AXA ASIA PACIFIC HOLDINGS LIMITED

2007 FULL YEAR RESULTS SPEECH

19 FEBRUARY 2008

Good morning and thank you for joining us today. My name is Andrew Penn. Welcome to our results presentation for the year ended 31 December 2007.

We have a number of guests here in person in Sydney and a number hooked in by telephone conference from Melbourne. Welcome also to those listening via our web cast.

Joining me here in Sydney we have Geoff Roberts our Group Chief Financial Officer and Mike Thornton our Group Chief Actuary, and a number of other senior members of the team. Warren Lee the Chief Executive of AXA Australia and his team are hooked in from Melbourne.

In Hong Kong joining us by telephone is Mark Pearson – the regional Chief Executive of our Asian businesses. Mark is joined by his regional Chief Financial Officer, Kent Griffin and John Cai, the Chief Executive for Hong Kong.

Before presenting our results this morning I would like to make a few comments about the current investment market volatility.

It is in the nature of investment markets that they are volatile. Much as we might like to believe they only go up we all know that is not the case.

Whilst our industry is affected by this volatility it is because markets are volatile that companies like us exist.

Assisting our customers to invest over the longer term and to financially protect their families and livelihoods 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 the passion and vision of our company.

We have all experienced volatile times in the past and we will see them again in the future. This current period will pass, the markets will adapt and the quality of our business and operations will enable us to steer our way through it successfully. Furthermore I am confident that we will be able to capitalise on the inevitable opportunities it will present.

What is important in times like these is to have a business that is strong and resilient. That is exactly what we have built and why we are very well positioned.

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In this morning's presentation I will provide you with a brief overview of our results for 2007. 2007 was a successful year for AXA as our results will demonstrate.

Geoff Roberts will take you through the numbers in more detail and I will finish with a review of our activities and a look at the future.

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Group Operating Earnings in 2007 were up 20% to $543.7 million. As you know in profit terms Operating Earnings represents the key underlying measure of business performance and our performance in 2007 continues the pattern of strong growth we have achieved over recent years,

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

Whilst Investment Earnings were above normalised levels they were lower than the exceptionally strong returns from global markets in 2006. Investment experience, being the difference between our normalised and actual investment earnings were down 71% to $39.8 million.

With the lower investment returns total profit after tax was down 4% to $638.7 million.

Group funds under management, administration and advice was up 12% to $109.0 billion helped by the significant net funds flows in 2007 across our businesses.

Finally we have maintained our strong capital position in conjunction with conducting a number of important capital management initiatives in 2007. At 31 December we had total assets above regulatory capital of $1.5bn and a gearing ratio of 35%, well below our target range of 40 to 50%

I will now make some brief comments on Australia and New Zealand, Hong Kong and the rest of Asia before handing over to Geoff.

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Turning first to Australia and New Zealand.

Operating Earnings were up 16% to $284.4 million with strong growth from Wealth management, up 25% to $100.9 million, Financial protection, up 15% to $103.1 million and our Mature business up 8% to $80.4m.

Continued strong underlying growth in retail inflows together with the impact of the 2006 transitional superannuation arrangements drove total inflows to $21bn and helped grow net retail flows up 37% to $3.8bn.

These strong inflows led to growth in the value of new business, up 35% to $192.9 million.

Funds under management, administration and advice were up 10% to $93.7 billion whilst funds under advice were up 15% to $9.5 billion.

In 2007 we successfully completed the AXA6 programme and ultimately grew the illustrative enterprise value of our Australian and New Zealand business by more than 100% over the four years to December 2007. This was well ahead of our target of 65% growth.

Rather than wait until the end of the year, in November we disclosed what our next targets would be when we announced our Ambition 2012 programme to again double the illustrative enterprise value of these businesses. We are already very focussed on achieving these goals

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In Hong Kong Operating Earnings grew very strongly, up 38% to $1.7 billion Hong Kong dollars.

There was strong growth in all areas with Wealth management Operating Earnings up 127% to HK$167.0m, Financial protection up 39% to HK$858.9 million and the Mature business up 25% to HK$677.3 million.

In terms of sales, total life new business index was up 36% to HK$2.4 billion and the value of new business was up 17% to HK$1.1 billion.

Funds under management and administration were up 31% to HK$75.7 billion.

