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FRIENDS PROVIDENT

Friends Provident plc

2007 Preliminary Results

11 March 2008

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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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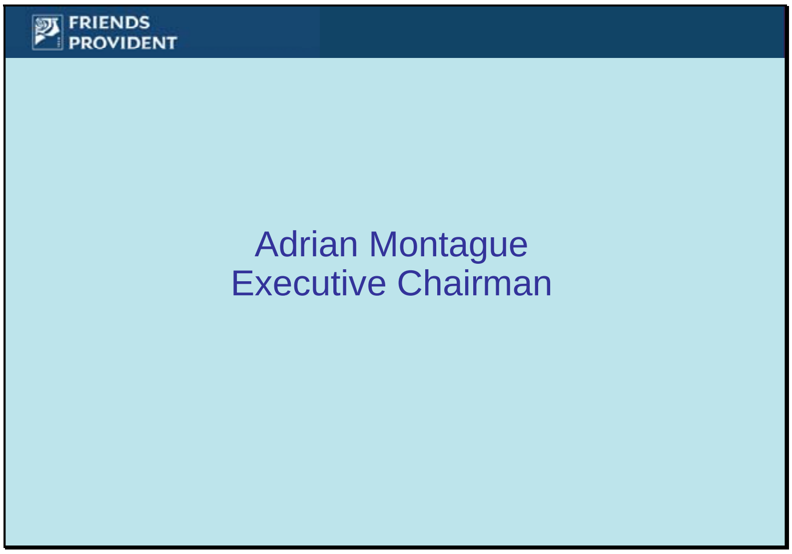

Good morning ladies and gentlemen and welcome to this presentation of our 2007 results.

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Agenda

Introductory remarks	Adrian Montague	Executive Chairman
Financial results	Jim Smart	Chief Financial Officer
Outlook	Adrian Montague	Executive Chairman
Questions & Answers	Team	

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FRIENDS PROVIDENT

After a few introductory remarks, I will hand over to Jim Smart, our Chief Financial Officer, who will lead you through the financial results in some detail. I will then conclude the formal presentation, spending just a few moments considering our future prospects, before opening the meeting up to take your questions. As usual, a number of my colleagues are on hand to help in answering your questions as fully as possible, including Ben Gunn and Alain Grisay, the chief executives of our life & pensions business and F&C respectively.

What is different from usual, of course, is that we have already hosted an event only a month or so ago, to present the broad outcome of our strategic review, and that included much of the same detail. As you might expect, the figures being announced today are absolutely in line with those reported at the end of January.

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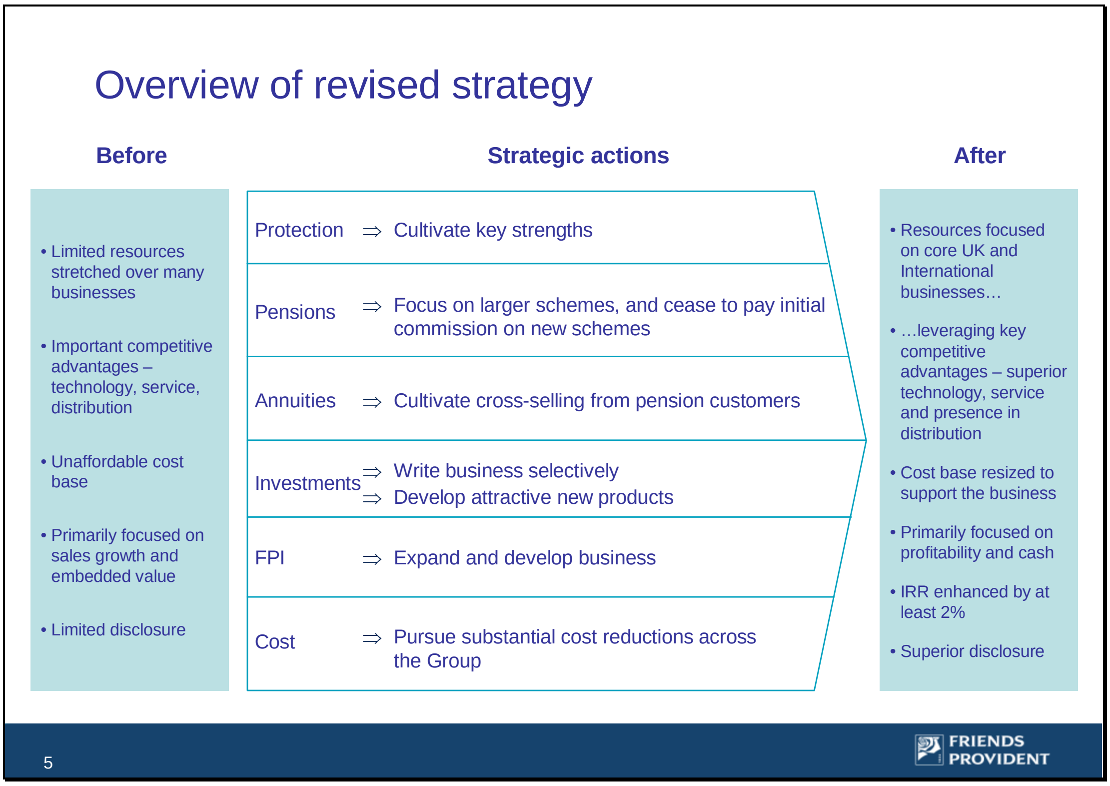

I do not propose to go over old ground again this morning, other than to remind you in the broadest terms of the change in our strategy.

This slide has been extracted from our January presentation and shows the journey of change that we are now on. In short, before our strategic review, we were stretching our resources across a number of businesses, seeking to grow on many fronts and incurring the high costs that such a strategy entailed. We had competitive advantages in certain markets but not in others, yet our strategy was to pursue volume growth where we could. Our profitability was suffering accordingly.

We are aiming to become a less resource-hungry business. Our new trading focus puts profits ahead of volumes and builds on the strong positions we already hold in protection and group pensions. We are adopting a more selective approach to other market segments in the UK and are no longer pursuing wealth management beyond the manufacture and administration of life and pensions products.

The more profitable international markets will be targeted through Friends Provident International – a business that is advancing strongly and developing in new territories.

We look to provide better returns to our shareholders by becoming a more profitable organisation. Our approach is to improve cashflow and reduce the capital intensity of our UK business, and to grow our international business as a priority. We believe we will achieve this by changing our trading focus, by reducing our cost base, and by establishing a financial framework by which to govern and measure our progress.

Once the new strategy has been successfully implemented, Friends Provident will be self financing and capable of investing for further growth, particularly in international territories. A measure of the impact of the new strategy, once fully implemented, is that we expect it to add around 2 percentage points to the overall internal rate of return, with the prospect of improving this further over time.

