Merger of Resolution and Friends Provident

25 July 2007

Friends Financial

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Agenda

Introduction	Sir Adrian Montague Friends Provident Chairman
The Value Opportunity	Clive Cowdery Resolution Chairman
Overview of Friends Financial	Mike Biggs Resolution Group Chief Executive
Growth Strategy	Philip Moore Friends Provident Group Chief Executive
Q&A	

Merger Overview

- All share merger: Friends Provident: 49.1%; Resolution: 50.9%
- To create a new life assurance group - Friends Financial Group plc
- Complementary fit across products, customers, distribution, financial profile and management
- Pre-tax synergies of at least £100m p.a. by end 2010
- Significant revenue growth opportunity
- EEV earnings and EEV per share accretive for both parties by 2009
- Adopt Resolution dividend policy, at least 5% p.a. growth
- Propose to combine asset management businesses and retain F&C listing

Transformed growth and value prospects for both companies

Friends Financial - Board

Chairman Clive Cowdery	**Deputy Chairman & Senior Independent Director** Sir Adrian Montague						
Ray King	Sir Mervyn Pedelty	Gerhard Roggemänn	David Allvey	Sir David Cooksey	Sir Brian Williamson	**NED (New Appointment)**	**NED (New Appointment)**
Group Chief Executive Mike Biggs	**Deputy Group Chief Executive** Philip Moore	**Group Finance Director** Jim Newman	**Chief Executive Friends Provident Life** Ben Gunn	**Group Chief Actuary & Corp Dev Director** Ian Maidens	**Chief Executive F&C Asset Mgmt** Alain Grisay		

The Value Opportunity

Clive Cowdery, Resolution Chairman

Friends Financial

Restructuring of the UK Life Market (1)

1980s - 1990s: "Artificial RoEs"

- Investment returns masking underlying product profitability
- Formulaic regulatory capital measures
- Accruing bill from mis-selling
- Apparent excess returns creating excess capacity

2001 & 2002: "The RoE Storm"

- Equity market decline and rising interest rates
- Margin squeeze distributor / consumer
- Mis-selling / compliance costs
- Higher capital requirements

2003 - 2007: Overcorrected?

Restructuring of the UK Life Market (2)

Exits / consolidation

- Reduction in excess capacity
- Market distorting players exit

Rebuild confidence in EV

- Focus on in-force
- Predictable cash emergence
- Realistic assumptions
- No wishful thinking

Sustainable new business returns

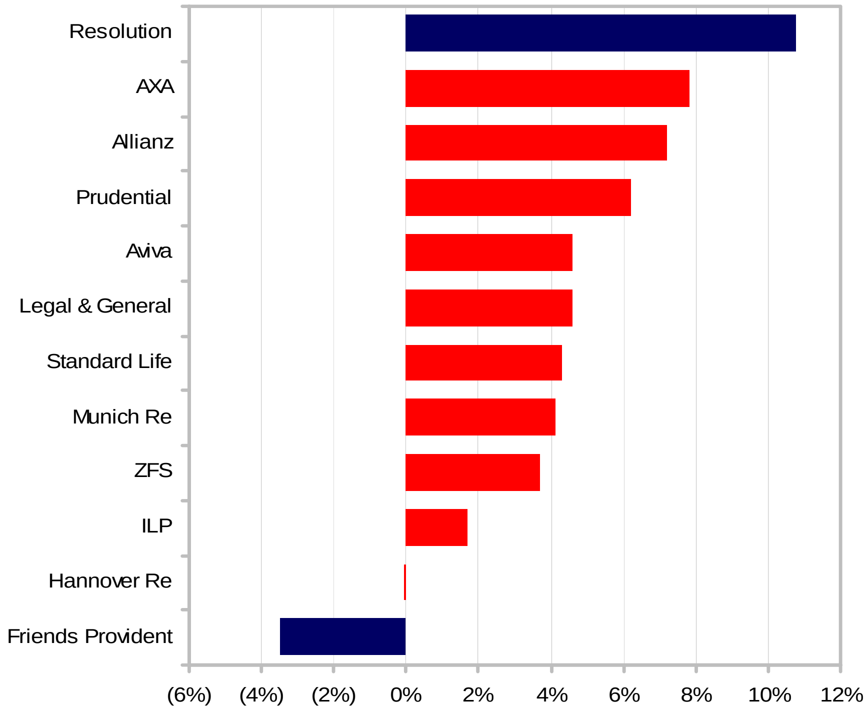
- Robust IRRs
- Payback periods
- Acquisition costs
- Persistency

