Resolution Limited
UK Life Project – cash and capital update

7 June 2011

Resolution

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Agenda

UK Life Project	John Tiner
Friends Life	Andy Briggs
Capital management and synergy delivery	Ian Maidens
Cash delivery and IFRS update	Jim Newman
Value Share	Ian Maidens
Summary	Clive Cowdery

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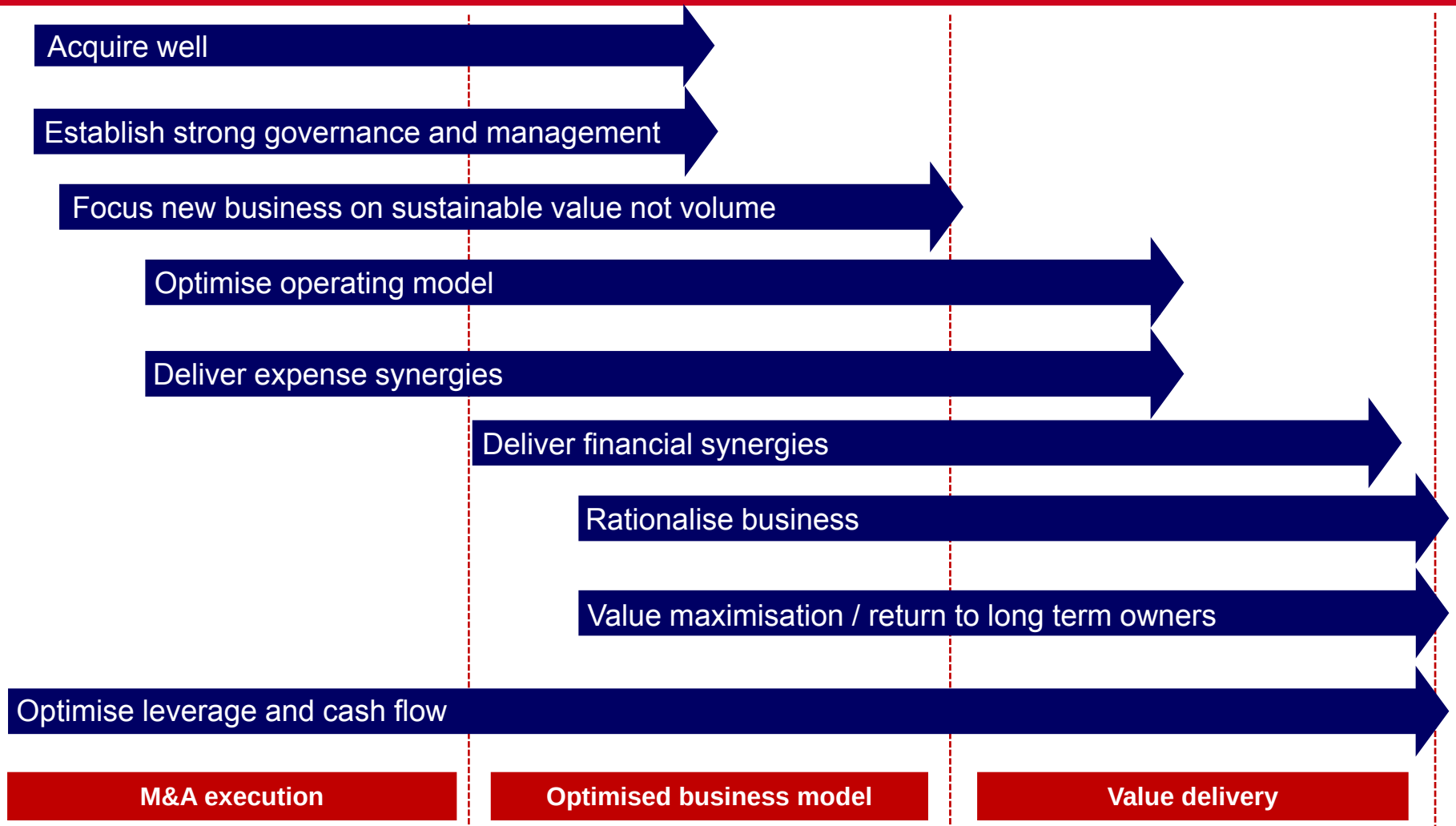
Summary
£500m targeted cash return

- Resolution Limited confirmed as single project vehicle
  - No requirement to retain Resolution Limited cash for other vehicles
- Confirmation of capital policy and return of excess cash to shareholders
  - £250m share buyback in 2011
- £235m of capital synergies planned for 2011
- Targeting further £250m cash return in 2012
  - Subject to delivery of capital synergies and regulatory approval
  - Form of return to be determined once timing known
  - Further UK Life Project acquisitions requiring this cash not expected in short to medium term
- Potential further upside from £500m
  - Future capital synergies
  - Solvency II
- UK Life Project on track to deliver targeted returns
  - Aggregate dividend commitment maintained, expect dividend per share to increase
  - Expect to participate in on-going industry restructuring to optimise value

UK Life Project
Strategy on track



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UK Life Project
Optimising the business model

1. M&A execution
   - Acquire well ✓
   - Stabilisation, separation, integration ✓
2. Optimised business model
   - Strengthen management team ✓
   - Sustainable new business: value not volume ✓
   - Deliver financial synergies
   - Optimise leverage and cash flow

   Focus of today
3. Value delivery
   - Rationalise business
   - Value maximisation

2011 actions to date

Jan:	Business re-organisation
Feb:	Announcement of Andy Briggs as new CEO New business strategy update Increased cost synergies to £112m
Mar:	AXA RIE release of £1,010m Dividend re-based up 15%
Apr:	£500m bond issue
June:	Cash and capital update

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UK Life Project – 2010-2012
On track to deliver expected returns

Friends Life
- £6.5bn of EV, net of debt, acquired at a blended price of c. 66.9% of EV, net of debt
- Synergy benefits
- Restructuring growth

External landscape
- Regulatory uncertainty
- Market volatility

Market trends
- Internal restructuring
  - Prepare for SII / RDR
  - Cost cutting
  - New business refocus

Friends Life value agenda
- Delivery of returns possible without further acquisitions
- Delivery of financial and synergy targets
- High bar for ongoing M&A
  - Accretion to project returns
- Low appetite to put integration at risk

UK Life Project – 2013-2014
Value delivery to shareholders

Friends Life
- Integration completed
- Products and distribution restructured
- Cash/capital transparency
- Financial targets delivered

External landscape
- SII implemented
- RDR
- Gender neutral pricing
- Auto-enrolment
- Life tax changes
- Sector to deliver investor returns with greater transparency

Market trends
- New business winners and losers clear
- Push to recycle capital to growth opportunities domestically and internationally
- Strategic repositioning

Friends Life value agenda
- Value from consolidation delivered
- Exit analysis completed: SOTP versus value of whole
- Further M&A possible

UK Life Project
Integration on track

- On track to deliver 2013 Target Metrics (see Appendix A)
- Product mix, distribution focus and cost base already improving in Individual Protection
- Corporate Pensions costs reducing and capability including Platform offering being enhanced
- Annuity capability being developed and detailed implementation planning underway
- Friends Life customer service KPIs remain positive
- Transitional Services between Friends Life and AXA UK running smoothly and separation costs running to budget
- Integration on track with robust governance in place

UK Life Project

On track to deliver £112m p.a. cost savings by end of 2013

Delivered H1

- Integrated sales capability and rationalised individual protection proposition – 120 FTE reductions
- Integrated sales and marketing model for UK Corporate – 38 FTE reductions
- Rationalised management and central function structures – 35 FTE reductions
- Improved commercial terms with chosen strategic suppliers
- Pensions rationalisation
- Rationalised brand expenditure

Cost (to date)	£18m
Run rate savings	£16m

2011 Plan

- Complete 'best of the best' protection proposition build on BHA platform
- Scale up new business processing and customer service in BHA and scale down in Heritage FP including closure of Coventry site
- Migrate advisers to BHA platform
- Reduce medical and portal fees in Individual Protection market
- Expected head count reduction in 2011 of 400
- Deliver further cost savings in UK Corporate Pensions including de-duplication of support costs – expected 25% reduction

Cost (cumulative to end 2011)	£69m
Run rate savings	£39m

By end 2013

- Rationalise UK-based properties
- Headcount reduction in shared service functions and through integration of Marketing teams
- Integration of customer service functions and processes
- Consolidated IT strategic sourcing arrangements
- Improved margins from BHA platform and reduced operational support for closed products

Cost (cumulative to end 2013)	£117m
Run rate savings	£112m

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Capital management and synergy delivery
Agenda

- Confirmation of Resolution Limited ("RSL") cash return policy

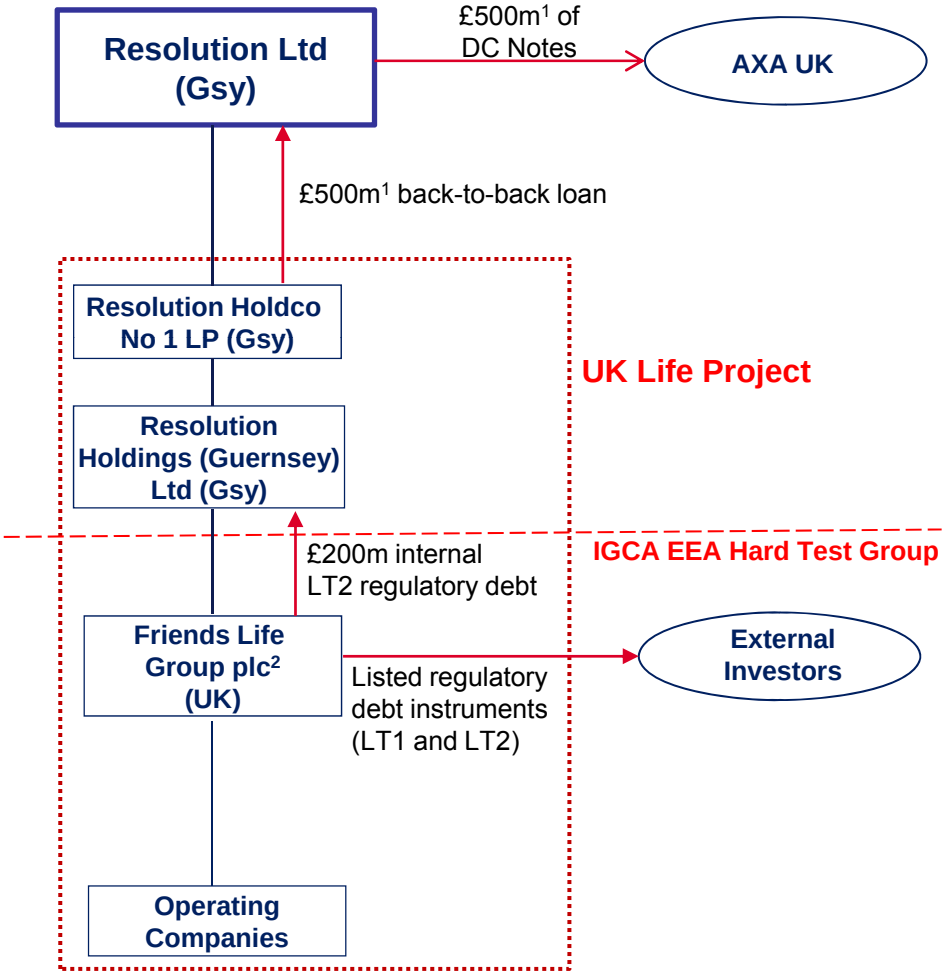
- RSL level
  - £410m cash at 3 June 2011
  - Used to fund initial £250m buyback, and 2011 cash commitments
  - Post 2011, dividends from Friends Life Group to fund recurring and non-recurring cash returns

