

## **[CHAIRMAN'S ADDRESS – APRIL 2004]**

Now to my address.



There is no doubt that the calendar year 2003 was a year of contrasts.

On the back of one of the worst periods in recent history for global equity markets, we had the outbreak of SARS in Asia and the war in Iraq in the first half of 2003. As a consequence, consumer confidence was quite low.



In contrast, there was a strong recovery in the US, and to some extent in European stock markets, in the second half of the year, and a strong return to growth in the Hong Kong economy. Consumer confidence improved, which led to an increase in new business and funds flows in our Australasian and Asian businesses.

Despite the difficult environment in the first half of the year, I am pleased to report that your company performed strongly for the 12 months to 31 December 2003.



Group profit after tax, excluding Health, and before non-recurring items increased 97% to \$537 million. Of course we sold our Health business earlier in the year, hence we exclude this from our headline results in order to focus on the results of our core operations.

Operating earnings, excluding health, increased by 8% to \$301 million, investment earnings were up 189% to \$322 million and funds under management and administration were up by 5% to \$51 billion. This result is even more pleasing considering that the Hong Kong dollar depreciated against the Australian dollar by over 33% over the course of 2003. This of course has significantly affected the translation of our Hong Kong earnings into Australian dollars.

Importantly the Group continues to have a strong capital position.



Your directors declared a final dividend of 5.50 cents per share, on 24 February 2004 giving a total dividend for the year of 10.25 cents. This dividend was franked to 20%.

Earnings per share, based on profit after tax and before non-recurring items, increased to 31.4 cents from 18.0 cents in 2002 and 15.7 cents in 2001.

Return on equity for the year ended 31 December 2003 was 16.2%, compared with 10.4% in 2002 and 9.5% in 2001.



Looking at our Australia and New Zealand operations, operating earnings from our core wealth management and financial protection businesses were \$149 million, an increase of 17% from 2002.

We also achieved 4 out of the 5 tough K5 aspirational goals we set ourselves in April 2000, through what has been, in reality, one of the most difficult market environments for wealth management businesses in the last 30 years.

Net retail fund flows were up 123% to \$3.7 billion, and we achieved the third highest net retail fund flows in the Australian market, according to independent industry reports.

Total funds under management and administration were up 8% to \$44.2 billion and, within this, funds under advice and administration were up 28% to \$4.2 billion.

Your directors believe the business in Australia and New Zealand is now successfully repositioned for further growth.



In Hong Kong new business grew 14% to HK\$1,032 million despite the disruption caused by SARS in the first half of the year. Encouragingly the value of new business grew 33% to HK\$519 million.

Aggregate discontinuance rates improved further and were 8.8% for the year, better than our 9% target.

Funds under management grew 23% to just over HK\$40 billion and we have further repositioned and restructured our distribution channels.



We have made good progress in China with operations in our second branch in Guangzhou commencing in November and we had nearly 800 agents by the year-end, which was ahead of our business plan.

In Shanghai we have seen significant improvement in the second half of the year. New business grew by 46% and total premiums by 34%, giving us an increase in market share.

New business volumes in the rest of South East Asia have been mixed as we have taken action to ensure that new business is profitable. This has led to an encouraging increase in the value of new business which, across the region, and on a constant currency basis, grew by 78%.

The new bancassurance joint venture with Bank Mandiri that we announced late last year commenced operations in December and is now being rolled out through the bank branches..

Your Board believes that these financial results and initiatives clearly demonstrate that we are continuing to make good progress in these Asian region businesses.



In February we announced the extension of Les Owen's contract as Group Chief Executive to 31 December 2006. The Board is pleased with the

successful repositioning of the company under the leadership of Mr Owen over the last four years, and are delighted that he has extended his contract with us.

We also announced the appointment of Andrew Penn to the position of Chief Executive Officer for Australia and New Zealand, reporting to Les.

Andrew will be responsible for all Australia and New Zealand operations and his appointment further strengthens the operational management of the Australia and New Zealand business.

Corporate governance continues to be an area of great interest to investors, analysts and regulators. As I have said in previous years, your Board is firmly committed to meeting the highest standards of corporate governance. We comply in full with the ASX Best Practice code and fully support these and other regulatory initiatives including the CLERP 9 proposals.

