

Annual General Meeting

Andrew Penn

Thursday 19 April 2007

Introduction

Thank you Rick and good morning everyone.

This is the first Annual General Meeting at which I have had the opportunity to address you, our shareholders. I am pleased to be doing so here today.

Let me start by saying that I am proud of the success of our company and I am excited by our future prospects. We have performed well in recent years, building a strong platform in the Asia Pacific region and we will be working hard to ensure our continued success.

The wealth management and financial protection markets continue to grow strongly in the countries in which we operate and although not without their challenges offer excellent opportunities. We are able to take advantage of these opportunities because the strategies we have in place are the right ones.

In my address to you this morning I would like to comment on the highlights and achievements of 2006 and the future prospects for our businesses in Australia and New Zealand and in Asia.

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Group 2006

2006 was a successful year continuing the pattern of strong growth we have established over recent years.

The Chairman has already highlighted our strong financial performance at the Group level including:

- a 25 per cent increase in our profit after tax before non recurring items to \$677.8 million;
- 24 per cent growth in Operating Earnings to \$454.5 million;
- A 33 per cent increase in Investment Earnings to \$342.9 million; and

- A 21 per cent increase in Group funds under management and administration to \$97.7 billion.

In addition and notwithstanding the acquisitions undertaken during 2006 we ended the year with a strong balance sheet enabling the capital management initiatives outlined by the Chairman.

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Australia and New Zealand

In Australia and New Zealand 2006 was a strong year for the financial protection and wealth management industry.

However whilst these conditions have been good I can assure you we have not been resting on our laurels. 2006 was the fourth consecutive year of strong growth in Operating Earnings, up 20 per cent to \$244.8 million.

Wealth management earnings were up 14 per cent to \$145 million and financial protection earnings were up 31 per cent to \$99.8 million.

2006 was also our best ever year for net retail inflows up 82 per cent to \$2.9 billion.

The value of new business was up 25 per cent to \$142.5 million benefiting from the strong new business volumes and further cost efficiency.

Funds under management and administration were up 21 per cent to \$85.4 billion, whilst funds under advice were up 31 per cent to \$8.3 billion.

We have established a reputation as an organisation that sets clear and challenging goals, communicates them transparently and works hard to achieve them.

In this regard, I launched our AXA 6 programme in Australia and New Zealand in 2004 which was designed to build on the turnaround we had previously achieved and to accelerate our growth. At its heart AXA 6 has 6 key goals and an overarching one on which the organisation has been focussed.

I am pleased to say as we approach the end of AXA 6 we are ahead of where we need to be on the majority of the goals.

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I am also pleased to say that we have achieved the overarching goal of growing the illustrative enterprise value of the Australian and New Zealand business by 65 per cent to \$6.5 billion twelve months ahead of schedule.

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Other important achievements in 2006 included being named Morningstar Fund Manager of the Year, International Equity Fund Manager of the Year and Most Improved Australian Equity Manager of the Year. These awards reflect our strong investment performance and research ratings across most of our investment products.

Our joint venture with AllianceBernstein makes us one of the few players who can bring truly global asset management scale and capability to this market. Importantly this has translated into strong sales growth with sales of the highly rated Global Equity Value Fund up 74 per cent to over \$1.3 billion.

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In 2006 we also consolidated our position as one of the leading multi-manager providers, through ipac in Australia and Arcus in New Zealand, with funds under management up 36 per cent to \$18.5 billion.

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And overall funds under management and administration in Australia and New Zealand grew strongly benefiting from the performance of AllianceBernstein and our multi manager offerings as well as strong net inflows into superannuation, investments and platforms and the acquisition of the Bank of New Zealand Investment Management operations.

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Our strategy of consolidating our platform offerings on a single technological platform is also reaping rewards. During the year we exceeded our minimum scale target of \$10 billion funds under administration, with total Summit funds under administration up 64 per cent to \$13.6 billion.

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And finally and very importantly we have seen strong growth in our advice businesses. The 31 per cent growth in funds under advice to \$8.3 billion means we have also achieved our goal of doubling funds under advice one year earlier than planned. This is due to strong net inflows, up 85 per cent in 2006 to \$624 million, buoyant equity markets and the continued strengthening of our market position with the move to full ownership of Tynan Mackenzie.

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Looking forward in Australia and New Zealand

Before turning to Asia I will make a few comments about future prospects in Australia and New Zealand.

We are optimistic about these markets and are well positioned to capitalise on changing conditions.

As with many countries globally there is a significant demographic shift underway in Australia. The Government's latest Intergenerational Report shows that in the next 40 years the number of people aged between 65-84 will almost double and those aged 85 and over will almost quadruple.

Savings ratios in Australia remain very low by global standards and unless these increase the impact of this demographic shift will put greater and greater stress on our tax and social security system.

