

Stock Exchange Release  
4 May 2011



## **LEGAL & GENERAL DELIVERS 18% GROWTH IN NET CASH GENERATION AND 12% GROWTH IN NEW BUSINESS VOLUMES**

**OPERATIONAL CASH GENERATION UP 25% TO £248M (Q1 2010: £198M)**

**NET CASH GENERATION UP 18% TO £212M (Q1 2010: £179M)**

**WORLDWIDE SALES UP 12% TO £433M (Q1 2010: £388M)**

**LGIM ASSETS UP 8% TO £356BN, SAVINGS ASSETS UP 12% TO £65BN**

Tim Breedon, Group Chief Executive, said:

“At our preliminary results presentation in March, we commented that, for Legal & General, increasing net cash generation and growth in the business are not mutually exclusive. Today’s results further demonstrate that point with 18% growth in net cash generation and 12% growth in worldwide sales. We are ahead of our plans to generate £700m of net cash in 2011.

“LGIM delivered nearly £11bn of gross new business and positive net flows of £2.0bn. Momentum in Savings continued with 20% growth in sales and positive net flows of £0.6bn. As expected, growth returned to the protection business with sales up 14% and in-force premiums up 7%. Annuity sales were down in the face of weaker market volumes.

“Elsewhere, we are continuing to make good progress on a number of key projects. The US capital management programme is proceeding to plan and international new business in LGIM is ahead of our plans. Roll out of our workplace savings platform continues with a number of large UK companies deciding to move their pension arrangements to Legal & General. Our Retail Distribution Review project is entering its implementation phase with a number of business partners signed up for post-RDR distribution agreements.

“We are very confident about the Group’s prospects for 2011 and beyond.”

## TRADING HIGHLIGHTS

### NET CASH GENERATION UP 18% TO £212M

Net Cash Generation £m	Q1 2011	Q1 2010	Growth %
Operational cash generation	248	198	25
New business strain	(36)	(19)	89
Net cash generation <sup>1</sup>	212	179	18

### SCALE – LGIM UP 8%, SAVINGS UP 12%, ANNUITIES UP 9%, PROTECTION UP 7%

Stock of Assets and Premiums £bn	Q1 2011	Q1 2010	Growth %
LGIM <sup>2</sup> assets	356	330	8
Savings assets	65	58	12
Annuities assets	25	23	9
Protection premiums (£m)	300	280	7
USA premiums (\$m)	195	181	8

### NET INFLOWS £2.6BN, 27% OF FY 2010

Net New Business £bn	Q1 2011	Q1 2010	Growth %
LGIM	2.0	3.3	(39)
Savings	0.6	0.6	-

### NEW BUSINESS APE UP 12% TO £433M

New Business £m	Q1 2011	Q1 2010	Growth %
<b>INVESTMENT MANAGEMENT</b>			
New funds (gross)	10,812	11,248	(4)
<b>RISK</b>			
Housing and Protection	48	42	14
Individual annuities	22	27	(19)
Bulk annuities	2	15	(87)
<b>SAVINGS</b>			
Savings investments	176	164	7
Insured savings – bonds	30	18	67
Insured savings – pensions	78	48	63
With-profits	36	37	(3)
<b>INTERNATIONAL</b>			
	41	37	11
<b>TOTAL GROUP APE</b>	<b>433</b>	<b>388</b>	<b>12</b>

1. Net cash generation is defined as operational cash generation less new business strain for the UK non profit Risk and Savings businesses..

Operational cash generation is defined as the expected release from in-force business for the UK non profit Risk and Savings businesses, the shareholders' share of bonuses on With-profits business, the post-tax IFRS operating profit on other UK businesses, including an expected investment return (excluding expected gains/losses on equities) on Group Capital and Financing invested assets, and dividends remitted from our international businesses from sustainable cash generation.

