

Equitable Life

THE EQUITABLE LIFE ASSURANCE SOCIETY

Annual FSA Insurance Returns
for the year ended
31 December 2012

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

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Statement of solvency - long-term insurance businessName of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2012**

Adjusted solo solvency calculation

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	R2	37038	GL	31	12	2012	£000
						As at end of this financial year	As at end of the previous year
						1	2

Capital resources

Capital resources arising within the long-term insurance fund	11	366941	437251
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	366941	437251

Guarantee fund

Guarantee fund requirement	21	78758	79716
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	288183	357534

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	236274	239149
Resilience capital requirement	32		
Base capital resources requirement	33	2238	2292
Individual minimum capital requirement	34	236274	239149
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	236274	239149
Excess (deficiency) of available capital resources to cover 50% of MCR	37	248804	317676
Excess (deficiency) of available capital resources to cover 75% of MCR	38	189736	257889

Enhanced capital requirement

With-profits insurance capital component	39	130667	198102
Enhanced capital requirement	40	366941	437251

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	366941	437251
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		
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Covering Sheet to Form 2

Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2012**

.....
Ian Brimecome, Chairman

.....
Chris Wiscarson, Chief Executive

.....
Simon Small, Finance Director

.....
London, 22nd March 2013

Components of capital resourcesName of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2012**

	Company registration number	GL/ UK/ CM	day month year			Units	
	R3	37038	GL	31	12	2012	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		1	2	3		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		368093	368093	438663	
Fund for future appropriations	15					
Core tier one capital in related undertakings	16					
Core tier one capital (sum of 11 to 16)	19		368093	368093	438663	

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		368093	368093	438663	
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		368093	368093	438663	

Components of capital resourcesName of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2012**

	Company registration number	GL/ UK/ CM	day month year			Units	
	R3	37038	GL	31	12	2012	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		1	2	3		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				

Components of capital resourcesName of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2012**

	Company registration number	GL/ UK/ CM	day month year			Units	
	R3	37038	GL	31	12	2012	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		1	2	3		4	

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		368093	368093	438663
Inadmissible assets other than intangibles and own shares	73		1152	1152	1412
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		366941	366941	437251

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		366941	366941	437251
Available capital resources for 50% MCR requirement	82		366941	366941	437251
Available capital resources for 75% MCR requirement	83		366941	366941	437251

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				

Analysis of admissible assetsName of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2012**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	2012	£000	10
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings			11			113587	173528	

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	21216	27491
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	166	197	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	39569	77647	
Rights under derivative contracts	44	540	4826	
Fixed interest securities	Approved	45	2714761	2807528
	Other	46	1908538	1955611
Variable interest securities	Approved	47	760710	472102
	Other	48		
Participation in investment pools	49			
Loans secured by mortgages	50	503	607	
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52	240	283	
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	310508	527928
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	261636	288188
	Property linked	59		

Analysis of admissible assetsName of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2012**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	2012	£000
					10	
					As at end of this financial year	As at end of the previous year
					1	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	3597	4062
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	4998	808
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	13739	10505
	due in more than 12 months	79		

Other assets

Tangible assets	80	866	1474
Deposits not subject to time restriction on withdrawal with approved institutions	81	9408	8746
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	72946	82103
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	2188	1142

Deductions from the aggregate value of assets	87	1239	
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	6238477	6444776
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Analysis of admissible assetsName of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2012**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	2012	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	6238477	6444776
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	1152	1412
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	2388888	2243831
Other asset adjustments (may be negative)	101	64968	(19653)
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	8693486	8670367
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Long term insurance business liabilities and marginsName of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2012**Total business/Sub fund **ORDINARY LONG TERM**Units **£000**

As at end of this financial year	As at end of the previous year
1	2

Mathematical reserves, after distribution of surplus	11	5732592	5776046	
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	5732592	5776046	
Claims outstanding	Gross	15	14119	13771
	Reinsurers' share	16		
	Net (15-16)	17	14119	13771
Provisions	Taxation	21	67	
	Other risks and charges	22	52920	100000
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	6919	7686
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36	5999	4794	
Creditors	Taxation	37	359	1282
	Other	38	40508	88461
Accruals and deferred income	39	18053	15485	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	138944	231480	
Excess of the value of net admissible assets	51	366941	437251	
Total liabilities and margins	59	6238477	6444776	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	12330	4794
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	5871537	6007526
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	2388888	2243831
Other adjustments to liabilities (may be negative)	74	433061	419010
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	8693486	8670367

Analysis of derivative contractsName of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2012**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	2012	£000	10
Derivative contracts		Value as at the end of this financial year				Notional amount as at the end of this financial year			
		Assets 1		Liabilities 2		Bought / Long 3		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		540			6301	50729	
	Mortality	20							
Other	21								
In the money options	Swaptions	31	88173			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	88713			791301	50729		
Adjustment for variation margin		52	(89412)						
Total (51 + 52)		53	(699)						

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.

With-profits insurance capital component for the fundName of insurer **Equitable Life Assurance Society**With-profits fund **ORDINARY LONG TERM**Financial year ended **31 December 2012**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	6238477	6444776
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	911365	898377
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	43041	43591
	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	5284072	5502809
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	4821228	4877669
	Regulatory current liabilities of the fund	22	138944	231480
	Total (21+22)	29	4960172	5109149
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	193233	195558
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	5153405	5304707
Regulatory excess capital (19-39)		49	130667	198102

Realistic excess capital

Realistic excess capital	51		
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Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	130667	198102
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	130667	198102

Realistic balance sheet

Name of insurer **Equitable Life Assurance Society**
 With-profits fund **ORDINARY LONG TERM**
 Financial year ended **31 December 2012**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic value of assets available to the fund

Regulatory value of assets	11	5284072	5502809
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	(841)	11163
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	5283231	5513971
Support arrangement assets	27		
Assets available to the fund (26+27)	29	5283231	5513971

Realistic value of liabilities of fund

With-profits benefit reserve	31	3370763	3609165	
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	586867	519466
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	287723	288489
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36	13216	14539
	Future costs of contractual guarantees (other than financial options)	41	1179933	1129933
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	8763	8083
	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	298900	318873
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	1773524	1673327	
Realistic current liabilities of the fund	51	138944	231480	
Realistic value of liabilities of fund (31+49+51)	59	5283231	5513971	

Realistic balance sheetName of insurer **Equitable Life Assurance Society**With-profits fund **ORDINARY LONG TERM**Financial year ended **31 December 2012**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
--	--

Realistic excess capital and additional capital available

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	5283231	5513971
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	5283231	5513971
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		

Long-term insurance business : Revenue account

Name of insurer **Equitable Life Assurance Society**
 Total business / subfund **ORDINARY LONG TERM**
 Financial year ended **31 December 2012**
 Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	32611	60625
Investment income receivable before deduction of tax	12	232288	240677
Increase (decrease) in the value of non-linked assets brought into account	13	178318	232396
Increase (decrease) in the value of linked assets	14	(1116)	44805
Other income	15	3758	3582
Total income	19	445860	582086

Expenditure

Claims incurred	21	428897	435196
Expenses payable	22	57596	89434
Interest payable before the deduction of tax	23	5	8
Taxation	24	2815	3406
Other expenditure	25		
Transfer to (from) non technical account	26		
Total expenditure	29	489313	528044

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(43453)	54042
Fund brought forward	49	5776046	5722004
Fund carried forward (39+49)	59	5732592	5776046

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 2012**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Regular premiums	11	13771	64618	1886	80275	72171
Single premiums	12	9	19395	252	19656	44815

Reinsurance - external

Regular premiums	13	9574	52583	1144	63301	49189
Single premiums	14	4	3977	38	4019	7172

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	4198	12035	742	16975	22982
Single premiums	18	5	15418	214	15637	37643

