

Stock Exchange Release.
17 February 2010



LEGAL & GENERAL DOUBLES UK NET CASH GENERATION TO OVER £650M

- OVER £650M UK NET CASH GENERATED⁽¹⁾ (FY08 £320M)
- OVER £65M ANNUALISED COST REDUCTION DELIVERED VS £50M TARGET
- IGD SURPLUS⁽²⁾ £3.1BN AT 31 DECEMBER 2009 (31/12/2008 £1.9BN)
- LGIM ASSETS UNDER MANAGEMENT £315BN, NET INFLOWS £8.8BN

£bn	Assets 31/12/09	Assets 31/12/08	% Change
LGIM ⁽³⁾	315	264	19
Savings	55	46	19
Annuities ⁽⁴⁾	22	18	22

- WORLDWIDE NEW BUSINESS APE IN LINE WITH EXPECTATIONS AT £1,388M (FY08 £1,486M)
- **INVESTMENT MANAGEMENT:** WON £33.3BN OF NEW FUNDS (FY08: £33.1BN)
- **UK RISK:** LEADING POSITION MAINTAINED DESPITE CONTRACTION IN BPA MARKET ACTIVITY, NEW BUSINESS APE DOWN 25% TO £366M (FY08: £488M)
- **UK SAVINGS:** TRANSFORMATION CONTINUES, PRODUCT MIX MODERNISED, COSTS REDUCED, NEW BUSINESS APE UP 3% TO £907M (FY08: £879M), NET INFLOWS £1.7BN
- **INTERNATIONAL:** JOINT VENTURE OPERATIONS IN EMERGING MARKETS BEGAN TRADING IN Q4. NEW BUSINESS APE DOWN 3% TO £115M (FY08: £119M)

Tim Breedon, Group Chief Executive, said:

“Legal & General’s strategy of increasing efficiency and concentrating new business activity in the markets we consider to be most attractive in terms of growth potential and return on capital is delivering. The cost savings target was exceeded and we will continue to pursue further expense reductions across the Group.

In 2009 I set a target to deliver £450 million of net cash from our UK businesses. Ongoing changes to product mix and design, cost reductions, favourable pricing conditions in the annuity market and substantial growth in assets under management have delivered results well ahead of expectations, with in excess of £650 million of net cash generated in 2009.

We are making good progress internationally. LGIM has won its first mandates in the US and we successfully launched our joint ventures in the Gulf and India.”

(1) Net cash generation is estimated and defined as the expected release (before experience variances) from in-force business less new business strain for the UK non profit Risk and Savings businesses, plus the shareholders' share of bonuses on With-profits business and the post-tax IFRS operating profit on LGIM and other UK businesses. (2) Estimated, before payment of final dividend (3) Includes Annuities and some Savings assets. (4) Non profit annuities.

TRADING OVERVIEW

NEW BUSINESS VOLUMES

Investment Management gross funds for the year amounted to £33.3 billion. Of this LGIM inflows accounted for £31.5 billion, the second highest annual level of gross funds ever, as UK Corporate pensions trustees and institutional clients continue to be attracted to its range of indexed, fixed income and Liability Driven Investment (LDI) propositions combined with high levels of service.

In Savings, a strategy of reducing volumes in traditional capital intensive life and pensions products in favour of more capital efficient SIPPs and Unit Trusts continues to drive growth. Overall UK Savings APE was 3 per cent higher than last year at £907 million, boosted by a 69 per cent growth in Unit Trusts and Structured Product sales.

In Risk, Individual annuities recorded double digit growth and individual protection outperformed the falls in housing market transactions reflecting platform leadership and breadth of distribution. The pensions buyout market, after an extraordinary 2008, returned to the levels seen in previous years and Legal & General took a broadly consistent share of this market in 2009. The strategy of focussing on the small scheme market coupled with a highly selective approach to large transactions has been maintained. Total APE in the Risk business fell 25 per cent to £366 million.

International sales were down 3 per cent, as businesses in the United States, France and the Netherlands performed well in challenging market conditions. New joint ventures in India and the Gulf began trading during the fourth quarter.

BALANCE SHEET AND CAPITAL

At the end of 2009, the estimated IGD surplus was £3.1 billion (FY2008: £1.9 billion), before the payment of a final dividend. This represents a capital coverage ratio of 223 per cent, up from 173 per cent at the end of December 2008. Discussions in relation to Solvency II are proceeding more productively, though a number of well known issues remain to be resolved.

The annuity portfolio credit default experience during 2009 was very low at £1 million (net of expected recoveries).

