

Stock Exchange Release
13 May 2009

Sales rise in challenging markets

Highlights for the 3 months to 31 March 2009⁽¹⁾:

- Worldwide new business £382m (Q1 08: £372m)** up 3%
- UK Risk: new business £127m (Q1 08: £141m)** down 10%
 Resilient performance in very different market conditions
- UK Savings: new business £206m (Q1 08: £194m)** up 6%
 Reduction in unit linked bond sales offset by growth in Unit Trusts
 Pension sales benefiting from SIPP success
- Investment management: gross new funds £7.5bn (Q1 08: £6.1bn)** up 22%
 Strong demand for our products and good client retention
- International: new business £49m (Q1 08: £37m)** up 32%
 Benefiting from higher sales in France

- Estimated IGD⁽²⁾ surplus of £1.6bn (coverage ratio of 162%) at 31 March 2009**
 Shareholder assets experienced no bond defaults in Q1
- Cash generation**
 Actions under way to reduce initial commissions, new business strain and expenses

Tim Breedon, Group Chief Executive, said:

"At our preliminary results we said that our focus for 2009 is capital resilience and operational cash generation. At 31 March our estimated IGD surplus was £1.6bn, modestly ahead of our March 23 estimate. We are on track with planned cost reductions and have been increasingly prudent about the terms on which new business is written. These actions to reduce expenses and new business strain will, we expect, support significantly higher net operational cash generation in 2009, particularly in the second half of the year.

"Our sales figures for Q1 demonstrate that Legal & General has made a good start to the year, with worldwide Risk and Savings sales growth of 3%, and another strong performance from Investment management. This reflects the diversity of our product and distribution model, and our financial strength.

"2009 will not be an easy year for the industry – growth opportunities will be limited. However we entered these market conditions with a consistent, stable and diversified business model and remain in a good position to make the most of the opportunities that arise."

(1) All new business sales figures are quoted in APE terms unless otherwise stated
(APE = Annual Premium Equivalent = new regular premium plus 10% of new single premium)

(2) Insurance Groups Directive – stated after allowance for the 2008 final dividend recommendation



Trading Overview

The economic and market environment has fundamentally changed from a year ago. Against this difficult backdrop Legal & General has made a good start to 2009, with worldwide Risk and Savings sales up 3% year on year and 9% ahead of the final quarter of 2008. In addition, our institutional Investment management business added £7.5bn of gross new funds in Q1. Our performance reflects the diversity of our product and distribution model, and our financial strength.

Our **Risk business** has leading market positions in a number of products. Protection business activity remains robust in the context of current market conditions and the launch of "Online Protection Connect", our new intermediary distribution platform, will help keep us at the forefront of the individual protection market. For Group protection, Q1 has been more challenging as client companies are themselves impacted by economic conditions.

Annuity pricing conditions in the first quarter continued to be significantly more favourable for providers than a year ago. In bulk annuities, market activity was lower and we have been even more selective on pricing. Accordingly we have taken advantage of our ability to refocus some of our annuity appetite into growth in the individual market. In our annuities business we are reducing new business strain in line with our plans for the year.

In **Savings** we are committed to a strategy of shifting our product focus to areas with more attractive cashflow characteristics. This has started to be reflected in our results for Q1 – with lower sales of high commission, high strain products and greater emphasis on fee-based remuneration, trail commission and higher initial product charges. Further steps are being taken to accelerate this process. Our strategic move to increase the proportion of SIPP and high quality workplace savings, ISAs and unit trusts within the mix of our savings business will continue.

In non profit pensions, sales grew year on year and at the same time the mix of business improved. We are succeeding in shifting retail pensions to a SIPP model, while corporate business is now predominantly sold on a fee basis. Unit trust and ISA sales are up 43% year on year, reflecting further broadening of our distribution platform and the strength of our product offering. Clients are increasingly looking for lower risk, income and bond investment funds.

As we move into the second half of the year we expect to make further progress in reducing Savings new business strain as product and expense actions take effect. We are actively reducing our appetite for less profitable products, and expect to see volumes reduce in some areas. This will be to the benefit of the overall economics and cash generation of the Savings business.

Investment management goes from strength to strength. Gross new funds were £7.5bn (Q1 08: £6.1bn). This was matched with strong client retention. With investment market falls having reduced funds under management, it is likely that some pressure on fee income will persist in 2009. However LGIM will remain a strong cash contributor to the group.

Balance Sheet Update

Financial strength remains a priority for Legal & General, underpinning our confidence in pursuing opportunities through the current economic cycle. At the time of our preliminary results, we estimated our IGD surplus position as at 23 March to be £1.5bn.

