

2011 BONUS FACTSHEET.

Incorporating the Principles and Practices of Financial Management (PPFM)
Data Annex for the 16 February 2012 bonus declaration.

This document contains data regarding the With Profits Sub Fund and the facts and figures for the bonus declaration on 16 February 2012.

▶ INVESTMENT MARKETS – A REVIEW OF THE LAST YEAR.

The following review of how the financial markets performed in 2011 has been provided to us by our investment manager, Legal & General Investment Management (LGIM). It covers the period 1 January to 31 December 2011 and does not reflect changes in market conditions since this date.

UK SHARES

The UK stock market, as represented by the FTSE All-Share Index, ended the year marginally lower, down 2.2% in 2011. For the first half of the year, the market largely moved sideways but trading conditions became markedly more volatile over the summer months as investors grew increasingly risk averse. The trigger was the deepening Eurozone debt crisis, which heightened fears that the UK economy would slide back into recession. Evidence that ongoing inflationary pressures had contributed to the largest fall in household disposable incomes for 30 years added to the gloom and shares fell sharply in late summer. A number of well-known high street brands have disappeared, or reduced their store presence (such as Habitat and Thorntons). Financials lagged, with bank shares hard hit by fears that institutions will be forced into further sizeable write-offs on their holdings of Eurozone government debt. The sector remained in the spotlight as the Vickers Report recommended banks 'ring fence' their retail operations from investment banking.

In the final months of 2011 UK shares regained much of the ground lost over the summer. Events in Europe played a large part in shaping investor sentiment during the quarter as share prices rallied on coordinated central bank intervention to support the Euro area's commercial banks. On the domestic front, the Bank of England left interest rates unchanged at 0.5% throughout 2011 but opted to resume its quantitative easing (QE) programme, announcing it would pump a further £75 billion into the economy, mainly through further purchases of gilts in an attempt to revive credit growth.

OVERSEAS SHARES

European stock markets had a disappointing year, underperforming both the US and the UK as investors remained unconvinced that the sovereign debt crisis could be contained. The Eurozone ended 2011 on the brink of falling back into recession as surveys suggested weakness in Southern Europe had spread to the 'core' economies. Both the Greek

and Italian Prime Ministers were replaced by technocratic governments in early November as the debt crisis worsened. A combination of high exposure to distressed sovereign debt, funding concerns and the deteriorating economic backdrop took their toll on the banking sector. The European Central Bank (ECB) cut interest rates to 1.0% in December, having increased them to 1.5% in the summer to head off inflationary pressures. The ECB also announced additional liquidity measures to support the banks and the economy, which provided some relief for investors.

Despite periods of high volatility during the second half of the year, US shares ended 2011 marginally higher, outperforming both the UK and Europe. After sustaining heavy losses during the third quarter, when Standard & Poor's cut the US sovereign credit rating, shares rebounded sharply as data releases indicated the economy was regaining momentum. The majority of earnings announcements were also encouraging with construction equipment manufacturer Caterpillar delivering its best ever quarterly sales figure.

It was a very disappointing year for Japanese shares. Supply chain disruptions and power-saving measures in the aftermath of the March earthquake saw industrial production collapse, triggering a recession. Although GDP rebounded strongly during the third quarter, investors were increasingly troubled by the debt crisis in the Eurozone, and the continuing strength of the Yen undermining the competitiveness of Japan's export industries. Subsequently, the fourth quarter Tankan survey highlighted a sharp deterioration in business confidence.

Asian shares declined sharply in 2011, underperforming the major Western indices. Several Asian economies have faced growing inflationary pressures, while economic growth in China has slowed sharply in response to earlier policy tightening. Chinese shares broadly underperformed their counterparts in South Korea, Indonesia and Malaysia, the latter holding up relatively well due to demand from institutional investors.

FIXED INTEREST SECURITIES

The prevailing climate of risk aversion was also reflected in the performance of credit markets, where non-financial issues and senior financial debt performed well in comparison with subordinated (more lowly rated) financial issues. Sterling-denominated bonds also performed well in comparison with Euro-denominated paper, a reflection of the strength of the UK gilt market and the impact of the sovereign debt crisis on European corporate bonds.

