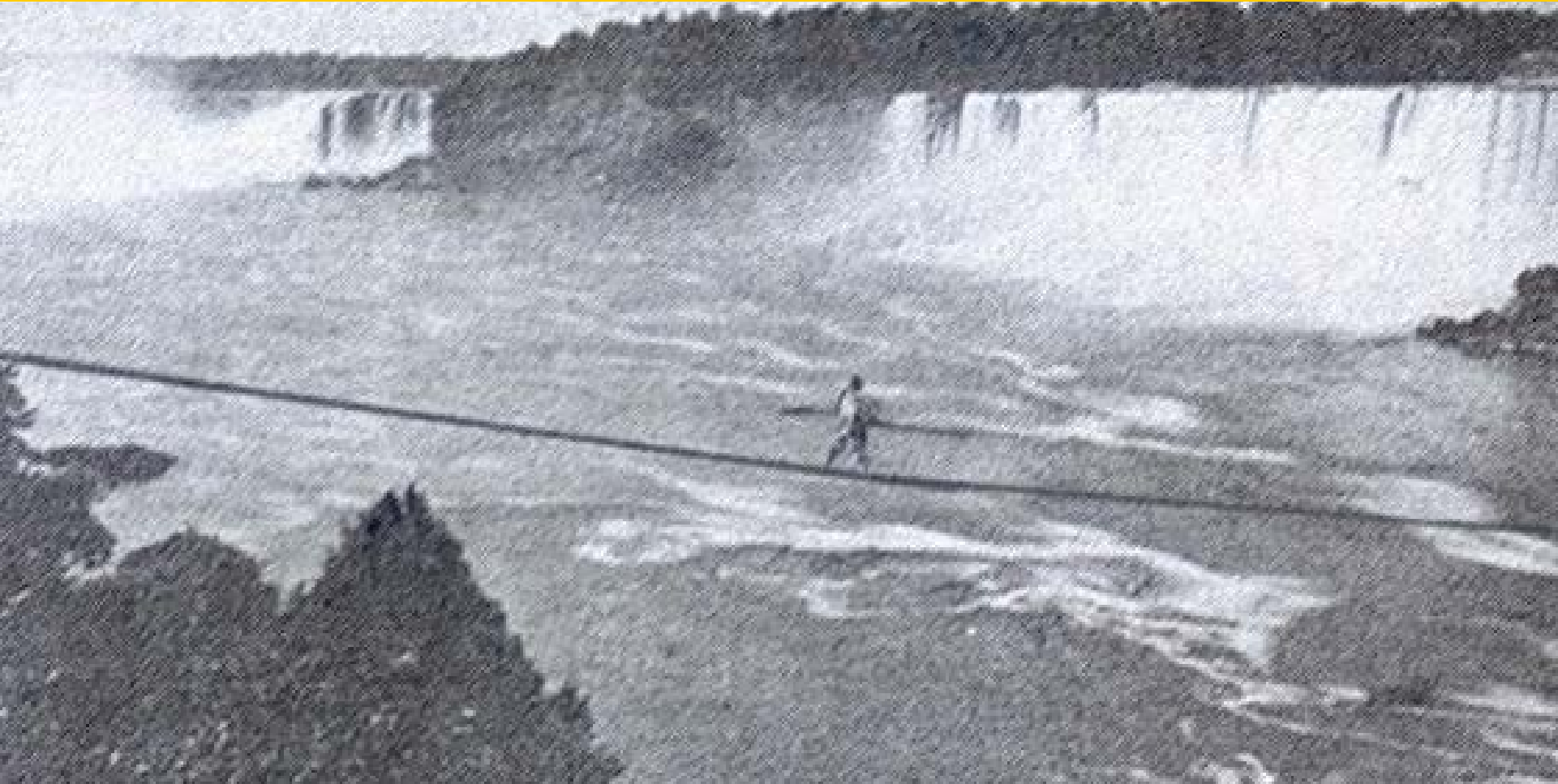


TIGHTROPE WALKING IN THE FOG. TIME FOR BEVERIDGE 2.0 AND SCHUMPETER 2.0?

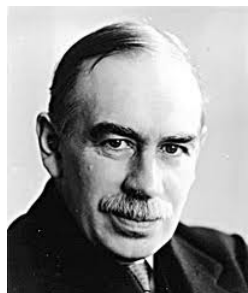


EVERY
DAY
MATTERS

BofA MERRILL LYNCH CONFERENCE
NIGEL WILSON, 24 SEPTEMBER 2013



TITANS OF ECONOMICS AND INNOVATION.



Keynes



Beveridge



Bevan



Schumpeter



Jobs



Gates



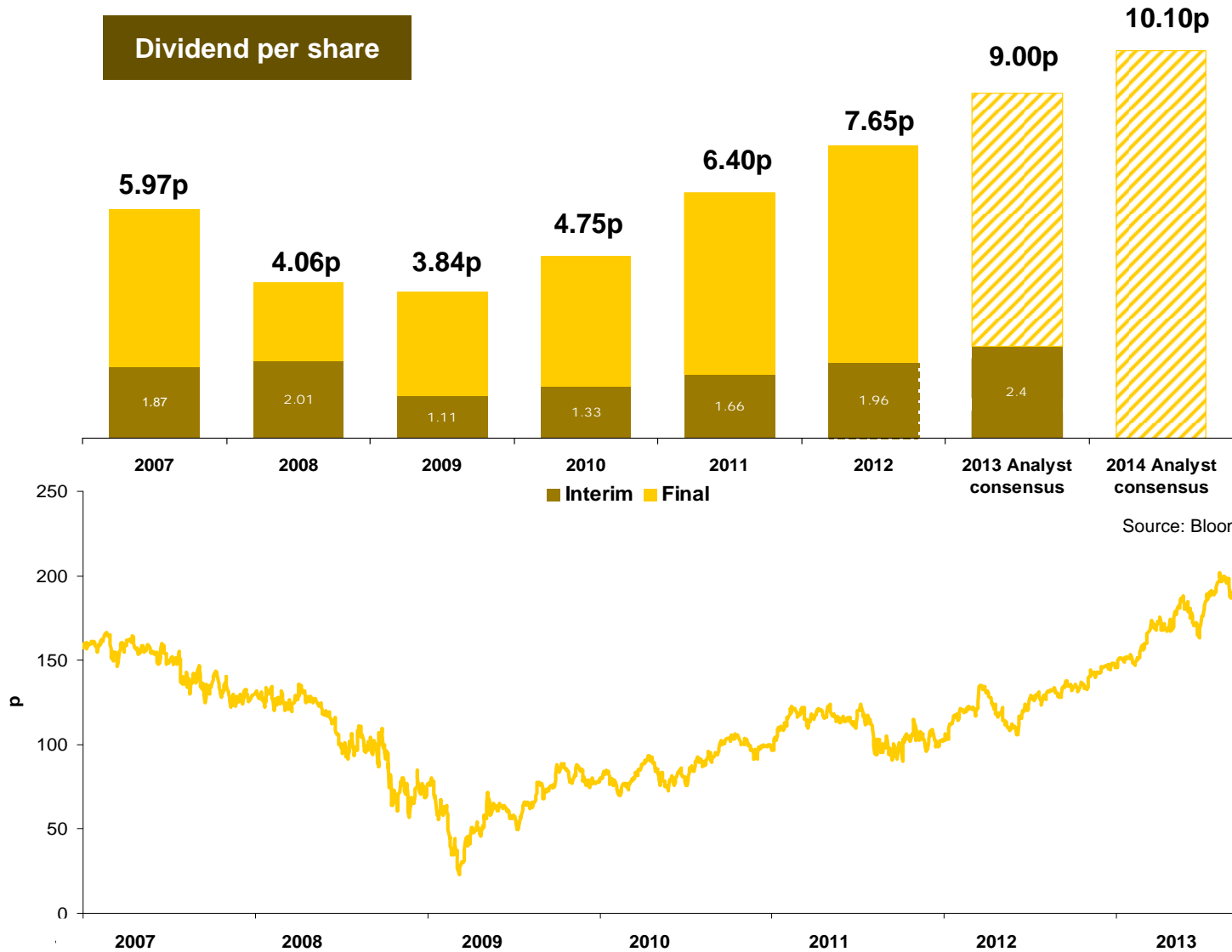
Berners-Lee

1. **No great economic problem solvers and policy makers delivering Beveridge 2.0 and Schumpeter 2.0 solutions that drive economic prosperity and efficiency.**
2. **No major leaders of innovation – western corporates under investing capital and hoarding cash. Banks deleveraging.**
3. **Government policy makers finding it hard to deliver: economic “targets”, appropriate economic and welfare infrastructures.**



Legal & General can accelerate growth through greater provision of our core products and core capabilities.

LEGAL & GENERAL'S FINANCIAL PERFORMANCE HAS BEEN STRONG 2009-2013.



OUR FINANCIAL RESULTS REMAIN STRONG.

FINANCIAL HIGHLIGHTS 30 JUNE 2013.

LGIM flows	Up 66% to £25bn, net flows up 100% to £8bn
Bulk annuity premiums	Up 900% to £670m
Individual annuity premiums	Up 44% to £754m
Net cash	Up 23% to £500m
Operational cash	Up 14% to £537m
Operating profit	Up 10% to £571m
Profit after tax	Up 15% to £464m
Earnings per share	Up 13% to 7.82p
Interim dividend	Up 22% to 2.40p per share
IFRS return on equity	Up to 16.8%

MANY ECONOMIC PROBLEMS – BUT FEW REALISTIC SOLUTIONS.....

1. **Real wages falling** – record jobs but at lower wages (UK, US, Germany).
2. **Productivity falling** –lack of investment, low risk, low paid labour instead of risk capital.
3. **Asset prices rising** – driven by QE monetary methadone, Bernanke and Draghi “puts”, record profit margins and inappropriate housing policies. The rich and old are getting richer, the poor and young are getting poorer.
4. **Government spending and borrowing unsustainable** – driven by demographic changes, unfunded pension liabilities, election social contracts – inefficient spend on education, housing, welfare risk products etc.
5. **Yield curves jumping (mainly upwards) in all economies** – reflecting QE uncertainty, structural economic imbalances and current account deficits.

 No one understands how we will exit QE – is the ‘market’ pricing the associated risk?

....DISTORTIONS CAUSED BY MONETARY POLICY ACTIONS WITHOUT SUPPLY SIDE REFORM.

6. **Corporates under investing in Capital, hoarding cash** – “risk off” after being “buried” in 2000/1 and 2007/8. China has adopted opposite strategy.
7. **Technology gains remain low** – Apple and Microsoft buying back shares, inefficient investment in “green” technology, infrastructure and education.
8. **Banks are deleveraging and lending remains low** – reflecting regulatory risk, rules and uncertainty coupled with lack of investment demand from companies and minimal innovation.
9. **Goods price inflation** – Expectations uncertain as benefits from Asian manufacturing decline and China focuses on domestic consumption and Indian outsourcing benefits reduce.
10. **Unemployment is increasingly complex** - participation rates declining in US, unacceptable unemployment in GIIPS, increasing global issues amongst student populations.