By 2010

- Market continues to grow
- Small number of winners
- Industry returns to taking risk
- Strong and stable returns available

Cash plus Growth (1)

Free cash generation, after investment in new business, as a % of year-end in-force (2006)



Emerging cash will cover

- New business growth ✓
- Investment in products, systems and services ✓
- Further M&A / consolidation ✓
- Growing dividend ✓
- Share buy-backs possible from 2008 ✓

Capital + Opportunity = Growth

Source: Citigroup Investment Research European Embedded Value Review, 28 June 2007

Cash plus Growth (2)

Friends Provident

- Doubled UK new business market share since flotation in 2001
- Achieved leading positions in key product areas
  - protection
  - group pensions
- Broad distribution
- Asset manager – F&C

Resolution

- Acquired cash accretive life funds
- Developed in-force management skills
- Demonstrated financial discipline
- Scottish Provident protection business
- Abbey bank distribution
- Asset manager – RAM

Friends Financial

- Major market positions in protection and group pensions ✓
- Available cash resources of over £1bn ✓
- Over 9m existing customers ✓
- Combined gross EV of £11.5bn ✓
- Diversified distribution ✓
- Scale asset manager ✓
- Management expertise and depth ✓
- Systems / efficiency ✓
- Clear financial goals and disciplines ✓

Strategic Flexibility

Friends Financial Agenda

- Execute merger
- Optimise group pensions
- Consolidate and grow asset management
- Navigate the Retail Distribution Review
- Options for international growth

