



**Creating shareholder value  
through increasing cash  
flow, dividends and growing  
our business**

**KBW Financials Conference  
14 September 2010**



# Market leading businesses, strong group synergies

## INVESTMENT MANAGEMENT

**H1 2010: IFRS Profits: £98m (+32%)**  
**Cash: £70m (+29%)**

| Activity               | Scale                          | Position |
|------------------------|--------------------------------|----------|
| Funds Under Management | £320bn assets under management | #2       |
| External Clients       | 79% of assets under management | #1       |
| UK Corp Pensions       | 3,200 clients                  | #1       |
| FTSE 100 Clients       | 55 out of 100 clients          | #1       |

## SAVINGS

**H1 2010: IFRS Profits: £54m (+217%)**  
**Cash: £38m (09: £(4m))**

| Activity             | Scale        | Position |
|----------------------|--------------|----------|
| UK Unit Trusts       | £15bn assets | #2       |
| UK SPPs              | £5bn assets  | #4       |
| UK With Profits      | £21bn assets | #2       |
| UK Unit Linked Bonds | £10bn assets | #5       |
| UK Pensions          | £6bn assets  | #7       |

## RISK

**H1 2010: IFRS Profits: £310m (+39%)**  
**Cash: £202m (-12%)**

| Activity             | Scale           | Position |
|----------------------|-----------------|----------|
| UK Annuities         | £24bn assets    | #1       |
| UK Protection        | £800m premiums  | #1       |
| UK Group Protection  | £300m premiums  | #3       |
| UK General Insurance | £250m premiums  | #7       |
| UK Housing           | £10bn mortgages | #1       |

## INTERNATIONAL

**H1 2010: IFRS Profits: £61m (-6%)**  
**Cash: £33m (09: £nil)**

| Country     | Scale                     | Position        |
|-------------|---------------------------|-----------------|
| USA         | \$400bn sum assured       | #8              |
| France      | €350m premiums            | Top 20          |
| Netherlands | €350m premiums            | #7              |
| India       | 5,000 branches            | Launched Nov 09 |
| Gulf States | JV across six Gulf States | Launched Dec 09 |

# Creating shareholder value through increasing cashflow, dividends and growing our business

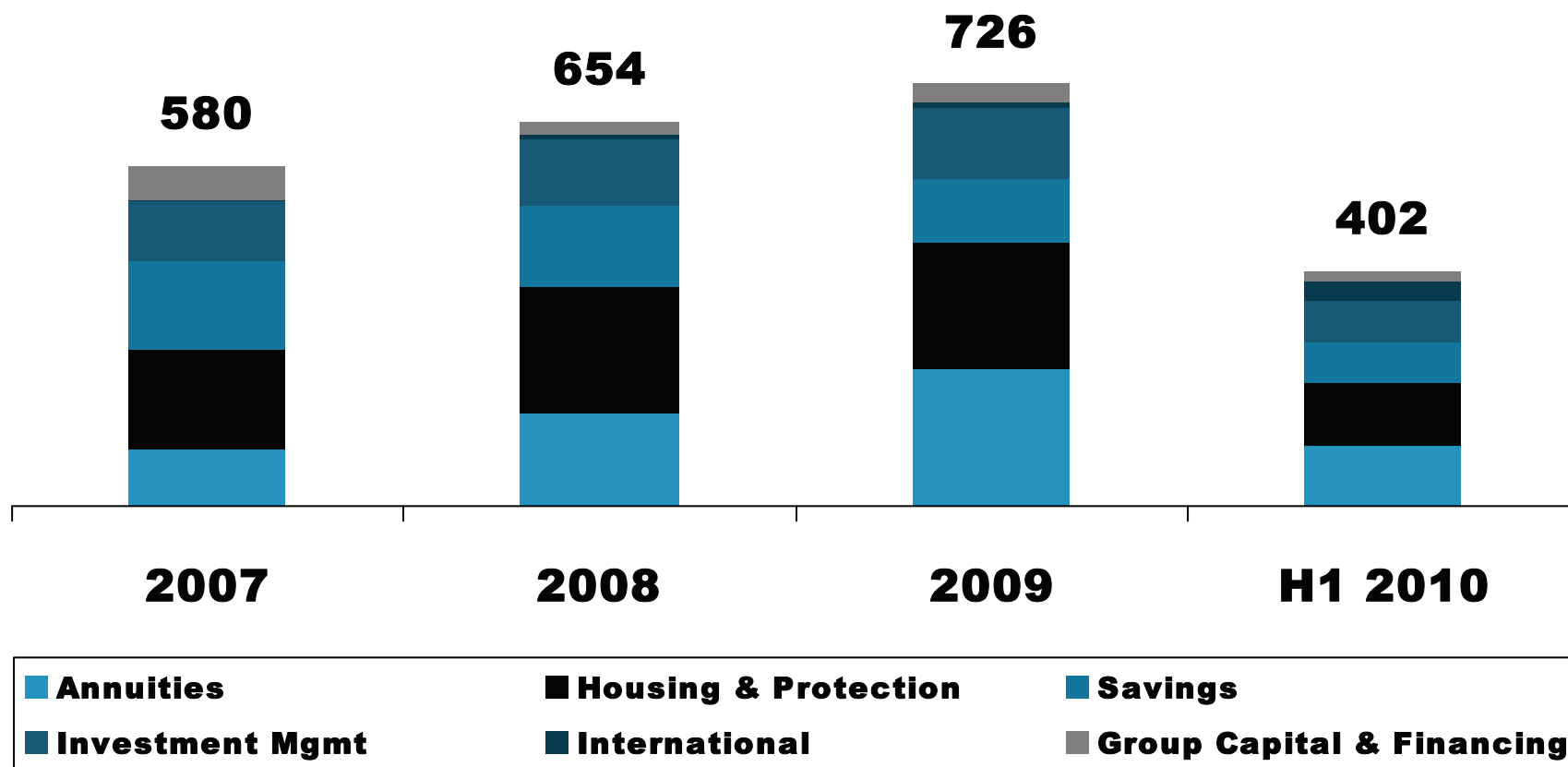
- **IFRS operating profit:** up 34% at £542m
- **IFRS profit before tax:** up to £537m
- **Net cash generated:** up 19% at £358m
- **Worldwide new business APE:** up 18% to £881m
- **IGD surplus<sup>1</sup>:** £3.3bn at 30 June 2010
- **EEV per share:** 118.6 pence per share
- **EPS<sup>2</sup>:** 6.66 pence per share
- **H1 dividend:** up 20% to 1.33p per share

