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Half-Year Results 2011  
3<sup>rd</sup> August 2011



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## FORWARD LOOKING STATEMENTS.

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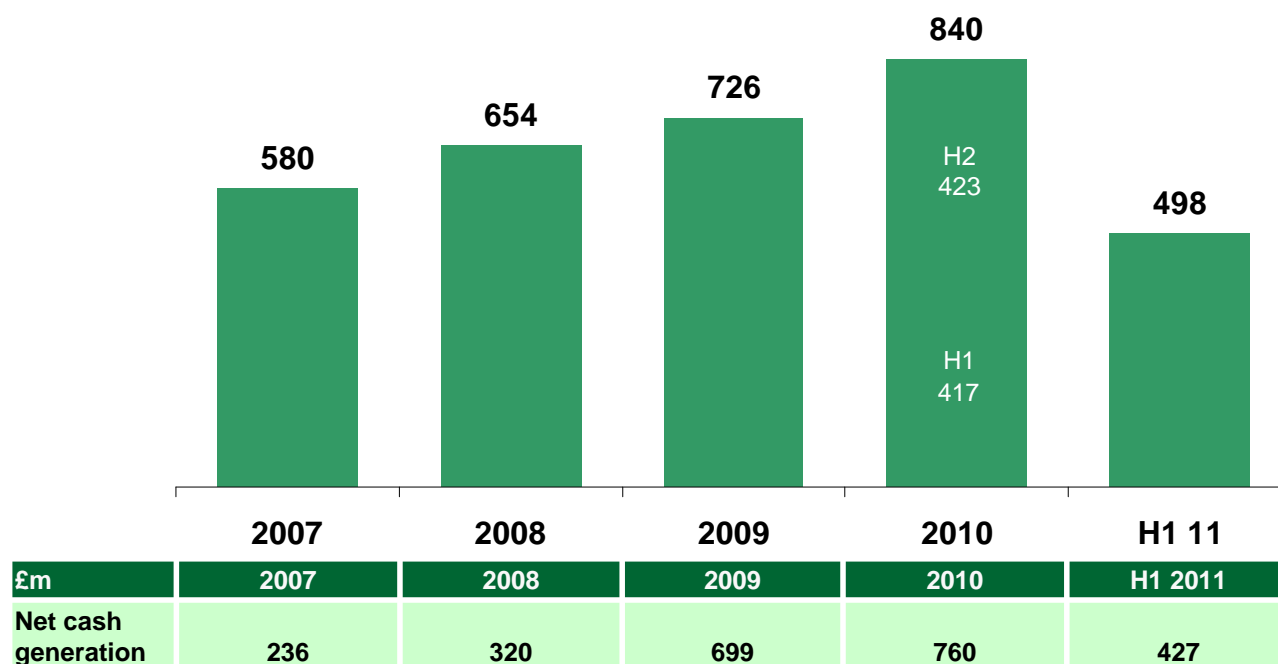
## H1 2011: Delivering on our strategy A strong track record of performance.

Financial highlights (£m)	H1 2011	H1 2010	H1 2009
Operational cash generation	498	417	333
Net cash generation	427	373	302
Worldwide new business	920	881	746
IFRS operating profit	523	542	404
IFRS profit before tax	473	537	(143)
EEV operating profit	662	589	656
EEV per share	139	119	95
IGD Surplus <sup>1</sup> (£bn)	4.0	3.3	1.9
Interim dividend (p)	1.66	1.33	1.11

