Investor update on UK progress and International strategy

15 November 2012

Resolution

FriendsLife

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The Friends Life management team

CEO

Andy Briggs

Heritage

Jonathan Moss

UK

David Hynam

International

John van der Wielen

CFO

Tim Tookey

CRO

Rosie Harris

Transformation

Jim Newman*

HR & Business Services

Rob Barnett

** Designate*

Today's update

Our approach to delivering value for shareholders

- Rigorous financial discipline
- Priorities: Capital, Cash, Profitable New Business

The turnaround of our UK business continues

- UK business units on track for 2013 new business profit targets
- Target for cost reductions raised, although higher expected costs to complete

We are now applying the same discipline to our International businesses

- Lombard has achieved scale to pay dividends balanced with profitable growth
- Lombard will continue existing strategy with focus on Private Bank distribution
- FPI to focus on Asia and ex-pats, meet 2013 dividend target
- FPI will review German business and is no longer accepting business from Japanese nationals
- AmLife no longer fits with International division strategy: final regulatory approvals being sought for intended sale

Agenda of today’s session

Introduction	Andy Briggs
Overview and UK Progress Update	Andy Briggs
Financial Strategy	Tim Tookey
International Strategy	John van der Wielen
- FPI	James Tan
- Lombard	Matt Moran
Overall Summary and Q&A	Andy Briggs

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Q3 Interim Management Statement

New business profitability continues to improve

- Nine-month Value of New Business increased to £138m (2011: £95m)
- Nine-month New Business Strain reduced to £(172)m (2011: £(239)m)
- Friends Life Investments added a further £3bn of assets to the £6bn at July launch

Target for cost reductions raised although higher expected costs to complete

- Target for UK cost reductions raised to £160m from £143m
- Costs of project delivery now expected to increase

Capital position remains robust

- Estimated IGCA surplus remains at £1.9bn
- FLG successfully raised $575m of subordinated notes
- Debt restructuring reduces short-term cash demands

International strategy

- Lombard first dividend paid; targeting aggregate dividends of £37m by Spring 2015, then £30m annually
- FPI confirms dividend target of £20m pa from 2013
- Revisions to actuarial assumptions; reductions largely relate to FPI German business
- International division as a whole will continue to target 20% IRR
- Final regulatory approvals being sought for intended sale of AmLife

Our approach to managing the business is unchanged

Our three financial priorities

1. Capital	2. Cash generation today	3. Profitable new business
Maintaining a robust, low risk balance sheet	Driving improved cash flow from sustainable sources	Cash generation for tomorrow

How we act

- Focus on **cash generation**
- Continually focus on securing **maximum value** from each part of the Group

How we deliver

Heritage – sustainable cash generation with additional capital releases

UK and International – providing balanced profitable growth and cash for tomorrow

.... underpinning the dividend and delivering shareholder returns

This approach is fundamentally transforming our business

Businesses acquired 2009-2011

- Poor cash generation
- Poor returns on new business
- Limited focus on back book
- Multiple sub-scale products and platforms

Business	Product	
AXA UK Life Business	Corporate Pensions	some
	Individual Pensions	
	Bonds	
	Protection	
	Annuities	
BHA	Protection	✓
Friends Provident	Corporate Pensions	✓
	Individual Pensions	
	Bonds	
	Protection	
	Annuities	✓
	FP International	some
	AmLife	
	Lombard	✓

Heritage Division

- Dedicated management team focused on driving cash

→ Focus on cash

UK Division

Protection | Corporate Benefits | Retirement Income

- Building scale positions through advantaged propositions on cost-efficient platforms

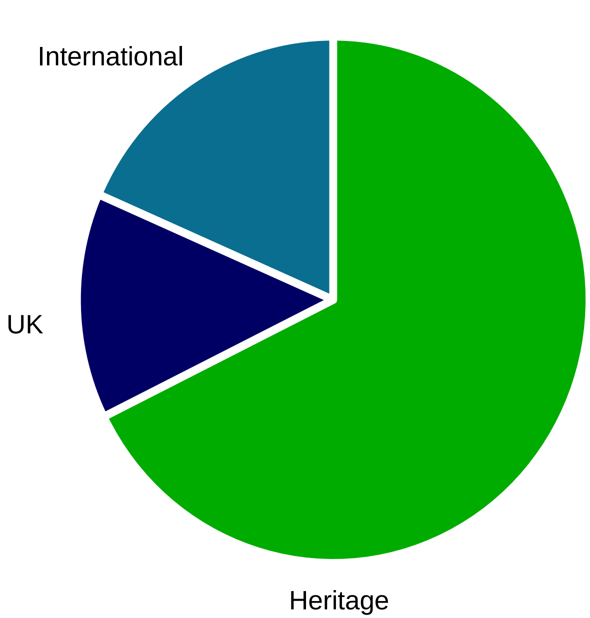
International Division

LOMBARD | FRIENDS PROVIDENT INTERNATIONAL

- Attractive growth markets where our customer propositions can win and deliver cash

→ Balance of cash and profitable growth

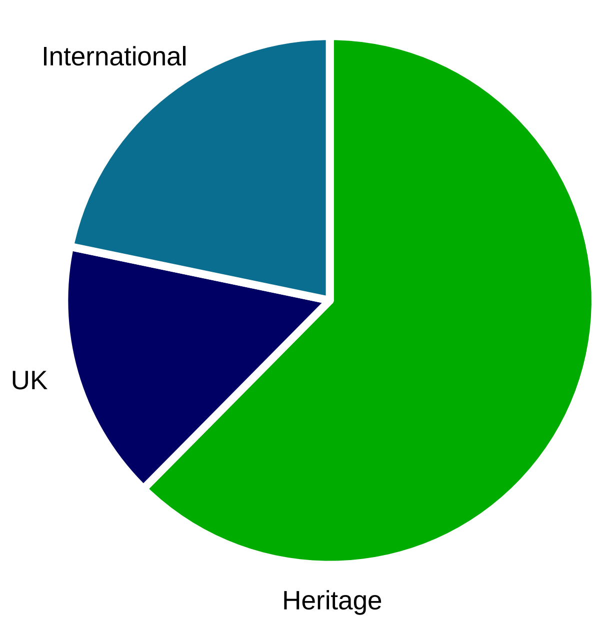
Relative size of our UK, Heritage and International divisions



Policy-related funds under management

£110bn

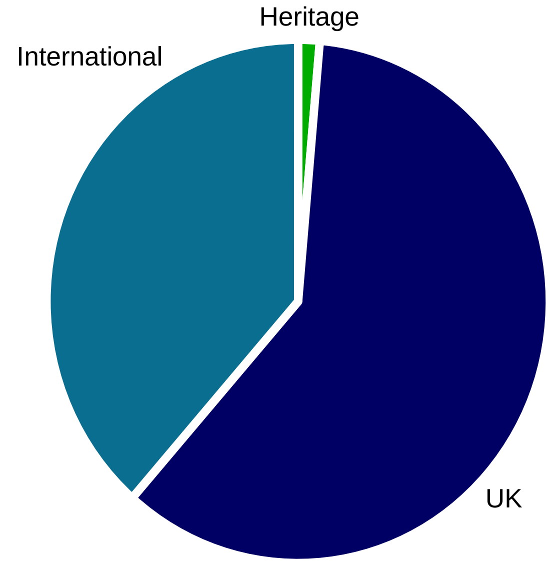
30 June 2012



Gross FLG MCEV*

£7.1bn

30 June 2012



Value of new business**

£138m

9m 2012

** MCEV ratios exclude £0.7bn of FLG Corporate and Other, align UK net worth entirely to Heritage; ** Chart shows seasonally adjusted VNB ratios*

We set a clear strategy for our UK businesses in November 2011

Heritage		Focusing on cash Outsourcing operations In-sourcing asset management Capital Optimisation Programme
UK division	Protection	Mature market with attractive segments Individual and group protection Top 4 position and premium customer proposition Migrating to low-cost platforms
UK division	Corporate Benefits	Growing market (DB to DC and auto-enrolment) In top 2 by AuM Focus on existing schemes, selective new business and increasing efficiency
UK division	Retirement Income	Strong demographic drivers and good margins Aspiring to be top 3 provider of internal vesting annuities New vestings proposition and option to enter OMO market

Winning in Protection

Strong customer propositions

- High quality Critical Illness and Income Protection offerings

Best Individual Critical Illness

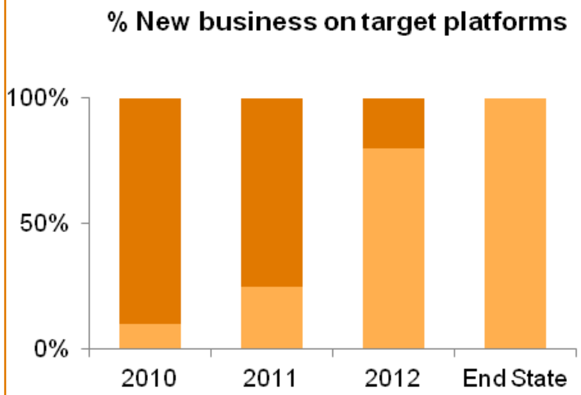
Best Individual Income Protection

Received four 5-star awards in 2012

- Quality of our proposition has allowed us to continue to price at a premium to competitors in Critical Illness

Migrating to low cost platforms

- Three target platforms now taking 80% of new business



- BHA platform has market-leading cost efficiency*
- Platform migrations have already released significant synergies; more to follow with further migrations

Building partnership distribution

- Partnerships now form >40% of individual protection new business...
- ...as a result of existing arrangements...
- ..and new partnership distribution deals
- Further new partnership deals in pipeline

* Oliver Wyman, November 2011

Winning in Corporate Benefits

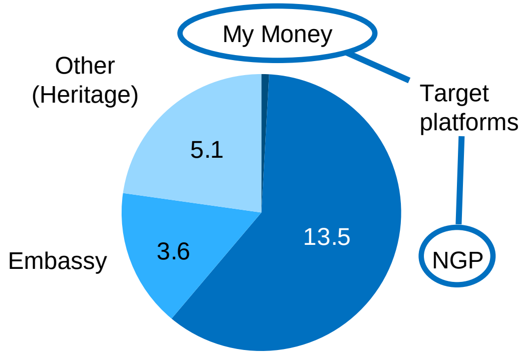
Strong customer and distributor propositions

- Greenwich Quality Leader in 2010, 2011 and 2012: Friends Life received the highest ratings for overall quality from 18 leading corporate benefits consultants in Greenwich Quality Survey

- Highest ratings in F&TRC e-excellence awards – for 3 years in a row
- Only provider to win "Gold Standard" for Group Pensions 5 years in a row

Building scale on target platforms

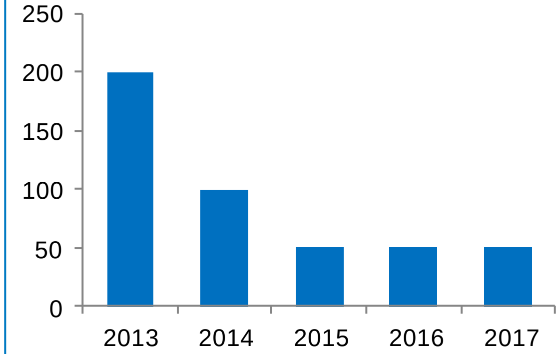
AuM by platform at 30/9/12, £bn



- Overall #2 in market by AuM
- Most assets already on "NGP" platform, competitive with most efficient in market*
- New corporate platform ("My Money") small but growing
- Embassy transition timing and impact being reviewed

Making the most of Auto-Enrolment

Expected profile of new members, thousands



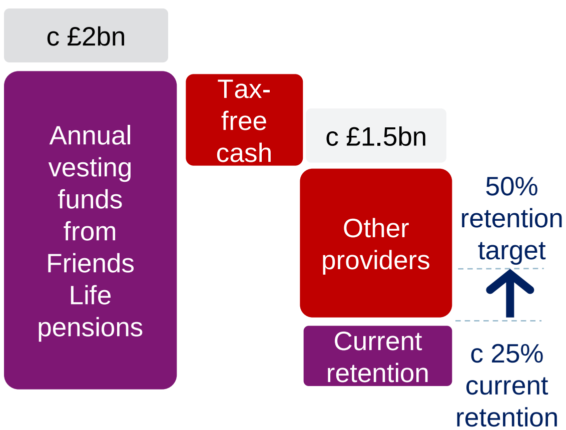
- Expecting c450,000 new members to join (with around 45% of these in 2013)
- Building Auto-Enrolment hub to assist employers with admin and reduce costs

* *Oliver Wyman, November 2011*

Winning in Retirement Income

Action to support improved retention of vesting funds

- c£2bn pa of vesting funds from Friends Life pensions
- Retention rate of c25% is below industry average

