safe combination® bond

PRODUCT BROCHURE

INTERNATIONAL VERSION

A GUIDE TO THE SAFE COMBINATION® BOND

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What is the *safe combination®* bond?

The *safe combination®* bond is an award-winning*, single premium investment bond that provides returns linked to the performance of the world's major stock markets. Investors have the reassurance of knowing that with the *safe combination®* bond, they are in constant control of the level of risk they take with their capital.

The desperate state of global stock markets during the early years of this millennium, and especially the losses suffered in the technology sector immediately after 2000, clearly demonstrate the considerable short-term risks and dangers an investor would usually face when investing 'unprotected' capital in the stock market.

As we are unable to alter the unpredictable behaviour of the world stock markets, Scottish Life International decided the best way to control loss and risk for investors was to develop *safe combination®*.

The *safe combination®* bond allows investors to define their preferred level of capital protection. You can therefore invest in the stock market with confidence and security, knowing you are firmly in control of the level of risk to which you expose your capital.

The bond also enjoys the tax-efficiency of an offshore (Isle of Man) investment, liberating it from the problems associated with traditional stock market investment, such as yearly taxation, and can reduce the administration hassles involved in setting up and monitoring a portfolio. The value of tax benefits depends on individual circumstances and can change.

This brochure provides a brief guide to the benefits of the *safe combination®* bond. More detailed information can be found in the *System guide* which will show how you can define your capital protection level and still benefit from the performance potential of the stock market.

*UK Market, Portfolio International 2003

Defining your risk and reward

One of the key benefits of the *safe combination®* bond is that you can define in clear, meaningful terms the level of risk and reward you wish to accept.

Scottish Life International's unique and award-winning range of capital-protected funds gives you the opportunity to link your investment to a variety of stock markets around the world. These stock markets are represented by the following stock market indices:

FTSE 100	UK
S&P 500	USA
Nikkei 225	Japan
EURO STOXX 50	Europe (countries whose currency is the euro)
Nasdaq-100	Technology (US-based)

We offer three different types of fund which have the potential to earn bonuses and profits in different ways and in different market circumstances.

Our versatile fund range consists of:

- the Protected Deposit Bonus funds, which can grow when the stock market remains flat;
- the Protected With Bonus funds, which can grow when the stock market is flat or even slightly depressed;
- the Protected Index funds, which participate directly in stock market growth and offer the potential to outperform in strong stock market conditions in certain circumstances.

Furthermore, all our protected funds are designed to protect your capital in the event of a sharp stock market crash.

The key element is this: each of these funds provides a choice of capital protection of between 100% and 95% over each quarterly period. Funds which take a greater degree of risk, such as those with 95% capital protection, offer a higher level of potential reward.

You can therefore choose a fund which offers the right blend of risk and reward and, in doing so, **define the maximum loss (before charges) you are willing to incur in clear, monetary terms**. Some of our funds involve a high level of risk and are therefore only available through the *safe combination®* system. Please refer to the *Investment guide* for full details.

Setting your maximum loss level

It is now possible to set your capital protection level to 100% of the amount you invest and combine this with the long-term growth profile of higher risk and higher reward funds. This can be achieved through the *safe combination*® system.

This is a clever yet simple computer-based portfolio management system through which you can choose how much of your initial investment you want to preserve. The *safe combination*® system will then maximise the return potential of your investment by dividing it into funds with different protection levels. Ultimately this means your investment could progress into higher risk, higher return funds, even if you choose to protect the whole of your initial investment. You can choose to protect a smaller proportion of the initial investment and take more risk more quickly but with the danger that you may lose some of your initial capital.

Charges

Please note that your protected amount may be reduced by the effect of charges. This may reduce the initial investment value even if you choose to protect the full value of your initial amount. A full description of the charges can be found in the key features document.

For more information on how this transparent approach to investment risk and reward works, please read the *System guide* which accompanies this brochure.

Investment growth and protection of the initial capital is provided by a range of highly rated, financially strong institutions and not by Scottish Life International. If any of these institutions with whom your money is invested were to default on their obligations, the protection and growth potential of your bond would be at risk and may have no value.

