

Legal & General Group Plc
New business - nine months to 30 September 2000

- **A record £12bn placed with the Group for savings and protection**

New life and pensions business EPI¹	Nine months to 30.9.00²	
Worldwide	£401m	+ 8%
International	£71m	+20%
UK individual	£280m	+12%
Total EPI including unit trusts/ISAs¹	£473m	+ 2%
New fund management business	£9.6bn	+ 5%
Worldwide funds under management	£112bn	+22%³

¹ EPI – new equivalent premium income, which comprises annual premiums + 10% of single premiums.

² The percentage shown is the growth over the equivalent period in 1999.

³ Growth from 30/9/99.

Group Chief Executive, David Prosser, said: “Legal & General continues to see good new business growth in a more difficult market. The UK is currently experiencing a pause in the growth pattern of recent years. However, against this background, with new individual life and pensions business growing by 12%, we continue to build market share.

“A record figure has been achieved by our fund management business with £9.6bn of new funds placed by institutional investors. The market's increasing recognition of the wisdom of a core and satellite investment strategy will bring further successes for our market leading fund management business.

“In the pre Stakeholder pensions market, I am particularly pleased to report that our group personal pension business has grown by 25% in the first nine months of the year. The affinity group schemes, which we have been awarded in the last three months, cover a potential membership of over 1.5 million. They underline our determination to capture a significant share of the Stakeholder pensions market.”

UK Business

Individual life and pensions

In the third quarter, Legal & General achieved growth in new EPI of 12% over the same period last year. New business for the first nine months also increased by 12% to £280m EPI (30.9.99: £251m). This continued growth, building on record results in 1999, reflects the resilience of Legal & General's strategy in a highly competitive marketplace. It also benefited from the continuing roll-out of business to consumer internet applications which now cover term assurance, pensions, with-profits bonds, ISAs and mortgage loans.

Pensions

Legal & General is developing the products and systems to take full advantage of the launch of Stakeholder pensions in April 2001. We have benefited from our prominent position in the group personal pensions market, where strong new business growth has been a major contributor to the 29% EPI growth achieved in the third quarter of 2000. Over the first nine months of 2000, total pensions new business has increased 16% to £128m (30.9.99: £110m). Sales of annuity business in the first nine months of 2000 have grown by 47% to £310m.

Life

Single premium with-profits bond sales increased 84% to £201m in the third quarter (July to September 1999: £109m). Over the first nine months of the year single premium bond sales totalled £550m - an increase of 12% over the corresponding period in 1999.

Legal & General's strengths in the housing market led to a 10% increase in mortgage related annual premiums over the first nine months of 2000 to £86m (30.9.99: £78m). However, third quarter new business reflected the lower level of transactions in the housing market and an increasing trend towards repayment mortgages.

Unit trusts and ISAs

In the unit trust and ISA market investors continued to focus on specialist or themed funds. Legal & General's main offering in this area remains its range of index tracking funds although two more specialist tracking funds and two actively managed funds are to be added in the fourth quarter. Although sales this year have been below the level of 1999 when we benefited from a strong final PEP season, we are a market leader in index tracking ISAs. New business of £69m EPI in the first nine months of 2000 compared to £88m in the corresponding period last year.

Group life and pensions

New group risk and group pensions business over the first nine months, totalled £50m EPI - a decrease of 21% (30.9.99: £63m).

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. However, Legal & General continues to win a significant share of the schemes placed.

Group risk continues its strong performance with new business totalling £25m EPI over the first nine months of 2000 (30.9.99: £18m), reflecting growing market confidence in our ability to deliver value for money products.

Fund management

The success and scale of our fund management business, in particular our index fund capability, continues to be a key differentiator for Legal & General. During the third quarter, an exceptional £3.7bn of new fund management business was secured - an increase of 19% over the corresponding period last year. New external funds gained during the year to date now total £9.6bn (30.9.99: £9.1bn), including £1.1bn of institutional business from the Commonwealth Bank of Australia

International life and pensions

Our business in the USA continues to develop its market position as a major writer of term assurance for up-market customers. Over the first nine months of the year, EPI, which is almost entirely annual premium business, grew by 4% to \$76m (30.9.99: \$73m). This does not match the exceptional growth rate achieved in 1999 when some sales were brought forward in anticipation of changes in product availability and pricing prior to the implementation of the triple X solvency requirements.

Our European businesses have benefited from a strong competitive position and have achieved above market growth. In France, new business volumes in the first nine months of 2000 increased by 41% to €24m EPI (30.9.99: €17m). We expect this business to experience continuing growth in market share.

In the Netherlands, new business in the first nine months of 2000 increased by 30% to €13m EPI (30.9.99: €10m) contrasting favourably with the decline in business seen in the market overall. The strong support we have received from brokers for our product initiatives has been key to the market share growth achieved this year.

