



SUSTAINABLE  
GROWTH.

Preliminary Results 2010  
17<sup>th</sup> March 2011



## 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.

## 2010: Delivering on our strategy Cash and Growth not mutually exclusive.

Financial highlights (£m)	2010	2009
Net cash generation	728	699
Worldwide new business (£bn)	1.8	1.4
IFRS Operating profit	1,002	1,109
IFRS profit before tax	1,092	1,074
EEV Operating profit	1,224	1,319
EEV profit before tax	1,677	552
IGD Surplus <sup>1</sup> (£bn)	3.7	3.1
Final dividend (p)	3.42	2.73
Full year dividend (p)	4.75	3.84
Dividend cash cover (times)	2.6	3.1
Dividend EPS cover (times)	3.0	3.9

(1) Estimated

## Agenda: group financial performance.

- Market leading businesses delivering 5-12% growth per annum
- Diversified operational cash flow growing at 12% per annum
- Improved cost, risk and capital management yielding sustainable and substantial growth in net cash generation
- Dividend per share increased by 24%

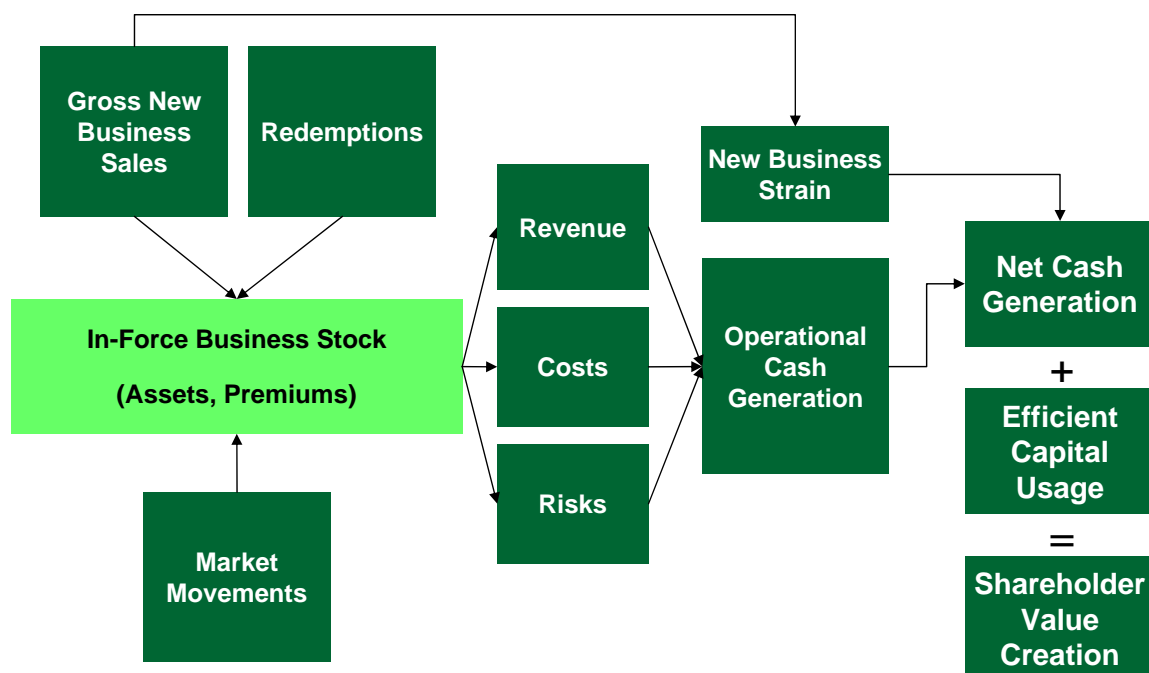
## Continued strong profitability and returns.

Summary IFRS income statement (£m)	2010	2009
Risk	560	735
Savings	115	50
Investment management	206	172
International	102	127
Group capital and financing	58	57
Group projects	(39)	(32)
<b>Operating profit</b>	<b>1,002</b>	<b>1,109</b>
Variation from longer term investment return	90	(16)
Property losses attributable to non-controlling interests	-	(19)
<b>Profit from ordinary activities before tax</b>	<b>1,092</b>	<b>1,074</b>
Tax	(272)	(230)
<b>Profit from ordinary activities after tax</b>	<b>820</b>	<b>844</b>
Return on equity (%)	18.2	22.2
Earnings per share (p)	14.07	14.82
<b>Full year dividend per share (p)</b>	<b>4.75</b>	<b>3.84</b>

Sales: 28% growth in APE, £10bn net asset flows.