TRADING OUTLOOK

Over the next 12 months we anticipate only modest growth in the UK economy and activity in the housing market is likely to remain subdued. However, UK Risk and Savings markets which were depressed in 2009 are expected to rebound. We have announced new distribution arrangements with Saga, Skipton Building Society and Northern Rock which will contribute to overall sales in 2010.

In addition, there is a good pipeline of UK mandates for Liability Driven Investment (LDI) and we expect another strong year in 2010 in terms of new business flows in LGIM.

Our international footprint continues to grow. These businesses are expected to make an increasing contribution to the Group's performance in 2010.

INVESTMENT MANAGEMENT

Gross new business £'bn	FY 2009	FY 2008	% Change
Index	23.9	26.7	(10%)
Active Fixed (including cash)	4.3	2.2	95%
LDI and Other	3.3	2.0	65%
LGIM Total	31.5	30.9	2%
Institutional Unit Trusts	1.8	2.2	(18%)
Investment Management	33.3	33.1	1%

Although 2009 was a volatile year for financial markets, Legal & General Investment Management (LGIM), the largest manager of UK sourced pension assets, attracted £31.5 billion of new funds (£30.9 billion in 2008). This represents the second highest amount ever achieved and 2 per cent higher than last year.

LGIM has been successful in its strategy to diversify by growing its core active management capability and risk management solutions alongside its market leading index tracking business. In 2009, 24 per cent of new business inflows came from non-index fund clients, up from 14 per cent in 2008.

New business inflows into LGIM's active fixed income funds amounted to £2.7 billion in 2009 (excluding cash), more than double the £1.1 billion received in 2008

In 2009 LGIM also successfully expanded its range of risk management solutions, attracting £3.1 billion inflows into its structured solutions business (£1.9 billion in 2008).

LGIM continues to expand its global reach in the US, Europe and the Middle East. Following a period of very strong investment performance, Legal & General Investment Management America (LGIMA) took on its first external US mandate in 2009. LGIM also won its first European investment grade corporate bond client and received a substantial index fund mandate from the Gulf region during the year. Total LGIM overseas new business in 2009 amounted to £3.1 billion (£3.5 billion in 2008) with further growth expected in 2010 and beyond.

Gross new business from Institutional (Corporate Pensions) clients amounted to £29 billion during 2009 (£27.6 billion in 2008). Existing clients were responsible for over 80 per cent of new business inflows during 2009. Total net inflows in 2009 were £8.8 billion.

LGIM had £315 billion of assets under management as at end December 2009 a year on year increase of £51 billion (19 per cent), as a result of new business inflows and recovering markets.

RISK

New business APE £m	FY 2009	FY 2008	% Change
Protection	180	207	(13%)
Annuities	186	281	(34%)
RISK	366	488	(25%)

Legal & General's Risk businesses maintained their market strength in 2009. Individual Protection outperformed the reduction in housing transactions, and retained its number one position in the UK protection market. Sales were generated through IT leadership, product innovation, customer centric service and breadth of distribution. A disciplined and selective approach to pension buyout business was maintained throughout 2009. The overall size of the buyout market reduced in 2009 from the exceptional highs of 2008 and L&G has broadly maintained market share year on year, however given the smaller market, overall Risk APE was £366 million, down 25 per cent on 2008.

PROTECTION

New business APE £m	FY 2009	FY 2008	% Change
Individual	123	140	(12%)
Group	57	67	(15%)
Protection	180	207	(13%)

Individual protection

During 2009, significant progress was made in selling High Net Worth, family and business protection products. Sales through the Direct channel increased 12 per cent on 2008 and the strategic relationship with Nationwide Building Society again delivered an excellent performance. In Q4 the Bancassurance channel was strengthened by the addition of exclusive distribution arrangements with Northern Rock and the Skipton Building Society.

Total gross written premiums increased by 2 per cent year-on-year to £818 million however, the subdued housing market resulted in a fall in new business APE of 12 per cent compared with 2008. In contrast with recent years, when new business volumes have tended to be higher in the first half, sales in the second half of 2009 were 5 per cent ahead of the previous six months.

Group protection

Overall gross written premiums were maintained at over £290 million. The market experienced higher levels of re-quoting in 2009 as companies looked for cost reduction opportunities; but Legal & General's focus on retaining profitable business and developing long-term relationships resulted in a stable position. New business premiums were 15 per cent lower due to pressure on corporate payrolls.

GENERAL INSURANCE

The General Insurance business undertook a number of efficiency measures in 2009 including the strengthening of underwriting and claims management disciplines. It has also prioritised profitability over volume and positioned itself to target profitable opportunities in 2010. Gross written premiums at £273 million were 8 per cent lower than in 2008.

