

AXA ASIA PACIFIC HOLDINGS LIMITED

2006 FULL YEAR RESULTS SPEECH

20 FEBRUARY 2007

Good morning and thank you for joining us today. My name is Andrew Penn.

I would like to welcome you to our results presentation for the year ended 31 December 2006.

Welcome - to those of you here in person in Sydney, to those hooked in by telephone conference and also to those watching via the web cast.

In addition to myself and Geoff Roberts our Group Chief Financial Officer we have here from management in the room today:-

Neil Swindells – General Manager Distribution Product and Marketing for Australia

Warren Lee – the Chief Financial Officer of our Australian and New Zealand businesses and

Mike Thornton – our Group Chief Actuary

Hooked in by telephone from Hong Kong we have

Mark Pearson – the regional Chief Executive of our Asian businesses and his regional Chief Financial Officer Kent Griffin and John Cai the recently appointed CEO for Hong Kong.

This is my first results presentation as Group Chief Executive of AXA Asia Pacific Holdings and I am delighted by both what we have achieved and the prospects ahead.

The strategy we have is the right one.

I launched our current AXA 6 programme for Australia and New Zealand in 2004. As you will see in a moment we have already achieved our overarching goal of increasing the illustrative enterprise value by 65% 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 and in 2006 we expanded our presence further.

I am delighted to be announcing such an excellent set of results today. A set of results that continue the strong pattern of growth that we have established in recent years.

I am aware that market conditions have been good for us but I can assure you we have not been resting on our laurels.

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The format of the presentation this morning is - I will start with a brief overview of the highlights for the year.

Geoff Roberts will then take you through the results in a little more detail.

I will then finish with a review of our activities and prospects and provide you with some more information on the proposed Winterthur acquisition.

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First the Group highlights.

Total profit after tax before non-recurring items was up 25% to \$677.8 million.

We have again delivered very strong growth in Operating Earnings up 24% to \$454.5 million.

Following the very strong financial markets Investment Earnings were up 33% to \$342.9 million.

Total Group funds under management and administration were up 21% to \$97.7 billion, reflecting the strong investment performance and, more importantly, very strong net inflows across our operations.

The continued strengthening of our capital position has allowed us to announce today a series of important capital management initiatives. This is notwithstanding the \$1bn of acquisitions we will have completed since last May assuming the Winterthur deal is approved by shareholders.

Firstly we have increased our final dividend for 2006 by 45% to 11.25 cents per share.

Secondly we will be conducting a \$250 million on-market share buy-back in which our parent AXA SA does not intend to participate. And

Thirdly we have increased our long term dividend payout policy from 50% to 60% of profits after tax over the long term.

Geoff will talk a little more about these initiatives in a moment.

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Turning first though to Australia and New Zealand.

We have had another year of strong growth in Operating Earnings, up 20% to \$244.8 million.

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

2006 was our best year yet in terms of retail inflows. Net retail inflows were up 82% to \$2.9 billion.

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

Funds under management and administration in Australia and New Zealand were up 21% to \$85.4 billion whilst funds under advice were up 31% to \$8.3 billion.

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Operating Earnings also grew strongly in Hong Kong, up 22% to HK\$1.2 billion.

Financial protection was up 21% to HK\$1.1 billion and Wealth management was up 36% to HK\$129.3 million.

Total life new business index was up 37% to HK\$1.7 billion reflecting the success of our multi-channel multi-product strategy.

Margins have remained strong in Hong Kong with the value of new business up 24% to HK\$937.2 million.

Funds under management were up 20% to HK\$57.7 billion.

We have successfully completed the integration of MLC Hong Kong ahead of the targets we presented to the market in May 2006. We are delivering results for both cost and revenue better than that which we assumed in our purchase price.

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Finally the highlights for the rest of the Asian region.

To provide the market with a better picture of the growth in these businesses, for the first time we have disclosed our share of the earnings from our joint ventures and ipac Asia

Our share of operating Earnings from South East Asia, combining Singapore and our share of earnings from Indonesia the Philippines and Thailand was up strongly at \$13.2 million.

