THE EQUITABLE LIFE ASSURANCE SOCIETY

Annual FSA Insurance Returns for the year ended 31 December 2011

Appendices 9.1, 9.3, 9.4, 9.4A & 9.6 from the Interim Prudential Sourcebook for Insurers

Registered Office 20 - 22 Bedford Row, London, WC1R 4JS

Contents

Form 2

Statement of solvency - long-term insurance business

Name of insurer	**Equitable Life Assurance Society**
Global business	
Financial year ended	**31 December 2011**
Adjusted solo solvency calculation	

	Company registration number	GL/UK/CM	day	month	year	Units
R2	37038	GL	31	12	2011	£000

		As at end of this financial year 1	As at end of the previous year 2
Capital resources			
Capital resources arising within the long-term insurance fund	11	437251	359200
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12		
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	437251	359200
Guarantee fund			
Guarantee fund requirement	21	79716	79366
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	357534	279834
Minimum capital requirement (MCR)			
Long-term insurance capital requirement	31	239149	238097
Resilience capital requirement	32		
Base capital resources requirement	33	2292	2280
Individual minimum capital requirement	34	239149	238097
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	239149	238097
Excess (deficiency) of available capital resources to cover 50% of MCR	37	317676	240151
Excess (deficiency) of available capital resources to cover 75% of MCR	38	257889	180627
Enhanced capital requirement			
With-profits insurance capital component	39	198102	121103
Enhanced capital requirement	40	437251	359200
Capital resources requirement (CRR)			
Capital resources requirement (greater of 36 and 40)	41	437251	359200
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	0	0
Contingent liabilities			
Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		

Form 2

Covering Sheet to Form 2

Name of insurer	**Equitable Life Assurance Society**
Global business	
Financial year ended	**31 December 2011**

Ian Brimecome, Chairman

Chris Wiscarson, Chief Executive

Keith Nicholson, Director

London, 23rd March 2012

Form 3
(Sheet 1)

Components of capital resources

Name of insurer	**Equitable Life Assurance Society**
Global business	
Financial year ended	**31 December 2011**

	Company registration number	GL/UK/CM	day	month	year	Units
R3	37038	GL	31	12	2011	£000

		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4
Core tier one capital					
Permanent share capital	11				
Profit and loss account and other reserves	12				
Share premium account	13				
Positive valuation differences	14		438663	438663	360622
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		438663	438663	360622
Tier one waivers					
Unpaid share capital / unpaid initial funds and calls for supplementary contributions	21				
Implicit Items	22				
Tier one waivers in related undertakings	23				
Total tier one waivers as restricted (21+22+23)	24				
Other tier one capital					
Perpetual non-cumulative preference shares as restricted	25				
Perpetual non-cumulative preference shares in related undertakings	26				
Innovative tier one capital as restricted	27				
Innovative tier one capital in related undertakings	28				
Total tier one capital before deductions (19+24+25+26+27+28)	31		438663	438663	360622
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37				
Total tier one capital after deductions (31-37)	39		438663	438663	360622

Form 3
(Sheet 2)

Components of capital resources

Name of insurer	**Equitable Life Assurance Society**
Global business	
Financial year ended	**31 December 2011**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	37038	GL	31	12	2011	£000

		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4
Tier two capital					
Implicit items, (tier two waivers and amounts excluded from line 22)	41				
Perpetual non-cumulative preference shares excluded from line 25	42				
Innovative tier one capital excluded from line 27	43				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	44				
Perpetual cumulative preference shares	45				
Perpetual subordinated debt and securities	46				
Upper tier two capital in related undertakings	47				
Upper tier two capital (44 to 47)	49				
Fixed term preference shares	51				
Other tier two instruments	52				
Lower tier two capital in related undertakings	53				
Lower tier two capital (51+52+53)	59				
Total tier two capital before restrictions (49+59)	61				
Excess tier two capital	62				
Further excess lower tier two capital	63				
Total tier two capital after restrictions, before deductions (61-62-63)	69				

Form 3
(Sheet 3)

Components of capital resources

Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2011**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	37038	GL	31	12	2011	£000

		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4
Total capital resources					
Positive adjustments for regulated non-insurance related undertakings	**71**				
Total capital resources before deductions (39+69+71)	**72**		438663	438663	360622
Inadmissible assets other than intangibles and own shares	**73**		1412	1412	1422
Assets in excess of market risk and counterparty limits	**74**				
Deductions for related ancillary services undertakings	**75**				
Deductions for regulated non-insurance related undertakings	**76**				
Deductions of ineligible surplus capital	**77**				
Total capital resources after deductions (72-73-74-75-76-77)	**79**		437251	437251	359200
Available capital resources for GENPRU/INSPRU tests					
Available capital resources for guarantee fund requirement	**81**		437251	437251	359200
Available capital resources for 50% MCR requirement	**82**		437251	437251	359200
Available capital resources for 75% MCR requirement	**83**		437251	437251	359200
Financial engineering adjustments					
Implicit items	**91**				
Financial reinsurance - ceded	**92**				
Financial reinsurance - accepted	**93**				
Outstanding contingent loans	**94**				
Any other charges on future profits	**95**				
Sum of financial engineering adjustments (91+92-93+94+95)	**96**				

Form 13
(Sheet 1)

Analysis of admissible assets

Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2011**

Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	37038	GL	31	12	2011	£000	10

			As at end of this financial year 1	As at end of the previous year 2
Land and buildings		11	173528	320666
Investments in group undertakings and participating interests				
UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27	27491	25252
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		
Other financial investments				
Equity shares		41	197	3207
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	77647	189911
Rights under derivative contracts		44	4826	9198
Fixed interest securities	Approved	45	2807528	2018608
	Other	46	1955611	1960760
Variable interest securities	Approved	47	472102	240645
	Other	48		
Participation in investment pools		49		
Loans secured by mortgages		50	607	747
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52	283	375
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	527928	1133653
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	288188	240276
	Property linked	59		

Form 13
(Sheet 2)

Analysis of admissible assets

Name of insurer	**Equitable Life Assurance Society**
Global business	
Financial year ended	**31 December 2011**
Category of assets	**Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	37038	GL	31	12	2011	£000	10

			As at end of this financial year 1	As at end of the previous year 2
Reinsurers' share of technical provisions				
Provision for unearned premiums		60		
Claims outstanding		61		
Provision for unexpired risks		62		
Other		63		
Debtors and salvage				
Direct insurance business	Policyholders	71	4062	4121
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	808	
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	10505	10719
	due in more than 12 months	79		
Other assets				
Tangible assets		80	1474	
Deposits not subject to time restriction on withdrawal with approved institutions		81	8746	11251
Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)		83		
Accrued interest and rent		84	82103	85010
Deferred acquisition costs (general business only)		85		
Other prepayments and accrued income		86	1142	613
Deductions from the aggregate value of assets		87		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)		89	6444776	6255013

Form 13
(Sheet 3)

Analysis of admissible assets

Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2011**

Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	37038	GL	31	12	2011	£000	10

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

		As at end of this financial year 1	As at end of the previous year 2
Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	6444776	6255013
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	1412	1422
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	2243831	2441405
Other asset adjustments (may be negative)	101	(19653)	(13878)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	8670367	8683962

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Form 14

Long term insurance business liabilities and margins

Name of insurer	**Equitable Life Assurance Society**
Global business	
Financial year ended	**31 December 2011**
Total business/Sub fund	**ORDINARY LONG TERM**
Units	**£000**

			As at end of this financial year 1	As at end of the previous year 2
Mathematical reserves, after distribution of surplus		11	5776046	5722004
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13		
Long term insurance business fund carried forward (11 to 13)		14	5776046	5722004
Claims outstanding	Gross	15	13771	15717
	Reinsurers' share	16		
	Net (15-16)	17	13771	15717
Provisions	Taxation	21		
	Other risks and charges	22	100000	77300
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	7686	10258
	Reinsurance accepted	32		
	Reinsurance ceded	33		534
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36	4794	5368
Creditors	Taxation	37	1282	
	Other	38	88461	44763
Accruals and deferred income		39	15485	19870
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	231480	173809
Excess of the value of net admissible assets		51	437251	359200
Total liabilities and margins		59	6444776	6255013

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	4794	5368
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	6007526	5895813
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	2243831	2441405
Other adjustments to liabilities (may be negative)	74	419010	346744
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	8670367	8683962

Form 17

Analysis of derivative contracts

Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2011**

Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R17	**37038**	**GL**	**31**	**12**	**2011**	**£000**	**10**

Derivative contracts			Value as at the end of this financial year: Assets 1	Value as at the end of this financial year: Liabilities 2	Notional amount as at the end of this financial year: Bought / Long 3	Notional amount as at the end of this financial year: Sold / Short 4
Futures and contracts for differences	Fixed-interest securities	**11**				
	Interest rates	**12**				
	Inflation	**13**				
	Credit index / basket	**14**				
	Credit single name	**15**				
	Equity index	**16**				
	Equity stock	**17**				
	Land	**18**				
	Currencies	**19**		366		69032
	Mortality	**20**				
	Other	**21**				
In the money options	Swaptions	**31**	79662		785000	
	Equity index calls	**32**				
	Equity stock calls	**33**				
	Equity index puts	**34**				
	Equity stock puts	**35**				
	Other	**36**				
Out of the money options	Swaptions	**41**				
	Equity index calls	**42**				
	Equity stock calls	**43**				
	Equity index puts	**44**				
	Equity stock puts	**45**				
	Other	**46**				
Total (11 to 46)		**51**	79662	366	785000	69032
Adjustment for variation margin		**52**	(74836)			
Total (51 + 52)		**53**	4826	366		

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.
Please see instructions 11 and 12 to this Form for the meaning of these figures.

Form 18

With-profits insurance capital component for the fund

Name of insurer	**Equitable Life Assurance Society**
With-profits fund	**ORDINARY LONG TERM**
Financial year ended	**31 December 2011**
Units	**£000**

Regulatory excess capital

			As at end of this financial year 1	As at end of the previous year 2
Regulatory value of assets	Long-term admissible assets of the fund	**11**	6444776	6255013
	Implicit items allocated to the fund	**12**		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	**13**	898377	777789
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	**14**	43591	39774
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	**15**		
	Total (11+12-(13+14+15))	**19**	5502809	5437450
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	**21**	4877669	4944215
	Regulatory current liabilities of the fund	**22**	231480	173809
	Total (21+22)	**29**	5109149	5118024
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		**31**	195558	198323
Resilience capital requirement in respect of the fund's with-profits insurance contracts		**32**		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		**39**	5304707	5316347
Regulatory excess capital (19-39)		**49**	198102	121103

Realistic excess capital

Realistic excess capital	**51**		

Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	**61**	198102	121103
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	**62**		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	**63**		
Present value of future shareholder transfers arising from distribution of surplus	**64**		
Present value of other future internal transfers not already taken into account	**65**		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	**66**	198102	121103

Form 19
(Sheet 1)

Realistic balance sheet

Name of insurer **Equitable Life Assurance Society**

With-profits fund **ORDINARY LONG TERM**

Financial year ended **31 December 2011**

Units **£000**

Realistic value of assets available to the fund

			As at end of this financial year 1	As at end of the previous year 2
Regulatory value of assets		11	5502809	5437450
Implicit items allocated to the fund		12		
Value of shares in subsidiaries held in fund (regulatory)		13		
Excess admissible assets		21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund		22	11163	7936
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22		23		
Value of shares in subsidiaries held in fund (realistic)		24		
Prepayments made from the fund		25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))		26	5513971	5445386
Support arrangement assets		27		
Assets available to the fund (26+27)		29	5513971	5445386
Realistic value of liabilities of fund				
With-profits benefit reserve		31	3609165	3844993
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	519466	692908
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	288489	294611
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36	14539	18946
	Future costs of contractual guarantees (other than financial options)	41	1129933	755141
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	8083	5535
	Future costs of smoothing (possibly negative)	44		
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	318873	286556
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	1673327	1426584
Realistic current liabilities of the fund		51	231480	173809
Realistic value of liabilities of fund (31+49+51)		59	5513971	5445386

Form 19
(Sheet 2)

Realistic balance sheet

Name of insurer	**Equitable Life Assurance Society**
With-profits fund	**ORDINARY LONG TERM**
Financial year ended	**31 December 2011**
Units	**£000**

Realistic excess capital and additional capital available

		As at end of this financial year 1	As at end of the previous year 2
Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	**62**	5513971	5445386
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	**63**		
Value of relevant assets before applying the most adverse scenario (62+63)	**64**	5513971	5445386
Risk capital margin for fund (62-59)	**65**		
Realistic excess capital for fund (26-(59+65))	**66**		
Realistic excess available capital for fund (29-(59+65))	**67**		
Working capital for fund (29-59)	**68**		
Working capital ratio for fund (68/29)	**69**		

Other assets potentially available if required to cover the fund's risk capital margin

Additional amount potentially available for inclusion in line 62	**81**		
Additional amount potentially available for inclusion in line 63	**82**		

Form 40

Long-term insurance business : Revenue account

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**ORDINARY LONG TERM**
Financial year ended	**31 December 2011**
Units	**£000**

		Financial year 1	Previous year 2
Income			
Earned premiums	11	60625	73673
Investment income receivable before deduction of tax	12	240677	278395
Increase (decrease) in the value of non-linked assets brought into account	13	232396	428881
Increase (decrease) in the value of linked assets	14	44805	16199
Other income	15	3582	2039
Total income	19	582086	799187
Expenditure			
Claims incurred	21	435196	491341
Expenses payable	22	89434	81456
Interest payable before the deduction of tax	23	8	15
Taxation	24	3406	2858
Other expenditure	25		
Transfer to (from) non technical account	26		
Total expenditure	29	528044	575670
Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	54042	223517
Fund brought forward	49	5722004	5498486
Fund carried forward (39+49)	59	5776046	5722004

Form 41

Long-term insurance business : Analysis of premiums

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**ORDINARY LONG TERM**
Financial year ended	**31 December 2011**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Regular premiums	11	15577	54176	2419	72171	84965
Single premiums	12	12	44344	459	44815	54659
Reinsurance - external						
Regular premiums	13	11479	36368	1343	49189	56181
Single premiums	14	10	7055	106	7172	9769
Reinsurance - intra-group						
Regular premiums	15					
Single premiums	16					
Net of reinsurance						
Regular premiums	17	4098	17808	1076	22982	28784
Single premiums	18	2	37289	353	37643	44890
Total						
Gross	19	15589	98520	2878	116986	139624
Reinsurance	20	11489	43423	1449	56361	65951
Net	21	4100	55097	1428	60625	73673

Form 42

Long-term insurance business : Analysis of claims

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**ORDINARY LONG TERM**
Financial year ended	**31 December 2011**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Death or disability lump sums	11	15502	19162	566	35231	34922
Disability periodic payments	12					
Surrender or partial surrender	13	15776	189855	5265	210896	244592
Annuity payments	14	5563	57334	8573	71470	75354
Lump sums on maturity	15	14101	287381	7335	308817	370340
Total	16	50942	553732	21740	626414	725208
Reinsurance - external						
Death or disability lump sums	21	9585	7386	349	17320	16569
Disability periodic payments	22					
Surrender or partial surrender	23	5989	105898	2491	114378	143562
Annuity payments	24	956	6728	162	7846	7400
Lump sums on maturity	25	558	49360	1756	51674	66336
Total	26	17088	169372	4758	191218	233867
Reinsurance - intra-group						
Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34					
Lump sums on maturity	35					
Total	36					
Net of reinsurance						
Death or disability lump sums	41	5918	11777	217	17911	18353
Disability periodic payments	42					
Surrender or partial surrender	43	9787	83957	2774	96518	101030
Annuity payments	44	4607	50606	8411	63624	67955
Lump sums on maturity	45	13543	238020	5580	257143	304004
Total	46	33854	384360	16982	435196	491341

Form 43

Long-term insurance business : Analysis of expenses

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**ORDINARY LONG TERM**
Financial year ended	**31 December 2011**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Commission - acquisition	11					
Commission - other	12					
Management - acquisition	13		87		87	135
Management - maintenance	14	1412	33364	1285	36061	32838
Management - other	15	2082	49309	1895	53286	48483
Total	16	3494	82760	3180	89434	81456
Reinsurance - external						
Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26					
Reinsurance - intra-group						
Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36					
Net of reinsurance						
Commission - acquisition	41					
Commission - other	42					
Management - acquisition	43		87		87	135
Management - maintenance	44	1412	33364	1285	36061	32838
Management - other	45	2082	49309	1895	53286	48483
Total	46	3494	82760	3180	89434	81456

