

AXA ASIA PACIFIC HOLDINGS LIMITED

CHAIRMAN'S ADDRESS – APRIL 2006

2005 was another good year for the major global stock markets, particularly in Australia. This was positive for the life insurance and wealth management markets in which we operate, and helped us to once again deliver an excellent set of results.

This is the first full year where we have reported our results under the Australian equivalents of the new International Financial Reporting Standards – previously we reported under Australian Generally Accepted Accounting Principles. We have therefore restated the 2004 comparatives to the new reporting basis for consistency.

Group Operating Earnings, which are the most meaningful measure of the underlying performance of the business, increased 23.1% to \$376.7 million for the year ended 31 December 2005.

Group Investment Earnings were up 11% to \$256.6 million and total profit after tax and before non-recurring items was up 18.1% to \$542.4 million for the 2005 year, a very pleasing result.

Helped by increases in net fund flows and strong investment market performance, Group funds under management, administration and advice were up 31.6% to \$80.6 billion.

As you know in August 2005, we announced our entry into India and Malaysia, two of the largest and fastest growing life insurance markets in Asia. We expect to be fully operational in both countries by the middle of this year.

You would also know that on 21 February 2006 we announced the acquisition of MLC Hong Kong and MLC Indonesia from National Australia Bank for \$575 million. Your Board sees this as an attractive opportunity to utilise our strong capital position to acquire quality businesses in markets we know well and where we already have strong positions.

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The Board has declared a final dividend of 7.75 cents per share franked to 30% bringing the total dividend for the year to 14.0 cents per share. This is an increase of 19.1% over 2004 and reflects the Board's confidence in our financial performance and prospects.

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Earnings per share before non-recurring items for the year to 31 December 2005 were 31.1 cents, up 18% from 26.4 cents in 2004.

Earnings per share are affected by investment earnings, which can be volatile. Therefore, using a normalised investment earnings measure provides a more meaningful measure of the underlying trend in performance. When we replace actual by normalised investment earnings in the calculation, earnings per share were up 14% to 29 cents.



Return on equity was 16.3%, up 90 basis points from 2004.

However again, return on equity is affected by volatile investment earnings, so when we include normalised investment earnings in the calculation, return on equity was up 40 basis points to 15.3%.

These results are further evidence that our consistent and focussed strategy continues to deliver attractive returns for our shareholders.



I am pleased to say that over the last 12 months our share price has increased strongly. For the 12 months to 5 April 2006 – our total shareholder return has been 61.2%pa compared with 31.4%pa for the S&P/ASX 100 Accumulation Index and 32.0%pa for the S&P/ASX 200 Insurance Accumulation Index.

Over the last 3 years, our total shareholder return has been 47.7%pa, compared with increases of 25.9%pa for the S&P/ASX 100 Accumulation Index and 32.0%pa for the S&P/ASX 200 Insurance Accumulation Index over the same period.

And over the last 6 years, our total shareholder return has been 21.6%pa compared with increases of 14.5%pa for the S&P/ASX 100 Accumulation Index and 5.9%pa for the S&P/ASX 200 Insurance Accumulation Index over the same period.

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Clearly our total return to shareholders has outperformed the market generally over the last 1, 3 & 5 years.

This again is tangible evidence of the progress we have made over that period and of our particularly strong results in 2005.

Let me comment on our geographical operations.



In Australia and New Zealand, all our major business lines delivered strong growth in Operating Earnings. Wealth management products and platforms were up 47.5%, advice businesses were up 69.7% and financial protection was up 26.6%.

Net retail fund flows were up 71.7% to just over \$5 billion and this, combined with outstanding investment performance, increased total funds under management, administration and advice by 34.0% to \$70.3 billion. Funds under advice were up 22.5% to \$6.3 billion.

The value of new business, based on a risk discount rate equal to the assumed long term equity return rate of 10%, was up 27.8% to \$113.6 million.

As a result of our acquisition on 31 January 2006 of Bank of New Zealand Investment Management, we are now the leading retail fund manager in New Zealand with access to over 180 Bank of New Zealand branches.

And overall we are continuing to progress well towards our AXA 6 goals which, as you will recall, we launched in 2004.



In Hong Kong we delivered solid growth with financial protection and wealth management Operating Earnings both up 11% and group medical and general insurance up 45.1%.

Total life new business index was up 20.6% to HK\$1.27 billion and the value of new business using a risk discount rate equal to the assumed long term equity rate of 10.5% was up 13.3% to HK\$756.3 million.

Funds under management were up 11.4% over the year to HK\$49.9 billion.

