

Contract Conditions

International Prudence Bond (Capital Redemption Option)
Contract Conditions Booklet PIA/GEN/IPBCRO/03/0917

» Contents

	Page
Part 1 Introduction	3
Part 2 General Conditions	9
Part 3 Your Payments	16
Part 4 Funds	18
Part 5 Cash In Benefits	35
Part 6 Maturity Benefit	42
Part 7 Charges	43

› Part 1: Introduction

1.1. Definitions

Where appropriate, words in the singular include the plural and words in the masculine include the feminine gender and vice versa in both cases.

"Acceptable Instruction" means a written cash in instruction specific to the type of cash in required, correctly completed together with any additional documentation We may require at the time.

"Account" or **"PruFund Account"** means an account which is a holding account that receives Investment monies pending the automated purchase of Investment Units in the corresponding Fund from the PruFund Range of Funds on the PruFund Quarter Dates. Each Account will reflect the currency of the corresponding Fund from the PruFund Range of Funds which may be available in currencies including Sterling.

"Actual Fund Value" means the value of each Fund within the PruFund Range of Funds which PAC achieves by using a variety of methods and assumptions (including the use of appropriate investment indices) to regularly estimate the value of the assets and liabilities of each Fund. The value attributed to each of these Funds in this way on any day is its Actual Fund Value on that day.

"Actuary" means the Actuary appointed by the Company in accordance with the terms of section 34 of the Insurance Act 1989 (Ireland).

"Additional Investment" or **"Additional Premium"** means the subsequent payments You make into Your Bond after You have paid in Your Initial Investment. These terms are used interchangeably.

"Additional Investment Date" for an Additional Investment into the Bond means the date the Additional Investment was credited to the Bond.

"Additional Investment Units" means the Units purchased by an Additional Investment as described in Part 3, Condition 3.1.

"Administration Centre" means Our administration office in Ireland at Montague House, Adelaide Road, Dublin 2.

"Agreement" means the agreement between You and Us that governs the Bond, as set out in these Contract Conditions and any other Policy Documents, as further described in Condition 1.4.

"Allocate" means We credit Units to the Bond. Any Additional Investment into the Bond is also used to Allocate Units.

"Allocation Rate" means the rate described in Part 3, Condition 3.3.

"Annual Growth Reward" or **"Reward"** mean the rewards described in Part 3, Condition 3.4. These terms are used interchangeably.

"Annual Management Charge" means the charge described in Part 4, Condition 4.1.5 and Part 7, Condition 7.2.

"Applicable Law or Regulation" means any laws, regulations, guidance, voluntary codes or statements that apply from time to time in relation to the activities performed by Us.

"Application Form" means the form on which You applied for, and gave Us information to base, the Bond or any Additional Investment, as appropriate.

"Beneficiary" means any person nominated as a beneficiary by the Policyholder(s) in accordance with Part 2, Condition 2.5.2, if appropriate.

"Beneficiary Nomination" means the nomination described in Part 2, Condition 2.5.2.

"Benefit" means the monies due to You from the Bond arising from either a claim for payment of Maturity Benefit or Cash In Benefits.

"Bond" means Your International Prudence Bond (Capital Redemption Option).

"Bond Policy" or **"Bond Policies"** mean the policy or policies that make up Your International Prudence Bond (Capital Redemption Option). These terms are used interchangeably.

"Cash In Benefits" means the Benefit payments made available from the Bond by making a Withdrawal.

"Central Bank of Ireland" means the Central Bank of Ireland and any successor or replacement organisations responsible for financial regulation in Ireland.

"Chargeable Events" means the transactions set out in Part 2, Condition 2.11.

"Commencement Date" shown in the Contract Schedule will be the same as the Investment Date unless We are asked to show a different Commencement Date.

"Company" means Prudential International Assurance plc. **"We"** means the Company (and **"Our"** and **"Us"** and **"We"** should be read as referring to the Company).

"Contract Conditions Booklet" means this document.

"Contract Schedule" means the document described in Part 1, Condition 1.4.

"Current Charges and Limits" see Part 7, Condition 7.1.

"Date of Receipt" means the date described in Part 3, Condition 3.2, Part 4, Condition 4.4.1 and Part 5, Conditions 5.4.2, 5.5.2 and 5.6.3.

"Defined Charge Participating Sub-Fund" means the Sub-Fund of the PAC With-Profits Fund into which Units of the PAC With-Profits Range of Funds and the PruFund Range of Funds are invested. See Part 4, Conditions 4.2 and 4.3.

"Early Cash In Charge" means the charge described in Part 5, Condition 5.7.

"Effective Date" means the date that We receive all that We require at Our Administration Centre in Ireland to put the Bond into force.

"Effective Start Date of Regular Withdrawals" means the date that Regular Withdrawals start to apply to the Bond, if selected, unless You specify a first payment date. See Part 5, Condition 5.1.3.

"Endorsement" or **"Special Provisions"** means a document issued by Us after the Bond has started, as described in Part 1, Condition 1.4.

"Establishment Charge" means the charge described in Part 7, Condition 7.3.

"Expected Growth Rate" means the annual rate of increase applied on a daily basis to increase the Unit prices of the Funds and corresponding Accounts of the PruFund Range of Funds. The Expected Growth Rate is set by the Directors of PAC and may vary between Funds.

"External Unit-Linked Funds" are any Internal Unit-Linked Funds that invest in unit-linked Funds not managed within the Prudential Group. See Part 4, Condition 4.1. Unless otherwise stated, Fund means either an External Unit-Linked Fund or an Internal Unit-Linked Fund.

"Final Bonus" means the bonus described in Part 4, Condition 4.2.2.

"Financial Conduct Authority" or "FCA" means the Financial Conduct Authority and any successor or replacement organisation responsible for the time being for the regulation of the financial services and/or insurance industry in the United Kingdom.

"Financial Services Compensation Scheme" or **"FSCS"** means the United Kingdom financial services compensation scheme administered in accordance with the UK Financial Services and Markets Act 2000 and any successor or replacement scheme or organisation responsible for the time being for the compensation of customers of FCA authorised financial services firms in the United Kingdom.

"Financial Services Ombudsman Bureau" means that organisation whose details are given in Part 2, Condition 2.16 and any successor or replacement scheme or organisation responsible for the investigation, mediation and adjudication of complaints made by customers about the conduct of a regulated financial service provider, as defined under Section 2(g) of the Central Bank and Financial Services Authority of Ireland Act 2004 as amended from time to time.

"Full Cash In", "Fully Cash In", "Fully Cashing In" and "Fully Cashed In" means the full cashing in of a Policy or all the Policies within the Bond. See Part 5, Conditions 5.5 and 5.6.

"Fund Switch" means a transaction where the Units in one or more of Our Funds are cancelled from the Bond and replaced by Units in one or more other Funds.

"Fund Switch Charge" means the charge described in Part 7, Condition 7.5.

"Funds" mean the full range of available Funds that are maintained by the Company or the Fund managers who We appoint, as listed in the Statement of Charges (as amended by Us from time to time).

"Guarantee Date" means the date on which the PruFund Guarantee will apply. The anniversary on which the PruFund Guarantee falls will be as selected by You at outset or as determined by the PruFund Type and/or currency of PruFund Protected Fund chosen by You at outset, as appropriate. The date of the relevant anniversary, the Guarantee Date, will be determined from the Investment Date into the PruFund Account corresponding to the chosen PruFund Protected Fund. Where applicable, the Guarantee Date is shown in the Contract Schedule.

"Guarantee Date Options" means the options You can exercise in the 28 days following the Guarantee Date if You are invested in a PruFund Protected Fund on the Guarantee Date. Refer to Part 4, Condition 4.3.6.2.

"Guaranteed Maturity Value" is as described in Part 6, Condition 6.1. The Guaranteed Maturity Value at the Commencement Date is as shown in the Issue Letter We send at the outset of Your Bond.

"Guaranteed Minimum Fund" means the value of the Units as calculated in accordance with Part 4, Condition 4.3.5. Where applicable, the Guaranteed Minimum Fund at the Commencement Date is as shown in the Issue Letter We send at the outset of Your Bond.

"Index" means the Consumer Price Index (CPI), which measures the changes in prices for consumer goods and services and is published by the Irish Government agency known as the Central Statistics Office. If this index is no longer published or if, in Our reasonable opinion, it becomes no longer suitable, Index will mean such other appropriate index which measures inflation as We shall specify and notify to You.

"Initial Investment" or "Initial Premium" means the payment You make to Us to start Your Bond. These terms are used interchangeably.

"Initial Investment Units" means the Units purchased with the Initial Investment, as described in Part 3, Condition 3.1.

"Internal Unit-Linked Funds" are any Funds that are managed by Us or another company within the Prudential Group, of which We will allow Units to be credited to the Bond. Unless otherwise stated, Fund means either an Internal Unit-Linked Fund or an External Unit-Linked Fund.

"International Prudence Bond (Capital Redemption Option)" means the Bond described in Part 1, Condition 1.2.

"Investment" means the sum We credit to the Policies in the Bond. We divide each Investment equally between the Policies.

"Investment Date" shown in the Contract Schedule is the date the Initial Investment was credited to the Bond.

"Issue Letter" means the letter with which We issue the Policy Documents for Your Bond.

"Market Value Reduction" (MVR) means a reduction applied to the value of PAC With Profits Units on cashing in or switching, as explained in Part 4, Condition 4.2.4.

"Maturity Benefit" means the Benefit which is payable when the Bond reaches the Maturity Date if You do not Fully Cash In the Bond before then. See Part 6 as to when the Maturity Benefit is payable.

"Maturity Date" is the date on which We pay the Maturity Benefit as described in Part 6, Condition 6.1.

"Net Asset Value Per Unit" means the Actual Fund Value divided by the total number of Units credited to a Fund within the PruFund Range of Funds (in respect of all policies issued by the Company, not just Your own Policies).

"PAC" means The Prudential Assurance Company Limited. PAC provides the PAC With-Profits Range of Funds and the PruFund Range of Funds to the Company by a reinsurance contract for customers of the Company to invest into. PAC also provides the guarantee for the PruFund Guarantee.

"PAC With-Profits Fund" means the fund into which PAC's with-profits business is written. The PAC With-Profits Fund is divided into three Sub-Funds. As explained in Part 4, Conditions 4.2 and 4.3, Units held in Funds within Our PAC With-Profits Range of Funds and Our PruFund Range of Funds are reassured into one of these Sub-Funds, the Defined Charge Participating Sub-Fund. PAC's Principles and Practices of Financial Management, which may be changed

from time to time in accordance with regulatory requirements, gives details about the Sub-Funds. This document is available upon request from Our Administration Centre in Ireland.

"PAC With-Profits Range of Funds" means the Unit-Linked Funds that are invested in the Defined Charge Participating Sub-Fund of PAC excluding the PruFund Range of Funds. Note that the PAC With-Profits Range of Funds is not available to Initial Investment, Additional Investment or Fund Switch on or after 11 September 2017.

"Partial Withdrawal" means the Withdrawal described in Part 5, Conditions 5.3, 5.4 and 5.5.

"Partially Cash In", "Partially Cashing In", or "Partially Cashed In" means the partial cashing in of all the Policies in the Bond as explained in Part 5, Condition 5.4.

"Personal Representatives" means the persons (or person) who have legal authority to deal with, administer and dispose of the assets which belonged to the deceased individual immediately before death.

"PIA" means Prudential International Assurance plc.

"Policy" or "Policies" means the policy or policies that make up Your International Prudence Bond (Capital Redemption Option). These terms are used interchangeably.

"Policy Anniversary" means any anniversary of the Investment Date shown in the Contract Schedule or Related Documents.

"Policy Documents" means the documents described in Part 1, Condition 1.4.

"Policy Year" means the 12 month period starting on the Investment Date (for the first Policy Year) and any 12 month period starting on a Policy Anniversary.

"Policyholder" means the applicant for, or the legal owner(s) of, the Bond, as appropriate.

"Prudential Group" means any company and any subsidiary of them or their holding company which has Prudential plc as its ultimate holding company, as such terms are defined in the UK Companies Act 2006, as amended.

"PruFund Guarantee" means the guarantee provided by PAC that the value of the Units held in a PruFund Protected Fund on the Guarantee Date, will be a sum at least equal to the Guaranteed Minimum Fund on the Guarantee Date.

"PruFund Guarantee Charge" means the charge as described in Part 7, Condition 7.6.

"PruFund Non-Protected Funds" means those Funds within the PruFund Range of Funds that do not have a PruFund Guarantee attaching.

"PruFund Protected Funds" means those Funds within the PruFund Range of Funds that have a PruFund Guarantee attaching at the Guarantee Date described in Part 4, Condition 4.3.4. Where a Fund within the PruFund Range of Funds is available with a PruFund Guarantee, it will be the same PruFund Type as the corresponding PruFund Non-Protected Fund of the same currency.

"PruFund Quarter Dates" These are the 25 February, 25 May, 25 August and 25 November or the next Working Day if the date falls on a non-Working Day. Where a Working Day is a public holiday in the United Kingdom, then for the purposes of the PruFund Quarter Dates only, this day will not be considered a Working Day.

"PruFund Range of Funds" means the PruFund Non-Protected Fund(s) and the PruFund Protected Fund(s) which may be available in currencies including Sterling. These are Unit-Linked Funds that are invested in the Defined Charge Participating Sub-Fund as described in Part 4, Condition 4.3.

"PruFund Type" There may be different PruFund Types available within the PruFund Range of Funds such as "Cautious", "Growth" or others as may be available.

"Regular Bonus" means the bonus described in Part 4, Condition 4.2.1.

"Regular Cancellation Date" means the Working Day in each month, quarter, half-year or year, as appropriate to the chosen frequency, on which deductions are made from Your Bond for Regular Withdrawals. See Part 5, Condition 5.1.3.

"Regular Withdrawals" means a series of Withdrawals out of the Bond at regular intervals.

"Related Document" means any document shown in the section headed "Related Documents" in the Contract Schedule and any Endorsement or Special Provision or other document We issue about the Bond.

"Reward" or **"Annual Growth Reward"** mean the rewards described in Part 3, Condition 3.4. These terms are used interchangeably.

"Significant Change" means a change You ask Us to make to Your Bond and which We agree to. This includes, but is not limited to, any Additional Investment or a change in ownership of Your Bond.

"Statement of Charges" means the statement described in Part 1, Condition 1.4.

"Unit Price Fund Value" means the total number of Units credited to a Fund within Our PruFund Range of Funds (in respect of all policies, not just Your own Policies) multiplied by the relevant Unit price.

"Unit-Linked Funds" mean the Funds We maintain within Our life assurance business fund. These Funds are divided into Units representing a notional share of the fund. See Part 4, Condition 4.1.

"Units" means the notional parts of equal value into which each Fund or Account is separately divided. Units are Allocated to the Bond to represent Your Investment in a Fund. You do not own these Units; they are used to calculate the Benefits You are entitled to under Your Bond.

"Withdrawal" or **"Withdrawals"** mean either (a) Partially Cashing In all the Bond Policies, or (b) Fully Cashing In one or more of the Bond Policies.

"Working Day" means any normal business day that the Company would be ordinarily open for business which will exclude public holidays in Ireland. Public holidays in Ireland may fall on different days to those in the United Kingdom and elsewhere.

"You" and **"Your"** means the Policyholder.

"Your Payment" means a payment which You make to Us regarding the Bond.

1.2. General description

The International Prudence Bond (Capital Redemption Option) is a unit-linked contract set up with an initial single payment. It is designed to give Benefits ("Cash In Benefits") and a single payment Benefit (the "Maturity Benefit") if it has not been Fully Cashed In before then. The Cash In Benefits and Maturity Benefit of the Bond depend on the value of the Units in the Bond.

Normally, We issue an International Prudence Bond (Capital Redemption Option) as a group of 20 identical Policies. The Contract Conditions are worded on the basis that the Bond will consist of a group of Policies. However, if We are specifically asked to issue the Bond as one Policy We will do so.

The Initial Investment into the Bond is used to Allocate Units to the Bond.

