

# Sustainable, ambitious, inclusive

## 2021 Half year results

**£1,271m**

Operating profit from divisions

H1 2020: £1,128m, **+13%**  
H1 2019: £1,154m, **+10%**

**22.0%**

Return on equity

H1 2020: 6.3%  
H1 2019: 20.2%

**17.78p**

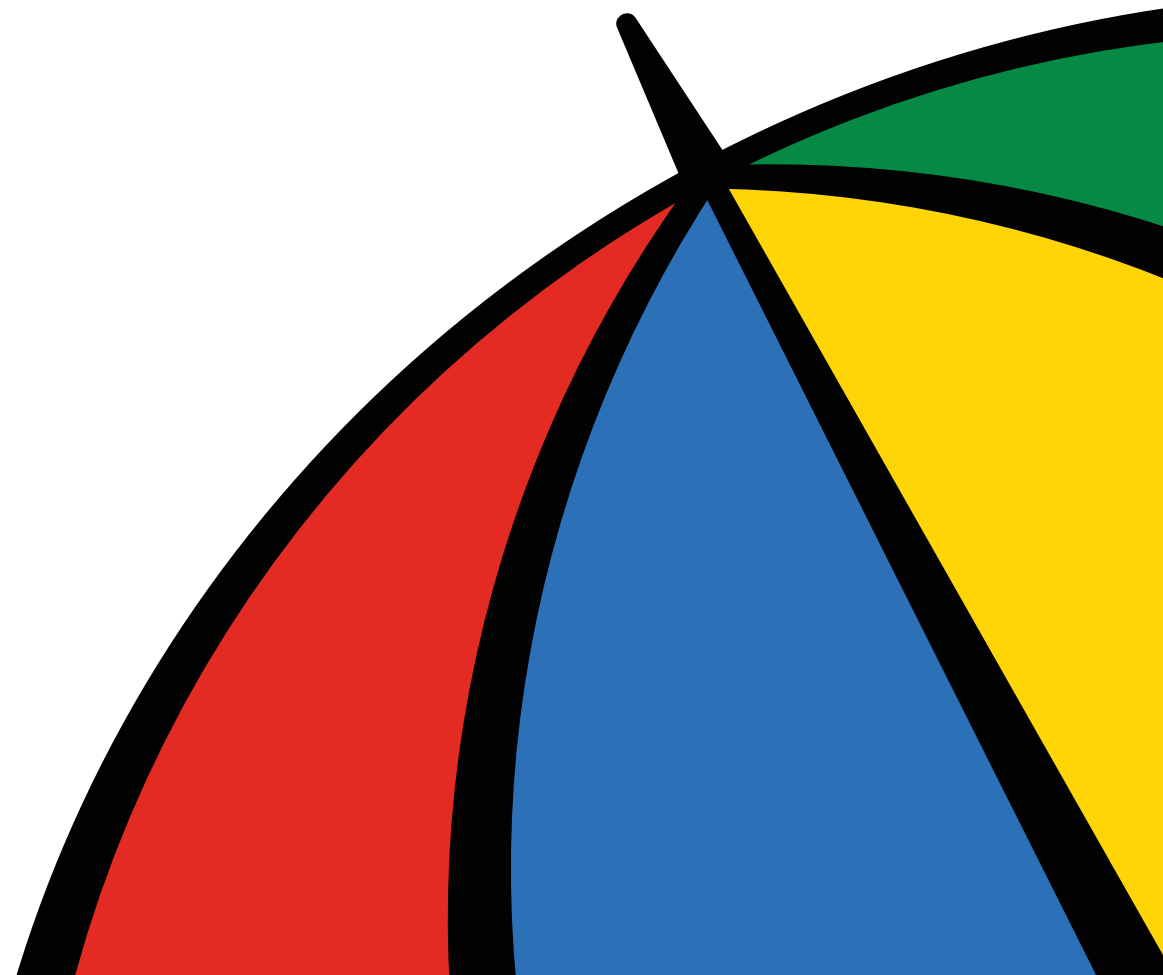
Earnings per share

H1 2020: 4.89p, **+264%**  
H1 2019: 14.74p, **+21%**

**5.18p**

Interim dividend

H1 2020: 4.93p, **+5%**  
H1 2019: 4.93p, **+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.

# Sustainable, ambitious, inclusive

Nigel Wilson  
Chief Executive Officer



# Strong financial performance, well above pre-COVID levels

Strong  
profitability...

**£1,271m**

Operating profit from divisions<sup>1</sup>

H1 2020: £1,128m, **+13%**

H1 2019: £1,154m, **+10%**

**17.78p**

Earnings per share

H1 2020: 4.89p, **+264%**

H1 2019: 14.74p, **+21%**

Supported by a strong  
balance sheet...

**183%**

Solvency II coverage ratio

H1 2020: 173%

H1 2019: 171%

**£0.8bn**

SII operational surplus generation<sup>1</sup>

H1 2020: £0.8bn, **+9%**

H1 2019: £0.7bn, **+11%**

Driving strong  
shareholder returns

**22.0%**

Return on equity

H1 2020: 6.3%

H1 2019: 20.2%

**5.18p**

Interim dividend

H1 2020: 4.93p, **+5%**

H1 2019: 4.93p, **+5%**

# Our portfolio of divisions is delivering growth in operating profits

LGC, LGI and LGRR delivering at least double-digit growth

£m	H1 2020	H1 2021	%
LGC	123	250	103
LGI	88	134	52
LGRR	135	158	17
LGIM	197	204	4
LGRI	585	525	(10)
<b>Operating profit from continuing divisions</b>	<b>1,128</b>	<b>1,271</b>	<b>13</b>

# What differentiates L&G from peers?

Unique ability to create and manage assets to deliver retirement solutions

**Leading global  
retirement solutions  
provider**

**Only global provider of end to end de-risking solutions**

**World class asset manager**

**Established alternative asset origination capability**

**Collaborative and entrepreneurial culture**

**Customer-led approach**

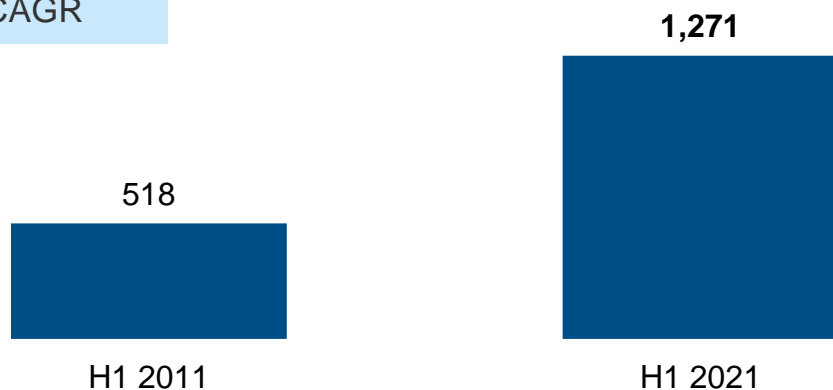
**Established and action-oriented commitment to ESG**

**Market-leading InsurTech**

# Predictable and consistent strong performance over a decade

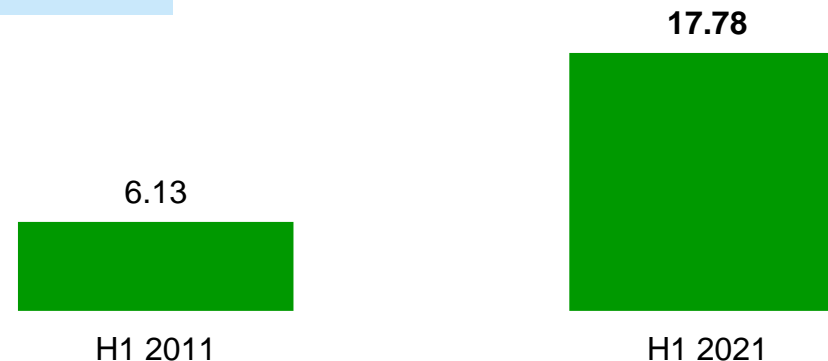
## Operating profit from divisions<sup>1</sup> (£m)

9% CAGR



## Earnings per share<sup>1</sup> (p)

11% CAGR



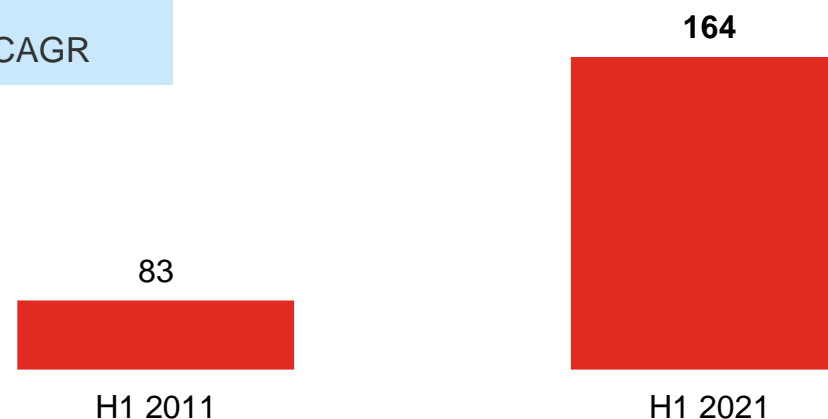
## Dividend per share (p)

12% CAGR



## Book Value per share (p)

7% CAGR

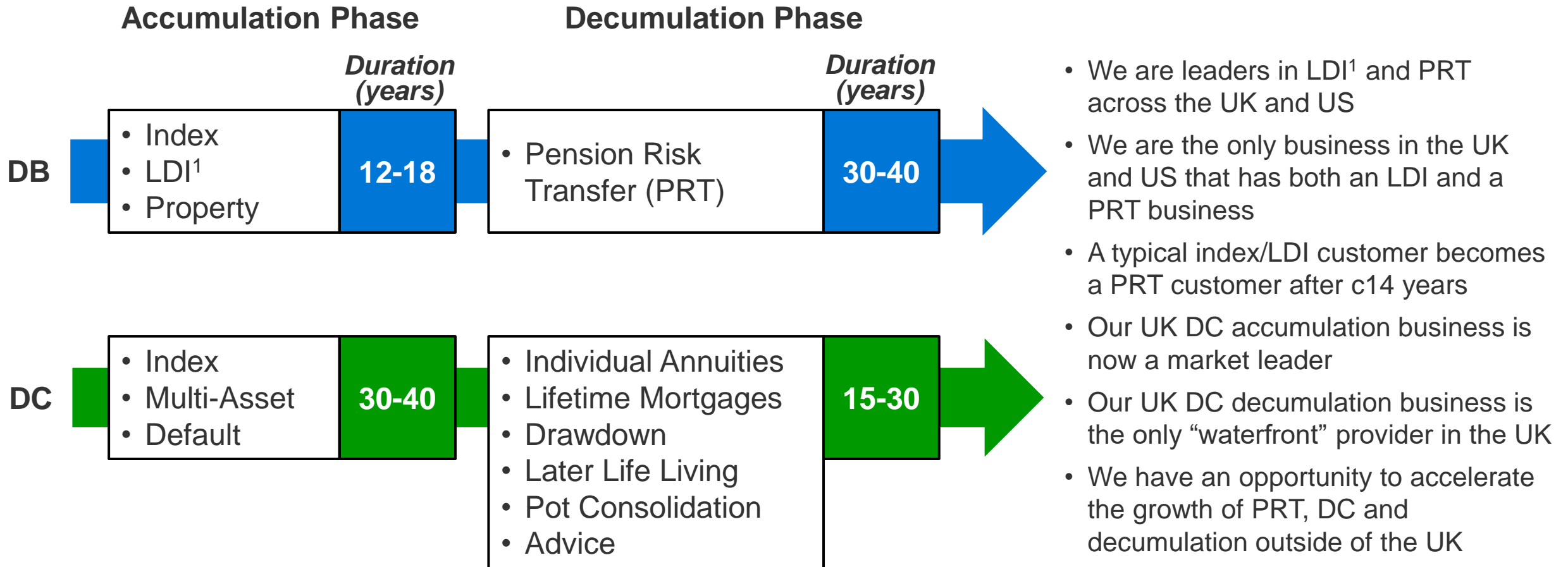


ROE (%)

15.0

22.0

# L&G develops long-term client and customer relationships



**Long-term, predictable earnings driven by a growing stock of accumulated assets**



# We have a clear purpose, and a long-term commitment to Inclusive Capitalism and ESG, with a focus on execution

## Our purpose

To improve the lives of our customers, build a better society for the long term and create value for our shareholders. We use our long-term assets in an **economically effective and socially useful way** to benefit everyone in society.

