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Friends Provident plc
8 August 2007
2007 Interim Results
175
1832
2007
YEARS OF
PROGRESSIVE
THINKING
FRIENDS
PROVIDENT

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Certain statements contained in this announcement constitute "forward-looking statements". Such forward-looking statements involve risks, uncertainties and other factors, which may cause the actual results, performance or achievements, from time to time, of Friends Provident plc, its subsidiaries and subsidiary undertakings or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors include, among others, adverse changes to laws or regulations; risks in respect of taxation; unforeseen liabilities from product reviews; asset shortfalls against product liabilities; changes in the general economic environment; levels and trends in mortality, morbidity and persistency; restrictions on access to product distribution channels; increased competition; changes in customer attitudes and trends in distribution; and the ability to attract and retain personnel. These forward-looking statements are made only as at the date of this announcement and, save where required in order to comply with the Listing Rules, there is no obligation on Friends Provident plc to update such forward-looking statements.

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Good morning ladies and gentlemen, and welcome to this presentation of Friends Provident's 2007 interim results.

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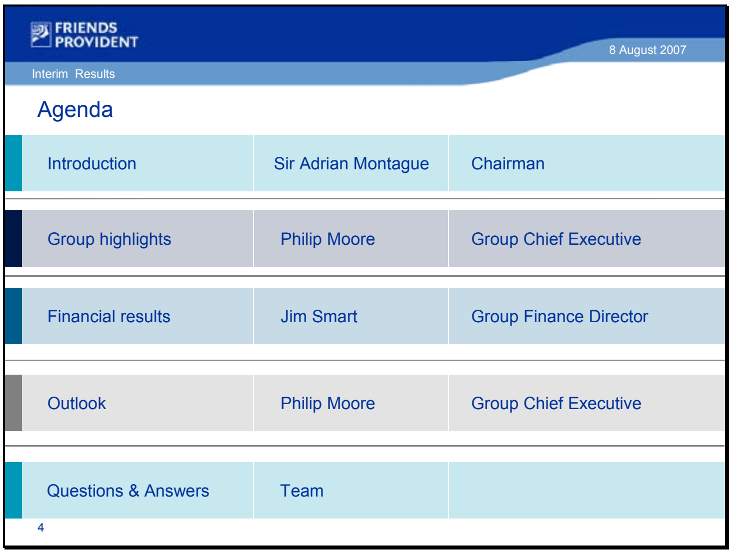


Our agenda today has a familiar running order, but we have adjusted the content of each section to recognise that you are as interested in our proposed merger with Resolution plc as in our half-year results.

After this brief introduction, I will hand over to Philip who will remind us of the advances that the Friends Provident Group has made so far this year. They are significant, and deserve not to be overshadowed by the excitement surrounding the merger.

Jim will then lead us through our half-year trading and financial results in some detail, before we hand back to Philip to comment on the outlook for Friends Provident as we stand today – a successful company with excellent prospects for profitable growth. This is a strong and exciting position for the group to be in, and it's right that we spend a few minutes to consider the real standalone position, rather than simply allowing headlines to dominate our discussion.

Philip will then conclude the formal part of the meeting by coming back to the proposed merger, and why we believe that this is the right move to make, the right deal to do. Right for the future of the group, right for the customers of both companies, and right for the shareholders.

The merger has attracted a lot of comment, but I'm struck by how the strategic case is taken as read – for both companies, each benefiting from the other and, in so doing, creating a new and powerful force in the industry.

No doubt you will have questions, and we will want to answer them as fully as we can. To help us to do that, I am also joined today by Ben Gunn, Chief Executive of Friends Provident Life & Pensions and Alain Grisay, Chief Executive of F&C Asset Management, and of course we shall take your questions at the end of the formal proceedings. Let me now hand you over to Philip…

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Thank you Adrian, and good morning

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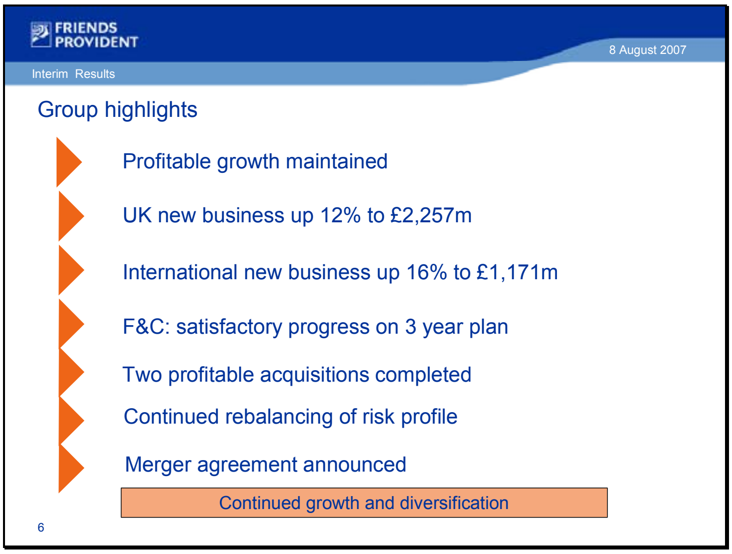


As you can see, we've had an <u>active first half</u>, characterised by further growth and diversification.

Our u/l embedded value profit is up 7%

We've had good new business results in L&P (driven by group pensions in the UK and in Int'l against some high comparators)

We've gained new licenses in Singapore and UAE

And made good progress in our activities in Germany for FPI and Switzerland for Lombard

We are satisfied with F&C's progress on its 3 year plan: Investment performance is improving, we continue to strengthen the team and we have successfully launched several new products

We acquired Sesame and Pantheon Financial giving us further insights into the HNW and investment segments

We continue to actively manage risk by, for example, the transfer of longevity exposure to Swiss Re

And we have the exciting prospect of the merger

Jim…

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Thanks Philip

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## Group Financial highlights

| EEV Basis | H1 2007 £m | H1 2006 £m | |
|---|---|---|---|
| Life & Pensions new business (PVNBP) | 3,428 | 3,032 | +13% |
| Contribution from new business | 95 | 89 | +7% |
| Life & Pensions underlying profit | 239 | 202 | +18% |
| Asset Management underlying profit | 32 | 51 | -37% |
| Group underlying profit before tax | 264 | 247 | +7% |
| **IFRS Basis** | **£m** | **£m** | |
| Group underlying profit before tax | 111 | 120 | -8% |
| Group profit before tax | 102 | 48 | +113% |
| Basic EPS | 2.2p | (0.6)p | |
| Dividend per share | 2.70p | 2.65p | +2% |

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Good morning everyone.

