2024 Full Year Results

Core operating profit up 6%, executing our growth strategy with a sharper focus and enhanced returns, with a £500m buyback

António Simões, CEO:

"2024 has been a year of significant strategic progress and strong financial performance. We delivered 6% growth in our core operating profit and core EPS, alongside excellent new business volumes, while investing for the future.

We are seeing positive commercial momentum as we execute our strategy with rigour and pace. By sharpening our focus and simplifying our portfolio - through the sale of Cala and US Protection - alongside our strategic partnership with Meiji Yasuda and our investment in Taurus, we are strengthening our ability to generate sustainable growth in our core businesses: Institutional Retirement, Asset Management and UK Retail. We stated at our Capital Markets Event that we intended to return more to shareholders and that is exactly what we are doing. Our clear capital allocation framework supports our plan to return over £5 billion over the next three years, through dividends and buybacks.

Looking ahead, our momentum demonstrates why we are confident in our ability to deliver on our ambitious targets, directing our capital and expertise where they can create lasting value, and making a meaningful impact for customers, shareholders and communities."

Strong financial performance[1]

- Core operating profit of £1,616m and Core operating EPS of 20.23p, both up 6%
- IFRS Profit before tax[2] of £542m
- Solvency II capital generation of £1.8bn and Solvency II coverage ratio[3] of 232%
- A large store of future profit[3] of £14.8bn

Sustainable Growth

- Institutional Retirement: £10.7bn of Global PRT written; £8.4bn UK PRT and record volumes in US and Canada
- Asset Management: £1.1trn global AUM; growth in revenue as we pivot to higher fee margin products, and average fee rate increased from 7bps to 8bps. Private Market AUM of £57bn, with £1.2bn of external committed capital from several new fund launches, and a strategic investment in US real estate equity specialist, Taurus
- Retail: Record volumes in Retail Annuities of £2.1bn and continued strong growth in Workplace DC

Sharper focus

- Introduction of a disciplined capital allocation approach, including the creation of Corporate Investments unit
- Major disposals to unlock value and reinvest for growth: Cala (£1.35bn[4]) and US protection (£1.8bn[4])
- Alongside the creation of a strategic partnership with Meiji Yasuda, increasing growth potential in US PRT and co-investment capital of ¥150 bn[5] in Asset Management

Enhanced Returns

- Dividend per Share of 21.36p up 5% and £500m buyback announced for 2025
- Intention to return more than £5bn (or c. 40% market cap[6]) within three years

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1. The Group uses a number of Alternative Performance Measures to enhance understanding of the Group's performance, defined on pages 80-82.
2. IFRS Profit before tax see Note 2.01
3. Store of future profit refers to the gross of tax Contractual Service Margin "CSM" and Risk Adjustment "RA" (net of reinsurance) under IFRS 17
4. £1.35bn reflects Cala enterprise value and £1.8bn reflects sale of US protection and US PRT partnership with Meiji Yasuda expected to complete at the end of 2025.
5. This equates to c. $1bn on FX rate as at 5 March 2025
6. Market Cap. at 1 Jan 2025 = £13.542bn

Financial summary

£m	FY 2024	FY 2023[2]	Growth (%)
Institutional Retirement	1,105	1,028	7
Asset Management	401	448	(10)
Retail[1]	504	449	12
Group debt costs	(216)	(212)	(2)
Group investment projects and expenses	(178)	(182)	2
Core Operating profit[3,4]	**1,616**	**1,531**	**6**
Corporate Investments unit	95	136	(30)
Operating Profit[3]	**1,711**	**1,667**	**3**
Investment variance from Core businesses (incl. minority interests)	(991)	(1,228)	19
Investment variance from Corporate Investments unit	(388)	(363)	(7)
Profit before tax attributable to equity holders[3]	**332**	**76**	**337**
Profit after tax attributable to equity holders[4]	**191**	457	(58)
Core Operating Earnings per share[3] (p)	**20.23**	**19.04**	**6**
Operating ROE[3] (%)	**34.8**	**26.6**	**8**
Contractual Service Margin (CSM)[3]	**13,292**	12,994	
CSM (net of tax) + Book Value	**13,310**	14,306	
CSM (net of tax) + Book Value per share (p)	**226**	239	
Solvency II			
Operational surplus generation	**1,751**	1,821	
Coverage ratio (%)	**232**	224	
Dividend per share (p)	**21.36**	20.34	

1. This includes US protection business of £73m (FY 2023: £27m) that will be sold to Meiji Yasuda on completion, which is expected towards the end of this year. The growth in US protection profit reflects 2023 being impacted by adverse mortality experience.
2. Comparatives restated to reflect the creation of the Corporate Investments unit and movement of LGC assets to Institutional Retirement, Retail Annuities and Asset Management.
3. Alternative Performance Measure as defined on pages 80-82.
4. The tax credit in 2023, of £367m, included a material one-off tax credit arising from the recognition of a deferred tax asset relating to the introduction of a new Bermuda corporate income tax regime.

Strong 2024 financial performance

Income statement

FY 2024 core operating profit grew by 6% to £1,616m, in line with the guidance given at our half-year results. Total Operating Profit, which includes our newly created Corporate Investment portfolio which focuses on the disposal of non-strategic assets, grew by 3% to £1,711m after allowing for the sale of Cala in the second half of the year.

Institutional Retirement operating profit increased by 7% to £1,105m, underpinned by the growing scale of back-book earnings and consistent investment performance of our annuity portfolio. In 2024, we have written £10.7bn of global PRT (FY 2023: £13.7bn) or £10.1bn (FY 2023; £10.5bn) net of funded reinsurance, reflecting a strong year in the UK, writing £8.4bn of UK PRT at a lower strain, and a record year internationally.

Asset Management delivered operating profit of £401m (FY 2023: £448m). Operating profit from fee-related earnings reduced to £256m (FY 2023: £268m) as we have increased investment to drive future growth. Fee-related revenues have increased by 4% to £967m on 2% lower average AUM, as we make a conscious shift towards higher margin products. Underlying operating expenses were 1% up reflecting efficiency initiatives and streamlining of our organisation. Lower operating profit from our Balance Sheet investments of £145m primarily reflects a more modest valuation uplift for Pemberton in 2024, as it continues to grow.

Retail operating profit increased by 12% to £504m (FY 2023: £449m) predominantly driven by growth in release of CSM and RA, helped by strong new business sales in 2023 and 2024, and improved experience variances. Retail Annuities had another year of record new business sales of £2.1bn (up 48%). Our Workplace DC business continues to grow with net flows of £6.0bn and 5.5 million members. Investment in our Workplace proposition continues to improve member engagement through our new Retail App and the launch of our at-retirement guidance journey.

Profit before tax attributable to equity holders is £332m (FY 2023: £76m), reflecting investment and other variances from core businesses of £(991)m (FY 2023: £(1,228)m). This was mostly driven by the impact on our annuity portfolio from the increase in interest rates of c.100bps[7], broadly in line with our published sensitivities, as well as some non-recurring IFRS 17 modelling refinements in the first half of the year and an adverse accounting impact from longevity releases of c£(79)m[8]. The investment variance from Corporate Investments of £(388)m (FY 2023: £(363)m) predominantly reflects the valuation write-down of Salary Finance recognised in the first half of the year and the accounting impact from the disposal of Cala, around £70m of which will come through as profit over time as the discounting on the deferred consideration unwinds.

Balance sheet and asset portfolio

Solvency II coverage ratio remains strong at 232% (FY 2023: 224%).

Stable Solvency II operational surplus generation (OSG) of £1,751m (FY 2023: £1,821m) reflects a combination of continued growth in capital generation from our insurance businesses, Asset Management being adversely impacted by higher interest rates and investment spend, and a slightly lower level of management actions compared to 2023.

Net surplus generation (NSG) of £1,342m (FY 2023: £1,383m).

New business strain of £409m (FY 2023: £438m) reflects a c. £200m benefit from writing capital efficient UK PRT compared to the strain in 2023. The overall surplus benefit on writing more efficient UK PRT is partially offset by record volumes of Retail annuities, international PRT and US protection business, leading to broadly flat NSG.

Our operating return on equity[9] was 34.8% (FY 2023: 26.6%).

Our store of future profit increased to £14.8bn (FY 2023: £14.7bn), with the CSM of £13.3bn (FY 2023: £13.0bn), reflecting our growing insurance businesses. Risk Adjustment of £1.6bn is down slightly on FY 2023 (£1.7bn).

7. 10 year gilts
8. As we experienced in 2023, the positive movement in the CSM from longevity releases, which will be released into the P&L over time, is offset by an adverse day-one impact on P&L through investment variances. This is purely an accounting mismatch.
9. See glossary for more information.

Group Strategy

At our Capital Markets event in June 2024, we set out a strategy for delivering sustainable growth, a sharper focus and enhanced returns to shareholders. We are targeting:

- 6-9% CAGR in core operating EPS (2024-27)
- at >20% operating Return on Equity in 2025-2027
- £5-6bn cumulative Solvency II capital generation over three years (2025, 2026, 2027)[10]

Following the announcement in February, of the sale of our US protection business and the creation of the strategic partnership with Meiji Yasuda, we have confirmed our increased confidence in meeting these targets.

We have well-positioned, capital generative businesses in Institutional Retirement, Asset Management and Retail. Our divisions have strong complementary synergies and a shared sense of purpose, which together create significant competitive advantages for the Group. Making the most of these synergistic benefits is a core tenet of our strategy.

Our long-term vision requires near-term investment in our operating model to position us for structural growth trends in our businesses. This in turn will move the business towards a more capital-light model.

Successful execution will require sharper focus. We have a disciplined approach to capital allocation, and we have simplified the Group by creating a single asset manager and a Corporate Investments unit. We are committed to gaining efficiencies in operations and we are challenging the way we work. We are continually looking to optimise our capital and cash usage, and where appropriate, will look to redeploy these resources to drive future growth.

Our three businesses

Institutional Retirement is a market leader in UK PRT with a growing presence internationally, in the US and via our global reinsurance hub in Bermuda. We are well placed to address the significant growth in the global PRT market over the next decade and our newly announced partnership with Meiji Yasuda increases our growth potential in the US. The economics are attractive, with our growing portfolio set to release reliable earnings over decades from our store of future profit (FY 2024: £9.3bn). Our total annuity portfolio, including Retail annuities, stands at £92bn as at FY 2024 and acts as a valuable source of capital to cornerstone new investment strategies.

Key metrics: UK PRT volume guidance of £50-65bn at <4% strain (2024-28), 5-7% operating profit CAGR (FY23-28)

Asset Management was formed in 2024 from the combination of LGIM (L&G Investment Management) and LGC (L&G Capital). It is a leading global asset manager with private and public market capabilities and total AUM of £1.1trn, of which 44%[11] is managed internationally. It has significant market share of the assets invested by the UK pensions industry, and plays a critical role in the growth across the Group by providing a pipeline of "PRT ready" Defined Benefit (DB) clients for Institutional Retirement (over the last three years, 81% of L&G UK PRT new business premiums have come from Asset Management clients), acting as investment manager for our annuity portfolio and being a provider of investment funds for our Workplace DC business in Retail. Private Markets will be a major driver of Asset Management growth both directly in L&G and through our origination partners (e.g. Pemberton). We can access and originate differentiated investment opportunities in private credit, real estate and infrastructure both by using our own balance sheet, and attracting third party capital investment.

Key metrics: £500-600m operating profit (2028), £100-150m cumulative ANNR (2025-28), £85bn+ Private Markets AUM (2028)[12]

Retail is a leading provider of retail retirement and protection solutions. We support customers throughout their lifetime and leverage our Asset Management capabilities, as responsibility for retirement savings shifts from employers to individuals. We continue to leverage technology to engage customers effectively and efficiently at scale.

Key metrics: £40-50bn of cumulative Workplace Savings net flows (2024-2028). The additional Retail ambition is impacted by the sale of our US protection business. A new divisional ambition will be shared at our Retail investor deep dive planned for the second half of this year.

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10. As previously disclosed, we will include the anticipated accelerated capital generation of the Magnet transaction in the performance against this target
11. Total AUM ex JV, Associates and Other
12. Including 100% Pemberton fee-earning AUM

Our capital allocation framework

We have a disciplined capital allocation framework which prioritises:

- A strong and sustainable balance sheet, supported by robust capital generation from our divisions
- Investment for growth, with clearly set out hurdle rates on investment in organic growth and potential bolt-on acquisitions in Asset Management
- Shareholder returns, with surplus capital to be returned to shareholders in the form of dividend or buybacks

Capital from disposals will be deployed in line with this capital allocation policy and where opportunities are not available at our required 14% hurdle rate or we are more capital efficient, we will consider returning more to shareholders.

