

26 July 2000

**Legal & General Group Plc
Interim Results – 2000**

New life and pensions business EPI¹

• Worldwide	£258m	+ 5%
• UK individual	£175m	+11%
• International	£54m	+32%

Modified Statutory Solvency basis -

• Operating profit before tax	£231m	+19%
• Earnings per share (fully diluted)²	3.19p	+15%

Dividend per share	1.48p	+14%
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Achieved Profits basis -

• Operating profit before tax	£336m	+30%
• Contribution from new business³	£69m	+13%
• Shareholders' funds	£5,356m	

Fund management

• New UK business	£5.9bn
• Worldwide funds under management	£111bn

¹Equivalent Premium Income (EPI) is total new annual premiums + 10% of new single premiums.

²Based on operating profit after tax.

³Contribution before tax from worldwide life and pensions business.

Group Chief Executive David Prosser said: “This is another set of good results, building on a very successful period. Over the last five years our UK new business has almost trebled and we continue to deliver profitable market share growth. Our UK investment management operation has once again produced an excellent performance winning £5.9bn of new business.

The plans for e-enabling our business are moving ahead strongly. Low cost servicing and distribution via the worksite, complemented by our well-known brand and our leading index-tracking skills, will be key differentiators in the forthcoming Stakeholder world.

We look forward to the challenges ahead and have the resources and determination to succeed. We have a strong future as a leader in the UK’s savings and protection business.”

Overview of results

- Operating profit before tax, on the Modified Statutory Solvency basis, grew by 19% driven by a 13% increase in the profit from the Group's life and pensions businesses, and a more than doubled contribution from investment management.
- The operating and financial strength of the Group provides a secure base for the Board to continue its progressive dividend policy. A 14% increase in the interim dividend has been declared.
- Operating profit before tax on the Achieved Profits basis grew by 30% to £336m, driven by the strong increase in the profits of the worldwide life and pensions businesses, which grew by 38% to £274m.
- The new business contribution from the Group's life and pensions businesses, on the Achieved Profits basis, amounted to £69m pre tax, compared with £61m in the first half of 1999, with margins maintained.
- Our investment management business has once again delivered impressive new business results winning an exceptional £5.9bn of new institutional funds in the first six months of the year (1H99: £6.0bn). Our success underlines Legal & General's position as one of the two dominant players in the UK index-tracking investment market. At the end of June 2000, the Group had £111bn of funds under management, more than double the position three years ago.
- The 25% growth in group personal pensions business is both an encouraging indicator in advance of the launch of Stakeholder Pensions next year and an endorsement of our good value product proposition. New individual pension and annuity business (including group personal pensions) increased 10% to £79m EPI (1H99: £72m).
- New individual life annual premium business grew by 17% to £63m (1H99 : £54 m). We have more than doubled both volumes and market share in this area in the last five years. Single premium bond sales increased from £320m to £327m, whilst our group risk business reinforced its good performance in 1999 by growing new annual premiums by 40% to £14m.
- The profits from the Group's international businesses grew by 41%. New business in the United States grew 22% to \$59.8m. Our French and Dutch subsidiaries grew new business by 31% and 27% respectively.
- Over the year to 30 June 2000, shareholders funds, on the Achieved Profits basis, grew from £4.84bn to £5.36bn, an increase of 15% before the dividend.

Key Figures

	1H2000	1H1999
<i>New business(EPI)</i>		
- UK individual life and pensions	£175m	£157m
- UK corporate life and pensions	£30m	£47m
- UK unit trusts and ISAs	£55m	£63m
- International (including unit trusts)	£56m	£43m
- Worldwide	£315m	£310m
New UK fund management	£5.9bn	£6.0bn
<i>Modified statutory solvency (MSS)basis</i>		
Operating profit before tax	£231m	£194m
Profit before tax	£287m	£290m
Profit after tax	£185m	£244m
<i>Dividend</i>	1.48p	1.30p

UK life and pensions

The UK insurance market is currently experiencing a period of very rapid change.

Consumers are demanding simpler, more transparent products delivering ever better value for money. Fast moving technology is changing the way people buy from us. Government and regulators are also promoting change through Stakeholder Pensions, new product frameworks such as the Individual Savings and Pension Accounts and a series of new regulations.

Legal & General is at the forefront in reacting to this fast changing world. We are redefining the market landscape, and transforming our business to an e-enabled and low cost base. We have developed products to provide value for money and to fulfil customers' aspirations for clarity and flexibility. Our efforts are being rewarded with both market share growth and industry recognition.

Our share of the UK life and pensions market grew by more than a fifth between Q1 1999 and Q1 2000, whilst last month Legal & General was named the British Insurance Awards Life Insurer of the Year. This is the second time in three years Legal & General has won this prestigious award.

Individual pensions. In the run-up to the launch of Stakeholder Pensions in April 2001, Legal & General has continued to achieve significant new business growth in the closely related group personal pension market. Aided by our 'Stakeholder Guarantee', our new group personal pension business grew by an impressive 25% to £26m. Another important contributor to the 15% growth achieved in new individual pensions business (excluding DSS rebates) was the Compulsory Purchase Annuity area. This area, which includes our recently launched With-Profits Annuity product, saw business grow by 49% to £150m (1H99: £101m).

Individual life. Increased demand for our ISA backed mortgage repayment product enabled our mortgage-related new annual premium sales to grow by 27% to £57m EPI. Also contributing to this impressive growth has been the further development of our Mortgage Club panel of major lenders, which will shortly be supported by a further range of efficient, internet-based services. Mortgage completions through the Club grew by over a third to £1.9bn in the first half of 2000.

Unit trusts and ISAs. Regular saving ISA sales were up sharply to £11m (1H99: £4m). The single payment unit trust and ISA market was influenced earlier in the year by the high level of interest among retail investors for technology stocks. Legal & General decided not to

introduce specialist high technology funds and, as a consequence, sales of single payment unit trust and ISAs did not match the strong final PEP season in 1999 (1H00: £440m against 1H99: £592m). 16% of ISA enquiries to our Direct operation this year have come via the internet, a very positive indicator of our customers' willingness to use this low cost medium.

