

LEGAL & GENERAL

CREATING POSSIBILITIES

2016

Legal & General Group plc
Capital Markets Event
December 2016



Forward looking statements

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

Introduction

Nigel Wilson



Capital markets event objectives

1. Confirm our strategy and unique business model
2. Demonstrate sustainable dividend growth
3. Demonstrate IFRS, Economic Capital and Solvency II balance sheet resilience
4. Explain our robust approach to risk management
5. Highlight divisional performance, strategy and future opportunities
6. Reiterate our ambition and why we are well positioned

**Ambition: to repeat operating performance achieved in
2010-2015 in 2015-2020**

Agenda

15.00 – 15.10	Introduction	Nigel Wilson
15.10 – 15.25	Group balance sheet overview	Mark Gregory Garvan O'Neill
15.25 – 15.40	Group Risk management	Simon Gadd Anton Eser
15.40 – 15.55	Group Q&A	
15.55 – 16.05	Legal & General Insurance (LGI)	Bernie Hickman John Hyde
	General Insurance	Nigel Wilson
Break		
16.25 – 16.45	Legal & General Investment Management (LGIM)	Mark Zinkula Aaron Meder
16.45 – 17.00	Legal & General Capital (LGC)	Paul Stanworth Laura Mason
17.00 – 17.20	Legal & General Retirement (LGR)	Kerrigan Procter Chris Knight
17.20 – 17.25	Conclusion	Nigel Wilson
17.25 – 17.45	Divisional Q&A	

Our vision and equity narrative

- We are a leader in financial solutions and a globally trusted brand. We make a promise to our customers that we will support their critical financial decisions.
 - We are one of the ten largest asset managers in the world and market leaders in integrating the pooling of risk with long term investments.
 - Our growth strategy is supported by demographic and macro trends delivering economically and socially relevant solutions. We are addressing some of the greatest challenges facing society including: pension solutions, protection, urban regeneration and housing.
 - Our high performing and low cost businesses have leading positions in UK and US markets – exportable to other markets.
 - The Group has a strong AA- rated balance sheet and delivers 18-20% ROE.
-

We are a focused, high performing business

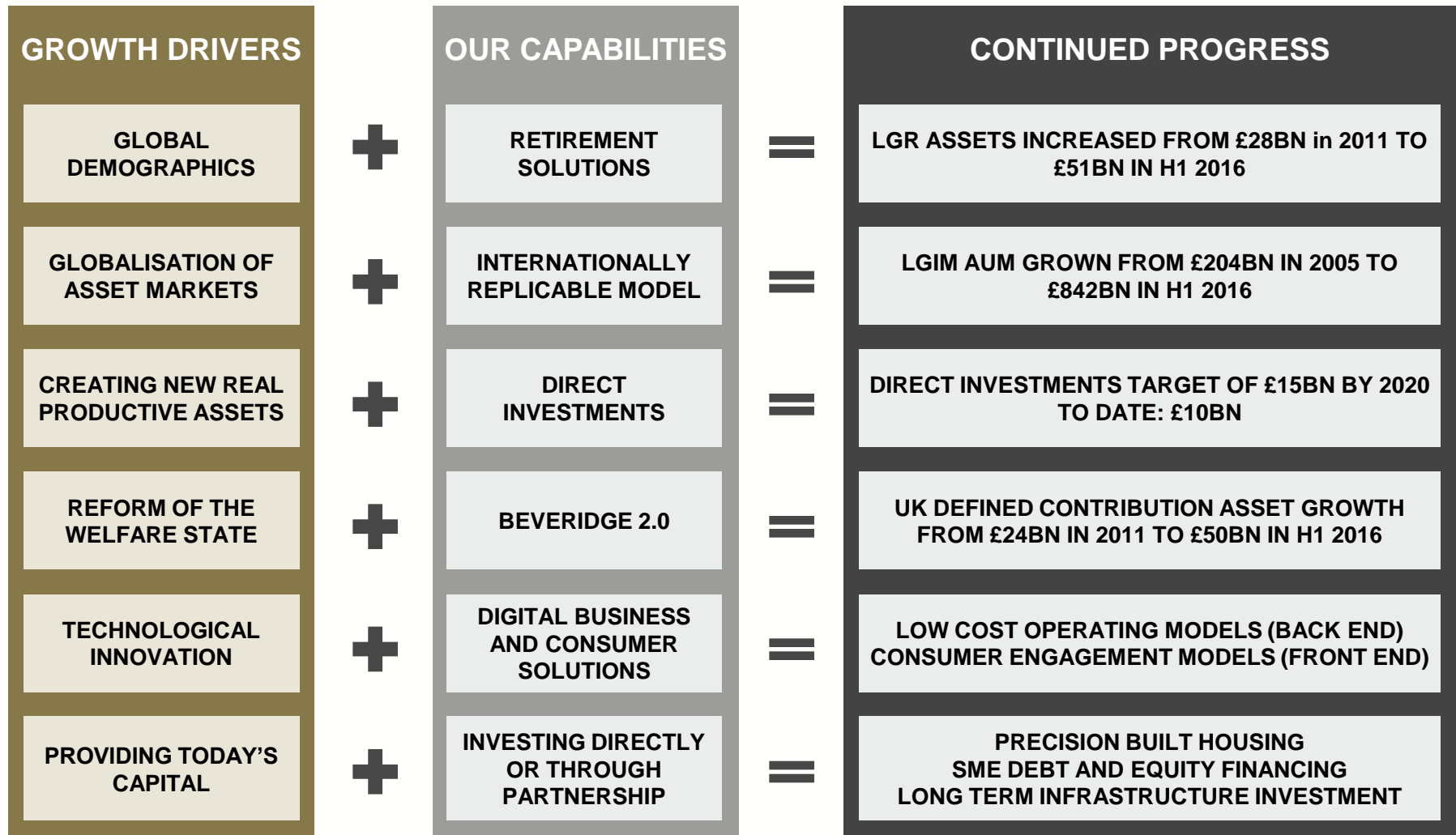
	DIVISIONS	H1 2016 OPERATING PROFIT ALLOCATION ¹		MARKET PERFORMANCE
		£m	%	
ASSET GATHERING DIVISIONS	LGR	406	43	<ul style="list-style-type: none"> UK market leader in PRT (£32bn AUM, £3.4bn YTD of UK PRT deals) #2 UK Lifetime Mortgages² Successful entry into US PRT market
	LGIM	171	18	<ul style="list-style-type: none"> World leader in LDI (c£400bn AUM) World #5 in Index
	LGC	135	15	<ul style="list-style-type: none"> Successfully entered Infrastructure, Housing and SME Finance sectors
	Total	712	76	
TRADITIONAL DIVISIONS	LGI	150	16	<ul style="list-style-type: none"> #1 UK Retail Protection (25%) #4 UK Group Protection (17%) #3 US Term Protection³ (4% new business market share)
	General Insurance	31	3	<ul style="list-style-type: none"> #7 subscale business, successfully winning new business
	Savings	49	5	<ul style="list-style-type: none"> Subscale business in run-off
	Total	230	24	
	Group	942	100	

1. Represents share of £942m H1 2016 operating profit from divisions

2. Legal & General Home Finance was the second largest lender of lifetime mortgages in H1 2016

3. Through key distribution channel of BGAs

We are a focused, high performing business aligned to key long term structural growth drivers



DRIVING SUSTAINABLE EARNINGS AND DIVIDEND GROWTH

Key financials: strong growth, attractive returns

- Our ambition is to repeat a similar operating performance in 2015-2020
- Current FY forecasts has net cash generation at c£1.4bn

	2011	2012	2013	2014	2015	2016 Consensus*	H1 2015	H1 2016
NET CASH GENERATION (£m)	846	865	1,002	1,104	1,256	1,335	629	727
DIVIDEND PAID (£m)	298	394	479	580	701	830	205	238
NET CASH GENERATION RETAINED (£m)	548	471	523	524	555	502	424	489
COVERAGE	2.84	2.20	2.09	1.90	1.79	1.60	n/a	n/a
RETURN ON EQUITY (%)	14.9	15.4	16.1	16.9	17.7 ¹	n/a	19.1 ²	20.4 ³
EARNINGS PER SHARE (p)	12.42	13.84	15.20	16.70	18.58 ¹	21.3	9.79 ²	11.20 ³

N.B. Dividend coverage based on net cash generation

1. Excluded £25m loss in relation to disposals of L&G France, L&G Gulf, L&G Egypt and L&G Ireland.

2. Excluded £40m loss in relation to disposals of L&G France and L&G Gulf.

3. Excludes £4m profit in relation to disposal of Suffolk Life.

De-cluttering our business has increased focus

DISPOSALS, CLOSURES & SIMPLIFICATIONS

	Status	Proceeds
Legal & General International Ireland – investment bonds (H2 2015)	Sold	£15m
Legal & General Germany (H2 2016)	Sold	-
Xperience: Estate agency business (H2 2014)	Sold	£6m
Insurance: France business (H2 2015)	Sold	£159m
Insurance: Netherlands business (H2 2016)	Sale agreed	€160m
Savings: Egypt business (H2 2015), 55% interest	Sold	\$54m (L&G share)
Savings: Gulf business (H2 2015)	Sold	-
Savings: Suffolk Life Group Limited (2016)	Sold	£45m
Savings: Cofunds (2016)	Sale agreed	£140m
Legal & General Ventures (Snow & Rock, Liberation Ale, ABI)	Sold	£141m*
With-profits closure to new business	Closed	-
Retail Investments transferred to LGIM: was 13 th now 3 rd in net flows	Simplified	-
Workplace integrated into LGIM's DC business, now £50bn AUM	Simplified	-

* Largely owned by With-Profits business

Focused on high returns from a position of strength

STRONG GROWTH OPPORTUNITY IN EACH DIVISION UNDERPINNED BY:

Balance Sheet Strength

- Solvency II surplus £5.3bn* and Economic Capital surplus £8.1bn*
- LGR achieving single digit Solvency II new business strain
- S&P credit rating AA-
- Strong Solvency II surplus generation coverage

Growth Opportunities

- LGIM: Build on UK LDI and DC success, further expansion in US
- LGC: Significant direct investment opportunities in the UK using new and realised capital e.g. Cala realisation event (2017/2018)
- LGR: c£2trn UK DB liabilities still to complete de-risking process
- LGI: UK profits stabilised in 2016, growth targeted through digital innovation

Strong Shareholder Returns

- LGIM: global expansion and low cost model driving profit growth
- LGC: targeting ROSCR>20% and ROCE>10% over the investment term
- LGR: writing business at higher margins, c13%* EEV margin
- IFRS return on equity of 20.4%* vs 14.9% in 2011

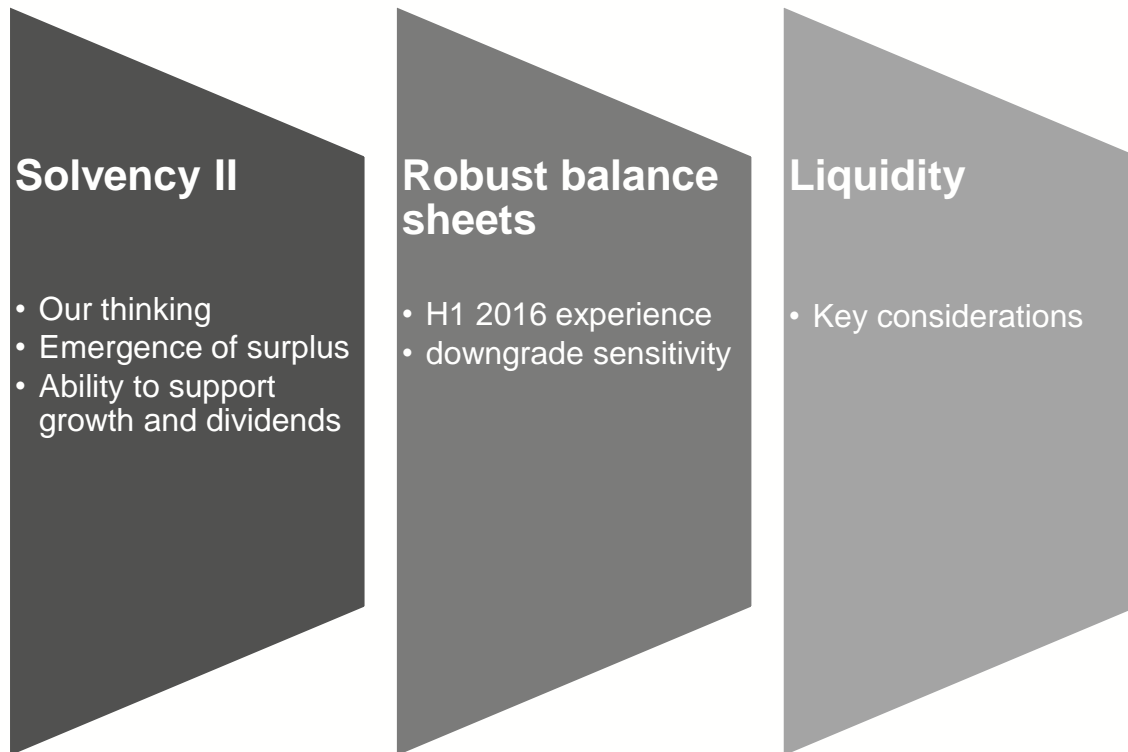
Balance Sheet

Mark Gregory & Garvan O'Neill

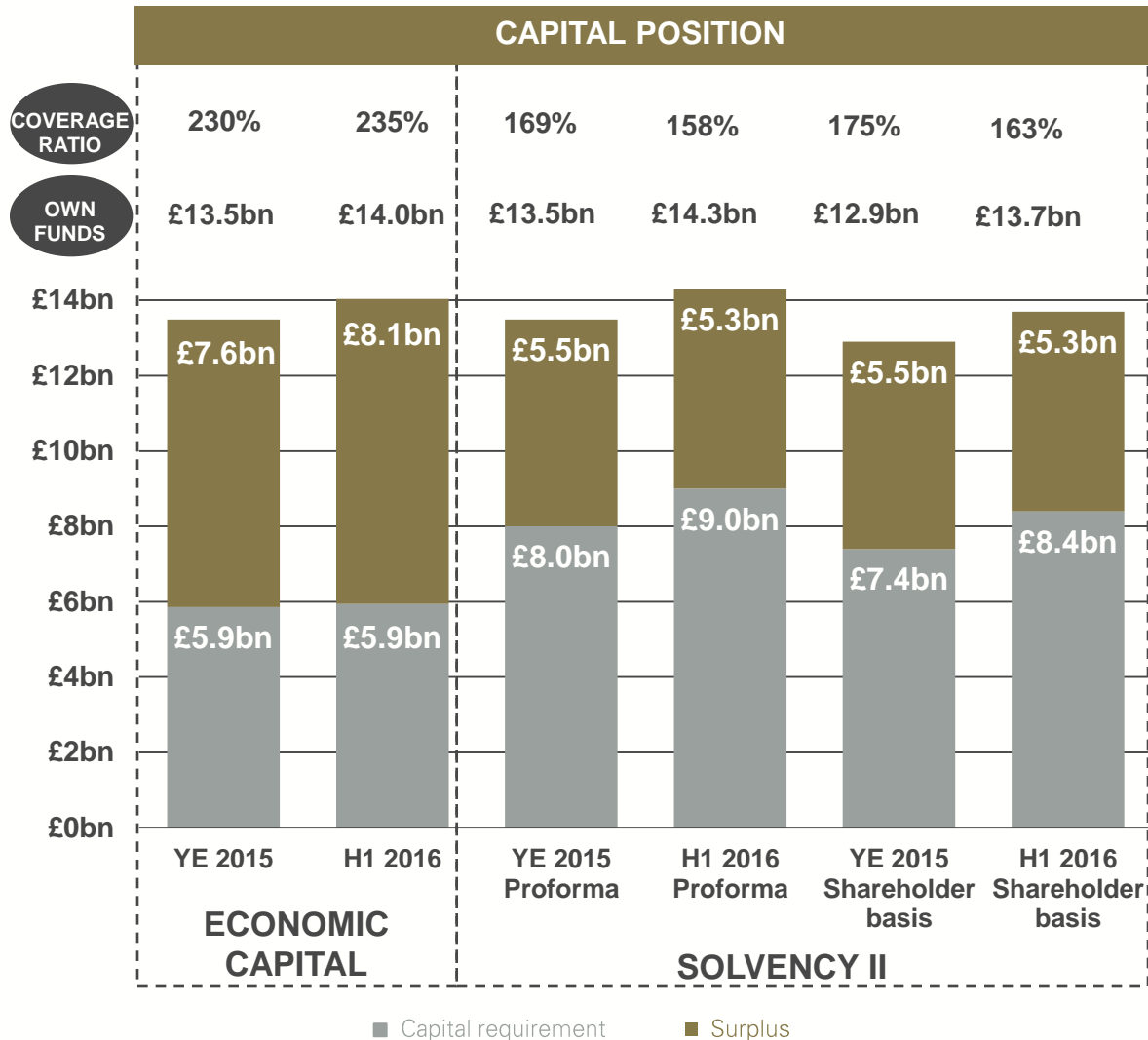


**EVERY
DAY
MATTERS!**

Balance Sheet: What we will cover today



Strong Solvency II capital position



- On a shareholder basis, adjusting for the Own Funds and SCR of the With-profits fund, the Group's Solvency II coverage ratio was 163% in H1 2016 with Eligible own funds of £13.7bn and SCR of £8.4bn
- S&P credit rating AA-
- S&P assessment of Legal & General's 'Management and Governance' upgraded to strong

Economic Capital is the amount of capital that the Board believes the Group needs to hold, over and above its liabilities, in order to meet the Group's strategic objectives.

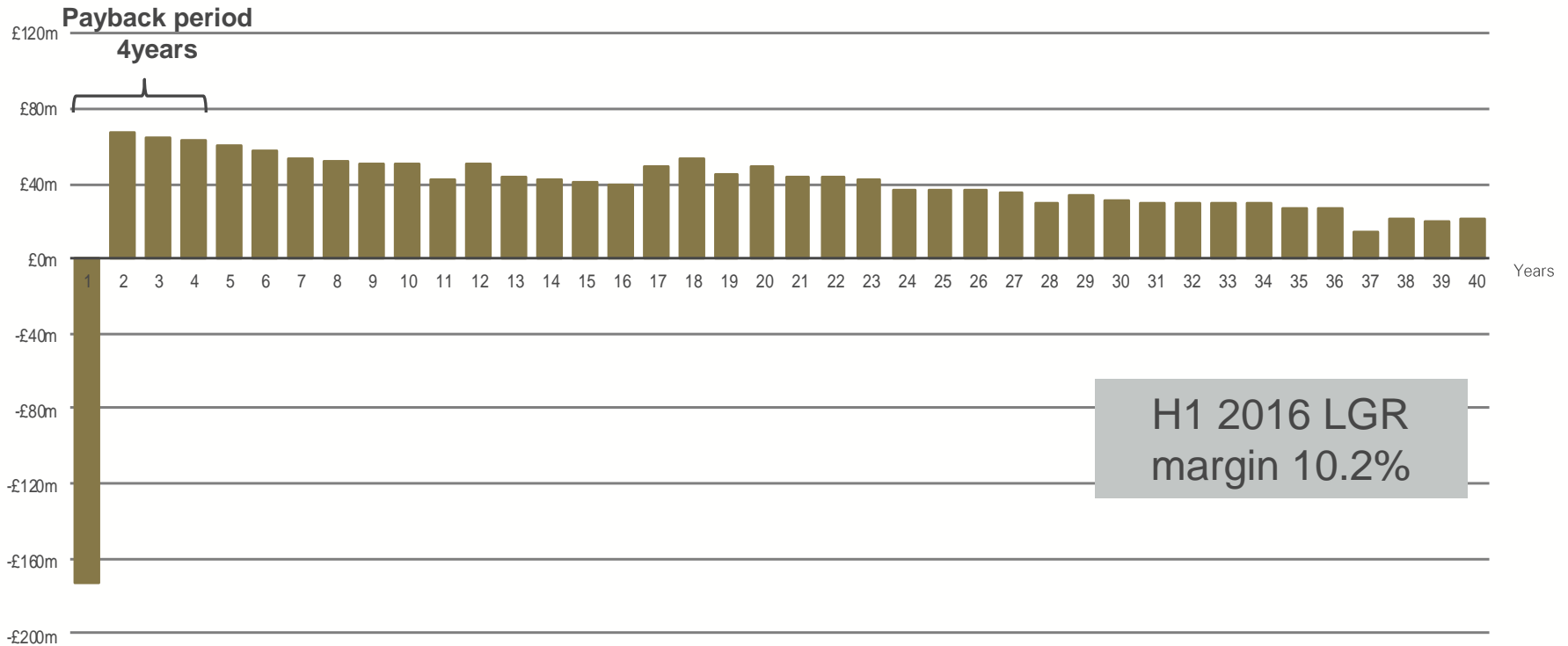
Solvency II has elements which Legal & General considers to be inconsistent with the Group's definition of economic capital, so there will be differences between the two balance sheets.