Returning capital to shareholders

As noted, the Board intends to return more to shareholders over 2024-2027 than the equivalent of maintaining a 5% per annum growth in dividend per share (DPS). This is intended to be achieved through a combination of dividends, ongoing and incremental buybacks. In line with that, full year DPS growth is confirmed at 5%, with a final dividend of 15.36p and a full year dividend of 21.36p. As stated previously, from 2025 we intend to grow DPS at 2% per annum out to 2027.

In 2024, we completed the announced buyback of £200m and today we announce a buyback of £500m. The increase compared to 2024 reflects more capital efficient UK PRT written in 2024 and a return of the capital release from the sale of Cala.

In February this year, we announced the intention to carry out an additional £1bn buyback commencing after the completion of the sale of our US protection business and creation of our strategic partnership with Meiji Yasuda.

Overall, we intend to return the equivalent of c. 40% of market cap[13] to shareholders over 2025-2027 through a combination of dividends and buybacks. All future capital returns will be subject to the market environment, our views on solvency buffers, and regulatory approval.

Outlook

As we look at 2025, we have strong commercial momentum in each of our three businesses.

In **Institutional Retirement**, we have a busy PRT pipeline and have already completed £1.2bn of transaction in the UK and we are actively pricing on £17bn of new deals, with visibility on a further £27bn. We expect strong volumes this year, with good profitability and low new business strain. We will continue to adapt to changes in market conditions and deliver attractive returns, as we have successfully demonstrated in 2024.

Asset Management has also had a positive start to the year as we continue to see flows into higher margin products. This is expected to increase as we see more of our Workplace clients transition into our Lifetime Advantage Fund which has a c. 15% investment in our Private Markets Asset Fund providing enhanced returns to DC savers and aligning strongly with the government agenda to deploy more pensions money into productive finance in the UK. We also expect to see part of the ¥150bn of co-investment from Meiji Yasuda flow into our private markets business.

In **Retail,** several Workplace schemes that we won in 2024 will fund this year, and we will continue to strengthen our proposition. We expect the thriving retail annuities market to continue, with increased competition, as higher interest rates and increased awareness around the benefits of guaranteed income, continue to make these products more attractive to customers. We are well positioned in this market. Our UK protection businesses will continue to focus on writing strong volumes at disciplined margins.

We now have a plan in place for the disposal of each of the remining assets in our **Corporate Investments** portfolio as we continue to simplify our business and unlock value to redeploy into our strategic businesses.

13. Market Cap. at 1 Jan 2025 = £13.542bn

Institutional Retirement

FINANCIAL HIGHLIGHTS[1] £m	**FY 2024**	FY 2023
Contractual service margin release	650	591
Risk adjustment release	141	119
Expected investment margin	485	486
Experience variances	(10)	(13)
Non-attributable expenses	(168)	(160)
Other	7	5
Operating profit	**1,105**	1,028
Investment and other variances	(557)	(555)
Profit before tax attributable to equity holders	**548**	473
Contractual service margin (CSM)	8,625	8,350
Risk adjustment (RA)[2]	710	807
Total store of future profit	**9,335**	**9,157**
CSM release as a % of closing CSM pre release	**7.0%**	**6.6%**
New business CSM	489	865
New business RA	94	161
Total new business future profit	**583**	1,026
UK PRT	8,412	12,048
International PRT	2,250	1,671
Total new business (Gross Premiums)	**10,662**	13,719
Funded reinsurance premiums	(557)	(3,189)
Total new business (net of Funded Reinsurance)	**10,105**	**10,530**
Institutional annuity assets[3] (£bn)	**73.8**	68.9
Shareholder assets[4] (£bn)	**3.5**	3.1

1. Comparatives restated to reflect the movement of assets from LGC to Institutional Retirement. For further information please see Note 1.01.
2. The FY 2024 RA is reduced by £78m following the impact of the funded reinsurance transacted in 2024 on PRT deals signed pre-2024, including £(56)m from the 2023 Boots Pension Scheme.
3. In the UK, annuity assets across Institutional Retirement and Retail are managed together. We show here estimated Institutional Retirement annuity assets. Excludes derivative assets.
4. Assets formerly reported in LGC.

Strong operating profit, up 7% to £1.1bn

Contractual Service Margin (CSM) release has increased to £650m (FY 2023: £591m), driven by growth in the CSM, as we continue to write strong new business volumes, and an increased amortisation rate of the CSM as the back book matures. Amortisation was 7.0% of the pre-release CSM, compared to 6.6% in 2023. Overall, the CSM grew 3% to £8.6bn (FY 2023: £8.4bn) which is supported by profitable new business written and the routine 2024 longevity review.

Risk Adjustment (RA) release has increased to £141m (FY 2023: £119m), driven by a growing annuity portfolio following strong new business volumes in 2024 and 2023.

The expected investment margin is stable at £485m (FY 2023: £486m) reflecting returns on surplus assets, and our continuing back-book optimisation.

Profit before tax of £548m (FY 2023: £473m) was impacted by investment and other variances of £(557)m. This was mostly driven by increases in interest rates, broadly in line with our year-end sensitivities, and non-recurring IFRS 17 modelling refinements as set out at the half year. It also reflects an adverse accounting mismatch as a result of the longevity releases.

£10.7bn global PRT volumes written and a strong pipeline for 2025

In 2024, we wrote £10.7bn of global PRT new business across 56 deals, with 4 deals over £1billion. (FY 2023: £13.7bn across 43 deals). UK volumes were £8.4bn (FY 2023: £12.0bn) and we delivered record international volumes of £2.3bn (FY 2023: £1.7bn). In the UK, we are actively pricing on £17bn of new deals and have visibility on a further £27bn which are expected to transact in 2025.

Executing capital-light UK PRT in 2024

In 2024, we have once again successfully demonstrated our ability to adapt quickly to new market environments. Faced with tighter corporate credit spreads and wider gilt spreads we, like others, pivoted to use gilts-based investment strategies. This allowed us to write capital efficient new business resulting in a c.1% strain on the £8.4bn of business we wrote in the UK.

This gilts-based approach results in a highly attractive return on capital, with scope for further back book asset optimisation; whilst day one profitability metrics are moderately lower, reflecting the slightly lower initial yield, the capital deployed is significantly reduced. As a result, the £8.4bn of UK PRT written in 2024 delivered a Solvency II margin of 5.3% (FY 2023: 7.4%). Institutional Retirement delivered an IFRS new business margin[14] of 7.1% (FY 2023: 9.0%).

A record year for international PRT volumes

Institutional Retirement delivered record US PRT new business premiums of $2.2bn or £1.7bn (FY 2023: $1.9bn; £1.5bn) as well as increased Canadian PRT volumes of CAD $1.0bn (FY 2023: CAD $0.3bn).

L&G entered the US PRT market 10 years ago, completing its first transaction with Royal Philips in 2015. It has since completed more than $12 billion of new business, securing the pension benefits of over 200,000 annuitants. L&G and RGA recently won Insurance ERM's Innovation of the Year award for their split transaction solution, which continues to meet the evolving needs of the pension plan sponsors in the US PRT market.

L&G completed its first Canadian PRT transaction in 2019. In 2024, three significant Canadian transactions were secured with a total volume of CAD $1bn. These include L&G's largest Canadian transaction to date, valued at CAD $0.5 billion, bringing the total written premium to over CAD $2.5 billion.

Going forward, alongside Meiji Yasuda in the US, L&G remains strongly positioned to offer holistic, multinational pension de-risking solutions, leveraging skills and capabilities across geographies to make us a global leader in PRT.

14. Calculated as a percentage of premium net of funded reinsurance. Includes transacted annuity book optimisation from Direct Investment capacity enabled by gilts-based investment strategies and removes timing constraints on reinsurance imposed by IFRS17.

Asset Management

FINANCIAL HIGHLIGHTS[1] £m	FY 2024	FY 2023
Management fee revenue	947	900
Transactional revenue	20	26
Total revenue	**967**	926
Total costs	(711)	(658)
Operating profit from fee-related earnings	256	268
Operating profit from Balance Sheet investments	145	180
Total Operating Profit	**401**	448
Investment and other variances	(190)	(123)
Profit before tax	**211**	325
Asset Management cost: income ratio (%)	74%	71%

NET FLOWS AND ASSETS £bn		
External net flows	**(47.8)**	(38.4)
PRT Transfers	(2.8)	(15.2)
Internal net flows	2.1	1.6
Total net flows	**(48.5)**	(52.0)
Average assets under management	*1,128*	1,155
Assets under management ex JV, Associates and other	**1,118**	1,159
JV, Associates and other AUM[2]	17	13
Total AUM	**1,135**	1,172
Of which:		
- International assets under management[3]	488	465
- Private Markets[4]	57	50
- UK DC assets under management	183	163

1. Comparatives restated to reflect the movement of assets from LGC to Asset Management. For further information please see Note 1.01
2. Includes 100% of assets managed by associates (Pemberton and NTR) and L&G balance sheet assets managed by Asset Management.
3. International AUM includes assets from internationally domiciled clients plus assets managed internationally on behalf of UK clients.
4. Private Markets assets includes assets from associates and is based on managed AUM including £1.5bn from multi-asset strategies.

Higher average revenue fee rate and underlying operating expenses broadly flat

Operating profit from fee-related earnings £256m (FY 2023: £268m)

Operating profit from fee-related earnings has decreased as we invest to enable growth. Revenues increased by 4% to £967m (FY 2023: £926m) on 2% lower average AUM, as we pivot towards higher margin products. The increase in our average fee rate from 7bps to 8bps is a result of changes in both client mix and investment capabilities.

Total operating costs of £711m increased by 8% due to increased investment of c. £48m in growth and scalability, consistent with the £50-100m per annum guidance. Underlying operating expenses were up just 1% as a result of actions taken to drive efficiency to streamline our organisation. We will continue to be disciplined in our management of operating expenses.

Operating profit from Balance Sheet investments £145m (FY 2023: £180m)

Balance Sheet investments comprises of our asset origination platforms in Private Credit, Real Estate and Infrastructure, where these investment strategies have been successfully developed in-house over the last decade, and we are now looking to distribute them to third parties.

Lower operating profit primarily reflects a more modest valuation uplift for Pemberton in 2024. Pemberton was awarded 2024 Private Debt Investor Fundraising of the Year: Europe[15] and has continued to make significant progress in raising and deploying capital with total commitments increasing by €6bn in 2024. During this year Pemberton achieved its first close on the new NAV Strategic Financing strategy, which provides financing solutions to private equity firms and secured c. €1bn of commitment, including from anchor investor Abu Dhabi Investment Authority. We expect future growth in valuations as new funds are launched and capital is deployed.

Profit Before Tax and Investment Variances

Profit before tax was £211m, with investment and other variances of £(190)m, driven primarily by the unrealised mark-to-market impact on the carrying value of some of our balance sheet investments.

Supporting clients across key channels and markets

Higher interest rates and outflows mean total AUM[16] reduced by 4% year on year to £1,118bn (FY 2023: £1,159bn). External net flows of £(47.8)bn reflect lower margin outflows as **UK DB** clients continue to adjust their portfolios in response to improved funding ratios and execute some one-off tactical asset allocation rebalances.

Growth in other channels meant Annualised Net New Revenue (ANNR) excluding flows from our UK Defined Benefit channel is £17.4m.

Defined Contribution (DC) business continues to attract new assets with AUM growth of 12% to £183bn (FY 2023: £163bn). Within this, external net flows of £6.0bn[17] in Workplace Savings generated £10m of ANNR. Our ability to offer investors an integrated blend of high-quality investment solutions, pensions administration and Master Trust governance is a significant source of competitive advantage. In 2024, we launched our L&G Private Markets Access Fund, giving UK DC investors and our 5.5 million DC members the opportunity to access diversified Private Markets exposure across clean energy, affordable homes, university spin-outs and critical infrastructure.

UK Wholesale AUM has seen continued growth and now stands at £64.7bn, 19% higher than prior year (FY 2023: £54.2bn). Flows contributed £4.0bn of growth and generated £3m of ANNR. We achieved record gross sales of £24.7bn.

We continue to build on our successes in international markets, growing AUM by 89% since 2018 to £488bn. This represents c.44% of overall AUM**.**

In the **US** we are expanding our fixed income offering to meet the increasing demand from institutional investors for broader fixed income capabilities in the higher rate environment.

In **Europe**, we have seen positive momentum with AUM growth of 6% over the past year to £91bn partly driven by growth in our Active Fixed Income offering.

In **Asia**, our AUM has grown by 8% to £150bn over the past year. We have offices in Tokyo, Hong Kong and now Singapore, where we continued to make strategic hires in 2024. In **Japan**, our AUM has more than doubled since 2019, and we remain Japan's 7th largest asset manager[18].

