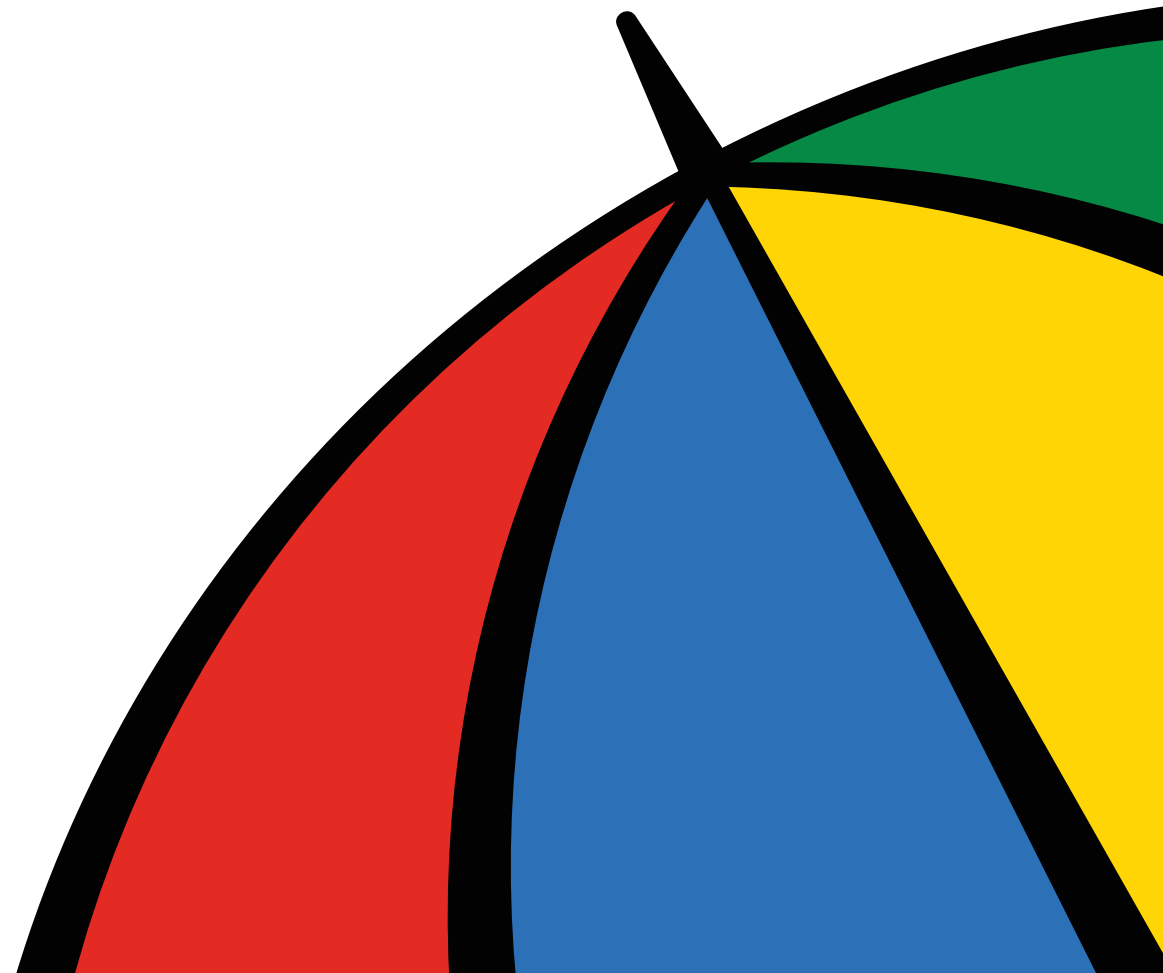


The PRT industry in 2020 and beyond

RBC Bulk Annuity Conference 2020



Legal & General's PRT business is profitable, large and growing

<u>IFRS Op Profit (£m)</u>	2012	2013	2014	2015	2016	2017	2018	2019	CAGR (%)
Institutional				516	651	716	832	1,116	21
Retail				123	158	199	283	298	25
LGR underlying	281	310	428	639	809	915	1,115	1,414	26
Mortality Releases	-	-	-	-	-	332	433	155	n/a
Total LGR	281	310	428	639	809	1,247	1,548	1,569	28
<u>Premiums (£m)</u>									
Institutional	1,019	2,812	5,987	2,862	7,078	4,661	9,984	11,392	
Retail	1,320	1,277	591	327	378	671	795	970	

Ambition

To write £40-50bn over the next 4-5 years

LGR has achieved a similar performance over the past 4 years (£38.7bn)