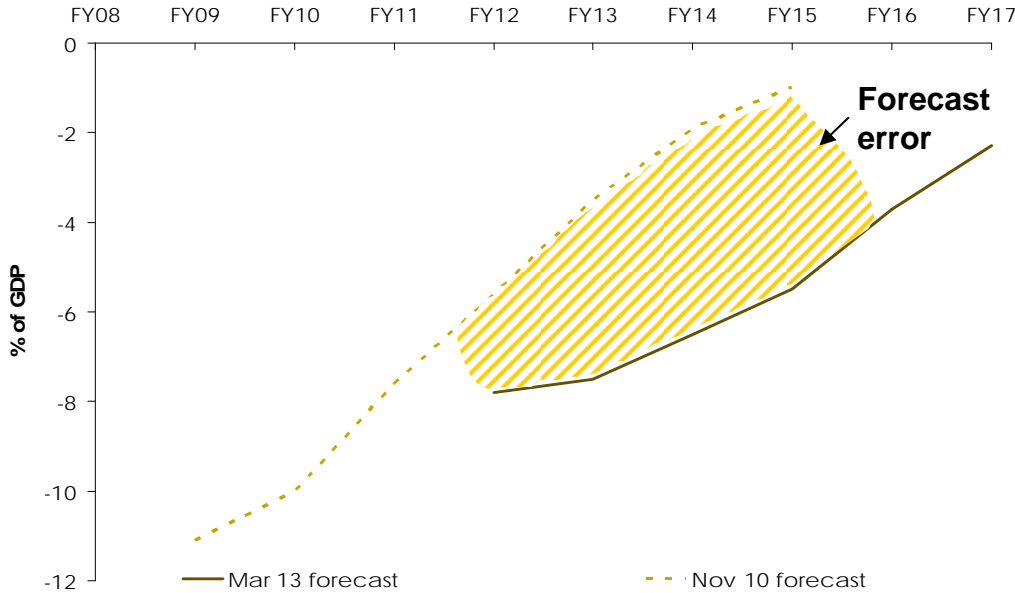
 Globalisation is still occurring, but consequences are now rarely analysed.

BERNANKE, OSBORNE AND MERKEL: "MISSION ACCOMPLISHED"?

LGIM Forecasts	US			UK			GERMANY		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
Real GDP Growth (%)	1.6	2.6	2.8	1.4	2.4	2.8	0.6	1.7	1.9
Inflation (%)	1.6	2.4	3.0	2.7	2.4	2.2	1.5	1.5	1.5
Unemployment (%)	7.5	7.0	6.5	7.7	7.9	7.6	5.4	5.6	5.4
Budget balance (bn)	\$(700)	\$(700)	\$(650)	£(110)	£(95)	£(80)	€(3)	€1	€4
Employment (million)	136	138	141	32.3	32.5	32.8	41.8	41.9	42.1

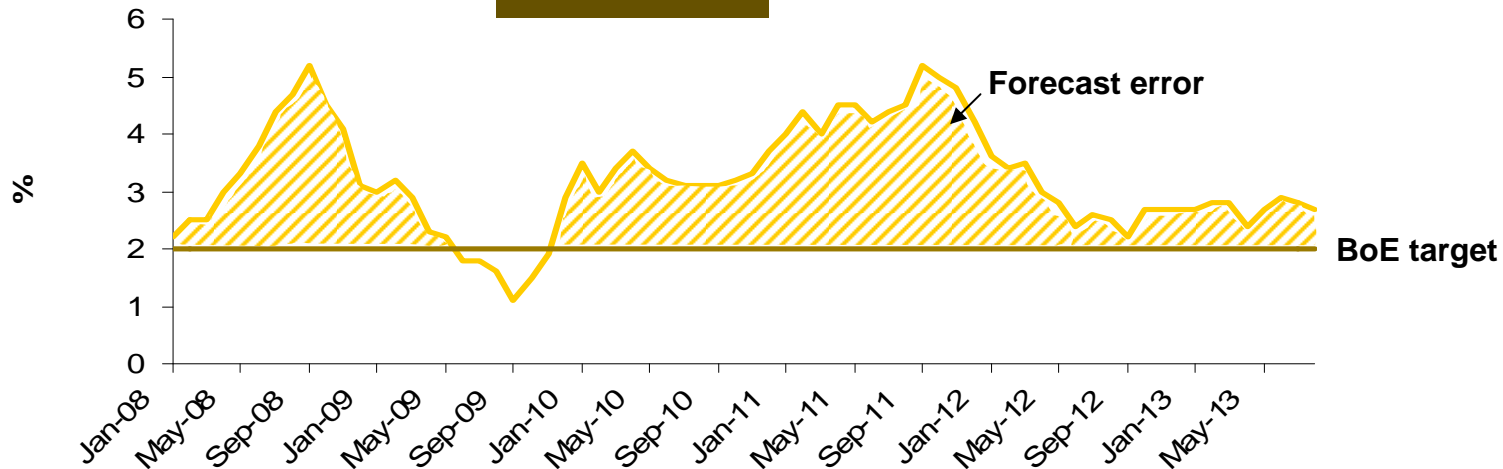
HOW USEFUL ARE GOVERNMENT TARGETS IN AN UNCERTAIN ECONOMY?

**OBR forecasts of UK public sector financial balance
% of GDP (excluding Royal Mail, BoE coupon payments)**

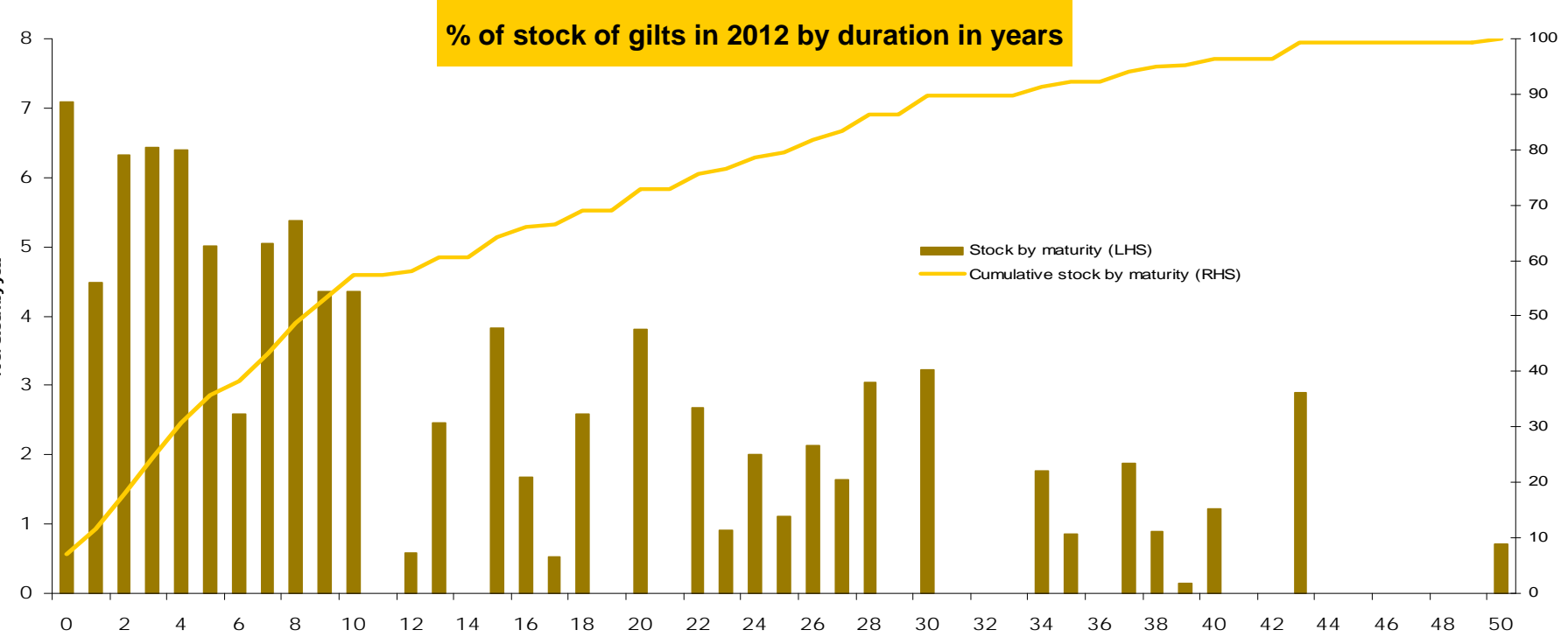
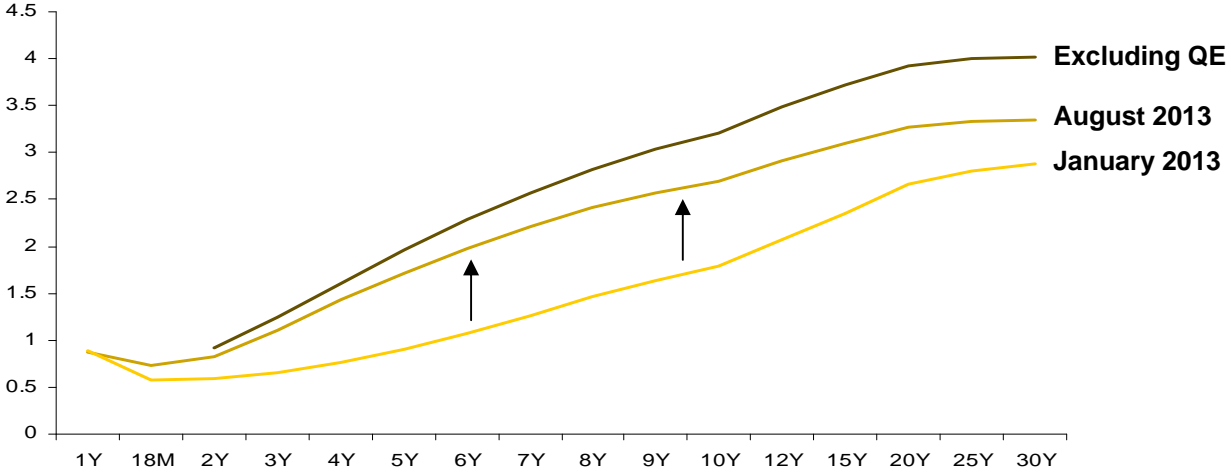


£'bn	11/12	12/13	13/14	14/15	15/16	16/17	17/18
Gov't Expend	694	701	720	730	745	755	765
Gov't income	573	587	612	633	658	694	723
Borrowing	121	115	108	97	87	61	42

UK INFLATION



HOW LONG CAN FINANCIAL REPRESSION LAST?



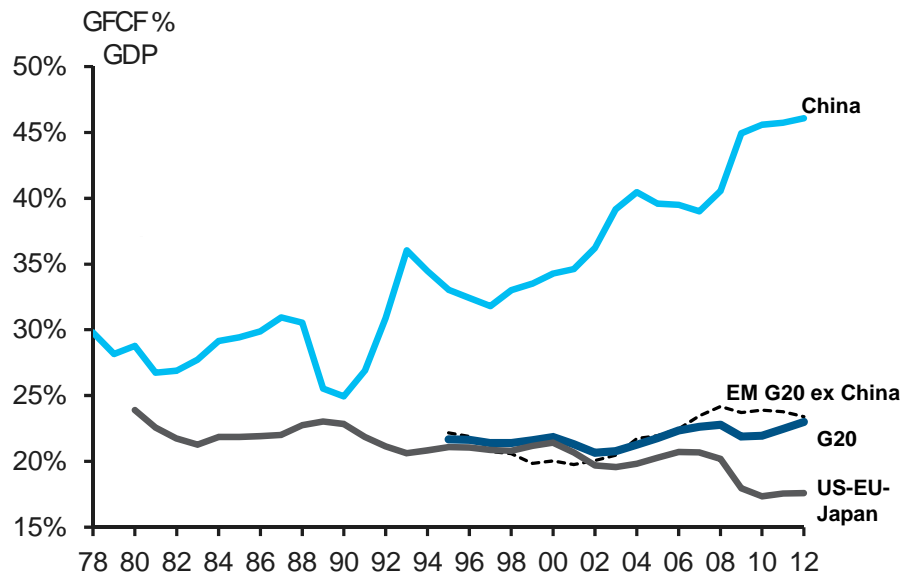
US: OBSESSED ABOUT FINANCIAL MARKETS AND S&P PERFORMANCE.
CHINA: OBSESSED ABOUT CAPITAL INVESTMENT AND 7% GROWTH.

