HALF-YEAR REPORT 2009

Legal & General

CONTENTS

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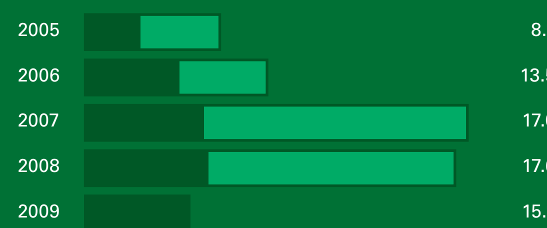
FORWARD-LOOKING STATEMENTS

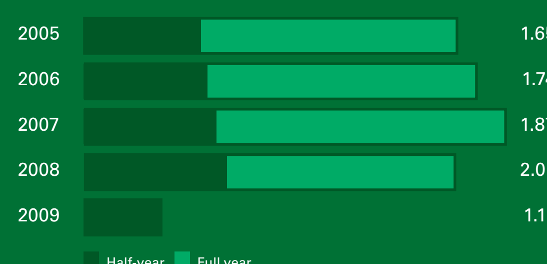
FINANCIAL HIGHLIGHTS

Worldwide New Business APE[1]
(£ Million) Six months to 30 June

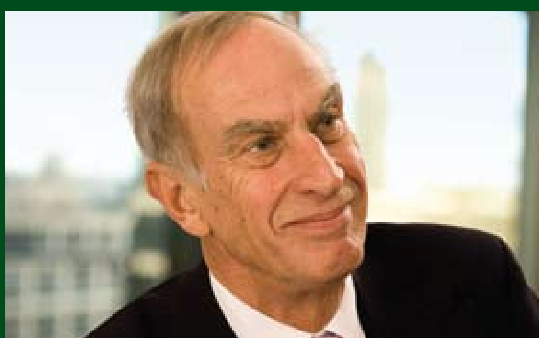
New Institutional Funds
(£ Billion) Six months to 30 June



Dividend per share
(p) Six months to 30 June



[1] Annual Premium Equivalent (APE) is total new annual premiums plus 10% of single premiums.



CHAIRMAN

"Confidence has started to return but we expect some continued uncertainty for the remainder of the year. Following the actions taken in the first half of this year, Legal & General is better positioned to take advantage of opportunities as the economy recovers."

Rob Margetts

Sir Rob Margetts
Chairman

GROUP CHIEF EXECUTIVE'S REVIEW

"We have made strong progress in improving our net cash generation, strengthening our balance sheet and reducing costs. Management actions in the first half ensured that Risk and Investment management remain strongly cash generative and the Savings business has turned the corner. We have strengthened the balance sheet with proforma IGD surplus at £2.2bn and we expect to realise annualised savings of £50m by the end of 2009. IFRS operating profit has been reduced by £351m of negative investment variances in the period.

"The Board has therefore decided to pay an interim dividend of 1.11p reflecting our growing confidence in cash generation and our continued determination to strengthen the balance sheet during the ongoing economic uncertainty while rewarding shareholders.

"Our focus remains on capital strength, net cash generation and cost reduction. At the same time we continue to benefit from and exploit substantial synergies between Risk, Savings and Investment management."

OVERVIEW

On target to generate £450m of net cash in 2009

Cost reduction programme on track
£50m annualised cost reduction expected by year end

IFRS operating profit £31m (H1 2008: £391m)

EEV operating profit £657m (H1 2008: £589m), up 12%

New business APE £746m (H1 2008: £806m)
Sales robust – action on product mix, pricing and commissions

Capital and cash flow outlook supports reduced dividend of 1.11p (H1 2008: 2.01p)

IGD surplus at 30 June 2009, after dividend of £65m

£1.9bn

Non profit annuity credit default provisions increased to

£1.3bn (FY2008: £1.2bn)

GROUP PERFORMANCE

In the first half of 2009 we made significant progress on cash generation, balance sheet strength and cost management. We are writing new business on more capital efficient terms, achieving a shorter payback profile and better returns. We have actively reduced sales in less economically attractive lines of business, reflecting our view of the need to recognise the increased scarcity and cost of capital since the start of the credit crisis. These actions have driven a significant improvement in the cash dynamics of our business, generating £302m of net cash in the first half.

We are very clear on the characteristics of the businesses we want at the heart of the company. We like businesses with high scale operations in large markets, strong client and distribution franchises, rapid cash generation and long term customer relationships. Most of our businesses already possess these characteristics and we are focused on developing strong positions across our markets.

Our Investment management business is continuing to diversify its product range in line with customer needs, but remains committed to good value products and excellent customer service. The strength of our franchise can be seen in continued strong net inflows to LGIM of £7.9bn, which have increased assets under management despite investment market conditions. Particularly encouraging is the progress being made by our core fixed income and LDI products. LGIM continues to be strongly cash generative, profitable and uniquely positioned to support and benefit from our other Group businesses.

Our Risk business is highly cash generative, making a contribution of £229m in the first half to the Group. Despite the operational challenges of a weaker housing market and the uncertain economic outlook for corporate customers, the protection and annuity businesses continue to build further on their clear competitive advantages of scale, risk management and diverse product offering. We continue to invest in market leading operational capability, underwriting and distribution in order to build these businesses further.

Our Savings business has turned the corner in 2009 and the second half should see a further improvement in the underlying net operational cash contribution. We have improved product mix, driven out costs relentlessly, reduced commissions and redesigned products to improve returns despite lower market values impacting revenues. There is more to be done and we are pursuing further initiatives vigorously.

In International, our established operations are responding to the challenges of the current economic climate and remain well positioned to capitalise when recovery comes. We have been planting the seeds of long term growth in new and exciting markets. In India we have received “R1” regulatory clearance and expect to be operational in the new-year. Our Gulf joint venture is already up and running.

We believe we have the right businesses and we see great value in the multiple layers of synergy that result from an integrated strategy. LGIM manages £20bn of assets for our annuities business. More than half of BPA customers in the first half were clients of LGIM. Our Savings business has a growing pool of individual pension savings which generated more than £150m of annuity sales in the period. The Savings business has also capitalised on LGIM’s range of expertise in broadening our unit trust offering to specialist intermediaries. All of our businesses benefit from the strength of our brand and balance sheet.

Our business remains strongly underpinned by our capital base. Our IGD surplus strengthened to £1.9bn at the end of June. This is before the benefit of £0.3bn of qualifying lower tier 2 debt securities issued in July. We estimate a proforma current IGD coverage ratio of 192% (FY 2008: 169%). Capital strength remains a key focus for us and we will continue to take management action where appropriate to ensure our balance sheet remains strong and resilient.

Earlier in the year we announced increased provisioning against credit default risk in our UK non profit annuities portfolio. Actual defaults in the first half of the year were just £1m net of expected recoveries. However, the decision has been taken not to release any favourable experience from the short term default provision, but instead to further strengthen long term default provisions, to reflect the continued risk level in the global economy. The aggregate provision now represents 74bp p.a. across the life of the portfolio, up from 68bp at the end of 2008. In addition we have reduced exposure to some credits, including reducing junior subordinated bank debt to 2.5% of the UK non profit annuities portfolio from 6.5% at the end of 2008.

Our priorities for 2009 remain balance sheet strength, supported by strong improvement in net cash generation and further progress on cost reduction. We are clearly on target to deliver our full year 2009 net cash target of £450m.

DIVIDEND

In considering the interim dividend for 2009, the Board has taken into account the current and prospective economic conditions and its focus on capital strength and net cash generation.

The interim dividend has been reduced by 45% to 1.11p per share, a cost of £65m. This represents 10% progression from the rebased 2008 dividend, indicating growing confidence in sustainable cash flow generation, balanced with our commitment to a strong balance sheet. Subject to satisfaction with the strength and resilience of our capital position, we will be looking to grow the dividend in line with expected medium term growth in operational cash.

OUTLOOK

We have the right strategy and our model, grounded in our three key businesses, is in place. At the same time our strategic execution is progressing well despite difficult markets. We are very clear on the sort of business we want to be and we are making good progress in the markets that are important to us. The turnaround in Savings is progressing well, but there is still a lot more to do. We are comfortably on track to deliver our operational cash target. The balance sheet is stronger, IGD surplus has increased, and is resilient to further shocks. The medium term outlook for our core markets is positive. We are well positioned for the future.

Current market conditions remain challenging, with weakness in the economy and volatility in investment markets putting pressure on consumer confidence. However, these conditions highlight the importance to our customers of a financially strong, integrated Risk, Savings and Investment management business with a focus on value for money products and a long term commitment to customers and shareholders.

Our industry has a vital role to play in securing a successful economic recovery. As well as helping millions of customers to manage their financial future, we provide a significant share of the equity and debt funding of Corporate UK. The interests of every stakeholder in this industry are best served by confidence in markets and consistency in regulation and taxation. We will therefore remain fully engaged in securing the best outcomes for savers, pensioners and companies in the UK.

Tim Breedon
Group Chief Executive

INTERIM MANAGEMENT REPORT

GROUP FINANCIAL RESULTS

In November 2008 we set out the key metrics by which we manage and monitor our businesses. This puts greater emphasis on IFRS.

NET CASH GENERATION

Net cash is defined as the operational cash generation of our businesses, less new business strain.

OPERATIONAL CASH

Operational cash is the expected release from in-force for the UK non profit Risk and Savings businesses, the shareholders' share of bonuses on With-profits business and the post-tax IFRS operating profit on other UK businesses.

OPERATIONAL CASH GENERATION

	H1 2009 £m	FY 2008 £m
Risk	216	379
Savings	43	138
Investment management	51	115
Group capital and financing	23	22
	333	654
New business strain		
Risk	13	(173)
Savings	(44)	(161)
	(31)	(334)
Net cash	302	320

NET CASH

Net cash generated was £302m in the first half of the year, showing rapid progress in comparison with £320m for the full year 2008 as a result of action to substantially reduce new business strain. This result has benefited in particular from the initial effects of our Savings transformation programme, stronger pricing conditions seen in the annuities market since Q3 2008 and the delivery of our cost reduction programme. We remain cautious that pricing conditions may not be as favourable in the second half of the year, however action on cost savings gives us confidence that we are on track to deliver our stated target of £450m net cash for the full year 2009. Our cost reduction programme has already been successful in the first half of the year, and actions taken have already reduced UK headcount. We indicated earlier this year that, on top of a 10% reduction in UK headcount in 2008, we expect to deliver a similar reduction in 2009. We remain confident in delivering at least this full year target based on announcements already made, which will lead to a £50m reduction in annualised costs.

NON PROFIT LEVEL NET CASH GENERATION[1], NEW BUSINESS IRR[2] AND PAYBACK PERIODS[2]

	Net cash generated £m	IRR on new business written %	Payback period years
Protection	31	16	5
Annuities	188	n/a[3]	n/a[3]
Pensions	(14)	7	12
Unit linked bonds	2	6	9
Total non profit	207		

[1] Includes analysis of results for Legal & General Assurance Society and Legal & General Pensions Limited.
[2] IRR = Internal Rate of Return on new business. Payback period is calculated on an undiscounted basis.
[3] Given negative strain on annuity business in the first half of 2009 and an immediate IFRS payback, IRR calculations are not applicable.

IFRS PROFIT BEFORE TAX

SUMMARY INCOME STATEMENT

	H1 2009 £m	H1 2008[1] £m
Risk	(128)	75
Savings	(5)	111
Investment management	70	91
International	65	48
Group capital and financing	29	66
Operating profit	31	391
Variation from longer term investment return	(154)	(422)
Property losses attributable to minority interest	(20)	(13)
Loss from ordinary activities before tax	(143)	(44)
Tax	52	17
Loss from ordinary activities after tax	(91)	(27)

[1] Reclassified to reflect IFRS 8 segmental analysis.

BALANCE SHEET

	H1 2009	FY 2008
Shareholders' equity (£m)	3,295	3,588
Shareholders' equity per share (p)	56.2	61.2

IFRS operating profit was £31m (H1 2008: £391m). The result for H1 2009 includes aggregate non profit assumption changes, experience variances and non-cash items of negative £322m compared to positive £97m in H1 2008.

These effects are seen clearly in the Risk business operating result, a loss of £128m (H1 2008: profit of £75m). The Savings business operating result was a loss of £5m (H1 2008: profit of £111m); the year on year reduction reflects lower income from the in-force book on the back of lower asset values and the absence in 2009 of one-off reserving benefits in the first half of 2008. The transfer in respect of the With-profits business also reduced.

Below the operating profit line, the effect of variations from longer term investment returns was negative £154m (H1 2008: negative £422m) reflecting the effect of adverse investment markets on shareholders' assets. The post tax result from ordinary activities of a loss of £91m fully reflects this mark to market on investment positions (H1 2008: loss of £27m).

Allowing for the post tax loss, exchange rate losses and £120m of dividends paid in the period, shareholders' equity reduced from £3.6bn at year end 2008 to £3.3bn at 30 June 2009.

UK Risk and Savings

FINANCIAL HIGHLIGHTS

	H1 2009 £m	H1 2008 £m
Analysis of UK Risk and Savings business result		
Risk business operating result	(128)	75
Savings business operating result	(5)	111
	(133)	186
Further analysed as:		
– Operational cash generation	238	234
– New business strain	(31)	(233)
– Other non profit business operating result	(322)	97
– Tax gross-up	(46)	39
– **Non profit business operating (loss)/profit**	(161)	137
– With-profits	29	60
– General Insurance	6	(4)
– Core retail investments	(1)	2
– Other[1]	(6)	(9)
UK Risk and Savings business result	(133)	186

[1] Includes result for Nationwide Life and Suffolk Life.

The operational cash generation from the in-force non profit business was £238m (H1 2008: £234m), reflecting the unwind of margins on UK non profit business written in prior years. New business strain was materially lower at £31m (H1 2008: £233m) as a result of the extensive management actions highlighted at our preliminary results to improve the pricing, mix and cash profile of our sales. The balance of strain and release in the period was strongly positive at £207m (H1 2008: £1m).

