

RESOLUTION LIMITED

Third quarter 2010 – business update

- Further progress in the UK Life Project with the completion of the acquisition of the majority of AXA's UK Life business in September and the announcement of the proposed acquisition of Bupa Health Assurance Limited ("BHA"), to be funded from surplus capital, in October.
- The disciplined separation and integration of the acquired AXA UK Life businesses with Friends Provident Holdings (UK) plc's ("FPH") life operating businesses is progressing well.
- Completion of the proposed acquisition of BHA is expected to be in early 2011.
- The BHA transaction illustrates the multiple routes available to Resolution to complete the UK life consolidation project. These could include further scale transactions or a series of smaller bolt-on steps. Future transactions will be assessed using Resolution's disciplined approach which continues to give greater emphasis to shareholder value creation over scale.
- Resolution has continued its focus on capital efficiency and cash flow generation. Available shareholder cash at 30 September 2010, including cash raised at the time of the AXA acquisition totalled £734 million, comprising £309 million held by the parent companies of FPH and £425 million held by FPH and its subsidiaries. Shareholder cash increased from £605 million at 30 June 2010 and is prior to the payment of the interim dividend of £75 million in cash on 8 October 2010. This shareholder cash will not be reduced by the proposed BHA transaction as the purchase price will be met from surplus capital held within the life operating businesses. Resolution continues to have confidence in its target of aggregate cash emergence at FPH after interest costs of at least £400 million per annum from 2011.
- The estimated IGD surplus for FPH was £1.4 billion at 30 September 2010 after taking into account the acquisition of the AXA UK Life businesses. The estimated IGD surplus at 30 September 2010 does not take account of any assets held in the reattributed inherited estate acquired with the AXA UK Life businesses.
- Resolution sets out in the attached Appendix the new business sales for FPH for the nine months to 30 September 2010 including one month of sales for the acquired AXA businesses. Total sales (measured on an annual premium equivalent ("APE") basis) for nine months to 30 September 2010, excluding £26 million in respect of the acquired AXA businesses, were up 35% to £683 million compared with £505 million for the same period in 2009. UK sales for the nine months ended 30 September 2010 (excluding AXA) of £294 million were in line with the comparable period in 2009. The International business delivered a strong sales performance in the period, up 31% to £176 million, with Lombard up 184% to £213 million.

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Forward-looking statements

This announcement contains certain forward-looking statements with respect to Resolution Limited and its outlook. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this announcement should be construed as a profit forecast.

Notes to editors

Headline new business figures are presented on the Annual Premium Equivalent ("APE") basis, representing annualised new regular premiums plus 10% of single premiums.

The AXA UK Life business acquired by FPH comprises the majority of AXA's UK life and savings business, consisting of its traditional and protection business, most of the corporate benefits business and a minority part of the wealth management business. A post-completion reorganisation of the FPH-acquired and AXA-retained businesses is in progress following which certain insurance policies owned by companies acquired by FPH will be transferred back to the AXA UK life and savings business and the entire issued share capital of Winterthur Life UK Limited will be transferred to FPH. The new business results of AXA's UK Life Business in this interim management statement and the appendix reflect the business acquired by FPH on the assumption that the reorganisation had taken place at the point of acquisition. The appendix also includes the sales figures for the nine months ended 30 September 2010 for these businesses for the purposes of comparison.

FPH includes all subsidiary undertakings in the period post completion of the AXA UK Life acquisition.

Media

There will be a conference call today for real-time media at 07:30 GMT, hosted by John Tiner, CEO of Resolution Operations and Trevor Matthews, CEO of Friends Provident (+44 (0) 1452 555566 quoting 22982600).

Investors / Analysts

There will be a conference call today for analysts and investors at 08:30 GMT hosted by John Tiner, CEO of Resolution Operations and Trevor Matthews, CEO of Friends Provident (+44 (0) 1452 555566 quoting 22968904). A recording of this call will be available for 7 days (+44 (0) 1452 550000 replay access number 22968904#).