ANNUITIES

New business APE £m	FY 2009	FY 2008	% Change
Individual	98	87	13%
Pensions buyout	88	194	(55%)
Annuities	186	281	(34%)

When compared with an exceptional 2008, the buyout market in 2009 was characterised by a lower volume and value of transactions. Legal & General's buyout sales were stronger in the first six months versus those in the second half of the year. This reflected the continuing strategy of concentrating on the core small schemes market and a highly selective approach to large deals. The very favourable competitive environment and pricing conditions experienced in the first half were not present in second half as competition returned. Legal & General continues to lead in the traditional smaller schemes bulk purchase market. Overall buyout volumes were down 55 per cent year on year against an estimated market fall of approximately 50 per cent

Increased product and pricing sophistication and increased distribution opportunities helped individual annuities sales to grow by 13 per cent. Total annuity volumes reduced by 34 per cent to £186 million.

SAVINGS

New business APE £m	FY 2009	FY 2008	% Change
Retail investments	375	229	64%
Non profit	341	459	(26%)
With-profits	191	191	0%
TOTAL SAVINGS	907	879	3%

Assets £bn	FY 2009	FY 2008	% Change
Retail investments	13.0	9.1	43%
Non profit	20.4	17.3	18%
With-profits	21.4	19.4	10%
TOTAL	54.8	45.8	20%

Savings delivered a strong underlying performance during 2009, with growth in new business APE of 3 per cent, increased net fund flows of £1.7 billion and significant growth in Assets Under Administration (AuA) of 20 per cent to £54.8 billion.

Underpinning this performance has been a transformation of the mix of products sold towards more modern, less capital intensive offerings. During the year significant costs have been taken out of the business, commissions reduced and products redesigned. These contributed to improved underlying net cash flow in 2009.

RETAIL INVESTMENTS

APE sales rose 64 per cent to £375 million with substantial growth across Unit Trust, Structured Products and ISAs. Unit Trust and Structured Product sales grew by 69 per cent. ISA sales grew 51 per cent reflecting the ability to sell more products via direct sales channels. During the year, the shift to higher margin, actively managed products commenced. There has been considerable demand for L&G's Dynamic Bond Trust.

	Assets	Change
Assets at 31/12/08	£9.1bn	
2009 Gross inflows	£3.6bn	79%
Outflows/redemptions 2009	(£1.5bn)	6%
Other (including market movements)	£1.8bn	
Assets at 31/12/09	£13.0bn	43%

Overall, net fund flows increased substantially to £2.1 billion versus £0.4 billion in 2008, with AuA growth of 43 per cent to £13 billion. Structured products accounted for 27 per cent of total new business flows of £3.6 billion. The market upturn in the second half of the year has also contributed to the growth in assets.

NON PROFIT

	Assets	% Change
Assets Under Administration at 31/12/08	£17.3bn	
2009 Gross inflows	£2.5bn	(23%)
Outflows/redemptions 2009	(£2.0bn)	(19%)
Other (including market movements)	£2.6bn	
Assets Under Administration at 31/12/09	£20.4bn	18%

Sales of non profit business were 26 per cent lower at £341 million APE, driven by management actions to reduce sales of older style savings products. Assets grew by 18 per cent to £20.4 billion, driven by the market upturn and positive net flows of £0.5 billion.

Individual SIPP sales grew by 9 per cent, with net flows remaining strong at £0.6 billion and asset growth of 30 per cent to £5 billion. SIPP sales now represent 75 per cent of all non profit individual pension sales. However, total APE sales of non profit pensions were 17 per cent lower at £273 million (FY2008: £328 million) reflecting management action to limit volume in the older style stakeholder products.

Sales of Group SIPP products were 6 per cent higher than last year and new business tender activity remains strong. The changes made to initial commission structures and a focus on fee based intermediaries continues across our Corporate Pensions business. In 2009, the vast majority of non profit corporate pension sales were made on a fee basis. Sales of non profit Group pensions were 20 per cent lower at £125 million (FY2008: £156 million). Increments into existing schemes have been impacted by current economic conditions including lower employment levels and lower salary increases.

The appeal of Unit linked bonds continues to be negatively impacted by previous tax changes and reduced commission rates. This year sales were 48 per cent lower at £68 million (FY2008: £131 million).

