



LGIM Investor Lunch

November 2012

EVERY
DAY
MATTERS



LGIM: SUPPORTING GROUP AMBITION.

L&G Global Opportunities

- Global developments in LGIM, Retirement Solutions, Savings
- Protection growth in UK, US and Europe
- Partner of choice for Building Societies
- Leverage scale and technology platforms

LGIM Growth

- Growing UK revenue through pension solutions
- Achieving strong momentum in US and Gulf business
- Extending reach in global markets
- Opportunities across a broad range of capabilities

LGIM Earnings Growth

- Delivering efficiencies; cost income ratio around 50%
- Ongoing investment supporting international growth
- LGIM IFRS profit up £67m from £167m 2009 to £234m in 2011
- LGIM H1 2012 IFRS profit £119m

LGIM – CORE COMPETENCIES.

Index fund management

- Global equities and fixed income
- Developed and emerging markets

Active fixed income

- Specialising in global credit

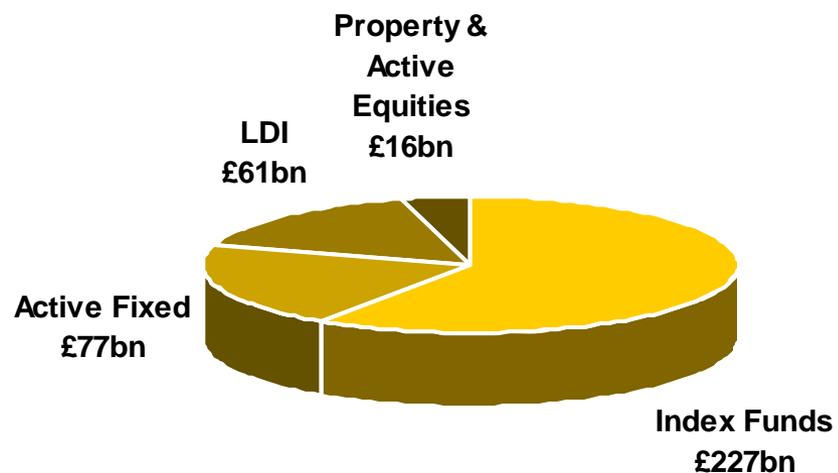
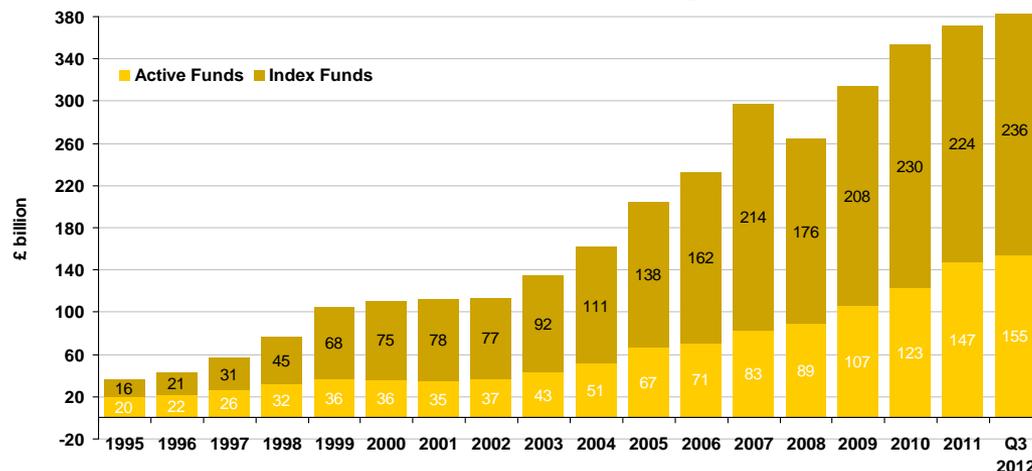
Structured solutions

- Liability driven investment

Property

- Sale and leasebacks
- Income partnerships
- Commercial lending
- Property development

LGIM assets under management



Source: LGIM, as at 30 June 2012

LGIM – MARKET POSITION.

European Institutional Managers AUM 2011

Rank	Company	Country	AUM £bn
1	BlackRock	US/UK	485
2	LGIM	UK	252
3	APG	Netherlands	237
4	State Street Global Advisors	US/UK	199
5	Amundi Group	France	176

Source: IPE Top 400 Asset Managers June 2012 (Total third-party assets managed for all types of European institutional clients, FX rate as at 31 Dec 11). LGIM AUM data as at Q3 2011.

