

LEGAL & GENERAL CAPITAL (LGC)

LEADING LONG-TERM INVESTMENT INTO THE UK

Financial highlights

Financial year ended 31 December 2016

Operating profit

£257m
+10%

DI Profit before tax

£94m
+29%

Total assets

£6,193m
+9%

Financial highlights	2016	2015
Net release from operations (£m)	214	187
Operating Profit (£m)	257	233
– Direct investments	121	69
– Traded portfolio and other	136	164
Profit before tax (£m)	419	117
– Direct investments	94	73
– Traded portfolio and other	325	44
Assets (£m)	6,193	5,665
– Direct investments ¹	1,137	867
– Traded portfolio and other	5,056	4,798
Net portfolio return (%)	7.4	2.3
– Direct investments	9.0	9.2
– Traded portfolio and other	7.0	1.0

¹For L&G Group statutory reporting, Direct Investment assets exclude two LGC assets valued at £91m at 31 December 2016 which have entered advanced disposal negotiations and are classified as “assets held for sale” and reported separately within the L&G Group Report and Accounts.

Financial highlights

Realising profits through asset creation

- Operating profit and PBT from Direct Investments increase year on year by 75% and 29% respectively
- 44% of Direct Investment operating profit delivered from LGC's share of operating businesses' profit
- PBT of Direct Investments is based on independent valuation of assets, or trading profits from our investments
- Direct investments earned a net portfolio return of 9.0% and an average 33% return on solvency capital

Strategic financial management

Disciplined approach across the asset lifecycle

Performance in 2016

ACQUIRE & PARTNER

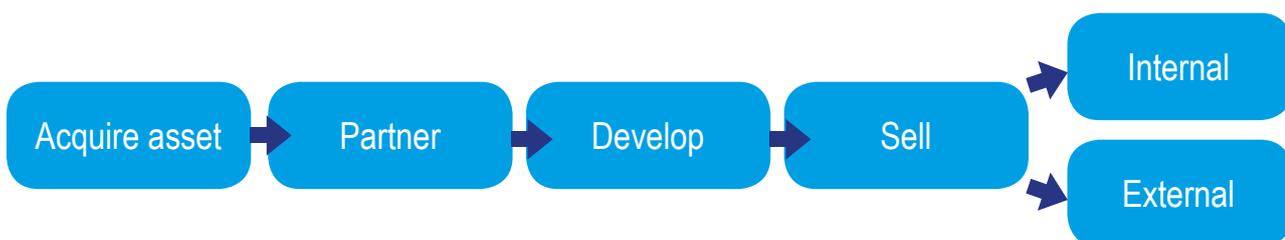
- Invested or Committed £404m into new assets and funds over 2016, including £65m committed to **Newcastle Science Park** (a partnership with the Council and University)
- Pemberton** closed European Mid-Market Fund 1 at €1.2bn
- NTR** acquired six new wind farm sites, deploying 66% of €246m committed into the **NTR Wind 1 LP fund**

DEVELOP

- £65m of PBT generated from trading profits in our investments (3x increase on FY15)
- CALA Homes** delivered a record year
- Ongoing projects benefitted by £29m PBT from valuation increases

SELL

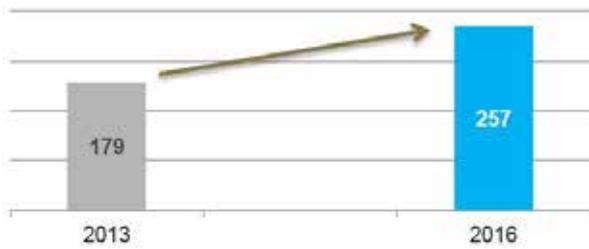
- Early sales generated £17m proceeds in 2016 with £250m target for 2017
- Salford and Walthamstow** developments sold into **Access Development Partnership**
- ECF** and **Bishopsgate** executed commercial and residential sales
- Terms agreed on buildings in Bracknell, Cardiff and Central London



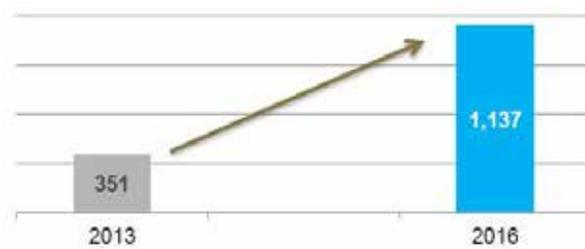
Delivering value

Growth delivered across all areas since 2013

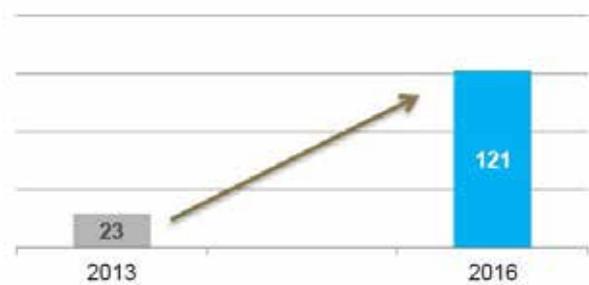
Operating Profit – LGC total (£m)
13% CAGR



