



**EVERY DAY  
MATTERS.**

Preliminary results 2011

14 March 2012

## **Forward looking statements.**

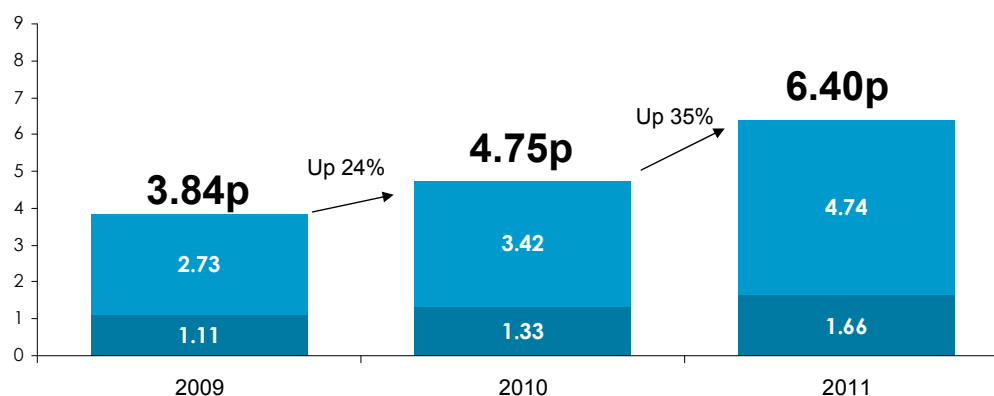
This document may contain certain forward-looking statements relating to Legal & General Group, its plans and its current goals and expectations relating to future financial condition, performance and results. By their nature forward-looking statements involve uncertainty because they relate to future events and circumstances which are beyond Legal & General's control, including, among others, UK domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory and Governmental authorities, the impact of competition, the timing impact of these events and other uncertainties of future acquisition or combinations within relevant industries. As a result, Legal & General Group's actual future condition, performance and results may differ materially from the plans, goals and expectations set out in these forward-looking statements and persons reading this announcement should not place reliance on forward-looking statements. These forward-looking statements are made only as at the date on which such statements are made and Legal & General Group Plc does not undertake to update forward-looking statements contained in this document or any other forward-looking statement it may make.

## Preliminary Results 2011.

Financial highlights: All business divisions increased sales, cash and profit.

1. Operational cash ahead 12% to £940m
2. Net cash ahead 11% to £846m, net cash per share 14.52p
3. Sales up 7% to £1.9bn
4. Operating profit up 5% to £1,056m
5. ROE 14.5%
6. EEV operating profit up 20% to £1.47bn, NBVA up 17% to £441m
7. EEV per share up 11% to 147p (including LGIM 167p)
8. Full year dividend up 35% to 6.40p