You may make additional payments into the Bond. If You do so, You must pay at least the minimum amount, but no more than the maximum amounts that We set from time to time.

If You want to take out a Bond, Your Financial Adviser must send Us an application on Your behalf. Your Financial Adviser should have explained this Agreement to You before the Commencement Date and before You make an Additional Investment and/or change to Your Investment.

We will not advise You about the suitability of Your Bond. We will not be responsible for any advice given to You by Your Financial Adviser or for any investment decisions which You make.

1.3. The Contract Conditions

These "**Contract Conditions**" together with any other Policy Documents as described in Condition 1.4, set out the Agreement between You and Us that governs Your International Prudence Bond (Capital Redemption Option), the Policies which form the Bond and the Funds that the Bond is linked to.

1.4. Policy Documents

When a Bond starts, We issue the following "**Policy Documents**" to confirm the Agreement, based on the information given to Us by You as part of the application for the Bond:

- (a) Your Application Form;
- (b) the "**Contract Conditions Booklet**" (this document);
- (c) a "**Contract Schedule**" which sets out the details of each Policy in the Bond; and
- (d) "**Related Documents**" means any document identified in the "Related Documents" section in the Contract Schedule or a subsequent confirmation letter. This will include, but is not limited to:

- a "**Statement of Charges**" which sets out the list of Funds available for investment and details of Our charges and the limits in force at the Commencement Date of the Bond (see Conditions 2.7.2.2, 2.14, 3.1, 3.35, 3.4, 4.1.5, 4.3.1, 4.4.1, 5.1.5, 5.2.1, 5.2.2, 5.7, 7.2.1, 7.3, 7.5.2, 7.5.3, 7.5.5, 7.6.1, 7.7 and 7.9);

- details of any non-standard Conditions, arrangements or supplementary information in relation to the Bond;
- any "**Endorsement**" or "**Special Provisions**" document We issue, which will provide details of any Significant Change to the Bond after it has started.

You will have received the Policy Documents after the Commencement Date and in the event that You have made a Significant Change to Your Bond or where We have made reasonable and proportionate changes to the Policy Documents or issued a replacement set of Policy Documents, as appropriate.

Although Your Financial Adviser should have explained this Agreement to You before the Commencement Date or an Additional Investment, as appropriate, if You are not comfortable with any terms and conditions of this Agreement You can exercise Your right to cancel Your Bond or an Additional Investment into Your Bond, as appropriate, within 30 days from the date You receive the last of Your Policy Documents as more fully described in Condition 1.5.

We do not issue new Contract Schedules, Endorsements or Statements of Charges when a change to any charges and limits expressed as a monetary amount are made.

1.5 Cancellation

If You change Your mind You can cancel Your Bond within 30 days of receiving Your Policy Documents.

You can also cancel an Additional Investment within 30 days of receiving the relevant Endorsement.

To cancel, You must give notice to Us in writing at Our Administration Centre or by such other means as detailed in the Key Features Document from time to time.

On cancellation, We will repay to You the amount of the relevant Investment(s), reduced for:

- (a) downward market movements in the value of Units held under the Bond;
- (b) any Withdrawals We have paid to You;

since that Investment was credited to the Bond.

1.6 Termination

If You tell Us You wish to terminate Your Bond after the 30 day period referred to at 1.5 above, the cancellation will be treated as a request to Fully Cash In the Bond (see Part 5, Condition 5.6 for further details).

› Part 2: General Conditions

2.1. Entitlement – ownership – the Policyholder

2.1.1 Joint ownership – Death of a Policyholder

Where a Bond belongs to two or more Policyholders, We act on the basis that, if one of them dies, the Bond then belongs to the surviving Policyholder(s).

2.1.2 One Policyholder – The deceased Policyholder's Personal Representatives

If a Bond belongs to just one Policyholder and that Policyholder dies, We act on the basis that the Bond then belongs to the deceased Policyholder's Personal Representatives and that the Personal Representatives are then the Policyholders.

We will need satisfactory documentary proof that the persons claiming to be Personal Representatives have the authority to deal with the deceased Policyholder's estate under the law of Ireland or another relevant country.

The Company is incorporated in Ireland. This means that a Bond with Us will be an asset situated in Ireland. If there are no Irish Personal Representatives for the deceased Policyholder, We have the discretion to act on the basis that the Bond belongs to persons who have the authority to deal with the deceased Policyholder's estate under the law of another relevant country.

We reserve the right to demand that the Personal Representatives, claiming rights to the Bond, obtain an Irish Grant of representation (i.e. a power granted by the Irish courts to exercise such rights).

In particular, We will only exercise this right if it appears to Us that there may be a risk of conflicting claims occurring regarding the Bond.

2.1.3 Asking for Benefit Payments and Bond Transactions

The Policyholder(s) (or, if dead, the deceased Policyholder's Personal Representatives) will have the right to ask for and authorise:

- › Benefit payments from the Bond; or
- › transactions regarding the Bond.

2.2. The Bond Policies

Unless We issue the Bond as just one Policy, the Bond will consist of a group of Policies at the start and all Policies will be identical (allowing for any necessary rounding) and will remain so throughout the life of the Bond.

All the Policies in the Bond should belong to the same Policyholder(s).

2.2.1 Split Ownership – Special Provisions

"Split Ownership" here means a situation where all the Policies in the Bond do not belong to the same Policyholder(s). One

Policyholder may assign his share in the rights of the Bond to the other Policyholder. Split ownership may be effected by completion of a formal Deed of Assignment.

We will only allow split ownership to take place on Your Bond once We have received all necessary instructions and paperwork at Our Administration Centre in Ireland.

We recommend that You should consult with Your Financial, Tax and Legal Adviser before a transfer of ownership.

Where split ownership occurs, We have the right to apply the following rules, all of which are for administrative purposes only:

- a) We will re-number each group of Bond Policies assigned into new ownership(s), so that each ownership will have a separately numbered group of Policies. We will administer each group of Policies separately in all respects.
- b) We will Allocate the relevant proportion of the Units held under the Bond within each Fund at the time of the change of ownership, to each group of Bond Policies.

All Our charges and limits will apply separately to each group of Policies at Our full standard rates. Please refer to Your Policy Documents or Related Documents for Our full standard rates.

2.3 Change of ownership

Any change of ownership should be made by a deed of assignment. You may need to obtain this from Your legal adviser or financial adviser. The deed of assignment must be fully completed and signed by the current Policyholder(s) and the new Policyholder(s). The deed of assignment should be sent to Us. We will return the deed once We have registered the change of ownership in Our records.

If We only receive notice of assignment (instead of the actual deed of assignment) We still have the right to see the deed of assignment before We:

- pay any Benefit; or
- formally register the current change of ownership or any further change of ownership.

We will stop paying any Regular Withdrawals if all of the Policies are assigned into new ownership(s). The new owner(s) may complete new Acceptable Instructions see Part 5, Condition 5.1 for further details.

2.4. Proof of ownership

We have the right to delay payment of a Benefit until the date that We receive proof of ownership. Where We are paying Regular Withdrawals, We can ask for proof of ownership from time to time. This is to make sure that the person receiving the Regular Withdrawals is legally entitled to receive them. We have the right to suspend Regular Withdrawals until We receive proof of ownership.

2.5. Beneficiary Nomination – (not applicable to the UK)

2.5.1 General

"Beneficiary Nomination"

means a document completed by a Policyholder, to set out how to deal with the rights to the Bond following his/her death. It also names or describes the beneficiaries.

We will not be under any duty to advise or to decide on the effect of a Beneficiary Nomination.

2.5.2 Beneficiary Nominations

We will not be responsible for:

- dealing with; or
- administering; or
- disposing of;

the rights in a Bond under a Beneficiary Nomination.

We may (at Our discretion) register a Beneficiary Nomination in Our records but We will not accept that as giving the document any legal validity and it will not bind Us in any way.

A Beneficiary Nomination will not affect the position under which, after the Policyholder dies, the persons who get legal authority to act as the deceased Policyholder's Personal Representatives will own the Bond.

2.6. Maturity or cashing in – Contract Schedule required

Before We pay a Maturity Benefit or on Fully Cashing In the Bond, the Contract Schedule must be returned to Us at Our Administration Centre in Ireland. We also reserve the right to request the return of the Contract Schedule in the event of a Partial Withdrawal as described in Part 5, Condition 5.5.

2.7. Delaying of transactions

2.7.1 Purchase transactions

Where We consider the Investment to be large relative to the size of the Fund, We may delay processing applications by up to one month following the day of receipt of the Investment and any forms We require. This will be to ensure that the price used properly reflects the costs of purchasing the underlying assets in the Fund. We will inform You in writing if it is necessary to delay the processing of Your application. We will also confirm to You in writing when the processing of Your application has been completed.

2.7.2 Cashing in or switch transactions

We may give You notice that We will delay cancelling Units:

- (a) where there has been a closure or suspension of trading in the underlying investments of a Fund; or

- (b) a Fund has been subject to such volumes of exits that, in the opinion of the Actuary, it is not practical to value and realise assets at the date of exit; or
- (c) if it has not been possible to deal readily in underlying investments of a Fund for reasons outside the Company's control. It is impossible to specify all the circumstances where this may apply, but one could be where the markets for the sale of the Fund's assets are subject to conditions (such as the imposition of exchange controls) such that the assets cannot be readily traded at prices which allow Us to ensure that the reasonable interests of both You and of other policyholders are protected; or
- (d) if Your instruction would involve cancelling Units of any Fund that either:
 - (i) holds Assets in the form of buildings or land; or
 - (ii) holds investments that holds Assets in the form of buildings or land.

This does not apply to the payment of the Maturity Benefit but overrides all other Contract Conditions apart from Part 2, Condition 2.10.

In any event, We will always aim to act in a reasonable manner, with the protection of the Policyholder's interests in mind. Other than in

very exceptional circumstances We would not expect the period of any delay to be longer than one month in respect of (a), (b) or (c) above and six months in respect of (d). However, while We will not delay transactions for longer than reasonably required, We cannot guarantee that We will never delay transactions beyond the stated periods.

2.7.2.1 Unit prices

Where a delay has been imposed, the Unit prices used for the transactions will be those applicable on the date that the Units are cancelled. This means that the value of the Units may be significantly different from the value on the Date of Receipt of Your instruction.

2.7.2.2 Notification of delay

Where it has been necessary to delay cancelling Units We will inform You in writing of the delay and again when the Unit cancellation has been completed.

Please refer to the "Other Charges and Limits" section in the Statement of Charges for details of associated charges levied on cashing in or switch transactions.

2.7.3 Transactions in the PruFund Range of Funds

We will always apply a 28 day delay in carrying out any request to cash in Units by discretionary switch from any Fund within the PruFund Range of Funds except where specifically mentioned in these Contract Conditions under Part 4, Condition 4.4.2.

We will not normally apply the delay to Full Cash In transactions and Partial Withdrawals. The decision to apply the delay will be taken by the Directors of PAC who, at their absolute discretion, reserve the right to apply the delay at any time and without notice. Where the Directors of PAC exercise the right to apply the 28 day delay to any Full Cash In transaction or Partial Withdrawal, the delay may be applied at an individual policy level, across a group of policies or applied to all policies at the Directors' discretion.

By choosing from the PruFund Range of Funds, Your money is invested via a reinsurance contract into the Defined Charge Participating Sub-Fund of the PAC With-Profits Fund. This means that the PAC With-Profits Fund, which is controlled by the Directors of PAC, ultimately provides all the Benefits for Your PruFund Investment.

The purpose of the 28 day delay is to protect the PAC With-Profits Fund and the policyholders who invest in this Fund directly or indirectly from transactions that may be considered to have an adverse effect on the Fund or the investments of the current and future policyholders in that Fund. It is also in place to protect other investors in the Defined Charge Participating Sub-Fund from Withdrawals that would have an adverse impact on their investment returns.

We will not apply a 28 day delay to Regular Withdrawals (see Part 4, Condition 4.3.2.3(c)).

2.7.3.1 Unit prices

Where a 28 day delay has been applied, the 28 days are consecutive calendar days. The Unit prices used for the transactions will be those applicable on the date that the Units are cashed in, this means after 28 days have elapsed or the next Working Day if this day is not a Working Day. For example, if Your instruction was received on a Wednesday on or before 12 noon it will be processed using the Unit price of the Wednesday 28 days later. This also means that the value of the Units on the day that the Units are cashed in may be different from what it was on the Date of Receipt of Your instruction. If this is the case there would also be a difference in the Unit value.

2.7.3.2 Notification of delay

Where the 28 day delay has been applied, We will inform You in writing of the delay and again at each stage including when the Unit cancellation has been completed.

2.8 Currencies under the Bond

2.8.1 Base Fund Currency

The assets relating to each Internal Unit-Linked Fund will normally be valued at least once a week, to establish the price We will quote in the currency in which the Fund is valued.

2.8.2 Cash In Benefit Currency

We will pay Cash In Benefits out of Your Bond in the currency shown in the Contract Schedule unless We agree to make a payment in another currency.

2.8.3 Guarantee Currency

The Guaranteed Minimum Fund will be shown in the Contract Schedule in the currency of the PruFund Protected Fund that Units are held in.

2.8.4 Investment Currency

The Policy Documents will show the currency denomination of each Investment paid into the Bond. Normally all money for an Investment paid into the Bond should be remitted to Us in the same Investment Currency unless We agree to accept payment in another currency or currencies. Where Your Payment in respect of an Investment consists of more than one amount and those amounts are remitted to Us in different currencies, We will convert each amount remitted to Your selected Investment Currency for that Investment before We credit the relevant monies to Your Bond.

2.8.5 Limit Currency

This is the currency chosen by You on Your Application Form which We will use for charges, and both minimum and maximum Investment limits. The Limit Currency is shown on the Contract Schedule.

2.8.6 Maturity Benefit Currency

We will pay the Maturity Benefit in the currency shown in the Contract Schedule unless We agree to make a payment in another currency.

2.9. Currency conversion

We will convert any currency at the prevailing market rate at the time. Market rate means the currency exchange rates We use each day and are "mid market rates as at 8am (GMT)".

2.10. Changes to the Bond – Our right to set aside or change rules

We can set aside or change terms in this Contract Conditions Booklet without notice or Your consent in the following circumstances:

- if it becomes impossible or unreasonable to follow them because of a change of legislation or regulations; or
- if the basis on which We are taxed changes but then We can only make changes to the Bond to the extent that in Our opinion maintains the balance between You and Us as it was before the change; or
- if We are required to pay a valid claim for tax regarding the Policies and/or the Bond provided that such payment does not arise as a result of the Company's failure to comply with any applicable tax law or regulation; or
- if a levy or financial restriction or penalty is imposed on the Bond and/or the Fund(s) that the Bond is linked to, by a tax authority, government or supervisory body or other similar national or international body; or

- if the effect of continuing to apply the rules would be unfair to the Policyholder or to Our policyholders generally; or
- where there are changes in market rates or indices or tax rates; or
- to proportionately reflect any increased costs that We incur or will incur in the administration of Your Bond; or
- to make the Policy Documents clearer and correct any inaccuracies.

Except where it is impracticable to give advance notice of any changes or is prohibited by Applicable Law or Regulation, We will write to You as soon as is reasonably practicable to provide notice of any changes We have made under this Condition. If You are unhappy with any changes You should contact Us in accordance with Part 2, Condition 2.16.

2.11. Irish residency regulations – compliance provisions residence in Ireland

A tax charge may arise under Irish tax regulations if a Policyholder is "**Resident**" or "**Ordinarily Resident**" (as defined in Section 819 of the Taxes Consolidation Act 1997, as amended by the Finance (No.2) Act 2008) in Ireland when a "**Chargeable Event**" transaction, as defined under the Irish Taxes Consolidation Act 1997 as amended from time to time, occurs.

2.11.1 Declaration of residence

We will require a written declaration about the residence of any person, who is a Policyholder when a Chargeable Event transaction occurs, unless:

- (a) such a declaration has already been given with the original application for the Bond;
- (b) such a declaration has already been given on an earlier Chargeable Event transaction under the Bond.

