Stock Exchange Release
05 August 2015

OPERATING PROFIT UP 18%, NET CASH UP 11%, ROE[1] 19%

FINANCIAL HIGHLIGHTS:

- **NET CASH GENERATION UP 11% TO £629M (H1 2014: £567M)**
- **OPERATIONAL CASH GENERATION UP 8% TO £624M (H1 2014: £578M)**
- **OPERATING PROFIT UP 18% TO £750M (H1 2014: £636M)**
- **PROFIT AFTER TAX UP 8% TO £547M (H1 2014: £507M)**
- **EARNINGS PER SHARE UP 7% TO 9.11P (H1 2014: 8.51P)**
- **ADJUSTED EARNINGS PER SHARE[2] UP 15% TO 9.79P (H1 2014: 8.51P)**
- **RETURN ON EQUITY[1] 19.1% (H1 2014: 17.6%)**
- **INTERIM DIVIDEND UP 19% TO 3.45P PER SHARE (H1 2014: 2.90P)**

BUSINESS HIGHLIGHTS:

- **LGIM AUM UP 12% TO £714.6BN (H1 2014: £640.0BN)**
- **LGIM EXTERNAL NET FLOWS UP 62% TO £13.8BN (H1 2014: £8.5BN)**
- **ANNUITY ASSETS UP 13% TO £43.4BN (H1 2014: £38.5BN)**
- **BULK PURCHASE ANNUITY PREMIUMS OF £1,146M (H1 2014: £3,135M)**
- **UK PROTECTION PREMIUMS UP 4% TO £774M (H1 2014: £743M)**
- **DIRECT INVESTMENTS UP 35% TO £6.2BN (H1 2014: £4.6BN)**

Nigel Wilson, Group Chief Executive, said:

"Legal & General continues to deliver strong organic growth in the UK and the US from both our developing and established, market leading businesses. In addition we are disposing of, or closing non-core businesses and reducing costs in real and nominal terms.

The actions that we are taking allow us to focus on our chosen markets, enable us to continue to deliver low prices and better value for our increasing customer base and deliver attractive returns for our shareholders.

This financial and strategic discipline is driving our sixth year of double digit growth in net cash, operating profit and dividends – particularly noteworthy in H1 was the diversity of the strong operational and financial delivery, with an 18% increase in operating profit to £750m, the 19% increase in dividend per share to 3.45p and the 19% ROE."

1. Return on equity is calculated by taking annualised profit after tax attributable to equity holders of the Company (twice the half-year number), as an average of shareholders' equity during the period. This excludes a £40m expense in relation to Legal & General France and Legal & General Gulf as a consequence of both operations being classified as held for sale.
2. Adjusted earnings per share is calculated by dividing profit after tax by the weighted average number of ordinary shares in issue during the period, excluding the £40m expense as per note 1.

FINANCIAL SUMMARY

FINANCIAL HIGHLIGHTS £m	H1 2015	H1 2014	Growth %
Analysis of operating profit			
Legal & General Retirement	**280**	188	**49**
Legal & General Investment Management	**176**	149	**18**
Insurance	**192**	179	**7**
Savings	**50**	54	**(7)**
Legal & General Capital	**115**	102	**13**
Legal & General America	**40**	43	**(7)**
Operating profit from divisions	**853**	**715**	**19**
Group debt costs	**(75)**	(63)	**(19)**
Investment projects and expenses	**(28)**	(16)	**(75)**
Operating profit	**750**	**636**	**18**
Investment and other variances (inc. minority interests)[1]	**(78)**	-	**n/a**
Profit before tax attributable to equity holders	**672**	**636**	**6**
Operational cash generation	**624**	578	**8**
New business surplus / (strain)	**5**	(11)	**n/a**
Net cash generation	**629**	**567**	**11**

LEGAL & GENERAL RETIREMENT (LGR)

£m	H1 2015	H1 2014	Growth %
Annuity assets (£bn)	**43.4**	38.5	**13**
Annuity sales	**1,326**	3,518	**(62)**
Lifetime mortgage advances	**37**	-	**n/a**

LEGAL & GENERAL INVESTMENT MANAGEMENT (LGIM)

£bn	H1 2015	H1 2014	Growth %
LGIM total AUM[2, 3]	**714.6**	640.0	**12**
LGIM total international AUM	**115.8**	69.2	**67**
External AUM net flows	**13.8**	8.5	**62**
Advisory assets	**11.3**	13.7	**(18)**
Workplace AUA	**13.1**	9.5	**38**
Asset management revenue (£m)	**347**	309	**12**

INSURANCE

£m	H1 2015	H1 2014	Growth %
UK Protection gross premiums	**774**	743	**4**
UK Protection new business annual premiums	**119**	123	**(3)**

SAVINGS

£bn	H1 2015	H1 2014	Growth %
Savings AUA	**110.8**	103.8	**7**

LEGAL & GENERAL CAPITAL (LGC)

£bn	H1 2015	H1 2014	Growth %
LGC assets	**4.8**	5.2	**(8)**
of which: direct investments	**0.8**	0.6	**25**

LEGAL & GENERAL AMERICA (LGA)

$m	H1 2015	H1 2014	Growth %
LGA gross premiums	**588**	553	**6**

1. Investment and other variances include a £40m expense as a result of classifying Legal & General France and Legal & General Gulf as held for sale.
2. LGIM total AUM includes £208.1bn (H1 2014: £174.9bn) of derivative overlay assets associated with the Solutions business.
3. LGIM AUM includes £43.4bn (H1 2014: £38.5bn) managed on behalf of LGR and £34.0bn (H1 2014: £34.4bn) managed on behalf of Savings.

STRATEGY

The Group continues to execute on its clear and focused strategy based on five key macro trends: ageing populations; globalisation of asset markets; welfare reform; digital lifestyles and retrenching banks, through both organic growth and selective bolt-on acquisitions. Our responses to these trends and the diversification within our business model have enabled us to deliver broad based and sustained growth in our cash and earnings. We believe that aligning our strategy to the five macro trends creates resilience in our business model and we see continuing opportunities for growth in our chosen markets. External uncertainties, including regulatory change, do remain and we are adapting with these changes, but the fundamental pillars of opportunity and growth remain attractive and we remain focused on delivering good returns for our shareholders.

The Group pursues a focused and disciplined approach to the execution of its strategy. We are exiting, closing or selling non-core or sub-scale businesses including closing our With-profits fund and disposing of assets from our venture capital business (LGV). We have also sold our Irish business in July 2015, have entered into agreements to sell our Egyptian and Gulf businesses and intend to dispose of our French and German businesses in the near future. We anticipate the on-going impact on the Group's cash and profits, resulting from these transactions, to be immaterial. At the same time we are implementing cost savings across the business including through headcount reductions and a review of our UK and US locations: the programme is on track to deliver £80m in savings in 2015, with expected restructuring costs of £40m.

AGEING POPULATIONS

Demand for de-risking solutions remains high as companies seek to manage the earnings volatility caused by legacy defined benefit pension schemes and the associated financial obligations placed on the sponsoring employer. We have positioned our Investment Management (LGIM) and Retirement (LGR) businesses to provide de-risking solutions for the estimated $10 trillion of defined benefit pension liabilities globally, of which around £1.8 trillion resides in the UK.

LGIM has cemented its position in H1 2015 as the market leader of Liability Driven Investment solutions (LDI) in the UK, with over 40% of the market. **Solutions assets increased 22% to £308.2bn (H1 2014: £253.1bn), including net flows of £12.3bn (H1 2014: £15.9bn) in the period.** In LGR, for bulk annuities, we are evolving our new business strategy to become more 'capital-lite' in response to the potential market demand and the expected increased regulatory capital requirements for annuities under Solvency II. **Bulk annuity sales for H1 2015 were £1,146m (H1 2014: £3,135m).** We are increasingly using reinsurance to optimise our return on capital in this market and have reinsured £5.4bn of longevity risk and selectively used asset reinsurance in relation to the large bulk annuity transactions we have completed in the last 18 months. The opportunity remains significant and our unique skillset and capabilities will enable us to deliver consistently attractive returns.

GLOBALISATION OF ASSET MARKETS

LGIM continues to expand internationally, especially in the US and Asia, which resulted in **total international external AUM net flows of £5.4bn (H1 2014: £5.8bn)**. We have strengthened relationships and expanded distribution to accelerate our international growth and continue to see strong demand for our Solutions and Active Fixed Income (AFI) products.

In H1 2015 we successfully won our first multi-billion dollar US Index mandate, and in Asia won mandates in Japan, Taiwan and Korea, expected to fund in H2. **Total international AUM increased by 67% to £115.8bn (H1 2014: £69.2bn)**, including the transfer of £37.5bn of US assets to LGIM's Chicago office in H2 2014.

WELFARE REFORM

It is clear that the provision for retirement by individuals in the UK needs to increase as the government continues to reduce welfare spending by the State. Pensions auto-enrolment continues to see over 90% of members choosing to stay enrolled. Statutory minimum contribution rates increase from 2% of salary today to 5% in 2017 and 8% in 2018 resulting in an expected tripling in Defined Contribution (DC) savings over the next 10 years. Our Workplace DC platform continues to resonate with employers of all sizes in the UK. We have had success with major employers reviewing their provision, and by the end of 2015 we will be providing pension schemes to 30 of the largest high street retailers. Alongside this the number of companies using our Worksave Pension Plan (our SME auto-enrolment solution) has grown by over 25% during the first half of 2015. Our Workplace proposition is significantly enhancing the customer base of the Group, which is expected to provide new product opportunities as the state contribution to welfare continues to reduce.

Total DC Assets increased 15% to £42.8bn (H1 2014: £37.2bn) including net flows of £1.0bn (H1 2014: £1.1bn). This includes Workplace Savings assets up 38% to £13.1bn (H1 2014: £9.5bn) with net flows of £0.9bn (H1 2014: £1.0bn).

DIGITAL LIFESTYLES

Digital technology is becoming increasingly pervasive in our lives, including in how individuals and companies interact with financial institutions. We are addressing the opportunities and challenges presented by this change. We have achieved this with our market leading Retail Protection business and are now challenging ourselves to replicate this success elsewhere in our business, for example, with our digital proposition in Workplace for SMEs and by launching a 'GI digital' D2C platform this year.

BANK RETRENCHMENT

Bank retrenchment, alongside the long-dated illiquid nature of our annuity fund, is enabling us to invest in real assets over the long term. This provides opportunities for greater returns across our Capital (LGC), Retirement (LGR) and Investment Management (LGIM) divisions. **Direct Investments across the Group increased 35% to £6.2bn (H1 2014: £4.6bn).**

In July 2015 Pemberton Asset Management, our pan-European SME lending joint venture announced a successful €447m first close of the European Mid-Market Debt Fund, bringing the total AUM to €547m including an additional €100m segregated mandate. Our principal focus for direct investment is housing, urban regeneration, alternative finance and clean energy asset classes. Our expertise is increasingly attracting institutional partners to invest alongside us.

DIVIDEND

The Board has confidence in the strength and growth prospects for the business. We have increased the interim dividend by 19% to 3.45 pence (H1 2014: 2.90 pence) per share, in line with our dividend policy. We intend to provide an updated dividend policy as part of our 2015 preliminary results in March 2016.

SOLVENCY II

We are working closely with the Prudential Regulatory Authority (PRA) in respect of Solvency II and have submitted applications in Q2 2015 for our internal model to calculate our Solvency Capital Requirement, the use of transitionals, matching adjustments and deduction and aggregation for Legal & General America. We are engaged in on-going dialogue with the PRA and expect this process to conclude in Q4 2015. This regulatory framework will be applicable from 1 January 2016 and will rely, in part, on components of the 31 December 2015 balance sheet for its calculation. We will provide further updates on this process as clarity emerges. We note recent clarification from the PRA to the effect that transitional capital will count as Tier One capital, including for assessments of dividend-paying capacity.

OUTLOOK

Our businesses remain focused on large markets where we see long term structural growth potential. Our strategic clarity and unique skillset, together with our scale, efficiency and track record mean that we are very well placed to take advantage of macro trends. No business can be completely immunised from external factors and we are evolving our business model in response.

The demand for pension risk transfer strategies remains high, with our research indicating that almost two thirds of large defined benefit (DB) schemes in the UK are looking to take de-risking action, with almost half looking to do so over the next five years. The opportunity remains significant for Legal & General and as market leader in the UK, we are extremely well placed to deploy our unique and integrated specialist experience in longevity, investment management and asset transitioning, across our LGR, LGIM and LGC divisions to facilitate pension risk transfer. Actual transactions flows, particularly for large bulk annuity transactions, will vary between reporting periods.

We have accelerated the implementation of our ‘capital-lite’ model for new annuity business in response to the potential market demand and the expected increased regulatory capital requirements for annuities under Solvency II. This will result in less risk, in respect of new business, being retained on our balance sheet, whilst seeking to optimise the return on capital we deploy in this market. For each new annuity contract we expect this to result in a higher proportion of profit emerging in the year of sale. However we expect less total profit to emerge over the duration of the contract when compared to retaining all of the risk. We will use direct investments and selective de-risking actions to optimise returns from the long term predictable run-off of our £43bn annuity back book.

Following our successful entry into the lifetime mortgage market we have doubled our target and now expect to write c£200m of lifetime mortgages new business this year and increasing amounts thereafter. We expect individual annuities sales to remain subdued, with the market remaining challenging both in respect of the Budget reforms and in light of regulatory change.

As the market leader in LDI in the UK, LGIM will continue to develop its range of solutions, particularly as the pooled market and delegated solutions are expected to grow more rapidly as many pension schemes increasingly seek these solutions. We will continue to invest internationally and are expanding our distribution in the US, Asia, the Gulf and Europe. In the US our business is well positioned to continue its positive momentum. We have experienced more success in winning index mandates from international clients and we expect this trend to continue.

Our insurance business is attractively placed to continue to deliver strong cash generation. We see further opportunities in the UK insurance market and have a strong Group protection pipeline for H2 2015. We expect new business volumes and margins across our UK protection businesses for 2015 to be broadly in line with 2014.

We intend to invest £15bn in direct investment across the Group, over the medium term, matching the illiquid nature of our liabilities and solvency capital requirements to deliver more attractive risk adjusted returns to our shareholders.

We are on track to deliver c£80m of operating cost savings across the Group, reducing costs from £1,250m in 2014 to c£1,170m, whilst incurring £40m of restructuring costs in 2015. We remain confident in delivering the 2015 operational cash guidance we gave at the time of the 2014 full year results.

LEGAL & GENERAL RETIREMENT

FINANCIAL HIGHLIGHTS £m	H1 2015	H1 2014
Operational cash generation	**170**	146
New business surplus	**22**	20
Net cash generation	**192**	**166**
Experience variances, assumption changes, tax and non-cash movements	**88**	22
Operating profit	**280**	**188**
Bulk annuity single premiums	**1,146**	3,135
Individual annuity single premiums	**180**	383
Lifetime mortgage advances	**37**	-
Total LGR new business	**1,363**	**3,518**
Annuity net inflows (£bn)	**(0.1)**	2.5
Bulk annuity assets (£bn)	**28.8**	24.6
Individual annuity assets (£bn)	**14.6**	13.9
Total annuity assets (£bn)	**43.4**	**38.5**
of which: direct investments	4.9	3.7
Longevity insurance gross premiums	**164**	167

RECORD OPERATIONAL CASH, SUSTAINED NEW BUSINESS SURPLUS

Operational cash generation increased 16% to £170m (H1 2014: £146m) reflecting the increased scale of the business with annuity assets up 13% to £43.4bn (H1 2014: £38.5bn).

New business surplus of £22m (H1 2014: £20m) reflects our continued ability to source attractively priced assets, with direct investments backing our annuity business increasing 31% to £4.9bn, (H1 2014: £3.7bn). New business surplus further benefitted from our selected use of longevity and asset reinsurance as our business model evolves to reflect the size of the market opportunities and the forthcoming Solvency II regime.

Operating profit increased 49% to £280m (H1 2014: £188m) reflecting both the increased scale of the business and the ‘capital-lite’ model we are deploying for new annuity business. Operating profit benefitted from £21m of positive experience variances following selective reinsurance of longevity and asset risk related to bulk annuity transactions written in the last 18 months, consistent with this strategy, and £37m resulting from a change in mortality reserving assumptions in relation to unreported deaths of deferred annuitants.

SIGNIFICANT GLOBAL DEMAND FOR PENSION RISK TRANSFER

Bulk annuity sales were £1,146m, from 23 policies, (H1 2014: £3,135m from 25 policies).

The global risk transfer market is already very significant and continues to grow as corporates seek to reduce or remove their exposure to their legacy defined benefit pension liabilities, estimated at approximately $10 trillion globally. We anticipate growing demand for our established expertise, proven track record and unique skillset in the bulk annuity market across all sizes of pension schemes. Actual transaction flows will be determined by prevailing market conditions and scheme funding levels, with larger schemes unevenly distributed between quarterly reporting periods.

ACCELERATING THE IMPLEMENTATION OF OUR 'CAPITAL-LITE' FRONT BOOK MODEL

In the context of these significant opportunities, we have implemented our 'capital-lite' model for bulk annuity new business. We have accelerated this evolution in our business model as, without any changes, the regulatory capital required in respect of new business under Solvency II is likely to be higher than Solvency I. Our actions include:

- Increasing use of longevity reinsurance. Of the £7.1bn of external bulk annuity transactions we have completed since the start of 2014, we have reinsured the longevity risk in respect of £5.4bn of these.

- Increasing use of combined asset and longevity reinsurance, which we have used selectively (£278m in H1 2015) to enhance shareholder returns.

- Continuing our increased use of self-manufactured assets (direct investments) to back our annuity liabilities, where the illiquid nature of the liabilities enables us to enhance risk-adjusted returns.

- We have reduced unit costs associated with our existing book of bulk annuity business by c5%, compared to H1 2014.

MANAGING CASH GENERATION AND PROFITS FROM THE BACK BOOK

We will continue to use direct investments and selective de-risking actions to actively manage our £43bn annuity back book. As a result our current expectation is that the back book should be able to generate material levels of profit for around 15 years.

ANTICIPATED FINANCIAL IMPLICATIONS

The financial consequences of our 'capital-lite' strategy differ between the back and front books. For new business our 'capital-lite' model seeks to optimise return on capital and will mean more of the cash generation and profits being realised at the point of sale than has been the case previously, whilst risk retained in respect of this new business (asset and partial longevity) will continue to create future, albeit lower, sources of value for shareholders in the subsequent years of each new annuity contract.

INTERNATIONAL DIVERSIFICATION

Outside the UK, we have appointed George Palms as head of US Retirement, together with a team based in Stamford Connecticut, to facilitate our entry into the US pension risk transfer market. Legal & General America (LGA) will act as the insurance carrier for our US pension risk transfer business and provide the associated customer administration.

INDIVIDUAL RETIREMENT SOLUTIONS

We completed the acquisition of Newlife Home Finance, a provider of lifetime mortgages in April 2015. Lifetime mortgage sales were £37m year to date. We have subsequently rebranded our proposition as Legal & General Home Finance. The number of people over 60 years old is expected to grow by 6.3 million in the next 20 years. This growth, coupled with an estimated £1.3 trillion of housing equity currently owned by the over 60s in the UK, means that the lifetime mortgage market is forecast to grow to over £2.3bn by 2019. We have doubled our target to writing £200m of lifetime mortgages in 2015.

Individual Annuity sales were down 53% to £180m (H1 2014: £383m). We expect the market to decline further.

LEGAL & GENERAL INVESTMENT MANAGEMENT

FINANCIAL HIGHLIGHTS £m	H1 2015	H1 2014[1]
Total revenue	**347**	309
Total costs	**168**	150
Asset management operating profit	**179**	**159**
Workplace Savings	(3)	(10)
Operating profit	**176**	**149**
Net cash generation	**138**	**117**
Cost:income ratio[2] (%)	**48**	49
External net flows (£bn)	**13.8**	8.5
Internal net flows (£bn)	**(1.2)**	1.6
Total net flows (£bn)	**12.6**	**10.1**
Of which international (£bn)	5.4	5.8

£bn	H1 2015	H1 2014
Assets under management, including overlay assets[3]	**714.6**	640.0
Advisory assets	**11.3**	13.7
Total assets	**725.9**	**653.7**
Of which:		
- International assets under management, including overlay assets[3]	**115.8**	69.2
- Advisory assets	**11.3**	13.7
- Total international assets	**127.1**	**82.9**
Assets under administration – Workplace Savings	**13.1**	**9.5**

1. LGIM includes the Workplace Savings business which was previously reported in Savings. Prior year comparatives have been amended.
2. Excluding Workplace Savings.
3. Assets under management include overlay assets, which represent the notional value of derivative instruments on which LGIM earns fees. Fees are charged on notional values and as such are not subject to positive or negative market movements. Prior period comparatives have been amended to reflect this change.

CONTINUED PROFIT AND CASH GROWTH FROM A DIVERSIFIED BUSINESS

LGIM continues to develop a range of innovative solutions, which has enabled delivery of strong results with **operating profit up 13% to £179m (H1 2014: £159m)** from asset management activities.

In Workplace Savings, the operating loss was £3m (H1 2014: loss of £10m), an improvement year on year following an on-going focus on unit cost management and increasing scale. Total net flows were £0.9bn (H1 2014: £1.0bn).

LGIM continues to invest in the business whilst maintaining a cost:income ratio, excluding Workplace, of 48% (H1 2014: 49%). Total revenues increased 12% to £347m (H1 2014: £309m) **with total assets under management up 12% to £714.6bn (H1 2014: £640.0bn).**

Total external net flows increased 62% year on year to £13.8bn (H1 2014: £8.5bn) driven by strong performance in the UK and the US across our Active Fixed Income (AFI), Solutions and Property asset classes.

MARKET LEADING DE-RISKING SOLUTIONS

Asset movements £bn	Index funds	Active fixed income	Solu-tions	Property	Active equities	Total AUM	Advisory assets	Total assets
At 1 January 2015	**274.8**	**103.8**	**293.3**	**13.6**	**8.2**	**693.7**	**14.8**	**708.5**
External inflows	15.9	4.8	3.9	0.7	-	**25.3**		**25.3**
External outflows	(17.1)	(2.5)	(3.4)	(0.3)	-	**(23.3)**		**(23.3)**
Overlay asset net flows	-	-	11.8	-	-	**11.8**	-	**11.8**
Advisory net flows	-	-	-	-	-	**-**	(3.5)	**(3.5)**
External net flows	**(1.2)**	**2.3**	**12.3**	**0.4**	**-**	**13.8**	**(3.5)**	**10.3**
Internal net flows	(0.3)	(0.8)	-	0.2	(0.3)	**(1.2)**	-	**(1.2)**
Total net flows	**(1.5)**	**1.5**	**12.3**	**0.6**	**(0.3)**	**12.6**	**(3.5)**	**9.1**
Cash management movements	-	1.7	-	-	-	**1.7**	-	**1.7**
Market and other movements	1.4	0.3	2.6	1.6	0.7	**6.6**	-	**6.6**
At 30 June 2015	**274.7**	**107.3**	**308.2**	**15.8**	**8.6**	**714.6**	**11.3**	**725.9**

Total AUM increased 12% to £714.6bn (H1 2014: £640.0bn). Total net inflows were up 25% to £12.6bn (H1 2014: £10.1bn), driven by on-going client appetite for LGIM's LDI and Real Assets capabilities, Active Fixed Income and Multi-Asset strategies, and strong demand for LGIM's workplace proposition**.**

The **Solutions** business achieved total net inflows of £12.3bn (H1 2014: £15.9bn) driven by demand for an expanded range of products. It is anticipated that clients' demand for de-risking strategies will continue and LGIM is well positioned to benefit from this trend. LGIM's recently launched delegated solutions proposition offers a natural extension for clients seeking this alternative. LGIM is also well placed to grow its LDI pooled fund business and experienced record inflows into these funds during the first half of the year.

Index external net flows significantly improved on last year to net outflows of £1.2bn (H1 2014: £8.3bn). This was primarily due to better execution on our retention strategy as more clients moved to LGIM's non-index products as they executed de-risking strategies. We are also experiencing greater success in winning Index mandates from international clients, many of which are expected to fund in H2 2015.

Net external inflows into Active Fixed Income of £2.3bn (H1 2014: £1.0bn) were driven by increased demand by institutional clients in the UK and continued strong demand for LGIM's credit capabilities in the US.

Property achieved total net inflows of £0.6bn (H1 2014: £1.1bn) as a result of clients' continued appetite for this asset class. LGIM is experiencing growing demand from international clients and the closure of the second UK Property Income Fund (PIF II) represented commitments from 16 investors from ten countries. **Property AUM has increased 23% to £15.8bn (H1 2014: £12.8bn).**

GROWTH IN UK DEFINED CONTRIBUTION

Net inflows in LGIM's Defined Contribution (DC) business were £1.0bn (H1 2014: £1.1bn). Following the transfer of Workplace Savings, LGIM is able to offer a comprehensive range of products and services to its customers. This has already been demonstrated by significant mandate wins during the first half of the year, with several commencing during the latter part of 2015. **Total DC assets have increased by 15% to £42.8bn (H1 2014: £37.2bn).**

CONTINUED INTERNATIONAL EXPANSION

Internationally LGIM experienced strong net inflows of £5.4bn (H1 2014: £5.8bn), primarily driven by growth in the US. LGIM won its first multi-billion dollar US Index mandates and continued to attract significant LDI and Active Fixed Income inflows, resulting in total net inflows in the US of £4.8bn (H1 2014: £4.6bn). A collective investment trust fund range was launched in June 2015 which is expected to appeal to the US market. In Asia and the Gulf, LGIM continues to strengthen relationships and expand its distribution, which resulted in healthy flows of £0.9bn (H1 2014: £1.0bn).

INSURANCE

FINANCIAL HIGHLIGHTS £m	H1 2015	H1 2014
Operational cash generation	**165**	166
New business surplus	**-**	(8)
Net cash generation	**165**	**158**
Experience variances, assumption changes, tax and non-cash movements	**27**	21
Operating profit	**192**	**179**
UK Protection new business annual premiums	**119**	123
UK Protection gross premiums	**774**	743
General Insurance gross premiums	**164**	178
Total UK gross premiums	**938**	**921**

SUSTAINED CASH AND PROFITS

Operational cash was £165m (H1 2014: £166m). New business strain of nil (H1 2014: £(8)m) was driven primarily by strong new business volumes and favourable market conditions. **Operating profit was 7% higher at £192m (H1 2014: £179m)**. General Insurance delivered a strong performance with a combined operating ratio of 82% (H1 2014: 88%).

CONTINUED GROWTH IN PREMIUMS

Retail Protection gross premiums increased 6% to £545m (H1 2014: £514m), with new business of £79m (H1 2014: £83m), with the strong first quarter in 2014 not repeated in Q1 2015. Q2 2015 new business sales were in line with the previous year, at £41m.

Our Retail Protection business continues to benefit from the strength and breadth of our distribution covering IFAs, banks and building societies. We announced a new distribution agreement with Intrinsic in May for retail protection products. Our direct distribution channel delivered retail protection new business sales of £14m, representing 11% growth on H1 2014 and now accounts for 18% of new business (H1 2014: £13m, 16% of new business).

Group Protection gross premium was £229m (H1 2014: £229m) with new business of £40m (H1 2014: £40m).

Our mortgage club and surveying business are important components of our Retail Protection distribution model. The Legal & General Network facilitated over £20bn of mortgages in H1 2015 (H1 2014: £18bn), continuing its excellent growth and reinforcing its position as the leading mortgage club in the market. Our surveying business completed almost 240k surveys in H1 2015, representing an increase of 92% over H1 2014 reflecting new contracts signed in 2014.

General Insurance gross premiums reduced to £164m (H1 2014: £178m) as we maintained pricing discipline in a competitive market. Our direct business delivered household GWP of £47m in H1 2015, representing 15% growth on H1 2014 and now accounts for 29% of gross premiums (H1 2014: £41m, 23% of gross premiums).

SAVINGS

FINANCIAL HIGHLIGHTS £m	H1 2015	H1 2014[1]
Operational cash generation	**64**	64
New business strain	**(5)**	(8)
Net cash generation	**59**	**56**
Experience variances, assumption changes, tax and non-cash movements	**(9)**	(2)
Operating profit	**50**	**54**

1. Savings does not include the Workplace Savings business which has been transferred to LGIM. Prior year comparatives have been amended.

Operational cash generation remained flat at £64m (H1 2014: £64m) as we continue to manage the reducing contribution from our mature savings business. Net cash generation was marginally higher at £59m (H1 2014: £56m) as we reduce the cost base associated with this business.

Savings operating profit reduced to £50m (H1 2014: £54m) resulting from marginally lower contributions from our with-profits and retail bonds businesses as we manage the gradual run-off of these mature product lines.

	Digital				
Assets under administration	**Platforms £bn**	**Suffolk Life £bn**	**Mature Retail Savings £bn**	**Consol Adj £bn**	**Total Savings £bn**
At 1 January 2015	**71.9**	**7.7**	**36.0**	**(6.9)**	**108.7**
Gross inflows	3.8	0.6	0.7	(0.2)	4.9
Gross outflows	(2.7)	(0.3)	(2.2)	0.4	(4.8)
Net flows	**1.1**	**0.3**	**(1.5)**	**0.2**	**0.1**
Market and other movements	1.6	0.3	0.3	(0.2)	2.0
At 30 June 2015	**74.6**	**8.3**	**34.8**	**(6.9)**	**110.8**

Our Platforms business delivered net flows of £1.1bn (H1 2014: £2.5bn) resulting in assets under administration (AUA) up 11% to £74.6bn (H1 2014: £67.4bn). Cofunds continues to lead the market, with a 21% share of platform assets. Cofunds is on track to deliver a £11m per annum reduction in costs by the end of 2015, targeted at the time of the acquisition.

Our SIPP business, Suffolk Life delivered net flows of £0.3bn (H1 2014: £0.4bn) resulting in AUA up 15% to £8.3bn (H1 2014: £7.2bn).

In Mature Savings, assets were £34.8bn (H1 2014: £35.9bn). Following the closure of our With-profits fund to new business in January 2015, net outflows of £(1.5)bn (H1 2014: £(1.5)bn), were in line with our expectations and were partially offset by positive market movements of £0.3bn (H1 2014: £1.1bn).

On 1 July 2015 we completed the disposal of Legal & General (Ireland) Limited to Canada Life Group. AUA of £2.8bn relating to this disposal are included within the total Mature Savings AUA of £34.8bn as at 30 June 2015.

FREEDOM AND CHOICE

Since the introduction of the Pensions Reform legislation we have seen an increase in the proportion of customers wishing to take their pension pots as cash withdrawals, with approximately 90%, or 3,000 customers, electing to take cash payments. Our average payment size is £12k. This compares to approximately 60% of customers taking cash before the reform legislation was announced.

