

ANNUAL GENERAL MEETING PRESENTATION SCRIPTS

19 MAY 2004

Important Note: these are the scripts of the presentations made by the Chairman, Chief Executive and Chairman of the Remuneration Committee. Equitable Life's 242nd Annual General Meeting was held at Central Hall Westminster, London on Wednesday 19 May 2004. Please note that these are not transcripts of their speeches and as such should not be read as a precise, word-for-word record.

VANNI TREVES, CHAIRMAN

ADDRESS TO ANNUAL MEETING.

Ladies and Gentlemen,

Twelve months ago, your Board expressed cautious optimism about Equitable Life's prospects for the future.

At the time of the publication of the Interim Report last November we reaffirmed that belief.

I am pleased to report that our quiet confidence and measured optimism were not misplaced.

Equitable Life is stabilising and in better condition than at any time in recent years. Of course, uncertainties do remain and there is still a great deal of unfinished business, but the clouds are lifting.

Why do we say this? Let me summarise why in this way:

- Penrose: We believe, and are advised, that Lord Penrose's Report, published on the 8th of March, raises no new material adverse financial consequences for the Society;
- Solvency: The Society is clearly solvent and clearly exceeds the minimum regulatory capital requirements;
- Claims: There has been a major reduction of exits from the fund, particularly in the second half of 2003. This welcome trend has continued in 2004.
- Bonuses: Policy values have been increased for with-profits pensions and life policies for 2003 and an Interim non-guaranteed bonus for the same policies became effective from 1st January 2004;
- The future: The Board is now investigating plans to develop the Society's longer-term future and to improve prospects for policyholders;

Yes, recent years have been hugely painful, demanding and stressful for policyholders.

But, Ladies and Gentlemen, I believe your Society, albeit a very different business from yester-year, is now moving in the right direction.

In the next few minutes I, and then your Chief Executive, Charles Thomson, would like to update you on your Society's progress and share with you our thoughts on some important developments.

The Penrose Report

The Government published the report by Lord Penrose in full two months ago.

It is clear that Lord Penrose's report is no whitewash made in Whitehall.

He is direct and forthright in his condemnation of the past, particularly in expressing his views of the actions, inactions and omissions of the regulators and former management alike.

He pulls no punches and describes a litany of failure by the regulatory regime and former management. He stresses regulation was "inappropriate", that Government departments "failed", that the Treasury was "wholly passive" and Government actuaries "complacent".

We believe the Parliamentary Ombudsman is now duty bound to investigate the issue of regulatory maladministration and, if appropriate, to recommend compensation. More on why she should restart her inquiry in a few moments.

Your new Board believes the former directors made serious errors in the management of the Society. That is why we are pursuing a claim against them, as well as a claim against the Society's former auditors, Ernst & Young.

A few words on the progress of this litigation from Charles Thomson later.

The Board has assessed the probability of further claims arising from the publication of Lord Penrose's report and, based on current information and having taken the best legal and actuarial advice, our view is that his report has not raised new issues that will result in any material adverse financial consequences for the Society.

Of course, there exists the possibility that further claims could be made against the Society.

In particular, such claims could be made because of criticism of the historic conduct of the Society, or of former management and advisers, following any FSA investigations or disciplinary or other reviews by the actuarial and accounting professions; or they could be made following Lord Penrose's suggestion - with which we respectfully but strongly disagree -, that over-allocation of bonus during the 1990s led to the policy value reductions in July 2001. The Board notes that Lord Penrose acknowledges that his work in this area was "necessarily crude".

In fact, these policy value reductions were very largely a result of market falls in 2000 and 2001.

The Society is currently advised that it has substantial defences to any further claims that might be asserted and, indeed, that any such claims would be, as Lord Penrose indicated, complex and enormously difficult to litigate.

As you know, allegations of fraud have been made from time to time although no proceedings have been issued. This is not a new concern. As we have many times stated, your Board has found no evidence that could lead to a sustainable case of fraud. In the event that any proceedings were issued, they would be defended vigorously.