The result for New Markets, comprising our share of earnings from China, India and Malaysia, and for ipac Asia reflect the start up nature of these businesses.

On a 100% share basis, new business index including ipac Asia was up 61% to A\$232.2 million with the value of new business up 51% to A\$59.9 million.

Funds under management were up 57% to A\$2.8 billion.

Overall we have seen very strong growth in all of our Asian operations and we are progressing well towards our Asia 6 goals.

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I will now hand over to Geoff Roberts who will take you through the results in a little more detail.

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Thanks Andy and good morning.

I am pleased to have the opportunity to be able to report another very strong set of results across all profit and value metrics.

Operating earnings for the Group are up 24% to \$454.5m.

Operating earnings increased by 20% in Australia and New Zealand to \$244.8m and by 24% in Hong Kong to \$211.7m. A very good performance from both of our major businesses.

As Andy said, for the first time we have included our share of earnings from Thailand, Indonesia and Philippines which together with Singapore are disclosed under South East Asia.

They are now starting to become meaningful in profit terms as we increase scale. China and our new joint ventures in India and Malaysia have been disclosed as new markets and reflect our investment in these important markets.

This investment is likely to increase next year; particularly in India. We have also unbundled from corporate expenses the results that arise from our continued investment in ipac Asia. Assuming normal investment markets, ipac Asia will move to profit as it reaches scale in funds under advice over the next 2 to 3 years.

Investment earnings were very strong, up 33% to \$342.9m primarily due to strong equity markets.

Corporate expenses have increased by 10% to \$71.6m due to our continued investment in our Regional team to manage future growth in Asia. We would expect these expenses to reduce again next year.

Interest expense increased due to prior year market gains on our cross currency swaps which have not recurred.

Total profit after tax but before non-recurring items is \$677.8m, up a strong 25% on last year.

Non-recurring items reflect the costs of integrating our acquisitions during the year.

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Earnings per share before non-recurring items is 38.9 cents, up 25%.
Return on equity is 18.2%, up 190 basis points.

Both earnings per share and return on equity are affected by investment earnings, which can be volatile. Therefore, using a normalised investment earnings measure provides a more appropriate trend of performance.

When we include normalised investment earnings in the calculation, earnings per share is up 8% to 31.3 cents and return on equity down 40 basis points to 14.9%.

Following our strong operating earnings over the last few years, our capital position has strengthened and consequently our normalised return on equity has remained flat. As Andy mentioned, this has enabled us to announce today a number of capital management initiatives.

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The Board has declared a final dividend for 2006 of 11.25 cents per share, up 45% on the final dividend for 2005.

This final dividend will be franked to a level of 35%.

This brings the total dividend to 18.75 cents per share, up 34% for the year, reflecting both our strong capital position and our confidence in the ongoing operating performance of our business.

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Over the course of the year, our capital position strengthened further. Total capital resources at 31 December 2006 are \$5.0bn.

Our debt to equity ratio reduced from 36% to 28% due to repayment of debt and movement in exchange rates on our US dollar denominated debt. Equity has increased due to our strong profit performance.

Although our target gearing range is to maintain debt to equity within a range of 40-50%, our current gearing position and capital strength provide us with the flexibility to pursue both attractive growth opportunities and capital management initiatives.

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A breakdown of our total capital position of \$5.0bn is shown in the pie chart. Our total regulatory capital requirement at 31 December 2006 was \$1.9bn, representing \$522m of solvency requirements and \$1.37bn of capital adequacy requirements.

In addition to this regulatory capital, \$1.7bn of our capital resources represents purchased goodwill and value of business inforce. This increased during the year with the acquisitions of MLC and Tynan Mackenzie.

Target surplus increased by \$60m to \$595m over the year primarily to reflect the purchase of MLC.

The excess capital over target surplus was \$665m.

In summary, at 31 December 2006 we are holding \$1.3bn above regulatory capital requirements, a very strong capital position.