Solvency II: New business growth and dividends well covered

	2016 F £bn	Comments
Expected Operating Surplus – Existing Business	1.25	<ul style="list-style-type: none"> Substantial and diversified expected releases
Operating Surplus – New business	(0.15)	<ul style="list-style-type: none"> Capital efficient annuity sales Positive contribution from insurance new business
Net Surplus	1.10	
Dividends paid	(0.83)	<ul style="list-style-type: none"> Final 2015 £592m + Interim 2016 £238m = Total £830m
Market Movements		Over time, we expect these movements to be neutral
Other Movements		
Total Surplus over year		

Annuities: investment quickly recouped, limited new business strain

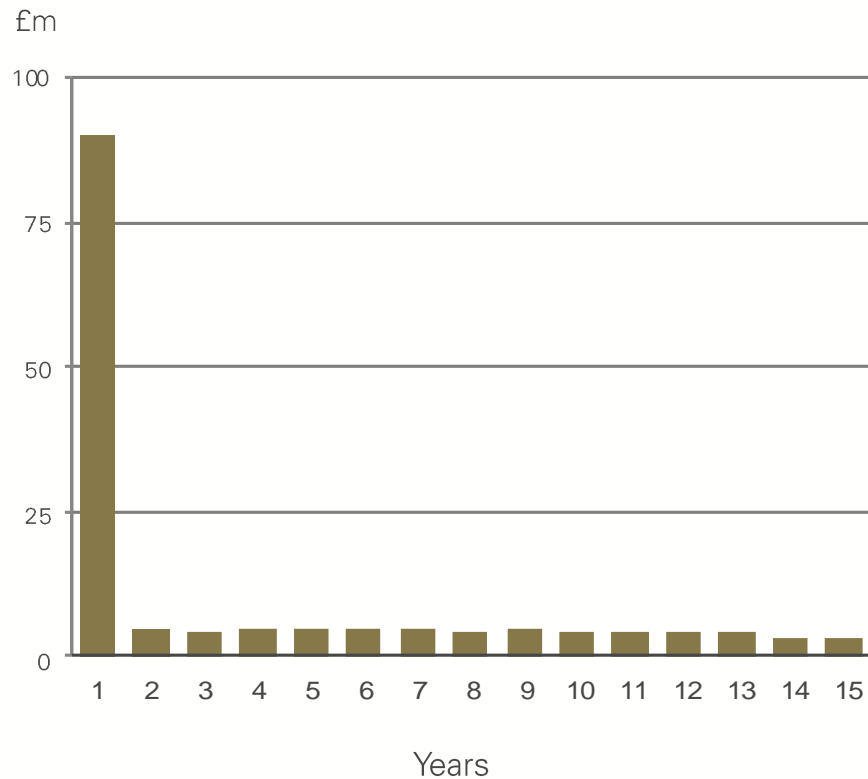
FY FORECAST 2016 NEW BUSINESS – ANNUITIES



- In depth knowledge and robust management of annuities means limited strain (c2-3%)
- Investment in new business recouped over c4 years

New UK Protection business creates a day 1 Solvency II surplus

FY FORECAST 2016 NEW BUSINESS – UK PROTECTION

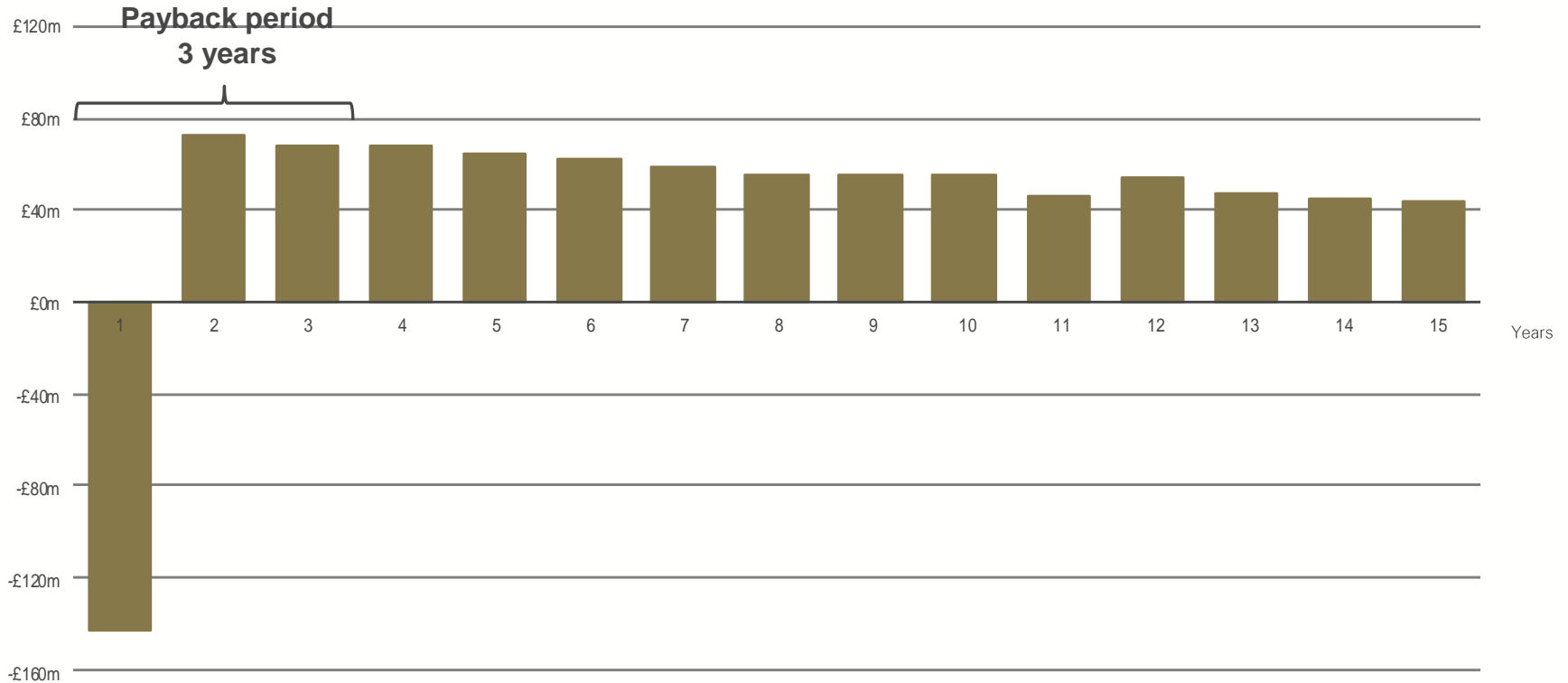


OTHER BUSINESSES

BUSINESS	SOLVENCY II APPROACH
LGA	Local statutory
LGIM	IFRS accounting
LGC	IFRS accounting

Group diversification further enhances capital efficiency

FY FORECAST 2016 NEW BUSINESS – TOTAL GROUP



- Advantage of diversified product portfolio. Significant volumes of new annuity business but strain partially offset by surplus on protection business.
- Investment in new business recouped over c3 years

Beyond 2016: delivering new business growth and progressive dividend policy in a Solvency II world

In-force insurance business: substantial, long term, surplus releases



New business: investment quickly recouped, limited strain



LGIM and LGC: growing contribution as asset base increases

- Target to deliver progressive growth in Solvency II net surplus (mid to high single digit %)
- New business growth and progressive dividend policy both being delivered in a Solvency II world

Strong Solvency II and IFRS balance sheet

	FY 2015 £bn	H1 2016 £bn
IFRS		
Net Equity	6.4	6.6
SOLVENCY II		
Surplus*	5.5	5.3

- Running clearly managed ALM strategy
- Diversified shareholder funds
- Conservative debt leverage
- Robust liquidity management
- Management actions available to improve

SOLVENCY II CAPITAL*	H1 2016 £bn
Core Tier 1 (Equity)	11.0
Other Tier 1 (Debt)	0.6
Tier 2 (Debt)	2.2
Deductions	(0.1)
Eligible Own Funds	13.7
Capital requirement	8.4
Surplus	5.3

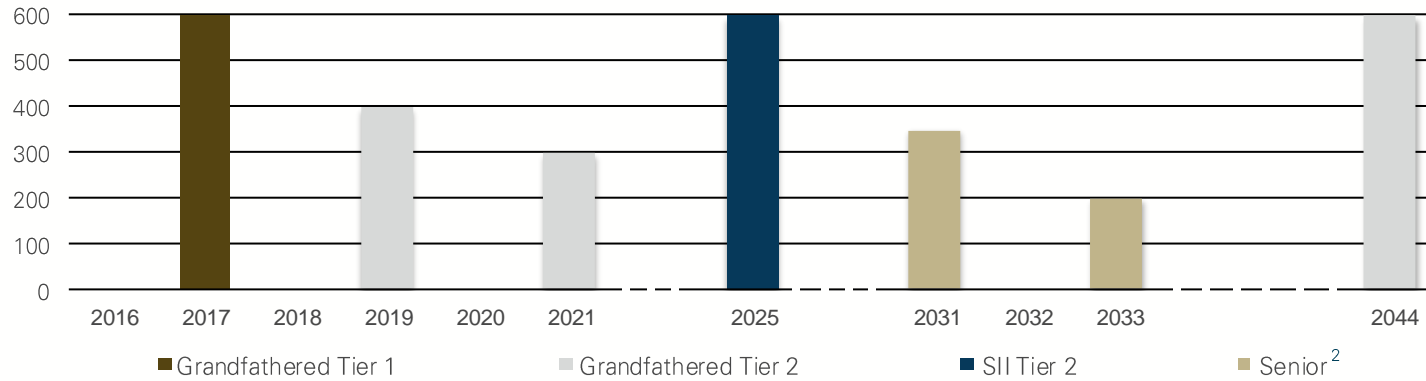
- High Quality of Capital
- Tier 1 alone exceed Capital Requirements.
- Significant Tier 2 headroom

* Solvency II shareholder basis

Debt profile

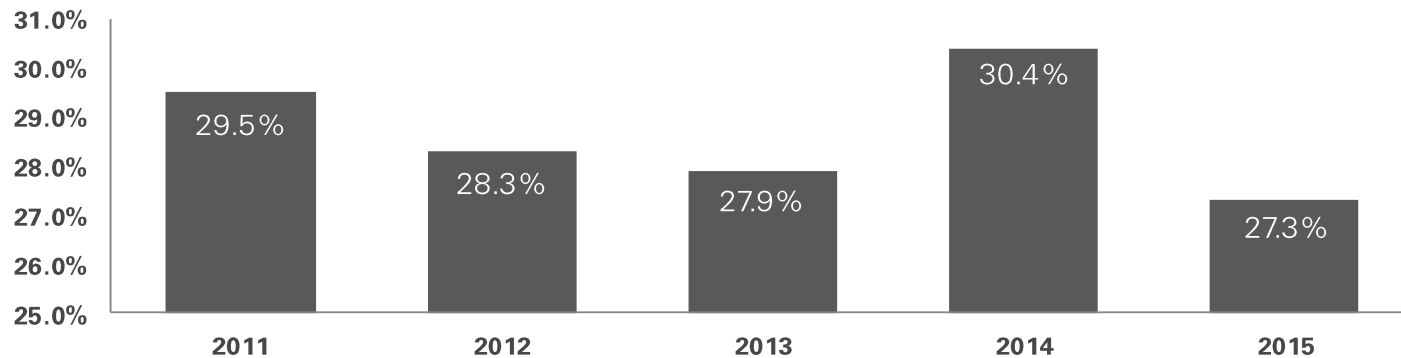
HYBRID DEBT REDEMPTION PROFILE¹

Nominal Value
(£m)



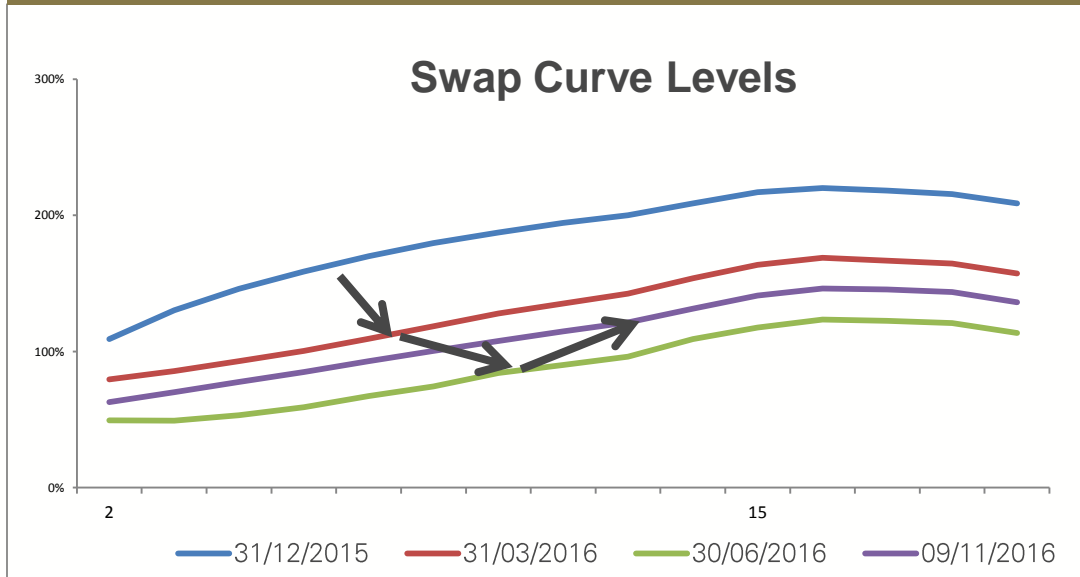
1. Maturity date shown as the earliest of first call date and maturity. Legal & General outstanding debt and capital instruments greater than £100m.
2. In 2026, as the notes cease to qualify as regulatory capital following the expiry of the grandfathering regime.

MOODY'S ADJUSTED LEVERAGE RATIO BELOW 30% IN LONG TERM

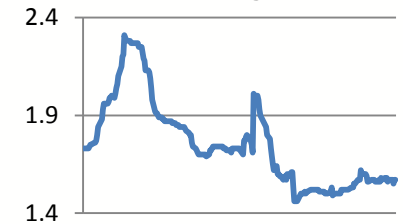


H1 2016 experience and management actions

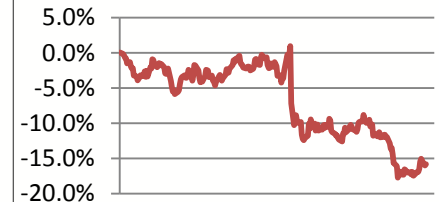
2016 ECONOMIC INDICATORS



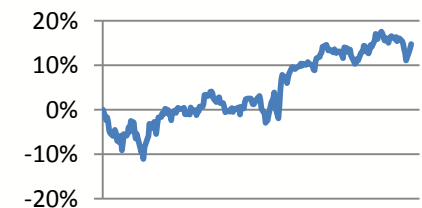
YTD Barclays Sterling Corporate 10 to 15 Avg OAS



YTD USD vs GBP FX Moves



YTD FTSE 100 Total Returns



H1 2016 management actions:

- Market volatility hedges
- Portfolio matching improvements
- Further direct investment to enhance shareholder returns and Matching Adjustment benefit
- Asset de-risking including restructuring CDO exposure and hedging actions

Balance sheet sensitivity scenario: downgrade event

Sector	H1 2016 Group Exposure (£bn)						Total	
	AAA	AA	A	BBB	BB or below	Other	£bn	%
Sovereigns	1.5	8.1	0.2	0.4	0.1	-	10.4	19
Banks	0.5	0.9	1.5	0.4	-	-	3.3	6
Other Financial Services/Insurance	0.1	1.2	2.4	0.7	0.2	-	4.5	8
Utilities	0.1	0.1	4.2	3.1	-	-	7.5	14
Consumer Goods & Healthcare	0.2	1.2	2.5	2.7	0.2	-	6.9	13
Others 1 ¹								
Others 2 ¹								
...								
Total £bn	2.8	15.3	17.9	16.7	2.3	0.2	55.2²	100
%	5	28	32	30	4	-		

- Balance sheet holdings:
 - Well diversified sector exposure
 - Average credit rating A-
- Strongly managed:
 - Only one default over the past five years
 - Downgrades to sub investment grade well below long term expected

Bonds downgrade stress:

3 notch downgrade on 20% of bonds	
Solvency II impact (£bn)	(0.8)
Coverage ratio impact (%)	(9)

- Assumes all downgraded assets are sold and BBB assets purchased to replace
- In practice we take mitigating actions:
 - Review downgraded bonds asset by asset and 'manage down'
 - Carry significant default provisions under IFRS to protect balance sheet (long term £2.2bn: ADP³ £0.5bn)

1. Other includes all remaining sectors within the Group bond portfolio

2. Not included: Group investments in equities, derivative assets, cash, loans and receivables

3. Additional Default Provision

Monitoring liquidity in the Group

4 CONSIDERATIONS

Current position

FREE LIQUIDITY

- Group Treasury Liquidity Coverage Ratio (LCR) on Solvency II 1:200 stress

“Keeping it topped up”

INTERNAL CASH GENERATION FOR DIVIDEND

- Projections of internal dividend flows. A key component of dividend affordability assessment prepared for the Board and the PRA

SII SURPLUS EMERGING - CASH

- Vast majority of Solvency II surplus emerging is expected to be distributable as cash
- Ongoing monitoring of the surplus Own Funds for appropriate liquidity

Hygiene

IFRS NEAR CASH

- Internal measure of the level of cash and liquid assets being generated by the Group
- Measure uses the Net Cash metric (a key Group KPI) as a starting point and adjusts for various non-cash items

Risk Management

Simon Gadd & Anton Eser

Risk Management: What we will cover today



Role of Risk Management

Group CRO



Market Risk



Credit Risk



Insurance Risk



Operational Risk



Conduct Risk

Strategic Risk

- e.g. Regulatory Capital Management
- e.g. Investment Market Related Earnings Volatility
- e.g. Low Interest Rate Environment
- e.g. Conduct Risk Landscape

Emerging Risk

- e.g. UK exit negotiations from EU
- e.g. US economic policy and global trade outlook
- e.g. Developing cyber threats



LGR



LGI



LGC



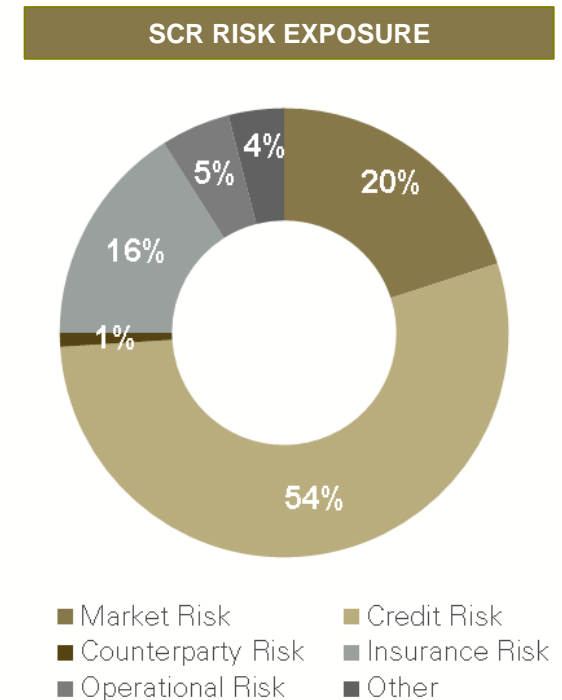
LGIM



Savings

Risk Profile

RISK TYPES	CATEGORIES	APPETITE	DIVISION
MARKET	Equity, spread and property	Appetite within annuities and with-profits businesses, and shareholder funds, where rewarded for taking exposure	LGR LGC Savings
	Interest rates and inflation	Limited tolerance for inflation and significant mismatches in interest rates; remove where hedging instruments exist	LGR
	Currency	Limited tolerance for developed country currency risk for investment assets; selective use of hedging to remove risks	LGR
CREDIT	Bond default	Limited tolerance for significant losses; credit rating based exposure limits set for portfolios, sectors and counterparties	LGR
	Property lending counterparties	Appetite where can assess the risk of default and the value of security taken	LGR LGC
	Banks & financial instruments	Limited tolerance for default; seek to actively manage exposures against defined risk limits and tolerances	All
	Reinsurance counterparties	Limited tolerance for significant financial loss or operational disruption from default event; set exposure limits for all reinsurers	LGR LGI
INSURANCE	Longevity, mortality & morbidity	Appetite where we expect to add value, and have the capability to assess, price for and monitor trends in the risk	LGR LGI
	Life catastrophe	Limited tolerance for risk accumulation geography; set geographic concentration limits and use reinsurance to manage exposures	LGI
	Persistency/expense	Low tolerance for not achieving target returns as a result of variances in policy lapse rate or expense assumptions	LGI
LIQUIDITY	Contingent events	Accept a degree of risk from markets in which operate; products that write and through investment management strategies. Seek to ensure meet obligations, avoiding loss from forced asset sales	All
OPERATIONAL & CONDUCT	People, process, systems, events	Accept degree of exposure from core strategic activity, however, very limited appetite for large losses due to customer impact, reputational damage and opportunity costs	All



Market risk

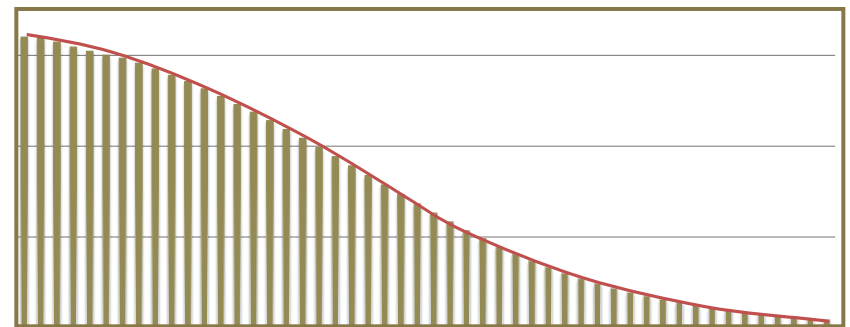
ALM risks

- Exposure to market risk through need to match liability cash flows
- Asset prices are not so important as **credit** downgrades and defaults
- Property investment – but often not a direct exposure to price volatility
- Interest and inflation risk hedged to IFRS liabilities, leaving residual S2 exposure
- Nature of exposure we have to credit means we have time to respond to an event that could trigger downgrades or defaults
- We use emerging risk and scenario analysis to plan how we would respond to events and ensure resilience

Liquidity risk management

- Perception that moving into illiquid assets, but typically these match long term illiquid liabilities
- Ensure sufficient liquidity in assets backing surplus and capital requirements

CASHFLOW MATCHING



Longevity, mortality and morbidity

Longevity

- Deep understanding of longevity risk and the science of life expectancy
- Risk moves slowly which means we have time to respond to emerging trends
- Currently longevity is performing well to pricing, but Solvency II risk margin requirements means that longevity can be unattractive to add new risk to our balance sheet
- We retain US longevity risk as it diversifies well against US mortality risk and back book UK longevity risk

