Summary of questions raised at the 2012 Annual General Meeting

1. Total Shareholder Return has been negative over five years. What is the Company doing to make and keep the return positive?

Derating of the sector, particularly financial services, is the cause of negative TSR. The Company has performed very well over that period relative to other life assurance companies, both in the UK and overseas. Over the course of the last six or so years we were in the top quintile of global life assurance companies and composites on the basis of TSR return. The Board is absolutely committed to trying to produce results that will support a strongly growing dividend and a strongly growing share price.

2. What is the Company's investment strategy with particular reference to equities, bonds and property holdings?

Legal & General Investment Management ("LGIM") have £380 billion under management, a significant amount of which is for third parties. Those third parties determine the asset allocation. It is only for a small subset of the assets we manage that we have that discretion ourselves. We have to separate that into three pots: (i) the assets backing our annuity liabilities; (ii) the with-profit fund; and (iii) the free capital of the Company.

Fixed monetary cash flows that extend far into the future are best matched by fixed positive cash flows that we can get from bonds. It is very much a fixed income based strategy that we use to back the annuity liabilities: the fixed monetary obligations we have taken on when we write annuity contracts. We have followed that strategy for some time. To hold equities or any other asset class would introduce an unnecessary level of risk given the very clear objectives of that particular fund.

The second is with-profits. Legal & General's with-profits fund is one of the few remaining very strong funds in the UK, which enables us to hold a broad balance of asset classes over the long term for the benefit of our with-profit policy holders. These funds do hold considerable amounts of UK and overseas equities.

The last is free capital of the Company. We do hold some in equities, we do hold some in property, but broadly those need to be invested in safer assets because it is the capital underpinning of the Company. The vast majority is in short term bonds, in longer term bonds or in cash. Those are the investment strategies we pursue.

3. As a major institutional investor, how proactive is Legal & General Investment Management in seeking to improve the governance and performance of the companies in which it invests?

We take great pride in our activities as an engaged investor in respect of all the shareholdings we have in all of the companies in which we invest, particularly in the UK but increasingly overseas. We carry out many meetings with the companies in which we invest. The areas we cover are not only performance, the investment case, but issues of management, success and strategy. We are very influential in ensuring remuneration policies remain appropriate, simple and aligned. However, it is not always possible to get agreement with the remuneration committees of some of these companies. In 2011 we voted against 125 remuneration reports for UK companies for a variety of reasons. Firstly you can see that we are substantially engaged with the companies in which we invest; secondly, we do take a hard line in respect of the concerns many shareholders have in many areas, not just remuneration.

4. **Could you tell us more about your liability driven investment strategy and also LGIM America?**

   Liability driven investment is a rapidly growing area of the investment management market. I am pleased to say that Legal & General Investment Management is a leading player. We want to broaden the geographical reach of LGIM and the product range. Liability driven investments are an example of where we are doing both: a new product in the UK and America that America pension funds are also interested in.

5. **In accordance with the campaign being run by Fair Pensions, when will the Company commit to becoming a Living Wage employer?**

   As a UK employer we are supportive of applying the principles of the Living Wage standard to our business. The living wage on salary is not a material issue for us as an employer. The issue is with some of our suppliers who work on our premises. We have been working with those suppliers to ensure that they can give us the assurance that we can then pass on to you that everyone working in Legal & General premises will earn at least a minimum of the living wage. We will continue to work on this matter.

6. **Could you explain the Company's cash generation model?**

   All of the divisions worked to a very similar model across the Group. We deliberately try to generate a high amount of cash from the businesses and a higher return on equity from the capital we invest in the businesses. Mark Gregory and his team have redesigned a lot of the products and changed the commission structure. John Pollock's team have developed very efficient models in the protection area. We have had a very successful strategy in the annuity area. The LGIM team have also delivered a substantial increase in cash. They have expanded their business internationally and in the UK under Mark Zinkula. The central pot of money has grown a lot over the years, from about £4.1 billion at the beginning of 2010 to £5.9 billion at the end of 2011. We have made our international businesses dividend paying. We are very pleased to say that the dividends are showing very healthy growth; Gareth Hoskin has introduced that across the whole of our international division. There has not been one particular course of action; there have been many. It is a collective effort by all the management and all the employees across the group.

7. **How will the Eurozone crisis affect Legal & General's investments in countries such as Greece, France, Italy and Spain?**

   The Board continue to take the Eurozone crisis very seriously, and therefore have been looking at what could happen for some considerable time and working out plans for how we would deal with that. Our exposure to countries like Greece is very small. We do have some small subsidiaries in France and in the Netherlands. Otherwise our exposure to Europe, minus the UK, is comparatively small. If there is a crisis I am afraid all institutions would be affected; I would like to think that we will be affected a bit less for the reasons you mentioned: we are strong and we have seen some of these issues coming.

8. **What steps have been taken to monitor bancassurance arrangements and ensure that, in the light of market uncertainty, secure streams of profit can flow from distribution agreements in the banking markets and still deliver value to those who take up the products offered?**

   We are the biggest bancassurer in the UK that is not a bank. The key aspect of a bancassurance arrangement is to use the distribution strength of the bank or building society alongside the manufacturing capability of the provider company. Customer persistency is a little bit different in protection products and savings products, but persistency is a key area in the corporate relationships that we have. Persistency is monitored by Legal & General within all our corporate relationships, our recent experience for persistency in our bank and building society relationships is good, with many arrangements out performing comparable markets.