LEGAL & GENERAL CAPITAL

FINANCIAL HIGHLIGHTS £m	H1 2015	H1 2014
Operational cash generation	**92**	82
Operating profit	**115**	102

GROSS ASSET ALLOCATION £m	H1 2015	H1 2014
Equities	**1,422**	1,177
Fixed Income	**937**	1,125
Multi-Asset	**493**	169
Strategic Direct Investments	**781**	670
Cash	**527**	760
	4,160	**3,901**
Treasury assets[1]	621	1,280
TOTAL	**4,781**	**5,181**

1. Treasury assets have reduced predominately due the repayment of €600m of lower Tier 2 capital in June 2015.

GROWING PROFITS

Legal & General Capital (LGC) increased operating profits by 13% to £115m (H1 2014: £102m) representing the smoothed expected return on LGC assets after expenses and equates to an assumed annualised investment return of 4.4% (H1 2014: 4.4%) on an average asset base of £5.3bn (H1 2014: £4.7bn).

Achieved annualised investment return was 4.2% (H1 2014: 2.5%), attributed to direct investments and equity markets outperforming longer term expected returns despite the negative equity market performance in the last few days of June 2015, which subsequently reversed.

INCREASING STRATEGIC DIRECT INVESTMENT

LGC's key objective is to invest strategically into businesses that require long term investment, utilising the long term illiquid nature of the Group's liabilities and capital requirements, whilst providing wider benefit to the Group with improved access to assets and fee revenue. European bank retrenchment, limited public finance and under-investment continue to provide opportunities for us in our selected areas of **housing, urban regeneration, alternative finance and clean energy.**

Housing expanded into Built to Rent

CALA Homes has performed strongly during the period and is on course for a record year in terms of both revenue and profit with the full year to 30 June 2015 representing the first year of significant volume increase as part of the Group's growth plans.

LGC has committed £119m through the purchase of regeneration sites in Walthamstow and Salford, which we intend to develop into approximately 500 homes. We expect to play a significant role in this sector to form a new institutional asset class and are seeing a strong pipeline of opportunities. We intend to bring in co-investment partners as our Build to Rent portfolio grows in H2 2015 and beyond.

LGC has also obtained full planning consent to build 1,000 houses on a 250 acre site at Crowthorne, part of our substantial strategic land bank.

Further Urban Regeneration partnerships

We are investing £240m, in partnership with Schroder UK Real Estate, for the development of a modern retail, leisure and residential complex in Bracknell Town centre. We have also invested a further £503m in developing a world class media hub, MediaCityUK in Salford, co-investing with the Peel Group. We are partnering with the UK Government's Regeneration Investment Organisation (RIO) to source further projects and attract foreign investment. We will seek to allocate up to £1.5bn in similar infrastructure projects.

Alternative Finance launched

LGC, through its 40% investment in Pemberton Asset Management, a pan-European SME lending business, is developing a European private placement capability. In July 2015, Pemberton announced a successful €447m first close on its European Mid-Market Debt Fund, which brings together investors from large blue-chip financial services and insurance companies across Europe. Including segregated mandates this brings the total AUM to €547m as we continue to take advantage of the significant opportunities presented by bank deleveraging. The fund is looking to build a diversified portfolio of bilateral, club and syndicated loans to companies with turnover between €75m and €1bn and has successfully started lending in H1 2015.

Clean Energy Strategy

The UK will require significant deployment of private long term capital in energy efficient power generation to reach international 2020 and longer term emission standards. LGC are working with several potential partners to consider investing in developments in renewable energy including solar and on-shore wind power. Legal & General has invested in two solar parks to date.

LEGAL & GENERAL AMERICA

FINANCIAL HIGHLIGHTS $m	H1 2015	H1 2014
Operational cash generation	**80**	73
Operating profit	**61**	72
Gross premium income	**588**	553
New business sales	**62**	78

INCREASED CONTRIBUTION TO CASH

Operational cash generation increased by 10% to $80m (H1 2014: $73m). This represents the dividends paid by LGA to the Group in Q1 and reflects the focus of LGA to deliver net cash generation.

LGA adjusted its new business pricing in 2014 and made further adjustments in Q2 2015. These changes allow for the pricing of risk at a more granular level. As a consequence prices have been raised at lower margin price points and reduced elsewhere. This has resulted in lower new business volumes of $62m (H1 2014: $78m), in line with our expectations.

Gross premiums increased 6% to $588m (H1 2014: $553m) as we continue to benefit from strong relationships with the brokerage general agents (BGAs), who distribute term assurance in the US market. LGA is the 5th largest provider of term life assurance by annual premium equivalent in the US and remains the 2nd largest provider through the key distribution channel of BGAs. LGA now has 1.18 million customers (H1 2014: 1.11 million).

PRICING FOR EMERGING US MORTALITY TRENDS

Operating profit was lower at $61m (H1 2014: $72m) including $13m of adverse mortality experience. We are maintaining pricing discipline and have reflected revised industry mortality tables in our new business pricing. This is expected to result in new business levels c20-25% lower for 2015 when compared to 2014, with gross written premium c5% higher.

In July 2015 Gene Gilbertson was appointed as Chief Executive Officer and President after serving in an interim capacity since 4 March 2015 as we move our US Protection and pension risk transfer businesses forward.

DISPOSING OF NON-CORE ACTIVITIES

We continue to de-clutter our business model to focus on core activities where we believe we can achieve significant scale and attractive returns on capital. Following the disposal of Legal & General Ireland for £16m, the Group agreed to sell our Egyptian business for an estimated consideration of £34m. The final consideration will be dependent on trading up to the date of completion. The sale is anticipated to realise a profit on disposal, which has not been recognised in this set of financial results.

We are currently in the process of disposing of Legal & General France and Legal & General Gulf and as a consequence have classified these businesses as held for sale in our H1 results. As a result we have reflected a £40m expense within investment and other variances representing the difference between previous carrying values and anticipated sale proceeds.

BORROWINGS

Legal & General continues to have a strong liquidity position reflecting its requirements for working capital and derivative collateral. The Group's outstanding core borrowings total £2.5bn (FY 2014: £3.0bn). There is also a further £0.6bn (FY 2014: £0.7bn) of operational borrowings including £0.7bn (FY 2014: £0.7bn) of non recourse borrowings. In June 2015 we redeemed €600m of 4.0% Euro dated subordinated notes at par.

Group debt costs of £75m (H1 2014: £63m) reflect an average cost of debt of 5.1% per annum (H1 2014: 5.2% per annum) on average nominal value of debt balances of £3.0bn (H1 2014: £2.5bn).

TAXATION - EFFECTIVE TAX RATE OF 18.6%

Equity holders' Effective Tax Rate (%)	H1 2015	H1 2014
Total Effective Tax Rate	**18.6**	20.3
Annualised rate of UK corporation tax	**20.25**	21.50

In H1 2015, the Group's effective tax rate remained slightly below the UK corporation tax rate due to a number of differences between the measurement of accounting profit and taxable profits.

The UK has a deferred tax asset of £10m in respect of trading losses carried forward in Group companies (FY 2014: £45m) mainly relating to Cofunds. Trading losses within LGR have been fully utilised at H1 2015. The contribution to net cash generation in LGR and Insurance from the utilisation of tax losses is spread over the full year and is £15m for H1 2015 (H1 2014: £35m).

CASH GENERATION

The sources of our cash generation are transparent and the table below highlights the cash generation by segment. Net cash generation increased by 11%. This includes the full year ordinary dividend of $80m from LGA which was received in Q1 2015.

£m	H1 2015	H1 2014
LGR	**170**	146
Insurance excluding General Insurance	**135**	144
Savings	**64**	64
LGA	**52**	44
LGC	**92**	82
Sub-total	**513**	**480**
LGIM	**150**	132
General Insurance	**30**	22
Operational cash generation from divisions	**693**	**634**
Group debt costs	**(60)**	(49)
Other costs	**(9)**	(7)
Total operational cash generation	**624**	**578**
New business surplus / (strain)	**5**	(11)
Net cash generation	**629**	**567**

The table above is set out in the format of the cash guidance for 2015 given at the time of the 2014 results announcement.

CLEAR VISIBILITY BETWEEN CASH GENERATION AND EARNINGS

The table below highlights the linkage between the operational and net cash generation of the business, and the profit of the Group.

£m	Op Cash	Strain	Net Cash	Variances and other	Profit after tax	Tax	Profit before tax
LGR	**170**	**22**	**192**	**39**	**231**	**49**	**280**
Insurance	**165**	**-**	**165**	**(13)**	**152**	**40**	**192**
Savings	**64**	**(5)**	**59**	**(19)**	**40**	**10**	**50**
LGIM	**150**	**(12)**	**138**	**(1)**	**137**	**39**	**176**
- LGIM (excluding Workplace)	139	-	139	-	139	40	179
- Workplace Savings	11	(12)	(1)	(1)	(2)	(1)	(3)
LGC	**92**	**-**	**92**	**-**	**92**	**23**	**115**
LGA	**52**	**-**	**52**	**(34)**	**18**	**22**	**40**
Operating profit from divisions	**693**	**5**	**698**	**(28)**	**670**	**183**	**853**
Group debt and other costs	(69)	-	(69)	(13)	(82)	(21)	(103)
Operating profit	**624**	**5**	**629**	**(41)**	**588**	**162**	**750**
Investment and other variances	-	-	-	(41)	(41)	(37)	(78)
Total	**624**	**5**	**629**	**(82)**	**547**	**125**	**672**
Per share	**10.49**		**10.58**		**9.20**		
Dividend per share			**3.45**		**3.45**		

IGD CAPITAL RESOURCES

As at 30 June 2015 the Insurance Group's Directive (IGD) surplus was £3.8bn (FY 2014: £3.9bn).

The Group's capital resources totalled £7.7bn, covering the capital resources requirement of £3.9bn by 1.98 times. Profits generated in the first half of 2015 offset the repayment of €600m of Euro subordinated notes, classified as Lower Tier 2 capital prior to redemption, resulting in a broadly flat IGD surplus.

In LGPL, the Group's main annuity company, we maintain a provision of £2.3bn (FY 2014: £2.3bn) to provide for the risk of credit default. Over the last five years we have experienced total actual defaults of less than £10m.

Capital (£bn)	H1 2015	FY 2014
Group capital resources	**7.7**	**7.7**
Group capital resources requirements	**3.9**	**3.8**
IGD surplus	**3.8**	**3.9**
Coverage ratio (%)	**198**	**201**

ECONOMIC CAPITAL

Economic capital is the amount of capital that the Board believes the Group needs to hold, over and above its liabilities, in order to meet the Group's strategic objectives. These numbers do not represent our view of the Solvency II outcome for the Group. Solvency II has elements which L&G considers to be inconsistent with the Group's definition of economic capital, so there will be differences between the two balance sheets. We expect the final outcome of Solvency II to result in a lower Group capital surplus and solvency ratio than the Economic Capital basis. Our Economic Capital model has not been reviewed by the Prudential Regulatory Authority (PRA), nor will it be.

As at 30 June 2015 Legal & General Group had an economic capital surplus of £6.4bn (FY 2014: £7.0bn), corresponding to an economic capital coverage ratio of 220% (FY 2014: 229%).

Eligible own funds decreased by £0.7bn to £11.8bn (FY 2014: £12.5bn) primarily as a result of the payment of the 2014 final dividend of £496m and the repayment of €600m of subordinated debt in June 2015.

The economic capital requirement remained broadly flat at £5.4bn (FY 2014: £5.5bn), with new business written in H1 2015 being marginally positive.

Capital (£bn)	H1 2015	FY 2014
Eligible own funds	**11.8**	**12.5**
Economic capital requirement	**5.4**	**5.5**
Economic capital surplus	**6.4**	**7.0**
1-in-200 coverage ratio	**220**	**229**

Analysis of movement from 1 January to 30 June 2015 (£bn)	Economic Capital surplus
Economic solvency position as at 1 January 2015	**7.0**
New business surplus	0.1
Existing business expected release	0.4
Subordinated debt redemption	(0.5)
Dividends declared in the period	(0.5)
Other capital movements	(0.1)
Economic solvency position as at 30 June 2015	**6.4**

SUPPLEMENTARY EEV DISCLOSURE

EEV highlights (Pence)	H1 2015	H1 2014
Equity per share including LGIM	**211**	196
Equity per share	**184**	166

Analysis of EEV results (£m)	H1 2015	H1 2014
Contribution from new business	**196**	421
Expected return from in-force business	**238**	238
Experience variances and assumption changes	**38**	9
Development costs	**(9)**	(14)
Contribution from shareholder net worth	**102**	93
EEV operating profit on covered business	**565**	**747**
Business reported on an IFRS basis	**107**	103
EEV operating profit	**672**	**850**
Economic variances	**(55)**	8
Gains attributable to non-controlling interests	**8**	6
EEV profit before tax	**625**	**864**
Tax and other	**(105)**	(145)
EEV profit after tax	**520**	**719**

NEW BUSINESS CONTRIBUTION

Contribution from new business reduced to £196m (H1 2014: £421m) as a result of lower new business for LGR, with H1 2014 benefitting from the £3bn bulk annuity transaction with the ICI pension fund.

Worldwide EEV new business margin reduced to 3.9% (H1 2014: 5.4%) primarily due to reduced new business margin in LGR of 7.2% (H1 2014: 8.4%). This is as a consequence of increased levels of longevity reinsurance being used for new bulk annuity business written.

PRINCIPAL RISKS AND UNCERTAINTIES

Legal & General runs a portfolio of risk taking businesses; we accept risk in the normal course of business and aim to deliver sustainable returns on risk based capital to our investors in excess of our cost of capital. We manage the portfolio of risk that we accept to build a sustainable franchise for the interests of all our stakeholders; we do not aim to eliminate that risk. We have an appetite for risks that we understand deeply and are rewarded for, and which are consistent with delivery of our strategic objectives. Risk management is embedded within the business. The Group is exposed to a number of key risk categories.

RISKS AND UNCERTAINTIES	TREND, OUTLOOK AND MITIGATION
Reserves for long-term business may require revision as a result of changes in experience, regulation or legislation. The writing of long-term insurance business requires the setting of assumptions for long-term trends in factors such as mortality, lapse rates and persistency, valuation interest rates, expenses and credit defaults. Actual experience may result in the need to recalibrate these assumptions reducing profitability. Forced changes in reserves can also be required because of regulatory or legislative intervention in the way that products are priced, reducing profitability and future earnings.	We regularly appraise the assumptions underpinning the business that we write. In our annuities business we are, however, exposed to factors such as dramatic advances in medical science beyond those anticipated leading to unexpected changes in life expectancy. In protection business we remain inherently exposed to rates of mortality diverging from assumptions and to loss from events that cause widespread mortality/morbidity or significant policy lapse rates. There also remains potential for legislative intervention in the pricing of insurance products irrespective of risk factors, such as age or health. We undertake significant analysis of longevity and mortality risks to ensure an appropriate premium is charged for the risks we take on and that our reserves remain appropriate. We remain focused on developing a comprehensive understanding of annuitant mortality and we continue to evolve and develop our underwriting capabilities. We seek to ensure that legislators understand the benefits to consumers of pricing insurance products based on the risk factors that each policy presents.
Investment market performance or conditions in the broader economy may adversely impact our earnings and profitability. The performance and liquidity of investment markets, interest rate movements and inflation impact the value of investments we hold in shareholders' funds and those to meet the obligations from insurance business. Interest rate movement and inflation can also change the value of our obligations. We use a range of techniques to manage mismatches between assets and liabilities. However, loss can still arise from adverse markets. In addition, significant falls in investment values can reduce fee income to our investment management business, while broader economic conditions can impact the purchase and the retention of retail financial services products, impacting profitability.	Whilst global investment markets have returned to pre-financial crisis levels, in the current environment there is still limited resilience in financial markets for shocks; with potential for significant falls in asset values should markets reassess returns. Factors of continuing uncertainty that may result in shocks include a deterioration in geo-political stability for example as a consequence of tensions in Eastern Europe and the Middle East; an abrupt change in the monetary policies of the leading economies; or a further crisis in the Euro zone. Financial markets may also reappraise asset valuations as a result of changes in the outlook for the global economy. We model our business plans across a broad range of economic scenarios and take account of alternative economic outlooks within our overall business strategy. As part of our business plans we have sought to ensure focus upon those market segments that we expect to be resilient in projected conditions.
In dealing with issuers of debt and other types of counterparty the Group is exposed to the risk of financial loss. A systematic default event within the corporate sector, or a major sovereign debt event, could result in dislocation of bond markets, significantly widening credit spreads, and may result in default of even strongly rated issuers of debt, exposing us to financial loss. We are also exposed to banking, money market and reinsurance counterparties, and settlement, custody and other bespoke business services, a failure of which could expose us to both financial loss and operational disruption of our business processes.	In 2015 we have continued to see stable credit spreads reflecting market confidence in the issuers of investment grade bonds, and at Legal & General we continue to experience low levels of default on our corporate bond portfolio. There remains, however, a range of factors that could trigger defaults by the issuers of debt, leading to reduced profitability or financial loss. These include a Sovereign debt event or a banking crisis developing, for example in emerging markets. An economic shock or significant change in the current economic outlook may also increase potential for a supplier of business services being unable to meet their obligations to us. We actively manage our exposure to default risks, setting counterparty selection criteria and exposure limits and hold reserves against our assessment of counterparty debt defaults. We continue to diversify the asset classes backing our annuities business, to include the use of property lending, sale and leaseback and other forms of direct investment.

Changes in regulation or legislation may have a detrimental effect on our strategy. Legislation and government fiscal policy influence our product design, the period of retention of products and our required reserves for future liabilities. Regulation defines the overall framework for the design, marketing and distribution of our products; and the prudential capital that we hold. Significant changes in legislation or regulation may reduce our future revenues and profitability or require us to hold more capital. The prominence of the risk increases where change is implemented without prior engagement with the sector. The nature of long term business can also result in some changes in regulation, and the re-interpretation of regulation over time, having a retrospective effect on our in force books of business, impacting the value of embedded future profits.	The regulatory landscape continues to evolve. The Solvency II capital regime will be implemented by the PRA on 1 January 2016; however, the capital that we will be required to hold under the regime will not be certain until PRA agreement of our internal model. We also continue to see the development of consumer regulation by the FCA including a focus on the way products have been designed and sold in the past. More broadly, as illustrated by the emergency budget in July, the government continues to evolve its approach to retirement, with consultation proposed for a radical change to the pension savings system. We remain vigilant to the risk that future legislative and regulatory change may have unintended consequences for the sectors in which we operate. We seek to actively participate with Government and regulatory bodies in the UK and Europe to assist in the evaluation of change so as to develop outcomes that meet the needs of all stakeholders. Internally, we evaluate the impact of all legislative and regulatory change as part of our formal risk identification and assessment processes, with material matters being considered at the Group Risk Committee and the Group Board. We maintain a flexible business model to respond to changing regulation and market trends.
As a UK based Group, our earnings are influenced by the performance and perception of the UK financial services sector as a whole. The financial crisis, subsequent investment performance and low interest rate environment, together with regulatory actions in the sector, may impact consumer attitudes to long-term savings and insurance products. Regulatory actions may also lead to changes to the regulatory and legislative environment in which we operate.	As a significant participant in the long-term savings and insurance markets, we are exposed to changes in consumer sentiment. We are also exposed to increased costs of regulatory compliance through regulatory and legislative responses to events in the financial services sector. We actively manage our brand and seek to differentiate our business model from that of our competitors, focusing on our customers' needs through a diversified portfolio of risk, savings and investment businesses. We also actively engage with our regulators to support understanding of the risk drivers in the markets in which we operate, and highlight matters where we believe the industry needs to change.
The Group may not maximise opportunities from structural and other changes within the financial services sector, adversely impacting future earnings. Significant changes in the markets in which we operate may require the review and realignment of elements of our business strategy. A failure to be sufficiently responsive to potential change and understand the implication to our businesses, or the incorrect execution of change may impact the achievement of our strategic objectives.	Macro trends in the markets in which we operate remain those of an ageing population; reform in the provision of state welfare; retrenchment by the banks; the globalisation of asset markets; and the increasing use of digital technologies. Responding to these trends potentially creates people and change risks, such as organisational challenges and management stretch across the range of initiatives. Regulatory changes and political risks may also present complexity in delivering our responses. We've defined clear strategies to respond to the macro trends. We monitor as part of our on-going risk review processes factors that may impact our responses to these macro trends and seek to ensure appropriate risk mitigation plans are put in place.

A material failure in our business processes may result in unanticipated financial loss or reputation damage. We have constructed our framework of internal controls to minimise the risk of unanticipated financial loss or damage to our reputation. However, no system of internal control can completely eliminate the risk of error, financial loss, fraudulent actions or reputational damage.	Our plans for growth inherently will increase the profile of operational risks across our businesses. We continue to invest in our system capabilities and business processes to ensure that we meet the expectations of our customers; comply with regulatory, legal and financial reporting requirements; and mitigate the risks of loss or reputational damage from operational risk events. Our "three lines of defence" risk governance model seeks to ensure that business management are actively engaged in maintaining an appropriate control environment, supported by risk functions led by the group chief risk officer, with independent assurance from Group Internal Audit.
The financial services sector is increasingly becoming a target of 'cyber-crime'. As we and our business partners increasingly digitalise our businesses, we are inherently exposed to the risk that third parties may seek to disrupt our on-line business operations, steal customer data or perpetrate acts of fraud using digital media. A significant cyber-event could result in reputation damage and financial loss.	The financial services sector continues to see attempts by third parties to seek and exploit perceived vulnerabilities in IT systems. Potential threats include denial of service attacks, network intrusions to steal data for the furtherance of financial crime, and the electronic diversion of funds. We're focused on maintaining a robust and secure IT environment. Working with our business partners, we seek to ensure the security of our systems with proactive response to emerging threats; however, the evolving nature of cyber threats means that residual risks continue to remain.

ENQUIRIES

Investors:

Laura Doyle	Head of Investor Relations	020 3124 2088
Stephen Thomas	Investor Relations Manager	020 3124 2047

Media:

John Godfrey	Corporate Affairs Director	020 3124 2090
Richard King	Head of Group Corporate Communications	020 3124 2095
Michelle Clarke	Tulchan Communications	020 7353 4200

NOTES

A copy of this announcement can be found in "Results", under the "Financial information" section of our shareholder website at http://www.legalandgeneralgroup.com/investors/results.cfm.

A presentation to analysts and fund managers will take place at 9.30am UK time today at One Coleman Street, London, EC2R 5AA. There will be a live webcast of the presentation which can be accessed at http://investor.legalandgeneral.com/results.cfm**.** A replay will be available on this website later today.

There will be a live listen only teleconference link to the presentation. Details below:

PARTICIPANT DIAL-IN NUMBERS

LOCATION YOU ARE DIALLING IN FROM	NUMBER YOU SHOULD DIAL
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ALL OTHER LOCATIONS	+44 20 3059 8125

2015 Financial Calendar	Date
Ex-dividend date	**13 August 2015**
Record date	**14 August 2015**
Payment date of 2015 interim dividend	**17 September 2015**
Q3 Interim Management Statement 2015	**5 November 2015**

DEFINITIONS

Operational cash generation is the expected release from in-force business for the UK non-profit Insurance and Savings and LGR businesses, the shareholder's share of bonuses on with-profits business, the post-tax operating profit on other UK businesses, including the expected investment return on LGC invested assets, and dividends remitted from our international businesses.

Net cash generation is defined as operational cash generation less new business strain.

Operating profit measures the pre-tax result excluding the impact of investment volatility, economic assumption changes and exceptional items. Operating profit therefore reflects longer-term economic assumptions for the Group's insurance businesses and shareholder funds, except for LGA which excludes unrealised investment returns to align with the liability measurement under US GAAP. Variances between actual and smoothed assumptions are reported below operating profit. Exceptional income and expenses which arise outside the normal course of business in the year, such as merger and acquisition, start-up and closure costs, are excluded from operating profit.

Adjusted earnings per share is calculated by dividing profit after tax from continuing operations, attributable to equity holders of the Company, excluding gains and losses associated with held for sale and completed business disposals, by the weighted average number of ordinary shares in issue during the period, excluding employee scheme treasury shares.

Annualised return on equity is calculated by taking annualised profit after tax attributable to equity holders of the Company, excluding gains and losses associated with held for sale and completed business disposals, as a percentage of the average shareholders' capital employed, being an average of the opening and closing shareholders' equity during the period.

FORWARD LOOKING STATEMENTS

This announcement may contain certain forward-looking statements relating to Legal & General, 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'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 announcement or any other forward-looking statement it may make.

GOING CONCERN STATEMENT

The Group's business activities, together with the factors likely to affect its future development, performance and position in the current economic climate are set out in this Interim Management Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Group Results. Principal risks and uncertainties are detailed on pages 19-21. In addition, the financial statements include, amongst other things, notes on the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Whilst the economy has improved in 2015, the general climate remains, to a degree, uncertain. However, based on the available information on the future, the directors consider that the Group has the plans and resources to manage its business risks successfully as it has a diverse range of businesses and remains financially strong.

Having reassessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the interim financial information.

DIRECTOR'S RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge that:

i. The consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union;

ii. The interim management report includes a fair review of the information required by DTR 4.2.7, namely an indication of important events that have occurred during the first six months of the financial period and their impact on the consolidated interim 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;

iii. 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;

iv. The group embedded value summary and explanatory notes to the supplementary interim financial information have been prepared on the European Embedded Value basis as set out in Note 5.06; and

v. The directors of Legal & General Group Plc are listed in the Legal & General Group Plc Annual Report for 31 December 2014, with the exception of Lindsay Tomlinson who retired as non-executive director of the company on 21 May 2015 and John Pollock who retired as an executive director of the company on 21 May 2015. A list of current directors is maintained on the Legal & General Group Plc website: legalandgeneralgroup.com.

By order of the Board

Nigel Wilson	Mark Gregory
Group Chief Executive	Group Chief Financial Officer
4 August 2015	4 August 2015

NOTES

NOTES

Operating profit

For the six months ended 30 June 2015

	Notes	**30.06.15 £m**	30.06.14 £m	Full year 31.12.14 £m
From continuing operations				
Insurance	2.02	**192**	179	370
Savings	2.02	**50**	54	105
Legal & General Retirement (LGR)	2.02	**280**	188	428
Legal & General Investment Management (LGIM)	2.04	**176**	149	321
Legal & General Capital (LGC)	2.05	**115**	102	203
Legal & General America (LGA)		**40**	43	56
Operating profit from divisions		**853**	715	1,483
Group debt costs[1]		**(75)**	(63)	(142)
Group investment projects and expenses[2]	2.06	**(28)**	(16)	(66)
Operating profit		**750**	636	1,275
Investment and other variances	2.07	**(86)**	(6)	(44)
Gains on non-controlling interests		**8**	6	7
Profit before tax attributable to equity holders		**672**	636	1,238
Tax expense attributable to equity holders of the Company	2.16	**(125)**	(129)	(246)
Profit for the period		**547**	507	992
Profit attributable to equity holders of the Company		**539**	501	985
		p	p	p
Earnings per share				
Based on profit attributable to equity holders of the Company	2.10	**9.11**	8.51	16.70
Adjusted earnings per share[3]				
Based on profit attributable to equity holders of the Company	2.10	**9.79**	8.51	16.70
Diluted earnings per share				
Based on profit attributable to equity holders of the Company	2.10	**9.05**	8.42	16.54

1. Group debt costs exclude interest on non recourse financing.
2. Group investment projects and expenses in H1 15 include restructuring costs of £9m (H1 14: £nil; FY 14; £31m).
3. Adjusted earnings per share has been calculated excluding the impairment loss, £40m, resulting from the classification of disposal groups as held for sale.

This supplementary operating profit information (one of the Group's key performance indicators) provides further analysis of the results reported under IFRS and the Group believes gives shareholders a better understanding of the underlying performance of the business in the year.

Following changes to the organisational structure announced in November 2014, Insurance and Savings are now reported as separate segments. Previously, Insurance and Savings had been reported together as the LGAS segment. In addition, the Workplace Savings business is now included in the LGIM segment. Workplace Savings had previously been recognised in the Savings (LGAS) segment. Comparatives have been amended accordingly in line with this reclassification. The impact of the Workplace Savings reclassification has been to reduce LGIM H1 14 and FY 14 operating profit by £10m and £15m respectively, with an offsetting increase in the Savings segment's operating profit.

Operating profit measures the pre-tax result excluding the impact of investment volatility, economic assumption changes and exceptional items. Operating profit therefore reflects longer-term economic assumptions for the Group's insurance businesses and shareholder funds, except for LGA which excludes unrealised investment returns to align with the liability measurement under US GAAP. Variances between actual and smoothed assumptions are reported below operating profit. Exceptional income and expenses which arise outside the normal course of business in the year, such as merger and acquisition, start-up and closure costs, are excluded from operating profit.

Insurance represents business in retail protection, group protection, general insurance, networks, Legal & General France (LGF) and Legal & General Netherlands (LGN). Savings represents business in platforms, SIPPs, mature savings, with-profits and emerging markets.

LGR represents Annuities (both individual and bulk purchase), longevity insurance and lifetime mortgages.

The LGIM segment represents institutional and retail investment management and Workplace Savings businesses.

LGC represents the medium term investment return (less expenses) on Group invested assets, using assumptions applied to the average balance of Group invested assets (including interest bearing intra-group balances).

The LGA segment comprises protection business written in the USA.

2.01 Reconciliation of operational cash to operating profit before tax

The table below provides an analysis of the operational cash generation by each of the Group's business segments, together with a reconciliation to operating profit before tax.