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And in the rest of the Asian region, we have seen continuing strong growth in most of our operations. New business index was up 59.3% to A\$125.5 million and the value of new business was up 31% to A\$37.5 million. Total premium income was up 42.1% to A\$622.7 million whilst funds under management were up 20% to A\$1.8 billion.

We have seen very strong growth in our operations in Thailand and Indonesia and, following changes to our senior management team in China, we are starting to see a return to growth in that country.

In May we launched a new set of aspirational objectives for our Hong Kong and Asian businesses – Asia 6 – setting out six aspirational goals relating to the value of new business, total inflows, new business index, cost efficiency, persistency and staff satisfaction. The overarching goal is to double the enterprise value of our Asian operations from 2004 to 2008. I am pleased to report that we have made a good start towards achieving these Asia 6 goals.



We are committed to maintaining the highest standards of corporate governance at AXA APH. Consistent with this commitment, we have complied fully with the ASX Corporate Governance Best Practice Guidelines since they were introduced in 2003, and the Directors' Report complies fully with the new CLERP 9 disclosure requirements.

We have an independent Board with an independent Chairman and a majority of independent directors.

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. Our corporate governance policies including the Terms of Reference for all of our Board Committees are published on our website at www.axa.com.au.

We regard transparency as fundamental to good governance and I am therefore pleased to report that we are recognised by the investment community for our high level of transparency

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and disclosure, and particularly for the detailed information included in our Investor Compendium. You can also access this compendium on our website.

The Board periodically reviews its structure and this includes identifying suitable candidates for appointment as Directors. It considers personal qualities and the professional and business experience of potential new Directors, having regard to the mix of skills, experience and qualities of existing Directors. These of course were our main focus in selecting Patty Akopiantz as a new Director.

However in talking about Corporate Governance I have to say that we believe that there are signs that governance and regulation is becoming overly prescriptive and bureaucratic, impeding business efficiency and adding to the cost of operations, without bringing discernible advantages for consumers.

Left unchecked, this trend will have a negative impact on our customers and shareholders and could hinder our ability to grow, and also could mitigate against the critical national interest in increased long term savings.

We were pleased therefore that in October the Prime Minister announced the formation of a taskforce to review regulation.

We note that the Regulation Taskforce report released last week agrees with our concerns about governance and regulation in Australia including that there is too much regulation and in many cases that it imposes excessive and unnecessary costs on business. The Taskforce has identified a forward agenda comprising some 100 reforms to existing regulation that would provide relief to business, and proposed that another 50 areas of regulation be investigated in greater depth.

We look forward to seeing changes in the way regulation is implemented in Australia and applaud the Government's move to clarify their expectations of the regulators.



In July we established a \$40 million Charitable Trust to support our Hearts in Action programme in Australia and New Zealand. This has enabled us to significantly increase the support we are able to give to the communities in which we operate and in which our staff live and work. Initially the main focus of the Trust is to support disadvantaged or seriously ill children, and those affected by poverty and homelessness.

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We have already committed to support a number of worthy projects including \$200,000 to The Salvation Army, \$170,000 to The Brotherhood of St Laurence, and \$150,000 to the Starlight Children's Foundation.

AXA APH is committed to responsible behaviour toward key stakeholders including customers and advisers, employees, shareholders, suppliers, the broader community and the environment. We take our responsibilities in this regard very seriously.

An important element of our commitment is a recognition of the importance of social, economic and environmental factors in the formulation of our strategy, execution of our plans and in our business operations.

In this respect we are endeavouring to increase our participation in environmental initiatives and developing comprehensive policies on sustainability in conjunction with the global AXA Group.



Looking forward, your Board is optimistic about the markets in which we operate and about our prospects for continued success and profitable growth.

In Australia and New Zealand we have significantly strengthened our position in recent years and we are well positioned in life insurance, superannuation, investments, platform, and advice and adviser services, all of which we regard as growth markets.

We also see Hong Kong as an attractive growth market and our already strong position has been enhanced by the purchase of MLC Hong Kong.

Our other Asian operations are performing well and our entry into India and Malaysia will contribute to an acceleration of growth in our Asian operations over the next few years.

As I said at the beginning it has been another good year and on behalf of the Board I would like to thank our Group Chief Executive, Les Owen, our management team, and all of our employees for their significant contribution. The results in recent years are a testament to their

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professionalism and commitment and I am confident that they will continue to deliver satisfactory results for our shareholders.

I will now ask Les Owen our Group Chief Executive to present his Review of Activities.