Total

Gross	19	13780	84013	2138	99931	116986
Reinsurance	20	9578	56560	1182	67319	56361
Net	21	4202	27453	956	32611	60625

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 2012**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Death or disability lump sums	11	11869	19708	1740	33316	35231
Disability periodic payments	12					
Surrender or partial surrender	13	11691	163608	5165	180464	210896
Annuity payments	14	5298	57039	7915	70252	71470
Lump sums on maturity	15	13984	301696	4717	320396	308817
Total	16	42841	542051	19537	604429	626414

Reinsurance - external

Death or disability lump sums	21	6428	6523	1503	14454	17320
Disability periodic payments	22					
Surrender or partial surrender	23	4555	93610	2549	100714	114378
Annuity payments	24	999	7038	166	8203	7846
Lump sums on maturity	25	77	51481	603	52161	51674
Total	26	12059	158652	4821	175532	191218

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	5441	13184	237	18862	17911
Disability periodic payments	42					
Surrender or partial surrender	43	7136	69999	2616	79751	96518
Annuity payments	44	4299	50001	7749	62049	63624
Lump sums on maturity	45	13907	250215	4113	268235	257143
Total	46	30782	383399	14716	428897	435196

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 2012**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Commission - acquisition	11					
Commission - other	12					
Management - acquisition	13		131		131	87
Management - maintenance	14	1410	36521	1404	39335	36061
Management - other	15	648	16837	645	18130	53286
Total	16	2058	53489	2049	57596	89434

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		131		131	87
Management - maintenance	44	1410	36521	1404	39335	36061
Management - other	45	648	16837	645	18130	53286
Total	46	2058	53489	2049	57596	89434

Long-term insurance business : Summary of new businessName of insurer **Equitable Life Assurance Society**

Total business

Financial year ended **31 December 2012**Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Number of new policyholders/
scheme members for direct
insurance business**

Regular premium business	11	6			6	23
Single premium business	12		638	7	645	2128
Total	13	6	638	7	651	2151

**Amount of new regular
premiums**

Direct insurance business	21	5	21098	24	21127	6619
External reinsurance	22					
Intra-group reinsurance	23					
Total	24	5	21098	24	21127	6619

**Amount of new single
premiums**

Direct insurance business	25	9	19470	248	19727	44871
External reinsurance	26					
Intra-group reinsurance	27					
Total	28	9	19470	248	19727	44871

Long-term insurance business : Analysis of new business

Name of insurer

Equitable Life Assurance Society

Total business

Financial year ended

31 December 2012

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	6	3		
500	Life UWP single premium				5
715	Life property linked endowment regular premium - savings		2		4

Long-term insurance business : Analysis of new business

Name of insurer

Equitable Life Assurance Society

Total business

Financial year ended

31 December 2012

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		5		
400	Annuity non-profit (CPA)			426	7011
545	Individual deposit administration with-profits		370	3	482
555	Group deposit administration with-profits		79	96	2991
565	DWP National Insurance rebates UWP			7	5531
725	Individual pensions property linked		992	21	14
735	Group money purchase pensions property linked		19652	53	696
745	DWP National Insurance rebates property linked			4	2399
750	Income drawdown property linked			1	2
905	Index linked annuity			27	345

Long-term insurance business : Analysis of new business

Name of insurer

Equitable Life Assurance Society

Total business

Financial year ended

31 December 2012

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)			3	148
400	Annuity non-profit (CPA)			4	29
500	Life UWP single premium				0
510	Life UWP endowment regular premium - savings		0		4
545	Individual deposit administration with-profits		4		29
555	Group deposit administration with-profits		0		
715	Life property linked endowment regular premium - savings		5		4
725	Individual pensions property linked		11		34
735	Group money purchase pensions property linked		4		

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 2012**
 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	333591	333591	10962	2.41	
Other fixed interest securities	13	336584	336584	15221	3.43	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	11932	11932	26	0.22	
Total	19	682106	682106	26209	2.88	

Assets backing with-profits liabilities and with-profits capital requirements

Land and buildings	21	113587	130592	7799	5.97	(4.38)
Approved fixed interest securities	22	2411682	2411682	94660	1.71	3.26
Other fixed interest securities	23	1608759	1609623	75689	3.30	12.19
Variable interest securities	24	763927	763927	5852	(0.77)	1.50
UK listed equity shares	25	0	0	0	0.00	(12.66)
Non-UK listed equity shares	26	0	2223	0	0.00	(5.66)
Unlisted equity shares	27	21382	16264	0	0.00	(5.86)
Other assets	28	375397	360424	917	0.25	2.62
Total	29	5294735	5294735	184918	1.83	5.46

Overall return on with-profits assets

Post investment costs but pre-tax	31					5.31
Return allocated to non taxable 'asset shares'	32					2.00
Return allocated to taxable 'asset shares'	33					1.60

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 2012**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	2101931	9.64	1.73	1.73

Other approved fixed interest securities	21	643342	8.14	1.96	1.92
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Other fixed interest securities

AAA/Aaa	31	334479	7.35	2.54	2.40
AA/Aa	32	314603	8.91	3.09	2.82
A/A	33	759569	9.33	3.28	2.66
BBB/Baa	34	513987	8.29	3.88	2.63
BB/Ba	35	5108	3.64	8.15	5.64
B/B	36	10536	5.45	8.03	2.11
CCC/Caa	37	5644	6.50	4.93	(13.12)
Other (including unrated)	38	2281	27.84	(4.90)	(21.26)
Total other fixed interest securities	39	1946207	8.62	3.32	2.56

Approved variable interest securities	41	763927	18.50	(0.77)	(0.77)
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Other variable interest securities	51				
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Total (11+21+39+41+51)	61	5455407	10.34	1.97	1.70
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Long-term insurance business : Summary of mathematical reservesName of insurer **Equitable Life Assurance Society**Total business / subfund **ORDINARY LONG TERM**Financial year ended **31 December 2012**Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Form 51 - with-profits	11	66223	33934	12155	112312	125201
Form 51 - non-profit	12	51262	886607	133719	1071588	981711
Form 52	13	84357	4575601	68346	4728304	4772954
Form 53 - linked	14	105038	1752239	45991	1903267	1810179
Form 53 - non-linked	15	576	21572	2643	24791	20139
Form 54 - linked	16	18040	257995		276035	303410
Form 54 - non-linked	17	255	4902		5157	6256
Total	18	325750	7532849	262855	8121454	8019850

Reinsurance - external

Form 51 - with-profits	21	84		27	110	111
Form 51 - non-profit	22	19986	392731	14087	426804	377198
Form 52	23	63	19240	1	19304	20402
Form 53 - linked	24	105038	1752239	45991	1903267	1810179
Form 53 - non-linked	25	576	21572	2643	24791	20139
Form 54 - linked	26	101	14298		14399	15222
Form 54 - non-linked	27		212		212	580
Total	28	125847	2200292	62749	2388888	2243831

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	66139	33934	12129	112202	125090
Form 51 - non-profit	42	31276	493876	119632	644784	604512
Form 52	43	84293	4556361	68345	4709000	4752552
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46	17939	243697		261636	288188
Form 54 - non-linked	47	255	4690		4944	5676
Total	48	199903	5332557	200106	5732566	5776019

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 2012**
 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
100	Conventional whole life with-profits OB	1764	42650	1107				25257
120	Conventional endowment with-profits OB savings	1305	10853	345				9580
125	Conventional endowment with-profits OB target cash	1614	58374	1165				25062
165	Conventional deferred annuity with-profits	176	736	4				1781
205	Miscellaneous conventional with-profits		221					969
210	Additional reserves with-profits OB							3574
300	Regular premium non-profit WL/EA OB	362	4672	70				3470
315	Individual deposit administration non-profit	148	663					4135
325	Level term assurance	23187	1971161	4775				7356
330	Decreasing term assurance	8956	374484	1440				152
390	Deferred annuity non-profit	44	59					54
395	Annuity non-profit (PLA)	1400	3882					35219
435	Miscellaneous non-profit	2867	298053	660				877