We ensure that all our Bancassurance agreements are set up to align the commercial interest of the distributor with Legal & General and regularly review relationships and performance through established joint governance frameworks.

9. What is your approach to the calculation of annuity liabilities under Solvency II?

The way that annuity reserving works at the moment, when an annuity is written the insurance company projects the most likely liability cash flows into the future, based upon the expectation of longevity for that individual or for that corporate scheme. That is the best estimate of that. We discount that best estimate by a market related interest rate: as interest rates go up or down – credit spreads rise or fall – that is adjusted. We then add some reserve to that for prudential purposes to cover fall fluctuations, unexpected fluctuations and a number of variables: inflation, longevity, or defaults. It is a quite stable system; it works well, as I described before, that the assets are held to maturity against known cash flows. There is no need for procyclicality or volatility there. Under Solvency II the approaches could be a bit different and introduce a degree of volatility between the way we value assets and the way we value liabilities. That is unwelcome in bringing instability, but it is also unwelcome in reducing the appetite of insurers to write this kind of product and reducing the terms that we can give to customers. Poor value annuities mean poorer pensions; we can agree that that is not a good social outcome. Under Solvency II Legal & General has been leading the industry in trying to restore the stable basis of cash flow matching, which I previous described, and put it at the heart of the Solvency II methodology. We have been pretty successful. We are not there yet. The chances are that we will manage to do that, and that the basis on which the reserves and capital are calculated under Solvency II will not be too dissimilar in their effect than Solvency I. It is an important social policy issue and very important for our customers. It is therefore very important for us.

10. In relation to the companies in which LGIM invests, do you prefer cash dividends or share buybacks? Do you have any policy in place and how do you try to influence investee companies?

It really depends on the individual circumstances. To the extent that cash generated is sustainable over the long term, we believe that is a good platform for a policy of increasing dividends. To the extent that if an element of cash has occurred that is a one-off, there is a case, in certain circumstances, to consider either special dividends or share buybacks. We will look at the merits of the individual cases; there are investors who are strong proponents of share buybacks; there are other investors who are strong proponents of increasing dividends. When we discuss with companies we raise that issue and make sure they are clear in their minds why it is that they have gone for one route rather than another and can explain that to shareholders. In the end, it is the decision for the boards of those individual companies.

11. To what extent are we exposed to claims for mis-sold Payment Protection Insurance (PPI)?

Unlike most insurers the Company did not manufacture PPI. We do not manufacture the product; however it was distributed through a third party who we have a regulatory responsibility for. That is being dealt with at the moment; the sums involved are very small indeed.

12. **Could you clarify your position in respect of the redevelopment of the Grosvenor Centre?**

We would like to redevelop the centre of Northampton in line with original plans, plans that we have had for some time. We can do that, provided that what we produce is going to work for the town and for our shareholders. There are ongoing negotiations, making sure that those two different things can be reconciled. If they can be reconciled I think you would agree that it would be a welcome addition to Northampton.

13. **How did you vote on Barclay's remuneration committee?**

LGIM maintains an active voting policy and publishes the way in which it has voted in arrears. The details of how LGIM voted in respect of Barclay's have not yet been made available but will be published in due course.

14. **Does the registrar publish the list of registered shareholders in the company? We keep getting phone calls from people who want us to buy shares that do not exist.**

The Registrars do not publish a list of registered shareholders. If you receive a cold call from an individual offering to purchase your shares, please take their name and contact telephone number and report this to our Registrar. You should not disclose any personal information.

15. **How is Tim going to continue helping the Company after he retires?**

Tim will stand down from his role as Chief Executive at the end of June but will not be retiring until the end of the year. For the latter half of the year, Tim will take an important advisory role on key activities including working on and lobbying for an appropriate outcome on Solvency II as he is an expert in this field.

16. **Could you tell us more about the platform business, which comes under the savings operations of our Company?**

Platforms have really taken hold in the UK in the last 10 years. They are essentially a technology solution to make investments eg. unit trusts, ISAs more efficient than they have been in the past. We have a double play in this space. We have our own platform, and we also have an investment in Cofunds, which is the second biggest platform in the UK, with just under £40 billion of assets on the Cofunds platforms. We see platforms as a very efficient way of getting our products and funds to market. That is why we have been pushing hard and making sure we are a big player in the platform space. We expect that trend to continue.

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17. **Is the Company involved in liquidity and/or longevity swaps?**

Longevity insurance is part and parcel of de-risking. You raised a question on liability driven investments. It is a core skill that Legal & General has developed over many years. Although it is a relatively new market with relatively few transactions it is clearly one in which we are interested. We completed our first transaction last year and we continue to look at that market eagerly, and any opportunities it may afford.

18. **Does the Company loan shares of companies in which it invests to hedge funds to enable them to engage in short selling?**

No, in the UK.

19. How is the development at Eastbourne, the Arndale Centre, progressing?

With regard to the development of Eastbourne, we are trying to ensure we can get something that works for the town, but can work for our shareholders an policyholders on an ongoing basis. These things inevitably do take a lot of negotiation and there are some competitive aspects to take into account. We would like to bring those to a, hopefully successful, conclusion so that we can contribute to the upgrade of the shopping centre.