

➤ **STEPPING UP.
LEGAL & GENERAL**

EVERY
DAY
MATTERS

Morgan Stanley Conference
19 MARCH 2013



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.

ACCELERATING GROWTH.

- Our drivers of growth are long term economic and demographic changes.
- We are evolving our simple business model from cash to cash plus organic growth to cash plus organic growth plus acquisitions.
- We have no burning platforms and limited sensitivity to low interest rates, inflation, FX movements, credit spreads.
- 2012 EPS growth of 12%, dividend growth of 20%. Quality and certainty of cash, predictable earnings and a reduction of dividend cover to deliver growth in dividends and reduce our dividend yield gap to the FTSE.

5 MACRO TRENDS. 5 CORPORATE RESPONSES.

Homogenous asset markets → **LGIM International**

Ageing populations → **Retirement Solutions**

'On the Go' lifestyles → **Digital Solutions**

Welfare Reforms → **Protection**

Retrenching banks → **Direct investments**

STRATEGIC AND FINANCIAL EVOLUTION.


	2009	2012	2013 and beyond
	CASH: CERTAINTY AND SUSTAINABILITY	CASH PLUS ORGANIC GROWTH	CASH PLUS ORGANIC GROWTH PLUS BOLT-ON ACQUISITIONS
ACTIONS	<ul style="list-style-type: none"> • Substantial improvement in MI • Improve operational efficiency • Industrialisation of processes: <ul style="list-style-type: none"> Algorithmics software (ALM) Connect (Retail Protection) Elixir (Group Protection) Lifestyle (General Insurance) US Protection (Digital Office) • US capital restructuring including dividends from subsidiaries • Balance sheet de-risking 	<ul style="list-style-type: none"> • LGIM expansion into US, Gulf, Asia • Annuities expanded capability, e.g. entered large bulk annuity market (£500m plus) and large longevity insurance (£1bn plus) • Savings digital expansion: RDR, auto enrolment • Retail Protection: direct to consumer • US Protection: expanded network • Improved digital customer experiences • Improved organisational capability • Excellent customer and colleague engagement 	<ul style="list-style-type: none"> • Triangle of austerity creating opportunities for growth • International retirement solutions: ageing population, corporate de-risking, welfare reform • Internationalisation of LGIM: homogenous global asset markets • Digital: efficient customer engagement, e.g. Group Protection online quote and buy • Protection: welfare reform stimulates growth • Direct investing: infrastructure
OUTCOME	<p>Net cash: 2008: £320m 2012: £865m</p> <p>Dividend: 2008: 4.06p 2012: 7.65p</p> <p>Increase in size and quality of assets</p>	<p>2012</p> <ul style="list-style-type: none"> • 12% EPS growth: 12.4p to 13.9p • LGIM AUM: £371bn to £406bn • Sales up: UK Protection 25%, US Protection 28%, UK Savings 15%, Individual Annuities 26%, GI 15% • Return on Equity 15.5% 	<p>Generating high quality cash</p> <p>Growing earnings</p> <p>High returns on equity</p> <p>Disciplined use of capital</p> <p>Progressing dividends</p>

RESULTS SUMMARY: FINANCIAL HIGHLIGHTS.

1. Earnings per share up 12% to 13.90p (2011: 12.42p)
2. Full year dividend up 20% to 7.65p per share (2011: 6.40p)
3. Operating profit up to £1,087m (2011: £1,053m)
Operating profit from divisions up to £1,115m (2011: £1,058m)
4. Profit after tax up to £801m (2011: £721m)
5. Net cash up to £865m (2011: £846m)
Net cash from divisions up to £845m (2011: £802m)
6. IFRS return on equity 15.5% (2011: 14.9%)

RESULTS SUMMARY: ACCELERATING GROWTH.

GROWING FLOWS	GROWING STOCKS
LGIM net flows up to £7.1bn (2011: £3.0bn)	AUM up 9% to £406bn
Individual Annuity sales up 26% to £132m	AUM up 13% to £32bn
Savings sales up 15% to £1.5bn	AUA up 8% to £70bn
UK Protection sales up 25% to £221m	GWP up 6% to £1.3bn
US Protection sales up 28% to \$142m	GWP up 10% to \$922m
GI premiums up 15% to £349m	

 Key drivers of growth: Ageing population, corporate de-risking, decline in state spending, digital engagement and global investment growth

CASH: HIGH QUALITY AND CERTAINTY.