Life & Pensions sales were up 13% at £3,428m. Contribution from new business increased 7% with progress in the UK offset by a slight decline in our International business. Life & Pensions underlying profit was up 18% benefiting from positive experience variances. Asset management profit was down 37% as a result of investment in the growth plan. In total, group underlying profit was up 7% to £264m.

On an IFRS basis, group underlying profit was down 8% at £111m. An increase in Life and Pensions was offset by the reduction in Asset Management profit. Group profit before tax increased reflecting that in 2006 there was a charge for impairment of intangible assets. This did not recur in 2007. Earnings per share were 2.2pence and dividend per share was 2.7 pence, an increase of 2% in line with our stand alone dividend policy.

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## UK Life & Pensions new business

| | Sales | | Contribution | |
|---|---|---|---|---|
| | H1 2007 £m | H1 2006 £m | H1 2007 £m | H1 2006 £m |
| **Protection** | 202 | 199 | 14 | 18 |
| **Investment** | 268 | 364 | 1 | 6 |
| **Group pensions** | 1,298 | 1,167 | 23 | 19 |
| **Individual pensions** | 256 | 137 | 5 | 2 |
| **DWP rebates** | 87 | 34 | 8 | 2 |
| **Annuities** | 146 | 119 | 9 | 6 |
| | 2,257 | 2,020 | 62 | 53 |

| | | |
|---|---|---|
| **Margin** | 2.7% | 2.6% |
| **IRR** | 11.9% | 10.2% |
| **Payback (discounted)** | 11 yrs | 13 yrs |

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In the UK, sales were up 12%.

Protection sales were up 2%, maintaining share in a subdued market
Investment sales were down 26% owing to an extremely competitive market

Pensions and annuity sales, however, showed good growth across the portfolio

Contribution from new business was £62m helped by unusually high rebates from the Department of Work & Pensions. Contribution from Protection was down owing to margin being lower than that achieved in half 1 of 2006. But it shows an increase on the margin achieved in half 2 of 2006. Savings margins have declined as a result of competitive market conditions and more onerous persistency assumptions reflecting recent lapse experience. Internal Rate of Return in the UK increased to 11.9% and discounted payback improved to 11 years.

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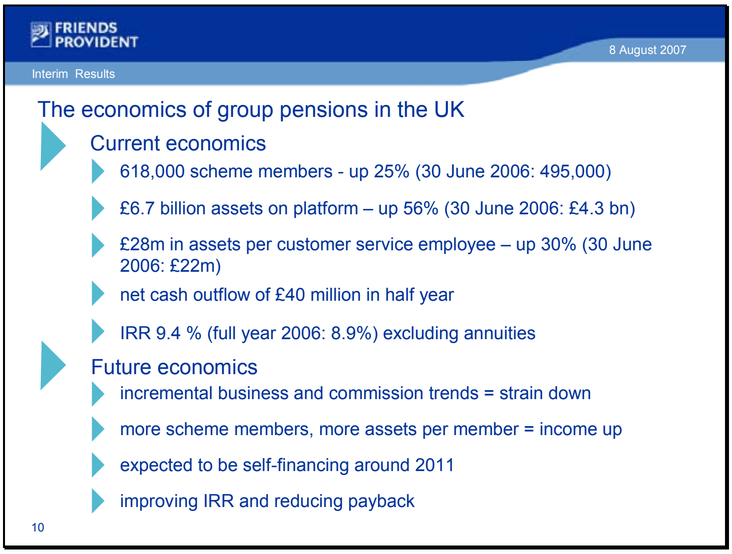


There has been some interest in the economics of our group pensions product so I thought it may be helpful to explain why we believe it is right to compete in this market.

We now have 618,000 scheme members on our platform. As we get more scheme members on our platform our efficiency improves and we now have £28m assets under management for each of our customer service employees. We now have £6.7bn under management, an increase of 56% in the year. At this stage of the development of the business the income generated from these assets does not yet cover new business cost and the net cash outflow for this business in the first half was £40m. The internal rate of return on new business was 9.4%. This IRR excludes the benefit of future annuity business, or the profit made by F&C on the Funds Under Management.

Our calculation is that in the medium to long term there are very substantial assets to be managed by insurers and that our efficient systems and expertise mean that we should be ideally placed to gain a major and profitable market position. We also believe that the economics of the business will continue to improve. New business strain should ease over time as the proportion of incremental business and the proportion of nil commission new business rise.

At the same time, the number of scheme members will continue to grow and, as schemes mature and as investment returns are earned, the average amount of savings per member will increase. In this way, income from the portfolio will grow rapidly. Our best estimate is that the business will be cash neutral by around 2011 and cash positive beyond that. At the same time, we believe that IRR and payback will continue to improve.

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## International Life & Pensions new business

| PVNBP | H1 2007 £m | H1 2006 £m | |
|---|---|---|---|
| FPI | 523 | 466 | +12% |
| Lombard | 648 | 546 | +19% |
| | 1,171 | 1,012 | +16% |

| New business profits | Contribution | | Margin | |
|---|---|---|---|---|
| | H1 2007 £m | H1 2006 £m | H1 2007 % | H1 2006 % |
| FPI | 16 | 16 | 3.1 | 3.5 |
| Lombard | 17 | 20 | 2.7 | 3.6 |
| | 33 | 36 | 2.8 | 3.6 |

| | | |
|---|---|---|
| IRR | 23.1% | 26.5% |
| Payback (discounted) | 4 | 4 |

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In our International businesses, sales were up 16%. The mix of products, and of territories in which sales were made, reduced margin. As we indicated at time of our preliminary results, we expect Lombard to have a quieter year after the 21% growth in contribution seen in 2006.

