

2008 Half-year Results



Tuesday 5 August 2008

Forward-looking statements

This document may contain certain forward-looking statements with respect to certain of Legal & General Group Plc's plans and its current goals and expectations relating to future financial condition, performance and results. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Legal & General Group Plc'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 governmental and regulatory authorities, the impact of competition, and the timing impact and other uncertainties of future mergers or combinations within relevant industries. As a result, Legal & General Group Plc's actual future condition, performance and results may differ materially from the plans, goals and expectations set out in Legal & General Group Plc's forward-looking statements. 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.



Agenda

INTRODUCTION AND HIGHLIGHTS

Tim Breedon, Group Chief Executive

FINANCIAL REVIEW

Andrew Palmer, Group Director (Finance)

BUSINESS REVIEW AND OUTLOOK

Tim Breedon



Financial highlights

	H1 08	Growth ⁽⁴⁾
Worldwide new business APE ⁽¹⁾ (£m)	806	+8 %
Worldwide contribution from new life and pensions business (£m)	194	+9 %
Institutional fund management new business (£bn)	17.6	+4 %
EEV ⁽²⁾ operating profit earnings per share (p)	7.33	+11 %
IFRS ⁽³⁾ operating profit earnings per share (p)	4.61	+17 %
EEV shareholders' equity per share (p)	130	+2 %
Dividend per share (p)	2.01	+7.5%

- (1) Annual Premium Equivalent
- (2) European Embedded Value
- (3) International Financial Reporting Standards
- (4) Change vs H1 2007



Key themes

- Resilience of our business
- Capital and cash flow remain strong
- Dividend growth
- Building value for the future

