

## CHAIRMAN'S ADDRESS

Good morning , Ladies and Gentlemen, and welcome to our Annual General Meeting.

Much has happened since our Annual General Meeting in February last year. Global stock markets fell sharply in April 2000 due to the 'tech crash', followed by an economic downturn in the US and in other countries. The tragic events of 11<sup>th</sup> September last year shook the world and consumer confidence, and the collapse of Enron in November caused further uncertainty in the world's stock markets.

However despite these major events the Australian economy has remained buoyant and our local stock market remained steady.

In this challenging environment it is pleasing to report that our operating earnings improved significantly.

As you know, we have changed our financial year end from 30<sup>th</sup> September to 31<sup>st</sup> December. In consequence we are reporting today on a 15 month period which makes comparisons with the prior year a little complex. Nevertheless to avoid presenting you with a myriad of numbers we are presenting our results for the 15 months ending 31<sup>st</sup> December 2001, and comparing them with the prior 12-month period ending 30<sup>th</sup> September 2000. The results for the strict comparative periods of 12 months are available on our website or from our secretary, should you wish to have them.

Our overall profit after tax and before non-recurring items for the 15 months ending 31<sup>st</sup> December 2001 was \$366 million, compared with \$318 million for the 12 months to 30<sup>th</sup> September 2000. Operating earnings after tax which are

the profits emerging from our life, health, superannuation and investment products grew strongly to \$398 million compared with \$239 million for the prior period.

Your Board believes this strong growth in operating earnings is clear evidence that the hard work our management and staff are doing to improve our business operations and performance is starting to pay off.

The other major contributor to our profits is investment earnings, which is the investment returns on the shareholders capital that we hold to back our business activities. Clearly these returns are affected by movements in global stock markets and interest rates which in turn reflect the global operating environment which I mentioned at the outset. Investment earnings after tax were \$119 million compared to \$203 million for the prior 12 months.

We have declared a final dividend of 7.5 cents giving a total dividend for the year of 12.25 cents compared to 9.5 cents last year. The interim dividend was unfranked and the final dividend was fully franked. I would emphasise that these dividends relate to a 15 month period. Future dividends will, of course, depend on future profits but will be in respect of a normal 12 month period. Based on our current business structure we expect franking levels on future dividends to be between 30% and 60%.

I will ask Les Owen, our Group Chief Executive, to take you through our progress in a little more detail in a few minutes, but I would like to mention a few of the highlights of our performance in this reporting period.

In Australia and New Zealand we have made sound progress against the ambitious targets that were set. Net retail investment flows increased to over \$1

billion, substantial progress was made in reducing costs, and our service standards to advisers and customers were maintained at high levels.

In December we were pleased to announce the acquisition of Sterling Grace, a leading financial planning and advisory business. This has moved us to No 1 in this area in the New Zealand market and has also strengthened our business in Australia. This acquisition emphasizes our strategic focus on wealth management and represents a significant move into financial planning.

Our health business enjoyed another very successful year with profits continuing to grow. We have the lowest claims ratio and one of the lowest expense ratios of any health fund in Australia. Our disciplined approach to managing our health business has benefited both our shareholders and our members. We have increased our premiums by only 1.5% over the last two years which is a much lower increase than our competitors, and which we have done without withdrawal of any benefits under our policies.

We have continued to develop the AXA brand name. We now have nearly 90% prompted name awareness and are the most recognised global financial services company in Australia.

We still have a challenge to regain a leading position in the Australian retail investment markets but we are making good progress.

In our Asian operations, I am pleased to report that our business in Hong Kong has performed well and our strategy of not participating in agent poaching which cost some of our competitors a great deal of money, has been vindicated as we returned to growth in the final quarter of the year. Our agent numbers and new business are now increasing, we have broadened our distribution into new channels, we are changing some of the management practices in the traditional agency channel and we have broadened our product range. The move into the

investment market with our agency force selling large volumes of single premium investment products has also been successful. We have achieved a top ten position in the new mandatory provident fund market where total contributions have exceeded 780 million Hong Kong dollars.

We have continued to grow in China. In Shanghai new business grew strongly and we now have over 1,300 agents. Our joint venture partner, AXA Minmetals, has recently been granted a license extension and we hope to start operating in a second Chinese city, probably Guangzhou, in the second half of this year. The Chinese market is an exciting opportunity and we are well placed to grow strongly and profitably as the market continues to open and develop.

Our other international businesses continue to grow and generated new business at record levels. We are particularly pleased that in the Philippines our partnership with Metrobank has led to us achieving no. 1 position in the single premium market. In all of the other international markets we remain strategically well positioned.

You will remember that last year we ran a programme that gave holders of small parcels of shares the opportunity to sell them at a much lower cost than through the normal channels. A significant number of smaller shareholders availed themselves of this opportunity, which enabled us to achieve substantial savings in administration costs. As many of you will be aware we have now established a similar facility for the holders of less than 1000 shares, the details of which were sent out with the dividend notification two weeks ago.

I wish to again emphasise that this is in no way a recommendation for anybody to sell their shares. Indeed your Board is confident that the company will continue to deliver attractive returns to our shareholders. However we are aware that some of our small shareholders would like to rationalise their holdings and of course this would again save the company substantial administrative costs.

There have been a number of changes to your Board since the last AGM. In September Jean Arvis resigned as one of the AXA Group nominated directors. Jean had been a member of the Board since December 1999. In Jean's place we were delighted to welcome Kathleen Corbett. Kathleen is Executive Vice President of Alliance Capital Management LP and serves as the chief executive officer of Alliances fixed income division. She is Chairman of Alliance Capital Management Australia Limited and Alliance Capital Management New Zealand Limited.

As you will be aware two of our directors Geoff Heeley and John Robins are retiring from the Board at the conclusion of this meeting.

Geoff joined our Board in October 1996 and has made a significant contribution around the Board table particularly as a member and then as Chairman of the Audit and Compliance Committee.

John has served on our Board for 3 years during which time he has brought his vast experience to bear on a number of the issues we have had before us.

On your behalf I wish to record our appreciation to Jean Arvis, Geoff Heeley and John Robins for their wise counsel and valued contributions to our Company.

In closing I would like to say a little about the future prospects for AXA Asia Pacific. The ageing population and the increasing need for individuals to save mean that there will be continuing and growing demand for our financial protection and wealth management products and services. We are fortunate to be part of the AXA Group, one of the global leaders in this industry and to have access to the benefits arising from their global scale and capability. In addition

over the last two years our Chief Executive Les Owen and his senior management team have implemented major changes within our company giving us our own significantly improved capability.

Your Board therefore is confident and optimistic about our prospects for enhanced shareholder value as we move forward

R H Allert  
Chairman