

**Tim Breedon**  
**Group Chief Executive**



3 February 2010

**Legal & General Group Plc**

Lord Myners  
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Dear Paul

Thank you for your letter of 28 January regarding bank bonus payments.

We recognise the importance of aligning remuneration policies with the delivery of sustainable long-term performance in the banking sector, as in other parts of the economy, and we acknowledge the particular resonance the bank bonus issue has with the broader public.

As you would expect, Legal & General has already been in dialogue on the issue of bonuses with the chairmen of the remuneration committees of the UK's largest banks. We have advised and urged them to take into account the need to strengthen balance sheets, the extraordinary market conditions created by the need for the government to support the sector through the credit crisis, and the recommendations on remuneration of the FSA, the Combined Code and the Walker Review. Our clear message is that we expect committees to show restraint.

It is too early to say how we might respond in terms of voting. However you can be assured that we are very aware of our responsibilities as shareholders and will continue to devote considerable resources to the understanding and analysis of the remuneration policies and practices of the companies in which we invest. Our voting record demonstrates that we have never been shy in opposing resolutions that we find unacceptable.

On a slightly broader point, your letter rightly emphasises the importance of the banking industry in meeting the credit needs of customers and the wider economy. Our concern is that the debate on bank remuneration has overshadowed the question of how best to design and put in place new architecture that will deliver a stable, properly-functioning, internationally competitive, appropriately (but not excessively) capitalised banking system capable of supporting, and contributing to, the nation's economic recovery and future performance. The risks and consequences of getting this wrong are substantial.

This important issue of national interest can only be properly addressed in an environment where the debate on remuneration is much less highly-charged than it is today. Moderation on all sides is needed.

With Best Wishes.

Yours sincerely

A handwritten signature in black ink, appearing to be 'TB', written over a horizontal line.

Tim Breedon  
Group Chief Executive