Mortality and Morbidity

- Mortality and morbidity risk mostly through UK Workplace Protection and US Term Assurance
- Main risk is epidemic and poor underwriting; Catastrophe risks reinsured
- UK Retail Protection extensively reinsured

PRODUCT	2015 CLAIMS
UK Workplace Protection	3,205 employees rehabilitated; c£276m claims paid
US Term Assurance	\$748m death claims paid benefitting 3,780 families and businesses
Retail protection - Life	6,856 claims paid totalling c£277m; 97.9% of all claims paid
Retail protection - Critical Illness	2,601 claims paid totalling c£167m; 91.5% of all claims paid
Retail protection - Terminal Illness	998 claims paid totalling c£94m; 95.1% of all claims paid

Continuing to monitor the environment

As the business, regulatory and political landscapes continue to change, we have a range of actions:

- Selection of hedge strategies prepared
- Scenario planning and business model analysis to test robustness and ensure well prepared for threats
- Maintain well diversified and resilient portfolio
- Strongly positioned to take advantage of dislocations
- Cash ready to invest

Key ongoing risks to manage:

- Bedding down of Solvency II
 - ALM and Solvency II surplus impacted by defaults and downgrades
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Annuity Portfolio Management

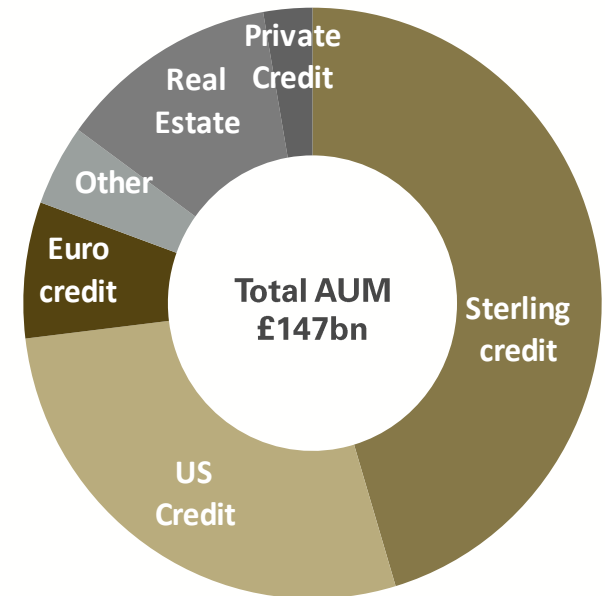
Draws on resources across Public and Private credit

Global Fixed Income

- 77 investment professionals based in London, Chicago and Hong Kong managing £126bn of assets
- Average of 14 years experience
- 88% of funds have outperformed over the past three years
- Global Fixed Income manager of the year 2015*

Real Assets

- 76 investment professionals managing £18bn of assets
- Average of 15 years experience
- 78% of funds have outperformed over the past three years
- Property Fund manager of the year 2015**



*Professional Pensions Investment award

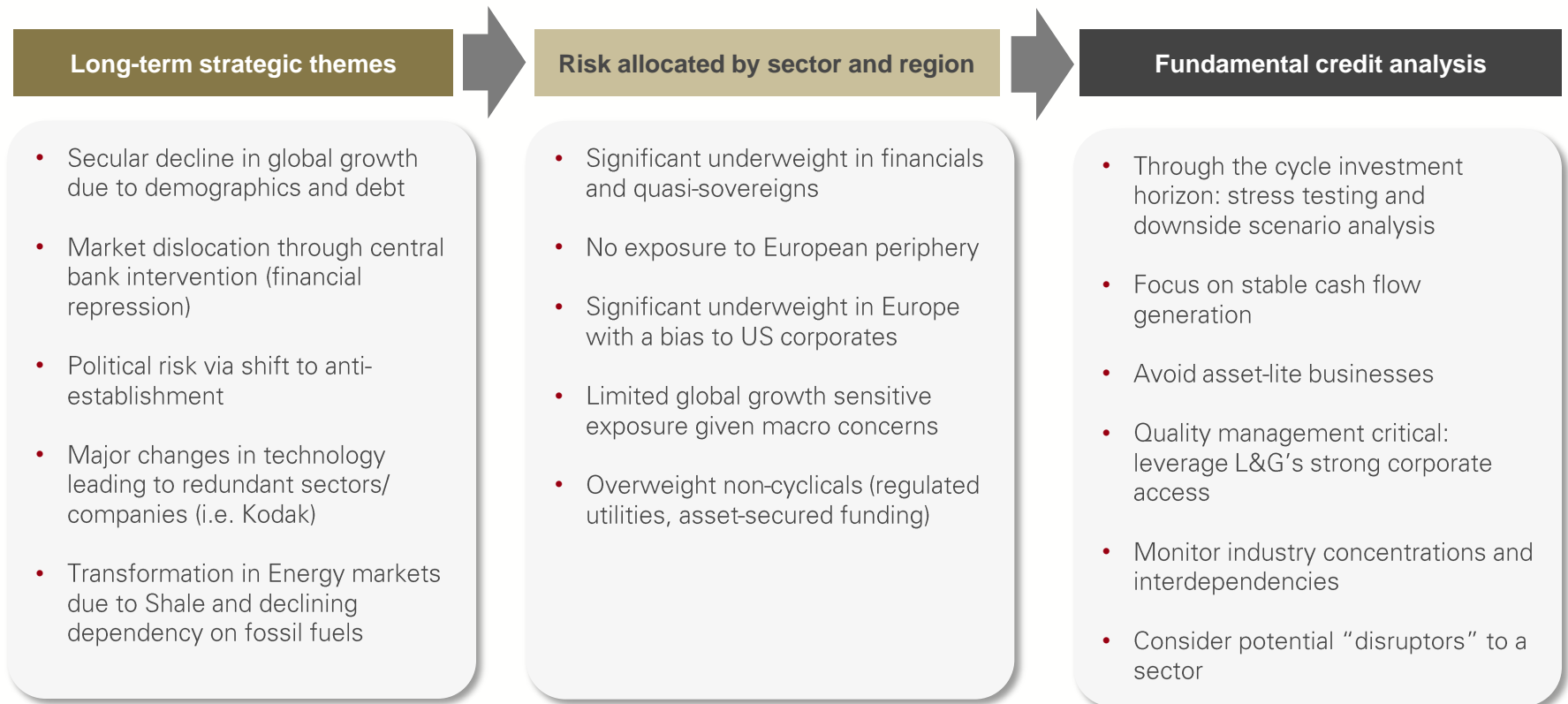
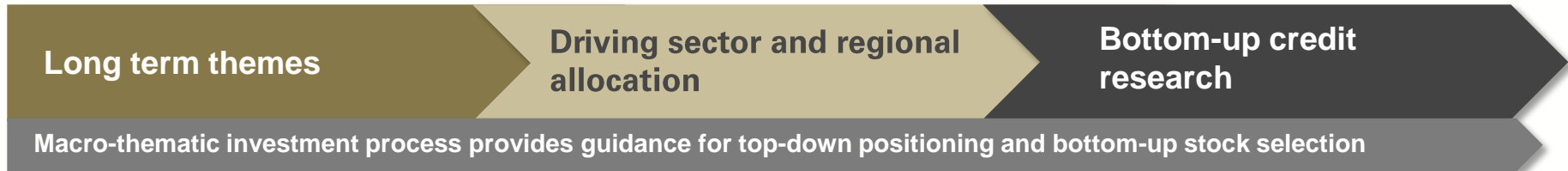
** Estates Gazette

Annuity Portfolio Management

Ensure stable through-the-cycle returns

- Long term thematic approach drives sector and geographic distribution of the portfolio
 - Mitigate negative rating migration via downside scenario analysis and portfolio rotation
 - Seek relative value opportunities with active global trading
 - Minimise losses with secured structures and strong countercyclical covenant packages
 - Provide funding to the real economy
-

Investment philosophy and process



Current portfolio

HIGHLY DIVERSIFIED PUBLIC AND PRIVATE CREDIT PORTFOLIOS*

SECTOR	PUBLIC £m	PRIVATE £m	TOTAL £m	TOTAL %
Sovereigns, Supras and Sub-Sovereigns	8,765		8,765	17.2
Banks				
- Senior	2,064		2,064	4.1
- Subordinated	445		445	0.9
Financial Services	3,301		3,301	6.5
Insurance	988		988	1.9
Utilities	7,281		7,281	14.3
Consumer Services and Goods	4,357		4,357	8.6
Health Care	1,946		1,946	3.8
Technology and Telecoms	3,048		3,048	6.0
Industrials	2,979		2,979	5.9
Oil and Gas	2,336		2,336	4.6
Property	1,891	4,200	6,092	12.0
Asset backed securities	1,314		1,314	2.6
Infrastructure / PFI / Social housing	433	1,196	1,629	3.2
Secured Bonds	468	704	1,172	2.3
Whole Business Securitised	817	90	907	1.8
Lifetime mortgage loans		440	440	0.9
CDOs**	1,102		1,102	2.2
Other***	700		700	1.4
Total £m	44,676	6,189	50,866	100
Total %	87.8	12.2	100	

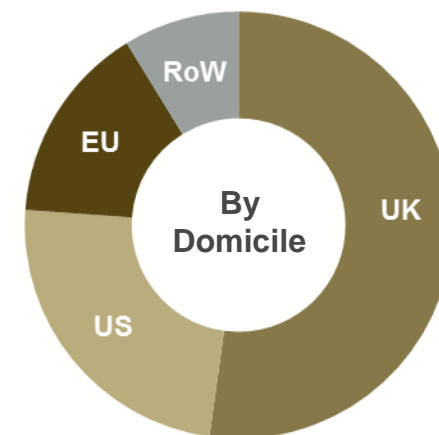
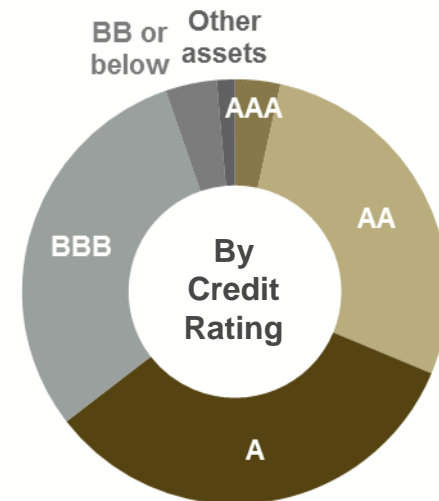
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5



* End of June 2016 data

** CDOs unwound in H2 2016

***Cash and cash equivalents, loans and receivables, and derivatives.

Q&A

Legal & General Insurance

Bernie Hickman & John Hyde

Legal & General Insurance: What we will cover today

Overview

- Internationalising LGI by leveraging UK expertise to the US & beyond

Key financials

- Cash and profits rebased
- Capital contribution from Retail Protection

Digital innovation

- Retail Protection competitive advantages
- Evidence of benefits of digital

Shared expertise

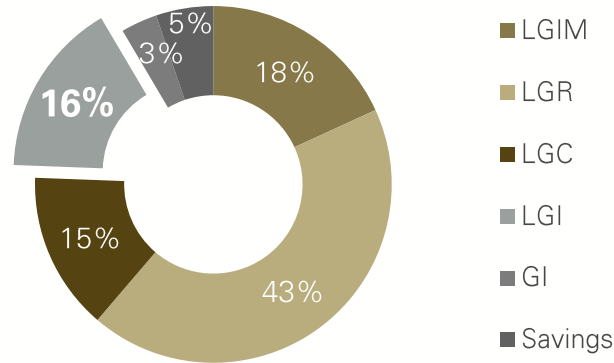
- Acceleration of growth in the US

Summary

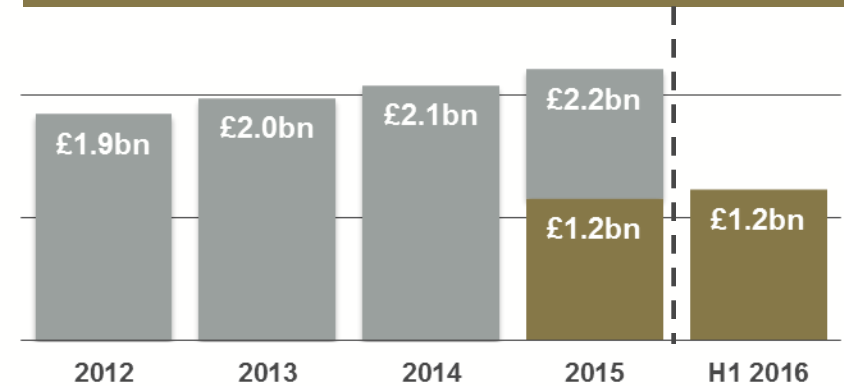
- Delivering growth

Internationalising LGI by leveraging UK expertise to the US & beyond

HY 16 OPERATING PROFIT CONTRIBUTION¹



UK & US PROTECTION GROSS PREMIUM



OVERVIEW OF LEGAL & GENERAL INSURANCE CUSTOMER MARKETS

UK Retail Protection

- No. 1 provider for over 10 years
- 25% new business share
- Over 4m customers
- Multi channel distribution
- Mortgage Club involved in 1 out of 5 UK mortgages

UK Group Protection

- No. 4
- 17% new business share
- Over 2m customers and 3,380 company schemes
- Award winning rehabilitation services

US Protection

- No. 3 in term life in Broker General Agent channel (IFA)
- 4% new business share
- Over 1m customers

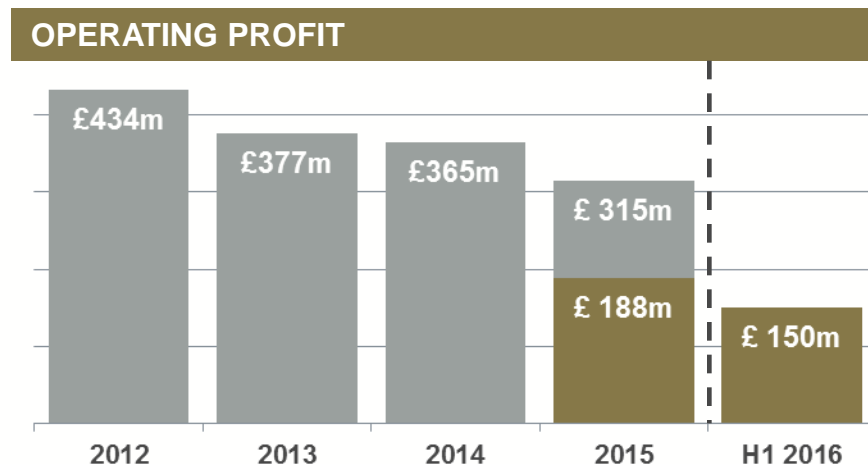
CUSTOMER NEEDS COVERED: LIFE INSURANCE, CRITICAL ILLNESS COVER, INCOME PROTECTION

1. Representing contribution to operating profit from divisions as at H1 2016

Cash and profits rebased; Important capital contribution from Retail Protection

FINANCIAL HIGHLIGHTS	H1 2016	H1 2015	FY 2015
Operational cash generation (£m)	195	183	329
Net cash generation (£m)	202	183	354
Operating profit (£m)	150	188	315
UK Protection SII NB margin (%)	11.1%		

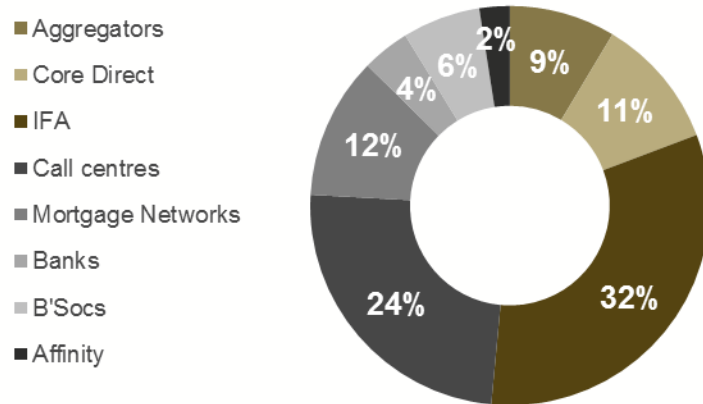
UK PROTECTION	2016 F
SII New Business Surplus (£bn)	0.1



- Changes to modelling for reinsurance contracts in 2015 to ensure sufficient prudence is held in later years has reduced **operational cash and operating profit in 2016** to a new rebased level from which the business is expected to grow in 2017 and onwards
- Additionally, higher Group Protection claims have contributed to lower **operating profit** in 2016
- Growing in-force business underpins future growth in **cash and profits**
- **Solvency II new business surplus** an attractive feature of Retail protection business

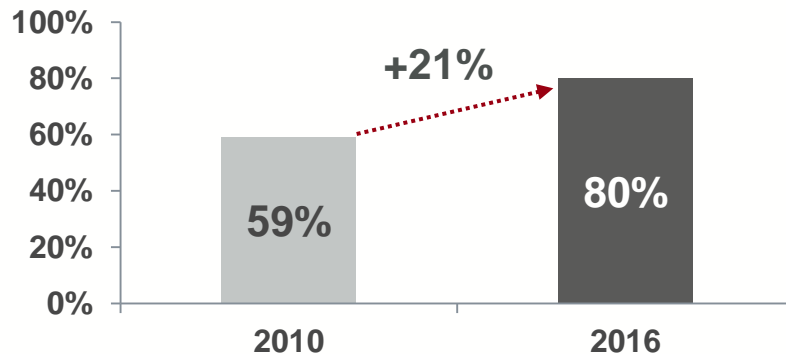
Digital innovation has created Retail Protection competitive advantages

STRONG & DIVERSE DISTRIBUTION*



- Market leading Retail Protection business in the UK with direct sales accounting for over 20%
- Best in class digital marketing function
- Digital eco-system enabling customers to research, buy and service their products

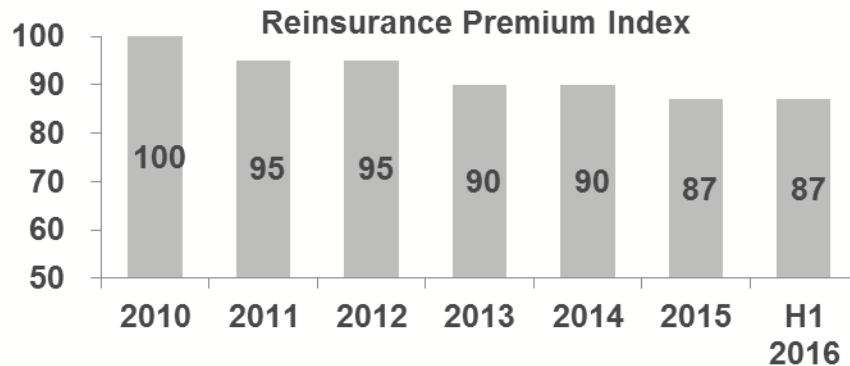
EXCELLENT POINT OF SALE DECISION RATES



- Market leading point of sales decisions at 80% in H1 2016 delivering a high quality customer and adviser experience

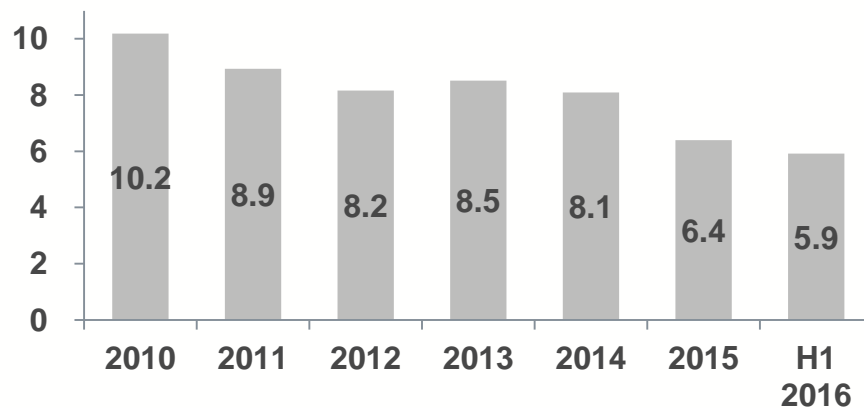
Low cost, scalable business model

REDUCING REINSURANCE PREMIUMS REFLECTING RISK MANAGEMENT EXCELLENCE



- Sophisticated underwriting has resulted in improved reinsurance terms in recent years

LOW IN-FORCE UNIT COSTS (£)



- High levels of automation, self service functionality and large scale delivering low unit costs across the UK business
- Shared expertise to improve unit costs in the US business

Our shared expertise will accelerate growth in the US

LEGAL & GENERAL BUSINESSES ARE WELL ESTABLISHED AND INTEGRATED

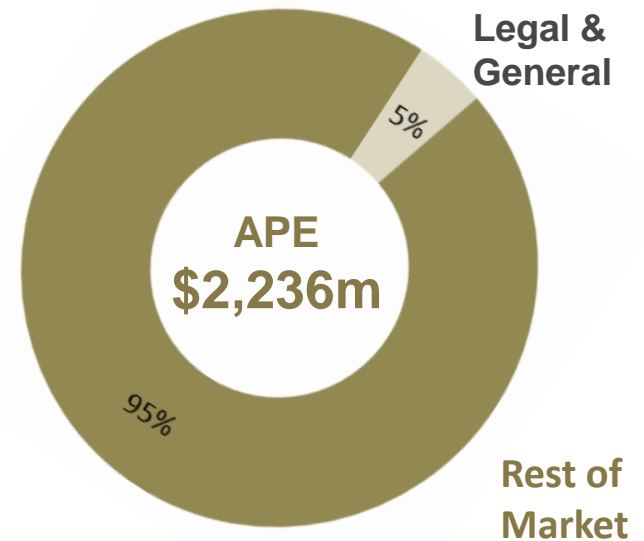


LEGAL & GENERAL AMERICA

- 1m policyholders; \$1.2bn GWP
- Provides admin, payment services and a balance sheet for LGRA and back office support for LGIMA
- LGIMA is an asset manager for LGA