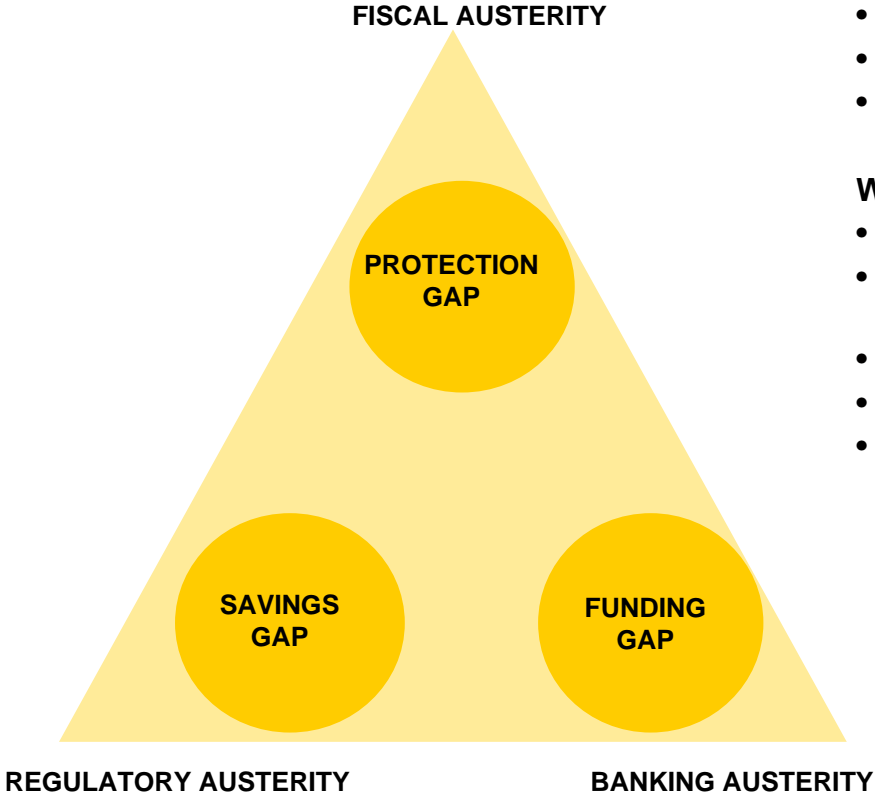
	2013	2012			2011		
£m	GUIDANCE	OP CASH	STRAIN	NET CASH	OP CASH	STRAIN	NET CASH
Annuities		243	14	257	227	35	262
Protection	c.620	240	(45)	195	232	(66)	166
Insured savings		108	(62)	46	101	(63)	38
SUB TOTAL		591		498	560		466
With-profits	c.55	52		52	51		51
US Protection	c.60	40		40	35		35
European dividends		14		14	16		16
SUB TOTAL	c.735	697	(93)	604	662	(94)	568
Savings investments		19		19	22		22
GI other risk		25		25	23		23
LGIM		197		197	189		189
TOTAL CASH FROM DIVISIONS		938		845	896		802
Group capital and financing ¹		20		20	44		44
TOTAL CASH GENERATION		958	(93)	865	940	(94)	846

1. Lower 2012 Group capital and financing return reflects the reduced return assumption on UK equities to 5.8% pa (2011: 7.5% pa).

DIVIDEND 89% OF CASH TO GROUP.

£m	2012			2011		
	NET CASH (£m)	DIVIDEND £m	DIVIDEND % OF CASH	NET CASH (£m)	DIVIDEND £m	DIVIDEND % OF CASH
Annuities	257	539	89	262	516	89
Protection	234			205		
Savings	117			111		
Investment management	197	175	89	189	150	79
US Protection	40	40	100	35	35	100
Divisions	845	754	89	802	701	87

THE 'TRIANGLE OF AUSTERITY'. CREATES OPPORTUNITIES



The 'Triangle of Austerity' is caused by:

- Fiscal austerity: government finances under pressure
- Banking austerity: deleveraging reduces lending
- Regulatory austerity: policy forces 'risk off'

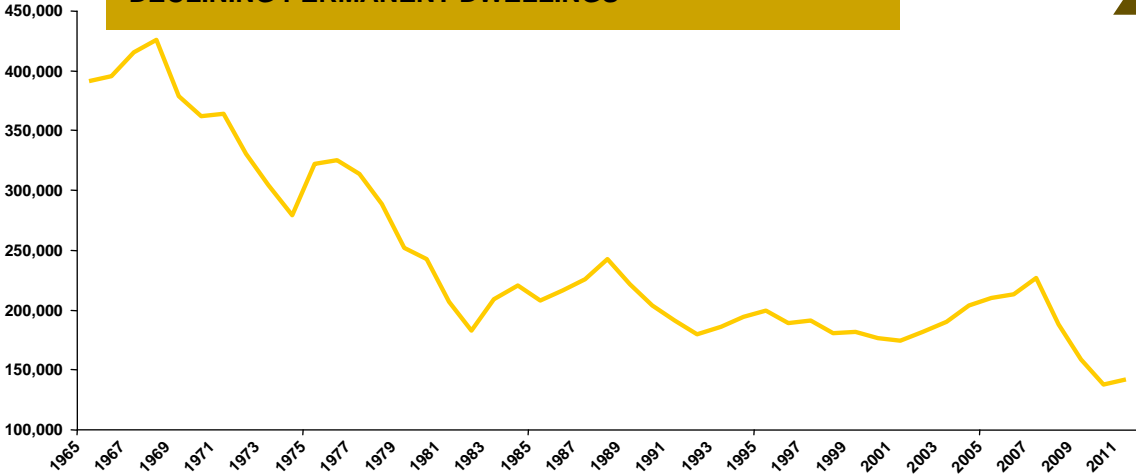
We are well positioned because:

- Protection steps in where government cuts welfare
- Leading auto-enrolment and RDR solutions to gain from policy incentives for long-term saving
- Leading DB pension de-risking solutions for corporates
- Funds available to replace bank financing
- Strong balance sheet: no need for regulatory deleveraging

➤ As a provider of protection, savings and investment management, with multi-billions of capital resource, we are uniquely positioned to address the three gaps exposed by the 'triangle of austerity'