At this point, I should mention the review being carried out by the Serious Fraud Office. Their work is on going and the Society is cooperating with their inquiries. Like you, we await further announcements from the SFO.

Let me discuss now the Government's position. The Government's response to Penrose has been, so far, to reject calls to consider compensation. Instead, it encourages policyholders, who think they may have a compensation claim, to go to the Financial Ombudsman Service (FOS) or to the courts.

Your Board rejects the Government's attempts to deflect attention away from itself and on to the Society. In the interests of continuing policyholders, the Board will actively challenge any claims or decisions by FOS that it considers wrong. We are most aware that it is the continuing policyholders - not those who have left - who must bear the financial burden of any successful claims and the costs of unsuccessful claims.

May I remind you that Lord Penrose's remit was not to apportion blame or to consider the issue of compensation and he makes it very clear that his report "has not provided answers to two questions"?

Who are at fault? And; Who deserves redress...?"

The Parliamentary Ombudsman

I would now like to turn to the subject of pursuing the litigation route for Government compensation and the importance of the Parliamentary Ombudsman reopening her inquiry into Equitable Life.

First, let us recap on your Board's unambiguous position on this very important matter.

Since 2002, your Board has many times publicly stated - and most people have clearly understood - that:

If, after publication of the Penrose Report and having assessed its contents, the Report gave us the ammunition to pursue the Government or regulatory bodies through the Courts, then we would do so.

In January of this year, we again reiterated that we would pursue the Government if we could, but said that the legal hurdles to pursue the Government would be very high indeed. At the time, we said that the Parliamentary Ombudsman could turn out to be the best route to compensation, once Penrose was published.

Following publication of the Penrose report, Herbert Smith and Leading Counsel - some of the top legal brains in this country - were instructed to advise your Board on the merits of possible claims by the Society and/or by Policyholders against the various regulators of the Society.

A summary of their opinion was published last month in a letter from Herbert Smith, and sent to members with this year's AGM pack.

I do not intend to repeat their advice in full now. We have published it and, no doubt, you have read and assessed it.

In summary, their advice is unequivocal.

Quoting from Herbert Smith's letter - "the Society has no realistic claims against regulators".

Herbert Smith and Counsel go on to say that any claim by policyholders - and again I quote - "would be complex, lengthy and costly; the result would be uncertain"

Ladies and Gentlemen,

This Board has many times shown that it is not frightened of taking decisions that it believes to be in members' interests.

If your Board had been advised that there was a sustainable and cost-effective legal case, we would have pursued it, as we are doing with others.

In light of the clear advice from our lawyers, we will not squander members' money on litigation that is most likely to fail.

However, after the publication of the Penrose Report in March, the Society called on the Parliamentary Ombudsman to reopen her inquiry into the regulation of the Society. Indeed, we urged her to ask Lord Penrose to assist in her investigation.

The Ombudsman's original inquiry only covered the period after 1 January 1999 (when the FSA took over regulation) and concluded that by that time the "die was cast" and it was too late for the FSA to influence events significantly. This serves to focus attention on the earlier period of regulation, which Lord Penrose has studied in depth.

Without fanfare or the pursuit of any costly litigation, we have moved quietly and, we believe, effectively to represent your interests and to ensure that the Ombudsman reopens her inquiry.

Indeed last week we wrote to all MPs to restate our views on the case for a fresh investigation by the Parliamentary Ombudsman.

She is now canvassing MPs and other interested parties over whether she should reopen her inquiry.

In fact, Charles Thomson and I will be meeting with Ann Abraham, the Parliamentary Ombudsman, next week. At the meeting we will again strongly argue the Society's case as to why she should restart her investigation.