Friends Financial

- Cash flow plus growth
- Quality of earnings
- Earn a premium rating

Overview of Friends Financial

Mike Biggs, Resolution Group Chief Executive

Friends Financial

Executive Team

Group Chief Executive
Mike Biggs

Deputy Group Chief Executive
Philip Moore

Group Finance Director
Jim Newman

Group Chief Actuary & Corporate Development Director
Ian Maidens

Chief Executive – Friends Provident Life
Ben Gunn

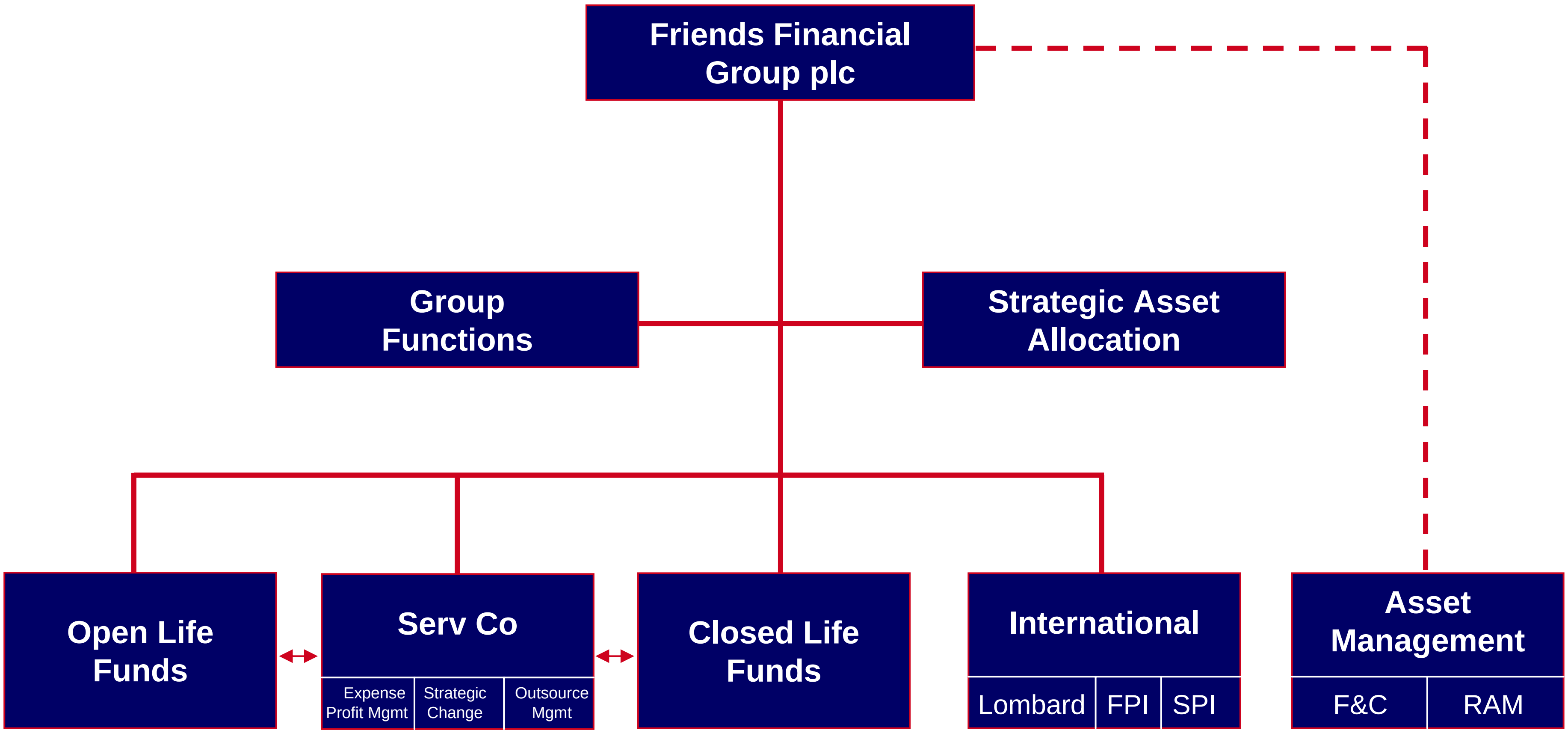
MD Operations – Friends Provident Life
Jane Stevens

