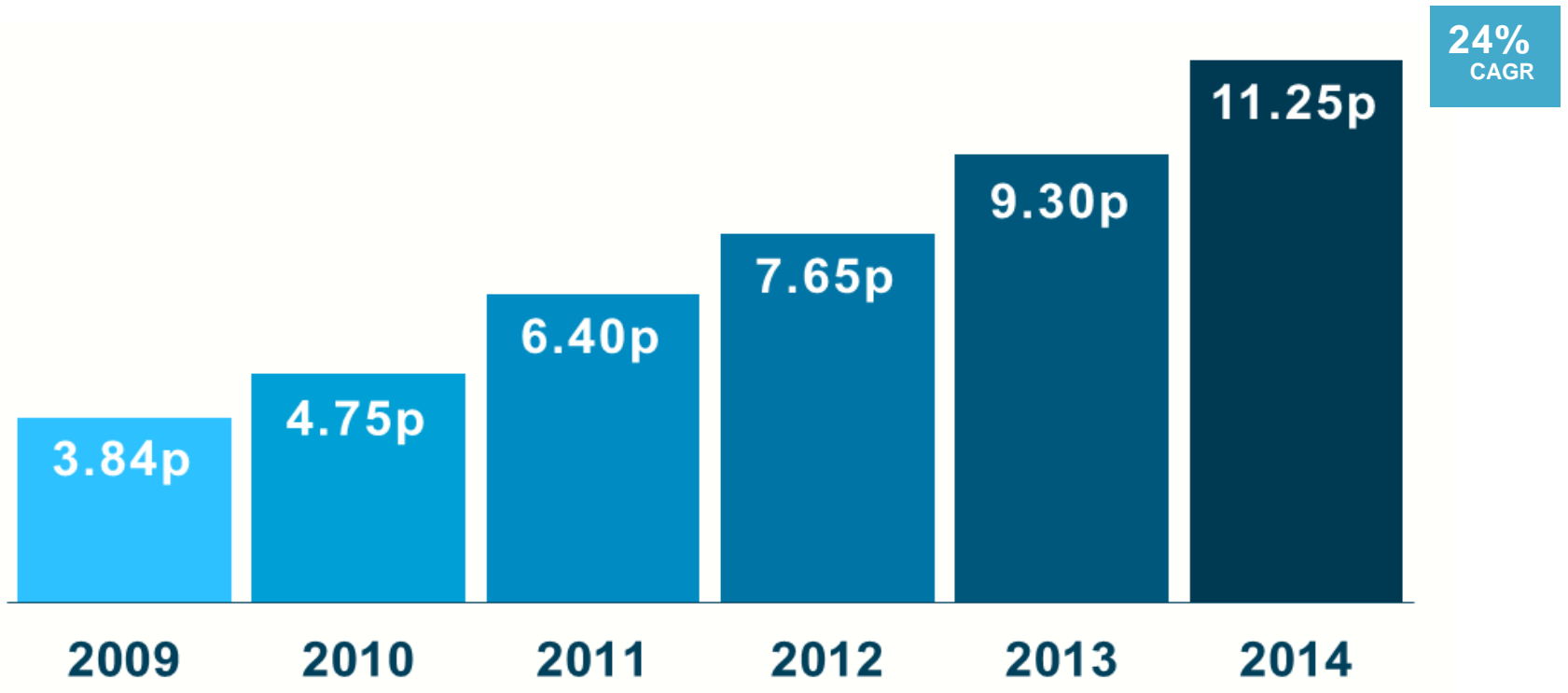


Legal & General

Nigel Wilson
Group Chief Executive

JP Morgan European Insurance Conference 2015

Delivering consistent dividend growth for our shareholders



➤ Forward looking statements

This document may contain certain forward-looking statements relating to Legal & General Group, its plans and its current goals and expectations relating to future financial condition, performance and results. By their nature, forward-looking statements involve uncertainty because they relate to future events and circumstances which are beyond Legal & General's control, including, among others, UK domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory and Governmental authorities, the impact of competition, the timing impact of these events and other uncertainties of future acquisition or combinations within relevant industries. As a result, Legal & General Group's actual future condition, performance and results may differ materially from the plans, goals and expectations set out in these forward-looking statements and persons reading this announcement should not place reliance on forward-looking statements. These forward-looking statements are made only as at the date on which such statements are made and Legal & General Group Plc. does not undertake to update forward-looking statements contained in this document or any other forward-looking statement it may make.

