



BUILDING A DIVERSIFIED FINANCIAL SERVICES BUSINESS THAT CREATES SHAREHOLDER VALUE IN A FAT TAIL WORLD.

**LEGAL & GENERAL:
A COMPELLING EQUITY STORY.**



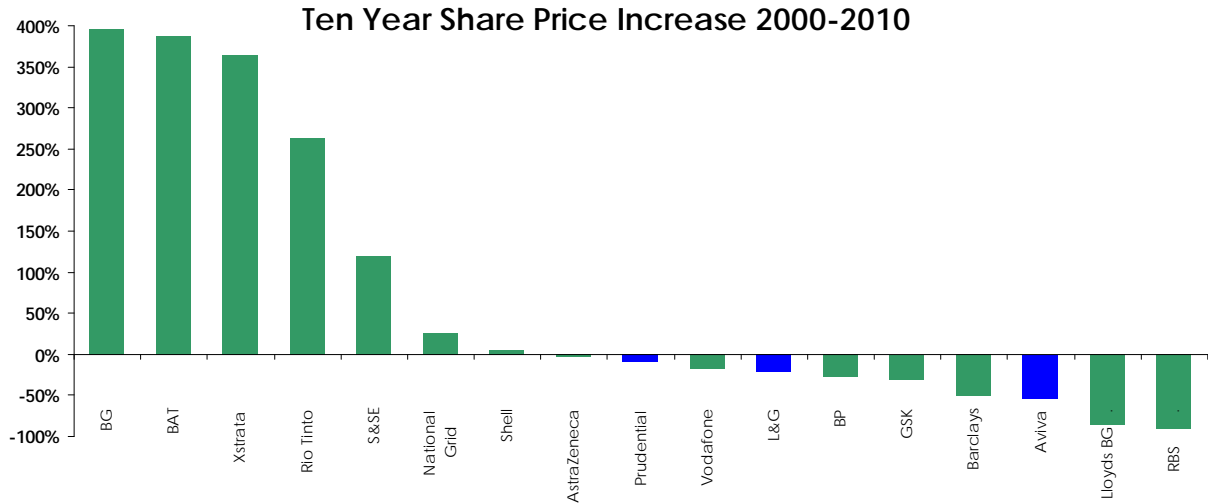
Goldman Sachs Conference, Paris
8 June 2011.

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Legal & General: A compelling equity story.

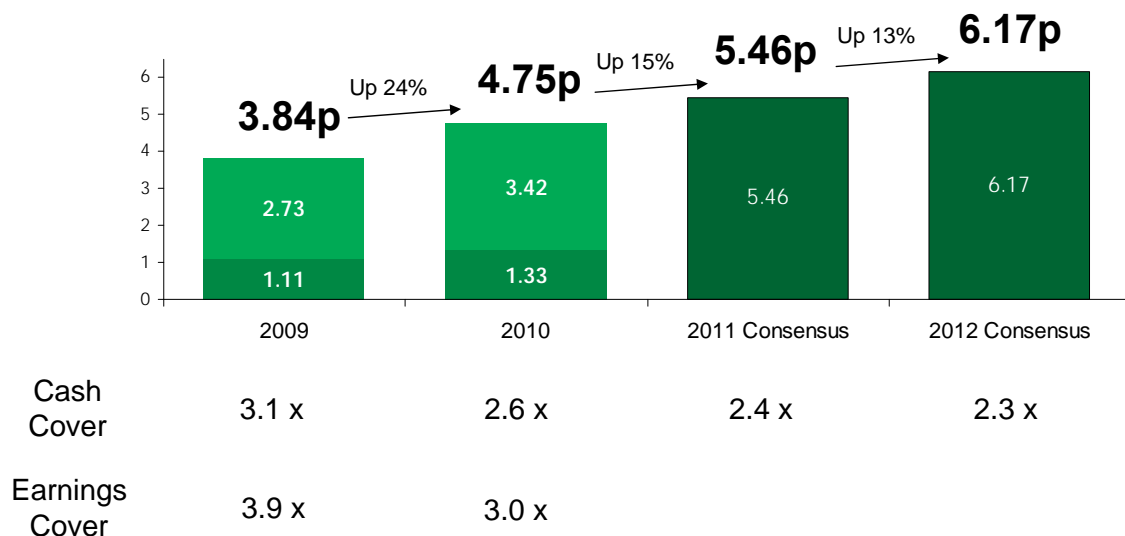
- 1. Sustainable, predictable and growing cashflow coupled with dividend cover unwind should result in superior dividend growth.**
- 2. Large and growing market shares in attractive markets.**
- 3. Undemanding valuation on both free cash flow yield basis and LGIM, Savings & GI adjusted EEV basis**
 - Agencies concerned about fat tail risks
 - Sustainability of cashflow questioned
- 4. Strong balance sheet with successful measurement and management of risks in delivering cashflow:**
 - Market risk on the asset side
 - Actuarial risk on the liability side