## Full year dividend up 35%.

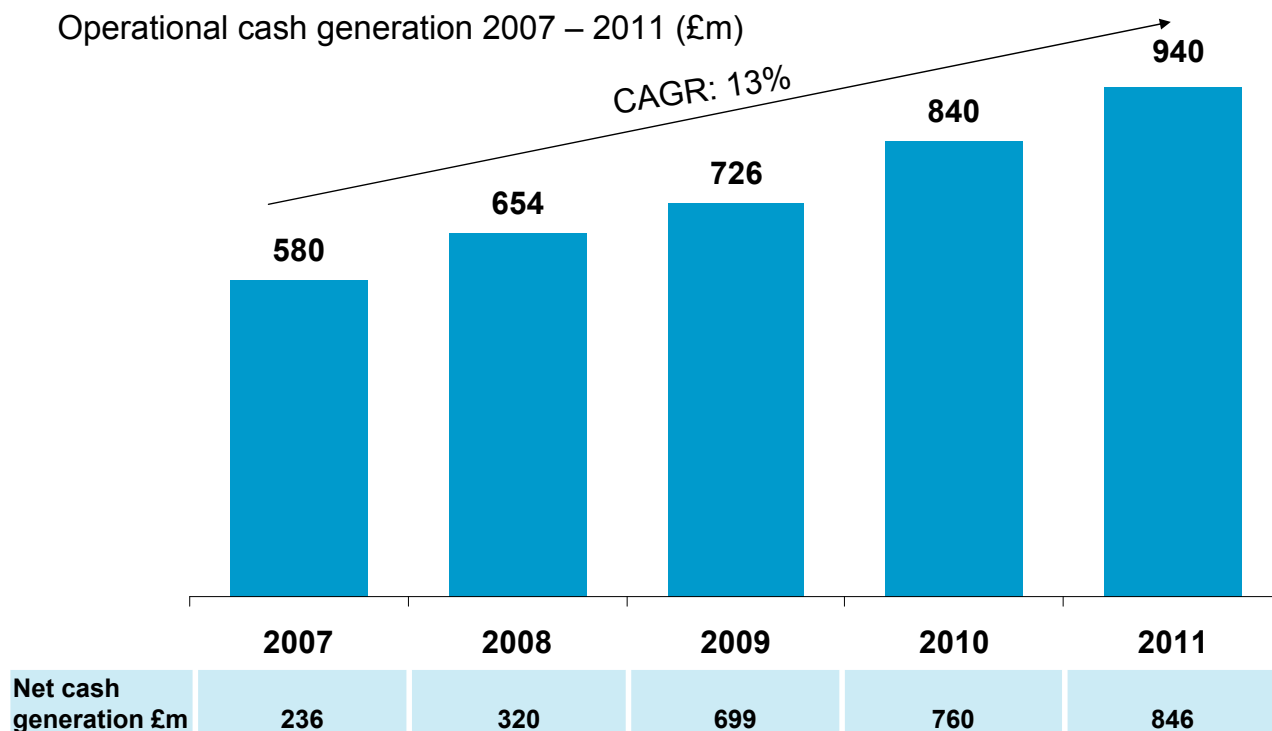


Sustainable, diversified and growing cashflow coupled with unwind of dividend cover should result in superior dividend growth

Dividend cover 2.25x in 2011, 2.72x in 2010

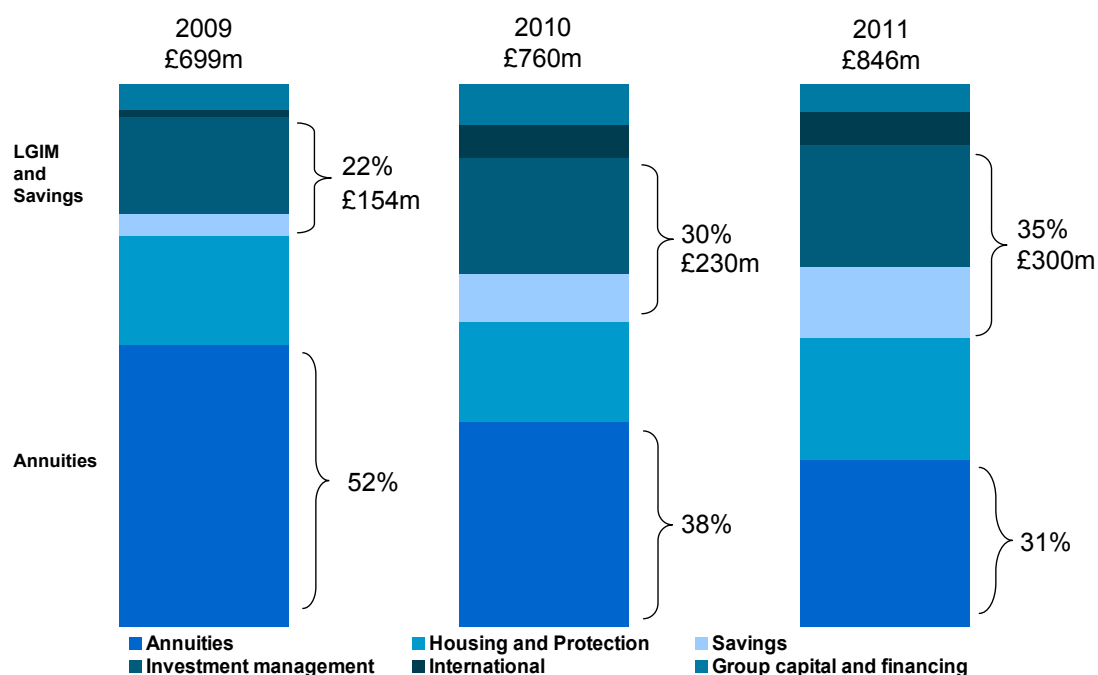
## Cash: 13% growth in operational cash, net cash increased by £610m.

Operational cash generation 2007 – 2011 (£m)



## Continued progress in diversification of cash generation.

Source of net cash generation 2009-2011



## Group results: All operating divisions increased profit.

£m	2011	2010
Operational cash generation	940	840
New Business strain	(94)	(80)
<b>Net cash generation</b>	<b>846</b>	<b>760</b>
<b>IFRS Profit</b>		
Risk	561	560
Savings	128	115
Investment management	234	206
International	137	102
Group capital and financing	52	58
Investment projects	(56)	(39)
<b>Operating profit</b>	<b>1,056</b>	<b>1,002</b>

