

Chief Executive Officer address

Thank you Rick and good morning.

The Chairman has already highlighted the very challenging environment in which we are operating. These are extraordinary times and the impact of them is being felt across all of the markets in which we are present.

Initially the challenges posed for financial services companies were of a capital and liquidity nature. Increasingly however, the implications are now flowing onto operating performance, sales and profits. I expect it to continue to be difficult for at least the rest of 2009.

Whilst it is impossible for us to control that which happens around us we can control how we respond. In this regard I have been pleased with our performance and notwithstanding the difficult environment I remain confident in the long term fundamental characteristics that continue to make our industry and the markets in which we operate attractive.

In my address to you this morning I will comment on our 2008 results and provide some observations on our early experiences in 2009. I will cover how we are responding to the challenges that the current market environment presents before turning to the future prospects for our business.

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The Chairman has provided you with a high level summary of our 2008 results but let me recap.

Group Operating Earnings for the 12 months were up 2 percent to A\$555.6 million.

Profit after tax before investment experience was down 1 percent to A\$596.8 million.

Over the course of 2008 domestic and global equity markets fell substantially. Not surprisingly therefore our actual investment

earnings were materially affected and were A\$722.7 million lower than normalised investment earnings.

We incurred a small number of negative non-recurring items for 2008 totalling A\$(152.8) million. And after allowing for these, we experienced a loss after tax and after non recurring items of A\$(278.7) million.

Group funds under management, administration and advice were down 23 percent to A\$83.9 billion.

Following a very active capital management programme we ended the year with assets of A\$779 million in excess of our regulatory requirements and a gearing ratio of 56 percent.

Since 31 December we have taken further capital management initiatives that in conjunction with our recent capital raising have substantially further strengthened our position.

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Earnings per share before non-recurring items were negative 7.4 cents whilst return on equity was negative 3.6 percent.

Using normalised investment earnings and excluding non-recurring items, earnings per share were flat at 35.3 cents and return on equity was down 70 basis points to 15.2 percent.

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The Board declared a final dividend for 2008 of 9.25 cents per share the same level as the interim dividend but representing a reduction in total dividend for the year of 17 percent.

This final dividend was franked to a level of 40 percent.

The Dividend Reinvestment Plan was well supported with an take up of approximately 67 percent including AXA SA. Shareholders who elected to participate were issued shares at \$2.95.

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As I mentioned in my introduction the most immediate issue presented by the global financial crises for companies in our sector was the impact on capital and liquidity. In response we have undertaken a very active and successful capital management programme. This resulted in us having total assets above regulatory requirements of \$779 million at 31 December 2008.

In conjunction with further initiatives in 2009, on 17 March we announced that we would raise a minimum of \$660 million of capital through:

- A fully underwritten institutional placement,
- A Share Purchase Plan to retail shareholders; and
- A Top-Up Offer to a small number of other shareholders.

I am pleased to announce today that through this we have raised \$880 million of capital and we will repay approximately \$430 million of senior debt.

Allowing for this and on a proforma basis our total assets above regulatory requirements at 31 March was \$1.1 billion and our gearing ratio dropped to approximately 34 percent.

We have also extended the capital protection we put in place last year to ensure our capital remains less sensitive to investment markets during these volatile times, while leaving us well placed to take advantage for the inevitable market recovery when it occurs.

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Let me now turn to a review of our performance across the region. First to Australia where Operating Earnings were up 1 percent to A\$235.3 million in 2008.

Within this wealth management Operating Earnings were down 27 percent to A\$60.7 million due to a reduction in average funds under management and the expenses incurred in establishing our North product.

Financial protection Operating Earnings were up 52 percent to A\$104.6 million due to growth in planned margins in our group business and capitalised loss reversals in income protection that were A\$31 million higher than last year.

Mature Operating Earnings were down 13 percent to A\$70.0m, mainly due to the reduction in average funds under management.

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Value of new business was down 40 percent to A\$106.8 million.

We adopted a more conservative basis for calculating the value of new business for 2008 to reflect the markets and this had a negative impact on Australia of around A\$20 million.