UK Pension Fund AUM 2011 – Private Sector

Rank	Company	AUM £bn
1	LGIM	230
2	BlackRock	166
3	Insight	136
4	M&G	36
5	Standard Life	31

UK Pension Fund AUM 2011 – Public Sector

Rank	Company	AUM £bn
1	LGIM	22
2	UBS Global Management	12
3	Schroders	9
4	Baillie Gifford	8
5	State Street Global Advisors	6

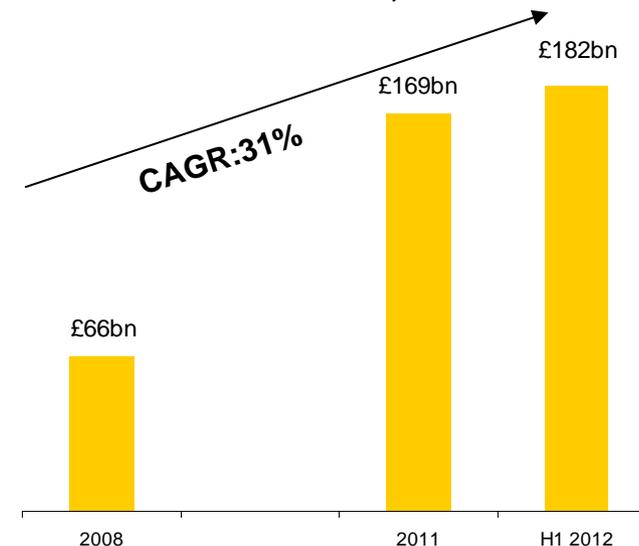
Source: Hymans Robertson Market Briefing 2012. LGIM AUM data as at Q4 2011.

GROWTH IN LGIM: STRONG FLOWS.

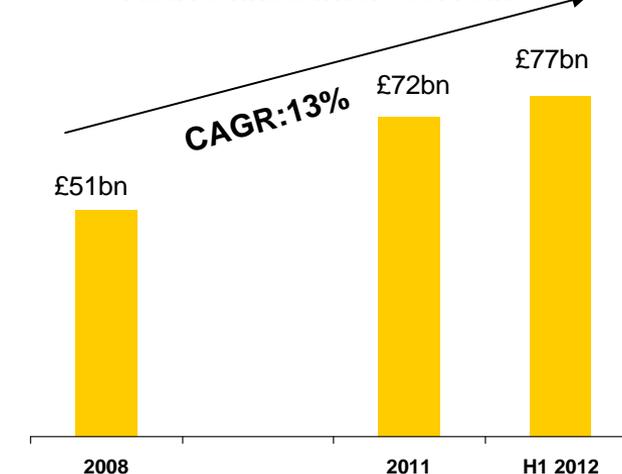
Financial highlights £m	H1 2012	H1 2011	FY 2011
Total revenue	219	205	417
Total costs	(100)	(88)	(183)
Operating profit	119	117	234
Net cash generation	97	91	189
Average Fee/funds (bps)	10.9	10.9	10.9
Expense margin (bps)	5.5	5.2	5.3
Net flows (£bn)	4.0	3.0	3.0
LDI and active assets	4.5	2.6	4.9
Index assets	(0.5)	0.4	(1.9)
Financial highlights £m	Q3 2012		FY 2011
AUM (£bn)	391		371
UK	352		340
International ²	39		31

