

Resolution Limited

2010 Preliminary Results
24 March 2011

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2010 Full Year Results

Introduction

Mike Biggs

Business Review

John Tiner

Financial Review

Jim Newman

Strategic Development

Clive Cowdery

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Summary

- ▶ UK Life Project on-track
 - Acquired well
 - On target to deliver mid-teen returns without further acquisitions
 - Focus on operational / value delivery
 - High bar for future acquisitions

- ▶ 2010 results necessarily complex, but
 - Clear baseline for announced targets
 - Improving cash generation with available shareholder cash increased to £1,067m
 - Strong capital position with group IGCA surplus of £2,317m
 - VNB up 9% to £145m, driven by non UK businesses

- ▶ Dividend re-basing underlines confidence in delivery of business performance
 - Final dividend up 15% to 12.57p per share
 - Expected full year 2011 dividend of 18.85p per share
 - Continue to review appropriateness of moving to a progressive dividend by end of the project

2010 Full Year Results

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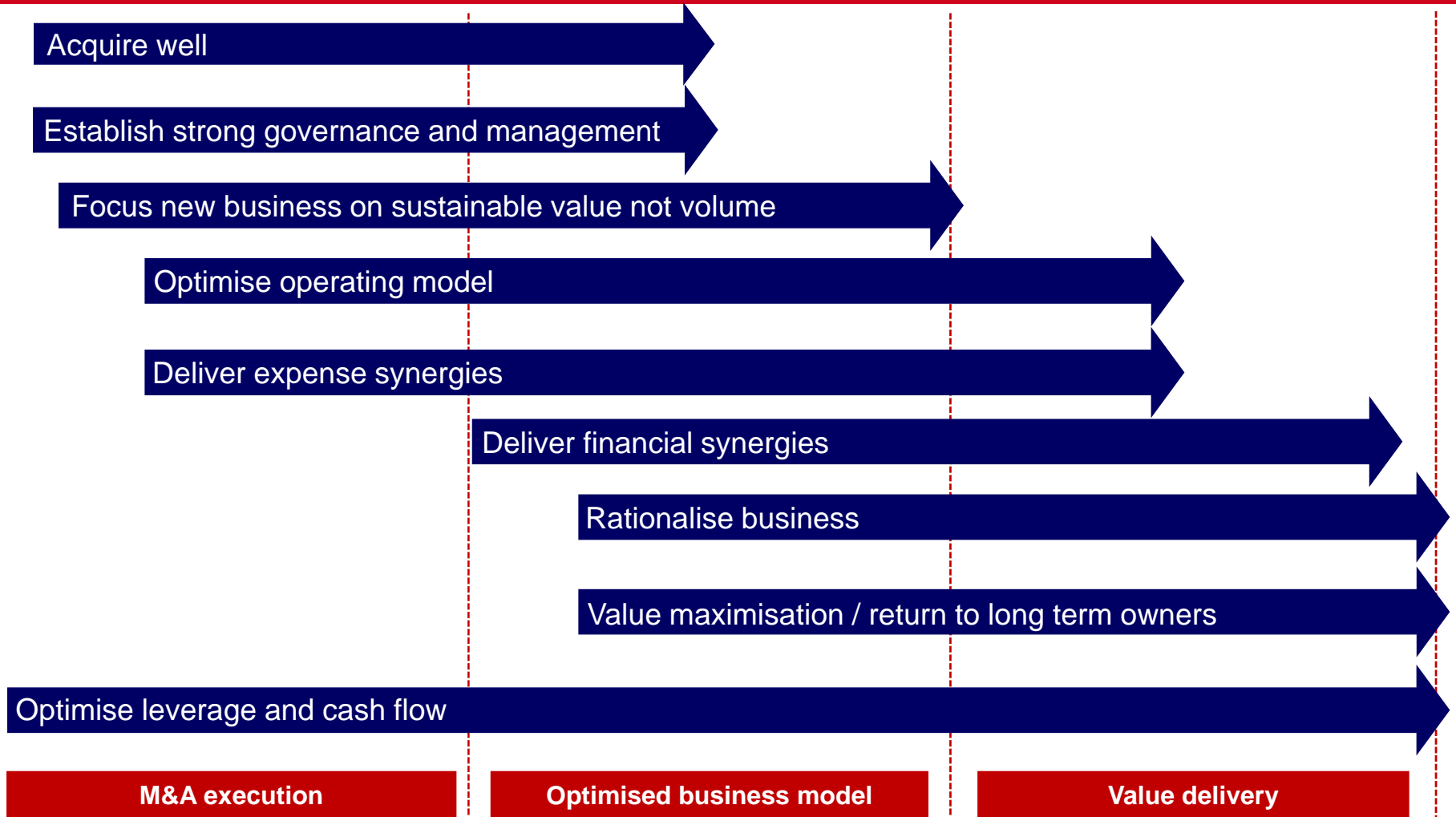
Financial Review

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UK Life Project Strategy on track



2010 results in context

2010
▶ September: AXA UK Life acquisition closed
▶ October: Bupa Health Assurance acquisition announcement
▶ 4th quarter: Integration planning and strategic review

2011
▶ January: New CEO for FPH announced
▶ February: Conclusions from integration planning and strategic review
▶ TODAY 
▶ May: Focus on cash and capital
▶ July: Andy Briggs joins
▶ August: Interim results
▶ Investor days: Update on progress

▶ 2010 results establish baseline
▶ Clarity and confidence regarding cash
▶ Dividend rebasing