As at 31 March 2009 we estimate the position to have improved modestly, with capital resources of £4.2bn, capital requirements of £2.6bn, implying a surplus of £1.6bn and a coverage ratio of 162%. We estimate that a 40% drop in equity markets would reduce this surplus position by £0.6bn, broadly in line with the year end 2008 sensitivity estimate. This allows for the actions taken to reduce exposure to equity market volatility as discussed in our preliminary results. Shareholder assets have experienced no bond defaults in the first quarter of the year.

New Business Commentary

Risk business

Protection: 12% lower at £44m (Q1 08: £50m)

Individual protection sales of £30m (Q1 08: £36m) were 17% lower than a year earlier, reflecting the sharp slowdown in housing market activity since the spring of last year. Throughout 2008 we have diversified our product and distribution efforts away from mortgage-related business – this has continued in Q1 2009. We are maintaining high levels of business activity, with application volumes remaining robust. At the same time we are maintaining our focus on quality control, in order to reinforce the economics of new business. This remains a highly competitive sector at present, especially in the IFA market. IFA sales, however, accounted for less than half of our sales in Q1. We launched “Online Protection Connect” into the broker market to provide online protection administration – we believe setting new standards for intermediary services.

Group protection sales of £14m were stable year on year (Q1 08: £14m). Sales held up well despite intensified competitor activity and the evident pressure on employers to seek out more cost effective solutions in current economic conditions.

Annuities: down 9% to £83m (Q1 08: £91m)

Bulk purchase sales of £50m were 31% lower than the same period of 2008 (Q1 08: £72m). However case sizes have been, on average, higher than last year, with 25 policies written of an average size of £20m single premium (average for FY 2008: £10m). We hardened our pricing in the second half of last year to reflect the changing economic environment and have maintained higher pricing throughout Q1. Our appetite for annuity business as a whole is unchanged. We have seen some reduction in market quotation activity in 2009 so far but also, in our view, a reduction in industry capacity. We believe that customer demand continues to exceed industry supply and that there remain good opportunities for Legal & General. New business in the first weeks of Q2 has been lower than Q1 – reinforcing the fact that sales from period to period will likely remain variable.

We have correspondingly increased our activity in the individual annuity market, with sales of £33m, 74% higher than last year (Q1 08: £19m). Our pricing and distribution infrastructure allows us to move rapidly in this market to take advantage of competitive pricing changes. In Q1 pricing conditions were such that we were able to take a larger volume of sales in this market at attractive rates of return. We continue to see opportunities for further volume growth in individual annuities as long as current pricing conditions persist.

Savings business

Non profit pensions: up 10% to £76m (Q1 08: £69m).

Within non profit pension sales £42m relates to retail business and £34m to corporate schemes.

68% of non profit retail pensions are now SIPPs. We are actively revising terms offered on more traditional product classes – including stakeholder – so as to move the mix of business positively in line with our strategy.

Our long term strategy in corporate schemes has been to pursue higher quality business with limited reliance on up front commissions. In our corporate business 85% of non profit pensions were fee based. Our corporate savings proposition brings a wide range of savings solutions, such as corporate ISAs and Group SIPPs, to our customers and their employees. We believe this is setting new standards in Workplace Savings. Despite increasing complexity in the savings system, our ability to bring effective, flexible products to our customers is increasingly valued.

We do not expect the non profit pensions market to grow this year. Within Legal & General we expect further reductions in sales of older-style contracts with an offsetting improvement in the mix of business towards Individual SIPPs, Group SIPPs and high quality corporate schemes. We are disappointed that the Budget appears to have reversed some of the positive aspects of Pension Simplification. Greater complexity in the pension system discourages saving for the future and adds costs for those who do save.

With-profits savings: 21% higher at £52m (Q1 08: £43m).

Sales of with-profits bonds have continued to grow, up to £13m (2008: £4m). Individuals continue to value products with an element of protection against market volatility. Sales of individual pensions in the with-profits part of the fund (typically new and incremental sales of older-style pension contracts) were stable year on year at £39m.

Unit linked bonds: 55% lower at £18m (Q1 08: £40m).

Sales of unit linked bonds across the industry have significantly reduced in the last 18 months, with the combination of investment market volatility, increased appetite for liquidity from consumers, and the effects of CGT changes all having an impact. We expect a continued shift in emphasis in savings markets away from unit linked bonds.

We are prioritising profit over volume in the bond market and are further reducing our commission in the intermediary market as well as taking steps to manage infrastructure costs.

These actions, together with the market dynamics referred to above, mean that further volume reductions in unit linked bonds are anticipated in 2009.

Unit trusts and ISAs: up 43% to £60m (Q1 08: £42m)

Underlying industry conditions remained tough in the first quarter. In this context, growth in gross sales of 43% is an excellent result. Net sales also remained firmly positive. We achieved additional sales through Nationwide Building Society, success in marketing through specialist IFAs and expansion in direct sales. Our strategy to complement our areas of traditional strength with a broader and more sophisticated product set will continue, and will support better economics in the retail investment business in due course.

