

## L&G Full Year Results 2024 Part 2

### IFRS Disclosures on performance

#### 1.01 Restatement

At a Capital Markets Event on 12 June 2024, the Group set out a refreshed strategy and set of financial targets. As part of a new vision for a growing, simpler and better-connected business, the Group has implemented a revised business model, including the:

- creation of a single Asset Management division, bringing Legal & General Investment Management (LGIM) and Legal & General Capital (LGC) together as a unified, global, public and private markets asset manager
- maximisation of the value of non-strategic assets through a new Corporate Investments unit.

As a result, the Group is now focused on three core business divisions, namely Institutional Retirement, Asset Management and Retail, with a shared sense of purpose and powerful synergies.

The new divisional organisation has an impact on the reportable segments of the Group. Previously, the Group operated five reportable segments, comprising Legal & General Retirement Institutional (LGRl), LGC, LGIM, Insurance and Retail Retirement. Following the announcement, in line with the principles in IFRS 8, 'Operating Segments', the Group operating and reportable segments have been updated to the following:

- Institutional Retirement, which continues to focus on worldwide pension risk transfer business opportunities
- Asset Management, the new combined investment management business of the Group, committed to driving growth in public markets as well as materially scale the Group's in-house and origination platform capability in private markets across Real Estate, Private Credit and Infrastructure, including through an accelerated programme of fund launches
- Insurance, which primarily represents UK protection (both group and retail) and US retail protection business (US Insurance)
- Retail Retirement, which primarily represents retail annuity and drawdown products, workplace savings and lifetime mortgage loans
- Corporate Investments, which represents a portfolio of non-strategic assets managed separately with the goal of maximising shareholder value ahead of potential divestment.

Group expenses, debt costs and assets held centrally are reported separately. Transactions between segments are on normal commercial terms and are included within the reported segments.

Segmental disclosures in relation to the prior year presented have been restated to reflect the new divisional organisation.

#### 1.02 Operating profit<sup>#</sup>

		2024	Restated 2023
For the year ended 31 December 2024	Notes	£m	£m
Institutional Retirement	1.03	1,105	1,028
Asset Management	1.04	401	448
Retail	1.03	504	449
- Insurance		188	139
- Retail Retirement		316	310
Group debt costs <sup>1</sup>		(216)	(212)
Group investment projects and expenses		(178)	(182)
<b>Core operating profit</b>		<b>1,616</b>	<b>1,531</b>
Corporate Investments		95	136
<b>Total operating profit</b>		<b>1,711</b>	<b>1,667</b>
Investment and other variances	1.05	(1,383)	(1,577)
Profits/(losses) attributable to non-controlling interests		4	(14)
<b>Adjusted profit before tax attributable to equity holders</b>		<b>332</b>	<b>76</b>

Tax (expense)/credit attributable to equity holders	3.06	(137)	367
<b>Profit for the year</b>	<b>2.01</b>	<b>195</b>	<b>443</b>
Total tax expense/(credit)	2.01	347	(248)
<b>Profit before tax</b>	<b>2.01</b>	<b>542</b>	<b>195</b>
<b>Profit attributable to equity holders</b>		<b>191</b>	<b>457</b>
<b>Earnings per share:</b>			
Core (pence per share) <sup>2</sup>	1.07	20.23	19.04
Basic (pence per share) <sup>2</sup>	1.07	2.89	7.35
Diluted (pence per share) <sup>2</sup>	1.07	2.86	7.28

1. Group debt costs exclude interest on non-recourse financing.

2. All earnings per share calculations are based on profit attributable to equity holders of the Company.

This supplementary adjusted operating profit information (one of the Group's key performance indicators) provides additional analysis of the results reported under IFRS, and the Group believes that it provides stakeholders with useful information to enhance their understanding of the performance of the business in the year. Core operating profit measures the operating performance of the Group's core businesses, and is therefore calculated as the Group's adjusted operating profit excluding the operating profit of the Corporate Investments unit.

Adjusted operating profit measures the pre-tax result excluding the impact of investment volatility, economic assumption changes caused by changes in market conditions or expectations, and exceptional items. Adjusted operating profit for insurance contracts primarily reflects the release of profit from the contractual service margin and risk adjustment in the year (adjusted for reinsurance mismatches), the unwind of the discount rate used in the calculation of the insurance liabilities and incurred expenses that are not directly attributable to the insurance contracts.

To remove investment volatility, adjusted operating profit reflects long-term expected investment returns on the substantial majority of investments held by the Group, including both traded and private market investments. For the remainder of the asset portfolio, including certain operational businesses in the Asset Management division and, up to its disposal on 31 October 2024, CALA Group (Holdings) Limited (Cala), no adjustments are made to exclude investment volatility. The investment margin for insurance business therefore reflects the expected investment return above the unwind of the insurance liability discount rate.

Following the refresh of the Group's strategy and the segmentation changes described in Note 1.01, the Group has updated the application of its methodology for the determination of adjusted operating profit for assets allocated to the Asset Management and Corporate Investments segments, in order to simplify and harmonise the methodology within the segments. This has not had a material impact on the comparative adjusted operating profit of each segment, and therefore has not led to a restatement.

The long-term expected investment return reflects the best estimate of the long-term return at the start of the year, as follows:

- expected returns for traded equity, commercial property and residential property (including lifetime mortgages) are based on market consensus forecasts and long-term historic average returns expected to apply through the cycle
- assumptions for fixed interest securities measured at fair value through profit or loss (FVTPL) are based on asset yields for the assets held, less an adjustment for credit risk (assessed on a best estimate basis). Where securities are measured at amortised cost or fair value through other comprehensive income (FVOCI), the expected investment return comprises interest income on an effective interest rate basis
- equity direct investments incorporate investments in housing, specialist commercial real estate, clean energy, alternative finance and fintech. Where used for the determination of adjusted operating profit, the long-term expected investment return is on average between 10% and 12%. Rates of return specific to each asset are determined at the point of underwriting and reviewed and updated annually. The rate of return for assets belonging to Corporate Investments is determined at a portfolio level, and is updated annually if required. The expected investment return includes current financial assumptions as well as sector specific assumptions, including retail and commercial property yields and power prices where appropriate.

# All references to 'Operating profit' throughout this report represent 'Adjusted operating profit', an alternative performance measure defined in the alternative performance measures (APM) section.

The long-term expectations used in determining the expected investment returns for traded equity and property assets are:

	2024	2023
Equity returns	7%	7%
Commercial property growth	5%	5%
Residential property growth	3.5%	3.5%

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

Exceptional income and expense which arise outside the normal course of business in the year such as acquisitions, disposals,

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

### 1.03 Analysis of Institutional Retirement and Retail operating profit<sup>#</sup>

	Institutional Retirement	Retail	Restated Institutional Retirement	Restated Retail
	2024	2024	2023	2023
	£m	£m	£m	£m
Amortisation of the CSM in the year <sup>1</sup>	650	469	591	446
Release of risk adjustment in the year	141	84	119	74
Experience variances	(10)	26	(14)	(17)
Development of losses on onerous contracts <sup>2</sup>	-	(10)	1	(27)
Other expenses <sup>3</sup>	(168)	(136)	(160)	(121)
Insurance investment margin <sup>4</sup>	485	106	486	122
Investment contracts and non-insurance operating profit	7	(35)	5	(28)
<b>Total Institutional Retirement and Retail operating profit</b>	<b>1,105</b>	<b>504</b>	<b>1,028</b>	<b>449</b>

- Contractual service margin (CSM) amortisation for Retail has been reduced by £18m (2023: £16m) to exclude the impact of reinsurance mismatches.
- Development of losses on onerous contracts has been reduced by £35m (2023: £6m) to remove gross contract losses where, net of reinsurance, the contracts remain profitable. These accounting losses will be presented as a reduction to the CSM amortisation in future periods.
- Other expenses are non-attributable expenses on both new business and existing business. These are overhead costs which are not allowed for in the CSM or the best estimate liability unit cost assumptions, and instead are reported within the Consolidated Income Statement as part of the profit or loss for the year.
- Insurance investment margin comprises the expected investment return on assets backing insurance contract liabilities, the unwind of the discount rate on insurance contract liabilities and the optimisation of the assets backing the annuity back book. The insurance investment margin also incorporates the impact of the change in segmentation (see Note 1.01).

### 1.04 Asset Management operating profit<sup>#</sup>

	2024	Restated 2023
	£m	£m
Management fee revenue (excluding third-party market data) <sup>1,2</sup>	947	900
Transactional revenue <sup>3</sup>	20	26
Expenses (excluding third-party market data) <sup>1,2</sup>	(711)	(658)
Operating profit from fee related earnings	256	268
Operating profit from balance sheet investments <sup>4</sup>	145	180
<b>Total Asset Management operating profit</b>	<b>401</b>	<b>448</b>

- Asset Management revenue has been presented net of costs of £30m in relation to the provision of third-party market data (2023: £26m).
- Asset Management revenue and expenses include the investment management activities that the division undertakes on behalf of other Group businesses. As indicated in Note 1.08, the revenue and expenses for the most significant portion of these activities, previously undertaken by the LGM division prior to the restructure in June 2024, are included in the above table on a gross basis. Any additional services provided by Asset Management to other businesses, notably those inherited from the previous LGC division, are eliminated in the above and segmental disclosures and presented on a net basis. Prior year comparatives have been adjusted to be on a consistent basis.
- Transactional revenue from external clients includes execution fees, asset transition income, trigger fees, arrangement fees on property transactions and performance fees.
- Earnings from balance sheet investments across specialist commercial real estate, clean energy, housing and alternative finance.

<sup>#</sup> All references to 'Operating profit' throughout this report represent 'Adjusted operating profit', an alternative performance measure defined in the alternative performance measures (APM) section.

### 1.05 Investment and other variances

	2024	Restated 2023
	£m	£m
<b>Institutional Retirement and Retail</b>		
- Net impact of investment returns less than expectation and change in liability discount rates	(711)	(720)
- Other	(53)	(6)
<b>Total Institutional Retirement and Retail investment variance<sup>1</sup></b>	<b>(764)</b>	<b>(726)</b>
Asset Management investment variance	(187)	(123)
Other investment variance <sup>2</sup>	(285)	(529)
<b>Investment variance</b>	<b>(1,236)</b>	<b>(1,378)</b>
M&A related and other variances <sup>3</sup>	(147)	(199)
<b>Total investment and other variances</b>	<b>(1,383)</b>	<b>(1,577)</b>

- The investment variance for Institutional Retirement and Retail is driven by increases in interest rates and inflation expectations, in line with our year end sensitivities, as well as non-recurring IFRS 17 modelling refinements in the first half of 2024 and an adverse accounting mismatch from longevity releases in the second half of the year.
- Other investment variance includes a £110m valuation write down of Salary Finance. In 2023, it includes the £167m one-off settlement cost associated with the buyout of the Group's UK defined benefit pension schemes along with the current service costs and net interest expense up until that transaction.
- M&A related and other variances includes £99m in respect of the disposal of Cala.

Investment variance includes differences between actual and long-term expected investment return on traded and non-traded assets, the impact of economic assumption changes caused by changes in market conditions or expectations (e.g. credit default and inflation), the impact of any difference between the actual allocated asset mix and the target long-term asset mix on new pension risk transfer business, and the yield associated with assets held for future new pension risk transfer business. Note 1.02 includes details around the determination of the long-term expected investment return in the calculation of adjusted operating profit.

For the Group's long-term insurance businesses, reinsurance mismatches can arise where the reinsurance offset rules in IFRS 17 do not reflect management's view of the net of reinsurance transaction. In particular, during a year of reinsurance renegotiation,

do not reflect management's view of the net of reinsurance transaction in particular, during a year of reinsurance renegotiation, reinsurance gains cannot be recognised to offset any inception losses on the underlying contracts where they are recognised before the new reinsurance agreement is signed. In these circumstances, the onerous contract losses are reduced to reflect the net loss (if any) after reinsurance, and future contractual service margin (CSM) amortisation is reduced over the duration of the contracts. Additionally, in some circumstances, profitable reinsurance does not mitigate onerous losses on gross contracts whilst the net position remains profitable. Where this is the case, onerous contract profits or losses are also presented below operating profit and the CSM amortisation is adjusted over the remaining duration of the contracts.

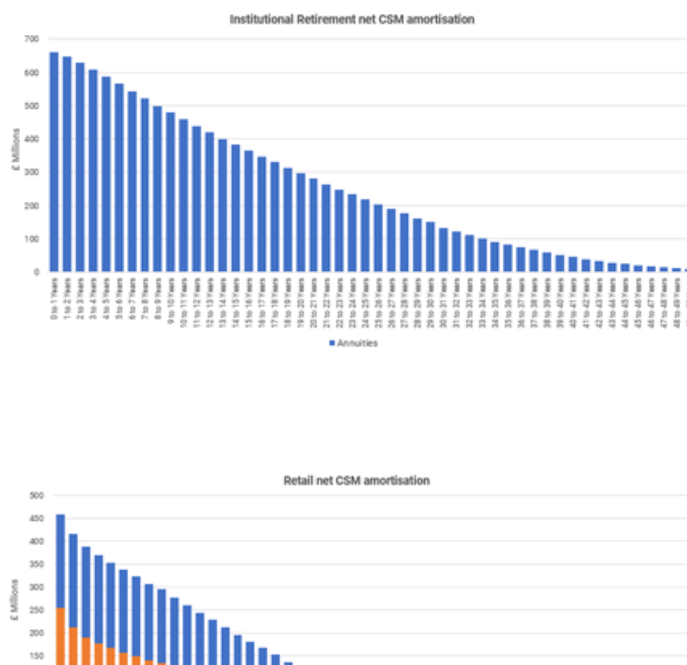
Changes in non-financial assumptions, including longevity, recalibrate the CSM at locked-in, point-of-sale discount rates, whilst the fulfilment cash flows change at the current discount rate. This creates a component of investment variance reflecting the difference between these bases. Investment variance for Institutional Retirement and Retail includes £79m expense (2023: £318m expense) arising from interest rate differences on longevity assumption changes in the year.

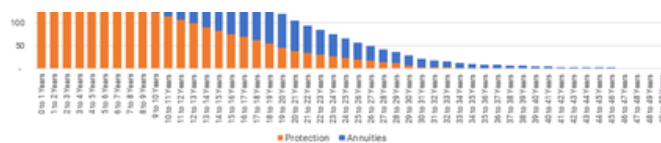
M&A related and other variances includes gains and losses, expenses and intangible amortisation relating to acquisitions, disposals and restructuring as well as business start-up costs.

### 1.06 Risk adjustment (RA) and contractual service margin (CSM) analysis

	Net of reinsurance RA Institutional Retirement £m	Net of reinsurance RA Retail £m	Net of reinsurance CSM Institutional Retirement £m	Net of reinsurance CSM Retail £m
<b>As at 1 January 2024</b>	<b>807</b>	<b>891</b>	<b>8,350</b>	<b>4,644</b>
CSM recognised for services provided/received	-	-	(650)	(487)
Release of risk adjustment	(141)	(84)	-	-
Changes in estimates which adjust the CSM	(50)	(7)	160	(3)
Changes in estimates that result in losses or reversal of losses on underlying onerous contracts	-	(2)	-	-
Contracts initially recognised in the year	94	45	489	351
Finance (income)/expenses from insurance contracts	(2)	(12)	275	147
Effect of movements in exchange rates	2	10	1	15
<b>As at 31 December 2024</b>	<b>710</b>	<b>841</b>	<b>8,625</b>	<b>4,667</b>

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





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

## 1.07 Earnings per share

### (i) Basic and core operating earnings per share

	Total 2024 £m	Per share <sup>1</sup> 2024 p	Restated Total 2023 £m	Restated Per share <sup>1</sup> 2023 p
<b>Profit for the year attributable to equity holders</b>	<b>191</b>	<b>3.24</b>	457	7.73
Less: coupon payable in respect of restricted Tier 1 convertible notes after tax relief	(21)	(0.35)	(22)	(0.38)
<b>Total basic earnings</b>	<b>170</b>	<b>2.89</b>	435	7.35
Less: Corporate Investments operating profit after allocated tax	(71)	(1.21)	(104)	(1.76)
Less: Investment variance after allocated tax	1,092	18.55	795	13.45
<b>Total basic core operating earnings<sup>2</sup></b>	<b>1,191</b>	<b>20.23</b>	1,126	19.04

1. Basic earnings per share is calculated by dividing profit after tax by the weighted average number of ordinary shares in issue during the year, excluding employee scheme treasury shares.
2. Total basic core earnings includes allocated tax at the standard UK corporate tax rate.

