
Legal & General

**2009
Half-year
Results**

Tuesday 4 August 2009



Forward-looking statements

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2009 Half-year Results

Agenda



Introduction

Tim Breedon
Chief Executive



Financial Review
Balance Sheet & Capital

Andrew Palmer
Group Director (Finance)



Business Review
Summary and Conclusion

Tim Breedon
Chief Executive

Strategy

- A diversified group of inter-related businesses
- Risk, Savings and Investment Management model
- Scale plays in large markets to drive economies
- High quality franchises
- Long term customer and client relationships
- Targeting risk adjusted returns on capital
- Focus on cash generation
- Low cost operating model
- Alignment of shareholder, customer and wider social responsibility

2009 Half-year Results - Overview

- **Focus on Cash Generation**
 - £333m cash generated at half year
 - New business strain £31m
 - Changes to product mix and charging structures
 - Commission cuts in Savings
 - Pricing prudence in Annuities
- **Cost Reduction**
 - Further 7% reduction in headcount delivered
 - On track to exceed 10% headcount reduction for full year and £50m of annualised costs reduction
- **Balance Sheet**
 - IGD surplus estimated at £2.2bn at end of July
- **Dividend**
 - Interim dividend 1.11p, cost of £65m

2009 Half-year Results

Financial Review



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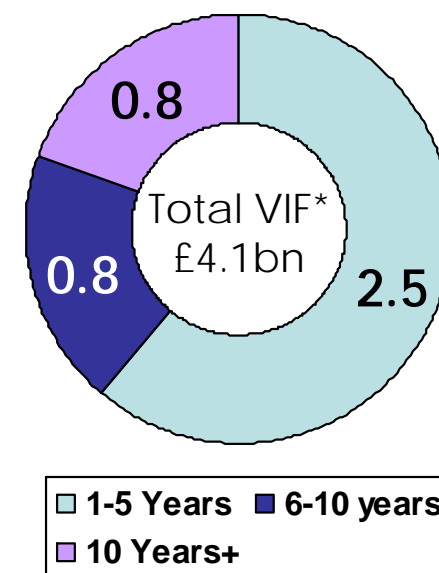
2009 Half-year Financial Results

	H1 2009	H1 2008
EEV operating profit before tax	£657m	£589m
IFRS operating profit before tax	£31m	£391m
<hr/>		
Segmented IFRS profit/(loss)	H1 2009	H1 2008
Risk	(£128m)	£75m
Savings	(£5m)	£111m
Investment management	£70m	£91m
International	£65m	£48m
Group capital & financing	£29m	£66m

Sources of Cash Generation H1 2009

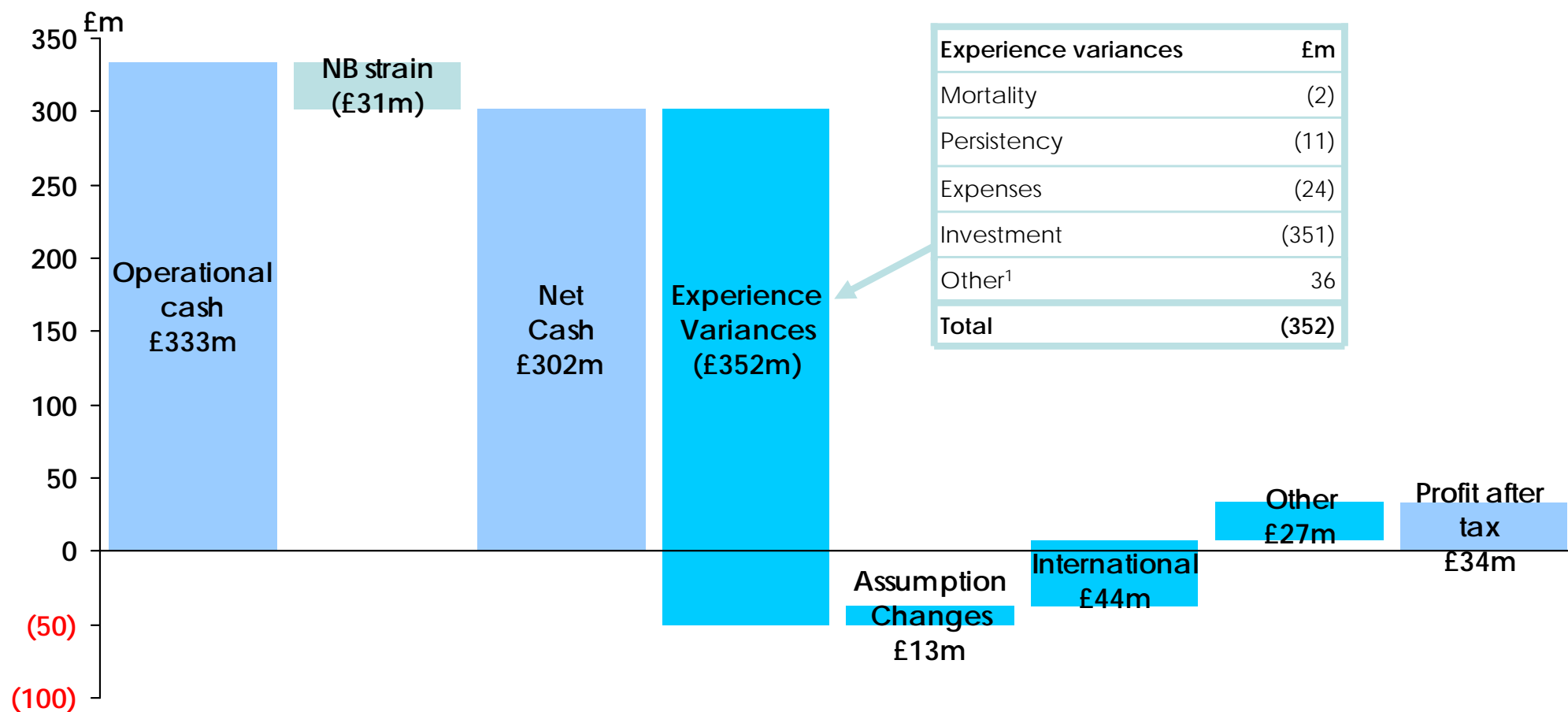
	H1 09
Risk release	£207m
NP Savings release	£31m
WP shareholder transfer	£21m
Investment management	£51m
Net investment income	£23m
Other IFRS results	£0m
Operational cash generation	£333m