UK NEEDS EFFECTIVE GROWTH POLICIES. WE CAN PLAY A KEY ROLE IN ECONOMIC AND SOCIAL DEVELOPMENT

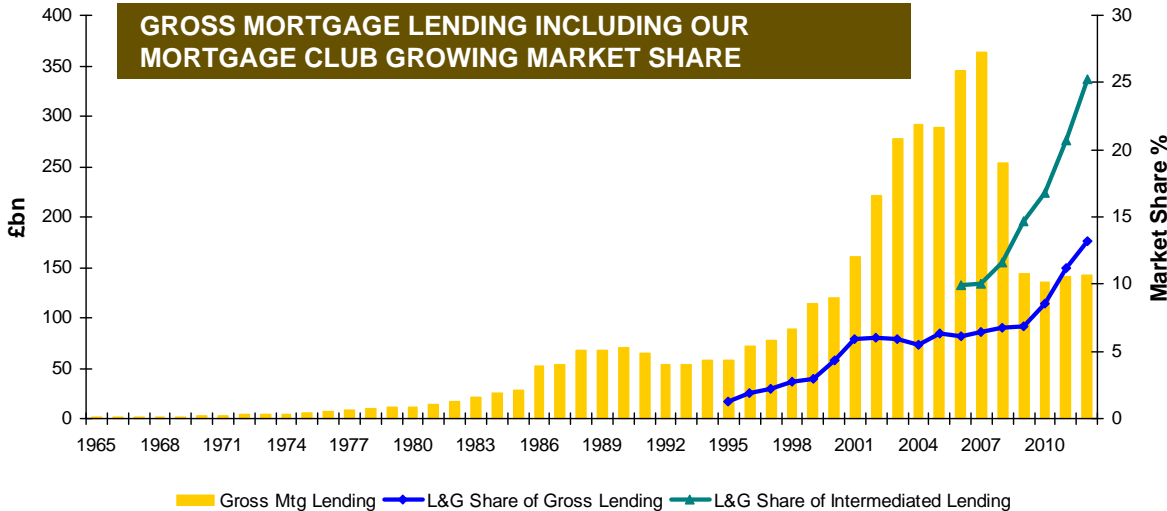
DECLINING PERMANENT DWELLINGS



STRATEGIC SUMMARY

- **Housing: under supplied and over priced**
- **Shortage of dwellings, rather than mortgages**
- **Finance and land is available**
- **Planning restrictions slow down development**
- **We can finance and build affordable homes for ownership or rent**
- **Funding for energy, transport, health and education**

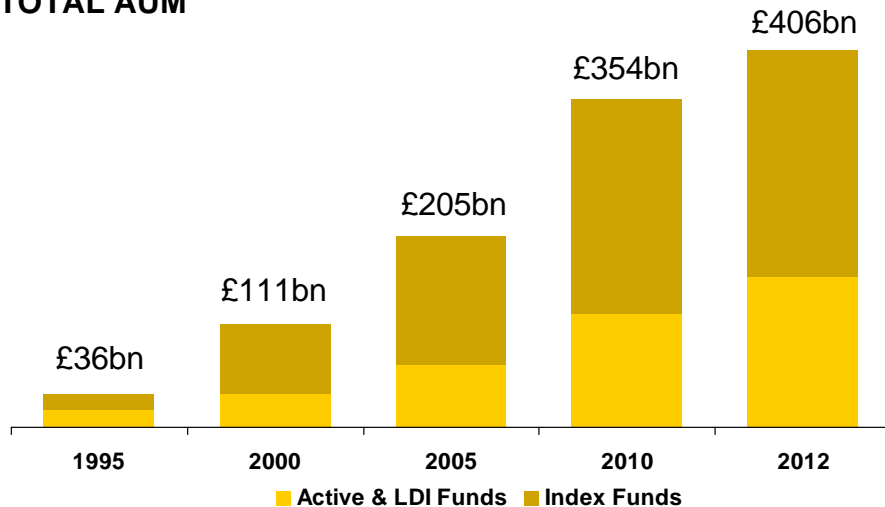
GROSS MORTGAGE LENDING INCLUDING OUR MORTGAGE CLUB GROWING MARKET SHARE



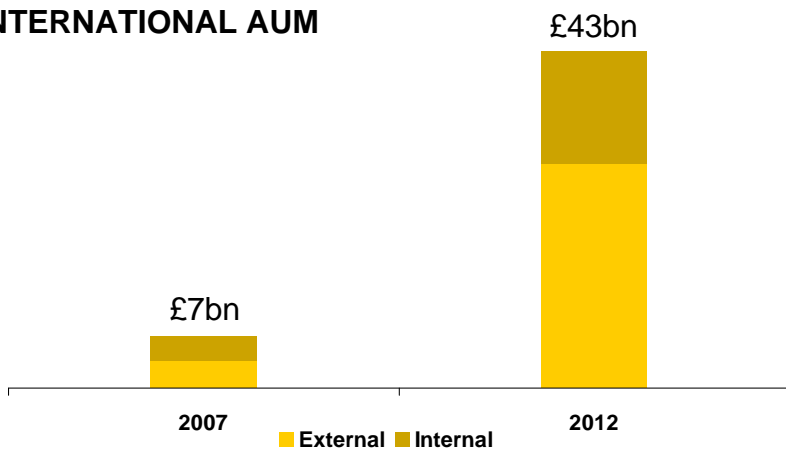
■ Gross Mtg Lending — L&G Share of Gross Lending — L&G Share of Intermediated Lending

