

Friends First With Profit Fund (Pensions)

Fund Factsheet December 2011

Fund description

The Friends First With Profit Fund invests through the Participating Fund of Friends First. This fund will for the foreseeable future invest predominantly in low risk assets so returns are likely to be moderate. The fund allows you to share in the profits made in the form of bonuses. However profits are likely to be very low and bonus outlook is for zero regular bonuses for a number of years.

Key features

- Regular bonuses are added over the life of the investment, in the form of daily increases in the unit price. Once added, these bonuses cannot be taken away so long as the units are held for the full life of the plan. This guarantee applies no matter what happens to investment conditions.
- You may also receive a 'Final Bonus' depending on investment earnings for the period of continuous investment in the With Profit Fund.
- Bonuses are only guaranteed at the end of the investment term. If you wish to withdraw early then the value you will receive may be less than the face value of your units. This is sometimes described as a Market Value Adjustment.
- Bonuses outlook is for low or nil bonuses.

Risk profile: Low Risk/Return Profile

Minimum term: 10 years

Fund manager: F&C Ireland

Fund accessible via:

- Conductor Personal & Executive Pensions
- Conductor Pension Transfer Plan
- Conductor ARF & AMRF
- Group Pension Plan

Warning: Past performance is not a reliable guide to future performance.
Warning: The value of your investment may go down as well as up.
Warning: If you invest in this product you may lose some or all of the money you invest.

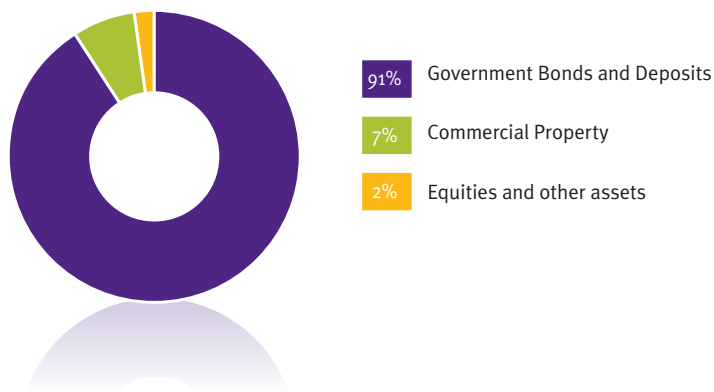
How does the With Profit Fund work?

Friends First declares a regular bonus rate (growth rate for the year) for the With Profit Fund. These bonuses are applied in the form of daily increases in the unit price. The annual bonuses declared are based on both the current/past profitability and projections of future performance of the Participating Fund. Where the fund has performed well over a period of time Friends First may hold back some of the gains made by the fund in some years, to be distributed at a later stage. Conversely, if the investment performance is very poor then future bonus rates will need to be reduced to reflect this. Once added, bonuses cannot be taken away so long as the units are held for the full life of the plan. At maturity, a 'Final Bonus' may then be paid in respect of previous gains held in reserve but not as yet added through any of the annual bonuses declared over the term of the plan. However it is not expected that final bonuses will be paid for a number of years.

Pensions with Profit Series (5)

Current Bonus Rate - 0%

Asset Split at 31st December 2011



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Information source: Friends First. All figures quoted are as at 31st December 2011.

Friends First Life Assurance Company Limited is regulated by the Central Bank of Ireland. The information in this leaflet is based on our understanding of current law and Revenue practice.



Friends First With Profit Fund (Investments)

Fund Factsheet December 2011

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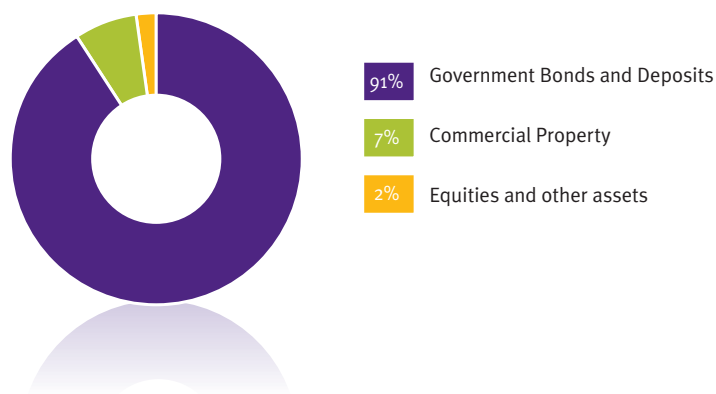
How does the With Profit Fund work?