Cash highlights

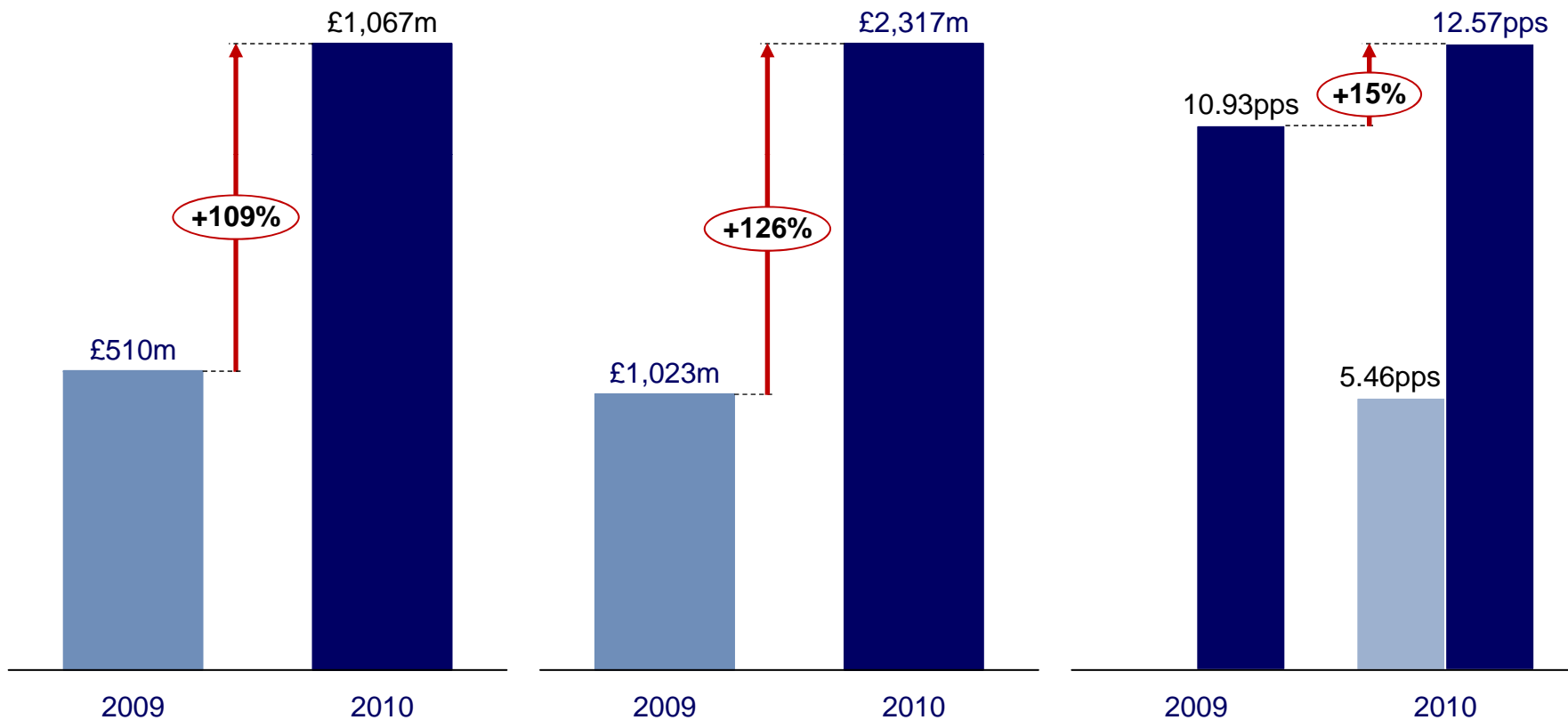
Financial discipline

Group available shareholder cash

Group IGCA surplus

Dividend

■ Interim ■ Final



Financial targets

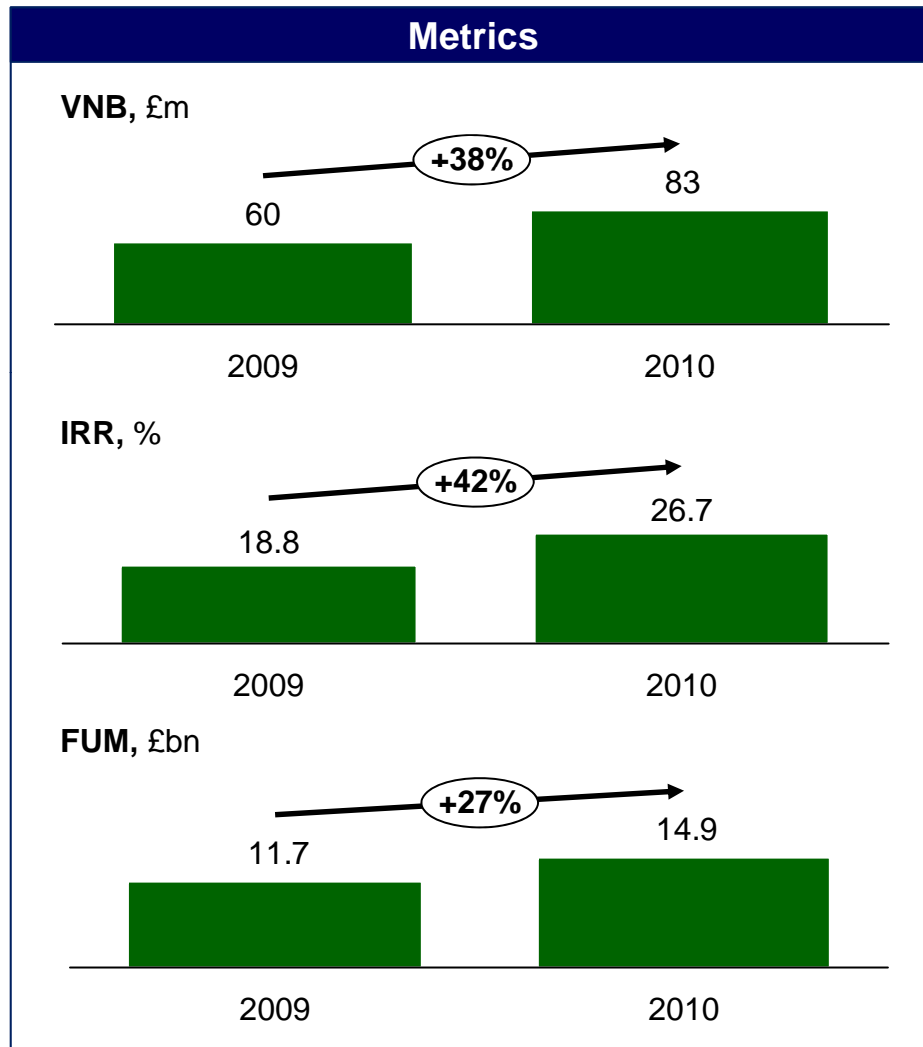
Cash flow, product and returns focused

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

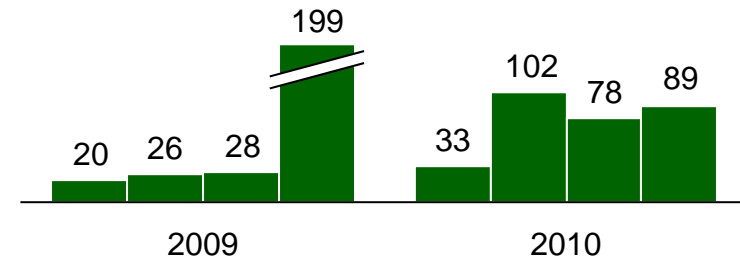
Confidence in delivery of mid-teen project returns

Lombard

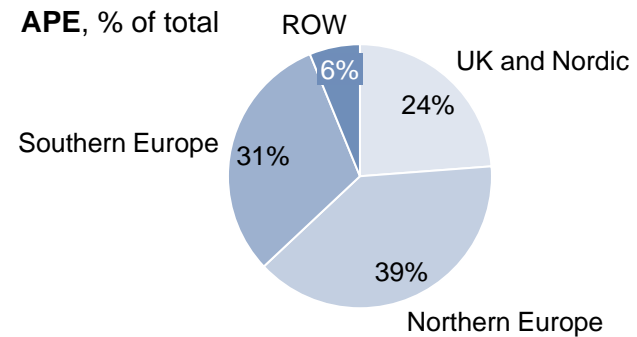
Improved profitability, returns driving shareholder value



Reduced seasonality:
Quarterly APE, £m



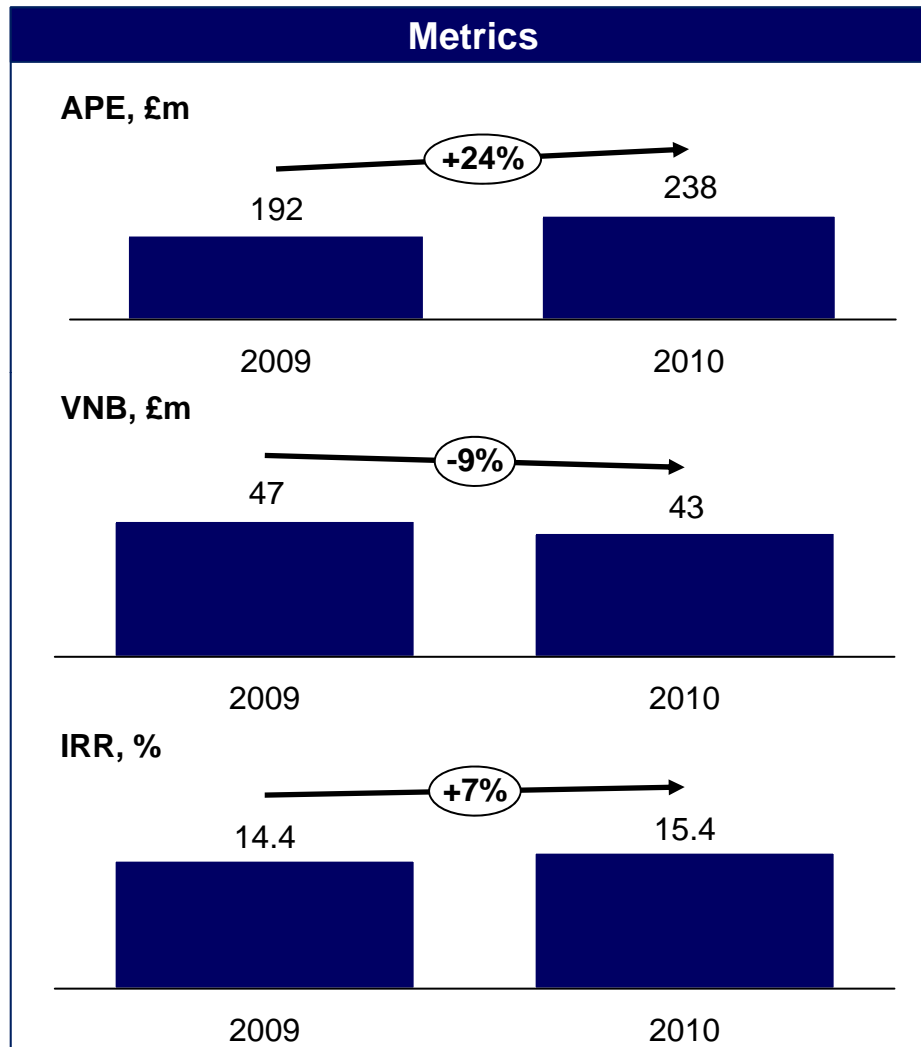
Strong growth and diversification; new business spread across 11 countries:



MCEV up from £440m to £577m

International

Focused on cash, improved persistency and returns



- ▶ Strong FUM growth up 20% to £5.3bn
- ▶ Strong sales as core markets recovered
- ▶ VNB reduction reflects strengthened assumptions
- ▶ Persistency improved
- ▶ Underlying cash generation rose
- ▶ MCEV up from £471m to £557m

Summary

- Strong cash and capital position
- Stable and significant contribution from in-force book
- Restructuring of new business propositions on track
- Further potential in Lombard and International businesses

