

**CASH UP.**

**Legal & General  
Morgan Stanley Conference.**



## **Forward looking statements**

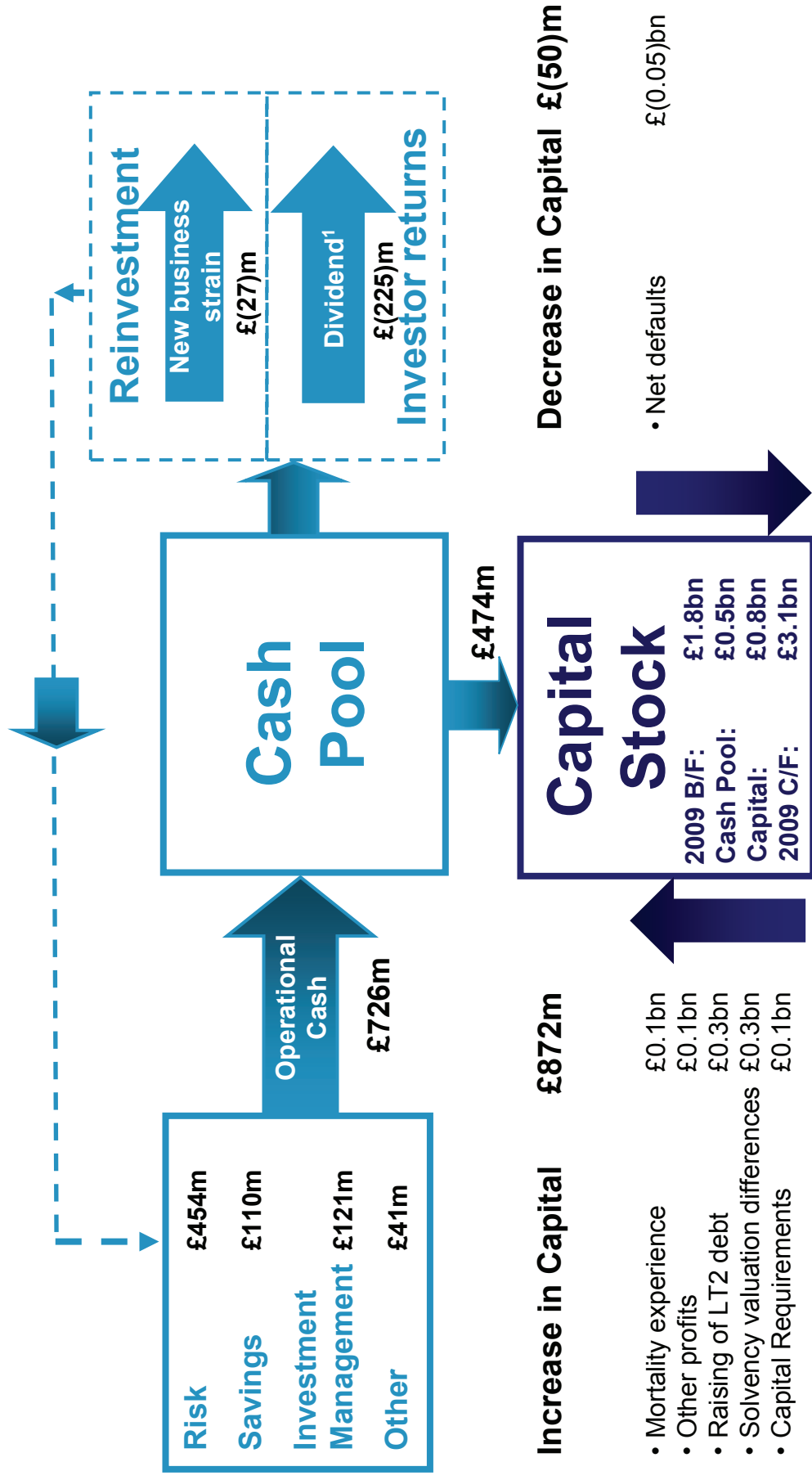
This document may contain certain forward-looking statements relating to Legal & General Group, its plans and its current goals and expectations relating to future financial condition, performance and results. By their nature forward-looking statements involve uncertainty because they relate to future 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.

