On track to achieve our five year ambitions

2023 Half year results

£1,139m
Operating profit from divisions
H1 2022: £1,153m

230%
Solvency ratio
H1 2022: 212%

£947m
SII operational surplus generation
H1 2022: £946m

5.71p
Interim dividend
H1 2022: 5.44p, +5%
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.
On track to achieve our five year ambitions
We are on track to achieve our five-year (2020-2024) ambitions

The Board’s confidence in the Group achieving its 5 year ambitions is unchanged. The Board’s aim is to continue to grow the dividend at 5% per annum to FY24

<table>
<thead>
<tr>
<th>2020-2024 Ambition</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>£8-9bn of cumulative capital generation¹</td>
<td>As at HY23, we had generated cumulative capital of £5.9bn. We expect 2023 capital generation to be greater than 2022. By FY23, we expect to have generated cumulative capital of £6.7bn.</td>
</tr>
<tr>
<td>EPS to grow faster than DPS²</td>
<td>More stable and predictable operating profits under IFRS 17 give confidence in EPS growth</td>
</tr>
<tr>
<td>Net surplus generation (NSG) to exceed dividends over the period</td>
<td>£0.6bn of net surplus over dividend (2020-HY23)</td>
</tr>
<tr>
<td>Dividends to grow at 3-6% per annum³</td>
<td>The Board intends to grow the dividend at 5% per annum to FY24, i.e. 20.34p at FY23 and 21.36p at FY24⁴</td>
</tr>
</tbody>
</table>

1. As disclosed in November 2022, we have chosen to retire the cash generation ambition going forward as ‘net release from operations’ will no longer exist under IFRS 17.
2. FY22 EPS will be restated under IFRS 17.
3. Dividends on a declared basis and originally on the basis of a flat final 2020 dividend, and 3-6% annual growth thereafter.
4. In stating this intention, the Board has carefully considered the Group’s financial position and had regard to the general economic outlook for the UK and the other countries in which the Group operates.
Key messages

- L&G has delivered a resilient H1 performance against a volatile macro-economic backdrop.
- We are on track to achieve our 5-year ambitions. To date:
  - Capital generation of £5.9bn (£8.0-9.0bn by 2024)\(^1\)
  - Dividends of £3.6bn growing at 5% per annum (£5.6-5.9bn by 2024)
  - Net surplus generation over dividends of £0.6bn (NSG > dividends 2020-2024)\(^2\)
- Our balance sheet remains very strong (Solvency ratio of 230%)\(^3\)
- We are committed to shareholder value creation.
- We have numerous attractive growth opportunities and are making good progress internationally.
- We are focused on driving investment-led growth.

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1. Solvency II operational surplus generation (OSG)
2. Net surplus generation is OSG net of capital strain
3. In H1 our annuity portfolio experienced no downgrades to sub-investment grade and more upgrades than downgrades.
UK productivity and investment has lagged that of the US since the GFC. UK real wages have flat-lined since the GFC

UK productivity improvements were equal to those of the US until 2007 but have lagged since

UK real wages grew in line with productivity between 1980–2007 but have declined since

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Source: Macrobond, OECD
The UK stock market has underperformed the US but valuation screens similar to Japan and Europe on a sector-neutral basis.

**MSCI Valuations**

<table>
<thead>
<tr>
<th>MSCI</th>
<th>Forward P/E</th>
<th>Sector Neutral Forward P/E</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>17.3</td>
<td>17.7</td>
</tr>
<tr>
<td>UK</td>
<td>10.6</td>
<td>13.8</td>
</tr>
<tr>
<td>Japan</td>
<td>14.6</td>
<td>14.3</td>
</tr>
<tr>
<td>Europe</td>
<td>12.2</td>
<td>13.7</td>
</tr>
</tbody>
</table>

The UK hasn’t built businesses in high-growth, productive sectors.
The UK has a lot in its favour and a solvable investment issue.
L&G is driving investment-led growth

1. Sky Eistree Studios, Borehamwood
2. Central Square, Cardiff
3. Temple Island, Bristol
4. Bath Quays North
5. Helix, Newcastle
6. Thorpe Park, Leeds
7. Citylabs, Manchester
8. Town Centre, Bracknell
9. West Bar Square, Sheffield
10. Riverside Project, Sunderland
11. New Bailey, Salford
12. Milbay, Plymouth
13. Canning Town, London
14. Circle Square, Manchester
15. Alderley Park, Cheshire
16. Science Park, Manchester
17. Innovation Birmingham
18. Science Park, Liverpool
19. ID Manchester
20. Platform, Leeds
22. Met Tower, Glasgow
23. Cala Group (UK wide homes)
24. Begbroke Science Park, Oxford
25. Birmingham Health Innovation Campus
26. Life and Mind Building, Oxford

Note: Cala also has significant investments in Scotland not shown here
We partner with leading universities, local councils and strategic co-investors

Partnering with

- Oxford
- Manchester
- Newcastle
- Edinburgh
- Birmingham

- West Midlands
- Manchester
- Newcastle
- Sunderland
- Sheffield
- Leeds
- Bristol

Providing access to specialist capability in

- Clean Energy
  - Growth equity
  - Clean energy infra
    - Wind
    - Solar
    - Heat Pumps

- Housing
  - Build to sell
  - Build to rent
  - Social housing
  - Shared ownership
  - Later living

- Alternative Finance
  - GP Investing
  - Venture Capital

- Specialist commercial real estate
  - UK and US expertise
  - Life sciences capability
  - Mixed-use regeneration
  - Digital infrastructure