There was a marked discrepancy in returns amongst government bond markets with the US, UK and German bonds all recording sizeable gains as investors sought to reduce credit risk and diversify away from distressed Euro area markets. The growing sense of crisis which engulfed Europe pushed Italian and Spanish bond yields above 7% – a level considered unsustainable over an extended period. Investor anxiety began to affect the more highly rated markets of France and Austria whose banking systems came under increasing strain as a result of their exposure to peripheral Eurozone sovereign bonds and eastern European markets respectively.

COMMERCIAL PROPERTY

The UK commercial property market remained sluggish against a backdrop of increasing economic and financial uncertainty. Most significantly, the trend of slowing returns that began in early 2010 has continued. Recent returns have come almost entirely from rental income with capital growth, outside of central London offices, proving very elusive.

▶ WITH PROFITS FUND ASSET MIX.

At the end of each of the last five years, the asset mixes for all with profits policies that could receive bonuses were:

	2007	2008	2009	2010	2011
UK shares	32%	28%	24%	25%	21%
Overseas shares	14%	13%	14%	16%	19%
Fixed interest securities	37%	43%	48%	43%	45%
Commercial property	17%	16%	14%	16%	15%

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

ASSET MIXES BY PRODUCT GROUP.

The following tables show the overall asset mixes for each product group at the end of 2011. Please note, the figures shown in brackets are the asset mixes at the end of 2010.

LIFE POLICIES	ASSET MIX				
	UK shares	Overseas shares	Fixed interest securities	Commercial property	Other
PRODUCT					
CAPITAL CONTROL BONDS					
Capital Control Growth Bond (1 March 2010 and later investments)	13% (17%)	23% (20%)	45% (43%)	19% (19%)	0% (1%)
Capital Control Income Bond (1 March 2010 and later investments)	13% (17%)	18% (15%)	50% (48%)	19% (19%)	0% (1%)
CAPITAL PROTECTION AND CAPITAL PROTECTION PLUS BONDS					
Capital Protection Growth Bond (investments between May and December 2008)	23% (27%)	21% (18%)	40% (38%)	16% (17%)	0% (0%)
Capital Protection Income Bond (investments between May and December 2008)	18% (22%)	16% (13%)	50% (48%)	16% (17%)	0% (0%)
Capital Protection Growth Bond (January 2009 and later investments)	13% (17%)	23% (20%)	45% (43%)	19% (19%)	0% (1%)
Capital Protection Income Bond (January 2009 and later investments)	13% (17%)	18% (15%)	50% (48%)	19% (19%)	0% (1%)
Capital Protection Plus Growth Bond (investments between November 2008 and December 2009)	13% (17%)	23% (20%)	45% (43%)	19% (19%)	0% (1%)
Capital Protection Plus Income Bond (investments between November 2008 and December 2009)	13% (17%)	18% (15%)	50% (48%)	19% (19%)	0% (1%)
Capital Protection Plus Growth Bond – Generation 2 (investments between December 2009 and June 2010)	16% (19%)	15% (12%)	58% (58%)	11% (11%)	0% (0%)
Capital Protection Plus Income Bond – Generation 2 (investments between December 2009 and June 2010)	14% (17%)	13% (11%)	63% (62%)	10% (10%)	0% (0%)

LIFE POLICIES (CONTINUED)

PRODUCT	ASSET MIX				
	UK shares	Overseas shares	Fixed interest securities	Commercial property	Other
OTHER WITH PROFITS BONDS					
Growth and Income Bonds with a tenth anniversary guarantee (investments between October 2003 and September 2005)*	20% (25%)	18% (15%)	44% (42%)	16% (17%)	2% (1%)
<ul style="list-style-type: none"> • Other Income Bonds (April 2002 and later investments) • Investment Bonds (July 1997 and later investments, and switched into with profits in 2003 or later) 	18% (22%)	16% (13%)	50% (48%)	16% (17%)	0% (0%)
<ul style="list-style-type: none"> • All other With Profits Growth Bonds (August 1999 and later investments) • With Profits Income Bonds (March 2002 and earlier investments) 	23% (27%)	21% (18%)	40% (38%)	16% (17%)	0% (0%)
ENDOWMENTS AND SAVINGS PLANS					
Unitised life policies including: <ul style="list-style-type: none"> • Capital Accumulation Plan • Capital Investment Portfolio • Capital Preservation Plan • Flexible Investment Plan • Flexible Mortgage Plan • Flexible Protection Plan • Unit Savings (Prospects and New Savings Plan) 	23% (27%)	21% (18%)	40% (38%)	16% (17%)	0% (0%)
Conventional life policies including: <ul style="list-style-type: none"> • Build Up • Cash Builder • Endowment • Low Start Build Up • Progressive Build Up Plus • Progressive Flexible Build Up • Progressive Investment • Treasure Chest • Whole of Life Plan 	23% (27%)	21% (18%)	40% (38%)	16% (17%)	0% (0%)

