Debt Investor Update

Legal & General Group Plc

LEGAL & GENERAL GROUP PLC | DEBT INVESTOR UPDATE | NOVEMBER 2018

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Unless otherwise stated, numbers and financial information are as at H1 2018.

Executive summary

Legal & General Group plc	• We are the UK's largest provider of individual life assurance products and a market leader in managing retirement risk for pension schemes, both in the UK and the US • We are also one of the world's top 20 asset managers, with assets under management of £985bn as at HY 2018 and a market capitalisation of £15bn as at 31 October 2018 • Established in London in 1836, we have been providing insurance for our customers for over 180 years
Financial highlights & capital position	• Consistently delivering on financial performance: - H1 2018 operating profit from divisions: £1,059m (+7% vs. H1 2017) - H1 2018 interim dividend[1]: 4.60p (+7% vs. H1 2017) • Strong balance sheet and robust Solvency position, with disciplined capital management and sustainable cash generation: - Solvency II coverage ratio of 193%[2] as at 30 June 2018 (vs. 189% at YE 2017) - Solvency II operational surplus generation of £0.7bn during H1 2018 (+11% vs. H1 2017)
Proposed transaction	• Proposed issue of GBP denominated Fixed Rate Reset [30NC10] Tier 2 Notes, issued under Legal & General Group plc's £5,000,000,000 Euro Note Programme • Expected instrument rating of [A3 / BBB+] (Moody's / S&P) • Transaction represents L&G's return to the GBP subordinated market for the first time since October 2015 • The proceeds of the transaction will be used for general corporate purposes

1. A formulaic approach is used to set the interim dividend, being 30% of the prior year full year dividend
2. Shareholder basis

Financial Highlights

Financial highlights: consistently delivering

Operating profit from divisions

£1,059m

(H1 2017: £994m[1])

+7%

Interim dividend[2]

4.60p

(H1 2017: 4.30p)

+7%

SII operational surplus generation

£0.7bn

(H1 2017: £0.6bn)

+11%

Earnings per share

13.00p

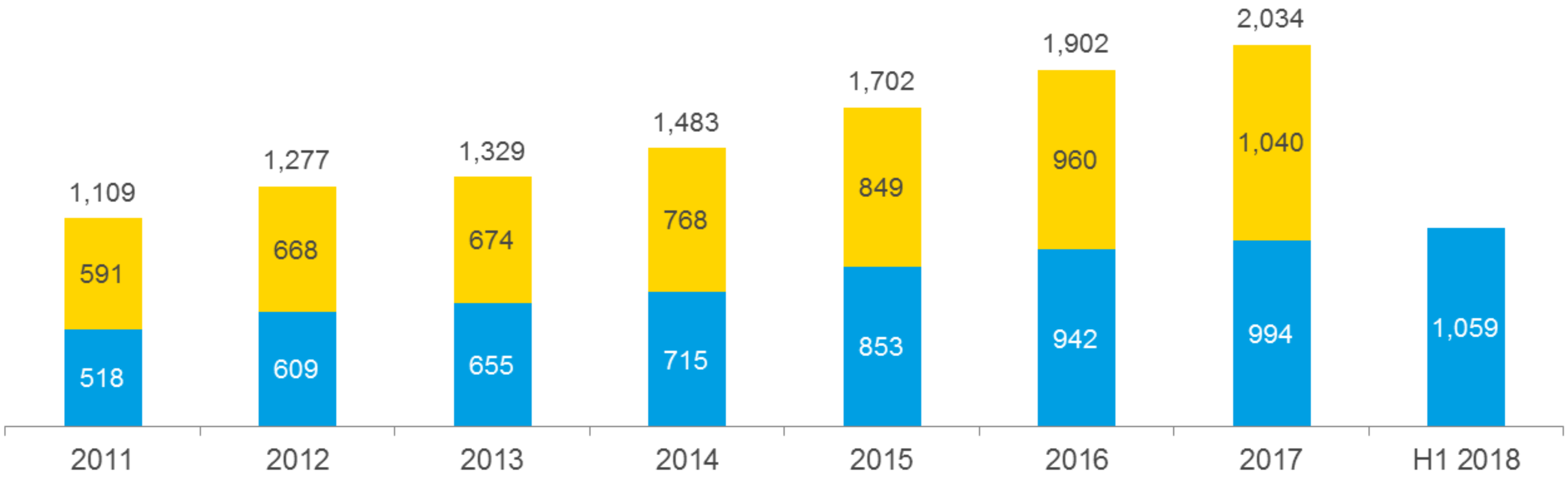
(H1 2017: 14.19p[1])

1. Excludes £126m base mortality release, as a result of continuing greater than expected mortality experience
2. A formulaic approach is used to set the interim dividend, being 30% of the prior year full year dividend

Consistently delivering

Operating profit from divisions (£m)

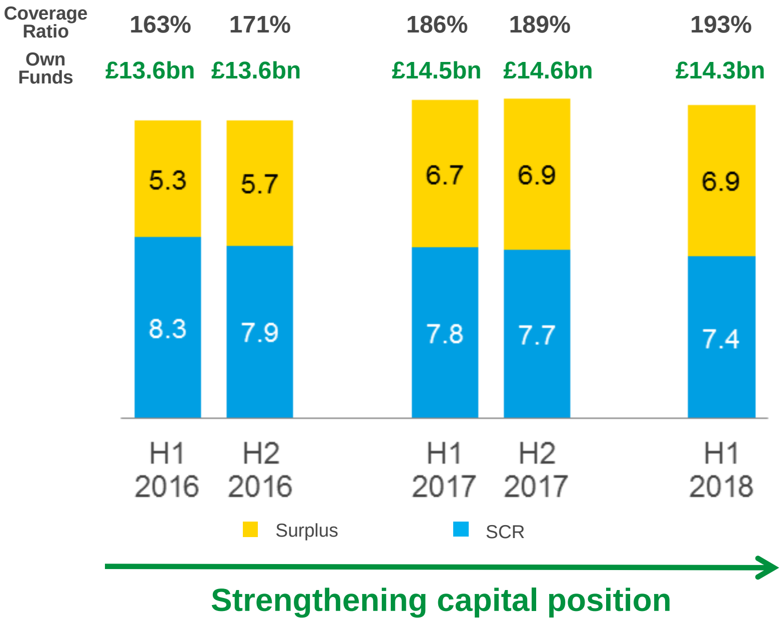
10% CAGR 2011 – 2018



Note: 2017 excludes £126m base mortality release in H1 and £206m trend mortality release in H2

Consistently delivering

Solvency II Position[1] (£bn)



(£bn)	2016 H1	2016 H2	2016 Total
Operational surplus generation	0.5	0.7	1.2
New business strain	-	(0.1)	(0.1)
Net surplus generation	**0.5**	**0.6**	**1.1**

(£bn)	2017 H1	2017 H2	2017 Total
Operational surplus generation	0.6	0.7	1.3
New business strain	(0.1)	-	(0.1)
Net surplus generation	**0.5**	**0.7**	**1.2**

(£bn)	2018 H1	2018 H2	2018 Total
Operational surplus generation	0.7		
New business strain	(0.1)		
Net surplus generation	**0.6**		