Investing with

- Bruntwood
- Manchester University
- NatWest Group Pension Fund
- NTR
- Oxford University
- Octopus
- PGGM
- Experian
Our businesses have collectively delivered robust operating profits, demonstrating resilience in volatile markets

<table>
<thead>
<tr>
<th>£m</th>
<th>H1 2023</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance (61%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Institutional Retirement (LGRI)</td>
<td>471</td>
<td>41</td>
</tr>
<tr>
<td>Retail</td>
<td>230</td>
<td>20</td>
</tr>
<tr>
<td>Investments (39%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Management (LGIM)</td>
<td>142*</td>
<td>13</td>
</tr>
<tr>
<td>Alternatives (LGC)</td>
<td>296</td>
<td>26</td>
</tr>
<tr>
<td>Operating profit from divisions</td>
<td>1,139</td>
<td>100</td>
</tr>
<tr>
<td>Operating profit</td>
<td>941</td>
<td></td>
</tr>
</tbody>
</table>
Our earnings are more diversified under IFRS 17 and we are growing our CSM – a discounted stock of deferred profits

HY23 Operating Profit from Divisions

<table>
<thead>
<tr>
<th>Division</th>
<th>HY23</th>
<th>FY22</th>
<th>HY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>LGRI</td>
<td>26%</td>
<td>20%</td>
<td>13%</td>
</tr>
<tr>
<td>Retail</td>
<td>41%</td>
<td>41%</td>
<td>41%</td>
</tr>
<tr>
<td>LGIM</td>
<td>13%</td>
<td>26%</td>
<td>13%</td>
</tr>
<tr>
<td>LGC</td>
<td>20%</td>
<td>12%</td>
<td>13%</td>
</tr>
</tbody>
</table>

CSM Stock\(^1\) (£bn)

- HY23: £12.4
- HY22: £11.5
- FY22: £12.2

7% p.a. released into operating profit
Implied release into profit of £900m for 2023 with further CSM growth and therefore profit expected in H2\(^3\)

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1. CSM gross of tax (net of reinsurance)
2. See footnote on page 20
3. 7% per annum is based on the closing CSM before release into operating profit. HY23 CSM stock pre-release into operating profit of £12.8bn
The CSM represents a discounted stock of deferred profits that can be added to IFRS 17 equity from a valuation perspective.

- We believe it is important to consider CSM alongside equity, given the large stock of deferred profits it represents.
- This approach highlights the in-force value of our existing business.
- Additional sources of value include:
  - Insurance new business franchise value
  - Investment margins for the annuity business
  - Non-insurance businesses (e.g. LGIM, LGC, etc.)
UK PRT capital deployment is highly efficient

Solvency II capital deployment

<table>
<thead>
<tr>
<th></th>
<th>H1-22</th>
<th>FY22</th>
<th>H1-23</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK PRT volumes</td>
<td>3,715</td>
<td>7,319</td>
<td>4,866</td>
</tr>
<tr>
<td>Capital deployed</td>
<td>70</td>
<td>204</td>
<td>106</td>
</tr>
<tr>
<td>New business strain (%)</td>
<td>1.9</td>
<td>2.8</td>
<td>2.2</td>
</tr>
</tbody>
</table>

- Capital deployed in any one year depends on volume, business mix and duration
- We are able to reduce strain through:
  - High quality asset origination
  - Reinsurance
- Risk margin reforms\(^1\) are estimated to reduce H1 2023 PRT strain by c£40m
We expect to achieve self-sustainability on the UK annuity portfolio again in 2023

### UK annuity portfolio: self-sustainability

<table>
<thead>
<tr>
<th>£bn</th>
<th>UK annuity portfolio</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
<td>2022</td>
</tr>
<tr>
<td>UK PRT and Retail Annuity Volumes</td>
<td>7.2</td>
<td>8.3</td>
</tr>
<tr>
<td>Operational Surplus Generation (OSG)</td>
<td>1.1</td>
<td>1.2</td>
</tr>
<tr>
<td>New Business Strain</td>
<td>(0.3)</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Net Surplus Generation (NSG)</td>
<td>0.8</td>
<td>0.9</td>
</tr>
<tr>
<td>Dividend</td>
<td>(0.7)</td>
<td>(0.7)</td>
</tr>
<tr>
<td><strong>Net Surplus Generation – Dividend</strong></td>
<td><strong>0.1</strong></td>
<td><strong>0.2</strong></td>
</tr>
</tbody>
</table>

**Notes:**
- The UK annuity portfolio OSG figures also include related contributions from LGIM and LGC, reflecting the total Group value of writing UK PRT. Management actions are also included.
- Whilst we may choose not to prioritise self-sustainability in every discrete year, our ambition is for net surplus generation to exceed dividends for the Group over the period 2020-2024.
- Numbers in the table above do not sum due to rounding. 2023 numbers do not include the anticipated benefit from the reduction in the Risk Margin.
The Group’s balance sheet is very strong

<table>
<thead>
<tr>
<th>£bn</th>
<th>2016</th>
<th>H1-23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own funds</td>
<td>13.6</td>
<td>16.2</td>
</tr>
<tr>
<td>Solvency capital requirement</td>
<td>(7.9)</td>
<td>(7.0)</td>
</tr>
<tr>
<td>Surplus</td>
<td>5.7</td>
<td>9.2</td>
</tr>
<tr>
<td><strong>Coverage ratio (%)</strong></td>
<td>171</td>
<td><strong>230</strong></td>
</tr>
<tr>
<td>10 year gilts (bps)</td>
<td>1.24</td>
<td>4.39</td>
</tr>
<tr>
<td>Credit spreads (bps)¹</td>
<td>140</td>
<td>159</td>
</tr>
</tbody>
</table>