Corporate business. Corporate new business was £30m EPI (1H99: £47m EPI).

The bulk purchase annuity market was affected by a recent ruling from the Ombudsman about the equalisation of Guaranteed Minimum Pension rights between male and female pensioners. The ruling, which is subject to appeal, has caused some pension trustees to defer plans to wind-up their schemes, thereby temporarily reducing market size. Business in the first half of 1999 benefited from a single mandate comprising £19m EPI.

In the group risk market, Legal & General delivered another strong performance with new annual premiums 40% up at £14m (1H99: £10m).

Operating Profit. The UK life and pensions operating profit before tax rose to £156m (1H99: £142m), reflecting a 10% growth in the net transfer from the UK long term fund.

International life and pensions

The profits from the Group's international businesses grew by 41% to £24m (1H99: £17m).

USA

This business continues to prosper, with both sales and profits growing strongly. New business, which is predominantly annual premium, grew by 22% in the first half of 2000 to reach \$59.8m (1H99 \$49.1m). It benefited from strong demand prior to the implementation of the Triple X solvency requirements.

Legal & General America has been successful in achieving a major and profitable position in the high net worth term assurance market. Using the internet to enhance business to business processing with its distributors, this highly regarded company grew profits in the first half by 52% to \$29.3m (1H99: \$19.3m).

Netherlands

Sales grew by 27% to €8.4m EPI (1H99: €6.6m). Operating profit before tax was up 24% to €6.3m (1H99: €5.1m).

France

New business grew by 31% to €6.3m EPI (1H99: €2.4m) following the introduction of a range of new products. The profit of €2.3m was 35% up from €1.7m in the first half of 1999.

Investment management

Legal & General is distinct in its market in having a large, successful and profitable investment management business. Its scale, especially in index tracking, represents a key strategic asset in the new marketplace - especially for Stakeholder Pensions. Our investment management business provides fund management expertise to trustees of pension schemes, other institutional clients and to the Group's corporate and retail businesses. Total funds under management were £111bn at 30 June 2000, of which over 60% are held for external clients.

Our investment management business has once again delivered impressive new business results winning £5.9bn of new institutional funds nearly matching the exceptional result of £6.0bn achieved in the first half of 1999. Of the £5.9bn won this year, £5.3bn came from UK pension funds and the balance of £0.6bn came from other institutional clients.

The profits from the management of external client funds more than doubled to £29m (1H99: £13m). This result reflects the strong growth in external funds under management over a number of years and the absence of the one-off unit trust systems costs, which impacted 1999.

General insurance

The operating profit grew to £6m (1H99: £5m), after a transfer of £3m to equalisation provision. The household account remains the major component of the Group's general insurance business and includes our joint venture with Woolwich plc. The household account produced an improved operating result of £3m (1H99: breakeven), with little adverse weather in the first half of 2000.

The healthcare and ASU business, which continues to grow strongly, again produced a breakeven operating result. The motor business also produced a breakeven result following rate increases (1H99: £2m loss).

The operating profit for mortgage indemnity business was £10m (1H99: £7m). This includes a profit of £4m (1H99: breakeven) arising from the pre-1993 mortgage indemnity reserves, reflecting settlements made.

The overseas result reflects a final settlement in respect of marine business written before 1980 through Andrew Weir Insurance Company Limited, a company now in administration.

Other income

Banking

New mortgage advances grew by 32% to £139m, driven primarily by the success of our range of flexible mortgage products for residential and buy to let properties; mortgage loans now total £883m. The value of bank deposits has increased significantly since the launch of Legal & General's "Easy Access" LIBOR tracker account late last year. Deposits now stand at £1.2bn (1H99: £1.0bn), with a customer base of 81,000. Despite this increase in new business, banking achieved a break even result (1H99: £1m loss).

Other income

Other income was stable at £16m (1H99: £17m).

Change in shareholders' retained capital (SRC)

The value of the SRC is but one component of the embedded value of the UK long-term fund, which grew to £3.80bn net of tax (30 June 1999: £3.50bn), after the accrued transfer to shareholders. Accounting standards require that the change in the amount of the SRC is included in the profit and loss account.

For the first half of 2000, the change in the SRC, grossed up to a pre-tax amount, was an increase of £60m (1H99: an increase of £94m) and comprised:

- the investment return on the SRC, which amounted to a negative £12m (1H99: a positive £141m), reflecting weak UK equity markets in the first half of 2000.
- the release of capital and profits from business written in previous years, which has been partially offset by the investment of the SRC in the funding of new business not written in the with-profits fund. In aggregate, these items amounted to an increase of £160m compared to an increase of £31m in the first half of 1999 - a period in which we strengthened our mortality assumptions for annuitants.
- less the accrued transfer from the SRC of £88m (1H99: £78m), already included in the life and pensions operating profit.

Achieved Profits results

The Achieved Profits results show a strong increase of 30% in the operating profit before tax to £336m (1H99: £259m). This result benefited from strong growth in the profits from our life and pensions businesses, which in total increased by 38% to £274m (1H99: £199m).

The result included an increased worldwide new business contribution of £87m (1H99: £86m). Of this total, £49m (1H99: £45m) arose from UK life and pensions where new business EPI increased from £204m to £205m. The lower contribution from UK managed funds reflected a reduction in new pension fund business from the exceptional levels of 1999.

The contribution from in-force business grew strongly to £148m compared with £87m in 1999, as the in-force business continued to grow strongly and the significant systems expenditure in 1999 was not repeated. The contribution from shareholders' net worth grew to £75m (1H99: £67m).

Shareholders' funds grew from £4.84bn at 30 June 1999 to £5.36bn at 30 June 2000 after the payment of dividends of £223m during the period. The Achieved Profits results are set out in Part 3 of this release.

