

WE KNOW **EVERY**
DAY MATTERS

AND WE
NEVER
FORGET

OUR

**SOCIAL
PURPOSE**

WHICH SEES OUR DEDICATED PROFESSIONALS
COMMITTED TO BRINGING FINANCIAL SECURITY
TO OUR

CUSTOMERS,
FROM FIRST
TO LAST TIME
BUYERS, FROM
THE WORLD'S
PENSION
DEADLINE

LARGEST

FUNDS TO THOSE ON A

TO THE BREADLINE, WE DELIVER

SOCIALLY USEFUL PRODUCTS

AND PROVIDE **VALUE** TO OUR

CUSTOMERS

**...SUCCESSFUL YEARS
2009 - 14**

...PROFIT CENTRES

...MACRO TRENDS

...WINNING STRATEGIES

...YEAR VIEW 2014 - 19

NIGEL WILSON, CEO

BoAML CONFERENCE
October 2014



MONETARY METHADONE, REGULATORY AUSTERITY, AND BUSINESS PERFORMANCE.

Our traditional industry is shrinking through disposals and regulation

Chronic under investment in housing, urban regeneration, energy, education & transport

RADICAL POST-CRISIS POLICIES HAVE LEFT US
ADDICTED TO MONETARY METHADONE,
OVER-RELIANT ON PROPHETIC CENTRAL BANKERS.
ASSET BUBBLES AND AUSTERITY MEAN LOSERS OUTNUMBER WINNERS.
NAKED ECONOMICS 1.01
IS NEEDED TO DRIVE SUSTAINED GROWTH, AND
BEVERIDGE 2.0
WELFARE REFORM TO PAY FOR AN AGEING SOCIETY AND BUILD A FAIRER SOCIETY.

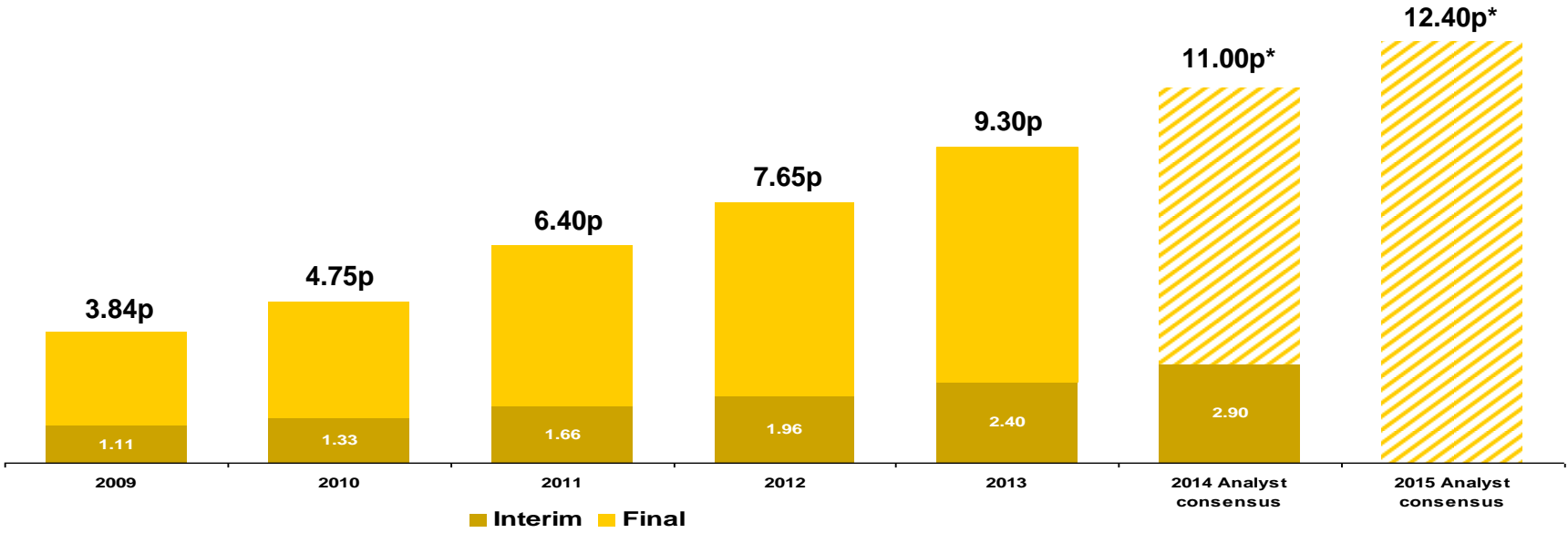
Sovereign debt asset bubble: risk transfer from state to employer and individual inevitable

Credit: demand problem not supply, bankers unfairly criticised

Solvency II: pan European harmonisation when UK businesses have minimal / no European presence

FIVE SUCESSFUL YEARS 2009 - 2014.

Dividend per share (p)



* Legal & General consensus as shown by Bloomberg as at 29th September 2014

FIVE PROFIT CENTRES.

Legal & General Assurance Society (LGAS):

With over 8m customers our three main areas are corporate (group pensions and group protection), retail savings (individual pensions, platforms and financial advice) and protection (life protection and general insurance)

LGAS CEO: John Pollock

Legal & General Retirement (LGR):

With around 1m customers, our retail business helps turn customers pension savings into lifelong retirement income. Our corporate business helps defined benefit pension schemes manage their liabilities

LGR MD: Kerrigan Procter

Legal & General America (LGA):

We're successfully building scale in the US. We offer life insurance plans to individuals with a focus on underwriting expertise and excellence in customer service. We're a top three US term life insurer with over 1m customers

LGA CEO: Jimmy Atkins

Legal & General Capital (LGC):

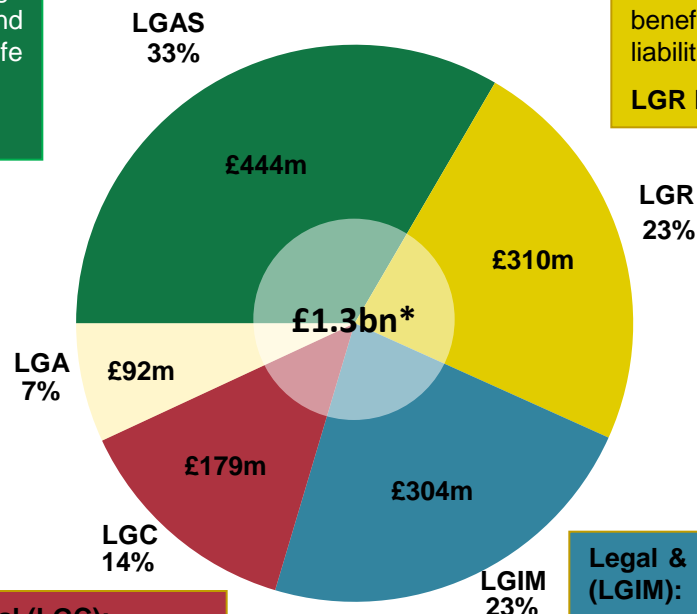
Our core purpose is increasing the returns on the Group's principal balance sheet. We focus on improving returns through direct investments whilst ensuring we have enough capital to withstand tough market conditions

