

2018 BONUS FACTSHEET.

Incorporating the Principles and Practices of Financial Management (PPFM)
Data Annex for the 21 February 2019 bonus declaration.

This document contains data regarding the With Profits Fund and the facts and figures for the bonus declaration on 21 February 2019.

INVESTMENT MARKETS – A REVIEW OF THE LAST YEAR.

The global economy as a whole continued to grow during 2018, driven increasingly by the strength of local domestic demand in the major economies. However, emerging markets were severely affected by the increasing risk of a US-China trade war and the effect US interest rate increases were having on emerging market investor sentiment. Worldwide, inflationary pressures have remained subdued compared to historical levels. The US Federal Reserve continued to raise interest rates every quarter amidst strong US economic growth. The Bank of England raised the UK base interest rate to 0.75% in August.

Although the global economic background remained broadly supportive for equities, escalating trade tensions between the US and China saw most equity markets fall. US equities were relatively more resilient as economic growth was strong enough to offset the escalating trade tensions. However, in the UK and Continental European markets, political uncertainty had a negative impact on investor confidence and prices fell. Elsewhere fears over rising trade tensions were a drag on export-orientated Asia-Pacific companies. Turkish stocks suffered amid US-imposed sanctions, while political uncertainty and industrial unrest saw equity prices in Brazil fall.

Overseas bond markets saw positive returns but struggled to make much headway as central banks continued to withdraw the extraordinary monetary support that has been in place since the global financial crisis began in September 2008. UK bonds in particular struggled to make any headway because of the continuing uncertainty over the Brexit negotiations with the European Union.

The UK commercial property market also saw positive returns with capital growth in the industrial sector outpacing that of the other main sectors. The retail sector was sluggish relying on rental growth for its marginal positive return as capital values on the high street declined.

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:

	2014	2015	2016	2017	2018
UK shares	17%	17%	17%	16%	16%
Overseas shares	26%	24%	26%	24%	23%
Fixed interest securities	44%	46%	46%	47%	47%
Commercial property	13%	13%	11%	11%	10%
Other	0%	0%	0%	2%	4%

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 2018. Please note, the figures shown in brackets are the asset mixes at the end of 2017.

LIFE POLICIES

PRODUCT	ASSET MIX				
	UK shares	Overseas shares	Fixed interest securities	Commercial property	Other
CAPITAL CONTROL BONDS					
Capital Control Growth Bond (investments between March 2010 and March 2012)	16% (17%)	25% (25%)	44% (45%)	11% (11%)	4% (2%)
Capital Control Income Bond (investments between March 2010 and March 2012)	15% (16%)	22% (23%)	49% (49%)	10% (10%)	4% (2%)
CAPITAL PROTECTION AND CAPITAL PROTECTION PLUS BONDS					
Capital Protection Growth Bond (investments between May and December 2008)	18% (19%)	27% (27%)	39% (40%)	12% (12%)	4% (2%)
Capital Protection Income Bond (investments between May and December 2008)	15% (16%)	22% (23%)	49% (49%)	10% (10%)	4% (2%)
Capital Protection Growth Bond (investments between January 2009 and June 2010)	16% (17%)	25% (25%)	44% (45%)	11% (11%)	4% (2%)
Capital Protection Income Bond (investments between January 2009 and June 2010)	15% (16%)	22% (23%)	49% (49%)	10% (10%)	4% (2%)
Capital Protection Plus Growth Bond (investments between November 2008 and December 2009)	16% (17%)	25% (25%)	44% (45%)	11% (11%)	4% (2%)
Capital Protection Plus Income Bond (investments between November 2008 and December 2009)	15% (16%)	22% (23%)	49% (49%)	10% (10%)	4% (2%)
Capital Protection Plus Growth Bond – Generation 2 (investments between December 2009 and June 2010)	12% (12%)	17% (18%)	60% (61%)	8% (8%)	3% (1%)
Capital Protection Plus Income Bond – Generation 2 (investments between December 2009 and June 2010)	10% (11%)	15% (15%)	65% (66%)	7% (7%)	3% (1%)

LIFE POLICIES (CONTINUED)