SIGNIFICANT OPPORTUNITY FOR MARKET GROWTH

US INDIVIDUAL TERM MARKET*



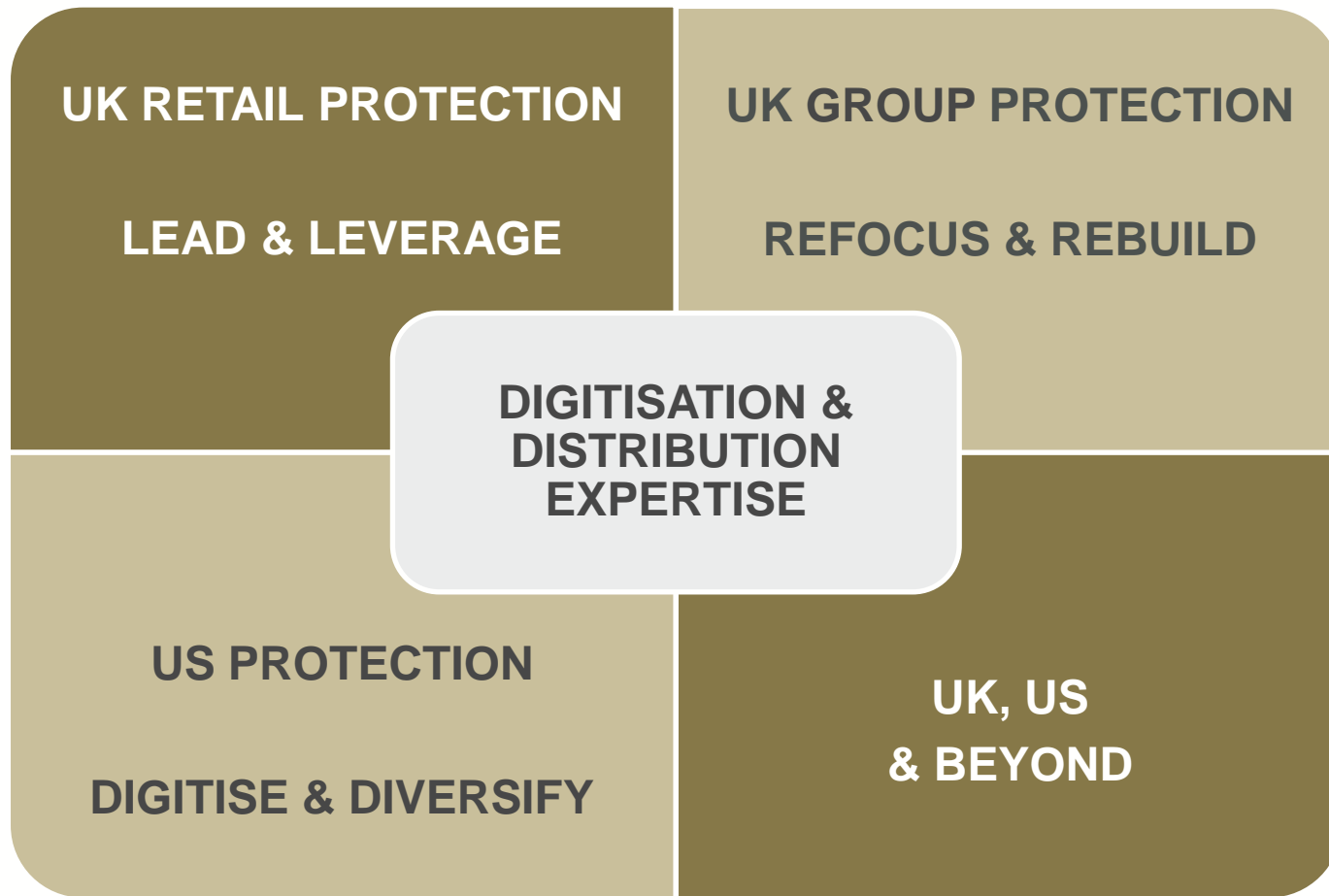
DIGITAL DIRECT OPPORTUNITY

- c75% of US consumers research insurance online** but only 5% buy online**
- Fully digital life insurance currently under-developed
- Digital transformation is underway

*US Inv. Term Market based on 2015 FY market data in US\$

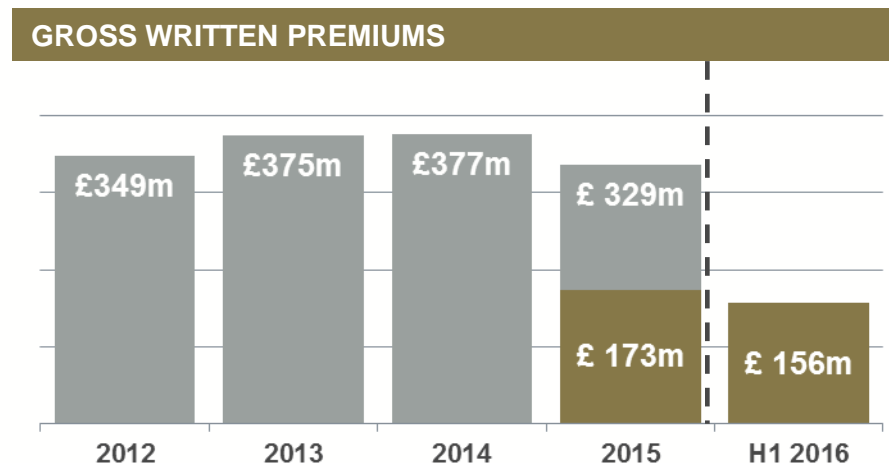
**research from LIMRA report "Purchasing Insurance in the US"

Delivering growth through a diverse, digital and global insurance division



General Insurance: New distribution agreements to deliver premiums growth

FINANCIAL HIGHLIGHTS	H1 2016	H1 2015	FY 2015
Net cash generation (£m)	25	30	41
Operating profit (£m)	31	38	51
Gross written premiums (£m)	156	164	337
- of which direct channel GWP (£m)	54	47	101
Combined operating ratio (%)	85	82	89
No. of policyholders (m)	1.2	1.5	1.4



- Specialise in household, travel and pet insurance products
- Signed strategic distribution agreements with bank and building society partners including Coventry and Skipton
- In aggregate these agreements are estimated to increase 2017 GWP by £30m-£40m
- 35%* of sales through direct channel
- L&G Mortgage Club and L&G Surveying Services (GI channels) on track for record profits in 2016

LEGAL & GENERAL

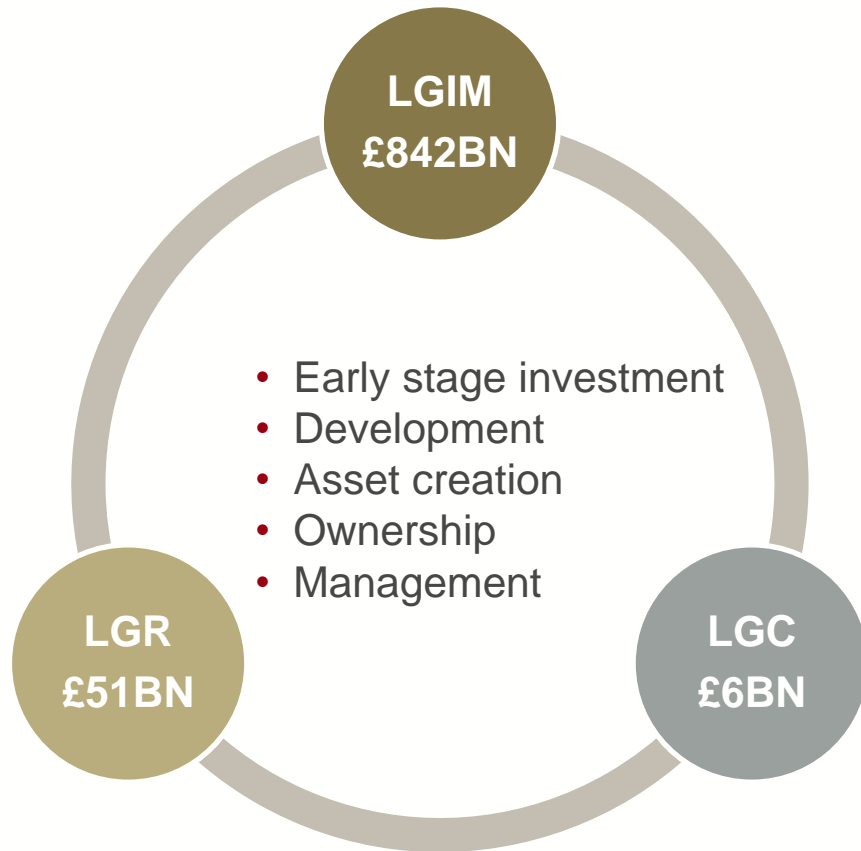
CREATING POSSIBILITIES

2016

Legal & General Group plc
Capital Markets Event
December 2016



Our unique investment business model: capturing maximum value



Delivering economically and socially valuable solutions to benefit customers, investors and society

LGIM	LGR	LGC
Fund manager	Annuity Funds: Secure income investor	Shareholder capital: Strategic investor with global partners

The illiquidity of our liabilities and our asset expertise allows us to create unique investment opportunities

Legal & General Investment Management

Mark Zinkula & Aaron Meder



Legal & General Investment Management: What we will cover today

What we deliver

- Consistent strong financial results
- Outperforming our peers

The growth opportunity

- Well placed for future growth
- Gaining market share

Diversifying our approach

- Strong client-focused culture
- Investment excellence
- Adapting our solutions approach across channels and regions

Core strength in UK DB

- Largest UK DB pension asset manager
- Outcome orientated
- DB pensions solutions journey with our clients

Opportunities in DC and retail

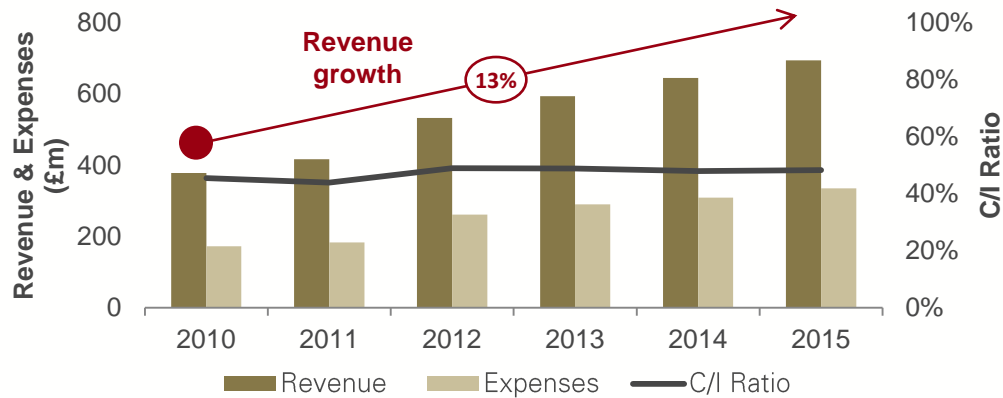
- 15% DC market share
- Strong DC client growth
- Repositioning the retail business

Our global expansion

- Expanding internationally
- Continued strong growth in US business

Consistent strong financial results

REVENUE GROWTH WITH A STEADY MARGIN



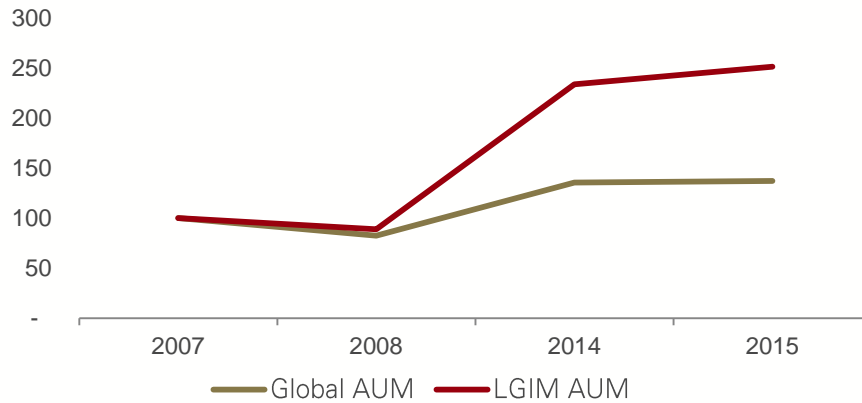
- Consistent, double digit operating profit growth
- Delivering positive net flows across all core regions, channels and asset classes
- Investing for growth whilst maintaining a stable margin
- Successfully expanding internationally with growth in all regions
- Continued growth in DC pensions, with members of our workplace schemes passing the 2m mark
- Repositioned Retail business now experiencing strong flows

FINANCIAL HIGHLIGHTS	H1 2016	FY 2015	FY 2010	CAGR %
Operating profit (£m)*	171	355	206	11%
Total revenue (£m)	353	694	378	13%
Total expenses (£m)	(179)	(335)	(172)	14%
Closing AUM (£bn)	842	746	354	16%
International AUM (£bn)	152	122	26	37%
DC AUM (£bn)	50	46	19	19%
Retail AUM (£bn)	21	20	12	11%
Cost:income ratio	50	48	46	1%

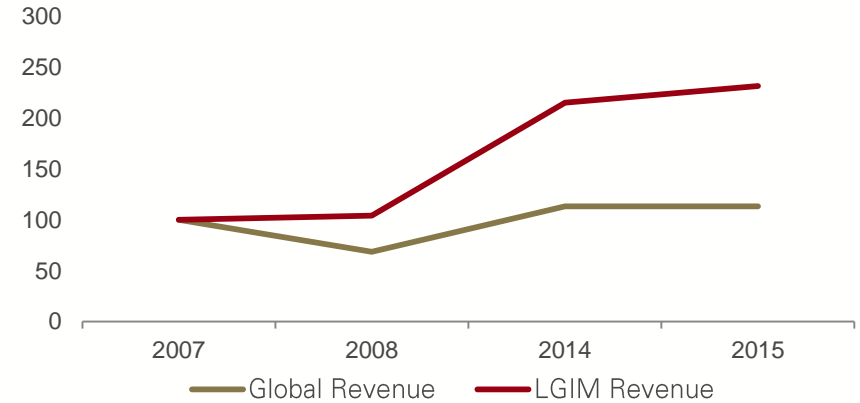
*Operating profit includes Workplace Savings [H1 2016: (£3m); 2015: (£4m)]

Outperforming our peers

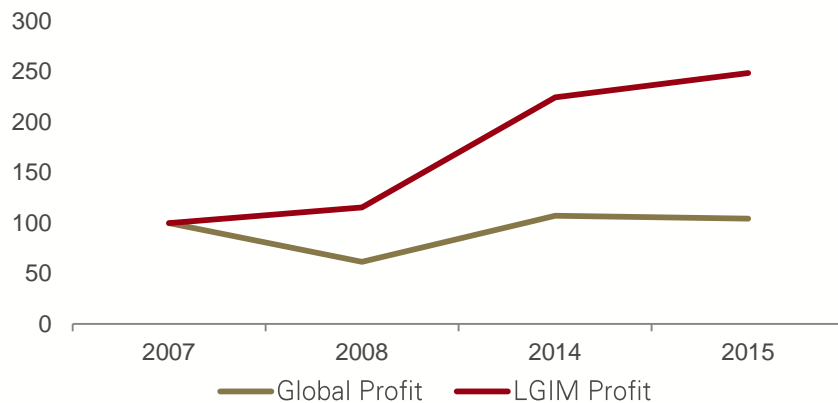
AUM TREND



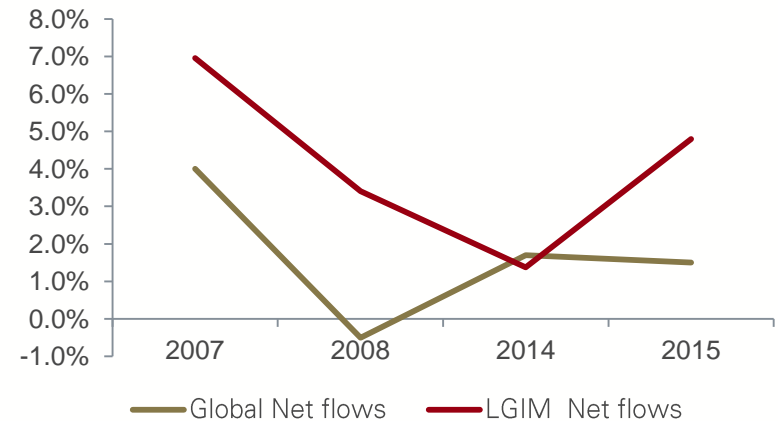
REVENUE TREND



PROFIT TREND

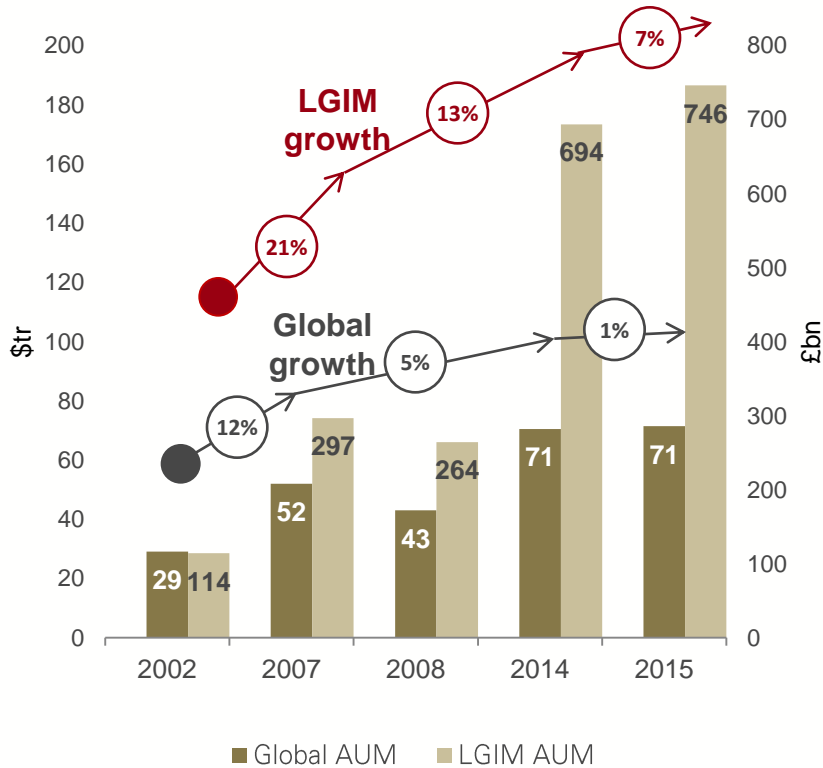


NET FLOWS TREND

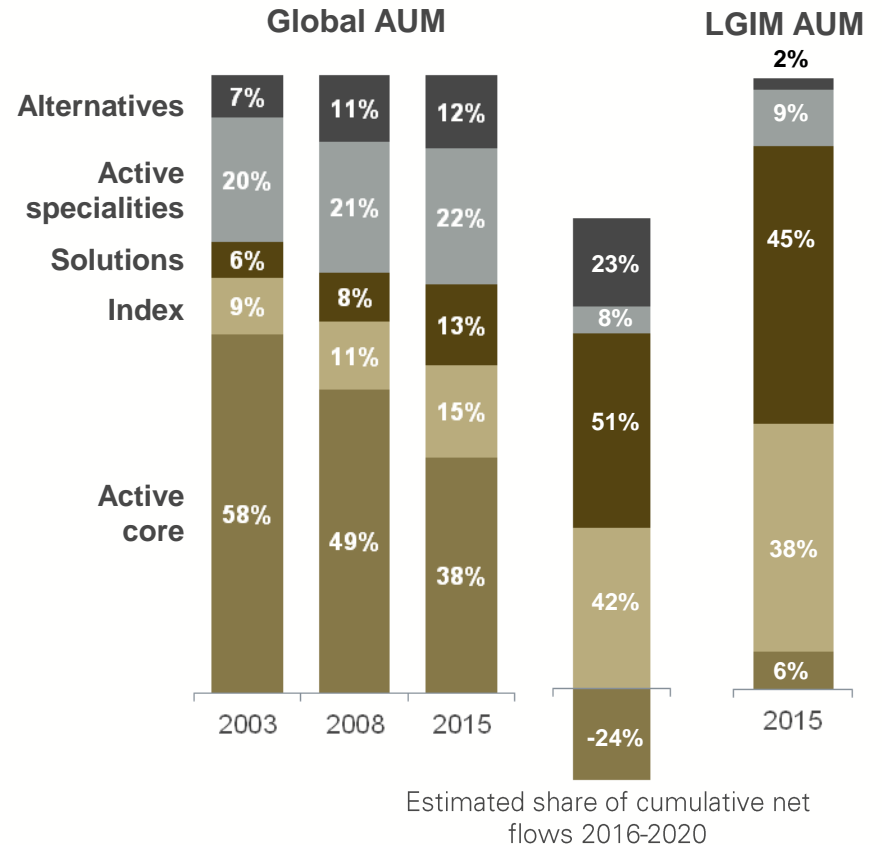


Well positioned for future growth

STRONG GROWTH AGAINST SLOWING GLOBAL AUM



STRUCTURALLY WELL POSITIONED TO CAPTURE FUTURE GROWTH



Diversifying solutions approach across channels and regions

1. CULTURE & CLIENT SERVICE

55%

Defined Benefit clients that have been with LGIM for over 10 years

2. INVESTMENT EXCELLENCE

88%

Average active outperformance over 3 years

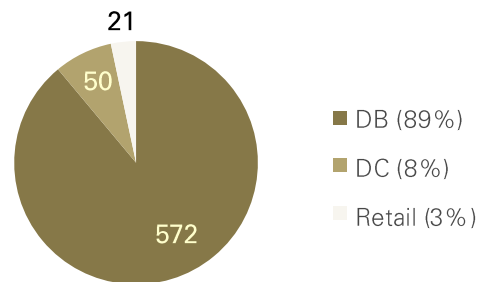
3. SOLUTIONS APPROACH

46%

AUM invested in a solutions approach

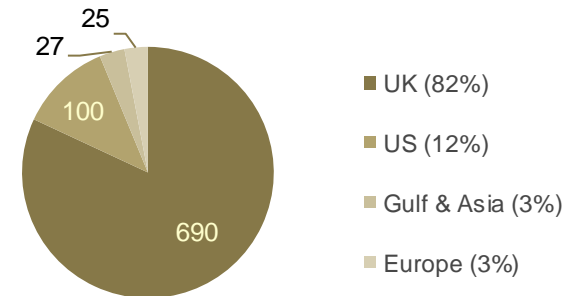
Core strength in pensions

Diversify by channel (UK Ext AUM £bn)



