

**SCOTTISH FRIENDLY ANNOUNCES
INCREASED WITH PROFITS BONUS RATES FOR 2005**

Scottish Friendly Assurance, one of the UK's leading friendly societies and a consistent top ten performer for with profits plans over 10, 15 and 20 years*, has today announced bonus rates for its with profits plans.

The Society is increasing its terminal bonus rates on most plans and terms maturing from 1 May 2006.

This will have the effect of increasing maturity values for 10 year policies by 8% and for 20 year policies by 1.3% compared to 2004.

Chief executive Fiona McBain said: "Scottish Friendly's with profits plans have continued to give investors a positive return on their money and I am pleased that most of our members will benefit from increased bonuses this year. Our prudent investment management has helped position Scottish Friendly as a strong mutual organisation that continues to offer good value to members."

Scottish Friendly's new bonus rates mean that, based on a male aged 30 at the start of a policy, investing £50 per month on a 10 year endowment, the payout would be £7,598, a return of 4.6% per annum and over 15 years £15,302, a return of 6.7% per annum. For a 20-year term, the payout is £27,623, a return of 7.7% per annum.

On a 25 year policy the maturity value compared to 2004 reduces by 3.5% to reflect investment returns over this longer period. Over 25 years, the payout would be £46,590, a healthy rate of return of 8.1% per annum.

Scottish Friendly's with-profits fund asset mix at the end of 2005 was 37.8% UK equities; 31.7% fixed interest; 12.2% cash; 11.9% property and 6.3% overseas equities.

Scottish Friendly, one of the UK's leading Friendly Societies, provides tax-free savings plans, with profits savings plans, ISAs and the Child Trust Fund.

ENDS

For further information please contact Clare Meikle or Lynn Railston at 3x1 Public Relations on 0141 221 0707.

Notes to Editors:

The reversionary bonus for 2005 is 0.5% of sum assured (2004: 0.5%) plus 2% of previously declared bonuses (2004: 2.0%). For tax-exempt plans, the reversionary bonus is 0.75% of the sum assured (2004: 0.75%) plus 2.25% of the previously declared bonuses (2004: 2.25%)

The terminal bonus is 14.75% plus 0.25% for each completed year of duration, excluding the first nine years and is calculated on the sum assured and total reversionary bonus. Terminal bonus in 2004 was 1% per annum after nine years plus an extra 0.5% per annum for years after 20.

For comparative purposes, Scottish Friendly's 2004 bonus rates meant that, based on a male aged 30 at the start of a policy, investing £50 per month on a 10 year endowment, the payout was £7,032, a return 3.1% p.a. and over 15 years £14,659, a return of 6.2% p.a. For a 20-year term, the payout was £27,258, a return of 7.6% p.a. Over 25 years, the payout was £48,266 a return of 8.3% p.a.

* Source: Money Management, April 2005.

Past performance is not a guide to future performance. With profits bonuses are not guaranteed. If a regular with profits savings plan is cashed in before maturity, investors may not get back as much as they have paid in.