For the six months ended 30 June 2015	Operational cash generation[1] £m	New business (strain)/ surplus £m	Net cash generation £m	Experience variances £m	Changes in valuation assumptions £m	Non-cash items and other £m	International and other[2] £m	Operating profit/ (loss) after tax £m	Tax expense/ (credit) £m	Operating profit/ (loss) before tax £m
Insurance	**165**	**-**	**165**	**7**	**2**	**(15)**	**(7)**	**152**	**40**	**192**
Savings[3]	**64**	**(5)**	**59**	**(1)**	**-**	**(18)**	**-**	**40**	**10**	**50**
LGR	**170**	**22**	**192**	**15**	**37**	**(13)**	**-**	**231**	**49**	**280**
LGIM[3]	**150**	**(12)**	**138**	**(2)**	**-**	**1**	**-**	**137**	**39**	**176**
- LGIM excluding Workplace Savings	139	-	139	-	-	-	-	139	40	179
- Workplace Savings	11	(12)	(1)	(2)	-	1	-	(2)	(1)	(3)
LGC	**92**	**-**	**92**	**-**	**-**	**-**	**-**	**92**	**23**	**115**
LGA	**52**	**-**	**52**	**-**	**-**	**-**	**(34)**	**18**	**22**	**40**
Total from divisions	**693**	**5**	**698**	**19**	**39**	**(45)**	**(41)**	**670**	**183**	**853**
Group debt costs	**(60)**	**-**	**(60)**	**-**	**-**	**-**	**-**	**(60)**	**(15)**	**(75)**
Group investment projects and expenses	**(9)**	**-**	**(9)**	**-**	**-**	**-**	**(13)**	**(22)**	**(6)**	**(28)**
Total	**624**	**5**	**629**	**19**	**39**	**(45)**	**(54)**	**588**	**162**	**750**

1. Operational cash generation includes dividends remitted from LGF of £1m (H1 14: £1m; FY 14: £2m) and LGN of £18m (H1 14: £14m; FY 14: £29m) within the Insurance line and LGA of £52m (H1 14: £44m; FY 14: £46m).
2. International and other includes £9m of restructuring costs (£7m before tax) (H1 14: £nil; FY 14: £25m) within the Group investment projects and expenses line.
3. LGIM includes the Workplace Savings business which was previously reported in Savings. Prior year comparatives have been amended.

Operational cash generation for Insurance, Savings, LGR and LGIM represents the expected surplus generated in the year from the in-force non profit Protection, Savings, Annuities and workplace businesses using best estimate assumptions. The Insurance operational cash generation also includes dividends remitted from LGF and LGN and operating profit after tax from General Insurance and the remaining Insurance businesses. The Savings operational cash generation also includes the shareholders' share of bonuses on with-profits business and operating profit after tax from the remaining Savings businesses. The LGIM operational cash generation also includes operating profit after tax from the institutional and retail investment management businesses.

New business strain for Insurance, Savings, LGR and LGIM represents the cost of acquiring new business and setting up regulatory reserves in respect of the new business for UK non profit Protection, Savings, Annuities and Workplace Savings, net of tax. The new business strain and operational cash generation for Insurance, Savings, LGR and LGIM exclude the required solvency margin from the liability calculation.

Net cash generation for Insurance, Savings, LGR and LGIM is defined as operational cash generation less new business strain.

Operational cash generation and net cash for LGC represents the operating profit (net of tax).

The operational cash generation for LGA represents the dividends received.

See Note 2.02 for more detail on experience variances, assumption changes and non-cash items.

IFRS and Cash

2.01 Reconciliation of operational cash to operating profit before tax (continued)

For the six months ended 30 June 2014	Operational cash generation[1] £m	New business (strain)/ surplus £m	Net cash generation £m	Experience variances £m	Changes in valuation assumptions £m	Non-cash items and other £m	International and other £m	Operating profit/ (loss) after tax £m	Tax expense/ (credit) £m	Operating profit/ (loss) before tax £m
Insurance	166	(8)	158	(9)	15	(24)	(2)	138	41	179
Savings[2]	64	(8)	56	(3)	-	(10)	-	43	11	54
LGR	146	20	166	(2)	-	(16)	-	148	40	188
LGIM[2]	132	(15)	117	(3)	(1)	4	-	117	32	149
- LGIM excluding Workplace Savings	125	-	125	-	-	-	-	125	34	159
- Workplace Savings	7	(15)	(8)	(3)	(1)	4	-	(8)	(2)	(10)
LGC	82	-	82	-	-	-	-	82	20	102
LGA	44	-	44	-	-	-	(17)	27	16	43
Total from divisions	634	(11)	623	(17)	14	(46)	(19)	555	160	715
Group debt costs	(49)	-	(49)	-	-	-	-	(49)	(14)	(63)
Group investment projects and expenses	(7)	-	(7)	-	-	-	(6)	(13)	(3)	(16)
Total	578	(11)	567	(17)	14	(46)	(25)	493	143	636

1. Operational cash generation includes dividends remitted from LGF of £1m and LGN of £14m within the Insurance line and LGA of £44m.
2. LGIM includes the Workplace Savings business which was previously reported in Savings.

For the year ended 31 December 2014	Operational cash generation[1] £m	New business (strain)/ surplus £m	Net cash generation £m	Experience variances £m	Changes in valuation assumptions £m	Non-cash items and other £m	International and other[2] £m	Operating profit/ (loss) after tax £m	Tax expense/ (credit) £m	Operating profit/ (loss) before tax £m
Insurance	332	(5)	327	(8)	24	(50)	(6)	287	83	370
Savings[3]	127	(14)	113	(7)	3	(22)	(1)	86	19	105
LGR	292	51	343	(13)	48	(32)	-	346	82	428
LGIM[3]	275	(29)	246	(3)	5	2	-	250	71	321
- LGIM excluding Workplace Savings	262	-	262	-	-	-	-	262	74	336
- Workplace Savings	13	(29)	(16)	(3)	5	2	-	(12)	(3)	(15)
LGC	162	-	162	-	-	-	-	162	41	203
LGA	46	-	46	-	-	-	(14)	32	24	56
Total from divisions	1,234	3	1,237	(31)	80	(102)	(21)	1,163	320	1,483
Group debt costs	(112)	-	(112)	-	-	-	-	(112)	(30)	(142)
Group investment projects and expenses	(21)	-	(21)	-	-	-	(32)	(53)	(13)	(66)
Total	1,101	3	1,104	(31)	80	(102)	(53)	998	277	1,275

1. Operational cash generation includes dividends remitted from LGF of £2m and LGN of £29m within the Insurance line and LGA of £46m.
2. International and other includes £25m of restructuring costs (£31m before tax) within the Group investment projects and expenses line.
3. LGIM includes the Workplace Savings business which was previously reported in Savings.

2.02 Analysis of Insurance, Savings and LGR operating profit

	Insurance 30.06.15 £m	**Savings[1] 30.06.15 £m**	**LGR 30.06.15 £m**	Insurance 30.06.14 £m	Savings[1] 30.06.14 £m	LGR 30.06.14 £m
Net cash generation	**165**	**59**	**192**	158	56	166
Experience variances						
Persistency	**1**	**(4)**	**-**	3	(3)	-
Mortality/Morbidity	**4**	**-**	**4**	(2)	-	5
Expenses	**4**	**-**	**-**	2	-	-
BPA Loading	**-**	**-**	**(4)**	-	-	-
Project and development costs	**(1)**	**-**	**(6)**	(3)	(2)	(8)
Other[2]	**(1)**	**3**	**21**	(9)	2	1
Total experience variances	**7**	**(1)**	**15**	(9)	(3)	(2)
Changes to valuation assumptions						
Persistency	**-**	**-**	**-**	-	-	-
Mortality/Morbidity[3]	**3**	**-**	**37**	22	-	-
Expenses	**1**	**-**	**-**	-	-	-
Other	**(2)**	**-**	**-**	(7)	-	-
Total valuation assumption changes	**2**	**-**	**37**	15	-	-
Movement in non-cash items						
Deferred tax	**2**	**-**	**-**	(1)	(2)	-
Utilisation of brought forward trading losses	**(2)**	**(2)**	**(13)**	(2)	-	(36)
Acquisition expense tax relief	**(17)**	**-**	**-**	(18)	(1)	-
Deferred Acquisition Costs (DAC)[4]	**-**	**(27)**	**-**	-	(31)	-
Deferred Income Liabilities (DIL)[4]	**-**	**17**	**-**	-	24	-
Other	**2**	**(6)**	**-**	(3)	-	20
Total non-cash movement items	**(15)**	**(18)**	**(13)**	(24)	(10)	(16)
Other	**(7)**	**-**	**-**	(2)	-	-
Operating profit after tax	**152**	**40**	**231**	138	43	148
Tax gross up	**40**	**10**	**49**	41	11	40
Operating profit before tax	**192**	**50**	**280**	179	54	188

1. Savings excludes the Workplace Savings business which is now reported in LGIM. Prior period comparatives have been amended. The impact includes the increase of net cash generation by £8m and the increase of operating profit by £10m. Offsetting movements have been reflected in the LGIM segment.
2. The other LGR experience variance reflects the benefit to profit of selective longevity and asset reinsurance related to bulk annuity transactions.
3. The mortality/morbidity valuation assumption change in LGR primarily reflects a change in mortality reserving assumptions in relation to unreported deaths of deferred annuitants.
4. The DAC in Savings represents the amortisation charges offset by new acquisition costs deferred in the year. The DIL reflects initial fees on insured savings business which relate to the future provision of services and are deferred and amortised over the anticipated period in which these services are provided.

2.02 Analysis of Insurance, Savings and LGR operating profit (continued)

	Insurance Full year 31.12.14 £m	Savings[1] Full year 31.12.14 £m	LGR Full year 31.12.14 £m
Net cash generation	327	113	343
Experience variances			
Persistency	(3)	1	(3)
Mortality/Morbidity[2]	(7)	2	13
Expenses	1	(2)	(3)
BPA Loading	-	-	6
Project and development costs	(6)	(3)	(19)
Other	7	(5)	(7)
Total experience variances	(8)	(7)	(13)
Changes to valuation assumptions			
Persistency[3]	43	(1)	-
Mortality/Morbidity[4]	37	-	61
Expenses	11	3	(5)
Other[5]	(67)	1	(8)
Total valuation assumption changes	24	3	48
Movement in non-cash items			
Deferred tax	(3)	6	(11)
Utilisation of brought forward trading losses	(11)	2	(62)
Acquisition expense tax relief	(36)	(6)	-
Deferred Acquisition Costs (DAC)[6]	-	(76)	-
Deferred Income Liabilities (DIL)[6]	-	50	-
Other[7]	-	2	41
Total non-cash movement items	(50)	(22)	(32)
Other	(6)	(1)	-
Operating profit after tax	287	86	346
Tax gross up	83	19	82
Operating profit before tax	370	105	428

1. Savings excludes the Workplace Savings business which is now reported in LGIM. The impact includes the increase of net cash generation by £16m and the increase of operating profit by £15m. Offsetting movements have been reflected in the LGIM segment.
2. The mortality/morbidity experience variances in Insurance in 2014 primarily relates to adverse morbidity on one of our group protection products.
3. The persistency valuation assumption change in Insurance primarily relates to an improvement in the experience and modelling for persistency on some of our long term products.
4. The mortality/morbidity valuation assumption change in Insurance primarily relates to an improvement in the modelling for certain morbidity features on our retail protection products. The LGR mortality valuation assumption change primarily relates to the adoption of the recent CMI projection table (CMI2013) with an allowance for anticipated modelling changes that have been incorporated into the CMI2014 model.
5. The other valuation assumption change in Insurance primarily relates to a refinement in the modelling for reinsurance on certain long term policies.
6. The DAC in Savings represents the amortisation charges offset by new acquisition costs deferred in the year. The DIL reflects initial fees on insured savings business which relate to the future provision of services and are deferred and amortised over the anticipated period in which these services are provided.
7. The other non-cash items in LGR primarily relates to the elimination of intra-group future profits arising from the provision of investment management services at market referenced rates.

2.03 General insurance operating profit and combined operating ratio

	30.06.15 £m	30.06.14 £m	Full year 31.12.14 £m
General insurance operating profit[1]	**38**	28	59
General insurance combined operating ratio (%)[2]	**82**	88	87

1. The general insurance operating profit includes the underwriting result and investment return.
2. The calculation of the general insurance combined operating ratio incorporates commission and expenses as a percentage of net earned premiums.

2.04 LGIM[1]

	30.06.15 £m	30.06.14 £m	Full year 31.12.14 £m
Investment management revenue	**347**	309	645
Investment management expenses	**(168)**	(150)	(309)
Workplace Savings operating loss	**(3)**	(10)	(15)
Total LGIM operating profit	**176**	149	321

1. LGIM includes the Workplace Savings business which was previously reported in Savings. Prior period comparatives have been amended. Offsetting movements have been reflected in the Savings segment.

2.05 LGC

	30.06.15 £m	30.06.14 £m	Full year 31.12.14 £m
Investment return	**125**	109	219
Expenses	**(10)**	(7)	(16)
Total LGC operating profit	**115**	102	203

2.06 Group investment projects and expenses

	30.06.15 £m	30.06.14 £m	Full year 31.12.14 £m
Group investment projects and central expenses	**(19)**	(16)	(35)
Restructuring costs	**(9)**	-	(31)
Total Group investment projects and expenses	**(28)**	(16)	(66)

2.07 Investment and other variances

	30.06.15 £m	30.06.14 £m	Full year 31.12.14 £m
Investment variance[1]	**(29)**	26	(8)
M&A related[2]	**(55)**	(15)	(21)
Other[3]	**(2)**	(17)	(15)
Total Investment and other variances	**(86)**	(6)	(44)

1. H1 15 investment variance is negative, primarily arising from the defined pension benefit scheme variance of £(26)m (H1 14: £8m; FY 14: £40m), that reflects the actuarial losses and gains and valuation differences arising on annuity assets held by defined benefit pension schemes that have been purchased from Legal & General Assurance Society Limited (Society).
2. M&A related includes gains, expenses and intangible amortisation relating to acquisitions and disposals (including the recognition of £40m impairment losses arising on classification of disposal groups as held for sale).
3. Other includes new business start-up costs and other non-investment related variance items.

Consolidated Income Statement

For the six months ended 30 June 2015

	Notes	**30.06.15 £m**	30.06.14 £m	Full year 31.12.14 £m
Revenue				
Gross written premiums		**3,170**	5,291	10,168
Outward reinsurance premiums		**(865)**	(514)	(1,122)
Net change in provision for unearned premiums		**14**	6	1
Net premiums earned		**2,319**	4,783	9,047
Fees from fund management and investment contracts		**564**	548	1,085
Investment return		**5,062**	13,481	40,639
Operational income		**444**	372	746
Total revenue	2.09	**8,389**	19,184	51,517
Expenses				
Claims and change in insurance liabilities		**2,090**	6,717	15,071
Reinsurance recoveries		**(999)**	(582)	(975)
Net claims and change in insurance liabilities		**1,091**	6,135	14,096
Change in provisions for investment contract liabilities		**4,958**	10,864	33,385
Acquisition costs		**429**	436	873
Finance costs		**91**	90	183
Other expenses		**930**	869	1,748
Transfers to/(from) unallocated divisible surplus		**61**	50	(181)
Total expenses		**7,560**	18,444	50,104
Profit before tax		**829**	740	1,413
Tax expense attributable to policyholder returns		**(157)**	(104)	(175)
Profit before tax attributable to equity holders		**672**	636	1,238
Total tax expense		**(282)**	(233)	(421)
Tax expense attributable to policyholder returns		**157**	104	175
Tax expense attributable to equity holders	2.16	**(125)**	(129)	(246)
Profit for the period		**547**	507	992
Attributable to:				
Non-controlling interests		**8**	6	7
Equity holders of the Company		**539**	501	985
Dividend distributions to equity holders of the Company during the period	2.18	**496**	408	580
Dividend distributions to equity holders of the Company proposed after the period end	2.18	**205**	172	496

		p	p	p
Earnings per share				
Based on profit attributable to equity holders of the Company	2.10	**9.11**	8.51	16.70
Adjusted earnings per share [1]				
Based on profit attributable to equity holders of the Company	2.10	**9.79**	8.51	16.70
Diluted earnings per share				
Based on profit attributable to equity holders of the Company	2.10	**9.05**	8.42	16.54

1. Adjusted earnings per share has been calculated excluding the impairment loss, £40m, resulting from the classification of disposal groups as held for sale.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015

	30.06.15 £m	30.06.14 £m	Full year 31.12.14 £m
Profit for the period	**547**	507	992
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) on defined benefit pension schemes	**22**	(10)	(94)
Actuarial (losses)/gains on defined benefit pension schemes transferred to unallocated divisible surplus	**(8)**	4	38
Total items that will not be reclassified to profit or loss subsequently	**14**	(6)	(56)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of overseas operations	**(25)**	(28)	12
Net change in financial investments designated as available-for-sale	**(18)**	20	26
Total items that may be reclassified to profit or loss subsequently	**(43)**	(8)	38
Other comprehensive expense after tax	**(29)**	(14)	(18)
Total comprehensive income for the period	**518**	493	974
Total comprehensive income attributable to:			
Non-controlling interests	**8**	6	7
Equity holders of the Company	**510**	487	967

Consolidated Balance Sheet

As at 30 June 2015

	Notes	30.06.15 £m	30.06.14 £m	31.12.14 £m
Assets				
Goodwill		**82**	73	79
Purchased interest in long term businesses and other intangible assets		**328**	341	342
Deferred acquisition costs		**1,822**	1,848	1,936
Investment in associates and joint ventures		**207**	138	149
Property, plant and equipment		**86**	136	146
Investment property	2.15	**8,779**	7,352	8,152
Financial investments	2.15	**351,159**	340,170	360,614
Reinsurers' share of contract liabilities		**3,360**	3,025	2,906
UK deferred tax asset	2.16	**33**	68	54
Current tax recoverable		**185**	303	217
Other assets		**3,539**	3,018	2,249
Assets of operations classified as held for sale	2.13	**6,149**	-	-
Cash and cash equivalents		**19,583**	21,087	22,709
Total assets		**395,312**	377,559	399,553
Equity				
Share capital		**149**	148	149
Share premium		**973**	966	969
Employee scheme treasury shares		**(31)**	(36)	(37)
Capital redemption and other reserves		**98**	54	117
Retained earnings		**4,843**	4,579	4,830
Shareholders' equity		**6,032**	5,711	6,028
Non-controlling interests	2.22	**281**	271	275
Total equity		**6,313**	5,982	6,303
Liabilities				
Participating insurance contracts		**5,901**	6,596	6,579
Participating investment contracts		**5,093**	7,452	7,667
Unallocated divisible surplus		**798**	1,253	983
Value of in-force non-participating contracts		**(223)**	(234)	(208)
Participating contract liabilities		**11,569**	15,067	15,021
Non-participating insurance contracts		**49,274**	44,439	49,876
Non-participating investment contracts		**280,472**	279,084	288,558
Non-participating contract liabilities		**329,746**	323,523	338,434
Core borrowings	2.20	**2,490**	2,991	2,977
Operational borrowings	2.21	**645**	692	715
Provisions		**1,189**	1,143	1,247
UK deferred tax liabilities	2.16	**277**	96	180
Overseas deferred tax liabilities	2.16	**414**	402	434
Current tax liabilities		**40**	12	9
Payables and other financial liabilities	2.17	**18,449**	11,281	16,131
Other liabilities		**671**	923	963
Net asset value attributable to unit holders		**17,513**	15,447	17,139
Liabilities of operations classified as held for sale	2.13	**5,996**	-	-
Total liabilities		**388,999**	371,577	393,250
Total equity and liabilities		**395,312**	377,559	399,553

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015	**Share capital £m**	**Share premium £m**	**Employee scheme treasury shares £m**	**Capital redemption and other reserves £m**	**Retained earnings £m**	**Total £m**	**Non-controlling interests £m**	**Total equity £m**
As at 1 January 2015	**149**	**969**	**(37)**	**117**	**4,830**	**6,028**	**275**	**6,303**
Total comprehensive income/(expense) for the period	**-**	**-**	**-**	**(43)**	**553**	**510**	**8**	**518**
Options exercised under share option schemes	**-**	**4**	**-**	**-**	**-**	**4**	**-**	**4**
Net movement in employee scheme treasury shares	**-**	**-**	**6**	**(4)**	**(16)**	**(14)**	**-**	**(14)**
Dividends	**-**	**-**	**-**	**-**	**(496)**	**(496)**	**-**	**(496)**
Movement in third party interests	**-**	**-**	**-**	**-**	**-**	**-**	**(2)**	**(2)**
Currency translation differences	**-**	**-**	**-**	**28**	**(28)**	**-**	**-**	**-**
As at 30 June 2015	**149**	**973**	**(31)**	**98**	**4,843**	**6,032**	**281**	**6,313**

For the six months ended 30 June 2014	Share capital £m	Share premium £m	Employee scheme treasury shares £m	Capital redemption and other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
As at 1 January 2014	148	959	(39)	57	4,517	5,642	265	5,907
Total comprehensive income/(expense) for the period	-	-	-	(8)	495	487	6	493
Options exercised under share option schemes	-	7	-	-	-	7	-	7
Net movement in employee scheme treasury shares	-	-	3	(10)	(10)	(17)	-	(17)
Dividends	-	-	-	-	(408)	(408)	-	(408)
Movement in third party interests	-	-	-	-	-	-	-	-
Currency translation differences	-	-	-	15	(15)	-	-	-
As at 30 June 2014	148	966	(36)	54	4,579	5,711	271	5,982

For the year ended 31 December 2014	Share capital £m	Share premium £m	Employee scheme treasury shares £m	Capital redemption and other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
As at 1 January 2014	148	959	(39)	57	4,517	5,642	265	5,907
Total comprehensive income for the year	-	-	-	38	929	967	7	974
Options exercised under share option schemes	1	10	-	-	-	11	-	11
Net movement in employee scheme treasury shares	-	-	2	3	(17)	(12)	-	(12)
Dividends	-	-	-	-	(580)	(580)	-	(580)
Movement in third party interests	-	-	-	-	-	-	3	3
Currency translation differences	-	-	-	19	(19)	-	-	-
As at 31 December 2014	149	969	(37)	117	4,830	6,028	275	6,303

Consolidated Cash Flow Statement

For the six months ended 30 June 2015

	30.06.15 £m	30.06.14 £m	Full year 31.12.14 £m
Cash flows from operating activities			
Profit for the period	**547**	507	992
Adjustments for non cash movements in net profit for the period			
Realised and unrealised losses/(gains) on financial investments and investment properties	**4,236**	(8,705)	(30,851)
Investment income	**(4,928)**	(4,853)	(9,205)
Interest expense	**91**	90	183
Tax expense	**282**	233	421
Other adjustments	**(35)**	46	87
Net (increase)/decrease in operational assets			
Investments held for trading or designated as fair value through profit or loss	**(2,450)**	2,036	5,931
Investments designated as available-for-sale	**210**	164	225
Other assets	**(1,518)**	(857)	(151)
Net increase/(decrease) in operational liabilities			
Insurance contracts	**(784)**	3,923	9,228
Transfer to/(from) unallocated divisible surplus	**68**	39	(222)
Investment contracts	**(5,254)**	387	10,156
Value of in-force non-participating contracts	**(15)**	14	40
Other liabilities	**3,249**	6,182	9,811
Cash generated used in operations	**(6,301)**	(794)	(3,355)
Interest paid	**(129)**	(103)	(203)
Interest received	**2,413**	2,430	4,857
Tax paid[1]	**(84)**	(97)	(76)
Dividends received	**2,282**	2,169	4,264
Net cash flows (used in)/generated from operating activities	**(1,819)**	3,605	5,487
Cash flows from investing activities			
Net acquisition of plant, equipment and intangibles	**(11)**	(12)	(80)
Acquisitions (net of cash acquired)[2]	**(5)**	(18)	(38)
Disposal of subsidiaries	**34**	50	56
Investment in joint ventures	**(65)**	(77)	(77)
Net cash flows from investing activities	**(47)**	(57)	(139)
Cash flows from financing activities			
Dividend distributions to ordinary equity holders of the Company during the period	**(496)**	(408)	(580)
Proceeds from issue of ordinary share capital	**4**	7	11
Purchase of employee scheme shares	**(7)**	(3)	(2)
Proceeds from borrowings	**194**	592	674
Repayment of borrowings	**(649)**	(88)	(181)
Net cash flows (used in)/generated from financing activities	**(954)**	100	(78)
Net increase in cash and cash equivalents	**(2,820)**	3,648	5,270
Exchange losses on cash and cash equivalents	**(65)**	(15)	(15)
Cash and cash equivalents at 1 January	**22,709**	17,454	17,454
Cash and cash equivalents (before reallocation of held for sale cash)	**19,824**	21,087	22,709
Cash and cash equivalents classified as held for sale	**(241)**	-	-
Cash and cash equivalents at 30 June/31 December	**19,583**	21,087	22,709

1. Tax comprises UK corporation tax paid of £8m (H1 14: £1m; FY 14: £29m), overseas corporate taxes of £18m (H1 14: £7m; FY 14: £24m) and withholding tax of £58m (H1 14: £89m; FY 14: £23m).
2. Net cash flows from acquisitions includes cash paid of £5m (H1 14: £18m; FY 14: £38m) less cash and cash equivalents acquired of £nil (H1 14: £nil; FY 14: £nil).

The Group's Consolidated Cash Flow Statement includes all cash and cash equivalent flows, including those relating to the UK long-term fund policyholders.

2.08 Basis of preparation

The Group's financial information for the six months ended 30 June 2015 has been prepared in accordance with the Listing Rules of the Financial Conduct Authority and with IAS 34, 'Interim Financial Reporting'. The Group's financial information has also been prepared in line with the accounting policies and methods of computation which the Group expects to adopt for the 2015 year end. These policies are consistent with the principal accounting policies which were set out in the Group's 2014 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 interim management 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 statements. 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 2014 financial statements except for the changes outlined in Note 2.02.

The results for the six months ended 30 June 2015 are unaudited but have been reviewed by PricewaterhouseCoopers LLP. The interim results do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The results from the full year 2014 have been taken from the Group's 2014 Annual Report and Accounts. Therefore, these interim accounts should be read in conjunction with the 2014 Annual Report and Accounts that have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and adopted by the European Commission for use in the European Union. PricewaterhouseCoopers LLP reported on the 2014 financial statements and their report was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. The Group's 2014 Annual Report and Accounts has been filed with the Registrar of Companies.

Key technical terms and definitions

The interim management report refers to various key performance indicators, accounting standards and other technical terms. A comprehensive list of these definitions is contained within the glossary of the Group's 2014 Annual Report and Accounts.

2.09 Segmental analysis

Reportable segments

The Group has six reportable segments comprising Insurance, Savings, LGR, LGIM, LGA and LGC.

Following changes to the organisational structure, Insurance and Savings are now reported as separate segments. Previously, Insurance and Savings had been reported together as the LGAS segment. In addition, the Workplace Savings business is now included in the LGIM segment. Workplace Savings had previously been recognised in the Savings (LGAS) segment. Comparatives have been amended accordingly in line with this reclassification. The impact of the Workplace Savings reclassification has been to reduce LGIM H1 14 and FY 14 operating profit by £10m and £15m respectively, with an offsetting increase in the Savings segment's operating profit.

Insurance represents business in retail protection, group protection, general insurance, networks, Legal & General France (LGF) and Legal & General Netherlands (LGN).

Savings represents business in platforms, SIPPs, mature savings, with-profits and emerging markets.

LGR represents Annuities (both individual and bulk purchase), longevity insurance and lifetime mortgages.

The LGIM segment represents institutional and retail investment management, and Workplace Savings businesses.

The LGC segment includes shareholders' equity supporting the non profit LGR, Insurance and Savings businesses held within Society and Legal & General Pensions Limited (LGPL) and capital held by the Group's treasury function. LGC and group expenses also incorporates inter-segmental eliminations and consolidated unit trusts and property partnerships managed on behalf of clients which do not constitute a separately reportable segment.

The LGA segment represents protection business written in the USA.

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

2.09 Segmental analysis (continued)
(a) Profit/(loss) for the period

For the six months ended 30 June 2015	**Insurance £m**	**Savings £m**	**LGR £m**	**LGIM £m**	**LGC £m**	**LGA £m**	**Group expenses and debt costs £m**	**Total £m**
Operating profit/(loss)	**192**	**50**	**280**	**176**	**115**	**40**	**(103)**	**750**
Investment and other variances[1]	**(48)**	**(20)**	**11**	**(5)**	**(4)**	**1**	**(21)**	**(86)**
Gains attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**8**	**8**
Profit/(loss) before tax attributable to equity holders	**144**	**30**	**291**	**171**	**111**	**41**	**(116)**	**672**
Tax (expense)/credit attributable to equity holders of the Company	**(38)**	**(6)**	**(50)**	**(38)**	**(2)**	**(22)**	**31**	**(125)**
Profit/(loss) for the period	**106**	**24**	**241**	**133**	**109**	**19**	**(85)**	**547**

For the six months ended 30 June 2014	Insurance £m	Savings[2] £m	LGR £m	LGIM[2] £m	LGC £m	LGA £m	Group expenses and debt costs £m	Total £m
Operating profit/(loss)	179	54	188	149	102	43	(79)	636
Investment and other variances	14	(18)	76	(5)	(44)	(3)	(26)	(6)
Gains attributable to non-controlling interests	-	-	-	-	-	-	6	6
Profit/(loss) before tax attributable to equity holders	193	36	264	144	58	40	(99)	636
Tax (expense)/credit attributable to equity holders of the Company	(44)	(8)	(56)	(31)	6	(21)	25	(129)
Profit/(loss) for the period	149	28	208	113	64	19	(74)	507

For the year ended 31 December 2014	Insurance £m	Savings[2] £m	LGR £m	LGIM[2] £m	LGC £m	LGA £m	Group expenses and debt costs £m	Total £m
Operating profit/(loss)	370	105	428	321	203	56	(208)	1,275
Investment and other variances	12	(24)	67	(7)	(37)	(13)	(42)	(44)
Gains attributable to non-controlling interests	-	-	-	-	-	-	7	7
Profit/(loss) before tax attributable to equity holders	382	81	495	314	166	43	(243)	1,238
Tax (expense)/credit attributable to equity holders of the Company	(90)	(14)	(97)	(68)	(9)	(19)	51	(246)
Profit/(loss) for the year	292	67	398	246	157	24	(192)	992

1. At H1 15 Investment and other variances - Insurance and Savings include the recognition of £38m and £2m respectively of impairment losses arising on the classification of disposal groups as held for sale.
2. LGIM includes the Workplace Savings business which was previously reported in Savings. Prior period comparatives have been amended. At H1 14, the impact includes the reduction of operating profit by £10m and profit before tax by £10m (FY 14: £15m and £10m respectively). Offsetting movements have been reflected in the Savings segment.

2.09 Segmental analysis (continued)
(b) Revenue

For the six months ended 30 June 2015	**Insurance £m**	**Savings[1] £m**	**LGR £m**	**LGIM[1] £m**	**LGA £m**	**LGC and other[2] £m**	**Total £m**
Internal revenue	**197**	**-**	**-**	**43**	**(86)**	**(154)**	**-**
External revenue	**1,176**	**1,714**	**561**	**4,752**	**205**	**(19)**	**8,389**
Total revenue	**1,373**	**1,714**	**561**	**4,795**	**119**	**(173)**	**8,389**

For the six months ended 30 June 2014	Insurance £m	Savings[1] £m	LGR £m	LGIM[1] £m	LGA £m	LGC and other[2] £m	Total £m
Internal revenue	150	-	-	69	(98)	(121)	-
External revenue	1,269	1,741	5,300	10,410	197	267	19,184
Total revenue	1,419	1,741	5,300	10,479	99	146	19,184

For the year ended 31 December 2014	Insurance £m	Savings[1] £m	LGR £m	LGIM[1] £m	LGA £m	LGC and other[2] £m	Total £m
Internal revenue	300	-	373	220	(218)	(675)	-
External revenue	2,444	2,154	13,767	28,345	377	4,430	51,517
Total revenue	2,744	2,154	14,140	28,565	159	3,755	51,517

1. LGIM includes the Workplace Savings business which was previously reported in Savings. Prior year comparatives have been amended. The impact includes the increase of LGIM external revenue for H1 14 by £146m (FY 14: increase of £373m). Offsetting movements have been reflected in the Savings segment.
2. LGC and other includes LGC, inter-segmental eliminations and group consolidation adjustments.