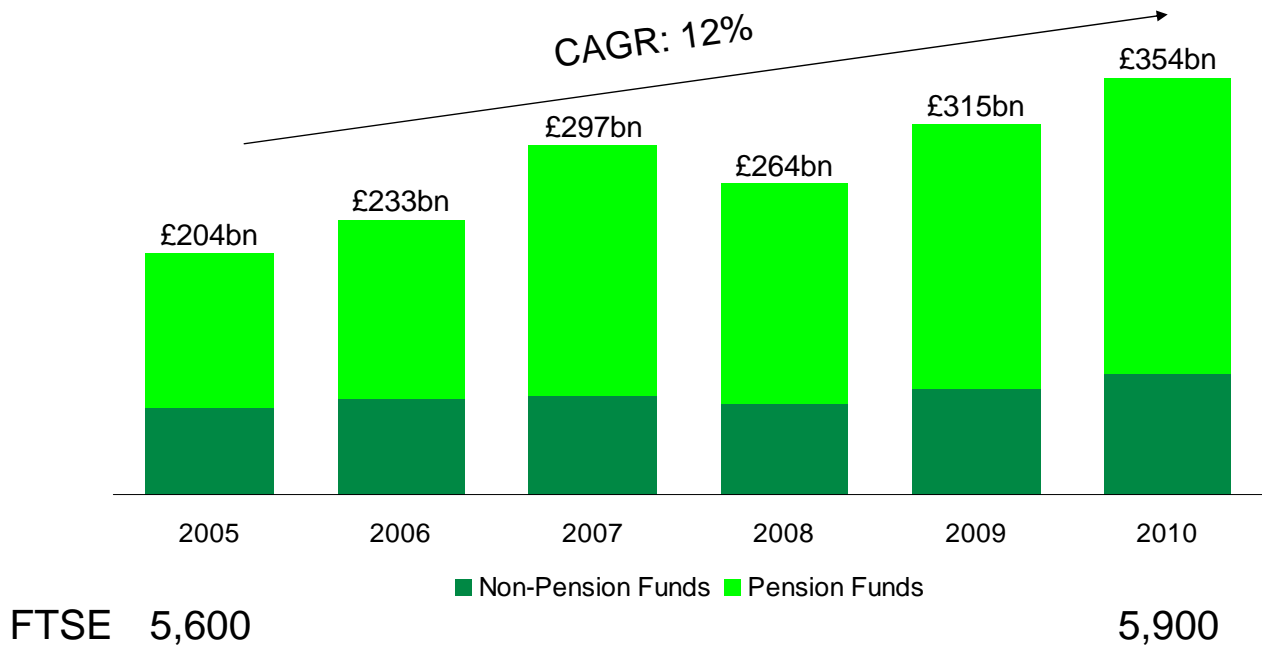
New business sales (£m)	2010	2009
Protection APE	175	180
Annuities APE	207	186
Savings APE	1,253	907
International APE	146	115
<b>Worldwide new business APE</b>	<b>1,781</b>	<b>1,388</b>
LGIM gross new business (£bn)	33.1	31.5
LGIM net asset flows (£bn)	6.6	8.8
Savings net asset flows (£bn)	3.1	1.7
<b>Total net asset flows (£bn)</b>	<b>9.7</b>	<b>10.5</b>

Drivers of Cash Generation:  
Growth in stock of business coupled with strong cost, risk and capital management.



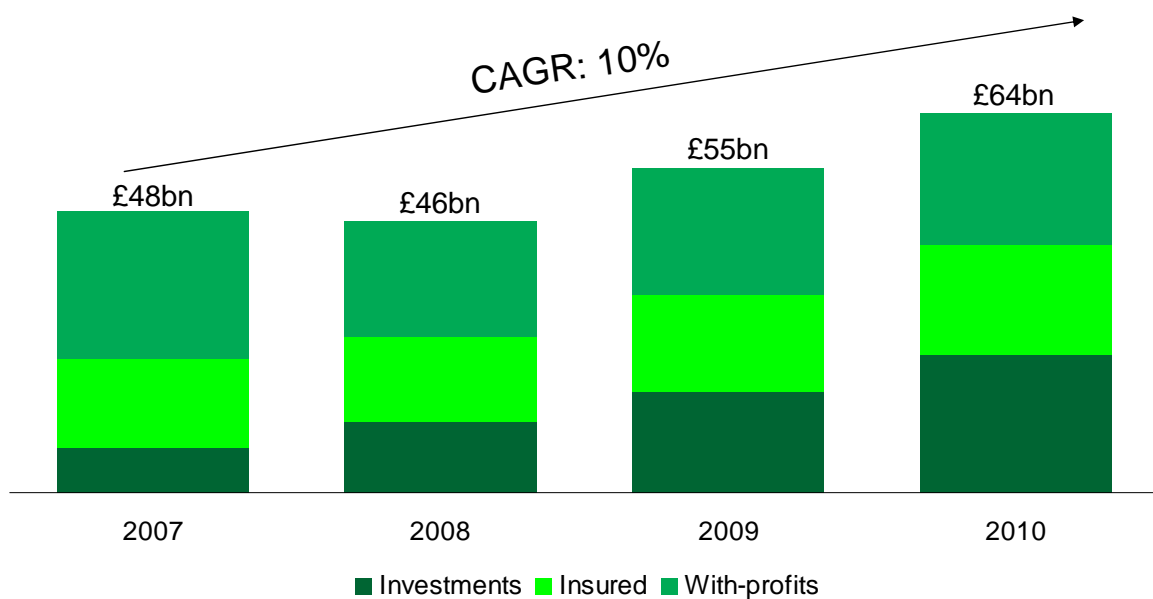
## Business growth: LGIM.

