

Summary of Questions Posed Prior to and at the AGM

What is Solvency II and what does it mean for Legal & General?

Solvency II will deliver a dramatically altered regulatory capital approach in the UK and Europe. It will lead to a fundamental change in the way that insurance companies are required to calculate their prudential capital. For certain business segments, such as annuities, Solvency II proposals may require firms to hold a disproportionate amount of capital relative to the risk exposure.

While the high level regulations of Solvency II have been defined, detailed capital requirements and implementation rules have not been finalised. Therefore it is important that we remain closely engaged with the process to deal with the challenges that arise.

The key goal is that we get a common sense set of rules so that we can continue to operate in delivering value for customers in these really important financial products that we manufacture.

As a shareholder of other companies, how do you influence and leverage relationships?

Our fund management side, LGIM, owns between 4 and 4.5 per cent of most of the quoted companies in the UK and is very conscious of the responsibility of such significant shareholdings. LGIM is a leader in shareholder engagement and the corporate governance team has been highly active over the past year speaking with the management of companies where we feel that change or further explanation is required.

LGIM signed up to the new UK Stewardship Code for investors in September 2010 as well as committing to the United Nations Principles of Responsible Investment.

LGIM always votes its holdings in UK companies in accordance with the specific instructions received from its clients as the shareholdings are held on behalf of major pension funds and other institutions, as well as Legal & General Group. Where no specific guidance is given, LGIM uses its discretion to vote in accordance with our stated policy, which aims to promote the success of the investee company for stakeholders, employees and shareholders as a whole. The LGIM corporate governance and responsible investment policy is available on the [LGIM website](#).

When do you plan to introduce the scrip dividend?

The Company sought authority to offer shareholders a Scrip dividend programme at the 2011 AGM. It is not currently intended that the Scrip dividend alternative will be offered or that the dividend re-investment plan will be cancelled in respect of future dividends. However, the Board of directors sought this authority to ensure flexibility for future dividend payments.

Why do you no longer send full Report and Accounts to all shareholders?

Some time ago we took advantage of part of the Companies Act 2006 which allows companies to use electronic communication as a default method of communicating with shareholders. This authorises us to make electronic copies of our accounts available to shareholders as a first choice. Legal & General wrote to all shareholders in 2010 asking if they would prefer to receive a hard copy of the Report and Accounts; those shareholders who did not respond were deemed to have opted for an electronic copy. Shareholders may request a paper copy of the annual accounts at any time by contacting the Company's Registrar.

Can you comment on the performance of the share price?

The share price performed well in 2010 both in absolute and relative terms. We are pleased that the market is starting to appreciate the clarity of our strategy and the superior execution of that strategy although we still feel that the market is undervaluing the strength of our franchise and the high quality, sustainable cashflow we are generating.

When will my shares be worth what they were 10 years ago?

Over 10 years, our share price has performed broadly in line with the quoted UK life sector which, in the face of recent financial crises, has underperformed the total market. We are committed to our strategy of growth across our risk, savings and investment management franchises and we are working hard to convince the market of the merits of this strategy which is evidenced by our strong financial performance in 2009 and 2010.

How do you justify paying £1.5 million cash bonus to the four Executive Directors?

The bonuses for the Executive Directors are based on overall individual performance and achievement of objectives. These are a combination of meeting the Company's Key Performance Indicator targets, Divisional or other financial results and personal / strategic objectives. All bonus payments are discretionary and subject to Remuneration Committee review and approval. The performance reviews of all Executive Directors are considered by the Remuneration Committee. For 2010, bonuses of between 91.4% of salary and 112.4% of salary were awarded. The maximum potential is 125% of salary. It was felt that these awards accurately represented the Group results and individual achievements of the Executive Directors.

How is your India business performing, given the competitive insurance market in India?

In 2009 we launched joint ventures in India and the Gulf. In India, IndiaFirst is a joint venture with Baroda Bank and Andhra Bank, who have a combined 4,700 strong and growing branch network. We already have over 100,000 policyholders.

The Indian business has made an excellent start: over 180,000 policies have been sold since the company's launch, and it is now performing to a business plan which is much more aggressive than the original launch path.

IndiaFirst shows you can arrive late and still be successful, as long as you are very selective of your business model and Joint Venture partners. We were the 23rd entrant into the market and are already 13th in terms of new business.

The market in India has been impacted by the change in charges regulated by the IRDA. We believe our business, which is based on a low-cost and highly-productive bancassurance model, is ideally placed to respond to this challenge.

Recent regulatory changes that further limit the charges to customers mean that distribution needs to be achieved with even more efficiency. A strength of bancassurance is the ability to achieve very low costs of distribution, so these changes vindicate our bancassurance led strategy. Currently, IndiaFirst has one of the lowest cost ratios in the Indian market

With all of these points in mind, we are very positive about the long term prospects for the Indian economy, the Indian life insurance market and for our business, IndiaFirst.

What are you doing about the Living Wage campaign that Fair Pensions are currently running to encourage UK PLCs to pay employees and their suppliers Living Wage standards?

As a UK employer we are supportive of applying the principles of the Living Wage standard to our business. We are looking at the procurement of our directly contracted services across the Group to see how we apply Living Wage standards to our UK supply chain.

Before we sign up to the Living Wage standard we need to be sure of the total cost of adopting the standard and on what basis the Living Wage is determined in terms of which economic and/or social indicators are taken into account.

You have restructured the finances such to bring cash generation alongside reported profits. Could you enlighten us as to how you have been so cash generative over the last few years and what these restructurings were, because it has obviously been very successful?

The Executive Directors have done a lot of the early work on the cash generative side of the business by getting a lot of the products restructured. Our IFRS businesses, LGIM, the unit trust business, and the GI business have all made a good contribution to cash flow generation. With regard to our international business, where for many years we exported capital, we rarely got dividends back. We changed that strategy a couple of years ago and are now receiving dividends from our companies in the Netherlands, the United States and France.

We believe the focus on cash generation has been good for the share price both at a relative level and an absolute level; therefore we will continue to drive forward on the very important cash metrics for the business.

What is your dividend policy going forward?

We have consistently said we link the payment of the dividend to the generation of cash. Cash generation has increased in the last two years and this has been coupled with strong growth in the dividend. Going forward, we expect dividend coverage by cash to move to 2 times over the medium term. This shift, coupled with continued growth in cash generation should yield attractive dividend growth for shareholders.