1. International AUM includes internal assets managed by LGIMA (FY 2011: £13bn, Q3 2012: £14bn)

Growth in LDI mandates, inc. notional



Active fixed interest AUM



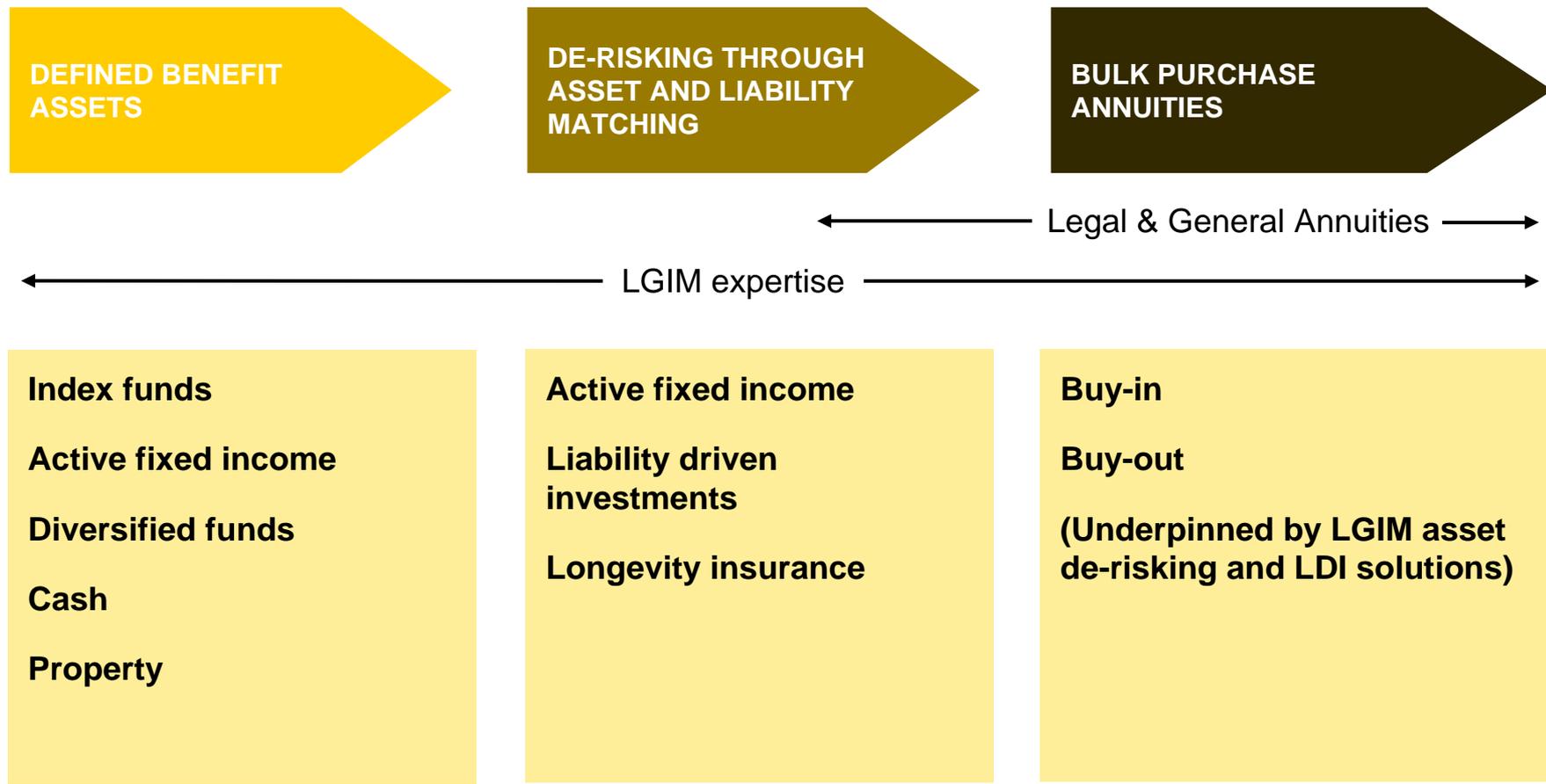
Source: LGIM, as at 30 June 2012

LGIM GROWTH STRATEGY.

Continue to focus on diversifying by growing active fixed income management capability and pensions de-risking solutions alongside market leading index tracking business.

<p>UK PRIORITIES</p>	<p>Enhance value from UK business</p>	<p>Defined Benefit: Grow revenue from existing client base – provide solutions using the range of active fixed income, LDI and property capabilities</p> <p>Retain assets within Group by introducing buy-out and DC solutions to existing clients</p> <p>Defined Contribution: Grow franchise direct with clients and through DC platform providers</p> <p>Non-pensions: Develop retail and financial institution proposition</p>
<p>INTERNATIONAL PRIORITIES</p>	<p>Diversify institutional business</p> <p>Grow in selective global markets</p>	<p>US: Active fixed income, LDI and index solutions for pension schemes</p> <p>Asia: Active fixed income and index capabilities targeting key institutions</p> <p>Middle East: Active fixed income, index, active equity and property propositions to small number of key clients</p> <p>Europe: Active fixed income, index and property capabilities to largest pension schemes in Northern Europe</p>

LGIM + ANNUITIES CAPABILITY.



LIABILITY DRIVEN INVESTMENT DYNAMICS.