## Linkage between 2011 operational cash, profits and earnings.

All in £m	Operational cash generation	New business strain	Net cash generation	Experience variances	Changes in valuation assumptions	Non-cash items	Investment gains and losses, international and other	IFRS profit/(loss) after tax	Tax expense/(credit)	IFRS profit/(loss) before tax
Risk	482	(31)	451	22	24	(86)	-	411	150	561
Savings	174	(63)	111	(12)	(5)	6	(6)	94	34	128
Investment mgt	189	-	189	-	-	-	-	189	45	234
International	51	-	51	-	-	-	39	90	47	137
GC&F	44	-	44	-	-	-	-	44	8	52
Investment projects	-	-	-	-	-	-	(41)	(41)	(15)	(56)
<b>Operating profit</b>	<b>940</b>	<b>(94)</b>	<b>846</b>	<b>10</b>	<b>19</b>	<b>(80)</b>	<b>(8)</b>	<b>787</b>	<b>269</b>	<b>1,056</b>
Variances*	-	-	-	-	-	-	(55)	(55)	(42)	(97)
Other	-	-	-	-	-	-	(9)	(9)	6	(3)
<b>Total</b>	<b>940</b>	<b>(94)</b>	<b>846</b>	<b>10</b>	<b>19</b>	<b>(80)</b>	<b>(72)</b>	<b>723</b>	<b>233</b>	<b>956</b>
<b>Per share</b>	<b>16.13</b>		<b>14.52</b>					<b>12.46</b>		
<b>Dividend per share</b>			<b>6.40</b>					<b>6.40</b>		

\*Note: Investment Variance; £(2)m Asset related, £(95)m Other (mark to market interest rate swaps)

## Dividends from subsidiaries increased 47% to £701m.

Dividends supporting cash generation	2011			2010		
	Net cash £m	Dividend £m	Dividend % of cash	Net cash £m	Dividend £m	Dividend % of cash
Risk	451	500	89	429	300	60
Savings	111			68		
Investment management	189	150	79	162	132	81
International	51	51	100	44	44	100
<b>Sub total</b>	<b>802</b>	<b>701</b>	<b>87</b>	<b>703</b>	<b>476</b>	<b>68</b>
Group capital and Financing	44			57		
<b>Total</b>	<b>846</b>	<b>701</b>	<b>83</b>	<b>760</b>	<b>476</b>	<b>63</b>

## Risk strategy.

To build strong customer propositions across our markets whilst delivering improving risk adjusted returns.

<b>STRONG PROTECTION FRANCHISE</b>	<p>Scale: Reduced unit operating costs</p> <p>Distribution: Expanded our footprint</p> <p>Technology: Increased straight through processing and improved customer experience</p>
<b>PROFITABLE GENERAL INSURANCE</b>	<p>Predominantly a focussed household player</p> <p>Used technology to improve pricing, claims management and customer experience</p>
<b>CAPTURE THE ANNUITY OPPORTUNITY</b>	<p>Financial innovation</p> <p>Comprehensive offering – expansion in large bulk, longevity insurance</p> <p>Leveraged existing capability</p> <p>Effective asset liability management</p>

## Business review – Risk.

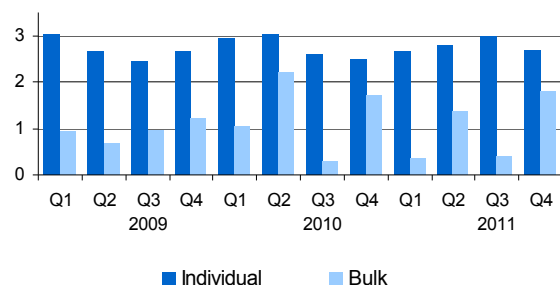
Financial highlights £m	2011	2010
Operational cash generation	482	439
New business strain	(31)	(10)
<b>Net cash generation</b>	<b>451</b>	<b>429</b>
Experience variances, assumption changes, tax and other variances	110	131
<b>Operating profit</b>	<b>561</b>	<b>560</b>
Asset related investment variance	172	102
<b>IFRS profit before tax</b>	<b>733</b>	<b>662</b>

## Annuities: Solid performance on all metrics.

Financial highlights £m	2011	2010
Operational cash generation	227	229
New business surplus	35	60
<b>Net cash generation</b>	<b>262</b>	<b>289</b>
Individual annuity new business APE	105	117
Bulk annuity new business APE	146	90
<b>Total annuity new business APE</b>	<b>251</b>	<b>207</b>
Longevity insurance contract APE	70	-
Annuities EEV margin (%)	10.0	11.9
Credit default provision (£bn)	1.6	1.5
Defaults	nil	nil

## Annuities: High potential.

### New Annuity Business (£bn) UK Market



- £1.1bn bulk annuity deal
- Approximately £390m longevity reinsurance on back book
- £1bn longevity transaction