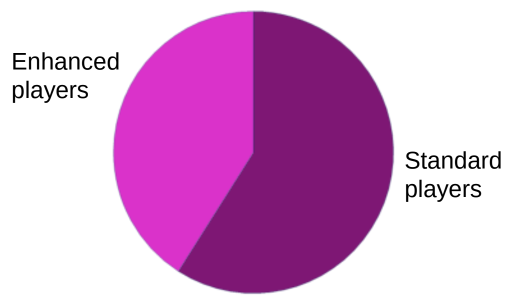


- Building pricing and underwriting capability to support improved retention

Building enhanced annuity capability

- c40% of the customers we lose at retirement take enhanced annuities

Provider type used by Friends Life vesting customers who took an external annuity

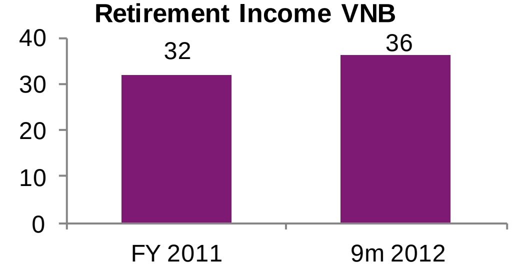


- Lifestyle and medically underwritten annuity pilot launched
- Next phase is to widen the scope of the pilot and drive up customer engagement

Pricing approach and investment capability improvements

- Maintained a conservative pricing strategy during tough economic environment
- Unusually high margins in first half, slight narrowing in Q3

Retirement Income VNB



- Friends Life Investments launched, now with £9bn AuM
- Capability improvements support optionality for Open Market entry

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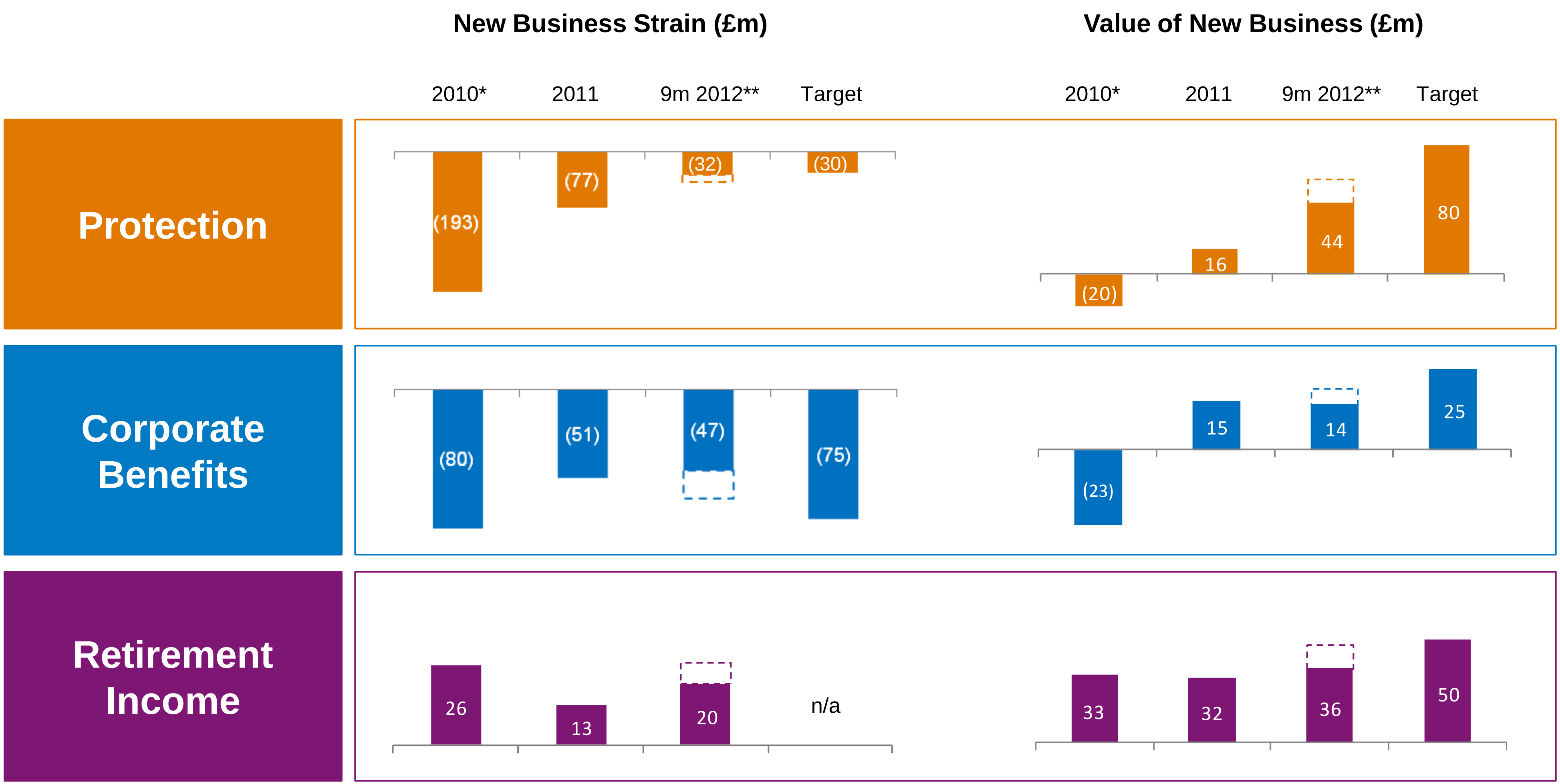
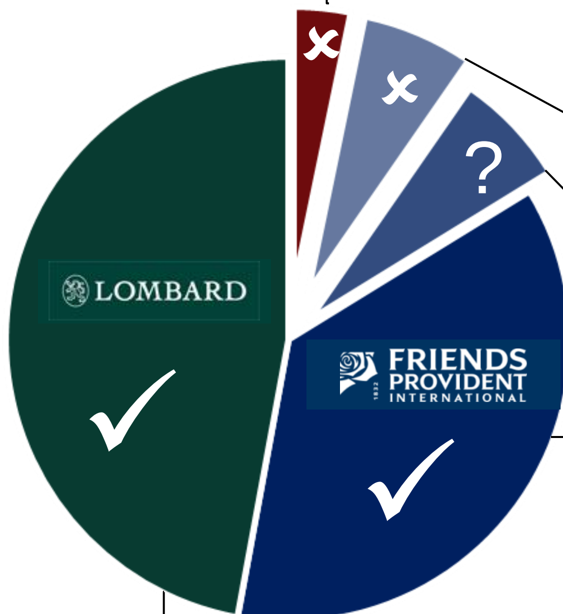
Improving new business profitability



*2010 figures are annualised baseline for the most relevant products, as this business structure did not exist at that time; ** dotted boxes indicate annualised outcome at 9m 2012 run-rates

We are now applying the same disciplines to our International division

- Strategic criteria for review process:
  - attractive growth markets
  - we have sustainable competitive advantage
  - deliver cash to shareholders



AmLife
- Final regulatory approvals being sought for intended sale
- Proceeds to be repatriated to Group

FP International
- Exit/close unprofitable and high-risk business lines e.g. Corporate pensions, Japanese nationals
- Review German (OLAB) business
- Retain and develop profitable core business focused on expatriates globally and affluent in Asia

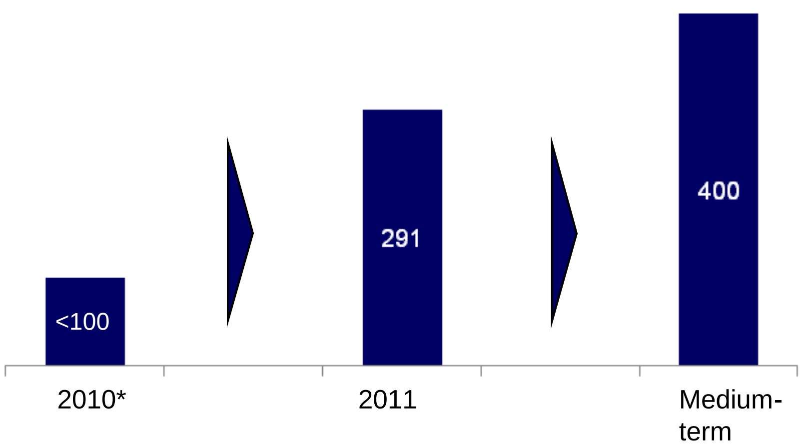
Lombard
- Fundamentally strong business
- Strategy needs refinement to:
  - capture market opportunities
  - return dividends to Group

Note: pie chart scaled by MCEV at 30 June 2012

Improving cash generation underpins the dividend

Focus on sustainable cash generation

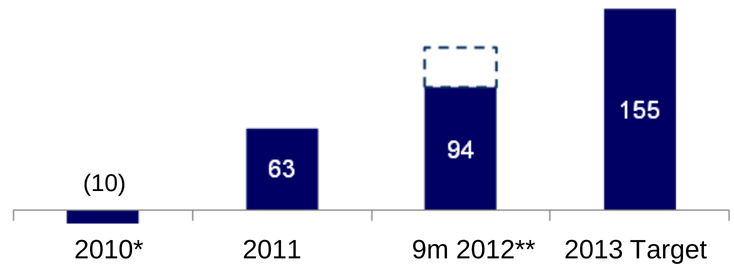
FLG sustainable cash generation, £m



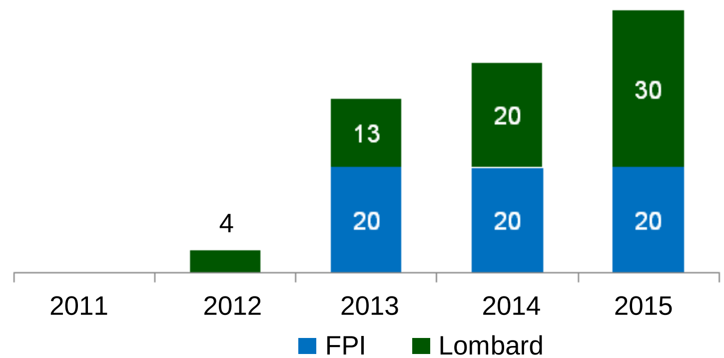
- Economic headwinds, currently c£(50)m
- Opportunities and challenges to reach medium-term target
- Refinancing of DCNs reduces cash demands

Profitable growth prospects to support future cash generation

UK value of new business, £m



International dividend profile***, £m



** 2010 figures are annualised baseline; ** dotted box indicates annualised outcome at 9m 2012 run-rates; *** dividends will normally be paid to Group in following year following subsidiary AGM approval, and subject to meeting other legal and financial requirements at the time*

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Our three financial priorities

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How we act

- Focus on **cash generation**
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How we deliver

- **Heritage –** sustainable cash generation with additional capital releases
- **UK and International –** providing balanced profitable growth and cash for tomorrow

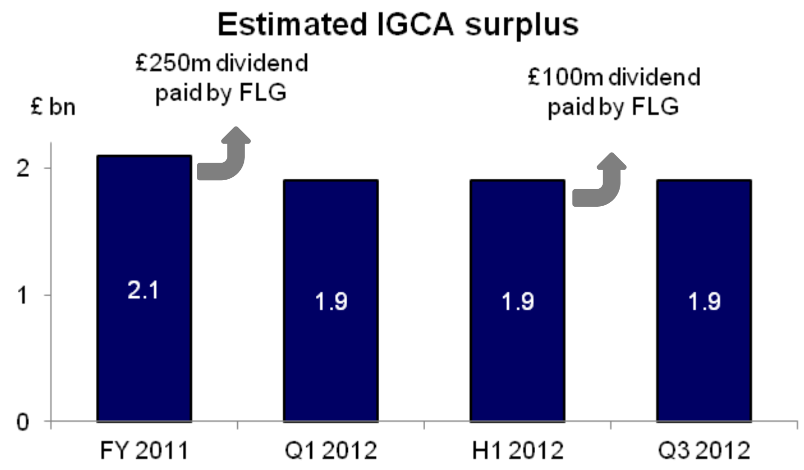
.... underpinning the dividend and delivering shareholder returns

Rigorous financial discipline in practice

Principles (from Nov 2011)	Actions
We will *not*:	
continue to sell unprofitable new business, especially not just to cover overheads	Closure of UK wealth business to new sales, with costs removed
chase market share or volume, at the expense of value, in our chosen markets	Separate Heritage division, with transparent reporting
cross-subsidise between our product lines, and specifically not between open and closed lines	Diligenta outsourcing
focus on new business at the expense of existing customers	Improving new business profitability with volume relatively flat
	Intended sale of AmLife joint venture

