

## **Chairman's address – April 2008**

I am pleased to report that during 2007 AXA Asia Pacific Holdings continued its strong performance.

However, before reporting on our results for 2007, I would like to make a few comments about the recent falls that we have seen in both local and global equity markets.

Our Australian market is down more than 20 percent from its 1 November 2007 high and there has been a significant increase in volatility. In the 3 and a half months so far this year, we have seen 6 of the 9 biggest one day gains and 6 of the 20 biggest one day losses on the S&P 200 index since its inception in 1992.

Companies in financial services are clearly affected by this volatility and our share price, like others in our industry and the broader market, has weakened over this period. This is obviously concerning for all of us. However, what is important in times like these is to remember that it is in the nature of equity markets that there can be sudden and dramatic variations. We have seen this in the past and we shall see it again in the future. However, as you will have seen from our 2007 performance we do have strong business fundamentals which we are confident will enable us to steer our way through this current period successfully.

I would also like to take this opportunity to comment on margin lending and securities lending, which are currently attracting significant attention.

Firstly, I can report that not one of our directors have margin loans against their AXA APH shareholding. I can further advise that since the publication of our annual report, we have formalised a policy that requires directors to disclose where any of their shares in the company are secured against margin loans at any time.

In common with industry practice, we do have securities lending programmes in place in Australia and Hong Kong. Securities lending is a common industry practice where one party can borrow securities for the purpose of providing liquidity in their trade settlement activity and for legitimate short selling. The lender of securities receives an appropriate return and in our case collateral for the transaction.

As the Government recently pointed out margin lending, short selling and securities lending “when conducted in good conscience and transparently, add to the depth and liquidity of Australia’s financial market.” We support these views.

However, whilst the holding of physical shares is the subject of considerable disclosure and other governance processes, short selling activities are not subject to the same degree of transparency. We share the concerns raised in relation to inappropriate short selling, and believe there should at the very least be the same disclosure and transparency on short selling as there is in relation to the holding or disposal of physical shares. As such we are currently reviewing our securities lending contracts to investigate ways in which we can mitigate the risk that any of the shares we lend can be used for inappropriate purposes.

Let me now outline our results for the year ended 31 December 2007.

In 2007 our Operating Earnings, the key profit measure for our business grew by 20 percent to \$543.7 million.

Investment Earnings of \$234.8 million were below the exceptional Investment Earnings of \$347.1 million in 2006, which meant our overall net profit after tax of \$638.7 million was \$29 million lower than in 2006. However, investment earnings were still ahead of our expected normalised level of \$190 million, which is calculated on the basis of our long term assumptions for each asset class.

I am pleased to also report that we achieved strong growth in all of our businesses in 2007, with the value of new business up 35 percent in Australia and New Zealand to A\$192.9 million, up 17 percent in Hong Kong to HK\$1.1 billion or A\$169.3, and up 94 percent in the rest of Asia to A\$112.5m on a 100 percent share basis.

We finished the year in a strong capital position with total capital resources of \$5 billion and capital in excess of our regulatory requirements of \$1.5 billion. This is notwithstanding that during the year we completed \$373 million of our announced \$400 million on-market share buy-back and, as approved by shareholders last year, we purchased Winterthur Hong Kong for \$311 million Australian dollars.

A final dividend of 13 cents per share, franked to 40 percent has been declared, bringing the total dividend for 2007 to 22.25 cents per share, which is an increase of 19 percent over 2006.

The continued growth in dividends and the on-market share buy-backs demonstrate our commitment to enhance shareholder value, and are a reflection of the Board's confidence in AXA's future financial performance.

Last year saw significant changes in the financial services industry in both Australia and New Zealand.

In Australia the 'Simpler Super' legislative changes became effective from 1 July 2007. These changes together with strong underlying inflows, helped grow our total Australian retail inflows by 36 percent to \$9.6 billion for the year ended 31 December 2007.

In Australia superannuation remains a key policy focus, with a number of areas already flagged for consideration by the new Government, including first home saver accounts and simplification of product disclosure documents.

Quality financial advice is a key theme in AXA's vision and strategies and we look forward to continuing to work with the Government and regulators on policy issues in this important area. The current market volatility emphasises the importance of advice and the personal relationship our customers have with their advisers. Given the increasingly complex financial products now available to customers, it is also imperative that we have a regime of clear and concise disclosure to our customers. It is therefore important that as an industry we work closely with the Government to ensure that disclosure on complex products is effective.

Financial services products generally have a long lifetime, and therefore effective mechanisms to facilitate the upgrade of products

and the launch of new ones without leaving a legacy of old products is necessary to ensure that we are able to offer our customers new and innovative products to meet their changing needs. Again we are committed to working with the Government on their product rationalisation proposals in this regard.

In New Zealand the Government passed two significant legislative changes that should help stimulate the New Zealand savings and wealth management market.

The first change was a new tax reform package removing nearly all the taxation-related disincentives to investing in managed funds. Effective from April 2007, tax on investing in international equities, either directly or through managed funds, was capped at 5 percent of market value irrespective of returns, and, effective from October 2007 capital gains tax on investments in Australian or New Zealand equities was removed.

