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## 2011 Full Year Results Agenda

<table>
<thead>
<tr>
<th>Overview</th>
<th>John Tiner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Review</td>
<td>Andy Briggs</td>
</tr>
<tr>
<td>Financial Review</td>
<td>Jim Newman</td>
</tr>
<tr>
<td>RSL Update</td>
<td>John Tiner</td>
</tr>
<tr>
<td>Questions</td>
<td>Mike Biggs</td>
</tr>
</tbody>
</table>
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**

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

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.
<table>
<thead>
<tr>
<th>Section</th>
<th>Presenter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overview</td>
<td>John Tiner</td>
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<tr>
<td>Questions</td>
<td>Mike Biggs</td>
</tr>
</tbody>
</table>
Strategy
Sustainable, profitable business underpinned by financial discipline

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

<table>
<thead>
<tr>
<th>Heritage</th>
<th>UK Go to Market</th>
<th>International</th>
</tr>
</thead>
</table>
| ► 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

Sustainable Free Surplus, £m
- 2010 Baseline: <100
- 2011: 291
- Target: 400

New Business Strain, £m
- 2010 Baseline: (392)
- 2011: (278)
- 2013 Target: (192)

Cost synergies, £m
- 2011: 105
- 2013 Target: 112
- 2015 Target: 143

VNB, £m
- 2010 Baseline: 137
- 2011: 151

New Business IRR, %
- 2010 Baseline: 8.6
- 2011: 10.0
- 2013 Target: 15+

ROEV, %
- 2010 Baseline: 5.5
- 2011: 6.5
- 2013 Target: 10+

1. 2010 actual in-force cash surplus less new business cash strain of £159m adjusted for other 2010 operating movements in free surplus
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 surveys¹

Driving substantial returns on investments

1. Greenwich 2012 DC and NMG 2011 Corporate Wealth Programme
UK cost delivery
Transforming the operating cost base

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

<table>
<thead>
<tr>
<th>VNB, £m</th>
<th>NBS, £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporate Benefits</strong></td>
<td><strong>Protection</strong></td>
</tr>
<tr>
<td>2010 Baseline&lt;sup&gt;1&lt;/sup&gt;</td>
<td>2010 Baseline&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
<tr>
<td>(23)</td>
<td>80</td>
</tr>
<tr>
<td><strong>2013 Target</strong></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>25</td>
</tr>
</tbody>
</table>

- 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

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

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

Strong growth expected in annuity market

- 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 2012¹

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**

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2010</th>
<th>Inflows</th>
<th>Outflows</th>
<th>Market and other</th>
<th>31 Dec 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net flows</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>17.1</td>
</tr>
<tr>
<td><strong>Lombard</strong></td>
<td>17.1</td>
<td>2.4</td>
<td>(1.1)</td>
<td></td>
<td>17.4</td>
</tr>
<tr>
<td><strong>8%</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FPI</strong></td>
<td>5.9</td>
<td>1.2</td>
<td>(0.6)</td>
<td></td>
<td>6.2</td>
</tr>
<tr>
<td><strong>10%</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**VNB, £m**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lombard</strong></td>
<td>83</td>
<td>52</td>
</tr>
<tr>
<td><strong>FPI</strong></td>
<td>43</td>
<td>40</td>
</tr>
</tbody>
</table>

- 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

2011 ROEV progression

- H1 2011: 4.5%
- Remove negative experience and basis: 0.5%
- Normalised H1 2011: 5.0%
- Long-term return on shareholder assets: 0.0%
- Capital management: 0.2%
- Existing book initiatives and experience: 1.1%
- Increase in VNB: 0.2%
- 2011: 6.5%

2011-2013 ROEV progression

- Full year 2011 ROEV: 6.5%
- Net 2011 operating one-offs: (1.1)
- Normalised 2011: 5.4%
- Long-term return on shareholder assets
- Capital management
- Existing book initiatives and experience
- UK VNB targets
- Exceed UK targets & uplift in International VNB
- 2013 Target: 10%+

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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Questions
Mike Biggs
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
Full Year 2011 financial highlights
Growing profits in a challenging economic environment

<table>
<thead>
<tr>
<th></th>
<th>Full year 2010</th>
<th>Full year 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFRS based operating profit</td>
<td>£275m</td>
<td>£681m</td>
</tr>
<tr>
<td>+148%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MCEV operating profit</td>
<td>£412m</td>
<td>£517m</td>
</tr>
<tr>
<td>+25%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group net MCEV</td>
<td>£6,515m</td>
<td>£5,796m</td>
</tr>
<tr>
<td>-11%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group IGCA surplus¹</td>
<td>£2,317m</td>
<td>£2,139m</td>
</tr>
<tr>
<td>-8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group available shareholder cash</td>
<td>£1,067m</td>
<td>£853m</td>
</tr>
<tr>
<td>-20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend (pence per share)</td>
<td>18.03</td>
<td>19.89</td>
</tr>
<tr>
<td>+10%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹ At FLG level
² Incl. Proposed 2011 final dividend
IFRS based operating profit
Profit growth from management actions