We have an independent Board with an independent Chairman and a majority of independent directors. In this respect, the Board has been strengthened with the appointment of four new non-executive directors since the last AGM - Michael Butler, Bruno Jantet, Lin Xihzong and Robin Monro Davies, but of course as I mentioned last year Mel Ward retired at the conclusion of last year's Annual General Meeting and Michel Pinault resigned in February of this year.

Mr Pinault was AXA SA's representative on our Board and was a member of the Audit and Compliance Committee, the Investment Committee and the Remuneration and Nominations Committee. He is a Senior Executive Vice President of the Global AXA Group and a member of the Executive Board and was formerly responsible for AXA Group's Asia Pacific operations.

He was an outstanding member of our Board and we thank him for his service and for representing AXA SA so well, but more importantly bringing his own experience and independence to our deliberations. We congratulate Michel

on his impressive career with the AXA Group based in Paris and wish him well in his new role.

The Board has a number of standing Committees in place to assist in its effective operation, including the Audit and Compliance Committee, the Remuneration and Nominations Committee, the Investment Committee and the Insurance and Operating Subsidiaries Committee, which is responsible for financial condition reports and product pricing. Our corporate governance policies including the Terms of Reference for all of our Board Committees are published on our website [www.axa.com.au](http://www.axa.com.au).

Your company is recognised by the investment community for its high level of transparency and disclosure, particularly the information included in our Investor Compendium, which is released to the market every six months.

We also believe that Board reviews of governance, effectiveness, transparency and continuous disclosure are of utmost importance and conduct these on a regular basis.

In this respect, the Board evaluates its performance and the performance of the Chairman, Board Committees and individual directors each year. We engage an external consultant to assist with this review process. We also have an induction process for new directors and we encourage directors to update and enhance their skills and knowledge.



AXA and our employees value the communities in which we live and work and we are proud to be able to play a role in supporting and sustaining these communities.

AXA Hearts in Action is a Global AXA Group community based volunteer programme that forges ongoing relationships with local charities and enables the development of strong links between community organisations and AXA employees who volunteer their time.

As part of this programme during 2003 we assisted, worked with, or raised funds for numerous charities in the various regions in which we operate, including:

- Our employees in Australia participating in the Lap for Leukemia Corporate Challenge to raise money for the Bone Marrow Donor Institute;
- More than 2,200 of our employees and agents in China and Hong Kong partnering with the Salvation Army in a series of activities including fund raising for a child development programme in China and visits to homes for the elderly and handicapped;
- Organising the AXA Philanthropic Day in Macau, a fun fair day which included distribution of over 10,000 gift packs to the elderly and people in need.
- Supporting and assisting numerous other charities including Very Special Kids, Ronald McDonald House, The Smith Family and the Salvation Army.

AXA believes it has an obligation to shareholders and society to operate as efficiently as possible to reduce its environmental impacts. Of particular focus in 2003 has been promoting environmentally sound practices in the workplace including purchasing paper produced only from sustainable forest plantations, taking part in 'Green Day' in Hong Kong and reducing paper useage through the company and by donations to LandCare.



Your company has made significant progress in repositioning itself over the last 4 years and for this I would like to thank our Group Chief Executive, Les Owen, the management team and all of our staff for their hard work and commitment.

In looking to the future we do operate in one of the fastest growing industries in Australia and New Zealand. In both countries savings ratios are much too low to cope with the long term needs of an ageing population and as such we are confident there will be continued growth in the services we offer -

professional financial advice and savings, investment, superannuation and life assurance products that meet the financial needs of our customers.

The economy in Hong Kong is showing signs of strong growth and the Closer Economic Partnership Agreement with China will be a further boost.

Our joint venture business in China is growing and there will be new opportunities when the market in China opens further at the end of 2004.

We have a clear and focussed strategy, we operate in growth markets and in growth economies and, as a member of the Global AXA Group, your Board believes we are well positioned to continue to deliver attractive returns to our shareholders.

Thank you

I will now ask Les Owen our Group Chief Executive and Managing Director to address the meeting.