

Annual General Meeting
Andrew Penn
Chief Executive Officer
Thursday 16 April 2008

Thank you Rick and good morning.

The Chairman has highlighted the significant market volatility we have experienced over recent months.

These conditions certainly make life more challenging in the short term, therefore it is important to have a business that is strong and resilient and an underlying model that is orientated to perform over the longer term. I believe that is what we have built at AXA as illustrated by our 2007 results.

In my address to you this morning I will first comment on these results. I will then turn to how we are fairing in the current market and the future prospects for our businesses.

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The Chairman has provided you with a high level summary of our 2007 results but let me recap.

Group Operating Earnings were up 20 percent in 2007 to \$543.7 million.

Profit after tax and before investment experience and non-recurring items was up 12 percent to \$604.8 million.

While Investment Earnings were above normalised levels in 2007, they were lower than the exceptionally strong returns of 2006.

This is illustrated by the fall in our investment experience to \$39.8 million.

Reflecting the lower investment returns total profit after tax was down 4 percent to \$638.7 million.

Group funds under management, administration and advice were up 12 percent to \$109 billion helped by the significant net funds flows in 2007 across our businesses.

We have also maintained our strong capital position at the same time as conducting a number of important capital management initiatives. At 31 December we had total assets above our regulatory requirements of \$1.5 billion and a gearing ratio of 35 percent, well below our target range of 40 to 50 percent.

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Earnings per share before non-recurring items were 37.4 cents, down 4 percent, whilst return on equity was 16.9 percent, down 130 basis points.

On a normalised basis, earnings per share were up 12 percent to 35.1 cents and return on equity was up 100 basis points to 15.9 percent.

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As the Chairman mentioned, the Board has declared a final dividend for 2007 of 13 cents per share, up 16 percent on the final

dividend for 2006. This dividend will be franked to a level of 40 percent.

Total dividends for 2007 were up 19 percent to 22.25 cents per share, reflecting our confidence in our ongoing performance.

I will now comment briefly on the 2007 performance of each of our business operations.

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Operating Earnings in Australia were up 15 percent to \$232.5 million.

Within this Wealth management was up 32 percent to \$83.5 million, reflecting higher fee revenue from increasing funds under management following the very strong net flows and strong equity returns. It also includes a full 12 months of earnings from the balance of the Tynan Mackenzie business that we acquired in September 2006.

Financial protection was up 5 percent to \$68.6 million. We saw stronger growth in individual life and income protection offset by a decline in group business, which did not repeat last year's exceptional experience.

Operating Earnings from our Mature business were up 8 percent to \$80.4 million mainly from long term risk.

The value of new business in Australia grew very strongly in 2007 up 40 percent to \$178.2 million. This reflects the record Wealth management sales, growth in Financial protection in the second half of the year and our improving cost to income ratio.

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In New Zealand Operating Earnings grew 22 percent to \$59.1 million New Zealand dollars.

Financial protection was up 41 percent following exceptional experience profits particularly in income protection.

Wealth management earnings were slightly down for the period. This mainly reflects higher project expenditure to implement the significant recent legislative changes in New Zealand relating to tax and Kiwisaver.

These changes, although positive for the future of the wealth management industry, have been expensive to accommodate from a systems point of view.

The value of new business in New Zealand was down 7 percent to NZ\$16.7million reflecting some repricing in Group life, the mix of Wealth management new business and these costs.

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2007 was also important for Australia and New Zealand because it saw the successful completion of our AXA 6 programme. Through the programme, we ultimately grew the illustrative enterprise value of our Australian and New Zealand business by more than 100 percent over the four years to December 2007. This was well ahead of our target of 65 percent growth.

In recent years we have developed a reputation as a company that sets clear and challenging targets, communicates them transparently, and holds ourselves accountable for their delivery. I

am very pleased to close another successful chapter for AXA with the delivery of AXA 6.

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In Hong Kong Operating Earnings were up 38 percent to \$1.7 billion Hong Kong dollars and we saw growth in all product categories.