- **Potential UK market enormous (£1,000bn plus)**

Maturing DC pension pots increasing

DB pension schemes derisking

- **DB de-risking strong reputation and full offering:**

Investment de-risking (e.g. LDI)

Longevity management

Buy-in / Buy-out

- **Some evidence of deferring retirement in UK**

- **ALM**

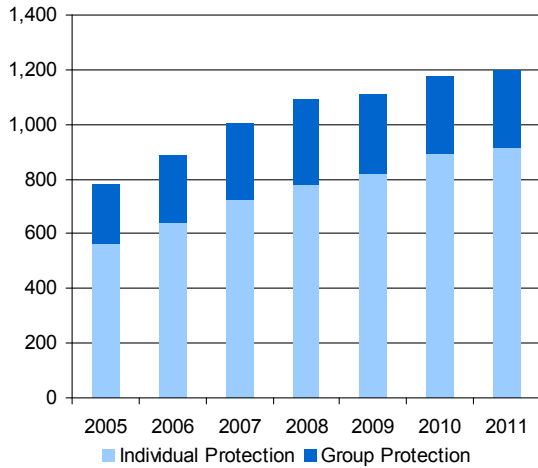
No defaults in either 2010 and 2011

## Housing and Protection: Strong performance on all metrics.

Financial highlights £m	2011	2010
Operational cash generation	255	210
New business strain	(66)	(70)
<b>Net cash generation</b>	<b>189</b>	<b>140</b>
Protection new business APE	177	175
Protection new business EEV margin (%)	9.3	6.4
Protection gross premiums	1,200	1,179
General insurance gross premiums	304	281
Total gross premiums	1,504	1,460
General insurance operating profit	42	(8)
General insurance new business premiums	110	80
General insurance combined operating ratio (%)	88	106

## Housing and Protection: Attractive market.

### Protection Gross Premiums (£m)



### Strong franchise - No. 1 in IP, No.2 in GP

- Scale and quality of in-force book delivers strong cash flows, operating cash up 21% to £255m, net cash up 35% to £189m
- High quality products and efficient IT capability (75% plus straight through processing) delivered margin of 9.3% up from 6.4%
- GP mortality improved in H2.
- GI profits increased by £50m from £(8)m to £42m
- £16bn of intermediated mortgages in 2011, around 20% market share
- Welfare Reform – opportunity
- Distribution – continued to expand in 2011, further opportunities in 2012

## Savings strategy.

To build a sustainable and growing asset accumulation business, which generates an increasing cash contribution to the Group.

#### GROWTH IN ASSETS UNDER ADMINISTRATION

Scale in assets under administration is critical to success. Sustained a healthy cash generation from the in-force book.

#### INCREASED OPERATIONAL EFFICIENCY

Improved operational efficiency whilst growing scale in the Savings business as this is critical to protect cash and profit generation, workplace unit costs, new business strain.

#### INCREASED PROFITABILITY

Increased net cash, operating profit and return on equity.

#### DEVELOPED INNOVATIVE PROPOSITIONS

Developed innovative propositions that meet our emerging customer needs.



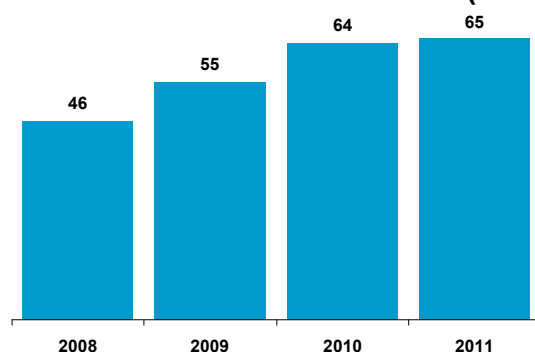
## Business review – Savings: Strong performance on all key metrics.

Financial highlights £m	2011	2010
Operational cash	174	138
New business strain	(63)	(70)
<b>Net cash generation</b>	<b>111</b>	<b>68</b>
Experience variances, assumption changes, tax and other variances	17	47
Operating profit	128	115
Asset related and other investment variances	(34)	(54)
<b>IFRS profit before tax</b>	<b>94</b>	<b>61</b>
Savings new business APE	1,255	1,253
Assets under administration (£bn)	65	64
Net inflows (£bn)	1.2	3.1
New business strain % PVNBP <sup>1</sup>	2.7	2.8