LGC MD: Paul Stanworth

Legal & General Investment Management (LGIM):

Our international asset management business with over \$1 trillion assets manages investments on behalf of institutional and retail customers. We've a broad range of fund management services and are the largest manager of UK pension fund assets

LGIM CEO: Mark Zinkula



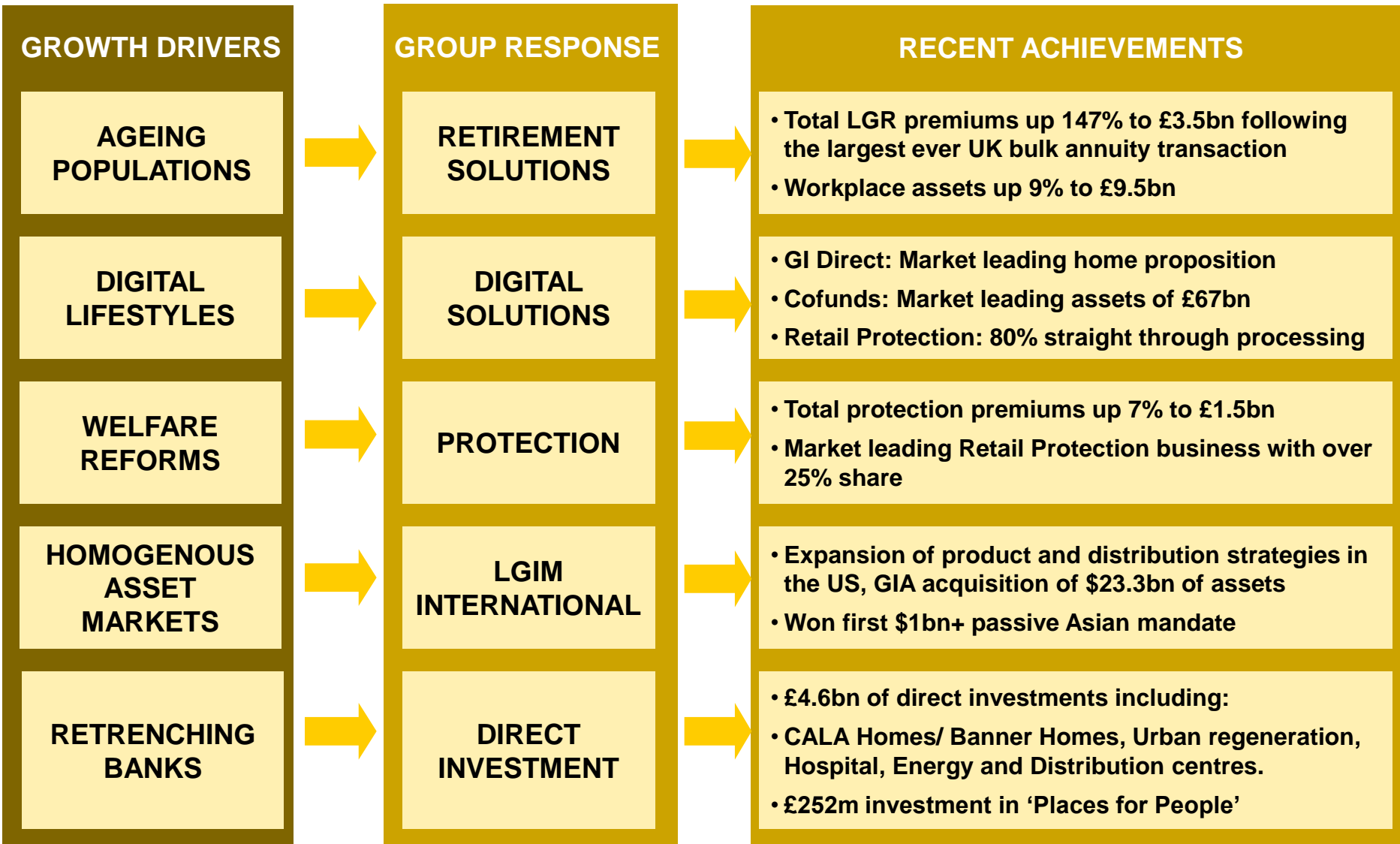
* 2013 Total operating profit before tax from divisions

Source: Annual Report and Accounts

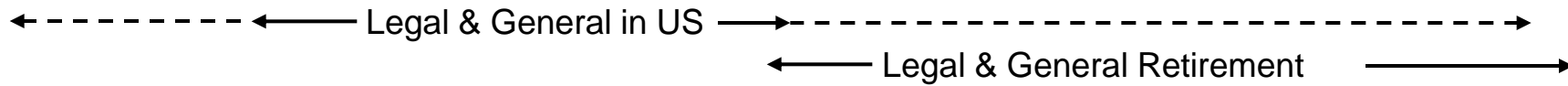
EVOLVING STRATEGY, SIMPLY.

	2009 AND ONGOING	2012	2014
	CASH: CERTAINTY AND SUSTAINABILITY	CASH + ORGANIC GROWTH	CASH + ORGANIC GROWTH + SELECTIVE ACQUISITIONS
STRATEGIC PROGRESS	<ul style="list-style-type: none"> Industrialised and automated processes Cost of new business reduced Capital efficiency increased 	<ul style="list-style-type: none"> Identification of five key macro drivers of growth Banks and governments excessive leverage create 'white spaces' to expand into No burning platforms 	<ul style="list-style-type: none"> Continue to accelerate growth in flow to annuities, direct investment and LGIM Six bolt on acquisitions Measured international expansion Increased digital capability
ORGANISATIONAL PROGRESS	<ul style="list-style-type: none"> One firm with shared culture, beliefs, values Every Day Matters 	<ul style="list-style-type: none"> Expansion of key roles - improving talent Strengthening our social purpose 	<ul style="list-style-type: none"> Five major profit centres in our new operational structure Becoming a destination for talent
OUTCOMES	<ul style="list-style-type: none"> Net cash: 213% growth 2013: £1,002m 2008: £320m Dividend: 129% growth 2013: 9.30p 2008: 4.06p 	<ul style="list-style-type: none"> UK Individual annuities up 26% UK Protection up 25% US Protection up 28% Direct investments £1.4bn Workplace net inflows £1.6bn 	<ul style="list-style-type: none"> LGIM International AUM: £83bn* Cofunds AUA: £67bn* US Protection sales up 11%* Direct investments: £4.6bn* 1.5 times target dividend cover
	Cost of 2013 dividend £550m	Return on equity 15.4%	Return on equity 17.6%*

FIVE MACRO TRENDS – FIVE STRATEGIC RESPONSES.



