Resolution Limited

2011 Preliminary Results
27 March 2012

Resolution

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2011 Full Year Results Agenda

Overview	**John Tiner**
Business Review	Andy Briggs
Financial Review	Jim Newman
RSL Update	John Tiner
Questions	Mike Biggs

Overview
Significant momentum towards sustainable business

- Significant progress in 2011
  - strategic clarity, financial targets, management team in place
  - major operational decisions taken; execution progressing well

- Organised into UK Go to Market and Heritage business units
  - developing momentum to deliver value

- Results demonstrate strong momentum in the UK, International businesses impacted by weak markets
  - UK VNB and strain reduction show strong improvement
  - Lombard strengthens market position in tough year for sector; International disappoints
  - balance sheet, cash and capital positions prudent
  - Cash generated by FLG of £393m after market impacts
  - full year dividend per share up 10% at 19.89p

- Looking ahead
  - update on second stage of capital return program no later than 2012 interim results
  - committed to ROEV target, levers available to offset negative impact of investment markets
  - exit options continue to be kept under review with base case the creation of two separate substantial and successful listed businesses focussed on (1) UK Go to Market and International, and (2) UK Heritage

Friends Life financial targets
Cash flow, product and returns focused

Metric		FY2010 (baseline)	FY2011	Target from end 2013 onwards
New business strain		£392m[1] annualised	£278m	£200m reduction to £192m
UK cost base		£476m 2010 cost base including BHA	£105m of synergies	£112m of synergies by 2013 £143m of synergies by 2015
New business IRR	Protection	3.3%[1]	5.5%	20%
	Corporate benefits	4.2%[1]	8.3%	10%+
	Retirement income	16.5%	22.0%	15%+
	Group total	8.6%[2]	10.0%	15%+
Cash dividends from non UK business		£2m	-	£50m
Distributable cash generation		£746m	£393m	£400m from 2011
FLG operating ROEV		5.5%[1]	6.5%	10%+

1. 2010 full year baseline now includes an estimate of 12 months BHA and AXA UK Life Business results.
2. The 2011 Lombard IRR (and therefore the blended group IRR) now takes account of the Luxembourg regulatory regime in which DAC is an allowable asset.

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Resolution

Strategy
Sustainable, profitable business underpinned by financial discipline

- The UK Life Market is ex-growth and is facing regulatory change and economic challenges

Heritage	UK Go to Market	International
- Dedicated management team - Grow EV and maximise cash returns - No cross subsidies	- Selective participation focused on value not volume - Low cost, 21st Century businesses - Exit unprofitable products, removing all costs	- Profitable participation - International Strategy Day in H2

- Our strengthened management team is focused on delivering our financial targets

Cash: £400m pa from 2011

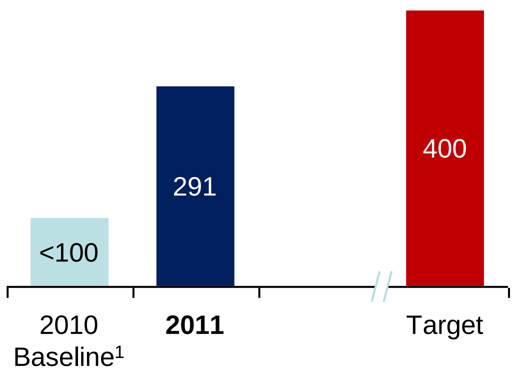
Returns: 10% return on embedded value by 2013

Costs: £112m synergies by end of 2013, £143m by 2015

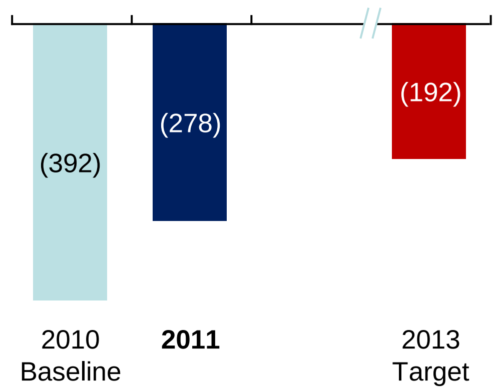
Overview of 2011 results
Strong set of results with good progress towards targets

Cash

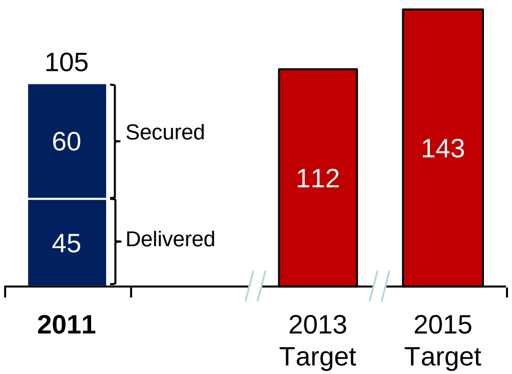
Sustainable Free Surplus, £m



New Business Strain, £m

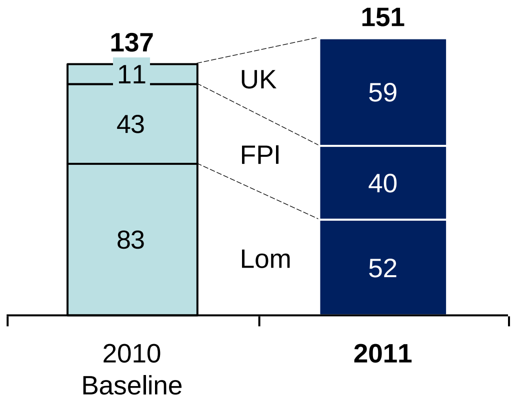


Cost synergies, £m

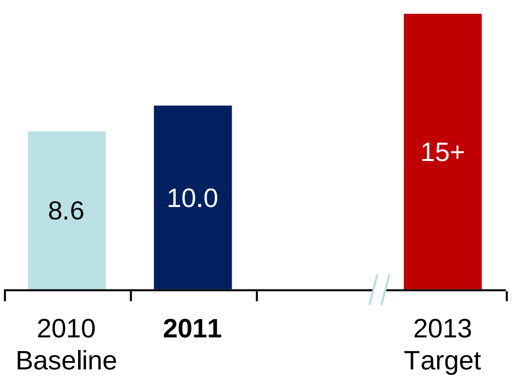


Returns

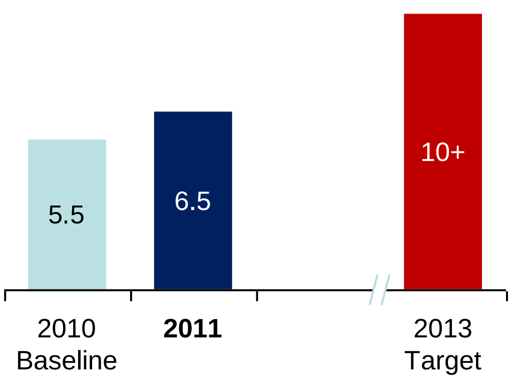
VNB, £m



New Business IRR, %



ROEV, %



1. 2010 actual in-force cash surplus less new business cash strain of £159m adjusted for other 2010 operating movements in free surplus

Resolution

Building low-cost UK businesses
Significant investments improving business fundamentals

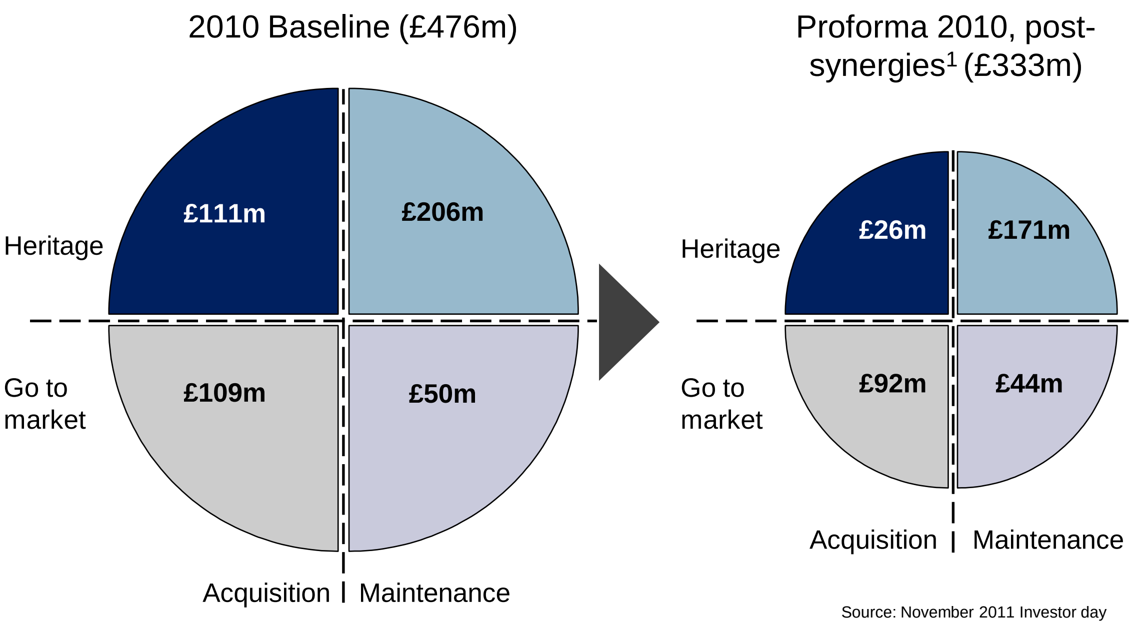
- **Separation and integration delivering strongly**
  - BHA acquisition and separation completed
  - WLUK and GOF / TIP transactions completed
- **Diligenta outsourcing service commenced 1 March 2012**
- **Capital Optimisation Programme delivered capital benefits of £281m in 2011**
- **Launched Go to Market propositions on target platforms**
  - All IFA Protection business now written on target platform
  - Corporate Benefits proposition on target platform ranked number 1 by market surveys[1]

Driving substantial returns on investments

1. Greenwich 2012 DC and NMG 2011 Corporate Wealth Programme

UK cost delivery
Transforming the operating cost base

UK operating costs



Source: November 2011 Investor day

- By the end of 2011 we achieved:
  - £27m of cash synergies
  - £45m of run-rate savings
  - £105m synergies delivered or contractualised
- Exited unprofitable products
- Variabilised Heritage cost base
- Lean, low cost Go to Market businesses

Target outsourcing and other cost savings – £143m

1. This is not a projection but reflects anticipated savings overlaid on to the 2010 baseline operating cost base. Heritage acquisition costs relate to policy increments and new members in corporate schemes

Heritage
Three immediate priorities delivered

1 **Outsourcing deal**

- Transformational outsourcing deal with Diligenta
- Service commenced 1 March 2012
- Annual cost savings of £60m by 2015
- Embedded value operating profit of £200m[1] in 2011
- Reduces risks in delivery of strategy

2 **Capital synergies**

- Recognition of negative reserves has substantially reduced Protection cash strain by £100m
- Delivered capital benefits of £181m in 2011
- Future plans to reduce five UK life companies to two by end of 2013

3 **Building in-house asset management capability**

- Friends Life Investments team recruited and on board
- On track to launch in July 2012
- Immediate focus is on £12bn of fixed income AUM[2]
- Already served notice on £8bn of which £6bn will be recaptured in July 2012
- Total potential assets £61bn, with fees of £87m pa[2]

Added 1.1%[3] to ROEV and £281m capital synergies in 2011

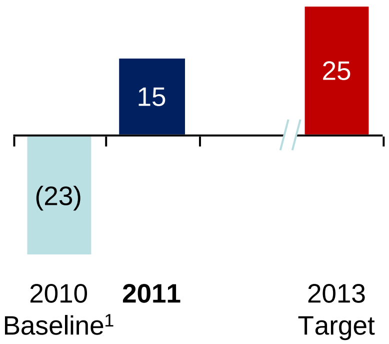
1. Before implementation costs
2. As outlined at November 2011 Investor day, fees including VAT
3. Includes Diligenta and other assumption changes, operating variances and effect of higher development costs in H2

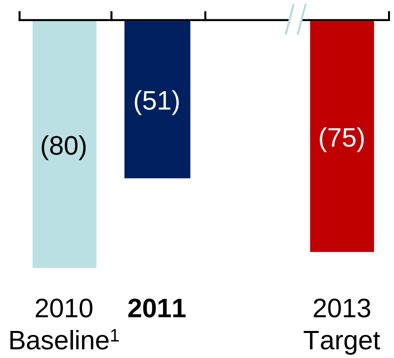
Resolution

UK Go to Market new business
Low cost propositions delivering towards targets

VNB, £m | **NBS, £m**

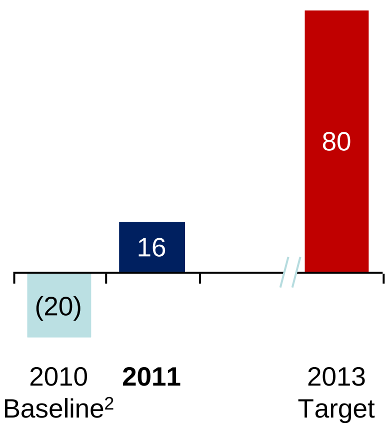
Corporate Benefits

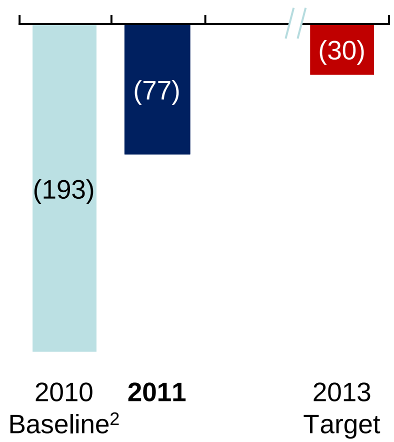




- Reduction in new business strain through team restructuring and synergy delivery
- Well set to benefit from market developments including Auto Enrolment and RDR
- Prudent persistency provisions
- Improving trend in profitability