Maintaining a robust, low-risk balance sheet

- Estimated IGCA surplus stable at £1.9 billion with 202% coverage
- Economic capital surplus (at 30 June 2012) of £3.0 billion, coverage ratio of 174%
- Modest PIIGS exposure
- Prudent approach to investing in corporate bonds
  - our portfolio is highly rated
  - our accounting is conservative

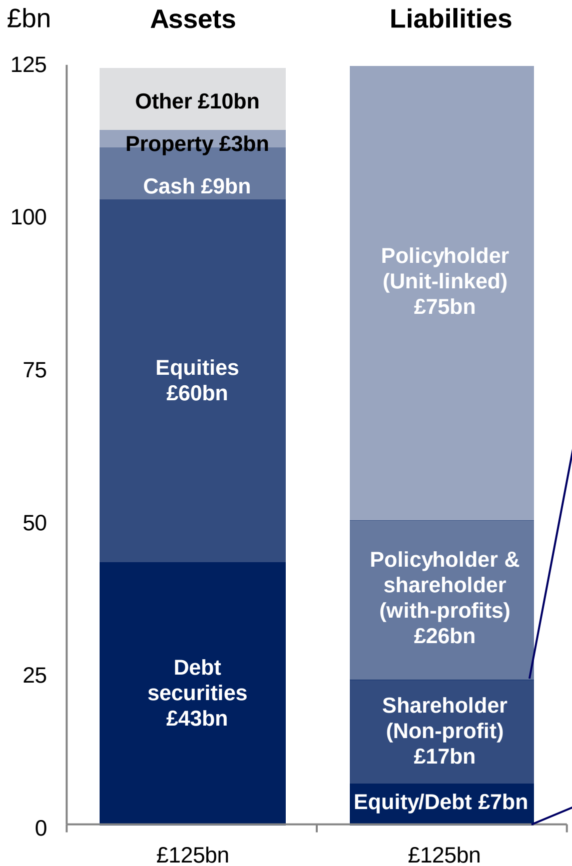


Higher risk European exposures as a proportion of total shareholder-exposed assets: <2%

30/09/12 £m	Government Bonds	Corporate Debt
Greece	-	-
Portugal	-	7
Ireland	-	40
Italy	7	148
Spain	-	180
Total	**7**	**375**

Maintaining a robust, low-risk balance sheet

Balance Sheet Overview at HY 2012

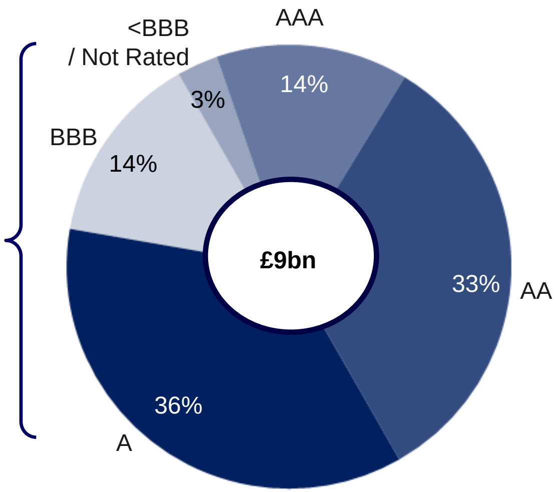


All figures 30 June 2012

Shareholder assets and assets backing non-profit business

	30/06/12 £bn	30/06/12 %
Government bonds	3	19%
Corporate bonds	9	63%
Debt Securities	**12**	**82%**
Cash	2	18%
Total investments	**14**	**100%**
Intangible assets	5	
Reinsurance assets	3	
Other net receivables	2	
Total shareholder assets	**24**	

Rating of corporate bond assets



- 97% of corporate bond assets at investment grade

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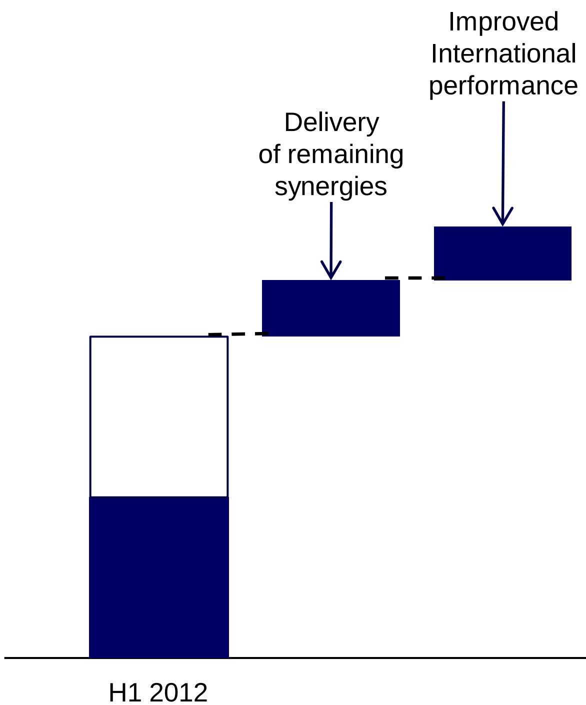
Focus on delivery of sustainable free surplus

Our objective is to deliver £400m sustainable free surplus in the medium term, to reinforce our dividend cover, and enable consideration of a progressive dividend

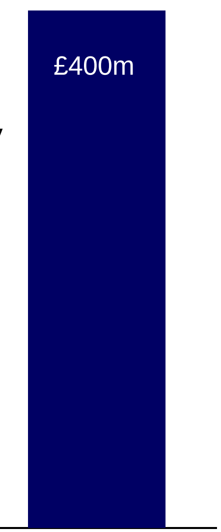


Opportunities

- Further reductions in new business strain
- Improving cash flow from UK businesses and optimising participation choices
- Rigorous expense control
- Normalised investment returns
- Capital efficiencies

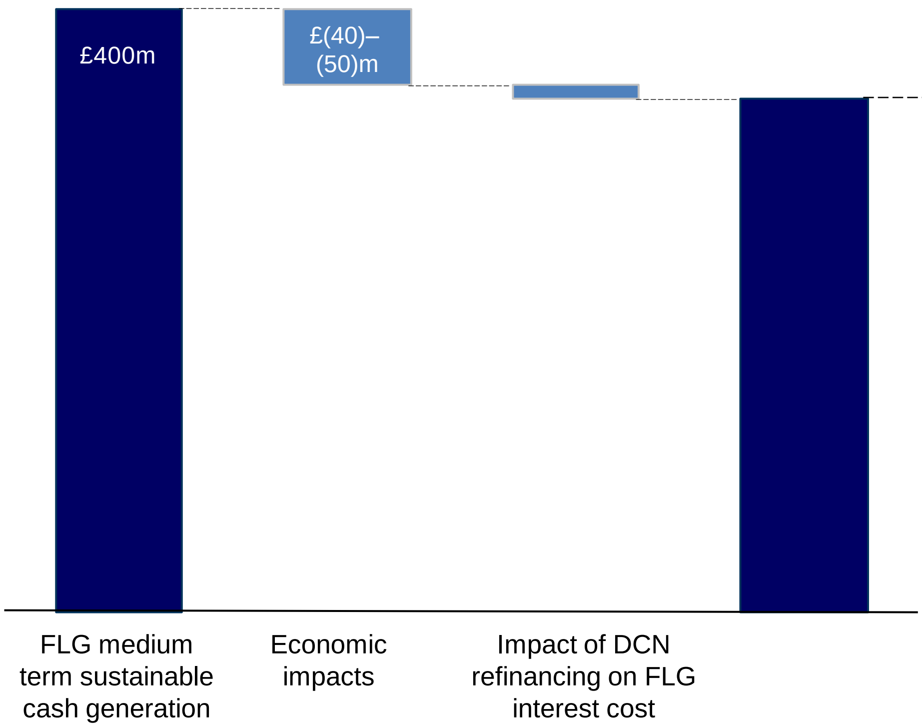
Challenges

- Economic headwinds, currently c£50m pa
- Competitor activity
- Increased debt costs
- Necessary investments

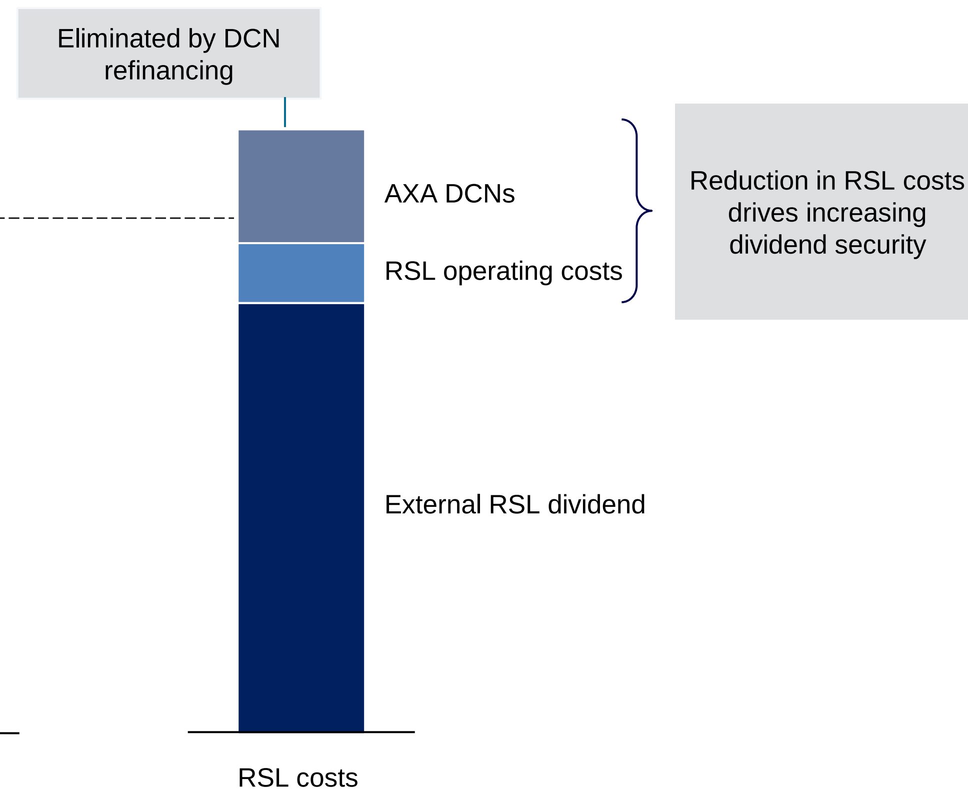


Refinancing of AXA DCNs increases dividend security

Economic headwinds mean the delivery timescale for the FLG sustainable cash generation target is extended; there is also a modest interest cost impact at FLG level from DCN refinancing



RSL uses the FLG dividend to fund the shareholder dividend, DCNs and operating costs



Financial update

Target for cost reductions raised although higher expected costs to complete

- UK cost reduction target raised to £160m run-rate by end of 2015 (previously £143m by end of 2015)
- Costs of projects now expected to be higher than originally estimated
  - Separation & integration programme costs expected to be c. £35m higher
  - Key IT and systems programmes being reviewed, potential low tens of millions impact
  - Expected costs of outsourcing programme c. £280m (previously £250m)

International

- Expect £50-100m reduction in MCEV (total International MCEV £1.2bn as at 30 June 2012)
- Expected reduction is net of likely positive c. £45m change in Lombard EV
- Gross reduction principally relates to FPI's German business, mainly for expense overruns and embedded guarantee costs
- Does not include any adjustment to assumptions on FPI Japanese book (VIF of c. £73m at 30 June 2012)

No expected impact on ability to achieve financial targets or dividends

A mid-term report card: making strong progress

				Commitment		Status	Commentary
Cash	FLG Cash Generation			£400m from sustainable sources in medium term			Timescale extended due to economic headwinds
Cash	UK new business strain			£200m reduction by 2013			On track
Cash	UK cost reductions			£126m of cost reductions by 2013 £160m of cost reductions by 2015			Increase in cost reductions and expected delivery costs
Cash	Cash dividends from International businesses			FPI: £20m by 2013 Lombard: cumulative £37m by spring 2015; £30m pa thereafter			Target reconfirmed today
Returns	FLG operating ROEV			10%+ in medium term			Timescale extended due to economic headwinds
Returns	New business: VNB & *(NBS)*, (£m) IRR, (%)	UK	Protection	£80m, *£(30)m* 20%	by 2013		Good progress
Returns		UK	Corporate Benefits	£25m, *£(75)m* 10%+			Good progress
Returns		UK	Retirement Income	£50m 15%+			Good progress
Returns		International	FPI	20%			Reset to combined International division target
Returns		International	Lombard				
Returns		Group total		15%+			On track

International Division

John Van Der Wielen

CEO, International Division

Our objectives today

1. Give you an understanding of the International Division
2. Detail the strategic direction we are taking and the associated financial impacts
3. Highlight what has already been done and the necessary next steps
4. Be explicit about the challenges, but demonstrate the strong underlying potential of this business