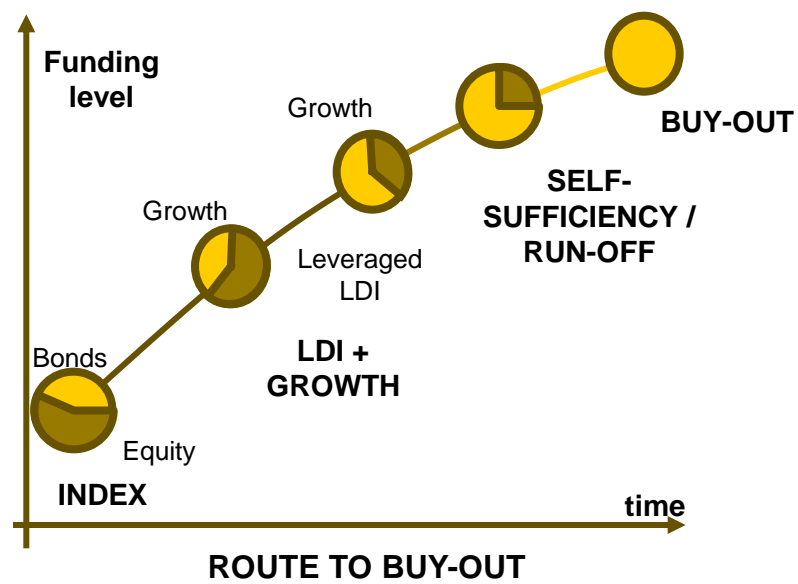
LGR AND LGIM DE-RISKING CAPABILITY.



Legal & General Investment Management

	Index funds	Solutions ¹	Active fixed interest	Longevity insurance	Buy-in	Buy-out
Assets (£bn)	268.7	253.1	97.2		38.5	

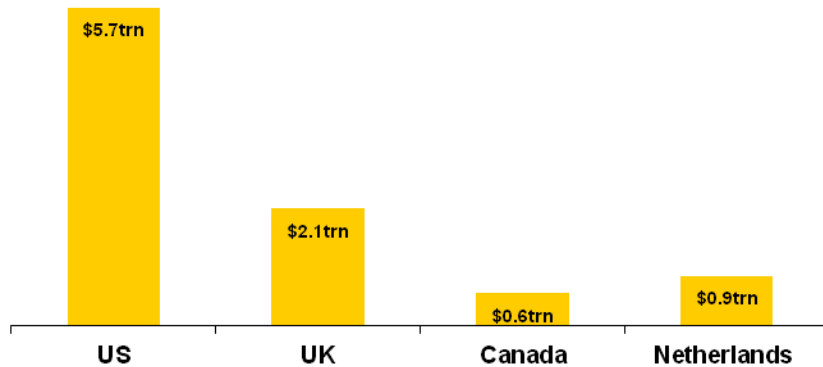
- Legal & General is the only company who participates in all the aspects of the de-risking journey
- Significant Active Fixed Interest and Multi Asset capabilities necessary for DC solutions
- Access to 40% of the client universe in the UK
- Market leading position in Liability Driven Investment (LDI)
- Established capabilities in active fixed, LDI and multi-asset in the US; ideally placed to expand the offer to all parts of the de-risking journey
- Private sector UK DB liabilities of around £1.8 trillion²



1. Includes Overlay assets, which comprise derivative notional associated with Solutions business.
 2. The Purple Book: PPF / The Pensions Regulator - November 2013 on a full buy-out basis.

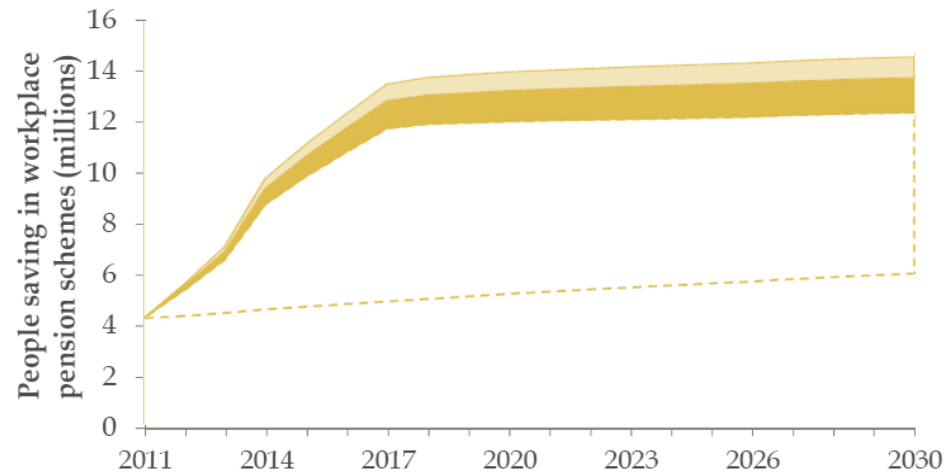
AGEING POPULATIONS: GLOBAL PENSIONS MARKET.

DEFINED BENEFIT PENSION ASSETS¹



- Global de-risking at an early stage of a structural de-risking trend
- \$9.3 trillion of private DB assets in the UK, US, Canada and Netherlands.
- Associated liabilities on a buy-out basis estimated at approaching \$10 trillion.
- Legal & General continues to explore opportunities in this global de-risking market

DEFINED CONTRIBUTION²



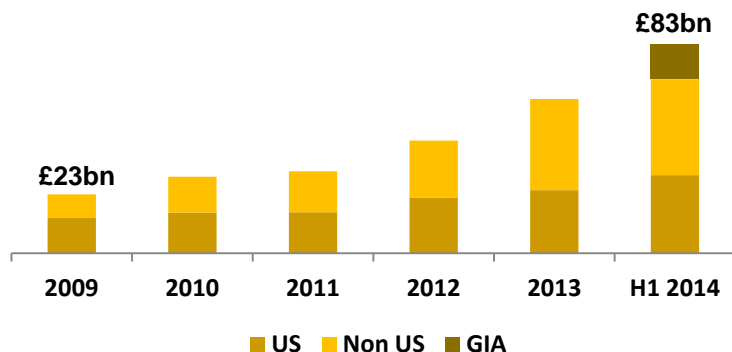
- UK defined contribution market anticipated to have around 12 million auto-enrolled pension savers by 2030
- Legal & General already has a 20% market share of auto-enrolment
- Acquisition of Global Index Advisors gives us access to \$6 trillion US defined contribution market