The International businesses continue to be very profitable with internal rate of return at 23.1% and discounted payback of 4 years.

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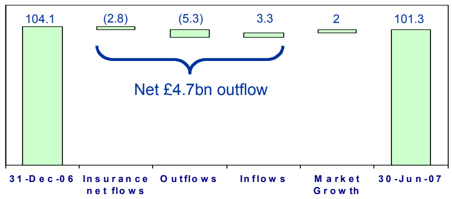
## Asset Management

Financial highlights

| | H1 2007 | H1 2006 |
|---|---|---|
| **Net revenues** | £119m | £126m |
| **Average fee rate** | 23.5bps | 22bps |
| **Operating expenses** | £84m | £75m |
| **Operating margin** | 30% | 41% |
| **Underlying profit** | £32m | £51m |
| **Underlying EPS** | 4.2p | 7.4p |

Funds under management, £bn

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In asset management, net revenues fell reflecting loss of funds from balanced mandates. Revenue margin however increased owing to success in attracting retail funds. Operating expenses increased to £84m to fund the people and infrastructure which are required to set up the multi-boutique model and to launch the associated products. Underlying profit fell to £32m and underlying EPS fell to 4.2pence. In the first half, funds under management fell to £101bn. Within this, fund losses were in line with the anticipated balanced mandate losses indicated at the time of the preliminary results.

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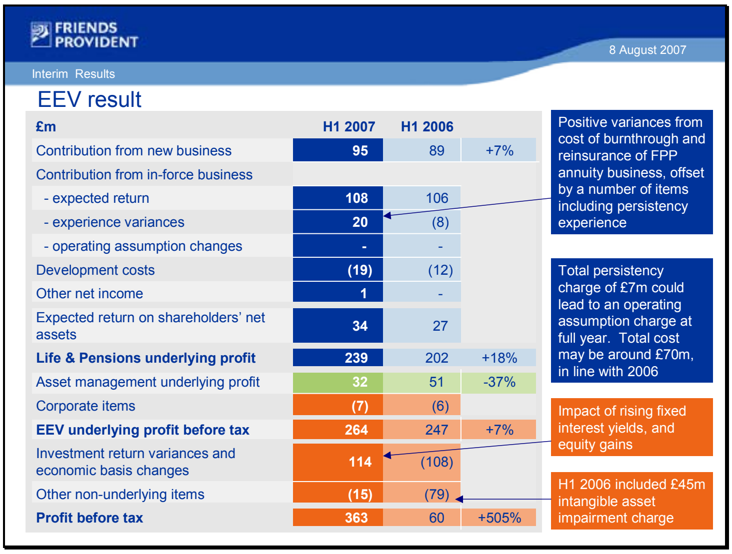

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## EEV result

| £m | H1 2007 | H1 2006 | |
|---|---|---|---|
| Contribution from new business | 95 | 89 | +7% |
| Contribution from in-force business | | | |
| - expected return | 108 | 106 | |
| - experience variances | 20 | (8) | |
| - operating assumption changes | - | - | |
| Development costs | (19) | (12) | |
| Other net income | 1 | - | |
| Expected return on shareholders' net assets | 34 | 27 | |
| **Life & Pensions underlying profit** | 239 | 202 | +18% |
| Asset management underlying profit | 32 | 51 | -37% |
| Corporate items | (7) | (6) | |
| **EEV underlying profit before tax** | 264 | 247 | +7% |
| Investment return variances and economic basis changes | 114 | (108) | |
| Other non-underlying items | (15) | (79) | |
| **Profit before tax** | 363 | 60 | +505% |

Positive variances from cost of burnthrough and reinsurance of FPP annuity business, offset by a number of items including persistency experience

Total persistency charge of £7m could lead to an operating assumption charge at full year. Total cost may be around £70m, in line with 2006

Impact of rising fixed interest yields, and equity gains

H1 2006 included £45m intangible asset impairment charge

Turning to the EEV result.

Profit before tax is £363m, up from £60m in 2006.
Contribution from new business was up 7% to £95m.
Contribution from in force business was higher owing to a £20m positive experience variance. £12m of this results from the reinsurance of £1.7bn of annuity liabilities. The remainder largely results from improved modelling of risks in the with profits book.

In total, profit has been charged with £7m for persistency experience. This results largely from legacy products: particularly with profits bonds and old style group pensions schemes. We are however seeing increased lapses in our Investment Portfolio Bond product as customers withdraw savings or are advised to move to new products. This is an emerging trend and it is not yet possible to be precise about the size of the operating assumption change which we may have to make at year end. However, as an indication of scale, if experience remains at current levels, we would take a total charge of around £70m which is in line with that recognised last year.

The main driver of the growth in profit before tax are Investment Return Variances and Economic Basis Changes reflecting movement in interest rates and equities.

Other non-underlying charges are lower this year. 2006 included a charge for impairment of intangible assets. This has not been repeated in 2007.

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## IFRS result

| £m | H1 2007 | H1 2006 | |
|---|---|---|---|
| New business strain | (65) | (86) | |
| In-force surplus | 112 | 135 | |
| Investment return | 38 | 26 | |
| Life & Pensions underlying profit | 85 | 75 | +27% |
| Asset Management | 32 | 51 | -37% |
| Corporate items | (6) | (6) | |
| **Underlying profit before tax** | 111 | 120 | -2% |
| Investment return variances | (52) | (60) | |
| Other non-underlying items | 43 | (12) | |
| **Profit before tax** | 102 | 48 | +125% |

| New business strain, £m | H1 2007 | H1 2006 |
|---|---|---|
| UK | 44 | 75 |
| International | 21 | 11 |
| Total | 65 | 86 |

UK surplus reduced to £83 million (2006: £105m) by impact of PS06/14

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On an IFRS basis, profit before tax is up 125% to £102m.
New business strain was lower than in 2006 owing to product mix and the impact of reserving basis changes

In force surplus was reduced by the reserving basis changes and benefited by £11m from the reinsurance of annuity liabilities.

