

Stock Exchange Release  
2 May 2013

## LEGAL & GENERAL: RECORD ASSETS, SALES AND CASH GENERATION

- **TOTAL LGIM AUM UP 9% TO £441BN (FY 2012: £406BN)  
INTERNATIONAL AUM UP 21% TO £52BN (FY 2012: £43BN)**
- **LGIM GROSS INFLOWS UP 81% TO £13.6BN (Q1 2012: £7.5BN)**
- **RECORD LGIM INTERNATIONAL NET FLOWS OF £6.7BN (Q1 2012: £1.2BN)**
- **BULK PURCHASE ANNUITY Q1 PREMIUMS OF £357M (Q1 2012: £36M)**
- **RECORD INDIVIDUAL ANNUITY Q1 PREMIUMS UP 51% TO £406M (Q1 2012: £268M)**
- **GROUP PROTECTION SALES UP 67% TO £20M (Q1 2012: £12M)**
- **RECORD Q1 WORKPLACE PENSION SALES UP 115% TO £202M (Q1 2012: £94M)**
- **SAVINGS PRO FORMA AUA OVER £100BN FOLLOWING COMPLETION OF COFUNDS ACQUISITION**
- **OPERATIONAL CASH GENERATION UP 13% TO £281M (Q1 2012: £249M)**
- **NET CASH GENERATION UP 19% TO £249M (Q1 2012: £210M)**

Nigel Wilson, Group Chief Executive, said:

"Our UK and US businesses have exceeded expectations, delivering another record set of trading figures. Strong flows and positive markets have driven LGIM's AUM to £441bn; after our intended acquisition of Cofunds, Savings AUA will exceed £100bn; Annuities is now £33bn and Protection premiums in Q1 were almost £500m - all records.

We are driving our growth strategy through five key areas: LGIM International Expansion, Retirement Solutions, Digital Solutions, Protection and Direct Investments. Successful execution in each area is driving strong operational and financial performance - Operational cash is up 13% to £281m and Net cash up 19% to £249m - again records for Legal & General.

Legal & General has shown it can perform strongly, delivering cash, earnings and dividend growth across the economic cycle. The outlook for the business is strong, and will improve through broader economic growth and further international expansion. Policy makers rightly took drastic action following the credit crisis, but now face huge challenges moving from austerity to growth. So, as well as progressing our own organic and acquisition growth plans, we are engaging positively with the Bank of England, PRA and Treasury as we pursue several growth options through direct investments."

## TRADING PERFORMANCE – SALES UP 28% AND LGIM GROSS INFLOWS UP 81%

Legal & General's divisions delivered sales of £555m for Q1, growth of 28% over the previous year. Sales in our Protection and Annuity, Savings and US Protection businesses grew by 56%, 20% and 10% respectively.

LGIM achieved exceptional net inflows of £5.5bn up 113% on Q1 2012 and this combined with the growth in equity markets increased assets under management to £441bn, up 9% since FY 2012.

We continued to accelerate our growth through our five key themes: LGIM International Expansion, Retirement Solutions, Digital Solutions, Protection and Direct Investments. LGIM delivered outstanding net inflows from International clients of £6.7bn. The Annuities division completed the largest UK longevity insurance deal at £3.2bn and gained £763m of premiums, alongside Group and US Protection who achieved further sales growth. We have demonstrated discipline with our first M&A transactions. Our direct investment in the house builder CALA Group will be earnings accretive in the first year, while the intended acquisition of Cofunds will provide Savings and other businesses with synergy benefits and market leading scale in digital investment platforms.