- We have developed a sustainable and capital-lite PRT model
- We have written a substantial amount of annuity new business since 2016 – £68bn – at attractive margins
- Over the same period, we have paid dividends of £7.7bn and grown Own Funds by £2.6bn
- SCR in H1 2023 is lower than 2016, largely as a result of higher interest rates
- Solvency II reforms² will:
  - Reduce the risk margin on longevity
  - Allow us to self-manufacture more assets, increasing our competitive advantage

¹. Credit spread data is GBP Investment grade all sectors OAS
². Proposed reforms to the Solvency regime, including risk margin reduction and access to a wider universe of investable assets
Our four divisions are diversified and collectively resilient

**LGRI**
- Developed a sustainable, capital-light PRT growth model where OSG and NSG > dividends
- Very strong balance sheet (230% solvency ratio) and diversified asset exposure (54% of assets international¹)
- Well positioned to capitalise on the global PRT opportunity

**LGC**
- Resilient CALA performance: H1 2023 residential house sale revenue of £619m (H1 2022: £619m)
- Replicating our model in the US (Ancora L&G), Europe (Pemberton & CleanTech) and Asia (CleanTech)
- On track to achieve our 2025 ambitions: £600-700m operating profit, £25-30bn third party AUM

**LGIM**
- Successfully built a scaled asset management business in the UK across multiple products and channels
- A growing international presence in the US, Europe, Asia and the Gulf (39% of AUM international²)
- Now adding higher value products and widening our channel offering in multiple geographies

**Retail**
- Successfully integrated our market-leading UK Retail businesses across multiple customer platforms
- Complemented these activities with an investment portfolio of 8 adjacent FinTech businesses
- Growing US protection (38% of Retail gross premiums international); investing in adjacent US FinTech

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¹ Total annuity bond portfolio (LGRI and Retail)
² International AUM includes assets from internationally domiciled clients plus assets managed internationally on behalf of UK clients
Our dividend intentions are clear and we have a sharp focus on shareholder value creation

Our dividend policy

We are a long-term business and set our dividend annually, according to agreed principles.

The Board’s intention for the future is to maintain its progressive dividend policy, reflecting the Group’s expected medium term underlying business growth, including measurement of Capital generation and Adjusted operating profit.

Our approach to capital allocation

The Board believes it has numerous opportunities available to deliver attractive returns to shareholders by retaining and investing capital within the Group.

The Board will at the same time continually assess these investment opportunities against the relative attractiveness of returning capital to shareholders either through a buyback or a programme of buybacks.

If at any point the Board believes that capital would be best deployed in this way, or if the Board believed it had surplus capital, it would not hesitate to return capital to shareholders. Any incremental capital investment could also, over time, increase the likelihood of these returns to shareholders.

Annual dividend growth rate to FY24

The Board intends to grow the dividend at 5% per annum to FY24.

FY23 Dividend per share: 20.34p
FY24 Dividend yield: 9.3%

FY24 dividend yield as at 11th August 2023
Financial highlights

Jeff Davies
Chief Financial Officer
## Resilient financial performance

<table>
<thead>
<tr>
<th></th>
<th>H1 2022</th>
<th>H1 2023</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating profit from divisions</strong></td>
<td>1,153</td>
<td>1,139</td>
<td>(1)</td>
</tr>
<tr>
<td>Group debt costs</td>
<td>(108)</td>
<td>(106)</td>
<td></td>
</tr>
<tr>
<td>Group investment projects &amp; expenses</td>
<td>(87)</td>
<td>(92)</td>
<td></td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>958</td>
<td>941</td>
<td>(2)</td>
</tr>
<tr>
<td>New business deferred profits (NB CSM + NB RA)</td>
<td>549</td>
<td>603</td>
<td></td>
</tr>
<tr>
<td><strong>CSM</strong></td>
<td>11,546</td>
<td>12,352</td>
<td>7</td>
</tr>
<tr>
<td><strong>Stock of deferred profits (CSM + RA)</strong></td>
<td>13,411</td>
<td>13,836</td>
<td>3</td>
</tr>
<tr>
<td><strong>SII operational surplus generation</strong></td>
<td>946</td>
<td>947</td>
<td>-</td>
</tr>
<tr>
<td><strong>SII coverage ratio (%)</strong></td>
<td>212</td>
<td>230</td>
<td></td>
</tr>
</tbody>
</table>

Note: Figures presented include an adjustment for the new business CSM/RA uplift associated with the L&G pension schemes’ partial buy-in transaction in H1, which is eliminated in the 30 June 2023 consolidated balance sheet. In H2 we expect to move to a full buy-out of the pension schemes and recognise a further c£0.1bn of CSM/RA.
The CSM represents a key driver of future insurance profit growth

Movements in the CSM balance over H1 2023 (£bn)

- The CSM balance is expected to release into profit over time
- Interest will be added to the CSM each year based on the average weighted locked-in rate from inception
- New business contributed c£0.6bn to the CSM balance
- c£0.5bn released into operating profit, which is 3.8% of the closing CSM pre-release balance
- The CSM is calculated using inception discount rates which do not change, therefore the CSM balance is not impacted by market movements
- H1 releases into operating profit only include the relevant proportion of new business written over H1 and do not include the benefit of assumption changes, which are typically undertaken in H2
- Release of Risk Adjustment into operating profit of £103m