Risk business

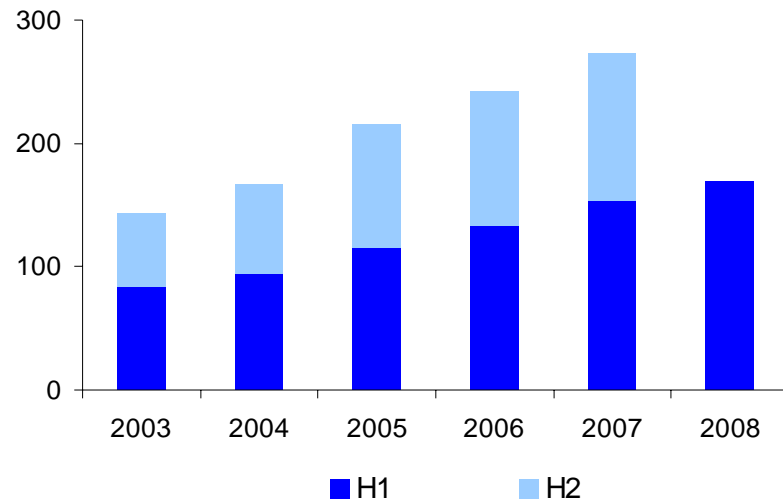
Protection

New business contribution and margin

	PVNB £m	Contribution £m	Margin %
H1 2008	553	38	6.9
H1 2007	563	51	9.1

H1 2008: IRR on new business: 14%
Payback period: 5 years

Group protection – total premium £m



Unique diversification

■ Individual protection

- Housing impact diluted
- Resilient distribution and product model

■ Group protection

- Product developments well received
- Strong growth and pipeline

■ Margins

- Group: strong profitability
- Individual: competitive pricing in H1

Risk business

Annuities

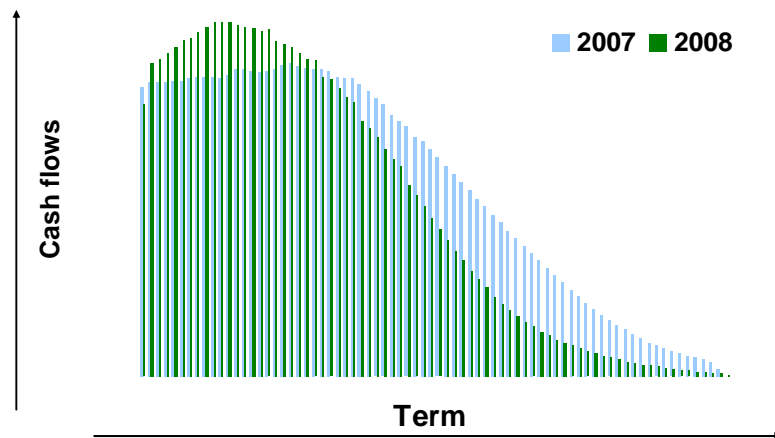
New business contribution and margin

	PVNB £m	Contribution £m	Margin %
H1 2008	1,776	135	7.6
H1 2007	895	88	9.8

H1 2008: IRR on new business: >15%
Payback period: 6 years

Includes annuities in the with-profits fund

New business cash profile



Transformation continues

■ Pension buyouts

- Sales trebled
- Quotation activity remains high

■ Individual

- More selective pricing
- Increased competition in Q2

■ Margins

- Duration: shorter by approx. 3 years

Savings business

New business contribution and margin

	PVNB H1 2008 £m	Contribution H1 2008 £m	Margin H1 2008 %	Margin H1 2007 %
UL Bonds	749	(4)	(0.5)	1.5
NP Pensions	1,047	(2)	(0.2)	(0.5)
With-profits	711	11	1.5	1.4
Total	2,507	5	0.2	0.9

H1 2008:	Non profit pensions	Unit linked bonds
IRR on new business	7%	7%
Payback period	12 years	10 years

Core savings flows and assets under administration

	Pensions ⁽¹⁾ £bn	Bonds ⁽¹⁾ £bn	Core retail investments £bn
Inflows	1.3	0.9	1.0
Outflows	(0.8)	(0.6)	(0.7)
Net fund flows	0.5	0.3	0.3

Closing AUA	20.6	13.5	10.0
Change in AUA (%)	13	(5)	32

(1) Including with-profits

Positive net fund flows across products

- **Unit linked bonds**
 - Sales down reflecting CGT and markets
 - Maintained market share in Q1
- **Non profit pensions**
 - Strong growth in sales
 - SIPP: 50% of retail sales
- **With-profits savings**
 - Renewed interest in with-profits bonds
- **Core retail investments**
 - Building scale – organic and acquisition



Investment business

IFRS operating profit

	H1 2008 £m	H1 2007 £m
Managed pension funds	63	51
Property	4	5
Retail investments	(1)	6
Other income	27	11
IFRS operating profit	93	73

UK's largest pension fund manager

At 31 December 2007	AUA £m	Change (%)
Legal & General	209,056	+41
BGI	101,402	+12
State Street Global Advisors	43,199	+32
Insight Investment	34,281	+80
BlackRock	33,789	+25

Source: Hymans Robertson Market Survey Briefing 2008

Reinforcing market leadership

- £17.6bn of gross new business
- Persistency remains good
- Number one UK pension fund manager
- IFRS operating profit up 27%
- Diversification away from core funds
- Strong positions in fixed income and structured solutions



International businesses

Financial highlights

USA	H1 2008 \$m	H1 2007 \$m
New business contribution	23	4
EEV operating profit	51	46
IFRS operating profit	59	63

Netherlands	H1 2008 €m	H1 2007 €m
New business contribution	3	9
EEV operating profit	22	28
IFRS operating profit	10	5

France	H1 2008 €m	H1 2007 €m
New business contribution	3	8
EEV operating profit	19	18
IFRS operating profit	12	8

Established and new operations

■ USA

- Higher margin of 7.0% - reflects Triple X finance

■ Netherlands

- Market share up in chosen products
- Price competition reduced margin to 1.7%

■ France

- Group risk continues to progress
- Margins reduced to 1.5% on lower savings volumes

