Paul Thompson
Group Chief Executive

Merrill Lynch conference
4 October 2006

Resolution

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Agenda

- **Why the UK life sector will consolidate further**
- Resolution model
- Achieving 16% IRR (post leverage) from the Abbey transaction
- ROEV delivery
- Summary + Q&A

UK life market set for further restructuring

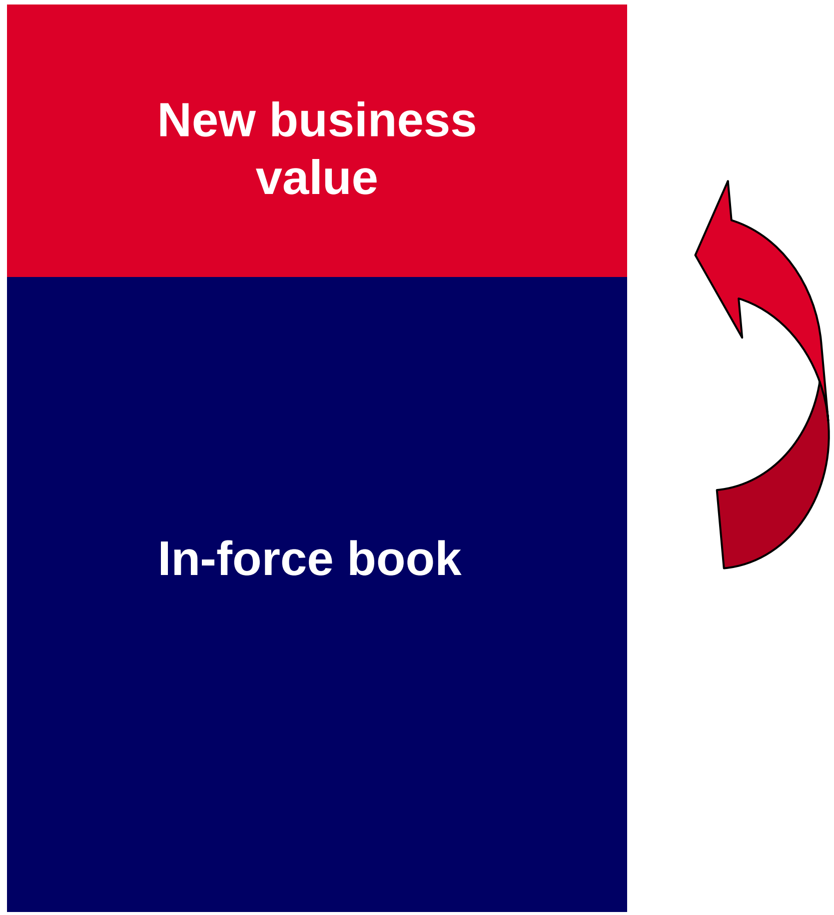
- Distributors have strong influence over value chain
- Regulatory pressure for improved transparency and returns for policyholders

Restructuring pressures to create low cost models for new business

- ICA regime sharpens focus on capital returns
- It's already started!