LGIM Assets Under Management 2005-2010



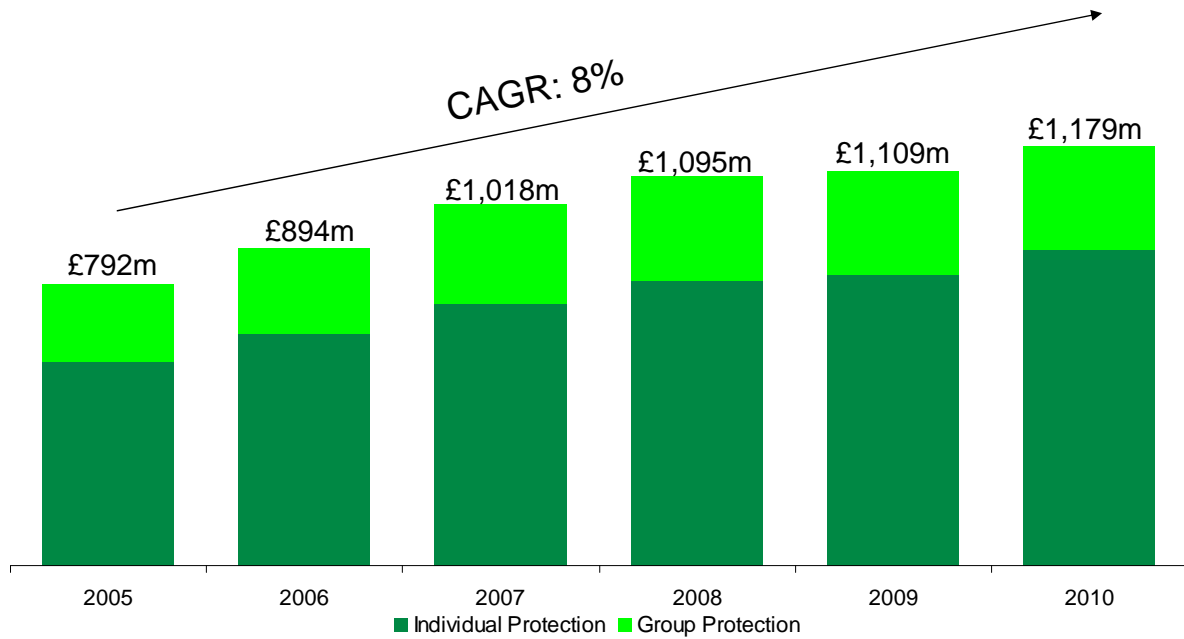
## Business growth: Savings.

Savings Assets Under Administration 2007-2010



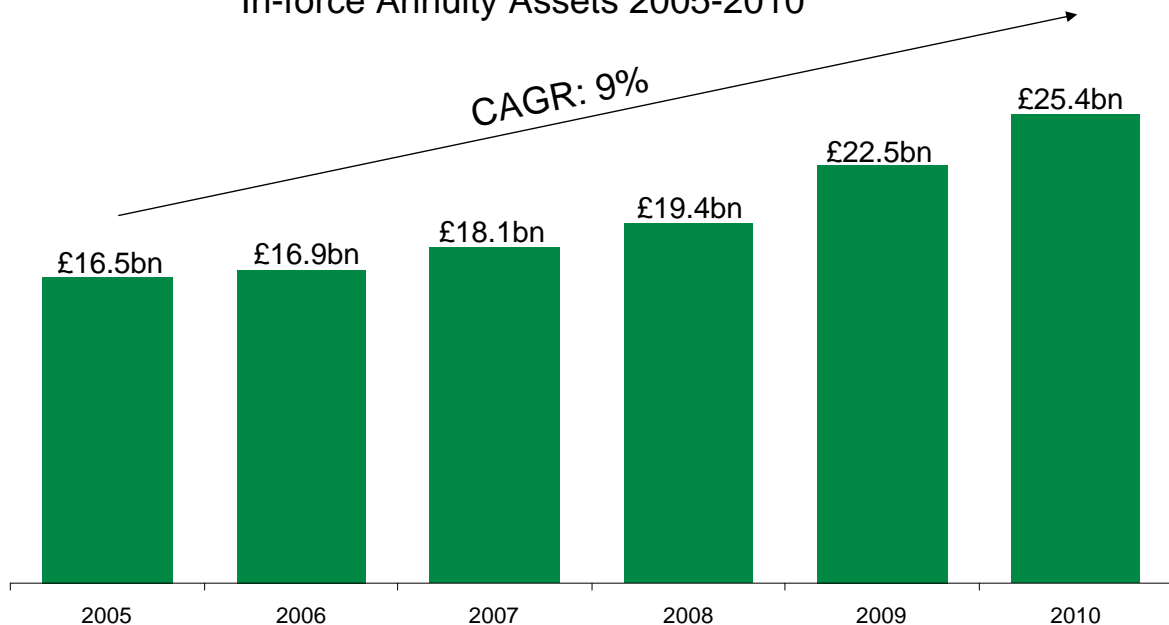
## Business growth: Protection.