S&P 500 V SHANGHAI STOCK EXCHANGE



Source: Bloomberg

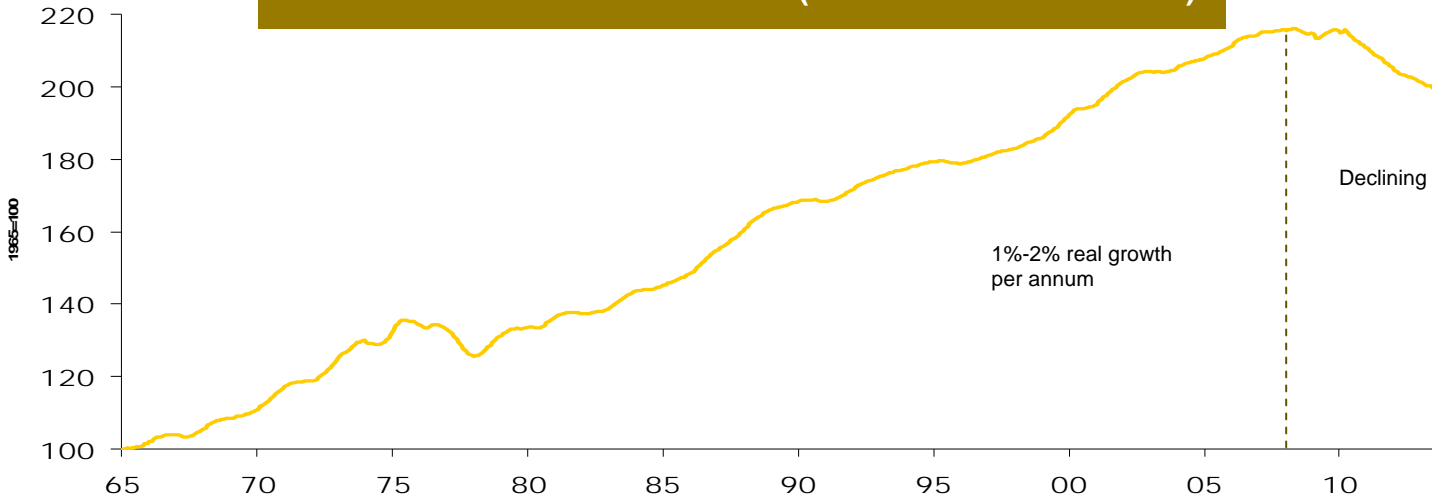
GROSS FIXED CAPITAL INVESTMENT IN G20.



Source: Barclays

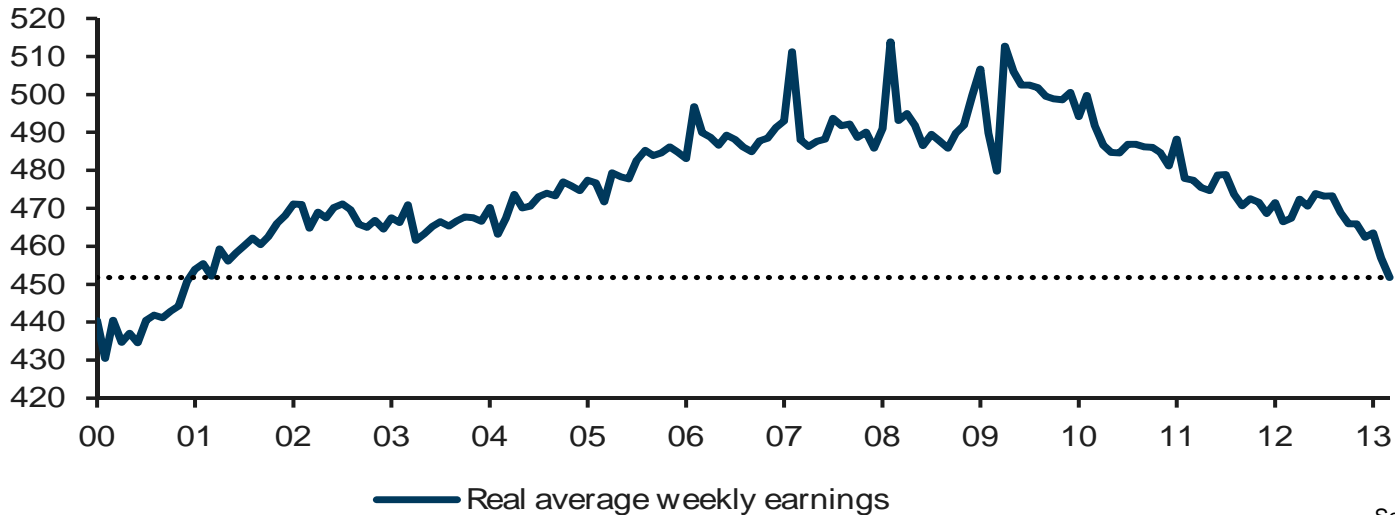
QE: BY THE RICH, FOR THE RICH?

UK REAL WAGES PER WORKER (WEEKLY EARNINGS/RPI)




£ per week, 2012 prices

REAL AVERAGE WEEKLY EARNINGS AT A 12-YEAR LOW



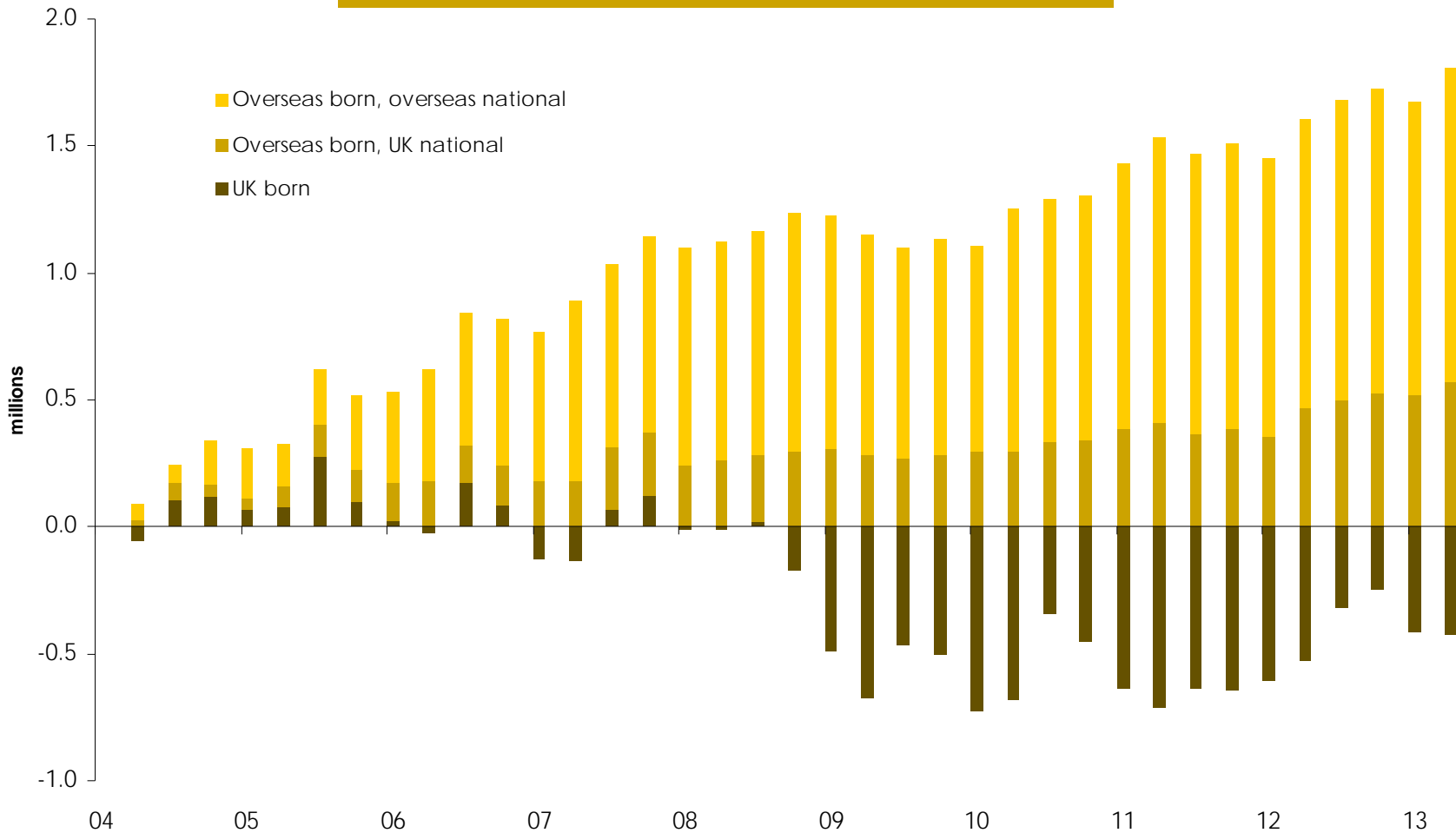
ECONOMIC AUSTERITY LEADS TO POLITICAL UNEMPLOYMENT.

	Pre 2010	2012 		2014
Sarkozy	55%	35%	34% Exit	
Hollande		Elected 51%	30%	2014 Euro elections. 27% approval rating
Obama	65%	50%	Re-elected	Senate and House of Representatives elections. 44% approval rating
Merkel	60%	63%	60%	Sept 2013 General Election Re-elected with 41.5%
Abe	30% Resigns 2007	76% Elected	62%	62% approval rating
Cameron	54%	36%	28%	2014 Euro Elections. General Election May 2015 32% approval rating

Austerity casualties: Zapatero (Spain), Berlusconi & Monti (Italy), Papandreou & Papademos (Greece), Cowen (Ireland), Sócrates (Portugal), Stoltenberg (Norway)

