

24 January 2002

**Legal & General Group Plc
2001 new business results**

- **Record new business**
- **Record new institutional fund management business**
- **Record funds under management despite equity market falls**

	Full year	Increase
New business APE*		
UK life and pensions		
- individual	£457m	+24%
- group	£127m	+74%
UK unit trusts and ISAs	£126m	+34%
Total UK	£710m	+32%
International (inc. unit trusts)	£91m	-3%
Total APE including unit trusts/ISAs	£801m	+27%
New institutional fund management	£13.2bn	+4%

* Annual Premium Equivalent (APE) is total new annual premiums + 10% of single premiums.

Group Chief Executive, David Prosser, said: “2001 has been a year of real progress for Legal & General with record new business volumes both for the year and for the fourth quarter. Support from our strategic partners helped UK individual new business grow by almost 50% in the fourth quarter. Since 1995, UK individual new business has grown by 25% per annum compound, six successive years of growth in market share.

New institutional fund management business reached a record level at £13.2bn, a remarkable achievement. Our market leading index fund skills were also the basis for unit trust and ISA growth, where our 34% increase in sales contrasts with a fall in sales for the total market over the year.

With our high quality brand and our extensive experience in multi-channel distribution, we believe Legal & General is well positioned to succeed in the new environment arising from the proposed changes to polarisation.”

UK new business

New annual premium equivalent (APE) for the full year increased by 32% to £710m (2000: £536m), with the fourth quarter representing another record as new business grew to £194m APE (Q4 2000: £137m). Individual business grew by 49% to £170m APE in the fourth quarter reflecting the benefit of our strategic alliances.

Individual pensions

New annual premium business grew by 60% to £123m (2000: £77m) of which £115m was written on Stakeholder terms. Growth was particularly strong in the fourth quarter (up 144% to £39m).

Over 43,000 employers, covering 1.5m potential scheme members, have designated Legal & General as their Stakeholder pensions provider. We believe this represents around 14% of total designations and places Legal & General in a strong position to meet our target market share. We continue to support worksite marketing initiatives to encourage scheme membership.

In the final quarter, a growing proportion of our employer Stakeholder business came from fee based employee benefit consultants, generally covering larger employee groups and with higher average salaries.

Individual life

Legal & General has retained its leading position in the housing related market. Annual premium sales of £138m were up 7% (2000: £129m) as the strong position we have built up in the life protection market has largely offset the impact of our decision to withdraw our ISA mortgage repayment product in May. Despite this decision, annual premium life sales in the fourth quarter were £37m, 16% up on the corresponding quarter in the prior year.

Single premium bond sales were up sharply at £1,238m (2000: £751m), an increase of 65%, resulting from continuing high levels of demand, especially for with-profits bonds. Reflecting falling equity values, we, in common with many competitors, have reduced with profits-bond product benefits and terms. However, new business volumes have remained strong despite these changes.

Group business

Group new business increased by 74% to reach £127m APE (2000: £73m), largely as a result of our strength in the bulk purchase annuity market. Following subdued demand in 2000, bulk purchase annuity premiums increased by 187% to £741m. In the latter part of 2001, we took the opportunity to increase the assumed return on capital in pricing this business. However, at the smaller end of the market we continued to write increased volumes.

Unit trusts and ISAs

Against a sharp downturn in sales in the market as a whole, we have achieved exceptionally strong growth in new business in 2001. That growth reflected customers' recognition of the benefits of regular saving and the certainty of outcome relative to markets provided by our indexed products.

Over the year, new business APE reached £126m, an increase of 34% (2000: £94m). In the fourth quarter new business increased 52% to £38m APE boosted by the success of our Protected Portfolio product.

This month we have announced a further tranche of our Protected Portfolio product and the launch of our web-enabled funds supermarket. Legal & General's funds supermarket will initially offer over 80 funds from 21 different fund managers.

Institutional fund management

Our institutional fund management subsidiary had a record year for new business in 2001 despite the fall in equity values which occurred during the year. We continue to expand our range of funds, in part to meet the growing appetite from defined benefit schemes for investment in corporate bonds. Our broad range of indexed funds has also reinforced our position as a leading provider of investment services to defined contribution schemes.