New business APE £m 3 months to 31 March	Q1 2013	Q1 2012	Growth %
<b>Protection and Annuities<sup>1</sup></b>	<b>162</b>	<b>104</b>	<b>56</b>
Individual Annuities	40	26	54
Bulk Annuities	36	4	800
Retail Protection	27	36	(25)
Group Protection	20	12	67
Netherlands and France	39	26	50
<b>Savings</b>	<b>366</b>	<b>305</b>	<b>20</b>
Insured Savings	223	132	69
Savings Investments	120	140	(14)
With-profits	17	28	(39)
India	6	5	20
<b>US protection</b>	<b>22</b>	<b>20</b>	<b>10</b>
MENA	5	5	-
<b>Total APE</b>	<b>555</b>	<b>434</b>	<b>28</b>

1. Excludes £175m of APE in relation to the £3.2bn longevity insurance transaction with BAE Systems.

Flows £bn 3 months to 31 March	Q1 2013	Q1 2012	Growth %
LGIM gross flows	13.6	7.5	81
LGIM net flows	5.5	2.6	113
Savings net flows	(0.6)	(0.4)	n/a

Gross premiums £m 3 months to 31 March	Q1 2013	Q1 2012	Growth %
UK Protection	325	306	6
General Insurance	86	83	4
US Protection (\$m)	238	217	10

Stock of assets £bn As at 31 March	Q1 2013	FY 2012	Growth %
LGIM	441	406	9
Savings	74	70	6
Annuities	33	32	3

## LGIM

**LGIM achieved exceptional net inflows of £5.5bn up 113% (Q1 2012: £2.6bn)**, which coupled with positive financial markets, increased LGIM assets under management (AUM) to £441bn, up 9% on FY 2012 (£406bn).

**Net inflows from International clients reached a record for any quarter of £6.7bn (Q1 2012: £1.2bn)**. Our strategy of extending distribution capability in the Gulf and Europe has delivered several large inflows. International assets now total £52bn up 21% on FY 2012 (£43bn). In the US LGIM America attracted further clients to its LDI and Active Fixed Income products. UK outflows include a level of pension payments as a natural consequence of the large stock of mature Defined Benefit assets.

**Gross inflows were up 81% to £13.6bn** (Q1 2012: £7.5bn) driven by continued demand for LGIM's index, active fixed and LDI capabilities from international clients which contributed £7.1bn (Q1 2012: £1.5bn).

## ANNUITIES

**Individual Annuities delivered record Q1 premiums up 51% to £406m** (Q1 2012: £268m), benefitting from the growth in numbers reaching retirement. We continue to maintain strong disciplines in pricing. As previously indicated, enhanced annuities is a focus area for development and as a result premiums in Q1 increased to £76m (Q1 2012: £22m), and now account for 19% of individual annuity sales.

**In Bulk Annuities, we completed 27 policies with premiums of £357m** (Q1 2012: 9 policies worth £36m). In addition, we completed the largest longevity insurance contract in the UK for BAE Systems, covering £3.2bn of associated liabilities in February. After the quarter end we agreed to reinsure €136m of annuity liabilities for New Ireland Assurance and a portion of its future business flows.

The strong Q1 sales in both Individual and Bulk Annuities have increased the Annuity assets under management to £33.2bn (FY 2012: £32.2bn).

## PROTECTION AND HOUSING

**Group Protection achieved sales up 67% to £20m** (Q1 2012: £12m). Sales of Group income protection schemes increased 75% from the previous year to £7m APE as employers were attracted to the benefits of L&G's leading practice in employee rehabilitation. Auto enrolment also had a positive impact, with large schemes offering death in service benefit to auto enrolees as they join their pension schemes.

Retail Protection sales of £27m in the quarter reflect the portion of policies brought forward by customers into Q4 2012 to secure better rates ahead of gender neutral pricing; sales in Q4 2012 were up 30% against Q4 2011, whereas sales in Q1 2013 were 25% below Q1 2012. **Total UK Protection gross premiums are up 6% to £325m (Q1 2012: £306m)**.

**General Insurance gross premiums increased 4% to £86m** (Q1 2012: £83m). The growth in premiums reflects continuing growth in direct sales which increased 28% in the quarter.

## SAVINGS

**In Q1 the Savings business increased sales by 20% to £366m** (Q1 2012: £305m) with assets under administration (AUA) now at £74bn (FY 2012: £70bn).