Scottish Life International has a conservative credit-assessment policy and our standard practice is to use only financially strong institutions with a minimum short-term credit rating of A-1 (Standard & Poor’s) or P-1 (Moody’s). Please see Important information for an explanation of these agencies (page 9, paragraph 3).

Why Scottish Life International?

Scottish Life International was launched in 1996 and is a wholly-owned subsidiary of the Royal London Group based in Douglas on the Isle of Man. The company has grown rapidly in size and now has funds under management of around $1.1 billion worldwide (as at 31 December 2005).

Scottish Life International specialises in offshore investment, life assurance and protection products and conducts business in a number of markets around the world. In the UK we market products via financial advisers to UK residents, companies and trusts. International versions are also available to expatriate investors. In the Middle East, where we operate under a local licence, and in Germany through our Royal London brand, intermediaries market our products to resident investors. Additionally, we are in partnership with a South African resident company which provides investment products to South African residents.

Our parent company, the Royal London Group, has around $51.6 billion funds under management, around 2,885 employees and in the region of 3 million customers (as at 31 December 2005).

The benefits of investing in the Isle of Man

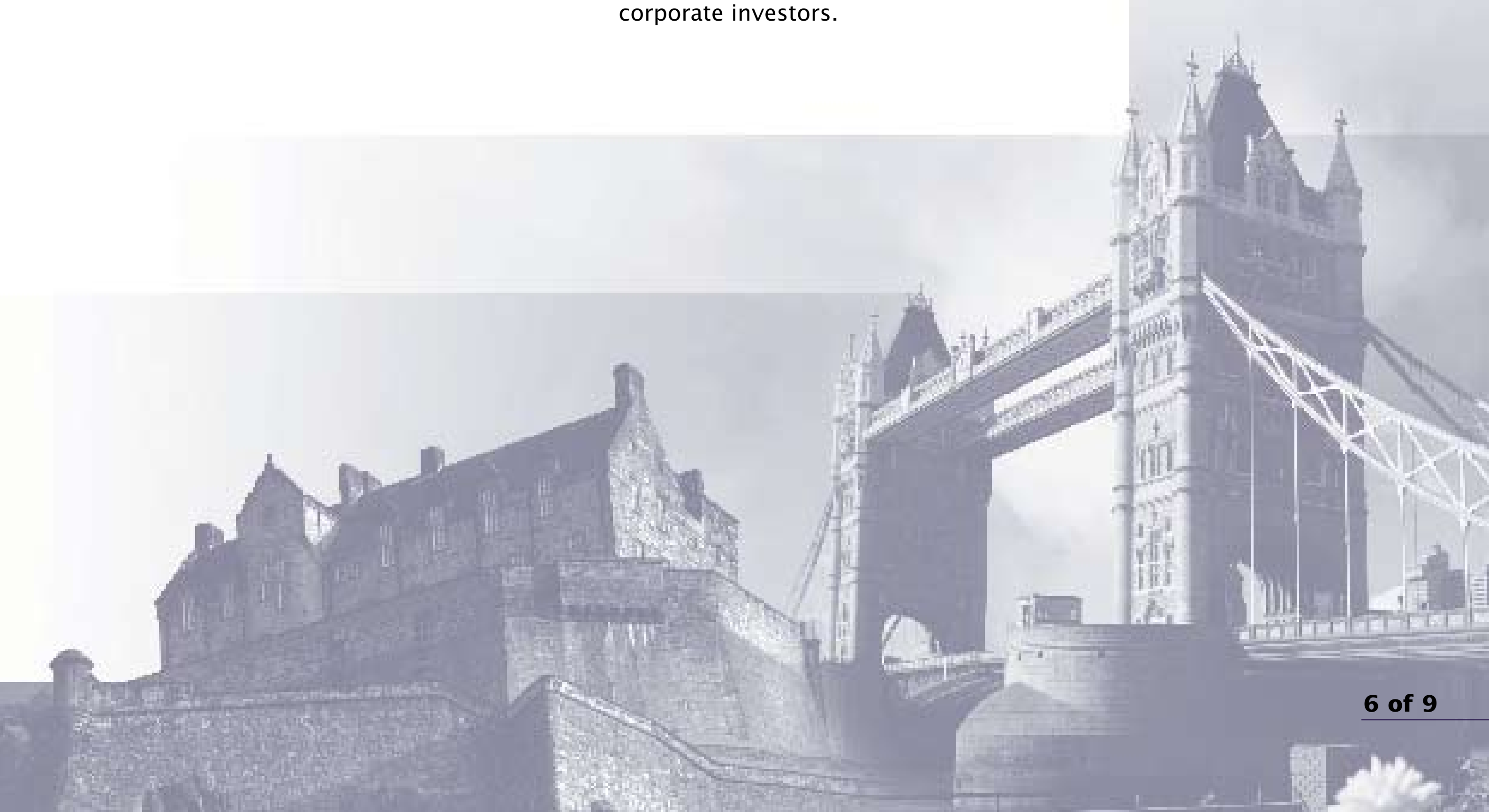
The *safe combination*® bond is an offshore investment bond based in the Isle of Man. All growth is free of Isle of Man tax. This makes the bond highly suitable for many investors, including trustees and certain pension scheme investors, but this will depend on the personal circumstances of the investor and can change.