MD Resolution Life
Graham Singleton

Chief Operating Officer
Brendan Meehan

Chief Executive – Asset Management
Alain Grisay

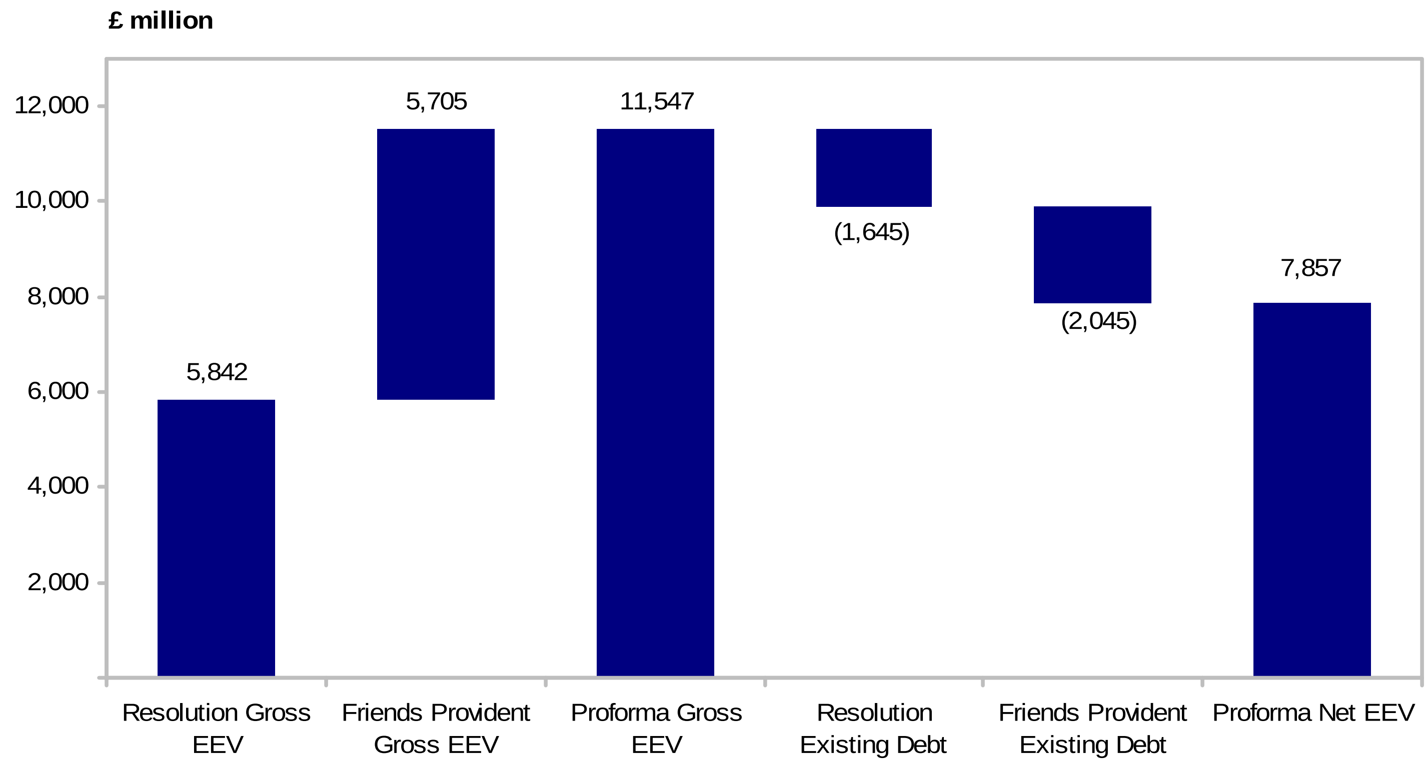
Organisation Structure



Open and closed life divisions to be integrated over time

Subject to agreement with F&C

Proforma Combined European Embedded Value at 31 Dec 2006



EEV Harmonisation

- Proposed sale of RAM to F&C will bring market value of RAM into EEV
- Approach to harmonising treatment of service company and corporate costs to be agreed
- Other harmonisation adjustments expected to be broadly neutral

Integration

- 100 day plan
  - Group policies, Governance, MI, IT, HR
- Head Office integration
- New Business
  - product development
  - new business processing
  - IFA sales
  - Abbey retail branches
- Asset Management
  - subject to agreement with F&C
- Integration of Life Company management in the medium term
  - Resolution in-force customer-facing brands transitioned to Friends Provident brand over time
  - Scottish Provident marketing brand retained
- Limited integration of service platforms
  - all new business to transition to Friends Provident platform over time
  - no material outsourcing of Friends Provident business
  - no material changes to Resolution outsourcing arrangements

Shareholder Synergies

	Increase in Gross Profit By 2010	Comment
Cost	£52m pa	Achieved through the creation of a single group management structure and head office, integration of product development, sales and new business operations and, over time, integration of life companies
Asset Management	£26m pa	Represents 100% of expected cost savings through the combination of RAM and F&C
Financial	£22m pa	Achievable through writing new business in most financially efficient underwriting companies
	£100m pa	

- Implementation costs of around £120m (finance and asset management, IT, redundancy costs and policyholder communications)
- Significant revenue opportunities from increased scale and financial strength and cross selling to the existing Friends Provident and Resolution customer bases

Financial Discipline

Resource Utilisation	Key Financial Disciplines

Resource Utilisation

- Cash / capital releases more than sufficient to
  - fund new business strain (c.£250m[1])
  - cover debt service (c.£150m[1])
  - cover dividend (c.£400m[1])
- Remaining surplus available for
  - balance sheet management
  - acquisitions
  - return to equity and debt investors

Key Financial Disciplines

- New business: target at least 12% IRR
- Credit rating: retain 'A' at holding company
- Debt ratio: target debt / gross EEV of 25 – 35%
- Acquisitions: currently target 12% pre-leverage IRR – to be reviewed following completion
- Dividends: covered out of embedded value earnings
- Maintain life company capital policies

