# Record earnings and solvency

## 2022 Full year results

**£2,931m**

**Operating profit from divisions**

2021: £2,657m, **+10%**

**20.7%**

**Return on equity**

2021: 20.5%

**236%**

**Solvency ratio**

2021: 187%

**38.33p**

**Earnings per share**

2021: 34.19p, **+12%**

**19.37p**

**Full year dividend**

2021: 18.45p, **+5%**

# Forward looking statements

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

# Record earnings and solvency

# Record earnings & solvency in 2022

## Growing profits…

**£2,931m**

**Operating profit from divisions**

2021: £2,657m, **+10%**

**38.33p**

**Earnings per share**

2021: 34.19p, **+12%**

## Supported by a strong balance sheet…

**236%**

**Solvency II coverage ratio**

2021: 187%

**£1.8bn**

**SII operational surplus generation**

2021: £1.6bn, **+10%**

## Driving attractive returns

**20.7%**

**Return on equity**

2021: 20.5%

**19.37p**

**Full year dividend**

2021: 18.45p, **+5%**

# We have created a profitable and sustainable growth model which we are internationalising

**LGRI**

- Developed a sustainable, capital-light PRT growth model where OSG and NSG > dividends
- Balance sheet is stronger than ever (record surplus and ratio) and diversified (54% of assets international[1])
- Well positioned to capitalise on the global PRT opportunity (23% of premiums international)

**LGC**

- Developed a profitable and scalable Alternatives business
- Replicating our model in the US (Ancora L&G), Europe (Pemberton & CleanTech) and Asia (CleanTech)
- On track to achieve our 2025 ambitions: £600-700m operating profit, £25-30bn third party AUM

**LGIM**

- Successfully built a scaled asset management business in the UK across multiple products and channels
- A growing international presence in the US, Europe, Asia and the Gulf (37% of AUM international)
- Now adding higher value products and widening our channel offering in multiple geographies

**Retail**

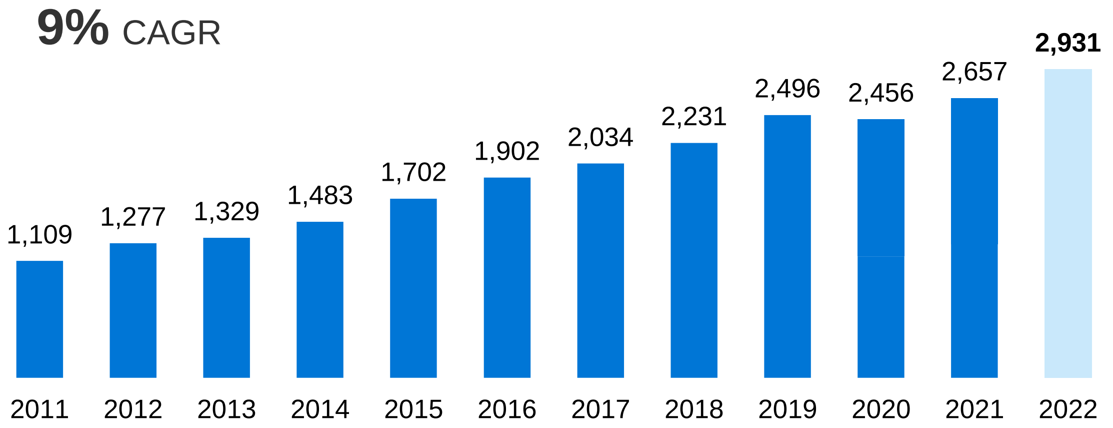
- Successfully integrated our market-leading UK Retail businesses across multiple customer platforms
- Complemented these activities with an investment portfolio of 8 adjacent FinTech businesses
- Growing US protection (39% of gross premiums international); investing in adjacent US FinTech



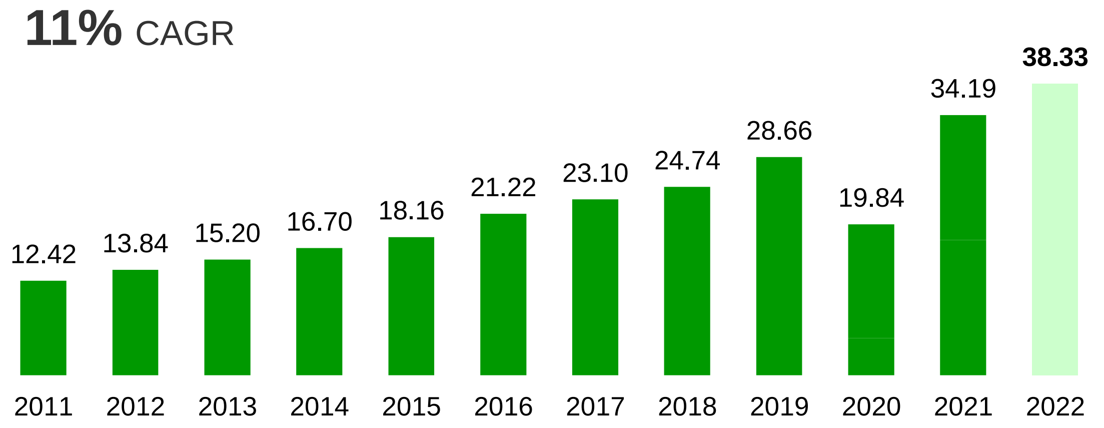
1. Total annuity bond portfolio (LGRI and Retail)

# We have delivered very strong performance over time

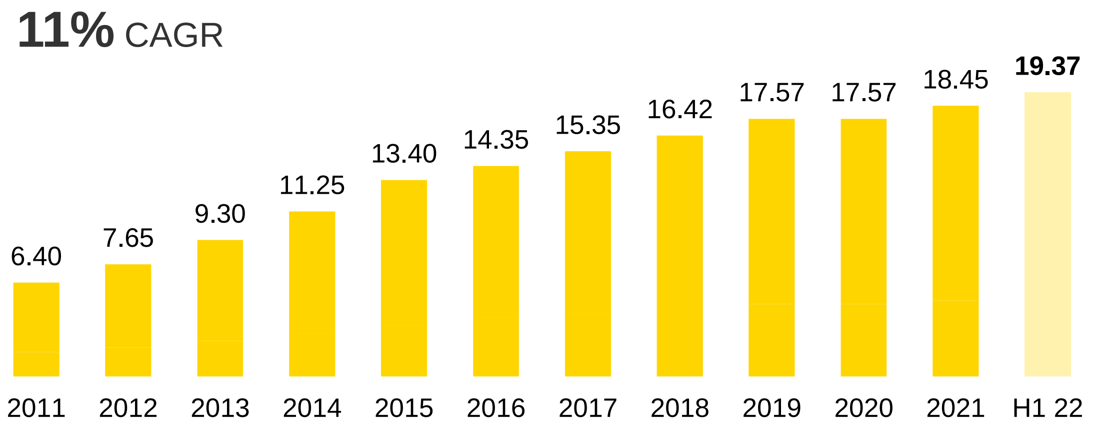
## Operating profit from divisions[1] (£m)



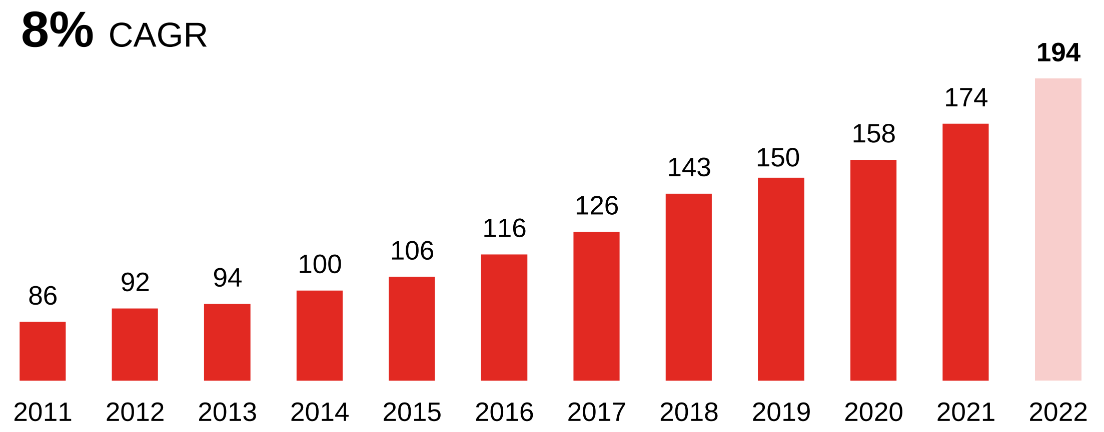

## Earnings per share[2] (p)




## Dividend per share (p)




## Book Value per share (p)

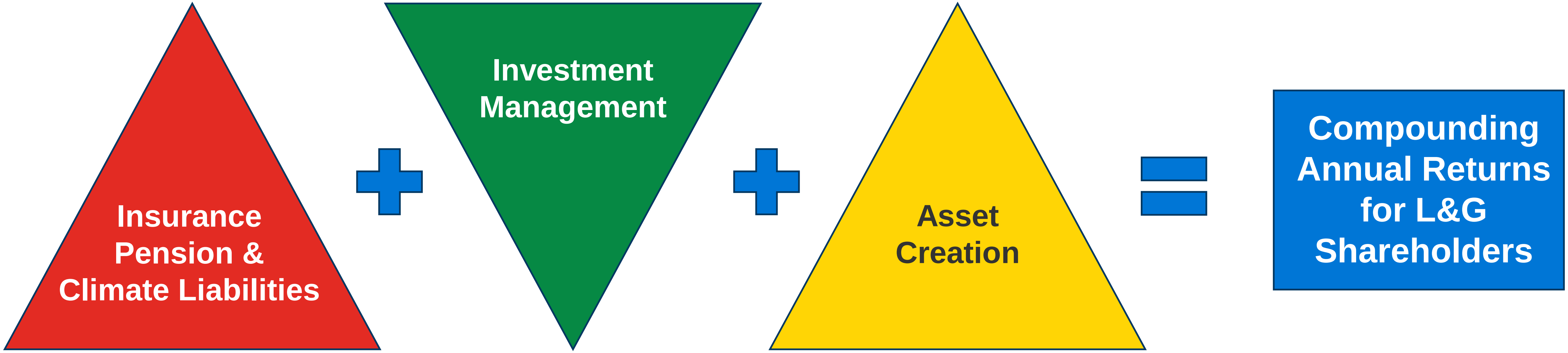



| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **RoE (%)** | 14.9 | 15.4 | 16.1 | 16.9 | 17.7 | 18.8 | 25.6 | 22.7 | 20.4 | 17.3 | 20.5 | **20.7** |

1. Includes discontinued operations, excludes mortality reserve releases
2. In addition to the above, 2020 EPS excludes Mature Savings gain on disposal

Note: All CAGRs shown from 2011-2021, except for BVPS

# Our industry leading model is being replicated by US alternative asset peers



# We have achieved self-sustainability on the UK annuity portfolio in 2020, 2021 and 2022

## UK annuity portfolio: self-sustainability

| £bn | UK annuity portfolio | | | Group | | |
|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 |
| UK PRT and Retail Annuity Volumes | 8.5 | 7.2 | 8.3 | | | |
| Operational Surplus Generation (OSG) | 1.0 | 1.1 | 1.2 | 1.5 | 1.6 | 1.8 |
| New Business Strain | (0.3) | (0.3) | (0.3) | (0.3) | (0.4) | (0.4) |
| Net Surplus Generation (NSG) | 0.8 | 0.8 | 0.9 | 1.2 | 1.3 | 1.4 |
| Dividend | (0.7) | (0.7) | (0.7) | (1.0) | (1.1) | (1.1) |
| **Net Surplus Generation – Dividend** | **0.1** | **0.1** | **0.2** | **0.1** | **0.2** | **0.3** |