Estimated 70%[i] of value within UK in-force books

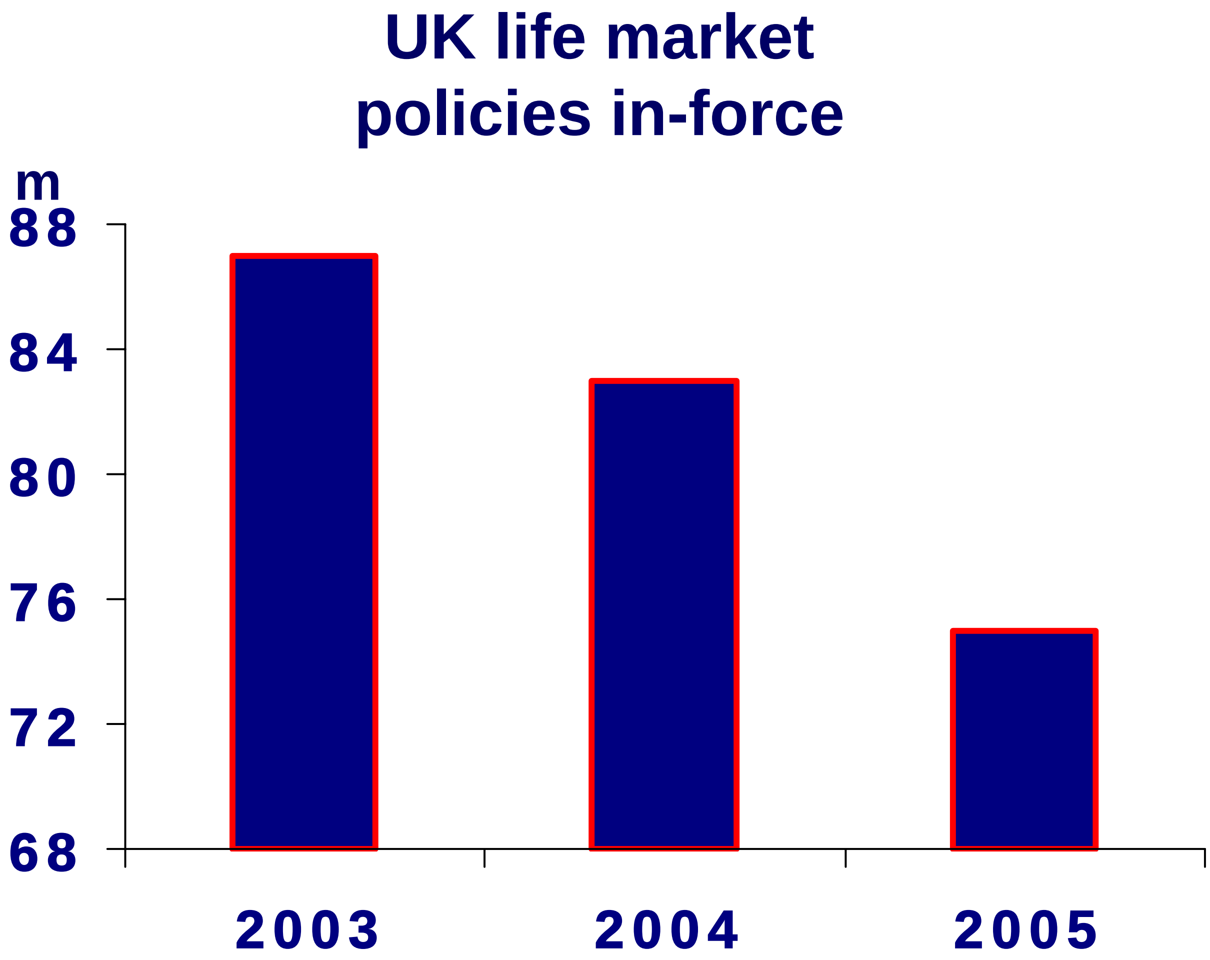
- Intense competition remains
- "Profitless" growth in some products



Significant churning of back book into "new business"