Reconfirm the dividend target and show that the International Division is a key contributor to sustainable long-term dividends from Friends Life Group

Completely new, truly international leadership team put in place

Chairman

Norbert Becker
- Appointed July 2012
- Founding partner of Arthur Andersen in Luxembourg
- CFO of Ernst & Young's Global Board

Speaking today

CEO International Division

John Van Der Wielen
- Appointed November 2011
- Previously MD, Wealth for ANZ Banking Corporation in Sydney

General Manager Asia and Middle East

James Tan
- Appointed July 2012
- Previously Global Head of Bancassurance at Standard Chartered Bank

CEO Lombard

Matt Moran
- Appointed March 2012
- Previously Lombard CFO

Rest of the leadership team

General Manager, Europe	Stefan Giesecke
CFO	Kevin Cracknell
Risk Director	Marcus Adam
Operations Director	Steve Weston
Strategy, Products and Marketing Director	Jerome Hallay
Communications Director	Conor Sweeney
HR Director	Claire Aitken

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Three distinct businesses in the International portfolio

	LOMBARD	FRIENDS PROVIDENT INTERNATIONAL	AmLife
Customers	• High net worth • Ultra high net worth	• Expatriates globally • Domestic affluent in selected markets	• Mass market
Geographies	• Mainly Europe	• 67% Asia and Middle East • 33% Europe and other*	• Malaysia
Proposition	• Market leading specialist in wealth management and estate planning	• Top three offshore life investment and protection specialist	• Savings
Distribution	• Private bank • High end wealth manager • Family office	• IFA • Bancassurance (affluent)	• Agency • Bancassurance (mass market)
AuM (30/06/12)	• £17.8bn	• £6.1bn	• £0.1bn
MCEV (30/06/12)	• £552m	• £582m	• £38m
Strategy	• Highly selective self-funding expansion; shift focus to cash delivery	• Refocus and grow selectively	• Final regulatory approvals being sought for intended sale

*Split of new business in 9M 2012

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The remaining businesses have strengths and challenges...

	LOMBARD	FRIENDS PROVIDENT INTERNATIONAL

Strengths	• Specialist expertise in the HNW market
	• Strong drivers of continued growth
	  – Inter-generational wealth transfer
	  – Asia optionality
	• Simple AuM-driven revenue model
	• Has been using cash to pay down debt
		• Strong expatriate and Asia/Middle East franchise, with licences in key territories
		• Distribution relationships built on >20 years' presence in key markets
		• Award-winning international propositions

Challenges	• Underweight in private bank distribution • Inefficient back office • Difficult Eurozone climate • Regulatory environment	• Historic growth undisciplined • High strain; falling IRR and VNB margin • Expensive, ineffective operating model • Germany loss making

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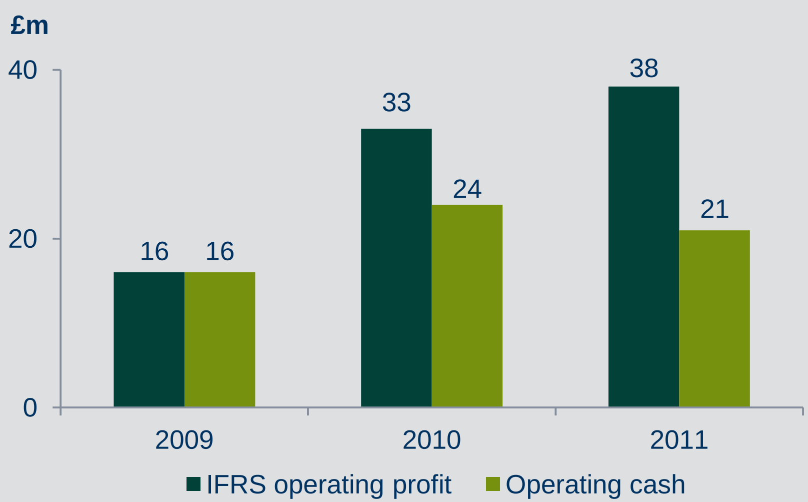
...and financial performance has been mixed

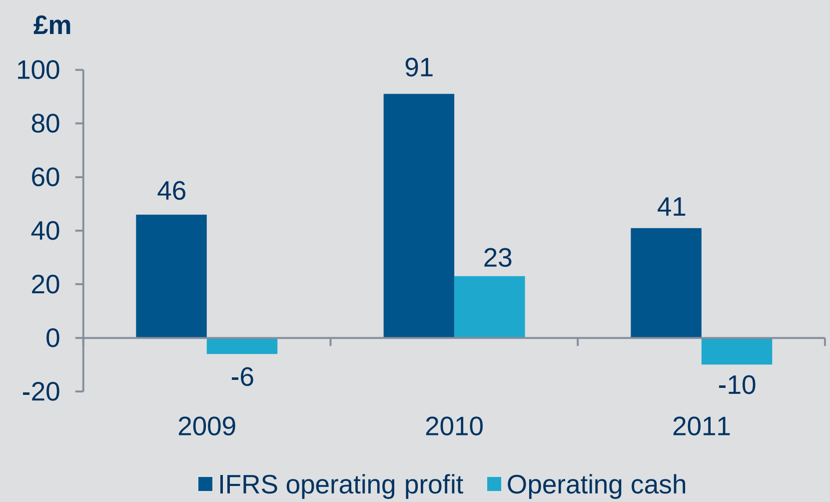
LOMBARD



No dividends

- Consistent profitable growth
- Cash used to pay down debt rather than pay dividends to Group

FRIENDS PROVIDENT INTERNATIONAL



No dividends

- Overall performance held back by Germany
- Volatile earnings, poor cash generation
- Too many one-offs – fundamental basis review being carried out

We have applied the same discipline that has been applied in the UK

- Financial targets for the international division
  - ✓ Cash generation to support targeted dividends to Group
  - ✓ A combined IRR of 20%

- We will only operate in markets with the following features
  - ✓ attractive growth and margins
  - ✓ we have a sustainable competitive advantage
  - ✓ deliver cash to shareholders, at appropriate levels of risk

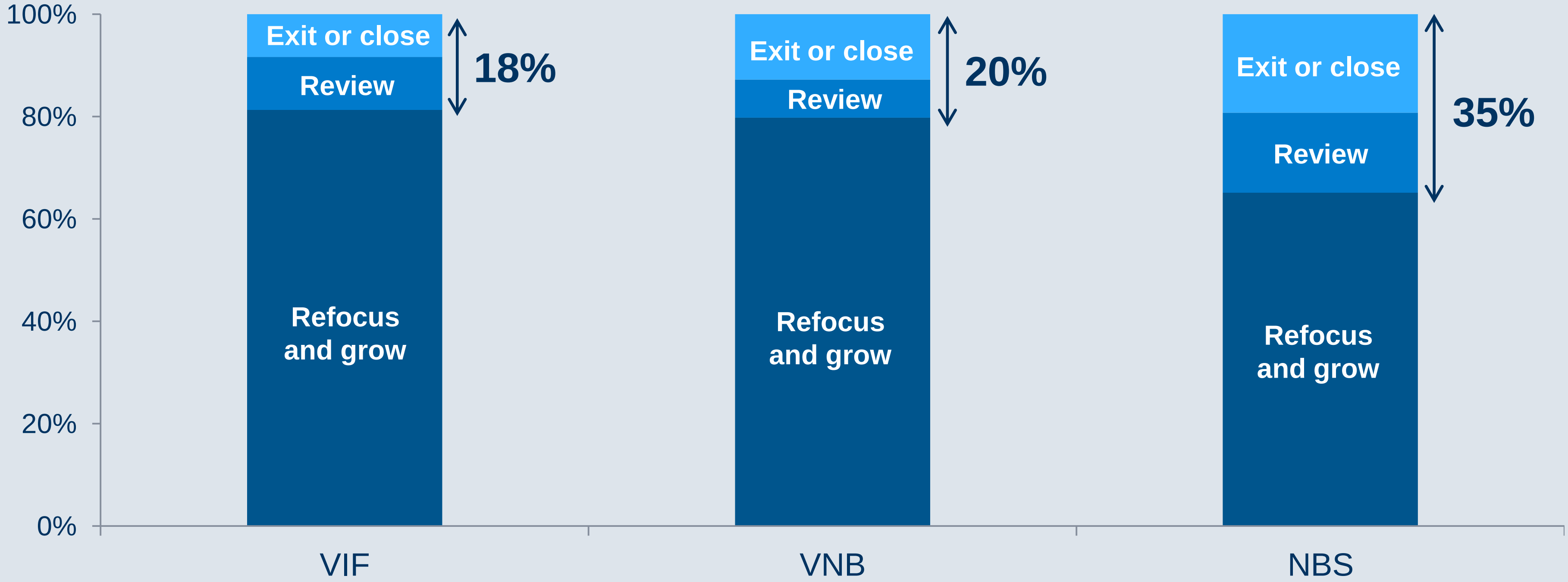
FriendsLife

We have drawn clear conclusions

	Business segment	Rationale
Exit / Close	AmLife	No competitive advantage
	FPI – Japan	Does not match our current risk appetite
	FPI – Corporate pensions	Subscale and unprofitable
Review	FPI – Germany, and markets where we are subscale	Challenged and delivering disappointing results
Refocus and grow selectively	Lombard	Strong business with Asia optionality; shift focus to cash generation
	FPI – Global expatriate FPI – Domestic affluent in Asia	Strong core franchises, but need refocusing and streamlining

FriendsLife

The NBS benefits outweigh the value downside, driving cash generation



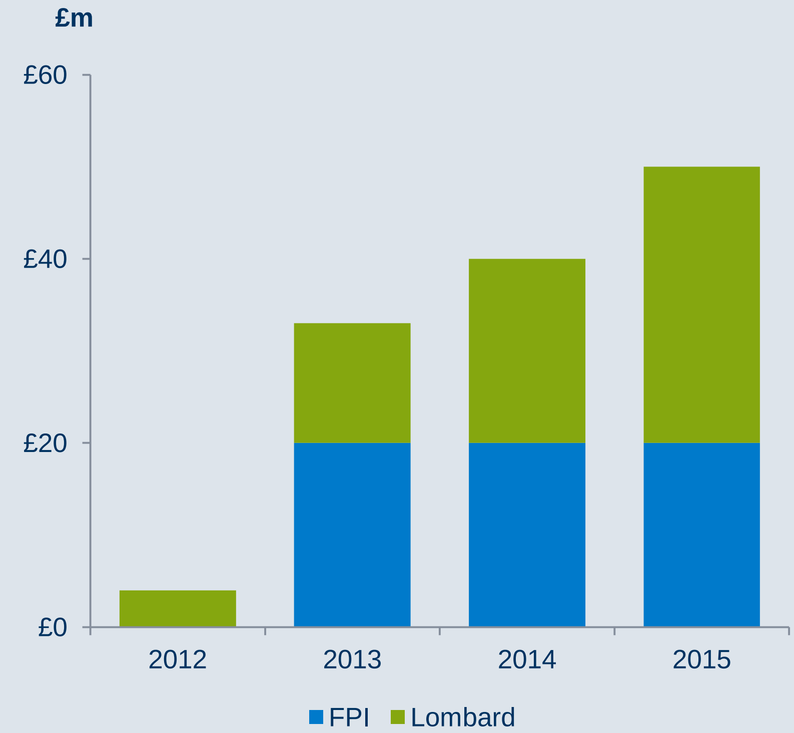
- Segments that are 'exit or close' or 'under review' account for 35% of new business strain
- Significantly higher than their share of VIF (18%) and VNB (20%)
- Exits, closures and reduced volumes will drive substantial growth in cash generation

Note: FY 2011 figures

In conclusion, we can reconfirm our dividend targets

- **Recommitting to existing dividend targets**
  - 2013: FPI dividend £20m; Lombard £13m
  - 2014: FPI dividend £20m; Lombard dividend £20m
  - 2015: FPI dividend £20m; Lombard dividend £30m
  - Early dividend from Lombard in 2012
- **AmLife**
  - Proceeds of intended sale to be repatriated to Group