2020 is off to a strong start

Institutional

£2.0bn written YTD across 18 transactions

£1.0bn exclusive

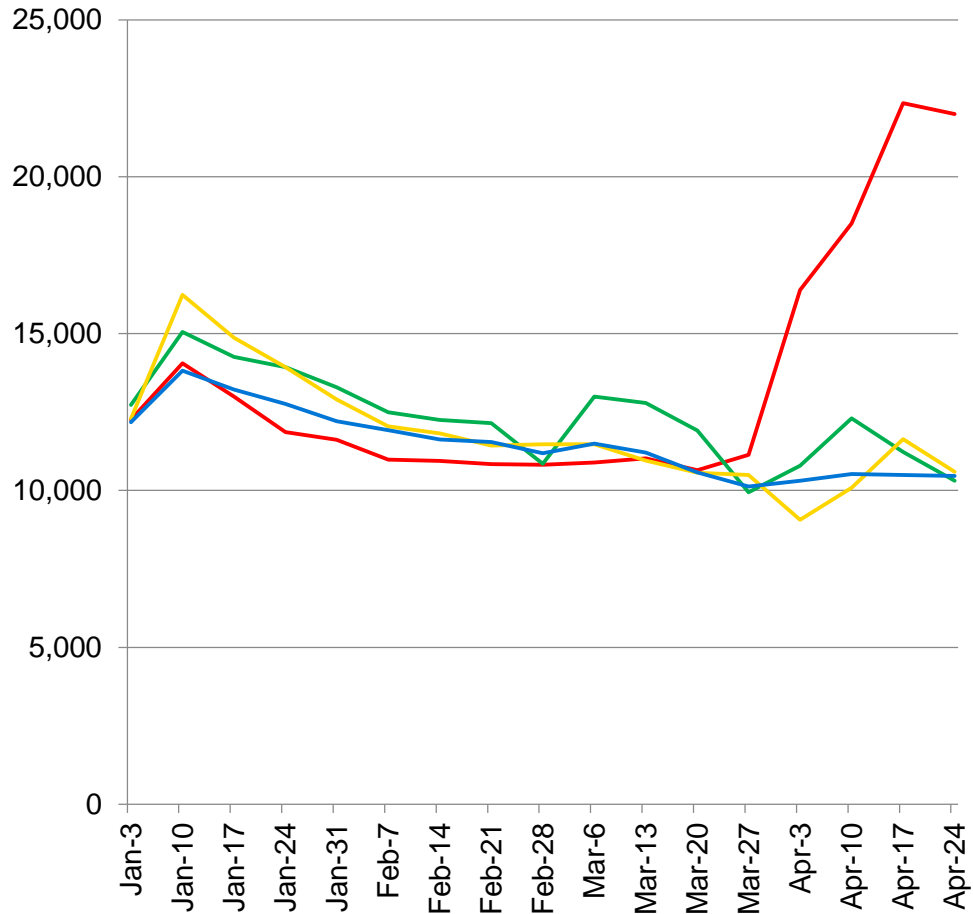
£26bn actively pricing pipeline

Retail

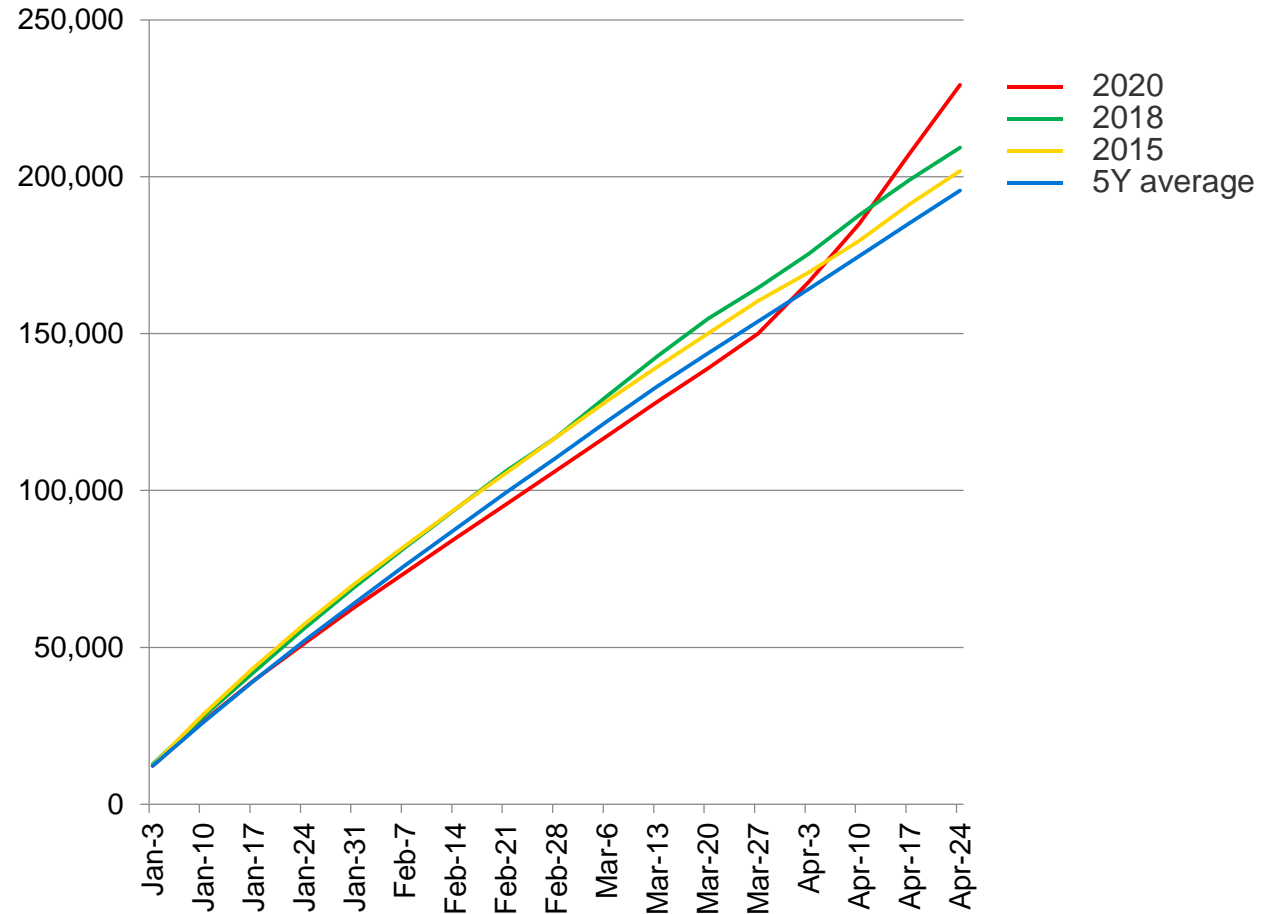
£273m of annuity premiums written YTD

Looking at COVID-19 deaths in context

Weekly reported deaths (England & Wales)



Cumulative reported deaths (England & Wales)



The big picture...

Higher mortality rates for older and disadvantaged people

Legal & General is responding to the needs of those most impacted by COVID-19 by:

- Investing more than £300m in later living facilities in April
- Investing c£130m in Affordable Housing since February
- Accelerating components of our £20 million sponsorship of Edinburgh University's research into elderly care



Supporting the real economy through the lockdown

Legal & General is supporting the real economy through:

- >£700m invested since the start of the COVID-19 crisis, in Later Living, BTR, Affordable Housing, Clean Energy, and urban regeneration
 - 35k retail investors rely on L&G dividends
- L&G confirmed its 2019 Final Dividend, while 45% of the FTSE 100 have suspended dividends

The big picture...