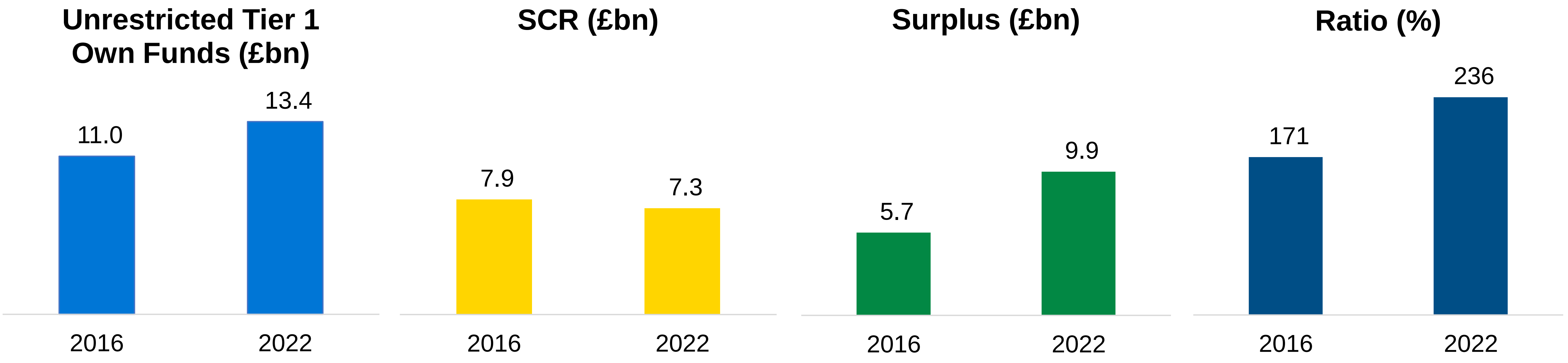
We have developed a sustainable and capital-light PRT model

At Group level in the last three years we have:

- Paid dividends of £3.2bn, with dividends growing at 5% per annum
- Generated £0.7bn of cumulative net surplus over the dividend, equivalent to approximately two additional years of new business PRT strain

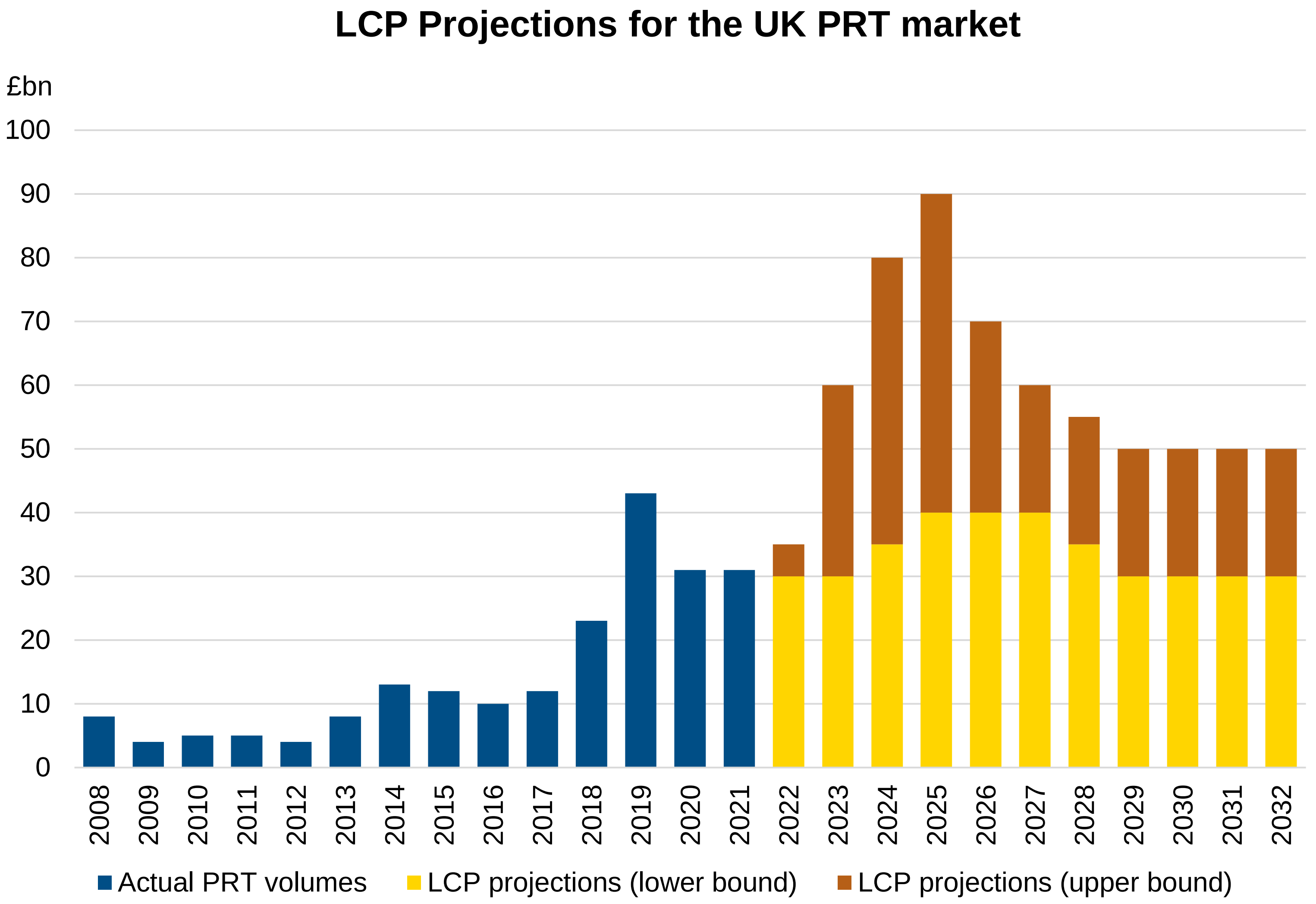
Notes:
The UK annuity portfolio OSG figures also include related contributions from LGIM and LGC, reflecting the total Group value of writing UK PRT. Management actions are also included
Whilst we may choose not to prioritise self-sustainability in every discrete year, our ambition is for net surplus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

# The Group’s balance sheet is stronger than ever




- SCR in 2022 is lower than 2016
- Our Solvency II surplus and ratio are at all time highs
- Solvency II reforms will:
  - Reduce the risk margin on longevity
  - Allow us to self-manufacture more assets, increasing our competitive advantage

# Rising interest rates are accelerating the PRT market opportunity




**There is a huge PRT market opportunity in the UK <u>and</u> US**

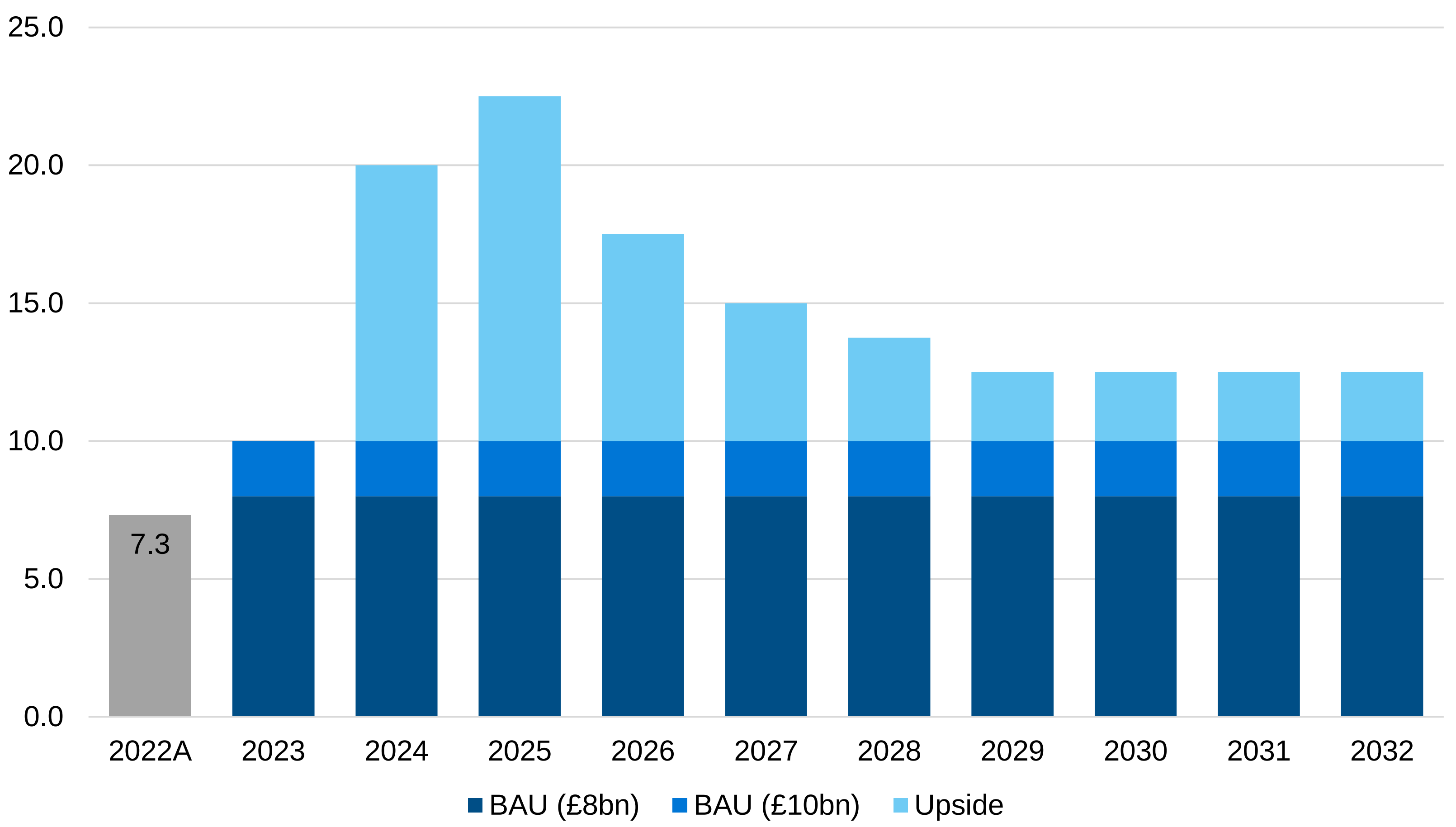
| | UK | US |
|---|---|---|
| Pension liabilities | £1.4tn | $3.0tn |
| % of liabilities transferred to insurance companies | c14 | c9 |
| Value of liabilities still on company balance sheets | £1.2tn | $2.7tn |



Source: LCP report: Insurance enters a new phase: a skyrocketing market, October 2022

