

Friends Provident plc
2005 Interim Results
Presentation to Analysts 13 September 2005

Slide 1



The slide features a dark blue header with the Friends Provident logo and name. Below this is a light blue gradient background. The main text is centered and reads: Friends Provident plc, 2005 Interim Results, 13 September 2005.

Slide 2



The slide has a white background with a dark blue footer. The main text is centered and reads: Keith Satchell, Group Chief Executive. The footer contains the text '2005 Interims', the number '2', the copyright notice '© 13 September 2005', and the Friends Provident logo.

Good morning ladies and gentlemen, and welcome to this presentation of our 2005 interim results. I will be sharing this platform with Philip Moore, the Group Finance

Director. And on the front row, on-hand to answer your questions later, are Ben Gunn, the chief executive of our life and pensions business, Howard Carter and Alain Grisay, respectively chief executive and deputy chief executive of F&C, Rocco Sepe, managing director of our international operations, and a number of other senior colleagues.

As you will have seen, Howard's retirement next year was announced yesterday, to be succeeded by Alain. No doubt there will be many tributes made nearer the time, but I would like to pay tribute today to the terrific contribution he has made to the Group over many years, and particularly over the last five years when he has led the asset management operations.

When he retires, it will be with our, and my personal, sincere thanks. In Alain Grisay, we are fortunate indeed to have a worthy successor, and I look forward to working with him.

Slide 3

| Agenda | |
|--------------------------|---|
| • Operational Highlights | Keith Satchell Group Chief Executive |
| • Financial Results | Philip Moore Group Finance Director |
| • Outlook | Keith Satchell Group Chief Executive |
| • Questions & Answers | Team |

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I shall first take a few minutes to run through the operational highlights, before handing over to Philip who will present our financial results to you in more detail. I shall then briefly conclude the formal presentation with a few words concerning outlook, after which we shall be happy to answer your questions.

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Operational Highlights H1 05

- Improved scale and diversification
- Good progress with distribution relationships
- F&C integration progress
- Active capital management
- Strong growth in key businesses

Consistent growth momentum

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A characteristic of Friends Provident, evident since our flotation in 2001, is that we don't stand still, but rather we seek and take opportunities to grow our business, in keeping with our strategy. This year has been no exception, and we started the year with the completion of the acquisition of Lombard, further increasing our scale and diversifying our business. Lombard is already making a significant contribution, operating in markets where the potential for profitable growth is beyond that of the UK.

That is not to say the UK life and pensions market is unattractive; recent ABI figures indicate underlying market growth of 6% over the first half of this year, more buoyant than in recent years. We announced back in July that we had attracted 15% more new business in the UK market this half year compared to 2004, which is a good rate of growth in comparison. More importantly, looking to the future, we continue to achieve strong representation on the various multi-tie panels announced so far, and we are particularly pleased to have now secured agreements with banks, both Barclays and the National Bank of Australia, and also with building societies.

The F&C merger was of course a highlight of last year, and good progress has been made this year on the integration, which is a huge undertaking. You may recall that this merger was the largest transaction in the global asset management industry for 2004.

As for our capital position, that has been further strengthened, and the quality of capital improved, through raising £500 million of tier one debt in June. This issue was heavily oversubscribed.

I shall not repeat all the detail of our July trading statement, but remind you that new life and pensions business was up 33% in total, to a new record high, boosted by a strong performance by FPI, our existing international business, as well as the new contribution from Lombard. Overall margin was also up. In asset management, the merger elevated F&C into the premier league, more than doubling funds under management and considerably reinforcing our European credentials.

Slide 5

| Group Financial Highlights | | | |
|----------------------------|---------|---------|----------|
| | H1 2005 | H1 2004 | Increase |
| Achieved underlying profit | £233m | £160m | ↑ 46% |
| IFRS underlying profit | £125m | £101m | ↑ 24% |
| FP achieved profits EPS | 7.2p | 6.5p | ↑ 11% |
| F&C EPS | 7.95p | 6.56p | ↑ 21% |
| Interim dividend | 2.60p | 2.55p | ↑ 2% |

