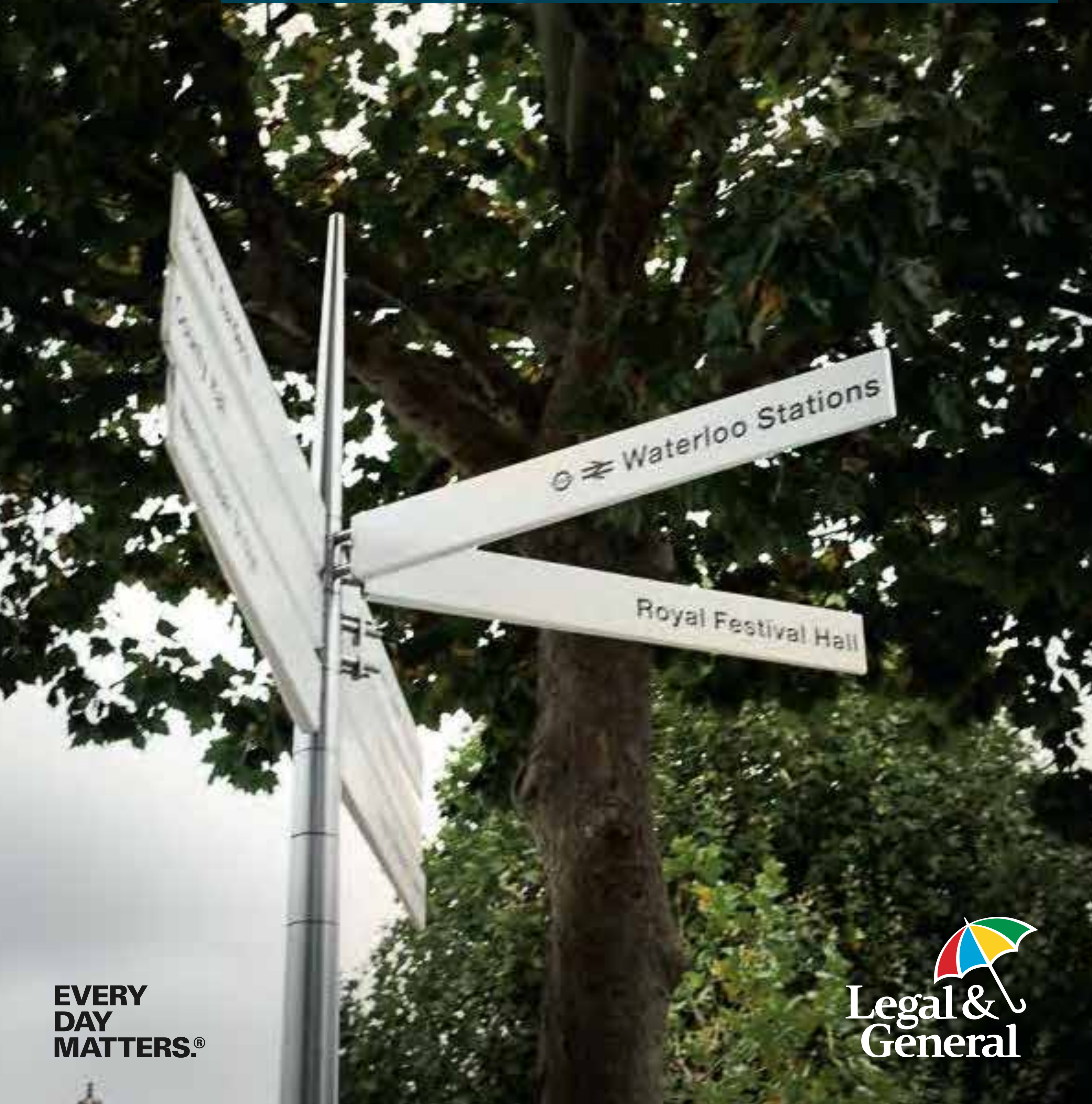
DECLARATION 2013 – WITH PROFITS

2013 BONUS FACTSHEET.

Incorporating the Principles and Practices of Financial Management (PPFM) Data Annex for the 20 February 2014 bonus declaration.