Testing Solvency II

- “Banks and insurers are not the same and neither are all insurers”, Sam Woods, Times
- “Solvency resilient, better positioned than for any previous downturn”, RBC
- Legal & General’s balance sheet remains strong and the solvency ratio robust



Avoiding pro-cyclicality

- Solvency stress scenarios in an already stressed environment
- Limited exposure to impacted sectors
 - <2% aggregate exposure to airlines, hotel, leisure and traditional retail
- Limited exposure to cyclical BBBs

UK businesses, 6 – 19 Apr. 2020 (ONS Survey)



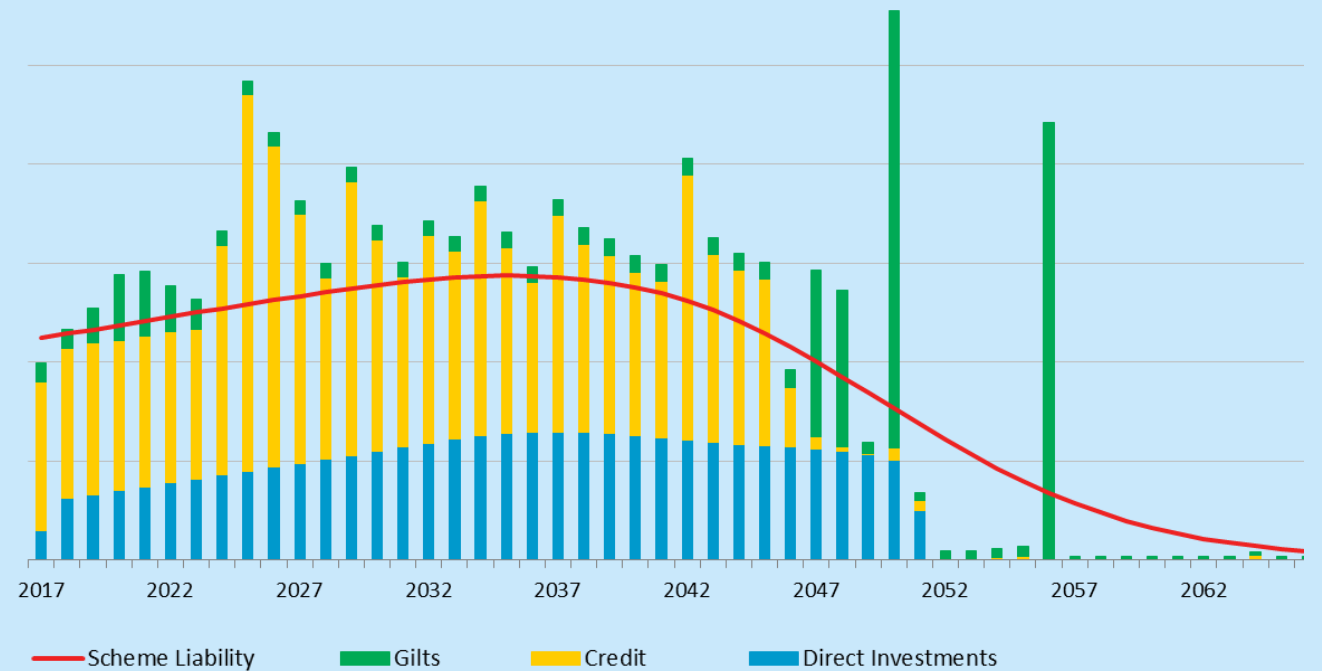
The bigger picture... Legal & General is not a bank

A long term business

Minimal liquidity and maturity transformation risk

- Annuities cannot be redeemed early, reducing liquidity risk
- Closely matched asset and liability cashflows, removing market risk and maturity transformation risk
- Liquidity risk further reduced by collateral terms that allow us to post corporate bonds

Our asset cashflows closely match our pension liabilities

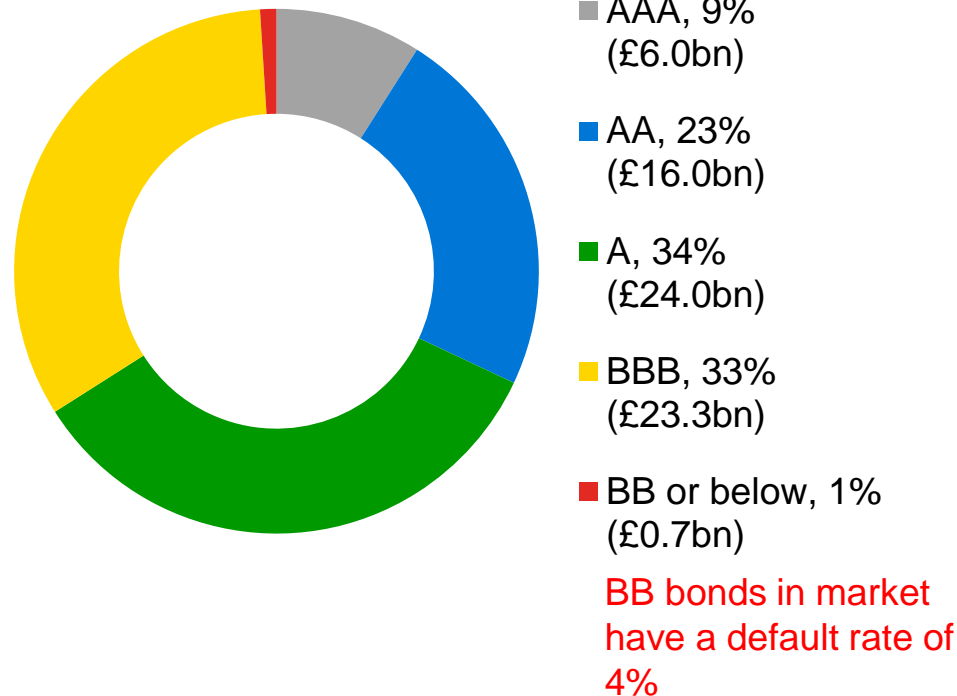


The bigger picture... Legal & General is not a bank

Reserves nearly double those of banks

We hold 22% surplus assets over our life technical provisions, meanwhile banks' required reserve ratio is only 12.5%

LGR Bond Portfolio



High quality assets with a £3.2bn default reserve

- A-rated, diversified
- 17% sovereigns, <0.5% SMEs
- Reserve equivalent to 5% of corporate debt holdings on a portfolio that has outperformed the market in downgrade and defaults
- Reserve has been unused over the past decade and released to shareholders over time as positive experience variance