Form 46

Long-term insurance business : Summary of new business

Name of insurer **Equitable Life Assurance Society**

Total business

Financial year ended **31 December 2011**

Units **£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Number of new policyholders/ scheme members for direct insurance business						
Regular premium business	**11**	23			23	15
Single premium business	**12**		2111	17	2128	2326
Total	**13**	23	2111	17	2151	2341
Amount of new regular premiums						
Direct insurance business	**21**	10	6550	59	6619	19297
External reinsurance	**22**					
Intra-group reinsurance	**23**					
Total	**24**	10	6550	59	6619	19297
Amount of new single premiums						
Direct insurance business	**25**	12	44405	454	44871	54856
External reinsurance	**26**					
Intra-group reinsurance	**27**					
Total	**28**	12	44405	454	44871	54856

Form 47

Long-term insurance business : Analysis of new business

Name of insurer	**Equitable Life Assurance Society**
Total business	
Financial year ended	**31 December 2011**
Units	**£000**
UK Life / Direct Insurance Business	

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
325	Level term assurance	23	10		
500	Life UWP single premium				2
700	Life property linked single premium				6
715	Life property linked endowment regular premium - savings		1		4

Long-term insurance business : Analysis of new business

Name of insurer	**Equitable Life Assurance Society**
Total business	
Financial year ended	**31 December 2011**
Units	**£000**
UK Pension / Direct Insurance Business	

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
380	Miscellaneous protection rider		3		
400	Annuity non-profit (CPA)			1727	23621
545	Individual deposit administration with-profits		220		2144
555	Group deposit administration with-profits		414	80	7877
565	DWP National Insurance rebates UWP			104	5447
725	Individual pensions property linked		1246	11	194
735	Group money purchase pensions property linked		4668	78	915
745	DWP National Insurance rebates property linked			4	2410
905	Index linked annuity			107	1797

Form 47

Long-term insurance business : Analysis of new business

Name of insurer **Equitable Life Assurance Society**

Total business

Financial year ended **31 December 2011**

Units **£000**

Overseas / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
395	Annuity non-profit (PLA)			6	205
400	Annuity non-profit (CPA)			11	117
500	Life UWP single premium				0
510	Life UWP endowment regular premium - savings		0		
545	Individual deposit administration with-profits		6		25
555	Group deposit administration with-profits		4		
715	Life property linked endowment regular premium - savings		5		46
725	Individual pensions property linked		43		61
735	Group money purchase pensions property linked		0		

Form 48

Long-term insurance business : Assets not held to match linked liabilities

Name of insurer	**Equitable Life Assurance Society**
Category of assets	**10 Total long term insurance business assets**
Financial year ended	**31 December 2011**
Units	**£000**

		Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
		1	2	3	4	5
Assets backing non-profit liabilities and non-profit capital requirements						
Land and buildings	11					
Approved fixed interest securities	12	255054	255054	9228	2.83	
Other fixed interest securities	13	367776	367776	18566	4.43	
Variable interest securities	14	2289	2289	18	(0.79)	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	16906	16906	126	0.75	
Total	19	642025	642025	27938	3.68	
Assets backing with-profits liabilities and with-profits capital requirements						
Land and buildings	21	173528	197745	11078	5.60	8.35
Approved fixed interest securities	22	2584823	2584823	108624	1.53	9.04
Other fixed interest securities	23	1631748	1633645	89080	4.87	8.12
Variable interest securities	24	472119	472119	4447	(0.79)	21.32
UK listed equity shares	25	0	434	0	0.00	3.67
Non-UK listed equity shares	26	0	5489	0	0.00	1.16
Unlisted equity shares	27	27688	30823	23	0.07	23.60
Other assets	28	624657	589485	2583	0.44	6.23
Total	29	5514563	5514563	215836	2.34	9.56
Overall return on with-profits assets						
Post investment costs but pre-tax	31					9.40
Return allocated to non taxable 'asset shares'	32					2.00
Return allocated to taxable 'asset shares'	33					1.60

Form 49

Long-term insurance business : Fixed and variable interest assets

Name of insurer	**Equitable Life Assurance Society**
Category of assets	**10 Total long term insurance business assets**
Financial year ended	**31 December 2011**
Units	**£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	**11**	2227241	6.72	1.35	1.35
Other approved fixed interest securities	**21**	612637	9.25	2.70	2.66
Other fixed interest securities					
AAA/Aaa	**31**	326095	7.78	4.06	3.92
AA/Aa	**32**	289930	9.28	3.95	3.66
A/A	**33**	827595	7.88	4.52	3.88
BBB/Baa	**34**	531718	6.83	5.96	4.71
BB/Ba	**35**	8999	6.19	10.47	7.30
B/B	**36**	6493	4.61	8.76	2.80
CCC/Caa	**37**	7186	6.89	5.46	(12.69)
Other (including unrated)	**38**	3406	4.42	5.19	(12.91)
Total other fixed interest securities	**39**	2001422	7.76	4.79	4.00
Approved variable interest securities	**41**	474407	15.16	(0.79)	(0.79)
Other variable interest securities	**51**				
Total (11+21+39+41+51)	**61**	5315707	8.16	2.61	2.31

Form 50

Long-term insurance business : Summary of mathematical reserves

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**ORDINARY LONG TERM**
Financial year ended	**31 December 2011**
Units	**£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Form 51 - with-profits	11	74950	37684	12566	125201	128231
Form 51 - non-profit	12	52353	796261	133097	981711	895397
Form 52	13	92788	4608022	72144	4772954	4837969
Form 53 - linked	14	98630	1667966	43583	1810179	2029678
Form 53 - non-linked	15	650	16756	2733	20139	14208
Form 54 - linked	16	19929	283481		303410	253022
Form 54 - non-linked	17	296	5960		6256	4875
Total	18	339596	7416131	264123	8019850	8163381
Reinsurance - external						
Form 51 - with-profits	21	80		30	111	118
Form 51 - non-profit	22	20268	344093	12837	377198	361960
Form 52	23	63	20338	1	20402	21895
Form 53 - linked	24	98630	1667966	43583	1810179	2029678
Form 53 - non-linked	25	650	16756	2733	20139	14208
Form 54 - linked	26	101	15121		15222	12746
Form 54 - non-linked	27		580		580	799
Total	28	119793	2064854	59185	2243831	2441405
Reinsurance - intra-group						
Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38					
Net of reinsurance						
Form 51 - with-profits	41	74870	37684	12536	125090	128114
Form 51 - non-profit	42	32084	452169	120260	604512	533437
Form 52	43	92725	4587684	72142	4752552	4816073
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46	19828	268360		288188	240276
Form 54 - non-linked	47	296	5381		5676	4076
Total	48	219803	5351278	204938	5776019	5721976

Form 51

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Equitable Life Assurance Society**
Total business / subfund **ORDINARY LONG TERM**
Financial year ended **31 December 2011**
Units **£000**
UK Life / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
100	Conventional whole life with-profits OB	1880	44575	1173				24368
120	Conventional endowment with-profits OB savings	1648	13509	438				11613
125	Conventional endowment with-profits OB target cash	2166	73500	1492				31761
165	Conventional deferred annuity with-profits	227	845	4				1807
205	Miscellaneous conventional with-profits		221					969
210	Additional reserves with-profits OB							4433
300	Regular premium non-profit WL/EA OB	382	4927	79				3425
315	Individual deposit administration non-profit	208	918	1				4739
325	Level term assurance	26396	2221297	5479				7027
330	Decreasing term assurance	10129	443744	1629				150
390	Deferred annuity non-profit	63	85					74
395	Annuity non-profit (PLA)	1552	4186					36057
435	Miscellaneous non-profit	3313	367509	757				879

Form 51

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Equitable Life Assurance Society**
Total business / subfund **ORDINARY LONG TERM**
Financial year ended **31 December 2011**
Units **£000**
UK Life / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
120	Conventional endowment with-profits OB savings		1217	80				80
300	Regular premium non-profit WL/EA OB		4927	79				3425
315	Individual deposit administration non-profit		918	1				4739
325	Level term assurance		2221297	5479				7027
330	Decreasing term assurance		443744	1629				150
390	Deferred annuity non-profit		85					74
395	Annuity non-profit (PLA)		843					3973
435	Miscellaneous non-profit		367509	757				879

Form 51

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**ORDINARY LONG TERM**
Financial year ended	**31 December 2011**
Units	**£000**
UK Pension / Gross	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
155	Conventional pensions endowment with-profits	190	981	2				2087
165	Conventional deferred annuity with-profits	148	560					1212
210	Additional reserves with-profits OB							34385
315	Individual deposit administration non-profit	369	2042	8				6790
325	Level term assurance	4659	291138	760				2516
330	Decreasing term assurance	143	3556	18				14
380	Miscellaneous protection rider		1276779	3481				5756
390	Deferred annuity non-profit	3574	9472					237302
400	Annuity non-profit (CPA)	29877	32209					542223
411	Group death in service dependant's annuities		4585	238				238
435	Miscellaneous non-profit	1518	150870	325				1421

Form 51

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**ORDINARY LONG TERM**
Financial year ended	**31 December 2011**
Units	**£000**
UK Pension / Reinsurance ceded external	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
315	Individual deposit administration non-profit		2042	8				6790
325	Level term assurance		291138	760				2516
330	Decreasing term assurance		3556	18				14
380	Miscellaneous protection rider		1276779	3481				5756
390	Deferred annuity non-profit		9472					237302
400	Annuity non-profit (CPA)		4302					90054
411	Group death in service dependant's annuities		4585	238				238
435	Miscellaneous non-profit		150870	325				1421

Form 51

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**ORDINARY LONG TERM**
Financial year ended	**31 December 2011**
Units	**£000**
Overseas / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
195	Annuity with-profits (PLA)	18	74					1006
205	Miscellaneous conventional with-profits	19	1327	12				96
210	Additional reserves with-profits OB							11465
325	Level term assurance	1373	159759	472				653
330	Decreasing term assurance	921	47321	199				10
380	Miscellaneous protection rider		6330	59				229
390	Deferred annuity non-profit	183	2148					8489
395	Annuity non-profit (PLA)	192	1173					12838
400	Annuity non-profit (CPA)	1130	7172					110878

Form 51

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Equitable Life Assurance Society**
Total business / subfund **ORDINARY LONG TERM**
Financial year ended **31 December 2011**
Units **£000**
Overseas / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
205	Miscellaneous conventional with-profits		685	5				30
325	Level term assurance		159759	472				653
330	Decreasing term assurance		47321	199				10
380	Miscellaneous protection rider		6010	40				171
390	Deferred annuity non-profit		2148					8489
395	Annuity non-profit (PLA)		16					233
400	Annuity non-profit (CPA)		154					3281

Form 52

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Equitable Life Assurance Society**

Total business / subfund **ORDINARY LONG TERM**

Financial year ended **31 December 2011**

Units **£000**

UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium	3766	40970		39471	39171	1705	40876
510	Life UWP endowment regular premium - savings	7975	171645	1541	31820	29180	2967	32147
555	Group deposit administration with-profits	2	13		13	13	0	13
575	Miscellaneous UWP	1916	1584	714	1584	1145	61	1207
610	Additional reserves UWP						18546	18546

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**ORDINARY LONG TERM**
Financial year ended	**31 December 2011**
Units	**£000**
UK Life / Reinsurance ceded external	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
510	Life UWP endowment regular premium - savings		13481				6	6
575	Miscellaneous UWP		108693				57	57

Form 52

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**ORDINARY LONG TERM**
Financial year ended	**31 December 2011**
Units	**£000**
UK Pension / Gross	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
535	Group money purchase pensions UWP		19722		19722	19722	616	20338
545	Individual deposit administration with-profits	70131	1809010		1812897	1920357	42654	1963011
555	Group deposit administration with-profits	96797	834370		834370	877356	31563	908919
565	DWP National Insurance rebates UWP	120634	975602		975602	1009216	37124	1046340
570	Income drawdown UWP	2260	62730		62730	62730		62730
571	Trustee investment plan UWP	1	61		61	55	0	56
610	Additional reserves UWP						606629	606629

Form 52

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**ORDINARY LONG TERM**
Financial year ended	**31 December 2011**
Units	**£000**
UK Pension / Reinsurance ceded external	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
535	Group money purchase pensions UWP		19722		19722	19722	616	20338

Form 52

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**ORDINARY LONG TERM**
Financial year ended	**31 December 2011**
Units	**£000**
Overseas / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
500	Life UWP single premium	283	4154		4154	4125	98	4223
510	Life UWP endowment regular premium - savings	851	25658	592	13556	13429	61	13490
545	Individual deposit administration with-profits Deferred annuity	453	6357	435	6357	10130	106	10236
545	Individual deposit administration with-profits	1082	27366		27366	25939	1813	27752
555	Group deposit administration with-profits	795	7005		7005	6373	1654	8027
570	Income drawdown UWP	9	363		363	363		363
575	Miscellaneous UWP	2	30	1	2	1	0	1
610	Additional reserves UWP						8051	8051

Form 52

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Equitable Life Assurance Society**

Total business / subfund **ORDINARY LONG TERM**

Financial year ended **31 December 2011**

Units **£000**

Overseas / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
510	Life UWP endowment regular premium - savings		4580				1	1
575	Miscellaneous UWP		30				0	0

Form 53

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Equitable Life Assurance Society**

Total business / subfund **ORDINARY LONG TERM**

Financial year ended **31 December 2011**

Units **£000**

UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium	1050	37971		38203	38203	78	38281
710	Life property linked whole life regular premium	634	13012	80	13556	13556	130	13686
715	Life property linked endowment regular premium - savings	2171	66687	1249	45463	45463	423	45886
735	Group money purchase pensions property linked	1	10		10	10		10
795	Miscellaneous property linked	358	22285	126	1400	1400	19	1419

Form 53

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Equitable Life Assurance Society**

Total business / subfund **ORDINARY LONG TERM**

Financial year ended **31 December 2011**

Units **£000**

UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium		37971		38203	38203	78	38281
710	Life property linked whole life regular premium		13012	80	13556	13556	130	13686
715	Life property linked endowment regular premium - savings		66687	1249	45463	45463	423	45886
735	Group money purchase pensions property linked		10		10	10		10
795	Miscellaneous property linked		22285	126	1400	1400	19	1419

Form 53

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Equitable Life Assurance Society**

Total business / subfund **ORDINARY LONG TERM**

Financial year ended **31 December 2011**

Units **£000**

UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked	78869	873297		873214	873214	4261	877475
735	Group money purchase pensions property linked	51299	390484		390484	390484	12417	402901
745	DWP National Insurance rebates property linked	32828	355039		355039	355039		355039
750	Income drawdown property linked	567	21891		21891	21891	3	21894
755	Trustee investment plan	1	18		18	18		18
795	Miscellaneous property linked	932	2528		27321	27321	74	27395

Form 53

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**ORDINARY LONG TERM**
Financial year ended	**31 December 2011**
Units	**£000**
UK Pension / Reinsurance ceded external	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked		873297		873214	873214	4261	877475
735	Group money purchase pensions property linked		390484		390484	390484	12417	402901
745	DWP National Insurance rebates property linked		355039		355039	355039		355039
750	Income drawdown property linked		21891		21891	21891	3	21894
755	Trustee investment plan		18		18	18		18
795	Miscellaneous property linked		2528		27321	27321	74	27395

Form 53

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Equitable Life Assurance Society**
Total business / subfund **ORDINARY LONG TERM**
Financial year ended **31 December 2011**
Units **£000**
Overseas / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium	27	426		409	409	65	473
715	Life property linked endowment regular premium - savings	714	20283	107	17173	17173	357	17530
725	Individual pensions property linked	1243	17862		17862	17862	1438	19300
735	Group money purchase pensions property linked	310	5284		5284	5284	625	5909
750	Income drawdown property linked	4	343		343	343	0	343
795	Miscellaneous property linked	167	2512	183	2512	2512	249	2761