INTERIM MANAGEMENT REPORT

GROUP FINANCIAL RESULTS continued

Other non profit business contributions – including experience variances, assumption changes and non-cash items – were negative £322m (H1 2008: positive £97m). The most significant effect in H1 2009 was £351m of investment variances in the assets backing the liabilities of the non profit business. There are three main elements to this variance:

1) Cash and overlay effects – £206m
Our annuities business is underpinned by a globalised credit investment management strategy. This includes overlay strategies used to mitigate currency and overseas interest rate risks. The globalisation and associated risk diversification of the portfolio have delivered significant value added to the annuity business in comparison with the more traditional approach used until recently. Since the start of 2008 our global bond strategy would have materially outperformed the equivalent duration Sterling portfolio. There are however a number of frictional effects associated with the overlay strategy which create volatility in reported earnings.

During the first half, volatile market and currency movements impacted on our cash and overlay strategy to create a number of yield effects on IFRS profit, the three most significant of which were:

- £85m yield impact from settling overlay forward foreign exchange hedging contracts in January.
- £88m from receiving larger than normal cash settlements associated with our foreign exchange hedging programme. Volatile market conditions resulted in a lower yield on reinvestment.
- £30m from earned cash interest rates being below assumptions.

We have taken steps to mitigate the impact of these interactions in future.

2) Action taken to sell a number of corporate credits – £75m
In the period we have taken advantage of the UK banks' tenders of junior subordinated debt at above market price and reinvested the proceeds without incurring a loss in yield. Additionally, and despite minimal actual defaults in the first half of the year, we have actively pursued a programme of disposal of less attractive credits. For example our holdings of tier 1 and upper tier 2 bank securities have fallen to 2.5% of the portfolio at the end of June, compared to 6.5% at the end of 2008. In aggregate there has been a small reduction in yield from these actions which has contributed to a £75m negative investment variance in the IFRS operating result.

3) The net effect of the strengthening of UK non profit annuity credit default provision – £55m
Our UK non profit annuity portfolio default reserves were £1.3bn at the end of June, including the £650m short term default provision which we have maintained within these results despite favourable default experience. In the first half of 2009, default losses in our UK annuity portfolio amounted to just £1m net of expected recoveries. This amounts to just 0.005% of the total market value of the UK non profit annuities portfolio. Within these results, we have increased the long term default assumption for statutory and IFRS reporting to 36bp from 30bp previously. This increase reflects the effect of applying the credit rating downgrades experienced during 2009 to our default model. These provisions represent 74bp p.a. (previously 68bp) across the life of the UK non profit annuity credit portfolio.

After grossing up for tax, the aggregate non profit business result was negative £161m (H1 2008: positive £137m).

The shareholders' share of With-profits bonuses was £29m, lower than the level reported for H1 2008 (£60m) due to lower bonus rates on maturities and lower surrender activity this year. 2008 was also a peak year for maturities.

General insurance gross written premiums reduced by 4% to £136m (H1 2008: £142m) in difficult market conditions for mortgage related sales. However overall performance has improved in the period, with an operating profit of £6m (H1 2008: loss of £4m).

Investment management
Operating profits were 23% lower at £70m (H1 2008: £91m), reflecting the impact of volatile investment markets on asset balances in the first half of the year, and consequent pressure on fee income.

International
IFRS operating profit was £65m, up 35% (H1 2008: £48m). This reflects the positive impact of strain and expense management in our USA and Netherlands businesses, offset by lower margins in our French business.

Group capital and financing

GROUP CAPITAL AND FINANCING IFRS OPERATING PROFIT

	H1 2009 £m	H1 2008 £m
Investment return	95	164
Interest expense	(65)	(70)
Investment expenses	(2)	(3)
Unallocated corporate expenses	(3)	(6)
Defined benefits pension scheme	4	(19)
Total	29	66

The Group capital and financing operating result largely reflects smoothed investment returns on shareholder assets in our UK Risk and Savings businesses, shareholder assets held at Group level and interest charges. In previous periods both investment return and interest expenses were presented including the returns on and cost of internal contingent loans. These figures are now stated excluding the contingent loan, the effect of which amounted to £26m of both investment return and interest cost in H1 2008.

Investment return decreased to £95m (H1 2008: £164m). Investment returns are calculated on the basis of a smoothed investment return (aggregate rate for six months: H1 2009: 3%; H1 2008: 3%) on a quarterly average balance of assets of £3.2bn in H1 2009 (H1 2008: £4.9bn). The balance of assets at the end of the period was £2.7bn, and we expect this balance of assets to increase in the second half as a result of debt issued in July, offset by payment of the interim dividend. The reduction in the average balance of assets reflects lower investment markets and £650m moved into short term default reserves as announced earlier this year. The investment return also reflects the effect of equity sales made in the early part of this year and the latter part of 2008.

Interest expenses reduced to £65m (H1 2008: £70m), including the effect of lower floating rates on short term debt.

NEW BUSINESS

NEW BUSINESS APE

	H1 2009 £m	H1 2008 £m
UK Risk	223	288
UK Savings	448	456
Total UK Risk and Savings	671	744
International	75	62
Worldwide Risk and Savings	746	806
Investment management new mandates	15,137	17,645

Headline UK sales in the first half of 2009 were 10% lower at £671m of APE (H1 2008: £744m). Q2 sales, however, at £338m were ahead of Q1 and in line with the quarterly average for the last 18 months, but below last year's very strong second quarter. This reduction in sales reflects slower closure rates of bulk purchase annuity contracts in Q2 and management action to reduce sales of less attractive Savings products.

BALANCE SHEET MANAGEMENT

Capital resources

As at 30 June 2009 the Insurance Groups Directive (IGD) capital resources were £4.3bn, while the capital resources requirement was £2.4bn generating a surplus of £1.9bn and a coverage ratio of 179%.

CAPITAL RESOURCES

	H1 2009 £bn	FY 2008 £bn
IGD capital resources	4.3	4.4
Capital resources requirement	2.4	2.6
IGD Surplus	1.9	1.8
Coverage ratio	179%	169%

IGD surplus at 30 June was £1.9bn, up from £1.8bn at 31 December 2008 and £1.6bn at 31 March 2009.

In July 2009 we issued £300m of lower tier 2 debt with a coupon of 10%. As a result the proforma IGD surplus stands at £2.2bn, with a coverage ratio of 192%. All figures are net of dividend costs.

For With-profits business, the realistic capital position has strengthened over the first half of 2009. On a Peak 1 basis, the regulatory surplus capital has decreased by £0.2bn, due primarily to market conditions in the first half and maturities in our mortgage endowment portfolio. As a result, the Peak 1 basis was more onerous than Peak 2 at 30 June and therefore the With-profits Insurance Capital Component is zero (FY 2008: £0.2bn).

We estimate that a 40% fall in equities would reduce the IGD surplus at the end of June by £0.7bn, in line with the year end estimated impact.

LIQUIDITY

Legal & General has a limited appetite for liquidity risk and maintains at Group level sufficient liquid assets and standby facilities to meet a prudent estimate of the Group's net cash outflows over a period of two years, as identified through annual planning processes.

The liquidity position across our operational business units is very strong. On average during first half of 2009 we maintained a daily average cash balance in excess of £1bn of overnight cash deposits and significant holdings of liquid assets such as Gilts.

Our Group liquidity position is also strong. We have a circa £1bn undrawn committed syndicated credit facility which matures in December 2012. We also have access to liquid funds under our US$2bn Commercial Paper programme. In addition the Group holds the proceeds of the recent £300m lower tier 2 bond issue in liquid short term investments.

The Group has no outstanding bonds that mature before 2015. There are no restrictive covenants and no credit rating or share price triggers in respect of our debt or liquidity position.

INTERIM MANAGEMENT REPORT

RISK BUSINESS

We have made progress in the operational performance of our business in the first half of the year. Risk made a contribution to Group operational cash generation of £216m before new business strain (FY 2008: £379m) reflecting the scale and growth of the business over recent years. Net cash generation from the Risk business increased to £229m, being higher in the first half of 2009 than the entirety of 2008 (FY 2008: £206m).

OVERVIEW

Total new business APE £223m (FY 2008: £488m)

Total gross written premium £2,089m (FY 2008: £4,334m)

Operational cash generation £216m (FY 2008: £379m)

IFRS Operating loss
£(128)m FY 2008: £(603)m

Net cash generation
£229m FY 2008: £206m

The IFRS operating loss of £128m (H1 2008: profit £75m) reflects these strong underlying cash dynamics, offset by negative experience variances and assumption changes. In particular the Risk business reflects the majority of negative investment variances which are discussed earlier in "Group Financial Results".

New business APE of £223m was 23% lower (H1 2008: £288m), with protection sales impacted by conditions in the mortgage market and some deferral of BPA closure by clients in volatile markets. We continue to re-focus our annuity appetite into the individual market where pricing conditions have been favourable. Gross written premiums in our General Insurance business of £136m (H1 2008: £142m) were 4% lower, as economic conditions caused a downturn in mortgage related sales; however operating profitability improved.

OPERATIONAL CASH GENERATION AND OPERATING PROFIT

Protection business: net cash generation was £31m in the first half of the year. New business strain fell, reflecting our focus on higher margin business, discipline in pricing and cost management. The new business EEV margin was 7.0% in H1 2009 (FY 2008: 6.2%; H1 2008: 6.9%) despite continued price competition.

Annuity business: net cash generated was significantly ahead of that delivered in 2008 at £188m (FY 2008: £108m). This reflects the growing size of the annuity portfolio and better pricing and risk selection capability which has significantly reduced the expense of writing new business, resulting in a negative strain. Net cash does not include any release from the short term default provision.

Strain levels in our annuities business will naturally depend on pricing conditions in any future period. Despite narrowing credit spreads and some signs of increasing competition towards the end of the period we maintained target profitability whilst fully reflecting the risks we are assuming.

General Insurance business: the household and accident, sickness and unemployment ("ASU") businesses delivered an improved combined operating ratio of 99% (H1 2008: 107%) and an operating profit of £6m (H1 2008: loss of £4m). Within this result the household business delivered improved operating profit of £6m (H1 2008: loss of £7m). This more than offset an increase in claims cost within our smaller ASU business.

IFRS Operating Profit: an operating loss of £128m in the first half of the year (H1 2008: profit of £75m) reflects much stronger underlying cash profitability, offset by the impact of experience and assumption changes in the in-force portfolio. The detail of these changes is included in the Group Financial Results section.

NEW BUSINESS

Protection: APE was 18% lower at £90m (H1 2008: £110m).

Individual protection: sales of £30m of APE in each quarter this year are comparable to quarterly sales reported for H2 2008 (Q4 2008: £33m; Q3 2008: £34m). Application volumes remain resilient, with some decrease in average case sizes. We continue to diversify away from mortgage related business with continued successes in high net worth, family and business protection sales. Overall H1 individual protection volumes fell by 18% comparing favourably with an almost 60% drop in gross mortgage lending (Council of Mortgage Lenders data). Our distribution partnership with Nationwide Building Society continues to perform well with sales up 40% and direct sales increased by 14%.

Group protection: sales of £30m fell period on period due to the unusually high volume of business in Q2 2008 when we closed several large schemes (H1 2008: £37m). The competitive environment remains dynamic. There are new entrants emerging, and some existing companies are exiting the market, with the overall result of intensified pricing activity. There are segments of this market which have seen unsustainable pricing in our view and we have stepped away from them. Opportunities remain to build new business further in some areas, although we expect continued pressure on incremental premiums as tough economic conditions impact our corporate customers.

Despite lower new business volumes, the scale of our protection business was maintained with overall gross written premium being modestly higher at £561m (H1 2008: £555m).

Annuities: APE 25% lower at £133m (H1 2008: £178m)

Bulk purchase annuities ("BPA"): we maintained our prudent and selective approach to pricing, reflecting the significantly increased cost of capital in this market. Sales in the first half were £74m (H1 2008: £138m). Quotation activity remains robust but the more uncertain economic environment has impacted decision making for a number of schemes and sponsoring companies.

Individual annuities: favourable conditions in Q1 2009 have largely continued in Q2 with sales for the first six months of £59m being 48% higher than the same period in 2008.

OUTLOOK

In protection we have made further developments in our product offering which are due to come online in H2 2009, but we do not expect a rapid recovery in volumes or pricing. The sector continues to be highly competitive with significant pressure on commission terms particularly in the IFA market. Our strong and diversified distribution capability provides resilience in such conditions. As the economy recovers our scale and strength in the protection market position us excellently for profitable growth.

Our appetite for annuity business remains unchanged, with significant long term opportunities for Legal & General in this market. We expect some continuing uncertainty in the BPA market as potential customers' attitude to current economic conditions is reflected in their decision making. As spreads reduce, competitive pressure in the individual market is increasing.

INTERIM MANAGEMENT REPORT

SAVINGS

During 2009 our key focus has been to accelerate the repositioning of the Savings product portfolio towards more modern, fee-based, flexible products with lower strain and shorter payback periods. This has improved net operational cash generation substantially. We are rebasing our operating costs, mainly through the rationalisation of headcount, and pursuing our strategy to build a low-cost, scalable savings platform.

OVERVIEW

New business APE of £448m (FY 2008: £879m)

New business strain at £44m (FY 2008: £161m)

Assets under administration £46bn (FY 2008: £46bn)

IFRS Operating (loss)/profit
£(5)m FY 2008: £66m profit

Net fund flows
£0.7bn FY 2008: £0.4 bn

New business APE of £448m (H1 2008: £456m) was marginally lower than last year. New business strain is significantly lower at £44m.

OPERATIONAL CASH GENERATION AND OPERATING PROFIT

We are moving towards a distribution model which relies less on upfront commission payments and is more focused on trail commissions and fees set by distributors and customers. Initiatives to reduce new business strain and improve cash flow have resulted in a managed reduction in volumes in some product lines.

