Full Year 2023 Results

Set to achieve our 5 year ambitions, with record new business volumes and resilient in-year profit generation

António Simões, CEO

"Everything I have seen since joining the business in January has confirmed what attracted me to Legal & General. We have an authentic sense of purpose and stand out for our market-leading businesses, performance track record and strong balance sheet, delivered by talented colleagues.

Our 2023 performance reflects these strengths. We are on course to achieve our five-year targets, and demonstrated resilience in challenging markets to achieve record new business volumes in pension risk transfer, UK annuities and US protection, increasing our store of future profit. Our international assets under management and alternative assets portfolio continue to grow, as does our position in the UK defined contribution pensions market.

We must be as ambitious for Legal & General's future as we are proud of our history. This is the right moment to take a fresh perspective, build on our track record and set out a vision for profitable and sustainable growth. I look forward to outlining our strategy and plans at our Capital Markets Event on 12 June."

Resilient financial performance[1]

- **Operating profit** of £1,667m (2022: £1,663m)
- **Profit after tax[2]** of £457m (2022: £783m)
- **Solvency II capital generation of £1.8bn** (2022: £1.8bn)
- **Solvency II coverage ratio[3] of 224%, with surplus of £9.2bn** (2022: 236%, £9.9bn)
- **Dividend per share** of 20.34p, up 5% (2022: 19.37p)

Growth in our store of future profit: up 9% to £14.7bn[4]

- **Record volumes across our insurance businesses:**
  - £13.7bn of institutional annuities (£10.5bn retained premium[5])
  - £1.4bn of individual annuities
  - $175m of US protection new business premium
- **New business CSM contributed £1.2bn** (2022: £0.9bn)
- **CSM has grown 9% to £13.0bn** (2022: £11.9bn)

Set to achieve our five-year (2020-2024) ambitions

- **Cumulative Solvency II capital generation of £6.8bn** (£8-9bn by 2024)
- **Cumulative dividends declared of £4.5bn** (£5.6-5.9bn by 2024)
- **Cumulative net surplus generation over dividends of £0.8bn**
- **The Board's intention is to grow the dividend at 5% for the year FY24[6],** as previously communicated

1. The Group uses a number of Alternative Performance Measures (including adjusted operating profit) to enhance understanding of the Group's performance. These are defined in the glossary, on pages 83 to 83 of this report. IFRS 17 was introduced on 1st January 2023, comparatives have been restated accordingly.
2. Profit after tax attributable to equity holders.
3. Solvency II coverage ratio before the payment of 2023 final dividend.
4. Store of future profit refers to the gross of tax combination of established Contractual Service Margin "CSM" and Risk Adjustment "RA" (net of reinsurance) under IFRS 17.
5. Net premium after deducting for funded reinsurance relating to 2023 PRT transactions.
6. Absent market shocks / events outside of our control.

Legal & General

Financial summary[1]

£m	**2023**	2022	Growth (%)
Analysis of operating profit			
Legal & General Retirement Institutional (LGRI)	886	807	10
Retail	408	415	(2)
Legal & General Capital (LGC)	510	509	-
Legal & General Investment Management (LGIM)	274	340	(19)
Operating profit from divisions	**2,078**	2,071	-
Group debt costs	(212)	(214)	1
Group investment projects and expenses	(199)	(194)	(3)
Operating profit	**1,667**	1,663	-
Investment and other variances (incl. minority interests)	(1,591)	(795)	(100)
Investment variance excluding longevity and internal pension scheme accounting[2]	*(1,106)*	*(628)*	*(76)*
Profit before tax attributable to equity holders	**76**	868	(91)
Profit before tax excluding longevity and internal pension scheme accounting	561	1,035	(46)
Profit after tax attributable to equity holders	**457**	783	(42)
Profit after tax excluding longevity and internal pension scheme accounting	848	927	(9)
Earnings per share (p)	**7.35**	12.84	(43)
Earnings per share (p) excluding longevity and internal pension scheme accounting	*13.96*	*15.28*	(9)
Contractual Service Margin (CSM)	**12,994**	11,938	9
CSM (net of tax) + Book Value	**14,720**	14,589	1
CSM (net of tax) + Book value per share (p)	**246**	244	1
Solvency II			
Operational surplus generation	**1,821**	1,805	1
Coverage ratio (%)	**224**	236	(12)
Full year dividend per share (p)	**20.34**	19.37	5

1. IFRS 17 was introduced on 1 January 2023, comparatives have been restated accordingly. For further information please see Note 1.01
2. Excludes the accounting impacts of a longevity assumption change (see page 6 and 8) and the buyout of the L&G pension scheme (see note 3.14.iii).

2023 Financial performance

Income statement

2023 operating performance was resilient, with operating profit from divisions of £2,078m (2022: £2,071m). Our business remains well-positioned to execute on compelling structural market opportunities to deliver further profitable growth over the medium and long-term.

LGRI operating profit increased by 10% to £886m (2022: £807m) underpinned by the growing scale of back-book earnings and the consistent investment performance of our annuity portfolio. LGRI executed record new business volumes, addressing growing demand while maintaining pricing discipline, writing £13,719m of global PRT (2022: £9,541m) at a Solvency II new business margin of 7.4%[1] in line with our long-term expectation. This has added c£1.0bn to our store of future profit in 2023.

Retail operating profit decreased by 2% to 408m (2022: £415m). Whilst insurance operating profit was up 22% (2023: £436m, 2022: £357m), driven by ongoing profit releases in the UK and US, total operating profit was down given the lower contribution from the Fintech businesses, as valuation uplifts from 2022 did not repeat.

LGC operating profit was flat against prior year earnings at £510m (2022: £509m), reflecting a good performance in a challenging macro-economic environment for alternative assets. In 2023, we grew our third-party managed capital by 9% to £18.1bn (2022: £16.6bn). We remain on track to meet our ambition of £25-30bn by 2025.

LGIM delivered operating profit of £274m (2022: £340m), primarily reflecting the impact of higher interest rates on the value of assets under management: average assets under management were 12% lower year-on-year. Despite significant inflationary impacts, we have taken action to keep absolute costs flat.

Profit before tax attributable to equity holders, excluding longevity and internal pension scheme accounting, was £561m (2022: £1,035m), reflecting investment and other variances of £(1,106)m (2022: £(628)m). Investment variance was driven by the unrealised mark-to-market impact of higher rates on asset valuations, the cost relating to our announced Modular Homes closure and the write-down of our investment in Onto.

Balance sheet and asset portfolio

Solvency II operational surplus generation (OSG) was level at £1,821m (2022: £1,805m). Net surplus generation (NSG) was £1,383m (2022: £1,453m) reflecting the impact of higher volumes of PRT business with strain levels in line with our long-term average. The UK annuity portfolio was self-sustaining again for the 4th year in a row, and we continue to have optionality to further enhance profitability through back-book asset optimisation.

Solvency II coverage ratio[2] is strong at 224% (2022: 236%).

Our IFRS return on equity[3] of 9.7% (2022: 15.6%) reflects the impact of investment and other variances on the total result. Looking at the result before these variances, return on equity would be 27.1%[4] (2022: 26.9%). We expect investment variance to average to zero over the longer term.

Our store of future profit increased 9% to £14.7bn (2022: £13.5bn), with CSM up 9% to £13.0bn (2022: £11.9bn), reflecting contributions from our growing annuity businesses and the routine longevity review in H2, and by the Risk Adjustment (£1.7bn) up 11% from 2022 (£1.5bn).

Our diversified, actively managed annuity portfolio has continued to perform resiliently with no defaults. The annuity portfolio's direct investments have received 100% of scheduled cash-flows year to date, reflecting the high quality of our counterparty exposure.

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[1] Solvency II margin on UK PRT business only.
[2] Solvency II coverage ratio incorporates the impact of recalculating the Transitional Measures for Technical Provisions (TMTP) as at 31 December 2023.
[3] Calculated using profit for the year and average equity attributable to the owners of the parent of £4,699m (2022: £5,014m).
[4] Calculated using the annualised UK corporation tax rate.

Group Outlook

Confident in achieving our ambitions; well-positioned to deliver long-term profitable growth

Our strategy has delivered strong compounding returns for our shareholders over time. It has demonstrated resilience and positions us well to navigate the prevailing market environment, and to deliver on our current five-year ambitions.

Cumulatively, over the period 2020-2024, we have an ambition to generate capital of £8-9bn, with net capital surplus generation (i.e., including new business strain) to exceed dividends of £5.6-5.9bn.[5]

We made further progress against these ambitions in 2023 and are set to achieve them in 2024. From the start of the ambition period to 2023, we have achieved £6.8bn of cumulative capital generation while declaring dividends of £4.5bn. Even with no growth in capital generation in 2024, the cumulative capital generation would still be comfortably within our stated ambition of £8-9bn. We have generated cumulative net surplus generation over dividends of £0.8bn from 2020 to date.

We remain confident in our ability to deliver resilient, organic growth, supported by our strong competitive positioning in attractive and growing markets. Our confidence in our dividend paying capacity is underpinned by the Group's strong earnings and strong balance sheet, which has Solvency II regulatory capital of £16.6bn: a surplus of £9.2bn in excess of a capital requirement of £7.4bn.

Business segment outlook

Legal & General Retirement Institutional (LGRI)

LGRI participates actively in the global pension risk transfer (PRT) market, focusing on corporate defined benefit (DB) pension plans in the UK, the US, Canada and the Netherlands. Together, these markets have more than £6 trillion of pension liabilities of which c10% have transacted to date.[6] The addressable market therefore remains significant.

Our stated ambition for UK PRT is to write circa £8-10bn per annum under typical market volumes. With up to £355 billion of UK PRT demand over the next five years anticipated and an increase in £1bn+ size individual transactions coming to market[7], we are expecting a period of heightened market volumes. We believe we are well positioned to address this need and have appetite to write higher volumes where commercial conditions support. We will continue to be proactive in managing the capital we deploy on this business, including use of reinsurance, to generate strong margins over time.

We are also well-positioned to execute internationally, having written over $7.5bn of PRT in the US and Canada between 2020 and 2023. In 2023, we announced our strategic relationship with Lifetri which looks to capitalise on proposed pension reforms in the Netherlands.

Legal & General Retail

Our Workplace Savings business administers one of the largest and fastest-growing UK Master Trusts, which now has £25.4bn of AUM, and was the first commercial Master Trust to surpass £20bn of assets under management. It is well positioned to benefit from the trend of consolidation in the market as well as from contributions from existing schemes. Our focus remains on improving efficiency and scalability as the business continues to grow.

We expect demand for retail annuities to remain strong, providing substantial long-term profits to the Group. In protection, we expect our US business to continue to build on the technological and distribution advantages that have delivered record sales in 2023, and in the UK, we see opportunities to further grow our distribution reach and profitability.

Legal & General Capital (LGC)

In LGC, we continue to focus on delivering financial performance through responsible and impactful investing whilst increasing our international diversification. Our unique asset origination capabilities continue to be a key differentiator for L&G in PRT as we manufacture bespoke investments, tailored to create attractive long-term returns for the annuity portfolio.

We continue to benefit from our reputation and unique partnerships to access opportunities across key sectors including Housing, Specialist Commercial Real Estate, Clean Energy, General Partners Investing and Venture Capital Platforms. This year, we are looking to invest alongside an increasing number of third-party capital partners to create long-term income streams, underpinned by societal demand. LGC will further scale its impact, whilst securing additional revenue for the Group as a result of third-party management and advisory fees.

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[5] Capital generation is Solvency II operational surplus generation. Dividends on a declared basis and originally on the basis of a flat final 2020 dividend, and 3-6% annual growth thereafter. Note: dividends have grown at 5% since HY21 and the Board stated publicly in November 2022 its aim to "continue to grow the dividend at 5% per annum to FY 2024": ifrs17-rns-final.pdf (legalandgeneral.com). Dividend decisions are subject to final Board approval. Note: we previously also had an ambition to generate cumulatively £8-9bn cash over the period. However, under IFRS 17 it is not possible to produce 'Net release from operations' on which our cash generation metric was based. We therefore chose to retire the cash generation ambition from FY 2022.
[6] PPF 7800 Index at 31 December 2023, LIMRA Q3 2023 retirement market data, Statistics Canada, Mercer Pension Health Pulse 2022, WTW Group Annuity Market Pulse – 2022 Annual Review, De Nederlandsche Bank (DNB) as at Q3 2023 and L&G estimates.
[7] LCP report: Insurance enters a new phase: a skyrocketing market, October 2022.

Legal & General Investment Management (LGIM)

LGIM competes in the global asset management market and invests both on behalf of L&G and for third party clients; the latter contributes around 80% of global revenues. Asset management is a long-term business, and we remain confident in our strategy which positions LGIM for sustainable future growth, supported by industry tailwinds.

Our medium-term ambition is underpinned by the three strategic pillars, to modernise, diversify and internationalise:

- **Modernise**: We are evolving the business, investing in our people, platform and data capabilities to improve operating effectiveness and deliver scale benefits. This includes transformation of our operating model, using State Street/Charles River to build a global investment and middle office platform.
- **Diversify**: We are building on our core capabilities to improve business mix by selectively adding to our investment offering, with a focus on higher-margin areas such as private markets, active fixed income and wholesale distribution channels. We continue to focus on sustainable investing.
- **Internationalise:** LGIM aims to be an innovator in regions and countries where our strengths align to client needs and continues to expand globally. Since 2018, LGIM's International AUM has grown by 81% to £465.4bn, representing 40% of AUM.

Our approach to capital allocation

The Board believes it has considerable 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.

We will provide further detail on our approach to capital allocation and distribution at the Capital Markets Event on the 12 June, 2024.

Dividend

The Group's dividend policy states: "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."

The Board has recommended a final dividend of 14.63p, giving a full year dividend of 20.34p, up 5% from the prior year (19.37p). The Board's intention is to grow the dividend at 5% until FY24.

Legal & General Retirement Institutional

FINANCIAL HIGHLIGHTS[1] £m	2023	2022
Contractual service margin release	**591**	497
Risk adjustment release	**119**	136
Expected investment margin	**344**	280
Experience variances	**(13)**	16
Non-attributable expenses	**(160)**	(130)
Other	**5**	8
Operating profit	**886**	807
Investment variance from longevity assumption change	**(249)**	(131)
Other investment variance	**(200)**	(6)
Profit before tax attributable to equity holders	**437**	670
Contractual service margin (CSM)	**8,350**	7,448
Risk adjustment (RA)	**807**	649
Total store of future profit	**9,157**	**8,097**
CSM release as a % of closing CSM pre release	**6.6%**	**6.3%**
New business CSM	**865**	613
New business RA	**161**	80
Total new business future profit	**1,026**	693
UK PRT	12,048	7,319
International PRT	1,671	2,222
Total new business (Gross Premiums)	**13,719**	9,541
Funded reinsurance premiums	(3,189)	(955)
Total new business (net of Funded Reinsurance)	**10,530**	**8,586**
Institutional annuity assets[2] (£bn)	**68.9**	60.1

1. IFRS 17 was introduced on 1 January 2023, comparatives have been restated accordingly. For further information please see Note 1.01.
2. In the UK, annuity assets across LGRI and Retail are managed together. We show here LGRI estimated annuity assets. Excludes derivative assets.

LGRI continued to deliver strong operating profit, up 10% to £886m

Contractual Service Margin (CSM) release increased 19% to £591m (2022: £497m). This reflects the growth in our store of future profit which is supported by profitable new business written and the routine longevity review. In 2023, 6.6% of the closing CSM pre-release (£8.9bn) was released into profit. Overall, the CSM grew 12.1% to £8.4bn (2022: £7.4bn).

Investment related operating profits increased 23% to £344m (2022: £280m). This increase is driven by higher interest rates increasing the expected return on surplus assets. In addition, this number also includes asset optimisation actions which routinely fine-tune our annuity backing asset portfolio to replace previously sourced assets with newly sourced higher return investments.

Non-attributable expenses of £(160)m (2022: £(130)m) reflect increasing investment in operational capacity and resilience to meet heightened global demand.

Profit before tax of £437m (2022: £670m) was impacted by investment and other variances of (£(449)m). This is partly driven by the impact of the longevity assumption change in H2 where the IFRS 17 contractual service margin is calculated using the locked-in discount rate at inception, whilst the best estimate liabilities are calculated using the current, higher discount rate. This effect will unwind in future years as higher CSM releases. The remaining portion largely relates to the unrealised mark-to-market impact of higher rates on the surplus assets in our annuity portfolio.

SII & IFRS margins consistent with long-term expectation while adding £1.0bn of future profit

During 2023, we wrote £13.7bn (£10.5bn net of reinsurance) of global pension risk transfer (PRT) new business across 43 deals (2022: £9.5bn, 61 deals). UK gross volumes increased by 65% to £12.0bn (2022: (£7.3bn) and international volumes were £1.7bn (2022: £2.2bn).

Under IFRS 17, new business profits are now deferred into the CSM and RA on the balance sheet and recognised in operating profit over the lifetime of the contract. New business added **£1.0bn of future profit to the CSM and RA**, making a strong contribution to the growth of our store of future profit over 2023.

The £12.0bn of UK PRT delivered a 7.4% UK Solvency II new business margin (2022: 8.9%) in line with our long-term expectation. We continue to be disciplined in our pricing and deployment of capital. We have successfully executed transactions over the last few years at initial strain levels below our 4% target. We actively optimise the back-book in the course of normal business by matching newly sourced, higher-return assets to back-book liabilities, resulting in additional margin and profit generation post-sale.

Successful execution in the UK leveraging internal synergies

LGRI's brand, scale and asset origination capabilities – through synergies and expertise within **LGIM** and **LGC** – are critical to our market leadership in the UK PRT market. Long-term client relationships, typically created and fostered by LGIM, have allowed us to help many pension plans achieve their de-risking goals, including the recent £4.8 billion full buy-in with the Boots Pension Scheme, and the earlier £2.7bn follow-on transaction with the British Steel Pension Scheme, executed under an umbrella agreement.

Well positioned to execute in international markets

LGRI delivered **US PRT new business premiums of $1,882m (2023: £1,463m**, 2022: $2,096m; £1,763m). In H2, **we surpassed $10 billion of total written premium with over 100 deals in the US since our launch in 2015**. This includes roughly $5 billion secured in just the past three years and our largest ever US transaction in July for $789m USD.

In 2023, we have written c$350m CAD of Canadian liabilities through our reinsurance entity, L&G Re. This brings L&G Re's total reinsured premium in the Canadian PRT market to over $1.5bn CAD. We continue to actively price in the Canadian and Dutch markets and remain disciplined on price with a focus on long-term profitability and shareholder returns.

Legal & General remains strongly positioned to offer holistic, multinational pension de-risking solutions, leveraging skills and capabilities across geographies.

Retail

FINANCIAL HIGHLIGHTS[1] £m	2023	2022
Contractual service margin release	**446**	424
Risk adjustment release	**74**	85
Expected investment margin	**81**	60
Experience variances	**(44)**	(99)
Non-attributable expenses	**(121)**	(113)
Insurance profit	**436**	**357**
Other (Non-insurance profit)	**(28)**	58
Operating profit	**408**	415
- US/UK Insurance[2]	138	165
- Retail Retirement[3]	270	250
Investment variance from longevity assumption change	(69)	(36)
Other investment variance	(131)	58
Profit before tax attributable to equity holders	**208**	437
Contractual service margin (CSM)	**4,644**	4,490
Risk adjustment (RA)	**891**	883
Total store of future profit	**5,535**	**5,373**
New business CSM	**320**	287
New business RA	**32**	28
Total new business future profit	**352**	**315**
Protection new business annual premiums	412	382
Individual annuities single premium	1,431	954
Workplace Savings net flows[4] (£bn)	6.3	7.3
Lifetime & Retirement Interest Only mortgage advances	299	632
Retail retirement annuity assets[5] (£bn)	17.2	16.5
UK Retail protection gross premiums	1,512	1,485
UK Group protection gross premiums	479	427
US protection gross premiums	1,273	1,222
Total protection gross premiums	**3,264**	3,134
Protection New Business Value	**165**	166
Annuities New Business Value	**100**	60
Solvency II New Business Value	**265**	226

1. IFRS 17 was introduced on 1 January 2023, comparatives have been restated accordingly. For further information please see Note 1.01.
2. UK Insurance includes Retail Protection, Group Protection, Fintech and Mortgage Services.
3. Retail Retirement includes Individual Annuities, Lifetime Mortgages, Workplace Admin.
4. This represents the Workplace Savings administration business. Profits on the fund management services we provide are included in LGIM's asset management operating profit.
5. In the UK, annuity assets across LGRI and Retail are managed together. Estimated proportion of annuity assets belonging to Retail Retirement. Excludes derivative assets.

Operating profit of £408m

In 2023, Retail operating profit was £408m (2022: £415m). Whilst insurance operating profit of £436m is up 22% (2022: £357m), driven by resilient on-going profit releases and improved mortality experience in the US, total operating profit is down given non-repeating gains on Fintech investments in 2022 and macro-driven challenges in mortgage-related businesses (reflected in "Other" above).

The **Contractual Service Margin (CSM) release was £446m** (2022: £424m), reflecting the release of previously stored insurance profits. Growth in the CSM release was driven by profitable new business written and the routine longevity review in H2. In 2023, 8.8%

of the closing CSM pre-release (£5.1bn) was released into profit (2022: 8.6%, £4.9bn) and, overall, the CSM grew by 3.4% to £4.6bn (2022: £4.5bn).

Experience variances of £(44)m (2022: £(99)m) relate to less adverse mortality in the US (for which we fully utilised the $40m provision setup in 2022) and the impact of persistency experience and assumption changes in the UK protection business that negatively impact onerous contracts. Although better persistency is a net positive for the portfolio, the benefit on profitable contracts is deferred and reflected in the change in CSM, whereas the impact on onerous contacts is recognised in the P&L under IFRS17.

Profit before tax was £208m (2022: £437m)**,** significantly impacted by investment variances from longevity assumption changes in our annuity portfolio in H2, and the write-down of our investment in Onto.

Solvency II New Business Value increased 17% to £265m (2022: £226m) with growth in Retail Annuities and US protection being offset by lower margins in UK protection, due to higher interest rates and lower new business volumes. We continue to operate with a focus on disciplined pricing and on maintaining strong distribution channels.

Succeeding in a competitive landscape in 2023

Retail annuity sales were £1,431m (2022: £954m), a record year, surpassing £1bn for the first time since Pension Freedoms reform in 2015. Both Lifetime Annuity and Fixed Term Annuity sales performed well throughout the year as higher interest rates have made these products more attractive to our customers.

Lifetime mortgage advances, including Retirement Interest Only mortgages, were £299m (2022: £632m) reflecting a decline in demand as a result of higher interest rates. Throughout this period, we have maintained pricing and underwriting discipline.

Workplace Savings net flows were £6.3bn (2022: £7.3bn), as a result of continued client wins and increased member contributions. Workplace pension platform members increased to 5.2 million in 2023.

UK Retail protection gross premium income increased to £1,512m (2022: £1,485m), with new business annual premiums of £150m (2022: £171m) in what remained a highly competitive market. L&G continues to be a leader in this market with a share of 18.4%[8], delivering a point-of-sale underwriting decision for more than 80% of our customers.

UK Group protection gross premium income increased 12% to £479m (2022: £427m) as a result of good retention and new business annual premiums of £121m (2022: £107m). Our online "quote and apply" platform for smaller schemes continues to perform well, processing c900 new clients over the year (2022: c600), and we continue to see growth in this part of the market. Group Protection saw 2,929 income protection scheme members return to work during the year.

US protection (LGIA) new business annual premiums increased 36% to $175m (2022: $129m), with robust Solvency II new business margins of 11.4 % (2022: 10.6%). Gross premiums increased 5% to $1,584m (2022: $1,512m). Our digital new business platform is making it easier for customers and their advisors to apply and buy our term products, resulting in our best-ever single year sales volumes in 2023. This is driving up our market share: LGIA ranked number one in the independent broker channel and third in the overall US term market in Q3 2023, up from fifth in 2022.[9] We expect to drive further sales growth and to reduce unit costs over the coming years. Over 90% of eligible new business is now submitted through our digital new business platform.

[8] ABI Q3 2023 Report.
[9] LIMRA Q3 2023 Ranking.

Legal & General Capital (LGC)

FINANCIAL HIGHLIGHTS £m	2023	2022
Operating profit	**510**	509
- Alternative asset portfolio	371	400
- Traded investment portfolio & Treasury	139	109
Investment and other variances[1,2]	(381)	(428)
Profit before tax attributable to equity holders[2]	**129**	81
ALTERNATIVE ASSET PORTFOLIO £m		
Specialist commercial real estate	868	811
Clean energy	374	272
Residential property[2]	2,319	2,248
Alternative Finance	933	811
	4,494	4,142
TRADED ASSET PORTFOLIO £m		
Equities	964	1,159
Bonds	212	348
Derivative assets	16	34
Cash and loans[3]	1,118	1,145
Total	**2,310**	2,686
LGC investment portfolio	**6,804**	6,828
Treasury assets at holding company	1,219	1,588
Total	**8,023**	8,416

1. Excludes 2023 costs relating to the announced Modular Homes closure.
2. 2022 restated to reflect the impact of the implementation of IFRS 9 on certain intra-segment assets.
3. Includes short term liquid holdings and loans at FV.

Total operating profit of £510m

LGC operating profit is flat at £510m versus prior year earnings (2022: £509m). Our alternative asset portfolio contributed £371m of operating profit (2022: £400m), reflecting a resilient performance in the higher interest rate environment.

LGC's **alternative asset portfolio grew 8.5% to £4.5bn** as we deployed £0.6bn into new and existing investments in the UK and internationally, further strengthening our capabilities across a diversified range of alternative assets that are underpinned by structural growth drivers.

Through its investments, LGC originates assets that generate attractive returns for shareholders, creates Matching Adjustment (MA)-eligible assets for the Group's annuity portfolio, and supplies valuable alternative assets to third-party clients. Third-party AUM increased to £18.1bn (2022: £16.6bn) and is on track to grow to £25-30bn by 2025.

Profit before tax was £129m, with investment and other variances of £(381)m, driven primarily by the mark-to-market impact of higher interest rates on LGC's portfolio. Whilst market conditions can drive short-term volatility in valuations, we remain confident in the long-term profitability of our alternative asset portfolio.

Specialist commercial real estate: supporting the levelling up agenda through strategic partnerships

Across the UK and US, we are investing in **Specialist Commercial Real Estate** (SCRE), including laboratory and flexible best-in-class facilities for innovation-based, high-growth start-ups, scale-ups and global businesses in the life sciences and technology sectors Building on our track record to deliver place-based regeneration, we are delivering mixed-use redevelopment for towns and cities, including our £4bn partnership with Oxford University and our JV, English Cities Fund.

Bruntwood SciTech is now the largest dedicated property platform serving the UK's innovation economy and aims to create a £5 billion UK-wide portfolio that can support 2,600 high-growth businesses by 2032. In 2023, it secured £500m of additional investment and welcomed Greater Manchester Pension Fund (GMPF), the UK's largest local authority pension fund, to the partnership.

LGC's 50:50 partnership with Ancora, a US real estate developer and asset manager dedicated to driving life sciences, research and technology growth in North America, continues to grow with three sites across the US, providing a valuable ecosystem for universities including Yale, Brown and Georgia Tech.

We are also helping to meet society's increasing need for data warehousing and computer processing. As a compelling strategic growth opportunity, LGC has provided further investment into its data centre platform Kao Data, alongside leading infrastructure investment firm Infratil. In January 2024, Kao Data secured a £206m debt facility, provided by Deutsche Bank. This further demonstrates its growth from a start-up to a scale-up, its industry leading reputation, and the demand for world-class infrastructure, engineered for artificial intelligence (AI).

Our Clean Energy portfolio expanded into new sectors

The transition to net zero requires significant capital investment in new technologies, assets and infrastructure. LGC's approach is deliberate in combining both early-stage technology development and scale-up for adoption, supported through our growth equity portfolio alongside investment into both new and established clean energy infrastructure assets.

In our clean energy infrastructure portfolio, we continue to scale our strategic partnership with NTR, leveraging LGIM's distribution capabilities and NTR's sector expertise to raise and deploy significant capital into new and existing renewable energy projects. In 2023, Legal & General launched the L&G NTR Clean Power (Europe) Fund which raised €390m in its first close, bringing NTR's total assets under management to over €900m across its three funds and putting third party capital to work to drive Europe's decarbonisation and energy security agenda.

