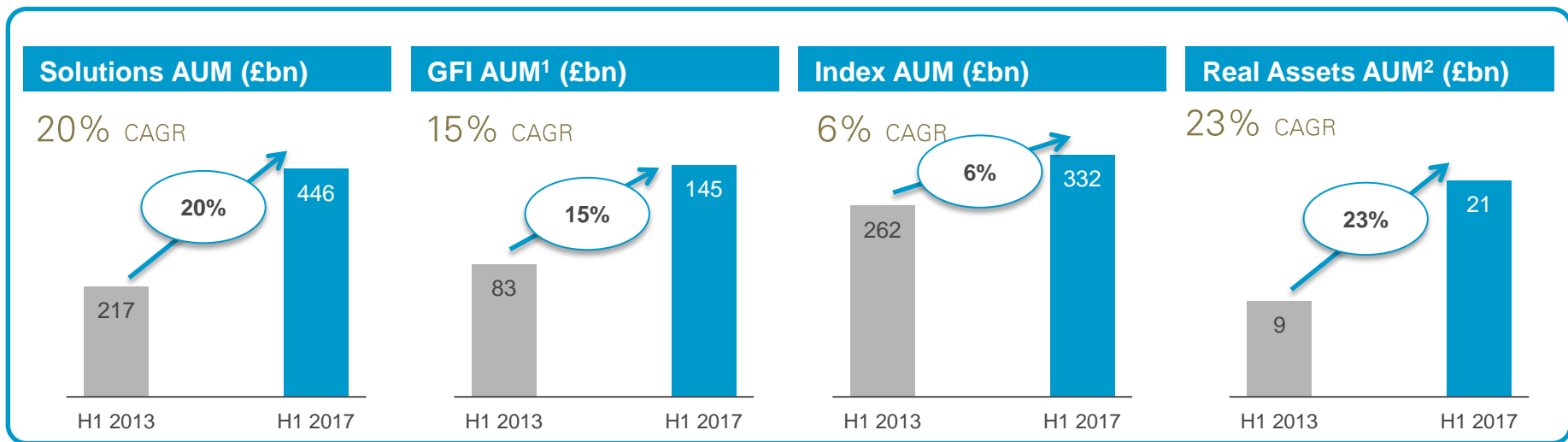
1. Operating profit includes Workplace Savings 2017: £0m 2016: £(3)m

2. Excludes recoverable market data revenue and costs of £8m (H1 16: £5m each)

3. KPMG LDI Market Survey 2017

4. Pridham Q2 2017

# LGIM: Increasingly diversifying business in growth segments



- LGIM remains the largest UK provider of LDI, with a 42% market share<sup>3</sup>
- Solutions external net inflows were £20.4bn across LDI, Multi-Asset and Fiduciary Management

- Growth in Active Fixed Income driven by demand for US and Global strategies
- Increasing demand for High Yield
- External net inflows of £5.3bn

- Index net outflows driven by structural decline in equities in UK DB pensions
- Continued strong growth in other channels and regions
- Growing assets in factor based strategies

- Strong growth in private credit with over £1bn of investments across real estate lending, infrastructure debt and corporate debt
- We are experiencing success with our Build to Rent fund, with c.£1bn in capital raised

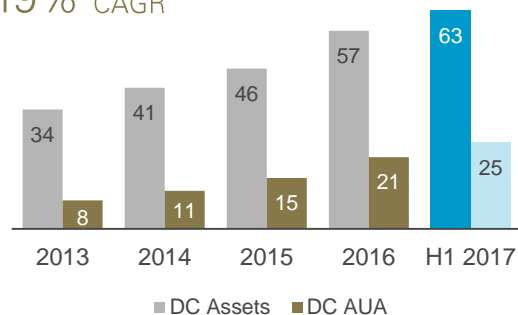
1. Global fixed income  
 2. Comprises Property and Infrastructure AUM  
 3. KPMG LDI Market Survey 2017

