

Bonus Declaration 2005

Scottish Mutual International has announced bonus rates, effective from 1 March 2005, for with profits units held in its With Profits Series 1 Fund and SMI Dublin With Profits Fund. Each fund has three separate currency funds: Euro, US \$, and £ Sterling, while the latter fund also has HK\$.

The **Annual Bonus** rates declared are guaranteed for a period of 1 year from the effective date of declaration. The Annual Bonus rates (if non zero) will be reflected by a daily increase in the unit price.

The Annual Bonus rates declared are as follows:

With Profit Series 1

(applies to International With Profit Investment Bond,
International With Profit Redemption Bond and SMI VIP Plan)

Annual Bonus rates

Euro	US \$	£ Sterling
0%	0%	0%

SMI Dublin With Profits

(applies to the Guaranteed With Profit Bond, the Controlled Capital Plan,
Complete Investment Portfolio, Investment Bond, Universal Capital Account,
Inheritance Plan and Dublin With Profit Redemption Bond)

Annual Bonus rates

Euro	US \$	£ Sterling	Hong Kong \$
2%	2%	2.5%	2%

No **Terminal Bonus** rates are currently applicable. Terminal Bonus is sensitive to market conditions and the position will be reviewed regularly in the light of returns achieved by the With Profits funds. It is possible that Terminal Bonus may be applied in the future, but this cannot be guaranteed. However, it is unlikely that Terminal Bonus additions will be made in the short term.

A **Market Value Reduction**, to reflect current performance and in common with other offices, will continue to apply to withdrawals* from With Profits funds. The level of MVR depends upon a number of factors including the period of investment and the returns obtained on the underlying assets during that period. MVRs are applied in order to try to ensure that those policyholders who take money out of a With Profits fund, particularly after a short period of time, receive a fair asset share and do not disadvantage the policyholders who remain invested.

The Charge Free Withdrawal Allowance on policies invested in the SMI With Profit Series 1 Fund will remain at 0% from the next policy anniversary.

The Annual MVR Free Allowance for policies invested in the SMI Dublin With Profits Fund via a fund-link is currently the same percentage as the annual bonus rate, based on the value of units held at the start of the bond year.

MVRs and any policy value quotations based upon them are not guaranteed and are subject to fluctuation in either direction at any time without prior warning dependent upon a number of factors, notably stock market conditions and the volumes and amounts of surrenders received or expected. Upon receipt of a surrender request for a large case the level of MVR will be reviewed on an individual basis to ensure the value is fair. MVRs vary according to the fund in which it is invested, the period of investment and the fund currency.

* Not applicable to MVR free allowances or withdrawals on the MVR free date in accordance with the contractual provisions.