



EVERY DAY MATTERS.

Preliminary results 2011

14 March 2012

Forward looking statements.

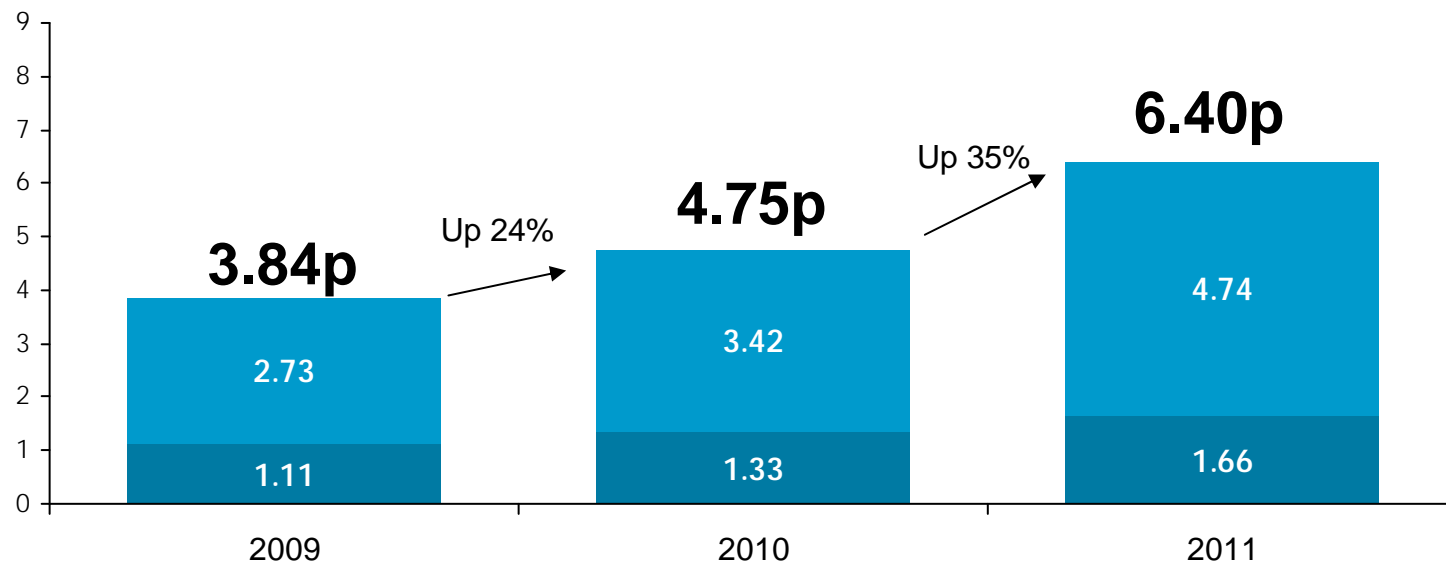
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Preliminary Results 2011.

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%.