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer Equitable Life Assurance Society
Total business / subfund ORDINARY LONG TERM
Financial year ended 31 December 2011
Units £000
Overseas / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium		426		409	409	65	473
715	Life property linked endowment regular premium - savings		20283	107	17173	17173	357	17530
725	Individual pensions property linked		17862		17862	17862	1438	19300
735	Group money purchase pensions property linked		5284		5284	5284	625	5909
750	Income drawdown property linked		343		343	343	0	343
795	Miscellaneous property linked		2512	183	2512	2512	249	2761

Form 54

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Equitable Life Assurance Society**
Total business / subfund **ORDINARY LONG TERM**
Financial year ended **31 December 2011**
Units **£000**
UK Life / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
900	Life index linked single premium	7	83		82	82		82
905	Index linked annuity	242	1187		19828	19828	296	20124
910	Miscellaneous index linked		18	0	18	18		18

Form 54

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**ORDINARY LONG TERM**
Financial year ended	**31 December 2011**
Units	**£000**
UK Life / Reinsurance ceded external	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
900	Life index linked single premium		83		82	82		82
910	Miscellaneous index linked		18	0	18	18		18

Form 54

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**ORDINARY LONG TERM**
Financial year ended	**31 December 2011**
Units	**£000**
UK Pension / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity	4006	12940		279802	279802	5404	285206
910	Miscellaneous index linked	114	3679		3679	3679	557	4236

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Form 54

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Equitable Life Assurance Society**
Total business / subfund **ORDINARY LONG TERM**
Financial year ended **31 December 2011**
Units **£000**
UK Pension / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity		332		11442	11442	23	11465
910	Miscellaneous index linked		3679		3679	3679	557	4236

Form 56

Long-term insurance business : Index linked business

Name of insurer	**Equitable Life Assurance Society**
Total business	
Financial year ended	**31 December 2011**
Units	**£000**

Analysis of assets

		Value of assets 1	Mean Term 2
Approved variable interest securities	**11**	205790	19.77
Other variable interest securities	**12**	81552	13.46
Approved fixed interest securities	**13**		
Other fixed interest securities	**14**		
Cash and deposits	**15**		
Equity index derivatives	**16**		
Inflation swaps	**17**		
Other assets	**18**	845	
Variation margin	**19**		
Total (11 to 19)	**20**	288188	

Credit rating of other fixed interest and other variable interest securities

AAA/Aaa	**31**		
AA/Aa	**32**		
A/A	**33**		
BBB/Baa	**34**		
BB/Ba	**35**		
B/B	**36**		
CCC/Caa	**37**		
Other (including unrated)	**38**		
Total other fixed interest and other variable interest securities	**39**		

Form 57
(Sheet 1)

Long-term insurance business: Analysis of valuation interest rate

Name of insurer	**Equitable Life Assurance Society**
Total business	**ORDINARY LONG TERM**
Financial year ended	**31 December 2011**
Units	**£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK L&G Form 51 With Profits Policies - deferred annuities	1834	2.80	2.80	3.31
UK L&G Form 51 With Profits Policies - other	73036	2.24	2.80	3.31
UK L&G Form 51 With Profits Policies - Non-Profit annuities in payment post 1991	16864	3.51	3.90	4.00
UK L&G Form 51 With Profits Policies - Non-Profit annuities in payment pre 1992	15220	3.90	3.90	4.00
UK L&G Form 52 With Profits Policies (net)	32872	2.24	2.80	3.31
UK L&G Form 52 With Profits Policies (net) short term business	59837	1.52	1.90	2.45
UK L&G Form 52 With Profits Policies (gross)	15	2.80	2.80	3.31
UK L&G Form 54 Annuity in payment - Index Linked post 1991	18085	(0.46)	(0.51)	(0.52)
UK L&G Form 54 Annuity in payment - Index Linked pre 1992	2039	(0.51)	(0.51)	(0.52)
UK Pens Form 51 With Profits Policies	37684	2.80	2.80	3.31
UK Pens Form 51 Non Profit annuity in payment	452169	3.90	3.90	4.00
UK Pens Form 52 With Profits Policies	3402752	2.80	2.80	3.31
UK Pens Form 52 With Profits Policies short term business	1122203	1.90	1.90	2.45
UK Pens Form 52 With Profits - miscellaneous	62730	0.00	0.00	0.26
UK Pens Form 54 Annuity in payment - Index Linked	273740	(0.51)	(0.51)	(0.52)
OVS Form 51 With Profits Policies - annuities in payment	1011	3.50	3.50	4.00
OVS Form 51 With Profits Policies (net)	67	2.24	2.80	3.31
OVS Form 51 With Profits Policies (gross)	11465	2.80	2.80	3.31
OVS Form 51 Non profit - annuities in payment	120258	3.90	3.90	4.00
Total				

Form 57
(Sheet 2)

Long-term insurance business: Analysis of valuation interest rate

Name of insurer	**Equitable Life Assurance Society**
Total business	**ORDINARY LONG TERM**
Financial year ended	**31 December 2011**
Units	**£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
OVS Form 52 With Profits Policies (net)	2556	2.24	2.80	3.31
OVS Form 52 With Profits Policies (net) short term business	3896	1.52	1.90	2.45
OVS Form 52 With Profits Policies (gross)	42950	2.80	2.80	3.31
OVS Form 52 With Profits Policies (gross) short term business	4498	1.90	1.90	2.45
OVS Form 52 With Profits - miscellaneous	18264	0.00	0.00	0.26
Total	5776046			

Form 58

Long-term insurance business : Distribution of surplus

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**ORDINARY LONG TERM**
Financial year ended	**31 December 2011**
Units	**£000**

		Financial year 1	Previous year 2
Valuation result			
Fund carried forward	**11**	5776046	5722004
Bonus payments in anticipation of a surplus	**12**	33202	18946
Transfer to non-technical account	**13**		
Transfer to other funds / parts of funds	**14**		
Subtotal (11 to 14)	**15**	5809248	5740950
Mathematical reserves	**21**	5776019	5721976
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	**29**	33229	18974
Composition of surplus			
Balance brought forward	**31**		
Transfer from non-technical account	**32**		
Transfer from other funds / parts of fund	**33**		
Surplus arising since the last valuation	**34**	33229	18974
Total	**39**	33229	18974
Distribution of surplus			
Bonus paid in anticipation of a surplus	**41**	33202	18946
Cash bonuses	**42**		
Reversionary bonuses	**43**	27	28
Other bonuses	**44**		
Premium reductions	**45**		
Total allocated to policyholders (41 to 45)	**46**	33229	18974
Net transfer out of fund / part of fund	**47**		
Total distributed surplus (46+47)	**48**	33229	18974
Surplus carried forward	**49**		
Total (48+49)	**59**	33229	18974
Percentage of distributed surplus allocated to policyholders			
Current year	**61**	100.00	100.00
Current year - 1	**62**	100.00	100.00
Current year - 2	**63**	100.00	100.00
Current year - 3	**64**	100.00	100.00

Form 59A

Long-term insurance business : With-profits payouts on maturity (normal retirement)

Name of insurer **Equitable Life Assurance Society**

Original insurer **Equitable Life Assurance Society**

Date of maturity value / open market option **01 March 2012**

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	10760	1641	n/a	CWP	N	10760
Endowment assurance	20	17287	2760	n/a	CWP	N	17287
Endowment assurance	25	28125	4881	n/a	CWP	N	28125
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	15	44219	8718	n/a	UWP	N	44219
Regular premium pension	20	70321	0	n/a	UWP	N	70321
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	15	15596	3839	n/a	UWP	N	15596
Single premium pension	20	25827	1136	n/a	UWP	N	25827

Long-term insurance business : With-profits payouts on surrender

Name of insurer **Equitable Life Assurance Society**

Original insurer **Equitable Life Assurance Society**

Date of surrender value **01 March 2012**

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	9728	1042	n/a	CWP	Y	19334
Endowment assurance	20	16301	1875	n/a	CWP	Y	22646
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

Form 60

Long-term insurance capital requirement

Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2011**

Units **£000**

		LTICR factor 1	Gross reserves / capital at risk 2	Net reserves / capital at risk 3	Reinsurance factor 4	LTICR Financial year 5	LTICR Previous year 6
Insurance death risk capital component							
Life protection reinsurance	**11**	0.0%					
Classes I (other), II and IX	**12**	0.1%					
Classes I (other), II and IX	**13**	0.15%			0.50		
Classes I (other), II and IX	**14**	0.3%	5274843	282405		7912	8982
Classes III, VII and VIII	**15**	0.3%	24029		0.50	36	39
Total	**16**		5298871	282405		7948	9020
Insurance health risk and life protection reinsurance capital component							
Class IV supplementary classes 1 and 2 and life protection reinsurance	**21**					28	45
Insurance expense risk capital component							
Life protection and permanent health reinsurance	**31**	0%					
Classes I (other), II and IX	**32**	1%	5879836	5482182	0.93	54822	54777
Classes III, VII and VIII (investment risk)	**33**	1%	326501	293864	0.90	2939	2444
Classes III, VII and VIII (expenses fixed 5 yrs +)	**34**	1%	15142		0.85	129	149
Classes III, VII and VIII (other)	**35**	25%					
Class IV (other)	**36**	1%	68		0.85	1	1
Class V	**37**	1%					
Class VI	**38**	1%					
Total	**39**					57890	57369
Insurance market risk capital component							
Life protection and permanent health reinsurance	**41**	0%					
Classes I (other), II and IX	**42**	3%	5879836	5482182	0.93	164465	164330
Classes III, VII and VIII (investment risk)	**43**	3%	326501	293864	0.90	8816	7331
Classes III, VII and VIII (expenses fixed 5 yrs +)	**44**	0%	15142				
Classes III, VII and VIII (other)	**45**	0%	1798330				
Class IV (other)	**46**	3%	68		0.85	2	2
Class V	**47**	0%					
Class VI	**48**	3%					
Total	**49**		8019877	5776046		173283	171662
Long term insurance capital requirement	**51**					239149	238097

RETURNS UNDER INSURANCE COMPANIES LEGISLATION

THE EQUITABLE LIFE ASSURANCE SOCIETY

FINANCIAL YEAR END 31 DECEMBER 2011

SUPPLEMENTARY NOTES TO THE RETURN

*****0301* Net Admissible Assets and Capital Resources

Valuation differences between assets in Form 3 and assets in Forms 13 and 14 are illustrated below:

Description	Reference	£000
Net Admissible Assets	Form 13 Line 89	6,444,776
Mathematical Reserves	Form 14 Line 11	(5,776,046)
Other Insurance Liabilities	Form 14 Line 49	(231,480)
Total Capital Resources	Form 3 Line 79	437,251

0310 Positive Valuation Difference

The positive valuation difference detailed in line 14 represents the difference between the value of with-profits liabilities as valued in accordance with the FSA Handbook of rules and guidance and the value of with-profits liabilities that the Society has used in its external financial reporting to comply with FRS 27.

1308 Aggregate Values

The aggregate value of unlisted investments included at lines 41, 42, 46 or 48 which have been valued in accordance with GENPRU rule 1.3 is £8.6m (2010: £4.1m).

Part of the Society's assets is invested in property (including property unit trusts) and unlisted equity, amounting to £251m at year end 2011 (2010: £451m). In adverse market conditions, it may not be possible to realise these investments without delay.

The aggregate value of investments in collective investment schemes in line 43 that are not schemes falling within the UCITS Directive are £53.4m (2010: £68.5m).

1309 Aggregate Value of Hybrid Securities

The aggregate value of hybrid securities included at lines 46 or 48 is £66m (2010: £109.2m).

1310 Amounts Receivable and Payable

Amounts due to and from any one person have been offset where appropriate in accordance with generally accepted accounting principles.

1312 Large Counterparty Exposures

There were no exposures to counterparties at the end of the financial year exceeding 5% of the Society's base capital resources requirement and long-term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded.

1318 Other asset adjustments

The Society has adopted 'FRS26 Financial Instruments: Measurement' in the preparation of its external financial reporting. As a result, the reinsurers' share of technical provisions reported on Form 13 differs from that recorded in the Society's Annual Statutory Report and Accounts. The difference, £19.7m (2010: £13.9m), is recorded on Line 101 of Form 13.

1319 Investment Guidelines, Maximum Counterparty Exposure

The maximum amount that the investment manager is permitted to expose the funds of the Society to any one Counterparty is controlled by the following limits for individual entities or groups including exposure across significant asset classes as follows;

Maximum investment in any individual entity or group	% of total fixed interest
Supranational and Government guaranteed "AAA" rated	5.00%
Other "AAA"	2.00%
"AA" rated	2.00%
"A" rated	1.00%
"BBB" rated	0.50%

All new purchases should be rated as BBB- or above at the time of purchase. Certain specified securities (known as 'grandfathered' securities) are excluded from these limits. These are securities which were historically held by the Society, which will be sold down when market conditions are considered favourable.

The Society has no appetite to actively increase it's exposure to illiquid securities. As such, unless it receives prior approval from the Society, the investment manager is not permitted to purchase securities which it deems to be illiquid at the time of purchase.

Additionally, as a further step, the maximum of the outstanding amount of any one issue that may be held shall be 5%. The investment manager is permitted to bid for up to 10% of a new syndication. If any allocation exceeds 5% then this holding is to be reduced to 5% within 90 days of the purchase. This 90 day period can be waived or extended on a case by case basis by the mutual consent of the Society and the investment manager. For Medium Term Notes, Asset Backed Securities and Mortgage-backed Securities issues, such percentages shall be measured against the issue in the aggregate rather than against the individual tranches of such issue.

For any individual group or entity that is classified as Supranational or Government Guaranteed by the investment manager and is rated "AAA", the maximum of the outstanding amount of any one issue that may be held shall be 15%.

1401 Provision for Adverse Changes

Investment guidelines for the use of conventional derivatives operated throughout the year and did not permit the writing of uncovered call options. Consequently, no provision for adverse changes is considered necessary.

1402 Charges, Contingent Liabilities, Guarantees, Indemnities and Contractual Commitments

No assets included in Form 13 are subject to a charge.

No liabilities included in Form 14 are secured by a charge.

There is no liability in respect of Capital Gains Tax which might arise if the insurance company were to dispose of its assets.

There exist some uncertainties that, if they were to materialise, could adversely impact on the financial position of the Society.

Claims against the Society in district courts across Germany continue to be defended successfully, with some appeals outstanding, for which legal expenses have been provided. Also outstanding are investigations initiated by the Accountancy and Actuarial Disciplinary Board ("AADB") in respect of the provision of information, advice and audit activity relating to financial statements of Equitable Life in the 1990's.

It is not considered that the uncertainties described above represent a significant financial threat, and that the risk of any material new issues arising from the above appears limited.

The Board continues to closely monitor the contractual commitments the Society has in respect of the two pension schemes for which LBG is principal employer. There remains a possibility that it may be necessary for a more conservative basis to be adopted in future in calculating the Society's obligations.

There remains a risk to the Society that investment conditions change or policyholders defer their retirement, which may materially alter the calculations of technical provisions for policy liabilities.

The financial position of the Society has been projected under a range of economic scenarios, which take into account consequential policyholder behaviour, in order to assess how robust the Society remains in adverse conditions. The projections make allowance for capital distributions. The Board has also considered both contingent liabilities and uncertainties in its analysis of the Society's financial position and considers that these have reduced in significance in recent years. Based on these analyses, the Board is confident of its ability to manage adverse scenarios that may arise, recognising in some scenarios, that reductions to policyholder payouts would be required.

The Board has assessed these uncertainties using the latest available information and has concluded that it is appropriate to prepare these financial statements on a going concern basis.

1405 Reconciliation of Total Liabilities to Financial Statements

The value in line 74 represents the difference between the value of liabilities as valued in accordance with FSA Handbook of Rules and Guidance and the value of liabilities detailed in external financial reporting to comply with FRS27.

1701 Treatment of the variation margin

The aggregate excess variation margin received in respect of derivatives in 2011 was £5.2m (2010: £0.8m).

The variation margin is included within line 54 of Form 13.

The liability to repay the excess variation margin at the end of 2011 is reflected in line 54 of Form 13.