See footnote on page 20
Numbers in the chart above do not sum due to rounding
### LGRI: Consistently delivering strong profits

<table>
<thead>
<tr>
<th>Financial Highlights (£m)</th>
<th>H1 2022</th>
<th>H1 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSM release</td>
<td>239</td>
<td>266</td>
</tr>
<tr>
<td>Risk Adjustment (RA) release</td>
<td>68</td>
<td>54</td>
</tr>
<tr>
<td>Expected Investment margin</td>
<td>139</td>
<td>213</td>
</tr>
<tr>
<td>Experience variances</td>
<td>9</td>
<td>1</td>
</tr>
<tr>
<td>Non-attributable expenses</td>
<td>(65)</td>
<td>(66)</td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>395</td>
<td>471</td>
</tr>
<tr>
<td>Investment &amp; other variances</td>
<td>17</td>
<td>(186)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>412</td>
<td>285</td>
</tr>
<tr>
<td><strong>LGRI annuity assets¹ (£bn)</strong></td>
<td>59.5</td>
<td>55.5</td>
</tr>
</tbody>
</table>

- Operating profit growth of 19% to £471m reflecting:
- The CSM release reflects the provision of insurance service. 3.3% of the closing CSM pre-release (£8.1bn) has released into profit. Growth in the CSM release is supported by profitable new business and longevity reserve releases in H2 2022
- Risk adjustment release of c£54m
- The Expected investment margin incorporates the release of the prudence in the discount rate, the expected returns on surplus assets and the impact of back book asset optimisation actions
- Expenses which are not included in the insurance liabilities are recognised as incurred
- Geographically diversified annuity portfolio² (46% UK, 54% international)

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¹ In the UK, annuity assets across LGRI and Retail are managed together. We show above estimated LGRI annuity assets. The assets have reduced due to the higher interest rate environment

² Total annuity bond portfolio (LGRI and Retail)
LGRI: Disciplined approach for value

<table>
<thead>
<tr>
<th>Total Sales (£m)</th>
<th>H1 2022</th>
<th>H1 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK PRT</td>
<td>3,715</td>
<td>4,866</td>
</tr>
<tr>
<td>US PRT</td>
<td>593</td>
<td>126</td>
</tr>
<tr>
<td>Other International PRT</td>
<td>141</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total LGRI New Business</strong></td>
<td>4,449</td>
<td>4,992</td>
</tr>
</tbody>
</table>

- **Strong H1 2023 volumes:** £5.0bn of PRT across 20 transactions

- **In the UK,** continued momentum and financial discipline:
  - LGRI achieved consistent SII new business margin demonstrating our pricing discipline, good asset origination and proactive use of reinsurance. Volumes were written at a capital strain of just over 2%
  - c£4.9bn of UK PRT premium across 19 transactions. Committed presence across all market segments, with our largest deal a c£2.7bn buy-in with the British Steel Pension Scheme via an umbrella agreement
  - c£1.0bn conversion of Legal & General’s Group UK Pension and Assurance Fund Assured Payment Policy (APP) to a buy-in

- **We continue to see attractive growth opportunities and are well positioned to execute.** In H2, we have written £1.8bn of UK PRT and $1bn of US PRT, including our largest ever US deal at c$790m

- **Demand is accelerating.** As a result, we have a strong global pipeline across all our key markets

1. UK PRT business only
2. Calculated as a percentage of net premium after deducting quota share reinsurance
3. Represents the new business CSM and RA
4. This includes our expected future profit from the Legal & General’s Group UK Pension and Assurance Fund partial buy-in transaction. In our Group accounts, the IAS19 Pension scheme liability is recognised and the buy-in contracts are eliminated at consolidation. We expect this partial buy-in to move to full buy-out in H2 2023 and would result in recognition as an insurance contract in our year end Group accounts
5. IFRS17 new business margin adjusted to reflect the long term profitability, taking into account expected reinsurance not currently in place
Direct property exposure in annuity portfolio is limited

Annuity property exposure comprises:

- **c£2bn of RVNs.** This is the present value estimate of the future vacant possession value of the property (i.e. the value at the end of the lease term) and represents our actual direct property exposure in the annuity portfolio
  
  – Not concerned with short-term mark to market valuations. Majority of property assets >20yr term to maturity
  
  – Our property exposure is wholly-owned, recently built and has no debt

- **c£3bn of RINs.** Secured against inflation-linked, long-term leases with highly rated counterparties such as Amazon and Comcast
  
  – Our priority is the cashflow. 100% of cashflows received over 2022 and H1 2023
  
  – 87% of office space exposure is to UK government departments, with an average unexpired term of c22 years on the lease

**Annuity Property**

- **£5.1bn**
  
  - 63% Residual Value Note (RVN)
  
  - 37% Rental Income Note (RIN)

**Sector Split**

- 5% Retail
- 9% Leisure
- 16% Distribution
- 34% Office space
- 12% Government Office space
- 5% Industrial & commercial
- 18% Accomodation

- **89%** Fully let
- **11%** In development
## Retail: Strong profit releases from large books of business

<table>
<thead>
<tr>
<th>Financial Highlights (£m)</th>
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<tr>
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<td>(11)</td>
<td>(26)</td>
</tr>
<tr>
<td>Non-attributable expenses</td>
<td>(43)</td>
<td>(39)</td>
</tr>
<tr>
<td><strong>Insurance profit</strong></td>
<td><strong>234</strong></td>
<td><strong>243</strong></td>
</tr>
<tr>
<td>Other (Non Insurance profit)</td>
<td>61</td>
<td>(13)</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td><strong>295</strong></td>
<td><strong>230</strong></td>
</tr>
<tr>
<td>Investment &amp; other variances</td>
<td>57</td>
<td>(86)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>352</td>
<td>144</td>
</tr>
</tbody>
</table>