15. PDI Awards 2024: Europe winners
16. Excludes JV, associates and other AUM
17. Includes Workplace DC and Retail Savings net flows
18 . Ranked seventh by AUM, Japanese industry publication (Pension News) January 2025

Growing our Private Markets Platform

In 2024, we accelerated the growth of our Private Markets platform to £57bn AUM, laying the foundation for achieving our target of £85bn[19] AUM by 2028. We focus on our core strengths – Real Estate, Private Credit, and Infrastructure. Utilising balance sheet capital to catalyse opportunities, we are unlocking substantial growth and driving significant value for our clients. We have launched several new Private Markets funds over 2024, with £1.2bn of external committed capital.

In Real Estate our AUM increased to £21bn as we launched our Affordable Housing Fund, with £510m of commitments, and created a new £1bn Build to Rent BTR partnership with Nest and PGGM.

In October 2024. we made a strategic investment in Taurus, a US-based real estate private equity firm, committing up to $200m in seed capital to accelerate our presence in the high-growth US multi-family sector.

Our Private Credit business continues to grow at pace with AUM rising to £34bn[20]. This growth is driven both from our L&G platform in Europe and North America and through Pemberton.

We are growing our Infrastructure offering across various sectors and achieved planning approval for a £750 million hyperscale data centre in London, which we intend to form part of an offering to third party investors in 2025. Our Clean Power Europe Fund has reached €358m AUM and continues to expand its portfolio, meeting society's need for sustainable and reliable energy.

Through strategic investments, innovative product development, and a focus on delivering both financial returns and social impact, we are well-positioned to achieve our ambitious growth targets.

Investing for the long term

We measure success by achieving positive returns for our clients today whilst helping to build a better future. In June, we published our eighth Climate Impact Pledge, assessing over 5,000 companies and engaging with more than 2,800**.** As of 31 December 2024, we managed £425bn (FY 2023: £378bn) in responsible investment strategies linked to sustainability criteria for various clients.

Investment performance has been strong across our range of matching, tracking and active strategies. For our UK-managed Active Fixed Income strategies, 76 % of strategies out-performed over 1 year, and 79% over 3 years. US-managed Active Fixed Income strategies also performed well with 93% of strategies out-performing over 1 year and 84% over 3 years. Multi-Asset strategies outperformed by 50% over 1 year and 3 years.

19. Including 100% Pemberton fee-earning AUM
20. Private Credit AUM includes 100% of assets managed by Pemberton

Retail

FINANCIAL HIGHLIGHTS[1] £m	FY 2024	FY 2023
Contractual service margin release	**469**	446
Risk adjustment release	**84**	74
Expected investment margin	**106**	122
Experience variances	**16**	(44)
Non-attributable expenses	**(136)**	(121)
Other	**(35)**	(28)
Operating profit	**504**	449
- US/UK Insurance[2]	188	139
- Retail Retirement[3]	316	310
Investment and other variances	(207)	(171)
Profit before tax attributable to equity holders	**297**	278
Contractual service margin (CSM)	**4,667**	4,644
Risk adjustment (RA)	**841**	891
Total store of future profit	**5,508**	**5,535**
New business CSM	**351**	320
New business RA	**45**	32
Total new business future profit	**396**	**352**
Protection new business annual premiums	422	412
Individual annuities single premium	2,118	1,431
Workplace DC net flows (£bn)[4]	6.0	6.4
Lifetime & Retirement Interest Only mortgage advances	270	299
Retail retirement annuity assets[5] (£bn)	18.4	17.2
Retail retirement shareholder assets[5] (£bn)	1.0	0.9
UK Retail protection gross premiums	1,525	1,512
UK Group protection gross premiums	528	479
US protection gross premiums	1,318	1,273
Total protection gross premiums	**3,371**	3,264
Protection New Business Value	**192**	165
Annuities New Business Value	**132**	100
Solvency II New Business Value	**324**	265

1. Comparatives restated to reflect the movement of assets from LGC and the creation of the Corporate Investments unit in line with HY24. For further information please see Note 1.01.
2. UK Insurance includes Retail protection, Group protection and Mortgage Services.
3. Retail Retirement includes Individual Annuities, Lifetime Mortgages, Workplace DC administration and returns from shareholder assets.
4. Figures include Workplace DC and Retail Savings net flows
5. In the UK, annuity assets across Institutional Retirement and Retail are managed together. Estimated proportion of annuity assets belonging to Retail. Excludes derivative assets.

Operating profit up 12%

In FY 2024, Retail operating profit has increased 12% to £504m (FY 2023: £449m). This is predominantly driven by growth in CSM and RA release and favourable experience variances.

The **Contractual Service Margin (CSM) release was £469m** (FY 2023: £446m), reflecting increasing volumes of profitable new business. 9.1% of the closing CSM pre-release (£5.1bn) was released into profit (FY 2023: 8.8%, £5.1bn). Overall, the CSM was broadly flat at £4.7bn.

Experience variances of £16m (2023: £(44)m) were driven by improvements in both the US and UK protection businesses compared to the adverse experience seen in the previous year.

Profit before tax was £297m (FY 2023: £278m), impacted by investment variances in our annuity portfolio in line with Institutional Retirement.

Solvency II New Business Value increased 22% to £324m (FY 2023: £265m) with continued sales growth in Retail annuities and US protection, and improved margins in our UK protection business as we continue to operate with a focus on disciplined pricing.

Succeeding in a competitive landscape in FY 2024

Workplace DC net flows were £6.0bn (FY 2023: £6.4bn), with continued client wins and strong client retention as well as increased member contributions and consolidation. Workplace pension platform members increased to 5.5 million and we continue to invest in our proposition with the launch of the Workplace DC app and our new personalised guidance journey.

Retail annuity sales up 48% to a new record of £2,118m (FY 2023: £1,431m), generating a Solvency II new business value add of £132m (FY 2023: £100m) in a buoyant market, in which we increased market share to 23.6%[21]. Both Lifetime Annuity and Fixed Term Annuity sales performed well throughout the year as higher interest rates, and increased awareness around the benefits of guaranteed income, have made these products more attractive to customers.

Lifetime mortgage advances, including Retirement Interest Only mortgages, were £270m (FY 2023: £299m) reflecting lower market demand in the current higher interest rate environment.

UK Retail protection gross premium income increased to £1,525m (FY 2023: £1,512m), with new business annual premiums of £153m (FY 2023: £150m) at improved margins in what remained a highly competitive market. Our market share increased year-on-year to 19.0%[22] and we delivered a point-of-sale underwriting decision for 77% of our customers.

UK Group protection gross premium income increased 10% to £528m (FY 2023: £479m) owing to good retention and new business annual premiums of £110m (FY 2023: £121m). Our online "quote and apply" platform for smaller schemes continues to perform well, processing c. 1,900 new applications over the year (FY 2023: c. 1,000), and we continue to see growth in this part of the market. Group Protection saw 2,466 income protection scheme members return to work during 2024.

US protection new business annual premiums increased 16% to $203m (FY 2023: $175m), with broadly stable Solvency II new business margins of 10.8% (FY 2023: 11.4%). Gross premiums increased 6% to $1,685m (FY 2023: $1,584m). The digital new business platform continues to make it easier for customers and their advisors to apply and complete the purchase, resulting in increased sales volumes.

21. ABI Q3 2024 Report – YTD Q3 Lifetime Annuities only.
22. ABI Q3 2024 Report.

Corporate Investments

FINANCIAL HIGHLIGHTS £m	FY 2024	FY 2023
Operating profit	**95**	136
Investment and other variances	(388)	(363)
Loss before tax attributable to equity holders	**(293)**	(227)

Portfolio Net Asset Value (£bn)		
Cala	-	1.1
Legacy Real Estate	0.5	0.4
Legacy Land	0.1	0.1
Fintech and Other	0.2	0.3
Total Corporate Investments	**0.8**	1.9

Operating profit down reflecting disposals

Operating profit is down 30% at £95m versus prior year earnings (FY 2023: £136m). This largely reflects the sale of Cala in the second half of the year, with lower trading profits being recognised compared to 2023.

Investment and other variances of £(388)m predominantly reflects the valuation write-down of Salary Finance which was reported at half year and the accounting impact from the disposal of Cala, around £70m of which will come through as profit over time as the discounting on the deferred consideration unwinds. The remaining investment variances are driven by the usual unrealised mark-to-market impacts versus the expected return in operating profit.

Subsidiary remittances to Group

Subsidiary remittances[1] (£m)	2024	2023
LGAS	1,193	752
LGIM	80	140
LGA[2]	-	185
Other[3]	447	472
Total	**1,720**	1,549

1. Represents cash remittances from subsidiaries to Group in respect of the year's financial performance.
2. There is no cash remittance from LGA in 2024, reflecting the sale of the US protection business and the strategic partnership with Meiji Yasuda announced in February.
3. Other predominantly includes L&G Capital Investments Limited and L&G Reinsurance, as well as any smaller remittances from other Group entities

The level of subsidiary remittances ensures coverage of external dividends (2024: £1,258m; 2023: £1,215m) and Group related costs, with excess liquidity being held within our regulated subsidiaries.

Borrowings

The Group's outstanding core borrowings totalled £4.3bn at 31 December 2024 (FY 2023: £4.3bn). There is also a further £1.7bn (FY 2023: £1.5bn) of operational borrowings including £1.7bn (FY 2023: £1.4bn) of non-recourse borrowings. The total excludes unit linked related borrowings.

Group debt costs of £216m (FY 2023: £212m) reflect an average cost of debt of 4.9% per annum (FY 2023: 4.8% per annum) on an average nominal value of debt balances of £4.5bn (FY 2023: £4.5bn).

Cash

As at 31 December 2024, the Group held £2,629m of Treasury Assets and Other Shareholder Cash (FY 2023: £2,584m).

In 2024, L&G owned Private Markets assets (£3.3bn at FY 2024[23]) generated c. £850m of cash, reflecting the receipt of the c. £500m first tranche of the consideration following the sale of Cala, disposals of assets to funds and dividends from our development and operating companies.

Taxation

Equity holders' Effective Tax Rate (%)	FY 2024	FY 2023
Equity holders' total Effective Tax Rate[1]	**41.3**	11.9
Annualised rate of UK corporation tax	**25.0**	23.5

1. The FY23 figure excludes the impact of the Bermudan corporate income tax enacted in 2023, the investment variance from longevity assumption changes and the buyout of the L&G pension scheme (see note 3.06i). Including this impact, the effective tax rate in 2023 was (483)%

The effective tax rate reflects the varying rates of tax that we pay on our businesses in different territories and the mixture of profits and losses across those territories.

The higher effective tax rate of 41% reflects the adverse impact from disposal accounting variances on the sale of Cala and valuation write downs on certain investments that are not tax deductible. In 2024 we are also seeing the impact for the first time of the implementation of the UK top-tax rules in line with the global minimum tax framework resulting in Bermuda profits being taxed at 15%.

23. This excludes Annuity portfolio assets.

Solvency II

As at 31 December 2024, the Group had an estimated Solvency II surplus of £9.0bn over its Solvency Capital Requirement, corresponding to a Solvency II coverage ratio of 232%.

Capital[1] (£m)	FY 2024	2023
Own Funds	15,860	16,556
Solvency Capital Requirement (SCR)	(6,848)	(7,389)
Solvency II surplus	**9,012**	9,167
SCR coverage ratio (%)	**232%**	224%

1.Please see disclosure note 5.01 for further detail.

Analysis of movement from 1 January to 31 December 2024[1] (£m)	Solvency II Own Funds	Solvency II SCR	Solvency II Surplus
Opening Position	**16,556**	**(7,389)**	**9,167**
Operational surplus generation	**1,786**	**(35)**	**1,751**
New business strain	**185**	**(594)**	**(409)**
Net surplus generation	**1,971**	**(629)**	**1,342**
Operating variances			156
Mergers, acquisitions and disposals			9
Market movements			(231)
Share buyback			(201)
Dividends paid			(1,230)
Total surplus movement (after dividends paid in the period)	**(696)**	**541**	**(155)**
Closing Position	**15,860**	**(6,848)**	**9,012**

1.Please see disclosure note 5.01 for further detail.

Operational surplus generation is at £1,751m (FY 2023: £1,821m), after allowing for amortisation of the opening Transitional Measures on Technical Provisions (TMTP) and release of Risk Margin.

New business strain of £409m (FY 2023: £438m) reflects a c. £200m benefit from writing capital efficient UK PRT compared to the strain in 2023. The overall surplus benefit on writing more efficient UK PRT is partially offset by record volumes of retail annuities, international PRT and US protection business, leading to broadly flat NSG.

This resulted in net surplus generation of £1,342m (FY 2023: £1,383m).

