

2006 bonus factsheet (incorporating PPFM Data Annex) 22 February 2007

This sheet contains the facts and figures behind this year's bonus declaration.

Assets backing participating with-profits business

At the end of each of the last five years, the overall mix of assets applicable to with-profits policies eligible for bonuses were as follows:

	2002	2003	2004	2005	2006
UK shares	39%	41%	43%	38%	40%
Overseas shares	12%	10%	9%	11%	12%
Fixed interest securities	30%	31%	29%	33%	28%
Commercial property	17%	18%	19%	18%	20%
Other	2%	0%	0%	0%	0%

We do not apply the same investment returns to all with-profits policies. When setting bonus rates, we take into account investment returns based on asset mixes which may be different from the overall asset mix shown above. The next section shows the different asset mixes that apply to different product groups.

Asset mix by product group

At the end of 2006 products were grouped as follows:

Life policies

(A) Growth and income bonds

Bond versions dated October 2003 and later with a guaranteed minimum amount payable on the tenth anniversary.

(B) Bonds

- i) With-Profits Income Bonds dated April 2002 and later, other than those in (A) above, and
- ii) Investment Bonds dated July 1997 and later, switched into with-profits in 2003 or later.

(C) All life policies other than those in (A) or (B).

Pension policies

(D) Adaptable Pension Plan

(pools for which contractual annual interest is still payable)

(E) With-Profits Annuities

(F) All pension policies other than those in (D) or (E).

At the end of 2006 the asset mixes for the above groups were as follows:

	A*	B	C	D	E*	F
UK shares	39%	38%	43%	28%	43%	37%
Overseas shares	10%	7%	12%	8%	13%	11%
Fixed interest securities	28%	34%	24%	50%	22%	34%
Commercial property	21%	21%	21%	14%	22%	18%
Other	2%	0%	0%	0%	0%	0%

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



Investment returns

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

Year	2002	2003	2004	2005	2006	Five year annualised returns
Return (before tax)	-9%	+14%	+12%	+19%	11%	+9%
Return (after tax)	-7%	+12%	+10%	+16%	10%	+8%

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 2006, derived from the asset mixes applied to the product groups.

Product	A*	B	C	D	E*	F
Investment return	9%	9%	11%	8%	12%	10%

The above returns are net of tax payable by Legal & General.

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

Performance of the assets

Our view of performance during 2006 of the main asset classes in which we invest is set out below:

UK shares

UK equity markets began the year on a firm footing, but were unable to avoid the slide in global markets in May and June that began on US inflation concerns. After

reaching a low in mid-June, the market made good progress through to the end of the year. The FTSE 100 Index held above 6000 from early October and closed the year at 6220.

Overseas shares

Unfavourable currency movements during 2006 considerably reduced returns for sterling investors. All regions were also affected by the global market sell off in May.

Despite this, European and Far Eastern (excluding Japan) shares managed to earn an equally good return when measured in the local currencies – better even than the UK equity market. After converting into sterling though, European shares were by quite a margin the better performer when compared to the other overseas regions.

Commercial property

Property yields fell through 2006 as investor sentiment remained positive. Rental growth also gained further momentum. As a result, the sector produced another year of solid returns.

Fixed interest securities

Returns on fixed interest securities rose during the first part of 2006. From about May onwards they drifted sideways through to the end of the year. 10-year gilt yields, for example, ended 2006 at 4.74%, a rise of 64% over the year.

The result was a subdued performance from fixed interest securities over 2006, with corporate bonds outperforming government bonds over the year.