- Friends Life Group level
  - Outline of capital framework
  - Confirmation of current capital position
  - 2011 actions to release second £250m

- Future potential upsides

Resolution Limited – cash return policy

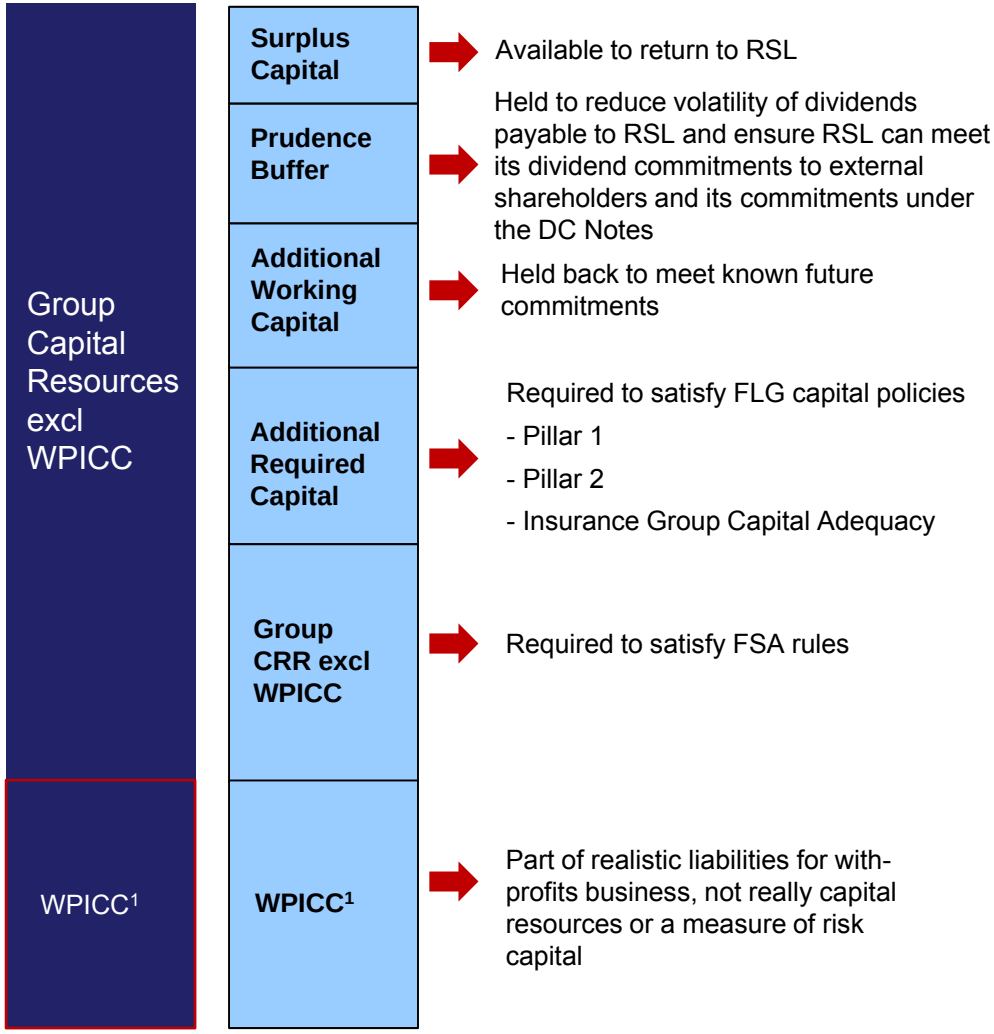
- The RSL Group effectively consists of the UK Life Project and cash held in RSL
- UK Life Project consists of Resolution Holdco No 1 LP ("Holdco") and its subsidiaries
- DC Notes issued in connection with the AXA Transaction are liabilities of RSL, but supported by back to back debt instrument issued by Holdco
- RSL policy is to return cash received from the UK Life Project to shareholders to the extent not required for further M&A, or to meet corporate costs, in the short to medium term
  - Regular dividends
  - Ad hoc returns of cash



Note:
1. Of which £62.5m now repaid, remainder due to be repaid £62.5m pa on 31 May for next seven years currently
2. Friends Provident Holdings (UK) plc is to be renamed Friends Life Group plc ("FLG") in July 2011

Friends Life Group ("FLG") – capital framework

- Two key constraints on availability of cash for dividend payment or return to shareholders through other means:
  1. Need to maintain excess capital over minimum capital ratios
  2. Dividends and capital returns can only be paid out of Available Shareholder Cash ("ASC")
- RSL expects FLG to maintain a prudence buffer expected to be broadly equal to one year's planned cash flows at RSL level



Note:
1. With-Profits Insurance Capital Component

FLG – capital framework
Currently targets minimum capital ratios at three levels

Life Company Pillar 1

- 150% of CRR excluding WPICC

Life Company Pillar 2

- 125% of CRR including any ICG received from the FSA
  - Base liabilities assessed on a realistic basis
  - CRR calibrated to a one year, 1 in 200 stress event

Group Pillar 1 (IGCA)

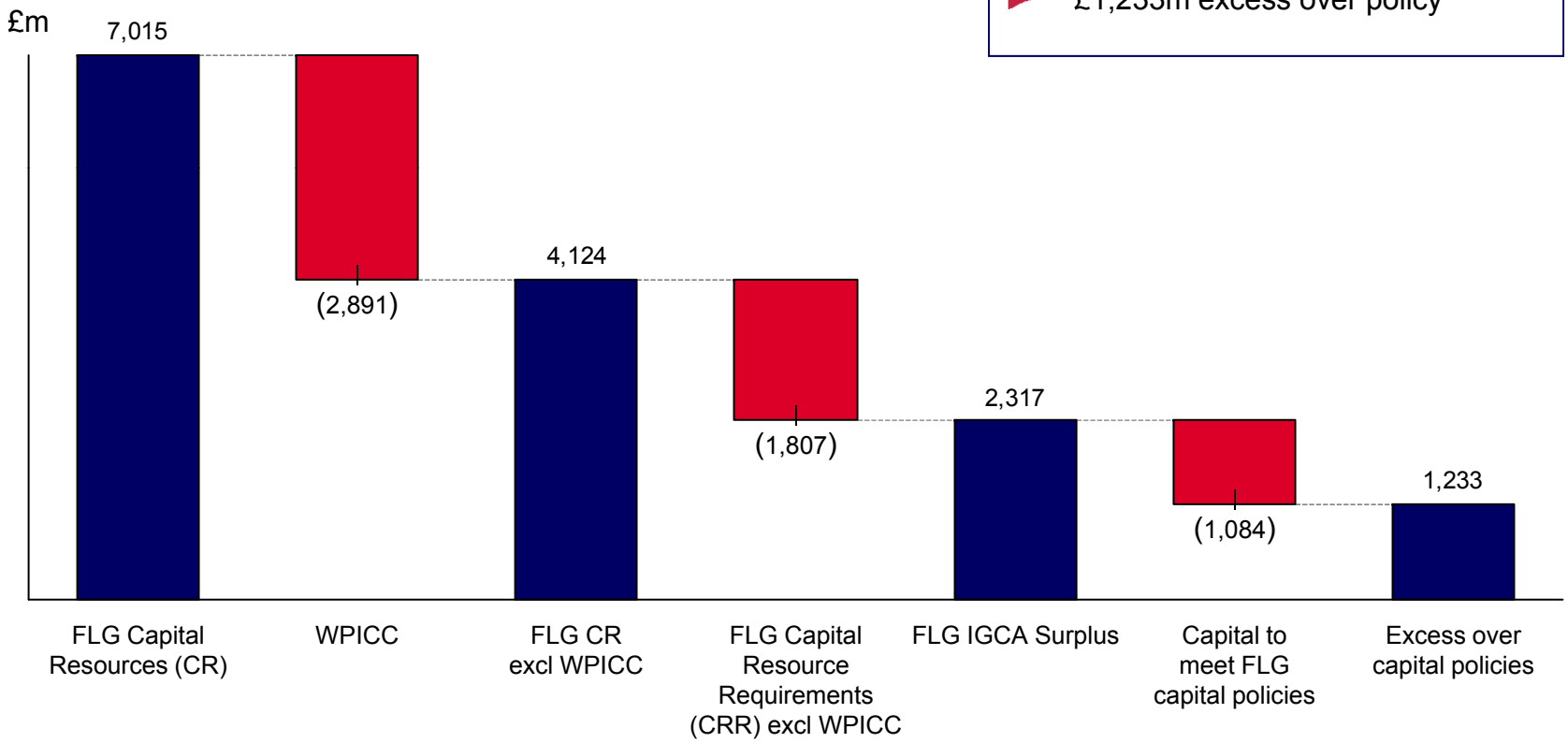
- 160% of Group CRR excluding WPICC
  - Essentially an aggregation of life company Pillar 1 positions
  - Increased from 150% to 160% during 2010
    - Anticipated it will revert to 150% as the integration of the AXA UK Life Business and BHA into FLG proceeds
  - shareholder assets need to cover
    - 160% of NPF Pillar 1 CRR; and
    - 60% of WPF Pillar 1 CRR excluding WPICC

