

29 March 2007

SCOTTISH FRIENDLY INCREASES WITH-PROFITS BONUSES

Glasgow-based Scottish Friendly has today announced an increase in its with-profits payouts for policyholders whose plans mature from May 2007.

The improved performance will increase maturity values for 10-year policies by 1% and for 20-year policies by 2% compared to the previous year.

The higher payouts are due to an increase in final bonuses*. These will be 23% (2006: 15%) for 10 year plans, 24% (2006: 16.25%) for 15 year plans and 25% (2006: 17.5%) for 20 year plans.

The increase reinforces the group's reputation for strong with-profits performance. Scottish Friendly has been a consistent top ten performer for plans held over 10 and 15 years**.

The new rates show that Scottish Friendly payouts have outperformed the average balanced managed fund and mean that, based on someone aged 30 at the start of a policy investing £50 per month, payouts will be (average balanced managed fund figures are shown for comparison***):

- £47,166 on a 25 year with profits plan - a return of 8.2% per annum (average balanced managed fund investment: 6.9% p.a).
- £28,089 over 20 years - a return of 7.8% per annum (average balanced managed fund: 6.0% p.a.)
- £15,514 over 15 years - a return of 6.9% per annum (average balanced managed fund: 5.4% p.a.).
- £7,707 over 10 years - a return of 4.9% per annum (average balanced managed fund: 4.7% per annum).

The improved performance will increase maturity values for 10-year policies by 1.4% and for 25-year policies by 1.2% compared to the previous year.

Meanwhile, new research by the Association of British Insurers has shown Scottish Friendly to be a strong performer in customer service. In three key areas – maintaining effective relationships, developing/promoting products and services, and giving clear information and good service, customer perception of Scottish Friendly was significantly higher than the industry average.

Chief executive Fiona McBain said: “Careful and specialist investment management has allowed us to increase our returns to members and it is pleasing to note we have outperformed the average balanced managed fund. When combined with the results from the ABI Customer Impact Survey, we believe our with-profits returns demonstrate the practical and financial advantage of mutuality.”

* Final bonuses are applied to the guaranteed benefits of the with-profits plan on maturity. Final bonuses can be reviewed and adjusted at any time.

** Source: Money Management magazine with profits survey November 2006

*** Source: Standard & Poor’s, Offer to Bid, Basic Rate Taxpayer, Standard & Poor’s LF Fd Balanced Managed, Initial premium £50, thereafter £50 per month regular investment for the complete term of the contract, annualised growth rate figures.

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Notes to Editors

The annual (reversionary) bonuses remain unchanged at 0.5% of the sum assured plus 2% of previously declared bonuses. For tax-exempt plans, the annual bonus is 0.75% of the sum assured plus 2.25% of previously declared bonuses.

The terminal bonus is 22.8% plus 0.20% 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 2006 was 14.75% plus 0.25% per annum after nine years.

Scottish Friendly's with-profits fund asset mix at the end of 2006 was 38.5% UK equities; 26.4% fixed interest; 10.4% cash; 11.8% property and 12.9% overseas equities.

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