Financial calendar

Q4 2010 New Business	9 February 2011
Annual Results 2010	24 March 2011
Annual General Meeting	18 May 2011

Website

www.resolution.gg

Appendix

Friends Provident – third quarter 2010 new business

Combined group

This third quarter update presents, for the first time, the consolidated new business results of the Friends Provident business with those of the recently acquired AXA UK Life business.

The acquisition of the AXA UK Life business has now been completed and the trading results of the acquired business have been reported here for the month of September as the effective date of the acquisition for accounting purposes is the date on which the FSA approved the transaction (3 September 2010) which preceded legal completion on 15 September 2010.

The International business (being the combination of Friends Provident International Limited, overseas business written in the UK operating companies and our 30% stake in AmLife, the Malaysian associate) and Lombard will continue to report independently and are unaffected structurally by the recent transaction.

Proposed acquisition

On 15 October 2010, Resolution announced the proposal to acquire the entire issued share capital and business of Bupa Health Assurance Limited (“BHA”) for a net consideration of approximately £102 million. The deal will be funded from surplus capital held within the Friends Provident Holdings (UK) plc’s life operating businesses and is expected to complete early in 2011.

The transaction is designed to strengthen the group’s product ranges in our core UK markets of individual and group protection and will create a combined business with significant market share.

BHA has established and profitable platforms and offer critical illness, income protection and life assurance products in both the individual and group markets. The combination of this business with the Friends Provident group will build a business that is a leading provider in both of these markets.

Total life and pensions new business

Combined Group sales at the end of September excluding the acquired AXA UK Life business which contributed £26 million, totalled £683 million on an annualised premium equivalent basis (“APE”) and represent a 35% increase on the same period in 2009. This growth has been driven by the International and Lombard businesses, up 31% and 184% respectively, whilst the UK business was in line with the comparable period in 2009.

UK life and pensions

The acquisition of the AXA UK Life business has strengthened the group’s position in our key UK markets of group pensions, individual protection and annuities. Combined sales volumes for these propositions have been presented on a consolidated basis.

In the nine months to 30 September 2010 consolidated UK sales totalled £320 million. Of this the Friends Provident businesses contributed £294 million whilst the AXA UK Life business contributed sales of £26 million for the month of September. This compares to £296 million for Friends Provident for the equivalent period in 2009.

New business sales figures for the acquired AXA UK Life business for the nine months ended 30 September 2010 are included in this appendix for information only.

Group pensions

UK Corporate sales of £236 million mainly relate to group pensions business and includes post-acquisition sales of £12 million from the acquired AXA UK Life business, combined with £224 million year to date sales in the Friends Provident business. On a standalone basis Friends Provident group pension sales are up 1% on 2009 with the timing of scheme wins causing some quarter-on-quarter

volatility. Third quarter sales principally reflect reduced levels of single premium business, as price competition increased, combined with the relatively strong 2009 comparative which reflected the writing of a sizeable single premium scheme. Levels of regular premium sales, whilst not as strong as in the first half of the year, remain strong period on period with incremental business from existing schemes showing continued stability.

The combination of both the Friends Provident and acquired AXA UK Life group pensions propositions has created a business with growing scale and capability for future growth. The Friends Provident business now has pensions funds under management of £18.8 billion (including Friends Provident unit-linked and AXA group pensions business).

Individual protection

Within the UK Individual business unit the combined businesses bring together strong protection capabilities and a broader distribution profile. The market remains highly competitive and is closely linked to a weak housing market. Consequently consolidated sales volumes, at £32 million, remain depressed with standalone Friends Provident sales down to £27 million from £31 million in the prior period excluding the acquired AXA UK Life business which contributed £5 million.