Financial strength

The growth of Legal & General is supported by its financial strength. A core asset of the Group is the triple A rated UK long term fund, which is a source of considerable competitive advantage. Its strength gives us the resources to grow our business, the freedom as to how and when we invest assets and the capital to ensure that we have an efficient and flexible infrastructure.

At the end of 1999, assets of £26.9bn within the UK long term fund supported its with-profits business. This amount substantially exceeded that required to meet guaranteed benefits, expected future bonuses and all other liabilities. The excess comprises working capital provided by shareholders over many years and retained in the with-profits fund. We can now report that at the end of 1999, this excess amounted to at least £2.3bn after all reserves and provisions, compared with £1.9bn reported as at the end of 1997.

Outlook

Legal & General is well positioned for the market place of tomorrow. Our brand is widely recognised and respected, a strength that will prove especially advantageous as the range of products distributed over the internet increases. We are already closely identified with the emerging Stakeholder Pension market, which will be so important in the future. Our skill in index tracking is a key asset in both the retail and corporate markets.

A low cost base, worksite capabilities, index tracking investment expertise and financial strength will all be central to the new financial services marketplace. We believe that our business is prepared for this new world. The Group's firm foundations will ensure a strong and successful future and will continue to create significant shareholder value.

Dividend Payment Date

The 2000 interim dividend has been increased by 14% to 1.48p and will be paid on 2 October 2000 to shareholders registered at the close of business on 15 September 2000. The shares go ex-dividend on 11 September 2000. The interim report will be sent to shareholders on 11 August 2000.

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Part 2

Legal & General Group Plc

Summary of unaudited results *for the six months ended 30 June 2000*

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Consolidated Profit and Loss Account

Six months ended 30 June 2000

	Notes	Six months to 30.6.00 £m	Six months to 30.6.99 £m	Full year 1999 £m
<i>Profit from continuing operations</i>				
Life and pensions	1	180	159	321
Investment management		29	13	43
General insurance	3	6	5	20
Other income	5	16	17	29
Operating profit		231	194	413
Variation from longer term general insurance investment return	4	(4)	2	3
Change in shareholders' retained capital (SRC)	6	60	94	260
Profit from ordinary activities before tax		287	290	676
Tax on profit on ordinary activities	7	(102)	(46)	(89)
Profit for the financial period		185	244	587
Dividends		(77)	(66)	(212)
Retained profit		108	178	375
<i>Earnings per share</i>				
Based on operating profit from continuing operations after tax		3.20	2.79	6.50
Based on profit for the financial period		3.61	4.77	11.50
<i>Diluted earnings per share</i>				
Based on operating profit from continuing operations after tax		3.19	2.77	6.47
Based on profit for the financial period		3.59	4.74	11.44
<i>Dividend per share</i>		1.48	1.30	4.13

Statement of Total Recognised Gains and Losses

	£m	£m	£m
Profit for the financial period	185	244	587
Exchange gains	16	6	3
Total recognised gains and losses	201	250	590

These financial statements were approved by the Board on 25 July 2000 and have been prepared using the modified statutory solvency basis for long term business.

The results for the six months to 30 June 2000 and 30 June 1999 are unaudited, but have been subject to a review by the auditors and constitute non-statutory accounts within the meaning of Section 240 of the Companies Act 1985. They have been prepared on a basis which is consistent with the financial statements for the year ended 31 December 1999. The results for the year ended 1999 have been taken from these accounts which have been filed with the Registrar of Companies, they include the auditors' unqualified report and do not contain a statement under either sections 237(2) or 237(3) of the Companies Act 1985.

Consolidated Balance Sheet

As at 30 June 2000

	Notes	As at 30.6.00 £m	As at 30.6.99 £m	As at 31.12.99 £m
<i>Assets</i>				
Investments	8	34,350	32,307	34,143
Assets held to cover linked liabilities		68,618	54,949	65,928
Other assets		2,321	2,090	2,135
		105,289	89,346	102,206
<i>Liabilities</i>				
Shareholders' funds (i)	9	3,217	2,886	3,085
Fund for future appropriations (ii)		5,147	4,709	5,814
<i>Technical provisions</i>				
Technical provisions for linked liabilities		68,529	54,883	65,742
Other long term business provisions		25,023	23,949	24,538
General insurance provisions		333	368	365
		93,885	79,200	90,645
<i>Borrowings</i>				
Borrowings for financing operations		138	64	141
Mortgage related borrowings		257	309	285
	11	395	373	426
Bank customer deposits		1,245	968	1,031
Other creditors		1,400	1,210	1,205
		105,289	89,346	102,206

(i) Shareholders' funds include profits retained as shareholders' retained capital in the UK long term fund. These amounts, net of allowance for tax, form part of the embedded value of the UK long term fund which is reported in the supplementary financial statements prepared on the Achieved Profits basis.

(ii) The fund for future appropriations comprises funds which have not been allocated between policyholders and shareholders at the end of the financial period and consists primarily of unrealised investment appreciation within the with-profits part of the UK long term fund.

New business from continuing operations

Six months ended 30 June 2000

<i>Life and pensions</i>	Six months to 30.6.00		Six months to 30.6.99		Full year 1999	
	Annual	Single	Annual	Single	Annual	Single
	£m	£m	£m	£m	£m	£m
Life	77	327	64	320	150	634
Pensions	45	496	44	643	84	1,327
UK	122	823	108	963	234	1,961
USA	40	0	31	1	63	1
Netherlands	3	22	2	18	5	35
France	3	56	3	30	5	71
Insurance total	168	901	144	1,012	307	2,068
<i>Retail investment business</i>						
UK	11	440	4	592	23	877
France	-	20	-	16	-	31
Total new business	179	1,361	148	1,620	330	2,976

Equivalent premium income (EPI) is calculated for total new business, including unit trusts, ISAs and PEPs (excluding cash ISAs), and comprises the new annual premiums together with 10% of single premiums. EPI from insurance business in the first six months has increased from £245m in 1999 to £258m in 2000 (Full year 1999: £514m). EPI from total new business in the same period has increased from £310m in 1999 to £315m in 2000 (Full year 1999: £628m).