i Based on analysts' valuations of listed UK life sector

New business is not replenishing policy stocks



Source: ABI

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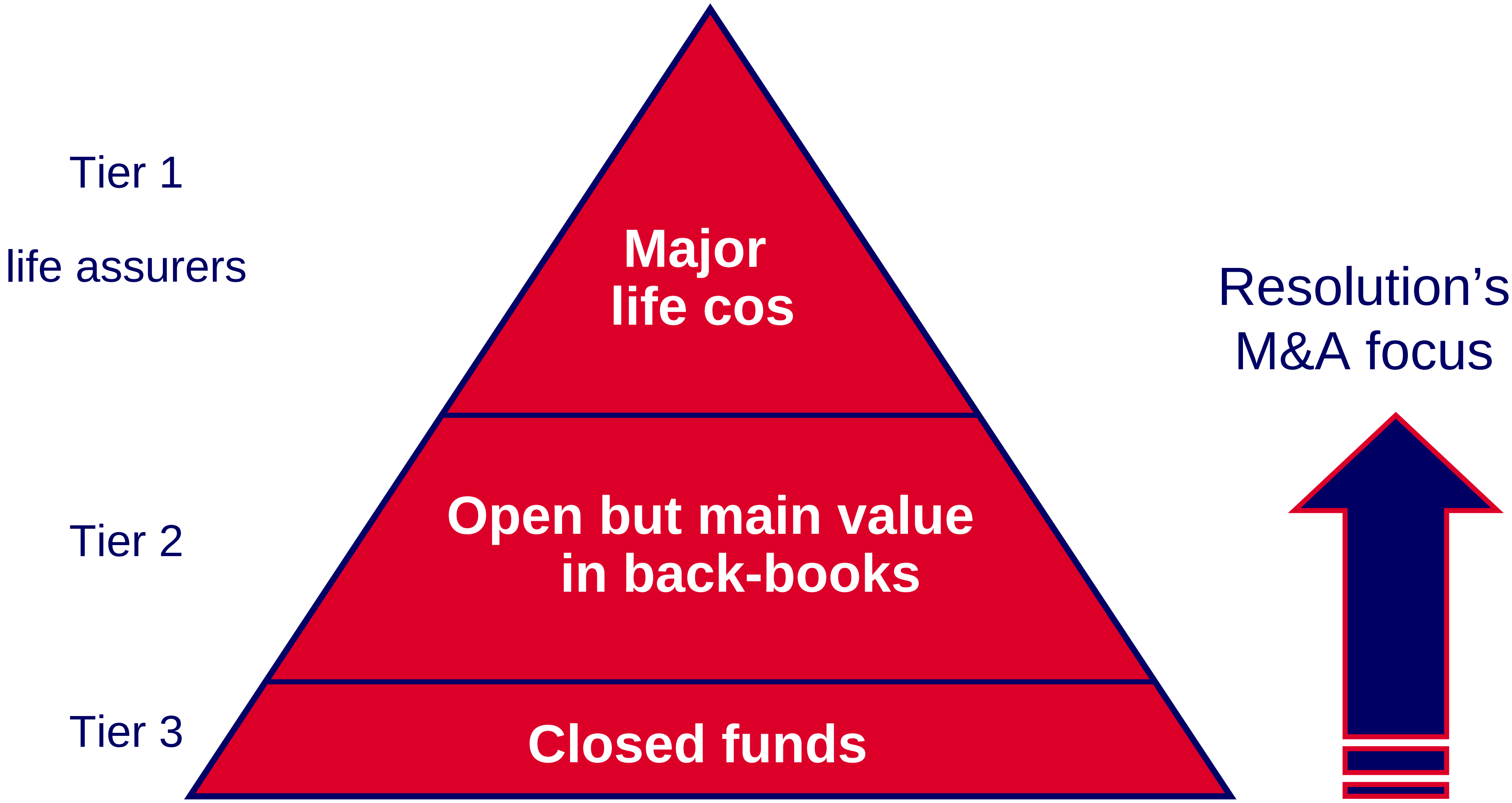
The UK life industry landscape



