



**Milena Ickeringill**  
Company Secretary

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20 September 2006

Australian Stock Exchange Limited  
Company Announcements Office  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

**AXA Asia Pacific Holdings Limited – Presentation**

Please find attached presentation slides for the Merrill Lynch Australian Investment Conference being presented by Geoff Roberts, Group Chief Financial Officer and Ronn Bechler, Group Manager Investor Relations in New York later today.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Milena Ickeringill'.

**Milena Ickeringill**  
Company Secretary

Pages 1 of 68

Merrill Lynch  
Australia Investment Conference  
New York  
20 - 21 September 2006

AXA Asia Pacific Holdings Limited

Geoff Roberts, Group Chief Financial Officer  
Ronn Bechler, Group Manager Investor Relations



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# Today's agenda



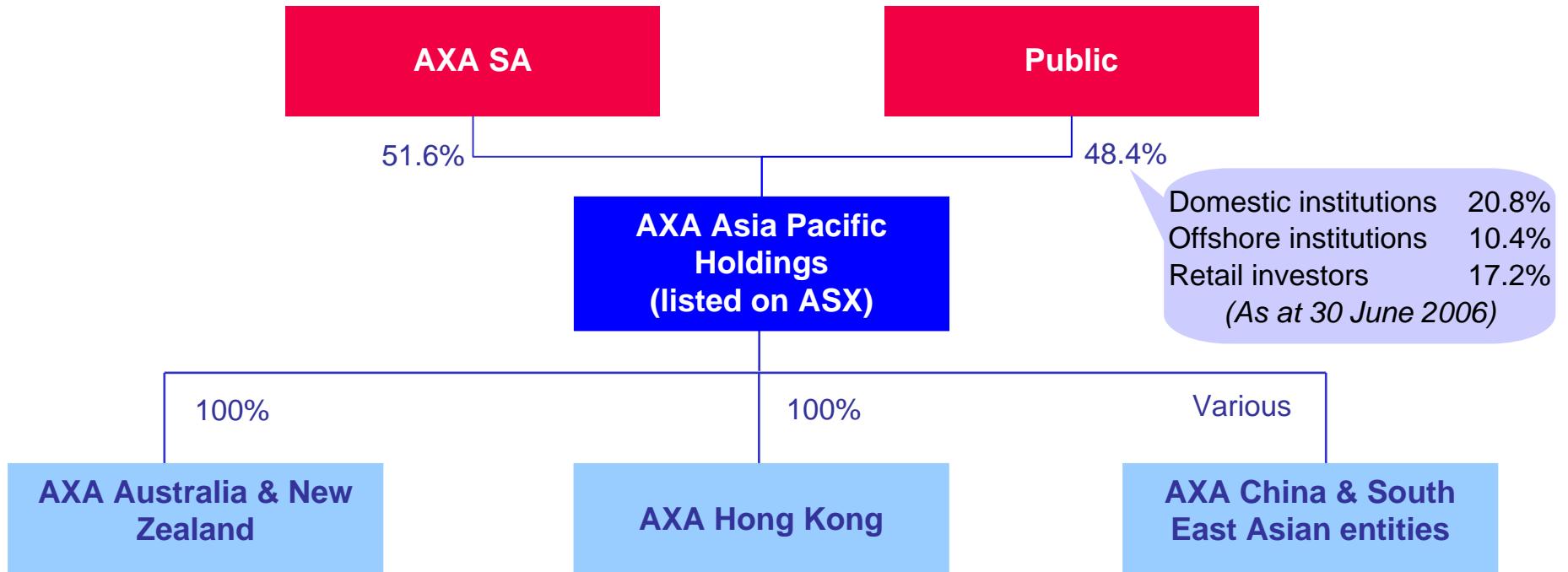
— Be Life Confident —

- Overview
- Australia & New Zealand
- Hong Kong
- Asia (ex Hong Kong)
- Summary

# Part of the Global AXA Group



Be Life Confident



- Our vision is to be a leader in wealth management and financial protection:
  - *Wealth management* - financial advice, funds management and administration, superannuation, retirement and savings products
  - *Financial protection* - life insurance, income protection, and long term risk products