10 Year Shareholder Value Creation.....difficult in many sectors including insurance.



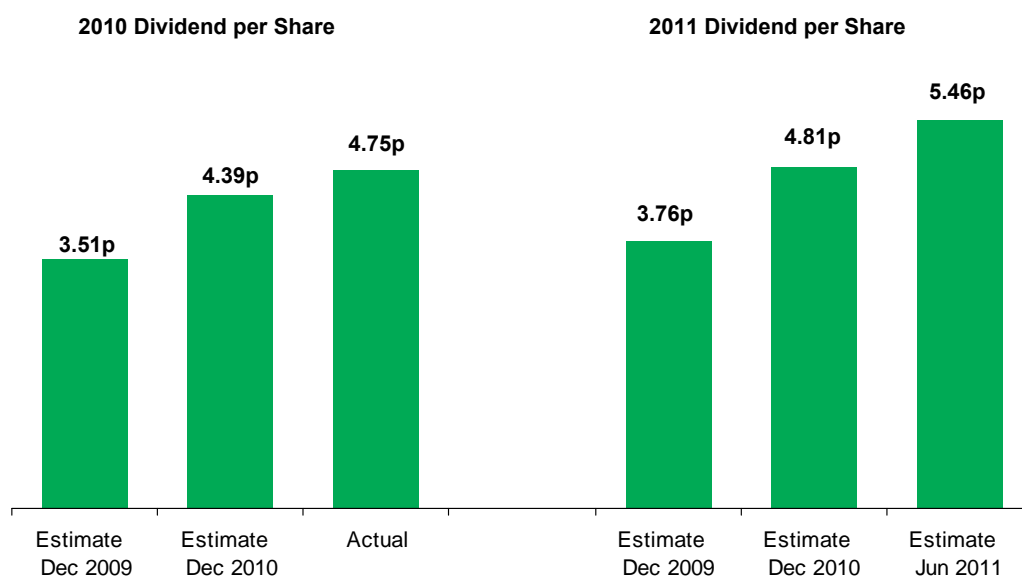
Source: Bloomberg, BoAML

DIVIDEND PER SHARE: Increased by 24% in 2010.



Cash cover to move towards two times over the medium term, with the potential for further reductions

THERE HAS BEEN CONSISTENT UPWARD REVISION OF ANALYSTS ESTIMATES FOR DIVIDENDS.



A WIDE RANGE OF MARKET EXPECTATION WITH NO PREDICTION OF 2X DIVIDEND COVER IN 2012 FORECASTS.

	2012 DPS (p)	2012 Dividend Cover (x)	Dividend CAGR (%)
Nomura	7.20	2.2	23
HSBC	6.28	2.5	15
JP Morgan	6.29	2.4	15
Citi	5.49	2.6	8
Credit Suisse	6.01	2.3	12
Deutsche	6.30	2.2	15
Berenberg	6.28	2.2	15
Jefferies	6.28	2.1	15
KBW	6.00	2.2	12
Morgan Stanley	6.28	2.1	15
BoAML	5.75	2.2	10
Autonomous	6.00	2.3	12
Consensus	6.15	2.3	13
Range	5.49 – 7.20	2.1 – 2.6	8 - 23

MARKET LEADING BUSINESSES.