4002 Other Income

Other Income is comprised of the following:

	2011 £'000	2010 £'000
Stock Lending commission	303	526
Investment management fee rebate	923	750
Administration services	1,753	-
Other Income	603	763
	3,582	**2,039**

Within other income there is an amount of £1.753m (YE 2010: nil) for administration services. Up to 5 June 2011 administration of reinsured policies was carried out by LBG. After that date, administration for these policies has been carried out by the Society and administration costs have been charged to LBG.

4005 Income and Expenditure Translation

Foreign currency values for income and expenditure have been translated at rates of exchange ruling at the time of the respective transactions.

4008 Management Services

For the period 1 January to 5 June 2011 substantially all management services for The Equitable Life Assurance Society were provided by the LBG group of companies. With effect from 6 June 2011 the Society brought its administration services back in house, however, the LBG group of companies continued to provide IT hosting services for the period up to 31 December 2011.

As a result of bringing the administration services back in house the Society has been responsible for the administration of reinsured policies and administration costs have been charged to LBG. This is reflected in note 4002 other income.

Investment services were provided by BlackRock Investment Management (UK) Limited throughout 2011. Property administration services were provided by Invista Real Estate Management throughout 2011.

4010 Investment Income from Linked Assets

Included within line 12 is £4.3m of income earned on linked assets.

4803 Assumed redemption dates

For callable securities with a range of redemption (or option) dates we take advice from our investment managers as to the most likely date of redemption. Remaining securities are assumed to be redeemed at the earliest or latest redemption (or option) date, whichever gives the lower yield. The value of 'approved fixed interest securities' and 'other fixed interest securities' with variable redemption (or option) dates are £254,861 and £180,342,366 respectively.

Irredeemable assets with no first option date are assumed to have a redemption date in 2049.

Property and equity are assumed not to be redeemed.

4806 Assets used to calculate the investment returns

All assets in column 2 have been used to calculate the investment returns in column 5.

4807 Return allocated to Asset Shares

The return allocated to asset shares is an increase of 2.0% for pension contracts and 1.6% for life contracts. This is the return allocated by the Board, after consideration of all risks, reserving and capital matters.

4901 Rating agencies

The credit rating used is the lower of Moody's, Standard & Poor's and Fitch (if available).

In the absence of such ratings, one is supplied by BlackRock Investment Management (UK) Limited; the Society's third party investment manager who is not connected with the Society.

Any fixed interest elements of collective investment schemes in column 1 allocated to column 2 of Form 48 are classified as unrated.

4902 Negative redemption yield

The allowance made for risk of default of income and redemption payments on fixed interest corporate bonds has led to negative redemption yields for assets in ratings categories "CCC/Caa" and "Other (including unrated)".

The negative yield on approved variable interest securities is due to negative real yields at short durations.

5102 Policy count

The benefits under code 380 are attributable to life cover and death in service benefits attached to individual and group policies in codes 545, 555, 725 and 735. The policy count has been set to zero to avoid double counting.

5201 Group scheme member count

There are 34 Final Salary schemes included in code 555 where benefits are not required at member level. Column 3 has been set to zero for these policies.

5202 Group scheme member count

There are three schemes in the figures for code 555 where the number of members has been approximated to 100. These schemes are administered by a third party.

5203 Policy count

Where a policy has both with-profits and unit linked benefits the policy count has been entered on Form 53.

5301 Group scheme member count

There are 16 Final Salary schemes included in code 735 where benefits are not required at member level. Column 3 has been set to zero for these policies.

5302 Policy count

Where a policy has both with-profits and unit linked benefits the policy count has been entered on Form 53.

5303 Miscellaneous reserves

The reserves of £31.575m under code 795 are attributable to property linked immediate annuities (£28.338m), property linked deferred annuities (£2.761m), property linked health products (£0.419m) and Building Society linked endowment assurance (£0.057m).

5702 Section 148 Waiver - Determination of Rates of Interest on Fixed Interest Securities

The Financial Services Authority, on the application of the firm, made a direction under section 148 of the Act in December 2007. The effect of the direction is to modify INSPRU 3.1.35 to require the firm to calculate the yield on certain categories of fixed interest security on an aggregate basis.

5901 Market Value Adjustment

For CWP contracts no explicit MVA is applied as part of the surrender basis. Surrender values are set so that they are comparable to UWP policies on surrender.

6001 Class IV business and supplementary accident and sickness insurance

Forms 11 and 12 are not completed, as the gross annual office premiums for the relevant classes are less than 1% of the total gross annual office premiums. The figure in line 21 of Form 60 exceeds the amount that would be obtained had Forms 11 and 12 been completed and is calculated as follows:

These classes are 100% reinsured and closed to new business.

Premiums are payable monthly and so the premiums earned and receivable are essentially the same. The premiums to the supplementary accident and sickness insurance were £34,391 and the premiums to Class IV business were £815,151. The 'premiums amount' is therefore 0.18 x (£34,391 + £815,151 / 3) x 0.5 = £27,550

Claims in the last 12 months were nil for the supplementary accident and sickness insurance and £432,760 for the Class IV business. The 'claims amount' is therefore 0.26 x (0 + £432,760 / 3) x 0.5 = £18,753. Therefore, 'premiums amount' of £27,550 is used.

THE EQUITABLE LIFE ASSURANCE SOCIETY

REGULATORY VALUATION REPORT

Introduction

1. (1) The date of the valuation was 31 December 2011.

   (2) The date of the previous valuation was 31 December 2010.

   (3) The date of the interim valuation was 30 June 2011.

Product range

2. There were no significant changes to the Society's product range. The Society is closed to new business except for incremental premiums to existing contracts and the exercising of a small number of policy options.

Discretionary charges and benefits

3. (1) A market value reduction (or equivalent) was applied throughout 2011 for non-contractual withdrawals from all with-profits contracts.

   (2) There were no changes to the basis for setting premiums on reviewable protection policies during the year.

   (3) The interest rate added to non-profit deposit administration policies varied depending on the date the policy commenced. This rate is fixed until benefits are taken.

   (4) There were no changes to service charges on linked policies.

   (5) There were no changes to benefit charges on linked policies.

   (6) There were no changes to the method and basis for management charges on unit-linked or accumulating with-profits policies.

   (7) – (10) All linked liabilities are wholly reassured with Halifax Life, Clerical Medical Investment Group Limited and Clerical Medical Managed Funds Limited. Linked fund prices mirror those set by the reassurer.

Valuation Basis

4. The bases (and methodology) are set out in the following paragraphs.

   (1) General

   The main method used was that of a gross premium valuation with specific reserves for the future expenses of running the business.

   Accumulating with-profits policies

   For accumulating with-profits policies in the Basic Life Assurance and General Annuity and Pension Business Funds which were grouped by calendar year of vesting date, it has been assumed that the vesting date falls in the middle of the group year.

The liability was calculated by discounting the guaranteed benefits (including any declared and attaching bonus) with an allowance for guaranteed investment return (GIR) where appropriate. Policies effected before 1 July 1996 have a GIR of 3.5% p.a. (with the exception of some Retirement Annuity policies effected prior to 1 October 1975 that have a GIR of 2.5% p.a.) and policies effected on or after 1 July 1996 have a GIR of 0.0% p.a.

For policies with flexible retirement dates, the dates at which retirement benefits are assumed to be taken are based on an amounts analysis of recent Society experience and are set out in section 4 (9).

Certain pension policies also contain a guaranteed minimum level of pension. The liability for these policies was set to the higher of the discounted cash fund and declared bonus cash fund or the discounted value of the guaranteed minimum pension at retirement. The reserves were calculated using the same mortality and expense basis and methodology used to value annuities in payment but with interest appropriate to pre retirement pension policies. This value was then discounted to the valuation date using interest and mortality for pre retirement pension policies.

For with-profits managed pension policies, school fee trust plans and with-profits personal pension trustee income drawdown policies, the current full value of the guaranteed fund and attaching declared bonus fund was reserved.

The attributable expense reserves are based on the ongoing costs directly relating to administration derived from the current expected future expenses of the Society. These will be covered by the policy fees from gross policies before their assumed benefit payment dates. None of these expenses are therefore assumed to be covered by policy fees on policies past their assumed benefit payment date, which includes all managed pension contracts. These expenses are assumed to increase in line with inflation. For policies with flexible retirement dates the dates at which retirement benefits are assumed to be taken are based on a lives analysis of recent Society experience and are set out in section 4 (9).

Annuities

Life immediate annuities were valued individually assuming payments are continuous. Joint-life and last survivor annuities were valued individually by equivalent factors based on the ages of the respective lives and the incidence of payments. Outstanding guaranteed periods and escalation in payment are also allowed for in the valuation where applicable.

Temporary immediate annuities were valued as annuities certain.

For with-profits immediate annuities the liability was calculated by valuing the guaranteed payments and attaching bonus payments.

Conventional Business

For the main classes of annual premium business the liability was calculated by deducting from the value of the guaranteed benefits, including vested bonus additions, the value of office premiums receivable after deducting from these a provision for future expenses.

Whole life assurances were valued individually and the factors for valuing sums assured and bonuses were increased by one half-year's interest to allow for immediate payment of claims.

Endowment assurances were grouped according to the calendar year of maturity and attained age. An allowance was made for immediate payment of claims.

Level temporary assurances and decreasing temporary assurances (other than those tabulated below) were valued individually. An allowance was made for the immediate payment of claims.

Assurances upon sub-standard lives were valued as though they were upon normal lives assured at the tabular rates of premium and the valuation liability was increased by the amount of one year's extra premium.

Surrender Value Reserve

For accumulating with-profits business, an additional reserve for the amount of a cash payment secured by the exercise of an option to surrender the policy has been calculated in accordance with INSPRU 1.2.71R. This is calculated by comparing the "normal" policy reserve obtained using the gross premium valuation method applied to the guaranteed benefits for accumulating with-profits policies as described earlier in section 4 (1) plus the allowance for future expenses as described in paragraph 4 (6), with the lower of:

- the current surrender value that could reasonably be expected to be paid having regard to the representations made to policyholders, and
- that value disregarding discretionary adjustments (i.e. disregarding both the financial adjustment and final bonus beyond the current guaranteed value).

Where the "normal" reserve is higher, no additional reserve is held. Where it is lower, the difference is held within this additional reserve.

The bases to be used in the event of surrender or transfer are not guaranteed, and the primary objective when setting the basis is to protect the interests of the continuing with-profits policyholders. In the event of a significant level of policy discontinuances, the Society reserves the right to reduce surrender payments. If it were required in order to protect solvency, surrender payouts could be made equal to the discounted value of the guaranteed benefits.

An additional reserve is also calculated for conventional with-profits business, in a similar way to that described above.

Unit Linked

The unit liability under all linked contracts was valued by taking the number of units deemed to attach to policies multiplied by the valuation price per unit. The valuation prices match those set by Halifax Life for liabilities reinsured through Halifax Life. The valuation prices match those set by Clerical Medical Managed Funds Limited (CMMF) for liabilities reinsured through CMMF. The business is fully reinsured.

The unit liability under all contracts linked directly to the Halifax UK Growth OEIC was valued by taking the number of units deemed to attach to policies multiplied by the mid price of Halifax UK Growth OEIC shares on the valuation date.

The non-unit liability was calculated using a per policy projected cash flow methodology. The only non-linked liabilities are in respect of expenses and mortality and are described in section 4 (6) and 4 (4) below.

Other Business

For with-profits Flexible Protection Plans and German Deferred Annuity policies, which were grouped by calendar year of maturity date or annuity vesting date as appropriate, it has been assumed that the maturity or vesting date falls in the middle of the group year. The liability was calculated by discounting the guaranteed fund and attaching bonuses where appropriate and adding the amount of the current month's mortality charge deduction.

With-profits Bonds, with-profits Personal Investment Plans, with-profits Personal Pension Trustee Investment policies and with-profits International Investment Plans were grouped by calendar year of the next option date on which full withdrawal can be made on guaranteed terms. For this purpose the guaranteed fund and bonuses attaching to different single premiums paid to the policy were included in the appropriate group years. It has been assumed that the next option date falls in the middle of the group year. The liability was calculated by discounting the guaranteed fund and attaching bonuses.

Recurrent single premium death-in-service group pension arrangements were valued using one year's premium.

(2) Interest rates used are set out in the following table:

With-profits business classes are split into short- and long-term business in accordance with the average remaining term of the class.

Product group	**Rate at 31 December 2011**	**Rate at 31 December 2010**
UK non-profit annuities (Pensions)	3.90%	4.66%
UK non-profit annuities pre-1992 (Life)	3.90%	4.66%
UK non-profit annuities post-1991 (Life)	3.51%	4.19%
Overseas non-profit annuities (Pensions)	3.90%	4.66%
German with-profits annuities (Life)	3.50%	3.50%
UK index-linked annuities pre-1992 (Life)	-0.51%	0.52%
UK index-linked annuities post-1991 (Life)	-0.46%	0.47%
UK index-linked annuities (Pensions)	-0.51%	0.52%
Long-term pension contracts	2.80%	3.60%
Short-term pension contracts	1.90%	1.10%
UK with-profits endowments and whole life	2.24%	2.88%
UK term assurance	2.14%	2.78%
UK with-profits long-term policies (Flexible Protection Plan, Regular Savings Plan, Major Medical Cash Plan, Critical Illness Plan)	2.24%	2.88%
UK with-profits short-term policies (With-Profits Bond, Personal Investment Plan)	1.52%	0.88%
Overseas with-profits policies (Life)	2.24%	2.88%
UK non-profit annuities in deferment (Pensions)	2.70%	3.50%

(3) Yields on assets are reduced to allow for risk as follows:-

Equity shares are assumed to have no yield.

Property (and property unit trust) yields are capped at 5.0%.

The rates of interest on fixed interest securities have been determined using an aggregate yield basis, i.e. by calculating the rate of interest as the rate which equates the aggregate market value to the discounted value of the aggregate cash flows. The fixed interest portfolio (excluding convertible fixed interest securities) has been separated into two segments of securities which have like attributes (being the categories on Forms 48 and 49), i.e.:

- approved fixed interest securities, and
- other fixed interest securities.

Yields on approved fixed interest assets with credit ratings of "exceptionally or extremely strong" or "very strong" are not reduced for risk.

The assumptions used to reduce the yield are based on 20 years of Moody's data representing the mean default rate plus 2 standard deviations and are shown in the following table. The reduction is subject to a minimum default allowance of 35% of credit spreads seen on the Society's corporate bond portfolio based on the aggregate yield.

Credit Rating	Yield Reduction at 31 December 2011	Yield Reduction at 31 December 2010
AAA	0.13%	0.20%
AA+	0.18%	0.25%
AA	0.24%	0.35%
AA-	0.31%	0.47%
A+	0.42%	0.48%
A	0.56%	0.50%
A-	0.74%	0.67%
BBB+	0.99%	0.83%
BBB	1.31%	1.00%
BBB-	1.75%	3.04%
BB+	2.32%	4.15%
BB	3.09%	5.65%
BB-	4.12%	7.71%
B+	5.48%	10.51%
B	7.30%	14.34%
B-	9.71%	19.55%
CCC	17.21%	26.67%
CC	17.21%	26.67%

Non-rated stocks are treated as having rating CC.

For stocks with variable redemption dates we have taken the view of investment advisors and set the redemption date to the expected redemption date and taken into account any anticipated changes to income until this date.

Where our investment advisors have no view as to the likely redemption date and where the income yield was greater than the gross redemption yield, the stocks were assumed to redeem at the earliest date.