■ New ventures

- AUB shareholder agreement signed
- JV in India on track



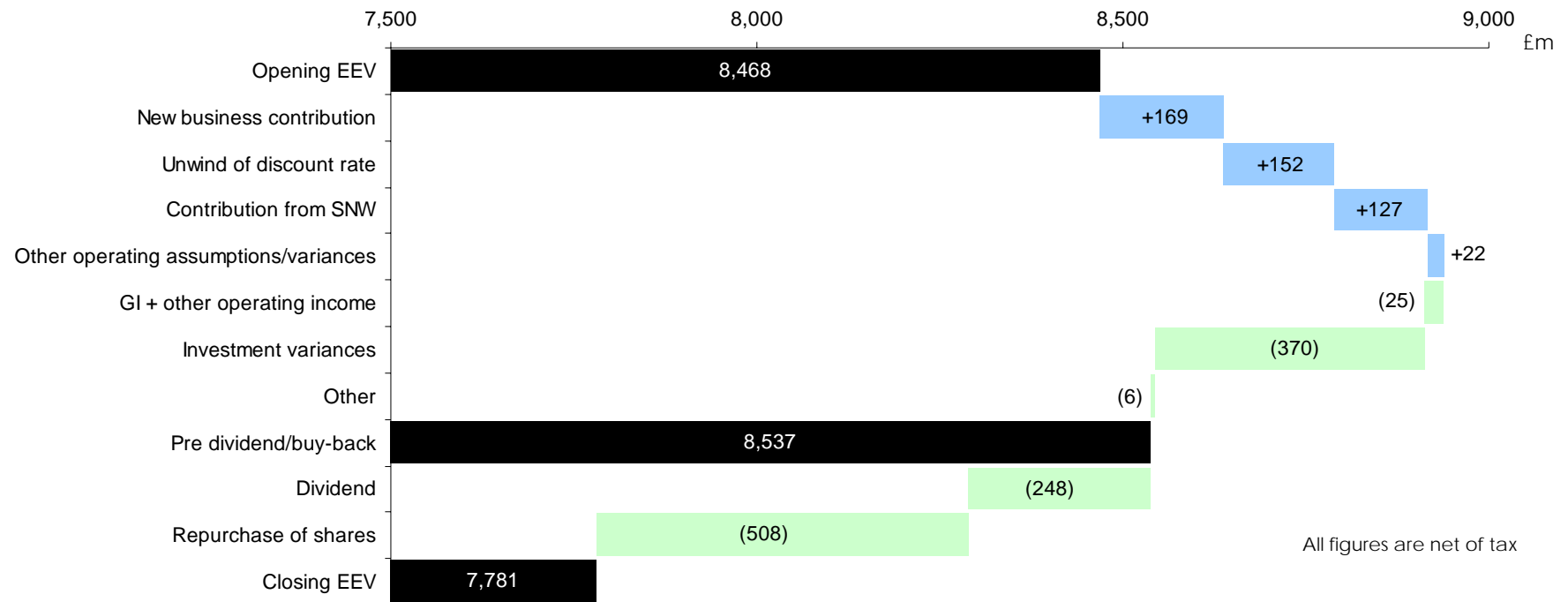
EEV operating profit

	H1 2008 £m	H1 2007 £m
UK life and pensions new business	178	165
UK life and pensions in-force	328	332
UK life and pensions	506	497
International life and pensions	58	54
Investment management	111	90
General insurance	(4)	(38)
Other operating income	(45)	(14)
Operating profit	626	589

UK in-force in line with assumptions

- **Persistency – negative £11m**
 - Unit linked bonds
- **Mortality/morbidity – positive £10m**
 - Group protection
- **Expenses – positive £41m**
 - Unit cost benefits in individual protection
- **Other – negative £18m**

EEV shareholders' equity



**EEV shareholders' equity £687m lower
after £248m dividend and £508m⁽¹⁾ for repurchase of shares
Closing EEV per share 130p**

(1) Includes £408m for shares repurchased in the six months to 30 June 2008 and £100m provision for the close period commitment to buy back shares.



Balanced scorecard

IGD surplus capital⁽¹⁾

30 June 2008	£3.4bn
31 December 2007	£4.1bn
Range	£3bn - £4bn

Society surplus capital⁽¹⁾

30 June 2008	£3.9bn
31 December 2007	£4.4bn
Range	£2.5bn - £3.5bn

Economic capital

30 June 2008	Very strong AA
31 December 2007	Very strong AA
Range	Strong AA

Return on EV

30 June 2008 (annualised)	10.8%
31 December 2007	8.0%
Range	Increase over medium term

(1) Extracted from draft, unaudited regulatory returns

Strong, efficient balance sheet

- Quality investment portfolio
- IGD resilience to investment markets
- Annual capital review
- Share Buyback – expect completion in 2008