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This strong capital position, lower than target gearing ratio and reduced capital required to fund new business growth, has enabled us to undertake the following capital management initiatives:

increase the final dividend by 45%

initiate an on-market share buyback of \$250m

increase the dividend payout policy from 50% to 60%

Future capital management initiatives will continue to be balanced against growth opportunities which (if Winterthur is included) exceeded \$1 billion in 2006.

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Turning now to our illustrative value numbers.

We believe that this valuation approach is the most meaningful way to measure shareholder value creation and have disclosed a range of values using different discount rates in the Investor Compendium.

For the purpose of these slides, we have focused on discount rates equal to local equity returns, which are 10% for Australia and New Zealand and 10.5% for Hong Kong.

On this basis, total illustrative inforce value, before distributions to group net worth, has increased by 34% over the year on a constant currency basis and 28% on an actual currency basis.

This illustrative inforce value has increased by more than the unwind of the discount rate due to:

strong investment experience on assets backing the inforce portfolio
strong expense control reducing unit costs

profitable new business written during the year, and

our three acquisitions

As you can see, this represents very strong growth in value of inforce.

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Value of new business represents the value created from new business written, including acquired businesses for the full year.

Our Group value of new business using discount rates of 10% for Australia and New Zealand and 10.5% for Hong Kong is up 34% on a constant currency basis and 31% on an actual currency basis.

Our Australia and New Zealand business is up 31% primarily due to strong flows into our personal superannuation platform, multi-manager funds and our Alliance retail and wholesale offers as well as our acquisitions of Tynan Mackenzie and Bank of New Zealand Investment Management.

Our Hong Kong business is up 31% reflecting increased sales volumes across most business lines following the 37% increase in our life new business index as well as the purchase of MLC.

Our share of other Asian businesses have grown 72% due to strong sales growth in all of our operations.

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Market consistent values provide additional information and overcome a number of disadvantages in traditional valuations.

Specifically, they value future cashflows on a basis consistent with the market, removing from value for example, any future risk premiums for equity investments. Market consistent values also explicitly value investment guarantees, the value of which changes with market conditions.

On a constant exchange rate basis, the market consistent value of inforce, before transfers to net worth, increased by 25% and the value of new business increased by 31%.

Whilst these market consistent values are higher than traditional valuations, they do not include a deduction for non-financial risk as market practice in this area is still evolving. This needs to be taken into account when using these value results.

This completes the picture. It is clear that whatever measure of performance we use: operating earnings, traditional value or market consistent value, we have had a very strong year.

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So that is the picture at the Group level, I will now focus on Australia and New Zealand.

Encouragingly, we saw profit growth in both major product groups. When normalised for the impact of concessional tax relief, wealth management grew 23% to \$145m, due to positive net funds flow which increased fees from funds under management, particularly into our platforms and the Global Equity Value Funds.

Financial protection grew 31% to \$99.8m driven mainly by improved claims experience on our group life business. The income protection initiatives put in place over 2006 have also lead to improved results.

This demonstrates, that despite competition in this market, we are focussing on profitable growth.

Reductions in expenses over the last six years and decreasing unit costs have also underpinned improved profits.

Investment earnings have remained relatively constant due to continued strong domestic equity returns.

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Value of new business continues to grow strongly. Using the 10% equity return discount rate, our value of new business for the year increased by 25% from \$114m to \$143m.

Our wealth management business has grown by 29% from \$92m to \$119m, driven by strong flows into both our platform and multi-manager businesses, strong retail and institutional flows into our AllianceBernstein joint venture and the value of new business for Tynan Mackenzie since acquisition. The benefit of increasing scale has reduced our unit costs and assisted an improvement in value.

The value of new business for financial protection has grown by 9% from \$22m to \$24m being a combination of a 21% increase in Australia and a 10% decrease in New Zealand.

We plan to build on this result in 2007 but it does demonstrate we are concentrating on growing the value of sales, not just sales volume.

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Now turning to Hong Kong.

