

News Release

1 November 2005

Friends Provident announces another strong new business performance

Total life and pensions new business (on an APE* basis) for the first nine months of 2005 increased by 31% to £425 million (2004: £323m).

UK life and pensions:

- Total UK new business up 11% to £300 million (2004: £270m)
- Group pensions up 27% to £159 million (2004: £125m)
- Protection down 11% to £50 million (2004: £56m)
- Investment up 14% to £49 million (2004: £43m)
- Individual pensions (excluding DWP rebate payments) up 16% to £19 million (2004: £16m)

International life and pensions:

- Total International new business up 131% to £125 million (2004: £54m)
- Friends Provident International (FPI) business up 26% to £68 million (2004: £54m)
- Lombard International (Lombard) business up 11% (on a pro forma basis**) to £57 million (2004: £51m)

Ben Gunn, chief executive of Friends Provident Life and Pensions, said:

"In the UK, we have seen continued good growth in investments and a strong increase in pensions. As we have said previously, the continued lower level of transactions in the mortgage market, together with increased competition, has led to some pressures on both volume and margin in our protection business. We see little improvement in the mortgage market but would expect many of our new protection-focused distribution deals to have a positive impact through 2006.

Friends Provident plc

Registered and Head Office: Pixham End, Dorking, Surrey RH4 1QA
Incorporated company limited by shares and registered in England number 4113107
www.friendsprovident.com

C149 4.04



FRIENDS PROVIDENT

"FPI, our international business based on the Isle of Man, is seeing strong volume growth, which we expect to continue. Whilst product margins are stable, ongoing changes in geographical mix could result in modest compression of overall margins.

"As a result of the type of business Lombard transacts sales are usually concentrated in the fourth quarter, making it difficult to predict results in advance. However, at this stage, we believe that last year's value of new business will be comfortably exceeded.

"Overall, the UK trends seem set to continue, while strong growth from our international businesses is expected to lift the overall contribution to our profits from new business to above the comparable profits for 2004."

* The Annual Premium Equivalent basis is new regular premiums plus 10% of single premiums. This definition is unchanged from previous releases. Future new business announcements will be based on the PVNBP (present value of new business premiums) basis, and will include a change in the definition of new business, which will mean that for group pensions business we no longer anticipate new entrants partially replacing leavers and treat them instead as new entrants when they arrive. For guidance, the relationship between APE and PVNBP remains broadly in line with the European Embedded Value Restatement issued on 12 October 2005.

** The pro forma basis takes account of Lombard's 2004 new business, achieved before Friends Provident acquired the company in January 2005.

Commentary and tables

Total new life and pensions business increased 31.3% to £424.5 million over the first nine months of 2005 (2004: £323.4m) and by 27.7% to £142.3 million for the third quarter of 2005 (2004: £111.4m).

UK life and pensions

New UK life and pensions increased 11.3% to £299.9 million over the first nine months of 2005 (2004: £269.5m) and by 4.5% to £97.7 million for the third quarter of 2005 (2004: £93.5m).

Life business

Total new life business remained at 2004 levels of £98.7 million over the first nine months of 2005 and decreased by 6.1% to £33.8 million for the third quarter of 2005 (2004: £36.0m).

As expected, and continuing the market trend this year, new protection business, including income protection, declined 10.6% to £49.9 million over the first nine months of 2005 (2004: £55.8m) and by 24.6% to £15.6 million for the third quarter of 2005 (2004: £20.7m). Despite significantly fewer house sales compared with 2004, and increasingly strong price competition, we have increased our market share over the first half of the year and expect to maintain this position for 2005 as a whole. The considerable number of protection-focused distribution agreements now in place will increase new business prospects through 2006.

New investment business increased by 13.8% to £48.8 million over the first nine months of 2005 (2004: £42.9m), with growth accelerating to 19.0% to £18.2 million for the third quarter of 2005 (2004: £15.3m). Our open architecture approach is proving attractive and we plan to further enhance this fund offering over the final quarter of this year. We also launched a Life Assurance ISA last month, which should impact positively during the first quarter 2006.

Pensions business

Total new pensions business increased by 17.8% to £201.2 million over the first nine months of 2005 (2004: £170.8m) and by 11.1% to £63.9 million for the third quarter of 2005 (2004: £57.5m).

New group pensions business increased by 26.9% to £158.5 million over the first nine months of 2005 (2004: £124.9m) and by 24.7% to £48.0 million for the third quarter of 2005 (2004: £38.5m). We are continuing to attract some significant new schemes, as our proposition is a strong one and able to accommodate the 'customisation' increasingly required for larger schemes.

Excluding DWP, new individual pensions business increased by 16.0% to £18.8 million over the first nine months of 2005 (2004: £16.2m) and by 19% to £6.9 million for the third quarter of 2005 (2004: £5.8m). This continues the upward trend following the launch of our new product range in April. Including DWP rebate payments, which remain subject to delay this year, new business decreased by 2.1% to £23.2 over the nine month period and by 13.2% for the third quarter. Our focus in the individual pensions market currently remains on the more profitable single premium business. Performance over the final quarter is expected to be bolstered by the anticipated recovery of most of the outstanding DWP rebate payments. If, as expected, the "RU64" rule (which effectively restricts pricing and commission levels) is revoked, we plan to introduce new products to take advantage of this change, as we believe such a move is likely to stimulate the market in 2006.