In particular, in non profit bonds and some legacy retail pension products we have reduced initial commission and simplified our trail commission options.

These actions have improved overall net cash generation to negative £1m in the first half of 2009 (FY 2008: negative £23m). This was achieved through a significant reduction in new business strain to £44m (FY 2008: £161m) and despite a reduced contribution from the existing book driven by lower asset values and lower income from the With-profits business.

Despite market volatility, overall Savings assets under administration of £46bn have been maintained at 2008 year end levels. Investment market volatility was offset by positive net fund flows of £0.7bn.

New business strain in the onshore unit linked bond business fell significantly. A materially reduced appetite for this business has contributed to lower commission strain and management actions to reduce infrastructure in line with lower volumes have mitigated pressure on unit costs.

In non profit pensions we have also reduced new business strain through actions on product mix, commission terms and expenses.

The IFRS operating loss of £5m before tax was partially attributable to a £31m decrease in the income from the With-profits business. This decrease was directly related to actions on bonuses and Market Value Reductions in response to sustained adverse investment conditions. 2008 was also a peak year for maturities. H1 2009 also did not see a repeat of one-off reserving benefits in the Savings business result in H1 2008.

NEW BUSINESS

Non profit pensions: APE sales 9% lower at £147m (H1 2008: £162m).

Lower sales reflect a drive to improve the economics of a number of traditional product lines. This has in some areas led to lower volumes, but an overall improvement in the mix and profitability of our portfolio of pension sales.

Our more modern pension products, including SIPPs, have performed well. SIPP sales grew by 32% in H1 2009 and now represent 68% of all new non profit retail sales. We have capitalised on the acquisition of Suffolk Life in 2008 and have grown in this market, which offers more attractive economics than more traditional pension products.

We have made good progress in providing Group Pensions, including Group SIPP products to corporate clients and new business tender activity remains strong. Our proposition remains focused on fee based intermediaries where we have been successful despite downward pressure on charges for nil commission terms. 84% of non profit corporate pension sales are now made on a fee basis.

Core retail investments: APE sales up 31% to £151m (H1 2008: £115m).

This strong expansion in sales reflects good progress in the distribution of products through Nationwide Building Society, the delivery of a wider range of products to specialist IFAs and increased direct sales.

With-profits products: APE 13% higher at £118m (H1 2008: £104m).

This reflects continued growth of With-profits bond sales which were 182% higher at £31m (H1 2008: £11m). We have increased our With-profits bonds market share reflecting the success of our leading protected capital offering.

Unit linked bonds: APE sales 57% lower at £32m (H1 2008: £75m).

Sales in this market have declined as anticipated reflecting continued adverse market and fiscal conditions and management actions to reduce sales of products incurring higher initial commissions.

OUTLOOK

We will continue to focus on cash generation ahead of sales growth. We are targeting low strain business with lower risk to capital. Overall, we expect further declines in volumes in less economically attractive areas of our pensions and bonds businesses, but aim to continue to grow in business lines where the capital and cash flow dynamics are more favourable.

The actions taken will deliver a better and more profitable mix of business overall. Improvements in non profit new business strain, relative to the level of new business sales, should continue as initiatives to change the focus of our distribution model to trail commissions and fees, as opposed to upfront commission, take fuller effect as the year progresses.

In order to ensure our Savings business is rebased to reflect changes in market conditions and lower volumes, we have embarked on a cost reduction programme during H1 2009. We expect to recognise significant headcount reductions by the end of the year and the full benefits will be realised throughout 2010, positioning the business well for the future.

INTERIM MANAGEMENT REPORT

INVESTMENT MANAGEMENT

Our Investment Management business is diversifying products in line with customers' needs, but remains committed to good value products and excellent customer service.

OVERVIEW

Operational cash generation £51m (FY 2008: £115m)

LGIM closing UK funds under management £271bn (FY 2008: £264bn)

Gross new fund management mandates £15.1bn (FY 2008: £33.1bn)

IFRS Operating Profit
£70m FY 2008: £165m

Net fund flows (LGIM)
£7.9bn FY 2008: £10.1bn

Investment management includes our institutional investment management business ("LGIM"), and institutional sales of unit trust contracts.

OPERATIONAL CASH GENERATION AND OPERATING PROFIT

Investment management generated operational cash of £51m despite the downturn in market conditions over the last 12 months. Continued market volatility in 2009 reduced operating profits by 23% to £70m (H1 2008: £91m). Of this total, £12m was generated by the management of assets internal to the Legal & General Group companies. LGIM's fee to fund ratio of 10.3bp remained resilient, being broadly stable when compared with the 10.6bp delivered in 2008. The expense margin has increased from 5.2bp in 2008 to 5.5bp reflecting the combination of lower average asset balances and continued investment in diversifying our product offering.

NEW BUSINESS

Investment management continued a very strong performance in the generation of gross new business, with £15.1bn of new mandates being only modestly lower than last year (H1 2008: £17.6bn). Within LGIM, gross inflows were £14.2bn, with strong net flows of £7.9bn supported by record persistency, retaining 94% of client money despite unsettled market conditions. We are pleased that in such a challenging environment, such strong gross and net fund flows have supported UK funds under management, growing by 3% in the first half to £271bn (FY 2008: £264bn). Particularly encouraging is that LGIM's core index tracking products are increasingly complemented by sales of active bonds and our market leading LDI products. We now have a comprehensive range of LDI funds (both pooled and segregated) resulting in funds under management increasing by 43% to £22.5bn (H1 2008: £15.7bn).

OUTLOOK

LGIM remains a leader in its market and the outlook looks positive, with strong inflows of new business in the pipeline. We continue to evolve the product range and to develop solutions to meet client demands. Under current market conditions, we remain well positioned for significant further progress.

INTERIM MANAGEMENT REPORT

INTERNATIONAL

We are broadening our international horizons. Our existing businesses are performing well, and we are planting the seeds of long-term growth in new and exciting markets.

OVERVIEW

New business APE USA £29m (FY 2008: £51m)

New business APE Netherlands £13m (FY 2008: £29m)

New business APE France[1] £33m (FY 2008: £39m)

IFRS Operating profit

£65m FY 2008: £59m

[1] Includes core retail investments

OPERATING PROFIT

Total IFRS operating profit was £65m, up 35% (H1 2008: £48m). This reflects the positive impact of strain and expense management in our USA and Netherlands businesses, offset by lower margins in our French business.

Operating profit in the USA rose 50% (H1 2008: £30m), having taken action to reduce expenses and new business strain and benefiting from currency movements.

In the Netherlands the profit turnaround since H1 2008 has been driven by more stable investment markets and focus on expense control in a lower volume environment, which has contributed to lower new business strain.

In France operating profit is lower than the same period of last year due in part to reduced margins on savings products, and the switch away from unit linked products.

NEW BUSINESS

In the USA we have taken a measured approach to sales in the first half, preferring to implement selected price rises to improve profitability rather than pursuing higher volumes. However, sales momentum has been maintained despite the difficult trading conditions, with regular premiums of $43m (H1 2008: $47m).

Our Netherlands business continues to operate in very challenging industry conditions. Our unit linked business has been affected by low consumer sentiment. A decline in term sales reflects the downturn in the mortgage market and increased competition during the period. Overall new business APE was 29% lower compared to last year at €15m.

In France our Group Insurance business continues to expand ahead of the market in terms of total premium income despite difficult market and economic conditions. Euro-fund saving new business increased in H1, however customer sentiment towards unit linked savings products was lower. Headline APE was €37m (H1 2008: €28m).

OUTLOOK

In the USA we expect our performance to remain resilient for the remainder of the year based on our distribution strength and our position as a leader in the individual protection market, despite difficult trading conditions and some signs of increased price competition. Our focus will however remain on margin rather than volume growth.

INTERIM MANAGEMENT REPORT

INTERNATIONAL
continued

European markets will continue to be challenging until consumer confidence starts to improve for equity-style investments. In the Netherlands we have introduced a more sophisticated term insurance pricing approach backed by improved point of sale technology and we expect to see these supporting sales in H2 2009.

In India, we have received the important R1 approval from the Insurance Regulatory and Development Authority (IRDA) for our joint venture with Bank of Baroda and Andhra Bank. This allows us to push ahead aggressively to complete launch preparations and we are on track to launch in the first quarter of 2010.

Our joint venture in the Gulf has launched with group life and credit life products. Full operations through the retail branches of our partner, Ahli United Bank, will commence in Q4 2009.

INTERIM MANAGEMENT REPORT

PRINCIPAL RISKS & UNCERTAINTIES

Legal & General's business involves the controlled acceptance and management of exposures to market, insurance, credit, liquidity and operational risks. The following risk factors may impact the Group's strategic objectives, profitability or capital.

	BUSINESS ENVIRONMENT	RISK FACTORS & UNCERTAINTIES
LEGISLATION AND REGULATION	The financial services markets in which the Group operates are highly regulated. Current areas of significant regulatory change include Solvency II. Government fiscal policy also influences product design, business retention and required reserves.	The Group engages with regulatory and legislative authorities to assist in the evaluation of change on the sector and its stakeholders. However, sudden changes and/or retrospection in legislation and fiscal policy without prior consultation, or the differing interpretation and application of regulation over time, may have a detrimental effect on the Group's strategy and profitability.
FINANCIAL MARKET AND ECONOMIC CONDITIONS	The earnings and profitability of Legal & General's businesses are influenced by a broad range of factors including the performance and liquidity of investment markets, interest rate movements and inflation.	The Group uses a range of risk management strategies to manage volatility in returns from investment assets and the broader effects of adverse market conditions. However, extreme market conditions can impact the execution of these strategies. Economic conditions also influence the purchase of financial services products and the period over which business is retained.
COUNTERPARTY AND THIRD PARTY RISKS	The Group is exposed to counterparty risk in respect to the issuers of corporate debt and financial instruments, and through money market and reassurance transactions. Third party risk arises with regard to critical suppliers.	The Group seeks to limit exposure to loss from counterparty and third party failure through selection criteria, pre-defined risk based limits on concentrations of exposures and monitoring positions. However, in extreme conditions an event causing widespread default may impact the Group's profitability.
UK FINANCIAL SERVICES SECTOR CONTAGION RISKS	As a significant participant in the UK retail financial services sector, the earnings of the Group are influenced by the perception and confidence of the retail investor with the sector as a whole.	The Group seeks to differentiate itself from its competitors, however, factors such as investment market performance, actions by regulators and shock events such as significant market failures can impact the confidence of retail investors. Participation in the Financial Services Compensation Scheme may also impact the Group should other financial services organisations fail.
MORTALITY, CATASTROPHE AND OTHER ASSUMPTION UNCERTAINTIES	In writing insurance business the Group uses its pricing capabilities to assess and charge an appropriate premium for known risk factors.	Stress testing is undertaken to validate the key assumptions underpinning long term liabilities and to assess the adequacy of capital. However, scenarios such as a rapid advance in medical science leading to significantly enhanced annuitant longevity or an event causing widespread mortality or morbidity, coupled with a reinsurer default may impact profitability and capital. Extreme shifts in financial markets and in the broader economic environment may also require other assumptions for persistency, valuation interest rates or credit defaults to be recalibrated.
FUTURE DEVELOPMENT OF SAVINGS MARKET	The reasons customers save and make provision for old age are influenced by a number of factors including government policy, social conditions and the general economic environment.	Consumer uncertainty in factors influencing the incentive to save may have a detrimental effect on the markets in which the Group operate and potential earnings. A protracted period of low growth in asset values or low interest rate returns, may lead to a re-assessment by consumers of the way they plan for retirement and their requirements for long term saving products.
RESOURCES	The Group's ranges of products include those targeted at specific market segments which require specialist knowledge to design and support.	The Group actively focuses on retaining the best personnel and deploys strategies to ensure that key dependencies do not arise. However, sudden unanticipated loss of teams of expertise may, in the short term, impact certain segments of Legal & General's businesses.

These risks are consistent with those identified at year end which can be found in full in the 2008 Annual Report and Accounts.

FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

We confirm to the best of our knowledge that:

- the condensed set of IFRS financial statements have been prepared in accordance with IAS 34 as adopted by the European Union; and
- the Interim Management Report includes a fair review of the information required by DTR 4.2.7, namely important events that have occurred during the first six months of the financial period and their impact on the condensed set of financial statements, as well as a description of the principal risks and uncertainties faced by the Company and the undertakings included in the consolidation taken as a whole for the remaining six months of the financial year;
- the Interim Management Report includes, as required by DTR 4.2.8, a fair review of material related party transactions that have taken place in the first six months of the financial period and any material changes in the related party transactions described in the last Annual Report; and
- the European Embedded Value basis consolidated income statement, the consolidated statement of comprehensive income and the consolidated balance sheet and associated notes have been prepared on the European Embedded Value basis as set out in Notes 22 and 33.

The directors of Legal & General Group Plc are listed in the Legal & General Group Plc Annual Report for 31 December 2008, except Dame Clara Furse who was appointed as a non-executive director of the Company on 1 June 2009. A list of current directors is maintained on the Legal & General Group Plc website: www.legalandgeneralgroup.com.