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Legal & General

This document contains data regarding the With Profits Sub Fund and the facts and figures for the bonus declaration on 20 February 2014.

INVESTMENT MARKETS – A REVIEW OF THE LAST YEAR.

The following review of how the financial markets performed in 2013 has been provided to us by our investment manager, Legal & General Investment Management (LGIM). It covers the period 1 January to 31 December 2013 and does not reflect changes in market conditions since this date.

OVERVIEW

Developed equity markets recorded impressive gains in 2013 as various central bank policy initiatives have fostered optimism amongst investors that global economic growth will recover, albeit modestly. Returns from higher-rated government bonds such as US treasuries, UK gilts and German bunds have been modest in comparison with corporate bond markets. In property markets, international investors have continued to value the steady income stream that commercial property delivers. In particular, demand for high quality real estate in prime locations remained robust.

UK SHARES

The UK stock market, as represented by the FTSE All-Share Index, ended 2013 with gains of 20.8%. The more domestically focused mid-cap stocks and smaller companies have outperformed the blue chip FTSE 100, which is heavily weighted towards mining stocks that have struggled on weaker commodity prices. Telecom stocks were the best performing major sector, boosted by merger and acquisition activity. The most important deal was Vodafone's agreement to sell 45% of its stake in Verizon Wireless for $130 billion in September.

As the economic background improved, particularly over the second half of 2013, cyclical sectors such as autos, travel and leisure, and industrial goods and services, outperformed the broader market. Technology stocks also performed well, with chip designer ARM Holdings climbing on the back of Apple's long-awaited deal to sell handsets in China, as ARM's technology is a key component of the iPhone. Banking stocks trailed the market as the major lenders continue to repair their balance sheets, while utilities struggled to make headway on concerns that political pressure on domestic energy providers to cut prices would intensify ahead of the general election in 2015.

OVERSEAS SHARES

European markets rallied strongly over the year, buoyed by optimism that the leading central banks would maintain interest rates at ultra-low levels as the European Central Bank sanctioned two 0.25% interest rate reductions in 2013. Aided by a turnaround in corporate profitability and a perceived reduction in political risk, Ireland and Greece were two of the top performing markets as the former became the first euro zone country to exit the EU backed bailout programme in December. Germany was the best performing major market as investors took a positive view of the newly formed coalition government in Berlin and the ZEW indicator of economic sentiment climbed to its highest level since October 2009. At the sector level, telecoms performed well on merger and acquisition activity. Dutch operator KPN sold its German mobile unit to Spain's Telefonica, while Deutsche Telekom sold non-core businesses to reduce its debt levels and expanded its main telecoms operations with the acquisition of CTS central Europe. The technology sector also became a focal point for merger and acquisition activity as Finnish group Nokia agreed the sale of its mobile phone business to Microsoft, as it refocuses its business around its telecoms equipment and networks division. Energy stocks, consumer staples and utilities failed to keep pace with the rising markets.

US equities have performed particularly well, underpinned by improving economic indicators. The S&P 500 Index ended the year at a record high as investors took the Federal Reserve's announcement that it would begin scaling back its monthly asset purchase programme in January in their stride. In the early months of the year, the market was led higher by defensive sectors – notably healthcare and consumer staples – as investors favoured higher yielding stocks. During the second half of 2013, technology stocks performed well with sector heavyweight Apple finally securing a long-awaited distribution deal with China Mobile, which gives it access to the world's largest mobile phone market. Banking stocks rebounded towards year-end, while amongst internet businesses Amazon highlighted stronger trading conditions going into the critical year-end for retailers.