Individual pensions

Consolidated individual pensions sales of £23 million include a 14% period on period increase in Friends Provident sales to £21 million combined with the post-acquisition sales of the acquired AXA UK Life business of £2 million. Individual pension sales contributed by the acquired AXA UK Life business relate primarily to incremental business on existing policies.

Investments

Investment sales on a consolidated basis, at £8 million, are significantly up on the 2009 comparatives and include post-acquisition sales of £6 million from the acquired AXA UK Life business. The majority of the acquired sales volume relates to the onshore bond proposition which is distributed through IFAs and the existing tied bancassurance relationships.

Annuities

Annuity sales are up on 2009 comparatives, both on a consolidated and standalone basis, with consolidated sales in the nine months to the end of September 2010 of £21 million. Quarter-on-quarter growth in 2010 has however been skewed towards the first and second quarters of the year following the change in early retirement rules at the April 2010 tax year end. Looking forward, the combination of the AXA UK Life and Friends Provident businesses presents opportunities in the vesting annuity segment and provides a platform on which to improve this proposition.

International

International sales are up to £176 million for the period to 30 September 2010, an increase of 31% on the same period in 2009. Improved customer confidence benefitted the results with this being particularly evident in the Asian and European markets where sales in Singapore and Hong Kong were up 89% and 24% respectively and sales in Germany grew by 17%. In the Middle East, whilst economic conditions remain challenging, sales are up 11% on 2009.

Distribution relationships are developing well in all international markets with bancassurance ties in Singapore, ANZ Private Bank and ANZ Signature Banking, and fpb AG, the distribution partner in Germany, generating good levels of new business.

AmLife, the 30% owned Malaysian associate, has continued to perform strongly over the period. The business, which mainly distributes through bancassurance and tied agency sales channels, delivered APE of £8 million in the nine months to 30 September 2010.

Lombard

Year to date sales remain strong at £213 million and continue to track significantly above 2009 comparatives. Lombard generated £78 million APE in the third quarter, which is an improvement of 176% on the same period in 2009.

The Lombard business has benefitted throughout the year from the improving market conditions and returning client confidence across a number of its markets. Particular improvements have been seen in the Belgian and UK markets along with sustained levels of business still being generated from clients restructuring their portfolios in Italy. In addition, the proportion of large cases (transactions greater than 10 million Euros) has returned from the low levels seen in 2009.

Lombard sales volumes have traditionally been weighted towards the fourth quarter and some of the improvement to date is down to the action of spreading this business across the year. Consequently whilst a good finish to the year is anticipated the heightened volumes witnessed in the fourth quarter in previous years should not be expected.

Sesame Bankhall

Sesame Bankhall Group, the leading adviser support business, has continued to trade profitably throughout the period and has successfully completed a period of integration with the Bankhall and PMS businesses. Whilst the market environment remains depressed the business continues to be a key network and service provider for financial advisers and mortgage brokers and is positive about the opportunities to develop as the regulatory environment evolves.

Financial strength

The Group's capital position remains strong at 30 September 2010, with an estimated IGD surplus, calculated at the Friends Provident holding company level, of £1.4 billion. This reflects a £0.4 billion increase on that reported for Friends Provident at 30 June 2010.

Following completion of the acquisition the group now maintains ratings for Friends Provident and the acquired AXA UK Life businesses. Over the acquisition period there has been some alignment of these ratings, shown below, with the Insurer Financial Strength Ratings assigned by Standard and Poor's, Moody's and Fitch within the 'A' range for each of these businesses.