(4) The mortality rates are summarised in the following tables:

(i) Immediate Annuities

Product Group	**Table at 31 December 2011 in possession**	**Complete expectation of life**		**Table at 31 December 2010 in possession**	**Complete expectation of life**	
		65	**75**		**65**	**75**
UK non-profit annuities (Pensions)	75.0% PNML00cmi2010 [1.5%] U=2011* 65.0% PNFL00cmi2010 [1.25%] U=2011*	Male 25.4 Female 28.2	Male 16.1 Female 18.5	87.5%PNMA00mc U=2013** 80.0%PNFA00mc U=2013**	Male 24.6 Female 27.9	Male 15.3 Female 18.0
UK non-profit annuities (Life)	75.0% IML00cmi2010 [1.5%] U=2011* 77.5% IFL00cmi2010 [1.25%] U=2011*	Male 26.0 Female 27.7	Male 16.4 Female 17.7	72.5%IML00ult U=2010*** 77.5%IFL00ult U=2010***	Male 24.6 Female 27.1	Male 15.1 Female 17.0
Overseas with-profits annuities (Life)	75.0% PNML00cmi2010 [1.5%] U=2011* 65.0% PNFL00cmi2010 [1.25%] U=2011*	Male 25.4 Female 28.2	Male 16.1 Female 18.5	87.5%PNMA00mc U=2013** 80.0%PNFA00mc U=2013**	Male 24.6 Female 27.9	Male 15.3 Female 18.0
Overseas non-profit annuities (Pensions)	75.0% PNML00cmi2010 [1.5%] U=2011* 65.0% PNFL00cmi2010 [1.25%] U=2011*	Male 25.4 Female 28.2	Male 16.1 Female 18.5	87.5%PNMA00mc U=2013** 80.0%PNFA00mc U=2013**	Male 24.6 Female 27.9	Male 15.3 Female 18.0
UK unit-linked annuities (Pensions)	75.0% PNML00cmi2010 [1.5%] U=2011* 65.0% PNFL00cmi2010 [1.25%] U=2011*	Male 25.4 Female 28.2	Male 16.1 Female 18.5	80.0%PNMA00mc U=2013** 65.0%PNFA00mc U=2013**	Male 25.5 Female 29.9	Male 16.0 Female 19.7
UK index-linked annuities (Life)	75.0% IML00cmi2010 [1.5%] U=2011* 77.5% IFL00cmi2010 [1.25%] U=2011*	Male 26.0 Female 27.7	Male 16.4 Female 17.7	72.5%IML00ult U=2010*** 77.5%IFL00ult U=2010***	Male 24.6 Female 27.1	Male 15.1 Female 17.0
UK index-linked annuities (Pensions)	75.0% PNML00cmi2010 [1.5%] U=2011* 65.0% PNFL00cmi2010 [1.25%] U=2011*	Male 25.4 Female 28.2	Male 16.1 Female 18.5	87.5%PNMA00mc U=2013** 80.0%PNFA00mc U=2013**	Male 24.6 Female 27.9	Male 15.3 Female 18.0

* The allowance for future mortality improvements is based on future mortality improvements in the cmi2010 tables with a long-term improvement rate of 1.5% p.a. for males and 1.25% p.a. for females.
** The allowance for future mortality improvements is based on the implied future improvements as per PMA92/PFA92 MC tables (subject to a minimum improvement of 1.5% p.a.).
*** The allowance for future mortality improvements is based on the implied future improvements as per IML92/IFL92MC tables (subject to a minimum improvement of 1.5% p.a.).

Deferred annuities

In deferment

Product group	Table at 31 December 2011 in deferment	Table at 31 December 2010 in deferment
UK non-profit deferred annuities (Pensions)	82.5%AMC00ult 87.5%AFC00ult	90.0%AMC00ult 97.5%AFC00ult
German with-profits deferred annuities (Life)	82.5%AMC00ult 87.5%AFC00ult	90.0%AMC00ult 97.5%AFC00ult

In payment

Product Group	Table at 31 December 2011	Complete expectation of life at age 65 for current age		Table at 31 December 2010	Complete expectation of life at age 65 for current age	
		45	55		45	55
UK non-profit deferred annuities (Pensions)	75.0% PNML00cmi2010 [1.5%] U=2011* 65.0% PNFL00cmi2010 [1.25%] U=2011*	Male 27.8 Female 30.2	Male 26.5 Female 29.2	87.5%PNMA00mc U=2013** 80.0%PNFA00mc U=2013**	Male 27.6 Female 30.8	Male 26.1 Female 29.3
German with-profits deferred annuities (Life)	75.0% PNML00cmi2010 [1.5%] U=2011* 65.0% PNFL00cmi2010 [1.25%] U=2011*	Male 27.8 Female 30.2	Male 26.5 Female 29.2	87.5%PNMA00mc U=2013** 80.0%PNFA00mc U=2013**	Male 27.6 Female 30.8	Male 26.1 Female 29.3

* The allowance for future mortality improvements is based on future mortality improvements in the cmi2010 tables with a long-term improvement rate of 1.5% p.a. for males and 1.25% p.a. for females.
** The allowance for future mortality improvements is based on the implied future improvements as per PMA92/PFA92 MC tables (subject to a minimum improvement of 1.5% p.a.).

ii) Linked business

For Managed Pensions no mortality was assumed. Otherwise, AM80 ultimate mortality was assumed with a 2-year deduction from age for male lives and a 6-year deduction from age for female lives.

iii) Other products

Product group	Table at 31 December 2011	Table at 31 December 2010
All pension contracts	82.5%AMC00ult 87.5%AFC00 ult	90.0%AMC00ult 97.5%AFC00 ult
UK endowments and whole life	90.0%AMC00ult 97.5%AFC00 ult	90.0%AMC00ult 97.5%AFC00 ult
UK term assurance	62.5% TMC00 82.5% TFC00	72.5% TMC00 77.5% TFC00
UK with-profits policies (Life)	90.0%AMC00ult 97.5%AFC00 ult	90.0%AMC00ult 97.5%AFC00 ult
Overseas with- profits policies (Life)	90.0%AMC00ult 97.5%AFC00 ult	90.0%AMC00ult 97.5%AFC00 ult

(5) There are no significant morbidity risks.

(6) The attributable expense basis is summarised in the following tables.
There are no Zillmer adjustments.
For net business it is assumed that the tax relief will be at 20%.

Accumulating with-profits business

For accumulating with-profits business, the following current levels of administrative expenses (excluding fund management) were assumed. It was further assumed that these expenses would increase at a rate of 3.2% per annum (2010 - 3.4% per annum).

Product code	**Product name**	**Year ending 31 December 2011**	**Year ending 31 December 2010**
120	CWP savings endowment	£90.00 per benefit	£250.78 per benefit
125	CWP target cash endowment	£90.00 per benefit	£250.78 per benefit
500	UWP Bond	£40.00 per benefit	£19.77 per benefit
510	UWP savings endowment	£40.00 per benefit	£19.77 per benefit
535	UWP group regular premium pension	£6.00 per benefit	£3.12 per benefit
555	Group deposit administration with-profits	£6.00 per benefit	£3.12 per benefit
545	Individual deposit administration with-profits	£12.00 per benefit	£16.10 per benefit

Separate allowance was made for fund management expenses using a loading of 1.30 per mille (2010 – 1.40 per mille) of the basic benefit including declared bonuses. These expenses were assumed to escalate in line with the valuation interest rates, i.e. a net rate of discount of 0%.

For life assurance and general annuity business the appropriate per policy expenses and fund management assumptions shown above were netted down for tax at a rate of 20%.

No other explicit reserve was made for expenses on policies where premiums have ceased or no future premiums are payable. The method of valuation does not take credit for future premiums as an asset.

Conventional business

Product code	**Product name**	**Year ending 31 December 2011**	**Year ending 31 December 2010**
120	CWP savings endowment	3% of office premium	3% of office premium
125	CWP target cash endowment	3% of office premium	3% of office premium
155/165	CWP pensions	4% of office premium	4% of office premium
325/330	Term assurance	4.5% of office premium	4.5% of office premium

In addition, an annual loading of £3 (2010 – £3) was reserved per individual policy.

Annuities

For annuities in payment, the following current levels of administrative expenses were assumed. It was further assumed that the per benefit expenses would increase at a rate of 3.2% per annum (2010 – 3.4%).

Product code	**Product name**	**Year ending 31 December 2011**		**Year ending 31 December 2010**	
		Per benefit	Fund management	Per benefit	Fund management
400	Annuity	£10.00	1.1 per mille	£3.13	1.1 per mille

Linked business

Future administration charges for unit-linked and "FTSE 100" linked policies are paid by Halifax Life, Clerical Medical Investment Group Limited and Clerical Medical Managed Funds Limited as contractually agreed. In Forms 53 and 54 we have treated reserves set up in respect of these charges as reassured liabilities. Any difference between these charges and future expenses are reserved for separately in the unattributable expense reserve.

For UK regular premium business no future premiums have been assumed in the calculation of the non-unit-reserve.

Product code	**Product name**	**Year ending 31 December 2011**	**Year ending 31 December 2010**
700	Bond	£9.15 per policy	£7.51 per policy
715	Savings endowment	£9.15 per policy	£7.51 per policy
725	Regular premium pension	£13.89 per policy	£11.41 per policy
735	Group regular premium pension	£16.90 per member	£13.88 per member

For Non-UK regular premium business no future premiums have been assumed in the calculation of the non-unit-reserve.

Product code	**Product name**	**Year ending 31 December 2011**	**Year ending 31 December 2010**
700	Bond	£78.40 per policy	£64.42 per policy
715	Savings endowment	£78.40 per policy	£64.42 per policy
725	Regular premium pension	£117.80 per policy	£96.77 per policy
735	Group regular premium pension	£144.87 per member	£119.02 per member

There is also a 15bps (2010 – 15bps) expense charge p.a. to allow for investment expenses and overheads.

(7) The unit growth rates (before management charges) and expense inflation rates are:

Year ending 31 December 2011		**Year ending 31 December 2010**	
Unit growth rate	Expense inflation	Unit growth rate	Expense inflation
2.4%	4.7%	4.0%	4.9%

(8) The method of valuation described above makes an allowance for any future guaranteed investment return described in section 4 (1) – Accumulating With-profits Policies. The assumption for future discretionary bonus for with-profits contracts is zero for all classes.

(9) The persistency assumptions are as follows:

There are no non-contractual withdrawals assumed.

For pension policies where there is a range of contractual retirement dates. Recent Society experience for lives and benefits has been used to derive the persistency assumptions for expenses and policy values respectively.

Experience has been split into two categories: policies that are yet to reach and those already past the Earliest Contractual Date (ECD) shown in the table below. The assumed retirement ages in relation to ECD are shown in the following tables (where NRA = Normal Retirement Age):

Assumption for expenses for policies yet to reach ECD:

Product Type	**Year ending 31 December 2011**	**Year ending 31 December 2010**	**Original ECD**
Group Pensions	1.50 years before ECD	2.25 years before ECD	NRA
Individual (executive) Pensions	At ECD	At ECD	NRA
Personal Pensions (non-DSS)	8.75 years after ECD	8.00 years after ECD	55
Personal Pensions (DSS)	4.75 years after ECD	4.50 years after ECD	60
Retirement Annuities	5.75 years after ECD	5.00 years after ECD	60

Assumption for expenses for policies already past ECD:

Product Type	Year ending 31 December 2011	Year ending 31 December 2010	Original ECD
Group Pensions	11.50 years after ECD	11.00 years after ECD	NRA
Individual (executive) Pensions	2.25 years after ECD	3.50 years after ECD	NRA
Personal Pensions (non-DSS)	12.25 years after ECD	11.25 years after ECD	55
Personal Pensions (DSS)	7.50 years after ECD	7.00 years after ECD	60
Retirement Annuities	10.25 years after ECD	9.00 years after ECD	60

Assumption for benefits for policies yet to reach ECD:

Product Type	Year ending 31 December 2011	Year ending 31 December 2010	Original ECD
Group Pensions	1.50 years before ECD	2.25 years before ECD	NRA
Individual (executive) Pensions	At ECD	At ECD	NRA
Personal Pensions (non-DSS)	8.25 years after ECD	7.50 years after ECD	55
Personal Pensions (DSS)	4.75 years after ECD	4.25 years after ECD	60
Retirement Annuities	5.75 years after ECD	4.25 years after ECD	60

Assumption for benefits for policies already past ECD:

Product Type	Year ending 31 December 2011	Year ending 31 December 2010	Original ECD
Group Pensions	9.75 years after ECD	9.25 years after ECD	NRA
Individual (executive) Pensions	2.25 years after ECD	3.50 years after ECD	NRA
Personal Pensions (non-DSS)	12.25 years after ECD	11.25 years after ECD	55
Personal Pensions (DSS)	7.25 years after ECD	6.75 years after ECD	60
Retirement Annuities	10.00 years after ECD	8.50 years after ECD	60

Group final salary benefits are assumed to terminate in 1.5 years.

Income drawdown policies are assumed to terminate immediately.

For group money purchase schemes, where individual member data is not required, the term to retirement is assumed to be the same as all other group money purchase schemes.

For life policies where there is a range of potential contractual termination dates, the following assumptions are used:

Personal Investment Plans: next contractual withdrawal date.
Bonds: next contractual withdrawal date.

School Fee Trust Plans are assumed to terminate immediately.

(10) There are no other material assumptions stated elsewhere.

(11) The Society does hold derivative contracts but none were used to justify the valuation rate of interest.

(12) There have been no changes in methodology as a result of changes to INSPRU.

Options and guarantees

5. (1) Guaranteed annuity rate options

(a) The method used is a deterministic one. The basic reserve represents the value of the cash benefit. The extra reserve for the guarantee is calculated as

(Guaranteed Annuity Rate / Valuation Annuity rate -1) x basic reserve
(subject to a minimum of zero)

with an additional contingency margin of 70%.

(b)

Product name	Deferred annuity	Accumulating class	Endowments	German Deferred Annuity
Basic reserve	£1.3m	£5.1m	£1.9m	£5.2m
Spread of outstanding durations	0 to 19 years	0 to 10 years	0 to 22 years	0 to 39 years
Guarantee reserve	£1.7m	£6.4m	£2.5m	£3.9m
Guaranteed annuity rate (male aged 65)	9.92%	9.92%	9.92%	6.94%
Increments permissible?	No	Yes	No	Yes
Form of annuity	Half yearly, in arrear, level, single life, no guarantee period	Half yearly, in arrear, level, single life, no guarantee period	Half yearly, in arrear, level, single life, no guarantee period	Monthly, in advance, level, single life, no guarantee period
Retirement ages	60 to 70	60 to 70	60 to 70	50 to 75

(2) Options which guarantee surrender values at specified dates are automatically valued as a result of the persistency assumption set out in paragraph 4(9).

(3) Guaranteed Insurability options

(a) Under some UK bonds the death benefit is 105% or 110% of the fund value. Due to the low level of new premiums, the low level of sum assured at risk and the prudent persistency assumption no extra reserve is held.

All Flexible Protection Plans issued on normal terms carry the option to effect further policies without evidence of health. Broadly, the option allows the life cover to be increased at intervals, by effecting further policies, in line with increases in the Retail Prices Index. Due to the low level of increases permitted and the reviewable and prudent nature of the mortality charges, no extra reserve is held.

Prior to 15 August 1986 an option to effect further policies without evidence of health could be included on the Society's standard whole life and endowment assurances in the life fund. Due to the non-guaranteed and prudent premium basis for new policies, no extra reserve is held.

Mortgage protection policies and endowment assurances with guaranteed minimum death benefit, where used as collateral security in respect of a house purchase loan carry the option to effect further policies or increase the death benefit on existing policies when an additional loan is effected or the terms of a loan are changed. Due to the size of this policy class, the conditional nature of the option and the prudent, non-guaranteed new policy premium bases, no extra reserve is held.

(b) Individually and in aggregate the sums assured of the policy classes listed above do not exceed £1bn.

(4) Guaranteed minimum pensions and guaranteed interest rates are valued as described in paragraph 4(1).

Expense reserves

6. (1) The aggregate amount of expense loadings expected to arise during the 12 months following the valuation date from explicit reserves made is £76.0m.

Homogeneous risk group	Implicit allowances (£m)	Explicit allowances (investment) (£m)	Explicit allowances (maintenance) (£m)	Non-attributable expenses (maintenance) (£m)	Non-attributable expenses (exceptional) (£m)	Total (£m)
UK Life	n/a	0.1	1.2	0.8	1.5	3.6
UK Pensions	n/a	5.5	8.1	21.3	34.7	69.6
Overseas	n/a	0.1	0.6	0.7	1.4	2.8
Total	n/a	5.7	9.9	22.8	37.6	76.0

The non-attributable expense is made up of £22.8m maintenance expenses and £37.6m exceptional expenses. Total maintenance expense loadings in 2012 are £38.4m.

(2) There are no implicit allowances. All expense assumptions and reserves are calculated explicitly.

(3) The difference of the amount of maintenance expenses from the maintenance expenses in 2011 shown in line 14 on Form 43 is largely due to the 10% contingency margin in the valuation on non-investment maintenance expenses..