Underlying our result is a 22% increase in Operating Earnings to HK\$1.23bn. Growth in financial protection and wealth management was primarily driven by an increase in the size of these portfolios.

Financial protection profit was assisted by an increase in the investment margin spread from 1% to 1.25% from 1 July 2005, a return in 2006 to normal mortality experience and the inclusion of the MLC book of business from 8 May 2006.

Investment earnings in 2006 were strong at HK\$1.2bn, up 69% on the prior year primarily due to strong international equity returns.

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Using the assumed equity return discount rate of 10.5%, our value of new business in Hong Kong for the year is up 24% to HK\$937m, including a value of new business for MLC since acquisition.

Consistent with our strategies and targets in Asia 6, our value of new business has increased at a slower rate than sales due to a greater proportion of wealth management products being sold. Importantly these products have not affected the growth in financial protection sales.

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In respect to our other Asian businesses, we have continued to leverage our 20 years' experience in Hong Kong by implementing regional blueprints across Asia.

These blueprints, which include product approval and development, agency remuneration, bancassurance and risk management enable us to achieve sustainable and controlled growth across the region.

This, combined with the strong growth in all countries and, in particular, Indonesia, Philippines and China, has led to the value of new business increasing by 51% to \$60m over the year on a constant currency basis.

Our share of this new business value at current rates is \$36m, which represents 10% of the Group's total illustrative value of new business.

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To conclude, we have delivered strong growth across all value and profit metrics with:

operating earnings up 24%

traditional value of inforce up 28%

traditional value of new business up 31% and

funds under management and administration up 21%

At the same time, our strong capital position has strengthened further, even after purchasing or committing to purchase over \$1 billion of acquisitions in 2006.

This strong capital position has enabled us to increase our final dividend by 45%, initiate an on-market share buy-back of \$250 million and increase our dividend payout policy from 50% to 60% of profits after tax.

I will now hand back to Andy to take you through a more detailed review of the year's activities.

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Thank you Geoff.

Let me turn first to Australia and New Zealand.

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The pattern of strong growth in wealth management that we have established in recent years has continued in 2006.

Funds under management and administration were up 21% to \$85.4 billion benefiting from strong net inflows into superannuation, investments and platforms, and the acquisition of the Bank of New Zealand Investment Management.

At the same time we have consolidated our position as one of Australia's leading multi-manager providers. We have significantly increased our multi-manager funds under management, up 36% to \$18.5 billion.

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Net AXA retail inflows for 2006 were up 82% to \$2.9 billion

During the year we experienced strong inflows into our superannuation and investment products. Sales of the highly rated Global Equity Value Fund were up 74% to over \$1.3 billion benefiting from continued top quartile investment performance and strong research ratings.

We have built significant momentum in net retail inflows with the last three quarters of 2006 representing our best ever performance.

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Our strategy of consolidating our platform offerings on a single technological platform is also reaping rewards.

Summit funds under administration were up 64% to \$13.6 billion. As well as the strong inflows into AXA Generations, iAccess and Summit we transitioned \$1.8 billion of ipac client funds previously managed externally onto iAccess in the second half of the year.

Importantly during the year we exceeded our scale target of \$10 billion funds under administration with funds sourced through the platform also contributing to profits in other parts of the value chain.

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Total individual financial protection sales grew by 4% in 2006. Within this 9% growth in Australia was offset by weaker new business in New Zealand and a weaker New Zealand dollar.

Group life new business was down, due to one-off price increases in 2005 and our strategy of focusing only on segments where we can make an acceptable return.

We continue to focus on growing our Financial Protection business on a profitable basis, so it was pleasing that whilst total new regular premiums were down 7% over 2006, value of new business was up 9% and Operating Earnings were up 31%.

We remain concerned about market behaviour in financial protection and our focus on balancing growth and profitability will not waver.

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Our distribution reach is a key competitive advantage

In an industry with a declining number of registered financial planners, it is pleasing that we have been able to grow the number of our aligned advisers in Australia and New Zealand to 1,260.

