

2007 Bonus Factsheet (incorporating PPFM Data Annex) 21 February 2008

This factsheet contains the facts and figures for the bonus declaration on 21 February 2008.

Investment Information

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

	2003	2004	2005	2006	2007
UK shares	41%	43%	38%	40%	32%
Overseas shares	10%	9%	11%	12%	14%
Fixed interest securities	31%	29%	33%	28%	37%
Commercial property	18%	19%	18%	20%	17%
Other	0%	0%	0%	0%	0%

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 2007 product groups were:

Life plans

(A) Growth and Income Bonds

Growth and Income Bonds dated October 2003 or later with a guaranteed minimum amount payable on the tenth anniversary.

(B) Bonds

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

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

Pension plans

(D) Adaptable Pension Plan

Pools for which contractual annual interest is still payable.

(E) With Profits Annuities

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

At the end of 2007 the investment mixes for the above groups were:

	A*	B	C	D	E*	F
UK shares	31%	29%	34%	25%	39%	29%
Overseas shares	12%	10%	15%	11%	16%	12%
Fixed interest securities	36%	43%	33%	50%	24%	43%
Commercial property	18%	18%	18%	14%	21%	16%
Other	3%	0%	0%	0%	0%	0%

* For plans in groups (A) and (E), the investment mixes and investment returns 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 Profits plans eligible for bonuses were as follows:

Year	2003	2004	2005	2006	2007
Return (before tax)	14%	12%	19%	11%	4%
Return (after tax)	12%	10%	16%	10%	4%

We do not apply the same investment returns to all With Profits plans. When assessing appropriate levels of plan benefits, we took into account the following investment returns for the year 2007, derived from the investment mixes applied to the product groups.

Life plans

Product	With Profits Income Bonds bought after April 2002* and Investment Bonds dated July 1997 and later, and switched into With Profits in 2003 or later	All other Utilised With Profits (Life) plans	Conventional With Profits (Life) plans
Investment return	3%	4%	5%

* excludes bonds with a guaranteed minimum amount payable on the tenth anniversary.

Pension plans

Product	Adaptable Pension Plan without contractual annual interest and Conventional Buy Out Plan	All other pension plans (including With Profits Annuities)
Investment return	5%	4%

All returns are net of tax payable by Legal & General.

Market background

Our view of how the investment markets performed was:

UK shares

2007 was a year of contrasts for the UK equity market. Until mid-summer, share prices in the fund made good progress buoyed by merger and acquisition activity. However, equities became increasingly volatile in the third quarter of 2007 as losses arising from exposure to the US sub-prime mortgage market triggered a credit squeeze with investors becoming more risk averse. In the final months of 2007, the impact of the credit squeeze on the UK economic outlook began to preoccupy investors, while the downturn in the US economy put further pressure on equity markets.

Overseas shares

Asia Pacific shares comfortably outperformed other global regions in the fund over 2007. For much of the year, the upward progress of these markets was fuelled by capital inflows from international investors. Strong global demand for Asian exports and profit growth from companies across the markets supported economic growth in the region over 2007. European equity markets made good progress until the summer as a favourable economic background underpinned earnings growth, with the further catalyst of an upsurge in merger and acquisition activity.

Commercial property

The UK commercial property market started positively but after several years of strong returns came under pressure in the second half of 2007. The credit squeeze led to banks tightening their lending requirements, reducing the amount of money available to buy assets. As a result, prices fell back towards the end of the year.

Fixed interest securities

Global bond performance was mixed over 2007. US government bond prices fell significantly as the economic outlook deteriorated. By contrast, asset prices in Continental Europe and UK Gilts rose over 2007 although this masked a sharp fall in yields during the fourth quarter in response to a worsening economic background.

The investments and liabilities of the With Profits Sub Fund

At the end of 2007 the investments and liabilities were as follows:

Investments and liabilities	£bn
Total admissible investments	30.29
Assets supporting non-profit business	(11.26)
Remainder	19.03
Excess admissible investments and future profits on non-participating With Profits business	0.51
Available investments	19.54
Participating With Profits plan liabilities	18.49
Difference (Inherited estate)	1.05

Bonus declaration dates

From February 2003 to February 2008 bonus declaration dates were as follows:

21 February 2008
22 February 2007
23 February 2006
24 February 2005
26 February 2004
27 February 2003

Contractual minimum addition

Historic rates of contractual minimum addition are:

Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
CMA (Life) (%)	2.50	2.45	2.15	2.20	1.90	1.75	2.25	2.80	2.60	2.50	1.40	1.45	1.55
CMA (Pensions) (%)	3.10	3.05	2.40	2.50	2.15	1.95	2.50	3.15	2.90	2.85	1.75	1.80	1.95

Market value reduction factors

The ranges of market value reduction factors which were applied from 2003 to 2007 were:

Year	2003	2004	2005	2006	2007
Pensions	71% to 100%	79% to 100%	86% to 100%	All were 100%	95% to 100%
Annual-bonus-only bonds	73% to 100%	78% to 100%	80% to 100%	85% to 100%	93% to 100%
Other bonds	76% to 100%	82% to 100%	85% to 100%	95% to 100%	95% to 100%
Regular premium Life	84% to 100%	90% to 100%	95% to 100%	All were 100%	All were 100%

Developments in how we manage our With Profits business

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. We will inform you of any further changes in our next regular communication.

Deductions in respect of guarantees and options

We told you last year about the way we are providing for the expected cost of future guarantees and options. The rate of deduction for 2008 has been set by the Board as 0%.

Review of our bonus declaration

The bonus declaration has been independently reviewed by Milliman. In Milliman's judgement, the 21 February 2008 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 planholders in June 2008 on compliance with the PPFM for the year 2007. Copies of the report will be available on request, or from www.legalandgeneral.com/bonus-declaration/.

The report will also cover compliance of the 21 February 2008 bonus declaration with the PPFM.

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

You can request these by calling 0845 071 0062, or view them at www.legalandgeneral.com/bonus-declaration/. We may record or monitor calls. Call charges may vary.

Where you can find out more

For more information call us on the number shown on the letter that came with your statement or contact your usual financial adviser.

We also have a booklet called An Introduction to Unitised With Profits or An Introduction to Conventional With Profits which has further information on how your plan works. You can get a copy by calling 0845 071 0062 or from our website www.legalandgeneral.com/bonus-declaration/.

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Legal & General Assurance Society Limited
Registered in England No 166055
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