

News Release

31 October 2006

Friends Provident announces continuing momentum in life and pensions growth

Life and pensions new business (on a PVNBP¹ basis) increased by 39% to £4,629 million (2005: £3,326m) in the first nine months of 2006, and by 40% to £1,597 million (2005: £1,142m) in the third quarter.

UK life and pensions 9m highlights:

- Total UK new business up 34% to £3,039 million (2005: £2,274m)
- Group pensions up 46% to £1,633 million (2005: £1,115m)
- Protection up 8% to £322 million (2005: £297m)
- Investment up 10% to £532 million (2005: £482m)
- Individual pensions (excluding DWP rebate premiums) up 64% to £230 million (2005: £140m)

International life and pensions 9m highlights:

- Total International new business up 51% to £1,590 million (2005: £1,052m)
- Friends Provident International (FPI) up 31% to £635 million (2005: £483m)
- Lombard up 68% to £955 million (2005: £569m)

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

“We have sustained our impressive growth rates from the first half of the year.

“In the UK our leading group pensions franchise has continued to support profitable growth, with a useful contribution from individual pensions business in the third quarter. Our protection market share has grown through the first half of the year and third quarter sales were over a third up on 2005.

Friends Provident plc

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FRIENDS PROVIDENT

"International growth has been excellent in the year so far, with good prospects for a healthy contribution in the fourth quarter.

"These results clearly demonstrate our ability to drive growth in both the UK and International businesses."

Friends Provident is holding a briefing today for investors and analysts on its UK life and pensions operations. This is the subject of a separate regulatory announcement.

- Ends -

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

Friends Provident full year Life & Pensions new business	31 January 2007
F&C Asset Management plc quarter 4 funds under management	31 January 2007
F&C Asset Management plc preliminary results	15 March 2007
Friends Provident plc preliminary results	20 March 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.

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Commentary and tables

UK life and pensions

New UK life and pensions business in the first nine months of 2006 increased by 34% to £3,039 million (2005: £2,274m). Third quarter new business increased by 33% to £1,019 million (2005: £764m). The latest available figures show our highest ever quarterly share of the UK market at 6.9% in the second quarter.

Life business

New protection business increased by 8% to £322 million (2005: £297m), with third quarter sales up 37% to £123 million (2005: £90m). This market remains competitive and we have repositioned our pricing across our product range through the year, with renegotiation of reinsurance arrangements early in the year offsetting any impact on margins. We improved market share through the first half, from 7.1% in the first quarter to 8.3% in the second, and we are confident of an increase in sales for the year as a whole. We continue to succeed in attracting new distribution partners, with existing deals beginning to generate good levels of business.

Investment sales increased by 10% to £532m (2005: £482m). Third quarter sales were down 7% on 2005, as we maintained margins against a backdrop of strong competitor activity including the launch of guaranteed product tranches and special offers. We enhanced our ethical fund offering in the third quarter and were acknowledged as 'Best ethical investments provider'. We will increase activity in the fourth quarter to support new business into 2007, including broadening our fund offering to exceed 100 funds available on the platform, promotions on existing products, and new ethical, property and protected bond products with features designed to aid retention of business. Beyond 2007, our new wrap platform will provide further opportunities for product innovation and sales growth in the investment business.

Pensions business

New group pensions business increased by 46% to £1,633 million (2005: £1,115m). We are now one of the leading players as a result of our service efficiency, with the capability to provide the customisation required to write large schemes. We had a market share of 15.2% in the second quarter, which benefited from increased business stimulated by pensions A-Day. A-Day will continue to be helpful for a further year, although less significantly than in the second quarter. This market will also remain strong as a result of the continuing trend from

defined benefit to defined contribution, and from trustee based to contract based schemes. We continue to develop service-led improvements to the platform such as on-line tools and resources for scheme members, and are confident of continued growth, although below the exceptional level seen in the first half.