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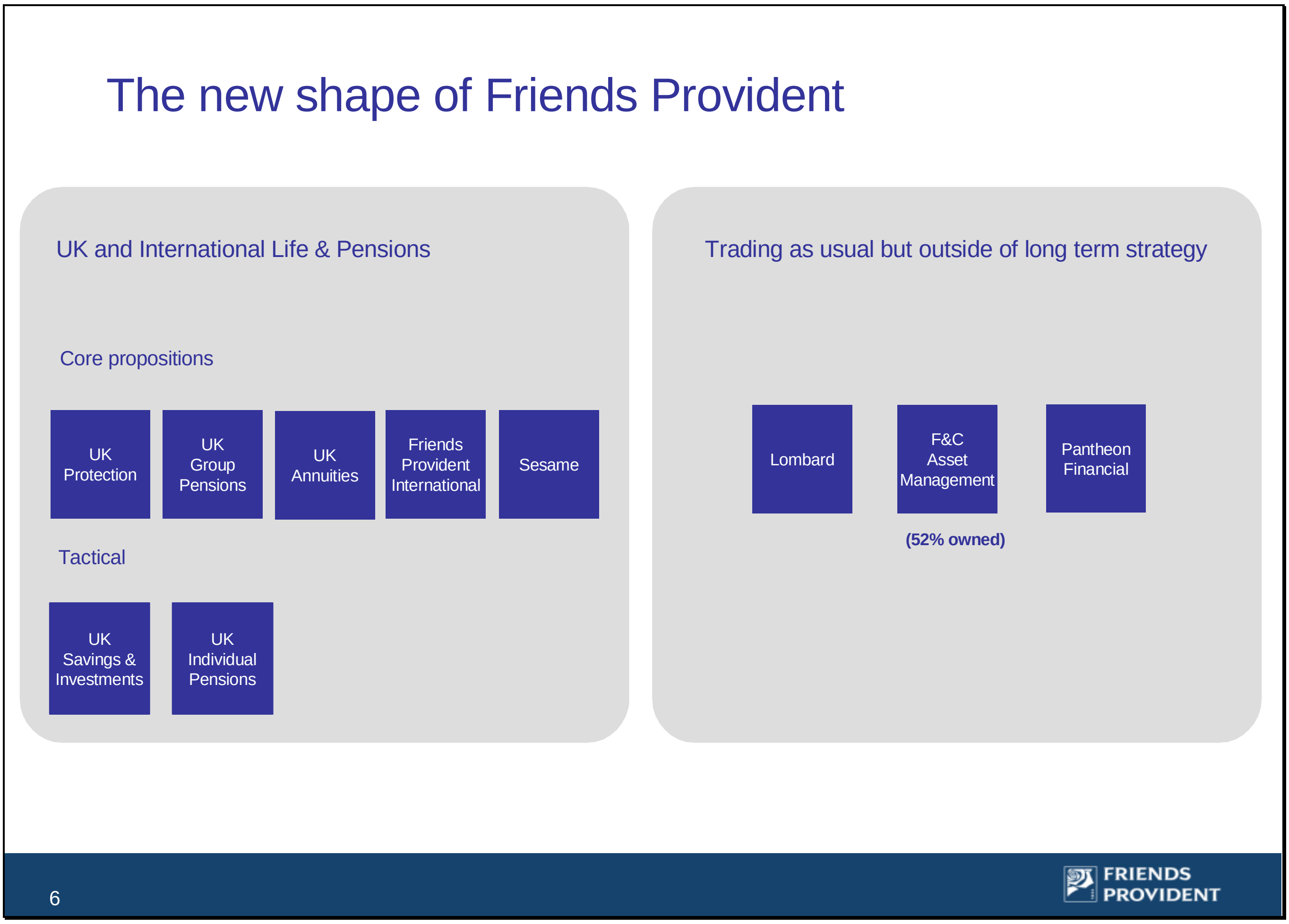

This is the shape of the new Friends Provident. A streamlined business, centred on our core strength of manufacturing and administering life and pensions products, and focused on the areas of business we do well.

Early reactions have been encouraging. Shareholders have acknowledged the thoroughness of the review and endorsed the conclusions. They also appreciate that we have gone further than others in the industry towards providing sufficient information to judge better the value of our business and its future prospects. Those who direct the leading intermediary firms understand completely the rationale for our focus on protection and pensions, and are supportive and keen to maintain access to our underlying propositions which they view as strong.

Implementation of the new strategy is our highest priority. We did say that interims this year would be the time when you should expect to hear how we are getting on, but I can tell you that good progress is being made already.

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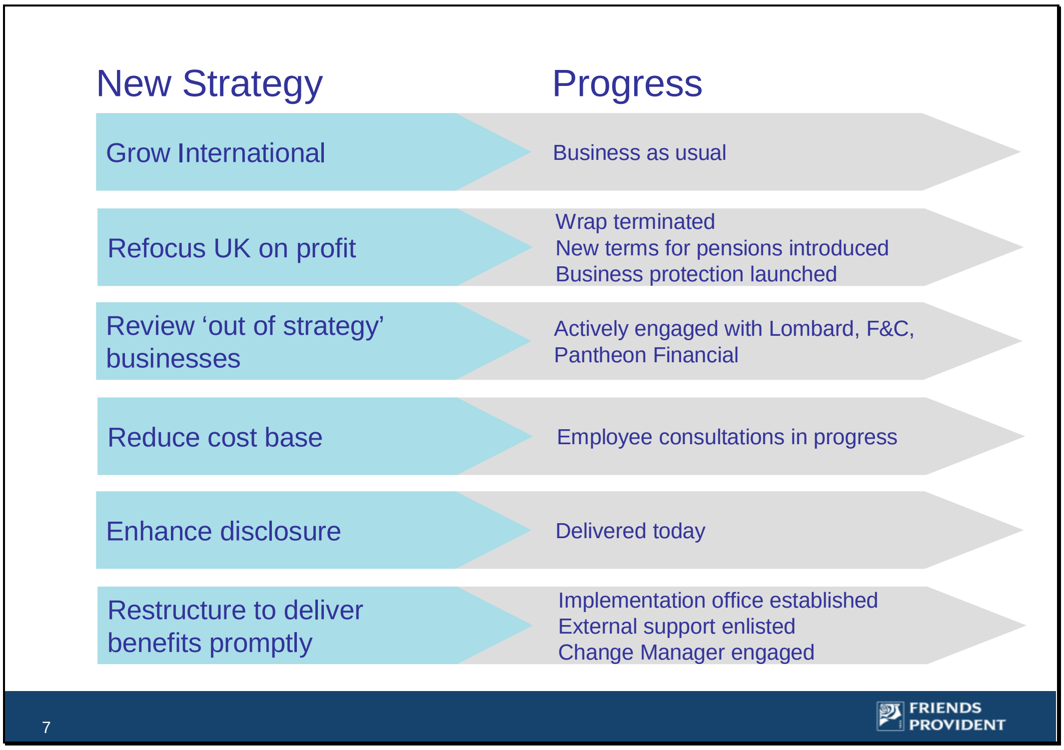

These are the key building blocks of the new strategy: emphasise international growth; refocus our UK trading on profit; review the options for the three businesses now outside of strategy; reduce costs significantly; enhance financial disclosure; and do what is necessary to design and align the operational structure in a way that reinforces the disciplines inherent in the new strategy.

(build)

For international, it is really more of the same, building on the excellent progress being made by FPI.

(build)

In our UK business, we have closed down all activities relating to Wrap development, we have introduced new terms for pensions business, both group and individual, and we have launched a business protection product in line with our strategic objective of entering new segments of the UK protection market.

(build)

As for Lombard, F&C and Pantheon Financial, let me remind you that we did leave all options open regarding the best strategies for these businesses, and there is little more that I can add this morning. The position remains that these are good businesses, performing well. We are actively engaged in exploring all the opportunities with their management teams, and rapid progress is being made, but we will not be rushed into actions that fail to meet our objective of maximising value for shareholders. It is worth recalling that any associated release of capital will be returned to our shareholders, not used to fund our new strategy.

(build)

Achieving our cost objective is of course closely linked with establishing staffing levels that are appropriate to the new shape and scale of the business. It is absolutely right that these deliberations include formal periods of consultation with our people, but again, good progress is being made, particularly in those areas that are more immediately affected by change, such as wrap and sales.