1. LGIM INTERNATIONAL EXPANSION.

TOTAL AUM



INTERNATIONAL AUM



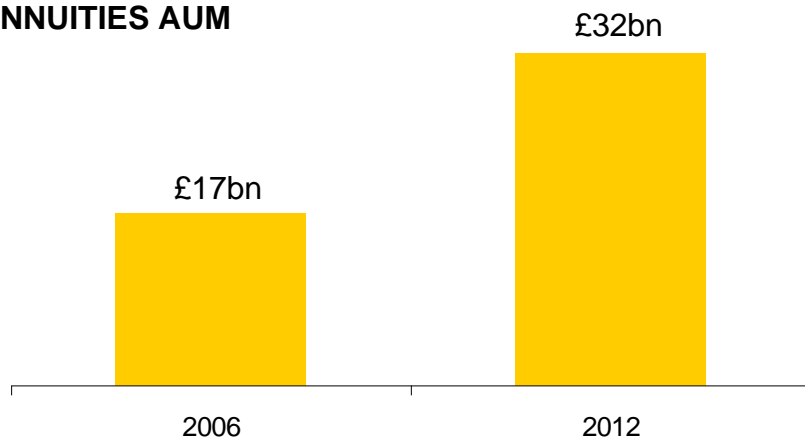
STRATEGIC SUMMARY

Product and geographic expansion:

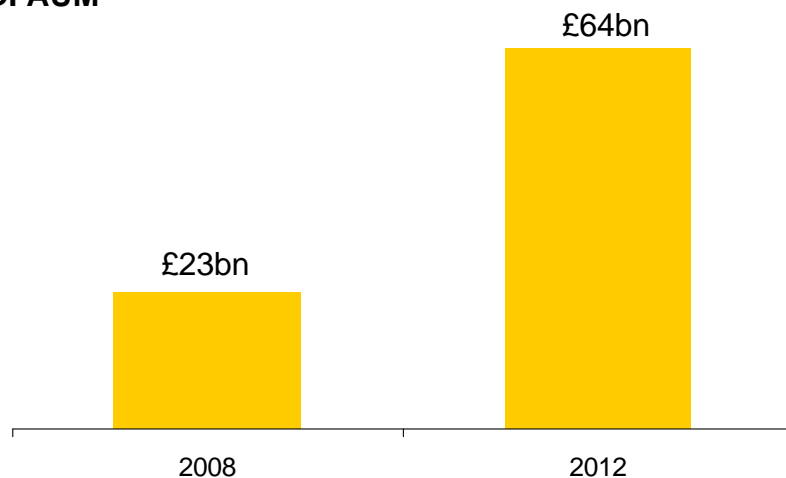
- US: Adding index to liability driven Investments (LDI) and active fixed, expand corporate de-risking, 2012 AUM \$33bn
- Gulf: Adding active fixed to index, 2012 AUM \$17bn
- UK and Europe: Expanding products and distribution
- Asia: Build out capability across region
- Bolt-on acquisitions: Passive, property and fixed income

2. RETIREMENT SOLUTIONS.

ANNUITIES AUM



LDI AUM

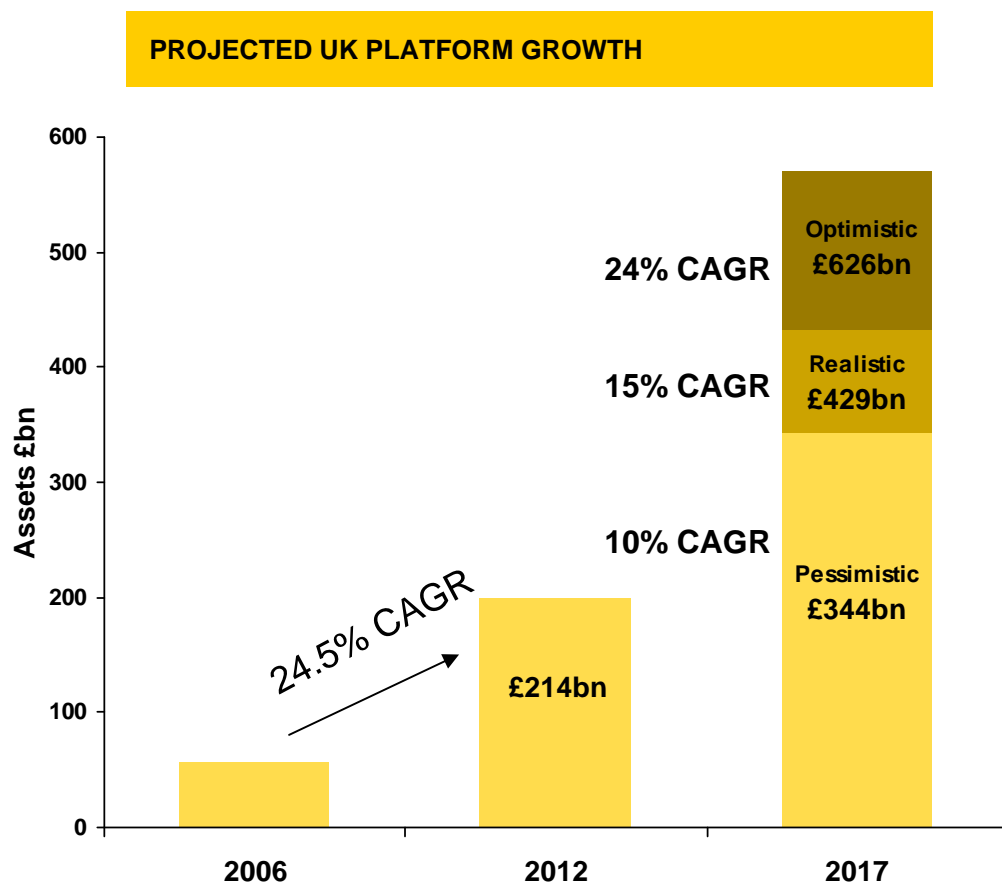


STRATEGIC SUMMARY

Product and geographic expansion:

- UK: Expand enhanced annuities
- Europe: Lead with Bulk Annuity capabilities
- US: Lead with Bulk Annuities, research individual businesses
- Thought leadership in longevity modelling to support international expansion
- Bolt-on acquisitions: Opportunities will be evaluated against strict financial criteria

3. DIGITAL SOLUTIONS.

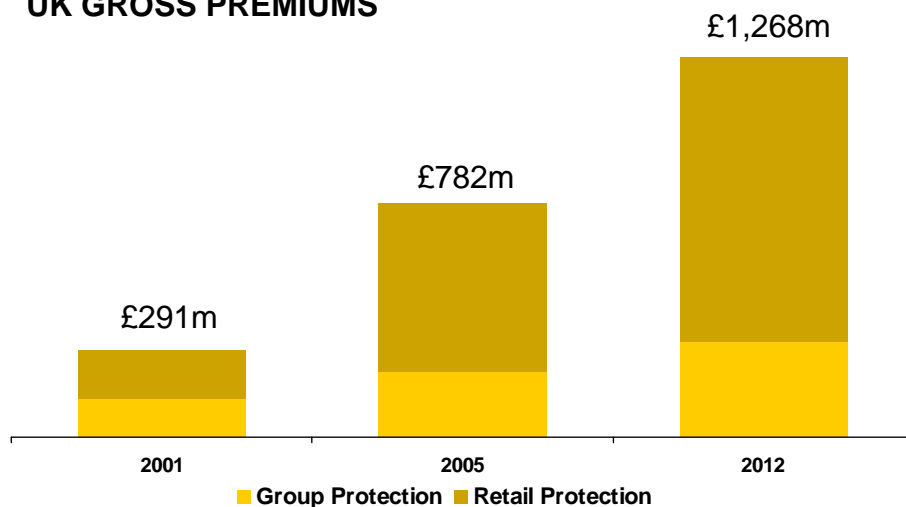


STRATEGIC SUMMARY

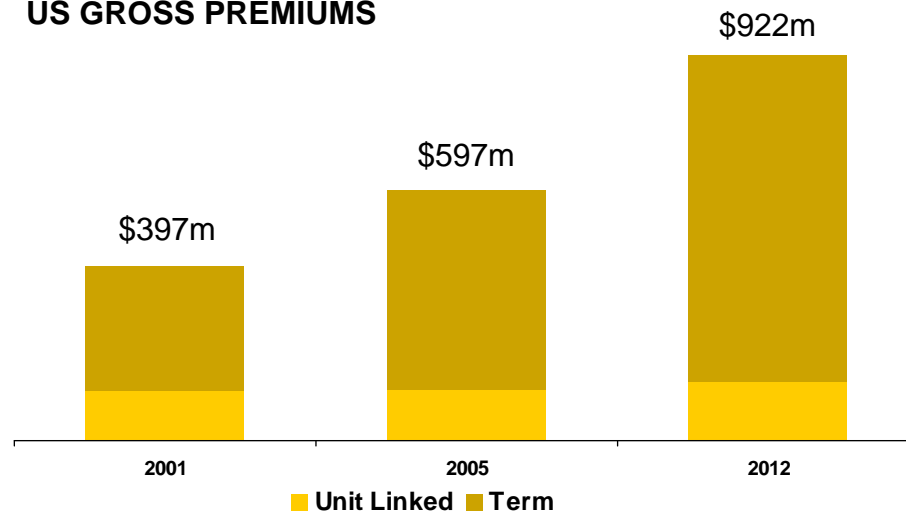
- Industrial processes drive efficient scalable models
- Platforms gaining economic scale from Workplace and post RDR distribution
- Online tools supporting client to assess needs and transact
- Accelerating direct to consumer volumes across product areas
- Innovative use of social media to engage customers

4. PROTECTION MARKET LEADERSHIP.

UK GROSS PREMIUMS



US GROSS PREMIUMS



STRATEGIC SUMMARY

- UK: Increased digital engagement, expand link with housing
- Europe: Expand footprint building both Retail Protection and Group Protection
- US: Expand distribution network and evaluate new product opportunities
- Evaluate new geographies such as Australia and Canada
- Bolt-on acquisitions

5. DIRECT INVESTMENTS.

Sale and Leasebacks



- National Football Centre, St George's Park at Burton-on-Trent



Income Partnerships

- Joint venture with Imperial College
- £116m student accommodation project in Clapham, London



- Tesco distribution hub at Reading



- University of Greenwich student accommodation
- £43m student accommodation project

