

**Legal & General Group Plc
2000 New Business Results**

- **£16 billion new business placed with Legal & General Group for savings and protection - the largest amount for any UK insurer**
- **Strategic alliance with Barclays PLC enhances growth prospects**

New life and pensions business EPI*

UK individual	£369m	+11%
UK corporate	£73m	-26%
International	£90m	+7%
Worldwide	£532m	+4%
ISA and unit trust EPI	£98m	-14%
Worldwide funds under management	£114bn	
New investment management business	£12.7bn	

* Equivalent premium income (EPI) comprises new annual premiums + 10% of new single premiums.

Group Chief Executive, David Prosser, said: “In 2000 Legal & General again increased market share, achieving 11% growth in new business in our core UK individual life and pensions business.

“Our fund management business won £12.7bn of new funds from institutional investors, reinforcing our position as one of the UK's most successful investment management companies.

“In addition to these achievements, our distribution capability has now been significantly enhanced by the strategic alliance with Barclays. We are confident that our consistently good value products and our good service will continue to attract the support of business partners, agents and customers.”

UK NEW BUSINESS

New individual life and pensions business continued the growth pattern of recent years, increasing by 11% to £369m EPI (1999: £331m). In the final quarter of the year new individual life and pension business also grew by 11% over the corresponding period of 1999. This should represent a further increase in our market share since we believe market new business volumes have declined marginally over 2000. Group business fell as a result of lower volumes of bulk purchase annuity business. Unit trust and ISA volumes over 2000 were also lower than in the previous year. However, we are encouraged by the 14% growth in new business EPI in the final quarter following the launch of four new funds. In aggregate, new business for the year was £536m EPI, little changed from the 1999 level of £541m.

Individual Pensions

During 2000, the market has positioned itself in anticipation of the April launch of Stakeholder pensions. Legal & General has operated largely in the fee-based and low commission segments of the pensions intermediary market. Support from these intermediaries for our Stakeholder look-alike products helped our new individual pension business to grow by 16% to £165m EPI (1999: £142m).

In 2001 we anticipate some initial market disturbance as employers first wait for and then react to the key Stakeholder dates in April and October. We expect scheme population to move ahead in the latter part of the year.

Sales of annuity business grew substantially in 2000, with fourth quarter sales up 26% on the previous year. In this important market sector, 40% growth was achieved over the year, with sales reaching £426m (1999: £304m).

Individual Life

Legal & General's strengths in the housing market led to a 5% increase in annual premiums from term and ISA business related to mortgages (2000: £112m; 1999: £107m). However, our new business also reflected an increasing trend towards repayment mortgages. Term assurance from this segment rose by 47% to £25m (1999: £17m). This significant overall growth in new business once again reflected the success of our Mortgage Club panel of lenders, which saw completed loans increase by 53% to £5.1bn.

An important initiative in the latter part of the year was the launch of our e-term product, which allows IFAs and direct customers to apply for term assurance on-line. Applications can be underwritten on-line, permitting end to end electronic processing and thereby improving the speed, efficiency and cost-effectiveness of our business.

Single premium bond sales totalled £751m in 2000, an increase of 18% (1999: £634m). Demand for our with-profits bonds from both IFAs and our major business partners was particularly buoyant, increasing 45% over the year to £648m (1999: £448m). Sales accelerated in the second half of the year, averaging over £63m each month.

Unit trusts and ISAs

Early in 2000, Legal & General expressed the view that technology stocks were overpriced. As a consequence, we did not offer a technology fund at that time despite the then high levels of market demand. Although our first quarter market share was depressed as a consequence, new business has subsequently recovered with fourth quarter EPI at £25m 14% ahead of the corresponding period last year. The launch of both additional specialist tracking funds and new actively managed funds helped single payment ISA and unit trust sales reach a record fourth quarter volume of £120m.

Legal & General's market leading position in retail index tracking ISA's helped new regular contributions to grow by 17% during the year to £27m. With steadily improving functionality now allowing customers both to purchase on-line and to switch between funds on-line, we see

the ISA and unit trust market as a growth segment for our business. Total external unit trust and ISA assets under management now amount to £3.9bn (1999: £3.5bn).