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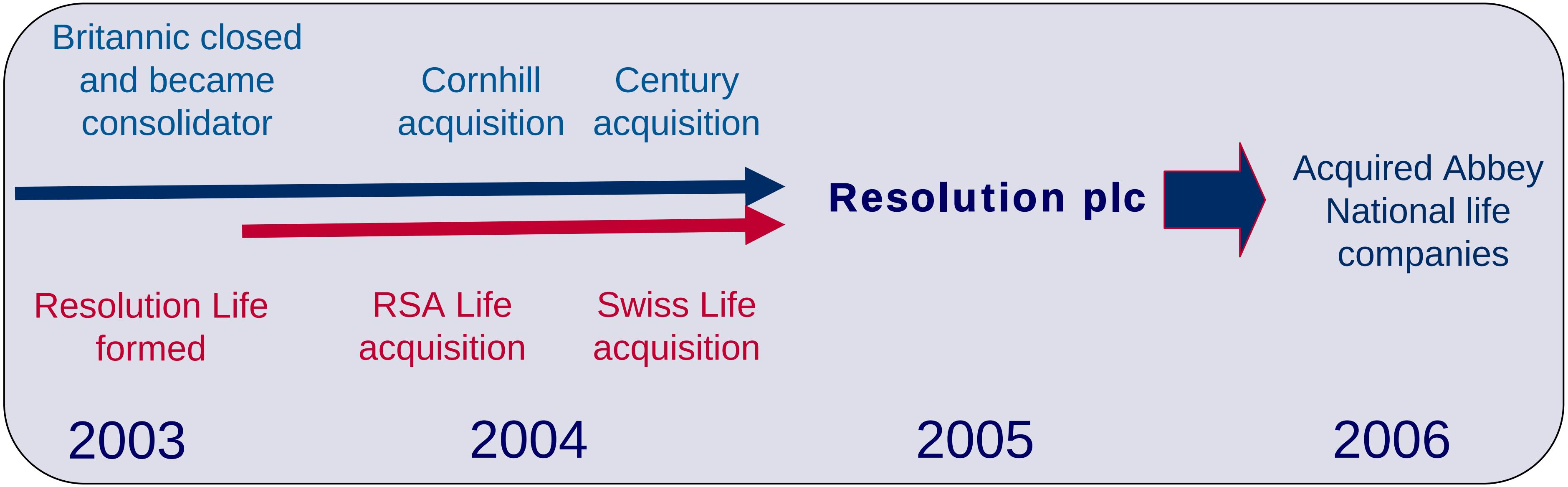
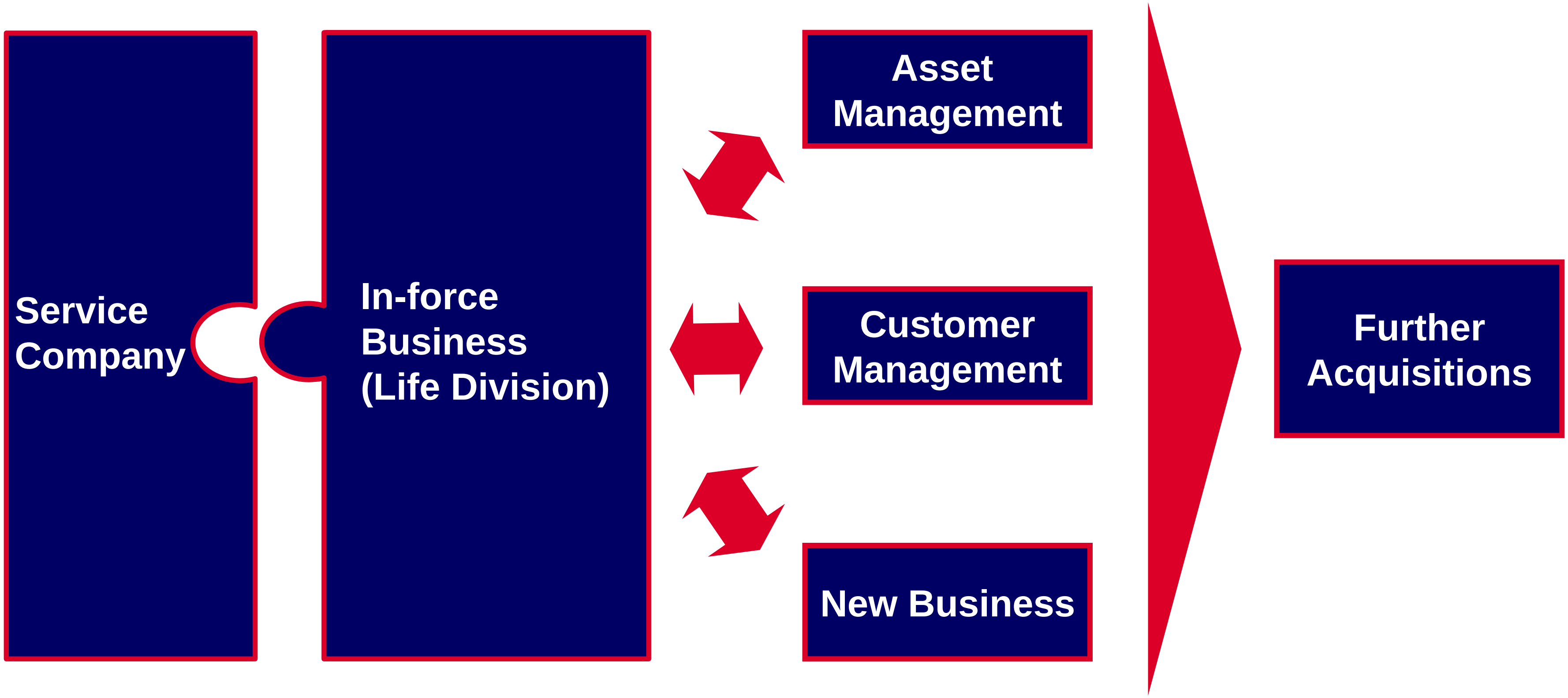
Resolution leading consolidation in UK life

- c. 7 million policies
- £63 billion assets under management
- FTSE-100, with market capitalisation of £4 billion+