Tax may be due on encashment, depending on individual circumstances. Please remember that tax legislation varies from country to country, therefore you should seek advice from your financial adviser.

An impeccable profile

The Isle of Man is one of the most highly regarded offshore financial centres in the world. It has been awarded the strongest credit risk rating by both Standard and Poor's and Moody's. Through Scottish Life International, the *safe combination*® bond is managed under the strict supervision of the Isle of Man Government Insurance and Pensions Authority. Investors receive the protection of the Isle of Man Life Assurance (Compensation of Policyholders) Regulations 1991 whose legislation is designed to provide statutory policyholder protection.

This provides that, in the event of a 'failure of the insurer', the amount of compensation paid will be up to 90% of any liability without limits. This legislation is also applicable to corporate investors.



Summary of product features

◆ **Switches**
Investors may switch between funds and capital protection levels free of charge each quarter. Importantly, such switches are not subject to UK capital gains tax.

◆ **Regular withdrawals**
These may be monthly, quarterly, half-yearly or annually. Please refer to the Key features for details of charges and restrictions that may apply during the first five years of an investment.

◆ **Cashing in**
The bond may be cashed in at any time, however there may be a charge for doing so during the first five years of an investment. Depending on the funds in which your portfolio is invested, it may be up to three months before you receive your money. Please check the *Key features* for details.

◆ **Individual policies**
The bond may be divided up into a maximum of 100 individual policies (subject to size of investment). This can allow greater flexibility for investors with a requirement for tax planning.

◆ **Minimum investment**
The minimum investment is GBP 15,000, EUR 24,000 or USD 24,000. There is no maximum investment. Additional investments of at least GBP 1,500, EUR 2,400 or USD 2,400 may be made at any time.

◆ **Eligibility**
Individuals, companies, trustees and certain pension scheme trustees may invest in the bond. The minimum age for individual investors is 18 years (excluding resident(s)/citizen(s) of the USA).

◆ **Lives assured**
There may be up to six lives assured.

◆ **Death benefit**
The amount payable on death is the full value of the bond unless a death claim arises within five years of an investment being made, in which case a cash-in penalty may apply. Please see the key features document for details.

The value of tax benefits depends on individual circumstances and may change in the future.

Taking the next step

If you have read and understood the *Brochure*, *Investment guide*, *System guide* and *Key features*, you are ready to take control of your stock market investment. The next step is to follow this simple three-step guide to set up your unique *safe combination*® bond.

STEP 1 After reviewing the *Investment guide* simply select your initial investment choice with the help of your financial adviser. Remember you can switch your fund selection every quarter to reflect your views of the stock market in conjunction with your financial adviser. Alternatively, you can take advantage of the *safe combination*® system (full details in the *System guide*) and remove the need to make switching decisions on a quarterly basis (although regular reviews of your investment portfolio should still take place with your financial adviser).

