At the Annual General Meeting of

THE EQUITABLE LIFE ASSURANCE SOCIETY

held on Thursday, 24 May 2007 at 11.00 a.m.

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The following persons were present:

Vanni Treves	(Chairman)	(in the Chair)
Peter Smith	(Deputy Chairman)	
David Adams		
Ian Brimecome		
Ian Reynolds		
Fred Shedden		
Charles Thomson		
Andrew Threadgold		
Jean Wood		

There were 225 members entitled to vote present in person and 11 proxies (who were not in their own right members entitled to vote) who had been appointed by members to vote on their behalf at the meeting.

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The Chairman, Vanni Treves, opened the meeting and welcomed those attending. He emphasised that the Board wanted to do justice to the questions that had been raised and to give as many members as possible the chance to express their views. However, at previous AGMs, because the question and answer session had been so long, a significant number of members had complained that they had to leave before being able to vote. To overcome this, the Chairman suggested say 1½ hours for questions before moving on to the formal business of the meeting, including the voting. That would then conclude the AGM.

The Chairman took the opportunity to thank Ron Bullen and Michael Pickard, the directors who had retired from the Board the previous year. He then introduced the directors present at the meeting. The Chairman explained the proposed format and timetable for the meeting, which would comprise presentations from the Chief Executive and the Chairman. These would be followed by a question and answer session and then voting on the resolutions to be put to the meeting.

The Chief Executive, Charles Thomson, provided an update on progress in 2006. He commented that during 2006, the Society had been able to take some important steps towards delivering the best possible future for its policyholders. He reported that the Society's financial strength had increased again and was now fully at its target level and consistent with the much more stringent capital requirements introduced by the regulator in recent years. He added that the Society's investment performance had been good given the constraints that had applied, including the need to hold so much in fixed interest securities.

The Chief Executive remarked that improvements in the Society's position had allowed bonuses to be increased and the financial adjustment applied on early surrender of with-profits policies to be reduced.

The Chief Executive reported that during 2006 the Society's "excess realistic assets", a key measure of solvency, had increased again from £669 million to £884 million and that they now represented 9.4% of the with-profits fund. He added that the Board believed that the excess realistic assets were now at an appropriate level for a closed fund in "run off".

The Chief Executive reported that the basic gross return on the fund for 2006 was 2.6%. This reflected that the fund was predominantly invested in fixed-income investments and that interest rate rises during the year had reduced the market value of those investments. However, increases in interest rates also reduced the value of the Society's liabilities in a very similar way and, allowing for the impact of interest rates on liabilities, the adjusted investment performance for 2006 was 5.2%. After allowing for expenses, tax and changes in provisions, the net return available to fund increased bonuses for policies was 3.9% before smoothing and other considerations.

The Chief Executive reported the successful transfer of most of the Society's non-profit annuity business to Canada Life. This had removed from the Society a disproportionate exposure to the risk of the cost of annuity payments increasing if annuitants lived longer than expected. He added that careful management of the process had allowed a competitive environment which helped to secure the most attractive terms for the Society.

The Chief Executive reported that, as the Canada Life transfer had removed a significant risk from the business, the Society did not need to keep so much capital to cover that particular risk. This, with the 2006 investment performance referred to earlier, had allowed the Society to allocate a final bonus of 5% per annum for 2006 and also to set the current interim bonus rate at 5% per annum for 2007. Also, the Society had reduced the financial adjustment on early surrender of with-profits policies from 8% to 5% of policy value, again as a result of the improved financial position, but mainly because of the reduced future uncertainty in the business.

The Chief Executive referred to the transfer of the Society's subsidiary, University Life Assurance Society, to Reliance Mutual Insurance Society Limited which was planned to complete at the end of May 2007. He remarked that University Life had closed to new business in 1975 and was now a very small business but one which would need to be managed for at least another thirty years. He added that there was no material benefit to the Society in having this subsidiary and indeed it could be an obstacle to other strategic opportunities for the business as a whole.