- Whilst Insurance operating profit is up 4%, driven by resilient ongoing profit releases in the UK and US, total operating profit is down given the lower contribution from Fintech (reflected in “Other”), as valuation uplifts from H1 2022 did not repeat.
- The CSM release reflects the provision of insurance service. 4.6% of the closing CSM pre-release (£4.7bn) has released into profit.
- Risk adjustment release of c£49m.
- The Expected investment margin incorporates the release of the prudence in the discount rate, the expected returns on surplus assets and the impact of back book asset optimisation actions.
- In line with the wider market, US mortality experience remained elevated over H1, with an improving trend. We utilised the $40m provision set up at year end.
- Experience variances reflect higher UK death rates in Q1 on the minority of business where we are not fully reinsured and also includes £8m of onerous contract unwind on legacy policies.
- Expenses which are not included in the insurance liabilities are recognised as incurred.
## Retail: Maintaining price discipline in a competitive market

<table>
<thead>
<tr>
<th>Total Sales</th>
<th>H1 2022</th>
<th>H1 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protection Annual premium (£m)</td>
<td>196</td>
<td>199</td>
</tr>
<tr>
<td>Protection Gross written premium (£m)</td>
<td>1,605</td>
<td>1,680</td>
</tr>
<tr>
<td>Individual annuities single premium (£m)</td>
<td>453</td>
<td>575</td>
</tr>
<tr>
<td>Retirement annuity assets(^1) (£bn)</td>
<td>19.3</td>
<td>17.1</td>
</tr>
<tr>
<td>Workplace Savings net flows (£bn)</td>
<td>4.3</td>
<td>3.0</td>
</tr>
<tr>
<td>Lifetime Mortgage advances(^2)</td>
<td>338</td>
<td>163</td>
</tr>
<tr>
<td>Solvency II New business value (£m)</td>
<td>124</td>
<td>119</td>
</tr>
<tr>
<td>- UK &amp; US Protection</td>
<td>92</td>
<td>85</td>
</tr>
<tr>
<td>- Individual annuities</td>
<td>32</td>
<td>34</td>
</tr>
<tr>
<td>IFRS New business deferred profit(^3)</td>
<td>176</td>
<td>176</td>
</tr>
</tbody>
</table>

- **Insurance gross written premium up 5% to £1.7bn**, reflecting robust new business volumes across all businesses, with US volumes continuing to benefit from our technological advantage (US Annual premium up 40% to $87m)
- Individual annuity volumes of £575m, reflecting increased demand for Fixed term annuities, given the higher rates on offer
- Workplace net flows of £3.0bn driven by continued client wins and increased contributions. Workplace pension platform members increased to 5.0 million
- Lifetime mortgage and RIO\(^3\) mortgage advances of £163m, achieved in a highly competitive and reduced market
- **Solvency II NBV of £119m**, with growth in US Protection and individual annuities being offset by lower margins in UK Protection, reflecting the impact of higher interest rates and lower volumes

---

1. In the UK, annuity assets across LGRI and Retail are managed together. Estimated proportion of annuity assets belonging to Retail
2. Includes Retirement interest only (RIO) mortgages
3. Represents the new business CSM and RA
LGC: Resilient performance, on track to achieve ambition

- **Operating profit of £296m, up 13%,** principally reflecting profits from our [alternative asset portfolio](#).
- Alternative asset operating profit of £230m driven by the continued strong performance of Pemberton, robust trading performance of our housing platform (notably Cala) and further maturing of the portfolio.
- The alternative asset portfolio is up 13% to £4,220m (H1 2022: £3,739m). We are continuing to deploy society’s capital for society’s benefit, despite the challenging conditions, with £0.3bn invested in new and existing assets in H1 2023.
- **Profit before tax £104m**, with investment and other variances of £(192)m, which is driven by the unrealised mark to market impact of higher interest rates on our portfolio.
- Our ambition is to build our diversified alternative AUM to c.£5bn (H1 2023: £4.2bn) with a target blended portfolio return of 10-12% and to increase third party capital to over £25bn (H1 2023: £16.8bn) by 2025.

### Financial Highlights

<table>
<thead>
<tr>
<th></th>
<th>H1 2022</th>
<th>H1 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit (£m)</td>
<td>263</td>
<td>296</td>
</tr>
<tr>
<td>- Alternative asset portfolio</td>
<td>202</td>
<td>230</td>
</tr>
<tr>
<td>- Traded portfolio and Treasury</td>
<td>61</td>
<td>66</td>
</tr>
<tr>
<td>Investment and other variances (£m)¹</td>
<td>(308)</td>
<td>(192)</td>
</tr>
<tr>
<td>Profit before tax (£m)¹</td>
<td>(45)</td>
<td>104</td>
</tr>
<tr>
<td>Assets (£m)</td>
<td>8,250</td>
<td>7,924</td>
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<tr>
<td>- Alternative asset portfolio</td>
<td>3,739</td>
<td>4,220</td>
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<tr>
<td>- Traded portfolio</td>
<td>1,979</td>
<td>1,429</td>
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<tr>
<td>- Cash and Treasury assets</td>
<td>2,532</td>
<td>2,275</td>
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</table>

¹ Excludes H1 2023 costs relating to the announced Modular Homes closure.
LGIM: Rising interest rates have impacted profitability