RISK BUSINESS

2010: IFRS Profits: £560m

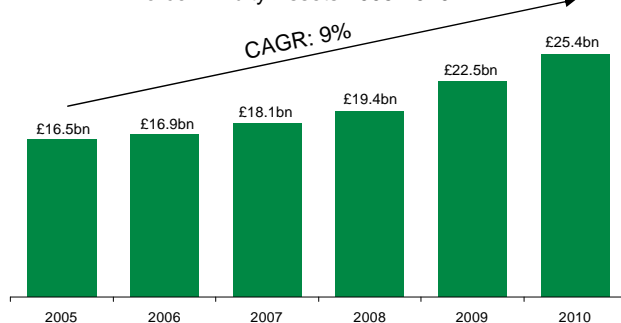
Cash: £429m

ANNUITIES

2010: Operational Cash: £229m
Net Cash: £289m

High scale spread business. #1 in the UK. Experts in annuities. Strong growth prospects

In-force Annuity Assets 2005-2010

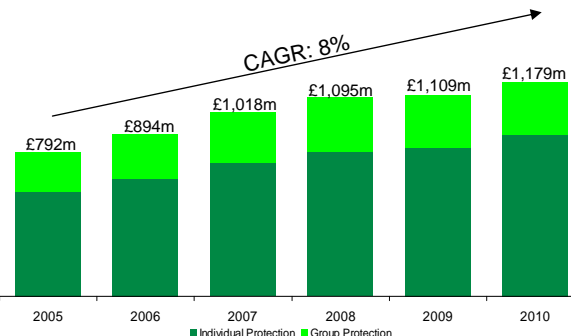


HOUSING & PROTECTION

2010: Operational Cash: £210m
Net Cash: £140m

High scale insurance business. Leading distribution franchise. 15-20% market share. #1 in the UK

In-force Protection Premiums 2005-2010

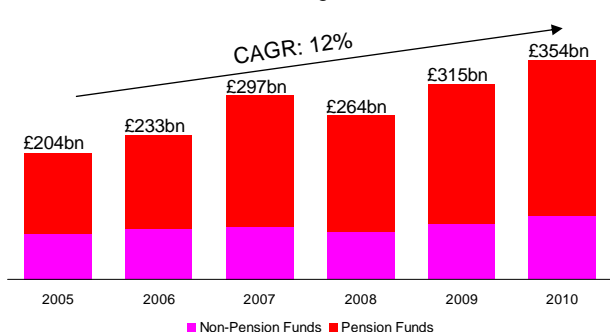


INVESTMENT MANAGEMENT

2010: IFRS Profits: £206m
Cash: £162m

Low cost asset manager, 15-20% share in the UK. Strong international growth potential

LGIM Assets Under Management 2005-2010

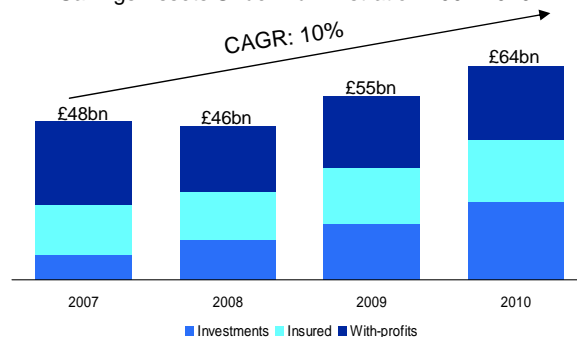


SAVINGS

2010: IFRS Profits: £115m
Cash: £68m

Transformation continuing. Sales up 43%, headcount down 20%. Attractive market prospects

Savings Assets Under Administration 2007-2010



INTERNATIONAL

2010: IFRS Profits: £102m Cash: £44m

Aim to be coherent, dividend paying and delivering acceptable returns

US	\$778m premiums, \$175m operating profit, \$53m cash	Europe	€709m premiums, €37m profits, €12m cash	Emerging Markets	£53m APE in India
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INVESTMENT MANAGEMENT: A record year for LGIM Operating Profit of £206m.