New overseas insurance premiums expressed at 30 June 2000 exchange rates

Annual	2000		1999		1999	
	6 months to 30 June	3 months to 30 June	3 months to 31 Mar	6 months to 30 June	3 months to 30 June	3 months to 31 Mar
	£m	£m	£m	£m	£m	£m
USA	40	19	21	33	17	16
Netherlands	3	2	1	3	2	1
France	3	2	1	3	2	1
Single						
USA	0	0	0	1	0	1
Netherlands	22	11	11	17	8	9
France	56	34	22	29	15	14

New UK business

Six months ended 30.6.2000

New UK annual premiums

	2000			1999		
	6 months to 30 June £m	3 months to 30 June £m	3 months to 31 Mar £m	6 months to 30 June £m	3 months to 30 June £m	3 months to 31 Mar £m
Life:						
Mortgage related	57	30	27	45	28	17
Savings	0	0	0	1	1	0
Protection	6	3	3	8	4	4
Group risk	14	7	7	10	5	5
Pensions:						
Individual pensions	42	22	20	40	21	19
Group pensions	3	1	2	4	2	2
Investments:						
ISAs/PEPs (excluding cash ISAs)	11	8	3	4	3	1
Total New UK Annual Business	133	71	62	112	64	48

New UK single premiums

Bonds:						
With-profits	267	159	108	233	131	102
Other	60	28	32	87	45	42
Pensions:						
Individual pensions	157	76	81	135	70	65
Annuities - individual	189	90	99	137	92	45
Annuities - bulk purchase	91	34	57	297	112	185
Other group business	33	14	19	30	16	14
DSS rebates	26	5	21	44	11	33
Investments:						
ISAs/PEPs (excluding cash ISAs)	296	113	183	468	195	273
Unit trusts	144	66	78	124	89	35
Total New UK Single Business	1,263	585	678	1,555	761	794

New UK EPI

Total individual life and pensions EPI	175	91	84	157	88	69
Total investments EPI	55	26	29	63	32	31
Total individual EPI	230	117	113	220	120	100
Total group EPI	30	13	17	47	20	27
Total EPI	260	130	130	267	140	127
<i>Institutional fund management*</i>	5,869	3,541	2,328	6,004	3,091	2,913

* Institutional fund management new business comprises new monies from external clients for both pooled and segregated pension funds and other business not invested in retail products.

Notes to Financial Statements

Six months ended 30 June 2000

1. Life and pensions premiums and operating profit

	Six months to 30.6.00		Six months to 30.6.99		Full year 1999	
	Gross premiums £m	Operating profit £m	Gross premiums £m	Operating profit £m	Gross premiums £m	Operating profit £m
<i>With-profits business</i>						
- Life	635	50	623	47	1,233	88
- Individual pensions	320	16	351	15	688	35
- Group pensions	46	2	37	2	56	8
	1,001	68	1,011	64	1,977	131
<i>Non-profit business</i>						
	513	88	611	78	1,284	154
UK	1,514	156	1,622	142	3,261	285
USA	121	19	68	12	181	30
Netherlands	41	4	35	4	72	5
France	73	1	47	1	102	1
	1,749	180	1,772	159	3,616	321

UK life and pensions profit is included in operating profit as the accrued statutory transfer, grossed up at the corporate tax rate. USA profits are included on the basis of US GAAP.

Overseas life and pensions premium income and results expressed at 30 June 2000 exchange rates are:

	Gross premiums £m	Operating profit £m	Gross premiums £m	Operating profit £m	Gross premiums £m	Operating profit £m
USA	121	19	71	13	193	32
Netherlands	41	4	34	4	73	5
France	73	1	46	1	104	1

2. Principal sterling exchange rates used

	As at 30.6.00	As at 30.6.99	As at 31.12.99
United States dollar	1.51	1.58	1.61
Euro	1.58	1.53	1.61

Notes to Financial Statements

Six months ended 30 June 2000

3. General insurance

	Net premiums written	Underwriting result	Equalisation provision	Investment return	Operating profit/(loss)
	£m	£m	£m	£m	£m
<i>Six months to 30.6.00</i>					
Household	75	0	(3)	6	3
Healthcare and ASU*	16	0	-	0	0
Motor	19	(1)	0	1	0
Mortgage indemnity	1	8	0	2	10
UK	111	7	(3)	9	13
Overseas	0	(8)	0	1	(7)
Total	111	(1)	(3)	10	6
<i>Six months to 30.6.99</i>					
Household	67	(3)	(3)	6	0
Healthcare and ASU*	6	0	-	0	0
Motor	14	(3)	0	1	(2)
Mortgage indemnity	1	5	0	2	7
UK	88	(1)	(3)	9	5
Overseas	0	(1)	0	1	0
Total	88	(2)	(3)	10	5
<i>Full year 1999</i>					
Household	168	(4)	(5)	11	2
Healthcare and ASU*	14	(1)	-	0	(1)
Motor	26	(2)	0	1	(1)
Mortgage indemnity	3	16	0	4	20
UK	211	9	(5)	16	20
Overseas	0	(2)	0	2	0
Total	211	7	(5)	18	20

* Accident, Sickness and Unemployment business.

Investment return is reported on a basis which reflects longer term rates of investment return. The rates used are consistent with those used for Achieved Profits reporting. Capital supporting the business to which the longer term rates are applied is based on the solvency margin appropriate for the business.

The investment return has been calculated by applying the longer term rates of return, as shown below, to the investment funds at the start of each quarter.

	2000 %	1999 %
UK equities	7.7 p.a.	7.1 p.a.
UK gilts	5.1 p.a.	4.5 p.a.