Protection



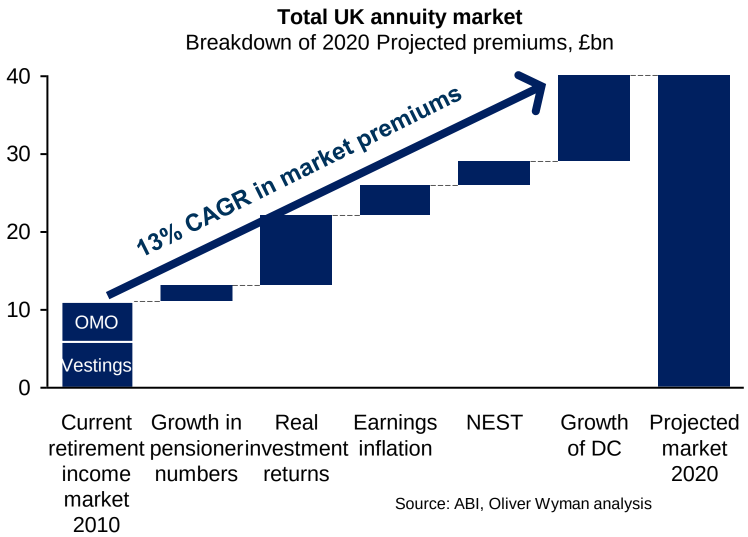


- Launched new Individual and Group propositions on target platforms
- Closed loss making legacy propositions
- Higher value customer offering
- New distribution partnerships
- Strong momentum into 2012

1. This is Corporate Pensions product figure, as business unit only created in 2011
2. This is Individual Protection figure, as business unit only created in 2011

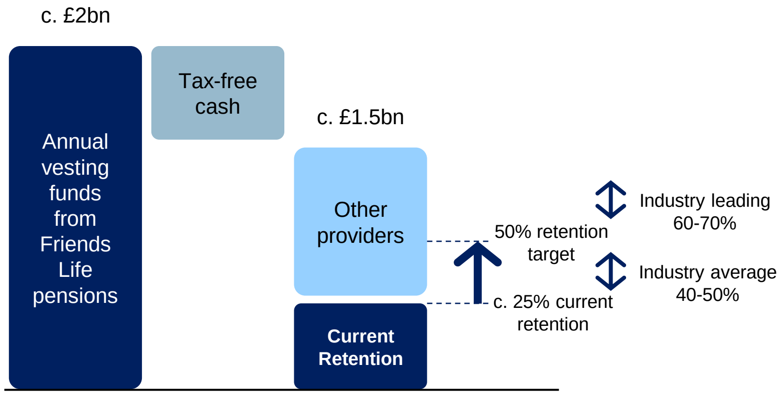
UK Go to Market – Retirement Income
Building momentum in delivering our annuity strategy

Strong growth expected in annuity market



Source: ABI, Oliver Wyman analysis

Significant potential in Friends Life vesting book



Source: November 2011 Investor day

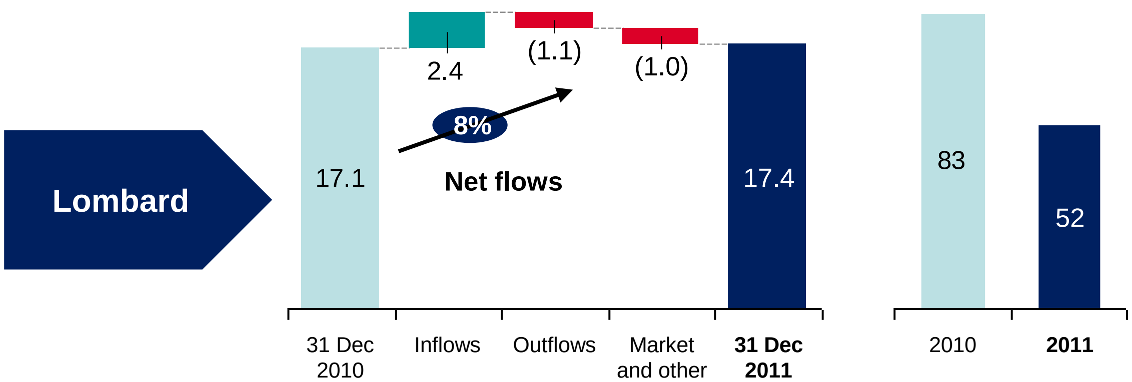
- Initial results from Q4 2011 pilot demonstrate ability to improve retention rate
- Launched post code model for vestings in Q1 2012
- New Fixed Income team in Friends Life Investments on track for launch in July 2012
- Launch of enhanced annuity product in Q3 2012
- Ready to launch open market capability c.Q4 2012[1]

Well positioned to benefit in 2013

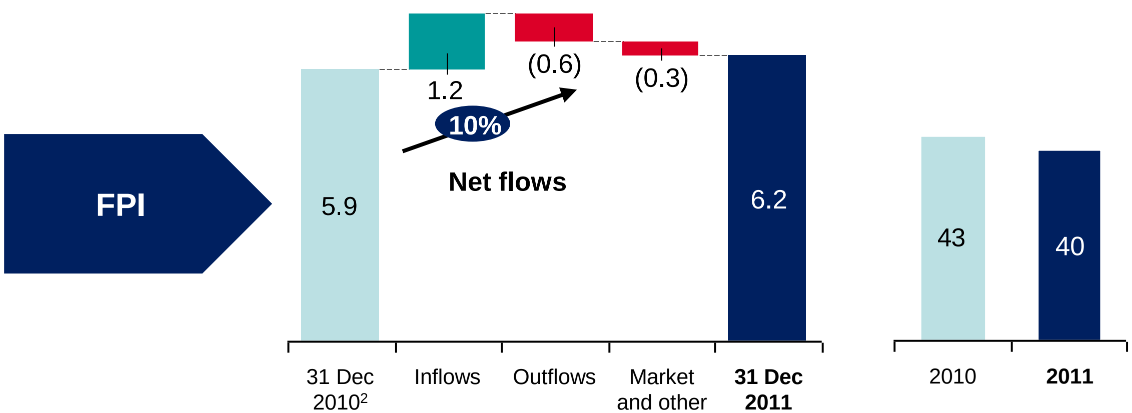
1. Subject to final decision nearer to launch

International
Lombard performance resilient in a challenging market; FPI disappoints

Funds under management, £bn **VNB, £m**



- Increased market share from 16% to 19% in Luxembourg market[1]
- Solid performance in a challenging market with continued growth in funds under management
- Lower sales volumes as clients continue to defer investment decisions in uncertain times
- Attractive long term prospects

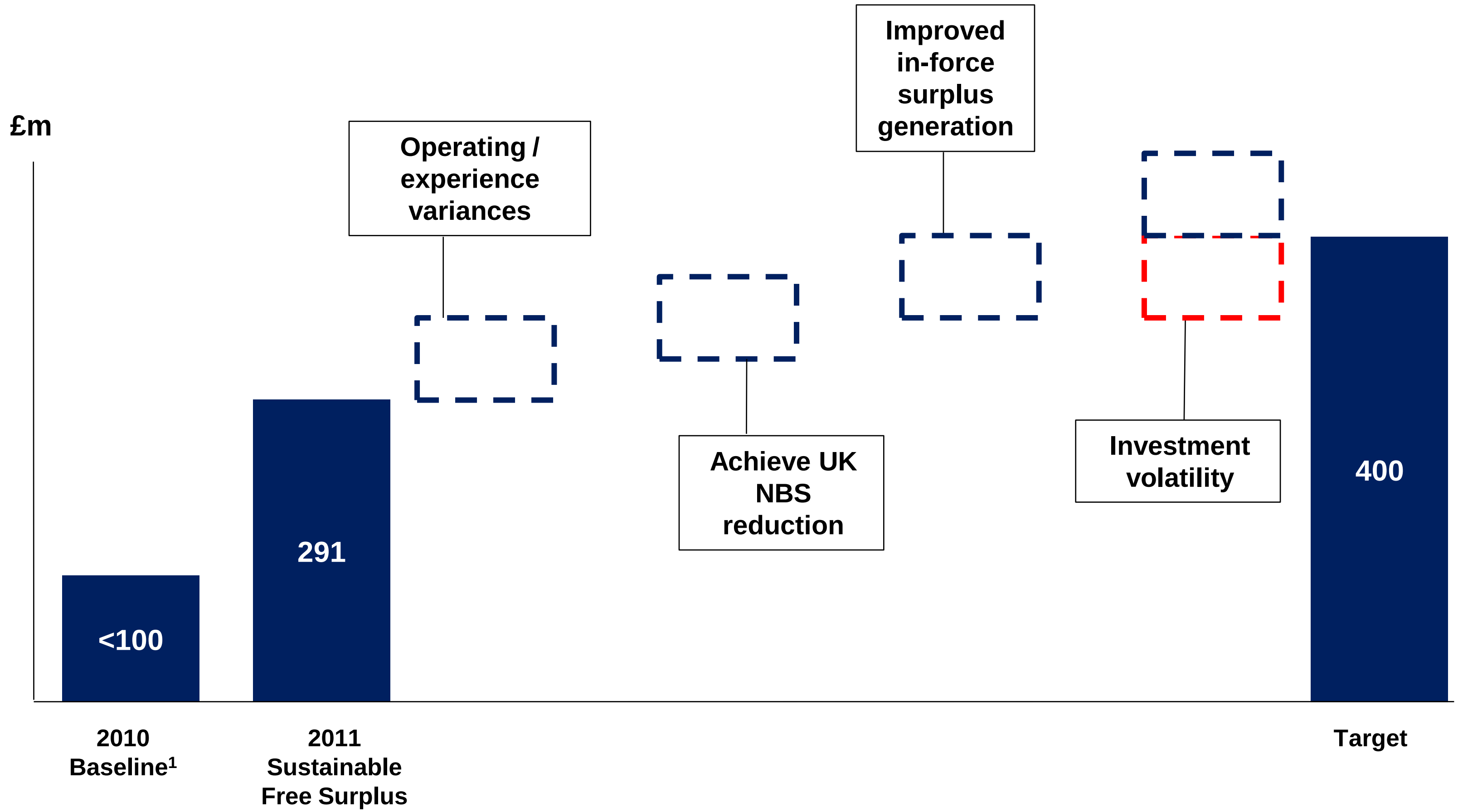


- Disappointing operating profit performance impacted by one-offs and weak markets
- Good performance in Asia offset by weaknesses in Germany
- Need to rebalance "value versus volume" focus

1. Market value data: Commissariat Aux Assurances (Luxembourg) 2010 and 2011
2. Restated to include OLAB unitised with-profit funds of £0.2bn previously accounted for within the UK business segment

Free surplus

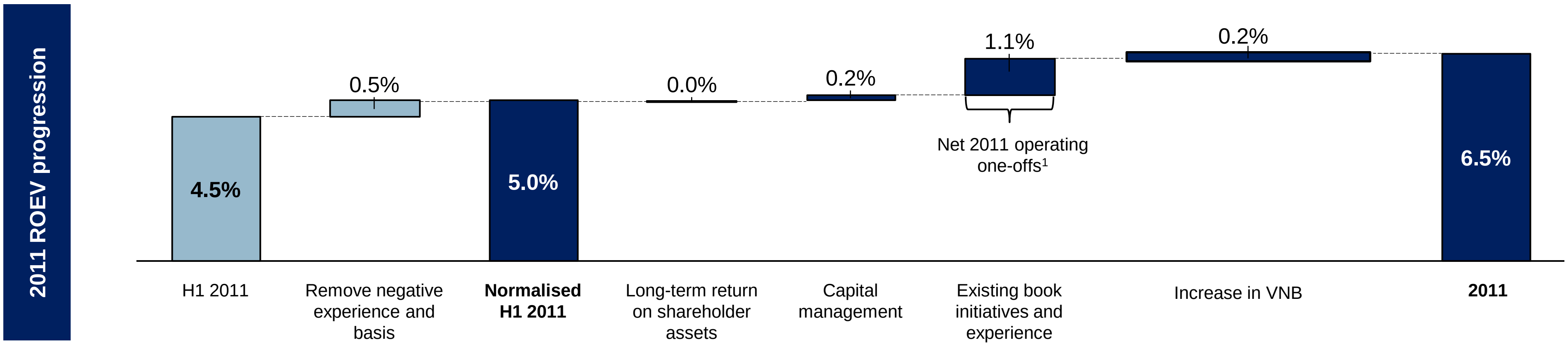
Surplus generation enhanced through business improvements and management actions