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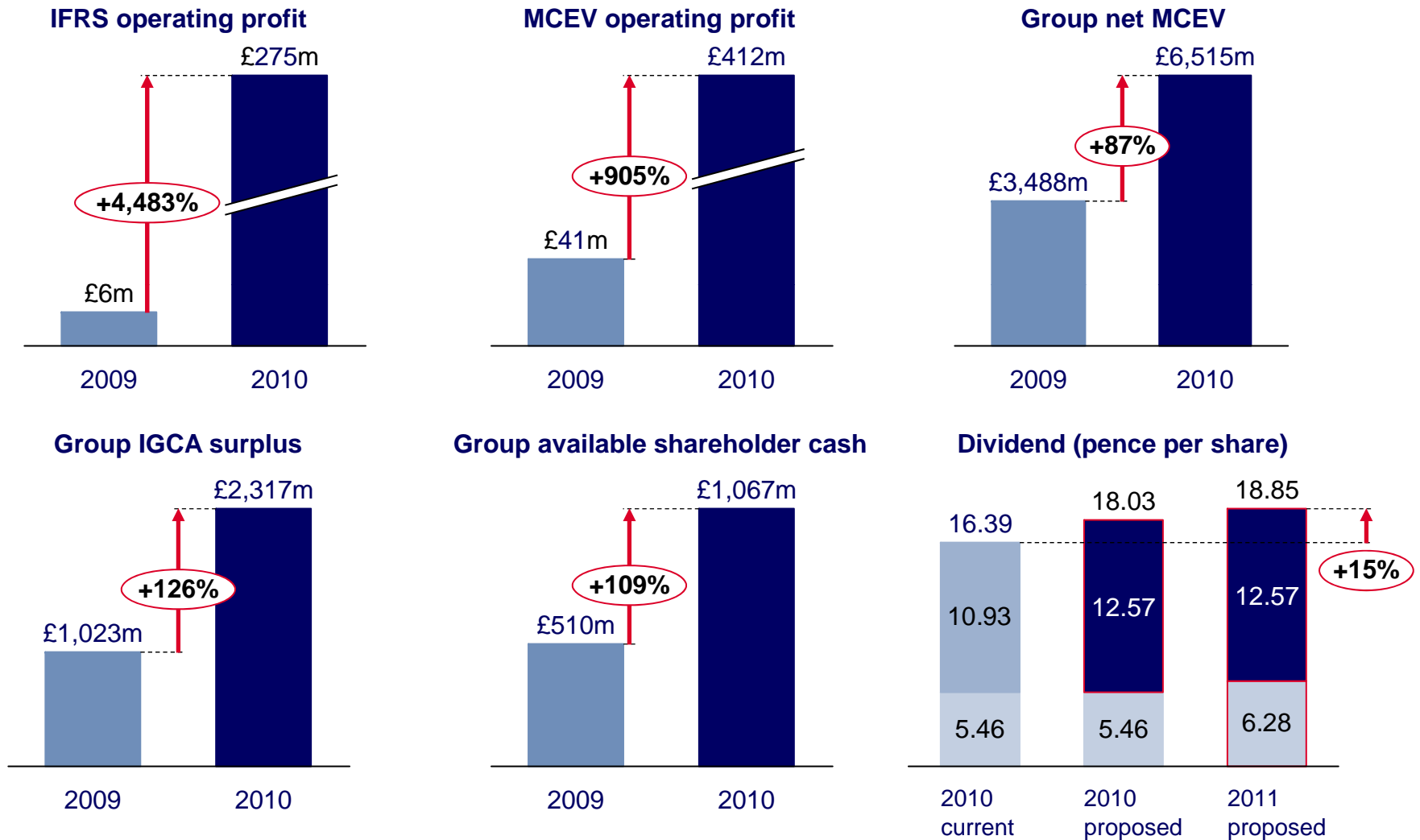
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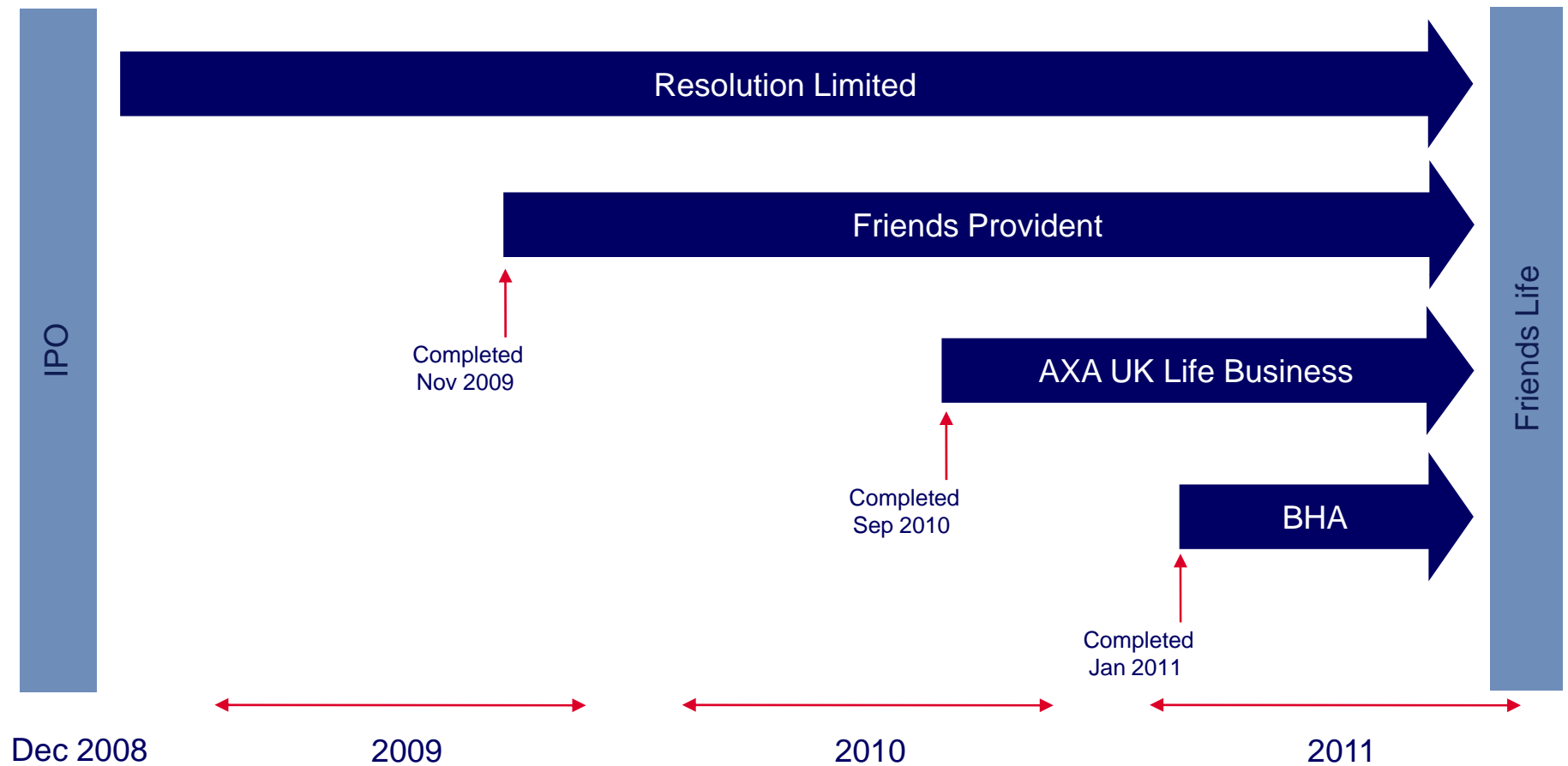
2010 financial highlights

Delivering cash



2010 basis of reporting

Key assets now in place for the development of Friends Life



IFRS operating profit restatement

Removing volatility of economic performance

Summarised Friends Provident Group - Operating profits	2009 (12 months)		
	Published £m	Adjustment £m	Restated £m
New business strain	(151)	22	(129)
In-force surplus	226	97	323
Investment return and other items	33	-	33
Reserving changes & one-off items	(27)	16	(11)
Development costs	-	(22)	(22)
Fixed interest investment variances including bond spreads	176	(176)	-
Other	15	-	15
IFRS operating profit before tax	272	(63)	209