Profitable growth

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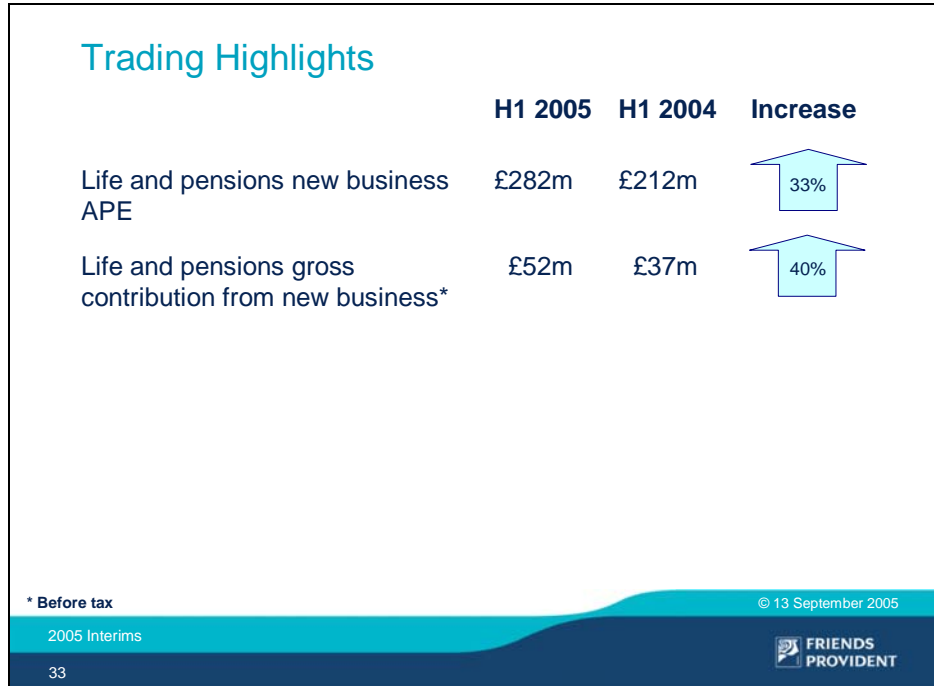
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So we have delivered good growth operationally, and this is reflected in the key financials. Achieved profit is up 46% on last year, reflecting the strong performance in life and pensions, particularly international, and a significant uplift in F&C profit, following the merger. By the way, underlying profit is a change in name only, its basis of calculation is identical to what was previously called achieved operating profit and which is still a more appropriate measure of profit than statutory, we believe. Underlying profit on the IFRS basis was up 24%.

The increase in earnings per share for F&C reflects the improving stockmarkets, and also the benefits of achieving the expense reductions, on target, during the first half.

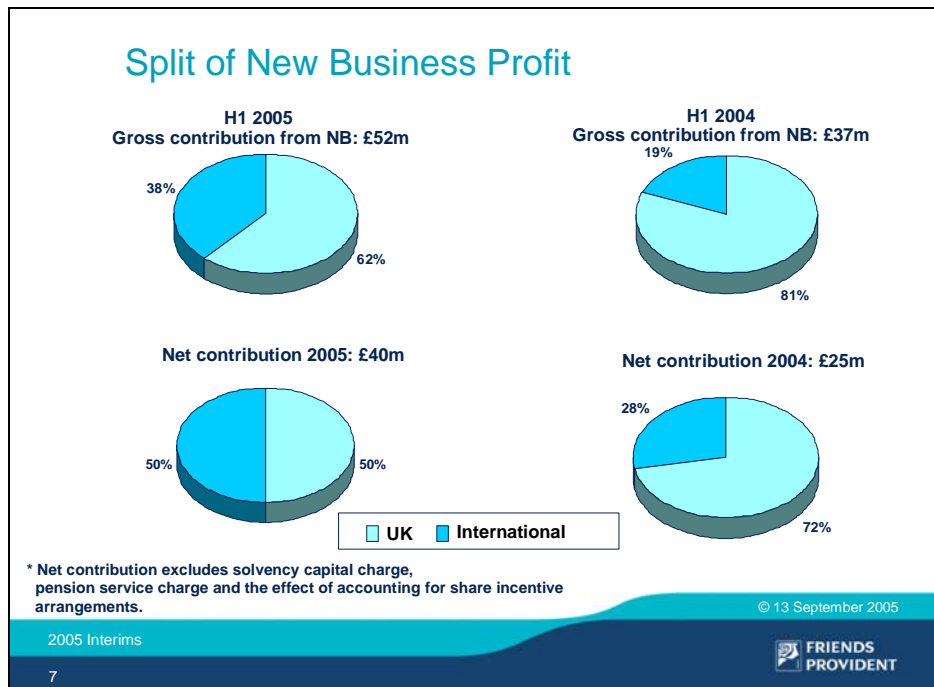
Earnings per share for the Group were up 11% and we are pleased to announce a further 2% increase in the interim dividend, very much in line with our policy to increase the dividend year-on-year at a rate not exceeding inflation.

