

News Release

6 May 2010

Friends Provident – first quarter 2010 new business

International life businesses drive 19% year-on-year sales increase

Highlights

- Total sales of £178 million for the first quarter of 2010 (measured in APE*) are up 19% on the same period of 2009.
- International sales, excluding Lombard, of £57 million are up 49% on the first quarter of 2009 with improved sales across regions, notably Asia, where sales are up by 61% to £27m.
- Lombard sales have improved markedly on the same period in 2009, up 62% to £33 million.
- UK sales of £88 million show group pensions down 5%, individual protection down 4% and annuities up 37% year-on-year.
- The first phase of the Friends Provident Corporate Investment Platform was successfully launched at the end of the quarter.
- Estimated IGD surplus maintained at £1.0 billion at 30 April 2010 after the payment of a £65 million dividend to Resolution holdings (Guernsey) Limited (RHG).

*see note 1 in Notes to Editors

Trevor Matthews, chief executive officer of the Friends Provident Group, said:

"I am pleased to report sales up by 19% overall in the first quarter of 2010. Our International business is performing very well, especially in Asia and the Middle East where we are seeing some investor confidence return compared to early 2009. In the UK, our key priorities are in individual protection and group pensions. While we are working to drive forward our new tied distribution deals, individual protection sales have been constrained so far this year by the sluggish housing market. In the UK group pensions market economic conditions mean that reported new business remains slow but we exceeded the £10 billion mark for funds on the platform in the first quarter and the launch of our Corporate Investment Platform means we are looking forward with confidence."

Friends Provident is the business name of the following companies in the Friends Provident group:

Friends Provident Life Assurance Limited Company number 782698
Friends Provident Pensions Limited Company number 475201
Friends Provident Life and Pensions Limited Company number 4096141
Friends Provident Marketing Limited Company number 5059179.

Each of these companies is authorised and regulated by the Financial Services Authority.

Each company is registered in England with a registered office at Pixham End, Dorking, Surrey RH4 1QA.

www.friendsprovident.com



Life and Pensions New Business

Sales of new life and pensions business on an annualised premium basis (APE) for the first quarter of 2010 were £178 million, up 19% on the first quarter of 2009. Within this overall result our International business (Friends Provident International Limited, overseas business written in the UK operating companies and our 30% stake in AmLife, the Malaysian joint venture) was up 49%, Lombard was up 62% and the UK down 3%.

International

International sales have maintained the momentum seen in 2009 with most regions performing well. March was a particularly strong month in Asia, up 61% year-on-year and accounting for half of International sales, with Middle East sales also beginning to gain ground. We have been actively developing bank distribution relationships in both of these markets.

Our commitment and growing prominence in the Middle East market has already been recognised in 2010 by a number of prestigious awards, including 'Life Insurer of the Year' at the Gulf Insurance awards.

Our proposition in Germany has also shown strong first quarter growth, in a market that is beginning to stabilise. Following the acquisition of our distribution partner Financial Partners Business AG (fpb) at the end of December 2009, we are continuing to develop and expand our network of supporting brokers which we expect will contribute to future profitable growth.

AmLife, our Malaysian life insurance joint venture in which we have a 30% stake, has continued to perform strongly this quarter. Friends Provident's share of new business APE was £2.7 million, up from £1.1 million reported last year.

Lombard

New business in the first quarter of the year is traditionally limited, which is in contrast to the strong final quarter of 2009. Nevertheless first quarter sales of £33.0 million APE are significantly up on 2009 comparatives (£20.4 million) with stronger performances in Italy, UK Private Banks, Finland and Asia, which have all benefited from the completion of large cases.

UK

Market conditions within the UK life insurance industry remain difficult with little prospect of significant economic growth in the short term. We have maintained pricing discipline and are focused on cash generation. We are investing to maintain the competitive position of our key individual protection and group pensions businesses, while providing annuity policies for retiring pensions customers.

Group pensions sales were £66 million, down 5% on the first quarter of 2009.

Increments to existing schemes are the largest component of new APE but remain subdued due to the economic conditions. As previously noted, new scheme business in the first quarter was held back by the effect of being removed from a number of consultants' panels at the time of the Resolution acquisition. These panel positions have since been reinstated.

Group pensions new business APE	Q1 2010 £m	Q1 2009 £m
Transfers in and lump sum contributions	4	6
Regular contributions		
- from increments to existing schemes	55	54
- from new schemes with unfunded commission	-	-
- from new schemes in target segment	7	10
Total	66	70

Funds under management for unit-linked group and individual pensions on the New Generation Pensions platform at the end of March were £10.4 billion up from £9.7 billion at 31 December 2009.

