

**AXA ASIA PACIFIC HOLDINGS LIMITED**

**2009 FULL YEAR RESULTS SPEECH**

**17 FEBRUARY 2010**

Good morning and thank you for joining us here today.

My name is Andrew Penn and this is the results presentation for AXA Asia Pacific Holdings for the year ended 31<sup>st</sup> December 2009.

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

Joining me here today in person is Geoff Roberts our Group Chief Financial Officer, Mike Thornton our Group Chief Actuary and other members of the senior management team.

Joining us by telephone from Melbourne is Warren Lee the Chief Executive of our Australian and New Zealand businesses and his team.

In Hong Kong we have Mike Bishop the Regional Chief Executive of our Asian businesses, Alistair Brown the Regional Chief Financial Officer, Stuart Harrison the Chief Executive of our business in Hong Kong and David Matthews the Chief Executive of our businesses in South East Asia.

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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.

On the 21<sup>st</sup> of January we provided an update to the market of our expected results. As we were undertaking our year end processes it became apparent that our profit was likely to be well ahead of market expectations both Operating Earnings and profit after tax and non recurring items. It was in response to this that we provided the update.

Geoff and I will be taking you through the results in more detail in a moment from which you will see there are no surprises from that which we released on the 21<sup>st</sup> January.

I realise the issue of most immediate interest is the potential sale of our businesses to AXA SA and National Australia Bank which the Committee of Independent Directors have indicated they will recommend to shareholders. Before we go through our results I just want to make it clear that this is not a matter that I will be commenting on or responding to any questions on.

My job, and that of the management team, has been and will continue to be to focus on leading our business and growing shareholder value. In other words, it is business as usual for us and as you saw from our market update on 21<sup>st</sup> January we performed particularly well in the second half of 2009 with Operating Earnings up 17 percent on the first half.

There were a number of contributing factors to this strong performance:

- Firstly, as you saw in our funds flow release on 3<sup>rd</sup> February we achieved stronger sales in the second half of 2009 relative to the first half. Financial protection and wealth management sales were up 29 percent and 6 percent respectively in Australia, whilst in Hong Kong and South East Asia New Business Index was up 13 percent and 54 percent respectively
  
- Secondly, we responded quickly to the global financial crisis in the second half of 2008 and the early part of 2009 to reduce costs. We clearly saw the benefit of this in our second half profit and value numbers and;
  
- Thirdly, we saw further improvements in other areas of our business, including claims in financial protection.

The last 24 months have been a tumultuous time for our industry and the impact of the global financial crisis has been significant. We have navigated our way through this successfully, we are in a very strong competitive position and we are well placed to take advantage of the growth our markets offer.

We have built an extensive and valuable strategic footprint in the Asian region which now contributes about two thirds of our Operating Earnings. We are also well positioned to respond to likely regulatory changes that are anticipated in Australia.

Let me now turn to the details of our 2009 results.

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Group Operating Earnings for the 12 months were A\$553.6 million compared to A\$555.6 million in 2008.

Investment earnings of A\$185.1 million were in contrast to investment earnings in 2008 which felt the full brunt of the global financial crisis.

Investment earnings comprised normalised investment earnings of A\$150 million and positive investment experience of A\$35.1 million.

Non Recurring Items were positive A\$56.9 million and Geoff will provide you with the details of these during his presentation.

Profit After Tax and Non Recurring Items was A\$679.2 million.

The Directors have declared a final dividend of 9.25 cents per share, franked to 25%. This is the same as the interim dividend bringing the total dividend for the year to 18.5 cents per share.

Finally, we ended the year with a strong capital position and balance sheet with total assets above regulatory capital of A\$1.61 billion and a gearing ratio of 27 percent.

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

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Operating Earnings in Hong Kong were up six percent to HK\$2.03 billion Hong Kong dollars.

New business Index was up three percent to HK\$2.31 billion and as I mentioned earlier we saw strong growth in the second half of the year up 13 percent compared to the first half.

Value of New Business was down one percent to HK\$1.15 billion due to some changes to the strategic asset allocation for Smart series and the investments we have made to support future growth.

