

AXA ASIA PACIFIC HOLDINGS LIMITED
2008 FULL YEAR RESULTS SPEECH
17 FEBRUARY 2009

Good morning and thank you for joining us today.

My name is Andrew Penn and this is the results presentation for AXA Asia Pacific Holdings for the 12 months ended 31 December 2008.

In addition to those here present in Sydney we have a number of people hooked in by telephone. Welcome also to those listening via our web cast.

Joining me here today in Sydney is Geoff Roberts our Group Chief Financial Officer, Mike Thornton our Group Chief Actuary, Kent Griffin Chief Financial Officer for Asia and other senior management.

Joining us by telephone from Melbourne is Warren Lee, the Chief Executive of AXA Australia and members of his team.

Hooked in from Hong Kong we have Mike Bishop – the Regional Chief Executive of our Asian businesses. Mike joined us in October last year and this is his first full year results announcement with us.

Mike is accompanied by, Keith Perkins recently appointed Chief Operating Officer for the region and other senior management.

In this morning's presentation I will provide you with a brief overview of our results. Geoff Roberts will take you through the numbers in more detail and I will finish with a review of our activities and some comments on the future.

Before I present our results however, I would like to make a few introductory comments.

These are extraordinary times in global financial markets. They are unsettling times for all of us whether we be customers, advisers, employees or investors. Globally, central banks, governments and policy makers are all grappling with how we steer the world through this crisis. At this stage it is not clear how successful they are being or how far down that path we are.

It is not surprising therefore that consumer confidence is very low and all of this is having a significant impact on our industry. When faced with times like these it is hard to imagine how and when things might get better. But they will and markets will recover, albeit the short to medium term outlook does not look promising.

In the meantime whilst it is impossible for us to control what happens around us we can control how we respond. In this regard I have been very pleased with our performance in 2008 and I remain confident in the long term fundamental characteristics that continue to make our industry attractive.

Moving now to our results.

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

Profit after tax before investment experience, sometimes referred to externally as underlying earnings, was down 1% to A\$596.8 million.

Over the course of 2008 the domestic and global equity markets have reduced by 41% and 40% respectively. Not surprisingly therefore our actual investment earnings were materially affected in 2008 and were A\$722.7 million lower than normalised earnings.

In January we announced a number of negative non-recurring items for 2008 totalling A\$(152.8) million. As a consequence 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% to A\$83.9 billion.

The Board has declared a final dividend at the same level as the interim dividend of 9.25 cents per share. This brings the total dividend for the year to 18.50 cents per share, 17% lower than 2007.

We end the year with assets of A\$779 million in excess of our regulatory requirements and a gearing ratio of 56%.

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

Turning first to Australia.

Operating Earnings were up 1% to A\$235.3 million. This result included the capitalised loss reversals in our Income Protection business.

When compared to 2007's record flows as a result of the superannuation changes, AXA inflows were down 26% to A\$9.7 billion and net flows were down 84% to A\$1.1 billion.

We saw continued growth in Financial Protection new business up 31% to A\$121.1m.

Value of new business for the year was down 40% to A\$106.8 million as a result of the lower wealth management sales and a more conservative valuation basis that Geoff will explain shortly.

Funds under management, administration and advice were down 28% to A\$61.6 billion.

In addition to the impact of the Global Financial Crisis, New Zealand has also been affected by a weaker economy now firmly in recession and a number of structural issues for our industry.

As we have previously reported there have been some positive changes to address these issues such as Kiwisaver. However these have been

expensive to implement and it will take time to see the full benefit of them, particularly given recent softening of Government support.

Operating earnings in New Zealand were down 28% to NZ\$42.8 million New Zealand dollars.

Total wealth management retail new business was down 12% to NZ\$770.1 million whilst total financial protection new business was up 3% to NZ\$28.1 million.

Value of new business for New Zealand, also calculated on the more conservative basis was down 40% to NZ\$10.0 million.