## Cash, profits and capital

- **Net cash:** up 118% at £699m (2008: £320m)
- **Annual cost reduction:** £69m exceeds £50m target
- **IFRS Operating profit:** up 87% at £1,109m (2008: £592m)
- **IFRS profit/loss before tax:** up to £1,074m (2008: £(1,491)m)
- **EEV Operating profit:** up 51% at £1,319m (2008: £875m)
- **IGD Surplus<sup>1</sup>:** £3.1bn at 31 Dec 2009 (2008: £1.8bn)
- **Final dividend:** up 33% to 2.73p per share

(1) Estimated

# Financial model



(1) Full year dividend: Final 09 (£160m) and Interim 09 (£65m). Total dividend per share is 3.84p

# Improved performance from all businesses

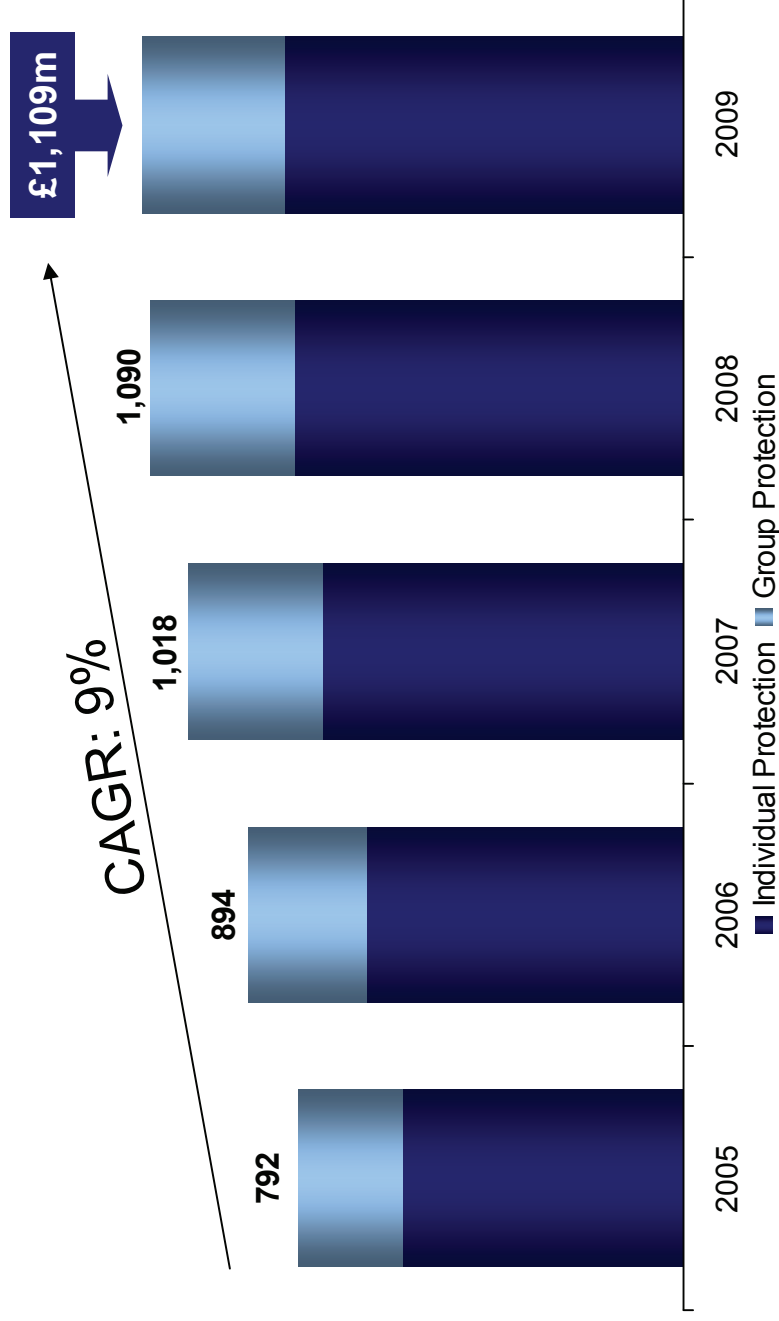
Summary income statement (£m)	FY 2009	FY 2008 <sup>1</sup>
Risk	735	222
Savings	55	7
Investment management	167	165
International	127	59
Group capital and financing	57	139
Group projects	(32)	-
<b>Operating profit</b>	<b>1,109</b>	<b>592</b>
Variation from longer term investment return	(16)	(2,020)
Property losses attributable to minority interests	(19)	(63)
<b>Profit/(loss) from ordinary activities before tax</b>	<b>1,074</b>	<b>(1,491)</b>
Tax	(230)	361
<b>Profit/(loss) from ordinary activities after tax</b>	<b>844</b>	<b>(1,130)</b>
Diluted earnings per share based on operating profit after tax (p)	13.74	7.16
<b>Total dividend per share</b>	<b>3.84</b>	<b>4.06</b>