Among those issues we believe require examination by the Ombudsman are that the Regulators:

- Knew that during the late 1980s and 1990s, the Society's capital was diminishing to a dangerously low level.
- Failed to challenge the lawfulness of the terminal bonus policy when it was introduced in 1993,
- Failed to discover that the Society was not reserving for the guarantees expressly contained in the GAR policies. Again, they ought to have insisted on proper reserves.
- Each of these amounts to a serious regulatory failure and maladministration. Had they, as was their clear duty, insisted on corrective action or otherwise intervened, the terrible situation that befell the Society and its policyholders would have been prevented. But, ladies and gentlemen, they failed in that fundamental duty.

The Parliamentary Ombudsman is an important channel and the best chance of compensation for four significant reasons:

- 1 She can investigate whether there was maladministration by regulatory bodies criticised in Lord Penrose's report including the Department of Trade and Industry and the Treasury. Her remit should also be extended to include the Government Actuary's Department;
- 2 She has the statutory power to recommend government compensation without establishing blame to the standards required by the courts;

- 3 She is likely to reach a conclusion in a fraction of the time any legal action would take;
- 4 Her investigation does not cost the Society or its policyholders any money.

In summary, I believe the Parliamentary Ombudsman has a great responsibility to investigate the issue of regulatory maladministration.

Penrose has provided her with the necessary ammunition and she must now fire the starting gun for a new inquiry to begin. I am confident that she will and the moral case for investigating Government compensation is now compelling.

Above all, whether or not any compensation is payable, the Parliamentary Ombudsman could bring an independent view to the matter. Her inquiry would be fair, faster than any alternative course of action and final.

Following the Penrose Report, the Financial Secretary to the Treasury Ruth Kelly has commissioned an independent review into the corporate governance arrangements of mutual life insurance offices. The Review is being led by Paul Myners, Chairman of the Guardian Media Group, and is due to report by the end of 2004.

The Review team is keen to hear from anyone with views on governance matters. They will be issuing a consultation document next month that will set out the main issues and questions. It will be available on the Treasury website.

We have already had a very productive meeting with Paul Myners and I would encourage members to write to Mr Myners with any views on governance matters.

For our part, we will offer our full cooperation in the coming months to both the Myners Review and, also, the review into the actuarial profession, headed by Sir Derek Morris.

Board changes

We must take this opportunity to put on record our thanks to Sir Philip Otton, deputy chairman and former Lord Justice of Appeal, who retired at the end of 2003, aged 70. Sir Philip was the senior independent non-executive Director, chairman of the Legal Audit Committee and chairman of the Remuneration Committee. We are grateful to him for all his efforts on behalf of members to lead us through many of our legal challenges to calmer, clearer waters.

Sir Philip has been replaced by Peter Smith as the senior independent non-executive Director, by Fred Shedden as chairman of the Legal Audit Committee and by Jean Wood, who you will hear from in a few minutes, as chairman of the Remuneration Committee.

May I also tell you today that Nigel Brinn, Our Finance and Investment Director, has informed the Board that he wishes to retire, in this his 60th year, this September. He intends, therefore, resign as a director from the boards of Equitable Life, University Life Assurance Society and Equitable Life Finance plc with effect from August 1st 2004. I would like to take this occasion to thank him for his contribution to the Society's myriad of challenges since he joined us in January of last year. It is always sad to lose a valued colleague and, of course we wish him well in the future.

As we continue with our recovery and move to calmer waters, we are fortunate that we already have in place a senior and very able finance team, with vast experience of the life *and pensions sector*.

Looking ahead

Let me now look ahead briefly.

2003 has been another testing year but also a year of steady progress and improving stability.

We still have many issues to resolve - clearly many uncertainties remain - but we hope and believe that the dark clouds overhanging the business are slowly drifting away. Step by step, we are resolving our main issues and improving the financial condition of the Society.

As we continue to achieve greater stability, we plan to develop further our ideas for the longer-term future of the Society. We will discuss our proposals with members when they have taken sufficient shape.

Meanwhile all policyholders can be certain of this:

As it has done since taking office three years ago, the Board's overriding objective is to act in your long-term interests.