Funds under management, administration and advice were down 36% to NZ\$6.3 billion.

In Hong Kong Operating Earnings were up 12% to HK\$1.9 billion Hong Kong dollars due to growth of our Financial Protection business and the inclusion of a full year for Winterthur.

In terms of sales, total new business index was down 7% to HK\$2.2 billion although the value of new business was up 6% to HK\$1.2 billion reflecting a switch to higher margin products.

The total average value of new business margin increased to 52%, compared to 46% last year.

Finally, reflecting markets, funds under management and administration were down 12% to HK\$66.9 billion.

Turning to the rest of the region.

Our share of Operating Earnings from South East Asia were up 56% to A\$34.9 million Australian dollars.

Reflecting our continued investment and geographic expansion in India and China our share of this result was negative A\$34.5 million.

In ipac Asia, Operating Earnings were negative A\$6.4 million resulting from the falls in investment markets.

New business index across Asia excluding Hong Kong continued to grow, up 21% to A\$469.1 million on a 100% share basis and the value of new business grew 40% to A\$157.9 million.

Funds under management, administration and advice were up 17% to A\$4.8 billion.

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

Thanks Andy and good morning.

Despite reduced funds under management and our continued investment in the emerging markets of India and China, combined operating earnings across the ten countries in our Group were up 2% to A\$555 million.

Normalised investment earnings decreased by 5% to A\$185 million due to a lower level of net assets invested. As we fair value all of our investments, investment experience which you can see at the bottom of the slide, was A\$723 million lower than normalised investment earnings due to lower equity markets and widening corporate spreads.

Corporate expenses have remained stable whilst the increase in interest expense reflects increased debt.

The non-cash amortisation of value of businesses acquired relates to the MLC, Tynan Mackenzie, Winterthur and Genesys acquisitions.

Non-recurring items of A\$152 million were disclosed to the market in late January.

The Group Operating earnings increase of 2% or A\$12 million is shown by region on this slide. Andy will talk through these later.

The three largest items affecting Group operating earnings include:

- for Australia and New Zealand, a decrease in earnings from the lower funds under management in the wealth management businesses
- for Australia, an increase in earnings due to higher capitalised loss reversals associated with the improvement in income protection claims experience and
- for Asia, an increase in investment in India as we expand our distribution footprint across the country.

Investment earnings were negative A\$538 million. Given normalised investment earnings were A\$185 million, this represents an investment experience loss of A\$723 million largely due to the extraordinary market conditions. This investment experience includes:

- A\$488 million lower equity market returns and
- A\$192 million lower returns from widening corporate bond spreads.

These results reflect the downturn in investment markets last year and our long term strategic asset allocations.

The sale of the annuity portfolio and the purchase of credit protection on one third of US corporate bonds in our Hong Kong portfolio has significantly reduced our future exposure to widening corporate spreads.

Similarly with equity protection now in place and a reduction in equity backing ratios for shareholder capital and our DA product, shareholder exposure of investment earnings to future equity market falls has significantly reduced.

Given these changes in the investment portfolio, we have updated our sensitivities to investment earnings. This slide shows in the top table the assets to which the shareholder is exposed at both 31 December 2008 and 2007 and in the lower table an investment earnings sensitivity to equity market and corporate spread movements.

The reduction of A\$1.6 billion in assets where the shareholder has direct exposure is due to:

- our strategic decision to exit the annuity market, and
- a reinsurance opportunity to derisk our income protection book for inflation and claims termination experience.

In addition, the reduction in the 10% equity market sensitivity from A\$108 million to A\$65 million is due to:

- reducing equities on the closed DA portfolio and
- a reduction in the equity backing ratio of shareholder capital from 30% to 20%.

If equity derivative protection is included, the effect of a decrease in 10% of equities reduces the effect on investment earnings from A\$65 million to A\$24 million.