**Post tax return on equity: 22%**

(1) Restated for the revised definition of operating profit.

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

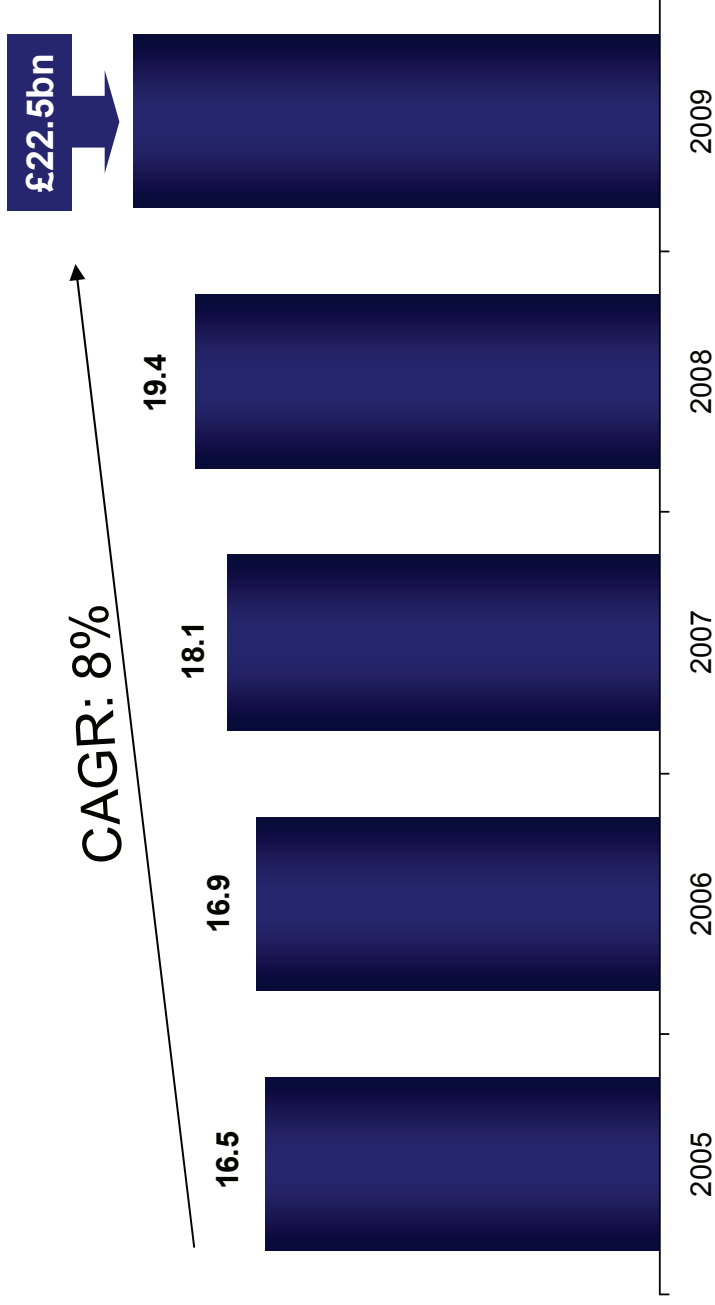
Protection gross premiums (£m) 2005-2009