## ESG approach

We think about the long-term ESG impact of our businesses in terms of:

- How we **invest our £93bn of proprietary assets**<sup>1</sup>
- How we **influence as one of the world's largest asset managers** with £1.3tn AUM
- How **our businesses operate**

## Environmental

- **Decarbonising the assets on our balance sheet** to align with the Paris objective
- Committed to the **Science Based Target Initiative**
- Investments in **onshore and offshore wind, ground source heat pump technology and electric vehicles**

## Social

- Addressing the **affordable housing** shortage, e.g. building 3,000 affordable homes by 2023
- **Housing for the homeless** in partnership with Croydon council
- Creating a **stronger society**, e.g. Advanced Care research investment at Edinburgh University

## Health

- Established a partnership with Sir Michael Marmot to **address UK health inequality**
- Continuing to **invest in pioneering health start-ups**, e.g. Current Health
- **£5m gift to Newcastle City Council** to pioneer new post-COVID approach to elderly care

## Governance

- **Engaging with investee companies**, e.g. promoting Board diversity, director independence
- **Improving diversity and inclusion** at L&G, e.g. addressing areas of under-representation
- Maintaining focus on our **supply chain, modern slavery, human rights and health & safety**

**Long-term, sustainable strategy delivering for our stakeholders**

# Our business is closely aligned to six long-term, macro growth drivers

Growth drivers	Strategic priorities	Market opportunity	Primary divisions
Ageing demographics	Be global leaders in <b>pensions de-risking</b> and <b>retirement income solutions</b> , building upon success in the UK and US.	\$53tn	LGRI, LGRR, LGIM
Globalisation of asset markets	Build a <b>global asset management business</b> , entering new markets and expanding our existing operations.	\$136tn	LGIM
Investing in the real economy	Be leaders in <b>long-term direct investments</b> , whilst benefitting society through <b>socially responsible</b> investments.	£100bn	LGC, LGRI, LGRR, LGIM
Welfare reforms	Help people take responsibility for their own <b>financial security through insurance, pensions and savings</b> .	£1.9tn	LGI, LGRR, LGIM
Technological innovation	Be market leaders in the <b>digital provision</b> of insurance and other financial solutions.	\$30bn	LGI, LGRR
Addressing climate change	Support the <b>fight against climate catastrophe</b> through the positioning of our <b>own investments</b> , our influence <b>as one of the world's largest asset managers</b> and by <b>managing our own operational footprint</b> .	\$20tn	All

Willis Towers Watson, Global Pensions Asset Study, 2021: \$53tn of global private DB and DC pension assets; BCG Global Asset Management 2021: \$136tn global AUM by 2024e; 400k homes to be built in the UK per annum by 2025; £1.9tn 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; Investing in the real economy: £100bn market opportunity assumes 400k homes x £250k average selling price

# We have a number of attractive growth opportunities

## Global PRT

High growth, low penetration

- Global DB market c\$25tn
- **LGR** UK annuity portfolio to be self-financing at c£100bn (next 3-5 years)
- Expanding in US / Canada / Europe

Ambition: £40-50bn UK PRT, \$10bn International PRT by 2024

## DC Pensions

High growth, medium penetration

- Global DC market c\$28tn
- UK DC assets expected to double by 2028 to c£955bn
- **LGIM** the UK market leader in DC

Increase UK decumulation share by combining best of LGIM and LGRR

## LGC Alternative AUM

High growth, low penetration

- Increase **LGC** capacity in climate, housing (all classes), infrastructure, SciTech, SME finance
- Accelerate through third party capital

Targeting c£20bn alternative AUM by 2025 (£5bn internal, >£14bn third party)

## LGIM Real Assets

High growth, medium penetration

- Global Real Assets AUM to grow 20% by 2025
- **LGIM** the UK market leader in Real Estate equity
- Increase LGIM blended fee rate

Expand Private Credit, ESG, long-lease equity products; optimise LGC linkage

## Digitise US Term Life

Medium growth, low penetration

- US market in-force premium c\$27bn
- Fragmented, analogue market – **LGI** disrupting with tech (Horizon)
- Scaling-up high growth transformative US/UK fintech, e.g. Salary Finance

Grow US NB premium to £200m by 2025, double digit growth in fintech

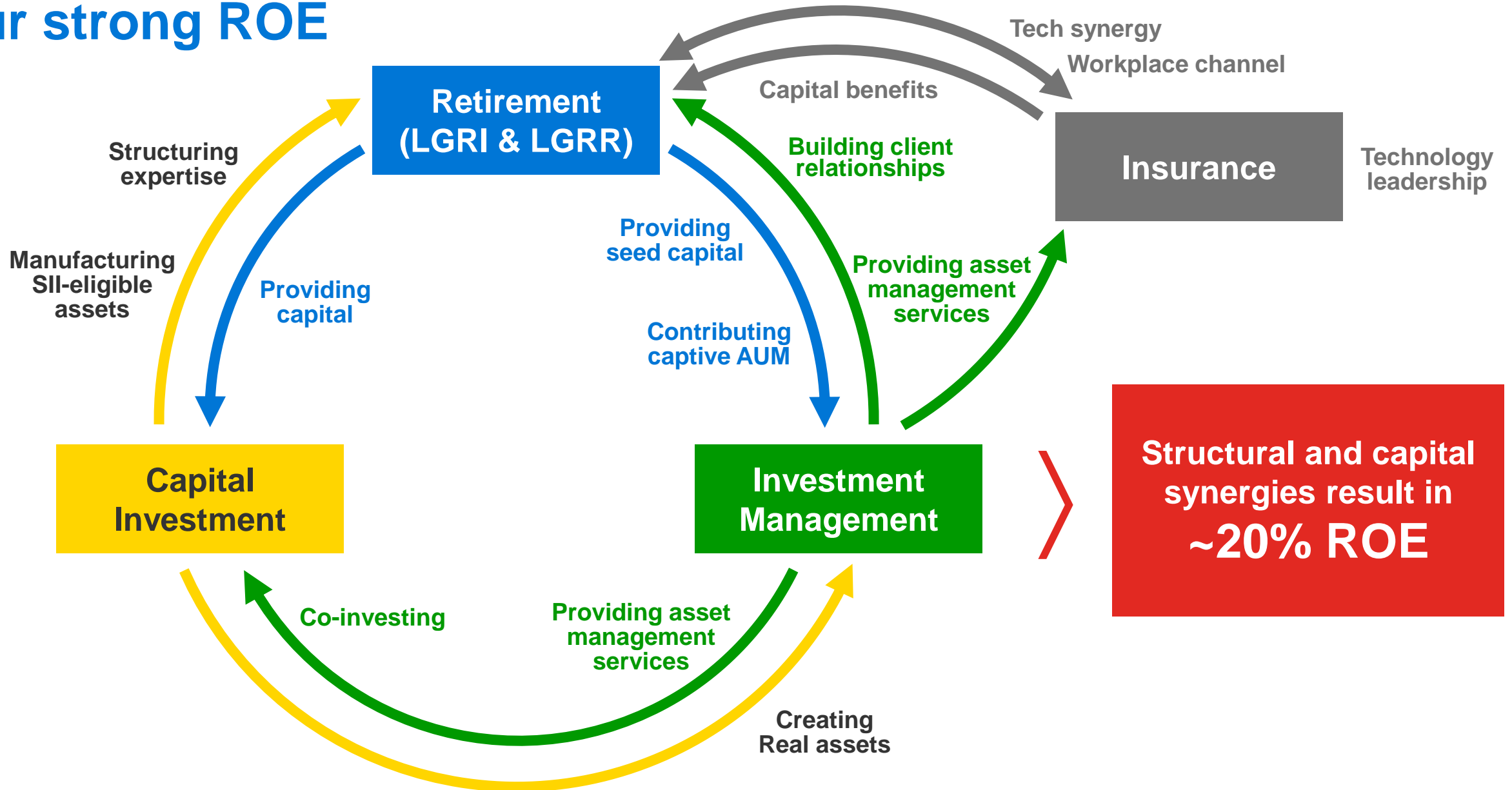
## China entry

High growth, low penetration

- Kerrigan Procter appointed L&G Asia President in March 2021
- Establish L&G presence in domestic pension market, e.g. through JVs

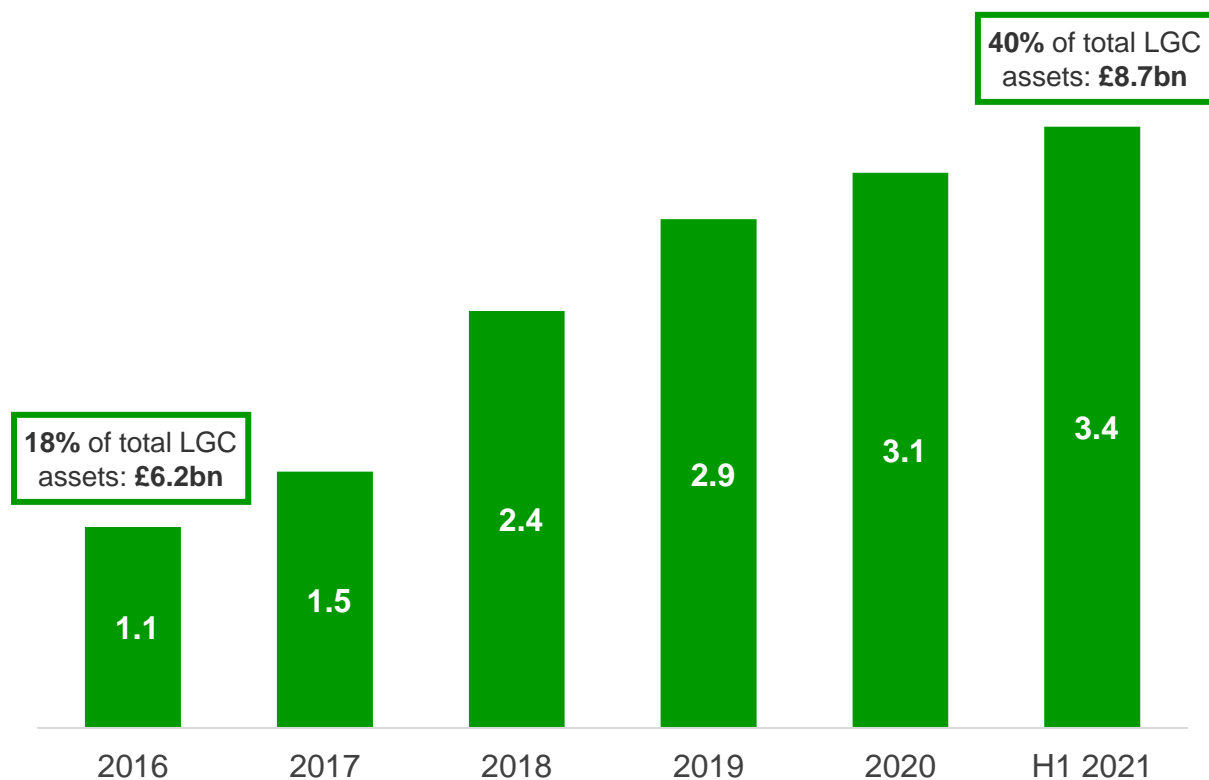
Establish asset management and pension businesses in China

# The highly synergistic nature of our business model underpins our strong ROE

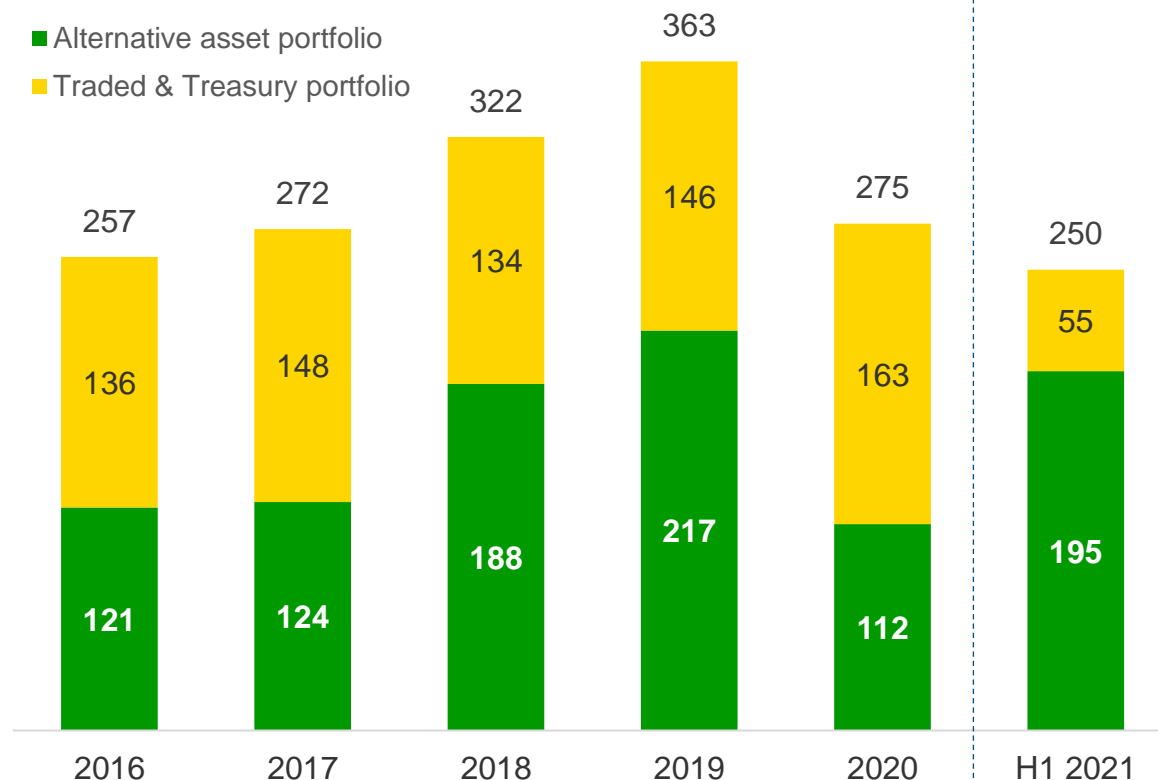


# LGC is successfully growing its Alternative Asset portfolio

Alternative AUM (£bn)



