

At the Annual General Meeting of
THE EQUITABLE LIFE ASSURANCE SOCIETY
held on Wednesday, 18 May 2005 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		
Ron Bullen		
Michael Pickard		
Fred Shedden		
Charles Thomson		
Andrew Threadgold		
Jean Wood		

There were 368 members entitled to vote present in person and 2 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 many 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 1 1/2 hours for questions before moving on to the formal business of the meeting, including the voting. That would then conclude the AGM but, if members wished, there could be further discussion after the AGM.

The Chairman introduced the directors present at the meeting. He then explained the proposed format and timetable for the meeting, which would comprise presentations from him and the Chief Executive and remarks by the Chairman of the Remuneration Committee. These would be followed by a question and answer session after which two of the candidates standing for election as directors at the meeting would make brief statements to the meeting. Voting on the resolutions to be put to the meeting would then follow.

At this point, a member raised a point of order. He stated that the question and answer session should precede the vote on the Directors' remuneration report. The Chairman explained that this would, indeed, be the case under the timetable he had previously explained.

A further point of order was made by another member who stated that the meeting should be adjourned. The reason he gave was that he considered the Report and Accounts to be defective and that they should not be laid before the meeting. He considered that the directors should have provided extracts of the advice they had obtained in reaching their conclusion that the Society remained a going concern, should have provided further information regarding income-bearing investments and of risk and sensitivity analyses undertaken. Dissatisfaction with his suggestion that the meeting should be adjourned was shown by members present at the meeting. The Chairman remarked that the Society's accounts met the highest standards and that he could not agree with the remarks made by the member seeking adjournment. The Chairman confirmed that he considered that the member had said nothing which justified an adjournment and that, using his prerogative as chairman of the meeting, he denied the request. The Chairman added that the mood of the meeting was also clearly against the member's request.

The Chairman then presented an overview of 2004. He remarked that the Society was more stable and secure than at any time since the House of Lords' judgment. He remarked on the significant progress made during 2004 including: substantial progress with the Rectification and Managed Pensions reviews; repurchase of £179m of subordinated debt; that the Penrose Report had not raised any new issues likely to result in material adverse financial consequences for the Society; that the Parliamentary Ombudsman had decided to open a fresh statutory investigation into the prudential regulation of the Society; reduction in administrative expenses; progress by HBOS in improving policyholder customer service; a continued reduction in the number of surrenders; and that non-guaranteed bonus additions had increased policy values by 3.5% in respect of 2004 (2.8% for life policies).

The Chairman remarked that the legal actions against 15 of the Society's former directors and against Ernst & Young, the Society's former auditors, were currently being heard by Mr Justice Langley in the High Court. The Chairman explained that directors were therefore constrained in what could presently be said about the claims. He added that the Board had been advised by leading counsel that it had a duty to bring the actions and that it would have been a dereliction of the Board's fiduciary duty had it not done so. He added that, according to independent research, pursuit of the actions was overwhelmingly supported by the Society's policyholders. He commented that any compensation the Society received would be added to the with-profits fund for the benefit of continuing with-profits policyholders. He added that the Board remained ready to consider any serious and substantial settlement offer from the other parties.

The Chief Executive, Charles Thomson, provided an update on progress against key objectives in 2004. He reported that at 31 December 2004, the Fund for Future Appropriations (FFA) stood at £547 million, an increase of £5 million over the prior year. He remarked that Society sought to maintain the FFA balance at a level that protected solvency whilst treating continuing and exiting policyholders fairly. He reported that during the year the Society had experienced further reductions in the level of both maturities and surrenders. He added that, in setting the financial adjustment applying to surrendering policies, the aim was for the amounts paid on surrender to be fair but not to disadvantage continuing policyholders and that the Board kept the level of the financial adjustment under constant review.

The Chief Executive remarked that progress was being made in the area of balance sheet provisions. There remained inherent uncertainties in establishing appropriate values relating to certain provisions, particularly those relating to mis-selling, and there remained the possibility of changes arising from regulatory interpretations or requirements. He reported that expenses, incorporating administration, exceptional, claims, investment and interest costs, had increased slightly to £174 million in 2004 from £168 million in 2003. Exceptional expenses had increased, reflecting the significant costs of completing the Guaranteed Annuity Rates (GAR) Rectification and Managed Pensions reviews and uplift in provisions for future costs in respect of pension obligations. Administration and claims costs had been lower and this reflected reduced levels of activity. Also, investment costs had declined in line with the reduction in funds invested.