Growing Solvency II surplus generation

1. On a shareholder basis

Structural growth drives profit

		Operating Profit (£m)			
		H1 2018	H1 2017	Var %	H2 2018 Growth Drivers
INVESTING & ANNUITIES	Legal & General Retirement: Institutional	361	333	8	• Actively quoting on £20bn UK PRT business, £7bn+ exclusive • $25bn US PRT market opportunity
	Legal & General Retirement: Retail	119	107	11	• LTM £600m H2 target • Individual Annuities premiums up 16% in Q2
	Legal & General Capital	172	142	21	• CALA and L&G Homes build-to-sell • Further investment in urban regeneration and clean energy
INVESTMENT MANAGEMENT	Legal & General Investment Management	203	194	5	• US LDI / Fixed income positive trends continuing • Several UK & US DC mandate wins
INSURANCE	Legal & General Insurance	154	147	5	• UK & US premium growth both up 3% • GP turnaround on track
	General Insurance	(6)	15	-	• Double digit growth in direct premium • Strong distribution pipeline
Total		1,003	938	7	

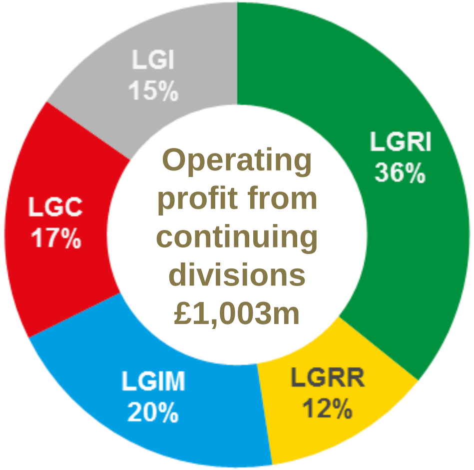
Note: H1 2017 excludes £126m base mortality release

Consistent delivery

£m	H1 2018	H1 2017	%
Operating profit from divisions excluding mortality release	**1,059**	994	**7**
Group debt costs	**(97)**	(92)	(5)
Group investment projects & expenses	**(53)**	(40)	(33)
Operating profit excluding mortality release	**909**	862	**5**
Mortality release	**-**	126	n/a
Operating profit	**909**	988	(8)
Investment & other variances (including minority interests)	**33**	175	(81)
Profit before tax	**942**	1,163	(19)
Net release from continuing operations[1]	**658**	673	(2)
Return on equity (%)	**20.3**	26.7	
Solvency II operational surplus generation (£bn)	**0.7**	0.6	11
Solvency II coverage ratio (%)	**193**	186	

1. Net release from continuing operations, excluding Mature Savings (H1 2018: £22m, H12017: 51m), which has been disposed of

Benefits of a diversified business model



Operating Profit (£m)	H1 2018	H1 2017	%	Including mortality release H1 2017	Including mortality release %
Legal & General Retirement Institutional (LGRI)	**361**	333	8	402	(10)
Legal & General Retirement Retail (LGRR)	**119**	107	11	164	(27)
Legal & General Investment Management (LGIM)	**203**	194	5		
Legal & General Capital (LGC)	**172**	142	21		
Legal & General Insurance (LGI)	**154**	147	5		
General Insurance (GI)	**(6)**	15	-		
Operating profit from continuing operations	**1,003**	938	7	1,064	(6)

Investing in the business

1. Technology:

LGIM: New Digital Capability

LGR: New Admin Platform

GI: SmartQuote

GI: SmartClaim

2. M&A:

Canvas ETF

Cala Homes

Buddies

Salary Finance

3. Customer:

My account

legalandgeneral.com

Cyber security

4. Regulatory:

IFRS 17

GDPR

MIFID II

In summary: Well positioned for growth in H2

Operating profit from divisions

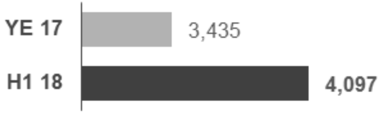
£1,059m, +7%

Earnings per share

13.00p

Cash & Treasury assets

£4.1bn



Return on Equity

20.3%

SII Operational surplus generation

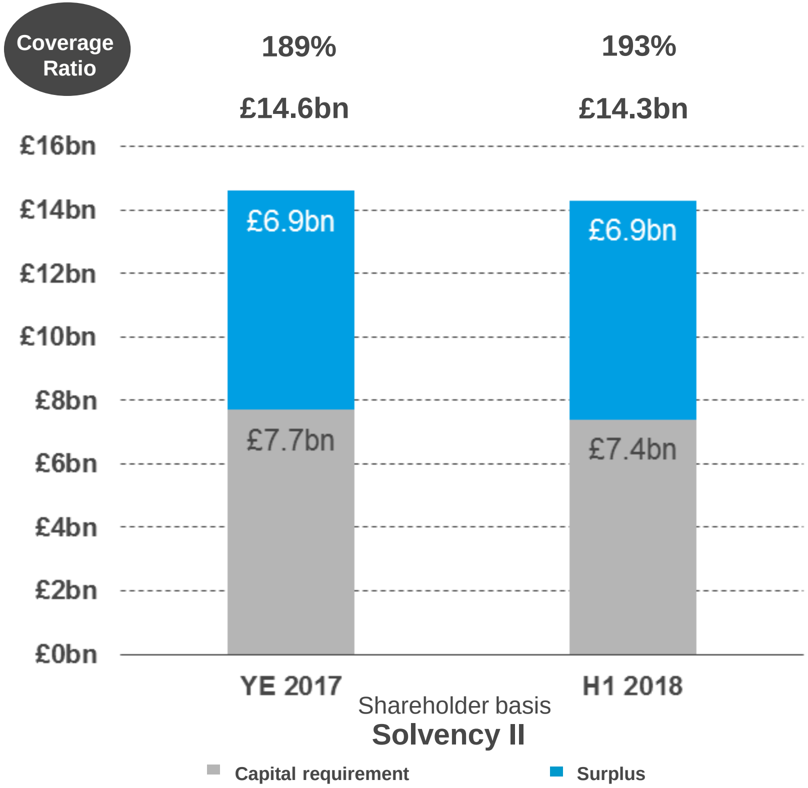
£0.7bn, +11%

Solvency II coverage ratio

193%

Capital Position & Proposed Transaction

Robust capital position



- Solvency II surplus **£6.9bn**
- Coverage ratio **193%**
- Core tier 1 Own funds £11.3bn (79%)