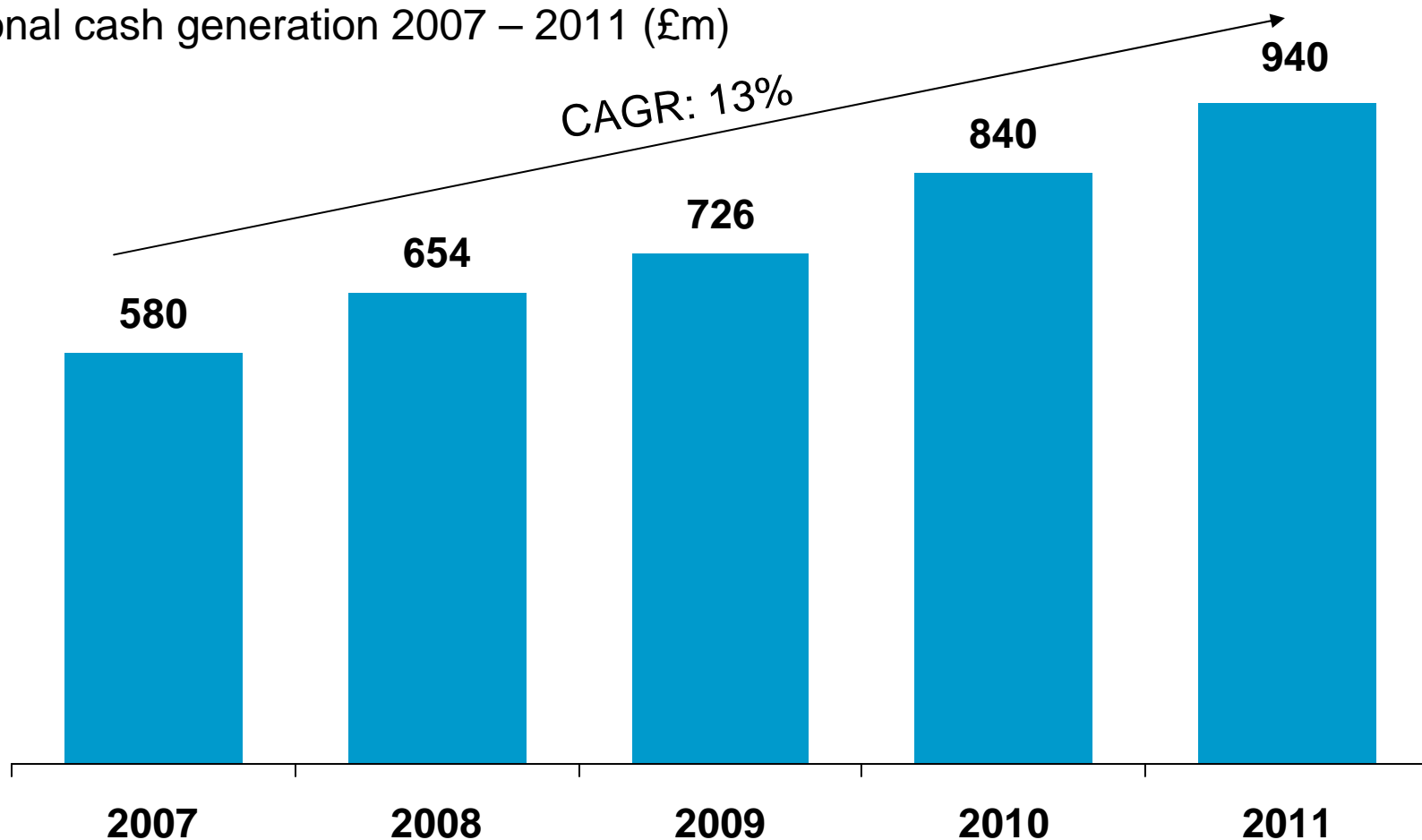


Sustainable, diversified and growing cashflow coupled with unwind of dividend cover should result in superior dividend growth

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)