(build)

As for enhanced disclosure, we announced in January what greater detail you could expect, and we are delivering to that commitment today.

(build)

Finally, implementing the new strategy requires us to redesign and rebuild our structures and processes. We have selected a team of senior people to oversee implementation, and to ensure that the benefits of this new strategy emerge as quickly as possible. These change programmes always benefit from combining internal and external knowledge and expertise, and therefore this team is being supported by a team from Booz Allen. And we have engaged a very experienced change manager to determine the team's overall structure and how it will operate.

There is much more still to do, but good progress is being made on a number of fronts, and much will be accomplished ahead of the arrival of Trevor Matthews who, as you probably know, will be joining us in late July. However, Trevor is being kept fully informed of developments. He also supports fully our new strategic direction.

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Let me just conclude this section by highlighting just some of the current awards that we hold. They are only a selection, and I show them to remind you all that the core business is a very good one and is held in high regard among intermediaries and trade publications at several levels, whether it be for our products, for our service or for our e-commerce capabilities. We may be on a journey of change, but it is starting from a position of real strength.

And now I shall hand over to Jim to lead you through the financials.

Thank you Jim.

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Jim Smart
Chief Financial Officer

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Group financial KPIs

	2007	2006
IFRS underlying (loss)/profit before tax	**£ (46)m**	£400m
Shareholder cash generation	**£177m**	£340m
EEV underlying profit before tax	**£16m**	£509m
Contribution from new business	**£206m**	£204m
Internal rate of return on new business	**14.4%**	12.7%
Cash payback on new business	**9 years**	9 years
Embedded value	**£3,725m**	£3,660m
Group solvency excess capital resources	**£1.3bn**	£1.0bn
Total shareholder return	**(21.5)%**	19.0%

- Results in line with 31st January announcement
- Results underpin the need for the new strategy
- Impact of one-offs on IFRS £(135)m, Cash £87m, EEV £(464)m
- Cash generation positive but before one-offs is below current cost of dividend
- New business IRR improved with benefits from reserving changes and mix of business
- Balance sheet remains strong

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Good morning.

I shall take you through some of the key financial messages. What I will show you is that the results are in line with the guidance we gave on 31 January, that they underpin the need for the new strategy and that the new strategy is building on some firm foundations which are evident in the 2007 numbers.

There is a lot happening in our results so let me first take you through the headline key financial performance indicators before explaining some of the background in more detail so you can see the underlying position.

The IFRS underlying loss for the year is £46m including a net one off charge of £135m for expenses, reserving changes from PS06/14, and deferred acquisition cost write offs.

Shareholder cash generation before finance items is £177m. This includes a one off benefit of £87m. The remaining £90m is still below the dividend cost in the year of £168m.

EEV underlying profit was £16m versus the £20m indicated in January. This is net of a charge of £464m for capitalising costs and lapses.

Contribution from new business was broadly unchanged at £206m but IRR on new business increased to 14.4% benefiting from reserving changes and the mix of business written.

Cash payback was maintained at 9 years.

Embedded value increased to £3,725m following the issue of shares in settlement of the convertible bond. It was however reduced by £405m of charges for lapses, for capitalised expenses and for tax changes.

Surplus capital strengthened to £1.3bn as a result of the maturity of the Convertible Bond and F&C's raising tier II debt.

Shareholder return was minus 21.5% versus a Life Sector average of minus 6.9%

Those are the headlines, but let me explain the constituent elements.

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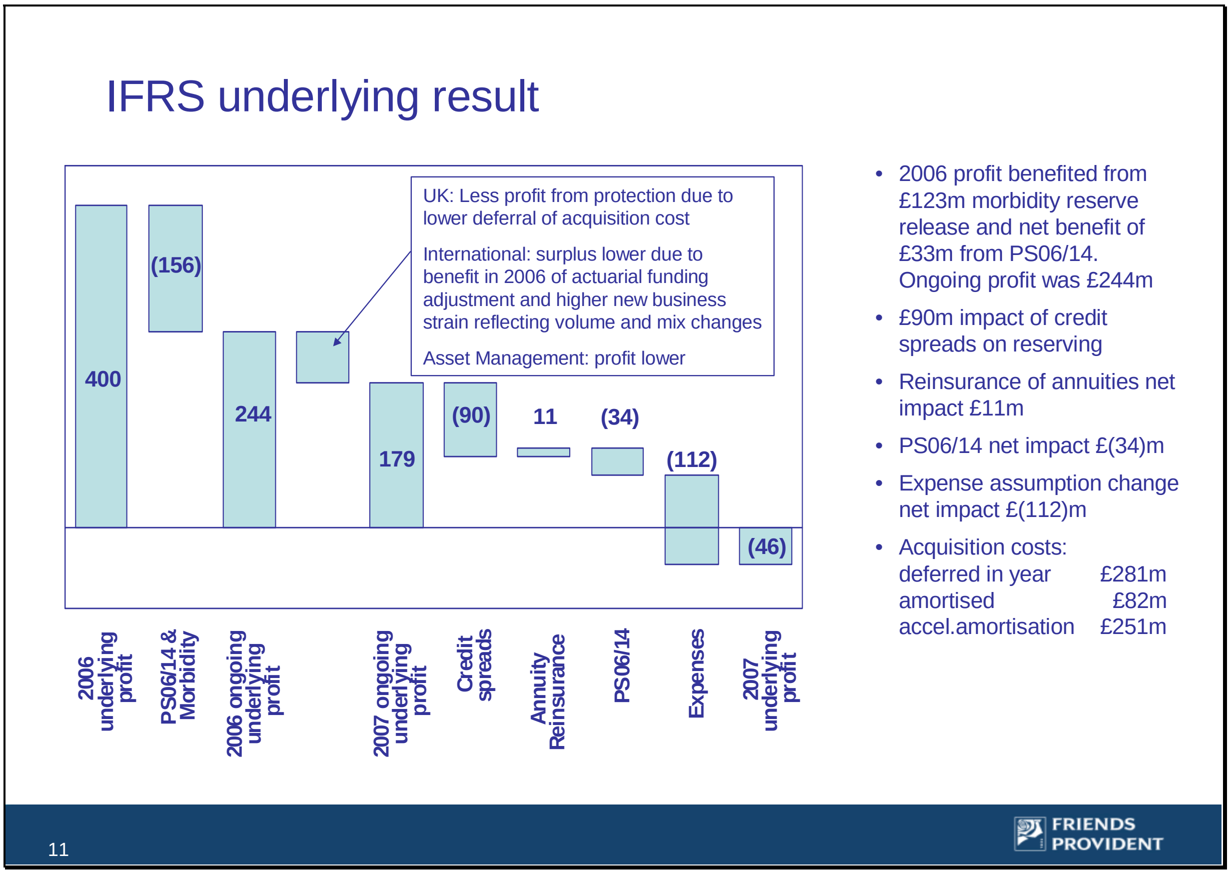

Turning first to IFRS which is our preferred measure of short term performance.

The 2006 underlying IFRS result was £400m. You will recall that, as we reported at the time, this included a one off benefit of £156m from better claims incidence experience, or morbidity, and PS06/14. This left an ongoing profit of £244m. On an equivalent basis, the 2007 profit is only £179m, a reduction of £65m or 27%. This reduction is caused by three main factors:

Firstly, the UK Life & Pensions profit is £20m less as a smaller proportion of acquisition cost is now deferred on Protection so reducing near term profit.

Secondly, the FPI profit is £22m lower reflecting a £15m reserve release in 2006 not recurring and higher new business strain from the very rapid sales growth in 2007.

Thirdly, F&C profit was £11m lower as they increased cost to invest in their new strategy.