The sensitivity to corporate spread changes has decreased from A\$40 million to A\$15 million mainly as a result of the reduction in our corporate bonds from the sale of our annuity portfolio.

Earnings per share before non-recurring items were negative 7.4 cents.

Return on equity was negative 3.6%.

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%.

The Board has declared a final dividend of 9.25 cents per share; the same level as the interim dividend for 2008 and a reduction in total dividend for the year of 17%.

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

As previously announced to the market, we have reintroduced our Dividend Reinvestment Plan. AXA SA have confirmed that they intend to fully participate in this plan and any shortfall in the DRP will be underwritten to conserve capital.

Total capital resources increased A\$69 million to A\$5.1 billion over the year, with an increase in debt and exchange gains offsetting the combination of losses and dividends paid.

Total debt increased by A\$528 million; A\$198 million of which related to foreign exchange movements.

Our debt to equity ratio increased from 35% to 56% which is outside our long term target range.

However at a holding company level, we are retaining cash in excess of A\$300 million.

A breakdown of our total capital of A\$5.1 billion is shown in the pie chart.

Our total regulatory capital requirement at 31 December 2008 increased to A\$2.06 billion.

Total assets above regulatory capital at 31 December 2008 were A\$779 million representing:

- A\$690 million of target surplus and
- A\$89 million of excess assets over target surplus.

I will talk about the change in total assets above regulatory capital in the next slide.

Target surplus increased by A\$120 million due to a combination of the strengthening of the Hong Kong dollar, an increased sensitivity of capital to lower interest rates and an allowance for the first time for operational and insurance risk. These were partially offset by a reduction in the equity backing ratios for some products, and the purchase of derivative protection. The balance of our capital resources represents A\$2.2 billion of purchased goodwill and value of business inforce.

Given the underwritten Dividend Reinvestment Plan, no allowance has been made for the dividend.

This chart shows the movement in assets above regulatory capital for the year to 31 December 2008.

The main movements relate to:

- the loss for the year of A\$279 million
- an increase in regulatory capital of A\$533 million reflecting the effects of falls in equity markets and widening corporate spreads on investments backing our participating business in both Australia and Hong Kong partially offset by a number of capital management initiatives
- a weakening of the Australian dollar of A\$146 million
- negative investment experience in our defined benefit superannuation plan of A\$135 million
- new debt of A\$330 million
- goodwill of A\$135 million in relation to the Genesys acquisition and
- an interim dividend payment of A\$156 million.

We continue to actively monitor our capital position in the context of current market volatility, and have put in place measures to protect this capital. Ongoing capital management initiatives since year end have added A\$35 million to assets above regulatory capital.

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

As well as completing a number of long term capital management projects over the year, we have also put in significant capital protection to make it less sensitive to investment markets whilst ensuring we are well placed for growth once the current investment market volatility subsides.

The steps we have taken include the purchase of equity puts, credit protection on corporate bonds, interest rate swaps and intra-group reinsurance arrangements.

Firstly the purchase of equity puts.

In Australia and New Zealand we have purchased equity puts to protect 100% of equities backing shareholder capital and non-participating liabilities and 50% of equities backing the conventional participating book. We remain well positioned to benefit from the market recovery.

In Hong Kong and Singapore, we have purchased puts and sold calls on 100% of our equities.

We have also purchased credit protection on about one third of our corporate bond portfolio in Hong Kong, have taken out interest rate swaps to protect against falling interest rates in Australia and New Zealand and reinsured a proportion of our Hong Kong financial protection portfolio to Australia.

The net time value cost of all of the above derivative protection is approximately A\$22 million per annum. In 2008, this derivative protection positively affected profit as, because of market downturns, most of the derivatives were “in the money”.

This slide provides an update on our excess capital sensitivities. You will recall that we previously provided some broad sensitivities that a 10% fall in equity markets and a 100 basis point fall in bond rates would each respectively decrease excess assets by A\$250 million.