The Chief Executive remarked that, after six years of achievement overcoming the inherited problems, the Society had reached a stable and secure position and that the Society was now as strong as a closed fund in 'run off' needed to be.

The Chairman then addressed the meeting on developments affecting the Society from outside the business and on the agreement reached with the Prudential.

The Chairman referred to the European Parliament's "Temporary Committee of Inquiry into the crisis of the Equitable Life Assurance Society". The Committee had been investigating alleged contraventions of Community law by the UK Government and allegations of maladministration in the application of that law. The Chairman emphasised that this was an investigation into the operation of regulation - not an investigation into Equitable Life. He remarked that the Society had fully supported the Committee in its work and the Chief Executive, Charles Thomson, had attended the Committee on two occasions to make presentations and to answer questions. The Committee had now agreed its report to the European Parliament and having concluded that the UK failed adequately to implement the Third Life Directive, its first recommendation for remedies was that the UK Government should compensate Equitable Life policyholders. The Chairman remarked that, as the Society had said before, it welcomed any steps that would lead to Government compensation for its policyholders and that the Society urged the European Parliament to accept the Committee's recommendations. He added, however, that even if the European Parliament accepted the Committee's recommendations, this would not be binding on the UK Government and there was a real risk that the Government would ignore it.

The Chairman then referred to the inquiry currently being undertaken by the Parliamentary Ombudsman. He remarked that, following the strong criticisms made of the regulators in Lord Penrose's report in 2004, the Society had joined others in calling on the Parliamentary Ombudsman to investigate the actions of the regulators of Equitable Life and to include the Government Actuary's Department in that investigation. The reason for this was that the Parliamentary Ombudsman had the power to recommend Government compensation to Parliament. The Chairman reported that the Society had done a tremendous amount of work to support and encourage the Parliamentary Ombudsman's investigation and had had numerous lengthy, detailed and confidential meetings with her team. He remarked that the Parliamentary Ombudsman had hoped to publish her report before Parliament's summer recess. However, having had a detailed response from the Treasury, the Government Actuary's Department and the Financial Services Authority which ran to more than 500 pages, she had now said that she would not be able to publish her final report before Parliament's summer recess and, at this stage, she had not given a new timetable for publication. The Chairman added that the Society remained of the view that the Parliamentary Ombudsman's report was the best hope for Government compensation for its policyholders and that if the Parliamentary Ombudsman found maladministration leading to injustice and recommended that the Government should pay compensation to policyholders, the Society would do all it could to put pressure on the Government to follow that recommendation.

The Chairman then commented on the proposed transfer of the Society's with-profits annuities to the Prudential. He remarked that the agreement the Society had signed with the Prudential represented another hugely important step forward for the Society. As the Chief Executive had explained earlier, the Society now had stability but the investment constraints on it limited the potential for future bonuses. He added that most with-profits annuitants had policies which needed high investment returns to maintain their pensions and they could not choose to go elsewhere, as annuity policies could not be transferred on an individual basis. With-profits annuities were also unusual so, when considering strategic options for the business, the options for the business as a whole were limited by the presence of the with-profits annuities. For these reasons, having dealt with the disproportionate mortality risk through the Canada Life deal, the Board and management had turned their focus next to finding a strategic option for with-profits annuitants.

The Chairman commented on the benefits of the proposed transfer for with-profits annuitants. He remarked that, if the transfer went ahead, the with-profits annuity policies would transfer to the Prudential. The policy conditions would not change but, importantly, the investment would then be in the Prudential's with-profits fund instead of Equitable Life's. The future bonuses for with-profits annuitants would then depend on the investment performance of the Prudential's with-profits fund, which had much greater investment freedom and, consequently, much greater bonus earning potential than the Society. Although no promise could be made that the Prudential would be able to pay greater bonuses in future than Equitable Life, the Board believed that the opportunity to have benefits relating to an actively managed, mixed investment fund was attractive to annuitants.