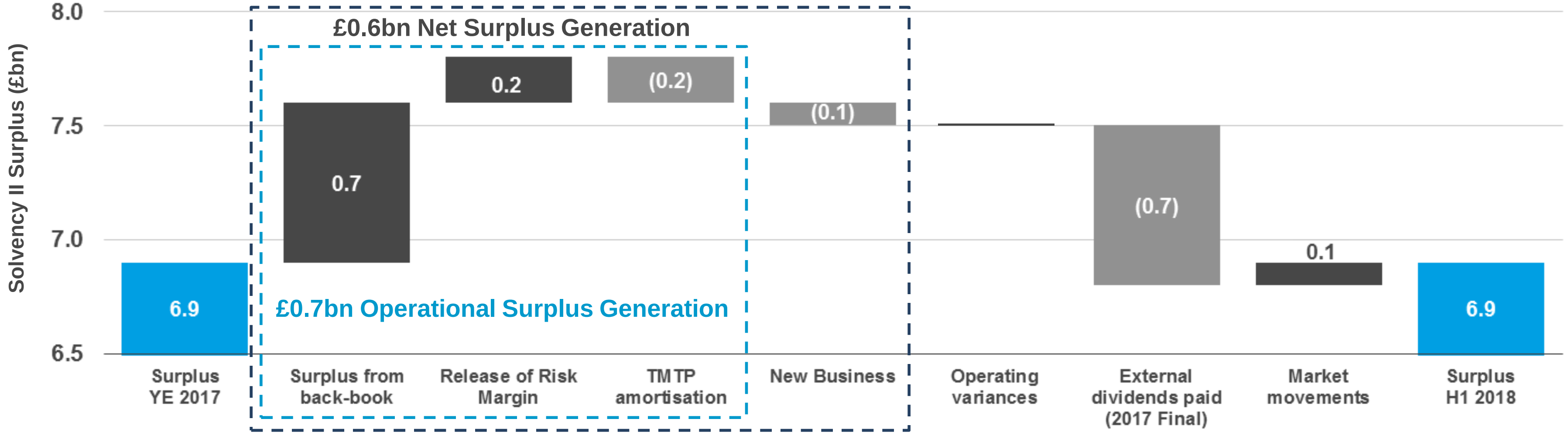
- The Solvency II figures incorporate management's estimate of the impact of recalculating the Transitional Measures for Technical Provisions (TMTP) as at 30 June 2018 as we believe this provides the most up to date and meaningful view of our Solvency II position
- Shareholder basis adjusts for Own funds and SCR of the With-profits fund and our final salary pension schemes. Including these, on a proforma basis, the Group's Solvency II coverage ratio was 186% (2017: 181%), with Own funds of £15.3bn and SCR of £8.1bn
- Solvency II Own funds allow for a risk margin of £5.2bn (2017: £5.9bn) and TMTP of £5.3bn (2017: £6.2bn)

Solvency II sensitivity scenarios: Positive impact from rise in risk free rates

31 December 2017	Surplus £bn	Coverage Ratio %
Base Group SII position	6.9	189
1. 100bps increase in risk free rates (10 year UK Gilts 1.2% to 2.2%)	0.8	18
2. Credit spreads widen 100bps (escalating addition to ratings)	0.2	7
3. 25% fall in equity markets (FTSE 100: 7,100 to 6,035)	(0.5)	(5)
4. 25% fall in property markets	(0.6)	(7)
5. Risk margin reduces by c.60%	0.1	1
6. Credit migration (7% of credit assets downgraded by big letter)	(0.5)	(6)

- Most significant sensitivity is a 100bps increase in risk free rates - Group's coverage ratio increases by c.18pp as liabilities are discounted at a higher rate leading to a reduction in SCR
- Other sensitivities (2-6), in aggregate provide limited impact on overall coverage ratio

Movement in the Solvency II surplus



Net Surplus Generation £0.6bn

- Expected releases increase surplus by £0.7bn, up 11%
- New business reduces surplus by £0.1bn. Includes US term business, which will be reinsured and financed in H2. For the remaining businesses, the new business strain was less than £50m

Other movements

- Net impact of a number of minor operating variances rounded to zero
- £0.7bn payment of the 2017 final dividend

Estimated Solvency II new business value metric

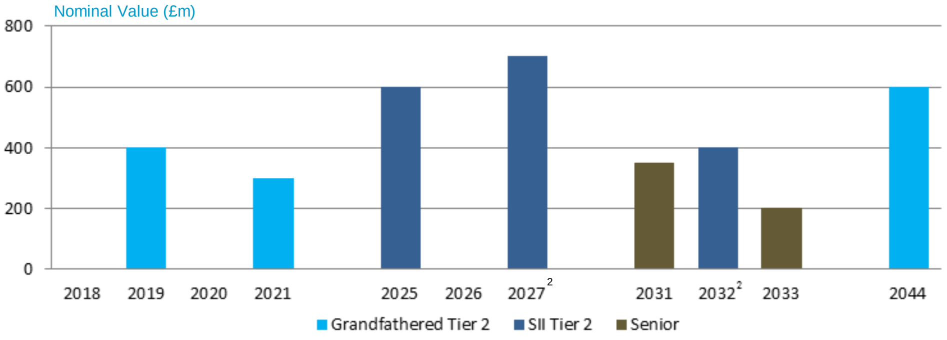
H1 2018	PVNBP	Contribution from New Business	Margin %
UK Annuity business LGR (£m)	**844**	**87**	**10.3**
UK Insurance Total (£m)	**788**	**56**	**7.1**
Retail Protection	652	49	7.6
Group Protection	136	7	5.2
LGI America (£m)	**411**	**48**	**11.6**
SUBTOTAL (£m)	**2,043**	**191**	**9.3**

- This metric provides a measure of the value created in the business allowing for the run-off of Solvency II capital
- Continue to maintain good margins and pricing discipline
- LGR margin is not a true representation of our expected full year margin, due to the lower UK PRT volumes written in H1 2018
- Much of the change from end 2017 attributable to some increased competition in UK Retail Protection and changes in business mix

Follows the principles of EEV, but assumes profit emergence on Solvency II basis. Other methodologies are unchanged. Margins are based on unrounded inputs

Legal & General Group Debt Profile

DEBT REDEMPTION PROFILE[1]



RATING TYPE	ENTITY / INSTRUMENT	S&P	MOODY'S
Financial Strength Rating	Legal & General Assurance Society Limited	AA-	Aa3
Instrument Credit Ratings	Legal & General Finance plc / Senior Debt	A	A2
	Legal & General Group plc / Tier 2	BBB+	A3
Outlook		Stable	Stable

ISSUE DATE	ISSUER	STATUS	RATING (MOODY'S / S&P)	CURRENCY	AMOUNT (CCY M)	COUPON (%)	FIRST CALL DATE	MATURITY DATE
Mar 04	Legal and General Group plc	Grandfathered Tier 2	A3 / BBB+	GBP	400	5.875	April 2019	Perpetual
Jul 09	Legal and General Group plc	Grandfathered Tier 2	A3 / BBB+	GBP	300	10.0	July 2021	July 2041
Oct 15	Legal and General Group plc	SII Tier 2	A3 / BBB+	GBP	600	5.375	October 2025	October 2045
Mar 17	Legal and General Group plc	SII Tier 2	A3 / BBB+	USD	850	5.25	March 2027	March 2047
Nov 00	Legal and General Finance plc	Senior	A2 / A	GBP	350	5.875	-	December 2031
Apr 17	Legal and General Group plc	SII Tier 2	A3	USD	500	5.55	April 2032	April 2052
Mar 02	Legal and General Finance plc	Senior	A2 / A	GBP	200	5.875	-	April 2033
Jun 14	Legal and General Group plc	Grandfathered Tier 2	A3 / BBB+	GBP	600	5.5	June 2044	June 2064

1. Maturity date shown as the earliest of first call date and maturity. Legal & General outstanding debt and capital instruments greater than £100m.
2. GBP/USD rate at time of pricing used to convert to £ equivalent.