The Government has responded to this with a range of measures, including increasingly attractive incentives for superannuation saving, such as those announced in the 2006 Federal Budget.

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There is no doubt that superannuation will become the preferred long term retirement savings vehicle for Australians. To take advantage of the opportunities these changes present Australians will continue to require both high quality savings products and high quality financial advice.

There is also no doubt that Australians are underinsured. Our latest market research shows us that the average Australian has only a quarter of the life insurance they need. This presents us with attractive growth prospects in financial protection.

However, as I have said before we will only seek to grow where we can do so profitably and we are concerned about market behaviour in this regard.

In investment markets, whilst I am not an economist, and cannot predict how markets will evolve I point to four factors on the supply side of capital which will continue to support the strong flow of money.

Firstly the increased attractiveness of superannuation and underpinning Superannuation Guarantee will continue to provide more capital looking for investment opportunities than being withdrawn for retirement purposes for a number of years to come yet.

Secondly the Government's future fund which currently stands at \$50 billion and is planned to grow strongly.

Thirdly the increased prevalence of private equity capital looking for opportunities in Australia, and

Finally capital management initiatives by Australian companies. Based on recent company announcements there is the potential for approximately \$15 billion of capital to be returned to shareholders in 2007 over and above normal dividends through various capital management initiatives including on and off market buybacks and capital returns.

Our strong position in asset management and advice places us well to respond to this demand through innovative and strongly performing investment products.

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Turning now to the outlook in New Zealand.

In New Zealand we are the largest retail wealth management provider and in 2007 we will see two changes that will improve the attractiveness of that market.

Kiwisaver to be introduced on 1 July is the most important development in recent years and is expected to significantly increase the number of superannuation members and increase public awareness of the need to save for retirement.

I am pleased to say that on top of our selection as one of the Government's preferred suppliers for the state sector's superannuation scheme launched in 2005 we have also been selected as one of the Government's default providers for Kiwisaver.

The second change in New Zealand is legislation that will come in 2007 that brings the taxation of managed funds more in line with that of directly held investments. This removes a significant disadvantage which previously existed for managed funds providers such as ourselves.

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Asia

Let me now turn to the financial highlights for our Asian operations.

In Hong Kong Operating Earnings grew strongly up 22 per cent to HK\$1.2 billion. Financial protection was up 21 per cent to HK\$1.1 billion and Wealth management was up 36 per cent to HK\$129.3 million.

And Funds under management were up 20 per cent to HK\$57.7 billion.

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Also in Hong Kong total life new business index was up 37 per cent to HK\$1.7 billion reflecting the success of our multi-channel multi-product strategy. In 2006 more than 40 per cent of our new business index in Hong Kong came from non agency distribution up from only 20 per cent in 2002.

And encouragingly, bancassurance sales, an important emerging channel for us in Hong Kong, were up more than 300 per cent due to strong sales of the multi-manager product we launched in 2005.

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Our achievements in Hong Kong also include the recently completed integration of MLC, a business we acquired in May last year further strengthening our position by increasing our inforce market share to 9.6 per cent and our new business market share to 8.3 per cent.

Nearly all ex MLC agents were retained and transitioned onto AXA contracts. Their productivity has increased by more than 15 per cent in a very short space of time driven by improvements achieved through the adoption of our Hong Kong agency blueprint and access to our broader product suite.

MLC's lower margin product range was closed to new business during the year. Ex MLC agents are now selling the higher margin AXA products with the value of new business product margin increasing from 39 per cent to 57 per cent.

In summary we are delivering results for both cost and revenue better than that which we assumed in our purchase price.

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In Asia, excluding Hong Kong, our share of Operating Earnings from South East Asia, combining Singapore, Indonesia, the Philippines, and Thailand was up strongly at \$13.2 million. Importantly Indonesia the Philippines and Thailand reached breakeven and contributed to group profit for the first time since we commenced those operations.

On a 100 per cent share basis new business index including ipac Asia was up 61 per cent to A\$232.2 million. The value of new business was up 51 per cent to A\$59.9 million and Funds under management were up 57 per cent to A\$2.8 billion.

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Our new ipac businesses in Hong Kong and Singapore continue to grow with funds under advice more than doubling in 2006 to \$215 million. We expect the financial planning market in Asia to grow strongly over the medium to long term, due to large increases in personal wealth, improved living standards, ageing populations and an increasingly accessible expatriate community. Our early entry into this market through ipac positions us well in this regard.

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In Asia excluding Hong Kong we have seen exceptional growth from both our bancassurance and agency channels. Bancassurance new business index was up 60 per cent to \$107 million and we expanded our presence to more than 1,700 bank branches.

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The implementation of the Hong Kong agency blueprint to our Asian operations has helped to almost double agent and adviser numbers outside of Hong Kong from

around 6,000 to over 11,000. This combined with productivity increases has helped agency new business index grow 55 per cent to \$96 million.

