

News Release

27 April 2007

Friends Provident reports first quarter new business

Total life and pensions new business (on a PVNBP¹ basis) for the first quarter increased by 12% to £1,497 million (2006: £1,331m).

UK life and pensions highlights:

- Total UK new business up 22% to £1,042 million (2006: £856m)
- Group pensions up 30% to £598 million (2006: £460m)
- Protection up 8% to £100 million (2006: £93m)
- Investment down 24% to £138 million (2006: £181m)
- Individual pensions (excluding DWP rebate premiums) up 114% to £122 million (2006: £57m)
- Annuities up 44% to £75 million (2006: £52m)

International life and pensions highlights:

- Total international new business down 4% to £455 million (2006: £475m)
- Friends Provident International (FPI) down 2% to £237 million (2006: £241m)
- Lombard down 7% to £218 million (2006: £234m)

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

“In the UK our excellent momentum in pensions sales continues, with group pensions up by 30% and individual pensions more than doubled. The protection market remains key to our plans. We expect this market to remain flat this year, although we will seek to take market share. In addition, it is expected that investment business will see improved performance in the second half of the year.

“As stated at the time of our Preliminary results, product mix and the level of protection sales remain critical to achieving our UK new business profits target of £180-200 million in 2008. The protection market remains challenging and the impact of this will become clearer as the year progresses.

Friends Provident plc

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FRIENDS PROVIDENT

"Both FPI and Lombard were slightly down on the first quarter of 2006 but both results were very encouraging in the light of the strong comparative. The underlying growth trends in these businesses remain good. "

- Ends -

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Notes to Editors:

1. New business is reported on the Present Value of New Business Premiums (PVNBP) basis, which represents new single premiums plus the expected present value of new business regular premiums. A table detailing sales on an Annualised Premium Equivalent (APE) basis (annualised new regular premiums plus 10% of single premiums) is at the back of this announcement.
2. Financial reporting dates
F&C Asset Management plc quarter 1 Funds Under Management 27 April 2007
Friends Provident plc Annual General Meeting 24 May 2007
F&C Asset Management plc interim results 6 August 2007
Friends Provident plc interim results 8 August 2007
F&C Asset Management plc quarter 3 funds under management 30 October 2007
Friends Provident quarter 3 Life & Pensions new business 30 October 2007
3. 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; 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.

About Friends Provident

Friends Provident plc is the holding company of the Friends Provident Group of companies and a member of the FTSE 100. With more than 2.5 million customers the Group employs approximately 5,000 staff in its three core businesses: UK Life & Pensions, International Life & Pensions and Asset Management.

Now in its 175th anniversary year, the business was founded on Quaker principles and aimed to alleviate the hardship of families facing misfortune. Friends Provident has embraced corporate governance and achieving high standards of corporate behaviour and accountability to both stakeholders and customers is at the heart of our business. In 2001 the company established the grant-making charity The Friends Provident Foundation with the aim to encourage new ways of thinking about how money can be used to solve a wide range of problems.

For more information on Friends Provident including, photos, awards, fast facts, presentations, and media contacts please visit the media section at www.friendsprovident.com/media

Commentary and tables

UK life and pensions

New UK life and pensions business increased by 22% to £1,042 million (2006: £856m).

Life business

New protection business increased by 8% to £100 million (2006: £93m). Sales in the first quarter of 2006 were lower than subsequent quarters and comparatives will become tougher as the year progresses. This market remains extremely competitive and the mortgage-related protection market, which accounts for the majority of sales, has been broadly flat in the year so far. We have managed pricing to selectively target market segments where we have historically been less competitive.

New investment business, where we have a lower share of the market, was down by 24% to £138 million (2006: £181m). Competitor activity remained strong with a number of promotions from large providers running throughout the quarter. Structured products continue to take share in this market. We launched our Guaranteed Bond during the quarter although it has taken time to become established on major distributor product panels.

Pensions business

Group pensions sales were up 30% at £598 million (2006: £460m). Around half of new regular premium business was generated from our existing book. For new schemes, this continues to be an active market in both employee benefit consultant and specialist IFA sectors, where we enjoy competitive advantage from our reputation for service and ability to customise our proposition to meet the needs of the largest schemes. We continued to make incremental developments to improve fund choice and ease of use.

New individual pensions business (excluding DWP rebate premiums) was up 114% to £122 million (2006: £57m). This continued the upward quarterly trend with sales 15% up on the preceding quarter. Our proposition focuses on single premium business. DWP rebate premiums were 31% lower at £9million (2006: £13m) where the first quarter of 2006 benefited from some premiums held over from 2005.

New annuity business was up by 44% at £75 million (2006: £52m) and it was 10% up on the fourth quarter of 2006. This business comprises almost entirely vesting policies from our pension book. The year-on-year increase reflects subdued sales in the first quarter of 2006 because of deferred vestings leading up to pensions A-Day.

UK outlook

We expect the protection market to remain flat overall in 2007. We will continue to target specific sections of the market where we are underweight to build share. These actions should feed in gradually through the second half of the year.

In investment business, we expect the Guaranteed Bond to add to sales from the second quarter. We will run promotions for existing bond products through the middle of the year, although the impact of such activity is hard to predict. New products, as well as our wrap platform, are planned for launch late in the year.

The group pensions market will continue to be active, driven by ongoing trends of trust-based schemes to contract-based schemes, defined benefit to defined contribution provision, and employers restructuring their schemes. Sales this quarter were down on the fourth quarter of 2006 reflecting the seasonal pattern of stronger second and fourth quarters. We will launch a SIPP option on group schemes in the second half of the year as part of ongoing activity to maintain the attractiveness of our proposition.