From this ongoing profit of £179m we have deducted a number of one off items.

A £90m charge arises from increased reserving in our annuity book. Credit spreads widened by around 100bp during 2007. A proportion of this reflecting liquidity can be used to increase the discount rate for the matching annuities and hence reduces the liabilities by a similar amount to the asset mark to market loss. However, to be prudent, the proportion reflecting perceived increased default risk is not reflected in the discount rate and hence more reserves are provided. In 2007, we maintained our policy of restricting the liquidity element to 40bp. The remainder of the spread widening drove an increase in reserves of £90m. If credit spreads remain unchanged, this item is a one off. However, in 2008 to date, there has been a further widening of spreads of around 75bp.

The reinsurance treaty for £1.7bn of annuity liabilities released a net £11m profit.

On implementing the next stage of PS06/14, we have recognised a credit of £138m following reserve releases. Against this, we have charged a £172m impairment of deferred acquisition cost leaving a net cost of £34m. The work to implement PS06/14 is complete but there is a further £100m of reserves to be released once we reorganise some of our funds in 2008. This will be matched by an equivalent amount of DAC impairment. Therefore IFRS profits in 2008 are expected to be unaffected.

Finally, the recategorisation of £20m of annual development costs as maintenance leads to a need to provide more reserves and to a further DAC write off. This totals a £112m charge.

This is the explanation of the £46m loss reported in 2007.

At 31 January, we indicated an expected DAC impairment of £300m to £400m. The amount impaired in 2007 is £251m with a further £100m to be recognised in 2008.

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IFRS earnings per share

	2007	2006
IFRS (loss)/profit before tax from continuing operations	**£(113)m**	£491m
IFRS underlying earnings per share	**(1.4)p**	17.9p
IFRS basic earnings per share	**(5.0)p**	13.1p
Dividend per share	**8.00p**	7.85p
Dividend cover on an underlying basis	**(0.2) times**	2.3 times

- 2007 proposed final dividend 5.3p giving total dividend of 8.0p in line with current policy
- 2008 dividend cost to be cut to affordable level
- Dividend per share decision in due course will take account of affordable level and capital returned
- Future policy to increase dividend in line with cash flows, providing prospect of real terms growth

Total loss for the year was £113m. This allows for a net £67m charge in addition to the Underlying loss. The main elements of this charge are £78m of short term investment losses and £79m of amortisation of acquired intangible assets less a profit of £34m being the net break fee received from Resolution following the failed merger.

Underlying loss per share was 1.4 pence and basic loss per share was 5.0 pence.

The proposed final dividend was 5.3 pence making the total dividend for the year 8.0 pence, an increase of 2% in line with current dividend policy.

Our intention is to cut dividend in 2008 to a level consistent with the £90m to £100m dividend paying capacity of the group. The effect on dividend per share will be determined during 2008 taking account of the affordable level and of any capital returned to shareholders from the three businesses which do not fit with our longer term strategy.

In future, we will aim to grow this rebased dividend in line with growth in operating cash flow. This should offer the prospect of dividend growth in real terms.

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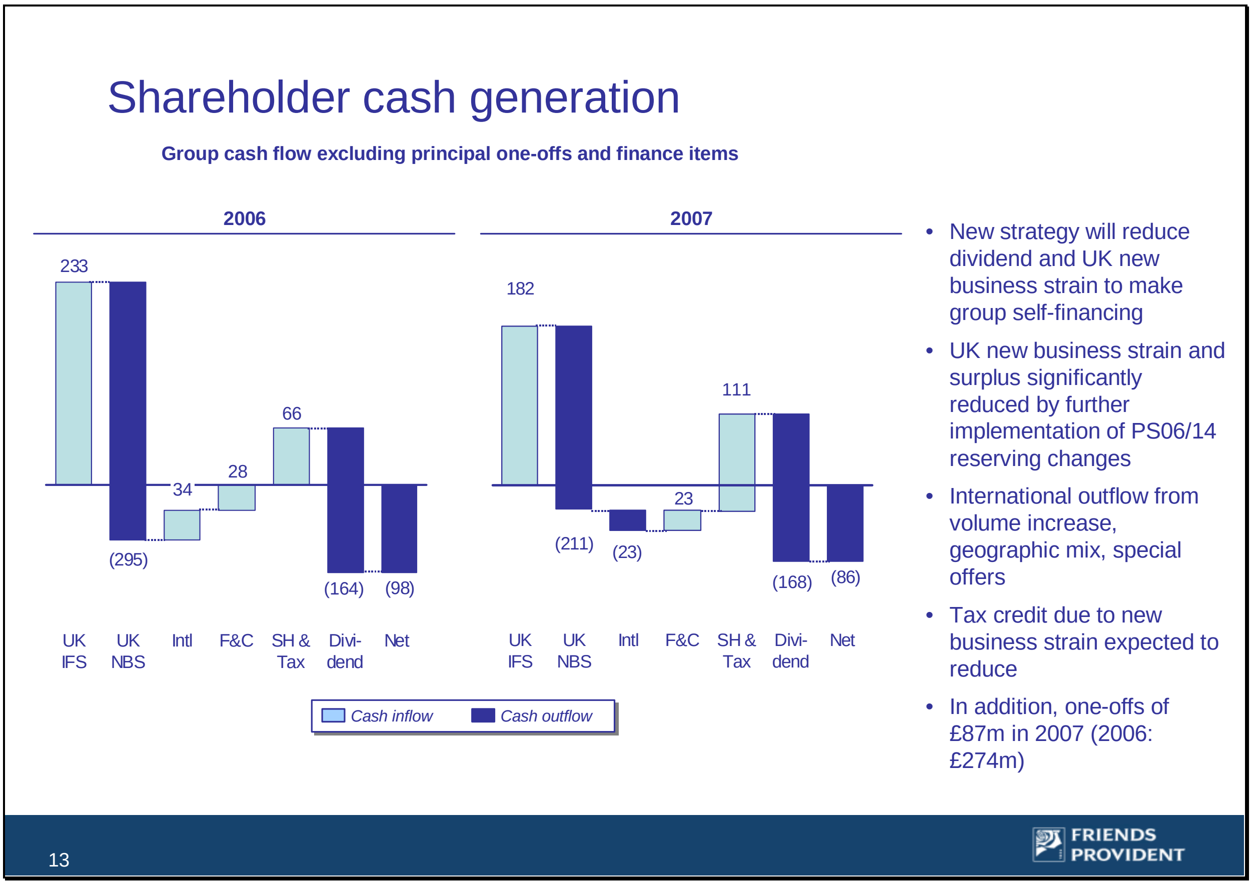

Moving to cash generation. You will recall that the new strategy is to ensure that the group is self-financing. We aim to do this by reducing new business strain in the UK to around £100m and by reducing the dividend cost to an affordable level.

Any single year's cash generation is inherently volatile so let me explain where the 2007 figures are against the guidance I gave in January.

In 2007, UK in force surplus was £182m. This is a little over the normal expected level but, as expected, is reduced from £233m in 2006 as a result of accelerated recognition of profit following PS06/14.

New business strain is also reduced by PS06/14 but in 2007 still exceeded in force surplus. The aim of the strategy will be to reduce this to around £100m by paying fewer commissions and by reducing acquisition overhead costs.

International absorbed £23m of cash slightly above the £10m per annum I indicated as a normal level as a result of fast sales growth.

F&C provided a dividend of £23m

Shareholder returns and tax generated £111m, above the normal ongoing level of around £50m, owing to tax credits on recent years' very high new business strain. This might be expected to reduce slowly over the next few years as that effect washes through.