The Chairman commented on the wider benefits for the Society. He remarked that although the with-profits annuitants would see the most immediate and obvious benefits, it was a deal that would benefit all with-profits policyholders. As with-profits annuity policies were relatively unusual, they were a likely barrier to potential purchasers of the rest of the Society's business. Having found an opportunity for with-profits annuities, the remaining policies in the Society were likely to fit in with many other companies' existing businesses or aspirations. Once the with-profits annuities had been transferred to the Prudential, the Board believed that the Society would have greater opportunities for finding the right future for the remaining policyholders – whether that was a sale or 'run-off'.

The Chief Executive then provided further information regarding the proposed transfer to the Prudential. He remarked that it was the Board's duty to do what was in policyholders' interests. The Society was strong enough to run off on its own and the Board would consider transactions if, and only if, it expected the outcome for policyholders to be improved beyond what the Society could do itself using its existing resources. In respect of the proposition from the Prudential, the Board had considered what protections could be provided for the future for the policyholders who would transfer. The protections in the agreement with the Prudential included:

- that the transferring policies would go into a sub fund of the Prudential's with-profits fund known as the DCPSF (DC standing for "defined charges") that would provide the policyholders with substantially fixed charges. In that sub fund 100% of the investment return achieved would go to with-profits annuity policies, unlike other parts of the Prudential's with-profits fund where, as was common in a proprietary company, 10% of the investment return went to the shareholders;

- the future charges for administration would be fixed at the level that Equitable Life currently needed to levy;

- the Prudential had undertaken that the element of the investment return retained to cover the cost of paying for policies where the guarantees were greater than the underlying policy values would be a maximum of 0.5% (i.e. the same as the Society currently retained). If the cost of the guarantees reduced, the charge would be reduced as would have happened at Equitable Life. However, if the cost of guarantees increased, the charge would not be increased by the Prudential (whereas it would have increased with Equitable Life); and

- the Society would apportion the Equitable Life with-profits fund and hand over the with-profits annuitants' fair share to the Prudential. It was expected that this would be slightly more than enough to meet the Prudential's charge and the money left over would be added to with-profits annuitants' policy values as a small increase to final bonus.

The Chief Executive remarked that these points illustrated that the deal was carefully designed to be fair to all policyholders and significantly improved the prospects for with-profits annuitants. He added that the deal worked for the Prudential also because it was a much larger organisation and open to new business, with costs less than those of the Society. As the future charges for administration would be fixed at the level currently levied by the Society, the Prudential would make a profit for its shareholders from the administration of the business. The transfer would also give them a significant increase in scale in a part of their business which was an area of strategic focus for them.

The Chief Executive then described the many protections for policyholders in the agreement with the Prudential. These included:

- the Society's Board's primary responsibility to the interests of all policyholders. If, having taken advice from lawyers, actuaries and financial experts, the Board did not consider the transaction was in policyholders' interests it would not recommend that members vote for it;

- an Independent Expert would be appointed to look at the impact of the transfer on all groups of policyholders: with-profits annuitants, the Society's other policyholders (whether with-profits or not) and also the Prudential's policyholders. If the expert were to conclude that any group of policyholders would be materially worse off, the transfer would not proceed;

- the Financial Services Authority, the regulator for both Equitable Life and the Prudential, had the protection of policyholders' interests within its remit. If the FSA considered the transfer was not in policyholders' interests they would object and it would not proceed;

- members' approval of the transaction was needed. An Extraordinary General Meeting of the Society would be held, probably in late September or October, at which members would be invited to vote on the transfer; and

- the transfer proposal would go to the High Court. The Court would consider the voting results from the EGM, and evidence from the Independent Expert and the FSA. Also, any policyholder who felt they might be adversely affected would be able to address the Court. If the Court did not consider the transfer was in the interests of policyholders it would not proceed.