VIF Monetisation Profile 2009



*Value of In force before cost of capital

IFRS Operating Profit After Tax – Half-year 2009



¹ Movements in UK non profit deferred tax are included within other

Assets and Defaults

Investment Experience Variances

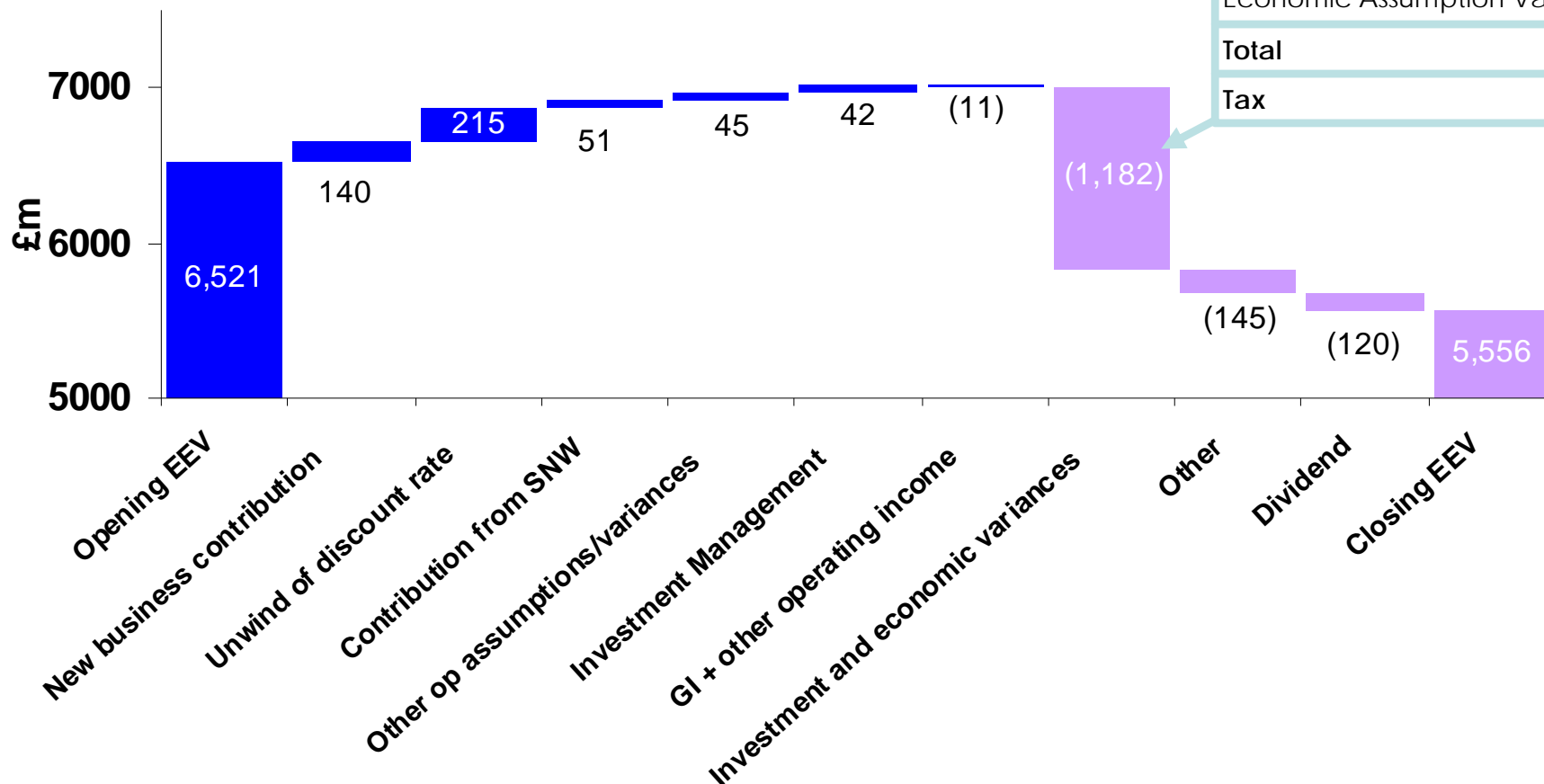
H1 2009

Bank Junior Sub Debt Disposal	(£45m)
Other credit disposal	(£30m)
Strengthening of default reserves	(£55m)
Change in cash benchmark	(£85m)
Overlay Cash Effects	(£88m)
Modelling Effects	(£30m)
Other	(£18m)
Total Investment variance	(£351m)

- **Portfolio restructuring**
 - Reduction in exposure to junior bank sub debt
- **Cash holdings affecting profit**
- **Minimal actual defaults**
 - £1m net of expected recoveries
 - Downgrades across portfolio
- **Continued prudence in default reserving**
 - £650m short term provision retained
 - Total reserves increased to £1.3bn
 - Reserves represent 74bp pa

Analysis of EEV Shareholder Funds

EEV per share at 31/12/08 = 111p
 at 30/06/09 = 95p



Inv & Economic variances	£m
Asset Allocation	(511)
Investment Experience	(508)
Economic Assumption Variances	(630)
Total	(1,649)
Tax	467

2009 Half-year Results

Balance Sheet & Capital



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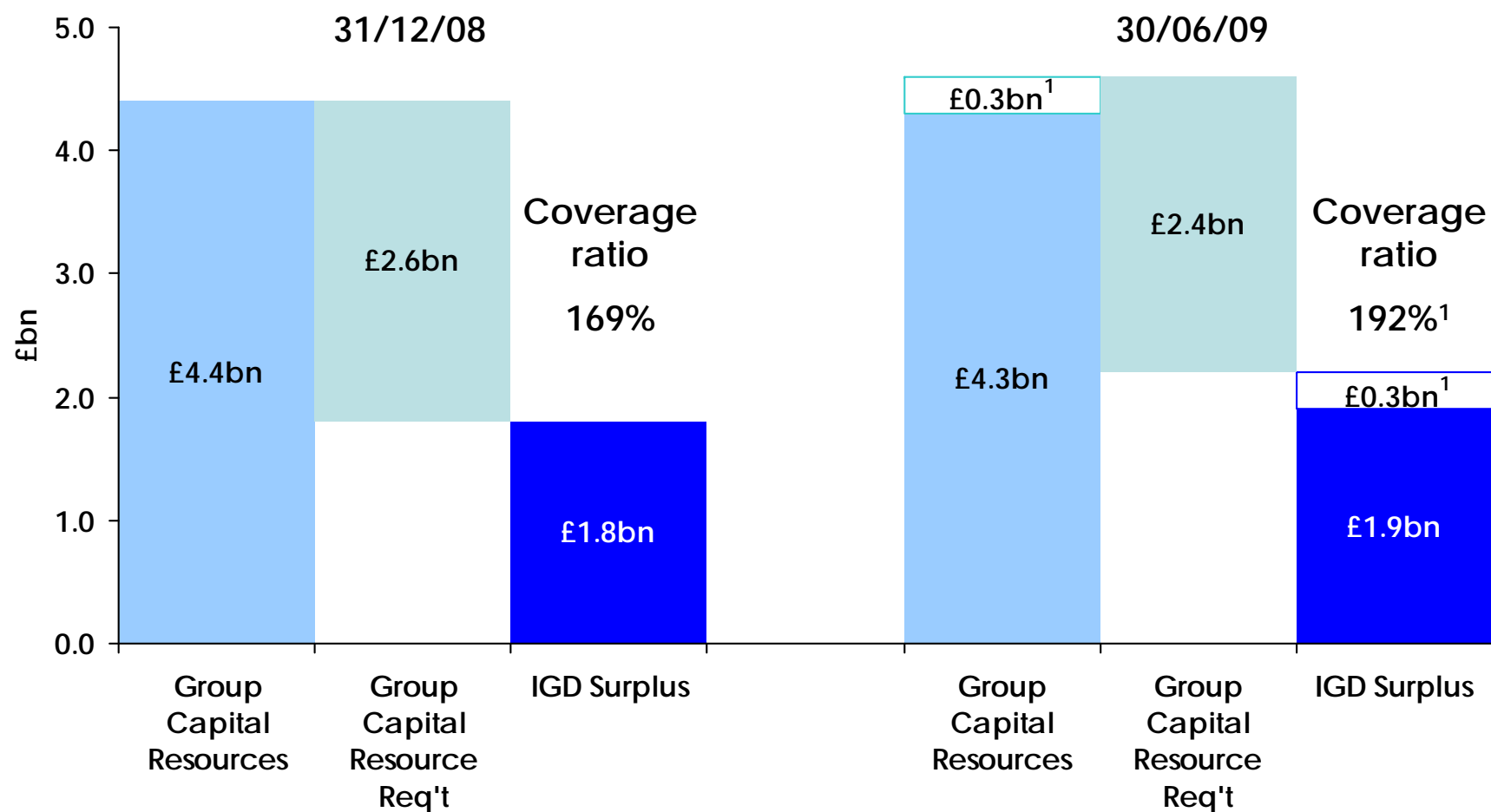
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IGD Surplus post dividend



