

25 April 2007

FUNDS SURGE FOR SCOTTISH FRIENDLY

Scottish Friendly today (25 April) reports record assets under management of more than £600 million¹ at end 2006 (*£529m : 2005*), boosted by a £7.8m (27%) rise in new business² income and strong investment returns over the year.

Sales of core products were up, and given a further lift from the successful development of existing and new offerings.

New products included the table-topping³ stakeholder-approved Child Trust Fund which achieved sales of over £2 million, an increase of over 200% on 2005 (*£0.66 million*).

Later this year Scottish Friendly will take over the business of Scottish Legal Life - subject to member approval - a move which will significantly increase assets under management and which is likely to accelerate future growth.

The latest performance figures, reported at the group's annual general meeting in Glasgow, round off a remarkable year for chief executive Fiona McBain, who was named Female Director of the Year by the Institute of Directors Scotland in February.

McBain is spearheading a three-strand business development strategy that has transformed Scottish Friendly into a dynamic, innovative and thoroughly modern financial services organisation.

“As well as driving organic growth and merger and consolidation activity, we have also secured significant business processing outsourcing ventures,” said McBain.

“Our partnership with Nucleus Financial Group's new wrap service⁴ offers superb opportunities for additional income streams and has the potential to vastly increase our assets under management and administration.”

“Furthermore, by harnessing the principles of wrap technology, next month we will launch exciting new Scottish Friendly investment products which will help add flexibility to our core tax-exempt savings plan products. We believe we are one of very few, if not the only friendly society equipped to do this – and the beneficiaries will be our members.”

According to McBain, merger and consolidation activity combined with outsourcing opportunities provide important economies of scale which allow the group to continue to offer some of the lowest renewal costs in the industry.

She added: “We are confident that our exclusive partnership with Scottish Legal Life to transfer its business to Scottish Friendly will conclude this year, further increasing long term returns and profitability.

“This, combined with exciting developments such as Nucleus and the innovative development of our product range, is good news for our customers and our members.”

An independent survey⁵ conducted during 2006, revealed that, on every aspect of customer service, members rated Scottish Friendly significantly above the industry average.

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Notes to Editors

¹Assets under management were £604.8m at 31.12.06.

²New business figures are calculated on industry standard terms: based on regular premiums plus one tenth of single premiums

³ Source: Daily Mail, 11 April 2007. Survey of CTF performance over two years to 6 April 07.

⁴ 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.

⁵ Source: ABI Customer Impact Survey, 2006

Scottish Friendly operates as a financial services group dedicated to the efficient provision of a wide range of financial products and services to over 380,000 policyholders.

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

Scottish Friendly 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, 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.

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.