Notes to Financial Statements

Six months ended 30 June 2000

4. Investment return

	Six months to 30.6.00 £m	Six months to 30.6.99 £m	Full year 1999 £m
Investment income	30	33	62
Interest expense and charges	(3)	(4)	(7)
Realised investment gains/(losses)	15	2	(1)
Unrealised investment (depreciation)/appreciation	(18)	1	8
	24	32	62

reported as:

Allocated to general insurance operating profit	10	10	18
Variation from longer term general insurance investment return (see note 3)	(4)	2	3
Shareholders' other income	18	20	41

The investment return shown represents the return on the shareholders' and worldwide GI funds excluding that in respect of SRC and non-insurance operations (primarily Legal & General Bank).

5. Other income

	Six months to 30.6.00 £m	Six months to 30.6.99 £m	Full year 1999 £m
<i>Shareholders' other income</i>			
Investment return on shareholders' funds (excluding SRC)	21	23	47
Interest expense on core debt	(3)	(3)	(6)
	18	20	41
<i>Other operations</i>			
Banking	0	(1)	(3)
Estate agency	(1)	(1)	0
Fairmount	1	1	1
	0	(1)	(2)
<i>Unallocated corporate expenses</i>			
Corporate fees	-	0	(3)
Other expenses	(2)	(2)	(7)
	(2)	(2)	(10)
	16	17	29

Notes to Financial Statements

Six months ended 30 June 2000

6. Change in Shareholders' Retained Capital (SRC) in the UK Long Term Fund

	Six months to 30.6.00 £m	Six months to 30.6.99 £m	Full year 1999 £m
Investment income	21	28	50
Interest expense and charges	0	0	(1)
Realised investment gains	63	67	97
Unrealised investment (depreciation)/appreciation	(96)	46	142
Investment return on SRC	(12)	141	288
Net capital released from non-profit business	160	31	126
Accrued transfer to shareholders in respect of non-profit business included in operating profit	(88)	(78)	(154)
Change in SRC before tax	60	94	260

7. Tax

	Six months to 30.6.00		Six months to 30.6.99		Full year 1999	
	Profit/(loss) before tax £m	Tax (charge)/ credit £m	Profit before tax £m	Tax (charge)/ credit £m	Profit before tax £m	Tax (charge)/ credit £m
<i>Profit from continuing operations</i>						
Life and pensions	180	(47)	159	(44)	321	(79)
Investment management	29	(8)	13	(4)	43	(12)
General insurance	6	(2)	5	(2)	20	1
Other income	16	(10)	17	(2)	29	9
Tax charge on operating profit	231	(67)	194	(52)	413	(81)
Variation from longer term general insurance investment return	(4)	1	2	0	3	(1)
Change in shareholders' retained capital (SRC)	60	(36)	94	6	260	(7)
Tax charge on profit from ordinary activities	287	(102)	290	(46)	676	(89)

The bases adopted in determining tax include the following:

- (a) Tax on UK life and pensions business - by grossing up the statutory transfers at corporate tax rates.
- (b) Tax on the change in SRC, excluding investment return (see note 6) - by grossing up net of tax amounts by the UK corporate tax rate of 30% (1999: 30.25%).

Notes to Financial Statements

Six months ended 30 June 2000

8. Funds under management	As at 30.6.00		As at 30.6.99		As at 31.12.99	
	Long term business £m	Other business £m	Long term business £m	Other business £m	Long term business £m	Other business £m
Land and buildings	3,471	193	3,013	181	3,299	199
Shares, variable yield securities and unit trusts	14,144	1,369	13,310	1,334	14,337	1,448
Debt and other fixed income securities	11,833	795	11,591	766	12,055	1,019
Loans secured by mortgages	28	1,102	22	947	13	1,009
Other loans and investments	81	383	147	217	100	80
Deposits with credit institutions	606	345	456	323	339	245
Total investments	30,163	4,187	28,539	3,768	30,143	4,000
Held within the UK long term fund		2,853		2,491		2,718
Held outside the UK long term fund		1,334		1,277		1,282
		4,187		3,768		4,000
		Total £m		Total £m		Total £m
Total investments		34,350		32,307		34,143
Assets held to cover linked liabilities		68,618		54,949		65,928
Funds included in the consolidated balance sheet		102,968		87,256		100,071
Segregated funds		4,753		3,328		4,027
Unit trusts, ISAs and PEPs(excluding cash ISAs)		3,778		3,017		3,450
Total funds under management		111,499		93,601		107,548
representing:						
Managed in the UK						
- Active		34,523		33,575		35,414
- Index tracking		72,279		55,963		67,817
- for overseas subsidiaries		999		1,024		964
		107,801		90,562		104,195
Mortgages and other		1,876		1,764		1,636
		109,677		92,326		105,831
Managed overseas		1,822		1,275		1,717
		111,499		93,601		107,548

(i) Assets managed for external pension fund clients totalled £63,090m (30.6.99 £50,567m; 31.12.99 £61,320m).

(ii) The reported asset mix shown above does not reflect the use of derivatives. The effect of outstanding futures contracts is to change the mix as if, for long term business, the value as reported for shares, variable yield securities and unit trusts decreased by £154m (30.6.99: £503m; 31.12.99: £383m); and there was no effect on debt and other fixed income securities (30.6.99: £145m increase; 31.12.99: no effect); and for shareholders' and general insurance funds, the value as reported for shares, variable yield securities and unit trusts decreased by £16m (30.6.99: £79m; 31.12.99: £94m). In both cases, cash and deposits would be changed by corresponding amounts. The effect of other derivatives was not considered significant enough to be separately reported.