The dividend cost was £168m leaving a net operating cash outflow of £86m.

We should of course remember that, excluded from this analysis are one off benefits of £87m in 2007 and £274m in 2006.

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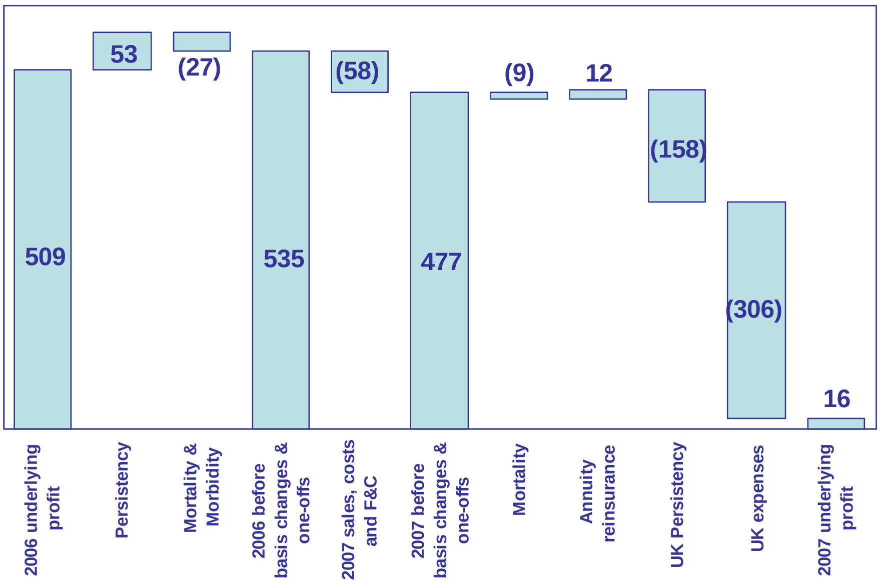
EEV Underlying result



- 2006 profit included £53m persistency charge and £27m morbidity credit
- UK persistency

	£m
Operating assumption change	**133**
- bonds	65
- pensions	53
- legacy	15
New business contribution	**15**
Expected return	**10**

- Capitalising £20m of development costs and £6m of corporate costs resulted in £306m cost

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In 2006 we reported an underlying EEV profit of £509m. This was net of a charge of £53m for persistency and a credit of £27m for mortality giving a run rate of £535m before any one offs. Using the same basis for 2007 would have delivered £477m of profit with higher new business contribution offset by lower Asset Management profit and higher development costs.

However, we have had to change the basis. Mortality changes amounted to a charge of £9m and annuity reinsurance contributed £12m.

Persistency drove a charge of £158m which, as we indicated on 31 January, is largely for bonds and paid up and lapsed pensions.

The profit before capitalisation of expenses was thus £322m versus the £300m we indicated in January.

The expense capitalisation amounted to £306m and encompasses £20m of development costs recategorised as maintenance and £6m of corporate costs.

This leaves an underlying EEV profit of £16m against the £20m estimated in January.

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Embedded value

	2007	2006
Shareholders' invested net assets	**£1,449m**	£1,164m
Value of in-force Life & Pensions business	**£1,870m**	£2,031m
Market value of the listed Asset Management business	**£499m**	£534m
Provision for future corporate costs	**£(97)m**	£(47)m
Net pension asset	**£4m**	£(22)m
Embedded value	**£3,725m**	£3,660m
Embedded value per share	**£1.60**	£1.73

- Embedded value benefited from £276m shares issued on convertible bond
- VIF grew by £338m from new business, less £335m charges for lapses and expenses and £70m for tax changes
- Total EV includes £874m for F&C, Lombard and Pantheon Financial
- EV per share down owing to new shares in issue

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On the balance sheet, the embedded value increased 2% to £3,725m. Shareholders' invested net assets increased following the issue of shares on maturity of the convertible bond. Value in Force fell to £1,870m as new business was outweighed by charges of £115m for lapses, £220m for capitalisation of expenses and £70m for taxation changes.

The number of shares increased by 206m to 3,232m at year end and so embedded value per share fell to £1.60.

The embedded value includes a total of £874m for businesses which do not fit with the long term strategy being F&C, Lombard and Pantheon Financial.

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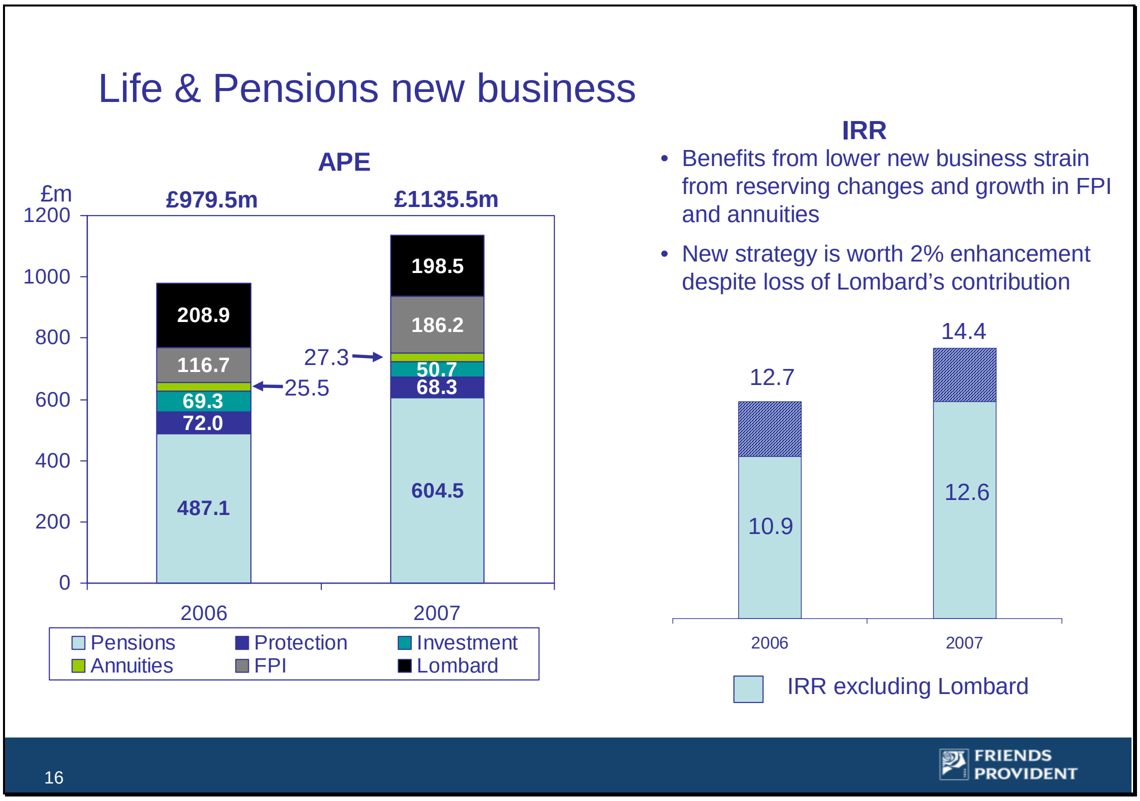

New business increased 16% on an APE basis. Growth in pensions, annuities and FPI outweighed lower sales in Protection and Savings & Investments.

Total IRR increased to 14.4% helped by business mix and reserving changes.

