Extraordinary General Meeting presentation scripts

26 October 2007

Important note: These are the presentations made by the Chairman and Chief Executive at Equitable Life's Extraordinary General Meeting, held a the Church House Conference Centre, London on Friday 26 October 2007. 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 Extraordinary General Meeting 2007

Good morning ladies and gentlemen.

We are here today to vote on the transfer of Equitable Life's with-profits annuity policies to Prudential. We - the other directors and I - believe that this transaction represents the most important milestone yet in the road to recovery that the Society has followed since the awful events of seven years ago.

So, let us run through the essentials of the transaction, put it into the context of the Society's development, and explain why we think it is such a compelling proposition.

Not only will this agreement radically improve the prospects of those with-profits annuitants that are transferring to Prudential, it will also simplify the Society and therefore very much increase our chances of finding a strategic solution for all of the remaining policyholders.

That is why I and your whole Board strongly recommend that you vote in favour of the resolution.

Let me just remind you of the journey so far.

This deal is the culmination of a six year process during which the Society has been transformed from the perilous state it was in when the current Board and management took over its running in 2001.

Phase One of this process was pulling the Society back from the brink and making sure that it remained solvent.

Phase Two, once stability was achieved, was the strengthening of the Society and the building up of appropriate reserves.

Phase Three is the search for strategic options that would provide improved prospects for policyholders – We have so far successfully concluded deals with Canada Life and Reliance Mutual to greatly reduce longevity risk from fixed pensions and to simplify the business.

Against this backdrop, the transfer to Prudential represents our most important step yet.

We urge you to vote for the resolution because we believe that this is a genuinely transformational deal for Equitable Life.

Although, as I have outlined, much progress has been made by the Society in stabilising its financial position, the constraints within which we are required to operate are such that we remain predominantly invested in fixed-income investments.

That does not provide the type of investment mix that our with-profits annuitants expected to benefit from when they chose their policies. We have been keen to find a way of improving their position.

The agreement in March to transfer £1.8 billion of with profits annuity policies was therefore a very important development.

Those policyholders that are transferring to Prudential will join an actively managed fund; part of one of the strongest insurance companies in the U.K.

The Prudential is able to invest far more in equities and property than we are currently able to do. As a result we believe the prospects for these policyholders will be transformed.

As an illustration (and not forgetting that past performance is no guide to the future), in the five years to 31 December 2006, Equitable Life earned an average return of 6.5% per annum while the Prudential's fund earned an average of 10.5% per annum. That is more than a 50% increase.

Finally, it is important to reiterate that the Society's with-profits annuities are unattractive to most other insurers. Simplifying the book of business by transferring them from Equitable Life will make what remains much more attractive to potential purchasers.

I would now like to hand over to Equitable Life's Chief Executive, Charles Thomson, to take you through the transfer in a little more detail.

Charles Thomson, Chief Executive

Thank you Chairman.

Before I turn to the detail of the deal let me just remind you of the timetable for the transaction:

Having received a number of approaches from third parties in respect of the with-profits annuity policies, we announced the agreement to proceed with Prudential on March 15th.

Since then a great deal of work has been done behind the scenes to get us to the position we are in today.

At the beginning of this month you received information packs, providing full details about the transfer.

Today you have the opportunity to vote on the transfer.

If you and your fellow members vote in favour today then we will ask the High Court to sanction the transfer on November 28.

Subject to these approvals we are ready to complete the transfer of policies on December 31st.

I am very pleased that we have managed to negotiate this deal for our policyholders. As Vanni has said, we now have stability but our investment constraints limit the potential for future bonuses.

If the transfer goes ahead, the with-profits annuity policies will transfer to Prudential. The policy conditions will not change but the investment will be in Prudential's with-profits fund instead of Equitable Life's.