PENSION POLICIES

Adaptable Pension Plan with contractual annual interest (CAI)	19% (22%)	17% (14%)	50% (50%)	14% (14%)	0% (0%)
Other pension policies: <ul style="list-style-type: none"> • Personal Retirement Plan (PRP) • Other unitised pensions • Adaptable Pension Plan without contractual annual interest (CAI) • Conventional Buy Out Plan • Other conventional pensions 	19% (23%)	17% (15%)	51% (48%)	13% (14%)	0% (0%)
With Profits Annuity*	27% (33%)	25% (22%)	28% (24%)	20% (21%)	0% (0%)

* The asset mixes for these policies depend upon the product type held and the date the investment was made. The figures shown are averages for all types and dates.

All asset mixes shown are as at 31 December 2011 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	2007	2008	2009	2010	2011
Return (before tax)	4%	-18%	14%	13%	2%
Return (after tax)	4%	-15%	12%	11%	2%

We do not use the same investment returns to calculate bonuses for all with profits policies. When assessing appropriate levels of policy benefits, we took into account the investment returns shown below for the year 2011, derived from the asset mixes applied to the product groups.

INVESTMENT RETURNS BY PRODUCT GROUP.

Please note, the figures shown in brackets are the investment returns at the end of 2010.

LIFE POLICIES

PRODUCT	INVESTMENT RETURN
CAPITAL CONTROL BONDS	
Capital Control Growth Bond (1 March 2010 and later investments)	2% (11%)
Capital Control Income Bond (1 March 2010 and later investments)	2% (11%)
CAPITAL PROTECTION AND CAPITAL PROTECTION PLUS BONDS	
Capital Protection Growth Bond (investments between May and December 2008)	1% (11%)
Capital Protection Income Bond (investments between May and December 2008)	2% (11%)
Capital Protection Growth Bond (January 2009 and later investments)	2% (11%)
Capital Protection Income Bond (January 2009 and later investments)	2% (11%)
Capital Protection Plus Growth Bond (investments between November 2008 and December 2009)	2% (11%)
Capital Protection Plus Income Bond (investments between November 2008 and December 2009)	2% (11%)
Capital Protection Plus Growth Bond – Generation 2 (investments between December 2009 and June 2010)	3% (10%)
Capital Protection Plus Income Bond – Generation 2 (investments between December 2009 and June 2010)	3% (10%)
OTHER WITH PROFITS BONDS	
Growth and Income Bonds with a tenth anniversary guarantee (investments between October 2003 and September 2005)*	1% (10%)

LIFE POLICIES (CONTINUED)

PRODUCT	INVESTMENT RETURN
<ul style="list-style-type: none"> Other Income Bonds (April 2002 and later investments) Investment Bonds (July 1997 and later investments, and switched into with profits in 2003 or later) 	2% (11%)
<ul style="list-style-type: none"> All other With Profits Growth Bonds (August 1999 and later investments) With Profits Income Bonds (March 2002 and earlier investments) 	1% (11%)
ENDOWMENTS AND SAVINGS PLANS	
Unitised life policies including: <ul style="list-style-type: none"> Capital Accumulation Plan Capital Investment Portfolio Capital Preservation Plan Flexible Investment Plan Flexible Mortgage Plan Flexible Protection Plan Unit Savings (Prospects and New Savings Plan) 	1% (11%)
Conventional life policies including: <ul style="list-style-type: none"> Build Up Cash Builder Endowment Low Start Build Up Progressive Build Up Plus Progressive Flexible Build Up Progressive Investment Treasure Chest Whole of Life Plan 	0% (10%)

PENSION POLICIES

PRODUCT	INVESTMENT RETURN
Adaptable Pension Plan with contractual annual interest (CAI)	2% (13%)
Other pension policies: <ul style="list-style-type: none"> Personal Retirement Plan (PRP) Other unitised pensions Adaptable Pension Plan without contractual annual interest (CAI) Conventional Buy Out Plan Other conventional pensions 	3% (13%) 4% (13%) 2% (13%) 1% (12%) 4% (13%)
With Profits Annuity*	0% (14%)

* For policies in these groups, 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 shown for life policies are after tax payable by Legal & General and before we have taken off investment expenses and any policy charges.