In May 2023, Kensa (the country's leading manufacturer and installer of ground source heat pumps), secured an additional £70m investment and welcomed Octopus Energy as partners alongside LGC. Recognising the market opportunity that decarbonising residential real estate presents, we have now committed £49m across a range of investments in support of numerous initiatives, including reducing construction emissions and developing technologies to retrofit existing housing stock.

Housing: A multi tenure platform, diversified across affordability and life stages

LGC's **Build to Sell** business, Cala, has performed well over 2023, in the face of a challenging market. Having grown to become the 10th largest housebuilder in the UK by revenue, Cala sold 2,917 units in 2023, delivering revenue of £1.3bn and profit before tax of £112m. Cala's performance was good compared to the wider market with sales rates remaining stable over 2023 and close to our long-term norm. Reservations on private units currently stand at 43% of the full year, providing confidence in H1 2024 revenues.

Our **Affordable Homes** business has continued to establish itself as one of the UK's leading institutional developers and managers of affordable housing, with a total operational pipeline of 7,464 units and a Gross Asset Value of around £1.2bn. It was given the highest ratings by its regulator for both financial viability and governance, and is a strategic partner of Homes England. The business is well placed to create assets which provide robust, inflation-linked income for both our annuity portfolio and, increasingly, third party investors.

Accelerating the growth of private asset managers through Alternative Finance

By investing in the real economy and technological advancements through our General Partners (GP) Investing and Venture Capital platforms, we are continuing to support growth businesses and deliver enhanced returns, whilst boosting job creation and innovation.

The Pemberton platform has raised over €19bn (2022: €16.5bn) from a global pool of 227 investors across seven strategies since we first invested in 2014. As the market evolves, Pemberton continues to innovate and add new products to its platform. In February 2023, Pemberton's Working Capital Finance Strategy hit the milestone of $1 billion of committed funds, helping to create further value in the business. Pemberton manages Limited Partner (LP) capital on behalf of both LGC and LGRI, delivering direct investments which strengthen the Group's competitive position in pricing to win large global PRT deals.

In March 2023, we invested in ImpactA Global, a women-led Impact asset management firm established to provide debt financing for sustainable infrastructure projects in emerging markets. LGC committed up to $100m in further funding to ImpactA as they secure opportunities to invest in sustainable infrastructure that delivers attractive returns, alongside positive social and environmental impact.

Our Venture Capital funds portfolio supports the growth of around 700 companies. The university spin-out market is an area of particular focus for us, and a sector where we are seeing increasing appetite from third-party capital partners to invest alongside us. Our unique proposition benefits from long-standing relationships with the UK's leading research institutions, helping create the outstanding businesses of the future.

Legal & General Investment Management (LGIM)

FINANCIAL HIGHLIGHTS £m	2023	2022
Management fee revenue	**876**	944
Transactional revenue	**26**	26
Total revenue	**902**	970
Total costs	**(628)**	(630)
Operating profit	**274**	340
Investment and other variances	**(76)**	(81)
Profit before tax	**198**	259
Asset Management cost:income ratio (%)	**70**	65
NET FLOWS AND ASSETS £bn		
External net flows	**(38.4)**	49.6
PRT Transfers	**(15.2)**	(3.1)
Internal net flows	1.6	0.1
Total net flows	**(52.0)**	46.6
Persistency[1] (%)	**86**	88
Average assets under management	***1,155***	*1,309*
Assets under management	**1,159**	1,196
Of which:		
- International assets under management[2]	***465***	*441*
- UK DC assets under management	***163***	*135*

1. Persistency is a measure of LGIM client asset retention, calculated as a function of net flows and closing AUM.
2. International AUM includes assets from internationally domiciled clients plus assets managed internationally on behalf of UK clients.

Operating profit of £274m

Operating profit of £274m (2022: £340m) reflects the ongoing impact of higher interest rates on the value of assets under management, with average AUM 12% lower year-over-year. Revenue of £902m (2022: £970m) is down 7%, impacted to a lesser extent by the decline in AUM, reflecting LGIM's conscious shift towards higher margin business.

We are maintaining a disciplined approach to cost management whilst continuing to invest deliberately and for the long-term. We took expense actions over 2023, including selective reshaping of the workforce and restraint on recruitment and variable compensation. This led to flat costs in 2023 compared to the prior year, despite significant inflationary pressure.

Assets under management (AUM) decreased by 3% year-on-year to £1,159.2bn (2022: £1,195.7bn). External net flows of £(38.4)bn reflects UK Defined Benefit clients adjusting their portfolios in response to improved funding ratios, with many now positioning for PRT. LGIM is a beneficiary when our clients undertake PRT with LGRI. Excluding UK Defined Benefit, LGIM's external net flows were positive at £0.9bn, generating annualised net new revenue of £24m. This reflects our focus on attracting flows into higher margin areas such as ETF, Multi-Asset and Real Assets.

LGIM is a leader in responsible investment, and we continue to innovate and be recognised for our strength in this growing area of the market, winning the prestigious Pensions Age 'Sustainability Advisor of the Year' award in 2023. As at 31 December 2023, LGIM managed £378.1bn (2022: £332.2bn) in responsible investment strategies explicitly linked to ESG criteria for a broad range of clients.[10] We now assess over 5,000 companies across 20 'climate-critical' sectors, and we can apply exclusions to over £176bn of assets.

Expanding our global footprint with International AUM

We are successfully building the business, growing international AUM by 81% since 2018 to £465.4bn (40% of overall AUM). We are a leading corporate pension manager in the US, working with clients to implement pensions' de-risking strategies. We have refocused our index capabilities, creating bespoke indices for clients via our Index Solutions team and have seen early success with £6.4bn in higher margin Index Plus mandates in 2023. US assets grew by 4% to £205.0bn over 2023.

In Europe, our growth is being led by expertise in ETFs, Active Fixed Income and responsible investing. We have expanded the number of relationships with clients and partners in our core markets of Germany, Italy, Switzerland and the Nordics, and have recently opened an office in Zurich. In May, we announced a partnership with AP7 to establish an innovative climate transition strategy, raising £400m. Our AUM across mainland Europe is £85.7bn representing a 11% annual increase.

[10] AUM in responsible investment strategies represents only the AUM from funds or client mandates that feature a deliberate and positive expression of ESG criteria, in the fund documentation for pooled fund structures or in a client's Investment Management Agreement. Mandates which only invest in government bonds are not included, however where LGIM manages a mandate (for a third-party client) which is invested in a broad asset exposure that includes, but is not limited to, government bonds, these mandates would be included subject to that mandate having a deliberate and positive expression of ESG criteria.

Our AUM in Asia, including Japan, has reached £139.1bn, and we now have clients across 9 countries in the region. AUM in Asia, excluding Japan, grew by 12% over 2023 and included new mandates in Thailand, Korea and Taiwan. In Japan, our AUM has almost doubled since 2019, and we are now Japan's 7th largest asset manager.[11] In September we opened a new Singapore office to serve clients in south-east Asia, building connectivity with our London and Zurich offices to serve the important Global Financial Institutions channel.

Supporting our institutional Defined Benefit clients to achieve their objectives

As the UK DB market matures, we are supporting over 2,000 LGIM clients to achieve their buyout objective, with many likely to choose LGRI as a pension risk transfer partner. Over the last three years, 88% of LGRI UK PRT new business premiums have come from LGIM clients, meaning LGIM will continue to manage assets backing the pension liabilities for many years. Recent examples include the British Steel Pension Scheme and the Boots Pension Scheme, which insured a combined £13.5bn of pension liabilities with LGRI. In the US, improved funding ratios due to higher interest rates have increased demand for our customised liability hedging strategies. With over 75%[12] of Defined Benefit pension schemes now targeting buy-out as their ultimate end-state, we expect to increase revenue by providing a full range of investment solutions across the de-risking journey.

Ongoing strength in Defined Contribution

Our Defined Contribution (DC) business continues to attract new assets with AUM of £163bn (2022: £135bn), and external net flows of £12.4bn contributing to annualised net new revenue of £16m. This growth was supported by Retail's Workplace pension business, which now has 5.2 million members. This success is underpinned by LGIM's strong customer focus and innovative product proposition, as shown by a 92% persistency rate among our DC customers. AUM has more than doubled since 2018. In January 2024, we submitted our application to the FCA for a new fund that will hold private assets for DC investors. The fund will launch later this year, subject to regulatory approval, and underlines our commitment to providing innovative solutions to our DC investors' needs.

L&G also has one of the largest and fastest-growing UK Master Trusts, which now has £25.4bn of AUM, and was the first commercial Master Trust to surpass £20bn of AUM. The growth reflects the increasing appeal of the structure for DC plans wishing to outsource their governance, investment and administration. Our ability to offer investors an integrated blend of high-quality investment solutions, pensions administration and Master Trust governance is a significant source of competitive advantage. In June, L&G's Master Trust won the coveted Corporate Advisor award for Best Master Trust for the third year in a row.

Accelerating growth in Wholesale

We ended 2023 with record levels of Wholesale AUM at £68bn, growing 20% over 2023. In UK Wholesale, we achieved our highest ever gross sales and ranked 2nd across the industry. We launched new Active Fixed Income (AFI) funds, and saw renewed client interest across our AFI strategies following the normalisation of interest rates, including strong performance in our Strategic Bond Fund. Our Multi-Asset capabilities continue to attract net inflows, with AUM now totalling £11bn.

Since acquisition of the Canvas ETF business in 2018, revenue has more than tripled. Our focus is on thematic strategies, with the range continuing to show resilience, with £1.9bn of external net flows in 2023. This year we launched an ETF partnership with Gerd Kommer in Germany, with a co-branded ETF being distributed into the German Savings Plan market, raising £112m. LGIM is ranked second based on AUM in the European thematic ETF market.[13]

Growing our Real Assets Platform

Real Assets saw total net flows of £1.5bn (2022: £3.2bn) driven by £2.9bn of Private Credit transactions of which the majority support LGRI's PRT proposition. Private Credit AUM reached £18.6bn[14] in 2023, and we expect it to be core to future growth in flows as clients seek diversification of secure income and value protection. UK Defined Benefit investors are now accessing these capabilities through our successful SIAF and STAFF[15] private credit funds, and DC investors are increasingly considering our illiquid strategies.

Our Real Estate and Infrastructure Equity platform remains strong with AUM of £18.3bn. In 2023, and as noted previously, we raised €390m in the first close of the Clean Power (Europe) Fund working in partnership with NTR. We have hired a team in the US to focus on real estate markets where we see potential. Our property fund for UK retail investors is one of the market leaders with over £1.2bn of AUM. We worked closely with LGC to build client offerings across affordable housing, operational real assets and UK university spin-outs, that we expect to launch with significant interest in 2024. Our strategy is to externalise capabilities that we have built in collaboration with other parts of Legal & General.

Investment Performance

Investment performance has been strong across our range of matching, tracking and active strategies. For our UK-managed Active Fixed Income strategies, 64% of strategies out-performed over 1 year, 83% over 3 years and 95% over 5 years. US-managed Active Fixed Income strategies also performed well with 60% of strategies out-performing over 1 year, 75% over 3 years and 73% over 5 years. Multi-Asset strategies outperformed by 63% over 1 year, 36% over 3 years and 62% over 5 years. Within Private Markets, 71% of our Real Estate Equity funds outperformed over 1 year, 100% over 3 years and 86% over 5 years.

[11] Ranked seventh by AUM, Japanese industry publication (Pension News) March 2022.
[12] Hymans Robertson Risk Transfer Report 2023.
[13] Etfbook Rankings 2023.
[14] Figures reflect total managed assets including AUM from fund of fund structures. As at 31 December 2023 of the total Real Assets AUM (£36.9bn), £35.5bn was invested directly by clients in Real Assets funds.
[15] SIAF = Secure Income Assets Fund. STAFF = Short Term Alternative Finance Fund.

Subsidiary remittances to Group

Subsidiary remittances[1] (£m)	2023	2022
LGAS	**752**	784
LGIM	**140**	279
LGA	**185**	97
Other[2]	**472**	394
Total	**1,549**	1,554

1. Represents cash remittances from subsidiaries to Group in respect of the year's financial performance.
2. Other includes Legal & General Capital Investments Limited, Legal & General Reinsurance, Legal & General Partnership Services Limited and Legal & General Home Financing.

The level of subsidiary dividends ensures coverage of external dividends (2023: £1,212m; 2022: £1,153m), Group related costs, with excess liquidity being held within our regulated subsidiaries.

Borrowings

The Group's outstanding core borrowings totalled £4.3bn at 31 December 2023 (2022: £4.3bn). There is also a further £1.8bn (2022: £1.2bn) of operational borrowings including £1.4bn (2022: £0.9bn) of non-recourse borrowings.

Group debt costs of £212m (2022: £214m) reflect an average cost of debt of 4.8% per annum (2022: 4.8% per annum) on an average nominal value of debt balances of £4.5bn (2022: £4.5bn).

Taxation

Equity holders' Effective Tax Rate (%)	2023	2022
Equity holders' total Effective Tax Rate[1]	**11.9**	10.4
Annualised rate of UK corporation tax	**23.5**	19.0

[1] Excluding the impact of the Bermudan corporate income tax enacted in 2023, the investment variance from longevity assumption changes (see page 6 and 8) and the buyout of the L&G pension scheme (see note 3.14.iii). Including this impact, the effective tax rate in 2023 is (482.9)%

The Group has a credit for the year of £367m which includes a material one-off tax credit of £340m on the recognition of a deferred tax asset relating to the introduction of a new Bermuda corporate income tax regime. Absent this impact, the effective tax rate reflects the varying rates of tax that we pay on our businesses in different territories and the mixture of profits and losses across those territories.

Solvency II

As at 31 December 2023, the Group had an estimated Solvency II surplus of £9.2bn over its Solvency Capital Requirement, corresponding to a Solvency II coverage ratio of 224%.

Capital (£m)	2023	2022
Own Funds	16,556	17,226
Solvency Capital Requirement (SCR)	(7,389)	(7,311)
Solvency II surplus	**9,167**	**9,915**
SCR coverage ratio (%)	**224**	**236**

Analysis of movement from 1 January to 31 December 2023[1] (£m)	Solvency II Own Funds	Solvency II SCR	Solvency II Surplus
Operational surplus generation	**1,596**	**225**	**1,821**
New business strain[2]	551	(989)	(438)
Net surplus generation	**2,147**	**(764)**	**1,383**
Operating variances			(307)
Mergers, acquisitions and disposals			(140)
Market movements			(512)
Subordinated debt			-
Dividends paid			(1,172)
Total surplus movement (after dividends paid in the period)	**(670)**	**(78)**	**(748)**

1. Please see disclosure note 5.01(iv) for further detail.
2. Reported new business strain includes impact from SII risk margin reform.

Operational surplus generation increased to £1,821m (2022: £1,805m), after allowing for amortisation of the opening Transitional Measures on Technical Provisions (TMTP) and release of Risk Margin.

New business strain was £(438)m, primarily reflecting elevated PRT volumes written at capital strain levels in line with our long-term average. This resulted in net surplus generation of £1,383m (2022: £1,453m), which was in excess of the dividends paid during the year.

Operating variances include the impact of experience variances, changes to assumptions and management actions.

Market movements of £(512)m primarily reflect the impact of higher rates on the mark to market valuation of our assets, partially offset by other, smaller variances such as credit spread dispersion in sub-investment grade assets, and inflation.

The movements shown above incorporate the impact of recalculating the TMTP as at 31 December 2023.

Sensitivity analysis[3]

	Impact on net of tax Solvency II capital surplus 2023 £bn	Impact on net of tax Solvency II coverage ratio 2023 %
100bps increase in risk-free rates	0.1	10
100bps decrease in risk-free rates	(0.2)	(11)
Credit spreads widen by 100bps assuming an escalating addition to ratings	0.4	14
Credit spreads narrow by 100bps assuming an escalating deduction from ratings	(0.6)	(18)
Credit spreads widen by 100bps assuming a flat addition to ratings	0.5	15
Credit spreads of sub-investment grade assets widen by 100bps assuming a level addition to ratings	(0.2)	(7)
Credit migration	(0.7)	(10)
25% fall in equity markets	(0.4)	(3)
15% fall in property markets	(0.9)	(10)
50bps increase in future inflation expectations	(0.1)	(3)
10% increase in maintenance expenses	(0.3)	(4)

3. Please see disclosure 5.01 (vii) for further details.

The above analysis does not reflect all possible management actions which could be taken to reduce the impact of each sensitivity due to the complex nature of the modelling. In practice, the Group actively manages its asset and liability positions to respond to market movements. Other than in the interest rate and inflation stresses, we have not allowed for the recalculation of TMTP. The impacts of these stresses are not linear therefore these results should not be used to interpolate or extrapolate the impact of a smaller or larger stress.

The results of these tests are indicative of the market conditions prevailing at the balance sheet date. The results would be different if performed at an alternative reporting date.

The impacts of credit spreads and risk-free rate sensitivities are primarily non-economic arising from movements in balance sheet items that result from changes in the discount rates used to calculate the value of assets and liabilities. The credit migration stress, in the absence of defaults, delays the emergence of operating surplus generation, but does not reduce the actual quantum of future releases. Similarly, equity and property stresses only result in losses if assets are sold at depressed values.

Solvency II new business contribution

Management estimates of the present value of new business (PVNBP) and the margin as at 31 December 2023 are shown below[1]:

£m	PVNBP	Contribution from new business	Margin %
LGRI - UK annuity business	8,859	654	7.4
Retail Retirement – UK annuity business	1,431	100	7.0
UK Protection Total	1,337	37	2.8
US Protection	1,123	128	11.4

The key economic assumptions as at 31 December 2023 are as follows:

	%
Margin for risk	4.2
Risk-free rate	
- UK	3.3
- US	3.9
Risk discount rate (net of tax)	
- UK	7.5
- US	8.1
Long-term rate of return on non-profit annuities	4.9

1. Please see disclosure 5.02 for further details.

The future earnings are discounted using duration-based discount rates, which is the sum of a duration-based risk-free rate and a flat margin for risk. The risk-free rate shown above is a weighted average based on the projected cash flows.

Economic and non-economic assumptions are set to best estimates of their real-world outcomes, including a risk premium for asset returns where appropriate. In particular:

- The assumed future pre-tax returns on fixed interest and RPI linked securities are set by reference to the yield on the relevant backing assets, net of an allowance for default risk which takes into account the credit rating and the outstanding term of the assets. The weighted average deduction for business written in 2023 equates to a level rate deduction from the expected returns of 19 basis points. The calculated return takes account of derivatives and other credit instruments in the investment portfolio.

- Non-economic assumptions have been set at levels commensurate with recent operating experience, including those for mortality, morbidity, persistency and maintenance expenses (excluding development costs). An allowance is made for future mortality improvement. For new business, mortality assumptions may be modified to take certain scheme specific features into account.

The profits on the new business are presented gross of tax.

Principal risks and uncertainties

The directors confirm that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

The principal risks are set out below including details of how they have been managed or mitigated. Further details of the Group's inherent risk exposures are set out at Notes 7 and 15 to 17 of the financial statements.

RISKS AND UNCERTAINTIES	RISK MITIGATION	OUTLOOK
Investment market performance and conditions in the broader economy may adversely impact earnings, profitability, or surplus capital. The performance and liquidity of financial and property markets, interest rate movements and inflation impact the value of investments we hold in both shareholders' funds and to meet the obligations from insurance business; the movement in certain investments directly impacts profitability. Interest rate movements and inflation can also change the value of our obligations and although we seek to match assets and liabilities, losses can still arise from adverse markets. Falls in the risk-free yield curve can also create a greater degree of inherent volatility to be managed in the solvency balance sheet, potentially impacting capital requirements and surplus capital. Falls in investment values can reduce our investment management fee income.	We cannot completely eliminate the downside impacts on our earnings, profitability or surplus capital from investment market volatility and adverse economic conditions, although we seek to position our investment portfolios and wider business plans for a range of plausible economic scenarios and investment market conditions to ensure their resilience across a range of outcomes. This includes setting risk limits on exposures to different asset classes and where hedging instruments exist, we seek to limit our exposure on a financial reporting basis. Our Own Risk Solvency Assessment (ORSA) is integral to our risk management approach, and includes an assessment of the financial impacts of risks associated with investment market volatility and adverse economic scenarios for our solvency balance sheet, capital sufficiency, and liquidity requirements.	The global economic outlook remains uncertain with the potential for interest rates to remain at current levels for longer than anticipated by the markets and longer than required to subdue inflation. This could lead to significant unintended damage to the broader economy, including a sustained period of low investment and growth, reduced consumer spending, and higher unemployment. Our businesses are primarily exposed to the UK and US economies. Asset values, including commercial and residential property prices, remain susceptible to reappraisal should the current economic outlook deteriorate, as well as from a range of geo-political factors including the on-going war in Ukraine and conflict in the Middle East. Towards the end of 2023 commercial property markets stabilised to an extent and some confidence returned. Within our construction businesses supply chain, cost inflation and labour shortages continue to present risk.
In dealing with issuers of debt and other types of counterparty, the Group is exposed to the risk of financial loss. Systemic corporate sector failures, or a major sovereign debt event, could, in extreme scenarios, trigger defaults impacting the value of our bond portfolios. Under Solvency II, a widespread widening of credit spreads and downgrades can also result in a reduction in our balance sheet surplus, despite already having set aside significant capital for credit risk. We are also exposed to default risks in dealing with banking, money market and reinsurance counterparties, as well as settlement, custody, and other bespoke business services. Default risk also arises where we undertake property lending, with exposure to loss if an accrued debt exceeds the value of security taken.	We manage our exposure to downgrade and default risks within our bond portfolios, through setting selection criteria and exposure limits, and using LGIM's global credit team's capabilities to ensure risks are effectively controlled, where appropriate trading out to improve credit quality. In our property lending businesses, our loan criteria take account of borrower creditworthiness and the potential for movements in the value of security. We manage our reinsurer exposures tightly with the vast majority of our reinsurers having a minimum A- rating, setting rating-based exposure limits, and where appropriate taking collateral. Similarly, we seek to limit aggregate exposure to banking, money market and service providers. Whilst we manage risks to our balance sheet, we can never eliminate downgrade or default risks, although we seek to hold a strong balance sheet that we believe to be prudent for a range of adverse scenarios.	The risk of credit default increases in periods of low economic growth, and we continue to closely monitor the factors that may lead to a widening of credit spreads including the outlook for the real economy and fiscal and monetary policy. Although real incomes in the UK have risen in 2023, any reversal of this would particularly impact economic activity in sectors reliant on discretionary spending. We remain vigilant, closely monitoring all the names/assets in our portfolio in the short-term, as well as forming views on the medium to long -term outlook. Our credit portfolio remains overwhelmingly (99%) investment grade, and our office property lending continues to focus on high-grade assets let to investment grade or government tenants.

RISKS AND UNCERTAINTIES	RISK MITIGATION	OUTLOOK
We fail to respond to the emerging threats from climate change for our investment portfolios and wider businesses. As a significant investor in financial markets, commercial real estate and housing, we are exposed to climate related transition risks. Abrupt shifts in the political and technological landscape impact the value of those investment assets associated with higher levels of greenhouse gas emissions. Physical risks, stemming from extreme climate outcomes, could impact the valuation of at-risk assets, for example flood could impact the value of our property assets; and could also potentially have longer-term effects on mortality rates. We are also exposed to reputation and climate related litigation risks should our responses to the threats from climate change be judged not to align with the expectations of environment, social and governance (ESG) groups. Our risk management approach is also reliant upon the availability of verifiable consistent and comparable emissions data..	We recognise our scale brings a responsibility to act decisively in positioning our balance sheet to address climate change risks We assess climate change risks in our investment process, including the management of real assets and measure the carbon intensity targets of our investment portfolios. Along with specific investment exclusions for carbon intensive sectors, we have set overall reduction targets aligned with the 1.5°C Paris Agreement. This includes setting near term science-based targets to support our long-term emission reduction goals in line with our Climate transition plan. We continue to develop how we incorporate the potential physical impacts of the climate change on both assets and liabilities into our modelling and projects, while also evolving our approach to include nature and biodiversity in our climate risk work. Alongside managing climate exposures, we closely monitor the political and regulatory landscape, and as part of our climate strategy we engage with regulators and investee companies in support of climate action. As we change how we invest, the products and services we offer, and how we operate, we are also mindful of the need to ensure that we have the right skills for the future.	Over the next decade, the change necessary to meet global carbon reduction targets will require societal adjustments on an unprecedented scale. The events of 2023, particularly the increasing frequency of record-breaking heat events and the extreme summer weather events experienced in the northern hemisphere, have demonstrated that the impacts of increased climate volatility can be significant and may emerge rapidly. If governments fail to ensure an orderly transition to low carbon economies, it increases the risk of sudden late policy action and large, unanticipated shifts in the asset values of impacted industries. Our transition plans aims to minimise exposure to this risk, but its success is dependent on the delivery of the policy actions and the climate reduction targets of the firms we invest in. The actions governments take will also, significantly impact our ability to meet our climate targets, and as the science of climate change evolves, we may need to adapt our actions. Additionally anti ESG sentiment, particularly within countries with a high dependency on fossil fuel related industries, may limit global efforts to address climate change and investment opportunities. Although a broad set of actions to limit global warming is underway, we are moving to a situation where the path to achieving a sub-1.5 temperature increase is becoming narrower. This could also have an impact on our ability to meet the climate-related targets we have set ourselves. We expect a continuing and increased focus on nature and biodiversity risks going forward.
A material failure in our business processes or IT security may result in unanticipated financial loss or reputation damage. We have constructed our framework of internal controls to minimise the risk of unanticipated financial loss or damage to our reputation. However, no system of internal control can completely eliminate the risk of error, financial loss, fraudulent actions, or reputational damage. We are also inherently exposed to cyber threats including the risks of data theft and fraud and more generally it is imperative that we maintain the privacy of our customers' personal data. There is also strong stakeholder expectation that our core business services are resilient to operational disruption.	Our risk governance model seeks to ensure that business management are actively engaged in maintaining an appropriate control environment, supported by risk functions led by the Group Chief Risk Officer, with independent assurance from Group Internal Audit. We continue to evolve our risk management approach for IT, operational resilience and data access and privacy. Whilst we seek to maintain a control environment commensurate with our risk profile, we recognise that residual risk will always remain across the spectrum of our business operations and we aim to develop response plans so that when adverse events occur, appropriate actions are deployed.	We continue to remain alert to evolving operational risks and invest in our system capabilities, including those for the management of cyber risks, to ensure that our business processes are resilient. We also remain cognisant of the risks as we implement a new global operating model and IT platform for LGIM and have structured the migration in phases to minimise change risks.