# There may well be an opportunity to write more than £8-10bn per annum of UK PRT over the next few years

**Potential L&G volumes based on indicative 25% market share (£bn)**

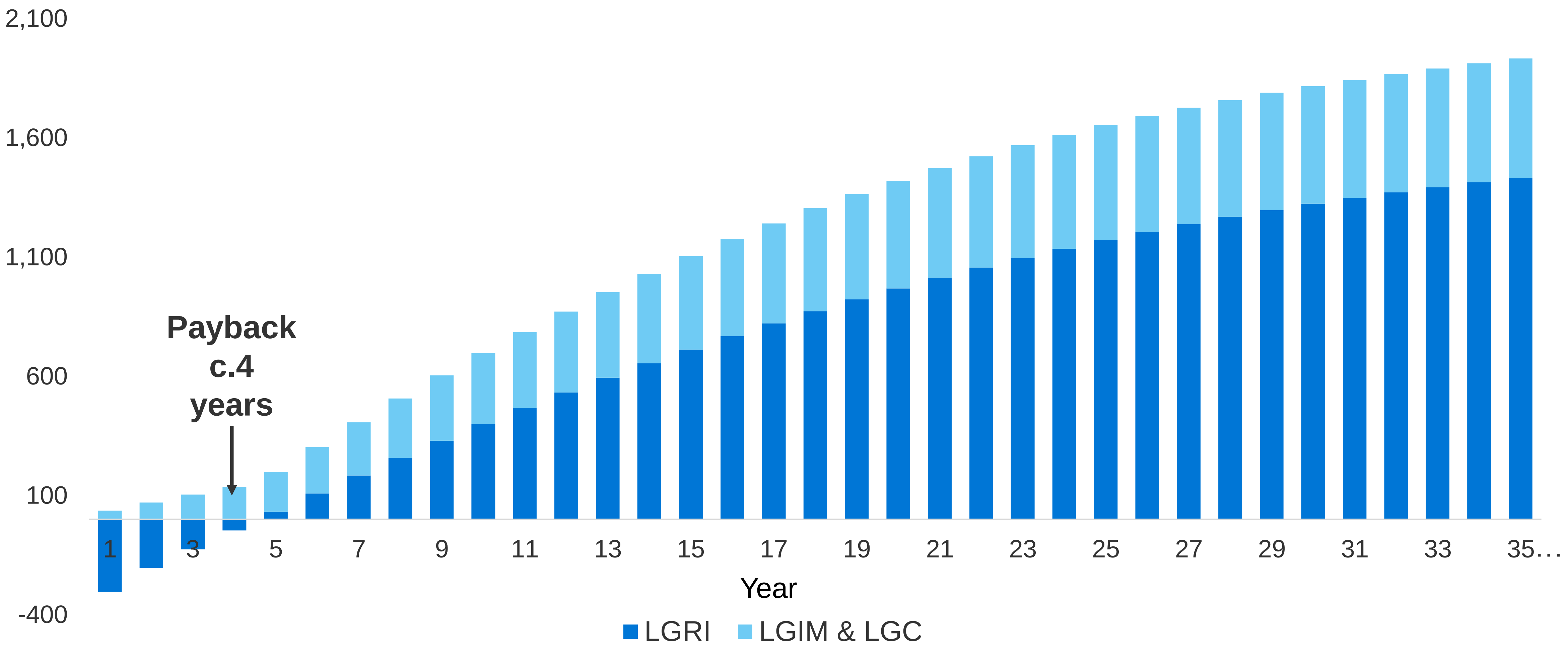



- We increasingly regard our ambition of writing c£8-10bn per annum as “business as usual”. We have demonstrated that this level of business is capital-light and self-sustaining
- There may well be opportunity to bid on additional larger, or very large, PRT transactions over the coming years. We are well positioned and have appetite to write this business, subject to it delivering on our key new business metrics
- We will consider any large incremental transactions as “M&A”-type activity, funding it from our strong stock of solvency capital as required

 | NB: We assume 2023 volumes of £8-10bn

# Every £10bn of PRT that we write creates over £1.5bn of cumulative Solvency II OSG for the Group

**Indicative cumulative Solvency II OSG from £10bn of new UK PRT business (£m)**




 | Based on indicative 2022 experience and market conditions. Actual outcomes will vary depending on business mix and prevailing market conditions

# Group synergies provide a competitive advantage in PRT

**LGIM**

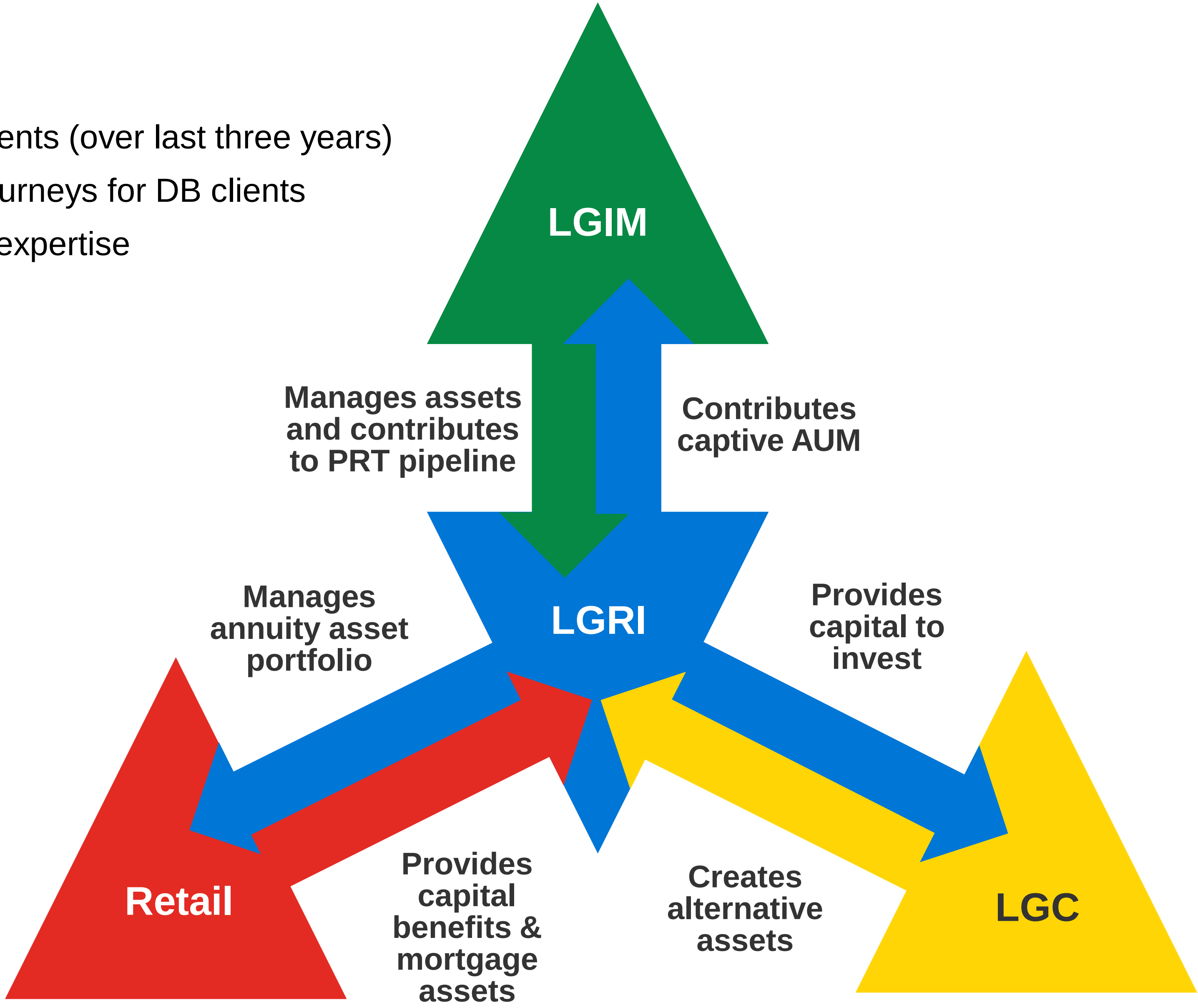
- 77% of PRT transactions are from existing LGIM clients (over last three years)
- Deep-rooted expertise in providing DB de-risking journeys for DB clients
- Relevant and established DB pensions investment expertise
- Direct Investment asset sourcing
- c3,000 Institutional clients

**LGC**

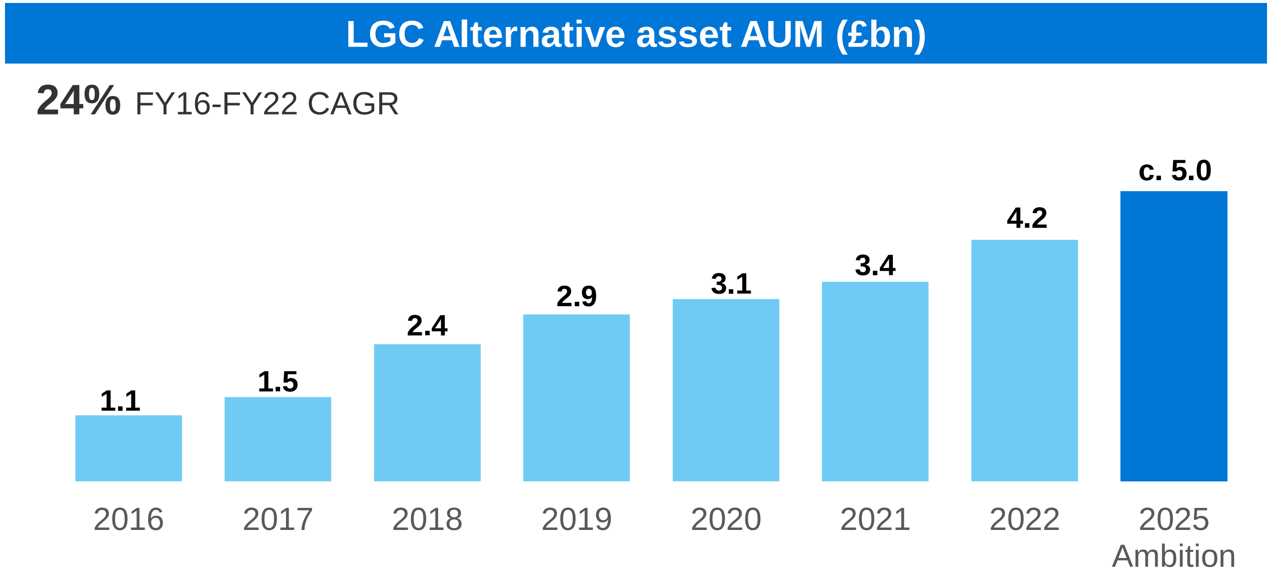
- Provides risk-adjusted yield uplift
- Alternative asset origination and manufacture (e.g. Oxford, Build to Rent, Affordable, Urban Regen)

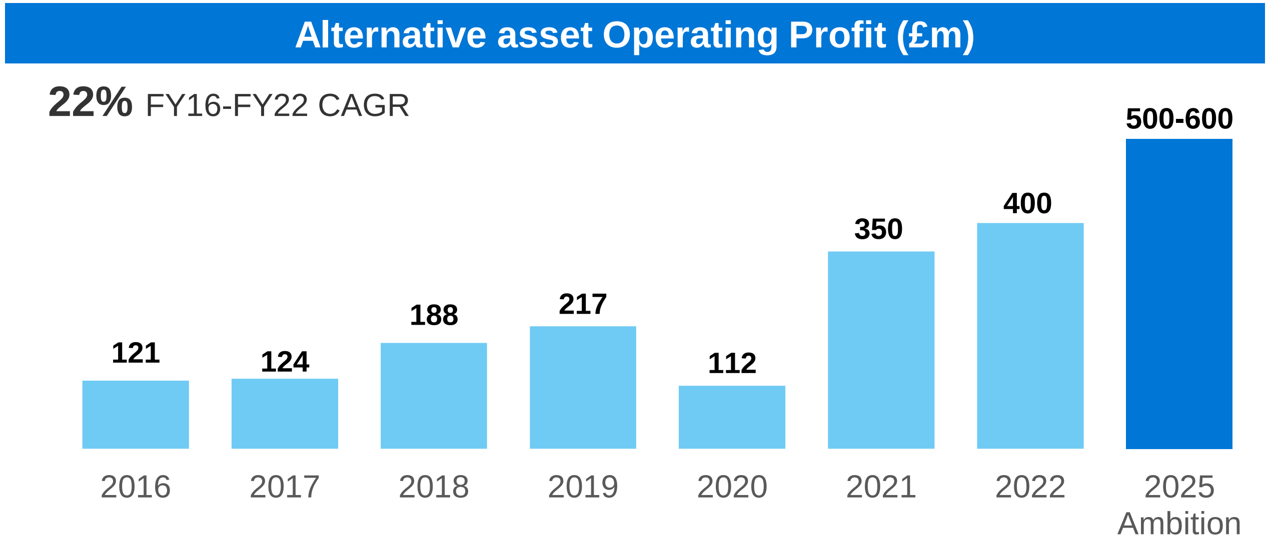
**Retail**

- Lifetime Mortgage asset origination (provides risk-adjusted yield uplift)