Wealth management Operating Earnings were up 127 percent to HK\$167 million reflecting the acquisition of Winterthur, partly offset by new business strain from our recently launched bancassurance products.

Financial protection Operating Earnings were up 39 percent to HK\$858.9 million due to favourable claims experience and overall growth in the portfolio due to strong sales over recent years.

Operating Earnings for our Mature business, which includes the MLC portfolio that we closed to new business, were up 25 percent to HK\$677.3 million.

The value of new business in Hong Kong grew 17 percent to HK\$1.1billion.

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In South East Asia we have seen exceptional growth from all of our operations, with Operating Earnings up 126 percent to \$22.4 million Australian dollars and the value of new business up 89 percent to \$97.9 million Australian dollars.

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In India and China we have access to two of the world's fastest growing economies and largest populations.

Reflecting our increased investment in these countries, particularly the rapid expansion in India, Operating Earnings were negative \$19.5 million Australian dollars for the twelve months.

Value of new business grew more than 200 percent to \$9.7 million Australian dollars.

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Finally, ipac Asia Operating Earnings improved during the year to negative \$5.6 million Australian dollars as we continued to grow scale.

Funds under advice grew 65 percent during the year, with gross inflows up 35 percent.

Since the year end we have also completed arrangements to commence an ipac operation in Taiwan.

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I would now like to switch my focus to the future. Before I do so however, as promised I will make a few comments about the impact of the current investment market volatility on our shorter term performance.

The current investment environment is clearly challenging for companies in our sector and it will have an impact on financial performance in the short term. The extent of this impact is

obviously dependent on the depth and duration of the investment market reductions and the extent to which these flow into the general economy. Whilst at one level this does create challenges, it also creates opportunities for strong companies like AXA and I will comment more on these in a moment.

Firstly, however, let me provide some information to gauge the potential impacts on our financial performance.

To assist investors every year in our investor compendium we provide sensitivities to movements in investment markets. At our results presentation in February we presented a slide which illustrated the impact of movements in equity markets.

This showed that for an average 10 percent decrease in equities over the year:

- the sensitivity of earnings is estimated to be \$120 million; represented by \$12 million of Operating Earnings and \$108 million of Investment Earnings.
- in contrast, a 10 percent decrease in equities decreases the value of inforce by only 3 percent and the value of one year's new business by 3 percent

The differences in these earnings and value sensitivities are important. Market volatility affects short term earnings. However, our strong business model in conjunction with market fundamentals such as the Australian superannuation system and Asian demographics offset the impact of short term economic cycles and are more clearly reflected in our value metrics. We

remain focussed on managing our business for long term shareholder value.

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It is also important to consider the impact of the current investment environment on capital.

We enjoy a strong capital position. At 31 December we had total assets above our regulatory requirements of \$1.5 billion. This included \$570 million of target surplus. Target surplus is an amount of capital we hold in excess of our regulatory requirements to protect against exactly the sort of market volatility we are seeing today. The fact that our excess capital at December was almost 3 times target surplus is a good indicator of the strength of our balance sheet.

Since 31 December we have completed our share buy back and paid the 2007 final dividend to shareholders. We have also seen investment markets fall around 15 percent and US interest rates by 60 basis points. Notwithstanding this, our capital position remains very strong with assets of approximately \$1 billion in excess of regulatory requirements.

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The current environment will also have implications for the short term operating metrics across the industry such as sales and discontinuances.

We will be releasing our sales and funds flow statement for the first quarter of 2008 in just over a week's time. We are currently

completing the aggregation of these numbers but we are seeing the following trends.

- Financial protection sales in Australia and New Zealand have continued the momentum we saw in the second half of last year.
- Wealth management inflows in Australia and New Zealand are lower than the very exceptional inflows in 2007 and outflows have increased.
- We are seeing continued strong growth across most of Asia with some small pockets of slower growth and higher outflows where the business is single premium unit linked orientated.

We will continue to keep the market informed of our operating metrics through our detailed quarterly disclosure, although we believe our performance is reflective of what the market is seeing as a whole.

More importantly, I believe there are many indicators that illustrate that on a relative basis we are very well positioned.