Our digital platforms continue to grow. On our **Workplace platform sales were up 115% to £202m** (Q1 2012: £94m) with net inflows of £0.3bn (Q1 2012: £0.3bn). Our scalable automated platform enabled us to load over 120,000 auto enrolees and an additional 36,000 existing scheme members in Q1. Opt out rates remain low at less than 10% and the platform now has AUA of £6.9bn (FY 2012: £6.0bn) and 528,000 customers (FY 2012: 381,000).

Our Investor Portfolio Service (IPS) platform now has AUA of £9.1bn (FY 2012: £8.6bn) and received net inflows of £0.1bn (Q1 2012: £0.3bn). Net outflows in our legacy products of £(1.0)bn (Q1 2012: £(0.8)bn) include maturities from with-profit endowment policies sold in the 1980s.

We believe that the Retail Distribution Review (RDR) will increase demand for low cost retail passive funds. In Q1 we have seen Legal & General retail passive gross fund flows up 40%.

## US PROTECTION

L&G America (“LGA”) delivered further growth in sales with Q1 APE up 6% to \$34m (Q1 2012: \$32m). LGA continues to increase its reach through key brokerage agents in the US. Gross premiums are up 10% to \$238m (Q1 2012: \$217m) and LGA now has over 980,000 customers.

## STRATEGIC M&A AND DIRECT INVESTMENT

On the 18 March, we announced our first acquisition within our direct investment theme by taking a 46.5% equity stake in the house builder CALA Homes, valuing the entity at £210m. The deal is expected to be earnings accretive in the first year and with no goodwill, is expected to return in excess of the Group’s weighted average cost of capital. We also continued to accelerate our direct investment within the annuity portfolio, making direct property investments of £325m in Q1, including our first social housing lending deal to the Hyde Group of £102m.

On 26 March, we announced the acquisition of the remaining 75% of Cofunds that we do not already own, subject to regulatory approval. This values the UK’s largest investment platform at £175m. Control gives us the ability to leverage the Group’s reputation in operational excellence with cost savings of £11m a year from 2015, with a one-off investment of £17m. Once completed, the acquisition will grow our scale and distribution in the investment platform market. At 31 March 2013 the Savings business had a combined **proforma AUA, including Cofunds, in excess of £100bn**.

We will continue with the same disciplined approach to assess further opportunities to grow the group’s earnings.

## FINANCIAL PERFORMANCE – OPERATIONAL CASH UP 13%, NET CASH UP 19%

**Operational cash generation for the Group is up 13% to £281m** (Q1 2012: £249m) reflecting the continuing growth in scale of all of our businesses. After new business strain of £32m (Q1 2012: £39m), net cash generation was up 19% to £249m (Q1 2012: £210m).

**We reiterate the operational cash guidance we gave at the full year results** to deliver operational cash generation from the UK Protection, Annuities and Insured Savings businesses of around £620m in 2013 (2012: £591m). In addition, we expect With-profits operational cash generation to be around £55m (2012: £52m) and dividends from our International businesses to be around £60m (2012: £54m).

## TRADING OUTLOOK

We have positioned our businesses to take advantage of the long term structural trends of the globalisation of investment markets, ageing populations, digital trends, welfare reforms and the retrenchment of the banks.

LGIM continues to see strong demand for its capabilities from International clients, and has a strong pipeline of new business waiting funding. However, due to the potentially large flows from our institutional client base, quarterly flows are inherently uneven.

In Annuities, we have secured our first International annuity transaction with the reinsurance of €136m of annuities from New Ireland Assurance and we continue to see a strong quote pipeline for our bulk purchase annuity business. In individual annuities we continue to see a strong pipeline in both traditional and enhanced annuities.

Activity in Group Protection continues to be strong due to auto enrolment and the trend for both the private and the public sector to move from self insured to insured, while the Retail Protection pipeline is approaching 2012 levels.

The Workplace Savings business will continue to benefit from the loading of the strong pipeline of workplace pension schemes. By the end of 2013 we expect to load a further 330,000 auto enrolees, deploying the scalable straight through processes we have developed on the workplace platform.