Net cash generation £m

236

320

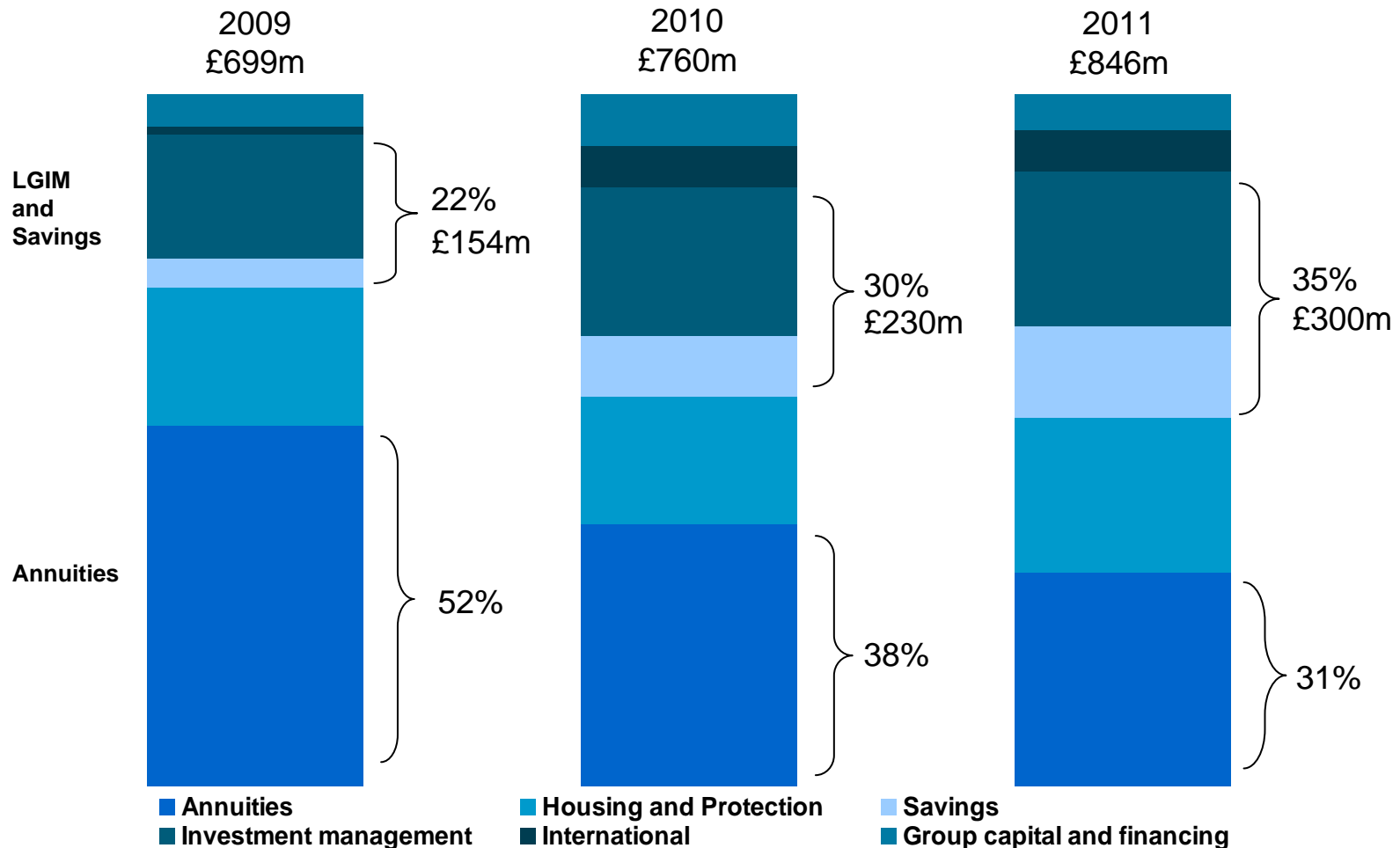
699

760

846

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)
Net cash generation	846	760
IFRS Profit		
Risk	561	560
Savings	128	115
Investment management	234	206
International	137	102
Group capital and financing	52	58
Investment projects	(56)	(39)
Operating profit	1,056	1,002

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)
Operating profit	940	(94)	846	10	19	(80)	(8)	787	269	1,056
Variances*	-	-	-	-	-	-	(55)	(55)	(42)	(97)
Other	-	-	-	-	-	-	(9)	(9)	6	(3)
Total	940	(94)	846	10	19	(80)	(72)	723	233	956
Per share	16.13		14.52					12.46		
Dividend per share			6.40					6.40		

*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
Sub total	802	701	87	703	476	68
Group capital and Financing	44			57		
Total	846	701	83	760	476	63

Risk strategy.

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

STRONG PROTECTION FRANCHISE

Scale: Reduced unit operating costs
Distribution: Expanded our footprint
Technology: Increased straight through processing and improved customer experience

PROFITABLE GENERAL INSURANCE

Predominantly a focussed household player
Used technology to improve pricing, claims management and customer experience

CAPTURE THE ANNUITY OPPORTUNITY

Financial innovation
Comprehensive offering – expansion in large bulk, longevity insurance
Leveraged existing capability
Effective asset liability management

Business review – Risk.