1. Includes raising £0.3bn Lower Tier 2 debt in July 2009

IGD Update

	£bn
IGD Surplus at 30/06/09 ¹	1.9
IGD Surplus – proforma inc. debt raising ^{1,2}	2.2
Impact from 30/06/09 of:	Impact (£bn)
20% fall in equities (FTSE 3,399)	(0.4)
40% fall in equities (FTSE 2,549)	(0.7)
15% fall in property	(0.2)
100bp increase in interest rates ³	(0.2)
100bp increase in credit spreads	(0.1)

1. After accruing for the interim dividend of £0.1bn

2. Proforma IGD surplus after raising £0.3bn lower tier 2 debt on 16 July 2009

3. A 100bp decrease in interest rates would result in a small increase in IGD surplus

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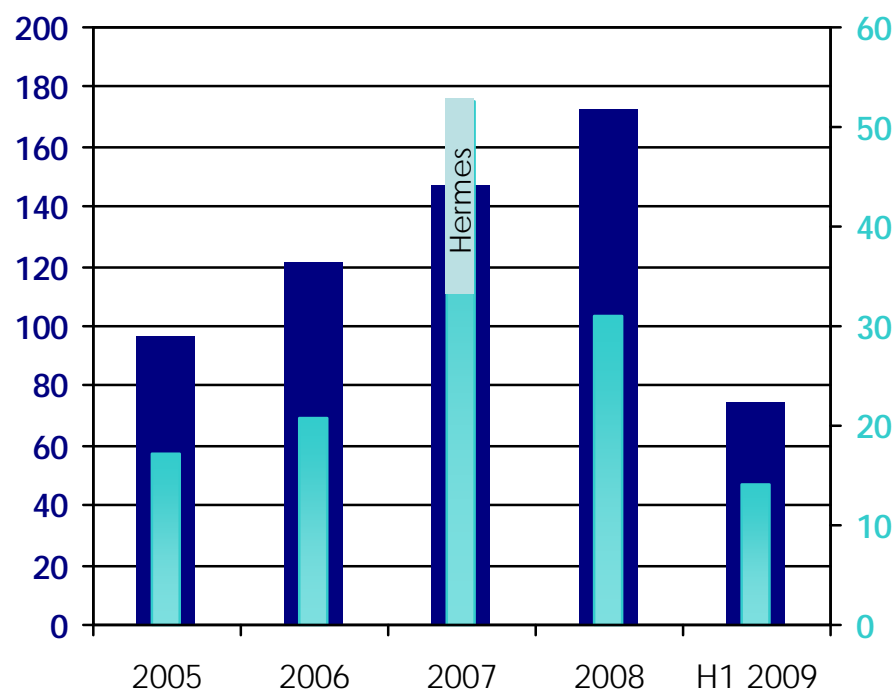


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Investment management

LGIM 2005-2009 - IFRS Profits (£m)
- New Business (£bn)



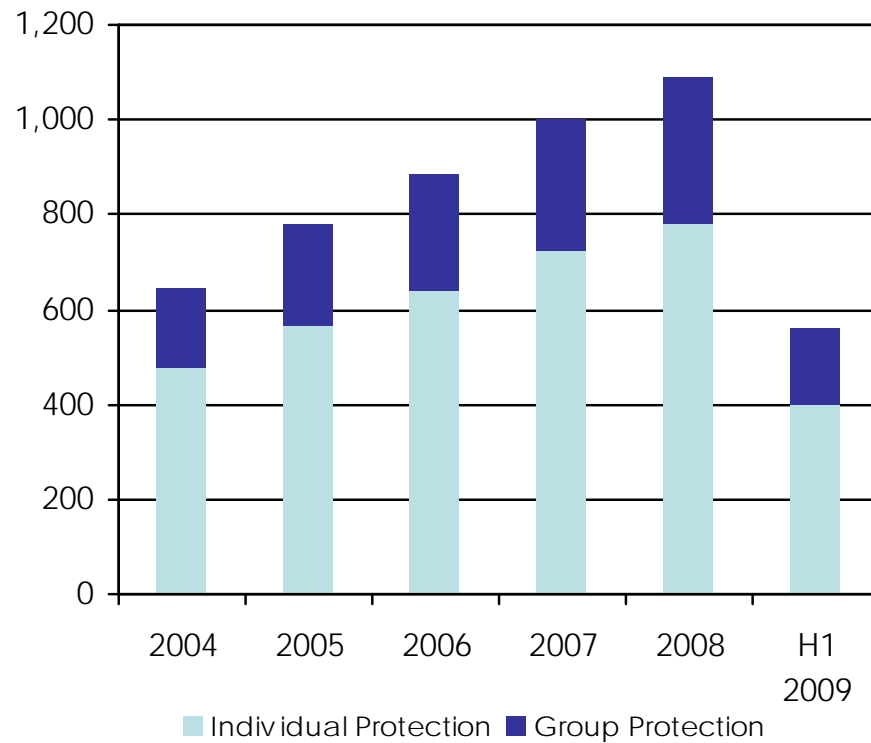
Excellent franchise

- Continued strong new business
- Diversification complementing core index tracking franchise
- £271bn Assets under management at 30/06/09
- Strong cash flow

Operational Cash Generation to Group = £51m

Risk - Protection

Protection Gross Premiums (£m) 2004-2009



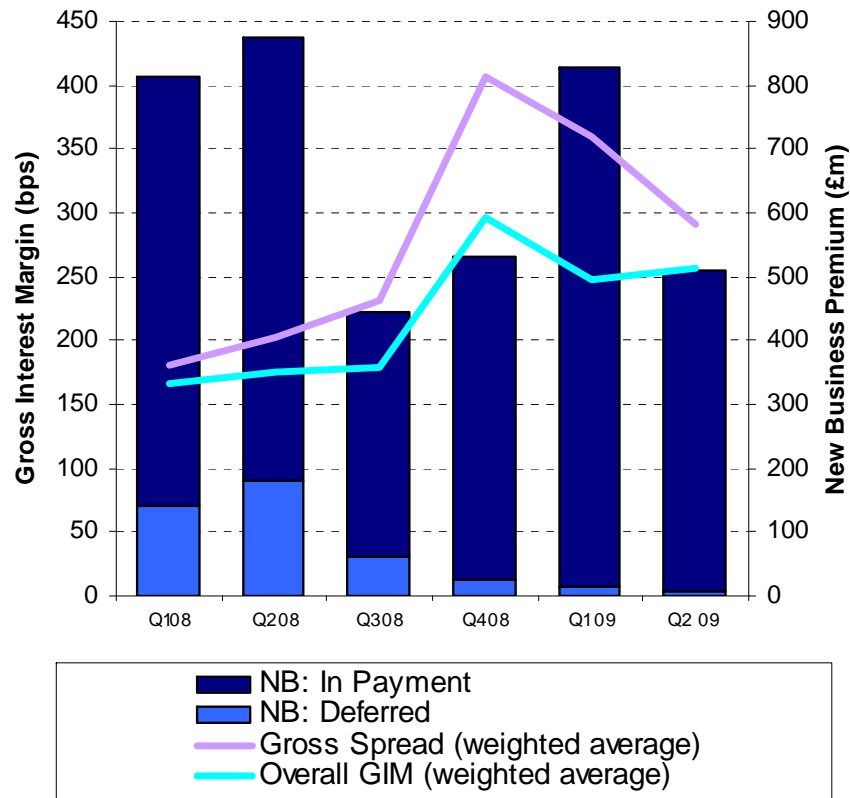
Strong UK franchise

- Continued market leadership
- £561m of gross premiums in H1 2009
- Resilient new business
- Scale and quality of in-force book yielding strong cash flows