The sensitivity of bond yields has reduced from A\$250 million for a 100 basis point decrease in bond yields to A\$50 million for a 50 basis point decrease in bond yields. This reduction is due to the sale of our annuity portfolio, interest

rate swaps taken out in our Australian portfolio and the use of a valuation interest rate averaging process in Hong Kong.

The sensitivity to a 10% decrease in equities before derivatives has remained relatively constant at A\$270 million. After derivatives, the sensitivity for a 10% decrease is A\$165 million. This is still quite high due to 31 December market indices in our Hong Kong business being 5% (an effect of A\$65 million) above our put strike price whilst the remainder relates to the participating conventional portfolio in Australia and New Zealand. Only 50% of this participating business is equity protected and the put strike price is 30% below the 31 December ASX 200 index.

With respect to the sensitivity for corporate spreads, the purchase of credit protection in Hong Kong and the sale of our annuity portfolio has resulted in a 50 basis point widening of corporate spreads having a relatively small reduction in excess assets of A\$30 million.

Care must be taken in using these sensitivities because of the complex interaction of many factors. These factors include the interaction of bond rate movements affecting asset values and regulatory liability valuation interest rates in Hong Kong differently and the rolling nature of our equity derivatives program.

These sensitivities are also not linear and therefore as markets move, many of the sensitivities will vary significantly, particularly with respect to reducing bond yields. For the purpose of this sensitivity illustration, we have used indices at 31 December 2008 as a starting point.

Turning now to our illustrative value of inforce.

Total illustrative inforce value, before transfers to group net worth, has been flat over the year at A\$6.1 billion, and down 9% on a constant currency basis.

The actual illustrative inforce value has decreased due to:

- negative investment experience on assets backing the inforce portfolio
- reduced future margins from lower year-end funds under management balances in Australia and New Zealand; being partially offset by
- the significant weakening of the Australian dollar against the Hong Kong dollar, and
- profitable new business written during the year.

Overall, a flat value of inforce reflects the benefits of the diversity of our business.

When presenting the value of new business for illustrative purposes, we include all of our businesses as though we had owned them for the previous year. Our group value of new business decreased by 15% to A\$366 million on an actual and constant currency basis.

The Australian and New Zealand value of new business decreased by 39% and 36% respectively. Our wealth management business in Australia was down 53% due to falls in funds under management related to the downturn in investment markets and lower volumes relative to the record sales in 2007.

We have used closing funds under management to determine future margins, fully reflecting the impact of the market downturns. Historically we have used average funds under management to determine future margins but in the current environment, have chosen to adopt a more conservative approach. If we had used average funds under management, our value of new business would have been A\$22 million higher at A\$388 million. Our value of new business for our financial protection business was up 79% following strong sales volumes.

Our Hong Kong value of new business was up 2% reflecting some resilience to the investment markets and a redirection of volumes back to higher margin traditional business.

For Asia ex Hong Kong, strong growth in Indonesia and Thailand was partially offset by decreases in Singapore, the Philippines and ipac, leading to our Group share of the value of new business increasing by 11% to A\$71 million.

In summary;

- operating earnings were up 2%
- illustrative value of inforce and illustrative value of new business, often used as a proxy for company valuation, were flat and decreased by 15% respectively while
- our final dividend, although down on last year, was held at the same level as our interim dividend at 9.25 cents per share.

At the same time, our capital position representing assets above regulatory capital of A\$779 million at 31 December was at a higher level than at 31 October 2008, despite the current and continuing market volatility.

We believe these are credible results delivered in very challenging times. I will now hand back to Andy to take you through a more detailed review of the year's activities.

Thanks Geoff

Let me turn first to Australia.

Operating Earnings in Australia were up 1% to A\$235.3 million.

Within this Wealth management Operating Earnings were down 27% 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% 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% to A\$70.0m, mainly due to the reduction in average funds under management.