The second significant change was the introduction of KiwiSaver, which combined the benefits of the tax changes into a new semi-compulsory national savings scheme administered through the work place. The Government appointed six default providers to accept Kiwisaver deposits for those who did not make an active choice themselves. We were appointed one of the six default providers and since the launch in July 2007 we have attracted over 45,000 new savers to AXA.

In Hong Kong, following the acquisition and integration of MLC in 2006, we further strengthened our position through the acquisition of Winterthur in April 2007, following your approval at this meeting

last year. I am pleased to report that the integration of this business has been completed successfully. We are already seeing the benefits from this acquisition having added the Swiss Privilege and Personal Portfolio Consulting Group to our four existing distribution channels of agents, salaried AXA advisers, brokers and bancassurance, giving us access to the attractive high net worth market segment. We have also expanded our existing wealth management product suite.

In July we signed a distribution agreement with Citibank, one of the largest banks in Hong Kong, which gives us access to their clients across 27 branches in Hong Kong and Macau, and leverages the experience we have gained from our successful bancassurance operations in other South East Asian countries.

Our South East Asian operations comprising Singapore, Thailand, Indonesia, the Philippines and Malaysia continued to grow with their new business index up 66 percent. This was underpinned by our bancassurance joint ventures with some of the largest banks in the region; Bank Mandiri in Indonesia, Metrobank in the Philippines, and Krung Thai Bank in Thailand. Through these agreements we have access to more than 16 million customers through 2,300 branches.

We continue to invest in the growth markets of India and China which are two of the world's fastest growing life insurance and wealth management markets.

Our joint venture in India with Bharti Enterprises now has 77 branches and almost 14,000 agents and salaried advisers, and we

expect to launch operations in a further 90 locations over the next 12 months. In China the life insurance market is forecast to grow by 12 percent per annum over the next ten years, reaching more than US\$254 billion in life premiums by 2016. Whilst this opportunity is huge, licences to foreign joint ventures are granted on a city or provincial basis, which limits the pace of expansion with foreign life insurers currently holding approximately 8 percent of the total market. During the year, we expanded our operations to 5 cities - Shanghai, Guangzhou, Beijing, Foshan, and Shenzhen, and finished the year with more than 3,000 agents and advisers. We have also recently been granted licences for Dongguan, and in Jiangsu province where we have recently commenced operations in its capital, Nanjing. This now gives us access to 34 percent of the total Chinese market.

During the year we moved our head office to the new Docklands precinct in Melbourne. Our new building is rated 5 star by the Green Building Council of Australia reflecting our commitment to the environment.

A sustainable business is a business that meets the needs of the present without compromising the ability of future generations to meet their own needs. As such we have implemented a number of changes to the way we do things to reduce our impact on the environment, with our employees actively involved as individuals in helping us meet our targets of a 20 percent reduction in energy use, a 10 percent reduction in water use, and a 2.5 percent reduction in paper use by 2009.

Our business is about helping people invest for the long term to protect their families and livelihoods, but unfortunately there are those who through no fault of their own are unable to protect themselves or their families. In this context we believe that it is important that we give back to the community, and accordingly in all of the markets in which we operate we have staff volunteer programmes called AXA Hearts In Action, which enable our staff to volunteer their time and skills and actively engage with our charity partners. In July 2005 we expanded this programme with the establishment of the AXA Charitable Trust in Australia and New Zealand. In addition to funding selected initiatives with our charity partners, the Trust supports many worthy causes donating around \$1.2 million per annum. As at 31 December 2007 the total funds held in the Trust were \$36 million.

In 2007 we had a number of changes to our Board. In April Philippe Donnet, who had been a long standing AXA SA employee, decided to leave the AXA Group to pursue another career opportunity. Bruno Jantet, who had been on our Board since 2003 was appointed to a senior position within AXA's French operations and resigned from the Board in April and on the 31<sup>st</sup> of December, Kennedy Wong, who had been on our Board since 2005, retired. I would like to thank each of Philippe, Bruno and Kennedy for their valuable contribution whilst on our Board.

During the year John Dacey and Paul Sampson joined the Board as non-executive directors. John had a distinguished career with the Winterthur group before joining AXA SA. Paul joined the AXA SA Group in 1998 and has held a variety of senior roles and is

currently CEO of AXA Japan. You will hear more from them shortly as both John and Paul, along with Michael Butler and myself, are offering ourselves for election at this meeting.

As I said earlier we are delighted that Mr Tony Froggatt has agreed to join the Board and we look forward to his contribution in the years ahead.

In conclusion, on behalf of the Board I would like to thank the management team, all of our 6,000 employees and 30,000 agents and advisers, for their commitment and professionalism during 2007, which has been another excellent year.

In looking forward, despite the current volatile market environment, your Board is confident that our company is well positioned for growth and to take advantage of any opportunities that present themselves.

I will now ask our CEO Andrew Penn to present a more detailed review of our 2007 performance.