In-force Protection Premiums 2005-2010



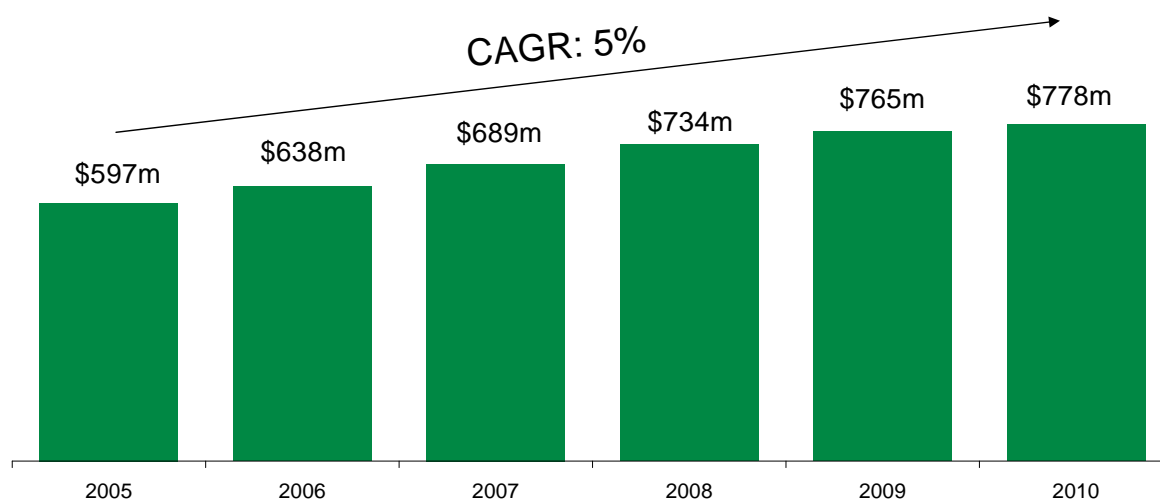
## Business growth: Annuities.

In-force Annuity Assets 2005-2010



## Business growth: L&G America.

L&G America: Gross Written Premiums 2005-2010



Risk: Another strong year. Healthy cash generation and profit contribution.

Financial Highlights (£m)	2010	2009
Operational cash generation	439	454
New business strain	(10)	50
<b>Net cash generation</b>	<b>429</b>	<b>504</b>
Assumption changes, experience and other variances	131	231
<b>IFRS Operating profit</b>	<b>560</b>	<b>735</b>
Investment variances	102	(218)
<b>Profit before tax</b>	<b>662</b>	<b>517</b>
Protection new business EEV margin (%)	6.4	7.9
Protection gross premiums (£m)	1,179	1,109
Non profit annuity earned interest margin (bps)	117	124
Non profit annuity assets (£bn)	25.4	22.5
Annuities EEV margin (%)	11.9	11.7

# Protection growth returning, with opportunities to innovate.

**c.5% pa**

## Individual Protection:

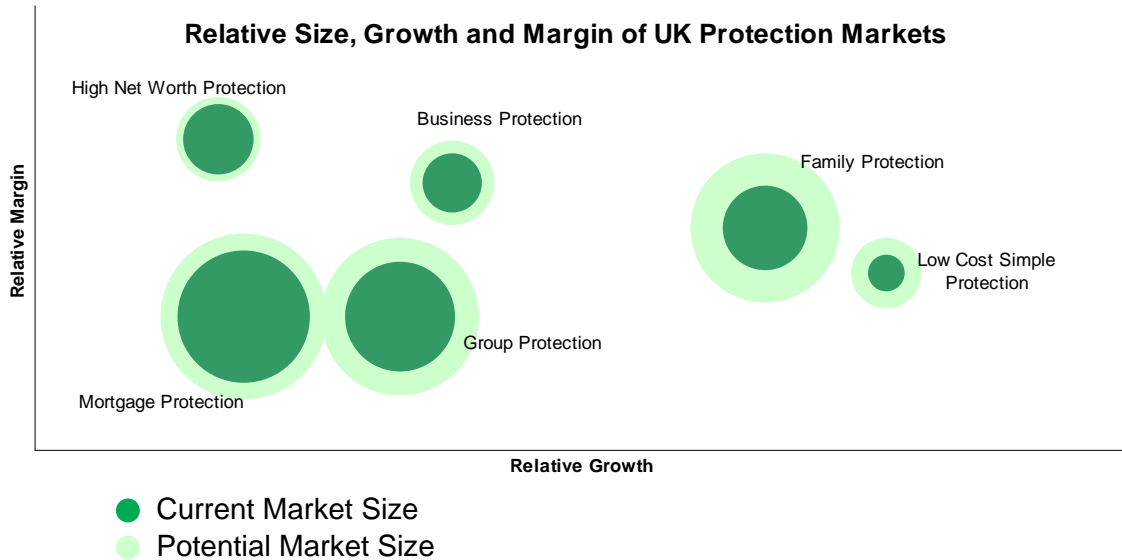
**0-5%pa**

- Mortgage market to recover slowly
- Significant latent demand.....but new markets will take time to emerge

## Group Protection:

**c.5%pa**

- Recovery in UK employer confidence
- Transfer of risk from public to private sector