IRR reported here is of course before the effect of capitalising costs and including Lombard which does not fit with the long term strategy. Excluding Lombard, IRR still increased to 12.6%. We would expect this to fall in 2008. Capitalised costs will reduce the total IRR. Sales volumes are liable to be lower thus depressing total IRR as overheads weigh more heavily. However, mix of business should be positive as there should be lower sales in Initial Commission group pensions and in lower profitability bonds. Going forward the IRR will lift as cost savings emerge and as FPI grows faster than the UK.

We confirm that by the time the cost savings are fully realised in 2010, the strategy should have added 2 percentage points to the total IRR despite the loss of Lombard's contribution. A word of caution though, in any one year IRR will be quite volatile as new business strain will be much lower and hence mix and volume will have a more significant effect.

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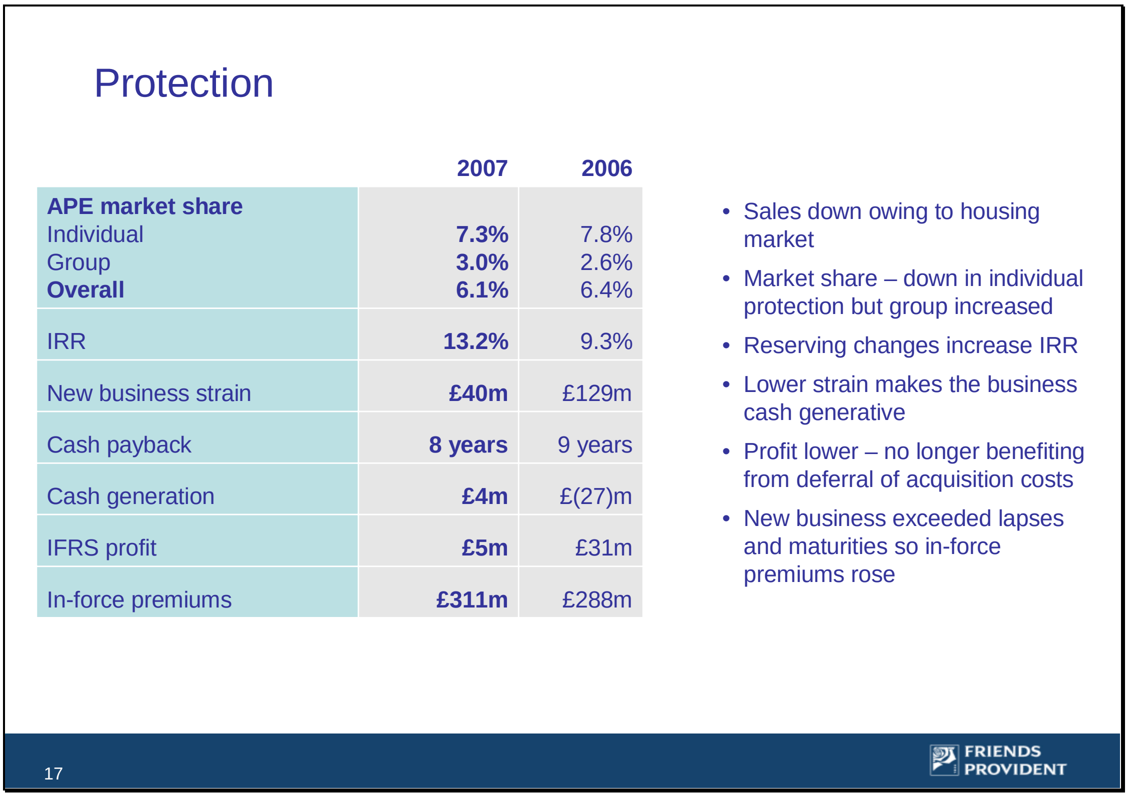

Turning to the key product areas in turn:

Firstly Protection.

Sales were down following the slow down in the housing market. Market share fell in Individual business but grew in our newer Group segments.

Reserving changes increased IRR to 13.2% and reduced new business strain to £40m. Cash payback fell by one year and the business is now mildly cash generative.

Profit fell to £5m as acquisition costs can no longer be deferred.

New business exceeded lapses so the in force premiums increased 8% to £311m.

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Pensions & Annuities

Pensions	2007	2006
APE	£604.5m	£487.1m
Group pensions IRR	8.8%	8.5%
New business strain	£145m	£126m
Cash payback	18 years	17 years
Cash generation	£(109)m	£(105)m
IFRS profit	£(40)m	£(42)m
AUM	£7,595m	£5,488m
In-force annual premiums	£1,241m	£907m

- Sales up 24%
- Around a quarter from new schemes with initial commission – no longer to be pursued
- Strain increased from growth in sales
- Strategy to reduce this to £65m through lower initial commission and acquisition costs
- Cash generation and profit flat
- In-force premiums increased as new business exceeded lapses

Annuities	2007	2006
APE	£27.3m	£25.5m
Cash	£15m	£17m
IFRS profit	£12m	£21m

- Take-up rate of internal vestings maintained over 40% by value
- Cash generative and profitable

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New business for pensions was up 24%. IRR for Group Pensions edged up slightly helped by sales growth exceeding cost growth. New business strain increased as a result of volume to £145m. In our new strategy we aim to reduce this to around £65m by ceasing to pay initial commission and by reducing acquisition operating expenses.

37% growth in assets under management to £7,595m led to increased income which offset the increased new business strain leaving cash generation and losses materially unchanged.

New business exceeded lapses and maturities in the year. As a consequence the annual in force premiums increased 37% to £1,241m. This guarantees further significant inflows to assets under management in 2008.

Annuity sales on an APE basis were £27.3m as we maintained our strike rate of over 40% by value of vesting. The business continues to be cash generative and profitable.

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Friends Provident International

	2007	2006
New business APE	**£186m**	£117m
IRR	**17.8%**	20.1%
New business strain	**£69m**	£25m
Cash payback	**6 years**	6 years
Cash (out)/inflow	**£(25)m**	£36m
IFRS profit	**£3m**	£25m
AUM	**£5,022m**	£3,882m

- 60% growth in new business
- IRR lower due to mix and special offers but remains well above UK
- Payback maintained at 6 years
- Increased strain reflecting Hong Kong growth and German pensions
- Profit down owing to growth in new business strain and £15m one-off in 2006 not repeated
- In line with strategy, faster FPI growth enhances group returns

FPI new business increased 60% aided by special offers in Hong Kong and our new German pensions proposition. As a result of the growth in Hong Kong, IRR fell to 17.8% and new business strain increased to £69m. This caused a cash outflow for the year and profit fell to £3m as a £15m exceptional reserve release in 2006 was not repeated.

Despite the lower IRR, it was still above that achieved in the UK and, in line with our strategy, the faster growth in FPI improved the portfolio IRR.

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F&C Asset Management

	2007	2006
Net revenue	**£264.5m**	£248.2m
Underlying profit before tax	**£77.4m**	£88.7m
Assets under management	**£103.6bn**	£104.1bn
Dividend received	**£23m**	£28m

- F&C and Lombard do not fit with long term strategy
- Both trading well and have good prospects
- F&C pursuing 3 year strategy
- Revenues increased by performance fees
- Maintained assets under management despite expected institutional outflows

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F&C and Lombard do not fit with the long term strategy. Nevertheless both continue to trade as normal and have good prospects for the future.

F&C continue to pursue its 3 year turnaround strategy. During 2007, revenues increased driven by an increase in performance fees to £20.8m, more than double the amount in 2006. It also maintained assets under management despite the expected outflows in balanced institutional mandates.