RISKS AND UNCERTAINTIES	RISK MITIGATION	OUTLOOK
Changes in experience, regulation or legislation may require revisions to our reserves and capital requirements, and could also impact our reported solvency position and dividend policy. The pricing of long-term business requires the setting of assumptions for long-term trends in factors such as mortality, lapse rates, expenses, interest rates and credit defaults. Actual experience may require recalibration of these assumptions, changing the level of provisions and impacting reported profitability. Regulation defines the overall framework for the design, marketing, taxation and distribution of our products, and the prudential provisions and capital that we hold. Significant changes in legislation or regulation may increase our cost base, reduce our future revenues, impact profitability or require us to hold more capital. The prominence of the risk increases where change is implemented without prior engagement with the sector. The nature of long-term business can also result in some changes in regulation, and the re-interpretation of regulation over time, having a retrospective effect on in-force books of business, impacting future cash generation. Changes in these areas can affect our reported solvency position and dividend policy.	We undertake significant analysis of the variables associated with writing long-term insurance business to ensure that a suitable premium is charged for the risks we take on, and that provisions continue to remain appropriate for factors including mortality, lapse rates, expenses, valuation interest rates and credit defaults in the assets backing our insurance liabilities. We seek to have a comprehensive understanding of longevity, mortality and morbidity risks, and we continue to evaluate wider trends in life expectancy. However, we cannot remove the risk that adjustment to reserves may be required, although the selective use of reinsurance acts to reduce the impacts to us of significant variations in life expectancy and mortality. We actively engage with government and regulatory bodies to assist in the evaluation of regulatory change to promote outcomes that meet the needs of all stakeholders. To influence policy our interactions with government and policy teams at regulators include face-to-face and virtual meetings, written responses to discussion papers and consultations, ad-hoc communications and attendance at roundtables with industry peers. With our experience in various sectors, we can explain how proposed policy translates into practice and identify potential issues or unintended consequences that might arise. When such regulatory changes move to the implementation stage, we undertake detailed gap analysis work and depending on the scale of the work required, establish project management arrangements with first and second-line teams working together. This is to ensure we delivery regulatory change effectively and efficiently, minimising disruption to our operations.	We have seen continued elevated levels of mortality in both the UK and the US. The causes are unclear, but may reflect indirect impacts of Covid 19 related illness, and the deferral of diagnostics and medical treatments for other conditions. There remains continued uncertainty as to the impacts of "long covid". Continued cost of living pressures and government spending decisions also have the potential to affect mortality outcomes. Along with the emergence of new diseases and changes in immunology impacting mortality and morbidity assumptions, other risk factors that may impact future reserving requirements include a significant advance in medical science leading to more effective treatments, beyond that anticipated, requiring adjustment to our longevity assumptions. Beginning 2024, the UK will enforce a 15% global minimum tax to multi-national firms, following OECD rules. Bermuda's new Corporate Income Tax will be effective from 1 January 2025. The Group is expected to be liable to UK top-up tax in 2024 and Bermuda corporate tax from 2025 on profits arising from its Bermuda reinsurance hub. We are actively working with relevant bodies on the implementation of these new legislations. Changes in capital standards, both in the UK and elsewhere, could impact our reported solvency position and dividend policy. Post-Brexit, the UK is reforming its capital regime to move from Solvency II to Solvency UK. The key changes are designed to enable annuity product providers to invest more broadly to diversify risk and support investment in the UK economy. A 65% reduction in the Risk Margin took effect at the end of 2023, with reform of the Matching Adjustment due in 2024. We are actively engaging with the PRA on the new regime's details and working to implement the required changes. The Bermuda Monetary Authority ("BMA") revised its capital regime for life insurers in 2023, with changes effective from March 2024. The impact of the proposed changes on L&G's business is expected to be modest. The International Association of Insurance Supervisors ("IAIS") is finalising the Insurance Capital Standards ("ICS"), a global minimum standard capital for Internationally Active Insurance Groups ("IAIGs"). The ICS is expected to be adopted end-2024. L&G Group, designated an IAIG by the PRA, has actively participated in consultations on the standard. If Solvency UK is considered as strong as the ICS, it may be used for ICS compliance and therefore would result in little impact on L&G Group. We will continue to engage with both the PRA and the IAIS during this period.

RISKS AND UNCERTAINTIES	RISK MITIGATION	OUTLOOK
Failure to effectively implement financial services regulatory or legislative change in a timely manner could lead to regulatory censure, reputational damage and deteriorating customer outcomes. We are exposed to several risks where effective identification and implementation of regulatory changes are particularly important. These include changes relating to our management of operational risk, conduct risk, climate risk and health & safety risk. The magnitude or scope of some regulatory changes can have a bearing on our ability to deliver our overall strategy. Regulatory or legislative changes can have a significant impact on our business. Such changes could limit our ability to operate in certain markets or sectors, potentially leading to a reduction in our customer base and revenue. There is a risk that regulatory policies could develop in a manner that is detrimental to our business and/or customers. Alternatively, it could develop in a way that presents opportunities, but we fail to revise our strategy and adapt quickly enough to benefit. Non-compliance with new regulations or legislation could potentially damage our reputation. This could lead to a loss of customer trust and result in regulatory sanctions.	We identify, track and review the impact of regulatory change through our internal control processes, with material updates being considered at the Executive and Group Risk Committees and the Group Board. Our processes are designed to ensure compliance with all new and developing regulation. We actively engage with appropriate regulatory bodies to ensure we maintain high standards of business and deliver for our customers. In 2023 we successfully implemented the Consumer Duty for open products, with our work on legacy products well underway. We have also made progress on our implementation of the UK's operational resilience rules which are due to come into force in March 2025. We seek to influence the direction of travel on various regulatory policy themes at government and regulator level for the benefit of our customers and other stakeholders. We have advocated on the development of the Consumer Duty, pension reforms, sustainability and diversity and inclusion.	The volume and burden of regulatory change remains high across the sectors we operate in. We analyse, interpret and implement all relevant financial services legislation and regulation impacting our business units ensuring appropriate levels of governance and assurance. Key forthcoming developments in our risk areas include: Operational risk: work is underway to comply with the UK's new operational resilience rules by 31 March 2025 and similar developing rules in other jurisdictions Conduct risk: the FCA continues to focus on Consumer Duty, with closed book products in scope from 31 July 2024. Discussions are ongoing about the advice/guidance boundary and a proposal for 'targeted support' to close the advice gap. In 2024, new rules on diversity and inclusion in financial services are expected, likely leading to increased data collection, disclosure and reporting requirements. We maintain a focus on minimising the risks of financial crime for our customers and on our financial results. Climate risk: there are a variety of moving pieces in the development of climate regulation at the UK, the US and EU level. We anticipate more focus on scenario testing and scrutiny on sustainability claims following the FCA's new anti-greenwashing rule and Sustainability Disclosure Regulations effective from 31 May 2024. We're awaiting the UK Green Taxonomy and implementation of ISSB disclosure standards. Health & Safety: we have enhanced our governance processes and developed a 3-year strategy focusing on culture, quality, consistency, technology, and keeping pace with change. Registration requirements for the new Buildings Safety Act were met by the October 2023 deadline. Strategic risk: we continue to follow the development of the government's Mansion House reforms and wider pensions reforms, such as the Pensions Dashboard work.
The success of our operations is dependent on the ability to attract and retain highly qualified professional people. The Group aims to recruit, develop and retain high quality individuals. We are inherently exposed to the risk that key personnel or teams of expertise may leave the Group, with an adverse effect on the Group's businesses. As we increasingly focus on the digitalisation of our businesses, we are also competing for data and digital skill sets with other business sectors as well as our peers.	We seek to ensure that key personnel dependencies do not arise, through employee training and development programmes, remuneration strategies and succession planning. Our processes include the active identification and development of talent within our workforce, and by the highlighting our values and social purpose, promoting Legal & General as a great place to work. As well as investing in our people, we are also transforming how we engage and develop capabilities, with new technologies and tools to support globalisation, increase productivity and provide an exceptional employee experience.	Competition for talent remains strong with skills in areas such as technology and digital particularly sought after across many business sectors, including those in which we operate. We also recognise the risks posed by the outlook for inflation in salary expectations across the wider employment market, and internally we have taken steps to help our employees through direct financial support and by providing advice and resources to help them manage their financial well-being.

RISKS AND UNCERTAINTIES	RISK MITIGATION	OUTLOOK
New entrants and/or technology may disrupt the markets in which we operate. There is already strong competition in our markets, and although we have had considerable past success at building scale to offer low-cost products, we recognise that markets remain attractive to new entrants. We are also cognisant of competitors who may have lower return on capital requirements or be unconstrained by Solvency II. The continued evolution of AI has the potential to be a significant disrupting force across our businesses, for example by enabling new entrants to compete with potentially lower costs, and more efficient processes. The technology itself could have an impact on asset valuations, and on our liabilities including through its impact on the effectiveness of life sciences and health care systems.	We continuously monitor the factors that may impact the markets in which we operate, including evolving domestic and internal capital standards, and are maintaining our focus on our digital platforms. We have responded to the rapid advancement and accessibility of generative AI capabilities from third parties by launching a central AI Accelerator programme. This initiative brought together colleagues across the Group to shape and incubate our generative AI approaches, raise awareness and educate our business, and deliver a secure environment for internal test and learn use cases. Our regulatory developments team keeps a close watch on the AI landscape across all our regulators. We are actively engaged in numerous consultations in relation to AI and generative AI.	We observe a continued acceleration of a number of trends, including greater consumer engagement in digital business models and on-line servicing tools. In the current operating environment, businesses like ours have transformed working practices, and we anticipate further investment in automation, using robotics and machine learning to enhance business efficiency. We are deepening our understanding of the impacts of AI on our businesses and in the wider sector. Our businesses are also well positioned for changes in the competitive landscape that may arise from pensions-related changes. We welcome innovation in the market, such as the proposed roll out of defined benefit 'superfund' consolidation schemes, as long as the security of members' benefits is prioritised. We may see alternative de-risking offerings coming to the market targeting a similar segment to superfunds. The pension dashboards initiative will also be a positive development. Legislation is being introduced in 2024 to make providing a qualifying pensions dashboard service a regulated activity, and it is likely we will see firms apply for this. On the 'collective' defined contribution reform, while we have seen limited demand for this to date, it holds the potential to disrupt both the workplace and retirement income market.

Notes

A copy of this announcement can be found in “Results, Reports and Presentations”, under the “Investors” section of our shareholder website at https://group.legalandgeneral.com/en/investors/results-reports-and-presentations.

A presentation to analysts and investors will take place at 10:00am UK time today at One Coleman Street, London, EC2R 5AA. There will also be a live webcast of the presentation that can be accessed at https://group.legalandgeneral.com/en/investors.

A replay of the presentation will be made available on this website by 7 March 2024.

Financial Calendar	Date
Ex-dividend date (2023 final dividend)	**25 April 2024**
Record date	**26 April 2024**
Annual General Meeting	**23 May 2024**
Dividend payment date	**6 June 2024**
2024 interim results announcement	**7 August 2024**
Ex-dividend date (2024 interim dividend)	**22 August 2024**
Record date	**23 August 2024**
Dividend payment date	**27 September 2024**

Definitions

Definitions are included in the Glossary on pages 83 to 88 of this release.

Forward-looking statements

This report may contain 'forward-looking statements' with respect to the financial condition, performance and position, strategy, results of operations and businesses of the company and the Group that are based on management’s current expectations or beliefs, as well as assumptions and projections about future events. These forward- looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as ‘aim’, ‘ambition’, 'may', 'could', 'will', 'expect', 'intend', 'estimate', 'anticipate', 'believe', 'plan', 'seek', 'continue', ‘milestones’, ‘outlook’, ‘target’, ‘objectives’ or other words of similar meaning. By their very nature, forward-looking statements are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Recipients should not place undue reliance on, and are cautioned about relying on, any forward-looking statements.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. The factors that could cause actual results to differ materially from those described in the forward-looking statements include (but are not limited to): changes in global, political, economic, business, competitive and market forces or conditions; future exchange and interest rates; changes in environmental, social or physical risks; legislative, regulatory and policy developments; risks arising out of health crises and pandemics; changes in tax rates, future business combinations or dispositions; and other factors specific to the Group. Any forward-looking statement contained in this document is based on past or current trends and/or activities of the Group and should not be taken as a guarantee, warranty or representation that such trends or activities will continue in the future. No statement in this document is intended to be a profit forecast or to imply that the earnings of the Group for the current year or future years will necessarily match or exceed the historical or published earnings of the Group. Each forward-looking statement speaks only as of the date of the particular statement. Except as required by any applicable laws or regulations, the Group expressly disclaims any obligation to revise or update any forward- looking statement contained within this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.

Caution about climate information

Annual Report and Accounts contains climate and ESG disclosures which use a large number of judgments, assumptions and estimates in connection with involved complex issues. The ESG disclosures should be treated with special caution, as ESG and climate data, models and methodologies are often relatively new, are rapidly evolving and are not of the same standard as those available in the context of other financial information, nor are they subject to the same or equivalent disclosure standards, historical reference points, benchmarks, market consensus or globally accepted accounting principals. These judgments, assumptions and

estimates are likely to change over time, in particular given the uncertainty around the evolution and impact of climate change. In addition, the Group's climate risk analysis and net zero strategy remain under development and the data underlying the analysis and strategy remain subject to evolution. As a result, certain climate and ESG disclosures made in this report are likely to be amended, updated, recalculated or restated in future reports. This statement should be read together with the Cautionary statement contained in the Group's latest Climate and nature report. The information, statements and opinions contained in the Annual Report and Accounts do not constitute an offer to sell or buy or the solicitation of an offer to sell or buy any securities or financial instruments nor do they constitute any advice or recommendation with respect to such securities or other financial instruments or any other matter.

Going concern statement

The Group's business activities, together with the factors likely to affect its future development, performance and position in the current economic environment are set out in the Annual Report & Accounts. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Group Results. Principal risks and uncertainties are detailed on pages 56 to 59.

The directors have made an assessment of the Group's going concern, considering both the current performance and the outlook for a period of at least, but not limited to, 12 months from the date of approval of the consolidated financial statements, using the information available up to the date of issue of the Annual Report & Accounts.

The Group manages and monitors its capital and liquidity, and applies various stresses, including adverse inflation and interest rate scenarios, to those positions to understand potential impacts from market downturns. Our key sensitivities and the impacts on our capital position from a range of stresses are disclosed in section 5.01 of the Capital section of the Full year results in this 2023 Preliminary Management Report. These stresses do not give rise to any material uncertainties over the ability of the Group to continue as a going concern. Based upon the available information, the directors consider that the Group has the plans and resources to manage its business risks successfully and that it remains financially strong and well diversified.

Having reassessed the principal risks and uncertainties (both financial and operational) in light of the current economic environment, as detailed on pages 5**6** to 59, the directors are confident that the **G**roup and company will have sufficient funds to continue to meet its liabilities as they fall due for a period of, but not limited to, 12 months from the date of approval of the financial statements and therefore have considered it appropriate to adopt the going concern basis of accounting when preparing the financial statements.

Directors' responsibility statement

We confirm to the best of our knowledge that:

- The Group financial statements within the full Annual Report & Accounts, from which the financial information within this preliminary announcement has been extracted, and which have been prepared in accordance with UK-adopted IFRSs, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- The preliminary announcement includes a fair review of the development, performance and position of the Group, as well as the principal risks and uncertainties faced by the Group; and
- The directors of Legal & General Group Plc are listed in the Legal & General Group Plc website: https://group.legalandgeneral.com/en/about-us/our-management/group-board

By order of the Board

António Pedro dos Santos Simões
Group Chief Executive Officer
5 March 2024

Stuart Jeffrey Davies
Group Chief Financial Officer
5 March 2024

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IFRS Disclosures on performance

1.01 IFRS 17 and IFRS 9 restatement

The group has applied IFRS 17, 'Insurance Contracts' and IFRS 9, 'Financial Instruments' for the first time from 1 January 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments respectively, and have had a material impact on the group's financial statements in the period of initial application.

IFRS 17, 'Insurance Contracts' was originally issued in May 2017 by the IASB, and subsequent amendments were issued in June 2020. Endorsement for use in the UK was granted in May 2022. The standard replaced IFRS 4, 'Insurance Contracts', and has been applied retrospectively, in line with the transitional options provided for in the standard. IFRS 17 provides a comprehensive approach for accounting for insurance contracts including their measurement, income statement presentation and disclosure.

IFRS 9, 'Financial Instruments' was issued in July 2014 by the IASB, effective for annual periods beginning on or after 1 January 2018. The IASB subsequently issued 'Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts' which allowed entities that met certain requirements to defer their implementation of IFRS 9 until adoption of IFRS 17, 'Insurance Contracts' or 1 January 2021, whichever is the earlier. In June 2020, the IASB agreed to extend the temporary exemption in IFRS 4 from applying IFRS 9 to annual reporting periods beginning on or after 1 January 2023. The group qualified for, and made use of this deferral option, and has therefore applied IFRS 9 for the first time on 1 January 2023. The standard replaced IAS 39, 'Financial Instruments: Recognition and Measurement'. It includes new principles around classification and measurement of financial instruments, introduces an impairment model based on expected credit losses (replacing the previous model based on incurred losses) and new requirements on hedge accounting.

The new accounting policies adopted by the group for IFRS 17 and IFRS 9, together with information relating to the transition to the new standards, are included in the group's 2023 Annual Report and Accounts.

IFRS 17 and IFRS 9 have been applied retrospectively and prior period comparative information has been restated, with all restatements clearly labelled as such throughout this report.

Prior period comparative information reflecting the implementation of IFRS 17 and IFRS 9 was initially provided in the group's interim financial statements for the period ending 30 June 2023. This information was unaudited. Since that time, and in particular as a result of the detailed work and review undertaken to finalise the numbers included in this report and in the group's 2023 Annual Report and Accounts, which has now been audited, certain adjustments have been identified which have now been reflected in the prior period comparatives. This includes a £154m reclassification between Change in investment contract liabilities and Other expenses in the Consolidated Income Statement, with no impact on profit. In total, the impact of these adjustments on equity attributable to owners of the parent was an increase of £19m as at 1 January 2022, and a decrease of £45m as at 31 December 2022.

As at the transition date of 1 January 2022, the impacts on the key line items in the group's Consolidated Balance Sheet are set out below.

Balance sheet item	31 December 2021 (as reported) £m	Reclassification due to adoption of IFRS 9 and IFRS 17 £m	Impact of the adoption of IFRS 9 £m	Impact of the adoption of IFRS 17 £m	1 January 2022 (restated) £m
Financial investments	538,374	(29)	(716)	–	537,629
Net insurance contract liabilities[1]	(82,645)	(199)	–	(6,133)	(88,977)
Net deferred tax (liabilities)/assets	(249)	–	178	1,178	1,107
Other	(444,994)	228	–	(33)	(444,799)
Equity attributable to owners of the parent	10,486	–	(538)	(4,988)	4,960

1. Net insurance contract liabilities reflect insurance contract assets and liabilities, net of reinsurance contracts.

The adoption of the new accounting standards does not change the total profit recognised over the life of the group's insurance contracts, nor the underlying economics or cash generation of the group's businesses. It does not change the group's strategy, solvency position nor dividend paying capacity or appetite.

IFRS Disclosures on performance

1.02 Operating profit#

For the year ended 31 December 2023	Notes	2023 £m	Restated 2022 £m
Legal & General Retirement Institutional (LGRI)	1.03	**886**	807
Legal & General Capital (LGC)	1.04	**510**	509
Legal & General Investment Management (LGIM)	1.05	**274**	340
Retail	1.03	**408**	415
- Insurance		138	165
- Retail Retirement		270	250
Operating profit from divisions		**2,078**	2,071
Group debt costs[1]		**(212)**	(214)
Group investment projects and expenses		**(199)**	(194)
Operating profit		**1,667**	1,663
Investment and other variances	1.06	**(1,577)**	(794)
Losses attributable to non-controlling interests		**(14)**	(1)
Adjusted profit before tax attributable to equity holders		**76**	868
Tax credit/(expense) attributable to equity holders	3.04	**367**	(86)
Profit for the year	2.01	**443**	782
Total tax (credit)/expense	2.01	**(248)**	157
Profit before tax	2.01	**195**	939
Profit attributable to equity holders		**457**	783
Earnings per share:			
Basic (pence per share)[2]	1.08	**7.35**	12.84
Diluted (pence per share)[2]	1.08	**7.28**	12.47

1. Group debt costs exclude interest on non-recourse financing.
2. All earnings per share calculations are based on profit attributable to equity holders of the company.

This supplementary adjusted operating profit information (one of the group's key performance indicators) provides additional analysis of the results reported under IFRS, and the group believes that it provides stakeholders with useful information to enhance their understanding of the performance of the business in the year. While the calculation of adjusted operating profit has been updated to reflect the accounting and presentational impacts of IFRS 17, the key principles of what is measured by adjusted operating profit, as set out below and except as noted, remain unchanged from the prior year.

Adjusted operating profit measures the pre-tax result excluding the impact of investment volatility, economic assumption changes caused by changes in market conditions or expectations and exceptional items. Key considerations in relation to the calculation of adjusted operating profit for the group's long-term insurance businesses and shareholder funds are set out below.

Exceptional income and expenses which arise outside the normal course of business in the year, such as merger and acquisition and start-up costs, are excluded from adjusted operating profit.

Long-term insurance

Adjusted operating profit reflects longer-term economic assumptions for the group's retirement and insurance businesses. Variances between actual and long-term expected investment return on traded and real assets are excluded from adjusted operating profit, as well as economic assumption changes caused by changes in market conditions or expectations (e.g. credit default and inflation) and any difference between the actual allocated asset mix and the target long-term asset mix on new pension risk transfer business. Assets held for future new pension risk transfer business are excluded from the asset portfolio used to determine the discount rate for annuities on insurance contract liabilities. The impact of investment management actions that optimise the yield of the assets backing the back book of annuity contracts is now included within adjusted operating profit; prior to the implementation of IFRS17 the impact of such actions was not included in operating profit.

For the group's long-term insurance businesses, reinsurance mismatches are also excluded from adjusted operating profit. Reinsurance mismatches arise where the reinsurance offset rules in IFRS 17 do not reflect management's view of the net of reinsurance transaction. In particular, during a year of reinsurance renegotiation, reinsurance gains cannot be recognised to offset any inception losses on the underlying contracts where they are recognised before the new reinsurance agreement is signed. In these circumstances, the onerous contract losses are reduced to reflect the net loss (if any) after reinsurance, and future contractual service margin (CSM) amortisation is reduced over the duration of the contracts.

All references to 'Operating profit' throughout this report represent 'Adjusted operating profit', an alternative performance measure defined in the glossary.

1.02 Operating profit# (continued)

Shareholder funds
Shareholder funds include both the group's traded investments portfolio and certain direct investments for which adjusted operating profit is based on the long-term economic return expected to be generated. For these direct investments, as well as for the group's traded investments portfolio, deviations from such long-term economic return are excluded from adjusted operating profit. Direct investments for which adjusted operating profit is reflected in this way include the following:

- Development assets, predominantly in the specialist commercial real estate and housing sectors within the LGC alternative asset portfolio: these are assets under construction and contracted to either be sold to other parts of the group or for other commercial usage, and on which LGC accepts development risks and expects to realise profits once construction is complete.
- 'Scale-up' investments, predominantly in the alternative finance sector within the LGC alternative asset portfolio as well as the fintech business within Retail: these are investments in early-stage ventures in a fast-growing phase of their life cycle, but which have not yet reached a steady-state level of earnings.

Shareholder funds also includes other direct investments for which adjusted operating profit reflects the IFRS profit before tax. Direct investments for which adjusted operating profit is reflected in this way include the following:

- 'Start-up' investments: these are companies in the beginning stages of their business lifecycle (i.e. typically less than 24 months) and which therefore have limited operating history available and typically are in a pre-revenue stage.
- Mature assets: these are companies in their final stages of business lifecycle. They are stable businesses and have sustainable streams of income, but the growth rate in their earnings is expected to remain less pronounced in the future.

1.03 Analysis of LGRI and Retail operating profit#

	LGRI 2023 £m	**Retail 2023 £m**	LGRI 2022 £m	Retail 2022 £m
Amortisation of the CSM in the year[1]	**591**	**446**	497	424
Release of risk adjustment in the year	**119**	**74**	136	85
Experience variances	**(14)**	**(17)**	15	(92)
Development of losses on onerous contracts	**1**	**(27)**	1	(7)
Other expenses[2]	**(160)**	**(121)**	(130)	(113)
Insurance investment margin[3]	**344**	**81**	280	60
Investment contracts and non-insurance operating profit	**5**	**(28)**	8	58
Total LGRI and Retail operating profit	**886**	**408**	807	415

1. Contractual service margin (CSM) amortisation for Retail has been reduced by £16m (2022: £17m) to exclude the impact of reinsurance mismatches.
2. Other expenses are non-attributable expenses on both new business and existing business. These are overhead costs which are not allowed for in the CSM or the best estimate liability unit cost assumptions, and instead are reported within the Consolidated Income Statement as part of the profit or loss for the year.
3. Insurance investment margin comprises the expected investment return on assets backing insurance contract liabilities, the unwind of the discount rate on insurance contract liabilities and the optimisation of the assets backing the annuity back book.

1.04 LGC operating profit#

	2023 £m	2022 £m
Direct investments[1]	**371**	400
Traded investment portfolio including treasury assets[2]	**139**	109
Total LGC operating profit	**510**	509

1. Direct investments represents LGC's portfolio of assets across specialist commercial real estate, clean energy, housing and alternative finance. Direct investments includes operating profit in relation to CALA Homes of £106m (2022: £172m).
2. The traded investment portfolio holds a diversified set of exposures across equities, bonds, derivative assets, loans and cash.

1.05 LGIM operating profit#

	2023 £m	2022 £m
Asset management revenue (excluding third-party market data)[1]	**876**	944
Asset management transactional revenue[2]	**26**	26
Asset management expenses (excluding third-party market data)[1]	**(628)**	(630)
Total LGIM operating profit	**274**	340

1. Asset management revenue and expenses exclude income and costs of £26m in relation to the provision of third-party market data (2022: £30m).
2. Transactional revenue from external clients includes execution fees, asset transition income, trigger fees, arrangement fees on property transactions and performance fees.

All references to 'Operating profit' throughout this report represent 'Adjusted operating profit', an alternative performance measure defined in the glossary.

IFRS Disclosures on performance

1.06 Investment and other variances

	2023 £m	Restated 2022 £m
LGRI and Retail		
- Net impact of investment returns less than expectation and change in liability discount rates[1]	**(584)**	(115)
- Other	**(16)**	–
Total LGRI and Retail	**(600)**	(115)
LGC investment variance	**(351)**	(428)
Other investment variance[2]	**(427)**	(119)
Investment variance	**(1,378)**	(662)
M&A related and other variances[3]	**(199)**	(132)
Total investment and other variances	**(1,577)**	(794)

1. Investment variance for LGRI and Retail includes a £318m expense (2022: £167m expense) arising from rate differences on longevity assumption changes in the period.
2. Other investment variance includes the £167m one-off settlement cost associated with the buy-out of the group's UK defined benefit pension schemes (see Note 3.14 (iii) for further information) along with the current service costs and net interest expense up until that transaction. It also includes costs that LGIM is committed to incur on the extension of its existing partnership with State Street announced in 2021, to increase the use of Charles River technology across the front office and to deliver middle office services.
3. M&A related and other variances includes gains and losses, expenses and intangible amortisation relating to acquisitions, disposals and restructuring as well as business start-up costs. The total for the year ended 31 December 2023 includes £181m of costs incurred relating to the announced intent to cease production within the Modular Homes business and impairment of the group's investment in Onto.

Investment variance includes differences between actual and long-term expected investment return on traded and real assets (including development assets and scale-up equity direct investments within LGC and Retail's Insurance business), the impact of economic assumption changes caused by changes in market conditions or expectations (e.g. credit default and inflation), the impact of any difference between the actual allocated asset mix and the target long-term asset mix on new pension risk transfer business, and the yield associated with assets held for future new pension risk transfer business. Changes in non-financial assumptions, including longevity, recalibrate the CSM at locked-in point-of-sale discount rates whilst the fulfilment cash flows are measured at current discount rates, thereby creating a component of investment variance between these different bases.

The long-term expected investment return is based on opening economic assumptions applied to the assets at the start of the reporting year. The assumptions underlying the calculation of the expected returns for traded equity, commercial property and residential property are based on market consensus forecasts and long-term historic average returns expected to apply through the cycle.

The long-term expected investment returns are:

	2023	2022
Equities	**7%**	7%
Commercial property	**5%**	5%
Residential property	**3.5%**	3.5%

For fixed interest securities measured at FVTPL, the expected investment returns are based on average prospective yields for the actual assets held less an adjustment for credit risk (assessed on a best estimate basis). Where securities are measured at amortised cost or FVOCI, the expected investment return comprises interest income on an effective interest rate basis.

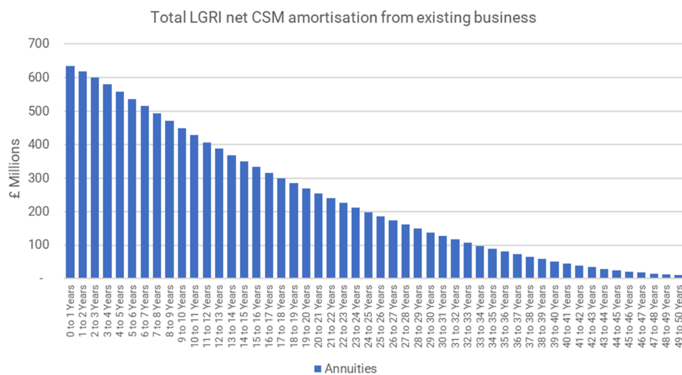
For equity direct investments, the LGC alternative asset portfolio and Retail's Insurance business comprise investments in housing, specialist commercial real estate, clean energy, alternative finance and fintech. Where used for the determination of adjusted operating profit, the long-term expected investment return is on average between 10% and 12%, in line with our stated investment objectives. Rates of return specific to each asset are determined at the point of underwriting and reviewed and updated annually. The expected investment return includes assumptions on appropriate discount rates and inflation as well as sector specific assumptions including retail and commercial property yields and power prices.