**Net cash generation: £124m**

# Annuities: a leading annuity provider in an attractive growing market

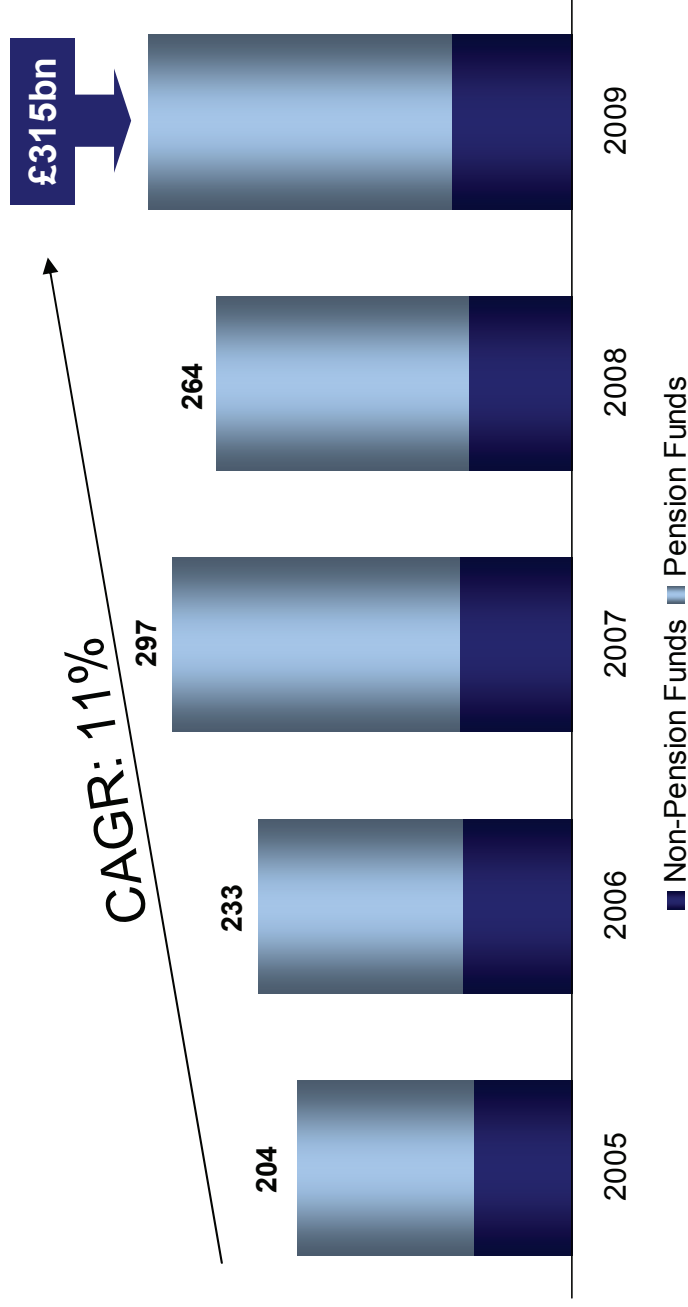
Annuity assets under administration (£bn) 2005-2009