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Lombard

	2007	2006
APE	**£198.3m**	£208.9m
IRR	**29.2%**	29.4%
IFRS Profit	**£12m**	£13m
AUM	**£10,060m**	£7,760m

- Sales down 5% with fewer large cases
- Over last 3 years compound growth in sales is 15%
- Profitability maintained
- Assets under management continued strong growth
- Good prospects enhanced by Swiss office now opened

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Lombard sales were down 5% with fewer large cases written in the year. Nevertheless, sales have grown at a compound rate of 15% per annum over the three years of our ownership. It maintained its profit at £12m and the strong growth trend in assets under management continued. The prospects for this business remain good and are assisted by its new Swiss office.

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Capital and Risk

- Balance sheet strong
  - excess capital £1.3bn
  - FPLP credit rating A in line with target
- Actions taken to derisk balance sheet
  - Transaction to reinsure £1.7bn annuity portfolio
  - Removed equities in shareholders' invested net assets
- Shareholder exposure to Asset Backed Securities £770m, over 98% are investment grade
  - Largely held to maturity backing annuity book
  - <£5m exposure to US sub-prime assets, £11m sub-investment grade
  - Monoline-wrapped exposure £244m
  - Additional £250m in Pension Fund's Liability Driven Investment pools – all AAA

Our balance sheet remains strong. Surplus capital increased to £1.3bn and the FPLP credit rating is A in line with our aim of retaining investment grade.

During the year, we have taken actions to derisk the balance sheet. We reinsured £1.7bn of annuity liabilities immunising us fro longevity risk on this book. We sold out of equities in Shareholder Funds which are now invested in cash and bonds.

We have reported today that the shareholders have a £770m exposure to Asset Backed Securities, over 98% of which is investment grade. £127m is direct exposure in shareholder funds the remainder is the shareholder share of insurance books. The majority of this is held to maturity backing annuity books.

US sub prime exposure is less than £5m and only £11m is sub investment grade. Monoline wrapped exposure is £244m.

In addition, the pension fund invests in F&C's Liability Driven Investment pools which contain £250m of AAA rated Asset Backed Securities.

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Summary

- 2007 results in line with 31 January indications
- New strategy builds on our strengths
  - Protection IRR and cash strain improved and group market share increased
  - Pensions assets under management grew strongly
  - Annuity take-up rate maintained
  - FPI growth faster than UK enhancing portfolio returns
- Group strategy is to be self-financing
  - UK new business strain and dividend to be addressed in 2008
  - No requirement for new debt or equity funding
- Balance sheet strong with surplus capital
  - Actions to reduce risk and new strategy will release sufficient to support further International growth
- Beginning to deliver enhanced disclosure to explain better our economics and to allow progress of strategy to be judged

In Summary:

The 2007 results are in line with the indications given on 31 January

The new strategy builds on our existing strengths which are evident despite the headline results.

In Protection, the IRR increased, cash strain improved and market share increased in our new Group segments

Pensions assets under management grew strongly

The strike rate for annuity sales was maintained at over 40%

And FPI grew faster than the UK enhancing portfolio returns.

Our strategy is for the group to be self-financing. The UK new business strain and dividend will be addressed during 2008. As a consequence we can reiterate that there is no requirement for new debt finance.

The balance sheet remains strong with £1.3bn surplus capital. The actions we are taking to derisk the balance sheet together with the new strategy will free up sufficient of this surplus capital to support further international growth

Finally we are beginning to deliver enhanced disclosure to explain better our economics and to allow progress in delivering our strategy to be judged.

I shall hand you back to Adrian to sum up.

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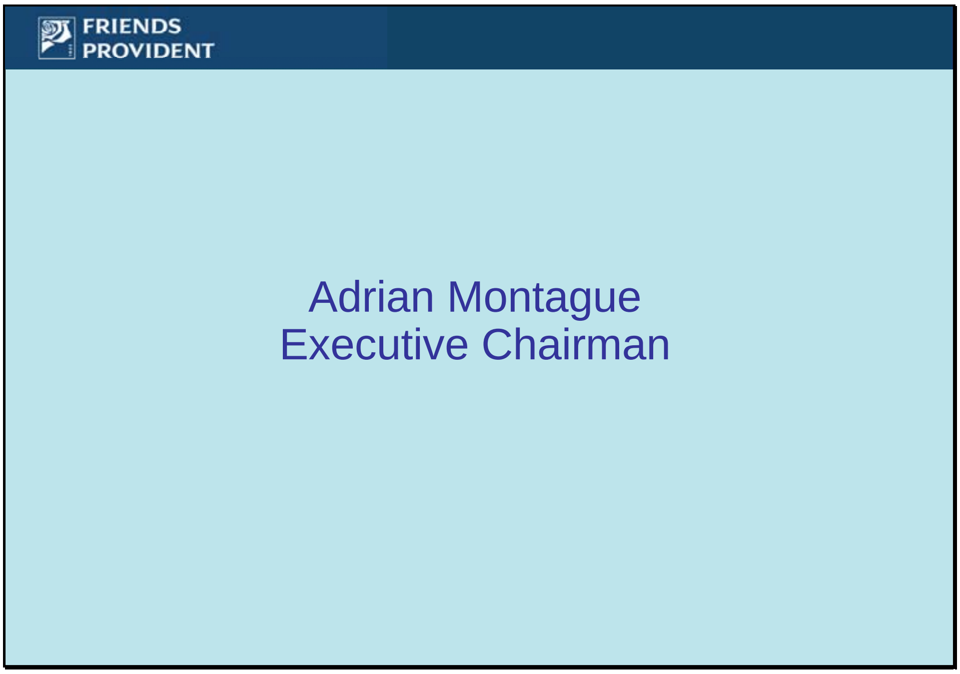

Thank you Jim.

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There is no doubt that 2007 was challenging in the extreme. It required us to take tough decisions, and we have done so. But we believe that those decisions mean that Friends Provident has a sound and solid future, not dependent on anybody else, and is able to grow profitably and under its own steam. We have no doubt that what we have done was the right thing to do, and it will serve us well.

Friends Provident has many strengths, and these form the basis for our future growth. We have, as anticipated, retained strong credit ratings. We continue to win major awards for our protection and group pensions propositions, the two key foundation blocks of our new strategy. Our service, too, remains a differentiator, as does our application of technology.

Our biggest market by far is group pensions and this market is still developing strongly. We are well placed to benefit from this growth. In the light of our new strategy, overall business volumes will fall but business quality will increase.

The protection market will remain extremely competitive and will be impacted by the fragile housing market, but we have a strong offering that enables us to defend our good position.

The international life and pensions market is very attractive and, as you’ve seen, Friends Provident International is growing strongly and profitably. We continue to explore opportunities to enter new international markets, leveraging the expertise and infrastructure we have built up in the UK.

Implementation of the new strategy is well underway, and this will deliver significant financial benefits.

As you will have seen, we've also announced this morning that Jim Smart has decided to leave the group in the late Summer to move onto the next stage of his career. He will however be with us up to the interim results in August. Jim has made a huge contribution to the strategic review, and helped me to chart a new course for the company. With implementation momentum now established, I recognise this to be a natural turning point for Jim. I'm enormously grateful to him for having shared the leadership of the strategic review and for his ongoing commitment to help me move the change programme even further forward over the coming months. He will leave with my very best wishes. Of course, by the time he leaves, Trevor Matthews will be up and running as our new CEO - an outstanding leader with a track record to match.

In closing, we have done what we had to do to reshape and refocus the company in a manner that plays to our strengths, and provides the right platform for profitable growth and the creation of shareholder value.