### (ii) Diluted and core operating earnings per share

	After tax £m	Weighted average number of shares m	Per share <sup>1</sup> p
<b>For the year ended 31 December 2024</b>			
<b>Profit for the year attributable to equity holders</b>	<b>191</b>	<b>5,886</b>	<b>3.24</b>
Less: coupon payable in respect of restricted Tier 1 convertible notes after tax relief <sup>2</sup>	(21)	-	(0.35)
Net shares under options allocable for no further consideration	-	62	(0.03)
<b>Total diluted earnings</b>	<b>170</b>	<b>5,948</b>	<b>2.86</b>
Less: Corporate Investments operating profit after allocated tax	(71)	-	(1.19)
Less: Investment variance after allocated tax	1,092	-	18.36
Conversion of restricted Tier 1 notes <sup>2</sup>	21	307	(0.65)
<b>Total diluted core operating earnings</b>	<b>1,212</b>	<b>6,255</b>	<b>19.38</b>

	After tax £m	Weighted average number of shares m	Per share <sup>1</sup> p
<b>For the year ended 31 December 2023</b>			
<b>Profit for the year attributable to equity holders</b>	<b>457</b>	<b>5,915</b>	<b>7.73</b>
Net shares under options allocable for no further consideration	-	59	(0.08)
Conversion of restricted Tier 1 notes	-	307	(0.37)
<b>Total diluted earnings</b>	<b>457</b>	<b>6,281</b>	<b>7.28</b>
Less: Corporate Investments operating profit after allocated tax	(104)	-	(1.66)
Less: Investment variance after allocated tax	795	-	12.66
<b>Total diluted core operating earnings</b>	<b>1,148</b>	<b>6,281</b>	<b>18.28</b>

1. For diluted earnings per share, the weighted average number of ordinary shares in issue, excluding employee scheme treasury shares, is adjusted to assume conversion of all potential ordinary shares, such as share options granted to employees and conversion of restricted Tier 1 notes.
2. The conversion of restricted Tier 1 notes in 2024 is antidilutive for the calculation of diluted earnings per share and dilutive for the calculation of diluted core operating earnings per share. Where antidilutive, the conversion has not been considered for the determination of the relevant amount per share. The instrument could potentially dilute basic earnings per share in the future.

## 1.08 Segmental analysis

Following the announcement of the Group's refreshed strategy in 2024, and the associated business model revision, the Group now has five reportable segments, comprising Institutional Retirement, Asset Management, Insurance, Retail Retirement and Corporate Investments. Further information on the change is set out in Note 1.02.

Group expenses, debt costs and assets held centrally are reported separately. Transactions between segments are on normal commercial terms and are included within the reported segments.

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

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

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

#### (i) Profit/(loss) for the year

	Institutional Retirement £m	Asset Management £m	Insurance £m	Retail Retirement £m	Corporate Investments £m	Group expenses and debt costs £m	Total £m
<b>For the year ended 31 December 2024</b>							
<b>Operating profit/(loss)<sup>#</sup></b>	<b>1,105</b>	<b>401</b>	<b>188</b>	<b>316</b>	<b>95</b>	<b>(394)</b>	<b>1,711</b>
Investment and other variances	(557)	(190)	(52)	(155)	(388)	(41)	(1,383)
Profits attributable to non-controlling interests	-	-	-	-	-	4	4
<b>Profit/(loss) before tax attributable to equity holders</b>	<b>548</b>	<b>211</b>	<b>136</b>	<b>161</b>	<b>(293)</b>	<b>(431)</b>	<b>332</b>
Tax (expense)/credit attributable to equity holders	(131)	(46)	(41)	(37)	-	118	(137)
<b>Profit/(loss) for the year</b>	<b>417</b>	<b>165</b>	<b>95</b>	<b>124</b>	<b>(293)</b>	<b>(313)</b>	<b>195</b>

	Institutional Retirement £m	Asset Management £m	Insurance £m	Retail Retirement £m	Corporate Investments £m	Group expenses and debt costs £m	Total £m
<b>For the year ended 31 December 2023 (Restated)</b>							
<b>Operating profit/(loss)<sup>#</sup></b>	<b>1,028</b>	<b>448</b>	<b>139</b>	<b>310</b>	<b>136</b>	<b>(394)</b>	<b>1,667</b>
Investment and other variances	(555)	(123)	(22)	(149)	(363)	(365)	(1,577)
Losses attributable to non-controlling interests	-	-	-	-	-	(14)	(14)
<b>Profit/(loss) before tax attributable to equity holders</b>	<b>473</b>	<b>325</b>	<b>117</b>	<b>161</b>	<b>(227)</b>	<b>(773)</b>	<b>76</b>
Tax credit/(expense) attributable to equity holders	236	(30)	(44)	61	17	127	367
<b>Profit/(loss) for the year</b>	<b>709</b>	<b>295</b>	<b>73</b>	<b>222</b>	<b>(210)</b>	<b>(646)</b>	<b>443</b>

# All references to 'Operating profit' throughout this report represent 'Adjusted operating profit', an alternative performance measure defined in the alternative performance measures (APM) section.

#### (ii) Revenue

Total revenue includes insurance revenue, fees from fund management and investment contracts and other operational income from contracts with customers. Further details on the components of insurance revenue are disclosed in Note 3.12.

	Institutional Retirement £m	Asset Management <sup>1</sup> £m	Insurance £m	Retail Retirement £m	Corporate Investments and other <sup>2</sup> £m	Total £m
<b>For the year ended 31 December 2024</b>						
Internal revenue <sup>3</sup>	-	193	-	-	(193)	-
External revenue	5,885	849	3,366	1,584	1,005	12,689
<b>Total revenue</b>	<b>5,885</b>	<b>1,042</b>	<b>3,366</b>	<b>1,584</b>	<b>812</b>	<b>12,689</b>

	Institutional Retirement £m	Asset Management <sup>1</sup> £m	Insurance £m	Retail Retirement £m	Corporate Investments and other <sup>2</sup> £m	Total £m
<b>For the year ended 31 December 2023 (Restated)</b>						
Internal revenue <sup>3</sup>	-	176	-	-	(176)	-
External revenue	5,257	930	3,115	1,468	1,341	12,111
<b>Total revenue</b>	<b>5,257</b>	<b>1,106</b>	<b>3,115</b>	<b>1,468</b>	<b>1,165</b>	<b>12,111</b>

1. Asset Management internal revenue relates to investment management services provided to other segments.
2. Other includes inter-segmental eliminations and Group consolidation adjustments.
3. Asset Management revenue includes the investment management activities that the division undertakes on behalf of other Group businesses. The revenue for the most significant portion of these activities, previously undertaken by the LGLM division prior to the restructure in June 2024, are included in the above table on a gross basis. Any additional services provided by Asset Management to other divisions, notably those inherited from the previous LGC division, are eliminated in the segmental disclosures and presented on a net basis. Prior year comparatives have been adjusted to be on a consistent basis.

## IFRS Primary Financial Statements

### 2.01 Consolidated Income Statement

	Notes	2024 £m	2023 £m
<b>For the year ended 31 December 2024</b>			
Insurance revenue	3.12	10,574	9,624
Insurance service expenses	3.12	(9,091)	(8,373)
<b>Insurance service result before reinsurance contracts held</b>		<b>1,483</b>	<b>1,251</b>
<b>Net expense from reinsurance contracts held</b>	3.12	<b>(159)</b>	<b>(137)</b>
<b>Insurance service result</b>	3.12	<b>1,324</b>	<b>1,114</b>
Investment return <sup>1</sup>		21,744	32,973
Finance income/(expense) from insurance contracts		1,056	(5,830)
Finance (expense)/income from reinsurance contracts		(30)	584
Change in investment contract liabilities		(22,196)	(27,116)
<b>Insurance and investment result</b>		<b>1,898</b>	<b>1,725</b>
Other operational income		1,204	1,571
Fees from fund management and investment contracts		864	825
Acquisition costs		(175)	(149)
Other finance costs		(372)	(347)
Other expenses		(2,877)	(3,430)
<b>Total other income and expenses</b>		<b>(1,356)</b>	<b>(1,530)</b>
<b>Profit before tax</b>		<b>542</b>	<b>195</b>
Tax expense attributable to policyholder returns		(210)	(119)
<b>Profit before tax attributable to equity holders</b>		<b>332</b>	<b>76</b>
Total tax (expense)/credit		(347)	248
Tax expense attributable to policyholder returns		210	119

Tax (expense)/credit attributable to equity holders	3.06	(137)	367
<b>Profit for the year</b>		<b>195</b>	<b>443</b>
Attributable to:			
Non-controlling interests		4	(14)
Equity holders		<b>191</b>	<b>457</b>
Dividend distributions to equity holders during the year	3.04	<b>1,230</b>	1,172
Dividend distributions to equity holders proposed after the year end	3.04	<b>902</b>	871
		<b>p</b>	<b>p</b>
<b>Total basic earnings per share<sup>2</sup></b>	1.07	<b>2.89</b>	7.35
<b>Total diluted earnings per share<sup>2</sup></b>	1.07	<b>2.86</b>	7.28

- Investment return includes £467m (2023: £314m) of interest income calculated using the effective interest method.
- All earnings per share calculations are based on profit attributable to equity holders of the Company.

## 2.02 Consolidated Statement of Comprehensive Income

	<b>2024</b>	2023
<b>For the year ended 31 December 2024</b>	<b>£m</b>	<b>£m</b>
<b>Profit for the year</b>	<b>195</b>	<b>443</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Actuarial remeasurements on defined benefit pension schemes	9	(29)
Tax on actuarial remeasurements on defined benefit pension schemes	(2)	8
<b>Total items that will not be reclassified subsequently to profit or loss</b>	<b>7</b>	<b>(21)</b>
<b>Items that may be reclassified subsequently to profit or loss</b>		
Exchange differences on translation of overseas operations	(10)	(6)
Movement in cross-currency hedge	3	(37)
Tax on movement in cross-currency hedge	(1)	9
Movement in financial investments measured at FVOCI	(258)	75
Tax on movement in financial investments measured at FVOCI	63	(18)
Insurance finance income/(expense) for insurance contracts issued applying the OCI option	428	(73)
Reinsurance finance (expense)/income for reinsurance contracts held applying the OCI option	(204)	43
Tax on movement in finance income/(expense) for insurance and reinsurance contracts	(51)	6
<b>Total items that may be reclassified subsequently to profit or loss</b>	<b>(30)</b>	<b>(1)</b>
<b>Other comprehensive expense after tax</b>	<b>(23)</b>	<b>(22)</b>
<b>Total comprehensive income for the year</b>	<b>172</b>	<b>421</b>
<b>Total comprehensive income/(expense) for the year attributable to:</b>		
Non-controlling interests	4	(14)
Equity holders	<b>168</b>	<b>435</b>

## 2.03 Consolidated Balance Sheet

<b>As at 31 December 2024</b>	<b>Notes</b>	<b>2024</b>	2023
		<b>£m</b>	<b>£m</b>
<b>Assets</b>			
Goodwill		30	73
Intangible assets		450	477
Investment in associates and joint ventures accounted for using the equity method		872	616
Property, plant and equipment		395	433
Investment property	3.05	9,822	8,893
Financial investments	3.05	495,551	471,405
Reinsurance contract assets	3.12	9,165	7,306
Deferred tax assets	3.06	1,741	1,714
Current tax assets		857	885
Receivables and other assets		8,627	9,780
Cash and cash equivalents		16,657	20,513
<b>Total assets</b>		<b>544,167</b>	<b>522,095</b>
<b>Equity</b>			
Share capital	3.07	147	149
Share premium	3.07	1,036	1,030
Employee scheme treasury shares		(163)	(147)
Capital redemption and other reserves		319	326
Retained earnings		1,714	2,973
<b>Attributable to owners of the parent</b>		<b>3,053</b>	<b>4,331</b>
Restricted Tier 1 convertible notes	3.08	495	495
Non-controlling interests		(37)	(42)
<b>Total equity</b>		<b>3,511</b>	<b>4,784</b>
<b>Liabilities</b>			
Insurance contract liabilities	3.12	95,648	91,446
Reinsurance contract liabilities	3.12	170	220
Investment contract liabilities		323,957	316,872
Core borrowings	3.09	4,308	4,280
Operational borrowings	3.10	3,391	1,840
Provisions	3.15	152	258
Deferred tax liabilities	3.06	197	107
Current tax liabilities		118	77
Payables and other financial liabilities	3.11	87,362	78,439
Other liabilities		950	680
Net asset value attributable to unit holders		24,403	23,092



Total liabilities	540,656	517,311
Total equity and liabilities	544,167	522,095

## 2.04 Consolidated Statement of Changes in Equity

	Share capital £m	Share premium £m	Employee scheme treasury shares £m	Capital redemption and other reserves <sup>1</sup> £m	Retained earnings £m	Equity attributable to owners of the parent £m	Restricted Tier 1 convertible notes £m	Non-controlling interests £m	Total equity £m
<b>For the year ended 31 December 2024</b>									
As at 1 January 2024	149	1,030	(147)	326	2,973	4,331	495	(42)	4,784
Profit for the year	-	-	-	-	191	191	-	4	195
Exchange differences on translation of overseas operations	-	-	-	(10)	-	(10)	-	-	(10)
Net movement in cross-currency hedge	-	-	-	2	-	2	-	-	2
Net actuarial remeasurements on defined benefit pension schemes	-	-	-	-	7	7	-	-	7
Net movement in financial investments measured at FVOCI	-	-	-	(195)	-	(195)	-	-	(195)
Net insurance finance income	-	-	-	173	-	173	-	-	173
Total comprehensive (expense)/income for the year	-	-	-	(30)	198	168	-	4	172
Options exercised under share option schemes	-	6	-	-	-	6	-	-	6
Shares purchased	-	-	(33)	-	-	(33)	-	-	(33)
Shares vested	-	-	17	(51)	-	(34)	-	-	(34)
Employee scheme treasury shares: - Value of employee services	-	-	-	72	-	72	-	-	72
Share scheme transfers to retained earnings	-	-	-	-	(5)	(5)	-	-	(5)
Share buyback <sup>2</sup>	(2)	-	-	2	(201)	(201)	-	-	(201)
Dividends	-	-	-	-	(1,230)	(1,230)	-	-	(1,230)
Coupon payable in respect of restricted Tier 1 convertible notes after tax relief	-	-	-	-	(21)	(21)	-	-	(21)
Movement in third-party interests	-	-	-	-	-	-	-	1	1
<b>As at 31 December 2024</b>	<b>147</b>	<b>1,036</b>	<b>(163)</b>	<b>319</b>	<b>1,714</b>	<b>3,053</b>	<b>495</b>	<b>(37)</b>	<b>3,511</b>

- Capital redemption and other reserves as at 31 December 2024 include share-based payments £110m, foreign exchange £30m, capital redemption £19m, hedging £48m, insurance and reinsurance finance for contracts applying the OCI option £352m and financial assets at FVOCI £(240)m.
- On 13 June 2024, Legal & General Group Plc entered into an irrevocable agreement to acquire £201m (including stamp duty) of ordinary shares for cancellation. The programme completed on 8 November 2024, with a total number of shares acquired and cancelled of 88,835,417.