Market movements of £(231)m reflect the impact of movements in interest rates, credit spreads and property and equity markets.

The movements shown above incorporate the impact of recalculating the TMTP as at 31 December 2024.

Sensitivity analysis[1]

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

1. Please see disclosure 5.01 (vii) for further details.

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.

Solvency II new business contribution

Management estimates of the present value of new business (PVNBP) and the margin as at 31 December 2024 are shown below[1]:

£m	PVNBP	Contribution from new business	Margin %
Institutional Retirement - UK annuity business	7,855	420	5.3
Retail Retirement – UK annuity business	2,118	132	6.2
UK Protection	1,461	57	3.9
US Protection	1,249	135	10.8

The key economic assumptions as at 31 December 2024 are as follows:

	%
Margin for risk	3.7
Risk-free rate	
- UK	4.1
- US	4.6
Risk discount rate (net of tax)	7.8
- UK	8.3
- US	
Long-term rate of return on non-profit annuities	5.5

1. Please see disclosure 5.02 for further details.

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.

Principal risks and uncertainties

The directors confirm that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

The principal risks are set out below including details of how they have been managed or mitigated. Further details of the Group's inherent risk exposures are set out at Notes 6 and 16 to 18 of the financial statements.

Risks and Uncertainties	Risk management	Outlook
Investment market performance and conditions in the broader economy may adversely impact earnings, profitability, liquidity, or surplus capital. The performance and liquidity of financial and property markets, interest rate movements and inflation impact the value of investments we hold in both shareholders' funds and to meet the obligations from insurance business; the movement in certain investments directly impacts profitability. Interest rate movements and inflation can also change the value of our obligations and although we seek to match assets and liabilities, losses can still arise. Falls in the risk-free yield curve can also create a greater degree of inherent volatility to be managed in the solvency balance sheet, potentially impacting capital requirements and surplus capital. Rises in risk free rates can lead to reduced liquidity buffers. Falls in investment values can reduce our investment management fee income.	We cannot completely eliminate the downside impacts on our earnings, profitability, liquidity, or surplus capital from investment market volatility and adverse economic conditions, although we seek to position our investment portfolios and wider business plans for a range of plausible economic scenarios and investment market conditions to ensure their resilience across a range of outcomes. This includes setting risk limits on exposures to different asset classes and where hedging instruments exist, we seek to use them to limit our exposures to risks which are not adequately rewarded. We maintain a range of actions to retain liquidity flexibility. Our Own Risk Solvency Assessment ("ORSA") process is integral to our risk management approach, and includes an assessment of the financial impacts of risks associated with investment market volatility and adverse economic scenarios for our solvency balance sheet, capital sufficiency, and liquidity requirements.	The global economic outlook remains uncertain with the potential for external shocks to knock economies and markets off course. Our businesses are primarily exposed to economic conditions in the UK and US. Central bank interest rates were cut during 2024 in UK and US, however, there remains uncertainty around the pace and timing of any further cuts and there is no guarantee of a "soft landing" for either economy. Geo-political risk factors remain elevated - this includes on-going conflicts in Ukraine and the Middle East, and the impact of a resurgence of populist and nationalist politics on domestic and international policy. Asset values, including commercial and residential property prices, remain susceptible to reappraisal should the current economic outlook deteriorate, as well as from a range of geo-political factors. During 2024 we have seen signs of commercial property markets stabilising, albeit transaction volumes remain low and the office sector continues to show pressure. Within our construction businesses supply chain pressure and cost inflation appear to be moderating, albeit we remain vigilant over cost inflation being absorbed by the supply chain. Labour shortages also continue to present risk.

Risks and Uncertainties	Risk management	Outlook
In dealing with issuers of debt and other types of counterparty, the group is exposed to the risk of financial loss. Systemic corporate sector failures, or a major sovereign debt event, could, in extreme scenarios, trigger defaults impacting the value of our bond portfolios. Under Solvency II, a widespread widening of credit spreads and downgrades can also result in a reduction in our balance sheet surplus, despite already having set aside significant capital for credit risk. We are also exposed to default risks in dealing with banking, money market and reinsurance counterparties, as well as settlement, custody, and other bespoke business services. Default risk also arises where we undertake property lending, with exposure to loss if an accrued debt exceeds the value of security taken.	We manage our exposure to downgrade and default risks within our bond portfolios, through setting selection criteria and exposure limits, and using L&G Asset Management's global credit team's capabilities to ensure risks are effectively controlled, where appropriate trading out to improve credit quality. In our property lending businesses, our loan criteria take account of borrower creditworthiness and the potential for movements in the value of security. We manage our reinsurer exposures tightly, with the vast majority of our reinsurers having a minimum A-rating, setting rating-based exposure limits, and where appropriate taking collateral. Similarly, we seek to limit aggregate exposure to banking, money market and service providers. Whilst we manage risks to our balance sheet, we can never eliminate downgrade or default risks, although we seek to hold a strong balance sheet that we believe to be prudent for a range of adverse scenarios.	The risk of credit default increases in periods of low economic growth, and we continue to closely monitor the factors that may lead to a widening of credit spreads including the outlook for the real economy and fiscal and monetary policy. Although real incomes in the UK have risen in 2024, any reversal of this would particularly impact economic activity in sectors reliant on discretionary spending. The recent UK budget announced tax and spending measures that have dampened consumer and business sentiment. Growth forecasts are modest and employers are cautious on the impact of increased labour costs. Economic growth in the United States continues to be strong and there is broad optimism that the new administration will support domestic manufacturing. However, we believe uncertainty over new policies, in particular around tariffs and immigration, pose downside risks. We remain vigilant, closely monitoring all the names/assets in our portfolio in the short term, as well as forming views on the medium to long-term outlook. Our credit portfolio remains overwhelmingly (98%+) investment grade.
We fail to respond to the emerging threats from climate change for our investment portfolios and wider businesses. As a significant investor in financial markets, commercial real estate and	We recognise that our scale brings a responsibility to act decisively in positioning our balance sheet in the context of the threats from climate change. We continue to embed the assessment of climate risks in our investment process, including in the	Over the next decade, the change necessary to meet global carbon reduction targets will require societal adjustments on an unprecedented scale.

Risks and Uncertainties	Risk management	Outlook
housing, we are exposed to climate related transition risks. Abrupt shifts in the political and technological landscape could impact the value of those investment assets associated with higher levels of greenhouse gas emissions. Physical risks, stemming from extreme outcomes, could impact the valuation of at-risk assets, for example floods could impact the value of our property assets; and could also potentially have longer-term effects on mortality rates. We are also exposed to reputation and climate related litigation risks should our responses to the threats from climate change be judged not to align with the expectations of advocacy groups. Our risk management approach is also reliant upon the availability of verifiable consistent and comparable emissions data.	management of real assets. We measure the carbon intensity of our investment portfolios. Along with specific investment exclusions for carbon intensive sectors, we have set overall reduction targets aligned with the 1.5°C Paris objective. This includes science-based targets to support our emission reduction goals in line with our transition plan. We are evolving our approach to the inclusion of nature and biodiversity alongside our climate risk work. Alongside managing physical and transition exposures, we closely monitor the political and regulatory landscape, and as part of our climate strategy we engage with regulators and investee companies in support of climate action. As we change how we invest, the products and services we offer, and how we operate, we are also mindful of the need to ensure that we have the right skills for the future.	Recent events, particularly the increasing frequency of record-breaking heat and extreme weather, have demonstrated the impacts of increased climate volatility can be significant and may emerge rapidly. A failure by governments to ensure an orderly transition to low carbon economies increases the risk for sudden late policy action and large, unanticipated shifts in the asset values of impacted industries. Whilst our transition plans seek to minimise our overall exposure to this risk, their execution is dependent on the delivery of the policy actions and the climate reduction targets of the firms we invest in. The actions governments take will also, to a significant extent, impact on our ability to deliver upon the climate-related targets we have set ourselves, and as the science of climate change evolves, we may need to adapt our approach. Anti ESG sentiment, particularly within countries with a high dependency on fossil fuel related industries, may also constrain global ambition in addressing climate change as well as limiting investment opportunities. Although a broad set of actions to limit global warming are underway, we are moving to a situation where the path to achieving a near-1.5 temperature increase is becoming narrower. Whilst we retain our current ambition, this could also have an impact on our ability to meet the climate-related targets we have set ourselves. We expect a continuing and increased focus on nature and biodiversity risks going forward.

Risks and Uncertainties	Risk management	Outlook
Changes in demographic experience, regulatory changes, increased expenses and taxation levels may require revisions to our pricing and reserving bases. **Changes in capital requirements, including UK and Insurance Capital Standards, could impact our reported solvency position and our dividend and capital return policy.** The pricing of long-term business requires the setting of assumptions for long-term trends in factors such as mortality, lapse rates, expenses, interest rates and credit defaults. Actual experience may require recalibration of these assumptions, changing the level of liability provisions and impacting reported profitability. Regulation defines the overall framework for the design, marketing, taxation and distribution of our products, and the prudential provisions and capital that we hold. Significant changes in legislation or regulation may increase our cost base, reduce our future revenues, impact profitability or require us to hold more capital. The prominence of this risk increases where change is implemented without prior engagement with the sector. The nature of long-term business can also result in some changes or re- interpretation of regulation over time, having a retrospective effect on in-force books of business, impacting future cash generation.	We undertake significant analysis of the variables associated with writing long-term insurance business to ensure that a suitable premium is charged for the risks we take on, and that provisions continue to remain appropriate for factors including mortality, lapse rates, expenses, and credit defaults in the assets backing our insurance liabilities. We seek to have a comprehensive understanding of longevity, mortality, and morbidity risks, and we continue to evaluate wider trends in life expectancy. However, we cannot remove the risk that adjustment to reserves may be required, although the selective use of reinsurance acts to reduce the impact to us of significant variations in life expectancy and mortality. We actively engage with government and regulatory bodies to assist in the evaluation of regulatory and tax change to promote outcomes that meet the needs of all stakeholders. To influence policy, our interactions with the government and policy teams at regulators include face-to-face and virtual meetings, written responses to discussion papers and consultations, ad-hoc communications and attendance at roundtables with industry peers. With our experience in various sectors, we can explain how proposed policy translates into practice and identify potential issues or unintended consequences that might arise. When such regulatory changes move to the implementation stage, we undertake detailed gap analysis work and depending on the scale of the remediation required, establish	At times, we have seen elevated levels of mortality in both the UK and the US since the Covid 19 pandemic, and there is continued uncertainty in the outlook, albeit this has somewhat reduced with the passage of time. The causes are unclear but may reflect indirect impacts of Covid 19 related illness, and the deferral of diagnostics and medical treatments for other conditions. Cost of living pressures and government spending decisions, particularly relating to health and care, also have the potential to affect mortality outcomes. Along with the emergence of new diseases and changes in immunology impacting mortality and morbidity assumptions, other risk factors that may impact future reserving requirements include significant advances in medical science leading to more effective treatments, beyond that anticipated, requiring adjustment to our longevity assumptions. Whilst at present we do not believe climate change to be material driver for mortality and longevity risk in the medium term, we continue to keep this under review. The UK has experienced elevated levels of inflation in recent years, but this has returned closer to the Bank of England's inflation target. Inflationary pressure impacts the level of our expense base and there is an additional risk that complying with new regulatory requirements increases costs. We have carefully evaluated the impact of expected price and salary inflation in our pricing and reserving assumptions

Risks and Uncertainties	Risk management	Outlook
Changes in these areas can affect our reported solvency position and our dividend and capital return policy.	project management arrangements with first- and second-line teams working together. This is to ensure we deliver regulatory change effectively and efficiently, minimising disruption to our operations and to our customers and clients.	and will continue to pro-actively monitor on an ongoing basis. Changes in capital standards, both in the UK and elsewhere, could impact our reported solvency position and our dividend and capital return policy. Post-Brexit, the UK is reforming its capital regime to move from Solvency II to Solvency UK. The key changes are designed to enable annuity product providers to invest more broadly to diversify risk and support investment in the UK economy. We have developed our risk framework to meet or exceed regulatory expectations on subjects such as funded reinsurance, Matching Adjustment and liquidity risk management and reporting. The Bermuda Monetary Authority ("BMA") revised its capital regime for life insurers during 2023, with changes effective from March 2024 and reflected in our results. The Insurance Capital Standards (ICS), a global minimum standard capital for Internationally Active Insurance Groups ("IAIGs"), was adopted by the International Association of Insurance Supervisor (IAIS) in December 2024. L&G Group, designated an IAIG by the PRA, has actively participated in consultations on the standard. If Solvency UK is considered as strong as the ICS, it may be used for ICS compliance and therefore would result in little impact on L&G Group. We will continue to engage with both the PRA and the IAIS during this period. New UK rules implementing both a global minimum tax regime and a UK