Total revenue includes investment return of £5,062m (H1 14: £13,481m; FY 14: £40,639m).

2.10 Earnings per share
(a) Earnings per share

	Profit after tax 30.06.15 £m	Earnings per share 30.06.15 p	Adjusted profit after tax 30.06.15 £m	Adjusted earnings per share[1,2] 30.06.15 p	Profit after tax 30.06.14 £m	Earnings per share[1] 30.06.14 £m
Operating profit	**588**	**9.94**	**588**	**9.94**	493	8.38
Investment and other variances	**(49)**	**(0.83)**	**(9)**	**(0.15)**	9	0.15
Impact of change in UK tax rates[3]	**-**	**-**	**-**	**-**	(1)	(0.02)
Earnings per share based on profit attributable to equity holders	**539**	**9.11**	**579**	**9.79**	501	8.51

	Profit after tax Full year 31.12.14 £m	Earnings per share[1] Full year 31.12.14 £m
Operating profit	998	16.92
Investment and other variances	(13)	(0.22)
Impact of change in UK tax rates	-	-
Earnings per share based on profit attributable to equity holders	985	16.70

1. Earnings per share is calculated by dividing profit after tax derived from continuing operations by the weighted average number of ordinary shares in issue during the year, excluding employee scheme treasury shares.
2. Adjusted earnings per share has been calculated excluding the impairment loss, £40m, resulting from the classification of disposal groups as held for sale.
3. The impact of the further corporation tax reductions announced on 8 July 2015 has not been included in the half year 2015 results as required under IAS 12. The impact will be included in the FY 15 results.

(b) Diluted earnings per share

	Profit after tax 30.06.15 £m	Number of shares[1] 30.06.15 m	Earnings per share 30.06.15 p	Profit after tax 30.06.14 £m	Number of shares[1] 30.06.14 m	Earnings per share 30.06.14 p
Profit attributable to equity holders of the Company	**539**	**5,915**	**9.11**	501	5,884	8.51
Net shares under options allocable for no further consideration	**-**	**38**	**(0.06)**	-	65	(0.09)
Diluted earnings per share	**539**	**5,953**	**9.05**	501	5,949	8.42

	Profit after tax Full year 31.12.14 £m	Number of shares[1] Full year 31.12.14 m	Earnings per share Full year 31.12.14 p
Profit attributable to equity holders of the Company	985	5,897	16.70
Net shares under options allocable for no further consideration	-	59	(0.16)
Diluted earnings per share	985	5,956	16.54

1. For diluted earnings per share, the weighted average number of ordinary shares in issue, excluding employee scheme treasury shares, is adjusted to assume conversion of all potential ordinary shares, such as share options granted to employees.

2.11 Acquisition

On 1 April 2015, the Group acquired 100% of New Life Home Finance Limited, a UK based lifetime mortgage provider for a consideration of £5m. The acquisition gave rise to an increase in the Group's goodwill of £2m and an increase in purchased interest in long term businesses (PILTB) and other intangibles of £2m. This enables the Group to offer lifetime mortgages as part of its retirement solutions suite of products.

2.12 Disposal

On 29 May 2015, the Group sold its interests in Snow + Rock Group Holding Limited to Cotswold Outdoor Limited for £34m. The carrying value of the investment was £6m, net of amortisation of the brand, hence realising a profit on disposal of £28m reported in operational income in the Consolidated Income Statement. The majority of the profit on disposal is allocated to the with-profits fund.

2.13 Held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

In February 2015 the Group entered into an agreement to sell Legal & General International (Ireland) Limited (LGII), the Group's Dublin based offshore bond provider to Canada Life. The sale completed on 1 July 2015. The assets and liabilities of LGII are a disposal group and have been classified as held for sale at 30 June 2015.

On 12 July 2015, the Group entered into an agreement to sell Commercial International Life Insurance Company SAE (CIL), the Group's Egypt based life insurance joint venture, to AXA. In addition on 28 July 2015 the Group entered into an agreement to sell its interest in Legal & General Gulf BSC (LGG), the Group's Bahrain based life insurance joint venture, to a third party. Completion of these transactions are subject to customary closing conditions, including the receipt of regulatory approvals, and are expected to take place by the end of 2015. The assets and liabilities of CIL and LGG are disposal groups and have been classified as held for sale at 30 June 2015.

On 30 July 2015 the Group entered into exclusive negotiations to sell Legal & General Holdings (France) S.A (LGF), the Group's French insurance business after receiving a binding offer from APICIL Prévoyance. The transaction is subject to the signing of a definitive agreement, customary closing conditions and regulatory approvals. The assets and liabilities of LGF have accordingly been assessed as a disposal group and have been classified as held for sale as at 30 June 2015.

The assets and liabilities of all disposal groups were remeasured to the lower of their carrying amount and their estimated fair value less costs to sell at the date of the classification as held for sale. The impairment loss arising of £40m is recognised in other expenses.

Neither LGF, LGII, CIL nor LGG is a discontinued operation as none represent a major line of business or geographical segment of the group.

	Total 30.06.15 £m
Assets classified as held for sale	
Investment in associates	**12**
DAC	**71**
Property, plant and equipment	**45**
Financial investments	**5,601**
Reinsurers' share of contract liabilities	**10**
Other assets	**410**
Total assets of the disposal group	**6,149**
Liabilities classified as held for sale	
Insurance contract liabilities	**(320)**
Investment contract liabilities	**(5,187)**
Unallocated divisible surplus	**(229)**
Tax liabilities	**(22)**
Other liabilities	**(238)**
Total liabilities of the disposal group	**(5,996)**
Total net assets of the disposal group	**153**

2.14 Post balance sheet events

On 1 July 2015, the Group sold Legal & General International (Ireland) Limited (LGII), the Group's Dublin based offshore bond provider, to Canada Life for £16m.

On 12 July 2015, the Group sold Commercial International Life Insurance Company SAE (CIL), the Group's Egypt based life insurance company, to AXA for an estimated £34m, subject to regulatory approval.

2.15 Financial investments and Investment property

	30.06.15 £m	30.06.14 £m	Full year 31.12.14 £m
Equities	**161,507**	161,552	162,177
Unit trusts	**7,303**	7,252	7,529
Debt securities[1]	**170,910**	164,104	178,766
Accrued interest	**1,393**	1,548	1,604
Derivative assets[2]	**9,625**	5,251	10,035
Loans and receivables	**421**	463	503
Financial investments	**351,159**	340,170	360,614
Investment property	**8,779**	7,352	8,152
Total financial investments and investment property	**359,938**	347,522	368,766

1. Detailed analysis of debt securities which shareholders are directly exposed to is disclosed in Note 4.05.
2. Derivatives are used to ensure efficient portfolio management, especially the use of interest rate swaps, inflation swaps, credit default swaps and foreign exchange forward contracts for asset and liability management. Derivative assets are shown gross of derivative liabilities and include £5,819m (H1 14: £2,888m; FY 14: £6,011m) held on behalf of unit linked policyholders.

(a) Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurements are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Group's view of market assumptions in the absence of observable market information. The Group utilises techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

The levels of fair value measurement bases are defined as follows:
Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: fair values measured using valuation techniques for all inputs significant to the measurement other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: fair values measured using valuation techniques for any input for the asset or liability significant to the measurement that is not based on observable market data (unobservable inputs).

All of the Group's level 2 assets have been valued using standard market pricing sources, such as iBoxx, IDC and Bloomberg, which use mathematical modelling and multiple source validation in order to determine "consensus" prices, except for bespoke CDO and swaps holdings (see below). In normal market conditions, we would consider these market prices to be observable market prices. Following consultation with our pricing providers and a number of their contributing brokers, we have considered that these prices are not from a suitably active market and have classified them as level 2.

These CDOs are valued using an external valuation based on observable market inputs, which include CDX and iTraxx index tranches and CDS spreads on underlying reference entities. This is then validated against the internal valuation. Accordingly, these assets have also been classified in level 2.

The table on the following page presents the Group's assets by IFRS 13 hierarchy levels:

2.15 Financial investments and Investment property (continued)
(a) Fair value hierarchy (continued)

For the six months ended 30 June 2015	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Amortised cost £m
Shareholder					
Equity securities	**1,932**	**1,681**	**-**	**251**	**-**
Debt securities	**4,570**	**1,861**	**2,445**	**264**	**-**
Accrued interest	**30**	**11**	**15**	**4**	**-**
Derivative assets	**87**	**81**	**6**	**-**	**-**
Loans and receivables	**419**	**-**	**-**	**-**	**419**
Investment property	**183**	**-**	**-**	**183**	**-**
Non profit non-unit linked					
Equity securities	**307**	**296**	**11**	**-**	**-**
Debt securities	**38,851**	**5,845**	**32,155**	**851**	**-**
Accrued interest	**445**	**32**	**407**	**6**	**-**
Derivative assets	**3,664**	**264**	**3,400**	**-**	**-**
Loans and receivables	**-**	**-**	**-**	**-**	**-**
Investment property	**2,037**	**-**	**-**	**2,037**	**-**
With-profits					
Equity securities	**3,596**	**3,084**	**2**	**510**	**-**
Debt securities	**6,886**	**3,265**	**3,604**	**17**	**-**
Accrued interest	**79**	**35**	**44**	**-**	**-**
Derivative assets	**55**	**37**	**18**	**-**	**-**
Loans and receivables	**2**	**-**	**-**	**-**	**2**
Investment property	**1,057**	**-**	**-**	**1,057**	**-**
Unit linked					
Equity securities	**162,975**	**159,401**	**3,331**	**243**	**-**
Debt securities	**120,603**	**79,895**	**40,701**	**7**	**-**
Accrued interest	**839**	**295**	**544**	**-**	**-**
Derivative assets	**5,819**	**960**	**4,859**	**-**	**-**
Loans and receivables	**-**	**-**	**-**	**-**	**-**
Investment property	**5,502**	**-**	**-**	**5,502**	**-**
Total financial investments and investment property	**359,938**	**257,043**	**91,542**	**10,932**	**421**

2.15 Financial investments and Investment property (continued)
(a) Fair value hierarchy (continued)

For the six months ended 30 June 2014	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Amortised cost £m
Shareholder					
Equity securities	1,445	1,268	24	153	-
Debt securities	5,135	2,124	2,846	165	-
Accrued interest	45	19	24	2	-
Derivative assets	153	52	101	-	-
Loans and receivables	178	-	-	-	178
Investment property	328	-	-	328	-
Non profit non-unit linked					
Equity securities	84	72	12	-	-
Debt securities	33,330	5,343	27,115	872	-
Accrued interest	404	38	359	7	-
Derivative assets	2,184	313	1,871	-	-
Loans and receivables	-	-	-	-	-
Investment property	1,692	-	-	1,692	-
With-profits					
Equity securities	4,206	3,674	13	519	-
Debt securities	10,619	4,377	6,225	17	-
Accrued interest	146	52	94	-	-
Derivative assets	26	24	2	-	-
Loans and receivables	30	-	-	-	30
Investment property	961	-	-	961	-
Unit linked					
Equity securities	163,069	160,615	2,127	327	-
Debt securities	115,020	78,246	36,771	3	-
Accrued interest	953	343	610	-	-
Derivative assets	2,888	908	1,980	-	-
Loans and receivables	255	-	-	-	255
Investment property	4,371	-	-	4,371	-
Total financial investments and investment property	347,522	257,468	80,174	9,417	463

2.15 Financial investments and Investment property (continued)
(a) Fair value hierarchy (continued)

For the year ended 31 December 2014	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Amortised cost £m
Shareholder					
Equity securities	1,891	1,664	1	226	-
Debt securities	5,033	1,975	2,818	240	-
Accrued interest	41	20	19	2	-
Derivative assets	113	28	85	-	-
Loans and receivables	286	-	-	-	286
Investment property	151	-	-	151	-
Non profit non-unit linked					
Equity securities	279	268	-	11	-
Debt securities	40,238	6,315	32,951	972	-
Accrued interest	476	42	427	7	-
Derivative assets	3,850	41	3,809	-	-
Loans and receivables	-	-	-	-	-
Investment property	1,879	-	-	1,879	-
With-profits					
Equity securities	4,065	3,531	14	520	-
Debt securities	8,860	4,174	4,668	18	-
Accrued interest	111	45	66	-	-
Derivative assets	61	31	30	-	-
Loans and receivables	29	-	-	-	29
Investment property	1,034	-	-	1,034	-
Unit linked					
Equity securities	163,471	157,191	5,895	385	-
Debt securities	124,635	84,287	40,344	4	-
Accrued interest	976	339	637	-	-
Derivative assets	6,011	444	5,567	-	-
Loans and receivables	188	-	-	-	188
Investment property	5,088	-	-	5,088	-
Total financial investments and investment property	368,766	260,395	97,331	10,537	503

2.15 Financial investments and Investment property (continued)
(b) Assets measured at fair value based on level 3

Level 3 assets where internal models are used represent a small proportion of assets to which shareholders are exposed. These comprise both property and unquoted equities, the latter including investments in private equity, property vehicles and suspended securities.

In many situations, inputs used to measure the fair value of an asset or liability may fall into different levels of the fair value hierarchy. In these situations, the Group determines the level in which the fair value falls based upon the lowest level input that is significant to the determination of the fair value. As a result, both observable and unobservable inputs may be used in the determination of fair values that the Group has classified within level 3.

The Group determines the fair values of certain financial assets and liabilities based on quoted market prices, where available. The Group also determines fair value based on estimated future cash flows discounted at the appropriate current market rate. As appropriate, fair values reflect adjustments for counterparty credit quality, the Group's credit standing, liquidity and risk margins on unobservable inputs.

Where quoted market prices are not available, fair value estimates are made at a point in time, based on relevant market data, as well as the best information about the individual financial instrument. Illiquid market conditions have resulted in inactive markets for certain of the Group's financial instruments. As a result, there is generally no or limited observable market data for these assets and liabilities. Fair value estimates for financial instruments deemed to be in an illiquid market are based on judgments regarding current economic conditions, liquidity discounts, currency, credit and interest rate risks, loss experience and other factors. These fair values are estimates and involve considerable uncertainty and variability as a result of the inputs selected and may differ significantly from the values that would have been used had a ready market existed, and the differences could be material. As a result, such calculated fair value estimates may not be realisable in an immediate sale or settlement of the instrument. In addition, changes in the underlying assumptions used in the fair value measurement technique could significantly affect these fair value estimates.

Fair values are subject to a control framework designed to ensure that input variables and outputs are assessed independent of the risk taker. These inputs and outputs are reviewed and approved by a valuation committee.

There have been no significant transfers between level 1 and level 2 for the period ended 30 June 2015 (H1 14: £nil; FY 14: £nil).

2.15 Financial investments and Investment property (continued)
(b) Assets measured at fair value based on level 3 (continued)

	Equity securities 30.06.15 £m	**Other financial invest-ments[1] 30.06.15 £m**	**Investment property 30.06.15 £m**	**Total 30.06.15 £m**	Equity securities 30.06.14 £m	Other financial invest-ments[1] 30.06.14 £m	Investment property 30.06.14 £m	Total 30.06.14 £m
As at 1 January	**1,142**	**1,243**	**8,152**	**10,537**	974	633	6,377	7,984
Total gains or (losses) for the period								
recognised in profit:								
- in other comprehensive income	**-**	**-**	**-**	**-**	-	5	-	5
- realised and unrealised								
gains or (losses)[2]	**97**	**(21)**	**226**	**302**	21	25	237	283
Purchases / Additions	**26**	**164**	**512**	**702**	37	426	863	1,326
Improvements	**-**	**-**	**63**	**63**	-	-	7	7
Sales / Disposals	**(140)**	**(105)**	**(174)**	**(419)**	(50)	(125)	(132)	(307)
Transfers into level 3[3]	**12**	**5**	**-**	**17**	30	112	-	142
Transfers out of level 3[3]	**(126)**	**(144)**	**-**	**(270)**	(13)	(10)	-	(23)
Other	**(7)**	**7**	**-**	**-**	-	-	-	-
As at 30 June	**1,004**	**1,149**	**8,779**	**10,932**	999	1,066	7,352	9,417

1. Other financial investments comprise debt securities and derivative assets.
2. The realised and unrealised gains and losses have been recognised in investment return in the Consolidated Income Statement.
3. The Group holds regular discussion with its pricing providers to determine whether transfers between levels of the fair value hierarchy have occurred. The above transfers occurred as result of this process.

	Equity securities Full year 31.12.14 £m	Other financial invest-ments[1] Full year 31.12.14 £m	Investment property Full year 31.12.14 £m	Total Full year 31.12.14 £m
As at 1 January	974	633	6,377	7,984
Total gains for the year				
recognised in profit:				
- in other comprehensive income	-	9	-	9
- realised and unrealised gains[2]	71	99	668	838
Purchases / Additions	210	1,026	1,559	2,795
Improvements	-	-	20	20
Sales / Disposals	(118)	(531)	(472)	(1,121)
Transfers into level 3[3]	5	10	-	15
Transfers out of level 3[3]	-	(3)	-	(3)
As at 31 December	1,142	1,243	8,152	10,537

1. Other financial investments comprise debt securities and derivative assets.
2. The realised and unrealised gains and losses have been recognised in investment return in the Consolidated Income Statement.
3. The Group holds regular discussion with its pricing providers to determine whether transfers between levels of the fair value hierarchy have occurred. The above transfers occurred as result of this process.

2.15 Financial investments and Investment property (continued)
(c) Effect on changes in significant unobservable inputs to reasonably possible alternative assumptions on level 3 assets

Fair values of financial instruments are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable current market transactions in the same instrument and are not based on observable market data. The following table shows the level 3 financial instruments carried at fair value as at the balance sheet date, the valuation basis, main assumptions used in the valuation of these instruments and reasonably possible increases or decreases in fair value based on reasonably possible alternative assumptions.

For the six months ended 30 June 2015 Financial instruments and investment property	Main assumptions	Current fair value £m	Reasonably possible alternative assumptions Increase in fair value £m	 Decrease in fair value £m
Assets				
Shareholder				
- Private equity investment vehicles[1]	Price earnings multiple	**15**	**1**	**(1)**
- Unquoted investments in property vehicles[2]	Property yield; occupancy	**137**	**7**	**(7)**
- Untraded and other debt securities	Cash flows; expected defaults	**268**	**13**	**(13)**
- Unquoted and other securities	Cash flows; expected defaults	**99**	**3**	**(3)**
- Investment property[2]	Property yield; occupancy	**183**	**9**	**(9)**
Non profit non-linked				
- Asset backed securities	Cash flows; expected defaults	**725**	**36**	**(36)**
- Untraded and other debt securities	Cash flows; expected defaults	**3**	**-**	**-**
- Unquoted and other securities	Cash flows; expected defaults	**129**	**6**	**(6)**
- Investment property[2]	Property yield; occupancy	**2,037**	**102**	**(102)**
With-profits				
- Private equity investment vehicles[1]	Price earnings multiple	**140**	**8**	**(8)**
- Asset backed securities	Cash flows; expected defaults	**5**	**-**	**-**
- Unquoted and other securities	Cash flows; expected defaults	**379**	**19**	**(19)**
- Other		**3**	**-**	**-**
- Investment property[2]	Property yield; occupancy	**1,057**	**53**	**(53)**
Unit linked				
- Unquoted investments in property vehicles[2]	Property yield; occupancy	**37**	**2**	**(2)**
- Suspended securities	Estimated recoverable amount	**11**	**1**	**(1)**
- Asset backed securities	Cash flows; expected defaults	**4**	**-**	**-**
- Untraded and other debt securities	Cash flows; expected defaults	**2**	**-**	**-**
- Unquoted and other securities	Cash flows; expected defaults	**196**	**22**	**(22)**
- Investment property[2]	Property yield; occupancy	**5,502**	**276**	**(276)**
Total		**10,932**	**558**	**(558)**

1. Private equity investments are valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines. Reasonably possible alternative valuations have been determined using alternative price earnings multiples.

2. Unquoted investments in property vehicles and direct holdings in investment property are valued by independent valuers on the basis of open market value as defined in the appraisal and valuation manual of the Royal Institute of Chartered Surveyors. Reasonably possible alternative valuations have been determined using alternative yield and occupancy assumptions.

2.15 Financial investments and Investment property (continued)
(c) Effect on changes in significant unobservable inputs to reasonably possible alternative assumptions on level 3 assets (continued)

For the six months ended 30 June 2014 Financial instruments and investment property	Main assumptions	Current fair value £m	Reasonably possible alternative assumptions Increase in fair value £m	 Decrease in fair value £m
Assets				
Shareholder				
- Unquoted investments in property vehicles[2]	Property yield; occupancy	153	16	(16)
- Untraded and other debt securities	Cash flows; expected defaults	167	8	(8)
- Investment property[2]	Property yield; occupancy	328	16	(16)
Non profit non-linked				
- Untraded and other debt securities	Cash flows; expected defaults	879	29	(29)
- Investment property[2]	Property yield; occupancy	1,692	85	(85)
With-profits				
- Private equity investment vehicles[1]	Price earnings multiple	170	9	(9)
- Unquoted investments in property vehicles[2]	Property yield; occupancy	366	19	(19)
- Investment property[2]	Property yield; occupancy	961	48	(48)
Unit linked				
- Unquoted investments in property vehicles[2]	Property yield; occupancy	321	23	(23)
- Suspended securities	Estimated recoverable amount	6	1	(1)
- Asset backed securities	Cash flows; expected defaults	3	-	-
- Investment property[2]	Property yield; occupancy	4,371	210	(210)
Total		9,417	464	(464)

1. Private equity investments are valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines. Reasonably possible alternative valuations have been determined using alternative price earnings multiples.
2. Unquoted investments in property vehicles and direct holdings in investment property are valued by independent valuers on the basis of open market value as defined in the appraisal and valuation manual of the Royal Institute of Chartered Surveyors. Reasonably possible alternative valuations have been determined using alternative yield and occupancy assumptions.

2.15 Financial investments and Investment property (continued)
(c) Effect on changes in significant unobservable inputs to reasonably possible alternative assumptions on level 3 assets (continued)

			Reasonably possible alternative assumptions	
For the year ended 31 December 2014 Financial instruments and investment property	Main assumptions	Current fair value £m	Increase in fair value £m	Decrease in fair value £m
Assets				
Shareholder				
- Private equity investment vehicles[1]	Price earnings multiple	16	1	(1)
- Unquoted investments in property vehicles[2]	Property yield; occupancy	117	7	(7)
- Untraded and other debt securities	Cash flows; expected defaults	241	12	(12)
- Unquoted and other securities	Cash flows; expected defaults	94	2	(2)
- Investment property[2]	Property yield; occupancy	151	8	(8)
Non profit non-linked				
- Asset backed securities	Cash flows; expected defaults	497	25	(25)
- Untraded and other debt securities	Cash flows; expected defaults	281	14	(14)
- Unquoted and other securities	Cash flows; expected defaults	173	6	(6)
- Other		39	-	-
- Investment property[2]	Property yield; occupancy	1,879	94	(94)
With-profits				
- Private equity investment vehicles[1]	Price earnings multiple	160	9	(9)
- Unquoted and other securities[2]	Cash flows; expected defaults	375	18	(18)
- Other		3	-	-
- Investment property[2]	Property yield; occupancy	1,034	52	(52)
Unit linked				
- Suspended securities	Estimated recoverable amount	7	-	-
- Asset backed securities	Cash flows; expected defaults	7	4	(4)
- Untraded and other debt securities	Cash flows; expected defaults	2	-	-
- Unquoted and other securities	Cash flows; expected defaults	373	15	(15)
- Investment property[2]	Property yield; occupancy	5,088	255	(255)
Total		10,537	522	(522)

1. Private equity investments are valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines. Reasonably possible alternative valuations have been determined using alternative price earnings multiples.
2. Unquoted investments in property vehicles and direct holdings in investment property are valued by independent valuers on the basis of open market value as defined in the appraisal and valuation manual of the Royal Institute of Chartered Surveyors. Reasonably possible alternative valuations have been determined using alternative yield and occupancy assumptions.

2.16 Tax
(a) Tax charge in the Consolidated Income Statement

The tax attributable to equity holders differs from the tax calculated at the standard UK corporation tax rate as follows:

	30.06.15 £m	30.06.14 £m	Full year 31.12.14 £m
Profit before tax attributable to equity holders	**672**	636	1,238
Tax calculated at 20.25% (2014: 21.5%)	**136**	137	266
Effects of:			
Adjustments in respect of prior years	**-**	1	8
Income not subject to tax, such as dividends	**(3)**	(2)	(9)
Change in valuation of tax losses	**-**	(17)	(6)
Higher rate of tax on profits taxed overseas	**10**	15	8
Additional allowances/non-deductible expenses	**(4)**	(3)	(7)
Impact of reduction in UK corporate tax rate on deferred tax balances[1]	**-**	1	-
Differences between taxable and accounting investment gains	**(11)**	(1)	(15)
Other	**(3)**	(2)	1
Tax attributable to equity holders	**125**	129	246
Equity holders' effective tax rate[2]	**18.6%**	20.3%	19.9%

1. The impact of the further corporation tax reductions announced on 8 July 2015 has not been included in the half year 2015 results as required under IAS 12. The impact will be included in the FY 15 results.
2. Equity holders' effective tax rate is calculated by dividing the tax attributable to equity holders over profit before tax attributable to equity holders.

2.16 Tax (continued)
(b) Deferred Tax

(i) UK deferred tax (liabilities)/assets	30.06.15 £m	30.06.14 £m	Full year 31.12.14 £m
Realised and unrealised gains on investments	**(256)**	(154)	(168)
Excess of depreciation over capital allowances	**17**	21	19
Excess expenses[1]	**89**	145	105
Deferred acquisition expenses	**(56)**	(66)	(61)
Difference between the tax and accounting value of insurance contracts	**(126)**	(95)	(143)
Accounting provisions	**16**	3	3
Trading losses[2]	**10**	53	45
Pension fund deficit	**85**	90	98
Purchased interest in long term business	**(23)**	(25)	(24)
Net UK deferred tax liabilities[3]	**(244)**	(28)	(126)

Presented on the Consolidated Balance Sheet as:			
UK deferred tax asset	**33**	68	54
UK deferred tax liability	**(277)**	(96)	(180)
Net UK deferred liabilities	**(244)**	(28)	(126)

(ii) Overseas deferred tax (liabilities)/assets			
Realised and unrealised gains on investments	**(32)**	(48)	(53)
Deferred acquisition expenses	**(284)**	(256)	(295)
Difference between the tax and accounting value of insurance contracts	**(234)**	(216)	(242)
Accounting provisions	**(19)**	(20)	(20)
Trading losses	**164**	149	186
Pension fund deficit	**2**	2	-
Purchased interest in long term business	**(11)**	(13)	(10)
Net Overseas deferred tax liabilities	**(414)**	(402)	(434)

1. The reduction in the deferred tax asset on excess expenses reflects the full utilisation of excess management expenses together with the unwind of the spread acquisition expenses relating to changes in the I-E legislation.
2. LGPL has utilised its remaining losses against profits that arose during the first half of the year. The remaining losses mainly relate to Cofunds.
3. On the Consolidated Balance Sheet the net UK deferred tax liability has been split between an asset of £33m and a liability of £277m where the relevant items cannot be offset.

2.17 Payables and other financial liabilities

	30.06.15 £m	30.06.14 £m	Full year 31.12.14 £m
Derivative liabilities	**5,806**	3,469	6,877
Other[1]	**12,643**	7,812	9,254
Payables and other financial liabilities	**18,449**	11,281	16,131

1. Other liabilities include obligations under repurchase agreements of £9.5bn (H1 14: £5.2bn; FY 14: £7.0bn) and net variation margins on derivative contracts which are maintained daily. Included within the variation margins are collateral held and pledged of £384m and £20m respectively (H1 14: £55m and £5m respectively; FY 14: £107m and £235m respectively). The repurchase agreements are presented gross, however they and their related assets are subject to master netting arrangements.

Other also includes future commission payments which have contingent settlement provisions of £182m (H1 14: £189m; FY 14: £186m). This liability has been determined using the net present value of the future commission which will be payable on fund values. This valuation technique uses assumptions which are consistent with the Group's effective rate of interest, investment return assumptions and persistency assumptions used in other valuations, but it is not determined by reference to published price quotations.

Fair value hierarchy

As at 30 June 2015	**Total £m**	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Amortised cost £m**
Derivative liabilities	**5,806**	**843**	**4,963**	**-**	**-**
Other	**12,643**	**260**	**14**	**184**	**12,185**
Payables and other financial liabilities	**18,449**	**1,103**	**4,977**	**184**	**12,185**

As at 30 June 2014	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Amortised cost £m
Derivative liabilities	3,469	415	3,054	-	-
Other	7,812	78	59	194	7,481
Payables and other financial liabilities	11,281	493	3,113	194	7,481

As at 31 December 2014	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Amortised cost £m
Derivative liabilities	6,877	593	6,284	-	-
Other	9,254	869	29	186	8,170
Payables and other financial liabilities	16,131	1,462	6,313	186	8,170

Trail commissions are modelled using expected cash flows, incorporating expected future persistency. They have therefore been classified as level 3 liabilities. The entire movement in the balance has been reflected in the Consolidated Income Statement during the period. A reasonably possible alternative persistency assumption would have the effect of increasing the liability by £6m (H1 14: £6m; FY 14: £6m).

Significant transfers between levels

There have been no significant transfers between levels 1, 2 and 3 for the period ended 30 June 2015 (H1 14 and FY 14: No significant transfers between levels 1, 2 and 3).

2.18 Dividends

	Dividend	**Per share[1]**	Dividend[1]	Per share[1]	Dividend Full year	Per share[1] Full year
	30.06.15 £m	**30.06.15 p**	30.06.14 £m	30.06.14 p	31.12.14 £m	31.12.14 p
Ordinary share dividends paid in the period:						
- Prior year final dividend	**496**	**8.35**	408	6.90	408	6.90
- Current year interim dividend	**-**	**-**	-	-	172	2.90
	496	**8.35**	408	6.90	580	9.80
Ordinary share dividend proposed[2]	**205**	**3.45**	172	2.90	496	8.35

1. The dividend per share calculation is based on the number of equity shares registered on the ex-dividend date.
2. The dividend proposed is not included as a liability on the Consolidated Balance Sheet.

