

2009 BONUS FACTSHEET.

Incorporating the Principles and Practices
of Financial Management (PPFM) Data Annex.
18 February 2010



This document contains data regarding the With Profits Sub Fund and the facts and figures for the bonus declaration on 18 February 2010.

▶ MARKET COMMENTARY.

This is our view of how the investment markets performed in 2009.

UK SHARES

The UK equity market, represented by the FTSE All-Share Index, delivered robust returns during 2009 rising 25.0%, as convincing evidence emerged that global trading was improving following a very challenging period. As a result, confidence grew that major internationally focused UK companies will benefit from rising global demand, which improved sentiment towards UK equities.

The Bank of England (BOE) held interest rates at record lows of 0.5% since March and continued its efforts to stimulate economic activity through quantitative easing (creating money electronically to be used for gilt repurchases). Throughout the economic downturn an unprecedented amount of liquidity has been pumped into the financial system via quantitative easing and very low interest rates.

Towards the end of the period, financial markets began to focus on the strength and sustainability of growth and how policy makers will respond as economic data changes. The Chancellor of the Exchequer has assured the markets that stimulus measures will continue for some time yet. However, the markets are still concerned about how policy makers will wind down the economic stimulus.

Economic conditions have been weak over the year, but a recovery in economic activity is beginning to appear. Companies reported generally better than expected profits, though this has been primarily driven by aggressive cost cutting.

OVERSEAS SHARES

Following the extraordinary events which brought the global banking system to its knees in late 2008, during the second quarter of 2009 investors grew increasingly confident that the unprecedented scale of government stimulus packages had succeeded in steering the global economy back towards growth.

Asian and emerging markets moved broadly higher than other regions amid signs that the regions are playing a key role in helping the global economic recovery. The impressive returns (48.9%) delivered by the region's equity markets, represented by the FTSE World Asia Pacific ex Japan Index, during the period reflected the growing economic importance of the region's domestic consumers.

An 84% year-on-year growth in China's car sales for the month of September – at a time when Western markets remained relatively subdued – demonstrated the growing influence of rising domestic consumer spending power.

FIXED INTEREST SECURITIES

Corporate bonds performed very well in 2009. Greater confidence about the global economy's recovery prompted investors to switch from the 'safe haven' of government bonds into credit markets.

Higher-risk corporate bonds especially benefited from improved sentiment as investors chased higher yields, despite signs that defaults had reached record levels. However, government bonds generally delivered disappointing returns, with the gilt market struggling amid concerns over the prospect of large new issues of gilts to fund the rising government deficit.

While corporate bonds no longer offer investors historically high levels of income, it is important to realise that income levels in early 2009 reflected the extraordinary risks investors faced then. During the year, a financial meltdown has been avoided and a 1930s style depression has not materialised. Given this improvement, the better returns offered by credit are still attractive for investors compared to very low gilt yields.

Despite broad signs of improvement in the global economy, a survey from the ratings agency Standard & Poor's (S&P) predicted that the number of European companies defaulting on their obligations is set to remain very high in 2010.

COMMERCIAL PROPERTY

In the last few months of 2009, commercial property prices improved rapidly due to stronger demand from investors and the reluctance of sellers to sell near the bottom of the market. The sustainability of the recovery in property asset prices in 2010 will be allied to the strength of the recovery in the broader economy which at this stage is expected to be modest.

Against this outlook we envisage a divergence in performance between high quality assets with secure tenants in place and those with very short leases or voids which are more exposed to the weak occupier markets. On the investment side, in an increasingly competitive market, managers will need to source stock creatively off market, either by virtue of scale or network of contacts, to achieve relatively favourable pricing.

INVESTMENT INFORMATION.

At the end of the last five years, for all With Profits policies that could receive bonuses, the proportion of investments were:

	2005	2006	2007	2008	2009
UK shares	38%	40%	32%	28%	24%
Overseas shares	11%	12%	14%	13%	14%
Fixed interest securities	33%	28%	37%	43%	48%
Commercial property	18%	20%	17%	16%	14%

The proportions of each type of investment we hold vary for groups of products. The next section shows the different investment proportions for different product groups.

INVESTMENT PROPORTIONS BY PRODUCT GROUP.

At the end of 2009, the investment mixes for each product group were:

LIFE POLICIES	INVESTMENT MIXES				
	UK shares	Overseas shares	Fixed interest securities	Commercial property	Other
PRODUCT					
A. Growth and Income Bonds with a guaranteed minimum amount payable on the 10th anniversary (invested in from October 2003 to September 2005)*	23%	13%	46%	14%	4%
B. Capital Protection Growth Bond with a guaranteed minimum amount payable on the 5th and/or 10th anniversary (invested in from May to December 2008)	26%	15%	44%	15%	0%
C. Capital Protection Income Bond with a guaranteed minimum amount payable on the 5th and/or 10th anniversary (invested in from May to December 2008)	21%	10%	54%	15%	0%
D. Capital Protection Growth Bond with a guaranteed minimum amount payable on the 5th and/or 10th anniversary (January 2009 and later investments)	16%	18%	49%	17%	0%
E. Capital Protection Income Bond with a guaranteed minimum amount payable on the 5th and/or 10th anniversary (January 2009 and later investments)	16%	13%	54%	17%	0%
F. Capital Protection Plus Growth Bond with a guaranteed minimum amount payable on the 5th and/or 10th anniversary (invested in from November 2008 to 31 December 2009)	16%	18%	49%	17%	0%
G. Capital Protection Plus Income Bond with a guaranteed amount payable on the 5th and/or 10th anniversary (invested in from November 2008 to 31 December 2009)	16%	13%	54%	17%	0%
H. Capital Protection Plus Growth Bond (Generation 2) with a guaranteed minimum amount payable on the 5th and/or 10th anniversary (invested in from 1 December 2009)	19%	11%	60%	10%	0%
I. Capital Protection Plus Income Bond (Generation 2) with a guaranteed minimum amount payable on the 5th and/or 10th anniversary (invested in from 1 December 2009)	16%	10%	65%	9%	0%
J. Other Income Bonds (dated April 2002 and later) and Investment Bonds (dated July 1997 and later, and switched into With Profits in 2003 or later)	21%	10%	54%	15%	0%
K. Other life policies: 1) Conventional 2) Unitised	26%	15%	44%	15%	0%

PENSION POLICIES

PRODUCT	INVESTMENT MIXES				
	UK shares	Overseas shares	Fixed interest securities	Commercial property	Other
L. Adaptable Pension Plan with contractual annual interest (CAI)	23%	14%	50%	13%	0%
M. With Profits Annuities*	35%	21%	24%	20%	0%
N. Other pension policies: 1) Personal Retirement Plan 2) Other Unitised Pensions 3) Adaptable Pension Plan without CAI 4) Conventional Buy Out Plans 5) Other Conventional Pensions	21%	13%	54%	12%	0%

* For policies in groups A and M, the investment mixes depend upon the product type held and the date the investment was made. The figures shown are averages for all types and dates.

The mixes shown are as at 31 December 2009 and will vary over time as investment conditions and other factors influencing the appropriate mix for each product group change.

INVESTMENT RETURNS.

The overall investment returns over each of the last five years on the assets applicable to With Profits policies eligible for bonuses were as follows:

YEAR	2005	2006	2007	2008	2009
Return (before tax)	19%	11%	4%	-18%	14%
Return (after tax)	16%	10%	4%	-15%	12%

We do not apply the same investment returns to all With Profits policies. When assessing appropriate levels of policy benefits, we took into account the following investment returns for the year 2009, derived from the investment mixes applied to the product groups.

LIFE POLICIES

PRODUCT	INVESTMENT RETURN
A. Growth and Income Bonds with a guaranteed minimum amount payable on the 10th anniversary (invested in from October 2003 to September 2005)*	9%
B. Capital Protection Growth Bond with a guaranteed minimum amount payable on the 5th and/or 10th anniversary (invested in from May to December 2008)	12%
C. Capital Protection Income Bond with a guaranteed minimum amount payable on the 5th and/or 10th anniversary (invested in from May to December 2008)	10%
D. Capital Protection Growth Bond with a guaranteed minimum amount payable on the 5th and/or 10th anniversary (January 2009 and later investments)	10%
E. Capital Protection Income Bond with a guaranteed minimum amount payable on the 5th and/or 10th anniversary (January 2009 and later investments)	9%
F. Capital Protection Plus Growth Bond with a guaranteed minimum amount payable on the 5th and/or 10th anniversary (invested in from November 2008 to 31 December 2009)	10%
G. Capital Protection Plus Income Bond with a guaranteed amount payable on the 5th and/or 10th anniversary (invested in from November 2008 to 31 December 2009)	9%
H. Capital Protection Plus Growth Bond (Generation 2) with a guaranteed minimum amount payable on the 5th and/or 10th anniversary (invested in from 1 December 2009)	1%
I. Capital Protection Plus Income Bond (Generation 2) with a guaranteed minimum amount payable on the 5th and/or 10th anniversary (invested in from 1 December 2009)	1%
J. Other Income Bonds (dated April 2002 and later) and Investment Bonds (dated July 1997 and later, and switched into With Profits in 2003 or later)	10%
K. Other life policies 1) Conventional 2) Unitised	12% 12%

PENSION POLICIES

PRODUCT	INVESTMENT RETURN
L. Adaptable Pension Plan with contractual annual interest (CAI)	13%
M. With Profits Annuities*	16%
N. Other pension policies:	
1) Personal Retirement Plan	14%
2) Other Unitised Pensions	14%
3) Adaptable Pension Plan without CAI	13%
4) Conventional Buy Out Plans	12%
5) Other Conventional Pensions	15%

* For policies in groups A and M, the investment return depends upon the product type held and the date the investment was made. The figures shown are averages for all types and dates.

All returns are gross of investment expenses, net of tax payable by Legal & General unless indicated otherwise and before any policy charges.

▶ THE INVESTMENTS AND LIABILITIES OF THE WITH PROFITS SUB FUND.