(1) Estimated

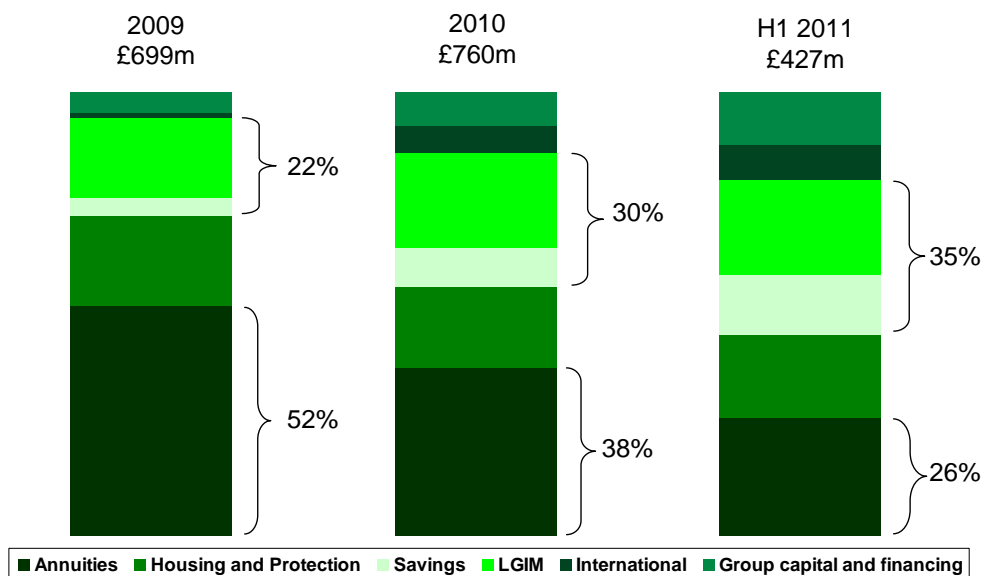
## CASH: Consistent growth in operational and net cash generation.

Operational cash generation 2007 – 2011 (£m)



## Material progress in diversification of net cash generation.

Source of net cash generation 2009-2011



## Continued strong profitability and returns.

Summary IFRS income statement (£m)	H1 2011	H1 2010
Risk	236	310
Savings	68	54
Investment management	117	98
International	66	61
Group capital and financing	61	33
Investment projects	(25)	(14)
<b>Operating profit</b>	<b>523</b>	<b>542</b>
Variation from longer term investment return	(49)	(4)
Property losses attributable to non-controlling interests	(1)	(1)
<b>Profit from ordinary activities before tax</b>	<b>473</b>	<b>537</b>
Tax	(115)	(136)
<b>Profit from ordinary activities after tax</b>	<b>358</b>	<b>401</b>
IFRS shareholders equity	4,987	4,467
Annualised return on equity (%)	14.6	18.6
Operating earnings per share (p)	6.69	6.73
<b>Interim dividend per share (p)</b>	<b>1.66</b>	<b>1.33</b>

## Sales: Solid H1 performance, confident about H2.

New business sales (£m)	H1 2011	H1 2010
Protection APE	94	85
Annuities APE	76	106
Savings APE	662	609
International APE	88	81
<b>Worldwide new business APE</b>	<b>920</b>	<b>881</b>
LGIM gross new business (£bn)	17.9	21.2
LGIM net asset flows (£bn)	3.0	8.3
Savings net asset flows (£bn)	1.1	1.5
<b>Total net asset flows (£bn)</b>	<b>4.1</b>	<b>9.8</b>

## Investment management: Another record six months for LGIM. Operating profit of £117m.

Financial highlights (£m)	H1 2011	H1 2010
<b>Investment management IFRS operating profit</b>	<b>117</b>	<b>98</b>
<b>Net cash generation</b>	<b>91</b>	<b>70</b>
<b>LGIM highlights</b>		
Total revenue	205	182
Total costs	(88)	(84)
<b>IFRS operating profit</b>	<b>117</b>	<b>98</b>
Average ad valorem fee margin (bps)	10.9	10.6
Average expense margin (bps)	5.2	5.5
Gross new fund management mandates (£bn)	17.9	21.2
Closing funds under management (£bn) <sup>1</sup>	362	320

(1) Includes annuities and some savings assets

Investment management: LDI and international from £39bn to £62bn in 18 months.