Year on year comparison of underlying IFRS based operating profit

- 2010 Actual Profit: £275m
- Annualisation and removal of one-off items: £91m
- 2010 Underlying Profit: £366m
- Mgt actions on strain: £47m
- Impact of economic returns: (£68m)
- Development & corporate costs: (£15m)
- Increased debt cost & other items: (£13m)
- Impact of PS06/14 on in-force surplus: (£40m)
- 2011 Underlying Profit: £277m
- Operating one-off items: £404m
- 2011 Actual Profit: £681m
IFRS operating profit – operating one-off items
Effective capital and cost management

Analysis of one-off items

- Impact of PS06/14: £221m
- Outsourcing - release of expense reserves: £71m
- Mortality and morbidity basis changes: £93m
- Other basis and modelling changes: £19m
- Total IFRS operating one-off items: £404m
IFRS profit after tax
Reflecting the impact of markets and business restructuring

2011 Group IFRS profit after tax

- Diligenta outsourcing contract: £84m
- Separation & integration: £128m
- Solvency II & finance transformation: £55m
- Capital optimisation: £19m
- Other: £7m

- AVIF amortisation & impairment: £(675)m
- Amortisation of other acquired intangible assets: £(84)m
- Deferred tax on amortisation and impairment of acquired intangible assets: £194m
- Gain on acquisitions, net of costs: £113m

2011 Group IFRS based operating profit: £681m
Non-recurring costs: £(261)m
STICS adjustment: £31m
Group IFRS profit after tax excluding acquisition accounting adjustments: £421m

1. Excluding deferred tax on amortisation of acquisition accounting adjustments
MCEV operating profit
Improving profits through management actions

2011 Group MCEV operating profit

- Expected existing business contribution: £360m
- Value of new business: £151m
- Other operating items: £118m
- Development costs: (£36m)
- Net corporate costs: (£36m)
- Finance costs: (£40m)

2011 Group MCEV operating profit: £517m
MCEV operating profit – Expected existing business contribution
Market driven reduction in long term return expectations

Movement in expected existing business contribution 2011 v 2010

£m

2010 Actual EEBC
2010 Underlying EEBC
Change in opening MCEV
Change in expected rates of return
Change in expected rates on debt
2011 Underlying EEBC

247
386
13
(27)
(12)
360

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

Analysis of other operating items

£m

Impact of persistency and morbidity assumptions
International operating experience losses
One-off contractualised expense savings
Other operating experience
Total other operating items

(73)
(20)
185
26
118

Resolution
MCEV development in 2011
Weak investment markets offset strong operating performance

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net MCEV at 1 January 2011</td>
<td>6,515</td>
</tr>
<tr>
<td>Operating profit</td>
<td>517</td>
</tr>
<tr>
<td>Economic experience variances</td>
<td>(600)</td>
</tr>
<tr>
<td>Non-recurring items</td>
<td>(282)</td>
</tr>
<tr>
<td>Tax</td>
<td>73</td>
</tr>
<tr>
<td>Other items</td>
<td>49</td>
</tr>
<tr>
<td>Net MCEV pre-shareholder distributions</td>
<td>6,272</td>
</tr>
<tr>
<td>Cash dividend</td>
<td>(226)</td>
</tr>
<tr>
<td>Share buy-back</td>
<td>(250)</td>
</tr>
<tr>
<td>Net MCEV at 31 December 2011</td>
<td>5,796</td>
</tr>
</tbody>
</table>

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
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

1 January 2011
 Returned to shareholders
 (476)

Returned to debt holders
 (77)

Corporate costs
 (27)

WLUK transaction
 393

Contribution from FLG
 853

31 December 2011
Free surplus working capital - sources
Strong management of capital base

Sources of working capital

- Sustainable free surplus: £291m
- Benefit of operating assumption changes: £204m
- Capital synergies: £281m
- Capital policy change: £172m
- Net debt raised: £96m
- Other items: £13m
- Total working capital generated: £1,057m
- Opening working capital: £561m
- Working capital available before uses: £1,618m
Free surplus working capital - uses
Available capital reduced by lower investment returns