Risks and Uncertainties	Risk management	Outlook
		domestic minimum tax regime at 15% applied from 1 January 2024 to all of the Group's businesses globally with work underway to ensure compliance and to engage with regulators as implementation and guidance on the new regimes develops. Bermuda has introduced a corporate income tax regime from 1 January 2025 and there is ongoing consultation on the implementation of the new regime.
Failure to effectively implement regulatory or legislative change applying to the financial services sector in a timely manner could lead to regulatory censure, reputational damage, and deteriorating customer and client outcomes. We are exposed to several risks where effective identification and implementation of regulatory changes are particularly important. These include changes relating to our management of operational risk, conduct risk, climate risk and health & safety risk. The magnitude or scope of some regulatory changes can have a bearing on our ability to deliver our overall strategy. Regulatory or legislative changes can have a significant impact on our business. Such changes could limit our ability to operate in certain markets or sectors, potentially leading to a reduction in our customer and client base and revenue. There is a risk that regulatory policies could develop in a manner that is detrimental to our business and/ or customers and clients. Alternatively,	We identify, track and review the impact of regulatory and legislative change through our internal control processes, with material updates being considered at the Executive and Group Risk Committees and the Group Board. Our processes are designed to ensure compliance with all new and developing regulation. We actively engage with regulatory bodies to ensure we maintain high standards of business and deliver for our customers and clients. In 2023 we successfully implemented the Consumer Duty for open products, and our work on legacy products is also now complete. We have also made strong progress on our implementation of the UK's Operational Resilience rules which are due to come into force in March 2025. We seek to influence the direction of travel on various regulatory policy themes at the government and regulator level for the benefit of our customers and other stakeholders.	The volume and burden of regulatory change remains high across the sectors we operate in. We analyse, interpret and implement all relevant financial services legislation and regulation impacting our business units ensuring appropriate levels of governance and assurance. Key forthcoming developments in our risk areas include: **Operational risk:** Work is underway to comply with the UK's new operational resilience rules by 31 March 2025 and similar rules in other jurisdictions. **Conduct risk:** The FCA has committed to consulting on rules to better support consumers in retail investments and pensions in H1 2025. The FCA and Government have also committed to developing a new UK retail disclosure regime, the Consumer Composite Investment regime. In early 2025, the FCA will launch a Market Study into the distribution of pure protection products. New rules on diversity and inclusion in financial services are expected, likely leading to increased data collection, disclosure and

Risks and Uncertainties	Risk management	Outlook
it could develop in a way that presents opportunities, but we fail to revise our strategy and adapt quickly enough to benefit. Non-compliance with new regulations or legislation could potentially damage our reputation. This could lead to a loss of customer and client trust and result in regulatory sanctions including potentially significant monetary penalties.		reporting requirements. We maintain a focus on minimising the risks of financial crime for our customers and clients and on our financial results. **Climate risk:** there continue to be a variety of moving pieces in the development of climate regulation at the UK, the US and EU level. We anticipate more focus on scenario testing and scrutiny on sustainability claims following the FCA's new anti-greenwashing rule and Sustainability Disclosure Regulations effective from 31 May 2024. We continue to await the outcome of developments on the UK Green Taxonomy and are preparing for the implementation of International Sustainability Standards Board (ISSB) disclosure standards from 2026. Requirements relating to Nature continue to evolve rapidly. Health and Safety: we have enhanced our governance processes and developed a 3-year strategy focusing on culture, quality, consistency, technology, and keeping pace with change. Initial registration requirements for UK's new Buildings Safety Act were met and we are working to ensure we meet all the Act's requirements. Our overall Health & Safety risk exposure is expected to decrease materially following the sale of CALA Group (Cala). **Strategic risk:** we continue to follow and engage closely with the new UK Government on the reforms being proposed as part of the Pensions Investment Review and related initiatives. We were the first major pension provider to successfully pass integration testing with the Pension

Risks and Uncertainties	Risk management	Outlook
		Dashboard Programme ahead of connections starting in April 2025.
New entrants and/or new technology may disrupt the markets in which we operate. There is already strong competition in our markets, and although we have had considerable past success at building scale to offer low-cost products, we recognise that markets remain attractive to new entrants. We are also cognisant of competitors who may have lower return on capital requirements or be unconstrained by Solvency II and/or Solvency UK. The continued evolution of AI has the potential to be a significant disrupting force across our businesses, for example by enabling new entrants to compete with potentially lower costs, and more efficient processes. The technology itself could have an impact on asset valuations, and on our liabilities including through its impact on life sciences and health care systems effectiveness.	We continuously monitor the factors that may impact the markets in which we operate. We have responded to the rapid advancement and accessibility of generative AI capabilities from third parties by launching a central AI Accelerator programme. This initiative brings together colleagues across the Group to shape and incubate our generative AI approaches, raise awareness and educate our business, and deliver a secure environment for internal test and learn use cases. Our regulatory developments team keeps a close watch on the AI landscape across all our jurisdictions. We have been actively engaged in numerous consultations in relation to AI and generative AI.	We observe a continued acceleration of a number of trends, including greater consumer engagement in digital business models and on-line servicing tools. In the current operating environment, businesses like ours have transformed working practices, and we anticipate further investment in automation, using robotics and machine learning to enhance business efficiency. We are deepening our understanding of the impacts of generative and traditional AI on our businesses and in the wider sector. Our businesses are also well positioned for changes in the competitive landscape that may arise from pensions-related changes. We welcome innovation in the market, such as the proposed roll out of defined benefit 'superfund' consolidation schemes, as long as the security of members' benefits is prioritised. We may see alternative de-risking offerings coming to the market targeting a similar segment to superfunds, for instance for DB schemes with funding levels of around 90%. The pension dashboards initiative will also be a positive development. We are well positioned for connecting having passed integration testing. On the 'collective' defined contribution reform, while we have seen limited demand for this to date, it may hold the potential to disrupt both the workplace and retirement income market.

Risks and Uncertainties	Risk management	Outlook
A material failure in our business processes or IT security may result in unanticipated financial loss or reputational damage. We have constructed our framework of internal control to minimise the risk of unanticipated financial loss or damage to our reputation. However, no system of internal control can completely eliminate the risk of error, financial loss, fraudulent actions, or reputational damage. We are also inherently exposed to cyber threats including the risks of data theft and fraud and more generally it is imperative that we maintain the privacy of our customers and clients' personal data. There is also strong stakeholder expectation that our core business services are resilient to operational disruption.	Our risk governance model seeks to ensure that business management are actively engaged in maintaining an appropriate control environment, supported by risk functions led by the Chief Risk Officer, with independent assurance from Group Internal Audit. We continue to evolve our risk management approach for change, IT, security, operational resilience and data access and privacy. Whilst we seek to maintain a control environment commensurate with our risk profile, we recognise that residual risk will always remain across the spectrum of our business operations and we aim to develop response plans so that when adverse events occur, appropriate actions are deployed.	We continue to remain alert to evolving operational risks and invest in our system capabilities, including those for the management of cyber risks, to ensure that our important business processes are resilient. We also remain cognisant of the risks as we implement a new global operating model and IT platform for Asset Management and have structured the migration in phases to minimise change risks.
The successful delivery of our strategy is dependent on the ability to attract and retain talent with the right skills and capabilities. The Group aims to recruit, develop and retain high quality individuals. We are inherently exposed to the risk that key personnel or teams and their associated expertise may leave the Group, with an adverse effect on the Group's businesses. As we increasingly focus on the digitalisation of our businesses, we are also competing for technology and digital skill sets with other business sectors as well as our peers.	We seek to ensure that key personnel dependencies do not arise, through employee training and development programmes, remuneration strategies and succession planning. Our processes include the active identification and development of talent within our workforce, and by highlighting our values and social purpose, promoting L&G as a great place to work. As well as investing in our people, we are also transforming how we engage and develop capabilities, with new technologies and tools to support globalisation, increase productivity and provide an exceptional employee experience.	Competition for talent remains strong with skills in areas such as investment management and data particularly sought after across many business sectors, including those in which we operate. We also recognise the risks posed by the outlook for inflation in salary expectations across the wider employment market, and internally we have taken steps to help our employees through direct financial support and by providing advice and resources to help them manage their financial well-being. The recent increase in employer National Insurance contributions and the reduction in contribution threshold may impact operational costs. We remain committed to attracting and retaining top talent by continuously adapting our strategies to the evolving market conditions

Notes

A copy of this announcement can be found in "Results, Reports and Presentations", under the "Investors" section of our shareholder website at https://group.legalandgeneral.com/en/investors/results-reports-and-presentations.

A presentation to analysts and investors will take place at 10:00am UK time today at One Coleman Street, London, EC2R 5AA. There will also be a live webcast of the presentation that can be accessed at https://group.legalandgeneral.com/en/investors.

A replay of the presentation will be made available on this website by 13 March 2025.

Financial Calendar	**Date**
Ex-dividend date (2024 final dividend)	24 April 2025
Record date	25 April 2025
Annual General meeting	22 May 2025
Dividend payment date	5 June 2025
2025 interim results announcement	6 August 2025
Ex-dividend date (2025 interim dividend)	21 August 2025
Record date	22 August 2025
Dividend payment date	26 September 2025

Definitions

Definitions are included in the Glossary on pages 87 to 93 of this release.

Forward-looking statements

This release may contain 'forward-looking statements' with respect to the financial condition, performance and position, strategy, results of operations and businesses of the company and the Group that are based on management's current expectations or beliefs, as well as assumptions and projections about future events. These forward- looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as 'aim', 'ambition', 'may', 'could', 'will', 'expect', 'intend', 'estimate', 'anticipate', 'believe', 'plan', 'seek', 'continue', 'milestones', 'outlook', 'target', 'objectives' or other words of similar meaning. By their very nature, forward-looking statements are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Recipients should not place undue reliance on, and are cautioned about relying on, any forward-looking statements.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. The factors that could cause actual results to differ materially from those described in the forward-looking statements include (but are not limited to): changes in global, political, economic, business, competitive and market forces or conditions; future exchange and interest rates; changes in environmental, social or physical risks; legislative, regulatory and policy developments; risks arising out of health crises and pandemics; changes in tax rates, future business combinations or dispositions; and other factors specific to the Group. Any forward-looking statement contained in this document is based on past or current trends and/or activities of the Group and should not be taken as a guarantee, warranty or representation that such trends or activities will continue in the future. No statement in this document is intended to be a profit forecast or to imply that the earnings of the Group for the current year or future years will necessarily match or exceed the historical or published earnings of the Group. Each forward-looking statement speaks only as of the date of the particular statement. Except as required by any applicable laws or regulations, the Group expressly disclaims any obligation to revise or update any forward- looking statement contained within this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.

The information, statements and opinions contained in this release do not constitute an offer to sell or buy or the solicitation of an offer to sell or buy any securities or financial instruments nor do they constitute any advice or recommendation with respect to such securities or other financial instruments or any other matter.

Caution about climate information

Annual Report and Accounts contains climate and ESG disclosures which use a large number of judgments, assumptions and estimates in connection with involved complex issues. The ESG disclosures should be treated with special caution, as ESG and climate data, models and methodologies are often relatively new, are rapidly evolving and are not of the same standard as those available in the context of other financial information, nor are they subject to the same or equivalent disclosure standards, historical reference points, benchmarks, market consensus or globally accepted accounting principals. These judgments, assumptions and estimates are likely to change over time, in particular given the uncertainty around the evolution and impact of climate change.

In addition, the Group's climate risk analysis and net zero strategy remain under development and the data underlying the analysis and strategy remain subject to evolution. As a result, certain climate and ESG disclosures made in this report are likely to be amended, updated, recalculated or restated in future reports. This statement should be read together with the Cautionary statement contained in the Group's latest Climate and nature report. The information, statements and opinions contained in the Annual Report and Accounts do not constitute an offer to sell or buy or the solicitation of an offer to sell or buy any securities or financial instruments nor do they constitute any advice or recommendation with respect to such securities or other financial instruments or any other matter.

Going concern statement

The Group's business activities, together with the factors likely to affect its future development, performance and position in the current economic environment are set out in the Annual Report & Accounts. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Group Results. Principal risks and uncertainties are detailed on pages 18 to 26.

The directors have made an assessment of the Group's going concern, considering both the current performance and the outlook for a period of at least, but not limited to, 12 months from the date of approval of the consolidated financial statements, using the information available up to the date of issue of the Annual Report & Accounts.