2.11.2 Notification of residence in Ireland

Any person who is or becomes a Policyholder in relation to a Bond must tell Us if he becomes resident or ordinarily resident in Ireland at any time while the Bond is in force.

2.11.3 Deducting tax

We are required to deduct tax and pay it to the Irish Revenue Commissioners when a Chargeable Event transaction occurs under Irish tax legislation and the Policyholder is resident or ordinarily resident in Ireland. A tax deduction is made as follows:

- (a) If it is a transaction where We are paying out a Benefit, We deduct the tax due from the value of the Benefit We pay.
- (b) If it is a transaction where a Benefit is not being paid out, We deduct the tax due from the value of the Bond.

In broad terms, the tax due when a Chargeable Event occurs is based on any gain in the value of the Bond.

2.11.4 Future changes

This Condition may change without notice to meet any changes to Irish tax regulations.

Where We do change this Condition We will write to You as soon as is reasonably practicable to provide notice of the change.

2.12. Law of the Policies – England

These Contract Conditions together with any other Policy Documents will be governed and interpreted in accordance with the law of England and Wales unless otherwise stated. The Courts of England will have exclusive jurisdiction to hear any disputes which result from or are about the Agreement.

2.13. Place of payment – Ireland

The place to make Your Payment into the Bond will be Our Administration Centre in Ireland.

Your Payment will not be regarded as having been received until a valid payment is in Our possession at Our Administration Centre in Ireland.

We will pay any Benefit payment from Our Administration Centre in Ireland.

2.14. Transaction limits

Certain limits apply to the cancellation and credit of Units where You give Us instructions of the following type:

- Switches.
- Fully Cashing In.
- Regular or Partial Withdrawals.

These limits mean that We may not accept any instruction by You under any of these Provisions if, were We to do so, the value of the Units which:

(a) would be cancelled from or credited to any Fund; or

(b) would then remain in any Fund;

would be outside the limits which We have set. We can make reasonable changes to them from time to time without notice.

The limits are set out in the Statement of Charges issued to You at the start of Your Bond. As explained in Part 7, Condition 7.9, those limits that are applied as a monetary amount are usually reviewed in January each year and may be increased as a result of that review.

2.15. Communications

You must send any written enquiry, correspondence and/or information that We require under these Contract Conditions to Our Administration Centre in Ireland.

You may telephone Our Administration Centre in Ireland on the number detailed in Your Policy Documentation for assistance with Your enquiry.

Forms for requesting servicing transactions such as discretionary switches, Regular Withdrawals, Fully and Partially Cashing In or Additional Investments and others are available from Our Administration Centre in Ireland upon request.

2.16. How to make a complaint

You should raise any complaint as soon as possible. In the first instance, please contact Your Financial Adviser, as they may be able to resolve it quickly for You.

To make a complaint, You can write to Us at:

**Customer Services Manager
Operations Department Prudential
International Montague House
Adelaide Road
Dublin 2
Ireland**

If You would rather phone, You can call Us on +353 1 476 5000.

In the unlikely event that We are unable to resolve any problem, You can contact the independent Financial Services Ombudsman Bureau. The address is:

**The Financial Services
Ombudsman Bureau
3rd Floor, Lincoln House
Lincoln Place
Dublin 2
Ireland**

Telephone: +353 1 662 0899

**Website address:
www.financialombudsman.ie**

Making a complaint to the Financial Services Ombudsman Bureau will not affect Your right to take legal action.

2.17. Compensation schemes (UK only)

Prudential International Assurance (PIA) is authorised by the Central Bank of Ireland and is subject to limited regulation by the Financial Conduct Authority for UK Business.

PIA customers may be eligible to claim under the Financial Services Compensation Scheme ("FSCS") if PIA is unable to meet its financial obligations. The FSCS is an independent body set up by Government to provide compensation for people where their authorised financial services provider gets into financial difficulties and becomes unable, or unlikely to be able, to pay claims against it. This circumstance is widely referred to as being 'in default'.

For eligible policyholders (e.g. individuals or small firms) habitually resident in the UK, the FSCS would apply for policies taken out on or after 1 December 2001.

Policyholders holding a UK policy, issued before 2001, may be eligible to make a claim before the FSCS, however, since such a policy would have been taken out before the FSCS regime commenced, they should check their eligibility directly with the FSCS.

It is important for You to be aware that You may not always be able to make a claim under the FSCS, and there are also limitations in the amount of compensation You may receive. Any compensation available will depend on Your eligibility, the type of financial product or service involved, the investment funds selected (if applicable) and the circumstances of the claim.

You can find out more information on the FSCS and examples of limits in the scope of FSCS cover for Your plan at www.pru.co.uk/about_us/fscs, or You can call us.

Information is also available from the Financial Services Compensation Scheme:

Visit their website: www.fscs.org.uk

Or write to:

The Financial Services Compensation Scheme
PO Box 300
Mitcheldean
GL17 1DY

Or call the FSCS:
Telephone: 0800 678 1100

Very Important Information

It is very important for you to note that UK resident policyholders are not protected by the FSCS against the insolvency of other companies within the Prudential Group or an external company.

This means that the FSCS does not provide protection:

- for Internal Unit-Linked Funds which are provided through another company within the Prudential Group;
- for Internal Unit-Linked Funds which are invested solely in funds operated by another company within the Prudential Group (for example, unit trusts or open-ended investment companies operated by another company within the Prudential Group); or
- for External Unit-Linked Funds that are not managed by Prudential but linked to the funds of external companies.

If another company from within the Prudential Group or an external company becomes insolvent and We cannot recover the full value of the Units, We will not be liable for the shortfall.

As stated in Part 4, Condition 4.1.6, if a charge is imposed on Us under the FSCS (or any succeeding investor compensation scheme), We may pay for it by imposing on Our policyholders such charges which shall be fairly and reasonably apportioned between policyholders.

2.18. Rights of a third party

You and/or other persons entitled to benefits under the Bond have directly enforceable rights against Us in respect of those benefits. Subject to this, nothing in these Contract Conditions confers or purports to confer on any third party any benefits or any right to enforce any provision of the Bond pursuant to the UK Contracts (Rights of Third Parties) Act 1999.

2.19. Our rights and remedies

Our failure to exercise, or a delay in exercising, any right or remedy provided to Us by the Conditions in this Agreement does not constitute a waiver of the right or remedy or a waiver of other rights or remedies.

2.20. Severability

If any Condition of this Agreement is held by any competent authority or Court to be invalid or unenforceable in whole or part, the validity of the other provisions and the remainder of the provision in question shall not be affected thereby.

2.21 Data Protection

In the Application Form for Your Bond We set out the following, which in signing the Application Form You gave Your consent to:

- Our roles and responsibilities in holding, processing and using the information provided to Us on the Application Form in relation to You and any other person, including beneficial owner(s) of the Bond. This includes Our rights to transfer and disclose Your personal information (including the transfer of Your personal data outside of the European Economic Area for the purposes outlined in the Application Form); and
- Our rights and obligations to share information about You.

In addition, the Application Form for Your Bond sets out:

- Your right to request copy of information We hold about You;
- The rights of a beneficial owner to request a copy of the information We hold about them; and
- Your right to choose not to have information sent to You about other products and services offered by Us and other companies within the Prudential Group.

2.22 Contract of long-term insurance

The benefits arising under the Prudential International Investment Bond (Capital Redemption Option) relate to a 'contract of long-term insurance' within the meaning of The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001.

› Part 3: Your Payments (Your Investments You pay into Your Bond)

3.1. The Investments

The amount You invest in any Fund must be no less than the minimum limit We have set at that time, as set out in the Statement of Charges as amended from time to time. The overall maximum of Investments and switches into Our PAC With-Profits Range of Funds and Our PruFund Range of Funds is as shown in the Statement of Charges as amended from time to time.

3.1.1 The Initial Investment

We will divide the Initial Investment into the Bond equally between the Bond Policies (allowing for any necessary rounding).

The Contract Schedule shows the Initial Investment for each of the Policies in the Bond.

3.1.2 Additional Investments

An Additional Investment may be made but We have the right to refuse an Additional Investment. In particular, Additional Investments in the last 80 years of the term are at the Company's discretion.

We will divide any Additional Investment into the Bond equally between the Bond Policies then in force (allowing for any necessary rounding).

We issue an Endorsement for any Additional Investment paid into the Bond confirming the amount and the Additional Investment Date.

Additional Investments in respect of a PruFund Protected Fund will not be accepted into this contract. If a PruFund Protected Fund is selected for an Additional Investment, a new Bond must be applied for.

3.2. Date of Receipt

The Date of Receipt will be the Working Day that We receive all that We require to put Your Bond into force or to credit an Additional Investment to Your Bond, as appropriate, at Our Administration Centre in Ireland.

Where We receive the last item We require for an Investment on or before 12 noon on a Working Day, that day will be the Date of Receipt. If We receive the last item We require for an Investment after 12 noon on a Working Day or it is received on a non-Working Day then the Date of Receipt will be deemed to be the next Working Day.

We credit Units in respect of the Initial Investment as soon as the Bond starts.

We credit Units in respect of an Additional Investment as soon as all Our requirements are met and Your Payment relating to the Additional Investment is accepted.

3.3. Allocating Units for Investments into the Bond

3.3.1 Allocation Rate for the Initial Investment

The Contract Schedule shows the percentage of the Investment (the "Allocation Rate") We will apply in allocating Units in the chosen Funds to the Bond.

3.3.2 Allocation Rate for Additional Investments

An Endorsement shows the Allocation Rate We will apply for an Additional Investment in allocating Units in the chosen Funds to the Bond.

3.3.3 Allocation of Units

We work out the number of Units We initially Allocate to the Bond for an Investment, by:

- › applying the Allocation Rate to that Investment, as shown on the Contract Schedule or Endorsement; and
- › dividing by the price of Units on the Date of Receipt for that Investment.

3.3.4 Allocation of Units in the PruFund Range of Funds

Where an Investment is to be made in any Fund from the PruFund Range of Funds, Units will initially be purchased in the corresponding PruFund Account using the Unit price of that PruFund Account. Units will then be automatically purchased in the chosen Fund on the next PruFund Quarter Date using the Unit price of the appropriate PruFund Account and Fund on that day.

Please also refer to Part 4, Condition 4.3.3 of this Contract Conditions Booklet for further details of Unit pricing.

3.3.5 Fund choice

You can choose up to 10 Funds for Your Initial Investment, from Our range of Funds. Unless You tell Us that You wish to use different Funds for an Additional Investment, We will Allocate any Additional Investments to the Funds the Bond is already linked to; the allocation will be in proportion to the value of the Units in each of those Funds at

the time We receive the Additional Investment. For this purpose, the value of PAC With-Profits Units will be taken as the Unit price including Regular Bonus as determined by PAC.

Where the PruFund Range of Funds gives You a choice of different currency Funds, You may invest in only one currency version of PruFund Non-Protected Fund of each PruFund Type and/or only one PruFund Type and currency version of PruFund Protected Fund. These Funds are subject to any overall Investment limit that applies to both the PAC With-Profits Range of Funds and the PruFund Range of Funds.

The Bond cannot be linked to more than 10 Funds at any time. This does not include a PruFund Account when choosing any Fund from the PruFund Range of Funds. We have the right to refuse a Fund choice for an Investment if it would result in the Bond being linked to more than 10 Funds.

We also have the right to refuse the choice of a Fund if, by making such a choice Your Bond would be invested in:

- a) more than one currency version of Our PAC With-Profits Range of Funds; or
- b) more than one currency version of Our PruFund Non-Protected Funds of the same PruFund Type; or

- c) more than one PruFund Protected Fund.

All the Policies in the Bond will be linked to the same chosen Funds and all the Policies will have an identical number of Units in each chosen Fund (allowing for any necessary rounding).

Please refer to the Statement of Charges for a list of the investment Funds available to You at the time of Your Initial Investment which may be amended by Us from time to time. Fund guides are available on request from Our Administration Centre in Ireland.

3.4. Annual Growth Reward

We will refund part of Our Annual Management Charges by way of an "Annual Growth Reward", or "Reward" by allocating additional Units to the Bond once a year, starting on the first anniversary. The basis for the Reward is as detailed in Our Statement of Charges document. The Reward will not apply if You Partially Cash In across all the Policies in the Bond or if You take any Regular Withdrawals in the 12 months before an anniversary (see Part 5, Conditions 5.1, 5.3 and 5.4). The allocation of the Reward is made one Working Day before each anniversary of an Investment starting on the first anniversary.

The Reward may still apply if You Fully Cash In one or more Policies in the Bond in the 12 months before an anniversary. In this situation, the Reward will be added to any Policies remaining in Your Bond at the anniversary date.

› Part 4: Funds

We will work out the Benefits payable from Your Bond by allocating to it Units in each Fund You have chosen from among the Funds available. Please refer to the Statement of Charges for a list of available investment Funds which may be amended by Us from time to time.

We will send an annual unit statement to You after each anniversary of the Commencement of Your Bond to show the current value of Your Bond. Should You require a unit valuation statement more frequently than once a year, You should contact Our Administration Centre in Dublin with Your requirement. Available frequencies are monthly, quarterly or every six months. You may request a unit valuation statement at any time by contacting Us at Our Administration Centre in Dublin.

A Fund guide is available on request from Our Administration Centre in Ireland. The ways in which these Funds are operated are stated below.

4.1. Unit-Linked Funds

4.1.1 Fund details

We maintain a number of Unit-Linked Funds, to calculate the value of Benefits under Policies which We issue. Each Fund is represented by a separate account within the with-profits Fund of the Company. We can introduce further Funds or subdivide, close or merge existing Funds. We will exercise Our power to close, merge, make changes to, wind-up or withdraw a Fund only for important legal or commercial reasons. We will act fairly and reasonably in the way that We do so, having regard to

Our duty to protect Your interests and the interests of other policyholders. If We close a Fund in which You have invested We will give You notice of Your options as far in advance of a Fund closure as is reasonably practicable. We will switch the units of the relevant Fund to Units of the Fund that We consider to have the closest investment objectives and asset allocation to the closed, merged, wound-up or withdrawn Fund. You will be given the opportunity to provide alternative instructions prior to the Fund closure, merger, wind-up or withdrawal of the Fund. You may, of course, switch out of a Fund at any time, subject to Part 4, Condition 4.3.2.3 and Part 2, Condition 2.7, as appropriate.

The assets of the Funds will be invested in line with the objectives of each Fund.

Investments may be held directly, or by means of reinsurance contracts or collective investment schemes such as Unit Trusts or Investment Trusts or "Sociétés d'Investissement à Capital Variable" (SICAVs), or otherwise in line with the Fund's objectives.

If We wish, We can divide any Fund into parts. We may, for example, divide a Fund where We need to segregate different series of a contract on which different Fund charges are applied. Each part will be divided into Units. The Units in the different parts may be of different types. Each Unit in the same part

of a Fund will have the same value. Where such segregation is no longer required in any Fund We may consolidate a Fund. In this instance each Unit in a Fund will be of the same type and value. If We divide or consolidate a Fund, the effect on the value of any Bond will be neutral.

We will create Units in any Fund only if assets equivalent to those Units are added to that Fund at the same time. Except when making the deductions shown in Part 4, Conditions 4.1.5 and 4.1.6 or Part 7, Condition 7.2, or when reinvesting, We will remove assets from any Fund only if Units equivalent to those assets are cancelled at the same time.

Where We refer to the Funds and to the Units, this is for the purpose of calculating the Benefits available under the Bond. At all times, We own the assets in the Internal Unit-Linked Funds and all the assets of the funds underlying the External Unit-Linked Funds are owned by the relevant external company; neither the Policyholder nor any other person entitled to Benefit under the Bond has any legal or beneficial right or interest in the Units or Funds or the underlying investments.

4.1.2 Valuation

4.1.2.1 Valuation of Internal Unit-Linked Funds

The assets relating to each Internal Unit-Linked Fund will normally be valued at least once a week, to establish the price We will quote in

the currency in which the Fund is valued (the "Base Fund Currency"). Assets and all loans charged against the Fund, will be valued with appropriate allowance for uninvested cash, accrued investment income and accrued charges.