During the year we completed the successful integration of Winterthur which we acquired on 27 April 2007. Excluding the contribution from Winterthur Operating Earnings were up 30%, new business index was up 17%, funds under management and administration were up 14% and the value of new business was flat.

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In the rest of Asia Operating Earnings from South East Asia, including Singapore and our share of earnings from Indonesia the Philippines, Thailand and Malaysia were up 126% to A$22.4m.

Reflecting the start up investments in India and China, particularly our rapid expansion in India in our first full year of operation the result was negative A$19.5m.

We continue to grow scale in ipac Asia where the result improved to negative A$5.6m.

New business index across Asia excluding Hong Kong continued to grow very strongly up 77% to A$374.7 million on a 100% share basis.

The value of new business grew even more strongly up 94% to A$112.5 million also on a 100% share basis.

Funds under management, administration and advice were up 41% to A$4.2 billion.

With less than one year go, we remain firmly on track to achieve our Asia 6 goals and we will be announcing what comes after Asia 6 at our Annual Strategy Conference in November.

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I will now hand over to Geoff Roberts who will take you through the numbers 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, amongst all the noise of the markets, another strong set of results.

Despite the weakening of the Hong Kong dollar, combined operating earnings across the 10 countries in our Group were up 20% to $543.7m. Normalised investment earnings decreased by 7% due to the weakening of the Hong Kong exchange rate relative to the Australian dollar, the Winterthur acquisition and buybacks. Investment experience which you can see at the bottom of the slide was $39.8m higher than normalised investment earnings but lower than last years particularly strong earnings due to widening corporate spreads and lower equity markets partially offset by lower US bonds.

Corporate expenses have decreased by 8% to $56.9m due to our continued focus on cost efficiencies and a reduction in our market pre-entry expenses in Asia.

Interest expense decreased marginally due to a restructure of our debt to achieve a lower cost of funds, offset partially by increased levels of debt. The executive share plan expense is now reaching steady state as the expensing of these options under new accounting rules first started in 2002. The non-cash amortisation of value of businesses acquired relates to the MLC, Tynan Mackenzie and Winterthur acquisitions.

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

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In preparing for these results and in response to market feedback, we have made a number of changes to how we are presenting our performance today.

These essentially fall into two areas:

Firstly with the growing significance of our Asian businesses we have further broken down the presentation of our business results geographically into Australia, New Zealand, Hong Kong, South East Asia, India together with China and finally ipac Asia.

Secondly we are reporting the profitability of our essentially off-sale mature businesses separately from our on-sale financial protection and wealth management businesses.

As I mentioned, operating earnings across the Group increased by 20%. Specifically Australian operating earnings increased 15%, New Zealand increased 24% and Hong Kong increased by 24% or 38% in local currency. Operating earnings for South East Asia increased 126% to $22.4m.
We continue to invest in India and China with our investment on expansion in these countries increasing by $16m this year.

ipac Asia remains on track to achieve a breakeven result in 2009.

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Investment earnings of $235m were $40m above normalised investment earnings.

The higher than normalised earnings were due to a decrease in US bonds and strong Hong Kong equity markets partially offset by the impact of widening corporate spreads.

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Earnings per share before non-recurring items was 37.4 cents, down 4%. Return on equity was 16.9%, down 130 basis points.

Utilising a normalised investment earnings provides a more appropriate trend of performance, and on this basis we see growth in both value metrics, with earnings per share up 12% to 35.1 cents and return on equity up 100 basis points to 15.9%.

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The Board has declared a final dividend for 2007 of 13 cents per share, up 16% on the final dividend for 2006.

This final dividend will be franked to a level of 40%.

This brings the total dividend to 22.25 cents per share, up 19% for the year, reflecting our confidence in the ongoing operating performance of our business and our intention to manage dividends through the economic cycle.

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Over the course of the year, our capital position has remained relatively constant at $5bn.
Our debt to equity ratio increased from 28% to 35% due to an increase in debt of nearly $200m. Return to shareholders in the form of dividends of $355m and share buy-backs of $373m exceeded profit for the year of $639m.

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 attractive growth opportunities or further capital management initiatives.

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A breakdown of our total capital position of $5bn is shown in the pie chart. Our total regulatory capital requirement at 31 December 2007 was $1.3bn.