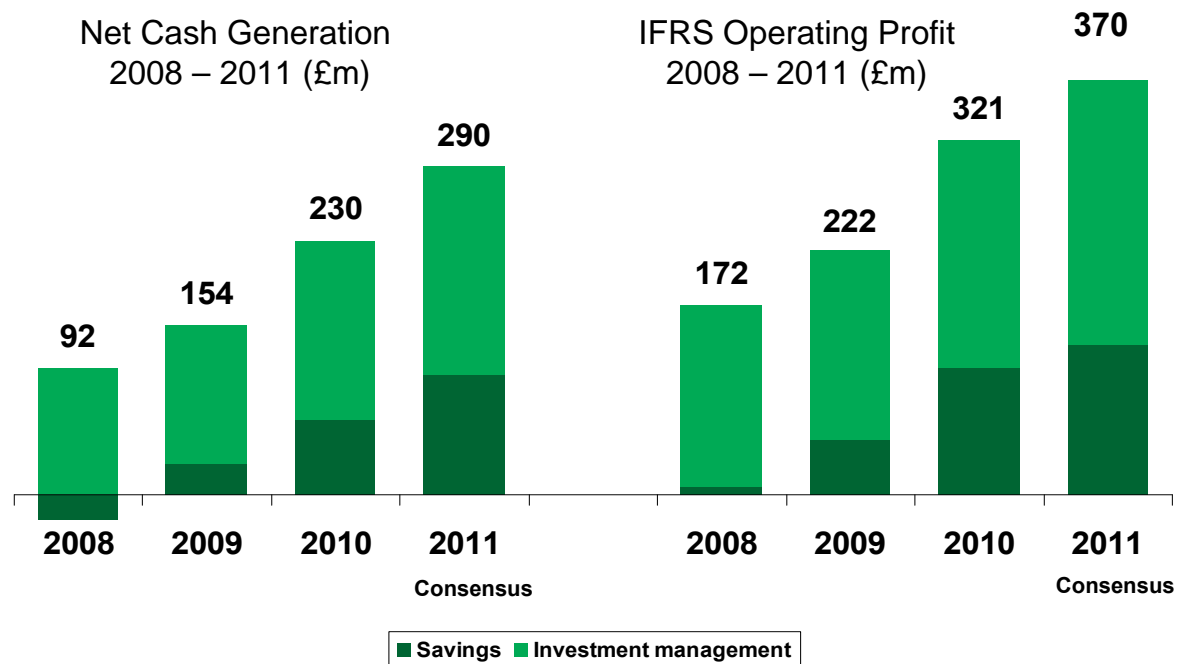
Financial highlights (£m)	2010	2009
Investment management IFRS Operating profit	206	172
Net cash generation	162	125
LGIM highlights		
Total revenue	378	316
Total costs	(172)	(144)
IFRS Operating profit	206	172
Average ad valorem fee margin (bps)	10.7	9.8
Average expense margin (bps)	5.5	5.2
Gross new fund management mandates (£bn)	33.1	31.5
Closing funds under management (£bn)	354	315

LGIM FUNDS: Diversified across passive and active asset classes.

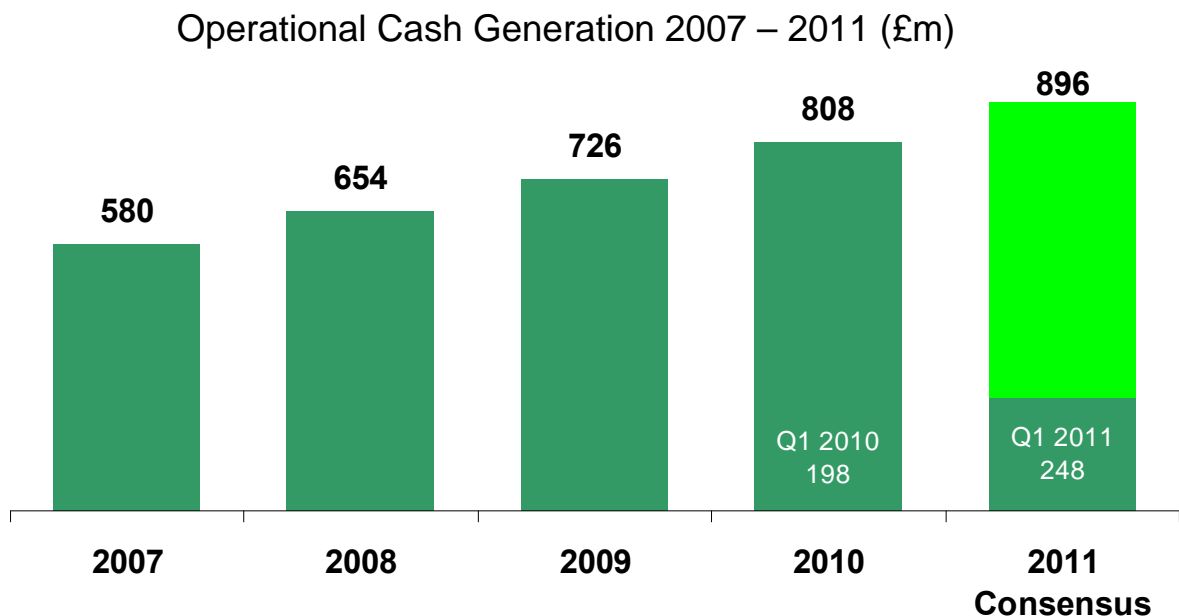
Funds under management (£bn)	31/12/10	31/12/09	% Change
Index			
UK Equities	72	69	4
International Equity	86	74	16
Fixed Interest (incl cash)	71	65	8
Total – Index	229	208	10
Active			
Equities	9	9	4
Fixed Interest	67	61	9
Structured solutions (incl LDI)	41	30	36
Property and Other	8	7	23
Total – Active	125	107	17
Total	354	315	12