LGC Operating profit (£m)



Targeting c£5bn of Alternative AUM by end-2025 (H1 2021: £3.4bn)

# LGC is the Group's asset origination engine, creating assets for LGR and attracting third party capital

Sources of capital

Example projects, partnerships and platforms

Committed capital / identified projects\*

**LGR**

Sheffield

Oxford

Affordable housing

Cardiff

Sky studios

Build to rent

**£10bn**

**Third Party Capital**

**External fund investors**

PEMBERTON

NTR  
Securing a Greener Future

**£13bn+**

**Strategic co-investors**

UNIVERSITY OF OXFORD

PGGM

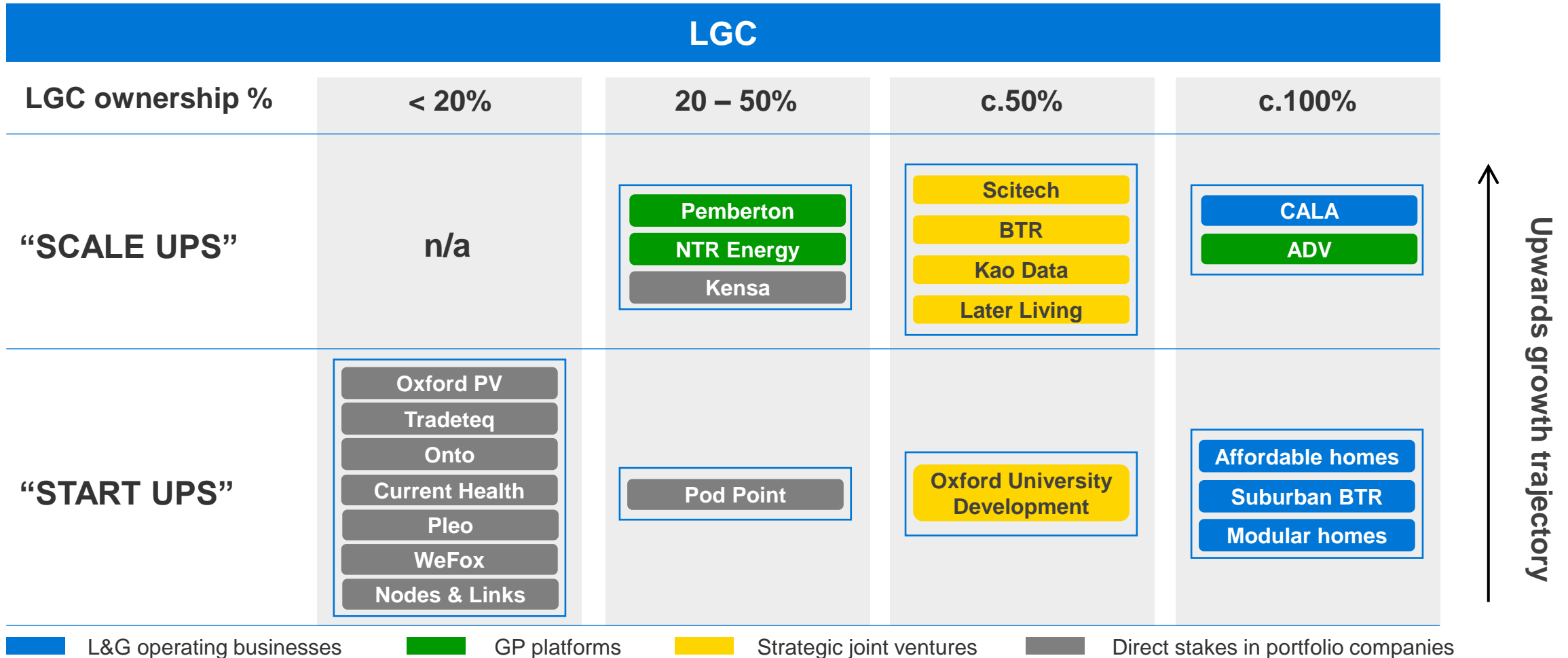
MANCHESTER 1824  
The University of Manchester

NatWest  
Group Pension Fund

bruntwood

**£1bn+**

# LGC's asset creation platforms are a source of significant future growth and incremental value to the Group



■ L&G operating businesses    
 ■ GP platforms    
 ■ Strategic joint ventures    
 ■ Direct stakes in portfolio companies

**Oxford PV:** Leaders in perovskite solar technology  
**Tradeteq:** A technology platform to negotiate, analyse, and manage trade finance investments  
**Onto:** Electric car subscription service  
**Current Health:** Enhances patient access to virtual care, with easy-to-use monitoring solutions  
**Pleo:** Offers smart company cards that automate expense reports and simplify company spending  
**WeFox:** Digital Insurance services (motor, household and personal liability) on your smartphone  
**Nodes & Links:** A technology company that works with global leaders in the project delivery space

**Pemberton:** A leading European private debt manager investing in non-investment grade debt on behalf of institutional investors  
**NTR Energy:** Constructs and manages sustainable infrastructure assets investing in clean energy, water treatment and recycling  
**Kensa:** Manufactures and installs ground source heat pumps  
**Pod Point:** UK leaders in electric vehicle charging  
**BTR:** Build to Rent  
**KAO Data:** Develops and operates advanced data-centres  
**ADV:** A patient venture investor, making long-term investments in technology companies

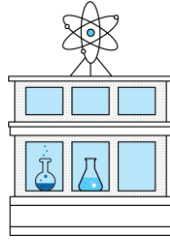


# LGC is “Building Back better” and “Levelling Up”

Creating real assets that deliver a positive **social** and **environmental** impact

## Transforming the built environment

c.£1bn invested in 16 UK towns and cities, with extensive pipeline and further c.£6bn committed through university partnerships in Oxford, Manchester and Newcastle



## Backing digital infrastructure

KAO Data is one of the largest data centres in the UK and is committed to running on 100% renewable energy

## Developing world-class sci-tech innovation districts

Bruntwood SciTech's 2.5m sqft portfolio is home to 500+ innovation companies



## Supporting UK innovation and investing in the real economy

Our Venture Capital platforms back over 300 start-up businesses

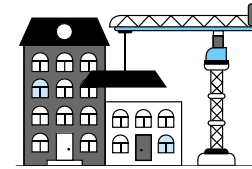
## Specialist commercial real estate

Our investments in the last 6 months are set to create **c.19,500 jobs**



## Helping our ageing population live better and longer

Through Inspired Villages, we are saving the NHS £3.2m and freeing up thousands of hospital beds p.a.



## Tackling poor housing in areas that need it most

Affordable Homes pipeline stands at over 6,000 homes

## Residential property

## Redefining rental housing

c.5,600 homes in operation or development across the UK

## Creating energy efficient homes of the future

Commitment to deliver net zero carbon new homes from 2030



## Clean energy

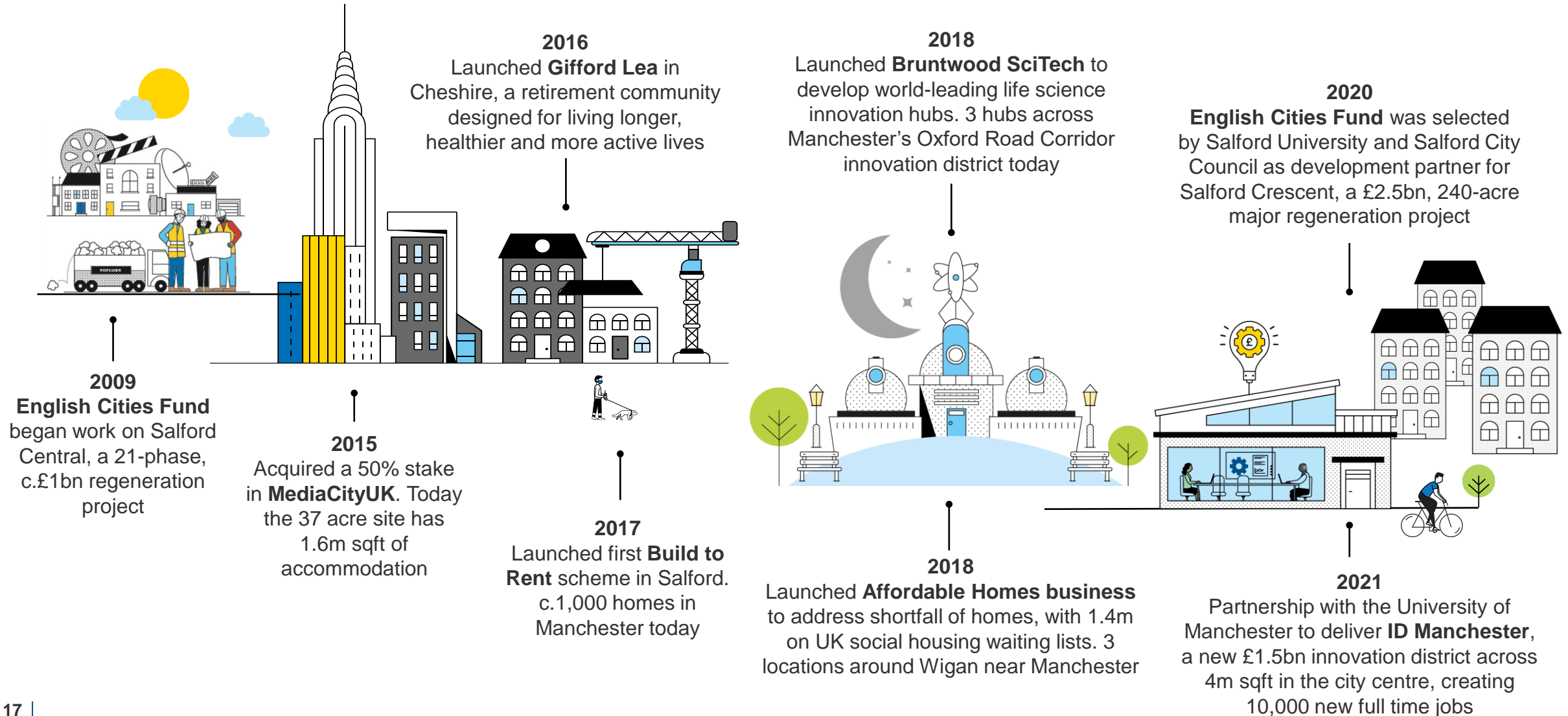
## Addressing climate change

Investing in innovation, clean tech and renewable infrastructure, employing more than 400 skilled workers in the UK green economy



# Case Study: Manchester, c.£3bn capital committed

We've been investing in Manchester for more than a decade. We've just announced a new £1.5bn innovation district in the city centre, in partnership with the University of Manchester



# Case study: Pod Point

Our investment in Pod Point is helping to scale the infrastructure for Electric Vehicle charging in the UK