As a result the value of new business margin was 50 percent compared to 52 percent in 2008.

Funds under management and administration were up 20 percent to HK\$80.49 billion.

Turning to the rest of the Asia:

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In South East Asia our share of Operating Earnings were up 44 percent to A\$50.2 million Australian dollars. This reflects an acceleration of growth in the profitability of these businesses as we really start to benefit from the scale we have achieved.

In India and China the impact on Operating Earnings of our investment was A\$(24.5) million a A\$10 million improvement on 2008 reflecting currency benefits and our lower economic interest in India.

In ipac Asia Operating Earnings were negative A\$(9) million. As a wealth management business it has been the most affected by the impact of the global financial crisis in Asia.

New Business Index and the Value of New Business across Asia excluding Hong Kong continued to grow strongly with NBI up 32 percent to A\$620.3 million on a 100 percent share basis

Value of new business was up 41% to A\$223.3 million also on a 100% share basis.

Funds Under Management, Administration and Advice were up 8 percent to A\$5.16 billion.

Turning now to Australia.

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Operating Earnings were down 25 percent to A\$176 million Australian dollars although compared to the first half of the year were up 35 percent.

AXA retail inflows were down 22 percent to A\$7.61 billion obviously affected by the difficult investment market but encouragingly were up 6 percent on the first half of the year. Net flows were down 67 percent to A\$365.5 million.

Total financial protection new business was up 9 percent to A\$125.9 million.

Value of New Business was up 41 percent to A\$150.6 million due to strong sales of North and the steps we took to reduce costs, the full benefits of which we saw in the second half of the year.

Funds Under Management, Administration and Advice were down 4 percent to A\$59.03 billion.

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In New Zealand Operating Earnings were down 18 percent to NZ\$35.1 million New Zealand dollars but again were up 14 percent in the second half of the year compared to the first.

Total wealth management retail inflows were down 7 percent to NZ\$719.8 million whilst net retail flows were up to NZ\$95.9 million.

Total financial protection new business of NZ\$28.2 million was at the same level as 2008 with a positive contribution from individual financial protection offset by slightly lower Group new business.

Value of new business was up 59 percent to NZ\$15.9 million benefiting from reduced costs.

Funds Under Management Administration and Advice were up 2 percent to NZ\$6.42 billion.

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.

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Following the very difficult investment markets over the last 2 years and the resulting impact on our average funds under management, our combined Operating Earnings in 2009 across the Group's ten countries have shown considerable resilience.

Relative to the first half, Operating Earnings increased by 17 percent in the second half of the year.

On a full year basis, normalised investment earnings decreased 19 percent to \$150 million due to a more conservative asset mix and lower interest rates.

Corporate expenses decreased as the reduction in Australian expenses were only partially offset by costs relating to the upgrade of our Asian IT and operational infrastructure in the latter half of 2009.

The decrease in interest expense reflects both a lower level of debt and lower interest rates.

The increase in amortisation of value of businesses acquired relates to the acquisition of the Genesys business in June 2008.

Our investment experience was \$35 million higher than normalised investment earnings due to stronger equity returns and narrowing corporate spreads, partially offset by rising bond yields.

Non-recurring items of \$56 million reflects the profit on the sale of half of our economic interest in India and a favourable outcome on our UK tax litigation, partially offset by restructuring and other costs in Australia and New Zealand.

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The Group Operating Earnings is shown by region on this slide.

Andy will talk through each of these regions later.

The largest items affecting Group Operating Earnings include:

- for Hong Kong, earnings were up 6 percent in Hong Kong dollars due to growth in our financial protection portfolio and up 15 percent in Australian dollars, due to a 7 percent appreciation in the average exchange rate
- for South East Asia, the 44 percent increase in profits was due to business growth particularly in the second half of the year
- for India and China the lower loss was due to lower economic ownership of India and exchange movements
- for Australia, earnings reduced due to significant capitalised loss reversals in 2008, associated with improved income protection experience and lower funds under management in the wealth management businesses partially offset by lower expenses.

In all regions profits increased in the second half over the first half, particularly in South East Asia and Australia.