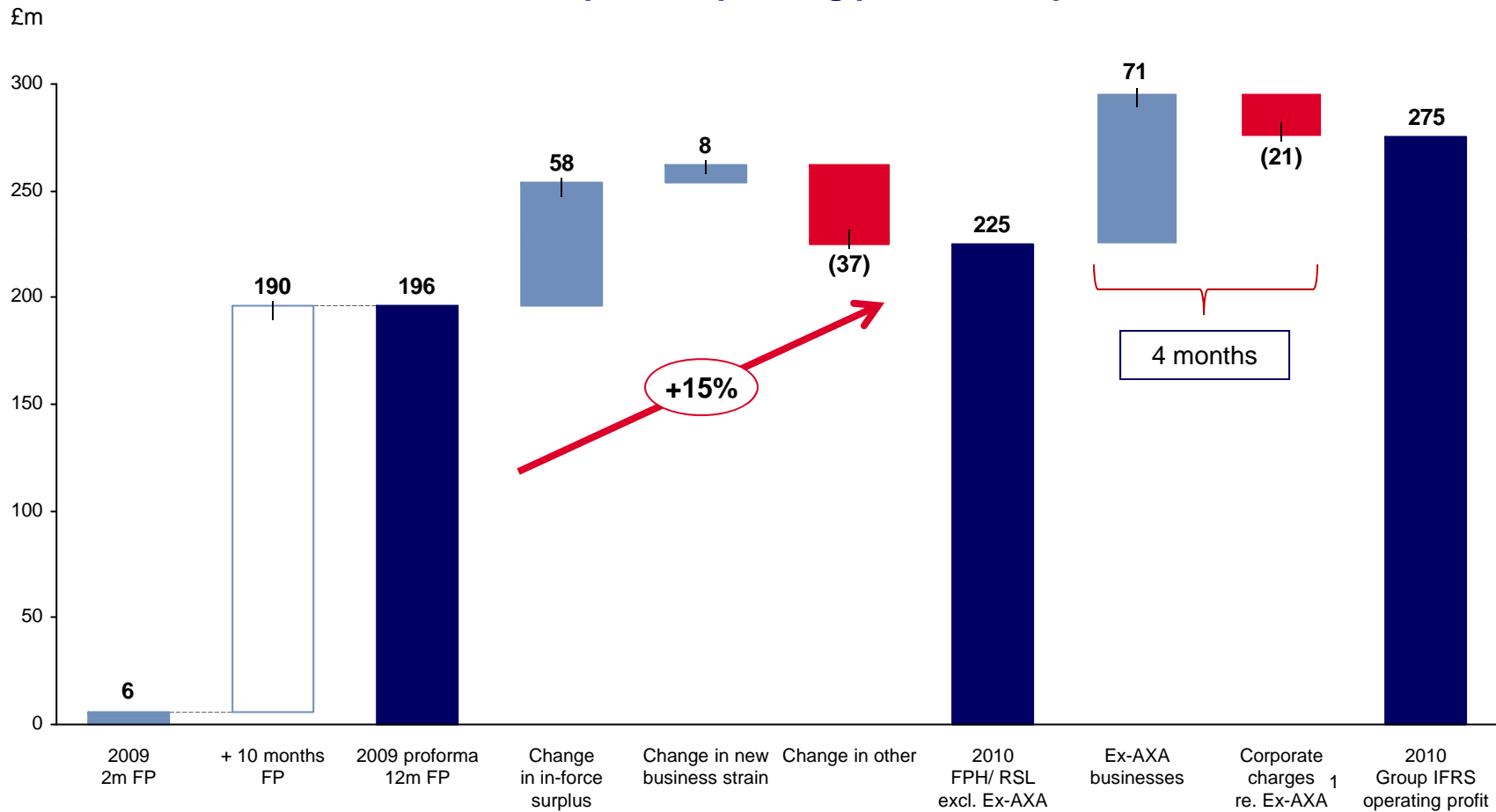
Summarised RSL Group - Operating profits	2009 (2 months FP)		
	Published £m	Adjustment £m	Restated £m
IFRS operating profit before tax	20	(14)	6

- ▶ Reflects the the underlying performance of the business
- ▶ Based on longer-term rates of return
- ▶ Reduces impact of investment return volatility
- ▶ Specifically identified development costs
- ▶ Eliminated pre-acquisition DAC amortisation