Currently the biting test

FLG – group capital position

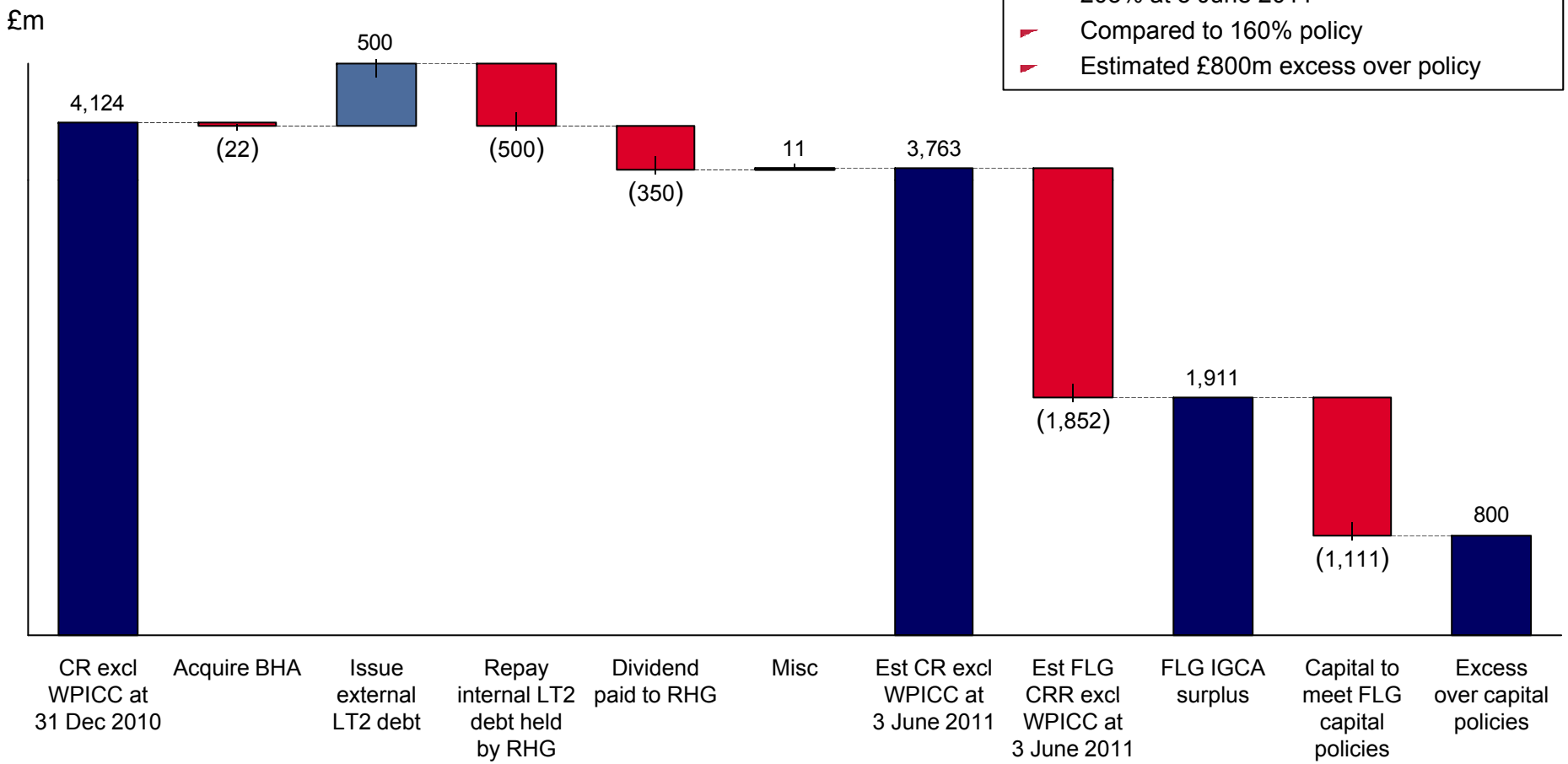
£1.23bn excess over capital policy minimum at 31 Dec 2010

- 31 Dec 2010 IGCA ratio excluding WPICC of 228% (4,124/1,807)
- Compared to 160% policy
- £1,233m excess over policy



FLG – group capital position
£800m excess over policy at 3 June 2011

- Estimated FLG CRR increased marginally from 31 Dec 2010 due to BHA acquisition
- Estimated IGCA ratio excluding WPICC of 203% at 3 June 2011
- Compared to 160% policy
- Estimated £800m excess over policy



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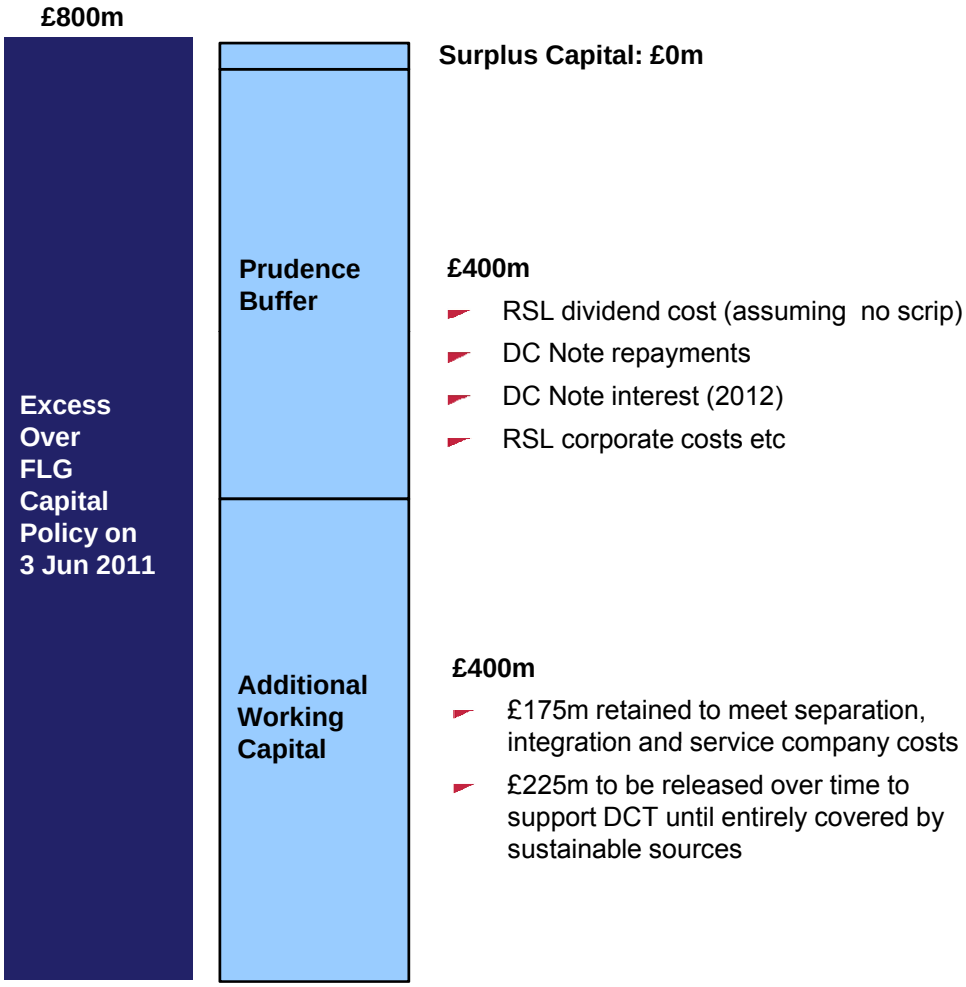
FLG – IGCA surplus
Use of excess over capital policies

- Minimal surplus capital on a Solvency I basis after allowing for known requirements and Prudence Buffer
- 2011 capital return funded from RSL resources
  - No impact on FLG capital position
- Capital returns in 2012 and future years in excess of planned dividends need to be funded from delivery of capital synergies



FLG – IGCA Surplus
Interaction with Distributable Cash Target

Available shareholder cash increase	Delivering £400m
Add to FLG IGCA surplus - Surplus from in-force; plus - Required capital released through run-off; less - New business strain and associated required capital; plus	£209m[1] in 2010, increasing to £400m pa over time
- Capital released as a result of capital synergies **Don't add to FLG IGCA surplus** - Release of capital in excess of required capital	Reduced dependence over time

- Capital in excess of required capital (ie Working Capital) is already included in FLG IGCA surplus
  - Releasing Working Capital into Available Shareholder Cash does not increase FLG IGCA surplus
  - To the extent delivery of £400m DCT relies on such releases, FLG IGCA surplus will fall if DCT is paid out of FLG

Note
1. Includes £50m estimated additional 8 months for ex-AXA

FLG – IGCA surplus
2011 management actions to increase FLG IGCA surplus

- Implementation of negative reserves and other reserving changes in Friends Life Company Limited
  - Expected to be implemented in Q2 2011
  - Estimated after-tax increase in Pillar 1 capital resources of approx **£100m**
- Part VII transfers to be implemented in 2011 to move business from some of the smaller life companies into FPLP
  - Friends Provident Life Assurance Ltd
  - BHA
  - Part of Friends Provident Pensions Ltd
  - Expected to reduce aggregate Pillar 1 CRR by around £90m
  - Increasing excess capital over capital policies by approx **£135m**
- Further Part VII transfers planned for subsequent years
- MCEV impact of the above management actions expected to be broadly neutral with reduction in cost of capital expected to offset cost of implementation

Planned management actions in the remainder of 2011 to deliver £235m of additional surplus capital on an IGCA basis

GOF/TIP and WLUK transactions

- Friends Life Company Limited ("FLC") was acquired including certain portfolios of business which are due to be sold back to AXA UK
- Winterthur Life UK Limited ("WLUK") will not be acquired by FLG until certain portfolios of business have been transferred out of it
- These transactions are expected to be completed in November 2011
- Key financial impacts expected to be:
  - Small reduction in IGCA surplus over FLG minimum group capital ratio
  - Broadly neutral impact on ASC
  - Net increase of approximately £25m in FLG MCEV
- More details given in Appendix B