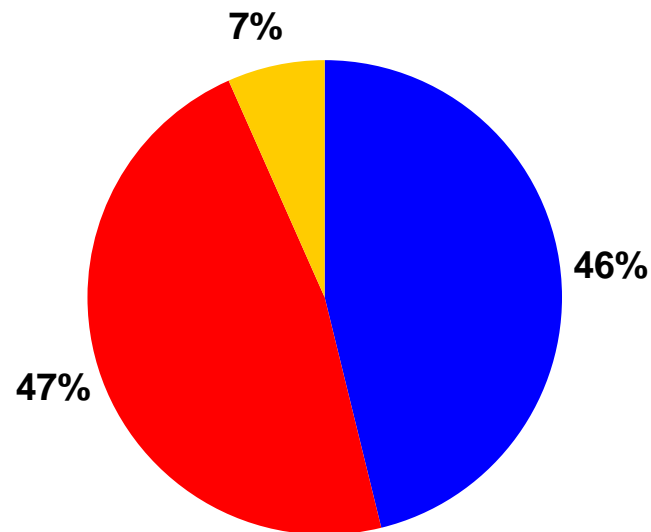
# Overview of operations

## Value and profit contributions

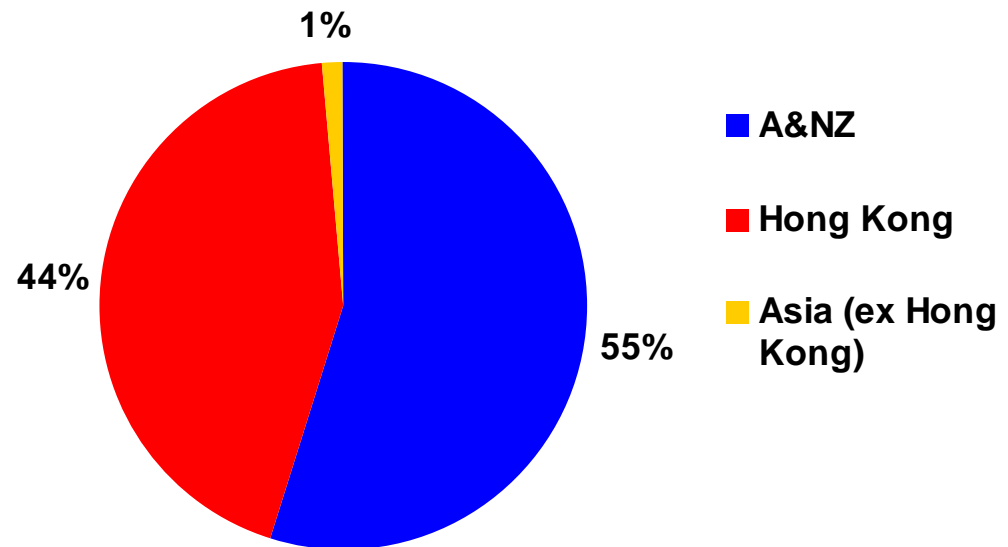


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Average analyst valuations <sup>1</sup>



Operating Earnings <sup>2</sup>



- A&NZ
- Hong Kong
- Asia (ex Hong Kong)

(1) As at 30 June 2006, excluding debt, corporate costs, group net worth and other assets

(2) For the 6 months ended 30 June 2006

# Overview of operations Australia & New Zealand



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## Australia

- Total financial protection inforce premiums: A\$564m
- #3 in financial protection <sup>1</sup>
- Net retail fund flows A\$5,402m, top 5 <sup>1</sup>
- Funds under mgt/ admin/ advice: A\$67.4bn
- Advisers: 1,107

## New Zealand

- Total financial protection inforce premiums: A\$132m
- #3 in financial protection inforce annual premiums <sup>2</sup>
- #1 in retail funds under administration <sup>3</sup>
- Funds under mgt/ admin/ advice: A\$9.1bn
- Advisers: 391

Note: Figures are as at/for the 12 months to 30 June 2006. All amounts are in \$A.