Wealth management value of new business was down 55 percent to A\$70.3 million due to this change, reduced inflows and the impact of lower FUM on unit costs. The reduction in inflows

reflected the 2008 market conditions and the one off impact of superannuation changes in 2007.

Financial protection value of new business was up 80 percent to A\$34.3 million following a 31 percent increase in new business volumes.

Mature value of new business was up 66 percent to A\$4.8 million. With some of our traditional savings account products attracting an increase in inflows from several large existing clients.

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The contrast between 2007 and 2008 is illustrated by our quarterly wealth management sales.

Inflows in the June and September quarters of 2007 of A\$4.0 billion and A\$3.8 billion respectively were assisted by the changes in superannuation legislation.

Inflows in the final quarter of 2008 of A\$1.8 billion reflected the impact of the significant market dislocation.

The trend has continued into the first quarter of 2009 with inflows of \$1.5 billion down 37 percent on 2008.

We have also seen an increase in outflows in the first quarter of 2009 most notably with AllianceBernstein where we experienced net outflows of \$(6.8) billion due to continued client rebalancing away from equities, particularly international equities, and the termination of a number of large client mandates.

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One of the features of our Australian business that will continue to be important for us as we go through these more challenging times is our extensive distribution footprint.

During 2008, the number of advisers in our advice network was up 30 percent to 1,604 due largely to the acquisition of Genesys, which added 360 advisers. 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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I am also pleased to say that whilst there is no doubt the wealth management sector has been materially impacted and is unlikely to recover soon we are very excited by our early success with our North product.

North sales were A\$295 million during 2008 with momentum clearly increasing in the second half.

The product was awarded the Rainmaker 'Best New Product of the Year' and SuperRatings 'Retail Superannuation Product of the Year'.

North momentum has continued in 2009 with sales to the end of April of \$283 million, almost equal to sales for the whole of 2008.

The adviser base supporting North also continues to grow with over 1,400 advisers registered and qualified to sell North up 400 since the end of last year.

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In 2008 we also experienced strong growth in individual life new business with a 21 percent increase to A\$61.1 million

In the second half of 2008 average daily application numbers were up substantially to 120 per day.

This positive growth continued in Q1 this year with sales of \$13.9m, 13 percent up on Q1 2008 whilst average daily applications were 110, a 36 percent increase on the same quarter last year.

The positive performance of our risk business reflects the bias of customers to protection in the current market environment and continued improvements in our product proposition, new business processing and administration services.

The strong growth in individual life new business has driven an increase in our market share of annual net premiums to 6.6 percent.

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Turning now to New Zealand which has had to contend with more than just the impact of the global financial crises. The weaker economy, now firmly in recession and structural issues for our industry have combined to make it an extremely difficult market.

Operating Earnings were down 28 percent in 2008 to NZ\$42.8 million New Zealand dollars with wealth management substantially more affected than financial protection.

The value of new business was down 40 percent to NZ\$10.0 million.

Wealth management value of new business which has been calculated on the same more conservative basis as Australia was down to NZ\$3.4 million due to the impact of lower FUM on unit costs and reduced inflows. The inflows that we did receive also included a larger proportion of lower margin defensive based products.

Financial protection value of new business was down to NZ\$6.6 million due mainly to a change in product mix with group sales up for the year, offset by lower individual life sales.

In the first quarter of 2009, despite a 40 percent decrease in total wealth management inflows, a reduction in outflows has led to positive net flows for the quarter of NZ\$5.2 million.

Financial protection new business sales were down 16 percent to NZ\$4.7 million for the quarter due to lower group life sales.

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I will conclude my comments on Australia and New Zealand with a brief word on our Ambition 2012 programme.

The market for the first year of this programme for Australia and New Zealand could not have been more challenging. We launched Ambition 2012 in November 2007 which coincided with

the peak of the market before the dramatic falls and significant volatility in 2008 and into 2009.

As yet it is unclear when market conditions will improve but certainly 2009 looks as though it will continue to be very difficult.