Total assets above regulatory capital at 31 December 2007 were $1.5bn representing:

- $570m of target surplus which decreased over the year primarily to reflect the weakening Hong Kong dollar

- a $374m provision for US bonds rising to 5.2%. Whilst not statutorily required, this was conservatively established as notional regulatory capital when the Active Dividend Management reserve in our Hong Kong business was negative. Now the Active Dividend Management reserve is strongly positive and remains so even if US bonds were to rise to 5.2%, this will be reported in excess assets going forward; and

- Excess capital over target surplus of $533m.

The balance of our capital resources represents a provision for final dividend of $220m and $2 billion of purchased goodwill and value of business inforce. This increased during the year primarily due to the acquisition of Winterthur.

We intend to complete the remaining $27m of our announced buy-back by the middle of March and will continue to monitor our capital position in the context of current market volatility and acquisitions that might be available.

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Turning now to our illustrative value of inforce.

Total illustrative inforce value, before transfers to group net worth, has increased by 20% over the year on an actual currency basis or 17% excluding Winterthur.

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 and business growth reducing unit costs
- favourable underwriting experience
- profitable new business written during the year, and
- our acquisition of Winterthur.

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

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When presenting the value of new business for illustrative valuation purposes, we include all of our businesses as though we had owned them for the previous 12 months. Our group value of new business increased by 22% to $430m or 15% excluding Winterthur.

Australia and New Zealand value of new business grew 31% primarily due to strong inflows in the advice, platform and investment products in our wealth management business. Our 9% growth in financial protection showed some progress, but this remains an area we are committed to improve.

Our Hong Kong value of new business was flat with growth in wealth management value of new business offsetting a decrease in financial protection value of new business. The acquisition of Winterthur adds an additional $23m for a 12 month period.

For Asia ex Hong Kong, strong growth in most of our Asian businesses and, in particular, the Philippines and Indonesia, has led to our Group share of the value of new business increasing by 82% to $62m.

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Before summarising, I would like to spend a couple of minutes on the current investment market volatility. Whilst at one level this may create challenges we believe, as Andy mentioned earlier, it also creates opportunities for strong companies like AXA:

- our newly launched "North" product in Australia and a similar product in Hong Kong will be even more attractive as it is designed to help clients deal with just this sort of market turbulence

- Mandated superannuation flows will continue to underpin our Australian wealth management business

- given we are a net investor of money, the widening of corporate spreads provides opportunities for our asset managers

- investment volatility reinforces the need for quality financial advice from our strong distribution franchise; and

- our financial protection businesses in Australia and Asia together with our Active Dividend Management reserve leaves us less exposed in operating earnings to market movements than pure wealth management businesses

Every year, we include sensitivities to movements in investment markets in our Investor Compendium and I have illustrated here a movement of 10% in equities.

If we reflect a 10% decrease in equities:

- the sensitivity of earnings is estimated to be $120m; represented by $12m of Operating Earnings and $108m of Investment Earnings. The effect on Operating Earnings is dependent on when the decrease in equities occurs. If it occurred on the 1 January the effect on operating earnings would be double this; that is $24 million. The effect on investment earnings remains unchanged regardless of when equities fall due to the mark to market impact

- in contrast, a 10% decrease in equities decreases the value of inforce by 3% and the value of one year's new business by 3%.

Other considerations which have not been included are any effects on sales and/or discontinuances that may occur if market uncertainty continues.

The differences in these earnings and value sensitivities are important. Market volatility affects short term earnings. However market fundamentals like Australian superannuation changes, Asian demographics and long term earning assumptions that look through economic cycles are more clearly reflected in value metrics. We remain focussed on managing our business for long term shareholder value.

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To conclude, we have delivered strong growth across both earnings and value metrics with:
- Operating Earnings up 20%
- illustrative value of inforce up 20%
- illustrative value of new business up 22%
- funds under management, administration and advice up 12% and
- total dividend up 19%.

At the same time, our strong capital position has remained, even after purchasing Winterthur, completing $373m of our buy-back and despite the current market volatility.

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.

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

Within this Wealth management was up 32% to $83.5 million reflecting higher fee revenue from increasing FUM 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% to $68.6 million. We saw stronger growth in individual life and income protection offset by a decline in group understandably not repeating last year's exceptional experience.

Operating Earnings from our Mature business were up 8% to $80.4m mainly from long term risk.

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

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Turning specifically to wealth management our net retail funds flows were up 42% for the year to $3.9bn due to strong underlying growth in superannuation, investment products and platforms.

Obviously the second quarter was a very busy time for our industry following the federal budget changes and we saw strong primary flows into our superannuation products.