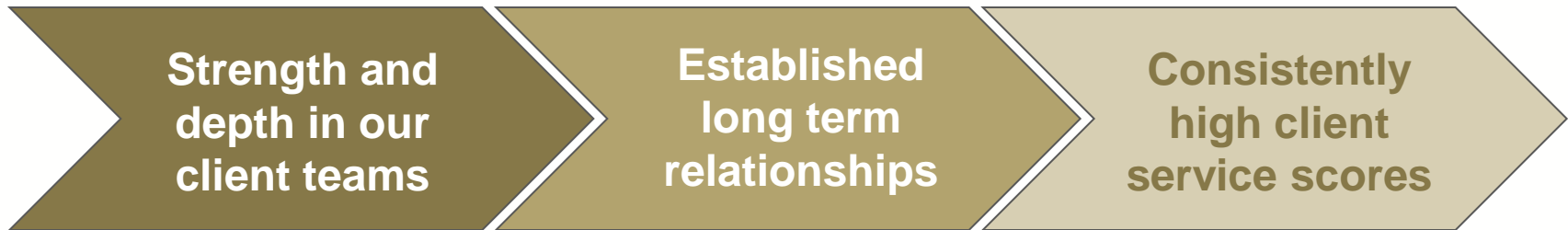
11% of UK Ext AUM in DC & Retail

Diversify by region (Global AUM £bn)



18% of Global AUM is international

1. Culture & client service: putting our clients first



120	Investment solution professionals	55%	DB clients with LGIM for over 10 years	90%	Good or very good client experience survey rating
265	Client, sales and marketing staff	65%	DB clients with multiple mandates	TOP QUARTILE	Active Fixed Income consultant service
650	Client servicing support staff	90%	Persistency rate	TOP QUARTILE	LDI consultant service

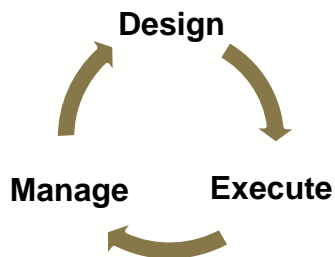
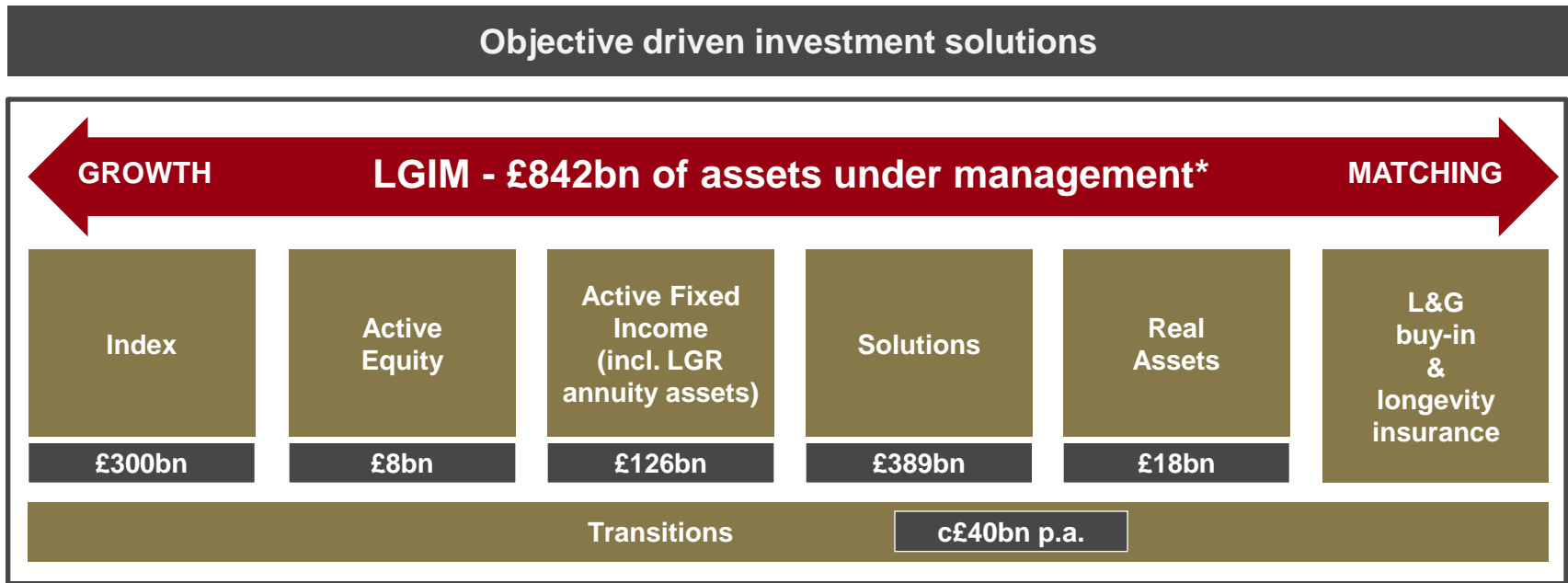
2. Investment excellence: generating strong performance

Percentage of funds outperforming		1 Year	3 Years	5 Years
Index	Within fund specific tracking target	97%	100%	98%
Active Fixed Income	Above benchmark	82%	88%	79%
Active Equity	Above benchmark	40%	89%	89%
Property	Above benchmark	60%	78%	78%
Active LDI	Above liability benchmark	90%	100%	n/a
Multi-Asset	Above benchmark	85%	100%	n/a

88%

Average active
outperformance
over three years

3. Solutions approach: investment tailored to our clients' objectives

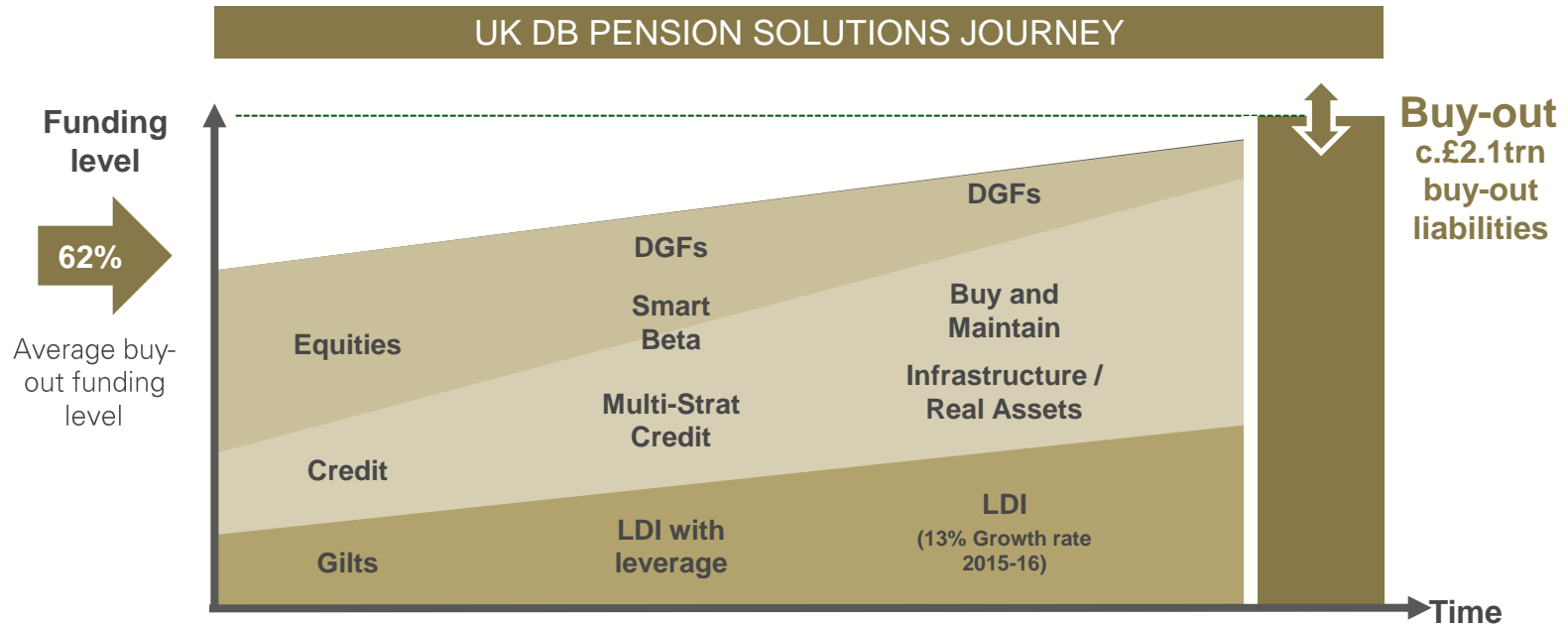


Design funds and investment strategies to meet our clients' objectives

Execute efficiently using our size and scale to save clients time and money

Manage with investment excellence against our clients' objectives

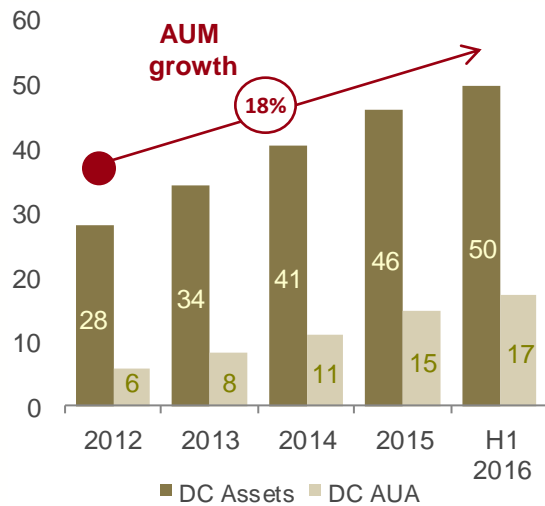
Core strength in UK Defined Benefit pensions



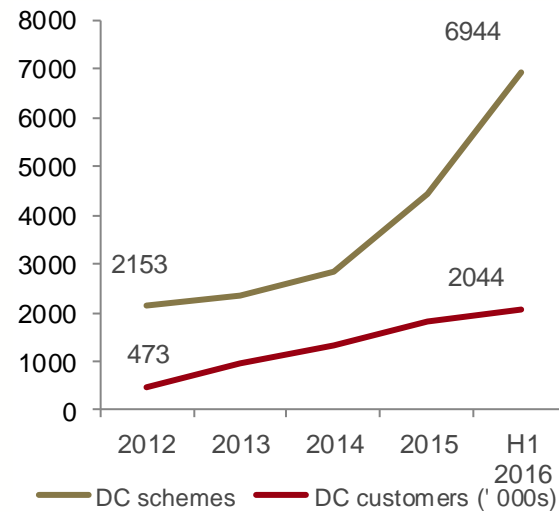
<p>32%</p> <p>Market share: Largest UK DB pension asset manager</p>	<p>44%</p> <p>Market share: Largest UK LDI manager</p>	<p>£15bn+</p> <p>Our commitment to invest in real assets</p>	<p>3,000</p> <p>Pension schemes: we pay over 1m pensions p.a.</p>
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Continued growth in DC pensions and a repositioned Retail business

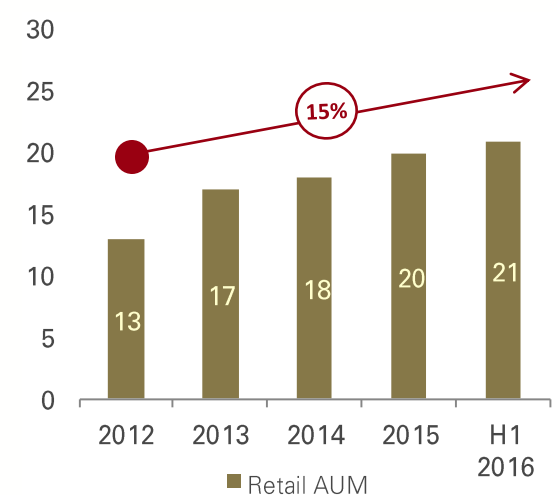
DC AUM and AUA growth (£bn)



DC client growth



Retail AUM (£bn)



15%

UK DC Market share

12%

Growth forecast for UK DC market

80%

Projected DC AUM in 'Bundled' by 2025

c7,000

Pensions and administration services to schemes

Top 5

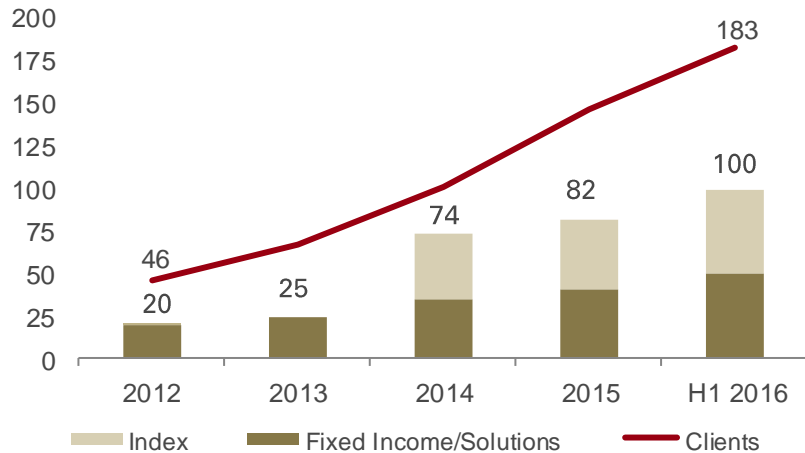
Net retail sales per quarter

Top 10

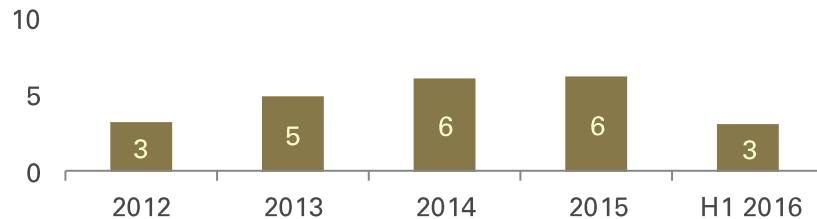
Total Retail AUM

Successfully expanding internationally with growth in all regions

US AUM (£bn) and client growth

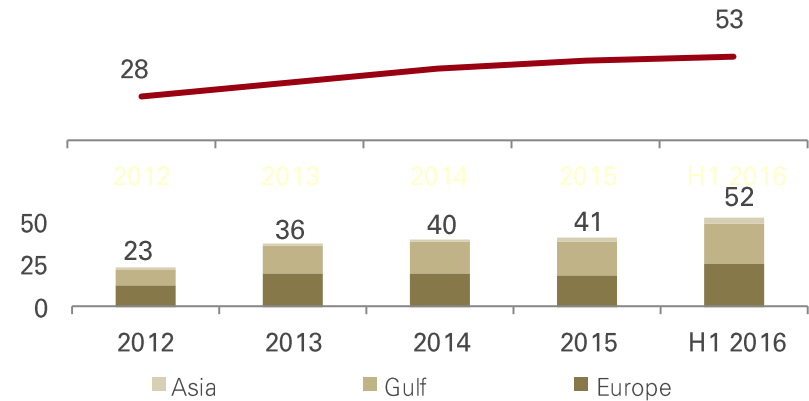


US net flows (£bn)

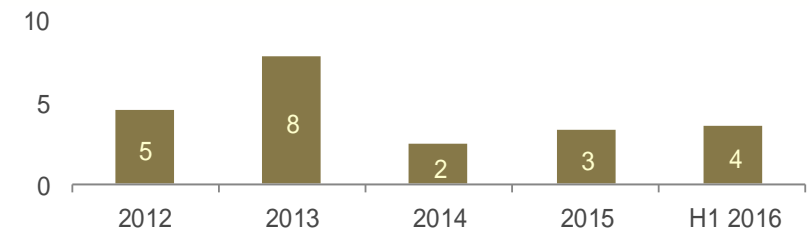


- Expand into DC and develop Real Assets capability

Non US international AUM (£bn)



Non US international net flows (£bn)



- Participate in strategic partnerships to build market share

Key priorities: our strategic markets account for over c£19trn of AUM

...as we expand to capture growth opportunities across channels and regions

We've delivered strong performance from a core in UK Defined Benefit Pensions ...

UK DB
c£1.6trn

...we aim to continue this trend through our solutions approach...

UK DC
c£0.3trn

Expand presence on DC platforms and capture growth in bundled DC

UK Retail
c£1trn

Strengthen our top 10 position (by AUM) with increasing sales from the wealth channel

US DB & DC
c£16trn

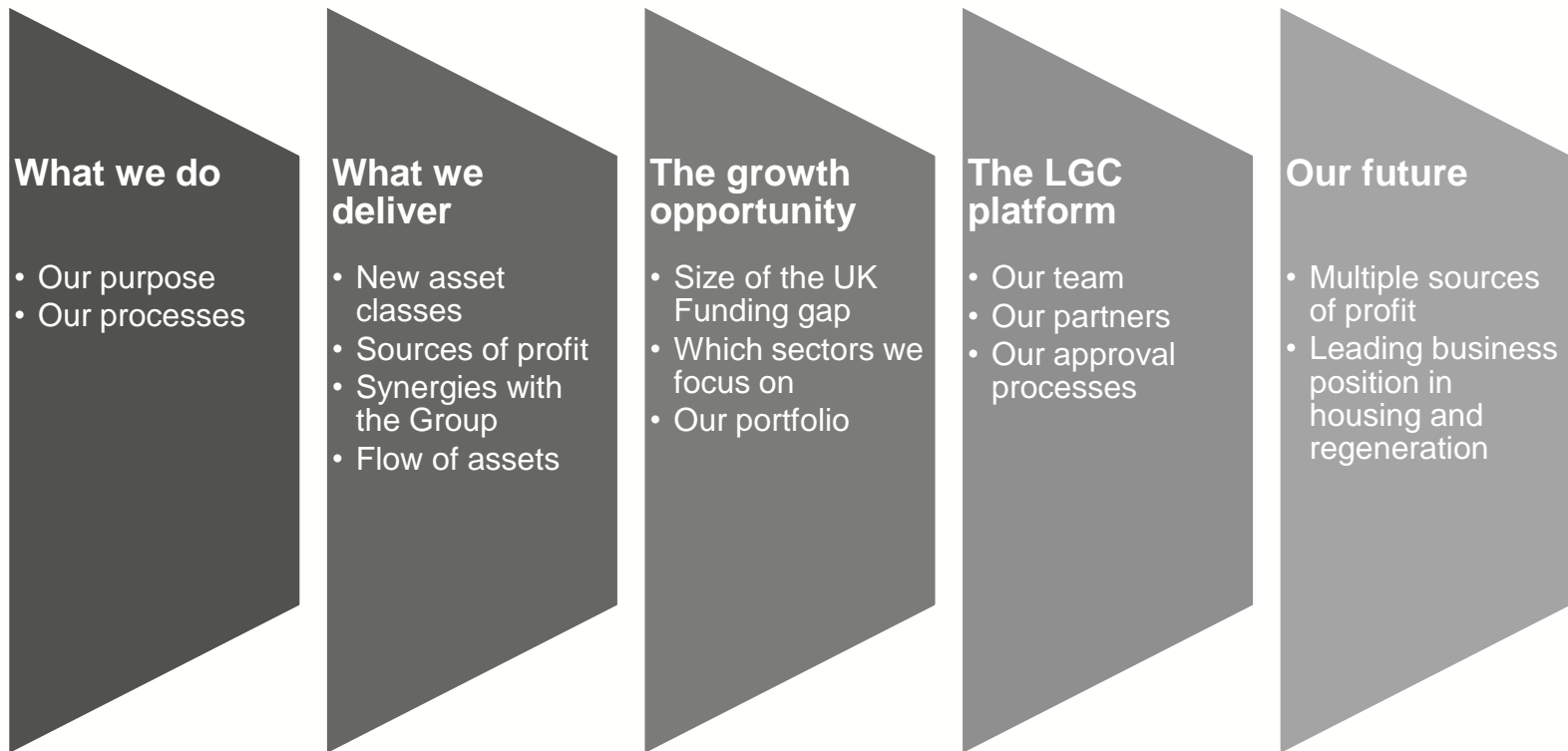
Capture AUM as the US DB market de-risks, mirroring the UK

Legal & General Capital



Paul Stanworth & Laura Mason

Legal & General Capital: What we will cover today



Overview

What we do

- Invest L&G Group's £6bn shareholder funds
- Grow shareholder returns through strategic investment in direct investments
- Invest to meet the current UK funding shortfalls
- Aim to deliver robust returns from direct investments of 10-12%
- Deliver valuable strategic investment opportunities for the Group
- Invest the balance in traded assets to support the group solvency margin