Commercial lending



- Unite Group
- £121m, 10-year facility



Investment in Equity

- 46.5% share of equity (£65m) in CALA (entity value £210m)
- Earnings accretive in year one
- Return above Group WACC



The Hyde Group
Making a lasting difference

- Hyde Housing Group
- £102m, 15-year facility

Banking austerity has expanded opportunity

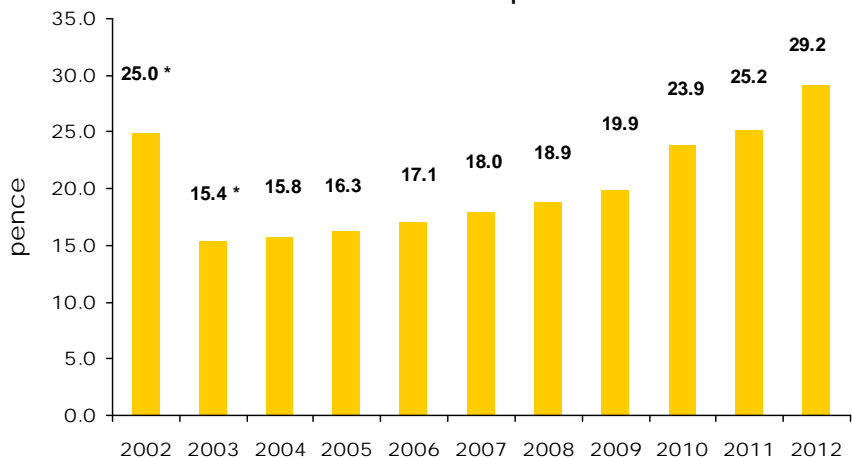
Ready to play a bigger role in funding economic and social development

BUSINESSES WE'RE NOT BIG IN: BUT SHOULD BE.

BUSINESS AREA	LOGIC	ACTION	OUTCOME
International Passive Equity	<ul style="list-style-type: none"> • Global homogenous customer market • Regulatory approval received from US in 2012, Asia planned for 2013 	<ul style="list-style-type: none"> • Launch in US in 2013 • Asia in 2013 • Accelerate growth in the Gulf and Asia 	
Digital platforms	<ul style="list-style-type: none"> • Platform growth level be substantial • UK £214bn in 2012, could be over £600bn in 5 years 	<ul style="list-style-type: none"> • Bolt-on acquisitions 	
Enhanced annuities	<ul style="list-style-type: none"> • High customer demand • Closeness to our existing products 	<ul style="list-style-type: none"> • Investing in new system for 2013 	
Customer advice	<ul style="list-style-type: none"> • Gap in UK market: RDR, Auto enrolment • Part of digital platform offering 	<ul style="list-style-type: none"> • Continue to enhance IPS and Workplace platforms 	
Private Wealth (including potential new products)	<ul style="list-style-type: none"> • Strong customer pull for our capability • Part of our digital platform offering • New products, such as ETFs, would be close to our existing products 	<ul style="list-style-type: none"> • Expansion in 2013 	

INSURERS' HIGHER DIVIDEND YIELD.

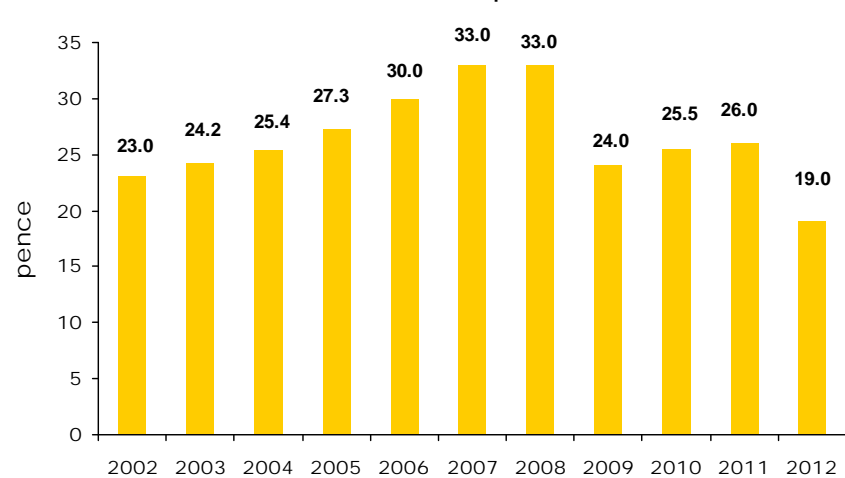
Prudential: Dividend per share



Share price: 1154 pence

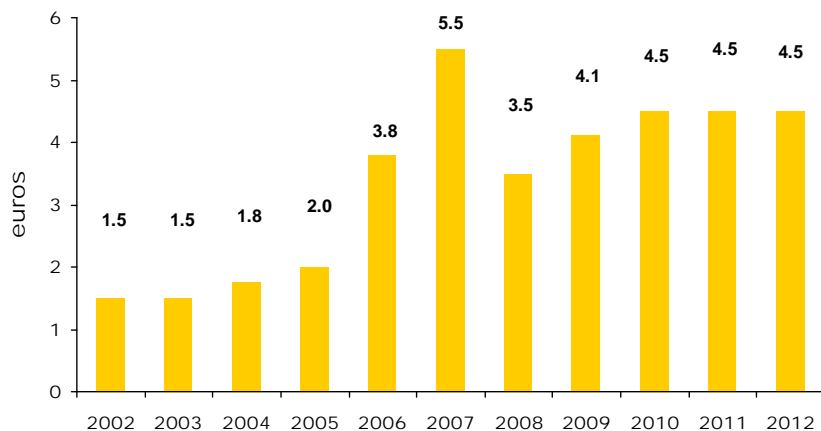
* Originally declared as 26.0 and 16.0 pre rights issue.