(1) Estimated and unaudited

(2) Based on diluted IFRS operating profit after tax

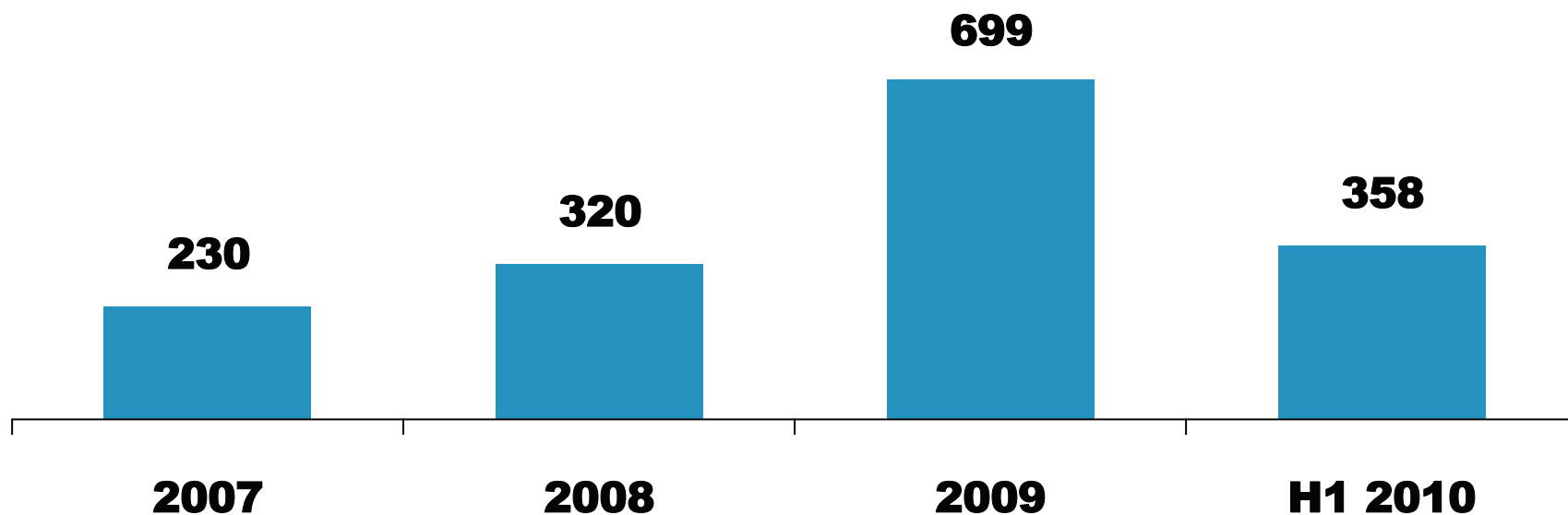
# Cash: 12% per annum growth across diversified business model

Operational Cash Generation 2007 – 2010 (£m)



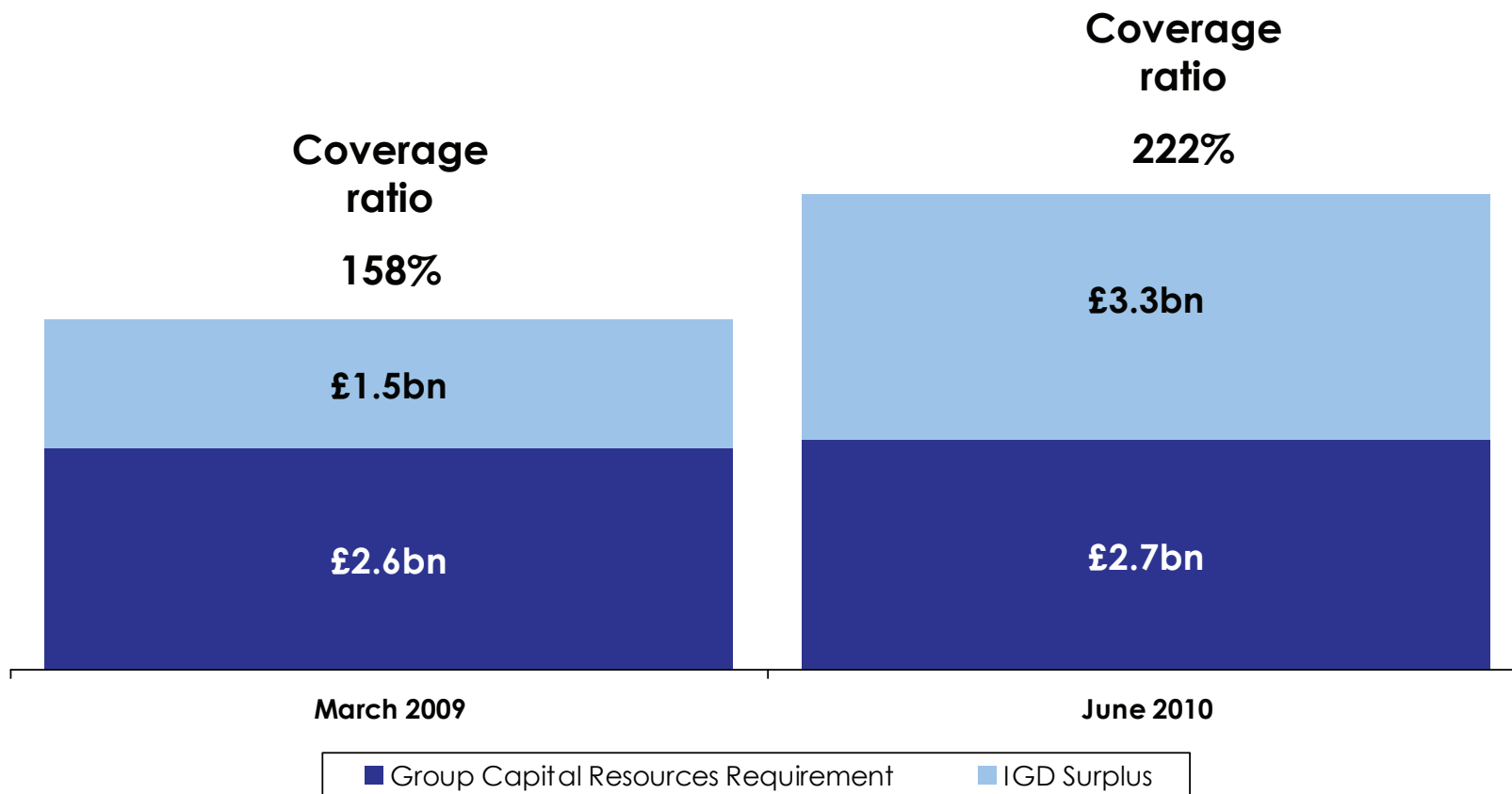
# Cash: substantial increase

Net Cash Generation 2007 – 2010 (£m)