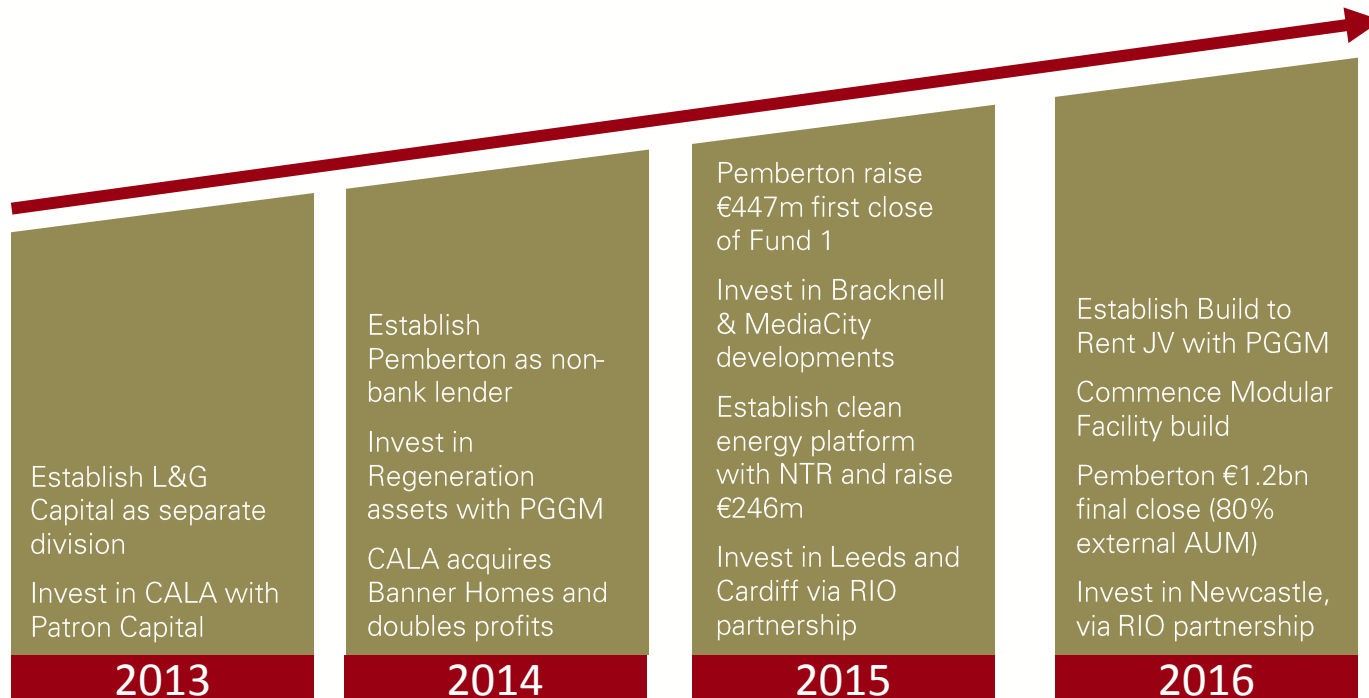
How we do it

- Invest directly in three specific sectors – housing, infrastructure and SME finance
- Partner or build platforms to create assets
- Provide financial expertise and funding
- Manage actively with an experienced team
- Generate synergies with the wider L&G Group
- Divest at suitable times for the strategy



What we have achieved so far

- Legal & General Capital established in 2013
- Strong growth in direct investments over the period - 3x increase of £0.3bn (FY 2013) to £1bn (H1 2016)
- Developed a strong management team



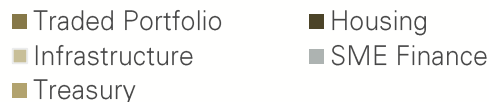
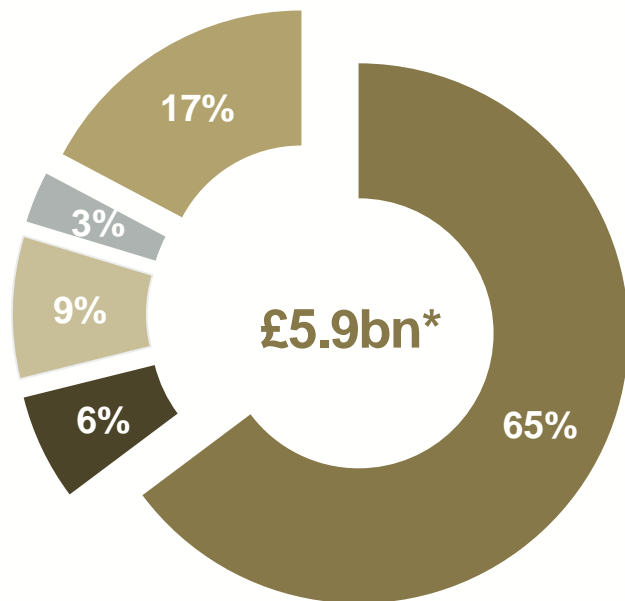
Balancing cash generation and profit delivery

FINANCIAL HIGHLIGHTS	H1 2015				H1 2016				YOY GROWTH (%)
	Direct Investments	Traded	Treasury	TOTAL	Direct Investments	Traded	Treasury	TOTAL	
Assets	778	3,382	621	4,781	1,064	3,833	1,021	5,918	24%
Operating profit	32	79	4	115	68	59	8	135	17%
Investment variance	3	0	(7)	(4)	(17)	75	2	60	
PBT	35	79	(3)	111	51	134	10	195	75%

- Direct Investments targeting higher risk adjusted returns than Traded portfolio through increased direct investing
- PBT of direct investments based on **independent valuation** of assets, or **trading profits** from operating businesses
- Operating Profit H1 2016: 53% delivered from LGC share of PBT from our operating businesses
- Cash emerges from the portfolio via dividends, coupons and sales of assets across the traded and direct investment portfolio

Scaling up opportunities

LGC ASSET EXPOSURE (%)



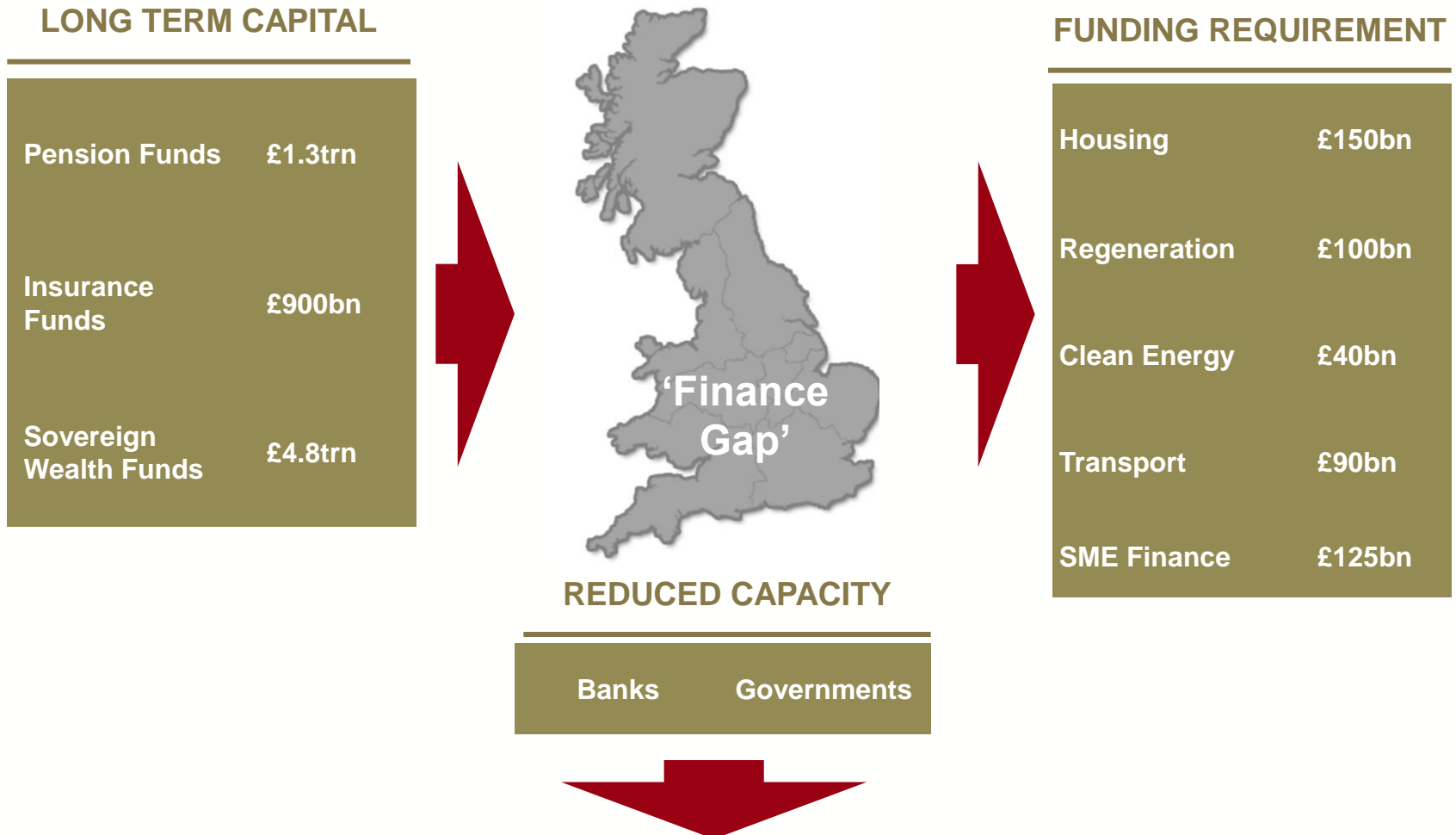
Strategic investment in direct investments

- Grow shareholder returns through **strategic investment of direct investments** out of traded assets
- We actively invest in sectors where we see a long term funding gap, to **create platforms and assets which will be absorbed into the Group or sold**

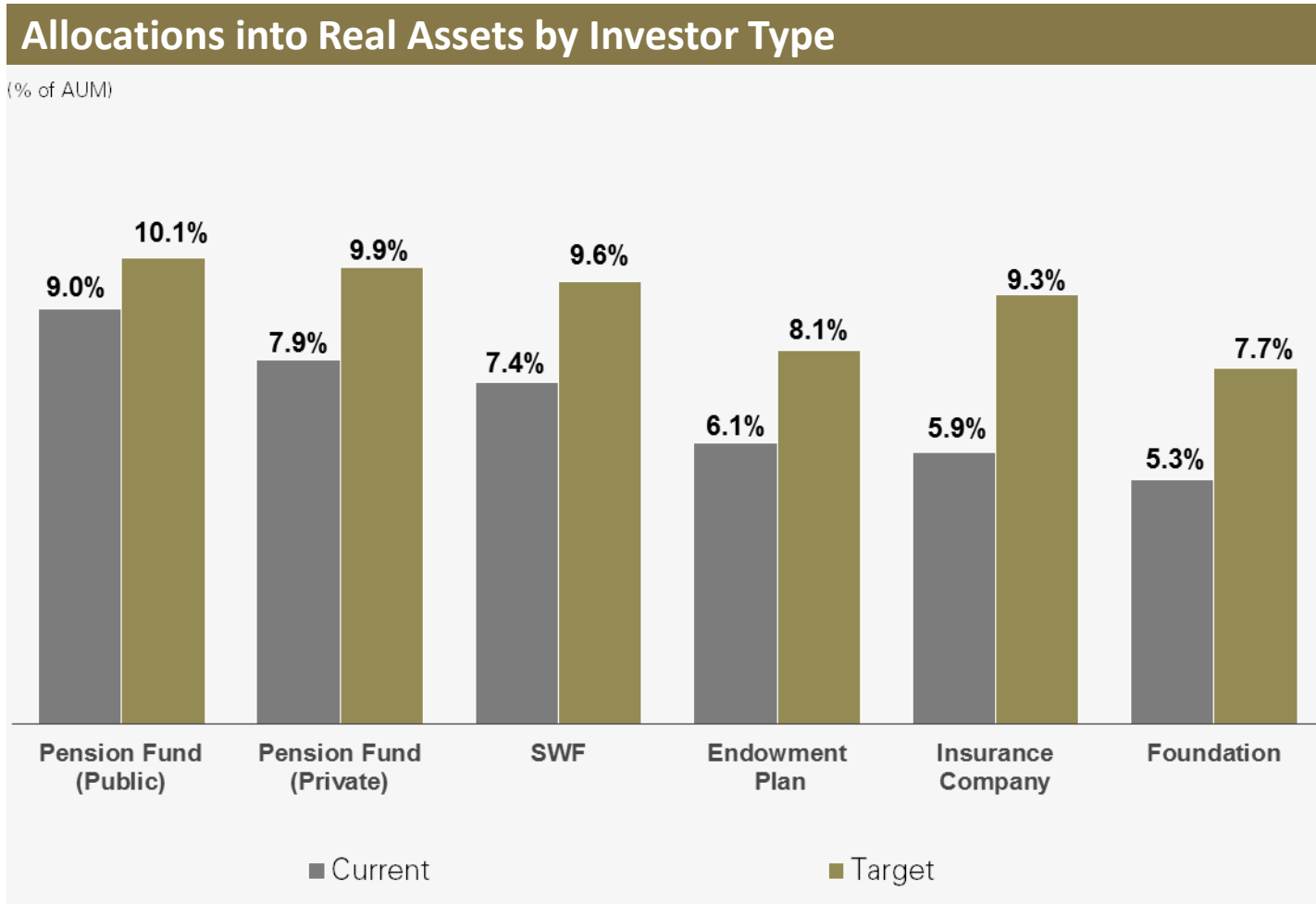
Long term returns

- LGC seeks direct investments with a long-term portfolio IRR of **10-12%**, to deliver ROSCR > **20%** and ROCE > **10%** over the investment term
- LGC represent **6%** of the Group SCR

UK Real Asset opportunity



Delivering into global asset shift



Strong business model

- Selected partners with **proven sector expertise**
- Structured joint ventures with **aligned commercial interests**
- LGC provide:
 - financial expertise & capital
 - rigour and corporate governance
 - active management and shareholder participation
 - natural buyers of the direct investments



Delivered solutions in every sector

HOUSING



Build to Rent Partnership with **PGGM**

Idea

- 2016 Established Build to Rent 50:50 JV with PGGM
- Established with LGC existing portfolio and LGIM as asset manager

Delivery

- £600m committed alongside European pension fund
- Further investors to join the fund

INFRASTRUCTURE



English Cities Fund (ECf) is a joint venture with **Muse & HCA**

Idea

- LGC takeover fund, and establish synergies with Group
- ECf regenerating Salford, Canning Town, Plymouth

Delivery

- Strong profit growth
- Delivered assets for LGR and Build to Rent properties for PGGM Joint Venture

SME FINANCE



SME finance platform with **Pemberton**

Idea

- 2014 established Pemberton Platform as non-bank SME lender with 40% equity
- Committed €250m to first SME fund

Delivery

- Fund 1 of €1.2bn, 46% deployed
- 80% of funds raised externally from insurance companies, pension fund

INFRASTRUCTURE



Clean Energy platform with **NTR**

Idea

- 2015 acquired 25% of NTR Wind Management
- Committed €120m to first fund

Delivery

- Fund 1 closed €246m with 66% deployed into 10 projects
- Joint investment with UK and Irish pension funds

Top Direct Investments

	Counterparty	Sector	Year of investment	Book value* £m
1	CALA	Housing	2013	208
2	Pemberton Investment	SME Finance	2014	167
3	Bracknell Regeneration	Infrastructure	2015	123
4	Media City	Infrastructure	2015	117
5	NTR	Infrastructure	2015	61
6a	Strategic land holding – 250 acres with planning permission	Housing	1990s-2000s	95
6b	Strategic land holding – 3,250 acres without planning permission	Housing	1990s-2000s	44
7	Bishopsgate Long Term Property Fund (PGGM)	Infrastructure	2015	56
8	Cardiff, Central Square	Infrastructure	2015	42
9	Leeds, Thorpe Park	Infrastructure	2015	39
10	Access Development Partnership (PGGM)	Housing	2015	23

* As at 30 September 2016

Experienced team, strong corporate governance

Dedicated Specialist Investors

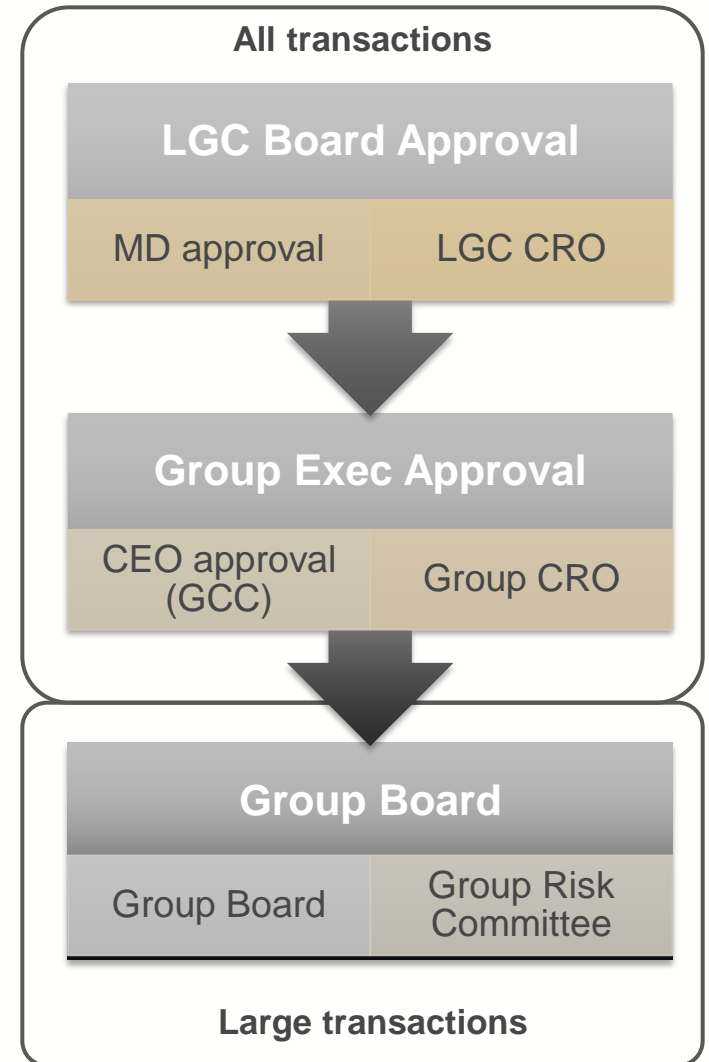
- 24 investment professionals, 22 dedicated specialist finance & support team professionals with further support provided from L&G Group Risk and Legal

Investment team

MD	Paul Stanworth	
Infrastructure	Laura Mason	+ 3 Energy + 3 Property + 4 Asset Management
Housing	James Lidgate	+ 6 Housing + 2 Construction
SME Finance	Matteo Colombo	+ 2 Financial Services

Support

Finance CFO	Stephen Halliwell	+ 10 Financial Accounting + 3 Actuarial
Operations COO	Karen Jeffery	+ 7 Back Office
Legal LGC	Natasha Mora	+ Group Legal
Risk	Simon Gledhill	+ Group Risk



Clear synergies with the L&G Group

Example: Central Cardiff mixed-use redevelopment scheme



Sep
2015

2017
and
beyond

- 1 JV with Cardiff County Council and local developer, RightAcres – initial equity investment by LGC (£37m)
- 2 Second building: £83m BBC Wales HQ, pre-let on 20 year lease – matching adjustment compliant in LGR
- 3 First building: No. 1 Central Square, multi-tenanted – mixture of leases, not matching adjustment compliant so will be sold by LGC
- 4 LGIM earns management fees for managing the whole complex
- 5 JV gives L&G right of first refusal to invest in further 7 phases

LGC

LGR

LGC

LGIM

LGIM


LGC

LGR

LGIM

Creating multiple sources of profit growth

- Operating profit and PBT strong to date with a CAGR, from 2013 to H1 2016, of 55% and 63%
- Future profits delivered through **higher return on capital** and **increased capital deployment** from traded assets into direct investments

Multi-tenure Housing business	Leading Infrastructure Business
<i>Top 10 UK Housing Provider</i>	<i>Leading investment in 10 UK Cities</i>
Build to Sell Built to Rent Modular Landbank 	Commercial Property Housing Infrastructure Transport
Private Affordable Retirement	
New Generation Energy business	Leading SME Finance business
<i>Generate 5% UK clean energy</i>	<i>Drive £10bn SME investment</i>
Clean Energy Generation Advanced Digital Supplier Integrated user technology	Non-bank debt provider SME equity finance

Legal & General Retirement



Kerrigan Procter & Chris Knight

Legal & General Retirement: What we will cover today

What we do

- Our history
- Our markets
- Our competitive advantages

What we deliver

- 8 sources of profit
- Profit growth

The growth opportunity

- Size of the UK PRT opportunity
- Our unique positioning to capture this opportunity