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

As you heard Geoff explain earlier we have adopted a more conservative basis for calculating the value of new business this year to reflect the markets which has had a negative impact on Australia of around A\$20 million.

Wealth management value of new business was down 55% 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% to A\$34.3 million following a 31% increase in new business.

Mature value of new business was up 66% to A\$4.8 million. Some of our traditional savings account products have attracted an increase in inflows from several large existing clients.

In 2008 AXA aligned and owned advice firms accounted for 53% of wealth management sales across products and platforms.

Increased penetration of non aligned channels was supported in the first half of 2008 by our Global Equity Value fund, Australian Property Fund and Australian Monthly Income Fund. Obviously the second half was a different story although partially offset by strong growth in North.

We have continued to improve our position in financial protection with further product enhancements and an ongoing focus on building relationships with licensees and advisers. This is illustrated through our increase in the proportion of non aligned financial protection sales at the same time as increasing sales from our aligned channels.

We continue to expand our advice network, up 30% to 1,604 advisers.

We added a further 31 advisers to Charter Financial planning in 2008 reflecting the success of our recruitment activities.

The acquisition of Genesys added 360 advisers to our network.

Our focus in Jigsaw is on improving productivity. We did see the departure of two dealer groups during the first half of the year to set up their own licensee services. This was partially offset by additional recruitment in the second half of the year.

In our owned advice firms the number of advisers grew 8% in 2008 due to a combination of recruitment and equity partner programs. Reflecting their

higher average productivity owned advice firms contributed 18% of total wealth management sales in 2008.

Adviser productivity clearly reflects the contrast in the market between 2007 and 2008.

In 2008 Wealth management productivity in the second half was significantly impacted by the challenging market conditions whilst in 2007 it benefited from changes to superannuation.

The increase in productivity in financial protection highlights the sales adaptability of our aligned adviser network.

The productivity in wealth management of our owned advisers was just over A\$5 million per adviser benefiting from our lead generation programs.

In 2008 we have also further broadened our non aligned distribution footprint.

Over the last few years we have substantially increased the number of independent advisers supporting our products to 6,500 through more than 200 entries in the top 50 external dealer group approved product lists.

In 2008 North's penetration of non aligned advisers continued to gain momentum, with a further 6 entries in the top 50 external dealer group product lists.

We did see additional placements for AXA's Global and Australian equity funds however, realistically 2009 is not going to be the year for these products.

The contrast between 2007 and 2008 is also 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.

Net AXA flows nonetheless for the year remained positive at A\$1.1 billion, whilst the market saw negative net flows.

There is no doubt the wealth management sector has been materially impacted and is unlikely to recover soon. Against this we are very excited by our early success with our North product.

North sales were A\$295 million during the year with momentum 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'.

In November North was extended by offering a return of capital option with 5 and 7 year terms.

The adviser base supporting North continues to grow, currently over 1,000, with a strong increase in business applications.

The current climate is favourable for North as protected equity exposure is very attractive. Sales in January 2009 of approximately A\$50 million have demonstrated the continued growth of this product.

A North Expo is currently being held across Australia during February targeting more than 2,000 advisers.

Our momentum in individual life new business has also continued.

We experienced strong growth in individual life new business with a 21% increase in 2008 to A\$61.1 million.

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

This momentum reflects the bias of customers to risk 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% and an improvement in our rolling 12 month net premiums ranking from 9th to 7th.

In individual income protection and group insurance our focus continues to be on profitability.

Income protection operating earnings were up 150% to A\$40.5 million. Improvements in income protection claims incidence and termination rates allowed us to reverse significant capitalised losses in 2008.

Income protection experience remained positive in 2008 despite some adverse claims termination experience in the second half. This was offset by better claims incidence experience.

Group insurance operating earnings were up 35% to A\$35.5 million. Some of the favourable group experience in recent years has now been recognised in increased planned profit margins whilst ongoing experience has remained positive.

As I mentioned in my introduction, New Zealand 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% 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% 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.