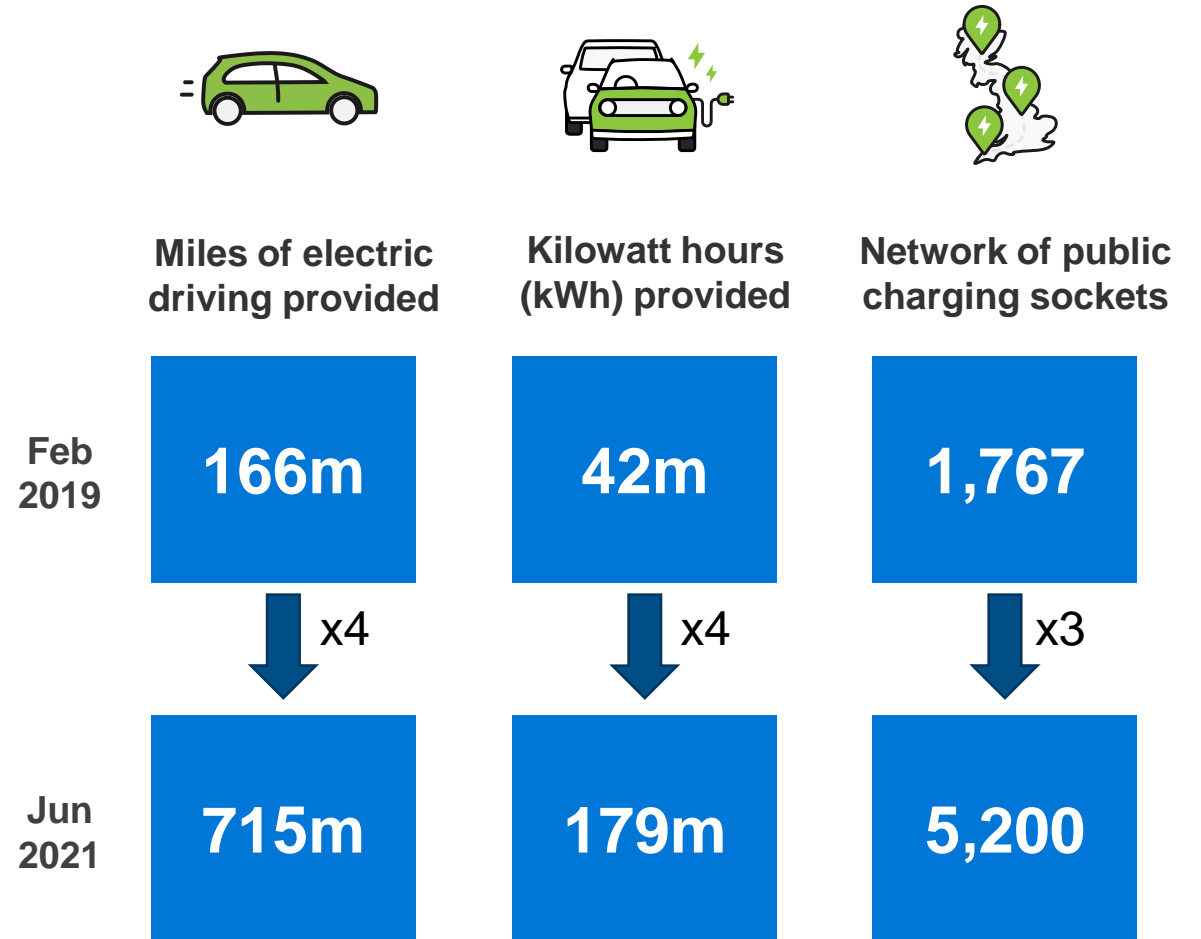
## Supporting UK net zero transition

- L&G took a c13% stake in Pod Point in Feb 2019 to access and help scale the electric vehicle (EV) charging infrastructure market, increasing to c22% in Feb 2020 through a joint venture with EDF
- Pod Point is scaling up rapidly, with significant growth since our investment, driven by increasing consumer interest in EVs
- Future market growth is supported by the UK Government's 2030 target for banning the sale of new petrol and diesel vehicles, and 2035 target for phasing out hybrids
- A zero emission-capable new car market in the UK is estimated to require 1.7 million public charging points by 2030 and 2.8 million by 2035 (up from c20,000 in 2020)\*

## Growth through partnerships

- Tesco, in partnership with Volkswagen and Pod Point, is installing free charging points at 600 supermarkets around the UK
- Lidl has partnered with Pod Point to install rapid chargers at 350 stores by 2022
- Pod Point is working closely with property developers and managers like Barratt Homes, Savills and Bellway to wire up schemes, and across the L&G network, including CALA Homes and Inspired Villages

## Pod Point growth since investment



# Case study: Inspired Villages

Our new JV with NatWest Group Pension Fund will enable us to rapidly scale our Later Living proposition

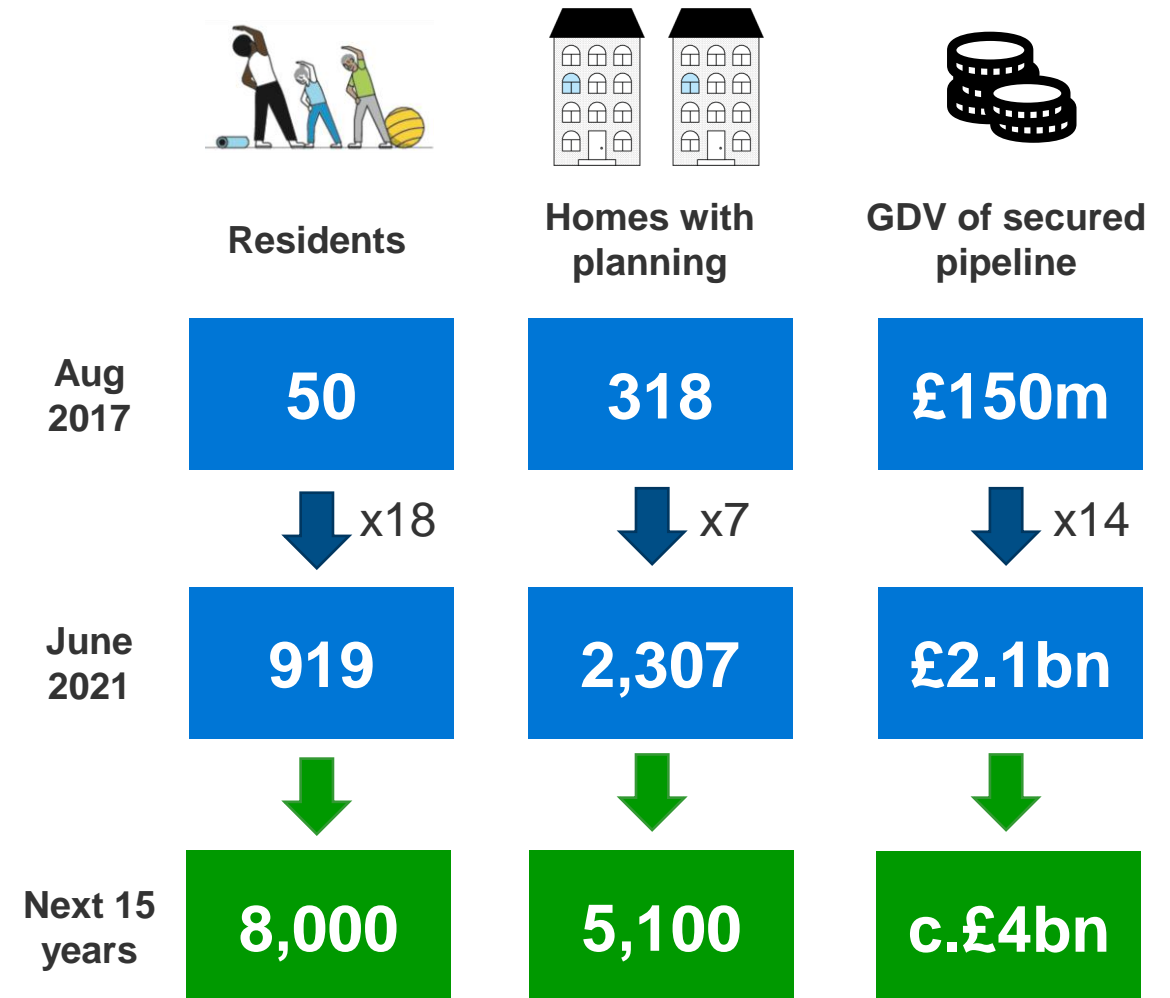
## Supporting the UK's ageing population

- L&G established Inspired Villages in Aug 2017 to meet the growing demand for age-appropriate homes. There are an estimated 3.4m last-time buyers currently seeking to downsize
- Inspired Villages is scaling up rapidly, with consent secured for over 1,000 homes since the start of pandemic
- Inspired Villages is benefitting from heightened public awareness of its role in combatting loneliness, promoting good health and providing a safe, protective community
- We have recently broken ground on the UK's first two operationally net-zero carbon later living developments which will create 350+ energy efficient homes

## New JV with NatWest Group Pension Fund

- In August 2021 we launched a 15-year, £500m JV with NatWest Group Pension Fund, selling a 50% stake in our first 11 sites
- The JV will enable us to scale up significantly. We have a follow-on commitment to build a portfolio of up to 34 sites, equating to 5,100 homes and a Gross Development Value (GDV) of c.£4bn

## Inspired Villages growth since investment



# Case study: CALA

We have grown Turnover and PBT by more than five times since we first invested in CALA in 2013

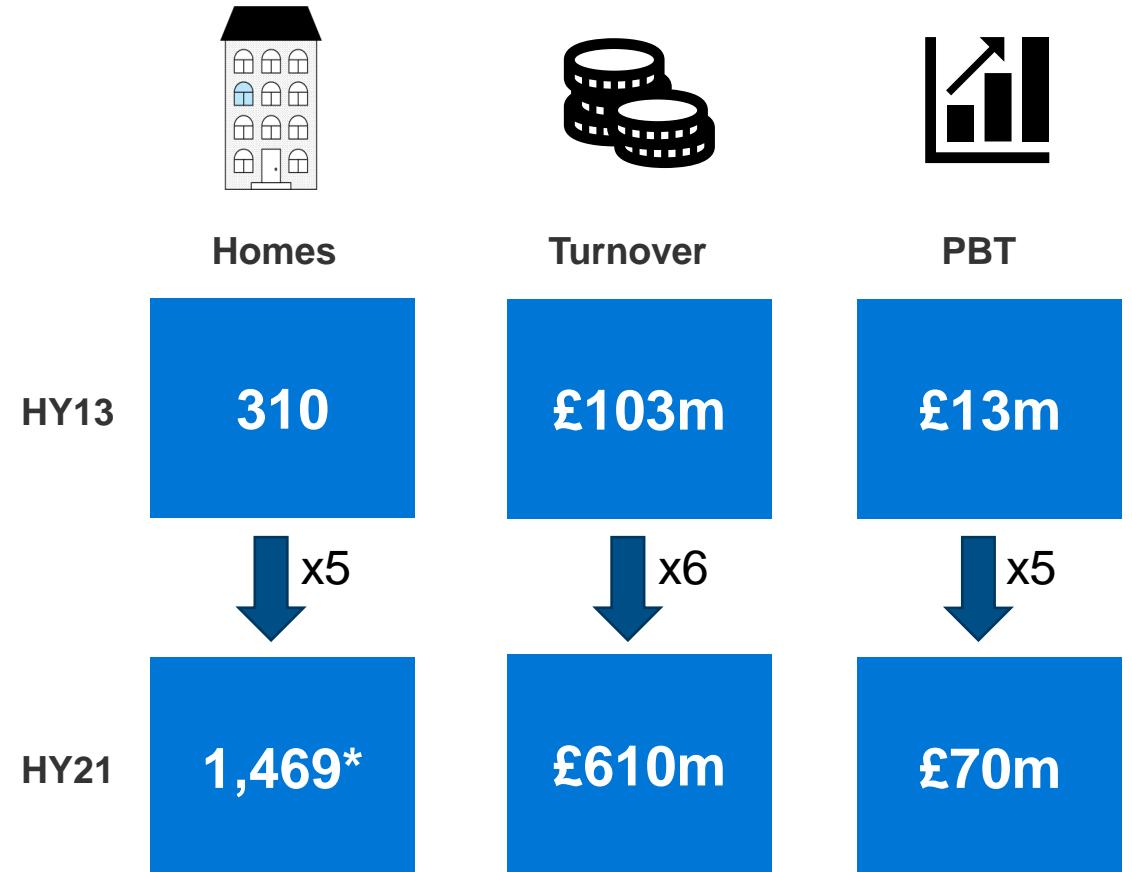
## Supporting UK housing delivery

- L&G acquired a 46.5% stake in CALA in March 2013. L&G acquired 100% of CALA in March 2018
- CALA has performed exceptionally in H1 2021, rebounding strongly from 2020 when it was impacted by a pause in construction and sales activity following the first COVID-19 lockdown
- Reservations currently stand at 93% of the full year target, giving confidence in the full year outcome for 2021

## Delivering a multi-tenure housing platform

- CALA works closely on larger sites with our other housing businesses, namely Build to Rent and Affordable Homes (which have access to LGR financing) and our Modular housing business. As a result, L&G is able to deliver a multi-tenure approach and ensure speed of delivery
- Crowthorne and North Horsham are the first two sites to execute at scale, delivering 1,000 and 2,750 multi-tenure homes respectively, with infrastructure, including road, schools, shops and sports facilities delivered early in the programme

## CALA's growth since investment



**We look forward to providing further detail on LGC at our Capital Markets Event on 14th October**

# Financial highlights

## Positioned for growth

Jeff Davies  
Chief Financial Officer



# Strong financial performance

Metric	H1 2019	H1 2020	H1 2021	2019 %	2020 %
<b>Operating profit from continuing divisions (£m)</b>	1,154	1,128	<b>1,271</b>	<b>10</b>	<b>13</b>
Discontinued operations (£m)		26	-		
<b>Operating profit from divisions (£m)</b>		1,154	<b>1,271</b>		<b>10</b>
Group debt costs (£m)		(115)	(120)		(4)
Group investment projects & expenses (£m)		(72)	(72)		-
COVID-19 costs (£m)		(21)	-		
<b>Operating profit (£m)</b>	1,005	946	<b>1,079</b>	<b>7</b>	<b>14</b>
Investment & other variances (£m)		(661)	<b>241</b>		
<i>Of which: LGI (largely from the formulaic impact of UK and US rates)</i>		(483)	<b>230</b>		
<b>Profit before tax (£m)</b>	1,053	285	<b>1,320</b>	<b>25</b>	
Earnings per share (p)	14.74	4.89	<b>17.78</b>	<b>21</b>	
Return on equity (%)	20.2	6.3	<b>22.0</b>		
SII operational surplus generation from continuing operations (£bn)	0.7	0.8	<b>0.8</b>	<b>11</b>	<b>9</b>
SII coverage ratio (%)	171	173	<b>183</b>		