<table>
<thead>
<tr>
<th>Financial Highlights</th>
<th>H1 2022</th>
<th>H1 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset management revenue £m</td>
<td>494</td>
<td>440</td>
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<tr>
<td>Asset management expenses £m</td>
<td>(294)</td>
<td>(298)</td>
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<td>Total LGIM operating profit £m</td>
<td>200</td>
<td>142</td>
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<tr>
<td>Closing AUM (£bn)</td>
<td>1,290</td>
<td>1,158</td>
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<tr>
<td>International AUM (£bn)</td>
<td>468</td>
<td>457</td>
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<tr>
<td>UK DC AUM (£bn)</td>
<td>129</td>
<td>146</td>
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<tr>
<td>Wholesale AUM (£bn)</td>
<td>46</td>
<td>51</td>
</tr>
<tr>
<td>External net flows (£bn)</td>
<td>65.6</td>
<td>(12.3)</td>
</tr>
<tr>
<td>Of which excl. UK DB Solutions (£bn)</td>
<td>40.3</td>
<td>7.4</td>
</tr>
<tr>
<td>Asset management cost:income ratio (%)</td>
<td>59</td>
<td>68</td>
</tr>
</tbody>
</table>

- Operating profit down to £142m reflecting the challenging market environment, with higher interest rates impacting AUM and revenue
- Despite significant inflationary impacts, we have taken action to keep absolute costs flat
- AUM down 10% to £1.2tn
  - International AUM of £457bn, 39% of total AUM
  - A market leader in UK DC: £146bn AUM, 5.0m Workplace members
- Excluding UK DB Solutions, LGIM delivered external net flows of £7.4bn with associated ANNR of £8.4m
- Continuing to make progress across our three strategic pillars:
  - Modernise: Ongoing transformation of our strategic operating model through partnership with State Street using Charles River technology
  - Diversify: Focus on higher-margin product areas such as Real Assets, ETFs, Multi-asset and Fixed Income. Further ESG integration
  - Internationalise: Expanded our European footprint, opening a branch in Switzerland. Well positioned in Asia, where we are expanding our distribution footprint across key markets and channels

- Continue to build on credentials as a responsible investor and remain committed to addressing environmental and social challenges
- As at H1 2023, £331.6bn managed in responsible investment strategies explicitly linked to ESG criteria

1. Revenue and expenses exclude income and costs of £13m for provision of 3rd party market data (H1 2022: £15m)
2. Derivative overlays associated with UK DB net flows
3. Please refer to footnote 42 of the HY 2023 press release for the ESG criteria definition
4. On an FX-adjusted basis
Strong Solvency II Balance sheet

- Coverage ratio of 230%
- Solvency II surplus of £9.2bn
- Tier 1 Own funds of £13.1bn (81%)

Numbers in the right hand chart do not sum due to rounding.

Operating variances include the impact of experience variances, changes to model calibrations, and management actions and predominantly reflect timing differences which we expect to reverse in H2.
In summary

Operating profit
H1 2022: £958m

Stock of deferred profits
H1 2022: £13.4bn

Solvency II coverage ratio
H1 2022: 212%

SII operational surplus generation
H1 2022: £946m

£941m
£13.8bn

• We have delivered a resilient set of results. We remain confident in achieving our five year ambitions

• Our balance sheet is strong. Our diversified business model shields us from volatile economic markets

• The strength of our capital and liquidity positions provide capacity to invest in profitable growth opportunities
On track to achieve our five year ambitions
A compelling investment case:
A track record of profitable and sustainable growth

1. An established track record of consistent and profitable growth under IFRS 4. Under IFRS 17 we have a large stock of deferred profits £13.8bn and are demonstrating growth in CSM.

2. A highly synergistic and increasingly international, growth-oriented business model, closely aligned to six long-term, macro growth drivers.

3. Long-term and predictable value creation: very long duration business (30-40 years), with earnings driven by a growing stock of accumulated assets.

4. A proven robust and resilient balance sheet: very strong solvency ratio (230%) and surplus (£9.2bn). In H1 our annuity portfolio experienced no downgrades to sub-IG and more upgrades than downgrades.

5. A clear purpose, a longstanding commitment to Inclusive Capitalism and a leader in sustainable investing, with a focus on execution and delivery.

6. A clear set of growth ambitions to 2024 – with attractive annual growth in the dividend and ongoing investment in high quality new business – against which we are making good progress.
On track to achieve our five year ambitions

2023 Half year results

£1,139m
Operating profit from divisions
H1 2022: £1,153m

£947m
SII operational surplus generation
H1 2022: £946m

230%
Solvency ratio
H1 2022: 212%

5.71p
Interim dividend
H1 2022: 5.44p, +5%
Our business is aligned to six long-term growth drivers, providing immunity to a low / no economic growth environment

<table>
<thead>
<tr>
<th>Growth drivers</th>
<th>Strategic priorities</th>
<th>Market opportunity</th>
<th>Primary divisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ageing demographics</td>
<td>Be global leaders in pensions de-risking and retirement income solutions, building upon success in the UK and US</td>
<td>$57tn</td>
<td>LGRI, Retail, LGIM</td>
</tr>
<tr>
<td>Globalisation of asset markets</td>
<td>Build a global asset management business, entering new markets and expanding our existing operations</td>
<td>$149tn</td>
<td>LGIM</td>
</tr>
<tr>
<td>Investing in the real economy</td>
<td>Be leaders in long-term direct investments, whilst benefitting society through socially responsible investments</td>
<td>£100bn</td>
<td>LGC, LGRI, Retail, LGIM</td>
</tr>
<tr>
<td>Welfare reforms</td>
<td>Help people take responsibility for their own financial security through insurance, pensions and savings</td>
<td>£1.6tn</td>
<td>Retail, LGIM</td>
</tr>
<tr>
<td>Technological innovation</td>
<td>Be market leaders in the digital provision of insurance and other financial solutions</td>
<td>$30bn</td>
<td>Retail</td>
</tr>
<tr>
<td>Addressing climate change</td>
<td>Support the fight against climate catastrophe through the positioning of our own investments, our influence as one of the world’s largest asset managers and by managing our own operational footprint</td>
<td>$20tn</td>
<td>All</td>
</tr>
</tbody>
</table>