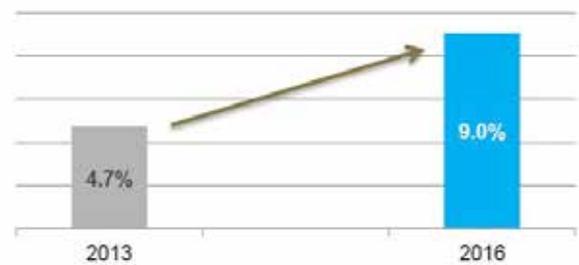
Total Assets - Direct Investments (£m)
3x INCREASE IN TOTAL ASSETS



Operating Profit – Direct Investments (£m)
5x INCREASE IN OPERATING PROFIT

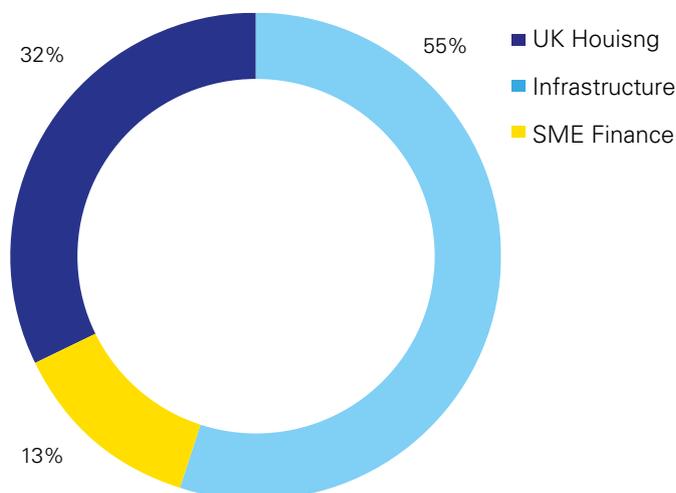


Net portfolio return – Direct Investments (%)
2x INCREASE IN NET PORTFOLIO RETURN



Direct Investment portfolio of £1.2bn AUM

Portfolio breakdown by sector (%)



- Invested or Committed **£404m** into new assets and funds over 2016
- Total asset growth to **£1,228m¹** in 2016 from £867m in 2015

¹The portfolio analysis above includes two LGC assets valued at £91m at 31 December 2016 which are classified as "assets held for sale" in the L&G Group Report and Accounts.

Sectors in focus

Direct investment strategy delivers record profits

HOUSING



Housing operating profit increased 97% to £61m in 2016 (2015: £31m), assets increased to £392m (2015: £345m)

- CALA Homes delivered a record number of homes
- LGC launched a build-to-rent JV with PGGM in early 2016 which, including the newly created L&G managed build to rent fund, now has £940m of committed funds and over 900 homes under development in Walthamstow, Bristol and Salford

INFRASTRUCTURE



Infrastructure operating profit increased 55% to £51m in 2016 (2015: £33m), assets increased to £591m (2015: £428m)

- LGC agreed a new partnership with Newcastle City Council and University to develop the £350m Science Central 24-acre science and technology hub
- In clean energy, NTR onshore wind construction fund reached final close in 2016, at €246m, with over 66% deployed, and a €500m NTR Fund II is targeted for launch in 2017

SME FINANCE



SME Finance operating profit increased 100% to £10m in 2016 (2015: £5m), assets increased to £154m (2015: £94m)

- Pemberton announced the final close of its first mid-market loan fund at the beginning of November at €1.2bn with 53% now deployed
- LGC also invested keystone funds in Accelerated Digital Ventures which is set to provide capital to the emerging UK SME sector

Legal & General Capital Outlook

LGC is planning to invest over £0.5bn of shareholder capital in direct investments in 2017. In Housing, we plan to expand our build to sell and build to rent businesses into affordable and senior living, which will incorporate modern factory construction methods. For the Infrastructure sector, we will build on our successful Urban Regeneration model, increasing the number of cities we invest in. We will also expand our SME funding initiatives across equity and new debt products. We expect our operating profit and profit before tax from LGC's direct investments to grow further in 2017 and beyond. We are also targeting proceeds of c.£250m from asset disposals, representing an uplift to our carrying values at the year-end 2016.

FORWARD LOOKING STATEMENTS

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