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 2012**
 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
120	Conventional endowment with-profits OB savings		1143	84				84
300	Regular premium non-profit WL/EA OB		4672	70				3470
315	Individual deposit administration non-profit		663					4135
325	Level term assurance		1971161	4775				7356
330	Decreasing term assurance		374484	1440				152
390	Deferred annuity non-profit		59					54
395	Annuity non-profit (PLA)		832					3943
435	Miscellaneous non-profit		298053	660				877

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 2012**
 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	148	779					1868
165	Conventional deferred annuity with-profits	124	527					1295
210	Additional reserves with-profits OB							30771
315	Individual deposit administration non-profit	180	720	1				2806
325	Level term assurance	3805	242861	631				2221
330	Decreasing term assurance	84	2072	11				10
380	Miscellaneous protection rider		1126958	2992				5906
390	Deferred annuity non-profit	3341	8790					268655
400	Annuity non-profit (CPA)	30519	33051					605407
411	Group death in service dependant's annuities		2773	143				143
435	Miscellaneous non-profit	1396	138214	288				1460

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 2012**
 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
315	Individual deposit administration non-profit		720	1				2806
325	Level term assurance		242861	631				2221
330	Decreasing term assurance		2072	11				10
380	Miscellaneous protection rider		1126958	2992				5906
390	Deferred annuity non-profit		8790					268655
400	Annuity non-profit (CPA)		4864					111531
411	Group death in service dependant's annuities		2773	143				143
435	Miscellaneous non-profit		138214	288				1460

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 2012**
 Units **£000**
 Overseas / 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
195	Annuity with-profits (PLA)	18	66					891
205	Miscellaneous conventional with-profits	17	1188	11				82
210	Additional reserves with-profits OB							11182
325	Level term assurance	1269	144574	416				708
330	Decreasing term assurance	823	38507	167				6
380	Miscellaneous protection rider		5365	54				202
390	Deferred annuity non-profit	168	1999					8952
395	Annuity non-profit (PLA)	185	1085					12450
400	Annuity non-profit (CPA)	1104	6800					111401

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 2012**
 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
205	Miscellaneous conventional with-profits		616	5				27
325	Level term assurance		144574	416				708
330	Decreasing term assurance		38507	167				6
380	Miscellaneous protection rider		5061	35				152
390	Deferred annuity non-profit		1999					8952
395	Annuity non-profit (PLA)		15					235
400	Annuity non-profit (CPA)		175					4034

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 2012**
 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	3423	36842		35574	35323	1635	36958
510	Life UWP endowment regular premium - savings	7390	152059	1424	29298	27295	2063	29358
555	Group deposit administration with-profits	2	13		13	14	0	14
575	Miscellaneous UWP	1822	1587	697	1587	1252	59	1310
610	Additional reserves UWP						16716	16716

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 2012**
 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
510	Life UWP endowment regular premium - savings		14437				6	6
575	Miscellaneous UWP		99110				57	57

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 2012**
 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		18474		18474	18474	766	19240
545	Individual deposit administration with-profits	65063	1705915		1705915	1892747	42964	1935711
555	Group deposit administration with-profits	89558	776939		776939	870601	28723	899324
565	DWP National Insurance rebates UWP	116582	949680		949680	1054106	43225	1097331
570	Income drawdown UWP	2066	55076		55076	55076		55076
571	Trustee investment plan UWP	1	61		61	58	0	58
610	Additional reserves UWP						568861	568861

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 2012**
 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
535	Group money purchase pensions UWP		18474		18474	18474	766	19240

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 2012**
 Units **£000**
 Overseas / 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	267	3727		3727	3702	100	3802
510	Life UWP endowment regular premium - savings	792	23384	531	12648	12558	56	12614
545	Individual deposit administration with-profits	408	5401	325	5401	9975	101	10076
545	Individual deposit administration with-profits Deferred annuity	1033	24998		24998	24481	1817	26298
555	Group deposit administration with-profits	695	6160		6160	5959	1635	7594
570	Income drawdown UWP	9	334		334	334		334
575	Miscellaneous UWP	2	29	0	2	1	0	1
610	Additional reserves UWP						7626	7626

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 2012**
 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
510	Life UWP endowment regular premium - savings		3919				1	1
575	Miscellaneous UWP		29				0	0

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 2012**
 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	979	40077		40308	40308	67	40375
710	Life property linked whole life regular premium	578	13430	71	14014	14014	109	14123
715	Life property linked endowment regular premium - savings	2034	69219	1187	49434	49434	381	49815
735	Group money purchase pensions property linked	1	10		10	10		10
795	Miscellaneous property linked	341	20803	122	1271	1271	19	1289

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 2012**
 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		40077		40308	40308	67	40375
710	Life property linked whole life regular premium		13430	71	14014	14014	109	14123
715	Life property linked endowment regular premium - savings		69219	1187	49434	49434	381	49815
735	Group money purchase pensions property linked		10		10	10		10
795	Miscellaneous property linked		20803	122	1271	1271	19	1289

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 2012**
 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	75100	906180		906095	906095	3692	909787
735	Group money purchase pensions property linked	48007	422783		422783	422783	17807	440590
745	DWP National Insurance rebates property linked	32335	375284		375284	375284		375284
750	Income drawdown property linked	519	20221		20221	20221	2	20223
755	Trustee investment plan	1	14		14	14		14
795	Miscellaneous property linked	910	2598		27842	27842	70	27912

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 2012**
 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		906180		906095	906095	3692	909787
735	Group money purchase pensions property linked		422783		422783	422783	17807	440590
745	DWP National Insurance rebates property linked		375284		375284	375284		375284
750	Income drawdown property linked		20221		20221	20221	2	20223
755	Trustee investment plan		14		14	14		14
795	Miscellaneous property linked		2598		27842	27842	70	27912

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 2012**
 Units **£000**
 Overseas / 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	24	463		457	457	58	515
715	Life property linked endowment regular premium - savings	672	21253	86	18389	18389	377	18766
725	Individual pensions property linked	1188	18504		18504	18504	1360	19864
735	Group money purchase pensions property linked	286	5503		5503	5503	546	6049
750	Income drawdown property linked	4	383		383	383	0	384
795	Miscellaneous property linked	153	2754	166	2754	2754	302	3056

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 2012**
 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		463		457	457	58	515
715	Life property linked endowment regular premium - savings		21253	86	18389	18389	377	18766
725	Individual pensions property linked		18504		18504	18504	1360	19864
735	Group money purchase pensions property linked		5503		5503	5503	546	6049
750	Income drawdown property linked		383		383	383	0	384
795	Miscellaneous property linked		2754	166	2754	2754	302	3056

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 2012**
 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
900	Life index linked single premium	7	83		82	82		82
905	Index linked annuity	234	1192		17939	17939	255	18194
910	Miscellaneous index linked		18	0	18	18		18

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 2012**
 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
900	Life index linked single premium		83		82	82		82
910	Miscellaneous index linked		18	0	18	18		18

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 2012**
 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
905	Index linked annuity	4028	12945		254439	254439	4710	259149
910	Miscellaneous index linked	104	3555		3555	3555	192	3747

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 2012**
 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
905	Index linked annuity		352		10743	10743	20	10763
910	Miscellaneous index linked		3555		3555	3555	192	3747

Long-term insurance business : Index linked business

Name of insurer **Equitable Life Assurance Society**
 Total business
 Financial year ended **31 December 2012**
 Units **£000**

Value of assets	Mean Term
1	2

Analysis of assets

Approved variable interest securities	11	234604	21.58
Other variable interest securities	12	26393	6.23
Approved fixed interest securities	13		
Other fixed interest securities	14		
Cash and deposits	15		
Equity index derivatives	16		
Inflation swaps	17		
Other assets	18	640	
Variation margin	19		
Total (11 to 19)	20	261636	

