

Friends Provident Bondholder Update

November 2008

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.

Introduction

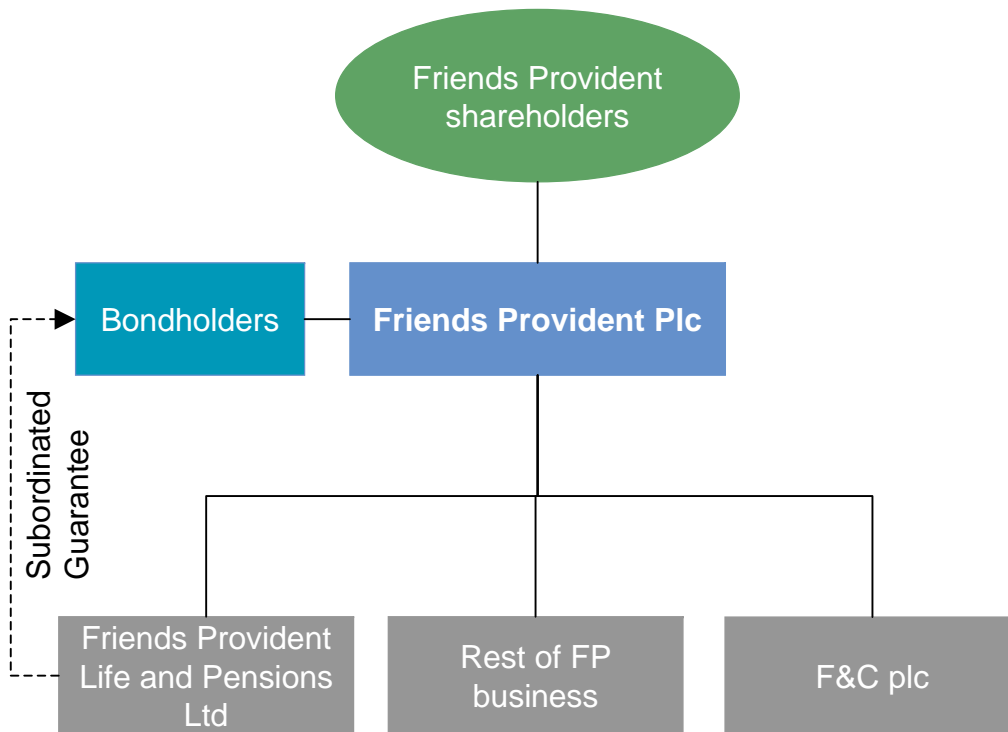
- As announced on Friday 31 October, recent turmoil in the financial markets means that we have not been able to agree transaction terms that we believe reflect F&C's inherent value. We therefore intend to pursue a pro-rata distribution of our stake in F&C to our shareholders
- The purpose of this call is to ensure that bondholders are aware of the contents of that announcement and to communicate to bondholders the intended capital return mechanism

Intended capital return mechanism

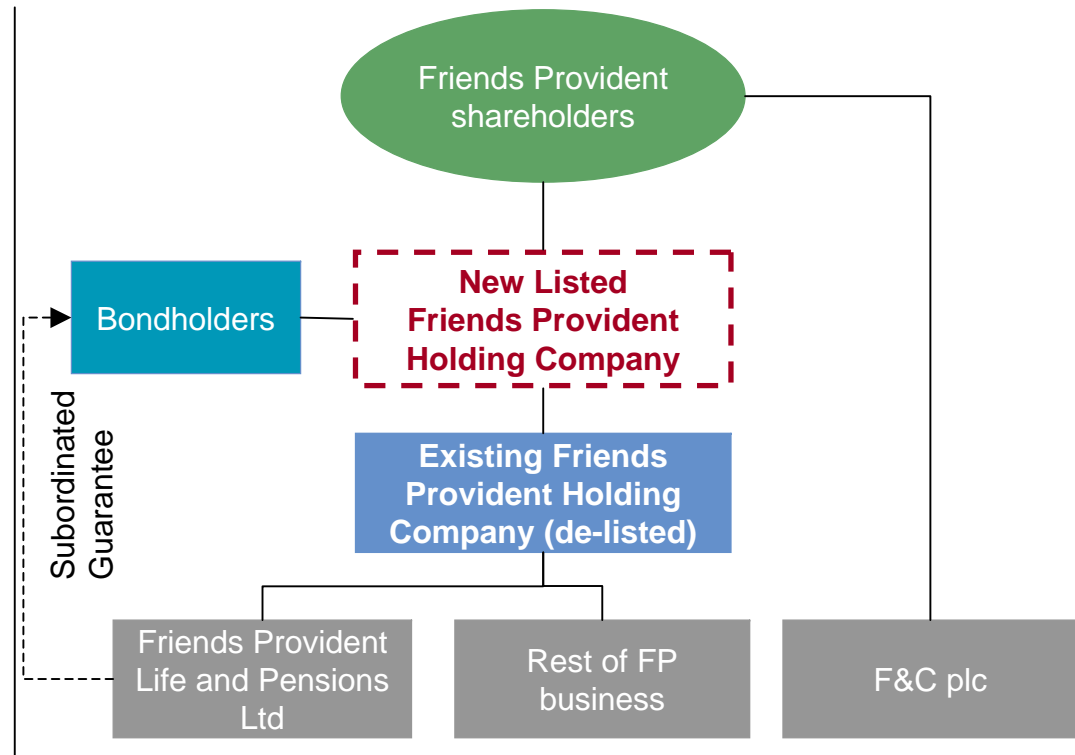
- Optimise shareholder value by demerging the F&C shares via a return of capital, rather than a dividend or other distribution of income
- Create a new holding company via a Court approved scheme of arrangement and conduct the capital return at the level of the new holding company
- This structure provides certainty of execution for the capital return
 - There are large numbers of legacy policyholders from demutualisation that are not possible to reach
- Documentation for the STICS specifically envisages and permits this type of change via a “Permitted Restructuring”

Creation of new holding company structure

Current position



Post transaction



The capital return has minimal impact on bondholders

- Creditworthiness of the STICS is principally dependent on the credit profile of Friends Provident Life & Pensions Ltd, the guarantor, which is not impacted by the disposal
- Capital return is neutral from rating agency perspective
- F&C has negligible tangible net assets and a £260mm long-term liability
- Shareholder dividends have already been reduced by circa £100mm per annum
- Recent conversion of the £290mm senior convertible bonds into equity has strengthened bondholders' position at the Friends Provident plc level

Contact information

- If you would like to arrange a follow up meeting to discuss this information further please contact:
 - Theo Lentzos at JP Morgan Cazenove
 - Telephone: +44 207 777 3557
 - Email: theo.lentzos@jpmorgancazenove.com
 - Jake Atcheson at RBS
 - Telephone: +44 207 085 0639
 - Email: jake.atcheson@rbs.com