

SCOTTISH MUTUAL INTERNATIONAL plc
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22 March 2005

Dear Intermediary,

Scottish Mutual International (SMI) With Profits Bonus Rates - 2005

I am writing to update you on the latest bonus announcement for the Scottish Mutual International With Profits funds.

Last April we issued the detailed Principles and Practice of Financial Management (PPFMs) for each of the SMI With Profits funds. We also advised intermediaries with clients invested in the SMI Series 1 With Profits Fund ('the Series 1 Fund'), in July, of our intention to use the investment returns primarily to reduce the Market Value Reduction (MVR) on early surrender for policies invested in this fund before we reintroduce an annual bonus. The PPFMs for each of the funds are similar but not identical as the contractual guarantees and liabilities of the SMI Dublin With Profits Fund ('the Dublin Fund'), where annual bonus has continued to be paid, are different to those of the Series 1 Fund.

In line with the above, we are continuing with a nil annual bonus for 2005 for the Series 1 Fund and a bonus rate of either 2.5% or 2% for the Dublin Fund, depending on the fund currency. No terminal bonuses are currently appropriate for any policies, in any of the SMI With Profits funds.

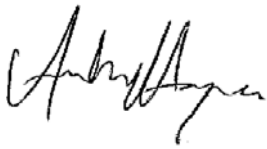
The funds' positions have however improved over the past twelve months in two important aspects as set out below. The gross investment return over 2004 for each of the SMI With Profits funds is set out in the attached Questions and Answers leaflet.

Since July 2004 we have reviewed MVRs on three separate occasions which has resulted in improvements in MVR rates for the majority of policyholders. Individual MVRs depend upon the fund in which the policy is invested, the fund currency, the period of investment, general investment conditions and the performance of the underlying assets within the fund compared to the value of the units purchased and any bonus arising over that period.

Because of stock market volatility of recent years, and in order to reduce the investment risk, we had over time significantly reduced the percentage of equity allocation within the funds with a higher percentage being placed in fixed interest and cash. Given the continued recovery in investment markets throughout 2004, and in accordance with the outcome of our review of the funds, we have gradually increased our equity exposure.

Between April and May we will be writing to all SMI With Profits policyholders with details of the bonus declaration. Please refer to the enclosed Questions and Answers leaflet for more information and comprehensive details on our With Profits funds. If you would like copies of the Principles and Practices of Financial Management (PPFMs), you can download them from www.smi.ie or email us on info@smi.ie. Alternatively, contact us directly via our helpline on +353 1 8044000 (10:00 to 16:00 local time).

Yours faithfully

A handwritten signature in black ink, appearing to read 'Anthony Haynes', written in a cursive style.

Anthony Haynes,
Managing Director