Impact of Solvency II
Potential for further cash returns in 2012 and beyond

- Solvency II capital regime to be introduced for insurance groups across Europe from 1 January 2013
- The current three sets of FLG capital policies will need to be replaced when Solvency II is implemented in January 2013
- Some uncertainties remain in relation to detailed Solvency II implementation
  - eg treatment of annuity business, regulatory debt qualification
  - Full clarification may not be provided for some time
- FLG capital policy to apply in a Solvency II regime to be determined once detailed rules clear
- Greater clarity will emerge as we move beyond the timeframe for the targeted £500m cash return announced today
  - Further capital synergies expected over this timeframe
  - Potential for further cash returns in 2012 and beyond

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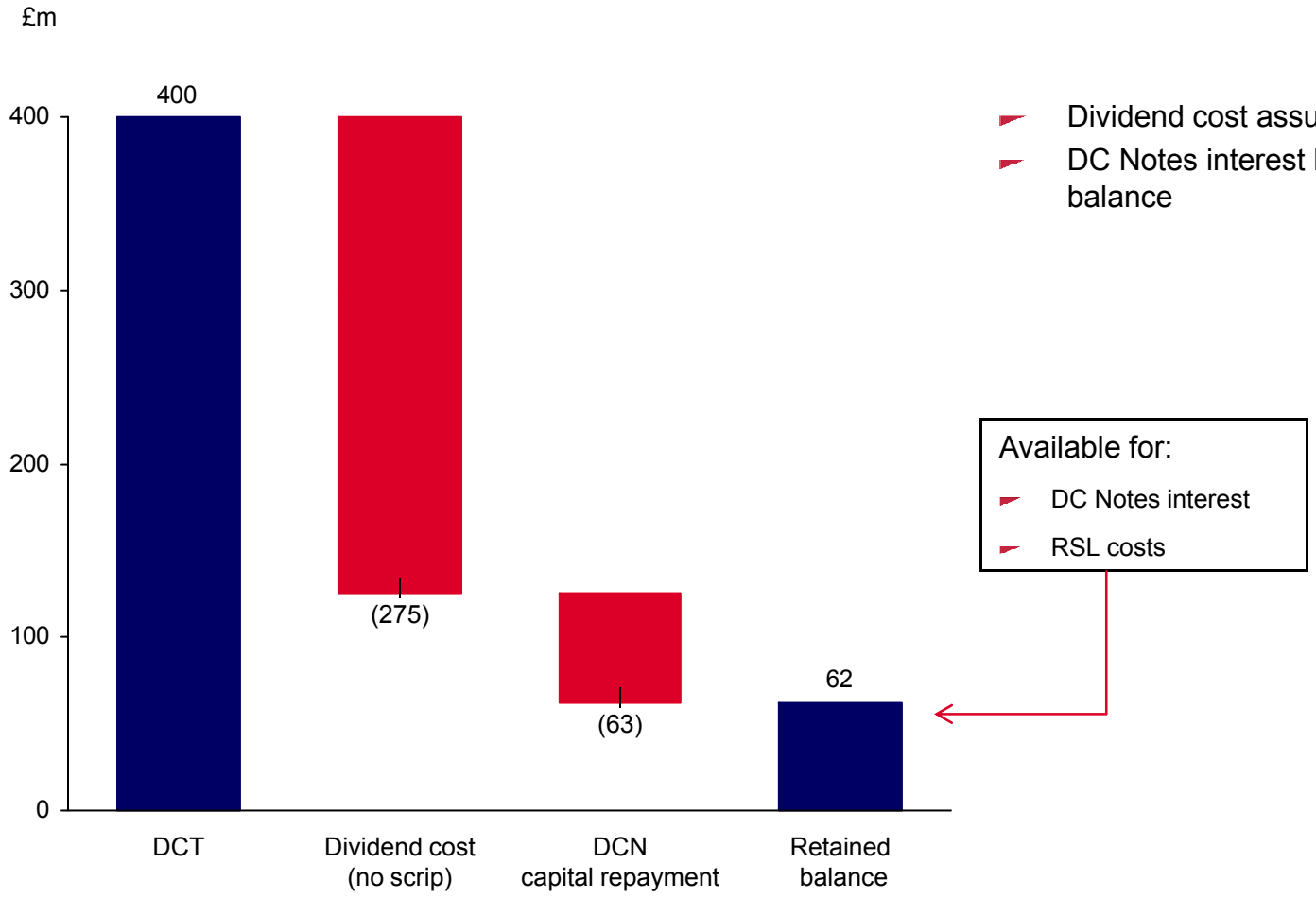
Available Shareholder Cash – ongoing position

Cash commitments and the Distributable Cash Target



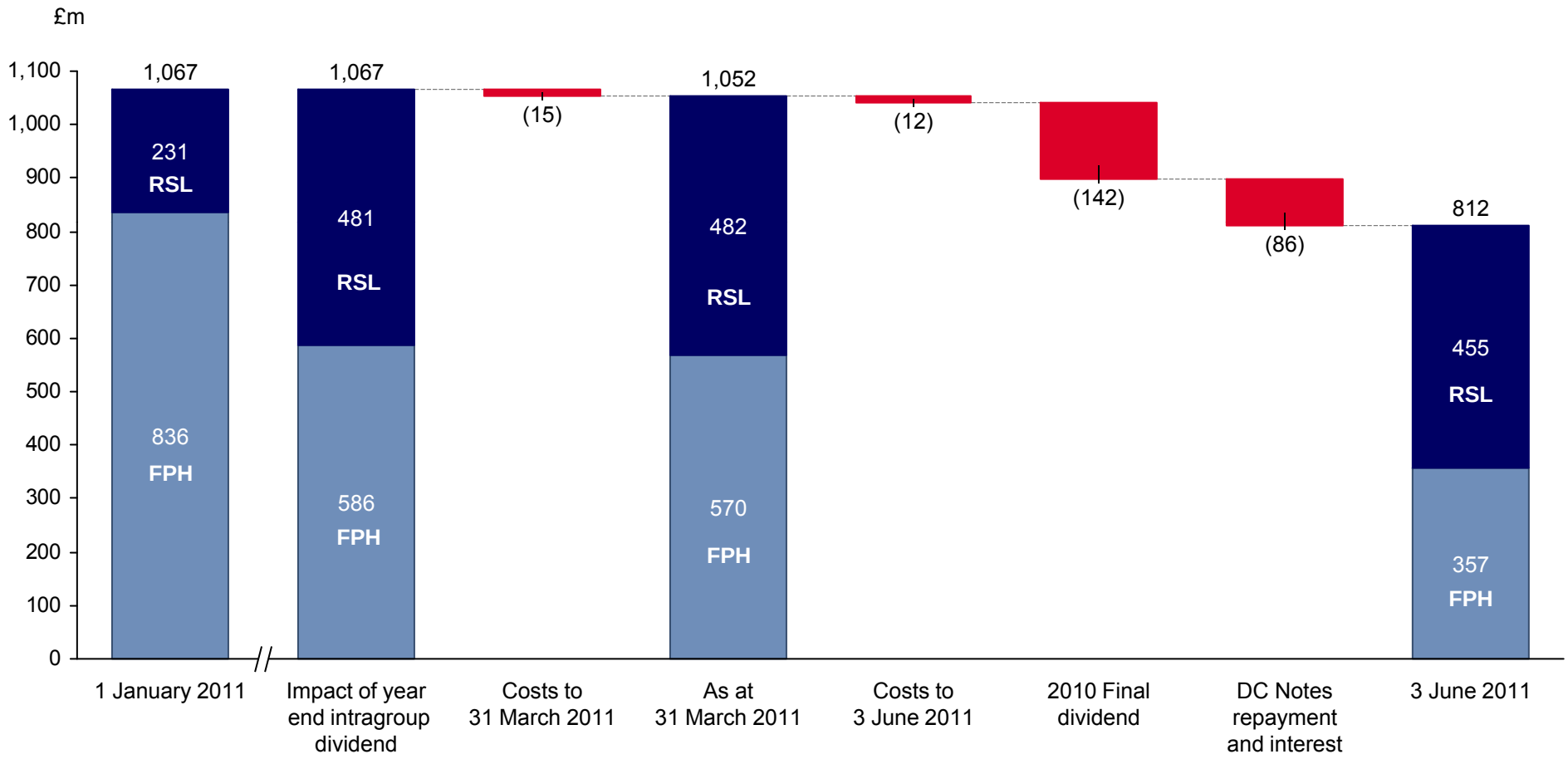
- Dividend cost assumes no scrip
- DC Notes interest blended 6.5% on reducing balance

Available for:

- DC Notes interest
- RSL costs

Available Shareholder Cash – development to date

Funding 2010 final dividend, debt interest and corporate costs



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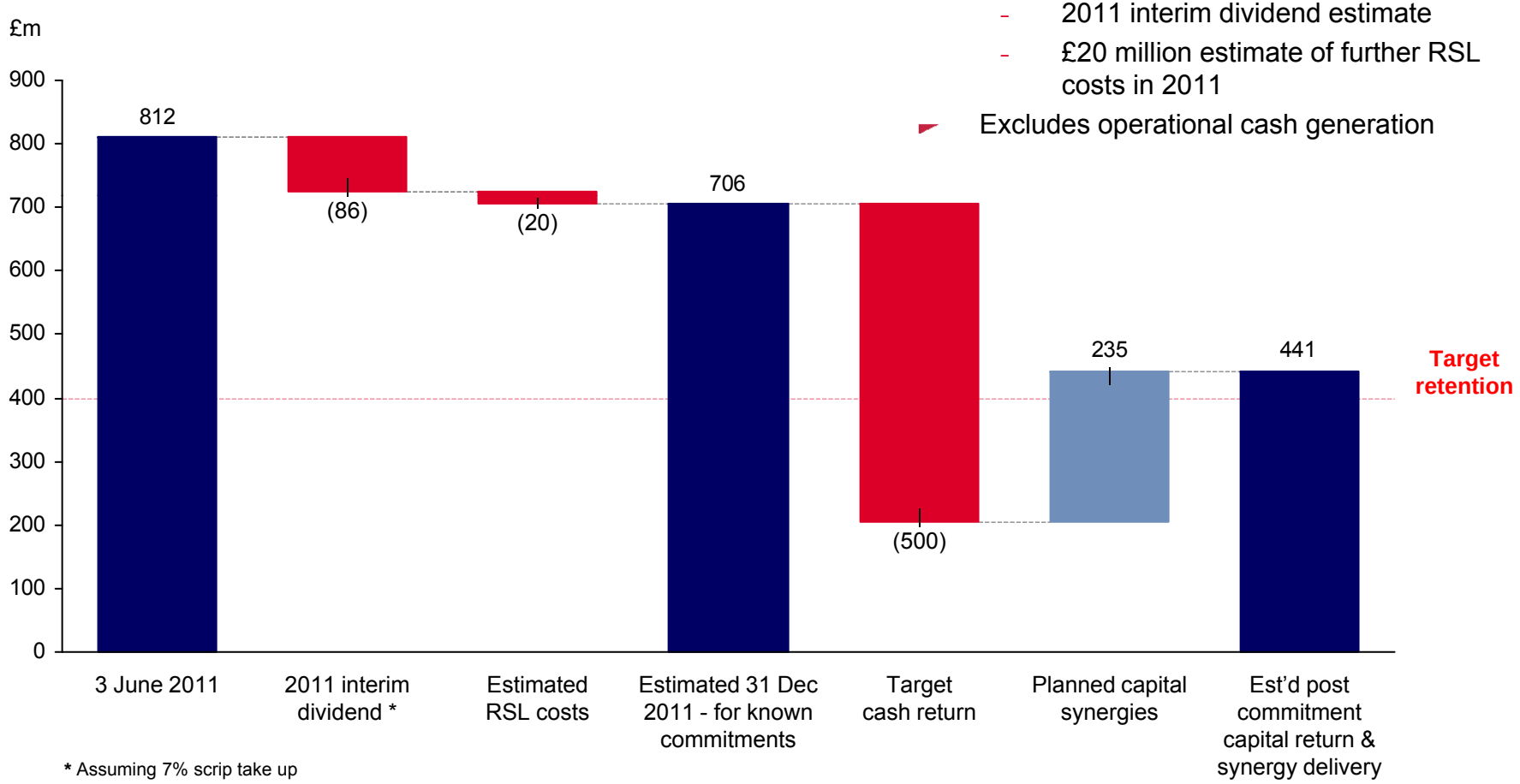
Available Shareholder Cash development
Known commitments and proposed target cash return

- Target retention 1 year cash flow
- Estimated ASC takes account of known commitments
  - 2011 interim dividend estimate
  - £20 million estimate of further RSL costs in 2011
- Excludes operational cash generation



* Assuming 7% scrip take up

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Cash return – gearing implications

Gearing remains below target range

Change in gross MCEV reflects debt and shareholder payments only

1. Actual cash cost post scrip £142 million.
2. Estimated cash cost post scrip £86 million.

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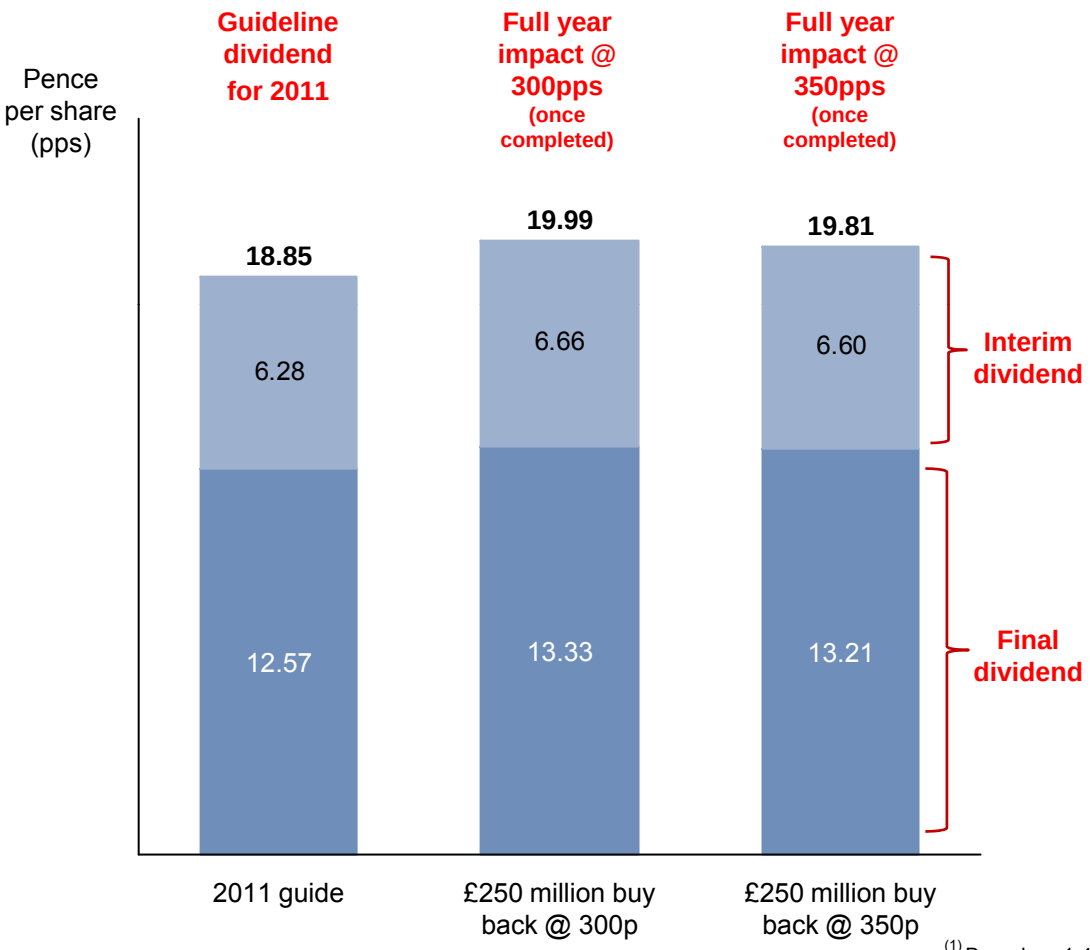
Cash return – dividend implications

Reduction in shares facilitates increase in dividend per share



- Dividend aggregated cost maintained at 2011 guidance level (£275m)[1]
- Continue to keep under review the appropriateness of moving to a growing dividend toward the end of the UK Life Project

[1] Based on 1.47bn shares in issue pre-buyback (including 13.6m from the 2010 final dividend scrip issue)

UK Life Project – IFRS update
Principles

- Lack of comparability between periods
  - Change in composition of business through acquisition
  - Impact of acquisition accounting principles
  - Change in operating profit definitions

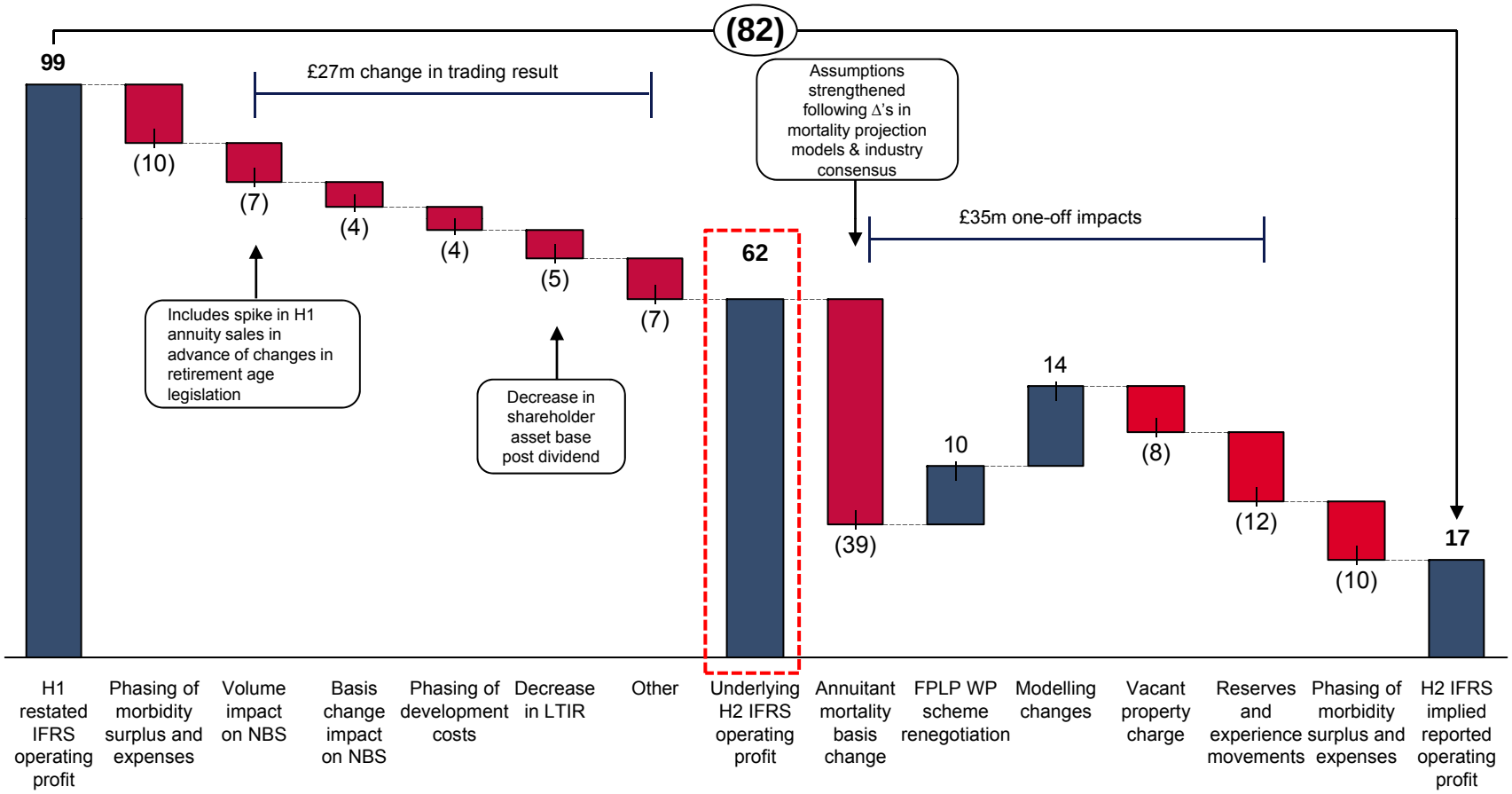
- To aid understanding we have
  - Restated 2009 reported and 2010 H1 reported onto current basis
  - Set out the accounting adjustments arising from acquisitions
  - Set out the future expected amortisation of AVIF
  - Provided a bridge of the FP UK results from H1 to H2 2010
  - Established what we consider to be 'normalised' earnings for 2010