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Investment earnings were \$185 million represented by normalised investment earnings of \$150 million and an investment experience profit of \$35 million. This positive investment experience includes:

- \$85 million due to higher equity returns
- \$17 million due to the narrowing of corporate spreads, partially offset by
- \$47 million due to rising bond yields and
- \$13 million of negative property returns.

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Earnings per share before non-recurring items were 32 cents and return on equity before non-recurring items was 16.1 percent.

Using normalised investment earnings and excluding non-recurring items, earnings per share were 30.2 cents and return on equity was 15.4 percent.

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The Board has declared a final dividend of 9.25 cents per share; the same level as the 2009 interim and the 2008 final dividend.

This will be franked to a level of 25 percent and paid in cash in March 2010.

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The capital raising and debt repayments strengthened our Balance Sheet.

Total capital resources increased by 11 percent to \$5.6 billion over the 12 months primarily as a result of our profit of \$679 million and our capital raising of \$878 million less debt repaid of \$430 million.

The remaining decrease in debt relates to \$212 million of favourable foreign exchange movements.

Our debt to equity ratio decreased from 56 percent to 27 percent, which is below our long term target range.

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A breakdown of our \$5.6 billion of capital resources is shown in the pie chart.

Our total regulatory capital requirements at 31 December 2009 decreased from \$2 billion to \$1.8 billion mainly due to a weakening of the Hong Kong dollar.

Assets above regulatory capital, after providing for a \$191 million final dividend, were \$1.6 billion representing:

- \$660 million of target surplus and
- \$947 million of excess assets over target surplus.

The balance of our capital resources represents \$2 billion of purchased goodwill and value of business inforce.

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This chart shows the movement in assets above regulatory capital for the 12 months to 31 December 2009.

The main positive impacts relate to:

- profit for the 12 months of \$679 million
- a decrease in underlying regulatory capital of \$19 million

- a weakening of the Hong Kong dollar of \$64 million
- positive investment experience in our defined benefit superannuation plan of \$36 million and
- capital raised of \$878 million less debt repaid of \$430 million.

These were partially offset by

- \$105 million of dividend payments net of the dividend reinvestment plan and
- the provision for the final dividend of \$191 million.

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In late 2008 and early 2009, certain equity and interest rate protection were put in place.

We have since updated our protection against investment market movements.

- In Australia and New Zealand, we have updated our strategic asset allocation for our participating business and in this context have reduced our protection from 100 percent of equities to 75 percent of equities and

also retained our interest rate swaps. In addition, in early 2010 we plan to close out our equity protection in our non-participating book and shareholder capital

- In Hong Kong, we are in the process of concluding our updated strategic asset allocation. We have reduced protection from 100 percent of equities to approximately 40 percent of equities. We have retained in place our credit protection on our corporate bond portfolio and the reinsurance of a proportion of our financial protection portfolio to Australia
- Finally, we continue to actively manage policyholder bonuses and crediting rates and have reduced these over 2009.

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This slide provides an update on our excess asset and investment earnings sensitivities. It is calculated based on the level of protection I explained on the previous slide.

With the interest rate swaps we have in place, the sensitivity of excess assets and investment earnings to a 50 basis point increase in bond yields is \$54 million and \$8 million respectively. The sensitivity of excess assets and investment earnings to a 10 percent decrease in equities is \$178 million and \$37 million respectively.

The equivalent numbers for a 50 basis point increase in corporate spreads is \$40 million and \$11 million respectively.

These sensitivities are not linear and therefore as markets move, many of the sensitivities will vary, particularly with respect to large reductions in bond yields in Hong Kong.

For the purpose of these sensitivities, we have used indices at 31 December 2009 as a starting point.

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Turning now to our illustrative value of inforce.

Total illustrative inforce value, before transfers to group net worth, increased by 4 percent on an actual currency basis to \$6.8 billion. On a constant currency basis, the increase was 19 percent.

The actual illustrative inforce value increased due to:

- profitable new business written during the year
- unit cost improvements from a combination of lower expenses and higher funds under management, partially offset by
- reduced future investment earnings, due to a lower proportion of equities within the participating business and
- the strengthening of the Australian dollar which reduced the value of our Asian businesses when expressed in Australian dollars.