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

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

## 2.05 Consolidated Statement of Cash Flows

	Notes	2024 £m	2023 £m
<b>For the year ended 31 December 2024</b>			
<b>Cash flows from operating activities</b>			
<b>Profit for the year</b>		<b>195</b>	<b>443</b>
<b>Adjustments for non-cash movements in net profit for the year</b>			
Net gains on financial investments		(8,496)	(22,492)
Net (gains)/losses on investment property		(42)	925
Investment income		(13,206)	(11,406)
Interest expense		372	347
Tax expense/(credit)		347	(248)
Other adjustments		138	112



<b>Net (increase)/decrease in operational assets</b>		
Investments mandatorily measured at FVTPL	(900)	(7,478)
Investments measured at FVOCI	(102)	(1,344)
Investments measured at amortised cost	(1,032)	(126)
Other assets	(248)	3,218
<b>Net increase/(decrease) in operational liabilities</b>		
Insurance contracts and reinsurance contracts held	2,372	11,153
Investment contracts	7,083	30,045
Other liabilities	(3,001)	(26,682)
<b>Cash utilised in operations</b>	<b>(16,520)</b>	<b>(23,533)</b>
Interest paid	(365)	(469)
Interest received <sup>1</sup>	6,954	5,210
Rent received	446	437
Tax paid <sup>2</sup>	(190)	(186)
Dividends received	5,229	4,297
<b>Net cash flows from operations</b>	<b>(4,446)</b>	<b>(14,244)</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment, intangibles and other assets	(95)	(237)
Acquisition of operations, net of cash acquired	-	(9)
Disposal of subsidiaries, net of cash transferred	3.03	455
Investment in joint ventures and associates	(121)	(184)
Disposal of joint ventures and associates	-	8
<b>Net cash flows utilised in investing activities</b>	<b>239</b>	<b>(422)</b>
<b>Cash flows from financing activities</b>		
Dividend distributions to ordinary equity holders during the year	3.04	(1,230)
Coupon payment in respect of restricted Tier 1 convertible notes, gross of tax	3.08	(28)
Options exercised under share option schemes	3.07	6
Employee scheme treasury shares purchased		(33)
Purchase of shares under share buyback programme	3.07	(201)
Payment of lease liabilities		(35)
Proceeds from borrowings		2,325
Repayment of borrowings		(473)
<b>Net cash flows utilised in financing activities</b>	<b>331</b>	<b>(556)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(3,876)</b>	<b>(15,222)</b>
Exchange gains/(losses) on cash and cash equivalents	20	(49)
Cash and cash equivalents at 1 January	20,513	35,784
<b>Total cash and cash equivalents at 31 December</b>	<b>16,657</b>	<b>20,513</b>

1. Interest received includes net cash flows arising from interest rate swaps.

2. Tax paid comprises withholding tax of £221m (2023: £179m), UK corporation tax refund of £31m (2023: £nil) and overseas corporate tax of £nil (2023: £7m).

## IFRS Disclosure Notes

### 3.01 Basis of preparation

The preliminary announcement for the year ended 31 December 2024 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information in this preliminary announcement has been derived from the Group financial statements within the Group's 2024 Annual report and accounts (including financial information for 31 December), which will be made available on the Group's website on 19 March 2024. The Group's 2023 Annual report and accounts have been filed with the Registrar of Companies, and those for 2024 will be delivered in due course. KPMG have reported on the 2024 and 2023 Annual report and accounts. Both their reports were: (i) unqualified; (ii) did not include a reference to any matters to which they drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

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

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

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

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

#### Critical accounting judgements and the use of estimates

The preparation of the financial statements includes the use of estimates and assumptions which affect items reported in the Consolidated Balance Sheet and Income Statement and the disclosure of contingent assets and liabilities at the date of the financial statements. Although these estimates are based on management's best knowledge of current circumstances and future events and actions, actual results may differ from those estimates, possibly significantly. This is particularly relevant for the valuation of insurance contract liabilities, unquoted illiquid assets and investment property. From a policy application perspective, the major areas of judgement are the assessment of whether a contract transfers significant insurance risk to the Group, and whether the Group controls underlying entities and should therefore consolidate them. The basis of accounting for these areas, and the significant judgements used in determining them, are outlined in the respective notes to the Group's 2024 Annual report and accounts.

#### Key technical terms and definitions

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

#### Tax attributable to policyholders and equity holders

The total tax expense shown in the Group's Consolidated Income Statement includes income tax borne by both policyholders and equity holders. This has been split between tax attributable to policyholders' returns and equity holders' profits.

Policyholder tax comprises the tax suffered on policyholder investment returns, while equity holder tax is corporation tax charged on equity holder profit. The separate presentation is intended to provide more relevant information about the tax that the Group pays on the profits that it makes.

### 3.02 Post balance sheet events

#### Sale of US insurance entity

On 7 February 2025 the Group announced that it had agreed the sale of its US insurance entity<sup>1</sup>, comprising its US protection and US pension risk transfer (PRT) businesses, to Meiji Yasuda Life Insurance Company (Meiji Yasuda), a Japanese mutual life insurance company, for an equity value of 2.3bn (£1.8bn) payable in cash at completion (subject to certain purchase price adjustments). Following completion, Meiji Yasuda will own the Group's US protection business and have a 20% economic interest in its US PRT business, with L&G retaining 80% of existing and new PRT through reinsurance arrangements with Meiji Yasuda.

The transaction is expected to complete towards the end of 2025 and is subject to customary closing conditions and regulatory approvals.

Management undertook an assessment of the facts and circumstances related to the transaction as at 31 December 2024 and concluded that the criteria for classification as held for sale were not met at that date. However, as a result of the announcement on 7 February 2025, subsequent to the year end, the Group's US insurance entity (including its US PRT business) now qualifies for classification and measurement as a held for sale disposal group. It also meets the definition of a discontinued operation, and its results will be presented accordingly in subsequent reporting periods.

1. To be implemented by the Group disposing of all of the shares held in Legal & General America Inc, the parent company of Banner Life and William Penn, which write L&G's US protection and US PRT businesses.

#### OECD update on Pillar II rules

An update was issued by the OECD on 15 January 2025 to its guidance on the Global Anti-base Erosion Model Rules, to clarify the application of the Pillar II rules to certain deferred tax assets existing on transition to the new rules. Please refer to Note 3.06 Tax for further details.

### 3.03 Disposals

#### Cala

On 18 September 2024 the Group announced the disposal of 100% of the share capital of Cala to Ferguson Bidco Limited. The transaction completed on 31 October 2024.

Total consideration of £1,063m was agreed for the transaction, with proceeds of £487m received in cash upon closing and settlement of the remaining £576m deferred to pre-agreed tranches between 2025 and 2029. Based on a carrying value upon disposal of £1,072m, the transaction generated a pre-tax loss of £99m on completion, including transaction costs and the effect of discounting the deferred consideration. The effect of the discounting will unwind back into the Consolidated Income Statement over time.

The loss on disposal has been recognised in the results of the Group's Corporate Investments segment, and, in line with the Group methodology for the determination of operating profit, outside both adjusted operating profit and core operating profit.

### 3.04 Dividends and appropriations

	Dividend 2024 £m	Per share <sup>1</sup> 2024 p	Dividend 2023 £m	Per share <sup>1</sup> 2023 p
Ordinary dividends paid and charged to equity in the year:				
- Final 2022 dividend paid in June 2023	-	-	831	13.93
- Interim 2023 dividend paid in September 2023	-	-	341	5.71
- Final 2023 dividend paid in June 2024 <sup>2</sup>	874	14.63	-	-
- Interim 2024 dividend paid in September 2024	356	6.00	-	-
<b>Total dividends</b>	<b>1,230</b>	<b>20.63</b>	<b>1,172</b>	<b>19.64</b>

1. The dividend per share calculation is based on the number of equity shares registered on the ex-dividend date.

2. The dividend proposed at 31 December 2023 was £871m based on the current number of eligible equity shares at that date.

Subsequent to 31 December 2024, the directors declared a final dividend for 2024 of 15.36 pence per ordinary share. This dividend will be paid on 5 June 2025. It will be accounted for as an appropriation of retained earnings in the year ended 31 December 2025 and is not included as a liability in the Consolidated Balance Sheet as at 31 December 2024.

### 3.05 Financial investments and investment property

	2024 £m	2023 £m
Equities <sup>1</sup>	201,290	185,982
Debt securities <sup>2,3</sup>	235,583	233,980
Derivative assets <sup>4</sup>	51,192	41,140
Loans <sup>5</sup>	7,486	10,303
<b>Financial investments</b>	<b>495,551</b>	<b>471,405</b>
<b>Investment property</b>	<b>9,822</b>	<b>8,893</b>
<b>Total financial investments and investment property</b>	<b>505,373</b>	<b>480,298</b>

1. Equities include investments in unit trusts of £19,931m (31 December 2023: £19,660m).

2. Debt securities include accrued interest of £1,997m (31 December 2023: £1,852m) and include £8,965m (31 December 2023: £8,032m) of assets valued at amortised cost.

3. A detailed analysis of debt securities to which shareholders are directly exposed is disclosed in Note 6.03.

4. Derivatives are used for efficient portfolio management, particularly the use of interest rate swaps, inflation swaps, currency swaps and foreign exchange forward contracts for asset and liability management. Derivative assets are shown gross of derivative liabilities of £57,873m (31 December 2023: £43,821m).

5. Loans include £84m (31 December 2023: £13m) of loans valued at amortised cost.

### 3.06 Tax

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

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

	2024 £m	2023 £m
Profit before tax attributable to equity holders	332	76
Tax calculated at 25% (2023: 23.5%)	83	18
Adjusted for the effects of		
<b>Recurring reconciling items:</b>		
Different rate of tax on overseas profits and losses <sup>1</sup>	(30)	(68)
Income not subject to tax	(3)	(4)
Non-deductible expenses <sup>2</sup>	32	27
Differences between taxable and accounting investment gains <sup>3</sup>	32	(9)
Other taxes on property and foreign income	7	4
Unrecognised tax losses	(1)	19

Double tax relief	(1)	(2)
<b>Non-recurring reconciling items:</b>		
Differences between taxable and accounting investment gains <sup>4</sup>	19	-
Adjustments in respect of prior years	(1)	(11)
Impact of the revaluation of deferred tax balances	-	(1)
Impact of law changes on deferred tax balances <sup>5</sup>	-	(340)
<b>Tax expense/(credit) attributable to equity holders</b>	<b>137</b>	<b>(367)</b>
<b>Equity holders' effective tax rate</b>	<b>41%</b>	<b>(483)%</b>

1. The lower rate of tax on overseas profits and losses is principally driven by the 0% rate of tax applying in Bermuda on the profits of our Bermudan reinsurance company, the impact of which is reduced by 15% UK top-up tax on Bermuda profits, estimated to be £35m for 2024. This also includes the impact of our US operations which are taxed at 21%.
2. Non-deductible expenses relate to costs which are not deductible for tax purposes including expenses in respect of acquisitions and disposals as well as certain restructuring costs.
3. Differences between taxable and accounting investment gains includes adjustments to the carrying value of investments which are not taxable.
4. This is in respect of the disposal of the CALA group which is not taxable due to substantial shareholding exemption. See Note 3.03 for further details.
5. The 2023 tax credit relates to the introduction of a new corporate income tax regime in Bermuda, which was enacted in December 2023.

## (ii) Implementation of the global minimum tax regime

The UK has enacted legislation with effect from 1 January 2024 to apply a global minimum tax (Pillar II) in line with the Model Rules agreed by the Organisation for Economic Co-operation and Development (OECD). The Group is expected to be liable to UK top-up tax in 2024 at 15% in respect of profits arising in our global reinsurance hub in Bermuda. From 2025, the Group's Bermudan profits will be liable to local Bermudan corporate income tax (CIT) at 15%.

In January 2025, the OECD issued new guidance relating to the Pillar II treatment of certain deferred tax assets. This is expected to impact how the £340m Bermuda deferred tax asset is included in Pillar II calculations after 1 January 2027 and we await further guidance. This does not of itself change the recognition of the Bermuda deferred tax asset in 2024, although there are some outcomes where there may be a change to the Bermuda deferred tax position in future. The interaction with the Pillar II tax calculations may result in additional top-up tax applying which in turn would increase the overall effective tax rate in Bermuda for those years.

## (iii) Deferred tax

Deferred tax assets/(liabilities)	2024 £m	2023 £m
Overseas deferred acquisition expenses <sup>1</sup>	136	121
Difference between the tax and accounting value of insurance contracts	617	736
- UK	1,258	1,149
- Bermuda <sup>2</sup>	340	340
- US	(981)	(753)
Realised and unrealised gains on investments	(32)	72
Excess of depreciation over capital allowances	(13)	17
Accounting provisions and other	11	52
Trading losses	825	609
- UK	170	76
- US <sup>3</sup>	655	533
<b>Net deferred tax asset</b>	<b>1,544</b>	<b>1,607</b>
Presented on the Consolidated Balance Sheet as:		
- Deferred tax assets	1,741	1,714
- Deferred tax liabilities <sup>4</sup>	(197)	(107)
<b>Net deferred tax asset</b>	<b>1,544</b>	<b>1,607</b>

1. Deferred tax assets arising on deferred acquisition expenses relate solely to US balances.
2. The Bermuda deferred tax asset relates to the introduction of a new corporate income tax regime in Bermuda, which was enacted in December 2023.
3. This deferred tax asset relates to US operating losses. The losses are not time restricted, and we expect to recover them over a period of 15 to 20 years, commensurate with the lifecycle of the underlying insurance contracts. In reaching this conclusion, we have considered past results, the different basis under which US companies are taxed, temporary differences that are expected to generate future profits against which the deferred tax can be offset, management actions, and future profit forecasts. The recoverability of deferred tax assets is routinely reviewed by management.
4. The deferred tax liability is comprised of balances of £197m relating to the US (2023: £107m) which is not capable of being offset against other deferred tax assets.

## 3.07 Share capital and share premium

	2024 Number of shares	2024 £m	2023 Number of shares	2023 £m
<b>Authorised share capital</b>				
At 31 December, ordinary shares of 2.5p each	9,200,000,000	230	9,200,000,000	230
<b>Issued share capital, fully paid</b>				
As at 1 January 2024		5,979,578,280		149
Cancellation of shares under share buyback programme <sup>1</sup>		(88,835,417)		(2)
Options exercised under share option schemes		2,436,776		-
As at 31 December 2024		5,893,179,639		147
				1,036

Issued share capital, fully paid	Number of shares	Share capital £m	Share premium £m
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ISSUED SHARE CAPITAL, AMOUNT PAID	2023	2022	2021
As at 1 January 2023	5,973,253,500	149	1,018
Options exercised under share option schemes	6,324,780	-	12
As at 31 December 2023	5,979,578,280	149	1,030

- During the year, 88,835,417 shares were repurchased and cancelled under the share buyback programme representing 1.5% of opening issued share capital at a cost of £201m including stamp duty.

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

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

### 3.08 Restricted Tier 1 convertible notes

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

The notes have no fixed maturity date. Optional cancellation of coupon payments is at the discretion of the issuer and mandatory cancellation is upon the occurrence of certain conditions. The Tier 1 notes are therefore treated as equity and coupon payments are recognised directly in equity when paid. During the year coupon payments of £28m were made (2023: £28m). The notes rank junior to all other liabilities and senior to equity attributable to owners of the parent. On the occurrence of certain conversion trigger events the notes are convertible into ordinary shares of the issuer at the prevailing conversion price.

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

### 3.09 Core borrowings

	Carrying amount 2024 £m	Coupon rate 2024 %	Fair value 2024 £m	Carrying amount 2023 £m	Coupon rate 2023 %	Fair value 2023 £m
<b>Subordinated borrowings</b>						
5.5% Sterling subordinated notes 2064 (Tier 2)	590	5.50	565	590	5.50	600
5.375% Sterling subordinated notes 2045 (Tier 2)	605	5.38	606	605	5.38	603
5.25% US Dollar subordinated notes 2047 (Tier 2)	688	5.25	684	676	5.25	656
5.55% US Dollar subordinated notes 2052 (Tier 2)	403	5.55	408	396	5.55	382
5.125% Sterling subordinated notes 2048 (Tier 2)	401	5.13	398	401	5.13	395
3.75% Sterling subordinated notes 2049 (Tier 2)	600	3.75	555	599	3.75	545
4.5% Sterling subordinated notes 2050 (Tier 2)	501	4.50	473	501	4.50	467
Client fund holdings of Group debt (Tier 2) <sup>1</sup>	(77)	-	(73)	(80)	-	(77)
<b>Total subordinated borrowings</b>	<b>3,711</b>	<b>-</b>	<b>3,616</b>	<b>3,688</b>	<b>-</b>	<b>3,571</b>
<b>Senior borrowings</b>						
Sterling medium term notes 2031-2041	609	5.87	633	609	5.87	666
Client fund holdings of Group debt <sup>1</sup>	(12)	-	(12)	(17)	-	(17)
<b>Total senior borrowings</b>	<b>597</b>	<b>-</b>	<b>621</b>	<b>592</b>	<b>-</b>	<b>649</b>
<b>Total core borrowings</b>	<b>4,308</b>	<b>-</b>	<b>4,237</b>	<b>4,280</b>	<b>-</b>	<b>4,220</b>

- £89m (31 December 2023: £97m) of the Group's subordinated and senior borrowings are held by L&G customers through unit linked products. These borrowings are shown as a deduction from total core borrowings in the table above.

The presented fair values of the Group's core borrowings primarily reflect quoted prices in active markets and they have been classified as Level 1 in the fair value hierarchy. The 5.55% US Dollar subordinated notes 2052 and £49m of the senior borrowings are derived using prices from an external, publicly available pricing model by a standard market pricing source and have been classified as Level 2 in the fair value hierarchy. The inputs for this model include a range of factors which are deemed to be observable, including current market prices for comparative instruments, period to maturity and yield curves.