Friends First declares a regular bonus rate (growth rate for the year) for the With Profit Fund. These bonuses are applied in the form of daily increases in the unit price. The annual bonuses declared are based on both the current/past profitability and projections of future performance of the Participating Fund. Where the fund has performed well over a period of time Friends First may hold back some of the gains made by the fund in some years, to be distributed at a later stage. Conversely, if the investment performance is very poor then future bonus rates will need to be reduced to reflect this. Once added, bonuses cannot be taken away so long as the units are held for the full life of the plan. At maturity, a 'Final Bonus' may then be paid in respect of previous gains held in reserve but not as yet added through any of the annual bonuses declared over the term of the plan. However it is not expected that final bonuses will be paid for a number of years.

Gross Life With Profit Series (3)

Current Bonus Rate - 0%

Asset Split at 31st December 2011



Risk profile: Low Risk/Return Profile

Minimum term: 10 years

Fund manager: F&C Ireland

Fund accessible via:

- With Profit Bond (Capital Investment Bond).

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2012 Bonus Rates for With Profit Funds

2 March 2012

With Profits is a fund choice on many of Friends First's unit-linked policies. This note provides information on the most recent bonus declaration.

With Profit funds share in the profits of the Participating Fund via the regular and final (terminal) bonuses that are declared from time to time. The regular bonus is added to the unit price on a daily basis. The Terminal Bonus, if applicable, is only added when a claim is made (e.g. on retirement in the case of pension policies)

Key Points of Note

- Prior to 2008 the Participating Fund invested a significant portion of its assets in equities. As you will probably be aware, equity markets experienced extraordinary falls in 2008. In annual statements issued in 2009 we explained that we had changed the investment strategy to predominantly invest in government bonds. This, as expected led to very modest returns over the past 2 years.
- We also indicated in the 2009 annual statement that Friends First has had to significantly reduce regular bonus rates and it is likely that very low or nil bonuses will be declared for a number of years as a result of the investment losses incurred in 2008. Given the modest returns achieved in 2011 it was again necessary to declare regular bonuses of 0% (i.e. no bonus) except where policies promise a higher rate. The decision to declare 0% bonuses was a difficult one but one which is considered necessary to ensure fairness between different groups of policyholders. Looking forward, bonus rates will continue to reflect the severe losses in 2008 until they are recovered. As a result bonuses are likely to remain at 0% for some time (unless your policy promises a higher rate).
- For policies maturing in 2012 overall maturity payments will be slightly less than for equivalent policies in 2011. Terminal bonuses rate are all at 0% (i.e. no bonus), reflecting the ongoing impact of the extraordinary investment conditions in 2008. However, long term maturing policies continue to receive very good rates of return. For example, maturing long-term pension contracts are yielding up to 8% a year.
- Looking forward, our expectations are for more modest returns in the future than maturing policies have earned in the past. As a result it is likely that yields on policies maturing in future will be lower

We would like to take this opportunity to thank you for your continued custom. Having read the enclosed information, should you have any additional queries, please do not hesitate to contact our Customer Services Department on 1890 924 346. In the interest of customer service and to ensure the accuracy of our records, calls may be recorded and monitored.

Further useful information:

The regular bonus is added via an adjustment to the unit price. Thus for example if a regular bonus of 5% a year is declared on 1 January 2010 and the unit price at 1 January is €1 then, if the declared rate remains unchanged the unit price will be €1.0245 at 1 July and €1.05 at the following 1 January.

The declared rates do not necessarily apply for a full year. The declared rates only apply until such time as the company declares new rates. If the bonus rate changes during the year then the prices will be adjusted accordingly. For example, if on the 2 January 2010 the rate was reduced to 4% a year then the price on the following 1 January would be €1.04 rather than €1.05

Regular bonuses added in the past are guaranteed to be paid when your policy matures (i.e. at the end of the full contract term) or on death (dependant upon the type of policy you hold). At all other times a lower amount may be payable. The unit price is only guaranteed if the policy is held for the full term. At all other times the price may be adjusted (Market Value Adjustment) if the investment performance of the fund has been poor (relative to the bonuses declared). The MVA is a reduction to the unit price but may be shown in illustrations and annual statements as a separate deduction. The purpose of the MVA is to ensure fairness between different generations of customers in the Participating Fund.