I would like to finish my comments today with why I believe this is the case.

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In Australia, in asset management, we continue to be recognised for the strength of our investment capabilities winning a number of awards in 2007. These included AFR Smart Investor Fund Manager of the Year, Best for International Large Cap Shares and for Australian Large Cap Shares and the Standard & Poor's Australian Mortgage Fund Award.

In November we launched North, our new guaranteed superannuation product. Through its unique capabilities North provides our customers with market downside protection while still enabling them to participate in market gains on the upside and it is designed to help clients deal with just the sort of market turbulence we are experiencing today. We are very encouraged with our early performance with this product and we will be releasing the ordinary money version next week.

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In financial protection we have been focused on growing our business on a profitable basis. This has been challenging in a market where we believe the pricing and product design decisions of some of our competitors have not been entirely rational. As a consequence, whilst we have been very successful in continuing to grow Operating Earnings, until recently we had not grown new business as fast as we would have liked.

I am pleased to say that following a number of initiatives in the middle of 2007 we saw an improvement in Financial Protection sales with Individual life new business in the second half 33 percent higher than in the first half of the year. Pleasingly we have maintained this momentum in 2008. We also believe the current

more difficult market environment is likely to restore more rational pricing to the industry.

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Another key feature of our Australian business is our extensive distribution footprint. Total advisers within our dealerships, AXA Financial Planning, Charter and Jigsaw, plus advisers in our owned advice firms, ipac, Tynan Mackenzie and Monitor Money grew 13 percent in 2007 to 1,255. This is against a backdrop of very limited, if not flat growth in the total number of advisers across the industry.

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In New Zealand, as the Chairman, mentioned the Government has recently introduced two legislative changes that will significantly improve the attractiveness of the wealth management market and we are well positioned to take advantage of these.

Despite these positive longer term changes the New Zealand market does remain challenging in the short term due to high domestic cash rates in excess of 8 percent and New Zealand investors remaining skittish due to a number of finance company failures. We believe the more effective market conduct regulation planned will help to restore consumer confidence.

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In Australia and New Zealand in November, following the successful completion of AXA 6, we launched our new Ambition 2012 programme. We will continue our successful model of

focussing on 6 key metrics of overall business performance but we have again raised the bar on each of these. Through this programme we are aiming to double the illustrative enterprise value of these businesses to \$14 billion by 2012.

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In Hong Kong over the past few years we have broadened our distribution footprint through a multi channel and multi product approach.

Following your approval at this meeting last year, we further strengthened this position through the acquisition and successful integration of Winterthur.

We are now starting to see significant benefits from this strategy with more than half our sales in 2007 coming from channels other than our traditional agency force although agency also grew 14 percent in 2007.

However, it was in the newer distribution channels where we have seen strongest growth. This included the new Swiss Privilege and PPCG channels that we inherited through Winterthur and sales of our retirement products through the broker channel.

In bancassurance sales in the 6 months to 31 December, since we signed the distribution agreement with Citibank, were HK\$191 million representing 8 percent of our total new business index for 2007.

In February we further strengthened the Citibank partnership with the launch of a variable annuity product, GMAB similar to North in Australia.

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In South East Asia we have developed a formidable distribution footprint through our market leading bancassurance joint ventures and our rapidly growing agency force.

We now have more than 2,000 advisers located in the banks of our partners and together with our tied agents more than 13,500 salespeople in this region.

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This distribution capability supported exceptional growth in 2007 with NBI across the region up significantly.

82 percent in the Philippines driven by strong sales of unit-linked investment products through our joint venture partner Metrobank.

71 percent in Thailand due to strong sales in bancassurance and growth in agent numbers and productivity.

67 percent in Indonesia due to strong sales of investment linked products through Bank Mandiri and strong performance from the traditional agency channel.

And 29 percent in Singapore, where we have led the market in launching unbundled insurance and investment products.

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In our first full year of operation in India we have already established a significant distribution footprint, with 77 branch offices and almost 14,000 agents and advisers, and we have continued to grow distribution in the first quarter of 2008.

India New Business Index totalled 892 million rupee in 2007.