The assets and liabilities of the With-Profits Sub-Fund

At the end of 2005 the assets and liabilities were as follows:

Assets and liabilities	£bn
Total admissible assets	30.34
Assets supporting non-profit business	(9.76)
Remainder	20.58
Excess admissible assets and future profits on non-participating with-profits business	0.59
Available assets	21.17
Participating with-profits policy liabilities	20.33
Difference (Inherited estate)	0.84

Bonus declaration dates

From February 2002 to February 2007 final bonus declaration dates were as follows:

22 February 2007
23 February 2006
24 February 2005
26 February 2004
27 February 2003
28 October 2002** 28 February 2002

**Mid-year final bonus declarations were made in 1974, 1983, 1985, 2001 and 2002

Contractual minimum addition

Historic rates of contractual minimum addition are as follows:

Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
CMA (Life) (%)	2.55	2.50	2.45	2.15	2.20	1.90	1.75	2.25	2.80	2.60	2.50	1.40	1.45
CMA (Pensions) (%)	3.15	3.10	3.05	2.40	2.50	2.15	1.95	2.50	3.15	2.90	2.85	1.75	1.80

Market value reduction factors

The ranges of market value reduction factors which applied to individual business over 2002 to 2006, were as follows:

Year	2002	2003	2004	2005	2006
Pensions	73% to 100%	71% to 100%	79% to 100%	86% to 100%	All were 100%
Annual-bonus-only bonds	75% to 100%	73% to 100%	78% to 100%	80% to 100%	85% to 100%
Other bonds	78% to 100%	76% to 100%	82% to 100%	85% to 100%	95% to 100%
Regular premium Life	81% to 100%	84% to 100%	90% to 100%	95% to 100%	All were 100%

Developments in how we manage our with-profits business

With-profits assets 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.

The terms of this agreement, including the fees payable, are currently under review and may change during 2007. We will inform you of any changes in our next regular communication.

Deductions in respect of guarantees and options

At 30 June 2005 we calculated the expected cost of guarantees and options to be paid in the future, and we associated funds with the same value to meet these costs from the capital in the With-Profits Sub-Fund. We regularly assess the value of these funds, reducing them by the cost of guarantees and options paid since 1 July 2005. At each assessment point, if the value of the funds is lower than the expected cost of guarantees and options, we intend to make deductions to cover the difference.

These deductions will take the form of a reduction in the investment return we apply to policies when setting bonus rates. We intend to limit deductions to no more than 0.75% each year, up to a maximum of 5% per policy. If these limits change in the future, we will give you prior notification.

If the regular assessment shows that a deduction in excess of 0.75% would have been warranted, the amount not yet deducted will be taken into account should you choose to either withdraw from your policy (if applicable) or switch out of with-profits.

If the value of these funds at a later assessment is higher than the expected cost of guarantees and options at that time, and we believe it is prudent to do so, we intend to refund the difference as an addition to the investment returns we apply to policies when setting bonus rates. However, we will not refund more than the amount built up from past deductions and refunds.

Following our assessment at the start of 2007, the Board set a deduction rate of zero.

Review of our bonus declaration

The bonus declaration has been subject to independent review by the Tillinghast business of Towers Perrin. In Tillinghast's judgement, the 22 February 2007 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, Tillinghast has 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 2007 on compliance with PPFM for the year 2006. Copies of the report will be available on request, or from www.legalandgeneral.com/wp.

The report will also cover compliance of the 22 February 2007 bonus declaration with the PPFM.

Copies of the PPFM are currently available; the June report will be available to policyholders shortly after publication.

You can request these by calling **0845 071 0062**, or view them at www.legalandgeneral.com/wp. (We may record or monitor calls. Call charges may vary).

Where you can find out more

If you have any questions about your policy or the bonus declaration generally, please contact your usual financial adviser or call our policyholder service centre on the number shown on the letter that came with your statement.

For more information on how with-profits works we have produced a leaflet called 'Introduction to with-profits'. This should answer many of the questions you might ask about with-profits in general.

You can get a copy by calling **0845 071 0062** or from our website **www.legalandgeneral.com/wp**.

You can also find more information in your policy literature.

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

Legal & General Assurance Society Limited is authorised and regulated by the Financial Services Authority. Registered in England number 166055.
A member of Association of British Insurers
Registered Office: Temple Court, 11 Queen Victoria Street, London EC4N 4TP until 30 September 2007.
With effect from 1 October 2007 our registered office will be 1 Coleman Street, London EC2R 5BG.

www.legalandgeneral.com

W11438 06/07