All returns shown for pension policies are before investment expenses and any policy charges.

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

At the end of 2011, the investments and liabilities were as follows:

INVESTMENTS AND LIABILITIES	£bn
Total admissible investments	25.68
Assets supporting non-profit business	-10.77
Remainder	14.91
Excess admissible investments and future profits on non-participating With Profits business	0.40
Available investments	15.30
Participating With Profits plan liabilities	14.56
Difference (Inherited estate)	0.75

▶ BONUS DECLARATION DATES.

From February 2005 to February 2012 bonus declaration dates were as follows:

16 February 2012
17 February 2011
18 February 2010
19 February 2009
22 October 2008*
21 February 2008
22 February 2007
23 February 2006
24 February 2005

*Reduction in final bonus.

▶ CONTRACTUAL MINIMUM ADDITION.

On some types of life and pension 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	2007	2008	2009	2010	2011	2012
CMA (Life) (%)	1.45	1.55	1.50	1.30	1.20	0.95
CMA (Pensions) (%)	1.80	1.95	1.90	1.60	1.50	1.15

▶ MARKET VALUE REDUCTION FACTORS.

The ranges of market value reduction factors which were applied from 2007 to 2011 were:

YEAR	2007	2008	2009	2010	2011
Pensions	95% to 100%	76% to 100%	71% to 100%	83% to 100%	91% to 100%
Annual bonus only bonds	93% to 100%	75% to 100%	71% to 100%	81% to 100%	84% to 100%
Other bonds	95% to 100%	77% to 100%	73% to 100%	84% to 100%	90% to 100%
Regular premium life	All were 100%	78% to 100%	74% to 100%	85% to 100%	91% to 100%

DEDUCTIONS IN RESPECT OF GUARANTEES AND OPTIONS (DROGO).

The following deductions and refunds made under DROGO have been allowed for in the 2011 bonus declaration:

- A deduction of 0.75% from the value of your policy in respect of 2008;
- A refund of 0.4% for 2009;
- A deduction of 0.2% for 2010.

There will be a deduction of 0.75% of the value of your policy for 2011 and this will be reflected in the next bonus declaration. Should you decide to take your money out of with profits then it's likely that an additional deduction will be made. This would be for the movement in the expected cost of guarantees and options not covered by the deduction for 2011. It will have no impact on benefits taken at your normal or selected retirement date, or when your policy matures, if this is before the next bonus declaration.

REVIEW OF OUR BONUS DECLARATION.

The bonus declaration has been reviewed by Milliman acting as the independent person. In Milliman's judgement, the 16 February 2012 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.

In June 2012 the Board of Directors will report to policyholders on compliance with our Principles and Practices of Financial Management (PPFM) for the period 1 January to 31 December 2011.

The Board Report on Compliance will be available on our website at www.legalandgeneral.com/with-profits by 30 June 2012.

The PPFM is available on our website now at www.legalandgeneral.com/with-profits or you can get a printed copy by calling **0370 0500 263**. Call charges will vary. We may record and monitor calls.

INVESTMENT MANAGEMENT REVIEW 2011.

We are committed to providing consistent attractive long-term returns for our investors. In 2007 we wrote to you and told you we now have the right to use investment managers other than Legal & General Investment Management (LGIM) in certain circumstances. During 2010 we appointed two new investment managers, Lazard Asset Management Limited and Marathon Asset Management LLP, to manage some of the With Profits Fund's Japanese equity investments. We continue to retain these external managers and to review the performance of all assets, both externally placed and with LGIM, on a regular basis to ensure they are invested in the best interests of policyholders.

HOW DO I FIND OUT MORE?



For information

You can find more information in your policy documents.



General information on with profits is available at www.legalandgeneral.com/with-profits.



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.

These are available on our website at www.legalandgeneral.com/bonus-declaration or you can get printed copies by calling **0370 0500 263**.

For advice

If you'd like advice, please speak to your financial adviser. If you don't have an adviser, you can find one locally by visiting www.unbiased.co.uk.

Alternatively you may speak to a Legal & General adviser, however they can only give you financial advice on our own products.

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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Legal & General Assurance Society Limited

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