IFRS operating profit

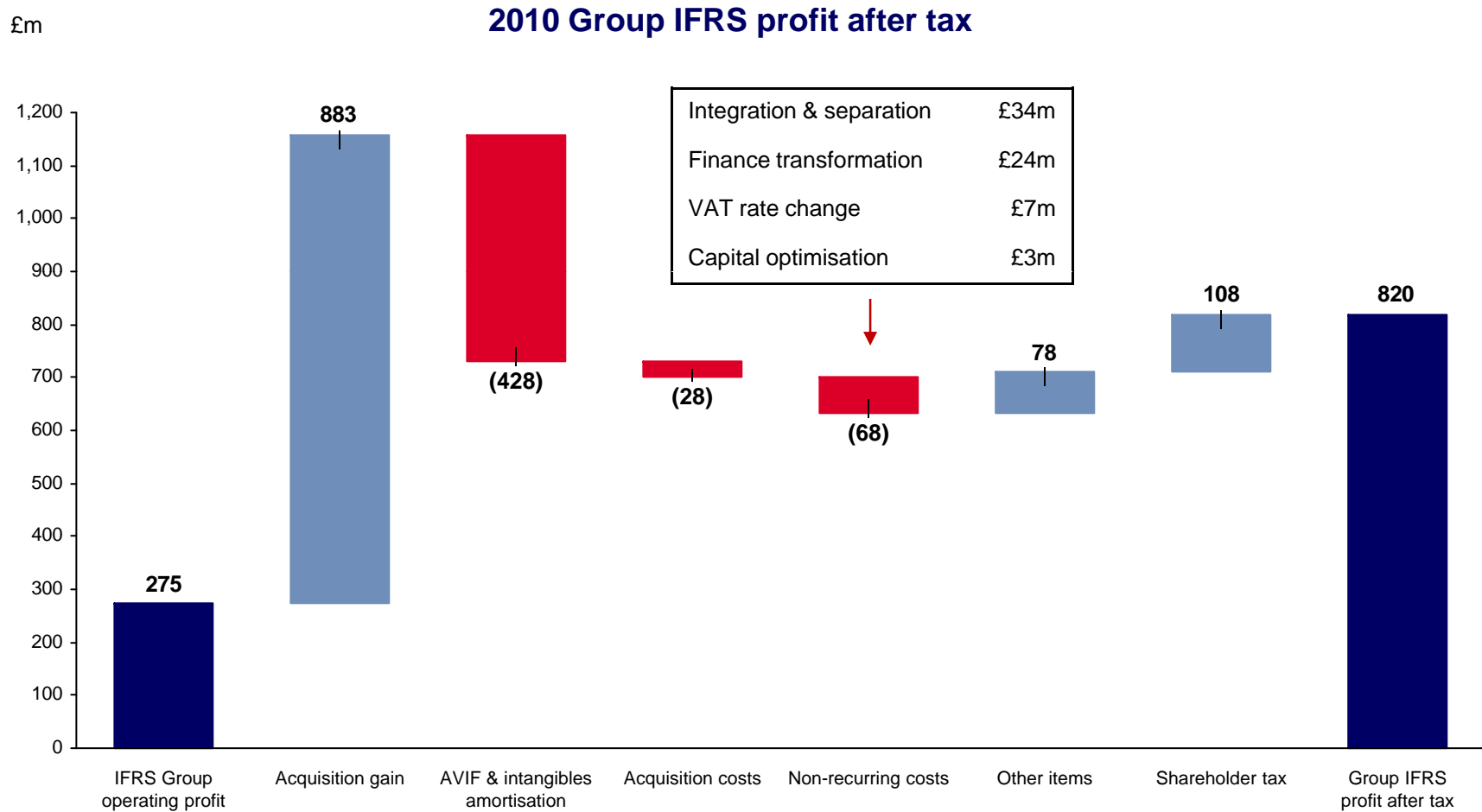
Growing in-force profits

2009 - 2010 Group IFRS operating profit development



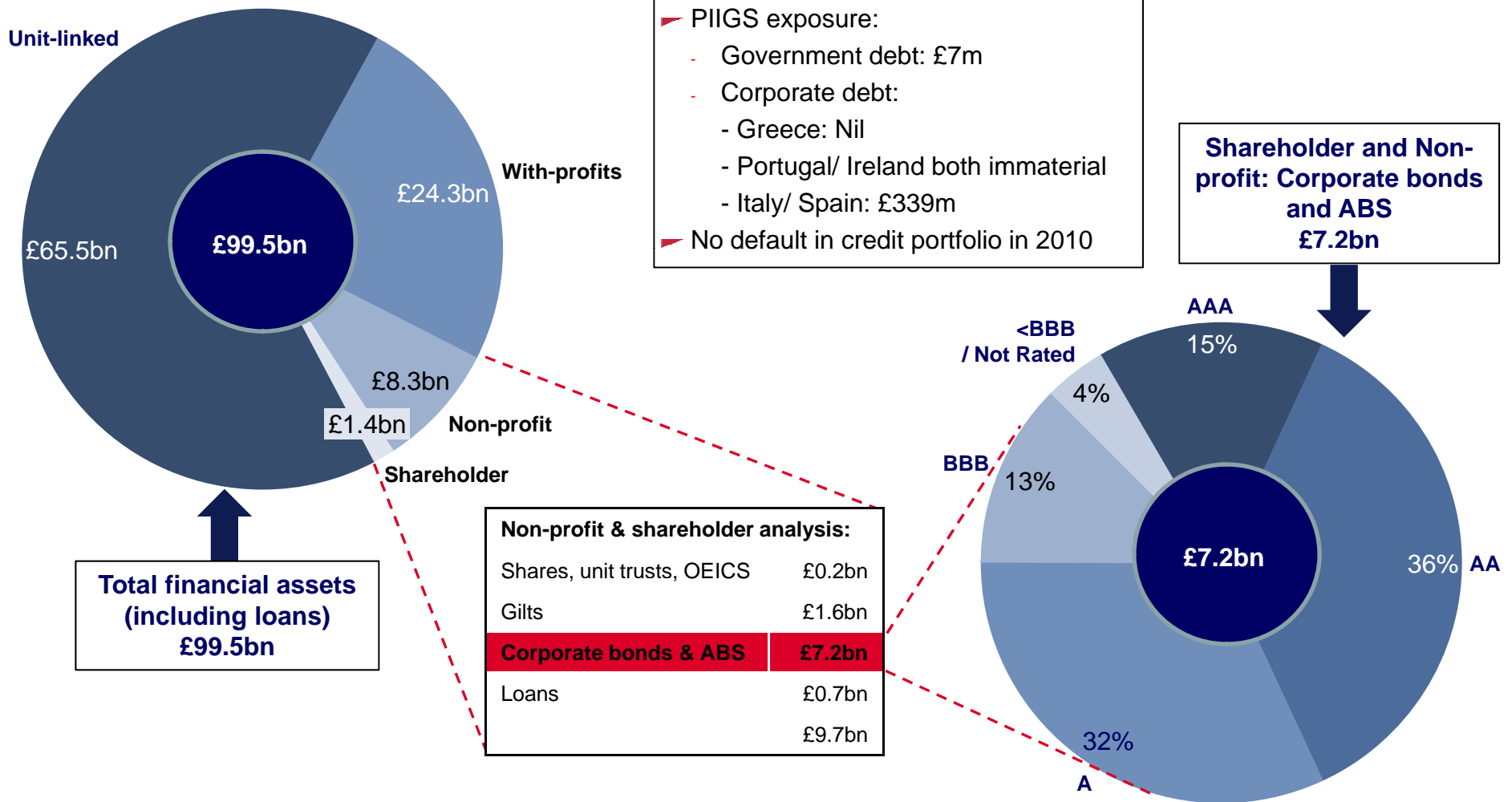
IFRS results – profit after tax

Profits driven by acquisition gains



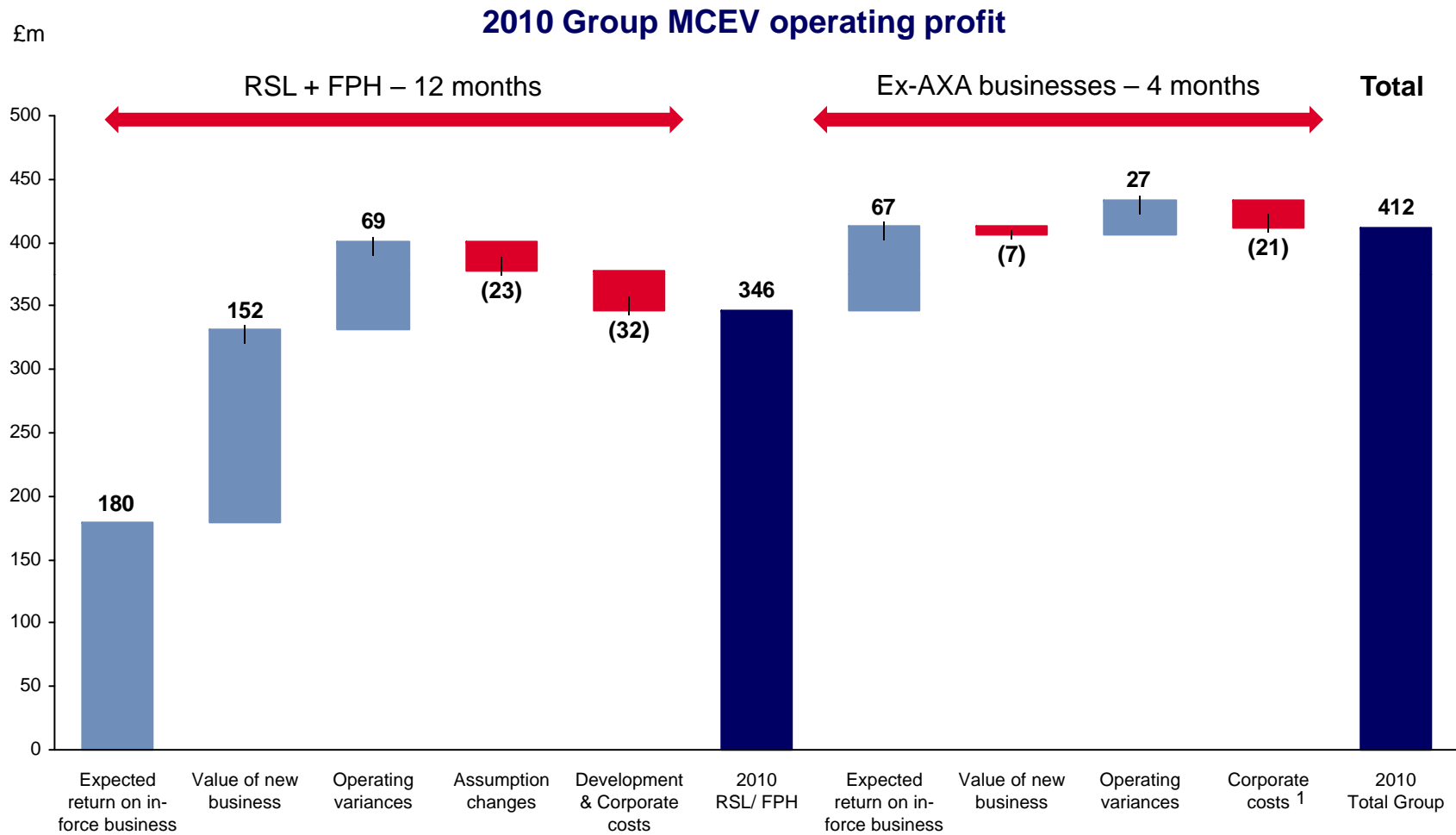
Financial assets

Strong investment base with high quality credit



MCEV results – operating profits

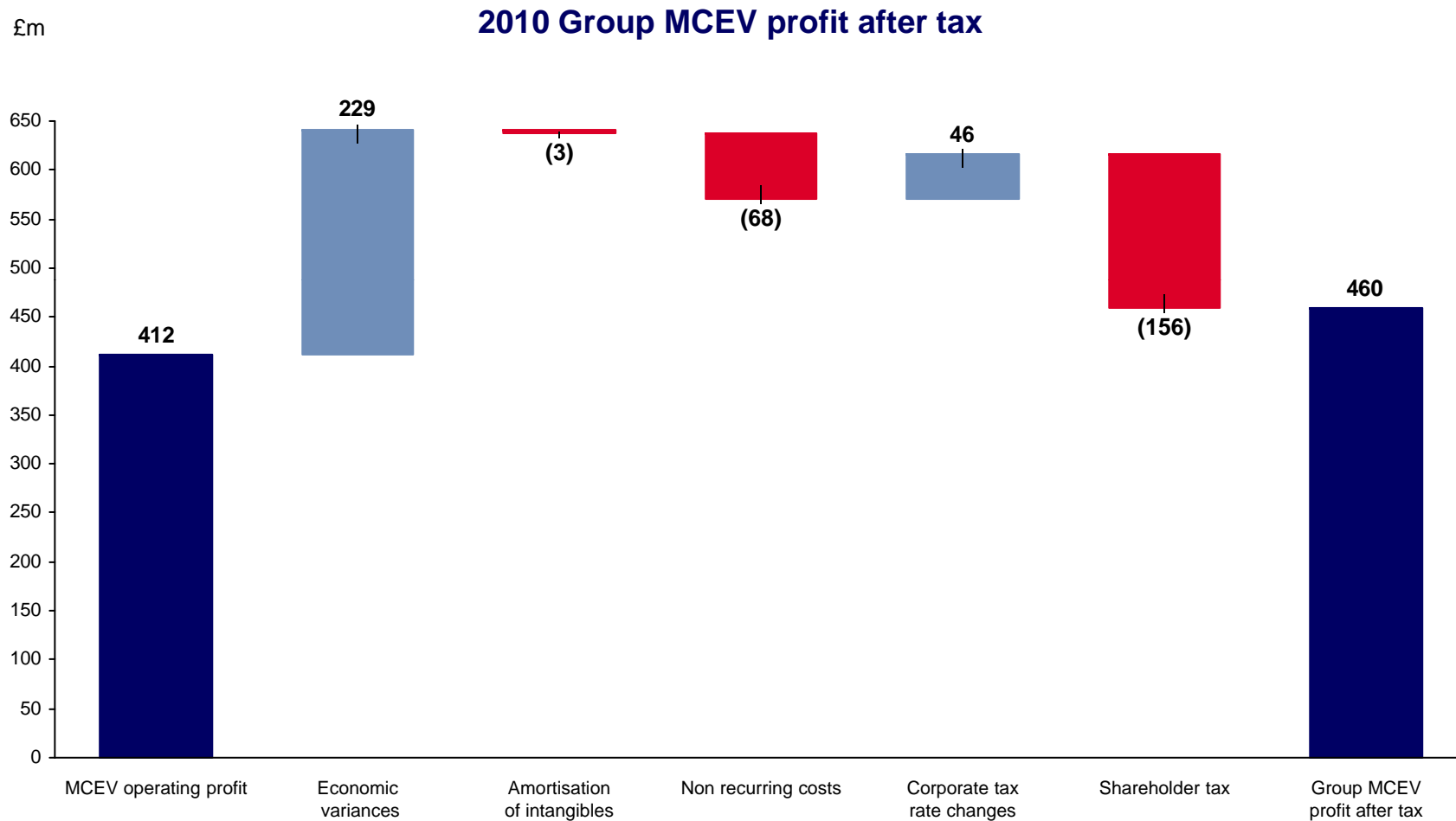
Positive operating performance



¹ Primarily increased debt costs in respect of the transaction

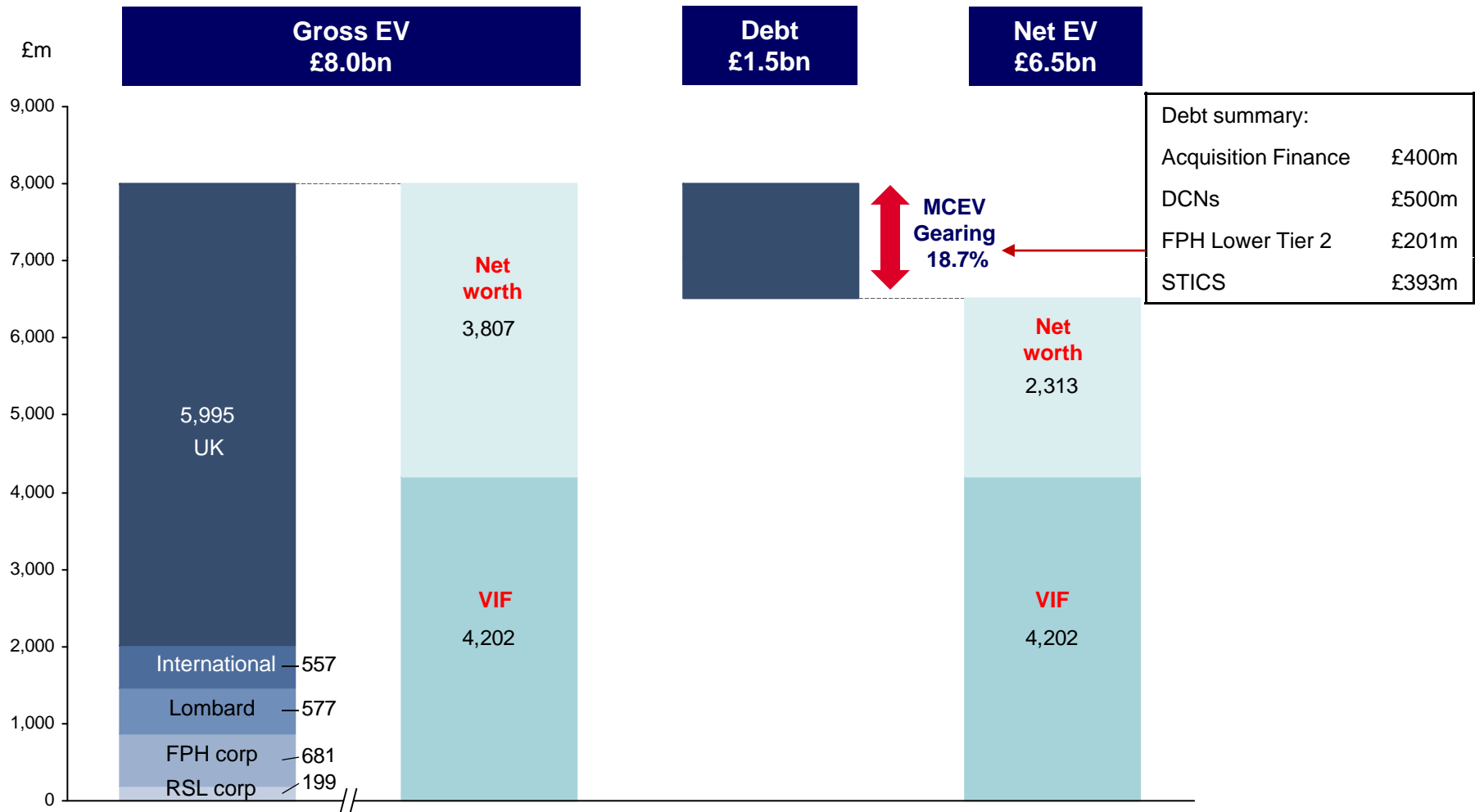
MCEV results – profit after tax