- Looking forward, future changes to incorporate
  - DAC/DFF accounting
  - Recognition of negative reserves

UK Life Project – IFRS update

Reconciliation of 2010 operating profit: H1 to H2

2010 H1 vs H2 Friends Provident UK IFRS operating profit movements (£m)



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UK Life Project – IFRS update
2010 full year "normalised" estimate

£m	FLG (excl. ex-AXA)	Ex-AXA	RSL	Total
2010 IFRS based operating based profit[1]	219	71	(15)	275
One-off items:				
- Annuitant mortality changes	39	-	-	39
- FPLP WP scheme renegotiation	(10)	-	-	(10)
- Modelling changes	(14)	-	-	(14)
- Vacant property provision	8	-	-	8
- Reserves and experience movements	12	-	-	12
- Shareholders' share of special bonus from RIE	-	(16)	-	(16)
Total one-off items	35	(16)	-	19
2010 "normalised" IFRS based operating profit before annualisation	**254**	**55**	**(15)**	**294**
Annualisation of acquired business				
- Ex - AXA result (additional 8 months)	-	110	-	110
- FLG corporate interest (additional 8 months)	(38)	-	-	(38)
2010 "normalised" IFRS based operating profit	**216**	**165**	**(15)**	**366**

1. FLG result included £19m corporate interest for 4 month period.

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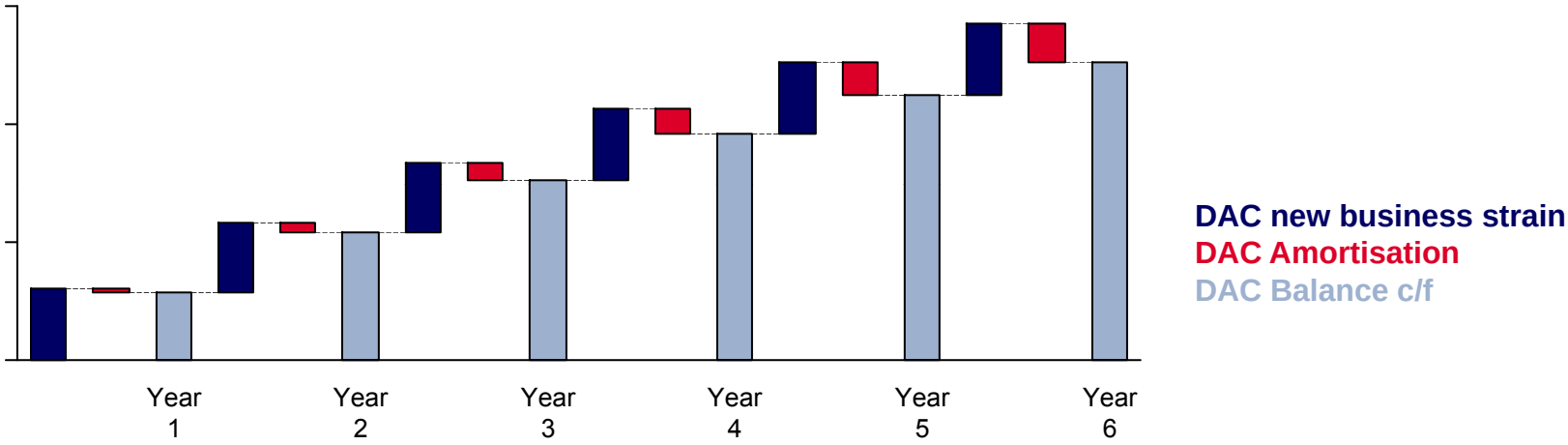
UK Life Project – IFRS update
Looking forward: accounting implications

- Deferred acquisition costs/deferred front end fees
  - Capitalised DAC/DFF set to zero on acquisition
  - No accounting impact on new business strain element



  - In-force surplus DAC/DFF charge increases by approximately £30m a year all other things equal
  - Amortisation of AVIF decreases – reducing the impact at IFRS profit before tax level

- Negative reserving adjustments
  - Part of strain reduction plan for ex AXA and BHA businesses
  - One-off gain in 2011 of approximately £150m in operating profit
  - From 2012, operating profit reduces by approximately £25m (reducing balance)
  - Potentially offset at IFRS profit before tax level by change in AVIF and subsequent run-off profile

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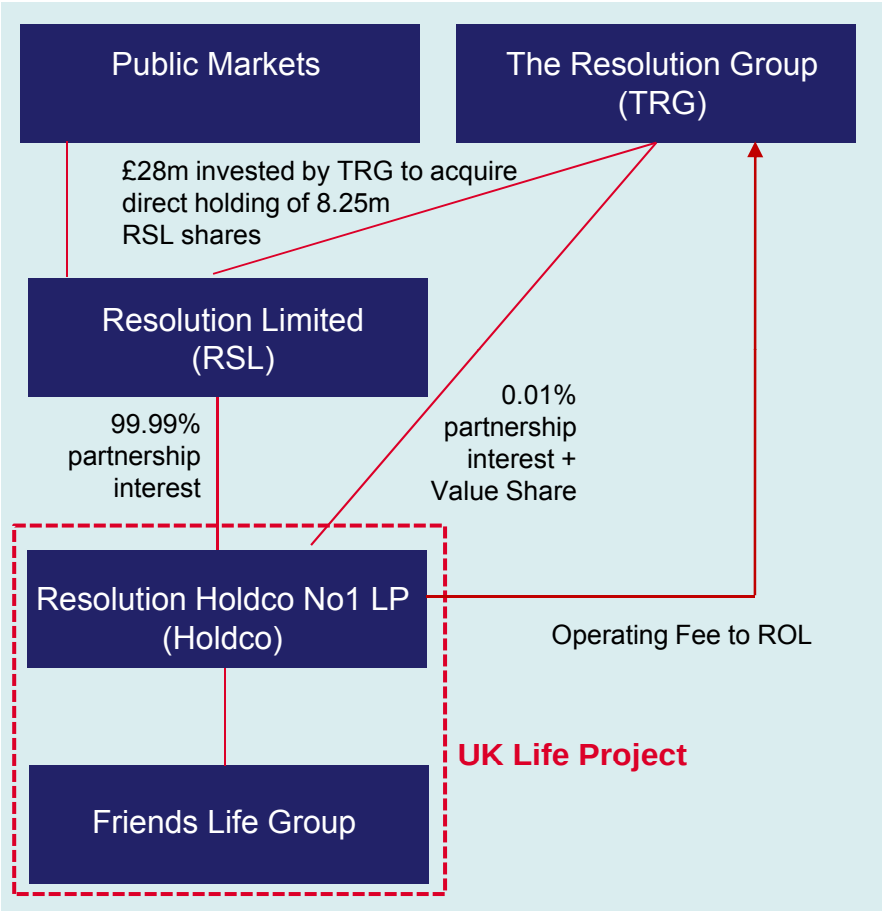
Resolution Limited – UK Life Project
Close alignment with shareholders

- Calculation of Value Share based on cash contributed to Holdco ("equity deployed") and subsequently returned
- Equity deployed essentially equal to cash and value of RSL shares used for acquisitions
  - RSL contributes 99.99%
  - TRG contributes 0.01%
- Profits distributed from Holdco
  - First to RSL, until it has received all its deployed equity plus an amount equal to an accumulation at agreed rate (currently 4% pa)
  - Second to TRG, until it has received all its deployed equity
  - Then 90% to RSL and 10% to TRG
- Value Share expected to be payable only on completion of UK Life Project



Resolution Limited – UK Life Project
Calculating the Value Share

- Total equity deployed to date approx £4bn
- Capital returned to RSL to date approx £475m
- Accumulated value of net equity deployed approx £3,758m on 3 June 2011
- Implied value of Holdco from market cap of RSL assuming RSL cash of £410m on 3 June 2011 at face value
- Value Share theoretically "in the money" at RSL share price of £2.85 on 3 June 2011
- RSL will report on the Value Share on a mark to market basis going forward
  - Zero at 31 December 2010
  - £29m at 3 June 2011[3]
- Implied average annualised return on equity deployed in Holdco at 3 June 2011[3] of 10.4% pa before Value Share
  - Remain confident of hitting targeted mid-teen returns on UK Life Project

	Equity Deployed (£m)		
Transaction	RSL	TRG	Total
Friends Provident[1]	1,915.8	0.2	1,916.0
AXA UK Life[2]	2,139.8	0.2	2,140.0
BHA	-	-	-
Total	4,055.6	0.4	4,056.0

Date	Accumulated value of net Equity Deployed at 4% pa (£m)
31 Dec 2009	1,927.2
30 June 2010	1,904.1
31 Dec 2010	4,041.7
3 June 2011	3,757.9

1. See page 102 of Friends Provident Group plc acquisition prospectus for more details of equity deployed
2. See page 89 of AXA UK Life Business acquisition prospectus for more details of equity deployed
3. At RSL closing share price of 303.9p on 3 June

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Summary and The Resolution Group update

- UK Life Project progressing well
  - Cash and returns focus
  - On track for mid teens project returns
- M&A / exit of UK Life Project
  - High bar for further acquisitions
  - No disruption to integration and existing returns
- The Resolution Group / ROL aligned with investors for successful UK project
- Further financial services restructuring projects under development

Specialist financial services skills in Resolution team

Partners	Previous roles
John Tiner	Chief Executive, Financial Services Authority Managing Partner, Arthur Andersen Worldwide Financial Services
Clive Cowdery	Chairman, Resolution plc Chief Executive, General Electric Insurance (Europe)
Pat Butler	Senior partner and European Head of Financial Services Practice, McKinsey and Co Chartered Accountant, Arthur Andersen & Co
Elizabeth Gilbert	Managing Director and Co-Head of Financing for Financial Institutions, Goldman Sachs Global Markets, Deutsche Bank
Jon Hack	Managing Director and Head of European FIG, Lazard Chartered Accountant, Price Waterhouse
Ian Maidens	Group Chief Actuary and Head of Corporate Development, Resolution plc Principal, Tillinghast Towers Perrin
Jim Newman	Group Finance Director, Resolution plc Finance Director, Norwich Union Life Insurance
Steve Taylor-Gooby	Managing Director of Risk Consulting, Towers Watson Head of Global Life practice, Tillinghast

c. 40 additional staff covering

- Regulatory
- Industrial analysis
- M&A origination
- Capital markets
- Oversight including:
  - Financial management
  - Operational
  - Value delivery
- Ongoing exit analysis