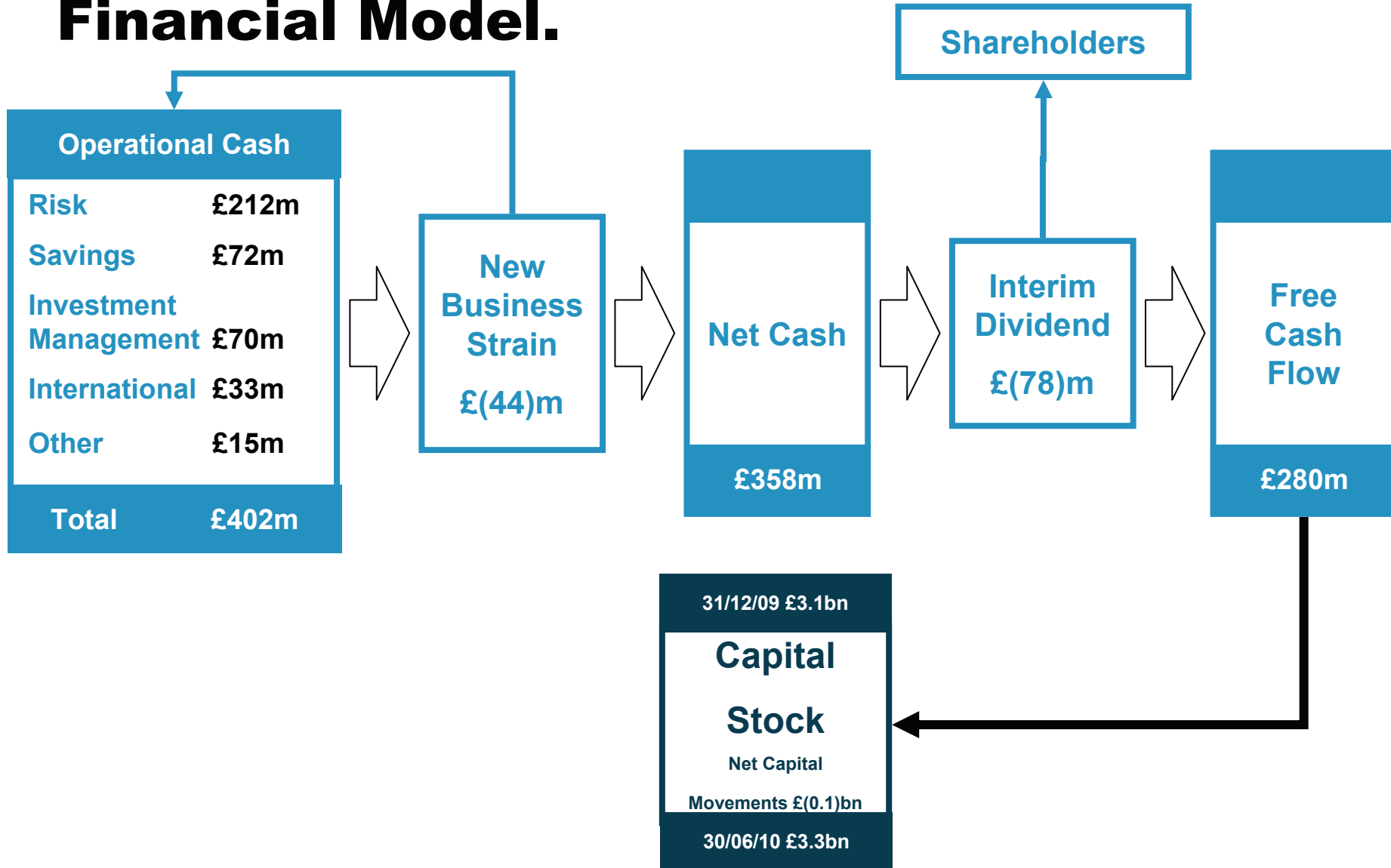


Dividend “underlying growth rate comfortably double digit”

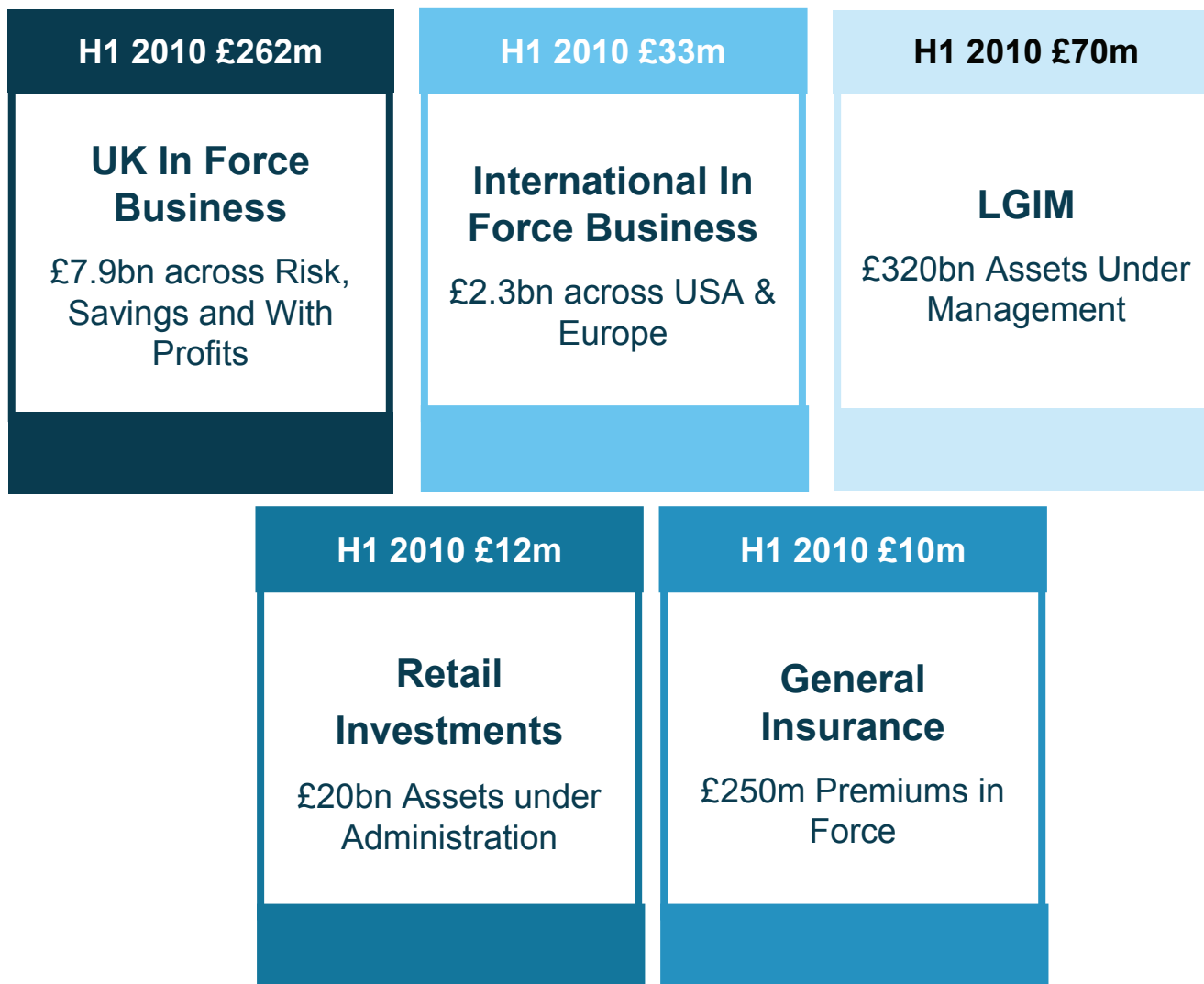
# Balance Sheet: Increasing IGD<sup>1</sup> surplus provides capital strength for growth