New annuity business decreased by 12.2% to £19.5 million over the first nine months of 2005 (2004: £22.2m) and by 21.7% to £5.4 million for the third quarter of 2005 (2004: £6.9m). We continue to operate a selective approach to this segment, prioritising margins over volumes.

International life and pensions

New International life and pensions increased 131.2% (18.4% on a pro forma basis) to £124.6 million over the first nine months of 2005 (2004: £53.9m) and by 149.2% (18.6% on a pro forma basis) to £44.6 million for the third quarter of 2005 (2004: £17.9m).

Friends Provident International (FPI)

New FPI business increased by 25.6% to £67.7 million over the first nine months of 2005 (2004: £53.9m) and by 26.8% to £22.7 million for the third quarter of 2005 (2004: £17.9m). Strong performances have been achieved in all four of the operational regions of Asia, the Middle East, Europe and the specialist UK market. Regular premium business benefited from strong performances in the Middle East and Hong Kong resulting from a marketing campaign on our Premier Plan. Production of single premium business benefited from our co-branded portfolio bond offering with Selestia, one of the leading fund platforms in the UK. Planned product developments will be introduced once the current systems harmonisation programme is completed, enhancing new business prospects for 2006.

Lombard International (Lombard)

New Lombard business amounted to £56.9 million over the first nine months of 2005. Lombard was acquired in January this year and, on a pro forma basis, the nine month performance was up 10.9%. Third quarter new business amounted to £21.9 million, up 11.2% on a pro forma basis. Particularly good performances continue from Belgium, the UK and from expatriate business in Southern Europe, reflecting the strength of Lombard's distribution network. We expect a strong fourth quarter in line with the established new business profile and the seasonality of Lombard's business.

- Ends -

For further information, please contact:

Nick Boakes	Friends Provident plc	0845 641 7814
Di Skidmore	Friends Provident plc	0845 651 7833
Sandra Grandison	Friends Provident plc	0845 641 7834
Simon Moyse	Finsbury Limited	020 7251 3801

Ref: F141

Friends Provident New Life and Pensions Business

9 months to 30 September 2005 vs 9 months to 30 September 2004

	Q3 YTD 2005			Q3 YTD 2004			% Change		
	Regular Prens £m	Single Prens £m	APE £m	Regular Prens £m	Single Prens £m	APE £m	Regular Prens %	Single Prens %	APE %
UK Operations									
Life									
Protection	49.9	0.1	49.9	55.8	0.0	55.8	(10.6)	0.0	(10.6)
Investment	1.5	472.6	48.8	1.3	416.3	42.9	15.4	13.5	13.8
	51.4	472.7	98.7	57.1	416.3	98.7	(10.0)	13.5	0.0
Pensions									
Individual Pensions	9.0	98.2	18.8	9.3	68.8	16.2	(3.2)	42.7	16.0
DWP Rebates	0.0	43.6	4.4	0.0	75.2	7.5	0.0	(42.0)	(41.3)
Group Pensions	128.0	305.1	158.5	104.2	206.6	124.9	22.8	47.7	26.9
Annuities	0.0	195.4	19.5	0.0	222.4	22.2	0.0	(12.1)	(12.2)
	137.0	642.3	201.2	113.5	573.0	170.8	20.7	12.1	17.8
UK Life and Pensions	188.4	1,115.0	299.9	170.6	989.3	269.5	10.4	12.7	11.3
International Operations									
Lombard	0.0	569.4	56.9	0.0	0.0	0.0	0.0	0.0	0.0
Friends Provident International	40.8	269.2	67.7	36.0	178.7	53.9	13.3	50.6	25.6
Total International Life and Pensions	40.8	838.6	124.6	36.0	178.7	53.9	13.3	369.3	131.2
Total Group Life and Pensions	229.2	1,953.6	424.5	206.6	1,168.0	323.4	10.9	67.3	31.3

APE by channel

9 months to 30 September 2005 vs 9 months to 30 September 2004

	YTD 2005		YTD 2004 (excluding Lombard)	
	£m	%	£m	%
UK				
IFA	268.4	63.2	221.6	68.5
Tied	31.5	7.4	47.9	14.8
International	124.6	29.4	53.9	16.7

Lombard Total APE

	2005		2004	
	€m	£m	€m	£m
Q3 YTD	83.1	56.9	74.7	51.3

All amounts in currency other than sterling are translated into sterling at a monthly average exchange rate.