As a general rule if you took out your policy prior to May 1999 (April 2003 for pension business) your contract promises a regular bonus rate greater than 0%.

The Terminal Bonus rates declared in any year relate only to policies that will mature in that year. They do not apply to policies that remain in force and should not be considered a guide to the rates that might apply to policies maturing in future years. The Terminal Bonus reflects the difference between the amount guaranteed to be payable at maturity and the profits achieved by the fund over the term of the investment. Thus when the amounts guaranteed exceed the achieved profits then a 0% rate of Terminal Bonus will apply.



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Friends First Bonus Declaration

February 2012

Friends First wishes to announce the details of the 2012 Bonus Declaration. Following the extraordinary turbulence of 2008, 2009 and 2010 were disappointing years as property markets fell sharply. During 2010 bonds performed poorly reflecting the market concerns over sovereign debt. Returns for 2011 were modest but satisfactory. As a result, the overall performance of the fund over the medium to long term is significantly behind expectations and is likely to remain so.

Looking forward, the significant losses in 2008 have led to a more cautious investment strategy dominated by bonds. Thus, our expectations in relation to the levels of investment return which will be earned on With Profit fund assets in the future are for only modest growth. Bonus rates are influenced by past performance and future expectations for investment markets. To ensure equity between different generations of with profit policyholders, it is important that existing levels of bonus rates can be sustained by expected future investment returns.

Reversionary Bonus

As a result of the severe losses experienced in the With-Profits funds in 2008, and low returns in 2009, 2010 and 2011, we have decided to declare annual bonuses of 0% for most lines of business. (Some older UWP bonus series will receive bonuses in 2012). These rates apply as of 31 December 2011 for conventional business and interim bonus rates for UWP business change as of 20 February 2012. The decision to declare 0% bonuses is considered necessary to ensure fairness between different policyholders. Looking forward, bonus rates will continue to reflect the severe losses in 2008 until they are recovered. It is unlikely that annual bonus rates will increase significantly for some time.

Final Bonuses

Terminal bonus rates were reduced slightly on some contracts (effective 20 February 2012). Overall, payouts on typical conventional policies will fall by an average of 5% compared to the previous scale of terminal bonuses. (The actual change may be lower for individual policies). It is likely that we will continue to see further falls in payouts in future years reflecting the lower expected returns going forward. However long-term maturing policyholders continue to receive excellent real rates of return. For example, returns on long term personal pensions are as high as 8% p.a. net of all charges.

Summary

Most conventional maturing policies will see reductions of up to 5% relative to the corresponding policies in 2011, while maturing unitised with-profits policies will see a reduction of about 3%. This is a reflection of the extremely difficult investment conditions in recent years. Despite this, maturing policyholders continue to receive very good real rates of return (with longer term business receiving returns of up to 8% p.a. gross of tax). This illustrates the benefit to with-profits customers of valuable with-profit guarantees.

Full details of the bonus declaration are given below. Please note that the interim and final bonus rates may be adjusted from time to time at the Company's discretion. We will review bonuses regularly throughout 2012.

Bonus Details

Unitised With Profits Fund

Regular Bonus

The unit price will increase daily until further notice at a rate equivalent to:

Net of tax: Life	Series 1 (Regular premium plans - closed)	3.00% p.a. (3.00% p.a.)
	Series 3 (Capital Investment Bond - closed)	0% p.a. (0% p.a.)
	Series 4 (Regular and single premium plans – closed)	0% p.a. (0% p.a.)
Gross of tax: Life	Series 3 (Regular and single premium plans – open)	0% p.a. (0% p.a.)
	Series 4 (Regular premium plans – closed)	0% p.a. (0% p.a.)
Pensions	Personal and Executive plans - Series 1 (Closed)	4.00% p.a. (4.00% p.a.)
	Personal and Executive plans - Series 2 (Closed)	2.50% p.a. (2.50% p.a.)
	Personal and Executive plans - Series 5 (Open)	0% p.a. (0% p.a.)