By order of the Board

Tim Breedon
Group Chief Executive
3 August 2009

Andrew Palmer
Group Director (Finance)
3 August 2009

SUPPLEMENTARY OPERATING PROFIT INFORMATION BASED ON RESULTS REPORTED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2009	Notes	30.06.09 £m	30.06.08 £m	Full year 31.12.08 £m
From continuing operations				
Risk	2	(128)	75	(603)
Savings	3	(5)	111	66
Investment management	4	70	91	165
International	5	65	48	59
Group capital and financing	6	29	66	124
Operating profit/(loss)		31	391	(189)
Variation from longer term investment return		(154)	(422)	(1,239)
Property losses attributable to minority interests		(20)	(13)	(63)
Loss from continuing operations before tax attributable to equity holders of the Company		(143)	(44)	(1,491)
Tax credit attributable to equity holders of the Company		52	17	361
Loss from ordinary activities after tax		(91)	(27)	(1,130)
Loss attributable to minority interests	17	20	13	63
Loss attributable to equity holders of the Company		(71)	(14)	(1,067)
		p	p	p
Earnings per share				
Based on operating profit/(loss) from continuing operations after tax attributable to equity holders of the Company		0.58	4.61	(2.18)
Based on loss attributable to equity holders of the Company		(1.22)	(0.23)	(17.88)
Diluted earnings per share				
Based on operating profit/(loss) from continuing operations after tax attributable to equity holders of the Company		0.58	4.59	(2.18)
Based on loss attributable to equity holders of the Company		(1.22)	(0.23)	(17.88)

This supplementary operating profit information provides further analysis of the results reported under International Financial Reporting Standards (IFRS) and we believe gives shareholders a better understanding of the underlying performance of the business.

Operating profit at 30 June 2008 has been reclassified following the adoption of IFRS 8 in the 2008 Annual Report and Accounts. This is described in Note 1.

SUPPLEMENTARY OPERATING PROFIT INFORMATION BASED ON RESULTS REPORTED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

NOTES TO THE CONSOLIDATED INCOME STATEMENT – OPERATING PROFIT BASIS

1. BASIS OF PREPARATION

IFRS supplementary operating profit is one of the Group's key performance indicators and was reclassified in the 2008 Annual Report and Accounts to reflect the reportable segments under IFRS 8.

Operating profit for the Risk segment represents the net capital invested/released from the non profit Risk businesses (individual and group protection, and individual and bulk purchase annuities) and the operating profit of our General insurance business. This incorporates the total investment return on assets backing the liabilities of the non profit Risk businesses. General insurance operating profit includes a longer term expected investment return on shareholders' funds.

Operating profit for the Savings segment represents the net capital invested/released from the non profit Savings businesses (non profit investment bonds and non profit pensions (including SIPPs)), the With-profits transfer and the operating profit of our core retail investments business.

Operating profit for the Investment management and International segments incorporates a longer term expected investment return on the shareholders' funds within the Investment management and Netherlands' operations.

Investment return on Group capital incorporates a longer term expected investment return using longer term investment return assumptions applied to the average balance of Group invested assets (including interest bearing intra-group balances) calculated on a quarterly basis.

2. RISK OPERATING PROFIT

	30.06.09 £m	30.06.08 £m	Full year 31.12.08 £m
Non profit Risk[1]	(141)	86	(602)
General insurance	6	(4)	(2)
Other[2]	7	(7)	1
Total Risk operating (loss)/profit	(128)	75	(603)

[1] The H1 09 Risk operating loss includes negative investment experience variances of £359m which primarily reflect the net effect of strengthening the credit default provision (£55m), the impact of action taken to sell a number of credits (£75m) and the impact on investment performance of the holdings in cash during a period when credit spreads have narrowed (£206m). FY 08 included £650m of additional reserves for non profit annuity credit default.
[2] Other comprises estate agencies and housing related business conducted through our regulated mortgage network. It also includes Nationwide Life Risk business and business unit costs of £2m (H1 08: £1m; FY 08: £3m) allocated to the Risk business.

3. SAVINGS OPERATING PROFIT

	30.06.09 £m	30.06.08 £m	Full year 31.12.08 £m
Non profit Savings[1]	(20)	51	(20)
With-profits business[2]	29	60	107
	9	111	87
Core retail investments	(1)	2	–
Other[3]	(13)	(2)	(21)
Total Savings operating (loss)/profit	(5)	111	66

[1] Non profit Savings businesses includes non profit investment bonds and non profit pensions (including SIPPs). The H1 08 Savings operating profit included one-off reserving benefits that have not been repeated in H1 09.
[2] With-profits business operating profit is the shareholders' share of policyholder bonuses.
[3] Other includes Suffolk Life, operations in Ireland, Nationwide Life Savings business and business unit costs of £2m (H1 08: £1m; FY 08: £3m), allocated to the Savings business.

4. INVESTMENT MANAGEMENT OPERATING PROFIT

	30.06.09 £m	30.06.08 £m	Full year 31.12.08 £m
Managed pension funds	55	63	117
Private equity	(1)	–	(1)
Property	1	4	4
Other income[1]	19	27	52
Legal & General Investment Management	74	94	172
Institutional unit trusts[2]	(4)	(3)	(7)
Total Investment management operating profit	70	91	165

[1] Other income includes £12m of profits arising from the provision of investment management services charged to the Group's Risk and Savings businesses (H1 08: £19m; FY 08: £35m).
[2] Investment management operating profit excludes core retail investments of £(1)m (H1 08: £2m; FY 08: £nil), which has been disclosed as part of Savings. The comparatives have been reclassified accordingly.

5. INTERNATIONAL OPERATING PROFIT

	30.06.09 £m	30.06.08 £m	Full year 31.12.08 £m
USA	45	30	39
Netherlands	16	8	6
France	4	10	14
Total International operating profit	65	48	59

Exchange rates are provided in Note 18.

SUPPLEMENTARY OPERATING PROFIT INFORMATION BASED ON RESULTS REPORTED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

NOTES TO THE CONSOLIDATED INCOME STATEMENT – OPERATING PROFIT BASIS

6. GROUP CAPITAL AND FINANCING OPERATING PROFIT

	30.06.09 £m	30.06.08 Restated £m	Full year 31.12.08 Restated £m
Investment return[1,2]	95	164	298
Interest expense[2,3]	(65)	(70)	(145)
Investment expenses	(2)	(3)	(5)
Unallocated corporate expenses	(3)	(6)	(9)
Defined benefit pension scheme[4]	4	(19)	(15)
Total Group capital and financing operating profit	29	66	124

1 The longer term expected investment return of £95m (H1 08: £164m; FY 08: £298m) reflects an average return of 3% (H1 08: 3%; FY 08: 7%) on the average balance of invested assets held within Group capital and financing calculated on a quarterly basis. The invested assets held within Group capital and financing amounted to £2.7bn at 30 June 2009 (30 June 2008: £4.5bn; 31 December 2008: £3.9bn).
2 The smoothed investment return has been restated to exclude interest received on intra-group balances of £26m at H1 08 and £53m at FY 08, with a corresponding reduction in interest expense.
3 Interest expense excludes interest on non-recourse financing (see Note 16).
4 The defined benefit pension scheme income/(expense) includes the actuarial gains and losses arising on annuity assets held by the schemes that have been purchased from Legal & General Assurance Society Limited. Under IFRS, these annuity assets cannot be classified as plan assets in accordance with IAS 19 and so the associated actuarial gains and losses cannot be taken to the consolidated statement of comprehensive income (H1 09 income: £4m; H1 08 expense: £19m; FY 08 expense: £15m).

7. GENERAL INSURANCE GROSS WRITTEN PREMIUMS AND OPERATING PROFIT

	30.06.09 Premiums written £m	30.06.09 Operating profit £m	30.06.08 Premiums written £m	30.06.08 Operating (loss)/profit £m	Full year 31.12.08 Premiums written £m	Full year 31.12.08 Operating (loss)/profit £m
From continuing operations						
Household	123	6	129	(7)	267	(12)
Other business	13	–	13	3	29	10
	136	6	142	(4)	296	(2)

INTERNATIONAL FINANCIAL REPORTING STANDARDS BASIS

CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2009	Notes	30.06.09 £m	30.06.08 £m	Full year 31.12.08 £m
Net premiums earned		2,830	3,031	5,327
Fees from fund management and investment contracts		345	358	740
Investment return		(1,778)	(17,196)	(37,749)
Operational income		44	22	38
Total revenue		1,441	(13,785)	(31,644)
Net claims and change in insurance liabilities		2,787	1,378	2,700
Change in provisions for investment contract liabilities		(2,209)	(15,434)	(33,313)
Finance costs		148	189	379
Other expenses		789	466	743
Total expenses		1,515	(13,401)	(29,491)
Loss before income tax		(74)	(384)	(2,153)
Income tax (expense)/credit attributable to policyholder returns		(69)	340	662
Loss from continuing operations before income tax attributable to equity holders of the Company		(143)	(44)	(1,491)
Total income tax (expense)/credit		(17)	357	1,023
Income tax expense/(credit) attributable to policyholder returns		69	(340)	(662)
Income tax credit attributable to equity holders of the Company		52	17	361
Loss from ordinary activities after income tax		(91)	(27)	(1,130)
Loss after tax attributable to:				
Minority interests	17	(20)	(13)	(63)
Equity holders of the Company		(71)	(14)	(1,067)
Dividend distributions to equity holders of the Company during the period	11	120	248	367
Dividend distributions to equity holders of the Company proposed after the period end	11	65	115	120
		p	p	p
Earnings per share	13			
Based on loss from continuing operations after income tax attributable to equity holders of the Company		(1.22)	(0.23)	(17.88)
Diluted earnings per share	13			
Based on loss from continuing operations after income tax attributable to equity holders of the Company		(1.22)	(0.23)	(17.88)

This financial information was approved by the Board on 3 August 2009.

The results for the six months to 30 June 2009 and 30 June 2008 are unaudited, but have been subject to a review by the Group's independent auditors and constitute non-statutory accounts within the meaning of Section 434 of the Companies Act 2006. They have been prepared on a basis which is consistent with the consolidated Group financial statements approved on 24 March 2009 which have been filed with the Registrar of Companies. The published full year 2008 consolidated Group financial statements prepared under IFRS included an independent auditors' report which was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain a statement under either Sections 237(2) or 237(3) of the Companies Act 1985.

INTERNATIONAL FINANCIAL REPORTING STANDARDS BASIS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009	30.06.09 £m	30.06.08 £m	Full year 31.12.08 £m
Loss from ordinary activities after income tax	(91)	(27)	(1,130)
Other comprehensive income, after tax			
Exchange differences on translation of overseas operations	(75)	8	139
Actuarial gains/(losses) on defined benefit pension schemes	(89)	20	18
Actuarial (gains)/losses on defined benefit pension schemes transferred to unallocated divisible surplus	36	(8)	(8)
Net change in financial investments designated as available-for-sale	20	(19)	(56)
	(108)	1	93
Total comprehensive expense	(199)	(26)	(1,037)
Total comprehensive expense attributable to:			
Minority interests	(20)	(13)	(63)
Equity holders of the Company	(179)	(13)	(974)

The tax effects relating to each component of other comprehensive income can be found in Note 10.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2009	Notes	At 30.06.09 £m	At 30.06.08 £m	At 31.12.08 £m
Assets				
Investments		252,431	267,674	249,185
Other assets		7,876	6,792	7,542
Total assets		260,307	274,466	256,727
Equity and liabilities				
Shareholders' equity		3,295	4,675	3,588
Minority interests	17	149	175	144
Total equity		3,444	4,850	3,732
Subordinated borrowings	16	1,552	1,444	1,657
Participating contract liabilities		16,204	18,641	17,118
Non-participating contract liabilities		227,752	241,284	222,539
Senior borrowings	16	1,933	1,742	2,314
Other liabilities and provisions		9,422	6,505	9,367
Total liabilities		256,863	269,616	252,995
Total equity and liabilities		260,307	274,466	256,727

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009	Share capital £m	Share premium account £m	Employee scheme shares £m	Capital redemption and other reserves £m	Retained earnings £m	Total £m	Minority interests £m	Total equity £m
As at 1 January	147	936	(46)	(42)	2,593	3,588	144	3,732
Total comprehensive expense for the period	–	–	–	(55)	(124)	(179)	(20)	(199)
Net movement in employee scheme shares	–	–	4	7	(5)	6	–	6
Dividends	–	–	–	–	(120)	(120)	–	(120)
Movement in third party interests	–	–	–	–	–	–	25	25
Currency translation differences	–	–	–	93	(93)	–	–	–
As at 30 June	147	936	(42)	3	2,251	3,295	149	3,444
For the six months ended 30 June 2008								
As at 1 January	157	927	(42)	59	4,345	5,446	178	5,624
Total comprehensive expense for the period	–	–	–	(11)	(2)	(13)	(13)	(26)
Share buyback[1]	(8)	–	–	8	(408)	(408)	–	(408)
Closed period share buyback reserve	–	–	–	(100)	–	(100)	–	(100)
Options exercised under share option schemes	–	7	–	–	–	7	–	7
Net movement in employee scheme shares			(4)	(9)	4	(9)	–	(9)
Dividends	–	–	–	–	(248)	(248)	–	(248)
Movement in third party interests	–	–	–	–	–	–	10	10
Currency translation differences	–	–	–	(12)	12	–	–	–
As at 30 June	149	934	(46)	(65)	3,703	4,675	175	4,850
For the year ended 31 December 2008								
As at 1 January	157	927	(42)	59	4,345	5,446	178	5,624
Total comprehensive income/(expense) for the period:	–	–	–	83	(1,057)	(974)	(63)	(1,037)
Share buyback[1]	(11)	–	–	11	(523)	(523)	–	(523)
Options exercised under share option schemes	1	9	–	–	–	10	–	10
Net movement in employee scheme shares	–	–	(4)	(3)	3	(4)	–	(4)
Dividends	–	–	–	–	(367)	(367)	–	(367)
Movement in third party interests	–	–	–	–	–	–	29	29
Currency translation differences	–	–	–	(192)	192	–	–	–
As at 31 December	147	936	(46)	(42)	2,593	3,588	144	3,732

[1] During 2008, shares were repurchased and cancelled under a share buyback programme at a cost of £523m (HY 08: £408m) including expenses.