Source: ABI, Management Estimates

# Annuities: Ageing population and reduced trustee risk appetite driving strong growth.

**10-15+% pa**

## Individual Annuities:

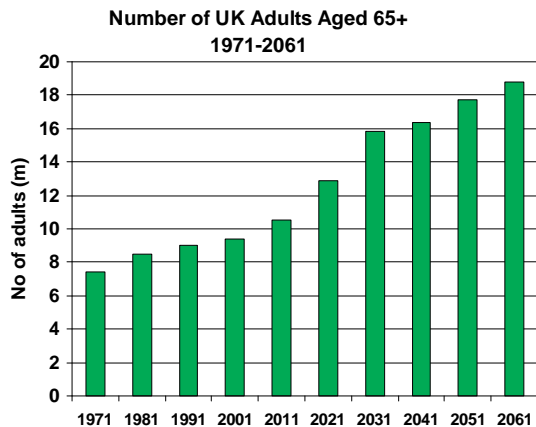
**10-15%pa**

- DC Savers of the 1980s reaching retirement
- Ageing population

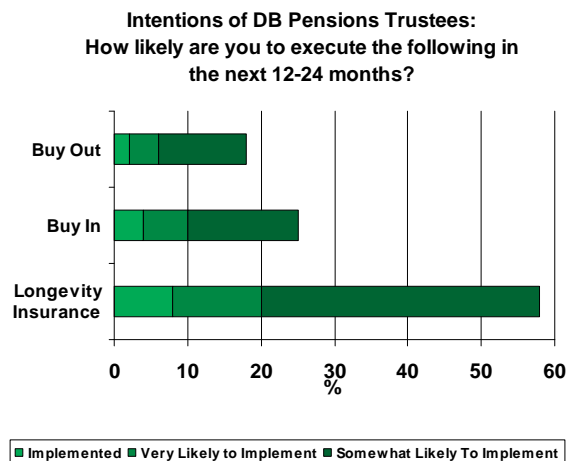
## Bulk Annuities:

**15%+pa**

- Increased appetite for de-risking amongst DB pension trustees
- £1 trillion of DB assets: flow into annuities c.£5bn pa



Source: ONS



Source: AON Hewitt Global Pension Risk Survey 2011



## Savings: Profit contribution across the business.

Financial highlights (£m)	2010	2009
Operational cash generation	138	106
New business strain	(70)	(77)
<b>Net cash generation</b>	<b>68</b>	<b>29</b>
Assumption changes, experience and other variances	47	21
<b>IFRS Operating profit</b>	<b>115</b>	<b>50</b>
Savings new business APE	1,253	907
Assets under administration (£bn)	64	55
Net new funds (£bn)	3.1	1.7
New business strain / PVNBP (%)	2.8	4.2
In-force costs to funds (bps)	24	29

## Savings Markets: Continued prospects of good growth, driven by supportive regulatory agenda.

5-10% pa

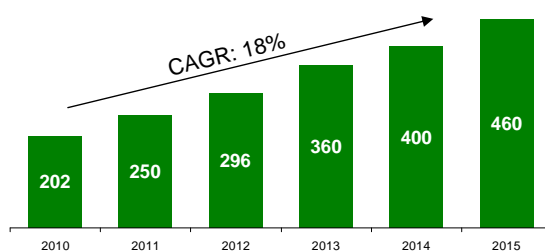
### Rising Consumer Confidence:

- Savings ratios increasing in the UK
- Customers and Employer confidence improving
- Platforms to increase in importance

### Regulatory Stimulus:

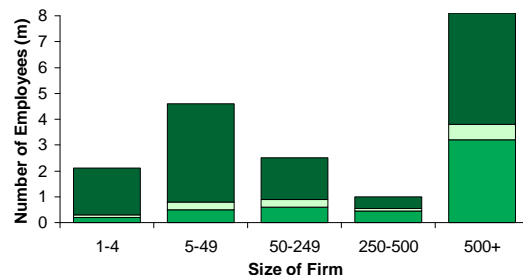
- Auto enrolment to drive increased workplace pensions demand
- RDR plays to L&G's strengths

Estimated Platform Market Size £bn



Source: Management Estimates

UK Pension Provision by Employer Size



Source: DWP analysis based on Employers' Pension Provision Survey

## Investment Management: A record year for LGIM Operating Profit of £206m.

Financial highlights (£m)	2010	2009
<b>Investment management IFRS Operating profit</b>	<b>206</b>	172
<b>Net cash generation</b>	<b>162</b>	125
<b>LGIM highlights</b>		
Total revenue	<b>378</b>	316
Total costs	<b>(172)</b>	(144)
<b>IFRS Operating profit</b>	<b>206</b>	<b>172</b>
Average ad valorem fee margin (bps)	<b>10.7</b>	9.8
Average expense margin (bps)	<b>5.5</b>	5.2
Gross new fund management mandates (£bn)	<b>33.1</b>	31.5
Closing funds under management (£bn)	<b>354</b>	315