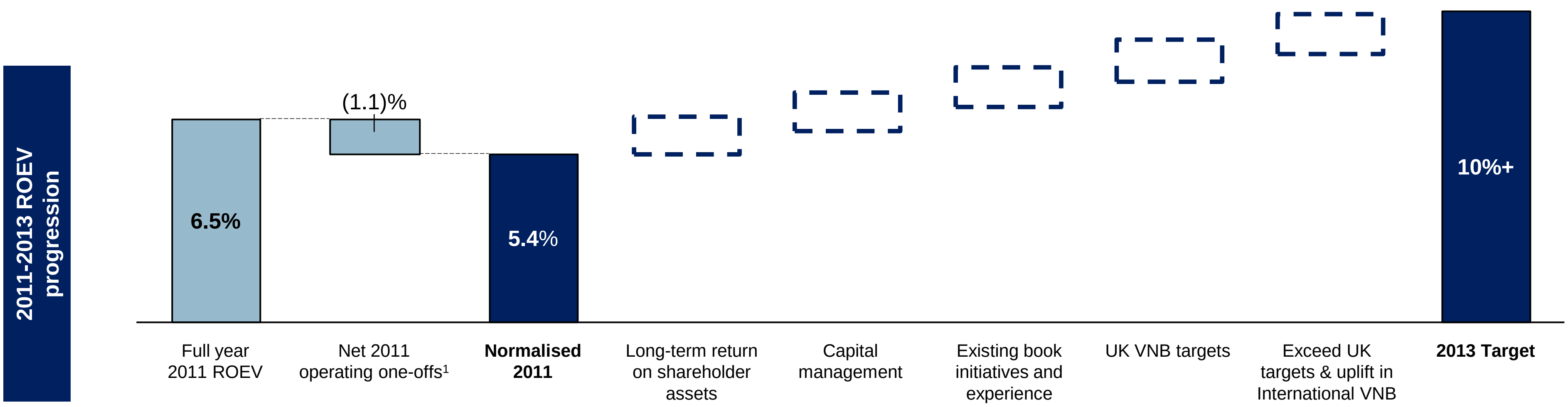


1. 2010 actual in-force cash surplus less new business cash strain of £159m adjusted for other 2010 operating movements in free surplus

FLG Operating Return on Embedded Value

Targeting a 10%+ ROEV





1. Includes Diligenta and other assumption changes, operating variances and effect of higher development costs in H2

Summary

- Clear strategy to build a sustainable, profitable business underpinned by rigorous financial discipline
- We have built the team to deliver
- Targeted investments in major initiatives driving significant improvements in business performance
- Delivered a strong set of results with good progress towards 2013 targets

2011 Full Year Results Agenda

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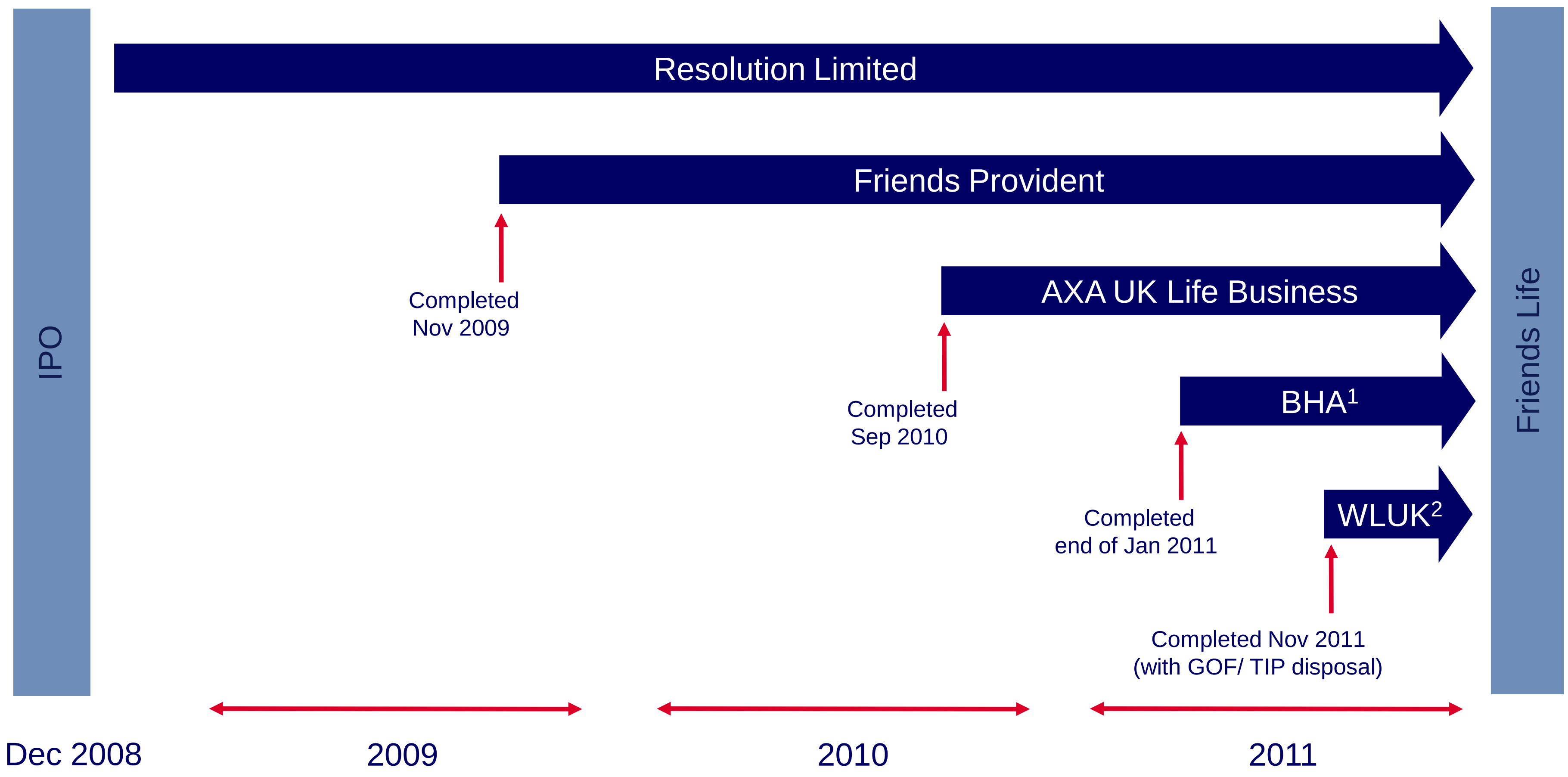
Evolution of UK Life Project
Continued restructuring



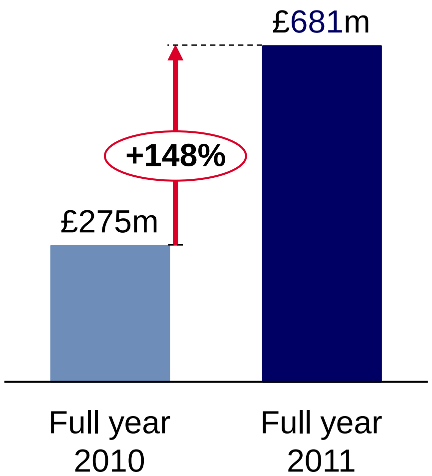
1. Bupa Health Assurance
2. The final phase of the AXA UK Life Business transaction resulted in the acquisition of Winterthur Life UK and the pre-agreed disposal back to AXA UK of the Guaranteed Over Fifty and Trustee Investment Plan portfolios

Resolution

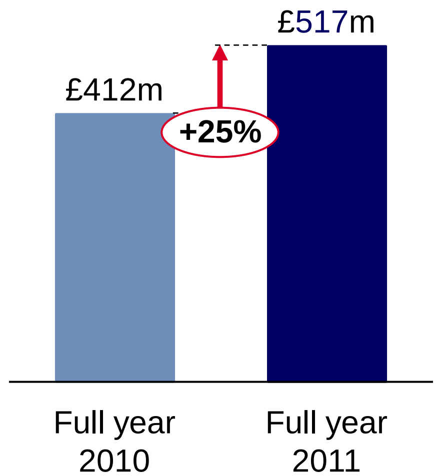
Full Year 2011 financial highlights

Growing profits in a challenging economic environment

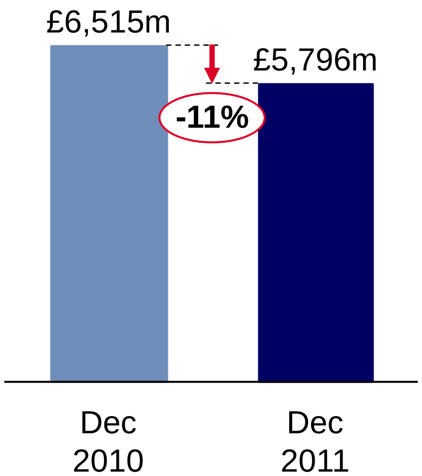
IFRS based operating profit



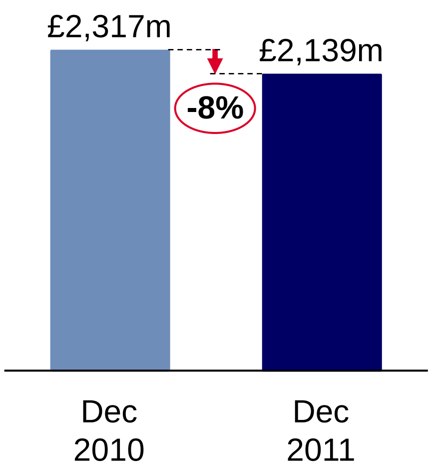
MCEV operating profit



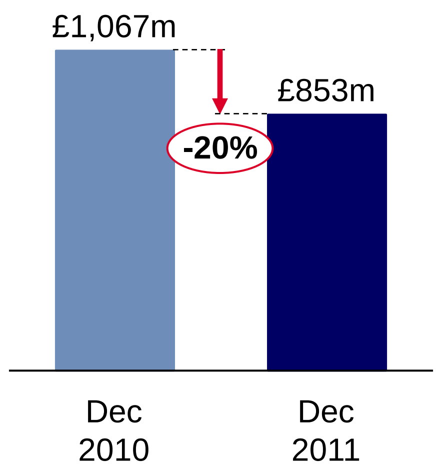
Group net MCEV



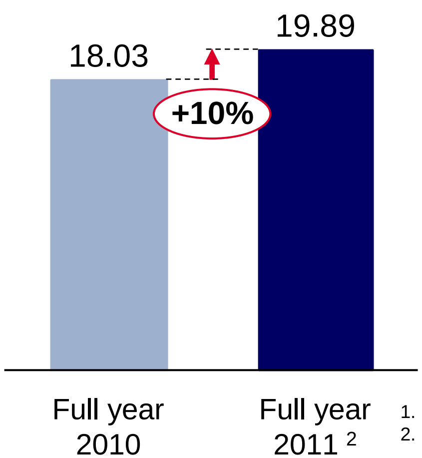
Group IGCA surplus[1]



Group available shareholder cash



Dividend (pence per share)



