Annual General Meeting – 13 April 2005

Melbourne Exhibition Centre

Thank you Rick and good morning everyone.

I am going to present a brief review of our progress in 2004 and say a few words about the outlook for 2005 and beyond.

In 2004 Group profit after tax and before non-recurring items, excluding profits from the Health business which we disposed of in February 2003, reached a record level of $547.2 million. Profits have more than doubled over the last four years and we have seen particularly strong growth since 2001, a year in which investment earnings suffered from the sharp fall in global equity markets.

As you will be aware our profit after tax is significantly affected by our investment earnings – that is the earnings on invested shareholder capital – which are quite volatile.

A more meaningful measure of the results of the underlying performance of the business is our Operating Earnings which represent the profits emerging from our asset management, products, platforms and advice operations.

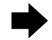
In 2004 Operating Earnings were $354.2 million. As you can see from this chart we have seen steadily and strongly increasing Operating Earnings over the last four years despite the negative impact in 2003 and 2004 of the weakening of the US dollar which impacts the translation of the earnings from our Hong Kong business. In Australian dollar terms, Operating Earnings have increased by around 16% per annum compound over the last four years which I believe is a good result in what in 2001, 2002 and the first half of 2003 was a difficult market environment.

Our strategy in Australia and New Zealand is to be a leader in all parts of the financial protection and wealth management value chain.

We have structured our business in Australia and New Zealand around:

- asset management through our joint venture with Alliance Capital
- financial protection, investment, superannuation and savings products where we have a leading position
- Mastertrust, wrap and administration platforms where we have grown strongly in recent years
- adviser services, that is, the licensing and dealership services provided to the AXA aligned advisers - AXA Financial Planning and Charter Financial Planning - and the sales and marketing effort we put into getting business from non AXA aligned advisers, and finally
- financial advice – through ipac in Australia and Spicers in New Zealand.

Let's look briefly at our progress.



Firstly asset management. In 2004 total funds under management and administration were up 19% to $52.5 billion, more than double where we were 4 years' ago

Within this, the inhouse managed assets – that is assets managed by our joint venture with Alliance Capital and within AXA itself - grew 23% to $37.2 billion. Assets on the ipac and Spicers platforms grew to $9.3 billion and $2.1 billion respectively.

With our acquisitions of ipac and Spicers we are now also a major multi manager. We have $10.9 billion in multi manager funds under management and 2004 has seen strong growth in ipac where funds under management increased by 15% to $9.3 billion.

I believe that we have a sustainable competitive advantage in asset management through our joint venture with Alliance Bernstein, one of the leading global asset managers, offering growth and value equity management styles for both Australian and international equities, and also having a leading multi manager capability.

Let me turn now to the second element of the value chain – products.

Net retail fund flows remain strong with inflows of over $2.9 billion in 2004. This fell back a little compared to 2003 for three main reasons.

- Firstly Alliance Capital had an exceptionally good year in 2003 for retail mandates
- Secondly were was some one off outflows in ipac from non-strategic partners, and in New Zealand. These outflows were largely low margin institutional funds
- And thirdly, there was some reduction in inflows into short term annuities following a deliberate move on our part to increase margins in our pricing.

Encouragingly we had strong flows into our global equity products, into our Summit platform, and into ipac's retail platform.

Master trusts and portfolio administration platforms continue to dominate the retail funds market in Australia, and building and maintaining a leading position in this segment is an important part of our strategy.

Total funds on our Master trusts and platforms increased by 13% to $18.4 billion. Our strategy is to progressively consolidate a significant proportion of these funds on to a single technological platform in order to get the benefits of scale. We have made further progress towards this objective with funds on the Summit platform growing by over 40% in 2004 to $5.8 billion.

Financial advice is a segment in which our strategy differentiates us from most of our competitors. We saw strong growth with funds under advice increasing 23% to $5.1 billion.

In Australia funds under advice increased 26% to $3.9 billion.