(1) Source: Plan for Life as at 31 March 2006

(2) Source: ISI as at 31 March 2006

(3) Source: Morningstar as at 31 March 2006

# Australia and New Zealand

## Attractive market fundamentals



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- Wealth management
  - market is projected to grow 8-14% pa over the next three years
  - superannuation and post retirement products will be the main drivers of growth
  - despite small population, Australia is a major market
    - value of investment funds – top 5 globally
    - value of pension assets under management expected to triple over next 10 years - largest Asian pension market by 2015 <sup>1</sup>
- Financial protection
  - market growth is forecast to exceed GDP growth at 6% pa
  - underinsurance in Australia provides significant opportunities - average family has only 25% of appropriate life and income protection cover

(1) AXISS Australia, Data Alert, 29 August 2005

# Australia and New Zealand

## Attractive market fundamentals



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### Australia

- Economic environment and incentives for long term savings will drive continued growth
- 2006 Budget changes further underpin growth prospects
  - one off product opportunities, eg demand for annuities and pensions before September 2007
  - increase in super and pension funds
  - need for advice – strategy, implementation, and persuading people to save more

### New Zealand

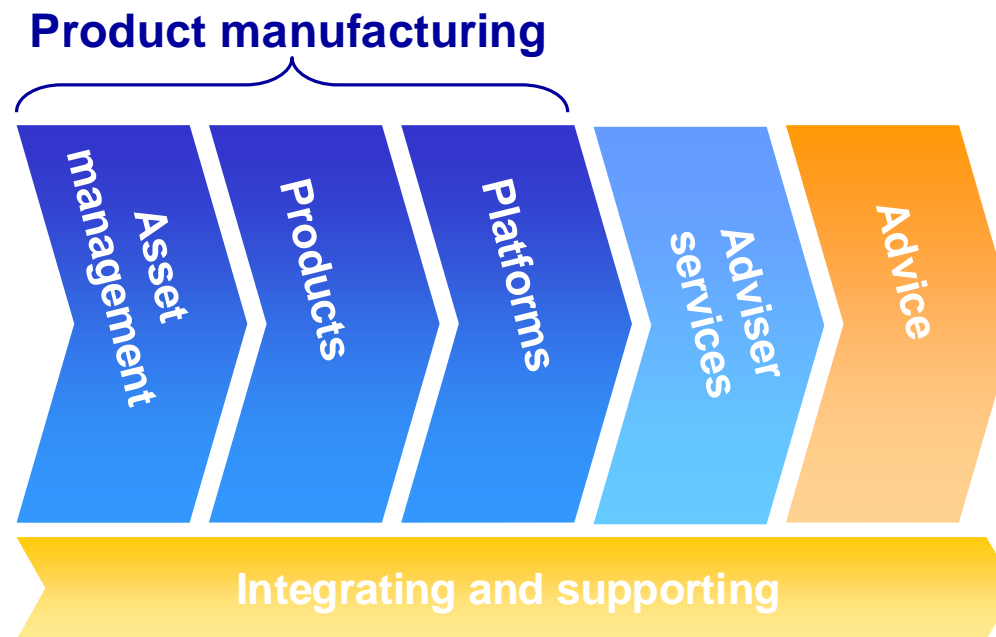
- Fundamental market changes from June 2007
  - equalisation of tax treatment of managed funds and directly held assets
  - KiwiSaver expected to significantly increase the number of superannuation members

# Australia and New Zealand Our strategy



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**Our strategy is to compete in all parts of the financial protection and wealth management value chain...**