#### (i) Subordinated borrowings

##### 5.5% Sterling subordinated notes 2064

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

##### 5.375% Sterling subordinated notes 2045

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

##### 5.25% US Dollar subordinated notes 2047

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

#### 5.55% US Dollar subordinated notes 2052

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

#### 5.125% Sterling subordinated notes 2048

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

#### 3.75% Sterling subordinated notes 2049

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

#### 4.5% Sterling subordinated notes 2050

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

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

### (ii) Senior borrowings

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

### 3.10 Operational borrowings

	Carrying amount 2024 £m	Interest rate 2024 %	Fair value 2024 £m	Carrying amount 2023 £m	Interest rate 2023 %	Fair value 2023 £m
<b>Short-term operational borrowings</b>						
Euro Commercial Paper	50	5.26	50	49	4.73	49
Bank loans and overdrafts	9	-	9	12	-	12
<b>Non-recourse borrowings</b>						
Cala revolving credit facility	-	-	-	149	7.15	149
Class B Surplus Notes <sup>1</sup>	1,411	7.66	1,411	1,176	8.27	1,176
Affordable Homes revolving credit facilities	185	6.06	185	41	7.15	41
Homes Modular revolving credit facility	11	8.02	11	11	8.30	11
Suburban Build to Rent revolving credit facility	68	7.13	68	19	6.00	19
<b>Total operational borrowings<sup>2</sup></b>	<b>1,734</b>	<b>-</b>	<b>1,734</b>	<b>1,457</b>	<b>-</b>	<b>1,457</b>

- The Class B Surplus Notes have been issued by a US subsidiary of the Group as part of a coinsurance structure for the purpose of US statutory regulations. The notes were issued in exchange for bonds of the same value from an unrelated party, included within financial investments on the Group's Consolidated Balance Sheet.
- Unit linked borrowings with a carrying value of £1,657m (31 December 2023: £383m) are excluded from the analysis above as the risk is retained by policyholders. Operational borrowings including unit linked borrowings are £3,391m (31 December 2023: £1,840m).

### Syndicated credit facility

The Group has in place a £1.5bn syndicated committed revolving credit facility provided by a number of its key relationship banks, maturing in August 2029. No amounts were outstanding at 31 December 2024.

### 3.11 Payables and other financial liabilities

	2024 £m	2023 £m
Derivative liabilities	57,873	43,821
Repurchase agreements <sup>1</sup>	22,117	25,452
Other financial liabilities <sup>2</sup>	7,372	9,166
<b>Total payables and other financial liabilities</b>	<b>87,362</b>	<b>78,439</b>
Due within 12 months	28,124	38,175
Due after 12 months	59,238	40,264

- Repurchase agreements are presented gross, however they and their related assets (included within debt securities) are subject to master netting arrangements. The significant majority of repurchase agreements are unit linked.
- Other financial liabilities includes trade commission, lease liabilities, FX spots and the value of short positions taken out to cover reverse repurchase agreements. The value of short positions as at 31 December 2024 was £1,614m (31 December 2023: £2,647m).

#### (i) Fair value hierarchy

	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Amortised cost <sup>1</sup> £m
As at 31 December 2024					
Derivative liabilities	57,873	522	57,318	33	-
Repurchase agreements	22,117	-	22,117	-	-
Other financial liabilities	7,372	2,797	53	-	4,522
<b>Total payables and other financial liabilities</b>	<b>87,362</b>	<b>3,319</b>	<b>79,488</b>	<b>33</b>	<b>4,522</b>

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

1. The carrying value of payables and other financial liabilities at amortised cost approximates its fair value.

## (ii) Significant transfers between levels

There have been no significant transfers of liabilities between Levels 1, 2 and 3 for the year ended 31 December 2024 (2023: no significant transfers).

## 3.12 Insurance contracts

### (i) Insurance service result

For the year ended 31 December 2024	Annuities £m	Protection £m	Total £m
<b>Insurance revenue</b>			
Amounts relating to changes in liabilities for remaining coverage:			
- CSM recognised for services provided	1,027	270	1,297
- Expected incurred claims and other insurance service expenses	5,838	2,826	8,664
- Change in the risk adjustment for non-financial risk for the risk expired	438	22	460
Recovery of insurance acquisition cash flows	25	142	167
Premium experience variance relating to past and current service	-	(14)	(14)
<b>Total insurance revenue</b>	<b>7,328</b>	<b>3,246</b>	<b>10,574</b>
<b>Total insurance service expenses</b>	<b>(5,877)</b>	<b>(3,214)</b>	<b>(9,091)</b>
Allocation of reinsurance premiums	(3,221)	(1,037)	(4,258)
Amounts recoverable from reinsurers for incurred claims	2,813	1,286	4,099
<b>Net (expense)/income from reinsurance contracts held</b>	<b>(408)</b>	<b>249</b>	<b>(159)</b>
<b>Total insurance service result</b>	<b>1,043</b>	<b>281</b>	<b>1,324</b>

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

### (ii) Insurance and reinsurance contracts

	Assets 2024 £m	Liabilities 2024 £m	Assets 2023 £m	Liabilities 2023 £m
<b>Insurance contracts issued</b>				
<b>Annuities</b>				
Insurance contract balances	-	91,075	-	86,706
Assets for insurance contract acquisition cash flows <sup>1</sup>	-	(14)	-	(18)
<b>Protection</b>				
Insurance contract balances	-	4,609	-	4,782
Assets for insurance contract acquisition cash flows <sup>1</sup>	-	(22)	-	(24)
<b>Total insurance contracts issued<sup>2</sup></b>	<b>-</b>	<b>95,648</b>	<b>-</b>	<b>91,446</b>
<b>Reinsurance contracts held</b>				
<b>Annuities</b>				
Reinsurance contract balances	6,651	2	4,758	-
Assets for reinsurance contract acquisition cash flows <sup>1</sup>	4	-	3	-
<b>Protection</b>				
Reinsurance contract balances	2,510	168	2,545	220
Assets for reinsurance contract acquisition cash flows <sup>1</sup>	-	-	-	-



<b>Total reinsurance contracts held<sup>2</sup></b>	<b>9,165</b>	<b>170</b>	<b>7,306</b>	<b>220</b>
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1. Assets for insurance and reinsurance acquisition cash flows are presented within the carrying amount of the related insurance and reinsurance contract liabilities.
2. £6,798m (2023: £5,119m) of the net insurance balance of £86,653m (2023: £84,360m) is expected to run off within 12 months.

### 3.13 Sensitivity analysis

	Impact on post-tax Group profit arising from financial assets 2024 £m	Impact on Group equity arising from financial assets 2024 £m	Impact on post-tax Group profit arising from insurance contracts 2024 £m	Impact on Group equity arising from insurance contracts 2024 £m	Net impact on post-tax Group profit 2024 £m	Net impact on Group equity 2024 £m
<b>Economic sensitivity</b>						
<b>Long-term insurance, other Group assets and obligations</b>						
100bps increase in interest rates <sup>1</sup>	(5,153)	(5,400)	4,975	5,140	(178)	(260)
100bps decrease in interest rates <sup>1</sup>	6,053	6,369	(5,910)	(6,119)	143	250
50bps increase in future inflation expectations	1,630	1,680	(1,540)	(1,508)	91	171
50bps decrease in future inflation expectations	(1,496)	(1,540)	1,499	1,469	3	(71)
Credit spreads widen by 100bps with no change in expected defaults	(3,449)	(3,475)	3,308	3,459	(141)	(16)
25% rise in equity markets	323	323	-	-	323	323
25% fall in equity markets	(323)	(323)	-	-	(323)	(323)
15% rise in property values	975	975	(19)	(19)	956	956
15% fall in property values	(1,078)	(1,078)	95	95	(983)	(983)
10bps increase in credit default assumptions	-	-	(408)	(426)	(408)	(426)
10bps decrease in credit default assumptions	-	-	373	388	373	388

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

1. The Group undertook management actions in January and February 2025 that reduced the Group's interest rate post-tax profit sensitivities. Post management actions, the sensitivities for the net impact on post-tax Group profit 2024 relating to +/-100bps interest rates are £(147)m and £108m.

	Impact on CSM 2024 £m	Impact on post-tax Group profit 2024 £m	Impact on Group equity 2024 £m
<b>Non-economic sensitivity</b>			
<b>Long-term insurance</b>			
1% increase in annuitant mortality, gross of reinsurance	370	(74)	(74)
1% increase in annuitant mortality, net of reinsurance	184	(36)	(36)
1% decrease in annuitant mortality, gross of reinsurance	(374)	75	75
1% decrease in annuitant mortality, net of reinsurance	(185)	37	37
5% increase in assurance mortality, gross of reinsurance	(629)	(400)	(281)
5% increase in assurance mortality, net of reinsurance	(346)	(92)	(65)
10% increase in maintenance expenses, gross of reinsurance	(158)	(7)	-
10% increase in maintenance expenses, net of reinsurance	(155)	(6)	1

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

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

assets and obligations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### 3.14 Foreign exchange rates

The impact of foreign exchange rates on the CSM is as follows:

The principal foreign exchange rates used for translation are:

Year end exchange rates	2024	2023
United States dollar	1.25	1.27
Euro	1.21	1.15

Average exchange rates	2024	2023
United States dollar	1.28	1.24
Euro	1.18	1.15

### 3.15 Provisions

#### (i) Analysis of provisions

	Notes	2024 £m	2023 £m
Other provisions	3.15(ii)	149	244
Retirement benefit obligations	3.15(iii)	3	14
<b>Total provisions</b>		<b>152</b>	<b>258</b>

#### (ii) Other provisions

Other provisions include costs that the Asset Management division is committed to incur on the extension of its existing partnership with State Street announced in 2021, to increase the use of Charles River technology across the front office and to deliver middle office services going forward. Costs include the transfer of data and operations to State Street, as well as the implementation of the new operating model. The amounts included in the provision have been determined on a best estimate basis by reference to a range of plausible scenarios, taking into account the multi-year implementation period for the project. As at 31 December 2024, the outstanding provision was £65m (31 December 2023: £108m).

#### (iii) Retirement benefit obligations

As at 31 December 2024, the Group operates the Legal & General America Inc. Cash Balance Plan (US) defined benefit scheme.

The CALA Retirement and Death Benefits Scheme (UK), previously operated by the Group, was derecognised from the Consolidated Balance Sheet on 31 October 2024, following the completion of the disposal of Cala.

In November 2023, the Trustees completed a buy-out of the Legal & General Group UK Pension and Assurance Fund and the Legal & General Group UK Senior Pension Scheme, and the existing annuity policies were exchanged for individual policies between Legal and General Assurance Society Limited (LGAS) and members. As a result, all the Group's obligations under the pension schemes were fully extinguished, and the defined benefit obligation derecognised. On the same date, the Group recognised the direct liability to the members within insurance contract liabilities.

### 3.16 Contingent liabilities, guarantees and indemnities

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

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

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

### 3.17 Related party transactions

#### (i) Key management personnel transactions and compensation

All transactions between the Group and its key management are on commercial terms which are no more favourable than those available to employees in general. There were no material transactions between key management and the L&G group of companies during the year. Contributions to the post-employment defined benefit plans were £7m (2023: £134m) for all employees.

At 31 December 2024 and 31 December 2023 there were no loans outstanding to officers of the Company.

The aggregate compensation for key management personnel, including executive directors, non-executive directors and the members of the Group Management Committee, is as follows:

	2024 £m	2023 £m
Salaries	14	12
Share-based incentive awards	10	8
<b>Key management personnel compensation</b>	<b>24</b>	<b>20</b>

The Group Management Committee was established on 1 January 2024. The comparatives incorporate the members of the Group Executive Committee which existed under the Group's previous governance framework.

#### (ii) Services provided to and by related parties

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

Loans and commitments to related parties are made in the normal course of business. As at 31 December 2024, the Group had:

- loans outstanding from related parties of £21m (2023: £49m), with a further commitment of £8m (2023: £7m)
- total other commitments of £1,547m to related parties (2023: £1,347m), of which £1,264m has been drawn (2023: £1,108m).

In 2023, a number of transactions occurred between the Group's UK defined benefit pension schemes and LGAS. These include the surrender of Assured Payment Policies (APPs) and their conversion into annuities, as well as a buy-out of the schemes completed by the Trustees, where existing annuity policies were exchanged for individual policies between LGAS and members. Further details are provided in Note 3.15. Total payments by LGAS to the pension schemes for insured pension benefits in 2023 were £55m.

## Asset flows and new business

### 4.01 Asset Management total assets under management<sup>1</sup> (AUM)

	Index £bn	Active strategies £bn	Multi asset £bn	Solutions <sup>2</sup> £bn	Private markets <sup>3</sup> £bn	Total AUM £bn
<b>For the year ended 31 December 2024</b>						
As at 1 January 2024 - excluding joint ventures, associates and other	481.7	168.9	84.3	388.8	35.5	1,159.2
External inflows <sup>4</sup>	75.0	19.8	18.0	15.8	1.1	129.7
External outflows <sup>4</sup>	(105.7)	(19.0)	(13.8)	(27.7)	(1.8)	(168.0)
Overlay net flows	-	-	-	(9.5)	-	(9.5)
<b>External net flows<sup>5</sup></b>	<b>(30.7)</b>	<b>0.8</b>	<b>4.2</b>	<b>(21.4)</b>	<b>(0.7)</b>	<b>(47.8)</b>
PRT transfers <sup>6</sup>	(0.2)	(1.2)	-	(1.4)	-	(2.8)
Insurance net flows <sup>7</sup>	(0.1)	(3.1)	(0.1)	2.7	2.7	2.1
<b>Total net flows</b>	<b>(31.0)</b>	<b>(3.5)</b>	<b>4.1</b>	<b>(20.1)</b>	<b>2.0</b>	<b>(48.5)</b>
Market movements	66.2	1.9	5.2	(36.7)	0.5	37.1
Other movements <sup>8</sup>	-	(0.6)	-	(29.6)	0.1	(30.1)
<b>As at 31 December 2024 - excluding joint ventures, associates and other</b>	<b>516.9</b>	<b>166.7</b>	<b>93.6</b>	<b>302.4</b>	<b>38.1</b>	<b>1,117.7</b>
<b>Joint ventures, associates and other<sup>9</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17.1</b>	<b>17.1</b>
<b>Total Asset Management AUM as at 31 December 2024</b>	<b>516.9</b>	<b>166.7</b>	<b>93.6</b>	<b>302.4</b>	<b>55.2</b>	<b>1,134.8</b>
<b>For the year ended 31 December 2023</b>						
As at 1 January 2023 - excluding joint ventures and associates	444.7	156.8	73.9	485.9	34.4	1,195.7
External inflows <sup>4</sup>	69.4	17.4	12.4	25.5	1.5	126.2
External outflows <sup>4</sup>	(84.9)	(17.2)	(7.4)	(23.4)	(2.6)	(135.5)
Overlay net flows	-	-	-	(29.1)	-	(29.1)
<b>External net flows<sup>5</sup></b>	<b>(15.5)</b>	<b>0.2</b>	<b>5.0</b>	<b>(27.0)</b>	<b>(1.1)</b>	<b>(38.4)</b>
PRT transfers <sup>6</sup>	(0.4)	(1.5)	-	(13.1)	(0.2)	(15.2)
Insurance net flows <sup>7</sup>	(0.8)	-	(0.2)	0.5	2.1	1.6

	2023	2022	2021	2020	2019	
Total net flows	(16.7)	(1.3)	4.8	(39.6)	0.8	(52.0)
Market movements	55.3	10.4	5.6	(29.6)	0.3	42.0
Other movements <sup>8</sup>	(1.6)	3.0	-	(27.9)	-	(26.5)
As at 31 December 2023 - excluding joint ventures and associates	481.7	168.9	84.3	388.8	35.5	1,159.2
Joint ventures and associates <sup>9</sup>	-	-	-	-	12.7	12.7
Total Asset Management AUM as at 31 December 2023 <sup>10</sup>	481.7	168.9	84.3	388.8	48.2	1,171.9

- Assets under management (AUM) includes assets on our Investment Only Platform that are managed by third parties, on which fees are earned.
- Solutions include liability driven investments and £190.7bn (31 December 2023: £246.7bn) of derivative notional associated with the Solutions business.
- Private markets AUM of £55.2bn (31 December 2023: £48.2bn) are shown on the basis of client asset view and excludes assets from multi asset fund of fund structures. Total managed Private markets AUM, including £1.5bn of AUM from multi asset strategies, is £56.7bn (31 December 2023: £49.6bn).
- External inflows and outflows include £4.7bn (31 December 2023: £5.3bn) of external investments and £7.1bn (31 December 2023: £3.4bn) of redemptions in the ETF business.
- External net flows exclude movements in short-term Solutions assets, as their maturity dates are determined by client agreements and are subject to a higher degree of variability. The total value of these assets at 31 December 2024 was £51.8bn (31 December 2023: £66.9bn).
- PRT transfers reflect UK defined benefit pension scheme buy-outs to Institutional Retirement.
- Insurance net flows includes legacy assets from the Mature Savings business sold to ReAssure in 2020.
- Other movements include movements of external holdings in money market funds, other cash mandates and short-term Solutions assets.
- Figures reflect 100% of the AUM associated with fund managers classified as joint ventures and associates irrespective of the Group's holding in those fund managers. The figures for the year ended 31 December 2024 include L&G balance sheet assets managed by Asset Management.
- Total Asset Management AUM as at 31 December 2023 has been restated to include joint ventures and associates AUM.