The other lines in the income statement are affected by the same factors as affected their equivalents in the EEV income statement.

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## Dividend and Balance sheet

| | H1 2007 | H1 2006 |
|---|---|---|
| Underlying earnings per share | 4.6p | 3.8p |
| Dividend | 2.7p | 2.65p |
| Cover (Full year implied) | 1.1x | 1.0x |

| **Pro forma net assets on the EEV basis £m** | **30 June 2007** | **31 Dec 2006** |
|---|---|---|
| **Pro-forma EEV** | 3,808 | 3,660 |
| **Pro-forma EEV per share** | £1.77 | £1.73 |

| | **30 June 2007** | **31 Dec 2006** |
|---|---|---|
| **Gearing** | 29.4% | 31.6% |
| **Credit rating FP plc (Standard & Poor's)** | A- | A- |
| **Excess group solvency capital resources** | £1.0bn | £1.0bn |

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Underlying earnings per share were up 21% at 4.6 pence implying a dividend cover of 1.1 times.

Proforma EEV increased 4% to £3,808m. We will implement the change to UK tax rates in the second half. We estimate this will increase EEV by around £34m.

The balance sheet remains strong with gearing at 29.4% and an A- credit rating.

The group's capital position also remains strong. Excess capital resources are £1.0bn on a regulatory basis. Longevity risk has been managed down by reinsuring a proportion of the portfolio.

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## Shareholder cash generation and financing

| £m | H1 2007 | H1 2006 |
|---|---|---|
| UK new business strain | (126) | (175) |
| UK in-force surplus | 127 | 159 |
| UK inflow/(outflow) | 1 | (16) |
| One-off items | 56 | - |
| International | 7 | 9 |
| F&C Dividend | 18 | 18 |
| Investment return / other | 81 | 34 |
| Tax | 12 | (2) |
| Cash generated before financing | 175 | 43 |
| Dividend | (110) | (108) |
| Securitisation | (38) | (37) |
| Fin Re | - | (12) |
| Investment in subs. (net of assets acquired) | (48) | (59) |
| Other (mainly issue of shares) | 4 | 12 |
| Net outflow | (17) | (161) |

Shareholder cash resources

| £m | 30 June 2007 | 31 Dec 2006 |
|---|---|---|
| SINA | 1,233 | 1,164 |
| Less: intangible assets acquired | (48) | - |
| Securitisation | 55 | 93 |
| | 1,240 | 1,257 |

In the first half of 2007, the group generated £175m of cash before financing items.

New business strain has fallen by £49m largely owing to the reserving bases changes for morbidity and PS06/14 last year.

International and F&C both contributed small cash inflows. Investment returns were more positive than in 2006 and £56m in reserves were released as a result of the annuity reinsurance contract.

The cash generated before financing items was deployed £110m to pay the final dividend and £38m to repay securitisation. In addition a net £48m was used to purchase our IFA businesses.

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Our funding position has been the subject of some interest so I thought it might be useful to explain how we can we can fund our organic new business growth plans without recourse to the equity market.

As I said at our preliminary results, the group's cash position is under strain caused by our new business growth in the UK. You will recall that this caused a £62m outflow in the UK in 2006. I said then that the cash position was under control and could be funded in the short term with one off reserve releases and by increasing debt hence gearing up the balance sheet within our current A- credit rating. I also said that in the medium term it would be necessary to close the cash gap in the UK and open up a positive gap.

The cash gap looks to have closed in the first half but there are a number of factors obscuring the underlying position. In addition, the completion of PS06/14 in the second half will deliver around £150m of surplus release but will reduce both the underlying new business strain and in force surplus. After PS06/14, the 2007 underlying cash flow in the UK is around an £80m outflow.

The amount of new business strain depends on market rates of commission and on our growth rate. In the short term we need to invest sufficient to maintain growth. We will manage this from period to period but our expectation is that this cost will fall in the medium term.

As management charges from funds under management grow, we expect the in force surplus to increase by £20m to £30m per annum.

We thus expect the UK cash gap to close in the next 3 to 4 years. The aggregate cash shortfall until operating cashflow is sufficient to fund not only the group's new business growth but also its dividend is likely to be up to £400m.

As you have seen from our balance sheet, we have adequate surplus capital to fund this but we want to keep a reasonable buffer for risks and uncertainties and to have the ability to capture profitable growth opportunities as they emerge. Our standalone plan was therefore to raise lower tier 2 debt of up to £500m. We believe this can be accommodated within the debt capacity consistent with our rating. In light of our proposed merger with Resolution, this funding will no longer be required.

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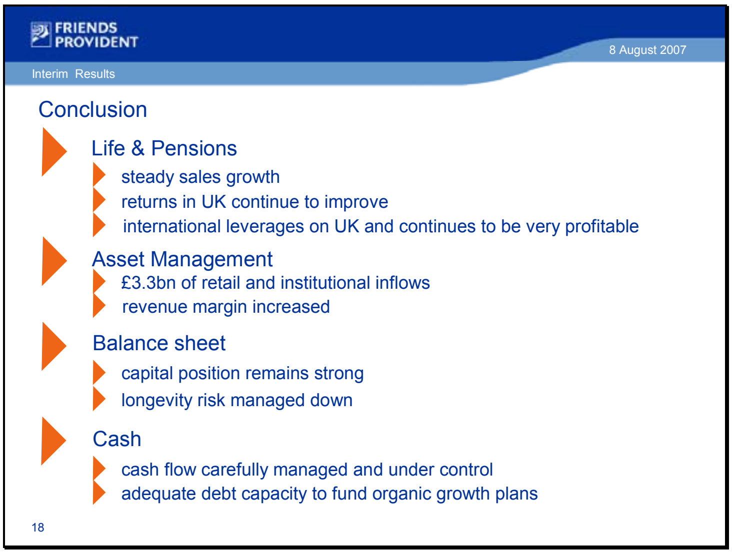


In conclusion, we are making steady progress in life and pensions sales. Returns in the UK business continue to improve. The International business leverages off the UK products, systems and reputation and it remains very profitable

Asset management has recorded an inflow of £3.3bn in new retail and institutional business and revenue margins have improved as a result. The Group's capital position remains strong. Longevity risk has been managed down by reinsuring a proportion of the portfolio.

