

## Chairman's address – April 2007

I am pleased to report that during 2006 AXA Asia Pacific Holdings continued its consistent record of delivering excellent results.

Profit after tax and before non-recurring items was up 25 per cent to \$677.8 million.

Operating Earnings, were up 24 per cent to \$455 million, and Investment earnings were up 33 per cent to A\$343 million.

We achieved strong growth in all of our businesses with the value of new business up 25 per cent in Australia and New Zealand to A\$143 million, and up 24 per cent in Hong Kong to HK\$937 million.

Our capital position remains strong with total capital resources of \$5 billion with capital above our regulatory requirements of \$1.3 billion.

This strong capital position gives us the capacity to continue to invest in growth opportunities as they arise, and to undertake the 3 capital management initiatives we announced in February, which were: -

Firstly an increase in the final dividend of 3.5 cents per share to 11.25 cents, franked to 35 per cent, which increased the total dividend for the year by 34 per cent.

Secondly our long term dividend payout policy has been increased from 50 per cent to 60 per cent of profits after tax which reflects the Board's confidence in our company's financial performance and prospects, and

Thirdly we commenced an on-market share buy-back, of up to \$250 million, to further enhance value to shareholders.

These initiatives are after announcing more than \$1 billion of acquisitions and new market entries during 2006.

In January of 2006 we completed the purchase of the investment operations of the Bank of New Zealand which we have since renamed Assure Funds Management. This acquisition has positioned AXA as the market leader in retail wealth management in New Zealand.

In May 2006 we completed the acquisition of MLC Hong Kong and MLC Indonesia from the National Australia Bank for \$566 million. This was an attractive

consolidation opportunity in markets we know well and where we already had strong positions. These businesses have now been fully integrated into our Hong Kong operations.

In August our joint venture in India, Bharti AXA Life, opened its first office in Hyderabad. Since then we have opened further offices in Mumbai, Delhi, Kolkata, Chennai and Bangalore.

In September we commenced operations in Malaysia with our joint venture partner AFFIN Holdings.

Malaysia and India are two of the fastest growing life insurance markets in Asia.

Also in September, consistent with our strategic focus on quality financial advice we acquired the remaining 67 per cent of Tynan Mackenzie that we did not previously own. Tynan Mackenzie is a market leading advice business with a similar advice model to ipac and has \$2.4 billion in funds under advice.

In December we announced the proposed acquisition of Winterthur Life Hong Kong from AXA SA, subject to your approval today. This is a strategically attractive growth opportunity that complements our existing Hong Kong business.

I will come back to Winterthur shortly.

Looking forward we remain optimistic about the opportunities for continued profitable growth in the markets in which we operate.

In Australia and New Zealand we have significantly strengthened our position in recent years and are well positioned in both financial protection and wealth management. An ageing population, changes to superannuation regulations and significant underinsurance will continue to drive growth in both of these markets.

In Hong Kong our already strong position has been enhanced by the acquisition and successful integration of MLC Hong Kong. Our position will be further strengthened by the proposed acquisition of Winterthur Life Hong Kong. All of our other Asian operations are performing well and our entry into India and Malaysia will contribute to accelerated growth in the Asian region over the next few years.

On 30 September 2006 Les Owen retired as Group Chief Executive and the Board appointed Andrew Penn, as Group Chief Executive and a Director of AXA APH from

1 October 2006. As I said in my introductory remarks Andy Penn has held a number of senior positions with AXA APH and the Board is confident that Andy's experience across our businesses in Australia, New Zealand and Asia will drive further growth for our company.

On behalf of the Board and shareholders I wish to take this opportunity to pay tribute to Les Owen for his outstanding contribution over the last seven years. The success of the company's transformation under his leadership is reflected in the growth of the share price from \$2.67 when he became Group Chief Executive on 1 January 2000 to \$6.50 at 30 September 2006 and represents an increase in the value of our company of over \$6.5 billion. We all thank Les for his tireless and effective role as Chief Executive and wish him well for the future.

AXA operates in an industry that is responsible for people's savings. We take this responsibility seriously and we are fully supportive of a strong regulatory regime.

However, it was very disappointing for almost two years we had to deal with a misconceived action by the Australian Prudential Regulatory Authority against the directors of our Staff Superannuation Fund. As is well documented APRA's action was successfully defeated in the Administrative Appeals Tribunal in July 2006. This was a lengthy, disruptive and costly issue to resolve, where individuals reputations and careers were at risk

We believe it is essential to have a regulatory process that is fair and reasonable for all and as such we made strong representations to the Government to ensure that a more appropriate process should be followed in the future.

Accordingly, I take this opportunity to acknowledge and applaud the Government's decision earlier this week to introduce a court-based process in relation to key administrative decisions by APRA.

Another area of focus for us, and an area which has been the subject of increasing government attention throughout the region in which we operate has been money laundering and terrorist financing activities.

In particular, the last year has seen the passage of Anti Money Laundering and Counter Terrorist Financing legislation in Australia, with similar legislation to follow in

New Zealand reflecting provisions that already exist in many Asian countries. While implementing these measures does increase our costs we recognise the importance of ensuring the integrity of the financial systems within which we operate.

As I said earlier we are fully supportive of a strong regulatory regime as our industry plays an important role in helping people manage their long term savings. The Treasurer's recently released 2007 Intergenerational Report has again highlighted the demographic challenges ahead and how crucial long term savings are for the ongoing success of the Australian economy.

While Australian long term financial sustainability has improved since the release of the first intergenerational report we still have a significant fiscal gap to overcome. Those of us operating in the financial services industry need to work with the government to continue to encourage Australians to take responsibility for their own retirement savings, and, in this respect we welcome the superannuation changes announced by the Government in its 2006 Budget which will certainly encourage further savings.

You will have seen in the Explanatory Memorandum that the Independent Directors – Patricia Akopiantz, Michael Butler, Paul Cooper, Kennedy Wong and I have all recommended that you vote in favour of the Resolution to allow the Proposed Acquisition of Winterthur Hong Kong to proceed.

Winterthur Hong Kong is a strategically attractive growth opportunity which will further strengthen our presence in the high growth unit-linked segment of the Hong Kong Market. This acquisition will offer increased scale, further realisation of synergies and diversification of distribution channels. It is consistent with our Asia 6 goals and our 'accelerated' growth strategy in Asia. For all of these reasons we believe it is certainly in the best interests of our company.

Bruno Jantet and Philippe Donnet have declined to make a recommendation given their executive positions with AXA SA and Robin Monro-Davies has declined to make a recommendation as he is also a director of AXA UK, a subsidiary of AXA SA.

I hope that you will all exercise your right as shareholders and vote in support of the proposed acquisition which will position us well for further growth in Hong Kong.

In conclusion on behalf of the Board I would like to thank all of our employees, and the management team for their commitment, and professionalism. We are confident that our company will continue to deliver strong results for shareholders.

I will now ask Andy Penn to present a review of our 2006 performance.