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During 2006 we also broadened our geographic footprint.

In India our sales team has grown rapidly to more than 600 agents and salaried advisers. Early sales progress is encouraging with new business index of 28.6 million Rupee in the few months to the end of 2006.

In Malaysia we now have more than 60 licensed agents and we are marketing mortgage protection and single premium products through our joint venture partner's bank branch network.

In China we have recently received a licence to operate in Foshan in addition to our established operations in Shanghai, Guangzhou and Beijing and in 2006 sales in China were up 66 per cent.

With 20 years experience and a strong business in Hong Kong, combined with rapidly growing businesses in other markets, we are well positioned for further growth in Asia.

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Looking Forward in Asia

Looking forward it is our ambition to achieve a top 5 position in each our Asian operations. Supporting this strategy we have a set of strategic goals called Asia 6. At the half way mark, we remain firmly on track and we are committed to achieving them by the end of 2008.

Hong Kong is one of the more developed of the Asian markets and continues to offer very attractive growth fundamentals. There is a high propensity to save and only moderate life insurance penetration.

Increasing affluence and investor sophistication is starting to drive growth in financial planning and advice and the privately funded mandatory retirement savings market is expected to more than double over the next five years.

We will continue to maximise the value of our broadening distribution footprint, leveraging the successful integration of MLC Hong Kong to drive further revenue, cost and value benefits.

With product sourcing agreements in place with six banks we will look for further growth in bancassurance in Hong Kong.

More broadly in our other Asian operations our Hong Kong blueprints provide us with a competitive advantage and we will seek to further leverage these to maximise the value of our agency and adviser channels.

We are focussed on growing our bancassurance operations in our other Asian businesses by further increasing our presence in our joint venture bank branches and a higher number of bank advisers.

And finally our investment in South East Asia is now starting to deliver meaningful contributions to group profit. We are aiming to achieve scale in all operations and further grow earnings and value.

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Winterthur

In wrapping up on Asia I would like to comment briefly on the proposed acquisition of Winterthur Hong Kong that you will be voting on later this morning.

Although I am a Director of AXA APH I am not an Independent Director and it is important I make you aware of that as I make my recommendation. I am a member of the AXA Global Executive Committee and I hold interests in AXA SA shares and other financial instruments which are disclosed in the annual report.

The proposed acquisition of Winterthur Hong Kong is a strategically attractive growth opportunity that is consistent with our goals and strategies in the region.

With the acquisition, our inforce and new business market shares will each increase to over 11 per cent, consolidating our market position in the top 5.

In addition to increasing our market share it will further extend our multi-channel distribution.

There will be a significant increase in our agent and adviser numbers in Hong Kong to more than 3600 and our life new business index will increase to more than HK\$2.3 billion on a proforma basis.

Importantly, the addition of 140 salaried Swiss Privilege advisers servicing high net worth clients will provide us with a new distribution channel increasing our presence in the until linked and high net worth market segments.

As Group Chief Executive of AXA APH I believe the proposed acquisition of Winterthur is in the best interests of you, our shareholders, and I have recommended that you vote in favour of the Resolution to allow the proposed acquisition to proceed.

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Conclusion

Let me conclude my address this morning.

2006 was another strong year for AXA APH with all of our operations performing well.

We have seen continuing growth in Australia and New Zealand due to strong wealth management inflows, profitable growth in financial protection and a lower cost to income ratio.

This has enabled us to achieve our overarching AXA 6 goal of increasing enterprise value by 65 per cent to \$6.5 billion one year earlier than planned.

Our operations in Asia continue to give us a unique profile in some of the world's fastest growing markets. Access to these markets is an important strategic differentiator for us and we continue to grow very strongly throughout the region.

In Hong Kong we are benefiting from our multi-channel, multi-product strategy with continued strong sales growth and retention of our inforce book. We are also increasing scale in the rest of Asia through sales growth in our existing operations and the commencement of new joint ventures in India and Malaysia.

With less than 12 months to go for AXA 6 and 2 years to go for Asia 6, we are progressing well. I am firmly committed to achieving the targets we have set for our businesses and I also intend to ensure that we remain responsive to new opportunities and build on the firm foundation we have put in place.

I would like to thank our management teams and staff for their continued hard work because it is through them we remain very well positioned to grow value for our shareholders.

I would like thank you for setting the time aside to attend today– either via the webcast or here in person – and vote on the resolutions before you.

And finally in closing I would like to strongly support the Chairman’s comments on the regulatory changes announced this week by the Government.

As someone who can speak from personal experience at the frustration and disappointment of having been involved in a flawed process I welcome the Government changes. They are crucially important to ensure our system maintains the highest level of integrity, is accountable and that the processes are fair.