Thank you for listening. I would now like to hand over to Chief Executive, Charles Thomson.

CHARLES THOMSON, CHIEF EXECUTIVE

ADDRESS TO ANNUAL MEETING.

Good morning everyone. Thank you for joining us today.

Ladies and Gentlemen,

The Chairman has spoken of our improving stability and has dealt in detail with the Penrose Report and the important need for the Parliamentary Ombudsman to undertake a fresh inquiry.

I would now like to update you on our progress against our key objectives in 2003, a year where we once again faced some complex issues but took important strides forward.

Starting first with the financials.

The Fund for Future Appropriations - our key measure of solvency - stood at £542 million at the year-end. As a proportion of the with-profits fund, it now stands at its highest level since early 2002.

As the Chairman has highlighted in his opening remarks, we have experienced a major reduction in exits from the with-profits fund, particularly in the second half of last year.

Surrenders in 2003 were £1,788 million against £3,800 million the previous year. That is a reduction of over 50%.

Maturities and other claims totalled £1,910 million, against £3,052 in 2002 - a reduction of 37%

Our payouts fell steeply in 2001 and more gently in 2002 in response to market

conditions. Other insurers followed later. Many had to make significant reductions to payouts last year when we did not. Whilst it is no comfort to see this happen, it does serve to underline the challenging economic conditions there have been in recent years and why Equitable Life, with its fragile financial condition had to act first in ways now followed by others in the sector.

We are making good progress in this area yet substantial uncertainty still exists about the level of provisions.

Despite the continuing uncertainty, we believe - and have done our best to ensure - that the funds we have set aside are appropriate to deal with the various claims against the Society.

Last year we reported on the high levels being experienced in both exceptional and non-exceptional expenses. Total expenses have been significantly reduced in 2003, but the assumed future expenses incorporated into the provisions are expected to remain at a high level for some time. This is an area on which we continue to focus, in line with our objectives.

Last November, the Board made an announcement to the Stock Exchange following market speculation concerning a potential offer to be made by the Society to purchase some or all of the Subordinated Bonds. These are listed securities, issued by our subsidiary Equitable Life Finance PLC.

As we said then, the Society regularly reviews the possibility of making an offer for the Bonds but has decided not to make such an offer at the present time.

I would now like to update you on the significant progress we have made with our reviews.

Starting with complaints by non-GAR policyholders

During 2003, the Society wrote to former non-GAR policyholders, representing 16,000 policies, inviting them to let us know if they felt they had a valid complaint against the Society in relation to the GAR issue. Good progress has been made in dealing with

those former policyholders who have responded to the Society and the financial uncertainties have been significantly reduced.

With respect to the complaints to the Financial Ombudsman Service, the Society has received a preliminary view from the Ombudsman, based on its own legal advice that it is considering a different approach to redress from that of the Society for some cases. The Society has made representations to the Financial Ombudsman that the appropriate approach to assessing compensation in cases such as these should be based on the Society's own legal opinion, which is consistent with the published legal advice obtained by the FSA. We have made representations to the Ombudsman, but it could be many months before the matter is finally resolved, particularly if the matter ultimately requires resolution by the courts.

This time last year the Board announced that we had decided to withdraw the original GAR Rectification Scheme. The Society's former Board launched that scheme to compensate holders of GAR policies who retired before the House of Lords' ruling in 2000. However, it had proved to be too slow, too complex and potentially unfair to continuing members as was noted by Lord Penrose.

The new Rectification Scheme was launched last November and over a thousand offers have already been made. This scheme is on course to complete making offers this year. The version of the scheme designed for group pension schemes is nearing completion and details will be sent to trustees very shortly.

The review of the sale of managed pensions is progressing and we expect to have completed most cases by the end of the year.

The progress now being made in these projects represents an important step towards stability. The large provisions for these schemes in our accounts are based on forecasts that are inevitably uncertain. The results to date are consistent with our assumptions, but the uncertainty can only be removed by the completion of the reviews.