The Group's cash position remains under control. We will continue to manage it from period to period depending on the number and profitability of the opportunities available. There is however adequate debt capacity to fund the cost of our organic growth plans which should deliver profitable market positions both in the UK and Internationally.
I will now hand back to Philip

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Thank you Jim

I will cover the outlook in two parts

First on a standalone basis

And then by adding the significant additional benefits of the merger

Starting with UK Life and Pensions outlook…

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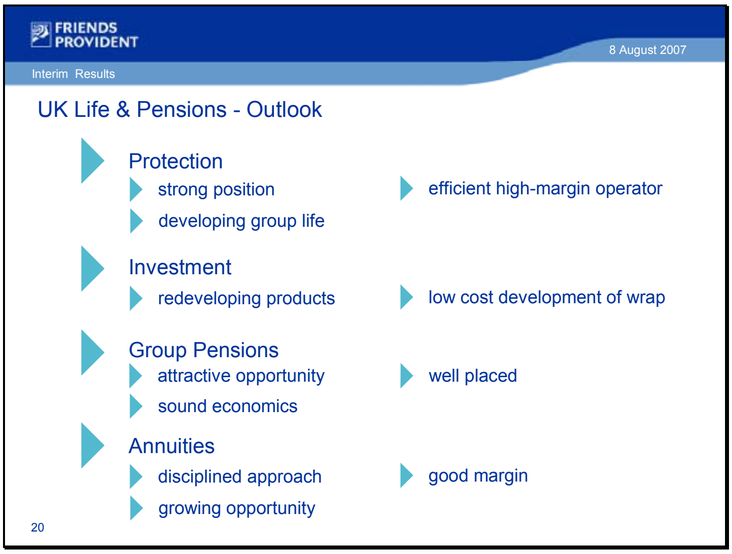


In protection we have a strong position due to our efficient systems and excellent service and an 8% market share.
But due to the good margins to be made, we expect competition to remain intense, especially in a flat market.
However, we expect to increase our market share in 2007

Our performance in investment has been poor, due to being behind the market in product development and because of increasing lapses
We will use the balance of 2007 to completely revise our product range and expect progress in 2008
We are confident that our relatively low cost Wrap development will allow us to build a strong position in this segment over the medium term

The group pensions story is unchanged
We expect significant growth in this market due to the move from DB to DC and from trust to contract based schemes
And we are one of a few providers that can efficiently and profitably administer this business
The outlook remains bright

In annuities we have maintained our pricing approach to reflect the risk inherent in this business and so achieve good margin

We expect continued moderate growth as maturities from the in force pensions book increase

In conclusion, we see lots of opportunity in UK Life and Pensions, although, the effect of the flat and competitive protection market, and the adverse persistency on investment products, will lengthen the time needed to reach our ambitious 2008 VNB target

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Our strategy for International remains unchanged and the outlook is good

FPI continues to widen its distribution reach and we are hopeful about the prospects arising from new licenses in Singapore and the United Arab Emirates

And we are excited by the potential in Germany during the traditional Q4 pensions bulge

In contrast Lombard is investing in deepening its relationships with its existing distribution partners and developing its Swiss branch, where the potential for Lombard's skills remains huge

As we have said before we expect International to enjoy double digit growth in the value of new business over the medium term, with 2007 being a quieter year than 2006

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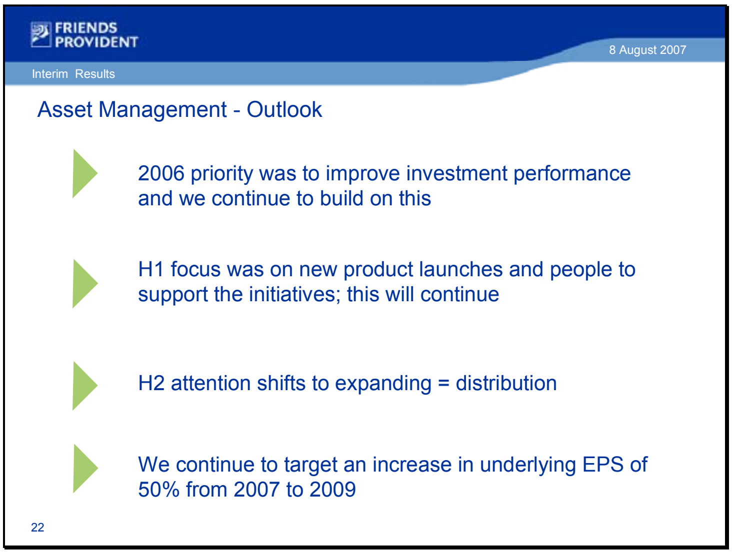


F&C has made satisfactory progress in its 3 year growth plan

It remains focused on Investment Performance, building on the sharp improvements announced in March

And the recruitment and product launches seen in the first half will continue into the second

But in addition, the focus will move to distribution, as fund inflows have clearly started to accelerate

The target of increasing the underlying EPS in 2009 to 50% above the 2007 level remains

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In summary we have three great businesses, all at different stages of their development but all with strong prospects and a determination to build success

And we see good opportunities for all three

Since last year, we are a larger group with more operations in more territories – next year, even without the merger, we will be larger still and will have advanced further afield

So Friends Provident is a strong and progressive standalone business, differentiated by service and technology.