We are positive about the outlook for our digital platforms and retail funds which are well placed to benefit from regulatory change.

**ENQUIRIES****INVESTORS:**

Kate Vennell	Head of Investor Relations	020 3124 2150
Ian Baker	Investor Relations Manager	020 3124 2047

**MEDIA:**

John Godfrey	Group Communications Director	020 3124 2090
Richard King	Head of Media Relations	020 3124 2095
Michelle Clarke	Tulchan Communications	020 7353 4200
Katharine Wynne	Tulchan Communications	020 7353 4200

**NOTES****ANALYST CALL DETAILS:**

A copy of this announcement can be found in "Results", under the "Financial information" section of our shareholder website at <http://www.legalandgeneralgroup.com/investors/results.cfm>.

There will be a teleconference at 09.30 BST. Investors should dial +44 (0)20 3059 8125. A replay of the teleconference can be accessed by dialling +44 (0)121 260 4861 (PIN code: 3884399#).

**FINANCIAL CALENDAR 2013:**

	Date
Annual general meeting	22 May 2013
Savings Investor Day	23 May 2013
Payment date of 2012 final dividend	29 May 2013
Half-year Results 2013	6 August 2013
Q3 Interim Management Statement 2013	5 November 2013

**DEFINITIONS:**

Operational cash generation represents the expected surplus from in-force business for the UK non profit Protection and Annuities and Savings businesses, the shareholders' share of bonuses on with-profits businesses, the post-tax IFRS operating profit on other UK businesses, including an expected investment return on Group capital and financing invested assets, and dividends remitted from our international businesses from sustainable cash generation.

Net cash generation is defined as operational cash generation less new business strain for the UK non profit Protection and Annuities and Savings businesses.

**FORWARD LOOKING STATEMENTS:**

This announcement may contain certain forward-looking statements relating to Legal & General, its plans and its current goals and expectations relating to future financial condition, performance and results. By their nature, forward-looking statements involve uncertainty because they relate to future events and circumstances which are beyond Legal & General'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 and Governmental authorities, the impact of competition, the timing impact of these events and other uncertainties of future acquisition or combinations within relevant industries. As a result, Legal & General's actual future condition, performance and results may differ materially from the plans, goals and expectations set out in these forward-looking statements and persons reading this announcement should not place 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.

Unaudited new business

Three months to 31 March

INVESTMENT MANAGEMENT NEW BUSINESS £m	Q1 2013	Q1 2012	Change %
Index funds	10,530	4,186	152
Liability driven investments	1,056	1,680	(37)
Active funds			
Active fixed income	2,001	1,617	24
Property	53	34	56
Equity	-	-	-
<b>Total LGIM new funds</b>	<b>13,640</b>	<b>7,517</b>	<b>81</b>
Institutional unit trusts	24	63	(62)
<b>Total new funds</b>	<b>13,664</b>	<b>7,580</b>	<b>80</b>
Attributable to:			
LGIM UK customers	6,556	6,047	8
LGIM International customers	7,084	1,470	382
Legal & General Retail Investments	24	63	(62)
<b>LGIM net flows</b>	<b>5,501</b>	<b>2,587</b>	<b>113</b>

1. New monies from Legal & General Investment Management (LGIM) exclude £0.3bn (Q1 2012: £0.9bn) received on a temporary basis, generally as part of portfolio reconstructions.