At the end of March, Friends Provident announced the launch of the new Corporate Investment Platform (CIP). The CIP provides a platform for pension scheme trustees to manage their funds, giving them greater flexibility and simplifying the administration process. This platform showcases innovative technology and demonstrates our commitment to the corporate pensions market. Further phases of the platform are expected to be launched throughout 2010.

UK Individual sales mostly comprise annuities and individual protection. Annuity sales, up 37% year-on-year, are the principal driver of the 12% overall sales growth. A factor driving this growth is the one-off impact of customers aged between 50 and 55 wishing to retire before April 4th, when the regulations changed to increase the minimum early retirement age to 55.

The protection market reflects, in a large part, housing market turnover. It is our expectation that the UK market will remain challenging overall for the remainder of 2010.

Sesame Bankhall

As expected, Sesame Bankhall has traded profitably in the first quarter. The integration of the Sesame and Bankhall operations is now largely complete, with new operating structures in place.

Capital

As at 30 April 2010 after taking into consideration the payment of the £65 million dividend to RHG, Friends Provident maintained a strong IGD surplus estimated at £1.0 billion (31 December 2009: £1.0 billion). Shareholder funds have limited exposure to equities and as a result the surplus was not affected by the performance of equity markets through the later part of 2009 and the first quarter of 2010.

Insurer financial strength ratings from each of the three rating agencies, Moody's, Standard & Poor's and Fitch remain in the A range.

- Ends -

Journalists requiring further information should contact:

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Notes to Editors

1. Headline new business figures are presented on the Annualised Premium Equivalent (APE) basis, representing annualised new regular premiums plus 10% of single premiums. The Present Value of New Business Premiums (PVNBP) basis represents new single premiums plus the expected present value of new business regular premiums. Figures on both bases together with comparatives are shown in an appendix to this update.
2. We are holders of a large number of industry awards, showing continued recognition of the quality of our products and service. These are listed in appendix 2 of this update.
3. This announcement contains certain forward-looking statements with respect to Friends Provident and its outlook. These statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this announcement should be construed as a profit forecast.
4. 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

Appendix 1

Analysis of Life and Pensions New Business

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.

Life & Pensions New Business – Regular and Single Premiums

	Regular premiums			Single premiums		
	3 months	3 months	Change	3 months	3 months	Change
	2010	2009		2010	2009	
	£m	£m	%	£m	£m	%
UK Corporate						
- pensions	62.0	63.8	(3)	43.1	57.7	(25)
- protection	0.8	2.2	(64)	0.0	0.0	-
Total UK Corporate	62.8	66.0	(5)	43.1	57.7	(25)
UK Individual						
- protection	8.7	9.1	(4)	0.0	0.0	-
- annuities	0.0	0.0	-	78.2	56.7	38
- pensions	1.3	1.7	(24)	25.9	18.0	44
- investments	0.0	0.0	-	6.2	4.4	41
Total UK Individual	10.0	10.8	(7)	110.3	79.1	39
Total UK Life & Pensions	72.8	76.8	(5)	153.4	136.8	12
International	44.7	33.1	35	118.6	49.5	140
Lombard	0.0	0.0	-	329.6	204.0	62
Total International Life & Pensions	44.7	33.1	35	448.2	253.5	77
Total Life & Pensions	117.5	109.9	7	601.6	390.3	54

New Business - Annual Premium Equivalent

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

	Q1 2010 £m	Q1 2009 £m	Change %	Q1 2010 £m	Q4 2009 £m	Change %
UK Corporate						
- pensions	66.3	69.6	(5)	66.3	91.1	(27)
- protection	0.8	2.2	(64)	0.8	2.0	(60)
Total UK Corporate	67.1	71.8	(7)	67.1	93.1	(28)
UK Individual						
- protection	8.7	9.1	(4)	8.7	9.7	(10)
- annuities	7.8	5.7	37	7.8	4.4	77
- pensions	3.9	3.5	11	3.9	3.6	8
- investments	0.6	0.5	20	0.6	0.7	(14)
Total UK Individual	21.0	18.8	12	21.0	18.4	14
Total UK Life & Pensions	88.1	90.6	(3)	88.1	111.5	(21)
International	56.5	38.0	49	56.5	57.5	(2)
Lombard	33.0	20.4	62	33.0	198.6	(83)
Total International Life & Pensions	89.5	58.4	53	89.5	256.1	(65)
Total Life & Pensions	177.6	149.0	19	177.6	367.6	(52)