The market in New Zealand remains difficult due to structural issues around the tax regime and the lack of any incentive to invest in superannuation or mutual funds.

Growth in funds under advice was relatively modest in Spicers although we did perform better than the market average and increased our market share.

This strengthened market position and improvement in the fundamental drivers of value has come through in very strong operating results. Operating Earnings for Australia & New Zealand - the most meaningful measure of the underlying performance of the business - grew by 33% in 2004 and have grown by an average of 35% per annum over the past four years. Within this operating earnings from financial protection have increased more than 4 fold to A$70.7m and earnings from wealth management have trebled to A$121.6 million.

In April 2004 we announced a new set of aspirational goals – AXA 6 - to be achieved by the end of 2007, and though it is still very early days we have made a good start.

AXA 1 to double the value of new business. We have seen solid progress with significant contributions from platforms, ipac and Alliance Capital. Clearly we need to increase the rate of growth in 2005.

AXA 2 to be consistently in the top 5 in net retail fund flows. We were in the top 5 in 2004 despite a small reduction in net flows compared to 2003.

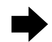
AXA 3 to double funds under advice. We are very much on target here with the increase mainly driven by ipac due to strong performance of the inhouse financial planning business. Funds under advice in Spicers were up 9% despite a subdued market for managed funds in New Zealand.

AXA 4 to reduce the cost to income ratio by one third. 2004 saw a decrease of 6.7 percentage points so, again, a good start.

AXA 5 to be consistently in the top 5 in service to advisers. We are currently just outside our target.

And finally AXA 6 to be consistently in the top quartile position in the Global Scope survey where we remain very well placed.

Our overarching goal is to increase enterprise value, that is our net assets plus the value of our inforce business plus an estimate of the value of future new business by 65% by 2007. A very good start here with an increase of 15% to $4.5 billion.



Looking forward, our priorities in Australia and New Zealand are:

- to continue to grow the advice businesses both organically and through acquisition
- to build increased scale in our portfolio administration and Mastertrust platform operations and to consolidate more of our funds under administration
- to grow our financial protection market share profitably
- to achieve re-ratings for our Australian equity products and to increase penetration of approved product lists
- to capitalise on the Member Choice environment in Australia
- And in New Zealand there is an opportunity, as regulation of financial advisers moves in the direction of the Australian model, to leverage the changes and grow our aligned adviser network

2005 has started encouragingly. In the first quarter both new business sales and gross fund flows were up over 10% on the same period last year.

So we are in a fundamentally stronger position now than we were 4 years ago and we are well positioned to make further progress going forward.

Let me turn now to Hong Kong.

Having been in the Hong Kong market for 18 years, we enjoy a strong position and we are firmly established as a leader in the life insurance market. Although we had a

strongly performing business at the end of the 1990s, it was clear that we needed to change. Participating products with high guarantees had to be replaced as interest rates fell, agency management structures were outdated, we needed to get more control of our own distribution channels, we needed to prepare for growth in more sophisticated wealth management segments.

So in April 2001, we launched the M6 transformation programme which ran to the end of 2004.

As in Australia and New Zealand we have made good progress.

We achieved four out of the six M6 goals, fell fractionally short on the fifth, and missed only one. Importantly, we exceeded the over-arching aspirational goal of growing our enterprise value by 55% to HK$23 billion, achieving HK$24.3 billion by the end of 2004.

We have moved from a single channel, single product operation to multi-channel, multi-product, and from having little control over agency leaders, to more control over agents with AXA.

Previously agency poaching and policy twisting were common. We now have a stable agency force with lower discontinuance rates.

We have closed high guarantees on our traditional products and introduced unit linked & wealth management products

And we have moved from having little experience of change to having successfully managed change, as evidenced by the M6 programme which we have just completed.

This improvement in our performance has helped to deliver strong growth in sales over the last 4 years. We have moved from being a single agency channels business with only 3% of sales from non agency channels in 2000, to now having 36% of sales from non-agency channels including brokers and salaried AXA Advisers.