INVESTMENT MANAGEMENT NEW BUSINESS QUARTERLY PROGRESSION £m	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Index funds	10,530	7,762	6,473	3,979	4,186
Liability driven investments	1,056	1,946	432	1,620	1,680
Active funds					
Active fixed income	2,001	1,288	1,299	1,838	1,617
Property	53	69	11	11	34
Equity	-	-	-	1	-
<b>Total LGIM new funds</b>	<b>13,640</b>	<b>11,065</b>	<b>8,215</b>	<b>7,449</b>	<b>7,517</b>
Institutional unit trusts	24	47	266	48	63
<b>Total new funds</b>	<b>13,664</b>	<b>11,112</b>	<b>8,481</b>	<b>7,497</b>	<b>7,580</b>
Attributable to:					
LGIM UK customers	6,556	8,562	4,628	5,859	6,047
LGIM International customers	7,084	2,503	3,587	1,590	1,470
Legal & General Retail Investments	24	47	266	48	63
<b>LGIM net flows</b>	<b>5,501</b>	<b>2,563</b>	<b>618</b>	<b>1,376</b>	<b>2,587</b>

Three months to 31 March

SAVINGS NET FLOWS £m	Q1 2013	Q1 2012	Change %
Investments	(80)	(16)	(400)
Insured business	46	98	(53)
With-profits	(539)	(471)	(14)
<b>Total Savings net flows</b>	<b>(573)</b>	<b>(389)</b>	<b>(47)</b>

SAVINGS NET FLOWS QUARTERLY PROGRESSION £m	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Investments	(80)	257	104	571	(16)
Insured business	46	287	160	56	98
With-profits	(539)	(690)	(644)	(358)	(471)
<b>Total Savings net flows</b>	<b>(573)</b>	<b>(146)</b>	<b>(380)</b>	<b>269</b>	<b>(389)</b>

Three months to 31 March

WORLDWIDE NEW BUSINESS £m	Q1 2013			Q1 2012			Change %
	Annual premium	Single premium	APE	Annual premium	Single premium	APE	
<b>Protection</b>							
Retail <sup>1</sup>	27	-	27	36	-	36	(25)
Group	20	-	20	12	-	12	67
	47	-	47	48	-	48	(2)
<b>Annuities</b>							
Individual	-	406	40	-	268	26	54
Bulk purchase	-	357	36	-	36	4	800
	-	763	76	-	304	30	153
Netherlands (LGN)	3	35	7	3	29	6	17
France (LGF)	25	61	31	15	52	20	55
France (LGF) retail investment business	-	11	1	-	1	-	-
<b>Total Protection and Annuities<sup>2</sup></b>	<b>75</b>	<b>870</b>	<b>162</b>	<b>66</b>	<b>386</b>	<b>104</b>	<b>56</b>
<b>Investments<sup>3</sup></b>	<b>8</b>	<b>1,122</b>	<b>120</b>	<b>13</b>	<b>1,269</b>	<b>140</b>	<b>(14)</b>
Insured business	179	442	223	75	573	132	69
With-profits	14	27	17	18	98	28	(39)
India (Group's 26% interest)	4	21	6	3	15	5	20
<b>Total Savings</b>	<b>205</b>	<b>1,612</b>	<b>366</b>	<b>109</b>	<b>1,955</b>	<b>305</b>	<b>20</b>
<b>US protection</b>	<b>22</b>	<b>-</b>	<b>22</b>	<b>20</b>	<b>-</b>	<b>20</b>	<b>10</b>
Egypt (Group's 55% interest)	4	-	4	4	-	4	-
Gulf (Group's 50% interest)	1	1	1	1	1	1	-
<b>Total Other worldwide new business</b>	<b>5</b>	<b>1</b>	<b>5</b>	<b>5</b>	<b>1</b>	<b>5</b>	<b>-</b>
<b>Total worldwide new business</b>	<b>307</b>	<b>2,483</b>	<b>555</b>	<b>200</b>	<b>2,342</b>	<b>434</b>	<b>28</b>

1. In previous periods, Retail Protection was named Individual Protection. This is purely a change in name rather than any change to classification.

2. Total Protection and Annuities new business excludes £175m (Q1 2012: £nil) of APE in relation to longevity insurance transactions. It is not included in the table due to the unpredictable deal flow from this type of business.

3. Investments excludes institutional investments in unit trust funds which are disclosed as part of the Investment management new business note.