➤ Lack of positive action means Secular Stagnation by default

1. Global economy - "zero everywhere"

- zero economic growth in many countries
- inflation closer to zero everywhere – US, China, UK, Euro
- real wage growth zero in US, UK, Germany, Hong Kong
- interest rates close to zero
- productivity growth close to zero-except amongst intellectual elite ?

2. In a "zero everywhere" world, competitive devaluation becomes the policy of choice – destabilising and redistributing, not creating, economic growth.

3. Most agree we need actions to boost aggregate demand and supply, but few positive steps are being taken.

- Economics 1.01 has been forgotten
- Obsessive "Fed watching" is key "economic activity"
- "Retail politics" in mainstream, with growing extreme political parties

4. Education (UK) – relatively poor quality analogue junior education, high-quality, high-cost higher education

5. Machine intelligence will massively change employment patterns with consequential impact on wages.

6. QE has been "designed by the rich for the rich".

- Avoided depression, but has created dependency on "monetary methadone"
- "Delusional asset values" creating "false confidence"
- Capital rich income poor

▶ In the UK a compelling case can be made to take following actions

1. Increase the supply of housing to 250,000 annually; with a sustainable UK supply chain, including building planning and procurement; servicing the “LastTime” as well as the “FirstTime” buyer.

2. Radical changes to the Welfare System including NHS, retirement pension, and working age benefits.

- “We know what we have to do, we just don’t know how to get re-elected after we’ve done it,” Jean-Claude Juncker
- UK Government liabilities now £3.2 trillion including £1.3 trillion unfunded public pension scheme.

3. Massive increase in investment in solar energy where £50 per MWh : production cost is within reach, battery storage is rapidly improving.

- “Enough solar energy hits the earth every 90 minutes to power the planet for a year,” Nick Stern (2015)

4. Substantial increase in supply of digital infrastructure including education.

5. Abandon HS2 (£80bn and rising) and Hinkley (£24bn and rising), accelerate airport expansion and investment in our great cities.

- “Political influence is likely to create bridges to nowhere or unviable high speed networks” Dr Raghuram Rajan (2015)

6. Encourage investment in “equity” capital – slow money and patient capital.

➤ Clear and focussed strategy

GROWTH DRIVERS	
AGEING POPULATIONS	<ul style="list-style-type: none"> • The world is getting older, people live longer and have not saved enough for retirement • Over 60's have c£1.3trn of housing equity, increasingly used to fill this savings gap • \$10trn of defined benefit liabilities globally, with increasing demand for de-risking solutions
GLOBALISATION OF ASSET MARKETS	<ul style="list-style-type: none"> • Asset markets around the world are becoming increasingly homogenous • This creates attractive opportunities to grow and internationalise our successful investment management capabilities
WELFARE REFORMS	<ul style="list-style-type: none"> • Pressure on public finances is moving the provision of welfare from the state to individuals and employers • Shrinking state funding will drive demand for the private provision of protection products
DIGITAL LIFESTYLES	<ul style="list-style-type: none"> • Changes in digital customer engagement are presenting both opportunities and challenges to all companies • Using digital capabilities to generate scale and efficiency will be key
BANK RETRENCHMENT	<ul style="list-style-type: none"> • Retrenching banks create opportunities for investors with long term investment horizons to invest in real assets • Real assets provide enhanced risk adjusted returns if executed well

▶ Achievements to date

GROWTH DRIVERS	2015 ACHIEVEMENTS TO DATE
AGEING POPULATIONS	<ul style="list-style-type: none"> • LGR assets up 19% to £45.6bn • Workplace assets up 43% to £13bn • LDI assets of £304bn, up 24%
GLOBALISATION OF ASSET MARKETS	<ul style="list-style-type: none"> • International assets of £126.4bn, up 92%* • First US Index mandate win • Further mandate wins in Asia
WELFARE REFORMS	<ul style="list-style-type: none"> • UK protection premiums of £372m, up 5% • Market leading retail protection business • Winning major new workplace schemes e.g. John Lewis
DIGITAL LIFESTYLES	<ul style="list-style-type: none"> • Retail protection straight through processing over 80% • Platforms assets of £76bn, up 16% • Launched Direct self-service platform in DC for SMEs
BANK RETRENCHMENT	<ul style="list-style-type: none"> • £6.3bn of direct investments, up 62%. This includes 50% purchase of MediaCity UK • Entered the UK Private Rented Sector • Started SME Lending through Pemberton Asset Management (40% owned)

* Growth includes transfer of c.\$60bn index funds to the US in 2014.