Slide 6



These trading highlights - the 33% rise in new life and pensions and the even higher rise in their contribution to profits - these were announced in July, but I repeat them here to draw attention to the fact that contribution to new business has always been shown on a gross basis. This is still a good indicator of our focus on the more profitable product lines, but we believe that contribution to profits, net of charges, provides a truer picture of progress.

Slide 7



These pie charts illustrate the point. You can see from the bottom charts that, calculated on a net contribution to profits basis, our international dimension is even more significant, as charges for solvency and the staff pension scheme fall overwhelmingly on the UK business. So International now accounts for half our new business profits, and this is likely to grow. Going forward, the basis will change again as we move over to EEV reporting.

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| Trading Highlights | | | |
|--|---------|---------|----------|
| | H1 2005 | H1 2004 | Increase |
| Life and pensions new business APE | £282m | £212m | ↑ 33% |
| Life and pensions gross contribution from new business* | £52m | £37m | ↑ 40% |
| Life and pensions gross contribution from new business/ Embedded value | 3.4% | 2.7% | ↑ 26% |
| Asset management funds under management | £128bn | £63bn | ↑ 103% |
| Asset management operating margin | 42.2% | 33.8% | ↑ 25% |

* Before tax

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Completing the earlier slide, there has been a 26% increase in the ratio of new business compared with the existing book, which is a measure the market tends to focus on. This is an encouraging trend and one that we expect to continue.

The doubling of funds under management over the year is primarily the result of the F&C merger, although stockmarket rises have also had an impact.

The asset management operating margin has increased again and remains very much at the top end of the UK fund management industry. This positions F&C as one of the more profitable asset management businesses and reflects the efficient business model that has been developed over recent years.

Slide 9

Business Review

UK Life & Pensions

- Strong performance relative to UK market
- Increased market share in all key product lines
- Efficient online delivery
- Continued focus on profitable products

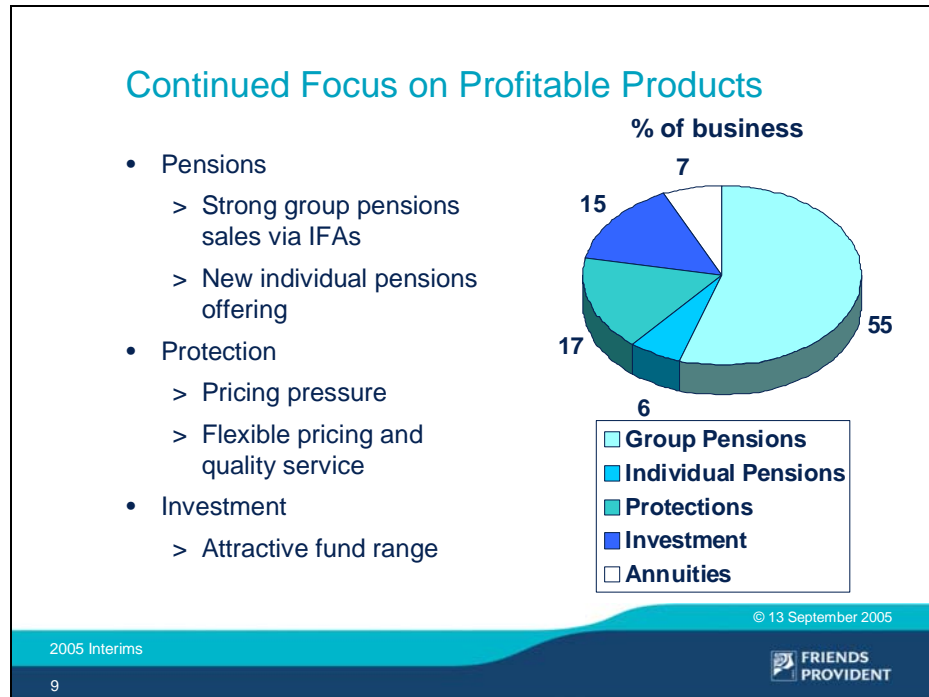
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Before I hand over to Philip, I shall briefly review our three core business segments. The messages on volumes and margins have not changed from what we announced in our July Trading Statement. Starting with UK life and pensions, we have already seen how our 15% growth in new business compares well against the market. Over the period, we have increased our market share in all four of the market segments we focus on - pensions, both group and individual, protection and investments. Our systems and service continue to set us apart and have contributed to the increase in new business profits.