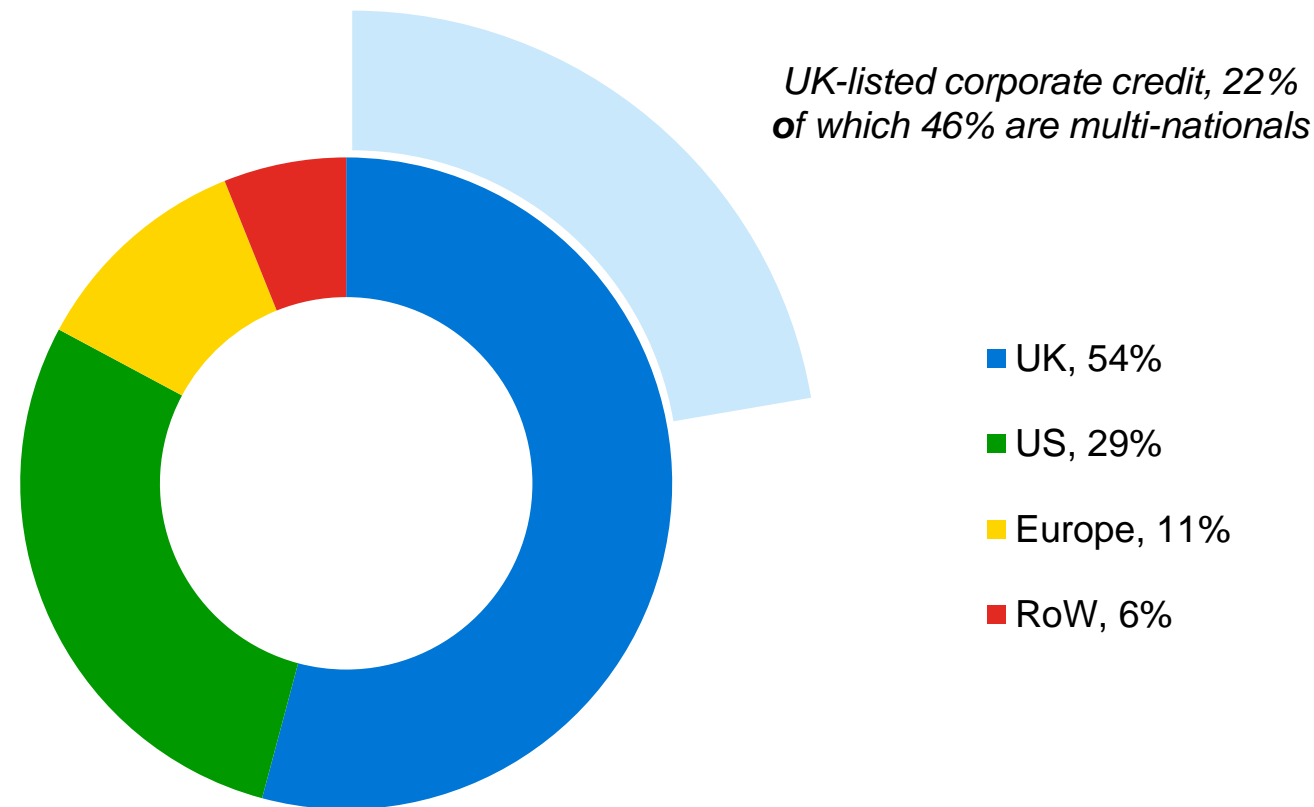
Defensively positioned portfolio that is outperforming the market

Limited exposure to emerging markets

Downgrades within IG have minimal impact on our solvency ratio

Downgrades to sub-IG are less than a third of those in the market (<£250m)

Group Bond Portfolio (£75.1bn)



- Non-GBP FX exposure hedged
- Largest 5 RoW exposures: Mexico, Canada, Australia, Saudi Arabia, China

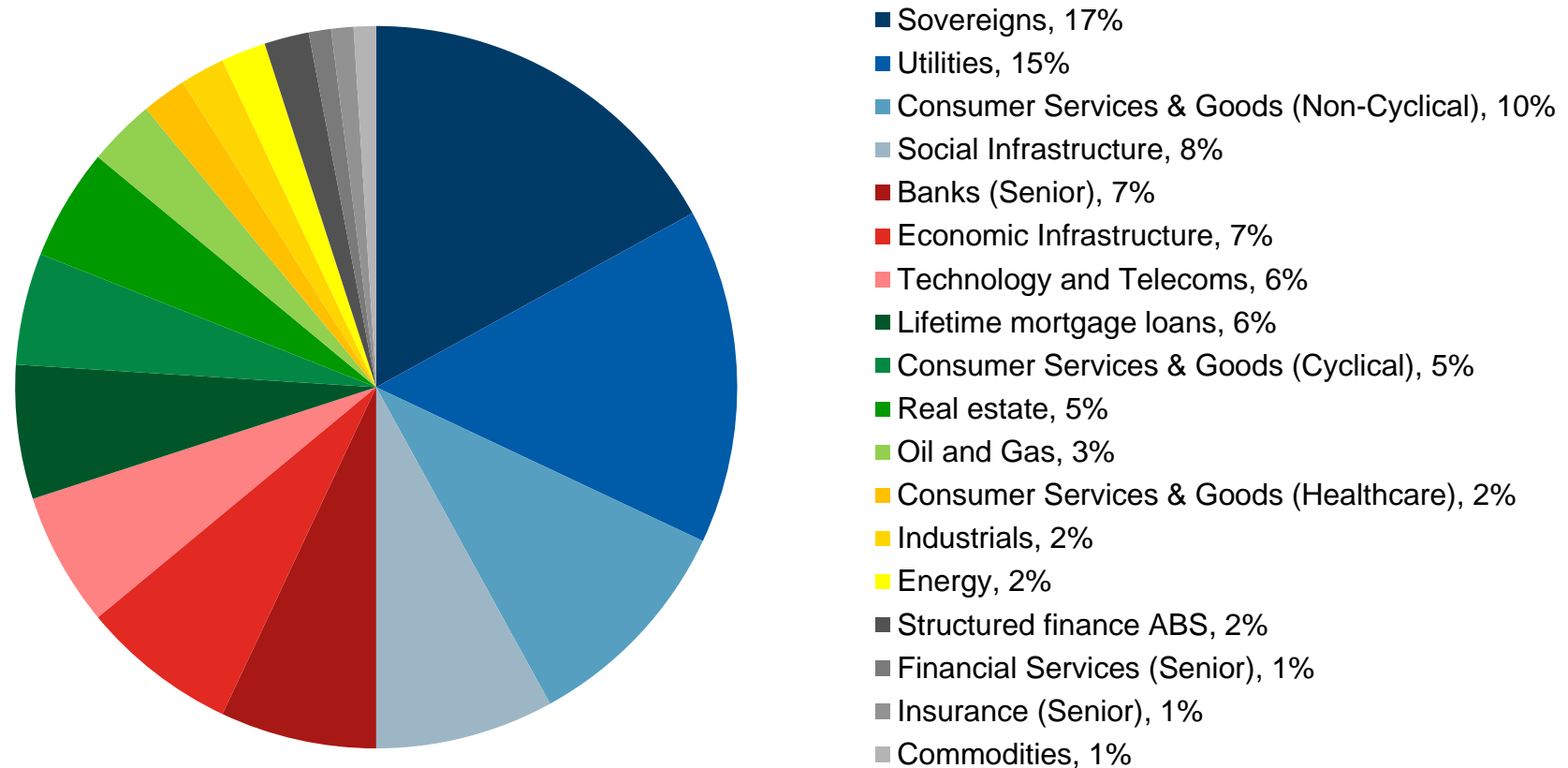
Defensively positioned portfolio that is outperforming the market