INTERNATIONAL FINANCIAL REPORTING STANDARDS BASIS

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 June 2009	Notes	30.06.09 £m	30.06.08 £m	Full year 31.12.08 £m
Cash flows from operating activities				
Loss from ordinary activities after income tax		(91)	(27)	(1,130)
Adjustments for non cash movements in net loss for the period		2,098	17,367	37,723
Net (increase)/decrease in operational assets		(8,528)	(827)	366
Net increase/(decrease) in operational liabilities		2,923	(19,758)	(45,116)
Cash used in operations		(3,598)	(3,245)	(8,157)
Interest paid		(148)	(196)	(377)
Interest received		2,529	2,609	5,214
Income tax received/(paid)		91	(165)	(208)
Dividends received		2,096	2,463	4,614
Net cash flows from operating activities		970	1,466	1,086
Cash flows from investing activities				
Net acquisition of plant and equipment		(5)	(10)	(14)
Acquisitions (net of cash acquired)	14	–	1,004	1,004
Capital injection into Gulf venture		(8)	–	–
Net cash flows from investing activities		(13)	994	990
Cash flows from financing activities				
Dividend distributions to ordinary equity holders of the Company during the year		(120)	(248)	(367)
Proceeds from issue of ordinary share capital		–	7	10
Purchase of employee scheme shares		(2)	(8)	(9)
Repurchase of shares under share buyback programme		–	(408)	(523)
Net (decrease)/increase in borrowings		(317)	260	608
Net cash flows from financing activities		(439)	(397)	(281)
Net increase in cash and cash equivalents		518	2,063	1,795
Exchange (losses)/gains on cash and cash equivalents		(68)	19	156
Cash and cash equivalents at 1 January		10,688	8,737	8,737
Cash and cash equivalents at 30 June / 31 December		11,138	10,819	10,688

The Group's consolidated cash flow statement includes all cash and cash equivalent flows, including those relating to the UK long term fund policyholders.

INTERNATIONAL FINANCIAL REPORTING STANDARDS BASIS

NOTES TO THE FINANCIAL STATEMENTS

8. BASIS OF PREPARATION

The Group's financial information for the period ended 30 June 2009 has been prepared in accordance with the Listing Rules of the Financial Services Authority. The 2009 Half-year Report has also been prepared in accordance with IAS 34, 'Interim Financial Reporting'. The Group's financial information has been prepared in accordance with the accounting policies and methods of computation which the Group expects to adopt for the 2009 year end. These policies are consistent with the principal accounting policies which were set out in the Group's 2008 consolidated financial statements which were consistent with IFRSs issued by the International Accounting Standards Board as adopted by the European Commission for use in the European Union.

The preparation of the Half-year Report includes the use of estimates and assumptions which affect items reported in the consolidated balance sheet and income statement and the disclosure of contingent assets and liabilities at the date of the financial information. The economic and non-economic actuarial assumptions used to establish the liabilities in relation to insurance and investment contracts are significant. For half-year financial reporting, economic assumptions have been updated to reflect market conditions. Non-economic assumptions are consistent with those used in the 31 December 2008 financial statements except for lower investment expense assumptions on unit linked contracts. These changes reflect experience to date in 2009.

Estimates are based on management's best knowledge of current circumstances and future events and actions, however, actual results may differ from those estimates, possibly significantly.

The Group chose to adopt IFRS 8, 'Operating segments' from the 31 December 2008 financial statements. IFRS 8 supersedes the disclosure requirements of IAS 14, 'Segment reporting' and reflects the basis on which the business is managed. In accordance with the provisions of the standard, the half-year comparatives have been reclassified. There is no impact on profit or net assets resulting from the adoption of this standard, as its provisions relate to disclosure.

The Group has adopted the revised presentation under Revised IAS 1, 'Presentation of financial statements' and accordingly included a separate consolidated statement of comprehensive income. The revision prohibits the presentation of items of income and expenses in the consolidated statement of changes in equity and requires changes in equity attributable to shareholders to be presented separately to those that are not attributable to shareholders. The changes are purely presentational and the comparatives have been restated to reflect the new presentation.

INTERNATIONAL FINANCIAL REPORTING STANDARDS BASIS
NOTES TO THE FINANCIAL STATEMENTS

9. NEW BUSINESS

New business is presented below for all long term business written by the Group including both insurance and investment contracts.

New annual premiums arise where the terms and conditions of a policy anticipate more than one premium being paid over its lifetime; new single premiums comprise all premiums which are not categorised as new annual premiums.

	Annual 30.06.09 £m	Single 30.06.09 £m	Annual 30.06.08 £m	Single 30.06.08 £m	Annual Full year 31.12.08 £m	Single Full year 31.12.08 £m
Protection	90	–	110	–	207	–
Annuities[1]	–	1,328	–	1,776	–	2,806
Total Risk	90	1,328	110	1,776	207	2,806
Unit linked bonds	–	319	–	749	–	1,306
Pensions, stakeholder and other non profit	77	703	94	679	181	1,468
With-profits	68	493	57	475	108	838
Core retail investments[2]						
– ISAs	13	270	14	255	29	413
– Unit trusts	5	1,061	5	698	12	1,466
Total Savings	163	2,846	170	2,856	330	5,491
Total Risk and Savings	253	4,174	280	4,632	537	8,297
International						
USA	29	–	24	–	51	–
Netherlands	4	86	6	96	13	157
France	19	142	10	118	17	227
Total International	52	228	40	214	81	384
	305	4,402	320	4,846	618	8,681
Investment management						
UK managed pension funds[3]						
– Pooled funds		11,788		13,562		26,733
– Segregated funds		1,247		364		841
		13,035		13,926		27,574
Limited partnerships		29		–		51
Other funds[2]	–	2,073	1	3,718	1	5,465
Total Investment management	–	15,137	1	17,644	1	33,090
Total new business	305	19,539	321	22,490	619	41,771
Comprising:						
Insurance contracts						
Risk, Savings and International						
– Participating	1	739	–	370	1	855
– Non-participating	139	980	149	1,617	284	2,394
Investment contracts						
Risk, Savings and International						
– Participating	1	156	3	133	4	237
– Non-participating	146	1,164	149	1,747	288	3,253
Core retail investments	18	1,363	19	979	41	1,942
Investment management	–	15,137	1	17,644	1	33,090
Total new business	305	19,539	321	22,490	619	41,771

[1] Risk annuity new business includes those premiums written in the With-profits fund of £7m (H1 08: £15m; FY 08: £27m). For segmental profit reporting, these contracts are incorporated with all other With-profits business in the Savings segment on the basis of materiality.
[2] UK core retail investments excludes institutional investments which are disclosed with segregated property, property partnerships, private equity partnerships and institutional clients funds which are disclosed as part of Investment management. Other funds comprise new business from Legal & General Investment Management (H1 09: £1,118m; H1 08: £2,298m; FY 08: £3,249m) and from Legal & General Retail Investments (H1 09: £955m; H1 08: £1,421m; FY 08: £2,218m).
[3] Excludes £2.4bn (H1 08: £4.6bn; FY 08: £7.4bn) which is held on a temporary basis, generally as part of portfolio reconstructions.

10. DISCLOSURE OF TAX EFFECTS RELATING TO EACH COMPONENT OF OTHER COMPREHENSIVE INCOME

	Before tax 30.06.09 £m	Tax credit/ (expense) 30.06.09 £m	After tax 30.06.09 £m	Before tax 30.06.08 £m	Tax (expense)/ credit 30.06.08 £m	After tax 30.06.08 £m
Exchange differences on translation of overseas operations	(75)	–	(75)	8	–	8
Actuarial (losses)/gains on defined benefit pension schemes	(123)	34	(89)	27	(7)	20
Actuarial losses/(gains) on defined benefit pension schemes transferred to unallocated divisible surplus	50	(14)	36	(11)	3	(8)
Net change in financial investments designated as available-for-sale	31	(11)	20	(29)	10	(19)
Other comprehensive income	(117)	9	(108)	(5)	6	1

	Before tax Full year 31.12.08 £m	Tax (expense)/ credit Full year 31.12.08 £m	After tax Full year 31.12.08 £m
Exchange differences on translation of overseas operations	139	–	139
Actuarial gains/(losses) on defined benefit pension schemes	26	(8)	18
Actuarial (gains)/losses on defined benefit pension schemes transferred to unallocated divisible surplus	(11)	3	(8)
Net change in financial investments designated as available-for-sale	(83)	27	(56)
Other comprehensive income	71	22	93

11. DIVIDENDS

	30.06.09 p	30.06.09 £m	30.06.08 p	30.06.08 £m	Full year 31.12.08 p	Full year 31.12.08 £m
Dividends paid in the period	2.05	120	4.10	248	6.11	367
Dividend proposed[1]	1.11	65	2.01	115	2.05	120

[1] The dividend proposed has not been included as a liability in the balance sheet.

INTERNATIONAL FINANCIAL REPORTING STANDARDS BASIS
NOTES TO THE FINANCIAL STATEMENTS

12. SEGMENTAL ANALYSIS

The Group has five reporting segments comprising Risk, Savings, Investment management, International, and Group capital and financing.

The Risk segment comprises individual and group protection, individual and bulk purchase annuities, and general insurance, together with estate agencies and the housing related business conducted through our regulated mortgage network.

The Savings segment comprises non profit investment bonds, non profit pensions (including SIPPs), ISAs, retail unit trusts, and all With-profits products.

The Investment management segment comprises institutional fund management and institutional unit trust business.

The International segment comprises businesses in the United States, France, the Netherlands and emerging markets.

Shareholders' equity supporting the non profit Risk and Savings businesses is held within Legal & General Assurance Society Limited and Legal & General Pensions Limited and is managed on a groupwide basis within Group capital and financing. This also includes capital within the Group's treasury function, and unit trust funds and property partnerships, which are managed on behalf of clients but are required to be consolidated under IFRS, which do not constitute a separately reportable segment.

Transactions between reportable segments are on normal commercial terms, and are included within the reported segments.

The Group assesses performance and allocates resources on the basis of IFRS operating profit before tax, (set out in Note 1). Segmental IFRS operating profit before tax is reconciled to the consolidated profit from continuing operations before tax attributable to equity holders and consolidated profit from ordinary activities after income tax.

The Group considers additional performance measures in assessing the performance of the segments. These include new business levels (Note 9) and EEV reporting (Supplementary Financial Statements).

(I) (LOSS)/PROFIT FROM ORDINARY ACTIVITIES AFTER TAX

Six months ended 30 June 2009	Risk £m	Savings £m	Investment management £m	International £m	Group capital and financing £m	Total £m
Operating (loss)/profit	(128)	(5)	70	65	29	31
Variation from longer term investment return	(10)	–	(1)	(10)	(133)	(154)
Property losses attributable to minority interests	–	–	–	–	(20)	(20)
(Loss)/profit from continuing operations before tax attributable to equity holders of the Company	(138)	(5)	69	55	(124)	(143)
Tax credit/(expense) attributable to equity holders of the Company	40	1	(19)	(18)	48	52
(Loss)/profit from ordinary activities after tax	(98)	(4)	50	37	(76)	(91)

Six months ended 30 June 2008	Risk £m	Savings £m	Investment management £m	International £m	Group capital and financing £m	Total £m
Operating profit	75	111	91	48	66	391
Variation from longer term investment return	(11)	–	(4)	(13)	(394)	(422)
Property losses attributable to minority interests	–	–	–	–	(13)	(13)
Profit/(loss) from continuing operations before tax attributable to equity holders of the Company	64	111	87	35	(341)	(44)
Tax (expense)/credit attributable to equity holders of the Company	(19)	(28)	(25)	(12)	101	17
Profit/(loss) from ordinary activities after tax	45	83	62	23	(240)	(27)

12. SEGMENTAL ANALYSIS (CONTINUED)

(I) (LOSS)/PROFIT FROM ORDINARY ACTIVITIES AFTER TAX (CONTINUED)

Year ended 31 December 2008	Risk £m	Savings £m	Investment management £m	International £m	Group capital and financing £m	Total £m
Operating (loss)/profit	(603)	66	165	59	124	(189)
Variation from longer term investment return	(29)	–	7	4	(1,221)	(1,239)
Property losses attributable to minority interests	–	–	–	–	(63)	(63)
(Loss)/profit from continuing operations before tax attributable to equity holders of the Company	(632)	66	172	63	(1,160)	(1,491)
Tax credit/(expense) attributable to equity holders of the Company	172	(7)	(52)	(21)	269	361
(Loss)/profit from ordinary activities after tax	(460)	59	120	42	(891)	(1,130)

(II) REVENUE

Six months ended 30 June 2009	Risk £m	Savings £m	Investment management £m	International £m	Group capital and financing £m	Total £m
Internal revenue	55	58	51	–	(164)	–
External revenue	2,371	590	(2,216)	680	16	1,441
Total revenue	2,426	648	(2,165)	680	(148)	1,441

Six months ended 30 June 2008	Risk £m	Savings £m	Investment management £m	International £m	Group capital and financing £m	Total £m
Internal revenue	73	60	55	–	(188)	–
External revenue	1,968	(2,202)	(13,434)	350	(467)	(13,785)
Total revenue	2,041	(2,142)	(13,379)	350	(655)	(13,785)

Year ended 31 December 2008	Risk £m	Savings £m	Investment management £m	International £m	Group capital and financing £m	Total £m
Internal revenue	132	133	119	–	(384)	–
External revenue	2,648	(6,008)	(28,229)	741	(796)	(31,644)
Total revenue	2,780	(5,875)	(28,110)	741	(1,180)	(31,644)

Total revenue includes investment losses of £1,778m (H1 08: losses of £17,196m; FY 08: losses of £37,749m).