PRODUCT	ASSET MIX				
	UK shares	Overseas shares	Fixed interest securities	Commercial property	Other
OTHER WITH PROFITS BONDS					
With Profits Growth Bonds excluding those with a 10th anniversary guarantee (investments between August 1999 and December 2014)	18% (19%)	27% (27%)	39% (40%)	12% (12%)	4% (2%)
With Profits Income Bonds (March 2002 and earlier investments)	14% (15%)	21% (22%)	52% (51%)	9% (10%)	4% (2%)
Growth and Income Bonds with a tenth anniversary guarantee (investments between October 2003 and September 2005)*	17% (18%)	25% (25%)	43% (44%)	11% (11%)	4% (2%)
Other Income Bonds (investments between April 2002 and December 2014) and Investment Bonds (July 1997 and later investments, and switched into with profits in 2003 or later)	15% (16%)	22% (23%)	50% (49%)	10% (10%)	3% (2%)
ENDOWMENTS AND SAVINGS PLANS					
Unitised life policies including: <ul style="list-style-type: none"> • Capital Investment Portfolio • Flexible Investment Plan • Flexible Mortgage Plan • Flexible Protection Plan • Unit Savings (Prospects and New Savings Plan) Conventional life policies including: <ul style="list-style-type: none"> • Build Up • Cashbuilder • Endowment • Low Start Build Up • Progressive Build Up Plus • Progressive Flexible Build Up • Progressive Investment • Treasure Chest • Whole of Life Plan 	18% (19%)	27% (27%)	39% (40%)	12% (12%)	4% (2%)

* 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 2018 and will vary over time as investment conditions and other factors influencing the appropriate mix for each product group change.

PENSION POLICIES

PRODUCT	ASSET MIX				
	UK shares	Overseas shares	Fixed interest securities	Commercial property	Other
Pension products with CAI, set up in 1994 or earlier including: <ul style="list-style-type: none"> • Personal Pension Plan (PP No.1) • Executive Pension Plan (EPP) • Company Sponsored Additional Voluntary Contributions (CSAVC) • Company Pension Plan (CPP) • Conventional Buy Out Plan • Pension Investment Plan (PIP) • Trustee Investment Plan (TIP) 	14% (14%)	20% (21%)	54% (54%)	9% (9%)	3% (2%)
Pension products set up in 1995 or later including: <ul style="list-style-type: none"> • Personal Pension Plan (PP No.1) • Personal Pension 2000 • Executive Pension Plan (EPP) • Company Sponsored Additional Voluntary Contributions (CSAVC) • Company Pension Plan (CPP) • Buy Out Plan • Trustee Investment Plan (TIP) 	15% (16%)	22% (23%)	49% (49%)	10% (10%)	4% (2%)
Personal Retirement Plan (PRP)	15% (16%)	22% (23%)	49% (49%)	10% (10%)	4% (2%)
Conventional Buy Out Plan	15% (16%)	22% (23%)	49% (49%)	10% (10%)	4% (2%)
With Profits Annuity*	22% (22%)	32% (33%)	27% (28%)	14% (14%)	5% (3%)

* 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 2018 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	2014	2015	2016	2017	2018
Return (before tax)	10%	3%	15%	8%	-3%
Return (after tax)	8%	3%	13%	7%	-2%

Investment returns are rounded to the nearest percent.

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 2018 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 2017.

LIFE POLICIES

PRODUCT	INVESTMENT RETURN
CAPITAL CONTROL BONDS	
Capital Control Growth Bond (investments between March 2010 and March 2012)	-3% (7%)
Capital Control Income Bond (investments between March 2010 and March 2012)	-2% (7%)
CAPITAL PROTECTION AND CAPITAL PROTECTION PLUS BONDS	
Capital Protection Growth Bond (investments between May and December 2008)	-3% (8%)
Capital Protection Income Bond (investments between May and December 2008)	-2% (7%)
Capital Protection Growth Bond (investments between January 2009 and June 2010)	-3% (7%)
Capital Protection Income Bond (investments between January 2009 and June 2010)	-2% (7%)
Capital Protection Plus Growth Bond (investments between November 2008 and December 2009)	-3% (7%)
Capital Protection Plus Income Bond (investments between November 2008 and December 2009)	-2% (7%)
Capital Protection Plus Growth Bond – Generation 2 (investments between December 2009 and June 2010)	-2% (6%)
Capital Protection Plus Income Bond – Generation 2 (investments between December 2009 and June 2010)	-2% (6%)
OTHER WITH PROFITS BONDS	
With Profits Growth Bonds excluding those with a 10th anniversary guarantee (investments between August 1999 and December 2014)	-3% (8%)

LIFE POLICIES (CONTINUED)