Distribution

Multi-channel distribution is a key component in Legal & General's growth strategy. This provides the greatest access to potential customers and embraces our business partners, IFAs and direct sales to customers through our call centre, the Internet and "off the page". Each of these channels is making increasing use of e-commerce opportunities to enhance customer service and to drive down costs. In a more challenging market, volume growth has been achieved in both the Direct and IFA channels, although growth continues to be strongest in the IFA channel, with individual new business up by 11% over the year.

The FSA is currently consulting on proposed changes to the existing polarisation regime. The proposals permit "multi-ties" for some products. Given Legal & General's experience in successfully managing multiple distribution channels, we believe the proposals, if adopted, will play to the Group's strengths.

Strategic alliance with Barclays PLC

Looking ahead, volumes from our business partners will be significantly enhanced by the recently announced strategic alliance with Barclays. Initially, this important new alliance will focus on Stakeholder pensions but, subject to final FSA confirmation, it will be extended later this year to include Legal & General's full range of life, pensions and savings products. The alliance is expected to increase Legal & General's UK equivalent premium income by over 25% in the first full year of operation.

Group life and pensions

A major component of this market is bulk purchase annuity business where year on year comparisons are affected by the relatively low volumes which have been placed in the market this year pending the outcome of an appeal case regarding the equalisation of Guaranteed Minimum Pension rights. That judgement is now imminent. In the more subdued market prevailing in 2000, Legal & General continued to win a significant share of the schemes placed.

Group risk continued its strong performance with new business totalling £31m EPI over the year (1999: £24m), reflecting further growth in the market's support for our value for money products.

Overall, group life and pensions new business totalled £73m EPI in 2000 - a decrease of 26% (1999: £99m).

INVESTMENT MANAGEMENT

Our investment management business again delivered impressive new business results in 2000, winning £12.7bn of new institutional funds and nearly matching the exceptional result of £13.1bn achieved in 1999. Of the £12.7bn won this year, £11.6bn came from UK pension funds and £1.1bn was institutional business from the Commonwealth Bank of Australia.

New business in the final quarter was £3.0bn. Major new pension fund clients won in the quarter included Buckinghamshire County Council, Orange and ICL. Business gains over the year brought the total number of clients to 1,814. New contributions to defined contribution schemes were £722 million during the year - an increase of 23%.

Our fast growing investment management business is a key strategic asset for the Group. Total funds under management were £114bn at 31 December 2000, of which over 60% are held for external clients.

INTERNATIONAL BUSINESS

Over the year new business grew by 8% to £94m EPI (1999: £87m) with strong growth in Europe being partially offset by lower volumes in the USA.

Legal & General America has been successful in achieving a major position in the high net worth term assurance market. Business written is almost entirely annual premium in nature with the positive impact that will have on future premium revenue. Legal & General America is a highly focused manufacturer of term insurance with a proven ability to implement technological solutions, a strong track record of expense control and a good reputation for underwriting.

New business in 2000 was \$93m EPI down from \$101m in 1999 when exceptional volumes of business were written in advance of the introduction of the 'Triple X' solvency requirements. Legal & General America believes it is well positioned to continue to increase its market share.

Our European businesses have benefited from a strong competitive position and have as a consequence achieved above market growth. In France, new business volumes increased by 28% to €32m EPI (1999: €25m). Within that result single premium life and pension business increased by 48% to €170m (1999: €115m). Unit trust sales increased by 30% over the year to €65m (1999: €50m). The competitive products that have delivered strong results in 2000 will, we believe, enable us to increase market share further.

In the Netherlands, new business increased by 43% to €20m EPI (1999: €14m) contrasting favourably with the decline in business seen in the market overall. Annual premium business increased 38% to €11m (1999: €8m) reflecting the strong support we have received following a number of product and service initiatives. Single premium sales were particularly strong, increasing 51% to €86m (1999: €57m) boosted by a product launch in October 2000, which is expected to lead to further growth in the first quarter of 2001.