Group pensions business picked up significantly, following a rather subdued period characterised by a general reticence on the part of employers, trustees and advisers alike, to make decisions ahead of the anticipated tax changes in April 2006. Group pensions now accounts for more than half of our total UK business, this year mostly coming from IFAs who specialise in high quality pension schemes, although increased activity from Employee Benefit Consultants was also evident.

Individual pensions represents only 6% of the total, but we only renewed our focus on this market in April. Early indications are that our new product range is being well received and we fully expect to grow this area of our business.

The protection market was the toughest and is likely to remain so for a time to come, with no-one really predicting an upturn in the housing market. Nevertheless, we still gained market share. There was downward pressure on pricing - a feature of many providers chasing fewer business opportunities - but the efficiency of our systems and service mitigates this pricing pressure to some extent. However, the effect of this pressure will flow through into the financial results for the second half of the year.

Investment business also has good impetus, reflecting the general recovery of stockmarkets and helped by the comprehensive fund range we offer, as well as our very good online facilities.

The white segment relates to annuity business, which is not a product line we focus on.

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Business Review

International Life & Pensions

- Low capital intensity
- Growing faster than UK
 - > FPI
 - Strong performance in H1
 - New business growth in the UK and Middle East particularly encouraging
 - > Lombard
 - Strong performance in H1 from Belgium, UK and expatriate business in Southern Europe
 - Higher awareness and penetration in Germany

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International business is less capital intensive, due to business mix but also, to some extent, because of up-front charging structures. The opportunities for growth are greater than in the UK and this is reflected in our performance. FPI new business was up 25%, with very strong performances in the Middle East, and in the specialist UK market where we have raised our profile significantly amongst some of the key distributors.

Lombard has also made strong advances in the UK, as well as in Belgium and in the expatriate business in Southern Europe. Germany is another important region for Lombard, which now has a higher profile there, following the one-off surge in business last year. A new product range has recently been introduced into that country, which will assist our progress this year and into next.

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Business Review

Asset Management

- Net inflow, excluding insurance funds
 - > Largest direct property trust launch
 - > UK retail aided by distribution arrangements
 - > Private equity fund of funds team acquired
- Resolution plc announcement to withdraw funds
- Investment performance improving
- Integration progressing well

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Turning to asset management, we have had net outflows, but our focus is more on revenues rather than on funds under management, and F&C is making gains in higher revenue margin business.

One or two highlights are

- the Commercial Property Trust raised almost a billion pounds this year, which was the largest launch of any such trust to date.
- Retail business, both UK and European sub-advisory, attracted inflows, building on strong business relationships, and
- F&C has also acquired a private equity fund of funds team from Martin Currie, with modest funds initially, but representing an area that F&C intends to develop.

There is nothing further we can report at this stage on Resolution as we are currently in discussions with their management over the timing and level of funds affected, and of course, the level of compensation payable to us.

Good investment performance is fundamental for future success in asset management. Since the merger, F&C has been able to attract some high-calibre people, and will continue to upgrade investment capabilities as the opportunities arise. Performance has stabilised in the areas where the historic record was poor, and recent performance generally supports an improving trend.

I have already mentioned the very good progress being made on the integration. The project office, created to manage the enormous workload, was closed at the end of June. The outsourcing element has now been transferred to a dedicated project team, and we have widened the scope of this in order to achieve a leading edge front office

platform and data flow capability - a better solution than was envisaged at the time of the merger. As a result, the expanded exercise will take longer and, overall, cost some £10 million or so more to achieve. Leaving aside the outsourcing, all other aspects of the integration are on track to meet the anticipated savings and the mid 2006 completion target.

I shall now hand over to Philip, who will explain the key financials in more detail. Thank you Philip...

Slide 13: Financial Results

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Philip Moore
Group Finance Director

Financial Results

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**FRIENDS
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Thank you Keith. Good morning ladies and gentlemen.

H1 2005 Financial Achievements

- Increased profitability
- Improved ROEV
- Tangible risk reduction benefits
- Strengthened capital position – successful issue of £500m Tier 1 capital
- Improved cash generation
- IFRS reporting introduced

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The first half of 2005 demonstrates further financial progress.