The Group manages and monitors its capital and liquidity, and applies various stresses, including adverse inflation and interest rate scenarios, to those positions to understand potential impacts from market downturns. Our key sensitivities and the impacts on our capital position from a range of stresses are disclosed in section 5.01 of the Capital section of the Full year results in this 2024 Preliminary Management Report. These stresses do not give rise to any material uncertainties over the ability of the Group to continue as a going concern. Based upon the available information, the directors consider that the Group has the plans and resources to manage its business risks successfully and that it remains financially strong and well diversified.

Having reassessed the principal risks and uncertainties (both financial and operational) in light of the current economic environment, as detailed on pages 18 to 26, the directors are confident that the Group and company will have sufficient funds to continue to meet its liabilities as they fall due for a period of, but not limited to, 12 months from the date of approval of the financial statements and therefore have considered it appropriate to adopt the going concern basis of accounting when preparing the financial statements.

Directors' responsibility statement

We confirm to the best of our knowledge that:

- The Group financial statements within the full Annual Report & Accounts, from which the financial information within this preliminary announcement has been extracted, and which have been prepared in accordance with UK-adopted IFRSs, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- The preliminary announcement includes a fair review of the development, performance and position of the Group, as well as the principal risks and uncertainties faced by the Group; and
- A list of current directors of L&G Group Plc is maintained on the L&G Group Plc website:

  https://group.legalandgeneral.com/en/about-us/our-management/group-board

By order of the Board

António Pedro dos Santos Simões
Group Chief Executive Officer
11 March 2025

Stuart Jeffrey Davies
Group Chief Financial Officer
11 March 2025

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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 (LGRI), 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.

IFRS Disclosures on performance

1.02 Operating profit#

For the year ended 31 December 2024	Notes	2024 £m	Restated 2023 £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[1]		**(216)**	(212)
Group investment projects and expenses		**(178)**	(182)
Core operating profit		**1,616**	1,531
Corporate Investments		**95**	136
Total operating profit		**1,711**	1,667
Investment and other variances	1.05	**(1,383)**	(1,577)
Profits/(losses) attributable to non-controlling interests		**4**	(14)
Adjusted profit before tax attributable to equity holders		**332**	76
Tax (expense)/credit attributable to equity holders	3.06	**(137)**	367
Profit for the year	2.01	**195**	443
Total tax expense/(credit)	2.01	**347**	(248)
Profit before tax	2.01	**542**	195
Profit attributable to equity holders		**191**	457
Earnings per share:			
Core (pence per share)[2]	1.07	**20.23**	19.04
Basic (pence per share)[2]	1.07	**2.89**	7.35
Diluted (pence per share)[2]	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.

1.02 Operating profit# (continued)

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 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#

	Institutional Retirement 2024 £m	**Retail 2024 £m**	Restated Institutional Retirement 2023 £m	Restated Retail 2023 £m
Amortisation of the CSM in the year[1]	**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[2]	**–**	**(10)**	1	(27)
Other expenses[3]	**(168)**	**(136)**	(160)	(121)
Insurance investment margin[4]	**485**	**106**	486	122
Investment contracts and non-insurance operating profit	**7**	**(35)**	5	(28)
Total Institutional Retirement and Retail operating profit	**1,105**	**504**	1,028	449

1. Contractual service margin (CSM) amortisation for Retail has been reduced by £18m (2023: £16m) to exclude the impact of reinsurance mismatches.
2. 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.
3. 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.
4. 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#

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

1. Asset Management revenue has been presented net of costs of £30m in relation to the provision of third-party market data (2023: £26m).
2. 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 LGIM 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.
3. Transactional revenue from external clients includes execution fees, asset transition income, trigger fees, arrangement fees on property transactions and performance fees.
4. Earnings from balance sheet investments across specialist commercial real estate, clean energy, housing and alternative finance.

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

IFRS Disclosures on performance

1.05 Investment and other variances

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

1. 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.
2. 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.
3. 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, 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.

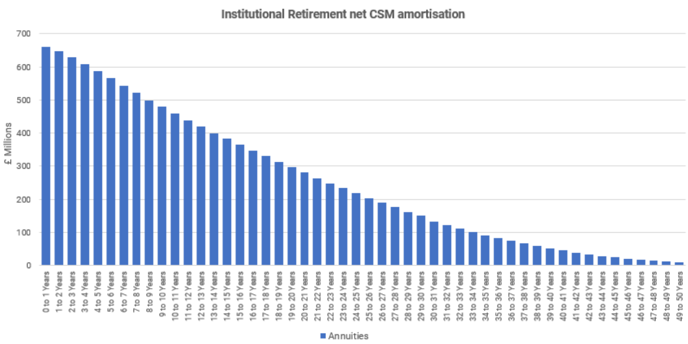
M&A related and other variances includes gains and losses, expenses and intangible amortisation relating to acquisitions, disposals and restructuring as well as business start-up costs.

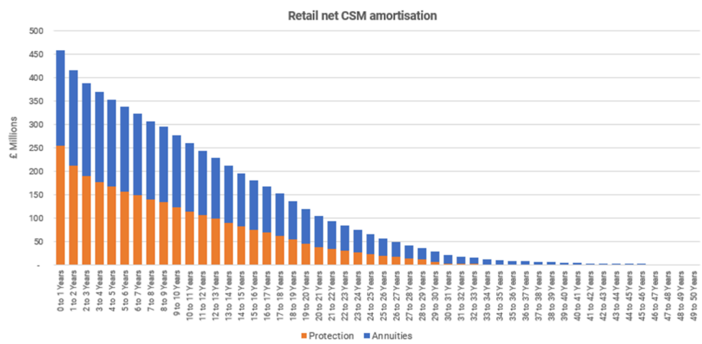
IFRS Disclosures on performance

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
As at 1 January 2024	**807**	**891**	**8,350**	**4,644**
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**
As at 31 December 2024	**710**	**841**	**8,625**	**4,667**

	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
As at 1 January 2023	649	883	7,448	4,490
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)
As at 31 December 2023	807	891	8,350	4,644





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.

IFRS Disclosures on performance

1.07 Earnings per share

(i) Basic and core operating earnings per share

	Total 2024 £m	Per share[1] 2024 p	Restated Total 2023 £m	Restated Per share[1] 2023 p
Profit for the year attributable to equity holders	**191**	**3.24**	457	7.73
Less: coupon payable in respect of restricted Tier 1 convertible notes after tax relief	**(21)**	**(0.35)**	(22)	(0.38)
Total basic earnings	**170**	**2.89**	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
Total basic core operating earnings[2]	**1,191**	**20.23**	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

For the year ended 31 December 2024	After tax £m	Weighted average number of shares m	Per share[1] p
Profit for the year attributable to equity holders	**191**	**5,886**	**3.24**
Less: coupon payable in respect of restricted Tier 1 convertible notes after tax relief[2]	**(21)**	**–**	**(0.35)**
Net shares under options allocable for no further consideration	**–**	**62**	**(0.03)**
Total diluted earnings	**170**	**5,948**	**2.86**
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[2]	**21**	**307**	**(0.65)**
Total diluted core operating earnings	**1,212**	**6,255**	**19.38**

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

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

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

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

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

IFRS Disclosures on performance

1.08 Segmental analysis (continued)

(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.

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

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

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 LGIM 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

For the year ended 31 December 2024	Notes	2024 £m	2023 £m
Insurance revenue	3.12	**10,574**	9,624
Insurance service expenses	3.12	**(9,091)**	(8,373)
Insurance service result before reinsurance contracts held		**1,483**	1,251
Net expense from reinsurance contracts held	3.12	**(159)**	(137)
Insurance service result	3.12	**1,324**	1,114
Investment return[1]		**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)
Insurance and investment result		**1,898**	1,725
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)
Total other income and expenses		**(1,356)**	(1,530)
Profit before tax		**542**	195
Tax expense attributable to policyholder returns		**(210)**	(119)
Profit before tax attributable to equity holders		**332**	76
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
Profit for the year		**195**	443
Attributable to:			
Non-controlling interests		**4**	(14)
Equity holders		**191**	457
Dividend distributions to equity holders during the year	3.04	**1,230**	1,172
Dividend distributions to equity holders proposed after the year end	3.04	**902**	871
		p	p
Total basic earnings per share[2]	1.07	**2.89**	7.35
Total diluted earnings per share[2]	1.07	**2.86**	7.28

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

IFRS Primary Financial Statements

2.02 Consolidated Statement of Comprehensive Income

For the year ended 31 December 2024	2024 £m	2023 £m
Profit for the year	**195**	443
Items that will not be reclassified subsequently to profit or loss		
Actuarial remeasurements on defined benefit pension schemes	**9**	(29)
Tax on actuarial remeasurements on defined benefit pension schemes	**(2)**	8
Total items that will not be reclassified subsequently to profit or loss	**7**	(21)
Items that may be reclassified subsequently to profit or loss		
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
Total items that may be reclassified subsequently to profit or loss	**(30)**	(1)
Other comprehensive expense after tax	**(23)**	(22)
Total comprehensive income for the year	**172**	421
Total comprehensive income/(expense) for the year attributable to:		
Non-controlling interests	**4**	(14)
Equity holders	**168**	435

IFRS Primary Financial Statements

2.03 Consolidated Balance Sheet

As at 31 December 2024	Notes	2024 £m	2023 £m
Assets			
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
Total assets		**544,167**	522,095
Equity			
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
Attributable to owners of the parent		**3,053**	4,331
Restricted Tier 1 convertible notes	3.08	**495**	495
Non-controlling interests		**(37)**	(42)
Total equity		**3,511**	4,784
Liabilities			
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

IFRS Primary Financial Statements

2.04 Consolidated Statement of Changes in Equity

For the year ended 31 December 2024	Share capital £m	Share premium £m	Employee scheme treasury shares £m	Capital redemption and other reserves[1] £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
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[2]	(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
As at 31 December 2024	**147**	**1,036**	**(163)**	**319**	**1,714**	**3,053**	**495**	**(37)**	**3,511**

1. 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.
2. 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.

IFRS Primary Financial Statements

2.04 Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2023	Share capital £m	Share premium £m	Employee scheme treasury shares £m	Capital redemption and other reserves[1] £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
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
As at 31 December 2023	149	1,030	(147)	326	2,973	4,331	495	(42)	4,784

1. 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.

IFRS Primary Financial Statements

2.05 Consolidated Statement of Cash Flows

For the year ended 31 December 2024	Notes	2024 £m	2023 £m
Cash flows from operating activities			
Profit for the year		**195**	443
Adjustments for non-cash movements in net profit for the year			
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
Net (increase)/decrease in operational assets			
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
Net increase/(decrease) in operational liabilities			
Insurance contracts and reinsurance contracts held		**2,372**	11,153
Investment contracts		**7,083**	30,045
Other liabilities		**(3,001)**	(26,682)
Cash utilised in operations		**(16,520)**	(23,533)
Interest paid		**(365)**	(469)
Interest received[1]		**6,954**	5,210
Rent received		**446**	437
Tax paid[2]		**(190)**	(186)
Dividends received		**5,229**	4,297
Net cash flows from operations		**(4,446)**	(14,244)
Cash flows from investing activities			
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
Net cash flows utilised in investing activities		**239**	(422)
Cash flows from financing activities			
Dividend distributions to ordinary equity holders during the year	3.04	**(1,230)**	(1,172)
Coupon payment in respect of restricted Tier 1 convertible notes, gross of tax	3.08	**(28)**	(28)
Options exercised under share option schemes	3.07	**6**	12
Employee scheme treasury shares purchased		**(33)**	(18)
Purchase of shares under share buyback programme	3.07	**(201)**	–
Payment of lease liabilities		**(35)**	(32)
Proceeds from borrowings		**2,325**	1,226
Repayment of borrowings		**(473)**	(544)
Net cash flows utilised in financing activities		**331**	(556)
Net decrease in cash and cash equivalents		**(3,876)**	(15,222)
Exchange gains/(losses) on cash and cash equivalents		**20**	(49)
Cash and cash equivalents at 1 January		**20,513**	35,784
Total cash and cash equivalents at 31 December		**16,657**	20,513

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[1], 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.

IFRS Disclosure Notes

3.04 Dividends and appropriations

	Dividend 2024 £m	Per share[1] 2024 p	Dividend 2023 £m	Per share[1] 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[2]	**874**	**14.63**	–	–
- Interim 2024 dividend paid in September 2024	**356**	**6.00**	–	–
Total dividends	**1,230**	**20.63**	1,172	19.64

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[1]	**201,290**	185,982
Debt securities[2,3]	**235,583**	233,980
Derivative assets[4]	**51,192**	41,140
Loans[5]	**7,486**	10,303
Financial investments	**495,551**	471,405
Investment property	**9,822**	8,893
Total financial investments and investment property	**505,373**	480,298

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.