WITH-PROFITS

	Assets	Change
Assets Under Administration at 31/12/08	£19.4bn	
2009 Gross inflows	£1.5bn	1%
Outflows/redemptions 2009	(£2.4bn)	22%
Other (including market movements)	£2.9bn	
Assets Under Administration at 31/12/09	£21.4bn	10%

Overall sales of With-profits products are flat year on year. With-profits bonds sales remain strong, rising 96 per cent in the year. This reflects consumer appetite for these products whilst markets remain turbulent. Sales of old style pension products have declined by 17 per cent reflecting our strategy to reduce volumes in these product lines. The reduction in net outflows to £0.9 billion (FY2008 £1.6 billion) reflects a peak in the maturity and age profile of these products during 2008. Assets under Administration grew by 10 per cent to £21.4 billion.

INTERNATIONAL

New business APE £m	FY 2009	FY 2008	Change
USA	49	51	(4%)
Netherlands	22	29	(24%)
France (including Retail)	44	39	13%
INTERNATIONAL	115	119	(3%)

In the USA, a slower individual term life assurance market and the implementation of selected price rises to improve profitability led to a 19 per cent reduction in sales in local currency terms to US\$76 million (2008: US\$94 million).

In the Netherlands, regulatory developments have impacted volumes in unit linked products. In local currency terms, overall new business APE at €25 million was 31 per cent lower compared to the same period last year.

In France, whilst total new business APE of €47 million was 6 per cent lower in local currency terms than the previous year; the savings business recovered in the final quarter of 2009. The French business is well positioned to continue to expand in its core markets of high net worth savings and group protection.

In India, the joint venture with Bank of Baroda and Andhra Bank began trading as IndiaFirst in November 2009 and by the year end had already issued nearly 14,000 policies. In the Gulf, in addition to the group life and credit life products already on sale, full operations through the retail branches of joint venture partner Ahli United Bank commenced in December 2009.

ENQUIRIES

INVESTORS:

Matt Hotson	Director, Investor Relations and Strategy	020 3124 2150
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Damian O'Reilly	Investor Relations Manager	020 3124 2151
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
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NOTES

- **A teleconference for investors will be held at 9.30 am today.** UK investors should dial 0800 358 7325 and overseas investors should dial +44 (0)20 8609 3822. There is no pin code required.
- A copy of this announcement can be found in "Results", under the "Financial information" section of our shareholder website at <http://investor.legalandgeneral.com/investors/results.cfm>.

FINANCIAL CALENDAR 2010	Date
2009 Preliminary Results	23 March 2010
Q1 Interim Management Statement 2010	5 May 2010

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 Premiums
 Twelve months to 31 December 2009

INVESTMENT MANAGEMENT

	twelve months to 31 December		Increase/ (decrease)
	2009	2008	%
	£m	£m	
Managed pension funds			
- Pooled funds	25,606	26,733	(4)
- Segregated funds	3,381	841	302
	28,987	27,574	5
Other funds ¹	4,297	5,517	(22)
Total new funds	33,284	33,091	1
Attributable to:			
Legal & General Investment Management	31,485	30,873	2
Legal & General Retail Investments	1,799	2,218	(19)

INVESTMENT MANAGEMENT QUARTERLY PROGRESSION

	3 months to 31.12.09	3 months to 30.09.09	3 months to 30.06.09	3 months to 31.03.09	3 months to 31.12.08	3 months to 30.09.08	3 months to 30.06.08	3 months to 31.03.08
	£m	£m	£m	£m	£m	£m	£m	£m
Managed pension funds								
- Pooled funds	6,742	7,076	5,763	6,025	3,423	9,748	8,254	5,308
- Segregated funds	1,344	790	533	714	430	47	141	223
	8,086	7,866	6,296	6,739	3,853	9,795	8,395	5,531
Other funds	869	1,326	1,382	720	890	908	3,151	568
Total new funds	8,955	9,192	7,678	7,459	4,743	10,703	11,546	6,099
Attributable to:								
Legal & General Investment Management	8,450	8,853	7,166	7,016	4,185	10,464	10,611	5,613
Legal & General Retail Investments	505	339	512	443	558	239	935	486