I will now open up the meeting to your questions……

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Questions & Answers

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Appendices

- Asset-backed and monoline-wrapped exposure
- Life & Pensions new business
- One-offs in 2007 IFRS results
- IFRS underlying profit by product
- Shareholder cash generation by product
- Value of in-force by maturity
- F&C assets under management by source
- F&C asset under management by asset class

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Asset-backed and monoline-wrapped exposure

				Ratings				
£m	**AAA**	**AA**	**A**	**BBB**	**BB**	**Sub B**	**Unrated**	**Total**
Non-linked debt securities	6800	2959	1787	395	23	7	133	12104
	56%	25%	15%	3%	0%	0%	1%	100%
Directly held ABS and Monoline Wrapped Securities								
CDO & CLO	23							23
MBS	265	57	49	43				414
Monoline Wrapped	511							511
Other ABS	284	134	202	15	6	22		663
Total	**1083**	**191**	**251**	**58**	**6**	**22**	**0**	**1611**
	67%	12%	16%	4%	0%	1%	0%	100%
Shareholder exposure								
CDO & CLO	16							16
MBS	153	30	26	14				223
Monoline Wrapped	244							244
Other ABS	131	55	87	3	1	10		287
Total	**544**	**85**	**113**	**17**	**1**	**10**	**0**	**770**
	71%	11%	15%	2%	0%	1%	0%	100%

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Life & Pensions new business

	APE (£m)		PVNBP (£m)		Contribution (£m)		Margin (%)		IRR (%)		Payback (years)	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Protection	**68**	**72**	**413**	**432**	**31**	**32**	**7.5**	**7.4**	**13.2**	**9.3**	**8**	**9**
Investment	**51**	**69**	**501**	**687**	**1**	**10**	**0.2**	**1.5**	**7.8**	**8.2**	**24**	**16**
Pensions	**605**	**487**	**3,255**	**2,788**	**51**	**53**	**1.6**	**1.9**	**8.8**	**8.5**	**18**	**17**
Annuities	**27**	**26**	**273**	**255**	**14**	**13**	**5.0**	**5.3**	**7.8**	**8.2**	**24**	**16**
Total UK	*751*	*654*	*4,442*	*4,162*	*96*	*108*	*2.2*	*2.6*	*11.7*	*10.3*	*12*	*12*
FPI	**186**	**117**	**1,235**	**823**	**39**	**26**	**3.2**	**3.1**	**17.8**	**20.1**	**6**	**6**
Lombard	**199**	**209**	**1,985**	**2,089**	**71**	**70**	**3.6**	**3.4**	**29.2**	**29.4**	**4**	**4**
Total Int'l	*385*	*326*	*3,220*	*2,912*	*110*	*96*	*3.4*	*3.3*	*23.0*	*25.7*	*4*	*4*
Group total	*1,136*	*980*	*7,662*	*7,074*	*206*	*204*	*2.7*	*2.9*	*14.4*	*12.7*	*9*	*9*

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One-offs in 2007 IFRS results

	Expense assumption changes	PS06/14 reserving changes	Reinsurance of annuity portfolio	Total
Cash	(51)	138	56	143
Deferred acquisition costs	(61)	(172)	(18)	(251)
IFRS reserving	-	-	(27)	(27)
Total IFRS impact	(112)	(34)	11	(135)

- £138m positive cash impact from PS06/14 reserving changes
- £284m accelerated amortisation of deferred acquisition costs and expense reserve increases
- Net £11m benefit from reinsurance of annuity portfolio
- Approximately £100m further reserving changes expected in 2008, with corresponding reduction in DAC to leave IFRS profits broadly unchanged

IFRS underlying profit by product

£m	2007 New business	2007 In-force	2007 Profit	2006 New business	2006 In-force	2006 Profit
UK Life & Pensions						
Protection	**(40)**	**45**	**5**	(27)	58	31
Pensions	**(75)**	**34**	**(41)**	(59)	17	(42)
Annuities	**10**	**2**	**12**	-	21	21
Savings & Investments	**(20)**	**16**	**(4)**	(16)	3	(13)
With Profits Fund	**-**	**87**	**87**	-	82	82
UK Life & Pensions underlying profit before one-off items	**(125)**	**184**	**59**	(102)	181	79
Corporate bond spreads			**(90)**			-
One-off items			**(40)**			(33)
UK Life & Pensions underlying profit			**(71)**			46
International Life & Pensions						
FPI	**(19)**	**22**	**3**	(6)	31	25
Lombard	**(26)**	**38**	**12**	(22)	35	13
	(45)	**60**	**15**	(28)	66	38
One-off items	**-**	**-**	**11**	-	-	32
International Life & Pensions underlying profit			**26**			70

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Shareholder cash generation by product

£m	2007 New business strain	2007 In-force surplus	2007 Total	2006 New business strain	2006 In-force surplus	2006 Total
UK Life & Pensions						
Protection	**(40)**	**44**	**4**	(129)	102	(27)
Pensions	**(145)**	**36**	**(109)**	(126)	21	(105)
Annuities	**10**	**5**	**15**	(4)	21	17
Savings & Investments	**(36)**	**14**	**(22)**	(36)	7	(29)
With Profits Fund	**-**	**87**	**87**	-	82	82
Total before tax and other items	**(211)**	**186**	**(25)**	(295)	233	(62)
Tax			**49**			35
Other			**(4)**			-
Total			**20**			(27)
International Life & Pensions						
FPI	**(69)**	**44**	**(25)**	(25)	61	36
Lombard	**(41)**	**42**	**1**	(40)	38	(2)
Total before tax and other items	**(110)**	**86**	**(24)**	(65)	99	34
Tax			**6**			(1)
Other			**1**			-
Total			**17**			33

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Value of in-force by maturity

31 December 2007	(£m)	Year of emergence of surplus								
	Total	**1-5**	**6-10**	**11-15**	**16-20**	**21-25**	**26-30**	**31-35**	**36-40**	**41+**
UK										
With Profits Fund	**322**	149	105	42	18	6	2	0	0	0
Protection	**242**	125	82	21	10	3	1	0	0	0
Investments	**157**	70	46	22	11	5	2	1	0	0
Pensions	**456**	137	127	92	56	28	11	4	1	0
Annuities	**7**	2	2	2	1	0	0	0	0	0
UK other	**76**	29	32	15	0	0	0	0	0	0
UK total	**1,260**	**512**	**394**	**194**	**96**	**42**	**16**	**5**	**1**	**0**
		41%	31%	15%	8%	3%	1%	0%	0%	0%
International										
FPI	**225**	128	56	26	11	4	0	0	0	0
Lombard	**385**	148	91	58	36	22	14	8	5	3
International total	**610**	**276**	**147**	**84**	**47**	**26**	**14**	**8**	**5**	**3**
		45%	24%	14%	8%	4%	2%	1%	1%	1%
Total VIF	**1,870**	**788**	**541**	**278**	**143**	**68**	**30**	**13**	**6**	**3**
		42%	29%	15%	8%	4%	2%	1%	0%	0%

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F&C Investments assets under management – by source

	31 Dec 2007	31 Dec 2006
	£bn	£bn
Insurance funds	**58.9**	59.0
Institutional funds	**27.3**	28.1
Sub-advisory	**6.5**	7.0
Investment trusts	**6.6**	6.5
UK retail (mutual funds)	**3.3**	3.0
International wholesale (mutual funds)	**1.0**	0.5
Total	**103.6**	104.1

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F&C Investments assets under management – by asset class

	31 Dec 2007	31 Dec 2006
	£bn	£bn
Fixed interest	**53.5**	54.0
Equities	**37.0**	38.2
Property	**5.3**	5.2
Other alternative investments	**1.9**	1.3
Money market	**5.9**	5.4
Total	**103.6**	104.1

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