Final Bonus

The final bonus on the Life Regular Premium contracts and Pensions Regular and Single Premium Plans are expressed as a percentage of growth in the unit value from the end of the policy year of allocation to the date of claim (i.e. each year's units receive a differed rate of final bonus) as follows:

Life Regular Premium Final Bonus																						
Policy Year Commencing	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Net Life Series 1	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net Life Series 4	-	-	-	-	-	-	-	-	-	-	-	-	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Gross Life Series 3	-	-	-	-	-	-	-	-	-	-	-	-	-	0%	0%	0%	0%	0%	0%	0%	0%	0%

Pensions Regular and Single Premium Final Bonus																						
Policy Year	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Commencing	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Pension Series 1	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Pension Series 2	-	-	-	-	-	-	-	-	-	-	-	-	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Pension Series 5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0%	0%	0%	0%	0%	0%	0%

Life regular premium past performance

The effect of bonuses on life policies maturing in 2012 are as follows:

Policy Effected	Term in Years	Total Gross Premiums	Year 2011 Maturity Values	Net Yield (% p.a.)
1997	15	€18,000	€20,977	2.00% p.a. (2.16% p.a.)

Notes: Based on a male aged 30 next birthday maturing on 20 February 2012, paying a premium of €100 per month.

Pension regular premium past performance

The effect of bonuses on life policies maturing in 2012 are as follows:

Policy	Term in Years	Total Gross Premiums	Year 2011 Maturity Values	Net Yield (% p.a.)
2002	10	€24,000	€24,713	0.6% p.a. (1.37% p.a.)
1997	15	€36,000	€43,152	2.4% p.a. (3.22% p.a.)

Notes: Based on a male retiring at age 65 on 20 February 2012, paying a gross premium of €200 per month, in a return of fund contract

Conventional With Profits Fund

Life policies

Current series (and closed series)

Declared and Interim bonuses

0% on Sum Assured, 0% on attaching bonuses.
(0% and 0%)

Final bonus:

Ordinary with profits policies

A.P.:
Term less than 25 years, 0%
Term 25 years to 29 years, 0%
Term 30 years or more, 3% for each year of term less 90%,
max 50%

S.P.:

Flexible endowment policies:

Table below
5% of attaching regular bonuses

Final Bonus - Single Premium

Policy Effected	Final Bonus
1968	95%
1992	135%
1993	160%

Past performance

The effect of bonuses on life policies maturing in 2012 are as follows:

Policy Effected	Term in Years	Total Gross Premiums	Year 2011 Maturity Values	Net Yield (% p.a.)
1991	20	€24,000	€32,472	2.92% p.a. (3.33% p.a.)
1986	25	€30,000	€54,924	4.52% p.a. (4.90% p.a.)
1981	30	€36,000	€87,622	5.38% p.a. (5.66% p.a.)

Notes: Based on a male aged 30 next birthday, paying a premium of €100 per month

Personal Pension (S.E.D.A.)

Declared and Interim bonuses

0% on basic annuity and 0% on attaching bonuses.
(0% and 0%)

Final bonus:

Ordinary with profits policies

A.P.: 0%

Past performance

The effect of bonuses on Personal Pension policies maturing in 2012 are as follows:

Policy Effected	Term in Years	Total Gross Premiums	Year 2011 Maturity Values	Net Yield (% p.a.)
1992	20	€24,000	€36,997	4.12% p.a. (4.63% p.a.)
1987	25	€30,000	€67,905	5.99% p.a. (6.42% p.a.)
1982	30	€36,000	€140,141	7.94% p.a. (8.26% p.a.)

Notes: Based on a male retiring at age 65 on 20 February 2012, paying a gross premium of €100 per month, in a return of fund contract.

Executive Pension Plan

Cashable annuities

Declared Bonus and Interim Bonuses: 0% on the Sum Assured, 0% on attaching bonuses (0% and 0%).

Final bonus:

A.P.:	Term less than 20 years,	0%
	Term 20 years to 24 years,	0%
	Term 25 years or more,	5% for each year of term less 15%, max 50%
S.P. and PUPs.	Term less than 20 years,	0%
	Term 20 years or more,	2% for each year of term less 40%, max 40%

Group Pension Schemes

For all group pension schemes including the Budget Pension Plan and other money purchase arrangements where all profits are added in the form of reversionary bonuses and are therefore guaranteed additions to the benefits, the bonus rate will be 0% (0%).

Note: In the tables of bonus rates and past performance above figures in brackets represent the corresponding rate at the previous bonus declaration.

To find out more, contact your **Friends First Account Executive** today.

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