Assets under management (£bn)	H1 2011	FY 2010
Opening assets under management	353.5	315.1
of which international	14.6	8.9
of which LDI	40.8	29.9
UK gross new business	14.7	26.5
of which LDI new business	2.7	4.9
International gross new business	3.2	6.1
Gross outflows	(14.9)	(26.0)
Net new business	3.0	6.6
Market and other movements	5.9	31.8
Closing assets under management	362.4	353.5
of which international	17.3	14.6
of which LDI	44.9	40.8

Savings: Another record six months for sales, assets, profits and cash.

Financial highlights (£m)	H1 2011	H1 2010
Operational cash generation	89	72
New business strain	(31)	(34)
<b>Net cash generation</b>	<b>58</b>	<b>38</b>
Experience variance, assumption changes, tax and other variances	10	16
<b>IFRS operating profit</b>	<b>68</b>	<b>54</b>
Savings new business APE	662	609
Assets under administration (£bn)	66	56
Net new funds (£bn)	1.1	1.5
Non profit new business strain / PVNBP (%)	2.6	3.1

## Savings: All business units generating cash and profits.

Financial highlights (£m)	Savings Investments		With-profits		Insured Savings	
	H1 2011	H1 2010	H1 2011	H1 2010	H1 2011	H1 2010
Operational cash generation	12	13	26	23	51	36
New business strain					(31)	(34)
<b>Net cash generation</b>	<b>12</b>	<b>13</b>	<b>26</b>	<b>23</b>	<b>20</b>	<b>2</b>
Assumption changes, experience and other variances	(4)	(4)	-	-	(4)	4
Tax gross up	5	5	9	9	4	2
<b>IFRS operating profit</b>	<b>13</b>	<b>14</b>	<b>35</b>	<b>32</b>	<b>20</b>	<b>8</b>

Savings Investments includes unit trusts, ISAs, structured products, platform business and uninsured SIPPs

With-profits includes all business written within the with-profits fund

Insured Savings includes all non profit bond business and non profit pension business

## Risk: Another good six months. Healthy cash generation and profit contribution.

Financial Highlights (£m)	H1 2011	H1 2010
Operational cash generation	233	212
New business strain	(40)	(10)
<b>Net cash generation</b>	<b>193</b>	<b>202</b>
Experience variance, assumption changes, tax and other variances	43	108
<b>IFRS operating profit</b>	<b>236</b>	<b>310</b>
Investment variances	15	112
<b>Profit before tax</b>	<b>251</b>	<b>422</b>

Risk: Good growth in operational cash generation, masked by one off movements.

Movement in operating profit (£m)	H1 2011
<b>Risk H1 2010 operating profit</b>	<b>310</b>
Increase in operational cash generation	21
Lower expense assumptions	18
Reduction in positive annuity new business strain	(34)
Group protection negative mortality experience	(27)
2010 inflation modelling not repeated in 2011	(72)
Other changes	20
<b>Risk H1 2011 operating profit</b>	<b>236</b>

Risk: operational cash growth in all areas.

Financial highlights (£m)	Annuities		Protection		GI and other	
	H1 2011	H1 2010	H1 2011	H1 2010	H1 2011	H1 2010
Operational cash generation	112	106	109	96	12	10
New business strain	1	35	(41)	(45)	-	-
<b>Net cash generation</b>	<b>113</b>	<b>141</b>	<b>68</b>	<b>51</b>	<b>12</b>	<b>10</b>
Assumption changes, experience and other variances	(7)	(3)	(13)	24	-	1
Tax gross up	39	56	20	29	4	1
<b>IFRS operating profit</b>	<b>145</b>	<b>194</b>	<b>75</b>	<b>104</b>	<b>16</b>	<b>12</b>

International: Strong performance from the US, continuing to invest in emerging markets.