# LGC: On track to achieve ambitious targets




- LGC continues to strengthen its capabilities across a diversified range of alternative assets that are underpinned by structural growth drivers
- We have successfully built and scaled three initial alternative asset platforms – SME Finance (Pemberton and VC), Housing (Cala, Build to Rent, Affordable, Inspired Villages) and SciTech (Bruntwood plus Universities e.g. Oxford)
- We have successfully expanded into alternative asset adjacencies including CleanTech (8 investments) and Data Centres – with more to follow
- We are replicating our UK model in the US (starting with Ancora L&G) and across Europe (Pemberton and CleanTech) and Asia (CleanTech)
- Our ambition is to build our diversified alternative AUM to c.£5bn (2022: £4.2bn) and deliver operating profit of £600-700m (£500-600m from the alternative asset portfolio and c£100m from the traded asset portfolio)

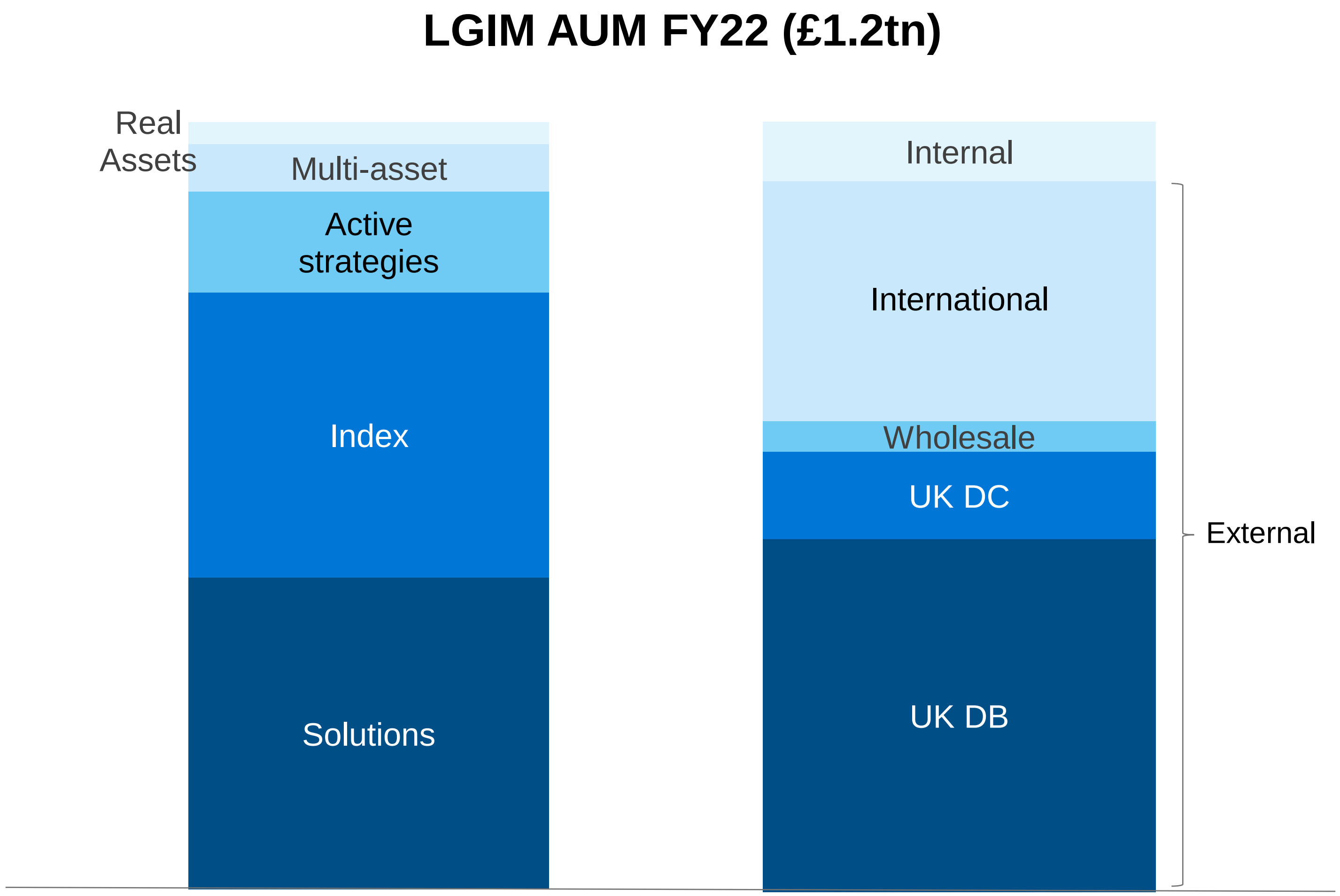
# We have successfully scaled several LGC businesses

| | CALA | | | | Pemberton | | | | Bruntwood SciTech | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Homes | Revenue | Op. Profit | | Committed AUM | Deployed AUM | Revenue | | Property Value | Portfolio Size (sq.ft) | Job Creation[2] |
| FY13 | 850 | £240m | £11m | 2016 | £1.1bn | £0.3bn | £9.5m | Sep-18 | £329m | 1.5m | 10,000 |
| 2022 | 3,027 | £1.4bn | £169m[1] | 2022 | £14.6bn | £10.6bn | £85m | Sep-22 | £860m | 2.4m | 16,000 |
| 2025 Ambition | 3,800 | £1.5bn | £240m | 2025 Ambition | £27bn | £20bn | £190m | 2025 Ambition | £1.4bn | 3.25m | 22,000 |

Figures for Pemberton and Bruntwood SciTech represent the whole business in each case

1. Profit before tax
2. Estimate based on 1 employee:150 sqft avg/occupancy

# We have built a scaled asset manager in the UK and have established a large and growing international presence




- We have built a scaled asset management business in the UK in Solutions (LDI), Index, Active Strategies (Fixed Income), Multi-Asset and Real Assets across DB, DC and Wholesale
- We have a growing international presence across the US, Europe, Asia and the Gulf. International now accounts for 37% of our £1.2 trillion AUM
- We are scaling and adding higher value products, e.g. thematic ETFs, fixed income and Multi-Asset, responsible investing strategies such as our Paris Aligned and climate transition funds, and widening our channel offering in our multiple geographies



1. International AUM of £377bn shown here on the basis of client domicile. Total International AUM including assets managed internationally on behalf of UK clients is £441bn

# We have successfully integrated our market leading UK Retail businesses and scaled US Life insurance

## United Kingdom

| Business | Market share (%) |
|---|---|
| Retail Protection | 23[1] |
| Group Protection | 14[2] |
| Workplace Savings | 16[3] |
| Retail Annuities | 20 |
| Home Finance | 10 |
| Mortgage Services | 31[4] |

**Fintech Investments**

Salary Finance
Onto
Moneyhub
Smartr365
The IDOL
Household Capital
Generation Home

## United States

| Business | Market share (%) |
|---|---|
| Life Insurance | 5[1] |

**Digital Technology**

Horizon Data Driven Application
Instant Decision Underwriting

**Distribution Channels**

FinTech Platforms
Direct to Consumer
Network IMOs
Traditional Broker

**Fintech Investments**

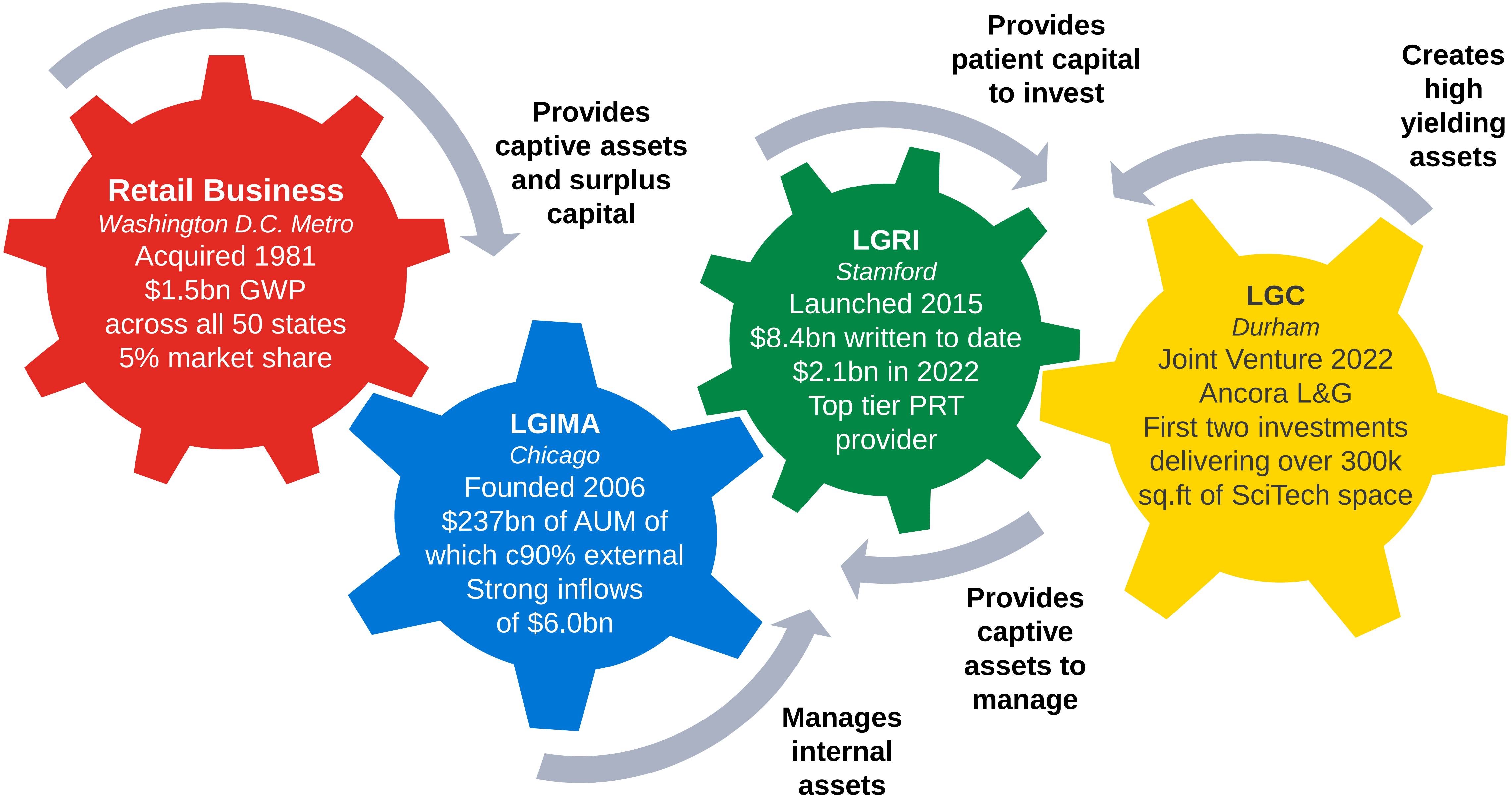
Techficient

- We have successfully integrated our market leading UK Retail businesses across multiple customer platforms (life insurance, group protection, workplace savings, retirement income, home finance, mortgage services) with our goal to provide customers with financial resilience through an immersive digital experience
- We have complemented these core activities by investing in 8 adjacent Fintech businesses including Salary Finance, Onto, Moneyhub, Smartr365
- We successfully scaled and expanded our life insurance business in the US through new distribution channels, using digital technology and Fintech investment to give customers a superior experience



1. New business 2. Gross written premiums 3. Master Trust 4. Intermediary lending

# Gearing up in the US to replicate our synergistic business model



# We have delivered another strong set of results and are successfully scaling and internationalising our businesses

1. Delivered a strong set of results in 2022. Operating profit up 12%, cash generation up 14%, capital generation up 10%, EPS up 12% to 38.33p, ROE of 20.7% and DPS up 5% to 19.37p
2. Solvency is strong at 236% (FY 2021: 187%). Annuity portfolio continues to perform resiliently with no defaults. 100% of scheduled DI cash-flows were paid in 2022
3. Have developed a sustainable, capital-light PRT growth model. Global demand for PRT is accelerating and we are strongly positioned to execute
4. Established a profitable and scalable Alternatives business that is expanding internationally. Confident of achieving our stated 2025 ambitions
5. Successfully built a scaled asset management business in the UK across multiple products and channels. Replicating this internationally.  Adding higher value products and widening our channel offering
6. Successfully integrated our market-leading UK Retail businesses across multiple customer platforms, complemented by investment in adjacent FinTech businesses. Successfully replicated UK Life in the US