1. At FLG level
2. Incl. Proposed 2011 final dividend

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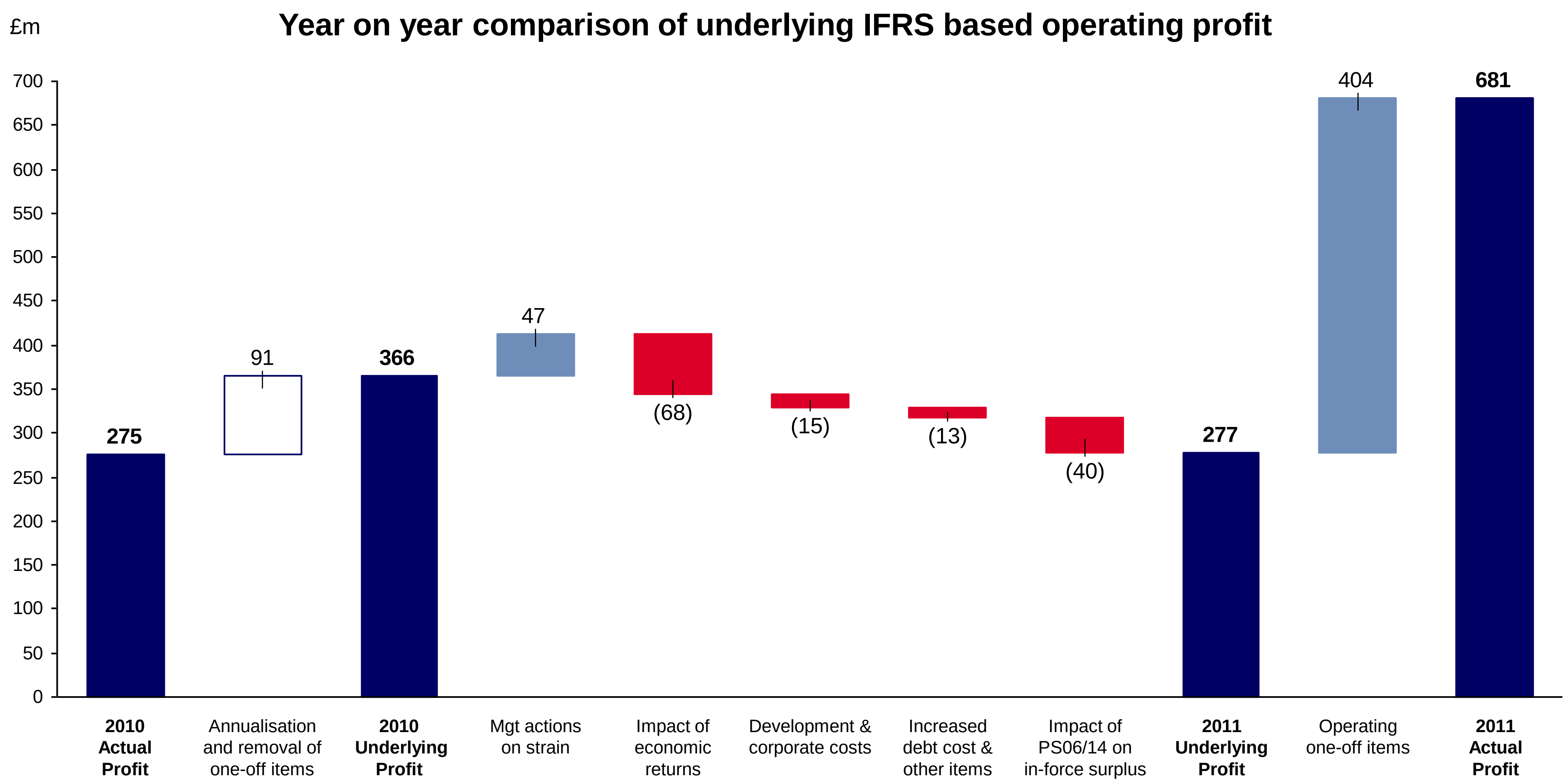
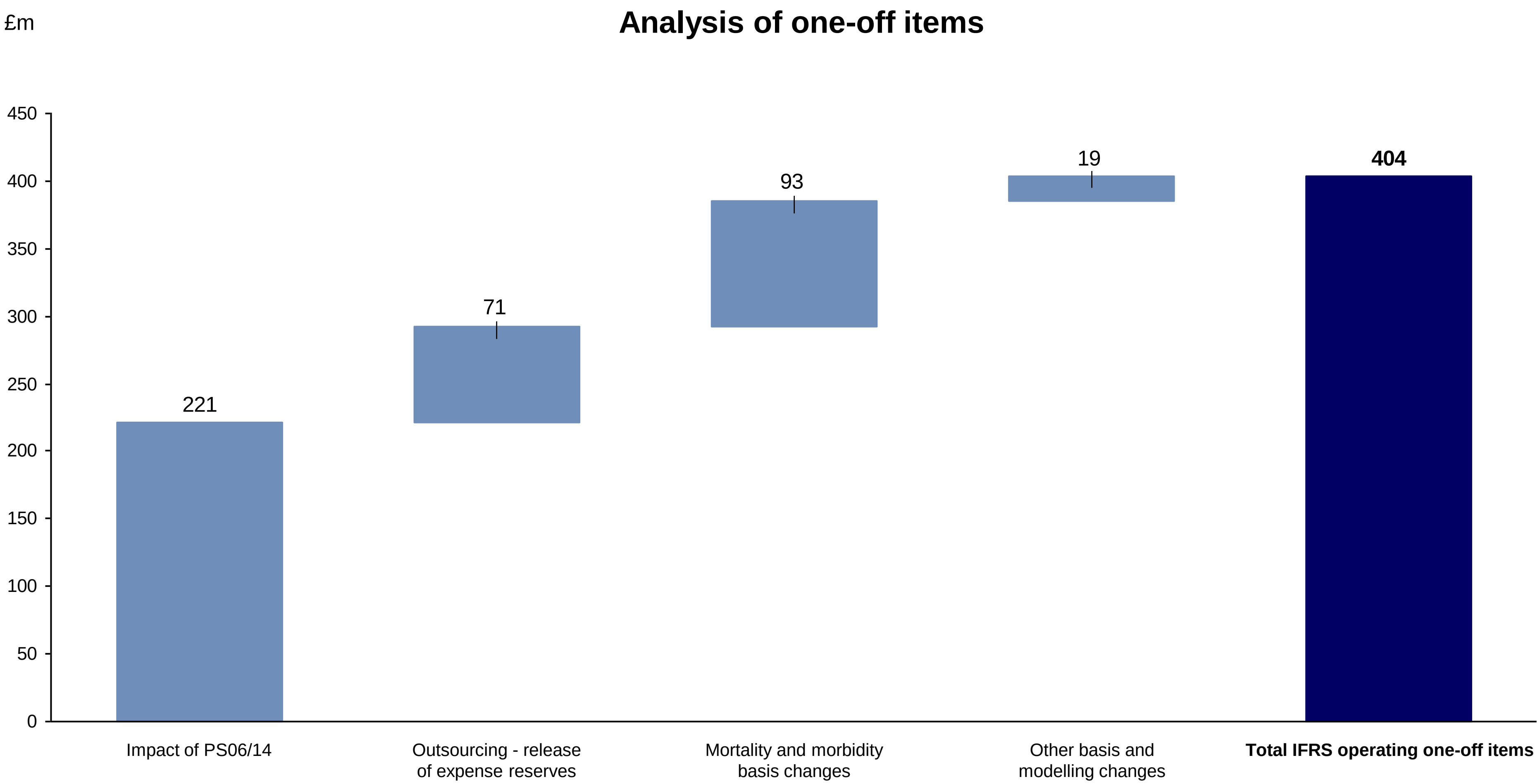
IFRS based operating profit
Profit growth from management actions

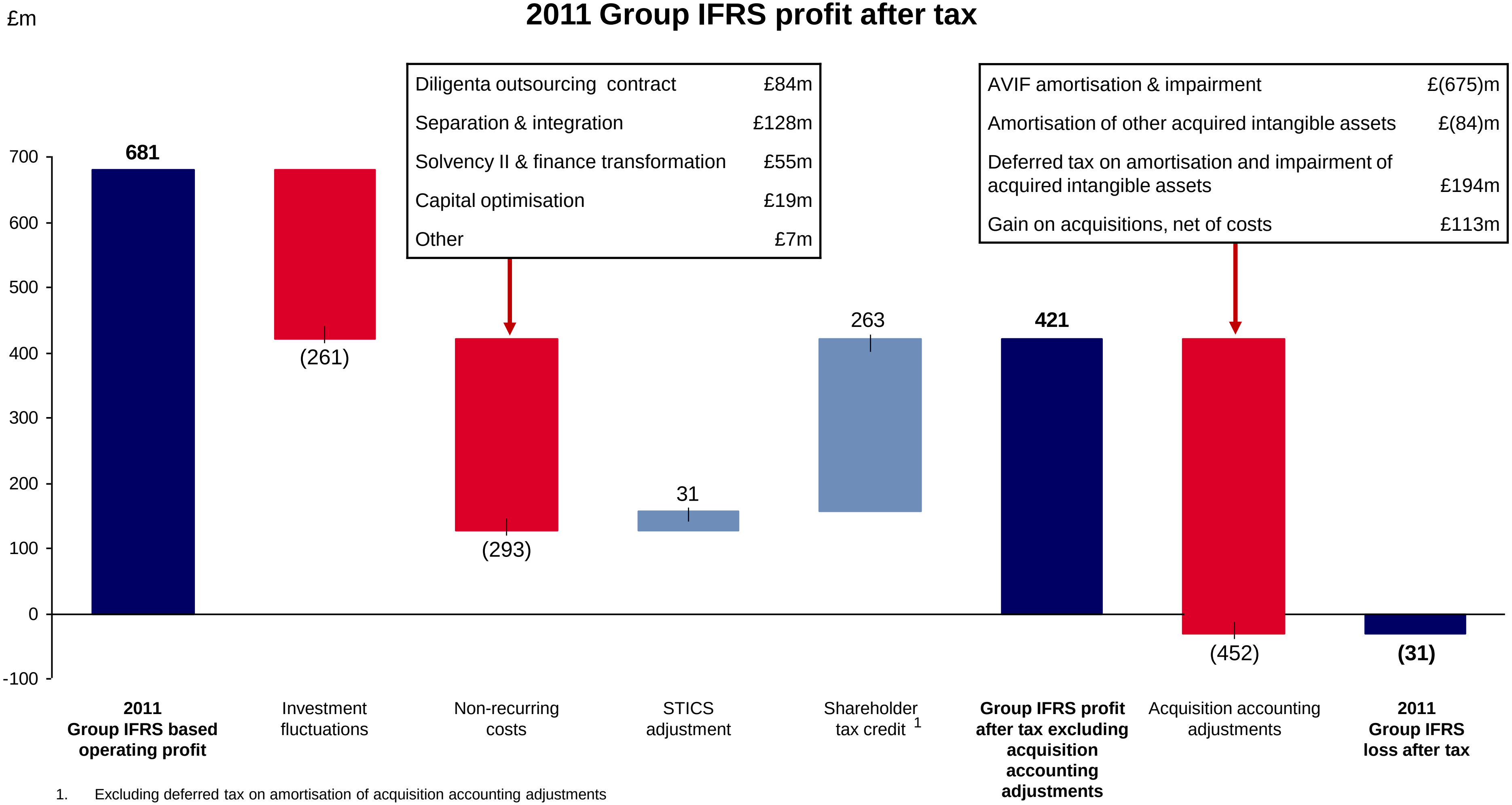


IFRS operating profit – operating one-off items
Effective capital and cost management



IFRS profit after tax
Reflecting the impact of markets and business restructuring

2011 Group IFRS profit after tax



1. Excluding deferred tax on amortisation of acquisition accounting adjustments

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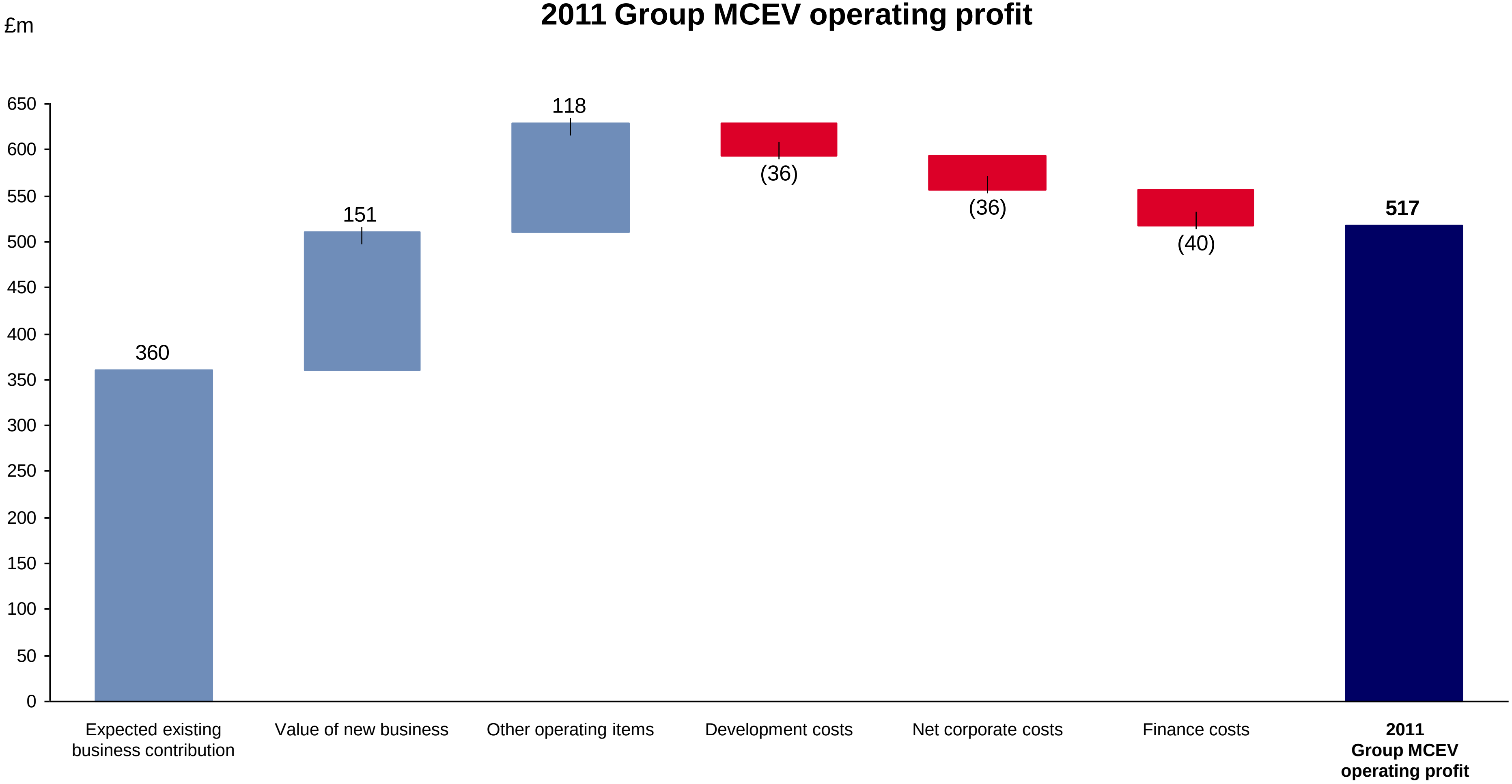
MCEV operating profit
Improving profits through management actions