PRODUCT	INVESTMENT RETURN
With Profits Income Bonds (March 2002 and earlier investments)	-2% (7%)
Growth and Income Bonds with a tenth anniversary guarantee (investments between October 2003 and September 2005)*	-3% (7%)
Other Income Bonds (investments between April 2002 and December 2014) and Investment Bonds (July 1997 and later investments, and switched into with profits in 2003 or later)	-2% (7%)
ENDOWMENTS AND SAVINGS PLANS	
Unitised life policies including: <ul style="list-style-type: none"> • Capital Investment Portfolio • Flexible Investment Plan • Flexible Mortgage Plan • Flexible Protection Plan • Unit Savings (Prospects and New Savings Plan) 	-3% (8%)
Conventional life policies including: <ul style="list-style-type: none"> • Build Up • Cashbuilder • Endowment • Low Start Build Up • Progressive Build Up Plus • Progressive Flexible Build Up • Progressive Investment • Treasure Chest • Whole of Life Plan 	-3% (8%)

PENSION POLICIES

PRODUCT	INVESTMENT RETURN
Pension products with CAI, set up in 1994 or earlier including: <ul style="list-style-type: none"> • Personal Pension Plan (PP No.1) • Executive Pension Plan (EPP) • Company Sponsored Additional Voluntary Contributions (CSAVC) • Company Pension Plan (CPP) • Buy Out Plan • Pension Investment Plan (PIP) • Trustee Investment Plan (TIP) 	-3% (8%)
Pension products set up in 1995 or later including: <ul style="list-style-type: none"> • Personal Pension Plan (PP No.1) • Personal Pension 2000 • Executive Pension Plan (EPP) • Company Sponsored Additional Voluntary Contributions (CSAVC) • Company Pension Plan (CPP) • Buy Out Plan • Trustee Investment Plan (TIP) 	-3% (8%)
Personal Retirement Plan (PRP)	-3% (8%)
Conventional Buy Out Plan	-3% (8%)
With Profits Annuity*	-4% (9%)

* 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.

Investment returns are rounded to the nearest percent.

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 tax, investment expenses and any policy charges.

THE INVESTMENTS AND LIABILITIES OF THE WITH PROFITS FUND.

At the end of 2018, the investments and liabilities were as follows:

INVESTMENTS AND LIABILITIES	£bn
Total admissible investments	18.30
Assets supporting non-profit business*	-8.88
Available investments	9.43
Participating with profits plan liabilities	8.79
Difference	0.64

* Including current liabilities

Note: The results are on the Solvency II regulatory basis and so exclude the impact of future transfers to shareholders. The liability associated with these transfers is £0.25bn.

BONUS DECLARATION DATES.

From February 2013 to February 2019 bonus declaration dates were as follows:

21 February 2019
15 February 2018
16 February 2017
29 September 2016**
18 February 2016
19 February 2015
20 February 2014
30 May 2013**
21 February 2013

**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.

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	2014	2015	2016	2017	2018	2019
CMA (Life) (%)	1.05	0.90	0.75	0.50	0.60	0.60
CMA (Pensions) (%)	1.30	1.10	0.95	0.65	0.70	0.75

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 2014 to 2019 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	2014	2015	2016	2017	2018	2019*
Pensions (%)	95 to 100	95 to 100	95 to 100	96 to 100	99 to 100	94 to 100
Income bonds (%)	90 to 100	92 to 100	90 to 100	99 to 100	100	100
Growth bonds (%)	98 to 100	96 to 100	94 to 100	100	100	98 to 100
Regular premium life (%)	100	99 to 100	96 to 100	100	99 to 100	96 to 100

*MVRs correct as at 21 February 2019, MVRs can change at any time without notice. For more information, please read our factsheet on understanding MVRs.

PRINCIPLES AND PRACTICES OF FINANCIAL MANAGEMENT (PPFM)

Every year in June the Board of Directors will report to with profits policyholders on compliance with our PPFM for the period 1 January to 31 December.

The latest version of this report is available on our website at legalandgeneral.com/with-profits.

You can also download the latest version of our PPFM (which was amended in October 2018) and the Notification of Changes to our PPFM from the website.

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 to appoint different investment managers for all or part of our with profits 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

Please see your policy documents or call us on the number shown on the letter that came with your statement.



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

We also have booklets called 'A guide to how we manage your unitised with profits investment' and 'A guide to how we manage your conventional with profits investment' which have further information on how your policy works. These are available on our website at 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 unbiased.co.uk or by calling **0800 023 6868**.

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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We are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

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