In the third quarter we saw very strong secondary flows as the superannuation money from other companies' superannuation products found its way into our underlying mezzanine trusts. In this regard we saw particularly strong growth in Global equities and Australian property.

Gross inflows were back to more normal levels in the fourth quarter but still exceeded the March quarter. However, outflows did increase during the year in line with our higher FUM balances and the closure of our annuity book in

September. There was also some movement away from Global equities due to the strength of the Australian dollar. This led to lower net flows in the final quarter.

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Given that most of our superannuation business is sold via our platforms these grew strongly up 24% over the year. We now have $16.9 billion on a single technology platform via three core offerings Summit, iAccess and Generations.

These strong sales as well as the growing success of our AllianceBerstein joint venture helped grow funds under management, administration and advice by 13% to $85.1bn.

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At the half year I highlighted three key initiatives that we were going to undertake to improve our new business growth in individual financial protection whilst retaining our focus on profitability, These were

- Improvements in our new business processing and underwriting including the launch of a telephone based underwriting service.

- adding 9 specialist financial protection sales staff to our distribution team; and
- a refresh in July of our core individual product set to improve product ratings

I am pleased to report these initiatives are starting to have an impact with individual life new business up 9% and sales in the second half of the year up 33% on the first half of the year.

Overall financial protection inforce premiums grew 3% to $590.0 million following the new business growth together with good persistency.

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Finally in Australia we have continued to grow our distribution footprint.

Total aligned advisers within our dealerships, principally AXA Financial Planning, Charter and Jigsaw plus advisers in our owned advice firms, ipac, Tynan Mackenzie and Monitor Money were up 13% to 1,255.   This is against a backdrop of very limited, if not flat growth in the total number of advisers across the industry.

The key contributory factors to the success in the growth of our distribution have been our Discovery and Grow programmes, our new recruitment initiative bringing in qualified advisers via our international networks and the continued success of the ipac equity partner program.

At the same time we have grown productivity of our aligned adviser channel up 39% to an average of $3.15m wealth management new business per adviser in 2007. Whilst this was clearly assisted by the one off nature of superannuation flows in 2007, the underlying momentum is also strong.

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

Financial protection was up 41% 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 have been expensive to accommodate from a systems point of view and the costs will be at a similar level in 2008. However, the changes are nonetheless very positive for the future of the wealth management industry in New Zealand.

The value of new business in New Zealand was down 7% to NZ$16.7m reflecting some repricing in Group life and the mix of wealth management new business

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Turning to wealth management in New Zealand, Funds under management, administration and advice fell by 13% to $9.8bn.

The New Zealand wealth management market has continued to be challenging due to high domestic cash rates in excess of 8% and New Zealand investors remain skittish due to the large number of finance company failures in which many had invested. I am pleased to say none of these feature on our APLs.

That said the market environment has inevitably had an impact on our funds flows and the recent favourable tax changes have not yet been in place for long enough to have had an impact.

Notwithstanding this the reduction in funds under management mainly reflects the expected outflow of passively managed wholesale money that we inherited with the acquisition of BNZ. These funds attracted little margin and were recognised at the time of acquisition as likely to be migrated out so no value was attributed to them.

Given the tax changes have removed the previous benefits for passive investing we expect the remaining wholesale money to migrate out during 2008.

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In Financial protection, new business returned to growth in both individual and group following a series of successful marketing campaigns.

Total inforce portfolio also grew to NZ$172.3 million, following the improved new business result and above market persistency.

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Over the past 7 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.

In March 2004 I launched our AXA 6 programme that followed on from K5. Under that programme we set ourselves 6 key goals and an overarching target of increasing our illustrative enterprise value by 65% by the end of 2007.

We have more than doubled the illustrative enterprise value and delivered on 5 of the 6 goals, considerably outperforming on the targets relating to value of new business, net funds flow and funds under advice.

I am therefore pleased to close another successful chapter for AXA in Australia and New Zealand.

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At our annual strategy day in November, we launched Ambition 2012 our programme for the next 5 years.

Following today's announcement of our 2007 results we now have starting points for our new financial goals.

By 2012 we are targeting to again double the illustrative enterprise value of our Australian and New Zealand businesses with a target of $14 billion.

We are also targeting to again double the value of new business to $400 million, double funds under advice, including that in our aligned dealerships to $54 billion and reduce our cost to income ratio by a further 20% to 38%.