Financial highlights (£m)	H1 2011	H1 2010
IFRS operating profit		
USA	50	44
Europe (France and Netherlands)	18	21
Middle East and Asia (Egypt, the Gulf and India) <sup>1</sup>	(2)	(4)
<b>IFRS operating profit</b>	<b>66</b>	<b>61</b>
<b>New business APE</b>	<b>88</b>	<b>81</b>
USA	32	22
Europe (France and Netherlands)	48	46
Middle East and Asia (Egypt, the Gulf and India) <sup>1</sup>	8	13
<b>Net cash generation</b>	<b>35</b>	<b>33</b>

(1) Includes international divisional head office costs

Group capital and financing: Assets increased by over £1bn, profits up 85%.

Group capital and financing (£m)	Balance Sheet		Profit and Loss	
	H1 2011	H1 2010	H1 2011	H1 2010
Equities	989	820		
Property	131	140		
Bonds	1,868	1,198		
Derivative Assets	298	273		
Cash	1,083	821		
<b>Total</b>	<b>4,369</b>	<b>3,252</b>	<b>130</b>	<b>96</b>
Debt	2,742	2,565	(62)	(59)
Investment expense and unallocated corporate expenses			(7)	(4)
<b>IFRS operating Profit</b>			<b>61</b>	<b>33</b>

Additional £1.5bn (H1 10: £1.6bn) of other shareholder funds outside of Group capital and financing



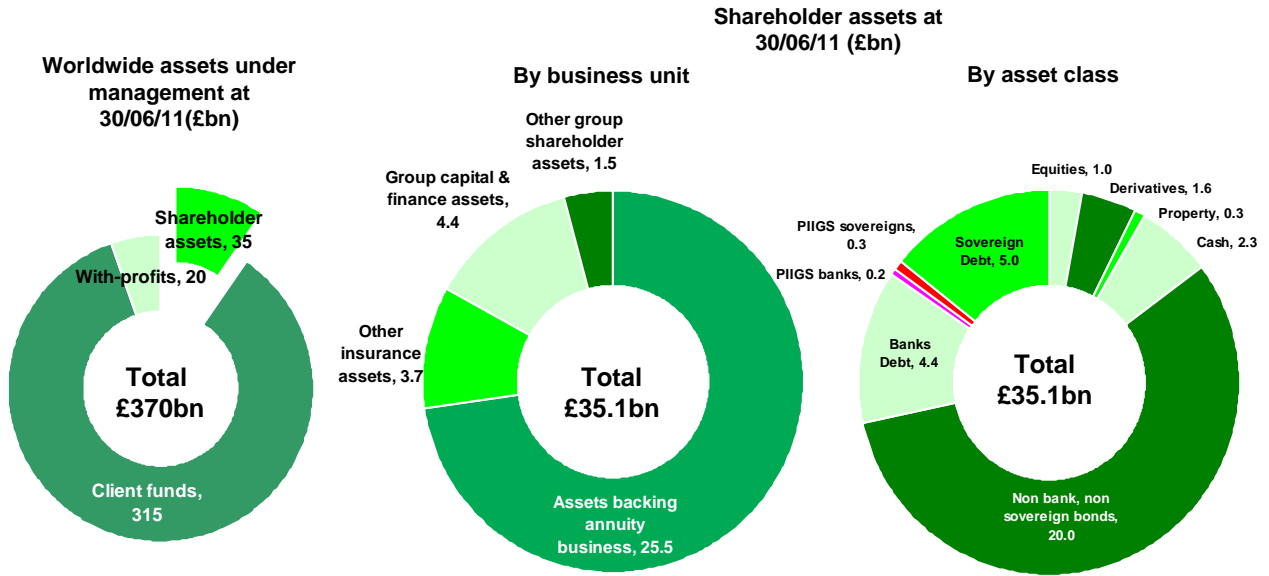
## H1 2010 Operational cash generation: Close and transparent link between cash and profit.