The impact of Solvency II

- Solvency II new business strain
- Solvency II value margin

How we have responded to Solvency II

- Longevity
- Reinsurance
- Asset management and asset sourcing

Our global expansion

- Our global reinsurance hub – L&G Re
- US expansion

Helping customers achieve financial security in retirement

MARKET LEADING RETIREMENT BUSINESS

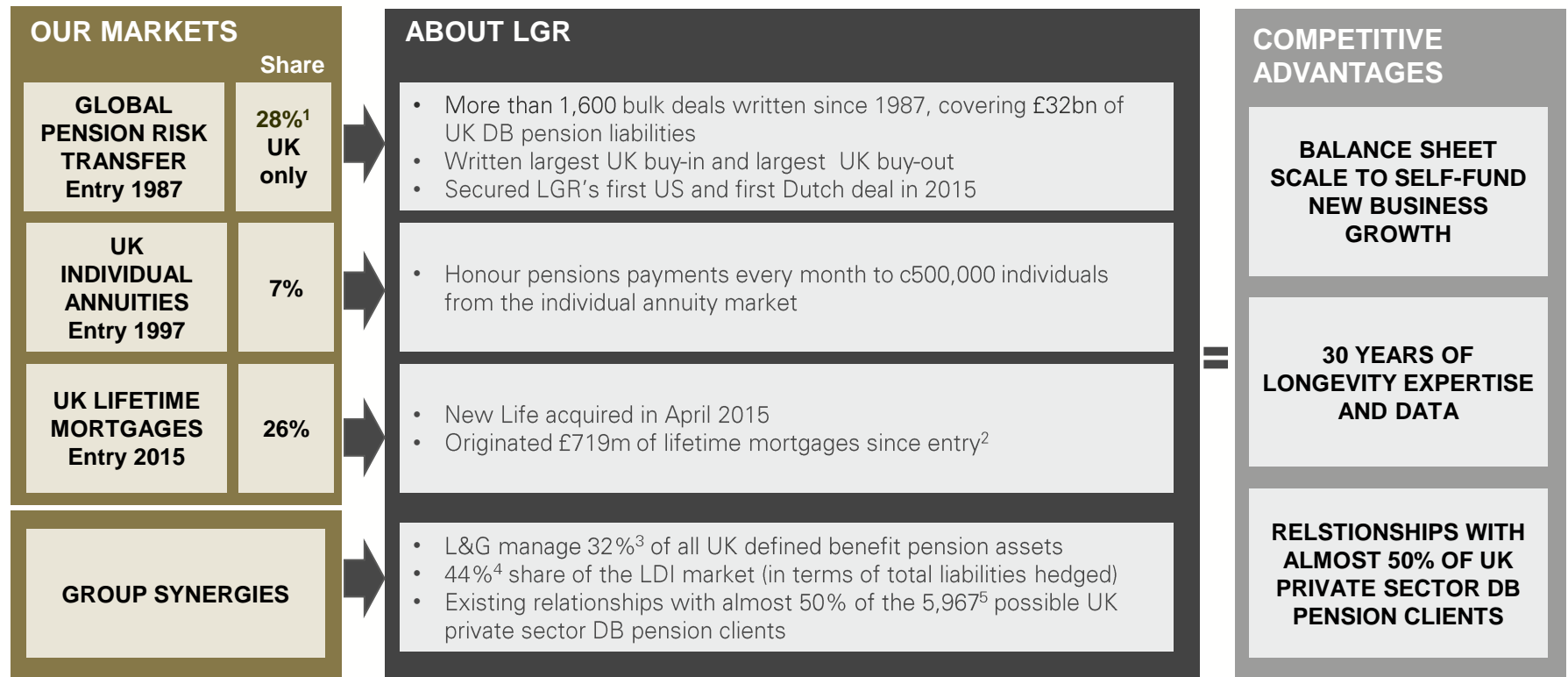
Operating Profit (£m)
H1 2016 FY 2015

Legal & General Retirement (LGR)

- £51bn of assets
- Guarantee a pension for life for >1 million customers

406

641

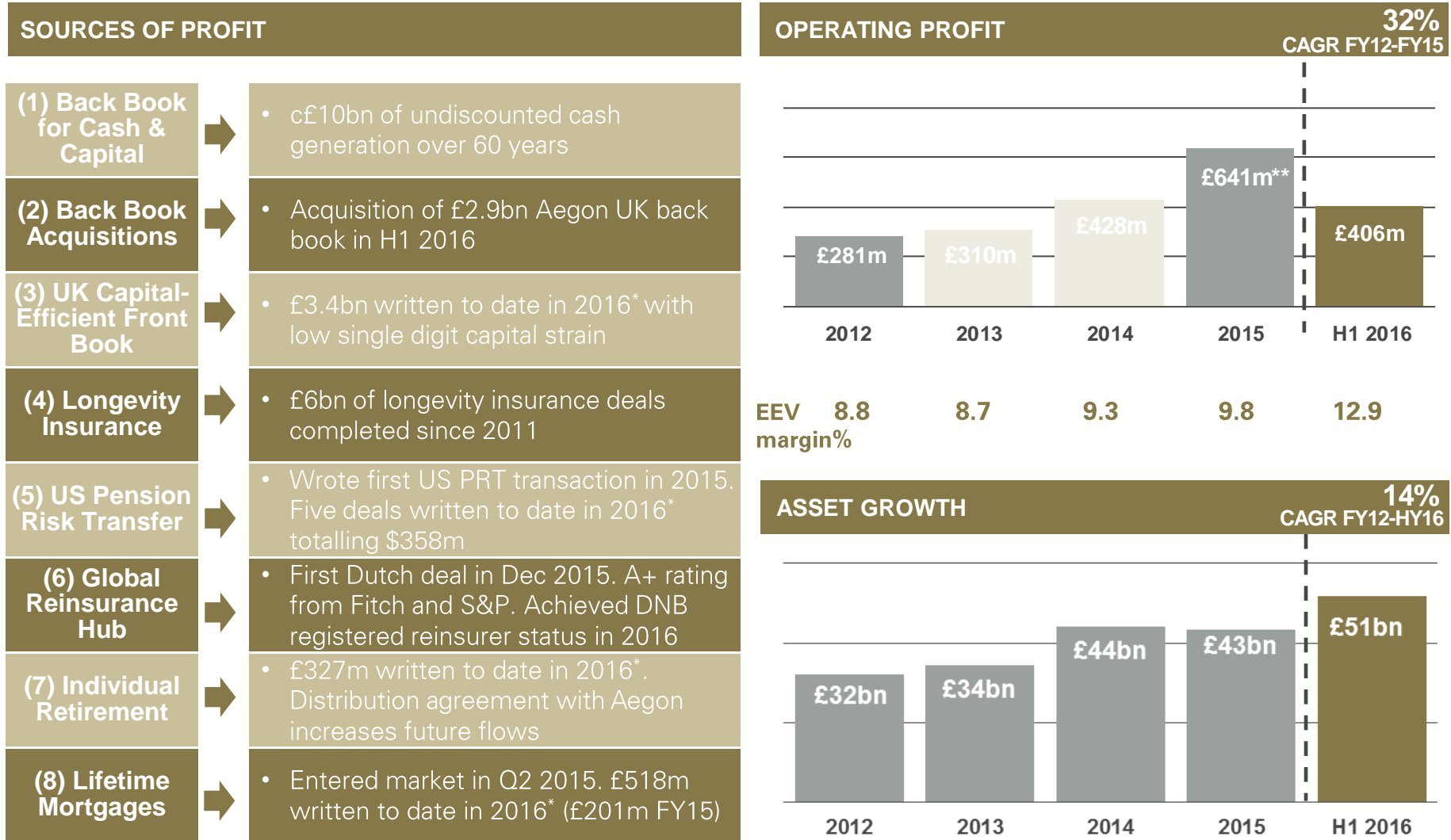


1. Average over 3 year period 2013 to 2015
2. Volume written up to 2016 week 48

3. Spence Johnson DCMI 2015
4. KPMG LDI Report June 2016: Powering ahead the current UK LDI market

5. PPF Purple Book 2015

Delivering 8 sources of profit and record profit growth



*NB written up to 2016 week 48

** Includes the IDOL

UK PRT: a growth opportunity

SIGNIFICANT DEMAND FOR PRT SOLUTIONS

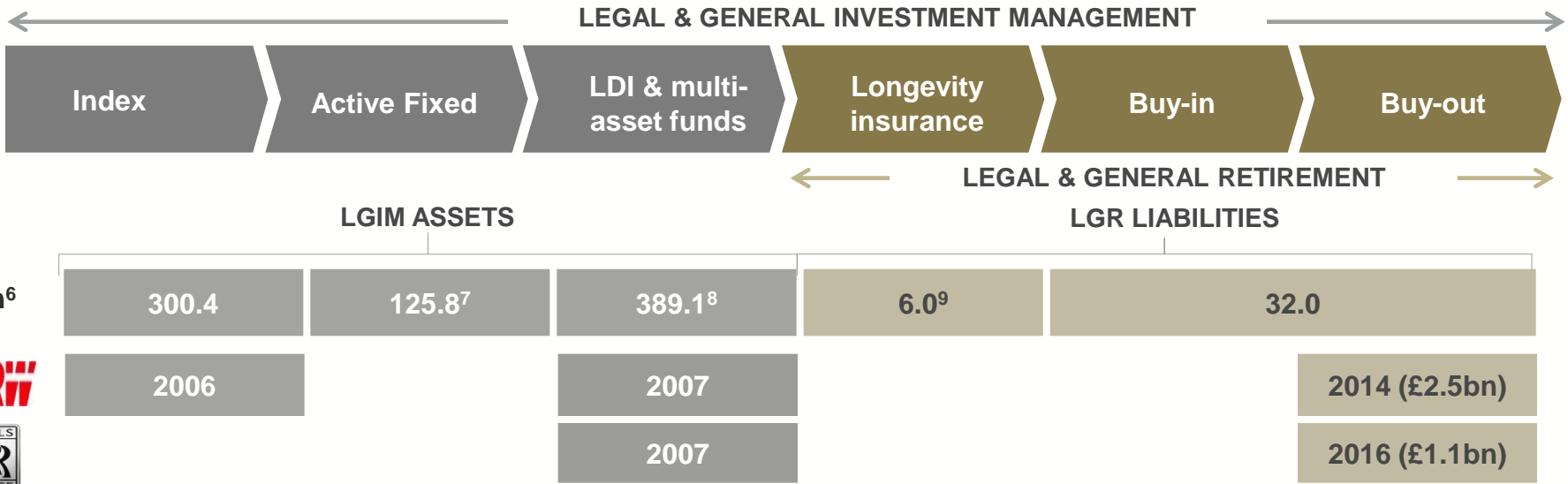
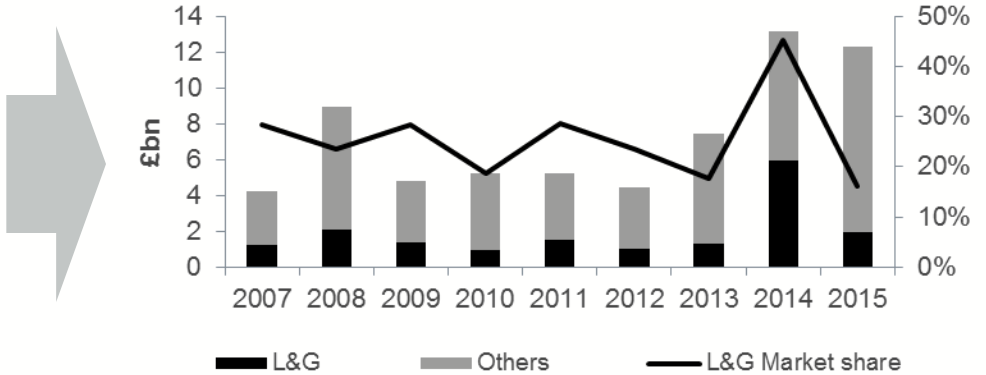
£2.1trn UK DB liabilities¹, only 5%² transacted to date

2/3 of large pension plans plan to use PRT in the next 5 years³

>1,000 pension plans overfunded on an s179 basis – prime for PRT⁴

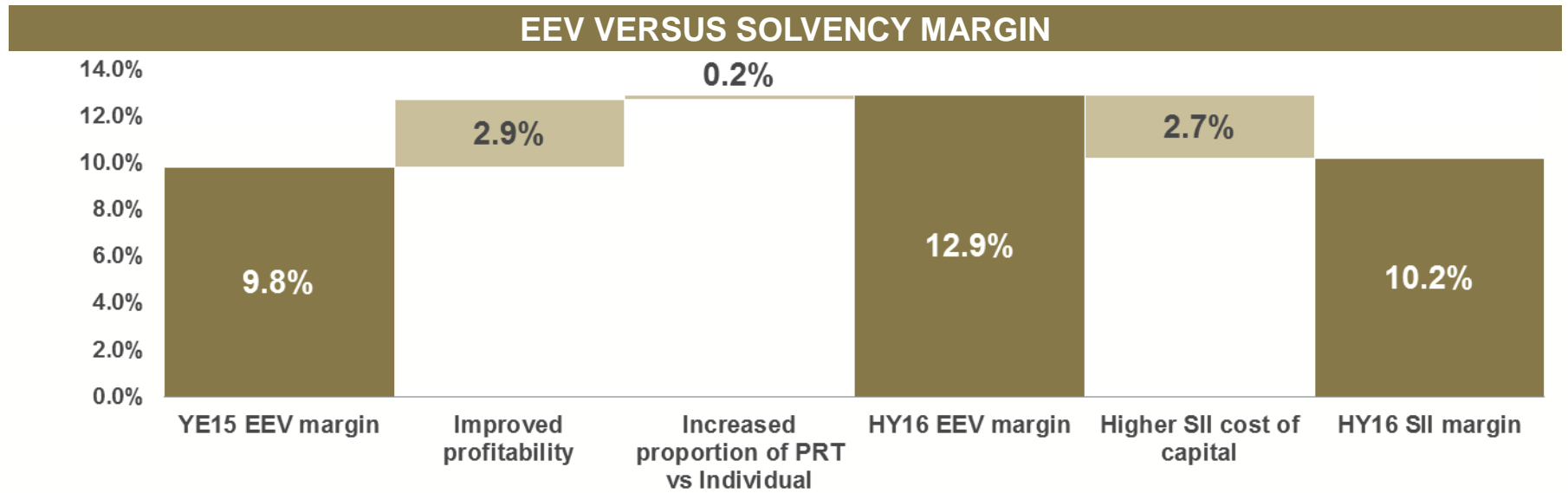
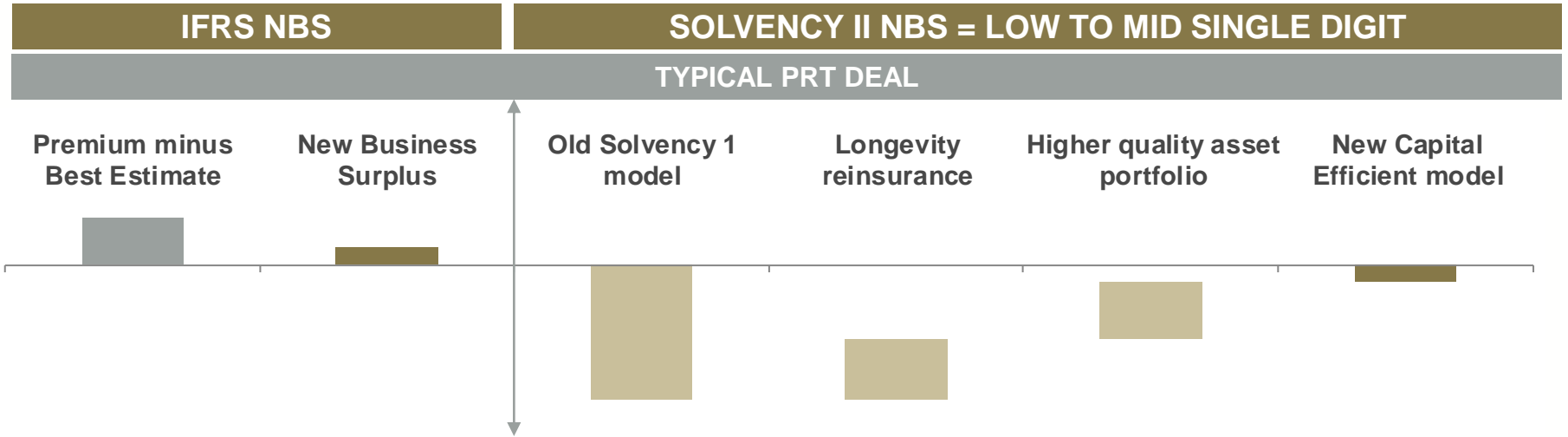
Total UK pension scheme exposure to LDI £741bn⁵

L&G UK PRT MARKET SHARE OF 27% SINCE 2007

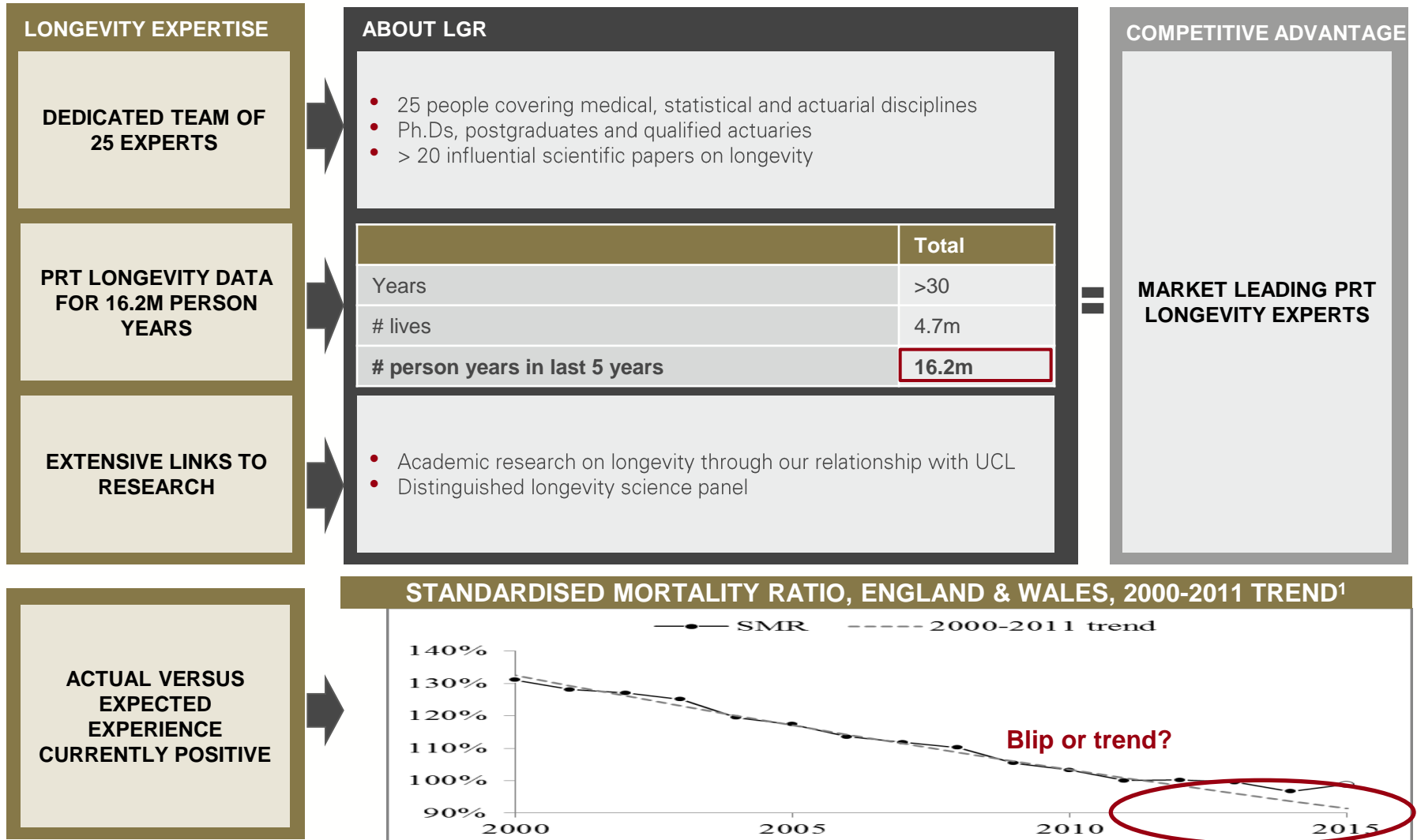


1. Purple Book 2015. Private sector DB liabilities only on a full buyout basis
 2. Mercer Market Review Report Jul 2016: UK DB Bulk Pension Insurance, adjusted to reflect today's interest rates
 3. L&G & Engaged Survey, "The De-Risking Journeys of Large Schemes", 2015
 4. PPF 7800, October 2016.
 5. KPMG LDI Report June 2016: Powering ahead the current UK LDI market
 6. HY16
 7. Includes LGR annuity assets
 8. Includes overlay assets, which comprise derivative notional associated with solutions business
 9. By deal size

Financially attractive business



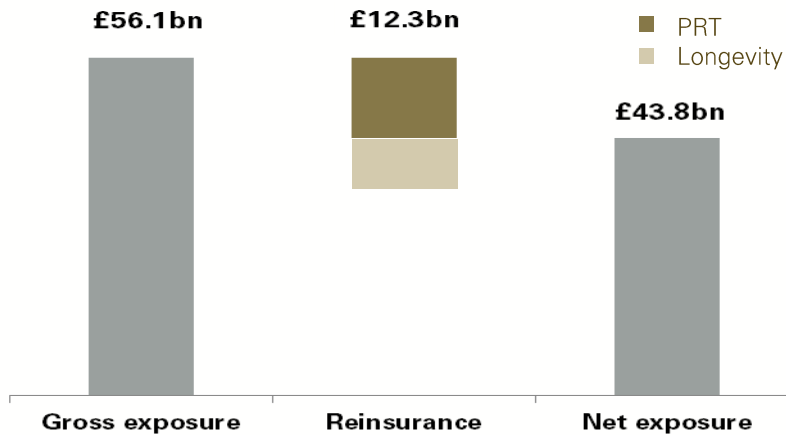
Superior longevity science intellectual property



1. The Future of the CMI Mortality Projections Model, Oct 2015

Actively managing our exposure through reinsurance

IN-FORCE LONGEVITY EXPOSURE AS AT H1 2016

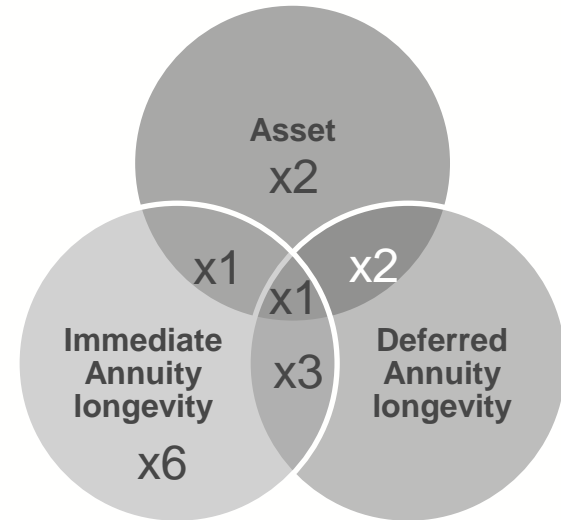


- Reinsured 79% of our new business longevity exposure in 2016 (YTD excluding Aegon transaction)

EXTENSIVE AGREEMENTS IN PLACE

Longevity	Large scheme – point of acquisition
	Small scheme – automatic reinsurance
	Fully intermediated longevity insurance
	Individual enhanced annuity reinsurance
Asset	Liability matching insurance

SUFFICIENT CAPACITY



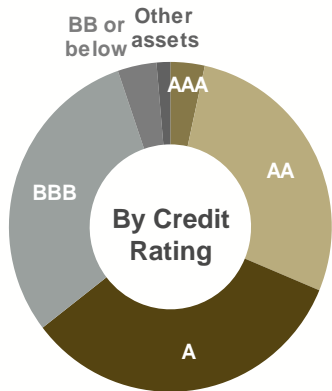
Total longevity reinsurance capacity estimated to be £150bn leading to c£20-30bn p.a. Source LCP

"Aon Hewitt predicts £100 billion capacity for longevity swap market over the next two years"

Source: Aon Hewitt Press Release Jan 2014

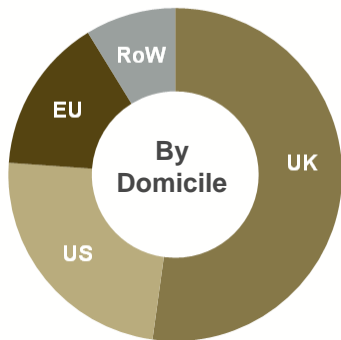
Robust asset portfolio...