Progressing the strategy

2009 – 2014

Bolt-on M&A
Organic growth
Cash focus

5 key macro trends

2014: EPS 16.70p, DPS 11.25p,
ROE 16.9%, Net cash £1.1bn

2015 – 2019

- Doubling size of LGIMA assets
- Direct investments to exceed £15bn
- Establishing LGR's international business
- Grow UK GWP at twice UK GDP
- Building market leading position in UK DC
- Creating new business segment in housing and urban regeneration
- Launching a mobile business to drive customer growth in UK and internationally (Africa and Asia)
- Leading welfare reform with new savings and insurance products
- Reducing operating costs in nominal terms

Bolt-on M&A
Organic growth
Cash focus

5 key macro trends

2019: EPS, DPS, ROE, Net cash

► FY14 Consistent delivery: strong results

Growth

	2014	2013	GROWTH %
Annuity assets (£bn)	44.2	34.4	28
LGIM assets (£bn)	708.5	611.6	16
LGAS savings assets (£bn)	124.2	113.4	10
UK protection and GI gross premiums (£m)	1,784	1,701	5
Direct investments (£m)	5,703	2,879	98

Earnings

Operational cash generation (£m)	1,101	1,042	6
Net cash generation (£m)	1,104	1,002	10
Operating profit (£m)	1,275	1,158	10
IFRS profit before tax (£m)	1,238	1,144	8
Earnings per share (pence)	16.70	15.20	10

Capital

IGD surplus (£bn)	3.9	4.0
IGD coverage ratio (%)	201	221
Economic capital surplus (£bn)	7.0	6.9
Economic capital 1-in-200 coverage ratio (%)	229	251
Return on equity (%)	16.9	16.1

Q1 2015 highlights

EARNINGS

	Q1 2015	Q1 2014	GROWTH %
Operational cash generation (£m)	330	297	↑ 11
Net cash generation (£m)	326	301	↑ 8

GROWTH

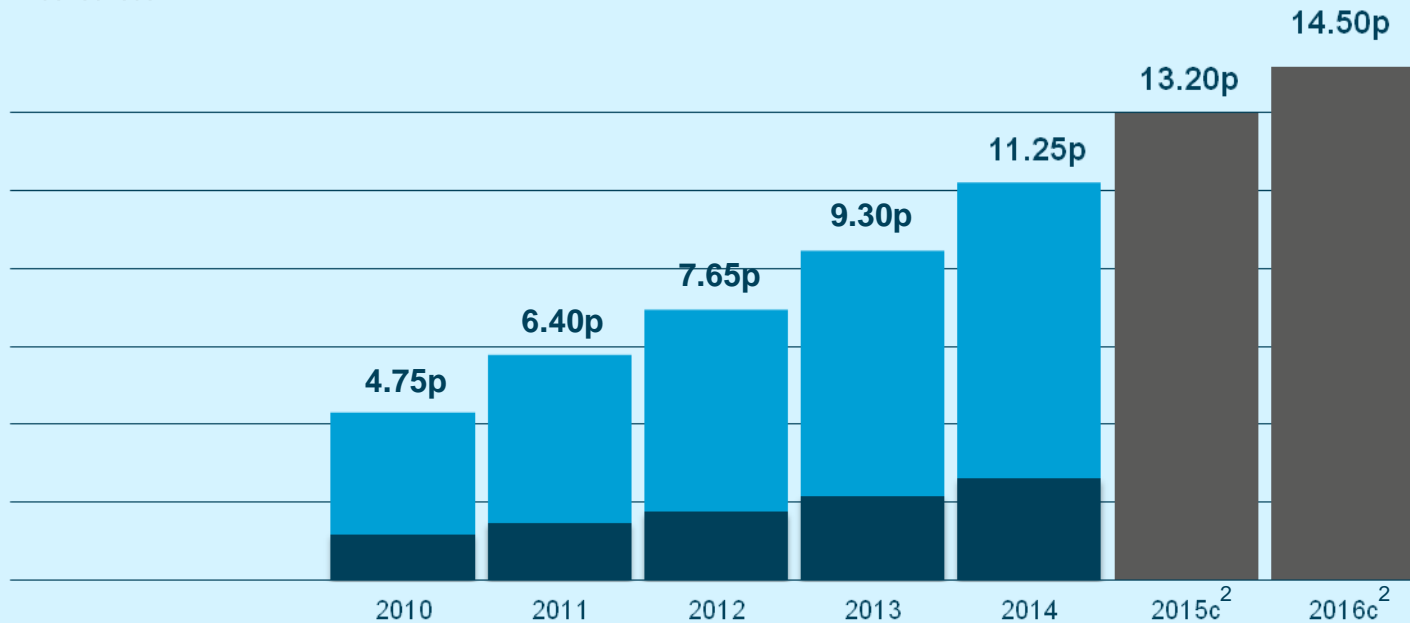
	Q1 2015	Q1 2014	GROWTH %
Annuity assets (£bn)	45.6	38.3	↑ 19
LGIM total assets (£bn)	736.8	630.9	↑ 17
LGIM total international assets (£bn)	126.4	66.0	↑ 92
Insurance premiums (£m)	772	743	↑ 4
Savings AUA (£bn)	113.2	101.8	↑ 11
Group-wide direct investments (£bn)	6.3	3.9	↑ 62