Aviva: Dividend per share



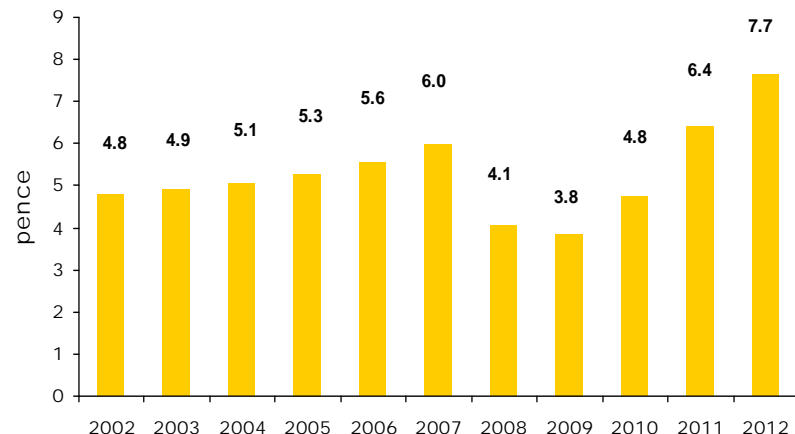
Share price: 326.2 pence

Allianz: Dividend per share



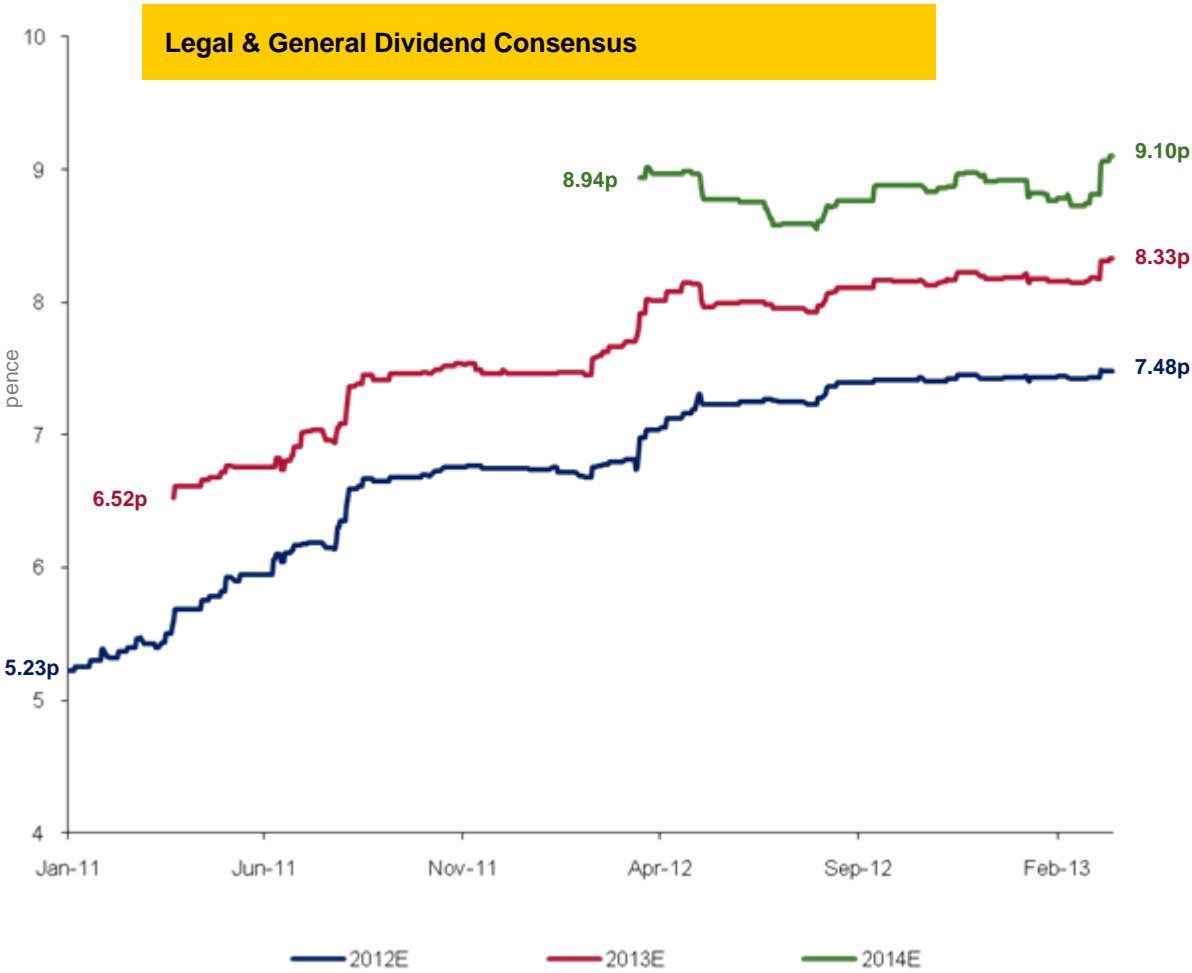
Share price: 111.8 euros

Legal & General: Dividend per share



Share price: 173.2 pence

CONSENSUS DIVIDEND EXPECTATIONS.