Japanese equities were boosted by a package of measures to revive the domestic economy and the Bank of Japan's quantitative easing programme. Later in the year, economic data indicated that the prolonged period of deflation had come to an end. However, the programme has weakened the yen which fell to a five-year low, diluting gains for UK-based investors. Telecoms performed well on the back of encouraging corporate results for KDDI and Softbank.

Asian equities were notable underperformers last year, trailing Japan and other developed markets. The primary concern for investors was the slowdown in China, where the authorities are attempting to rebalance the economy away from investment and towards consumption. The crackdown on shadow banking has led to a tightening of credit conditions, but so far growth has held up quite well.

FIXED INTEREST SECURITIES

Corporate bond markets outperformed government bonds over the year, boosted by an improving economic outlook and ultra-low interest rates. Bond markets were volatile over the summer months as the US Federal Reserve (Fed) signalled its intention to begin scaling back quantitative easing. Previously distressed 'peripheral' European sovereign bond markets have rallied strongly, although an inconclusive outcome to the Italian elections in February and the subsequent bailout of Cyprus, highlighted residual contagion risk from the sovereign debt crisis, which is yet to be resolved.

Institutional investors have continued to favour higher-yielding corporate bonds, while the new issue market has been very active as companies have sought to capitalise on this interest and lock into lower borrowing costs. Similarly, the search for yield has led bond investors to emerging markets, although these became more volatile over the summer months on concerns the Fed may soon scale back quantitative easing.

COMMERCIAL PROPERTY

The recovery in the UK economy has begun to feed through to commercial property, where returns have been driven by capital growth with the market posting its best monthly return for over three years in November. As investor sentiment has improved, occupier demand is strengthening once again. While the central London market has held up relatively well over the last couple of years, it has been an improvement in regional markets that has underpinned higher returns from commercial property in recent months.

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:

	2009	2010	2011	2012	2013
UK shares	24%	25%	21%	17%	21%
Overseas shares	14%	16%	19%	25%	27%
Fixed interest securities	48%	43%	45%	45%	40%
Commercial property	14%	16%	15%	13%	12%

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 2013. Please note, the figures shown in brackets are the asset mixes at the end of 2012.

LIFE POLICIES

PRODUCT	ASSET MIX			
	UK shares	Overseas shares	Fixed interest securities	Commercial property
CAPITAL CONTROL BONDS				
Capital Control Growth Bond (investments between 1 March 2010 and 31 March 2012)	16% (9%)	30% (29%)	41% (45%)	13% (17%)
Capital Control Income Bond (investments between 1 March 2010 and 31 March 2012)	15% (9%)	26% (24%)	46% (50%)	13% (17%)
CAPITAL PROTECTION AND CAPITAL PROTECTION PLUS BONDS				
Capital Protection Growth Bond (investments between May and December 2008)	23% (19%)	29% (27%)	36% (40%)	12% (14%)
Capital Protection Income Bond (investments between May and December 2008)	19% (14%)	25% (22%)	46% (50%)	10% (14%)
Capital Protection Growth Bond (January 2009 and later investments)	16% (9%)	30% (29%)	41% (45%)	13% (17%)
Capital Protection Income Bond (January 2009 and later investments)	15% (9%)	26% (24%)	46% (50%)	13% (17%)
Capital Protection Plus Growth Bond (investments between November 2008 and December 2009)	16% (9%)	30% (29%)	41% (45%)	13% (17%)
Capital Protection Plus Income Bond (investments between November 2008 and December 2009)	15% (9%)	26% (24%)	46% (50%)	13% (17%)
Capital Protection Plus Growth Bond – Generation 2 (investments between December 2009 and June 2010)	16% (13%)	19% (19%)	57% (58%)	8% (10%)
Capital Protection Plus Income Bond – Generation 2 (investments between December 2009 and June 2010)	14% (12%)	17% (16%)	62% (63%)	7% (9%)

LIFE POLICIES (CONTINUED)