1. Source: Towers Watson Global Pension Asset Survey 2014

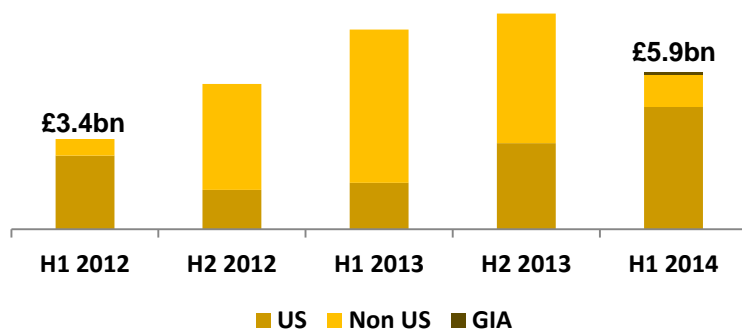
2. Source: PPI release 17 July 2014

LGIM: INTERNATIONALISATION OF L&G ASSETS.

LGIM INTERNATIONAL ASSETS

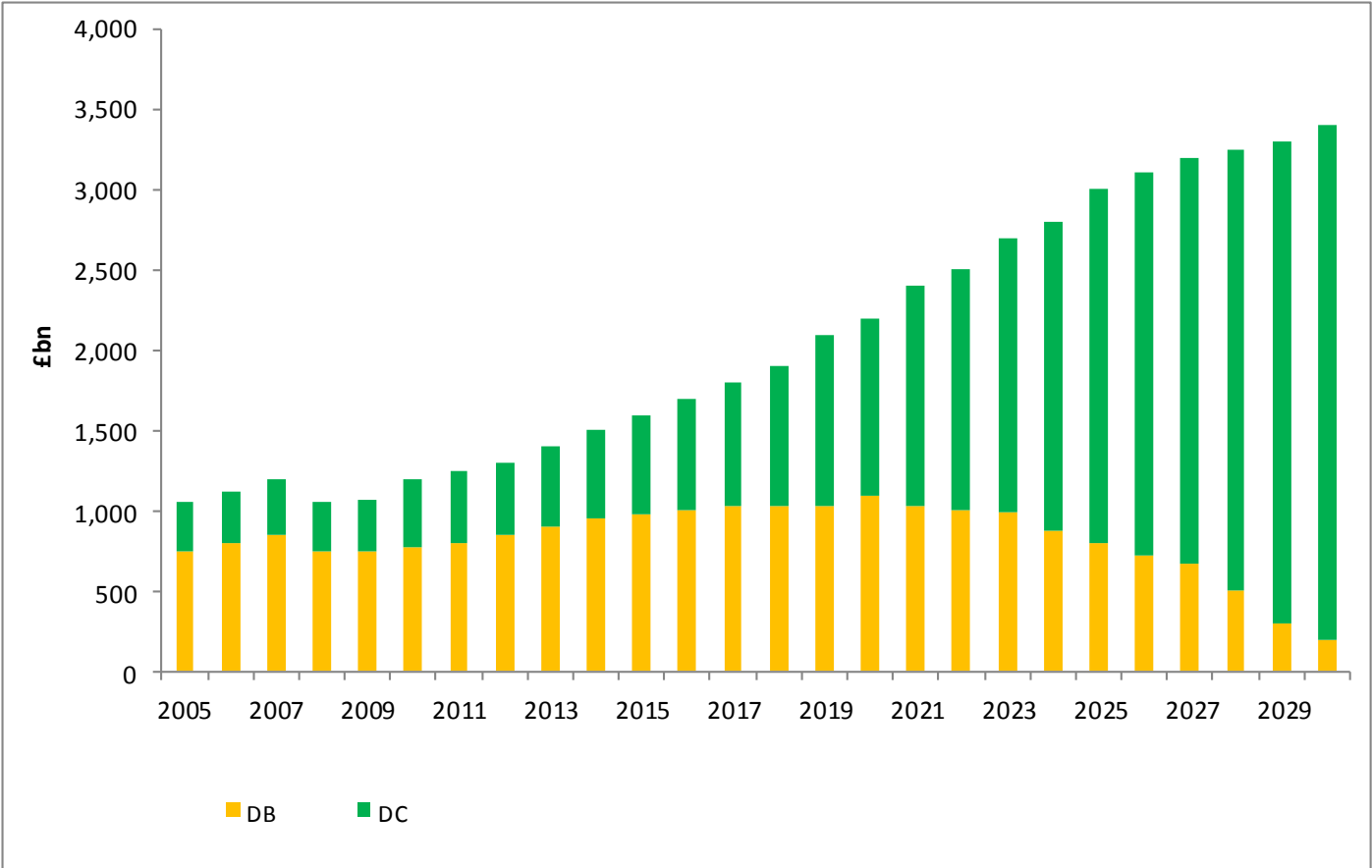


LGIM INTERNATIONAL NET FLOWS



- Strong growth in the US continues with net flows of £4.7bn in H1 2014
- Integration of GIA following the acquisition in May 2014
- Enter the US Index market in October 2014
- Won our first passive mandate from Asia in Q2
- In Europe, our SICAV fund range received its first major inflows
- Expanding our product offering in the Gulf

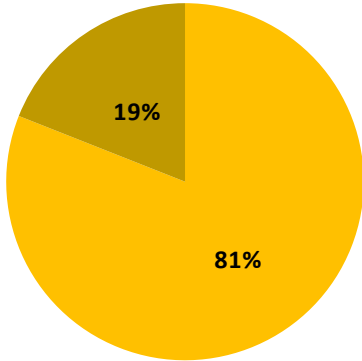
GROWTH IN DC AND THE DECLINE OF DB IN THE UK.



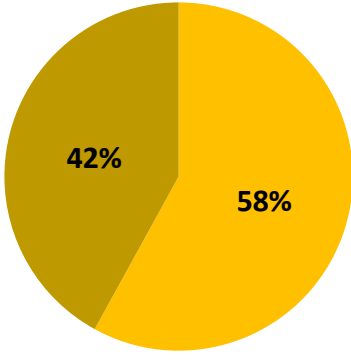
Source: PPI, Towers Watson, ONS, FSA, Oliver Wyman
Produced By Legal and General Investment Management

LESSONS FROM US AND AUSTRALIA.