Summary Terms & Conditions

Issuer	▪ Legal & General Group Plc
Instrument	▪ £[•]m Fixed Rate Reset Subordinated Notes due 20[48] (the "**Notes**")
Issuer Credit Ratings	▪ A2 / A / A+ (Moody's / S&P / Fitch)
Expected Issue Rating	▪ [A3 / BBB+] (Moody's / S&P)
Maturity Date	▪ [•] [•] 2048, subject to the redemption conditions
Optional Redemption	▪ [•] [•] 2028 (the "**First Call Date**") and each 5 year reset date thereafter (subject to fulfilling redemption conditions under the documentation)
Status / Subordination of the Notes	▪ Direct, unsecured and subordinated obligations of the Issuer, ranking (i) at least *pari passu* with all other obligations of the Issuer which constitute Tier 2 Capital (other than Existing Undated Tier 2 Securities); and (ii) in priority to the claims of holders of Existing Undated Tier 2 Securities, all obligations of the Issuer which constitute Tier 1 Capital and all classes of share capital of the Issuer
Interest	▪ [•] per cent. per annum payable semi-annually in arrear until the First Call Date ▪ Thereafter reset every 5 years to the sum of the 5-year UK Gilt + initial credit spread + Step-up Margin
Step-up Margin	▪ 100bps
Interest Deferral	▪ Mandatory cumulative deferral of interest upon any event (including breach of the Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer, the Group or any insurance undertaking within the Group) which under the Relevant Rules would require the Issuer to defer payment of interest and the Relevant Regulator has not waived the requirement to defer payment of interest under the Notes (a "**Regulatory Deficiency Interest Deferral Event**") ▪ Optional cumulative deferral of interest at Issuer's discretion, subject to 6-month dividend pusher
Solvency Condition	▪ All payments outside of a winding-up are conditional on the Issuer being solvent at the time of payment
Early Redemption/ Substitution or Variation	▪ In case of a Tax Event, Capital Disqualification Event or a Rating Methodology Event, the Issuer may redeem the Notes at par, or substitute or vary the terms of the Notes to remedy such event (provided the resulting notes have terms not materially less favourable to an investor than the terms of the Notes and comply with Tier 2 regulatory requirements and, in the case of a Rating Methodology Event, rating agency equity content criteria), and in the case of redemptions, subject to the redemption conditions and in the case of redemption prior to year 5, subject to prior replacement with equal or better quality capital
Mandatory Redemption Deferral	▪ Mandatory deferral of any scheduled redemption upon any event (including an Insolvent Insurer Winding-up, breach of Solvency Capital Requirement or Minimum Capital Requirement applicable to the Issuer, the Group or any insurance undertaking within the Group) which under the Relevant Rules would require the Issuer to defer repayment or redemption of the Notes and the Relevant Regulator has not waived the requirement to defer repayment or redemption of the Notes (a "**Regulatory Deficiency Redemption Deferral Event**")
Insolvent Insurer Winding-up	▪ The winding-up or the appointment of an administrator of any insurance undertaking within the Group where the claims of the policyholders pursuant to a contract of insurance of that insurance undertaking which is in winding-up or administration may or will not be met
Law / Listing	▪ English law / London Stock Exchange
Denominations	▪ £100k + £1k
Joint Lead Managers	▪ BNP Paribas / Lloyds Bank Corporate Markets / NatWest Markets / RBC Capital Markets / Santander / Société Générale

Note: should be read in conjunction with full documentation

Structural Comparison

	Legal & General Group Plc	Phoenix Group Holdings	Pension Insurance Corporation plc	Legal & General Group Plc	The Society of Lloyd's
Issue Date	[●] 20[18]	Sep 2018	Sep 2018	Mar 2017	Feb 2017
First Call Date	[●] 20[28]	-	-	Mar 2027	Feb 2027
Maturity	[●] 20[48]	Jan 2029	Sep 2030	Mar 2047	Feb 2047
Issuer Rating (M/S/F)	A2 / A / A+	- / - / A-	- / - / A	A2 / A / A+	- / A+ / AA-
Current Instrument Rating (M/S/F)	[A3] / [BBB+][1] / -	- / - / BBB	- / - / BBB+	A3 / BBB+ / -	- / A- / A-
Size	£[•]m	€500m	£350m	$850m	£300m
Initial Coupon	[•]% semi-annually	4.375% annually	5.625% annually	5.25% semi-annually	4.875% annually
Step-Up/Reset	100bps in year 10 5-year UK Gilt + [●]bps	-	-	100bps in year 10 5-year $ mid-swap + 368bps	100bps in year 10 3m £ LIBOR + 448bps
Optional Interest Deferral	At issuer's discretion, subject to 6-month dividend pusher	-	-	At issuer's discretion, subject to 6-month dividend pusher	At issuer's discretion, subject to 6-month dividend pusher
Mandatory Interest Deferral	Breach of SCR or MCR	Breach of SCR or MCR	Breach of SCR or MCR	Breach of SCR or MCR	Breach of SCR or MCR
Arrears of Interest	Cash cumulative / Non-compounding	Cash cumulative / Non-compounding	Cash cumulative / Non-compounding	Cash cumulative / Non-compounding	Cash cumulative / Non-compounding
Special Event Calls	At par upon a Tax Event, Capital Disqualification Event or Rating Methodology Event	At par upon a Tax Event, Capital Disqualification Event or Rating Methodology Event	At par upon a Tax Event, Capital Disqualification Event, Rating Methodology Event, or Clean-up Call	At par upon a Tax Event, Capital Disqualification Event or Rating Methodology Event	At par upon a Tax Event, Capital Disqualification Event, or Rating Methodology Event
Substitution / Variation	Applicable upon a Tax Event, Capital Disqualification Event, or Rating Methodology Event	Applicable upon a Tax Event, Capital Disqualification Event, or Rating Methodology Event	Applicable upon a Tax Event, Capital Disqualification Event, or Rating Methodology Event	Applicable upon a Tax Event, Capital Disqualification Event, or Rating Methodology Event	Applicable upon a Tax Event, Capital Disqualification Event, or Rating Methodology Event
Redemption Deferral	Breach of SCR and/or MCR or Insolvent Insurer Winding-up	Breach of SCR and/or MCR or Insolvent Insurer Winding-up	Breach of SCR and/or MCR or Insolvent Insurer Winding-up	Breach of SCR and/or MCR or Insolvent Insurer Winding-up	Breach of SCR and/or MCR

1. Expected Instrument Rating

Note: should be read in conjunction with full documentation

Operating Unit Performance

LGR: Consistently delivering strong profits

FINANCIAL HIGHLIGHTS	H1 2018	H1 2017
Release from operations (£m)	**275**	256
New business surplus (£m)	**23**	51
Net release from operations (£m)	**298**	307
Operating profit (£m)	**480**	566
LGR Institutional (£m)	**361**	402
LGR Retail (£m)	**119**	164
Operating profit excl. mortality release (£m)	**480**	440
Profit before tax (£m)	**565**	604
Total annuity AUM (£bn)	**56.4**	55.6
Of which: Direct investments (£bn)	**13.5**	9.8
Solvency II new business margin[1] (%)	**10.3**	
Solvency II new business value add[1] (£m)	**87**	
Solvency II new business strain (%)	**< 4.0**	

