

## 2006 Full year new business results

### Highlights:

- £1.8bn APE<sup>(1)</sup> worldwide new business – up 42%
- £1.7bn APE UK new business – up 46%
- £11bn<sup>(2)</sup> new UK savings premiums
- £1bn new Bulk Purchase Annuities premiums
- £21bn new investment management business

### Tim Breedon, Group Chief Executive, said:

“Legal & General achieved impressive worldwide new business growth of 42% to £1.8bn APE in 2006. Our UK operations contributed £1.7bn APE – up 46% over the previous year – and finished the year strongly, with a fourth quarter increase of 79% on the corresponding period in 2005.

“Legal & General’s UK Savings business attracted nearly £11bn in insurance bond, pension and unit trust new premiums during 2006 - £4bn of which was received in the final quarter alone. Individual protection sales grew by 22% during the year and by over 30% in the fourth quarter against the same period in 2005, supported by a healthy UK housing market and by the success of our Pensions Term Assurance product. Individual annuity sales improved strongly in the second half of 2006 and our Bulk Annuities business recorded its first ever £1bn year.

“Britain’s financial services industry is in good shape and Legal & General is well positioned in a number of markets which have attractive long-term growth prospects. Demographics and increasing household wealth are driving growth in savings products. Our continued investment in systems and expertise enables us to gain further competitive advantage in our market-leading individual protection business. Developments in the corporate market favour Legal & General’s positions in defined contribution pensions, bulk annuities and group risk, while our institutional pension fund management business continues to reap the rewards of a business model based on scalability, service quality and the provision of simple, value-for-money products delivering reliable investment performance.

“By working in partnership with other quality brands and leading independent intermediaries, we are harnessing the power of scale in the financial services arena. With scale comes the opportunity to continue to invest in infrastructure and people in a way which stimulates further profitable growth. We aim to ensure that our customers, our distribution partners and our shareholders all continue to benefit from our focus on building the leading UK savings, investment and life assurance group.”

<sup>(1)</sup> ‘Annual Premium Equivalent’ comprises new annual premiums together with 10% of single premiums

<sup>(2)</sup> Includes the sum of annual and single premiums

NEWS



<b>New business (APE £m)</b>	<b>2006 Full year</b>	<b>2005 Full year</b>	<b>% change</b>	<b>Q4 2006</b>	<b>Q4 2005</b>	<b>% change</b>
<i>UK new business</i>						
Protection and annuities:						
- Individual protection	<b>167</b>	137	22	<b>45</b>	34	32
- Group risk	<b>64</b>	71	(10)	<b>14</b>	12	17
- Individual annuities	<b>71</b>	66	8	<b>24</b>	7	243
- Bulk purchase annuities	<b>103</b>	88	17	<b>29</b>	33	(12)
	<b>405</b>	362	12	<b>112</b>	86	30
Savings:						
- Unit linked bonds	<b>261</b>	208	25	<b>80</b>	60	33
- Pensions - stakeholder and other non profit	<b>190</b>	152	25	<b>51</b>	39	31
- Retail investments*	<b>664</b>	315	111	<b>231</b>	67	245
	<b>1,115</b>	675	65	<b>362</b>	166	118
With-profits business:	<b>217</b>	150	45	<b>50</b>	40	25
<b>Total UK new business</b>	<b>1,737</b>	1,187	46	<b>524</b>	292	79
International new business	<b>105</b>	109	(4)	<b>24</b>	25	(4)
<b>Worldwide new business</b>	<b>1,842</b>	1,296	42	<b>548</b>	317	73
Investment management (£m)	<b>20,650</b>	17,134	21	<b>5,961</b>	6,928	(14)

\* Includes wholesale transfers of £259m APE (FY 2006); £58m APE (FY 2005); £127m (Q4 2006); £0m APE (Q4 2005)

## UK new business – up 46% to £1,737m APE

### Protection and annuities – up 12% to £405m APE

#### Protection

In the individual protection market, our leading position was strengthened further in 2006 with a 22% increase in new business to £167m APE (2005: £137m APE). Fourth quarter volumes grew by 32% to £45m APE (Q4 2005: £34m APE). In 2006, we opened a new underwriting office in Edinburgh, deployed our latest generation of intelligent underwriting systems and extended our range of distribution partners.

There was some slowdown in activity in the group risk market during the year as advisers and customers focused on issues surrounding Pensions Simplification and the new Age Discrimination legislation. Against this backdrop, 2006 volumes were lower at £64m APE (2005: £71m APE), although sales were up 17% in the fourth quarter at £14m APE (Q4 2005: £12m APE).