Uses of working capital

£m

1,618
1,600
1,500
1,400
1,300
1,200
1,100
1,000
900
800
700
600
500
400
300
200
100
0

Working capital available before uses
Net impact of acquisitions
Non-recurring costs
Impact of investment returns
Working capital pre-cash release
DCT contribution: cash release
Closing working capital

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

Excess over capital policies

Capital to meet Group capital policies

Coverage ratio

1. Based on 160% of Group Capital Resource Requirements (excluding WPICC)
2. Based on 150% of Group Capital Resource Requirements (excluding WPICC)
Increased volatility in investment markets
2011 characterised by weak investment markets & European sovereign debt crisis

2011
- Capital synergies delivered
- Reduced integration risk
- Offset by weak investment markets

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

Pillar 1
- Increased requirements due to credit spreads
- Impact of European sovereign debt crisis on wider financial markets
Dividend
Continued development of Group dividend

Pence per share

- 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

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<table>
<thead>
<tr>
<th>Year</th>
<th>Interim</th>
<th>Final</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>10.93</td>
<td>10.93</td>
<td>Nil</td>
</tr>
<tr>
<td>2010</td>
<td>5.46</td>
<td>12.57</td>
<td>18.03</td>
</tr>
<tr>
<td>2011</td>
<td>6.47</td>
<td>13.42</td>
<td>19.89</td>
</tr>
</tbody>
</table>

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
2011 Full Year Results Agenda

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

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

<table>
<thead>
<tr>
<th>Illustrative example post restructuring</th>
<th>OpenCo</th>
<th>HeritageCo</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net MCEV</td>
<td>£2bn</td>
<td>£4bn</td>
<td>£6bn</td>
</tr>
<tr>
<td>Operating ROEV</td>
<td>20%</td>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>Net cash generation</td>
<td>£0.1bn</td>
<td>£0.3bn</td>
<td>£0.4bn</td>
</tr>
</tbody>
</table>

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
Appendices
## IFRS debt movement analysis

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>Movements In 2011</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31 December</td>
<td>Repaid</td>
<td>Drawn</td>
</tr>
<tr>
<td>Lombard undated subordinated debt</td>
<td>3</td>
<td>(1)</td>
<td>-</td>
</tr>
<tr>
<td>£162m external LT2 debt</td>
<td>186</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>£500m external LT2 bond</td>
<td>-</td>
<td>-</td>
<td>500</td>
</tr>
<tr>
<td>STICS¹</td>
<td>n/a</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>FLG internal debt</td>
<td>700</td>
<td>(500)</td>
<td>-</td>
</tr>
<tr>
<td>Operational reinsurance and financing²</td>
<td>123</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total FLG debt (excl STICS)/ interest cost</strong></td>
<td>1,012</td>
<td>(501)</td>
<td>500</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>LTIR</th>
<th>Other operating cost</th>
<th>Short term fluct’ns</th>
<th>Total interest cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lombard undated subordinated debt</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>£162m external LT2 debt</td>
<td>21</td>
<td>-</td>
<td>(5)</td>
<td>16</td>
</tr>
<tr>
<td>£500m external LT2 bond</td>
<td>29</td>
<td>-</td>
<td>-</td>
<td>29</td>
</tr>
<tr>
<td>STICS¹</td>
<td>26</td>
<td>-</td>
<td>5</td>
<td>31</td>
</tr>
<tr>
<td>FLG internal debt</td>
<td>33</td>
<td>-</td>
<td>-</td>
<td>33</td>
</tr>
<tr>
<td>Operational reinsurance and financing²</td>
<td>3</td>
<td>17</td>
<td>-</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total FLG debt (excl STICS)/ interest cost</strong></td>
<td>112</td>
<td>17</td>
<td>-</td>
<td>129</td>
</tr>
</tbody>
</table>

|                                | 2010 | Movements In 2011 | 2011 |
| DCN – series A                 | 300  | (68)               | -    | 232  |
| DCN – series B                 | 200  | (9)                | -    | 191  |
| Acquisition finance facility   | 400  | (400)              | -    | -    |
| **Total Resolution holding companies debt/ interest cost** | 900  | (477)              | -    | 423  |

|                                | LTIR | Other operating cost | Short term fluct’ns | Total interest cost |
| DCN – series A                 | -    | 16                   | -                   | 16                 |
| DCN – series B                 | -    | 14                   | -                   | 14                 |
| Acquisition finance facility   | -    | 10                   | -                   | 10                 |
| **Total Resolution holding companies debt/ interest cost** | -    | 40                   | -                   | 40                 |

|                                | 2010 | Movements In 2011 | 2011 |
| Total external Group debt³ (excl STICS)/ interest cost | 1,212 | (478) | 500   | (39)  | 1,195 |