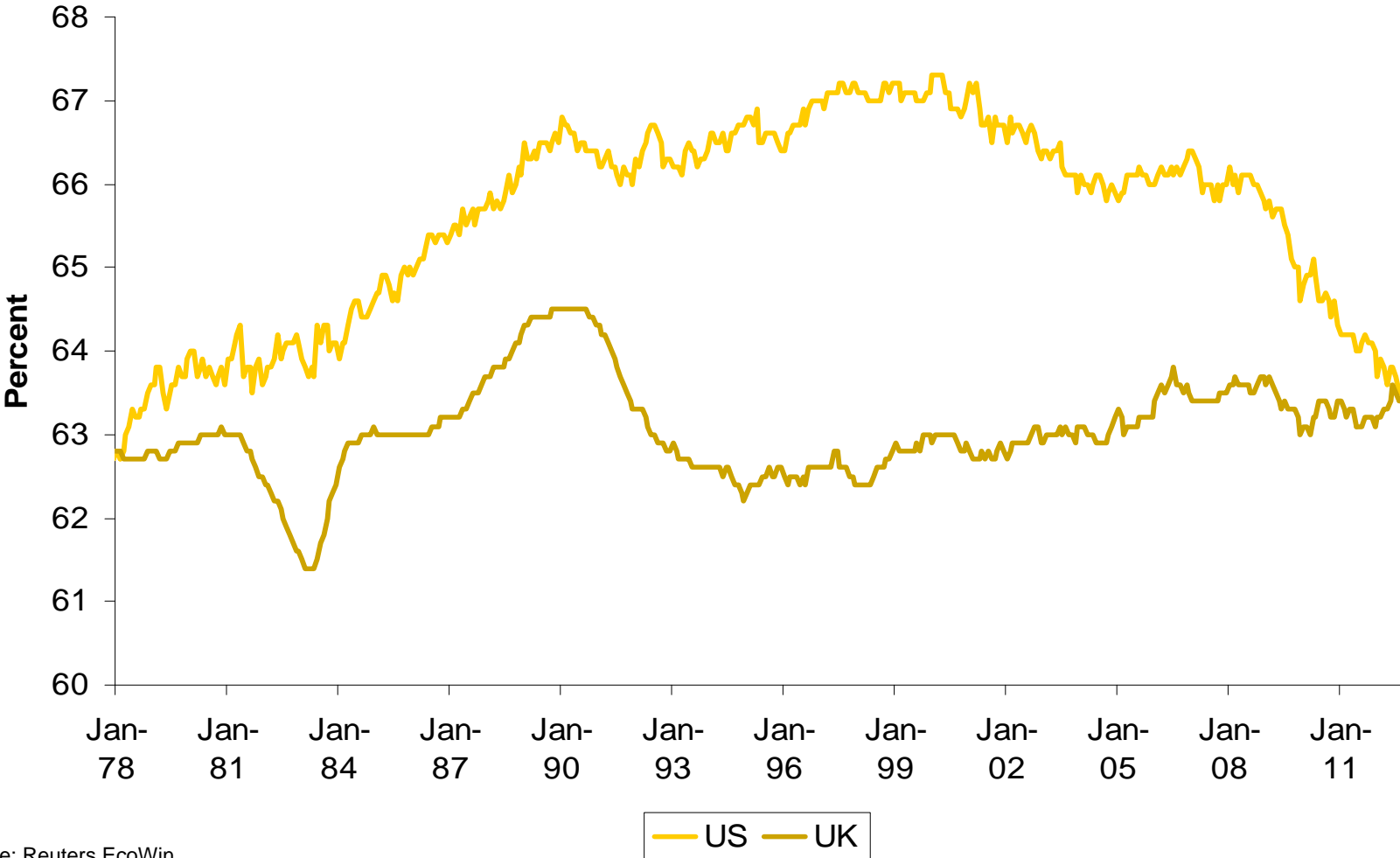
UK JOBS: HARDWORKING, MOBILE LABOUR FORCE.....IMMIGRATION ACCOUNTS FOR ALL NEW JOBS.

CUMULATIVE CHANGE IN UK EMPLOYMENT SINCE 2004



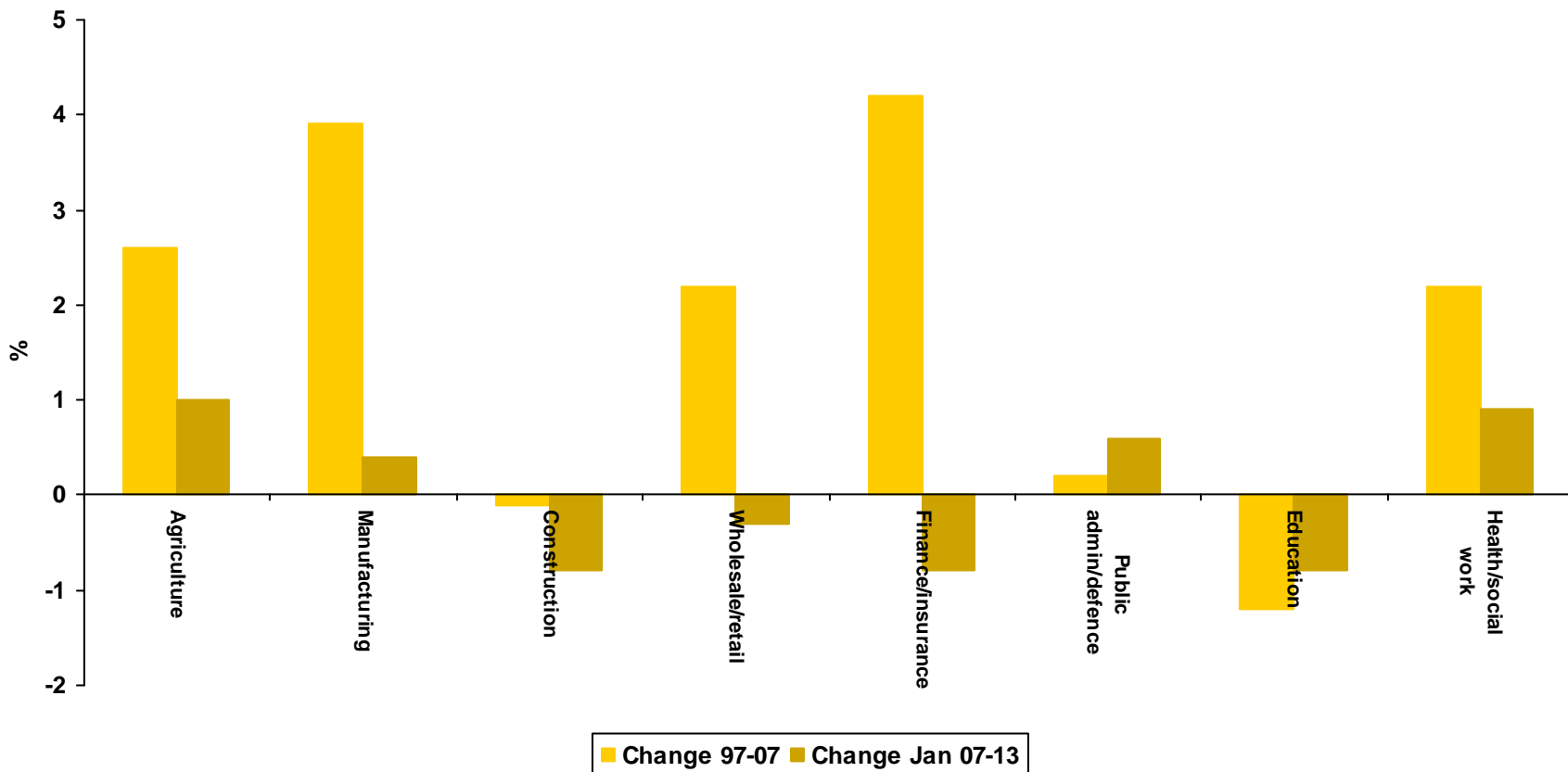
US PARTICIPATION RATES DECLINING – WHERE ARE THE REAL JOBS?

% OF CIVILIAN POPULATION ECONOMICALLY ACTIVE (WORKING OR LOOKING FOR WORK).



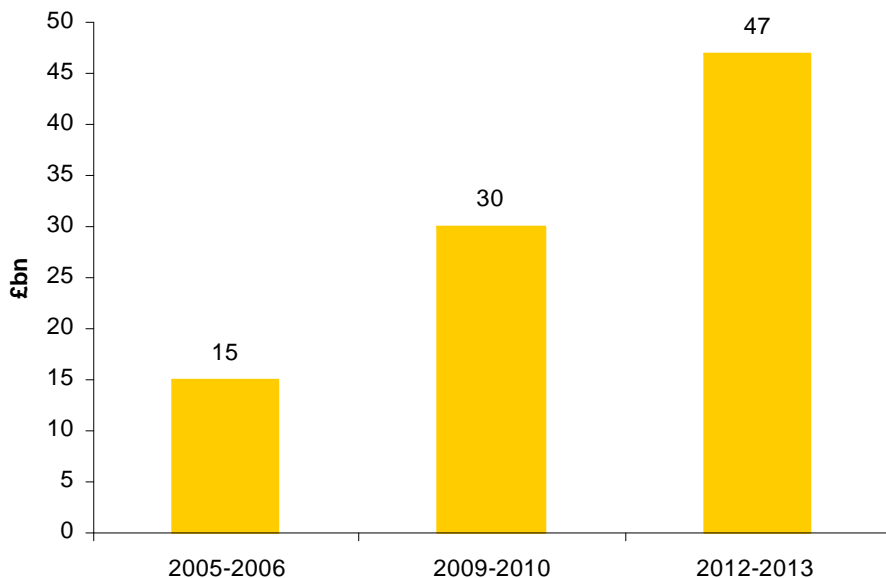
Source: Reuters EcoWin

UNDER-INVESTMENT AND POOR INFRASTRUCTURE PUSHING UK PRODUCTIVITY DOWN.

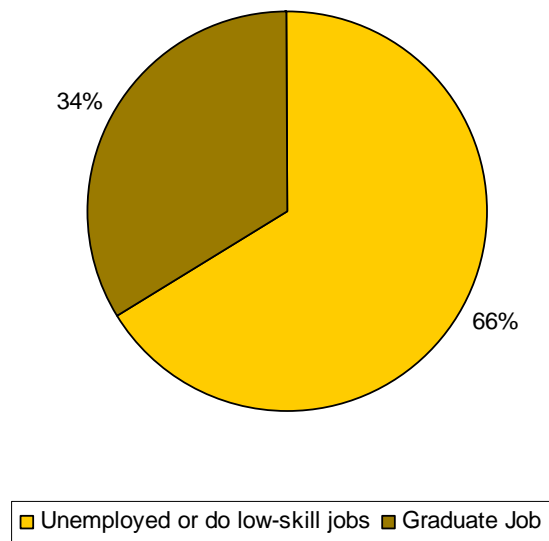


SCHUMPETER 2.0: DO WE NEED CREATIVE DESTRUCTION IN FURTHER EDUCATION?

STUDENT LOANS IN ENGLAND 2005-2013



GRADUATE EMPLOYMENT



➤ US student loans now exceed \$1trillion

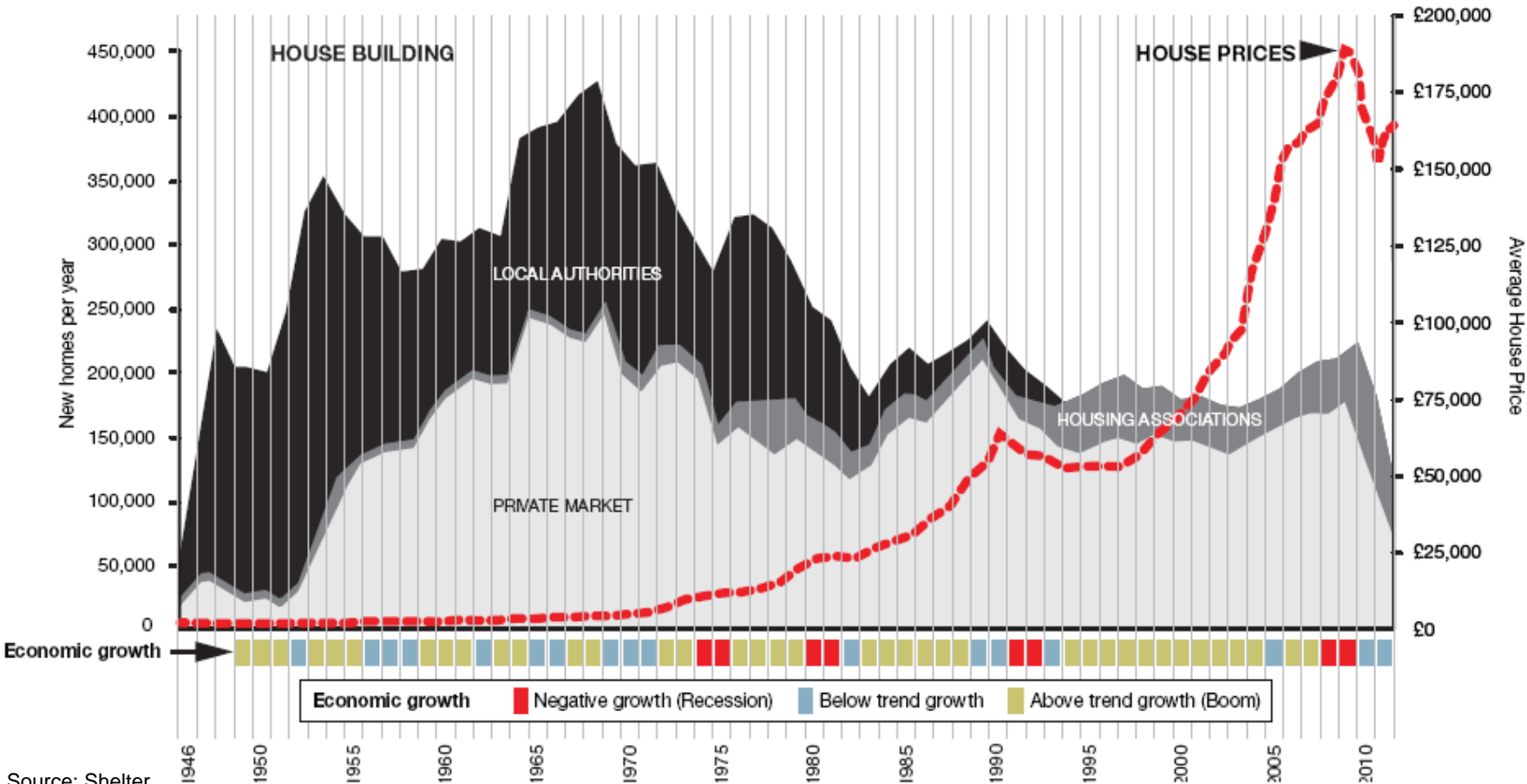
China now has 7-8 million graduates per year.