Operational Cash Generation to Group = £90m

Risk - Annuities

Annuity Volumes and Gross Margins 2008-9



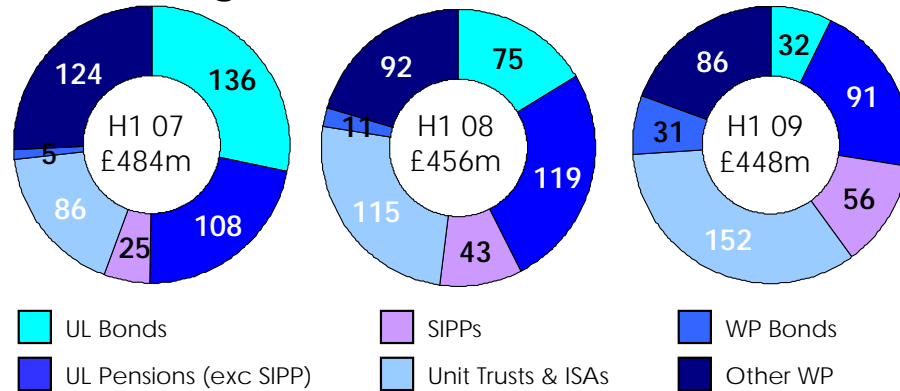
Scale and quality

- Economy affecting bulk deals – appetite switched to individuals
- Rigorous pricing discipline
- Attractive gross interest margins
- Strong new business flows from Savings and LGIM clients

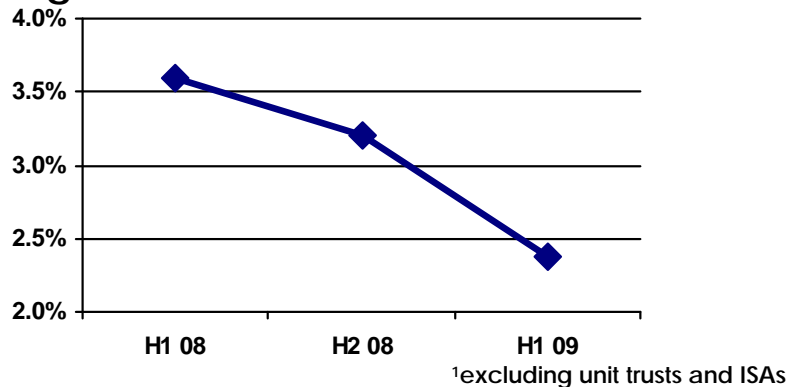
Operational Cash Generation to Group = £117m

Savings

Savings New Business APE Mix 2007-9



Savings¹ New Bus Strain as % PVNBP 08-09

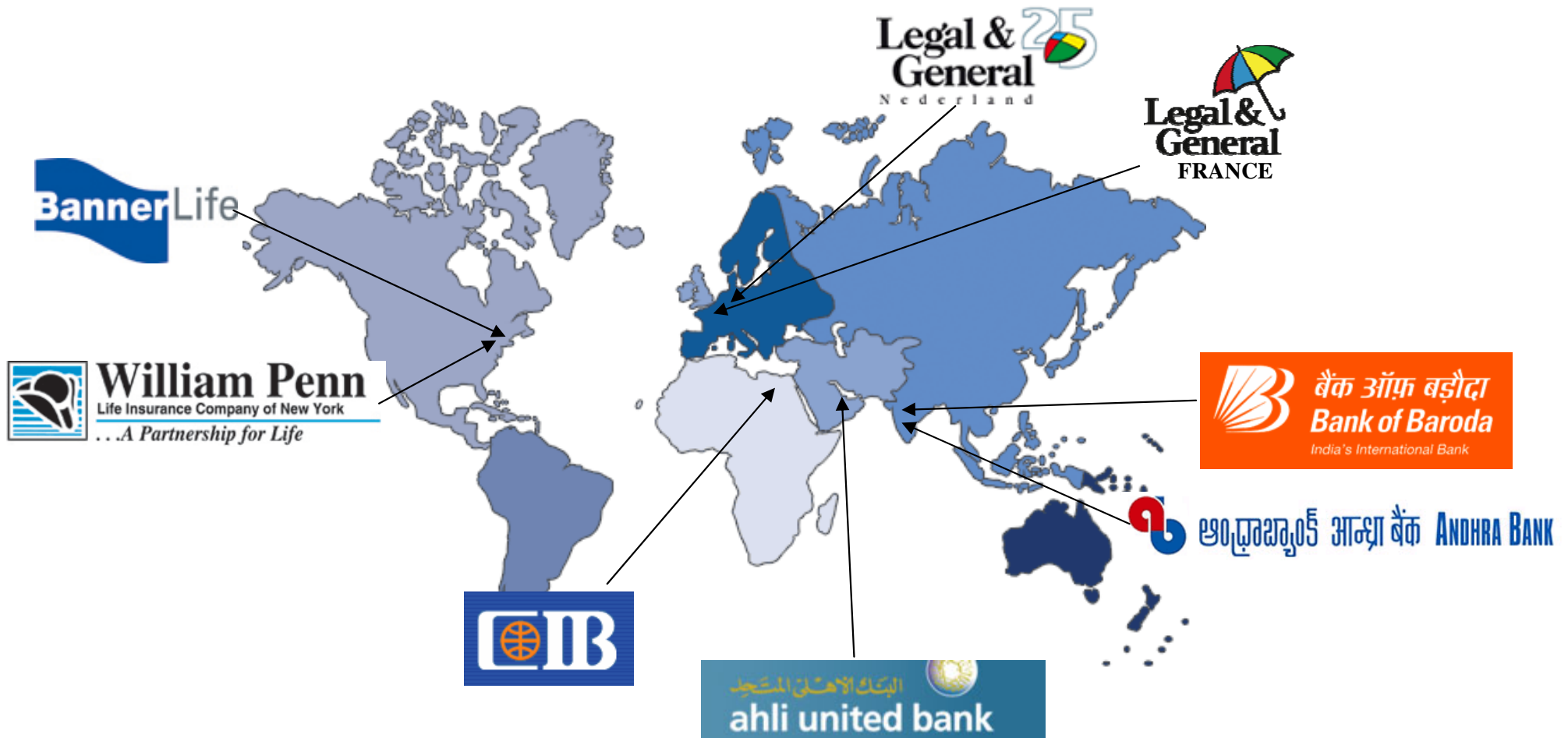


Progress in 2009

- Reduced strain and costs
- Improved product mix
- Changing product shapes – commission and charging
- Acceleration of changes underway