We have also seen growth in the number of advisers in our advice businesses principally through growth in ipac and the acquisition of Tynan Mackenzie.

This distribution footprint augurs well for our future.



In 2004 I launched the AXA 6 programme for our Australian and New Zealand businesses. The AXA 6 goals are the targets we are committed to deliver by the end of this year and they are well embedded in the business.

The results we have achieved over the past three years reflect management's clear focus on these goals and our strong execution capability.

We are ahead of where we need to be on the majority of the AXA 6 goals with less than a year to go.

Firstly AXA 1 – to double the value of new business. We are ahead of plan. The value of new business grew 28% over 2006 due to strong flows into our platform, superannuation and investment products and continued improvement in our cost to income ratio.

AXA 2 is our objective to be consistently in the top 5 for net retail fund flows. We continue to meet this, ranked second by Plan for Life on a combined retail marketer and unitised wholesale view.

Indeed we are one of only two industry players to have been ranked in the top 5 for every quarter since we launched AXA 6 in April 2004.



AXA 3 – to double funds under advice. We have achieved our target of \$8.3 billion funds under advice 12 months early. This is due to strong net inflows, up 85% to \$624 million, buoyant equity markets, and the acquisition of the remaining interests in Tynan Mackenzie.

We are also on track to achieve our AXA 4 goal of reducing our cost to income ratio by one-third. In 2006 AXA 4 reduced 580 basis points to 60.5%.

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Our AXA 5 measure is to be consistently in the top 5 for service to advisers.

In Australia, although we were ranked just outside the top 5, we have improved our ranking by 3 places to sixth due to a strong improvement in the ratings for our platform. This follows the implementation of a number of initiatives in 2005 and 2006 to improve both platform service and functionality.

In New Zealand we maintained our top 5 position albeit we dropped one place to 5th.

AXA 6 measures employee satisfaction through a survey of all AXA's 100,000 employees across the world. In 2006 we have again maintained our top quartile ranking.

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Finally and as I said earlier we have achieved the overarching goal for our AXA 6 program twelve months ahead of schedule.

Since the end of 2003 we have grown the illustrative enterprise value of our Australian and New Zealand businesses by 65% to \$6.5bn.

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

We are optimistic about future market conditions in both Australia and New Zealand and I believe we are well positioned to capitalise on these.

In Australia the market fundamentals remain very attractive, underpinned by the changes announced in the 2006 Federal Budget. There is no doubt these changes will make superannuation the preferred long term retirement savings vehicle for Australians.

On the investment side we will look to further leverage the strong performance of our joint venture with AllianceBernstein which has already established a formidable track record with our Global Equity Value Fund.

We are also starting to gain traction on Australian equities with the Australian Equity Value Fund. This fund has now reached its three year performance track record and enjoys a top quartile position. We have received strong ratings for the fund tripling its penetration of dealer group approved product lists – an important gateway to future sales.

In fact we have been nominated for this week's Morningstar Fund manager awards in three categories:-

- International equity fund manager of the year
- Most improved Australian equity fund manager of the year and
- Overall fund manager of the year

We eagerly await those results.

Whilst we have achieved our AXA 3 funds under advice goal, we will continue to grow our advice businesses through strong organic flows driven by the continued need for quality advice, and through non-organic initiatives such as ipac's Equity Partner programme. In 2007 ipac takes ownership of Strategic Planning Partners with more than \$400 million in funds under advice.

In New Zealand 2007 will see two changes that will significantly improve the fundamentals of its wealth management market. Kiwisaver, to be introduced on 1 July is the most important development in recent years. We expect it will significantly increase the number of superannuation members and, more importantly, 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 into effect on 1 October that brings the taxation of managed funds more in line with that of directly held investments. We are well placed to leverage the increase in fund flows that should follow from this change.

We are the largest retail wealth management provider in New Zealand and we have strong distribution through New Zealand's largest financial planning network, Spicers, and through the new distribution agreement with the Bank of New Zealand.

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I will now turn to our Asian operations. Firstly Hong Kong.

