

25 April 2001

Legal & General Group Plc
New business results – first quarter 2001

- **Record new business EPI in the UK - up 15%**
- **Strong growth in UK life and pensions - up 18%**
- **Excellent new fund management business - £3.3 bn**
- **Continued progress in Continental Europe - up 120%**
- **Barclays alliance starts strongly with Stakeholder**

New life and pensions business EPI*	2001	2000	
UK individual	£93m	£84m	+11%
UK group	£26m	£17m	+53%
Total UK	£119m	£101m	+18%
Total Worldwide	£143m	£126m	+13%
UK EPI including unit trusts/ISAs*	£149m	£130m	+ 15%
Total EPI including unit trusts/ISAs*	£174m	£156m	+12%
New fund management business	£3.3bn	£2.3 bn	+43%

* Equivalent Premium Income (EPI) comprises new annual premiums + 10% of single premiums.

Group Chief Executive, David Prosser, said: "These results, which include our best ever quarter for new business in the UK, are a further demonstration of our ability to build market share profitably. They have been achieved even before the benefits of our links with Barclays and Alliance & Leicester have started to come through.

The 18% growth achieved in our core UK Life and Pensions business is a very good start to the year. Strongest growth came from IFAs, reflecting their continuing support for our good value product strategy.

Our fund management business has also started the year very strongly. The volume of new business won reflects the continuing trend amongst pension trustees to seek the benefits of a focused investment strategy using a combination of indexed core and active satellite portfolios.

2001 has opened well for Legal & General with strong growth in our chosen markets. Our brand strength based upon our good value products is being recognised by many more business partners and agents and through them, Legal & General is gaining access to ever larger numbers of consumers. Our prospects have never looked better."

UK operations

Our UK business now operates under a unified management structure, enabling more rapid decision-making and efficient use of resources. We continue to focus on our core competencies with our value for money product range and multi-channel distribution capability driving forward both business and market share.

We have continued to e-enable the business and additional internet functionality has been rolled-out in the past few months for use by agents and customers. Sales of our successful e-term policies have continued to grow rapidly and over 50% of these policies are wholly underwritten on-line.

Stakeholder pensions for individual customers have also been available on-line from their launch date on 6 April. Legal & General was, we believe, the only company able to transact individual Stakeholder policies on-line on the launch date.

Individual life

New annual premium business was stable at £30m (2000: £30m). Our protection business is achieving rapid growth, with annual premiums of £7m up from £3m in 2000. The proportion of our mortgage related new business arising from our Flexible Mortgage ISA product has continued to fall.

Legal & General's Mortgage Club is a very important force in the UK market. In March alone, the Club placed £1.06bn of mortgages. This was the first time in the Club's six-year history that mortgages placed in a month have exceeded £1bn. Over the quarter, mortgage completions through the Club grew by 97% to £1.6bn.

New life single premium business reached £196m, an increase of 40% on the 2000 level, reflecting continuing consumer demand for with-profits bonds.

Individual pensions

Our pensions business achieved further growth in Q1 2001 with an increase of 8% in EPI. Our successes in the Group Personal Pensions area, particularly in the fee paying and low commission segment of that market, have more than offset the decline in new individual personal pension sales, a part of the market where high commission still prevails. Individual annuity sales have grown once again, increasing to £103m (2000: £99m).

The market for Stakeholder pension sales has now opened. Some 18,000 employers have already designated Legal & General as their Stakeholder provider, and this number is growing steadily. We remain convinced that Stakeholder pensions offer Legal & General an important opportunity for profitable new business growth with a product that is very consumer friendly.

Group life and pensions

Good growth was maintained in annual premium business, which increased by 22% to £11m. Our group risk contract remains competitive, and a voluntary membership product will be offered alongside Stakeholder pensions both through Barclays Bank and our own salesforces.

Single premium sales benefited considerably in Q1 2001 from a recovery in the bulk purchase annuity market. Our well-respected strengths in this market enabled us to achieve a 126% increase in sales (2001: £129m; 2000: £57m).

Unit trusts and ISAs

Sales of our Unit Trust and ISA products performed well in a difficult market, with EPI broadly stable at £30m (2000: £29m). Although equity market turbulence in the final weeks

of the tax year undoubtedly limited consumer demand, we nonetheless expect to have gained market share over the quarter in this segment of the savings market.

Distribution

Legal & General remains committed to multi-channel distribution. Growth in the quarter was fastest in the IFA channel, which represented 61% of sales, endorsing the quality of our products and our value for money strategy.

Barclays started to sell Legal & General's Stakeholder pension and associated group life products on 6 April. Our full life and pensions product range is planned to be available through Barclays from August and a funds supermarket will be offered in September. Alliance & Leicester will begin selling Legal & General's ISAs and with-profit bonds in May.

Through our new relationships with Barclays and Alliance & Leicester we have greatly increased our access to potential customers, but also balanced our distribution channels between IFAs, Business Partners and Direct.