We do not expect gross sales in the industry to grow this year given investment market volatility and its negative effect on consumer sentiment. We do anticipate, however, that appetite for these more liquid investment products will increase over time as consumers look to move from cash precautionary savings into medium to long term investment products and make use of the increased ISA limits announced in the recent Budget.

Investment management

In Q1 09 gross new funds under management from new and existing clients amounted to £7.5bn (Q1 08: £6.1bn). Client demand for passive, fixed interest and structured solutions products remains buoyant. Strong gross sales are again complemented by strong persistency.

International businesses

In local currency, our US business sales were 4% lower year on year at \$22m (Q1 08: \$23m), largely reflecting industry conditions.

In France total sales were 35% higher at €27m (Q1 08: €20m), reflecting a 66% expansion in regular premium group risk sales to €20m. Conditions in the savings market are expected to remain challenging in volatile investment markets.

Sales in the Netherlands of €9m were 25% lower (Q1 08: €12m) due to ongoing challenging industry conditions.

Total overseas sales on a sterling basis were 32% higher at £49m (Q1 08: £37m), benefiting from exchange rate movements.

We are also making good progress in our two newer joint ventures, which are not included in the sales figures reported today. In India the set up of our joint venture with Bank of Baroda and Andhra Bank is progressing well. In the Gulf our joint venture with Ahli United Bank is now active and new business has started strongly.

Enquiries

Investors:

Jonathan Maddock	Head of Investor Relations	020 3124 2150
Damian O'Reilly	Investor Relations Manager	020 3124 2151
Ching-Yee Chan	Investor Relations Co-ordinator	020 3124 2345

Media:

John Godfrey	Group Communications Director	020 3124 2090
Richard King	Head of Media Relations	020 3124 2095
James Bradley	Tulchan Communications	020 7353 4200
Mal Patel	Tulchan Communications	020 7353 4200

Notes

- Issued share capital at 31 March 2009 was 5,861,679,365 shares of 2.5p.
- A copy of this announcement can be found in the News and Results section of our shareholder web site at <http://www.legalandgeneralgroup.com/investors/results.cfm>

Financial calendar:

Annual General Meeting at the Institution of Engineering and Technology in London	27 May 2009
Half year 2009 results	4 August 2009

Forward-looking statements

This announcement may contain certain forward-looking statements with respect to certain of Legal & General Group Plc's (and its subsidiary undertakings') plans and its (and their) 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'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 regulatory authorities, the impact of competition and the policies and actions of governmental and regulatory authorities, the timing impact and other uncertainties of future acquisition or combinations within relevant industries. As a result, Legal & General Group's actual future condition, performance and results may differ materially from the plans, goals and expectations set out in Legal & General Group's forward-looking statements and persons reading this announcement should not place undue reliance on forward-looking statements. These forward-looking statements are made only as at the date on which such statements are made and Legal & General Group Plc does not undertake to update forward-looking statements contained in this announcement or any other forward-looking statement it may make.

Legal & General Group Plc
 Unaudited New Business Premiums
 Three months to 31 March 2009

WORLDWIDE NEW BUSINESS

	Three months to 31 March 2009			Three months to 31 March 2008			Increase/ (decrease) %
	Annual premiums £m	Single premiums £m	APE £m	Annual premiums £m	Single premiums £m	APE £m	
Protection							
- Individual	30	-	30	36	-	36	(17%)
- Group	14	-	14	14	-	14	0%
	44	-	44	50	-	50	(12%)
Annuities							
- Individual (non profit)	-	323	33	-	175	18	83%
- Individual (with-profits)	-	3	-	-	8	1	(100%)
- Bulk purchase	-	504	50	-	722	72	(31%)
	-	830	83	-	905	91	(9%)
Total risk	44	830	127	50	905	141	(10%)
Non profit savings							
- Unit linked bonds	-	175	18	-	402	40	(55%)
- Individual pensions	40	358	76	43	261	69	10%
- DWP rebates	-	-	-	-	-	-	N/A
With-profits savings							
- Bonds	-	134	13	-	38	4	225%
- Individual pensions	32	67	39	25	126	38	3%
- DWP rebates	-	2	-	-	5	1	(100%)
- Group pensions	-	-	-	-	2	-	N/A
Total life and pensions savings	72	736	146	68	834	152	(4%)
Core retail investments ¹							
- Unit trusts	3	431	46	1	294	30	53%
- ISAs	6	82	14	4	82	12	17%
	9	513	60	5	376	42	43%
Total savings	81	1,249	206	73	1,210	194	6%
Total UK risk and savings new business	125	2,079	333	123	2,115	335	(1%)
- USA	16	-	16	12	-	12	33%
- Netherlands	2	55	7	3	59	9	(22%)
- France	19	49	24	10	49	15	60%
	37	104	47	25	108	36	31%
France retail investment business	-	16	2	-	7	1	100%
Total international new business	37	120	49	25	115	37	32%
Total worldwide new business	162	2,199	382	148	2,230	372	3%

1. Total UK core retail investments excludes institutional investments in unit trust funds which are disclosed as part of institutional fund management new business (see Investment Management below).