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In China New Business Index was up 86 percent to 145 million Rmb.

We have extended our operations to six cities giving us access to 34 percent of the Chinese market through more than 3,000 agents and advisers.

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With less than 12 months to go for our Asia 6 programme, we are progressing well and we are very much on target to meet our goals. This includes more than doubling the illustrative enterprise value of these businesses to A\$9.2 billion.

We will be announcing to the market what comes after Asia 6 in November this year.

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Before closing I would like to come back to one final point in relation to the current investment market volatility.

As the Chairman said, we have all seen such volatility in the past, albeit historically different events have triggered it. We will no doubt see it again in the future. In 2001 it was the end of the technology boom followed by the dreadful 9/11 event. In 1998 it was the Asian currency crises and the collapse of the world's largest hedge fund Long Term Capital Management.

This current situation is of course due to the credit crunch that started with the easing of standards in the provision of debt to homeowners in the US.

Unfortunately however, as always in such situations, it is those that can least afford it that are worst hit. The focus of the current discussions on the impact on the banks and write downs across the finance industry disguises the reality of the impact on real people. It is estimated that up to 2 million people in the US will lose their homes by the time the sub prime crises has played out.

And whilst we may not have a significant sub prime issue in Australia, the latest Australian Mortgage Industry Report by JP Morgan/Fujitsu estimates that 300,000 Australian households will be under severe mortgage stress by mid 2008. In January and February this year Victoria experienced the highest number of land repossessions on record.

This is important to our industry because our key focus is assisting our customers to invest over the longer term and to financially protect their families and livelihoods. This is the core of the products and services we provide. Supporting them to make the right financial decisions and maintain the confidence in those

decisions during times like these is why quality financial advice is our passion.

This however, all counts for nothing if the accumulated wealth of our clients is offset by too much debt. There is growing evidence to suggest that this is what is happening, that when we get to retirement we are using our superannuation savings to pay off debt. More worryingly, there is also evidence to suggest that an increasing number of people need to access their superannuation earlier than their retirement to pay off debt.

Under our current regulatory regime, both assets and liabilities are dealt with from a prudential perspective but debt is not dealt with adequately from a market conduct point of view. There is virtually no regulatory obligation on mortgage brokers or other distributors to ensure their clients can truly afford the debt they are being offered.

We have a world leading superannuation system in Australia appropriately protected through a comprehensive regulatory regime. However, it is clearly at risk if we do not move to simultaneously regulate the promotion and selling of debt.

At the very minimum any advice on debt products should, like financial advice on decisions regarding investments, be able to demonstrate the appropriateness of the product for the client's needs and fully and demonstrably take into account their financial position.

While I am pleased that the Government is taking steps to improve savings through measures like the First Home Savers Account, I

believe that we need to improve the regulation of debt if we are to address the long terms savings issue here in Australia.

In the meantime it important we support our customers through these times.

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In conclusion, 2007 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.

2007 saw the successful completion of our AXA 6 programme and the launch of a new programme, Ambition 2012, that again aims to double the value of these businesses.

Access to the growth markets in Asia is an important strategic differentiator for us and we are growing very strongly throughout the region. In Hong Kong we continue to benefit from our multi-channel, multi-product strategy and have further capitalised our position through the successful integration of Winterthur. In the rest of Asia, we are benefiting from our increasing scale as these businesses are now making meaningful contributions in terms of value and earnings.

Even after the acquisition of Winterthur, the announcement of a \$400 million share buy-back and 19 per cent growth in total dividends for shareholders, we ended 2007 with a very strong balance sheet. Notwithstanding the volatile markets, our capital

position remains strong with assets of approximately \$1 billion in excess of regulatory requirements.

I would like to join the Chairman in thanking the teams across AXA Asia Pacific in Australia and New Zealand and Asia who have done an outstanding job improving this business over the last few years. Across our regions we end the year with 6,000 employees and more than 30,000 exclusive agents and advisers and it is through them that we are very well positioned for the future.

I would also 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.

Thank you and I will now hand back to the Chairman to take us through those resolutions.