Combined 2006 Insurance Groups Capital Surplus of around £2.4bn

[1] Indicative annual cash requirement

Dividend Policy

- 2007 interim dividends expected to be
  - 2.70 pence per share for Friends Provident
  - 9.17 pence per share for Resolution
- 2007 final dividend will reflect exchange ratio of 3.25 Friends Financial shares per Resolution share
  - expected to be 5.64[1] pence per share
- Final dividend per share in respect of 2007 represents increases compared to 2006 of:
  - 38.1 per cent. for Resolution shareholders (as previously announced)
  - 8.5 per cent. for Friends Provident shareholders
- At least 5 per cent. per annum dividend growth thereafter

(1) 18.33 pence per current existing Resolution share

Growth Strategy

Philip Moore, Friends Provident Group Chief Executive

Friends Financial

Strategy

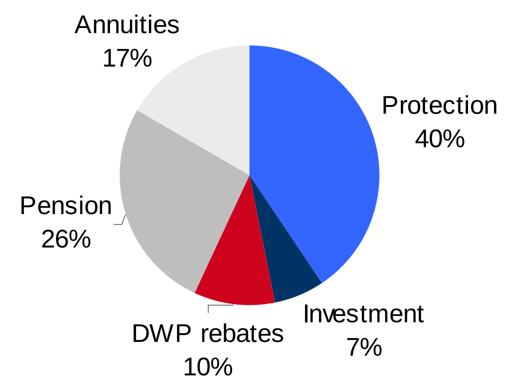
- To become a top 5 provider, measured by new business value added, in the UK life and pensions market differentiated by our values, customer focus and service excellence
- To continue to participate in consolidation of the UK life sector over time
- To grow international operations in selected geographies and market segments to diversify and enhance returns
- To expand the multi-boutique model of asset management into a leading pan-European player

Earn a premium rating whilst maintaining a rigorous focus on core financial disciplines and shareholder returns

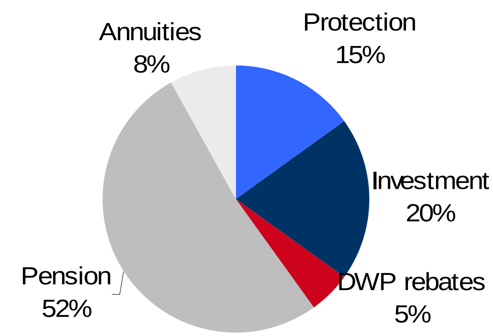
UK Life & Pensions – New Business

- Accelerate growth in
  - — individual protection (14% combined share)
  - — group pensions (11% combined share)
  - — annuities to existing customers
- Develop new propositions
  - — WRAP
  - — at retirement
- Benefit from distribution breadth

New Business Contribution by Product



New Business Sales (PVNBP) by Product



Note: New business by product as at H2 2006

Protection – Profitable Market

- Top 3 player in individual protection with estimated 14% market share on a combined basis
- Large competitive market
- Minimal new business strain
- Friends Provident and Scottish Provident have meaningful positions
- Economics are very attractive
  - Friends Prov margin of 7.4% (2006)
  - Scot Prov margin of 10.2% (2006)
- Cost advantages from systems and technology
- Combined strength and scale enhances ability to compete and build share
  - complementary distribution through IFAs and bank branches