	Standard & Poor's	Moody's	Fitch
Friends Provident Life and Pensions Ltd	A- (Strong) (outlook negative)	A3 (Strong) (outlook positive)	A+ (Strong) (outlook stable)
AXA Sun Life plc	A- (Strong) (outlook negative)	A2 (Strong) (outlook stable)	A+ (Strong) (outlook stable)
Sun Life Assurance Society plc	Not rated	A2 (Strong) (outlook stable)	A+ (Strong) (outlook stable)

Analysis of Life and Pensions New Business

In classifying new business premiums the following basis of recognition is adopted:

- single new business premiums consist of those contracts under which there is no expectation of continuing premiums being paid at regular intervals;
- regular new business premiums consist of those contracts under which there is an expectation of continuing premiums being paid at regular intervals, including repeated or recurrent single premiums where the level of premiums is defined, or where a regular pattern in the receipt of premiums has been established;
- non-contractual increments under existing group pensions schemes are classified as new business premiums;
- transfers between products where open market options are available are included as new business; and
- regular new business premiums are included on an annualised basis.

Regular and Single Premiums

Friends Provident – Consolidated

	Regular premiums			Single premiums		
	9 mths*	9 mths	Change %	9 mths*	9 mths	Change %
	2010 £m	2009 £m		2010 £m	2009 £m	
<i>UK Corporate</i>						
- pensions	215.4	187.1	15	170.0	316.0	(46)
- protection	3.4	6.7	(49)	0.0	0.0	-
<i>UK Individual</i>						
- protection	31.5	31.1	1	4.2	0.0	-
- pensions	5.4	4.3	26	173.8	140.8	23
- investments	0.0	0.1	-	84.2	20.7	307
Annuities	0.0	0.0	-	207.7	187.8	11
Total UK Life & Pensions	255.7	229.3	12	639.9	665.3	(4)
International	140.9	112.7	25	350.6	216.1	62
Lombard	0.0	0.0	-	2,130.0	749.4	184
Total International Life & Pensions	140.9	112.7	25	2,480.6	965.5	157
Total Life & Pensions	396.6	342.0	16	3,120.5	1,630.8	91

* includes the trading results of the acquired AXA UK Life business for the month of September.

Friends Provident (excluding acquired AXA UK Life businesses)

	Regular premiums			Single premiums		
	9 mths	9 mths	Change	9 mths	9 mths	Change
	2010	2009		2010	2009	
£m	£m	%	£m	£m	%	
<i>UK Corporate</i>						
- pensions	204.5	187.1	9	159.9	316.0	(49)
- protection	3.4	6.7	(49)	0.0	0.0	-
<i>UK Individual</i>						
- protection	27.4	31.1	(12)	0.0	0.0	-
- pensions	4.7	4.3	9	162.9	140.8	16
- investments	0.0	0.1	-	28.3	20.7	37
Annuities	0.0	0.0	-	191.0	187.8	2
Total UK Life & Pensions	240.0	229.3	5	542.1	665.3	(19)
International	140.9	112.7	25	350.6	216.1	62
Lombard	0.0	0.0	-	2,130.0	749.4	184
Total International Life & Pensions	140.9	112.7	25	2,480.6	965.5	157
Total Life & Pensions	380.9	342.0	11	3,022.7	1,630.8	85

Acquired AXA UK Life businesses

	Regular premiums		Single premiums	
	Sep	9 mths	Sep	9 mths
	2010	2010	2010	2010
£m	£m	£m	£m	
<i>UK Corporate</i>				
- pensions	10.9	129.0	10.1	142.2
- protection	0.0	0.0	0.0	0.0
<i>UK Individual</i>				
- protection	4.1	34.4	4.2	40.1
- pensions	0.7	9.3	10.9	304.9
- investments	0.0	0.8	55.9	579.8
Annuities	0.0	0.0	16.7	182.0
Total AXA UK Life & Pensions	15.7	173.5	97.8	1,249.0