But-the-merger-will-enhance-those-prospects-significantly

Why?

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The merger takes our growth engine and

Adds to it some significantly underserved distribution channels and customer bases

Another powerful protection brand in Scottish Provident

An asset manager with over £60bn of assets

And substantial cashflows

To produce a combined business expected to have an ongoing operating cash surplus after funding growth

And an enhanced dividend

In short it is a value creating combination of growth and cash

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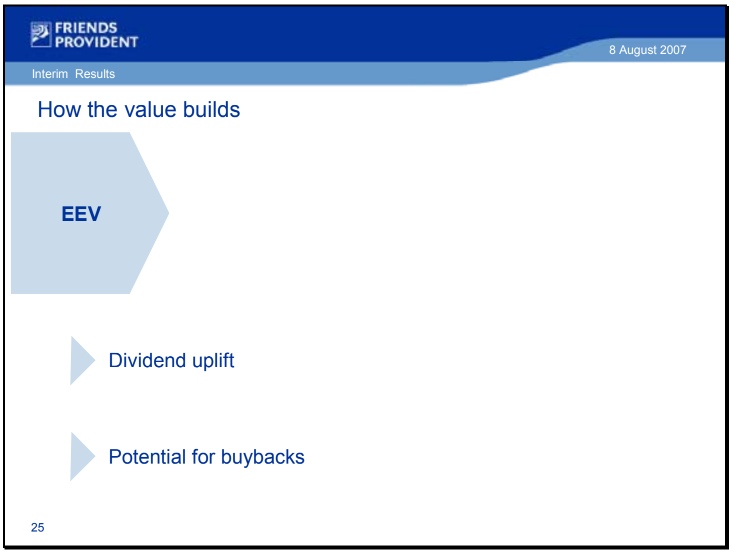


So how does that enhanced value build?

The base line is a significant embedded value

This produces strong cashflows to allow both

Dividend uplift; and

The potential for Buybacks

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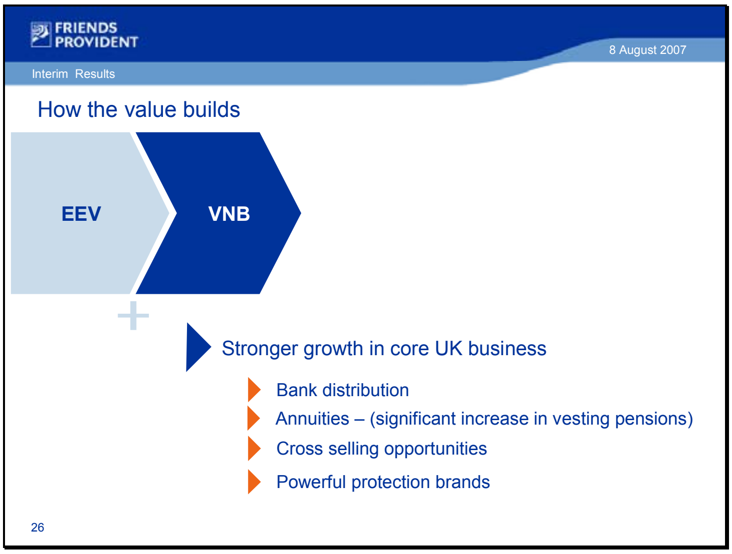


Add to that the potential for additional new Friends Provident originated business:

700 Abbey bank branches with considerably lower branch productivity than leading bancassurers

About a tripling of the amount of vesting pensions to be converted to annuities

And the cross selling potential of 7m, largely unintermediated, customers

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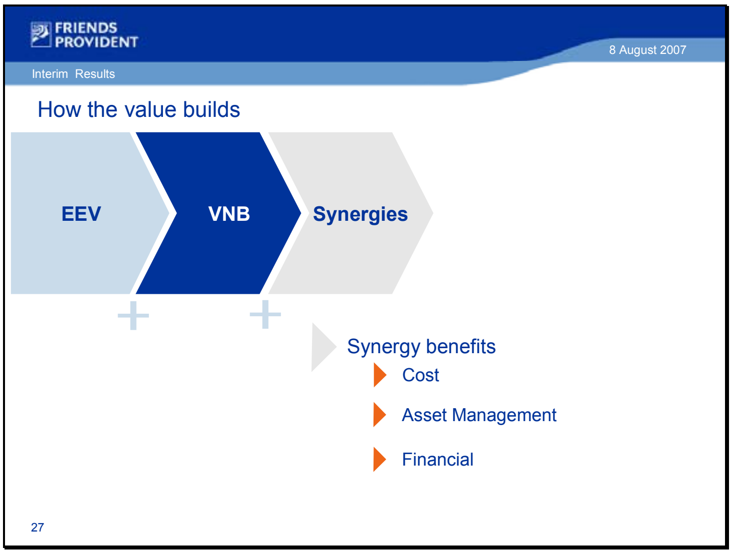


Then add the value of the £100m pa expected cost and financial synergies

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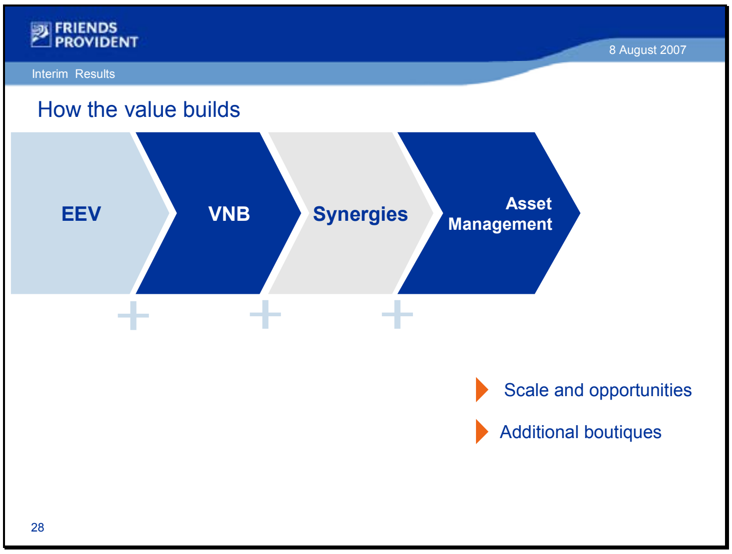