➤ For the top 100 employers the average starting salary is £25,000 and it has been unchanged from 2011.

Other employers offer entry - level candidates with first degrees between £17,000 to £25,000, which has also remained unchanged for the past three years.

EXCESSIVE HOUSING INFLATION, INSUFFICIENT HOUSING SUPPLY - A POLICY FAILURE.

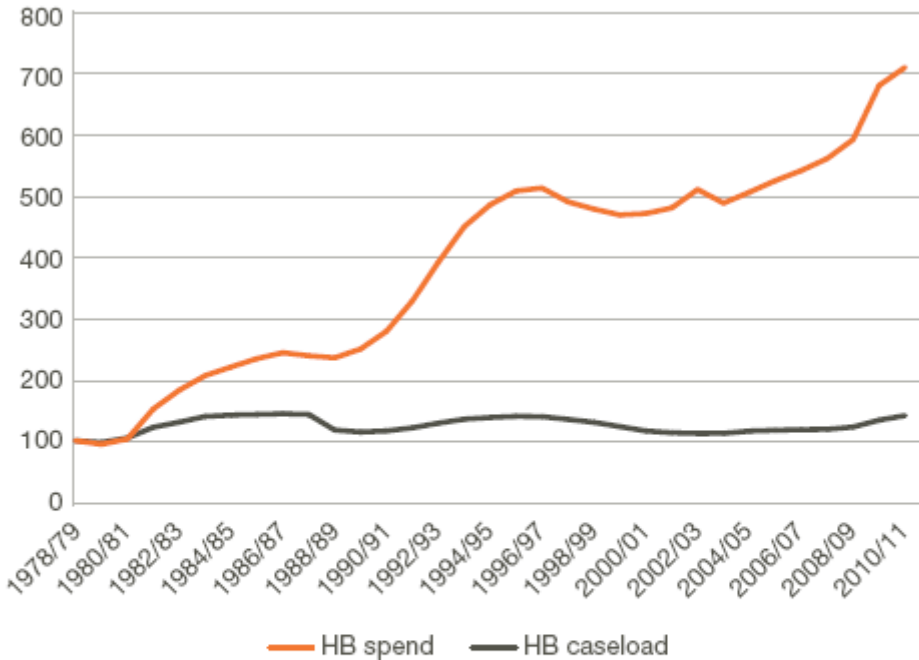
HOUSE BUILDING, HOUSE PRICES AND GROWTH IN ENGLAND



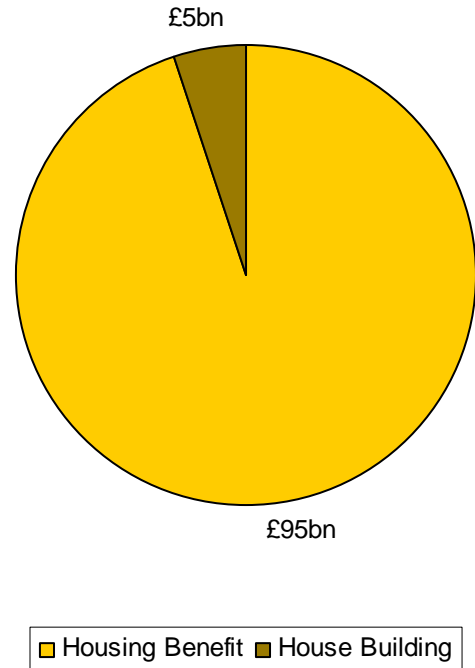
Source: Shelter

HOUSING VICIOUS CIRCLE: UNDERBUILDING PUSHES UP RENTS, DIVERTS CAPEX TO WELFARE, SUPPLY DIMINISHES FURTHER.

RELATIVE GROWTH IN HOUSING BENEFIT EXPENDITURE AND CASELOAD



HOUSING EXPENDITURE (CURRENT 5 YEAR CYCLE)

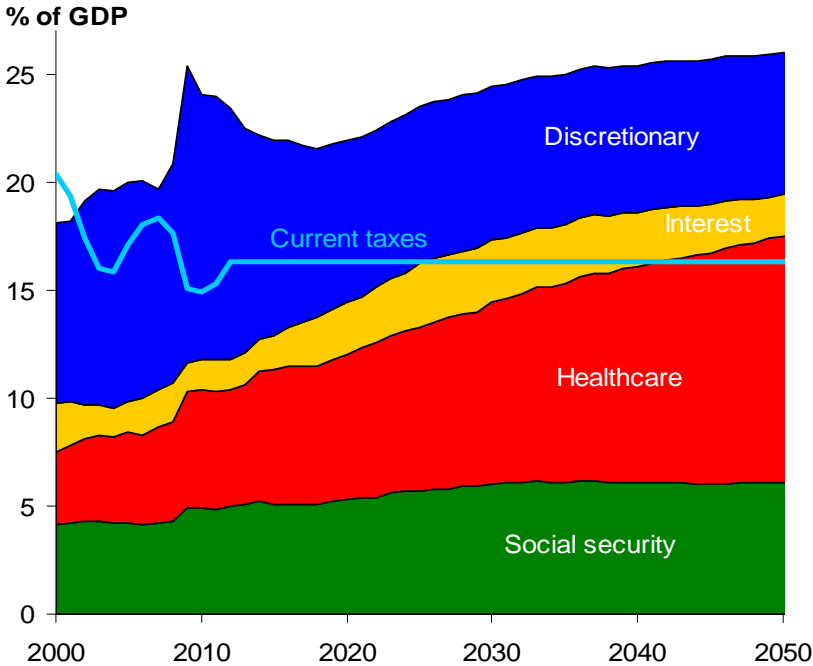


➤ In 1975, more than 80% of public expenditure directed to housing was spent on supply-side capital funding. By the end of the century this balance has more than entirely reversed.

Source: IPPR: Together at home: A Strategy for housing (index 100 = 1978/79)

UK, US AND EUROPE NEED BEVERIDGE 2.0. WELFARE EXPECTATIONS UNREALISTIC.

US GOVERNMENT SPENDING V REVENUE



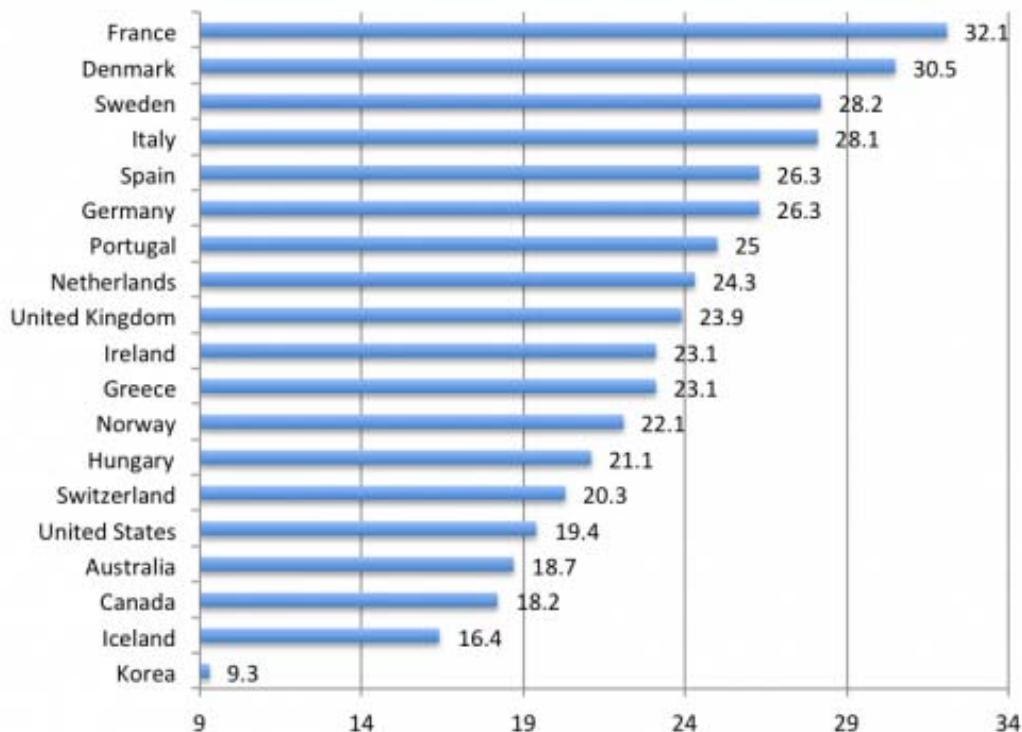
Source: Congressional Budget Office, Citi research

UK PUBLIC SECTOR EXPENDITURE ON SERVICES

	2007-08 (£bn)	2011-12 (£bn)	% change
Pensions	99	127	28
Welfare	90	115	28
Health	102	121	19
Education	79	92	16
Total	370	455	23
Total Expenditure	583	695	19

Source: HM Treasury - Public Expenditure, Statistical Analyses 2012

SOCIAL SPENDING % OF GDP.



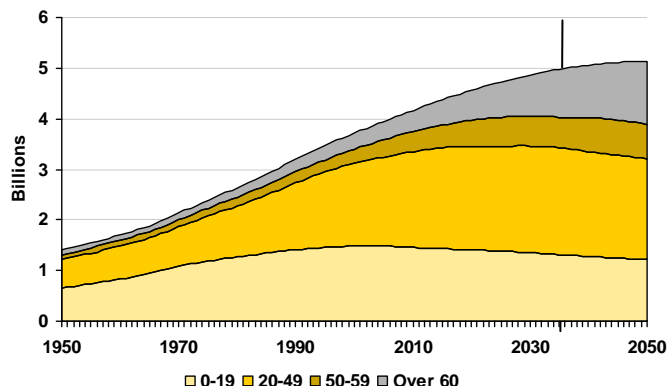
“If Europe today accounts for just over 7 percent of the world’s population, produces around 25% of global GDP and has to finance 50% of global social spending, then it’s obvious that it will have to work very hard to maintain its prosperity and way of life.” – **Angela Merkel**

LONG TERM DEMOGRAPHIC TRENDS ARE FAVOURABLE FOR LEGAL & GENERAL.