### Notes:

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.
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

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

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

<table>
<thead>
<tr>
<th>£m MCEV operating returns and % ROEV</th>
<th>2010 Full year</th>
<th>2010 Baseline</th>
<th>2011 Full year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>%</td>
<td>£m</td>
</tr>
<tr>
<td>Value of new business</td>
<td>145</td>
<td>3.3%</td>
<td>153</td>
</tr>
<tr>
<td>Expected existing business contribution</td>
<td>277</td>
<td>5.6%</td>
<td>416</td>
</tr>
<tr>
<td>Development &amp; corporate costs</td>
<td>(21)</td>
<td>(0.4%)</td>
<td>(21)</td>
</tr>
<tr>
<td><strong>Operating profit before variances</strong></td>
<td>401</td>
<td>8.5%</td>
<td>548</td>
</tr>
<tr>
<td>Operating variances &amp; assumption changes</td>
<td>74</td>
<td>1.4%</td>
<td>-</td>
</tr>
<tr>
<td>Impact of financing</td>
<td>(48)</td>
<td>0.7%</td>
<td>(87)</td>
</tr>
<tr>
<td><strong>MCEV operating profit (excluding RSL costs)</strong></td>
<td>427</td>
<td>10.6%</td>
<td>461</td>
</tr>
<tr>
<td>Tax on operating profit</td>
<td>(96)</td>
<td>(2.3%)</td>
<td>(111)</td>
</tr>
<tr>
<td><strong>MCEV operating return after tax</strong></td>
<td>331</td>
<td>8.3%</td>
<td>350</td>
</tr>
</tbody>
</table>

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

- Unit-linked £68.0bn
- With-profits £24.1bn
- Shareholder & non-profit £10.2bn
- FLL WPF £1.3bn

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

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

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

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

<table>
<thead>
<tr>
<th>£m</th>
<th>Total ¹</th>
<th>Spain</th>
<th>Portugal</th>
<th>Italy</th>
<th>Ireland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sovereign debt</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>Corporate debt exposure:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Domestic financials</td>
<td>91</td>
<td>29</td>
<td>-</td>
<td>46</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>97</td>
<td>29</td>
<td>-</td>
<td>52</td>
<td>16</td>
</tr>
<tr>
<td>Other corporate debt exposure:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Non-domestic financials</td>
<td>40</td>
<td>40</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Domestic non-financials</td>
<td>205</td>
<td>64</td>
<td>10</td>
<td>108</td>
<td>23</td>
</tr>
<tr>
<td>- Non-domestic non-financials</td>
<td>34</td>
<td>34</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total exposure</td>
<td>376</td>
<td>167</td>
<td>10</td>
<td>160</td>
<td>39</td>
</tr>
</tbody>
</table>

1. The Group’s shareholder exposure to Greek corporate securities and sovereign debt is less than £1 million.
MCEV at 31 December 2011
Net MCEV per share: £4.22

Gross EV
£7.2bn

Net worth
£5.8bn

Gearing
19.3%

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

**MCEV £5,796m**

Net worth = shareholder resources

£1,952m

VIF

£3,844m

**Shareholder resources £1,952m**

Free surplus

£929m

Required capital and inadmissible items

£2,064m

**Free surplus £929m**

Available shareholder cash

£853m

Working capital and other resources

£499m

**Available shareholder cash £853m**

£853m cash with no constraint

£423m holding co debt

£1,041m life co external debt

100% MCEV

34% MCEV

16% MCEV

15% MCEV
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
- Implied average annualised return on equity deployed in Holdco at 31 December 2011 of -3.0% pa before Value Share

<table>
<thead>
<tr>
<th>Transaction</th>
<th>RSL</th>
<th>TRG</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Friends Provident(^1)</td>
<td>1,915.8</td>
<td>0.2</td>
<td>1,916.0</td>
</tr>
<tr>
<td>AXA UK Life(^2)</td>
<td>2,139.8</td>
<td>0.2</td>
<td>2,140.0</td>
</tr>
<tr>
<td>BHA</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,055.6</td>
<td>0.4</td>
<td>4,056.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>Accumulated value of net Equity Deployed at 4% pa (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 Dec 2009</td>
<td>1,927</td>
</tr>
<tr>
<td>30 June 2010</td>
<td>1,904</td>
</tr>
<tr>
<td>31 Dec 2010</td>
<td>4,042</td>
</tr>
<tr>
<td>30 June 2011</td>
<td>3,769</td>
</tr>
<tr>
<td>31 December 2011</td>
<td>3,844</td>
</tr>
</tbody>
</table>

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