2011 Group MCEV operating profit



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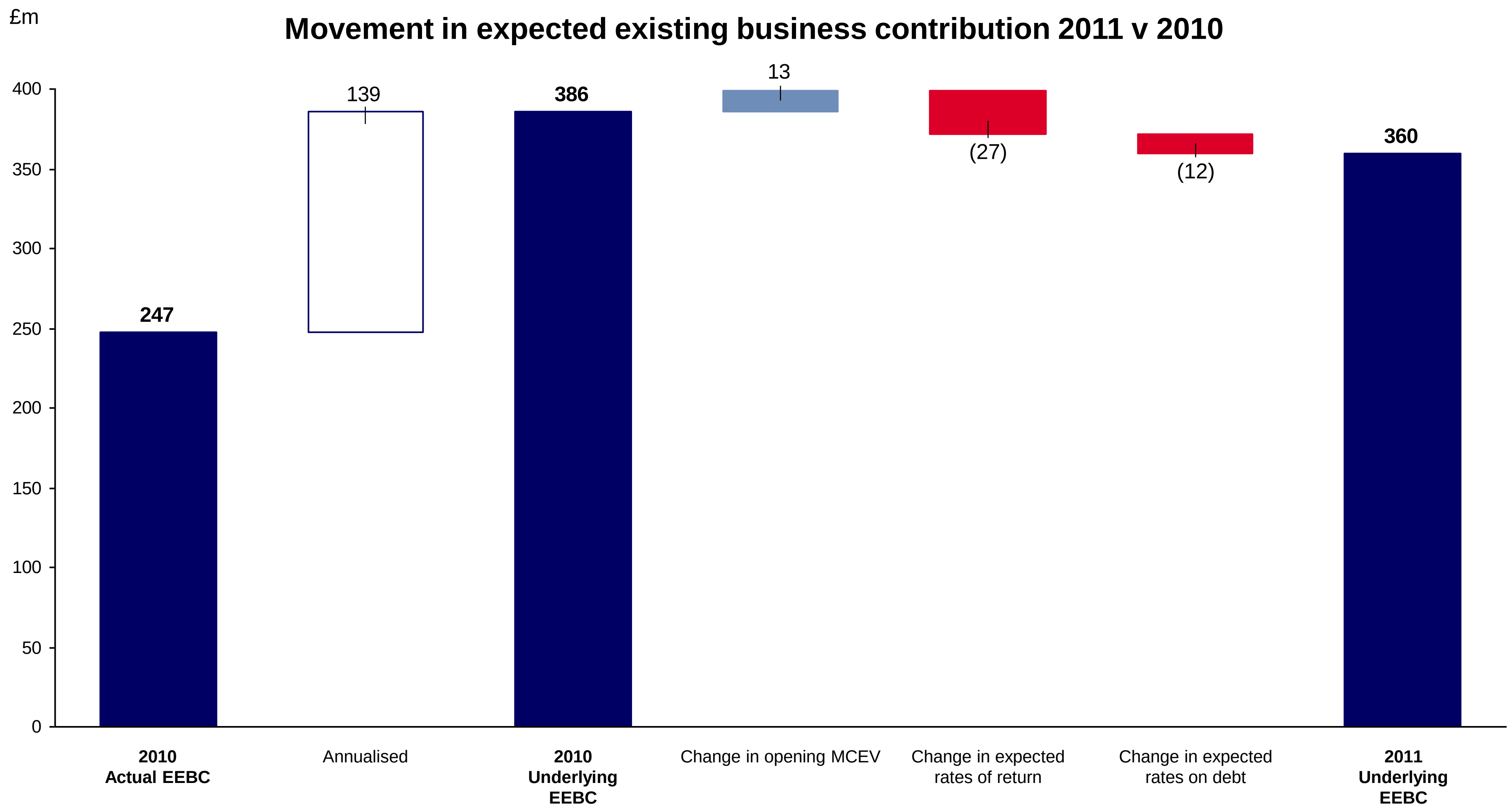
MCEV operating profit – Expected existing business contribution
Market driven reduction in long term return expectations



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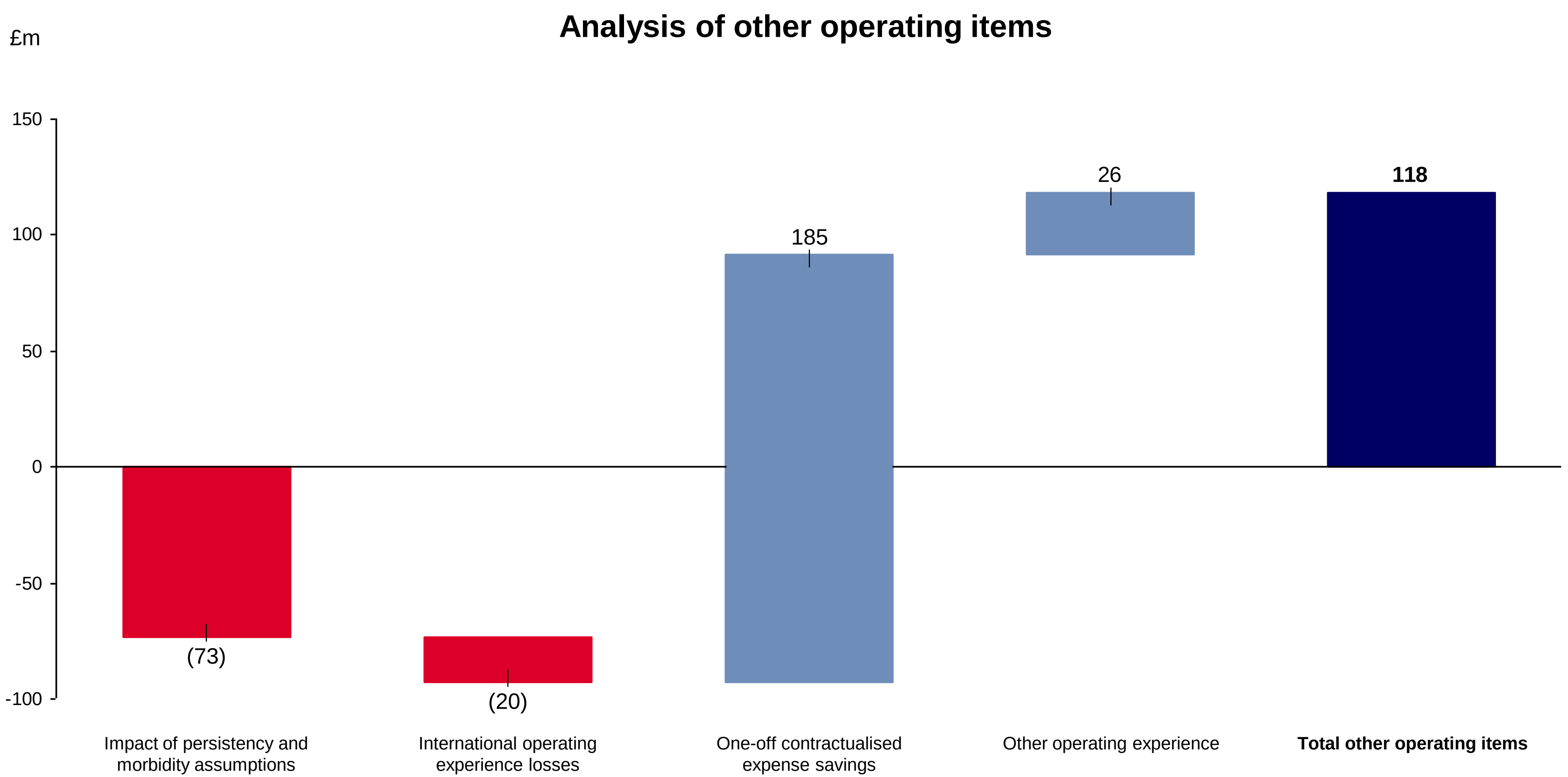
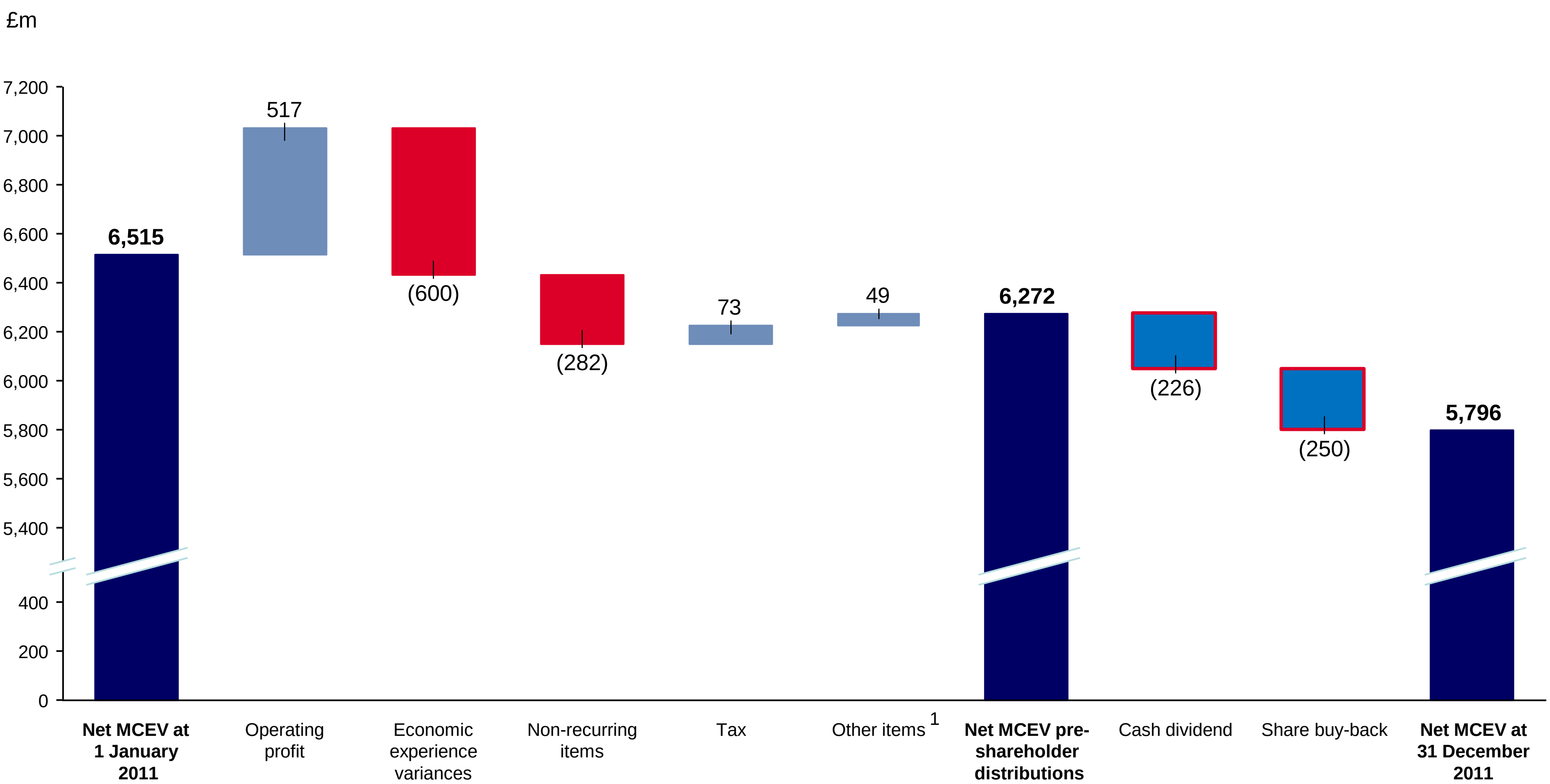
MCEV operating profit – Other operating items
Reducing operating risk in the emergence of embedded value



MCEV development in 2011
Weak investment markets offset strong operating performance



1. Comprises net impact from acquisitions & disposals: £81m, actuarial losses (net) on DBP scheme: £(32)m , foreign exchange movements: £(15)m, reduction in own shares held within the Group: £13m and other: £2m