Willis Towers Watson, Global Pensions Asset Study, 2022: $53tn of global private DB and DC pension assets; BCG Global Asset Management 2022: $149tn global AUM by 2026e; 400k (x £250k average selling price) homes to be built in the UK per annum by 2025; £1.6tn of UK DC assets and UK ISA AUM by 2025e; $30bn US retail protection market by 2025e; $20tn of investment needed by 2025 to achieve global net zero emissions by 2050
Low growth and no recession are forecast by the IMF, OECD and Central Bank

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<td>5.4</td>
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<tr>
<td>World</td>
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<td><strong>3.2</strong></td>
<td><strong>2.8</strong></td>
<td><strong>2.9</strong></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

*UK OBR forecasts: -0.2 (2023), 1.8 (2024), 2.5 (2025)

- IMF expects above trend growth globally heading into 2025
- BoE more cautious than other central banks. Sees extended period of weak growth
- OBR in line with IMF forecast
- We don’t see scope for above-trend growth given tight labour markets
- Instead global recession is our base case
IFRS 17 does not change strategy, capital generation, solvency or dividends

IFRS 17:
• Is an accounting change, which does not change the underlying economics of our insurance contracts
• Will change the timing of recognition of insurance earnings, not the quantum
• Will result in more stable and predictable earnings from our insurance products
• Will impact the financial reporting of our annuity / life insurance businesses (i.e. LGRI, Retail)
• Will not impact our non-insurance / asset management businesses (i.e. LGIM, LGC)
• Does not change our:
  – Ability to generate cash and capital
  – Ability to invest in future growth
  – Solvency position (H1 2023: 230%\(^1\))
  – Creditworthiness (Fitch AA-, Moody’s AA3, S&P AA-, AM Best A+)\(^2\)
  – Dividend-paying capacity

Created a ‘transition day’ CSM / RA stock of £14bn – a significant stock of deferred profits

---

1. Excluding any benefit from proposed Solvency II reform
2. Ratings shown are Legal and General Assurance Society Limited Financial strength rating
For more information on IFRS 17 and what it means for L&G see our November 2022 and May 2023 investor and analyst events: here
**Investment grade credit rarely defaults**

**S&P Market Default Rates (%)**

<table>
<thead>
<tr>
<th>Year</th>
<th>AAA</th>
<th>AA</th>
<th>A</th>
<th>BBB</th>
<th>Sub-IG</th>
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<td>0.1</td>
<td>0.1</td>
<td>0.6</td>
</tr>
</tbody>
</table>
Annuity assets: Diversified bond portfolio complemented by high quality direct investments

**Annuity Bond Portfolio: £69.4bn (out of £72.6bn)**

- Defensively positioned, high quality portfolio.
- Approximately **two-thirds A-rated or better**. Only 13% of BBB are BBB-
- 11% of bonds in Sovereign-like assets
- 7% of high quality Lifetime Mortgage book: average customer age 75; weighted average loan-to-value of c.30.8%
- Lower-rated, cyclical exposures kept to a minimum: <1% airlines, hotels, leisure and traditional retail combined
- Geographically diversified portfolio (46% UK, 35% US, 11% EU, 8% RoW)

**Annuity DI portfolio: £23.4bn, 32% of total assets**

- No defaults and 100% of scheduled cash-flows paid. Primary exposure is to the underlying high quality tenant on rental income, e.g. Amazon. Around two-thirds of portfolio rated ‘A’ or above
- Direct exposure to property in the annuity portfolio is Property Vacant Possession Value: £1.9bn or 3% of the annuity portfolio
- Originated £2.4bn of new, high quality direct investments during 2023. Continue to benefit from LGC ESG-focused asset creation via Affordable Homes, Build to rent and Urban Regeneration

---

Note: Annuity DI Bonds & Property portfolio of £23.4bn excludes Lifetime Mortgage assets of £4.9bn
We have a high quality, diversified investment grade book.

### Bond portfolio by rating
- **AAA**: 9%
- **AA**: 20%
- **A**: 37%
- **BBB**: 34%
- **BB or below**: 0%

### Bond portfolio by geography
- **UK**: 46%
- **USA**: 35%
- **Europe**: 11%
- **RoW**: 8%

### Bond portfolio by asset type
- **Traded credit**: 67%
- **Direct investments**: 26%
- **Lifetime mortgages**: 7%

### Bond portfolio by sector
- **Infrastructure**: 16%
- **Utilities**: 15%
- **Consumer services & goods**: 15%
- **Sovereign-like assets**: 11%
- **Lifetime mortgages**: 7%
- **Technology & telecoms**: 6%
- **Real Estate**: 6%
- **Other**: 24%
Our UK exposure is more diversified than might be expected...