In Hong Kong, life new business index was up 37% to \$HK1.7 billion reflecting the success of our multi-channel multi-product strategy.

We continue to broaden our distribution channels, with all channels growing strongly. Strong growth in agent and adviser new business was mainly due to improved agent and adviser productivity up 6% and 19% respectively in 2006.

We successfully completed the integration of MLC Hong Kong, transitioning more than 750 agents onto AXA contracts and selling AXA products. Ex MLC agents have contributed new business index of HK\$174 million since 8 May 2006.

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

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Our strong growth in new business index is reflected in our market share gains. According to Hong Kong market produced statistics, which admittedly are not always completely reliable, we were the only company in the top 5 to grow new business index market share over the 9 months to September 2006.

At the same time as growing new business we continue to improve customer retention. During the year the aggregate discontinuance rate for regular premium business decreased to 6.5%, below our long term assumption.

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We have successfully completed the integration of MLC in Hong Kong ahead of the targets we presented to the market in May 2006.

Nearly all ex MLC agents were retained and transitioned onto AXA contracts. Their productivity has increased by more than 15% 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% to 57%.

Overall new business targets were exceeded due to the higher number of ex MLC agents retained and their productivity gains.

We have also achieved annualised cost savings of HK\$136 million per annum, exceeding our target range of HK\$70 million to HK\$95 million per annum.

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

This business is now fully integrated into our Hong Kong operations so we will not be reporting it separately in the future.

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Turning now to the rest of Asia.

We have seen exceptional growth from both our bancassurance and agency channels. Bancassurance new business index was up 60% to \$107 million and we expanded our presence to more than 1,700 bank branches. We now have penetration into almost 80% of our joint venture partners' branch networks and we aim to increase the number of our bank advisers by 30% over the next 12 months.

The implementation of the Hong Kong agency blueprint 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% to \$96 million.

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Our footprint across Asia expanded further during 2006, with the commencement of joint venture operations in India and Malaysia.

Our joint venture in India, Bharti AXA Life, opened its first branch office in Hyderabad in August 2006. Since then, we have opened branch offices in a further five significant cities.

We have rapidly grown our sales team to more than 600 agents and salaried advisers. Early sales progress has been 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 – Affin Bank's branch network.

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Half way into our Asia 6 programme we remain firmly on track to achieve our goals.

Asia 1 – to more than double the value of new business, was up 28% to \$211 million due to very strong new business growth across all markets as well as the highly attractive profit margins we are achieving in Asia, and the successful integration of MLC Hong Kong.

Our Asia 2 target is to grow total inflows two and a half times. Gross inflows were up 40% to \$2.8 billion due to increased agent and adviser numbers and higher productivity. We have also seen strong sales of single premium unit linked products in our bancassurance operations in South East Asia.

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Our Asia 3 goal is to grow new business index by two and a half times.

Across our Asian operations, new business index was up 47% over 2006 to \$517 million due to strong growth in Hong Kong across all channels, as well as strong growth in Indonesia, the Philippines, China and Thailand.

Turning to Asia 4 our objective to reduce management expense ratios.

The Hong Kong management expense ratio reduced from 5.7% to 5.2% over 2006 even though the ex MLC business had a much higher cost structure than ours.

The ratio for the rest of Asia also reduced from 27.2% to 25.2% due to further scale in these operations.

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We achieved our Asia 5 goal of improving the 13 month persistency ratio on regular premium business to 80% in June 2006. I am pleased we continue to perform at better than this target and our pricing assumptions.

Persistency is one of the key levers that turns the value of new business into Operating Earnings.

Further gearing of our compensation structure towards persistency and successful retention campaigns run by dedicated teams were the key reasons behind this improvement.

Finally our Asia 6 ranking has improved, although it is still in the second quartile.

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The Asia 6 overarching goal is to more than double the illustrative enterprise value of our businesses by the end of 2008. We are ahead of the required growth rate to achieve this goal with the illustrative enterprise value of our businesses increasing 33% in 2006 to \$6.4 billion.