Australia
DC Assets \$1.3tn



USA
DC Assets \$9.8tn



■ DC
■ DB

- Worldwide DC pension assets estimated at almost \$14tn
- Markets with largest proportion of DC assets to DB are the USA and Australia
- UK operates with low charges, investment sophistication and efficient delivery systems
- We will consider options to expand overseas

International data source: Towers Watson 2013

AUSTRALIA

- Compulsory enrolment launched 20 years ago with mandatory employer contributions of 9.5% plus voluntary employee contributions
- Market expected to grow to \$7tn in next 20 years, driven by mandatory employer and employee contributions (*Deloitte*)
- Members choose scheme, not employer – with wide range of options available
- Master / Super Trusts dominate

USA

- Limited default fund structures permitted, to reduce risk of poor investment choices
- Optional 401(k) AE approach has boosted take-up from 50% to 80%
- Target Date Funds fastest growing default option
- Contribution rates remain low – no mandatory employer contributions, with employee rates typically 5-7%

DEALING WITH REGULATORY SHOCKS.

“NO ONE WILL HAVE TO BUY AN ANNUITY”

George Osborne, 19th March 2014

The Chancellor aimed to increase customer choice, encourage competition and innovation in the annuity market. We welcome this and believe we will be a beneficiary from the changes

“YOU CAN’T PASS ON TO THE NEXT GENERATION ANY OF YOUR PENSION POT WHEN YOU DIE, WITHOUT PAYING A PUNITIVE 55% OF IT IN TAX...I CHOOSE TO ABOLISH IT”

George Osborne, 29th September 2014

Another large change in the market announced by the Chancellor at the Conservative Party Conference

AUTO-ENROLMENT

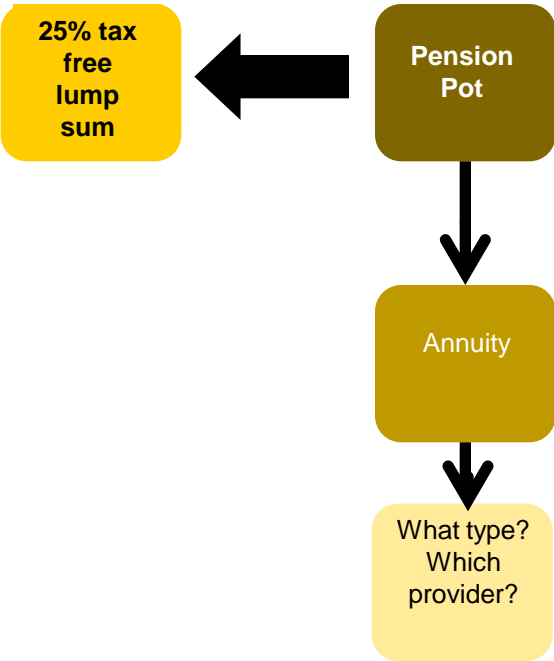
UK employers have to automatically enrol their staff into a workplace pension if they meet certain criteria. Employee contributions currently at 2%, but will rise to 5% in 2017 and 8% from 2018. We consider it likely that contributions will have to rise further once people are accustomed to saving

Our diversified portfolio of low cost savings, protection and retirement solution products together with our proven track record in specialist investment capabilities and our increasing international footprint means we are well placed to deliver high quality solutions to our customers while growing returns for our shareholders

CHOICE BRINGS COMPLEXITY.

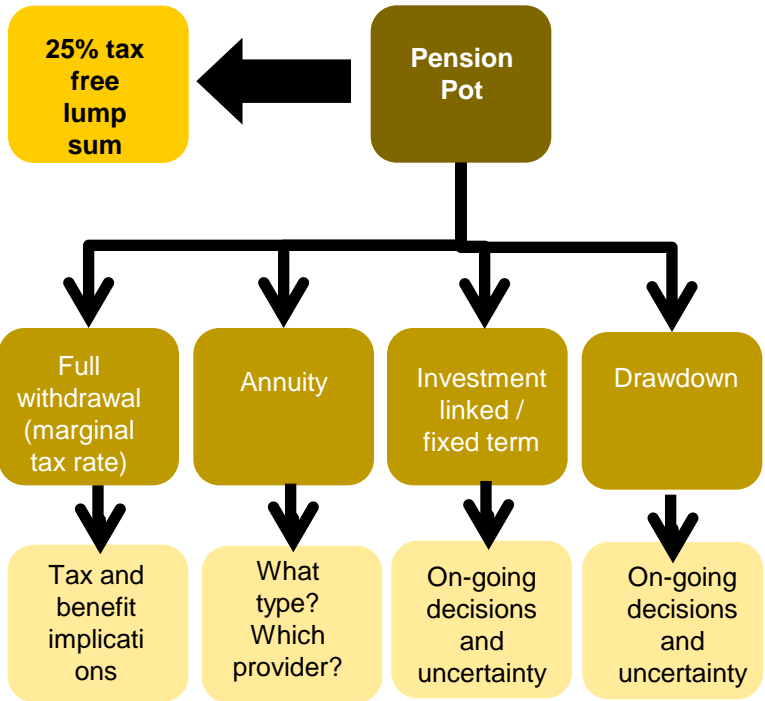
Practical reality for most customers:

Pre Budget



RESTRICTED CHOICE

Post Budget



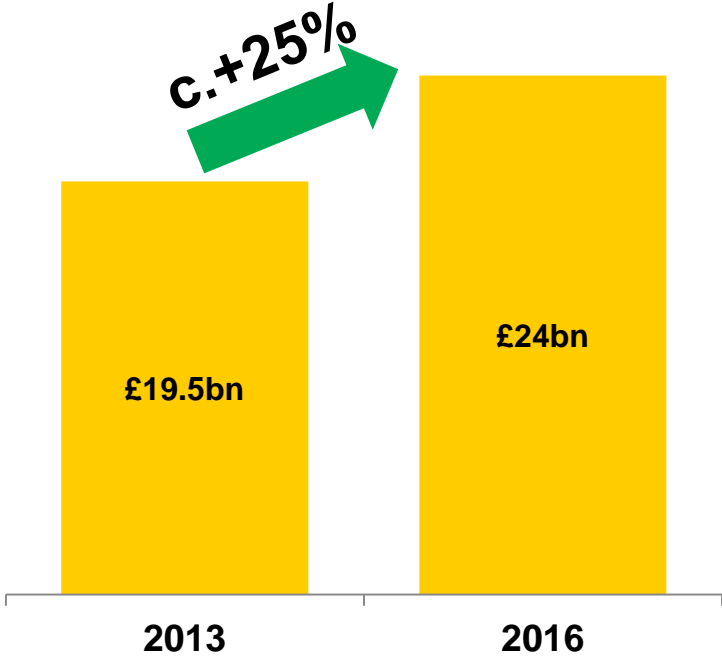
UNRESTRICTED CHOICE

WHAT DOES IT REALLY MEAN FOR OUR CUSTOMERS?