IFRS Disclosure Notes

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:		
Recurring reconciling items:		
Different rate of tax on overseas profits and losses[1]	**(30)**	(68)
Income not subject to tax	**(3)**	(4)
Non-deductible expenses[2]	**32**	27
Differences between taxable and accounting investment gains[3]	**32**	(9)
Other taxes on property and foreign income	**7**	4
Unrecognised tax losses	**(1)**	19
Double tax relief	**(1)**	(2)
Non-recurring reconciling items:		
Differences between taxable and accounting investment gains[4]	**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[5]	**–**	(340)
Tax expense/(credit) attributable to equity holders	**137**	(367)
Equity holders' effective tax rate	**41%**	(483)%

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.

3.06 Tax (continued)

(iii) Deferred tax

Deferred tax assets/(liabilities)	2024 £m	2023 £m
Overseas deferred acquisition expenses[1]	**136**	121
Difference between the tax and accounting value of insurance contracts	**617**	736
- UK	**1,258**	1,149
- Bermuda[2]	**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[3]	**655**	533
Net deferred tax asset	**1,544**	1,607

Presented on the Consolidated Balance Sheet as:		
- Deferred tax assets	**1,741**	1,714
- Deferred tax liabilities[4]	**(197)**	(107)
Net deferred tax asset	**1,544**	1,607

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.

IFRS Disclosure Notes

3.07 Share capital and share premium

Authorised share capital	2024 Number of shares	2024 £m	2023 Number of shares	2023 £m
At 31 December: ordinary shares of 2.5p each	**9,200,000,000**	**230**	9,200,000,000	230

Issued share capital, fully paid	**Number of shares**	**Share capital £m**	**Share premium £m**
As at 1 January 2024	**5,979,578,280**	**149**	**1,030**
Cancellation of shares under share buyback programme[1]	**(88,835,417)**	**(2)**	**–**
Options exercised under share option schemes	**2,436,776**	**–**	**6**
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
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

1. 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
Subordinated borrowings						
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)[1]	**(77)**	**–**	**(73)**	(80)	–	(77)
Total subordinated borrowings	**3,711**	**–**	**3,616**	3,688	–	3,571
Senior borrowings						
Sterling medium term notes 2031-2041	**609**	**5.87**	**633**	609	5.87	666
Client fund holdings of Group debt[1]	**(12)**	**–**	**(12)**	(17)	–	(17)
Total senior borrowings	**597**	**–**	**621**	592	–	649
Total core borrowings	**4,308**	**–**	**4,237**	4,280	–	4,220

1. £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.

IFRS Disclosure Notes

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
Short-term operational borrowings						
Euro Commercial Paper	**50**	**5.26**	**50**	49	4.73	49
Bank loans and overdrafts	**9**	**–**	**9**	12	–	12
Non-recourse borrowings						
Cala revolving credit facility	**–**	**–**	**–**	149	7.15	149
Class B Surplus Notes[1]	**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
Total operational borrowings[2]	**1,734**	**–**	**1,734**	1,457	–	1,457

1. 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.
2. 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.

IFRS Disclosure Notes

3.11 Payables and other financial liabilities

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

1. 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.
2. Other financial liabilities includes trail 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

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

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

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).

IFRS Disclosure Notes

3.12 Insurance contracts

(i) Insurance service result

For the year ended 31 December 2024	Annuities £m	Protection £m	Total £m
Insurance revenue			
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)**
Total insurance revenue	**7,328**	**3,246**	**10,574**
Total insurance service expenses	**(5,877)**	**(3,214)**	**(9,091)**
Allocation of reinsurance premiums	**(3,221)**	**(1,037)**	**(4,258)**
Amounts recoverable from reinsurers for incurred claims	**2,813**	**1,286**	**4,099**
Net (expense)/income from reinsurance contracts held	**(408)**	**249**	**(159)**
Total insurance service result	**1,043**	**281**	**1,324**

For the year ended 31 December 2023	Annuities £m	Protection £m	Total £m
Insurance revenue			
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
Total insurance revenue	6,612	3,012	9,624
Total insurance service expenses	(5,244)	(3,129)	(8,373)
Allocation of reinsurance premiums	(2,847)	(1,044)	(3,891)
Amounts recoverable from reinsurers for incurred claims	2,415	1,339	3,754
Net (expense)/income from reinsurance contracts held	(432)	295	(137)
Total insurance service result	936	178	1,114

(ii) Insurance and reinsurance contracts

	Assets 2024 £m	Liabilities 2024 £m	Assets 2023 £m	Liabilities 2023 £m
Insurance contracts issued				
Annuities				
Insurance contract balances	**–**	**91,075**	–	86,706
Assets for insurance contract acquisition cash flows[1]	**–**	**(14)**	–	(18)
Protection				
Insurance contract balances	**–**	**4,609**	–	4,782
Assets for insurance contract acquisition cash flows[1]	**–**	**(22)**	–	(24)
Total insurance contracts issued[2]	**–**	**95,648**	–	91,446

	Assets 2024 £m	Liabilities 2024 £m	Assets 2023 £m	Liabilities 2023 £m
Reinsurance contracts held				
Annuities				
Reinsurance contract balances	**6,651**	**2**	4,758	–
Assets for reinsurance contract acquisition cash flows[1]	**4**	**–**	3	–
Protection				
Reinsurance contract balances	**2,510**	**168**	2,545	220
Assets for reinsurance contract acquisition cash flows[1]	**–**	**–**	–	–
Total reinsurance contracts held[2]	**9,165**	**170**	7,306	220

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

Economic sensitivity	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
Long-term insurance, other Group assets and obligations						
100bps increase in interest rates[1]	**(5,153)**	**(5,400)**	**4,975**	**5,140**	**(178)**	**(260)**
100bps decrease in interest rates[1]	**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**

Economic sensitivity	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
Long-term insurance, other Group assets and obligations						
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.

3.13 Sensitivity analysis (continued)

Non-economic sensitivity	Impact on CSM 2024 £m	Impact on post-tax Group profit 2024 £m	Impact on Group equity 2024 £m
Long-term insurance			
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**

Non-economic sensitivity	Impact on CSM 2023 £m	Impact on post-tax Group profit 2023 £m	Impact on Group equity 2023 £m
Long-term insurance			
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.

IFRS Disclosure Notes

3.13 Sensitivity analysis (continued)

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 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
Total provisions		**152**	258

(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
Key management personnel compensation	**24**	20

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[1] (AUM)

For the year ended 31 December 2024	Index £bn	Active strategies £bn	Multi asset £bn	Solutions[2] £bn	Private markets[3] £bn	Total AUM £bn
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[4]	**75.0**	**19.8**	**18.0**	**15.8**	**1.1**	**129.7**
External outflows[4]	**(105.7)**	**(19.0)**	**(13.8)**	**(27.7)**	**(1.8)**	**(168.0)**
Overlay net flows	**–**	**–**	**–**	**(9.5)**	**–**	**(9.5)**
External net flows[5]	**(30.7)**	**0.8**	**4.2**	**(21.4)**	**(0.7)**	**(47.8)**
PRT transfers[6]	**(0.2)**	**(1.2)**	**–**	**(1.4)**	**–**	**(2.8)**
Insurance net flows[7]	**(0.1)**	**(3.1)**	**(0.1)**	**2.7**	**2.7**	**2.1**
Total net flows	**(31.0)**	**(3.5)**	**4.1**	**(20.1)**	**2.0**	**(48.5)**
Market movements	**66.2**	**1.9**	**5.2**	**(36.7)**	**0.5**	**37.1**
Other movements[8]	**–**	**(0.6)**	**–**	**(29.6)**	**0.1**	**(30.1)**
As at 31 December 2024 - excluding joint ventures, associates and other	**516.9**	**166.7**	**93.6**	**302.4**	**38.1**	**1,117.7**
Joint ventures, associates and other[9]	**–**	**–**	**–**	**–**	**17.1**	**17.1**
Total Asset Management AUM as at 31 December 2024	**516.9**	**166.7**	**93.6**	**302.4**	**55.2**	**1,134.8**

For the year ended 31 December 2023	Index £bn	Active strategies £bn	Multi asset £bn	Solutions[2] £bn	Private markets[3] £bn	Total AUM £bn
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[4]	69.4	17.4	12.4	25.5	1.5	126.2
External outflows[4]	(84.9)	(17.2)	(7.4)	(23.4)	(2.6)	(135.5)
Overlay net flows	–	–	–	(29.1)	–	(29.1)
External net flows[5]	(15.5)	0.2	5.0	(27.0)	(1.1)	(38.4)
PRT transfers[6]	(0.4)	(1.5)	–	(13.1)	(0.2)	(15.2)
Insurance net flows[7]	(0.8)	–	(0.2)	0.5	2.1	1.6
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[8]	(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[9]	–	–	–	–	12.7	12.7
Total Asset Management AUM as at 31 December 2023[10]	481.7	168.9	84.3	388.8	48.2	1,171.9

1. Assets under management (AUM) includes assets on our Investment Only Platform that are managed by third parties, on which fees are earned.
2. Solutions include liability driven investments and £190.7bn (31 December 2023: £246.7bn) of derivative notionals associated with the Solutions business.
3. 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).
4. 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.
5. 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).
6. PRT transfers reflect UK defined benefit pension scheme buy-outs to Institutional Retirement.
7. Insurance net flows includes legacy assets from the Mature Savings business sold to ReAssure in 2020.
8. Other movements include movements of external holdings in money market funds, other cash mandates and short-term Solutions assets.
9. 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.
10. Total Asset Management AUM as at 31 December 2023 has been restated to include joint ventures and associates AUM.

Asset flows and new business

4.02 Asset Management total assets under management[1] half-yearly progression

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

1. Assets under management (AUM) includes assets on our Investment Only Platform, that are managed by third parties, on which fees are earned.
2. Solutions include liability driven investments and £190.7bn of derivative notionals associated with the Solutions business.
3. 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.
4. External inflows and outflows include £4.7bn of external investments and £7.1bn of redemptions in the ETF business.
5. 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.
6. PRT transfers reflect UK defined benefit pension scheme buy-outs to Institutional Retirement.
7. Insurance net flows includes legacy assets from the Mature Savings business sold to ReAssure in 2020.
8. Other movements include movements of external holdings in money market funds, other cash mandates and short-term Solutions assets.
9. 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.

Asset flows and new business

4.02 Asset Management total assets under management[1] half-yearly progression (continued)

For the year ended 31 December 2023	Index £bn	Active strategies £bn	Multi asset £bn	Solutions[2] £bn	Private markets[3] £bn	Total AUM £bn
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[4]	37.6	8.8	5.5	13.6	0.8	66.3
External outflows[4]	(35.1)	(9.2)	(3.4)	(10.6)	(1.0)	(59.3)
Overlay net flows	–	–	–	(19.3)	–	(19.3)
External net flows[5]	2.5	(0.4)	2.1	(16.3)	(0.2)	(12.3)
PRT transfers[6]	(0.3)	(0.3)	–	(4.5)	–	(5.1)
Insurance net flows[7]	(0.5)	(3.1)	(0.1)	0.1	1.7	(1.9)
Total net flows	1.7	(3.8)	2.0	(20.7)	1.5	(19.3)
Market movements	24.4	2.6	1.1	(32.4)	(0.3)	(4.6)
Other movements[8]	(0.8)	(1.7)	–	(11.2)	–	(13.7)
As at 30 June 2023 - excluding joint ventures and associates	470.0	153.9	77.0	421.6	35.6	1,158.1
External inflows[4]	31.8	8.6	6.9	11.9	0.7	59.9
External outflows[4]	(49.8)	(8.0)	(4.0)	(12.8)	(1.6)	(76.2)
Overlay net flows	–	–	–	(9.8)	–	(9.8)
External net flows[5]	(18.0)	0.6	2.9	(10.7)	(0.9)	(26.1)
PRT transfers[6]	(0.1)	(1.2)	–	(8.6)	(0.2)	(10.1)
Insurance net flows[7]	(0.3)	3.1	(0.1)	0.4	0.4	3.5
Total net flows	(18.4)	2.5	2.8	(18.9)	(0.7)	(32.7)
Market movements	30.9	7.8	4.5	2.8	0.6	46.6
Other movements[8]	(0.8)	4.7	–	(16.7)	–	(12.8)
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[9]	–	–	–	–	12.7	12.7
Total Asset Management AUM as at 31 December 2023[10]	481.7	168.9	84.3	388.8	48.2	1,171.9

1. Assets under management (AUM) includes assets on our Investment Only Platform, that are managed by third parties, on which fees are earned.
2. Solutions include liability driven investments and £246.7bn (31 December 2023) of derivative notionals associated with the Solutions business.
3. 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).
4. 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.
5. 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.
6. PRT transfers reflect UK defined benefit pension scheme buy-outs to Institutional Retirement.
7. Internal net flows includes legacy assets from the Mature Savings business sold to ReAssure in 2020.
8. Other movements include movements of external holdings in money market funds, other cash mandates and short-term Solutions assets.
9. 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.
10. Total Asset Management AUM as at 31 December 2023 has been restated to include joint ventures and associates AUM.