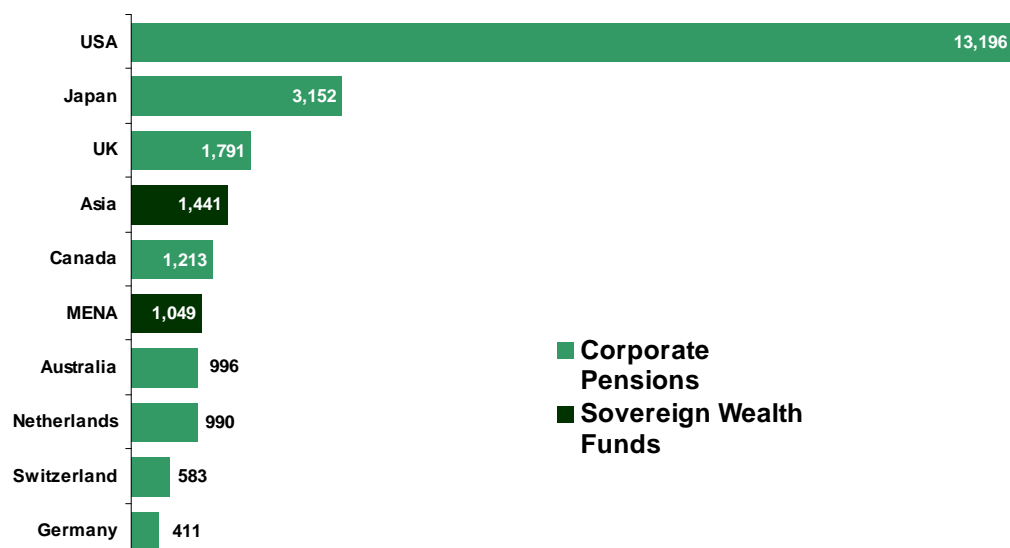
## LGIM Funds: Diversified across passive and active asset classes.

Funds under management (£bn)	31/12/10	31/12/09	% Change
<b>Index</b>			
UK Equities	<b>72</b>	69	4
International Equity	<b>86</b>	74	16
Fixed Interest (incl cash)	<b>71</b>	65	8
<b>Total – Index</b>	<b>229</b>	<b>208</b>	<b>10</b>
<b>Active</b>			
Equities	<b>9</b>	9	4
Fixed Interest	<b>67</b>	61	9
Structured solutions (incl LDI)	<b>41</b>	30	36
Property and Other	<b>8</b>	7	23
<b>Total – Active</b>	<b>125</b>	<b>107</b>	<b>17</b>
<b>Total</b>	<b>354</b>	<b>315</b>	<b>12</b>

Growth in index, international, fixed interest and LDI

LGIM's model is being deployed into the world's global asset management pools.

### Global Asset Pools 2010 (£bn)



Source: Watson Wyatt, Global Pension Asset Study 2010; Barclays Capital

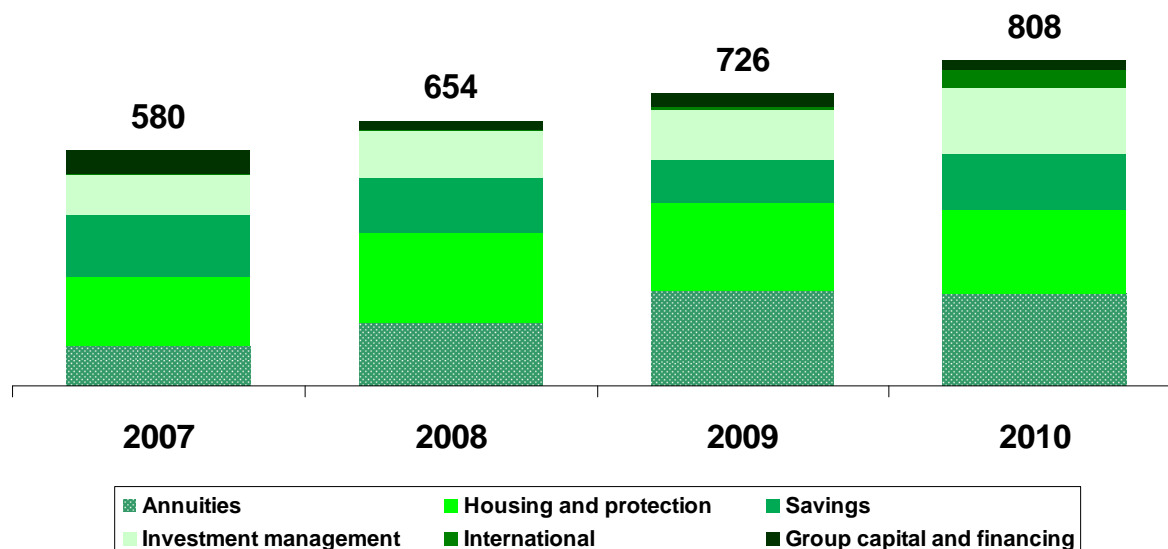
International: generating cash from mature markets, continuing to invest in emerging markets.

Financial highlights (£m)	2010	2009
USA	85	86
Europe (France and Netherlands)	26	46
Middle East and Asia (Egypt, the Gulf and India) <sup>1</sup>	(9)	(5)
<b>IFRS Operating profit</b>	<b>102</b>	<b>127</b>
<b>New business APE</b>	<b>146</b>	<b>115</b>
<b>Net cash generation</b>	<b>44</b>	<b>8</b>

(1) Includes divisional head office costs

Cash: consistent 12% per annum growth in operational cash generation.

Operational Cash Generation 2007 – 2010 (£m)



Operational Cash Generation: Diversifying sources of cash generation.

