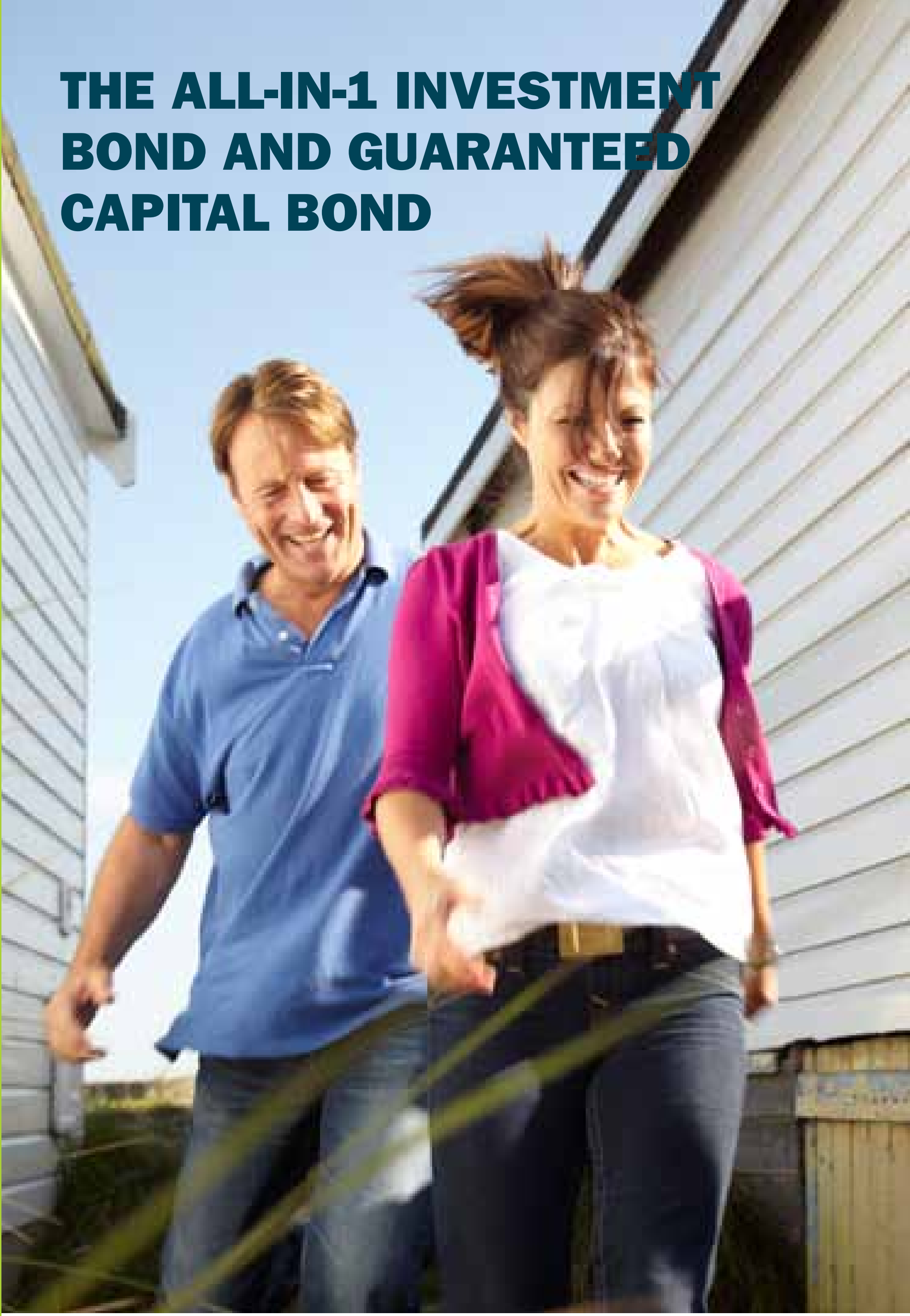
Investment Report 2011

THE ALL-IN-1 INVESTMENT BOND AND GUARANTEED CAPITAL BOND



LIVERPOOL VICTORIA

The All-In-1 Investment Bond and Guaranteed Capital Bond

Investment Report 2011

This information does not constitute investment advice and we recommend that you speak to a suitably qualified financial adviser before making any investment decision based upon this, or any other information.

This report provides information on the performance of your bond, for the period 1 January 2011 to 31 December 2011. The investments are managed by Threadneedle Investments.

Threadneedle Investments

The management of the With Profits fund was transferred from Liverpool Victoria Asset Management (LVAM) to Threadneedle Investments on 1 November 2011.

We made the decision to outsource our asset management to a carefully selected, stand-alone investment house to maintain a high standard of investment management for our members. We believe it's in the best interests of our members to focus day-to-day operations on our fast growing general insurance and life businesses and that outsourcing asset management to a pure investment house will continue to ensure excellent investment performance.