L&G has minimal exposure to troubled sectors, but the Covid crisis is a good test of our resilience

Downgrades within IG have minimal impact on our solvency ratio

Downgrades to sub-IG are less than a third of those in the market (<£250m)

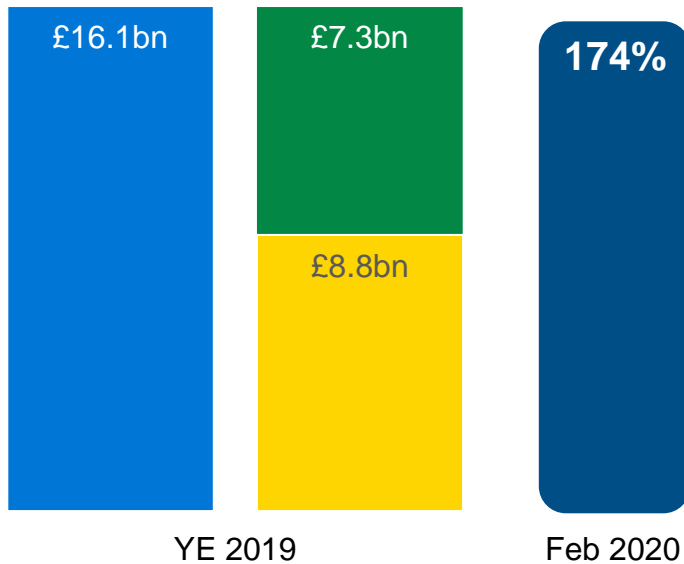
Group Bond Portfolio (£75.1bn)



- **Minimal portfolio exposure to sectors at risk of disruption**, e.g. automotive and traditional retail together constitute <2%
- Strict limits on cyclical sectors, e.g. **less than 3%** of portfolio is cyclical consumer <A rating

Our capital position is robust

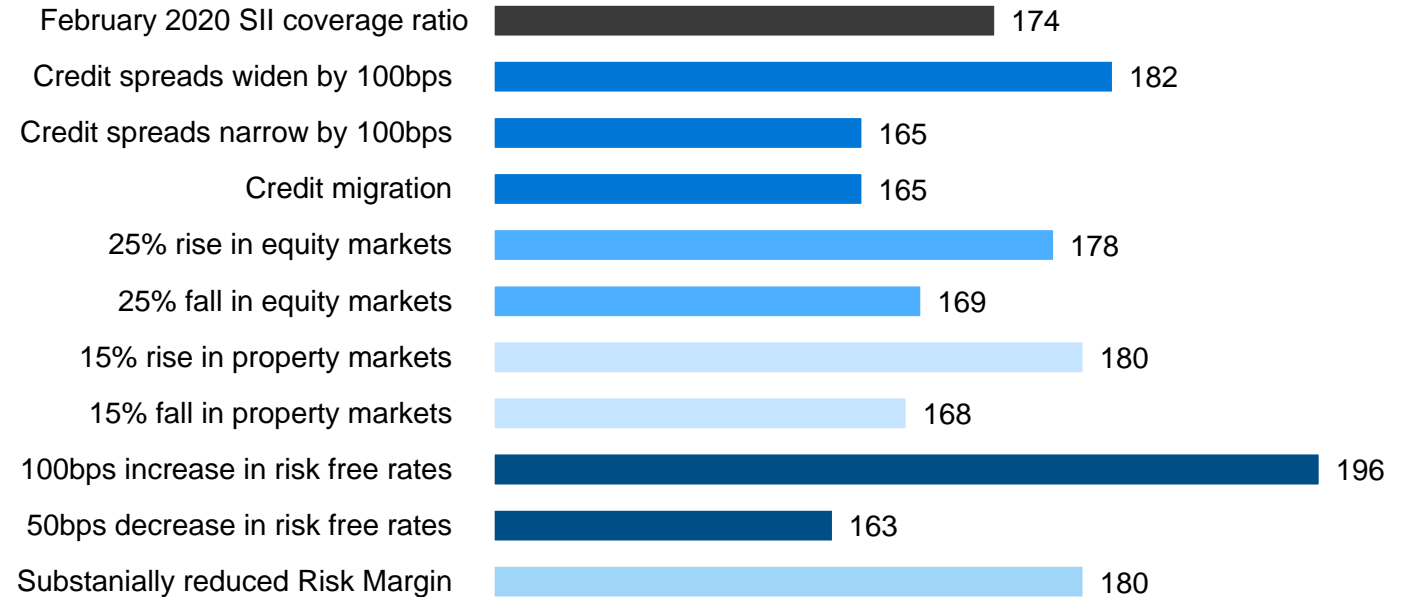
Solvency II Balance Sheet



■ Own Funds ■ Capital Requirement ■ Surplus

- Solvency II surplus of **£7.3bn**
- Core tier 1 Own funds of **£12.4bn (77%)**
- **On 24 April we raised an additional £500m debt at 4.25% over gilts**

Sensitivity analysis: Impact on coverage ratio



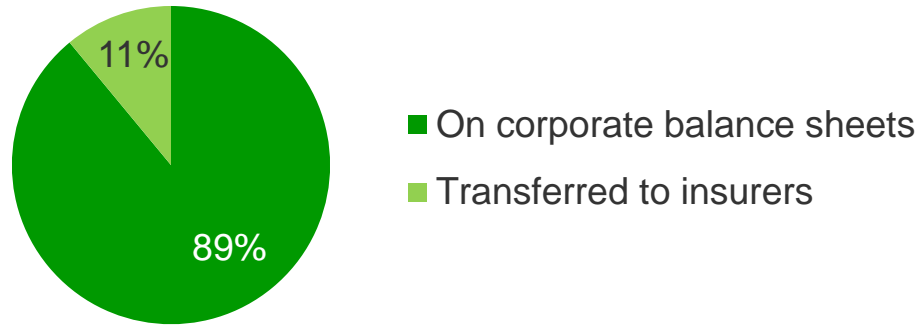
Our solvency ratio has moved in line with published sensitivities