#### Annuities

Sales of individual annuities in the second half of the year of £50m APE significantly exceeded those in the first half of the year (H1 2006: £21m APE). As bond yields improved and competitor activity subsided, we were able to improve our market position whilst maintaining pricing discipline. Fourth quarter sales of individual annuities more than tripled to £24m APE (Q4 2005: £7m APE), bringing the total for the year to £71m APE (2005: £66m APE). Individual annuities accounted for 49% of total non profit annuity sales in the second half of the year (H1 2006: 30%; FY 2006: 41%; FY 2005: 43%).

In 2006, for the first time, Legal & General wrote over £1bn of single premium bulk purchase annuity business (2005: £877m). The average policy size written during the year was under £4m of single premium, highlighting Legal & General's capabilities in administering large volumes of policies. Fourth quarter sales were £290m of single premium, representing a decrease of 12% against a very strong comparator (Q4 2005: £328m) but an increase of 19% over the third quarter (Q3 2006: £244m). Whilst we saw some evidence of increased competition in the latter stages of 2006, we continued to write good volumes of business at attractive levels of return.

## **Savings<sup>(3)</sup> – up 65% to £1,115m APE**

Sales of unit linked bonds increased by 25% to £261m APE during 2006 (2005: £208m APE). Volumes in the fourth quarter of £80m APE (Q4 2005: £60m APE) were driven predominantly by strong sales of our Portfolio Bond. These were stimulated by the success of an additional unit allocation promotion for customers, aimed at encouraging bond applications processed on-platform.

During 2006, activity in the pensions arena was stimulated by A-Day as individuals sought advice in the new tax environment. New non profit pensions business grew by 25% during 2006 to £190m APE (2005: £152m APE) and by 31% in the fourth quarter to £51m (Q4 2005: £39m APE). We continued to focus on opportunities in the pensions transfer and corporate schemes segments, and enhanced our wrap proposition with the launch of our SIPP in April. Taking into account pensions business written in the with-profits part of the fund (see below), total pensions sales for the full year 2006 were £391m APE, representing an increase of 40% against 2005 (£279m APE).

Total sales of retail investment products more than doubled, from £315m APE in 2005 to £664m APE in 2006, including £259m APE of wholesale unit trust transfers (2005: £58m APE). In the fourth quarter, sales of £231m APE (Q4 2005: £67m APE) benefited from a £127m APE wholesale transfer.

## **With-profits new business – up 45% to £217m APE**

Strong growth in sales of our pension products (see above) was the main driver behind the 45% increase in with-profits business during the year to £217m APE (2005: £150m APE). This includes those unit linked contracts which offer a with-profits option. With-profits bond sales continued to decline to £8m APE (2005: £17m APE).

## **International new business – down 4% to £105m APE**

Total international new business sales in 2006 decreased by 4% in sterling terms to £105m APE (2005: £109m APE). In local currency terms, sales in our US business remained broadly stable at \$77m APE (2005: \$75m APE), as did sales in the Netherlands at €43m APE (2005: €42m APE). In France, total APE fell by 12% in 2006 to €50m (2005: €57m APE), mainly as a result of lower group protection sales, although fourth quarter volumes were 20% ahead of the prior year at €12m APE (Q4 2005: €10m APE).

## **Investment management – new business up 21% to £21bn**

Legal & General Investment Management (LGIM) achieved a record £21bn of new business in 2006 (2005: £17bn) and £6bn in the fourth quarter (Q4 2005: £7bn). Over £10bn of new business was received from existing clients, underscoring the strength of LGIM's core franchise and its focus on excellence in customer service. £2bn was received from non pension fund institutions.

During the year, we established a US presence in investment management, LGIM America, which will provide US fixed income expertise to complement LGIM's UK based fixed income skills. Significant progress was also made in developing our Structured Solutions capabilities. LGIM had over £4bn of Structured Solutions assets managed on behalf of third parties as at 31 December 2006.

Total funds under management increased by 14% to £233bn (31 December 2005: £204bn), reflecting strong new business flows, rising market values and favourable persistency.

<sup>(3)</sup> Savings business not written in the with-profits part of the fund

## Outlook

We remain confident in the prospects for the UK market, with above trend economic growth and favourable demographics. Individuals are continuing to increase savings and we believe the pensions A-Day reforms will continue to support the market into 2007. The significant impact of investment platforms and the move to open architecture give us confidence in Legal & General's prospects in the UK savings market. Our strong product set, supported by our high quality infrastructure and broad distribution, positions us well for further success.