Targeted dividend progression to 2015*

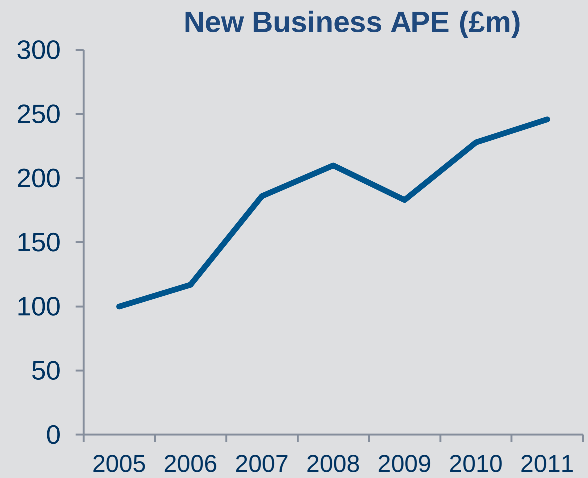


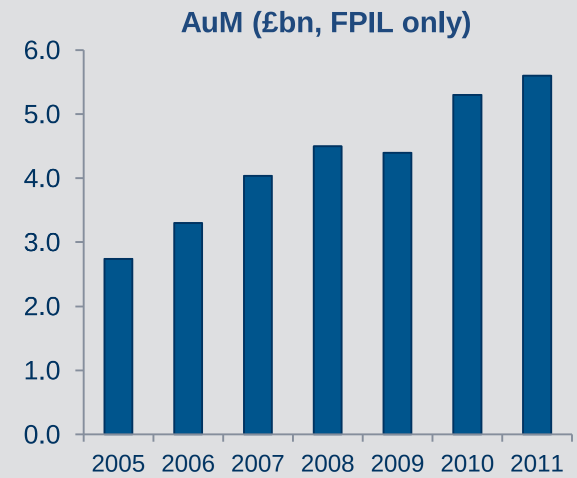
** Dividends will normally be paid to Group in following year following subsidiary AGM approval, and subject to meeting other legal and financial requirements at the time*

Friends Provident International
– Refocus and grow selectively

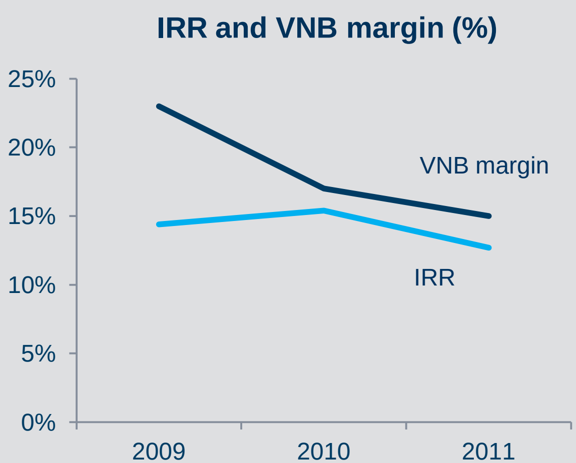
FPI has delivered strong top line growth historically...

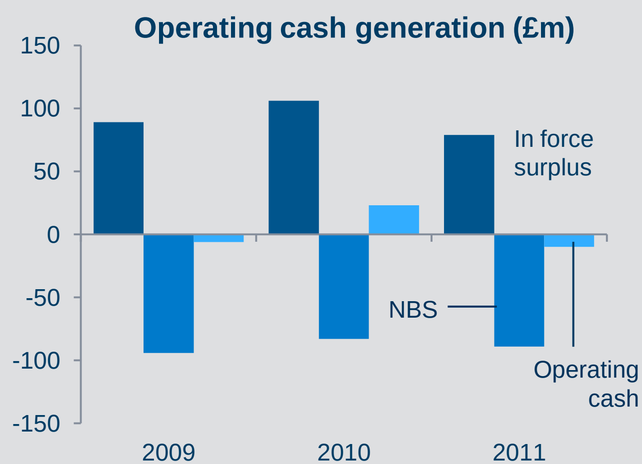
- New business grew at 16% CAGR from 2005-2011, driven by regular premium savings business
- AuM grew at 13% CAGR from 2005-2011: resilient performance given market turmoil





...but margins have fallen and cash generation has been poor





Drivers of past performance

- Opportunistic growth
- Inadequate product structures, pricing and mix
- Inefficient business model

The new strategy will drive improved returns and cash flow...

Drivers of past performance	New strategy
Opportunistic growth	(1) Refocus on profitable, low risk growth
Inadequate product structures, pricing and mix	(2) Redesign products and pricing process, reduce strain
Inefficient business model	(3) Reshape operating model and reduce costs

(1) Refocus on profitable, low risk growth

Before	After	
• FPI expanded into new markets with an undisciplined approach	**Expatriates globally**	• Affluent-to-HNW • White collar • Capable of transacting in English Around two thirds of the global expat market
	Domestic affluent	• Affluent • Residents in selected profitable markets, mainly Asia

FRIENDS PROVIDENT INTERNATIONAL FriendsLife

(2) Redesign products and pricing process, reduce strain

	Before	After
Product design	• Core RP products have long payback periods and low IRRs	• New Premier product – payback period significantly shortened, improved IRR • Further product redesign planned as new platform rolls out
Pricing process	• Historically undisciplined	• Appropriate governance, controls and reviews
Distribution and product mix	• High strain distribution (mostly IFAs) • Business mix weighted towards high strain products	• More diversified, balanced, lower strain distribution • Shift towards lower strain single premium products • Reduce high strain protection business

FRIENDS PROVIDENT INTERNATIONAL FriendsLife

(3) Reshape operating model and reduce costs

	Before	After
Operating model	• High cost, centralised head office structure	• More staff located in key hubs e.g. Hong Kong • Head office review – significant cost savings
Platform	• Inefficient, high cost platform	• Planned new front-end platform will be more efficient • Examining options for cost-efficient back book service model

- Cost savings being assessed; likely to be in region of £6m pa by 2014
- More to come – headcount reductions of >20% over four years

FRIENDS PROVIDENT INTERNATIONAL FriendsLife

Addressing the key challenges will unlock the underlying cash potential

(1) Refocus on profitable, low risk growth

(2) Redesign products and pricing process, reduce strain

(3) Reshape operating model and reduce costs

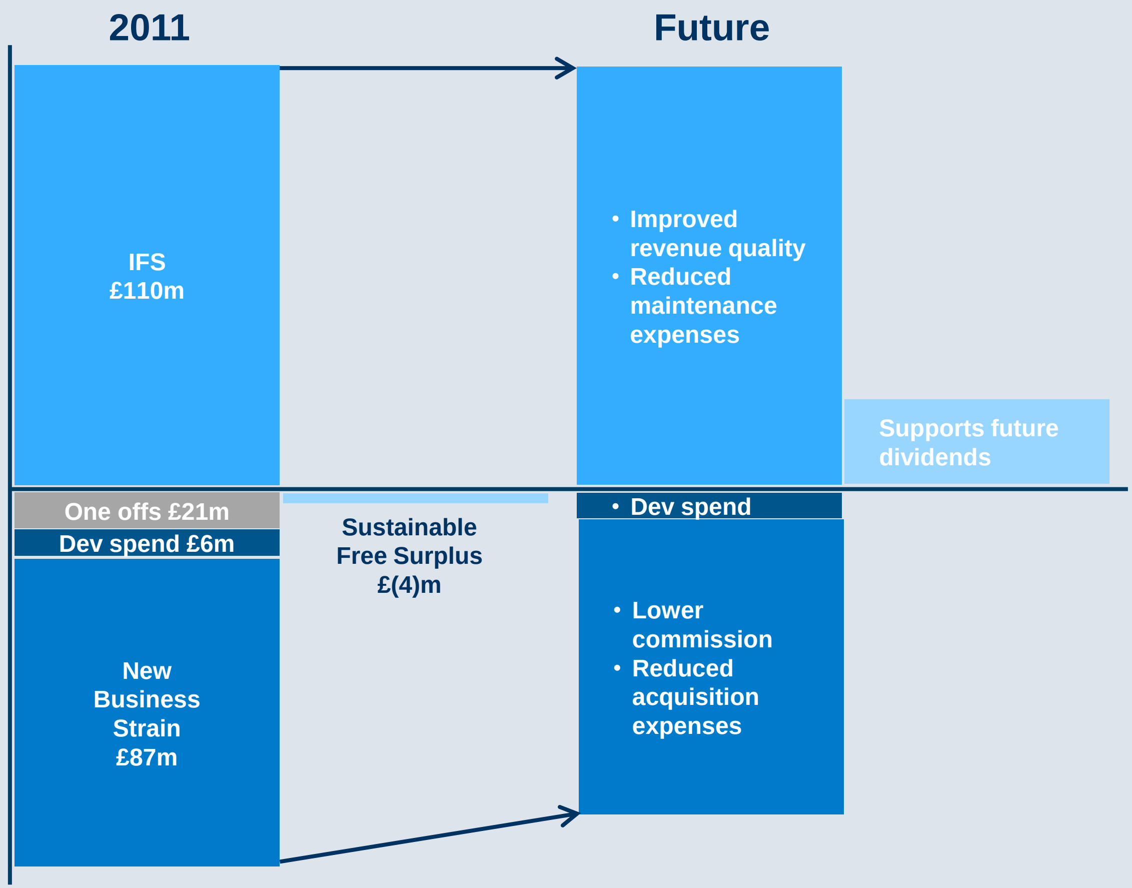


Chart indicative; not to scale

Friends Provident International
– Opportunities in Global Expat and Asian Affluent

James Tan

General Manager, Asia and Middle East

FriendsLife

FPI is known for a strong franchise in our selected markets

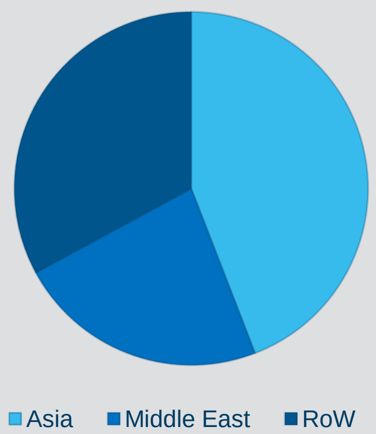
FPI leverages its advantages gained from being an offshore player (tax, asset security, portability, product features and distribution) with the strong franchise built up in the region...

Leading positions in Asia and the Middle East	• Over 20% market share in both Asia expatriate and Middle East IFA*
Strong distribution relationships	• Rated 1st for market penetration of distributors in Asian expatriate and Middle East IFA markets**
Credentials built on long-term commitment	• Over 20 years' presence in key markets
Product and service fit with target customers	• Rated 1st for products and features in Middle East and Asia IFA market*** • Award winning propositions

** NMG Consulting Wealth Management Programme (Asia and Middle East)*
*** Out of 10 providers (NMG Consulting study, 2012 – Relationship citations by distributors: Middle East 100% out of 20 respondents; Asia 74% out of 88 respondents)*
**** Out of 10 providers (NMG Consulting study, 2012 – Relationship citations by distributors: Middle East 20 respondents; Asia 88 respondents)*

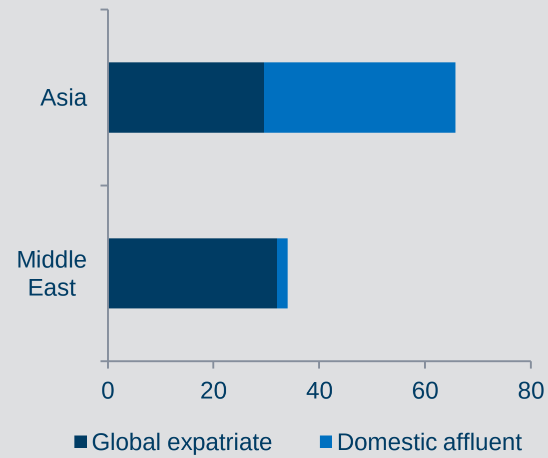
Asia and Middle East make up two thirds of our new business today

New business by region (9M 2012, £m APE)



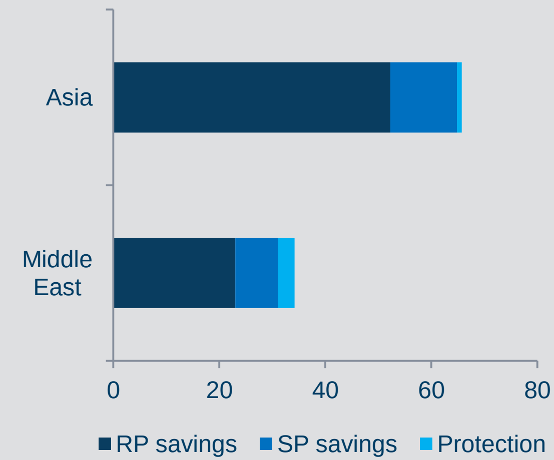
- Successful in Asia and Middle East
- Will continue to be the growth engine

New business by customer type* (9M 2012, £m APE)



- Strong mix of core markets in Asia (global expatriate and domestic affluent)
- Focusing resources on meeting the needs of these customers

New business by product (9M 2012, £m APE)



- Today primarily RP savings products via IFA channel
- Seeking to diversify product and channel mix