**...and where possible to integrate activities over more than one part of the value chain**

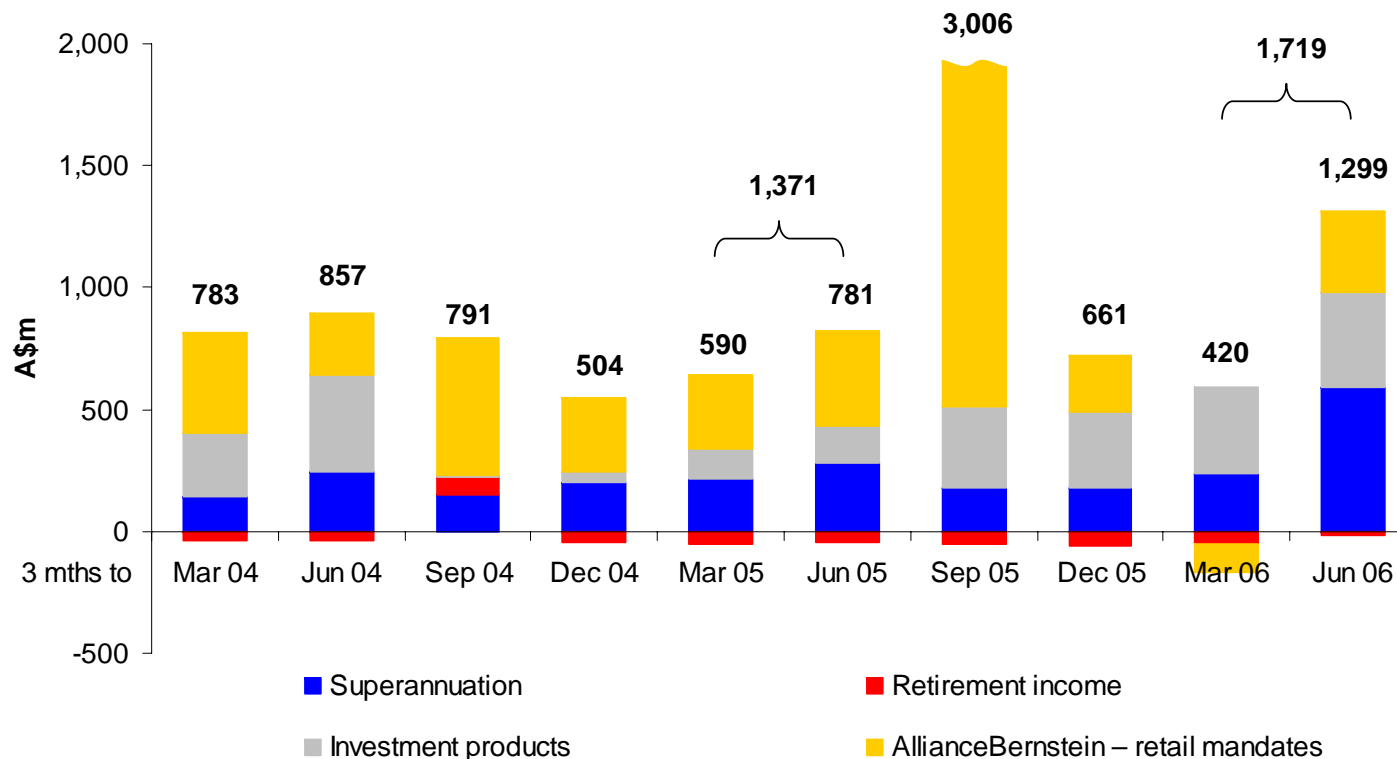
# Australia and New Zealand Continuing strong growth in wealth management



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**Funds under management and administration of \$76.5bn; net retail inflows for 1H06 up 25.4% to \$1.72bn (2005 – \$1.37bn)**

Wealth management - net retail flows



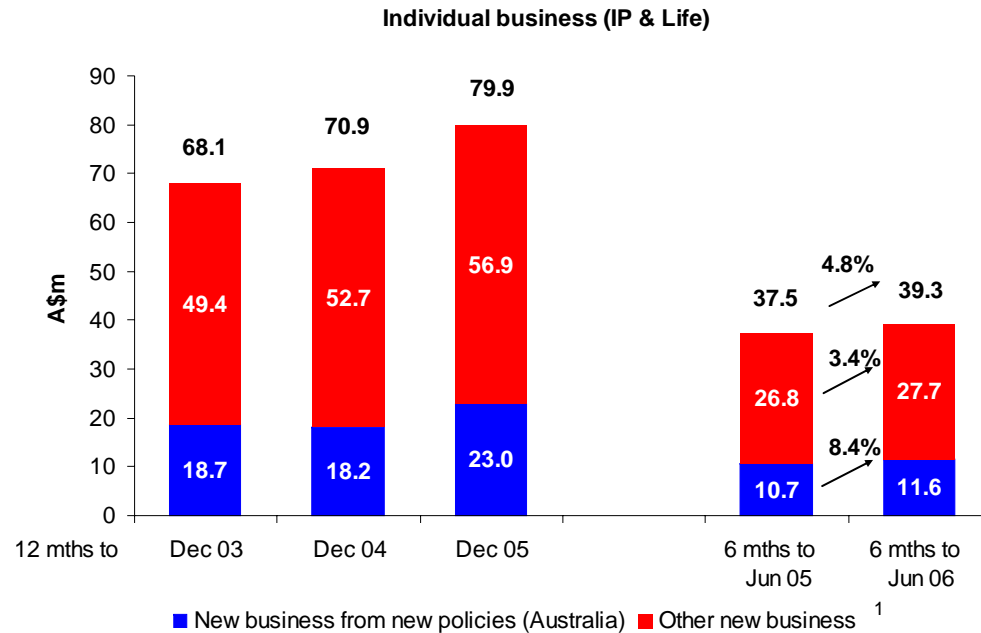
- Very strong inflows into superannuation, investment products and platforms
- Excluding AllianceBernstein retail mandates, Q2 was best ever quarter – net retail inflows were up 122.9% to \$1.50bn (2005 – \$0.68bn)