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LEGAL & GENERAL GROUP PLC
 UNAUDITED NEW BUSINESS PREMIUMS
 NINE MONTHS TO 30 SEPTEMBER 2000

NEW UK BUSINESS

	Nine months to 30 September		increase/ (decrease) %	Three months to 30 September		increase/ (decrease) %
	2000 £m	1999 £m		2000 £m	1999 £m	
INDIVIDUAL LIFE AND PENSIONS BUSINESS						
New annual premiums						
Life:						
- Mortgage related	86	78		29	33	
- Savings	1	1		1	0	
- Protection	10	13		4	5	
Pensions:						
- Individual pensions	61	58		19	18	
Total new annual premiums	<u>158</u>	<u>150</u>	<u>5</u>	<u>53</u>	<u>56</u>	<u>-5</u>
Single premiums						
Life:						
- With-profits	468	342		201	109	
- Other	82	150		22	63	
Pensions:						
- Individual pensions	287	221		130	86	
- Annuities - individual	310	211		121	74	
- DSS rebates	76	88		50	44	
Total single premiums	<u>1,223</u>	<u>1,012</u>	<u>21</u>	<u>524</u>	<u>376</u>	<u>39</u>
Individual life and pensions EPI	<u>280</u>	<u>251</u>	<u>12</u>	<u>105</u>	<u>94</u>	<u>12</u>
GROUP LIFE AND PENSIONS BUSINESS						
New annual premiums						
- Group risk	25	18		11	8	
- Group pensions	7	6		4	3	
Total new annual premiums	<u>32</u>	<u>24</u>	<u>33</u>	<u>15</u>	<u>11</u>	<u>36</u>
Single premiums						
- Annuities - bulk purchase	122	338		31	41	
- Other group business	58	53		25	23	
Total single premiums	<u>180</u>	<u>391</u>	<u>-54</u>	<u>56</u>	<u>64</u>	<u>-13</u>
Group life and pensions EPI	<u>50</u>	<u>63</u>	<u>-21</u>	<u>20</u>	<u>17</u>	<u>18</u>
ISAS, PEPS AND UNIT TRUSTS						
New annual premiums						
- ISAs/PEPs (excluding cash ISAs)	14	12	17	3	8	-63
Single premiums						
- ISAs/PEPs (excluding cash ISAs)	345	555		49	87	
- Unit trusts	207	210		63	86	
Total single premiums	<u>552</u>	<u>765</u>	<u>-28</u>	<u>112</u>	<u>173</u>	<u>-35</u>
ISAs, PEPs and unit trusts EPI	<u>69</u>	<u>88</u>	<u>-22</u>	<u>14</u>	<u>25</u>	<u>-44</u>
Total UK EPI	<u>399</u>	<u>402</u>	<u>-1</u>	<u>139</u>	<u>136</u>	<u>2</u>
INSTITUTIONAL FUND MANAGEMENT						
	<u>9,599</u>	<u>9,148</u>	<u>5</u>	<u>3,730</u>	<u>3,144</u>	<u>19</u>

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WORLDWIDE NEW BUSINESS

	Nine months to 30 September		increase/ (decrease) %	Three months to 30 September		increase/ (decrease) %
	2000 £m	1999 £m		2000 £m	1999 £m	
New annual premiums						
Life and pensions:						
- Life	122	110		45	46	
- Pensions	68	64		23	21	
UK	190	174	9	68	67	1
- USA	52	44		12	13	
- Netherlands	4	4		1	1	
- France	4	4		1	1	
Total life and pensions	250	226	11	82	82	0
Retail investment business:						
- UK	14	12		3	8	
Total new annual premiums	264	238	11	85	90	-6
Single premiums						
Life and pensions:						
- Life	550	492		223	172	
- Pensions	853	911		357	268	
UK	1,403	1,403	0	580	440	32
- USA	0	1		0	0	
- Netherlands	30	26		8	8	
- France	78	46		22	16	
Total life and pensions	1,511	1,476	2	610	464	31
Retail investment business:						
- UK	552	765		112	173	
- France	27	25		7	9	
Total single premiums	2,090	2,266	-8	729	646	13
Equivalent premium income (EPI)						
- Life and pensions business	401	373	8	143	128	12
- Retail investment business	72	91	-21	15	26	-42
Worldwide EPI	473	464	2	158	154	3

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OVERSEAS OPERATIONS
IN LOCAL CURRENCY

	Nine months to 30 September		increase/ (decrease) %
	2000	1999	
USA (\$m):			
New annual premiums	76	73	
Single premiums	1	1	
EPI	76	73	4
Netherlands (€m):			
New annual premiums	8	6	
Single premiums	50	41	
EPI	13	10	30
France (€m):			
New annual premiums	6	6	
Single premiums	130	72	
Unit trusts	46	38	
EPI	24	17	41

UK INDIVIDUAL EPI BY CHANNEL

	Nine months to 30 September 2000			
	Annual £m	Single £m	Total EPI £m	%
Independent financial advisers	92	120	212	61
Business partnerships	59	24	83	24
Direct	21	33	54	15
	<u>172</u>	<u>177</u>	<u>349</u>	<u>100</u>

	Nine months to 30 September 1999			
	Annual £m	Single £m	Total EPI £m	%
Independent financial advisers	79	113	192	57
Business partnerships	66	23	89	26
Direct	17	41	58	17
	<u>162</u>	<u>177</u>	<u>339</u>	<u>100</u>