Friends Provident New Life and Pensions Business

3 months to 30 September 2005 vs 3 months to 30 September 2004

	Q3 2005			Q3 2004			% Change		
	Regular Prets	Single Prets	APE	Regular Prets	Single Prets	APE	Regular Prets	Single Prets	APE
	£m	£m	£m	£m	£m	£m	%	%	%
UK Operations									
Life									
Protection	15.6	0.0	15.6	20.7	0.0	20.7	(24.6)	0.0	(24.6)
Investment	0.4	177.6	18.2	0.5	148.1	15.3	(20.0)	19.9	19.0
	16.0	177.6	33.8	21.2	148.1	36.0	(24.5)	19.9	(6.1)
Pensions									
Individual Pensions	3.0	38.7	6.9	3.5	22.9	5.8	(14.3)	69.0	19.0
DWP Rebates	0.0	36.4	3.6	0.0	63.1	6.3	0.0	(42.3)	(42.9)
Group Pensions	37.6	103.9	48.0	31.4	71.0	38.5	19.7	46.3	24.7
Annuities	0.0	54.4	5.4	0.0	69.4	6.9	0.0	(21.6)	(21.7)
	40.6	233.5	63.9	34.9	226.4	57.5	16.3	3.1	11.1
UK Life and Pensions	56.6	411.1	97.7	56.1	374.5	93.5	0.9	9.8	4.5
International Operations									
Lombard	0.0	219.3	21.9	0.0	0.0	0.0	0.0	0.0	0.0
Friends Provident International	14.2	84.7	22.7	11.7	61.5	17.9	21.4	37.7	26.8
Total International Life and Pensions	14.2	304.0	44.6	11.7	61.5	17.9	21.4	394.3	149.2
Total Group Life and Pensions	70.8	715.1	142.3	67.8	436.0	111.4	4.4	64.0	27.7

APE by channel

3 months to 30 September 2005 vs 3 months to 30 September 2004

	Q3 2005		Q3 2004 (excluding Lombard)	
	£m	%	£m	%
UK				
IFA	85.4	60.0	75.3	67.7
Tied	12.3	8.7	18.2	16.3
International	44.6	31.3	17.9	16.0

Lombard Total APE

	2005		2004	
	€m	£m	€m	£m
Q3	32.1	21.9	28.7	19.7

All amounts in currency other than sterling are translated into sterling at a monthly average exchange rate.

About Friends Provident

- **One of the UK's leading financial services groups**
 - A FTSE 100 company comprising two core businesses:
 - Friends Provident Life and Pensions Limited, a top ten UK life and pensions company and a leading international cross-border player
 - F&C Asset Management plc (51% ownership), a top five UK asset manager with a growing European presence
- **Emphasis on service**
 - Five Star awards for Life and Pensions service – the highest of any UK listed life and pensions company – and for E-commerce (source: 2004 Financial Adviser Practiv Service Awards)
 - Best E-Commerce Provider (source: 2005 LifeSearch Protection Awards)
 - F&C voted 'Best Investment Trust Provider' in the 2005 Personal Finance Magazine Readership Awards
 - Member of the Raising Standards Quality Mark Scheme
- **Leading-edge systems**
 - Single-platform system capable of accommodating high volumes, cost effectively
 - Automated interface with back-office IFA and third party systems with over 50% of business transacted online
 - Winner of Life Insurance Company of the Year at the Professional Pensions UK Pensions Awards 2005
 - Friends Provident is the only company to receive triple 'e' e-Excellence ratings for individual protection and group pensions awarded by the Financial Technology Research Centre in association with Money Marketing 2005
- **Fast-growing**
 - 2004 market share (UK life and pensions) increased 27% since listing in 2001
 - Funds managed by Friends Provident plc since it listed in 2001, have grown four-fold from c£30 billion to more than £120 billion
- **Financially strong**
 - Financial strength credit ratings categorised 'strong' (Standard & Poor's A+ with stable outlook, Moody's A2 with positive outlook)
 - Risk Capital Margin covered over seven times (30 June 2005)
 - Free Asset Ratio 14.3% (30 June 2005)
- **A diversified provider of investment solutions**
 - F&C is a market leader in the investment trust market. The flagship Foreign & Colonial Investment Trust was the first such trust, launched in 1868, and remains the largest of its kind
 - F&C's private equity partner, ISIS Equity Partners, was winner of the 2004 BVCA/ Real Deals Private Equity House of the Year Award
 - F&C is a top five manager of UK commercial property
 - F&C Amethyst was winner of its category in the 2005 EuroHedge Awards
- **Renowned ethical heritage**
 - Founded by Quakers in 1832 to address social needs
 - Pioneered linking investments with ethical principles (Stewardship - 1984; Responsible Engagement Overlay - *reo*® - 2000)
 - Rated as one of the Top 100 Companies that Count and a member of the FTSE4Good and Dow Jones World Sustainability Indices
 - Stewardship Income Fund winner of the 2005 Lipper Funds Awards, ethical category
 - F&C (ISIS) overall winner of the Corporation of London's Liveable Cities Awards, 2004 and 2003.

More 'at a glance' information available at www.friendsprovident.com/fastfacts

Friends Provident media image library is available at

www.friendsprovident.com/imagelibrary a Newscast login is required.