# Financial Model.



# Multiple Sources of Sustainable Cashflow





# Relatively simple business to model

|                                      | Operational cash (£m) | New bus strain (£m) | Net cash (£m) | Operational cash (£m) | New bus strain (£m) | Net cash (£m) | Operational cash (£m) | New bus strain (£m) | Net cash (£m)   |
|--------------------------------------|-----------------------|---------------------|---------------|-----------------------|---------------------|---------------|-----------------------|---------------------|-----------------|
| Risk & Savings release               | 496                   | (27)                | 469           | 239                   | (44)                | 195           | 520                   |                     |                 |
| With-profits                         | 46                    |                     | 46            | 23                    |                     | 23            |                       |                     |                 |
| Retail Investments and other savings | 2                     |                     | 2             | 12                    |                     | 12            |                       |                     |                 |
| GI and other risk                    | 16                    |                     | 16            | 10                    |                     | 10            |                       |                     |                 |
| LGIM                                 | 125                   | <b>FY 2009</b>      | 125           | 70                    | <b>H1 2010</b>      | 70            |                       | <b>FY 2010</b>      |                 |
| International dividends              | 8                     |                     | 8             | 33                    |                     | 33            |                       |                     |                 |
| Group capital & financing            | 33                    |                     | 33            | 15                    |                     | 15            |                       |                     |                 |
| <b>Total</b>                         | <b>726</b>            | <b>(27)</b>         | <b>699</b>    | <b>402</b>            | <b>(44)</b>         | <b>358</b>    |                       |                     | <b>&gt; 600</b> |
| Variances and other                  |                       |                     | 28            |                       |                     | 27            |                       |                     |                 |
| International (excl. dividends)      |                       |                     | 78            |                       |                     | 7             |                       |                     |                 |
| Tax gross up                         |                       |                     | 304           |                       |                     | 150           |                       |                     |                 |
| <b>Operating profit</b>              |                       |                     | <b>1,109</b>  |                       |                     | <b>542</b>    |                       |                     |                 |

# Asset businesses are the major contributor to profit and cash...

Net cash £358m

74%

26%

### Asset businesses

| Fee                             |            | Spread                          |            |
|---------------------------------|------------|---------------------------------|------------|
|                                 | Net Cash   |                                 | Net Cash   |
| LGIM                            | 70         | Annuities <sup>1</sup>          | 141        |
| Savings                         | 38         | Group                           | 15         |
|                                 |            |                                 |            |
|                                 |            |                                 |            |
| <b>Total Cash</b>               | <b>108</b> | <b>Total Cash</b>               | <b>156</b> |
| <b>Total Profit<sup>2</sup></b> | <b>152</b> | <b>Total Profit<sup>2</sup></b> | <b>227</b> |

### Insurance businesses

|                                 | Net Cash   |
|---------------------------------|------------|
| Protection                      | 51         |
| GI                              | 10         |
| International                   | 33         |
|                                 |            |
| <b>Total Cash</b>               | <b>94</b>  |
| <b>Total Profit<sup>2</sup></b> | <b>177</b> |