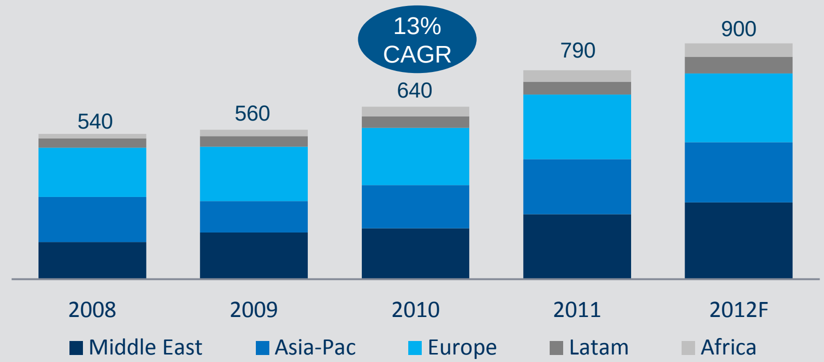
Typical customers: affluent, white collar employees buying through IFAs – they like the extensive fund range and multiple currency options that we offer

**Approximate estimates based on a sample of brokers covering c50% of new business*

Our selected markets are fast growing and profitable – Global Expat

- The expatriate market is a rapidly growing, high margin segment
  - Attractive long-term product economics (market average VNB margin of 25%*)
  - Value driven market

'White Collar' Expat Investment Market APE (£m)**



An example case study **The Western Expat: Mr Hughes, age 45 (Consultant)**

- *Affluent*
- *Well educated with reasonable financial sophistication*
- *Willing to take some risk*
- *Wants access to multi-currency*
- *Needs tax efficiency and portability*
- *Protection for family*
- *Savings for children's education*
- *Saving for retirement*

What we can offer:

- **Pension portability (QROPS, SIPP)**
- **International Protector**

**Estimate based on the average margin of a range of companies operating in this sector*
***NMG Consulting Offshore Insights programmes*

FRIENDS PROVIDENT INTERNATIONAL FriendsLife

Our selected markets are fast growing and profitable – Asian affluent

- Selected domestic affluent markets (e.g. Hong Kong and Singapore) served by IFAs also offer good opportunities
- Strong market growth (Hong Kong mid-teens, Singapore high single digit)
- Emergence of large middle class whose needs are not fully met by local providers
- Affluent market, rather than mass market bancassurance or agency, has a focus on more sophisticated products

An example case study **The Affluent Hong Kong resident: Mr Li, age 54 (Executive)**

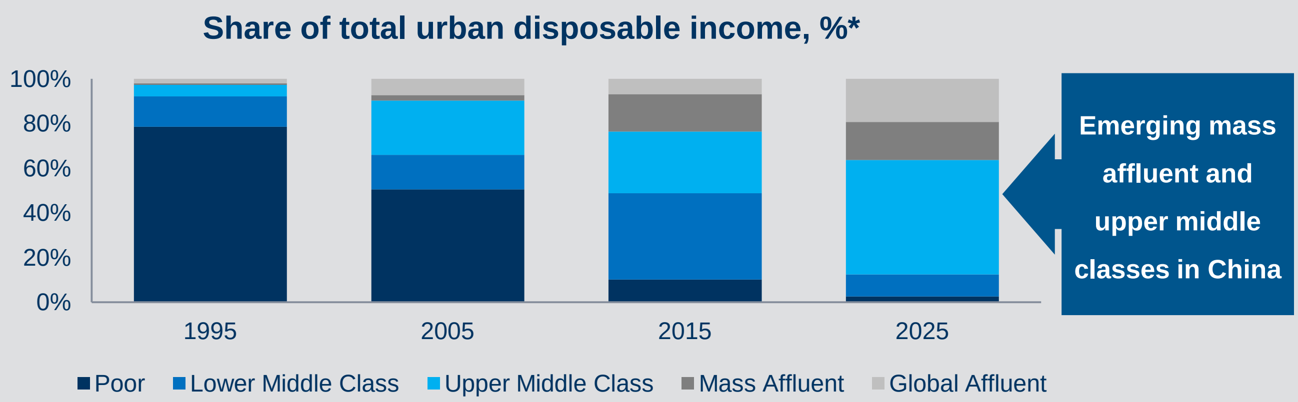
- *Well educated*
- *Reasonable financial sophistication*
- *Active in the investment market*
- *Flexibility with his money*
- *Seeking risk – large fund choices*
- *Boost retirement fund*

▪ *Boost education fund*
▪ *Family protection*

What we can offer:

▪ **Flexibility and cost efficiency of fund and currency switching**
▪ **>200 funds; up to 10 currencies**

...with significant opportunity presented by the emerging mass affluent



- Licensed branches in Hong Kong and Singapore also provide us with gateways into the growing North Asia (particularly China) and South Asia markets

An example case study

The Chinese Entrepreneur: Mr Wong, age 38 (Entrepreneur)

- *Seeking access to foreign investments unavailable in China*
- *Significant wealth*
- *Limited financial sophistication*
- *Seeking perceived stability and security of Hong Kong*
- *Boost education and retirement funds*
- *Tax efficient growth of capital*
- *Investment protection*

What we can offer:

- **Multiple international funds**
- **Strong Western brand**

** McKinsey Quarterly*

Customers will continue to choose us because...

	Our current competitive position	Ongoing developments
Professional, relationship-based approach	• Strong relationships with IFAs in key markets	• Building relationships with bank wealth management arms
Highly rated service	• Strong front office, highly rated by IFAs	• More effective middle and back office • More staff positioned locally • Improved automation
Strong product and technology propositions	• Open architecture with access to over 200 funds and a wide range of currencies • Online fund switching	• New business platform will enhance online experience

Strong, Western insurance brand – Isle of Man-based offering provides security

Lombard International Assurance

Matt Moran

CEO, Lombard

Business has achieved critical mass; can now begin to return cash

1. Who we are	European market leader in *privatbancassurance* Bespoke and innovative structuring capabilities drive competitive advantage
2. Our financial performance	Wealth management model (bps of AuM) Exceptional asset growth over last decade
3. The market	Market currently presents challenges (macro and regulatory)... ... but also wide-ranging opportunities (growth and entry into new markets)
4. Our strategy	Self-funding strategy has enabled payment of first dividend in November 2012 Focus of business is now long-term sustainability and cash generation

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Market leader in privatbancassurance

- Pioneered privatbancassurance in early 1990s
- Innovative use of life assurance to structure compliant and secure wealth planning solutions
- Why Luxembourg?
  - Strongest investor protection regime in Europe ("triangle of security")
  - Flexibility in asset classes
- Focus on Ultra and High Net Worth market
  - New business principally >€500k single premium policies
  - 25-50% of new business premium typically in large cases (> €10m per policy)

Core Markets in Western Europe

LOMBARD FriendsLife

Combination of features drives competitive advantage

High-class service and technical expertise

- ~400 strong team with recognised expertise in tax, legal and financial structuring:
  - highly-qualified marketing and client solutions people (typically qualified lawyers, accountants, tax consultants or bankers)
  - specific skill in large and complex cases (e.g. cross-border, multi-jurisdictional)
  - capability in handling non-standard assets (e.g. unquoted, private equity)
- Continued focus on investing in staff to reinforce our position

Bespoke client solutions

- Flexibility to add new assets, remove others
- Flexibility to add and remove beneficiaries
- Clients and assets in multiple locations
- Clients can change residency and retain benefits

Strong distribution relationships

- Large and diversified distribution network
- Focused on major private banks
- Links with 200 custodian banks

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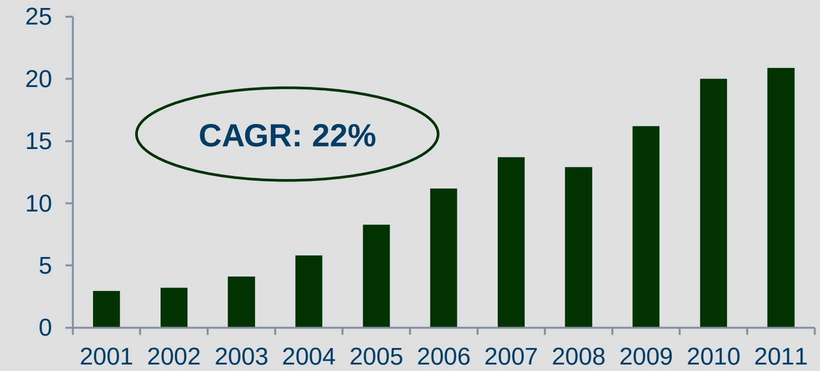
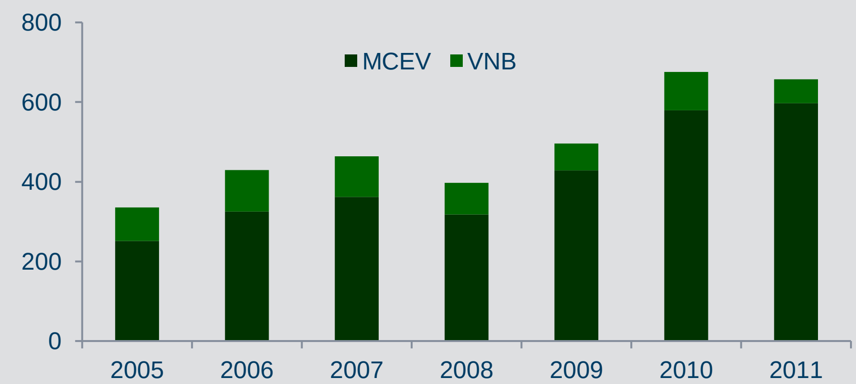
A decade of growth

- **Strong track record of growth:**
  - AuM of €22bn (at 30.6.2012)
    - CAGR 2001-11 22%
  - New business CAGR 2001-2011: 11%
  - Strong customer retention (with consistent mid single digit lapse rate)
- **Profitable new business** (moderate strain, IRR > 20% and payback < 5 years)
- **Assets and embedded value have grown,** despite volatility of financial markets and variances in sales from year to year

Assets under Management (€bn)

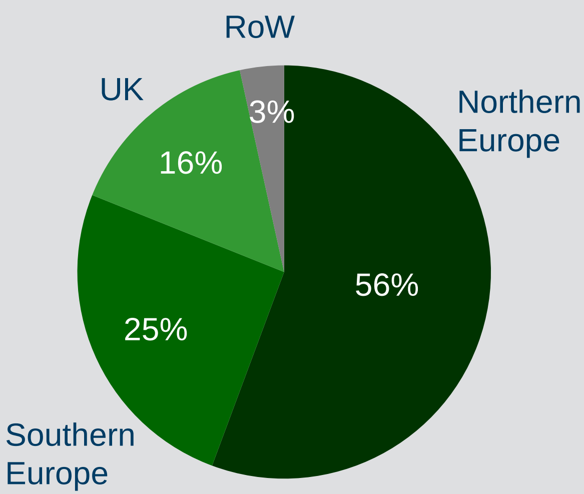


Embedded Value and VNB (€m)

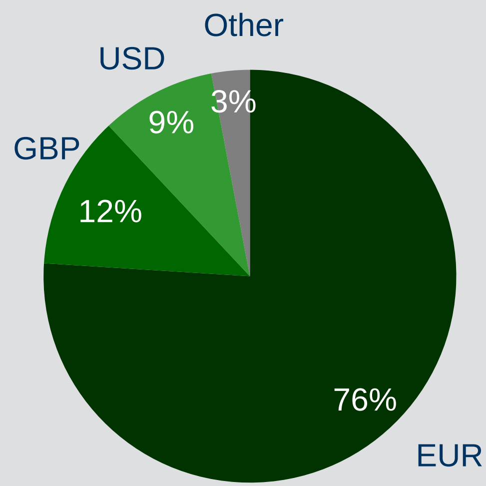


A diversified asset base

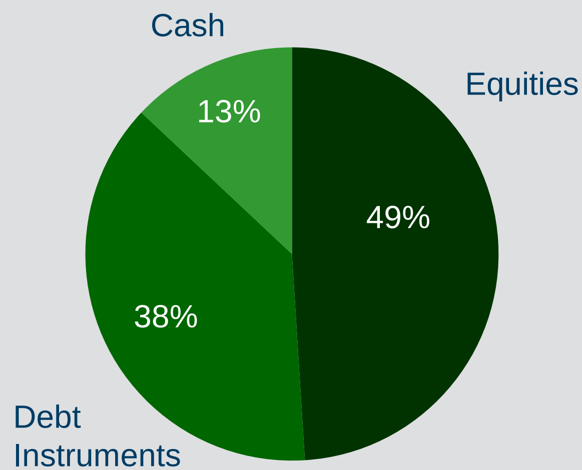
Geographic Mix



Currency Mix



Asset Class



- Income flows well diversified by geography, currency and asset class
- Large number of asset managers leads to further diversification

Note pie charts reflect distribution of assets by geography (location of issuer) , currency and asset class at 31.12.11