2. Includes Annuities and some Savings assets.

## **CASH GENERATION: OPERATIONAL CASH UP 25% TO £248M, NET CASH GENERATION UP 18% TO £212M**

Operational cash generation of £248m was up 25% on the corresponding period last year (Q1 2010: £198m). The growth in the stock of the business (assets in annuities, Savings and LGIM and premiums in protection and USA), coupled with good cost and risk management discipline continues to deliver growth in operational cash. The Q1 2011 operational cash generation number includes the payment of the Legal & General America dividend of \$55m (2010: \$50m) in March 2011. New business strain of £36m was higher than 2010 (Q1 2010: £19m) primarily due to lower positive annuity new business strain reflecting lower annuity volumes. New business strain remains well managed, despite growing sales volumes. Net cash generated of £212m in Q1 2011 was up 18% on the corresponding period in 2010.

We are ahead of our plans to deliver the £700m net cash target set in March this year.

## **SCALE: ASSETS OF £356BN IN LGIM, £65BN IN SAVINGS, £25BN IN ANNUITIES. PREMIUMS OF £300M IN PROTECTION, \$195M IN USA. NET INFLOWS: £2.6BN, 27% OF FY 2010**

Net inflows of £2.6bn in the first quarter of 2011 were down on Q1 2010 but ahead of the full year 2010 run-rate (FY 2010: £9.7bn). Net inflows in LGIM of £2.0bn benefited from the export of the LGIM business model into international markets which, we believe, represents a significant opportunity to continue to increase funds under management. At the end of Q1 2011, funds under management in LGIM were £356bn.

The Savings business was also successful in generating positive net inflows of £0.6bn in Q1 2011 (Q1 2010: £0.6bn), increasing assets under administration to £65bn.

In Risk, protection premiums were up 7% to £300m benefiting from growth in new business and management of persistency. Despite slower annuity new business, annuity assets were up 9% to £25bn.

## **NEW BUSINESS: APE UP 12% TO £433M**

Worldwide new business APE increased by 12% to £433m in the first quarter 2011 (Q1 2010: £388m). Savings, which continues to benefit from strong product propositions and distribution partnerships, delivered 20% growth in new business APE to £320m. Housing and Protection also delivered good growth of 14% to £48m APE taking advantage of its market leading position, award winning technology and flexible business model. Lower volumes in the annuity market resulted in a fall in BPA new business whilst individual annuities sales decreased by 19% to £22m APE.

## **INVESTMENT MANAGEMENT: GROSS NEW BUSINESS £10.8BN**

In Q1 2011, Legal & General Investment Management (LGIM) wrote £10.5bn of gross new business, broadly in line with the corresponding period last year. Within this total, our Liability Driven Investments (LDI) continues to grow with £2.0bn of gross inflows (Q1 2010: £0.2bn). This represents 19% of total gross inflows up from 2% in Q1 2010 and 15% for FY 2010.

We continue to export our value based products into international markets and an increasing proportion of new business is now derived from overseas clients. In Q1 2011 gross fund flows of £2.4bn, representing 22% of total gross inflows (FY 2010: £6.1bn representing 18% of total gross inflows) were from outside of the UK.

Net fund flows increased to £2.0bn in Q1 2011 (FY 2010: £6.6bn).

## HOUSING AND PROTECTION: NEW BUSINESS APE UP 14%

Total protection APE was £48m in the first quarter 2011 up 14% from 2010 (Q1 2010: £42m).

In individual protection, application volumes have been strong and this coupled with a focus on non mortgage related business led to 18% growth in APE in the first quarter to £33m (Q1 2010: £28m), our best quarterly sales performance since 2008.

The group protection market continues to be affected by the level of employment and salaries. Despite this, new business APE was £15m in Q1 2011 an increase of 7% on the corresponding period last year.

Total protection gross written premiums reached £300m in the first quarter reflecting strong new business growth and good persistency on the in-force book.

In general insurance, quarter one gross written premiums of £71m were 11% higher than 2010 and benefited from the launch of Direct Proposition products and continuing strong performance in the broker channel.

## ANNUITIES: INDIVIDUAL APE DOWN 19%, BULK APE DOWN 87%

Total annuity new business sales of £24m APE in Q1 2011 were 43% lower than the equivalent period in 2010 reflecting a slow BPA market where relatively few schemes came to market.