Operational cash generation (£m)	2010	%	2009	%
UK long term Annuities	229	28	235	32
UK long term Protection	216	27	203	28
General insurance and other risk	(6)	(1)	16	2
UK long term insured Savings	77	10	58	8
UK long term with-profits Savings	46	6	46	6
Savings Investments	21	3	5	1
Other savings	(6)	(1)	(3)	-
Investment management (LGIM)	162	20	125	17
International	44	5	8	1
Group capital and financing	25	3	33	5
<b>Total</b>	<b>808</b>	<b>100</b>	<b>726</b>	<b>100</b>

## 2009 Operational cash generation: close and transparent link between cash and profit.

2009 Full Year (£m)	Operational cash generation	New business strain	Net cash generation	International	Tax and other	IFRS profit before tax
Annuities	235	129	364	-	231	735
Housing and protection	219	(79)	140	-	-	-
Savings	106	(77)	29	-	21	50
Investment management	125	-	125	-	47	172
International	8	-	8	78	41	127
Group capital and financing	33	-	33	-	24	57
Investment projects	-	-	-	-	(32)	(32)
Investment variance and other	-	-	-	-	(35)	(35)
<b>Total</b>	<b>726</b>	<b>(27)</b>	<b>699</b>	<b>78</b>	<b>297</b>	<b>1,074</b>

## 2010 Operational cash generation: close and transparent link between cash and profit.

2010 Full Year (£m)	Operational cash generation	New business strain	Net cash generation	International	Tax and other	IFRS profit before tax
Annuities	229	60	289	-	131	560
Housing and protection	210	(70)	140	-	-	-
Savings	138	(70)	68	-	47	115
Investment management	162	-	162	-	44	206
International	44	-	44	33	25	102
Group capital and financing	25	-	25	-	33	58
Investment projects	-	-	-	-	(39)	(39)
Investment variance and other	-	-	-	-	90	90
<b>Total</b>	<b>808</b>	<b>(80)</b>	<b>728</b>	<b>33</b>	<b>331</b>	<b>1,092</b>

## Modelling the business.

	Operational cash generation (£m)	New business strain (£m)	Net cash generation (£m)	Operational cash generation (£m)	New business strain (£m)	Net cash generation (£m)
Annuities	235	129	364	229	60	289
Protection	203	(79)	124	216	(70)	146
Insured Savings	58	(77)	(19)	77	(70)	7
<b>In-force cash generation</b>	<b>496</b>		<b>469</b>	<b>522</b>		<b>442</b>
With-profits	46		46	46		46
Savings Investments and other savings	2		2	15		15
GI and other risk	16		16	(6)		(6)
LGIM	125		125	162		162
International dividends	8		8	44		44
Group capital and financing	33		33	25		25
<b>Total</b>	<b>726</b>	<b>(27)</b>	<b>699</b>	<b>808</b>	<b>(80)</b>	<b>728</b>
Variations and other			28			(10)
International (excl. dividends)			78			33
Tax gross up			304			251
<b>Operating profit</b>			<b>1,109</b>			<b>1,002</b>

UK UVIF\*: £7.9bn (FY 2009)

UK UVIF\*: £8.0bn (FY 2010)

\*UVIF: Undiscounted Value of In-Force

## High degree of confidence over 2011 cash.

	Operational cash generation (£m)	New business strain (£m)	Net cash generation (£m)	Operational cash generation (£m)	New business strain (£m)	Net cash generation (£m)
Annuities	229	60	289	c. 220		
Protection	216	(70)	146	c. 230		
Insured Savings	77	(70)	7	c. 100		
<b>In-force cash generation</b>	<b>522</b>		<b>442</b>	<b>c. 550</b>		
With-profits	46		46	c. 50		
Savings Investments and other savings	15		15			
GI and other risk	(6)		(6)			
LGIM	162		162			
International dividends	44		44	c. 50		
Group capital and financing	25		25			
<b>Total</b>	<b>808</b>	<b>(80)</b>	<b>728</b>			<b>700</b>
Variations and other			(10)			
International (excl. dividends)			33			
Tax gross up			251			
<b>Operating profit</b>			<b>1,002</b>			

UK UVIF\*: £8.0bn (FY 2010)

UK UVIF\*: £8.0bn (FY 2011)

2011 Cash Target: £700m

## Modelling IGD.

IGD surplus £m	2010	2011
<b>At 1 January</b>	<b>3,148</b>	<b>3,745</b>
Operational cash generation	<b>808</b>	
New business strain	<b>(80)</b>	
Dividends	<b>(279)</b>	
Experience variances and assumption changes	<b>138</b>	
Investment variance	<b>46</b>	
Increase in operational solvency capital requirement	<b>(155)</b>	
Release of capital from US capital management programme	<b>132</b>	
Other	<b>(13)</b>	
<b>At 31 December</b>	<b>3,745</b>	

## Market and Asset Risk Management.

### Market risk

- Asset liability mismatch figures – liabilities 12 years, assets 11 years
- Risk tolerances set and monitored for inflation, FX and interest rate mismatches
- Spread of high quality banking counterparty exposures

### Asset risk

- Detailed credit surveillance of asset portfolios
- Monitor asset quality of portfolios to keep within tolerance
- Substantial diversification by sector and territory and asset class – LGPL has c. 500 credits with average size c. £45m
- Increased exposure to high quality sovereign debt

### Liquidity and Collateral risk

- Minimal liquidity risk due to illiquid liabilities
- Monitor and stress risks in portfolios
- Group syndication facility as back-up