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		

Long-term insurance business: Analysis of valuation interest rateName of insurer **Equitable Life Assurance Society**Total business **ORDINARY LONG TERM**Financial year ended **31 December 2012**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	1806	2.20	2.20	2.72
UK L&G Form 51 With Profits Policies - other	64333	1.76	2.20	2.72
UK L&G Form 51 With Profits Policies - Non-Profit annuities in payment post 1991	16674	2.79	3.10	3.19
UK L&G Form 51 With Profits Policies - Non-Profit annuities in payment pre 1992	14602	3.10	3.10	3.19
UK L&G Form 52 With Profits Policies (net)	30045	1.76	2.20	2.72
UK L&G Form 52 With Profits Policies (net) short term business	54234	1.44	1.80	2.30
UK L&G Form 52 With Profits Policies (gross)	15	2.20	2.20	2.72
UK L&G Form 54 Annuity in payment - Index Linked post 1991	16441	0.18	0.20	0.21
UK L&G Form 54 Annuity in payment - Index Linked pre 1992	1753	0.20	0.20	0.21
UK Pens Form 51 With Profits Policies	33934	2.20	2.20	2.72
UK Pens Form 51 Non Profit annuity in payment	493876	3.10	3.10	3.19
UK Pens Form 52 With Profits Policies	3434579	2.20	2.20	2.72
UK Pens Form 52 With Profits Policies short term business	1066706	1.80	1.80	2.30
UK Pens Form 52 With Profits - miscellaneous	55076	0.00	0.00	0.33
UK Pens Form 54 Annuity in payment - Index Linked	248387	0.20	0.20	0.21
OVS Form 51 With Profits Policies - annuities in payment	895	3.50	3.50	3.55
OVS Form 51 With Profits Policies (net)	57	1.76	2.20	2.72
OVS Form 51 With Profits Policies (gross)	11182	2.20	2.20	2.72
OVS Form 51 Non profit - annuities in payment	119630	3.10	3.10	3.19
Total				

Long-term insurance business: Analysis of valuation interest rateName of insurer **Equitable Life Assurance Society**Total business **ORDINARY LONG TERM**Financial year ended **31 December 2012**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)	2295	1.76	2.20	2.72
OVS Form 52 With Profits Policies (net) short term business	3577	1.44	1.80	2.30
OVS Form 52 With Profits Policies (gross)	40350	2.20	2.20	2.72
OVS Form 52 With Profits Policies (gross) short term business	4261	1.80	1.80	2.30
OVS Form 52 With Profits - miscellaneous	17884	0.00	0.00	0.33
Total	5732592			

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 2012**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	5732592	5776046
Bonus payments in anticipation of a surplus	12	37427	33202
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	5770019	5809248
Mathematical reserves	21	5732566	5776019
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	37454	33229

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	37454	33229
Total	39	37454	33229

Distribution of surplus

Bonus paid in anticipation of a surplus	41	37427	33202
Cash bonuses	42		
Reversionary bonuses	43	27	27
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	37454	33229
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	37454	33229
Surplus carried forward	49		
Total (48+49)	59	37454	33229

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

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 2013**

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	10530	1530	n/a	CWP	N	10530
Endowment assurance	20	16740	2673	n/a	CWP	N	16740
Endowment assurance	25	26487	4229	n/a	CWP	N	26487
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	43835	8762	n/a	UWP	N	43835
Regular premium pension	20	69206	0	n/a	UWP	N	69206
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	14135	3071	n/a	UWP	N	14135
Single premium pension	20	23554	0	n/a	UWP	N	23554

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 2013**

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	9429	934	n/a	CWP	Y	18879
Endowment assurance	20	15733	1810	n/a	CWP	Y	21928
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

Long-term insurance capital requirementName of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2012**Units **£000**

LTICR factor	Gross reserves / capital at risk	Net reserves / capital at risk	Reinsurance factor	LTICR Financial year	LTICR Previous year
1	2	3	4	5	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%	4516726	237566		6775	7912
Classes III, VII and VIII	15	0.3%	22334		0.50	34	36
Total	16		4539060	237566		6809	7948

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					27	28
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Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	5912174	5466012	0.92	54660	54822
Classes III, VII and VIII (investment risk)	33	1%	302707	266581	0.88	2666	2939
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	15481		0.85	132	129
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					57458	57890

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	5912174	5466012	0.92	163980	164465
Classes III, VII and VIII (investment risk)	43	3%	302707	266581	0.88	7997	8816
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	15481				
Classes III, VII and VIII (other)	45	0%	1891051				
Class IV (other)	46	3%	68		0.85	2	2
Class V	47	0%					
Class VI	48	3%					
Total	49		8121481	5732592		171980	173283

Long term insurance capital requirement	51					236274	239149
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RETURNS UNDER INSURANCE COMPANIES LEGISLATION

THE EQUITABLE LIFE ASSURANCE SOCIETY

FINANCIAL YEAR END 31 DECEMBER 2012

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	6,238,477
Mathematical Reserves	Form 14 Line 11	(5,732,592)
Other Insurance Liabilities	Form 14 Line 49	(138,944)
Total Capital Resources	Form 3 Line 79	366,941

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 £3.9m (2011: £8.6m).

Part of the Society's assets is invested in property (including property unit trusts) and unlisted equity, amounting to £153m at year end 2012 (2011: £251m). 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 £22.6m (2011: £53.4m).

1309 Aggregate Value of Hybrid Securities

The aggregate value of hybrid securities included at lines 46 or 48 is £28.3m (2011: £66.0m).

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 by £24.4m (2011: £19.7m).

Rights under derivative contracts are shown on Line 44 of Form 13 net of variation margin of £89.4m (2011: £nil). This variation margin is recorded as a liability in the Society's Annual Statutory Report and Accounts.

The net difference of £65.0m 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 its 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 exists a significant level of uncertainty in connection with the commitments the Society has in respect of the two pension schemes for which Lloyds Banking Group (LBG) is the principle employer. Whilst provision has been made on a best estimate basis, 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.

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.

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

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:

- a) 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; and
- b) the variation margin in respect of derivative contracts, included in Form 13, which is shown as a liability in external financial reporting.

1701 Treatment of the variation margin

The aggregate excess variation margin received in respect of derivatives in 2012 was £1.2m (2011: £5.2m).

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

The liability to repay the excess variation margin at the end of 2012 is reflected in line 87 of Form 13.

4002 Other Income

Other Income is comprised of the following:

	2012	2011
	£'000	£'000
Stock Lending commission	290	303
Investment management fee rebate	-	923
Administration services	3,036	1,753
Other Income	432	603
	3,758	3,582

Within other income there is an amount of £3.0m (YE 2011: £1.8m) for administration services. Up to 5 June 2011 administration of reinsured policies was carried out by LBG. Administration for these policies has been carried out by the Society for the whole of the period 1 January 2012 to 31 December 2012 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

LBG continued to provide IT hosting services to the Society for the period 1 January 2012 to 31 December 2012.

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 2012.

Property administration services were provided by Invista Real Estate Management up until 16 January 2012. At this date the business of Invista Real Estate Management transferred to Schroders Limited who then provided property management services to the Society throughout the remainder of 2012.

4010 Investment Income from Linked Assets

Included within line 12 is £3.8m 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 £0.3m and £333.4m 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.

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 28 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 13 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 £32.257m under code 795 are attributable to property linked immediate annuities (£28.709m), property linked deferred annuities (£3.056m), property linked health products (£0.435m) 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 November 2012. 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 £33,600 and the premiums to Class IV business were £813,566. The 'premiums amount' is therefore $0.18 \times (£33,600 + £813,566 / 3) \times 0.5 = £27,431$

Claims in the last 12 months were £18,440 for the supplementary accident and sickness insurance and £498,283 for the Class IV business. The 'claims amount' is therefore $0.26 \times (£18,440 + £498,283 / 3) \times 0.5 = £23,989$. Therefore, 'premiums amount' of £27,431 is used.