Additional value drivers increasing ROEV



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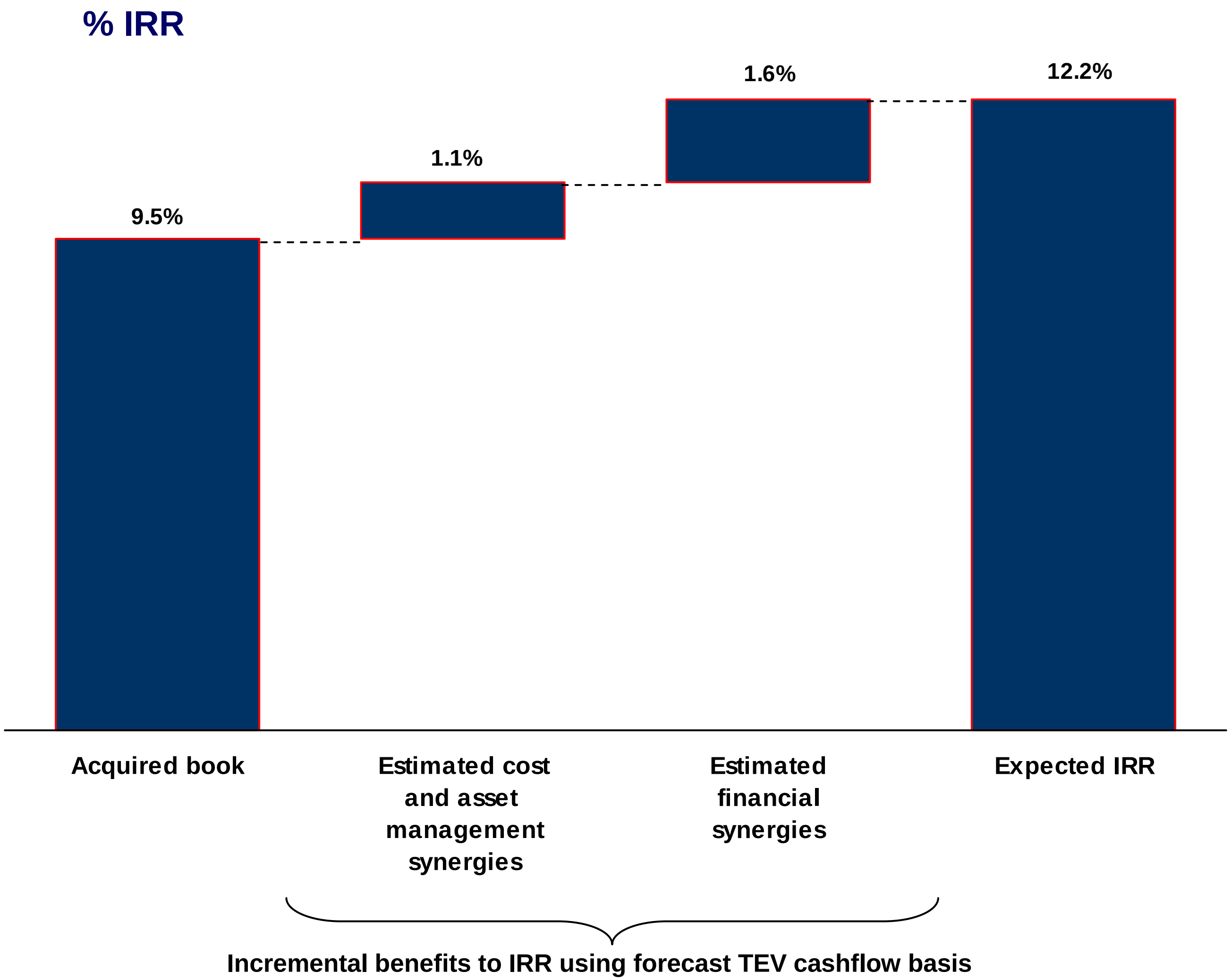
Abbey opportunity: 12% IRR on in-force acquisition



- **Post-leverage IRR expected to be at least 16%**
- **In-force IRR benefits from**
  - discount to EV
  - run-off profile
- **£3.5bn purchase price**

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How we achieve double digit ROEV

6 months to 30 June 2006

	PBT	EV	Annualised ROEV	Future direction
Expected unwind	87	2743	6.3%	Stable
Operational variance	15			?
Added value activity (fund restructure)	71			Improving but deal linked
Asset management	15			Improving
Service company (cost savings)	6			Strongly improving
Group income and charges	(4)			Stable
Investment variances	11			?
New business	0			On-stream post Abbey
Customer strategy	0			Strongly improving
Sub total	**201**	**2743**	**14.7%**	
Leverage	(17)	(602)		Stable
Profit before Tax	184	2141	17.2%	
Tax	(48)			
Profit after Tax	**136**	**2141**	**12.7%**	