Regular and Single Premiums

Friends Provident – Consolidated

	Regular premiums			Single premiums		
	Q3*	Q3	Change	Q3*	Q3	Change
	2010	2009		2010	2009	
	£m	£m	%	£m	£m	%
<i>UK Corporate</i>						
- pensions	75.3	59.4	27	49.7	191.6	(74)
- protection	0.9	2.4	(63)	0.0	0.0	-
<i>UK Individual</i>						
- protection	13.5	11.5	17	4.2	0.0	-
- pensions	2.3	1.2	92	57.7	41.7	38
- investments	0.0	0.0	-	67.5	9.0	650
Annuities	0.0	0.0	-	72.6	62.8	16
Total UK Life & Pensions	92.0	74.5	24	251.7	305.1	(17)
International	43.7	40.8	7	118.0	93.1	27
Lombard	0.0	0.0	-	781.9	283.2	176
Total International Life & Pensions	43.7	40.8	7	899.9	376.3	139
Total Life & Pensions	135.7	115.3	18	1151.6	681.4	69

* includes the trading results of the acquired AXA UK Life businesses for the month of September.

Friends Provident (excluding acquired AXA UK Life businesses)

	Regular premiums			Single premiums		
	Q3	Q3	Change	Q3	Q3	Change
	2010	2009		2010	2009	
	£m	£m	%	£m	£m	%
<i>UK Corporate</i>						
- pensions	64.4	59.4	8	39.6	191.6	(79)
- protection	0.9	2.4	(63)	0.0	0.0	-
<i>UK Individual</i>						
- protection	9.4	11.5	(18)	0.0	0.0	-
- pensions	1.6	1.2	33	46.8	41.7	12
- investments	0.0	0.0	-	11.6	9.0	29
Annuities	0.0	0.0	-	55.9	62.8	(11)
Total UK Life & Pensions	76.3	74.5	2	153.9	305.1	(49)
International	43.7	40.8	7	118.0	93.1	27
Lombard	0.0	0.0	-	781.9	283.2	176
Total International Life & Pensions	43.7	40.8	7	899.9	376.3	139
Total Life & Pensions	120.0	115.3	4	1053.8	681.4	55

Friends Provident Consolidated New Business - APE

APE (Annualised Premium Equivalent) represents annualised new regular premiums plus 10% of single premiums.

	9mths*	9mths		Q3*	Q3	
	2010	2009	Change	2010	2009	Change
	£m	£m	%	£m	£m	%
<i>UK Corporate</i>						
- pensions	232.4	218.7	6	80.3	78.5	2
- protection	3.4	6.7	(49)	0.9	2.4	(63)
<i>UK Individual</i>						
- protection	31.9	31.1	3	13.9	11.5	21
- pensions	22.8	18.4	24	8.1	5.4	50
- investments	8.4	2.2	282	6.8	0.9	656
Annuities	20.8	18.8	11	7.3	6.3	16
Total UK Life & Pensions	319.7	295.9	8	117.3	105.0	12
International	176.0	134.2	31	55.3	50.1	10
Lombard	213.0	74.9	184	78.2	28.3	176
Total International Life & Pensions	389.0	209.1	86	133.5	78.4	70
Total Life & Pensions	708.7	505.0	40	250.8	183.4	37

* includes the trading results of the acquired AXA UK Life businesses for the month of September.

Friends Provident

	9mths	9mths		Q3	Q3	
	2010	2009	Change	2010	2009	Change
	£m	£m	%	£m	£m	%
<i>UK Corporate</i>						
- pensions	220.5	218.7	1	68.4	78.5	(13)
- protection	3.4	6.7	(49)	0.9	2.4	(63)
<i>UK Individual</i>						
- protection	27.4	31.1	(12)	9.4	11.5	(18)
- pensions	21.0	18.4	14	6.3	5.4	17
- investments	2.8	2.2	27	1.2	0.9	33
Annuities	19.1	18.8	2	5.6	6.3	(11)
Total UK Life & Pensions	294.2	295.9	(1)	91.8	105.0	(13)
International	176.0	134.2	31	55.3	50.1	10
Lombard	213.0	74.9	184	78.2	28.3	176
Total International Life & Pensions	389.0	209.1	86	133.5	78.4	70
Total Life & Pensions	683.2	505.0	35	225.3	183.4	23

