Equitable Life

Walton Street
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24 September 2013

Dear Policyholder

I am writing to update you on a number of important matters.

We are pleased to say that the Society's financial strength has continued to improve in 2013, and we have just published on our website that the Society's capital has increased to £617m from £588m at the end of 2012. Getting this capital back into the hands of with-profits policyholders as quickly and as fairly as possible remains at the heart of our strategy.

We are now working with our financial regulators to establish when and how much more capital we can safely return to you. As usual, your Board will review the position next March and we will communicate with you shortly afterwards. In the meantime, the questions and answers overleaf will, I hope, explain simply how we are going about implementing the strategy.

Finally, I am pleased to tell you Ian Gibson has been appointed as a non-executive director on your Board. His deep actuarial and with-profits experience, following a long and successful career at Legal & General, will be much valued.

We shall be in touch again at the end of March 2014.

Yours sincerely

Chris Wiscarson
**Chief Executive**

Helpful questions and answers overleaf

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| **What is capital?** | It's the money a company needs to hold to protect itself against things going badly wrong that would otherwise lead to insolvency. |
| **How do you calculate the amount of capital that you need?** | We take the value of all the assets we hold and then deduct a conservative estimate of what we are contractually required to pay out to with-profits policyholders in the future. Our regulators specify a certain minimum excess. Anything in addition to that is known as surplus capital. That is what the Board is determined to return to policyholders as quickly and as fairly as possible. |
| **What have you done so far to distribute capital to policyholders?** | In April 2011, we announced that an amount equivalent to 12.5% of the underlying value of each policy would be payable when policyholders take their benefits. That 12.5% was what we deemed to be policyholders' fair share of the capital. This was an enormous step forward for the Society given its troubled history. |
| **Is the 12.5% guaranteed?** | No. It can go up and down depending on, for example, the state of the financial markets from time to time. |
| **How can the Society afford to pay the 12.5% at all?** | The more risky assets we hold, the more capital we have to hold. By replacing risky assets with safer investments, we have more surplus capital to return to policyholders. For example, in July, we agreed an alternative investment strategy with the Trustees of the staff pension scheme. In consequence, the scheme holds significantly fewer equities which means the Society needs to hold less regulatory capital, thereby increasing our surplus capital. |
| **How certain are you about being able to increase the 12.5%?** | The views of the regulators and the state of the financial markets, for example, will have an important bearing on the Board's decision. It is our hope that the next time we adjust the 12.5%, it will be up rather than down. |
| **Why don't you increase the 12.5% now?** | We need to establish when and how much capital we can safely return to you. We believe we can do that properly by next April. |
| **Should I wait until April before making any decision about when to take the benefits under my policy?** | We are not able to advise you. What we want to do is give you a sense of our current thinking as far as we are able. That way, you can take this into account in your financial planning. |
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| **Where can I get financial advice?** | We recommend you speak to an Independent Financial Advisor or visit the Money Advice Service website www.moneyadviceservice.org.uk |