Reference	28 Feb 2020	30 April 2020	Change
10Y IG Credit Spreads (bps)	114.9	116.9	+2
FTSE 100 (p)	6581	5901	-10%
10Y Gilts (bps)	44.2	23.1	-21.1

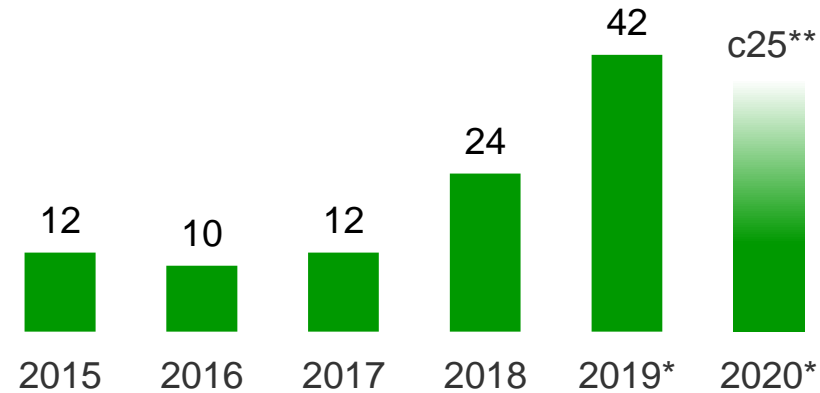
Additionally, 1.5 to 2 percentage points of solvency surplus is generated each month

The global PRT market remains active and attractive

UK DB Liabilities (c£2.1tn)



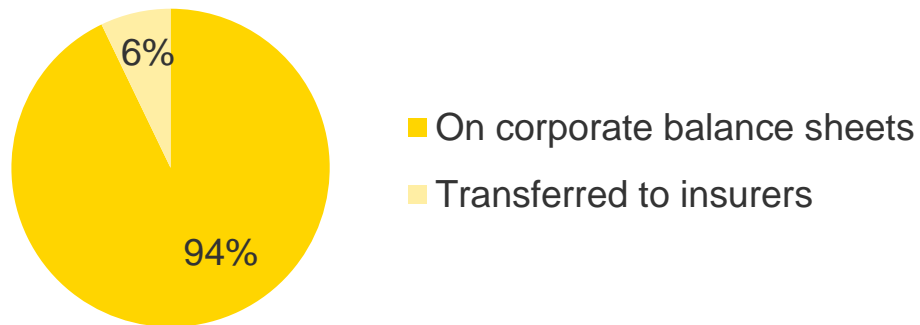
UK PRT market (£bn)



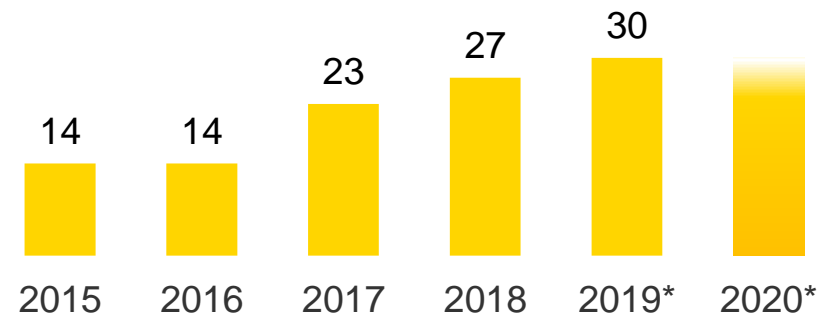
L&G 2020

- £2.0bn written YTD across 18 transactions
- £1.0bn exclusive
- £26bn pipeline
- A vast global opportunity... the most developed market, the UK, is still only 11% insured

US DB Liabilities (c\$3.5tn)

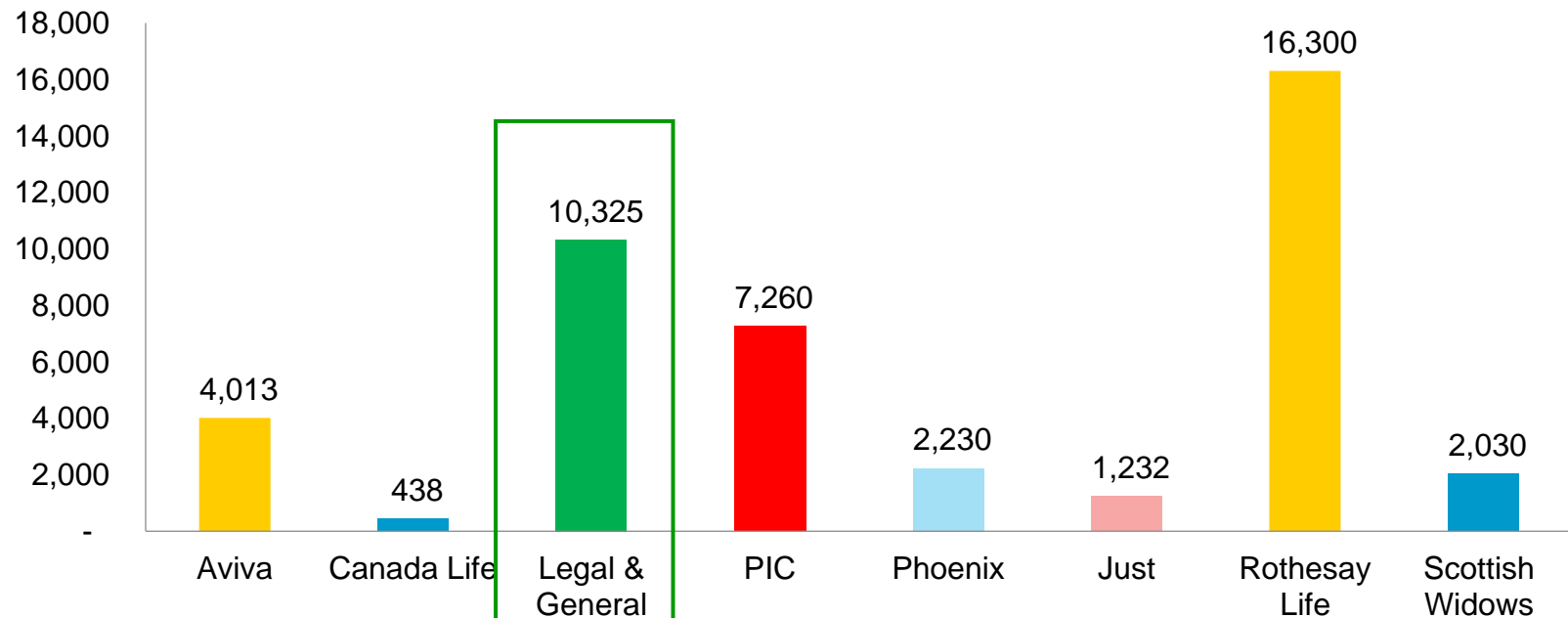


US PRT market (\$bn)