Fund management

In the first quarter of 2001 we achieved new fund management business of £3.3bn, an increase of 43% on the corresponding period last year. The consistent success of this business is underlined by the fact that we have won over £2bn of new funds under management in each of the last ten quarters, a remarkable record. The scale of our fund management business, and the quality and skill of our managers, in particular our index fund capability, continue to be the key differentiators for Legal & General.

Funds under management at 31 March 2001 exceeded £110bn, up from £107bn a year earlier.

International operations

In the USA, new EPI was \$17m, broadly in line with the levels achieved in the third and fourth quarters of last year. Sales in Q1 2000 of \$32m were boosted by the exceptional volumes of business as a consequence of applications received prior to the introduction of the 'Triple X' solvency requirements. Our US business is now one of that country's top 10 largest companies by sums assured and a leader in its chosen market of upscale term assurance.

Our European businesses continue to show very strong growth, up 120% in Euros. In France, new business, which increased by 83% to €11m EPI (2000: €6m), benefited from the removal of initial charges on investment products. Sales in the Netherlands grew by a very impressive 175% to €11m EPI (2000: €4m). Single premium sales were particularly strong, following the launch of a new annuity product in October 2000.

For further information contact:

Investors: Peter Horsman
Investor Relations Manager
020 7528 6362

Media: John Morgan
Head of Public Relations
01737 375353

Anthony Carlisle
Citigate Dewe Rogerson
0973 611888

LEGAL & GENERAL GROUP PLC

UNAUDITED NEW BUSINESS PREMIUMS THREE MONTHS TO 31 MARCH 2001

NEW UK BUSINESS	Three months to 31 March 2001 £m	Three months to 31 March 2000 £m	increase/ (decrease) %
INDIVIDUAL LIFE AND PENSIONS BUSINESS			
New annual premiums			
Life:			
Mortgage related	23	27	
Savings	0	0	
Protection	7	3	
Pensions:			
Individual pensions	22	20	
Total new annual premiums	52	50	4
Single premiums			
Life:			
With-profits	179	108	
Other	17	32	
Pensions:			
Individual pensions	87	81	
Annuities - individual	103	99	
DSS rebates	24	21	
Total single premiums	410	341	20
Individual life and pensions EPI	93	84	11
GROUP LIFE AND PENSIONS BUSINESS			
New annual premiums			
Group risk	9	7	
Group pensions	2	2	
Total new annual premiums	11	9	22
Single premiums			
Annuities - bulk purchase	129	57	
Other group business	22	19	

Total single premiums	151	76	99
Group life and pensions EPI	26	17	53

ISAS, PEPS AND UNIT TRUSTS

New annual premiums			
ISAs/PEPs (excluding cash ISAs)	5	3	67
Single premiums			
ISAs/PEPs (excluding cash ISAs)	170	183	
Unit trusts	75	78	
Total single premiums	245	261	-6
ISAs, PEPs and unit trusts EPI	30	29	3
Total UK EPI	149	130	15

INSTITUTIONAL FUND MANAGEMENT

UK Managed Funds	3,254	1,894	
UK Other	6	434	
Total fund management	3,260	2,328	40

WORLDWIDE NEW BUSINESS

	Three months to 31 March 2001	Single	Three months to 31 March 2000	Single	increase/ (decrease)
	Annual £m	£m	Annual £m	£m	Annual %
LIFE AND PENSIONS					
Life	39	196	37	140	5
Pensions	24	365	22	277	9
UK	63	561	59	417	7
USA	12	0	20	0	-40
Netherlands	2	47	1	11	100
France	2	29	1	21	100

INSURANCE TOTAL	79	637	81	449	-2
RETAIL INVESTMENT BUSINESS					
UK	5	245	3	261	67
France		14		9	n/a
TOTAL NEW BUSINESS	84	896	84	719	0

OVERSEAS OPERATIONS
IN LOCAL CURRENCY

	Three months to 31 March	Three months to 31 March	increase/ (decrease)
	2001	2000	%
USA (\$m):			
New annual premiums	17	32	
Single premiums	0	0	
EPI	17	32	-47
Netherlands (€m):			
New annual premiums	3	2	
Single premiums	76	18	
EPI	11	4	175
France (€m):			
New annual premiums	4	1	
Single premiums	46	35	
Unit trusts	22	16	
EPI	11	6	83

UK INDIVIDUAL EPI BY
CHANNEL

	Three months to 31 March 2001	Three months to 31 March 2001	Three months to 31 March 2001	increase/ (decrease)
	Annual	Single	Total EPI	%
	£m	£m	£m	
Independent financial advisers	31	43	74	61
Business partnerships	19	10	29	24

Direct	7	12	19	15
	<u>57</u>	<u>65</u>	<u>122</u>	<u>100</u>
	Three months to 31 March 2000 Annual	Three months to 31 March 2000 Single	Three months to 31 March 2000 Total EPI	increase/ (decrease)
	£m	£m	£m	%
Independent financial advisers	28	38	66	58
Business partnerships	20	7	27	24
Direct	5	15	20	18
	<u>53</u>	<u>60</u>	<u>113</u>	<u>100</u>