Notwithstanding this our strategy remains the right one. This is a 5 year programme and as with previous programmes represents our longer term aspirations and goals for the business.

Now is not the time to change our strategy or approach however at this stage the financial targets obviously look extremely challenging.

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Let me now turn to our Asian operations, firstly Hong Kong.

Operating Earnings were up 12 percent in 2008 to HK\$1.9 billion Hong Kong dollars.

Wealth management Operating Earnings were up 60 percent to HK\$267.6 million with a full year of Winterthur and benefiting from building our wealth management business in recent years.

Financial protection Operating Earnings were up 7 percent to HK\$916.4 million following continued growth in the portfolio.

Mature Operating Earnings were up 7 percent to HK\$722.9 million primarily due to improved claims experience.

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New business index was down 7 percent to HK\$2.2 billion, impacted by a decrease in single premium unit linked sales partially offset by an increase in traditional life business.

A reduction in sales from agency and salaried advisers was offset by the inclusion of a full year of sales from Winterthur and Citibank.

AXA advisers and financial planners were impacted by the restructure of the salaried adviser channel. However, sales in the second half of the year were up on the first.

Sales of unit linked and other wealth management products were significantly impacted by adverse market conditions, particularly in the second half of 2008.

The contribution of traditional life new business index increased 6 percent in the year reflecting the shift from wealth management and unit linked products to traditional financial protection products. This was particularly pronounced in the 4th quarter where traditional life contributed 40 percent to new business index.

All of these trends continued into the first quarter of 2009 with new business index down 6 percent to HK\$538.0 million, mainly driven

by lower sales of unit linked and investment products and a continued shift towards higher margin traditional life business.

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Value of new business was up 6 percent in 2008 to HK\$1.2 billion notwithstanding lower new business index.

This reflects the shift in product mix towards higher margin traditional products. Improved persistency also contributed to the increase.

The overall average new business margin for the year increased from 46 percent to 52 percent.

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In our other Asian operations firstly South East Asia, our share of Operating Earnings were up 56 percent to A\$34.9 million Australian dollars in 2008.

The value of new business on a 100 percent share basis was up 24 percent to A\$121.0 million.

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New business index was most impacted where we are exposed to single premium unit linked sales.

Overall new business index was marginally down in Australian dollars in 2008 to A\$299.3 million although as previously mentioned the value of new business was up 24 percent due to the better performance in more traditional products.

New business index was down in the Philippines and Singapore, broadly flat in Indonesia whilst Thailand and Malaysia both had significant increases.

Q1 2009 new business index was down 7 percent to A\$75.9 million. Within this, Thailand and Malaysia continued to grow strongly while Singapore, Indonesia and the Philippines recorded lower NBI than Q1 2008.

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We continue to grow our distribution force in South East Asia and agent and adviser numbers increased 16 percent over 2008 to more than 15,000. Our Bancassurance penetration also increased by 5 percent to 2,400 branches.

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Let me turn finally to India and China.

We continue to invest in both of these important markets yielding growth in the value of new business on a 100 percent share basis, up 214 percent in 2008 to A\$30.5 million Australian dollars.

The reduction in our share of Operating Earnings to A\$(34.5) million reflects the investment for our continued expansion in both markets.

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In China, we have further extended our distribution presence to 11 major cities, up from 5 in 2007.

New business index was up 18 percent in 2008 to Rmb171.7 million and a further 18 percent in Q1 2009 to Rmb 51.2 million. This is despite our unit linked biased product strategy which is obviously more vulnerable to the current market conditions.

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In India we have experienced strong growth as we have continued our branch expansion across the country and increased our distribution footprint. In 2008 branch numbers increased to 200 up from 77 in 2007 whilst agent and adviser numbers increased to 38,000 up from 14,000.

New business index was up 271 percent in 2008 to 3.3 billion Indian rupee despite a sharp slowdown in the market in the final

quarter. In the first quarter of 2009 new business index was up 62 percent to 1.3 billion rupee. We have also improved our ranking to 13th in the life insurance market based on annualised new business premium written.