- We have increased both profitability and achieved earnings per share.
- Return on embedded valued continues to rise.
- Our financial risk reduction activities are producing tangible benefits.
- We have strengthened our capital position and further reduced our cost of capital by the recent Tier 1 capital issue.
- Our cash generation continues to improve; and
- We have successfully introduced reporting under IFRS.

Slide 15: New Business Contribution

| New Business Contribution | | | |
|---|--|----------------|----------------|
| Life & Pensions | | | |
| | | H1 2005 | H1 2004 |
| £m | | | |
| Gross contribution from new business | | 52 | 37 |
| Cost of solvency capital, pension service charge and share incentives | | (12) | (12) |
| Contribution from new business before tax | | <u>40</u> | <u>25</u> |
| New business (APE) | | 282 | 212 |
| Gross margin | | 18.4% | 17.5% |
| Net margin* | | 14.2% | 11.8% |


Continued growth in profits

* After cost of solvency capital, pension service charge and share incentives

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The contribution from new business, after the cost of solvency capital, pension service charge and share incentives, has increased 60% to £40 million. Whilst much of that improvement came from Lombard, we have seen improvement from the UK as well.

The inclusion of Lombard also helped the gross margin to improve from 17.5% to 18.4%.

This is the last time we will present our value of new business results, or indeed our achieved profit results in this way, as from prelims they will be presented on an EEV basis.


Slide 16: New Business Segmental Analysis

| £m | H1 2005 | H1 2004 |
|---|----------------|----------------|
| UK life & pensions | | |
| New business (APE) | 202 | 176 |
| Gross margin | 15.8% | 17.0% |
| Gross contribution from new business | 32 | 30 |
| International life & pensions | | |
| New business (APE) | 80 | 36 |
| Gross margin | 25.0% | 19.4% |
| Gross contribution from new business | 20 | 7 |
| Asset management | | |
| Gross Funds in-flow (excluding insurance funds) | 4,104 | N/A |
| Gross Revenue Margin (bps) | 21 | 18 |

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Our Life & Pensions results are presented segmented between UK and International. The detail of the new business results was given in our Trading Statement on 29 July, so I will not repeat it here, save only to point out that the reduction in margin in the UK was principally driven due to a change in product mix away from higher margin protection business towards Group Pensions.

In Asset Management, we have seen significant gross inflows of new funds, excluding insurance funds, and the gross revenue margin has gone up from 18 bps – one of the benefits of last year's merger.

Slide 17: Asset Management Highlights

| | H1 2005 | H1 2004 |
|-------------------------------------|---------|---------|
| Earnings per share (pence) | 7.95 | 6.56 |
| Net fund flows (£bn) | | |
| Insurance | (1.8) | N/A |
| Other | 0.2 | N/A |
| Investment management revenues (£m) | 130 | 59 |
| Margin | 42.2% | 33.8% |

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Continuing with asset management, earnings per share have increased by 21% to 7.95 pence.

As expected, insurance funds saw a net outflow of £1.8 billion, reflecting the closed nature of a significant portion of those funds. The balance of the business, which is also higher margin, showed a positive inflow of about £200 million.

Investment management revenue has more than doubled to £130 million, driven predominantly by the recent merger, and the operating margin grew to 42.2%, within the range indicated at the time the deal was announced.


Slide 18: Achieved Profit – Life & Pensions

| Achieved Profit | | |
|--|----------------|----------------|
| Life & Pensions | | |
| £m | H1 2005 | H1 2004 |
| Contribution from new business | 40 | 25 |
| Profit from existing business: | | |
| • Expected return | 97 | 77 |
| • Experience variances | 16 | (2) |
| • Op. assumption changes | 1 | - |
| Development costs | (11) | (7) |
| Expected return on s'holder net assets | 52 | 62 |
| Achieved underlying profit before tax | 195 | 155 |
| Life & Pensions annualised ROEV | 8.9% | 8.2% |

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Our Life & Pensions achieved underlying profit before tax – we used to call it operating profit but, because of IFRS, we have changed the name to underlying profit but not changed how it is calculated – increased by 26% to £195 million as a result of several factors:

- First, an increased contribution from new business.
- Second, a positive experience variance of £16 million which was made up of a contribution from the UK of some £20 million, primarily from improved claims experience on our income protection business, offset by a £4 million negative experience in Friends Provident International consisting of a number of items.
- Third, a higher start of period value of inforce, which increased the expected return from existing business, offset partly by the return on lower opening shareholder net assets; and
- Fourth, as flagged at year end, our development costs have increased as a result of ecommerce initiatives to strengthen our market leading propositions and to implement electronic links with our new distribution relationships.