Operational Cash Generation to Group = £43m

International



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2009 Half-year Results – Summary

- **Strategy**

- A diversified group of inter-related businesses
- Investment management – another strong period
- Risk - scale and expertise
- Savings - turn around on track

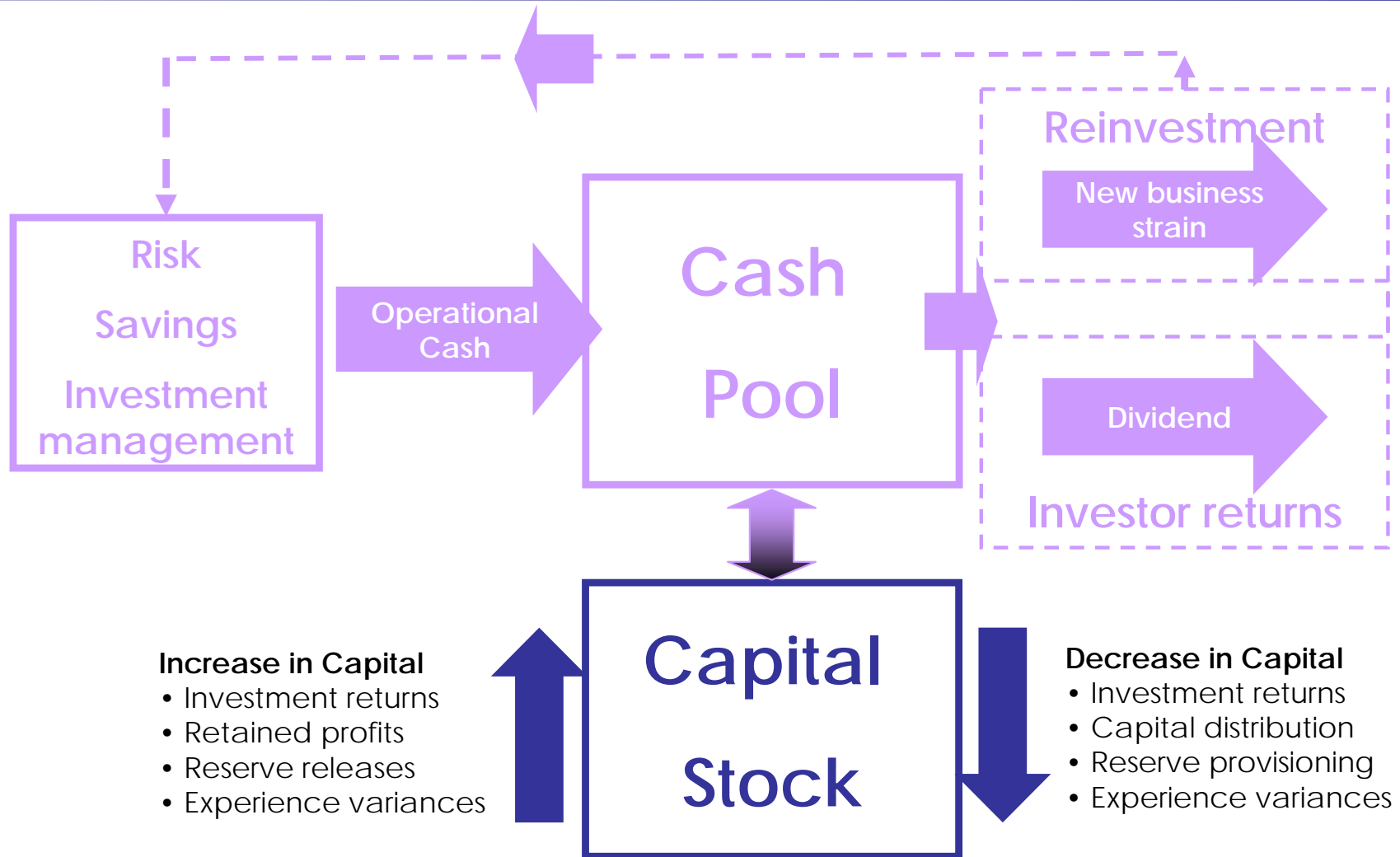
- **Progress against 2009 plans**

- Transformation in cash profile
- Cost reduction programme on track to deliver
- Balance sheet resilience improved