# LGIM: Strong growth in DC pensions and Retail business

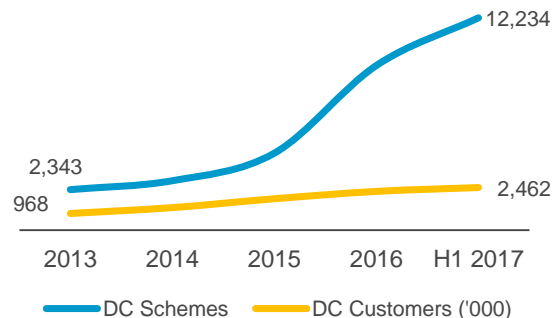
## DC AUM and AUA growth (£bn)

### DC AUM

19% CAGR

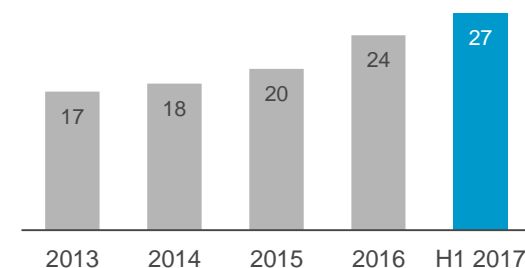


## DC client growth



## Retail AUM (£bn)

14% CAGR



### Trusted capabilities for UK DC clients:

- LGIM now the largest manager of UK DC assets<sup>1</sup>, with a 26% increase in AUM to £62.8bn
- Second largest and fastest growing Master Trust in the UK<sup>2</sup>
- Number of pension schemes serviced (12,234) has increased by 29% in H1 2017
- Following our investment in Smart Pension in 2016, LGIM have enhanced its presence in the auto enrolment market to 21,300 clients
- Welfare state reform and the decline of final salary pensions provision is creating room for further growth in DC

### Accelerating growth in our Retail business:

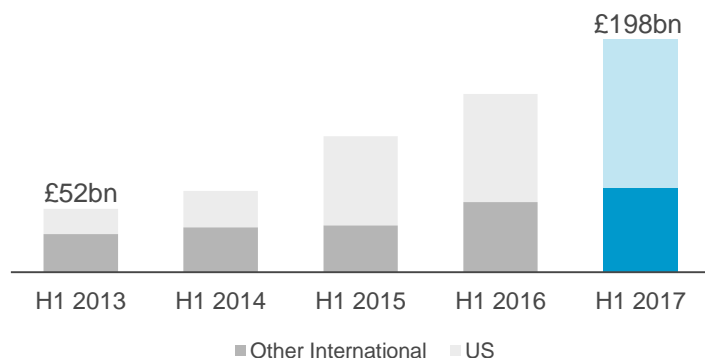
- Retail AUM increased 25% to £26.8bn
- Net flows of £1.7bn were positive across Index, Multi-Asset, and Property asset classes
- Ranked first in UK retail net sales in Q2 2017<sup>3</sup>
- Increasing focus on sales through wealth managers
- Expansion into target European markets
- Differentiated market entry highlighting our social purpose and ESG capabilities (e.g. Future World Fund)

1. Platform, Q3 2016  
 2. DCIF February 2017  
 3. Pridham Q2 2017

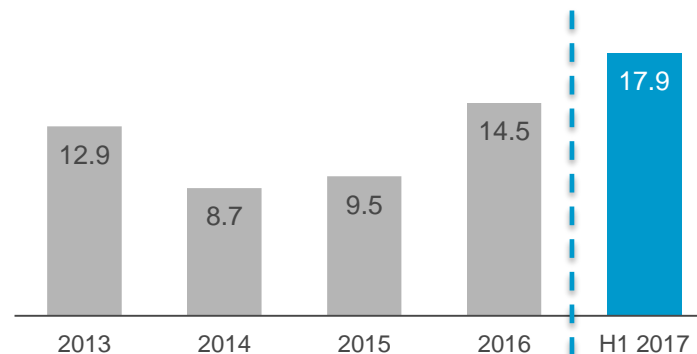
# LGIM: Development of international businesses