This all had the effect of increasing our annualised Life & Pensions return on embedded value by 0.7 percentage points to 8.9%.

Slide 19: Achieved Profit – Group

Achieved Profit

Group Achieved Underlying Profit before Tax

| £m | H1 2005 | H1 2004 |
|--|------------|------------|
| UK life & pensions | 163 | 139 |
| International life & pensions | 32 | 16 |
| Asset management | 52 | 14 |
| Expected return on net pension liability | - | 4 |
| Expected return on corporate net assets | (8) | (8) |
| Corporate costs | (6) | (5) |
| Achieved underlying profit before tax | 233 | 160 |

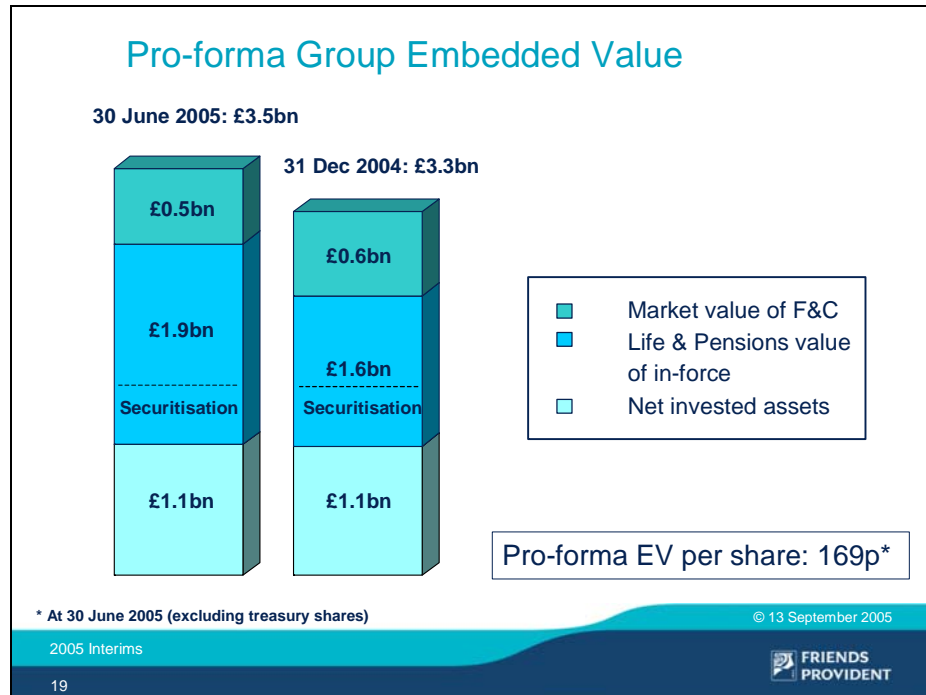
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At the Group level, achieved underlying profit was up 46% to £233 million, driven by healthy improvements from each of our three segments, UK Life & Pensions, International Life & Pensions and Asset Management. The last two of these benefiting from our acquisitions of Lombard and F&C.

Slide 20: Proforma Group Embedded Value



The Group embedded value, on a proforma basis including the market value of F&C, increased to £3.5 billion, principally because of the increase in the value in force of the Life & Pensions business, driven up by the high levels of profitable new business written during the period.

This results in a proforma embedded value per share at 30 June of 169p.

Slide 21: IFRS Underlying Profit

| IFRS Underlying Profit | | |
|--|--------------------|--------------------|
| £m | H1 2005 | H1 2004 |
| UK Life & Pensions | | |
| With Profits Fund: with profits business | 2 | 4 |
| Other life business | 43 | 35 |
| International Life & Pensions | - | 7 |
| Asset management | 52 | 14 |
| Longer term investment returns | 34 | 42 |
| Other shareholder income less charges | (6) | (1) |
| Underlying profit before tax | 125 | 101 |

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The underlying profit on an IFRS basis before tax increased 24% to £125 million. The most significant contributor was the increased return from asset management. In UK Life & Pensions the shareholders share of bonus in the with profit fund at £2 million, will continue to be a modest contributor to the overall result.

The "Other Life" business result has benefited from the reduction in new business strain coming from the change in the mix of business, away from protection towards Group Pensions and the better claims experience on income protection business that I talked about earlier.

The change in the International Life & Pensions result reflects the application of the IFRS rules which have increased reported new business strain on Friends Provident International's Premier product. The Premier product has sold strongly in the first half of 2005 leading to a significant increase in new business strain under IFRS but, since the product has up front charges from so called capital units, there is little or no strain on a regulatory capital basis.