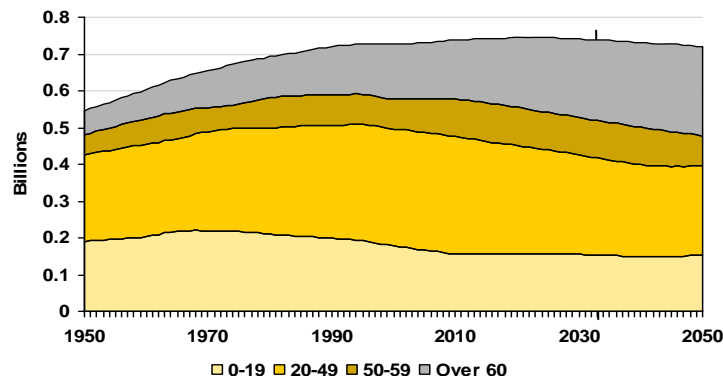
“The world is becoming grey. Over 60s rising from 600 million to 2 billion by 2050”

WORLD POPULATION GROWTH 1950-2050

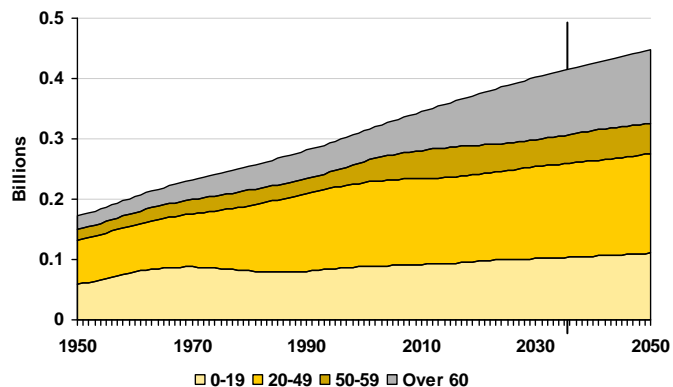
ASIA



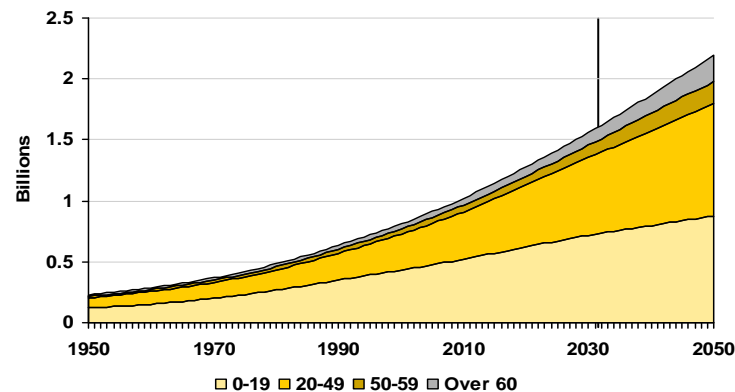
EUROPE



NORTH AMERICA

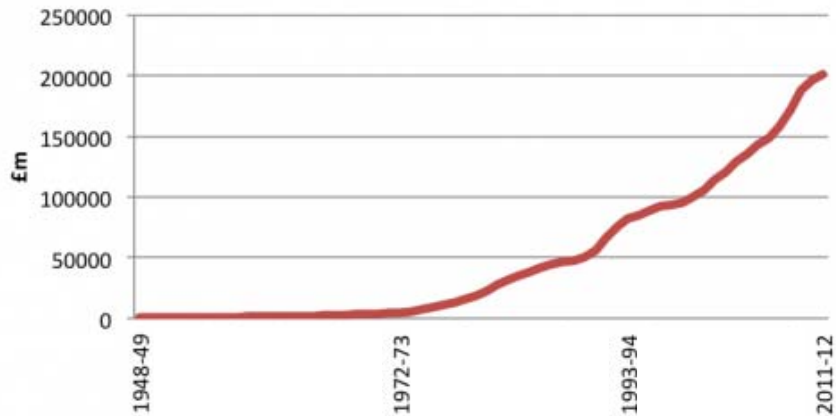


AFRICA

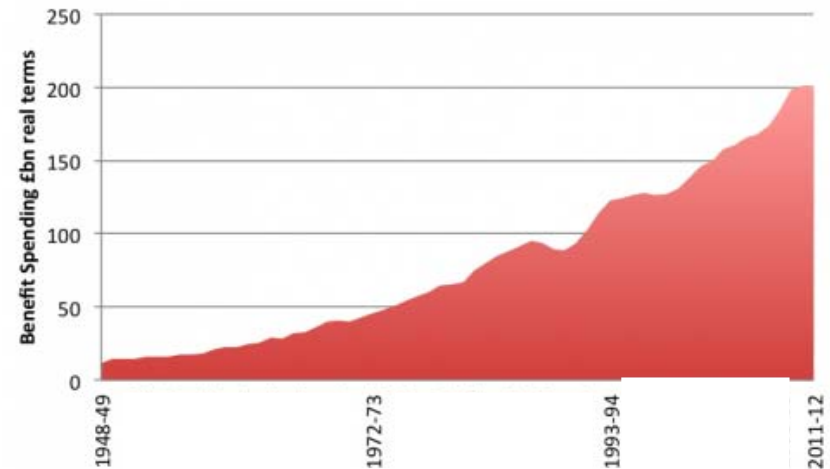


THE NEED FOR BEVERIDGE 2.0.

BENEFIT SPENDING NOMINAL



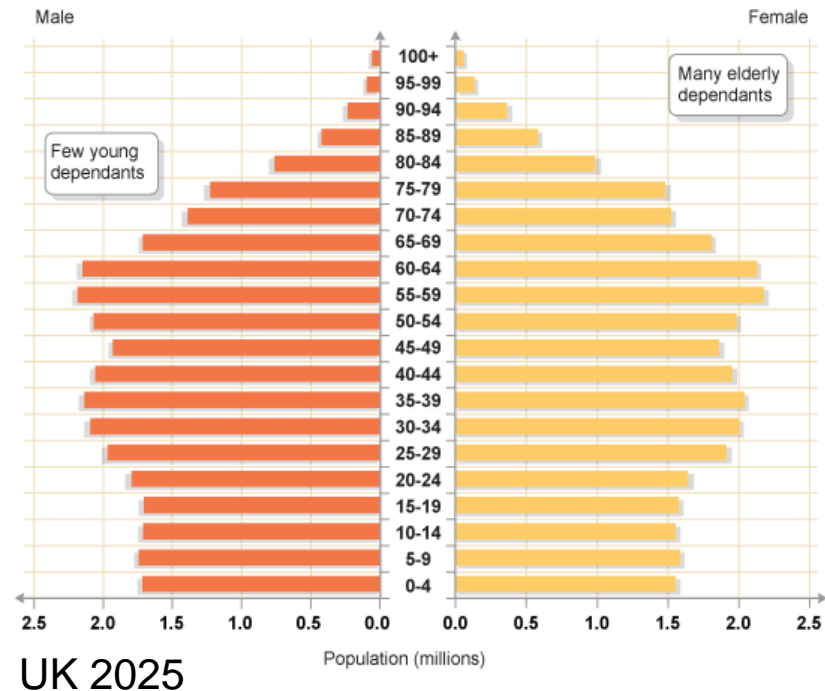
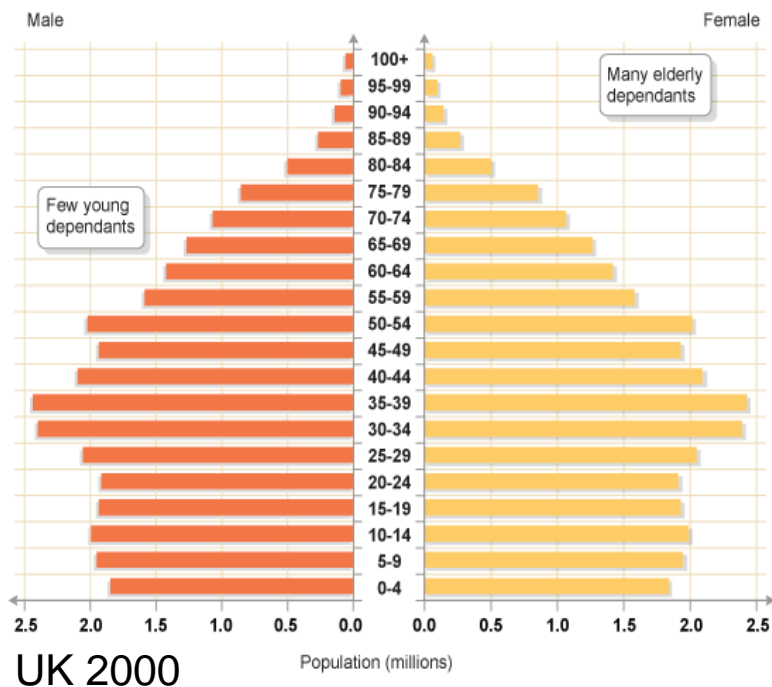
BENEFIT SPENDING REAL TERMS



41% of British adults believe that public spending on welfare benefits should be cut, while 31% think the state welfare provision should stay as at present levels; which leaves only less than a third of adults to believe that government should increase expenditure on welfare benefits.

Almost 70% of the pre-war generation, and 61% of baby-boomers, believe that the creation of the welfare state is one of Britain's proudest achievements. Under 30% of those born after 1979 agree.

FALLING UK DEPENDENCY RATIOS BOOST NEED FOR RETIREMENT SOLUTIONS.



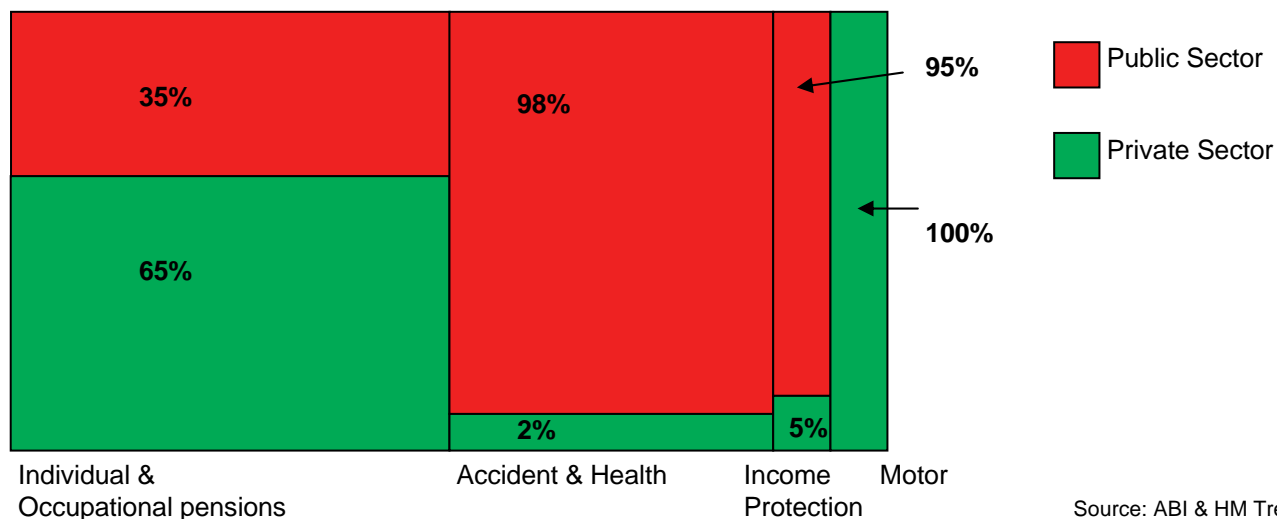
Dependency Ratio	1950	2030 (Est)
Japan	12.2	1.8
Germany	7.1	2.1
Italy	8.0	2.3
France	5.8	2.4
UK	5.9	2.9
US	8.1	3.0

Sources: ONS, United Nations Population Division.