The Society's with-profits fund can operate with an equity backing ratio (or EBR) – that is the proportion of the fund in equities and property – of 20%. Equities can go down as well as up and the fund is not strong enough to go substantially above 20% EBR in case equities go down. Prudential is one of the UK's strongest insurance companies and it has access to capital support which is unavailable to Equitable Life. Consequently, Prudential's fund has an EBR of 70%.

The future bonuses for with-profits annuitants will depend on the investment performance of Prudential's with-profits fund. Prudential's with-profits fund has much greater investment freedom and consequently, greater bonus earning power than Equitable Life can provide. Of course, investment freedom – a greater exposure to equities and property investments - can also have its downside and no-one can guarantee that Prudential will be able to pay greater bonuses in future than Equitable Life.

However, we believe that this sort of opportunity - to have benefits relating to an actively managed, mixed investment fund, - is attractive to with-profits annuitants and is closer to the sort of fund they originally chose for their pension.

For the remaining policyholders the simplification of the business and the reduction in longevity risk significantly improves the prospects of our finding better opportunities for the future. We also wanted to safeguard policyholders' position into the future where we could.

Firstly, yes, it is true that EBR can give a lower performance too, but by retaining the policies' underlying guarantees, the downside risk for policyholders in this transaction is limited. At any time, each with-profits annuity has a specific minimum income guaranteed and this will be honoured by Prudential regardless of their investment achievements.

Secondly, Prudential will fix the administration charge for these policies going forward at 1%pa. That is the long term level which Equitable Life effectively charges but if we needed to increase that level in the future, we would. This puts with-profits annuitants in a more secure position in this respect than they are currently.

Thirdly, you may be aware that for some policies the underlying annuity value is less than the guaranteed minimum annuity. If it were not for the guarantee, the pension paid would be lower. There is a cost involved in paying those annuities at the minimum level and Equitable Life covers this cost effectively by making a charge of 0.5%pa, currently. If Equitable Life needed more it would charge more. Prudential will have the same issue to deal with when it takes on these policies and they will also charge 0.5%pa to cover this cost. However, if this cost of covering guaranteed benefits increases, Prudential will NOT increase the charge. If the cost of covering the guarantees decreases, Prudential will reduce the charge.

We have spoken at length in the past about annuitants living longer and the cost of paying pensions increasing. At present that cost is met by the whole Society. We wanted to limit the impact of future charges for with-profits annuitants after they have transferred to Prudential and the transfer does just that. In the normal running of the pensions, if the mortality experience differs from that expected Prudential's main fund bears the financial impact (good or bad). If Prudential decides to change its mortality forecasts in future (as all life companies may do) there are two safeguards for our with-profits annuitants. Firstly, only changes seen as fair by Prudential's independent With-Profits Committee will be allowed and secondly, the impact of changes to mortality forecasts will be limited so that it does not affect annuitants' income by more than 0.5% pa in any event.

The up-front costs of providing these safeguards will be met from the with-profits annuitants' share of the Society's excess realistic assets. The excess realistic assets will also be used to compensate remaining policyholders for the expected increase in unit cost as a result of the transfer of annuitants away from the Society.

We believe that those costs are a good use of the with-profits annuitants' share of the excess realistic assets – a price worth paying to provide transferring policyholders with these safeguards for the future.

Vanni Treves, Chairman

Thank you Charles. Before we open the floor to questions I would like to reiterate that:

This deal really does represent a critical milestone for the Society. We have looked thoroughly at the alternatives and have taken on board policyholders' views. We firmly believe that the proposed transfer is a major step forward and corresponds to what many individual policyholders told us they wanted, backed up by our scientific research.

It is only now, after many years of steady progress, that the Society is finally in a position to do a deal of this kind for policyholders and it now comes down to your vote.

This is a stage in a process which, with your support, we plan to continue - The transfer offers with-profits annuitants significantly better prospects, but it will also pave the way for further strategic options for the remaining policyholders.

I hope that you will come to the same conclusion as we have and support this proposal. If you do so, we will then be able to consider the future of the business from a position of enhanced strength.

Ladies and Gentlemen, thank you.