Benefiting from strong investment markets



MCEV at 31 December 2010

Net MCEV per share: £4.51



FPH Operating ROEV

Targeting growth in returns

Operating return on embedded value

	FPH £m	% ROEV
Value of new business	145	3.3%
Expected existing business contribution	277	5.6%
Development costs and Corporate	(21)	(0.4%)
Operating profit before variances	401	8.5%
Impact of operating variances & assumption changes	74	1.4%
Impact of financing	(48)	0.7%
MCEV operating profit (excluding RSL costs)	427	10.6%
Tax on operating profit	(96)	(2.3%)

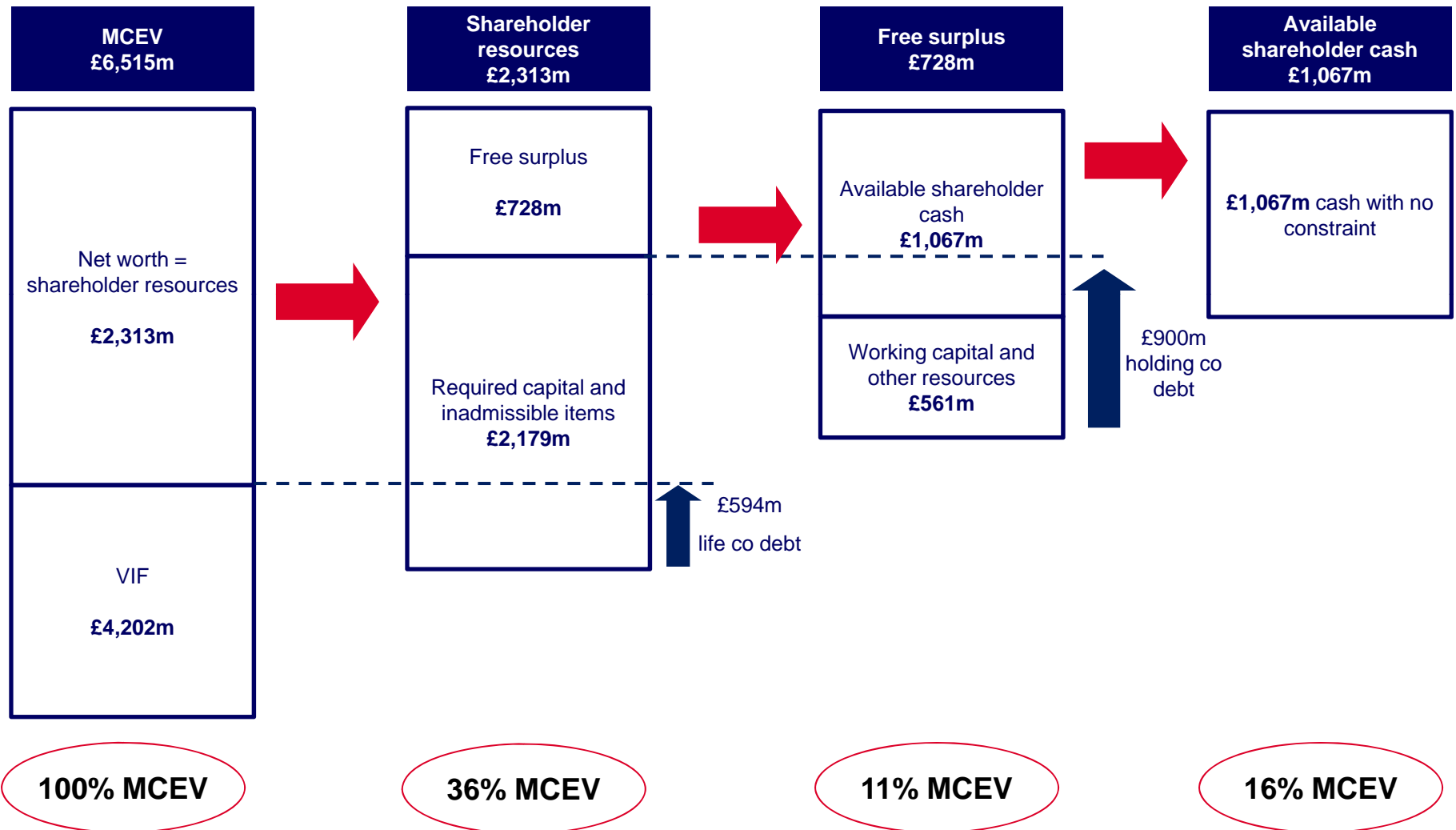
MCEV operating returns after tax **331** **8.3%**