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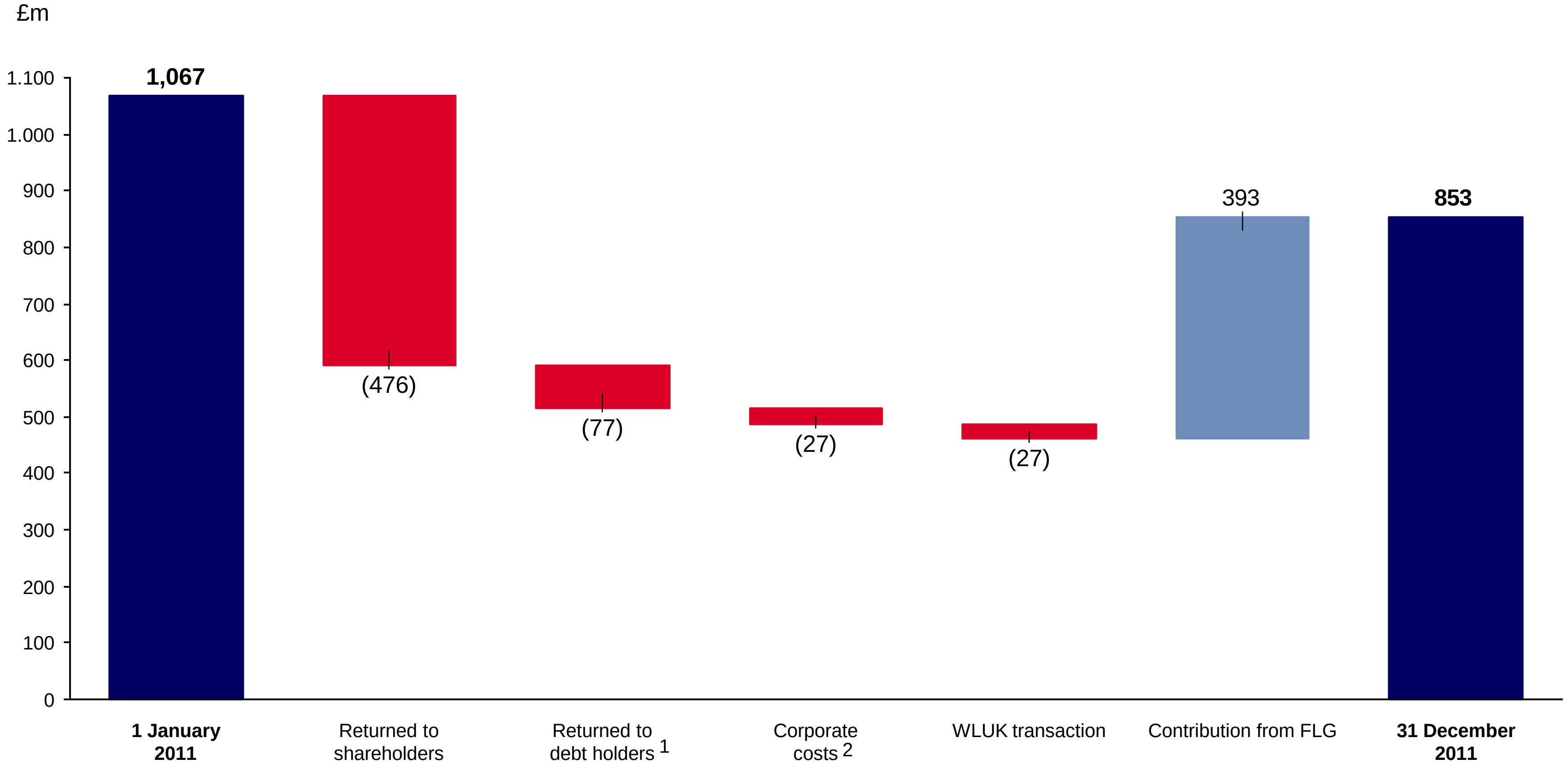
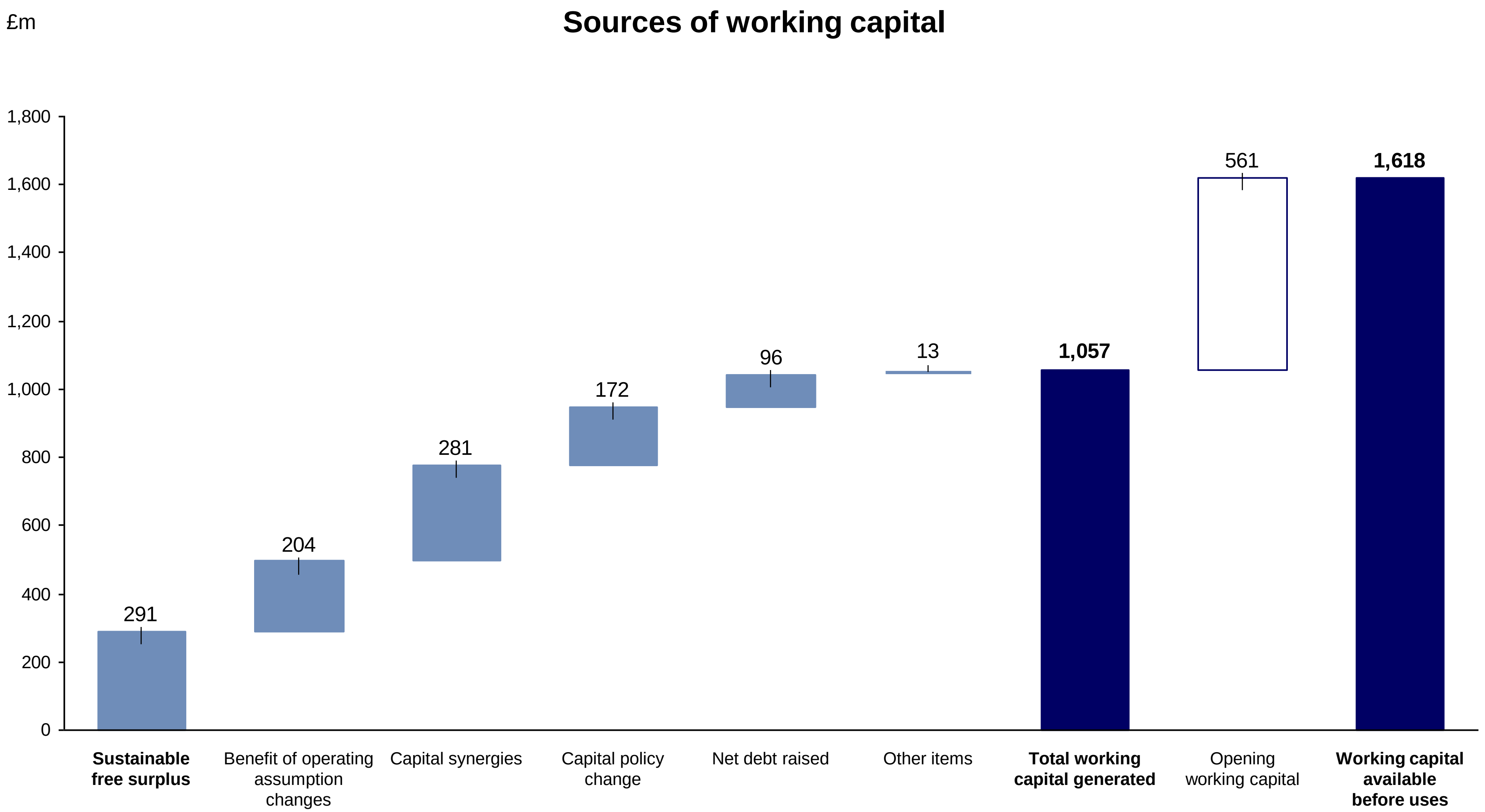
Available Shareholder Cash
Cash delivery in line with £400m Distributable Cash Target



1. Reflects capital repayments on the DCNs. The £500m tier 2 bond issued by FLG in April was used to repay the £400m acquisition finance facility held by the Resolution holding companies with the remaining £100m injected into the life companies
2. Comprising RSL interest costs of £34m, RSL corporate cash outflows of £26m net of internal loan interest received from FLG of £33m

Free surplus working capital - sources
Strong management of capital base



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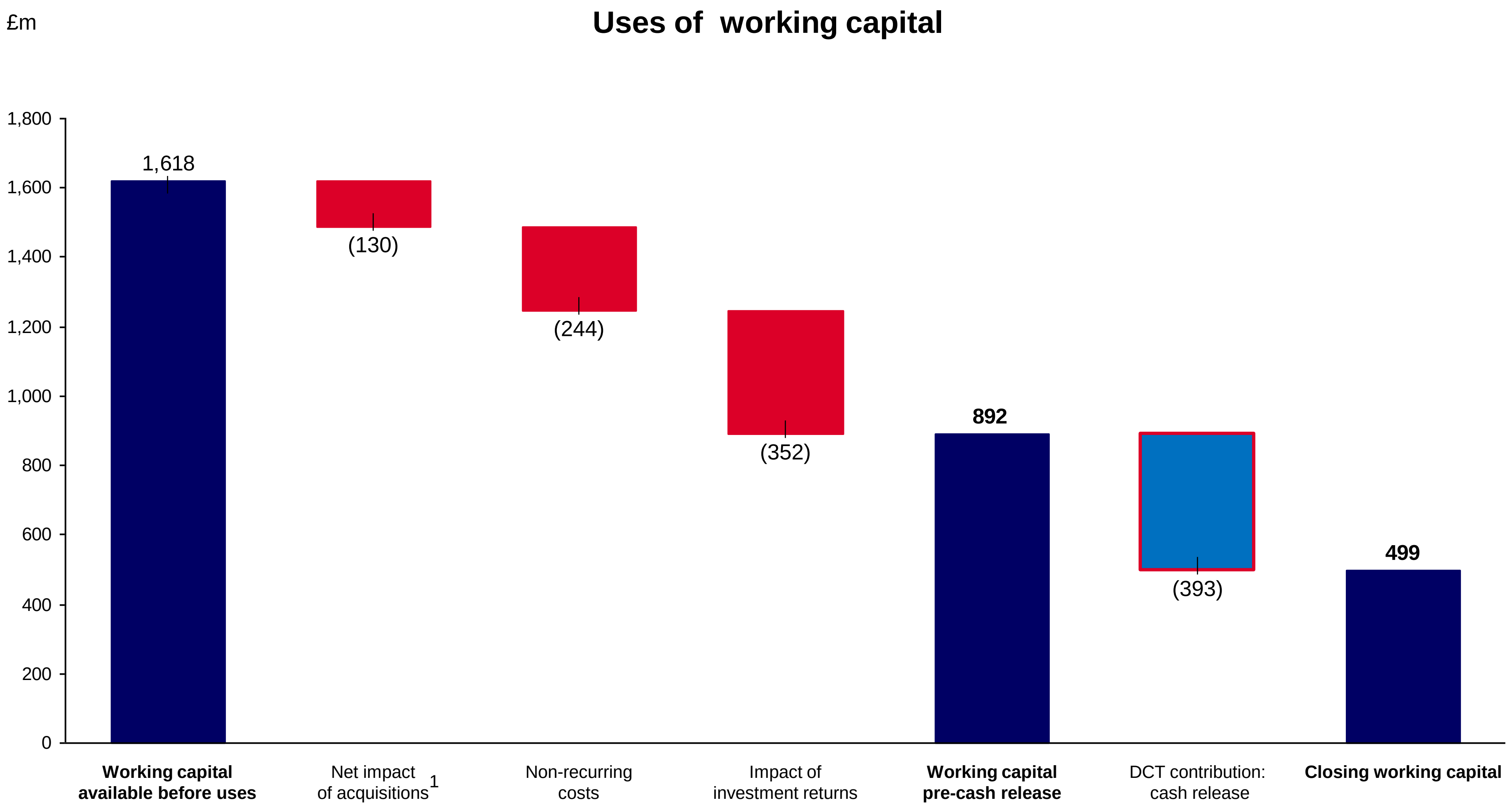
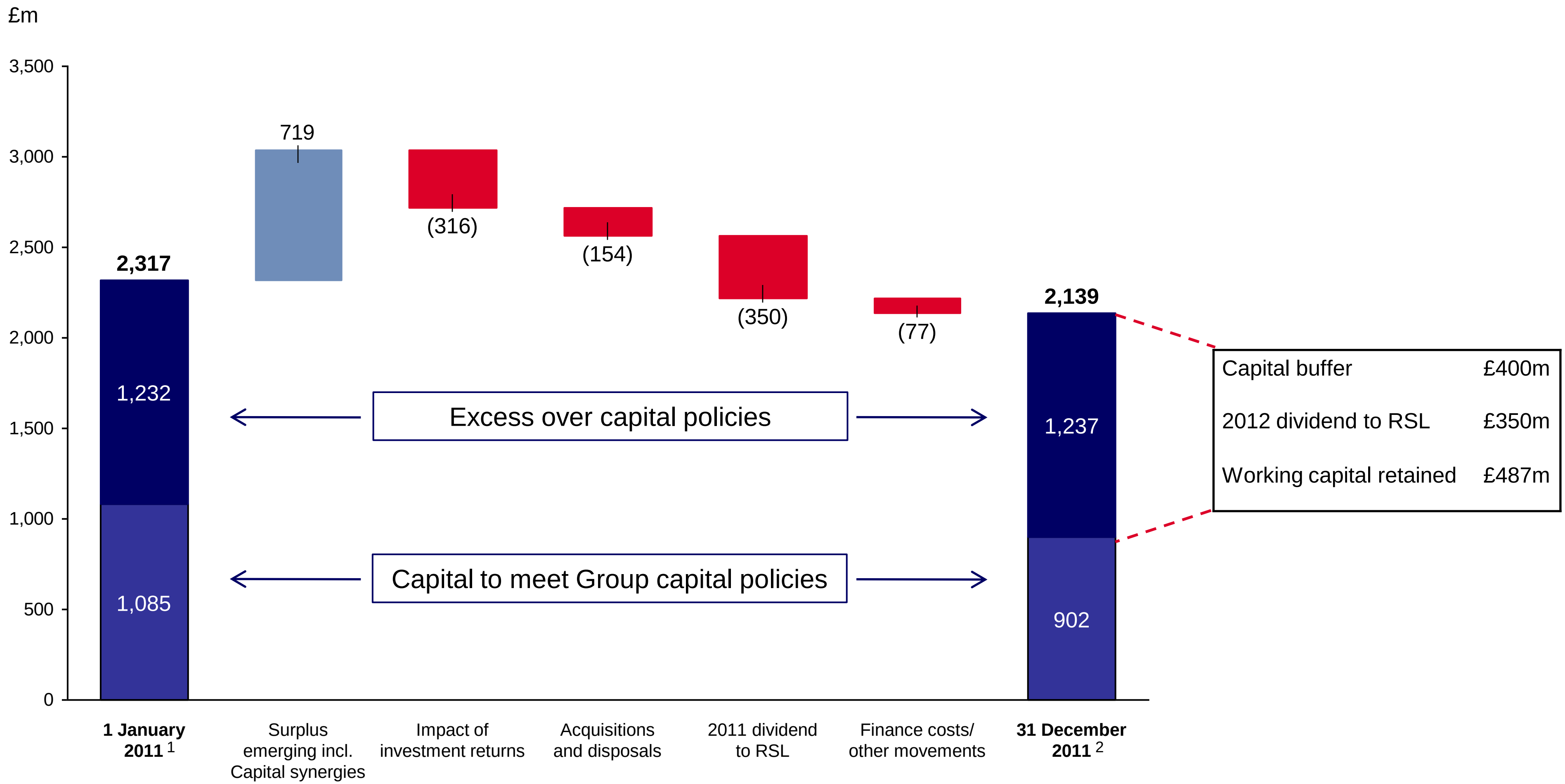
Free surplus working capital - uses
Available capital reduced by lower investment returns



1. Comprises life company net capital outflows for BHA: £(165)m, WLUK: £(313)m, GOF/ TIP: £246m plus GOF/ TIP free surplus pre-disposal: £41m and £61m BHA capital impact of PS06/14 recognised at acquisition

FLG IGCA surplus
Robust capital position in volatile markets



228% ← Coverage ratio → **219%**

1. Based on 160% of Group Capital Resource Requirements (excluding WPICC)
2. Based on 150% of Group Capital Resource Requirements (excluding WPICC)

Resolution

Increased volatility in investment markets
2011 characterised by weak investment markets & European sovereign debt crisis

2011

Pillar 1

- Capital synergies delivered
- Reduced integration risk
- Offset by weak investment markets

- Increased requirements due to credit spreads
- Impact of European sovereign debt crisis on wider financial markets

Pillar 2

2011
Year end position

2012

- Improving investment markets
- Options to further improve capital efficiency
- Further update no later than 2012 interim results