# Insurance Risk Management.

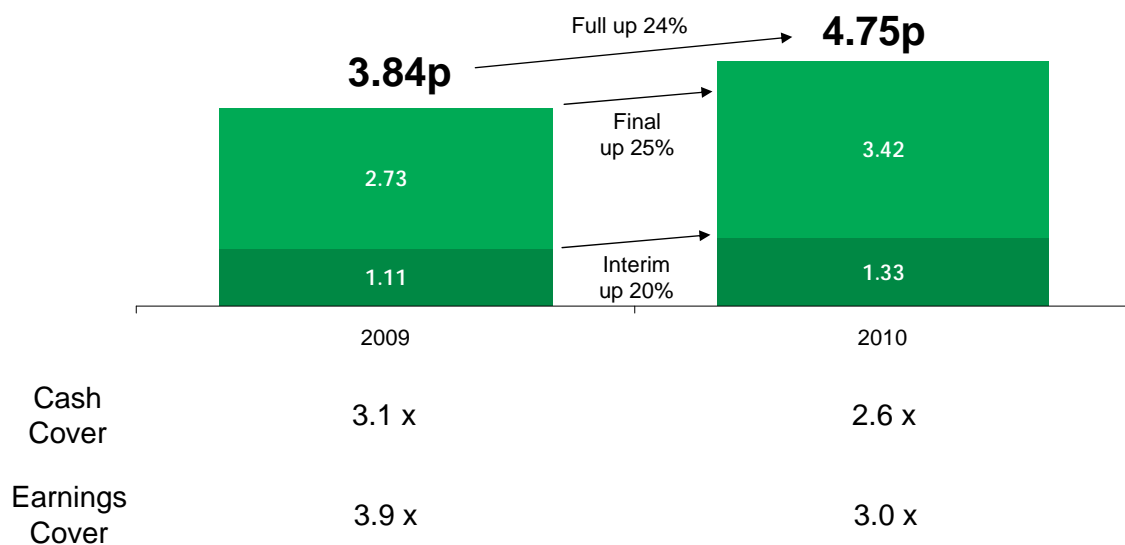
## Mortality / longevity risk

- Large annuitant portfolio with sophisticated postcode modelling of risks including segmentation of enhanced / lifestyle CPA
- Large protection portfolio with volatility managed via event limits, reinsurance including cat risk
- GI tail risk managed via weather cat cover
- High quality reinsurance used to control exposure

## Persistency risk

- High retention rates in LGIM
- Reduction in front loaded commission
- Careful broker selection, and commission linked to persistency

# Dividend per share up 24%.



Cash cover to move towards two times over the medium term



## Delivering on our strategy.

Strategic Direction	Evidence
<b>RISK:</b> maintain leadership	Scale and expertise across the risk business <ul style="list-style-type: none"> <li>• <b>£25.4bn</b> annuity portfolio</li> <li>• <b>£1.5bn</b> protection premiums</li> <li>• <b>Top 3</b> player across risk markets</li> </ul>
<b>SAVINGS:</b> transformation to a lower cost capital light model	A customer centric asset based business <ul style="list-style-type: none"> <li>• <b>£64bn</b> assets under administration</li> <li>• <b>130% increase</b> in profits</li> <li>• <b>19% reduction</b> in headcount over 2 years</li> <li>• <b>43% growth</b> in new business sales over 2 years</li> </ul>
<b>INVESTMENT MANAGEMENT:</b> a bigger part of what we do	Growth in assets, revenue and profits <ul style="list-style-type: none"> <li>• <b>£354bn</b> assets under management</li> <li>• <b>19%</b> increase in revenue</li> <li>• <b>23%</b> of Group net cash generation</li> </ul>
<b>INTERNATIONAL:</b> measured growth, bancassurance led	Improving returns, measured expansion <ul style="list-style-type: none"> <li>• <b>Capital return</b> from US business</li> <li>• <b>27% growth</b> in sales</li> <li>• <b>New business in India</b> progressing well</li> </ul>

## Delivering on our strategy.

Strategic Direction	Evidence
<b>BALANCE SHEET:</b> strength and efficiency	Resilient balance sheet <ul style="list-style-type: none"> <li>• <b>£3.7bn</b> IGD surplus</li> <li>• <b>Expertise</b> in risk management</li> <li>• <b>Solvency II</b> uncertainty remains</li> </ul>
<b>COSTS:</b> improved efficiency and effectiveness	Step change in cost base <ul style="list-style-type: none"> <li>• UK headcount <b>down 19%</b> since 2007</li> <li>• <b>LGIM</b> – <u>the</u> low cost manufacturer</li> <li>• Fewer people, doing more</li> </ul>
<b>ORGANISATIONAL CAPABILITY:</b> increased bandwidth	Attracting high quality business leaders <ul style="list-style-type: none"> <li>• <b>Best ever</b> employee engagement scores</li> <li>• 45% top managers new in role in last 3 years</li> <li>• <b>Superior execution</b> across many projects</li> </ul>
<b>NEW METRICS:</b> focus on cash	Cash generation central to the way we run the business <ul style="list-style-type: none"> <li>• <b>51% pa increase</b> in net cash generation over 3 years</li> <li>• <b>High visibility</b> of future cash flows</li> <li>• <b>Cash metrics embedded</b> in objectives and reward</li> </ul>

Growth across the business.  
Delivering profits and cash.  
Increasing dividends.