# Australia and New Zealand Growth in financial protection



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## Balancing growth and profitability



- Good growth in Australia individual life new business offset by weaker new business in New Zealand and reduced group life new business
- Financial protection profit growth has been very strong in 1H06 since 1H05, up 28.4% to \$51.1m
- We are wary about matching pricing strategies of some competitors in some segments
- We are growing both sales and VNB

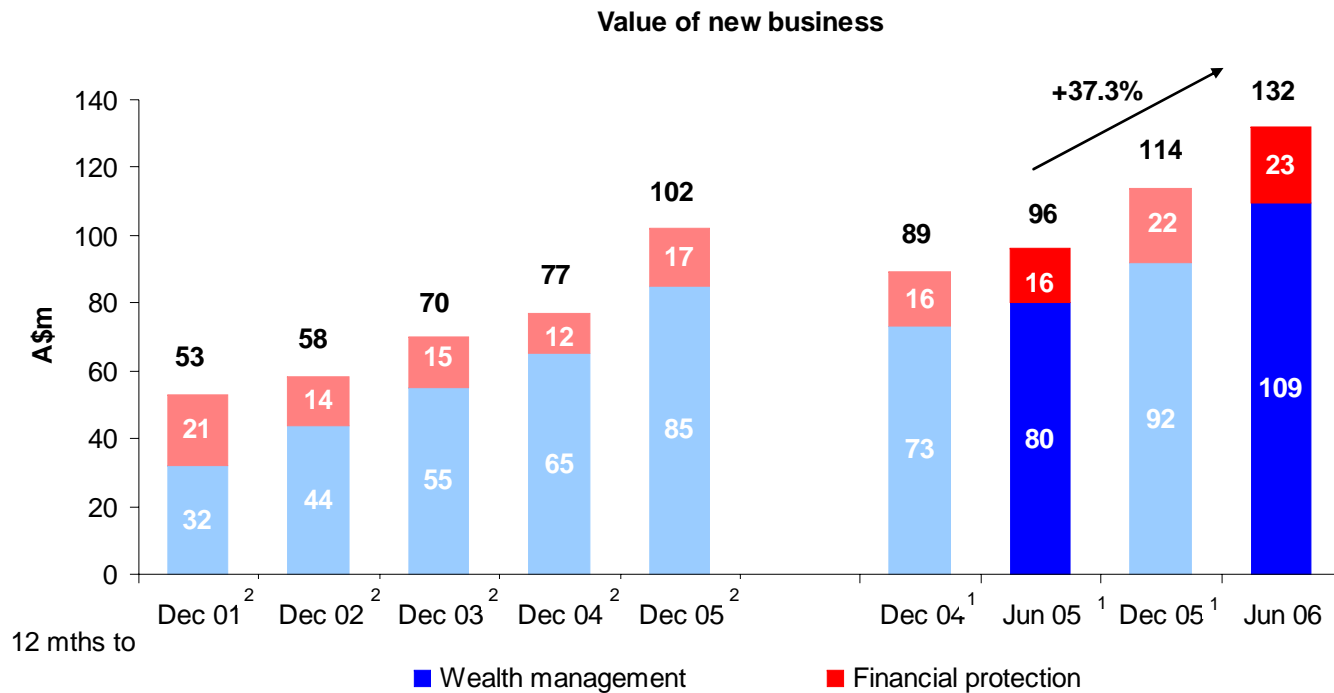
(1) Other new business = incremental new business on existing business in Australia, and all New Zealand new business

# Australia and New Zealand Value of new business



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**Rolling 12 mth value of new business<sup>1</sup> \$132m – up 37.3% since 30 June 2005**



(1) Based on 10.0% risk discount rate, equal to assumed equity return

(2) Based on 11.0% risk discount rate, 100 basis points above assumed equity return