I would now like to talk about annuitants.

I can assure you that every member of your Board fully understands and sympathises with the position of with-profits annuitants.

As we have said before, we looked long and hard for ways to avoid making the reductions which have been necessary. The uncomfortable reality is that the Society's financial position makes it necessary to bring with-profits annuitants much more closely into line with reductions suffered by other with-profits policyholders.

We have deferred the recovery of the remaining 3% cost of guaranteed annuity rates this year so with-profits annuitants will get the benefit of the 2% non-guaranteed bonus, though we realise that will be small comfort in the light of the other changes.

The amount of future with-profits annuity payments depends on the performance of the with-profits fund and the 'anticipated bonus rate' chosen when the policy started. Broadly, each year the income level reduces at the anticipated bonus rate and increases by the bonus added. Policyholders generally chose the anticipated bonus rate at a time of high inflation, high investment returns, and high bonus. Many aimed for a broadly level annuity, which would have been eroded by continuing high inflation.

With low inflation, low investment returns, and low bonuses, many with-profits annuitants will see further falls in their income when the increase in bonus falls below their anticipated bonus rate. However, the erosion in the buying power of those pensions from inflation is much less severe. In terms of buying power, the overall position may not be dramatically different from the original expectation.

The Board notes the suggestion that a with-profits annuitants' pressure group may take legal action against the Society.

We do not know the detail of their claim but members should know that we would defend any unsubstantiated claim with vigour.

As members of the with-profits fund, if this group of annuitants does take legal action, they would, in effect, be suing themselves. The costs would be significant for both sides and it would be a very lengthy process. There is only one pot of money and I struggle to understand how robbing Peter to pay Paul is of any overall benefit.

However, if they do decide to sue the Society and it means seeing them in Court eventually, we will do so.

The Board will do what is necessary to protect the interests of all members.

The legal actions against the former directors and Ernst & Young continue to gather pace and we had important victories in the Courts last year on both claims.

In each action some or all of the defendants made an application to have the claim against them struck out. In each case that application was defeated.

The Society won costs in both cases and the decisions have vindicated your Board's action to pursue this important litigation in the interest of policyholders.

I do want to say a few words about the costs of pursuing these legal actions.

Your Board decided to act on these claims only after a careful assessment with our legal advisers of the likely financial rewards and the chances of success. These actions are expensive and in 2003 the litigation costs amounted to £7.9m, though some of those costs were incurred early as a result of the strike out actions. The Board regularly reviews with its legal team the progress and cost justification of the claims and we remain of the view that we have strong and substantial claims to assert. Any compensation the Society receives will be added to the with-profits fund for the benefit of continuing with-profits policyholders.

The trial of both claims is due to commence in April 2005.

The Society's investment strategy continues to be to hold very little in equities in order to minimise the risk to solvency from volatile equity markets. Members may be aware that only last week the FTSE had its largest one-day fall - over 103 points - since May 2003. It now stands at [INSERT Close on Business on May 18th] and is some way off from the level of 4800 above which we sold most of our equities in 2002. The asset mix in percentage terms has changed little over the year. This has been the result of careful management of asset sales in anticipation of the reduction in the size of the fund. That has been more straightforward in 2003 as a result of the significant reduction in the amount of funds withdrawn by policyholders.

Members will be only too aware of the impact the last few years have had on customer service.

Customer service has improved a great deal but is not yet at the levels of quality and cost, which we believe are appropriate. However, progress has been made and the Society continues to work with HBOS - to whom our administration is outsourced - to make improvements.

Your Society has made great progress in the past 12 months and much has been achieved to stabilise the business.

I am confident that we are firmly on track to remove the uncertainties that remain and in the year ahead we will do all we can to beat them out.

Thank you for listening.

JEAN WOOD, CHAIRMAN, REMUNERATION COMMITTEE

AGM Address

Thank you Chairman.

Good morning Ladies and Gentlemen.