Growth in index, international, fixed interest and LDI

SAVINGS AND LGIM: MASSIVE INCREASE IN PROFITS AND CASHFLOW.



CASH: consistent 12% per annum growth. Diversified and balanced sources of cash.



MODELLING THE BUSINESS.

	Operational cash generation (£m)			New business strain (£m)			Net cash generation (£m)		
Annuities	235	129	364	229	60	289			
Protection	203	(79)	124	216	(70)	146			
Insured Savings	58	(77)	(19)	77	(70)	7			
In-force cash generation	496		469	522		442			
With-profits	46		46	46		46			
Savings Investments and other savings	2		2	15		15			
GI and other risk	16		16	(6)		(6)			
LGIM	125		125	162		162			
International dividends	8		8	44		44			
Group capital and financing	33		33	25		25			
Total	726	(27)	699	808	(80)	728			
Variations and other			28			(10)			
International (excl. dividends)			78			33			
Tax gross up			304			251			
Operating profit			1,109			1,002			

UK UVIF*: £7.9bn (FY 2009)

UK UVIF*: £8.0bn (FY 2010)

*UVIF: Undiscounted Value of In-Force

HIGH DEGREE OF CONFIDENCE OVER 2011 CASH.

	Operational cash generation (£m)			New business strain (£m)			Net cash generation (£m)		
Annuities	229	60	289	c. 220					
Protection	216	(70)	146	c. 230					
Insured Savings	77	(70)	7	c. 100					
In-force cash generation	522		442	c. 550					
With-profits	46		46	c. 50					
Savings Investments and other savings	15		15	> 15					
GI and other risk	(6)		(6)	> 0					
LGIM	162		162	> 162					
International dividends	44		44	c. 50					
Group capital and financing	25		25	> 25					
Total	808	(80)	728						
Variations and other			(10)						
International (excl. dividends)			33						
Tax gross up			251						
Operating profit			1,002						

UK UVIF*: £8.0bn (FY 2010)