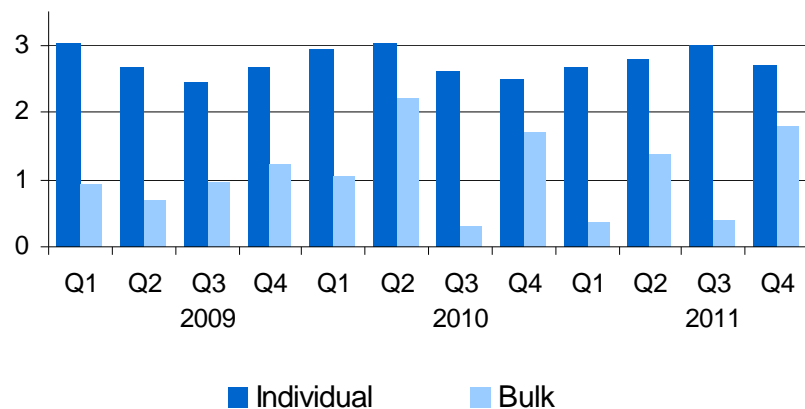
Financial highlights £m	2011	2010
Operational cash generation	482	439
New business strain	(31)	(10)
Net cash generation	451	429
Experience variances, assumption changes, tax and other variances	110	131
Operating profit	561	560
Asset related investment variance	172	102
IFRS profit before tax	733	662

Annuities: Solid performance on all metrics.

Financial highlights £m	2011	2010
Operational cash generation	227	229
New business surplus	35	60
Net cash generation	262	289
Individual annuity new business APE	105	117
Bulk annuity new business APE	146	90
Total annuity new business APE	251	207
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**

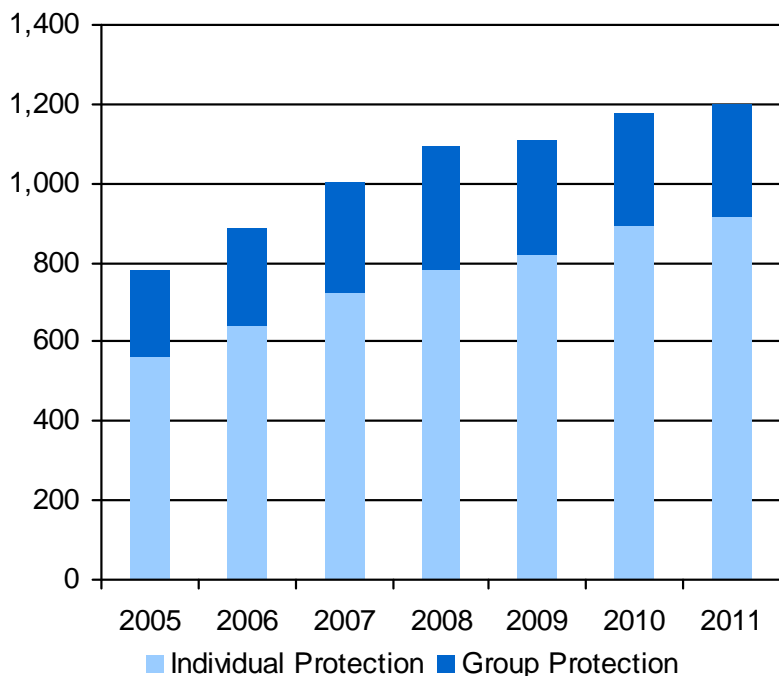
No defaults in either 2010 and 2011

Housing and Protection: Strong performance on all metrics.