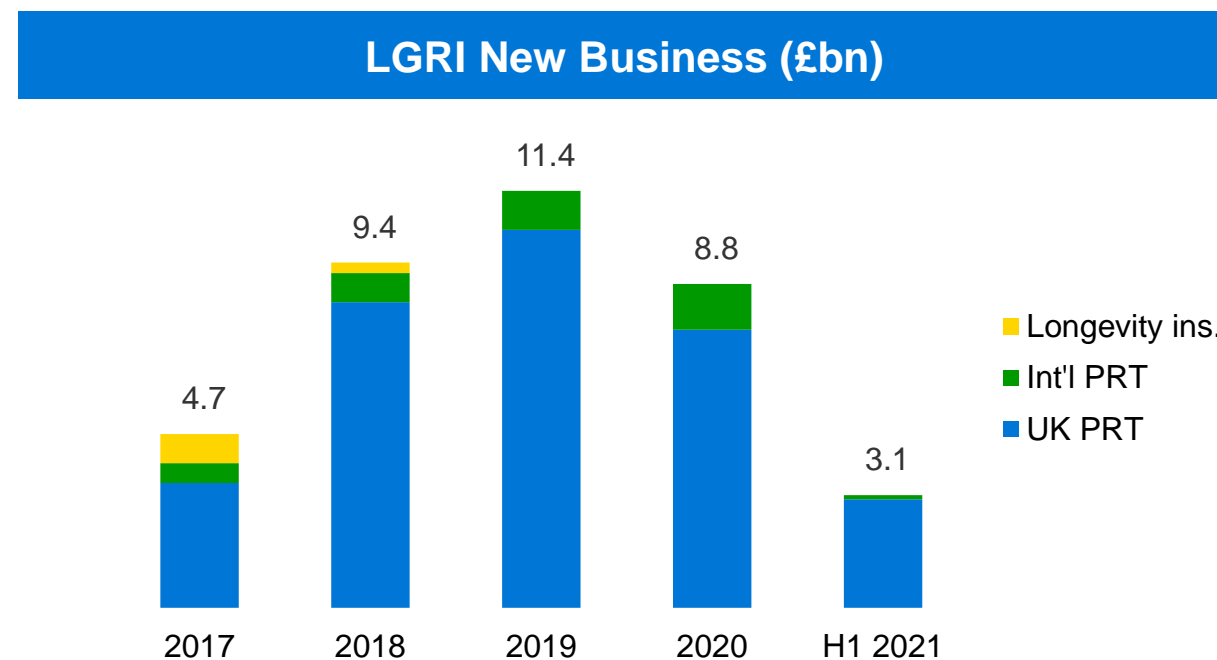
# LGR: Consistently delivering strong profits

Financial Highlights	H1 2020	H1 2021
<b>Operating profit (£m)</b>	720	683
- LGR Institutional	585	525
- LGR Retail <sup>1</sup>	135	158
<b>Profit before tax<sup>1</sup> (£m)</b>	793	788
<b>Total LGR new business (£m)</b>	4,207	3,969
- LGR Institutional	3,424	3,072
- LGR Retail	783	897
- Workplace Savings net flows <sup>1</sup> (£bn)	2.4	6.0
<b>Total annuity AUM (£bn)</b>	80.7	85.8
Of which: Direct investments	23.6	25.8
Solvency II New business value <sup>2</sup> (£m)	382	274
Solvency II New business margin <sup>2</sup> (%)	10.6	8.4

- **Operating profit of £683m**, reflecting:
  - Release from operations up 6%, reflecting the scale of the business as prudential margins unwind from the growing back book
  - PRT new business volumes of £3.1bn written at good margins, despite the market experiencing a relatively quiet start to the year
  - Individual annuity volumes of £483m, up 15% and Lifetime mortgage and Retirement interest only mortgage advances of £414m, up 14%, as retail markets continued to show recovery
  - Late retirement factors assumption change contributed £124m net of tax in H1 2020
- We do not expect an explicit release from the move to the next actuarial table, CMI19, this year, in line with our cautious implementation of CMI18. However, we do anticipate release of this margin to flow through the P&L for the next 2-3 years as we get more clarity on 2020 and 2021 data

# LGRI: Successful execution in a slower market

Total Sales (£m)	H1 2020	H1 2021
UK PRT <sup>1</sup>	3,176	2,965
US PRT	248	107
Other International PRT	-	-
<b>Total LGRI New Business</b>	<b>3,424</b>	<b>3,072</b>



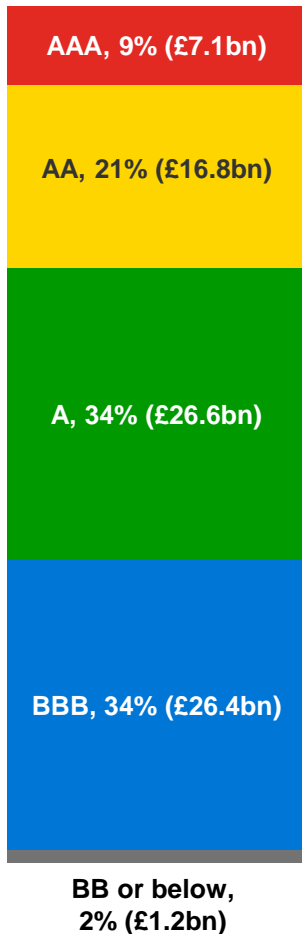
- Robust volumes at good margins despite slower start to 2021. **Good UK pipeline for H2, with £2.0bn won or in exclusive negotiations. Total market size of £20-£25bn expected in 2021**
- **£3.1bn premium for global PRT** across 20 transactions
  - c.£800m buy-in with TUI group UK Pension Trust. This transaction marks the Scheme’s first PRT transaction with Legal & General
  - A £925m Assured Payment Policy, our capital-light PRT product, for Legal & General Group UK Pension and Assurance Fund
  - First conversion of an Assured Payment Policy (APP) to a buy-in. A £61m transaction with AIB Group UK Pension Scheme converts c.20% of the original APP transaction
  - 53% of UK transactions were with LGIM clients
- \$149m of US PRT premium written in H1. As normal, higher levels of activity anticipated in H2. 2021 market levels expected to exceed 2020 (\$27bn)
- **Five year ambition of £40-50bn UK PRT and \$10bn of International PRT**



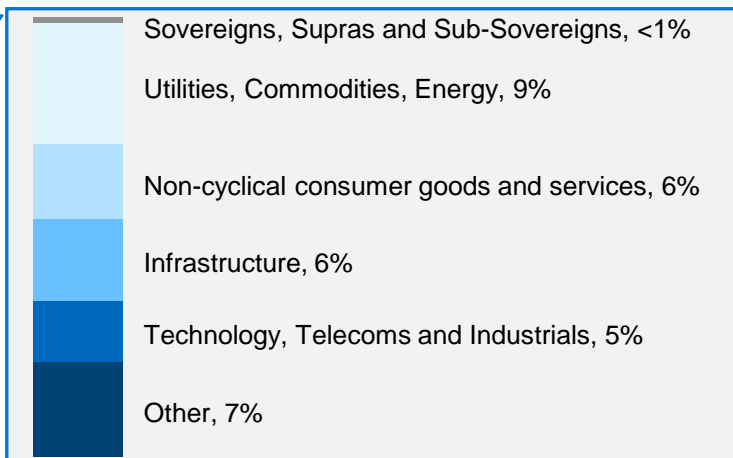
# LGR assets: Defensive bond portfolio complemented by high quality, diversified direct investments

## LGR Bond Portfolio: £78.2bn

H1 2021 £78.2bn



- Defensively positioned, high quality portfolio. **£3.4bn** IFRS credit default reserve remains unutilised
- Approximately **two-thirds A-rated or better**. Only 13% of BBB are BBB-
- **16%** of bonds in Sovereign-like assets
- Lower-rated, cyclical exposures kept to a minimum: <1% airlines, hotels, leisure and traditional retail combined
- Geographically diversified portfolio



## LGR DI portfolio: £25.8bn, 30% of total LGR assets

### Direct investments by type

High quality **Lifetime Mortgage** book: average customer age 73; weighted average loan-to-value of c.31.0%



Across these asset classes, the primary exposure is to high quality counterparties, not to property valuations: c.70% of DI portfolio

- Bond - Government
- Bond - Economic Infrastructure (incl. renewables)
- Bond - Social Infrastructure
- Bond - Utilities
- Bond - Private Corporate Debt (other)
- Bond - Real Estate (debt)
- Bond - Lifetime Mortgage
- Property - Vacant Value
- Property - Fixed Coupon

- No defaults and 99.7% of scheduled cash-flows paid. Primary exposure is to the underlying high quality tenant on rental income, e.g. Amazon, not to property risk
- Originated £1.4bn of new, high quality direct investments during H1 2021. Around two-thirds of portfolio rated 'A' or above
- Continue to benefit from LGC ESG-focused asset creation via affordable homes and Build-to-Rent

# LGIM: Profit growth from continued International expansion

Financial Highlights	H1 2020	H1 2021
Asset management revenue <sup>1</sup> (£m)	467	<b>480</b>
Asset management expenses <sup>1</sup> (£m)	(270)	<b>(276)</b>
<b>Total LGIM operating profit (£m)</b>	<b>197</b>	<b>204</b>
<b>Closing AUM (£bn)</b>	<b>1,241</b>	<b>1,327</b>
International AUM (£bn)	385	<b>434</b>
UK DC AUM (£bn)	97	<b>125</b>
Retail AUM (£bn)	39	<b>45</b>
Asset management cost:income ratio (%)	58	<b>58</b>

- Continue to build on credentials as a **responsible investor** and **remain committed to addressing environmental and social challenges**
  - **As at H1 2021, £252.3bn managed** in responsible investment strategies explicitly linked to **ESG criteria**

- Operating profit up **4% to £204m**, reflecting increased revenues from flows and robust cost management, leading to a stable cost:income ratio of 58%
- **AUM up 7% to £1.3tn**
  - **International AUM of £434bn**, 33% of total AUM
  - A market leader in **UK DC with £125bn of AUM, and 4.2m Workplace members**
  - **Retail AUM at £45bn** with gross inflows of £8.1bn. Top 3 in gross UK retail sales<sup>2</sup> over Q1 2021
- **Continuing to make progress across our three strategic pillars:**
  - **Modernise:** Continuing to evolve the operating model and invest in capability and technology
  - **Diversify:** Expanded our thematic ETF range and raised over £300m for our new Secure Income Assets Fund (SIAF), offering DB clients exposure to real estate debt, infrastructure debt and private corporate debt, invested alongside LGR
  - **Internationalise:** Good progress with our European growth strategy, further net flows in Japan and launch of our new US DC Retirement Income Strategy

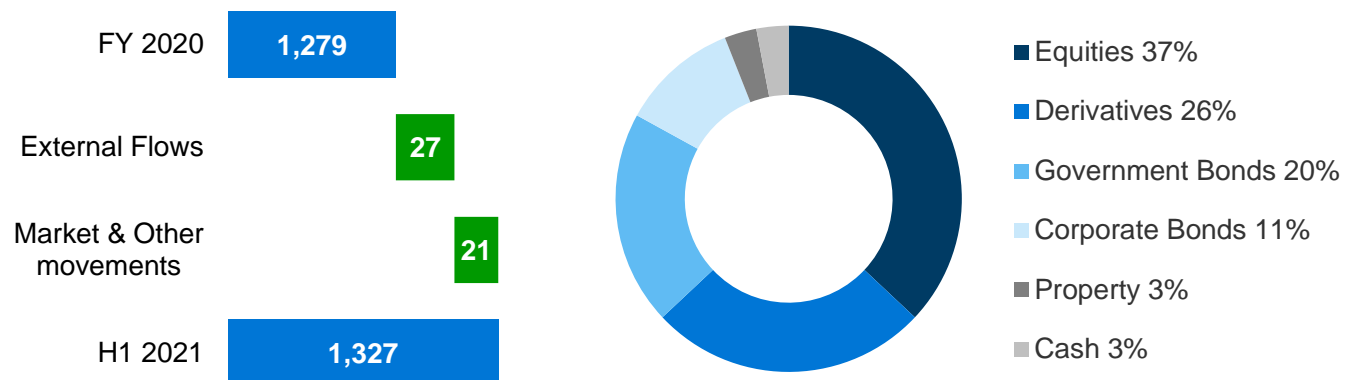
1. Revenue and expenses exclude income and costs of £18m in relation to the provision of 3rd party market data (H1 2020: £13m)

2. Pridham Report Q1 2021

Note: From 1 Jan 2021, the Workplace Savings administration business has transferred to LGRR. 2020 financials have been restated accordingly

# LGIM: Strong net flows, with growth in higher margin products

## H1 2021 AUM progression and composition



## H1 2021 External net flows (£bn)



- **Growth in higher margin areas** including thematic ETFs, factor-based index, SIAF and multi-asset
- **Positive external net flows of £27.4bn driven by:**
  - **International flows of £15.0bn**, representing 55% of the total, with broad-based contributions from the US, Europe, Asia and Japan
  - **Strong UK DB external net flows of £4.6bn**, driven primarily by £9.7bn of inflows into DB LDI Solutions
  - **UK DC external net flows of £4.4bn** with 48 scheme wins in H1 2021. The default strategy for the majority of schemes is multi-asset or target date funds
  - **ETF net flows of £2.1bn**, with an incremental annualised revenue contribution of £7.3m reflecting focus on thematic investing, including the launch of a new range of ESG-aligned ETFs
- **Ambition is to grow cumulative profits in the range of 3% to 6% per annum**, absent market shocks