Annuity Bond portfolio by geography

- £69.4bn

UK
- 46%
USA
- 35%
Europe
- 11%
RoW
- 8%

FTSE 100 exposure
- 14%
Government DI / Sovereigns
- 24%
Direct investments
- 28%
Traded credit
- 34%

UK Annuity Bond portfolio by asset type

- £27.3bn

Annuity assets

FTSE 100 exposure
- 14%
Government DI / Sovereigns
- 24%
Direct investments
- 28%
Traded credit
- 34%

UK Traded Credit portfolio by sector

- £9.4bn

Utilities
- 44%
Social infrastructure
- 22%
Economic infrastructure
- 12%
Non-cyclical consumer services & goods
- 5%
Real estate
- 5%
Other
- 12%

1. Excludes £4.9bn of Lifetime Mortgage assets – 2023 June YTD weighted average loan-to-value of c30.8%. Loan-to-value has to exceed 100% before losses occur
### Annuity Portfolio: Top 10 BBB exposure

<table>
<thead>
<tr>
<th>Counterparty</th>
<th>Sector</th>
<th>Country of Risk</th>
<th>Investment value (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 National Grid PLC</td>
<td>Utilities</td>
<td>UK</td>
<td>328</td>
</tr>
<tr>
<td>2 E.ON SE</td>
<td>Utilities</td>
<td>Germany</td>
<td>308</td>
</tr>
<tr>
<td>3 FGP TopCo Ltd</td>
<td>Economic Infrastructure</td>
<td>UK</td>
<td>283</td>
</tr>
<tr>
<td>4 Severn Trent PLC</td>
<td>Utilities</td>
<td>UK</td>
<td>268</td>
</tr>
<tr>
<td>5 CK Hutchison Holdings Ltd</td>
<td>Utilities</td>
<td>UK</td>
<td>230</td>
</tr>
<tr>
<td>6 Verizon Communications Inc</td>
<td>Communications &amp; Technology</td>
<td>USA</td>
<td>192</td>
</tr>
<tr>
<td>7 Centrica PLC</td>
<td>Utilities</td>
<td>UK</td>
<td>190</td>
</tr>
<tr>
<td>8 Julian Holdings Ltd</td>
<td>Real Estate (Debt)</td>
<td>UK</td>
<td>174</td>
</tr>
<tr>
<td>9 AT&amp;T Inc</td>
<td>Communications &amp; Technology</td>
<td>USA</td>
<td>173</td>
</tr>
<tr>
<td>10 AbbVie Inc</td>
<td>Consumer, Non-cyclical</td>
<td>USA</td>
<td>167</td>
</tr>
</tbody>
</table>

**Total Investment Value:** 2,313

10% of BBB portfolio

Our BBB exposure is to high quality names
Our Direct Investments are with high quality counterparties

### Annuity Portfolio: Top 15 Direct Investments by exposure*

<table>
<thead>
<tr>
<th>Counterparty</th>
<th>Sector</th>
<th>Year of Investment</th>
<th>Investment value (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 HMRC</td>
<td>Government</td>
<td>2016-2019</td>
<td>1,208</td>
</tr>
<tr>
<td>2 UK Govt</td>
<td>Government</td>
<td>2011-2019</td>
<td>685</td>
</tr>
<tr>
<td>3 Amazon</td>
<td>Communications &amp; Technology</td>
<td>2018-2019</td>
<td>639</td>
</tr>
<tr>
<td>4 University of Oxford</td>
<td>Social Infrastructure</td>
<td>2021-2022</td>
<td>366</td>
</tr>
<tr>
<td>5 Student Accommodation Provider</td>
<td>Social Infrastructure</td>
<td>2023</td>
<td>359</td>
</tr>
<tr>
<td>6 Comcast Corp</td>
<td>Communications &amp; Technology</td>
<td>2020</td>
<td>321</td>
</tr>
<tr>
<td>7 UK Corporate Media</td>
<td>Media</td>
<td>2017</td>
<td>260</td>
</tr>
<tr>
<td>8 Places for People Group Ltd</td>
<td>Social Infrastructure</td>
<td>2014</td>
<td>258</td>
</tr>
<tr>
<td>9 F&amp;C Commercial Trust</td>
<td>Real Estate (Debt)</td>
<td>2014</td>
<td>255</td>
</tr>
<tr>
<td>10 UK Railway</td>
<td>Economic Infrastructure</td>
<td>2021</td>
<td>251</td>
</tr>
<tr>
<td>11 UK Water Utility</td>
<td>Utilities</td>
<td>2018-2021</td>
<td>248</td>
</tr>
<tr>
<td>12 Hornsea Offshore Wind Farm</td>
<td>Economic Infrastructure</td>
<td>2018</td>
<td>223</td>
</tr>
<tr>
<td>13 Student Accommodation Provider</td>
<td>Social Infrastructure</td>
<td>2014-2015</td>
<td>202</td>
</tr>
<tr>
<td>14 UK Water Utility</td>
<td>Utilities</td>
<td>2016-2019</td>
<td>202</td>
</tr>
<tr>
<td>15 Walney Offshore Wind Farm</td>
<td>Economic Infrastructure</td>
<td>2016</td>
<td>201</td>
</tr>
</tbody>
</table>

Assets are spread between different locations, with long duration cash flows secured against high quality tenants, with limited downside valuation risk e.g. HMRC, Amazon

Total 5,677

35% of DI portfolio
On track to achieve our five year ambitions
2023 Half year results

£1,139m
Operating profit from divisions
H1 2022: £1,153m

£947m
SII operational surplus generation
H1 2022: £946m

230%
Solvency ratio
H1 2022: 212%

5.71p
Interim dividend
H1 2022: 5.44p, +5%