We calculate the maximum and minimum value of each Internal Unit-Linked Fund other than the Funds in the PAC With-Profits Range of Funds or the PruFund Range of Funds. The maximum value We place on assets is the lowest available market price for which they could be bought. The minimum value is the highest available market price for which they could be sold. We then reduce the maximum or minimum values by allowing for:

- ▶ taxes, duties and other charges on investment or realisation; and
- ▶ any reserves We consider appropriate to meet expenses, taxes and other fiscal impositions for which We may become liable; and
- ▶ the Annual Management Charge (see Part 7, Condition 7.2).

Where assets can be valued by reference to a recognised quotation that We consider appropriate, the prices We use are the quoted prices. For other assets, We use valuations certified by Valuers which We appoint. These valuations are adjusted, in consultation with the Valuers, to take into account changes in prices between the valuations.

We decide the value of each Unit-Linked Fund (other than the Funds in the PAC With-Profits Range of Funds or the PruFund Range of Funds) by choosing a figure between its maximum and minimum values. The main factor We consider is whether more Units are being credited to the Fund than cancelled from it. If so, the purchase price of assets will be more relevant than the sale price, as We will be buying more assets than We are selling. But if more Units are being cancelled than credited, the sale price of assets will be more relevant than the purchase price. The decision whether to value a fund using the purchase price or sale price of assets is normally taken at monthly intervals, but may be made at such other intervals as We, or the relevant company from the Prudential Group, shall determine. A change from a purchase valuation to a sale valuation basis or vice versa can have a significant effect on the Unit Price even though the market can appear to be relatively stable. In particular, a change from a purchase valuation basis to a sale valuation basis will reduce the Unit Price.

PAC is responsible for the valuation of all assets in the Sub-Funds of the PAC With-Profits Fund, including the Defined Charge Participating Sub-Fund in the manner described in PAC's Principles and Practices of Financial Management which may be changed from time to time in accordance with regulatory requirements. This document is available upon request from Our Administration Centre in Ireland.

Separate asset pools exist within the PAC Defined Charge Participating Sub-Fund to back Sterling, Euro and US Dollar denominated bonds. The performance of these asset pools over time and the levels of smoothing PAC decides to apply (see Condition 4.2), are reflected in Bonus rates, Expected Growth Rates and any MVRs declared by PAC from time to time.

4.1.2.2 Valuation of External Unit-Linked Funds

Each External Unit-Linked Fund is linked to an underlying fund operated by the relevant external company. Each external company values its own underlying funds and then provides Us with a Unit Price or Prices (rounded in accordance with its own practises), which We use in valuing the corresponding External Unit-Linked Fund.

Where the external company provides prices based on both minimum and maximum fund values, We choose the price on which to base the Fund value. The main factor We consider is whether more Units are being credited to the Fund than cancelled from it, as described for Internal Unit-Linked Funds in Condition 4.1.2.1 above. Otherwise, the value of the External Unit-Linked Fund is based upon the single price supplied by the external company.

4.1.3 Unit prices

4.1.3.1 Internal Unit-Linked Funds

The price of each Fund Unit will be calculated by dividing the value of the Fund (see 4.1.2 above) by the number of Fund Units in existence at each valuation date. Please see Condition 4.2.5 for the pricing of the PAC With-Profits Range of Funds and Condition 4.3.3 for the pricing of the PruFund Range of Funds.

For any transaction under Your Bond, We will work out the "value of Units" using the price of Units Allocated to Your Bond on the date shown in Your Contract Conditions Booklet as being appropriate to that transaction.

For specific information regarding PAC With-Profits Range of Funds, see Condition 4.2. For specific information on the PruFund Range of Funds, see Condition 4.3.

4.1.3.2 External Unit-Linked Funds

As stated in Condition 4.1.2.2 above external companies value their own underlying funds and provide Us with a Unit Price which We will use in valuing the corresponding External Unit-Linked Fund.

4.1.4 Our liability

Our liability under any Fund that We make available under the International Prudence Bond (Capital Redemption Option) cannot exceed the value of the assets underpinning that Fund, whether these assets are actual assets, an interest in another fund (whether managed by a company within the

Prudential Group or by an external company) or an interest in a reinsurance policy effected by Us to reinsure Our liability under a Fund.

In particular, for an External Unit-Linked Fund or a Fund that invests solely in funds operated by another company within the Prudential Group (for example, unit trusts or OEICs operated by another company within the Prudential Group), Our liability is limited to the amount We can claim from the relevant company. So, for example, if the external company or the other company within the Prudential Group, were to become insolvent, We could only pay the amount, if any, which We could collect under the insolvency in respect of the Units allocated to the Bond Policies.

In addition, We are not liable for any losses caused by the acts and omissions of an external company in respect of its own fund and/or the External Unit-Linked Fund.

4.1.5 Annual Management Charges

We will deduct a variable Annual Management Charge in respect of each Fund. This charge will be levied at each valuation date, at the appropriate rate for that Fund, based on the value of the Fund at that valuation date. It will be deducted from Fund assets before the Unit price is calculated. The rules are different for the PruFund Range of Funds. Please see Part 7, Condition 7.2 for further details. Details of the Annual Management Charge applicable to each Fund can be found in the Statement of

Charges which may be amended by Us from time to time. Fund guides are available on request from Our Administration Centre in Ireland.

The Annual Management Charges will be levied at the rate that is published by Us as at the applicable valuation date. We may introduce new Funds from time to time, to which the Bond may be linked in the future. Details of Annual Management Charges of such Funds will be available from Us as and when they are introduced.

4.1.6 Fund Transactions

We, or the external companies We appoint, will invest each Fund in the types of asset which We have set out in the published descriptions of that Fund. Our Funds literature (which is available on request) gives more information on the Funds. We may use assets of an Internal Unit-Linked Fund as security when We borrow for that Fund. We will credit all income from the assets of a Fund to that Fund. We will make deductions from a Fund in accordance with the provisions above and as decided by the Actuary regarding the following:

- (a) expenses, taxes, duties and other charges incurred in acquiring, managing, maintaining, valuing and disposing of assets.
- (b) interest on monies borrowed on account of the Fund, including interest due on monies borrowed from any other Fund.

- (c) any tax, levy or other charge on the Company, such as a levy under any legislation introduced for the purposes of raising levies for Funds to be held for the protection of the interests of policyholders, such as the Financial Services Compensation Scheme or its successors which affects the costs of operating the Bond and which is reasonable in amount and reasonably incurred. Any such tax, levy or other charge will be imposed in a way which is proportionate to the increased cost of operating the Bond.
- (d) any expenses, taxes, duties and other charges incurred in connection with the Funds and not previously taken into account.
- (e) to take account of a charge called a "dilution levy", which We or an external company may make in certain circumstances. This type of charge covers the cost of either buying assets (where more people are investing than disinvesting) or selling assets (where more people are disinvesting than investing). A dilution levy is not designed to make a profit, but to cover expenses.

4.2. Special conditions applicable to the PAC With-Profits Range of Funds (not available to Initial Investment, Additional Investment or Fund Switch on or after 11 September 2017)

In certain respects the conditions relating to Our PAC With-Profits Range of Funds differ from the general conditions set out above.

Units in Our PAC With-Profits Range of Funds are invested by way of a reinsurance contract into the Defined Charge Participating Sub-Fund of PAC. PAC will determine the level and has full responsibility for all Benefits provided through these Fund links. Benefits are provided through these links to each policyholder as described below. We will pass on to each policyholder the entire Benefit provided to Us by PAC on behalf of each policyholder. We will not use any of Our other assets to meet the Benefits provided through this Fund link.

A Fund guide titled "Your guide to investing in With-Profits" is available upon request from Our Administration Centre in Ireland.

Fair share payouts

There are a number of different factors that influence the bonus rates under with-profits and PAC has to decide how to take account of these factors when it sets the bonuses.

It does this by tracking the fair share of the assets of the PAC With-Profits Fund. The fair share is determined by accumulating over the lifetime of the Bond the payments made, less an allowance for charges, at the actual rate of return earned on the assets in the PAC With-Profits Fund.

The fair share is the level that PAC targets for claim values before they do any smoothing. The fair share is then adjusted to allow for smoothing, to determine the actual claim value to be paid.

Smoothing

PAC has a smoothing policy which is designed to reduce the fluctuations of claim payments compared with the underlying investment performance. Shares in companies, and property, are higher risk than some other types of investment. Their value tends to fluctuate more, but over the longer term they have historically produced relatively high returns and PAC believe that they will continue to do so.

The smoothing process addresses the concern that while shares and property have generally risen more in value than fixed interest investments and deposits over a long period such as 20 years, the return is also much more volatile. One year the investment may do very well, but the next could see a slump. So instead of simply sharing out what the Fund makes – or loses – each year, a with-profits Fund reduces some of the fluctuations in performance over the time You hold Your Bond.

Although smoothing means that PAC spreads profits from one year to the next, the aim is to pay out all of the investment returns earned by the Fund over the long term. This means that with-profits policyholders as a whole neither gain nor lose as a result of the smoothing policy. Smoothing operates through the application of Regular Bonuses, Final Bonuses and Market Value Reductions (see Conditions 4.2.1, 4.2.2 and 4.2.4 respectively).

The smoothing process works by holding back some growth when investment returns are strong. This growth can be used in years when returns are lower.

The aim of the smoothing process is to offer more protection for long term investing against the short term volatility of investing in stock markets when compared to other ways of investing in the stock markets.

PAC's smoothing process is also described in Our brochure "Your guide to investing in With-Profits". Further information on PAC's smoothing policy can be provided on request.

4.2.1 Regular Bonus

The Regular Bonuses are added throughout each year to With-Profits Units in order to gradually increase the guaranteed Benefits payable on Maturity.

The level of Regular Bonus is normally decided once a year. The value of Your Units will then grow over the calendar year in line with this rate. However, PAC reserves the right to change Regular Bonus at any time. Any such change will not affect bonuses already added since these will continue to be reflected in the Unit price used for guaranteed Benefits payable on Maturity.

You will be informed of the rate of Regular Bonus applicable to Your Bond within Your annual unit statement sent to You after each anniversary of the commencement of Your Bond. If the rate of Regular Bonus declared by PAC is changed at any time other than at the annual declaration We will not write to inform You that the change has taken place.

4.2.2 Final Bonus

Final Bonuses make up the difference between the guaranteed Benefits payable on Maturity and the overall smoothed claim value. These bonuses are used to return to each policyholder a fair share of the profits of the Fund.

The Final Bonus will only be known at the time the claim value is calculated. The value of Final Bonus illustrated each year may be greater or less than any amount of Final Bonus indicated previously. The level of any Final Bonus may be changed by PAC at any time during the year if investment conditions change significantly.

You will be informed of the Final Bonus applicable to the PAC With-Profits Units in Your Bond within Your annual unit statement sent to You each year shortly after the anniversary of Your Bond. The overall yield, which is a combination of Regular Bonus and Final Bonus, is decided and declared by PAC once a year, the year used being from 1 March to 28/29 February, as appropriate. If the overall yield is changed at any time other than at the annual declaration We will not write to inform You that the change has taken place.

- A Final Bonus may be paid to increase the value of Your Bond on Maturity.
- You may also receive a Final Bonus in certain circumstances if You move out of a Fund within the PAC With-Profits Range of Funds at other times.

Final Bonus is not guaranteed and will depend on the date on which You made Your Investments in the PAC With-Profits Range of Funds. Different levels of bonus are applied to different groups of investors. Factors influencing the levels of bonus include the period of time that the Investment has been invested in the Fund, the level of charges on the Bond, the smoothing policy applied by PAC and the amount You invest in the Bond.

4.2.3 Bonuses generally

The investment performance will depend on the mix of assets in the Fund.

Any investment surplus not paid out as Regular Bonuses will build up to provide the Final Bonus, subject to the smoothing policy applied by PAC (as described above).

In the meantime, these profits increase PAC's flexibility, when appropriate, to invest in higher risk but potentially higher return assets such as shares.

The level of these bonuses is decided by the Board of PAC for each of the Sub-Funds in the PAC With-Profits Fund. In deciding these bonus additions, account is taken of:

- how much of the investment return of the assets of their With-Profits Sub-Fund is to be distributed; and

- how the policyholders' share should be fairly divided between the different classes of With-Profits policyholder, and between the individual policyholders within each class.

In setting bonuses, long-term investment performance and estimated average future returns are considered more than short-term market fluctuations. The Board of PAC aims to act in a fair and reasonable manner and always act in good faith in trying to balance the interests of policyholders.

4.2.4 Market Value Reduction

PAC may apply a reduction against the value of Your Units in the PAC With-Profits Range of Funds in certain circumstances. This reduction is called a Market Value Reduction (MVR) and the incidence and level of any MVR will be decided by PAC as explained below.

PAC can apply an MVR when You cash in Your Units in the PAC With-Profits Range of Funds, or switch out of that Fund, at a time when the value of Your share of the underlying investments is lower than the value of Your Units (including Regular and Final Bonuses). The effect of the MVR is to reduce the amount that is paid to You for the Units that You are cashing in or switching, in order to reflect the value of the underlying investments that are represented by those Units. The level of any MVR that may be applied will depend on the date You paid Your Investment or Investments into the PAC With-Profits Range of Funds, the subsequent performance of the

underlying investments in that Fund and the level of smoothing, if any, that PAC decides to apply.

An MVR will never be applied to a claim for the Maturity Benefit.

The reason for the MVR is to safeguard the security of PAC's Fund and to make sure that those who remain invested in the Fund are not disadvantaged by others who would otherwise cash in at levels which are higher than can be justified by a fair valuation of the underlying assets. The aim is to ensure that all policyholders are treated fairly.

PAC cannot predict exactly when it will apply an MVR or the level of any MVR that it applies because this depends upon ongoing investment performance. It is, however, likely that an MVR will be applied during periods when investment performance is lower than had been predicted or during periods when there have been sharp falls in the relevant stockmarkets.

Part 5, Condition 5.1.7 of these Contract Conditions gives an example of when a Market Value Reduction may be applied.

4.2.5 Prices of Units in the PAC With-Profits Range of Funds

The valuation of PAC With-Profits Units will be carried out by PAC.

The price used for Unit purchases will be based on the Regular Bonus rates determined by PAC.

PAC decides if a Regular Bonus will be payable and the Unit price is increased, if applicable, by adding this bonus at an equivalent daily rate. So, if a Unit is priced at £1.00

and PAC decides to declare a Regular Bonus of 4.00% then the price of that Unit will increase over the following year at a daily rate which gives a Unit price of £1.04 a year later.

If the outlook for investment markets changes significantly (up or down) within 12 months of the bonus declaration, PAC may alter the Regular Bonus rate which will apply for the balance of that year accordingly. This will not affect the bonus additions already made to the Unit price but will alter the daily rate of future additions.

4.3. Special conditions applicable to the PruFund Range of Funds

A Fund guide is available upon request from Our Administration Centre in Ireland.

4.3.1 The Funds and Accounts

You can invest in any available Fund from the PruFund Range of Funds. However:

- You may not invest in more than one currency version of a PruFund Non-Protected Fund of the same PruFund Type at the same time; and
- You may not invest in more than one PruFund Protected Fund.

Each Fund has a corresponding Account, being an investment Fund whose investment return is fixed at the Expected Growth Rate.

When You make an Investment We create Units in the Account(s) corresponding to the Fund(s) which You select, equal in aggregate value to the amount used to credit Units.

After crediting Units to an Account, and at any time before the next PruFund Quarter Date, the Units in the Accounts may be cancelled to pay for charges or Regular and Partial Withdrawals as appropriate. On the next PruFund Quarter Date, the Units remaining in the Accounts are cancelled and the amount realised is used to credit Units in the corresponding Fund(s). Please refer to Part 7 of these Contract Conditions for information on the application of charges and to the Statement of Charges for the rate at which they are applied.