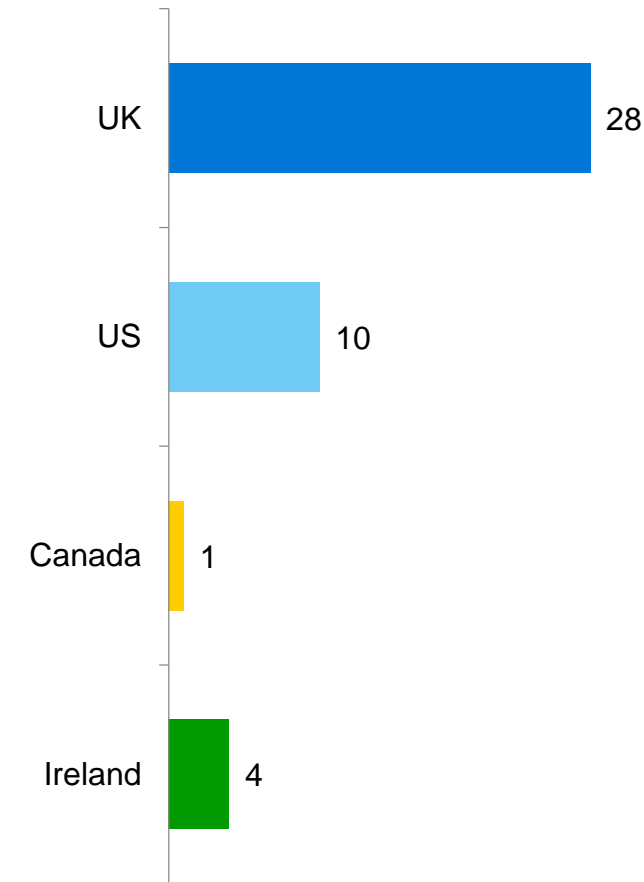


As the only whole-of-market and international PRT provider, we can be selective in our capital allocation

UK PRT bulk annuity premiums in 2019¹ (£m)



L&G Deal Count by Country



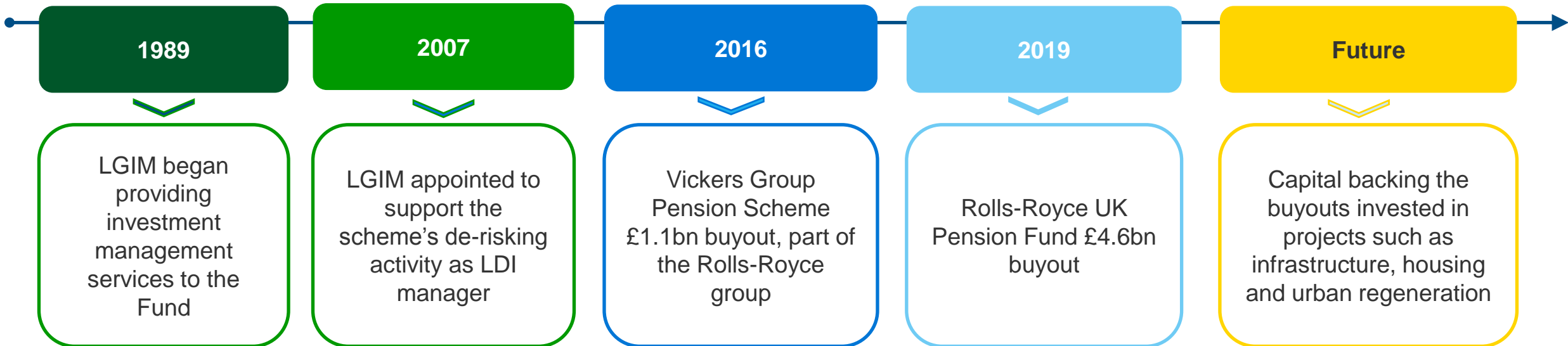
Deal count

Deal count	Aviva	Canada Life	Legal & General	PIC	Phoenix	Just	Rothesay Life	Scottish Widows
<£10m	28	8	4	8	5	14	6	4
£10-50m	15	8	14	8	5	5	6	4
£50 – 100m	3	1	2	1	1	14	4	1
£100 -£1bn	7	1	5	7	5	4	6	4
> £1bn ¹			3	1	1		4	
Total count	53	9	28	17	6	23	10	5