THE EQUITABLE LIFE ASSURANCE SOCIETY

REGULATORY VALUATION REPORT

Introduction

1. (1) The date of the valuation was 31 December 2012.
- (2) The date of the previous valuation was 31 December 2011.
- (3) The date of the interim valuation was 30 June 2012.

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 2012 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 reinsurer.

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 EQUITABLE LIFE ASSURANCE SOCIETY

REGULATORY VALUATION REPORT

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.

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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.

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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 2012	Rate at 31 December 2011
UK non-profit annuities (Pensions)	3.10%	3.90%
UK non-profit annuities pre-1992 (Life)	3.10%	3.90%
UK non-profit annuities post-1991 (Life)	2.79%	3.51%
Overseas non-profit annuities (Pensions)	3.10%	3.90%
German with-profits annuities (Life)	3.50%	3.50%
UK index-linked annuities pre-1992 (Life)	0.20%	-0.51%
UK index-linked annuities post-1991 (Life)	0.18%	-0.46%
UK index-linked annuities (Pensions)	0.20%	-0.51%
Long-term pension contracts	2.20%	2.80%
Short-term pension contracts	1.80%	1.90%
UK with-profits endowments and whole life	1.76%	2.24%
UK term assurance	1.66%	2.14%
UK with-profits long-term policies (Flexible Protection Plan, Regular Savings Plan, Major Medical Cash Plan, Critical Illness Plan)	1.76%	2.24%
UK with-profits short-term policies (With-Profits Bond, Personal Investment Plan)	1.44%	1.52%
Overseas with-profits policies (Life)	1.76%	2.24%
UK non-profit annuities in deferment (Pensions)	2.10%	2.70%

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(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) assets are assumed to have no yield.

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 historic 20 years of Moody's data up to 2010 representing the mean default rate plus 2 standard deviations and are shown in the following table. Equivalent data up to 2011 shows a lower level of defaults but, given comments from Moody's that this reduction is expected to reverse in 2012, the assumptions used in the 31 December 2011 valuation have been maintained. 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 2012	Yield Reduction at 31 December 2011
AAA	0.13%	0.13%
AA+	0.18%	0.18%
AA	0.24%	0.24%
AA-	0.31%	0.31%
A+	0.42%	0.42%
A	0.56%	0.56%
A-	0.74%	0.74%
BBB+	0.99%	0.99%
BBB	1.31%	1.31%
BBB-	1.75%	1.75%
BB+	2.32%	2.32%
BB	3.09%	3.09%
BB-	4.12%	4.12%
B+	5.48%	5.48%
B	7.30%	7.30%
B-	9.71%	9.71%
CCC	17.21%	17.21%
CC	17.21%	17.21%

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.

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

(i) Immediate Annuities

Product Group	Table at 31 December 2012 in possession	Complete expectation of life		Table at 31 December 2011 in possession	Complete expectation of life	
		65	75		65	75
UK non-profit annuities (Pensions)	75.0% PNML00cmi2011 [1.5%] U=2012*	Male 25.5	Male 16.2	75.0% PNML00cmi2010 [1.5%] U=2011**	Male 25.4	Male 16.1
	65.0% PNFL00cmi2011 [1.25%] U=2012*	Female 28.4	Female 18.6	65.0% PNFL00cmi2010 [1.25%] U=2011**	Female 28.2	Female 18.5
UK non-profit annuities (Life)	75.0% IML00cmi2011 [1.5%] U=2012*	Male 26.1	Male 16.5	75.0% IML00cmi2010 [1.5%] U=2011**	Male 26.0	Male 16.4
	77.5% IFL00cmi2011 [1.25%] U=2012*	Female 27.9	Female 17.9	77.5% IFL00cmi2010 [1.25%] U=2011**	Female 27.7	Female 17.7
Overseas with-profits annuities (Life)	75.0% PNML00cmi2011 [1.5%] U=2012*	Male 25.5	Male 16.2	75.0% PNML00cmi2010 [1.5%] U=2011**	Male 25.4	Male 16.1
	65.0% PNFL00cmi2011 [1.25%] U=2012*	Female 28.4	Female 18.6	65.0% PNFL00cmi2010 [1.25%] U=2011**	Female 28.2	Female 18.5
Overseas non-profit annuities (Pensions)	75.0% PNML00cmi2011 [1.5%] U=2012*	Male 25.5	Male 16.2	75.0% PNML00cmi2010 [1.5%] U=2011**	Male 25.4	Male 16.1
	65.0% PNFL00cmi2011 [1.25%] U=2012*	Female 28.4	Female 18.6	65.0% PNFL00cmi2010 [1.25%] U=2011**	Female 28.2	Female 18.5
UK unit-linked annuities (Pensions)	75.0% PNML00cmi2011 [1.5%] U=2012*	Male 25.5	Male 16.2	75.0% PNML00cmi2010 [1.5%] U=2011**	Male 25.4	Male 16.1
	65.0% PNFL00cmi2011 [1.25%] U=2012*	Female 28.4	Female 18.6	65.0% PNFL00cmi2010 [1.25%] U=2011**	Female 28.2	Female 18.5
UK index-linked annuities (Life)	75.0% IML00cmi2011 [1.5%] U=2012*	Male 26.1	Male 16.5	75.0% IML00cmi2010 [1.5%] U=2011**	Male 26.0	Male 16.4
	77.5% IFL00cmi2011 [1.25%] U=2012*	Female 27.9	Female 17.9	77.5% IFL00cmi2010 [1.25%] U=2011**	Female 27.7	Female 17.7
UK index-linked annuities (Pensions)	75.0% PNML00cmi2011 [1.5%] U=2012*	Male 25.5	Male 16.2	75.0% PNML00cmi2010 [1.5%] U=2011**	Male 25.4	Male 16.1
	65.0% PNFL00cmi2011 [1.25%] U=2012*	Female 28.4	Female 18.6	65.0% PNFL00cmi2010 [1.25%] U=2011**	Female 28.2	Female 18.5

* The allowance for future mortality improvements is based on future mortality improvements in the cmi2011 tables with a long-term improvement rate of 1.5% p.a. for males and 1.25% p.a. for females.

** 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.

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Deferred annuities

In deferment

Product group	Table at 31 December 2012 in deferment	Table at 31 December 2011 in deferment
UK non-profit deferred annuities (Pensions)	82.5%AMC00ult 87.5%AFC00ult	82.5%AMC00ult 87.5%AFC00ult
German with-profits deferred annuities (Life)	82.5%AMC00ult 87.5%AFC00ult	82.5%AMC00ult 87.5%AFC00ult

In payment

Product Group	Table at 31 December 2012	Complete expectation of life at age 65 for current age		Table at 31 December 2011	Complete expectation of life at age 65 for current age	
		45	55		45	55
UK non-profit deferred annuities (Pensions)	75.0% PNML00cmi2011 [1.5%] U=2012*	Male 27.8	Male 26.6	75.0% PNML00cmi2010 [1.5%] U=2011**	Male 27.8	Male 26.5
	65.0% PNFL00cmi2011 [1.25%] U=2012*	Female 30.4	Female 29.4	65.0% PNFL00cmi2010 [1.25%] U=2011**	Female 30.2	Female 29.2
German with-profits deferred annuities (Life)	75.0% PNML00cmi2011 [1.5%] U=2012*	Male 27.8	Male 26.6	75.0% PNML00cmi2010 [1.5%] U=2011**	Male 27.8	Male 26.5
	65.0% PNFL00cmi2011 [1.25%] U=2012*	Female 30.4	Female 29.4	65.0% PNFL00cmi2010 [1.25%] U=2011**	Female 30.2	Female 29.2

* The allowance for future mortality improvements is based on future mortality improvements in the cmi2011 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 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.