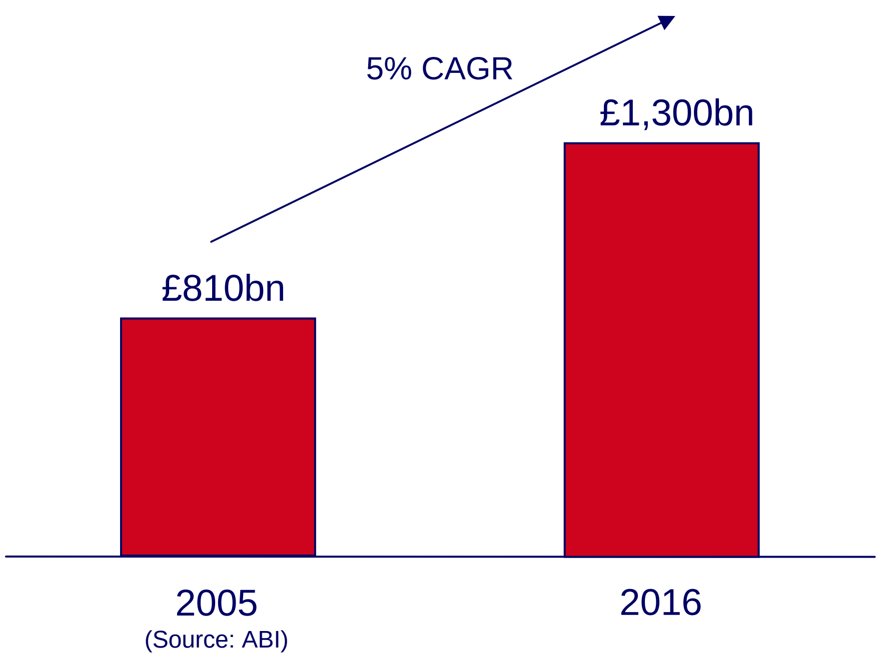
Protection market share in 2006

FRIENDS PROVIDENT	8%
Scottish Provident / Phoenix A Resolution Company	6%

Group Pensions – Huge Opportunity

- Top 3 player in Group Pensions with estimated 11% market share
- Shift of DB to DC, savings gap and regulatory change drive market growth
- Economics are attractive
  - technology and scale materially reduce unit costs
  - trend away from initial commission over the next 24 months
  - existing schemes underpin fund flows
  - small number of providers
  - additional benefit from captive post-retirement business
- Group pensions is an attractive market expected to:
  - exceed 12% IRR target
  - be self-financing by 2011

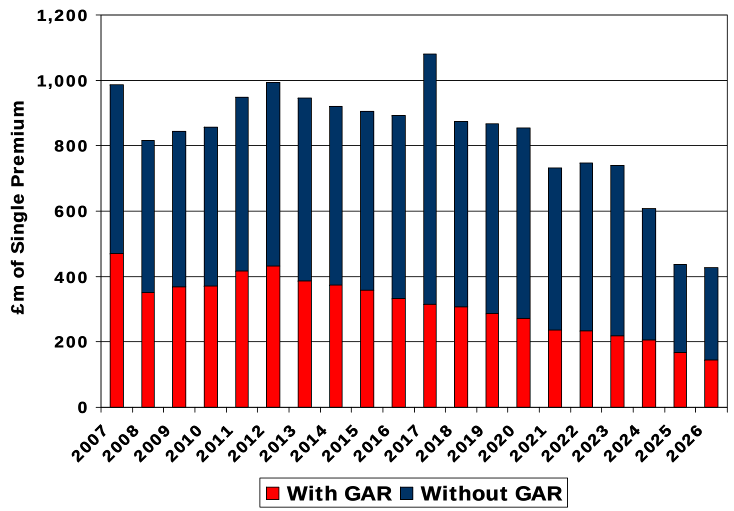
Funded Pension Assets – Insurance Co AUM



- CAGR 1997-2005 was 12% (source ABI)
- Even at 5% pa growth the market size could be £1,300bn FUM by 2016

Roll-over Opportunities

Projected Resolution pension vestings



- Friends Provident has an existing business to capture vesting pensions into annuity products
- Resolution vestings provide additional scale for this business
  - — tripling FP vesting pensions
- Disciplined pricing and attractive margins
  - — 5.3% pre-tax margin in 2006

Other roll-over opportunities

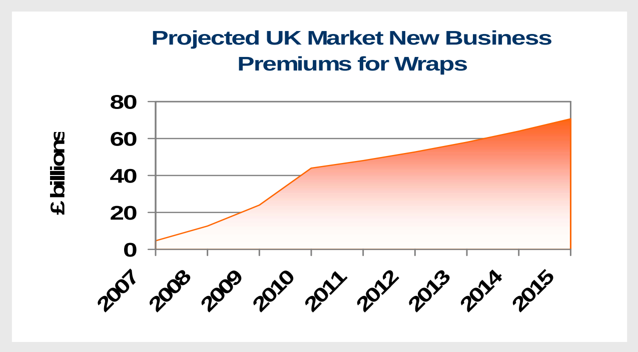
Resolution brings:

- Around 7 million customers
  - — a high proportion disintermediated
- In addition to vesting pensions, around £4bn of life maturities and surrender paid out each year
- Substantial portfolios of investment bonds, regular premium savings and protection products
  - — substantial opportunity for follow-on sales

UK Life & Pensions – New Opportunities

WRAP

- Demand for account aggregation and open architecture
- WRAP platforms (Friends Financial initial launch late 2007)
- Friends Financial strengths in investment bonds
- Investment and individual pension market in transition
- Technology, service and distributor relationships key to capturing assets



Post retirement

- Ageing population
  - asset-rich, cash-poor
  - demand for income and capital protection
- New products under investigation for launch in this market segment
- Apply strengths in financial and capital risk management

Distribution Diversity and Optionality

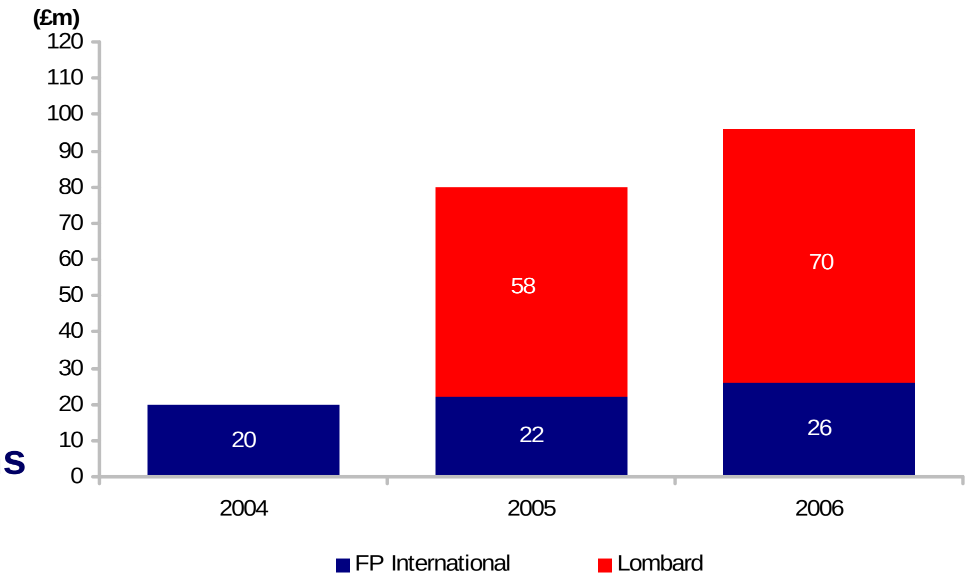
- Diversified distribution
  - strategic flexibility
  - adapt to emerging trends
- Well positioned for
  - Retail Distribution Review
  - changing customer behaviour
  - WRAP
- More attractive distribution partner

UK	IFAs
	Employee Benefit Consultants
	FP Multi-tie and Tied advisers
	Abbey branches
	Abbey for Intermediaries sales force
	Direct to own customers
International	Private banks
	Family offices
	Specialist IFA relationships

International Life & Pensions

- Self-financing, cash generative business
- Target well regulated International territories
  - high net worth and high value segments
  - higher growth and margins
  - market leadership in attractive niches e.g. Lombard
- Leveraging UK expertise and platforms internationally
- Enhanced credentials to win distribution
- Capital and scale to fund further expansion