INTERNATIONAL FINANCIAL REPORTING STANDARDS BASIS
NOTES TO THE FINANCIAL STATEMENTS

12. SEGMENTAL ANALYSIS (CONTINUED)

(III) CONSOLIDATED BALANCE SHEET

As at 30 June 2009	Risk £m	Savings £m	Investment management £m	International £m	Group capital and financing £m	Total £m
Assets						
Investments	20,842	40,218	180,958	6,231	4,182	252,431
Other assets	3,290	2,217	1,608	2,540	(1,779)	7,876
Total assets	24,132	42,435	182,566	8,771	2,403	260,307
Equity and liabilities						
Shareholders' equity	94	70	369	1,163	1,599	3,295
Minority interests	–	–	–	–	149	149
Total equity	94	70	369	1,163	1,748	3,444
Subordinated borrowings	–	–	–	–	1,552	1,552
Participating contract liabilities	–	14,103	–	2,101	–	16,204
Non-participating contract liabilities	20,492	25,967	178,487	3,348	(542)	227,752
Senior borrowings[1]	3	203	6	591	1,130	1,933
Other liabilities and provisions	3,543	2,092	3,704	1,568	(1,485)	9,422
Total liabilities	24,038	42,365	182,197	7,608	655	256,863
Total equity and liabilities	24,132	42,435	182,566	8,771	2,403	260,307

[1] Includes non-recourse financing.

As at 30 June 2008	Risk £m	Savings £m	Investment management £m	International £m	Group capital and financing £m	Total £m
Assets						
Investments	18,413	45,756	192,395	5,436	5,674	267,674
Other assets	3,035	2,349	1,511	2,040	(2,143)	6,792
Total assets	21,448	48,105	193,906	7,476	3,531	274,466
Equity and liabilities						
Shareholders' equity	101	86	397	908	3,183	4,675
Minority interests	–	–	–	–	175	175
Total equity	101	86	397	908	3,358	4,850
Subordinated borrowings	–	–	–	–	1,444	1,444
Participating contract liabilities	–	16,807	–	1,834	–	18,641
Non-participating contract liabilities	18,603	28,564	191,701	2,949	(533)	241,284
Senior borrowings[1]	3	155	44	489	1,051	1,742
Other liabilities and provisions	2,741	2,493	1,764	1,296	(1,789)	6,505
Total liabilities	21,347	48,019	193,509	6,568	173	269,616
Total equity and liabilities	21,448	48,105	193,906	7,476	3,531	274,466

[1] Includes non-recourse financing.

12. SEGMENTAL ANALYSIS (CONTINUED)

(III) CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2008	Risk £m	Savings £m	Investment management £m	International £m	Group capital and financing £m	Total £m
Assets						
Investments	19,531	40,981	176,904	6,875	4,894	249,185
Other assets	3,729	2,010	1,489	2,829	(2,515)	7,542
Total assets	23,260	42,991	178,393	9,704	2,379	256,727
Equity and liabilities						
Shareholders' equity	101	73	322	1,272	1,820	3,588
Minority interests	–	–	–	–	144	144
Total equity	101	73	322	1,272	1,964	3,732
Subordinated borrowings	–	–	–	–	1,657	1,657
Participating contract liabilities	–	14,829	–	2,289	–	17,118
Non-participating contract liabilities	19,001	25,917	174,469	3,691	(539)	222,539
Senior borrowings[1]	–	161	9	676	1,468	2,314
Other liabilities and provisions	4,158	2,011	3,593	1,776	(2,171)	9,367
Total liabilities	23,159	42,918	178,071	8,432	415	252,995
Total equity and liabilities	23,260	42,991	178,393	9,704	2,379	256,727

[1] Includes non-recourse financing.

13. EARNINGS PER SHARE

	30.06.09 Basic p	30.06.09 Diluted p	30.06.08 Basic p	30.06.08 Diluted p	Full year 31.12.08 Basic p	Full year 31.12.08 Diluted p
Based on loss attributable to equity holders of the Company	(1.22)	(1.22)	(0.23)	(0.23)	(17.88)	(17.88)

Net shares under options allocable for no further consideration are anti-dilutive and have therefore been excluded from the diluted earnings per share calculation.

14. ACQUISITIONS

On 31 January 2008, the Group acquired 100% of the shares of Nationwide Life Limited and Nationwide Unit Trust Managers Limited. In addition, on 6 May 2008 the Group acquired 100% of the shares of Suffolk Life Group Plc. The total cost of these acquisitions was £365m. Full details are provided in the 2008 full year financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS BASIS

NOTES TO THE FINANCIAL STATEMENTS

15. ORDINARY SHARES

	Number of shares 30.06.09	Number of shares 30.06.08	Number of shares 31.12.08
As at 1 January	5,861,627,994	6,296,321,160	6,296,321,160
Shares cancelled under share buyback programme	–	(329,936,896)	(449,891,914)
Options exercised under share option schemes	51,371	12,625,650	15,198,748
As at 30 June / 31 December	5,861,679,365	5,979,009,914	5,861,627,994

There is one class of ordinary shares of 2.5p each. All shares issued carry equal voting rights.

The holders of the Company's ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at shareholder meetings of the Company.

16. ANALYSIS OF BORROWINGS

	At 30.06.09 £m	At 30.06.08 £m	At 31.12.08 £m
Subordinated borrowings			
6.385% Sterling perpetual capital securities	659	589	692
5.875% Sterling undated subordinated notes	425	427	426
4.0% Euro subordinated notes 2025	468	428	539
Total subordinated borrowings	1,552	1,444	1,657
Senior borrowings			
Sterling medium term notes 2031-2041	602	602	608
Euro commercial paper	428	347	609
Bank loans	17	54	160
Non-recourse financing			
– US Dollar Triple X securitisation 2025	322	266	369
– US Dollar Triple X securitisation 2037	269	223	308
– Sterling property partnership loans 2011	97	98	101
– Suffolk Life borrowings	157	152	159
– LGV 6 Private Equity Fund Limited Partnership	41	–	–
Total senior borrowings	1,933	1,742	2,314
Total borrowings	3,485	3,186	3,971
Total borrowings (excluding non-recourse financing)	2,599	2,447	3,034

As at 30 June 2009, the Group had in place a £960m syndicated committed revolving credit facility provided by a number of its key relationship banks, maturing in December 2012. Short term assets available at the holding company level exceeded the amount of short term borrowings of £445m (Euro Commercial Paper and Bank Loans).

Subordinated borrowings

6.385% Sterling perpetual capital securities

In 2007, Legal & General Group Plc issued £600m of 6.385% Sterling perpetual capital securities. Simultaneous with the issuance, the fixed coupon was swapped into six month LIBOR plus 0.94% pa. These securities are callable at par on 2 May 2017 and every three months thereafter. If not called, the coupon from 2 May 2017 will be reset to three month LIBOR plus 1.93% pa. For regulatory purposes these securities are treated as innovative tier I capital. These securities have been classified as liabilities as the interest payments become mandatory in certain circumstances.

5.875% Sterling undated subordinated notes

In 2004, Legal & General Group Plc issued £400m of 5.875% Sterling undated subordinated notes. These notes are callable at par on 1 April 2019 and every five years thereafter. If not called, the coupon from 1 April 2019 will be reset to the prevailing five year benchmark gilt yield plus 2.33% pa. These notes are treated as upper tier II capital for regulatory purposes. These securities have been classified as liabilities as the interest payments become mandatory in certain circumstances.

16. ANALYSIS OF BORROWINGS (CONTINUED)

Subordinated borrowings (continued)
4.0% Euro subordinated notes 2025
In 2005, Legal & General Group Plc issued €600m of 4.0% Euro dated subordinated notes. The proceeds were swapped into sterling. The notes are callable at par on 8 June 2015 and each year thereafter. If not called, the coupon from 8 June 2015 will reset to a floating rate of interest based on prevailing three month Euribor plus 1.7% pa. These notes mature on 8 June 2025 and are treated as lower tier II capital for regulatory purposes.

Post balance sheet event
10% Sterling subordinated notes 2041
On 16 July 2009 Legal & General Group Plc issued £300m of 10% dated subordinated notes. The notes are callable at par on 23 July 2021 and every five years thereafter. If not called, the coupon from 23 July 2021 will be reset to the prevailing five year benchmark gilt yield plus 9.325% pa. These notes mature on 23 July 2041 and are treated as lower tier II capital for regulatory purposes.

Non-recourse financing
US Dollar Triple X securitisation 2025
In 2004, a subsidiary of Legal & General America Inc issued US$550m of non-recourse debt in the US capital markets to meet the Triple X reserve requirements of part of the US term insurance written up to 2005. It is secured on the cash flows related to that tranche of business.

US Dollar Triple X securitisation 2037
In 2006, a subsidiary of Legal & General America Inc issued US$450m of non-recourse debt in the US capital markets to meet the Triple X reserve requirements of part of the US term insurance written after 2005 and 2006. It is secured on the cash flows related to that tranche of business.

Sterling property partnership loans 2011
The property partnership loans are secured on specific properties.

Suffolk Life borrowings
These borrowings relate solely to client investments.

LGV 6 Private Equity Fund Limited Partnership
These borrowings are non-recourse bank borrowings.

17. MINORITY INTERESTS

Minority interests represent third party interests in property investment vehicles which are consolidated in the Group's results.

18. FOREIGN EXCHANGE RATES

Period end exchange rates	At 30.06.09	At 30.06.08	At 31.12.08
United States Dollar	1.65	1.99	1.44
Euro	1.17	1.26	1.03

Average exchange rates	01.01.09-30.06.09	01.01.08-30.06.08	01.01.08-31.12.08
United States Dollar	1.49	1.97	1.85
Euro	1.12	1.29	1.26

19. RELATED PARTY TRANSACTIONS

There were no material transactions between key management and the Legal & General group of companies. All transactions between the Group and its key management are on commercial terms which are no more favourable than those available to employees in general. Contributions to the post-employment defined benefit plans were £15m (H1 08: £9m; FY 08: £58m).

At 30 June 2009, 30 June 2008 and 31 December 2008 there were no loans outstanding to officers of the Company.

INTERNATIONAL FINANCIAL REPORTING STANDARDS BASIS

NOTES TO THE FINANCIAL STATEMENTS

19. RELATED PARTY TRANSACTIONS (CONTINUED)

KEY MANAGEMENT PERSONNEL COMPENSATION

The aggregate compensation for key management personnel, including executive and non-executive directors, is as follows:

	30.06.09 £m	30.06.08 £m	Full year 31.12.08 £m
Salaries	3	3	5
Social security costs	–	1	1
Post-employment benefits	–	–	1
Share-based incentive awards	1	1	3
Key management personnel compensation	4	5	10
Number of key management personnel	16	16	16

The UK defined benefit pension schemes have purchased annuity contracts issued by Society for consideration of £16m (H1 08: £16m; FY 08: £49m) during the period, priced on an arm's length basis.

The Group's investment portfolio includes investments in private equity, property and financial investments which are held via collective investment vehicles. Net investments into associate investment vehicles totalled £1,301m during H1 09 (H1 08: £1,240m; FY 08: £1,488m). The Group has outstanding loans to these associates of £6m (H1 08: £8m; FY 08: £2m) and received investment management fees of £17m during the period (H1 08: £22m; FY 08: £43m). Distributions from these investment vehicles to the Group totalled £25m (H1 08: £92m; FY 08: £170m).

20. PENSION COST

The Legal & General Group UK Pension and Assurance Fund and the Legal & General Group UK Senior Pension Scheme are defined benefit pension arrangements and account for all UK and the majority of worldwide assets of, and contributions to, such arrangements. At 30 June 2009, the combined after tax deficit arising from these arrangements (net of annuity obligations insured by Society) has been estimated at £179m (H1 08: £135m; FY 08: £101m). These amounts have been recognised in the financial statements with £106m charged against shareholder equity (H1 08: £80m; FY 08: £59m) and £73m against unallocated divisible surplus (H1 08: £55m; FY 08: £42m).

21. CONTINGENT LIABILITIES, GUARANTEES AND INDEMNITIES

Provision for the liabilities arising under contracts with policyholders is based on certain assumptions. The variance of actual experience from that assumed may result in such liabilities differing from the provisions made for them. Liabilities may also arise in respect of claims relating to the interpretation of such contracts, or the circumstances in which policyholders have entered into them (together in this paragraph "liabilities"). The extent of such liabilities is influenced by a number of factors including the actions and requirements of the FSA, ombudsman rulings, industry compensation schemes and court judgments. The continuing general profile and emphasis being given by the FSA and other bodies to the suitability of the past sales of endowment policies, in the context of some mortgage transactions, has led to the continuing receipt of claims from holders of endowment policies.

Various Group companies receive claims and become involved in actual or threatened litigation and regulatory issues from time to time. Provision for liabilities continues to be made and is regularly reviewed. However, it is not possible to predict, with certainty, the extent and the timing of the financial impact to which these claims, litigation or issues may give rise to. The relevant members of the Group nevertheless ensure that each makes prudent provision, as and when circumstances calling for such provision become clear, and that each has adequate capital and reserves to meet all reasonably foreseeable eventualities.

In 1975, Legal & General Assurance Society Limited ("the Society") was required by the Institute of London Underwriters (ILU) to execute the ILU form of guarantee in respect of policies issued through the ILU's Policy Signing Office on behalf of NRG Victory Reinsurance Company Ltd (Victory), a company which was then a subsidiary of the Society. In 1990, Nederlandse Reassurantie Groep Holding NV (the assets and liabilities of which have since been assumed by Nederlandse Reassurantie Groep NV under a statutory merger in the Netherlands) acquired Victory and provided an indemnity to the Society against any liability the Society may have as a result of the ILU's requirement, and the ILU agreed that its requirement of the Society would not apply to policies written or renewed after the acquisition. Nederlandse Reassurantie Groep NV is now owned by Columbia Insurance Company, a subsidiary of Berkshire Hathaway Inc. Whether the Society has any liability as a result of the ILU's requirement and, if so, the amount of its potential liability, is uncertain. The Society has made no payment or provision in respect of this matter.

Group companies have given indemnities and guarantees as a normal part of their operating activities or in relation to capital market transactions.