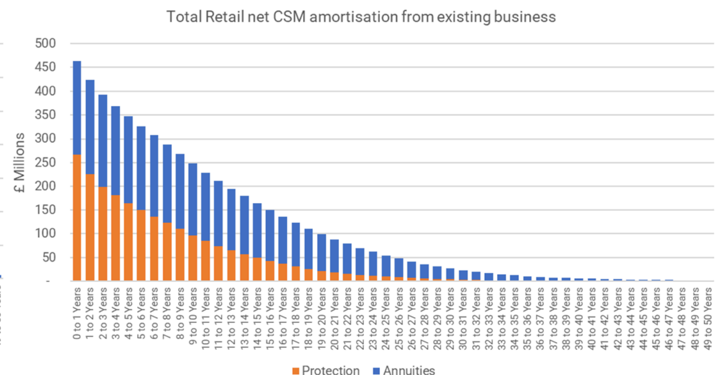
IFRS Disclosures on performance

1.07 Risk adjustment (RA) and Contractual service margin (CSM) analysis

	Net of reinsurance RA LGRI £m	Net of reinsurance RA Retail £m	Net of reinsurance CSM LGRI £m	Net of reinsurance CSM Retail £m
As at 1 January 2023	**649**	**883**	**7,448**	**4,490**
CSM recognised for services provided/received	**–**	**–**	**(591)**	**(462)**
Release of risk adjustment	**(119)**	**(74)**	**–**	**–**
Changes in estimates which adjust the CSM	**6**	**(26)**	**424**	**204**
Changes in estimates that result in losses or reversal of losses on underlying onerous contracts	**–**	**(1)**	**–**	**8**
Contracts initially recognised in the year	**161**	**32**	**865**	**320**
Finance expenses from insurance contracts	**114**	**105**	**220**	**134**
Effect of movements in exchange rates	**(4)**	**(28)**	**(16)**	**(50)**
As at 31 December 2023	**807**	**891**	**8,350**	**4,644**

	Net of reinsurance RA LGRI £m	Net of reinsurance RA Retail £m	Net of reinsurance CSM LGRI £m	Net of reinsurance CSM Retail £m
As at 1 January 2022	1,230	1,271	6,946	4,170
CSM recognised for services provided/received	–	–	(497)	(441)
Release of risk adjustment	(136)	(85)	–	–
Changes in estimates which adjust the CSM	(34)	3	197	264
Changes in estimates that result in losses or reversal of losses on underlying onerous contracts	–	(2)	–	–
Contracts initially recognised in the year	80	28	613	287
Finance (income)/expenses from insurance contracts	(498)	(408)	165	105
Effect of movements in exchange rates	7	76	24	105
As at 31 December 2022	649	883	7,448	4,490





The amounts presented reflect the net CSM amortisation expected to be recognised in operating profit in future periods from the business in-force at the end of the year, excluding the adjustment for reinsurance mismatches relating to protection business (described in Note 1.03). Actual CSM amortisation in future periods will differ from that presented due to the impacts of future new business, recalibrations of the CSM and changes in the future coverage units. The total amount presented exceeds the carrying value of the CSM as it incorporates the future accretion of interest.

IFRS Disclosures on performance

1.08 Earnings per share

(i) Basic earnings per share

	After tax 2023 £m	Per share[1] 2023 p	Restated After tax 2022 £m	Restated Per share[1] 2022 p
Profit for the year attributable to equity holders	**457**	**7.73**	783	13.23
Less: coupon payable in respect of restricted Tier 1 convertible notes net of tax relief	**(22)**	**(0.38)**	(23)	(0.39)
Total basic earnings	**435**	**7.35**	760	12.84

1. Basic earnings per share is calculated by dividing profit after tax by the weighted average number of ordinary shares in issue during the year, excluding employee scheme treasury shares.

(ii) Diluted earnings per share

For the year ended 31 December 2023	After tax £m	Weighted average number of shares m	Per share[1] p
Profit for the year attributable to equity holders	**457**	**5,915**	**7.73**
Net shares under options allocable for no further consideration	**–**	**59**	**(0.08)**
Conversion of restricted Tier 1 notes	**–**	**307**	**(0.37)**
Total diluted earnings	**457**	**6,281**	**7.28**

For the year ended 31 December 2022	Restated After tax £m	Weighted average number of shares m	Restated Per share[1] p
Profit for the year attributable to equity holders	783	5,917	13.23
Net shares under options allocable for no further consideration	–	55	(0.12)
Conversion of restricted Tier 1 notes	–	307	(0.64)
Total diluted earnings	783	6,279	12.47

1. For diluted earnings per share, the weighted average number of ordinary shares in issue, excluding employee scheme treasury shares, is adjusted to assume conversion of all potential ordinary shares, such as share options granted to employees and conversion of restricted Tier 1 notes.

IFRS Disclosures on performance

1.09 Segmental analysis

The group has five reportable segments, comprising LGRI, LGC, LGIM, Insurance and Retail Retirement as set out in Note 1.02. Group expenses and debt costs are reported separately. Transactions between segments are on normal commercial terms and are included within the reported segments.

In the UK, annuity liabilities relating to LGRI and Retail Retirement are backed by a single portfolio of assets, and once a transaction has been completed the assets relating to any particular transaction are not tracked to the related liabilities. Investment variance is allocated to the two business segments based on the relative average size of the underlying insurance contract liabilities for the year.

Reporting of assets and liabilities by reportable segment has not been included, as this is not information that is provided to key decision makers on a regular basis. The group's asset and liabilities are managed on a legal entity rather than a segment basis, in line with regulatory requirements.

Financial information on the reportable segments is further broken down where relevant in order to better explain the drivers of the group's results.

(i) Profit/(loss) for the year

For the year ended 31 December 2023	LGRI £m	LGC £m	LGIM £m	Insurance £m	Retail Retirement £m	Group expenses and debt costs £m	Total £m
Operating profit/(loss)#	**886**	**510**	**274**	**138**	**270**	**(411)**	**1,667**
Investment and other variances	**(449)**	**(487)**	**(76)**	**(81)**	**(119)**	**(365)**	**(1,577)**
Losses attributable to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(14)**	**(14)**
Profit/(loss) before tax attributable to equity holders	**437**	**23**	**198**	**57**	**151**	**(790)**	**76**
Tax credit/(expense) attributable to equity holders	**244**	**18**	**(49)**	**(40)**	**63**	**131**	**367**
Profit/(loss) for the year	**681**	**41**	**149**	**17**	**214**	**(659)**	**443**

For the year ended 31 December 2022 (Restated)	LGRI £m	LGC £m	LGIM £m	Insurance £m	Retail Retirement £m	Group expenses and debt costs £m	Total £m
Operating profit/(loss)#	807	509	340	165	250	(408)	1,663
Investment and other variances	(137)	(428)	(81)	69	(47)	(170)	(794)
Losses attributable to non-controlling interests	–	–	–	–	–	(1)	(1)
Profit/(loss) before tax attributable to equity holders	670	81	259	234	203	(579)	868
Tax (expense)/credit attributable to equity holders	(121)	(26)	(30)	(11)	(32)	134	(86)
Profit/(loss) for the year	549	55	229	223	171	(445)	782

All references to 'Operating profit' throughout this report represent 'Adjusted operating profit', an alternative performance measure defined in the glossary.

1.09 Segmental analysis (continued)

(ii) Revenue

Total revenue includes insurance revenue, fees from fund management and investment contracts and other operational income from contracts with customers. Further details on the components of insurance revenue are disclosed in Note 3.11. Other operational income from contracts with customers is a component of other operational income and excludes the share of profit/loss from associates and joint ventures, as well as gains/losses on disposal of subsidiaries, associates, joint ventures and other operations.

For the year ended 31 December 2023	LGRI £m	LGIM[1,2] £m	Insurance £m	Retail Retirement £m	LGC and other[3] £m	Total £m
Internal revenue	–	169	–	–	(169)	–
External revenue	5,255	720	3,114	1,469	1,553	12,111
Total revenue	**5,255**	**889**	**3,114**	**1,469**	**1,384**	**12,111**

For the year ended 31 December 2022 (Restated)	LGRI £m	LGIM[1,2] £m	Insurance £m	Retail Retirement £m	LGC and other[3] £m	Total £m
Internal revenue	–	178	–	–	(178)	–
External revenue	4,492	801	3,086	1,335	1,452	11,166
Total revenue	4,492	979	3,086	1,335	1,274	11,166

1. LGIM internal income relates to investment management services provided to other segments.
2. LGIM external income primarily includes fees from fund management.
3. LGC and other includes LGC income, inter-segmental eliminations and group consolidation adjustments.

IFRS Primary Financial Statements

2.01 Consolidated Income Statement

For the year ended 31 December 2023	Notes	2023 £m	Restated[1] 2022 £m
Insurance revenue	3.11	**9,624**	8,683
Insurance service expenses	3.11	**(8,373)**	(7,497)
Insurance service result before reinsurance contracts held		**1,251**	1,186
Net expense from reinsurance contracts held	3.11	**(137)**	(145)
Insurance service result	3.11	**1,114**	1,041
Investment return		**32,973**	(98,352)
Finance (expense)/income from insurance contracts		**(5,830)**	19,114
Finance income from reinsurance contracts		**584**	6
Change in investment contract liabilities		**(27,116)**	79,889
Insurance and investment result		**1,725**	1,698
Other operational income		**1,571**	1,646
Fees from fund management and investment contracts		**825**	899
Acquisition costs		**(149)**	(103)
Other finance costs		**(347)**	(290)
Other expenses		**(3,430)**	(2,911)
Total other income and expenses		**(1,530)**	(759)
Profit before tax		**195**	939
Tax expense attributable to policyholder returns		**(119)**	(71)
Profit before tax attributable to equity holders		**76**	868
Total tax credit/(expense)		**248**	(157)
Tax expense attributable to policyholder returns		**119**	71
Tax credit/(expense) attributable to equity holders	3.04	**367**	(86)
Profit for the year		**443**	782
Attributable to:			
Non-controlling interests		**(14)**	(1)
Equity holders		**457**	783
Dividend distributions to equity holders during the year	3.02	**1,172**	1,116
Dividend distributions to equity holders proposed after the year end	3.02	**871**	829
		p	p
Total basic earnings per share[2]	1.08	**7.35**	12.84
Total diluted earnings per share[2]	1.08	**7.28**	12.47

1. Prior year comparatives have been restated to reflect the implementation of IFRS 17 and IFRS 9. They also reflect a small number of adjustments to the (unaudited) prior period comparatives that were included in the group's interim financial statements for the period ending 30 June 2023. Further information can be found in Note 1.01. These corrections have been applied consistently to all affected disclosure notes in this report and in the group's consolidated financial statements.
2. All earnings per share calculations are based on profit attributable to equity holders of the company.

IFRS Primary Financial Statements

2.02 Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023	2023 £m	Restated[1] 2022 £m
Profit for the year	**443**	782
Items that will not be reclassified subsequently to profit or loss		
Actuarial remeasurements on defined benefit pension schemes	**(29)**	26
Tax on actuarial remeasurements on defined benefit pension schemes	**8**	(6)
Total items that will not be reclassified subsequently to profit or loss	**(21)**	20
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of overseas operations	**(6)**	(21)
Movement in cross-currency hedge	**(37)**	40
Tax on movement in cross-currency hedge	**9**	(10)
Movement in financial investments measured at FVOCI	**75**	(132)
Tax on movement in financial investments measured at FVOCI	**(18)**	28
Insurance finance (expense)/income for insurance contracts applying the OCI option	**(73)**	1,753
Reinsurance finance income/(expense) for reinsurance contracts applying the OCI option	**43**	(1,030)
Tax on movement in finance income/(expense) for insurance and reinsurance contracts	**6**	(169)
Total items that may be reclassified subsequently to profit or loss	**(1)**	459
Other comprehensive (expense)/income after tax	**(22)**	479
Total comprehensive income for the year	**421**	1,261
Total comprehensive income/(expense) for the year attributable to:		
Non-controlling interests	**(14)**	(1)
Equity holders	**435**	1,262

1. Prior year comparatives have been restated to reflect the implementation of IFRS 17 and IFRS 9. They also reflect a small number of adjustments to the (unaudited) prior period comparatives that were included in the group's interim financial statements for the period ending 30 June 2023. Further information can be found in Note 1.01. These corrections have been applied consistently to all affected disclosure notes in this report and in the group's consolidated financial statements.

IFRS Primary Financial Statements

2.03 Consolidated Balance Sheet

As at 31 December 2023	Notes	2023 £m	Restated[1] 2022 £m	Restated[1] 2021 £m
Assets				
Goodwill		**73**	71	68
Intangible assets		**477**	441	365
Investment in associates and joint ventures accounted for using the equity method		**616**	554	375
Property, plant and equipment		**433**	326	316
Investment property	3.03	**8,893**	9,372	10,150
Financial investments	3.03	**471,405**	446,558	537,629
Reinsurance contract assets	3.11	**7,306**	4,713	4,652
Deferred tax assets	3.04	**1,714**	1,440	1,167
Current tax assets		**885**	802	670
Receivables and other assets		**9,780**	13,209	8,543
Cash and cash equivalents		**20,513**	35,784	16,487
Total assets		**522,095**	513,270	580,422
Equity				
Share capital	3.05	**149**	149	149
Share premium	3.05	**1,030**	1,018	1,012
Employee scheme treasury shares		**(147)**	(144)	(99)
Capital redemption and other reserves		**326**	337	(135)
Retained earnings		**2,973**	3,707	4,033
Attributable to owners of the parent		**4,331**	5,067	4,960
Restricted Tier 1 convertible notes	3.06	**495**	495	495
Non-controlling interests	3.07	**(42)**	(29)	(38)
Total equity		**4,784**	5,533	5,417
Liabilities				
Insurance contract liabilities	3.11	**91,446**	78,214	93,627
Reinsurance contract liabilities	3.11	**220**	52	2
Investment contract liabilities		**316,872**	286,830	372,954
Core borrowings	3.08	**4,280**	4,338	4,256
Operational borrowings	3.09	**1,840**	1,219	932
Provisions	3.14	**258**	890	1,238
Deferred tax liabilities	3.04	**107**	206	60
Current tax liabilities		**77**	69	84
Payables and other financial liabilities	3.10	**78,439**	93,905	73,858
Other liabilities		**680**	763	1,028
Net asset value attributable to unit holders		**23,092**	41,251	26,966
Total liabilities		**517,311**	507,737	575,005
Total equity and liabilities		**522,095**	513,270	580,422

1. Prior year comparatives have been restated to reflect the implementation of IFRS 17 and IFRS 9. They also reflect a small number of adjustments to the (unaudited) prior period comparatives that were included in the group's interim financial statements for the period ending 30 June 2023. Further information can be found in Note 1.01. These corrections have been applied consistently to all affected disclosure notes in this report and in the group's consolidated financial statements.

2.04 Consolidated Statement of Changes in Equity

For the year ended 31 December 2023	Share capital £m	Share premium £m	Employee scheme treasury shares £m	Capital redemption and other reserves[1] £m	Retained earnings £m	Equity attributable to owners of the parent £m	Restricted Tier 1 convertible notes £m	Non-controlling interests £m	Total equity £m
As at 1 January 2023	**149**	**1,018**	**(144)**	**337**	**3,707**	**5,067**	**495**	**(29)**	**5,533**
Profit/(loss) for the year	–	–	–	–	457	457	–	(14)	443
Exchange differences on translation of overseas operations	–	–	–	(6)	–	(6)	–	–	(6)
Net movement in cross-currency hedge	–	–	–	(28)	–	(28)	–	–	(28)
Net actuarial remeasurements on defined benefit pension schemes	–	–	–	–	(21)	(21)	–	–	(21)
Net movement in financial investments measured at FVOCI	–	–	–	57	–	57	–	–	57
Net insurance finance expense	–	–	–	(24)	–	(24)	–	–	(24)
Total comprehensive (expense)/income for the year	–	–	–	(1)	436	435	–	(14)	421
Options exercised under share option schemes	–	12	–	–	–	12	–	–	12
Shares purchased	–	–	(18)	–	–	(18)	–	–	(18)
Shares vested	–	–	15	(69)	–	(54)	–	–	(54)
Employee scheme treasury shares: - Value of employee services	–	–	–	59	–	59	–	–	59
Share scheme transfers to retained earnings	–	–	–	–	24	24	–	–	24
Dividends	–	–	–	–	(1,172)	(1,172)	–	–	(1,172)
Coupon payable in respect of restricted Tier 1 convertible notes net of tax relief	–	–	–	–	(22)	(22)	–	–	(22)
Movement in third party interests	–	–	–	–	–	–	–	1	1
As at 31 December 2023	**149**	**1,030**	**(147)**	**326**	**2,973**	**4,331**	**495**	**(42)**	**4,784**

1. Capital redemption and other reserves as at 31 December 2023 include share-based payments £89m, foreign exchange £41m, capital redemption £17m, hedging £46m, insurance and reinsurance finance for contracts applying the OCI option £176m and financial assets at FVOCI £(43)m.

2.04 Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2022	Share capital £m	Share premium £m	Employee scheme treasury shares £m	Capital redemption and other reserves[1] £m	Retained earnings £m	Equity attributable to owners of the parent £m	Restricted Tier 1 convertible notes £m	Non-controlling interests £m	Total equity £m
As at 1 January 2022 (as previously reported)	149	1,012	(99)	196	9,228	10,486	495	(38)	10,943
Impact of initial application of IFRS 17	–	–	–	(334)	(4,654)	(4,988)	–	–	(4,988)
Impact of initial application of IFRS 9	–	–	–	3	(541)	(538)	–	–	(538)
As at 1 January 2022 (Restated)[2]	149	1,012	(99)	(135)	4,033	4,960	495	(38)	5,417
Profit/(loss) for the year	–	–	–	–	783	783	–	(1)	782
Exchange differences on translation of overseas operations	–	–	–	(21)	–	(21)	–	–	(21)
Net movement in cross-currency hedge	–	–	–	30	–	30	–	–	30
Net actuarial remeasurements on defined benefit pension schemes	–	–	–	–	20	20	–	–	20
Net movement in financial investments measured at FVOCI	–	–	–	(104)	–	(104)	–	–	(104)
Net insurance finance income	–	–	–	554	–	554	–	–	554
Total comprehensive income/(expense) for the year	–	–	–	459	803	1,262	–	(1)	1,261
Options exercised under share option schemes	–	6	–	–	–	6	–	–	6
Shares purchased	–	–	(59)	–	–	(59)	–	–	(59)
Shares vested	–	–	14	(41)	–	(27)	–	–	(27)
Employee scheme treasury shares: - Value of employee services	–	–	–	54	–	54	–	–	54
Share scheme transfers to retained earnings	–	–	–	–	10	10	–	–	10
Dividends	–	–	–	–	(1,116)	(1,116)	–	–	(1,116)
Coupon payable in respect of restricted Tier 1 convertible notes net of tax relief	–	–	–	–	(23)	(23)	–	–	(23)
Movement in third party interests	–	–	–	–	–	–	–	10	10
As at 31 December 2022 (Restated)[2]	149	1,018	(144)	337	3,707	5,067	495	(29)	5,533

1. Capital redemption and other reserves as at 31 December 2022 include share-based payments £99m, foreign exchange £43m, capital redemption £17m, hedging £78m, insurance and reinsurance finance for contracts applying the OCI option £205m and financial assets at FVOCI £(105)m.
2. Prior year comparatives have been restated to reflect the implementation of IFRS 17 and IFRS 9. They also reflect a small number of adjustments to the (unaudited) prior period comparatives that were included in the group's interim financial statements for the period ending 30 June 2023. Further information can be found in Note 1.01. These corrections have been applied consistently to all affected disclosure notes in this report and in the group's consolidated financial statements.

IFRS Primary Financial Statements

2.05 Consolidated Statement of Cash Flows

For the year ended 31 December 2023	Notes	2023 £m	Restated[1] 2022 £m
Cash flows from operating activities			
Profit for the year		**443**	782
Adjustments for non-cash movements in net profit for the year			
Net (gains)/losses on financial investments and investment property		**(21,567)**	107,469
Investment income		**(11,406)**	(9,117)
Interest expense		**347**	290
Tax (credit)/expense		**(248)**	157
Other adjustments		**112**	113
Net (increase)/decrease in operational assets			
Investments mandatorily measured at FVTPL		**(7,478)**	22,052
Investments measured at FVOCI		**(1,344)**	(1,025)
Investments measured at amortised cost		**(126)**	(93)
Other assets		**3,218**	(5,215)
Net increase/(decrease) in operational liabilities			
Insurance contracts and reinsurance contracts held		**11,153**	(15,625)
Investment contracts		**30,045**	(86,132)
Other liabilities		**(26,682)**	(952)
Cash (utilised in)/generated from operations		**(23,533)**	12,704
Interest paid		**(469)**	(290)
Interest received[2]		**5,210**	3,525
Rent received		**437**	404
Tax paid[3]		**(186)**	(570)
Dividends received		**4,297**	4,691
Net cash flows from operations		**(14,244)**	20,464
Cash flows from investing activities			
Acquisition of property, plant and equipment, intangibles and other assets		**(237)**	(187)
Acquisition of operations, net of cash acquired		**(9)**	(2)
Investment in joint ventures and associates		**(184)**	(101)
Disposal of joint ventures and associates		**8**	64
Net cash flows utilised in investing activities		**(422)**	(226)
Cash flows from financing activities			
Dividend distributions to ordinary equity holders during the year	3.02	**(1,172)**	(1,116)
Coupon payment in respect of restricted Tier 1 convertible notes, gross of tax	3.06	**(28)**	(28)
Options exercised under share option schemes	3.05	**12**	6
Treasury shares purchased for employee share schemes		**(18)**	(59)
Payment of lease liabilities		**(32)**	(44)
Proceeds from borrowings		**1,226**	945
Repayment of borrowings		**(544)**	(737)
Net cash flows utilised in financing activities		**(556)**	(1,033)
Net (decrease)/increase in cash and cash equivalents		**(15,222)**	19,205
Exchange (losses)/gains on cash and cash equivalents		**(49)**	92
Cash and cash equivalents at 1 January		**35,784**	16,487
Total cash and cash equivalents at 31 December		**20,513**	35,784

1. Prior year comparatives have been restated to reflect the implementation of IFRS 17 and IFRS 9. They also reflect a small number of adjustments to the (unaudited) prior period comparatives that were included in the group's interim financial statements for the period ending 30 June 2023. Further information can be found in Note 1.01. These corrections have been applied consistently to all affected disclosure notes in this report and in the group's consolidated financial statements.
2. Interest received comprises of net interest received from financial instruments at fair value through profit or loss and other financial instruments.
3. Tax paid comprises UK corporation tax of £nil (2022: £358m), withholding tax of £179m (2022: £204m) and overseas corporate tax of £7m (2022: £8m).

IFRS Disclosure Notes

3.01 Basis of preparation

The preliminary announcement for the year ended 31 December 2023 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information in this preliminary announcement has been derived from the group financial statements within the group's 2023 Annual Report and Accounts (including financial information for 31 December 2022 as restated for the adoption of IFRS 17 and IFRS 9), which will be made available on the group's website on 13 March 2024. The group's 2022 Annual Report and Accounts have been filed with the Registrar of Companies, and those for 2023 will be delivered in due course. KPMG have reported on the 2023 and 2022 Annual Report and Accounts. Both their reports were: (i) unqualified; (ii) did not include a reference to any matters to which they drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The group financial statements have been prepared in accordance with UK-adopted international accounting standards, comprising International Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and related interpretations issued by the IFRS Interpretations Committee. Endorsement is granted by the UK Endorsement Board. The group financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property, certain financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and financial assets at fair value through other comprehensive income.

The group has selected accounting policies which state fairly its financial position, financial performance and cash flows for a reporting period. The accounting policies have been consistently applied to all years presented, unless otherwise stated.

Financial assets and financial liabilities are disclosed gross in the Consolidated Balance Sheet unless a legally enforceable right of offset exists and there is an intention to settle recognised amounts on a net basis. Income and expenses are not offset in the Consolidated Income Statement unless required or permitted by any accounting standard or interpretations by the IFRS Interpretations Committee.

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. The functional currency of the group's foreign operations is the currency of the primary economic environment in which the entity operates. The assets and liabilities of all of the group's foreign operations are translated into sterling, the group's presentation currency, at the closing rate at the date of the balance sheet. The income and expenses for the income statement are translated at average exchange rates. On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings and other currency instruments designated as hedges of such investments, are taken to a separate component of shareholders' equity.

Critical accounting judgements and the use of estimates
The preparation of the financial statements includes the use of estimates and assumptions which affect items reported in the Consolidated Balance Sheet and Income Statement and the disclosure of contingent assets and liabilities at the date of the financial statements. Although these estimates are based on management's best knowledge of current circumstances and future events and actions, actual results may differ from those estimates, possibly significantly. This is particularly relevant for the valuation of insurance contract liabilities, unquoted illiquid assets and investment property. From a policy application perspective, the major areas of judgement are the assessment of whether a contract transfers significant insurance risk to the group, and whether the group controls underlying entities and should therefore consolidate them. The basis of accounting for these areas, and the significant judgements used in determining them, are outlined in the respective notes to the group's 2023 Annual Report and Accounts.

Key technical terms and definitions
The report refers to various key performance indicators, accounting standards and other technical terms. A comprehensive list of these definitions is contained within the glossary.

Tax attributable to policyholders and equity holders
The total tax expense shown in the group's Consolidated Income Statement includes income tax borne by both policyholders and equity holders. This has been split between tax attributable to policyholders' returns and equity holders' profits. Policyholder tax comprises the tax suffered on policyholder investment returns, while equity holder tax is corporation tax charged on equity holder profit. The separate presentation is intended to provide more relevant information about the tax that the group pays on the profits that it makes.

3.02 Dividends and appropriations

	Dividend 2023 £m	Per share[1] 2023 p	Dividend 2022 £m	Per share[1] 2022 p
Ordinary dividends paid and charged to equity in the year:				
- Final 2021 dividend paid in June 2022	–	–	792	13.27
- Interim 2022 dividend paid in September 2022	–	–	324	5.44
- Final 2022 dividend paid in June 2023[2]	831	13.93	–	–
- Interim 2023 dividend paid in September 2023	341	5.71	–	–
Total dividends	**1,172**	**19.64**	1,116	18.71

1. The dividend per share calculation is based on the number of equity shares registered on the ex-dividend date.
2. The dividend proposed at 31 December 2022 was £829m based on the current number of eligible equity shares at that date.

Subsequent to 31 December 2023, the directors declared a final dividend for 2023 of 14.63 pence per ordinary share. This dividend will be paid on 6 June 2024. It will be accounted for as an appropriation of retained earnings in the year ended 31 December 2024 and is not included as a liability in the Consolidated Balance Sheet as at 31 December 2023.

3.03 Financial investments and investment property

	2023 £m	Restated 2022 £m
Equities[1]	185,982	167,335
Debt securities[2,3]	233,980	219,512
Derivative assets[4]	41,140	45,427
Loans[5]	10,303	14,284
Financial investments	**471,405**	446,558
Investment property	**8,893**	9,372
Total financial investments and investment property	**480,298**	455,930

1. Equities include investments in unit trusts of £19,660m (31 December 2022: £16,524m).
2. Debt securities include accrued interest of £1,852m (31 December 2022: £1,635m) and include £8,032m (31 December 2022: £7,845m) of assets valued at amortised cost.
3. A detailed analysis of debt securities to which shareholders are directly exposed is disclosed in Note 6.03.
4. Derivatives are used for efficient portfolio management, particularly the use of interest rate swaps, inflation swaps, currency swaps and foreign exchange forward contracts for asset and liability management. Derivative assets are shown gross of derivative liabilities of £43,821m (31 December 2022: £51,190m).
5. Loans include £13m (31 December 2022: £1m) of loans valued at amortised cost.