2.19 Share capital and share premium

	Number of shares	Number of shares	Number of shares Full year
	30.06.15	30.06.14	31.12.14
As at 1 January	**5,942,070,229**	5,917,066,636	5,917,066,636
Options exercised under share option schemes:			
- Savings related share option scheme	**3,704,493**	18,430,871	25,003,593
As at 30 June / 31 December	**5,945,774,722**	5,935,497,507	5,942,070,229

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.

2.20 Core Borrowings

	Carrying amount 30.06.15 £m	**Fair value 30.06.15 £m**	Carrying amount 30.06.14 £m	Fair value 30.06.14 £m	Carrying amount Full year 31.12.14 £m	Fair value Full year 31.12.14 £m
Subordinated borrowings						
6.385% Sterling perpetual capital securities (Tier 1)	**647**	**634**	669	654	658	642
5.875% Sterling undated subordinated notes (Tier 2)	**414**	**423**	416	439	416	431
4.0% Euro subordinated notes 2025 (Tier 2)	**-**	**-**	474	491	472	482
10% Sterling subordinated notes 2041 (Tier 2)	**310**	**394**	310	417	310	424
5.5% Sterling subordinated notes 2064 (Tier 2)	**588**	**622**	588	594	588	666
Client fund holdings of Group debt[1]	**(28)**	**(29)**	(22)	(23)	(28)	(31)
Total subordinated borrowings	**1,931**	**2,044**	2,435	2,572	2,416	2,614
Senior borrowings						
Sterling medium term notes 2031-2041	**602**	**762**	602	728	609	800
Client fund holdings of Group debt[1]	**(43)**	**(55)**	(46)	(55)	(48)	(62)
Total senior borrowings	**559**	**707**	556	673	561	738
Total core borrowings	**2,490**	**2,751**	2,991	3,245	2,977	3,352

1. £71m (H1 14: £68m; FY 14: £76m) of the Group's subordinated and senior borrowings are currently held by Legal & General customers through unit linked products. These borrowings are shown as a deduction from total core borrowings in the table above.

All of the Group's core borrowings are measured using amortised cost. The presented fair values of the Group's core borrowings reflect quoted prices in active markets and they are classified as level 1 in the fair value hierarchy.

Subordinated borrowings

6.385% Sterling perpetual capital securities
In 2007, Legal & General Group Plc issued £600m of 6.385% Sterling perpetual capital securities. 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 1 capital.

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 tier 2 capital for regulatory purposes.

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. On 8 June 2015, the Group redeemed these notes at par.

10% Sterling subordinated notes 2041
In 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 tier 2 capital for regulatory purposes.

5.5% Sterling subordinated notes 2064
On 19 June 2014, Legal & General Group Plc issued £600m of 5.5% dated subordinated notes. The notes are callable at par on 27 June 2044 and every five years thereafter. If not called, the coupon from 27 June 2044 will be reset to the prevailing five year benchmark gilt yield plus 3.17% pa. These notes mature on 27 June 2064 and are treated as tier 2 capital for regulatory purposes.

2.21 Operational Borrowings

	Carrying amount 30.06.15 £m	**Fair value 30.06.15 £m**	Carrying amount 30.06.14 £m	Fair value 30.06.14 £m	Carrying amount Full year 31.12.14 £m	Fair value Full year 31.12.14 £m
Short term operational borrowings						
Euro Commercial paper	**41**	**41**	123	123	73	73
Bank loans/other	**7**	**7**	13	13	13	13
Total short term operational borrowings	**48**	**48**	136	136	86	86
Non recourse borrowings						
US Dollar Triple X securitisation 2037	**283**	**239**	260	225	286	240
Suffolk Life unit linked borrowings	**99**	**99**	106	106	120	120
LGV 6/LGV 7 Private Equity Fund Limited Partnership	**123**	**123**	116	116	136	136
Consolidated Property Limited Partnerships	**153**	**153**	129	129	148	148
Total non recourse borrowings	**658**	**614**	611	576	690	644
Group holding of operational borrowings[1]	**(61)**	**(51)**	(55)	(48)	(61)	(52)
Total operational borrowings	**645**	**611**	692	664	715	678

1. Group investments in operational borrowings have been eliminated from the Consolidated Balance Sheet.

The presented fair values of the Group's operational borrowings reflect observable market information and have been classified as level 2 in the fair value hierarchy.

Short term operational borrowings

Short term assets available at the holding company level exceeded the amount of short term operational borrowings of £48m (H1 14: £136m; FY 14: £86m). Short term operational borrowings comprise Euro Commercial paper, bank loans and overdrafts.

Non recourse borrowings

US Dollar Triple X securitisation 2037
In 2006, a subsidiary of LGA 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.

Suffolk Life unit linked borrowings
All of these non recourse borrowings are in relation to commercial properties held within SIPP plans and the borrowings solely relate to client investments.

LGV 6/LGV 7 Private Equity Fund Limited Partnerships
These borrowings are non recourse bank borrowings.

Consolidated Property Limited Partnerships
These borrowings are non recourse bank borrowings.

Syndicated credit facility

As at 30 June 2015, the Group had in place a £1bn syndicated committed revolving credit facility provided by a number of its key relationship banks, £0.04bn matures in October 2017 and £0.96bn matures in October 2018. No amounts were outstanding at 30 June 2015.

2.22 Non-controlling interests

Non-controlling interests represent third party interests in private equity and property investment vehicles which are consolidated in the Group's results. The majority of the net increase in the non-controlling interests in 2015 arises from the revaluation of the third party interests in the Legal & General UK Property Ungeared Fund Limited Partnership and the Leisure Fund Unit Trust.

2.23 Foreign exchange rates

Principal rates of exchange used for translation are:

Period end exchange rates	At 30.06.15	At 30.06.14	At 31.12.14
United States Dollar	**1.57**	1.71	1.56
Euro	**1.41**	1.25	1.29

Average exchange rates	01.01.15 - 30.06.15	01.01.14 - 30.06.14	01.01.14 - 31.12.14
United States Dollar	**1.52**	1.67	1.65
Euro	**1.37**	1.22	1.24

2.24 Related party transactions

There were no material transactions between key management and the Legal & General group of companies during the period. 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 £54m (H1 14: £42m; FY 14: £69m) for all employees.

At 30 June 2015, 30 June 2014 and 31 December 2014 there were no loans outstanding to officers of the Company.

Key management personnel compensation

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

	30.06.15 £m	30.06.14 £m	Full year 31.12.14 £m
Salaries	**3**	3	8
Social security costs	**2**	1	2
Post-employment benefits	**1**	1	2
Share-based incentive awards	**2**	2	4
Key management personnel compensation	**8**	7	16
Number of key management personnel	**16**	17	16

The Group UK defined benefit pension schemes have purchased annuity contracts issued by Society for consideration of £28m (H1 14: £12m; FY 14: £60m) during the period, priced on an arm's length basis.

The Group's investment portfolio includes investments in venture capital, property and financial investments which are held via collective investment vehicles. Net investments into associate investment vehicles totalled £7m during the period (H1 14: £2m; FY 14: £5m). The Group received investment management fees of £1m during the period (H1 14: £1m; FY 14: £1m). Distributions from these investment vehicles to the Group totalled £7m (H1 14: £1m; FY 14: £13m).

The loans outstanding from CALA at 30 June 2015 total £57m (H1 14: £nil; FY 14: £55m).

The equity stake in Pemberton of £5.8m (H1 14: £nil; FY 14: £6.2m), acquired in 2014, has further conditional commitments of £8.9m (H1 14: £nil; FY 14: £8.9m).

A commitment of £177m was previously made to Pemberton's first co-mingled funds, none of which was drawn as at 30 June 2015 or 31 December 2014. An additional commitment of £71m (H1 14: £nil; FY 14: £78m) was previously made to an L&G segregated account with Pemberton. As at 30 June 2015, £60m of this was drawn (H1 14: £nil; FY 14: £25m).

During the period, LGC invested £116m into a joint venture, MediaCity, in the form of £61m equity and £55m debt. The loans outstanding from MediaCity total £56m.

2.25 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 2015, the combined after tax deficit arising from these arrangements (net of annuity obligations insured by Society) has been estimated at £351m (H1 14: £366m; FY 14: £394m). These amounts have been recognised in the financial statements with £221m charged against shareholder equity (H1 14: £231m; FY 14: £248m) and £130m against the unallocated divisible surplus (H1 14: £135m; FY 14: £146m).

2.26 Contingent liabilities, guarantees and indemnities

Provision for the liabilities arising under contracts with policyholders is based on certain assumptions. The variance between actual experience from that assumed may result in those liabilities differing from the provisions made for them. Liabilities may also arise in respect of claims relating to the interpretation of policyholder contracts, or the circumstances in which policyholders have entered into them. The extent of these liabilities is influenced by a number of factors including the actions and requirements of the PRA, FCA, ombudsman rulings, industry compensation schemes and court judgments.

Various Group companies receive claims and become involved in actual or threatened litigation and regulatory issues from time to time. The relevant members of the Group ensure that they make prudent provision as and when circumstances calling for such provision become clear, and that each has adequate capital and reserves to meet reasonably foreseeable eventualities. The provisions made are regularly reviewed. It is not possible to predict, with certainty, the extent and the timing of the financial impact of these claims, litigation or issues.

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 warranties, indemnities and guarantees as a normal part of their business and operating activities or in relation to capital market transactions or corporate disposals. Legal & General Group Plc has provided indemnities and guarantees in respect of the liabilities of Group companies in support of their business activities, including Pension Protection Fund compliant guarantees in respect of certain Group companies' liabilities under the Group pension fund and scheme.

Independent review report to Legal & General Group Plc – IFRS

Report on the consolidated interim financial statements

Our conclusion

We have reviewed the consolidated interim financial statements, defined below, in the interim management report of Legal & General Group Plc ("the Group") for the six months ended 30 June 2015. Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements are 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 Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed

The consolidated interim financial statements, which are prepared by Legal & General Group Plc, comprise:

- the Consolidated Balance Sheet as at 30 June 2015;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the period then ended;
- the Consolidated Cash Flow Statement for the period then ended;
- the Condensed Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the consolidated interim financial statements (pages 27 – 60).

As disclosed in Note 2.08, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The consolidated interim financial statements included in the interim management report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of consolidated interim financial statements involves

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 interim 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.

We have read the other information contained in the interim management report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the consolidated interim financial statements.

Responsibilities for the consolidated interim financial statements and the review

Our responsibilities and those of the directors

The interim management report, including the consolidated interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim management report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the company a conclusion on the consolidated interim financial statements in the interim management report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

PricewaterhouseCoopers LLP
Chartered Accountants
4 August 2015
London

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.

Asset and premium flows

3.01 Legal & General investment management total assets

For the six months ended 30 June 2015	Index £bn	Active fixed income £bn	Solutions[1] £bn	Property £bn	Active equities £bn	Total AUM £bn	Advisory assets £bn	Total assets £bn
At 1 January 2015	**274.8**	**103.8**	**293.3**	**13.6**	**8.2**	**693.7**	**14.8**	**708.5**
External inflows	15.9	4.8	3.9	0.7	-	25.3		25.3
External outflows	(17.1)	(2.5)	(3.4)	(0.3)	-	(23.3)		(23.3)
Overlay/ advisory net flows	-	-	11.8	-	-	11.8	(3.5)	8.3
External net flows[2]	**(1.2)**	**2.3**	**12.3**	**0.4**	**-**	**13.8**	**(3.5)**	**10.3**
Internal net flows	(0.3)	(0.8)	-	0.2	(0.3)	(1.2)	-	(1.2)
Total net flows	**(1.5)**	**1.5**	**12.3**	**0.6**	**(0.3)**	**12.6**	**(3.5)**	**9.1**
Cash management movements[3]	-	1.7	-	-	-	1.7	-	1.7
Market and other movements[2]	1.4	0.3	2.6	1.6	0.7	6.6	-	6.6
At 30 June 2015	**274.7**	**107.3**	**308.2**	**15.8**	**8.6**	**714.6**	**11.3**	**725.9**
Assets attributable to:								
External						**624.8**	**11.3**	**636.1**
Internal						**89.8**	-	**89.8**
Assets attributable to:								
UK						**598.8**	-	**598.8**
International						**115.8**	**11.3**	**127.1**

For the six months ended 30 June 2014	Index £bn	Active fixed income £bn	Solutions[1] £bn	Property £bn	Active equities £bn	Total AUM £bn	Advisory assets £bn	Total assets £bn
At 1 January 2014	**269.8**	**89.4**	**232.5**	**11.3**	**8.6**	**611.6**	**-**	**611.6**
External inflows	11.0	2.9	5.2	0.6	0.1	19.8		19.8
External outflows	(19.3)	(1.9)	(2.1)	(0.2)	(0.1)	(23.6)		(23.6)
Overlay/ advisory net flows	-	-	12.3	-	-	12.3	0.1	12.4
External net flows[2]	**(8.3)**	**1.0**	**15.4**	**0.4**	**-**	**8.5**	**0.1**	**8.6**
Internal net flows	(0.1)	0.7	0.5	0.7	(0.2)	1.6	-	1.6
Total net flows	**(8.4)**	**1.7**	**15.9**	**1.1**	**(0.2)**	**10.1**	**0.1**	**10.2**
Acquisition of GIA assets	-	-	-	-	-	-	13.4	13.4
Cash management movements[3]	-	0.2	-	-	-	0.2	-	0.2
Market and other movements[2]	7.3	5.9	4.7	0.4	(0.2)	18.1	0.2	18.3
At 30 June 2014	**268.7**	**97.2**	**253.1**	**12.8**	**8.2**	**640.0**	**13.7**	**653.7**
Assets attributable to:								
External						**556.6**	**13.7**	**570.3**
Internal						**83.4**	**-**	**83.4**
Assets attributable to:								
UK						**570.8**	**-**	**570.8**
International						**69.2**	**13.7**	**82.9**

1. Solutions include liability driven investments, multi-asset funds, and include £208.1bn at 30 June 2015 (H1 14: £174.9bn) of derivative notionals associated with the Solutions business.
2. External net flows exclude movements in overlay assets which have a short maturity period as determined by client agreements and are subject to a higher degree of variability. The total value of these assets at 30 June 2015 was £48.2bn (H1 14: £33.3bn) and the movement in these assets is included in market and other movements for overlay assets.
3. Cash management movements include external holdings in money market funds and other cash mandates held for clients' liquidity management purposes.

Asset and premium flows

3.01 Legal & General investment management total assets (continued)

For the year ended 31 December 2014	Index £bn	Active fixed income £bn	Solutions[1] £bn	Property £bn	Active equities £bn	Total AUM £bn	Advisory assets £bn	Total assets £bn
As at 1 January 2014	**269.8**	**89.4**	**232.5**	**11.3**	**8.6**	**611.6**	**-**	**611.6**
External inflows	23.7	5.5	8.5	1.4	0.1	39.2		39.2
External outflows	(39.5)	(3.8)	(6.6)	(0.5)	(0.1)	(50.5)		(50.5)
Overlay/ advisory net flows	-	-	18.8	-	-	18.8	(0.2)	18.6
External net flows[2]	**(15.8)**	**1.7**	**20.7**	**0.9**	**-**	**7.5**	**(0.2)**	**7.3**
Internal net flows	(0.2)	(0.5)	0.4	0.7	(0.1)	0.3	-	0.3
Total net flows	**(16.0)**	**1.2**	**21.1**	**1.6**	**(0.1)**	**7.8**	**(0.2)**	**7.6**
Acquisition of GIA assets	-	-	-	-	-	-	13.4	13.4
Cash management movements[3]	-	(1.6)	-	-	-	(1.6)	-	(1.6)
Market and other movements[2]	21.0	14.8	39.7	0.7	(0.3)	75.9	1.6	77.5
As at 31 December 2014	**274.8**	**103.8**	**293.3**	**13.6**	**8.2**	**693.7**	**14.8**	**708.5**
Assets attributable to:								
External						**603.7**	**14.8**	**618.5**
Internal						**90.0**	-	**90.0**
Assets attributable to:								
UK						**579.7**	-	**579.7**
International						**114.0**	**14.8**	**128.8**

1. Solutions include liability driven investments, multi-asset funds, and included £194.6bn at 31 December 2014 of derivative notionals associated with the Solutions business.
2. External net flows exclude movements in short term overlay assets, with maturity as determined by client agreements and are subject to a higher degree of variability. The total value of these assets at 31 December 2014 was £46.5bn, and the movement in these assets is included in market and other movements for overlay assets.
3.Cash management movements include external holdings in money market funds and other cash mandates held for clients' liquidity management purposes.

3.02 Legal & General investment management total assets quarterly progression

For the six months ended 30 June 2015	Index £bn	Active fixed income £bn	Solu-tions[1] £bn	Property £bn	Active equities £bn	Total AUM £bn	Advisory assets £bn	Total assets £bn
At 1 January 2015	**274.8**	**103.8**	**293.3**	**13.6**	**8.2**	**693.7**	**14.8**	**708.5**
External inflows	6.8	2.3	1.4	0.3	-	10.8		10.8
External outflows	(8.3)	(1.6)	(1.6)	(0.1)	-	(11.6)		(11.6)
Overlay/ advisory net flows	-	-	5.1	-	-	5.1	(1.2)	3.9
External net flows[2]	**(1.5)**	**0.7**	**4.9**	**0.2**	**-**	**4.3**	**(1.2)**	**3.1**
Internal net flows	-	(0.6)	-	0.2	(0.1)	(0.5)	-	(0.5)
Total net flows	**(1.5)**	**0.1**	**4.9**	**0.4**	**(0.1)**	**3.8**	**(1.2)**	**2.6**
Cash management movements[3]	-	1.7	-	-	-	1.7	-	1.7
Market and other movements[2]	11.3	4.8	5.8	1.3	0.1	23.3	0.7	24.0
At 31 March 2015	**284.6**	**110.4**	**304.0**	**15.3**	**8.2**	**722.5**	**14.3**	**736.8**
External inflows	9.1	2.5	2.5	0.4	-	14.5		14.5
External outflows	(8.8)	(0.9)	(1.8)	(0.2)	-	(11.7)		(11.7)
Overlay/ advisory net flows	-	-	6.7	-	-	6.7	(2.3)	4.4
External net flows[2]	**0.3**	**1.6**	**7.4**	**0.2**	**-**	**9.5**	**(2.3)**	**7.2**
Internal net flows	(0.3)	(0.2)	-	-	(0.2)	(0.7)	-	(0.7)
Total net flows	**-**	**1.4**	**7.4**	**0.2**	**(0.2)**	**8.8**	**(2.3)**	**6.5**
Cash management movements[3]	-	-	-	-	-	-	-	-
Market and other movements[2]	(9.9)	(4.5)	(3.2)	0.3	0.6	(16.7)	(0.7)	(17.4)
At 30 June 2015	**274.7**	**107.3**	**308.2**	**15.8**	**8.6**	**714.6**	**11.3**	**725.9**

1. Solutions include liability driven investments, multi-asset funds, and include £208.1bn at 30 June 2015 (Q1 15: £197.1bn) of derivative notionals associated with the Solutions business.
2. External net flows exclude movements in overlay assets which have a short maturity period as determined by client agreements and are subject to a higher degree of variability. The total value of these assets at 30 June 2015 is £48.2bn (Q1 15: £44.0bn), and the movement in these assets is included in market and other movements for overlay assets.
3. Cash management movements include external holdings in money market funds and other cash mandates held for clients' liquidity management purposes.

3.02 Legal & General investment management total assets quarterly progression (continued)

For the year ended 31 December 2014	Index £bn	Active fixed income £bn	Solu-tions[1] £bn	Property £bn	Active equities £bn	Total AUM £bn	Advisory assets £bn	Total assets £bn
At 1 January 2014	**269.8**	**89.4**	**232.5**	**11.3**	**8.6**	**611.6**	**-**	**611.6**
External inflows	4.9	1.4	2.4	0.3	-	9.0		9.0
External outflows	(5.8)	(0.5)	(1.2)	(0.1)	-	(7.6)		(7.6)
Overlay/ advisory net flows	-	-	5.2	-	-	5.2	-	5.2
External net flows[2]	**(0.9)**	**0.9**	**6.4**	**0.2**	**-**	**6.6**	**-**	**6.6**
Internal net flows	-	2.0	-	0.5	(0.1)	2.4	-	2.4
Total net flows	**(0.9)**	**2.9**	**6.4**	**0.7**	**(0.1)**	**9.0**	**-**	**9.0**
Cash management movements[3]	-	-	-	-	-	-	-	-
Market and other movements[2]	1.5	2.9	5.9	(0.1)	0.1	10.3	-	10.3
At 31 March 2014	**270.4**	**95.2**	**244.8**	**11.9**	**8.6**	**630.9**	**-**	**630.9**
External inflows	6.1	1.5	2.8	0.3	0.1	10.8		10.8
External outflows	(13.5)	(1.4)	(0.9)	(0.1)	(0.1)	(16.0)		(16.0)
Overlay/ advisory net flows	-	-	7.1	-	-	7.1	0.1	7.2
External net flows[2]	**(7.4)**	**0.1**	**9.0**	**0.2**	**-**	**1.9**	**0.1**	**2.0**
Internal net flows	(0.1)	(1.3)	0.5	0.2	(0.1)	(0.8)	-	(0.8)
Total net flows	**(7.5)**	**(1.2)**	**9.5**	**0.4**	**(0.1)**	**1.1**	**0.1**	**1.2**
Acquisition of GIA assets	-	-	-	-	-	-	13.4	13.4
Cash management movements[3]	-	0.2	-	-	-	0.2	-	0.2
Market and other movements[2]	5.8	3.0	(1.2)	0.5	(0.3)	7.8	0.2	8.0
At 30 June 2014	**268.7**	**97.2**	**253.1**	**12.8**	**8.2**	**640.0**	**13.7**	**653.7**
External inflows	5.6	1.0	1.5	0.3	-	8.4		8.4
External outflows	(8.7)	(0.8)	(1.4)	(0.2)	-	(11.1)		(11.1)
Overlay/ advisory net flows	-	-	2.5	-	-	2.5	-	2.5
External net flows[2]	**(3.1)**	**0.2**	**2.6**	**0.1**	**-**	**(0.2)**	**-**	**(0.2)**
Internal net flows	(0.3)	(0.9)	(0.1)	(0.1)	(0.1)	(1.5)	-	(1.5)
Total net flows	**(3.4)**	**(0.7)**	**2.5**	**-**	**(0.1)**	**(1.7)**	**-**	**(1.7)**
Cash management movements[3]	-	(0.7)	-	-	-	(0.7)	-	(0.7)
Market and other movements[2]	5.2	1.7	17.4	0.4	(0.2)	24.5	0.5	25.0
At 30 September 2014	**270.5**	**97.5**	**273.0**	**13.2**	**7.9**	**662.1**	**14.2**	**676.3**
External inflows	7.1	1.6	1.8	0.5	-	11.0		11.0
External outflows	(11.5)	(1.1)	(3.1)	(0.1)	-	(15.8)		(15.8)
Overlay/ advisory net flows	-	-	4.0	-	-	4.0	(0.3)	3.7
External net flows[2]	**(4.4)**	**0.5**	**2.7**	**0.4**	**-**	**(0.8)**	**(0.3)**	**(1.1)**
Internal net flows	0.2	(0.3)	-	0.1	0.2	0.2	-	0.2
Total net flows	**(4.2)**	**0.2**	**2.7**	**0.5**	**0.2**	**(0.6)**	**(0.3)**	**(0.9)**
Cash management movements[3]	-	(1.1)	-	-	-	(1.1)	-	(1.1)
Market and other movements[2]	8.5	7.2	17.6	(0.1)	0.1	33.3	0.9	34.2
At 31 December 2014	**274.8**	**103.8**	**293.3**	**13.6**	**8.2**	**693.7**	**14.8**	**708.5**

1. Solutions include liability driven investments, multi-asset funds, and include £194.6bn at 31 December 2014 (Q1 14: £168.3bn; H1 14: £174.9bn; Q3 14: £185.3bn) of derivative notionals associated with the Solutions business.
2. External net flows exclude movements in overlay assets, with maturity as determined by client agreements and are subject to a higher degree of variability. The total value of these assets at 31 December 2014 was £46.5bn (Q1 14: £33.8bn; H1 14: £33.3bn; Q3 14: £41.2bn), and the movement in these assets is included in market and other movements for overlay assets.
3. Cash management movements include external holdings in money market funds and other cash mandates held for clients' liquidity management purposes.

3.02 Legal & General investment management total assets quarterly progression (continued)

	As at 30.06.15 £bn	**As at 31.03.15 £bn**	As at 31.12.14 £bn	As at 30.09.14 £bn	As at 30.06.14 £bn	As at 31.03.14 £bn
Total assets attributable to:[1]						
External	636.1	644.5	618.5	591.5	570.3	547.8
Internal	89.8	92.3	90.0	84.8	83.4	83.1
Total assets attributable to:[1]						
UK	598.8	610.4	579.7	589.8	570.8	564.9
International[2]	127.1	126.4	128.8	86.5	82.9	66.0

1. Total assets at 30 June 2015 include £11.3bn of advisory assets (Q1 15: £14.3bn; Q4 14: £14.8bn; Q3 14: £14.2bn; H1 14: £13.7bn; Q1 14: £nil).
2. In Q4 14, International assets included £37.5bn of assets transferred from our London office to our Chicago office.

3.03 Legal & General investment management total external assets under management net flows

	3 months to 30.06.15 £bn	**3 months to 30.03.15 £bn**	3 months to 31.12.14 £bn	3 months to 30.09.14 £bn	3 months to 30.06.14 £bn	3 months to 31.03.14 £bn
LGIM total external AUM net flows[1]	**9.5**	**4.3**	(0.8)	(0.2)	1.9	6.6
Attributable to:						
International	**4.6**	**0.8**	1.6	1.3	2.4	3.4
UK Institutional						
- Defined contribution	**0.6**	**0.4**	0.9	0.7	0.5	0.6
- Defined benefit	**4.0**	**3.1**	(3.6)	(2.2)	(1.2)	2.3
UK Retail	**0.3**	**-**	0.3	-	0.2	0.3

1. External net flows exclude movements in short term overlay assets, with maturity as determined by client agreements and cash management movements.

Asset and premium flows

3.04 Assets under administration

For the six months ended 30 June 2015	Digital Platforms £bn	Suffolk Life £bn	Mature Retail Savings[2,3] £bn	Consolidation adjustment[4] £bn	Total Savings £bn	France and Netherlands £bn	LGIM Workplace £bn	LGIM Retail Investments[5] £bn	Annuities £bn
At 1 January 2015	**71.9**	**7.7**	**36.0**	**(6.9)**	**108.7**	**4.4**	**11.1**	**21.3**	**44.2**
Gross inflows[1]	3.8	0.6	0.7	(0.2)	4.9	0.2	1.2	3.0	1.0
Gross outflows	(2.7)	(0.3)	(2.2)	0.4	(4.8)	(0.2)	(0.3)	(3.0)	-
Payments to pensioners	-	-	-	-	-	-	-	-	(1.1)
Net flows	**1.1**	**0.3**	**(1.5)**	**0.2**	**0.1**	**-**	**0.9**	**-**	**(0.1)**
Market and other movements	1.6	0.3	0.3	(0.2)	2.0	(0.2)	1.1	1.2	(0.7)
At 30 June 2015	**74.6**	**8.3**	**34.8**	**(6.9)**	**110.8**	**4.2**	**13.1**	**22.5**	**43.4**

For the six months ended 30 June 2014	Digital Platforms £bn	Suffolk Life £bn	Mature Retail Savings[2] £bn	Consolidation adjustment[4] £bn	Total Savings £bn	France and Netherlands £bn	LGIM Workplace £bn	LGIM Retail Investments[5] £bn	Annuities £bn
As at 1 January 2014	**64.1**	**6.6**	**36.3**	**(6.8)**	**100.2**	**4.5**	**8.7**	**20.5**	**34.4**
Gross inflows[1]	4.8	0.6	0.7	(0.2)	5.9	0.2	1.3	1.9	3.5
Gross outflows	(2.3)	(0.2)	(2.2)	0.4	(4.3)	(0.2)	(0.3)	(2.4)	-
Payments to pensioners	-	-	-	-	-	-	-	-	(1.0)
Net flows	**2.5**	**0.4**	**(1.5)**	**0.2**	**1.6**	**-**	**1.0**	**(0.5)**	**2.5**
Market and other movements	0.8	0.2	1.1	(0.1)	2.0	-	(0.2)	0.6	1.6
At 30 June 2014	**67.4**	**7.2**	**35.9**	**(6.7)**	**103.8**	**4.5**	**9.5**	**20.6**	**38.5**

For the year ended ended 31 December 2014	Digital Platforms £bn	Suffolk Life £bn	Mature Retail Savings[2] £bn	Consolidation adjustment[4] £bn	Total Savings £bn	France and Netherlands £bn	LGIM Workplace £bn	LGIM Retail Investments[5] £bn	Annuities £bn
At 1 January 2014	**64.1**	**6.6**	**36.3**	**(6.8)**	**100.2**	**4.5**	**8.7**	**20.5**	**34.4**
Gross inflows[1]	10.1	1.3	1.4	(0.5)	12.3	0.4	2.8	4.4	6.5
Gross outflows	(4.7)	(0.5)	(4.4)	0.7	(8.9)	(0.4)	(0.6)	(4.8)	-
Payments to pensioners	-	-	-	-	-	-	-	-	(2.1)
Net flows	**5.4**	**0.8**	**(3.0)**	**0.2**	**3.4**	**-**	**2.2**	**(0.4)**	**4.4**
Market and other movements	2.4	0.3	2.7	(0.3)	5.1	(0.1)	0.2	1.2	5.4
At 31 December 2014	**71.9**	**7.7**	**36.0**	**(6.9)**	**108.7**	**4.4**	**11.1**	**21.3**	**44.2**

1. Platforms gross inflows include Cofunds institutional net flows. Total H1 15 Platforms comprise £37.9bn (H1 14: £37.3bn; FY 14: £38.3bn) of retail assets and £36.7bn (H1 14: £30.1bn; FY 14: £33.6bn) of assets held on behalf of institutional clients.
2. Mature Retail Savings products include with-profits products, bonds and retail pensions.
3. Total AUA at 30 June 2015 includes £2.8bn of assets relating to Legal & General International (Ireland) Limited, which was sold to Canada Life Group on 1 July 2015.
4. Consolidation adjustment represents Suffolk Life and Mature Retail Savings assets included in the Platforms column.
5. H1 15 Retail Investments include £1.8bn (H1 14: £1.5bn; FY 14: £1.7bn) of LGIM unit trust assets held on our Cofunds platform and £3.3bn (H1 14: £3.2bn; FY 14: £3.2bn) of LGIM unit trust assets held on our IPS platform.