# LGC: Strong H1 performance reflecting rebound to pre-pandemic growth targets

Financial Highlights	H1 2020	H1 2021
<b>Operating profit (£m)</b>	123	250
- Alternative asset portfolio	36	195
- Traded portfolio and Treasury	87	55
Investment and other variances (£m)	(307)	48
<b>Profit before tax (£m)</b>	(184)	298
<b>Assets (£m)</b>	8,962	8,656
- Alternative asset portfolio	3,033	3,426
- Traded portfolio and Treasury	5,929	5,230
of which: Cash and Treasury assets	3,462	2,850

- Strong commitment to **ESG-aligned investing**, with proven asset expertise in **clean energy, residential property, digital infrastructure and SME finance**
- Unique and growing asset origination capabilities to support the levelling up agenda, climate change and housing shortages

- **Operating profit doubled to £250m**, principally reflecting increased profits from our **alternative asset portfolio**
  - Alternative asset profits of £195m were driven by a bounce-back in the housebuilding market and the continued maturing of our earlier stage businesses (e.g. Pod Point and our VC platforms)
  - The alternative asset portfolio is up 13% to £3.4bn (H1 2020: £3,033m) and stands at £10.2bn including 3rd party capital
  - Net portfolio return of 10.7% (H1 2020: (5.9)%)
- **Profit before tax £298m**, resulting from strong alternative asset portfolio profits and equity market performance in the first half of the year, partially offset by early-stage investment costs
- Over the next five years the ambition is to build our diversified alternative AUM towards c.£5bn (H1 2021: £3.4bn) with a target blended portfolio return of 8-10% and to increase third party capital to over £14bn (H1 2021: £6.8bn). **We therefore expect to manage close to £20bn of alternative AUM by 2025**

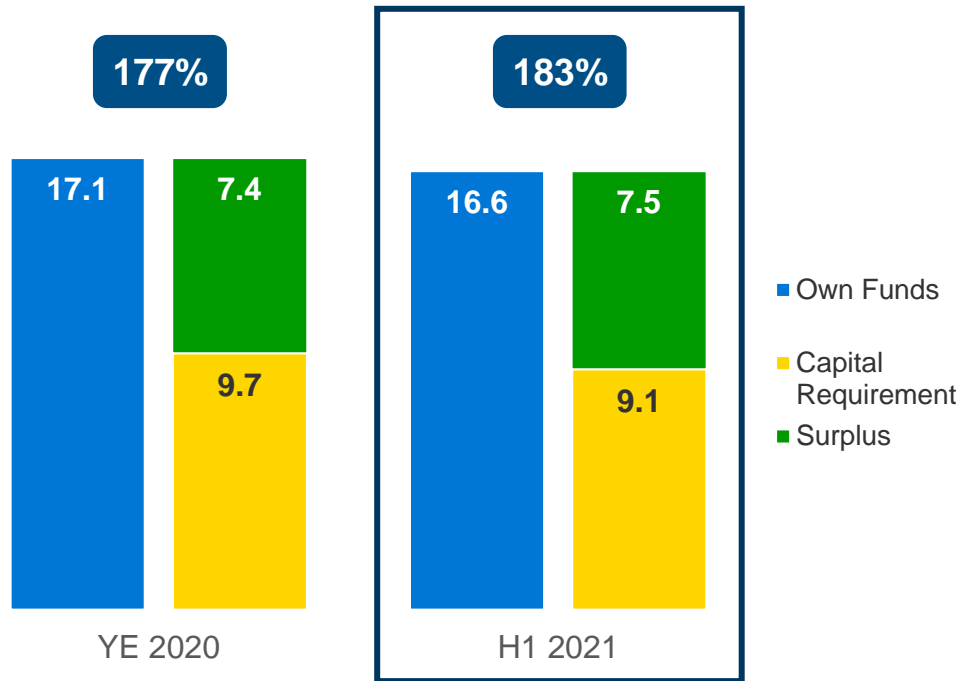
# LGI: Supporting customers through unprecedented times

Financial Highlights	H1 2020	H1 2021
<b>Operating profit (£m)</b>	88	<b>134</b>
- UK	57	<b>96</b>
- US	31	<b>38</b>
Investment and other variances (£m)	(483)	<b>230</b>
<b>Profit before tax (£m)</b>	<b>(395)</b>	<b>364</b>
<b>Annual premium (£m)</b>	192	<b>203</b>
<b>Gross written premium (£m)</b>	1,475	<b>1,500</b>
- UK	925	<b>988</b>
- US	550	<b>512</b>
<b>Solvency II New business value (£m)</b>	138	<b>131</b>
- UK	86	<b>83</b>
- US	52	<b>48</b>

- **Operating Profit of £134m, up 52%**, with H1 2020 largely impacted by adverse mortality experience arising as a result of COVID-19, in addition to strong new business surplus in UK Retail Protection in H1 2021
  - Total COVID-19 impact of £79m from the second wave, offset against the £110m provision raised at FY 20, leaving c£30m for H2
- Profit before tax up to £364m, driven by the formulaic impact on reserves of rising government yields in both the UK and US
- **Annual premium up 6% to £203m and gross written premium up 2% to £1.5bn**, as markets continue to recover from COVID related disruption
- **Solvency II NBV down 5% to £131m**, strong sales in Retail Protection offset by the weakening US dollar
- \$111m dividend paid by LGIA on 2<sup>nd</sup> March 2021 (2020: \$109m)
- **In line with previous years, we expect H2 operating profit to be greater than H1**

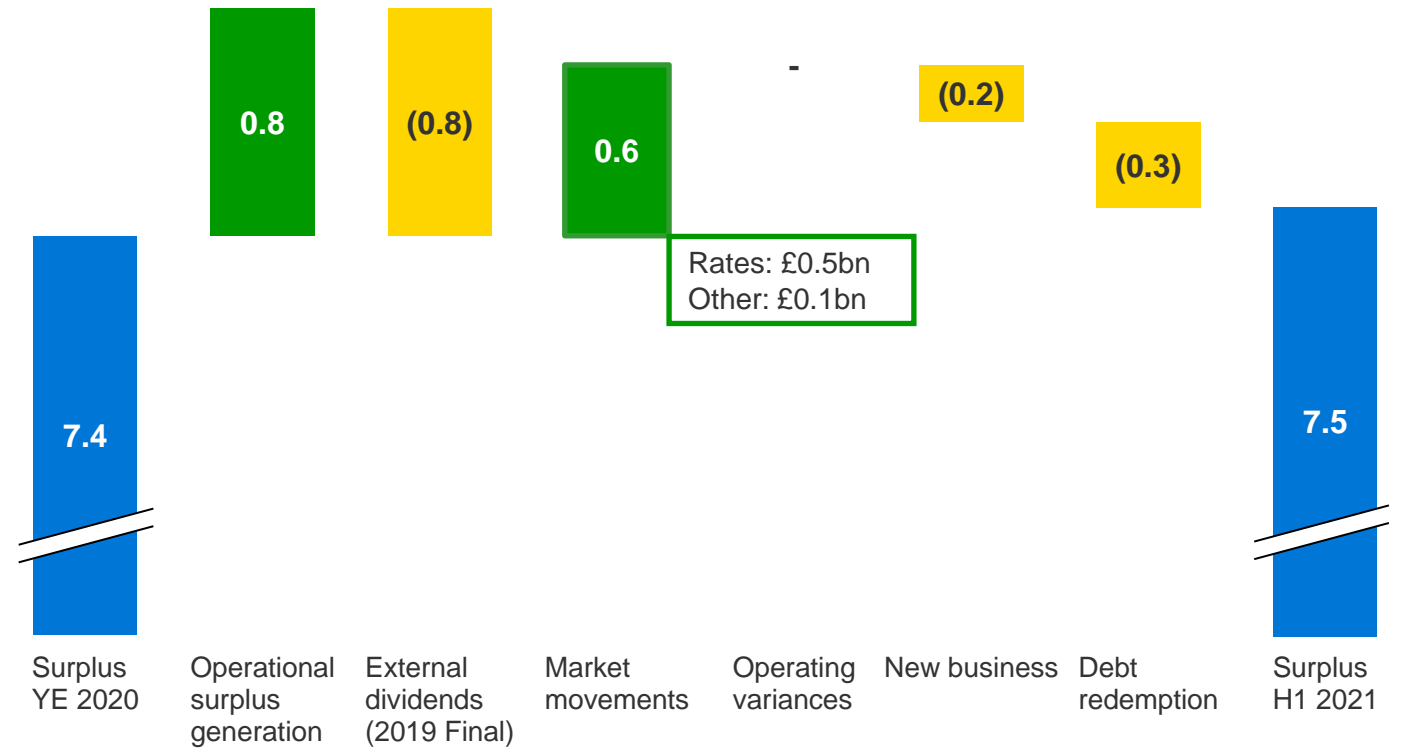
# Robust Solvency II Balance sheet

## Solvency II Balance Sheet (£bn)



- Coverage ratio of **183%**
- Solvency II surplus of **£7.5bn**
- Tier 1 Own funds of **£13.1bn (79%)**

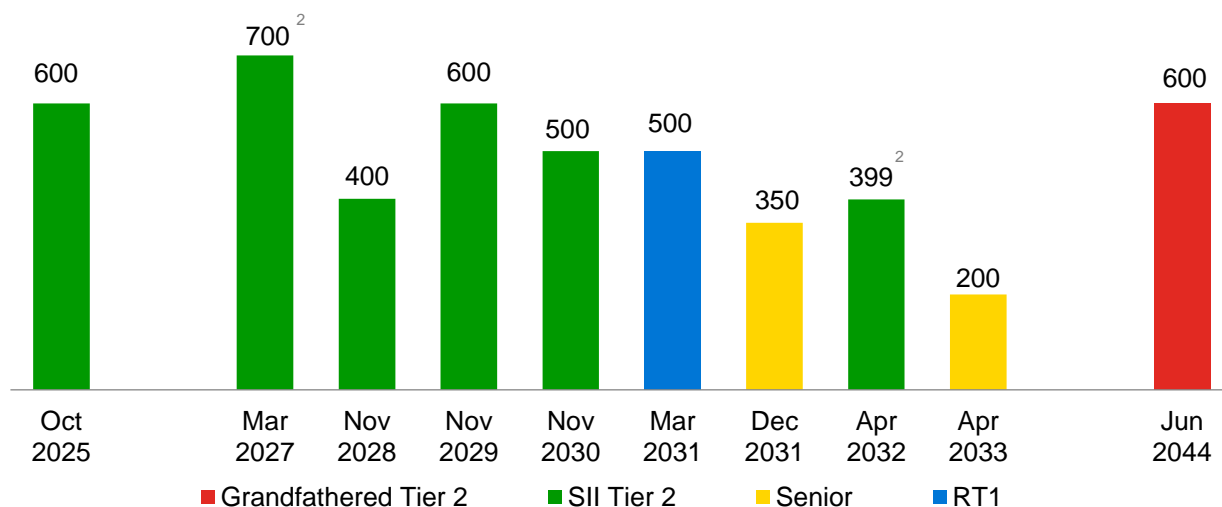
## Solvency II surplus analysis of change (£bn)



# Debt instruments summary

Issue Date	Entity	SII Classification	Rating (Moody's / S&P)	Currency	Amount (Ccy m)	Coupon (%)	Call Date	Maturity Date
Nov-00	L&G Finance PLC	Senior	A2 / A	GBP	350	5.875	-	Dec-31
Mar-02	L&G Finance PLC	Senior	A2 / A	GBP	200	5.875	-	Apr-33
Jun-14	L&G Group Plc	Grandfathered Tier 2	A3 / BBB+	GBP	600	5.5	Jun-44	Jun-64
Oct-15	L&G Group Plc	SII Tier 2	A3 / BBB+	GBP	600	5.375	Oct-25	Oct-45
Mar-17	L&G Group Plc	SII Tier 2	A3 / BBB+	USD	850	5.25	Mar-27	Mar-47
Apr-17	L&G Group Plc	SII Tier 2	A3	USD	500	5.55	Apr-32	Apr-52
Nov-18	L&G Group Plc	SII Tier 2	A3 / BBB+	GBP	400	5.125	Nov-28	Nov-48
Nov-19	L&G Group Plc	SII Tier 2	A3 / BBB+	GBP	600	3.75	Nov-29	Nov-49
May-20	L&G Group Plc	SII Tier 2	A3 / BBB+	GBP	500	4.5	Nov-30	Nov-50
Jun-20	L&G Group Plc	Restricted Tier 1	Baa3 / BBB	GBP	500	5.625	Mar-31	Perpetual