At the end of 2009, the investments and liabilities were as follows:

INVESTMENTS AND LIABILITIES	£bn
Total admissible investments	26.50
Assets supporting non-profit business	(10.90)
Remainder	15.60
Excess admissible investments and future profits on non-participating With Profits business	0.55
Available investments	16.15
Participating With Profits plan liabilities	15.31
Difference (Inherited estate)	0.84

➤ BONUS DECLARATION DATES.

From February 2003 to February 2010 bonus declaration dates were as follows:

18 February 2010
19 February 2009
22 October 2008*
21 February 2008
22 February 2007
23 February 2006
24 February 2005
26 February 2004
27 February 2003

*Reduction in final bonus.

➤ CONTRACTUAL MINIMUM ADDITION.

On some types of Life and Pensions policies we add a contractual minimum addition (CMA) at the end of each year. This increases the value of your policy each year by a guaranteed amount. The amount depends on the year in which contributions/premiums were paid and the type of policy.

To see if your policy is eligible for a contractual minimum addition, please refer to your annual bonus statement.

Historic rates of contractual minimum addition (CMA) are:

YEAR	1998	1999	2000	2001	2002	2003	2004	2005
CMA (Life) (%)	2.15	2.20	1.90	1.75	2.25	2.80	2.60	2.50
CMA (Pensions) (%)	2.40	2.50	2.15	1.95	2.50	3.15	2.90	2.85

YEAR	2006	2007	2008	2009	2010
CMA (Life) (%)	1.40	1.45	1.55	1.50	1.30
CMA (Pensions) (%)	1.75	1.80	1.95	1.90	1.60

MARKET VALUE REDUCTION FACTORS.

The ranges of market value reduction factors which were applied from 2005 to 2009 were:

YEAR	2005	2006	2007	2008	2009
Pensions	86% to 100%	All were 100%	95% to 100%	76% to 100%	71% to 100%
Annual-bonus-only bonds	80% to 100%	85% to 100%	93% to 100%	75% to 100%	71% to 100%
Other bonds	85% to 100%	95% to 100%	95% to 100%	77% to 100%	73% to 100%
Regular premium Life	95% to 100%	All were 100%	All were 100%	78% to 100%	74% to 100%

DEDUCTIONS IN RESPECT OF GUARANTEES AND OPTIONS.

We said we would let you know if there had been any deductions made from the With Profits Sub Fund in the past year to cover the increase in the expected future costs of guarantees and options. Investment conditions were poor in 2008, meaning that we needed to make a deduction of 0.75% of the value of the assets underlying your policy at the end of 2008, to cover the increase in the expected future costs of guarantees and options.

In 2009, market conditions improved and we have seen a significant reduction in the expected future costs of guarantees and options. We will therefore be refunding a portion of the charge taken in 2008 equal to 0.4% of the value of the assets underlying your policy at the end of 2009. Should you decide to come out of With Profits during 2010, then your surrender/transfer value will reflect this refund.

REVIEW OF OUR BONUS DECLARATION.

The bonus declaration has been independently reviewed by Milliman. In Milliman's judgement, the 18 February 2010 bonus declaration, and the process by which it was reached, comply with Legal & General's Principles and Practices of Financial Management (PPFM). In carrying out this review, Milliman relied on the accuracy and completeness of the information supplied to it by Legal & General.

The board of directors will report to policyholders in June 2010 on compliance with the PPFM for the year 2009. A copy of the report will be available shortly after publication on our website:

www.legalandgeneral.com/bonus-declaration

The report will also cover compliance of the 18 February 2010 bonus declaration with the PPFM.

The PPFM is available now. You can get a copy by calling **0845 071 0062**, or by visiting our website: www.legalandgeneral.com/bonus-declaration
Call charges will vary. We may record and monitor calls.

INVESTMENT MANAGEMENT REVIEW 2009.

With Profits investments are currently managed by Legal & General Investment Management, another company within the Legal & General Group, under an agreement which specifies, amongst other things, the fees payable for this service.

Prior to 1 July 2007 the investment management fees charged by Legal & General Investment Management were generally incurred at cost. However, with effect from 1 July 2007, these fees have increased to reflect the typical market rate for this service. In return for the increase in fees, Legal & General Assurance Society has gained the discretion, in certain circumstances, to seek investment management services from companies outside the Legal & General Group.

As part of our 2009 yearly investment management review we are considering new fund managers for some of our investments and may choose to appoint alternative investment managers.

We will publish information about any such decision on our website: www.legalandgeneral.com/with-profits

HOW DO I FIND OUT MORE?



For information

You can find more information in your policy documents.



We also have booklets called 'An Introduction to Unitised With Profits' and 'An Introduction to Conventional With Profits' which have further information on how your policy works.

You can get copies of these by calling **0845 071 0062** or by visiting our website:

www.legalandgeneral.com/bonus-declaration



General information on With Profits is also available at this address.

For advice

If you'd like advice then please speak to your usual adviser.

Alternatively, you may speak to one of our advisers, however, they can only give financial advice on our own products. If you don't have an adviser, you can visit www.unbiased.co.uk to find your local independent financial adviser.

For service

For all general queries please call us on the number shown on the letter that came with your statement.

Call charges will vary. We may record and monitor calls.

CONTACT US



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W11438 04/10