IFRS Disclosure Notes

3.04 Tax

(i) Tax (credit)/expense in the Consolidated Income Statement

The tax expense attributable to equity holders differs from the tax calculated on profit before tax at the standard UK corporation tax rate as follows:

	2023 £m	Restated 2022 £m
Profit before tax attributable to equity holders	**76**	868
Tax calculated at 23.5%[1]	**18**	165
Adjusted for the effects of:		
Recurring reconciling items:		
Different rate of tax on profits and losses taxed overseas[2]	**(68)**	12
Income not subject to tax	**(4)**	(3)
Non-deductible expenses	**27**	(2)
Differences between taxable and accounting investment gains	**(9)**	(9)
Other taxes on property and foreign income	**4**	6
Unrecognised tax losses	**19**	17
Double tax relief[3]	**(2)**	(20)
Non-recurring reconciling items:		
Adjustments in respect of prior years[4]	**(11)**	(21)
Impact of the revaluation of deferred tax balances	**(1)**	(59)
Impact of law changes on deferred tax balances[5]	**(340)**	–
Tax (credit)/expense attributable to equity holders[6]	**(367)**	86
Equity holders' effective tax rate[7]	**(483)%**	10%

1. The Finance Act 2021 increased the rate of corporation tax from 19% to 25% from 1 April 2023. The prevailing rate of UK corporation tax for the year has increased to 23.5% (2022: 19.0%). The enacted tax rate of 25% has been used in the calculation of UK deferred tax assets and liabilities, as the rate of corporation tax that is expected to apply when the majority of those deferred tax balances reverse.
2. The lower rate of tax on overseas profits and losses is principally driven by the 0% rate of taxation arising in our Bermudan reinsurance company, which provides the group with regulatory capital flexibility for both our PRT business and our US term insurance business. This also includes the impact of our US operations which are taxed at 21%.
3. Double tax relief represents a UK tax credit available for overseas withholding tax suffered on dividend income.
4. Adjustments in respect of prior years relate to revisions of prior estimates.
5. The tax credit relates to the introduction of a new corporate income tax regime in Bermuda, which was enacted in December 2023.
6. The tax credit for the year includes a material one-off tax credit arising from the recognition of a deferred tax asset relating to the introduction of a new Bermuda corporate income tax regime. The net tax credit for the year excluding this one-off credit is £27m and reflects the varying rates of tax that we pay on our businesses in different territories and the mixture of profits and losses across those territories.
7. The equity holders' effective tax rate excluding the impact of expenses arising from rate differences on longevity assumption changes, the one-off settlement cost associated with the buy-out of the group's UK defined benefit pension schemes and the one-off Bermuda tax credit is 11.9%.

During the year the UK Government enacted legislation to apply a global minimum tax rate of 15% to multinational businesses headquartered in the UK as well as a new domestic UK minimum tax rate of 15%, in line with the Model Rules agreed by the Organisation for Economic Co-operation and Development (OECD). These rules apply from 1 January 2024, and will apply to all of the group's businesses globally.

During 2023 the Bermudan Government consulted on introducing a local corporate income tax with effect from 1 January 2025, which would apply to our Bermudan reinsurance businesses. This has been substantively enacted as at 31 December 2023 and deferred tax on temporary differences relating to the new regime have been valued at 15%.

The group is expected to be liable to UK top-up tax in 2024 in respect of profits arising in our global reinsurance hub in Bermuda. From 2025, we anticipate that the group will be liable for local Bermudan corporate income tax at 15%, instead of top-up tax under the global minimum tax rules, on Bermudan profits. Further guidance on both the new UK and new Bermuda rules is expected and will be kept under review for any further impact.

IFRS Disclosure Notes

3.04 Tax (continued)

(ii) Deferred tax

Deferred tax assets/(liabilities)	2023 £m	Restated 2022 £m
Overseas deferred acquisition expenses[1]	**121**	116
Difference between the tax and accounting value of insurance contracts	**736**	458
- UK[2]	**1,149**	1,237
- Bermuda[3]	**340**	–
- US	**(753)**	(779)
Realised and unrealised gains on investments	**72**	145
Excess of depreciation over capital allowances	**17**	21
Accounting provisions and other	**52**	59
Trading losses	**609**	463
- UK	**76**	–
- US[4]	**533**	463
Pension fund deficit	**3**	(26)
Acquired intangibles	**(3)**	(2)
Net deferred tax asset	**1,607**	1,234
Presented on the Consolidated Balance Sheet as:		
- Deferred tax assets	**1,714**	1,440
- Deferred tax liabilities[5]	**(107)**	(206)
Net deferred tax asset	**1,607**	1,234

1. Deferred tax assets arising on deferred acquisition expenses relate solely to US balances.
2. The UK deferred tax asset reflects the impact of transition to IFRS 17 (see Note 1.01 for further details).
3. The Bermuda deferred tax asset relates to the introduction of a new corporate income tax regime in Bermuda, which was enacted in December 2023 (see Note 3.04 (i)).
4. This deferred tax asset relates to US operating losses. The losses are not time restricted, and we expect to recover them over a period of 15 to 20 years, commensurate with the lifecycle of the underlying insurance contracts. In reaching this conclusion, we have considered past results, the different basis under which US companies are taxed, temporary differences that are expected to generate future profits against which the deferred tax can be offset, management actions, and future profit forecasts. The recoverability of deferred tax assets is routinely reviewed by management.
5. The deferred tax liability is comprised of balances of £107m relating to the US (2022: £206m), that are not capable of being offset against other deferred tax assets.

IFRS Disclosure Notes

3.05 Share capital and share premium

Authorised share capital	**Number of shares**	**£m**
As at 31 December 2023 and 31 December 2022: ordinary shares of 2.5p each	**9,200,000,000**	**230**

Issued share capital, fully paid	**Number of shares**	**Share capital £m**	**Share premium £m**
As at 1 January 2023	**5,973,253,500**	**149**	**1,018**
Options exercised under share option schemes	**6,324,780**	**–**	**12**
As at 31 December 2023	**5,979,578,280**	**149**	**1,030**

Issued share capital, fully paid	Number of shares	Share capital £m	Share premium £m
As at 1 January 2022	5,970,415,817	149	1,012
Options exercised under share option schemes	2,837,683	–	6
As at 31 December 2022	5,973,253,500	149	1,018

There is one class of ordinary shares of 2.5p each. All shares issued carry equal voting rights.

The holders of the company's ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at shareholder meetings of the company.

3.06 Restricted Tier 1 convertible notes

On 24 June 2020, Legal & General Group Plc issued £500m of 5.625% perpetual restricted Tier 1 contingent convertible notes. The notes are callable at par between 24 March 2031 and 24 September 2031 (the First Reset Date) inclusive and every 5 years after the First Reset Date. If not called, the coupon from 24 September 2031 will be reset to the prevailing five year benchmark gilt yield plus 5.378%.

The notes have no fixed maturity date. Optional cancellation of coupon payments is at the discretion of the issuer and mandatory cancellation is upon the occurrence of certain conditions. The Tier 1 notes are therefore treated as equity and coupon payments are recognised directly in equity when paid. During the year coupon payments of £28m were made (2022: £28m). The notes rank junior to all other liabilities and senior to equity attributable to owners of the parent. On the occurrence of certain conversion trigger events the notes are convertible into ordinary shares of the issuer at the prevailing conversion price.

The notes are treated as restricted Tier 1 own funds for Solvency II purposes.

3.07 Non-controlling interests

Non-controlling interests represent third party interests in direct equity investments, including private equity, which are consolidated in the group's results.

As at 31 December 2023, non-controlling interests primarily represent third party ownership in Thorpe Park Holdings, a mixed residential/commercial retail space in which the group holds 50%.

IFRS Disclosure Notes

3.08 Core borrowings

	Carrying amount 2023 £m	Coupon rate 2023 %	Fair value 2023 £m	Carrying amount 2022 £m	Coupon rate 2022 %	Fair value 2022 £m
Subordinated borrowings						
5.5% Sterling subordinated notes 2064 (Tier 2)	**590**	**5.50**	**600**	590	5.50	541
5.375% Sterling subordinated notes 2045 (Tier 2)	**605**	**5.38**	**603**	605	5.38	593
5.25% US Dollar subordinated notes 2047 (Tier 2)	**676**	**5.25**	**656**	712	5.25	665
5.55% US Dollar subordinated notes 2052 (Tier 2)	**396**	**5.55**	**382**	417	5.55	389
5.125% Sterling subordinated notes 2048 (Tier 2)	**401**	**5.13**	**395**	400	5.13	377
3.75% Sterling subordinated notes 2049 (Tier 2)	**599**	**3.75**	**545**	599	3.75	507
4.5% Sterling subordinated notes 2050 (Tier 2)	**501**	**4.50**	**467**	500	4.50	439
Client fund holdings of group debt (Tier 2)[1]	**(80)**	**–**	**(77)**	(74)	–	(67)
Total subordinated borrowings	**3,688**	**–**	**3,571**	3,749	–	3,444
Senior borrowings						
Sterling medium term notes 2031-2041	**609**	**5.87**	**666**	609	5.87	649
Client fund holdings of group debt[1]	**(17)**	**–**	**(17)**	(20)	–	(19)
Total senior borrowings	**592**	**–**	**649**	589	–	630
Total core borrowings	**4,280**	**–**	**4,220**	4,338	–	4,074

1. £97m (31 December 2022: £94m) of the group's subordinated and senior borrowings are held by Legal & General customers through unit linked products. These borrowings are shown as a deduction from total core borrowings in the table above.

The presented fair values of the group's core borrowings reflect quoted prices in active markets and they have been classified as Level 1 in the fair value hierarchy.

Subordinated borrowings

5.5% Sterling subordinated notes 2064
On 27 June 2014, Legal & General Group Plc issued £600m of 5.5% dated subordinated notes. The notes are callable at par on 27 June 2044 and every five years thereafter. These notes mature on 27 June 2064.

5.375% Sterling subordinated notes 2045
On 27 October 2015, Legal & General Group Plc issued £600m of 5.375% dated subordinated notes. The notes are callable at par on 27 October 2025 and every five years thereafter. These notes mature on 27 October 2045.

5.25% US Dollar subordinated notes 2047
On 21 March 2017, Legal & General Group Plc issued $850m of 5.25% dated subordinated notes. The notes are callable at par on 21 March 2027 and every five years thereafter. These notes mature on 21 March 2047.

5.55% US Dollar subordinated notes 2052
On 24 April 2017, Legal & General Group Plc issued $500m of 5.55% dated subordinated notes. The notes are callable at par on 24 April 2032 and every five years thereafter. These notes mature on 24 April 2052.

5.125% Sterling subordinated notes 2048
On 14 November 2018, Legal & General Group Plc issued £400m of 5.125% dated subordinated notes. The notes are callable at par on 14 November 2028 and every five years thereafter. These notes mature on 14 November 2048.

3.75% Sterling subordinated notes 2049
On 26 November 2019, Legal & General Group Plc issued £600m of 3.75% dated subordinated notes. The notes are callable at par on 26 November 2029 and every five years thereafter. These notes mature on 26 November 2049.

4.5% Sterling subordinated notes 2050
On 1 May 2020, Legal & General Group Plc issued £500m of 4.5% dated subordinated notes. The notes are callable at par on 1 November 2030 and every five years thereafter. These notes mature on 1 November 2050.

All of the above subordinated notes are treated as Tier 2 own funds for Solvency II purposes unless stated otherwise.

Senior borrowings

Between 2000 and 2002 Legal & General Finance Plc issued £600m of senior unsecured Sterling medium term notes 2031-2041 at coupons between 5.75% and 5.875%. These notes have various maturity dates between 2031 and 2041.

3.09 Operational borrowings

	Carrying amount 2023 £m	Interest rate 2023 %	Fair value 2023 £m	Carrying amount 2022 £m	Interest rate 2022 %	Fair value 2022 £m
Short-term operational borrowings						
Euro Commercial Paper	**49**	**4.73**	**49**	50	1.60	50
Bank loans and overdrafts	**12**	**–**	**12**	3	–	3
Non-recourse borrowings						
Cardiff Interchange Limited credit facility	**–**	**–**	**–**	64	5.63	64
CALA revolving credit facility	**149**	**7.15**	**149**	24	5.50	24
Class B Surplus Notes[1]	**1,176**	**8.27**	**1,176**	788	6.62	788
Affordable Homes revolving credit facility	**41**	**7.15**	**41**	19	4.38	19
Homes Modular revolving credit facility	**11**	**8.30**	**11**	15	6.62	15
Suburban Build to Rent revolving credit facility	**19**	**6.00**	**19**	–	–	–
Total operational borrowings[2]	**1,457**	**–**	**1,457**	963	–	963

1. The Class B Surplus Notes have been issued by a US subsidiary of the group as part of a coinsurance structure for the purpose of US statutory regulations. The notes were issued in exchange for bonds of the same value from an unrelated party, included within financial investments on the group's Consolidated Balance Sheet.
2. Unit linked borrowings with a carrying value of £383m (31 December 2022: £256m) are excluded from the analysis above as the risk is retained by policyholders. Operational borrowings including unit linked borrowings are £1,840m (31 December 2022: £1,219m).

Syndicated credit facility

As at 31 December 2023, the group has in place a £1.5bn syndicated committed revolving credit facility provided by a number of its key relationship banks, maturing in August 2028. No amounts were outstanding at 31 December 2023.

3.10 Payables and other financial liabilities

	2023 £m	2022 £m
Derivative liabilities	**43,821**	51,190
Repurchase agreements[1]	**25,452**	31,533
Other financial liabilities[2]	**9,166**	11,182
Total payables and other financial liabilities	**78,439**	93,905
Due within 12 months	**38,175**	39,917
Due after 12 months	**40,264**	53,988

1. Repurchase agreements are presented gross, however they and their related assets (included within debt securities) are subject to master netting arrangements. The significant majority of repurchase agreements are unit linked.
2. Other financial liabilities includes trail commission, lease liabilities, FX spots and the value of short positions taken out to cover reverse repurchase agreements. The value of short positions as at 31 December 2023 was £2,647m (31 December 2022: £4,960m). Other financial liabilities have been restated for 31 December 2022.

Fair value hierarchy

As at 31 December 2023	**Total £m**	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Amortised cost[1] £m**
Derivative liabilities	**43,821**	**627**	**43,147**	**47**	**–**
Repurchase agreements	**25,452**	**–**	**25,452**	**–**	**–**
Other financial liabilities	**9,166**	**3,103**	**59**	**–**	**6,004**
Total payables and other financial liabilities	**78,439**	**3,730**	**68,658**	**47**	**6,004**

As at 31 December 2022	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Amortised cost[1] £m
Derivative liabilities	51,190	448	50,717	25	–
Repurchase agreements	31,533	–	31,533	–	–
Other financial liabilities[2]	11,182	4,319	253	–	6,610
Total payables and other financial liabilities	93,905	4,767	82,503	25	6,610

1. The carrying value of payables and other financial liabilities at amortised cost approximates its fair value.
2. Other financial liabilities have been restated for 31 December 2022.

Significant transfers between levels

There have been no significant transfers of liabilities between Levels 1, 2 and 3 for the year ended 31 December 2023 (2022: no significant transfers).

IFRS Disclosure Notes

3.11 Insurance contracts

(i) Insurance contract revenue and expenses

For the year ended 31 December 2023	Annuities £m	Protection £m	Total £m
Insurance revenue			
Amounts relating to changes in liabilities for remaining coverage:			
- CSM recognised for services provided	**943**	**225**	**1,168**
- Expected incurred claims and other insurance service expenses	**5,278**	**2,597**	**7,875**
- Change in the risk adjustment for non-financial risk for the risk expired	**371**	**16**	**387**
Recovery of insurance acquisition cash flows	**19**	**132**	**151**
Premium experience variance relating to past and current service	**1**	**42**	**43**
Total insurance revenue	**6,612**	**3,012**	**9,624**
Total insurance service expenses	**(5,244)**	**(3,129)**	**(8,373)**
Allocation of reinsurance premiums	**(2,847)**	**(1,044)**	**(3,891)**
Amounts recoverable from reinsurers for incurred claims	**2,415**	**1,339**	**3,754**
Net (expense)/income from reinsurance contracts held	**(432)**	**295**	**(137)**
Total insurance service result	**936**	**178**	**1,114**

For the year ended 31 December 2022	Annuities £m	Protection £m	Total £m
Insurance revenue			
Amounts relating to changes in liabilities for remaining coverage:			
- CSM recognised for services provided	762	251	1,013
- Expected incurred claims and other insurance service expenses	4,585	2,558	7,143
- Change in the risk adjustment for non-financial risk for the risk expired	359	31	390
Recovery of insurance acquisition cash flows	14	123	137
Premium experience variance relating to past and current service	2	(2)	–
Total insurance revenue	5,722	2,961	8,683
Total insurance service expenses	(4,576)	(2,921)	(7,497)
Allocation of reinsurance premiums	(2,323)	(803)	(3,126)
Amounts recoverable from reinsurers for incurred claims	2,052	929	2,981
Net (expense)/income from reinsurance contracts held	(271)	126	(145)
Total insurance service result	875	166	1,041

(ii) Insurance and reinsurance contracts

	Assets 2023 £m	Liabilities 2023 £m	Assets 2022 £m	Liabilities 2022 £m
Insurance contracts issued				
Annuities				
Insurance contract balances	**–**	**86,706**	–	73,729
Assets for insurance contract acquisition cash flows[1]	**–**	**(18)**	–	(20)
Protection				
Insurance contract balances	**–**	**4,782**	–	4,533
Assets for insurance contract acquisition cash flows[1]	**–**	**(24)**	–	(28)
Total insurance contracts issued[2]	**–**	**91,446**	–	78,214

	Assets 2023 £m	Liabilities 2023 £m	Assets 2022 £m	Liabilities 2022 £m
Reinsurance contracts held				
Annuities				
Reinsurance contracts balances	**4,758**	**–**	2,495	–
Assets for reinsurance contract acquisition cash flows[1]	**3**	**–**	5	–
Protection				
Reinsurance contracts balances	**2,545**	**220**	2,213	52
Assets for reinsurance contract acquisition cash flows[1]	**–**	**–**	–	–
Total reinsurance contracts held[2]	**7,306**	**220**	4,713	52

1. Assets for insurance and reinsurance acquisition cash flows are presented within the carrying amount of the related insurance and reinsurance contract liabilities.
2. £5,119m (2022: £5,122m) of the net insurance balance of £84,360m (2022: £73,553m) is expected to run off within 12 months.

3.12 Sensitivity analysis

Economic sensitivity	Impact on post-tax group profit arising from financial assets 2023 £m	Impact on group equity arising from financial assets 2023 £m	Impact on post-tax group profit arising from insurance contracts 2023 £m	Impact on group equity arising from insurance contracts 2023 £m	Net impact on post-tax group profit 2023 £m	Net impact on group equity 2023 £m
Long-term insurance, other group assets and obligations						
100bps increase in interest rates[1]	**(5,909)**	**(6,151)**	**5,713**	**5,892**	**(196)**	**(259)**
100bps decrease in interest rates[1]	**6,999**	**7,318**	**(6,919)**	**(7,147)**	**80**	**171**
50bps increase in future inflation expectations[1]	**1,778**	**1,814**	**(1,831)**	**(1,801)**	**(53)**	**13**
50bps decrease in future inflation expectations[1]	**(1,620)**	**(1,652)**	**1,732**	**1,707**	**112**	**55**
Credit spreads widen by 100bps with no change in expected defaults	**(4,193)**	**(4,216)**	**4,041**	**4,206**	**(152)**	**(10)**
25% rise in equity markets	**297**	**297**	**–**	**–**	**297**	**297**
25% fall in equity markets	**(297)**	**(297)**	**–**	**–**	**(297)**	**(297)**
15% rise in property values	**1,155**	**1,155**	**(25)**	**(25)**	**1,130**	**1,130**
15% fall in property values	**(1,276)**	**(1,276)**	**102**	**102**	**(1,174)**	**(1,174)**
10bps increase in credit default assumptions	**–**	**–**	**(494)**	**(514)**	**(494)**	**(514)**
10bps decrease in credit default assumptions	**–**	**–**	**455**	**471**	**455**	**471**

Economic sensitivity (Restated)	Impact on post-tax group profit arising from financial assets 2022 £m	Impact on group equity arising from financial assets 2022 £m	Impact on post-tax group profit arising from insurance contracts 2022 £m	Impact on group equity arising from insurance contracts 2022 £m	Net impact on post-tax group profit 2022 £m	Net impact on group equity 2022 £m
Long-term insurance, other group assets and obligations						
100bps increase in interest rates	(4,775)	(4,802)	4,715	4,876	(60)	74
100bps decrease in interest rates	5,706	5,737	(5,626)	(5,833)	80	(96)
50bps increase in future inflation expectations	1,345	1,346	(1,298)	(1,270)	47	76
50bps decrease in future inflation expectations	(1,233)	(1,234)	1,232	1,207	(1)	(27)
Credit spreads widen by 100bps with no change in expected defaults	(3,990)	(3,993)	3,735	3,885	(255)	(108)
25% rise in equity markets	317	317	–	–	317	317
25% fall in equity markets	(317)	(317)	–	–	(317)	(317)
15% rise in property values	1,032	1,032	53	53	1,085	1,085
15% fall in property values	(1,113)	(1,113)	(3)	(3)	(1,116)	(1,116)
10bps increase in credit default assumptions	(12)	(12)	(449)	(467)	(461)	(479)
10bps decrease in credit default assumptions	12	12	423	438	435	450

1. The group undertook a number of management actions in January 2024 in order to reduce interest rate and inflation sensitivities. Incorporating the impact of these management actions, the sensitivities for the Net impact on post-tax group profit 2023 relating to +/-100bps interest rates are £(153)m and £23m, and to +/-50bps inflation are £(28)m and £84m.

IFRS Disclosure Notes

3.12 Sensitivity analysis (continued)

Non-economic sensitivity	**Impact on CSM 2023 £m**	**Impact on post-tax group profit 2023 £m**	**Impact on group equity 2023 £m**
Long-term insurance			
1% increase in annuitant mortality, gross of reinsurance	**352**	**(52)**	**(52)**
1% increase in annuitant mortality, net of reinsurance	**181**	**(26)**	**(26)**
1% decrease in annuitant mortality, gross of reinsurance	**(357)**	**52**	**52**
1% decrease in annuitant mortality, net of reinsurance	**(183)**	**27**	**27**
5% increase in assurance mortality, gross of reinsurance	**(591)**	**(395)**	**(308)**
5% increase in assurance mortality, net of reinsurance	**(307)**	**(95)**	**(81)**
10% increase in maintenance expenses, gross of reinsurance	**(140)**	**(3)**	**1**
10% increase in maintenance expenses, net of reinsurance	**(137)**	**(4)**	**1**

Non-economic sensitivity	Impact on CSM 2022 £m	Impact on post-tax group profit 2022 £m	Impact on group equity 2022 £m
Long-term insurance			
1% increase in annuitant mortality, gross of reinsurance	323	(70)	(70)
1% increase in annuitant mortality, net of reinsurance	168	(32)	(32)
1% decrease in annuitant mortality, gross of reinsurance	(324)	70	70
1% decrease in annuitant mortality, net of reinsurance	(168)	32	32
5% increase in assurance mortality, gross of reinsurance	(628)	(344)	(228)
5% increase in assurance mortality, net of reinsurance	(331)	(63)	(39)
10% increase in maintenance expenses, gross of reinsurance	(126)	–	6
10% increase in maintenance expenses, net of reinsurance	(123)	–	6

The economic sensitivity tables above show the impacts on group post tax profit and equity, net of reinsurance, under each sensitivity scenario. The impacts on group post tax profit and equity arising from financial assets and insurance contracts are also shown separately in the tables. The economic sensitivity impacts cover long-term insurance business and other group assets and obligations.

The non-economic sensitivity tables above show the impacts on CSM, group post tax profit and equity, gross and net of reinsurance, under each sensitivity scenario. The non-economic sensitivity impacts cover long-term insurance business only.

The group impacts may arise from asset and/or liability movements under the sensitivities. The current disclosure reflects management's view of key risks in current economic conditions.

The stresses are assumed to occur on the balance sheet date. Both CSM and current year CSM release into profit are assumed to be affected when non-financial assumptions are stressed.

In calculating the alternative values, all other assumptions are left unchanged. In practice, impacts of the group's experience may be correlated.

The sensitivity analyses do not take into account management actions that could be taken to reduce the impacts. The group seeks to actively manage its asset and liability position. A change in market conditions may lead to changes in the asset allocation or charging structure which may have a more, or less, significant impact on the value of the liabilities. The analysis also ignores any second order effects of the assumption change, including the potential impact on the group asset and liability position and any second order tax effects.

The sensitivity of profit and equity to changes in assumptions may not be linear. They should not be extrapolated to changes of a much larger order.

The change in interest rate stresses assume a 100 basis point increase/decrease in the gross redemption yield on fixed interest securities together with the same change in the real yields on variable securities. Interest rates used to discount liabilities are assumed to move in line with market yields, adjusted to remove risks in the asset reference portfolios that are not present in the liabilities calculated in a manner consistent with the base results.

The inflation stresses adopted are a 0.5% per annum (p.a.) increase/decrease in inflation, resulting in a 0.5% p.a. reduction/rise in real yield and no change to the nominal yield. In addition, the expense inflation rate is increased/decreased by 0.5% p.a. The expense inflation assumptions are non-financial and therefore recalibrate the CSM under the stresses. These recalibrations are reflected in the impacts shown.

In the sensitivity for credit spreads, corporate bond yields have increased by 100bps, government bond yields unchanged, and there has been no adjustment to the default assumptions. All lifetime mortgages are excluded, as their primary exposure is to property risk, and therefore captured under the property stress.

The equity stresses are a 25% rise and 25% fall in listed equity market values.

3.12 Sensitivity analysis (continued)

The property stresses adopted are a 15% rise and 15% fall in property market values including lifetime mortgages. Where property is being used to back liabilities, interest rates used to discount liabilities move with property yields, and so the value of the liabilities will also move.

The credit default assumption is set based on the credit rating of individual bonds and Moody's historical transition matrices. The credit default stress assumes a +/-10bps stress to the current credit default assumptions, which will have an impact on the interest rates used to discount liabilities. Default allowances for assets deemed credit risk free are unchanged. All lifetime mortgages are excluded, as their primary exposure is to property risk, and therefore captured under the property stress.

The annuitant mortality stresses are a 1% increase and 1% decrease in the mortality rates for immediate and deferred annuitants with no change to the mortality improvement rates.

The assurance mortality stress is a 5% increase in the mortality and morbidity rates with no change to the mortality and morbidity improvement rates.

The maintenance expense stress is a 10% increase in all types of maintenance expenses in future years.

IFRS Disclosure Notes

3.13 Foreign exchange rates

Principal rates of exchange used for translation are:

Year end exchange rates	**2023**	2022
United States dollar	**1.27**	1.21
Euro	**1.15**	1.13

Average exchange rates	**2023**	2022
United States dollar	**1.24**	1.24
Euro	**1.15**	1.17

3.14 Provisions

(i) Analysis of provisions

	Notes	**2023 £m**	2022 £m
Other provisions	3.14(ii)	**244**	273
Retirement benefit obligations	3.14(iii)	**14**	617
Total provisions		**258**	890

(ii) Other provisions

Other provisions include costs that Legal & General Investment Management (LGIM) is committed to incur on the extension of its existing partnership with State Street announced in 2021, to increase the use of Charles River technology across the front office and to deliver middle office services going forward. Costs include the transfer of data and operations to State Street, as well as the implementation of the new operating model. The amounts included in the provision have been determined on a best estimate basis by reference to a range of plausible scenarios, taking into account the multi-year implementation period for the project. As at 31 December 2023, the outstanding provision was £108m (31 December 2022: £111m).