Threadneedle is a leading international investment manager with a strong track record of outperformance across asset classes. It actively invests £73bn of assets (as at 31 December 2011), investing on behalf of individuals, pension funds, insurers and corporations. It is a top 10 UK fund manager by Assets Under Management, and the UK's fourth largest retail fund manager (UK IMA rankings, November 2011). Established in 1994 in London, Threadneedle operates in 15 countries across Europe, the Middle East, Asia Pacific and North America. Threadneedle's web address is www.threadneedle.com.

Principles and Practices of Financial Management (PPFM)

Every company that offers With Profits investments is required to document the Principles and Practices (the beliefs and behaviours) behind how they manage their With Profits investments so that consumers can understand what to expect from the provider they invest with, or are considering investing with. Our consumer friendly version can be found on the LV= website at www.LV.com/withprofitsguide or a hard copy is available on request.

Unit price and performance of each fund option available

Within the following pages you'll find the performance of each fund option for your bond.

Please see your individual statement for the current price of the units you hold, the value of your bond and the fund option in which you are invested. You can find the current unit price of your bond at www.LV.com/aioprices. This information should be read alongside your policy document. You need to be aware that in each fund option your investment can go down as well as up. The higher the amount invested in stocks & shares, the more frequently this will happen and the more significant the changes in value are likely to be.

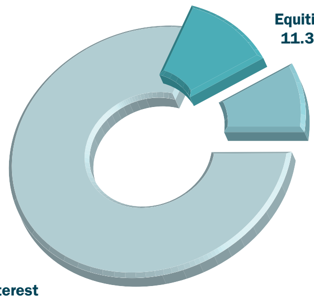
Please note: the Guaranteed Capital Bond is invested in the Growth Fund Option.

Cautious

This fund option is designed to provide modest growth with a lower chance of losing money than the Balanced and Growth fund options. It invests mostly in fixed interest investments with the balance in property and equities.

This is the lowest risk fund option under this Bond and therefore offers the lowest growth potential.

Asset allocation as at 30 December 2011



Fund Price Date	**30 December 2011***	31 December 2010*	31 December 2009*	31 December 2008*	31 December 2007*	29 December 2006*
Fund Price	**140.7p**	129.4p	118.9p	110.5p	110.0p	106.6p
Growth (%)	**8.7%**	8.8%	7.6%	0.5%	3.2%	3.5%
Total Percentage Growth of Fund Price from 4 November 2005 (launch date) to 30 December 2011						**40.7%**

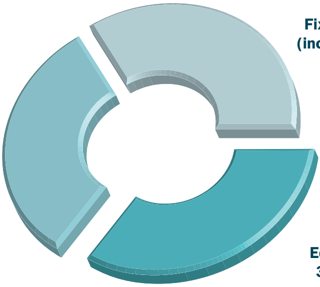
*The fund price quoted is the Averaged price.
Please see your annual statement and policy documentation for an explanation of this.
Please note: Product charges are by way of unit cancellation rather than reflected in the unit price. Past performance is not a reliable guide to future performance.

Balanced

This fund option is designed to provide the potential for modest growth without exposure to undue risk. It invests broadly in equal amounts of equities, fixed interest investments and property.

This is the middle risk fund option and is higher risk than the Cautious fund option and lower risk than the Growth fund option.

Asset allocation as at 30 December 2011



Fund Price Date	**30 December 2011***	31 December 2010*	31 December 2009*	31 December 2008*	31 December 2007*	29 December 2006*
Fund Price	**136.7p**	128.4p	111.5p	109.7p	120.9p	112.1p
Growth (%)	**6.5%**	15.2%	1.6%	-9.3%	7.9%	8.6%
Total Percentage Growth of Fund Price from 4 November 2005 (launch date) to 30 December 2011						**36.7%**

*The fund price quoted is the Averaged price.
Please see your annual statement and policy documentation for an explanation of this.

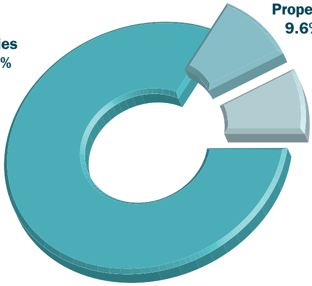
Please note: Product charges are by way of unit cancellation rather than reflected in the unit price. Past performance is not a reliable guide to future performance.

Growth

This fund option is designed to provide the potential for the highest level of capital growth of the three fund options but with an increased risk to capital. This fund option invests mostly in equities with the balance invested in property and fixed interest investments.

This is the highest risk fund option and offers the highest growth potential.

Asset allocation as at 30 December 2011



Fund Price Date	**30 December 2011***	31 December 2010*	31 December 2009*	31 December 2008*	31 December 2007*	29 December 2006*
Fund Price	**134.8p**	130.0p	113.2p	105.2p	123.3p	113.2p
Growth (%)	**3.7%**	14.8%	7.6%	-14.7%	8.9%	8.2%
Total Percentage Growth of Fund Price from 4 November 2005 (launch date) to 30 December 2011						**34.8%**

*The fund price quoted is the Averaged price.

Please see your annual statement and policy documentation for an explanation of this.

Please note: Product charges are by way of unit cancellation rather than reflected in the unit price. Past performance is not a reliable guide to future performance.