Notes to Financial Statements

Six months ended 30 June 2000

9. Shareholders' funds	Six months to 30.6.00 £m	Six months to 30.6.99 £m	Full year 1999 £m
At 1 January	3,085	2,700	2,700
Total recognised gains and losses	201	250	590
Dividends	(77)	(66)	(212)
Increase in share capital/premium			
- conversion of bonds	3	-	1
- exercise of share options	5	2	6
At end of period	<u>3,217</u>	<u>2,886</u>	<u>3,085</u>
Comprising:			
Share capital	129	128	128
Share premium	140	127	132
Profit and loss account			
-SRC	2,023	1,806	1,981
-Other	925	825	844
	<u>2,948</u>	<u>2,631</u>	<u>2,825</u>
	<u>3,217</u>	<u>2,886</u>	<u>3,085</u>

The number of fully paid ordinary shares of 2.5p in issue was 5,145m (30.6.99: 5,118m; 31.12.99: 5,129m), including 13m (30.6.99: 15m; 31.12.99: 13m) shares held within the Employee Share Ownership Trust.

10. Segmental analysis of shareholders' funds	Six months to 30.6.00 £m	Six months to 30.6.99 £m	Full year 1999 £m
<i>Life and Pensions</i>			
- UK (Shareholders' retained capital (SRC))*	1,841	1,666	1,818
- USA	423	322	377
- Netherlands	18	19	15
- France	42	30	40
	<u>2,324</u>	<u>2,037</u>	<u>2,250</u>
Investment management	113	70	92
General insurance	73	70	69
Banking	94	97	96
Corporate funds	613	612	578
	<u>3,217</u>	<u>2,886</u>	<u>3,085</u>

* Excluding SRC funds of £182m (30.6.99: £140m; 31.12.99: £163m) in respect of the net assets of subsidiaries.

Notes to Financial Statements

Six months ended 30 June 2000

11. Borrowings

	As at 30.6.00		As at 30.6.99		As at 31.12.99	
	Long term business	Other business	Long term business	Other business	Long term business	Other business
	£m	£m	£m	£m	£m	£m
Core debt	24	114	11	53	31	110
Mortgage related borrowings	6	251	10	299	8	277
Total borrowings	30	365	21	352	39	387

12. UK Long Term Fund

	As at 30.6.00 £bn	As at 30.6.99 £bn	As at 31.12.99 £bn
With-profits business	26.9	24.9	26.9
Non-profit business	8.9	8.2	8.6
Sub-fund *	0.3	0.3	0.3
Shareholders' retained capital (SRC)	2.0	1.8	2.0
	2.3	2.1	2.3
Market value of assets	38.1	35.2	37.8

* The sub-fund, together with the SRC, represents the amount of accumulated profits retained in the long term fund from non-profit business. Earnings on the sub-fund may, at the discretion of directors, be used to support with-profits business.

Consolidated cash flow statement (excluding long term business and SRC)

Six months ended 30 June 2000

	Six months to 30.6.00 £m	Six months to 30.6.99 £m	Full year 1999 £m
Net cash inflow from operating activities	245	124	115
Interest paid on operational borrowings	(3)	(3)	(6)
Tax (paid)/received	(2)	(13)	36
Dividends paid	(146)	(126)	(193)
<i>Financing</i>			
- Issue of share capital	8	2	7
- (Decrease)/increase in core debt	(19)	(31)	30
	(11)	(29)	37
	83	(47)	(11)
<i>Cash flows (not including long term business) were invested as follows:</i>			
Increase/(decrease) in cash holdings	8	(4)	0
Shares, variable yield securities and unit trusts	(11)	(2)	2
Debt and other fixed income securities	(282)	7	283
Deposits with credit institutions	71	(22)	(79)
Other loans and investments	297	(26)	(217)
Net portfolio investment/(divestment)	75	(43)	(11)
Net investment/(divestment)	83	(47)	(11)
Reconciliation of profit before tax to operating cash flow			
Profit on ordinary activities before tax	287	290	676
- Profits relating to long term business and SRC	(266)	(262)	(617)
- Cash received from long term business	198	177	180
- Other items	26	(81)	(124)
Net cash inflow from operating activities	245	124	115

Part 3

Legal & General Group Plc

Supplementary unaudited results on the Achieved Profits basis

For the six months to 30 June 2000

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Supplementary financial statements on the Achieved Profits basis

For the six months to 30 June 2000

A description of the Achieved Profits methodology was provided in the 1999 Report and Accounts. Businesses which are not affected by the use of Achieved Profits, are discussed in Part 1 of this release.

2000 Interim Results

The operating profit before tax for the six months to 30 June 2000 was £336m compared with £259m in the first half of 1999. The 2000 result was driven by the strong growth in the profits of the worldwide life and pensions businesses, which in total grew by 38% to £274m.

The profit before tax for the period was £256m compared with £580m in the first half of 1999. The comparative 1999 figure benefited from particularly strong investment markets, which resulted in an investment return for that half year of £274m in excess of the longer term investment return.

UK life and pensions

The operating profit before tax increased from £164m to £216m. The contribution from new business increased to £49m from £45m and as a percentage of EPI, the contribution increased to 24% from 23% for full year 1999, reflecting a favourable mix of new business and control of acquisition expenses. We have thus written new business which again delivers significant value to shareholders and further contributions to operating profit will arise from the subsequent management of this business.

The contribution from the in-force business increased to £102m (1H99: £56m). This reflected the strong growth in the business portfolio in recent years and the increase in the risk discount rate which generates the expected return from the in-force business for the period. In addition, the effect on profits of our investment in strategic systems fell significantly to £8m (1H99: £25m).

The contribution from shareholders' net worth was broadly stable at £65m (1H99: £63m).

Profit before tax includes the effect of variances from the assumed investment return, together with economic assumption changes. During the first half of 2000, weak equity markets in the UK gave rise to an investment return on the equity and property portfolio which was 4.3% lower (1H99: 6.8% higher) than the assumption for the period. These market conditions generated an unfavourable investment variance of £82m (1H99: positive £269m).