**Net cash generation: £364m**

# LGIM: executional excellence, central to group strategy

LGIM funds under management (£bn) 2005 - 2009

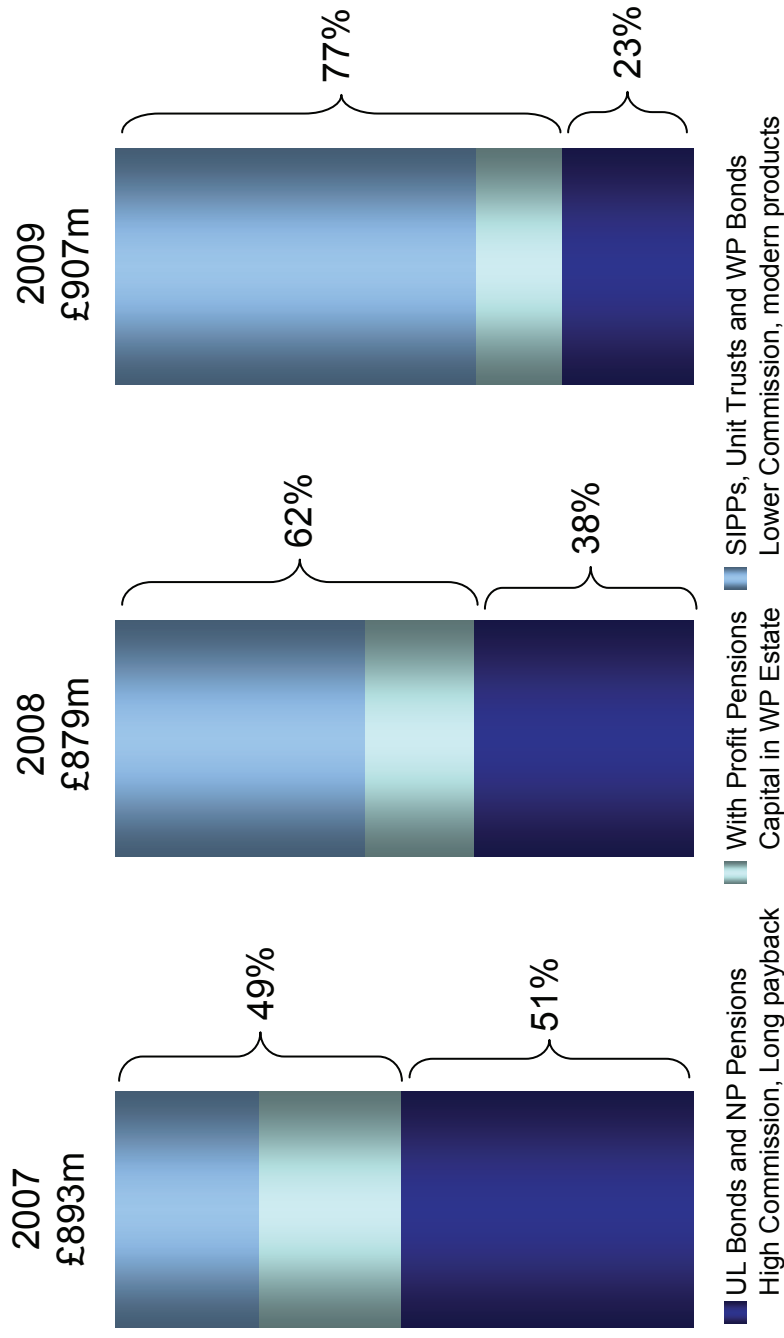