(iii) Retirement benefit obligations

	Fund and Scheme 2023 £m	**CALA Homes and Overseas 2023 £m**	Fund and Scheme 2022 £m	CALA Homes and Overseas 2022 £m
Gross pension obligations included in provisions	**–**	**14**	612	5
Annuity obligations insured by LGAS	**–**	**–**	(718)	–
Gross defined benefit pension deficit/(surplus)	**–**	**14**	(106)	5
Deferred tax on defined benefit pension deficit/(surplus)	**–**	**(3)**	27	(1)
Net defined benefit pension deficit/(surplus)	**–**	**11**	(79)	4

The Trustees completed a buy-out of the Legal & General Group UK Pension and Assurance Fund (Fund) and the Legal & General Group UK Senior Pension Scheme (Scheme) in November 2023, and the existing annuity policies were exchanged for individual policies between LGAS and members. As a result, all the group's obligations under the pension schemes have now been fully extinguished, and the defined benefit obligation as at the settlement date of £1,470m was therefore derecognised. On the same date, the group recognised the direct liability to the pensioners within insurance contract liabilities. The difference between the defined benefit obligation at this date and the fair value of the insurance contract liabilities recognised under IFRS 17 resulted in £167m being recognised in the Consolidated Income Statement as settlement costs. This reflects measurement differences between IFRS 17 and IAS 19, principally comprising of the associated CSM and risk adjustment.

3.15 Contingent liabilities, guarantees and indemnities

Provision for the liabilities arising under contracts with policyholders is based on certain assumptions. The variance between actual experience from that assumed may result in those liabilities differing from the provisions made for them. Liabilities may also arise in respect of claims relating to the interpretation of policyholder contracts, or the circumstances in which policyholders have entered into them. The extent of these liabilities is influenced by a number of factors including the actions and requirements of the PRA, FCA, ombudsman rulings, industry compensation schemes and court judgments.

Various group companies receive claims and become involved in actual or threatened litigation and regulatory issues from time to time. The relevant members of the group ensure that they make prudent provision as and when circumstances calling for such provision become clear, and that each has adequate capital and reserves to meet reasonably foreseeable eventualities. The provisions made are regularly reviewed. It is not possible to predict, with certainty, the extent and the timing of the financial impact of these claims, litigation or issues.

Group companies have given warranties, indemnities and guarantees as a normal part of their business and operating activities or in relation to capital market transactions or corporate disposals. Legal & General Group Plc has provided indemnities and guarantees in respect of the liabilities of group companies in support of their business activities. Legal and General Assurance Society Limited has provided indemnities, a liquidity and expense risk agreement, a deed of support and a cash and securities liquidity facility in respect of the liabilities of group companies to facilitate the group's matching adjustment reorganisation pursuant to Solvency II.

3.16 Related party transactions

(i) Key management personnel transactions and compensation

All transactions between the group and its key management are on commercial terms which are no more favourable than those available to employees in general. There were no material transactions between key management and the Legal & General group of companies during the year. Contributions to the post-employment defined benefit plans were £134m (2022: £105m) for all employees.

At 31 December 2023 and 31 December 2022 there were no loans outstanding to officers of the company.

The aggregate compensation for key management personnel, including executive and non-executive directors, is as follows:

	2023 £m	2022 £m
Salaries	**12**	11
Share-based incentive awards	**8**	6
Key management personnel compensation	**20**	17

(ii) Services provided to and by related parties

All transactions between the group and associates, joint ventures and other related parties during the year are on commercial terms which are no more favourable than those available to companies in general.

The group has the following material related party transactions:

- A number of transactions between the group's UK defined benefit pension schemes and Legal and General Assurance Society Limited (LGAS) occurred during the year. These include the surrender of Assured Payment Policies (APPs) and their conversion into annuities, as well as a buy-out of the schemes completed by the Trustees, where existing annuity policies were exchanged for individual policies between LGAS and members. Further details are provided in Note 3.14; and
- Total payments by LGAS to the pension schemes for insured pension benefits were £55m (2022: £56m).

Loans and commitments to related parties are made in the normal course of business. As at 31 December 2023, the group had:

- Loans outstanding from related parties of £49m (2022: £58m), with a further commitment of £7m (2022: £6m); and
- Total other commitments of £1,347m to related parties (2022: £1,265m), of which £1,108m has been drawn (2022: £1,010m).

Asset flows and new business

4.01 LGIM total assets under management[1] (AUM)

For the year ended 31 December 2023	Index £bn	Active strategies £bn	Multi asset £bn	Solutions[2] £bn	Real assets £bn	Total AUM £bn
As at 1 January 2023	**444.7**	**156.8**	**73.9**	**485.9**	**34.4**	**1,195.7**
External inflows[3]	69.4	17.4	12.4	25.5	1.5	126.2
External outflows[3]	(84.9)	(17.2)	(7.4)	(23.4)	(2.6)	(135.5)
Overlay net flows	–	–	–	(29.1)	–	(29.1)
External net flows[4]	**(15.5)**	**0.2**	**5.0**	**(27.0)**	**(1.1)**	**(38.4)**
PRT transfers[5]	(0.4)	(1.5)	–	(13.1)	(0.2)	(15.2)
Internal net flows[6]	(0.8)	–	(0.2)	0.5	2.1	1.6
Total net flows	**(16.7)**	**(1.3)**	**4.8**	**(39.6)**	**0.8**	**(52.0)**
Market movements	55.3	10.4	5.6	(29.6)	0.3	42.0
Other movements[7]	(1.6)	3.0	–	(27.9)	–	(26.5)
As at 31 December 2023	**481.7**	**168.9**	**84.3**	**388.8**	**35.5**	**1,159.2**
Assets attributable to:						
External						1,062.1
Internal						97.1

For the year ended 31 December 2022	Index £bn	Active strategies £bn	Multi asset £bn	Solutions[2] £bn	Real assets £bn	Total AUM £bn
As at 1 January 2022	502.4	198.8	78.0	605.1	37.2	1,421.5
External inflows[3]	95.8	16.0	13.5	90.0	2.5	217.8
External outflows[3]	(102.6)	(23.5)	(9.3)	(27.2)	(2.1)	(164.7)
Overlay net flows	–	–	–	(3.5)	–	(3.5)
External net flows[4]	(6.8)	(7.5)	4.2	59.3	0.4	49.6
PRT transfers[5]	(0.2)	(0.4)	–	(2.5)	–	(3.1)
Internal net flows[6]	(1.1)	(0.4)	(0.2)	(1.2)	3.0	0.1
Total net flows	(8.1)	(8.3)	4.0	55.6	3.4	46.6
Market movements	(50.2)	(33.1)	(8.1)	(173.9)	(6.2)	(271.5)
Other movements[7]	0.6	(0.6)	–	(0.9)	–	(0.9)
As at 31 December 2022	444.7	156.8	73.9	485.9	34.4	1,195.7
Assets attributable to:						
External						1,103.4
Internal						92.3

1. Assets under management (AUM) includes assets on our Investment Only Platform that are managed by third parties, on which fees are earned.
2. Solutions include liability driven investments and £246.7bn (31 December 2022: £336.6bn) of derivative notionals associated with the Solutions business.
3. External inflows and outflows include £5.3bn (31 December 2022: £3.9bn) of external investments and £3.4bn (31 December 2022: £3.3bn) of redemptions in the ETF business.
4. External net flows exclude movements in short-term Solutions assets, as their maturity dates are determined by client agreements and are subject to a higher degree of variability. The total value of these assets at 31 December 2023 was £66.9bn (31 December 2022: £69.1bn).
5. PRT transfers reflect UK defined benefit pension scheme buy-outs to LGRI.
6. Internal net flows includes legacy assets from the Mature Savings business sold to ReAssure in 2020.
7. Other movements include movements of external holdings in money market funds, other cash mandates and short-term solutions assets.

Asset flows and new business

4.02 LGIM total assets under management[1] half-yearly progression

For the year ended 31 December 2023	Index £bn	Active strategies £bn	Multi asset £bn	Solutions[2] £bn	Real assets £bn	Total AUM £bn
As at 1 January 2023	**444.7**	**156.8**	**73.9**	**485.9**	**34.4**	**1,195.7**
External inflows[3]	37.6	8.8	5.5	13.6	0.8	66.3
External outflows[3]	(35.1)	(9.2)	(3.4)	(10.6)	(1.0)	(59.3)
Overlay net flows	–	–	–	(19.3)	–	(19.3)
External net flows[4]	**2.5**	**(0.4)**	**2.1**	**(16.3)**	**(0.2)**	**(12.3)**
PRT transfers[5]	(0.3)	(0.3)	–	(4.5)	–	(5.1)
Internal net flows[6]	(0.5)	(3.1)	(0.1)	0.1	1.7	(1.9)
Total net flows	**1.7**	**(3.8)**	**2.0**	**(20.7)**	**1.5**	**(19.3)**
Market movements	24.4	2.6	1.1	(32.4)	(0.3)	(4.6)
Other movements[7]	(0.8)	(1.7)	–	(11.2)	–	(13.7)
As at 30 June 2023	**470.0**	**153.9**	**77.0**	**421.6**	**35.6**	**1,158.1**
External inflows	31.8	8.6	6.9	11.9	0.7	59.9
External outflows	(49.8)	(8.0)	(4.0)	(12.8)	(1.6)	(76.2)
Overlay net flows	–	–	–	(9.8)	–	(9.8)
External net flows[4]	**(18.0)**	**0.6**	**2.9**	**(10.7)**	**(0.9)**	**(26.1)**
PRT transfers[5]	(0.1)	(1.2)	–	(8.6)	(0.2)	(10.1)
Internal net flows[6]	(0.3)	3.1	(0.1)	0.4	0.4	3.5
Total net flows	**(18.4)**	**2.5**	**2.8**	**(18.9)**	**(0.7)**	**(32.7)**
Market movements	30.9	7.8	4.5	2.8	0.6	46.6
Other movements[7]	(0.8)	4.7	–	(16.7)	–	(12.8)
As at 31 December 2023	**481.7**	**168.9**	**84.3**	**388.8**	**35.5**	**1,159.2**

For the year ended 31 December 2022	Index £bn	Active strategies £bn	Multi asset £bn	Solutions[2] £bn	Real assets £bn	Total AUM £bn
As at 1 January 2022	502.4	198.8	78.0	605.1	37.2	1,421.5
External inflows[3]	63.2	7.0	6.8	21.3	1.4	99.7
External outflows[3]	(38.2)	(4.2)	(3.7)	(12.5)	(1.1)	(59.7)
Overlay net flows	–	–	–	25.6	–	25.6
External net flows[4]	25.0	2.8	3.1	34.4	0.3	65.6
PRT transfers[5]	–	–	–	(0.4)	–	(0.4)
Internal net flows[6]	(0.4)	0.2	–	(0.7)	0.4	(0.5)
Total net flows	24.6	3.0	3.1	33.3	0.7	64.7
Market movements	(57.8)	(25.2)	(8.0)	(102.4)	(1.9)	(195.3)
Other movements[7]	0.4	1.6	–	(3.2)	–	(1.2)
As at 30 June 2022	469.6	178.2	73.1	532.8	36.0	1,289.7
External inflows	32.6	9.0	6.7	68.7	1.1	118.1
External outflows	(64.4)	(19.3)	(5.6)	(14.7)	(1.0)	(105.0)
Overlay net flows	–	–	–	(29.1)	–	(29.1)
External net flows[4]	(31.8)	(10.3)	1.1	24.9	0.1	(16.0)
PRT transfers[5]	(0.2)	(0.4)	–	(2.1)	–	(2.7)
Internal net flows[6]	(0.7)	(0.6)	(0.2)	(0.5)	2.6	0.6
Total net flows	(32.7)	(11.3)	0.9	22.3	2.7	(18.1)
Market movements	7.6	(7.9)	(0.1)	(71.5)	(4.3)	(76.2)
Other movements[7]	0.2	(2.2)	–	2.3	–	0.3
As at 31 December 2022	444.7	156.8	73.9	485.9	34.4	1,195.7

1. Assets under management (AUM) includes assets on our Investment Only Platform, that are managed by third parties, on which fees are earned.
2. Solutions include liability driven investments and £246.7bn (31 December 2022: £336.6bn) of derivative notionals associated with the Solutions business.
3. External inflows and outflows include £5.3bn (31 December 2022: £3.9bn) of external investments and £3.4bn (31 December 2022: £3.3bn) of redemptions in the ETF business.
4. External net flows exclude movements in short-term Solutions assets, as their maturity dates are determined by client agreements and are subject to a higher degree of variability. The total value of these assets at 31 December 2023 was £66.9bn (31 December 2022: £69.1bn).
5. PRT transfers reflect UK defined benefit pension scheme buy-outs to LGRI.
6. Internal net flows includes legacy assets from the Mature Savings business sold to ReAssure in 2020.
7. Other movements include movements of external holdings in money market funds, other cash mandates and short-term solutions assets.

Asset flows and new business

4.03 LGIM total external assets under management and net flows

	Assets under management at				Net flows for the six months ended[1]			
	31 December 2023 £bn	**30 June 2023 £bn**	31 December 2022 £bn	30 June 2022 £bn	**31 December 2023 £bn**	**30 June 2023 £bn**	31 December 2022 £bn	30 June 2022 £bn
International[2]	**377.7**	**371.8**	363.6	377.0	**(14.2)**	**(2.7)**	(13.1)	34.5
UK Institutional								
- Defined contribution	**163.0**	**146.1**	135.2	129.7	**6.9**	**5.5**	4.6	7.0
- Defined benefit	**453.4**	**489.6**	547.8	630.1	**(22.0)**	**(17.3)**	(10.0)	22.4
Wholesale[3]	**56.6**	**51.2**	48.3	45.5	**2.2**	**1.3**	2.2	1.4
ETF[4]	**11.4**	**9.9**	8.5	8.4	**1.0**	**0.9**	0.3	0.3
Total external	**1,062.1**	**1,068.6**	1,103.4	1,190.7	**(26.1)**	**(12.3)**	(16.0)	65.6

1. External net flows exclude movements in short-term solutions assets, with maturity as determined by client agreements and are subject to a higher degree of variability.
2. International assets are shown on the basis of client domicile. Total International AUM including assets managed internationally on behalf of UK clients amounted to £465bn as at 31 December 2023 (31 December 2022: £441bn).
3. Wholesale represents assets from the Retail Intermediary business and £0.2bn of assets from Personal Investing customers that did not migrate to Fidelity International Limited.
4. ETF reflects external AUM and Flows invested on the platform. Total AUM managed on the platform is £13.5bn ($17.2bn) in 2023 (£10.2bn/$12.3bn in 2022) and flows are £2.2bn ($2.7bn) in 2023 (£1.0bn/$1.3bn in 2022) which include internal investment from other LGIM asset classes.

4.04 Reconciliation of assets under management to Consolidated Balance Sheet

	2023 £bn	Restated 2022 £bn
Assets under management[1]	**1,159**	1,196
Derivative notionals[2]	**(247)**	(337)
Third party assets[3]	**(458)**	(412)
Other[4]	**47**	45
Total financial investments, investment property and cash and cash equivalents	**501**	492

1. These balances are unaudited.
2. Derivative notionals are included in the assets under management measure but are not for IFRS reporting and are thus removed.
3. Third party assets are those that LGIM manage on behalf of others which are not included on the group's Consolidated Balance Sheet.
4. Other includes assets that are managed by third parties on behalf of the group, other assets and liabilities related to financial investments, derivative assets and pooled funds. It also includes measurement differences between assets under management, which are on a market value basis, and total investments on an IFRS basis.

4.05 Workplace Savings assets under administration[1]

	2023 £bn	2022 £bn
As at 1 January	**66.6**	65.7
Gross inflows	**10.4**	10.7
Gross outflows	**(4.1)**	(3.4)
Net flows	**6.3**	7.3
Market and other movements	**7.0**	(6.4)
As at 31 December	**79.9**	66.6

1. Workplace savings assets under administration as at 31 December 2023 includes £79.7bn (31 December 2022: £66.4bn) of assets under management included in Note 4.01.

4.06 Workplace Savings assets under administration half-yearly progression

	2023 £bn	2022 £bn
As at 1 January	**66.6**	65.7
Gross inflows	**4.9**	6.1
Gross outflows	**(1.9)**	(1.8)
Net flows	**3.0**	4.3
Market and other movements	**2.1**	(6.9)
As at 30 June	**71.7**	63.1
Gross inflows	**5.5**	4.6
Gross outflows	**(2.2)**	(1.6)
Net flows	**3.3**	3.0
Market and other movements	**4.9**	0.5
As at 31 December	**79.9**	66.6

4.07 LGRI new business

	Total 2023 £m	6 months 31 December 2023 £m	6 months 30 June 2023 £m	Total 2022 £m	6 months 31 December 2022 £m	6 months 30 June 2022 £m
UK[1,2]	**12,048**	**7,182**	**4,866**	7,319	3,604	3,715
US	**1,463**	**1,337**	**126**	1,763	1,170	593
Bermuda	**208**	**208**	**–**	459	318	141
Total LGRI new business	**13,719**	**8,727**	**4,992**	9,541	5,092	4,449

1. UK includes £nil (H1 23: £nil; H2 23: £nil) (H1 22: £nil; H2 22: £93m) of Assured Payment Policies (APPs).
2. UK includes a transaction with the group's UK defined benefit pension schemes as disclosed in Note 3.16 Related party transactions.

4.08 Retail new business

	Total 2023 £m	6 months 31 December 2023 £m	6 months 30 June 2023 £m	Total 2022 £m	6 months 31 December 2022 £m	6 months 30 June 2022 £m
Individual annuities	**1,431**	**856**	**575**	954	501	453
Lifetime mortgage loans and retirement interest only mortgages	**299**	**136**	**163**	632	294	338
Total Retail Retirement new business	**1,730**	**992**	**738**	1,586	795	791
UK Retail protection	**150**	**74**	**76**	171	86	85
UK Group protection	**121**	**68**	**53**	107	44	63
US protection[1]	**141**	**71**	**70**	104	56	48
Total Insurance new business	**412**	**213**	**199**	382	186	196
Total Retail new business	**2,142**	**1,205**	**937**	1,968	981	987

1. In local currency, US protection reflects new business of $175m for 2023 (H1 23: $87m; H2 23: $88m), and $129m for 2022 (H1 22: $62m; H2 22: $67m).

Capital

5.01 Group regulatory capital – Solvency II

The group complies with the requirements established by the Solvency II Framework Directive, as adopted by the Prudential Regulation Authority (PRA) in the UK and measures and monitors its capital resources on this basis. The Solvency II regulations were amended in the UK in December 2023 to introduce a change to the calculation of Risk Margin. All other Solvency II regulations remain unchanged.

The Solvency II results are estimated and unaudited. Further explanation of the underlying methodology and assumptions are set out in the sections below.

The group calculates its Solvency II capital requirements using a Partial Internal Model. The majority of the risk to which the group is exposed is assessed on the Partial Internal Model basis approved by the PRA. Capital requirements for a few smaller entities are assessed using the Standard Formula basis on materiality grounds. The group's US insurance businesses and Legal & General Reinsurance Company No. 2 are valued on a local statutory basis, following the PRA's approval to use the Deduction and Aggregation method of including these businesses in the group Solvency II calculation.

The table below shows the group Own Funds, Solvency Capital Requirement (SCR) and Surplus Own Funds, based on the Partial Internal Model, Matching Adjustment and Transitional Measures on Technical Provisions (TMTP) as at 31 December 2023.

(i) Capital position

As at 31 December 2023, and on the above basis, the group had a surplus of £9,167m (31 December 2022: £9,915m) over its Solvency Capital Requirement, corresponding to a Solvency II capital coverage ratio of 224% (31 December 2022: 236%). The Solvency II capital position is as follows:

	2023 £m	2022 £m
Unrestricted Tier 1 Own Funds	**12,845**	13,393
Restricted Tier 1 Own Funds[1]	**495**	495
Tier 2 Subordinated liabilities	**3,460**	3,448
Eligibility restrictions	**(244)**	(110)
Solvency II Own Funds[2,3]	**16,556**	17,226
Solvency Capital Requirement	**(7,389)**	(7,311)
Solvency II surplus	**9,167**	9,915
SCR Coverage ratio	**224%**	236%

1. Restricted Tier 1 Own Funds represent Perpetual restricted Tier 1 contingent convertible notes.
2. Solvency II Own Funds do not include an accrual for the final dividend of £871m (31 December 2022: £829m) declared after the balance sheet date.
3. Solvency II Own Funds allow for a Risk Margin of £1,191m (31 December 2022: £2,753m) and TMTP of £970m (31 December 2022: £2,136m).

5.01 Group regulatory capital – Solvency II (continued)

(ii) Methodology

Own Funds comprise the excess of the value of assets over the liabilities, as valued on a Solvency II basis. Subordinated debt issued by the group is considered to be part of available capital, rather than a liability, as it is subordinate to policyholder claims. Own Funds include deductions in relation to fungibility and transferability restrictions, to the extent that the surplus Own Funds of a specific group entity cannot be freely transferred around the group due to local legal or regulatory constraints.

Assets are valued at IFRS fair value with adjustments to remove intangibles and deferred acquisition costs, and to value reinsurers' share of technical provisions on a basis consistent with the liabilities on the Solvency II balance sheet.

Liabilities are valued on a best estimate market consistent basis, with the application of a Solvency II Matching Adjustment for valuing annuity liabilities. Own Funds incorporate changes to the Internal Model and Matching Adjustment during 2023 and the impacts of a recalculation of the TMTP as at end December 2023. The recalculated TMTP of £970m (31 December 2022: £2,136m) is net of amortisation to 31 December 2023.

The liabilities include a Risk Margin of £1,191m (31 December 2022: £2,753m) which represents an allowance for the cost of capital for a purchasing insurer to take on the portfolio of liabilities and residual risks that are deemed to be non-hedgeable under Solvency II. This is calculated using a cost of capital of 4% and includes a tapering factor of 90% (31 December 2022: 6% cost of capital, with no tapering factor).

The Solvency Capital Requirement is the amount of capital required to cover the 1-in-200 worst projected future outcome in the year following the valuation, allowing for realistic management and policyholder actions and the impact of the stress on the tax position of the group. This allows for diversification between the different firms within the group and between the risks to which they are exposed.

All material EEA insurance firms, including Legal and General Assurance Society Limited (LGAS) and Legal and General Assurance (Pensions Management) Limited, are incorporated into the group's Solvency II Internal Model assessment of required capital, assuming diversification of the risks between and within those firms. These firms, as well as the non-EEA insurance firm (Legal & General Reinsurance Company Limited (L&G Re) based in Bermuda) contribute over 90% of the group's SCR.

Firms which are not regulated but which carry material risks to the group's solvency are also modelled in the Internal Model, with an appropriate stress being applied to their net asset value. There are a small number of insurance firms for which the capital requirements are valued on a Solvency II Standard Formula basis.

Legal & General America's insurance entities (LGA) and Legal and General Reinsurance Company No.2 Limited (L&G Re 2) are incorporated into the calculation of group solvency using a Deduction & Aggregation (D&A) basis. All risk exposure in these firms is valued on local statutory bases.

For LGA (excluding Legal & General America Reinsurance Limited (LGAR)), all risk exposure is valued on a US statutory basis, with capital requirements set to a multiple of US statutory Risk Based Capital (RBC). The contribution to group SCR is 150% of the local Company Action Level RBC (CAL RBC). The contribution to group's Own Funds is the SCR together with any surplus capital in excess of 250% of CAL RBC. The US regulatory regime is considered to be equivalent to Solvency II by the European Commission.

For L&G Re 2 and LGAR, all risk exposure is valued on a Bermudan capital basis, with capital requirements set equal to the Bermudan capital requirements. The Own Funds contribution is restricted by 20% of the capital. The Bermuda regulatory regime is also considered to be equivalent to Solvency II by the European Commission.

All non-insurance regulated firms are included using their current regulatory surplus.

(iii) Assumptions

The calculation of the Solvency II balance sheet and associated capital requirements requires a number of assumptions, including:

i. Demographic assumptions required to project best estimate liability cash flows are mostly consistent with those underlying the group's IFRS disclosures where relevant, subject to minor exceptions.
ii. Future investment returns and discount rates to derive the present value of best estimate liability cash flows are those defined by the PRA. The risk-free rates used to discount UK Sterling and US Dollar cashflows are SONIA- and SOFR-based market swap rates. For other liabilities, the risk-free rates used to discount cash flows include a credit risk adjustment that varies by currency.
iii. For annuities that are eligible, the liability discount rate includes a Matching Adjustment. This Matching Adjustment varies between LGAS and L&G Re and by the currency of the relevant liabilities. At 31 December 2023 the Matching Adjustment for UK Sterling was 122 basis points (31 December 2022: 141 basis points) after deducting an allowance for the fundamental spread equivalent to 53 basis points (31 December 2022: 55 basis points).
iv. Assumptions regarding management actions and policyholder behaviour across the full range of scenarios. The only management actions allowed for are those that have been approved by the Board and are in place at the balance sheet date.
v. Assumptions regarding the volatility of the risks to which the group is exposed. Assumptions have been set using a combination of historic market, demographic and operating experience data. In areas where data is not considered robust, expert judgement has been used.
vi. Assumptions on the dependencies between risks, which are calibrated using a combination of historic data and expert judgement.

5.01 Group regulatory capital – Solvency II (continued)

(iv) Analysis of change

Operational Surplus Generation is the expected surplus generated from the assets and liabilities in-force at the start of the year. It is based on assumed real world returns and best estimate non-market assumptions. It includes the impact of management actions to the extent that, at the start of the year, these were reasonably expected to be implemented over the year.

New business strain is the cost of acquiring business and setting up Technical Provisions and SCR (net of any premium income), on actual new business written over the year. It is based on economic conditions at the point of sale.

The table below shows the movement (net of tax) during the year ended 31 December 2023 in the group's Solvency II surplus.

	2023 Own Funds £m	2023 SCR £m	2023 Surplus £m
Opening Position	**17,226**	**(7,311)**	**9,915**
Operational Surplus Generation[1]	**1,596**	**225**	**1,821**
New business strain	**551**	**(989)**	**(438)**
Net surplus generation	**2,147**	**(764)**	**1,383**
Operating variances[2]			**(307)**
Mergers, acquisitions and disposals[3]			**(140)**
Market movements[4]			**(512)**
Dividends paid[5]			**(1,172)**
Total surplus movement (after dividends paid in the year)	**(670)**	**(78)**	**(748)**
Closing Position	**16,556**	**(7,389)**	**9,167**

1. Operational Surplus Generation includes a £208m release of Risk Margin and £(206)m amortisation of the TMTP.
2. Operating variances include the impact of experience variances, changes to valuation assumptions, methodology changes and other management actions including changes in asset mix.
3. Mergers, acquisitions and disposals for the year ended 31 December 2023 includes costs incurred relating to the announced intent to cease production within the Modular Homes business and impairment of the group's investment in Onto, along with the associated change in SCR.
4. Market movements represent the impact of changes in investment market conditions during the year and changes to future economic assumptions.
5. Dividends paid are the amounts from the 2022 final dividend and 2023 interim dividend.

The table below shows the movement (net of tax) during the year ended 31 December 2022 in the group's Solvency II surplus.

	2022 Own Funds £m	2022 SCR £m	2022 Surplus £m
Opening Position	17,561	(9,376)	8,185
Operational Surplus Generation[1]	1,409	396	1,805
New business strain	333	(685)	(352)
Net surplus generation	1,742	(289)	1,453
Operating variances[2]			(327)
Mergers, acquisitions and disposals			–
Market movements[3]			1,720
Dividends paid[4]			(1,116)
Total surplus movement (after dividends paid in the year)	(335)	2,065	1,730
Closing Position	17,226	(7,311)	9,915

1. Operational Surplus Generation includes a £358m release of Risk Margin and £(342)m amortisation of the TMTP.
2. Operating variances include the impact of experience variances, changes to valuation assumptions, methodology changes and other management actions including changes in asset mix.
3. Market movements represent the impact of changes in investment market conditions over the year and changes to future economic assumptions.
4. Dividends paid are the amounts from the 2021 final dividend and the 2022 interim dividend.

5.01 Group regulatory capital – Solvency II (continued)

(v) Future Solvency II surplus generation – UK annuities

The table below shows a projection of future OSG expected from the £78.3bn (2022: £70.1bn) UK annuity portfolio as at 31 December 2023. The projection excludes any allowance for future new business. The table shows the OSG from our UK annuity businesses in the Annuity back book OSG line, L&G Other includes a contribution from LGC assets supporting the SCR and LGIM's asset management fees for managing assets of the UK annuity portfolio. The impact of management actions is excluded; we expect management actions to contribute up to £0.2bn in each year of the projection.