(4) The Society is closed to new business.

(5) The reserving basis already incorporates factors reflecting the closed nature of the fund.

(6) An exceptional expense reserve of £70.2m covers short term exceptional costs and is attributed to homogeneous risks groups in proportion to overall reserves. These costs are principally strategic business projects and pension funding commitments. A non-attributable regular expense reserve of £480.8m covers the regular expenses that exceed the explicit per policy expense allowance and is split between homogeneous risks groups in proportion to overall reserves. This provision is calculated as the net present value at a real interest rate of -0.7% of the projected budget which reduces at a rate related to the projected run off of the business.

Mismatching reserves

7. (1) There is just one with-profits fund which contains all the non-profit, index-linked and non-sterling liabilities. The total mathematical reserves (other than liabilities for property-linked benefits), analysed by reference to the currencies in which the liabilities are expressed to be payable, together with the total value of the assets, analysed by reference to currency, which match the total liabilities are tabulated below:

Currency	**Mathematical Reserves (£000,000)**	**Assets (£000,000)**
Sterling	5,602	6,173
Euro	172	186
US Dollar	2	86

The Society holds a dollar hedge with exposure of £67m at the valuation date to mitigate the dollar mismatch.

(2) Not applicable.

(3) No mismatching reserve is required.

(4) Not applicable.

(5) Not applicable.

(6) Not applicable.

(7) No additional reserves are required arising from the tests on assets in INSPRU 1.1.34R.

The cash flows emerging from benefits and expenses from non-profit, index-linked and with-profits in force business have been considered. Index linked assets can be allocated to expenses such that the cash flows emerging from those assets match those from the expected expenses. Fixed interest assets can be allocated to non-profit business such that the cash flows emerging from those assets match closely those from the non-profit in force benefits. Index linked assets and cash can be allocated to index linked business such that the cash flows emerging from those assets match broadly those from the index-linked in force benefits. The remaining assets are allocated to with-profits business. Taking into account the nature and the term of this business, it is envisaged that there will be no future liquidity problems in a wide rage of investment scenarios. A significant proportion of the fund is held in British Government securities to allow for uncertainties of cash flows given the flexibility of the policies.

Other special reserves

8. (1) UK Accumulating With-Profits Pensions - Additional Reserves UWP

This reserve of £606.6m represents unattributable expenses, exceptional expenses, investment expense on unallocated funds and the potential cost of maintaining the current with-profits non-contractual termination terms. Descriptions of each of the principal elements of this reserve are detailed below.

Where appropriate, the assumptions used to determine this reserve are consistent with those assumptions defined in earlier section of this appendix. Those assumptions are combined with past experience to determine anticipated payments for the various components of the reserve. The likelihood of a payment being made has been based on past experience and expert advice (where appropriate).

- Unattributable Regular Expenses

  A provision is held for the regular administration costs of the Society in excess of the per policy loadings. This provision is calculated as the net present value of the projected budget which reduces at a rate related to the projected run off of the business.

- Exceptional Expenses

  A provision is held for anticipated additional expenses over future years, including contractual commitments to LBG in respect of pension scheme future service costs, anticipated additional costs associated with servicing policies in the medium term and non-recurring project costs.

- Investment Expenses

  An allowance for anticipated fund management expenses that are not covered in individual policy reserves elsewhere is included in this reserve.

- Non Contractual Withdrawals

  The reserve also includes an allowance for potential surrenders where the "surrender value" exceeds the "normal reserve" (as described in 4 (1) above).

(2) UK Non-Linked Pension (Other than Accumulating With-Profits) - Additional Reserves With-Profits OB

This reserve of £34.4m is the allowance made for unattributable expenses and exceptional expenses.

(3) UK Accumulating With-Profits Life - Additional Reserves UWP

This reserve of £18.5m represents unattributable expenses and the potential cost of maintaining the current with-profits non-contractual termination terms as detailed in section 4 (1) above.

(4) UK Non-Linked Life (Other than Accumulating With-Profits) – Additional Reserves With-Profits OB

This reserve of £4.4m is the allowance made for the potential cost of maintaining the current with-profits non-contractual termination terms as detailed in section 4 (1) above and unattributable expenses.

(5) Non UK Non-Linked Accumulating With-Profits – Additional Reserves UWP

This reserve of £8.1m is the allowance made for mis-selling claims against the Society and unattributable expenses.

(6) Non UK Non-Linked (Other than Accumulating With-Profits) - Additional Reserves With-Profits OB

This reserve of £11.5m is the allowance made for unattributable expenses.

Reinsurance details

9. (1) All reinsurance ceded on a facultative basis is with reinsurers who are authorised to carry on insurance business in the United Kingdom.

(2) (i) (d) The reinsurer is Halifax Life Limited.

(e) The reinsurer automatically provides cover in respect of 100% of the liabilities under all linked and non-profit policies, with the exception of immediate annuities in payment other than those arising from deferred annuity policies after 1 March 2001.

(f) The premium payable since the last investigation was £53.46m.

(g) There is no deposit-back arrangement.

(h) The treaty is open to new business.

(i) There is no undischarged obligation of the insurer.

(j) £2,202m of mathematical reserves were ceded under the treaty.

(k) There is nil retention by the insurer for new policies being ceded.

(l) The reinsurer is authorised to carry out insurance business in the United Kingdom.

(m) The Society and the reinsurer are not connected.

(n) The treaty is not subject to any material contingencies.

(o) Not applicable.

(p) There were no financing arrangements in force at 31 December 2011.

(ii) (d) The reinsurer is Clerical Medical Investment Group Limited (CMIG).

(e) The reinsurer automatically provides 100% of the liabilities in respect of units purchased in CMIG With-Profits fund which are available as an investment option for members of certain group pension schemes.

(f) The premium payable since the last investigation was £0.65m.

(g) There is no deposit back arrangement.

(h) The treaty is open to new business.

(i) There is no undischarged obligation of the insurer.

(j) £20m of mathematical reserves were ceded under the treaty.

(k) There is nil retention by the insurer for new policies being ceded.

(l) The reinsurer is authorised to carry out business in the United Kingdom.

(m) The Society and the reinsurer are not connected.

(n) The treaty is not subject to any material contingencies.

(o) Not applicable.

(p) There were no financing arrangements in force at 31 December 2011.

(iii) (d) The reinsurer is Clerical Medical Managed Funds Limited (CMMF).

(e) The reinsurer automatically provides 100% of the liabilities in respect of units purchased in CMMF funds which are available as an investment option for members of certain group pension schemes.

(f) The premium payable since the last investigation was £0.35m.

(g) There is no deposit back arrangement.

(h) The treaty is open to new business.

(i) There is no undischarged obligation of the insurer.

(j) £21m of mathematical reserves were ceded under the treaty.

(k) There is nil retention by the insurer for new policies being ceded.

(l) The reinsurer is authorised to carry out business in the United Kingdom.

(m) The Society and the reinsurer are not connected.

(n) The treaty is not subject to any material contingencies.

(o) Not applicable.

(p) There were no financing arrangements in force at 31 December 2011.

Reversionary bonus

10. Reversionary bonus has not been declared on classes of business where the mathematical reserves exceed the lesser of £10m and 1% of the total.

THE EQUITABLE LIFE ASSURANCE SOCIETY

REALISTIC VALUATION REPORT

Introduction

1. (1) The date of the valuation was 31 December 2011

   (2) The previous valuation was at 31 December 2010.

   (3) The date of the interim valuation was 30 June 2011.

   The Society has only one with-profits fund. Each of the following sections refers to that fund.

Assets

2. (1) With the exception of some annuity contracts, the Society's non-profit business is wholly reinsured. The economic assumptions used to determine the value of future profits arising from the non-profit insurance contracts that are not reinsured were:

Level and fixed escalation annuities

	Current Valuation	**Previous Valuation**
Earned rate of interest on Non-profit assets (gross)	3.26%	4.12%
Discount rate applied to future cash flows	5.76%	6.62%
Per policy expense rate pa	£10.00 p.a.	£3.13 p.a.
Expense inflation rate pa	3.20%	3.40%

The expense inflation rate shown is based on RPI inflation of 3.20% p.a. (previous valuation 3.40% p.a.).

Index-linked annuities

	Current Valuation	**Previous Valuation**
Earned real rate of interest on index-linked assets (gross)	(0.52)%	0.22%
Real discount rate applied to future cash flows	1.98%	2.72%
Per policy expense rate pa	£10.00 p.a.	£3.13 p.a.
Real expense inflation rate pa	0.00%	0.00%

Mortality bases

	Current Valuation	**Previous Valuation**
Pensions annuities:		
- male lives	80.00% PNML00 cmi 2010 (U=2011) #	92.50% PNMA00mc (U=2013) *
- female lives	70.00% PNFL00 cmi 2010 (U=2011) #	85.00% PNFA00mc (U=2013) *
BLAGAB annuities:		
- male lives	75.00% IML00 cmi 2010 (U=2011) #	72.5% IML00 Ult (U=2010) **
- female lives	77.5% IFL00 cmi 2010 (U=2011) #	77.5% IFL00 Ult (U=2010) **

the allowance for mortality improvements is based on the CMI 2010 improvements model with a long-term rate of improvement of 1.5%pa for males and 1.25% pa for females

* the allowance for mortality improvements for PNMA00mc/PNFA00mc is based on implied mortality improvements per PFA92mc/PFA92 mc, subject to a minimum improvement of 1.5%pa

** the allowance for mortality improvements for IML00/IFL00 Ult is based on implied mortality improvements per IMA92/IFA92, subject to a minimum improvement of 1.5%pa

(2) Not applicable

(3) Not applicable

(4) Not applicable

(5) Not applicable

With-Profits Benefits Reserve Liabilities

3. (1) The following table shows the valuation method used to calculate the realistic value of the liabilities for the various product types together with the amounts of the with-profits benefit reserve and the future policy related liabilities.

Product type	**Valuation Method**	**With-Profits Benefit Reserve £m**	**Future Policy Related Liabilities £m**
Conventional with-profits	P	78	(3)
Life RSP contract	R	85	(1)
Flexible Protection Plans	R	17	(4)
Pensions RSP (3.5% GIR)	R	2,767	864
Pensions RSP (0% GIR)	R	646	(29)
Total for these products		3,593	776
Aggregate de minimis contracts		16	(0)
Grand total		3,609	827

R=Retrospective Method, P=Prospective Method

The Future Policy Related liabilities shown are based on the future cost of contractual guarantees (line 41 of Form 19), less the future value of charges of 1.0% p.a. (as described in section 4.(4)) to be taken from investment returns (line 35 of Form 19) and the future value of profits on surrender (line 36 of Form 19).

The excess of the realistic estimate of future expenses (including an allowance for diseconomies of scale) over the future value of charges of 1.0% p.a. (as described in section 4.(3)) to be taken from investment returns is included in other long-term insurance liabilities (line 47 of Form 19).

(2) Not applicable.

(3) With-profits insurance contracts with total with-profits benefit reserves of £16m and future policy related liabilities of £0m were not modelled explicitly. To allow for these contracts the explicitly modelled liabilities were scaled up using the ratio of total regulatory reserves including these contracts to the total regulatory reserves excluding these contracts.

(4) Not applicable.

With-profits benefit reserves – Retrospective method

4. (1) (a) The methodology is unchanged from the previous year end. For all the Recurrent Single Premium that was valued on a retrospective basis 100% of the with-profits benefit reserve was calculated on an individual basis.

For Recurrent Single Premium business Policy Values have been established as a proxy for asset shares (and hence the with-profits benefit reserve).

(b) None.

(c) Not applicable.

(2) (a) None.

(b) Not applicable.

(3) (a) The date of the previous expense investigation was 31/12/10.

(b) Expense investigations are carried out every 12 months, and updated at regular intervals. The numbers in this section relate to the 12 months to 31 December 2011.

(c) (i) There were no initial expenses identified relating to the issue of new policies where the policyholder has a contractual right to take out a new policy. There were no other initial expenses.

(ii) A charge of 1%pa of the with-profits benefit reserve (amounting to approximately £37m) was made in respect of maintenance expenses that relate to the servicing, claims handling and management of the business.

(iii) expenses are charged to the with-profits benefits reserve by way of an expense charge of 1% pa deducted from all contracts. The expense charge is expected to remain at 1% pa.

(iv) £30m of expenses were categorised as exceptional expenses. These expenses are charged against specific provisions held on the balance sheet. In addition, an increase of £24m in the liability relating to the Staff Pension Scheme was categorised as exceptional expenses.

(4) A charge of 0.5% p.a. (2010: 1.0% p.a.) of Policy Values (the “charge for capital and cost of guarantees”) has been taken to make some allowance for the cost of guarantees incurred and to act as a buffer against risk and adverse experience.

(5) Not applicable

(6) Prior to 1 April 2011, claims paid comprised maturity values (being the higher of Policy Values and the guaranteed benefit) and surrender values (being Policy Values reduced by the financial adjustment which for UK policies was 5% during the first three months of 2011). The ratio of maturity claims to the corresponding Policy Values over the first three months of 2011 and over each of the three previous financial years was 100% (although more would have been paid out for cases where the guarantee bit). The corresponding ratio for surrenders/transfers was about 95% in each period.

Distribution of solvency capital commenced on 1 April 2011. This increased the ratio of maturity claim amounts to Policy Values from 100% to 112.5% and increased the ratio of surrender claim amounts to Policy Values from 95% to 106.9%. The financial adjustment remained unchanged at 5%.

(7) The investment return earned over the period from 31 December 2010 to 31 December 2011 was 9.6% (2010: 8.4%) before tax and expenses. There has been an increase of 2% in the with-profits benefit reserve for the period from 31 December 2010 to 31 December 2011. (2010: 0%) for with-profits recurrent single premium pension policies.

THE EQUITABLE LIFE ASSURANCE SOCIETY

REALISTIC VALUATION REPORT

With-profits benefits reserve – Prospective method

5. (1) For conventional with-profits business (whole of life and endowments) the key assumptions used in the prospective method of calculating the with-profits benefits reserve were:

(a) The discount rate applied to future benefits and premiums was 1.25% per annum. This is based on the risk free rate of around 1.75%, netted down for tax and rounded down.

(b) Not applicable.

(c) No assumption for future inflation of expenses is required in this methodology.

(d) Future reversionary bonuses are assumed to be zero. The following table of final bonus rates was used to calculate the policy values at the valuation date.

Elapsed Term - Yrs	Final Bonus Rate %
0	0
1	0
2	0
3	1
4	2
5	3
6	4
7	4
8	4
9	4
10	4
11	4
12	4
13	4
14	4
15	4
16	5
17	5
18	5
19	5
20	5
21	5
22	5
23	5
24	5
25	5
26	6
27	7
28	9
29	15
30	23
31	31

32	38
33	43
34	47
35	53
36	66
37	72
38	79
39	84
40	87
> 40	87

(e) Expenses are implicitly allowed for in the premiums valued.

(f) No allowance for surrenders was made.

(2) The methods in (1) involve only one set of key assumptions.

Costs of guarantees, options and smoothing

6. (1) Not applicable

(2) The methodology and assumptions are unchanged from the previous valuation.

All the with-profits insurance contracts mentioned in 3 (1) were valued using a market consistent stochastic model. All the contracts were grouped according to the following grouping rules:

Recurrent Single Premium – these contracts were grouped by outstanding term, ratio of final bonus to policy value (in 2% bands) and by the level of guaranteed interest rate (3.5% or 0% per annum).

For with-profits UK transfer plans and miscellaneous deferred annuities, a number of contracts have a Guaranteed Minimum Pension (GMP) underpin. These contracts also have the guarantees common to all Recurrent Single Premium business described above. For these policies the average cost of buying out the re-valued GMP annuity benefit at State Pension Age (SPA) was calculated based on 500 simulations using the mortality basis for non-profit annuities set out section 2.(1) above and risk-free yields for 10 year Zero Coupon Bonds at SPA. Allowance was also made for expenses in payment including diseconomies of scale between the valuation date and SPA.