<sup>1</sup>Annuities business includes longevity risk,

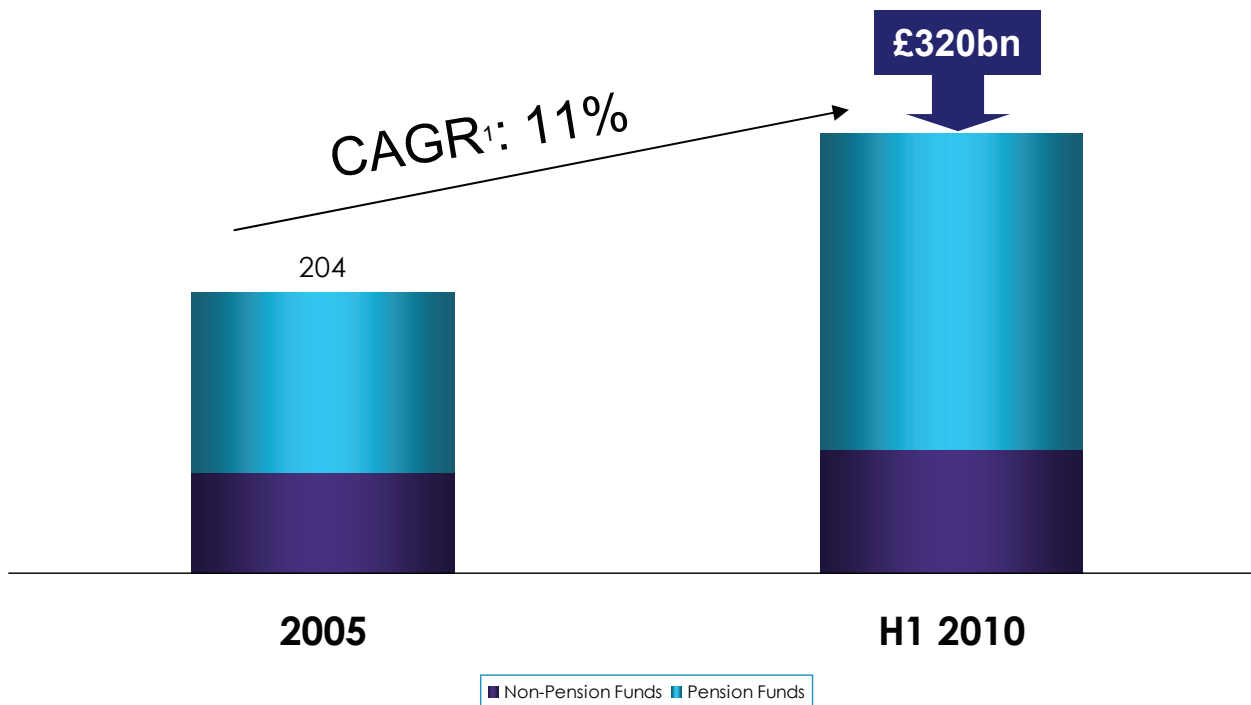
<sup>2</sup>Profit numbers excludes Investment projects of £(14m)

## Investment Management: A record first half for LGIM Operating Profit of £98m, Sales of £21bn.

| Financial highlights £m                     | H1 2010   | H1 2009   | % Change  |
|---|-----------|-----------|-----------|
| Investment Management IFRS Operating profit | 98        | 74        | 32        |
| Net cash generated                          | 70        | 54        | 30        |
|   |           |           |           |
| <b>LGIM highlights</b>                      |           |           |           |
| Total revenue                               | 182       | 143       | 28        |
| Total costs                                 | 84        | 69        | 22        |
| <b>IFRS operating profit</b>                | <b>98</b> | <b>74</b> | <b>32</b> |
|   |           |           |           |
| Average ad valorem fee margin (bps)         | 10.6      | 9.6       | 10        |
| Average expense margin (bps)                | 5.5       | 5.5       | -         |
|   |           |           |           |
| Gross new fund management mandates (£bn)    | 21.2      | 14.2      | 49        |
| Closing funds under management (£bn)        | 320       | 271       | 18        |

# LGIM: doubled profits in the last five years. AUM increased by £116bn

LGIM funds under management (£bn) 2005 – 2010



**Profit Before tax  
(£m)**

**96**

**98**

**FTSE100**

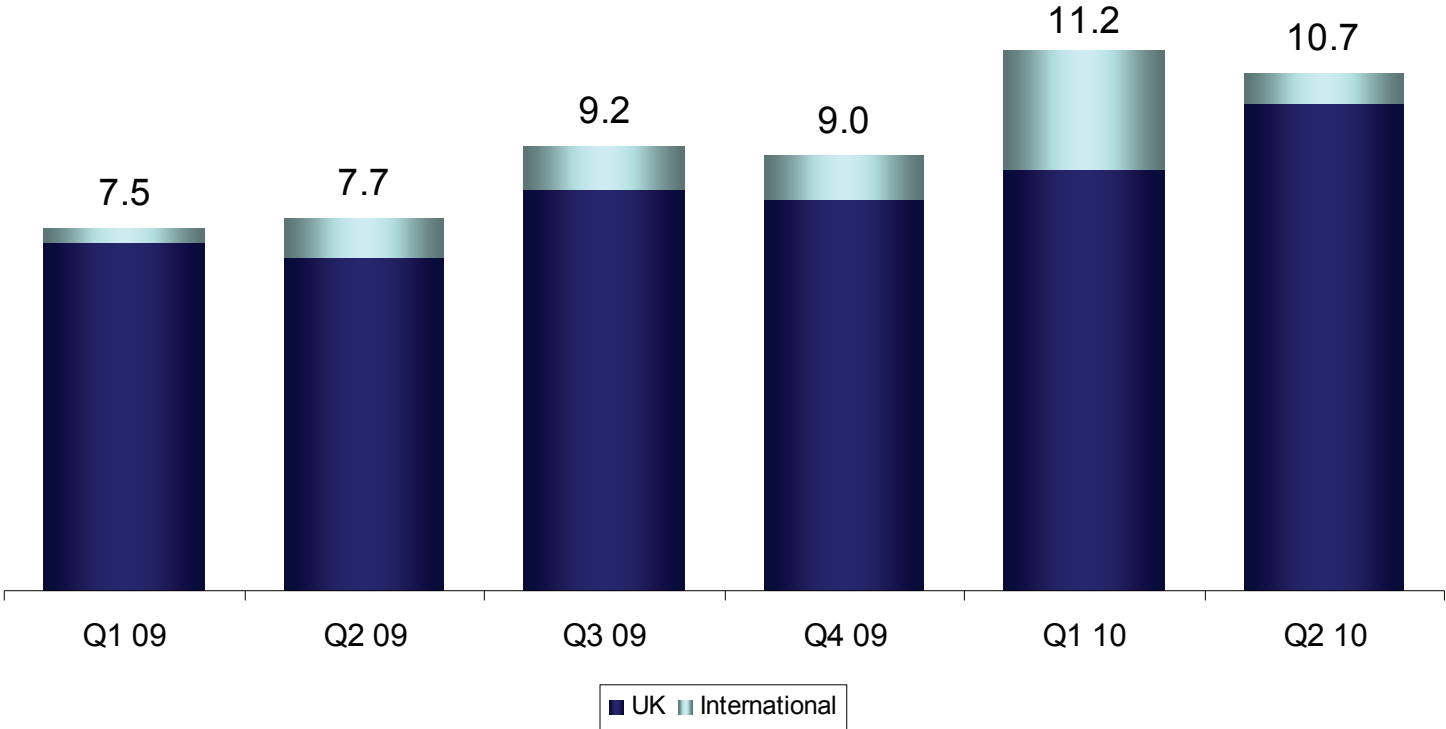
**5,600**

**4,900**

<sup>1</sup>Compound Annual Growth Rate

# Investment Management: new business continues to grow strongly. International demand is building.

Quarterly New Business 2009 – 2010 (£bn)