***Note**: Excludes merger and other non-recurring costs*

Mix will change

Life Division

Fund restructuring value added activity:

Dec 2005	4 way fund merger (+ £69m)
April 2006	Alba restructuring (+ £71m)
Dec 2006	7 way fund merger (TBC)
2007+	Abbey life businesses restructuring (+ £114m npv @ 12% IRR)

Established track record

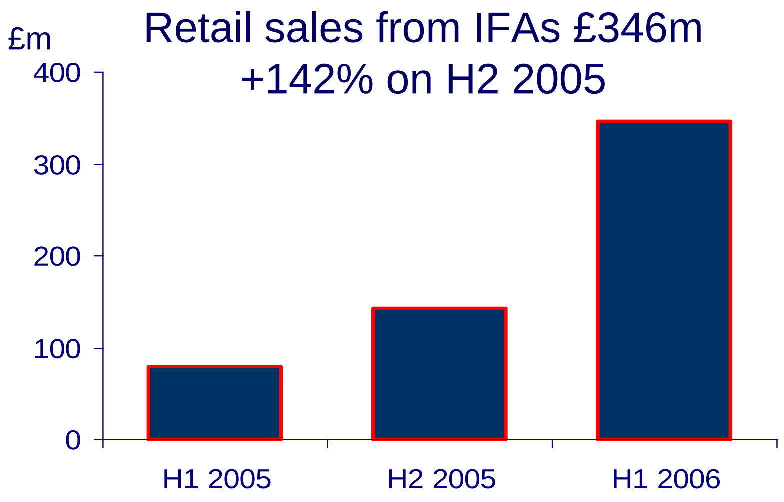
Management services in H1 2006 (pre Abbey)

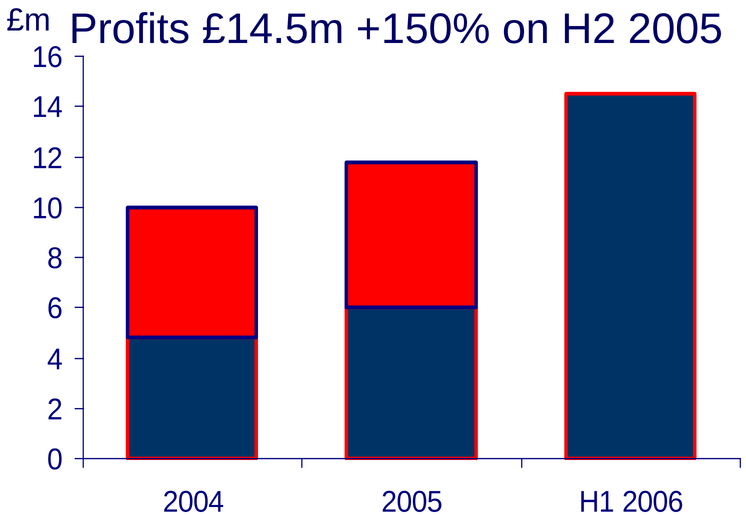
- Operating profit £5.6m, includes savings from earlier transactions
- Confident of delivering Britannic/Resolution merger cost synergies of £20 million pa by end 2007
  - one third this year
  - balance in 2007
- Remainder of savings principally through:
  - implementation of Target Operating Model for CS and IT
  - closure of Liverpool and the integration of finance and other governance functions
- Abbey savings of £10m per annum by end 2008

Average cost per policy trending down

Asset management sales and profits

- Total 3rd party sales £421m +86% on H2 2005
- Profits £14.5m [(i)] +150% on H2 05
  - includes £7.5m of expected £18m pa uplift from internalisation of £20bn AUM
  - strong growth in third party sales (61bps)
  - cost income ratio 54% vs 71% FY2005
  - Abbey to contribute £7m pa in 2007





