

18 September 2008

Dear Policy Holder,

You may be aware of recent media coverage concerning the plight of financial institutions, particularly in the USA, that appear to have impacted other financial markets around the world.

I appreciate that this is a very unsettling and confusing time for you. Therefore, I would like to reassure you that the Friends Provident Group is financially strong and this has been confirmed by independent credit rating agencies. Also, we have been established since 1832 and have experienced many varied and difficult market conditions.

In January 2008 we announced the conclusion of our Strategic Review, which gave us the opportunity to take a long hard look at every aspect of our business. As hopefully you are aware, the decision was taken to move to a more streamlined and more focused business, with International at the heart of this new strategy. Importantly, the new Group will be well capitalised and self-financing, with no need for external capital. In current market conditions, this is further reason to have confidence in the Friends Provident Group.

One of the insurance companies you may have seen media coverage on is AIG; this is a vast, complex business that is very different from Friends Provident. Its difficulties relate to the struggling USA housing market, an area in which Friends Provident does not participate. Friends Provident's core markets are life and pensions business.

To reassure you further, in the unlikely event that the Friends Provident Group were to cease trading or become insolvent, you are protected by either the UK Financial Services Compensation Scheme (FSCS) or the Isle of Man's Life Assurance (Compensation of Policyholders) Regulations 1991, depending on which Group company issued your policy. These schemes would pay compensation to eligible policyholders of up to 90% of the amount owed to them. For example, if you owned two investment bond products with a total surrender value of £300,000, you would be entitled to up to £270,000 (90% of the surrender value).

Friends Provident International half-year results on 30 June 2008 announced, that we were making very good progress, with 57% growth in new business while delivering superior returns.

I hope the above has given you confidence and peace of mind that the Friends Provident Group is in a strong financial position.

However, if you have any further questions or concerns please contact your financial adviser.

Paul Tunnicliffe
Director
Friends Provident International