In individual annuities, the increase in the minimum retirement age in April 2010 caused a one-off increase in new business activity in H1 2010 as retirees sought to annuitise before the legislative changes took effect. In the bulk annuity market, we continue to focus on small and medium sized schemes. During a quiet quarter, we completed 21 deals worth £23m. Demand in the BPA market seems to be recovering and we have completed a number of BPA schemes totalling in excess of £200m since the quarter end.

## SAVINGS: NEW BUSINESS APE UP 20%

Total Savings new business increased by 20% in Q1 2011 to £320m (Q1 2010: £267m). This was achieved through the continued focus on capital light products and the further growth in the workplace pensions business.

Insured Savings APE of £108m in Q1 2011 increased by 64% over the corresponding period in 2010 (Q1 2010: £66m). This is split between strong growth in unit linked bonds, up 67% to £30m APE (Q1 2010: £18m) and non profit pensions, up 63% to £78m (Q1 2010: £48m). Non profit bonds benefited from a recovery in the international bonds market and stronger distribution relationships. Within non profit pensions, workplace pensions new business more than doubled to £61m APE (Q1 2010: £30m), reflecting the strength of our holistic workplace savings proposition which also positions us well to take advantage of the auto-enrolment opportunity. During the first quarter we signed 35 new workplace pensions schemes, representing 10,000 new members.

Savings Investments continued to deliver on our strategy of focusing on capital light products. New business APE increased by 7% to £176m in the first quarter 2011 (Q1 2010: £164m). This was driven by the strength of our bank and building society partnerships, in particular Nationwide, increasing sales on our platform ("IPS") to £44m APE (Q1 2010: £27m) and an 8% increase in unit trusts and ISAs new business to £79m APE (Q1 2010: £73m). Suffolk Life and uninsured SIPP which have previously been reported in non profit pensions, increased to £21m in Q1 2011 up 5% from 2010 (Q1 2010: £20m).

With-profits new business of £36m APE was broadly flat on 2010 (Q1 2010: £37m).

## **INTERNATIONAL: NEW BUSINESS APE UP 11%**

Total International new business APE was £41m in the first quarter 2011, up 11% from the corresponding period last year (Q1 2010: £37m). This was driven by 73% growth in the USA to \$26m (Q1 2010: \$15m) following product changes introduced in 2010. In Europe, new business APE was broadly flat. Our joint venture in India with Bank of Baroda and Andhra Bank, of which we own a 26% stake, continues to grow with over 180,000 policies sold in the 17 months since inception totalling over INR10bn funds under management.

## **TRADING OUTLOOK**

We remain optimistic about the prospects for our markets in 2011 and beyond.

In the UK, an ageing population, increasing savings ratios, a recovering housing market and retrenchment of the public sector will continue to drive demand for our range of good value risk and savings products. Employers and pensions trustees continue to seek out L&G's expertise in pensions de-risking and employee benefit provision.

In the USA, we have two strong businesses; a leading provider of term assurance to high net worth individuals which is continuing to grow, whilst restructuring its capital base giving opportunities for both dividends and capital returns to the Group and; an asset manager with a strong performance track record creating opportunities to accelerate our penetration of USA institutional mandates.

In emerging markets, we are building modern bancassurance based joint ventures and, in Europe, we continue to develop our insurance companies in France and the Netherlands.

## ENQUIRIES

### INVESTORS:

Matt Hotson	Director, Investor Relations and Strategy	020 3124 2150
Adrian Liew	Investor Relations Manager	020 3124 2044
Ching-Yee Chan	Investor Relations Co-ordinator	020 3124 2345

### MEDIA:

John Godfrey	Group Communications Director	020 3124 2090
Richard King	Head of Media Relations	020 3124 2095
James Bradley	Tulchan Communications	020 7353 4200
Mal Patel	Tulchan Communications	020 7353 4200

## NOTES

A copy of this announcement can be found in "Results", under the "Financial information" section of our shareholder website at <http://www.legalandgeneralgroup.com/investors/results.cfm>.

There will be a teleconference at 10.00 BST (05.00 EST). Investors should dial + 44 (0)20 3140 0722. No passcode is required.