The decrease in the longer term investment return of £8m reflects the lower opening net asset values on which the expected return is based.

Slide 22: Capital Management

Capital Management

- FPLP with-profits business
 - > Realistic balance sheet excess of assets over liabilities up to £182m (31 Dec 2004: £131m)
 - > Risk capital margin £260m (31 Dec 2004: £279m) - more cover from within the fund
 - > RCM cover over 7 times
- Pension fund protected by hedging action
- FRS27 group capital is in excess of capital requirements by £1.5bn (31 Dec 2004: £1.2bn)

Flexible, efficient capital management

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The realistic balance sheet has again strengthened with surplus assets increasing to £182 million covering more of the Risk Capital Margin from within the fund.

It remains our intention to cover substantially all of the RCM by surplus assets in the with profit fund.

The Risk Capital Margin at £260 million is down £19 million from the year end as a result of hedging actions taken in the fund. This amount is covered over seven times by available capital.

As well as improving the position in the with profit fund, our hedging activities continue to produce tangible results to the benefit of shareholders.

Since it was put in place last year, our real interest rate swap in the main Friends Provident defined benefit pension fund has benefited that fund to the tune of £70 million, ie the swap is "in the money" by £70 million because of the reduction in real rates of return. This has improved our Group capital by a similar amount and, of course, a larger amount on an economic capital basis.

On an FRS 27 basis the Group's capital exceeds its requirement by £1.5 billion up from £1.2 billion at the end of the year.

Whilst we submitted our individual capital assessment to the FSA, we have yet to receive guidance. Nonetheless we remain confident that the Group's ICA position is strong and there will be significant surplus capital.

Regulatory/Ratings Capital

- Quality of capital improved
 - > £500m innovative Tier 1 raised
- Free asset ratio* 14.3% (31 Dec 04: 12.2%)
 - > Removed implicit item
 - > Excludes £215m subordinated debt
 - > Stop-loss contract terminated 2004
- Improving ratings
 - > FP plc S&P upgrade to A-
 - > FPLP Moody's outlook from stable to positive

Strong regulatory/ratings capital

*Based on assets less liabilities (including actuarial reserves but before required regulatory minimum solvency margin) as a percentage of actuarial reserves.

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Whilst we manage our business on an economic capital basis, we do pay careful regard to both regulatory and ratings capital.

On the regulatory side we continue to improve the quality of capital with the recent £500 million Tier 1 raising. Among other things this has allowed us to improve the free asset ratio to 14.3% from 12.2% at the end of 2004. This ratio does not benefit from:

- The implicit item which we have ceased to use
- £215 million subordinated debt, because we expect to call it in 2006; and
- the stop loss reinsurance contract which was recaptured in 2004.

Our stronger capital position has been reflected in our ratings with Standard & Poor's improving the holding company to A- and Moody's moving the outlook from stable to positive.

Slide 24: Managing Cashflow

Managing Cashflow

- Improving cash generation

| | H1 2005 | H1 2004 |
|-------------------------------------|-------------|--------------|
| UK FPLP With Profit Fund | 45 | 44 |
| UK other | 6 | (53) |
| International | - | 8 |
| Net operating cash surplus/(strain) | <u>£51m</u> | <u>£(1)m</u> |

- Securitisation - effective means of recycling capital
- Good cash generation prospects over medium term for Lombard and FPI
- Asset Management cash generative

Growing the business while maintaining our dividend policy

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Cashflow generation continues to improve, supported by a net operating cash surplus of £51m in the half year from the Life and Pensions business. As you are aware the particular issue is UK Life & Pensions where good cashflows from the back book, including £45m from the with profits fund, are offset by the strain of writing new business.

UK new business is mainly written in the Pensions company, Friends Provident Pensions and the Life Company, Friends Provident Life Assurance – shown as “UK Other” on the slide. A net strain of £53 million in the first half of 2004 has turned into a small surplus in the first half of 2005. This surplus arises because of reduced protection new business strain and the increased surplus from improving income protection claims experience and also due to some one-off items including a £17 million impact of market movements.

I would expect the “UK Other” line to continue to be subject to a variety of one-off items, including changes in operating assumptions.

Securitisation remains a useful tool in managing new business strain.

We expect the International businesses to remain broadly cash neutral in the short term with good medium term cash generation prospects.

Asset Management is, of course, cash generative.