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 2012	Table at 31 December 2011
All pension contracts	82.5%AMC00ult 87.5%AFC00 ult	82.5%AMC00ult 87.5%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	62.5% TMC00 82.5% 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

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- (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 3.1% per annum (2011 - 3.2% per annum).

Product code	Product name	Year ending 31 December 2012	Year ending 31 December 2011
120	CWP savings endowment	£60.00 per benefit	£90.00 per benefit
125	CWP target cash endowment	£60.00 per benefit	£90.00 per benefit
500	UWP Bond	£30.00 per benefit	£40.00 per benefit
510	UWP savings endowment	£30.00 per benefit	£40.00 per benefit
535	UWP group regular premium pension	£6.00 per benefit	£6.00 per benefit
555	Group deposit administration with-profits	£6.00 per benefit	£6.00 per benefit
545	Individual deposit administration with-profits	£15.00 per benefit	£12.00 per benefit

Separate allowance was made for fund management expenses using a loading of 1.25 per mille (2011 – 1.30 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 2012	Year ending 31 December 2011
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 (2011 – £3) was reserved per individual policy.

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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 3.1% per annum (2011 – 3.2%).

Product code	Product name	Year ending 31 December 2012		Year ending 31 December 2011	
		Per benefit	Fund management	Per benefit	Fund management
400	Annuity	£10.00	1.1 per mille	£10.00	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 2012	Year ending 31 December 2011
700	Bond	£9.19 per policy	£9.15 per policy
715	Savings endowment	£9.19 per policy	£9.15 per policy
725	Regular premium pension	£13.94 per policy	£13.89 per policy
735	Group regular premium pension	£16.96 per member	£16.90 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 2012	Year ending 31 December 2011
700	Bond	£78.68 per policy	£78.40 per policy
715	Savings endowment	£78.68 per policy	£78.40 per policy
725	Regular premium pension	£118.22 per policy	£117.80 per policy
735	Group regular premium pension	£145.39 per member	£144.87 per member

There is also a 15bps (2011 – 15bps) expense charge p.a. to allow for investment expenses and overheads.

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

Year ending 31 December 2012		Year ending 31 December 2011	
Unit growth rate	Expense inflation	Unit growth rate	Expense inflation
2.2%	4.6%	2.4%	4.7%

- (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. Additional headroom for further deferral of around half a year has been included as a margin against future deviation.

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 2012	Year ending 31 December 2011	Original ECD
Group Pensions	At ECD	1.50 years before ECD	NRA
Individual (executive) Pensions	1.50 years after ECD	At ECD	NRA
Personal Pensions (non-DSS)	10.25 years after ECD	8.75 years after ECD	55
Personal Pensions (DSS)	5.00 years after ECD	4.75 years after ECD	60
Retirement Annuities	7.00 years after ECD	5.75 years after ECD	60

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Assumption for expenses for policies already past ECD:

Product Type	Year ending 31 December 2012	Year ending 31 December 2011	Original ECD
Group Pensions	12.00 years after ECD	11.50 years after ECD	NRA
Individual (executive) Pensions	3.50 years after ECD	2.25 years after ECD	NRA
Personal Pensions (non-DSS)	13.25 years after ECD	12.25 years after ECD	55
Personal Pensions (DSS)	7.50 years after ECD	7.50 years after ECD	60
Retirement Annuities	11.50 years after ECD	10.25 years after ECD	60

Assumption for benefits for policies yet to reach ECD:

Product Type	Year ending 31 December 2012	Year ending 31 December 2011	Original ECD
Group Pensions	At ECD	1.50 years before ECD	NRA
Individual (executive) Pensions	1.50 years after ECD	At ECD	NRA
Personal Pensions (non-DSS)	10.25 years after ECD	8.25 years after ECD	55
Personal Pensions (DSS)	5.00 years after ECD	4.75 years after ECD	60
Retirement Annuities	7.00 years after ECD	5.75 years after ECD	60

Assumption for benefits for policies already past ECD:

Product Type	Year ending 31 December 2012	Year ending 31 December 2011	Original ECD
Group Pensions	11.00 years after ECD	9.75 years after ECD	NRA
Individual (executive) Pensions	3.50 years after ECD	2.25 years after ECD	NRA
Personal Pensions (non-DSS)	13.25 years after ECD	12.25 years after ECD	55
Personal Pensions (DSS)	7.50 years after ECD	7.25 years after ECD	60
Retirement Annuities	11.50 years after ECD	10.00 years after ECD	60

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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

$(\text{Guaranteed Annuity Rate} / \text{Valuation Annuity rate} - 1) \times \text{basic reserve}$
(subject to a minimum of zero)

with an additional contingency margin of 70%.

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(b)

Product name	Deferred annuity	Accumulating class	Endowments	German Deferred Annuity
Basic reserve	£1.2m	£2.8m	£1.4m	£4.3m
Spread of outstanding durations	0 to 18 years	0 to 10 years	0 to 21 years	0 to 38 years
Guarantee reserve	£1.9m	£4.1m	£2.2m	£4.7m
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.

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- (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 £36.3m.

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	0.9	0.7	1.0	2.7
UK Pensions	n/a	5.1	8.1	19.2	27.2	59.6
Overseas	n/a	0.1	0.5	0.8	1.0	2.4
Total	n/a	5.3	9.5	20.7	29.2	64.7

The non-attributable expense is made up of £20.7m maintenance expenses and £29.2m exceptional expenses. Total maintenance expense loadings in 2013 are £35.5m.

- (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 2012 shown in line 14 on Form 43 is due to reductions in the long-term maintenance expense budget offset by 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 £48.3m 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 £472.0m 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 -0.86% 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	5,563	6,089
Euro	168	185
US Dollar	2	53

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The Society holds a dollar hedge with exposure of £45m 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 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 range 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 £568.9m 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,

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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 £30.8m is the allowance made for unattributable expenses and exceptional expenses.

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

This reserve of £16.7m 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 £3.6m 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 £7.6m 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 £11.2m 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.

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- (f) The premium payable since the last investigation was £64.94m.
 - (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) £2,347m 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 2012.
- (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 £0.76m.
 - (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) £19m 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 2012.

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- (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 £0.29m.
- (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) £22m 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 2012.

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.

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Introduction

1. (1) The date of the valuation was 31 December 2012.
- (2) The previous valuation was at 31 December 2011.
- (3) The date of the interim valuation was 30 June 2012.

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)	2.73%	3.26%
Discount rate applied to future cash flows	5.23%	5.76%
Per policy expense rate pa	£10.00 p.a.	£10.00 p.a.
Expense inflation rate pa	3.10%	3.20%

The expense inflation rate shown is based on RPI inflation of 3.10% p.a. (previous valuation 3.20% p.a.).

Index-linked annuities

	Current Valuation	Previous Valuation
Earned real rate of interest on index-linked assets (gross)	(0.63)%	0.52%
Real discount rate applied to future cash flows	1.87%	1.98%
Per policy expense rate pa	£10.00 p.a.	£10.00 p.a.
Real expense inflation rate pa	0.00%	0.00%

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Mortality bases

	Current Valuation	Previous Valuation
Pensions annuities:		
- male lives	80% PNML00 cmi 2011 (U=2012) *	80% PNML00cmi2010 (U=2011) #
- female lives	70% PNFL00 cmi 2011 (U=2012) *	70% PNFL00cmi2010 (U=2011) #
BLAGAB annuities:		
- male lives	75% IML00 cmi 2011 (U=2012) *	75% IML00 cmi 2010 (U=2011) #
- female lives	77.5% IFL00 cmi 2011 (U=2012) *	77.5% IFL00 cmi 2010 (U=2011) #

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 is based on the CMI 2011 improvements model with a long-term rate of improvement of 1.5%pa for males and 1.25% pa for females

- (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	67	(3)
Life RSP contract	R	78	(1)
Flexible Protection Plans	R	16	(4)
Pensions RSP (3.5% GIR)	R	2,581	919
Pensions RSP (0% GIR)	R	613	(33)
Total for these products		3,355	878
Aggregate de minimis contracts		16	1
Grand total		3,371	879

R=Retrospective Method, P=Prospective Method

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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 £1m 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 December 2011.
- (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 2012.
- (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 £35m) was made in respect of maintenance expenses that relate to the servicing, claims handling and management of the business.