## Debt Maturity Profile (£m)<sup>1</sup>

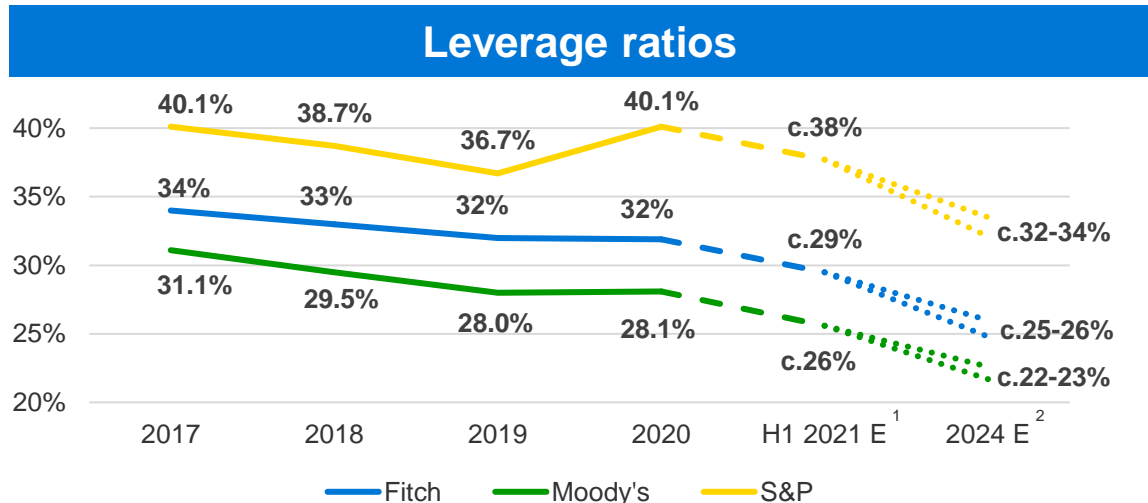
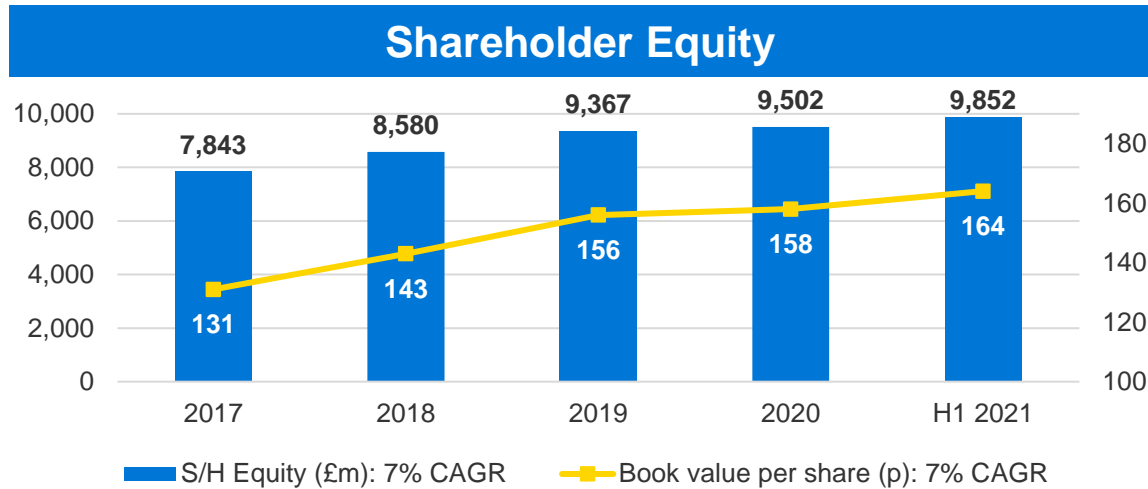


Rating Type	Entity / Instruments	Moody's	S&P
Financial Strength Rating	L&G Assurance Society Ltd	Aa3	AA-
Instrument Credit Ratings	L&G Finance plc / Senior	A2	A
	L&G Group plc / Tier 2	A3	BBB+
	L&G Group plc / Restricted Tier 1	Baa3	BBB
Outlook		Stable	Stable

1. Legal & General outstanding debt and capital instruments greater than £100m, based on the earliest of the first call date or maturity date

2. GBP/USD rate at time of pricing used to convert to £ equivalent

# Strongly positioned for growth, leverage to naturally reduce over time



**AA-**

Fitch

**Aa3**

Moody's

**AA-**

S&P

- Between 2017-2019 leverage reduced due to equity growth despite debt issuances over that period (£400m in 2018 and a net £200m in 2019)
- Tier 2 and RT1 Subordinated debt issuances in H1 2020 given favourable bond market conditions demonstrates financial flexibility, positioning us strongly:
  - To capitalise on new business opportunities
  - For the recovery phase from COVID-19
- **Over the period 2020-2024 we expect our leverage to reduce as we aim to grow EPS faster than dividends**
- **Solvency II leverage is also projected to reduce over the period, broadly in line with the rating agency ratios**
- **Our ability to grow our balance sheet provides optionality for future debt issuances, if required, to optimise returns**

Ratings shown are Legal and General Assurance Society Limited Financial strength rating  
 2017 – 2020 leverage ratio source: Fitch ratings, S&P Global ratings, Moody's Investors Service (Moody's adjusted financial leverage)

1. L&G pro forma estimate reflecting £300m subordinated debt redemption in July 2021  
 2. L&G estimate based on Cash generation and Dividend ambitions to 2024 - assumes no further debt is raised over the period



# We are making good progress against our five year cash, capital and dividend ambitions

Cumulative (£bn)	2020-2024	To Date
Cash generation <sup>1</sup>	8.0-9.0	2.4
Capital generation <sup>2</sup>	8.0-9.0	2.3
Dividends <sup>3</sup>	5.6-5.9	1.4

- Good growth in H1 21 cash and capital generation:
  - Cash generation up 14% year on year
  - Capital generation up 9% year on year

- Over the period 2020-2024<sup>4</sup> our ambition is for:
  - Cash & capital generation significantly to exceed dividends
  - EPS to grow faster than dividends
  - Net surplus generation (i.e. including new business strain) to exceed dividends
- Over the period 2021-2024, we anticipate growing the full year dividend at 3-6% per annum
- The 2021 interim dividend (declared) is 5.18p. Going forward the Board intends to adopt a formulaic approach whereby the interim dividend grows by the same percentage as the total dividend for the prior year

1. Cash generation is Net release from operations

2. Capital generation is Solvency II operational surplus generation

33 | 3. Dividends declared. The target range is based on a flat final 2020 dividend, and 3-6% annual growth thereafter

4. The ambition is based on the aggregate performance over a five-year period. Performance may vary from year to year and individual statements may not be met in each year on a standalone basis

## In summary

# £1,271m

**Operating profit from divisions<sup>1</sup>**

H1 2020: £1,128m, **+13%**

H1 2019: £1,154m, **+10%**

# 183%

**Solvency II coverage ratio**

H1 2020: 173%

H1 2019: 171%

# 22.0%

**Return on equity**

H1 2020: 6.3%

H1 2019: 20.2%

# £0.8bn

**SII operational surplus generation<sup>1</sup>**

H1 2020: £0.8bn, **+9%**

H1 2019: £0.7bn, **+11%**

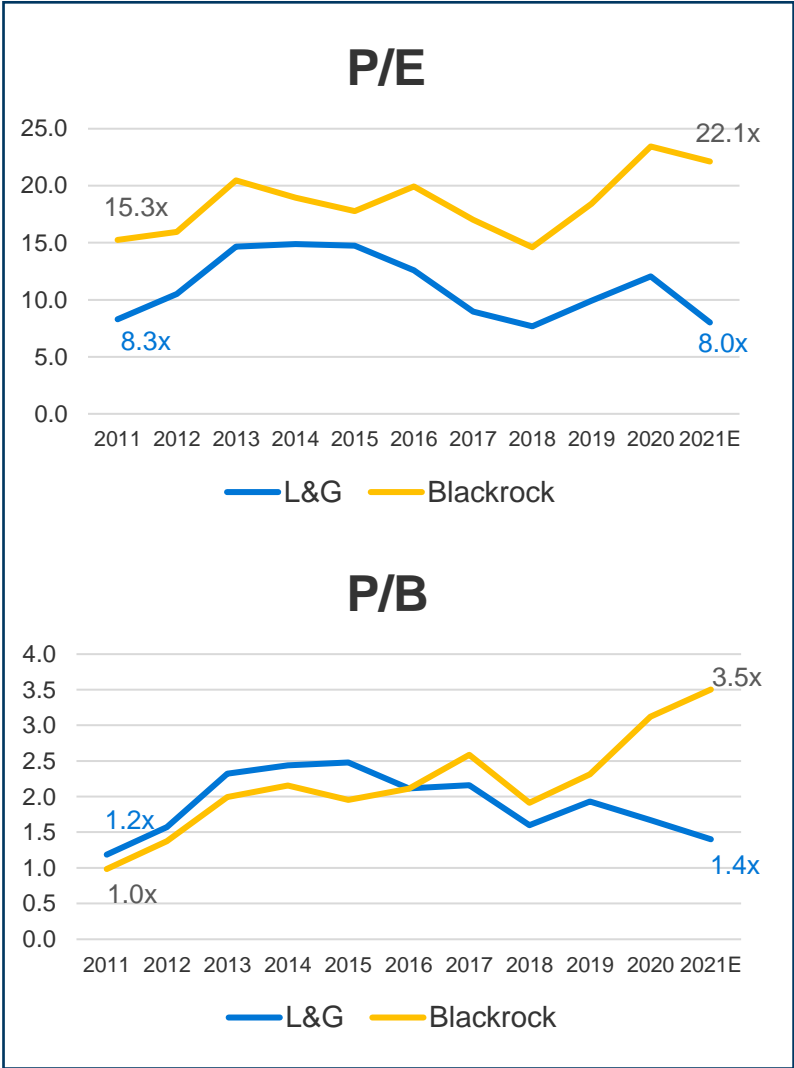
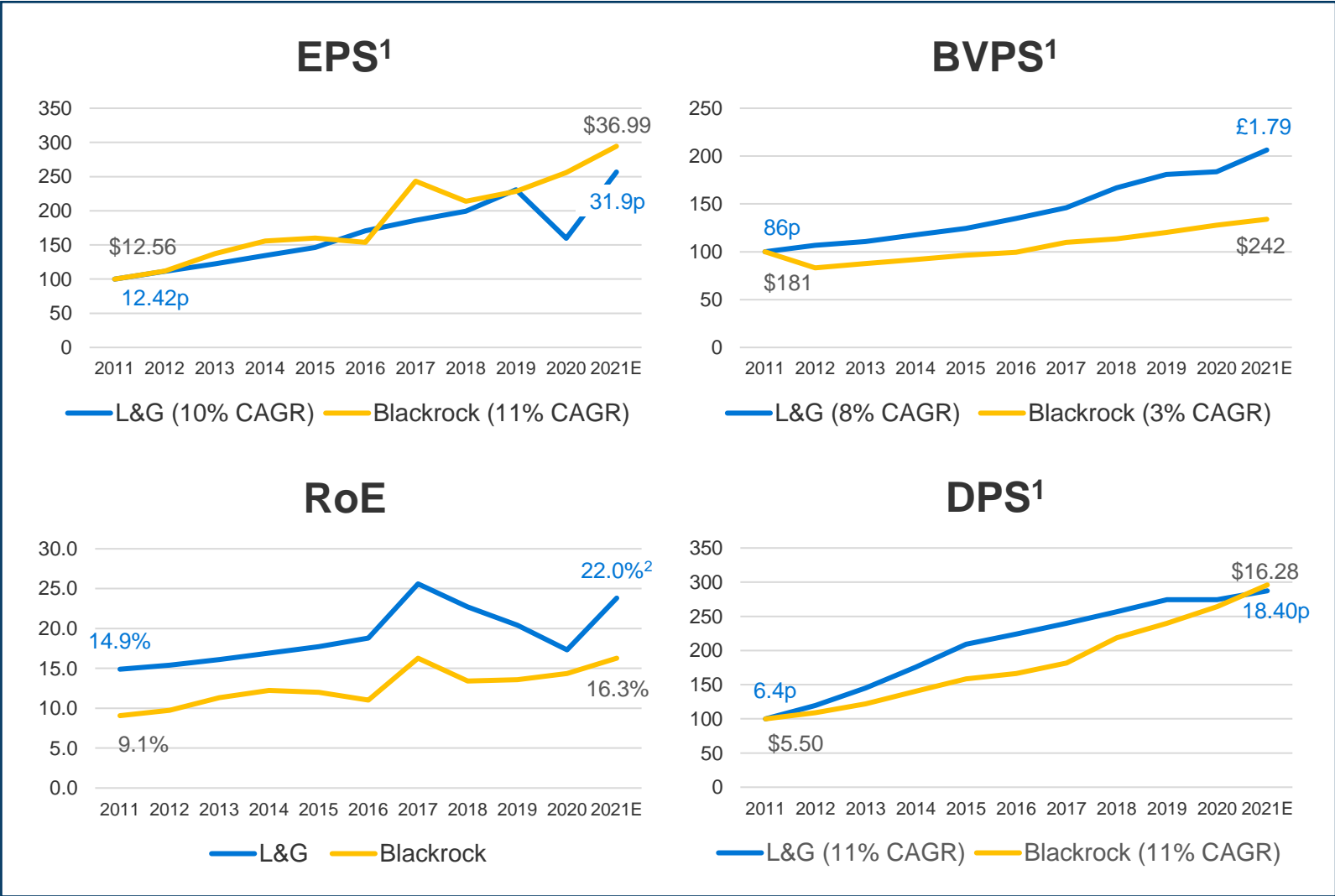
- We have delivered a **strong set of results**, and are confident in achieving our five year ambitions
- Our **balance sheet remains robust**, with SII coverage now at 183%. No defaults within our credit portfolio
- We are **well positioned** for further profitable growth. **We expect to deliver double digit operating profit growth at the full year**