Total new business index has increased by 50% to HK$1.17 billion over the four years of M6.

We have moved from having lack of control over the agency leaders and the agency channel. Five years ago 85% of our agents were managed by self employed managers. The figure is now 52% and this increasing management control has led to significant improvements in average productivity. Since 2000, average productivity, measured as new business index per agent per month, has increased by 54% to HK$34,600.

The strongest growth in productivity has come from AXA Advisers – that is salaried advisers feeding off leads. At the end of 2004 we had 282 salaried advisers with an average monthly new business productivity of over $64,000.
The productivity of the self employed agency has also improved, by 40% to $31,500 per annum which is one of the highest levels of agency productivity in the Hong Kong market.

We have recovered from the agency poaching in 2000 and 2001 and we have increased agent numbers since M6 was launched. We now have just over 2,400 agents and advisers, an 11% increase over 2000.

And this strong sales performance has flowed through into the value of new business. New business has grown by 24% per annum over the past three years to HK$614m in 2004.

The value of new business has increased at a faster rate than sales due to focussed profitability initiatives including tactical repricing, and, more recently, stronger alignment under the Hong Kong Agency Blueprint of agent compensation with the sales of more profitable products.

The agent poaching in 2000 and 2001 led to some significant increases in lapse rates as departing agents twisted policies. This was the catalyst for significant action to improve retention, and the results have been very positive with steady improvements

over the last 3 years. Having peaked at 13.5% in 2001, in 2004 aggregate lapse rates were around 7.8% compared to the aggregate in our long term pricing and value assumptions of around 8.5%.

As in Australia this improved market positioning has flowed through into improved financial performance

Operating Earnings in Hong Kong have grown significantly particularly in the last three years reflecting continued profitable sales growth, improved persistency, and favourable claims experience.

The flat period from 2000 to 2002 reflected falling US interest rates and the agency poaching in 2000 and 2001which adversely affected persistency of in force business.

Overall we met or exceeded 4 out of the 6 M6 goals, fell fractionally short on the 5th and missed one.

M1, to increase the enterprise value to HK$23 billion. We exceeded this with enterprise value up 63% to HK$24.3 billion.

M2, to increase total premiums to $10 billion. We fell substantially short of this due almost entirely to not achieving the growth in single premiums that we were originally targeting.

This has partly been caused by the collapse in equity markets which impacted consumer confidence and hence sales of single premiums unit linked products. As a result the single premium life market has remained largely characterised by conversion from deposit monies held at banks into single premium endowments with guaranteed surrender values. Although our performance has been below plan we have been very disciplined in continuing to focus on profitability rather than going after market share in segments which we regard as high risk.

We exceeded our M3 goal for total assets under management with total assets up 65% to $46.3 billion, and strong net funds flow of HK $3.9bn in 2004. Our brand in Hong Kong remains extremely strong with 99% aided recognition. We received a 'Superbrands HK' award in 2004.

Employee satisfaction has steadily improved over the period and we met our objective here.

And finally M6, to increase the value of new business to HK$750 million.

We achieved 90% of this goal, with the value of new business more than doubling since 2000 to HK$753m.

Looking forward, the life insurance market in Hong Kong continues to show strong growth due to a high propensity to save, only moderate life insurance penetration by the standards of developed countries, an emerging need for financial advice and a significant boost to the economy as a result of an increase in mainland Chinese visitors.

The banks in Hong Kong remain very strong in market share terms and they have clearly had success in moving deposit monies from low yielding savings accounts into, largely, guaranteed single premium endowments with higher returns than their own savings accounts. Clearly this is a challenge for us but it is also an opportunity and if we see stability in equity markets and improved consumer confidence we have a significant opportunity to increase sales of wealth management products.

Agency will remain the most important channel and we are well placed here and will continue to put significant management attention into growing this channel.