Asset and premium flows

3.05 Assets under administration quarterly progression

For the six months ended 30 June 2015	Digital Platforms £bn	Suffolk Life £bn	Mature Retail Savings[2,3] £bn	Consol-idation adjust-ment[4] £bn	Total Savings £bn	France and Nethe-rlands £bn	LGIM Work-place £bn	LGIM Retail Invest-ments[5] £bn	Annuities £bn
At 1 January 2015	**71.9**	**7.7**	**36.0**	**(6.9)**	**108.7**	**4.4**	**11.1**	**21.3**	**44.2**
Gross inflows[1]	1.9	0.3	0.3	-	2.5	0.1	0.6	1.5	0.7
Gross outflows	(1.2)	(0.1)	(0.9)	0.2	(2.0)	(0.1)	(0.1)	(1.6)	-
Payments to pensioners	-	-	-	-	-	-	-	-	(0.5)
Net flows	**0.7**	**0.2**	**(0.6)**	**0.2**	**0.5**	**-**	**0.5**	**(0.1)**	**0.2**
Market and other movements	3.4	0.3	0.7	(0.4)	4.0	(0.1)	1.4	1.2	1.2
At 31 March 2015	**76.0**	**8.2**	**36.1**	**(7.1)**	**113.2**	**4.3**	**13.0**	**22.4**	**45.6**
Gross inflows[1]	1.9	0.3	0.4	(0.2)	2.4	0.1	0.6	1.5	0.3
Gross outflows	(1.5)	(0.2)	(1.3)	0.2	(2.8)	(0.1)	(0.2)	(1.4)	-
Payments to pensioners	-	-	-	-	-	-	-	-	(0.6)
Net flows	**0.4**	**0.1**	**(0.9)**	**-**	**(0.4)**	**-**	**0.4**	**0.1**	**(0.3)**
Market and other movements	(1.8)	-	(0.4)	0.2	(2.0)	(0.1)	(0.3)	-	(1.9)
At 30 June 2015	**74.6**	**8.3**	**34.8**	**(6.9)**	**110.8**	**4.2**	**13.1**	**22.5**	**43.4**

1. Platforms gross inflows include Cofunds institutional net flows. Total H1 15 Platforms comprise £37.9bn (Q1 15: £38.8bn) of retail assets and £36.7bn (Q1 15: £37.2bn) of assets held on behalf of institutional clients.
2. Mature Retail Savings products include with-profits products, bonds and retail pensions.
3. Total AUA at 30 June 2015 includes £2.8bn of assets relating to Legal & General International (Ireland) Limited, which was sold to Canada Life Group on 1 July 2015.
4. Consolidation adjustment represents Suffolk Life and Mature Retail Savings assets included in the Platforms column.
5. At 30 June 2015 Retail Investments include £1.8bn (Q1 15: £1.8bn) of LGIM unit trust assets held on our Cofunds platform and £3.3bn (Q1 15: £3.4bn) of LGIM unit trust assets held on our IPS platform.

Asset and premium flows

3.05 Assets under administration quarterly progression (continued)

For the year ended 31 December 2014	Digital: Platforms £bn	Digital: Suffolk Life £bn	Mature Retail Savings[2] £bn	Consolidation adjustment[3] £bn	Total Savings £bn	France and Netherlands £bn	LGIM: Workplace £bn	LGIM: Retail Investments[4] £bn	Annuities £bn
At 1 January 2014	**64.1**	**6.6**	**36.3**	**(6.8)**	**100.2**	**4.5**	**8.7**	**20.5**	**34.4**
Gross inflows[1]	2.6	0.3	0.4	(0.1)	3.2	0.1	0.7	1.0	3.3
Gross outflows	(1.1)	(0.1)	(1.1)	0.2	(2.1)	(0.1)	(0.2)	(0.9)	-
Payments to pensioners	-	-	-	-	-	-	-	-	(0.5)
Net flows	**1.5**	**0.2**	**(0.7)**	**0.1**	**1.1**	**-**	**0.5**	**0.1**	**2.8**
Market and other movements	-	0.1	0.5	(0.1)	0.5	(0.1)	(0.1)	0.2	1.1
At 31 March 2014	**65.6**	**6.9**	**36.1**	**(6.8)**	**101.8**	**4.4**	**9.1**	**20.8**	**38.3**
Gross inflows[1]	2.2	0.3	0.3	(0.1)	2.7	0.1	0.6	0.9	0.2
Gross outflows	(1.2)	(0.1)	(1.1)	0.2	(2.2)	(0.1)	(0.1)	(1.5)	-
Payments to pensioners	-	-	-	-	-	-	-	-	(0.5)
Net flows	**1.0**	**0.2**	**(0.8)**	**0.1**	**0.5**	**-**	**0.5**	**(0.6)**	**(0.3)**
Market and other movements	0.8	0.1	0.6	-	1.5	0.1	(0.1)	0.4	0.5
At 30 June 2014	**67.4**	**7.2**	**35.9**	**(6.7)**	**103.8**	**4.5**	**9.5**	**20.6**	**38.5**
Gross inflows[1]	2.8	0.4	0.4	(0.2)	3.4	0.1	0.7	1.2	0.4
Gross outflows	(1.3)	(0.2)	(1.2)	0.2	(2.5)	(0.1)	(0.2)	(1.3)	-
Payments to pensioners	-	-	-	-	-	-	-	-	(0.6)
Net flows	**1.5**	**0.2**	**(0.8)**	**-**	**0.9**	**-**	**0.5**	**(0.1)**	**(0.2)**
Market and other movements	0.1	0.1	0.4	(0.1)	0.5	(0.1)	0.1	0.2	1.6
At 30 September 2014	**69.0**	**7.5**	**35.5**	**(6.8)**	**105.2**	**4.4**	**10.1**	**20.7**	**39.9**
Gross inflows[1]	2.5	0.3	0.3	(0.1)	3.0	0.1	0.8	1.3	2.6
Gross outflows	(1.1)	(0.1)	(1.0)	0.1	(2.1)	(0.1)	(0.1)	(1.1)	-
Payments to pensioners	-	-	-	-	-	-	-	-	(0.5)
Net flows	**1.4**	**0.2**	**(0.7)**	**-**	**0.9**	**-**	**0.7**	**0.2**	**2.1**
Market and other movements	1.5	-	1.2	(0.1)	2.6	-	0.3	0.4	2.2
At 31 December 2014	**71.9**	**7.7**	**36.0**	**(6.9)**	**108.7**	**4.4**	**11.1**	**21.3**	**44.2**

1. Platforms gross inflows include Cofunds institutional net flows. At 31 December 2014 Platforms comprise £38.3bn (Q1 14 £36.6bn; H1 14: £37.3bn; Q3 14: £37.4bn) of retail assets and £33.6bn (Q1 14: £29.0bn; H1 14: £30.1bn; Q3 14: £31.6bn) of assets held on behalf of institutional clients.
2. Mature Retail Savings products include with-profits products, bonds and retail pensions.
3. Consolidation adjustment represents Suffolk Life and Retail Savings assets included in the Platforms column.
4. At 31 December 2014 Retail Investments include £1.7bn (Q1 14: £1.6bn; H1 14: £1.5bn; Q3 14: £1.6bn) of LGIM unit trust assets held on our Cofunds platform and £3.2bn (Q1 14: £3.2bn; H1 14: £3.2bn; Q3 14: £3.2bn) of LGIM unit trust assets held on our IPS platform.

Asset and premium flows

3.06 LGR new business

	3 months to 30.06.15 £m	3 months to 31.03.15 £m	3 months to 31.12.14 £m	3 months to 30.09.14 £m	3 months to 30.06.14 £m	3 months to 31.03.14 £m
Individual Annuities	**81**	**99**	83	125	139	244
Bulk Purchase Annuities	**491**	**655**	2,619	233	90	3,045
Lifetime Mortgage Advances[1]	**37**	**-**	-	-	-	-
Total LGR new business	**609**	**754**	2,702	358	229	3,289

1. £12m of these advances were funded by L&G prior to our acquisition of New Life Home Finance Ltd.

3.07 Insurance new business annual premiums

	3 months to 30.06.15 £m	3 months to 31.03.15 £m	3 months to 31.12.14 £m	3 months to 30.09.14 £m	3 months to 30.06.14 £m	3 months to 31.03.14 £m
UK Retail Protection	**41**	**38**	41	41	41	42
UK Group Protection	**22**	**18**	11	14	20	20
France Protection	**-**	**31**	-	-	-	33
Netherlands Protection	**2**	**1**	-	1	-	2
US Protection	**21**	**20**	21	23	24	23
Total Insurance new business	**86**	**108**	73	79	85	120

3.08 Gross written premiums on Insurance business

	3 months to 30.06.15 £m	3 months to 31.03.15 £m	3 months to 31.12.14 £m	3 months to 30.09.14 £m	3 months to 30.06.14 £m	3 months to 31.03.14 £m
UK Retail Protection	**275**	**270**	273	269	260	254
UK Group Protection	**127**	**102**	57	65	130	99
General Insurance	**83**	**81**	95	104	94	84
France Protection	**42**	**43**	41	41	45	46
Netherlands Protection	**11**	**13**	9	16	12	14
US Protection	**202**	**184**	184	162	170	162
Longevity Insurance	**85**	**79**	82	84	83	84
Total gross written premiums on insurance business	**825**	**772**	741	741	794	743

3.09 Overseas new business in local currency

	Annual premiums 30.06.15	**Single premiums 30.06.15**	Annual premiums 30.06.14	Single premiums 30.06.14	Annual premiums 31.12.14	Single premiums 31.12.14
US (US$m)	**62**	**-**	78	-	150	-
Netherlands (€m)	**8**	**59**	4	51	10	138
France (€m)	**42**	**208**	40	168	41	351
India (Rs m) - Group's 26% interest	**262**	**1,515**	266	2,257	408	4,003
Egypt (Pounds m) - Group's 55% interest	**61**	**-**	84	-	149	-
Gulf (US$m) - Group's 50% interest	**2**	**2**	1	1	3	5

Capital and Investments

4.01 Group regulatory capital - Insurance Group's Directive (IGD)

The Group is required to measure and monitor its capital resources on a regulatory basis and to comply with the minimum capital requirements of regulators in each territory in which it operates. At a Group level, Legal & General must comply with the requirements of the IGD. The table below shows the estimated total Group capital resources, Group capital resources requirement and the Group surplus.

	At 30.06.15 £bn	At 30.06.14 £bn	At 31.12.14 £bn
Core tier 1	**6.9**	6.7	6.4
Innovative tier 1	**0.6**	0.6	0.6
Tier 2[1]	**1.2**	1.8	1.7
Deductions	**(1.0)**	(0.9)	(1.0)
Group capital resources	**7.7**	8.2	7.7
Group capital resources requirement[2]	**3.9**	3.5	3.8
IGD surplus	**3.8**	4.7	3.9
Group capital resources requirement coverage ratio[3]	**198%**	236%	201%

1. In June 2015, the Group redeemed €0.6bn Euro subordinated notes, constituting Lower Tier 2 capital.
2. Group capital resources requirement includes a With-profits Insurance Capital Component (WPICC) of £0.4bn (H1 14: £0.3bn; FY 14: £0.4bn).
3. Coverage ratio is calculated on unrounded values.

A reconciliation of the capital and reserves attributable to the equity holders of the Company on an IFRS basis to the Group capital resources on an IGD basis is given below.

	At 30.06.15 £bn	At 30.06.14 £bn	At 31.12.14 £bn
Capital and reserves attributable to equity holders on an IFRS basis	**6.0**	5.7	6.0
Innovative tier 1	**0.6**	0.6	0.6
Tier 2	**1.2**	1.8	1.7
UK unallocated divisible surplus	**0.6**	1.0	0.7
Proposed dividends	**(0.2)**	(0.2)	(0.5)
Intangibles	**(0.4)**	(0.4)	(0.4)
Other regulatory adjustments[1]	**(0.1)**	(0.3)	(0.4)
Group capital resources	**7.7**	8.2	7.7

1. Other regulatory adjustments include differences between accounting and regulatory bases.

The table below demonstrates how the Group's net cash generation reconciles to the IGD capital surplus position.[1]

	At 30.06.15 £bn
IGD surplus at 1 January	**3.9**
Net cash generation	**0.6**
Dividends	**(0.2)**
New business capital deployed	**(0.1)**
Existing business capital release	**0.1**
Repayment of subordinated debt	**(0.5)**
IGD surplus at 30 June	**3.8**

1. All IGD amounts are estimated, unaudited and after accrual of the interim dividend of £205m.

4.02 Group Economic Capital

Legal & General defines economic capital to be the amount of capital that the Board believes the Group needs to hold, over and above its liabilities, in order to meet its strategic objectives. This is not the same as regulatory capital which reflects regulatory rules and constraints. The Group's objectives include being able to meet its liabilities as they fall due whilst maintaining the confidence of our investors, rating agencies, customers and intermediaries.

Legal & General has invested considerable time and resource in developing a risk based capital model that is used to calculate the Group's Economic Capital Balance Sheet and support the management of risk within the Group. The Group continues to develop the economic capital model in light of developments in the Group's business model, refinements in modelling and the analysis of experience, emerging market practice and feedback from independent reviewers. The Group's economic capital position will reflect these changes as they are implemented. It is intended that this modelling framework, suitably adjusted for regulatory constraints, should also meet the needs of the Solvency II regime, due to come in to force on 1 January 2016. Our Economic Capital model has not been reviewed by the Prudential Regulatory Authority (PRA), nor will it be.

The economic capital numbers presented here do not represent our view of the Solvency II outcome for the Group. Solvency II has elements which are considered to be inconsistent with the Group's definition of economic capital, so there will be differences between the two balance sheets. Legal & General is engaged in discussions with the PRA and in 2015 we made a formal application for approval of an internal model for use under Solvency II. Our Solvency II internal model is being reviewed by the PRA.

(a) Capital position

As at 30 June 2015 the Group had an economic capital surplus of £6.4bn (FY 14: £7.0bn), corresponding to an economic capital coverage ratio of 220% (FY 14: 229%). The economic capital position is as follows:

	At 30.06.15 £bn	At 31.12.14 £bn
Eligible own funds	**11.8**	12.5
Economic capital requirement	**5.4**	5.5
Surplus	**6.4**	7.0
1-in-200 coverage ratio[1]	**220%**	229%

1. Coverage ratio is calculated on unrounded values.

Further explanation of the underlying methodology and assumptions is set out in the sections below.

(b) Methodology

Eligible own funds are defined to be the excess of the value of assets over the liabilities. Subordinated debt issued by the Group is considered to be part of available capital, rather than a liability, as it is subordinate to policyholder claims.

Assets are valued at IFRS fair value with adjustments to remove intangibles, deferred acquisition costs and to value reassurers' share of technical provisions on a basis consistent with the liabilities on the Economic Capital Balance Sheet. The economic value of assets excluded from the IFRS Balance Sheet (e.g. present value of future With-profits transfers) is also included.

Liabilities are valued on a best estimate market consistent basis, with the application of an Economic Matching Adjustment for valuing annuity liabilities.

The Economic Capital Requirement is the amount of capital required to cover the 1-in-200 worst projected future outcome in the year following the valuation, allowing for realistic management and policyholder actions and the impact of the stress on the tax position of the Group. This allows for diversification between the different firms within the Group and between the risks that they are exposed to.

The liabilities include a Recapitalisation Cost to allow for the cost of recapitalising the balance sheet following the 1-in-200 stress in order to maintain confidence that our future liabilities will be met. This is calculated using a cost of capital that reflects the long term average rates at which it is expected that the Group could raise debt and allowing for diversification between all Group entities.

All material insurance firms, including Legal & General Assurance Society, Legal & General Insurance, Legal & General Pensions Management Company (PMC) (LGIM's insurance subsidiary) and Legal & General America (LGA) are incorporated into the Group's Economic Capital model assessment of required capital, assuming diversification of the risks between those firms.

Firms for which the capital requirements are less material, for example Legal & General Netherlands and Suffolk Life, are valued on the firm's latest interpretation of the Solvency II Standard Formula basis. The business retained within Legal & General Pensions Limited, an internal Insurance Special Purpose Vehicle, has been valued on a "look through" basis and capital requirements calculated as if the business was not internally reassured. Non-insurance firms are included using their current regulatory surplus, without allowing for any diversification with the rest of the Group.

Allowance is made within the Economic Capital Balance Sheet for the Group's defined benefit pension scheme based upon the scheme's funding basis, and allowance is made within the capital requirement by stressing the funding position using the same economic capital basis as for the insurance firms.

The results and the model are unaudited but certain elements of the methodology, assumptions and processes have been reviewed by PwC.

4.02 Group Economic Capital (continued)
(c) Assumptions

The calculation of the Economic Capital Balance Sheet and associated capital requirement requires a number of assumptions, including:

(i) assumptions required to derive the present value of best estimate liability cash flows. Non market assumptions are broadly the same as those used to derive the Group's EEV disclosures. Future investment returns and discount rates are based on market data where a deep and liquid market exists or using appropriate estimation techniques where this is not the case. The risk-free rates used to discount liabilities are market swap rates, with a 10 basis point deduction to allow for a credit risk adjustment;

(ii) assumptions regarding management actions and policyholder behaviour across the full range of scenarios. The only management actions allowed for are those that have been approved by the Board and are in place at the balance sheet date;

(iii) assumptions regarding the volatility of the risks to which the Group is exposed are used to calculate Economic Capital Requirement. Assumptions have been set using a combination of historic market, demographic and operating experience data. In areas where data is not considered robust, expert judgement has been used; and

(iv) assumptions on the dependencies between risks, which are calibrated using a combination of historic data and expert judgement.

For annuities business the liability discount rate includes an Economic Matching Adjustment. The Economic Matching Adjustment is derived using the same approach as the Solvency II matching adjustment, but any constraints we consider economically artificial, such as capping the yield on assets with a credit rating below BBB and any ineligibility of certain assets, have not been applied.

The other key assumption relating to the annuity business is the assumption of longevity. As for IFRS and EEV, Legal & General models base mortality and future improvement of mortality separately. For our Economic Capital assessment we believe it is appropriate to ensure that the balance sheet makes sufficient allowance to meet the 1-in-200 stress to longevity over the run off of the liabilities rather than just over a 1 year timeframe.

(d) Analysis of change

The table below shows the movement (net of tax) during the financial year in the Group's Economic Capital surplus.

Analysis of movement from 1 January to 30 June 2015	**Economic Capital surplus £bn**
Economic solvency position as at 1 January 2015	**7.0**
New business surplus	0.1
Existing business expected release	0.4
Subordinated debt redemption	(0.5)
Dividends declared in the period	(0.5)
Other capital movements[1]	(0.1)
Economic solvency position as at 30 June 2015	**6.4**

1. Other capital movements includes operating and non-operating experience items other than the expected release from existing business.

4.02 Group Economic Capital (continued)
(e) Reconciliation of IFRS Shareholders' Equity to Economic Capital Eligible Own Funds

The table below gives a reconciliation of the Eligible Own Funds on an Economic Capital basis and the Group IFRS shareholders' equity.

	At 30.06.15 £bn	At 31.12.14 £bn
IFRS shareholders' equity at 30 June / 31 December	**6.0**	6.0
Remove DAC, goodwill and other intangible assets and liabilities	(2.0)	(2.0)
Add subordinated debt treated as economic available capital[1]	1.9	2.4
Insurance contract valuation differences[2]	6.2	6.6
Add value of shareholder transfers	0.3	0.3
Increase in value of net deferred tax liabilities (resulting from valuation differences)	(0.5)	(0.6)
Other[3]	0.2	0.1
Adjustment - Basic own funds to Eligible own funds[4]	(0.3)	(0.3)
Eligible Own Funds at 30 June / 31 December	**11.8**	12.5

1. Treated as available capital on the Economic Capital Balance Sheet as the liabilities are subordinate to policyholder claims.
2. Differences in the measurement of liabilities between IFRS and Economic Capital, offset by the inclusion of the recapitalisation cost.
3. Primarily valuation differences between the IFRS carrying value and the fair value of financial assets and liabilities.
4. Eligibility restrictions relating to the own funds of US captive reassurers.

4.02 Group Economic Capital (continued)
(f) Analysis of Group Economic Capital Requirement

The table below shows a breakdown of the Group's Economic Capital Requirement by risk type. The split is shown after the effects of diversification.

	At 30.06.15 %	At 31.12.14 %
Interest Rate	6	6
Equity	14	15
Credit[1]	44	44
Property	4	4
Currency	2	3
Inflation	(1)	(2)
Total Market Risk[2]	**69**	70
Counterparty Risk	**2**	1
Life Mortality	-	-
Life Longevity[3]	9	10
Life Lapse[4]	5	5
Life Catastrophe	3	3
Non-life underwriting	1	1
Health underwriting	1	1
Expense	1	1
Total Insurance Risk	**20**	21
Operational Risk	7	7
Miscellaneous	2	1
Total Economic Capital Requirement	**100**	100

1. Credit risk is Legal & General's most significant exposure, arising predominantly from the c£40bn portfolio of corporate bond (or similar) exposure backing the Group's annuity portfolio.
2. The Group also has significant exposure to other market risks, primarily due to the investment holdings within the shareholder funds but also the risk to fee income from assets backing unit linked and with-profit Savings businesses.
3. Longevity risk is Legal & General's most significant insurance risk exposure, arising from the annuity book on which the majority of the longevity risk is retained.
4. Lapse risk is also a significant risk, primarily through the risk of mass lapse on investment management and savings businesses and the risk of non-renewal on the Group's protection businesses.

(g) Solvency II

The Economic Capital results set out above do not reflect the Solvency II regime. They have however, been derived using the same modelling framework that Legal & General intend to use for Solvency II. It is anticipated that our Solvency II internal model will be approved in Q4 2015, ready for use on the Solvency II go live date - 1 January 2016. We expect the final outcome on Solvency II to result in a lower Group solvency ratio than the Economic Capital Coverage Ratio shown above.

4.03 Investment portfolio

	Market value At 30.06.15 £m	Market value At 30.06.14 £m	Market value At 31.12.14 £m
Worldwide total assets	**717,034**	642,076	710,554
Client and policyholder assets	**(649,882)**	(576,774)	(638,117)
Non-unit linked with-profits assets	**(12,216)**	(17,061)	(15,242)
Investments to which shareholders are directly exposed	**54,936**	48,241	57,195

Analysed by investment class:

	Note	**LGR investments[1] At 30.06.15 £m**	**Other non profit insurance investments At 30.06.15 £m**	**LGC investments At 30.06.15 £m**	**Other shareholder investments At 30.06.15 £m**	**Total At 30.06.15 £m**	Total At 30.06.14 £m	Total At 31.12.14 £m
Equities[2]		**307**	**-**	**2,023**	**79**	**2,409**	1,685	2,265
Bonds	4.05	**39,317**	**2,410**	**1,480**	**710**	**43,917**	39,242	45,811
Derivative assets[3]		**3,643**	**13**	**74**	**-**	**3,730**	2,337	3,940
Property		**2,037**	**-**	**180**	**3**	**2,220**	2,020	2,030
Cash, cash equivalents, loans & receivables		**528**	**432**	**1,009**	**558**	**2,527**	2,802	3,018
Financial investments		**45,832**	**2,855**	**4,766**	**1,350**	**54,803**	48,086	57,064
Other assets[4]		**118**	**-**	**15**	**-**	**133**	155	131
Total investments		**45,950**	**2,855**	**4,781**	**1,350**	**54,936**	48,241	57,195

1. LGR investments include all business written in LGPL, including £0.5bn of non annuity assets held in LGPL.
2. Equity investments include CALA Group Limited and MediaCity Limited.
3. Derivative assets are shown gross of derivative liabilities of £2.0bn (H1 14: £1.7bn; FY 14: £2.7bn). Exposures arise from the use of derivatives for efficient portfolio management, especially the use of interest rate swaps, inflation swaps, credit default swaps and foreign exchange forward contracts for asset and liability management.
4. Other assets include finance lease debtors.

4.04 Direct Investments
(a) Analysed by asset class

	Direct[1] Investments At 30.06.15 £m	**Traded[2] securities At 30.06.15 £m**	**Total At 30.06.15 £m**	Direct[1] Investments At 30.06.14 £m	Traded[2] securities At 30.06.14 £m	Total At 30.06.14 £m	Direct[1] Investments At 31.12.14 £m	Traded[2] securities At 31.12.14 £m	Total At 31.12.14 £m
Equities	**410**	**1,999**	**2,409**	298	1,387	1,685	318	1,947	2,265
Bonds	**3,050**	**40,867**	**43,917**	2,036	37,206	39,242	2,983	42,828	45,811
Derivative assets	**-**	**3,730**	**3,730**	-	2,337	2,337	-	3,940	3,940
Property	**2,220**	**-**	**2,220**	2,020	-	2,020	2,030	-	2,030
Cash, cash equivalents, loans & receivables	**380**	**2,147**	**2,527**	75	2,727	2,802	241	2,777	3,018
Other assets	**133**	**-**	**133**	155	-	155	131	-	131
	6,193	**48,743**	**54,936**	4,584	43,657	48,241	5,703	51,492	57,195

1. Direct Investments constitute an agreement with another party and represent an exposure to untraded and often less volatile assets. Direct Investments include physical assets, bilateral loans and private equity but exclude hedge funds.
2. Traded securities are defined by exclusion. If an instrument is not a Direct Investment, then it is classed as a traded security.

(b) Analysed by segment

	LGR At 30.06.15 £m	**LGC At 30.06.15 £m**	**LGA At 30.06.15 £m**	**Insurance At 30.06.15 £m**	**Total At 30.06.15 £m**
Equities	**-**	**410**	**-**	**-**	**410**
Bonds	**2,737**	**61**	**252**	**-**	**3,050**
Property	**2,037**	**180**	**-**	**3**	**2,220**
Cash, cash equivalents, loans & receivables	**-**	**112**	**268**	**-**	**380**
Other assets	**118**	**15**	**-**	**-**	**133**
	4,892	**778**	**520**	**3**	**6,193**

	LGR At 30.06.14 £m	LGC At 30.06.14 £m	LGA At 30.06.14 £m	Insurance At 30.06.14 £m	Total At 30.06.14 £m
Equities	-	298	-	-	298
Bonds	1,885	-	151	-	2,036
Property	1,692	324	-	4	2,020
Cash, cash equivalents, loans & receivables	-	-	75	-	75
Other assets	155	-	-	-	155
	3,732	622	226	4	4,584

4.04 Direct Investments (continued)
(b) Analysed by segment (continued)

	LGR At 31.12.14 £m	LGC At 31.12.14 £m	LGA At 31.12.14 £m	Insurance At 31.12.14 £m	Total At 31.12.14 £m
Equities	-	318	-	-	318
Bonds	2,586	168	229	-	2,983
Property	1,879	147	-	4	2,030
Cash, cash equivalents, loans & receivables	-	54	187	-	241
Other assets	118	13	-	-	131
	4,583	700	416	4	5,703

(c) Movement in the period

	Carrying value 01.01.15 £m	Additions £m	Disposals £m	Change in market value £m	**Carrying value 30.06.15 £m**
Equities	318	86	(18)	24	**410**
Bonds	2,983	246	(149)	(30)	**3,050**
Property	2,030	154	-	36	**2,220**
Cash, cash equivalents, loans & receivables	241	140	(1)	-	**380**
Other assets	131	-	-	2	**133**
	5,703	626	(168)	32	**6,193**

4.05 Bond portfolio summary
(a) Analysed by sector

	Note	LGR At 30.06.15 £m	LGR At 30.06.15 %	**Total At 30.06.15 £m**	**Total At 30.06.15 %**
Sovereigns, Supras and Sub-Sovereigns	4.05(b)	6,722	17	**8,043**	**18**
Banks:					
- Tier 1		94	-	**97**	**-**
- Tier 2 and other subordinated		434	1	**583**	**1**
- Senior		1,487	4	**1,990**	**5**
Financial Services:					
- Tier 1		4	-	**4**	**-**
- Tier 2 and other subordinated		56	-	**81**	**-**
- Senior		649	2	**860**	**3**
Insurance:					
- Tier 1		85	-	**86**	**-**
- Tier 2 and other subordinated		295	1	**326**	**1**
- Senior		533	1	**595**	**1**
Utilities		4,515	11	**4,718**	**11**
Consumer Services and Goods & Health Care		3,989	10	**4,592**	**10**
Technology and Telecoms		2,386	6	**2,640**	**6**
Industrials & Oil and Gas		3,909	10	**4,484**	**10**
Property		1,446	4	**1,588**	**4**
Asset backed securities:[1]					
- Traditional		617	2	**1,033**	**2**
- Securitisations and debentures		10,994	28	**11,095**	**25**
CDOs[2]		1,102	3	**1,102**	**3**
Total		39,317	100	**43,917**	**100**

1. Traditional asset backed securities are securities, often with variable expected redemption profiles issued by Special Purpose Vehicles and typically backed by pools of receivables from loans or personal credit. Securitisations are securities with fixed redemption profiles that are issued by Special Purpose Vehicles and secured on revenues from specific assets or operating companies and debentures are securities with fixed redemption profiles issued by firms typically secured on property.

2. The underlying reference portfolio has had no reference entity defaults during the period ended 30 June 2015. The CDOs are termed as super senior since default losses on the reference portfolio have to exceed 27.5%, on average across the reference portfolio, before the CDOs incur any default losses. Assuming an average recovery rate of 30%, then over 39% of the reference names would have to default before the CDOs incur any default losses. The CDOs are valued using an external valuation which is based on observable market inputs. This is then validated against the market valuation.

4.05 Bond portfolio summary (continued)
(a) Analysed by sector (continued)

	Note	LGR At 30.06.14 £m	LGR At 30.06.14 %	Total At 30.06.14 £m	Total At 30.06.14 %
Sovereigns, Supras and Sub-Sovereigns	4.05(b)	6,578	19	8,257	21
Banks:					
- Tier 1		60	-	66	-
- Tier 2 and other subordinated		590	2	649	2
- Senior		1,359	4	1,901	5
Financial Services:					
- Tier 1		4	-	6	-
- Tier 2 and other subordinated		136	-	174	1
- Senior		882	3	1,153	3
Insurance:					
- Tier 1		146	-	156	-
- Tier 2 and other subordinated		544	2	581	2
- Senior		493	2	565	2
Utilities		4,456	13	4,764	12
Consumer Services and Goods & Health Care		3,246	10	3,795	10
Technology and Telecoms		2,099	6	2,382	6
Industrials & Oil and Gas		3,333	10	3,879	10
Property		998	3	1,073	3
Asset backed securities:[1]					
- Traditional		703	2	1,222	3
- Securitisations and debentures		7,337	21	7,521	18
CDOs[2]		1,098	3	1,098	2
Total		34,062	100	39,242	100

1. Traditional asset backed securities are securities, often with variable expected redemption profiles issued by Special Purpose Vehicles and typically backed by pools of receivables from loans or personal credit. Securitisations are securities with fixed redemption profiles that are issued by Special Purpose Vehicles and secured on revenues from specific assets or operating companies and Debentures are securities with fixed redemption profiles issued by firms typically secured on property.