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

Looking forward in Hong Kong, we will continue to maximise the value of our broadening distribution footprint. We will also leverage the successful integration of MLC Hong Kong to drive further revenue, cost and value benefits. The Winterthur acquisition offers us further opportunities which I will talk about in a moment.

We have grown strongly in bancassurance over the past 12 months and now have product sourcing agreements in place with six banks. We will look to further grow this channel.

Given the success of our multi-manager offer and ipac Hong Kong's position at the forefront of the financial planning market, we are well positioned for growth in the emerging wealth management and advice markets.

More broadly in Asia our blueprints provide us with a competitive advantage and allow us to leverage our experience in Hong Kong into other markets. We will seek to further leverage these blueprints to maximise the value of our agency and adviser channels.

Our bancassurance operations in Asia (ex Hong Kong) have grown very strongly over 2006. We are focused on further growing these via an increased presence in our joint venture bank branches and a higher number of bank advisers.

We have reported our share of the earnings from all of our Asian operations for the first time at these results. 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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Finally before summarising just a few words on the proposed Winterthur Hong Kong acquisition.

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As we have previously announced the purchase consideration will be in the range of HK\$1.7 billion to HK\$2.4 billion with an upfront payment of HK\$1.9 billion. The final price paid will depend on the performance of the business over the next three years.

The acquisition is subject to shareholder approval at our Annual General Meeting on 19 April. An Explanatory Memorandum containing detailed information on Winterthur Hong Kong, including an independent expert's report, will be sent to shareholders in March.

This is a strategically attractive growth opportunity for us in a market we know well.

In addition to increasing our market share it will further extend our multi-channel distribution footprint and increase our presence in the unit linked market segment.

The proposed acquisition is expected to be EPS accretive in 2008 before amortisation of intangibles and one-off integration costs.

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With the acquisition, our inforce and new business market shares will each increase to over 11%, consolidating our market position in the top 5. Although it is important to appreciate that on a like for like basis Winterthur's new business market share is more in line with their in force market share of 1.7%. The 3% reported by them is somewhat inflated by some low margin single premium business.

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\$2.3bn 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.

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Using an 11% risk discount rate, the upfront acquisition price of HK\$1.9 billion is equivalent to 1.5 times embedded value and a value of new business multiple of 10.

These valuation metrics compare favourably with our own, particularly when one takes into account the strong wealth management focus of the Winterthur business.

Winterthur's unaudited 2006 US GAAP earnings were HK\$95 million, and our initial estimates of cost synergies range between HK\$35 million to HK\$45 million per annum.

Compared to the MLC Hong Kong acquisition these cost synergies are lower reflecting the different business models.

There will also be revenue synergy opportunities as we bring our agency and product blueprints to bear on the Winterthur business.

We have demonstrated our capability to integrate businesses of this size in Hong Kong and the integration team which has recently finished its work on MLC has been redeployed to Winterthur.

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Let me summarise before we go to questions.

AXA Asia Pacific Holdings has delivered another excellent set of results.

We have seen continuing strong growth in Australia and New Zealand due to strong wealth management inflows, slower but 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% to \$6.5 billion one year earlier than planned.

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 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 joint ventures in India and Malaysia.

Our strong business base has enabled us to take advantage of attractive acquisition opportunities including Tynan Mackenzie in Australia, Bank of New Zealand Investment Management in New Zealand, and in Asia, MLC Hong Kong and Indonesia and subject to shareholder approval Winterthur Hong Kong.

In addition we have demonstrated our capacity to successfully integrate these opportunities.

Notwithstanding these acquisitions we end the year with a strong balance sheet which has enabled us to announce three important capital management initiatives including a \$250m share buy-back and higher dividends for shareholders.

With less than 12 months to go for AXA 6 and 2 years to go for Asia 6, we are progressing well and are very much on target to meet our goals.

Both the Australian and New Zealand and Asian regional teams have done an outstanding job to put us in this position and are committed to delivering on our goals.

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

Thank you.

We will now open for questions.