- Operating profit of £480m, reflecting:
  - Strong performance from back book prudential margin releases
  - Operating variances include a positive impact driven by an acceleration of fully processing PRT scheme data
- Operating profit excluding mortality release from H1 2017 is up 9%
- Continued success in sourcing direct investments over H1 2018 with the portfolio now at £13.5bn, up 37% since H1 2017
- Pricing discipline has kept the SII new business strain below 4%
- We are currently reviewing the CMI 2016 mortality data, which is expected to complete by the end of 2018
- We estimate the impact to roughly equate to a £300m to £400m reserve release

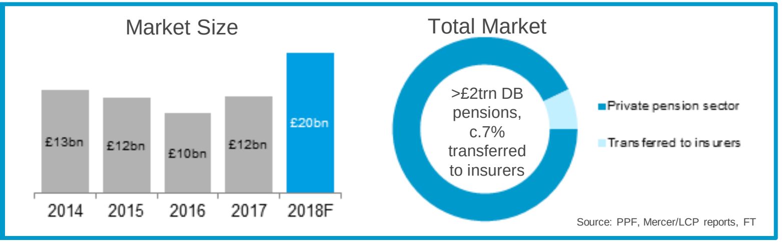
1. Excludes US PRT business

LGR: Well positioned for significant opportunities

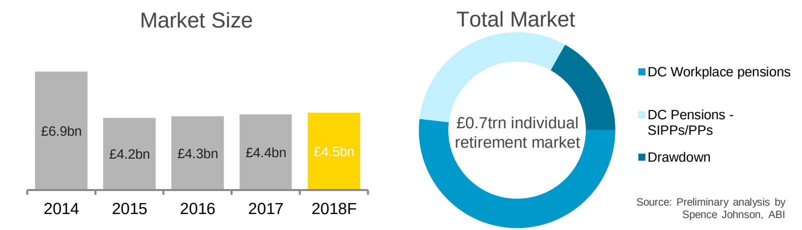
TOTAL SALES (£m)	H1 2018	H1 2017
UK Pension risk transfer	**507**	1,504
International Pension risk transfer	**228**	115
Individual annuities	**337**	345
Longevity insurance	**-**	800
New lifetime mortgages	**521**	424
Total	**1,593**	**3,188**

- Annuity premium of £1.1bn
- US PRT sales ($297m) more than double H1 2017
- £0.5bn lifetime mortgage sales up 23% compared to H1 2017, 28% market share
- Market participants expect up to £20bn of UK PRT to execute in 2018. We are actively quoting on more than £20bn, £7bn exclusive
- Carefully managed pipeline, focusing primarily on large late stage transactions

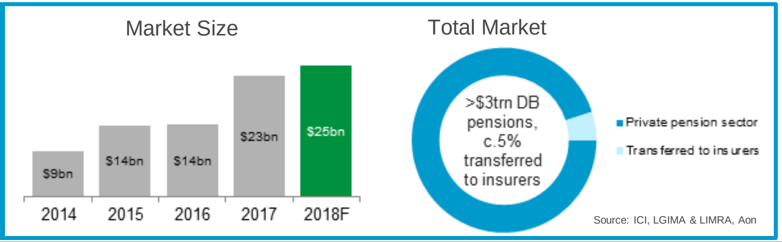
UK Pension Risk Transfer



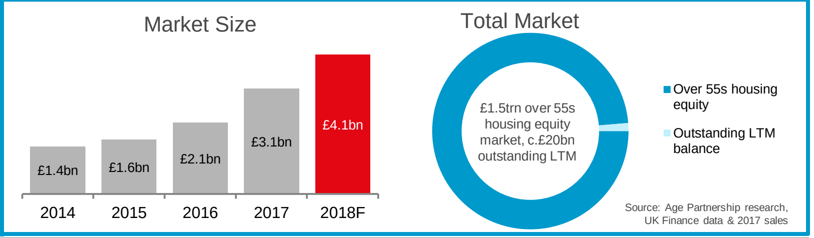
Individual Annuities



US Pension Risk Transfer



Lifetime Mortgages

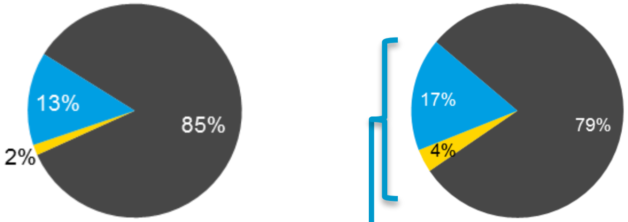


LGR: Defensive and well diversified asset portfolio

INCREASING PROPORTION OF DIRECT INVESTMENTS

2016
£54.4bn

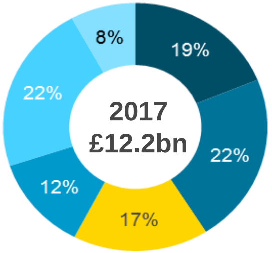
2017
£58.2bn



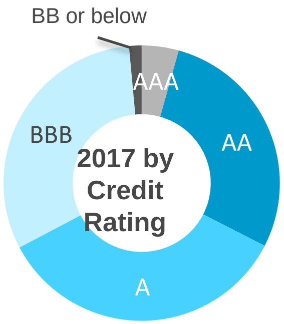
- Direct investments (excl. lifetime mortgages)
- Lifetime mortgages
- Credit assets

WIDE SPECTRUM OF DIRECT INVESTMENT CLASSES

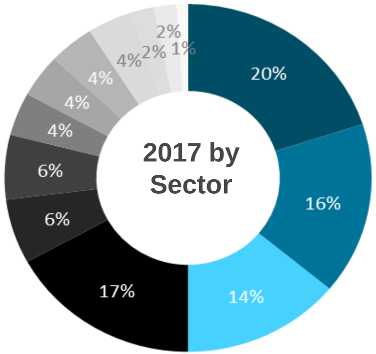
- Real Estate Debt, 19%
- Infrastructure, 22%
- Lifetime Mortgages, 17%
- Private Corporate Debt, 12%
- Rental Income Notes, 22%
- Property Residual Notes, 8%



.. WHILST MAINTAINING OVERALL CREDIT QUALITY & HIGH SECTORAL DIVERSIFICATION



- 20% of bond portfolio in Sovereign-like assets
- Around 70% of the bond portfolio is A rated or better
- Credit default reserve £2.7bn



1. Sovereigns, Supras and Sub-Sovereigns 20%
2. Utilities, 16%
3. Consumer services and goods, 14%
4. Infrastructure, 17%
5. Technology and telecoms, 6%
6. Banks, 6%
7. Energy, Oil and Gas, 4%
8. Real Estates, 4%
9. Financial Services and Insurance, 4%
10. LTM Loans, 4%
11. Securitisations (collaterised credit), 2%
12. Industrials, 2%
13. Commodities, 1%