	2023 £bn	2024 £bn	2025 £bn	2026 £bn	2027 £bn	2028-2032 £bn	2033-2042 £bn
Annuity back book OSG[1]	0.7	0.6	0.6	0.6	0.6	2.5	4.2
L&G Other	0.1	0.1	0.1	0.1	0.1	0.3	0.5
Total OSG for UK Annuity back book	**0.8**	**0.7**	**0.7**	**0.7**	**0.7**	**2.8**	**4.7**

1. Annuity back book OSG does not include new business.

(vi) Reconciliation of IFRS equity to Solvency II Own Funds

A reconciliation of the group's IFRS equity to Solvency II Own Funds is given below:

	2023 £m	Restated 2022 £m
IFRS equity[1]	**4,826**	5,562
CSM net of tax	**10,462**	9,593
IFRS equity plus CSM net of tax	**15,288**	15,155
Remove DAC, goodwill and other intangible assets and associated liabilities	**(525)**	(502)
Add IFRS carrying value of subordinated borrowings[2]	**3,768**	3,823
Insurance contract valuation differences[3]	**(622)**	141
Financial investments valuation differences	**(845)**	(1,111)
Difference in value of net deferred tax liabilities	**(211)**	(145)
Other	**(53)**	(25)
Eligibility restrictions	**(244)**	(110)
Solvency II Own Funds[4]	**16,556**	17,226

1. IFRS equity represents equity attributable to owners of the parent and restricted Tier 1 convertible debt note as per the Consolidated Balance Sheet.
2. Treated as available capital on the Solvency II balance sheet as the liabilities are subordinate to policyholder claims.
3. Differences in the measurement of technical provisions between IFRS and Solvency II.
4. Solvency II Own Funds do not include an accrual for the final dividend of £871m (31 December 2022: £829m) declared after the balance sheet date.

5.01 Group regulatory capital – Solvency II (continued)

(vii) Sensitivity analysis

The following sensitivities are provided to give an indication of how the group's Solvency II surplus as at 31 December 2023 would have changed in a variety of adverse events. These are all independent stresses to a single risk. In practice, the balance sheet is impacted by combinations of stresses and the combined impact can be larger than adding together the impacts of the same stresses in isolation. It is expected that, particularly for market risks, adverse stresses will happen together.

	Impact on net of tax Solvency II capital surplus 2023 £bn	**Impact on net of tax Solvency II coverage ratio 2023 %**	Impact on net of tax Solvency II capital surplus 2022 £bn	Impact on net of tax Solvency II coverage ratio 2022 %
100bps increase in risk-free rates[1]	**0.1**	**10**	0.5	18
100bps decrease in risk-free rates[1,2]	**(0.2)**	**(11)**	(0.6)	(19)
Credit spreads widen by 100bps assuming an escalating addition to ratings[3,4]	**0.4**	**14**	0.3	13
Credit spreads narrow by 100bps assuming an escalating deduction from ratings[3,4]	**(0.6)**	**(18)**	(0.4)	(16)
Credit spreads widen by 100bps assuming a flat addition to ratings[3]	**0.5**	**15**	0.3	14
Credit spreads of sub investment grade assets widen by 100bps assuming a level addition to ratings[3,5]	**(0.2)**	**(7)**	(0.3)	(7)
Credit migration[6]	**(0.7)**	**(10)**	(0.8)	(10)
25% fall in equity markets[7]	**(0.4)**	**(3)**	(0.4)	(3)
15% fall in property markets[8]	**(0.9)**	**(10)**	(0.9)	(11)
50bps increase in future inflation expectations[1]	**(0.1)**	**(3)**	(0.1)	(3)
10% increase in maintenance expenses[9]	**(0.3)**	**(4)**	(0.3)	(4)

1. Assuming a recalculation of the Transitional Measure on Technical Provisions that partially offsets the impact on Risk Margin.
2. In the interest rate down stress negative rates are allowed, i.e. there is no floor at zero rates.
3. The spread sensitivity applies to the group's corporate bond (and similar) holdings, with no change in long-term default expectations. Restructured lifetime mortgages are excluded as the underlying exposure is mostly to property.
4. The stress for AA bonds is twice that for AAA bonds, for A bonds it is three times, for BBB four times and so on, such that the weighted average spread stress for the portfolio is 100 basis points. To give a 100bps increase on the total portfolio, the spread stress increases in steps of 32bps, i.e. 32bps for AAA, 64bps for AA etc.
5. No stress for bonds rated BBB and above. For bonds rated BB and below the stress is 100bps. The spread widening on the total portfolio is smaller than 1bps as the group holds less than 1% in bonds rated BB and below. The impact is primarily an increase in SCR arising from the modelled cost of trading downgraded bonds back to a higher rating in the stress scenarios in the SCR calculation.
6. Credit migration stress covers the cost of an immediate big letter downgrade on 20% of all assets where the capital treatment depends on a credit rating (including corporate bonds, and sale and leaseback rental strips; lifetime mortgage senior notes are excluded). Downgraded assets in our annuities portfolio are assumed to be traded to their original credit rating, so the impact is primarily a reduction in Own Funds from the loss of value on downgrade. The impact of the sensitivity will depend upon the market levels of spreads at the balance sheet date.
7. This relates primarily to equity exposure in LGC but will also include equity-based mutual funds and other investments that receive an equity stress (for example, certain investments in subsidiaries). Some assets have factors that increase or decrease the stress relative to general equity levels via a beta factor.
8. Assets stressed include residual values from sale and leaseback, the full amount of lifetime mortgages and direct investments treated as property.
9. A 10% increase in the assumed unit costs and future costs of investment management across all long-term insurance business lines.

The above sensitivity analysis does not reflect all management actions which could be taken to reduce the impacts. In practice, the group actively manages its asset and liability positions to respond to market movements. Other than in the interest rate and inflation stresses, we have not allowed for the recalculation of TMTP. Allowance is made for the recalculation of the Loss Absorbing Capacity of Deferred Tax for all stresses, assuming full capacity remains available post stress.

The impacts of these stresses are not linear therefore these results should not be used to interpolate or extrapolate the impact of a smaller or larger stress. The results of these tests are indicative of the market conditions prevailing at the balance sheet date. The results would be different if performed at an alternative reporting date.

5.01 Group regulatory capital – Solvency II (continued)

(viii) Analysis of Group Solvency Capital Requirement

The table below shows a breakdown of the group's SCR by risk type. The split is shown before the effects of diversification and tax.

	2023 %	2022 %
Interest rate[1]	**10**	3
Equity	**6**	6
Property	**12**	12
Credit[2]	**22**	27
Currency	**1**	2
Inflation	**4**	5
Total Market risk[3]	**55**	55
Counterparty risk	**2**	2
Life mortality	**3**	3
Life longevity[4]	**18**	18
Life mass lapse	**3**	3
Life non-mass lapse	**2**	2
Life catastrophe	**6**	6
Expense	**3**	3
Total Insurance risk	**35**	35
Non-life underwriting	**–**	–
Operational risk	**4**	5
Miscellaneous[5]	**4**	3
Total SCR	**100**	100

1. Interest rate risk before diversification increased over the year, mainly driven by a lengthening of interest rate exposure and a strengthening in the interest rate stress calibration. However, rates exposure is significantly smaller after allowing for diversification with other risks. The material increase in interest rate risk also resulted in a decrease in other market risks as a percentage of total.
2. Credit risk is one of the group's most significant exposures, arising predominantly from the portfolio of bonds and bond-like assets backing the group's annuity business.
3. In addition to credit risk the group also has significant exposure to other market risks, primarily due to the investment holdings within the shareholder funds but also the risk to fee income from assets backing unit linked business.
4. Longevity risk is the group's most significant insurance risk exposure, arising from the annuity book on which the majority of the longevity risk on the back-book is retained. However, we expect this to reduce over time as we continue to reinsure the majority of the exposure on the new business written post the implementation of Solvency II.
5. Miscellaneous includes LGA and L&G Re 2 on a Deduction and Aggregation basis and the sectoral capital requirements for non-insurance regulated firms.

5.02 Estimated Solvency II new business contribution

(i) New business by product[1]

Management estimates of the present value of new business premium (PVNBP) and the margin for selected lines of business are provided below:

	PVNBP[2] 2023 £m	**Contribution from new business[3] 2023 £m**	**Margin[4] 2023 %**	PVNBP[2] 2022 £m	Contribution from new business[3] 2022 £m	Margin[4] 2022 %
LGRI - UK annuity business[5]	**8,859**	**654**	**7.4**	6,484	575	8.9
Retail Retirement - UK annuity business	**1,431**	**100**	**7.0**	954	60	6.3
UK Protection	**1,337**	**37**	**2.8**	1,512	82	5.4
US Protection[6]	**1,123**	**128**	**11.4**	796	84	10.6

1. Selected lines of business only.
2. PVNBP excludes a quota share reinsurance single premium of £3,189m (31 December 2022: £835m) relating to LGRI new business.
3. The contribution from new business is defined as the present value at the point of sale of expected future Solvency II surplus emerging from new business written in the year using the risk discount rate applicable at the end of the year. For 2023, the contribution from new business has been calculated using the revised Risk Margin calculation introduced into the UK in December 2023.
4. Margin is based on unrounded inputs.
5. LGRI UK annuity business includes a transaction with the group's UK defined benefit pension schemes as disclosed in Note 3.16 Related party transactions.
6. In local currency, US protection business reflects PVNBP of $1,397m (31 December 2022: $985m) and a contribution from new business of $160m (31 December 2022: $104m).

5.02 Estimated Solvency II new business contribution (continued)

(ii) Assumptions

The key economic assumptions are as follows:

	2023 %	2022 %
Margin for Risk	**4.2**	4.4
Risk-free rate		
- UK	**3.3**	3.6
- US	**3.9**	3.9
Risk discount rate (net of tax)		
- UK	**7.5**	8.0
- US	**8.1**	8.3
Long-term rate of return on annuities	**4.9**	5.7

The future earnings are discounted using duration-based discount rates, which is the sum of a duration-based risk-free rate and a flat margin for risk. The risk-free rate shown above is a weighted average based on the projected cash flows.

Economic and non-economic assumptions are set to best estimates of their real-world outcomes, including a risk premium for asset returns where appropriate. In particular:

- The assumed future pre-tax returns on fixed interest and RPI linked securities are set by reference to yield on the relevant backing assets, net of an allowance for default risk which takes into account the credit rating and the outstanding term of the assets. The weighted average deduction for business written in 2023 equates to a level rate deduction from the expected returns of 19 basis points. The calculated return takes account of derivatives and other credit instruments in the investment portfolio.

- Non-economic assumptions have been set at levels commensurate with recent operating experience, including those for mortality, morbidity, persistency and maintenance expenses (excluding development costs). An allowance is made for future mortality improvement. For new business, mortality assumptions may be modified to take certain scheme specific features into account.

The profits on the new business are presented gross of tax.

5.02 Estimated Solvency II new business contribution (continued)

(iii) Methodology

Basis of Preparation

Solvency II new business contribution reflects the portion of Solvency II value added by new business written in the year. It has been calculated in a manner consistent with principles and methodologies which were adopted in the group's 2023 Annual Report and Accounts and Full Year Results.

Solvency II new business contribution has been calculated for the group's most material insurance-related businesses, namely, LGRI, Retail Retirement and Insurance.

Intra-group reinsurance arrangements are in place between US, UK and Bermudan businesses and it is expected that these arrangements will be periodically extended to cover recent new business. The US protection new business margin assumes that the new business will continue to be reinsured in 2023 and looks through the intra-group arrangements.

Description of methodology

The objective of the Solvency II new business contribution is to provide shareholders with information on the long-term contribution of new business written in 2023.

The Solvency II new business contribution has been calculated as the present value of future shareholder profits arising from business written in 2023. Cash flow projections are determined using best estimate assumptions for each component of cash flow and for each policy group. Best estimate assumptions including mortality, morbidity, persistency and expenses reflect recent operating experience. The Risk Margin included in the new business contribution has been calculated under the Solvency UK rules that came into effect in December 2023, using a 4% cost of capital and a 10% tapering factor.

The PVNBP is equivalent to total single premiums plus the discounted value of annual premiums expected to be received over the term of the contracts using the same economic and operating assumptions used for the calculation of the new business contribution for the financial year. The new business margin is defined as new business contribution divided by the PVNBP. The premium volumes used to calculate the PVNBP are the same as those used to calculate new business contribution.

LGA new business contribution is calculated on a US statutory basis.

Projection assumptions

Cash flow projections are determined using best estimate assumptions for each component of cash flow for each line of business. Future economic and investment return assumptions are based on conditions at the end of the financial year.

Detailed projection assumptions including mortality, morbidity, persistency and expenses reflect recent operating experience and are normally reviewed annually. Allowance is made for future improvements in annuitant mortality based on experience and externally published data. Favourable changes in operating experience are not anticipated until the improvement in experience has been observed.

All costs relating to new business, even if incurred elsewhere in the group, are allocated to the new business. The expense assumptions used for the cash flow projections therefore include the full cost of servicing this business.

Risk discount rate

The risk discount rate (RDR) is duration-based and is a combination of the risk-free curve and a flat Margin for Risk.

The GBP risk-free rates have been based on a SONIA-based swap curve with no Credit Risk Adjustment. The USD risk-free rates have been based on a SOFR-based swap curve with no Credit Risk Adjustment.

The Margin for Risk has been determined based on an assessment of the group's Weighted Average Cost of Capital (WACC). This assessment incorporates a beta for the group, which measures the correlation of movements in the group's share price to movements in a relevant index. Beta values therefore allow for the market's assessment of the risks inherent in the business relative to other companies in the chosen index.

5.02 Estimated Solvency II new business contribution (continued)

(iii) Methodology (continued)

The WACC is derived from the group's cost of equity, cost of debt, and the proportion of equity to debt in the group's capital structure measured using market values. Each of these three parameters is forward looking, although informed by historic information and appropriate judgements where necessary. The cost of equity is calculated as the risk-free rate plus the equity risk premium for the chosen index multiplied by the company's beta.

The cost of debt used in the WACC calculations takes account of the actual locked-in rates for our senior and subordinated long-term debt. All debt interest attracts tax relief at a time adjusted rate of 25% (31 December 2022: 25%).

Whilst the WACC approach is a relatively simple and transparent calculation to apply, subjectivity remains within a number of the assumptions. Management believes that the chosen Margin for Risk, together with the levels of required capital and the inherent strength of the group's regulatory reserves, is appropriate to reflect the risks within the covered business.

(iv) Reconciliation of PVNBP to total LGRI and Retail new business

	Notes	**2023 £bn**	2022 £bn
PVNBP	5.02 (i)	**12.7**	9.7
Effect of capitalisation factor		**(1.8)**	(1.5)
New business premiums from selected lines		**10.9**	8.2
Other[1]		**5.0**	3.3
Total LGRI and Retail new business	4.07, 4.08	**15.9**	11.5

1. Other principally includes annuity sales in the US £1.5bn (31 December 2022: £1.8bn), lifetime mortgage loans and retirement interest only mortgages £0.3bn (31 December 2022: £0.6bn), and quota share reinsurance premiums £3.2bn (31 December 2022: £0.8bn).

Investments

6.01 Investment portfolio

	2023 £m	Restated 2022 £m
Worldwide total assets under management[1]	**1,168,269**	1,202,676
Client and policyholder assets	**(1,032,713)**	(1,073,126)
Investments to which shareholders are directly exposed (market value)	**135,556**	129,550
Adjustment from market value to IFRS carrying value[2]	**848**	1,083
Investments to which shareholders are directly exposed (IFRS carrying value)	**136,404**	130,633

1. Worldwide total assets under management include LGIM AUM and other group assets not managed by LGIM.
2. Adjustments reflect measurement differences for a portion of the group's financial investments designated as amortised cost.

Analysed by investment class:

	Notes	Annuity[1] investments 2023 £m	LGC[2] investments 2023 £m	Other shareholder investments 2023 £m	Total 2023 £m	Restated Annuity[1] investments 2022 £m	Restated LGC[2] investments 2022 £m	Restated Other shareholder investments 2022 £m	Restated Total 2022 £m
Equities		**240**	**2,513**	**413**	**3,166**	95	2,576	400	3,071
Bonds	6.03	**76,836**	**1,493**	**3,001**	**81,330**	67,936	1,229	2,608	71,773
Derivative assets[3]		**37,878**	**141**	**–**	**38,019**	41,641	337	–	41,978
Property	6.04	**4,764**	**739**	**–**	**5,503**	5,037	607	–	5,644
Loans[4]		**1,239**	**325**	**48**	**1,612**	785	238	50	1,073
Financial investments		**120,957**	**5,211**	**3,462**	**129,630**	115,494	4,987	3,058	123,539
Cash and cash equivalents		**2,573**	**1,014**	**648**	**4,235**	2,631	1,418	785	4,834
Other assets[5]		**451**	**2,077**	**11**	**2,539**	110	2,133	17	2,260
Total investments		**123,981**	**8,302**	**4,121**	**136,404**	118,235	8,538	3,860	130,633

1. Annuity investments includes products held within the LGRI and Retail Retirement annuity portfolios and includes lifetime mortgage loans & retirement interest only mortgages.
2. LGC investments includes £92m (31 December 2022: £95m) of Legal & General Reinsurance Company Limited's assets managed by LGC, along with £279m (31 December 2022: £122m) of bonds and equities that belong to other shareholder funds.
3. Derivative assets are shown gross of derivative liabilities of £40.5bn (31 December 2022: £46.1bn). Exposures arise from use of derivatives for efficient portfolio management, particularly the use of interest rate swaps, inflation swaps, currency swaps and foreign exchange forward contracts for assets and liability management.
4. Loans include reverse repurchase agreements of £1,599m (31 December 2022: £1,072m).
5. Other assets include finance leases of £451m (31 December 2022: £110m), associates and joint ventures of £616m (31 December 2022: £554m) and the consolidated net asset value of the group's investments in CALA Homes and other housing businesses.

Investments

6.02 Direct investments

(i) Total investments analysed by asset class

	Direct[1] investments 2023 £m	Traded[2] securities 2023 £m	Total 2023 £m	Restated Direct[1] investments 2022 £m	Restated Traded[2] securities 2022 £m	Restated Total 2022 £m
Equities	**1,856**	**1,310**	**3,166**	1,704	1,367	3,071
Bonds[3]	**27,671**	**53,659**	**81,330**	23,171	48,602	71,773
Derivative assets	**–**	**38,019**	**38,019**	–	41,978	41,978
Property[4]	**5,503**	**–**	**5,503**	5,644	–	5,644
Loans	**13**	**1,599**	**1,612**	–	1,073	1,073
Financial investments	**35,043**	**94,587**	**129,630**	30,519	93,020	123,539
Cash and cash equivalents	**163**	**4,072**	**4,235**	56	4,778	4,834
Other assets	**2,539**	**–**	**2,539**	2,260	–	2,260
Total investments	**37,745**	**98,659**	**136,404**	32,835	97,798	130,633

1. Direct investments, which generally constitute an agreement with another party, represent an exposure to untraded and often less volatile asset classes. Direct investments also include physical assets, bilateral loans and private equity, but excluded hedge funds.
2. Traded securities are defined by exclusion. If an instrument is not a direct investment, then it is classed as a traded security.
3. Bonds include lifetime mortgage loans of £5,766m (31 December 2022: £4,844m).
4. A further breakdown of property is provided in Note 6.04.

Investments

6.02 Direct investments (continued)

(ii) Direct investments analysed by asset portfolio

	Annuity[1] 2023 £m	Shareholder[2] 2023 £m	Insurance[3] 2023 £m	Total 2023 £m
Equities	**62**	**1,545**	**249**	**1,856**
Bonds[4]	**25,756**	**265**	**1,650**	**27,671**
Property	**4,764**	**739**	**–**	**5,503**
Loans	**–**	**13**	**–**	**13**
Financial investments	**30,582**	**2,562**	**1,899**	**35,043**
Other assets, cash and cash equivalents	**480**	**2,211**	**11**	**2,702**
Total direct investments	**31,062**	**4,773**	**1,910**	**37,745**

	Annuity[1] 2022 £m	Shareholder[2] 2022 £m	Insurance[3] 2022 £m	Total 2022 £m
Equities	51	1,417	236	1,704
Bonds[4]	21,840	51	1,280	23,171
Property	5,037	607	–	5,644
Loans	–	–	–	–
Financial investments	26,928	2,075	1,516	30,519
Other assets, cash and cash equivalents	110	2,189	17	2,316
Total direct investments (restated)	27,038	4,264	1,533	32,835

1. Annuity includes products held within the LGRI and Retail Retirement annuity portfolios.
2. Shareholder primarily includes the LGC direct investment portfolio and £92m (31 December 2022: £95m) of Legal & General Reinsurance Company Limited's assets managed by LGC, along with £279m (31 December 2022: £122m) of bonds and equities that belong to other shareholder funds.
3. Insurance primarily includes assets backing the group's US protection business.
4. Bonds include lifetime mortgage loans of £5,766m (31 December 2022: £4,844m).

Investments

6.03 Bond portfolio summary

(i) Sectors analysed by credit rating

As at 31 December 2023	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Other £m	Total[2] £m	Total[2] %
Sovereigns, Supras and Sub-Sovereigns	399	10,342	1,023	102	1	2	11,869	15
Banks:								
- Tier 1	–	–	–	20	–	1	21	–
- Tier 2 and other subordinated	–	–	77	47	1	–	125	–
- Senior	–	1,656	4,270	824	1	–	6,751	8
- Covered	106	–	–	–	–	–	106	–
Financial Services:								
- Tier 2 and other subordinated	–	74	57	17	7	3	158	-
- Senior	238	361	828	716	–	3	2,146	3
Insurance:								
- Tier 1	–	–	–	9	–	–	9	-
- Tier 2 and other subordinated	31	131	32	44	–	–	238	-
- Senior	10	188	411	379	–	–	988	1
Consumer Services and Goods:								
- Cyclical	–	46	1,174	1,843	25	21	3,109	4
- Non-cyclical	314	840	3,176	2,917	65	1	7,313	9
- Healthcare	12	697	1,060	668	4	–	2,441	3
Infrastructure:								
- Social	163	822	4,333	1,135	71	–	6,524	8
- Economic	253	157	1,096	4,031	60	13	5,610	7
Technology and Telecoms	97	301	1,611	2,802	12	6	4,829	6
Industrials	–	58	593	651	25	1	1,328	2
Utilities	541	751	4,771	4,384	17	–	10,464	13
Energy	–	26	504	1,033	34	–	1,597	2
Commodities	–	–	210	630	24	21	885	1
Oil and Gas	–	501	618	326	13	59	1,517	2
Real estate	–	32	2,197	2,200	22	–	4,451	5
Structured finance ABS / RMBS / CMBS / Other	656	1,042	697	566	55	15	3,031	4
Lifetime mortgage loans[1]	–	4,835	504	402	–	25	5,766	7
CDOs	–	43	–	11	–	–	54	–
Total £m	2,820	22,903	29,242	25,757	437	171	81,330	100
Total %	3	28	36	32	1	–	100	

1. The credit ratings attributed to lifetime mortgage loans are allocated in accordance with the internal Matching Adjustment structuring.
2. The group's bond portfolio is dominated by investments backing LGRI's and Retail Retirement's annuity business. These account for £76,836m, representing 94% of the total group portfolio.

Investments

6.03 Bond portfolio summary (continued)

(i) Sectors analysed by credit rating (continued)

As at 31 December 2022 (Restated)	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Other £m	Total[2] £m	Total[2] %
Sovereigns, Supras and Sub-Sovereigns	1,718	5,561	844	111	7	3	8,244	12
Banks:								
- Tier 1	–	–	–	–	–	1	1	–
- Tier 2 and other subordinated	–	–	83	66	3	–	152	–
- Senior	–	1,179	2,300	996	2	–	4,477	6
- Covered	114	–	–	–	–	–	114	–
Financial Services:								
- Tier 2 and other subordinated	32	94	52	20	7	4	209	–
- Senior	49	246	592	561	–	–	1,448	2
Insurance:								
- Tier 2 and other subordinated	53	138	23	53	–	–	267	–
- Senior	6	186	342	407	–	–	941	1
Consumer Services and Goods:								
- Cyclical	–	18	1,129	1,871	161	8	3,187	5
- Non-cyclical	310	830	2,441	3,322	166	–	7,069	10
- Healthcare	–	634	916	754	4	–	2,308	3
Infrastructure:								
- Social	170	808	3,580	1,173	70	–	5,801	8
- Economic	288	151	999	3,606	173	–	5,217	7
Technology and Telecoms	134	365	1,201	2,687	17	1	4,405	6
Industrials	–	60	702	679	23	–	1,464	2
Utilities	531	582	4,699	4,997	27	–	10,836	15
Energy	–	–	351	802	42	–	1,195	2
Commodities	–	–	301	658	25	15	999	1
Oil and Gas	–	483	805	310	67	52	1,717	3
Real estate	–	24	2,004	1,984	91	2	4,105	6
Structured finance ABS / RMBS / CMBS / Other	683	855	566	587	22	8	2,721	4
Lifetime mortgage loans[1]	3,246	824	428	336	–	10	4,844	7
CDOs	–	41	–	11	–	–	52	–
Total £m	7,334	13,079	24,358	25,991	907	104	71,773	100
Total %	10	18	34	36	2	–	100	

1. The credit ratings attributed to lifetime mortgage loans are allocated in accordance with the internal Matching Adjustment structuring.
2. The group's bond portfolio is dominated by investments backing LGRI's and Retail Retirement's annuity business. These account for £67,936m, representing 95% of the total group portfolio.