A growing income stream

A growing and diversified asset base has delivered a near-tripling of income between 2004 and 2011

A wealth management business with a simple financial model

	2011 €m
Asset-based fees	89
Fixed fees	29
Total Income	119
New business strain	54
Maintenance expenses	27
Other (inc. non-recurring costs)	4
Total Expenditure	86
Net Income	33
IFRS adjustments (DAC/DFF)	11
IFRS Operating Profit	44

Mitigated risks to income

- c. 25% of fees are fixed (as a % of original premium – not exposed to market movements)
- Of the remaining 75%, approx. half is guaranteed (i.e. payable even in the event of client surrender) for a defined period – typically 5 years

Balance sheet risks minimised

- Minimal options and guarantees
- Minimal mortality or longevity risk
- Minimal risk in shareholder assets

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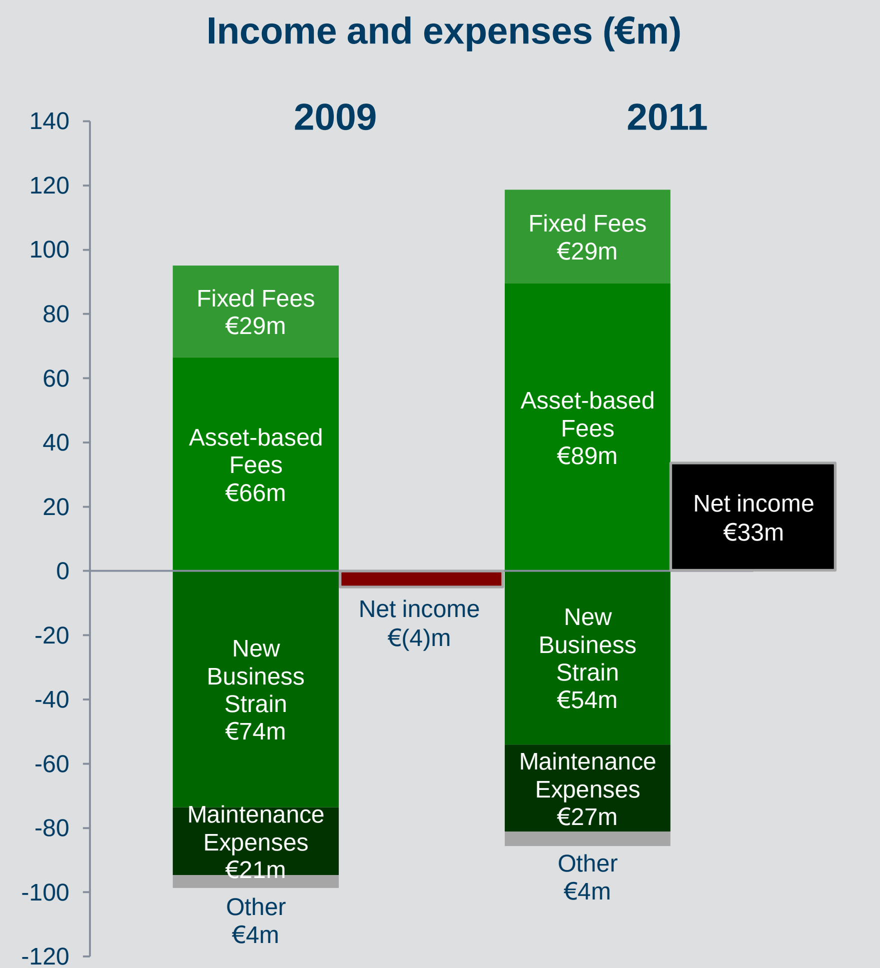
The financial transformation in Lombard is already well underway

Until 2009: a cash-consumptive business

- Smaller in-force book and strong new business growth
- Significant upfront commission
- External funding needed, with rising debt

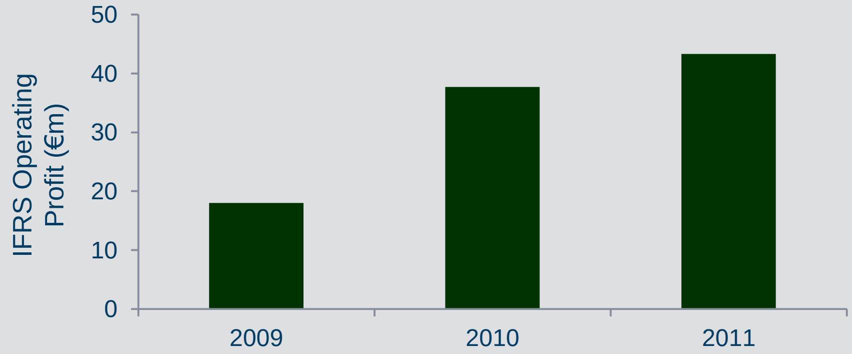
In 2010 and 2011: a self-funding business

- Increased in-force scale
- Re-designed products and refocused distribution to reduce upfront commission
- Generating cash, and repaying debt

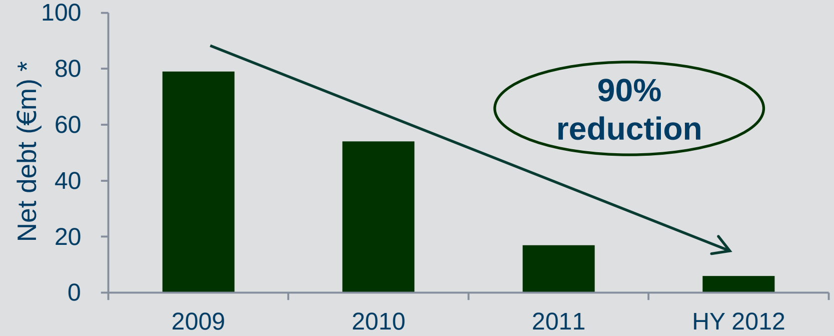


We are now able to begin returning dividends to the Group

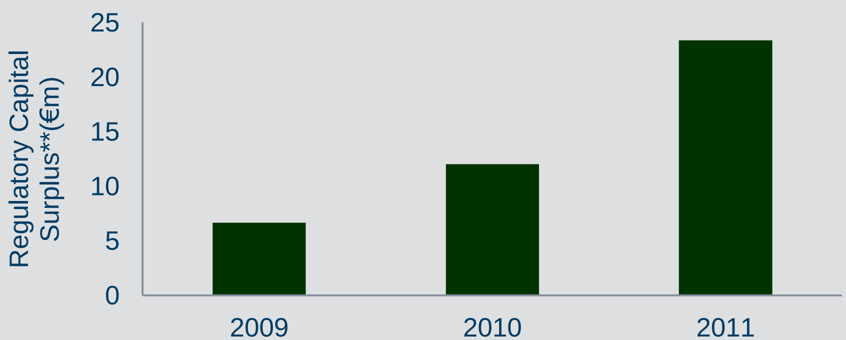
Lombard generated profits in 2009-11...



... which were used to pay down debt...



... and to build up our capital surplus...



… meaning that future profits can now be repatriated to the Group

First dividend paid in Nov 2012

£4 million

** Note net debt includes all financing including FinRe, net of available cash balances*

*** Note regulatory capital surplus is calculated as capital in excess of 150% of regulatory requirements, in line with Lombard's capital policy*

The market currently presents challenges, but also many opportunities

Market challenges

- Global macroeconomic weakness
- Investment market volatility
- Taxation reforms in several core markets
- Ever-growing regulation and drive for transparency
  - impacting on private banks and wealth managers
- Compliance bar continually being raised

Impact on Lombard

- Asset growth moderating
- Upward pressures on compliance standards and costs
- Shift to private bank distribution reduces new business in short term, and puts downwards pressure on margins

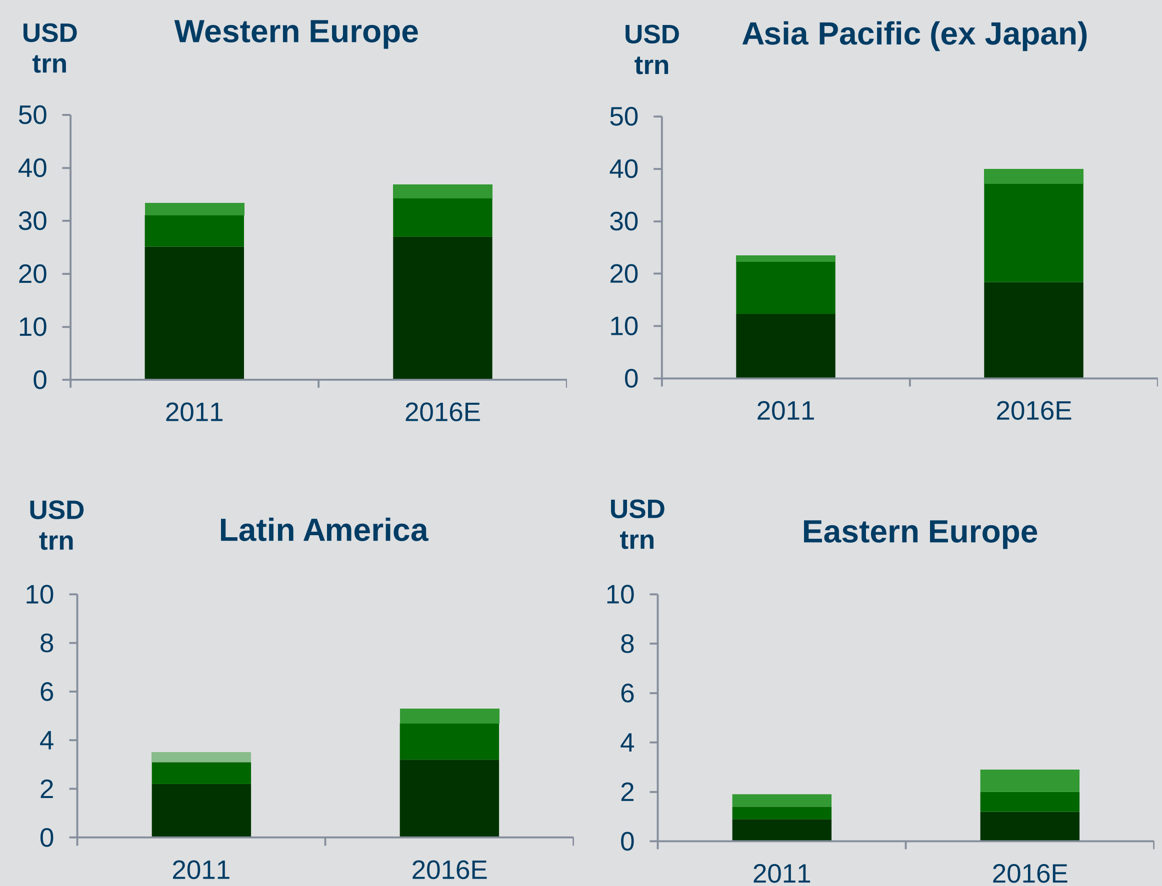
Market opportunities

- Growing demand for compliant wealth management expertise
- Increasing need for multi-jurisdictional solutions
- Continuously increasing wealth and number of HNWIs
- Growing intergenerational wealth transfer
- Opportunities in new geographic markets

Impact on Lombard

- Potential for growth in existing, core markets
- Wide range of new opportunities also available
- Need to be selective and disciplined in pursuing these

Large HNW market in Western Europe; opportunities in other regions



Western Europe provides a strong foundation for future growth.

Beyond this, Lombard is monitoring three main regions:

- Asia – Pacific (ex Japan)
- Latin America
- Eastern Europe.