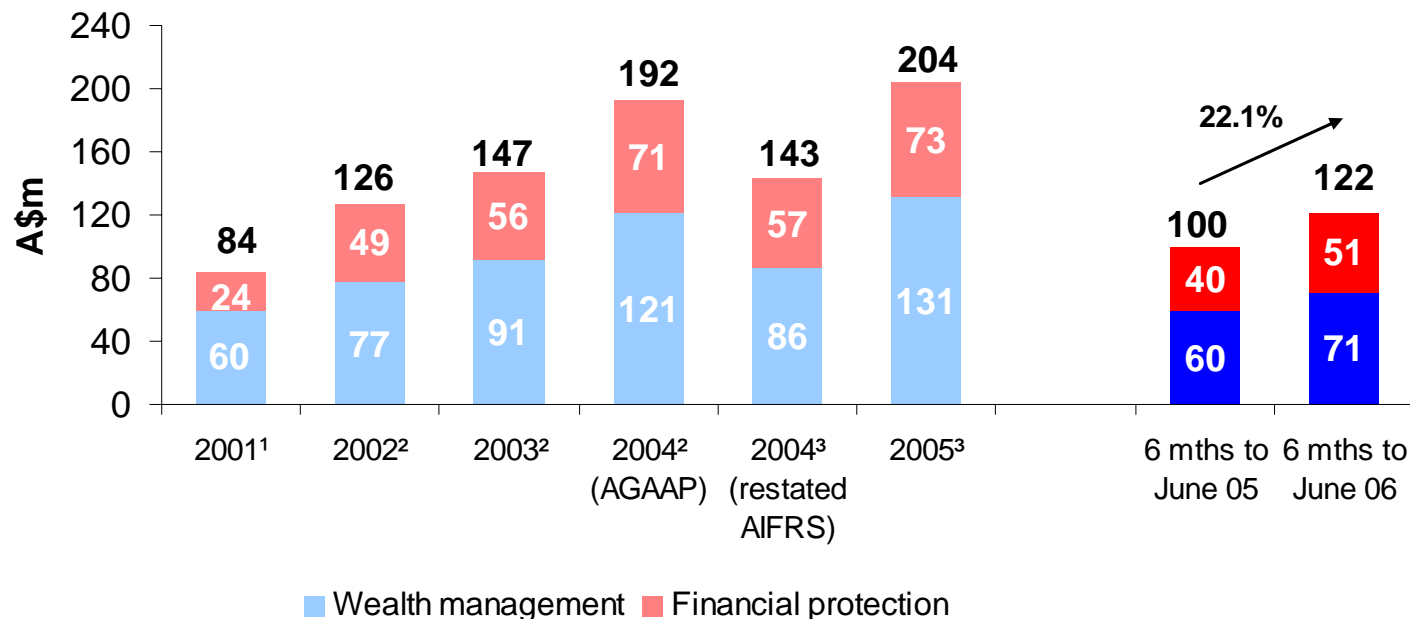
# Australia and New Zealand Operating Earnings



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## Operating Earnings again grew strongly, up 22.1% on 2005

Operating Earnings (ex Health)



(1) 12 months ended 31 December (AGAAP restated, but not audited for 2001)

(2) 12 months ended 31 December (AGAAP, audited)

(3) 12 months ended 31 December (AIFRS, audited); From 1 January 2005, investment experience profit/loss on assets backing policy liabilities is included in Investment Earnings as 'investment experience – assets backing policy liabilities' rather than in Operating Earnings

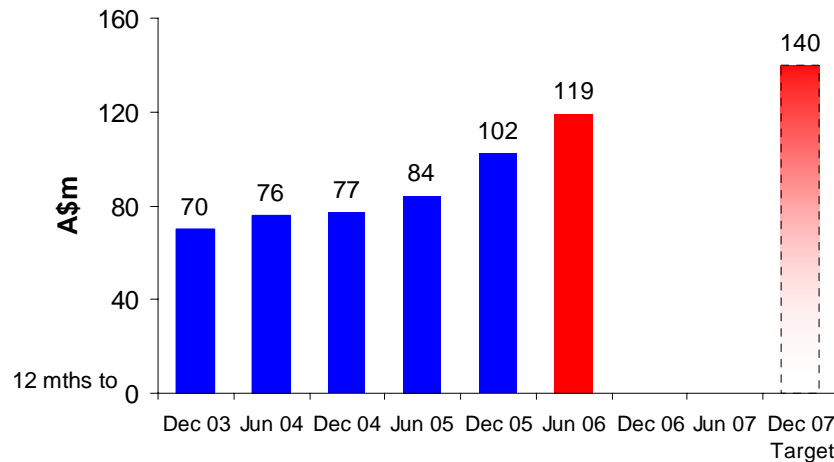
# Australia and New Zealand Progress towards AXA 6 goals on track