A Fund and its corresponding Account will each have an independent Unit price but they will operate accordant with each other using the same Expected Growth Rate.

If We close any of the Funds in the PruFund Range of Funds and the corresponding Accounts, see Part 4, Condition 4.1.1 for further details, a new Fund or Funds may be opened to accept new Investments.

Units in the Funds and the corresponding Accounts are invested by way of a reinsurance contract into the Defined Charge Participating Sub-Fund of the PAC With-Profits Fund. PAC will determine the level and has full responsibility for all Benefits provided through these Fund links. Benefits are provided through these links to each policyholder as described below. We will pass on to each policyholder the entire Benefit

provided to Us by PAC on behalf of each policyholder. We will not use any of Our other assets to meet the Benefits provided through this Fund link.

All the assets of the Funds and Accounts are owned by PAC in its own right and not as trustee for its policyholders. We will need to amend the Funds if PAC changes the underlying structure of the Funds. We can withdraw, amalgamate, close or rename any of Our Funds or Accounts at any time. We will give You reasonable notice of this if it affects You.

The assets of the Funds and Accounts are not separately identifiable from the other assets of the Defined Charge Participating Sub-Fund. Units in the Funds and the Accounts participate in the profits of the Defined Charge Participating Sub-Fund of the PAC With-Profits Fund in the manner described in PAC's Principles and Practices of Financial Management which may be changed from time to time in accordance with regulatory requirements. This document is available upon request from Our Administration Centre in Ireland.

4.3.2 Credit and cancellation of Units

4.3.2.1 Credit of Units to a PruFund Account

Units will be credited to a PruFund Account at the Unit price applicable to that Account on the day of credit. This will be on the day We receive the correctly completed Investment application or switch request forms We

require at Our Administration Centre in Ireland provided that they are received on or before 12 noon on a Working Day. If the correctly completed request forms are received after 12 noon, We will credit the Units at the Unit price applicable on the next Working Day. If the day of receipt is a non-Working Day then We will credit Units on the next Working Day applicable to the day of receipt.

4.3.2.2 Credit of Units to Funds within the PruFund Range of Funds

Units will be credited to the Fund(s) You select within the PruFund Range of Funds automatically on the PruFund Quarter Date using the amount realised from the cancellation of the Units held in the corresponding PruFund Account(s) to purchase Units in the Fund(s) selected within the PruFund Range of Funds at the Unit price(s) on the same PruFund Quarter Date. See also Part 4, Condition 4.4.2 regarding discretionary switches and Part 4, Condition 4.3.6 for PruFund Guarantee Date Options.

4.3.2.3 Cancellation of Units

Units are cancelled at their Unit price applicable on the day of cancellation. However, the day on which We cancel Units depends on why the Units are being cancelled. Where Units of the same Fund are held in two or more Investments within a Bond, We will cancel Units in proportion to the Units relating to each Investment which may create an Early Cash In Charge on an Investment that is less than five years old.

(a) Cancellations in respect of switches

There is a mandatory 28 day delay to processing a discretionary switch out of the Funds in the PruFund Range of Funds. Please refer to Part 2 Condition 2.7.3.

Forms to request discretionary switches are available from Our Administration Centre in Ireland upon request. The following conditions also apply:

- Where a 28 day delay has been applied, the Unit price used for the switch will be that applicable on the date that the Units are cancelled, this means after 28 days have elapsed or the next Working Day if this day is not a Working Day. For example, if Your switch request was received on a Wednesday before 12 noon it will be processed using the Unit price of the Wednesday 28 days later. This means that the Unit price on the day that the Units are cancelled may be higher or lower than on the date that We received Your instruction and may mean a difference in the Unit value.
- When a request to switch has been received, it cannot be withdrawn or replaced but the destination Fund choice may be varied for switches to any Funds except the PruFund Range of Funds.

- Switches between a PruFund Protected Fund and the PruFund Non-Protected Fund of the same currency and PruFund Type will not be subject to the 28 day delay and will not switch via the corresponding PruFund Account.

- Switches where all Units are being switched out of the receiving PruFund Non-Protected Fund that are part of the Guarantee Date Options in the 28 days following the Guarantee Date will not be subject to the 28 day delay but will switch into the appropriate PruFund Account initially if the destination Fund is a Fund from the PruFund Range of Funds. See Part 4, Condition 4.3.6.2.

- If any or all of the Policies are assigned within the 28 day delay the switch will still take place: the assignee shall be deemed to be aware of, and have agreed to the switch.

(b) Cancellations in respect of Full Cash In transactions or Partial Withdrawals

The Directors of PAC at their absolute discretion reserve the right to apply the 28 day delay to Full Cash In or Partial Withdrawal requests. If the 28 day delay is applied, the application of this rule to Full Cash In transactions or Partial Withdrawals will be in the same

manner as it is applied in respect of switches. Please refer to Part 2, Condition 2.7.3 of these Contract Conditions. We will advise You if the 28 day delay is to apply to Your Full Cash In or Partial Withdrawal request.

Where the 28 day delay is applied to Your Full Cash In or Partial Withdrawal, the Unit price on the day that the Units are cancelled may be higher or lower than the date that We received Your instruction and may mean a difference in the Unit value.

(c) Cancellations in respect of Regular Withdrawals

We cancel Units using the Unit price applicable to the Regular Cancellation Date or, if this is not a Working Day, to the next Working Day. Regular Withdrawals are not subject to the 28 day delay.

(d) Cancellations in respect of the payment of the Maturity Benefit

Maturity Benefit claims are not subject to the 28 day delay and will override any pending switch request or cash in transaction that is subject to the 28 day transaction delay.

In all cases under (a) – (d) above, the actual sum received will, in addition, be subject to any other Conditions relevant to the credit and cancellation of Units.

4.3.2.4 Partial Withdrawals and Regular Withdrawals

Where two or more Investments have been paid into the Bond, We will cancel Units in proportion to the Units relating to each Investment.

Where the Bond is linked to two or more Funds and/or Accounts, We will deduct Units from all Funds and/or Accounts in proportion to the value of the Units held under the Bond in each Fund and/or Account.

4.3.3 Unit pricing

4.3.3.1 General

Where Units are due to be credited or cancelled on a non-Working Day, the Unit price applicable to the next Working Day will apply.

Where a Fund is offered in more than one currency, Unit pricing will be determined independently for each currency version.

4.3.3.2 The Accounts

The Unit prices for the Accounts were set at 100p per Unit on the date they first became available and 100 cents for US Dollar and Euro currency versions. PAC set the Expected Growth Rate for each Account and the Unit prices increased in line with that Expected Growth Rate from then until and including the next PruFund Quarter Date.

From the next PruFund Quarter Date, the Unit price of Units in the Accounts increases in line with the Expected Growth Rate of the corresponding Funds.

If the smoothing process has been suspended, the Unit prices within the Accounts will continue to grow at the Expected Growth Rate. This Expected Growth Rate will continue to be set on each PruFund Quarter Date and will apply to the Accounts during the period of suspension. Refer to Part 4, Condition 4.3.3.4.

4.3.3.3 The Funds and the smoothing process

The Unit prices for the Funds were set at 100p per Unit on the first PruFund Quarter Date that each Fund first became available and 100 cents for US Dollar and Euro currency versions. On that initial PruFund Quarter Date and on each subsequent PruFund Quarter Date, PAC will set and publish an Expected Growth Rate for each Fund. Subject to any other adjustment or suspension of the smoothing process in line with these Contract Conditions, the Unit prices within the Funds will increase in line with the then current Expected Growth Rate on every day from and including the day after the PruFund Quarter Date on which the Expected Growth Rate is set until and including the next PruFund Quarter Date. Details of the Expected Growth Rate are available on request from Our Administration Centre in Ireland.

4.3.3.3.1 Calculation of Unit price at each PruFund Quarter Date

Unless the smoothing process has been suspended, the calculation of the Unit price for each Fund at each PruFund Quarter Date will be as follows:

(a) At each PruFund Quarter Date, after application of the existing Expected Growth Rate, We compare the Net Asset Value Per Unit of each Fund to the Unit price of that Fund on that day. If the Net Asset Value Per Unit is within 5% of the Unit price, the Unit price will not change.

➤ If the Net Asset Value Per Unit is 5% (or more) above the Unit price, the Unit price will be increased on the PruFund Quarter Date by half the difference. If the Net Asset Value Per Unit is more than 10% above the Unit price then this adjustment will be repeatedly applied until the Net Asset Value Per Unit is less than 5% above the Unit price. When this process is complete, any remaining difference between the Net Asset Value Per Unit and the Unit price may be taken into account in setting the new Expected Growth Rate.

- If the Net Asset Value Per Unit is 5% (or more) below the Unit price, the Unit price will be reduced on the PruFund Quarter Date by half the difference. If the Net Asset Value Per Unit is more than 10% below the Unit price then this adjustment will be repeatedly applied until the Net Asset Value Per Unit is less than 5% below the Unit price. When this process is complete, any remaining difference between the Net Asset Value Per Unit and the Unit price may be taken into account in setting the new Expected Growth Rate.
- This mechanism is subject to Condition 4.3.3.3.2 below entitled "Adjustments of Unit price on or between PruFund Quarter Dates".

- (b) The Unit price on the day after the PruFund Quarter Date will increase in accordance with the new Expected Growth Rate.

An example of how the Unit prices are calculated on the PruFund Quarter Date can be found in the Fund guide titled "Your guide to investing in the PruFund Range of Funds" which is available upon request from Our Administration Centre in Ireland.

4.3.3.3.2 Adjustments of Unit price on or between PruFund Quarter Dates

If a Unit price is adjusted in accordance with Condition 4.3.3.3.1 (a) above entitled "Calculation of Unit price at each PruFund Quarter Date", no adjustment that would otherwise apply on that day will apply.

Each Working Day, We calculate the average Net Asset Value Per Unit over the 5 Working Days ending with the Working Day on which We are carrying out the calculation ("the Average Net Asset Value Per Unit"). We also calculate the Net Asset Value Per Unit and the Unit price applicable on that particular day.

- If the then current Net Asset Value Per Unit and the Average Net Asset Value Per Unit are both 10% (or more) above the then current Unit price the Unit price will be increased so that the Unit price will be 2.5% below the then current Net Asset Value Per Unit. The remaining difference may be taken into account when the Expected Growth Rate is next changed.
- If the then current Net Asset Value Per Unit and the Average Net Asset Value Per Unit are both 10% (or more) below the then current Unit price the Unit price will be reduced so that the Unit price will be 2.5% above the then current Net

Asset Value Per Unit. The remaining difference may be taken into account when the Expected Growth Rate is next changed.

Where the Unit price of a Fund within the PruFund Range of Funds has been adjusted in line with the above process there will NOT be any communication sent to the Policyholders. Unit prices are available on the Company's website.

An example of how the Unit prices are calculated between the PruFund Quarter Dates can be found in the Fund guide titled "Your guide to investing in the PruFund Range of Funds" which is available upon request from Our Administration Centre in Ireland.

4.3.3.4 Suspension of the smoothing process

Each currency version of a Fund has its own Unit price. The smoothing process and consideration of the criteria which may lead to suspension of this process, is applied to each currency version and each PruFund Type independently of the other.

PAC may suspend the smoothing process if the difference between payments into and out of the Fund is high. For this purpose PAC compare the following amounts:

- (a) the total amount relating to applications to pay new Investments into the Fund or to switch into that Fund; and

(b) the total amount relating to applications to take money out of the Fund through cashing in Units (other than a Regular Withdrawal) or a switch.

PAC can suspend the smoothing process if the difference between the two amounts under the Condition in (a) and (b) above:

- when calculated by reference to any 30 day period and then multiplied by 12 (to "annualise" the amount), is more than 25% of the Unit Price Fund Value on the date of calculation; or
- when calculated by reference to any full year, is more than 10% of the Unit Price Fund Value on the date of calculation.

PAC can also suspend the smoothing process to protect the PAC With-Profits Fund or if it is felt necessary to ensure that other policyholders are treated fairly in accordance with Our regulatory duties.

On the day and each day during which the smoothing process is suspended the Unit price of the Fund will be the Actual Fund Value divided by the number of Units in issue. PAC will review the position at least once every 30 days, and will reinstate the smoothing process when PAC considers it appropriate.

The smoothing process will normally remain suspended for a minimum of 30 days.

When the smoothing process is reinstated the Unit price will start at the previous day's Unit price.

The terms of Conditions 4.3.3.2 to 4.3.3.3 above will then apply, including a daily increase in the Unit price at whatever the new Expected Growth Rate is set at.

Where the Unit prices of the Funds within the PruFund Range of Funds have been adjusted in line with the above process there will NOT be any communication sent to the Policyholders. Unit prices are available on the Company's website.

4.3.4 PruFund Guarantee

The PruFund Guarantee is available to policyholders who select a PruFund Protected Fund. A Guaranteed Minimum Fund will be provided on the Guarantee Date if it is greater than the value of the PruFund Protected Fund Units in Your Bond at the Guarantee Date. The anniversary on which the PruFund Guarantee falls will be as selected by You at outset or as determined by the PruFund Type and/or currency of PruFund Protected Fund chosen by You at outset, as appropriate. The date of the relevant anniversary, the Guarantee Date, will be determined from the initial Investment Date. The guarantee applies only at the Guarantee Date, which is shown in the Contract Schedule.

If You have not selected a PruFund Protected Fund at outset then the guarantee is unavailable to You.

The PruFund Guarantee is an integral part of a PruFund Protected Fund and cannot be removed from the Units in that Fund once Your Bond has started other than by switching out of the Fund.

A separate ongoing annual charge is taken by Us for providing the guarantee and is applied to the Unit holding in the PruFund Protected Fund on a monthly basis. The level of PruFund Guarantee Charge that applies to Your Bond is shown in the Contract Schedule. Please refer to Part 7, Condition 7.6 of these Contract Conditions for the method of application.

The PruFund Guarantee will cease to be in effect on the Bond once the Unit holding in a PruFund Protected Fund is reduced to zero. You will not be able to purchase Units in this Fund again other than by applying for a new Bond.

4.3.5 Guaranteed Minimum Fund

4.3.5.1 The Guaranteed Minimum Fund on the Guarantee Date is calculated as follows:

- (a) On the Investment Date the Guaranteed Minimum Fund is equal to the initial value invested in the PruFund Account corresponding with the PruFund Protected Fund You selected. The Guaranteed Minimum Fund at the Commencement Date will be as shown in the Issue Letter We send at the outset of Your Bond.

- (b) The Guaranteed Minimum Fund is guaranteed in the Fund currency which may be different from the Maturity or Cash In Benefit Currency. If this is the case then the Policyholder will be subject to exchange rate fluctuations when Benefits are taken.
- (c) The value of the Guaranteed Minimum Fund on the Guarantee Date is calculated after any Unit cancellation for Regular or Partial Withdrawals due on the Guarantee Date.

The Guaranteed Minimum Fund will be reduced proportionately if any withdrawals or switches out are made between the Commencement Date and the Guarantee Date.

When a switch out, Regular or Partial Withdrawal payment is made the Guaranteed Minimum Fund is reduced by the same proportion that the value on the Unit cancellation date of Your Units which are cancelled (including any cancelled to pay for an Early Cash In Charge) bears to the value of the sum of those cancelled Units and any Units referable to the Initial Investment which remain credited to the Bond after cancellation.

Example:

(1) Investment Date

Initial value of Units held in a PruFund Protected Fund – £10,000 (rounded for simplicity). This would be the Guaranteed Minimum Fund.

(2) Partial Withdrawal 18 months after Investment

As part of a Partial Withdrawal across all the Bond Policies, the share to be provided from the PruFund Protected Fund is £1,000. The Withdrawal is in the second year of Investment so would attract 8% Early Cash In Charge at £87. Total Withdrawal from the Fund would be £1,087. Assume that the value of the Fund had grown to £10,300 on the date of Withdrawal. The proportion withdrawn is therefore $(1,087/10,300) \% = 10.55\%$. The Guaranteed Minimum Fund (originally £10,000) is therefore reduced by 10.55% to £8,944.66.