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Our group value of new business increased by 28 percent to \$476 million on an actual currency basis and 23 percent on a constant currency basis.

Our Hong Kong value of new business was down 1 percent reflecting a change in our Smart Series strategic asset allocation and higher acquisition costs partially offset by a small increase in new business volumes.

For Asia ex Hong Kong, growth in Thailand, Singapore, Indonesia and China was partially offset by decreases in the Philippines and ipac Asia, leading to our Group share of value of new business increasing by 56 percent to \$123 million.

The Australian and New Zealand value of new business increased by 39 percent and 59 percent respectively. The effect of the investment markets on lower funds under management was fully reflected in our 2008 results. Consequently, our value of wealth management new business in Australia was up 24 percent due to strong North sales and expense reductions, offsetting lower sales of other wealth management products. The value of financial protection business was up 71 percent following strong sales and lower unit costs.

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In summary;

- Operating Earnings were \$553m; with Operating Earnings being 17 percent higher in the second half of 2009 compared to the first half
- illustrative value of inforce and the value of new business on a constant currency basis, were up 19 percent and 23 percent respectively
- our final dividend was maintained at the same level as our 2009 interim dividend of 9.25 cents per share.
- at the same time, our capital position is strong, with assets above regulatory capital of \$1.6 billion after our final dividend.

We believe these are strong results, especially in the second half of the year and reflect the benefits of the product, distribution and geographic diversity across our business.

I will now hand back to Andy to take you through a more detailed review of key activities for the 12 month period.

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Thanks Geoff

Let me first turn to Asia.

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Clearly all of the markets in which we have been operating have been affected over the last 24 months by the very difficult period following the global financial crisis. Notwithstanding this we have continued to achieve very strong growth across the Asian region.

Growth in NBI over the last four years exceeded 30 percent per annum and in 2009 total sales for the region reached A\$1 billion Australian dollars.

We have also continued to achieve more balance in our portfolio with 17 percent of our new business index in 2009 coming from China, India and ipac Asia, 45 percent from South East Asia and 38 percent from Hong Kong.

Turning specifically to Hong Kong.

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Operating Earnings were up six percent to HK\$2.03 billion Hong Kong dollars.

Wealth management Operating Earnings were up 13 percent to HK\$302.5 million due to growth in Apex and Vertex and a one off tax benefit of HK\$37 million. This was partly offset by reduced fees on lower average funds under management on the Winterthur portfolio.

Financial protection Operating Earnings were up 15 percent to HK\$1.06 billion due to continued growth in the portfolio and profits from our new Smart Medical product.

Mature Operating Earnings were down 8 percent to HK\$667.8 million due to a non recurring profit of HK\$32 million in 2008 and the impact of changes to strategic asset allocations.

Operating Earnings in the second half of 2009 of HK\$1.06 billion were 9 percent higher than the first half.

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New business index was up 3 percent to HK\$2.31 billion. This compares favourably to the industry where new business index was down 17 percent in the first nine months of 2009 compared to the first nine months of 2008.

We saw growth in agency up 4 percent to HK\$1.09 billion and a strong performance from bancassurance up 46 percent to HK\$371 million.

The shift towards financial protection business continued in 2009 contributing 42 percent of NBI.

Sales of unit linked and retirement products were affected by the difficult market conditions. However, sales for investment products were up in the second half of 2009 assisted by extending the distribution of the Vertex product to the Privilege channels.

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Value of new business of HK\$1.15 billion was down 1 percent compared to 2008.

This was due to the strategic asset allocation change on Smart Series and an increase in expenses in the second half of 2009 to support future growth.

Value of new business for financial protection was up 5 percent to HK\$848.1 million. Value of new business for wealth management was down 16 percent to HK\$298.7 million with wealth management NBI and VNB both impacted by lower investor confidence.

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

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In traditional agency I am very pleased to report that agent numbers are up 11 percent over the year to 3,072. This is due to increased recruitment activity including our experienced hire programme.

New Business Index was up 4 percent to HK\$1.09 billion despite lower sales across the industry. Compared to the first half NBI in the agency channel was up 32 percent.