# Financial highlights

Jeff Davies
Chief Financial Officer

# Continued strong financial performance in 2022

| Metric | 2021 | 2022 | % |
|---|---|---|---|
| **Operating profit from divisions (£m)** | 2,657 | **2,931** | **10** |
| Group debt costs (£m) | (230) | (214) | |
| Group investment projects & expenses (£m) | (165) | (194) | |
| **Operating profit (£m)** | 2,262 | **2,523** | **12** |
| | | | |
| Investment & other variances (incl. minority interests) (£m) | 226 | **136** | |
| **Profit before tax (£m)** | 2,488 | **2,659** | |
| | | | |
| **Earnings per share (p)** | 34.19 | **38.33** | **12** |
| Return on equity (%) | 20.5 | **20.7** | |
| | | | |
| **SII operational surplus generation (£bn)** | 1.6 | **1.8** | **10** |
| SII coverage ratio (%) | 187 | **236** | |

# LGRI: Consistently delivering strong profits

| Financial Highlights | 2021 | 2022 |
|---|---|---|
| **Operating profit (£m)** | 1,154 | **1,257** |
| Investment and other variances (£m) | 193 | **(21)** |
| **Profit before tax (£m)** | 1,347 | **1,236** |
| **Total LGRI new business (£m)** | 7,176 | **9,541** |
| **LGRI annuity assets[1] (£bn)** | 67.4 | **55.0[2]** |

- **Operating profit of £1,257m**, up 9%, reflecting:
  - The scale of the business as prudential margins unwind from the back book
  - £9.5bn of PRT new business written at attractive margins has contributed to the increase in Operating Profit
- Asset liability management of the portfolio has performed well in a rising interest rate and inflation environment
- We continue our disciplined approach to setting our longevity trend assumptions and have prudently adopted a modified CMI 2020 model, with no weight given to 2020 data due to the significant impact of Covid
- Geographically diversified annuity portfolio[3] (46% UK, 54% international)

1. In the UK, annuity assets across LGRI and Retail are managed together. Estimated proportion of annuity assets belonging to LGRI
2. The assets have reduced due to the higher interest rate environment
3. Total annuity bond portfolio (LGRI and Retail)

# LGRI: Disciplined approach for value

| Total Sales (£m) | 2021 | 2022 |
|---|---|---|
| UK PRT[1] | 6,240 | **7,319** |
| US PRT | 789 | **1,763** |
| Other International PRT | 147 | **459** |
| **Total LGRI New Business** | 7,176 | **9,541** |
| | | |
| Solvency II New business value[2] (£m) | 574 | **575** |
| Solvency II New business margin[2] (%) | 9.5 | **8.9** |

- **Strong 2022 volumes: £9.5bn of PRT across 61 transactions**
- **In the UK,** continued momentum and financial discipline:
  - LGRI achieved consistent SII new business margin demonstrating our pricing discipline, good asset origination and proactive use of reinsurance. Volumes were written at a capital strain of less than 4%
  - c£7.3bn of UK PRT premium across 47 transactions. Committed presence across all market segments, with our largest deal a c£4.3bn buy-in with the British Steel pension, executed in two tranches
- **We continue to grow internationally, with 23% of our volume originating outside the UK, driven by a record year in the US with $2.1bn of US PRT (2021: $1.1bn)**
  - 12 US transactions including 2 largest to date over $500m each
  - 2 Canadian transactions (for CAD722m) building on our strategic partnerships in that market
- **Market demand is accelerating. As a result, we have a strong global pipeline across all our key markets**

1. Includes Assured Payment Policy
2. UK PRT business only

# LGC: Double digit headline growth vs a strong FY21 result

| Financial Highlights | 2021 | 2022 |
| --- | --- | --- |
| **Operating profit (£m)** | 461 | **509** |
| - Alternative asset portfolio | 350 | **400** |
| - Traded portfolio and Treasury | 111 | **109** |
| Investment and other variances (£m) | 19 | **(408)** |
| **Profit before tax (£m)** | 480 | **101** |
| | | |
| **Assets (£m)** | 8,615 | **8,436** |
| - Alternative asset portfolio | 3,439 | **4,162** |
| - Traded portfolio | 2,128 | **1,619** |
| - Cash and Treasury assets | 3,048 | **2,655** |

- **Operating profit of £509m, up 10%,** principally reflecting profits from our **alternative asset portfolio**
- Alternative asset profits of £400m were driven by the strong trading performance of our housing platform (notably Cala), continued progress at Pemberton and across our Specialist Commercial Real Estate portfolio (notably Sky Studios), and further maturing of the portfolio
- First US investment: a 50:50 partnership with US real estate developer and manager, Ancora L&G, to create a business driving life science, research and technology growth across the US, building on our successful JV with Bruntwood Scitech in the UK
- Landmark £4bn partnership with the West Midlands Combined Authority (WMCA) to invest in regeneration, Net Zero neighbourhoods and housing
- The alternative asset portfolio is up 21% to £4,162m (2021: £3,439m). Net portfolio return of 7.5% (2021: 8.5%)
- **Profit before tax £101m,** driven by investment and other variances of £(408)m, largely due to adverse market performance in traded equities, with the more minor revaluation of some land assets and development projects reflecting higher interest rates

# LGIM: Adverse markets have impacted profitability

| Financial Highlights | 2021 | 2022 |
|---|---|---|
| Asset management revenue[1] (£m) | 1,012 | **970** |
| Asset management expenses[1] (£m) | (590) | **(630)** |
| **Total LGIM operating profit (£m)** | 422 | **340** |
| | | |
| **Closing AUM (£bn)** | 1,421 | **1,196** |
| International AUM (£bn) | 479 | **441** |
| UK DC AUM (£bn) | 138 | **135** |
| Wholesale AUM (£bn) | 49 | **48** |
| | | |
| **External net flows (£bn)** | 34.6 | **49.6** |
| | | |
| Asset management cost:income ratio (%) | 58 | **65** |

- Continue to build on credentials as a **responsible investor** and **remain committed to addressing environmental and social challenges**
  - **As at 2022, £332.2bn managed** in responsible investment strategies explicitly linked to **ESG criteria[2]**

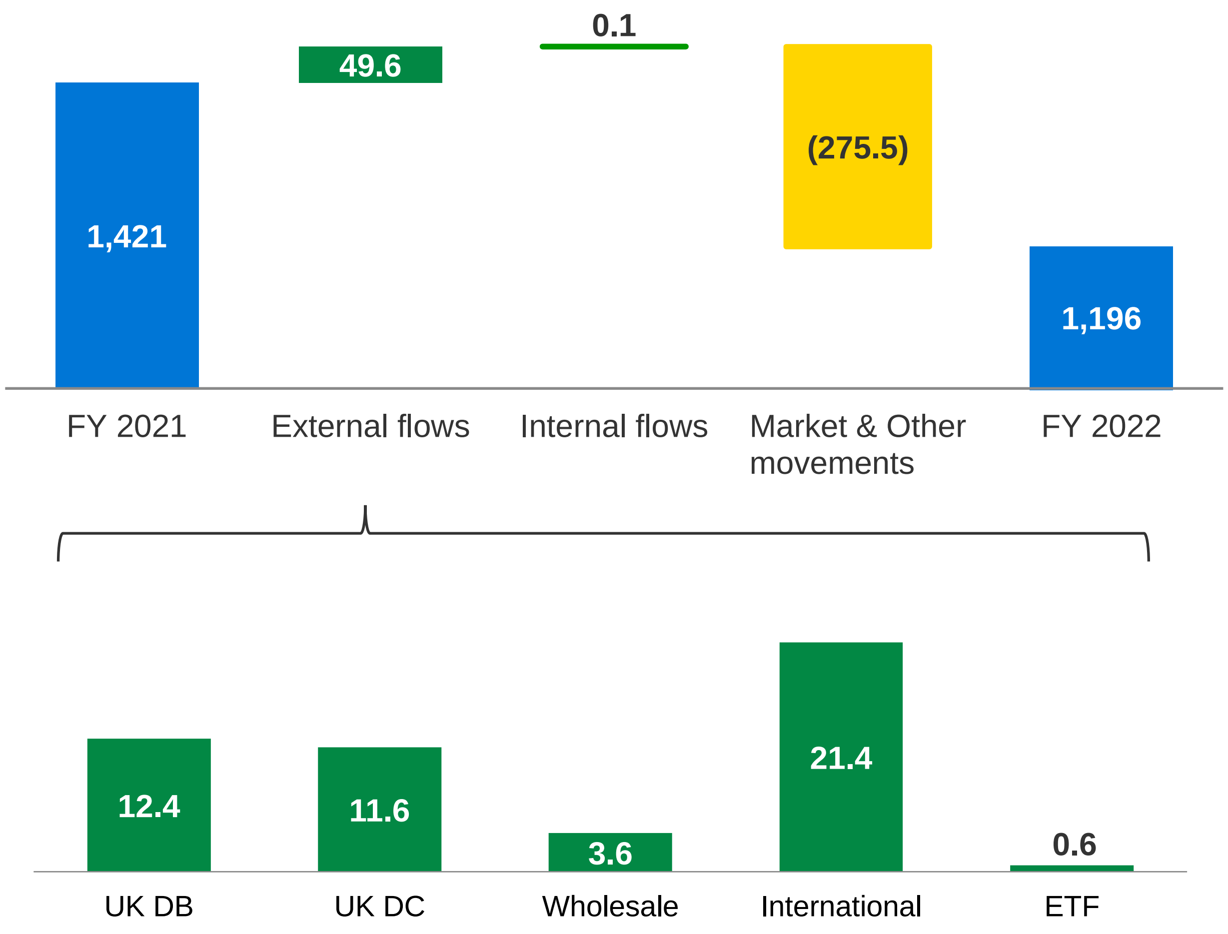
- Operating profit down to **£340m** reflecting the challenging market environment, with higher interest rates and volatile equity markets impacting AUM and revenue
- Against this challenging backdrop, we will continue to adopt a disciplined approach to cost management
- **AUM down 16% to £1.2tn**
  - **International AUM of £441bn**, 37% of total AUM
  - A market leader in **UK DC with £135bn of AUM, and 4.9m Workplace members**
- **Continuing to make progress across our three strategic pillars**:
  - **Modernise:** Continued execution of the transformation of our strategic operating model through partnership with State Street and use of their Charles River technology
  - **Diversify:** Expanding our investment offering with a focus on higher-margin product areas such as Real Assets, ETFs, Multi-asset and Fixed Income. Driving further ESG integration
  - **Internationalise:** Expanded our European footprint, opening a branch in Switzerland. Well positioned in Asia, where we are expanding our distribution footprint across key markets and channels, recently making our first hires in Singapore



1. Revenue and expenses exclude income and costs of £30m in relation to the provision of 3rd party market data (2021: £32m)
2. Please refer to footnote 36 of the 2022 press release for the ESG criteria definition

# LGIM: Resilient flows in challenging operating environment

**AUM progression from FY21 to FY22 (£bn)**




- **Net flows of £49.6bn driven by:**
  - **International flows of £21.4bn**, representing 43% of the total, reflecting our deepening global client relationships
  - **UK DC external net flows of £11.6bn** with 43 scheme wins in 2022. The default strategy for the majority of schemes is multi-asset or target date funds
  - **Wholesale net flows of £3.6bn** against industry backdrop of significant outflows. Top 2 in both gross and net UK retail sales[2] in 2022
  - **ETF net flows of £0.6bn** with strong flows across our Fixed Income and Thematics range
  - **UKDB net flows of £12.4bn** as clients continued to seek de-risking solutions despite market volatility
- Reduction in UK DB revenues – as higher fee products were sold by clients to meet Liability Driven Investing (LDI) collateral requirements – offset by £22m of annualised net new revenue (ANNR) across higher-margin areas including thematic ETFs and Multi-asset