(3) Partial Withdrawal 42 months after Investment

As part of a Partial Withdrawal across all the Bond Policies, the share to be provided from the PruFund Protected Fund is £2,000. The Withdrawal is in the fourth year of Investment so would attract 4% Early Cash In Charge at £83 (rounded). Total Withdrawal from the Fund is £2,083. Assume that the remaining Fund value (after the previous Withdrawal) on the date of this Withdrawal had grown to £9,500. The proportion withdrawn now is therefore $(2,083/9,500)\% = 21.926\%$.

The Guaranteed Minimum Fund (£8,944.66) is therefore further reduced by 21.926% to £6,983.45.

- (d) Please refer to Part 4, Condition 4.3.6.3 of these Contract Conditions for information regarding Policyholder communications and also Condition 4.3.6.2 for details of options in the 28 days following the Guarantee Date.

4.3.6 PruFund Guarantee processes

The process in Condition 4.3.6.1 below will only apply where Units are held in a PruFund Protected Fund on the Guarantee Date.

Your options at the Guarantee Date are only available where Units are already held in a PruFund Protected Fund on that date and are independent of the Guarantee Date calculation process. Please refer to Part 4, Condition 4.3.6.2 for information regarding the options available to You.

Should the Guarantee Date not fall on a Working Day, any Unit creation and/or transaction due on the Guarantee Date will be conducted on the next Working Day that a Unit price is available.

4.3.6.1 On the Guarantee Date We will:

- (a) calculate the value of the Units attributed to Your Bond in respect of the Unit holding in the PruFund Protected Fund You selected, after deduction of any charges and Regular or Partial Withdrawals due from the Fund on the Guarantee Date. The Unit price used will be that applying after any adjustments under the smoothing process.

(b) calculate the Guaranteed Minimum Fund on the Guarantee Date (after any adjustment in respect of any Regular or Partial Withdrawal due on the Guarantee Date).

(c) compare the value of (a) with the value of (b).

If the value of (a) is less than the value of (b), Units will be added to Your Unit holding in the PruFund Protected Fund You selected so that the value of the Units attributed to that Fund on the Guarantee Date is equal to the Guaranteed Minimum Fund calculated as in (b) above.

If the value of (a) is equal to or greater than the value of (b) no Units will be added to Your Unit holding in the PruFund Protected Fund.

Whether or not there has been an adjustment to the number of PruFund Protected Fund Units held, We will switch all Units from the PruFund Protected Fund to the PruFund Non-Protected Fund of the same currency and PruFund Type.

If on the Guarantee Date Units are already held in a PruFund Non-Protected Fund (or corresponding Account) of a different currency version of the same PruFund Type as the PruFund Protected Fund, that existing PruFund Non-Protected Fund will become the receiving Fund for the switch. This switch will be via the corresponding PruFund Account.

4.3.6.2 Guarantee Date options

In the 28 days following the Guarantee Date You can choose from the following:

- (a) accept the automatic switch from the PruFund Protected Fund to the PruFund Non-Protected Fund (referred to in Part 4, Condition 4.3.6.1) that took place on the Guarantee Date.
- (b) fully switch out all Units from the PruFund Non-Protected Fund to Fund(s) You choose, without a 28 day transaction delay. This switch will include any Units held in the corresponding Account as the Fund is to be exhausted.

Where You choose to switch Units from the receiving PruFund Non-Protected Fund or Fully Cash In Your Bond in the 28 days following the PruFund Guarantee Date the 28 day transaction delay will not apply if it is ordinarily being applied. We will cancel Units on the Working Day We receive the relevant transaction request forms that We require correctly completed at Our Administration Centre in Ireland provided that they are received on or before 12 noon. If the correctly completed request forms are received after 12 noon on a Working Day or are received on a non-Working Day, We will cancel the Units on the next Working Day.

A request to Fully Cash In the Bond within 28 days of the Guarantee Date will override any pending Full Cash In or Partial

Withdrawal requests that are subject to the 28 day delay if it is ordinarily being applied.

You should be aware that on the date that the switch out or cash in request is carried out, the Unit value on the switch or cash in date may be lower than it was on the Guarantee Date and may result in a lower Unit value being switched or cashed in.

4.3.6.3 Policyholder communication

If You have Units in Your Bond in a PruFund Protected Fund, You will receive a written communication in advance of the Guarantee Date to outline Your options in the 28 days following the Guarantee Date.

You will be informed as soon as reasonably practicable by written communication if on the Guarantee Date, the PruFund Guarantee had to be applied to the value of Your Unit holding in the Fund to restore the Guaranteed Minimum Fund. You will also be informed by written communication if the PruFund Guarantee did not have to be applied.

4.4. Switching between Funds

4.4.1 Switches – all Funds but with additional rules for the PruFund Range of Funds in Condition 4.4.2 below

You may ask Us to switch Units between Funds, that is to cancel some or all of Your Units in one Fund and to replace them with Units in any other Fund or Funds chosen by You from the Funds then available for Your Bond.

We use the value of the cancelled Units to Allocate replacement Units. The value will be:

- converted to the Base Fund Currency of the replacement Fund, where appropriate; and
- reduced to meet the charges referred to in Part 7 of these Conditions.

When carrying out a switch, the Unit Prices used will be those that apply on the Date of Receipt of the correctly completed written instruction to switch (which will include a scanned copy of the instruction by e-mail, a facsimile transmission or any other method that We will accept at the time) at Our Administration Centre in Ireland. The Date of Receipt is the date that the written instruction to switch is received in Our Administration Centre in Ireland if it is received on or before 12 noon on a Working Day. If the written instruction to switch is received after 12 noon on a Working Day or it is received on a non-Working Day then the Date of Receipt will be deemed to be the next Working Day.

We will not switch any Units to or from any Fund if, in the opinion of the Actuary, this would adversely affect the interest of other policyholders of the Company.

We will not switch Units:

- if this would result in Units being held in more than ten Funds.
- into a Fund which is no longer available for investment.

- into any Fund from the PAC With-Profits Range of Funds or from the PruFund Range of Funds if it takes You over the current maximum level allowed as published by Us at the time of the switch.
- into any Fund from the PAC With-Profits Range of Funds if, in the Actuary's opinion, it will bring about adverse tax results for that Fund (please see below).
- from one of the PAC With-Profits Range of Funds to another.

This Condition is subject to any delay that may be required under Part 2, Condition 2.7.2. We will inform You if such a delay occurs.

You may at any time request information regarding Your switch request from Our Administration Centre in Ireland.

Please refer to the "Other Charges and Limits" section of Your Statement of Charges for information regarding discretionary switch fees.

We may make a deduction (Market Value Reduction) from the value realised from the sale of Units from a Fund within the PAC With-Profits Range of Funds (see Part 4, Condition 4.2.4).

4.4.2 Switches – additional rules for the PruFund Range of Funds

In addition to the general rules for switches in Condition 4.4.1 above, discretionary switches of Units into or out of the PruFund Range of Funds are subject to the following additional rules.

We will not:

- switch Units directly out of a PruFund Account by request except as allowed under Part 4, Condition 4.3.6.2.
- switch Units from any other Fund into a PruFund Protected Fund.
- switch Units if the number of switches into (when permitted) or out of a Fund from the PruFund Range of Funds exceeds one switch between PruFund Quarter Dates. One switch will mean either a discretionary switch into or out of a Fund from the PruFund Range of Funds but not one of each.
- switch Units before the mandatory 28 day delay has elapsed from receipt of Your completed instruction at Our Administration Centre in Ireland for switches out of any Fund from the PruFund Range of Funds except as part of exercising a PruFund Guarantee Date Option. Please see Part 2, Condition 2.7.3 and Part 4, Condition 4.3.6.2.
- switch Units directly into a PruFund Non-Protected Fund without switching via the corresponding PruFund Account unless the switch is from a PruFund Protected Fund to a PruFund Non-Protected Fund of the same currency and PruFund Type. The 28 day delay will not be enforced in this instance.

- allow You to retract Your switch request into or out of the PruFund Range of Funds once it has been accepted at Our Administration Centre in Ireland but You may change the destination Fund choice unless the destination Fund is a Fund from the PruFund Range of Funds.

If You are fully switching out of a PruFund Non-Protected Fund within 28 days of a Guarantee Date please refer to Part 4, Condition 4.3.6.2.

We will confirm to You in writing as soon as reasonably possible when Your switch request has been received and again at each stage when it has been completed. You may at any time request information regarding Your switch request from Our Administration Centre in Ireland.

Warning: Switches out of a PruFund Protected Fund will erode the Guaranteed Minimum Fund.

4.4.2.1 Timing of switches and Unit prices

(a) General

Switching may normally be carried out at any time. However:

- delays may occur if We have invoked Our powers to delay buying and selling Units in Part 2, Condition 2.7.2; or
- a 28 day delay applies to switches from Funds within the PruFund Range of Funds as set out in Part 4, Condition 4.3.2.3, except where:

- (i) switching between the PruFund Protected Fund and PruFund Non-Protected Funds of the same currency and PruFund Type; or
- (ii) switching out of a PruFund Protected Fund on a Guarantee Date; or
- (iii) fully switching from a PruFund Non-Protected Fund used as the receiving Fund for the switch on the Guarantee Date in the 28 days following that date where Guarantee Date Options are being exercised – see Part 4, Condition 4.3.6.2.

(b) Same day immediate switches

In the following instances We normally sell the existing Units and buy the new Units as at the same date, using the Unit prices for the Working Day We treat the request as having been received by Us under Part 4, Condition 4.4.1 or where appropriate Part 4, Condition 4.3.6.2:

- switches between Unit-Linked Funds; or
- switches between Unit-Linked Funds and Funds within the PAC With-Profits Range of Funds; or
- switches between Funds of the same currency and PruFund Type within the PruFund Range of Funds; or
- switches from a Unit-Linked Fund or Fund within the PAC With-Profits Range of Funds to a PruFund Account; or

- the automatic switch from a PruFund Protected Fund on a Guarantee Date; or

- switches from a PruFund Non-Protected Fund as described in 4.3.6.2(b).

A delay may apply if We have invoked Our powers in Part 2, Condition 2.7.2.

(c) Delayed switches

These will generally be full switches from a Fund within the PruFund Range of Funds to:

- another Fund within the PruFund Range of Funds of a different currency and/or PruFund Type (subject to exceptions described above); and/or
- Unit-Linked Funds; and/or
- a Fund within the PAC With-Profits Range of Funds.

Where switching from a Fund within Our PruFund Range of Funds to a Unit-Linked Fund or a Fund within the PAC With-Profits Range of Funds, then the switch (or that part of the switch) will take place at the end of the 28 day delay as described in Part 2, Condition 2.7.3, subject to any further delays under Part 2, Condition 2.7.2, using the Unit prices that apply when the Units are cashed in.

This does not apply if a request to switch out of a receiving PruFund Non-Protected Fund that was automatically switched into on the Guarantee Date is treated as received by Us in the 28 days following the Guarantee Date

(see Part 4 Condition 4.3.6.2). In this case, the switch is carried out in accordance with Condition 4.4.2.1(b).

See also Condition 4.4.2.2(e) which explains how switching from a Fund within the PruFund Range of Funds works where Units are held under the Bond in the corresponding PruFund Account.

(d) Multiple Fund Switches

- (i) This Condition explains how We carry out switches where the switch request involves switches involving more than two Funds – known as "Multiple Fund Switches".

It should be noted in particular that where switching between different types of Fund, Multiple Fund Switches may be carried out in stages and on different dates. See Condition 4.4.2.1(d)(v).

In this Condition, the Funds to which Units are to be switched are called "destination" Funds.

- (ii) When carrying out a Multiple Fund Switch, We determine the percentage of Units to be cancelled from each Fund in which Units are currently held, according to Your switch request.
- (iii) As Your switch request will be expressed in terms of the percentage of Units held in the Bond to be invested in each destination Fund following the switch, We calculate the percentage of Units to be cancelled from each Fund in which Units are currently

held, and the percentage to be purchased in the destination Fund(s) in order to achieve the desired result.

- (iv) If all of the requested switches in a Multiple Fund Switch fall within Condition 4.4.2.1(b), they are processed as one single immediate switch as described in Condition 4.4.2.1(b).

- (v) Multiple Fund Switch requests that fall within both of Conditions 4.4.2.1(b) and (c) are carried out as described below.

➤ **Firstly:** If the request involves switching from one Fund within the PruFund Range of Funds to another Fund of the same currency within the same range, We first of all carry out this part of the switch in accordance with Condition 4.4.2.1(b). We switch the maximum amount possible between these Funds.

➤ **Secondly:** We then carry out any remaining part of the request which qualifies as an immediate switch under Condition 4.2.1(b) (i.e. switches from the Unit-Linked Funds and/or the PAC With-Profits Range of Funds). The proceeds of selling the Units of those other Funds are Allocated proportionately between the destination Funds in accordance with Condition 4.4.2.1(b).

➤ **Thirdly:** We switch any amount remaining to be switched from a Fund within the PruFund Range of Funds where Condition 4.4.2.1(c) applies or where the 28 day delay applies. At the end of the 28 day delay, We cancel the relevant percentage of the value of Units of the relevant PruFund Non-Protected Fund and/or PruFund Protected Fund and credit the proceeds proportionately between the requested Funds in accordance with Condition 4.4.2.1(c) at the Unit prices then applicable.

- (vi) Only one switch fee will apply (where relevant) in the case of Multiple Fund Switches.

- (vii) See also Condition 4.4.2.2(e) which explains the effect on a Multiple Fund Switch involving a switch from a Fund within the PruFund Range of Funds.

4.4.2.2 Switches to and from a Fund within the PruFund Range of Funds

- (a) As stated in Part 4, Condition 4.4.2 switch requests from any Fund into a PruFund Protected Fund are not allowed at any time.
- (b) As stated in Part 4, Condition 4.4.2, switch requests out of a PruFund Account are not allowed at any time unless under an exception in Part 4, Condition 4.3.6.2.

- (c) A maximum of one switch request involving a Fund within the PruFund Range of Funds is allowed in each period starting on a PruFund Quarter Date and ending on the day before the next PruFund Quarter Date. Part 4, Condition 4.3.2.3 explains when We treat a switch request as received for this purpose.
- (d) Switches to a Fund within the PruFund Range of Funds may also be refused or restricted under Part 4, Condition 4.5.
- (e) This Condition 4.4.2.2(e) does not apply when switching from a PruFund Non-Protected Fund in the 28 days following the Guarantee Date. See Part 4, Condition 4.3.6.2.

Where a switch is requested from a Fund within the PruFund Range of Funds under Condition 4.4.2.1 and there are also Units of the corresponding PruFund Account under the Plan:

- At the end of the 28 day delay under Part 4, Condition 4.3.2.3 We apply the percentage You specified in Your Fund Switch request to the then value of Units held under the Bond in the selected PruFund Non-Protected Fund or PruFund Protected Fund. We cancel the Units at the Unit price at that time. The value actually cancelled will be limited to the percentage of value of the Units of the relevant Fund only.

4.5. Eligibility to invest in the PAC With-Profits Range of Funds and PruFund Range of Funds and to remain in those Funds

UK tax legislation will affect Our assessment of whether:

- You are eligible to invest in Our PAC With-Profits Range of Funds and PruFund Range of Funds at the start of Your Bond;
- You are eligible to switch into Our PAC With-Profits Range of Funds and PruFund Range of Funds (if entering those Funds for the first time); and
- any changes in circumstances may affect Your ability to remain in Our PAC With-Profits Range of Funds and PruFund Range of Funds.

The legislation may change from time to time. If We assess that Your continued Investment in a Fund within the PAC With-Profits Range of Funds or in a Fund within the PruFund Range of Funds will bring about adverse tax results for that Fund, We will switch the value of any Units held under the Bond in that Fund within the PAC With-Profits Range of Funds or Fund within the PruFund Range of Funds to a deposit Fund (or another Fund Our Actuary considers to be suitable if that Fund is not available at the time) as part of Our standard practice. We will then contact You and give details of Our other Funds available for You to switch into at the time.