STEP 2 Complete the enclosed *Application booklet*, following any instructions noted. If you are investing by cheque, you should make the cheque payable to 'Scottish Life International Insurance Company Limited' and enclose it with your *Application booklet*. If you are investing by telegraphic transfer, you should ensure that you complete the relevant section on the *Application booklet* and **that your bank receives an instruction letter**.

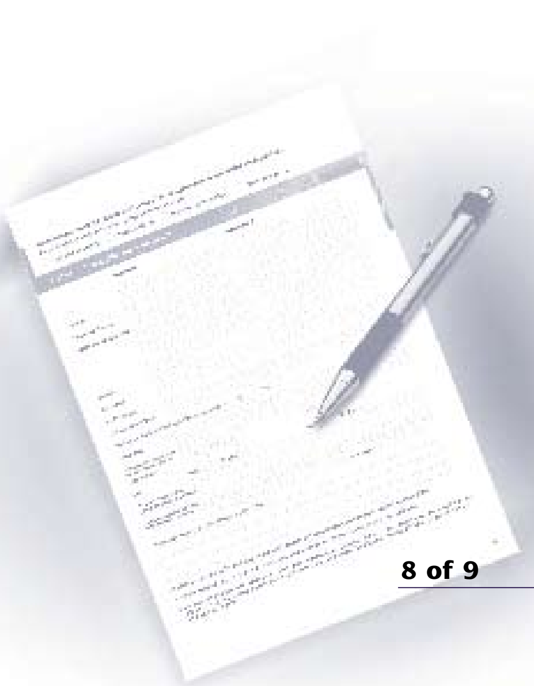
STEP 3 Ask your financial adviser to send the completed *Application booklet* and payment to:

Scottish Life International
PO Box 154
Douglas
Isle of Man
IM99 1WS
British Isles

After that:

We will send you a *safe combination*® bond policy schedule to welcome you as a policyholder to Scottish Life International.

Each quarter thereafter we will also send you a summary statement detailing the progress your bond has made. In addition, your financial adviser can get immediate up-to-date information on your bond at any time at **www.sli-central.com**, our safe and secure extranet service for advisers. This facility will help speed up the service you and your financial adviser receive from Scottish Life International, reducing both cost and paperwork.



Important information

This brochure should be read in conjunction with the *Key features*, *Investment guide*, *System guide* and *Application booklet*.

Investment growth and protection of the initial capital is provided by a range of highly rated, financially strong institutions and not by Scottish Life International. If any of these institutions with whom your money is invested were to default on their obligations, the protection and growth potential of your bond would be at risk and may have no value.

Scottish Life International has a conservative credit-assessment policy and our standard practice is to use only financially strong institutions with a minimum short-term credit rating of A-1 (Standard & Poor's) or P-1 (Moody's).

These companies are independent credit rating agencies whose rigorous research is used to provide information on credit ratings, indices, risk evaluation, investment analysis, and information on stocks, bonds, mutual funds and other investment vehicles. They also offer opinions on the issuers' ability to honour short-term financial obligations. Standard & Poor's A-1 rating is the highest category possible, and the capacity to meet its financial commitment on the obligation is strong. Moody's P-1 rating (Prime-1) means issuers have a superior ability to repay short-term debt obligations.

Scottish Life International Insurance Company Limited is supervised by the Isle of Man Government Insurance and Pensions Authority. Accordingly, investors receive the protection of the Isle of Man Assurance (Compensation of Policyholders) Regulations 1991. The company reserves the right to adjust the returns from the portfolio to cater for any levy or charge made on the company under these regulations or similar legislation

The information contained in this brochure is based on Scottish Life International's current understanding of the relevant areas of law and taxation as at June 2006. Whilst every care has been taken, the company cannot accept responsibility for its interpretation or any subsequent changes. The value of tax benefits depends on individual circumstances and may change in the future. All returns are gross of tax - UK investors may be liable to income tax which would have the effect of reducing the returns shown. Investors should be aware that the value of investments can fall as well as rise and is not guaranteed. A full description of the charges and how they might affect the value of the bond can be found in the *Key features* and your personalised illustration. For further information on the *safe combination*® bond, please consult your financial adviser.

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