Household wealth segments

- **>$100m**
- **$1m-$100m**
- **<$1m**

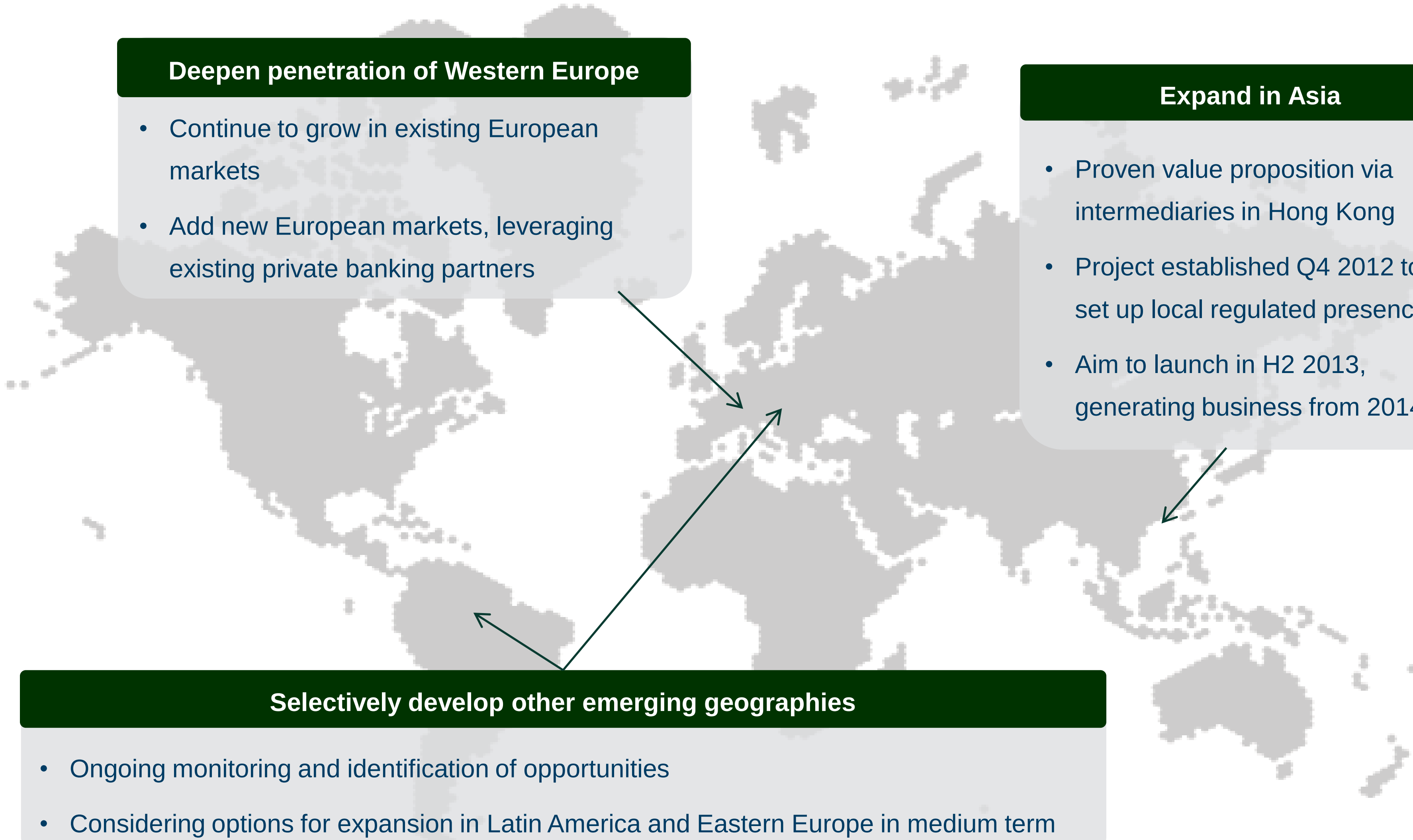
Source: The Boston Consulting Group
Global Wealth 2012 – The Battle to Regain Strengths

LOMBARD FriendsLife

Positioning the business to win and deliver

Grow Assets	(1) Continue to focus on European core; highly selective expansion; (2) Adapt the distribution mix; (3) Further enhance the proposition
Improve Revenue Quality	(2) Adapt the distribution mix; (3) Further enhance the proposition
Reduce Costs	(4) Build a more scalable, efficient and effective model

(1) Continue to focus on European core; highly selective expansion



Deepen penetration of Western Europe

- Continue to grow in existing European markets
- Add new European markets, leveraging existing private banking partners

Expand in Asia

- Proven value proposition via intermediaries in Hong Kong
- Project established Q4 2012 to set up local regulated presence
- Aim to launch in H2 2013, generating business from 2014

Selectively develop other emerging geographies

- Ongoing monitoring and identification of opportunities
- Considering options for expansion in Latin America and Eastern Europe in medium term

(2) Adapt distribution mix; (3) Further enhance the proposition

2. Adapt distribution mix

- Continuing shift in focus towards private banks
- Successfully launched ‘Key Account Management’ programme

3. Further enhance the proposition

- Significant strengthening of business development and client solution teams
- Newly hired Executive Director of Business Development, Director of Private Wealth Solutions, Head of Marketing and Head of Corporate Legal
- Currently securing additional tax, legal and structuring talent
- Developing and refining solutions to reflect fiscal/regulatory changes in various markets

(4) Build a more scalable, efficient and effective model

Activity

- Recruited experienced Director of Partner & Client Servicing
- Significant overhaul of operations launched in H1 2012
- This will deliver:
  - enhanced on-boarding and maintenance workflows for policies and funds administration
  - streamlined IT architecture & infrastructure
  - improved operational response to regulatory changes
  - increased focus on operational performance management and continuous improvement
  - redesigned management structure and reduced handoffs

Results

- Material reduction (>20%) in non-sales staff across H2 2012 and 2013
- Improved service levels, scalability and efficiency of business
- Unit maintenance costs expected to reduce by c. 20% from 2014 onwards

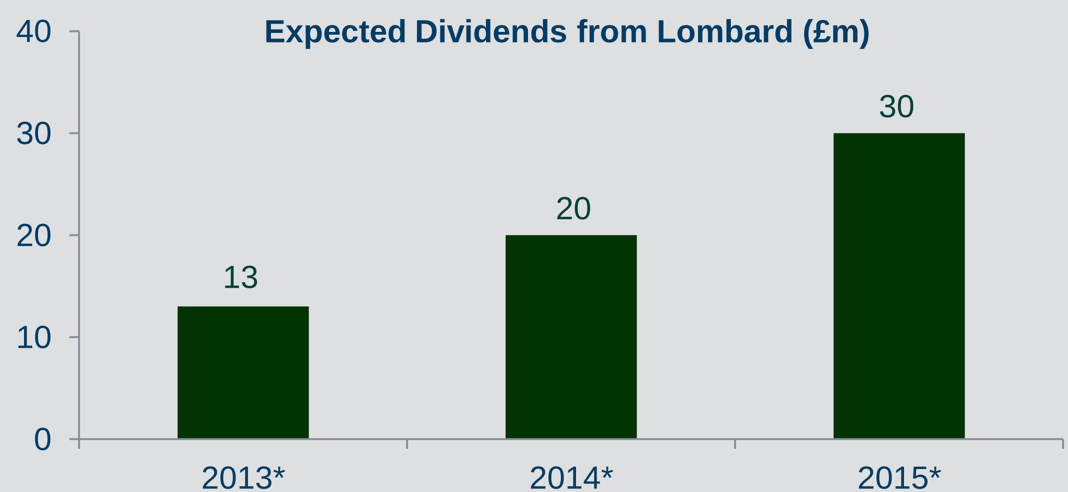
LOMBARD FriendsLife

Delivering a balance of cash and profitable growth

1. Continue to focus on European core; highly selective expansion
2. Adapt distribution mix
3. Further enhance the proposition
4. Build a more scalable, efficient and effective model

Financial Outcomes

- High IRR on new business maintained (>20%)
- Further growth, but more moderate and self-funding
- Maintenance unit costs reducing by c. 20% from 2014 onwards
- Dividend payments started (with £4m paid in November 2012) and targeted to accelerate over next 3 years



*Note dividend will normally be paid to Group in following year following AGM approval, subject to meeting legal and financial requirements at the time.

Agenda of today's session

Introduction	Andy Briggs
Overview and UK Progress Update	Andy Briggs
Financial Strategy	Tim Tookey
International Strategy	John van der Wielen
- FPI	James Tan
- Lombard	Matt Moran
Overall Summary and Q&A	**Andy Briggs**

Today's update

Our approach to delivering value for shareholders

- Rigorous financial discipline
- Priorities: Capital, Cash, Profitable New Business

The turnaround of our UK business continues

- UK business units on track for 2013 new business profit targets
- Target for cost reductions raised, although higher expected costs to complete

We are now applying the same discipline to our International businesses

- Lombard has achieved scale to pay dividends balanced with profitable growth
- Lombard will continue existing strategy with focus on Private Bank distribution
- FPI to focus on Asia and ex-pats, meet 2013 dividend target
- FPI will review German business and is no longer accepting business from Japanese nationals
- AmLife no longer fits with International division strategy: final regulatory approvals being sought for intended sale

This approach is fundamentally transforming our business

Businesses acquired 2009-2011

- Poor cash generation
- Poor returns on new business
- Limited focus on back book
- Multiple sub-scale products and platforms

AXA UK Life Business	Corporate Pensions	some
	Individual Pensions	x
	Bonds	x
	Protection	x
	Annuities	x
BHA	Protection	✓
Friends Provident	Corporate Pensions	✓
	Individual Pensions	x
	Bonds	x
	Protection	x
	Annuities	✓
	FP International	some
	AmLife	x
	Lombard	✓

Heritage Division

- Dedicated management team focused on driving cash

Focus on cash

UK Division

Protection | **Corporate Benefits** | **Retirement Income**

- Building scale positions through advantaged propositions on cost-efficient platforms

International Division

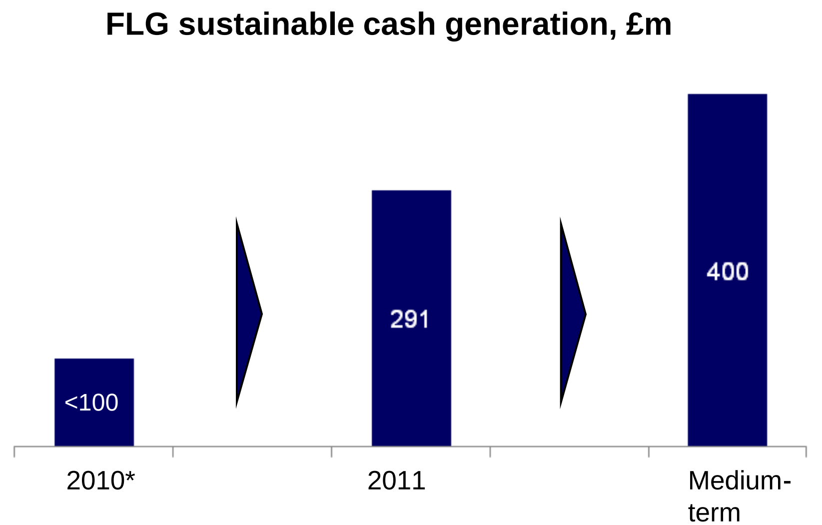
LOMBARD | FRIENDS PROVIDENT INTERNATIONAL

- Attractive growth markets where our customer propositions can win and deliver cash

Balance of cash and profitable growth

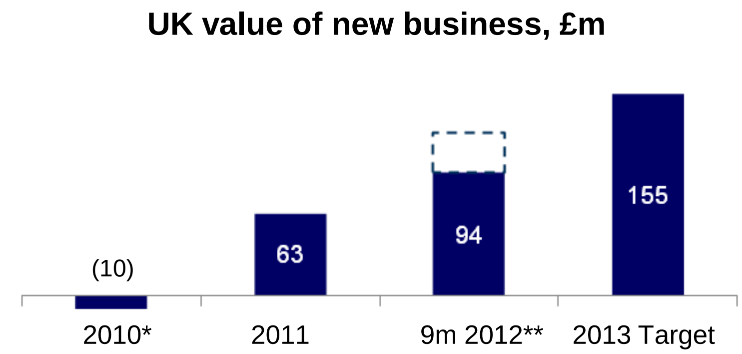
Improving cash generation underpins the dividend

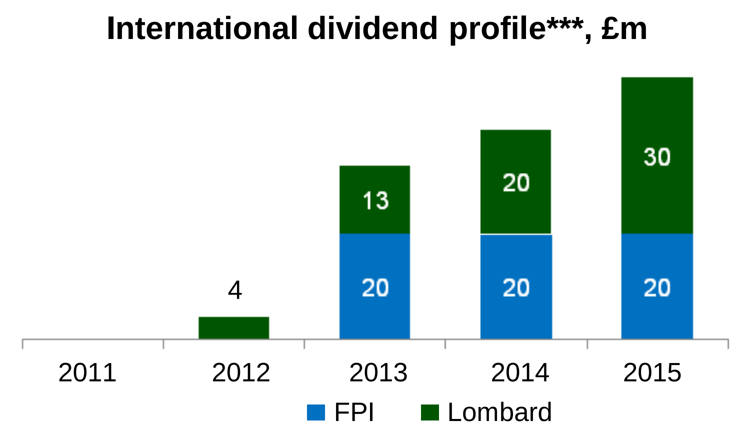
Focus on sustainable cash generation



- Economic headwinds, currently c£(50)m
- Opportunities and challenges to reach medium-term target
- Refinancing of DCNs reduces cash demands

Profitable growth prospects to support future cash generation





** 2010 figures are annualised baseline; ** dotted box indicates annualised outcome at 9m 2012 run-rates; *** dividends will normally be paid to Group in following year following subsidiary AGM approval, and subject to meeting other legal and financial requirements at the time*

Q&A