**LGIM Net new business H1 2010: £8.3bn**

# LGIM Funds: Diversified across passive and active asset classes

| £bn                             | 30/06/10     | 30/06/09     | % Change  |
|---------------------------------|--------------|--------------|-----------|
| <b>Index</b>                    |              |              |           |
| UK Equities                     | 61.4         | 55.6         | 10        |
| International Equity            | 71.4         | 56.7         | 26        |
| Fixed Interest (incl cash)      | 69.2         | 68.3         | 1         |
| <b>Total</b>                    | <b>202.0</b> | <b>180.6</b> | <b>12</b> |
|                                 |              |              |           |
| <b>Active</b>                   |              |              |           |
| Equities                        | 8.0          | 7.3          | 10        |
| Fixed Interest                  | 64.5         | 54.5         | 18        |
| Structured solutions (incl LDI) | 37.6         | 22.5         | 67        |
| Property & Other                | 7.9          | 6.0          | 32        |
| <b>Total</b>                    | <b>118.0</b> | <b>90.3</b>  | <b>31</b> |

**Growth in index, international, fixed interest and LDI**

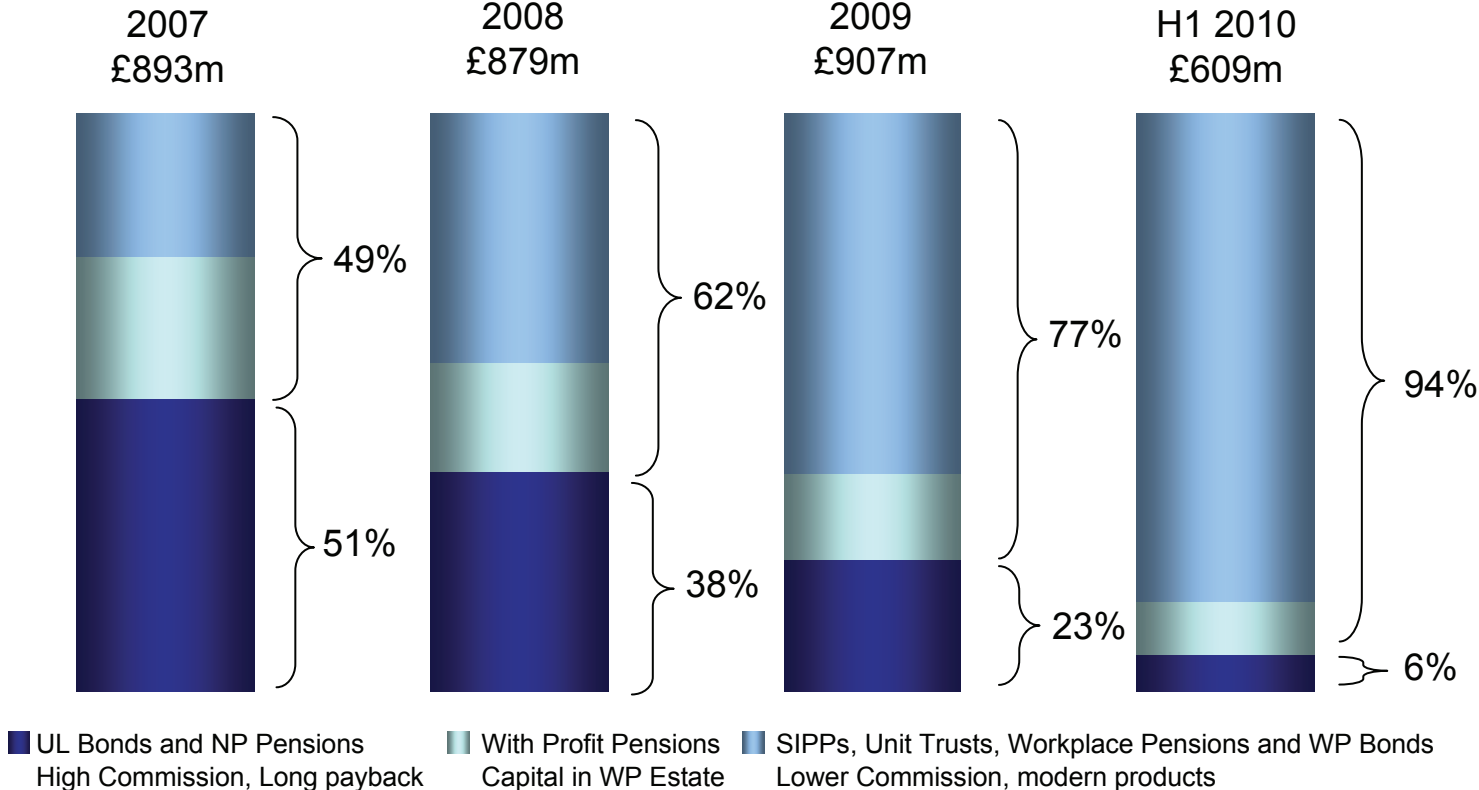
## Savings: Transformation story continues. Further growth in profits, cash, assets and margins.

| Financial highlights £m         | H1 2010        | H1 2009        | % Change |
|---------------------------------|----------------|----------------|----------|
| IFRS operating profit           | 54             | 17             | 217      |
| Operational cash generation     | 72             | 40             |          |
| New business strain             | (34)           | (44)           |          |
| <b>Net cash generation</b>      | <b>38</b>      | <b>(4)</b>     |          |
| New business APE                | 609            | 448            | 36       |
| Assets under administration £bn | 56             | 46             | 22       |
|                                 | <b>H1 2010</b> | <b>FY 2009</b> |          |
| Fee to fund ratio (bps)*        | 77             | 73             | 5        |
| Cost to fund ratio (bps)*       | 59             | 72             | (18)     |

\*Annualised, excluding with-profits

# Savings: the transformation in new business mix continues.....

Savings new business APE: product mix (£m) 2007-2010





# Savings: New sources of profit from transformed business model

| Financial highlights £m                                       | H1 2010   | H1 2009    |
|---|-----------|------------|
| <b>IFRS operating profit</b>                                  |           |            |
| With Profit Savings (Workplace Pensions, Bonds)               | 32        | 29         |
| Non Insured Savings (Unit Trusts, SIPPs, Structured Products) | 16        | (8)        |
| Non Profit Savings (Workplace Pensions, UL Bonds)             | 6         | (4)        |
| <b>Total</b>  | <b>54</b> | <b>17</b>  |
|   |           |            |
| <b>Net cash generation</b>                                    |           |            |
| With Profit Savings   | 23        | 21         |
| Non Insured Savings   | 14        | (5)        |
| Non Profit Savings  | 1         | (20)       |
| <b>Total</b>  | <b>38</b> | <b>(4)</b> |