## International AUM Growth (£bn)

38% CAGR



## International Net Flows (£bn)

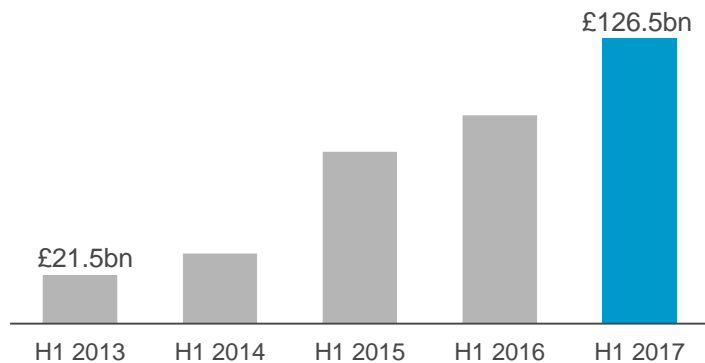


- Total International AUM of £198.3bn, a 31% increase from H1 2016
- Strong net International inflows of £17.9bn
- Positive net flows in all regions: US (£8.6bn), Europe (£6.6bn), Gulf (£2.5bn) and Asia (£0.3bn)
- Trading and index fund management capabilities established in Hong Kong
- Tokyo distribution office opened to support our presence in Japan
- Expansion of SICAV and ICAV products for International markets
- Within the US, continued progress in expanding our investment capabilities and distribution channels

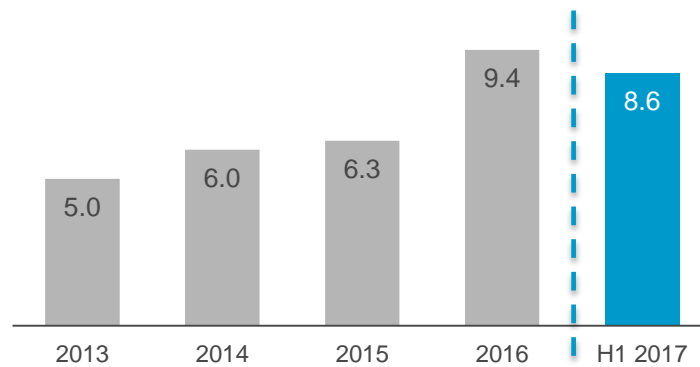
# LGIM: US business delivers strong growth

## US AUM Growth (£bn)

56% CAGR



## US Net Flows (£bn)



- Total US AUM of £126.5bn, a 27% increase from H1 2016
- 303 US clients. 77 in H1 2013
- Net inflows of £8.6bn across a range of strategies with £2.5bn in Fixed Income, £2.1bn in LDI and £4.0bn in Index funds
- Expansion into US DC market and development of US Real Assets capability will continue to support growth
- US pension plans continue to de-risk, presenting opportunities for growth
- Using our expertise to design next generation solutions that address retirement security



# Legal & General Capital Group Strategy

Nigel Wilson, Group Chief Executive

Earnings per share

**15.94p**

+41%

Return on Equity

**26.7%**

H1 2016: 20.6%

Interim dividend

**4.30p**





# LGC: Growth in assets, profits and opportunities

FINANCIAL HIGHLIGHTS	H1 2017	H1 2016
Net release from operations (£m)	<b>119</b>	113
Operating profit (£m)	<b>142</b>	135
- Direct Investments	<b>69</b>	68 <sup>1</sup>
- Traded Portfolio and other	<b>73</b>	67
Profit before tax (£m)	<b>194</b>	195
Assets (£m)	<b>6,790</b>	5,918
- Direct Investments	<b>1,348</b>	1,064
- Traded Portfolio and other	<b>5,442</b>	4,854
Of which: Cash	<b>2,947</b>	2,253
Net portfolio return %	<b>5.4</b>	6.3
- Direct Investments	<b>8.6</b>	10.2
- Traded Portfolio and other	<b>4.7</b>	5.6