Legal & General Group Plc
 Unaudited New Business Premiums
 Three months to 31 March 2009

WORLDWIDE NEW BUSINESS APE QUARTERLY PROGRESSION

	3 months to 31.03.09 £m	3 months to 31.12.08 £m	3 months to 30.09.08 £m	3 months to 30.06.08 £m	3 months to 31.03.08 £m
Protection					
- Individual	30	33	34	37	36
- Group	14	16	14	23	14
	44	49	48	60	50
Annuities					
- Individual (non profit)	33	26	20	20	18
- Individual (with-profits)	-	1	-	1	1
- Bulk purchase	50	31	25	66	72
	83	58	45	87	91
Total risk	127	107	93	147	141
Non profit savings					
- Unit linked bonds	18	30	26	35	40
- Individual pensions	76	82	83	93	69
- DWP rebates	-	-	1	-	-
With-profits savings					
- Bonds	13	8	9	7	4
- Individual pensions	39	31	33	47	38
- DWP rebates	-	1	4	6	1
- Group pensions	-	-	1	1	-
Total life and pensions savings	146	152	157	189	152
Core retail investments ¹					
- Unit trusts	46	47	37	45	30
- ISAs	14	14	16	28	12
	60	61	53	73	42
Total savings	206	213	210	262	194
Total UK risk and savings new business	333	320	303	409	335
- USA	16	15	12	12	12
- Netherlands	7	6	6	8	9
- France	24	6	8	4	15
	47	27	26	24	36
France retail investment business	2	2	1	2	1
Total international new business	49	29	27	26	37
Total worldwide new business	382	349	330	435	372

1. Total UK core retail investments excludes institutional investments in unit trust funds which are disclosed as part of institutional fund management new business (see Investment Management below).

Legal & General Group Plc
Unaudited New Business Premiums
Three months to 31 March 2009

INVESTMENT MANAGEMENT

	Three months to 31 March		Increase/ (decrease)
	2009	2008	%
	£m	£m	
Managed pension funds			
- Pooled funds	6,025	5,308	14%
- Segregated funds	714	223	220%
	6,739	5,531	22%
Other funds ¹	720	568	27%
Total new funds	7,459	6,099	22%
Attributable to:			
Legal & General Investment Management	7,016	5,613	25%
Legal & General Retail Investments	443	486	(9%)

INVESTMENT MANAGEMENT QUARTERLY PROGRESSION

	3 months to 31.03.09	3 months to 31.12.08	3 months to 30.09.08	3 months to 30.06.08	3 months to 31.03.08
	£m	£m	£m	£m	£m
Managed pension funds					
- Pooled funds	6,025	3,423	9,748	8,254	5,308
- Segregated funds	714	430	47	141	223
	6,739	3,853	9,795	8,395	5,531
Other funds ¹	720	890	908	3,151	568
Total new funds	7,459	4,743	10,703	11,546	6,099
Attributable to:					
Legal & General Investment Management	7,016	4,185	10,464	10,611	5,613
Legal & General Retail Investments	443	558	239	935	486

1. Other funds includes institutional investments in unit trust funds managed by Legal & General Retail Investments which were previously disclosed as UK core retail investments APE.

INTERNATIONAL OPERATIONS IN LOCAL CURRENCY

	Three months to 31 March 2009			Three months to 31 March 2008			Increase/ (decrease) %
	Annual premiums	Single premiums	APE	Annual premiums	Single premiums	APE	
USA (\$m):	22	-	22	23	-	23	(4%)
Netherlands (€m):	3	60	9	4	78	12	(25%)
France (€m):							
- Life and pensions	20	54	25	13	64	19	32%
- Unit trusts	-	17	2	-	9	1	100%

UK INDIVIDUAL APE BY CHANNEL

	Three months to 31 March 2009			
	Annual £m	Single £m	Total APE £m	% of total
Independent financial advisers	85	1,063	191	71%
Tied	20	306	51	19%
Direct	6	206	27	10%
Total	111	1,575	269	100%
	Three months to 31 March 2008			
	Annual £m	Single £m	Total APE £m	% of total
Independent financial advisers	83	1,040	187	76%
Tied	22	313	53	21%
Direct	4	38	8	3%
Total	109	1,391	248	100%

1. Total UK core retail investments excludes institutional investments in unit trust funds which are disclosed as part of institutional fund management new business (see Investment Management above).