Prospective dividend yields:

- L&G¹: 4.8%**
- FTSE 100: 3.9%**
- Dow Jones: 2.6%**
- S&P 500: 2.2%**

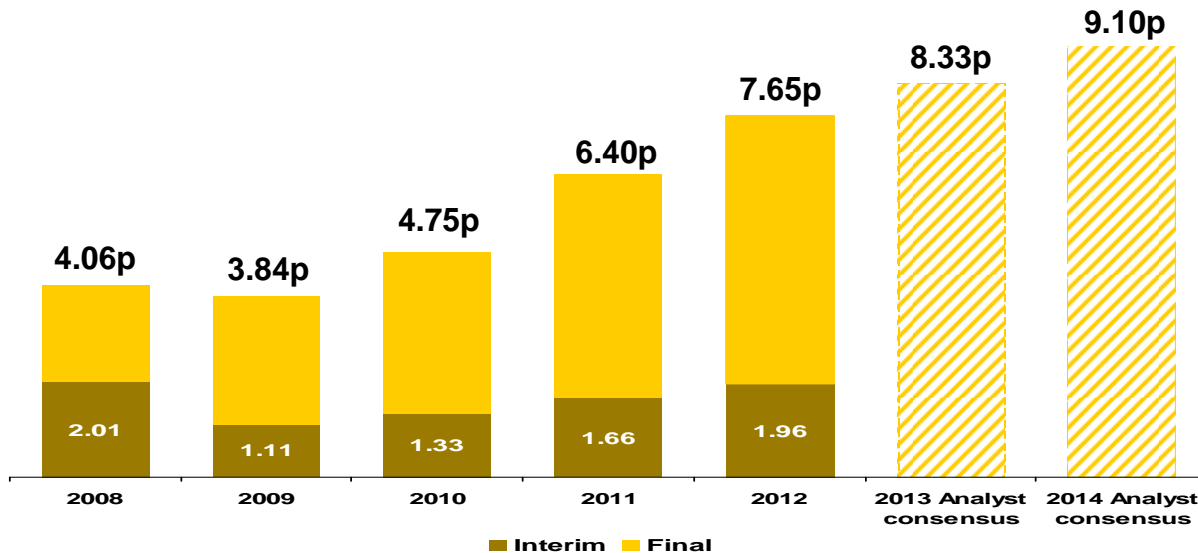
1. Based on 173.2 pence share price and consensus dividend of 8.33 pence.

INVESTMENT DISCIPLINE.

“We seek economically attractive global opportunities, where we have management expertise, subject to statutory capital affordability.”

FORWARD LOOKING	Extensive LGIM resources	LGIM: 6 economists, 20 person strategic risk team, plus a large pool of investment analysts
	External Inputs	Industry standard Algorithmics software covering in excess of £350bn assets
	Prospective risk analysis	500,000 simulations and theme based scenario analysis
ACTIVELY REVIEWED	Regular review	Strategic asset allocation process with monthly reviews and second line challenge
	Bespoke mandates	Mandates uniquely aligned to business objectives; few ‘market benchmarks’
	Broad challenge	Inputs from Asset Liability Committee, Chief Risk Officer, Group Treasury and Investments, business units
TIGHTLY MANAGED	Clear hedge objectives	Low risk appetite for interest rate, inflation and currency risk across the Group
	Simple liabilities	Virtually no un-hedgeable options or minimal reinvestment risk in products
	Tight limits	Limited IGD sensitivity to interest rates, inflation and currency

SHARE PRICE AND DIVIDEND PERFORMANCE.



Source: FactSet as at 15th March 2013.



SUMMARY

- **Macro trends create opportunities for growth**
- **5 strategic responses:**
 LGIM International
 Retirement Solutions
 Digital Solutions
 Protection
 Direct Investments
- **Growing organically**
- **Disciplined Bolt-on acquisitions**
- **Strong, consistent cash generation**
- **Growing earnings**

2012 STRONG RESULTS: FEW SURPRISES.

All in £m	Operational cash generation	New business strain	Net cash generation	Experience variances	Changes in valuation assumptions	Non-cash items	Investment gains and losses, international and other	IFRS profit/(loss) after tax	Tax expense/(credit)	IFRS profit/(loss) before tax
Annuities	243	14	257	43	(24)	(71)	7	212	69	281
Housing and Protection	279	(45)	234	(29)	22	30	12	269	90	359
Investment Management	197	-	197	-	-	-	-	197	46	243
Savings	179	(62)	117	(39)	20	11	(9)	100	33	133
US Protection	40	-	40	-	-	-	22	62	37	99
GC&F	20	-	20	-	-	-	(2)	18	4	22
Investment projects	-	-	-	-	-	-	(38)	(38)	(12)	(50)
OPERATING PROFIT	958	(93)	865	(25)	18	(30)	(8)	820	267	1,087
Variations and other	-	-	-	-	-	-	(19)	(19)	(32)	(51)
GRAND TOTAL	958	(93)	865	(25)	18	(30)	(27)	801	235	1,036
Per share (p)	16.40		14.80					13.90		
Dividend per share (p)			7.65					7.65		
Dividend cover			1.91					1.80		