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LEGAL & GENERAL GROUP PLC
 UNAUDITED NEW BUSINESS PREMIUMS
 YEAR ENDED 31 DECEMBER 2000

NEW UK BUSINESS

	Year ended 31 December		increase/ (decrease)	Three months to 31 December		increase/ (decrease)
	2000	1999	(decrease)	2000	1999	(decrease)
	£m	£m	%	£m	£m	%
INDIVIDUAL LIFE AND PENSIONS BUSINESS						
New annual premiums						
Life:						
- Mortgage related	112	107		26	30	
- Savings	1	2		0	0	
- Protection	16	17		6	4	
Pensions:						
- Individual pensions	77	73		16	15	
Total new annual premiums	206	199	4	48	49	-2
Single premiums						
Life:						
- With-profits	648	448		180	106	
- Other	103	186		21	36	
Pensions:						
- Individual pensions	342	260		55	39	
- Annuities - individual	426	304		116	92	
- DSS rebates	111	120		35	33	
Total single premiums	1,630	1,318	24	407	306	33
Individual life and pensions EPI	369	331	11	89	80	11
GROUP LIFE AND PENSIONS BUSINESS						
New annual premiums						
- Group risk	31	24		6	6	
- Group pensions	9	11		2	6	
Total new annual premiums	40	35	14	8	12	-33
Single premiums						
- Annuities - bulk purchase	258	573		136	235	
- Other group business	68	70		10	17	
Total single premiums	326	643	-49	146	252	-42
Group life and pensions EPI	73	99	-26	23	37	-38
ISAS, PEPS AND UNIT TRUSTS						
New annual premiums						
- ISAs/PEPs (excluding cash ISAs)	27	23	17	13	11	18
Single premiums						
- ISAs/PEPs (excluding cash ISAs)	403	601		58	46	
- Unit trusts	269	276		62	66	
Total single premiums	672	877	-23	120	112	7
ISAs, PEPs and unit trusts EPI	94	111	-15	25	22	14
Total UK EPI	536	541	-1	137	139	-1
INSTITUTIONAL FUND MANAGEMENT						
	12,677	13,098	-3	3,078	3,950	-22

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WORLDWIDE NEW BUSINESS

	Year ended 31 December		increase/ (decrease) %	Three months to 31 December		increase/ (decrease) %
	2000 £m	1999 £m		2000 £m	1999 £m	
New annual premiums						
Life and pensions:						
- Life	160	150		38	40	
- Pensions	86	84		18	20	
UK	246	234	5	56	60	-7
- USA	62	63		10	19	
- Netherlands	7	5		3	1	
- France	5	5		1	1	
Total life and pensions	320	307	4	70	81	-14
Retail investment business:						
- UK	27	23		13	11	
Total new annual premiums	347	330	5	83	92	-10
Single premiums						
Life and pensions:						
- Life	751	634		201	142	
- Pensions	1,205	1,327		352	416	
UK	1,956	1,961	0	553	558	-1
- USA	1	1		1	0	
- Netherlands	54	35		24	9	
- France	107	71		29	25	
Total life and pensions	2,118	2,068	2	607	592	3
Retail investment business:						
- UK	672	877		120	112	
- France	41	31		14	6	
Total single premiums	2,831	2,976	-5	741	710	4
Equivalent premium income						
- Life and pensions business	532	514	4	131	140	-6
- Retail investment business	98	114	-14	26	23	13
Worldwide EPI	630	628	0	157	163	-4

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OVERSEAS OPERATIONS
IN LOCAL CURRENCY

	Year ended 31 December		increase/ (decrease)
	2000	1999	%
USA (\$m):			
New annual premiums	93	101	
Single premiums	1	1	
EPI	93	101	-8
Netherlands (€m):			
New annual premiums	11	8	
Single premiums	86	57	
EPI	20	14	43
France (€m):			
New annual premiums	8	8	
Single premiums	170	115	
Unit trusts	65	50	
EPI	32	25	28

UK INDIVIDUAL EPI BY CHANNEL

	Year ended 31 December 2000			
	Annual £m	Single £m	Total EPI £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>
	Year ended 31 December 1999			
	Annual £m	Single £m	Total EPI £m	%
Independent financial advisers	107	144	251	57
Business partnerships	88	29	117	26
Direct	27	47	74	17
	<u>222</u>	<u>220</u>	<u>442</u>	<u>100</u>