We are also raising the bar in our positioning for net funds flow in wealth management and net premium income in financial protection where our aspiration is to get into a top 3 position.

These represent significant stretch targets and will clearly challenge us over the next five years. We will focus on their delivery through the seven key strategic imperatives that are detailed on the slide

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

In Hong Kong Operating Earnings were up 38% in 2007 to $1.7 billion Hong Kong dollars and we saw growth in all product categories.

Wealth management Operating Earnings were up 127% to HK$167.0m reflecting the acquisition of Winterthur partly offset by new business strain from our recently launched Citibank bancassurance products.

Financial protection Operating Earnings were up 39% 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 our NL and DA series and the MLC portfolio that we closed to new business, were up 25% to HK$677.3 million. The main contributors to this growth were the inclusion of an additional 4 months of MLC and the settlement from a legal case.

The value of new business in Hong Kong grew 17% to HK$1.1bn. This is an important area of interest and I will address both VNB and product margins in more detail shortly.

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Over the past few years we have continued to broaden our distribution footprint through a multi channel and multi product approach.

Overall life new business index grew 36% to HK$2.4bn in 2007 with now more than half our new business coming from channels other than agency.

Agency still continued to grow with new business index up 14% to HK$1.2bn.

We saw strong sales from brokers particularly of our retirement products and had the benefit of the additional new sales from Swiss Privilege and PPCG following the Winterthur acquisition.

Importantly our new bancassurance distribution agreement with Citibank is starting to pay dividends, recording new business index of HK$191m in the second half of the year. I will give more detail about Citibank in a moment.

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Total agents and adviser numbers grew 5% in 2007 to 3,310.

In the core agency numbers were broadly flat ending the year at 2,822 following the integration of 171 Winterthur agents. The integration of both MLC and Winterthur includes the application of our agency blueprint and applies strict minimum production levels to maximise value. Therefore as expected the final number of agents retained from these acquisitions is less than when the integration commenced. There has also been some slow down in recruitment as we completed these integrations.

We have added almost 300 advisers in the Swiss Privilege and PPCG channels which significantly strengthens our position in wealth management. The number of advisers in PPCG has reduced by 40 since the half year however VNB and margins have both improved.

During 2007 we had a number of challenges within our salaried adviser channel. Following a complete review of sales, systems and processes we identified a number of sales practices with advisers and managers seeking to maximise their revenue and commissions inappropriately. No clients were affected and we have taken very strong action against those concerned. This has resulted in a reduction in both adviser numbers from 323 to 189.

We remain committed to this channel and believe we have turned the corner in its performance. However, the changes have been significant and we cannot promise a return to positive momentum quickly.

Overall we have had some challenges in our adviser based distribution channels in 2007. However, we end the year with adviser numbers up 5% and a broadened distribution footprint. This is against a backdrop of an industry in which adviser numbers have either been flat or declining as the market matures and two significant business integrations.

A key focus for us in 2008 will be organic growth and we have either implemented or are in the process of implementing a number of significant initiatives in this regard.

- We have substantially enhanced the distribution team including the appointment of Paul Chan the former CEO of Winterthur, a very experienced Hong Kong Chinese executive into a new role as Chief Distribution Officer;
- We are launching a number of recruitment programmes across the Agency and AXA Adviser channels;
- We are implementing a new lead generation system for AXA Advisors; and
- We are also taking our successful Discovery program from Australia to be implemented in Hong Kong.

I am confident these initiatives will continue to strengthen our distribution capabilities in Hong Kong.

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As I have mentioned new business index was up 36% in 2007 whilst the value of new business grew at 17%, or flat excluding Winterthur. Obviously this represents a business mix change.

As we broaden our distribution this has an impact on our aggregate margin.

Importantly as you can see from this slide at a product level margins have remained largely unchanged with financial protection enjoying a VNB margin of 78% in 2007 and wealth management 26%.

In the first half of 2007 our agency distribution channel focussed considerably on our new investment linked regular premium signature saver product at a lower margin than our traditional financial protection business. Our aggregate margin improved in the second half of 2007 as we redirected the agency channel back towards the traditional higher margin products and we expect this trend to continue in our core agency channel.

Overall we expect to see a higher proportion of wealth management sales in the future as we continue to broaden our distribution through new channels such as Swiss Privilege, PPCG and the new Citibank bancassurance agreement.