There is no doubt that whilst India remains a tremendously exciting market the current investment climate highlights some of its risks. We also believe the lower margins available in India in conjunction with the low productivity of agents in the current environment is unhelpful for company economics. Our focus therefore in 2009 will be to consolidate within our existing distribution infrastructure and concentrate on productivity.

Further and in response to these challenges we are restructuring our life insurance joint venture in India through the sale of half of our interest to AXA SA whilst retaining full management control. This provides us with an appropriate economic exposure whilst rebalancing the proportion of capital we are investing in this market relative to the rest of the region.

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Turning now to our Asia 6 programme which we completed at the end of 2008.

Our trajectory was strong as we entered 2008 but was negatively impacted in the second half of the year. Strong performance in South East Asia led to Asia ex Hong Kong exceeding all of its goals which helped compensate for some shortfalls in Hong Kong.

On the Overarching Asia 6 goal we more than doubled the illustrative enterprise value from A\$4.0 billion to \$9.0 billion.

We also more than doubled the value of new business from A\$142 million to A\$321 million.

Gross inflows, our Asia 2 goal were impacted by the shift away from single premium unit linked and wealth management sales. Nonetheless we more than doubled gross inflows from A\$1.6 billion to A\$3.6 billion.

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We achieved our Asia 4 goal of reducing our management expense ratios for both Hong Kong and Asia ex Hong Kong and we easily achieved our Asia 5 persistency based target of improving the 13 month ratio to 80 percent.

Finally, we achieved our Asia 6 goal of being in the top quartile for employee engagement when compared to AXA companies globally.

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At our annual strategy briefing in November last year we unveiled our Ambition 2012 programme and goals for Asia. This is the framework that we will follow for the next four years to 2012. It includes our aspirations to again double our enterprise value through the doubling of the value of new business, annualised premium and new business index whilst further reducing our cost to income ratios.

As with Australia these goals will be even more challenging in the current difficult environment however, we remain committed to strive towards their achievement.

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Let me now summarise our recent performance before turning to a few comments about the future.

As I said in my opening 2008 was an extraordinary year and against this background I have been very pleased with our performance.

Operating Earnings were resilient up 2 percent to A\$555.6 million whilst profit after tax before non-recurring items and investment experience was down only 1 percent to A\$596.8 million.

Clearly the significant reduction in investment markets had a material impact on our bottom line and after negative non recurring items of A\$(152.8) million the final result for the year was a loss of A\$(278.7) million.

Within our business operations we saw a significant impact from the markets. Wealth management was affected both in Australia and New Zealand. It was also tougher for our wealth management models in Asia. The sale of unit linked single premium business was difficult and this impacted our bancassurance channels.

Ultimately average funds under management and administration were down which had a negative effect on our revenues and valuation numbers.

Against this our financial protection business and North product performed very strongly in Australia and we benefited from a switch to more traditional higher margin business in Asia. This trend in conjunction with continued good performance in discontinuances helped lift our average value of new business margin in Hong Kong from 46 percent to 52 percent.

Despite the impact of the markets on operating performance the major issues facing companies in our sector over the year were balance sheet related in the form of asset write downs and severe liquidity pressures.

Our active capital management programme meant we ended the year with assets in excess of regulatory requirements of \$779 million and a gearing ratio of 56 percent. These have further improved following additional initiatives and our recent capital raising to \$1.1 billion and 34 percent respectively as at the end of March on a proforma basis.

In summary our 2008 performance demonstrated the resilience of our business. Our multi distribution approach in conjunction with both business line and geographic diversification has been a great asset to us in this major global financial crisis. These also place us well for the future on which I will now conclude my comments.

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Clearly the impact of the global financial crises has been profound and we are not yet at the end of experiencing the full force of its wide-ranging effects. Indeed 2009 looks like it will be a particularly challenging year.

Notwithstanding this the fundamental characteristics that make our industry and markets attractive over the long term have not changed.

In addition to compulsory superannuation in Australia, a number of the markets in which we operate also have systems that support

long term retirement saving and it remains a high priority for others.