Cash generation

Net capital released from UK non profit business

£m, net of tax	H1 2008	H1 2007
Expected capital release	241	211
New business strain	(237)	(142)
	4	69
Reserving changes and other adjustments	64	38
Total	68	107
Gross of tax equivalent	95	153

Release of UK VIF over time

	Total £m	1-5 yrs %	6-10yrs %	11-15yrs %	16+yrs %
Non profit ⁽¹⁾	3,417	54	23	11	12
With-profits ⁽²⁾	681	53	28	10	9
Total	4,098	53	24	11	12

(1) Non profit VIF includes the value of the contingent loan (£766m) and is before the cost of capital (£120m)

(2) With-profits VIF includes allowance for assumed distribution of the estate over the projection period

Strong cash profile

Current cash

- UK non profit business self financing
- Non profit new business strain £237m
 - IRR 13%
 - Cash payback 7 years
- With-profits transfer up 20% to £60m
- Investment management operating profit up 27% to £93m

Future cash

- 53% of VIF monetises in 5 years



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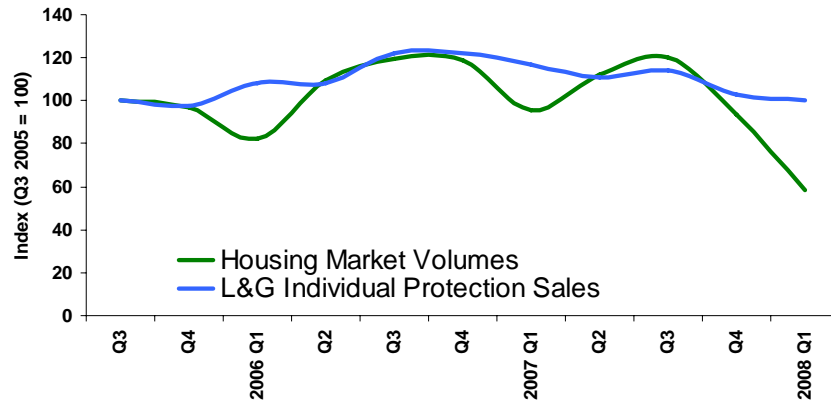
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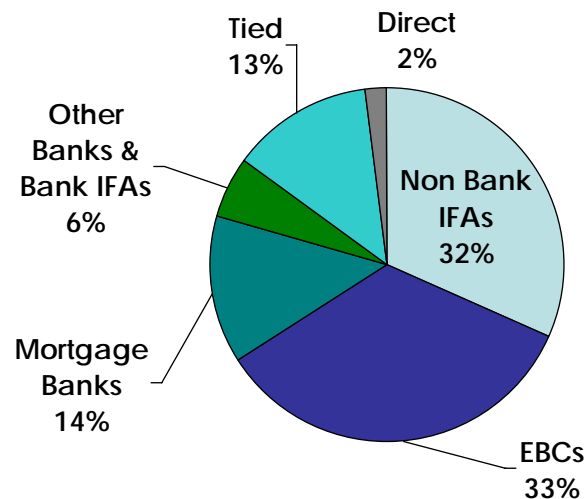
Protection

Mortgage and Protection Volatility



Source: CML and Internal Data

Protection distribution H1 2008



Strategically advantaged

Protection

- High scale, low cost model
- Diversification away from mortgage related sales

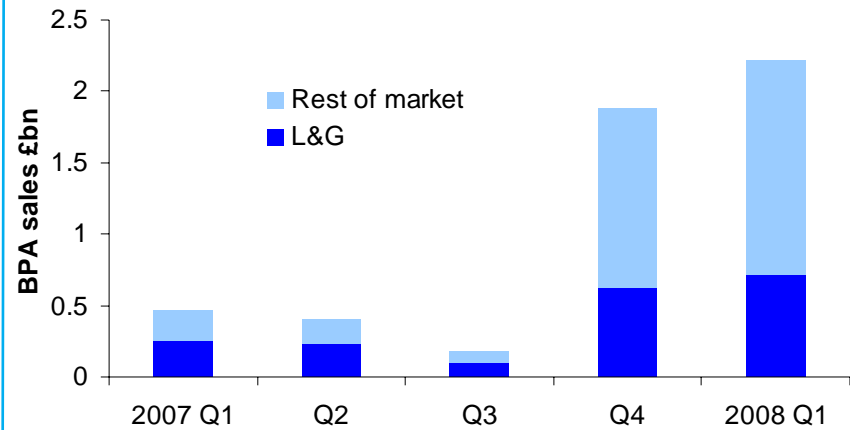
Distribution

- Benefits of broad distribution
- Mortgage club provides resilience
- Mortgage banks under pressure