- Overall LGC operating profit £142m, up 5%
- New asset classes attracting institutional capital, e.g. Bracknell and Cardiff
- Good progress across all projects
- Invested or committed £221m
- Disposals ahead of plan, YTD £164m

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

# LGC: Progress across all stages of the asset lifecycle

## Invest

- £221m invested or committed into new assets and funds, including £39m committed into later living business and further Build-to-Rent developments in Bath and Leeds following success of Salford
- Strong follow-on funds, including **Pemberton** (SME finance) targeting AUM of around €3bn by end 2017, **NTR** (wind energy) targeting AUM of €750m

## Develop

- 27% growth in **CALA Homes** revenues to over £700m
- Valuation gains across Clean Energy (assets previously in construction becoming operational) and Urban Regeneration completions

## Sell

- Completed disposal, or exchanged contracts on transactions which will generate proceeds of £164m
- Sales achieved at or above target IRRs, e.g. £51m proceeds for sale of **Cardiff One Central Square** property

Attracting new institutional capital following LGC initial investment

# LGC: Cardiff investment launches regeneration

**LGC** initial investment in Cardiff has delivered profitable investment opportunities for **LGR** and has attracted **new institutional capital** managed by **LGIM**

Sourcing new institutional capital funding

<b>Phase 1</b>	<ul style="list-style-type: none"><li>Fully let 135,000 sq.ft office building – One Central Square</li></ul>	<ul style="list-style-type: none"><li>Sold externally by LGC</li></ul>
<b>Phase 2</b>	<ul style="list-style-type: none"><li>170,000 sq.ft, “matching adjustment” compliant, BBC Wales HQ in 2015 with 20 year RPI-linked lease</li></ul>	<ul style="list-style-type: none"><li>Forward funding of development by LGR</li></ul>
<b>Phase 3</b>	<ul style="list-style-type: none"><li>Fully let 145,000 sq.ft office building – Two Central Square</li></ul>	<ul style="list-style-type: none"><li>Progressing forward sale of building</li></ul>
<b>Phase 4</b>	<ul style="list-style-type: none"><li>265,000 sq.ft, “matching adjustment” compliant, Government Property Hub in 2017 with 25 year RPI-linked lease</li></ul>	<ul style="list-style-type: none"><li>Forward funding of development by LGR</li></ul>
<b>Phase 5 – 10</b>	<ul style="list-style-type: none"><li>Option to develop further office, leisure and residential space</li></ul>	<ul style="list-style-type: none"><li>Long term investors</li></ul>

# LGC: Numerous growth opportunities

Sector	Macro themes provide growth opportunity	Scaling up existing businesses	Developing new businesses
<b>Housing</b>	<ul style="list-style-type: none"> <li>• UK builds around half of the target 300,000 new homes p.a.</li> <li>• 'Generation Rent', 5.7m private renters by 2018</li> <li>• 3.3m "senior" buyers, with £820bn of equity seeking aspirational "downsizer" homes</li> <li>• Public sector land owners require accelerated housing delivery</li> </ul>	<ul style="list-style-type: none"> <li>• CALA Homes</li> <li>• Build-to-rent</li> <li>• Build-to-sell</li> <li>• Strategic land bank</li> </ul>	<ul style="list-style-type: none"> <li>• Precision built modular housing</li> <li>• Later living</li> <li>• Affordable housing</li> </ul>
<b>Infrastructure</b>	<ul style="list-style-type: none"> <li>• UK National Infrastructure Pipeline: investment projects worth £290bn through to 2020-21, 50% to be private sector funding</li> <li>• UK Urban Regeneration funding need of £100bn</li> <li>• £40bn clean energy market becoming "subsidy-free" and consolidating</li> </ul>	<ul style="list-style-type: none"> <li>• Urban regeneration projects</li> <li>• Clean energy aggregation platforms</li> <li>• Property-based and distributed energy</li> </ul>	<ul style="list-style-type: none"> <li>• Further urban locations</li> <li>• Transportation Hubs</li> <li>• Energy asset technology innovation (including battery storage)</li> </ul>
<b>SME Finance</b>	<ul style="list-style-type: none"> <li>• UK SME investment is growing: £54bn of lending and £3bn of private equity investment in 2016</li> <li>• Funding gap of £4bn for UK start-ups vs. US counterparts</li> <li>• UK Government reviewing set-up of a national investment fund to support start-ups</li> </ul>	<ul style="list-style-type: none"> <li>• SME Senior Secured loans</li> <li>• SME equity (growth and venture)</li> </ul>	<ul style="list-style-type: none"> <li>• Trade receivables</li> <li>• Development finance</li> </ul>