The recent increase in interest rates may lead to some caution in the housing market. Coupled with the removal of Pensions Term Assurance at the end of 2006, this has the potential to dampen growth prospects in individual protection markets. However, we expect to build further on our already strong position in this segment.

We believe that the underlying drivers of growth in the individual annuities markets are compelling. We continue to see opportunities for a significant expansion in the bulk annuities segment, driven by the regulatory, financial and accounting considerations of pension fund trustees and sponsoring companies.

Our confidence in our core markets is reflected in our ongoing development plans in 2007, as we continue to drive the efficient, scalable, customer orientated business model which has proved so successful over many years.

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### Notes:

A copy of this announcement can be found in the News and Results section of our shareholder web site at <http://investor.legalandgeneral.com/releases.cfm>

Issued share capital at 31 December 2006 was 6,532,319,378 shares of 2.5p each.

### Financial Calendar:

2006 Preliminary results	14 March 2007
Q1 2007 New business results	25 April 2007
Annual General Meeting	16 May 2007
2007 Interim results and Q2 2007 New business results	26 July 2007
Q3 2007 New business results	17 October 2007
Q4 2007 New business results	24 January 2008

**Forward-looking statements:**

This document may contain certain forward-looking statements with respect to certain of Legal & General Group Plc's plans and its current goals and expectations relating to future financial condition, performance and results. By their nature forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Legal & General Group Plc's control, including, among others, UK domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, the policies and actions of governmental and regulatory authorities, the impact of competition, the timing impact and other uncertainties of future mergers or combinations within relevant industries. As a result, Legal & General Group Plc's actual future condition, performance and results may differ materially from the plans, goals and expectations set out in Legal & General Group Plc's forward-looking statements. Legal & General Group Plc does not undertake to update forward-looking statements contained in this document or any other forward-looking statement it may make.

Legal & General Group Plc  
 Unaudited New Business Premiums  
 Twelve months to 31 December 2006

**WORLDWIDE NEW BUSINESS**

	Twelve months to 31 December 2006			Twelve months to 31 December 2005			Increase/ (decrease) %
	Annual premiums £m	Single premiums £m	APE £m	Annual premiums £m	Single premiums £m	APE £m	
Protection							
- Individual protection	167	-	167	137	-	137	22%
- Group risk	64	-	64	71	-	71	(10%)
	231	-	231	208	-	208	11%
Annuities							
- Individual	-	702	71	-	662	66	8%
- Bulk purchase	-	1,033	103	-	877	88	17%
	-	1,735	174	-	1,539	154	13%
Savings							
- Unit linked bonds	-	2,612	261	-	2,082	208	25%
- Individual pensions - stakeholder and other non profit	123	663	189	97	547	152	24%
- DWP rebates	-	5	1	-	2	-	N/A
	123	3,280	451	97	2,631	360	25%
With-profits							
- Annuities	-	83	8	-	60	6	33%
- Individual pensions	118	651	183	73	379	110	66%
- DWP rebates	-	155	16	-	116	12	33%
- Group pensions	2	4	2	4	5	5	(60%)
- Bonds	-	83	8	-	169	17	(53%)
	120	976	217	77	729	150	45%
	474	5,991	1,073	382	4,899	872	23%
UK retail investment business							
- Unit trusts	2	5,945	596	1	2,577	259	130%
- ISAs	18	498	68	14	422	56	21%
	20	6,443	664	15	2,999	315	111%
<b>Total UK new business</b>	<b>494</b>	<b>12,434</b>	<b>1,737</b>	<b>397</b>	<b>7,898</b>	<b>1,187</b>	<b>46%</b>
- USA	42	-	42	42	-	42	0%
- Netherlands	12	170	29	13	158	29	0%
- France	12	195	32	17	191	36	(11%)
	66	365	103	72	349	107	(4%)
France retail investment business	-	25	2	-	25	2	0%
<b>Total international new business</b>	<b>66</b>	<b>390</b>	<b>105</b>	<b>72</b>	<b>374</b>	<b>109</b>	<b>(4%)</b>
<b>Total worldwide new business</b>	<b>560</b>	<b>12,824</b>	<b>1,842</b>	<b>469</b>	<b>8,272</b>	<b>1,296</b>	<b>42%</b>