All-in-One Investment Bond and Guaranteed Capital Bond Performance Review

Equities

It was a disappointing year for equities. Share prices faced a variety of pressures ranging from the pure economic as activity slowed, through the dramatic as the Japanese earthquake impacted specific companies, to the almost panic-stricken as markets fell sharply in the summer on fears linked to Greece. Of the markets we invested in only the United States produced a positive return whilst the worst performing area, the Far East, saw prices fall nearly 15%. In general our equity investments lagged their benchmarks; the exception was in the United States where a new income-orientated approach proved successful.

Fixed Income

In 2011 the best performing asset classes were Fixed Income, namely gilts, the debt issued by the UK Government, and corporate bonds, debt issued by companies. During the year the Fund Managers tended to hold longer dated gilts which produced better returns and they beat the benchmark significantly. In corporate bonds the Fund also outperformed as the Managers successfully held different types of instruments through the year with a general bias towards Financials.

Property

Over the year property investments produced a positive return but lagged the benchmark. A considerable element of the return is being generated as income from rents, with less coming from capital growth as the sector reflects wider economic woes.

Market and Economic Review

2011 proved a challenging year for investors. Sentiment was dominated by the crisis in the eurozone and the slowdown in the world economy. Additionally, markets had to contend with political unrest in parts of North Africa and the Middle East. On the other side of the globe, the Japanese earthquake and tsunami disrupted economic activity and led to a shortage of manufacturing components. Elsewhere, investors debated whether the Chinese authorities could successfully engineer a soft landing for China.

In early April, Portugal became the third member of the eurozone to request a rescue package from the International Monetary Fund (IMF) and EU, while in May it was already evident that Greece would require additional funding. At the start of July markets were cheered by news that the Greek government had passed a series of new austerity measures, thereby securing the next tranche of the country's initial bailout package.

Powers were also granted to the European Financial Stability Facility (EFSF) to buy the debt of financially stressed nations. Unfortunately August saw concerns spread to Italy, which accounts for just under a quarter of all eurozone sovereign debt and equity markets fell whilst the prices of "safe" government debt such as UK gilts rose. October saw a strong rebound in risk assets when additional measures were proposed to tackle the Greek debt crisis but the better tone was punctured by subsequent political machinations in Greece.

Within the UK, sentiment was boosted by the announcement of a further £75bn of quantitative easing. Towards the end of the year, equity markets rallied strongly as leading central banks unveiled a co-ordinated plan to boost liquidity. Markets were also buoyed by an EU summit in December calling for increased fiscal integration. The European Central Bank (ECB) then undertook its biggest-ever liquidity operation, further alleviating fears of a second credit crunch.

Throughout the period interest rates in the US, UK and Japan remained at historic lows to support economic activity. Two earlier rises in European rates were reversed in Q4, so that by the end of the year they had returned to 1%. Interest rates were also cut in several emerging markets, helping to offset the impact of slower growth in the developed world.

Over the year government bonds performed well, with UK gilts achieving a particularly strong return. US treasuries also performed strongly despite the downgrade in the credit rating for the US from AAA to AA+. In Europe, bonds issued by core nations such as Germany posted good returns although those from peripheral countries suffered in the wake of the eurozone sovereign debt crisis. Elsewhere, it was also a positive year for emerging market and investment grade corporate bonds but lower-rated, higher yielding areas of the corporate bond market weakened.

Market and Economic Outlook

Economic growth is likely to be lacklustre at best in the developed world in 2012, and the UK is certainly no exception to this rule. But despite this disappointing economic backdrop, the government remains committed to its austerity programme of raising taxes and cutting public sector jobs.

There is a silver lining to this cloud however, in that the Bank of England understands the need to maintain a loose monetary policy to offset the effects of the government's actions. As such, interest rates are unlikely to rise from their current historic lows in the coming months and the bank announced a further programme of quantitative easing in February 2012.

In spite of the poor outlook for growth and the low probability of interest rate hikes, we see limited scope for significant gains from gilts. This is because the economic background is already priced into the market, resulting in historically low yields. At the same time the government needs to issue high volumes of gilts whilst also trying to address the fiscal deficit without losing its AAA credit rating. However, quantitative easing will provide support in the short term – especially among longer-dated issues.

Within fixed income, we believe that better value is offered by higher-yielding areas such as corporate bonds, where spreads are implying significantly higher default rates than we foresee. Investment grade corporates have strengthened their finances over the past few years and are generally better placed to survive tough economic conditions today than they were in 2008.

Equity valuations remain attractive relative to history and to bonds. Share prices reflect the uncertainties generated by the eurozone debt crisis and the prospect of lower growth in 2012. Once the eurozone situation is resolved, risk appetite should improve, allowing stock markets to deliver healthy gains. We continue to favour companies with strong balance sheets in our equity portfolios, as we believe that these should fare better than highly leveraged businesses given the weak economic background.

We are also biased towards companies with exposure to faster-growing international markets. For example, we expect China to post impressive growth again in 2012 and companies in areas as diverse as engineering and luxury goods will continue to benefit from this growth.

Finally, UK commercial property is attractive from a yield perspective. However, the difficult domestic economic environment could put pressure on both rental income and capital values.

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