The Chief Executive remarked that the Board had looked hard at the alternatives and had listened to policyholders, both informally and through systematic research. It believed that the agreement with the Prudential was a major step forward which very closely matched what policyholders had said that they wanted. The transfer could give with-profits annuitants a significantly better outlook and would also open the door for options for other policyholders. The Board considered that it was an agreement which would benefit all with-profits policyholders in due course and went beyond the immediate obvious benefits for the with-profits annuitants.

Following the presentations, the Chairman indicated that the meeting would move on to the formal business. He asked that the Notice of the meeting and the Auditors' Report be taken as read and this was agreed. He then proposed that the meeting receive and adopt the Report and Accounts but, before the resolution was put to the meeting, members' questions would be taken.

Questions were asked and comments made by 22 members or their proxies; responses were provided by the Chairman, the Chief Executive, the Chairman of the Investment Committee (Andrew Threadgold), the Chairman of the Remuneration Committee (Jean Wood) and Ian Reynolds. Among topics raised were: the proposed transfer of the with-profits annuities to the Prudential, including the benefits to and safeguards for policyholders and the on-going arrangements for the remaining business; the position of with-profits annuitants, including the reductions suffered to their annuity payments; the sale of University Life Assurance Society; the investment of the with-profits fund; the awaited publication of the Parliamentary Ombudsman's report and action that might be appropriate once the Ombudsman's findings became known; the remuneration of the Chief Executive; the tax position of interest on compensation payments; the application of the financial adjustment on the surrender and transfer of policies; the legal action being brought against the Society by various with-profits annuitants.

All pre-registered questions together with those raised from the floor having been dealt with, the question and answer session closed after approximately 1½ hours.

The Chairman then moved to voting on the resolutions to be put to the meeting which were as set out on the poll card which members eligible to vote or their proxies had been given on entering the meeting. The Chairman proposed that all the resolutions should be dealt with on a show of hands.

The Chairman moved that the report of the Directors and the statement of accounts for the year ended 31 December 2006 together with the report of the auditors thereon be received and adopted. This resolution was passed overwhelmingly on a show of hands. The proxy votes received were displayed and the Chairman noted that the result of the show of hands was consistent with the proxy votes received.

The Chairman proposed that PricewaterhouseCoopers LLP be reappointed as auditors of the Society until the conclusion of the next General Meeting at which accounts are laid before the Society at a remuneration to be determined by the Board. This resolution was passed overwhelmingly on a show of hands. The proxy votes received were displayed and the Chairman noted that the result of the show of hands was consistent with the proxy votes received.

The Chairman proposed that the Directors' remuneration report be approved. This resolution was passed overwhelmingly on a show of hands. The proxy votes received were displayed and the Chairman noted that the result of the show of hands was consistent with the proxy votes received.

Resolutions relating to the election of directors in place of those retiring at the meeting were then put to the meeting. The meeting voted on a resolution in respect of each of the four directors retiring and seeking re-election at the meeting, i.e. Ian Brimecome, Ian Reynolds, Fred Shedden and Jean Wood. In each case the result of the show of hands was overwhelmingly in favour of the re-election of the director in question. After each show of hands, the proxy votes received were displayed and the Chairman noted that the result of the show of hands was consistent with the proxy votes received and that each of the directors seeking re-election had been re-elected as a director of the Society.

The Chairman remarked that an explanation of the proposed amendments to the Society's articles of association had been enclosed with the Notice of the meeting and a copy of the proposed amendments had been available for inspection before and during the meeting. He proposed, as a special resolution, that the amendments to the articles of association contained in the document submitted to this meeting and, for the purpose of identification signed by the Chairman, be hereby approved and adopted. This resolution was passed overwhelmingly on a show of hands with a majority of clearly more than 75% voting in favour. The proxy votes were displayed and the Chairman noted that the result of the show of hands was consistent with the proxy votes received.

The Chairman declared the AGM closed at 1.10 p.m.