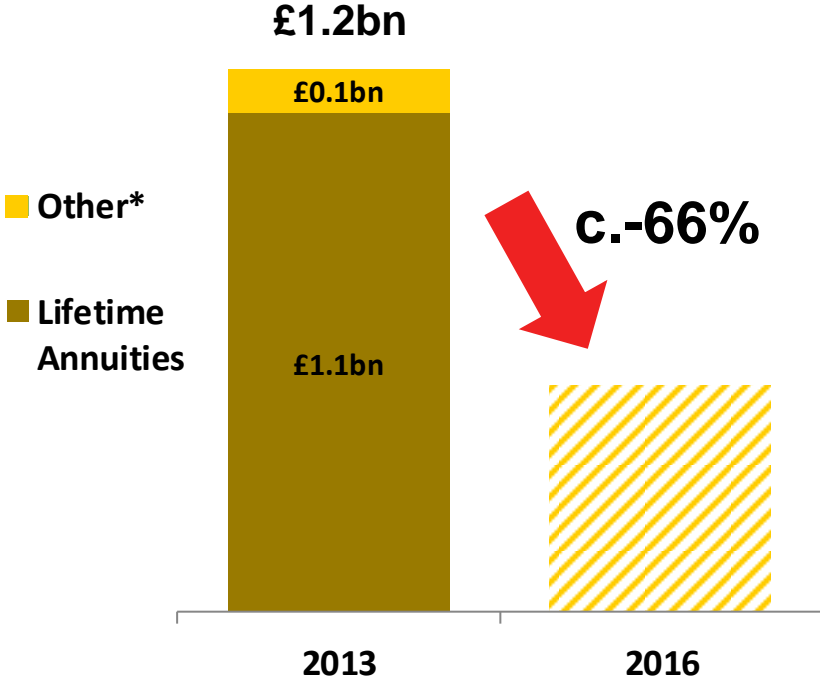
BEYOND APRIL 2015.

THE INDIVIDUAL RETIREMENT MARKET WILL CONTINUE TO GROW - THE PROFIT POOL WILL SUBSTANTIALLY REDUCE.

MARKET SIZE



PROFIT POOL**



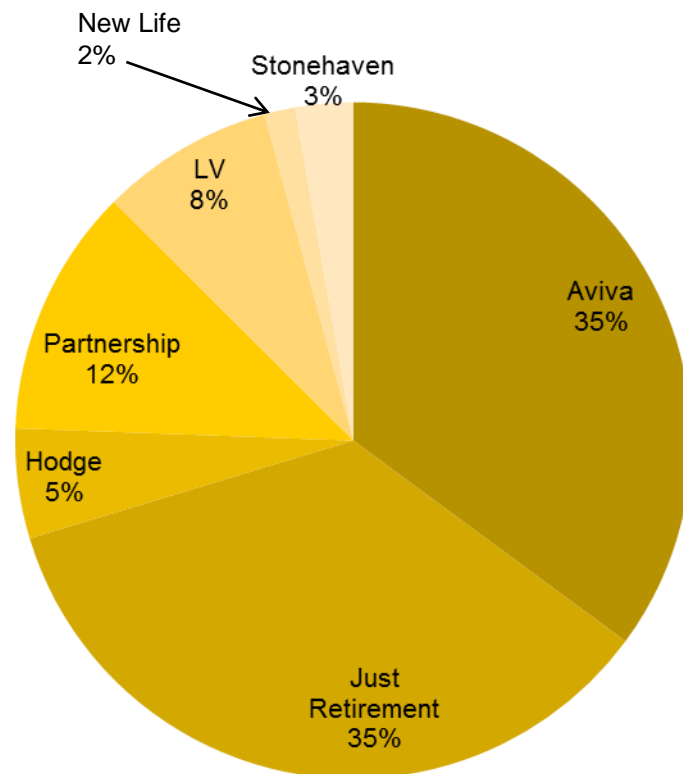
*Other includes Drawdown, Cash, Equity Release (Lifetime Mortgages) and Alternatives.

**L&G Estimates.

LIFETIME MORTGAGES: INCREASING DEMAND, REDUCING SUPPLY.

- £1.3 Trillion of housing wealth owned by pensioners
- LTM makes it easy for pensioners to supplement income without having to move
- Individual annuities have been providing nearly all funding
- Legal & General annuity back book has no LTM assets
- Opportunity to sell LTM directly into our 1 million existing LGR customer base

2013 Lifetime Mortgage Sales £1,070m



We are investigating the feasibility of launching a lifetime mortgage capability in 2015.

Kerrigan Procter, Managing Director LGR, H1 2014

Source: PRA returns and Legal & General estimates

SLOW MONEY FOR FAST GROWTH.

15
billion pound investment programme



£429m rebuild of the Royal Liverpool University Hospital.



Schemes in Liverpool, Plymouth, Canning Town, Salford and Wakefield, over 5.4m sq ft of mixed-use space, brownfield land

UK HOUSING LEASE REPORT 2014

LET'S HOUSE BRITAIN.

The UK is short of homes. It's a rising up price, resulting ownership is unaffordable and leaving people into temporary accommodation or worse. Our aim is to be one of the leading property investors in the UK we have an opportunity to help, so all of Britain has a place to call home.

EVERY DAY MATTERS®

Legal & General



£252m investment
50 year lease
Acquiring 4,000 homes
Building 7,000 houses



Transport and Logistics
c£320m, maturities to 30 years



Methodist Care Homes
£70m long term (30 year) RPI linked lease.

University of Southampton
£93m, 40 years income
1,104 beds



Hyde Housing Group
£102m, 15-year facility



£40m, 25 year facility enabling 500 affordable homes

THAMES VALLEY HOUSING



Sentinel Housing, private placement (registered social housing provider in Hampshire)



BANK RETRENCHMENT MEETS SLOW MONEY.