#### 4.02 Asset Management total assets under management<sup>1</sup> half-yearly progression

	Index £bn	Active strategies £bn	Multi asset £bn	Solutions <sup>2</sup> £bn	Private markets <sup>3</sup> £bn	Total AUM £bn
<b>For the year ended 31 December 2024</b>						
<b>As at 1 January 2024 - excluding joint ventures, associates and other</b>	<b>481.7</b>	<b>168.9</b>	<b>84.3</b>	<b>388.8</b>	<b>35.5</b>	<b>1,159.2</b>
External inflows <sup>4</sup>	35.3	9.3	6.2	8.0	0.7	59.5
External outflows <sup>4</sup>	(50.2)	(11.3)	(4.4)	(14.3)	(0.7)	(80.9)
Overlay net flows	-	-	-	(7.1)	-	(7.1)
<b>External net flows<sup>5</sup></b>	<b>(14.9)</b>	<b>(2.0)</b>	<b>1.8</b>	<b>(13.4)</b>	<b>-</b>	<b>(28.5)</b>
PRT transfers <sup>6</sup>	-	-	-	(0.5)	-	(0.5)
Insurance net flows <sup>7</sup>	(0.2)	(3.4)	-	(0.4)	1.7	(2.3)
<b>Total net flows</b>	<b>(15.1)</b>	<b>(5.4)</b>	<b>1.8</b>	<b>(14.3)</b>	<b>1.7</b>	<b>(31.3)</b>
Market movements	43.5	(2.5)	2.6	(22.9)	(0.3)	20.4
Other movements <sup>8</sup>	(3.3)	0.7	-	(23.5)	-	(26.1)
<b>As at 30 June 2024 - excluding joint ventures, associates and other</b>	<b>506.8</b>	<b>161.7</b>	<b>88.7</b>	<b>328.1</b>	<b>36.9</b>	<b>1,122.2</b>
External inflows <sup>4</sup>	39.7	10.5	11.8	7.8	0.4	70.2
External outflows <sup>4</sup>	(55.5)	(7.7)	(9.4)	(13.4)	(1.1)	(87.1)
Overlay net flows	-	-	-	(2.4)	-	(2.4)
<b>External net flows<sup>5</sup></b>	<b>(15.8)</b>	<b>2.8</b>	<b>2.4</b>	<b>(8.0)</b>	<b>(0.7)</b>	<b>(19.3)</b>
PRT transfers <sup>6</sup>	(0.2)	(1.2)	-	(0.9)	-	(2.3)
Insurance net flows <sup>7</sup>	0.1	0.3	(0.1)	3.1	1.0	4.4
<b>Total net flows</b>	<b>(15.9)</b>	<b>1.9</b>	<b>2.3</b>	<b>(5.8)</b>	<b>0.3</b>	<b>(17.2)</b>
Market movements	22.7	4.4	2.6	(13.8)	0.8	16.7
Other movements <sup>8</sup>	3.3	(1.3)	-	(6.1)	0.1	(4.0)
<b>As at 31 December 2024 - excluding joint ventures, associates and other</b>	<b>516.9</b>	<b>166.7</b>	<b>93.6</b>	<b>302.4</b>	<b>38.1</b>	<b>1,117.7</b>
<b>Joint ventures, associates and other<sup>9</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17.1</b>	<b>17.1</b>
<b>Total Asset Management AUM as at 31 December 2024</b>	<b>516.9</b>	<b>166.7</b>	<b>93.6</b>	<b>302.4</b>	<b>55.2</b>	<b>1,134.8</b>

- Assets under management (AUM) includes assets on our Investment Only Platform, that are managed by third parties, on which fees are earned.
- Solutions include liability driven investments and £190.7bn of derivative notional associated with the Solutions business.
- Private markets AUM of £55.2bn are shown on the basis of client asset view and excludes assets from multi asset fund of fund structures. Total managed Private Markets AUM, including £1.5bn of AUM from multi asset strategies, is £56.7bn.
- External inflows and outflows include £4.7bn of external investments and £7.1bn of redemptions in the ETF business.
- External net flows exclude movements in short-term Solutions assets, as their maturity dates are determined by client agreements and are subject to a higher degree of variability. The total value of these assets at 31 December 2024 was £51.8bn.
- PRT transfers reflect UK defined benefit pension scheme buy-outs to Institutional Retirement.
- Insurance net flows includes legacy assets from the Mature Savings business sold to ReAssure in 2020.
- Other movements include movements of external holdings in money market funds, other cash mandates and short-term Solutions assets.
- Figures reflect 100% of the AUM associated with fund managers classified as joint ventures and associates irrespective of the Group's holding in those fund managers and include L&G balance sheet assets managed by Asset Management.

	Index £bn	Active strategies £bn	Multi asset £bn	Solutions <sup>2</sup> £bn	Private markets <sup>3</sup> £bn	Total AUM £bn
<b>For the year ended 31 December 2023</b>						
<b>As at 1 January 2023 - excluding joint ventures and associates</b>	<b>444.7</b>	<b>156.8</b>	<b>73.9</b>	<b>485.9</b>	<b>34.4</b>	<b>1,195.7</b>
External inflows <sup>4</sup>	37.6	8.8	5.5	13.6	0.8	66.3
External outflows <sup>4</sup>	(35.1)	(9.2)	(3.4)	(10.6)	(1.0)	(59.3)
Overlay net flows	-	-	-	(19.3)	-	(19.3)
<b>External net flows<sup>5</sup></b>	<b>2.5</b>	<b>(0.4)</b>	<b>2.1</b>	<b>(16.3)</b>	<b>(0.2)</b>	<b>(12.3)</b>
PRT transfers <sup>6</sup>	(0.3)	(0.3)	-	(4.5)	-	(5.1)
Insurance net flows <sup>7</sup>	(0.5)	(3.1)	(0.1)	0.1	1.7	(1.9)
<b>Total net flows</b>	<b>1.7</b>	<b>(3.8)</b>	<b>2.0</b>	<b>(20.7)</b>	<b>1.5</b>	<b>(19.3)</b>
Market movements	24.4	2.6	1.1	(32.4)	(0.3)	(4.6)
Other movements <sup>8</sup>	(0.8)	(1.7)	-	(11.2)	-	(13.7)
<b>As at 30 June 2023 - excluding joint ventures and associates</b>	<b>470.0</b>	<b>153.9</b>	<b>77.0</b>	<b>421.6</b>	<b>35.6</b>	<b>1,158.1</b>
External inflows <sup>4</sup>	31.8	8.6	6.9	11.9	0.7	59.9
External outflows <sup>4</sup>	(49.8)	(8.0)	(4.0)	(12.8)	(1.6)	(76.2)
Overlay net flows	-	-	-	(9.8)	-	(9.8)
<b>External net flows<sup>5</sup></b>	<b>(18.0)</b>	<b>0.6</b>	<b>2.9</b>	<b>(10.7)</b>	<b>(0.9)</b>	<b>(26.1)</b>
PRT transfers <sup>6</sup>	(0.1)	(1.2)	-	(8.6)	(0.2)	(10.1)
Insurance net flows <sup>7</sup>	(0.3)	3.1	(0.1)	0.4	0.4	3.5
<b>Total net flows</b>	<b>(18.4)</b>	<b>2.5</b>	<b>2.8</b>	<b>(18.9)</b>	<b>(0.7)</b>	<b>(32.7)</b>
Market movements	30.9	7.8	4.5	2.8	0.6	46.6
Other movements <sup>8</sup>	(0.8)	4.7	-	(16.7)	-	(12.8)
<b>As at 31 December 2023 - excluding joint ventures and associates</b>	<b>481.7</b>	<b>168.9</b>	<b>84.3</b>	<b>388.8</b>	<b>35.5</b>	<b>1,159.2</b>

Joint ventures and associates <sup>9</sup>	-	-	-	-	12.7	12.7
Total Asset Management AUM as at 31 December 2023 <sup>10</sup>	481.7	168.9	84.3	388.8	48.2	1,171.9

- Assets under management (AUM) includes assets on our Investment Only Platform, that are managed by third parties, on which fees are earned.
- Solutions include liability driven investments and £246.7bn (31 December 2023) of derivative notionals associated with the Solutions business.
- Private Markets AUM of £48.2bn (31 December 2023) are shown on the basis of client asset view and excludes assets from multi asset fund of fund structures. Total managed Private Markets AUM, including AUM from multi asset strategies, is £49.6bn (31 December 2023).
- External inflows and outflows include £5.3bn (31 December 2023) of external investments and £3.4bn (31 December 2023) of redemptions in the ETF business.
- External net flows exclude movements in short-term Solutions assets, as their maturity dates are determined by client agreements and are subject to a higher degree of variability. The total value of these assets at 31 December 2023 was £66.9bn.
- PRT transfers reflect UK defined benefit pension scheme buy-outs to Institutional Retirement.
- Internal net flows include legacy assets from the Mature Savings business sold to ReAssure in 2020.
- Other movements include movements of external holdings in money market funds, other cash mandates and short-term Solutions assets.
- Figures reflect 100% of the AUM associated with fund managers classified as joint ventures and associates irrespective of the Group's holding in those fund managers.
- Total Asset Management AUM as at 31 December 2023 has been restated to include joint ventures and associates AUM.

#### 4.03 Asset Management total assets under management (excluding joint ventures, associates and other) and net flows

	Assets under management (excluding joint ventures, associates and other) at				Net flows for the six months ended <sup>d</sup>			
	31 Dec 2024 £bn	30 Jun 2024 £bn	31 Dec 2023 £bn	30 Jun 2023 £bn	31 Dec 2024 £bn	30 Jun 2024 £bn	31 Dec 2023 £bn	30 Jun 2023 £bn
<b>International<sup>2</sup></b>	<b>386.9</b>	<b>371.6</b>	<b>377.7</b>	<b>371.8</b>	<b>(5.4)</b>	<b>(11.1)</b>	<b>(14.2)</b>	<b>(2.7)</b>
<b>UK Institutional</b>								
- Defined contribution	182.8	176.0	163.0	146.1	(0.6)	1.7	6.9	5.5
- Defined benefit	374.4	409.0	453.4	489.6	(14.8)	(18.6)	(22.0)	(17.3)
<b>Wholesale<sup>3</sup></b>	<b>66.4</b>	<b>62.7</b>	<b>56.6</b>	<b>51.2</b>	<b>1.7</b>	<b>1.7</b>	<b>2.2</b>	<b>1.3</b>
<b>ETF<sup>4</sup></b>	<b>9.8</b>	<b>9.5</b>	<b>11.4</b>	<b>9.9</b>	<b>(0.2)</b>	<b>(2.2)</b>	<b>1.0</b>	<b>0.9</b>
<b>External</b>	<b>1,020.3</b>	<b>1,028.8</b>	<b>1,062.1</b>	<b>1,068.6</b>	<b>(19.3)</b>	<b>(28.5)</b>	<b>(26.1)</b>	<b>(12.3)</b>
<b>Insurance<sup>5</sup></b>	<b>97.4</b>	<b>93.4</b>	<b>97.1</b>	<b>89.5</b>	<b>2.1</b>	<b>(2.8)</b>	<b>(6.6)</b>	<b>(7.0)</b>
<b>Total</b>	<b>1,117.7</b>	<b>1,122.2</b>	<b>1,159.2</b>	<b>1,158.1</b>	<b>(17.2)</b>	<b>(31.3)</b>	<b>(32.7)</b>	<b>(19.3)</b>

- External net flows exclude movements in short-term Solutions assets, with maturity as determined by client agreements and are subject to a higher degree of variability.
- International assets are shown on the basis of client domicile. Total International AUM including assets managed internationally on behalf of UK clients amounted to £488bn as at 31 December 2024 (31 December 2023: £465bn).
- Wholesale represents assets from the Wholesale Intermediary business and legacy assets from Personal Investing customers that did not migrate to Fidelity International Limited.
- ETF reflects external AUM and Flows invested on the platform. Total AUM managed on the platform is £12.2bn ( £15.2bn) in 2024 (£13.5bn/ £17.2bn in 2023) and flows are £(2.3)bn ( £2.9)bn in 2024 (£2.2bn/ £2.7bn in 2023) which include internal investment from other Asset Management asset classes.
- Insurance net flows include PRT transfers of £2.8bn (2023: £15.2bn). PRT transfers reflect UK defined benefit pension scheme buy-outs to Institutional Retirement.

#### 4.04 Reconciliation of assets under management to Consolidated Balance Sheet

	2024 £bn	2023 £bn
Total assets under management <sup>1</sup>	1,135	1,172
Derivative notionals <sup>2</sup>	(191)	(247)
Third-party assets <sup>3</sup>	(480)	(471)
Other <sup>4</sup>	58	47
<b>Total financial investments, investment property and cash and cash equivalents</b>	<b>522</b>	<b>501</b>

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

#### 4.05 Workplace assets under administration<sup>1</sup>

	2024 £bn	Restated <sup>d</sup> 2023 £bn
<b>As at 1 January</b>	<b>80.1</b>	<b>66.7</b>
Gross inflows	11.7	10.6
Gross outflows	(5.7)	(4.2)
<b>Net flows</b>	<b>6.0</b>	<b>6.4</b>
Market and other movements	7.7	7.0
<b>As at 31 December</b>	<b>93.8</b>	<b>80.1</b>

- Workplace assets under administration includes Workplace and Retail savings assets under administration and as at 31 December 2024 includes £93.7bn (31 December 2023: £80.0bn) of assets under management included in Note 4.01.
- Assets under administration as at 31 December 2023 have been restated to include Retail savings.

#### 4.06 Workplace assets under administration<sup>1</sup> half-yearly progression

	2024 £bn	Restated <sup>d</sup> 2023 £bn
<b>As at 1 January</b>	<b>80.1</b>	<b>66.7</b>
Gross inflows	6.0	5.0
Gross outflows	(2.7)	(2.0)
<b>Net flows</b>	<b>3.3</b>	<b>3.0</b>
Market and other movements	4.3	2.1

<b>As at 30 June</b>	<b>87.7</b>	<b>71.8</b>
Gross inflows	5.7	5.6
Gross outflows	(3.0)	(2.2)
<b>Net flows</b>	<b>2.7</b>	<b>3.4</b>
Market and other movements	3.4	4.9
<b>As at 31 December</b>	<b>93.8</b>	<b>80.1</b>

1. Workplace assets under administration includes Workplace and Retail savings assets under administration.
2. Assets under administration as at 30 June and 31 December 2023 have been restated to include Retail savings.

#### 4.07 Institutional Retirement new business

	Total 2024 £m	6 months 31 December 2024 £m	6 months 30 June 2024 £m	Total 2023 £m	6 months 31 December 2023 £m	6 months 30 June 2023 £m
UK <sup>1</sup>	8,412	7,286	1,126	12,048	7,182	4,866
US	1,684	1,267	417	1,463	1,337	126
Bermuda	566	566	-	208	208	-
<b>Total Institutional Retirement new business</b>	<b>10,662</b>	<b>9,119</b>	<b>1,543</b>	<b>13,719</b>	<b>8,727</b>	<b>4,992</b>

1. Full year ending 31 December 2023 includes a transaction with the Group's UK defined benefit pension schemes as disclosed in Note 3.17 Related party transactions.