International

APE by region (£m, actual exchange rates)	Q1 2010	Q1 2009
Asia	26.9	16.7
Middle East	9.4	9.1
Europe (Excl UK)	10.5	7.2
UK	2.7	1.1
Rest of World	4.3	2.8
AmLife	2.7	1.1
Total	56.5	38.0

Lombard

APE by region (£m, actual exchange rates)	Q1 2010	Q1 2009
UK and Nordic	10.5	5.8
Northern Europe	5.4	5.2
Southern Europe	14.5	9.1
Rest of World	2.6	0.3
Total Including Large cases	33.0	20.4
Of which: Large cases (greater than €10m)	11.3	2.0
Total Excluding Large Cases	21.7	18.4

New business APE at constant exchange rates

All amounts in currency in the tables above 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 2010 £m	Q1 2009 (as reported) £m	Change %
International	59.0	38.0	55
Lombard	33.2	20.4	63

New Business – Present Value of New Business Premiums (PVNBP)

PVNBP equals new single premiums plus the expected present value of new regular premiums. Premium values are calculated on a consistent basis with the EV 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.

	Q1 2010 £m	Q1 2009 £m	Change %	Q1 2010 £m	Q4 2009 £m	Change %
UK Corporate						
- pensions	297	319	(7)	297	491	(40)
- protection	5	8	(38)	5	5	-
Total UK Corporate	302	327	(8)	302	496	(39)
UK Individual						
- protection	51	59	(14)	51	55	(7)
- annuities	78	57	37	78	44	77
- pensions	31	24	29	31	28	11
- investments	6	5	20	6	7	(14)
Total UK Individual	166	145	14	166	134	24
Total UK Life & Pensions	468	472	(1)	468	630	(26)
International	334	225	48	334	280	19
Lombard	330	204	62	330	1,986	(83)
Total International Life & Pensions	664	429	55	664	2,266	(71)
Total Life & Pensions	1,132	901	26	1,132	2,896	(61)

Appendix 2

Recent awards

Service

- SimplyBiz Awards 2010. Best Overall Service
- Financial Advisor Service Awards 2009 - Friends Provident retained the 4 star rating for Life & Pensions provision
- FTSE First Impressions Index (rated 2nd out of 100)
- Maintained Status as Investor in People
- Awarded Training Quality Standards for Employees (the first UK financial services company to achieve this)

Pensions

- Incisive Media - Gold Standard Awards 2009. Friends Provident won the Group Pensions category
- European Pensions Awards 2009. Friends Provident was awarded Pension Provider of the Year
- Professional Pensions UK Pensions Awards 2009. Friends Provident won DC Provider of the Year
- Financial Technology Research Centre - e-Excellence Ratings 2009/10. Friends Provident received numerous Triple E ratings: Individual Pensions, Group SIPP, CIMP and Group Personal Pensions including Stakeholder for both new and existing business

Protection

- Incisive Media Gold Standard Awards 2009. Winner of Protection category
- Financial Technology Research Centre - e-Excellence Ratings 2010. Friends Provident received numerous Triple E ratings: Life Protection, Critical Illness, Income Protection and Protection Menu
- Financial Adviser Life and Pensions – Best Income Protection Provider

Investments

- Investment Life & Pensions Moneyfacts 2009 Awards. Best Ethical Investment Provider - Friends Provident was highly commended

International

- POLICY magazine Middle East Insurance Awards 2010 – Voted Life Insurer of the Year
- Hong Kong Council of Social Service -Awarded Caring Company logo for 2009/10
- Best Practice - Financial Management Awards 2009. Friends Provident awarded Outstanding Achievement Award for Best Fund Platform
- Gulf Insurance awards - Life insurer of the year
- International Adviser Awards 2009. Friends Provident won 10 out of 24 awards:
 - Best Adviser Support and Customer Service – Middle East
 - Best Adviser Support and Customer Service - Far East
 - Best Regular Premium Investment Product - Middle East (for Premier Ultra)
 - Best Regular Premium Investment Product - Far East (for Premier)
 - Best Trust and Estate Planning Product - Far East (for Discounted Gift Trust)
 - Best Online Proposition - Middle East
 - Best New Product - Middle East (for Optus)
 - Best Single Premium Investment Product - Middle East (for Reserve)
 - Best Single Premium Investment Product - Far East (for Global Portfolio Bond)
 - Best Overall Product Range - Far East

Sesame Bankhall

- Money Marketing Financial Services Awards 2010. Sesame won 'Best Network and Support Services' provider as well as 'Best Mortgage Network'.
- Professional Advisor Awards 2010. Sesame won 'Best IFA Network'