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- (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) £34m of expenses were categorised as exceptional expenses. These expenses are charged against specific provisions held on the balance sheet. In addition, a decrease of £10m in the liability relating to the Staff Pension Scheme was categorised as exceptional expenses.
- (4) A charge of 1% p.a. (2011: 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) The claims paid during the year comprised maturity values (being the higher of Policy Values plus distribution of solvency capital and the guaranteed benefit) and surrender values (being Policy Values plus distribution of solvency capital reduced by the financial adjustment, which for UK policies was 5% throughout 2012). The ratio of maturity claims to the corresponding Policy Values over the year prior to the valuation date was 112.5% (although more would have been paid out for cases where the guarantee was higher). The corresponding ratio for surrenders/transfers was 106.9%. The same ratios applied from 1 April 2011 to 31 December 2011.

The corresponding figures for maturities and surrenders/transfers during the first three months of 2011 were 100% and 95% respectively, and for 2010 were 100% and 95% respectively.

- (7) The investment return earned over the period from 31 December 2011 to 31 December 2012 was 5.6% (2011: 9.6%) before tax and expenses. There has been an increase of 2% in the with-profits benefit reserve for the period from 31 December 2011 to 31 December 2012. (2011: 2%) for with-profits recurrent single premium pension policies.

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 1.46%, netted down for tax and rounded down.
 - (b) Not applicable.
 - (c) No assumption for future inflation of expenses is required in this methodology.

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- (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	5
8	5
9	5
10	5
11	5
12	5
13	5
14	5
15	5
16	5
17	5
18	5
19	5
20	5
21	5
22	5
23	5
24	5
25	5
26	5
27	5
28	6
29	8
30	13
31	22
32	30
33	37
34	42
35	45
36	51
37	65
38	71
39	78
40	83
> 40	83

- (e) Expenses are implicitly allowed for in the premiums valued.
- (f) No allowance for surrenders was made.

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- (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	4,269	610
Life RSP contracts	10,415	158
FPPs	3,289	153
Pensions RSP 3.5%	535,037	5,653
Pensions RSP 0%	177,061	4,271
Total	730,071	10,845

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 valuation.

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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	0	11	NRA
Individual ("executive") Pensions	1	3	NRA
Personal Pensions (non-DSS)	10	13	55
Personal Pensions (DSS)	5	7	60
Retirement Annuities	7	11	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 small set of policies has guaranteed annuity options for which a provision of £9m is held. The provision was calculated deterministically, and increased by c70% to allow for stochastic variation.

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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%	386	12%
-29% to -20%	539	16%
-19% to -15%	525	16%
-14% to -10%	441	13%
-9% to -5%	366	11%
-4% to 0%	142	4%
1% to 5%	140	4%
6% to 10%	178	5%
11% to 15%	227	7%
16% to 20%	132	4%
21% to 30%	163	5%
31% to 50%	55	2%
51% to 100%	2	0%
Total	3,297	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 0.02% 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 0.06%.

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.

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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 2012, 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	17.6%
2 years	19.8%
3 years	21.5%
5 years	23.4%
7 years	24.9%
10 years	26.3%

Over longer terms the excess volatility tends to 26.3%. 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.

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Option Term (years)	Swap Term (years)				
	1	5	10	20	30
5	39.9%	27.1%	22.7%	19.4%	18.4%
10	20.7%	18.3%	17.1%	16.0%	15.3%
15	17.3%	16.0%	15.2%	14.2%	13.5%
20	15.8%	15.5%	14.8%	13.4%	12.8%
25	16.1%	15.9%	14.9%	13.5%	12.6%

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	+17%
Equities / Short Term Interest Rates	-7%
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

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(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)	0.91%	2.60%	3.38%	3.62%
1		Risk-free zero coupon bond	955,910	680,575	435,755	287,654
2		FTSE All Share Index (p=1)	83,701	232,205	334,438	410,387
3		FTSE All Share Index (p=0.8)	81,122	200,126	258,334	289,667
4		Property (p=1)	31,378	107,097	179,532	241,966
5		Property (p=0.8)	29,752	84,224	121,779	147,203
6		15 year risk free zero coupon bonds (p=1)	17,030	19,514	18,204	31,553
7		15 year risk free zero coupon bonds (p=0.8)	16,224	13,643	7,059	5,448
8		15 year corporate bonds (p=1)	5,132	14,041	33,993	79,854
9		15 year corporate bonds (p=0.8)	4,759	8,771	13,693	27,238
10		Portfolio of 65% FTSE All Share and 35% Property (p=1)	47,241	155,701	242,068	309,739
11		Portfolio of 65% FTSE All Share and 35% Property (p=0.8)	45,267	128,718	176,102	203,884
12		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)	38,884	124,501	195,816	254,151
13		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)	37,078	100,297	136,489	159,299
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)	18,310	71,076	126,077	176,550
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)	17,193	53,000	78,078	97,328
			L=15			
16		Receiver swaption	14.13%	11.04%	8.27%	6.53%

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	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)	209,256	395,249	516,084	607,635
3	FTSE All Share Index (p=0.8)	203,865	344,969	404,149	435,034
4	Property (p=1)	132,980	241,320	334,101	412,442
5	Property (p=0.8)	127,936	197,291	236,560	262,251
6	15 year risk free zero coupon bonds (p=1)	80,386	83,592	104,731	146,706
7	15 year risk free zero coupon bonds (p=0.8)	76,490	56,129	39,766	41,382
8	15 year corporate bonds (p=1)	55,700	81,954	146,891	226,628
9	15 year corporate bonds (p=0.8)	51,911	51,853	66,504	94,867
10	Portfolio of 65% FTSE All Share and 35% Property (p=1)	157,757	302,717	407,689	491,303
11	Portfolio of 65% FTSE All Share and 35% Property (p=0.8)	152,583	255,968	304,549	331,991
12	Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)	144,650	262,519	350,871	423,694
13	Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)	139,584	217,769	253,527	274,597
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)	106,533	190,725	265,373	331,448
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)	101,758	149,609	175,945	194,386
		L=20			
16	Receiver swaption	17.07%	13.37%	10.04%	7.95%

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		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)	581,966	778,077	916,409	1,029,970
3		FTSE All Share Index (p=0.8)	570,590	689,199	730,515	750,663
4		Property (p=1)	521,961	616,054	717,138	807,741
5		Property (p=0.8)	509,714	525,223	534,609	543,181
6		15 year risk free zero coupon bonds (p=1)	506,583	494,934	501,143	536,552
7		15 year risk free zero coupon bonds (p=0.8)	493,164	387,662	301,035	266,319
8		15 year corporate bonds (p=1)	498,307	508,432	558,317	636,657
9		15 year corporate bonds (p=0.8)	484,888	401,124	356,323	357,585
10		Portfolio of 65% FTSE All Share and 35% Property (p=1)	540,278	675,797	794,376	895,489
11		Portfolio of 65% FTSE All Share and 35% Property (p=0.8)	528,389	587,479	612,400	626,771
12		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)	529,100	631,642	725,617	813,712
13		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)	517,044	542,784	547,529	552,699
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)	507,029	561,601	636,101	714,279
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)	494,352	469,703	457,153	455,816
			L=25			
16		Receiver swaption	19.20%	15.06%	11.35%	9.00%

THE EQUITABLE LIFE ASSURANCE SOCIETY

REALISTIC VALUATION REPORT

- (a) (iv) The initial net yields on equities and property were taken as 3.7% 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	194	8%
10 to 20 Years	1,131	47%
5 to 10 Years	694	29%
0 to 5 Years	380	16%
Whole Life*	0	0%
Total	2,399	100%

Guaranteed values less than policy values		
Outstanding Term	Policy Value (£m)	Percentage
20 to 40 Years	122	14%
10 to 20 Years	292	32%
5 to 10 Years	241	27%
0 to 5 Years	241	27%
Whole Life*	0	0%
Total	896	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 25.7% 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 26.3%.
- Property volatility over ten years of 15.2% p.a. For comparison, the implied volatility assumption used for calibrating the model was 15%.