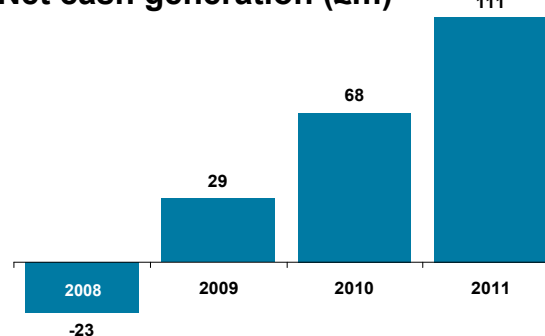
1. UK insured savings business

## A transformed business: 2008-2011.

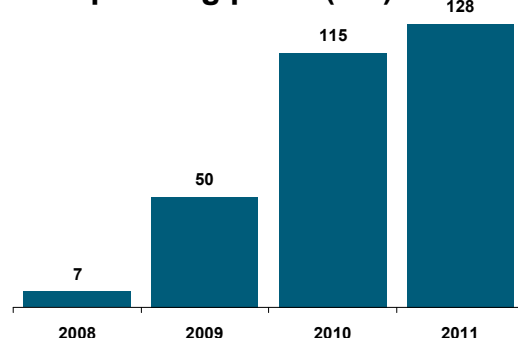
Assets under administration (£bn)



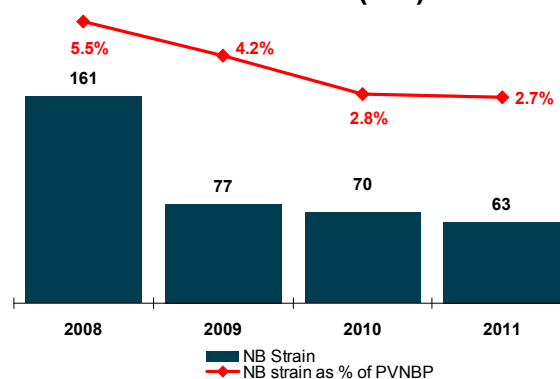
Net cash generation (£m)



IFRS operating profit (£m)



New business strain (£m)<sup>1</sup>



1. UK insured savings business

## Auto enrolment, workplace savings and RDR opportunities.

1. 133 new workplace schemes secured in 2011 with over 94,000 people up from 102 schemes and around 24,000 people in 2010 – customers include Marks & Spencer and General Electric– more completed, but not yet announced
2. Unit costs in workplace improved as we move towards scale and deliver good quality customer service
3. IPS platform increasing scale with £6.8bn AUA and over 420,000 customers up from £3.8bn and 152,000 customers. Cofunds increased to £36bn AUA (2010: £30bn)
4. Extended distribution contracts with Nationwide Building Society and Yorkshire Building Society in a post RDR world – others to follow

## LGIM strategy.

To continue to focus on diversifying by growing our core active management capability and our defined benefit pensions de-risking solutions alongside our market leading index tracking business.

<b>UK PRIORITIES</b>	Lead the market in providing derisking solutions to UK pension plans Continued to develop and enhance active fixed capabilities Defended market leading position in UK DB market
<b>INTERNATIONAL PRIORITIES</b>	Grew LGIMA's US credit and LDI products within the US Expanded LGIM's footprint in the Gulf and Asia Deliver index to US institutional market

<b>FUM £bn</b>	<b>2011</b>	<b>2010</b>
UK Pension Funds and Institutional clients	<b>268</b>	253
International clients	<b>18</b>	15
Annuities	<b>28</b>	25
Savings	<b>51</b>	55
International and other	<b>6</b>	6
<b>Total assets under management</b>	<b>371</b>	354

## Business review – Investment Management: Delivery on all key metrics.

Financial highlights £m	2011	2010
IFRS Operating profit	234	206
Total revenue	417	378
Total costs	(183)	(172)
<b>Net cash generation</b>	<b>189</b>	<b>162</b>
Average ad valorem fee margin (bps)	10.9	10.7
Average expense margin (bps)	5.3	5.5
Gross inflows (£bn)	32.8	32.6
Net inflows (£bn)	3.0	6.6
Closing assets under management (£bn)	371	354

## Outlook: Deepen customer relationships in UK and accelerate growth in international.

1. Provide additional products to existing 3,000+ pension clients
2. Deliver growth and investment expertise to Annuities (£28.4bn) and Savings (£65bn) businesses
3. Continue excellent growth in LDI and Fixed Income in US
4. Deliver index to US institutional market – launch 2012
5. Expand product offering and distribution within Europe
6. Expand LGIM's customer base in the Gulf
7. Enter Asia – office opening in 2012