Full year dividend up 21% to 11.25p

DIVIDEND

20%
CAGR

- Interim
- Final
- Consensus



NET CASH (£m)	760	846	865	1,002	1,104
DIVIDEND (£m)	279	375	452	550	668
DIVIDEND COVERAGE ¹	2.72	2.26	1.91	1.82	1.65

1.Dividend coverage based on net cash generation.

2.Company estimates as at 26th May 2015. Source: Bloomberg

3.Should our Solvency II surplus be no lower than Solvency I, we expect to reduce our net cash coverage of dividend in 2015 towards 1.5 times

➤ De-cluttering the business

ACQUISITIONS

CALA Homes: housebuilder
Banner Homes: housebuilder
Lucida: bulk annuity assets
Cofunds: open architecture fund platform
Global Index Advisors: US DC asset manager
NewLife: lifetime mortgage provider

DISPOSALS / CLOSURE

LGII: Irish retail investment bond business
Xperience: Estate agency business
LGV: venture capital business
With-profits: shut to new business
Retail savings and Workplace transferred to LGIM
Hedge funds closed

On track to deliver c£80m of operating cost savings across the Group, reducing costs from £1,250m in 2014 to c£1,170m.

MORE TO COME

Focussed businesses

ASSET MANAGEMENT

2014 Operating Profit (£m)¹

Legal & General Investment Management

- Over \$1 trillion of assets

336

Legal & General Retirement

- Over £44 billion of assets

428

Legal & General Capital

- £6.8bn of shareholder assets

203

TOTAL

967

INSURANCE

2014 Operating Profit (£m)¹

Legal & General Insurance

- Retail protection GWP £1,056m

- Group protection GWP £351m

- General insurance GWP £377m

370

Legal & General America

- Term assurance business

- generated \$76m net cash

56

DIRECT INVESTMENTS

- 47% stake in CALA Homes: our UK top-ten housebuilder
- 40% stake in Pemberton: our SME finance company
- 50% investment in Media City
- JV with PGGM (£750m)

Group-wide direct investment²

6.3bn

SAVINGS

Mature Savings

- Over £36 billion of assets

2014 Savings Operating Profit (£m)¹

Digital Savings

- Over £72 billion of assets on Cofunds

90

1. For full year 2014
2. As at 31st March 2015

➤ Further significant progress in 2014, however more to do in 2015

DIVISIONS	2014 OPERATIONAL CASH £m	2015 GUIDANCE £m	STATUS ¹	2015 KEY ACTIONS
LGR	292	340	●	<ul style="list-style-type: none"> • Creation of international business • Growth in direct sales and lifetime mortgages
Insurance excl. GI	286	290	●	<ul style="list-style-type: none"> • Reduce unit costs • Profitably grow the non-growing businesses
Savings ²	127	135	●	<ul style="list-style-type: none"> • Reduce unit costs • Improve platform profitability
LGA	46	50	●	<ul style="list-style-type: none"> • Reduce unit costs • Help establish LGR in the US
LGC	162	170	●	<ul style="list-style-type: none"> • Create private rental sector as asset class • Accelerate urban regeneration e.g. RIO, Walthamstow
LGIM ¹	275			<ul style="list-style-type: none"> • Accelerate US and Asian growth • Accelerate retail and DC growth
GI	46			<ul style="list-style-type: none"> • Build direct distribution channel • Evaluate new lines of business
Group debt costs	(112)	(116)	●	
Other costs	(21)			
Total operational cash	1,101			
New business surplus	3			
Total net cash	1,104			
Operating costs³	1,250	1,170³	●	<ul style="list-style-type: none"> • 6.4% nominal cost reduction