WORLDWIDE NEW BUSINESS APE QUARTERLY PROGRESSION £m	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
<b>Protection</b>					
Retail <sup>1</sup>	27	43	36	36	36
Group	20	13	20	25	12
	47	56	56	61	48
<b>Annuities</b>					
Individual	40	45	35	26	26
Bulk purchase	36	54	41	3	4
	76	99	76	29	30
Netherlands (LGN)	7	5	5	5	6
France (LGF)	31	19	4	18	20
France (LGF) retail investment business	1	11	-	-	-
<b>Total Protection and Annuities<sup>2</sup></b>	<b>162</b>	<b>190</b>	<b>141</b>	<b>113</b>	<b>104</b>
<b>Investments<sup>3</sup></b>	<b>120</b>	<b>137</b>	<b>147</b>	<b>174</b>	<b>140</b>
Insured business	223	318	197	110	132
With-profits	17	16	18	30	28
India (Group's 26% interest)	6	2	1	1	5
<b>Total Savings</b>	<b>366</b>	<b>473</b>	<b>363</b>	<b>315</b>	<b>305</b>
<b>US protection</b>	<b>22</b>	<b>24</b>	<b>24</b>	<b>22</b>	<b>20</b>
Egypt (Group's 55% interest)	4	3	3	4	4
Gulf (Group's 50% interest)	1	1	2	1	1
<b>Total Other worldwide new business</b>	<b>5</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>Total worldwide new business</b>	<b>555</b>	<b>691</b>	<b>533</b>	<b>455</b>	<b>434</b>

1. In previous periods, Retail Protection was named Individual Protection. This is purely a change in name rather than any change to classification.

2. Total Protection and Annuities new business excludes £175m (Q1 2012: £nil) of APE in relation to longevity insurance transactions. It is not included in the table due to the unpredictable deal flow from this type of business.

3. Investments excludes institutional investments in unit trust funds which are disclosed as part of the Investment management new business note.

Three months to 31 March

WORLDWIDE NEW BUSINESS BY CHANNEL £m	Q1 2013			% of total
	Annual premium	Single premium	APE	
Retail IFA	43	1,389	182	33
Employee benefit consultants	233	636	296	54
Tied agents	5	18	7	1
Bancassurance	21	313	52	9
Direct	5	127	18	3
<b>Total</b>	<b>307</b>	<b>2,483</b>	<b>555</b>	

Three months to 31 March

WORLDWIDE NEW BUSINESS BY CHANNEL £m	Q1 2012			% of total
	Annual premium	Single premium	APE	
Retail IFA	44	1,255	169	39
Employee benefit consultants	113	325	146	33
Tied agents	7	13	8	2
Bancassurance	31	638	95	22
Direct	5	111	16	4
<b>Total</b>	<b>200</b>	<b>2,342</b>	<b>434</b>	

Three months to 31 March

INTERNATIONAL NEW BUSINESS IN LOCAL CURRENCY	Q1 2013			Q1 2012			Change %
	Annual premium	Single premium	APE	Annual premium	Single premium	APE	
USA (\$m)	34	-	34	32	-	32	6
Netherlands (€m)	4	41	8	3	35	7	14
France (€m)							
-Life and pensions	29	72	36	18	62	24	50
-Unit trusts	-	13	1	-	1	-	-
India (Rs m) - Group's 26% interest	309	1,751	484	247	1,201	367	32
Egypt (Pounds m) - Group's 55% interest	40	-	40	36	1	36	11
Gulf (\$m) - Group's 50% interest	1	1	1	2	2	2	(50)

INTERNATIONAL NEW BUSINESS IN LOCAL CURRENCY APE	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
<b>QUARTERLY PROGRESSION</b>					
USA (\$m)	34	38	38	34	32
Netherlands (€m)	8	7	7	6	7
France (€m)					
-Life and pensions	36	23	5	23	24
-Unit trusts	1	13	-	-	-
India (Rs m) - Group's 26% interest	484	188	111	124	367
Egypt (Pounds m) - Group's 55% interest	40	28	33	37	36
Gulf (\$m) - Group's 50% interest	1	1	2	2	2