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**WORLDWIDE NEW BUSINESS APE QUARTERLY PROGRESSION**

	3 months to 31.12.06 £m	3 months to 30.09.06 £m	3 months to 30.06.06 £m	3 months to 31.03.06 £m	3 months to 31.12.05 £m	3 months to 30.09.05 £m	3 months to 30.06.05 £m	3 months to 31.03.05 £m
Protection								
- Individual protection	45	44	39	39	34	36	35	32
- Group risk	14	17	16	17	12	18	19	22
	59	61	55	56	46	54	54	54
Annuities								
- Individual	24	26	16	5	7	13	29	17
- Bulk purchase	29	24	22	28	33	22	6	27
	53	50	38	33	40	35	35	44
Savings								
- Unit linked bonds	80	60	60	61	60	54	51	43
- Individual pensions - stakeholder and other non profit	50	48	50	41	39	41	41	31
- DWP rebates	1	-	-	-	-	-	-	-
	131	108	110	102	99	95	92	74
With-profits								
- Annuities	1	3	2	2	2	2	1	1
- Individual pensions	45	49	48	41	26	27	30	27
- DWP rebates	2	10	2	2	8	3	-	1
- Group pensions	-	1	-	1	1	2	1	1
- Bonds	2	2	2	2	3	4	4	6
	50	65	54	48	40	38	36	36
	293	284	257	239	225	222	217	208
UK retail investment business								
- Unit trusts	217	78	191	110	58	69	68	64
- ISAs	14	13	27	14	9	9	27	11
	231	91	218	124	67	78	95	75
<b>Total UK new business</b>	<b>524</b>	<b>375</b>	<b>475</b>	<b>363</b>	<b>292</b>	<b>300</b>	<b>312</b>	<b>283</b>
- USA	10	11	10	11	12	11	9	10
- Netherlands	7	6	7	9	7	8	6	8
- France	7	5	13	7	6	7	17	6
	24	22	30	27	25	26	32	24
France retail investment business	-	1	1	-	-	1	1	-
<b>Total international new business</b>	<b>24</b>	<b>23</b>	<b>31</b>	<b>27</b>	<b>25</b>	<b>27</b>	<b>33</b>	<b>24</b>
<b>Total worldwide new business</b>	<b>548</b>	<b>398</b>	<b>506</b>	<b>390</b>	<b>317</b>	<b>327</b>	<b>345</b>	<b>307</b>

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**INVESTMENT MANAGEMENT**

	Twelve months to 31 December		Increase/ (decrease)
	2006	2005	%
	£m	£m	
UK Managed Funds			
- Pooled funds	17,878	14,778	21%
- Segregated funds	608	240	153%
	18,486	15,018	23%
UK Other	2,164	2,116	2%
<b>Total new funds</b>	<b>20,650</b>	<b>17,134</b>	<b>21%</b>

**INVESTMENT MANAGEMENT QUARTERLY PROGRESSION**

	3 months to 31.12.06	3 months to 30.09.06	3 months to 30.06.06	3 months to 31.03.06	3 months to 31.12.05	3 months to 30.09.05	3 months to 30.06.05	3 months to 31.03.05
	£m							
UK Managed Funds								
- Pooled funds	5,801	3,814	4,500	3,763	5,129	2,939	3,396	3,314
- Segregated funds	1	8	538	61	94	41	63	42
	5,802	3,822	5,038	3,824	5,223	2,980	3,459	3,356
UK Other	159	109	157	1,739	1,705	351	3	57
<b>Total new funds</b>	<b>5,961</b>	<b>3,931</b>	<b>5,195</b>	<b>5,563</b>	<b>6,928</b>	<b>3,331</b>	<b>3,462</b>	<b>3,413</b>

**INTERNATIONAL OPERATIONS IN LOCAL CURRENCY**

	Twelve months to 31 December 2006			Twelve months to 31 December 2005			Increase/ (decrease)
	Annual premiums	Single premiums	APE	Annual premiums	Single premiums	APE	%
USA (\$m):	77	-	77	75	-	75	3%
Netherlands (€m):	18	249	43	19	231	42	2%
France (€m):							
- Life and pensions	17	288	46	25	278	53	(13%)
- Unit trusts	-	36	4	-	37	4	0%

**UK INDIVIDUAL APE BY CHANNEL**

	Twelve months to 31 December 2006			
	Annual £m	Single £m	Total APE £m	% of total
Independent financial advisers	289	6,368	926	59%
Tied	119	4,843	603	39%
Direct	20	186	39	2%
<b>Total</b>	<b>428</b>	<b>11,397</b>	<b>1,568</b>	<b>100%</b>

  

	Twelve months to 31 December 2005			
	Annual £m	Single £m	Total APE £m	% of total
Independent financial advisers	205	4,624	667	65%
Tied	103	2,237	327	32%
Direct	15	155	31	3%
<b>Total</b>	<b>323</b>	<b>7,016</b>	<b>1,025</b>	<b>100%</b>