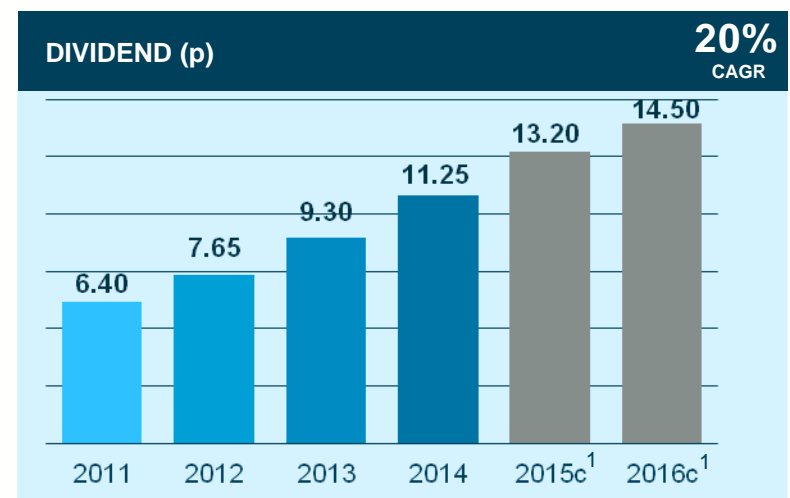
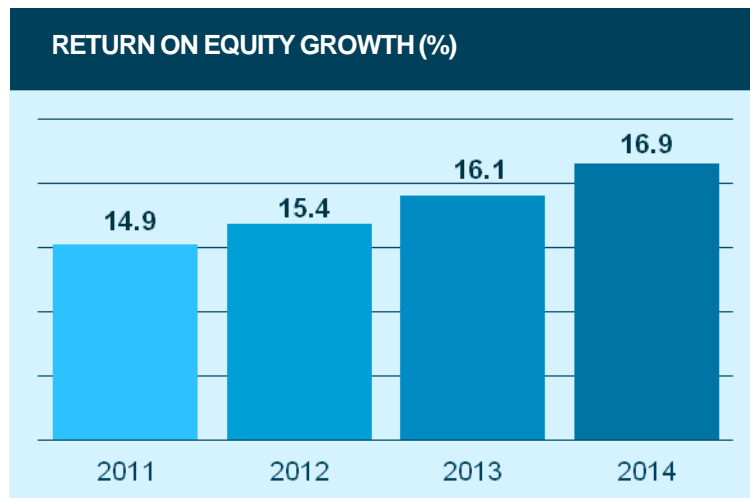
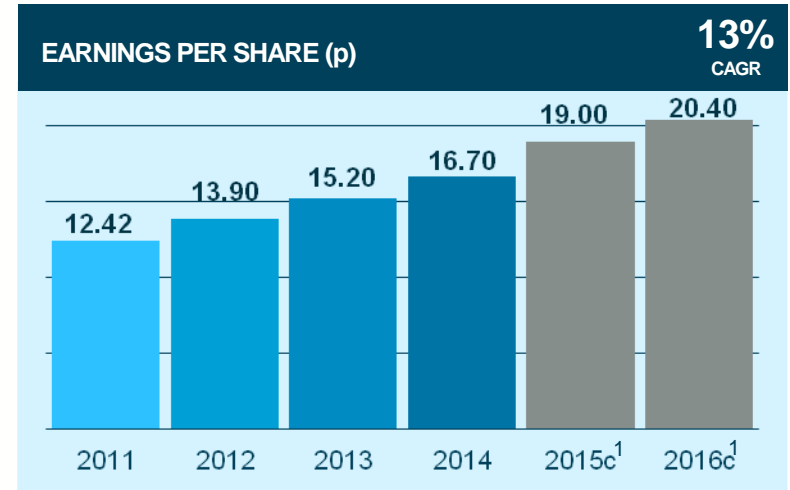
1. Status reflects our confidence in delivering the 2015 operational cash guidance we gave at the time of the 2014 full year results

2. Workplace savings is excluded from Savings operational cash and cash guidance, and included in LGIM operational cash.

3. Operating costs represent management expenses and project expenditure incurred during the year. This excludes defined benefit scheme costs.