PRODUCT	ASSET MIX: UK shares	Overseas shares	Fixed interest securities	Commercial property
OTHER WITH PROFITS BONDS				
Growth and Income Bonds with a tenth anniversary guarantee (investments between October 2003 and September 2005)*	21% (17%)	27% (24%)	41% (45%)	11% (14%)
• Other Income Bonds (April 2002 and later investments) • Investment Bonds (July 1997 and later investments, and switched into with profits in 2003 or later)	19% (14%)	25% (22%)	46% (50%)	10% (14%)
• All other With Profits Growth Bonds (August 1999 and later investments) • With Profits Income Bonds (March 2002 and earlier investments)	23% (19%)	29% (27%)	36% (40%)	12% (14%)
ENDOWMENTS AND SAVINGS PLANS				
Unitised life policies including: • 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% (19%)	29% (27%)	36% (40%)	12% (14%)
Conventional life policies including: • 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% (19%)	29% (27%)	36% (40%)	12% (14%)

PENSION POLICIES

PRODUCT	UK shares	Overseas shares	Fixed interest securities	Commercial property
Adaptable Pension Plan with contractual annual interest (CAI)	17% (15%)	22% (23%)	52% (50%)	9% (12%)
Other pension policies: • Personal Retirement Plan (PRP) • Other Unitised Pensions • Adaptable Pension Plan without contractual annual interest (CAI) • Conventional Buy Out Plan • Other Conventional Pensions	19% (16%)	25% (22%)	46% (50%)	10% (12%)
With Profits Annuity*	25% (23%)	33% (34%)	28% (24%)	14% (19%)

* 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 2013 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	2009	2010	2011	2012	2013
Return (before tax)	14%	13%	2%	11%	9%
Return (after tax)	12%	11%	2%	9%	8%

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 2013, 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 2012.

LIFE POLICIES

PRODUCT	INVESTMENT RETURN
CAPITAL CONTROL BONDS	
Capital Control Growth Bond (investments between 1 March 2010 and 31 March 2012)	8% (9%)
Capital Control Income Bond (investments between 1 March 2010 and 31 March 2012)	7% (9%)
CAPITAL PROTECTION AND CAPITAL PROTECTION PLUS BONDS	
Capital Protection Growth Bond (investments between May and December 2008)	9% (9%)
Capital Protection Income Bond (investments between May and December 2008)	7% (9%)
Capital Protection Growth Bond (January 2009 and later investments)	8% (9%)
Capital Protection Income Bond (January 2009 and later investments)	7% (9%)
Capital Protection Plus Growth Bond (investments between November 2008 and December 2009)	8% (9%)
Capital Protection Plus Income Bond (investments between November 2008 and December 2009)	7% (9%)
Capital Protection Plus Growth Bond – Generation 2 (investments between December 2009 and June 2010)	6% (9%)
Capital Protection Plus Income Bond – Generation 2 (investments between December 2009 and June 2010)	5% (9%)
OTHER WITH PROFITS BONDS	
Growth and Income Bonds with a tenth anniversary guarantee (investments between October 2003 and September 2005)*	8% (8%)

LIFE POLICIES (CONTINUED)

PRODUCT	INVESTMENT RETURN
• Other Income Bonds (April 2002 and later investments) • Investment Bonds (July 1997 and later investments, and switched into with profits in 2003 or later)	7% (9%)
• All other With Profits Growth Bonds (August 1999 and later investments) • With Profits Income Bonds (March 2002 and earlier investments)	9% (9%)
ENDOWMENTS AND SAVINGS PLANS	
Unitised life policies including: • 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)	9% (9%)
Conventional life policies including: • 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	9% (8%)

PENSION POLICIES

PRODUCT	INVESTMENT RETURN
Adaptable Pension Plan with contractual annual interest (CAI)	8% (11%)
Other pension policies: • Personal Retirement Plan (PRP) • Other Unitised Pensions • Adaptable Pension Plan without contractual annual interest (CAI) • Conventional Buy Out Plan • Other Conventional Pensions	 9% (12%) 9% (12%) 9% (11%) 9% (10%) 9% (12%)
With Profits Annuity*	12% (11%)