New individual pensions business increased by 64% to £230 million (2005: £140m), excluding DWP rebate premiums. This healthy growth was driven by increased traction in marketing to IFAs, rather than A-Day, with third quarter volumes up 79%. We focus on single premium business where less competition on commission levels means greater volume is available at acceptable margins and less risk arises from policy lapses. We expect steady growth and stable margins.

DWP rebate premiums were exceptionally high in this quarter. We believe the bulk of 2006 premiums have now been received, whereas in 2005 there were processing delays that deferred receipt of premiums.

Annuities sales over nine months decreased by 5%. Our sales consist largely of vesting Friends Provident pensions business. Third quarter sales were up 24% as a result of policyholders deferring taking benefits until after A-Day, but this will not be repeated and we will continue to focus on margins rather than volume in this line of business.

International life and pensions

New International life and pensions business increased 51% to £1,590 million (2005: £1,052m).

Friends Provident International (FPI)

New FPI business increased by 31% to £635 million (2005: £483m), with third quarter sales up by 6% at £169 million (2005: £159m). After three quarters of very strong volumes driven by growth in both regular premium products and bond sales, third quarter volumes were lower, although not skewed by results in any single territory. There was a slight upturn in the UK performance reflecting a pick up in business following uncertainty over trust regulations caused by changes to the Finance Act in the second quarter of this year.

Production in the final quarter of 2006 is expected to be stronger and growth is expected to continue into 2007. Indications are that margins will remain broadly stable by product line. Future results will be supported by our new branch in Singapore, where product launches are anticipated within 6 months, and Germany, where pilots in the pensions market are progressing well with a meaningful contribution to new business expected to come through in 2007.

Lombard International (Lombard)

Lombard's new business increased by 68% to £955 million (2005: £569m), with third quarter sales at £409 million, up by 87%. Italy has performed very strongly with expectations of tax increases after a change of government, while the UK is showing good growth as a result of stable investment markets and a larger sales team, following recruitment in 2005.

Typically, 40-50% of Lombard's business is written in the final quarter of the year. However the nature of the business and the lack of control over the timing of large cases mean that results for the final quarter cannot be extrapolated from the year to date. The outlook nonetheless remains, as previously stated, for good results for the year as a whole. Margins are dependent on territorial mix and case size. The impact of the former in the year to date results is neutral. However, 38% of business in the first nine months consists of large cases of greater than €10 million, compared to 7% in 2005, which are lower margin.

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 nearly 5,000 staff in its three core businesses: UK Life & Pensions, International Life & Pensions and Asset Management.

The business was founded in 1832 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.

Appendix: New business results

Analysis of Life and Pensions New Business

9 months to 30 September 2006 vs 9 months to 30 September 2005

	2006			2005			% Change		
	Regular Prens £m	Single Prens £m	PVNBP £m	Regular Prens £m	Single Prens £m	PVNBP £m	Regular Prens %	Single Prens %	PVNBP %
UK Operations									
Life									
Protection	53.9	0.0	322	49.9	0.1	297	8	-100	8
Investment	1.2	523.4	532	1.5	472.6	482	-19	11	10
	55.1	523.4	854	51.4	472.7	779	7	11	10
Pensions									
Individual Pensions	11.2	178.7	230	9.0	98.2	140	24	82	64
DWP Rebates	0.0	135.3	135	0.0	43.6	44	N/a	210	207
Group Pensions	267.4	455.9	1,633	164.4	305.1	1,115	63	49	46
Annuities	0.0	187.0	187	0.0	195.4	196	N/a	-4	-5
	278.6	956.9	2,185	173.4	642.3	1,495	61	49	46
UK Life and Pensions	333.7	1,480.3	3,039	224.8	1,115.0	2,274	48	33	34
International Operations									
Lombard	0.0	955.0	955	0.0	569.4	569	N/a	68	68
Friends Provident International	53.8	372.5	635	40.8	269.2	483	32	38	31
Total International Life and Pensions	53.8	1,327.5	1,590	40.8	838.6	1,052	32	58	51
Total Group Life and Pensions	387.5	2,807.8	4,629	265.6	1,953.6	3,326	46	44	39