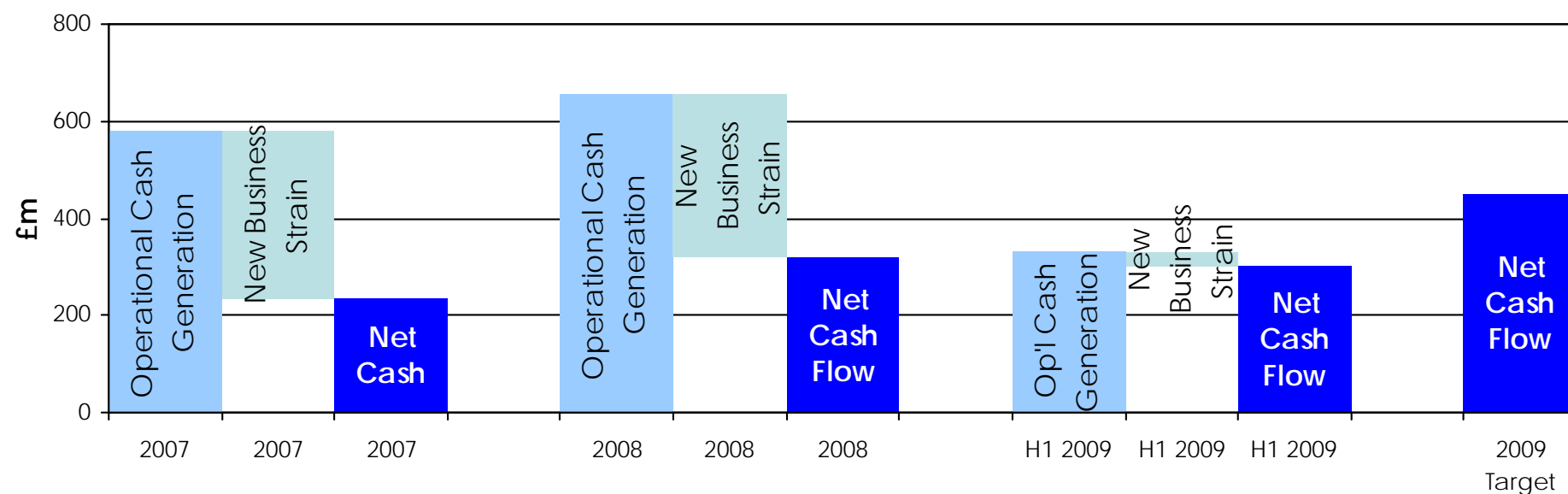
Questions

Appendices

Financial Model



Operational Cash Generation 2007-2009

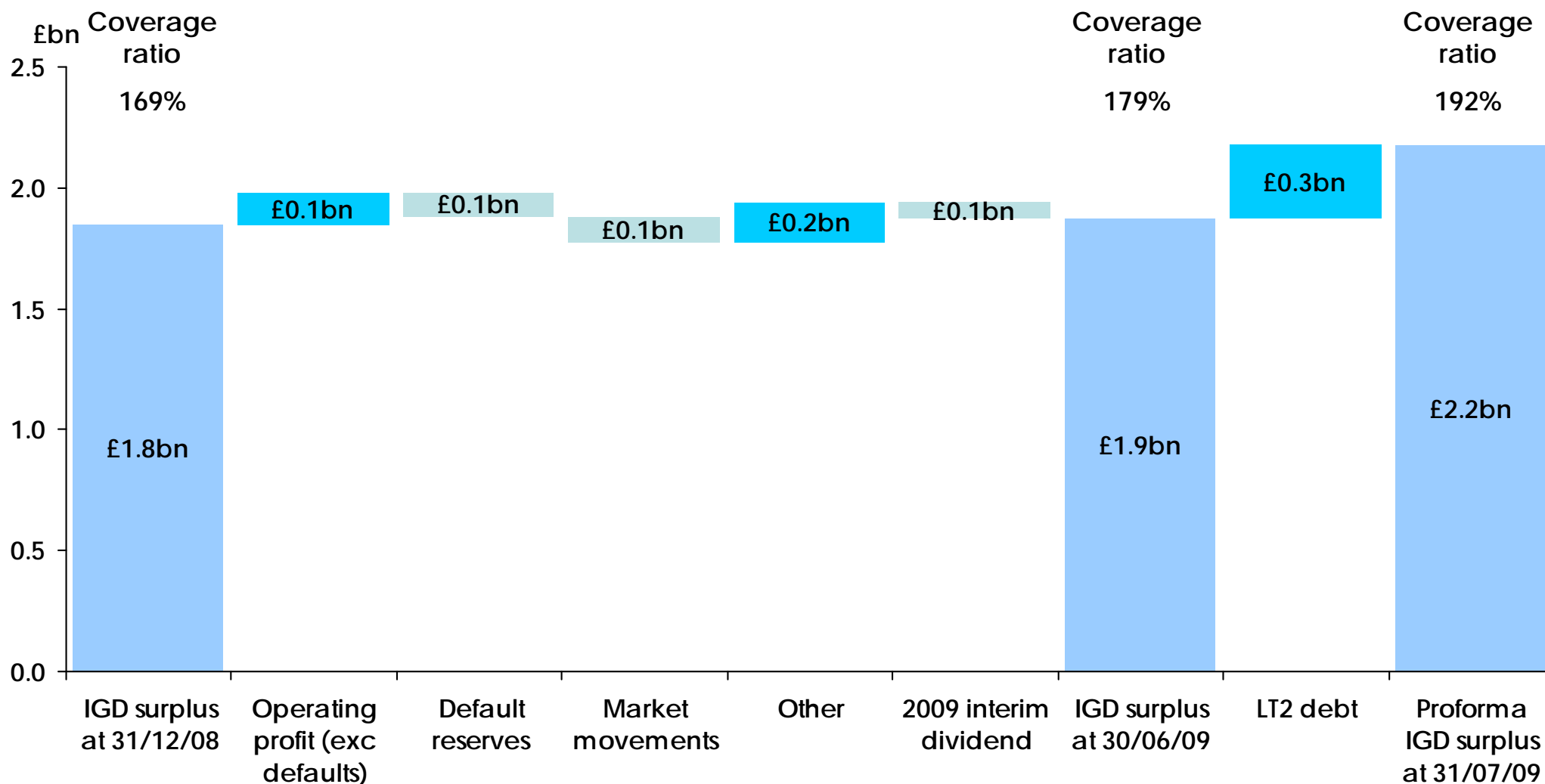


	2007	2008	H1 2009	2009 Target
Operational cash generation	£580m	£654m	£333m	
New business strain	(£344m)	(£334m)	(£31m)	
Net cash flow	£236m	£320m	£302m	£450m

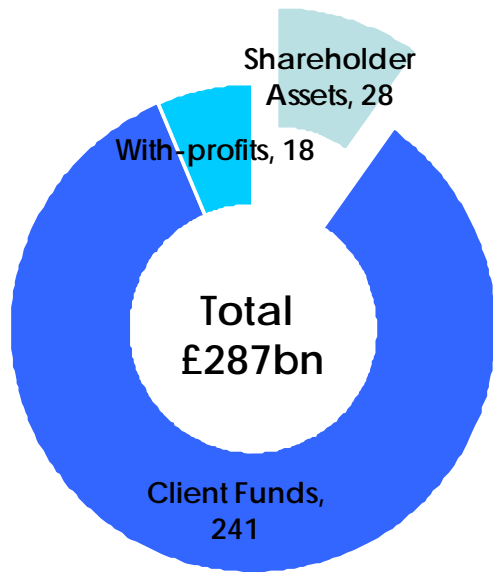
2009 Half-year Financial Results – EEV Basis

	PVNBP (£m)		Margin (%)	
	H1 2009	H1 2008	H1 2009	H1 2008
Protection	427	553	7.0	6.9
Annuities	1,328	1,776	11.1	7.6
Unit linked bonds	319	749	(1.6)	(0.5)
Non profit pensions	1,007	1,047	(0.4)	(0.2)
With-profits	734	711	2.2	1.5
Total UK Risk & Savings	3,815	4,836	4.8	3.7

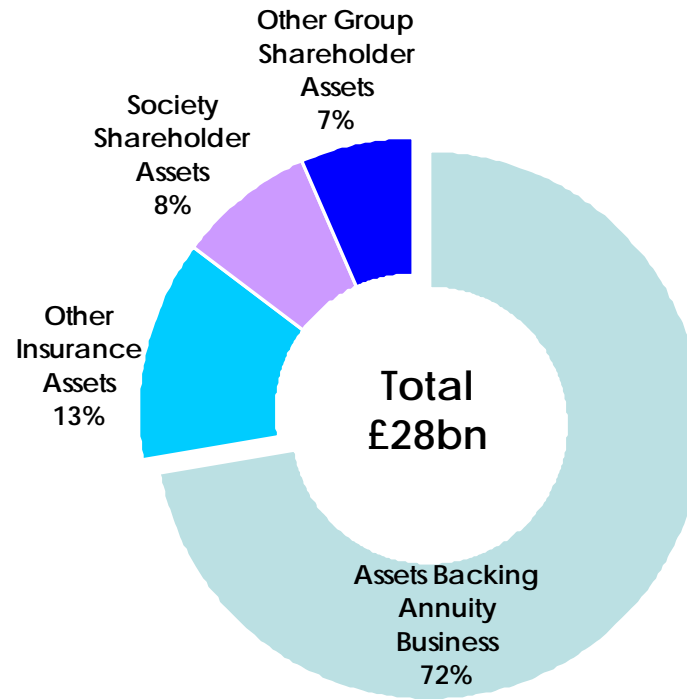
IGD Surplus 31/12/08 to 31/07/09



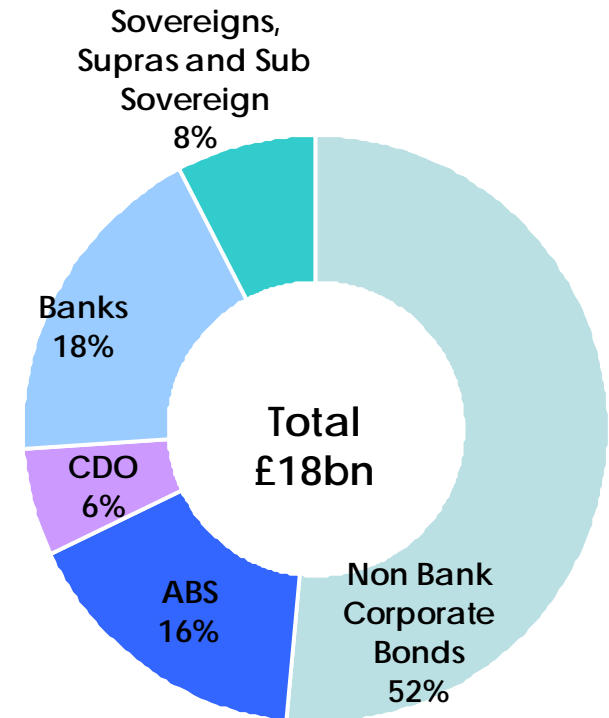
Shareholders' Assets



Worldwide Funds Under Management at 30/06/09 (£bn)