#### 4.08 Retail new business

	Total 2024 £m	6 months 31 December 2024 £m	6 months 30 June 2024 £m	Total 2023 £m	6 months 31 December 2023 £m	6 months 30 June 2023 £m
Individual annuities	2,118	944	1,174	1,431	856	575
Lifetime mortgage loans and retirement interest only mortgages	270	130	140	299	136	163
<b>Total Retail Retirement new business</b>	<b>2,388</b>	<b>1,074</b>	<b>1,314</b>	<b>1,730</b>	<b>992</b>	<b>738</b>
UK Retail protection	153	78	75	150	74	76
UK Group protection	110	42	68	121	68	53
US protection <sup>1</sup>	159	78	81	141	71	70
<b>Total Insurance new business</b>	<b>422</b>	<b>198</b>	<b>224</b>	<b>412</b>	<b>213</b>	<b>199</b>
<b>Total Retail new business</b>	<b>2,810</b>	<b>1,272</b>	<b>1,538</b>	<b>2,142</b>	<b>1,205</b>	<b>937</b>

1. In local currency, US protection reflects new business of 203m for 2024 (H1 24: 103m; H2 24: 100m), and 175m for 2023 (H1 23: 87m; H2 23: 88m).

## Capital

### 5.01 Group regulatory capital - Solvency II

The Group measures and monitors its capital resources in line with the UK implementation of the Solvency II requirements as set out in the Prudential Regulation Authority (PRA) Rulebook. The Solvency II regulations were amended in the UK in December 2023 to introduce a change to the calculation of Risk Margin, and in June 2024 to change the calculation of the Matching Adjustment and Fundamental Spread. In December 2024, the final regulations were implemented, and these introduce a number of changes to the Solvency II calculations, the most significant being the Matching Adjustment Attestation requirements, which increase the Fundamental Spread on assets where the Group believes there to be risks which are not sufficiently captured in existing deductions.

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

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

The table below shows the Group Own Funds, Solvency Capital Requirement (SCR) and Surplus Own Funds, based on the Partial Internal Model, Matching Adjustment and Transitional Measures on Technical Provisions (TMTP) as at 31 December 2024.

#### (i) Capital position

As at 31 December 2024, and on the above basis, the Group had a surplus of £9,012m (31 December 2023: £9,167m) over its Solvency Capital Requirement, corresponding to a Solvency II capital coverage ratio of 232% (31 December 2023: 224%). The



Solvency II capital position is as follows:

	2024 £m	2023 £m
Unrestricted Tier 1 Own Funds	11,988	12,845
Restricted Tier 1 Own Funds <sup>1</sup>	495	495
Tier 2 Subordinated liabilities	3,404	3,460
Eligibility restrictions	(27)	(244)
<b>Solvency II Own Funds<sup>2,3</sup></b>	<b>15,860</b>	<b>16,556</b>
Solvency Capital Requirement	(6,848)	(7,389)
<b>Solvency II surplus</b>	<b>9,012</b>	<b>9,167</b>
<b>SCR Coverage ratio</b>	<b>232%</b>	<b>224%</b>

1. Restricted Tier 1 Own Funds represent Perpetual restricted Tier 1 contingent convertible notes.
2. Solvency II Own Funds do not include an accrual for the final dividend of £902m (31 December 2023: final dividend of £871m) declared after the balance sheet date.
3. Solvency II Own Funds allow for a Risk Margin of £1,041m (31 December 2023: £1,191m) and TMTP of £685m (31 December 2023: £970m).

## (ii) Methodology

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

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

Liabilities are valued on a best estimate market consistent basis, with the application of a Solvency II Matching Adjustment for valuing annuity liabilities. Own Funds incorporate changes to the Matching Adjustment during 2024 and the impacts of a recalculation of the TMTP as at end December 2024.

The liabilities include a Risk Margin of £1,041m (31 December 2023: £1,191m) which represents an allowance for the cost of capital for a purchasing insurer to take on the portfolio of liabilities and residual risks that are deemed to be non-hedgeable under Solvency II. This is calculated using a cost of capital of 4% and includes a tapering factor of 90% (31 December 2023: 4% cost of capital, with 90% tapering factor).

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

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

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

Legal & General America's insurance entities (LGA) and Legal and General Reinsurance Company No.2 Limited (L&GRe 2) are incorporated into the calculation of Group solvency using Calculation Method 2. All risk exposure in these firms is valued on local statutory bases.

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

For L&GRe 2 and LGAR, all risk exposure is valued on a Bermudan capital basis, with capital requirements set equal to the Bermudan capital requirements. The Own Funds contribution is restricted by 20% of the capital. The Bermuda regulatory

regime is also considered to be equivalent to Solvency II by the European Commission.

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

### (iii) Assumptions

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

- i. Demographic assumptions: these are required to project best estimate liability cash flows and are mostly consistent with those underlying the Group's IFRS disclosures where relevant, subject to minor exceptions.
- ii. Future investment returns and discount rates used to derive the present value of best estimate liability cash flows as defined by the PRA. The risk-free rates used to discount UK Sterling and US Dollar cashflows are SONIA- and SOFR-based market swap rates. For other liabilities, the risk-free rates used to discount cash flows include a credit risk adjustment that varies by currency.
- iii. For annuities that are eligible, the liability discount rate includes a Matching Adjustment. This Matching Adjustment varies between LGAS and L&GRe and by the currency of the relevant liabilities. At 31 December 2024 the Matching Adjustment for UK Sterling was 127 basis points (31 December 2023: 122 basis points) after deducting an allowance for the Fundamental Spread equivalent to 45 basis points (31 December 2023: 53 basis points). The Matching Adjustment and Fundamental Spread have been calculated in line with the UK implementation of the Solvency II regulations, and include the impact from the Matching Adjustment Attestation.
- iv. Assumptions regarding management actions and policyholder behaviour across the full range of scenarios: the only management actions allowed for are those that have been approved by the Board and are in place at the balance sheet date.
- v. Assumptions regarding the volatility of the risks to which the Group is exposed: assumptions have been set using a combination of historic market, demographic and operating experience data. In areas where data is not considered robust, expert judgement has been used.
- vi. Assumptions on the dependencies between risks, which are calibrated using a combination of historic data and expert judgement.

### (iv) Analysis of change

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

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

The table below shows the movement (net of tax) during the year ended 31 December 2024 in the Group's Solvency II surplus.

	2024 Own Funds £m	2024 SCR £m	2024 Surplus £m
<b>Opening Position</b>	<b>16,556</b>	<b>(7,389)</b>	<b>9,167</b>
Operational Surplus Generation <sup>1</sup>	1,786	(35)	1,751
New business strain	185	(594)	(409)
<b>Net surplus generation</b>	<b>1,971</b>	<b>(629)</b>	<b>1,342</b>
Operating variances <sup>2</sup>			156
Mergers, acquisitions and disposals <sup>3</sup>			9
Market movements <sup>4</sup>			(231)
Share buyback			(201)
Dividends paid <sup>5</sup>			(1,230)
<b>Total surplus movement (after dividends paid in the year)</b>	<b>(696)</b>	<b>541</b>	<b>(155)</b>
<b>Closing Position</b>	<b>15,860</b>	<b>(6,848)</b>	<b>9,012</b>

1. Operational Surplus Generation includes a £45m release of Risk Margin and £(83)m amortisation of the TMTP.

2. Operating variances include the impact of experience variances, changes to valuation assumptions, methodology changes and other management actions including changes in asset mix.

3. Mergers, acquisitions and disposals for the year ended 31 December 2024 includes the sale of Cala.

4. Market movements represent the impact of changes in investment market conditions during the year and changes to future economic assumptions.

5. Dividends paid are the amounts from the 2023 final dividend and 2024 interim dividend.

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

	2023 Own Funds £m	2023 SCR £m	2023 Surplus £m
<b>Opening Position</b>	<b>17,226</b>	<b>(7,311)</b>	<b>9,915</b>

Operational Surplus Generation <sup>1</sup>	1,596	225	1,821
New business strain	551	(989)	(438)
Net surplus generation	2,147	(764)	1,383
Operating variances <sup>2</sup>			(307)
Mergers, acquisitions and disposals <sup>3</sup>			(140)
Market movements <sup>4</sup>			(512)
Dividends paid <sup>5</sup>			(1,172)
Total surplus movement (after dividends paid in the year)	(670)	(78)	(748)
Closing Position	16,556	(7,389)	9,167

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

#### (v) Future Solvency II surplus generation - UK annuities

The table below shows a projection of future OSG expected from the £82.7bn (2023: £78.3bn) UK annuity portfolio as at 31 December 2024. The projection excludes any allowance for future new business. The table shows the OSG from our UK annuity businesses in the annuity back book OSG line, L&G Other includes a contribution from Asset Management assets supporting the SCR and asset management fees for managing assets of the UK annuity portfolio. The impact of management actions is excluded; we expect management actions to contribute up to £0.2bn in each year of the projection.

	2024 £bn	2025 £bn	2026 £bn	2027 £bn	2028 £bn	2029-2033 £bn	2034-2043 £bn	Total £bn
UK annuity OSG from back book <sup>1</sup>	0.7	0.6	0.6	0.6	0.6	2.5	3.9	9.5
L&G Other	0.1	0.1	0.1	0.1	0.1	0.3	0.3	1.1
<b>Total OSG for UK annuity back book</b>	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>2.8</b>	<b>4.2</b>	<b>10.6</b>

1. UK annuity back book OSG does not include new business.

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

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

	2024 £m	2023 £m
<b>IFRS equity<sup>1</sup></b>	<b>3,548</b>	<b>4,826</b>
CSM net of tax <sup>2</sup>	10,287	10,048
<b>IFRS equity plus CSM net of tax</b>	<b>13,835</b>	<b>14,874</b>
Remove DAC, goodwill and other intangible assets and associated liabilities	(473)	(525)
Add IFRS carrying value of subordinated borrowings <sup>3</sup>	3,788	3,768
Insurance contract valuation differences	(626)	(622)
Financial investments valuation differences	(1,118)	(845)
Difference in value of net deferred tax liabilities <sup>2</sup>	491	203
Other	(10)	(53)
Eligibility restrictions	(27)	(244)
<b>Solvency II Own Funds<sup>4</sup></b>	<b>15,860</b>	<b>16,556</b>

1. IFRS equity represents equity attributable to owners of the parent and restricted Tier 1 convertible debt note as per the Consolidated Balance Sheet.
2. On 31 December 2023, CSM net of tax and Difference in value of net deferred tax liabilities were restated to reflect the introduction of the new corporate income tax regime in Bermuda, which was enacted in December 2023.
3. Treated as available capital on the Solvency II balance sheet as the liabilities are subordinate to policyholder claims.
4. Solvency II Own Funds do not include an accrual for the final dividend of £902m (31 December 2023: final dividend of £871m) declared after the balance sheet date.

#### (vii) Sensitivity analysis

The following sensitivities are provided to give an indication of how the Group's Solvency II surplus as at 31 December 2024 would have changed in a variety of adverse events. These are all independent stresses to a single risk. In practice, the balance sheet is impacted by combinations of stresses and the combined impact can be larger than adding together the impacts of the same stresses in isolation. It is expected that, particularly for market risks, adverse stresses will happen together.

	Impact on net of tax Solvency II capital surplus 2024 £bn	Impact on net of tax Solvency II coverage ratio 2024 %	Impact on net of tax Solvency II capital surplus 2023 £bn	Impact on net of tax Solvency II coverage ratio 2023 %
100bps increase in risk-free rates	(0.0)	11	0.1	10
100bps decrease in risk-free rates <sup>1</sup>	(0.2)	(14)	(0.2)	(11)
Credit spreads widen by 100bps assuming an escalating addition to ratings <sup>2,3</sup>	0.2	9	0.4	14
Credit spreads widen by 100bps assuming a flat addition to ratings <sup>2</sup>	0.2	13	0.5	15
Credit spreads narrow by 100bps assuming a flat deduction from ratings <sup>2,4</sup>	(0.6)	(18)	(0.7)	(18)
Credit spreads of sub-investment grade assets widen by 100bps assuming a level addition to ratings <sup>2,5</sup>	(0.1)	(3)	(0.2)	(7)
Credit migration <sup>6</sup>	(0.5)	(8)	(0.7)	(10)
25% fall in equity markets <sup>7</sup>	(0.5)	(5)	(0.4)	(3)
15% fall in property markets <sup>8</sup>	(0.8)	(10)	(0.9)	(10)
50bps increase in future inflation expectations	0.1	(1)	(0.1)	(3)
10% increase in maintenance expenses <sup>9</sup>	(0.3)	(5)	(0.3)	(4)

1. In the interest rate down stress negative rates are allowed, i.e. there is no floor at zero rates.
2. The spread sensitivity applies to the Group's corporate bond (and similar) holdings, with no change in long-term default expectations. Restructured lifetime mortgages are excluded as the underlying exposure is mostly to property.
3. The stress for AA bonds is twice that for AAA bonds, for A bonds it is three times, for BBB four times and so on, such that the weighted average spread stress for the portfolio is 100 basis points. To give a 100bps increase on the total portfolio, the spread stress increases in steps of 32bps, i.e. 32bps for AAA, 64bps for AA etc.
4. The spread narrowing stress has changed from assuming an escalating deduction from ratings to a flat deduction. The previous disclosed stress is no longer suitable due to the low spread differentials between ratings under the base economic conditions at 31 December 2024.
5. No stress for bonds rated BBB and above. For bonds rated BB and below the stress is 100bps. The spread widening on the total portfolio is smaller than 1bps as the Group holds less than 1% in bonds rated BB and below. The impact is primarily an increase in SCR arising from the modelled cost of trading downgraded bonds back to a higher rating in the stress scenarios in the SCR calculation.
6. Credit migration stress covers the cost of an immediate big letter downgrade on 20% of all assets where the capital treatment depends on a credit rating (including corporate bonds, and sale and leaseback rental strips; lifetime mortgage senior notes are excluded). Downgraded assets in our annuities portfolio are assumed to be traded to their original credit rating, so the impact is primarily a reduction in Own Funds from the loss of value on downgrade. The impact of the sensitivity will depend upon the market levels of spreads at the balance sheet date.
7. This relates primarily to equity exposure held by the Group but will also include equity-based mutual funds and other investments that receive an equity stress (for example, certain investments in subsidiaries). Some assets have factors that increase or decrease the stress relative to general equity levels via a beta factor.
8. Assets stressed include residual values from sale and leaseback, the full amount of lifetime mortgages and direct investments treated as property.
9. A 10% increase in the assumed unit costs and future costs of investment management across all long-term insurance business lines.

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

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

#### (viii) Analysis of Group Solvency Capital Requirement

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

	2024 %	2023 %
Interest rate <sup>1</sup>	11	10
Equity	6	6
Property	11	12
Credit <sup>2</sup>	19	22
Currency	3	1
Inflation	4	4
<b>Total Market risk<sup>3</sup></b>	<b>54</b>	<b>55</b>
<b>Counterparty risk</b>	<b>1</b>	<b>2</b>
Life mortality	3	3
Life longevity <sup>4</sup>	16	18
Life mass lapse	3	3
Life non-mass lapse	2	2
Life catastrophe	8	6
Expense	3	3
<b>Total Insurance risk</b>	<b>35</b>	<b>35</b>
Non-life underwriting	-	-
Operational risk	4	4
Miscellaneous <sup>5</sup>	6	4
<b>Total SCR</b>	<b>100</b>	<b>100</b>

1. Interest rate risk exposure is significantly smaller after allowing for diversification with other risks.
2. Credit risk is one of the Group's most significant exposures, arising predominantly from the portfolio of bonds and bond-like assets backing the Group's annuity business.
3. In addition to credit risk the Group also has significant exposure to other market risks, primarily due to the investment holdings within the shareholder funds but also the risk to fee income from assets backing unit linked business.
4. Longevity risk is the Group's most significant insurance risk exposure, arising from the annuity book on which the majority of the longevity risk on the back book is retained. However, we expect this to reduce over time as we continue to reinsure the majority of the exposure on new business written post the implementation of Solvency II.
5. Miscellaneous includes LGA and L&G Re 2, which are included in the Group SCR using Calculation Method 2, and the sectoral capital requirements for non-insurance regulated firms.