Analysis of Life and Pensions New Business

3 months to 30 September 2006 vs 3 months to 30 September 2005

	Q3 2006			Q3 2005			% Change		
	Regular Prens £m	Single Prens £m	PVNBP £m	Regular Prens £m	Single Prens £m	PVNBP £m	Regular Prens %	Single Prens %	PVNBP %
UK Operations									
Life									
Protection	19.6	0.0	123	15.6	0.0	90	26	N/a	37
Investment	0.3	165.2	168	0.4	177.6	181	-23	-7	-7
	19.9	165.2	291	16.0	177.6	271	24	-7	7
Pensions									
Individual Pensions	4.7	71.8	93	3.0	38.7	52	57	86	79
DWP Rebates	0.0	100.9	101	0.0	36.4	37	N/a	177	173
Group Pensions	75.8	138.5	466	49.7	103.9	349	53	33	34
Annuities	0.0	68.0	68	0.0	54.4	55	N/a	25	24
	80.5	379.2	728	52.7	233.5	493	53	62	48
UK Life and Pensions	100.4	544.4	1,019	68.7	411.1	764	46	32	33
International Operations									
Lombard	0.0	409.0	409	0.0	219.3	219	N/a	87	87
Friends Provident International	14.9	96.1	169	14.2	84.7	159	5	13	6
Total International Life and Pensions	14.9	505.1	578	14.2	304.0	378	5	66	53
Total Group Life and Pensions	115.3	1,049.5	1,597	82.9	715.1	1,142	39	47	40

PVNBP by Channel

9 months to 30 September 2006 vs 9 months to 30 September 2005

	2006		2005	
	£m	%	£m	%
UK – IFA	2,666	57.6	2,027	61.0
UK – Tied	373	8.1	247	7.4
International	1,590	34.3	1,052	31.6
Total	4,629	100	3,326	100

PVNBP by Channel

3 months to 30 September 2006 vs 3 months to 30 September 2005

	Q3 2006		Q3 2005	
	£m	%	£m	%
UK – IFA	829	51.9	653	57.2
UK – Tied	190	11.9	111	9.7
International	578	36.2	378	33.1
Total	1,597	100	1,142	100

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

9 months to 30 September 2006 vs 9 months to 30 September 2005

	APE 2006 £m	APE 2005 £m	% change %
UK Operations			
Life			
Protection	53.9	49.9	8
Investment	53.5	48.8	10
	107.4	98.7	9
Pensions			
Individual Pensions	29.1	18.8	55
DWP Rebates	13.5	4.4	207
Group Pensions	313.0	194.9	61
Annuities	18.7	19.5	-4
	374.3	237.6	58
UK Life and Pensions	481.7	336.3	43
International Operations			
Lombard	95.5	56.9	68
Friends Provident International	91.1	67.7	35
Total International Life and Pensions	186.6	124.6	50
Total Group Life and Pensions	668.3	460.9	45

Analysis of APE

3 months to 30 September 2006 vs 3 months to 30 September 2005

	Q3		
	APE 2006 £m	APE 2005 £m	% change %
UK Operations			
Life			
Protection	19.6	15.6	26
Investment	16.8	18.2	-8
	36.4	33.8	8
Pensions			
Individual Pensions	11.9	6.9	72
DWP Rebates	10.1	3.6	181
Group Pensions	89.6	60.1	49
Annuities	6.8	5.4	26
	118.4	76.0	56
UK Life and Pensions	154.8	109.8	41
International Operations			
Lombard	40.9	21.9	87
Friends Provident International	24.5	22.7	8
Total International Life and Pensions	65.4	44.6	47
Total Group Life and Pensions	220.2	154.4	43

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