Banks

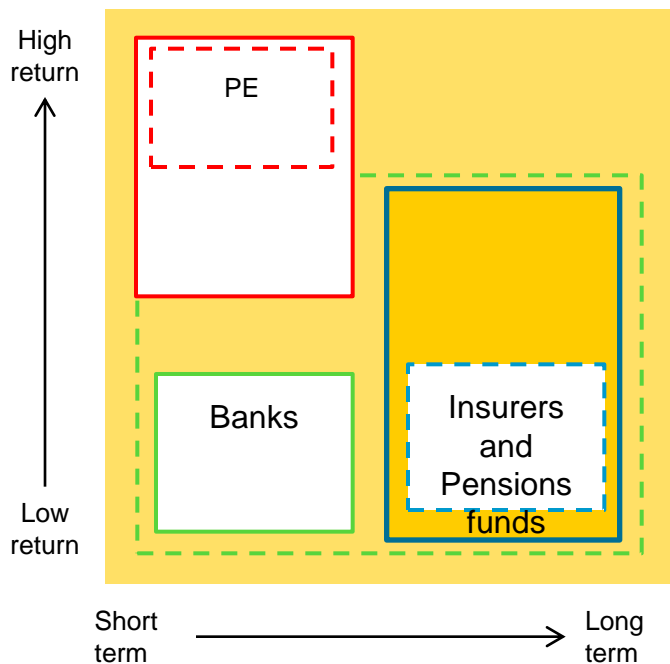
Basel 3

- Banks CET1/RWA increased to 9.5% from 5.7% (2009)*
- 3% Leverage Ratio proposal

Corporate lending volumes low**

- H1 2014 net lending equal average 2003 to 2008
- Mostly refinancing lower 2003-2013 debt levels

Investment Landscape



Real money

QE suppressing returns

- £375bn BoE APF Scheme
- UK 10 year Gilt yields 2.5%

Poor structural liquidity

- Dealer inventory c.30% of 2008 levels

Derivative collateral requirements

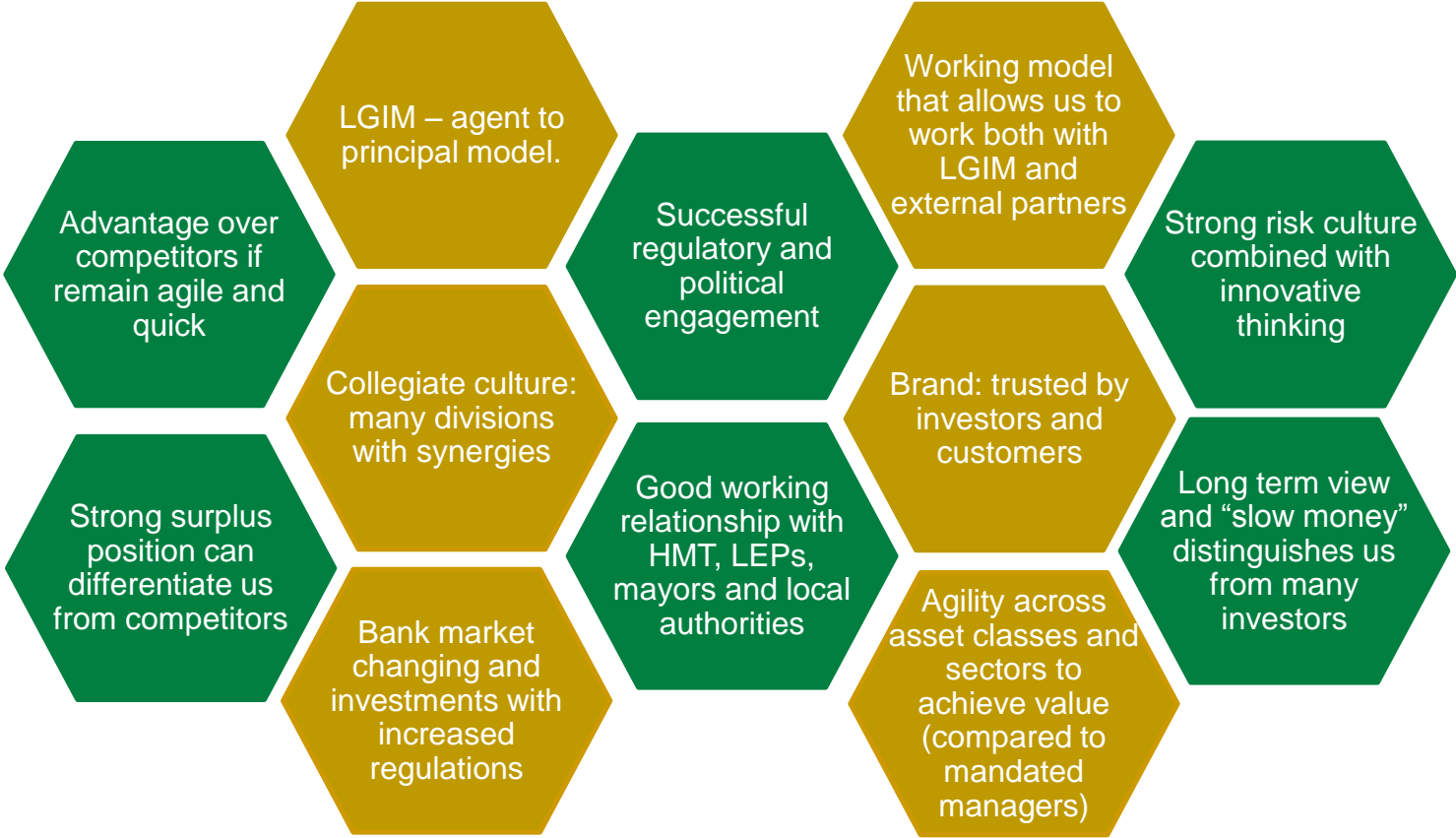
- Dodd Frank (2013)
- EMIR (2015)

- Trend of real money (pension/insurance) investors diversifying ‘traded portfolio + derivatives’ into real assets, increasing and widening the range of investment opportunities as banks retrench
- Private equity looking for high returns but have shorter tenors and disinvesting in fund cycles
- L&G has various sources of capital with different risk-reward profiles and time-horizons: LGC; LGR; LGP and other LGIM clients.