Growth from quarter-to-quarter in individual pensions is expected to moderate as the impact of last year's Pensions 'A Day' regulation reduces. In early April we undertook a transaction with Swiss Re to transfer longevity and investment risk through reinsurance of a significant proportion of our annuity back book, in line with our continued management of risk and reward across the business. Our strategy in the post-retirement market is unaffected and annuity sales are expected to rise gently in proportion to vesting pensions.

International life and pensions

New international life and pensions business fell by 4% to £455 million (2006: £475m).

Friends Provident International (FPI)

First quarter new business was close to the very strong 2006 comparative, which was itself up 49% on the first quarter of 2005. Sales were down just 2% at £237 million (2006: £241m) and up 26% on the fourth quarter of 2006. There were a number of large single premium bonds, particularly in the UK reflecting demand driven by the end of the tax year. Sales in Asia were ahead of the fourth quarter of 2006 with more activity in the Hong Kong market, although not so much as in the first half of 2006. Our new German pensions product made good progress.

Lombard International (Lombard)

New business volumes were slightly lower year-on-year, 7% down at £218 million (2006: £234m). This result reflects the timing of large cases, which contributed more in first quarter 2006. Adverse tax changes announced in 2006 have also slightly affected results compared to first quarter 2006, in a small number of markets.

Lombard's seasonal pattern of an extremely strong fourth quarter is set to continue, as is the variability of quarterly results due mainly to the timing of large cases. The outlook is positive with plenty of activity across the majority of markets.

Friends Provident New Life and Pensions Business

3 months to 31 March 2007 vs 3 months to 31 March 2006

	Q1 2007			Q1 2006			% Change		
	Regular Prens £m	Single Prens £m	PVNB £m	Regular Prens £m	Single Prens £m	PVNB £m	Regular Prens %	Single Prens %	PVNB %
UK Operations									
Life									
Protection	16.9	0.0	100	16.0	0.0	93	6	-	8
Investment	0.6	134.3	138	0.4	178.3	181	50	(25)	(24)
	17.5	134.3	238	16.4	178.3	274	7	(25)	(13)
Pensions									
Individual Pensions	5.0	100.7	122	2.1	47.0	57	138	114	114
DWP Rebates	0.0	9.3	9	0.0	12.6	13	-	(26)	(31)
Group Pensions	95.9	184.9	598	67.8	136.4	460	41	36	30
Annuities	0.0	74.8	75	0.0	52.3	52	-	43	44
	100.9	369.7	804	69.9	248.3	582	44	49	38
UK Life and Pensions	118.4	504.0	1,042	86.3	426.6	856	37	18	22
International Operations									
Lombard	0.0	218.2	218	0.0	234.3	234	-	(7)	(7)
Friends Provident International	18.6	141.8	237	18.5	150.2	241	1	(6)	(2)
Total International Life and Pensions	18.6	360.0	455	18.5	384.5	475	1	(6)	(4)
Total Group Life and Pensions	137.0	864.0	1,497	104.8	811.1	1,331	31	7	12

Effect of currency movements

All amounts in currency other than sterling are translated into sterling at a monthly average exchange rate. The estimated new business assuming constant currency rates would be as follows:

	Q1 2007	Q1 2006	Change
	£m	(as reported) £m	%
Lombard	222	234	(5)
Friends Provident International	248	241	3
Total International Life and Pensions	470	475	(1)

PVNBP by operations

3 months to 31 March 2007 vs 3 months to 31 March 2006

	Q1 2007		Q1 2006	
	£m	%	£m	%
UK	1,042	70	856	64
Lombard	218	14	234	18
Friends Provident International	237	16	241	18
International	455	30	475	36

PVNBP equals new single premiums plus the expected present value of new regular premiums.

Premium values are calculated on a consistent basis with the EEV contribution to profits from new business. Start of period assumptions are used for the economic basis and end of period assumptions are used for the operating basis. A risk free rate is used to discount expected premiums in future years. The impact of operating assumption changes across a whole reporting period will normally be reflected in the PVNBP figures for the final quarter of the period that the basis changes relate to. No change in operating assumptions will be reflected in the PVNBP for the first and third quarters, when the contribution to profits from new business is not published. All amounts in currency other than sterling are translated into sterling at a monthly average exchange rate.

In classifying new business premiums the following basis of recognition is adopted:

- Single new business premiums consist of those contracts under which there is no expectation of continuing premiums being paid at regular intervals;
- Regular new business premiums consist of those contracts under which there is an expectation of continuing premiums being paid at regular intervals, including repeated or recurrent single premiums where the level of premiums is defined, or where a regular pattern in the receipt of premiums has been established;
- Non-contractual increments under existing group pensions schemes are classified as new business premiums;
- Transfers between products where open market options are available are included as new business; and
- Regular new business premiums are included on an annualised basis.

Analysis of APE

3 months to 31 March 2007 vs 3 months to 31 March 2006

	Q1		
	APE 2007	APE 2006	% change
	£m	£m	%
UK Operations			
Life			
Protection	16.9	16.0	6
Investment	14.0	18.2	(23)
	30.9	34.2	(10)
Pensions			
Individual Pensions	15.0	6.8	121
DWP Rebates	0.9	1.3	(31)
Group Pensions	114.4	81.4	41
Annuities	7.5	5.2	44
	137.8	94.7	46
UK Life and Pensions	168.7	128.9	31
International Operations			
Lombard	21.8	23.4	(7)
Friends Provident International	32.7	33.5	(2)
Total International Life and Pensions	54.5	56.9	(4)
Total Group Life and Pensions	223.2	185.9	20

Annualised Premium Equivalent (APE) represents annualised new regular premiums plus 10% of single premiums.