£51BN LGR ASSET PORTFOLIO AS AT H1 2016



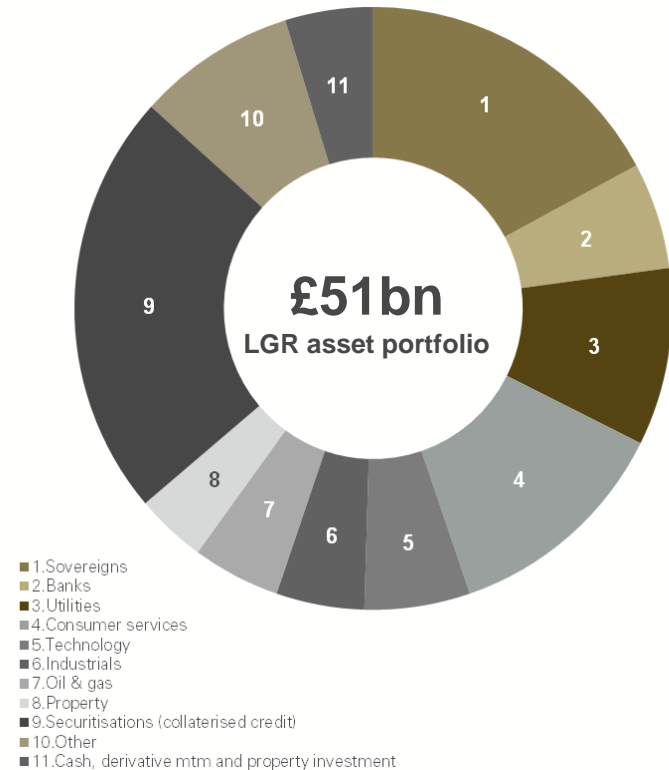
- 63% of the £51bn is A-rated or better
- 28% is BBB-rated
- 3% is sub-investment grade
- 6% is other assets being; cash, derivative market to market or property investment

- £6bn (12%) is in gilts
- £25bn is in bonds with the UK as country of domicile for the issuer
- 4.4% of £51bn in Banks
- 4.5% in Oil and Gas
- 3.7% in bonds in Property sector



...with high sectorial diversification

SECTORAL ANALYSIS AS AT H1 2016



Direct Investments delivering enhanced value

LEGAL AND GENERAL DIRECT INVESTMENTS

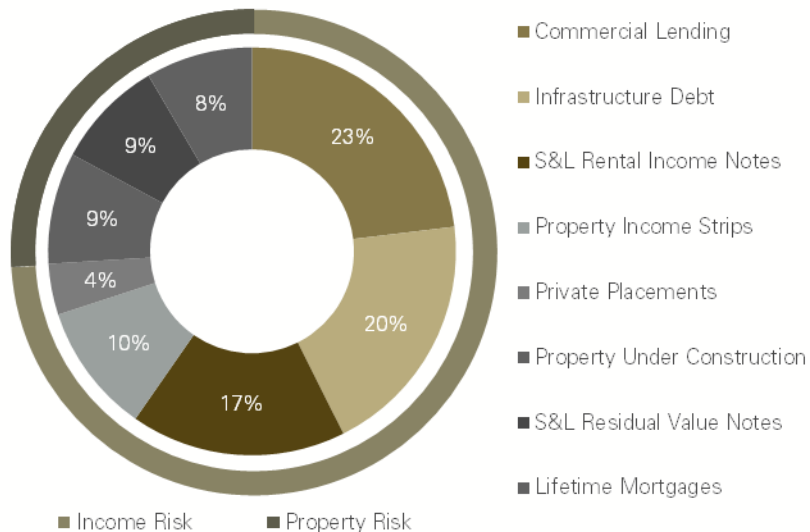
Objective: deploy long term slow capital that:

Provides enhanced illiquidity premium when compared with tradable bonds

Reflects the shape of the liabilities in terms of duration and cashflow

Supports the acquisition of new business

DI PORTFOLIO - £8.2bn (AS AT SEPT 2016)



CHARACTERISTIC REQUIREMENTS

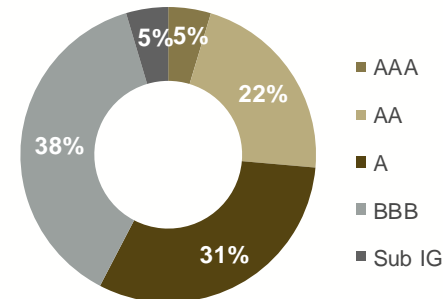
- A known investment grade cashflow
- A premium over tradable bonds
- Overall duration of the portfolio needs to fit with our liabilities
- Proportion of the investment must be MA eligible
- Acceptable credit risk; quantified through our internally rated governance processes (by LGIM)
- Allows diversification of underlying assets and maintains an acceptable portfolio risk-return

High quality Direct Investment portfolio

PORTFOLIO STATISTICS (AS AT SEPT 2016)

Market Value	> £8.0bn
Number of Assets (exc LTM)	73
Top 10 assets as % of fund MV	32.4%
LGR investment (year to date)	£1.75bn
Number of vacant properties	0
Number of tenant / borrower defaults	0
% Assets under Construction	9%
% S&L Residual Value Notes	9%
% LTM	8%

DI PORTFOLIO (£ MV SEPT 2016) *



* LTM indicative figs pending securitisation

	Asset Classification	Counterparty	Sector	% of Portfolio	Internal Rating	Term to Maturity	Commentary
1	Property	Places For People	Social Housing	0.7%	BBB+	48 years	'Income Strip' structure, no residual property risk
2	Infrastructure	London Gateway	Port Refinancing	0.6%	BBB	29 years	Stable long term cashflows
3	Infrastructure	Campus Living Villages	Student Accommodation	0.6%	A-	47 years	Inflation linked listed bond secured against 8 assets in 7 cities
4	Commercial Loan	F&C Commercial Trust	Commercial Property	0.6%	AA	8 years	Low LTV, secured on a portfolio of prime commercial assets
5	Property	RBS Bank Branch Portfolio	Banking	0.5%	BBB+	21 years	£71.3m under offer / sold in 2016 at a profit
6	Property	Transport for London	Office	0.5%	AA	27 years	Quasi Gov't exposure, underwriting urban regeneration
7	Property	The Rolls Building	Office	0.5%	AA	25 years	Gov't exposure in prime London location
8	Commercial Loan	Hyde Housing Association	Social Housing	0.5%	A	25 years	Portfolio concentrated in London/South East/East Midlands
9	Infrastructure	Uliving Hertfordshire	Student Accommodation	0.4%	A-	38 years	Underwriting new campus development, now in use
10	Property	Imperial College	Student Accommodation	0.4%	AA	40 years	Assets located in central London locations

* As at 30 September 2016

Investing long term money to grow the UK economy



Griffon Studios, Imperial College, London Battersea (£118m)

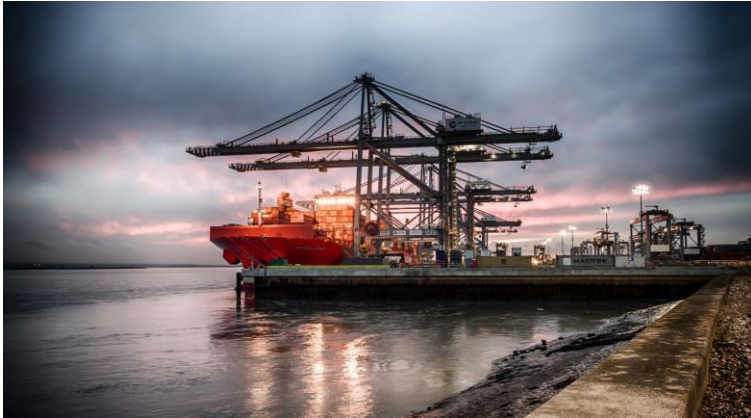
- Development funding of 566 postgraduate studio rooms next to Clapham Junction
- Strong counterparty (top 10 global university*), no direct student demand risk
- 45 year term with annual RPI linked rent reviews (1,5)
- 'Income Strip' structure = no residual property risk
- AA internal credit rating, healthy pick up to traded credit

* QS World University Rankings 2016/17

- **Credit Strengths:** Improved profitability driven by strong revenue growth, continued good cash flow generation and a fully funded pension plan
- **Brexit Impact:** Exposure to international students (56% of tuition revenues) better mitigated by the highly reputable, research oriented institutions
- **Additional Exposure:** £20m senior unsecured Private Placement Bond (£100m total) closed in October 2016, ranked pari passu with property rent



Investing long term money to grow the UK economy



Berths 1-3 at DP World's London Gateway Port, Essex (£250m)

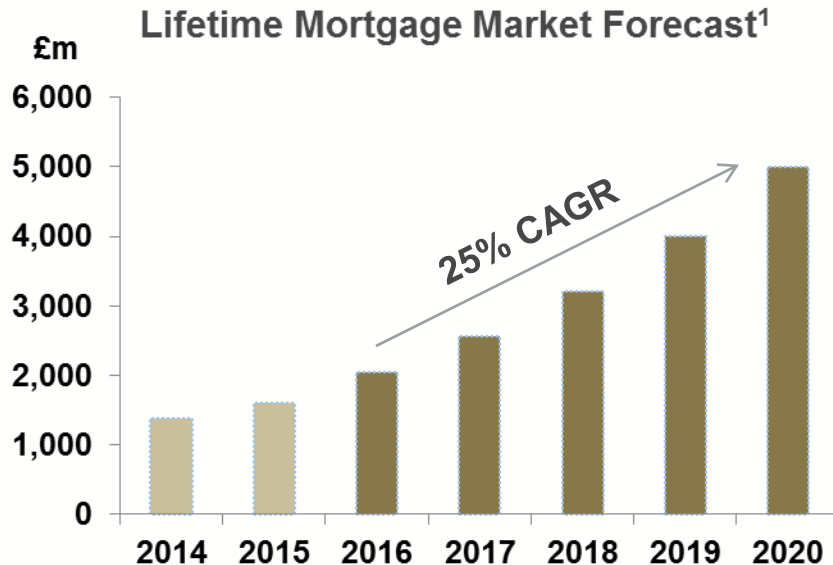
- Private Placement bond format listed on the London Stock Exchange
- BBB internal credit rating (credit rating agencies since upgraded DP World)
- £650m total debt refi (part fixed / IL), syndicated with 4 co-lenders
- First-ranking security over the freehold, recently valued >2x senior debt
- Anticipated improvement to Infrastructure capital charge regime in 2017

- **Unique opportunity:** Strategic deep water port, one of the few capable of handling Ultra Large Container Ships (making up majority of new orders)
- **Real Assets:** Supporting a world class new infrastructure facility that will create a step change in the quality of UK port infrastructure
- **Strong economic and social benefits:** Creating significant employment in London and the South East (10,000 jobs since construction commenced)



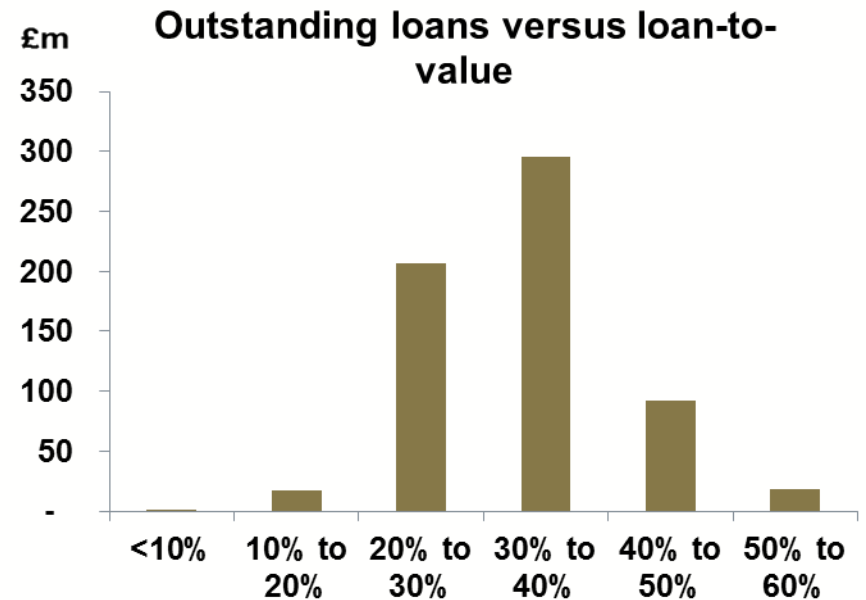
Lifetime mortgages providing another important source of direct investments

HUGE GROWTH OPPORTUNITY



- £1.5trn of housing equity owned by over 55s²
- £18bn release over the last 25 years³

PRUDENT LENDING CRITERIA



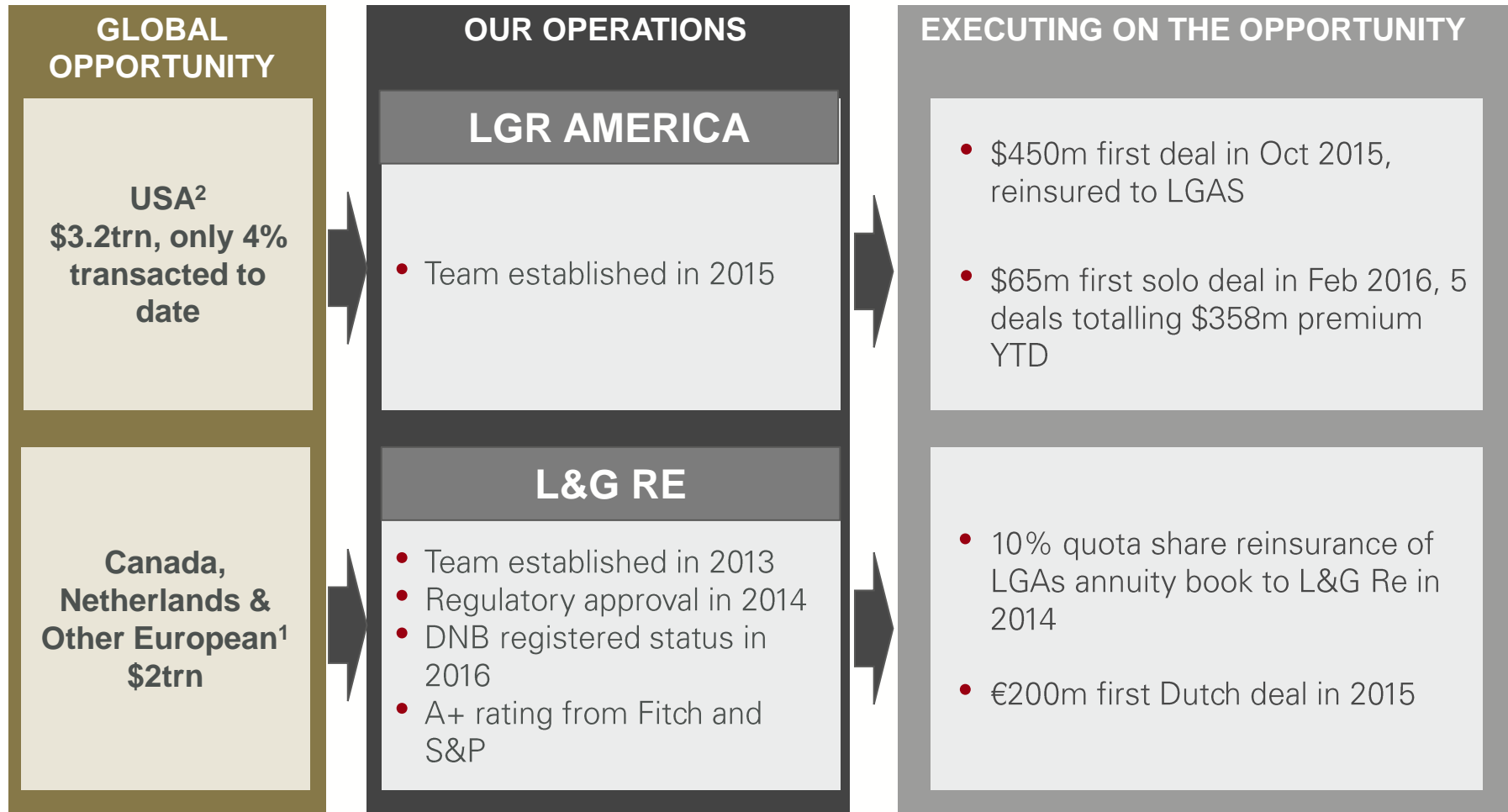
- Minimum age 60
- Standard construction buildings only
- Average or above average condition (inside and out)
- Loans >£750k referred to funder
- Exposure spread across regions

1. Equity release council data projected using L&G expected 25% CAGR

2. Age Partnership

3. Equity release council

Replicating our model globally



1. Towers Watson Global Pension Asset Survey 2016

2. US Fed Reserve. Private sector DB liabilities only

Conclusion

Nigel Wilson



Conclusion

1. Why we are winning
 2. Future growth ambition
 3. Replication of successful UK model in US
-

Q&A

LEGAL & GENERAL

CREATING POSSIBILITIES

2016

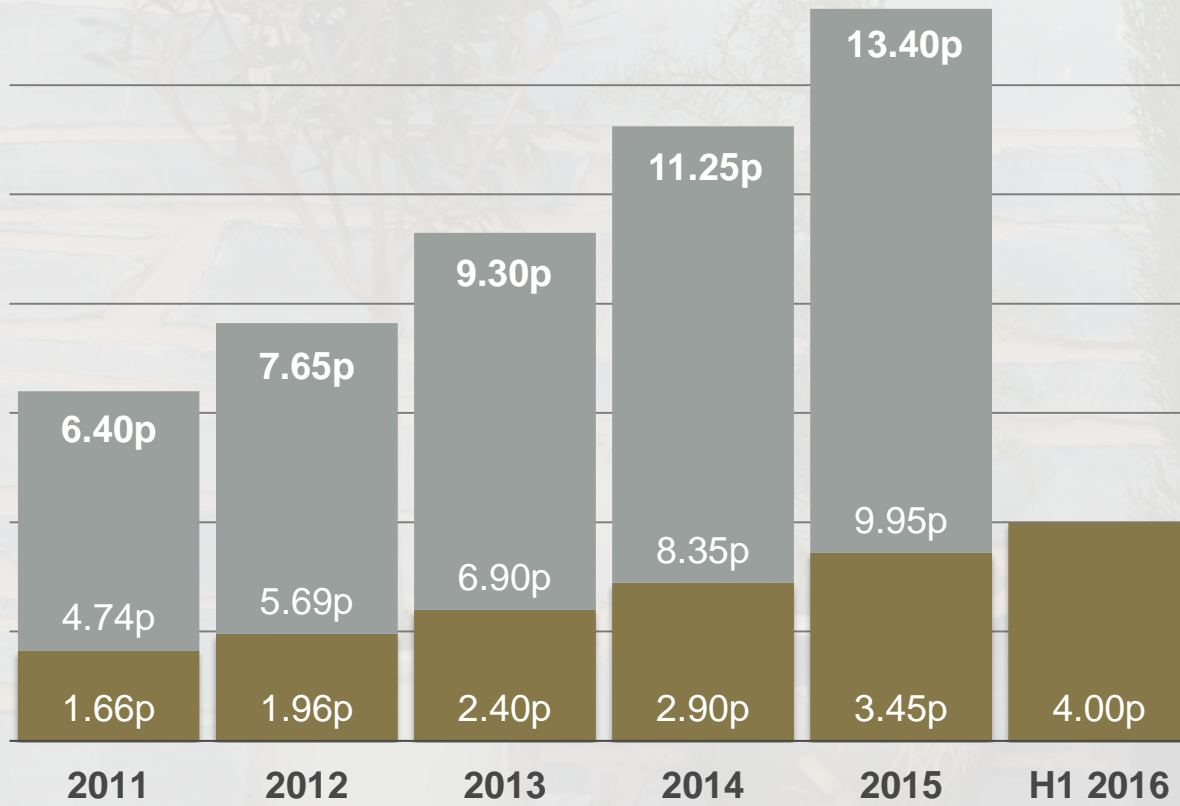
Legal & General Group plc
Capital Markets Event
December 2016



Appendix 1: Group dividend policy

DIVIDEND

■ Final
■ Interim



The Group has a progressive dividend policy, reflecting its medium term underlying business growth, including net cash generation and operating earnings

The Board has decided that it will adopt a formulaic approach to setting the interim dividend from now on, being 30% of the prior year full year dividend