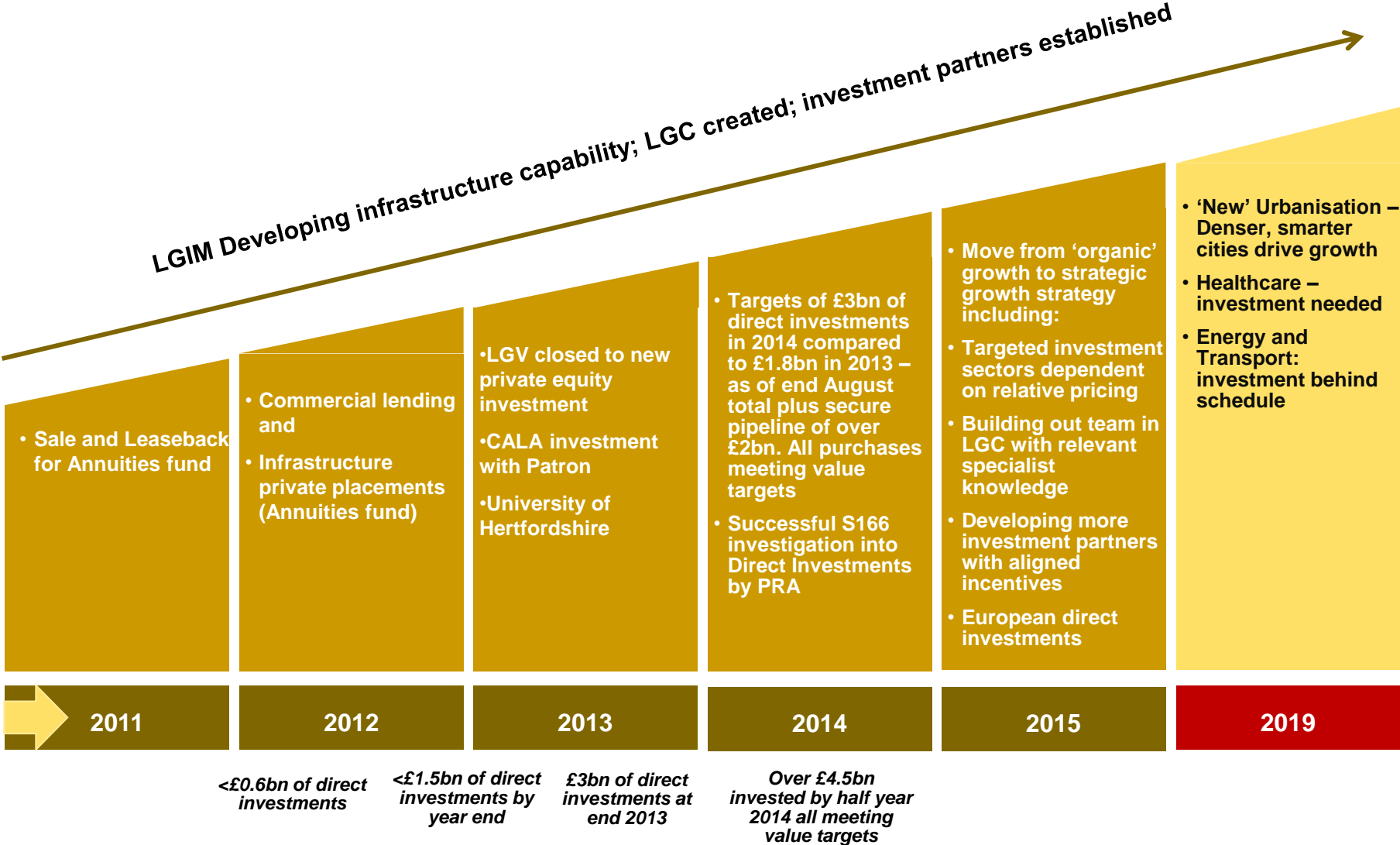
* BIS, June 2014

** Bank of England July 2014

WHY WE ARE SUCCEEDING IN DIRECT INVESTMENTS.



WHAT WE HAVE ACHIEVED & FUTURE PLANS.



HELPING PEOPLE ACHIEVING FINANCIAL SECURITY THROUGH BEVERIDGE 2.0.

OUR VISION

Help millions of people achieve financial security by the end of 2019

OUR STRATEGY:

1 Deploy shareholder capital flexibility and dynamically:

Protection- Using Auto enrolment to access customers

Savings- Increase number of people who save and amount they save and reduce the cost of their savings.

Individual Retirement Choices- Underwritten Annuities, Income drawdown, Investment-Linked Annuities and Lifetime Mortgages.

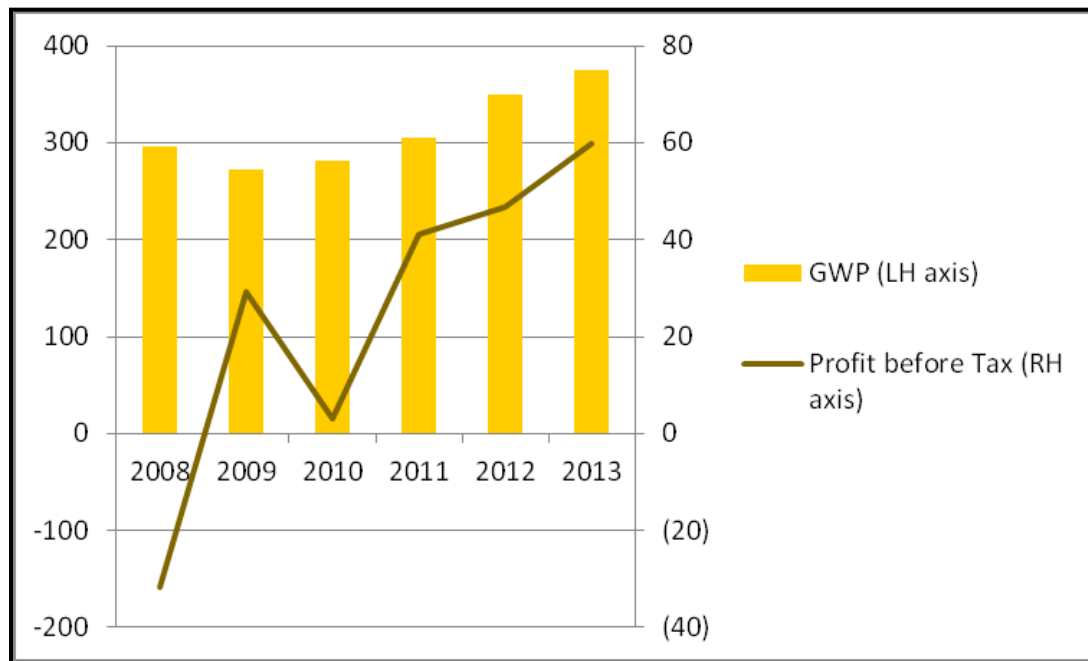
2 Manage our balance sheet and business efficiently by seeking to continually:

Actively manage longevity and mortality risk

Improve risk adjusted return on assets

Reduce unit costs

GI PROFIT GROWTH: SUCCESSFUL FIVE YEAR TURNAROUND.



Growth in GI driven by:

- GI Direct = market leader in NB online home ins.
- H1 2014 Direct GWP = 35% up on 2013.
- Risk selection and pricing improved. New data.
- Better claims handling = faster settlement and lower costs.
- L&G data = additional insight.
- Expand product range - build or buy?

FIVE YEAR VIEW 2014 – 2019.



5

- Derisking
- Defined Contribution
- Direct Investments
- Digital Solutions
- Decumulation

POLITICAL AND REGULATORY RISK: BUSINESS PERFORMANCE ACROSS THE CYCLE.

EVERY DAY MATTERS.

➤ We have a powerful purpose. Every day, we promise to make financial security easier to achieve for our customers.

We help people build better and more secure lives. In this way we demonstrate that we are economically and socially useful.

We know our customers benefit from our deep collaboration with charities, which increases our knowledge and our reach to the wider community.

EVERY DAY MATTERS.®

Legal & General