LGIM: Continued strong performance

FINANCIAL HIGHLIGHTS	H1 2018	H1 2017
Total revenue[1] (£m)	**412**	394
Total expenses[1] (£m)	**(210)**	(200)
Asset Management Operating profit[1] (£m)	**202**	194
ETF Operating loss	(1)	-
Workplace Operating profit	2	-
LGIM Operating profit	**203**	194
External net flows (£bn)	**14.6**	21.7
Of which: International (£bn)	**9.9**	17.9
External net flows % of opening AUM[2]	**3.0**	4.9
Closing AUM (£bn)	**985**	951
International AUM (£bn)	**229**	198
DC AUM (£bn)	**72**	63
UK Retail AUM[3] (£bn)	**31**	27
Cost: income ratio (%)	**51**	51

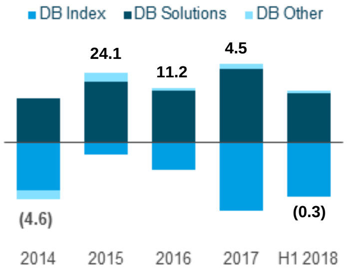
1. Revenue & expenses is asset management only (excludes Workplace and Canvas)
2. Calculated on an annualised basis
3. Includes Retail Intermediary and Personal Investing
4. UK Defined Contribution and Retirement Income, Broadridge 2017
5. Performance is measured on a gross-of fee-basis for institutional accounts, and net-of-fee for retail funds. AUM as of 30 June 2018

- Operating profit up 5% to £203m, while maintaining a steady cost income ratio
- External net flows of £14.6bn, with continued diversification across regions, channels and product lines
- £2.4bn AUM acquired as part of the Canvas transaction
- Largest manager of DC assets[4] at £72bn (H1 2017: £63bn), £3.5bn of net inflows in H1 2018 and in excess of £5bn AUM in the Mastertrust
- UK Retail continuing rapid growth, with AUM up 15% to £31bn
- Successful international expansion continues with net flows of £9.9bn and AUM up 16% to £229bn
- US net flows of $11.5bn (H1 2017: $10.8bn)
- 88%, 85% and 81% of active assets under management (AUM) above benchmark or peer group median over one, three and five years[5]

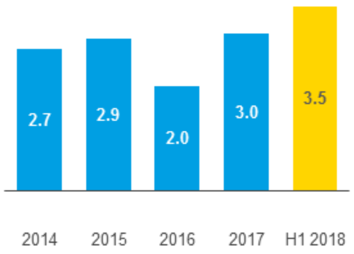
LGIM: Increasingly diversifying business in growth segments

External net flows £14.6bn

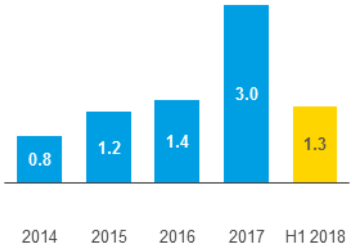
DB Flows (£bn)



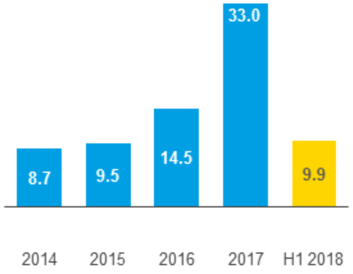
DC Flows (£bn)



UK Retail Flows[1] (£bn)



International Flows (£bn)



- DB clients de-risking by transitioning from Index into a broad range of LDI strategies
- Loss of one local government pension scheme mandate in H1
- Positive UK DB net flows in July

- Inflows driven by the bundled business which provides administration services to DC schemes
- Consistent growth of cash flow driving AUM growth
- Strong Multi-Asset flows

- Net flows of £1.3bn were positive across Index, Multi-Asset, Equities and Property
- Continuing focus on sales through wealth managers

- Positive flows in the US, Europe, and Asia
- Robust demand for US fixed income and LDI strategies

1. Includes Retail Intermediary and Personal Investing

LGIM: Continued focus and delivery on our strategic themes

Broadening our investment capability	• Driving growth in fixed income active strategies, e.g. High Yield and Emerging Market Debt • Enhancing Multi-asset and Fiduciary Management offerings • Expanding Real Assets global capability • Innovating across Index including launching a series of LGIM ETFs by end 2018 • Expanding Future World fund range
Addressing the savings gap	• Commenced investment into our customer facing businesses – Digital development of operating platform and customer experience • Total workplace schemes increased to over 14,000 with in excess of 2.8 million customers and the largest and fastest growing Mastertrust[1]
Internationalising our core strengths	• International AUM increased by 16% and now makes up nearly a quarter of our AUM • Strong US flows at $11.5bn, 375 external US customer mandates, up 11% from 2017 • Building European distribution capability • Strong pipeline

Targeting 8 – 10% per annum operating profit growth over medium term

1. Hymans, April 2018, ‘Mastering Master Trusts’

LGC: Growing our assets and building profitability

FINANCIAL HIGHLIGHTS	H1 2018	H1 2017
Net release from operations (£m)	**138**	119
Operating profit (£m)	**172**	142
- Direct Investments	**104**	69
- Traded Portfolio and other	**68**	73
Profit before tax (£m)	**82**	194
- Direct Investments	**80**	53
- Traded Portfolio and other	**2**	141
Assets (£m)	**8,078**	6,790
- Direct Investments	**2,005**	1,348
- Traded Portfolio and other	**6,073**	5,442
Of which: Cash & Treasury assets[1]	**4,097**	2,947
Net portfolio return[2] (%)		
- Direct Investments	**9.1**	8.6

- Overall LGC operating profit £172m, up 21% from H1 2017, benefitting from the acquisition of Cala and growth of the existing direct investment portfolio
- Cala generates around two thirds of its annual profits between January and June due to seasonality of housing market. This benefits the H1 reported results and will therefore not be repeated in H2
- Direct Investments portfolio now £2bn, achieved a 9.1% net portfolio return
- Portfolio development continues. Invested or committed £708m, for example:
  - Launching an Affordable Housing business
  - Further investment into Build to Rent
- Traded portfolio returns have been impacted by challenging equity market conditions

1. Includes short term liquid holdings
2. Net portfolio return calculated as PBT divided by average smoothed assets

LGI: A growing book, stable profit

FINANCIAL HIGHLIGHTS	H1 2018	H1 2017
Net release from operations (£m)	**157**	169
Operating profit (£m)	**154**	147
- UK	**136**	90
- US	**18**	57
Profit before tax (£m)	**117**	144
Gross written premium (£m)	**1,317**	1,324
- UK	**856**	833
- US	**461**	491
UK Protection Solvency II margin (%)	**7.1**	9.1
US Protection Solvency II margin (%)	**11.6**	12.8

- Operating profit of £154m, up 5%
- Growth in premiums: UK up 3% to £856m, US up 3% on USD basis to $635m
- Retail Protection benefitted from some one-off model enhancements, partially offset by adverse lapse experience and strong competition
- Continued turnaround from Group Protection with the business returning to profitability, reflecting claims experience improvement following management actions
- LGIA experienced adverse mortality experience, which was positive in H1 2017
- $105m LGIA dividend was paid in February 2018 (2017: $100m)
- In July 2018, the Fintech business made a strategic investment into Smartr365, a fintech that has developed a mortgage broking platform