1. Pridham Report Q4 2022

# Retail: Strong profit rebound, robust trading performance

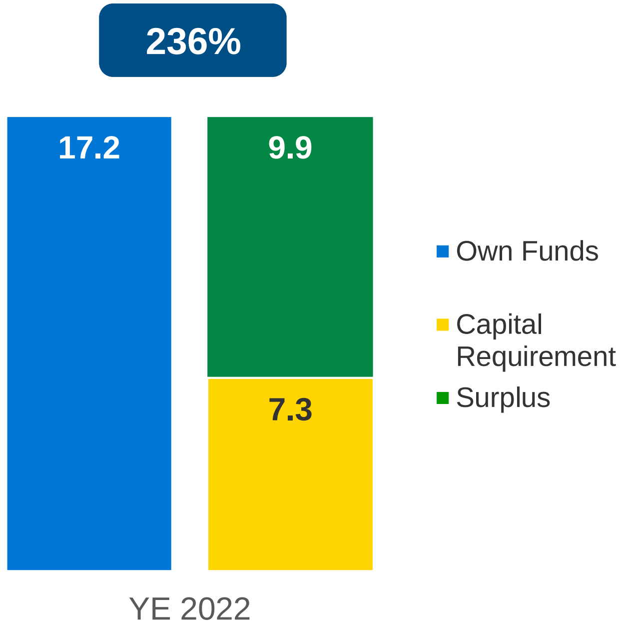
| Financial Highlights | 2021 | 2022 |
|---|---|---|
| **Operating profit (£m)** | 620 | **825** |
| - UK & US Insurance | 268 | **341** |
| - Retail Retirement | 352 | **484** |
| Investment and other variances (£m) | 160 | **817** |
| **Profit before tax (£m)** | 780 | **1,642** |
| | | |
| **Protection Annual premium (£m)** | 379 | **382** |
| **Protection Gross written premium (£m)** | 2,902 | **3,134** |
| **Retirement new business (£m)** | 1,805 | **1,586** |
| **Retirement annuity assets[1] (£bn)** | 22.5 | **17.4[2]** |
| **Workplace Savings net flows (£bn)** | 8.5 | **7.3** |
| | | |
| **Solvency II New business value (£m)** | 323 | **226** |
| - UK & US Protection | 262 | **166** |
| - Individual annuities | 61 | **60** |

- **Operating Profit of £825m, up 33%,** driven by the return to profit of the US insurance business, routine retirement longevity assumption changes and valuation uplifts in two of our Fintech businesses, following successful funding rounds over 2022
- In line with the wider industry, continued to see elevated US mortality over the remainder of 2022, after significant adverse Covid mortality experience over Q1, leading to claims exceeding the £57m provision set up in 2021. A new prudent provision of £32m has been included in the results to allow for the uncertainty of Covid and flu over the remainder of this winter
- **Profit before tax up to £1.6bn**, with investment variance driven by the formulaic impact on reserves of rising government yields in both the UK and US
- **Insurance gross written premium up 8% to £3.1bn**, reflecting robust new business volumes across all businesses
- Individual annuity volumes of £954m. Lifetime mortgage and RIO[3] mortgage advances of £632m, achieved in highly competitive markets
- **Solvency II NBV of £226m**, reflecting the impact of higher interest rates and lower volumes in Retail Protection, after a strong 2021 delivery
- $116m dividend paid by LGIA on 3rd March 2023 (2022: $114m)

1. In the UK, annuity assets across LGRI and Retail are managed together. Estimated proportion of annuity assets belonging to Retail retirement
2. The assets have reduced due to the higher interest rate environment
3. Retirement Interest Only

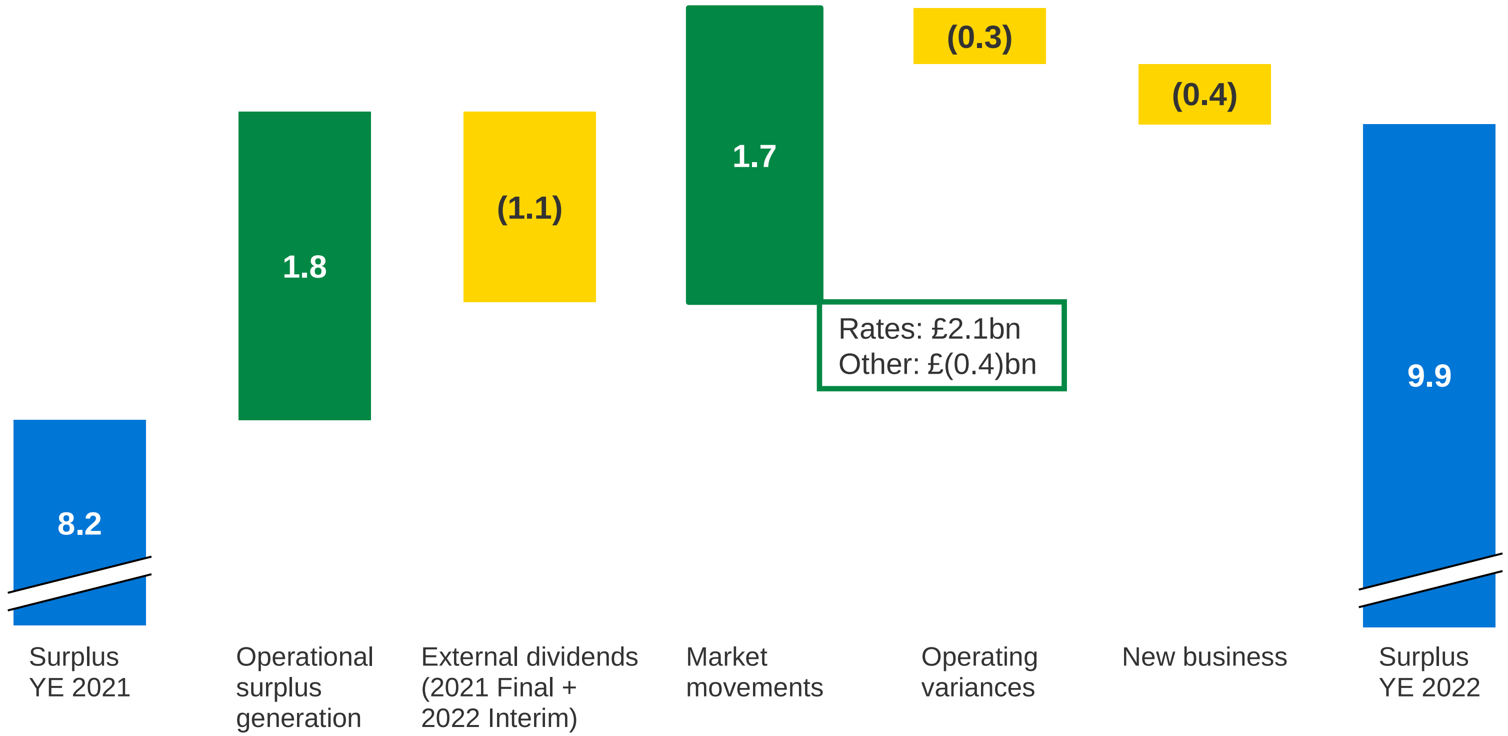
# Strong Solvency II Balance sheet

## Solvency II Balance Sheet (£bn)




- Coverage ratio of **236%**
- Solvency II surplus of **£9.9bn**
- Tier 1 Own funds of **£13.9bn (81%)**

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






Operating variances include the impact of experience variances, changes to model calibrations, and management actions

# In summary

**£2,523m**

**Operating profit**
2021: £2,262m, **+12%**

**20.7%**

**Return on equity**
2021: 20.5%

**236%**

**Solvency II coverage ratio**
2021: 187%

**£1.8bn**

**SII operational surplus generation**
2021: £1.6bn, **+10%**

- We have delivered a **strong set of results**, and are confident in achieving our five year ambitions
- Our **balance sheet is strong and resilient to market events.** Our diversified business model shields us from volatile economic markets
- The strength of our capital and liquidity positions provide a significant buffer and allow us to invest in growth / internationalise
- We are well positioned to capitalise on the exciting PRT opportunity in 2023 and beyond

# Record earnings and solvency

Sir Nigel Wilson
Chief Executive Officer

# A compelling investment case:
# A track record of profitable and sustainable growth

1. **An established track record of consistent and profitable growth**: between 2011-2022 we delivered 11% CAGR in EPS, 11% CAGR in DPS and 8% CAGR in Book Value per Share

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

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

4. **A proven robust and resilient balance sheet**: record solvency ratio and surplus, no defaults and 100% of scheduled cash flows from Direct Investments

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

6. **A clear set of growth ambitions to 2024 –** with attractive annual growth in the dividend <u>and</u> ongoing investment in high quality new business – against which we are making good progress