Plus the enhancement to F&C's strategy coming from

Additional scale;

Some more boutiques coming from Resolution Asset Management

And a business that in 2006 had about £1bn of retail fund gross inflows and made £32m of pre tax profit

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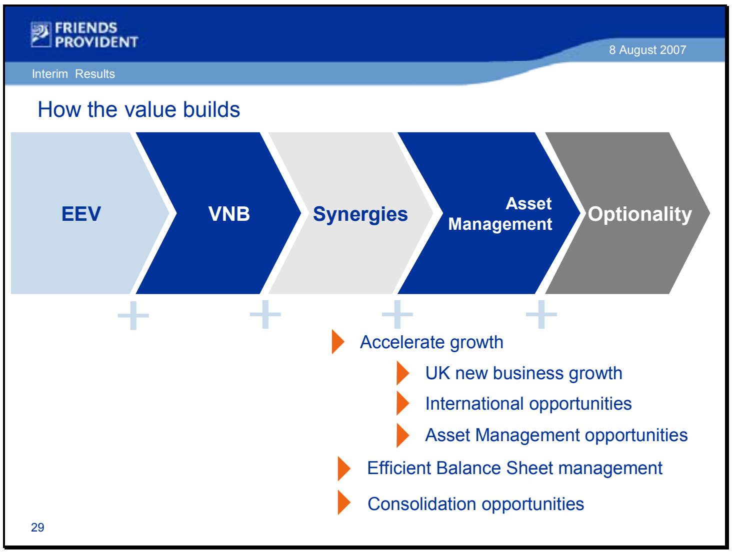


And finally add the optionality value of:

Our ability to pursue other growth opportunities in life and pensions and asset management;

Applying FP’s risk and capital management skills to the Resolution funds

And a player powerful enough to play in the next phase of consolidation in the UK life and pensions arena be it from acquisition or disposal of books

All of which gives you, in our view, significant value enhancement for Friends Provident’s (and Resolution’s) shareholders

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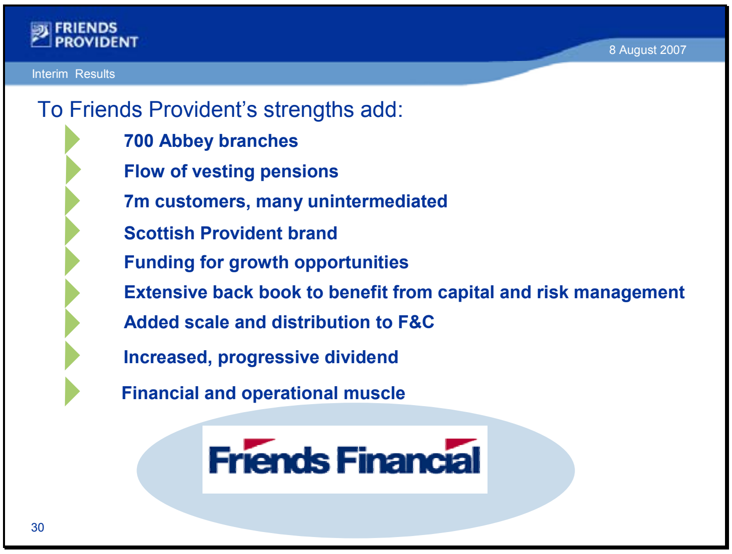


To conclude, Friends Financial has all of Friends Provident's strengths and

Access to 700 seriously underserved Abbey bank branches

A big increase in the flow of vesting pensions

A further 7m customers

The Scottish Provident brand

A source of cash, enabling us to further fund growth opportunities that meet our financial disciplines

An extensive backbook to benefit from FP's capital management expertise

More than £60bn added to funds under management; and finally

An increased, progressive dividend and the potential for buybacks

In short, the merger delivers financial and operational muscle to enhance growth prospects significantly

Thank you.  We are happy to take your questions.

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Questions & Answers

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## Appendices

- UK Life & Pensions PVNBP
- International Life & Pensions PVNBP
- F&C Assets under Management by source and asset type
- Definitions of margin, IRR and payback period
- EEV derived risk discount rates by product type
- FPLP fund structure

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FRIENDS PROVIDENT

8 August 2007

Interim Results

## UK Life & Pensions PVNBP

| PVNBP | H1 2007 £m | H1 2006 £m | |
|---|---|---|---|
| **UK Life & Pensions** | | | |
| Protection | 202 | 199 | +2% |
| Investment | 268 | 364 | -26% |
| Individual pensions | 256 | 137 | +87% |
| DWP rebates | 87 | 34 | +56% |
| Group pensions | 1,298 | 1,167 | +11% |
| Annuities | 146 | 119 | +23% |
| **Total** | 2,257 | 2,020 | +12% |

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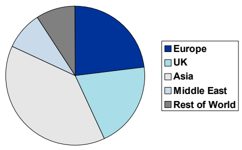
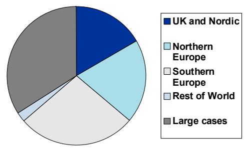
## International Life & Pensions PVNBP

| PVNBP | H1 2007 £m | H1 2006 £m | |
|---|---|---|---|
| **International Life & Pensions** | | | |
| **FPI** | **523** | 466 | **+12%** |
| **Lombard** | **648** | 546 | **+19%** |
| **Total** | **1,171** | 1,012 | **+16%** |