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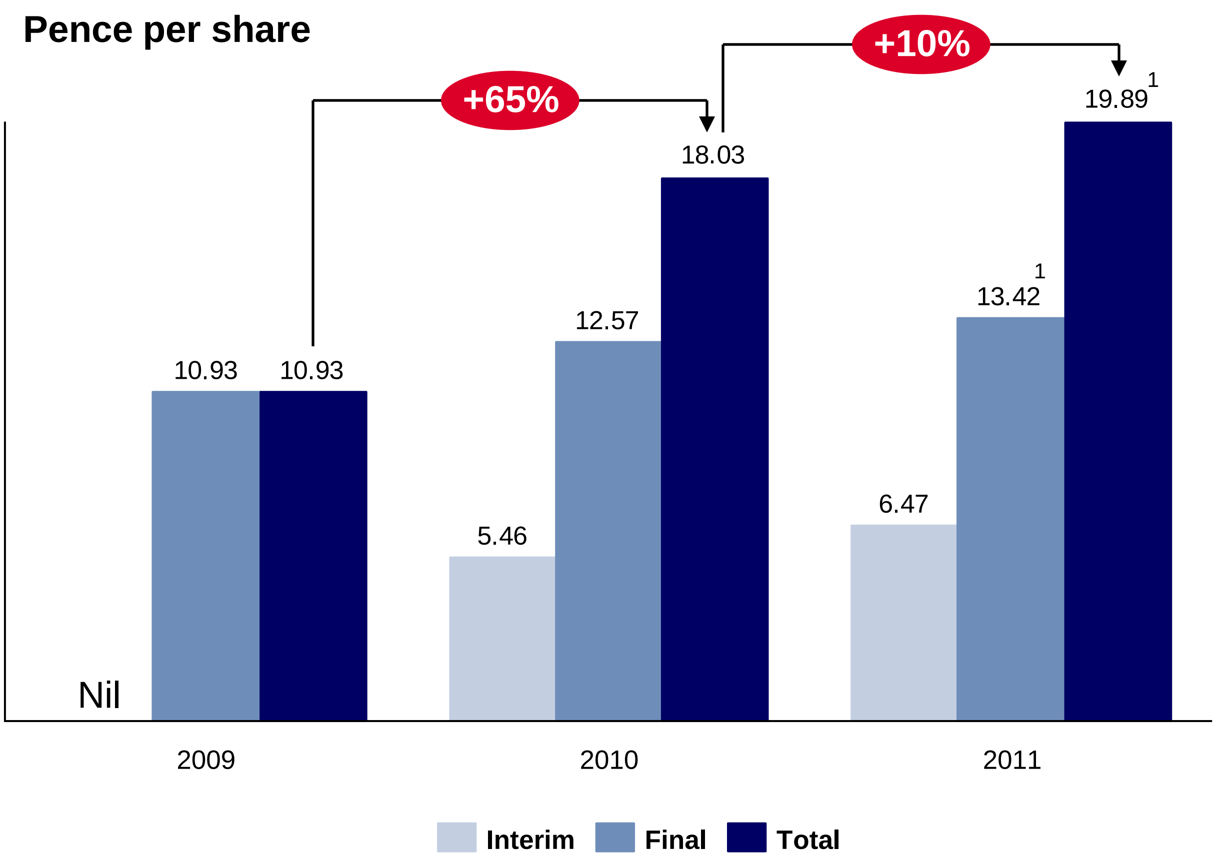
Dividend
Continued development of Group dividend



- Increase reflects the Board's commitment to retain the aggregate value of dividend payable at the level projected before the share buy-back
- The Board continues to review the appropriateness of moving to a progressive dividend by end of the project

1. Subject to shareholder approval

Improving sustainable cash generation and return to shareholders

- Good progress on expense management. Diligenta outsourcing contract provides an uplift of £200m to MCEV operating performance
- Robust IGCA in volatile investment markets with highly rated assets
- Shareholder cash distributions of £476m, including share buy-back. Equivalent to distribution of over 7% of opening MCEV
- Distributable cash generation of £393m in line with target despite poor investment markets
- Full year dividend up 10% and committed to continued shareholder cash return

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Exit options
Self-managed exit expected to create two separate listed companies

Exit Options

Cash sale, together or in parts

Direct listing as standalone entity

Separation of Go to Market businesses from UK Heritage business leading to separate listings

Merger with another life company

UK Life Project exit
Deliver two successful ongoing businesses

OpenCo

- UK Go to Market
- International
- Lombard
- Sesame Bankhall

- Efficient UK life company with attractive overseas franchises
- Strategy focused on financially attractive new business
- Distribution agreement with HeritageCo re vesting pensions
- High ROEV
- Appropriate leverage
- Modest cash generation initially

HeritageCo

- UK Heritage
- FL Investments
- UK pension fund
- FLG listed debt

- Specialist UK life back book company
- Strategy focused on closed fund consolidation
- Asset management agreement with OpenCo
- Modest ROEV
- Appropriate leverage
- High cash generation

Illustrative example post restructuring	OpenCo	HeritageCo	Total
Net MCEV	£2bn	£4bn	£6bn
Operating ROEV	20%	5%	10%
Net cash generation	£0.1bn	£0.3bn	£0.4bn

Note: This is an illustrative example only of the financial metrics which OpenCo and HeritageCo might be capable of exhibiting based on the FLG 31 December 2011 MCEV and assuming that FLG hits its cash generation and ROEV targets in 2013. The two businesses at exit will be influenced by many factors and their financial performance will vary accordingly.

UK Life Project exit
Self-managed exit to be delivered in 2014

- Capital optimisation programme will transfer UK business into two life companies
  - one containing the Heritage business, one containing the Go to Market portfolios
  - programme will be completed by end 2013
- Detailed planning work underway to align internal processes and systems with the two businesses
  - operational implementation of self-managed exit expected by end 2013
- Due consideration to be given to interests of FLG debt holders
- In the absence of exit M&A, self-managed exit expected to be implemented in 2014
  - Resolution expected to have completed UK Life Project no later than end 2014

2011 Full Year Results Agenda

Summary	John Tiner
Business Review	Andy Briggs
Financial Review	Jim Newman
RSL Update	John Tiner
Questions	**Mike Biggs**

Resolution

Q&A

Appendices

IFRS debt movement analysis

£m	2010 31 December	Movements In 2011 Repaid	 Drawn	 Other	2011 31 December	LTIR	Other operating cost	Short term fluct'ns	Total interest cost
Lombard undated subordinated debt	3	(1)	-	-	**2**	-	-	-	-
£162m external LT2 debt	186	-	-	(3)	**183**	21	-	(5)	16
£500m external LT2 bond	-	-	500	(4)	**496**	29	-	-	29
STICS[1]	n/a	-	-	-	**n/a**	26	-	5	31
FLG internal debt	*700*	*(500)*	-	-	***200***	33	-	-	33
Operational reinsurance and financing[2]	123	-	-	(32)	**91**	3	17	-	20
Total FLG debt (excl STICS)/ interest cost	**1,012**	**(501)**	**500**	**(39)**	**972**	**112**	**17**	**-**	**129**
DCN – series A	300	(68)	-	-	**232**	-	16	-	**16**
DCN – series B	200	(9)	-	-	**191**	-	14	-	**14**
Acquisition finance facility	400	(400)	-	-	**-**	-	10	-	**10**
Total Resolution holding companies debt/ interest cost	**900**	**(477)**	**-**	**-**	**423**	**-**	**40**	**-**	**40**
Total external Group debt[3] (excl STICS)/ interest cost	**1,212**	**(478)**	**500**	**(39)**	**1,195**	**112**	**57**	**-**	**169**

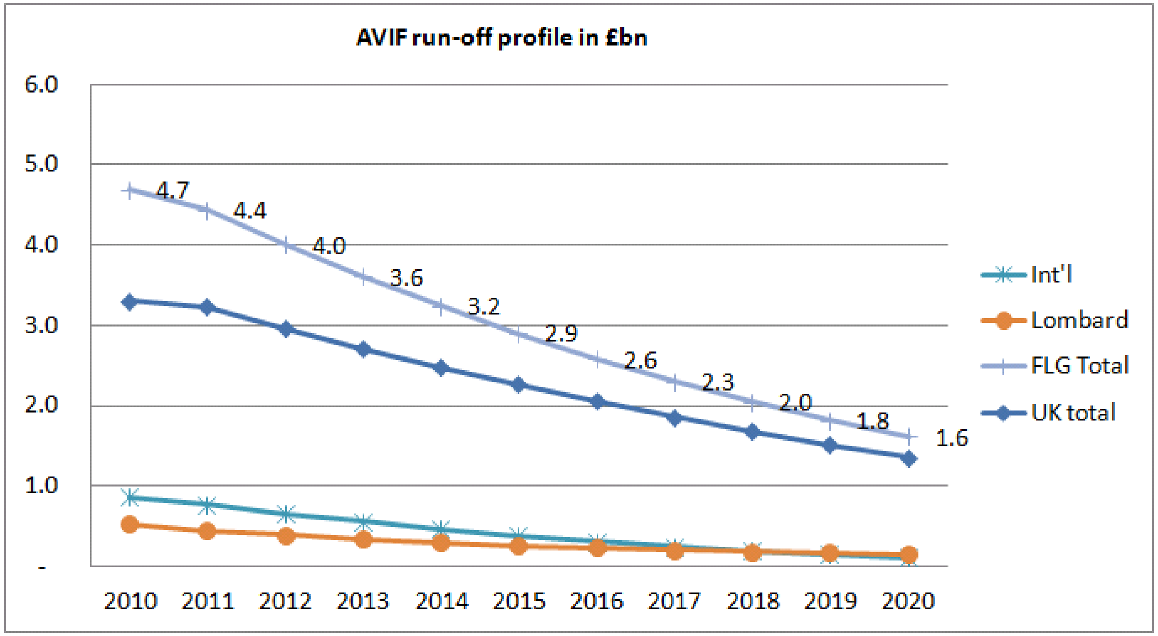
1. STICS are classed as equity in IFRS but £26 million of the £31m coupon has been included in operating profit (based on expected return) offset by £5m of adverse short term investment fluctuations and deduction of £31m in non-operating items in accordance with IFRS
2. Includes Lombard and Friends Provident reinsurance treaties and overdrafts and £7m of overdrafts in OEICs. Movement shown for 2011 is the net movement for the year.
3 .Excludes lower tier 2 debt issued by FLG to Resolution holding companies

Resolution

IFRS AVIF amortisation profile – post PS06/14 and including WLUK

AVIF at end of year (£m)

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
UK	3,300	3,228	2,957	2,711	2,481	2,259	2,049	1,856	1,675	1,506	1,355
Int'l	863	764	656	556	464	380	306	241	190	146	110
Lombard	522	445	389	339	296	258	226	201	180	162	146
FLG Total	**4,685**	**4,437**	**4,002**	**3,606**	**3,241**	**2,897**	**2,581**	**2,298**	**2,045**	**1,814**	**1,611**
Amortisation for the period	**364**	**675**	**435**	**396**	**365**	**344**	**316**	**283**	**253**	**231**	**203**



- The table and graph show the expected AVIF run off pattern over the next 10 years
- This projection includes the impact in 2011 of the implementation of certain elements of PS06/14, resulting in:
  - an acceleration of AVIF amortisation of £130m in the AXA UK Life Business;
  - an impairment charge against AVIF of £71m in BHA; and
  - a reduced gradient of the UK profile
- This table and graph include WLUK from the date of acquisition and the impacts of foreign exchange movements in 2011 on Lombard

MCEV debt movement analysis

£m	2010 31 December	Movements In 2011 Repaid	Drawn	Other	2011 31 December	EEBC	Other income and charges	Econ'c variances	Total interest cost
£162m external LT2 debt	201	-	-	(19)	**182**	10	-	9	**19**
£500m external LT2 bond	-	-	500	(50)	**450**	17	-	12	**29**
STICS[1]	393	-	-	(66)	**327**	19	-	12	**31**
FLG internal debt	*700*	*(500)*	-	-	***200***	-	33	-	**33**
Total FLG debt (incl STICS)[1]/ interest cost	**1,294**	**(500)**	**500**	**(135)**	**1,159**	**46**	**33**	**33**	**112**
DCN – series A	300	(68)	-	-	**232**	-	16	-	**16**
DCN – series B	200	(9)	-	-	**191**	-	14	-	**14**
Acquisition finance facility	400	(400)	-	-	**-**	-	10	-	**10**
Total Resolution holding companies debt/ interest cost	**900**	**(477)**	**-**	**-**	**423**	**-**	**40**	**-**	**40**
Total external Group debt[2] (incl STICS)/ interest cost	**1,494**	**(477)**	**500**	**(135)**	**1,382**	**46**	**40**	**33**	**152**

1. Debt is shown at clean market value and excludes accrued interest and tax adjustment on market valuation of £82m at 31 December 2011
2. Excludes lower tier 2 issued by FLG to Resolution holding companies