Total International L&P: New Business Contribution



Source: New Business Results 2004 – 2006

Growth Enhanced by Additional Scale and Flexibility

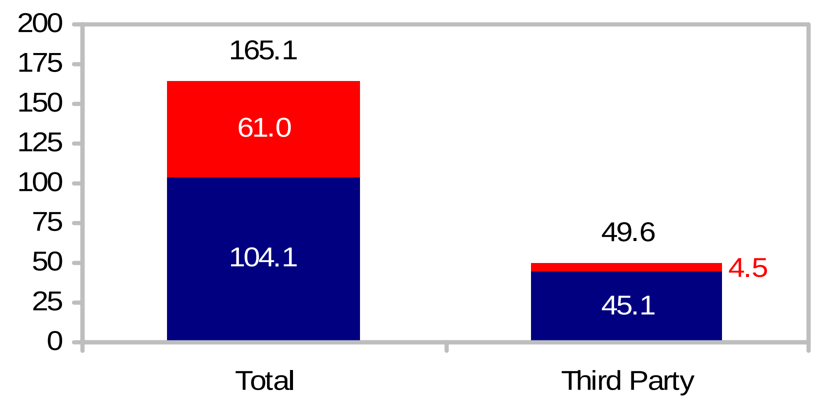
Creation of a Strategic Asset Allocation Unit

- A "best-in-class" strategic asset allocation unit to be built within Friends Financial
- To act as interface between life companies and their asset managers
- Objective to improve returns for policyholders and shareholders through optimisation of risk, capital and return balance
- Focused on
  - strategic asset-liability management
  - asset allocation
  - investigation of alternative investment options
- Investment via third party asset managers an option where F&C does not wish to build capability
  - SAA team to monitor performance of investment managers

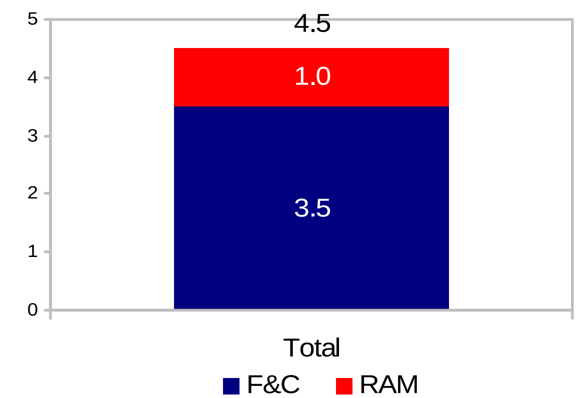
Asset Management

- Opportunity to strengthen F&C and create shareholder value
- Over £165 billion of assets under management at 31 Dec 2006
- Leading position in life funds and significant third party funds
- Distribution enhanced, existing agreements protected
- F&C three-year growth plan unaffected
- Multi-boutique strategy unaffected and enhanced by RAM joint ventures
- F&C management responsible for integration

Combined AUM at 31 Dec 2006 (£bn)



2006 Gross Retail Inflows (£bn)



Source: Company information

Summary

- Complementary merger partners
- Strong organic growth upside
- Proven expertise to deliver synergies
- Strong financial position and discipline
- Well placed for future consolidation
- Delivery of cash and growth to shareholders

Q&A

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Appendix

Friends Financial

Expected Timetable to Closing of Transaction

Expected Date	Milestone
25 July	Announcement of merger
8 August	Friends Provident Interim Results
18 September	Resolution Interim Results
Shortly after 18 September	Post shareholder documentation
Mid October	Friends Provident EGM (Class 1 approval for Merger) Resolution Court Meeting and EGM
By November	Regulatory clearances
November	Completion of transaction

Combined New Business Overview

H2, 2006 £ million, unless indicated		PVNBP		New Business Contribution	
UK	Protection	381.5	14.8%	32.4	40.4%
	Investment	508.0	19.7%	5.2	6.5%
	Annuities	215.0	8.4%	13.3	16.6%
	DWP rebates	120.0	4.7%	8.0	10.0%
	Pensions	1,347.1	52.4%	21.2	26.5%
		2,571.6	100%	**80.1**	100%
UK		2,571.6	55.4%	80.1	55.3%
International		2,066.5	44.6%	64.8	44.7%
		4,638.1		**144.9**	

Strong Capital Position

31 December 2006	Resolution	Friends Provident	Total
	£m	£m	£m
Core Tier 1	5,990	2,136	8,126
Innovative Tier 1	497	545	1,042
Tier 2	200	273	473
Group capital resources	6,687	2,954	9,641
Group capital resources requirement	5,328	1,869	7,197
Group surplus	1,359	1,085	2,444

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