## 5.02 Estimated Solvency II new business contribution

### (i) New business by product<sup>1</sup>

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

	PVNBP <sup>2</sup> 2024 £m	Contribution from new business <sup>3</sup> 2024 £m	Margin <sup>4</sup> 2024 %	PVNBP <sup>2</sup> 2023 £m	Contribution from new business <sup>3</sup> 2023 £m	Margin <sup>4</sup> 2023 %
<b>Institutional Retirement - UK annuity business</b>	<b>7,855</b>	<b>420</b>	<b>5.3</b>	<b>8,859</b>	<b>654</b>	<b>7.4</b>
<b>Retail Retirement - UK annuity business</b>	<b>2,118</b>	<b>132</b>	<b>6.2</b>	<b>1,431</b>	<b>100</b>	<b>7.0</b>
<b>UK Protection</b>	<b>1,461</b>	<b>57</b>	<b>3.9</b>	<b>1,337</b>	<b>37</b>	<b>2.8</b>
<b>US Protection<sup>5</sup></b>	<b>1,249</b>	<b>135</b>	<b>10.8</b>	<b>1,123</b>	<b>128</b>	<b>11.4</b>

1. Selected lines of business only.
2. PVNBP excludes a quota share reinsurance single premium of £557m (31 December 2023: £3,189m) relating to Institutional Retirement new business.
3. The contribution from new business is defined as the present value at the point of sale of expected future Solvency II surplus emerging from new business written in the year using the risk discount rate applicable at the end of the year.
4. Margin is based on unrounded inputs.
5. In local currency, US protection business reflects PVNBP of 1,596m (31 December 2023: 1,397m) and a contribution from new business of 173m (31 December 2023: 160m).

## (ii) Assumptions

The key economic assumptions are as follows:

	2024 %	2023 %
<b>Margin for Risk</b>	<b>3.7</b>	<b>4.2</b>
<b>Risk-free rate</b>		
- UK	<b>4.1</b>	3.3
- US	<b>4.6</b>	3.9
<b>Risk discount rate (net of tax)</b>		
- UK	<b>7.8</b>	7.5
- US	<b>8.3</b>	8.1
<b>Long-term rate of return on annuities</b>	<b>5.5</b>	4.9

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

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

- the assumed future pre-tax returns on fixed interest and RPI linked securities are set by reference to yield on the relevant backing assets, net of an allowance for default risk which takes into account the credit rating and the outstanding term of the assets. The weighted average deduction for business written in 2024 equates to a level rate deduction from the expected returns of 15 basis points. The calculated return takes account of derivatives and other credit instruments in the investment portfolio
- non-economic assumptions have been set at levels commensurate with recent operating experience, including those for mortality, morbidity, persistency and maintenance expenses (excluding development costs). An allowance is made for future mortality improvement. For new business, mortality assumptions may be modified to take certain scheme specific features into account.

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

## (iii) Methodology

### Basis of preparation

Solvency II new business contribution reflects the portion of Solvency II value added by new business written in the year. It has been calculated in a manner consistent with principles and methodologies which were adopted in the Group's 2024 Annual report and accounts.

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

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

### Description of methodology

The objective of the Solvency II new business contribution is to provide shareholders with information on the long-term contribution of new business written in 2024.

The Solvency II new business contribution has been calculated as the present value of future shareholder profits arising from business written in 2024. Cash flow projections are determined using best estimate assumptions for each component of cash flow and for each policy group. Best estimate assumptions including mortality, morbidity, persistency and expenses reflect recent operating experience.

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

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

## Projection assumptions

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

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

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

## Risk discount rate

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

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

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

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

The cost of debt used in the WACC calculations takes account of the actual locked-in rates for our senior and subordinated long-term debt. All debt interest attracts tax relief at a time adjusted rate of 25% (31 December 2023: 25%).

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

## (iv) Reconciliation of PVNBP to total Institutional Retirement and Retail new business

	Notes	2024 £bn	2023 £bn
<b>PVNBP</b>	5.02 (i)	<b>12.7</b>	<b>12.7</b>
Effect of capitalisation factor		<b>(1.8)</b>	<b>(1.8)</b>
<b>New business premiums from selected lines</b>		<b>10.9</b>	<b>10.9</b>
Other <sup>1</sup>		<b>2.6</b>	<b>5.0</b>
<b>Total Institutional Retirement and Retail new business</b>	4.07, 4.08	<b>13.5</b>	<b>15.9</b>

1. Other principally includes annuity sales in the US £1.7bn (31 December 2023: £1.5bn), lifetime mortgage loans and retirement interest only mortgages £0.3bn (31 December 2023: £0.3bn), and quota share reinsurance premiums £0.6bn (31 December 2023: £3.2bn).

## Investments

### 6.01 Investment portfolio

	2024 £m	Restated 2023 £m
Worldwide total assets under management <sup>1</sup>	<b>1,143,749</b>	1,179,769
Client and policyholder assets	<b>(991,647)</b>	(1,044,213)
<b>Investments to which shareholders are directly exposed (market value)</b>	<b>152,102</b>	135,556
Adjustment from market value to IFRS carrying value <sup>2</sup>	<b>1,118</b>	848
<b>Investments to which shareholders are directly exposed (IFRS carrying value)</b>	<b>153,220</b>	136,404

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

#### Analysed by investment class:

		Annuity <sup>1</sup> investments 2024 £m	Other investments 2024 £m	Total 2024 £m	Restated Annuity <sup>1</sup> investments 2023 £m	Restated Other investments 2023 £m	Total 2023 £m
	Notes						
Equities		2,052	896	2,948	1,989	1,177	3,166
Bonds	6.03	83,020	4,152	87,172	77,571	3,759	81,330
Derivative assets <sup>2</sup>		49,039	156	49,195	37,894	125	38,019
Property	6.04	5,729	226	5,955	5,269	234	5,503
Loans <sup>3</sup>		2,542	172	2,714	1,382	230	1,612
<b>Financial investments</b>		<b>142,382</b>	<b>5,602</b>	<b>147,984</b>	<b>124,105</b>	<b>5,525</b>	<b>129,630</b>
Cash and cash equivalents		2,631	1,126	3,757	3,122	1,113	4,235
Other assets <sup>4</sup>		722	757	1,479	779	1,760	2,539
<b>Total investments</b>		<b>145,735</b>	<b>7,485</b>	<b>153,220</b>	<b>128,006</b>	<b>8,398</b>	<b>136,404</b>

1. Annuity investments includes products held within the Institutional Retirement and Retail Retirement annuity portfolios and include lifetime mortgage loans and retirement interest only mortgages.
2. Derivative assets are shown gross of derivative liabilities of £54.3bn (31 December 2023: £40.5bn). Exposures arise from use of derivatives for efficient portfolio management, particularly the use of interest rate swaps, inflation swaps, currency swaps and foreign exchange forward contracts for assets and liability management.
3. Loans include reverse repurchase agreements of £2.630m (31 December 2023: £1,599m).
4. Other assets include finance leases of £444m (31 December 2023: £451m), associates and joint ventures of £795m (31 December 2023: £616m) and the consolidated net asset value of the Group's investments in the housing businesses, which in 2023 included Cala.

## 6.02 Direct investments

### (i) Total investments analysed by asset class

	Direct <sup>1</sup> investments 2024 £m	Traded <sup>2</sup> securities 2024 £m	Total 2024 £m	Direct <sup>1</sup> investments 2023 £m	Traded <sup>2</sup> securities 2023 £m	Total 2023 £m
Equities	1,698	1,250	2,948	1,856	1,310	3,166
Bonds <sup>3</sup>	30,244	56,928	87,172	27,671	53,659	81,330
Derivative assets	-	49,195	49,195	-	38,019	38,019
Property <sup>4</sup>	5,955	-	5,955	5,503	-	5,503
Loans	83	2,631	2,714	13	1,599	1,612
<b>Financial investments</b>	<b>37,980</b>	<b>110,004</b>	<b>147,984</b>	<b>35,043</b>	<b>94,587</b>	<b>129,630</b>
Cash and cash equivalents	169	3,588	3,757	163	4,072	4,235
Other assets	1,479	-	1,479	2,539	-	2,539
<b>Total investments</b>	<b>39,628</b>	<b>113,592</b>	<b>153,220</b>	<b>37,745</b>	<b>98,659</b>	<b>136,404</b>

1. Direct investments, which generally constitute an agreement with another party, represent an exposure to untraded and often less volatile asset classes. Direct investments also include physical assets, bilateral loans and private equity, but excluded hedge funds.
2. Traded securities are defined by exclusion. If an instrument is not a direct investment, then it is classed as a traded security.
3. Bonds include lifetime mortgage loans of £5,861m (31 December 2023: £5,766m).
4. A further breakdown of property is provided in Note 6.04.

### (ii) Direct investments analysed by asset portfolio

	Annuity <sup>1</sup> 2024 £m	Other 2024 £m	Total 2024 £m
Equities	831	867	1,698
Bonds <sup>2</sup>	28,419	1,825	30,244
Property	5,729	226	5,955
Loans	-	83	83
<b>Financial investments</b>	<b>34,979</b>	<b>3,001</b>	<b>37,980</b>
Other assets, cash and cash equivalents	765	883	1,648
<b>Total direct investments</b>	<b>35,744</b>	<b>3,884</b>	<b>39,628</b>

	Annuity <sup>1</sup> 2023 £m	Other 2023 £m	Total 2023 £m
Equities	839	1,017	1,856
Bonds <sup>2</sup>	25,816	1,855	27,671
Property	5,269	234	5,503
Loans	-	13	13
Financial investments	31,924	3,119	35,043
Other assets, cash and cash equivalents	842	1,860	2,702
<b>Total direct investments (Restated)</b>	<b>32,766</b>	<b>4,979</b>	<b>37,745</b>

1. Annuity includes products held within the Institutional Retirement and Retail Retirement annuity portfolios.
2. Bonds include lifetime mortgage loans of £5,861m (31 December 2023: £5,766m).

## 6.03 Bond portfolio summary

### (i) Sectors analysed by credit rating

As at 31 December 2024	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Other £m	Total <sup>F</sup> £m	Total <sup>F</sup> %
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<b>Sovereigns, Supras and Sub-Sovereigns</b>	<b>518</b>	<b>15,907</b>	<b>1,036</b>	<b>201</b>	<b>19</b>	<b>1</b>	<b>17,682</b>	<b>20</b>
<b>Banks:</b>								
- Tier 1	-	-	-	-	-	-	-	-
- Tier 2 and other subordinated	-	-	59	14	2	-	75	-
- Senior	-	1,677	4,197	896	1	-	6,771	8
- Covered	212	-	-	-	-	-	212	-
<b>Financial Services:</b>								
- Tier 2 and other subordinated	-	104	23	15	8	8	158	-
- Senior	212	885	796	846	1	-	2,740	3
<b>Insurance:</b>								
- Tier 1	-	-	-	-	-	-	-	-
- Tier 2 and other subordinated	34	133	19	37	1	-	224	-
- Senior	21	173	411	351	-	-	956	1
<b>Consumer Services and Goods:</b>								
- Cyclical	-	91	1,048	1,465	37	1	2,642	3
- Non-cyclical	279	694	2,726	2,588	60	-	6,347	7
- Healthcare	-	602	1,011	604	6	-	2,223	3
<b>Infrastructure:</b>								
- Social	99	863	4,564	1,285	64	-	6,875	8
- Economic	-	431	1,258	4,280	37	23	6,029	7
<b>Technology and Telecoms</b>	<b>100</b>	<b>403</b>	<b>1,056</b>	<b>2,525</b>	<b>18</b>	<b>1</b>	<b>4,103</b>	<b>5</b>
<b>Industrials</b>	<b>-</b>	<b>201</b>	<b>384</b>	<b>958</b>	<b>33</b>	<b>-</b>	<b>1,576</b>	<b>2</b>
<b>Utilities</b>	<b>427</b>	<b>397</b>	<b>4,655</b>	<b>3,799</b>	<b>10</b>	<b>-</b>	<b>9,288</b>	<b>11</b>
<b>Energy</b>	<b>-</b>	<b>28</b>	<b>543</b>	<b>1,457</b>	<b>35</b>	<b>-</b>	<b>2,063</b>	<b>2</b>
<b>Commodities</b>	<b>-</b>	<b>-</b>	<b>194</b>	<b>609</b>	<b>11</b>	<b>-</b>	<b>814</b>	<b>1</b>
<b>Oil and Gas</b>	<b>-</b>	<b>625</b>	<b>427</b>	<b>428</b>	<b>14</b>	<b>3</b>	<b>1,497</b>	<b>2</b>
<b>Real estate</b>	<b>-</b>	<b>34</b>	<b>1,850</b>	<b>2,530</b>	<b>82</b>	<b>1</b>	<b>4,497</b>	<b>5</b>
<b>Structured finance ABS / RMBS / CMBS / Other</b>	<b>1,084</b>	<b>981</b>	<b>1,541</b>	<b>791</b>	<b>68</b>	<b>22</b>	<b>4,487</b>	<b>5</b>
<b>Lifetime mortgage loans<sup>1</sup></b>	<b>-</b>	<b>4,916</b>	<b>483</b>	<b>402</b>	<b>-</b>	<b>60</b>	<b>5,861</b>	<b>7</b>
<b>CDOs</b>	<b>-</b>	<b>41</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>52</b>	<b>-</b>
<b>Total £m</b>	<b>2,986</b>	<b>29,186</b>	<b>28,281</b>	<b>26,092</b>	<b>507</b>	<b>120</b>	<b>87,172</b>	<b>100</b>
<b>Total %</b>	<b>3</b>	<b>34</b>	<b>32</b>	<b>30</b>	<b>1</b>	<b>-</b>	<b>100</b>	

1. The credit ratings attributed to lifetime mortgage loans are allocated in accordance with the internal Matching Adjustment structuring.  
2. The Group's bond portfolio is dominated by investments backing Institutional Retirement's and Retail Retirement's annuity business. These account for £83,020m, representing 95% of the total Group portfolio.

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

1. The credit ratings attributed to lifetime mortgage loans are allocated in accordance with the internal Matching Adjustment structuring.  
2. The Group's bond portfolio is dominated by investments backing Institutional Retirement's and Retail Retirement's annuity business. These account for £77,571m, representing 95% of the total Group portfolio.

## (ii) Sectors analysed by domicile

	UK £m	US £m	EU £m	Rest of the World £m	Total £m
As at 31 December 2024					
<b>Sovereigns, Supras and Sub-Sovereigns</b>	<b>13,298</b>	<b>2,528</b>	<b>1,279</b>	<b>577</b>	<b>17,682</b>
<b>Banks</b>	<b>2,056</b>	<b>2,638</b>	<b>1,219</b>	<b>1,145</b>	<b>7,058</b>
<b>Financial Services</b>	<b>424</b>	<b>1,160</b>	<b>998</b>	<b>316</b>	<b>2,898</b>
<b>Insurance</b>	<b>47</b>	<b>601</b>	<b>68</b>	<b>74</b>	<b>1,190</b>

<b>Insurance</b>	<b>91</b>	<b>771</b>	<b>90</b>	<b>19</b>	<b>1,109</b>
<b>Consumer Services and Goods:</b>					
- Cyclical	396	1,855	168	223	2,642
- Non-cyclical	1,292	4,146	552	357	6,347
- Healthcare	274	1,909	40	-	2,223
<b>Infrastructure:</b>					
- Social	5,915	615	138	207	6,875
- Economic	3,955	895	267	912	6,029
<b>Technology and Telecoms</b>	<b>345</b>	<b>2,730</b>	<b>465</b>	<b>563</b>	<b>4,103</b>
<b>Industrials</b>	<b>242</b>	<b>973</b>	<b>314</b>	<b>47</b>	<b>1,576</b>
<b>Utilities</b>	<b>3,513</b>	<b>3,502</b>	<b>1,787</b>	<b>486</b>	<b>9,288</b>
<b>Energy</b>	<b>606</b>	<b>1,135</b>	<b>22</b>	<b>300</b>	<b>2,063</b>
<b>Commodities</b>	<b>51</b>	<b>383</b>	<b>110</b>	<b>270</b>	<b>814</b>
<b>Oil and Gas</b>	<b>304</b>	<b>419</b>	<b>453</b>	<b>321</b>	<b>1,497</b>
<b>Real estate</b>	<b>1,724</b>	<b>1,796</b>	<b>704</b>	<b>273</b>	<b>4,497</b>
<b>Structured finance ABS / RMBS / CMBS / Other</b>	<b>1,191</b>	<b>2,672</b>	<b>201</b>	<b>423</b>	<b>4,487</b>
<b>Lifetime mortgage loans</b>	<b>5,359</b>	<b>-</b>	<b>502</b>	<b>-</b>	<b>5,861</b>
<b>CDOs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52</b>	<b>52</b>
<b>Total</b>	<b>40,992</b>	<b>30,347</b>	<b>9,287</b>	<b>6,546</b>	<b>87,172</b>

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

### (iii) Bond portfolio analysed by credit rating

	Externally rated £m	Internally rated <sup>1</sup> £m	Total £m
As at 31 December 2024			
AAA	2,448	538	2,986
AA	22,344	6,842	29,186
A	17,563	10,718	28,281
BBB	17,295	8,797	26,092
BB or below	289	218	507
Other	24	96	120
Total	59,963	27,209	87,172