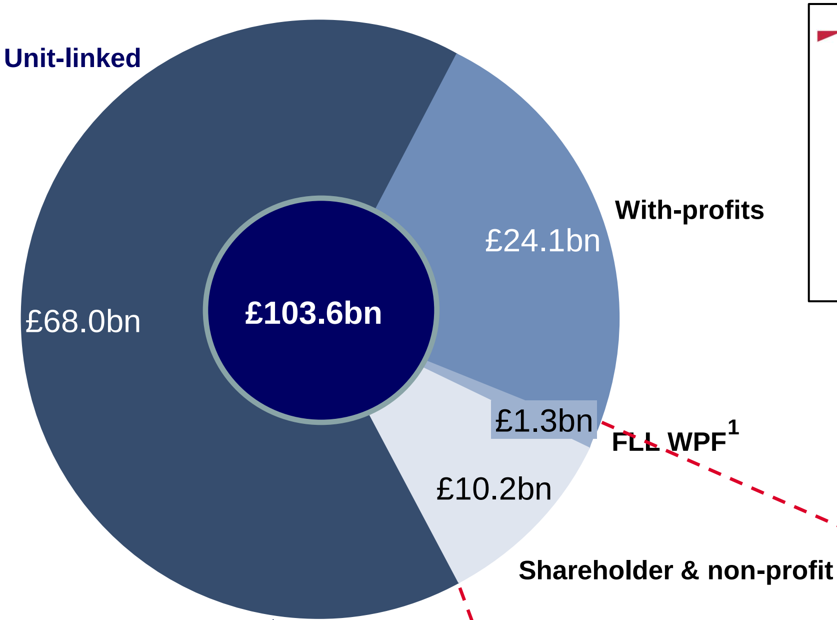
FLG operating ROEV

£m MCEV operating returns and % ROEV	2010 Full year		2010 Baseline [1]		2011 Full year	
	£m	%	£m	%	£m	%
Value of new business	145	3.3%	153	2.0%	151	2.0%
Expected existing business contribution [2]	277	5.6%	416	5.5%	406	5.3%
Development & corporate costs [3]	(21)	(0.4%)	(21)	(0.3%)	(38)	(0.4%)
Operating profit before variances	**401**	**8.5%**	**548**	**7.2%**	**519**	**6.9%**
Operating variances & assumption changes	74	1.4%	-	-	118	1.5%
Impact of financing	(48)	0.7%	(87)	0.1%	(79)	0.5%
MCEV operating profit (excluding RSL costs)	**427**	**10.6%**	**461**	**7.3%**	**558**	**8.9%**
Tax on operating profit	(96)	(2.3%)	(111)	(1.8%)	(150)	(2.4%)
MCEV operating return after tax	**331**	**8.3%**	**350**	**5.5%**	**408**	**6.5%**

1. Assumes h-AXA contributes 12/4 of the actual YE10 result. Assumes BHA contributes 12/5 of the actual HY11 result. Assumes no impact of operating variances and assumption changes.
2. Gross of financing costs
3. Also includes other income and charges gross of financing costs

- Baseline impact reflects BHA/ AXA UK Life Business on full year basis
- Target by 2013 is 10%+ operating return on EV

Financial assets

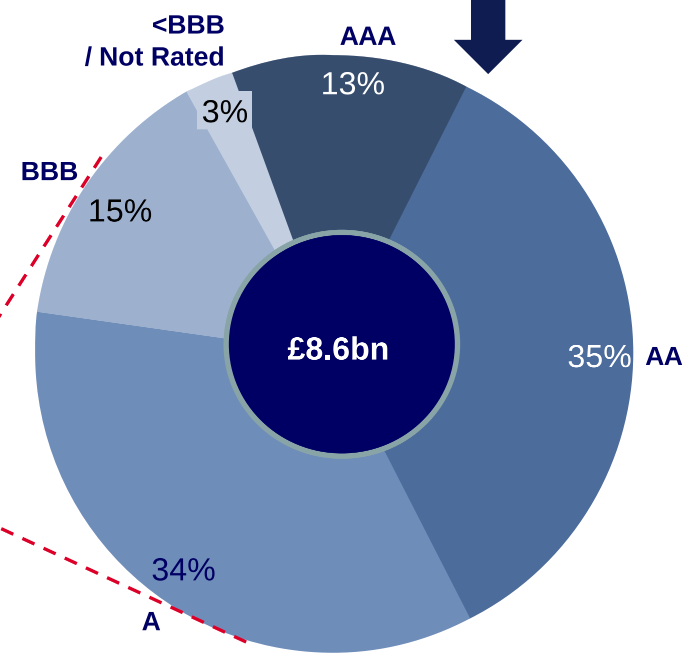


Total financial assets
£103.6bn

- PIIGS exposure:
  - Government debt: £6m
  - Corporate debt:
    - Greece: Nil
    - Portugal/ Ireland both immaterial
    - Italy/ Spain: £321m

Non-profit & shareholder[2] analysis:	
Shares, unit trusts & other	£0.2bn
Gilts	£2.7bn
Corporate bonds & ABS	**£8.6bn**
	£11.5bn

Shareholder and Non-profit: Corporate bonds and ABS
£8.6bn



1. Represents the maximum asset exposure which could fall to shareholders in relation to defined book with FLL
2. Includes the shareholder exposure in relation to FLL WPF (see 1. above)

Further analysis of sovereign and corporate exposure to Spain, Portugal, Italy and Ireland

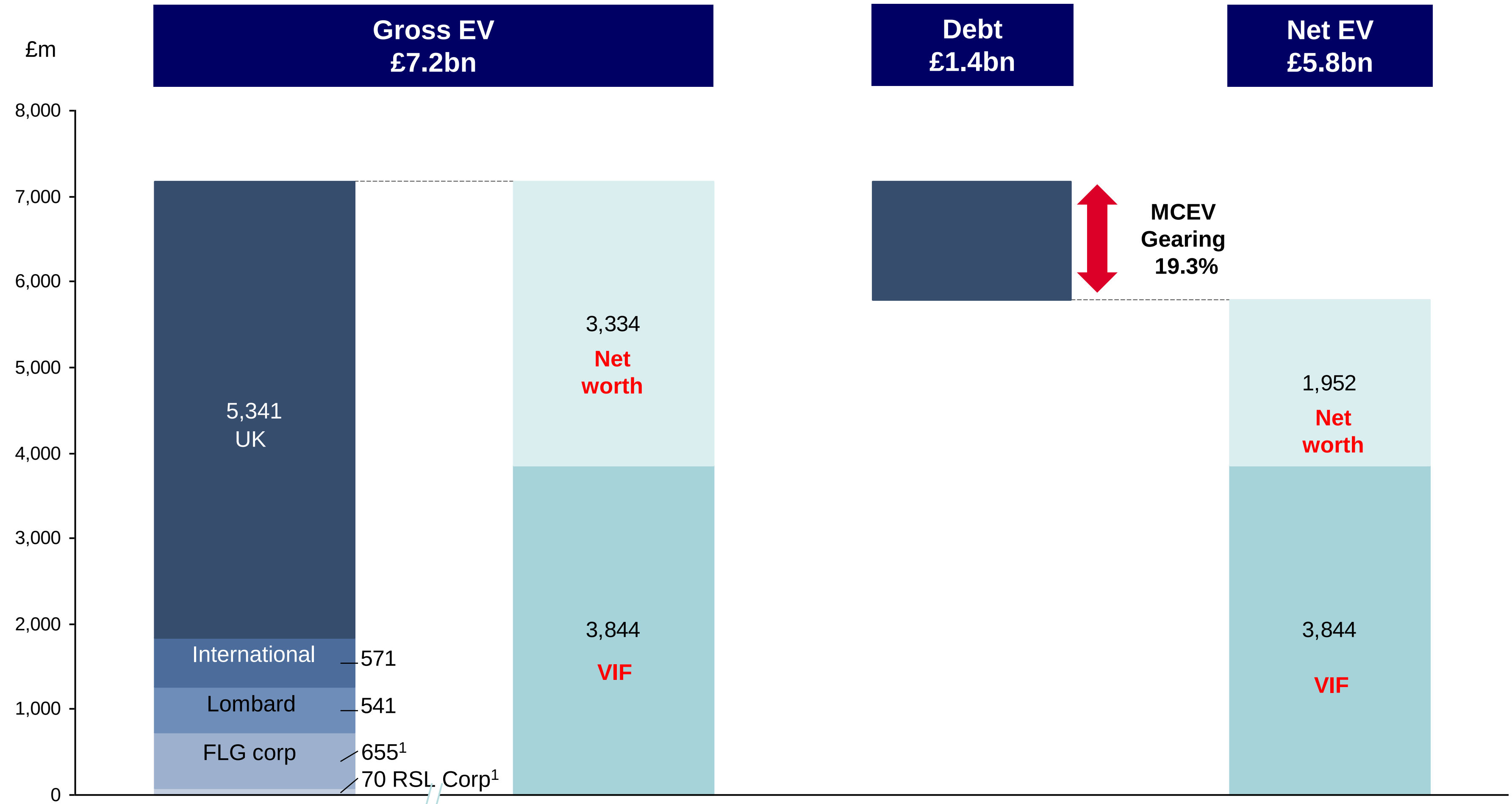
£m	Total [1]	Spain	Portugal	Italy	Ireland
Sovereign debt	**6**	-	-	6	-
Corporate debt exposure:					
-Domestic financials	**91**	29	-	46	16
	97	29	-	52	16

Other corporate debt exposure:					
-Non-domestic financials	**40**	40	-	-	-
-Domestic non-financials	**205**	64	10	108	23
-Non-domestic non-financials	**34**	34	-	-	-
	279	138	10	108	23
Total exposure	**376**	**167**	**10**	**160**	**39**

1. The Group's shareholder exposure to Greek corporate securities and sovereign debt is less than £1 million

Resolution

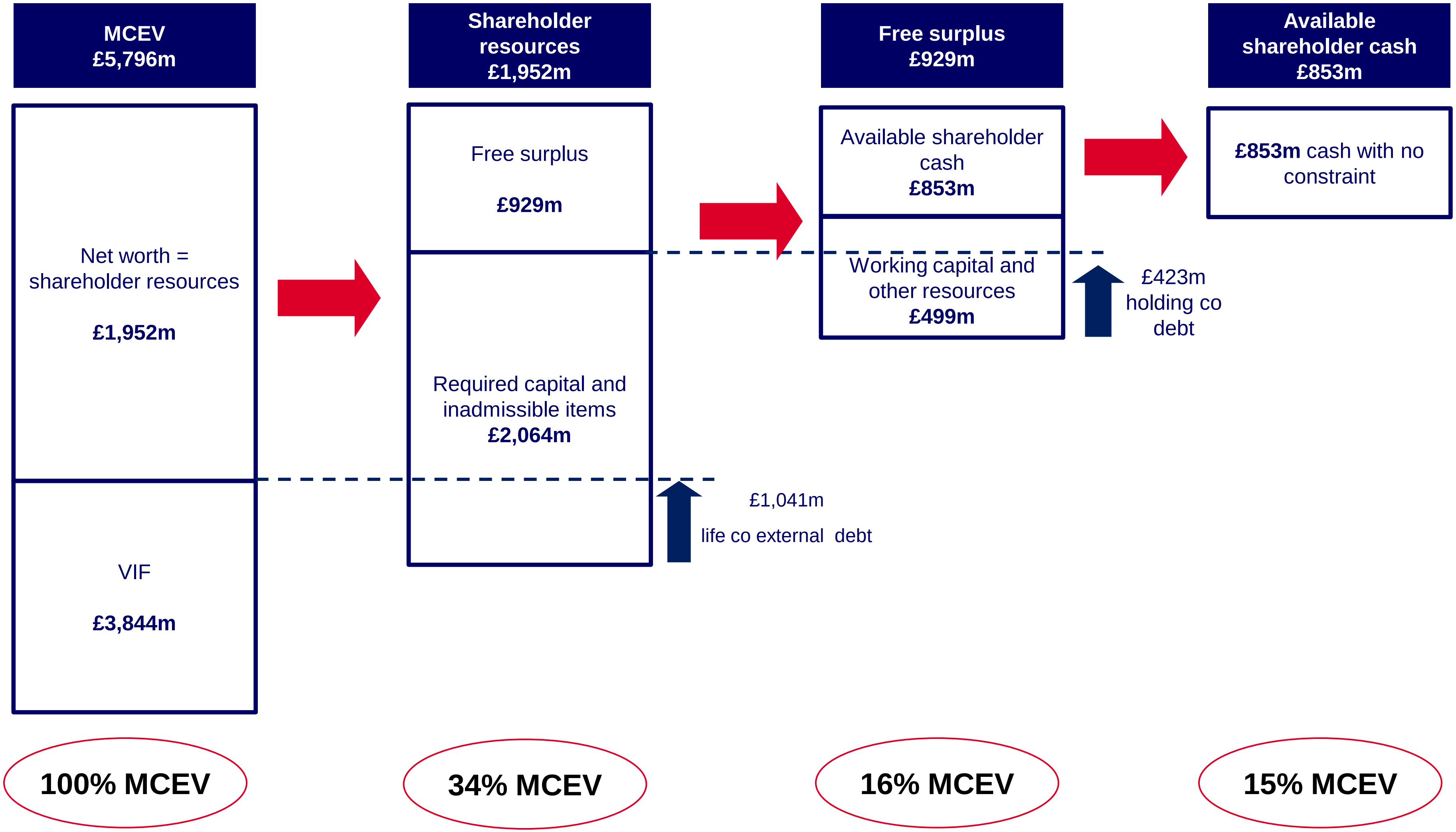
MCEV at 31 December 2011
Net MCEV per share: £4.22



Net MCEV per share calculated after excluding 2,661,384 Resolution Limited shares held by subsidiaries at 31 December 2011, as a result of the acquisition of WLUK

1. RSL corp and FLG corp excludes the £200 million internal LT2 Bond

Cash framework at 31 December 2011



Update on Value Share calculation

- Total equity deployed to date approx £4 billion
- Capital returned to RSL to date approx £475m
- Accumulated value of net equity deployed £3,844m on 31 December 2011
- Implied value of Holdco from market cap of RSL assuming RSL net assets of £70m on 31 December 2011 at face value
- Value Share theoretically "in the money" at RSL share price of £2.85 on 31 December 2011
- Value Share on a mark to market basis:
  - Zero at 31 December 2010
  - Zero at 31 December 2011[3]
- Implied average annualised return on equity deployed in Holdco at 31 December 2011[3] of -3.0% pa before Value Share

	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
30 June 2010	1,904
31 Dec 2010	4,042
30 June 2011	3,769
31 December 2011	3,844

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 251.4p on 30 December

Resolution