2. The underlying reference portfolio had no reference entity defaults during the period ended 30 June 2014. The CDOs are termed as super senior since default losses on the reference portfolio have to exceed 27.5%, on average across the reference portfolio, before the CDOs incur any default losses. Assuming an average recovery rate of 30%, then over 39% of the reference names would have to default before the CDOs incur any default losses.The CDOs are valued using an external valuation which is based on observable market inputs. This is then validated against the market valuation.

4.05 Bond portfolio summary (continued)
(a) Analysed by sector (continued)

	Note	LGR At 31.12.14 £m	LGR At 31.12.14 %	Total At 31.12.14 £m	Total At 31.12.14 %
Sovereigns, Supras and Sub-Sovereigns	4.05(b)	7,760	19	9,249	20
Banks:					
- Tier 1		24	-	26	-
- Tier 2 and other subordinated		559	1	621	1
- Senior		1,667	4	2,221	5
Financial Services:					
- Tier 1		-	-	-	-
- Tier 2 and other subordinated		96	-	132	-
- Senior		946	2	1,138	3
Insurance:					
- Tier 1		128	-	129	-
- Tier 2 and other subordinated		363	1	375	1
- Senior		624	2	704	2
Utilities		5,561	14	5,824	13
Consumer Services and Goods & Health Care		4,126	10	4,726	10
Technology and Telecoms		2,548	6	2,836	6
Industrials & Oil and Gas		4,306	11	4,928	11
Property		1,882	5	2,126	5
Asset backed securities:[1]					
- Traditional		722	2	1,234	3
- Securitisations and debentures		8,305	20	8,422	18
CDOs[2]		1,120	3	1,120	2
Total		40,737	100	45,811	100

1. Traditional asset backed securities are securities, often with variable expected redemption profiles issued by Special Purpose Vehicles and typically backed by pools of receivables from loans or personal credit. Securitisations are securities with fixed redemption profiles that are issued by Special Purpose Vehicles and secured on revenues from specific assets or operating companies and debentures are securities with fixed redemption profiles issued by firms typically secured on property.

2. The underlying reference portfolio had no reference entity defaults in 2014. The CDOs are termed as super senior since default losses on the reference portfolio have to exceed 27.5%, on average across the reference portfolio, before the CDOs incur any default losses. Assuming an average recovery rate of 30%, then over 39% of the reference names would have to default before the CDOs incur any default losses. The CDOs are valued using an external valuation which is based on observable market inputs. This is then validated against the market valuation.

4.05 Bond portfolio summary (continued)
(b) Analysed by domicile

The tables below are based on the legal domicile of the security:

	LGR At 30.06.15 £m	**Total At 30.06.15 £m**	LGR At 30.06.14 £m	Total At 30.06.14 £m	LGR At 31.12.14 £m	Total At 31.12.14 £m
Market value by region:						
United Kingdom	20,261	**21,048**	16,299	17,224	20,055	21,021
USA	9,231	**11,365**	7,747	10,034	9,515	11,839
Netherlands	1,686	**1,944**	1,778	2,119	1,910	2,182
France	1,290	**1,522**	1,289	1,642	1,412	1,726
Germany	264	**575**	378	737	378	682
Greece	-	**-**	-	5	-	-
Ireland	307	**335**	225	264	276	303
Italy	236	**342**	485	636	301	429
Portugal	-	**4**	3	14	1	11
Spain	156	**210**	158	224	212	260
Russia	9	**18**	1	2	19	37
Ukraine	-	**-**	-	4	-	-
Rest of Europe	1,776	**2,076**	1,642	2,007	1,857	2,164
Brazil	50	**61**	114	116	139	157
Rest of World	2,949	**3,315**	2,845	3,116	3,542	3,880
CDOs	1,102	**1,102**	1,098	1,098	1,120	1,120
Total	39,317	**43,917**	34,062	39,242	40,737	45,811

Additional analysis of sovereign debt exposures:

	Sovereigns, Supras and Sub-Sovereigns					
	LGR At 30.06.15 £m	**Total At 30.06.15 £m**	LGR At 30.06.14 £m	Total At 30.06.14 £m	LGR At 31.12.14 £m	Total At 31.12.14 £m
Market value by region:						
United Kingdom	4,963	**5,309**	4,768	5,102	5,946	6,267
USA	519	**745**	407	830	536	772
Netherlands	1	**139**	13	167	5	153
France	5	**78**	118	246	1	138
Germany	151	**346**	195	437	204	417
Greece	-	**-**	-	5	-	-
Ireland	-	**7**	-	12	-	8
Italy	1	**85**	109	192	2	96
Portugal	-	**4**	-	6	-	9
Spain	1	**23**	-	6	-	10
Russia	9	**18**	-	-	19	28
Ukraine	-	**-**	-	4	-	-
Rest of Europe	629	**750**	793	985	765	922
Brazil	50	**60**	38	38	55	64
Rest of World	393	**479**	137	227	227	365
Total	6,722	**8,043**	6,578	8,257	7,760	9,249

4.05 Bond portfolio summary (continued)
(c) Analysed by credit rating

	LGR At 30.06.15 £m	LGR At 30.06.15 %	**Total At 30.06.15 £m**	**Total At 30.06.15 %**
AAA	1,870	5	**3,149**	**7**
AA	9,763	25	**10,632**	**24**
A	11,996	31	**12,943**	**30**
BBB	10,268	26	**11,305**	**26**
BB or below	1,008	3	**1,262**	**3**
Unrated: Bespoke CDOs[1]	979	2	**979**	**2**
Other	3,433	8	**3,647**	**8**
	39,317	100	**43,917**	**100**

	LGR At 30.06.14 £m	LGR At 30.06.14 %	Total At 30.06.14 £m	Total At 30.06.14 %
AAA	1,711	5	3,376	9
AA	8,471	25	9,217	23
A	11,082	32	12,333	31
BBB	8,716	26	9,891	25
BB or below	566	2	761	2
Unrated: Bespoke CDOs[1]	983	3	983	3
Other	2,533	7	2,681	7
	34,062	100	39,242	100

	LGR At 31.12.14 £m	LGR At 31.12.14 %	Total At 31.12.14 £m	Total At 31.12.14 %
AAA	1,936	5	3,451	8
AA	10,357	25	11,190	24
A	13,231	33	14,420	31
BBB	10,360	25	11,441	25
BB or below	630	2	853	2
Unrated: Bespoke CDOs[1]	994	2	994	2
Other	3,229	8	3,462	8
	40,737	100	45,811	100

1. The CDOs are termed as super senior since default losses have to exceed 27.5%, on average across the reference portfolio, before the CDOs incur any default losses. The underlying reference portfolio had no reference entity defaults in 2014 or 2015. Losses are limited under the terms of the CDOs to assets and collateral invested.

European Embedded Value

Group embedded value - summary

For the six months ended 30 June 2015	Covered business				
	UK business £m	Insurance overseas business £m	LGA £m	Non-covered business £m	Total £m
At 1 January 2015					
Value of in-force business (VIF)	**6,118**	**147**	**518**	**-**	**6,783**
Shareholder net worth (SNW)	**3,519**	**325**	**209**	**139**	**4,192**
Embedded value at 1 January 2015	**9,637**	**472**	**727**	**139**	**10,975**
Exchange rate movements	**-**	**(38)**	**(6)**	**13**	**(31)**
Operating profit after tax for the period	**416**	**3**	**55**	**62**	**536**
Non-operating profit/(loss) after tax for the period	**48**	**(50)**	**(5)**	**(9)**	**(16)**
Profit/(loss) for the period	**464**	**(47)**	**50**	**53**	**520**
Intra-group distributions[1]	**(282)**	**(19)**	**(52)**	**353**	**-**
Dividends to equity holders of the Company	**-**	**-**	**-**	**(496)**	**(496)**
Transfer to non-covered business[2]	**(17)**	**-**	**-**	**17**	**-**
Other reserve movements including pension deficit[3]	**13**	**-**	**-**	**(36)**	**(23)**
Embedded value at 30 June 2015	**9,815**	**368**	**719**	**43**	**10,945**
Value of in-force business[4,5]	**6,024**	**79**	**565**	**-**	**6,668**
Shareholder net worth[6,7]	**3,791**	**289**	**154**	**43**	**4,277**
Embedded value per share (p)[8]					**184**

Additional value of LGIM

Indicative valuation including LGIM	30.06.15 p per share	30.06.15 £bn
EEV as reported	**184**	**10.9**
LGIM VIF	**27**	**1.6**
Total including LGIM	**211**	**12.5**

Estimated LGIM discounted cash flow valuation	30.06.15 p per share	30.06.15 £bn
Look through value of profits on covered business	**6**	**0.4**
Net asset value	**11**	**0.7**
Current value of LGIM in Group embedded value	**17**	**1.1**
LGIM VIF	**27**	**1.6**
Alternative discounted value of LGIM future cash flows	**44**	**2.7**

1. UK intra-group distributions primarily reflect a £300m (H1 14: £nil; FY 14: £675m) declared dividend from Society to Group, and dividends of €23m (H1 14: €18m; FY 14: €35m) from LGN paid to Society. Dividends of $80m (H1 14:$73m; FY 14: $76m) from LGA and €1m (H1 14: €2m; FY 14: €2m) from LGF were paid to Group.
2. The transfer to non-covered business represents the IFRS profits arising in the year from the provision of investment management services by LGIM to the UK covered business, which have been included in the operating profit of the covered business on the look-through basis.
3. The other reserve movements primarily reflect movement in the pension deficit and movements in the share options scheme and employee scheme treasury shares.
4. Value of inforce business is shown net of cost of capital, which consists of £567m (H1 14: £449m; FY 14: £545m) from UK covered business; £57m (H1 14: £66m; FY 14: £60m) from Insurance overseas covered business and £12m (H1 14: £12m; FY 14: £11m) from LGA.
5. The time value of options and guarantees deduction included in value of inforce business is £28m (H1 14: £14m; FY 14: £43m).
6. Shareholder net worth of Insurance overseas covered business is made up of £62m (H1 14: £74m ; FY 14: £90m) of free surplus and £227m (H1 14: £251m ; FY 14: £235m) of required capital.
7. Shareholder net worth of LGA is made up of £104m (H1 14: £139m ; FY 14: £161m) of free surplus and £50m (H1 14: £49m ; FY 14: £48m) of required capital.
8. The number of shares in issue at 30 June 2015 was 5,945,774,722 (H1 14: 5,935,497,507; FY 14: 5,942,070,229).

Further analysis of the UK covered business can be found in Note 5.01.

Group embedded value - summary (continued)

For the six months ended 30 June 2014	Covered business UK business £m	Covered business Insurance overseas business £m	Covered business LGA £m	Non-covered business £m	Total £m
At 1 January 2014					
Value of in-force business (VIF)	4,693	197	699	-	5,589
Shareholder net worth (SNW)	3,249	315	234	199	3,997
Embedded value at 1 January 2014	7,942	512	933	199	9,586
Exchange rate movements	-	(19)	(30)	12	(37)
Operating profit after tax for the period	539	11	47	68	665
Non-operating profit/(loss) for the period	59	3	(1)	(7)	54
Profit for the period	598	14	46	61	719
Intra-group distributions[1]	18	(15)	(44)	41	-
Dividends to equity holders of the Company	-	-	-	(408)	(408)
Transfer to non-covered business[2]	(15)	-	-	15	-
Other reserve movements including pension deficit[3]	12	-	-	(29)	(17)
Embedded value at 30 June 2014	8,555	492	905	(109)	9,843
Value of in-force business[4,5]	4,928	167	717	-	5,812
Shareholder net worth[6,7]	3,627	325	188	(109)	4,031
Embedded value per share (p)[8]					166

Additional value of LGIM

Indicative valuation including LGIM	30.06.14 p per share	30.06.14 £bn
EEV as reported	166	9.9
LGIM VIF	30	1.7
Total including LGIM	196	11.6

Estimated LGIM discounted cash flow valuation	30.06.14 p per share	30.06.14 £bn
Look through value of profits on covered business	5	0.3
Net asset value	10	0.6
Current value of LGIM in Group embedded value	15	0.9
LGIM VIF	30	1.7
Alternative discounted value of LGIM future cash flows	45	2.6

1. UK intra-group distributions primarily reflect €18m dividend from LGN and £4m dividend from Nationwide Life paid to Society. Dividends of $73m from LGA and €2m from LGF were paid to the group.
2. The transfer to non-covered business represents the IFRS profits arising in the period from the provision of investment management services by Legal & General Investment Management to the UK covered business, which have been included in the operating profit of the covered business on the look through basis.
3. The other reserve movements reflect the pension deficit movement, the movement of investment project costs from covered to non-covered business and the effect of reinsurance arrangement transactions between UK and US covered business.
4. Value of inforce business are shown net of cost of capital, which consists of £449m from UK covered business; £66m from Insurance overseas covered business and £12m from LGA.
5. The time value of options and guarantees deduction included in value of inforce business is £14m.
6. Shareholder net worth of Insurance overseas is made up of £74m of free surplus and £251m of required capital.
7. Shareholder net worth of LGA is made up of £139m of free surplus and £49m of required capital.
8. The number of shares in issue at 30 June 2014 was 5,935,497,507.

Further analysis of the UK covered business can be found in Note 5.01.

European Embedded Value

Group embedded value - summary (continued)

For the year ended 31 December 2014	Covered business UK business £m	Covered business Insurance overseas business £m	Covered business LGA £m	Non-covered business £m	Total £m
At 1 January 2014					
Value of in-force business (VIF)	4,693	197	699	-	5,589
Shareholder net worth (SNW)	3,249	315	234	199	3,997
Embedded value at 1 January 2014	7,942	512	933	199	9,586
Exchange rate movements	-	(30)	44	(16)	(2)
Operating profit after tax for the year	1,264	31	(68)	107	1,334
Non-operating profit/(loss) for the year	709	(11)	(11)	(5)	682
Profit for the year	1,973	20	(79)	102	2,016
Intra-group distributions[1]	(641)	(30)	(46)	717	-
Dividends to equity holders of the Company	-	-	-	(580)	(580)
Transfer to non-covered business[2]	(26)	-	-	26	-
Other reserve movements including pension deficit[3]	389	-	(125)	(309)	(45)
Embedded value at 31 December 2014	9,637	472	727	139	10,975
Value of in-force business[4,5]	6,118	147	518	-	6,783
Shareholder net worth[6,7]	3,519	325	209	139	4,192
Embedded value per share (p)[8]					185

Additional value of LGIM

Indicative valuation including LGIM	31.12.14 p per share	31.12.14 £bn
EEV as reported	185	11
LGIM VIF	27	1.6
Total including LGIM	212	12.6

Estimated LGIM discounted cash flow valuation	31.12.14 p per share	31.12.14 £bn
Look through value of profits on covered business	6	0.4
Net asset value	8	0.5
Current value of LGIM in Group embedded value	14	0.9
LGIM VIF	27	1.6
Alternative discounted value of LGIM future cash flows	41	2.5

1. UK intra-group distributions primarily reflect a £675m dividend paid from Society to Group, and dividends of €35m from LGN and £5m from Nationwide Life paid to Society. Dividends of $76m from LGA and €2m from LGF were paid to Group.
2. The transfer to non-covered business represents the IFRS profits arising in the year from the provision of investment management services by LGIM to the UK covered business, which have been included in the operating profit of the covered business on the look through basis.
3. The other reserve movements primarily reflect the effect of reinsurance arrangement transactions between UK and US covered business, pension deficit movement, movement in the savings related share options scheme and intragroup capital contribution.
4. Value of inforce business are shown net of cost of capital, which consists of £545m from UK covered business; £60m from Insurance overseas covered business and £11m from LGA.
5. The time value of options and guarantees deduction included in value of inforce business is £43m.
6. Shareholder net worth of Insurance overseas is made up of £90m of free surplus and £235m of required capital.
7. Shareholder net worth of LGA is made up of £161m of free surplus and £48m of required capital.
8. The number of shares in issue at 31 December 2014 was 5,942,070,229.

Further analysis of the UK covered business can be found in Note 5.01.

European Embedded Value

5.01 UK covered business embedded value reconciliation

For the six months ended 30 June 2015	Shareholder net worth Free surplus £m	Required capital £m	Total £m	Value of in-force £m	Total embedded value £m
At 1 January 2015	**887**	**2,632**	**3,519**	**6,118**	**9,637**
Operating profit/(loss) after tax:					
- New business contribution[1]	**(67)**	**72**	**5**	**119**	**124**
- Expected return on VIF	**-**	**-**	**-**	**185**	**185**
- Expected transfer from VIF to SNW[2]	**463**	**(108)**	**355**	**(355)**	**-**
- Expected return on SNW	**10**	**73**	**83**	**-**	**83**
Generation of embedded value	**406**	**37**	**443**	**(51)**	**392**
- Experience variances	**52**	**-**	**52**	**(62)**	**(10)**
- Operating assumption changes	**28**	**4**	**32**	**9**	**41**
- Development costs	**(7)**	**-**	**(7)**	**-**	**(7)**
Variances	**73**	**4**	**77**	**(53)**	**24**
Operating profit after tax	**479**	**41**	**520**	**(104)**	**416**
Non-operating profit/(loss) after tax:					
- Economic variances	**64**	**4**	**68**	**(20)**	**48**
- Other taxation impacts[3]	**-**	**-**	**-**	**-**	**-**
Non-operating profit/(loss) after tax	**64**	**4**	**68**	**(20)**	**48**
Profit for the period	**543**	**45**	**588**	**(124)**	**464**
Intra-group distributions[4]	**(282)**	**-**	**(282)**	**-**	**(282)**
Transfer to non-covered business[5]	**(17)**	**-**	**(17)**	**-**	**(17)**
Other reserve movements including pension deficit	**(13)**	**(4)**	**(17)**	**30**	**13**
Embedded value at 30 June 2015	**1,118**	**2,673**	**3,791**	**6,024**	**9,815**

1. The UK free surplus reduction of £67m to finance new business primarily reflects £72m additional required capital in relation to new business.
2. The increase in UK free surplus of £463m from the expected transfer from the in-force non profit business includes £355m of operational cash generation and a £108m reduction in required capital. The £549m operational cash generation from Insurance, Savings, LGR and LGIM per Note 2.01 also includes an £18m dividend from LGN, £1m dividend from LGF and £175m primarily reflecting profit from non-covered business.
3. The impact of the further corporation tax reductions announced on 8 July 2015 have not been included in the H1 15 results as they were not known at the reporting date. The impact will be included in the FY 15 results.
4. Intra-group distributions primarily reflect a £300m declared dividend from Society to Group and dividends of €23m from LGN to Society.
5. The transfer to non-covered business represents the IFRS profits arising in the year from the provision of investment management services by LGIM to the UK covered business, which have been included in the operating profit of the covered business on the look-through basis.

The value of in-force business of £6,024m is comprised of £5,685m of non profit business and £339m of with-profits business.

5.01 UK covered business embedded value reconciliation (continued)

For the six months ended 30 June 2014	Shareholder net worth Free surplus £m	Required capital £m	Total £m	Value of in-force £m	Total embedded value £m
At 1 January 2014	1,107	2,142	3,249	4,693	7,942
Operating profit/(loss) after tax:					
- New business contribution[1]	(195)	184	(11)	305	294
- Expected return on VIF	-	-	-	157	157
- Expected transfer from VIF to SNW[2]	457	(113)	344	(344)	-
- Expected return on SNW	26	62	88	-	88
Generation of embedded value	288	133	421	118	539
- Experience variances	(6)	3	(3)	34	31
- Operating assumption changes	11	-	11	(31)	(20)
- Development costs	(11)	-	(11)	-	(11)
Variances	(6)	3	(3)	3	-
Operating profit after tax	282	136	418	121	539
Non-operating profit/(loss) after tax - UK business:					
- Economic variances	(30)	42	12	26	38
- Effect of tax rate changes and other taxation impacts[3]	(12)	-	(12)	33	21
Non-operating profit/(loss) after tax	(42)	42	-	59	59
Profit for the period	240	178	418	180	598
Intra-group distributions[4]	18	-	18	-	18
Transfer to non-covered business[5]	(15)	-	(15)	-	(15)
Other reserve movements including pension deficit[6]	(56)	13	(43)	55	12
Embedded value at 30 June 2014	1,294	2,333	3,627	4,928	8,555

1. The free surplus reduction of £195m to finance new business includes £11m new business strain and £184m additional required capital.
2. The increase in free surplus of £457m from the expected transfer from the in-force covered business includes £344m of operational cash generation and a £113m reduction in required capital. The £508m operational cash generation from Insurance, Savings, LGR and LGIM per Note 2.01 also includes a £14m dividend from LGN, £1m dividend from LGF and £149m primarily reflecting profit from non-covered business.
3. Reflects the implementation of the UK reductions in corporation tax to 20% on 1 April 2015.
4. Intra-group distributions primarily reflect £4m dividends from the non-covered subsidiary, Nationwide Life, to Society.
5. The transfer to non-covered business represents the IFRS profits arising in the period from the provision of investment management services by Legal & General Investment Management to the UK covered business, which have been included in the operating profit of the covered business on the look through basis.
6. The other reserve movements reflects the pension deficit movement, the movement of investment project costs from covered to non-covered business and the effect of reinsurance arrangement transactions between UK and US covered business.

The UK value of in-force business of £4,928m is comprised of £4,510m of non profit business and £419m of with-profits business.

5.01 UK covered business embedded value reconciliation (continued)

For the year ended 31 December 2014	Shareholder net worth Free surplus £m	Shareholder net worth Required capital £m	Shareholder net worth Total £m	Value of in-force £m	Total embedded value £m
At 1 January 2014	1,107	2,142	3,249	4,693	7,942
Operating profit/(loss) after tax:					
Contribution from new risks after cost of capital					
- New business contribution[1]	(340)	343	3	607	610
- Intragroup transfer from With-Profit to Non Profit Fund	-	-	-	80	80
- Expected return on VIF	-	-	-	317	317
- Expected transfer from VIF to SNW[2]	901	(213)	688	(688)	-
- Expected return on SNW	55	116	171	-	171
Generation of embedded value	616	246	862	316	1,178
- Experience variances	175	(83)	92	(6)	86
- Operating assumption changes	171	(109)	62	(36)	26
- Development costs	(26)	-	(26)	-	(26)
Variances	320	(192)	128	(42)	86
Operating profit after tax	936	54	990	274	1,264
Non-operating profit/(loss) after tax:					
- Economic variances	(359)	219	(140)	851	711
- Effect of tax rate changes and other taxation impacts[3]	(12)	-	(12)	10	(2)
Non-operating profit/(loss) after tax	(371)	219	(152)	861	709
Profit for the year	565	273	838	1,135	1,973
Intra-group distributions[4]	(641)	-	(641)	-	(641)
Transfer to non-covered business[5]	(26)	-	(26)	-	(26)
Other reserve movements including pension deficit[6]	(118)	217	99	290	389
Embedded value at 31 December 2014	887	2,632	3,519	6,118	9,637

1. The UK free surplus reduction of £340m to finance new business reflects £343m additional required capital in relation to new business.
2. The increase in UK free surplus of £901m from the expected transfer from the in-force covered business includes £688m of operational cash generation and a £213m reduction in required capital. The £1,026m operational cash generation from Insurance, Savings, LGR and LGIM per Note 2.01 also includes £29m dividend from LGN, £2m dividend from LGF and £307m primarily reflecting profit from non-covered business.
3. Reflects the implementation of the UK planned future reductions in corporation tax to 20% on 1 April 2015.
4. Intra-group distributions primarily reflect £675m dividends paid from Society to Group and dividends of €35m from LGN and £5m from Nationwide to Society.
5. The transfer to non-covered business represents the IFRS profits arising in the year from the provision of investment management services by LGIM to the UK covered business, which have been included in the operating profit of the covered business on the look through basis.
6. The other reserve movements reflect the pension deficit movement, the effect of reinsurance arrangement transactions between UK and US covered business and intragroup capital contribution.

The value of in-force business of £6,118m is comprised of £5,778m of non profit business and £340m of with-profits business.

5.02 Reconciliation of shareholder net worth

	UK covered business 30.06.15 £m	**Total 30.06.15 £m**	UK covered business 30.06.14 £m	Total 30.06.14 £m	UK covered business 31.12.14 £m	Total 31.12.14 £m
SNW of long term operations (IFRS basis)	**4,700**	**5,989**	4,645	5,820	4,693	5,889
Other assets/(liabilities) (IFRS basis)	**-**	**43**	-	(109)	-	139
Shareholders' equity on the IFRS basis	**4,700**	**6,032**	4,645	5,711	4,693	6,028
Purchased interest in long term business	**(42)**	**(48)**	(51)	(54)	(46)	(49)
Deferred acquisition costs/deferred income liabilities	**(189)**	**(1,217)**	(212)	(1,140)	(201)	(1,255)
Deferred tax[1]	**(36)**	**399**	(123)	282	(16)	444
Other[2]	**(642)**	**(889)**	(632)	(768)	(911)	(976)
Shareholder net worth on the EEV basis	**3,791**	**4,277**	3,627	4,031	3,519	4,192

1. Deferred tax represents all tax which is expected to be paid under legislation in force at the balance sheet date.
2. Other primarily relates to the different treatment of annuities and LGA Triple X securitisation between the EEV and IFRS basis.

5.03 Profit/(loss) for the period

For the six months ended 30 June 2015	Note	Covered business UK business £m	Covered business Insurance overseas business £m	Covered business LGA £m	Non-covered business £m	Total £m
Business reported on an EEV basis:						
Contribution from new business after cost of capital	5.04	**155**	**-**	**41**	**-**	**196**
Contribution from in-force business:						
- expected return[1]		**205**	**4**	**29**	**-**	**238**
- experience variances [2]		**(22)**	**(2)**	**12**	**-**	**(12)**
- operating assumption changes[3]		**50**	**1**	**(1)**	**-**	**50**
Development costs		**(9)**	**-**	**-**	**-**	**(9)**
Contribution from shareholder net worth[4]		**98**	**1**	**3**	**-**	**102**
Operating profit/(loss) on covered business		**477**	**4**	**84**	**-**	**565**
Business reported on an IFRS basis[5]		**-**	**-**	**-**	**107**	**107**
Total operating profit/(loss)		**477**	**4**	**84**	**107**	**672**
Economic variances[6]		**57**	**1**	**(7)**	**(55)**	**(4)**
Other variances[7]		**-**	**(51)**	**-**	**-**	**(51)**
Gains on non-controlling interests		**-**	**-**	**-**	**8**	**8**
Profit/(loss) before tax		**534**	**(46)**	**77**	**60**	**625**
Tax (expense)/credit on profit from ordinary activities		**(70)**	**(1)**	**(27)**	**(7)**	**(105)**
Other taxation impacts[8]		**-**	**-**	**-**	**-**	**-**
Profit/(loss) for the period		**464**	**(47)**	**50**	**53**	**520**

Operating profit on covered business before tax attributable to:	
Insurance	**150**
Savings	**40**
LGR	**178**
LGIM[9]	**11**
LGC	**98**
Total	**477**

	p
Earnings per share	
Based on profit attributable to equity holders of the Company	**8.66**
Diluted earnings per share	
Based on profit attributable to equity holders of the Company	**8.60**

1. The expected return on in-force for UK covered business is based on the unwind of the risk discount rate on the opening, adjusted base value of in-force (VIF). The opening base VIF of the UK covered business was £6,118m in 2015 (2014: £4,693m). This is adjusted for the effects of opening model changes of £(15)m (H1 14: £4m; FY 14: £(30)m) to give an adjusted opening base VIF of £6,103m (H1 14: £4,697m; FY 14: £4,663m). This is then multiplied by the opening risk discount rate of 5.5% (2014: 6.8%) and the result grossed up at the notional attributed tax rate of 20% (2014: 20%) to give a return of £205m (H1 14: £196m; FY 14: £397m). The same approach has been applied for the Insurance overseas businesses.
2. UK covered business variance primarily reflects the impact from annuities expense experience, selective longevity and asset reinsurance related to bulk annuity transactions.
3. UK covered business operating assumption change primarily reflects a change in mortality reserving assumptions in relation to unreported deaths of deferred annuitants.
4. Contribution from shareholder net worth reflects the returns on shareholder funds' assets of covered business.
5. Non-covered business operating profit primarily reflects: LGIM business excluding Workplace savings, GI and LGC non-covered business, which comprises of Group debt costs, investment projects and expenses, partly offset by investment returns from non-covered shareholder assets.
6. The UK covered positive variance has resulted from a number of factors including favourable default experience, enhanced yield on annuity assets offset by a higher risk free rate.
7. Other variances primarily reflect the recognition of impairment losses arising on the classification of LGF as Held for Sale.
8. The impact of the further corporation tax rate reductions announced on 8 July 2015 has not been included in the H1 15 results as they were not known at the reporting date. The impact will be included in the FY 15 results.
9. LGIM figures are the Workplace Savings results, other areas of LGIM are not included in covered business.