Shareholder Assets at 30/06/09

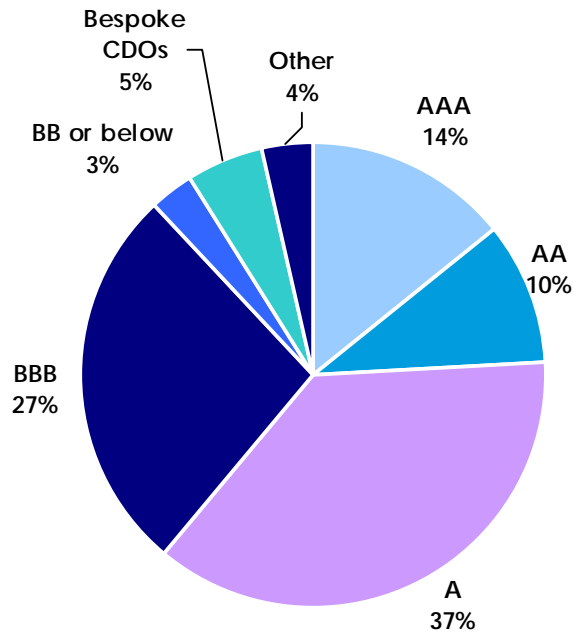


Bonds Backing non Profit Annuities at 30/06/09

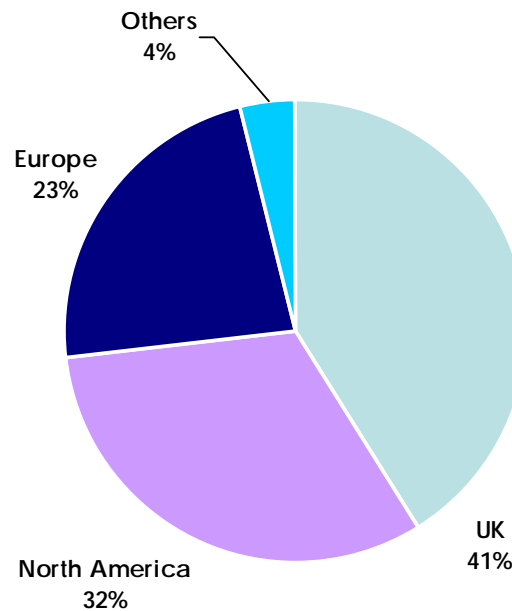
Annuity Portfolio Diversification

Bonds backing non profit annuities at 30/06/09 totalled £18bn

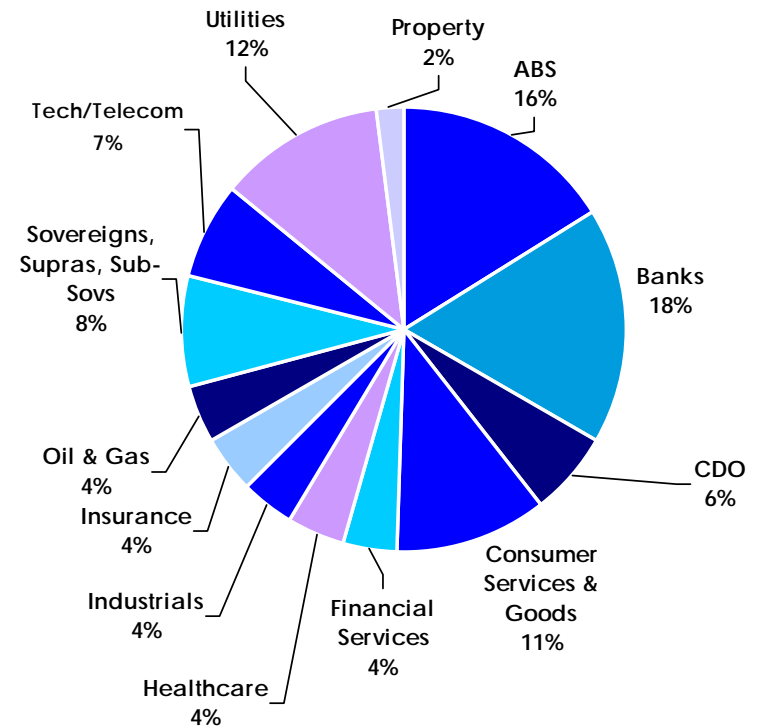
Ratings Breakdown



Geographic allocation



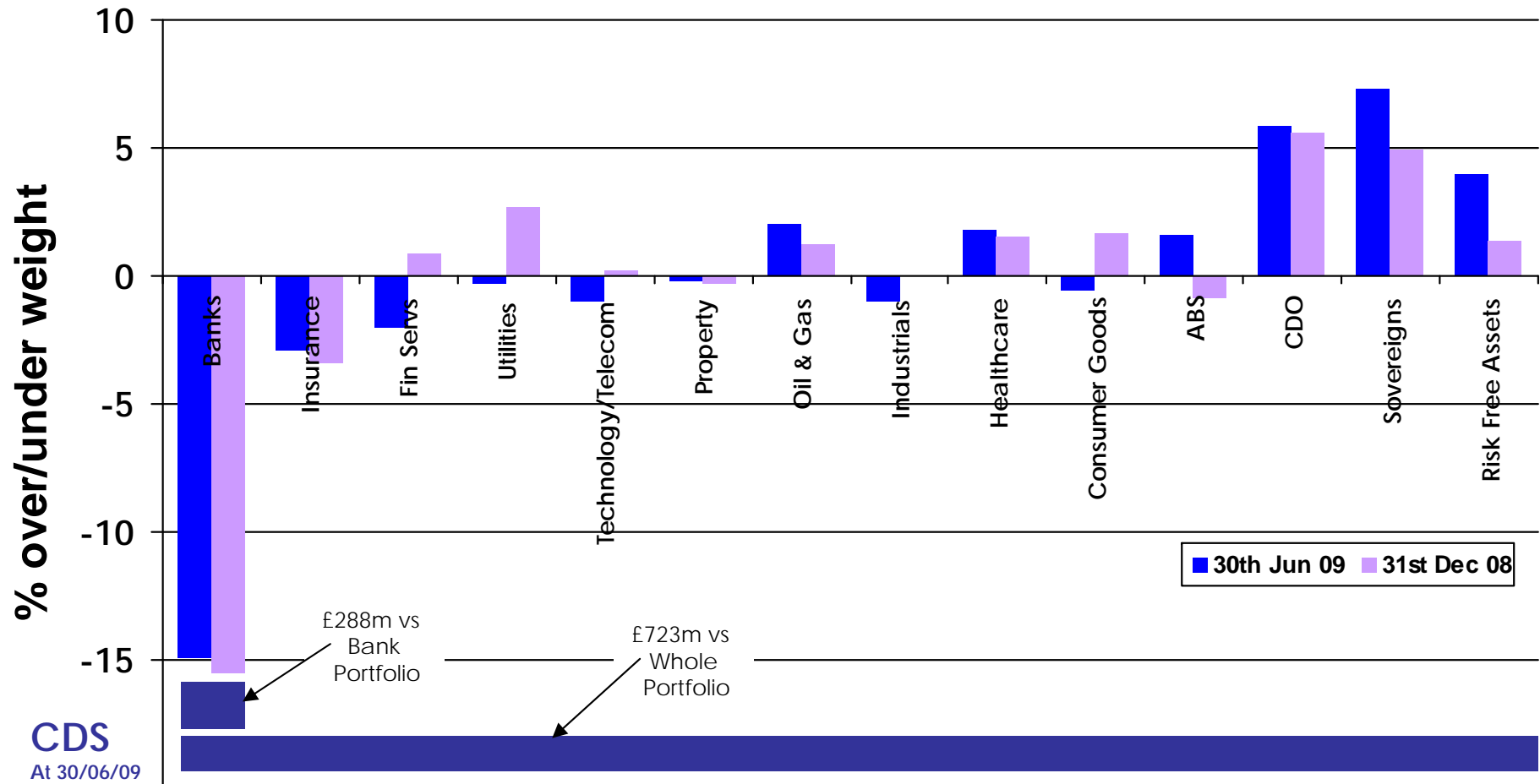
Sector Breakdown



All charts are market value at 30/06/09

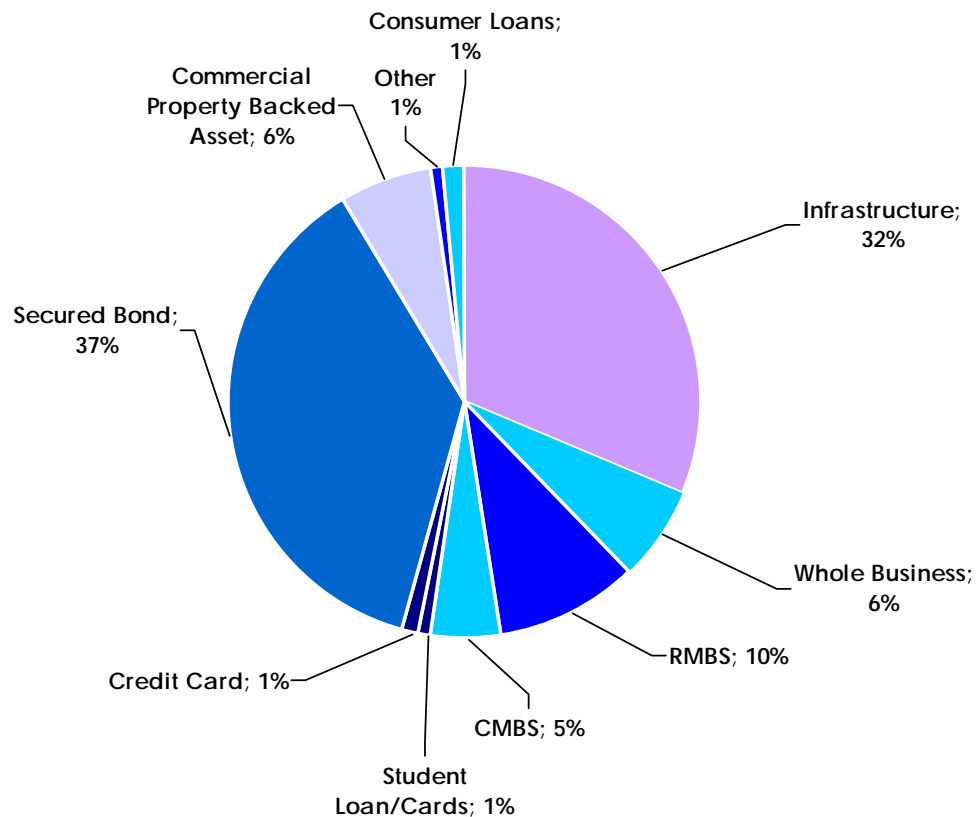
Annuity Bond Holdings vs Index

Relative Weighting of LGPL Bond Portfolio vs £ iBoxx Corporate and Collateralised All Share Index

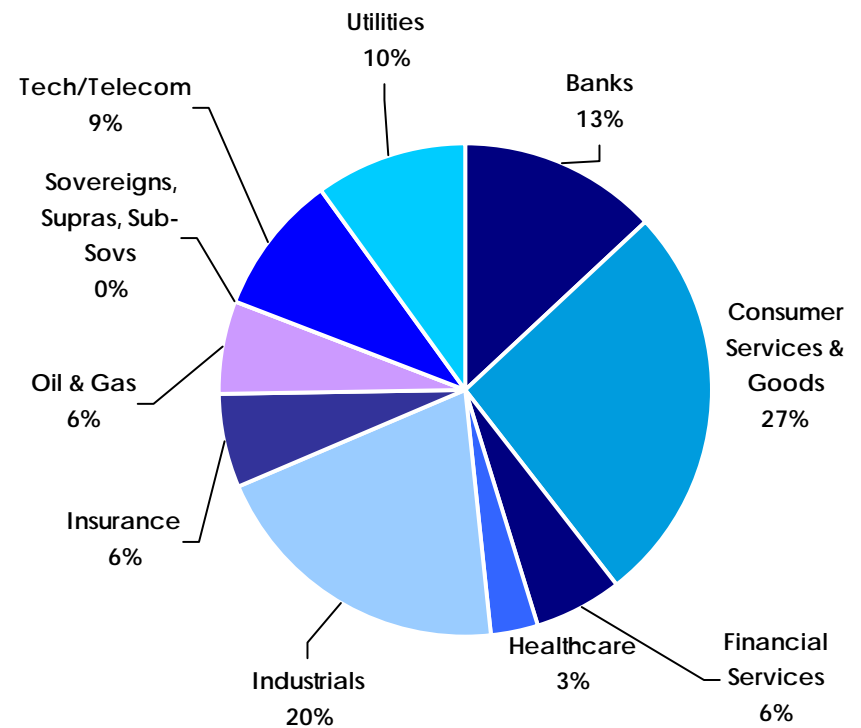


ABS and CDO Analysis

LGPL ABS assets split by asset class
Total £3.0bn at 30/06/09



Breakdown of Underlying CDO Reference Portfolio at 30/06/09



L&G Investment management

Income statement £m	H1 2009			H1 2008		
	Internal	External	Total	Internal	External	Total
Management fees	37	91	128	43	96	139
Transaction fees	-	9	9	-	13	13
Net performance fees	-	-	-	-	2	2
Total fee income	37	100	137	43	111	154
Investment income	-	7	7	-	9	9
Total income	37	107	144	43	120	163
Operating expenses	(25)	(43)	(68)	(24)	(44)	(68)
Depreciation and amortisation	-	(2)	(2)	-	(1)	(1)
Operating profit	12	62	74	19	75	94

Margin on average AUM (bp)

Management fee margin	13.5	8.6	9.6	13.8	8.6	9.7
Total fee margin	13.5	9.4	10.3	13.8	9.8	10.5
Net margin	-	-	-	6.1	5.8	5.8

(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.