# Improving customer experiences by applying technology

---

Focus area	2017 achievements
------------	-------------------

---

## 1. Robotics

Accelerating deployment of robots and Lean Six Sigma principles:

- 50 robots deployed so far with 99.9% accuracy
  - Net Promotor Scores (NPS) of 70
  - Processing time reduced from 40 to 15 days
  - More than 80% of life insurance customers receive an instant underwriting decision
- 

## 2. Platforms

**CUSTOMER FACING PLATFORM:** Enhancing L&G.com by focussing on our three digital principles of customer centricity, unified digital brand and being data driven:

- 10m visits in H1 2017, which is 80% of all 2016 visits
- 

**CUSTOMER ENGAGEMENT PLATFORM:** Migrating My Account into AWS to avail of broader integration opportunities in the cloud:

- 4m visits by H1 2017, which is 65% of all 2016 visits
- 

**INSTITUTIONAL PLATFORM:** Ongoing roll-out of LGIM Connect, our digital institutional client portal:

- Used by over 2,500 clients, consultants & administrators
- 

**ADMINISTRATION PLATFORM:** digitising data, automating pension calculations and streamlining operations:

- All our retirement institutional products are now live
  - The Asset & Liability Production Services platform has brought 500,000 customers so far on line
- 

**FINTECH:** engaged with platforms addressing several other relevant markets such as, online GP services and digital mortgage/development finance lending

---

# Using technology and data to innovate and drive our business forward

---

## Focus area      2017 achievements

---

### 3. Data & Artificial Intelligence

**BIG DATA:** being used with advanced analytics to enhance customer experiences and optimise our operations:

- Longevity data modelling
  - Enhanced pricing algorithms
  - Piloting provision of Home Insurance quotes through Amazon's Alexa digital assistant
  - SmartQuote launched which uses big data to quote home insurance with only 5 questions in about 90 seconds
- 

**CUSTOMER DATA PLATFORM:** Creation of a single customer view as a foundation for advanced data analytics and automated customer interactions

---

**BIOMETRICS:**

- Piloting facial recognition software to provide indicative life insurance quotes from a selfie
  - Engaging with other new innovative technologies including heart beat recognition technology
- 

**INTERNET OF THINGS:** Using Leakbot to enhance the claims experience

---

**INTELLIGENT AGENTS:**

- Piloting artificial intelligence, chat bots and virtual reality to innovate customer services
  - Introducing 3D modelling for off-plan homes to help customers visualise their future homes
  - Piloting the use of artificial intelligence driven chat-bots in customer service functions
- 

**ARTIFICIAL INTELLIGENCE:** constructing use cases around investment management and underwriting

---

### 4. Infra-structure

**CLOUD:** we are in the final stages of our cloud deployment (BAU)

---

**BLOCKCHAIN:** Reviewing potential as a disruptive force across several areas

---

## Our strategic goals to 2020

Achieve global leadership in pensions de-risking providing a suite of products to maximise retirement income

Help people achieve financial security affordably through insurance and workplace pensions

Use our teamwork to continue building world class international asset management business

Use 'long term capital' to become the UK leader in direct investments

Achieve market leadership in digital provision of insurance and retail investments

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

# Excellent execution delivering consistently improving financial performance



... and positively engaging with our customers