Financial highlights £m	2011	2010
Operational cash generation	255	210
New business strain	(66)	(70)
Net cash generation	189	140
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

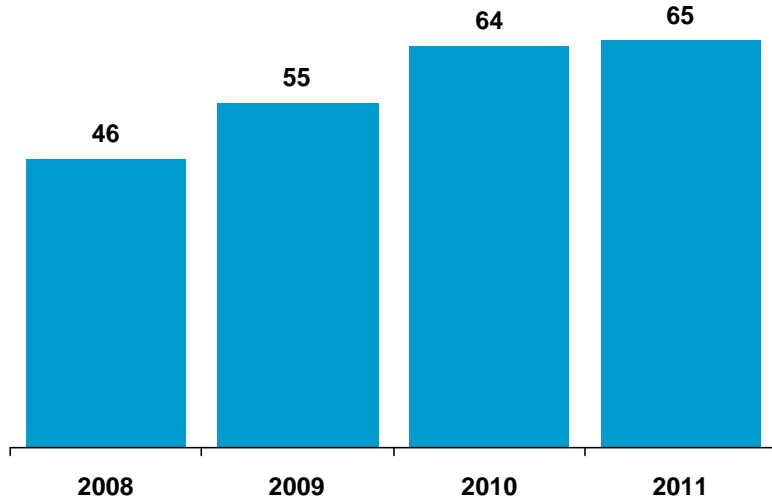
Developed innovative propositions that meet our emerging customer needs.

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

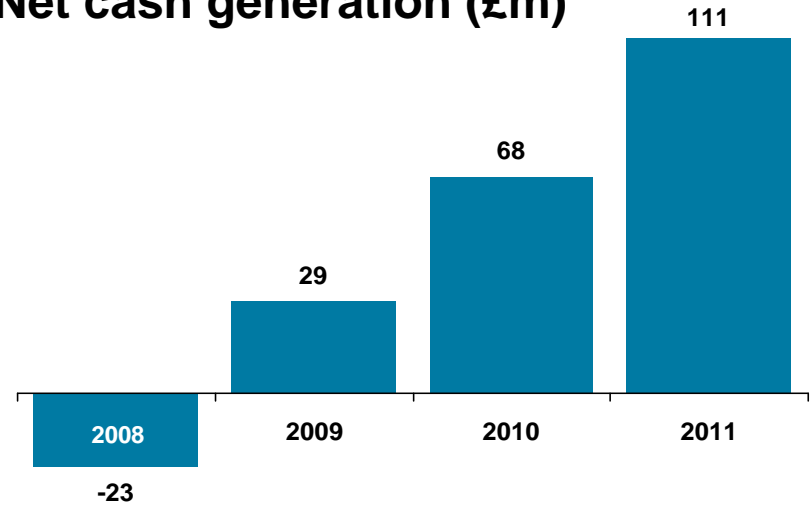
Financial highlights £m	2011	2010
Operational cash	174	138
New business strain	(63)	(70)
Net cash generation	111	68
Experience variances, assumption changes, tax and other variances	17	47
Operating profit	128	115
Asset related and other investment variances	(34)	(54)
IFRS profit before tax	94	61
Savings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

A transformed business: 2008-2011.

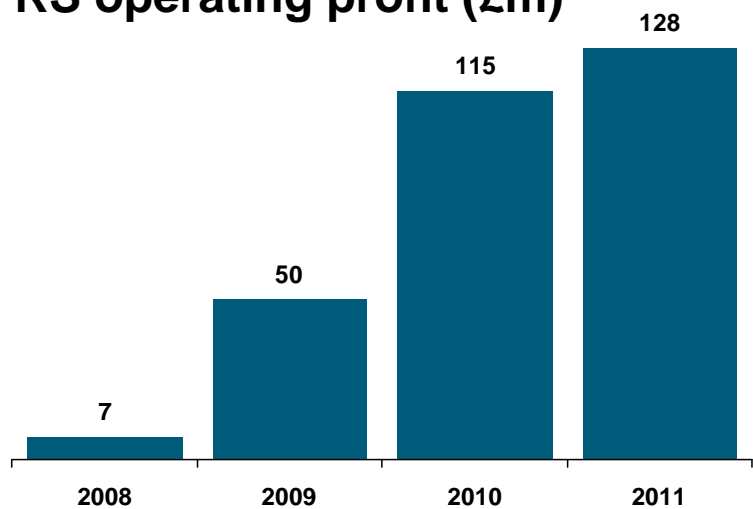
Assets under administration (£bn)