FINANCIAL CALENDAR 2011	Date
Annual General Meeting	25 May 2011
Payment date of 2010 final dividend	1 June 2011
Half Year Results 2011	3 August 2011

## 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.

Legal & General Group Plc  
 Unaudited new business  
 Three months to 31 March 2011

INVESTMENT MANAGEMENT NEW FUNDS	Three months to 31 March		Increase/ (decrease) %
	2011 £m	2010 £m	
Pooled funds	6,079	7,384	(18)
Segregated funds	1,638	268	511
<b>Managed pension funds</b>	<b>7,717</b>	<b>7,652</b>	<b>1</b>
Other funds <sup>1</sup>	3,095	3,596	(14)
<b>Total new funds</b>	<b>10,812</b>	<b>11,248</b>	<b>(4)</b>
Attributable to:			
Legal & General Investment Management	10,530	10,853	(3)
Legal & General Retail Investments	282	395	(29)

INVESTMENT MANAGEMENT NEW FUNDS QUARTERLY PROGRESSION

	3 months to 31 Mar 2011 £m	3 months to 31 Dec 2010 £m	3 months to 30 Sep 2010 £m	3 months to 30 Jun 2010 £m	3 months to 31 Mar 2010 £m
Pooled funds	6,079	3,569	4,009	4,936	7,384
Segregated funds	1,638	490	221	4,777	268
<b>Managed pension funds</b>	<b>7,717</b>	<b>4,059</b>	<b>4,230</b>	<b>9,713</b>	<b>7,652</b>
Other funds <sup>1</sup>	3,095	2,955	1,400	981	3,596
<b>Total new funds</b>	<b>10,812</b>	<b>7,014</b>	<b>5,630</b>	<b>10,694</b>	<b>11,248</b>
Attributable to:					
Legal & General Investment Management	10,530	6,669	5,307	10,305	10,853
Legal & General Retail Investments	282	345	323	389	395

<sup>1</sup> Includes all new business sourced from external non pension clients including property partnerships, private equity partnerships, institutional clients (UK and overseas) managed by Legal & General Investment Management and institutional investments in unit trust funds managed by Legal & General Retail Investments.

SAVINGS NET FUND FLOWS	Three months to 31 March		Increase/ (decrease) %
	2011 £m	2010 £m	
Investments	899	935	(4)
Insured	113	28	304
With-profits	(400)	(338)	(18)
<b>Total net flows</b>	<b>612</b>	<b>625</b>	<b>(2)</b>

SAVINGS NET FUND FLOWS QUARTERLY PROGRESSION

	3 months to 31 Mar 2011 £m	3 months to 31 Dec 2010 £m	3 months to 30 Sep 2010 £m	3 months to 30 Jun 2010 £m	3 months to 31 Mar 2010 £m
Investments	899	985	1,106	1,123	935
Insured	113	211	163	74	28
With-profits	(400)	(483)	(369)	(290)	(338)
<b>Total net flows</b>	<b>612</b>	<b>713</b>	<b>900</b>	<b>907</b>	<b>625</b>

Legal & General Group Plc  
 Unaudited new business  
 Three months to 31 March 2011

WORLDWIDE NEW BUSINESS APE

	Three months to 31 March 2011			Three months to 31 March 2010			Increase/ (decrease) %
	Annual premiums £m	Single premiums £m	APE £m	Annual premiums £m	Single premiums £m	APE £m	
Individual protection	33	-	33	28	-	28	18
Group protection	15	-	15	14	-	14	7
<b>Protection</b>	<b>48</b>	<b>-</b>	<b>48</b>	<b>42</b>	<b>-</b>	<b>42</b>	<b>14</b>
Individual (non profit)	-	212	21	-	267	27	(22)
Individual (with-profits)	-	6	1	-	4	-	-
Bulk purchase	-	23	2	-	149	15	(87)
<b>Annuities</b>	<b>-</b>	<b>241</b>	<b>24</b>	<b>-</b>	<b>420</b>	<b>42</b>	<b>(43)</b>
<b>Risk</b>	<b>48</b>	<b>241</b>	<b>72</b>	<b>42</b>	<b>420</b>	<b>84</b>	<b>(14)</b>
Investments	11	1,654	176	5	1,587	164	7
Insured	59	489	108	33	329	66	64
With-profits	22	140	36	23	144	37	(3)
<b>Savings</b>	<b>92</b>	<b>2,283</b>	<b>320</b>	<b>61</b>	<b>2,060</b>	<b>267</b>	<b>20</b>
USA	16	-	16	9	-	9	78
Netherlands	1	39	5	2	43	6	(17)
France	9	56	15	8	45	13	15
India (Group's 26% interest)	2	11	3	6	1	6	(50)
Egypt (Group's 55% interest)	1	-	1	-	-	-	-
	29	106	40	25	89	34	18
France retail investment business	-	9	1	-	29	3	(67)
<b>International</b>	<b>29</b>	<b>115</b>	<b>41</b>	<b>25</b>	<b>118</b>	<b>37</b>	<b>11</b>
<b>Worldwide</b>	<b>169</b>	<b>2,639</b>	<b>433</b>	<b>128</b>	<b>2,598</b>	<b>388</b>	<b>12</b>