However there is an emerging broker channel, and advice and wealth management segments, and we will be seeking to leverage our Australian and ipac experience.

And finally following the success of K5 and M6, and the setting of the AXA6 aspirational targets in Australia and New Zealand – we will be setting a series of new targets for Hong Kong and Asia and we will give more details of this at our strategy briefing in May. We have started well in 2005 with new business up over 10% in the first quarter compared to last year.

Let me turn briefly now to China and SE Asia.

In China total premium income was up 41% to $175 million remnimbi and we are fourth ranked in Shanghai and seventh ranked in Guangzhou among foreign insurers. In Shanghai total premium grew 9% in a quite difficult market where, for the market as a whole, total premium income actually fell 5% in 2004 and this difficult market led to a fall in new business of 13%. However we have been granted a licence for Beijing and we opened our operations a few weeks ago.

We have also now received licences for Group insurance business, and provincial licenses which means we can expand our Guangzhou operation into Guangdong province.

In SE Asia we have had a very successful start to our joint venture with Bank Mandiri in Indonesia – we are now No. 3 in the market.

We have completed the review of our product range and repriced and relaunched products across the region. 75% of new business is now investment linked (ex Thailand). Total premium income was up 37%.

Although our China and SE Asian operations are not material to the financial results of the Group, they do offer significant potential for growth in the medium to long term.

Our geographical spread provides an opportunity to leverage the skills and capabilities we have built in Australia, New Zealand and Hong Kong.

As well as growing our existing operations organically, we are continually examining opportunities to expand both in the markets we are in, and into new markets, through start ups and acquisitions. We are well advanced in looking at entry options for India.

However it is important to point out that there are significant risks and challenges in growing scale, profitable businesses in these countries. It is not easy and success will not come quickly.

As we previously said, our planned organic growth over the next three years can be funded from internal capital resources. Our strategic plans, if they all come to fruition, will require additional capital of between A$150 million and A$300 million over the next 3 to 4 years.

To support this accelerated growth, we are strengthening the regional office and our China development team and I would anticipate additional corporate expenses of between $9 and $13 million per annum over the next 3 years.

With the exception of China, 2005 has started well in the region with new business up very strongly in Singapore, Thailand, Philippines and Indonesia.

Whilst it is clear that we are adding value with good growth in the value of new business, we are unlikely to see a positive contribution to earnings for at least 5 years.

Finally I will saw a few words about our capital position and our financial strength.

At 31 December 2004, we had total capital resources of $5.46bn, comprising $4.05bn of ordinary equity, up $362 million from last year, $870 million of hybrid debt, and $550 million of senior debt.

Over the course of the year, our capital position further strengthened with the debt to equity ratio reducing from 42% to 35%. This is below our policy range is 40% - 50% although we expect to move back into the low end of the range with the implementation of IFRS.

How is our capital allocated?

We have significant capital resources in excess of regulatory requirements.
Our total regulatory capital requirement at 31 December 2004 was $2.39bn, representing $1.39bn for our solvency requirement and $996m for capital adequacy. $1.69bn represents the excess of market value over net assets of subsidiary companies.

Target surplus increased by $20m to $635m at 31 December 2004, reflecting volume and currency movements.

The excess capital above target surplus has increased $372m since December 2003 to $640m. This increase reflects profits less dividends, foreign exchange movements and capital efficiency initiative
In summary we are holding $1,275m above regulatory capital requirements, a very strong position.

In summary:

I think this has been another very strong result.

We are well positioned for continuing profitable growth in all our markets. Our strategy is working well and we see no need to change it. We will keep focussed on excellence in execution.

We have encouraging momentum in Australia and New Zealand, and Hong Kong is performing well.

China and South East Asia are clearly our long term growth engines but these are longer term opportunities and there are some quite significant challenges ahead of us.

However we have a strong balance sheet, a strong capital position and our track record is evidence of our strong management teams.

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