**Net cash generation: £121m**



# Savings: a £55bn business, delivers in 2009, more to come in next 3 years

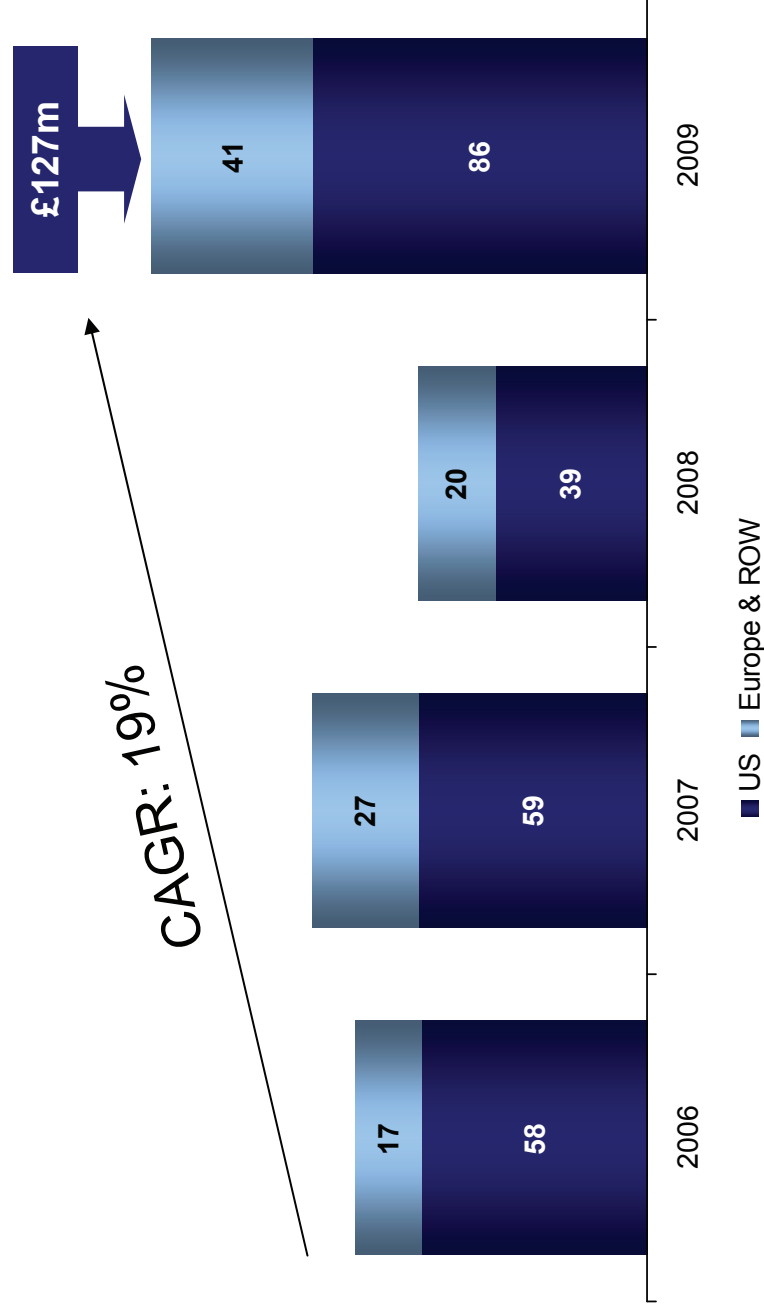
Savings new business APE: product mix (£m) 2007-2009