Market Opportunities

Pension Buyout Sales (Single Premium)



Source : ABI plus internal data estimates

Annuity opportunity

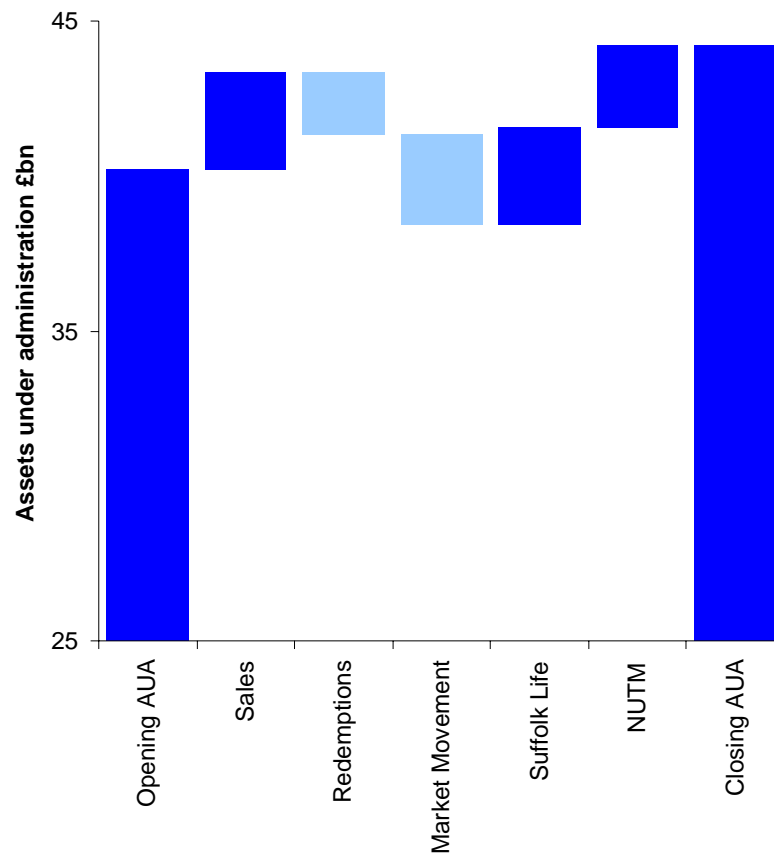
Annuity Explosion

- Market drivers established
- Building capacity and capability
- Synergies with LGIM



Market Opportunities

Growth in Core savings⁽¹⁾ assets under administration



(1) Core savings comprises unit-linked bonds, non-profit pensions, with-profits savings and retail investments excluding institutional investments in unit trust funds.

Savings and investment

Savings – Good Progress

- Strategic acquisitions
- New product launches
- Moving to lower strain, higher quality business

LGIM

- Reliable performance and service
- Well positioned in changing markets

Key themes

- Resilience of our business
- Capital and cash flow remain strong
- Dividend growth
- Building value for the future

Questions



UK Analysis of change in EV

As at 30 June 2008 (£m)	Required capital ⁽¹⁾	Free surplus ⁽²⁾	SNW	VIF	Total
Opening embedded value	1,198	3,249	4,447	2,846	7,293
Opening adjustments	-	27	27	(27)	-
	1,198	3,276	4,474	2,819	7,293
Profit for the period:					
- New business contribution ⁽³⁾	98	(304)	(206)	334	128
- Expected return – transfer to SNW ⁽⁴⁾	(47)	264	217	(217)	-
- Less: Movement in contingent loan	-	41	41	(41)	-
- Expected returns on VIF and SNW	16	92	108	107	215
- Experience variances and operating assumption changes	(7)	(42)	(49)	60	11
- Non-operating experience variances and assumption changes	(5)	(343)	(348)	50	(298)
Profit for the period	55	(292)	(237)	293	56
Capital movements	-	(252)	(252)	-	(252)
Embedded value of business acquired	85	71	156	143	299
With-profits transfer	-	43	43	(43)	-
Other reserve movements including pension deficit	-	(4)	(4)	-	(4)
Transfer to non-covered business	-	(14)	(14)	-	(14)
Embedded value	1,338	2,828	4,166	3,212	7,378

(1) The above analysis incorporates the UK EEV profit from covered business (Note 3.01) and the IFRS analysis of net capital released (Note 4.01) excluding non-cash items. Required capital represents the solvency capital which is reflected fully under EEV; but is not accounted for under IFRS.