(i) Before amortisation of intangible asset

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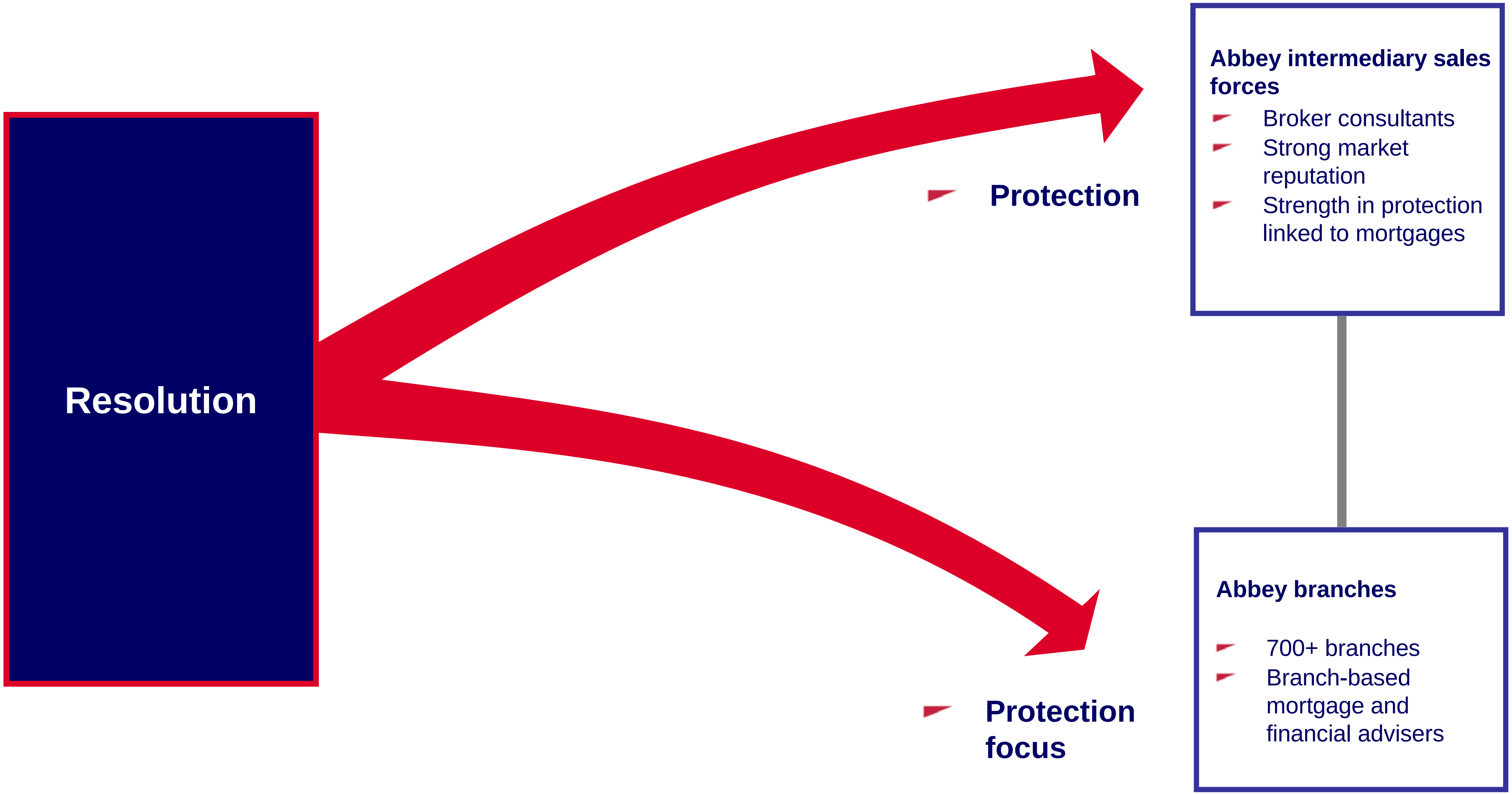
Immediate scale and distribution for protection business

- c.10% of individual protection market
- New business value of £38m in 2005
  - — to be revalued onto market consistent basis
- Very strong protection brand
- Exclusive 700 branch bancassurance distribution with Abbey
- FSA consultation paper on solvency expected to be beneficial