## **International: generating cash from mature markets, continuing to invest in emerging markets.**

| <b>Financial highlights £m</b>                   | <b>H1 2010</b> | <b>H1 2009</b> |
|--|----------------|----------------|
| USA  | 44             | 45             |
| Europe (France and Netherlands)                  | 21             | 20             |
| Middle East and Asia (Egypt, the Gulf and India) | (4)            | -              |
| <b>IFRS operating profit</b>                     | <b>61</b>      | <b>65</b>      |
|  |                |                |
| <b>Net cash generated</b>                        | <b>33</b>      | <b>-</b>       |

**US dividend of \$50m: Expected to be sustainable and growing**

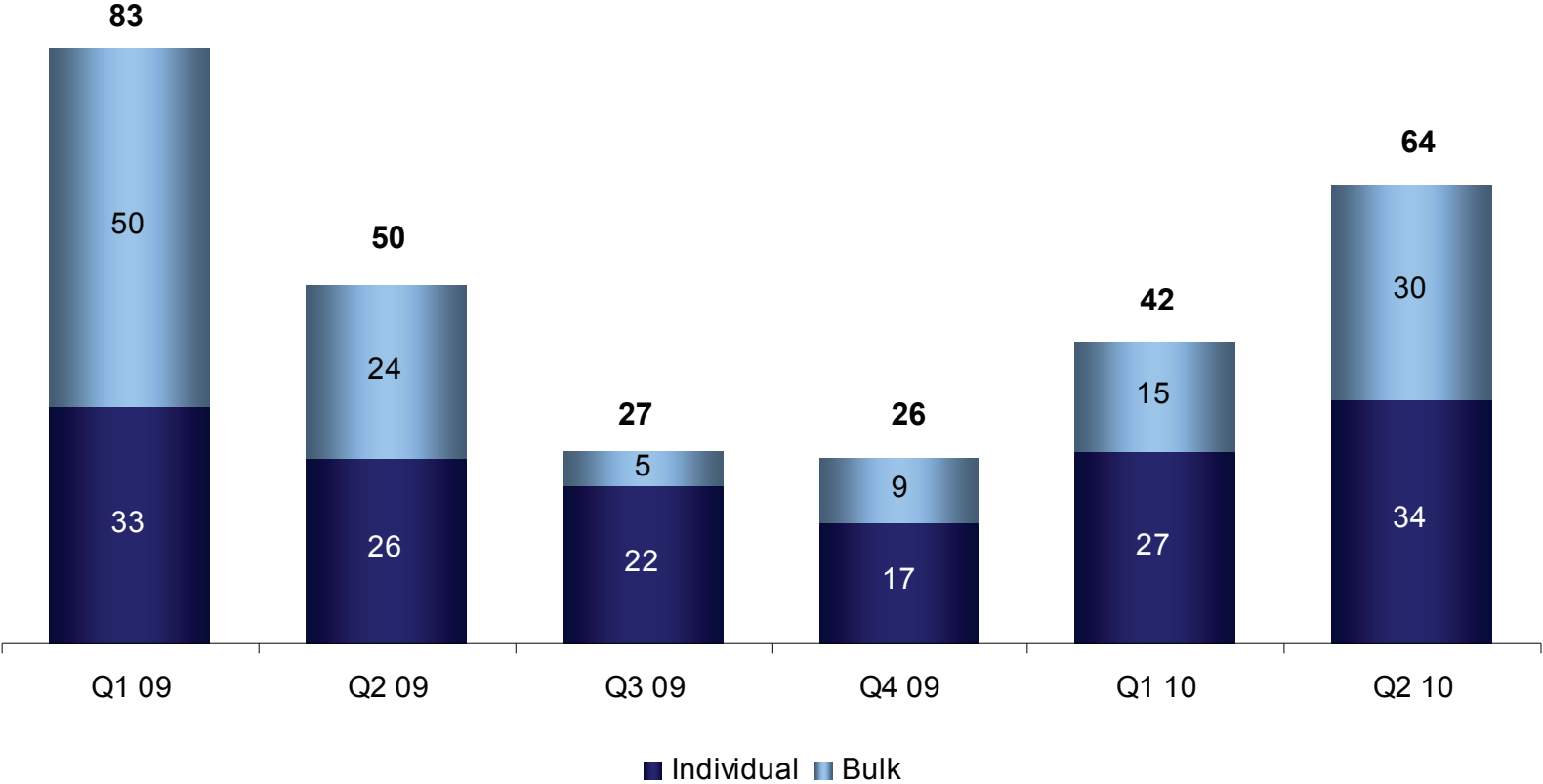
**Excess capital in US to be freed up to benefit of shareholders**

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

| Financial Highlights £m                         | H1 2010    | H1 2009    |
|---|------------|------------|
| <b>IFRS operating profit</b>                    | <b>310</b> | 223        |
| Operational cash generation                     | 212        | 216        |
| New business strain                             | (10)       | 13         |
| <b>Net cash generation</b>                      | <b>202</b> | <b>229</b> |
|   |            |            |
| Protection new business EEV margin (%)          | 6.0        | 7.0        |
| Protection Gross Premiums (£m)                  | 610        | 561        |
|   |            |            |
| General Insurance Combined Operating Ratio (%)  | 90         | 99         |
| General Insurance Gross Premiums                | 134        | 136        |
|   |            |            |
| Non profit annuity earned interest margin (bps) | 117        | 124        |
| Non profit annuity assets (£bn)                 | 23.9       | 22.4       |

# Annuities New Business: Q2 volumes significantly above previous four quarters.

Annuity Quarterly New Business APE 2009 – 2010 (£m)