Asset flows and new business

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[1]			
	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
International[2]	**386.9**	**371.6**	377.7	371.8	**(5.4)**	**(11.1)**	(14.2)	(2.7)
UK Institutional								
- 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)
Wholesale[3]	**66.4**	**62.7**	56.6	51.2	**1.7**	**1.7**	2.2	1.3
ETF[4]	**9.8**	**9.5**	11.4	9.9	**(0.2)**	**(2.2)**	1.0	0.9
External	**1,020.3**	**1,028.8**	1,062.1	1,068.6	**(19.3)**	**(28.5)**	(26.1)	(12.3)
Insurance[5]	**97.4**	**93.4**	97.1	89.5	**2.1**	**(2.8)**	(6.6)	(7.0)
Total	**1,117.7**	**1,122.2**	1,159.2	1,158.1	**(17.2)**	**(31.3)**	(32.7)	(19.3)

1. 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.
2. 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).
3. Wholesale represents assets from the Wholesale Intermediary business and legacy assets from Personal Investing customers that did not migrate to Fidelity International Limited.
4. 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.
5. 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.

Asset flows and new business

4.04 Reconciliation of assets under management to Consolidated Balance Sheet

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

1. These balances are unaudited.
2. Derivative notionals are included in the assets under management measure but are not for IFRS reporting and are thus removed.
3. 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.
4. 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[1]

	2024 £bn	Restated[2] 2023 £bn
As at 1 January	**80.1**	66.7
Gross inflows	**11.7**	10.6
Gross outflows	**(5.7)**	(4.2)
Net flows	**6.0**	6.4
Market and other movements	**7.7**	7.0
As at 31 December	**93.8**	80.1

1. 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.
2. Assets under administration as at 31 December 2023 have been restated to include Retail savings.

4.06 Workplace assets under administration[1] half-yearly progression

	2024 £bn	Restated[2] 2023 £bn
As at 1 January	**80.1**	66.7
Gross inflows	**6.0**	5.0
Gross outflows	**(2.7)**	(2.0)
Net flows	**3.3**	3.0
Market and other movements	**4.3**	2.1
As at 30 June	**87.7**	71.8
Gross inflows	**5.7**	5.6
Gross outflows	**(3.0)**	(2.2)
Net flows	**2.7**	3.4
Market and other movements	**3.4**	4.9
As at 31 December	**93.8**	80.1

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.

Asset flows and new business

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[1]	**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	–
Total Institutional Retirement new business	**10,662**	**9,119**	**1,543**	13,719	8,727	4,992

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
Total Retail Retirement new business	**2,388**	**1,074**	**1,314**	1,730	992	738
UK Retail protection	**153**	**78**	**75**	150	74	76
UK Group protection	**110**	**42**	**68**	121	68	53
US protection[1]	**159**	**78**	**81**	141	71	70
Total Insurance new business	**422**	**198**	**224**	412	213	199
Total Retail new business	**2,810**	**1,272**	**1,538**	2,142	1,205	937

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[1]	**495**	495
Tier 2 Subordinated liabilities	**3,404**	3,460
Eligibility restrictions	**(27)**	(244)
Solvency II Own Funds[2,3]	**15,860**	16,556
Solvency Capital Requirement	**(6,848)**	(7,389)
Solvency II surplus	**9,012**	9,167
SCR Coverage ratio	**232%**	224%

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).

Capital

5.01 Group regulatory capital – Solvency II (continued)

(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&G Re) 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&G Re 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&G Re 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&G Re 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.

5.01 Group regulatory capital – Solvency II (continued)

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

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
Opening Position	17,226	(7,311)	9,915
Operational Surplus Generation[1]	1,596	225	1,821
New business strain	551	(989)	(438)
Net surplus generation	2,147	(764)	1,383
Operating variances[2]			(307)
Mergers, acquisitions and disposals[3]			(140)
Market movements[4]			(512)
Dividends paid[5]			(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.

5.01 Group regulatory capital – Solvency II (continued)

(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[1]	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
Total OSG for UK annuity back book	**0.8**	**0.7**	**0.7**	**0.7**	**0.7**	**2.8**	**4.2**	**10.6**

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
IFRS equity[1]	**3,548**	4,826
CSM net of tax[2]	**10,287**	10,048
IFRS equity plus CSM net of tax	**13,835**	14,874
Remove DAC, goodwill and other intangible assets and associated liabilities	**(473)**	(525)
Add IFRS carrying value of subordinated borrowings[3]	**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[2]	**491**	203
Other	**(10)**	(53)
Eligibility restrictions	**(27)**	(244)
Solvency II Own Funds[4]	**15,860**	16,556

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.

5.01 Group regulatory capital – Solvency II (continued)

(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[1]	**(0.2)**	**(14)**	(0.2)	(11)
Credit spreads widen by 100bps assuming an escalating addition to ratings[2,3]	**0.2**	**9**	0.4	14
Credit spreads widen by 100bps assuming a flat addition to ratings[2]	**0.2**	**13**	0.5	15
Credit spreads narrow by 100bps assuming a flat deduction from ratings[2,4]	**(0.6)**	**(18)**	(0.7)	(18)
Credit spreads of sub-investment grade assets widen by 100bps assuming a level addition to ratings[2,5]	**(0.1)**	**(3)**	(0.2)	(7)
Credit migration[6]	**(0.5)**	**(8)**	(0.7)	(10)
25% fall in equity markets[7]	**(0.5)**	**(5)**	(0.4)	(3)
15% fall in property markets[8]	**(0.8)**	**(10)**	(0.9)	(10)
50bps increase in future inflation expectations	**0.1**	**(1)**	(0.1)	(3)
10% increase in maintenance expenses[9]	**(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.

5.01 Group regulatory capital – Solvency II (continued)

(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[1]	**11**	10
Equity	**6**	6
Property	**11**	12
Credit[2]	**19**	22
Currency	**3**	1
Inflation	**4**	4
Total Market risk[3]	**54**	55
Counterparty risk	**1**	2
Life mortality	**3**	3
Life longevity[4]	**16**	18
Life mass lapse	**3**	3
Life non-mass lapse	**2**	2
Life catastrophe	**8**	6
Expense	**3**	3
Total Insurance risk	**35**	35
Non-life underwriting	**–**	–
Operational risk	**4**	4
Miscellaneous[5]	**6**	4
Total SCR	**100**	100

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[1]

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

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

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 %
Margin for Risk	**3.7**	4.2
Risk-free rate		
- UK	**4.1**	3.3
- US	**4.6**	3.9
Risk discount rate (net of tax)		
- UK	**7.8**	7.5
- US	**8.3**	8.1
Long-term rate of return on annuities	**5.5**	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.

Capital

5.02 Estimated Solvency II new business contribution (continued)

(iii) Methodology (continued)

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
PVNBP	5.02 (i)	**12.7**	12.7
Effect of capitalisation factor		**(1.8)**	(1.8)
New business premiums from selected lines		**10.9**	10.9
Other[1]		**2.6**	5.0
Total Institutional Retirement and Retail new business	4.07, 4.08	**13.5**	15.9

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[1]	**1,143,749**	1,179,769
Client and policyholder assets	**(991,647)**	(1,044,213)
Investments to which shareholders are directly exposed (market value)	**152,102**	135,556
Adjustment from market value to IFRS carrying value[2]	**1,118**	848
Investments to which shareholders are directly exposed (IFRS carrying value)	**153,220**	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:

	Notes	Annuity[1] investments 2024 £m	Other investments 2024 £m	Total 2024 £m	Restated Annuity[1] investments 2023 £m	Restated Other investments 2023 £m	Total 2023 £m
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[2]		**49,039**	**156**	**49,195**	37,894	125	38,019
Property	6.04	**5,729**	**226**	**5,955**	5,269	234	5,503
Loans[3]		**2,542**	**172**	**2,714**	1,382	230	1,612
Financial investments		**142,382**	**5,602**	**147,984**	124,105	5,525	129,630
Cash and cash equivalents		**2,631**	**1,126**	**3,757**	3,122	1,113	4,235
Other assets[4]		**722**	**757**	**1,479**	779	1,760	2,539
Total investments		**145,735**	**7,485**	**153,220**	128,006	8,398	136,404

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.

Investments

6.02 Direct investments

(i) Total investments analysed by asset class

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

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

	Annuity[1] 2023 £m	Other 2023 £m	Total 2023 £m
Equities	839	1,017	1,856
Bonds[2]	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
Total direct investments (Restated)	32,766	4,979	37,745

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).

Investments

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

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.

Investments

6.03 Bond portfolio summary (continued)

(i) Sectors analysed by credit rating (continued)

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

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.

Investments

6.03 Bond portfolio summary (continued)

(ii) Sectors analysed by domicile

As at 31 December 2024	UK £m	US £m	EU £m	Rest of the World £m	Total £m
Sovereigns, Supras and Sub-Sovereigns	13,298	2,528	1,279	577	17,682
Banks	2,056	2,638	1,219	1,145	7,058
Financial Services	424	1,160	998	316	2,898
Insurance	47	991	68	74	1,180
Consumer Services and Goods:					
- 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
Infrastructure:					
- Social	5,915	615	138	207	6,875
- Economic	3,955	895	267	912	6,029
Technology and Telecoms	345	2,730	465	563	4,103
Industrials	242	973	314	47	1,576
Utilities	3,513	3,502	1,787	486	9,288
Energy	606	1,135	22	300	2,063
Commodities	51	383	110	270	814
Oil and Gas	304	419	453	321	1,497
Real estate	1,724	1,796	704	273	4,497
Structured finance ABS / RMBS / CMBS / Other	1,191	2,672	201	423	4,487
Lifetime mortgage loans	5,359	–	502	–	5,861
CDOs	–	–	–	52	52
Total	40,992	30,347	9,287	6,546	87,172

6.03 Bond portfolio summary (continued)

(ii) Sectors analysed by domicile (continued)

As at 31 December 2023	UK £m	US £m	EU £m	Rest of the World £m	Total £m
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

Investments

6.03 Bond portfolio summary (continued)

(iii) Bond portfolio analysed by credit rating

As at 31 December 2024	**Externally rated £m**	**Internally rated[1] £m**	**Total £m**
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**

As at 31 December 2023	Externally rated £m	Internally rated[1] £m	Total £m
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.

Investments

6.03 Bond portfolio summary (continued)

(iv) Sectors analysed by Direct investments and traded securities

As at 31 December 2024	Direct investments £m	Traded £m	Total £m
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
Infrastructure:			
- Social	4,398	2,477	6,875
- Economic	4,451	1,578	6,029
Technology and Telecoms	231	3,872	4,103
Industrials	267	1,309	1,576
Utilities	2,800	6,488	9,288
Energy	793	1,270	2,063
Commodities	149	665	814
Oil and Gas	93	1,404	1,497
Real estate	2,499	1,998	4,497
Structured finance ABS / RMBS / CMBS / Other	2,152	2,335	4,487
Lifetime mortgage loans	5,861	–	5,861
CDOs	–	52	52
Total	30,244	56,928	87,172

Investments

6.03 Bond portfolio summary (continued)

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

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
Infrastructure:			
- Social	3,836	2,688	6,524
- Economic	4,231	1,379	5,610
Technology and Telecoms	307	4,522	4,829
Industrials	127	1,201	1,328
Utilities	2,370	8,094	10,464
Energy	521	1,076	1,597
Commodities	145	740	885
Oil and Gas	102	1,415	1,517
Real estate	2,763	1,688	4,451
Structured finance ABS / RMBS / CMBS / Other	1,293	1,738	3,031
Lifetime mortgage loans	5,766	–	5,766
CDOs	–	54	54
Total	27,671	53,659	81,330

Investments

6.04 Property analysis

Property exposure within Direct investments by status

As at 31 December 2024	Annuity £m	Other[1] £m	Total £m	%
Let[2]	**4,990**	**98**	**5,088**	**85**
Development	**739**	**94**	**833**	**14**
Land	**–**	**34**	**34**	**1**
Total	**5,729**	**226**	**5,955**	**100**

As at 31 December 2023	Restated Annuity £m	Restated Other[1] £m	Total £m	%
Let[2]	4,809	96	4,905	89
Development	460	104	564	10
Land	–	34	34	1
Total	5,269	234	5,503	100

1. 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.
2. 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.

Alternative Performance Measures

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 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.

Alternative Performance Measures

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.

Glossary

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.

Glossary

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 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.

Glossary

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.

Glossary

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 2024. 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.

Glossary

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.