Whilst we have maintained our leadership position in retail funds management retail wealth management inflows were down 12% to NZ\$770 million.

Aligned inflows were down 11% to NZ\$232 million reflecting the impact of the closures across the market of mortgage backed products.

Non aligned inflows were down 9% to NZ\$353 million reflecting lower Bank of New Zealand inflows partially offset by growth through KiwiSaver.

In the owned channel, inflows via Spicers were down 19% to NZ\$185 million.

In financial protection, new business and inforce premiums were up 3% and 2% respectively.

Individual new business was down 2% to NZ\$20.7 million. Whilst Aligned sales were up we continue to see very aggressive competition in commissions by some industry participants affecting our ability to win business in the non-aligned channel.

In contrast group sales were up 17% to NZ\$7.4 million.

Despite the extraordinarily competitive environment with respect to commissions, we have maintained our number three position with a market share of 13%.

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 in 2008.

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.

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

Operating Earnings were up 12% to HK\$1.9 billion Hong Kong dollars.

Wealth management operating earnings were up 60% 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% to HK\$916.4 million following continued growth in the portfolio.

Mature operating earnings were up 7% to HK\$722.9 million primarily due to improved claims experience.

New business index was down 7% 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 the adverse market conditions, particularly in the second half of 2008.

The contribution of traditional life new business index increased 6% 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% to new business index.

Value of new business was up 6% to HK\$1.2 billion notwithstanding the 7% fall in 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% to 52%.

I will now comment briefly on each of the distribution channels.

In traditional agency, numbers have not grown however, the overall channel margin and value of new business have increased over the year.

Agent numbers are down 2% to 2,766. Whilst we increased recruitment activity in the second half unfortunately this was offset by increased terminations.

New business index was down 9% due to a decrease in unit-linked sales, notably Signature Saver and a decrease in non-life business.

Value of new business was up 11% to HK\$734 million due to proportionately more financial protection sales

In our non agency aligned channels we have experienced good growth in adviser and financial planner numbers up 13% to 579.

New Business Index was down 9% to HK\$436 million reflecting the restructure of the AXA Adviser channel during 2007 and early 2008.

The chart includes a full 12 months of Swiss Privilege and PPCG sales. Excluding the impact of these channels, which are mainly focussed on unit-linked products, were down on 2007 reflecting lower customer confidence.

Overall the value of new business was down 21% in the channel to HK\$162 million reflecting the reduction in new business index particularly from AXA Advisers.

Finally turning to our broker and bancassurance channels in Hong Kong.

Broker New Business Index was down 14% with an increase in traditional life more than offset by a reduction in retirement business. Whilst the reduction is disappointing this is a better mix of business.

Bancassurance new business index was up 32% benefiting from a full year of sales in 2008.

Whilst none of our businesses in the region were in any way involved either directly or indirectly with the sale of Lehman bonds it has had a significant impact on bancassurance across the region particularly Hong Kong.

Hong Kong remains a significantly important business in our portfolio.

One of our challenges over recent times is to ensure we continue to achieve momentum in the growth of the business. Whilst there have been a number of initiatives implemented during 2008 to do so these have been offset by the impact of the market environment which has effected Hong Kong as much as it has other markets.

Where we have been successful is in continuing to achieve a more profitable overall mix of business with the overall Value of New Business margin increasing from 46% to 52%.

This has been due to a shift in product mix toward traditional financial protection business, the sale of higher margin wealth management products,

a shift from single to regular premium business and improved lapse experience.

Turning to our other Asian operations.

In South East Asia our share of operating earnings were up 56% to A\$34.9 million Australian dollars whilst the value of new business on a 100% share basis was up 24% to A\$121.0 million.

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 to A\$299.3 million although as previously mentioned the value of new business was up 24% 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.

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% share basis, up 214% to A\$30.5 million Australian dollars.