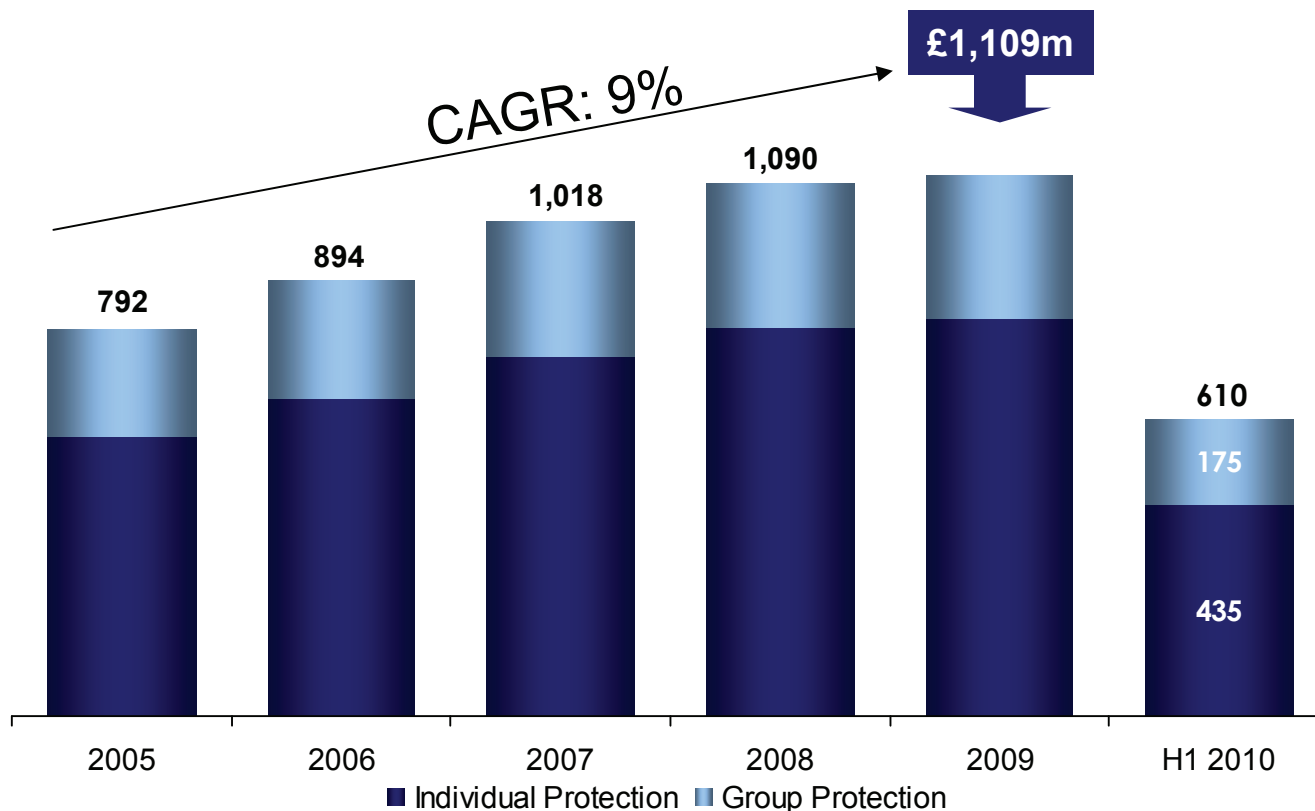
# Annuities: An attractive growth business

- Scale: £24bn of assets
- Profitability: Net interest margin of c.100bp per annum
- Capital: Currently 4% of reserves (c.£900m). May increase under Solvency 2
- Growth: £1trn<sup>1</sup> of DB assets likely to enter buyout market over next 20-30 years providing good long term growth
- Risk Management:
  - Asset and liability durations closely matched
  - £1.5bn default reserve on 98% investment grade credit portfolio
  - Prudent assumed reinvestment rate
  - Positive longevity variances since 2008 – over £100m

<sup>1</sup> Source: Hymans Robertson

# Protection: the UK's leading protection business. A high scale, high quality franchise

Protection gross premiums (£m) 2005- 2010



## Key business numbers

| <b>Investment Man.</b>     | <b>2009</b> | <b>H1 10</b> | <b>Savings</b>         | <b>2009</b> | <b>H1 10</b> |
|----------------------------|-------------|--------------|------------------------|-------------|--------------|
| AuM £bn                    | 315         | 320          | AuM £bn                | 55          | 56           |
| Operating profit £m        | 167         | 98           | Operating profit £m    | 50          | 54           |
| Net cash £m                | 121         | 70           | Net cash £m            | 33          | 38           |
| Gross new funds £bn        | 31.5        | 21.2         | APE £m                 | 907         | 609          |
| Ad valorem fee margin (bp) | 9.8         | 10.6         | New business strain £m | (77)        | (34)         |
| RoC (pre tax)              | 49%         | n/a          | RoC (pre tax)          | n/a         | n/a          |

| <b>Risk</b>            | <b>2009</b> | <b>H1 10</b> | <b>International</b> | <b>2009</b> | <b>H1 10</b> |
|------------------------|-------------|--------------|----------------------|-------------|--------------|
| Annuity assets £bn     | 22          | 24           | No. of businesses    | 6           | 7            |
| Protection premiums £m | 1,090       | 610          | L&G America (GWP)    | \$774m      | \$800m       |
| Operating profit £m    | 735         | 310          | APE £m               | 115         | 81           |
| Net cash £m            | 504         | 202          | Operating profit £m  | 127         | 61           |
| New business strain £m | 50          | (10)         | Net cash £m          | 8           | 33           |
| RoC (pre tax)          | 52%         | n/a          | RoC (pre tax)        | 9%          | n/a          |

# Summary

- Divergent and sustainable cash flows across multiple businesses which have market leading positions
- New sources of cash flow from international dividends and improvement in Savings performance. US capital management programme will produce more cash
- We continue to grow our “stock” of assets which drives profits and cash
- Substantial headroom for dividend increases
- Opportunities to deploy cash flow and capital in shareholder value creating transactions



# 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.

# APPENDIX: IGD SURPLUS LEVELS OF PRUDENCE

|  | Est MV<br>£bn | IGD<br>£bn | Excess<br>£bn |
|--|---------------|------------|---------------|
| <b>IGS Surplus capital excludes:</b>     |               |            |               |
| - Value of UK VIF*                       | n/a           | n/a        | 3.5           |
| - Value of International VIF*            | n/a           | n/a        | 1.0           |
| - LGIM Value                             | 2.0           | 0.4        | 1.6           |
|  |               |            |               |
| <b>IGD Surplus capital includes</b>      |               |            |               |
| - Credit default reserve in annuity book | n/a           | (1.5)      | 1.5           |
|  |               |            |               |
|  | n/a           | n/a        | <b>7.6</b>    |

\*VIF = Value of In Force