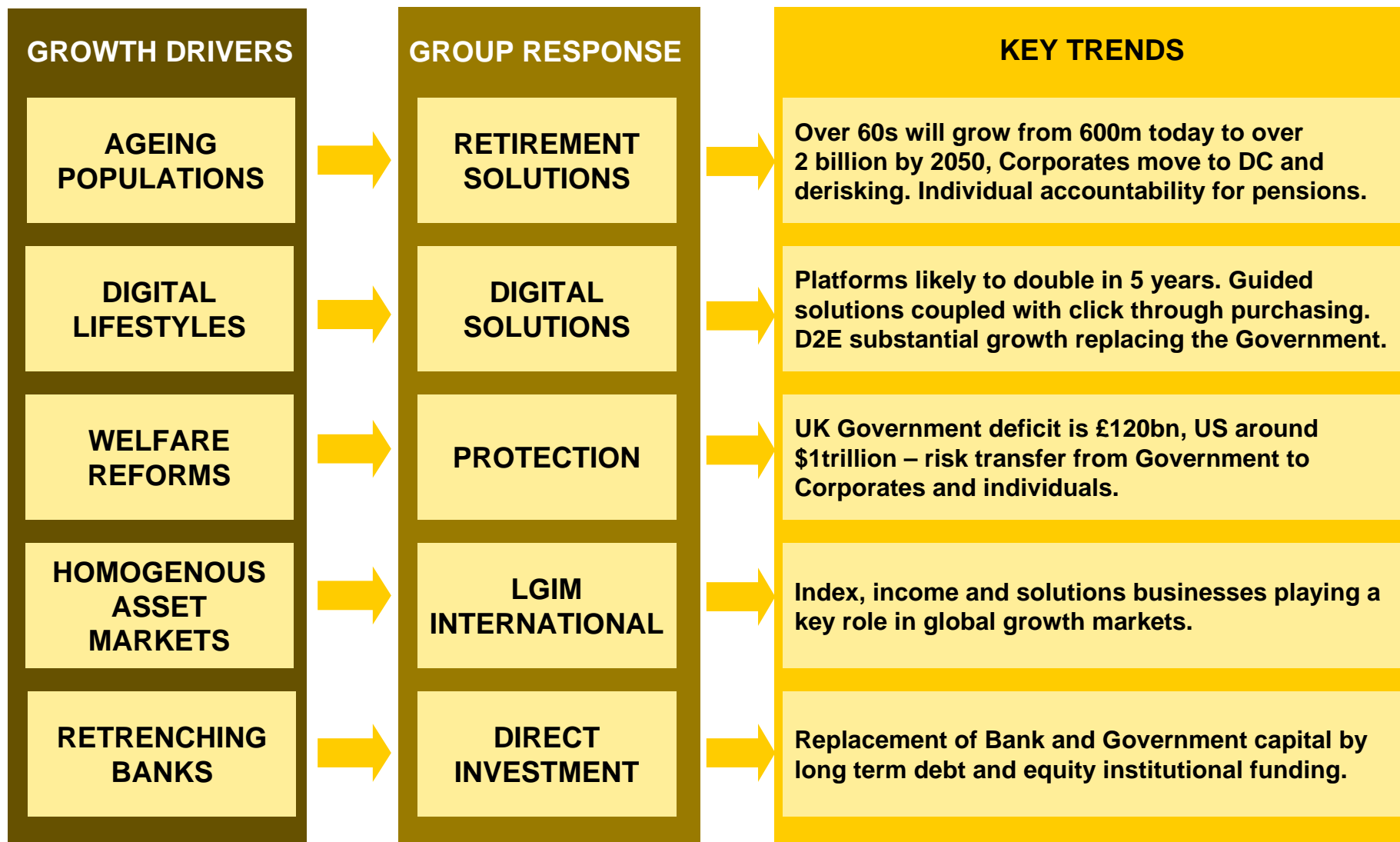
RISK SHARING: TIME FOR 'BEVERIDGE 2.0'.

1942: 5 Giants – “Want, Disease, Ignorance, Squalor, Idleness”
“must be achieved by co-operation between the state and the individual”
Compulsion via National Insurance and Contributory benefits, but....
“should not stifle incentive, opportunity, responsibility, leaving room and encouragement for voluntary action by each individual to provide more than the national minimum.”

2013: State pension plus auto-enrolment in Defined Contribution
Unemployment benefits plus Income Protection
Disability Benefits/Statutory Sick Pay plus Group Protection



5 MACRO TRENDS – 5 WINNING STRATEGIES. MACRO DRIVERS OF LEGAL & GENERAL'S GROWTH.

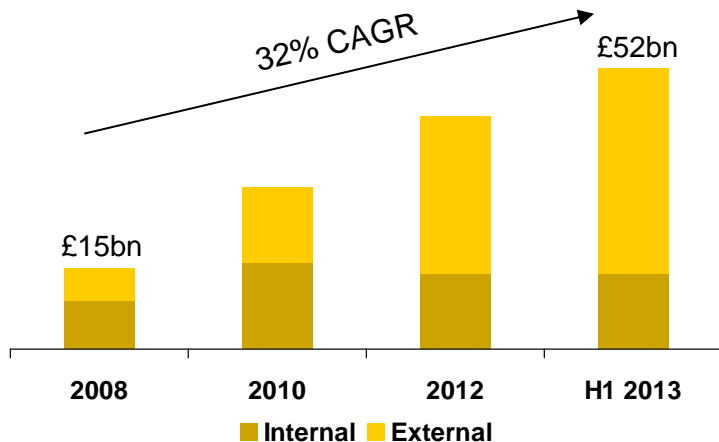


STRATEGIC AND FINANCIAL EVOLUTION.

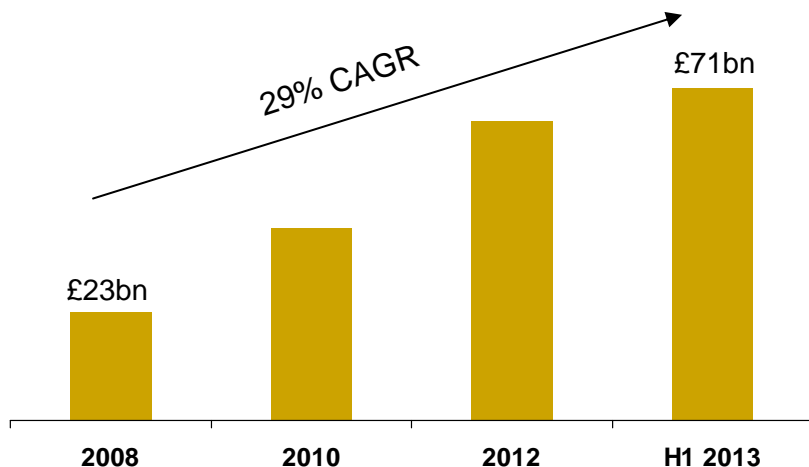
	2009 and Ongoing	2012	2013 and beyond
	CASH: CERTAINTY AND SUSTAINABILITY	CASH PLUS ORGANIC GROWTH	CASH PLUS ORGANIC GROWTH PLUS SELECTIVE ACQUISITIONS
STRATEGIC PROGRESS	<ul style="list-style-type: none"> Industrialised and automated processes Cost of new business reduced Capital efficiency increased 	<ul style="list-style-type: none"> Identification of five key macro drivers of growth Banks and governments excessive leverage create “white spaces” to expand into No burning platforms 	<ul style="list-style-type: none"> Accelerated growth in annuities, direct investment and LGIM Three selective acquisitions Measured international expansion Increased digital capacity
ORGANISATIONAL PROGRESS	<ul style="list-style-type: none"> One firm: shared culture, beliefs and values 	<ul style="list-style-type: none"> Expansion of key roles - Improving talent 	<ul style="list-style-type: none"> 5 major profit centres in our new operational structure. Becoming a destination for talent
OUTCOMES	<ul style="list-style-type: none"> Net cash: 2008: £320m 2012: £865m H1 2013: £500m up 23% Dividend: 2008: 4.06p 2012: 7.65p H1 2013: 2.40p up 22% 	<p>2012</p> <ul style="list-style-type: none"> UK Individual annuities up 26% UK Protection up 25% US Protection up 28% Direct investments £1.2bn Workplace net inflows £1.6bn <p>Return on Equity 15.4%</p>	<p>2013</p> <ul style="list-style-type: none"> LGIM International AUM: £52bn Largest UK longevity insurance deal £3.2bn UK Savings AUA £111bn including Cofunds acquisition UK Bulk Annuities at £670m plus Lucida acquisition CALA equity purchased with no goodwill <p>Return on Equity 16.8%</p>

LGIM INTERNATIONAL AND LDI EXPANSION.

INTERNATIONAL AUM



LDI AUM



International:

- **Europe:** Record sales in H1 with 9 new clients from the region. We plan to launch our first SICAV by the end of the year.
- **Gulf:** Strong inflows in the first half. We have a healthy pipeline for both Index and Property products.
- **Asia:** LGIM Hong Kong has received regulatory approval. Significant opportunities to sell Index and Fixed Income in the region.
- **US:** AUM increased to £22bn (FY £20bn) with momentum expected to continue with a strong pipeline in H2.

UK:

- Strong flows of £4bn into our market leading LDI strategies.
- We rolled out, on a targeted basis, our digital solution to help smaller DB clients de-risk, ahead of its official launch later in the year.
- We continue to expand our growing range of multi-asset products to provide innovative solutions for our DB and DC clients.

PROVIDING UK RETIREMENT SOLUTIONS.

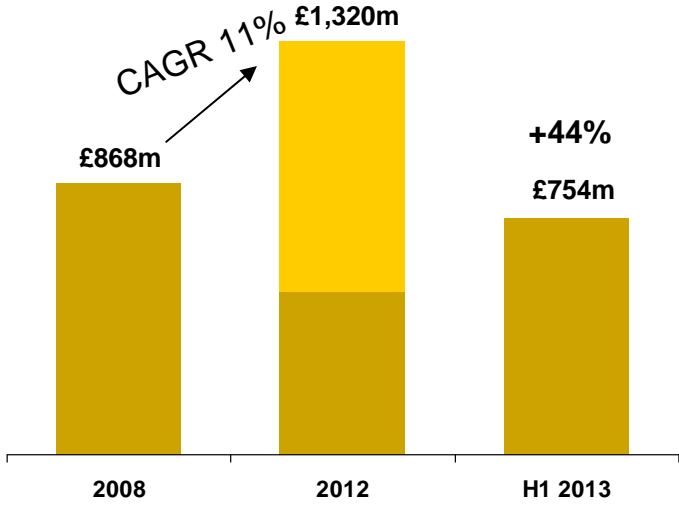


- UK net inflows were driven by strong flows of £4bn into our market leading LDI strategies
- We rolled out, on a targeted basis, our digital solution to help smaller DB clients de-risk, ahead of its official launch later in the year
- We continue to expand our growing range of multi-asset products to provide innovative solutions for our DB and DC clients
- LGP awarded two property mandates by NEST
- We are repositioning our Active Equity strategy away from “index plus” objectives towards funds designed for DC and other target markets

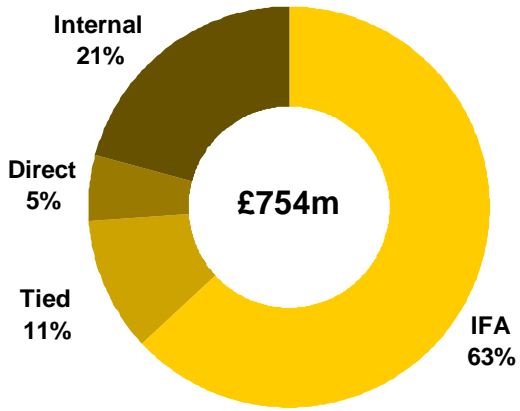
ANNUITIES: RESPONDING TO DEMAND.