Investment management

The operating profit from investment management has increased from £38m to £40m. This includes a profit of £36m from the UK Managed Fund business, compared with £41m in 1999, reflecting a lower contribution from new business as volumes of pension fund management business reduced to £5.3bn from the exceptional £6.0bn achieved in 1999. Embedded value has increased proportionately with the growth in the pension funds under management.

The investment management operating profit includes a profit of £2m (1H99: £1m) from the Ventures operation and a breakeven result (1H99: £6m loss) from the unit trust and PEP/ISA business, which are not calculated on an Achieved Profits basis.

International life and pensions

Operating profit from international business grew from £35m to £58m in 2000, including a strong growth in new business contribution to £20m (1H99: £16m).

USA

The highly successful US business is the largest component of international profits and provided a contribution from new business up 12% at £14m (1H99: £13m) and an operating profit of £35m (1H99: £24m). Contribution from new business as a percentage of EPI was broadly stable, compared with full year 1999, at 36%. In force business contributed £18m (1H99: £9m), reflecting the benefits of the strong growth in the business in recent years. Profit before tax was £46m (1H99: £19m), after a positive contribution of £13m (1H99: negative £5m) from the effect of economic assumption changes.

Europe

The Dutch business had an operating profit of £8m (1H99: £7m) with a contribution from new business of £2m (1H99: £2m). The French operation had an operating profit of £15m (1H99: £4m), reflecting a contribution from new business of £4m (1H99: £1m) as new business grew rapidly, the growth of the portfolio, better persistency and a benefit of £4m from a revised treatment of the *reserve de capitalisation*.

Embedded values

The embedded value after tax of the UK life and pensions business at June 2000 was £3,796m, compared with £3,498m at June 1999. The growth in the UK embedded value, before the accrued transfer to shareholders, over the year represents an annual return of 15% after tax.

The embedded value of the Pension Fund Management business at June 2000 was £133m compared with £97m at 30 June 1999, and the embedded value of the international businesses grew by 33% from £401m to £534m. In total, the net assets of the Group rose from £4,844m to £5,356m during the past year. This represents an annual growth after tax of 15%, pre dividend.

Consolidated Profit & Loss Account - Achieved Profits basis

Six months ended 30 June 2000

	Six months to 30.6.00 £m	Six months to 30.6.99 £m	Full year 1999 £m
<i>Profit from continuing operations</i>			
UK life and pensions (Note1)	216	164	412
International life and pensions (Note 1)			
- USA	35	24	58
- Netherlands	8	7	14
- France	15	4	15
	58	35	87
Investment management	40	38	99
General insurance	6	5	20
Other income	16	17	29
Operating profit	336	259	647
Variation from longer term investment return	(90)	274	670
Effect of economic assumption changes	10	47	(23)
Profit on ordinary activities before tax	256	580	1,294
Tax on profit on ordinary activities	(97)	(138)	(295)
Profit for the financial period	159	442	999
Accrued transfer from UK long term fund (net)	109	99	198
Dividends payable	77	66	212
<i>Earnings per share</i>			
- based on operating profit after tax	4.66p	3.57p	9.51p
- based on profit for the financial period	3.10p	8.67p	19.57p
<i>Diluted earnings per share</i>			
- based on operating profit after tax	4.65p	3.55p	9.46p
- based on profit for the financial period	3.09p	8.61p	19.47p
<i>Dividend per share</i>	1.48p	1.30p	4.13p

The results for the six months to 30 June 2000 and 30 June 1999 are unaudited, but have been subject to a review by the auditors.

Consolidated Balance Sheet - Achieved Profits basis

As at 30 June 2000

	As at 30.6.00 £m	As at 30.6.99 £m	As at 31.12.99 £m
<i>Assets</i>			
Investments	34,350	32,307	34,143
Assets held to cover linked liabilities	68,618	54,949	65,928
Long term in-force business	2,193	2,006	2,216
Other assets	2,267	2,042	2,084
	107,428	91,304	104,371
<i>Liabilities</i>			
Shareholders' funds (Note 4)	5,356	4,844	5,250
Fund for future appropriations	5,147	4,709	5,814
<i>Technical provisions</i>			
Technical provisions for linked liabilities	68,529	54,883	65,742
Other long term business provisions	25,023	23,949	24,538
General insurance provisions	333	368	365
	93,885	79,200	90,645
<i>Borrowings</i>			
Borrowings for financing operations	138	64	141
Mortgage related borrowings	257	309	285
	395	373	426
Bank customer deposits	1,245	968	1,031
Other creditors	1,400	1,210	1,205
	107,428	91,304	104,371

Notes to Financial Statements - Achieved Profits basis

Six months ended 30 June 2000

1. Contribution from continuing long term business

	Six months to 30.6.00		Six months to 30.6.99		Full year 1999	
	UK Life and Pensions £m	UK Managed Funds + £m	UK Life and Pensions £m	UK Managed Funds + £m	UK Life and Pensions £m	UK Managed Funds + £m
Contribution from new business	49	18	45	25	99	50
Contribution from in-force business *	102	18	56	16	194	46
Contribution from shareholders' net worth	65	-	63	-	119	-
Operating profit	216	36	164	41	412	96
Variation from longer term investment return**	(82)	(7)	269	5	663	17
Effect of economic assumption changes	(3)	0	52	(2)	(26)	3
Profit before tax	131	29	485	44	1,049	116
Tax	(50)	(9)	(111)	(13)	(243)	(35)
Profit after tax	81	20	374	31	806	81
	International £m	Total £m	International £m	Total £m	International £m	Total £m
Contribution from new business	20	87	16	86	29	178
Contribution from in-force business *	28	148	15	87	49	289
Contribution from shareholders' net worth	10	75	4	67	9	128
Operating profit	58	310	35	240	87	595
Variation from longer term investment return**	3	(86)	(2)	272	(13)	667
Effect of economic assumption changes	13	10	(3)	47	0	(23)
Profit before tax	74	234	30	559	74	1,239
Tax	(26)	(85)	(11)	(135)	(26)	(304)
Profit after tax	48	149	19	424	48	935

+ Included in the Investment management result of £40m (30.6.99: £38m; 31.12.99: £99m)

* The UK life and pensions contribution from in-force business reflects a charge of £8m (30.6.99: £25m; 31.12.99: £50m) primarily relating to the cost of investment in strategic systems.