Conventional Endowments – these contracts were grouped by original term and then by outstanding term.
Numbers of benefits before and after applying grouping rules:

Product type	Benefits	Model Points
Conventional with-profits	5,253	637
Life RSP contracts	11,267	170
FPPs	3,534	148
Pensions RSP 3.5%	561,906	5,696
Pensions RSP 0%	184,672	4,379
Total	766,632	11,030

The grouping bases were reviewed prior to the 2010 year-end valuation. In reviewing the grouping basis for each contract type, tests were done using 2009 year-end data with higher numbers of groups modelled. The value of the guarantee costs did not materially change. Therefore, no changes were made to the grouping bases.

(3) Not applicable.

(4) (a) (i) The methodology is unchanged from the previous year end.

For Recurrent Single Premium business there is a guarantee that the death benefit and the maturity benefit will not be less than the amount of the guaranteed fund plus any declared reversionary bonuses. The maturity guarantee applies where the policyholder retires on or after the Earliest Contractual Date (ECD) written into their policy. Most policies effected before 1 July 1996 have a guaranteed rate of interest of 3.5% that will be credited to the guaranteed amounts each year.

For the purpose of determining when policyholders will exit on contractual terms, policies have been split into 2 categories -those that have not yet reached the ECD and those that have passed that date.

The assumed retirement ages in relation to the ECD are shown in the following table. The assumptions used have changed from the assumptions used in the previous valuation.

	Policyholders Before ECD (years)	**Policyholders on or after ECD (years)**	**Original ECD**
Group Pensions	-1	10	NRA
Individual ("executive") Pensions	0	2	NRA
Personal Pensions (non-DSS)	8	12	55
Personal Pensions (DSS)	5	7	60
Retirement Annuities	5	10	60

where NRA = Normal Retirement Age

Policyholders already past the assumed retirement age were assumed to retire immediately. This assumption is unchanged from the previous valuation.

Managed Pension policies were assumed to mature evenly over the 3 year period beginning at the valuation date. This assumption is unchanged from the previous valuation.

For endowment assurances there is a guarantee that the amount payable on death and the maturity value will not be less than the sum assured and any declared reversionary bonuses.

For some with-profits UK transfer plans and miscellaneous deferred annuities there is a Guaranteed Minimum Pension (GMP) at State Pension Age (see section 6.(2) above).

A very small set of policies has guaranteed annuity options for which a provision of £8m is held. The provision was calculated deterministically, and increased by c70% to allow for stochastic variation.

For contracts other than conventional with-profits, the extent to which policy values exceeded guaranteed values at the valuation date, banded into percentages of policy values, is shown in the following table:

% In / Out of money*	Policy values (£m)	Percentage
-49% TO -30%	347	10%
-29% TO -20%	510	14%
-19% TO -15%	520	15%
-14% TO -10%	490	14%
-9% TO -5%	491	14%
-4% TO 0%	195	5%
1% TO 5%	198	6%
6% TO 10%	197	5%
11% to 15%	243	7%
16% to 20%	105	3%
21% TO 30%	162	5%
31% TO 50%	63	2%
51% TO 100%	2	0%
Total	3,523	100%

* Negative values indicate contracts currently “in the money” (i.e. where the current guaranteed fund exceeds the current policy value – this may change by maturity). The figures shown are percentages of policy value.

(a) (ii) The asset model used in the valuation is the Barrie & Hibbert Economic Scenario Generator.

Nominal short-term interest rates are assumed to follow a LIBOR Market Model with semi-annual timesteps. The risk-free curve has been fitted to the gilt curve, and the volatility of interest rates has been calibrated to the implied volatility of swaption prices.

In the Realistic Balance Sheet, liabilities are discounted at 0.06% above calibrated risk-free rates. This adjustment reflects the yields available on the risk-free assets held to back with-profits liabilities relative to yields implied by the calibrated yield curve. It also reflects the proportion of such assets. The adjustment made at the previous valuation was 0.02%.

The model for real short-term rates is similar in structure.

Price inflation is modelled as the difference between the nominal and real short-term rates.

Credit risk on corporate bonds is modelled using Barrie and Hibbert's credit model, which is an extension of the Jarrow-Landow-Turnbull model.

For equities and for properties, the ratios of total return in excess of the nominal short-term interest rate are assumed to be lognormally distributed with equity volatility varying by term, and a constant volatility assumption for property.

The volatility assumptions for the major classes of asset are chosen to be consistent with option market prices where available.

Barrie & Hibbert supply recommended parameters for use at each valuation, which are analysed before acceptance and use.

For the Realistic Balance Sheet, a risk-neutral set of parameters has been calibrated to be market-consistent. Barrie & Hibbert conduct a survey of OTC (over the counter) derivative price quotes from investment banks every quarter. These prices are used to update the market consistent calibrations every quarter.

At 31 December 2011, equity volatility is assumed to be as shown below, calibrated to implied volatilities on at-the-money FTSE 100 options varying by term as follows:

Term	**Implied Volatility**
1 year	23.7%
2 years	24.2%
3 years	25.0%
5 years	25.5%
7 years	26.6%
10 years	27.2%

Over longer terms the excess volatility tends to 27.3%. This is Barrie & Hibbert's best estimate of long term excess volatility from their research.

Property volatility is assumed to be 15%. As it is not currently possible to observe meaningful option prices (and hence derive volatilities), this is based on Barrie & Hibbert's best estimate from their research.

Property Unit Trusts (PUTs) are modelled as property. These vehicles have issued a significant amount of debt in order to finance the property development. The market value of the PUTs modelled reflects the total exposure to property prices, with the amount of the debt being offset against cash in the with-profits fund.

Swaption volatilities implied by the calibration vary by term and duration with those obtained from market data. The fitting method is least squares over the swaption volatility surface with additional weight applied to options on 20 year swaps. The swaption volatilities from the Barrie & Hibbert ESG are shown in the following table. The volatilities shown are for at-the-money swaptions.

Option Term (years)	**Swap Term (years)**				
	1	**5**	**10**	**20**	**30**
5	43.4%	28.1%	24.1%	21.2%	20.0%
10	20.9%	19.5%	18.0%	16.1%	15.0%
15	18.4%	17.6%	16.2%	14.8%	13.4%
20	16.4%	16.1%	15.3%	13.8%	12.3%
25	16.2%	16.4%	15.4%	13.5%	12.0%

Correlations

Barrie & Hibbert also specified a correlation matrix. The risk-neutral correlations between equities and bonds and equities and short-term interest rates were derived from an analysis of historical data.

Key correlations are:

Equities / Government Bonds	+13%
Equities / Short Term Interest Rates	-9%
Equities / Property	+35%
Property / Government Bonds	+10%
Property / Short Term Interest Rates	-10%

These correlations are based on excess returns over cash rather than total returns

(a) (iii)

		Asset type (all UK assets)	**K=0.75**			
	n		5	15	25	35
	r	Annualised compound equivalent of the risk free rate assumed for the period.(to two decimal places)	1.04%	2.75%	3.28%	3.36%
1		Risk-free zero coupon bond	949,565	666,004	445,949	314,487
2		FTSE All Share Index (p=1)	98,224	240,306	339,208	415,643
3		FTSE All Share Index (p=0.8)	95,044	205,922	264,429	301,219
4		Property (p=1)	31,498	107,553	177,100	235,955
5		Property (p=0.8)	29,634	83,555	121,172	148,610
6		15 year risk free zero coupon bonds (p=1)	17,781	13,763	12,001	25,212
7		15 year risk free zero coupon bonds (p=0.8)	16,902	8,957	4,134	3,834
8		15 year corporate bonds (p=1)	7,990	22,757	47,145	94,030
9		15 year corporate bonds (p=0.8)	7,407	14,572	22,779	42,368
10		Portfolio of 65% FTSE All Share and 35% Property (p=1)	55,412	162,354	246,290	314,542
11		Portfolio of 65% FTSE All Share and 35% Property (p=0.8)	52,968	133,346	181,397	214,069
12		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)	44,105	125,558	195,742	254,771
13		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)	41,929	100,397	138,438	165,717
14		Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	22,061	75,090	130,108	180,444
15		Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	20,631	55,479	82,765	104,807
			L=15			
16		Receiver swaption	18.08%	12.09%	9.99%	8.07%

		Asset type (all UK assets)	**K=1**			
	n		5	15	25	35
	r	Annualised compound equivalent of the risk free rate assumed for the period.(to two decimal places)	x	x	x	x
1		Risk-free zero coupon bond	x	x	x	x
2		FTSE All Share Index (p=1)	228,684	405,059	521,783	613,521
3		FTSE All Share Index (p=0.8)	222,389	351,583	412,053	451,095
4		Property (p=1)	133,089	242,357	331,339	403,818
5		Property (p=0.8)	127,334	195,815	236,239	264,602
6		15 year risk free zero coupon bonds (p=1)	79,699	70,404	94,868	139,192
7		15 year risk free zero coupon bonds (p=0.8)	75,365	43,706	31,861	38,785
8		15 year corporate bonds (p=1)	64,032	100,852	160,387	233,802
9		15 year corporate bonds (p=0.8)	59,645	67,759	83,411	114,868
10		Portfolio of 65% FTSE All Share and 35% Property (p=1)	170,155	311,529	413,224	496,326
11		Portfolio of 65% FTSE All Share and 35% Property (p=0.8)	164,146	261,735	311,752	346,531
12		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)	152,133	262,534	349,624	423,223
13		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)	146,350	215,741	255,294	283,638
14		Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	112,285	195,247	269,233	334,901
15		Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	106,847	152,072	182,143	206,143
			L=20			
16		Receiver swaption	21.00%	15.07%	12.37%	9.80%

		Asset type (all UK assets)	**K=1.5**			
	n		5	15	25	35
	r	Annualised compound equivalent of the risk free rate assumed for the period.(to two decimal places)	x	x	x	x
1		Risk-free zero coupon bond	x	x	x	x
2		FTSE All Share Index (p=1)	600,517	789,201	923,260	1,036,572
3		FTSE All Share Index (p=0.8)	587,684	695,592	740,821	773,702
4		Property (p=1)	522,070	618,544	714,752	798,052
5		Property (p=0.8)	508,021	522,581	536,207	549,636
6		15 year risk free zero coupon bonds (p=1)	499,131	486,477	499,761	535,678
7		15 year risk free zero coupon bonds (p=0.8)	483,749	373,148	301,328	276,894
8		15 year corporate bonds (p=1)	496,894	507,979	561,609	635,352
9		15 year corporate bonds (p=0.8)	481,512	396,961	366,822	376,919
10		Portfolio of 65% FTSE All Share and 35% Property (p=1)	550,266	685,868	801,059	901,717
11		Portfolio of 65% FTSE All Share and 35% Property (p=0.8)	536,783	592,564	623,095	648,347
12		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)	532,330	628,844	721,655	811,182
13		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)	518,689	536,318	548,804	568,133
14		Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	506,914	561,391	635,928	714,988
15		Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	492,555	466,290	463,213	473,832
			L=25			
16		Receiver swaption	23.77%	17.74%	14.37%	11.08%

(a) (iv) The initial net yields on equities and property were taken as 3.6% and 4.3% respectively.

(a) (v) Not applicable

(a) (vi) For contracts other than conventional with-profits, the distribution of contracts that currently have guaranteed values greater or less than policy values is shown in the following table:

Guaranteed values greater than policy values		
Outstanding Term	**Policy Value (£m)**	**Percentage**
20 to 40 Years	195	8%
10 to 20 Years	1,030	40%
5 to 10 Years	859	34%
0 to 5 Years	470	18%
Whole Life*	0	0%
Total	2,554	100%

Guaranteed values less than policy values		
Outstanding Term	**Policy Value (£m)**	**Percentage**
20 to 40 Years	112	12%
10 to 20 Years	276	28%
5 to 10 Years	283	29%
0 to 5 Years	298	31%
Whole Life*	0	0%
Total	969	100%

* A small number of Recurrent Single Premium life policies (Critical Illness and Major Medical Plans) are written as whole of life policies.

The asset model has been calibrated to UK Government Bonds using Gilt Strips for a range of terms.

The model is calibrated to implied volatilities. The asset model produces:

- An equity implied volatility of 26.7% over ten years for the total return index. For comparison, the implied volatility of a ten-year at-the-money equity capital return index put option used for calibrating the model was 27.2%.

- Property volatility over ten years of 15.4% p.a. For comparison, the implied volatility assumption used for calibrating the model was 15%.

- Zero coupon bond volatilities varying by outstanding term to redemption as follows:

Term (years)	**Average expected volatility over next 20 years (%)**
1	3.2%
5	5.1%
10	6.7%
15	12.5%
20	15.3%
25	17.5%

- Average correlations between asset classes as follows:
  - Total equity return and 10 year bond return: 12.7%
  - Total equity return and short term interest rates -8.9%
  - Total equity return and property return: 34.8%
  - Property return and 10 year bond return: 11.3%
  - Property return and short term interest rates -9.5%

These correlations are based on excess returns over cash rather than total returns.

Correlations with bonds of shorter and longer terms were similar to those shown above.

(a) (vii) The risk-free rate implied by the economic scenarios is compared against the calibrated risk free rate.

Checks were also made to ensure that the present value of future income, gains and losses on bonds, property and equities equal the starting market values of the assets.

(a) (viii) The results are based on 5000 simulations. Results based on batches of 500 simulations show that increasing the number of simulations increases the accuracy of the results based on the assumptions used.

(b) Not applicable.

(c) Not applicable.

(5) (a) In the projection of assets and liabilities it has been assumed that Policy Values (and hence the with-profits benefit reserve) would be changed in line with the change to the market value of assets. Any residual excess of assets over liabilities would be distributed over the lifetime of the existing business, but this has not been allowed for. In Form 19, any residual excess of assets over liabilities would be included under planned enhancements to with-profits benefits reserve (line 34) such that the working capital is zero.

In the projection of assets and in line with planned investment strategy it is also assumed that the fund is rebalanced at the end of each year to a year dependant target asset mix. The initial asset mix at the end of 2011 comprises of 6% equities, 4% property, 71% fixed interest assets (33% gilts and 38% corporate bonds) and the remainder in cash asset types. The projection of assets in future years comprises of a reduction to 0% property by the end of 2012 and a phased reduction to 0% equity by the end of 2016. The target asset mix for the end of 2016 comprises of 75% fixed interest assets (42% gilts and 33% corporate bonds) with the remainder in cash asset types. At the previous valuation the initial asset mix was 8% equities, 8% property, 69% fixed interest assets (37% gilts and 32% corporate bonds) and the remainder in cash type assets. At the previous valuation the target asset mix for the end of 2016 and onwards was 73% fixed interest assets (41% gilts and 32% corporate bonds) and the remainder in cash type assets.

(b) Future proportion of assets backing the with-profits benefit reserve which consists of equities:

	31/12/2011	**31/12/2016**	**31/12/2021**
(i) Base scenario	1.9%	0%	0%
(ii) Yields increase by 17.5%	1.6%	0%	0%
(iii) Yields reduce by 17.5%	1.6%	0%	0%

A further 0.6% of assets (allowing for gearing) were invested in Property Unit Trusts and a further 3.5% of assets were directly invested in property at the current valuation. It is assumed that by the end of 2012 the proportion of properties held will fall to 0%,.

As described in section 10(b)(i), the assumed asset mix to which the fund is rebalanced each year is changed in stress scenarios. The initial investment mix described in section 6(5)(a) is replaced by the initial asset mix immediately following application of the stress in the stress scenario being considered. The phased reduction of equity and property assets would still apply. The resulting percentages, as shown in the table above, are maintained over time through rebalancing the portfolio as required.

Future declared reversionary bonus rates are assumed to be zero throughout the projection period (unchanged from previous year end).

(6) Policyholders are assumed to take benefits on non-contractual terms at the following rates. Some of the assumptions have changed from those used at the previous valuation:

Product		Surrender rate			
		Initial Rate		Ultimate Rate	
		Current Valuation	Previous Valuation	Current Valuation	Previous Valuation
Group AVC	surrender	3.0%	4.0%	1.5%	1.5%
Group Money Purchase	surrender	3.0%	4.0%	1.5%	1.5%
Individual ("executive") Pensions	surrender	2.0%	2.5%	1.5%	1.5%
Personal Pensions (non-DSS)	surrender	2.0%	3.0%	1.5%	1.5%
Personal Pensions (DSS)	surrender	2.0%	3.0%	1.5%	1.5%
Retirement Annuities	surrender	2.0%	3.0%	1.5%	1.5%
Life Business	surrender	3.0%	5.0%	1.5%	1.5%
Single premium bonds	automatic withdrawals	5.0%	5.0%	5.0%	5.0%

The surrender assumptions do not vary by policy year. They vary by duration from the valuation date. The assumed rate in the year following the valuation is the "Initial Rate" in the table above. Thereafter, the surrender rate is assumed to reduce by 0.5% each year until it reaches the "Ultimate Rate" in the table above.