Our performance in the second half of 2009 has been assisted by the growth in agent numbers and increased agent productivity and January has seen a continuation of this momentum.

Value of new business was up 1 percent to \$743.2 million reflecting the increase in NBI partly offset by the strategic asset allocation change I mentioned earlier.

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In the Privilege channels, whilst VNB and NBI were impacted by the generally difficult environment for wealth management, adviser and planner numbers were up 4 percent over the year to 604.

We are well progressed with the restructuring of these channels with some final changes to be implemented in the first half of 2010.

One of the key priorities in this restructuring has been to increase our focus on recruitment and as you can see from the chart on the left hand side of the slide we saw strong growth in adviser numbers in the final quarter.

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Bancassurance NBI was up 46 percent to HK\$371 million due to the improved productivity of bank advisers in the Citibank bancassurance partnership.

Broker NBI was down 8 percent to HK\$454 million reflecting a decline in retirement product sales due to the uncertain investment environment partly offset by the growth in both traditional life and group insurance.

Broker NBI was also impacted by our decision to exit employee compensation business through this channel.

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As I mentioned earlier our overall VNB margin reduced slightly in 2009 to 50 percent due the change in the strategic asset allocation in the Smart series and an increase in expenses to support future growth.

Notwithstanding this there was a continued bias towards financial protection in 2009 albeit there were signs of improved investor confidence with a return to wealth management products later in the year.

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Turning to South East Asia

In South East Asia we have developed a very strong portfolio of businesses in this region and continued to increase our distribution footprint during 2009.

We now have insurance advisers in almost all of the branches of our bancassurance partners in the region.

During the latter part of 2009 we started to compliment this core platform through extending our distribution into the affiliates of our bank partners. Examples include a separate Shariah Bank owned by Mandiri in Indonesia which comprises some 200 branches as well as telemarketing through the credit card sister companies of our bank partners.

In addition to our very strong bancassurance distribution footprint we have continued to focus on organically growing agency. As a result agent numbers were up in every market.

Across the year agents and advisers of over 20,000 were up 29 percent compared to 2008 including approximately 2,700 bank based advisers.

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Our continued growth of these businesses in conjunction with the leveraging impact of our increased scale helped grow Operating Earnings up 44 percent to A\$50.2 million Australian dollars. The value of new business up 51 percent to A\$183 million.

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NBI was up 51 percent to A\$451.7 million and we achieved growth in every market. Whilst growth was modest in the Philippines in Thailand, Indonesia, Singapore and Malaysia NBI was up 34 percent, 71 percent, 63 percent and 116 percent respectively.

The performance of the second half was particularly strong driven by bancassurance, telemarketing and the launch of new takaful products in Indonesia and the success of our broker channel in Singapore.

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Turning to India and China.

India and China are markets that continue to offer very significant potential on the one hand however, remain challenging for foreign players on the other.

Our strategy in these markets will continue to be careful and controlled expansion and the building of quality businesses.

The impact on Operating Earnings of our investments in India and China was A(\$24.5) million Australian dollars in 2009 an improvement of A\$10 million over 2008.

The losses were lower in 2009 due the reduction in ownership of the Indian operations and favourable foreign exchange rate movements.

Value of new business was up 21 percent in India and China to A\$37 million.

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In India NBI was up 14 percent to INR3.76 billion Indian Rupee. This compared to a decrease of 6 percent for the year for the private sector participants in the industry. This includes all of the foreign players and the local domestic players other than the Life Insurance Corporation of India.

India remains one of the key emerging markets for life insurance but continues to exhibit structural challenges. Our strategy is to

capitalise on our existing distribution infrastructure and focus on productivity and quality.

Branch numbers have been capped at around 200 and adviser numbers decreased 11 percent to 34,000 although were up 7 percent in the second half of the year.

Anticipating the risks in the Indian market which have clearly now materialised we sold half of our economic interest in the first half of 2009 to reduce our exposure and rebalance the proportion of capital we are investing in this market.

The profit on the sale of this economic interest of A\$39 million Australian dollars is included in our non recurring profit for the year.