Slide 25: Financial Summary

Financial Summary

- Increasing profitability
- Diversification of earnings
- Continue to improve ROEV
- Expense control remains key
- Risk management delivering benefits
- Continued strengthening of capital position
- Improving cash generation

Continuing to grow shareholder value

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In summary we have:

- increased profitability and eps
- diversified our earnings
- improved our return on embedded value
- kept a tight control on expenses
- seen tangible benefits from our risk management approach
- strengthened our capital position; and
- improved cash generation

Whilst remaining totally focused on the key measure of growing shareholder value.

Back to Keith for the outlook.

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Keith Satchell
Group Chief Executive

Outlook

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Thank you Philip. So we have seen how all the key financial indicators are moving in the right direction and how, overall, it's a strong set of results being presented today.

Slide 27

UK Life & Pensions Outlook

- Market
 - > Prospects improving for 2006
 - > Depolarisation benefits in 2006
- Friends Provident
 - > Growing faster than the market
 - > Well prepared for "A-Day"
 - > Continued focus on profitable lines
 - > Mix will reflect future pensions growth

Growing profits and market share

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As to outlook, the UK market is certainly brightening. The stock market has continued to perform well this year, the regulatory environment is settling, and we have pensions simplification just around the corner.

The new depolarised world is with us, although benefits will not really flow through to providers, including FP, until next year.

We are in a strong position. We have a good momentum in sales, our growth outpacing the market, and we have secured a good number of distribution agreements. We are very well prepared for the pensions A-day, and in this respect, our single platform system is proving its worth. We understand that some providers are having to update about half-a-dozen different systems – an enormous task – so we believe there is genuine competitive advantage to be gained by our approach to IT. The post-A-day environment will be one where demand for defined contribution schemes and contract-based schemes with an insurance company will increase, and this plays to our position in the marketplace. In general, we will continue to focus on the four product segments, which we believe we can do profitably, but there is no doubt that the mix of business will be skewed more towards group pensions and away from protection over the short to medium term.

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International Life & Pensions Outlook

- Market
 - > Excellent prospects
- Friends Provident
 - > Strong relationships with distributors
 - > Extensive reach by region and by customer segments
 - > Positive outlook for sales and profits

Positive profitable outlook

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The recovery in the UK stock market has been pretty well mirrored internationally, and the cross border market is one of huge potential for us, not least because our combined international operations cover so much of the waterfront and have very well established relationships with distributors.

Our existing international business and Lombard are truly complementary, either operating in different regions or, where in the same region, targeting different customer segments. Our approach remains to attract more business from the existing

relationships we have, while at the same time, exploring opportunities that emerge in new regions.

The outlook is positive, both in terms of sales and profits and, as I said earlier, we fully expect our combined international operations to deliver more than half of our new business profits, on a net basis, which is a very significant reshaping of our business.

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Asset Management Outlook

- Integration benefits and synergies on track, excluding outsourcing
- Investment performance remains key focus
- European business relationships offer good opportunities
- Medium term objectives: net business inflows and a rising revenue margin

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In asset management, we are already drawing benefit from the integration, and the original estimate of £33 million of cost savings resulting from the merger still holds good, although up to £3 million of this will not be realised now until 2008. This is the amount linked to outsourcing and our decision to expand this project to achieve a better outcome, and so we are comfortable with this timing change. £20 million of synergy savings are expected to be realised this year, ahead of the original target announced for 2005.

We do not underestimate the fundamental importance of investment performance. Some good appointments have been made but there is more to do here in building our capability.

In terms of business development, we now have strong relationships established in Europe, which offer good opportunities to provide comprehensive investment solutions, based on wide product expertise.

Although further fund outflows are expected over the second half of this year on institutional business, these will be partly offset by inflows in non-insurance activities,

and our medium term objective is to achieve net inflows, coupled with a rising revenue margin.

Slide 30

Group Outlook

- UK Life & Pensions – capturing market share profitably in all chosen product lines
- International – increasing proportion of group profits
- Asset management – leading-edge platform to support further growth

Delivering shareholder value

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2005 Interims

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FRIENDS PROVIDENT

So the outlook for the Group is exciting and positive. In the UK, we expect to capture market share across the board in the four product segments we focus on, and to do so profitably. International cross border business will demonstrate its increasing contribution to Group profits. And F&C will be working to continue the general improvement in investment performance, while aiming to create a fully integrated, leading-edge platform to support future growth.

Thank you, and now we'll take your questions please.