** The variation from longer term investment return represents the effect of the investment performance in respect of shareholders' net worth and in-force business, compared with embedded value assumptions at the beginning of the period.

Notes to Financial Statements - Achieved Profits basis

Six months ended 30 June 2000

2. Embedded value from continuing operations

	As at 30.6.00		As at 30.6.99		As at 31.12.99	
	UK Life and Pensions £m	UK Managed Funds £m	UK Life and Pensions £m	UK Managed Funds £m	UK Life and Pensions £m	UK Managed Funds £m
Shareholders' net worth	1,451	-	1,359	-	1,457	-
Value of in-force business	2,345	133	2,139	97	2,367	130
Embedded value	3,796	133	3,498	97	3,824	130
	International £m	Total £m	International £m	Total £m	International £m	Total £m
Shareholders' net worth	131	1,582	120	1,479	135	1,592
Value of in-force business	403	2,881	281	2,517	326	2,823
Embedded value	534	4,463	401	3,996	461	4,415

For the UK life and pensions business, shareholders' net worth comprises the Shareholders' Retained Capital on the MSS basis, adjusted for deferred acquisition costs, and the sub-fund, both net of allowance for tax; but excludes net assets of £182m (30.6.99: £140m; 31.12.99: £163m) of long term fund operational subsidiaries. For other life and pensions operations, the shareholders' net worth comprises the shareholders' capital associated with the long term business. This is adjusted, where applicable, for an amount locked in to satisfy solvency requirements.

3. Movement in embedded value

	Six months to 30.6.00		Six months to 30.6.99		Full year 1999	
	UK Life and Pensions £m	UK Managed Funds £m	UK Life and Pensions £m	UK Managed Funds £m	UK Life and Pensions £m	UK Managed Funds £m
At 1 January	3,824	130	3,237	77	3,237	77
Profit after tax	81	20	374	31	806	81
Capital movements	0	-	(14)	-	(21)	-
Distributions	(109)	(17)	(99)	(11)	(198)	(28)
At end of period	3,796	133	3,498	97	3,824	130
	International £m	Total £m	International £m	Total £m	International £m	Total £m
At 1 January	461	4,415	376	3,690	376	3,690
Exchange rate movement	25	25	6	6	(4)	(4)
	486	4,440	382	3,696	372	3,686
Profit after tax	48	149	19	424	48	935
Capital movements	-	-	-	(14)	45	24
Distributions	(0)	(126)	-	(110)	(4)	(230)
At end of period	534	4,463	401	3,996	461	4,415

Notes to Financial Statements - Achieved Profits basis

Six months ended 30 June 2000

4. Segmental analysis of shareholders' funds

	As at 30.6.00	As at 30.6.99	As at 31.12.99
	£m	£m	£m
<i>Embedded value of life and pension businesses:</i>			
- UK	3,796	3,498	3,824
- USA	397	297	344
- Netherlands	68	60	62
- France	69	44	55
	4,330	3,899	4,285
Investment management*	246	166	222
General insurance	73	70	69
Banking	94	97	96
Corporate funds	613	612	578
	5,356	4,844	5,250

* Including £133m (30.6.99: £97m; 31.12.99: £130m) embedded value of UK Managed Funds business.

All Investment management subsidiaries are included at net asset value, except for the UK Managed Funds business of Legal & General Assurance (Pensions Management) Ltd, a long term insurance company, which is included on the Achieved Profits basis. The net assets of these UK long term fund subsidiaries and the value of the in-force UK Managed Funds business, are attributed to the investment management business. The net assets of the other UK long term fund operating subsidiaries are included in Banking and Corporate funds.

Notes to Financial Statements - Achieved Profits basis

Six months ended 30 June 2000

5. Embedded value assumptions

Key economic assumptions are set out below and should be read in conjunction with the supplementary financial statements in the 1999 Report and Accounts. The assumed future pre-tax return on fixed interest securities is set by reference to redemption yields available in the market at the end of the reporting period. The corresponding return on equities and property and the risk discount rate have been set by reference to the gilt assumption.

UK	As at 30.6.00 % p/a.	As at 30.6.99 % p/a.	As at 31.12.99 % p/a.	As at 31.12.98 % p/a.
<i>Type of investment</i>				
Gilts and RPI linked	4.9	5.0	5.1	4.5
Other fixed interest	6.6	6.1	6.4	5.7
Equities and property	7.5	7.6	7.7	7.1
<i>Risk discount rate (after tax)</i>	7.4	7.5	7.6	7.0
<i>Inflation</i>				
Expenses/earnings	4.0	4.0	4.2	3.4
Indexation	3.0	3.0	3.2	2.4
 USA				
Reinvestment rate	7.6	7.0	7.6	5.8
Risk discount rate (after tax)	8.6	8.4	9.0	7.8

Operational assumptions, which are reviewed annually to reflect recent operating experience, are largely unchanged from those made at the end of 1999. The value of new business has been calculated using actual acquisition costs in the first half of 2000.

6. Alternative assumptions

The discount rate appropriate to any investor will depend on the investor's own circumstances, tax and perception of the risks associated with the anticipated cash flows to shareholders.

The table below shows the UK life and pensions embedded values calculated at alternative discount rates and equity/property yields.

	As published	1% lower risk discount rate	1% higher risk discount rate	1% higher equity/property yields
Effect on embedded value at 30 June 2000	£3,796m	+£320m	-£280m	+£320m

It should be noted that in calculating each of these values all other assumptions have been left unchanged.