Appendix

Appendix A:
Financial targets – cash flow, product and returns focused

Metric		FY2010 (baseline)	Target from end 2013 onwards
New business strain		£372m annualised	£200m reduction
UK cost		£476m 2010 cost base including BHA	£112m of synergies (from £75m previously)
New business IRR	Individual protection	2.7%	20%
	Corporate pension	6.2%	10%+
	Annuities	16.5%	15%+
	Group total	11.2%	15%+
Cash dividends from non UK business		£2m	£50m
Distributable cash generation		£746m	£400m from 2011
FPH operating ROEV		8.3%	10%+

Resolution

Appendix B:
Summary of GOF/TIP and WLUK transactions

GOF/TIP business

- Currently held within FLC NPF forming part of the FLC RIE
- GOF/TIP business will be transferred to AXA Wealth Ltd, a retained AXA company, by Part VII Scheme
- Consideration of approximately £285m (£281m plus an amount equal to interest) to be paid to FLC NPF by AXA Wealth Ltd reflecting value in 1Q10 of GOF/TIP portfolio

Winterthur Life UK Ltd ("WLUK")

- Currently owned by AXA UK and contains business to be retained by AXA UK
- Retained business to be transferred to AXA Wealth Ltd by Part VII Scheme
- FLG to acquire WLUK only after transfer out of retained business and receipt of GOF/TIP consideration
- Consideration of approximately £312m (£307m plus an amount equal to interest) to be paid to AXA UK reflecting value in 1Q10 of the business to be acquired by FLG

"Wrong Pocket" consideration

- FLG to pay AXA UK approximately £29m reflecting net surplus emerging in the wrong companies prior to completion of the GOF/TIP and WLUK transactions
  - £52m in respect of GOF/TIP surplus emerging in FLC before the Part VII Scheme; less
  - £23m in respect of surplus emerging on acquired WLUK portfolio which will have been distributed to AXA UK before WLUK is acquired by FLG

Appendix B:
Financial impact of GOF/TIP and WLUK transactions

Cash

- £285m consideration in respect of GOF\TIP business will be received in the FLC NPF
  - Used to cover FLC Pillar 1 CRR, allowing an equivalent dividend to be paid by FLC Shareholders Fund to its parent companies
  - £285m consideration will form part of the RIE, available for release to FLC Shareholders Fund at end 2011 following results of end 2010 RIE testing
- Receipt of GOF/TIP consideration will therefore free up shareholders capital to largely fund WLUK consideration
- Net impact of GOF/TIP and WLUK transactions expected to be broadly neutral on ASC

MCEV

- Expected aggregate increase of approximately £25m in FLG MCEV

IGCA Surplus

- Small reduction in IGCA surplus in excess of FLG minimum capital ratio of 160% of Pillar 1 CRR (excl WPICC) expected as a result of aggregate transactions

Timing

- GOF/TIP Part VII Scheme and acquisition of WLUK expected to complete in November 2011

Appendix C:
UK Life Project – IFRS update

IFRS based operating profit
Segmental analysis based on previously published results

£m	2009[i]	2010 H1[ii]	2010 Full year[iii]	2010 H2 Implied
UK				
- Friends Provident	269	160	116	(44)
- AXA UK Life Business	-	-	71	71
International	(8)	38	95	57
Lombard	11	13	33	20
FLG corporate costs	-	-	(25)	(25)
FLG operating profit	272 [iv]	211	290	79
Resolution corporate costs	(13) [v]	(8)	(15)	(7)
IFRS based operating profit before tax (2009: pro forma)	**259[vi]**	**203**	**275**	**72**

(i) Published 24 March 2010
(ii) Published 17 August 2010
(iii) Published 24 March 2011
(iv) 2009 results include Friends Provident UK, International and Lombard results for 12 months.
(v) Resolution corporate costs in 2009 comprise the operating costs and income of the Resolution holding companies for 12 months
(vi) £259m is a pro forma result comprising 12 months results for the acquired Friends Provident companies (i.e. including results for the pre acquisition period) and 12 months for the Resolution holding companies

IFRS based operating profit
Line item analysis based on previously published results

£m		2009[i]	2010 H1[ii]	2010 Full year[iii]	2010 H2 Implied
New business strain	Gross	(362)	(190)	(424)	(234)
	DAC/DFF	211	119	279	160
In-force surplus	Gross	339	206	453	247
	DAC/DFF[iv]	(113)	5	13	8
Long term investment return		29	15	34	19
Reserving changes and one-offs		(27)	4	(13)	(17)
Development costs		-	-	(28)	(28)
Effect of credit spreads		176	53	-	(53)
FLG other income and charges		15	(1)	1	2
FLG corporate costs		4	-	(25)	(25)
FLG operating profit		272	211	290	79
Resolution corporate costs[v]		(13)	(8)	(15)	(7)
IFRS based operating profit before tax (2009: pro forma)		**259**	**203**	**275**	**72**

(i) Published 24 March 2010
(ii) Published 17 August 2010
(iii) Published 24 March 2011
(iv) 2009 in-force DAC/ DFF amortisation is excluded on a post-acquisition basis
(v) 2009 published results included FLG corporate costs within the UK segment.

IFRS
Restatement

- Reflects the underlying performance of the business
  - Based on longer-term rates of return, with short-term investment fluctuations included in non-operating result
  - Reduces impact of investment return volatility on operating profit
  - Specifically identifies development costs
- Reflects results on a post acquisition basis
  - Eliminates pre-acquisition DAC amortisation

Impact on IFRS based operating profit

£m	2009	2010 H1	2010 Full year	2010 H2 Implied
As initially reported	259	203	275	72
Impact of restatement	(63)	(52)	-	52
As restated	**196**	**151**	**275**	**124**

- The restatement had no impact on the operating results of the Resolution holding companies

IFRS based operating profit restatement
Impact on 2009 segmental analysis

£m	2009 As published	Adjustments: DAC	Adjustments: LTIR & other (i)	2009 Restated
UK				
- Friends Provident	269	43	(180)	132
- AXA UK Life Business	-	-	-	-
International	(8)	65	-	57
Lombard	11	5	-	16
FLG corporate costs	-	-	4	4
FLG operating profit	272	113	(176)	209
Resolution corporate costs	(13)	-	-	(13)
Pro forma IFRS based operating profit before tax	**259**	**113**	**(176)**	**196**

(i) Principally comprises reclassification of fixed interest investment variances in non-profit funds to non-operating result

IFRS based operating profit restatement
Impact on 2010 H1 segmental analysis

£m	2010 H1 As published	Adjustments: DAC[(i)]	Adjustments: LTIR & other	2010 H1 Restated
UK				
-Friends Provident	160	(9)	(52)	99
-AXA UK Life Business	-	-	-	-
International	38	9	-	47
Lombard	13	-	-	13
FLG corporate costs	-	-	-	-
FLG operating profit	211	-	(52)	159
Resolution corporate costs	(8)	-	-	(8)
IFRS based operating profit before tax	**203**	**-**	**(52)**	**151**

(i) Represents refinement of DAC acquisition accounting adjustment s between UK and International segments.

IFRS based operating profit restatement
Impact on 2010 H2 segmental analysis

£m	2010 H2 Implied from published	Adjustments: DAC	Adjustments: LTIR & other	2010 H2 Implied Restated
UK				
- Friends Provident	(44)	9	52	17
- AXA UK Life Business	71	-	-	71
International	57	(9)	-	48
Lombard	20	-	-	20
FLG corporate costs	(25)	-	-	(25)
FLG operating profit	79	-	52	131
Resolution corporate costs	(7)	-	-	(7)
IFRS based operating profit before tax	**72**	**-**	**52**	**124**

Resolution

IFRS based operating profit
Segmental analysis based on 2010 restatement

£m	2009	2010 H1	2010 Full year	2010 H2 Implied
UK				
- Friends Provident	132	99	116	17
- AXA UK Life Business	-	-	71	71
International	57	47	95	48
Lombard	16	13	33	20
FLG corporate costs	4	-	(25)	(25)
FLG operating profit (2009: pro forma)[(i)]	209	159	290	131
Resolution corporate costs	(13)	(8)	(15)	(7)
IFRS based operating profit before tax (2009: pro forma)	**196**	**151**	**275**	**124**