Acquired AXA UK Life businesses - APE

	Sep 2010 £m	9mths 2010 £m
<i>UK Corporate</i>		
- pensions	11.9	143.2
- protection	0.0	0.0
<i>UK Individual</i>		
- protection	4.5	38.4
- pensions	1.8	39.8
- investments	5.6	58.8
Annuities	1.7	18.2
Total UK Life & Pensions	25.5	298.4

Friends Provident Holdings Consolidated Quarterly Progression - APE

	Q3* 2010 £m	Q2 2010 £m	Q1 2010 £m
<i>UK Corporate</i>			
- pensions	80.3	85.8	66.3
- protection	0.9	1.7	0.8
<i>UK Individual</i>			
- protection	13.9	9.3	8.7
- pensions	8.1	10.8	3.9
- investments	6.8	1.1	0.6
Annuities	7.3	5.7	7.8
Total UK Life & Pensions	117.3	114.4	88.1
International	55.3	64.1	56.5
Lombard	78.2	101.9	33.0
Total International Life & Pensions	133.5	166.0	89.5
Total Life & Pensions	250.8	280.4	177.6

*includes the trading results of the acquired AXA UK Life businesses for the month of September.

International

APE by region (£m, actual exchange rates)

	9mths 2010	9mths 2009
Asia	85.0	64.4
Middle East	33.7	30.3
Europe (Excl UK)	26.1	20.9
UK	7.1	4.1
Rest of World	16.4	9.1
Malaysia (AmLife)	7.7	5.4
Total	176.0	134.2

Lombard

APE by region (£m, actual exchange rates)	9mths 2010	9mths 2009
UK and Nordic	51.2	22.0
Northern Europe	86.8	22.0
Southern Europe	67.5	29.2
Rest of World	7.5	1.7
Total including large cases	213.0	74.9
Of which: Large cases (greater than €10m)	60.6	11.5
Total excluding large cases	152.4	63.4

New business APE at constant exchange rates

All amounts in currency in the tables above other than Sterling are translated into Sterling at a monthly average exchange rate. The estimated new business assuming constant currency rates would be as follows:

	9mths 2010 £m	9mths 2009 (as reported) £m	Change %	Q3 2010 £m	Q3 2009 (as reported) £m	Change %
International	173.6	134.2	29	53.7	50.1	7
Lombard	220.0	74.9	194	83.6	28.3	195

New Business – Present Value of New Business Premiums (PVNBP)

PVNBP equals new single premiums plus the expected present value of new regular premiums. Premium values are calculated on a consistent basis with the EV contribution to profits from new business. Start of period assumptions are used for the economic basis and end of period assumptions are used for the operating basis. A risk free rate is used to discount expected premiums in future years. The impact of operating assumption changes across a whole reporting period will normally be reflected in the PVNBP figures for the final quarter of the period that the basis changes relate to. No change in operating assumptions will be reflected in the PVNBP for the first and third quarters, when the contribution to profits from new business is not published. All amounts in currency other than Sterling are translated into Sterling at a monthly average exchange rate.

	Q3* 2010 £m	Q3 2009 £m	Change %	Q3* 2010 £m	Q2 2010 £m	Q1 2010 £m
<i>UK Corporate</i>						
- pensions	357	401	(11)	357	379	297
- protection	5	7	(29)	5	10	5
<i>UK Individual</i>						
- protection	83	73	14	83	54	51
- pensions	69	47	47	69	97	31
- investments	69	9	667	69	11	6
Annuities	73	63	16	73	57	78
Total UK Life & Pensions	656	600	9	656	608	468
International	350	310	13	350	362	334
Lombard	782	283	176	782	1,018	330
Total International Life & Pensions	1,132	593	91	1,132	1,380	664
Total Life & Pensions	1,788	1,193	50	1,788	1,988	1,132

* includes the trading results of the acquired AXA UK Life businesses for the month of September.