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In China new business index was up 73 percent to RMB297.8 million RMB. This followed the geographic expansion that we achieved in the latter part of 2008 with strong contributions from both AXA advisers and bancassurance.

Agent and adviser numbers were down 5 percent in the year to 2,696 although they were up 9 percent in the second half.

The Chinese market growth potential remains very strong but market penetration will continue to be a key challenge for foreign players.

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In summing up on Asia we have made substantial progress towards our Ambition 2012 programme in its first year and as a consequence we are ahead of trajectory to deliver on our 2012 goals.

Enterprise value was up 39 percent to AU\$11.1 billion Australian dollars, value of new business was up 34 percent to A\$483 million, annualised premium income was up 19 percent to A\$3.27 billion and new business index was up 24 percent to \$1 billion.

We also made progress on our cost to income ratio targets in both Hong Kong and the rest of the region.

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Now turning to Australia and New Zealand were the impacts of the global financial crisis were clearly more significant particularly on the wealth management industry.

Firstly Australia.

Operating Earnings were down 25 percent to A\$176 million Australian dollars.

Wealth management Operating Earnings were down 25 percent to \$45.5 million due to average funds under management being more than 25 percent lower than 2008. This was partially offset by the cost saving initiatives that we implemented late in 2008 and the first half of 2009.

Financial protection Operating Earnings were down 20 percent to A\$84.1 million. However, capitalised loss reversals were A\$28.3 million lower than 2008. Excluding this financial protection Operating Earnings were up 7 percent mainly due to favourable expense experience.

Mature Operating Earnings were down 34 percent to \$46.4 million due to the reduction in average funds under management and the sale of our annuity business in November 2008, again partially offset by expense savings.

Notwithstanding the fact Operating Earnings were down for the year, Operating Earnings of A\$101 million in the second half of 2009 were 35 percent higher than the first half.

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Value of new business in Australia was up 41 percent to A\$150.6 million.

Wealth management value of new business was up 24 percent to \$83.8 million reflecting an improvement in unit costs and strong growth in North partially offset by lower sales of investment products.

Financial protection value of new business was up 68 percent to A\$57.5 million reflecting continued strong growth in individual

sales, improved unit costs and an improvement in mortality experience.

Mature value of new business was up 94 percent to A\$9.3 million again due to the impact of cost savings.

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In 2009 the proportion of wealth management sales from our aligned channels increased to 52 percent reflecting the acquisition of Genesys and strong sales of North.

The non aligned channel was impacted by a reduction in the sale of mezzanine products partially offset by increased North sales.

In financial protection our products continued to be well supported by both aligned and non aligned advisers.

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Adviser numbers were up 3 percent in 2009 to 1,652 during an uncertain period for financial planners.

The AXA adviser network is one of the largest in Australia and represents 10 percent of the advisers registered in the top 100 dealer groups.

Growth in our aligned advisers was due to the Discovery programme in the AXA financial planning dealership.

Genesys advisers increased over the second half of the year due to the acquisition of a network of practices in December.

The increase in Jigsaw reflects an increase in adviser numbers within practices using our services.

Overall the number of salaried advisers has reduced reflecting some cost reduction initiatives in ipac and the closure of Monitor Money.

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Adviser productivity in 2009 continued to reflect the trend across the industry of a more difficult market for Wealth management with stronger performance in financial protection.

AXA financial protection productivity improved due to strong individual life sales.

The wealth management productivity of our owned firms was \$5.01 million compared to \$5.27 million in 2008.

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Listings on approved product lists fell slightly in 2009 to 206 down from 210 in 2008.

North penetration continued to increase up 3 to 16.

We have retained listings for the Australian Property and the Australian Monthly Income Funds although these funds are operating with a structured withdrawal regime.

Both our Growth and Value Australian Equity Funds have been rated A by Van Eyk supporting their inclusion on approved product lists.

The downgrade of our global equity funds has led to some reduction in entries on approved product lists. We have also seen an impact on their inclusion in model portfolios.

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AXA wealth management inflows were down 22 percent to A\$7.61 billion.

2009 was clearly a difficult year for wealth management with the March quarter reflecting the very difficult investment markets during that period.

