



18 May 2006

Dear Policyholder,

**Scottish Mutual International (SMI) Dublin With Profits Customers – Keeping You Informed. Policy number <<policy number>>.**

I am writing to keep you up to date with the performance of the Scottish Mutual International Dublin With Profits Fund and what this means for you. I have enclosed a fund performance announcement and a 'Questions & Answers' leaflet to ensure that you have all of the relevant information at your fingertips.

**Fund Performance Continues To Strengthen**

Building on the positive performance of the previous year, I am pleased to report that we have seen further strong growth in the With Profits fund in 2005. During the year we retained the fund's target exposure to equities at 40%. Over the year to 31 December 2005 the SMI Dublin With Profits Fund delivered returns (before tax and charges) of up to 13.2%, depending on the currency of the sub-fund.

This means that the majority of our With Profits policyholders will have seen an increase in the underlying value of their investment over the last year, and that the fund has been able to recover further from the decline in the stock market seen between 2000 and 2003.

**Improving Final Bonuses And Reducing Market Value Reductions**

Over recent years we have taken a number of actions to improve the performance of the With Profits fund and to ensure that we continue to treat all customers fairly. We are pleased to say that these continue to have a positive impact on the value of our customers' investments.

We have also committed to a policy of improving Market Value Reductions (MVRs<sup>1</sup>), and Final Bonuses, before increasing Annual Bonuses. We continue to believe that this is the best and fairest way for all customers to benefit from the returns of the fund.

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<sup>1</sup> An MVR is a reduction in the amount you get back if you take money from your policy and is designed to ensure that those leaving early don't take more than their fair share of the fund.

## How This Affects You

In line with this policy, we have used the strong fund performance over the last year to return value to customers in two ways:

- Final Bonus – we reintroduced final bonus in October 2005 for a number of policies, and have now announced increased final bonus rates and extended the dates at which final bonus applies, as detailed in the attached fund performance announcement.
- Market Value Reductions – we have reduced MVRs on all with profits policies since April 2005. Individual MVRs depend upon the fund in which your policy is invested, the fund currency, the period of investment, general investment conditions and the performance of the assets within the fund compared to the value of the units purchased and any bonus arising over that period.

We are therefore declaring an annual bonus for 2006 of either 2.5% or 2% for the SMI Dublin With Profits Fund, depending on the fund currency. The enclosed leaflet gives some more details on why we think this is the best way to treat all policyholders fairly.

## Want To Know More?

Please take some time to read through the enclosed 'Questions & Answers' leaflet which may help with other queries that you have. If you would like to speak to someone about the information provided in this letter, or to discuss any other features of your investment, please contact your financial adviser, email us at [info@smi.ie](mailto:info@smi.ie) or ring us at +3531 8044000 (10:00 to 16:00 local time). For Hong Kong licensed policies (policy prefix 19) please ring +852 2956 0508.

Annual plan statements will continue to be issued on your policy anniversary and will detail the current nominal value of your investment (i.e. any potential Final Bonus or MVR will not be included). Further With Profits information, including the Principles and Practices of Financial Management (PPFM), is available on our website at [www.smi.ie](http://www.smi.ie).

Thank you for continuing to invest with Scottish Mutual International.

Yours faithfully



Niall Gallagher  
Managing Director