WORLDWIDE NEW BUSINESS APE QUARTERLY PROGRESSION

	3 months to 31.12.09	3 months to 30.09.09	3 months to 30.06.09	3 months to 31.03.09	3 months to 31.12.08	3 months to 30.09.08	3 months to 30.06.08	3 months to 31.03.08
	£m	£m	£m	£m	£m	£m	£m	£m
Protection								
- Individual	31	32	30	30	33	34	37	36
- Group	16	11	16	14	16	14	23	14
	47	43	46	44	49	48	60	50
Annuities								
- Individual (non profit)	16	22	25	33	26	20	20	18
- Individual (with-profits)	1	-	1	-	1	-	1	1
- Bulk purchase	9	5	24	50	31	25	66	72
	26	27	50	83	58	45	87	91
Total risk	73	70	96	127	107	93	147	141
- Unit trusts	85	73	65	46	47	37	45	30
- ISAs	32	34	26	14	14	16	28	12
Non profit savings								
- Unit linked bonds	23	13	14	18	30	26	35	40
- Individual pensions	60	65	71	76	82	83	93	69
- DWP rebates	-	1	-	-	-	1	-	-
With-profits savings								
- Bonds	11	13	18	13	8	9	7	4
- Individual pensions	22	22	40	39	31	33	47	38
- DWP rebates	1	4	7	-	1	4	6	1
- Group pensions	-	-	1	-	-	1	1	-
Total savings	234	225	242	206	213	210	262	194
Total UK risk and savings new business	307	295	338	333	320	303	409	335
- USA	9	11	13	16	15	12	12	12
- Netherlands	5	4	6	7	6	6	8	9
- France	7	1	6	24	6	8	4	15
	21	16	25	47	27	26	24	36
France retail investment business	2	1	1	2	2	1	2	1
Total international new business	23	17	26	49	29	27	26	37
Total worldwide new business	330	312	364	382	349	330	435	372

Note: Unit trusts and ISAs exclude institutional investments in unit trust funds which are disclosed as part of institutional fund management new business, although these are included in investment management 'other funds'.

Legal & General Group Plc
 Unaudited New Business Premiums
 Twelve months to 31 December 2009

WORLDWIDE NEW BUSINESS

	Twelve months to 31 December 2009			Twelve months to 31 December 2008			Increase/ (decrease) %
	Annual premiums £m	Single premiums £m	APE £m	Annual premiums £m	Single premiums £m	APE £m	
Protection							
- Individual	123	-	123	140	-	140	(12)
- Group	57	-	57	67	-	67	(15)
	180	-	180	207	-	207	(13)
Annuities							
- Individual (non profit)	-	962	96	-	841	84	14
- Individual (with-profits)	-	17	2	-	27	3	(33)
- Bulk purchase	-	883	88	-	1,938	194	(55)
	-	1,862	186	-	2,806	281	(34)
Total risk	180	1,862	366	207	2,806	488	(25)
- Unit trusts	10	2,595	269	12	1,466	159	69
- ISAs	22	838	106	29	413	70	51
Non profit savings							
- Unit linked bonds	-	677	68	-	1,306	131	(48)
- Individual pensions	144	1,279	272	181	1,460	327	(17)
- DWP rebates	-	10	1	-	8	1	N/A
With-profits savings							
- Bonds	-	553	55	-	283	28	96
- Individual pensions	102	211	123	106	434	149	(17)
- DWP rebates	-	115	12	-	118	12	0
- Group pensions	1	-	1	2	3	2	(50)
Total savings	279	6,278	907	330	5,491	879	3
Total UK risk and savings new business	459	8,140	1,273	537	8,297	1,367	(7%)
- USA	49	-	49	51	-	51	(4)
- Netherlands	8	142	22	13	157	29	(24)
- France	14	237	38	17	164	33	15
	71	379	109	81	321	113	(4)
France retail investment business	-	56	6	-	63	6	0
Total international new business	71	435	115	81	384	119	(3)
Total worldwide new business	530	8,575	1,388	618	8,681	1,486	(7)

INTERNATIONAL OPERATIONS IN LOCAL CURRENCY

	Twelve months to 31 December 2009			Twelve months to 31 December 2008			Increase/ (decrease) %
	Annual premiums	Single premiums	APE	Annual premiums	Single premiums	APE	
USA (\$m):	76	-	76	94	-	94	(19)
Netherlands (€m):	9	157	25	16	199	36	(31)
France (€m):							
- Life and pensions	15	264	41	21	206	42	(2)
- Unit trusts	-	63	6	-	79	8	(25)

UK INDIVIDUAL APE BY CHANNEL

	Twelve months to 31 December 2009			
	Annual £m	Single £m	Total APE £m	% of total
Independent financial advisers	298	4,175	716	64
Tied	82	2,381	320	28
Direct	21	701	91	8
Total	401	7,257	1,127	100
	Twelve months to 31 December 2008			
	Annual £m	Single £m	Total APE £m	% of total
Independent financial advisers	345	4,819	827	75
Tied	104	1,388	243	22
Direct	19	149	34	3
Total	468	6,356	1,104	100

Note: Unit trusts and ISAs exclude institutional investments in unit trust funds which are disclosed as part of institutional fund management new business (see Investment Management below).