Our success in winning both equity and bond mandates for our range of active and indexed funds brought new business of £13.2bn (2000: £12.7bn). Another 231 pension funds were added to our client list over the year with some of the largest mandates coming from the local authority sector. Since January 1998, we have averaged over £1bn of new UK pension fund investment business a month - a track record we believe to be unequalled by any other fund management house.

Although equity values fell over the year, Group funds under management exceeded £116bn (2000: £114bn) at the year-end.

International business

Our European businesses continued to show strong growth over the year, up 21% to €63m APE (2000: €52m). Sales in the Netherlands continued to outperform the wider market, growing by an impressive 40% to €28m APE (2000: €20m). In France, against difficult market conditions, new business has increased by 9% to €35m APE (2000: €32m), supported by strong growth in annual premium business which increased 38% to €11m.

In the USA, new annual premium business fell to \$76m (2000: \$93m) following exceptional results in the first part of 2000 when sales were distorted by the impact of the introduction of the "Triple X" solvency requirements. From a lower base, volumes have grown throughout 2001 with fourth quarter new business 24% ahead of the corresponding period in 2000. We continued to develop the business and believe we have increased our share in the niche market of term assurance for upper income customers.

UK Distribution

We have achieved volume growth in our IFA and Business Partners distribution channels and distribution mix has become more balanced as the fourth quarter results benefited from the strategic alliances with both Alliance & Leicester and Barclays, together with the record number of smaller business partners recruited.

In the IFA sector, we established a separate sales and servicing team in December focussed on the needs of the major employee benefit consultants and other fee based advisors to reflect the increasing volumes of business we are receiving from this important segment of the market.

We have also used our direct distribution capabilities to support the marketing efforts of our major Business Partners. Our e-commerce capabilities have expanded further. We have benefited from our facility for customers to purchase and manage ISAs on line with 12% of Direct ISA sales over the year via the internet. Additional e-commerce functionality provided for our Direct customers is also utilised by our Business Partners or in the IFA channel. The volumes of term business submitted and underwritten through the internet have continued to grow and now represent over a quarter of such business submitted by IFAs.

Outlook

2002 will see the full year benefit of the new partnerships, both large and small, which were established in 2001. Accordingly, we anticipate achieving further market share growth during the year ahead.

In the longer term, our marketplace will be influenced by the changes to the polarisation rules recently proposed by the FSA. Legal & General has successfully managed a multi-channel distribution strategy for many years. This represents both a core competence and a key differentiator for us. With our broad product range, recognised quality proposition, triple A financial rating and well-known brand, we believe we have the combination of capabilities and skills to succeed as distribution develops in the marketplace for financial services.

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Notes:

1. A copy of this announcement can be found in the shareholder section of our website at <http://investor.legalandgeneral.com/releases.cfm>
2. Financial Calendar for 2001:

28 February	Preliminary Results for 2001
30 April	AGM and first quarter new business
25 July	Interim results and second quarter new business
18 October	Third quarter new business.
3. David Prosser, Group Chief Executive will be available for a conference call for wire services at 7.45am today. Callers should dial 020 8400 6314 and ask for the Legal & General conference quoting John Morgan as Chairperson.