The paid-up assumptions were that no further contributions would be made to policies, except where contractually required to maintain the policy.

For Recurrent Single Premium life policies it was assumed that, with the exception of the surrenders described above, all policyholders would take their benefits at their 10th anniversary dates (or, where policies have been extended, the next date at which any benefit could be taken on contractual terms).

For Conventional with-profits policies it was assumed that, with the exception of the surrenders described above, all policyholders would take benefits on the date their policies mature.

(7) It was assumed that policyholders would make no further contributions to policies, except where contractually required to maintain the policy. Surrender rates are assumed not to vary by economic scenario. It was assumed that there would be no changes to retirement behaviour in low interest rate scenarios.

A sensitivity analysis has been carried out to illustrate the potential impact on planned enhancements to with-profits benefits reserve of GIRs on RSP business under certain scenarios modelled on a stochastic basis, where the results are aggregated and the average liability is calculated. If investment returns fall below a given level, it is possible that policyholders may defer their retirement. If policyholders defer their retirement by up to 5 years (from that previously assumed), while the interest rate in the scenario is below 2.5%, then the planned enhancements would reduce by £160m. If the level of interest rates at which behaviour changes is 3.5% and the same period of deferment is assumed, the amount is £190m. If the deferral were for a period of up to 10 years, the amounts are £245m at 2.5% and £310m at 3.5% respectively.

The Society has purchased a series of receiver swaptions with a range of terms. The purpose of these swaptions is to provide additional capital when interest rates on similar fixed-interest securities are anticipated to fall. These swaptions are designed to partially mitigate any increase in liabilities for RSP policies with a non–zero GIR if policyholders defer their retirement plans. The total market value of the swaptions at 31 December 2011 was £80m. A fall in interest rates of 1.0% at all terms would increase the value of the swaptions by £54m and a similar increase would decrease the value by £34m.

Financing Costs

7. Not applicable.

Other long-term insurance liabilities

8. The total provision of £318.8m is composed of the following elements:

	£m
Regular expenses	239.3
Exceptional expenses	77.5
Legal claims	2.0
Total other long-term insurance liabilities	318.8

A regular expenses provision of £239.3m has been established against potential higher future costs arising as the fund runs off. The aim is to be able to maintain a stable percentage point charge (of 1%pa) to with-profits policies for regular expenses.

The exceptional expenses provision of £77.5m includes costs of implementing changes in the administration IT systems provider, contractual commitments to LBG in respect of pension scheme future service costs and anticipated additional costs associated with servicing policies in the medium term.

The provision of £2m for legal claims is in respect of legal claims made in Germany against the Society.

Realistic current liabilities

9. These liabilities include tax and social security creditors, other creditors arising out of direct insurance operations and a liability relating to the former staff pension scheme (£100m). The total realistic current liabilities of £231m are the same as the regulatory valuation current liabilities.

Risk Capital Margin

10. (a) The Risk Capital Margin at 31 December 2011 was zero. This is a consequence of reducing the planned enhancements to policyholders as described in section 10(b)(i) below. The stress scenarios described below were tested:

(i) The scenarios tested were rises and falls in the values of equities and property of 20% and 12.5% respectively. These percentages were applied to both UK and non-UK assets. The scenario where the market values of equities and property fell was the most onerous scenario.

(ii) The scenarios tested were a rise and fall of 17.5% of the long term gilt yield (being 43.31 basis points) for yields at all durations. The scenario where yields fall was the most onerous scenario prior and after to the impact of management actions.

(iii) (a) The credit risk scenario resulted in an average increase in the spread of about 86 basis points in respect of corporate bonds in the with-profits fund. The resultant fall in market values was approximately 6.7% of the total value of those bonds.

(b) Not applicable

(c) The credit risk event was not applied to the portfolio of business that is reassured with Lloyds Banking Group.

(d) Not applicable

(e) Not applicable

(iv) The overall increase in the realistic value of the liabilities as a result of applying the persistency stress was 0.9%.

(v) Not applicable

(b) (i) In the stress scenarios it has been assumed that when asset values fall at the start of the projection there will be an immediate reduction in policy values equal to the same percentage reduction. When asset values increase due to a fall in yields no further change in the policy values was assumed.

In the stress scenarios where yields rise it has been assumed that the charge for capital and cost of guarantees is increased from 1% to 1.25%. In the stress scenarios where yields fall it has been assumed that the charge for capital and cost of guarantees is increased from 1% to 1.5%.

In the stress scenarios the value of the swaptions changes. In the stress scenarios where yields rise the value of assets was reduced by the £17m fall in the value of the swaptions. In the stress scenarios where yields fall the swaptions increased in value by £20m. However, the value of assets was not adjusted as it was assumed that the increase would be exactly offset by the impact of RSP policyholders deferring their retirement plans.

In the stress scenarios it is assumed that the target asset mix to which the fund is rebalanced at the end of each year, as described in section 6(5)(a), is changed with the fund instead being rebalanced each year to the actual asset mix immediately following application of the stresses.

(ii) The reduction to policy values, changes to asset mix as described above and increase in charges described in section 10(b)(i) above reduces the RCM. The amount of the RCM calculated before and after these changes would be as follows:

Stress scenario	**Before**	**After**
Yields rise	£193m	£98m
Yields fall	£221m	£143m

As described in section 6(5)(a), any residual excess of assets over liabilities would be included under planned enhancements to with-profits benefits reserve such that the Working Capital remains zero. Therefore the Risk Capital Margin is zero.

(iii) Changing the asset mix in the stress scenarios, as described above, results in the equity backing ratios as shown in the table below.

	31/12/2011	**31/12/2016**	**31/12/2021**
Yields increase by 17.5% without management action	1.6%	0%	0%
Yields reduce by 17.5% without management action	1.6%	0%	0%
Yields increase by 17.5% with management action	1.6%	0%	0%
Yields reduce by 17.5% with management action	1.6%	0%	0%

There are assumed to be no future declared reversionary bonuses.

(iv) The Society does not accumulate past experience of the cost of guarantees and charges .The future cost of guarantees is in excess of the value of future charges and this is also the case in the stress scenarios considered in the RCM. i.e. the requirements of INSPRU 1.3.188R would be met.

(c) (i) No assets are required to cover the risk capital margin.

(ii) Not applicable.

11. **Tax**

Tax is payable on an “I-E” basis for life business. The tax payable is deducted from future increases to policy values (or their equivalents).

12. **Derivatives**

The Society holds a series of swaptions to partially mitigate the impact of RSP pensions policyholders deferring their retirement plans during periods of low interest rates. Margining is used to provide appropriate collateral. The total market value of the swaptions at 31 December 2011 was £80m (£35m at 31 December 2010).

The Society holds US Dollar forward exchange contracts to reduce its exposure to exchange rate movements. At 31 December 2011 the nominal amount of the contracts net of long positions was US$107m (US$136 at 31 December 2010).

13. **Analysis of change in working capital**

The movement in the Working Capital over the year has been analysed as follows:

Item	**Effect (£m)**
Add back opening zeroisation impact	693
Investment return on the opening working capital	47
Mismatch profits and losses on assets backing the future policy related liabilities	(446)
Economic assumption changes	6
Other valuation assumption changes	(29)
Investment variance	328
Demographic and expense variance	(57)
Change in provisions and current liabilities	(24)
Modelling changes	-
Other	2
Closing zeroisation impact	(520)
Total change	0

14. **Optional Disclosure**

Not applicable

RETURNS UNDER INSURANCE COMPANIES LEGISLATION

THE EQUITABLE LIFE ASSURANCE SOCIETY

FINANCIAL YEAR END 31 DECEMBER 2011

ADDITIONAL INFORMATION AS REQUIRED BY IPRU (INS) 9.29

(a) All derivative transactions may only be entered into following prior approval by the Society's Executive Investment Committee, which operates within guidelines set by the Board. In all cases, use of derivative instruments is restricted to the purpose of managing exposure and reducing risk. No derivative contracts were entered into on a speculative basis.

(b) There are no specific guidelines for the use of contracts not reasonably likely to be exercised. However, the Society's Board only allows the use of derivatives for the purpose of efficient portfolio management or to reduce risk.

(c) The fund holds receiver swaptions, at a range of terms, to partially hedge guaranteed investment return risk within the fund. Each position pays out if 10-year swap rates are below 4.5% at the time of exercise. The strike of 4.5% is at a high enough level that the Society considers itself not to have entered into contracts not reasonably likely to be exercised. As at 31 December 2011, 100% of the swaption holdings by value are 'in the money'.

(d) The Society did not, at any time during the financial year, hold a derivative contract which required a significant provision to be made for it under INSPRU 3.2.17R or (where appropriate) did not fall within the definition of a permitted derivative contract.

(e) The Society did not grant any rights under derivative contracts during the year.

RETURNS UNDER INSURANCE COMPANIES LEGISLATION

THE EQUITABLE LIFE ASSURANCE SOCIETY

FINANCIAL YEAR END 31 DECEMBER 2011

ADDITIONAL INFORMATION AS REQUIRED BY IPRU (INS) 9.30

The Society has no shareholder controllers because it is a mutual company.

RETURNS UNDER INSURANCE COMPANIES LEGISLATION

THE EQUITABLE LIFE ASSURANCE SOCIETY

FINANCIAL YEAR END 31 DECEMBER 2011

CERTIFICATE REQUIRED BY IPRU(INS) 9.34 AND APPENDIX 9.6

We certify that:

1) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU;

2) we are satisfied that:

   a) throughout the financial year ended 31 December 2011 and other than as specified below, the Society has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS), PRU, GENPRU and INSPRU (as applicable); and

      The Society is dependent on the delivery of administration and investment services by the Lloyds Banking Group ("LBG"), under the agreement for administration and management services dated 1 March 2001 which ended on 5 June 2011 and subsequently under the Hosting Services Agreement dated 24 January 2011 for the period 6 June 2011 until 31 December 2011

      The Society is reliant on the systems and controls operated by LBG and in making the above statement in respect of SYSC, the directors have relied upon information received from and appropriate disclosures having been made by LBG to the Society.

   b) other than as specified in (a) it is reasonable to believe that the Society has continued so to comply subsequently, and will continue so to comply in future;

3) in our opinion, premiums for contracts entered into during the financial year ended 31 December 2011 and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the Society that are available for the purpose, to enable the Society to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;

4) the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14 constitute proper provision as at 31 December 2011 for the long-term insurance liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before 31 December 2011) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;

5) the with-profits fund has been managed in accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COBS 20.3; and

6) we have, in preparing the return, taken and paid due regard to:

a) advice from the actuary appointed by the Society to perform the actuarial function in accordance with SUP 4.3.13R; and

b) advice from the actuary appointed by the Society to perform the with-profits actuary function in accordance with SUP 4.3.16AR.

Ian Brimecome, Chairman

Chris Wiscarson, Chief Executive

Keith Nicholson, Director

23rd March 2012

RETURNS UNDER INSURANCE COMPANIES LEGISLATION

THE EQUITABLE LIFE ASSURANCE SOCIETY

AUDITORS' REPORT: REGULATORY RETURN FOR A LIFE INSURANCE COMPANY

FINANCIAL YEAR END 31 DECEMBER 2011

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS PURSUANT TO RULE 9.35 OF THE INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS

We have audited the following documents prepared by the Society pursuant to the Accounts and Statements Rules set out in Part I and Part IV of Chapter 9 to IPRU(INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Prudential Sourcebook for Insurers ('the Rules') made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000:

- Forms 2, 3, 13, 14, 17 to 19, 40 to 43, 48, 49, 56, 58 and 60, (including the supplementary notes on pages 54 to 59)('the Forms');

- the statement required by IPRU(INS) rule 9.29 on page 99 ('the statement'); and

- the valuation reports required by IPRU(INS) rule 9.31 on pages 60 to 98 ('the valuation reports'); and

We are not required to audit and do not express an opinion on:

- Forms 46 to 47, 50 to 54, 57, 59A and 59B (including the supplementary notes on pages 54 to 59);

- the statements required by IPRU(INS) rules 9.30 and 9.36 on pages 100 and 106; and

- the certificate required by IPRU(INS) rule 9.34(1) on pages 101 to 102 ('the Certificate').

Respective responsibilities of the insurer and its auditors

The Society is responsible for the preparation of an annual return (including the Forms, the statement and the valuation reports) under the provisions of the Rules. The requirements of the Rules have been modified by a direction issued under section 148 of the Financial Services and Markets Act 2000 on 21 December 2007. Under IPRU(INS) rule 9.11 the Forms, the statement and the valuation reports are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the Society and used to perform the actuarial investigation as set out in the valuation report and the realistic valuation report, prepared in accordance with IPRU(INS) rule 9.31 are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

It is our responsibility to form an independent opinion as to whether the Forms, the statement and the valuation reports meet these requirements, and to report our opinion to you. We also report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Forms, the statement and the valuation reports are not in agreement with the accounting records and returns; or
- we have not received all the information we require for our audit.

This report has been prepared for the directors of the Society to comply with their obligations under IPRU(INS) rule 9.35 and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose save where expressly agreed by our prior consent in writing.

Basis of opinion

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (Revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statement and the valuation reports. The evidence included that previously obtained by us relating to the audit of the financial statements of the Society for the financial year. It also included an assessment of the significant estimates and judgements made by the Society in the preparation of the Forms, the statement and the valuation reports.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the statement and the valuation reports are free from material misstatement, whether caused by fraud or other irregularity or error and comply with IPRU(INS) rule 9.11.

In accordance with IPRU(INS) rule 9.35 (1A), to the extent that any document, Form, statement, analysis or report to be examined under IPRU(INS) rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to IPRU(INS) rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the Society.

Opinion

In our opinion:

(i) the Forms, the statement and the valuation reports fairly state the information provided on the basis required by the Rules as modified and have been properly prepared in accordance with the provisions of those Rules; and

(ii) the methods and assumptions determined by the Society and used to perform the actuarial investigation as set out in the valuation reports appropriately reflect the requirements of INSPRU 1.2 and 1.3.

PricewaterhouseCoopers LLP
Chartered Accountants

23 March 2012

RETURNS UNDER INSURANCE COMPANIES LEGISLATION

THE EQUITABLE LIFE ASSURANCE SOCIETY

FINANCIAL YEAR END 31 DECEMBER 2011

STATEMENT OF INFORMATION REQUIRED BY IPRU (INS) 9.36

R Merry was the With-Profits Actuary for the Society throughout the year. The particulars to be given in compliance with IPRU (INS) 9.36 are:-

a) Shareholding

R Merry had no interest in any shares or debentures issued by the Society.

b) Pecuniary Interest

R Merry holds unit-linked benefits in the AVC Scheme of the Equitable Pension Fund and Life Assurance Scheme under which premiums of £1,400 were paid during 2011.

c) Aggregate Remuneration

Until 6 June 2011, R Merry's services as With-Profits Actuary were supplied under a contract of administration between the Society and a subsidiary of HBOS plc, which is part of Lloyds Banking Group. R Merry was employed by companies in the Lloyds Banking Group during the period in question.

For the period 6 June 2011 to 31 December 2011, R Merry was directly employed by the Society as With-Profits Actuary and his aggregate amount of remuneration for the period was £61,387.

R Merry was not a Director of the Society.

d) Other Pecuniary Benefits

For the period 6 June 2011 to 31 December 2011, R Merry was directly employed by the Society and received:

Pension benefits and life assurance through the Equitable Pension Fund and Life Assurance Scheme in common with other eligible employees. The costs of the Scheme are met by The Equitable Life Assurance Society.

Sickness benefits in common with other eligible employees, the costs of which are met by The Equitable Life Assurance Society.

R Merry received no other pecuniary benefit from the Society.

The Society requested R Merry to furnish the particulars specified in IPRU (INS) 9.36.

The above particulars were furnished by R Merry and they agree with the Society's records.