LGI figures exclude Legal & General Netherlands, which was disposed of in April 2017
LGI UK includes UK Retail and Group Protection, UK Surveying and the Mortgage Club businesses

GI: Strong direct premium growth

FINANCIAL HIGHLIGHTS	H1 2018	H1 2017
Net release from operations (£m)	**(5)**	12
Operating profit (£m)	**(6)**	15
Profit before tax (£m)	**(14)**	21
Gross written premium (£m)	**193**	173
Of which: Direct channel GWP (£m)	**71**	63
Combined operating ratio (%)	**107**	95
Excluding freeze impacts:		
Operating profit (£m)	22	15
Combined operating ratio (%)	92	95

- GWP growth of 12%, in a highly competitive market
- Continuing to generate more than a third of total GI premiums through the Direct channel
- Profit impacted by £28m of weather related claims arising from the freeze in Q1. Excluding this weather event H1 combined operating ratio is 92%
- Two new distribution partnerships added since 2017 with Co-op and Pen (Managing General Agent)
- SmartQuote and SmartClaim continue to attract significant interest from potential distribution partners
- Actively discussing new opportunities including the latest in Insurtech
- Acquisition of Buddies completed on 5th January. Integration into GI business progressing well
- Pet GWP £12m (H1 2017: £7m)

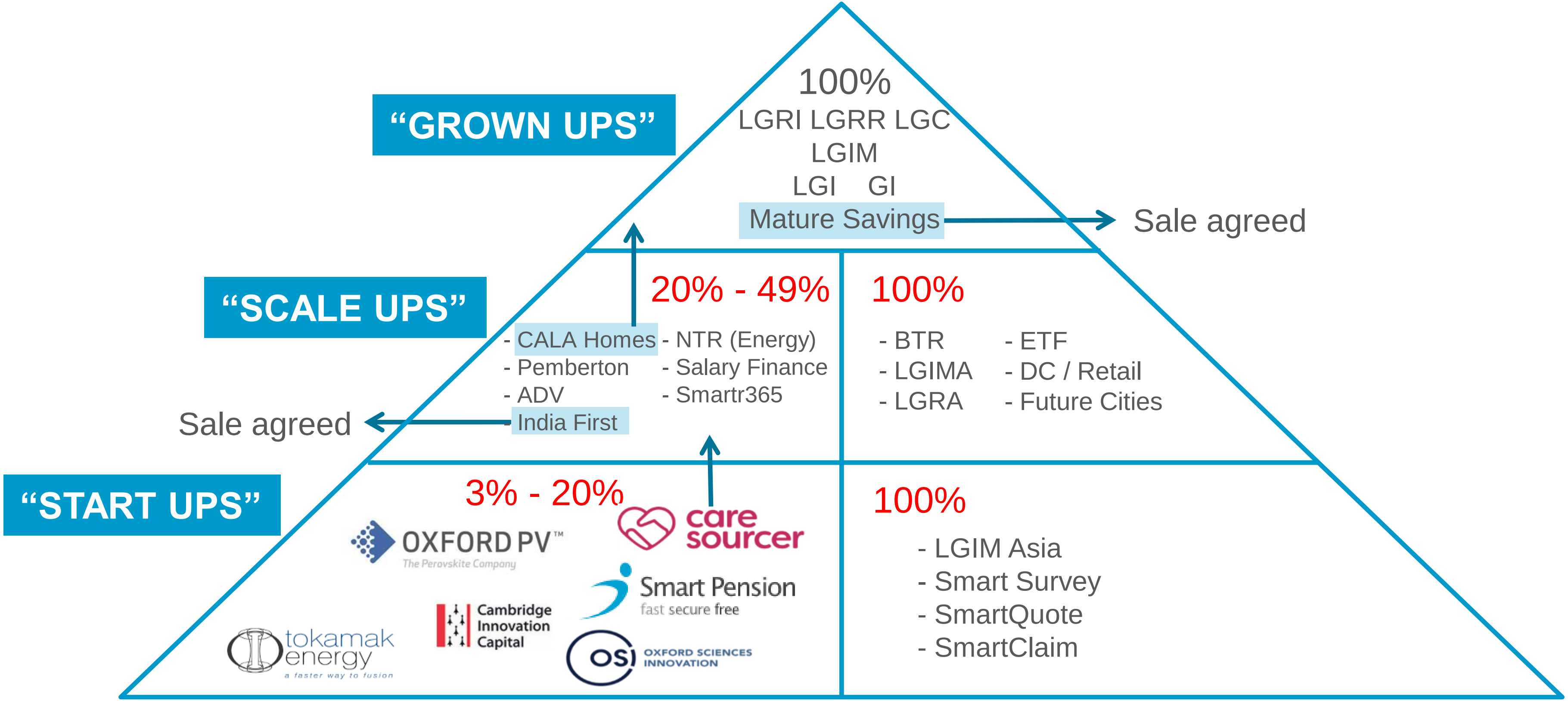
Appendices

Our six drivers of consistent structural growth

Growth drivers	
Ageing demographics	• Target record year in UK PRT market, £7bn exclusive • $25bn annual US PRT opportunity • Lifetime mortgage market growing to £6bn by 2020
Globalisation of asset markets	• ESG, FBI, European ETF markets all growing strongly • LDI / Solutions increasing US penetration • Asian asset management becoming third global pillar
Creating real assets	• Regional devolution driving increased demand for urban regeneration • UK housing market shortfall of up to 300,000 units per year • Significant global infrastructure requirement
Welfare reforms	• UK DC market of £338bn in 2016 expected to grow to £871bn by 2026 • UK ISA / D2C market £560bn in 2017, up 19%, growing to £1,340bn by 2022
Technological innovation	• Utilising ever cheaper technology to improve customer outcomes • Partnering with innovators and disruptors e.g. Salary Finance, Smartr365
Today’s capital	• Committing capital to help UK Fintechs compete globally • Continued demand for SME finance from the non-bank sector