The Chief Executive commented on the repurchase of £179 million of the subordinated debt at the end of 2004. This had made an immediate improvement to the Society's financial position of £3 million but, more importantly, eliminated a substantial amount of high-coupon debt thereby saving a considerable sum in interest payments in the future. He added that the Society had the option, subject to certain conditions, to repurchase the remainder of the debt in 2007 and that, in the meantime, the Society would continue to monitor the situation.

The Chief Executive reported on progress being made with the Rectification and Managed Pensions reviews. He also remarked that complaints by former non-GAR policyholders had mostly been settled in 2003. However, approximately 800 "late joiner" complaints remained at the Financial Ombudsman Service (FOS). FOS had recently announced a different approach to redress from the Society for such complaints, which was inconsistent with the legal advice obtained by the Society and by the Financial Services Authority (FSA). Although inconsistent with what the Society believed and had been advised to be the legal position, the Society was taking a pragmatic approach and was reviewing the determinations with the FOS, including the actuarial assumptions to be used in calculating settlement.

The Chief Executive remarked briefly on the new inquiry being undertaken by the Parliamentary Ombudsman and also on the submissions to the European Parliament, by one policyholder and one action group, with regard to the standards of regulation by the UK Government. As regards the Penrose Report, he reported that the Board had always maintained that the report did not give rise to any new material series of claims resulting in an adverse impact on the Society's finances. In July 2004, the FSA had completed its own detailed analysis and had concluded that generic claims from individual policyholders against the Society regarding its basis of allocating bonuses during the 1990s were unlikely to succeed. The FOS had recently announced that it would not investigate Penrose-related complaints. The Chief Executive added that the Serious Fraud Office (SFO) continued to assess certain issues in Lord Penrose's report and that the Society had given its full assistance. It remained to be seen whether the SFO would wish to carry out a full investigation into the actions of some individuals involved with the former management of the Society.

The Chief Executive remarked that the impact of reduced investment returns and correspondingly reduced bonuses on with-profits annuity policies remained a major concern. The majority of with-profits annuity policies anticipated a higher level of bonus than was achievable by a predominantly fixed-interest fund in the current low inflation environment. For this reason, income from those with-profits annuity policies could be expected to fall each year. He reported that in July 2004, a group of with-profits annuitants had started legal proceedings against the Society. More than half had subsequently withdrawn, leaving 421 pursuing their actions. He added that the Society believed it had strong defences against the claims and, in the interest of all members, would continue to defend any unmerited claims vigorously.

The Chief Executive also remarked briefly on improvements in customer service and the lower workloads encountered, on the Pensions Act 2004, on the review of the corporate governance of mutual life offices conducted by Mr Paul Myners and on the consultation currently being undertaken by the DTI which was likely to lead to a simplified presentation of accounts being possible in future.

Jean Wood, Chairman of the Remuneration Committee of the Board, spoke about the Remuneration Report contained in the Report and Accounts. She commented on the appraisal of the performance of senior executives and the assessment of their total remuneration, including the setting of performance criteria. She reported on the annual fees paid to the Chairman and the other non-executive directors and on the remuneration of the Chief Executive, Charles Thomson, and the former Finance Director, Nigel Brinn. She also remarked on the retention bonus scheme for senior executives. The current scheme would end at the end of 2005 and the Remuneration Committee would be developing a new retention scheme in order to retain and appropriately incentivise the senior executive team. She added that she believed the Society was very fortunate to have such an effective team of high-calibre executives.

The Chairman then spoke of the review of the Society's longer-term future which was currently underway. He remarked on the desperate state of the Society when the current Board had taken control in 2001 and on the actions that had been necessary. He added that the actions of the Board, with the support of members, had now brought to the Society a measure of stability it had not seen for years. He commented that the Society's business objectives were to: resolve outstanding claims against the fund; stabilise the with-profits fund to ensure its continued solvency and maintain an appropriate level of free assets; treat policyholders fairly, including leavers, and ensure the Society meets the guarantees provided to policyholders by pursuing an appropriate investment strategy; reduce expenses and restore an efficient business model. He added that, without making structural changes to the Society, it could not afford to risk significant investment in shares or other non-fixed interest investments. The Chairman remarked on the continuing risks to the Society. These included: investment rate risk - if interest rates fell significantly, the Society might not be able to meet guaranteed interest rate obligations; continuing improved mortality; and the possibility of larger future expenses as a proportion of the fund. The Chairman then reported on the broad options being considered and which would be analysed in more detail. These were: unitisation of the with-profits fund; maximising the current structure for the best advantage of members; and, in the longer term, a transfer or sale of part or all of the business. The Board would be undertaking a considered review of all the options open to the Society.