Second half inflows were up 6 percent on the first half although the market remained fragile.

Platform gross inflows were up 4 percent to A\$2.3 billion reflecting the continued strength of our North Sales.

Advice gross inflows were up 39 percent to A\$2.25 billion due to the inclusion of Genesys from 30 June 2008.

Investment gross inflows were down 48 percent to A\$3.06 billion due to lower sales in global equities, mortgage funds and property funds.

AXA net flows for 2009 were positive at A\$365.5 million.

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North grew very strongly in 2009 with sales of A\$934 million more than three times the sales of North in 2008.

North FUM now exceeds A\$1.2 billion with approximately 20 percent being represented by investment in the platform offering only.

The number of advisers' registered to sell North increased 112 percent to more than 2,000. This is an important metric as

advisers have to receive additional training before they are allowed to sell this product.

The North product range continues to receive strong external endorsement and has the highest structured product rating from Standard and Poors. The North protected investment guarantee also won the 2009 Rainmaker marketing excellence awards for both best innovation of the year and the best new superannuation product of the year.

Turning to financial protection.

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Our individual life new business continued to grow with sales up 17 percent to A\$71.2 million supported by product improvements during the year and the extension of our on-line application and underwriting engine through AXA Elevate.

Average daily applications remained strong although slowed in the second half of 2009 in line with our expectation that the financial protection market will slow in 2010.

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In income protection and group insurance our principle focus continues to be profitability. Price increases and expense efficiencies led to an increase in planned profit margins for income protection in the second half of 2009.

Underwriting experience for income protection has improved over the last six months compared to the second half of 2008 and the first half of 2009. However, given the economic recovery remains fragile I would be reluctant to declare too much in terms of this being a trend.

As you recall income protection capitalised losses were fully reversed in the first half of 2009 and income protection now has positive profit margins.

Group insurance Operating Earnings in 2009 continued to perform strongly up 17 percent to A\$41.4 million.

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Before turning to New Zealand I would like to make a couple of comments in relation to the potential regulatory changes that are likely to occur in Australia as a consequence of the various reviews and how we are positioned to respond to these.

In terms of moving to a fee for service model and away from commissions our network is already well progressed in this transition and on target to meet the 1 July 2010 industry timetable. As I have previously reported more than 70 percent of our advisers are already using fee for service pricing and are well versed in dollar fee disclosure.

On the second matter of higher professional standards for financial advisers our networks already operate at a very high professional standard. Four of the top ten licensees in Australia ranked by Brand Management are AXA's licensees.

We have significant governance and quality control processes in place and a substantial investment of resources dedicated to practice development and quality financial advice.

In relation to the Cooper review and the superannuation choice architecture model again we believe we are well positioned.

Our highly efficient North platform provides an opportunity for a simple low cost product offering for what the Cooper Inquiry describes as “universal members”. For “choice members” we already have more than 75 percent of new superannuation in AXA’s book coming from rollover and voluntary contributions rather than regular SGC contributions. Finally we are extending participation in the SMSF sector through our Multiport business.

In relation to the Henry review, and against the background of the latest intergenerational report, it seems likely that there may be some recommendations in relation to retirement income streams in the post retirement market.

This augurs very well for our new withdrawal benefit for life North product which is to be launched in the second quarter. We will be following this with a multi manager retirement income offer.

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Turning finally to New Zealand.

Operating Earnings were down 18 percent to NZ\$35.1 million New Zealand dollars due to lower average funds under management and capitalised loss reversals of NZ\$3.8 million in 2008. Operating Earnings in the second half were up 14% compared to the first half due to cost saving initiatives.

Value of new business was up 59% to NZ15.9 million.

Wealth management value of new business was up 109 percent to NZ\$7.1 million as the reduction in expenses more than offset lower sales.

Financial protection value of new business was up 33 percent to NZ\$8.8 million due to improved mortality experience, higher individual income protection new business and a greater number of successful re-tenders for existing Group plans.

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Retail wealth management inflows were down 7 percent to NZ\$720 million reflecting the difficult market conditions and as a result of the suspension of our mortgage funds. Retail inflows were up 37 percent in the second half of the year compared to the first half.