# Record earnings and solvency

## 2022 Full year results

**£2,931m**

**Operating profit from divisions**

2021: £2,657m, **+10%**

**20.7%**

**Return on equity**

2021: 20.5%

**236%**

**Solvency ratio**

2021: 187%

**38.33p**

**Earnings per share**

2021: 34.19p, **+12%**

**19.37p**

**Full year dividend**

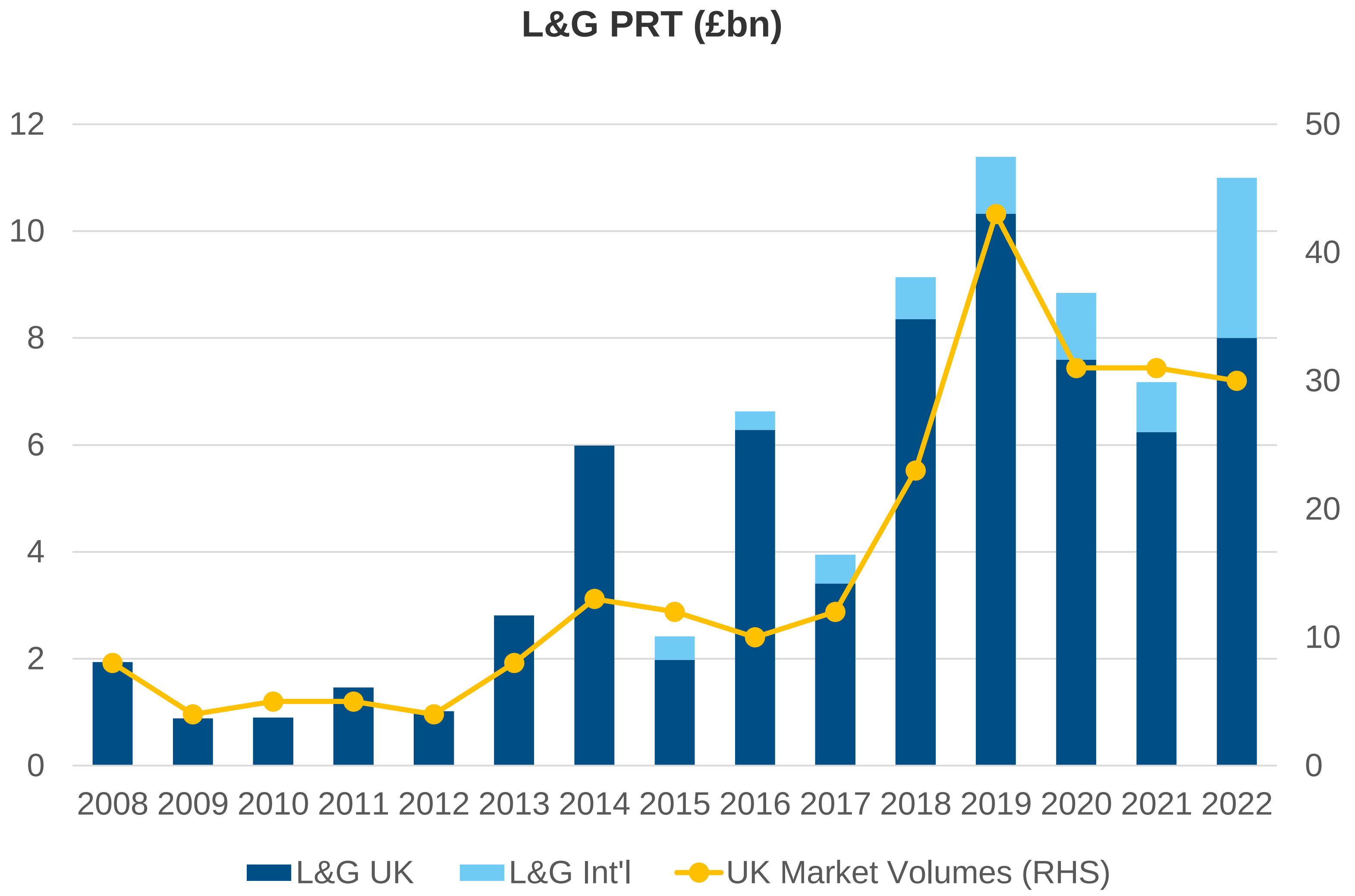
2021: 18.45p, **+5%**

# Our business is aligned to six long-term growth drivers, providing immunity to a low / no economic growth environment

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

Willis Towers Watson, Global Pensions Asset Study, 2022: $53tn of global private DB and DC pension assets; BCG Global Asset Management 2022: $149tn global AUM by 2026e; 400k (x £250k average selling price) homes to be built in the UK per annum by 2025; £1.6tn of UK DC assets and UK ISA AUM by 2025e; $30bn US retail protection market by 2025e; $20tn of investment needed by 2025 to achieve global net zero emissions by 2050

# We have scaled our PRT business as the market has grown, writing £67bn of UK and £8bn of International PRT since 2008




| £bn | UK | Int |
|---|---|---|
| 2008-2012 | 6.2 | - |
| 2013-2017 | 20.5 | 1.3 |
| 2018-2022 | 39.8 | 6.3 |
| **Total** | **66.5** | **7.6** |

 UK market data from LCP

# IFRS 17 does not change strategy, capital generation, solvency or dividends

**IFRS 17:**

- Is an accounting change, which does not change the underlying economics of our insurance contracts
- Will change the timing of recognition of insurance earnings, not the quantum
- Will result in more stable and predictable earnings from our insurance products
- Will impact the financial reporting of our annuity / life insurance businesses (i.e. LGRI, Retail)
- Will not impact our non-insurance / asset management businesses (i.e. LGIM, LGC)

- Does not change our:
  - Ability to generate cash and capital
  - Ability to invest in future growth
  - Solvency position (currently estimated to be in a range of 220-225%[1])
  - Creditworthiness (Fitch AA-, Moody's AA3, S&P AA-, AM Best A+)[2]
  - Dividend-paying capacity

**Will create a 'transition day' CSM / RA stock of £13-14bn – a significant store of future value**

1. Excluding any benefit from proposed Solvency II reform
2. Ratings shown are Legal and General Assurance Society Limited Financial strength rating

For more information on IFRS 17 and what it means for L&G see our November 2022 investor and analyst event: here

# Investment grade credit rarely defaults

## S&P Market Default Rates (%)

| Year | Investment Grade | | | | Sub-IG |
|---|---|---|---|---|---|
| | AAA | AA | A | BBB | BB |
| 2000 | - | - | 0.3 | 0.4 | 1.2 |
| 2001 | - | - | 0.3 | 0.3 | 3.0 |
| 2002 | - | - | - | 1.0 | 2.9 |
| 2003 | - | - | - | 0.2 | 0.6 |
| 2004 | - | - | 0.1 | - | 0.4 |
| 2005 | - | - | - | 0.1 | 0.3 |
| 2006 | - | - | - | - | 0.3 |
| 2007 | - | - | - | - | 0.2 |
| 2008 | - | 0.4 | 0.4 | 0.5 | 0.8 |
| 2009 | - | - | 0.2 | 0.6 | 0.8 |
| 2010 | - | - | - | - | 0.6 |
| 2011 | - | - | - | 0.1 | - |
| 2012 | - | - | - | - | 0.3 |
| 2013 | - | - | - | - | 0.1 |
| 2014 | - | - | - | - | - |
| 2015 | - | - | - | - | 0.2 |
| 2016 | - | - | - | 0.1 | 0.5 |
| 2017 | - | - | - | - | 0.1 |
| 2018 | - | - | - | - | - |
| 2019 | - | - | - | 0.1 | - |
| 2020 | - | - | - | - | 0.9 |
| 2021 | - | - | - | - | - |
| **Average** | **-** | **0.0** | **0.1** | **0.2** | **0.6** |

# We have improved the quality of our portfolio as it has grown. Our default experience is low and investment variances net positive

## Annuity bond portfolio ratings, credit default reserve and investment variance

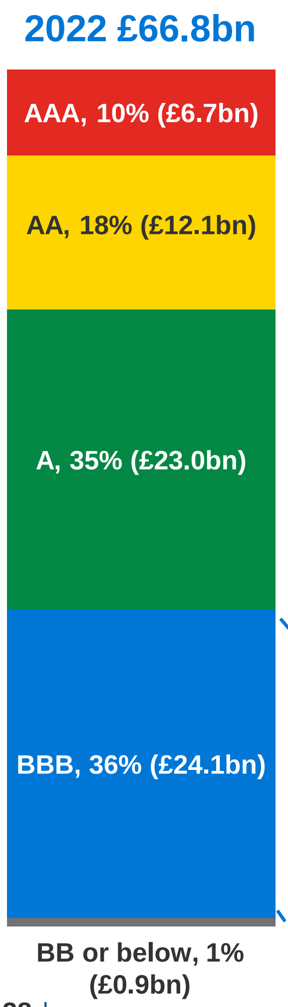
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Annuity bond portfolio (£bn) | 16.2 | 17.1 | 21.4 | 23.4 | 26.3 | 29.3 | 30.0 | 40.7 | 39.4 | 49.9 | 52.5 | 57.4 | 70.1 | 80.4 | 81.8 | 66.8 |
| % that is investment grade | 90 | 90 | 89 | 91 | 92 | 91 | 89 | 88 | 97 | 98 | 99 | 99 | 99 | 98 | 99 | 99 |
| Credit default reserve (£bn) | 0.5 | 1.2 | 1.5 | 1.5 | 1.6 | 1.7 | 1.8 | 2.3 | 2.2 | 2.7 | 2.7 | 2.9 | 3.2 | 3.5 | 3.4 | 2.2 |
| Actual default losses (£m) | 1 | 24 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Investment Variance (£m) | (9) | (204) | (168) | 102 | 172 | (3) | 63 | 67 | 78 | 37 | 4 | 95 | 43 | 15 | 242 | (45) |

**Investment variances have netted positive £489m over this time period**

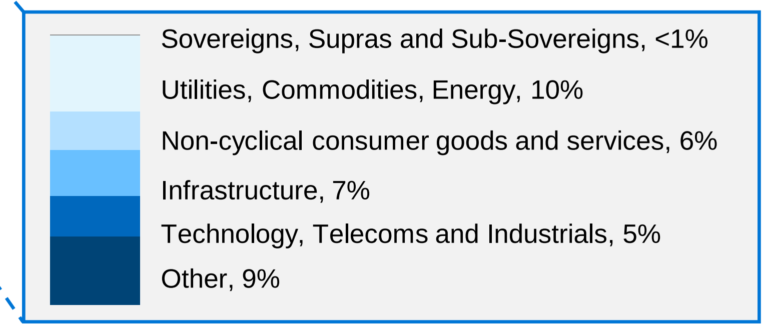
Note: Investment variances for 2007-2012 are for the Risk division which incorporated Annuities, UK Protection and General Insurance business
We had c£130m of Russian exposures in the bond portfolio at FY21. These were subsequently downgraded from BBB to un-rated and have now been marked at c£74m. They have not yet defaulted.
The decline in the credit default reserve in 2022 is driven by rising interest rates

# Annuity assets: Diversified bond portfolio complemented by high quality direct investments

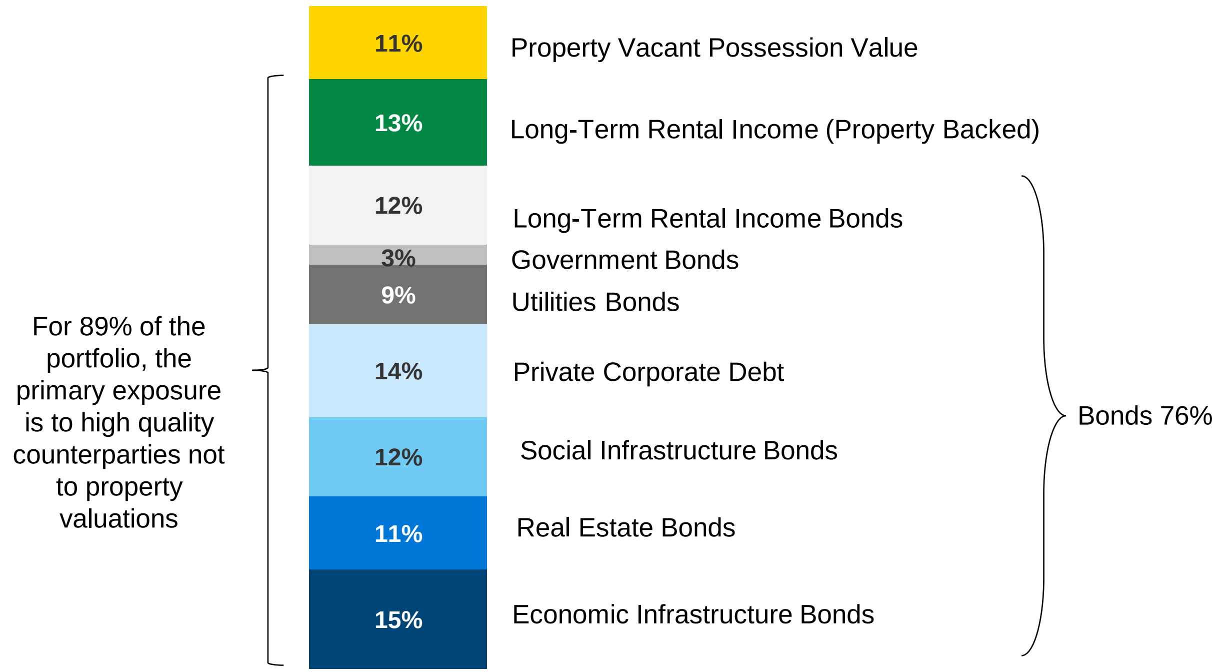
## Annuity Bond Portfolio: £66.8bn (out of £72.4bn)




- Defensively positioned, high quality portfolio.
- Approximately **two-thirds A-rated or better.** Only 13**%** of BBB are BBB-
- **11%** of bonds in Sovereign-like assets
- **7%** of high quality Lifetime Mortgage book: average customer age 74; weighted average loan-to-value of c.29.7%
- Lower-rated, cyclical exposures kept to a minimum: <1% airlines, hotels, leisure and traditional retail combined
- Geographically diversified portfolio (46% UK, 37% US, 10% EU, 7% RoW)