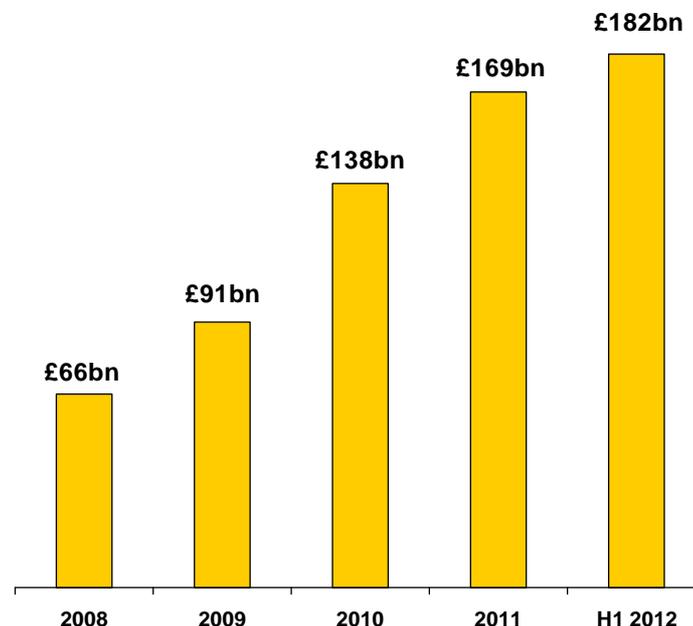
Addressing the market with affordable risk-aware solutions:

- LGIM solutions manage clients' asset and liability risks
- Potential to meet a wide range of requirements across 3,000 clients
- Bespoke and pooled delivery of client-specific LDI solutions
- Skill, scale and experience in executing the full hedging toolkit

LDI business has grown to £182bn, including:

- Total derivatives outstanding for LDI clients of £121bn
- LDI total AUM of £61bn

Growth in LGIM LDI mandates



Source: LGIM, as at 30 June 2012

UK AUTO-ENROLMENT OPPORTUNITY.

LGIM and Savings well placed to capture DC growth

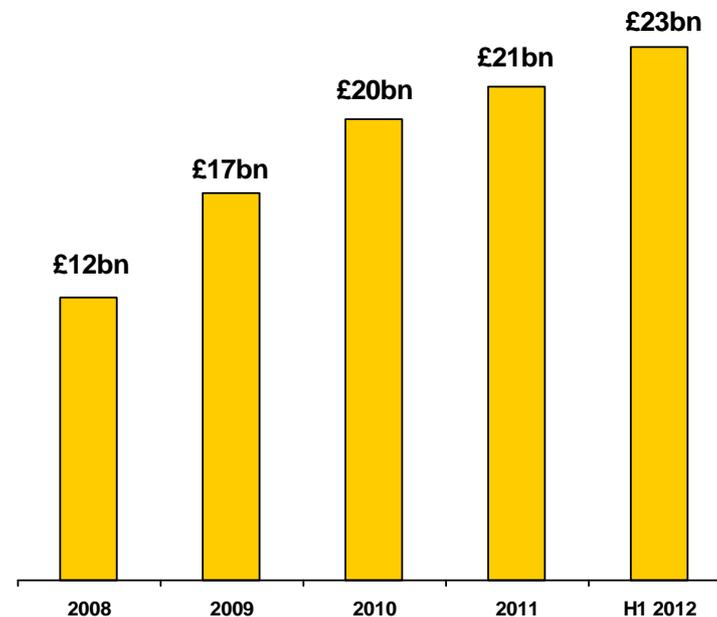
UK DC growth driven by larger employers:

- LGIM has a leading franchise with large UK schemes
- Large scheme requirements aligned to LGIM's strengths
- Demand for index tracking

Maximising auto-enrolment opportunity:

- L&G won six of the major schemes needing to stage in 2012, including M&S, AllianceBoots, ASDA, Sainsbury's, Co-op, Barclays
- 85% of schemes won to date also bring in the transfer of existing assets
- 2013 opportunity from mid-tier employers (50,000 down to 500 employees)
- Minimum contributions rise from 2% to 8% of qualifying earnings by 2018
- Expect to load, by end of 2013, a further 500,000 auto-enrolees from schemes won to date

