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UNDER EMBARGO TILL 28 APRIL 2004

NEWS RELEASE

CONTINUED GROWTH IN FUNDS AT SCOTTISH FRIENDLY

Scottish Friendly, one of the UK's leading friendly societies, will announce at its Annual General Meeting today, that its funds under management grew to £360 million.

2003 Major Highlights

- Funds under management increased by 16% to £360 million
- Annual premiums increased by 8% to £60 million
- Scottish Friendly is in the Life industry top five for its 10, 15 and 20 year term with profits performance¹

Douglas Forbes, Scottish Friendly's chairman said, "Although 2003 was a difficult year for the life assurance industry, our investment performance improved as the stock market recovered. Our gross annual premiums recorded a healthy increase of 8%, although total gross premium income was unchanged due to a fall in single premium sales. Lower consumer demand meant sales throughout the life industry were well down last year and, in anticipation of lower demand for investment products, we reduced our marketing expenditure to maintain our customary control over unit costs.

"Significant business improvements have been implemented over the past year and we will continue to change and adapt to secure our position as one of the industry's most successful niche players. In order to improve the long term investment performance for our policyholders we have recently taken the strategic decision to outsource our the investment management of the Society's funds. We are operating in a very competitive market but there continues to be demand for friendly society investments because of their relative security and

growth potential in what has been for several years now, an uncertain investment climate.”

Scottish Friendly, one of the UK’s leading friendly societies, provides tax-free savings plans, ISAs, investment plans and term assurance.

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1. Money Management, April 2004, annual survey of with profits performance.

Notes to Editors

Past performance is not necessarily a guide to future performance. Bonus rates and maturity values are not guaranteed.