### FPI - PVNBP




### Lombard - PVNBP



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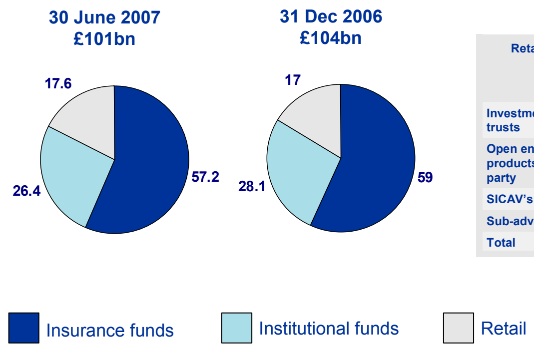
## F&C Assets under management – by source (£bn)




| Retail | 30 June 2007 £bn | 31 Dec 2006 £bn |
|---|---|---|
| Investment trusts | 6.7 | 6.5 |
| Open ended products – 3rd party | 3.4 | 3.0 |
| SICAV's | 0.7 | 0.5 |
| Sub-advisory | 6.8 | 7.0 |
| Total | 17.6 | 17.0 |

F&C Investments

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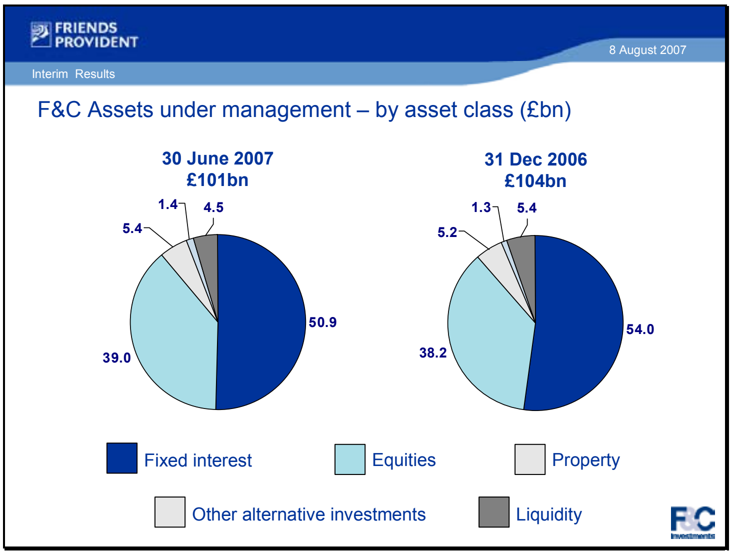
FRIENDS PROVIDENT
8 August 2007
Interim Results
F&C Assets under management – by asset class (£bn)
30 June 2007
£101bn
1.4
4.5
5.4
50.9
39.0
31 Dec 2006
£104bn
1.3
5.4
5.2
54.0
38.2
Fixed interest
Equities
Property
Other alternative investments
Liquidity
F&C Investments

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FRIENDS PROVIDENT



## Definitions of margin, IRR and payback period

Margins are defined as the pre tax contribution from new business generated by each product type, divided by the new business volume for that product. Contribution is calculated using economic assumptions at the beginning of the period, and is quoted after the cost of required capital, share based payments and including an apportionment of fixed acquisition expenses across products.

The Internal Rate of Return (IRR) is equivalent to the discount rate at which the present value of the after tax cash flows expected to be earned over the lifetime of the business written is equal to the capital invested to support the writing of the business. All assumptions and expenses in the calculation of IRR are consistent with those used for calculating the contribution from new business.

Payback Period is the time at which the value of the expected cash flows, after tax, is sufficient to have recouped the capital invested to support the writing of the business. The cash flows are discounted at the appropriate risk-discount rate and calculated on the same assumptions and expense basis as those used for the contribution from new business.

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## EEV derived discount rate by product type

| | 30 June 2007 | 31 Dec 2006 |
|---|---|---|
| **UK** | | |
| - UK With Profits | 10.4 | 12.1 |
| - UK annuities | 11.8 | 12.6 |
| - Other UK | 7.5 | 6.6 |
| **Total UK** | 8.1 | 7.7 |
| **International** | | |
| - Sterling | 7.4 | 6.8 |
| - Euro | 7.7 | 7.0 |

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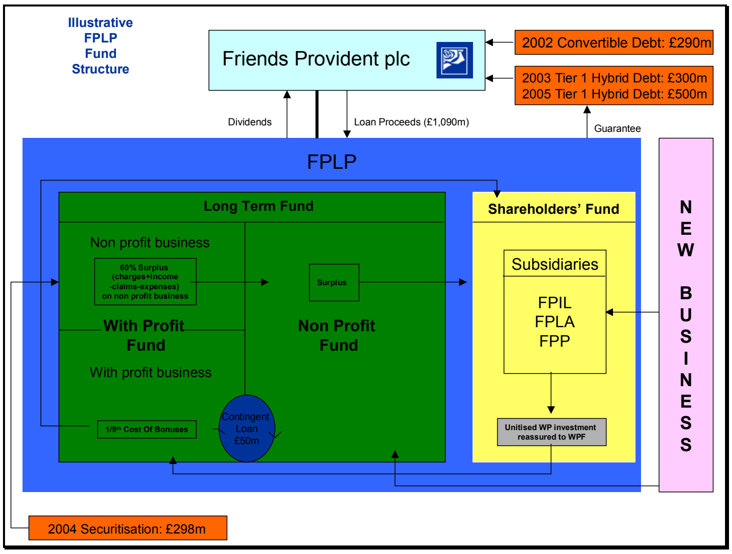
Illustrative
FPLP
Fund
Structure
Friends Provident plc
2002 Convertible Debt: £290m
2003 Tier 1 Hybrid Debt: £300m
2005 Tier 1 Hybrid Debt: £500m
Dividends
Loan Proceeds (£1,090m)
Guarantee
FPLP
Long Term Fund
Non profit business
60% Surplus
(charges+income
-claims-expenses)
on non profit business
Surplus
With Profit
Fund
Non Profit
Fund
With profit business
1/9th Cost Of Bonuses
Contingent
Loan
£50m
Shareholders' Fund
Subsidiaries
FPIL
FPLA
FPP
Unitised WP investment
reassured to WPF
NEW BUSINESS
2004 Securitisation: £298m