The increase in the owned advice channels was supported by the acquisition of Gould Wealth Management.

Retail net flows were positive at NZ\$95.9 million supported by Kiwi Saver and lower outflows in our advice channels.

We were ranked third in market share for wealth management compared to second at March. Our position reflects a 7.6 percent market share in Kiwi Saver and a leading market share of 18.7 percent across the rest of the wealth management sector.

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Financial protection new business was NZ\$28.2 million whilst inforce was up 4 percent to NZ\$182 million.

Individual new business was up 4 percent to NZ\$21.6 million with increased penetration in the non aligned sector.

Group new business was down 11 percent to NZ\$6.6 million.

Whilst new business from new plans was up, increases on existing plans were lower than last year.

Inforce premiums benefited from an improvement in discontinuances down 12 percent on last year.

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Turning finally to our Australia and New Zealand Ambition 2012 programme.

Whilst clearly the first two years of the programme have been materially impacted by the very difficult external environment I am pleased to report that we made good progress in the second half of 2009.

Compared to June 2009 enterprise value was up 14 percent to \$6.5 billion, value of new business was up 18 percent to \$201 million and funds under advice was up 16 percent to \$35.6 billion.

I will comment further on our Ambition 2012 programme for Australia and New Zealand in a moment.

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Let me sum up.

Group Operating Earnings for 2009 demonstrated considerable resilience at A\$553.6 million compared to A\$555.6 million in 2008.

Operating Earnings were up 17 percent in the second half of the year compared to the first half.

Profit After Tax and Non Recurring Items were A\$679.2 million, a contrast to the results for 2008.

The illustrative Value of Inforce and Value of New Business was up 19 percent and 23 percent respectively on a constant currency

basis as our businesses continued to grow and we benefited from cost reductions.

We ended the year with a very strong balance sheet and capital position with assets in excess of regulatory requirements of \$1.61 billion and a gearing ratio of 27 percent, well below our target range.

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In closing let me make a few comments about the future.

As I said in my introduction the management team and I are firmly focused on continuing to drive the business forward and concentrating on maximising shareholder value. I will not be commenting today on the potential sale of our businesses to AXA SA and National Australia Bank or addressing any questions on this matter.

For the management team 2010 is about accelerating our Ambition 2012 programme successfully. Our strategy remains the right

strategy and the Ambition 2012 goals remain the right things to measure.

In Hong Kong we saw some very firm and encouraging signs in the latter part of 2009 that we are beginning to regain momentum in organic growth. We will be looking to accelerate this in 2010 by continuing to roll out a more aggressive stance on agent recruitment, the launch of our new distribution channel in Hong Kong (Integrity), increased penetration of the broker channel through new product offerings and the benefits from the restructuring of our Privilege channels.

In South East Asia we have achieved considerable growth in 2009 and are well positioned to continue to capitalise on the strong distribution networks of our bancassurance partners and their affiliates. We will also continue to grow agent numbers and increase productivity in these exciting markets.

We have started to benefit in a material way from our increasing scale in South East Asia through strong earning and value growth and expect this to accelerate further

India and China remain tremendously exciting markets but present challenges for foreign companies. We will continue to focus on quality and productivity of our distribution whilst carefully managing our further geographic expansion.

In Australia and New Zealand the Ambition 2012 goals which were launched at the height of the market at the end of 2007 look very challenging. We have therefore launched a mini programme under Ambition 2012 focussing on the key initiatives in 2010 to accelerate our growth and get us as close as we can to the achievement of our goals.

These include extending our leadership position in North into the post retirement market, the launch of a multi manager retirement income product, increasing our participation in the SMSF market through our Multiport business, developing a full wrap offer on our wealth.net platform, preparing for the migration of Summit and Generations and ensuring we are in a position lead the industry in responding to the regulatory changes in relation to advice and superannuation.

As you have heard me say many times before the fundamental characteristics that continue to make our industry and the markets in which we operate attractive have not changed and we remain committed to our strategy to capitalise on them.

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Geoff and I would now be very happy to take your questions.