EUROPEAN EMBEDDED VALUE BASIS

CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2009	Notes	30.06.09 £m	30.06.08 Restated £m	Full year 31.12.08 £m
From continuing operations				
Risk	24	460	267	439
Savings	24	28	87	50
Investment management	25	58	72	130
International	24/26	87	58	100
Group capital and financing	27	24	105	151
Operating profit		657	589	870
Variation from longer term investment return	24/28	(1,019)	(474)	(1,579)
Effect of economic assumption changes	24	(630)	(12)	(609)
Property losses attributable to minority interests		(20)	(13)	(63)
(Loss)/profit from continuing operations before tax attributable to equity holders of the Company		(1,012)	90	(1,381)
Tax credit/(expense) on (loss)/profit from ordinary activities		292	(17)	327
Tax impact of corporate restructure		–	–	81
(Loss)/profit from ordinary activities after tax		(720)	73	(973)
Loss attributable to minority interests	17	20	13	63
(Loss)/profit attributable to equity holders of the Company		(700)	86	(910)

	p	Restated p	p
Earnings per share			
Based on operating profit from continuing operations after tax attributable to equity holders of the Company	8.28	6.87	10.66
Based on (loss)/profit attributable to equity holders of the Company	(12.02)	1.42	(15.25)
Diluted earnings per share			
Based on operating profit from continuing operations after tax attributable to equity holders of the Company	8.27	6.84	10.62
Based on (loss)/profit attributable to equity holders of the Company	(12.02)	1.41	(15.25)

This financial information was approved by the Board on 3 August 2009.

The results for the six months to 30 June 2009 and 30 June 2008 are unaudited, but have been subject to a review by the Group's independent auditors and constitute non-statutory accounts within the meaning of Section 434 of the Companies Act 2006. The published full year 2008 supplementary financial information on the European Embedded Value (EEV) basis included an auditors' report which was unqualified and did not include a reference to any matters in which the auditor drew attention by way of emphasis without qualifying the report.

These figures have been prepared for covered business using the EEV basis. The International Financial Reporting Standards (IFRS) results are included on pages 17-34.

EUROPEAN EMBEDDED VALUE BASIS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2009	30.06.09 £m	30.06.08 Restated £m	Full year 31.12.08 £m
(Loss)/profit from ordinary activities after tax	(720)	73	(973)
Other comprehensive income, after tax			
Exchange differences on translation of overseas operations	(93)	19	196
Actuarial (losses)/gains on defined benefit pension schemes	(52)	12	12
Actuarial losses/(gains) on defined benefit pension schemes transferred to unallocated divisible surplus	36	(8)	(8)
Total comprehensive (expense)/income	(829)	96	(773)
Total comprehensive (expense)/income attributable to:			
Minority interests	(20)	(13)	(63)
Equity holders of the Company	(809)	109	(710)

CONSOLIDATED BALANCE SHEET

As at 30 June 2009	Notes	At 30.06.09 £m	At 30.06.08 Restated £m	At 31.12.08 £m
Assets				
Investments		252,431	267,674	249,185
Long term in-force business asset		2,466	3,008	3,160
Other assets		7,671	6,567	7,315
		262,568	277,249	259,660
Equity and liabilities				
Shareholders' equity	31	5,556	7,458	6,521
Minority interests	17	149	175	144
Total equity		5,705	7,633	6,665
Subordinated borrowings	16	1,552	1,444	1,657
Unallocated divisible surplus		902	1,411	913
Participating contract liabilities		15,302	17,230	16,205
Non-participating contract liabilities		227,752	241,284	222,539
Senior borrowings	16	1,933	1,742	2,314
Other liabilities and provisions		9,422	6,505	9,367
		262,568	277,249	259,660

EUROPEAN EMBEDDED VALUE BASIS
NOTES TO THE FINANCIAL INFORMATION

22. BASIS OF PREPARATION

This financial information has been prepared in accordance with the EEV Principles issued in May 2004 by the European Insurance CFO Forum. The detailed methodology used was included in the supplementary financial information within the full year 2008 consolidated Group financial statements.

Restatement
A contingent loan has been advanced within the Group to finance the non profit pensions and annuity business subject to an internal reinsurance arrangement. From FY 08 the loan asset has been treated as part of the value of in-force business in order to directly offset the liability. Previously the loan asset had been included in free surplus, and the expected return on the loan included in contribution from shareholder net worth. H1 08 comparatives have been restated accordingly.

From FY 08 the managed pension funds business within Investment management has been reported on an IFRS basis, as management believe IFRS to be the most appropriate reporting basis for the investment management business. Investment management operating profit excludes £12m (H1 08: £19m; FY 08: £35m) of profits arising from the provision of investment management services at market referenced rates to the covered business. These are reported on a look through basis within Risk, Savings and Group capital and financing covered business on an EEV basis. H1 08 comparatives have been restated accordingly. This change has reduced H1 08 operating profit before tax by £37m, shareholders' equity by £323m and increased profit after tax by £17m.

23. PRESENT VALUE OF NEW BUSINESS PREMIUMS (PVNBP) AND NEW BUSINESS MARGIN

	Annual premiums £m	Present value of annual premiums £m	Capitalisation factor	Single premiums £m	PVNBP £m	New business margin %
Six months ended 30 June 2009						
Risk	90	427	4.7	1,328	1,755	10.1
Savings	145	545	3.8	1,515	2,060	0.3
International	52	355	6.8	196	551	2.0
	287	1,327		3,039	4,366	4.5
Six months ended 30 June 2008						
Risk	110	553	5.0	1,776	2,329	7.4
Savings	151	604	4.0	1,903	2,507	0.2
International	40	277	6.9	188	465	3.5
	301	1,434		3,867	5,301	3.7
Full year ended 31 December 2008						
Risk	207	1,005	4.9	2,806	3,811	7.1
Savings	289	1,110	3.8	3,612	4,722	(0.1)
International	81	575	7.1	321	896	3.6
	577	2,690		6,739	9,429	3.1

EUROPEAN EMBEDDED VALUE BASIS
NOTES TO THE FINANCIAL INFORMATION

24. (LOSS)/PROFIT FROM ORDINARY ACTIVITIES AFTER TAX

For the six months ended 30 June 2009	Risk and Savings £m	Investment management £m	International £m	Group capital and financing £m	Total £m
Business reported on an EEV basis:					
Contribution from new business after cost of capital	185		11		196
Contribution from in-force business:					
– expected return[1]	244		60		304
– experience variances	114		3		117
– operating assumption changes	(37)		5		(32)
Development costs	(18)		–		(18)
Contribution from shareholder net worth[2]			8	61	69
Operating profit on covered business	488	–	87	61	636
Business reported on an IFRS basis:					
General insurance	6				6
Core retail investments	(1)				(1)
Investment management[3]		58			58
Group capital and financing				(37)	(37)
Other[4]	(5)				(5)
Total operating profit	488	58	87	24	657
Variation from longer term investment return[5]	(885)	(1)	(16)	(117)	(1,019)
Effect of economic assumption changes[6]	(515)	–	(112)	(3)	(630)
Property losses attributable to minority interests	–	–	–	(20)	(20)
(Loss)/profit from continuing operations before tax	(912)	57	(41)	(116)	(1,012)
Tax credit/(expense) on (loss)/profit from ordinary activities	254	(16)	15	39	292
(Loss)/profit from ordinary activities after tax	(658)	41	(26)	(77)	(720)
Operating profit attributable to:					
Risk	460				
Savings	28				

[1] The expected return on in-force is based on the unwind of the discount rate on the opening, adjusted base value of in-force (VIF). The opening base VIF of the Risk and Savings business was £4,268m in 2009. This is adjusted for the effects of opening model changes of £41m to give an adjusted opening base VIF of £4,309m. This is then multiplied by the opening risk discount rate of 8.3% for half a year and the result grossed up at the notional attributed tax rate of 28% to give a return of £244m.

[2] The H1 09 Group capital and financing contribution from shareholder net worth (SNW) of £61m comprises of the average return of 3% on the average balance of invested assets of £2.2bn (£65m) and an adjustment for opening tax and other modelling changes of £1m, less pre-tax corporate expenses charged to shareholders' funds of £(5)m.

[3] H1 09 Investment management operating profit excludes £12m (H1 08: £19m; FY 08: £35m) of profits arising from the provision of investment management services at market referenced rates to the covered business. These are reported on a look through basis and as a consequence are included in the Risk, Savings and Group capital and financing covered business on an EEV basis.

[4] On an EEV basis Nationwide Life, Suffolk Life, operations in Ireland and business unit costs allocated to the Risk and Savings business are included in the covered business operating profit. These are included within Other Risk and Other Savings operating profit within the IFRS financial statements.

[5] The H1 09 variation from longer term investment return includes a £(511)m variance reflecting the EEV impact of asset allocation decisions made during the period. Of this amount, £(335)m is the EEV impact of swap transactions undertaken to improve the IFRS matching of annuity business which reduced the assumed future yield on the annuity assets for EEV purposes, £(96)m is due to an increased cost of capital arising from de-risking activity to reduce the equity ratio for assets backing solvency capital and £(80)m is the EEV impact of holding additional cash balances, largely to back the short term default provision.
The remaining amount reflects the EEV impact of investment performance relative to assumptions, including £(228)m due to the impact of action taken to sell a number of credits and the impact on investment performance of the holdings in cash during a period when credit spreads have narrowed, £(117)m for Group capital and financing and £(103)m for with-profit business.

[6] H1 09 economic assumption changes include £(221)m relating to the increase in the UK risk discount rate in the first half of 2009 from 8.3% to 8.8%, £(129)m reflecting the increase in the US risk discount rate from 6.8% to 8.0% and £(119)m as a result of the higher cost of capital on increased annuity reserves. In addition, further increases in the realistic and statutory long term default provisions for the assets backing annuity business had an EEV impact of £(179)m.

24. (LOSS)/PROFIT FROM ORDINARY ACTIVITIES AFTER TAX (CONTINUED)

For the six months ended 30 June 2008	Risk and Savings Restated £m	Investment management Restated £m	International £m	Group capital and financing Restated £m	Total Restated £m
Business reported on an EEV basis:					
Contribution from new business after cost of capital	178		16		194
Contribution from in-force business:					
– expected return	180		47		227
– experience variances	–		(13)		(13)
– operating assumption changes	18		–		18
Development costs	(22)		–		(22)
Contribution from shareholder net worth			8	152	160
Operating profit on covered business	354	–	58	152	564
Business reported on an IFRS basis:					
General insurance	(4)				(4)
Core retail investments	2				2
Investment management[1]		72			72
Group capital and financing				(47)	(47)
Other[2]	2				2
Total operating profit	354	72	58	105	589
Variation from longer term investment return	13	(4)	(48)	(435)	(474)
Effect of economic assumption changes	–	–	(16)	4	(12)
Property losses attributable to minority interests	–	–	–	(13)	(13)
Profit/(loss) from continuing operations before tax	367	68	(6)	(339)	90
Tax (expense)/credit on profit/(loss) from ordinary activities	(99)	(19)	3	98	(17)
Profit/(loss) from ordinary activities after tax	268	49	(3)	(241)	73
Operating profit attributable to:					
Risk	267				
Savings	87				

[1] H1 09 Investment management operating profit excludes £12m (H1 08: £19m; FY 08: £35m) of profits arising from the provision of investment management services at market referenced rates to the covered business. These are reported on a look through basis and as a consequence are included in the Risk, Savings and Group capital and financing covered business on an EEV basis.
[2] On an EEV basis Nationwide Life, Suffolk Life, operations in Ireland and business unit costs allocated to the Risk and Savings business are included in the covered business operating profit. These are included within Other Risk and Other Savings operating profit within the IFRS financial statements.

EUROPEAN EMBEDDED VALUE BASIS

NOTES TO THE FINANCIAL INFORMATION

24. (LOSS)/PROFIT FROM ORDINARY ACTIVITIES AFTER TAX (CONTINUED)

For the year ended 31 December 2008	Risk and Savings £m	Investment management £m	International £m	Group capital and financing £m	Total £m
Business reported on an EEV basis:					
Contribution from new business after cost of capital	265		32		297
Contribution from in-force business:					
– expected return	370		100		470
– experience variances	12		(34)		(22)
– operating assumption changes	(100)		(15)		(115)
Development costs	(51)		–		(51)
Contribution from shareholder net worth			17	256	273
Operating profit on covered business	496	–	100	256	852
Business reported on an IFRS basis:					
General insurance	(2)				(2)
Core retail investments	–				–
Investment management[1]		130			130
Group capital and financing				(105)	(105)
Other[2]	(5)				(5)
Total operating profit	489	130	100	151	870
Variation from longer term investment return	(175)	7	(110)	(1,301)	(1,579)
Effect of economic assumption changes	(505)	–	(110)	6	(609)
Property losses attributable to minority interests	–	–	–	(63)	(63)
(Loss)/profit from continuing operations before tax	(191)	137	(120)	(1,207)	(1,381)
Tax credit/(expenses) on (loss)/profit from ordinary activities	54	(42)	37	278	327
Tax impact of corporate restructure[3]	53	–	–	28	81
(Loss)/profit from ordinary activities after tax	(84)	95	(83)	(901)	(973)
Operating profit attributable to:					
Risk	439				
Savings	50				

[1] H1 09 Investment management operating profit excludes £12m (H1 08: £19m; FY 08: £35m) of profits arising from the provision of investment management services at market referenced rates to the covered business. These are reported on a look through basis and as a consequence are included in the Risk, Savings and Group capital and financing covered business on an EEV basis.
[2] On an EEV basis Nationwide Life, Suffolk Life, operations in Ireland and business unit costs allocated to the Risk and Savings business are included in the covered business operating profit. These are included within Other Risk and Other Savings operating profit within the IFRS financial statements.
[3] In 2008 £0.9bn was transferred from Shareholder Retained Capital to shareholder capital held outside Society's long term fund. This transfer did not give rise to any incremental tax and therefore resulted in an £81m benefit to embedded value.