FINANCIAL HIGHLIGHTS £m	H1 2013	H1 2012
Operational cash generation	130	121
New business surplus	17	1
Net cash generation	147	122
Operating profit	151	139
Individual Annuities single premiums	754	522
Bulk Annuities single premiums	670	67
Total Annuities premiums	1,424	589
Annuities EEV margin (%)	8.4	8.5

INDIVIDUAL ANNUITIES GROWTH



2013: INDIVIDUAL ANNUITIES - EXTERNAL = 79%



ANNUITIES: STRONG GROWTH POTENTIAL.

MARKET DEMAND

Corporates looking to de-risk DB pension schemes

L&G offer LDI, bulk purchase annuities and longevity insurance

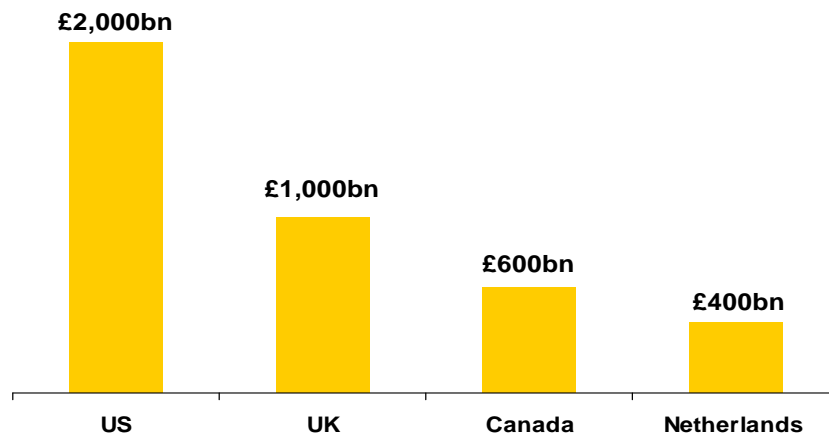
Ability to export UK expertise internationally

Over 65 UK population expected to grow by 28% by 2025

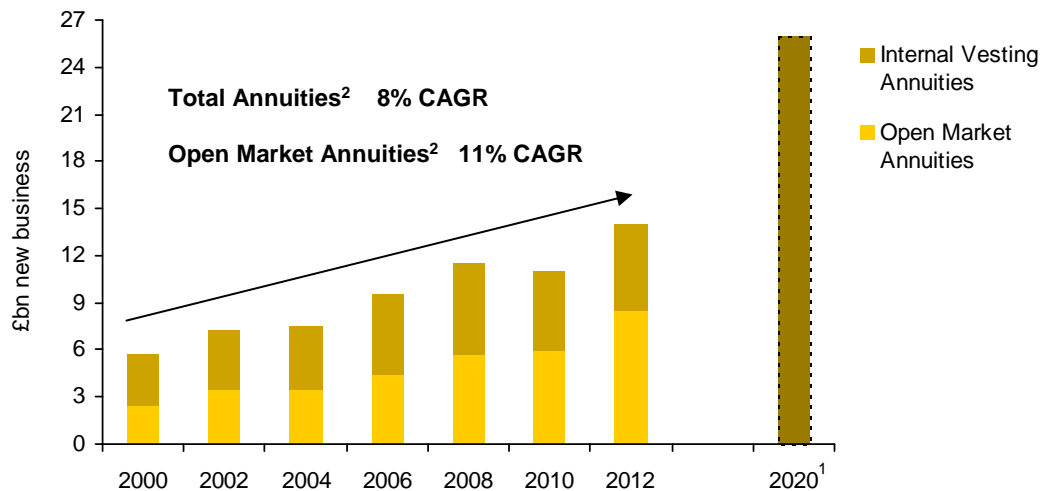
Growth of defined contribution schemes and assets

Trend towards more shopping around

DEFINED BENEFIT PENSION LIABILITIES¹



UK MARKET INDIVIDUAL ANNUITY VOLUMES



1. Source: company estimates 2. Source: ABI

DIRECT INVESTMENTS.



- Purchased alongside private equity £210m



- £116m accommodation project in Clapham for Imperial College



- Sentinel Housing, private placement (registered social housing provider in Hampshire)



- University of Hertfordshire student accommodation project
- £145m infrastructure debt and equity investment for a 50 year concession period



- Unite Group
- £121m, 10-year facility



The Hyde Group
Making a lasting difference

- Hyde Housing Group
- £102m, 15-year facility



- National Football Centre, St George's Park at Burton-on-Trent

**Banking austerity has expanded opportunity
Ready to play a bigger role in funding economic and social development**

INFRASTRUCTURE INVESTMENT.



- Tesco distribution hub at Reading



- Solaris direct debt investment
- Financing of 4 operational UK ground mounted solar parks



- Road, Rail and Airports
- No recent investment



- Education
- Accommodation only



- Health
- No recent investment



- Energy
- No recent sizeable investment

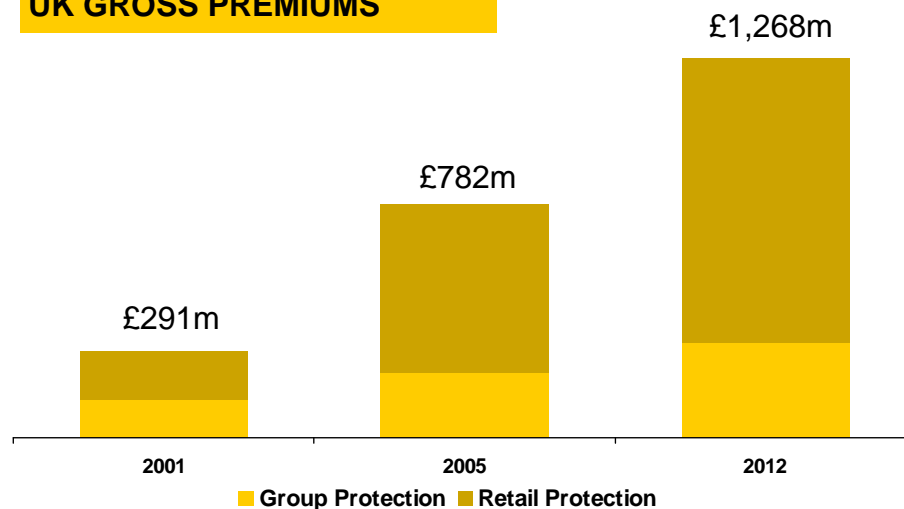
The supply and quality of infrastructure projects is too low.

FURTHER UPSIDE FROM EXECUTING WELL IN BUSINESSES WE'RE NOT BIG IN: BUT CAN BE.

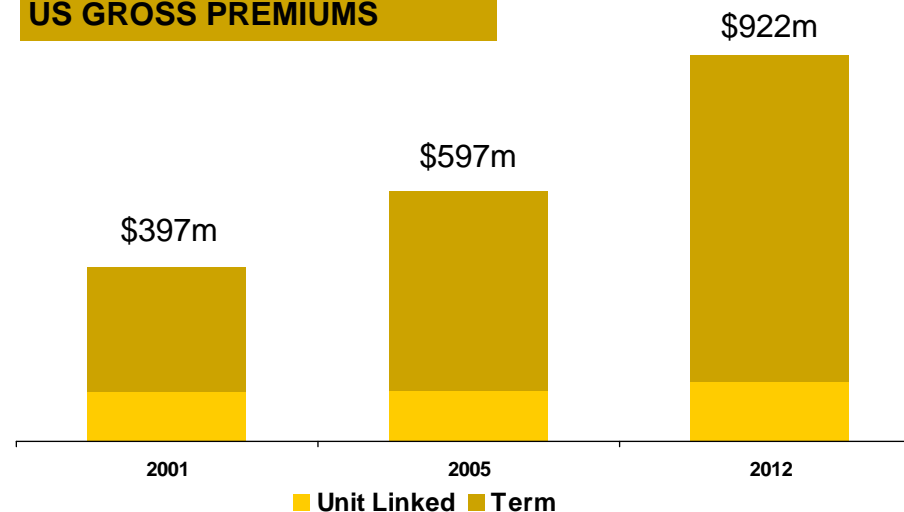
BUSINESS AREA	LOGIC	ACTION	PROGRESS
International Index Funds	<ul style="list-style-type: none"> • Global homogenous customer market • Regulatory approval received from US in 2012, Asia in 2013 	<ul style="list-style-type: none"> • Launch in US in 2013 • Asia in 2013 • Accelerate growth in the Gulf and Asia 	<ul style="list-style-type: none"> • £9.3bn of gross International inflows, mainly in index.
Digital platforms	<ul style="list-style-type: none"> • Platform growth level to be substantial • UK £214bn in 2012, £500bn in 5 years 	<ul style="list-style-type: none"> • Bolt-on acquisitions 	<ul style="list-style-type: none"> • Acquisition of Cofunds
Enhanced annuities	<ul style="list-style-type: none"> • High customer demand • Closeness to our existing products 	<ul style="list-style-type: none"> • Investing in new system for 2013 	<ul style="list-style-type: none"> • Premiums up to £123m from £57m
Digital Guided Solution	<ul style="list-style-type: none"> • Auto enrolment • Part of digital platform offering 	<ul style="list-style-type: none"> • Make loss making IPS and Workplace platforms breakeven then profitable 	<ul style="list-style-type: none"> • Workplace sales up around 100%
Private Wealth (including potential new products)	<ul style="list-style-type: none"> • Strong customer pull for our capability • Part of our digital platform offering • New products, such as ETFs, would be close to our existing products 	<ul style="list-style-type: none"> • Expansion in 2013 	
Defined Contribution Pensions, Unit Trust and Retail	<ul style="list-style-type: none"> • Underperformance • Strong customer pull for our capability 	<ul style="list-style-type: none"> • Transfer of Unit trust from Savings to LGIM –focus on DC in 2013 increased 	
Equity release	<ul style="list-style-type: none"> • Huge market 	<ul style="list-style-type: none"> • In “regulatory research lab” 	

PROTECTION MARKET LEADERSHIP. WELL PLACED IN RISK SHARING.

UK GROSS PREMIUMS



US GROSS PREMIUMS



STRATEGIC SUMMARY

- UK: Increased digital engagement, expand link with housing
- Europe: Expand footprint building both Retail Protection and Group Protection
- US: Expand distribution network and evaluate new product opportunities
- Evaluate new geographies such as Australia and Canada
- Bolt-on acquisitions

CONCLUSIONS.

- 1. Five major macro trends underpin delivery of five winning strategies.**
- 2. We can reduce costs, we can employ capital more efficiently – technology, talent and regulatory certainty will drive change.**
- 3. Accelerating the “path to profitability” in our new business model means focusing on cost effective socially and economically useful products and services for our customers.**
- 4. Risk: learning lessons from the past, anticipating and adapting for the future.**

FORWARD LOOKING STATEMENTS.

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