## Annuity DI portfolio: £21.1bn, 29% of total assets

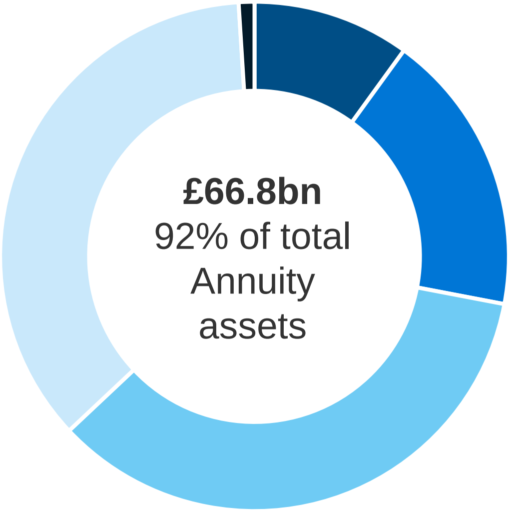



- No defaults and 100% of scheduled cash-flows paid. Primary exposure is to the underlying high quality tenant on rental income, e.g. Amazon. Around two-thirds of portfolio rated 'A' or above
- Direct exposure to property in the annuity portfolio is Property Vacant Possession Value: £2.3bn or 3% of the annuity portfolio
- Originated £4.5bn of new, high quality direct investments during 2022. Continue to benefit from LGC ESG-focused asset creation via Affordable Homes, Build to rent and Urban Regeneration

Note: Annuity DI portfolio of £21.1bn excludes Lifetime Mortgage assets of £4.8bn

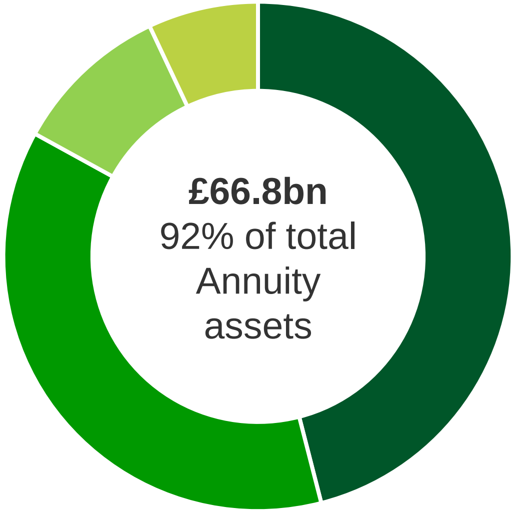
# We have a high quality, diversified investment grade book

## Bond portfolio by rating



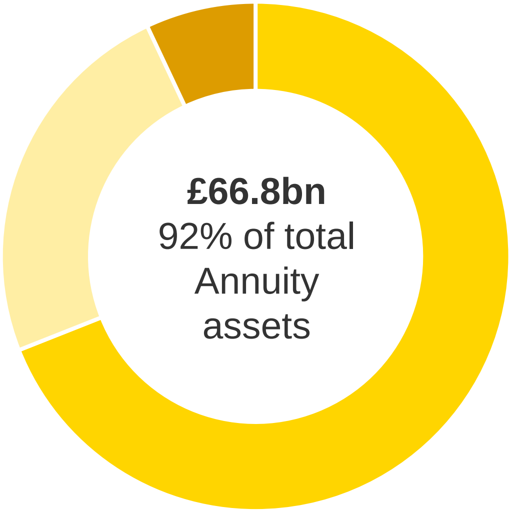

| | |
|---|---|
| AAA | 10% |
| AA | 18% |
| A | 35% |
| BBB | 36% |
| BB or below | 1% |

## Bond portfolio by geography



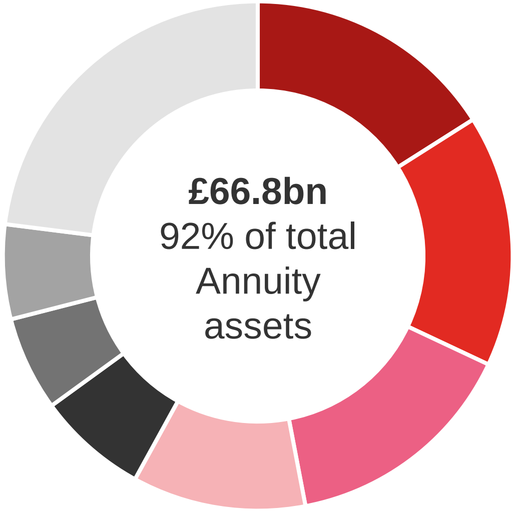

| | |
|---|---|
| UK | 46% |
| USA | 37% |
| Europe | 10% |
| RoW | 7% |

## Bond portfolio by asset type




| | |
|---|---|
| Traded credit | 69% |
| Direct investments | 24% |
| Lifetime mortgages | 7% |

## Bond portfolio by sector



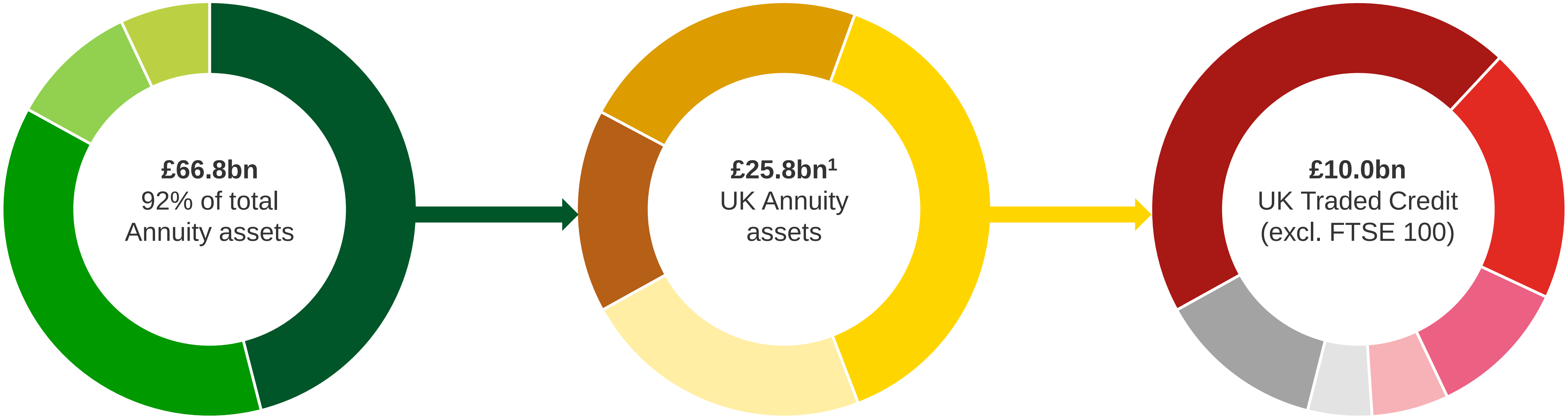

| | |
|---|---|
| Infrastructure | 16% |
| Utilities | 16% |
| Consumer services & goods | 15% |
| Sovereign-like assets | 11% |
| Lifetime mortgages | 7% |
| Technology & telecoms | 6% |
| Real Estate | 6% |
| Other | 23% |

# Our UK exposure is more diversified than expected…

## Annuity Bond portfolio by geography

## UK Annuity Bond portfolio by asset type

## UK Traded Credit portfolio by sector




| | |
|---|---|
| UK | 46% |
| USA | 37% |
| Europe | 10% |
| RoW | 7% |

| | |
|---|---|
| FTSE 100 exposure | 16% |
| Government DI / Sovereigns | 22% |
| Direct investments | 23% |
| Traded credit | 39% |

| | |
|---|---|
| Utilities | 45% |
| Social infrastructure | 20% |
| Economic infrastructure | 11% |
| Non-cyclical consumer services & goods | 6% |
| Real estate | 5% |
| Other | 13% |

1. Excludes £4.8bn of Lifetime Mortgage assets – 2022YTD weighted average loan-to-value of c29.7%. Loan-to-value has to exceed 100% before losses occur.

# Our BBB exposure is to high quality names

## Annuity Portfolio: Top 10 BBB exposure

| | Counterparty | Sector | Country of Risk | Investment value (£m) |
|---|---|---|---|---|
| **1** | National Grid PLC | Utilities | UK / USA | 314 |
| **2** | FGP TopCo Ltd (Heathrow) | Economic Infrastructure | UK | 272 |
| **3** | Bayer AG | Consumer, Non-cyclical | Germany | 218 |
| **4** | Quadgas Holdings Topco Ltd (Cadent) | Utilities | UK | 199 |
| **5** | E.ON SE | Utilities | Germany | 198 |
| **6** | Centrica PLC | Utilities | UK | 187 |
| **7** | Verizon Communications Inc | Communications & Technology | USA | 186 |
| **8** | CK Hutchison Holdings Ltd | Economic Infrastructure / Utilies | UK | 185 |
| **9** | Julian Holdings Ltd | Real Estate (Debt) | UK | 176 |
| **10** | Oracle Corp | Communications & Technology | USA | 174 |
| | | | | **2,109** |

**9% of BBB portfolio**

# Our Direct Investments are with high quality counterparties

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

| | Counterparty | Sector | Year of Investment | Investment value (£m) |
|---|---|---|---|---|
| 1 | HMRC | Government | 2016-2019 | 980 |
| 2 | UK Government | Government | 2011-2019 | 763 |
| 3 | Amazon | Communications & Technology | 2018-2020 | 645 |
| 4 | Comcast Corp | Communications & Technology | 2020 | 321 |
| 5 | University of Oxford | Social Infrastructure | 2021-2022 | 312 |
| 6 | Places for People Group Ltd | Social Infrastructure | 2014 | 288 |
| 7 | UK Water Utility | Utilities | 2013-2015 | 283 |
| 8 | UK Corporate Media | Media | 2017 | 275 |
| 9 | UK Railway | Economic Infrastructure | 2021 | 261 |
| 10 | Tesco PLC | Consumer, Non-cyclical | 2012-2022 | 257 |
| 11 | F&C Commercial Trust | Real Estate (Debt) | 2014 | 255 |
| 12 | UK Water Utility | Utilities | 2018-2021 | 250 |
| 13 | Hornsea Offshore Wind Farm | Economic Infrastructure | 2018 | 241 |
| 14 | Walney Offshore Wind Farm | Economic Infrastructure | 2017 | 216 |
| 15 | Student Accomodation Provider | Social Infrastructure | 2014-2015 | 212 |
| | | | **Total** | **5,559** |
| | | | | **35% of DI portfolio** |

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

 * Based on direct investments sourced in the UK

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

| L&G | 2011 | 2015 | 2021 | 2022 | CAGR % |
|---|---|---|---|---|---|
| Operating profit (£m) | 1,053 | 1,455 | 2,262 | 2,523 | **8** |
| Profit after tax (£m) | 724 | 1,075 | 2,050 | 2,291 | **11** |
| Earnings per share (p) | 12.42 | 18.16 | 34.19 | 38.33 | **11** |
| Return on equity (%) | 14.9 | 17.7 | 20.5 | 20.7 | **-** |
| Book value per share (p) | 86 | 106 | 174 | 194 | **8** |
| Dividend per share (p) | 6.40 | 13.40 | 18.45 | 19.37 | **11** |

| Blackrock | 2011 | 2015 | 2021 | 2022 | CAGR % |
|---|---|---|---|---|---|
| Operating profit ($m) | 3,249 | 4,664 | 7,450 | 6,385 | **6** |
| Profit after tax ($m) | 2,337 | 3,345 | 5,901 | 5,178 | **8** |
| Earnings per share ($) | 12.56 | 20.1 | 38.76 | 34.31 | **10** |
| Return on equity (%) | 9.1 | 12.0 | 16.2 | 13.7 | **-** |
| Book value per share ($) | 140 | 172 | 249 | 252 | **5** |
| Dividend per share ($) | 5.50 | 8.72 | 16.52 | 19.52 | **12** |

| | |
|---|---|
| 2023 Dividend yield (%) | 8.1 |
| 2023 Price/Earnings (x) | 7.4 |
| 2023 Price/Book (x) | 1.3 |

| | |
|---|---|
| 2023 Dividend yield (%) | 3.0 |
| 2023 Price/Earnings (x) | 19.9 |
| 2023 Price/Book (x) | 2.7 |

 Note: Blackrock profit and EPS as per income statement, not the adjusted metric Blackrock headline with. Bloomberg data. 2023E multiples as at 22.02.23