LGIM defined contribution AUM growth



Source: LGIM, as at 30 June 2012

LONG-TERM FINANCE. PROPERTY DEVELOPMENT

LGPL Portfolio



Sale and Leasebacks

- National Football Centre, St George's Park at Burton-on-Trent
- Development funding
- 30-year RPI-linked lease from the Football Association



Income Partnerships

- Joint venture with Imperial College
- £116m student accommodation project in Clapham, London
- 45-year index-linked lease



Commercial Lending

- Unite Group
- £121m, 10-year facility
- 60% loan-to-value with a fixed rate of 5.05% for the duration of the loan

Property Fund



Property Development

- 57,000 sq ft of new Grade A office development at 6 Agar Street, Covent Garden, London
- Completion November 2012
- BREEAM rating for sustainable buildings 'Excellent'

US DE-RISKING - HOW LGIM IS WINNING MANDATES.

Focused business strategy

- Delivering de-risking solutions to pension schemes

Established high degree of credibility across full spectrum of LDI solutions

- From plain vanilla long duration fixed income to highly customised derivative solutions

Industry leading US active fixed income performance track record

- Key component of LDI solutions due to corporate bond-based liability discount rates

Thought leadership in LDI strategy

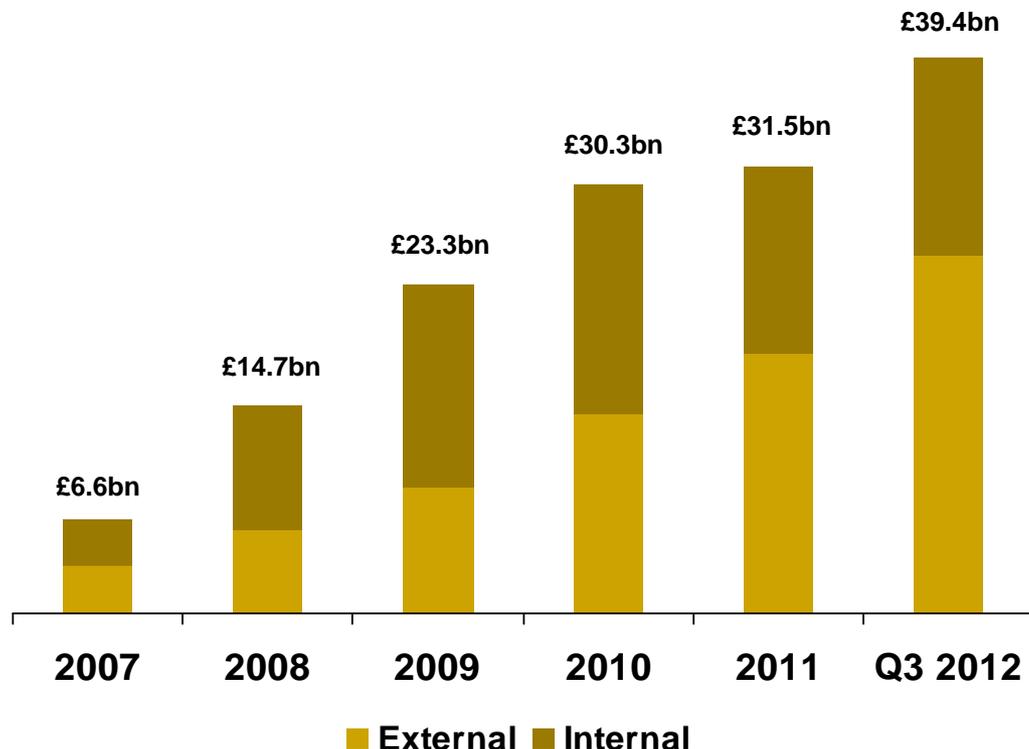
- Multiple papers published on LDI portfolio construction

2012 winner of Asset International CIO Industry Innovation Award for LDI:

“For the firm’s rapid growth in and commitment to the American LDI market following the establishment of a leading UK-based LDI business, and for its thought leadership in the use of swaptions within LDI portfolios.”

GROWTH IN LGIM: INTERNATIONAL.

International assets under management



Rapid expansion since 2009:

- 2009 US SEC approval gained for LGIMA (based in Chicago)
- Active Fixed and LDI driven growth
- Regulatory approval gained during Q3 2012 to market index capability in US
- Growing assets from Europe and Gulf
- Establishing Asian base
- 229 international clients, of which 31 are LGIMA clients

Mandate wins in 2012 to end Q3:

- International net inflows of £5.6bn

FORWARD LOOKING STATEMENTS.

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