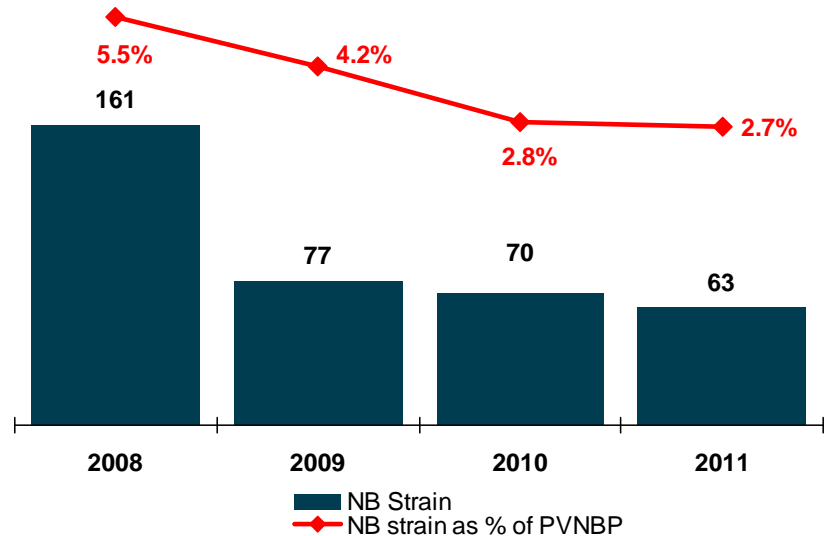
Net cash generation (£m)



IFRS operating profit (£m)



New business strain (£m)¹



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.

UK PRIORITIES	<p>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</p>
INTERNATIONAL PRIORITIES	<p>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</p>

FUM £bn	2011	2010
UK Pension Funds and Institutional clients	268	253
International clients	18	15
Annuities	28	25
Savings	51	55
International and other	6	6
Total assets under management	371	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)
Net cash generation	189	162
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.

**USA PRIORITIES
(LGA)**

**Maintained growth and momentum on core term products by active distribution management
Continue to focus on capital management**