- ▶ FPH excludes RSL costs – includes all group interest
- ▶ Target by 2013 is 10%+ operating return on EV
- ▶ Key drivers for improvement:
 - Expense reduction
 - Strain reduction
 - Increased VNB
 - Capital synergies

Operating return on embedded value for 2010 is based on the operating profit after tax, comprising 12 months of operating earnings from Friends Provident and 4 months of operating earnings from the AXA UK Life Business. The ROEV allows for the timing of significant capital cash flows during the period, including the rights issue, dividend payments, the acquisition of the ex-AXA business and the issue of the lower tier 2 debt by FPH to Resolution.

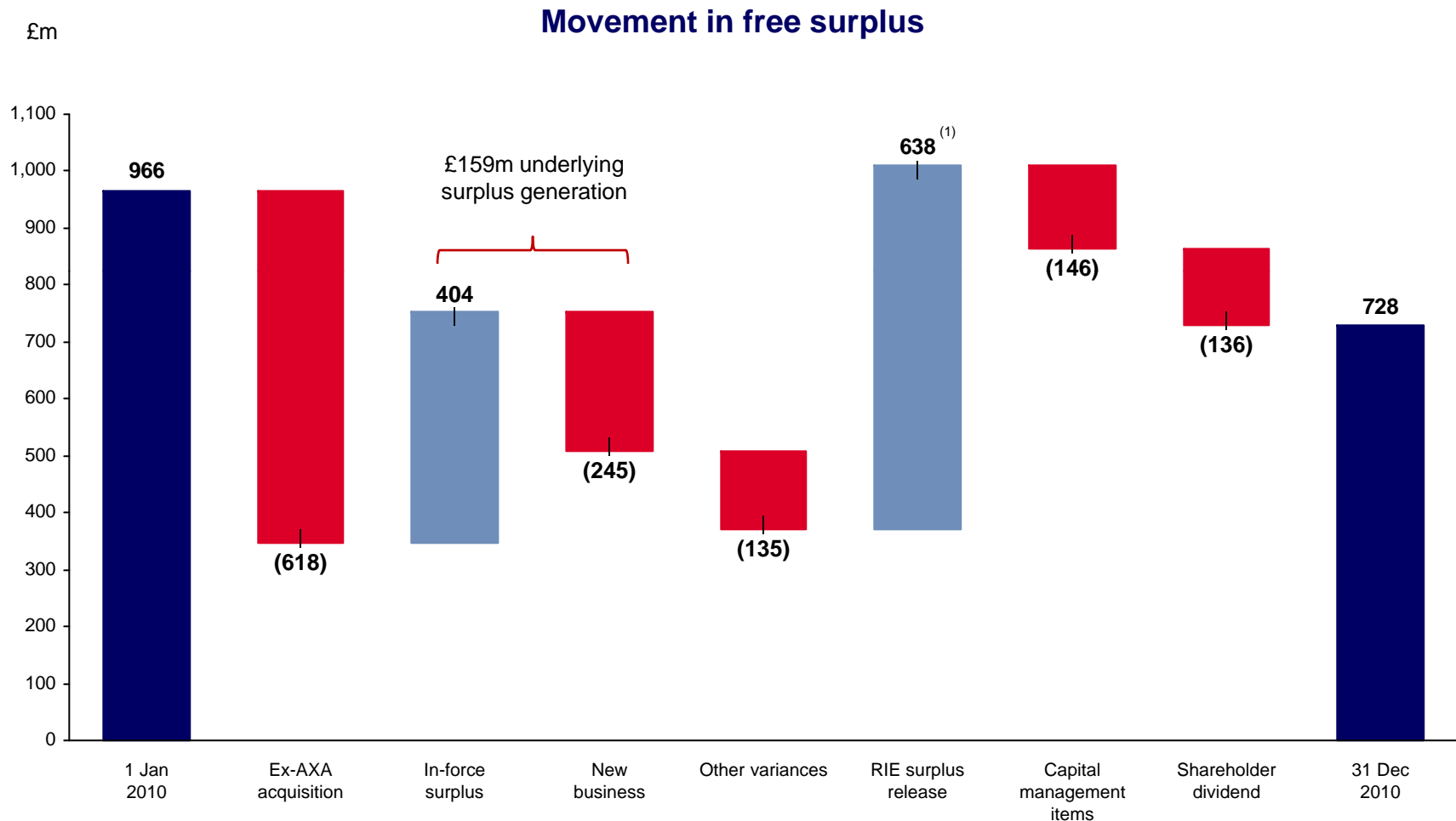
Cash framework

Transparency on cash



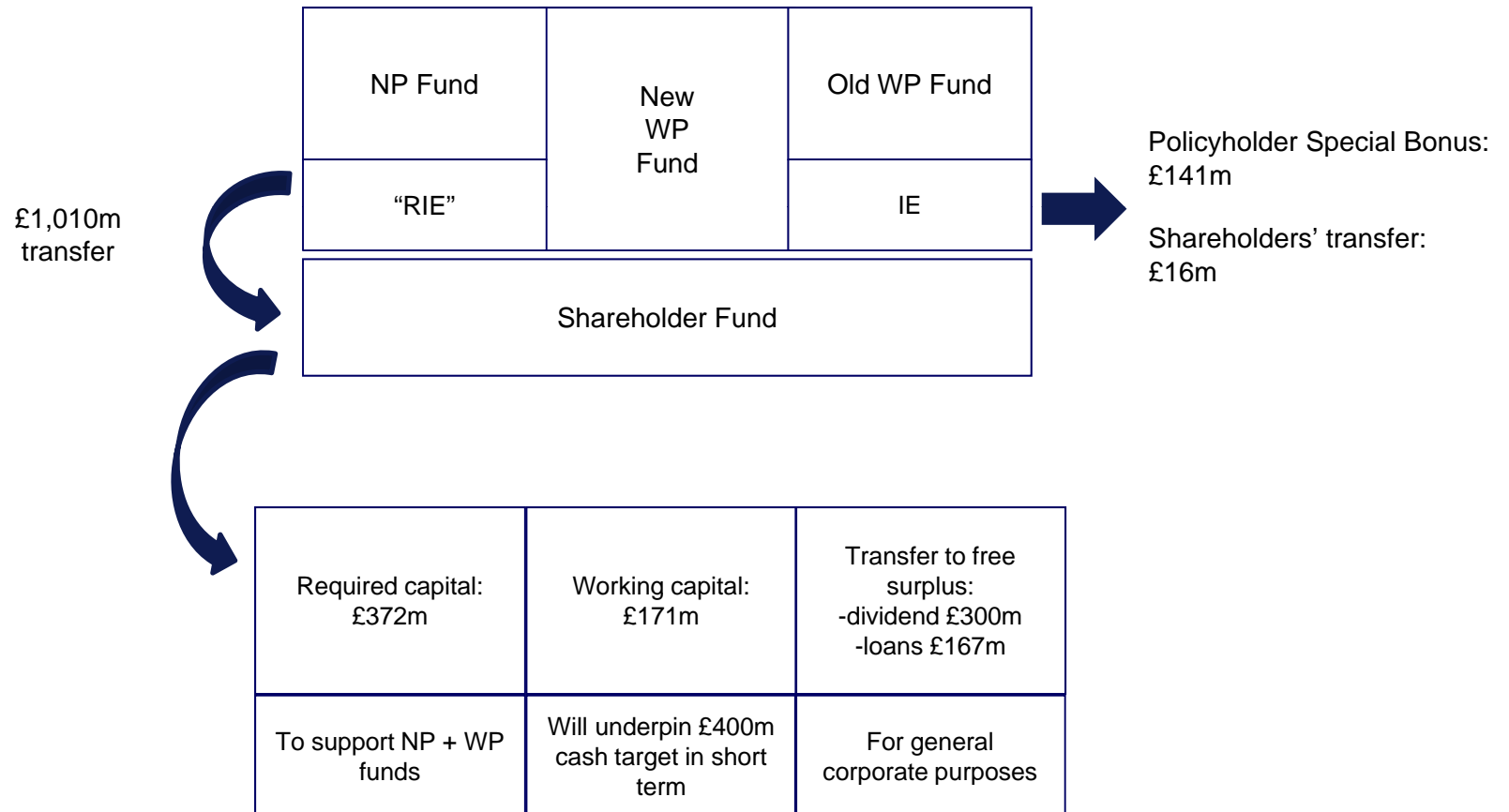
Free surplus movement

Investment in future cash generation



Re-attributed inherited estate £1 billion transfer to shareholder fund

Friends Life Company Limited - formerly AXA Sun Life plc



Available shareholder cash (ASC)