## International strategy.

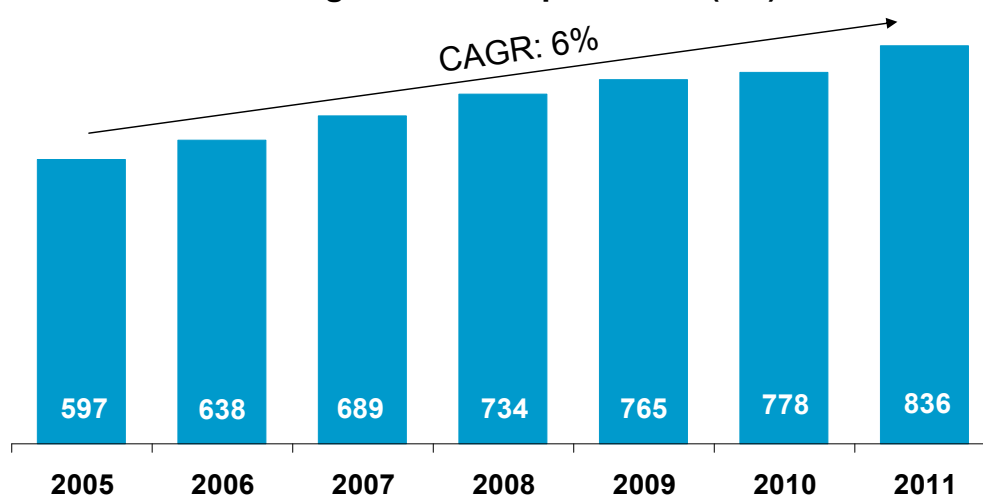
To focus on return on equity and measured growth by leveraging our bancassurance and UK expertise.	
<b>USA PRIORITIES (LGA)</b>	Maintained growth and momentum on core term products by active distribution management Continue to focus on capital management
<b>EUROPE PRIORITIES</b>	Increased NBVA in Netherlands and France, particularly in risk products
<b>DEVELOPING MARKETS</b>	Grow our existing businesses in India , the Gulf and North Africa into successful, high performance domestic businesses Enter new markets leveraging our bancassurance expertise

## Business review – International.

Financial highlights £m	2011	2010
USA	104	85
Europe (Netherlands and France)	41	26
Egypt, the Gulf and India	(8)	(9)
<b>Operating profit</b>	<b>137</b>	<b>102</b>
<b>New Business APE</b>	<b>154</b>	<b>146</b>
<b>Net cash generation</b>	<b>51</b>	<b>44</b>

## LGA has accelerated growth.

L&G America: gross written premiums (\$m) 2005 - 2011



- 900,000 active policies
- APE up 39% to \$111m
- No. 6 provider of term life business
- Sustainable and growing ordinary dividend (2010 \$50m; 2011 \$55m; 2012 \$60m)
- Successful US Capital programme
- New business margin increased to 10.7% from 8.9%

## Value creation: Across life businesses and “IFRS style” businesses.

Generation of embedded value (£m)	2008	2009	2010	2011
Total UK NBVA pre tax	265	305	333	376
International NBVA pre tax	32	23	44	65
<b>Total</b>	<b>297</b>	<b>328</b>	<b>377</b>	<b>441</b>
UK Net Generation of VIF pre tax	500	89	71	88

£m	2008	2011
LGIM profits	172	234
LGI profits	(7)	34
GI profits	(2)	42
International dividend	-	51

## 2011 EEV, cash and operating profit.

	FY 2011 EEV		Cash Generation	Op. profit (IFRS)	FY 2010 EEV		Cash Generation	Op. profit (IFRS)
	£m	Pps*	£m	£m	£m	Pps*	£m	£m
<b>IFRS</b>								
LGIM	1,552	27	189	234	1,354	23	162	206
Savings investments	155	3	22	23	142	2	15	21
GI and Other risk	154	2	23	32	123	2	(6)	(11)
	<b>1,861</b>	<b>32</b>	<b>234</b>	<b>289</b>	<b>1,619</b>	<b>27</b>	<b>171</b>	<b>216</b>
<b>PVIF</b>								
UK	4,620	79	611	634	4,220	72	568	665
International	1,211	20	51	145	1,090	19	44	111
	<b>5,831</b>	<b>99</b>	<b>662</b>	<b>779</b>	<b>5,310</b>	<b>91</b>	<b>612</b>	<b>776</b>
<b>EEV SNW</b>								
UK	3,218	55			3,035	51		
International	401	7			748	13		
	<b>3,619</b>	<b>62</b>			<b>3,783</b>	<b>64</b>		
<b>Other</b>								
Long term debt	(2,300)	(39)	44	(12)	(2,300)	(39)	57	10
Commercial paper	(246)	(4)			(279)	(5)		
Other assets	1,498	25			1,036	18		
	<b>(1,048)</b>	<b>(18)</b>			<b>(1,543)</b>	<b>(26)</b>		
Cost of capital	(454)	(8)			(409)	(7)		
New business strain			(94)				(80)	
<b>Total</b>	<b>9,809</b>	<b>167</b>	<b>846</b>	<b>1,056</b>	<b>8,760</b>	<b>149</b>	<b>760</b>	<b>1,002</b>