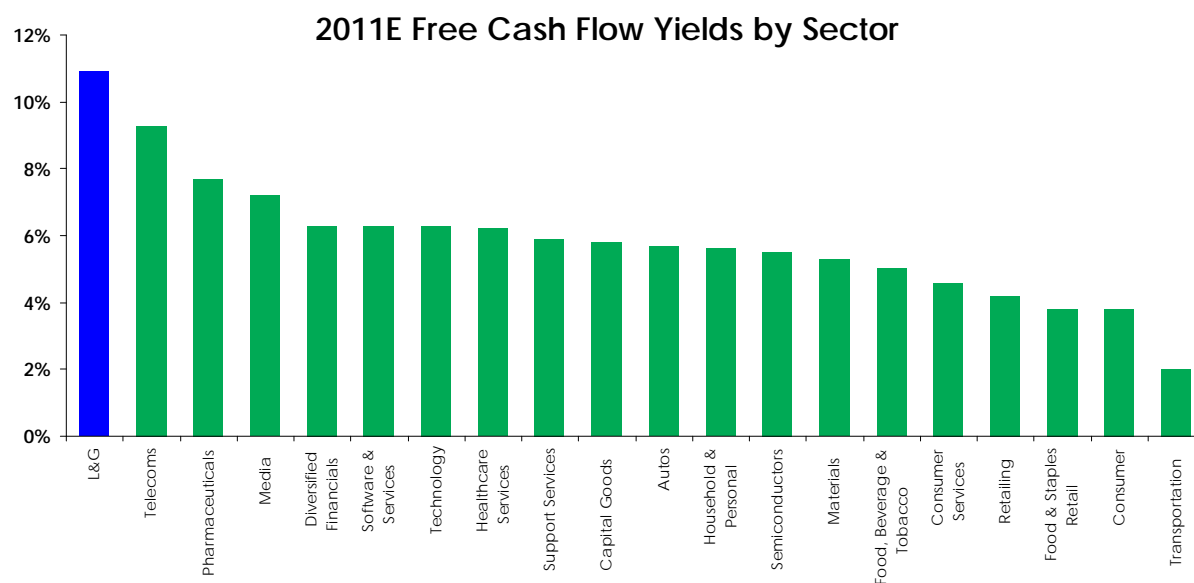
Q1 2011: 248, (36), 212

*UVIF: Undiscounted Value of In-Force

OPERATIONAL CASH GENERATION: Diversifying sources of cash generation.

Operational cash generation (£m)	2010	%	2009	%
UK long term Annuities	229	28	235	32
UK long term Protection	216	27	203	28
General insurance and other risk	(6)	(1)	16	2
UK long term insured Savings	77	10	58	8
UK long term with-profits Savings	46	6	46	6
Savings Investments	21	3	5	1
Other savings	(6)	(1)	(3)	-
Investment management (LGIM)	162	20	125	17
International	44	5	8	1
Group capital and financing	25	3	33	5
Total	808	100	726	100

Despite sustainable and divergent sources of cash, free cash flow yield remains high.



Source: Global BofAML estimates, 27/4/11. LGEN Share Price 113.0p (as at 6 Jun 2011)

Agencies have challenge in how to price and value fat tail risks

Source of risk Agency issues

Dividends	Perceived risk from reduction
Cashflow (PVIF)	Perceived insurance risk is higher than actuarial estimates (lapse, mortality, longevity etc) Perceived market risk reflects correlated fat tail risk of asset "blow outs" (credit, sovereign, equity, CDO)
Cost of capital	Agency costs of shareholder assets greater than £409m Risk of investing assets below assumed return
Regulation	Fat tail shock plus "excess capital" invested in low yielding assets
M&A	Industry seen to destroy shareholder value through acquisitions

ANALYSTS AND JOURNALIST COMMENTS ON FAT TAIL RISK 2009-2010.

"Pressure to raise capital from a rights issue is likely to intensify" 2009

"L&G share fell 10%....an concern about value of bond portfolio" 2009

"L&G is most exposed in terms of the risk(S2) it will need an uncertain quantity of new capital" 2010

"The turnaround strategy being fashioned around selling low margin savings products is risky" 2010

"Uncertainty surrounds L&G as Resolutions hovers" 2010

*"It's a black box industry that even the actuaries struggle to understand"
"looks fiendishly complicated"* 2009

None of these risks materialised

MARKET AND ASSET RISK MANAGEMENT.

Market risk

- Asset liability mismatch figures – liabilities 12 years, assets 11 years
- Risk tolerances set and monitored for inflation, FX and interest rate mismatches
- Spread of high quality banking counterparty exposures

Asset risk

- Detailed credit surveillance of asset portfolios
- Monitor asset quality of portfolios to keep within tolerance
- Substantial diversification by sector and territory and asset class – LGPL has c. 500 credits with average size c. £45m
- Increased exposure to high quality sovereign debt

Liquidity and Collateral risk

- Minimal liquidity risk due to illiquid liabilities
- Monitor and stress risks in portfolios
- Group syndication facility as back-up

INSURANCE RISK MANAGEMENT.

Mortality / longevity risk

- Large annuitant portfolio with sophisticated postcode modelling of risks including segmentation of enhanced / lifestyle CPA
- Large protection portfolio with volatility managed via event limits, reinsurance including cat risk
- GI tail risk managed via weather cat cover
- High quality reinsurance used to control exposure

Persistency risk

- High retention rates in LGIM
- Reduction in front loaded commission
- Careful broker selection, and commission linked to persistency

SHARE PRICE DRIVERS. FAT TAIL RISK

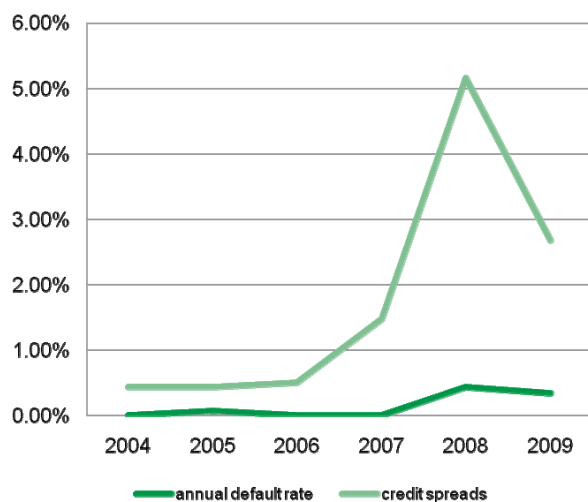
Lack of diversification of cash flow and “incorrect” prediction of high correlation between CDS, equity prices and defaults probably major causes of share price volatility and share price decrease