**EUROPE
PRIORITIES**

Increased NBVA in Netherlands and France, particularly in risk products

**DEVELOPING
MARKETS**

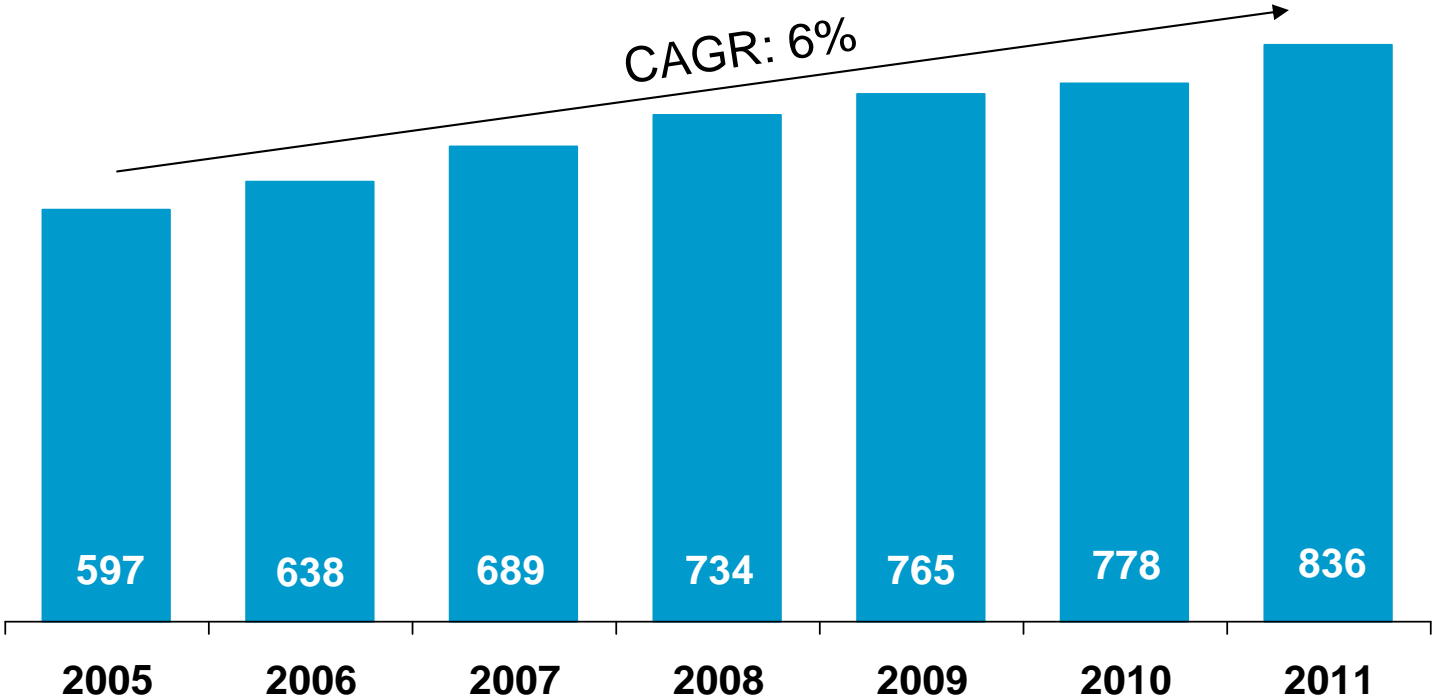
**Grow our existing businesses in India , the Gulf and North Africa into successful, high performance domestic businesses
Enter new markets leveraging our bancassurance expertise**

Business review – International.

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

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
Total	297	328	377	441
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
IFRS								
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)
	1,861	32	234	289	1,619	27	171	216
PVIF								
UK	4,620	79	611	634	4,220	72	568	665
International	1,211	20	51	145	1,090	19	44	111
	5,831	99	662	779	5,310	91	612	776
EEV SNW								
UK	3,218	55			3,035	51		
International	401	7			748	13		
	3,619	62			3,783	64		
Other								
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		
	(1,048)	(18)			(1,543)	(26)		
Cost of capital	(454)	(8)			(409)	(7)		
New business strain			(94)				(80)	
Total	9,809	167	846	1,056	8,760	149	760	1,002

*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
	11	(18)	336	138	29	496

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 Surplus¹ (£m)	
At 1 January 2010	3,148
At 1 January 2011	3,745
Operational cash generation	940
New business strain	(94)
Dividends	(376)
Experience variances and assumption changes	29
Group Investment projects	(41)
Investment variance ²	(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 ³	(148)
At 31 December 2011	3,769

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	
2010 Opening shareholder assets	4,167
<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>
2011 Opening shareholder assets	5,344
Group operational cash generation	940
New business strain	(94)
Net cash generation	846
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>
2011 Closing shareholder assets	5,932

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
In-force cash generation	496	(27)	469	522	(80)	442	560	(94)	466
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				152		57	142		44
GCF – Interest	33		33	(95)			(98)		
Total	726	(27)	699	840	(80)	760	940	(94)	846
Variances and other			28			(42)			(98)
International (ex dividends)			78			33			39
Tax gross up			304			251			269
Operating profit			1,109			1,002			1,056

Delivering on our strategy.

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

Delivering on our strategy.

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

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)
Operating profit	840	(80)	760	77	58	(143)	(1)	751	251	1,002
Variances	-	-	-	-	-	-	74	74	16	90
Other	-	-	-	-	-	-	(5)	(5)	5	-
Total	840	(80)	760	77	58	(143)	68	820	272	1,092
Per share	14.42		13.04					14.07		
Dividend per share			4.75					4.75		