5.03 Profit/(loss) for the period (continued)

For the six months ended 30 June 2014	Note	Covered business UK business £m	Insurance overseas business £m	LGA £m	Non-covered business £m	Total £m
Business reported on an EEV basis:						
Contribution from new business after cost of capital	5.04	368	2	51	-	421
Contribution from in-force business:						
- expected return[1]		196	14	28	-	238
- experience variances [2]		46	(4)	(10)	-	32
- operating assumption changes[3]		(24)	1	-	-	(23)
Development costs		(14)	-	-	-	(14)
Contribution from shareholder net worth		87	3	3	-	93
Operating profit on covered business		659	16	72	-	747
Business reported on an IFRS basis[4]		-	-	-	103	103
Total operating profit		659	16	72	103	850
Economic variances[5]		68	2	(2)	(60)	8
Gains on non-controlling interests		-	-	-	6	6
Profit before tax		727	18	70	49	864
Tax (expense)/credit on profit from ordinary activities		(150)	(4)	(24)	12	(166)
Effect of tax rate changes and other taxation impacts[6]		21	-	-	-	21
Profit for the period		598	14	46	61	719

Operating profit on covered business before tax attributable to:	
Insurance	88
Savings	44
LGR	430
LGIM[7]	10
LGC	87
Total	659

	p
Earnings per share	
Based on profit attributable to equity holders of the Company	12.12
Diluted earnings per share	
Based on profit attributable to equity holders of the Company	11.99

1.The expected return on in-force for UK covered business is based on the unwind of the risk discount rate on the opening, adjusted base value of in-force (VIF). The opening base VIF of the UK covered business was £4,693m in 2014. This is adjusted for the effects of opening model changes of £4m to give an adjusted opening base VIF of £4,697m. This is then multiplied by the opening risk discount rate of 6.8% and the result grossed up at the notional attributed tax rate of 20% to give a return of £196m. The same approach has been applied for the Insurance overseas businesses.
2. UK covered business variance primarily reflects cost of capital unwind, bulk purchase annuity data loading and fewer retail protection lapses. LGA experience variance primarily relates to adverse mortality experience within term assurance and universal life products.
3. UK covered business assumption changes primarily reflect mortality reserves strengthening partly offset by a reduction in prudence margin in the regulatory morbidity reserves within retail protection.
4. Non covered business operating profit primarily reflect LGIM business excluding Workplace savings, GI and LGC non covered business.
5. The UK covered business positive variance has resulted from a number of factors including lower risk discount rate and enhanced yield on annuity assets offset by a lower risk free rate and a narrowing credit spread. Non covered business variance primarily reflects lower equity return from shareholder funds.
6. Other taxation impacts reflects the change in the treatment of deferred tax on in-force business to align with IFRS by removing the effect of discounting.
7. LGIM figures are the Workplace Savings results, other areas of LGIM are not included in covered business.

5.03 Profit/(loss) for the year (continued)

For the year ended 31 December 2014	Note	Covered business UK business £m	Covered business Insurance overseas business £m	Covered business LGA £m	Non-covered business £m	Total £m
Business reported on an EEV basis:						
Contribution from new risks after cost of capital:						
- contribution from new business	5.04	753	7	90	-	850
- intra-group transfer from With-Profit to Non Profit Fund		100				100
Contribution from in-force business:						
- expected return[1]		397	27	66	-	490
- experience variances[2]		32	(11)	(23)	-	(2)
- operating assumption changes[3]		42	16	(241)	-	(183)
Development costs		(32)	-	-	-	(32)
Contribution from shareholder net worth		184	7	3	-	194
Operating profit on covered business		1,476	46	(105)	-	1,417
Business reported on an IFRS basis[4]		-	-	-	164	164
Total operating profit		1,476	46	(105)	164	1,581
Economic variances[5]		863	(18)	(17)	(38)	790
Gains on non-controlling interests		-	-	-	7	7
Profit before tax		2,339	28	(122)	133	2,378
Tax (expense)/credit on profit from ordinary activities		(364)	(8)	43	(31)	(360)
Effect of tax rate changes and other taxation impacts[6]		(2)	-	-	-	(2)
Profit for the year		1,973	20	(79)	102	2,016

Operating profit on covered business before tax attributable to:	
Insurance	232
Savings	22
LGR	1,011
LGIM[7]	27
LGC	184
Total	1,476

	p
Earnings per share	
Based on profit attributable to equity holders of the Company	34.07
Diluted earnings per share	
Based on profit attributable to equity holders of the Company	33.73

1. The expected return on in-force for UK covered business is based on the unwind of the risk discount rate on the opening, adjusted base value of in-force (VIF). The opening base VIF of the UK covered business was £4,693m in 2014. This is adjusted for the effects of opening model changes of £(30)m to give an adjusted opening base VIF of £4,663m. This is then multiplied by the opening risk discount rate of 6.8% and the result grossed up at the notional attributed tax rate of 20% to give a return of £397m. The same approach has been applied for the Insurance overseas businesses.
2. UK covered business variance primarily reflects UK cost of capital unwind and favourable mortality experience for bulk annuities. LGA experience variance primarily relates to adverse mortality experience within term assurance and universal life products respectively.
3. UK covered operating assumption change primarily reflects mortality assumptions changes for non-profit annuities. LGA operating assumption change primarily incorporates an adjustment to our mortality assumptions to reflect the changes in industry wide mortality tables (which were issued in the second half of 2014).
4. Non covered business operating profit primarily reflect LGIM business excluding Workplace savings, GI and LGC non covered business.
5. The UK covered business positive variance has resulted from a number of factors including lower risk discount rate, favourable default experience and enhanced yield on annuity assets offset by a lower risk free rate. Non covered variance primarily reflects lower equity return from shareholder funds.
6. Other taxation impacts reflects the change in the treatment of deferred tax on in-force business to align with IFRS by removing the effect of discounting.
7. LGIM figures are the Workplace Savings results, other areas of LGIM are not included in covered business.

5.04 New business by product[1]

For the six months ended 30 June 2015	Annual premiums £m	Present value of annual premiums £m	Capital-isation factor[2]	Single premiums £m	PVNBP £m	Contri-bution from new business[3] £m	Margin %
UK Insurance	119	638	5.4	-	638	54	8.5
Overseas Insurance	37	69	1.9	195	264	-	-
Insurance	**156**	**707**	**4.5**	**195**	**902**	**54**	**6.0**
Savings	**26**	**78**	**3.0**	**786**	**864**	**5**	**0.6**
LGR[4]	**n/a**	**-**	**n/a**	**1,292**	**1,292**	**93**	**7.2**
LGIM[5]	**324**	**1,286**	**4.0**	**277**	**1,563**	**3**	**0.2**
LGA	**41**	**404**	**9.9**	**-**	**404**	**41**	**10.1**
Total new business	**547**	**2,475**	**4.5**	**2,550**	**5,025**	**196**	**3.9**
Cost of capital						**40**	
Contribution from new business before cost of capital						**236**	

For the six months ended 30 June 2014	Annual premiums £m	Present value of annual premiums £m	Capital-isation factor[2]	Single premiums £m	PVNBP £m	Contri-bution from new business[3] £m	Margin %
UK Insurance	123	668	5.4	-	668	62	9.3
Overseas Insurance	38	266	7.0	180	446	2	0.4
Insurance	161	934	5.8	180	1,114	64	5.7
Savings	36	89	2.4	862	951	6	0.6
LGR	n/a	-	n/a	3,518	3,518	295	8.4
LGIM[5]	305	1,123	3.7	558	1,681	5	0.3
LGA	47	474	10.1	-	474	51	10.8
Total new business	549	2,620	4.8	5,118	7,738	421	5.4
Cost of capital						82	
Contribution from new business before cost of capital						503	

1. Covered business only.
2. The capitalisation factor is the present value of annual premiums divided by the amount of annual premiums.
3. The contribution from new business is defined as the present value at the point of sale of assumed profits from new business written in the period and then rolled forward to the end of the financial period using the risk discount rate applicable at the end of the reporting period.
4. LGR for H1 15 includes bulk annuities' single premiums and contribution from new business on a net of quota share reinsurance basis to provide a more representative margin figure.
5. LGIM figures are the Workplace Savings results, other areas of LGIM are not included in covered business.

5.04 New business by product (continued)[1]

For the year ended 31 December 2014	Annual premiums £m	Present value of annual premiums £m	Capital-isation factor[2]	Single premiums £m	PVNBP £m	Contri-bution from new business[3] £m	Margin %
UK Insurance	230	1,336	5.8	-	1,336	112	8.4
Overseas Insurance	41	300	7.3	394	694	7	1.0
Insurance	271	1,636	6.0	394	2,030	119	5.9
Savings	63	171	2.7	1,678	1,849	9	0.5
LGR	n/a	-	n/a	6,578	6,578	614	9.3
LGIM[4]	591	2,277	3.9	1,060	3,337	18	0.5
LGA	91	907	10.0	-	907	90	9.9
Total new business	1,016	4,991	4.9	9,710	14,701	850	5.8
Cost of capital						108	
Contribution from new business before cost of capital						958	

1. Covered business only.
2. The capitalisation factor is the present value of annual premiums divided by the amount of annual premiums.
3. The contribution from new business is defined as the present value at the point of sale of assumed profits from new business written in the period and then rolled forward to the end of the financial period using the risk discount rate applicable at the end of the reporting period.
4. LGIM figures are the Workplace Savings results, other areas of LGIM are not included in covered business.

5.05 Assumptions

UK assumptions

The assumed future pre-tax returns on fixed interest and RPI linked securities are set by reference to the portfolio yield on the relevant backing assets held at market value at the end of the reporting period. The calculated return takes account of derivatives and other credit instruments in the investment portfolio. Indicative yields on the portfolio, excluding annuities within LGR, but after allowance for long term default risk, are shown below.

For LGR, separate returns are calculated for new and existing business. An indicative combined yield, after allowance for long term default risk and the following additional assumptions, is also shown below. These additional assumptions are:

i. Where cash balances and debt securities are held at the reporting date in excess of, or below strategic investment guidelines, then it is assumed that these cash balances or debt securities are immediately invested or disinvested at current yields.

ii. Where interest rate swaps are used to reduce risk, it is assumed that these swaps will be sold before expiry and the proceeds reinvested in corporate bonds with a redemption yield of 0.70% p.a. (0.70% p.a. at 30 June 2014; 0.70% p.a. at 31 December 2014) greater than the swap rate at that time (i.e. the long term credit rate).

iii. Where reinvestment or disinvestment is necessary to rebalance the asset portfolio in line with projected outgo, this is also assumed to take place at the long term credit rate above the swap rate at that time.

The returns on fixed and index-linked securities are calculated net of an allowance for default risk which takes account of the credit rating, outstanding term of the securities. The allowance for corporate securities expressed as a level rate deduction from the expected returns for annuities was 21bps at 30 June 2015 (26bps at 30 June 2014; 21bps at 31 December 2014).

UK covered business

i. Assets are valued at market value.

ii. Future bonus rates have been set at levels which would fully utilise the assets supporting the policyholders' portion of the with-profits business in accordance with established practice. The proportion of profits derived from with-profits business allocated to shareholders amounts to almost 10% throughout the projection.

iii. The value of in-force business reflects the cost, including administration expenses, of providing for benefit enhancement or compensation in relation to certain products.

iv. Other actuarial assumptions have been set at levels commensurate with recent operating experience, including those for mortality, morbidity, persistency and maintenance expenses (excluding the development costs referred to below). These are normally reviewed annually.

   An allowance is made for future mortality improvement. For new business, mortality assumptions may be modified to take certain scheme specific features into account.

v. Development costs relate to investment in strategic systems and development capability that are charged to the covered business.

Overseas covered business

vi. Other actuarial assumptions have been set at levels commensurate with recent operating experience, including those for mortality, morbidity, persistency and maintenance expenses.

5.05 Assumptions (continued)

Economic assumptions

	As at 30.06.2015 % p.a.	As at 30.06.2014 % p.a.	As at 2014 % p.a.
Risk margin	**3.3**	3.3	3.3
Risk free rate[1]			
- UK	**2.5**	3.2	2.2
- Europe	**1.0**	1.4	0.6
- US	**2.4**	2.5	2.2
Risk discount rate (net of tax)			
- UK	**5.8**	6.5	5.5
- Europe	**4.3**	4.7	3.9
- US	**5.7**	5.8	5.5
Reinvestment rate (US)	**5.6**	5.0	5.0
Other UK business assumptions			
Equity risk premium	**3.3**	3.3	3.3
Property risk premium	**2.0**	2.0	2.0
Investment return (excluding annuities in LGR)			
- Fixed interest:			
-Gilts & non gilts	**2.0 – 2.7**	2.2 – 3.3	1.7 - 2.4
- Equities	**5.8**	6.5	5.5
- Property	**4.5**	5.2	4.2
Long-term rate of return on non profit annuities in LGR	**4.0**	4.3	3.6
Inflation[2]			
- Expenses/earnings	**3.9**	3.9	3.7
- Indexation	**3.4**	3.4	3.2

1. The risk free rate is the gross redemption yield on the 15 year gilt index. The Europe risk free rate is the 10 year ECB AAA-rated Euro area central government bond par yield. The LGA risk free rate is the 10 year US Treasury effective yield.
2. The LGR inflation rate has been set with reference to a curve.

Tax

vii. The profits on the covered business, except for the profits on the Society shareholder capital held outside the long term fund, are calculated on an after tax basis and are grossed up by the notional attributed tax rate for presentation in the income statement. The tax rate used for grossing up is the long term corporate tax rate in the territory concerned, which for the UK is 20% (30 June 2014: 20%; 31 December 2014: 20%). The impact of the further corporation tax reductions from the Budget announcement on 8 July 2015 has not been included in the H1 15 results as they were not known at the reporting date. The impact will be included in the FY 15 results. The profits on the Society shareholder capital held outside the long term fund are calculated before tax and therefore tax is calculated on an actual basis.

US, Netherlands and France covered business profits are also grossed up using the long term corporate tax rates of the respective territories i.e. US is 35% (30 June 2014: 35%; 31 December 2014: 35%), France is 34.43% (30 June 2014: 34.43%; 31 December 2014: 34.43%) and Netherlands is 25% (30 June 2014: 25%; 31 December 2014: 25%).

5.05 Assumptions (continued)

Stochastic calculations

viii. The time value of options and guarantees is calculated using economic and non-economic assumptions consistent with those used for the deterministic embedded value calculations.

A single model has been used for UK and international business, with different economic assumptions for each territory reflecting the significant asset classes in each territory.

Government nominal interest rates are generated using a LIBOR Market Model projecting full yield curves at annual intervals. The model provides a good fit to the initial yield curve.

The total annual returns on equities and property are calculated as the return on 1 year bonds plus an excess return. The excess return is assumed to have a lognormal distribution. Corporate bonds are modelled separately by credit rating using stochastic credit spreads over the risk free rates, transition matrices and default recovery rates. The real yield curve model assumes that the real short rate follows a mean-reverting process subject to two normally distributed random shocks.

The significant asset classes are:
– UK with-profits business – equities, property and fixed rate bonds of various durations;
– UK annuity business – fixed rate and index-linked bonds of various durations; and
– International business – fixed rate bonds of various durations.

The risk discount rate is scenario dependent within the stochastic projection. It is calculated by applying the deterministic risk margin to the risk free rate in each stochastic projection.

5.06 Methodology

Basis of preparation

The supplementary financial information has been prepared in accordance with the European Embedded Value (EEV) Principles issued in May 2004 by the European Insurance CFO Forum.

Due to the current uncertainty surrounding the final Solvency II outcome, the Group has not reflected Solvency II requirements within the EEV results.

The supplementary financial information has been reviewed by PricewaterhouseCoopers LLP.

Covered business

The Group uses EEV methodology to value individual and group life assurance, pensions and annuity business written in the UK, Europe and the US. The UK covered business also includes non-insured self invested personal pension (SIPP) business.

The managed pension funds business has been excluded from covered business and is reported on an IFRS basis.

All other businesses are accounted for on the IFRS basis adopted in the primary financial statements.

There is no distinction made between insurance and investment contracts in our covered business as there is under IFRS.

5.06 Methodology (continued)

Description of methodology

The objective of EEV is to provide shareholders with realistic information on the financial position and current performance of the Group.

The methodology requires assets of an insurance company, as reported in the primary financial statements, to be attributed between those supporting the covered business and the remainder. The method accounts for assets in the covered business on an EEV basis and the remainder of the Group's assets on the IFRS basis adopted in the primary financial statements.

The EEV methodology recognises profit from the covered business as the total of:

i. cash transfers during the relevant period from the covered business to the remainder of the Group's assets; and

ii. the movement in the present value of future distributable profits to shareholders arising from the covered business over the relevant reporting period.

Embedded value

Shareholders' equity on the EEV basis comprises the embedded value of the covered business plus the shareholders' equity of other businesses, less the value included for purchased interests in long term business.

The embedded value is the sum of the shareholder net worth (SNW) and the value of the in-force business (VIF). SNW is defined as those amounts, within covered business (both within the long term fund and held outside the long term fund but used to support long term business), which are regarded either as required capital or which represent free surplus.

The VIF is the present value of future shareholder profits arising from the covered business, projected using best estimate assumptions, less an appropriate deduction for the cost of holding the required level of capital and the time value of financial options and guarantees (FOGs).

Service companies

All services relating to the UK covered business are charged on a cost recovery basis, with the exception of investment management services provided to Legal & General Pensions Limited (LGPL) and to Legal & General Assurance Society Limited (Society). Profits arising on the provision of these services are valued on a look through basis.

As the EEV methodology incorporates the future capitalised cost of these internal investment management services, the equivalent IFRS profits have been removed from the investment management (LGIM) segment and are instead included in the results of the Insurance, Savings and LGR segments on an EEV basis.

The capitalised value of future profits emerging from internal investment management services are therefore included in the embedded value and new business contribution calculations for the Insurance, Savings and LGR segments. However, the historical profits which have emerged continue to be reported in the shareholders' equity of the LGIM segment on an IFRS basis. Since the look through into service companies includes only future profits and losses, current intra-group profits or losses must be eliminated from the closing embedded value and in order to reconcile the profits arising in the financial period within each segment with the net assets on the opening and closing balance sheet, a transfer of IFRS profits for the period from the UK SNW is deemed to occur.

New business

New business premiums reflect income arising from the sale of new contracts during the reporting period and any changes to existing contracts, which were not anticipated at the outset of the contract.

In-force business comprises previously written single premium, regular premium, recurrent single premium contracts and payments in relation to existing longevity insurance. Longevity insurance product comprises the exchange of a stream of fixed leg payments for a stream of floating payments, with the value of the income stream being the difference between the two legs. New business annual premiums have been excluded for longevity insurance due to the unpredictable deal flow from this type of business.

New business contribution arising from the new business premiums written during the reporting period has been calculated on the same economic and operating assumptions used in the embedded value at the end of the financial period. This has then been rolled forward to the end of the financial period using the risk discount rate applicable at the end of the reporting period.

The present value of future new business premiums (PVNBP) has been calculated and expressed at the point of sale. The PVNBP is equivalent to total single premiums plus the discounted value of regular premiums expected to be received over the term of the contracts using the same economic and operating assumptions used for the embedded value at the end of the financial period. The discounted value of longevity insurance regular premiums and quota share reinsurance single premiums are calculated on a net of reinsurance basis to enable a more representative margin figure.

The new business margin is defined as new business contribution at the end of the reporting period divided by the PVNBP. The premium volumes and projection assumptions used to calculate the PVNBP are the same as those used to calculate new business contribution.

Intra-group reinsurance arrangements are in place between the US and UK businesses, and it is expected that these arrangements will be periodically extended to cover recent new business. LGA new business premiums and contribution reflect the groupwide expected impact of LGA directly-written business.

5.06 Methodology (continued)

Projection assumptions

Cash flow projections are determined using best estimate assumptions for each component of cash flow and for each policy group. Future economic and investment return assumptions are based on conditions at the end of the financial period. Future investment returns are projected by one of two methods. The first method is based on an assumed investment return attributed to assets at their market value. The second, which is used by LGA, where the investments of that subsidiary are substantially all fixed interest, projects the cash flows from the current portfolio of assets and assumes an investment return on reinvestment of surplus cash flows. The assumed discount and inflation rates are consistent with the investment return assumptions.

Detailed projection assumptions including mortality, morbidity, persistency and expenses reflect recent operating experience and are normally reviewed annually. Allowance is made for future improvements in annuitant mortality based on experience and externally published data. Favourable changes in operating experience are not anticipated until the improvement in experience has been observed.

All costs relating to the covered business, whether incurred in the covered business or elsewhere in the Group, are allocated to that business. The expense assumptions used for the cash flow projections therefore include the full cost of servicing this business.

Tax

The projections take into account all tax which is expected to be paid, based on best estimate assumptions, applying current legislation and practice together with known future changes. The impact of the further corporation tax reductions from Budget announcement on 8 July 2015 have not been included in the H1 15 results as they were not known at the reporting date. The impact will be included in the FY15 results.

Allowance for risk

Aggregate risks within the covered business are allowed for through the following principal mechanisms:

i. setting required capital levels with reference to both the Group's internal risk based capital models, and an assessment of the strength of regulatory reserves in the covered business;

ii. allowing explicitly for the time value of financial options and guarantees within the Group's products; and

iii. setting risk discount rates by deriving a Group level risk margin to be applied consistently to local risk free rates.

Required capital and free surplus

Due to the current uncertainty surrounding the final Solvency II outcome, the Group has not reflected Solvency II requirements within the EEV results.

Regulatory capital for the UK covered businesses is provided by assets backing the with-profits business or by the SNW. The SNW comprises all shareholders' capital within Society, including those funds retained within the long term fund and the excess assets in LGPL (collectively Society shareholder capital).

Society shareholder capital is either required to cover the EU solvency margin or is free surplus as its distribution to shareholders is not restricted.

For UK with-profits business, the required capital is covered by the surplus within the with-profits part of the fund and no effect is attributed to shareholders except for the burn-through cost, which is described later. This treatment is consistent with the Principles and Practices of Financial Management for this part of the fund.

For UK non profit business, the required capital will be maintained at no less than the level of the EU minimum solvency requirement. This level, together with the margins for adverse deviation in the regulatory reserves, is, in aggregate, in excess of internal capital targets assessed in conjunction with the Individual Capital Assessment (ICA) and the with-profits support account.

The initial strains relating to new non profit business, together with the related EU solvency margin, are supported by releases from existing non profit business and the Society shareholder capital. As a consequence, the writing of new business defers the release of capital to free surplus. The cost of holding required capital is defined as the difference between the value of the required capital and the present value of future releases of that capital. For new business, the cost of capital is taken as the difference in the value of that capital assuming it was available for release immediately and the present value of the future releases of that capital. As the investment return, net of tax, on that capital is less than the risk discount rate, there is a resulting cost of capital which is reflected in the value of new business.

For LGA, the Company Action Level (CAL) of capital has been treated as required capital for modelling purposes. The CAL is the regulatory capital level at which the company would have to take prescribed action, such as submission of plans to the State insurance regulator, but would be able to continue operating on the existing basis. The CAL is currently twice the level of capital at which the regulator is permitted to take control of the business.

For LGN, required capital has been set at 104% of EU minimum solvency margin for all products without FOGs. For those products with FOGs, capital of between 104% and 563% of the EU minimum solvency margin has been used. These capital requirements have been scaled up by a factor of 1.0 at the total level to ensure the total requirement meets the 160% Solvency I from the capital policy for the EEV, for the NBVA no scaling is applied. The level of capital has been determined using risk based capital techniques.

For LGF, 100% of EU minimum solvency margin has been used for EV modelling purposes for all products both with and without FOGs. The level of capital has been determined using risk based capital techniques.

The contribution from new business for our international businesses reflects an appropriate allowance for the cost of holding the required capital.

5.06 Methodology (continued)

Financial options and guarantees

Under the EEV Principles an allowance for time value of FOGs is required where a financial option exists which is exercisable at the discretion of the policyholder. These types of option principally arise within the with-profits part of the fund and their time value is recognised within the with-profits burn-through cost described below. Additional financial options for non profit business exist only for a small amount of deferred annuity business where guaranteed early retirement and cash commutation terms apply when the policyholders choose their actual retirement date.

Further financial guarantees exist for non profit business, in relation to index-linked annuities where capped or collared restrictions apply. Due to the nature of these restrictions and the manner in which they vary depending on the prevailing inflation conditions, they are also treated as FOGs and a time value cost recognised accordingly.

The time value of FOGs has been calculated stochastically using a large number of real world economic scenarios derived from assumptions consistent with the deterministic EEV assumptions and allowing for appropriate management actions where applicable. The management action primarily relates to the setting of bonus rates. Future regular and terminal bonuses on participating business within the projections are set in a manner consistent with expected future returns available on assets deemed to back the policies within the stochastic scenarios.

In recognising the residual value of any projected surplus assets within the with-profits part of the fund in the deterministic projection, it is assumed that terminal bonuses are increased to exhaust all of the assets in the part of the fund over the future lifetime of the in-force with-profits policies. However, under stochastic modelling, there may be some extreme economic scenarios when the total projected assets within the with-profits part of the fund are insufficient to pay all projected policyholder claims and associated costs. The average additional shareholder cost arising from this shortfall has been included in the time value cost of financial options and guarantees and is referred to as the with-profits burn-through cost.

Economic scenarios have been used to assess the time value of the financial guarantees for non profit business by using the inflation rate generated in each scenario. The inflation rate used to project index-linked annuities will be constrained in certain real world scenarios, for example, where negative inflation occurs but the annuity payments do not reduce below pre-existing levels. The time value cost of FOGs allows for the projected average cost of these constrained payments for the index-linked annuities. It also allows for the small additional cost of the guaranteed early retirement and cash commutation terms for the minority of deferred annuity business where such guarantees have been written.

LGA FOGs relate to guaranteed minimum crediting rates and surrender values on a range of contracts, as well as impacts on no-lapse guarantees (NLG). The guaranteed surrender value of the contract is based on the accumulated value of the contract including accrued interest. The crediting rates are discretionary but related to the accounting income for the amortising bond portfolio. The majority of the guaranteed minimum crediting rates are between 3% and 4%. The assets backing these contracts are invested in US Dollar denominated fixed interest securities.

LGN separately provides for two types of guarantees: interest rate guarantees and maturity guarantees. Certain contracts provide an interest rate guarantee where there is a minimum crediting rate based on the higher of 1-year Euribor and the policy guarantee rate. This guarantee applies on a monthly basis. Certain other linked contracts provide a guaranteed minimum value at maturity where the maturity amount is the higher of the fund value and a guarantee amount. The fund values for both these contracts are invested in Euro denominated fixed interest securities.

For LGF, FOGs which have been separately provided for relate to guaranteed minimum crediting rates and surrender values on a range of contracts. The guaranteed surrender value of the contract is the accumulated value of the contract including accrued bonuses. The bonuses are based on the accounting income for the amortising bond portfolios plus income and releases from realised gains on any equity type investments. Policy liabilities equal guaranteed surrender values. In general, the guaranteed annual bonus rates are between 0% and 4.5%.

Risk free rate

The risk free rate is set to reflect both the pattern of the emerging profits under EEV and the relevant duration of the liabilities where backing assets reflect this assumption (e.g. equity returns). For the UK, it is set by reference to the gross redemption yield on the 15 year gilt index. For LGA, the risk free rate is the 10 year US Treasury effective yield, while the 10 year ECB AAA-rated Euro area central government bond par yield is used for LGN and LGF.

5.06 Methodology (continued)

Risk discount rate

The risk discount rate (RDR) is a combination of the risk free rate and a risk margin, which reflects the residual risks inherent in the Group's covered businesses, after taking account of prudential margins in the statutory provisions, the required capital and the specific allowance for FOGs.

The risk margin has been determined based on an assessment of the Group's weighted average cost of capital (WACC). This assessment incorporates a beta for the Group, which measures the correlation of movements in the Group's share price to movements in a relevant index. Beta values therefore allow for the market's assessment of the risks inherent in the business relative to other companies in the chosen index.

The WACC is derived from the Group's cost of equity and debt, and the proportion of equity to debt in the Group's capital structure measured using market values. Each of these three parameters is forward looking, although informed by historic information and appropriate judgements where necessary. The cost of equity is calculated as the risk free rate plus the equity risk premium for the chosen index multiplied by the Company's beta. Forward-looking or adjusted betas make allowance for the observed tendency for betas to revert to 1 and therefore a weighted average of the historic beta and 1 tends to be a better estimate of the Company's beta for the future period. We have computed the WACC using an arithmetical average of forward-looking betas against the FTSE 100 index.

The cost of debt used in the WACC calculations takes account of the actual locked-in rates for our senior and subordinated long term debt. All debt interest attracts tax relief at a rate of 20.0% (2014: 20.1%).

Whilst the WACC approach is a relatively simple and transparent calculation to apply, subjectivity remains within a number of the assumptions. Management believes that the chosen margin, together with the levels of required capital, the inherent strength of the Group's regulatory reserves and the explicit deduction for the cost of options and guarantees, is appropriate to reflect the risks within the covered business.

Analysis of profit

Operating profit is identified at a level which reflects an assumed longer term level of investment return.

The contribution to operating profit in a period is attributed to four sources:

i. new business;

ii. the management of in-force business;

iii. development costs; and

iv. return on shareholder net worth.

Further profit contributions arise from actual investment return differing from the assumed long term investment return, and from the effect of economic assumption changes. These are shown below operating profit.

The contribution from new business represents the value recognised at the end of each period from new business written in that period, after allowing for the actual cost of acquiring the business and of establishing the required technical provisions and reserves and after making allowance for the cost of capital. New business contributions are calculated using closing assumptions.

The contribution from in-force business is calculated using opening assumptions and comprises:

i. expected return - the discount earned from the value of business in-force at the start of the year;

ii. experience variances - the variance in the actual experience over the reporting period from that assumed in the value of business in-force as at the start of the year; and

iii. operating assumption changes - the effects of changes in future assumptions, other than changes in economic assumptions from those used in valuing the business at the start of the year. These changes are made prospectively from the end of the period.

Development costs relate to investment in strategic systems and development capability.

The contribution from shareholder net worth comprises the increase in embedded value based on assumptions at the start of the year in respect of the expected investment return on the Society shareholder capital.

Further profit contributions arise from investment return variances and the effect of economic assumption changes.

Economic variances represent:

i. the effect of actual investment performance and changes to investment policy on SNW and VIF business from that assumed at the beginning of the period; and

ii. the effect of changes in economic variables on SNW and VIF business from that assumed at the beginning of the period, which are beyond the control of management, including associated changes to valuation bases to the extent that they are reflected in revised assumptions.

Independent review report to Legal & General Group Plc – EEV

Report on the supplementary interim financial information

Our conclusion

We have reviewed the supplementary interim financial information in the interim management report of Legal & General Group Plc for the six months ended 30 June 2015 (the "supplementary interim financial information). Based on our review, nothing has come to our attention that causes us to believe that the supplementary interim financial information is not prepared, in all material respects, in accordance with the European Embedded Value ("EEV") basis set out in Note 5.06.

What we have reviewed

Legal & General Group Plc's supplementary interim financial information comprises:

- the Group embedded value summary as at 30 June 2015 and
- the explanatory notes to the supplementary interim financial information.

As disclosed in Note 5.06 the supplementary interim financial information has been prepared on the European Embedded Value ("EEV") basis.

Responsibilities for the supplementary interim financial information and the review

Our responsibilities and those of the directors

The interim management report, including the supplementary interim financial information, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the supplementary interim financial information in accordance with the EEV basis set out in Note 5.06.

Our responsibility is to express to the company a conclusion on the supplementary interim financial information in the interim management report based on our review. This report, including the conclusion, has been prepared for and only for the company and for no other purpose. We do not, in giving this conclusion, 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.

What a review of supplementary interim financial information involves

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 supplementary interim 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.
We have read the other information contained in the interim management report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the supplementary interim financial information.

PricewaterhouseCoopers LLP
Chartered Accountants
4 August 2015
London

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 information since it was initially presented on the website.

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