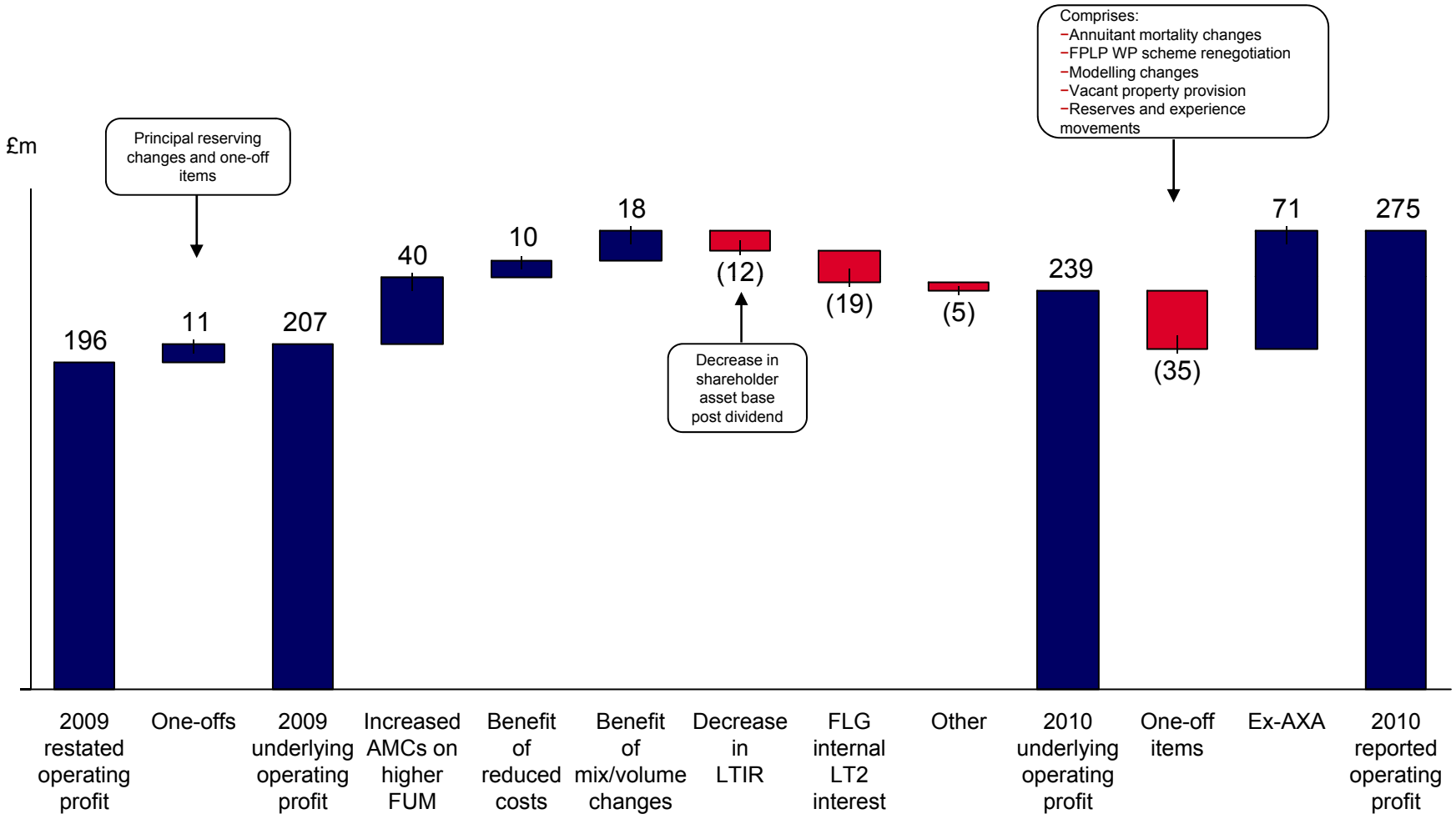
(i) 2009 results include Friends Provident for 12 months.

IFRS based operating profit
Line item analysis based on 2010 restatement

£m		2009[i]	2010 H1	2010 Full year	2010 H2 Implied
New business strain	Gross	(340)	(176)	(424)	(248)
	DAC/DFF	211	119	279	160
In-force surplus	Gross	323	201	453	252
	DAC/DFF	-	5	13	8
Long term investment return		29	14	34	20
Reserving changes and one-offs		(11)	6	(13)	(19)
Development costs		(22)	(11)	(28)	(17)
FLG other income and charges		15	1	1	-
FLG corporate costs		4	-	(25)	(25)
FLG operating profit		209	159	290	131
Resolution corporate costs		(13)	(8)	(15)	(7)
IFRS based operating profit before tax (2009: pro forma)		**196[ii]**	**151**	**275**	**124**

(i) 2009 results include Friends Provident for 12 months.
(ii) £196m is a pro forma result comprising 12 months results for the acquired Friends Provident companies (i.e. including results for the pre acquisition period) and 12 months for the Resolution holding companies

IFRS based operating profit post restatement
Development 2009 to 2010



Resolution

DAC/ DFF and AVIF amortisation

£m	2009 As previously published	2009 restated	2010
New business strain DAC/ DFF			
UK			
- FP	21	21	20
- AXA UK Life Business	-	-	39
International	165	165	210
Lombard	25	25	10
Total	**211**	**211**	**279**
In-force surplus DAC/DFF			
UK			
- FP	(43)	-	8
- AXA UK Life Business	-	-	-
International	(65)	-	7
Lombard	(5)	-	(2)
Total	**(113)**	**-**	**13**
AVIF amortisation			
FP, UK, International and Lombard	(59)	(59)	(284)
AXA UK Life Business	-	-	(80)
Total	**(59)**	**(59)**	**(364)**

- 2010 AXA UK Life Businesss DAC/DFF movement is for 4 months only
- Increase in International DAC/DFF movement reflects 19% increase in sales (on APE basis)
- Reduction in Lombard DAC/DFF movement reflects impact of 2010 reinsurance arrangement

- 2009 DAC/DFF comprises amortisation pre-acquisition (i.e. on DAC/DFF net asset recognised prior to the date of acquisition)
- 2010 amortisation relates to DAC/DFF asset recognised post acquisition
- 2010 UK DAC/DFF comprises £8m in respect of contingent commission which is offset in the gross in-force result by recognition of a liability for future renewal commission payments
- 2010 International DAC/DFF includes £11m income in respect of DAC on enhanced allocations granted during the first 18 months of certain products (i.e. where units are allocated in the year after initial sale, DAC is capitalised in in-force not offset against reported new business strain)

- 2009 amortisation is for period from 4 November
- 2010 amortisation of AXA UK life Business is for period from 3 September
- Expected run-off profile shown on slide further on

IFRS based operating profit
FLG corporate costs

	2009	2010
LTIR	49	53
External STICS interest[(i)]	(39)	(31)
Subordinated LT2 loan interest[(ii)]	(12)	(17)
Mark to market adjustment	-	7
Internal LT2 loan interest	-	(19)
Credit facility fee	-	(8)
Other corporate costs	6	(10)
	4	(25)

2010 Activity

- In 2010 FLG holding companies received £350m dividends (net of internal loan repayments) from the life businesses, of which £65m was subsequently paid to Resolution. The remainder was held in FLG holding companies to fund integration and other costs.
- Mark to market adjustment on external STICS and lower tier 2 debt
- £8m fee in respect of revolving credit facility in place to June 2013 with an annual cost of £4m
- Corporate costs include LTIP and other head office costs

2011 Developments

- £500m lower tier 2 debt issued at 8.25%
- Repaid £500m of internal debt to Resolution

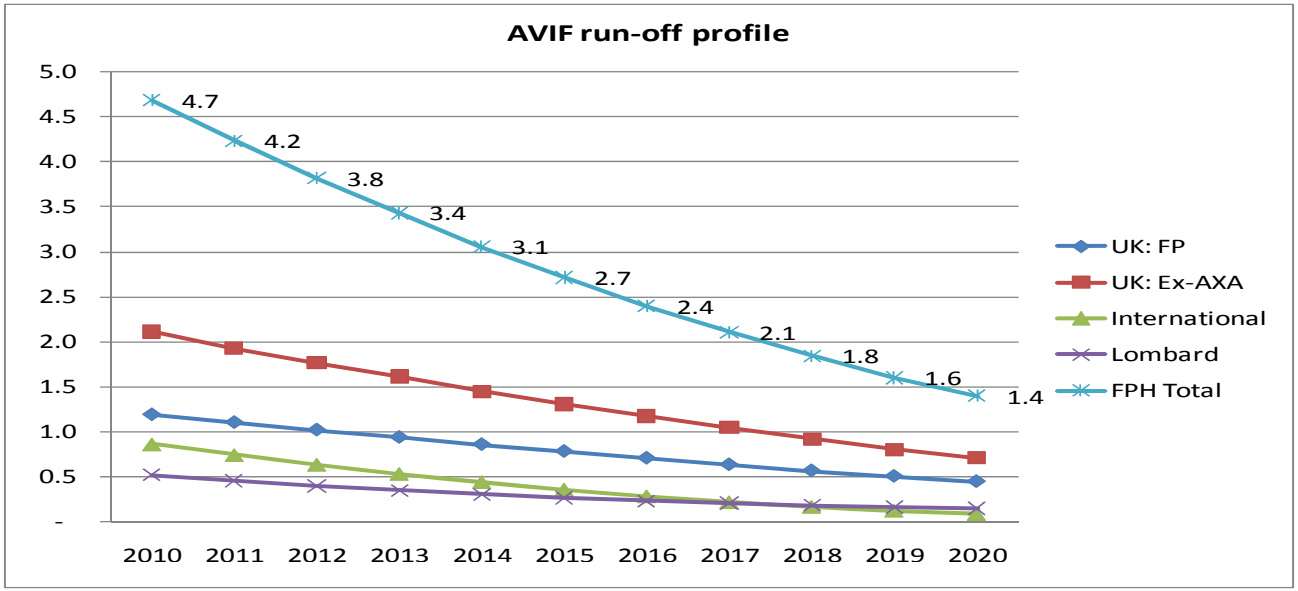
(i) Comprising £210m @ 6.875% redeemable from 2019 and £268m @ 6.292% redeemable from 2015. Under IFRS, STICS are treated as equity hence this interest is added back to profit before tax

(ii) Comprising £162m @ 12% repayable 2021 plus £2m amortisation of fair value adjustments (as the loan is held at fair value under IFRS)

IFRS update
AVIF amortisation profile

AVIF at end of year (£m)

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
UK: FP	1,188	1,102	1,018	936	857	780	705	632	565	504	446
UK: ex -AXA	2,112	1,929	1,766	1,613	1,450	1,308	1,173	1,049	924	804	712
International	863	745	637	537	445	361	287	222	171	127	91
Lombard	522	458	400	348	304	266	232	206	185	166	149
FLG Total	**4,685**	**4,234**	**3,821**	**3,434**	**3,056**	**2,715**	**2,397**	**2,109**	**1,845**	**1,601**	**1,398**
Amortisation for the period	**364**	**451**	**413**	**387**	**378**	**341**	**318**	**288**	**264**	**244**	**203**



- The table and graph show the expected AVIF run off pattern over the next 10 years. The 2010 charge reflects 4 months for AXA business.
- This does not include the impact of the implementation of negative reserves, which is expected to reduce the gradient of the UK: Ex-AXA profile

Resolution holding companies

	2009	2010
Income		
- Internal LT2 loan interest	-	19
- Investment return	4	2
Financing costs		
- DCN interest	-	(10)
- Acquisition financing facility	-	(8)
Expenses		
- ROL fee	(10)	(12)
- Other	(8)	(6)
	(14)	**(15)**

2010 Activity

- £500m DCNs issued with £300m at 6% and £200m at 7.25% reducing to 6.5%
- £400m acquisition finance facility drawn down with interest rate based on LIBOR plus margin

2011 Developments

- £400m acquisition financing facility repaid
- £142m cash final dividend paid in respect of 2010 – scrip take up was 22%
- £500m of internal LT2 debt repaid by FPH leaving £200m at 9%