**Net cash generation: £333m**

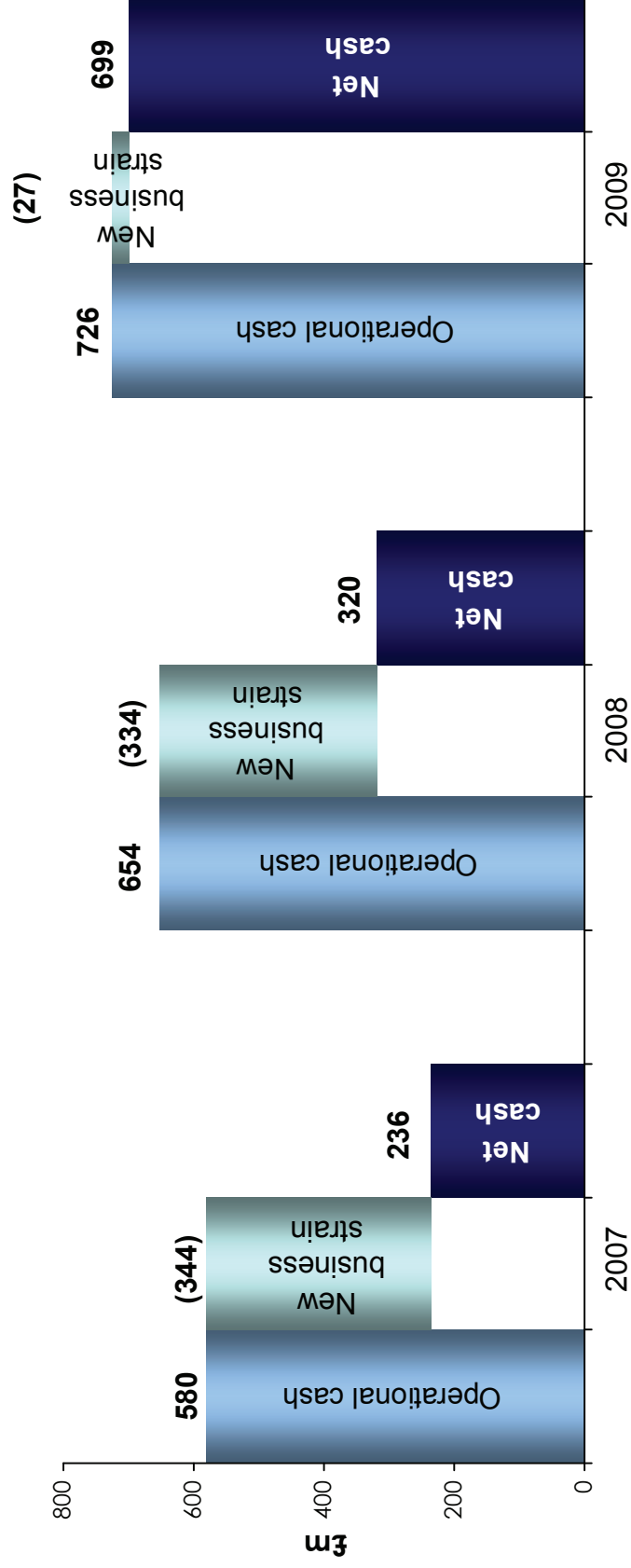
# International: £127m IFRS profit, substantial growth in dividends going forward

International IFRS Operating profit (£m) 2006-2009



**Pre-tax return on capital: 9%**

# Operational cash: net cash increased from £236m to £699m in two years



**Operational cash generation CAGR: 12%**

**Net cash generation CAGR: 72%**

# Cash flow: strong prospects for sustained cash generation

Estimated monetisation of worldwide VIF (undiscounted) <sup>1</sup> (£m)	Total	2010	2011	2012
Business in-force at start of year <sup>2</sup>	7,200	700	630	560
2009 new business cash flows	700	70	50	50
2010 new business cash flows			XX	XX
2011 new business cash flows				XX
<b>UK VIF monetisation</b>	<b>7,900</b>	<b>770</b>	<b>&gt;700</b>	<b>&gt;630</b>
International VIF monetisation	2,300	90	>90	>80
<b>Total</b>	<b>10,200</b>	<b>860</b>	<b>&gt;790</b>	<b>&gt;710</b>

(1) Management estimates

(2) Based on 2009 year end assumptions.

# Modelling the business - for generalist investors....

	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			
With-profits	46		46			
Retail Investments and other savings	6		6			
GI and other risk	16		16			
LGIM	121		121			
International dividends	8		8			
Group capital & financing	33		33			
<b>Total</b>	<b>726</b>	<b>(27)</b>	<b>699</b>			<b>c.600<sup>1</sup></b>
Variations and other			28			
International (excl. dividends)			78			
Tax gross up			304			
<b>Operating profit</b>			<b>1,109</b>			

**2010**  
Estimates

**Aim to generate c.£600m net cash in 2010**

(1) Management estimate for 2010 net cash

## **Strategic direction: key themes**

- **Risk:** maintain leadership
- **Savings:** transformation to a lower cost capital light model
- **Investment management:** a bigger part of what we do
- **International:** measured growth, bancassurance lead
- **Balance sheet:** strength and efficiency
- **Costs:** improved efficiency and effectiveness
- **Organisational capability:** increased bandwidth
- **New metrics:** focus on cash

## **A strong platform for growth**