25. INVESTMENT MANAGEMENT OPERATING PROFIT

	30.06.09 £m	30.06.08 Restated £m	Full year 31.12.08 £m
Managed pension funds[1]	55	63	117
Private equity	(1)	–	(1)
Property	1	4	4
Other income[2]	7	8	17
Legal & General Investment Management	62	75	137
Institutional unit trusts[3]	(4)	(3)	(7)
Total Investment management operating profit	58	72	130

[1] The managed pension funds business within Investment management has been reported on an IFRS basis as management believe IFRS to be the most appropriate reporting basis for the investment management business. H1 08 comparatives have been restated accordingly.
[2] Other income excludes £12m (H1 08: £19m; FY 08: £35m) of profits arising from the provision of investment management services at market referenced rates to the covered business. These are reported on a look through basis within the Risk, Savings and Group capital and financing covered business on an EEV basis.
[3] Investment management operating profit excludes core retail investments, of £(1)m (H1 08: £2m; FY 08: £nil), which has been disclosed as part of Savings. The H1 08 comparatives have been reclassified accordingly.

26. INTERNATIONAL OPERATING PROFIT

	30.06.09 £m	30.06.08 £m	Full year 31.12.08 £m
USA	58	26	70
Netherlands	9	17	8
France	20	15	22
Total International operating profit	87	58	100

27. GROUP CAPITAL AND FINANCING OPERATING PROFIT[1]

	30.06.09 £m	30.06.08 £m	Full year 31.12.08 £m
Business reported on an EEV basis	61	152	256
Business reported on an IFRS basis:			
Investment return	30	29	47
Interest expense[2]	(65)	(66)	(138)
Unallocated corporate expenses	(3)	(6)	(9)
Defined benefit pension scheme[3]	1	(4)	(5)
	(37)	(47)	(105)
Total Group capital and financing operating profit	24	105	151

[1] Group capital and financing represents operating profit on the shareholder assets held within the covered business, reported on an embedded value basis, and operating profit on the shareholder assets held outside the covered business reported on an IFRS basis.
[2] Interest expense excludes non-recourse financing (see Note 16).
[3] The defined benefit pension scheme income/(expense) includes the actuarial gains and losses arising on annuity assets held by the schemes that have been purchased from Legal & General Assurance Society Limited relating to the non-covered business. Under IFRS, these annuity assets cannot be classified as plan assets in accordance with IAS 19 and so the associated actuarial gains and losses cannot be taken to the consolidated statement of comprehensive income.

EUROPEAN EMBEDDED VALUE BASIS

NOTES TO THE FINANCIAL INFORMATION

28. VARIATION FROM LONGER TERM INVESTMENT RETURN

	30.06.09 £m	30.06.08 £m	Full year 31.12.08 £m
Business reported on an EEV basis:			
Risk and Savings[1]	(875)	24	(146)
International	(16)	(48)	(110)
Group capital and financing	(141)	(466)	(1,176)
	(1,032)	(490)	(1,432)
Business reported on an IFRS basis:			
General insurance	(10)	(11)	(29)
Investment management	(1)	(4)	7
Group capital and financing	24	31	(125)
	(1,019)	(474)	(1,579)

[1] Risk and Savings H1 09 variation from longer term investment return includes a £(511)m variance reflecting the EEV impact of asset allocation decisions made during the period. Of this amount, £(335)m is the EEV impact of swap transactions undertaken to improve the IFRS matching of annuity business which reduced the assumed future yield on the annuity assets for EEV purposes, £(96)m is due to an increased cost of capital arising from de-risking activity to reduce the equity ratio for assets backing solvency capital and £(80)m is the EEV impact of holding additional cash balances, largely to back the short term default provision.

The remaining amount reflects the EEV impact of investment performance relative to assumptions, including £(228)m due to the impact of action taken to sell a number of credits and the impact on investment performance of the holdings in cash during a period when credit spreads have narrowed and £(103)m for with-profit business.

29. TIME VALUE OF OPTIONS AND GUARANTEES

	At 30.06.09 £m	At 30.06.08 £m	At 31.12.08 £m
Risk and Savings[1]	27	1	46
International	12	11	13
	39	12	59

[1] Includes £23m (H1 08: £1m; FY 08: £21m) relating to the cost of guarantees on UK With-profits business, and £4m (H1 08: £nil; FY 08: £25m) relating to UK non profit business, due to the allowance for negative inflation within the annuity business.

30. GROUP EMBEDDED VALUE

	Covered business UK £m	Covered business International £m	Non-covered business £m	Total £m
As at 30 June 2009				
Value of in-force business	3,723	935	–	4,658
Shareholder net worth	1,656	323	(1,081)	898
Embedded value	5,379	1,258	(1,081)	5,556
As at 30 June 2008				
Value of in-force business	3,882	838	–	4,720
Shareholder net worth	3,502	296	(1,060)	2,738
Embedded value	7,384	1,134	(1,060)	7,458
As at 31 December 2008				
Value of in-force business	4,268	1,059	–	5,327
Shareholder net worth	1,878	404	(1,088)	1,194
Embedded value	6,146	1,463	(1,088)	6,521

31. SEGMENTAL ANALYSIS OF SHAREHOLDERS' EQUITY

	At 30.06.09 £m	At 30.06.08 Restated £m	At 31.12.08 £m
Risk			
– Risk reported on an EEV basis	2,688	2,327	3,138
– General insurance	95	98	99
– Other	(1)	3	2
Total Risk	2,782	2,428	3,239
Savings			
– Savings reported on an EEV basis	1,035	1,555	1,130
– Core retail investments	57	72	59
– Other	13	14	14
Total Savings	1,105	1,641	1,203
Investment management	369	397	322
International			
– USA	777	647	937
– Netherlands	278	291	305
– France	203	196	221
– Emerging markets	10	2	12
Total International	1,268	1,136	1,475
Group capital and financing	32	1,856	282
	5,556	7,458	6,521

EUROPEAN EMBEDDED VALUE BASIS
NOTES TO THE FINANCIAL INFORMATION

32. RECONCILIATION OF SHAREHOLDER NET WORTH (SNW)

	At 30.06.09 £m	At 30.06.08 Restated £m	At 31.12.08 £m
SNW of long term operations (IFRS basis)	4,376	5,735	4,676
Other liabilities (IFRS basis)	(1,081)	(1,060)	(1,088)
Shareholders' equity on the IFRS basis	3,295	4,675	3,588
Purchased interests in long term business	(183)	(198)	(202)
Deferred acquisition costs / deferred income liabilities	(1,089)	(871)	(1,160)
Contingent loan[1]	(692)	(670)	(786)
Deferred tax[2]	(112)	(257)	(51)
Other[3]	(321)	59	(195)
Shareholder net worth on the EEV basis	898	2,738	1,194

[1] On an EEV basis the contingent loan advanced within the Group to finance non profit pensions and annuity business subject to an internal reinsurance arrangement is modelled within the VIF. On an IFRS basis the contingent loan asset is included within the Group capital and financing net assets.
[2] Deferred tax represents all tax which is expected to be paid under current legislation.
[3] Other includes the different treatment of sterling reserves, other long term reserves, the annuities and non profit pensions results and the US Triple X securitisations under EEV compared with IFRS.

33. ASSUMPTIONS

	At 30.06.09 % pa	At 30.06.08 % pa	At 31.12.08 % pa	At 31.12.07 % pa
UK				
Equity risk premium	3.5	3.0	3.5	3.0
Property risk premium	2.0	2.0	2.0	2.0
Investment return				
– Gilts:				
Fixed interest	4.3	4.9	3.8	4.5
RPI linked	4.2	5.1	3.7	4.5
– Non gilts:				
Fixed interest	4.4 – 7.6	5.4 – 7.1	4.2 – 8.2	4.9 – 6.1
RPI linked	4.9 – 6.1	5.8 – 6.8	4.7 – 5.9	4.9 – 5.3
– Equities	7.8	7.9	7.3	7.5
– Property	6.3	6.9	5.8	6.5
Risk margin	4.5	3.0	4.5	3.0
Risk discount rate (net of tax)	8.8	7.9	8.3	7.5
Inflation				
– Expenses/earnings	4.2	5.2	3.6	4.4
– Indexation	3.2	4.2	2.6	3.4
USA				
Reinvestment rate	5.3	5.6	5.4	5.4
Risk margin	4.5	3.0	4.5	3.0
Risk discount rate (net of tax)	8.0	7.1	6.8	7.1
Europe				
Government bond rate	3.8	4.8	3.5	4.4
Risk margin	4.5	3.0	4.5	3.0
Risk discount rate (net of tax)	8.3	7.8	8.0	7.4

INDEPENDENT REVIEW REPORT TO LEGAL & GENERAL GROUP PLC

Introduction
We have been engaged by the Company to review the condensed consolidated half-year financial information in the half-year financial report for the six months ended 30 June 2009, which comprises:

- the condensed consolidated income statement, consolidated statement of comprehensive income, condensed consolidated balance sheet as at 30 June 2009, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes, prepared in accordance with the accounting policies set out in Note 8 ("the condensed set of financial statements", together "the half-year financial information").
- the consolidated income statement, the consolidated balance sheet as at 30 June 2009 and related notes prepared on the European Embedded Value ("EEV") basis ("the supplementary half-year financial information"); and

We have read the other information contained in the half-year financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated half-year financial information.

Directors' responsibilities
The half-year financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-year financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in Note 8, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated half-year financial information included in this half-year financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

The directors are responsible for preparing the supplementary half-year financial information in accordance with the EEV basis set out in Notes 22 and 33.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed consolidated financial information in the half-year financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose.

Our responsibility on the supplementary half-year financial information in the half-year financial report is to express to the Company a conclusion based on our review. This report on the supplementary half-year financial information, including the conclusion, has been prepared for and only for the Company in accordance with our letter of engagement dated 22 July 2009 and for no other purpose.

We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of half-year financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that:

- the condensed consolidated half-year financial information in the half-year financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority; and,
- the supplementary half-year financial information in the half-year financial report for the six months ended 30 June 2009 are not prepared, in all material respects, in accordance with the EEV basis set out in Notes 22 and 33.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
London
3 August 2009

Notes
(a) The maintenance and integrity of the Legal & General Group Plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

SHAREHOLDER INFORMATION

Dividend information

Dividend per share

The directors have declared the payment of an interim dividend of 1.11p per share (2008: 2.01p per share), a decrease of 45%.

The key dates for the 2009 interim dividend are:

Interim dividend 2009	
Ex-dividend date	2 September 2009
Record date	4 September 2009
Payment date	1 October 2009

Dividend Payments

Legal & General is keen to encourage all shareholders to have their dividends paid directly into a Bank or Building Society Account.

If you would like more details or a dividend mandate form, please contact our Registrars, Equiniti Limited. Details of how to contact our Registrars are below.

Dividend Reinvestment Plan

The Legal & General Dividend Reinvestment Plan (DRIP) enables shareholders to use their cash dividends to purchase Legal & General Group Plc shares.

If you would like more details, please contact our Registrars. Alternatively, the DRIP booklet and mandate form can be found in the Investors section of Legal & General's website at: www.legalandgeneralgroup.com.

Communications

Internet

Information about the Company, including details of the current share price, is available in the Investors section on our website.

Investor Relations

For more information, visit the Investor section at: www.legalandgeneralgroup.com/investors/investors.cfm

Financial Reports

Legal & General publishes a Half-year Report which is sent to those shareholders who have elected to receive paper copies and is also available on the website.

Shareholders may elect to receive an email notification by registering on www.shareview.co.uk.

Copies of previous financial reports, including the 2008 Annual Report and Summary Financial Statements, are available on the Website. Printed copies can be obtained from Investor Relations.

Registrars

You can contact our Registrars, Equiniti Limited:

By post: Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

By telephone: Shareholder Helpline: 0871 384 2118*.

* Calls to this number are charged at 8p per minute from a BT landline. Other telephone provider costs may vary.

All shareholder enquiries should be addressed to Equiniti.

The Registrars also provide the following services:

Electronic Share Service

The Electronic Share Service allows you to hold shares in Legal & General without the need for a share certificate and enables you to benefit from shorter market settlement periods. Individual shareholders hold their Legal & General shares in a nominee holding registered in the name of Equiniti Corporate Nominees Limited.

To join, or obtain further information, contact the Registrars. They will send you a booklet, outlining the terms and conditions under which your shares will be held, together with the appropriate share transfer form. The booklet and the share transfer form are also available in the Investors section of our website.

Shareview

Shareview allows you to view your Legal & General shareholding on the internet. Registering is easy: simply log on to www.shareview.co.uk and follow the instructions. You will need your shareholder reference number, shown on your latest dividend counterfoil. If you have any queries, please call the Shareholder Helpline.

Consolidation of Share Certificates

Shareholders with more than one share certificate may arrange to have them consolidated into one certificate by contacting the Registrars.

Individual Savings Account (ISA)

Equiniti Financial Services Limited provide a Single Company ISA for Legal & General Group Plc shares. If you would like more information, please call the Shareholder Helpline.

Share Dealing Service

Shareholders may buy or sell shares using the internet or telephone through a number of nominated providers. Details can be found on the Website.

General Information

Close Company Provisions: The Company is not a close company within the terms of the Income and Corporation Taxes Act 1988.

Registered Office: One Coleman Street, London EC2R 5AA. Registered in England and Wales, No. 01417162.

Shareholder Offer Line: For details of shareholder offers on Legal & General products call 0500 65 5555.

NOTES

EXTERNAL RECOGNITION

We continue to value our membership of indices such as the Dow Jones Sustainability Index, FTSE4Good Index and the Business in the Community CR Index. These recognise our achievements and challenge us on our commitment to being a responsible company.

sam | 2009 bronze class

FTSE4Good

Business in the Community COMPANIES THAT COUNT 2008 in association with THE SUNDAY TIMES

GOLD AWARD 2009 PAYROLL GIVING

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