The purpose of transferring the value of these Units to a deposit Fund is to protect their value as far as possible whilst You decide what course of action to take.

› Part 5: Cash In Benefits

Before We pay any Cash In Benefit from Your Bond, we require an Acceptable Instruction specific to the type of cash in required. Specific cash in forms are available on request from Our Administration Centre in Ireland. Your written instruction must be sent to Our Administration Centre in Ireland.

5.1. Regular Withdrawals

5.1.1 Availability

You can ask for Regular Withdrawals to be made out of Your Bond at any time. If You wish to take Regular Withdrawals, please complete the Regular Withdrawal Request Form which is available from Our Administration Centre in Ireland.

We will confirm to You in writing as soon as reasonably practicable when Your request to set up a Regular Withdrawal facility has been completed. You may at any time request information regarding Your request from Our Administration Centre in Ireland.

Regular Withdrawals are always provided by Partially Cashing In all the Policies in the Bond. There will be a possible impact on the Annual Growth Reward if You select Regular Withdrawals. Please see Part 3, Condition 3.4 for details.

5.1.2 Administration

You may choose to have Regular Withdrawals made every:

- › month; or
- › 3 months; or
- › 6 months; or
- › 12 months.

We will spread each Regular Withdrawal evenly across all the Bond Policies. This means that the cash in value of each Bond Policy will be reduced by an identical amount (allowing for any necessary rounding) every time a Regular Withdrawal is made.

You may ask for Regular Withdrawals to be made by cashing in one of the following ways:

- › a percentage of Your Initial Investment and any Additional Investments paid into the Bond; or
- › a percentage of the value of the Units in Your Bond, including any Final Bonus that may apply to PAC With-Profits Units.

5.1.3 Effective Start Date of Regular Withdrawals

(a) If You wish to specify a date for the first Regular Withdrawal from Your Bond, that date must be at least 30 days from:

- › the Investment Date, if the Regular Withdrawal instruction is made as part of the initial Bond application or is made subsequently; or
- › the Additional Investment Date, if the Regular Withdrawal instruction is made as part of an Additional Investment application;

as appropriate.

(b) If You do not specify a date for the first Regular Withdrawal, the Effective Start Date of Regular Withdrawals will determine when the first Regular Withdrawal will be deducted from Your Bond.

The "Effective Start Date of Regular Withdrawals" set up:

- › as part of the initial Bond application or an Additional Investment application, will be the Investment Date or Additional Investment Date, as appropriate.
- › subsequently, using an Acceptable Instruction, the Effective Start date of Regular Withdrawals will be the Working Day We receive Your instruction at Our Administration Centre in Ireland.

We deduct the first Regular Withdrawal in arrears from the Effective Start Date of Regular Withdrawals. For example if, as part of Your initial Bond application, You ask for Regular Withdrawals to be made every 3 months and You do not specify a date for the first Regular Withdrawal, We will make the first deduction 3 months after the Investment Date of Your Bond.

The date You specify for the first Regular Withdrawal or, if that date is not specified the Effective Start Date of Regular Withdrawals, as appropriate, will determine their Regular Cancellation Date.

5.1.4 Amending or re-starting Regular Withdrawals

You have the right to cancel Regular Withdrawals. Upon cancellation of Regular Withdrawals, We reserve the right to refuse any request to re-start Regular Withdrawals which would involve the cancellation of Units held under the Bond in any of Our PAC With-Profits Range of Funds. For instance, We may exercise this right not to allow a re-start of Regular Withdrawals if at the date You seek to re-start them We are applying Market Value Reductions to the cancellation of Units in any of Our PAC With-Profits Range of Funds for Partial Withdrawals or Full Cash In transactions. We reserve this right to assist with Our overall management of the PAC With-Profits Range of Funds.

5.1.5 Maximum Regular Withdrawals at the start of an instruction

We will not accept instructions for Regular Withdrawals which would in total exceed Our limits regarding the percentage of Units to be cancelled during any Policy Year. See the Statement of Charges for more information on limits.

The limits will also apply to any later instruction to:

- change the level of Regular Withdrawals; and/or
- re-start Regular Withdrawals.

The limits will be as published by Us in the Statement of Charges.

5.1.6 Cancelling Units

When the Bond Policies are Partially Cashed In to provide a Regular Withdrawal, We reduce the number of Units in the Bond Policies on the Regular Cancellation Date or if that is not a Working Day, the next Working Day, by cancelling the number of Units equal in value to the amount of the Regular Withdrawal.

Where there have been two or more Investments credited to the Bond, We will cancel the Units in proportion to the Units relating to each Investment. Where the Bond is linked to two or more Funds, We will deduct Units from all Funds in proportion to the value of the Units held under the Bond in each Fund.

Payment of Regular Withdrawals under this Condition is subject to any delay that may be required under Part 2, Condition 2.7.2.

5.1.7 Special conditions applying to the PAC With-Profits Range of Funds

The value of Units to be cancelled in the PAC With-Profits Range of Funds for any Regular Withdrawal will be based on the Unit price. This price will include Regular Bonuses and may reflect adjustments determined by PAC in the following order:

- by adding any Final Bonus, where applicable; and
- by deducting any MVR (see 5.1.8 below).

We will then reduce the number of PAC With-Profits Units by cancelling the number of Units equal in value to the amount of the Regular Withdrawal.

5.1.8 Market Value Reduction

A Market Value Reduction determined by PAC may apply to Units in the PAC With-Profits Range of Funds when a Regular Withdrawal is made.

5.1.9 PruFund Range of Funds

Regular Withdrawals from a PruFund Protected Fund and its corresponding Account will erode the Guaranteed Minimum Fund.

Regular Withdrawals from a Fund within the PruFund Range of Funds may be taken from Units held in the corresponding PruFund Account pending automatic switch into the selected PruFund Non-Protected Fund or PruFund Protected Fund on the PruFund Quarter Date and thereafter from the relevant Fund.

5.2. Minimum value requirements

For Regular Withdrawals refer to Part 5, Condition 5.1 and for Partial Withdrawals by Partially Cashing In all the Policies in the Bond refer to Part 5, Condition 5.4. Minimum value requirements do not apply to Partial Withdrawals achieved by Fully Cashing In a Policy in the Bond. See Part 5, Condition 5.5.

5.2.1 Minimum Withdrawals

Where You are taking

- Regular Withdrawals; or

- a Partial Withdrawal by Partially Cashing In all Bond Policies;

each payment must not be less than Our minimum limit at the time You make the Withdrawal.

The minimum limits for Regular or Partial Withdrawals at the start of Your Bond are as shown in the Statement of Charges issued to You at the start of Your Bond. We will normally review charges and limits expressed as a monetary amount in January each year.

5.2.2 Minimum Fund value

The value of the remaining Units in the Bond must be above Our minimum value at that time after any Withdrawal. Where any Regular or Partial Withdrawal would result in the remaining value of the Bond being less than Our minimum value the following courses of action are available. Either:

- the amount of the Regular or Partial Withdrawal must be changed; or
- the Bond must be Fully Cashed In.

The minimum Fund value limit at the start of Your Bond is shown in the Statement of Charges issued to You at the start of Your Bond. We will normally review charges and limits expressed as a monetary amount in January each year.

5.3. Partial Withdrawals

5.3.1 Availability

You can ask for a Partial Withdrawal out of Your Bond at any time. If You wish to take a Partial Withdrawal please complete the Partial or Full Cash In Request Form which is available from Our Administration Centre in Ireland.

There will be a possible impact on the Annual Growth Reward if You take a Partial Withdrawal across all the Policies in the Bond as described in Condition 5.3.2(a) and in Condition 5.4. Please also see Part 3, Condition 3.4 for details.

A Partial Withdrawal, as described in Condition 5.3.2(b), will reduce the value of any subsequent Annual Growth Reward that may apply to Your Bond. See Part 3, Condition 3.4.

5.3.2 Administration

We can provide a Partial Withdrawal by:

- (a) Partially Cashing In all the Policies in the Bond. On this basis the cash in value of each Policy will be reduced by a similar or identical amount (allowing for any necessary rounding); or
- (b) Fully Cashing In one or more of the Policies in the Bond (this will result in the number of Policies in the Bond being reduced); or

- (c) a combination of (a) and (b), so that part of the Withdrawal is provided by Fully Cashing In one or more of the Policies and the rest of the Withdrawal is provided by Partially Cashing In the remaining Policies.

We will carry out a Partial Withdrawal out of the Bond on the basis of (a) above if You do not tell Us which method to use when You ask for a Partial Withdrawal. The Partial or Full Cash In Request Form will allow You to specify which of the options in Condition 5.3.2 above You prefer.

An Acceptable Instruction to take a Partial Withdrawal under (a), (b) or (c) above will be effective on the Date of Receipt at Our Administration Centre in Ireland. See Conditions 5.4.2 and 5.5.2.

5.4 Partial Withdrawals – by Partially Cashing In all the Bond Policies

5.4.1 Partial cash in definitions

In this Condition "Partial Withdrawal" means a sum provided by Partially Cashing In the Bond Policies and "Policies" does not include Policies which have been Fully Cashed In before the Partial Withdrawal.

5.4.2 Cancelling Units when Partially Cashing In all the Bond Policies

When the Bond Policies are Partially Cashed In to provide a payment out of the Bond, We normally reduce the number of Units in the Bond Policies by cancelling the number of Units equal in value to the amount of the Partial Withdrawal on the Date of Receipt of an Acceptable Instruction at Our Administration Centre in Ireland. If We receive an Acceptable Instruction at Our Administration Centre on or before 12 noon on a Working Day, that day will be the Date of Receipt. If We receive an Acceptable Instruction after 12 noon on a Working Day or it is received on a non-Working Day, the Date of Receipt will be deemed to be the next Working Day.

Where two or more Investments have been paid into the Bond, We will cancel Units in proportion to the Units relating to each Investment.

Where the Bond is linked to two or more Funds, We will deduct Units from all Funds in proportion to the value of the Units held under the Bond in each Fund.

Payment of the Cash In Benefit under this Condition is subject to any delay that may be required under Part 2, Condition 2.7.2.

5.4.3 Special conditions applying to the PAC With-Profits Range of Funds

Before We apply any Early Cash In Charge (see Condition 5.7 for an explanation of this charge) the value of Units to be cancelled in the PAC With-Profits Range of Funds will be based on the Unit price. This price will include Regular Bonuses and may reflect adjustments determined by PAC in the following order:

- by adding any Final Bonus, where applicable; and
- by deducting any Market Value Reduction.

5.4.4 Special conditions applying to the PruFund Range of Funds

Partial Withdrawals by Partially Cashing In Policies in the Bond from a PruFund Protected Fund will erode the Guaranteed Minimum Fund.

If the discretionary 28 day delay has been applied (see Part 4, Condition 4.3.2.3 (b), Units will be cashed in subject to the 28 day delay after the receipt of Your written instruction at Our Administration Centre in Ireland. This means that You may receive the proceeds from the PruFund Range of Funds after any proceeds have been realised from any other Fund where Your Investment is held in any additional Funds.

Where this is the case, the Unit price on the date of the transaction at the end of the delay period may be different to the Unit price on the date that We received Your request. This means that the Unit value of the transaction may be higher or lower than on the day We received Your instruction.

Once an Acceptable Instruction for a Partial Withdrawal, to be carried out as described in Condition 5.4.2 above, has been received by Us at Our Administration Centre in Ireland during the period when the 28 day delay is in force it may not be retracted.

We will confirm to You in writing as soon as reasonably practicable when Your Partial Withdrawal request has been received and again at each stage of its completion. You may at any time request information regarding Your request from Our Administration Centre in Ireland.

5.5. Partial Withdrawal – by Fully Cashing In one or more Bond Policies

5.5.1 Fully Cashing In – definition

In this Condition, "Fully Cashing In" means the full cashing in of a Bond Policy. The Bond Policy ends when it is Fully Cashed In.

5.5.2 Cash in value

When a Bond Policy is Fully Cashed In (a) and (b) below will both apply:

(a) We will cancel Units in the Bond Policy on the Date of Receipt of an Acceptable Instruction at Our Administration Centre in Ireland. If We receive an Acceptable Instruction at Our Administration Centre in Ireland on or before 12 noon on a Working day, that day will be the Date of Receipt. If We receive an Acceptable Instruction after 12 noon on a Working Day or on a non-Working Day, the Date of Receipt will be deemed to be the next Working Day.

(b) We cancel all Units in the Bond Policy.

Payment of the Cash In Benefit under this Condition is subject to any delay that may be required under Part 2, Condition 2.7.2.

5.5.3 Special conditions applying to the PAC With-Profits Range of Funds

If You have Units in one of Our PAC With-Profits Range of Funds, the value of Units to be cancelled in that Fund will be calculated, before We apply any Early Cash In Charge.

This price will include Regular Bonuses but may then be adjusted in the following order:

- by adding any Final Bonus determined by PAC, where applicable; and
- by deducting any Market Value Reduction determined by PAC.

5.5.4 Special conditions applying to the PruFund Range of Funds

Partial Withdrawals by Fully Cashing In Policies in the Bond from a PruFund Protected Fund will erode the Guaranteed Minimum Fund.

If the discretionary 28 day delay has been applied (see Part 4, Condition 4.3.2.3(b), Units will be cashed in subject to the 28 day delay after the receipt of Your written instruction at Our Administration Centre in Ireland. This means that You may receive the proceeds from the PruFund Range of Funds after any proceeds have been realised from any other Fund where Your Investment is held in any additional Funds.

Where this is the case, the Unit price on the date of the transaction at the end of the delay period may be different to the Unit price on the date that We received Your request. This means that the Unit value of the transaction may be higher or lower than on the day We received Your instruction.

Once an Acceptable Instruction for a Partial Withdrawal, to be carried out as described in Condition 5.5.2 above, has been received by Us at Our Administration Centre in Ireland during the period when the 28 day delay is in force it may not be retracted.

We will confirm to You in writing as soon as reasonably practicable when Your Partial Withdrawal request has been received and again at each stage of its completion. You may at any time request information regarding Your request from Our Administration Centre in Ireland.

5.6. Fully Cashing In the Bond

5.6.1 Fully Cashing In – definition

In this Condition "Fully Cashing In" means Fully Cashing In all the Policies in the Bond. The Bond ends when it is Fully Cashed In.

5.6.2 Administration

When the Bond is Fully Cashed In:

- We cancel all Units in the Bond; and
- We will pay the cash in value of the Bond;
- No other Benefits will be payable under the Bond.

If You wish to Fully Cash In Your Bond, please complete the Partial or Full Cash In Request Form which is available from Our Administration Centre in Ireland.

An Acceptable Instruction to Fully Cash In the Bond will be effective on the Date of Receipt at Our Administration Centre in Ireland. See Condition 5.6.3 below.

5.6.3 Cash in value

The cash in value will be the value of the Units in the Bond that We cancel on the Date of Receipt of an Acceptable Instruction at Our Administration Centre in Ireland. If We receive an Acceptable Instruction at Our Administration Centre on or before 12 noon on a Working Day, that day will be the Date of Receipt. If We receive an Acceptable Instruction after 12 noon on a Working Day or on a non-Working Day, the Date of Receipt will be deemed to be the next Working Day.

Payment of the Cash In Benefit under this Condition is subject to any delay that may be required under Part 2, Condition 2.7.2.

5.6.4 Special Conditions applying to the PAC With-Profits Range of Funds

If You have Units in one of Our PAC With-Profits Range of Funds, the value of Units to be cancelled in that Fund will be calculated, before We apply any Early Cash In Charge.

This price will include Regular Bonuses but may then be adjusted in the following order:

- by adding any Final Bonus, determined by PAC where applicable; and
- by deducting any Market Value Reduction determined by PAC.

5.6.5 Special conditions applying to the PruFund Range of Funds

If the discretionary 28 day delay has been applied (see Part 4, Condition 4.3.2.3(b)), Units will be cashed in subject to the 28 day delay after the receipt of Your written instruction at Our Administration Centre in Ireland. This means that You may receive the proceeds from the PruFund Range of Funds after any proceeds have been realised from any other Fund where Your Investment is held in any additional Funds.