THE EQUITABLE LIFE ASSURANCE SOCIETY

REALISTIC VALUATION REPORT

- 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	5.4%
10	9.7%
15	13.5%
20	16.6%
25	19.0%

- Average correlations between asset classes as follows:
 - Total equity return and 10 year bond return: 18.5%
 - Total equity return and short term interest rates -5.7%
 - Total equity return and property return: 34.8%
 - Property return and 10 year bond return: 11.3%
 - Property return and short term interest rates -9.6%

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.

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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 dependent target asset mix. The initial asset mix at the end of 2012 and the target asset mix in future years are shown in the table below:

Asset Type	31/12/12	31/12/13	31/12/14 and all future years
Gilts	44%	44%	44%
Corporate Bonds	33%	33%	33%
Cash	19%	21.5%	23%
Property	3%	0%	0%
Equity	1%	0.5%	0%

The corresponding assumptions at the previous valuation are shown in the table below:

Asset Type	31/12/11	31/12/12	31/12/15 and all future years
Gilts	38%	39.5%	42%
Corporate Bonds	33%	33%	33%
Cash	23%	25%	25%
Property	4%	0%	0%
Equity	2%	1.5%	0%

In the projection of assets and liabilities, allowance is made for the impact of changes in market conditions on the liabilities relating to the Staff Pension Scheme as in practice this affects the return available to be passed on to policyholders via changes in Policy Values. To allow for the impact of equity exposure, the modelled equity proportion was increased by 4%. At the valuation date, the Society held £215m of index-linked Gilts to mitigate the impact of changes in real yields on the liabilities relating to the Staff Pension Scheme. These assets do not affect the return passed onto policyholders as they mitigate the pension scheme liabilities. For this reason, they are included in the Cash proportion.

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

	31/12/2012	31/12/2017	31/12/2022
(i) Base scenario	0.9%	0%	0%
(ii) Yields increase by 17.5%	0.7%	0%	0%
(iii) Yields reduce by 17.5%	0.7%	0%	0%

A further 0.3% of assets (allowing for gearing) were invested in Property Unit Trusts and a further 2.3% of assets were directly invested in property at the current valuation. It is assumed that by the end of 2013 the proportion of properties held will fall to 0%.

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REALISTIC VALUATION REPORT

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	2.5%	3.0%	1.5%	1.5%
Group Money Purchase	surrender	2.0%	3.0%	1.5%	1.5%
Individual ("executive") Pensions	surrender	2.0%	2.0%	1.5%	1.5%
Personal Pensions (non-DSS)	surrender	2.0%	2.0%	1.5%	1.5%
Personal Pensions (DSS)	surrender	1.5%	2.0%	1.5%	1.5%
Retirement Annuities	surrender	2.0%	2.0%	1.5%	1.5%
Life Business	surrender	2.0%	3.0%	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).

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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 remain below a given level, it is possible that policyholders may defer their retirement further than the dates assumed in the valuation. 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 deferral is assumed, the amount is £190m. If the deferral were for a period of up to 10 years, the amounts are £240m at 2.5% and £300m 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 2012 was £88m. A fall in interest rates of 1.0% at all terms would increase the value of the swaptions by £57m and a similar increase would decrease the value by £37m.

Financing Costs

7. Not applicable.

Other long-term insurance liabilities

8. The total provision of £298.9m is composed of the following elements:

	£m
Regular expenses	240.9
Exceptional expenses	56.0
Legal claims	2.0
Total other long-term insurance liabilities	298.9

A regular expenses provision of £240.9m has been established against potential higher future costs arising as the fund runs off. The aim is to be able to maintain a stable charge of 1% pa to with-profits policies for regular expenses.

THE EQUITABLE LIFE ASSURANCE SOCIETY

REALISTIC VALUATION REPORT

The exceptional expenses provision of £56.0m 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 until the Society's cost base reaches the stable long-term state assumed in calculating the regular expenses provision.

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 (£53m). The total realistic current liabilities of £139m are the same as the regulatory valuation current liabilities.

Risk Capital Margin

10. (a) The Risk Capital Margin at 31 December 2012 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 42.66 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 69 basis points in respect of corporate bonds in the with-profits fund. The resultant fall in market values was approximately 6.2% 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 0.8%.
 - (v) Not applicable

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- (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 £21m. 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	£178m	£92m
Yields fall	£165m	£103m

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.

	31/12/2012	31/12/2017	31/12/2022
Yields increase by 17.5% without management action	0.7%	0%	0%
Yields reduce by 17.5% without management action	0.7%	0%	0%
Yields increase by 17.5% with management action	0.7%	0%	0%
Yields reduce by 17.5% with management action	0.7%	0%	0%

There are assumed to be no future declared reversionary bonuses.

THE EQUITABLE LIFE ASSURANCE SOCIETY

REALISTIC VALUATION REPORT

- (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 2012 was £88m (£80m at 31 December 2011).

The Society holds US Dollar forward exchange contracts to reduce its exposure to exchange rate movements. At 31 December 2012, the nominal amount of the contracts net of long positions was US\$72m (US\$107m at 31 December 2011).

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	520
Investment return on the opening working capital	25
Mismatch profits and losses on assets backing the future policy related liabilities	(88)
Economic assumption changes	(14)
Other valuation assumption changes	(39)
Investment variance	166
Demographic and expense variance	23
Change in provisions and current liabilities	10
Modelling changes	(8)
Other	(8)
Closing zeroisation impact	(587)
Total change	0

14. Optional Disclosure

Not applicable

RETURNS UNDER INSURANCE COMPANIES LEGISLATION

THE EQUITABLE LIFE ASSURANCE SOCIETY

FINANCIAL YEAR END 31 DECEMBER 2012

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 2012, 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 2012

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 2012

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 2012 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), GENPRU and INSPRU (as applicable); and

The Society is dependent on the delivery of facilities and IT services by Lloyds Banking Group (“LBG”), under the Hosting Services Agreement dated 24 January 2011 for the period 1 January 2012 until 31 December 2012

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 2012 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 2012 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 2012) 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

Simon Small, Finance Director

22nd March 2013

RETURNS UNDER INSURANCE COMPANIES LEGISLATION

THE EQUITABLE LIFE ASSURANCE SOCIETY

AUDITORS' REPORT: REGULATORY RETURN FOR A LIFE INSURANCE COMPANY

FINANCIAL YEAR END 31 DECEMBER 2012

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 and a subsequent direction renewed on 30 November 2012. 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.

The maintenance and integrity of the Society's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the annual FSA insurance return since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

22 March 2013

RETURNS UNDER INSURANCE COMPANIES LEGISLATION

THE EQUITABLE LIFE ASSURANCE SOCIETY

FINANCIAL YEAR END 31 DECEMBER 2012

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 £2,400 were paid during 2012.

c) Aggregate Remuneration

For the period 1 January 2012 to 31 December 2012, R Merry was directly employed by the Society as With-Profits Actuary and his aggregate amount of remuneration for the period was £134,220.

R Merry is not a Director of the Society.

d) Other Pecuniary Benefits

For the period 1 January 2012 to 31 December 2012, 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.