4. Guidance excludes c.£40m restructuring costs to achieve the c.£80m reduction in operating costs.

Consistent growth in key metrics



1. Company estimates as at 26th May 2015. Source: Bloomberg

Long term direct investments

 **£15bn**
Direct investment programme,
with £6.3 billion invested to date

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

Aberdeen international business park:
£127m investment, 335,000sq ft office
space

Places for people:
£252m, acquiring 4,000 homes,
building 7,000 houses, 50 year
lease

English Cities Fund
schemes in Liverpool,
Plymouth, Canning Town,
Salford and Wakefield:
over 5.4m sq ft of mixed-use
space, brownfield land

CALA Homes:
£210m investment (47% stake),
further £200m for Banner Homes

Royal Liverpool University Hospital:
£429m rebuild

Hyde Housing Group:
£102m investment
15 year facility

Thames Valley Housing:
£40m, 25 year facility enabling
500 affordable homes

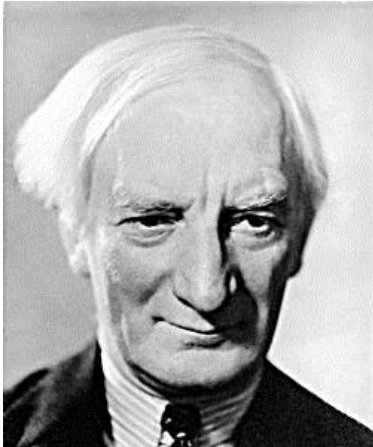
Sentinel Housing:
private placement
(registered social
housing provider
in Hampshire)

Methodist Care Homes:
£70m investment, 30 year lease

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

 We've already made multi-million investments into student accommodation over the last three years, funding high-quality developments, with long leases, backed by premium universities in first-class locations."

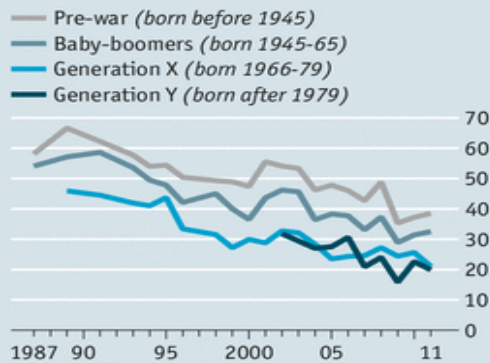
▶ Unaffordable Welfare, Beveridge 2.0 and “Generation Y”



“Europe accounts for just over 7% of the world’s population, produces around 25% of global GDP and has to finance c.50% of global social spending... It’s obvious it will have to work very hard to maintain its prosperity and way of life”
Angela Merkel, German Chancellor

Children of Thatcher

The government should spend more money on welfare benefits for the poor, even if it leads to higher taxes, % agree



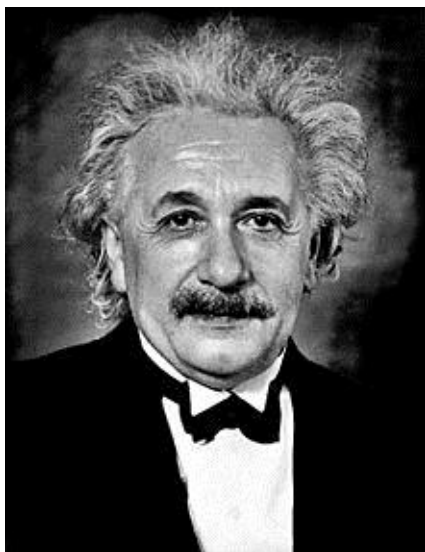
Sources: Ipsos MORI; British Social Attitudes Survey

Polling shows 18-24 year-olds are increasingly likely to see welfare as a personal, not a State, responsibility.

Public-private risk-sharing offers a solution.

*The Economist 1 June 2013. From the print edition

▶ It's time for UK business and politicians to solve the UK's problems creatively



1. Government and private sector must collaborate to tackle infrastructure and housing shortages
2. Business and government to invest to address productivity gap
3. Modernise welfare state based upon work and safety net

“The significant problems that we have created cannot be solved at the level of thinking we were at when we created them”

Albert Einstein

“To those who sweat for their daily bread leisure is a longed-for sweet - until they get it.”

JM Keynes (“on technological unemployment”)