Whilst this may mean that the weighted average of our VNB margin will reduce, our focus is to continue to maximise margins at the product level and grow the value of new business overall.

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An important 2007 development in our multi product multi distribution strategy was the bancassurance agreement with Citibank. In July we signed on as one of two exclusive providers to Citibank through a product sourcing agreement.

The agreement has significant potential as Citibank is one of the largest banks in Hong Kong, and the agreement gives us access to all of their clients across their 27 branches in Hong Kong and Macau.

In the 6 months since we signed the agreement sales were HK$191m, which represents around 8% of our new business index for 2007.

Following this successful start we plan to further strengthen our partnership with Citibank and have recently agreed with them to launch an innovative variable annuity product, GMAB this week. GMAB is similar to our North product in Australia, and Citibank have agreed to deal with us exclusively in this product category.

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Turning to the rest of Asia.

In South East Asia we have seen exceptional growth from all of our operations with Operating Earnings up 126% to A$22.4m and the value of new business up 89% to $97.9m.

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If we look at the operating performance by country.

Philippine AXA Life, our joint venture with Metrobank, continued its exceptional growth with new business index up 82% driven by strong sales of unit-linked investment products through the bank branch network.

In Thailand new business index was up 71% due to strong sales through both our bancassurance partner Krung Thai and continued growth in agent numbers and exceptional productivity.

In Indonesia new business index grew 67% due to strong sales of investment linked products through our bancassurance Joint Venture with Bank Mandiri and good performance from the traditional agency channel.

In Singapore, where we have led the market in launching unbundled insurance and investment products, new business index was up 29% due to strong single premium sales.

And finally in Malaysia late in 2007 we received product approval for our bancassurance range which will position us well for 2008.

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We have developed a formidable distribution footprint throughout South East Asia as our business performance in 2007 highlights.

We have bancassurance joint ventures with some of the leading players in the region and through them we have exclusive access to 16.5 million customers through 2,319 bank branches.

In addition we have rapidly growing agent and adviser numbers. Including more than 2000 advisers we now have located in the banks of our partners and our tied agents we now have more than 13,500 salespeople in South East Asia.

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

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

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

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In our first full year of operation in India New Business Index totalled 892 million rupee, driven by the rapid expansion of our distribution across the country.

During the year we expanded our distribution to 77 branch offices and grew agents and advisers numbers to almost 14,000.

At the end of the year we commenced direct marketing with a salaried sales force to Bharti Airtel's 57 million customers.

In the fourth quarter AXA Investment Managers launched an asset management joint venture in conjunction with Bharti and ourselves. We have taken a 37.5% economic stake in the business, which is gearing up for operation in 2008.

In the middle of last year we consummated a distribution relationship with Citi Financial providing access to their 4 million customers.

In summary we have quickly established a significant and broad distribution footprint in India and are well positioned for growth in this dramatically growing market which has doubled in the last year.

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

In 2007 we extended our geographic footprint and now have licences and are operating in five cities - Shanghai, Guangzhou, Beijing, Foshan and Shenzhen.

A licence for Dongguan, a southern China city, has also been approved and we will commence operations there in 2008.

We have also obtained a licence for Jiangsu province. This is a very important province in China and currently represents approximately 8% of China's total life premiums. The license gives us potential access to a further six cities. A preparatory licence has already been obtained for the capital, Nanjing and Mark and I will be in Nanjing on Thursday as we prepare to open for business.

Including these licenses we now have access to 34% of the Chinese market and have grown total agents and advisers numbers to more than 3,000

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Finally through ipac Asia we are well positioned to capitalise on the emerging Asian wealth management and advice markets.

Operating Earnings improved during the year to negative $5.6 million as we continued to grow scale.

Funds under advice grew 65% during the year with gross inflows up 35% aided by large inflows in the first half of the year from Australian expatriates in Hong Kong and Singapore taking advantage of the superannuation changes.

Since the year end we have also completed arrangements to commence an ipac operation in Taiwan and we will be opening there in 2008.

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Turning now to our Asia 6 goals.

As we enter the last year of our Asia 6 programme we remain on track to achieve each of the goals.

The Asia 6 overarching goal is to more than double the illustrative enterprise value 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 34% over the year to 8.6 billion Australian dollars.

Our Asia 1 goal, to more than double the value of new business, was up 39% over the year to $293 million.

Our Asia 2 target is to grow total inflows to $4.3 billion. Gross inflows in 2007 were up 42% to $4.0 billion.