\*Pence per share

## UK experience and assumption changes: 2007-11. £496m positive since 2007.

IFRS net of tax (£m)	2007	2008	2009	2010	2011	Cumulative
Experience variances	115	(33)	112	77	10	281
Operating assumption changes	(137)	(10)	178	58	19	108
Other	33	25	46	3	-	107
	<b>11</b>	<b>(18)</b>	<b>336</b>	<b>138</b>	<b>29</b>	<b>496</b>

Note: Excludes International, shown as post tax. Not included in net cash – included in capital

## Balance sheet: Link between cash, balance sheet and IGD.

IGD Surplus <sup>1</sup> (£m)	
<b>At 1 January 2010</b>	<b>3,148</b>
<b>At 1 January 2011</b>	<b>3,745</b>
Operational cash generation	940
New business strain	(94)
Dividends	(376)
Experience variances and assumption changes	29
Group Investment projects	(41)
Investment variance <sup>2</sup>	(126)
Increase in operational regulatory capital requirement	(90)
Release of capital from US capital management programme	65
Temporary capital usage (internal Triple X financing)	(78)
Differences between IFRS and regulatory reporting	(57)
Other <sup>3</sup>	(148)
<b>At 31 December 2011</b>	<b>3,769</b>

1. All IGD amounts are estimated, unaudited and after accrual of the final dividend of £279m (2010: £201m).

2. Includes £(97)m of investment variances and £(29)m arising from regulatory treatment on LGF held to maturity investment bonds.

3. Includes £(80)m from the utilisation of trading losses included in net cash

## £1.8bn growth in Shareholder assets in the last 2 years.

Shareholder Assets £m	
<b>2010 Opening shareholder assets</b>	<b>4,167</b>
<i>Opening group capital and financing assets (incl. LGAS and LGPL shareholder assets)</i>	<i>3,656</i>
<i>Opening shareholder assets in other subsidiaries</i>	<i>1,688</i>
<b>2011 Opening shareholder assets</b>	<b>5,344</b>
Group operational cash generation	940
New business strain	(94)
<b>Net cash generation</b>	<b>846</b>
External dividend payments in the year	(298)
Other	40
<i>Closing group capital and financing assets (incl. LGAS and LGPL shareholder assets)</i>	<i>4,344</i>
<i>Closing shareholder assets in other subsidiaries</i>	<i>1,588</i>
<b>2011 Closing shareholder assets</b>	<b>5,932</b>

## Cash and profit generation progress.

	2009			2010			2011		
	Op. Cash	Strain	Net Cash	Op. Cash	Strain	Net Cash	Op. Cash	Strain	Net Cash
Annuities	235	129	364	229	60	289	227	35	262
Protection	203	(79)	124	216	(70)	146	232	(66)	166
Insured savings	58	(77)	(19)	77	(70)	7	101	(63)	38
<b>In-force cash generation</b>	<b>496</b>	<b>(27)</b>	<b>469</b>	<b>522</b>	<b>(80)</b>	<b>442</b>	<b>560</b>	<b>(94)</b>	<b>466</b>
With-profits	46		46	46		46	51		51
Savings investments	2		2	15		15	22		22
General insurance and Other	16		16	(6)		(6)	23		23
LGIM	125		125	162		162	189		189
International dividends	8		8	44		44	51		51
GCF – Return	33		33	152		57	142		44
GCF – Interest				(95)			(98)		
<b>Total</b>	<b>726</b>	<b>(27)</b>	<b>699</b>	<b>840</b>	<b>(80)</b>	<b>760</b>	<b>940</b>	<b>(94)</b>	<b>846</b>
Variations and other			28			(42)			(98)
International (ex dividends)			78			33			39
Tax gross up			304			251			269
<b>Operating profit</b>			<b>1,109</b>			<b>1,002</b>			<b>1,056</b>