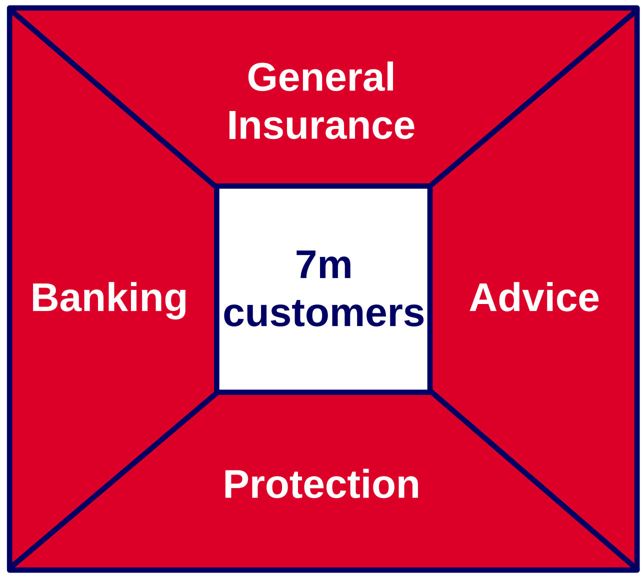
New business through IFAs and bancassurance



Customer revenue potential

Cornhill Direct

Abbey



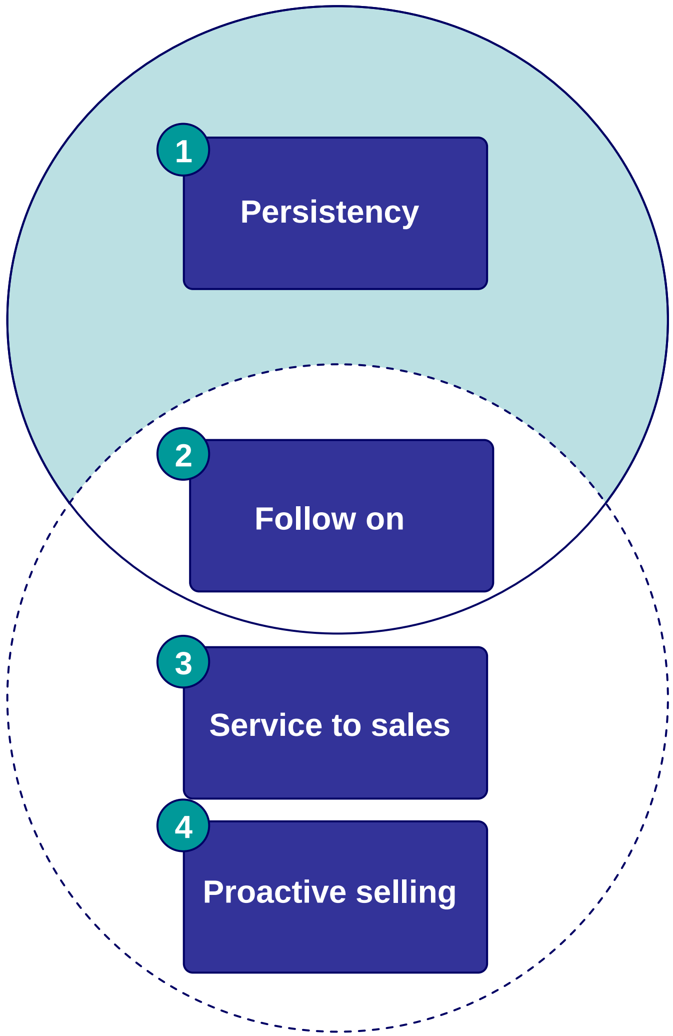
AWD moneyextra

SCOTTISH PROVIDENT

Customer Management Strategy pilot in H1 2006

Retention of customers at product completion

Cross-sell of additional products to customers



Around 47,500 customers have used the enhanced service (c.5% of all customers contacting us)

Over 5,000 customers referred to our advice partner (AWD Moneyextra)

- referrals increasing by over 20% pm
- Advice sales increasing by over 15% pm

1,400 customers purchased a product

Over 3,000 policies retained through enhanced information and guidance to customers

Customer surveys show high satisfaction ratings

Scale up of activity, to include acquired Abbey life customers, and cross-sales of Abbey products to Resolution customers

Total value of sales, advice and retentions during pilot phase = £2.5m pa

Dividend philosophy

- Dividends paid out of sustainable EEV earnings
- Excess cashflow used to retire capital
- Dividend growth rate recently enhanced to 15% reflecting:-
  - strong EEV earnings outlook
  - benefits from Abbey acquisition
  - assumes no other acquisitions, then inflation growth from 2010

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Summary

- Low risk portfolio
- Delivering synergies from prior transactions
- Significant value opportunity from Abbey acquisition
- Building growth businesses
- Achieving 10%+ ROEV
- Strong dividend flow
- Positioned for future UK Life consolidation

Q&A