£746m cash generation at FPH level

	Movement in ASC		
	Total £m	RSL £m	FPH £m
Transfer from life companies	510	-	510
RIE dividend	300	-	300
Corporate costs (incl. interest)	(69)	(5)	(64)
Increase in ASC before dividend and transaction financing	741	(5)	746
Dividend to RSL	-	65	(65)
Dividend to shareholders	(136)	(136)	-
Transaction financing impact	(48)	-	(48)
Net movement in ASC	557	(76)	633
Opening ASC	510	307	203
Closing ASC	1,067	231	836

Increase in ASC at FPH level

- Before payment of dividend to RSL
- Before transaction financing impact

Sourced by:

Excess of in-force surplus over new business strain (incl. required capital)	£159m
Other operating items and release of working capital	£266m
Capital strengthening	(£146m)
RIE	£467m
	£746m

Distributable Cash Target – FPH level

Delivering sustainable cash generation

DCT	Available shareholder cash increase	2010 Actual	Delivering £400m
<ul style="list-style-type: none"> ▶ £400 per annum ▶ Increase in available shareholder cash <ul style="list-style-type: none"> — after interest — before dividend to RSL ▶ Could be paid to RSL without reducing the FPH MCEV ▶ Measured at FPH level 	<ul style="list-style-type: none"> ▶ Surplus from in-force ▶ Required capital released through run-off <ul style="list-style-type: none"> less ▶ New business strain and associated required capital <ul style="list-style-type: none"> plus ▶ Release of capital in excess of required capital ▶ Capital released as a result of capital synergies 	<p style="text-align: center;">£159m (Ex-AXA 4 months only)</p> <p style="text-align: center;">£587m</p> <hr style="width: 100%;"/> <p style="text-align: center;">£746m</p>	<p>Increasing sustainability:</p> <ul style="list-style-type: none"> Estimate of additional 8 months for ex-AXA £50m Targeted cash strain reduction £200m Targeted non-UK dividends £50m <p>Decreasing dependency</p>

Confidence in target delivery underpins proposed dividend

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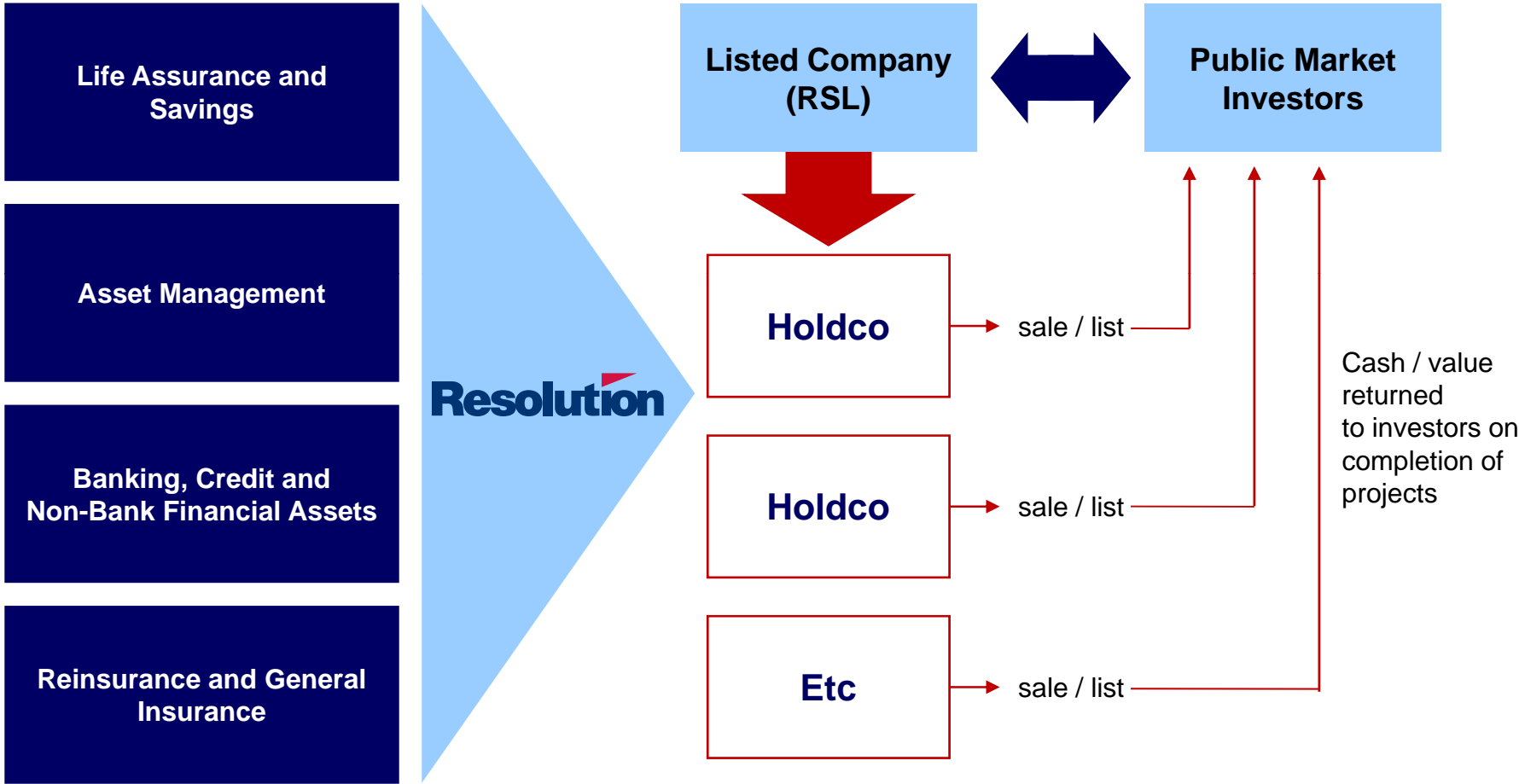
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Resolution model at IPO



Scope: Western Europe

Possible structure

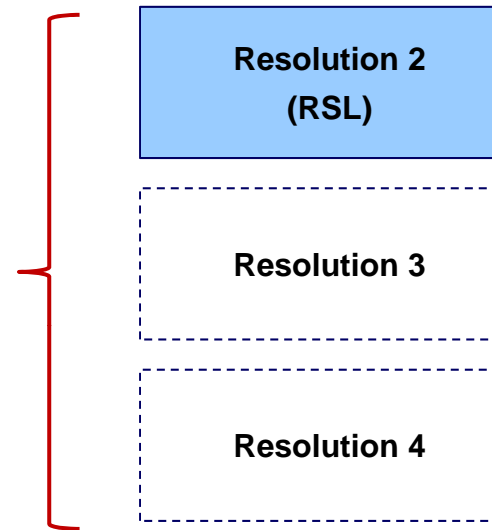
Investors

Equity markets

Debt markets



Separate Public Entities



Partnership with investors

Services to sponsored companies

- R&D / Industrial thesis
- M&A / capital markets
- Oversight and re-structuring

- The Resolution Group set up to act as financial services catalyst
- Significant progress in UK Life Project
- Ongoing R&D for new projects given long lead times to delivery
- Discussions with investors regarding optimum structure

Potential for new projects: Current R&D

European closed life

- ▶ Large asset pool for sale
- ▶ Motivated vendors
 - ROE improvement
 - Capital release / deleveraging
- ▶ Attractive cash flow from back books
- ▶ Significant asset management opportunity

European asset management

- ▶ Sponsored IPO / consolidation of European Bank in-house asset managers
- ▶ Creates capital / value for bank vendors ahead of Basel III
- ▶ Stable revenue model based on distribution agreements

US closed life

- ▶ Established market but requirements for scale
- ▶ European insurers considering US capital and liquidity deployment ahead of Solvency II
- ▶ Highly fragmented domestic industry landscape
- ▶ Potential to create long-duration income from closed life funds

Strategic priorities for UK Life Project

1 Deliver integration and implementation of the Friends Life strategic review

- Improve operational cash generation
- Grow UK VNB
- Efficient operating platform

2 Ongoing M&A

- High bar: Accretive to project returns
 - Strengthen target FPH metrics at exit
 - Strong potential synergies

3 Value / M&A at exit

- Cash sale, together or in parts
- Direct listing as standalone entity
- Separation of UK open business from back book leading to separate sales or listings
- Merger with another life company

Resolution: Value creation projects for public market investors

Q&A

Resolution Limited

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