## Delivering on our strategy.

Strategic Goal	Progress in 2011
<b>RISK:</b> Maintain leadership	Extended leadership in risk: <ul style="list-style-type: none"> <li>• <b>Annuities highest new business (£251m APE + £70m LI)</b></li> <li>• <b>£1.1bn T&amp;N scheme</b>, plus longevity insurance</li> <li>• <b>Individual Protection, No1 in mkt, APE +11%</b> (Mkt -2%)</li> <li>• <b>GI premiums</b>, 7 yr high at £304m (8% growth in GWP)</li> </ul>
<b>SAVINGS:</b> Transformation to a Capital Light, RDR Ready model. Compelling proposition for Workplace Savings	Becoming a customer-centric, asset-based business: <ul style="list-style-type: none"> <li>• <b>£65bn</b> assets under administration</li> <li>• Schemes secured - potential of <b>c350,000</b> new AE customers</li> <li>• <b>79% AUA growth</b> in IPS platform to £6.8bn</li> <li>• <b>Post RDR distribution</b> secured with NBS and YBS</li> <li>• <b>Retail UT/ISA</b> profits up by 17% in 2011 to £34m</li> </ul>
<b>INVESTMENT MANAGEMENT:</b> A bigger part of what we do	Growing assets and diversifying: <ul style="list-style-type: none"> <li>• <b>£371bn</b> assets under management</li> <li>• <b>43% growth</b> in LDI FUM to £58bn</li> <li>• <b>30% growth</b> in International AUM to £18bn</li> <li>• <b>14 US pension mandates</b> for LGIMA, strong pipeline</li> </ul>
<b>INTERNATIONAL:</b> Improve returns in mature markets. Access to emerging markets	Improving returns, measured expansion: <ul style="list-style-type: none"> <li>• <b>Higher profit</b> in International (£102m to £137m)</li> <li>• <b>33% growth</b> in LGA APE to £69m</li> <li>• <b>\$100m capital release</b> from LGA, <b>€35m</b> from LGN</li> </ul>



## Delivering on our strategy.

Strategic Direction	Progress in 2011
<b>NEW METRICS:</b> Focus on cash and certainty of delivery	Strong Growth in Cash Flow: <ul style="list-style-type: none"> <li>• <b>Operational Cash CAGR of 13%</b> over 5 years</li> <li>• <b>High visibility</b> of future flows</li> <li>• <b>Leading Industry</b> change in reporting</li> </ul>
<b>BALANCE SHEET:</b> Strength & efficiency	Robust Balance sheet and risk management: <ul style="list-style-type: none"> <li>• <b>£3.8bn</b> IGD surplus, 220% solvency ratio</li> <li>• <b>£1.6bn</b> in LPGL Default reserve (no defaults)</li> <li>• Asset portfolio diversified to manage risk</li> </ul>
<b>ORGANISATIONAL CAPABILITY:</b> Increased bandwidth	More Effective and Engaged: <ul style="list-style-type: none"> <li>• UK Headcount reduced from 7,800 to 5,950 in 4 years</li> <li>• Higher engagement, leadership and delivery capability</li> <li>• Completed Culture change programme and Brand overhaul</li> <li>• In Sunday Times "Top 25 companies to work for" list</li> </ul>
<b>COSTS :</b> Improved efficiency	Continuous improvement: <ul style="list-style-type: none"> <li>• <b>£26m</b> Risk positive expense variance, lower unit costs</li> <li>• Savings NB strain down to 2.7%</li> <li>• Cost:income ratio for LGIM <b>less than 50%</b></li> </ul>

## Conclusion: Strategy continues to deliver.

- **Economic, market and regulatory uncertainty persists**
- **2012 is a year of substantial change for the industry**
- **Consistent delivery across key metrics**
- **Cash generation remains strong**
- **L&G has substantial momentum and capital strength**
- **Capability to grow from opportunities in all our key markets**

## Impact of adjustment to smoothed return on key metrics: for GCF cash and Libor benchmarked bonds.

£m	Under new policy	Under original policy
Operating profit	1,056	1,108
Operational cash generation	940	978
Net cash generation	846	884
Investment variance	(97)	(149)
Pre-tax operating profit	956	956

## Linkage between 2010 operational cash, profits and earnings.

All in £m	Operational cash generation	New business strain	Net cash generation	Experience variances	Changes in valuation assumptions	Non-cash items	Investment gains and losses, international and other	IFRS profit/(loss) after tax	Tax expense/(credit)	IFRS profit/(loss) before tax
Risk	439	(10)	429	67	30	(122)	(1)	403	157	560
Savings	138	(70)	68	10	28	(21)	(5)	80	35	115
Investment mgt	162	-	162	-	-	-	-	162	44	206
International	44	-	44	-	-	-	33	77	25	102
GC&F	57	-	57	-	-	-	-	57	1	58
Investment projects	-	-	-	-	-	-	(28)	(28)	(11)	(39)
<b>Operating profit</b>	<b>840</b>	<b>(80)</b>	<b>760</b>	<b>77</b>	<b>58</b>	<b>(143)</b>	<b>(1)</b>	<b>751</b>	<b>251</b>	<b>1,002</b>
Variances	-	-	-	-	-	-	74	74	16	90
Other	-	-	-	-	-	-	(5)	(5)	5	-
<b>Total</b>	<b>840</b>	<b>(80)</b>	<b>760</b>	<b>77</b>	<b>58</b>	<b>(143)</b>	<b>68</b>	<b>820</b>	<b>272</b>	<b>1,092</b>
<b>Per share</b>	<b>14.42</b>		<b>13.04</b>					<b>14.07</b>		
<b>Dividend per share</b>			<b>4.75</b>					<b>4.75</b>		