We are the only firm to operate across the full pension journey

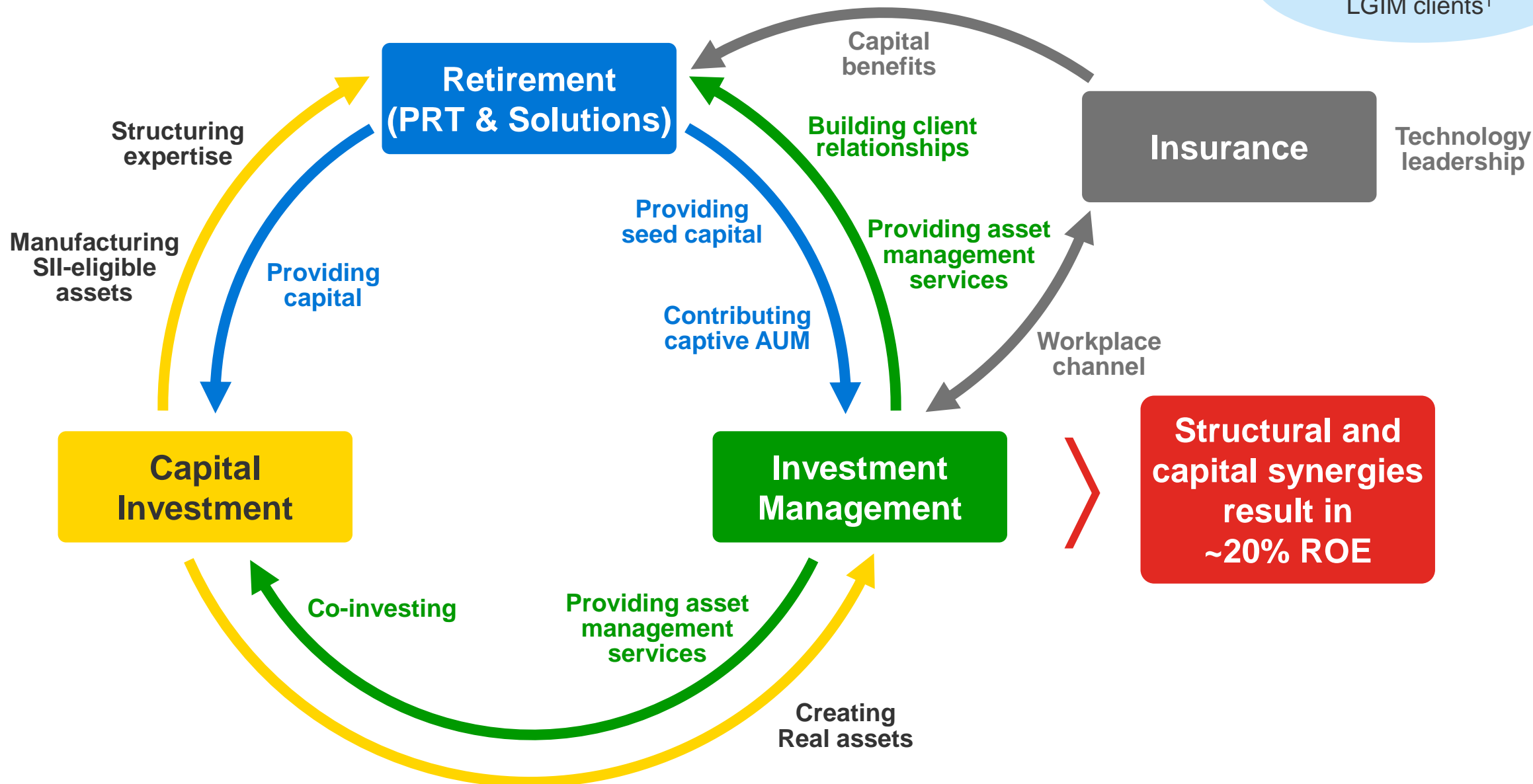


A case study: Rolls Royce



All of our businesses benefit from PRT

51% of LGR PRT deals come from LGIM clients¹



Our businesses provide a secure, progressive dividend

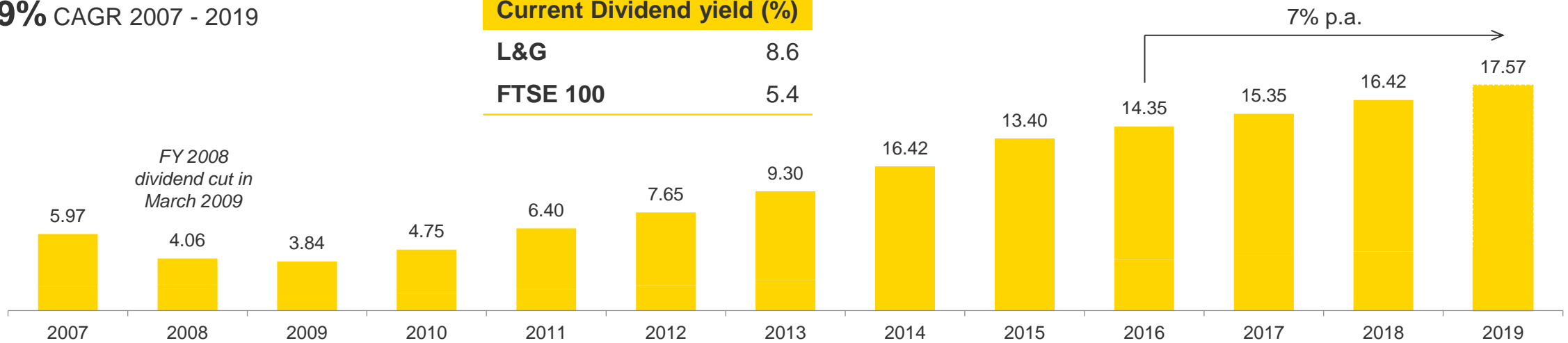
Dividend per share

9% CAGR 2007 - 2019

Current Dividend yield (%)

L&G 8.6

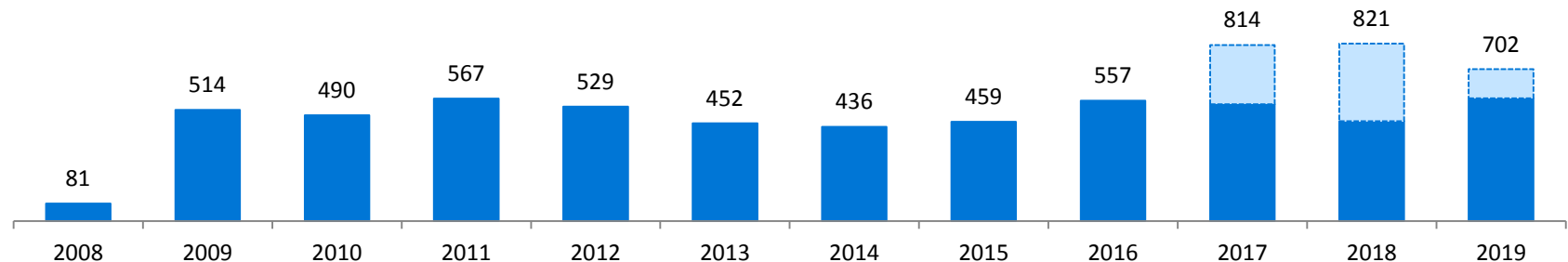
FTSE 100 5.4



Since March 2016:

“The Board has adopted a progressive dividend policy, reflecting the Group’s expected medium-term underlying business growth, including net cash generation and operating earnings”

IFRS cash surplus over dividend



■ Mortality Release

■ Net Release surplus