2010 Half-Year (£m)	Operational cash generation	New business strain	Net cash generation	International	Tax and other	IFRS profit before tax
Annuities	106	35	141			310
Housing and protection	106	(45)	61		108	
Savings	72	(34)	38		16	54
Investment management	70		70		28	98
International	33		33	7	21	61
Group capital and financing	30		30		3	33
Investment projects					(14)	(14)
<b>Total</b>	<b>417</b>	<b>(44)</b>	<b>373</b>	<b>7</b>	<b>162</b>	<b>542</b>

## H1 2011 Operational cash generation: Close and transparent link between cash and profit.

2011 Half-Year (£m)	Operational cash generation	New business strain	Net cash generation	International	Tax and other	IFRS profit before tax
Annuities	112	1	113			236
Housing and protection	121	(41)	80		43	
Savings	89	(31)	58		10	68
Investment management	91		91		26	117
International	35		35	9	22	66
Group capital and financing	50		50		11	61
Investment projects					(25)	(25)
<b>Total</b>	<b>498</b>	<b>(71)</b>	<b>427</b>	<b>9</b>	<b>87</b>	<b>523</b>

Assets: High quality with PIIGS sovereign debt and bank debt exposure only 1.4% of shareholder assets.



High degree of confidence over 2011 cash.

	Operational cash generation (£m)	New business strain (£m)	Net cash generation (£m)	Operational cash generation (£m)	New business strain (£m)	Net cash generation (£m)
Annuities	112	1	113	c. 220		
Protection	109	(41)	68	c. 230		
Insured savings	53	(31)	22	c. 100		
<b>In-force cash generation</b>	<b>274</b>	<b>(71)</b>	<b>203</b>	<b>c. 550</b>		
With-profits	26		26	c. 50		
Savings investments and other savings	10		10			
GI and other risk	12		12			
LGIM	91		91			
International dividends	35		35	c. 50		
Group capital and financing	100		50			
Cost of Debt	(50)					
<b>Total</b>	<b>498</b>	<b>(71)</b>	<b>427</b>			
Variations and other			(46)			
International (excl. dividends)			9			
Tax gross up			133			
<b>Operating profit</b>			<b>523</b>			

**UK UVIF: £8.7bn**

**HY 2011**      **FY 2011**

1. Undiscounted VIF

## Modelling IGD.

IGD Surplus (£m)	H1 2011	FY 2010
<b>At start of period</b>	<b>3,745</b>	3,148
Operational cash generation	498	840
New business strain	(71)	(80)
Dividends	(97)	(279)
Experience variances and assumption changes	27	138
Investment variance	(27)	46
(Increase) / decrease in operational regulatory capital requirement	(8)	(155)
Release of capital from US capital management programme	-	132
Other	(32)	(45)
<b>At end of period</b>	<b>4,035</b>	3,745

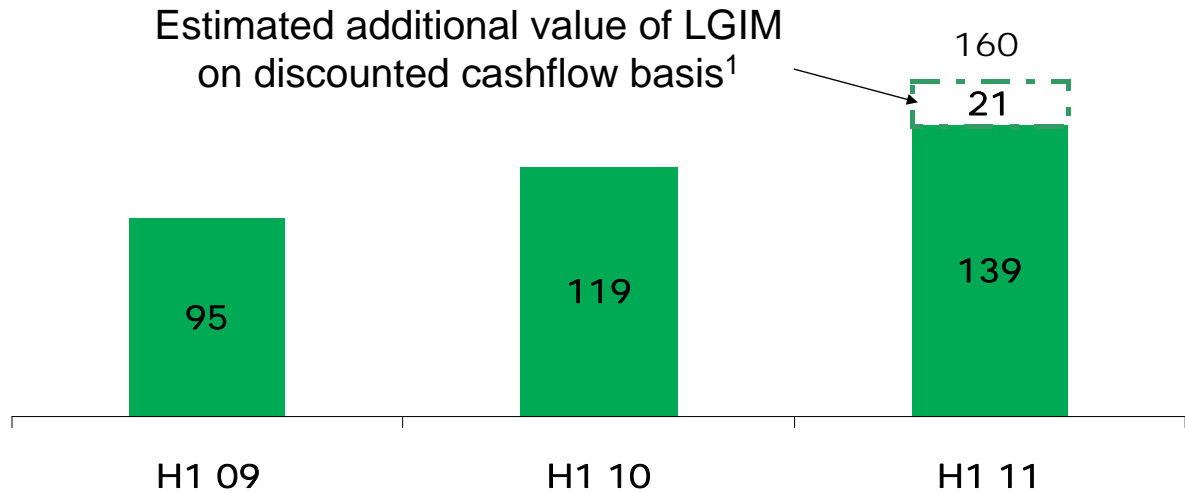
## Modelling VIF.