Our Asia 3 goal is to grow new business index. Across our Asian operations, new business index was up 48% in to $767 million.

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

In Asia ex Hong Kong, we have already achieved our targeted management expense ratio of <20% one year ahead of target as we continue to grow scale in all our operations

In Hong Kong we maintained a management expense ratio of 5.5% a strong result given that it includes a full 12 month contribution from MLC and 8 months from Winterthur who were both operating on much higher expense ratios.

We will continue to benefit from growing scale and the full effect of cost synergies from these acquisitions in 2008.

Our Asia 5 goal is to improve the 13 month persistency ratio on regular premium business to 80% and here we continue to perform better than target and our pricing assumptions.

Finally our Asia 6 ranking, which measures employee engagement, has again improved, and we are ranked just outside the top quartile.

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So in summary 2007 was another successful year for AXA.

Operating Earnings, the key underlying profit measure of business performance were up 20% to $543.7million with our performance in 2007 continuing the pattern of strong growth we have achieved over recent years,

With the confluence of strong investment markets, favourable regulatory changes and our growing distribution capability we achieved record funds flow for Australia and New Zealand which exceeded $21 billion.

2007 also saw us successfully complete our AXA 6 programme and in November we launched the Ambition 2012 programme. We are again challenging ourselves to double the illustrative enterprise value of the Australia and New Zealand business this time to $14 billion by 2012.

In Hong Kong, sales grew strongly with new business index up 36% following the acquisitions of MLC and Winterthur and reflecting the continued success of our multi product multi distribution strategy.

Progress in South East Asia was excellent and we continued to record exceptional growth in both Operating Earnings up 126% and the value of new business up 89%

And finally we ended the year with a strong capital position with total assets above regulatory capital of $1.5bn

I would like to take this opportunity to thank 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.

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I would like to close with a few comments about the future outlook. 2007 already seems distant in our memories given the eventful start to 2008.

As I acknowledged in my introduction of course companies in our industry are affected by the market volatility we have experienced but at the same time it is because markets are volatile that companies like us exist.

What is important in times like these is to have a business that is strong and resilient. That is exactly what we have built and why we are very well positioned. Moreover I am confident that we will be able to capitalise on the inevitable opportunities it will present.

In Australia whilst the June quarter saw strong inflows from the 2006 superannuation changes, these changes will continue to drive growth into the future.

Needless to say the current market conditions provide an excellent time to be launching our new guaranteed platform based superannuation product North which is unique in the market. Applications since launch have already topped $30m which is a very encouraging early start.

In distribution we have a number of initiatives to continue to grow our aligned networks particularly through assisting advisers in their succession planning and consolidating their practices. We will also continue to grow our advice businesses through strong organic flows and acquisitions through our Equity Partner programme.

Finally in financial protection I am encouraged by the improvements in individual life sales we saw in the second half in individual life which augur well for the future. I am also pleased that we have remained disciplined in our focus on profitability in this business. With potentially more difficult economic times ahead this will serve us well.

In New Zealand there have been a number of fundamental market changes. As one of the default providers for Kiwisaver we are well positioned in superannuation and we have already signed up 21,000 members since launch.

And as the largest retail wealth management provider we are also well positioned to benefit from the recent tax changes which have made mutual fund products more attractive.

In Hong Kong growth will come from our partnership with Citibank and further development of our multi-distribution strategy.

Despite some challenges in our adviser based distribution channels in 2007 we end the year with adviser numbers up 5% and a broadened distribution footprint. We also have a clear path forward and have either implemented or are in the process of implementing a number of significant initiatives to continue to strengthen our distribution capabilities including increasing productivity and the aggregate value of new business while maintaining product margins.

Finally in the rest of Asia, we will continue to capitalise on our competitive advantage through strong bancassurance and joint venture partnerships and application of our Agency Blueprints

India offers an amazing opportunity for us to continue our rapid growth and in China we will pursue further expansion utilising our new branch licences.

In summary markets might be volatile at the moment but that is in their nature. All of us here today have experienced volatile times in the past and we will see them again in the future. This current period will pass, the markets will adapt and the quality of our business and operations will enable us to steer our way through it successfully.

Moreover our 2007 results underscore the very strong business we have built and we remain uniquely positioned amongst our peers with our broad business base and significant Asian presence to capitalise on the inevitable opportunities that will be before us in the future.

Thank you and I will now open for questions.