

**8 January 2007**

**£7.9 MILLION BUSINESS BOOST FOR SCOTTISH FRIENDLY GROUP**

The Glasgow-based Scottish Friendly group today confirmed significantly increased new business<sup>1</sup> income of £7.9 million during 2006 - 27 per cent up on the previous year.

This result – which is in marked contrast to the general downturn being experienced by direct sales of regular premium savings products - tops a highly successful year for Scotland's largest mutual life office, which is pursuing a three-pronged strategy of organic growth, mergers and consolidation, and business processing outsourcing.

Fiona McBain, Chief Executive, said: “We have utilised our strength and flexibility as a progressive financial services group to build a profitable business across all three areas. The figures released today show that we are making extremely sound decisions, not only with regard to our own core savings and investment products – which have contributed 15 per cent of the uplift – but also with our selection of business partners and takeover strategy.

Child Trust Fund sales of over £2 million, up from £0.66 million in 2005, also helped boost total figures.

Fiona McBain continued “During 2007 the planned takeover of Scottish Legal Life, together with new income arising from the launch of Nucleus financial wrap services<sup>3</sup>, will ensure that this strong performance will continue.”

The group attributes the continued success of organic sales growth to the unique tax-free<sup>2</sup> status of its main savings plans, continued strong with-profits and other investment performance and the introduction in 2005 of the Child Trust Fund and other new savings plans

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**Notes to Editors**

<sup>1</sup>New business figures are calculated on industry standard terms: based on regular premiums plus one tenth of single premiums

<sup>2</sup>Tax free means free of income and capital gains tax.

<sup>3</sup>Scottish Friendly provides the logistics, contracts and infrastructure for Nucleus Financial Group, a pioneering new IFA-led 'wrap' service which is set to transform the way that people manage their investment portfolios.

**About Scottish Friendly**

Scottish Friendly operates as a financial services group dedicated to the efficient provision of a wide range of financial products and services. It accounts for over 380,000 policyholders and has assets under management of over £500 million as at December 2006.

The group's back office capability integrated with a well trained, experienced and scalable customer services operation has been critically acclaimed.

The group also prides itself on maintaining one of the lowest renewal costs of life companies in the UK and aims to deliver value to members, investors and corporate partners through a combination of tax efficiency, mutuality, administration service delivery and efficient management.

At the heart of the group is **Scottish Friendly Assurance Society Limited** (SFAS) the largest mutual life office in Scotland. It applies all the tax-efficient advantages of a friendly society to deliver simple, cost-effective, low entry savings, assurance, insurance and investment products to people from all walks of life through a highly sophisticated direct marketing and partnership operation.

SFAS is one of the largest direct marketing operators in the financial services industry with over 60 million items distributed each year, primarily through inserts in newspapers.

As a mutual organisation, SFAS has no shareholders, so profits are distributed among with-profits policyholders in the form of bonuses. This has contributed to an exceptional with-profits fund performance record.

**Scottish Friendly Asset Management Limited** markets OEIC, ISA and CTF products including its Standard & Poor's 5-star award winning Managed Growth Fund.

**Scottish Friendly Insurance Services Limited** provides leading edge wrap services to select corporate clients.

**Scottish Friendly Trustee Company Limited** provides trustee services and holds the assets held within the Scottish Friendly Self Invested Personal Pension Scheme.