LEGAL & GENERAL GROUP PLC
 UNAUDITED NEW BUSINESS PREMIUMS
 YEAR ENDED 31 DECEMBER 2001

NEW UK BUSINESS

	Year ended 31 December		increase/ (decrease) %	Three months to 31 December		increase/ (decrease) %
	2001 £m	2000 £m		2001 £m	2000 £m	
INDIVIDUAL LIFE AND PENSIONS BUSINESS						
New annual premiums						
Life:						
- Mortgage related	101	112		26	26	
- Savings	0	1		0	0	
- Protection	37	16		11	6	
Pensions:						
- Individual pensions	123	77		39	16	
Total new annual premiums	261	206	27	76	48	58
Single premiums						
Life:						
- With-profits	1,134	648		360	180	
- Other	104	103		35	21	
Pensions:						
- Individual pensions	266	342		55	55	
- Annuities - individual	335	426		80	116	
- DSS rebates	120	111		32	35	
Total single premiums	1,959	1,630	20	562	407	38
Individual life and pensions APE	457	369	24	132	89	48
GROUP LIFE AND PENSIONS BUSINESS						
New annual premiums						
- Group risk	32	31		7	6	
- Group pensions	14	9		2	2	
Total new annual premiums	46	40	15	9	8	13
Single premiums						
- Annuities - bulk purchase	741	258		143	136	
- Other group business	74	68		5	10	
Total single premiums	815	326	150	148	146	1
Group life and pensions APE	127	73	74	24	23	4
ISAS, PEPS AND UNIT TRUSTS						
New annual premiums						
- ISAs/PEPs (excluding cash ISAs)	38	27		13	13	
- Unit trusts	1	0		1	0	
Total new annual premiums	39	27	44	14	13	8
Single premiums						
- ISAs/PEPs (excluding cash ISAs)	467	403		98	58	
- Unit trusts	405	269		145	62	
Total single premiums	872	672	30	243	120	103
ISAs, PEPs and unit trusts APE	126	94	34	38	25	52
Total UK APE	710	536	32	194	137	42
INSTITUTIONAL FUND MANAGEMENT						
UK Managed Funds						
- Pooled funds	10,608	11,040		2,842	3,007	
- Segregated funds	2,571	327		1,373	32	
	13,179	11,367		4,215	3,039	
UK Other	40	1,310		12	39	
	13,219	12,677	4	4,227	3,078	37

LEGAL & GENERAL GROUP PLC
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 YEAR ENDED 31 DECEMBER 2001

WORLDWIDE NEW BUSINESS

	Year ended		increase/ (decrease) %	Three months to		increase/ (decrease) %
	31 December 2001 £m	2000 £m		31 December 2001 £m	2000 £m	
New annual premiums						
Life and pensions:						
- Life	170	160		44	38	
- Pensions	137	86		41	18	
UK	307	246	25	85	56	52
- USA	52	62		14	10	
- Netherlands	8	7		2	3	
- France	7	5		1	1	
Total life and pensions	374	320	17	102	70	46
Retail investment business:						
- UK	39	27		14	13	
Total new annual premiums	413	347	19	116	83	40
Single premiums						
Life and pensions:						
- Life	1,238	751		395	201	
- Pensions	1,536	1,205		315	352	
UK	2,774	1,956	42	710	553	28
- USA	1	1		1	1	
- Netherlands	91	54		14	24	
- France	109	107		25	29	
Total life and pensions	2,975	2,118	40	750	607	24
Retail investment business:						
- UK	872	672		243	120	
- France	35	41		6	14	
Total single premiums	3,882	2,831	37	999	741	35
Annual premium equivalent (APE)						
- Life and pensions business	671	532	26	177	131	35
- Retail investment business	130	98	33	39	26	50
Worldwide APE	801	630	27	216	157	37

LEGAL & GENERAL GROUP PLC
 UNAUDITED NEW BUSINESS PREMIUMS
 YEAR ENDED 31 DECEMBER 2001

OVERSEAS OPERATIONS IN LOCAL CURRENCY

	Year ended 31 December		increase/ (decrease) %	Three months to 31 December		increas (decreas %
	2001	2000		2001	2000	
USA (\$m):						
New annual premiums	76	93		21	17	
Single premiums	1	1		0	0	
APE	76	93	-18	21	17	
Netherlands (€ m):						
New annual premiums	13	11		3	3	
Single premiums	149	86		24	36	
APE	28	20	40	6	7	.
France (€ m):						
New annual premiums	11	8		1	2	
Single premiums	178	170		43	40	
Unit trusts	58	65		12	19	
APE	35	32	9	7	8	.

UK INDIVIDUAL APE BY CHANNEL

	Year ended 31 December 2001			
	Annual £m	Single £m	Total APE £m	%
Independent financial advisers	154	159	313	54
Business partnerships	115	95	210	36
Direct	31	29	60	10
	<u>300</u>	<u>283</u>	<u>583</u>	<u>100</u>

	Year ended 31 December 2000			
	Annual £m	Single £m	Total APE £m	%
Independent financial advisers	123	156	279	60
Business partnerships	78	31	109	24
Direct	32	43	75	16
	<u>233</u>	<u>230</u>	<u>463</u>	<u>100</u>