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 23 members or their proxies; responses were provided by the Chairman, the Chief Executive, the Chairman of the Remuneration Committee, the Chairman of the Investment Committee (Andrew Threadgold) and the Chairman of the Legal Audit Committee (Fred Shedden). Among topics raised were the position of with-profits annuitants, including the continuing reductions to their annuity payments, the completeness and timeliness of information provided and whether there was any possibility of "rebasings" annuities; the Society's record keeping and its request for information in connection with undertaking reviews; the reference obtained prior to the Chief Executive being appointed; the remuneration of the Chief Executive; requests for information made by policyholders which had been refused; the liability of the Society for pension arrangements of its former staff; the need for and cost of policyholder research; the validity of the Society's with-profits fund investing principally in fixed-interest securities; whether policyholders would have been better advantaged if the Society had been allowed to become insolvent in 2000/2001; whether the minutes of

Annual General Meetings should be laid before the subsequent Annual General Meeting; the legal expenses incurred by the Society; the Penrose Inquiry, including the terms of reference and the remarks by the then Financial Secretary to the Treasury, Ruth Kelly, regarding there being no case for taxpayer compensation; the revised Rectification Scheme and that, unlike the earlier scheme, there had been no independent expert review and support

The Chairman noted that all the questions that had been registered had been dealt with. As he had indicated earlier, two of the candidates standing for election to the Board would be making brief statements to the meeting. Called in alphabetical order, John Newman and Peter Smith made statements concerning their candidacy and, in the case of Peter Smith, in relation to the candidacy of the other non-executive directors standing for re-election.

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. He remarked that the resolutions shown as 4.1 to 4.5, relating to the election of directors, would be dealt with through a poll in accordance with the Society's Articles of Association, as voting by showing hands would involve carefully counting votes for and against each of the candidates which would take an exceptionally long time. The Chairman proposed, however, that the other resolutions 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 2004 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 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.

Referring to the resolutions relating to the election of directors in place of those retiring at the meeting, the Chairman noted that four directors were retiring and seeking re-election, and one other candidate had been nominated to stand for the posts vacated by the retirements. Members eligible to vote at the meeting had received with their Report

and Accounts an explanation of who was standing for election and a statement from each candidate. As stated in the letter accompanying the Report and Accounts, the Board's recommendation was that members vote in favour of the re-election of the four directors retiring at the meeting.

The Chairman added that, to be elected as a director, a candidate must receive more votes in favour of his election than against. Of those candidates who met this condition, the directors elected would be the four with the greatest number of votes in favour of their election.

The Chairman explained that the poll on resolutions 4.1 to 4.5 would take place immediately after the close of the meeting. He described the procedure for the poll and the completion of poll cards and asked members or their proxies to mark their votes for or against those resolutions. On a poll, each member present in person or by proxy, and entitled to vote at the meeting, had between 1 and 10 votes depending on the size of that member's with-profits policy or policies with the Society. Completed and signed poll cards should be placed in the ballot boxes, at the exits to the auditorium, which were being supervised by representatives of Electoral Reform Services Ltd. The poll would remain open for 30 minutes after the close of the meeting and the result would be announced on the Society's website the following day.

The Chairman explained that, in accordance with the Combined Code on Corporate Governance, as the vote was being conducted by a poll rather than a show of hands, the proxy votes that had already been cast would not be displayed at the meeting. This would avoid any suggestion of an attempt to influence the outcome of the vote prior to it being counted by the independent scrutineers.

The Chairman declared the AGM closed and the poll open at 2.20 p.m.

The results of the poll are shown in the appendix to these minutes.

Appendix to the minutes of the Annual General Meeting of The Equitable Life Assurance Society held on 18 May 2005**In respect of the resolution to elect directors in place of those retiring, for which a poll was taken**

	Votes on the poll		
	For	Against	Abstain
To re-elect Ron Bullen	248,551	32,105	9,091
To re-elect Michael Pickard	241,480	37,530	10,640
To re-elect Peter Smith	239,908	39,189	10,554
To re-elect Vanni Treves	248,255	33,024	8,426
To elect John Newman	85,561	194,961	8,868

As there were four vacancies arising to be filled, the following were re-elected directors as a result of the poll: Ron Bullen, Michael Pickard, Peter Smith, Vanni Treves.