* 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 2013, the investments and liabilities were as follows:

INVESTMENTS AND LIABILITIES	£bn
Total admissible investments	24.33
Assets supporting non-profit business	-11.65
Remainder	12.68
Excess admissible investments and future profits on non-participating with profits business	0.41
Available investments	13.08
Participating with profits plan liabilities	12.29
Difference (Inherited estate)	0.79

BONUS DECLARATION DATES.

From February 2007 to February 2014 bonus declaration dates were as follows:

20 February 2014
30 May 2013**
21 February 2013
16 February 2012
17 February 2011
18 February 2010
19 February 2009
22 October 2008*
21 February 2008
22 February 2007

*Reduction in final bonus.
**Increase 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	2009	2010	2011	2012	2013	2014
CMA (Life) (%)	1.50	1.30	1.20	0.95	0.75	1.05
CMA (Pensions) (%)	1.90	1.60	1.50	1.15	0.90	1.30

MARKET VALUE REDUCTION FACTORS.

A market value reduction (MVR) is an adjustment we may apply to money taken out of with profits in certain circumstances to make sure that everyone gets their fair share of the assets backing a with profits investment.

The range of market value reduction factors which were applied from 2009 to 2013 were as set out in the table below. As an example, where the MVR range is 97% to 100%, this means that a reduction of up to 3% could have applied.

YEAR	2009	2010	2011	2012	2013
Pensions	71% to 100%	83% to 100%	91% to 100%	91% to 100%	97% to 100%
Income bonds	71% to 100%	81% to 100%	84% to 100%	84% to 100%	86% to 100%
Growth bonds	73% to 100%	84% to 100%	90% to 100%	90% to 100%	95% to 100%
Regular premium life	74% to 100%	85% to 100%	91% to 100%	92% to 100%	100%

For more information, please read our factsheet on understanding MVRs.

DEDUCTIONS IN RESPECT OF GUARANTEES AND OPTIONS.

We regularly assess the amount set aside in the With Profits Fund to cover the expected cost of guarantees and options. If we need to increase this amount, we can make a deduction from the value of assets underlying all with profits policies when setting bonus rates. Deductions are limited to no more than 0.75% each year, with a maximum of up to 5% per policy.

If we have more set aside than is needed, we can make a refund when setting bonus rates. We do this by increasing the value of the assets underlying all with profits policies by no more than the amount we had previously deducted.

We've allowed for the following deductions and refunds in our calculation of bonus rates for the 2013 declaration:

YEAR	2008	2009	2010	2011	2012	2013
Deduction/Refund	Deduction	Refund	Deduction	Deduction	Refund	None
%	0.75%	0.40%	0.20%	0.75%	0.75%	–

We've carried forward a small deduction into 2014 which we'll consider in future bonus declarations.

REVIEW OF OUR BONUS DECLARATION.

The bonus declaration has been reviewed by Milliman acting as the independent person. In Milliman's judgement, the 20 February 2014 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 2014 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 2013.

The Board Report on Compliance will be available on our website at **www.legalandgeneral.com/with-profits** by 30 June 2014.

The PPFM is available on our website now at **www.legalandgeneral.com/with-profits**

INVESTMENT MANAGEMENT REVIEW.

The majority of our with profits investments are managed by Legal & General Investment Management Limited (LGIM). To help us maintain investment flexibility we have the discretion in certain circumstances to appoint different investment managers for all or part of our with profits investments. We currently use two external investment managers, Lazard Asset Management Limited and Marathon Asset Management LLP, to manage some of the With Profits Fund's Japanese equity investments. We regularly review the performance of all assets, both externally placed and with LGIM, 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 on request.

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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We are a member of the Association of British Insurers.

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