- Annuities contributed 52% of net cash in 2009
- Major concern was that future cash would be substantially reduced through credit default experience
- This proved not to be the case despite “high assumed correlation” between CDS, equity prices and expected defaults
- We now have a £1.5b credit default reserve against our annuity credit portfolio around £22b – approx 64bp per annum

INHERENT CREDIT RISK LOW.

- “Agency” pressure to increase provisioning led to over-reserving generally.
 - Volatility of insurers surplus increased perception of investment risk.
 - The benefits of L&G’s diversified credit portfolio (>500 credits) was not focussed on during the crisis.
 - L&G’s default experience has been insignificant versus provisioning levels.
- Market indicators can be more volatile than inherent risks, leading to negative perceptions .

Spreads versus default rates



Data :

1)Spreads : ML 5-10 years GBP corporate sector options adjusted spreads

2)Default rate : Moody's annual default rate for investment grade bonds

BALANCE SHEET – STRONG AND GETTING STRONGER.

IGD surplus £m	2010	2011
At 1 January	3,148	3,745
Operational cash generation	808	
New business strain	(80)	
Dividends	(279)	
Experience variances and assumption changes	138	
Investment variance	46	
Increase in operational solvency capital requirement	(155)	
Release of capital from US capital management programme	132	
Other	(13)	
At 31 December	3,745	

2010: Delivering our strategy Cash and Growth not mutually exclusive.

Financial highlights (£m)	2010	2009
Operational cash generation	808	726
Net cash generation	728	699
Worldwide new business (£bn)	1.8	1.4
IFRS Operating profit	1,002	1,109
IFRS profit before tax	1,092	1,074
EEV Operating profit	1,224	1,319
EEV profit before tax	1,677	552
EEV per share (p)	132	114
IGD Surplus ¹ (£bn)	3.7	3.1
Full year dividend (p)	4.75	3.84
Dividend cash cover (times)	2.6	3.1
Dividend EPS cover (times)	3.0	3.9

(1) Estimated

Why is the cashflow and VIF on such a low multiple?

- In 2010, EEV per share increased from 119p to 132p.....and is on track for a further increase in 2011
- Analysts 'agree' that LGIM, Savings Investments and GI are worth about £3bn
 - LGIM generated £206m of IFRS profits and £162m of cash and is expected to grow in 2011
 - Savings Investments and GI are expected to generate more profit and cash in 2011
- Shareholder Net Worth was £3.8bn at the end of 2010.....it will increase further due to capital return from the US and the retention of cash generation after the payment of dividends
- The present value of in-force business (PVIF) was £5.3bn at the end of 2010 or 91p per share
 - This yielded £606m of cash in 2010 and is projected to deliver at least £650m in 2011

Why does the market discount VIF so much?

		31/12/10		Market View		Operational Cash	
		EEV (£m)	Per Share (p)	Value (£m)	Per Share (p)	2010 (£m)	2011 (£m)
IFRS Business	LGIM	324	6	2,640	45	162	
	Savings Investments	142	2	300	5	15	
	General Insurance	120	2	250	4	(6)	
	Total	586	10	3,190	54	171	>175
Dis-counted VIF	UK	4,220	72			568	
	International	1,090	19			44	
	Total	5,310	91	1,642	28	612	>650
EEV SNW	UK	3,035	52	3,035	52	25	>25
	International	748	13	748	13		
	Cost of Capital	(409)	(7)	(409)	(7)		
	Total	3,374	58	3,783	58		
	Other	(1,540)	(26)	(1,540)	(26)		
Total	7,730	132	6,666	114	808		

Notes: VIF: Value of In Force, EEV SNW, European Embedded value Shareholder Net Worth. No of Shares: 5.8bn

Legal & General: A compelling equity story.

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FORWARD LOOKING STATEMENTS.

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