# Sustainable, ambitious, inclusive



Nigel Wilson  
Chief Executive Officer

# Whilst we have performed well relative to Blackrock (a respected competitor) our performance has not been reflected in valuation



# A compelling investment case

1

**An established track record of consistent and profitable growth:** between HY11-HY21 we delivered 11% CAGR in EPS, 12% CAGR in DPS and 7% CAGR in Book Value per Share

2

**A highly synergistic and growth-oriented business model,** driving c20% ROE, and strongly aligned to six long-term, macro growth drivers. Delivering domestic and international growth

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:** with no defaults, 99.7% of scheduled cash flows from Direct Investments and limited downgrades to sub-investment grade

5

**A clear purpose, a longstanding commitment to Inclusive Capitalism and a leader in ESG,** 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. **Significant associated valuation upside**

# Sustainable, ambitious, inclusive

## 2021 Half year results

**£1,271m**

Operating profit from divisions

H1 2020: £1,128m, **+13%**  
H1 2019: £1,154m, **+10%**

**22.0%**

Return on equity

H1 2020: 6.3%  
H1 2019: 20.2%

**17.78p**

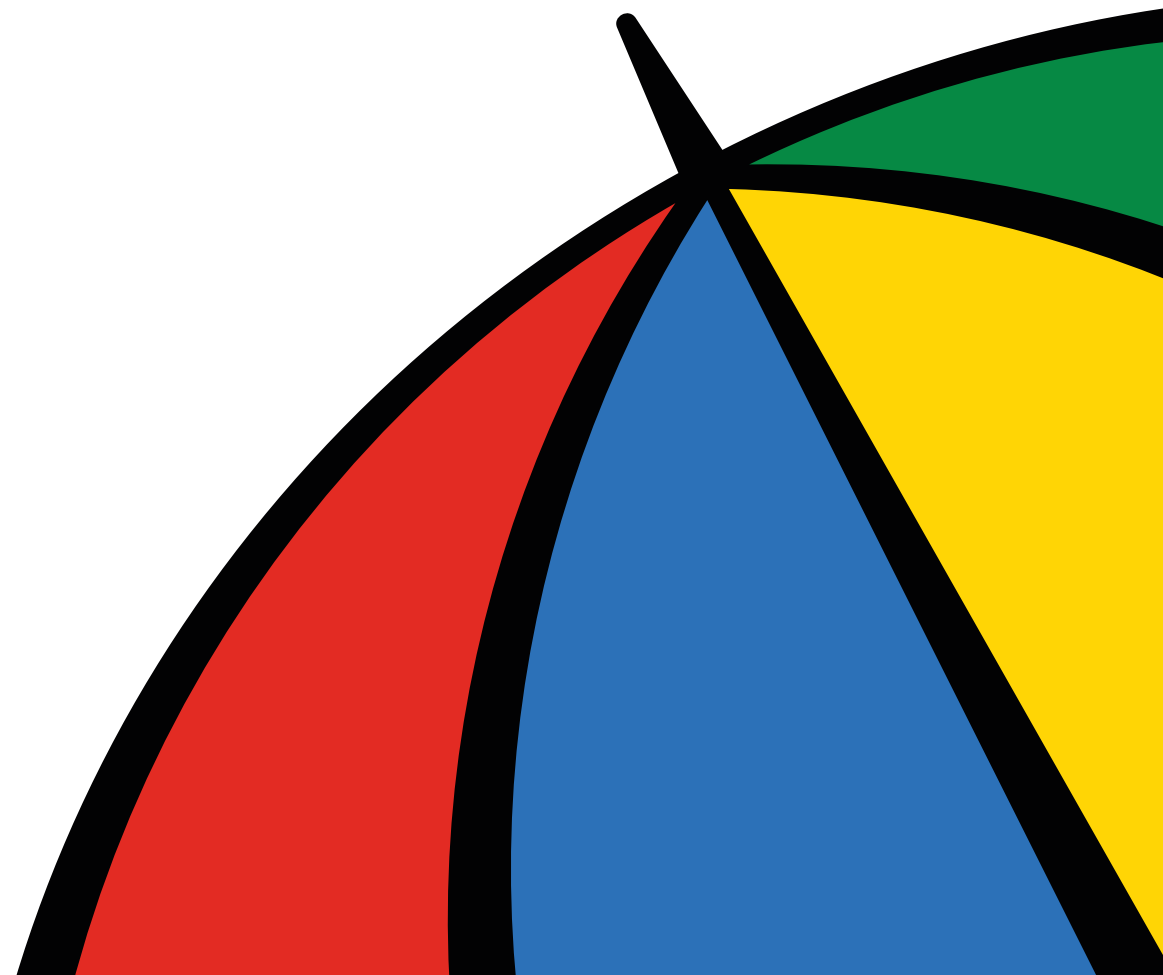
Earnings per share

H1 2020: 4.89p, **+264%**  
H1 2019: 14.74p, **+21%**

**5.18p**

Interim dividend

H1 2020: 4.93p, **+5%**  
H1 2019: 4.93p, **+5%**



# ESG at L&G: Ratings and collaborations

The following slides provide a data-driven overview of environment, social and governance (ESG) activity at L&G. We demonstrate achievements to date, key metrics and some of our future commitments but these slides do not cover all ESG activity.

## ESG ratings

	2018	2019	2020 <sup>1</sup>
Sustainalytics <sup>2</sup>	17.1 (Low Risk)	17.5 (Low Risk)	16.0 (Low Risk)
CDP	B	B	A-
DJSI / RobecoSAM	n/a	32 <sup>nd</sup> percentile	74 <sup>th</sup> percentile
MSCI <sup>3</sup>	AA	AA	AA
Bloomberg Gender Equality Score	68%	79%	79%
FTSE4Good	92 <sup>nd</sup> percentile	78 <sup>th</sup> percentile	89 <sup>th</sup> percentile

## Third party collaborations

- Aldersgate Group
- ClimateAction 100+ (*LGIM*)
- UN Global Compact
- UN Net Zero Asset Managers Initiative (*LGIM*)
- UN Net-Zero Asset Owner Alliance
- UN Principles for Responsible Investment
- Race to Zero
- Science-based targets initiative (SBTi)

## Disclosure frameworks

- Task Force on Climate-related Financial Disclosures (TCFD)
- Global Reporting Initiative (GRI)
- Sustainability Accounting Standards Board (SASB)

1. 2020 ratings as at 30<sup>th</sup> June 2021

2. Sustainalytics risk rating from 0 (negligible risk) to >40 (severe risk)

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# ESG at L&G: Journey to net zero

## What have we achieved so far<sup>1</sup>

<b>Invest</b>	Updated exclusions for thermal coal <sup>2</sup> and the LGIM Climate Impact Pledge stocks <sup>3</sup> written into the Investment Management Agreements
	Implemented additional governance and control around the acquisition of high carbon investments
<b>Influence</b>	Developed investment solutions which seek to support the low-carbon transition, including a Core Fixed Income exchange traded fund (ETF) range
	Renewed and broadened our Climate Impact Pledge
<b>Operate</b>	Included progress on climate-related objectives within our Executive remuneration scorecard

Environmental metrics	2018	2019	2020
Total CO <sub>2</sub> e emissions (tonnes) <sup>4</sup>	48,744	46,164	40,344
Balance sheet investments (CO <sub>2</sub> e/£m Enterprise Value)	n/a <sup>5</sup>	120	117
Business travel (tCO <sub>2</sub> e)	7,316	7,223	3,045
Waste (tonnes)	14,891	31,033 <sup>6</sup>	25,191

## Commitments<sup>1</sup>

		Date
<b>Invest</b>	Reduce LGR's portfolio carbon emission intensity by 18.5%	2025
	Reduce the Group's portfolio carbon emission intensity by half by 2030 and achieve net zero by 2050	2030, 2050
<b>Influence</b>	Launch a climate solution capability for LGIM clients, quantifying portfolio climate risks and temperature alignment	2021
	Reduce the operational carbon and energy intensity of LGIM Real Assets' landlord-controlled areas (Scope 1 and 2 emissions) by 60%	2030
<b>Operate</b>	Enable all new homes we build from 2030 to operate with net zero carbon emissions	2030

1. See TCFD report and Sustainability Report for full list of commitments and achievements to date

2. These are stocks where thermal coal is more than 20% of revenues of mining companies and 30% of power generating utilities by revenue or power generation (as appropriate). For utility stocks where coal is between 20–30%, additional Group governance is required in advance of acquisition

3. These are stocks that have fallen below the minimum thresholds LGIM applies on behalf of the Future World Range of Funds in the assessment of a wide range of climate risk mitigation policies

4. Calculated using The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. Emission Factors are from the UK Government Emissions Conversion Factors for Greenhouse Gas Company reporting (BEIS 2020)

5. Methodology updated from 2019 onwards; comparable figure for 2018 not available

6. Increase in Modular housing activity and updated CALA methodology



# ESG at L&G: Building a better society

## What have we achieved so far

Invested £1.5bn in the UK's towns and cities

Invested in over 300 companies through our venture capital investments and alternative finance platform, from universities to science laboratories to start-ups

Donated over £11m to charity in 2020, including £3.5m of employee matching

Products	2018	2019	2020
Number of pension customers ('000)	722	758	765
Total pension payments (£bn)	1,930	2,392	2,359
Life insurance payments (£m)	332	392	460
Percentage of life insurance claims paid (%)	97	97	97
Critical illness payments (£m)	195	224	203
Percentage of critical illness claims paid (%)	93	92	92
Number of individuals whose lives we insure (m)	1.8	2.0	2.1
Amount paid to group protection customers who have died (£m)	216	232	243

## Commitments<sup>1</sup>

Date

LGIM Real Assets aim to measure social value across 20% of their property assets by value

2023

Ambition to deliver 3,000 modular homes per year

2024

Deliver over 1,000 new homes under 'Build to Rent' schemes each year across the UK

2024

# ESG at L&G: Growing our business responsibly

## What have we achieved so far

Improved our employee satisfaction score by 5 points as at October 2020 vs 2019

Extended healthcare cover to all employees

As of May 2021, we have improved ethnic minority representation on our Board in response to the Parker Review (with the appointment of Nilufer von Bismarck OBE and Ric Lewis)

We operated throughout 2020 without accessing any furlough scheme or other Covid-19 business support

Our people	2018	2019	2020
Number of employees	7,657 <sup>1</sup>	8,507 <sup>1</sup>	10,099
UK employees on permanent contracts (%)	86.8	87.4	95.3
Number of new hires in the UK	1,263	1,648	1,337
Female Board directors (%)	33	36	30
Female middle/senior management (%)	37	38	35 <sup>2</sup>
Difference in median hourly rate of pay between male and female employees (%)	30.3	28.5	25.6
Investment in UK employee learning and development (£m)	4.4	4.5	5.3
Employee satisfaction index (%)	72	72	77
Number of RIDDOR accidents	11 <sup>1</sup>	17 <sup>1</sup>	27

## Commitments<sup>3</sup>

	Date
Improve the data we hold on our people, including on ethnicity and other protected characteristics	2022
As a signatory of the Women in Finance Charter, we are committed to a target of 40% female senior managers <sup>4</sup>	2020
Continue to report progress on narrowing our gender pay gap	Ongoing

1. Excludes employees of smaller LGC businesses

2. 2020 impacted by the sale of our Mature Savings and General Insurance businesses, which had a more equal gender balance

3. See Sustainability Report for full list of commitments

4. Work ongoing to update target

# ESG at L&G: Growing our business responsibly

## LGIM Active Ownership

	2018	2019	2020
Number of companies covered by our Climate Impact Pledge	c. 80	c. 80	c. 1,000 <sup>1</sup>
Number of company engagements from our Investment Stewardship team	236	739	891
Number of worldwide resolutions on which we voted <sup>2</sup>	48,788	50,900	66,037
Number of directors whose election we opposed due to governance concerns	3,864	4,055	4,700
Number of new responsible investment strategies launched	14	14	20
AUM in responsible investment strategies (£bn)	n/a <sup>3</sup>	150	207

## Exclusions

- Coal<sup>4</sup>
- Controversial weapons

## Additional resources

- [TCFD Report 2020](#)
- [GRI Disclosure 2020](#)
- [SASB Disclosure 2020](#)
- [Sustainability and Inclusive Capitalism Report 2020](#)
- [Data Centre Report 2020](#)
- [Governance and Policies](#)
- [LGIM Active Ownership Report 2020](#)

1. Leveraging new data and analytics – including our own Destination@Risk modelling – allowed us to substantially increase the sectors and companies covered

2. Voting instructions for main FTSE pooled funds

3. Data on AUM in responsible investment strategies was not centralised until 2019

4. >20% of revenues of mining companies; and >30% of power generating utilities by revenue or power generation (as appropriate). For utility stocks where coal is between 20 and 30% of the issuer's activity, additional Group governance is required in advance of acquisition