Reconciliation of UK long term Risk and Savings VIF £bn	Discounted <sup>1</sup>	Undiscounted
<b>Opening VIF at 1 January 2011</b>	<b>3.89</b>	<b>8.0</b>
Contribution from new business	0.16	0.3
Unwind of discount rate	0.15	n/a
Expected release from non profit and with-profits businesses	(0.30)	(0.3)
<b>Closing operational VIF at 30 June 2011</b>	<b>3.90</b>	<b>8.0</b>
Experience variances / assumption changes	0.06	0.2
Investment variance / economic assumption changes	(0.02)	0.2
Other <sup>2</sup>	0.14	0.3
<b>Closing VIF at 30 June 2011</b>	<b>4.08</b>	<b>8.7</b>

1. After cost of capital

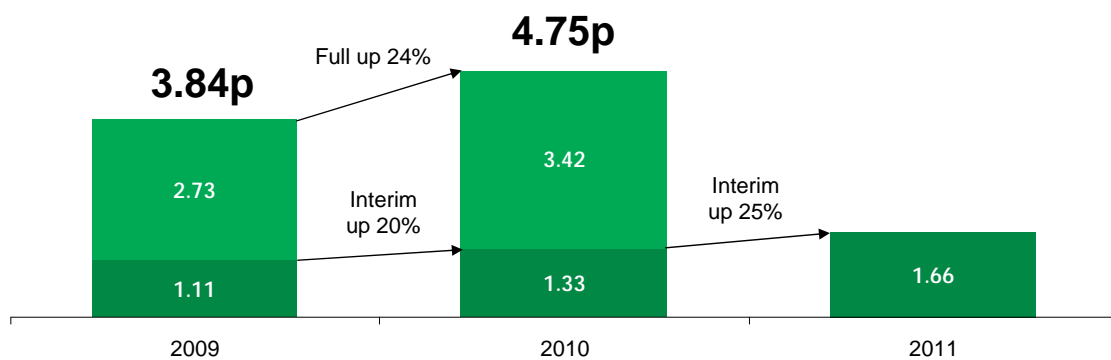
2. Includes the effect of UK budget changes of £0.15bn (discounted) and £0.3bn (undiscounted)

## EEV per share increased to 139p.



1. Management estimates, assuming stable margins and 10% outflows per annum

## Interim dividend up 25%.



£m	2009	2010	2011
Cash cover (x)	3.1	2.6	
Earnings cover (x)	3.9	3.0	

Cash cover to move towards two times over the medium term and potential to fall further thereafter as risks recede

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## Positive outlook for L&G.

### **Difficult macro-economic environment**

- Low growth
- Economic and market risks remain high

### **Attractive trends in the UK**

- Demographic shifts favour our model
- Pension fund de-risking driving demand in LGIM and BPA
- Government agenda plays to L&G's strengths

### **Significant and prolonged regulatory change**

- L&G distribution model well positioned for RDR
- Direction of Solvency 2 remains broadly positive
- Uncertainty and delay is unhelpful and expensive

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Business growth and opportunities.

Cash and dividend growth.

Strong balance sheet.