In insurance whilst there has been strong growth in recent years there continues to be quite low penetration in many of the markets reflecting underinsurance across the region. There is also no doubt that 2008 has forced customers to have a heightened sense of awareness of the need for protection.

Finally with our exposure to Asia we are operating in markets with very favourable demographics for our industry and high savings rates. Also whilst the global economy is clearly slowing quite sharply the economies in many of the markets in which we are operating are still likely to grow faster than world averages.

Despite these favourable attributes some commentators say the world paradigm has changed and our industry will not be the same again. Personally I don't believe that – given the genesis of this crisis the need for quality financial advice and the types of products we provide is as great today as it has ever been. And this need will increase not decrease as living off credit begins to be

treated with the healthy scepticism it deserves and we return to the more traditional concept of savings and living within our means.

As this crisis has shown it is important that regulation and policy focus not just on our personal assets but on our liabilities as well.

Unfortunately despite the enormous amount of product development, innovation, industry restructuring, policy initiatives and regulatory changes including compulsory superannuation, the average Australian's superannuation today is significantly offset by their personal debt. The regulation of credit is essential if this is to be addressed.

In this regard I would like to also congratulate the Government in relation to the introduction of regulation for the provision of credit.

As well as this new regulation there are a number of inquiries that have been announced that impact our industry. These include the Henry tax review, the consultation paper on retirement income, the Inquiry into Financial Products and Services by the Parliamentary Joint Committee on Corporations and Financial Services and the recently announced examination of the structure, operation and

efficiency of the superannuation system by the Minister for Superannuation and Corporate Law.

Whilst I am not going to predict the outcome of all of these inquiries and I will be the first to support any opportunities they throw up, it is important to remember that we went into this crises with a strong well regulated financial services industry, strong financial institutions and a world leading superannuation system. It is important that we do not undermine this by introducing more complexity, more cost and more uncertainty thus damaging confidence in our system and making financial advice inaccessible to all on an equitable basis.

Quality financial advice is essential in assisting Australians, not only in relation to their retirement savings but also their long term financial and risk protection requirements. As this crisis has shown people need help with their financial planning and they need protection from predatory lending practices.

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AXA is committed to the continued provision of quality financial advice in all of our operations and over the long term it will be important that we remain focussed on our Ambition 2012 programme. Our strategy remains the right strategy and the goals represent the right things to measure.

Clearly the numbers look extremely challenging today. However now is not the right time to change them. As I said earlier we cannot control that which happens around us we can only control how we respond.

As we move forward through this difficult period there are five things that will continue to get our full attention.

First and foremost is capital management which is crucially important in the context of the current environment. Focussing on protecting our capital on the downside whilst making sure we remain positioned to take advantage of the upside for when the inevitable market recovery occurs is very important. Capital

management is an integral part of our risk management framework and culture.

The second area is earnings preservation. Operating earnings are the key indicator of the underlying performance of our business and we need to remain focussed on maximising our earnings through looking at both our revenue and expenses.

The third area is continuing to take advantage of our relative strengths in the current market and growing the parts of the business which we can in the environment. This includes our new North product in Australia and financial protection and traditional life products across the region. Where necessary we will adapt our plans to the changing environment such as consolidating within our existing distribution infrastructure and restructuring our shareholdings in India and focus carefully on expense management in all of our operations.

Fourthly, we need to ensure that we are well positioned to take advantage of any opportunities that arise in the current market. This is not necessarily referring to acquisitions as there are also

opportunities to attract clients, agents and advisers from companies doing less well.

Fifthly, we need to stay true to our values as a company. In recent times many large institutions have failed and have let many people down. It is important that we stay true to our values and our core beliefs such as quality financial advice so that our customers can have confidence in us over this difficult period.

2009 is going to be a tough year but we are part of a global group, have a strong capital position and we have a resilient business model with both business line and geographic diversification which we are able to leverage.

I would like to join the Chairman in thanking the teams across AXA Asia Pacific in Australia and New Zealand and Asia in responding to these challenging times.

I would also like to 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 the rest of the business for the meeting.

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