A reduction in our share of operating earnings to A\$(34.5) million reflects the investment and the continued expansion of our footprints in both markets.

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

New Business Index was up 271% to 3.3 billion Indian rupee despite a sharp slowdown in the market in the final quarter. We have also improved our ranking to 13th in the life insurance market based on annualised new business premium written.

Individual and group products are now exclusively sold across 522 Airtel Relationships Centres and 1,600 Bharti Teletech dealers. Against this our exclusive relationship with Citifinancial has been affected by their change of strategy for India and reduced branch presence.

There is no doubt that whilst India remains a tremendously exciting market the current investment climate and the increasing penetration of new players in the sector is likely to make it much more challenging in the short to medium term. We also believe the lower margins available in India in conjunction with the reduced 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.

We have further expanded our distribution presence in China in 2008 to 11 major cities, up from 5 in 2007.

New business index was up 18% to Rmb171.7 million. This is despite our unit linked biased product strategy which is obviously more vulnerable to the current market conditions.

Overall agent and adviser numbers were down 6% to 2,850 with our focus being on the AXA Adviser model which is an important point of differentiation for us in the market.

In agency which has been particularly affected by regulatory changes to the sale of unit linked products we have seen a reduction in agent numbers which was mostly offset by the increase in AXA Advisers.

Like many other markets China slowed significantly in the second half of 2008 and the market share of the foreign players relative to domestics declined.

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. 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 obviously 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.

The Asia 3 goal for new business index shows the shift in product mix when compared to the trajectory for the value of new business in 2008.

We achieved our Asia 4 goal of reducing our management expense ratios for both Hong Kong and Asia ex Hong Kong.

We easily achieved our Asia 5 persistency based target of improving the 13 month ratio to 80%.

Finally having just received the results I can confirm we achieved our Asia 6 goal of being in the top quartile for employee engagement when compared to AXA companies globally.

At our annual strategy briefing in November last year Mike Bishop unveiled our Ambition 2012 programme and goals for Asia. This is the framework we will follow for the next four years to 2012.

As with Australia these goals will be even more challenging in the current environment.

Notwithstanding this having completed our year end processes we are now in a position to announce the targets for the Ambition 2012 goals. Apart from some minor changes to what we are measuring there are two important basis changes from the Asia 6 programme which have already been communicated however I will repeat them this morning.

Firstly the value numbers are calculated using a market consistent basis as we have done for Australia and New Zealand. Secondly India is included. To be clear whilst India delivered strong growth in the period of the Asia 6 programme we did not take advantage of it in our Asia 6 results that I have just presented.

Let me summarise.

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% to A\$555.6 million whilst profit after tax before non-recurring items and investment experience was down only 1% to A\$596.8 million.

Clearly the significant reduction in investment markets has 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.

This along with falling bond yields affected our capital position. We nonetheless ended the year with capital of A\$779 million in excess of our regulatory requirements following a very active capital management programme and the implementation of a number of significant capital initiatives.

Within our business operations we also 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 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% to 52%.

In summary our performance has 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.

Which brings me to my comments about the future.

There are not many optimists in the current environment. 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.

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.

After all, this is what our business is all about and whilst it will clearly be tough in the short to medium term there will be new opportunities for us that we are well placed to take advantage of.

Moreover 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.

Notwithstanding the growth in recent years there continues to be quite low insurance penetration in many of the markets reflecting underinsurance right the way 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.

Over the long term therefore 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. We will see how the markets play out over the next 12 months.

What will be important in 2009 for AXA is firstly to maintain our very active capital management programme. 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.

Secondly we will continue to take advantage of our relative strengths in the current market focussing on 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 in India and focus carefully on expense management in all of our operations.

Finally we will continue to develop and enhance our management teams. We have made important appointments in Asia in the last 6 months and I expect to make a further announcement regarding the appointment of a new CEO for Hong Kong in the coming period.

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

Thank you for your time today. We would now be happy respond to any questions