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

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

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

	Direct investments £m	Traded £m	Total £m
As at 31 December 2024			
Sovereigns, Supras and Sub-Sovereigns	1,507	16,175	17,682
Banks	1,467	5,591	7,058
Financial Services	1,608	1,290	2,898
Insurance	150	1,030	1,180
Consumer Services and Goods:			
- Cyclical	470	2,172	2,642
- Non-cyclical	837	5,510	6,347

- Healthcare	511	1,712	2,223
<b>Infrastructure:</b>			
- Social	4,398	2,477	6,875
- Economic	4,451	1,578	6,029
<b>Technology and Telecoms</b>	<b>231</b>	<b>3,872</b>	<b>4,103</b>
<b>Industrials</b>	<b>267</b>	<b>1,309</b>	<b>1,576</b>
<b>Utilities</b>	<b>2,800</b>	<b>6,488</b>	<b>9,288</b>
<b>Energy</b>	<b>793</b>	<b>1,270</b>	<b>2,063</b>
<b>Commodities</b>	<b>149</b>	<b>665</b>	<b>814</b>
<b>Oil and Gas</b>	<b>93</b>	<b>1,404</b>	<b>1,497</b>
<b>Real estate</b>	<b>2,499</b>	<b>1,998</b>	<b>4,497</b>
<b>Structured finance ABS / RMBS / CMBS / Other</b>	<b>2,152</b>	<b>2,335</b>	<b>4,487</b>
<b>Lifetime mortgage loans</b>	<b>5,861</b>	<b>-</b>	<b>5,861</b>
<b>CDOs</b>	<b>-</b>	<b>52</b>	<b>52</b>
<b>Total</b>	<b>30,244</b>	<b>56,928</b>	<b>87,172</b>

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

## 6.04 Property analysis

### Property exposure within Direct investments by status

As at 31 December 2024	Annuity £m	Other <sup>1</sup> £m	Total £m	%
Let <sup>2</sup>	4,990	98	5,088	85
Development	739	94	833	14
Land	-	34	34	1
<b>Total</b>	<b>5,729</b>	<b>226</b>	<b>5,955</b>	<b>100</b>

As at 31 December 2023	Restated Annuity £m	Restated Other <sup>1</sup> £m	Total £m	%
Let <sup>2</sup>	4,809	96	4,905	89
Development	460	104	564	10
Land	-	34	34	1
<b>Total</b>	<b>5,269</b>	<b>234</b>	<b>5,503</b>	<b>100</b>

- The above analysis does not include assets related to the Group's investments in housing businesses, which are accounted for as inventory within Receivables and other assets on the Group's Consolidated Balance Sheet and are measured at the lower of cost and net realisable value. At 31 December 2024, the Group held a total £531m (31 December 2023: £1,932m) of such assets.
- The majority of the balance are fully let to corporate or individual clients, £4.0bn (31 December 2023: £4.2bn) of property were let to corporate clients, out of which £3.7bn (31 December 2023: £3.7bn) were let to investment grade tenants.

## Alternative Performance Measures

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

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

### APMs derived from IFRS measures

## Adjusted operating profit

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

Following the recent refresh of the Group's strategy and the segmentation changes described in Note 1.01, the Group has updated the application of its methodology for the determination of adjusted operating profit for assets allocated to the Asset Management and Corporate Investments segments, in order to simplify and harmonise the methodology across the segments. As part of the update, in order to calculate operating profit for direct investments, a long-term expected investment return is now applied to most private market and non-traded assets. In previous periods, this approach only applied to assets under construction contracted to be sold or for other commercial usage, and early-stage ventures not yet at a steady-state level of earnings. The update has not had a material impact on the comparative adjusted operating profit of each segment, and therefore has not led to a restatement.

Adjusted operating profit measures the pre-tax result excluding the impact of investment volatility, economic assumption changes caused by changes in market conditions or expectations, and exceptional items. Adjusted operating profit for insurance contracts primarily reflects the release of profit from the CSM and RA in the period (adjusted for reinsurance mismatches), the unwind of the discount rate used in the calculation of the insurance liabilities and incurred expenses that are not directly attributable to the insurance contracts.

Reinsurance mismatches can arise where the reinsurance offset rules in IFRS 17 do not reflect management's view of the net of reinsurance transaction. In particular, during a year of reinsurance renegotiation, reinsurance gains cannot be recognised to offset any inception losses on the underlying contracts where they are recognised before the new reinsurance agreement is signed. In these circumstances, the onerous contract losses are reduced to reflect the net loss (if any) after reinsurance, and future CSM amortisation is reduced over the duration of the contracts. Additionally, in some circumstances, profitable reinsurance does not mitigate onerous losses on gross contracts whilst the net position remains profitable. Where this is the case, onerous contract profits or losses are also presented below operating profit and the CSM amortisation is adjusted over the remaining duration of the contracts.

To remove investment volatility, adjusted operating profit reflects long-term expected investment returns on the substantial majority of investments held by the Group, including both traded and private market investments. For the remainder of the asset portfolio, including certain operational businesses in the Asset Management division and, up to its disposal on 31 October 2024, Cala, no adjustments are made to exclude investment volatility. The investment margin for insurance business therefore reflects the expected investment return above the unwind of the insurance liability discount rate.

The long-term expected investment return reflects the best estimate of the long-term return at the start of the year, as follows:

- expected returns for traded equity, commercial property and residential property (including lifetime mortgages) are based on market consensus forecasts and long-term historic average returns expected to apply through the cycle
- assumptions for fixed interest securities measured at FVTPL are based on asset yields for the assets held, less an adjustment for credit risk (assessed on a best estimate basis). Where securities are measured at amortised cost or FVOCI, the expected investment return comprises interest income on an effective interest rate basis
- for other private market and non-traded assets, the expected return assumption is set in line with our investment objectives. Rates of return specific to each asset are determined at the point of underwriting and reviewed and updated annually. The expected investment return includes current financial assumptions as well as sector specific assumptions, including retail and commercial property yields and power prices where appropriate.

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

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

Note 1.02 Operating profit reconciles adjusted operating profit with its closest IFRS measure, which is profit before tax attributable to equity holders. Further details on reconciling items between adjusted operating profit and profit before tax attributable to equity holders are presented in Note 1.05 Investment and other variances.

## Core operating profit

Core operating profit is an APM that measures the operating performance of the Group's core business and is calculated as the Group's adjusted operating profit excluding the operating profit of the Corporate Investments unit. This measure is considered to be relevant for stakeholders in addition to adjusted operating profit, as it focuses on appraising the performance of those areas of the business that management considers to be key to achieving the Group's strategy.

Note 1.02 Operating profit provides a breakdown of adjusted operating profit and identifies what is represented by core operating profit in line with the definition above.

## Core operating earnings per share (Core operating EPS)

Core operating EPS is calculated as core operating profit less coupon payable in respect of restricted Tier 1 convertible notes, all after allocated tax at the standard UK corporate tax rate, divided by the weighted average number of shares outstanding during the year. This APM is therefore a measure of the performance of the Group, on an after allocated tax basis, excluding the contribution of the Corporate Investments unit and the impact of investment volatility, economic assumption changes caused by changes in market conditions or expectations, and exceptional items. Note 1.07 reconciles core operating EPS to basic EPS.

## Return on Equity (ROE)

ROE measures the return earned by shareholders on shareholder capital retained within the business. It is a measure of performance of the business, which shows how efficiently we are using our financial resources to generate a return for shareholders. ROE is calculated as IFRS profit after tax divided by average IFRS shareholders' funds (by reference to opening and closing equity attributable to the owners of the parent as provided in the IFRS Consolidated statement of changes in equity for the year). In the current year, ROE was quantified using profit attributable to equity holders of £191m (31 December 2023: £457m) and average equity attributable to the owners of the parent of £3,692m (31 December 2023: £4,699m), based on an opening balance of £4,331m and a closing balance of £3,053m (31 December 2023: based on an opening balance of £5,067m and a closing balance of £4,331m).

## Operating Return on Equity (Operating ROE)

Operating ROE is calculated as the Group's adjusted operating profit after allocated tax at the standard UK corporate tax rate divided by average IFRS shareholders' funds (by reference to opening and closing equity attributable to the owners of the parent as provided in the IFRS Consolidated statement of changes in equity for the year). It therefore measures the after allocated tax return for shareholders generated by the Group, excluding the impact of investment volatility, economic

included an return for shareholders generated by the Group, excluding the impact of investment realisation, economic assumption changes caused by changes in market conditions or expectations, and exceptional items. In the current year, operating ROE was quantified using adjusted operating profit after tax of £1,283m (31 December 2023: £1,250m) and average equity attributable to the owners of the parent of £3,692m (31 December 2023: £4,699m), based on an opening balance of £4,331m and a closing balance of £3,053m (31 December 2023: based on an opening balance of £5,067m and a closing balance of £4,331m).

### **Assets under Management (AUM)**

Assets under management represent funds which are managed by our fund managers on behalf of investors. It represents the total amount of money investors have trusted with our fund managers to invest across our investment products. AUM include assets which are reported in the Group Consolidated Balance Sheet as well as third-party assets that Asset Management manage on behalf of others, and assets managed by third parties on behalf of the Group.

Following the implementation of the new divisional organisation announced on 12 June 2024, and the creation of a single Asset Management division bringing LGIM and LGC together, the determination of AUM has been updated to also include external assets managed by fund managers classified as associates and joint ventures in line with IAS 28, 'Investments in Associates and Joint Ventures'.

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

### **Adjusted profit before tax attributable to equity holders**

Adjusted profit before tax attributable to equity holders is equal to profit before tax attributable to equity holders plus the pre-tax results of discontinued operations.

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

### **APMs derived from Solvency II measures**

The Group is required to measure and monitor its capital resources on a regulatory basis and to comply with the minimum capital requirements of regulators in each territory in which it operates. At a Group level, L&G complies with the UK implementation of Solvency II regulations, as implemented by the PRA Rulebook.

#### **Solvency II surplus**

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

Differences between the Solvency II surplus and its related regulatory basis include the impact of unaudited profits (or losses) of financial firms, which are excluded from regulatory Own Funds. This view of Solvency II is considered to be representative of the shareholder risk exposure and the Group's real ability to cover the Solvency Capital Requirement (SCR) with Eligible Own Funds.

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

#### **Solvency II capital coverage ratio**

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

Differences between the Solvency II capital coverage ratio and its related regulatory basis include the impact of unaudited profits (or losses) of financial firms, which are excluded from regulatory Own Funds. This view of Solvency II is considered to be representative of the shareholder risk exposure and the Group's real ability to cover the SCR with Eligible Own Funds.

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

#### **Solvency II operational surplus generation**

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

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

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

## **Glossary**

\* These items represent an alternative performance measure (APM).

### **Adjusted operating profit\***

Refer to the alternative performance measures section.

**Adjusted profit before tax attributable to equity holders\***

Refer to the alternative performance measures section.

**Alternative performance measures (APMs)**

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

**Annual premiums**

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

**Annualised net new revenue (ANNR)**

ANNR provides an insight into the revenue growth of an asset manager, excluding the impact of investment markets. It reflects the combined effect of inflows and outflows to assets under management and the fee rates on those flows. ANNR in respect of acquisitions and disposals will be considered on a case by case basis.

ANNR is calculated as the annualised revenue on new monies invested by our Asset Management clients in the year, minus the annualised revenue on existing monies divested by our clients in the year, plus or minus the annualised revenue on switches between asset classes/strategies by our clients in the year. Annualised revenue is the amount of investment management fees we would expect on the fund flow in one calendar year.

**Annuity**

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

**Assets under administration (AUA)**

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

**Assets under management (AUM)\***

Refer to the alternative performance measures section.

**Assured Payment Policy (APP)**

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

**Back book acquisition**

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

**CAGR**

Compound annual growth rate.

**Calculation Method 2**

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

**Common Contractual Fund (CCF)**

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

#### **Contract boundaries**

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

#### **Contractual Service Margin (CSM)**

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

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

#### **Core operating earnings per share (Core operating EPS)\***

Refer to the alternative performance measures section.

#### **Core operating profit\***

Refer to the alternative performance measures section.

#### **Coverage Period**

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

#### **Credit rating**

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

#### **Defined benefit pension scheme (DB scheme)**

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

#### **Defined contribution pension scheme (DC scheme)**

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

#### **Derivatives**

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

#### **Direct investments**

Direct investments, which generally constitute an agreement with another party, represent an exposure to untraded and often



less volatile asset classes. Direct investments also include physical assets, bilateral loans and private equity, but exclude hedge funds.

#### **Earnings per share (EPS)**

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

#### **Eligible Own Funds**

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

#### **Employee satisfaction index**

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

#### **ETF**

Our Asset Management division's European Exchange Traded Fund platform.

#### **Euro Commercial Paper**

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

#### **Expected credit losses (ECL)**

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

#### **Fair value through other comprehensive income (FVOCI)**

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

#### **Fair value through profit or loss (FVTPL)**

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

#### **Fulfilment cash flows**

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

#### **Full year dividend**

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

#### **Generally accepted accounting principles (GAAP)**

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

#### **Institutional Retirement new business**

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

present value of the fixed leg cash flows discounted at the SONIA curve.

### **Insurance new business**

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

### **Irish Collective Asset-Management Vehicle (ICAV)**

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

### **Key performance indicators (KPIs)**

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

### **LGA**

Legal & General America.

### **LGAS**

Legal and General Assurance Society Limited.

### **Liability driven investment (LDI)**

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

### **Lifetime mortgages**

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

### **Longevity**

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

### **Matching adjustment**

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

### **Morbidity rate**

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

### **Mortality rate**

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

### **Net zero carbon**

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

**Onerous contracts**

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

**Open Ended Investment Company (OEIC)**

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

**Operating Return on Equity (Operating ROE)\***

Refer to the alternative performance measures section.

**Overlay assets**

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

**Paris Agreement**

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

**Pension risk transfer (PRT)**

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

**Persistency**

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

**Platform**

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

**Present value of future new business premiums (PVNBP)**

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

**Private Markets**

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

**Proprietary assets**

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

### **Qualifying Investor Alternative Investment Fund (QIAIF)**

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

### **Retail Retirement new business**

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

### **Retirement Interest Only Mortgage (RIO)**

A standard retirement mortgage available for non-commercial borrowers above 55 years old. A RIO mortgage is very similar to a standard interest-only mortgage, with two key differences:

- the loan is usually only paid off on death, move into long-term care or sale of the house
- the borrowers only have to prove they can afford the monthly interest repayments and not the capital remaining at the end of the mortgage term.

No repayment solution is required as repayment defaults to sale of property.

### **Return on Equity (ROE)\***

Refer to the alternative performance measures section.

### **Risk adjustment (RA)**

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

### **Risk appetite**

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

### **Single premiums**

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

### **Société d'Investissement à Capital Variable (SICAV)**

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

### **Solvency II**

The Group measures its capital resources in line with the UK implementation of Solvency II regulations, as set out in the PRA Rulebook. The UK implementation of the Solvency II regulations determines the amount of capital that UK insurance companies must hold to ensure that they can withstand a 1-in-200 year level of risk. The regulations became effective from 31 December 2016. The previous Solvency II regulations applied from 1 January 2016, as implemented by EIOPA in the Solvency II Framework Directive, and adopted by the UK.

### **Solvency II capital coverage ratio\***

Refer to the alternative performance measures section.

### **Solvency II capital coverage ratio - regulatory basis**

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

**Solvency II Fundamental Spread**

An amount used in the derivation of the Matching Adjustment. It represents the portion of the spread on a financial instrument that is attributable to the risks of default and downgrade. Prescribed Fundamental Spreads varying by credit rating and currency are provided by PRA. As part of the UK implementation of Solvency II regulations, insurance groups and firms are required to apply an additional Fundamental Spread where the regulatory amounts are believed to be insufficient to reflect all risks in a financial instrument.

**Solvency II new business contribution**

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

**Solvency II Operational Surplus Generation\***

Refer to the alternative performance measures section.

**Solvency II risk margin**

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

**Solvency II surplus\***

Refer to the alternative performance measures section.

**Solvency II surplus - regulatory basis**

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

**Solvency Capital Requirement (SCR)**

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

**Specialised Investment Fund (SIF)**

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

**Total shareholder return (TSR)**

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

**Transitional Measures on Technical Provisions (TMTP)**

An adjustment to Solvency II technical provisions, to smooth the transition from the previous regulatory regime to the Solvency II regime over a period of 16 years from 1 January 2016. The TMTP continues to be applied after the change to the UK implementation of Solvency II from 31 December 2024, with some changes to the approach to simplify the ongoing calculation.

**Yield**

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

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