

2006 AGM Speech
Tim Breedon
Group Chief Executive

Thank you Chairman.

I would like to start by saying what an honour I consider it to be to have been selected by the Board to succeed Sir David Prosser as Chief Executive of this great company.

Legal & General is a business with many great strengths. Not least amongst them has been its ability to evolve to meet the challenges of the future whilst remaining firmly connected to the experiences and values built up over many years.

The company has enjoyed considerable success in recent years, pursuing a business strategy that has been at once simple, effective, enduring and well-executed. It's also a strategy that is still working. And this is the prime reason why I intend this transfer between Chief Executives to involve a great deal of continuity. There is much that is excellent in this organization which management must strive above all to retain. However, within this continuity there should be some change. Markets do not stand still, the competitive landscape alters, the legal, regulatory and fiscal framework within which we operate evolves, opportunities come and go. In the future as in the past, we will endeavour to be as efficient with our people, our systems, our administrative processes, our customer service, and our capital as we can be.

I referred to the need from time to time for change. An example of this was agreed at our Board meeting this morning. In order to align the responsibilities of our senior executives more closely to the way in which we see our business evolving, Kate Avery – currently Group Director (Retail

Distribution), will take the title Group Executive Director (Wealth Management) with end to end responsibility for our pensions and investments business. John Pollock – currently Group Director (Product and Corporate), will become Group Executive Director (Protection & Annuities) and will pull together our protection, annuities and general insurance businesses. Robin Phipps will continue to have responsibility for our UK business operations. These changes are designed to enable us to drive further profitable growth from our core activities in the UK next year and beyond.

2005 was a very good year for Legal & General and our results were well ahead of market expectations. We grew our UK new business measured in APE terms by an impressive 32% against a market that itself expanded by a healthy 15%. This momentum continued into the first quarter with reported new business once more sharply ahead, this time by 28% . In terms of profitability, 2005 was a record year. EEV operating profit reached £1billion for the first time in our history.

There were a number of other important aspects to our 2005 performance:

First, as the Chairman has already mentioned, we are now above 10 per cent market share for retail business the full year for the first time in our history.

Some time ago we foresaw that this industry would consolidate around a handful of providers with scale and with financial strength, with powerful brands and with distribution reach. We were determined to be one of this select group of companies, and to get there through organic growth. At 10% market share this is something we can now say that we have well and truly achieved.

However, this business possesses great momentum, so, provided we can do so profitably, our target will still be for above market growth in the UK. In doing so, we will be placing increasing emphasis on achieving or in many cases maintaining leading positions in those product markets or distribution segments which we feel to be the most attractive.

Second, we have delivered good profit margins. I hear a lot from some quarters about the supposed unattractiveness of the UK market. I just don't agree. A scale player, with strength and breadth in both manufacturing and distribution, can make consistently attractive returns. It is just a question of having the right strategy and the necessary long term commitment to this market in order to exploit the opportunities that exist.

The third feature of 2005 is that we continued to grow rapidly, and we demonstrated our ability to finance this level of growth. The non profit section of the UK long term fund is maturing. It is already throwing off sufficient cash to cover the capital strain associated with new business growth - and the releases are projected to increase. Our capital position was already strong and in 2005 it got stronger still. And it is in the context of this financial strength that the decision was made by the Board, widely-welcomed I believe, to increase the growth rate of the final dividend to be paid this year.

Outlook

Legal & General operates principally in the UK protection, savings and investment markets. In our view, the outlook for each of these markets is positive. Our forecast last year was that the UK market could rise between 5 and 10% in 2006. Now that we are well into the year, and with a good first quarter behind us, we have revised our views upwards, suggesting that market growth could be 10% or indeed higher. Let's hope the markets remain kind to us!

Individual protection sales continue to benefit from a recovery in the housing market. The increased activity we saw in the retail pensions market in the first quarter, driven by changes in pensions legislation, is continuing as customers and advisers are seeking to take advantage of the new freedoms allowed. Although we increased sales of bulk purchase annuities in the first quarter the individual annuity market remains competitive. In this area we decided to maintain margins rather than chase volumes. And, as I commented at the time of publication of our first quarter new business results in April, continuing strong sales of retail investment products – investment bonds, unit trusts, and ISAs – provides some evidence that saving may be coming back into fashion in the UK. Your company is well-positioned to take advantage of these opportunities for further profitable growth.

Thank you.