(2) The movement in the free surplus includes a further reduction representing the difference between the face value of the Society shareholder assets within the long term fund, and the value of those assets after allowing for tax on distribution from the long term fund.

(3) New business contribution of £128m (net of tax) comprises an increase in the present value of in-force of £334m; offset by £206m of capital invested from the UK free surplus in acquiring new business. A further £98m has been transferred from free surplus to required capital to cover EU solvency margin.

(4) The Expected return – transfer to SNW reflects the capital and profit generated in the period from the in-force non profit business, and is represented by a transfer of £217m from VIF. In addition, £47m of capital no longer required to support the in-force business has been transferred to free surplus.

Key Group funds flow

	H1 2008		FY 2007	
Total operating inflows	£116m	£(27)m	Net capital (invested)/released from non profit business (cash only) ⁽¹⁾	£39m
		£43m	With-profits transfer	£74m
		£99m	Investment return net of expenses ⁽²⁾	£197m
		£1m	Other including dividends	£72m
Cost of financing	£(275)m	£(248)m	Dividend paid to shareholders ⁽³⁾	£(369)m
		£(27)m	Interest payable net of investment return	£(48)m
		<u>£(159)m</u>		<u>£(417)m</u>
Financing flows	£(398)m	£(408)m	Share buyback programme ⁽⁴⁾	£682m
		£226m	Net Proceeds from capital raising ⁽⁵⁾	£350m
		£(374)m	Capital injections ⁽⁶⁾	£(90)m
		£158m	Working capital movements ⁽⁷⁾	£(36)m
Net Group funds flow		<u>£(557)m</u>		<u>£(871)m</u>

- (1) Net capital released from non profit business less movements in non-cash items (note 4.01(b)). **The current tax credit for the period was lower than expected as a result of the fall in investment markets. The consequent unrelieved expenses gave rise to a deferred tax credit, reflected in non-cash items (note 4.01(e)).**
- (2) Longer-term assumptions give £154m (note 4.01(a), £106m net of tax). There are project and other expenses of £10m (note 4.01(a), £7m net of tax) allocated to Society. Total investment return on SSC investments (note 5.02(b)) is a loss of £(187)m (net of tax).
- (3) 2007 final dividend paid in H1 08. This represents approximately two thirds of annual dividend payments being covered by only half-year operating inflows.
- (4) FY07 reflects £1bn of capital made available to finance share buyback programme.
- (5) £219m net proceeds from issuance of Commercial Paper, £7m from issue of equity.
- (6) Includes financing for acquisition of Nationwide Unit Trust Managers Ltd (£50m), Nationwide Life Ltd (£252m) and Suffolk Life Group Plc (£63m). Also includes capital contributions of £9m to other subsidiaries.
- (7) Includes £85m from maturity of investments.

L&G Investment Management

Income statement £m	H1 2008			H1 2007		
	Internal	External	Total	Internal ⁽¹⁾	External	Total
Management fees	43	96	139	28	85	113
Transaction fees	-	13	13	-	9	9
Net performance fees	-	2	2	-	3	3
Total fee income	43	111	154	28	97	125
Investment income	-	9	9	-	6	6
Total income	43	120	163	28	103	131
Operating expenses	(24)	(44)	(68)	(24)	(39)	(63)
Depreciation and amortisation	-	(1)	(1)	-	(1)	(1)
Operating profit	19	75	94	4	63	67
Margin on average AUM (bps)						
Management fee margin	13.8	8.6	9.7		9.7	
Total fee margin	13.8	9.8	10.5		10.9	
Net margin	6.1	5.8	5.8		6.4	

- (1) From 1 July 2007 the internal investment management services provided to Society have been charged at market reference rates. Prior to this date these services were charged on a cost recovery basis and profits earned rebated to Society.