Investments

6.03 Bond portfolio summary (continued)

(ii) Sectors analysed by domicile

As at 31 December 2023	UK £m	US £m	EU £m	Rest of the World £m	Total £m
Sovereigns, Supras and Sub-Sovereigns	8,790	1,696	849	534	11,869
Banks	1,772	2,360	1,459	1,412	7,003
Financial Services	527	902	649	226	2,304
Insurance	64	1,015	75	81	1,235
Consumer Services and Goods:					
- Cyclical	355	2,281	294	179	3,109
- Non-cyclical	1,891	4,697	379	346	7,313
- Healthcare	277	2,093	71	–	2,441
Infrastructure:					
- Social	5,605	679	162	78	6,524
- Economic	3,968	909	267	466	5,610
Technology and Telecoms	448	3,226	566	589	4,829
Industrials	199	768	310	51	1,328
Utilities	4,654	3,334	1,951	525	10,464
Energy	335	887	23	352	1,597
Commodities	53	392	134	306	885
Oil and Gas	288	371	530	328	1,517
Real estate	1,955	1,658	539	299	4,451
Structured finance ABS / RMBS / CMBS / Other	768	1,744	62	457	3,031
Lifetime mortgage loans	5,324	–	442	–	5,766
CDOs	–	–	–	54	54
Total	37,273	29,012	8,762	6,283	81,330

6.03 Bond portfolio summary (continued)

(ii) Sectors analysed by domicile (continued)

As at 31 December 2022 (Restated)	UK £m	US £m	EU £m	Rest of the World £m	Total £m
Sovereigns, Supras and Sub-Sovereigns	5,261	1,754	614	615	8,244
Banks	1,089	1,897	717	1,041	4,744
Financial Services	410	539	520	188	1,657
Insurance	108	1,007	20	73	1,208
Consumer Services and Goods:					
- Cyclical	549	2,132	298	208	3,187
- Non-cyclical	1,830	4,775	296	168	7,069
- Healthcare	257	1,986	64	1	2,308
Infrastructure:					
- Social	4,890	704	150	57	5,801
- Economic	3,756	833	256	372	5,217
Technology and Telecoms	363	2,963	577	502	4,405
Industrials	192	824	292	156	1,464
Utilities	5,656	2,840	1,855	485	10,836
Energy	294	671	13	217	1,195
Commodities	35	415	113	436	999
Oil and Gas	158	508	650	401	1,717
Real estate	2,011	1,228	636	230	4,105
Structured finance ABS / RMBS / CMBS / Other	641	1,674	44	362	2,721
Lifetime mortgage loans	4,801	–	43	–	4,844
CDOs	–	–	–	52	52
Total	32,301	26,750	7,158	5,564	71,773

6.03 Bond portfolio summary (continued)

(iii) Bond portfolio analysed by credit rating

As at 31 December 2023	Externally rated £m	Internally rated[1] £m	Total £m
AAA	**2,373**	**447**	**2,820**
AA	**16,323**	**6,580**	**22,903**
A	**18,365**	**10,877**	**29,242**
BBB	**18,458**	**7,299**	**25,757**
BB or below	**195**	**242**	**437**
Other	**20**	**151**	**171**
Total	**55,734**	**25,596**	**81,330**

As at 31 December 2022 (Restated)	Externally rated £m	Internally rated[1] £m	Total £m
AAA	3,741	3,593	7,334
AA	10,577	2,502	13,079
A	15,883	8,475	24,358
BBB	18,554	7,437	25,991
BB or below	529	378	907
Other	17	87	104
Total	49,301	22,472	71,773

1. Where external ratings are not available an internal rating has been used where practicable to do so.

Investments

6.03 Bond portfolio summary (continued)

(iv) Sectors analysed by Direct investments and traded securities

As at 31 December 2023	Direct investments £m	Traded £m	Total £m
Sovereigns, Supras and Sub-Sovereigns	1,257	10,612	11,869
Banks	1,228	5,775	7,003
Financial Services	1,481	823	2,304
Insurance	160	1,075	1,235
Consumer Services and Goods:			
- Cyclical	550	2,559	3,109
- Non-cyclical	1,017	6,296	7,313
- Healthcare	517	1,924	2,441
Infrastructure:			
- Social	3,836	2,688	6,524
- Economic	4,231	1,379	5,610
Technology and Telecoms	307	4,522	4,829
Industrials	127	1,201	1,328
Utilities	2,370	8,094	10,464
Energy	521	1,076	1,597
Commodities	145	740	885
Oil and Gas	102	1,415	1,517
Real estate	2,763	1,688	4,451
Structured finance ABS / RMBS / CMBS / Other	1,293	1,738	3,031
Lifetime mortgage loans	5,766	–	5,766
CDOs	–	54	54
Total	27,671	53,659	81,330

Investments

6.03 Bond portfolio summary (continued)

(iv) Sectors analysed by Direct investments and traded securities (continued)

As at 31 December 2022 (Restated)	Direct investments £m	Traded £m	Total £m
Sovereigns, Supras and Sub-Sovereigns	816	7,428	8,244
Banks	787	3,957	4,744
Financial Services	941	716	1,657
Insurance	111	1,097	1,208
Consumer Services and Goods:			
- Cyclical	598	2,589	3,187
- Non-cyclical	637	6,432	7,069
- Healthcare	443	1,865	2,308
Infrastructure:			
- Social	3,300	2,501	5,801
- Economic	3,913	1,304	5,217
Technology and Telecoms	123	4,282	4,405
Industrials	120	1,344	1,464
Utilities	2,012	8,824	10,836
Energy	385	810	1,195
Commodities	67	932	999
Oil and Gas	89	1,628	1,717
Real estate	2,719	1,386	4,105
Structured finance ABS / RMBS / CMBS / Other	1,266	1,455	2,721
Lifetime mortgage loans	4,844	–	4,844
CDOs	–	52	52
Total	23,171	48,602	71,773

Investments

6.04 Property analysis

Property exposure within Direct investments by status

As at 31 December 2023	**Annuity £m**	**Shareholder[1] £m**	**Total £m**	**%**
Fully let[2]	**4,304**	**601**	**4,905**	**89**
Development	**460**	**104**	**564**	**10**
Land	**–**	**34**	**34**	**1**
Total	**4,764**	**739**	**5,503**	**100**

As at 31 December 2022	Annuity £m	Shareholder[1] £m	Total £m	%
Fully let[2]	4,568	462	5,030	89
Development	469	83	552	10
Land	–	62	62	1
Total	5,037	607	5,644	100

1. The above analysis does not include assets related to the group's investments in CALA Homes and other housing businesses, which are accounted for as inventory within Receivables and other assets on the group's Consolidated Balance Sheet and measured at the lower of cost and net realisable value. At 31 December 2023, the group held a total £1,932m (31 December 2022: £1,973m) of such assets.
2. £4.2bn (31 December 2022: £4.5bn) fully let property were let to corporate clients, out of which £3.7bn (31 December 2022: £4.0bn) were let to investment grade tenants.

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Alternative Performance Measures

An alternative performance measure (APM) is a financial measure of historic or future financial performance, financial position, or cash flows, other than a financial measure defined under IFRS or the regulations of Solvency II. APMs offer investors and stakeholders additional information on the company's performance and the financial effect of 'one-off' events, and the group uses a range of these metrics to enhance understanding of the group's performance. However, APMs should be viewed as complementary to, rather than as a substitute for, the figures determined according to other regulations. The APMs used by the group are listed in this Note, along with their definition/explanation, their closest IFRS or Solvency II measure and, where relevant, the reference to the reconciliations to those measures.

The adoption of IFRS 17 by the group has led to changes in both the definition and/or result of several of the APMs, although the principles underlying them have not changed.

The APMs used by the group may not be the same as, or comparable to, those used by other companies, both in similar and different industries. The calculation of APMs is consistent with previous periods, unless otherwise stated.

APMs derived from IFRS measures

Adjusted operating profit

Adjusted operating profit is an APM that supports the internal performance management and decision making of the group's operating businesses, and accordingly underpins the remuneration outcomes of the executive directors and senior management. The group considers this measure meaningful to stakeholders as it enhances the understanding of the group's operating performance over time by separately identifying non-operating items.

Adjusted operating profit measures the pre-tax result excluding the impact of investment volatility, economic assumption changes caused by changes in market conditions or expectations and exceptional items. Key considerations in relation to the calculation of adjusted operating profit for the group's long-term insurance businesses and shareholder funds are set out below.

Exceptional income and expenses which arise outside the normal course of business in the year, such as merger and acquisition and start-up costs, are excluded from adjusted operating profit.

Long-term insurance
Adjusted operating profit reflects longer-term economic assumptions for the group's retirement and insurance businesses. Variances between actual and long-term expected investment return on traded and real assets are excluded from adjusted operating profit, as well as economic assumption changes caused by changes in market conditions or expectations (e.g. credit default and inflation) and any difference between the actual allocated asset mix and the target long-term asset mix on new pension risk transfer business. Assets held for future new pension risk transfer business are excluded from the asset portfolio used to determine the discount rate for annuities on insurance contract liabilities. The impact of investment management actions that optimise the yield of the assets backing the back book of annuity contracts is now included within adjusted operating profit.

For the group's long-term insurance businesses, reinsurance mismatches are also excluded from adjusted operating profit. Reinsurance mismatches arise where the reinsurance offset rules in IFRS 17 do not reflect management's view of the net of reinsurance transaction. In particular, during a period of reinsurance renegotiation, reinsurance gains cannot be recognised to offset any inception losses on the underlying contracts where they are recognised before the new reinsurance agreement is signed. In these circumstances, the onerous contract losses are reduced to reflect the net loss (if any) after reinsurance, and future contractual service margin (CSM) amortisation is reduced over the duration of the contracts.

Application of IFRS 17 has changed the timing of the recognition of profit from insurance contracts. This includes spreading both the day one profit arising on new business and the impact of assumption changes into the contractual service margin. Accordingly, the application of IFRS 17 reduced the reported 2022 operating profit from divisions by £0.9bn in comparison with the result presented under IFRS4.

Shareholder funds
Shareholder funds include both the group's traded investments portfolio and certain direct investments for which adjusted operating profit is based on the long-term economic return expected to be generated. For these direct investments, as well as for the group's traded investments portfolio, deviations from such long-term economic return are excluded from adjusted operating profit. Direct investments for which adjusted operating profit is reflected in this way include the following:

- Development assets, predominantly in the specialist commercial real estate and housing sectors within the LGC alternative asset portfolio: these are assets under construction and contracted to either be sold to other parts of the group or for other commercial usage, and on which LGC accepts development risks and expects to realise profits once construction is complete.
- 'Scale-up' investments, predominantly in the alternative finance sector within the LGC alternative asset portfolio as well as the fintech business within Retail: these are investments in early-stage ventures in a fast-growing phase of their life cycle, but which have not yet reached a steady-state level of earnings.

Shareholder funds also includes other direct investments for which adjusted operating profit reflects the IFRS profit before tax. Direct investments for which adjusted operating profit is reflected in this way include the following:

- 'Start-up' investments: these are companies in the beginning stages of their business lifecycle (i.e. typically less than 24 months), which therefore have limited operating history available and typically are in a pre-revenue stage.
- Mature assets: these are companies in their final stages of business lifecycle. They are stable businesses and have sustainable streams of income, but the growth rate in their earnings is expected to remain less pronounced in the future.

Note 1.02 Operating profit reconciles adjusted operating profit with its closest IFRS measure, which is profit before tax attributable to equity holders. Further details on reconciling items between adjusted operating profit and profit before tax attributable to equity holders are presented in Note 1.06 Investment and other variances.

Alternative Performance Measures

Return on Equity (ROE)

ROE measures the return earned by shareholders on shareholder capital retained within the business. It is a measure of performance of the business, which shows how efficiently we are using our financial resources to generate a return for shareholders. ROE is calculated as IFRS profit after tax divided by average IFRS shareholders' funds (by reference to opening and closing shareholders' funds as provided in the IFRS Consolidated Statement of Changes In Equity for the year). In the current year, ROE was quantified using profit attributable to equity holders of £457m (31 December 2022: £783m) and average equity attributable to the owners of the parent of £4,699m (31 December 2022: £5,014m), based on an opening balance of £5,067m and a closing balance of £4,331m (31 December 2022: based on an opening balance of £4,960m and a closing balance of £5,067m). The methodology for determining the ROE has not changed following the adoption of IFRS 17 and IFRS 9.

Assets under Management

Assets under management represent funds which are managed by our fund managers on behalf of investors. It represents the total amount of money investors have trusted with our fund managers to invest across our investment products. AUM include assets which are reported in the group Consolidated Balance Sheet as well as third-party assets that LGIM manage on behalf of others, and assets managed by third parties on behalf of the group. AUM has not changed following the adoption of IFRS 9.

Note 4.04 Reconciliation of assets under management to Consolidated Balance Sheet reconciles AUM with Total financial investments, investment property and cash and cash equivalents.

Adjusted profit before tax attributable to equity holders

Adjusted profit before tax attributable to equity holders is equal to profit before tax attributable to equity holders plus the pre-tax results of discontinued operations. There has been no change in definition as a result of the adoption of IFRS 17.

Note 1.02 Operating profit reconciles adjusted profit before tax attributable to equity holders to profit for the year. In absence of discontinued operations, adjusted profit before tax attributable to equity holders is equal to profit before tax attributable to equity holders.

APMs derived from Solvency II measures

The group is required to measure and monitor its capital resources on a regulatory basis and to comply with the minimum capital requirements of regulators in each territory in which it operates. At a group level, Legal & General has to comply with the requirements established by the Solvency II Framework Directive, as adopted by the PRA.

Solvency II surplus

Solvency II surplus is the excess of Eligible Own Funds over the Solvency Capital Requirements. It represents the amount of capital available to the group in excess of that required to sustain it in a 1-in-200 year risk event. The group's Solvency II surplus is based on the Partial Internal Model, Matching Adjustment and Transitional Measures on Technical Provisions (TMTP).

Differences between the Solvency II surplus and its related regulatory basis include the impact of TMTP recalculation when it is not approved by the PRA, incorporating impacts of economic conditions as at the reporting date, and the inclusion of unaudited profits (or losses) of financial firms, which are excluded from regulatory Own Funds. This view of Solvency II is considered to be representative of the shareholder risk exposure and the group's real ability to cover the Solvency Capital Requirement (SCR) with Eligible Own Funds. It also aligns with management's approach to dynamically manage its capital position.

Further details on Solvency II surplus and its calculation are included in Note 5.01 Group regulatory capital – Solvency II. This note also includes a reconciliation between IFRS equity and Solvency II Own Funds.

Solvency II capital coverage ratio

Solvency II capital coverage ratio is one of the indicators of the group's balance sheet strength. It is determined as Eligible Own Funds divided by the SCR, and therefore represents the number of times the SCR is covered by Eligible Own Funds. The group's Solvency II capital coverage ratio is based on the Partial Internal Model, Matching Adjustment and TMTP.

Differences between the Solvency II capital coverage ratio and its related regulatory basis include the impact of TMTP recalculation when it is not approved by the PRA, incorporating impacts of economic conditions as at the reporting date, and the inclusion of unaudited profits (or losses) of financial firms, which are excluded from regulatory Own Funds. This view of Solvency II is considered to be representative of the shareholder risk exposure and the group's real ability to cover the SCR with Eligible Own Funds. It also aligns with management's approach to dynamically manage its capital position.

Further details on Solvency II capital coverage ratio and its calculation are included in Note 5.01 Group regulatory capital – Solvency II.

Alternative Performance Measures

Solvency II operational surplus generation

Solvency II operational surplus generation is the expected surplus generated from the assets and liabilities in-force at the start of the year. It is based on assumed real world returns and best estimate non-market assumptions, and it includes the impact of management actions to the extent that, at the start of the year, these were reasonably expected to be implemented over the year.

It excludes operating variances, such as the impact of experience variances, changes to valuation assumptions, methodology changes and other management actions including changes in asset mix. It also excludes market movements, which represent the impact of changes in investment market conditions during the year and changes to future economic assumptions. The group considers this measure meaningful to stakeholders as it enhances the understanding of its operating performance over time, and serves as an indicator on the longer-term components of the movements in the group's Solvency II surplus.

Note 5.01 Group regulatory capital – Solvency II includes an analysis of change for the group's Solvency II surplus, showing the contribution of Solvency II operational surplus generation as well as other items to the Solvency II surplus during the reporting year.

Glossary

* These items represent an alternative performance measure (APM)

Adjusted operating profit*

Refer to the alternative performance measures section.

Adjusted profit before tax attributable to equity holders*

Refer to the alternative performance measures section.

Alternative performance measures (APMs)

A financial measure of historic or future financial performance, financial position, or cash flows, other than a financial measure defined under IFRS or the regulations of Solvency II.

Annual premiums

Premiums that are paid regularly over the duration of the contract such as protection policies.

Annuity

Regular payments from an insurance company made for an agreed period of time (usually up to the death of the recipient) in return for either a cash lump sum or a series of premiums which the policyholder has paid to the insurance company during their working lifetime.

Assets under administration (AUA)

Assets administered by Legal & General, which are beneficially owned by clients and are therefore not reported on the Consolidated Balance Sheet. Services provided in respect of assets under administration are of an administrative nature, including safekeeping, collecting investment income, settling purchase and sales transactions and record keeping.

Assets under management (AUM)*

Refer to the alternative performance measures section.

Assured Payment Policy (APP)

A long-term contract under which the policyholder (a registered UK pension scheme) pays a day-one premium and in return receives a contractually fixed and/or inflation-linked set of payments over time from the insurer.

Back book acquisition

New business transacted with an insurance company which allows the business to continue to utilise Solvency II transitional measures associated with the business.

CAGR

Compound annual growth rate.

Common Contractual Fund (CCF)

An Irish regulated asset pooling fund structure. It enables institutional investors to pool assets into a single fund vehicle with the aim of achieving cost savings, enhanced returns and operational efficiency through economies of scale. A CCF is an unincorporated body established under a deed where investors are "co-owners" of underlying assets which are held pro rata with their investment. The CCF is authorised and regulated by the Central Bank of Ireland.

Contract boundaries

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the group can compel the policyholder to pay the premiums or has a substantive obligation to provide the policyholder with insurance contract services.

Contractual Service Margin (CSM)

The CSM represents the unearned profit the group will recognise for a group of insurance contracts, as it provides services under the insurance contract. It is a component of the asset or liability for the contracts and it results in no income or expense arising from initial recognition of an insurance contract. Therefore, together with the risk adjustment, the CSM provides a view of both stored value of our in-force insurance business, and the growth derived from new business in the current year. A CSM is not set up for groups of contracts assessed as onerous.

The CSM is released as profit as the insurance services are provided.

Coverage Period

The period during which the group provides insurance contract services. This period includes the insurance contract services that relate to all premiums within the boundary of the insurance contract.

Glossary

Credit rating

A measure of the ability of an individual, organisation or country to repay debt. The highest rating is usually AAA. Ratings are usually issued by a credit rating agency (e.g. Moody's or Standard & Poor's) or a credit bureau.

Deduction and aggregation (D&A)

A method of calculating group solvency on a Solvency II basis, whereby the assets and liabilities of certain entities are excluded from the group consolidation. The net contribution from those entities to group Own Funds is included as an asset on the group's Solvency II balance sheet. Regulatory approval has been provided to recognise the (re)insurance subsidiaries in the US and Bermuda on this basis.

Defined benefit pension scheme (DB scheme)

A type of pension plan in which an employer/sponsor promises a specified monthly benefit on retirement that is predetermined by a formula based on the employee's earnings history, tenure of service and age, rather than depending directly on individual investment returns.

Defined contribution pension scheme (DC scheme)

A type of pension plan where the pension benefits at retirement are determined by agreed levels of contributions paid into the fund by the member and employer. They provide benefits based upon the money held in each individual's plan specifically on behalf of each member. The amount in each plan at retirement will depend upon the investment returns achieved as well as the member and employer contributions.

Derivatives

Contracts usually giving a commitment or right to buy or sell assets on specified conditions, for example on a set date in the future and at a set price. The value of a derivative contract can vary. Derivatives can generally be used with the aim of enhancing the overall investment returns of a fund by taking on an increased risk, or they can be used with the aim of reducing the amount of risk to which a fund is exposed.

Direct investments

Direct investments, which generally constitute an agreement with another party, represent an exposure to untraded and often less volatile asset classes. Direct investments also include physical assets, bilateral loans and private equity, but exclude hedge funds.

Earnings per share (EPS)

A common financial metric which can be used to measure the profitability and strength of a company over time. It is calculated as total shareholder profit after tax divided by the weighted average number of shares outstanding during the year.

Eligible Own Funds

The capital available to cover the group's Solvency Capital Requirement. Eligible Own Funds comprise the excess of the value of assets over liabilities, as valued on a Solvency II basis, plus high quality hybrid capital instruments, which are freely available (fungible and transferable) to absorb losses wherever they occur across the group.

Employee satisfaction index

The Employee satisfaction index measures the extent to which employees report that they are happy working at Legal & General. It is measured as part of our Voice surveys, which also include questions on commitment to the goals of Legal & General and the overall success of the company.

ETF

LGIM's European Exchange Traded Fund platform.

Euro Commercial Paper

Short-term borrowings with maturities of up to 1 year typically issued for working capital purposes.

Expected credit losses (ECL)

For financial assets measured at amortised cost or FVOCI, a loss allowance defined as the present value of the difference between all contractual cash flows that are due and all cash flows expected to be received (i.e. the cash shortfall), weighted based on their probability of occurrence.

Fair value through other comprehensive income (FVOCI)

A financial asset that is measured at fair value in the Consolidated Balance Sheet and reports gains and losses arising from movements in fair value within the Consolidated Statement of Comprehensive Income as part of the total comprehensive income or expense for the year.

Fair value through profit or loss (FVTPL)

A financial asset or financial liability that is measured at fair value in the Consolidated Balance Sheet and reports gains and losses arising from movements in fair value within the Consolidated Income Statement as part of the profit or loss for the year.

Fulfilment cash flows

Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus the risk adjustment for non-financial risk.

Glossary

Full year dividend

Full year dividend is the total dividend per share declared for the year (including interim dividend but excluding, where appropriate, any special dividend).

Generally accepted accounting principles (GAAP)

A widely accepted collection of guidelines and principles, established by accounting standard setters and used by the accounting community to report financial information.

Insurance new business

New business arising from new policies written on retail protection products and new deals and incremental business on group protection products.

Irish Collective Asset-Management Vehicle (ICAV)

A legal structure investment fund, based in Ireland and aimed at European investment funds looking for a simple, tax-efficient investment vehicle.

Key performance indicators (KPIs)

These are measures by which the development, performance or position of the business can be measured effectively. The group Board reviews the KPIs annually and updates them where appropriate.

LGA

Legal & General America.

LGAS

Legal and General Assurance Society Limited.

LGC

Legal & General Capital.

LGIM

Legal & General Investment Management.

LGRI

Legal & General Retirement Institutional.

LGRI new business

Single premiums arising from pension risk transfers and the notional size of longevity insurance transactions, based on the present value of the fixed leg cash flows discounted at the SONIA curve.

Liability driven investment (LDI)

A form of investing in which the main goal is to gain sufficient assets to meet all liabilities, both current and future. This form of investing is most prominent in final salary pension plans, whose liabilities can often reach into billions of pounds for the largest of plans.

Lifetime mortgages

An equity release product aimed at people aged 55 years and over. It is a mortgage loan secured against the customer's house. Customers do not make any monthly payments and continue to own and live in their house until they move into long-term care or on death. A no negative equity guarantee exists such that if the house value on repayment is insufficient to cover the outstanding loan, any shortfall is borne by the lender.

Longevity

Measure of how long policyholders will live, which affects the risk profile of pension risk transfer, annuity and protection businesses.

Matching adjustment

An adjustment to the discount rate used for annuity liabilities in Solvency II balance sheets. This adjustment reflects the fact that the profile of assets held is sufficiently well-matched to the profile of the liabilities, that those assets can be held to maturity, and that any excess return over risk-free (that is not related to defaults) can be earned regardless of asset value fluctuations after purchase.

Morbidity rate

Rate of illness, influenced by age, gender and health, used in pricing and calculating liabilities for policyholders of life products, which contain morbidity risk.

Glossary

Mortality rate

Rate of death, influenced by age, gender and health, used in pricing and calculating liabilities for future policyholders of life and annuity products, which contain mortality risks.

Net zero carbon

Achieving an overall balance between anthropogenic carbon emissions produced and carbon emissions removed from the atmosphere.

Onerous contracts

An insurance contract is onerous at the date of initial recognition if the fulfilment cash flows allocated to the contract, any previously 61uthorized acquisition cash flows and any cash flows arising from the contract at the date of initial recognition, in total are a net outflow.

Open Ended Investment Company (OEIC)

A type of investment fund domiciled in the United Kingdom that is structured to invest in stocks and other securities, 61uthorized and regulated by the Financial Conduct Authority (FCA).

Overlay assets

Derivative assets that are managed alongside the physical assets held by LGIM. These instruments include interest rate swaps, inflation swaps, equity futures and options. These are typically used to hedge risks associated with pension scheme assets during the derisking stage of the pension life cycle.

Paris Agreement

An agreement within the United Nations Framework Convention on Climate Change effective 4 November 2016. The Agreement aims to limit the increase in average global temperatures to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels.

Pension risk transfer (PRT)

Bulk annuities bought by entities that run final salary pension schemes to reduce their responsibilities by closing the schemes to new members and passing the assets and obligations to insurance providers.

Persistency

Persistency is a measure of LGIM client asset retention, calculated as a function of net flows and closing AUM.

For insurance, persistency is the rate at which policies are retained over time and therefore continue to contribute premium income and assets under management.

Platform

Online services used by intermediaries and consumers to view and administer their investment portfolios. Platforms usually provide facilities for buying and selling investments (including, in the UK products such as Individual Savings Accounts (ISAs), Self-Invested Personal Pensions (SIPPs) and life insurance) and for viewing an individual's entire portfolio to assess asset allocation and risk exposure.

Present value of future new business premiums (PVNBP)

PVNBP is equivalent to total single premiums plus the discounted value of annual premiums expected to be received over the term of the contracts using the same economic and operating assumptions used for the new business value at the end of the financial period. The discounted value of longevity insurance regular premiums and quota share reinsurance single premiums are calculated on a net of reinsurance basis to enable a more representative margin figure. PVNBP therefore provides an estimate of the present value of the premiums associated with new business written in the year.

Proprietary assets

Total investments to which shareholders are directly exposed, minus derivative assets, loans, and cash and cash equivalents.

Qualifying Investor Alternative Investment Fund (QIAIF)

An alternative investment fund regulated in Ireland targeted at sophisticated and institutional investors, with minimum subscription and eligibility requirements. Due to not being subject to many investment or borrowing restrictions, QIAIFs present a high level of flexibility in their investment strategy.

Real assets

Real assets encompass a wide variety of tangible debt and equity investments, primarily real estate, infrastructure and energy. They have the ability to serve as stable sources of long-term income in weak markets, while also providing capital appreciation opportunities in strong markets.

Retail Retirement new business

Single premiums arising from annuity sales and individual annuity back book acquisitions and the volume of lifetime and retirement interest only mortgage lending.

Glossary

Retirement Interest Only Mortgage (RIO)

A standard retirement mortgage available for non-commercial borrowers above 55 years old. A RIO mortgage is very similar to a standard interest-only mortgage, with two key differences:
- The loan is usually only paid off on death, move into long-term care or sale of the house.
- The borrowers only have to prove they can afford the monthly interest repayments and not the capital remaining at the end of the mortgage term. No repayment solution is required as repayment defaults to sale of property.

Return on Equity (ROE)*

Refer to the alternative performance measures section.

Risk adjustment

The risk adjustment reflects the compensation that the group would require for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk after diversification. We have calibrated the group's risk adjustment using a Value at Risk (VAR) methodology. In some cases, the compensation for risk on reinsured business is linked directly to the price paid for reinsurance. The risk adjustment is a component of the insurance contract liability, and it is released as profit if experience plays out as expected.

Risk appetite

The aggregate level and types of risk a company is willing to assume in its exposures and business activities in order to achieve its business objectives.

Single premiums

Single premiums arise on the sale of new contracts where the terms of the policy do not anticipate more than one premium being paid over its lifetime, such as in individual and bulk annuity deals.

Société d'Investissement à Capital Variable (SICAV)

A publicly traded open-end investment fund structure offered in Europe and regulated under European law.

Solvency II

These are insurance regulations designed to harmonise EU insurance regulation. Primarily this concerns the amount of capital that European insurance companies must hold under a measure of capital and risk. Solvency II became effective from 1 January 2016. The group complies with the requirements established by the Solvency II Framework Directive, as adopted by the Prudential Regulation Authority (PRA) in the UK, and measures and monitors its capital resources on this basis.

Solvency II capital coverage ratio*

Refer to the alternative performance measures section.

Solvency II capital coverage ratio – regulatory basis

The Eligible Own Funds on a regulatory basis divided by the group solvency capital requirement. This represents the number of times the SCR is covered by Eligible Own Funds.

Solvency II new business contribution

Reflects present value at the point of sale of expected future Solvency II surplus emerging from new business written in the period using the risk discount rate applicable at the end of the reporting period.

Solvency II Operational Surplus Generation*

Refer to the alternative performance measures section.

Solvency II risk margin

An additional liability required in the Solvency II balance sheet, to ensure the total value of technical provisions is equal to the current amount a (re)insurer would have to pay if it were to transfer its insurance and reinsurance obligations immediately to another (re)insurer. The value of the risk margin represents the cost of providing an amount of Eligible Own Funds equal to the Solvency Capital Requirement (relating to non-market risks) necessary to support the insurance and reinsurance obligations over the lifetime thereof.

Solvency II surplus*

Refer to the alternative performance measures section.

Solvency II surplus – regulatory basis

The excess of Eligible Own Funds on a regulatory basis over the SCR. This represents the amount of capital available to the company in excess of that required to sustain it in a 1-in-200 year risk event.

Glossary

Solvency Capital Requirement (SCR)

The amount of Solvency II capital required to cover the losses occurring in a 1-in-200 year risk event.

Specialised Investment Fund (SIF)

An investment vehicle regulated in Luxembourg targeted to well-informed investors, providing a great degree of flexibility in organization, investment policy and types of underlying assets in which it can invest.

Total shareholder return (TSR)

A measure used to compare the performance of different companies' stocks and shares over time. It combines the share price appreciation and dividends paid to show the total return to the shareholder.

Transitional Measures on Technical Provisions (TMTP)

An adjustment to Solvency II technical provisions to bring them into line with the pre-Solvency II equivalent as at 1 January 2016 when the regulatory basis switched over, to smooth the introduction of the new regime. This decreases linearly over the 16 years following Solvency II implementation but may be recalculated to allow for changes impacting the relevant business, subject to agreement with the PRA.

Yield

A measure of the income received from an investment compared to the price paid for the investment. It is usually expressed as a percentage.