Our grown up businesses are consistently delivering

L&G sustaining long term growth

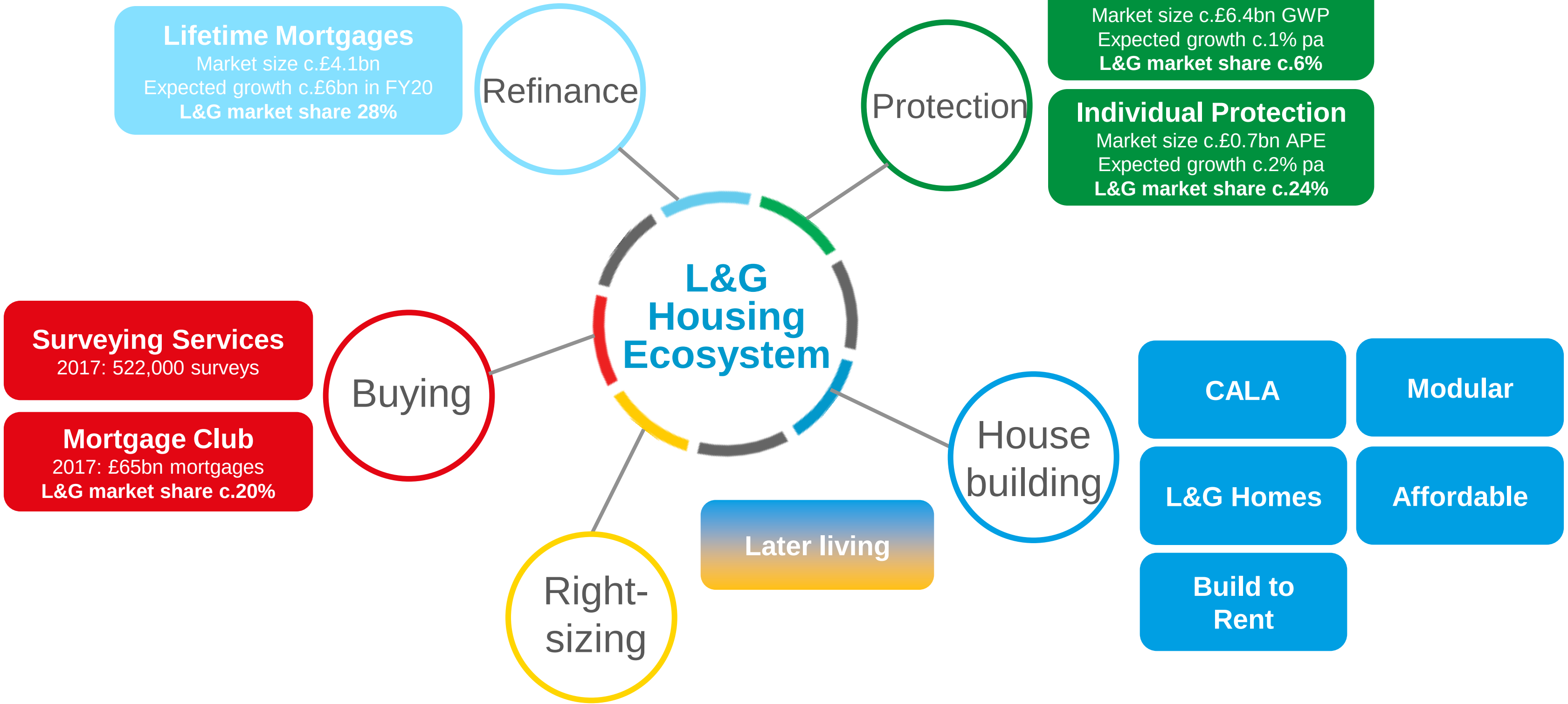


CALA Homes: Purchased 52% and now own 100%
Theidol.com: 100% purchased and within LGI

India First: 26% owned – Sale agreed £79m
Mature Savings – Sale agreed £650m

Caresourcer – increased shareholding to 27.22%. (Direct 20%, Indirect 7.22%)

Using technology & innovation to increase our presence in the housing ecosystem



We are all technology businesses now

Technology	Progress
Cloud	- Routinely utilising public cloud infrastructure for new projects, as well as in rationalising our existing IT estate
Robotics	- Unattended robotics - completing 40 different processes each day, over 50,000 actions every month. This is the work of 53 FTE, saving around £1.6m annually - Attended (Desktop) robotics - Rolled out in June to 100 people, this has already had an increase in our accuracy rates, time to competency for new starters
Platforms	- Significantly increasing use across the Group; DC Pensions, Home Finance, Salary Finance, Smartr365, Caresourcer - Investment into LGIM and LGR to increase digital capability
Artificial Intelligence	- Undertaking first steps towards improving customer servicing using artificial intelligence technologies - Our focus currently is on the ability to provide high-quality data for training AI algorithms
Big Data	- Making investment into building next generation data analytics platform - Building data science capabilities on our journey to become an insights-driven organisation
Blockchain	- Piloting the use of distributed ledgers to streamline administration of reinsurance contracts - Looking to broaden the use of this technology going forward

Reshaping the group has increased focus and delivered £1.3bn of cash

Disposals, closures & simplifications

	Status	L&G shareholder proceeds
IndiaFirst Life (H1 2018)	Sale agreed	£79m
Mature Savings (H2 2017)	Sale agreed	£650m
Insurance: Netherlands business (H1 2017)	Sold	€161m
Savings: Cofunds (H1 2017)	Sold	£147.5m
Legal & General Germany (H2 2016)	Sold	-
Savings: Suffolk Life Group Limited (H1 2016)	Sold	£45m
Legal & General Ventures (incl. Snow & Rock, Liberation Ale, ABI)	Sold	£22m (L&G share)
Legal & General International Ireland – investment bonds (H2 2015)	Sold	£15m
Savings: Egypt business (H2 2015), 55% interest	Sold	$54m (L&G share)
Savings: Gulf business (H2 2015)	Sold	-
Insurance: France business (H2 2015)	Sold	£159m
Xperience: Estate agency business (H2 2014)	Sold	£6m
Retail Investments transferred to LGIM	Simplified	-
Workplace integrated into LGIM's DC business, now £72bn AUM	Simplified	-
	Total:	**£1.3bn**

Further sales include Gracechurch Street property (£270m), Tesco stores (£216m), and RBS branches (£52m)

Our financial ambition

Between 2011 – 2015 we achieved a 10% growth in EPS
Our ambition is to replicate this performance out to 2020

Our Strategic goals:

INVESTING & ANNUITIES

- **Achieve global leadership in pensions de-risking and provide a suite of products to maximise retirement income**
- **Use 'patient capital' to become the UK leader in direct investments including housing and urban regeneration**

INVESTMENT MANAGEMENT

- **Build a world class international asset management business**
- **Address the UK Savings Gap through retail investments and workplace pensions**

INSURANCE

- **Deliver financial protection from life events for customers**
- **Become a leading data driven and digitally enabled insurer**

- **To be a leader in financial solutions and a globally trusted brand**

Deliver Inclusive Capitalism

Biographies

Jeff Davies
Group Chief Financial Officer

Jeff was appointed Group Chief Financial Officer on 9 March 2017. He was previously an actuarial partner at EY, with leadership roles in UK and Continental Europe. Prior to joining EY in 2004, he held a number of senior actuarial roles at Swiss Re Life & Health.

He is a Fellow of the Institute of Actuaries.

Contact Details: Tel: 020 3124 2010 Email: jeff.davies@group.landg.com

Frank Turley
Group Treasurer

Frank joined Legal & General in 2011 and was appointed Group Treasurer in 2012. He has 20 years' experience in Treasury & Global Markets spanning Treasury, Fixed Income, Derivatives & Equities; 18 years with HSBC Global Markets and 2 years with ANZ.

His career started in the UK and he has worked extensively in Asia and the Middle East.

Frank is a Fellow of the Institute of Actuaries.

Contact Details: Tel: 020 3124 2060 Email: frank.turley@group.landg.com

Monika Remenyi
Treasury Manager - DCM

Monika joined Legal & General in August 2018. In her role as Treasury Manager DCM she is responsible for the Group's long term and short term debt programmes and issuance along with debt investor relations.

She has over 10 years' experience across Finance and Treasury; 8 years with RBS and 3 years with RZB.

Monika is a Fellow of the Association of Chartered Certified Accountants.

Contact Details: Tel: 020 3124 2064 Email: monika.remenyi@group.landg.com

Debt Investor Update

Legal & General Group Plc

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