Where this is the case, the Unit price on the date of the transaction at the end of the delay period may be different to the Unit price on the date that We received Your request. This means that the Unit value of the transaction may be higher or lower than on the day We received Your instruction.

Once an Acceptable Instruction to Fully Cash In the Bond has been received by Us at Our Administration Centre in Ireland during the period when the 28 day delay is in force it may not be retracted.

We will confirm to You in writing as soon as reasonably practicable when Your Full Cash In request has been received and again at each stage of its completion. You may at any time request information regarding Your request from Our Administration Centre in Ireland.

Please refer to Part 4, Condition 4.3.6.2 if You are Fully Cashing In the Bond within 28 days following a Guarantee Date.

5.7. Early Cash In Charge – Partial Withdrawals and Fully Cashing In

Initial Investments

We will apply an Early Cash In Charge to any Units to be cancelled during the first 5 years of the Bond which were bought by the Initial Investment paid into the Bond ("Initial Investment Units") if:

- Bond Policies are Partially Cashed In to provide a Partial Withdrawal (see Condition 5.4); or
- a Bond Policy(s) is Fully Cashed In to provide a Partial Withdrawal (see Condition 5.5); or
- the Bond is Fully Cashed In (see Condition 5.6).

Additional Investments

During the 5 years after an Additional Investment, We will apply an Early Cash In Charge to any Units to be cancelled which were bought by the Additional Investment paid into the Bond ("Additional Investment Units") if:

- Bond Policies are Partially Cashed In to provide a Partial Withdrawal (see Condition 5.4); or
- a Bond Policy(s) is Fully Cashed In to provide a Partial Withdrawal (see Condition 5.5); or
- the Bond is Fully Cashed In (see Condition 5.6).

The percentage

The Early Cash In Charge will be a percentage of the value of Initial Investment Units and Additional Investment Units, as appropriate, on the date that:

- Bond Policies are Partially Cashed In to provide a Partial Withdrawal (see Condition 5.4); or
- a Bond Policy(s) is Fully Cashed In to provide a Partial Withdrawal (see Condition 5.5); or
- the Bond is Fully Cashed In (see Condition 5.6).

The table of percentages for the Early Cash In Charge is shown in the Contract Schedule and the Statement of Charges or Your Endorsement schedules for any Additional Investment. Each "year" in the table is measured from the Investment Date of the Initial Investment or the Additional Investment Date of the Additional Investment as appropriate.

› Part 6: Maturity Benefit

6.1. The amount of Maturity Benefit

The Contract Schedule, or Related Documents, shows the Maturity Date of Your Bond. We will pay a Maturity Benefit from Your Bond on that date, if You do not Fully Cash In the Bond before then. The Maturity Benefit will be the greater of:

- › the Value of Units Allocated to the Bond on the Maturity Date; and
- › the 'Guaranteed Maturity Value'.

When Your Bond starts, the Guaranteed Maturity Value is 101% of the Initial Investment.

The Guaranteed Maturity Value at the Commencement Date is shown in the Issue Letter We send at the outset of Your Bond.

For an Additional Investment, the Guaranteed Maturity Value will increase by 101% of the Additional Investment.

A Market Value Reduction will not apply to the value of any Units to be cancelled in the PAC With-Profits Range of Funds when We calculate the Maturity Benefit. At the Maturity Date We:

- › cancel all Units in the Bond; and
- › pay out the value We calculate.

Where a Bond has Units in any Fund from the PruFund Range of Funds, the 28 day delay to Unit cancellations from those funds will not be imposed by PAC.

6.2. Guaranteed Maturity Value – taking Partial or Regular Withdrawals

When You take Partial or Regular Withdrawals, We reduce the Guaranteed Maturity Value.

(a) If You take Regular Withdrawals or You take a Partial Withdrawal across all the Policies in a Bond

We determine the value of Units We will cancel from the Funds the Bond Policies are linked to before We make any of the adjustments described in Part 5.

We multiply this value by 101%.

We deduct the resultant figure from the Guaranteed Maturity Value before the Withdrawal. This gives the new Guaranteed Maturity Value for the Bond Policies remaining in force after the Withdrawal.

(b) If You cash in individual Policies for a Partial Withdrawal

We divide the number of Bond Policies remaining in force after the Withdrawal by the number of Bond Policies in force before the Withdrawal.

We then multiply the resultant figure by the Guaranteed Maturity Value before the Withdrawal. This gives the new Guaranteed Maturity Value for the Bond Policies remaining in force after the Withdrawal.

If a mix of (a) and (b) is used to pay a Withdrawal

We first apply the method shown in (b) above in relation to the individual Bond Policies that are cashed in on the date of the Withdrawal. We then apply the method shown in (a) above in relation to the value taken across the Bond Policies that are in force on the date of the Withdrawal.

› Part 7: Charges

7.1. Summary of charges

7.1.1 Basic charges

We take the following Basic charges:

- › Annual Management Charges;
- › Establishment Charge;
- › Early Cash In Charges;
- › Fund Switch Charges; and
- › PruFund Guarantee Charge.

For the PruFund Range of Funds all Investments and switches-in will generally be initially invested in the appropriate PruFund Account. The following Conditions describe the charges applicable to each Fund, however these charges will equally apply to any Unit holdings in the PruFund Accounts.

We work out some of the charges covered in this Contract Conditions Booklet by referring to the date that Units are Allocated to the Bond for each Investment paid into the Bond.

Current Charges and Limits – Some charges and limits for the Bond are quantified as a sum of money. We have the right to change the amount of these charges and limits. We will provide details of these charges on request.

The words "Current" and "Currently" for such a charge or limit should be read as referring to the amount of the charge or limit as published by Us at the time We deduct the charge.

7.1.2 Additional charge

The following charge may also apply:

Non-standard payment method (see Condition 7.7).

7.2. Annual Management Charges

7.2.1 All Funds

There are separate Annual Management Charges on each of the Funds and the percentage charge may vary from Fund to Fund. Our Annual Management Charges for each Fund at the Investment Date of Your Bond are as shown in the Statement of Charges issued to You at the start of Your Bond.

Where some Funds hold Units in other Funds, We shall make any change necessary to make sure that a charge is not made twice.

We have the right to increase (or reduce) the percentage for Our Annual Management Charges for any of Our Funds from time to time, if the management costs We incur change. For example, if the Unit Trust underlying one of Our Unit-Linked Funds were to change its nature or charges, We may reflect this change in Our Annual Management Charge. If this happens, We will write to You before the changes take place to explain any such change with the new level of charges and the options available to You.

Where Funds invest in underlying collective investments, such as Unit Trusts or Open Ended Investment Companies (OEICs), additional expenses will be incurred. The current range of these additional expenses will be as published by Us at the time and are available upon request from Our Administration Centre in Ireland.

7.2.2 PAC With-Profits Range of Funds

Additional costs and expenses will be incurred such as the cost of smoothing. These will be also be reflected in the performance of each Fund within the PAC With-Profits Range of Funds by way of the bonuses declared.

7.2.3 Funds except the PruFund Range of Funds

We take variable Annual Management Charges for maintaining the Funds that Your Bond is linked to, where applicable. In practice, We calculate and apply Annual Management Charges on a daily basis. This means We deduct a percentage equal to 1/365th of the Annual Management Charge applicable to the relevant Fund each day, from the value of that Fund. We take this into account in calculating the day-to-day price of the Units in the Fund. For the PAC With-Profits Range of Funds, these are taken into account when setting bonuses (see Part 4).

7.2.4 The PruFund Range of Funds

An explicit separate Annual Management Charge is applied in respect of the value of the Unit holding in each Fund and/or Account within the PruFund Range of Funds and is taken by Unit cancellation monthly, commencing 1 month after the Investment Date for as long as Units in any Fund or Account within the PruFund Range of Funds are held within the Bond.

The Annual Management Charge percentage may vary between different currency versions of the same Fund to reflect differences associated with the cost of providing those Funds in a currency other than Sterling.

Where additional Units are purchased by switching into existing Fund holdings within the PruFund Range of Funds, the charge will be apportioned by the length of time the extra Units are held before the first charge is taken on their value and, thereafter, charges will be taken on the existing charge collection date.

7.3. Establishment Charges

The rate of Establishment Charge that is applied to Your Bond can be found in Your Statement of Charges under "Establishment Charge".

7.3.1 The Initial Investment into the Bond

During the first 5 years, We take an Establishment Charge every 3 months in respect of Units based on the Initial Investment. We apply the charge for the first time on the Investment Date.

We take Our 3 monthly charges by cancelling a percentage of the Initial Investment Units from the Bond.

7.3.2 Additional Investments into the Bond

During the first 5 years after an Additional Investment We take an Establishment Charge every 3 months in respect of Units based on the Additional Investment. We apply the charge for the first time on the Investment Date of the Additional Investment (in other words, on the date the Additional Investment is credited to the Bond).

We take Our 3 monthly charges by cancelling a percentage of the Additional Investment Units from the Bond.

We will spread each Establishment Charge evenly across all the Policies. This means that the cash in value of each Policy will be reduced by an identical amount (allowing for any rounding) every time an Establishment Charge deduction is made.

7.4. Early Cash In Charge

For details of Our Early Cash In Charge, see Part 5, Condition 5.7. The rate of any Early Cash In Charge that may be applied is detailed in the Contract Schedule.

If PAC With-Profits Units are to be cancelled then We will:

- add any Final Bonus determined by PAC; and
- deduct any Market Value Reduction determined by PAC;

before applying the Early Cash In Charge.

7.5. Fund Switch Charge

7.5.1 20 free Fund Switches each year

You can make up to 20 Fund Switches in any 12 month period, between any of Our Unit-Linked Funds, available at that time, free of charge.

7.5.2 More than 20 Fund Switches each year

If You make more than 20 Fund Switches in any 12 month period, We levy a Fund Switch Charge for each switch over 20 in that 12 month period. Our Fund Switch Charge at the Investment Date of Your Bond is as shown in the Statement of Charges issued to You at the start of Your Bond in the "Other Charges and Limits" section.

7.5.3 The Fund Switch Charge

We take the Fund Switch Charge by:

- cancelling Units in the Fund to be sold; then
- deducting the Fund Switch Charge from the cash which is realised.

The remaining cash is then applied to the purchase of Units in Your selected Fund or Funds.

Our Fund Switch Charge at the Investment Date of Your Bond is as shown in the Statement of Charges in the "Other Charges and Limits" section. As explained in Part 7, Condition 7.9, We will normally change charges and limits expressed as a monetary amount in January each year.

7.5.4 PAC With-Profits Range of Funds

If You ask Us to switch Units under Your Bond from Our PAC With-Profits Range of Funds, the value of Units to be cancelled will be determined by PAC as follows.

The price will be based on the notional price including Regular Bonuses set by PAC but the value may then be adjusted in the following order:

- adding any Final Bonus determined by PAC; and
- deducting a Market Value Reduction, determined by PAC, if applicable.

The Fund Switch Charge, if applicable, will then be deducted as outlined above.

7.5.5 Fund Switches – value requirements

We will not allow a Fund Switch if:

- the value of the Units to be switched out of and into any Fund is less than Our current minimum limit as published by Us at that time.
- the value of Units remaining in any Fund following a Fund Switch would not at least equal Our current minimum limit as published by Us at that time.
- the total of switches and Investments under the Bond in Our PAC With-Profits Range of Funds and the PruFund Range of Funds would be greater than the current maximum limit as published by Us at that time.

We will inform You if We will not allow a Fund Switch request for one or more of these reasons.

See the Statement of Charges issued to You at the start of Your Bond for the Fund Switch limits that apply at the Investment Date of Your Bond.

7.6. PruFund Guarantee Charge

Your Contract Schedule will show if the PruFund Guarantee Charge applies to Your Bond. If the PruFund Guarantee Charge applies, Part 7, Condition 7.6.1 below sets out details of how this charge works.

7.6.1 Applying the charge

Where the PruFund Guarantee Charge applies to Your Bond, a separate charge is applied in respect of the Unit holding in a PruFund Protected Fund. The charge is known as the PruFund Guarantee Charge. The charge is applied to the Initial Investment Units in the PruFund Account and then to the Units in the corresponding PruFund Protected Fund following the automated switch on the next PruFund Quarter Date. The same rate of charge is applied to both Account and Fund Units.

The charge is payable by Unit cancellation monthly in arrears commencing one month after the date of the Investment into the Fund. The charge is a percentage of the Units held in a PruFund Protected Fund on the day that the charge is taken. Where applicable, the level of this charge for Your Bond over each Policy Year is shown in the Contract Schedule.

The percentage charge once applied will not change before the Guarantee Date shown in the Contract Schedule.

We will apply a charge for the guarantee for the final time at the Guarantee Date, unless the Units held in the Fund are Fully Cashed In or are exhausted by switching out or by Regular and Partial Withdrawals from the Fund, when the charge and guarantee will cease with immediate effect. All charges for this guarantee are non-refundable in the event of the guarantee ceasing.

The charge will only cash in Units from a PruFund Protected Fund or its corresponding Account.

Details of all Our current rates for this charge at the Investment Date of Your Bond can be found in Your Statement of Charges in the section entitled PruFund Guarantee Charge.

7.7. Additional charge non-standard payment method

If You cash in part or all of Your Bond and ask Us to pay the proceeds by any method other than by cheque, We may make a charge equal to the cost We incur in making the payment.

We will take this charge by deducting an amount from the Cash In Benefits being paid from the Bond.

Details can also be found in the Statement of Charges under "Other Charges and Limits".

7.8. Cancelling Units for charges

Where the Bond is linked to two or more Funds when We are cancelling Units for a charge, We normally spread the Unit cancellation between all Funds in proportion to the value of the Units in each Fund. This will apply as long as a charge operates in the same manner for each of the Funds in question. Where it does not, the Unit cancellation will be determined by the rules of the charge.

7.9. Changes to Charges and Limits

From time to time We may change the limits and charges expressed as a monetary amount in this Contract Conditions Booklet and the Statement of Charges. In particular We may change the charges and limits expressed as a monetary amount in January each year.

We may also introduce new charges as a result of any levy or other charge imposed on the Company. We will give You reasonable advance notice in writing if We do.

We will pass on any charge to You that is imposed on Us under the Financial Services Compensation Scheme (or any other investor compensation scheme) as described below and in Part 4, Condition 4.1.6.

Changes to charges and limits may be necessary to take account of:

- (a) the percentage change in the Index over a period of 12 months ending in the preceding August; and
- (b) any movements in the value of the Euro in relation to the currency in which the charge is denominated and the currency in which the charge is levied or applies to the Bond; and
- (c) other factors which affect the running of Our business.

Any increase in the charges or the level of any new charges will be imposed in a way that is proportionate to Our reasonable costs for operating the International Prudence Bond (Capital Redemption Option). For example, We may impose an increase:

- if We experience an increase in the general administration costs We incur in operating the Bond.
- if there is a change to the basis upon which any company from within the Prudential Group is taxed.
- to pay any levy or other charge on the Company, such as a levy under any legislation introduced for the purposes of raising levies for funds to be held for the protection of the interests of policyholders, such as the Financial Services Compensation Scheme or its successors.

- If any external life assurance company or external fund manager or other company that performs any administrative or investment function on Our behalf increases the charges that We pay them.

In some years, We may not increase a charge or limit. When it is next increased, the Actuary may set the charge or limit at an amount which takes account of inflation and other factors since the amount of the charge or limit was previously set.

We may increase a charge or limit further if Our costs have increased by more than the Index since the amount of charge or limit was previously set. We will limit such an increase to a charge or limit to be no greater than the difference between the percentage increase in Our costs and the increase in the Index since the amount of charge or limit was last set.

We do not issue new Contract Schedules or Endorsements when a change to charges and/or limits happens.

The current levels of the charges and limits are available from Our Administration Centre on request.

If You are unhappy with any changes You should contact Us in accordance with Part 2, Condition 2.16.



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