I would like to start by thanking Sir Philip Otton for his leadership of the Society's Remuneration Committee, which, during his time as Chairman, included the introduction, in 2002, of a remuneration report to members at this, your annual meeting.

I am very pleased to present now the third annual report on the work of the Remuneration Committee, the other members of which are non Executive Directors Vanni Treves and Peter Smith.

I should add that today I am providing you with an overview of the full details of Directors' remuneration which are to be found in the Corporate Governance Report, beginning on page 18, of the 2003 Annual Report, published last month.

Where relevant, the Committee meets the standards set out in the combined code applicable to listed companies.

Once again, you are being asked to approve the Directors' Remuneration Report by way of an advisory vote. As a mutual company, we are not obliged to adopt this practice. However, your Board considers it is now best practice to enable members to express a view on this matter.

One of the roles of the Remuneration Committee is to assess senior executives' performances and to ensure that they are appropriately remunerated against their achievements.

Where bonuses are payable, we set performance criteria that must be achieved in order to trigger any bonus, completely or in part.

In order to retain good quality, highly motivated staff, we obviously pay close attention to the remuneration being paid by other companies in the sector.

The full Board is then presented with the Committee's recommendations based on the scope of an individual's responsibilities and performance.

I would now like to detail the remuneration made to directors last year.

Turning first to the Chairman and the other Non Executive Directors.

In the case of the Chairman, for 2003 - that is starting on the 1st June 2003 - his fee was £125,000 per annum.

This year we reduced the number of Non Executive Directors to eight and each of those in office last year, excluding the chairman, received an annual fee of £25,000. The Society's Deputy Chairmen and the Chairmen of the Investment Committee and of University Life each received an additional fee of £5,000 per annum in relation to their specific additional services.

The annual fees paid to the Non Executive Directors have effectively remained unchanged since April 2001 and the Chairman's fees have not changed since June 2002.

The Society is unusual in that it has only 20 employees, of which six are senior executives. Given the great uncertainties facing the Society, most of these were recruited initially on a variety of terms and conditions. As we have moved into more stable times, we have tried to rationalise these arrangements. Based on benchmarking information, we have established salary policy based on the median for companies of our size and complexity and we have fixed the maximum bonus component at 50 per cent of salary. For key senior staff, we have also added a

retention bonus.

If I may, Mr Chairman, I would like to report now on the remuneration of the Executive Directors.

In the case of the Chief Executive, with effect from 1 July 2003, his annual rate of salary increased from £371,250 to £389,825, a 5 per cent increase. For 2003/2004, the Remuneration Committee recommended to the Board that Mr Thomson's discretionary bonus should be £155,930 - representing 80 per cent of the maximum allowed and 40 per cent of his salary - and this will be paid next month.

Under the annual retention bonus scheme, a retention of £68,750 vests on 31st March in each year from 2003 to 2005.

However, this money is only payable in full at 1st April 2005, if continuous service is maintained to that date. If Mr Thomson's employment ends before 1st April 2005, he will receive a payment of between 25% and 100% of the vested amount at that date.

Nigel Brinn joined the Board as Finance and Investment Director in February 2003 on a base salary of £210,000. Following the departure of the Society's Chief Operating Officer in March 2003, Mr Brinn assumed his responsibilities.

His role was therefore re-evaluated and his remuneration reassessed in line with benchmark data. As a result, with effect from July 2003, Mr Brinn's salary increased to £240,000, as were other benefits accordingly.

The Remuneration Committee recommended to the Board that Mr Brinn's discretionary bonus should be £72,000 - representing 60 per cent of the maximum allowed and 30 per cent of his salary - and this too will be paid next month.

Ladies and Gentlemen, I believe we are very fortunate to have such a dedicated and effective Executive team, led by Charles Thomson, working on your behalf.

As I said, the full details of Directors' Remuneration for 2003 were published last month in the Annual Report. I hope this brief summary report to you has been as clear as possible.

Thank you for listening.