INTERNATIONAL NEW BUSINESS APE IN LOCAL CURRENCY

	Three months to 31 March 2011			Three months to 31 March 2010			Increase/ (decrease) %
	Annual premiums	Single premiums	APE	Annual premiums	Single premiums	APE	
USA (\$m):	26	-	26	15	-	15	73
Netherlands (€m):	2	44	6	2	49	7	(14)
France (€m):							
Life and pensions	11	64	17	10	50	15	13
Unit trusts	-	10	1	-	33	3	(67)
India (Rs m) - Group's 26% interest:	171	742	245	394	89	403	(39)
Egypt (Pounds m) - Group's 55% interest:	8	-	8	-	-	-	-



Legal & General Group Plc  
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WORLDWIDE NEW BUSINESS APE QUARTERLY PROGRESSION

	3 months to 31 Mar 2011 £m	3 months to 31 Dec 2010 £m	3 months to 30 Sep 2010 £m	3 months to 30 Jun 2010 £m	3 months to 31 Mar 2010 £m
Individual protection	33	30	31	29	28
Group protection	15	15	14	14	14
<b>Protection</b>	<b>48</b>	<b>45</b>	<b>45</b>	<b>43</b>	<b>42</b>
Individual (non profit)	21	24	30	33	27
Individual (with-profits)	1	2	-	1	-
Bulk annuities	2	36	9	30	15
<b>Annuities</b>	<b>24</b>	<b>62</b>	<b>39</b>	<b>64</b>	<b>42</b>
<b>Risk</b>	<b>72</b>	<b>107</b>	<b>84</b>	<b>107</b>	<b>84</b>
Investments	176	157	143	179	164
Insured	108	106	182	124	66
With-profits	36	29	27	39	37
<b>Savings</b>	<b>320</b>	<b>292</b>	<b>352</b>	<b>342</b>	<b>267</b>
USA	16	16	14	13	9
Netherlands	5	5	3	4	6
France	15	8	6	19	13
India (26% share)	3	3	3	2	6
Egypt (55% share)	1	2	3	5	-
	40	34	29	43	34
France retail investment business	1	1	1	1	3
<b>International</b>	<b>41</b>	<b>35</b>	<b>30</b>	<b>44</b>	<b>37</b>
<b>Worldwide</b>	<b>433</b>	<b>434</b>	<b>466</b>	<b>493</b>	<b>388</b>

UK NEW BUSINESS APE BY CHANNEL	Three months to 31 March 2011			
	Annual premiums £m	Single premiums £m	APE £m	% of total
	Retail IFA	22	1,437	166
Employee benefit consultants	87	173	104	26
Tied agents	7	12	8	2
Bancassurance	18	822	100	26
Direct	6	80	14	4
<b>Total</b>	<b>140</b>	<b>2,524</b>	<b>392</b>	<b>100</b>

	Three months to 31 March 2010			
	Annual premiums £m	Single premiums £m	APE £m	% of total
	Retail IFA	19	1,372	156
Employee benefit consultants	62	224	84	24
Tied agents	6	20	8	2
Bancassurance	12	817	94	27
Direct	4	47	9	3
<b>Total</b>	<b>103</b>	<b>2,480</b>	<b>351</b>	<b>100</b>