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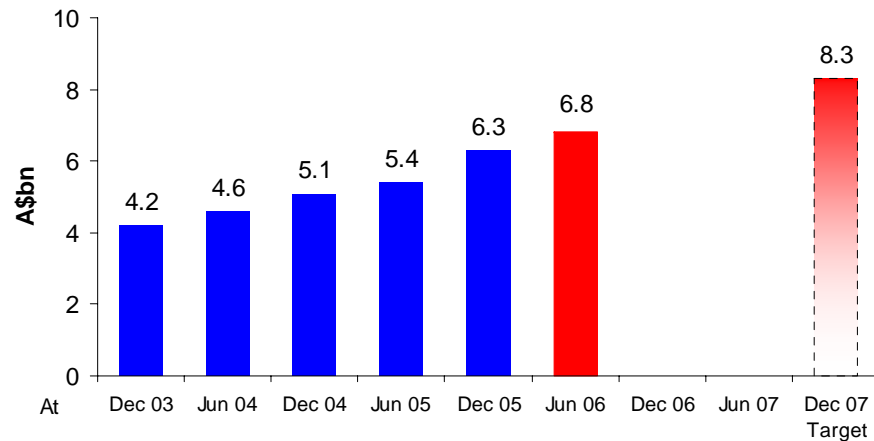
## AXA 1 - Double the value of new business

AXA 1 Value of new business <sup>1</sup>



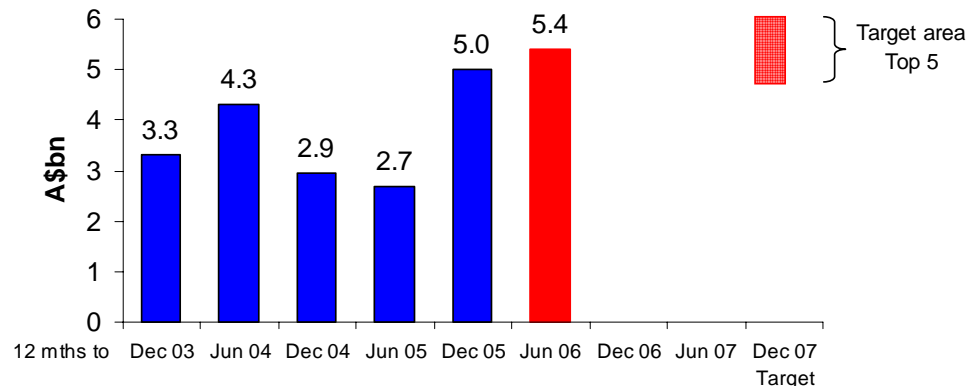
## AXA 3 - Double funds under advice

AXA 3 Funds under advice



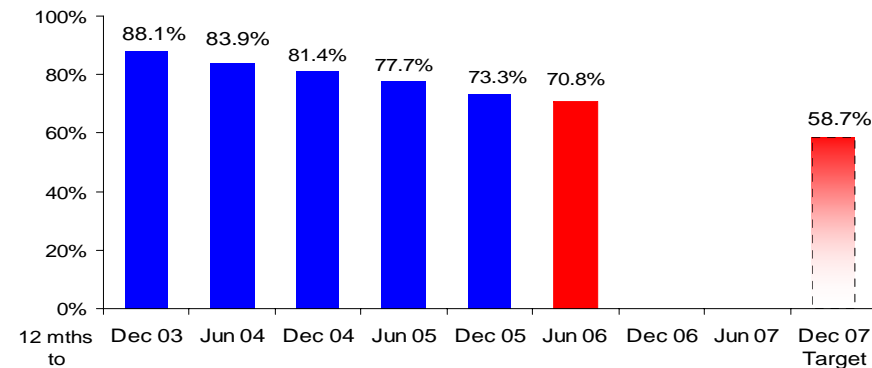
## AXA 2 - Consistently in top 5 for net funds flow

AXA 2 Net retail funds flow



## AXA 4 - Reduce cost to income ratio by one-third

AXA 4 Cost to income ratio



(1) Illustrative only; based on constant assumed risk discount rate of 11.0% as used from the start of AXA 6

# Australia and New Zealand

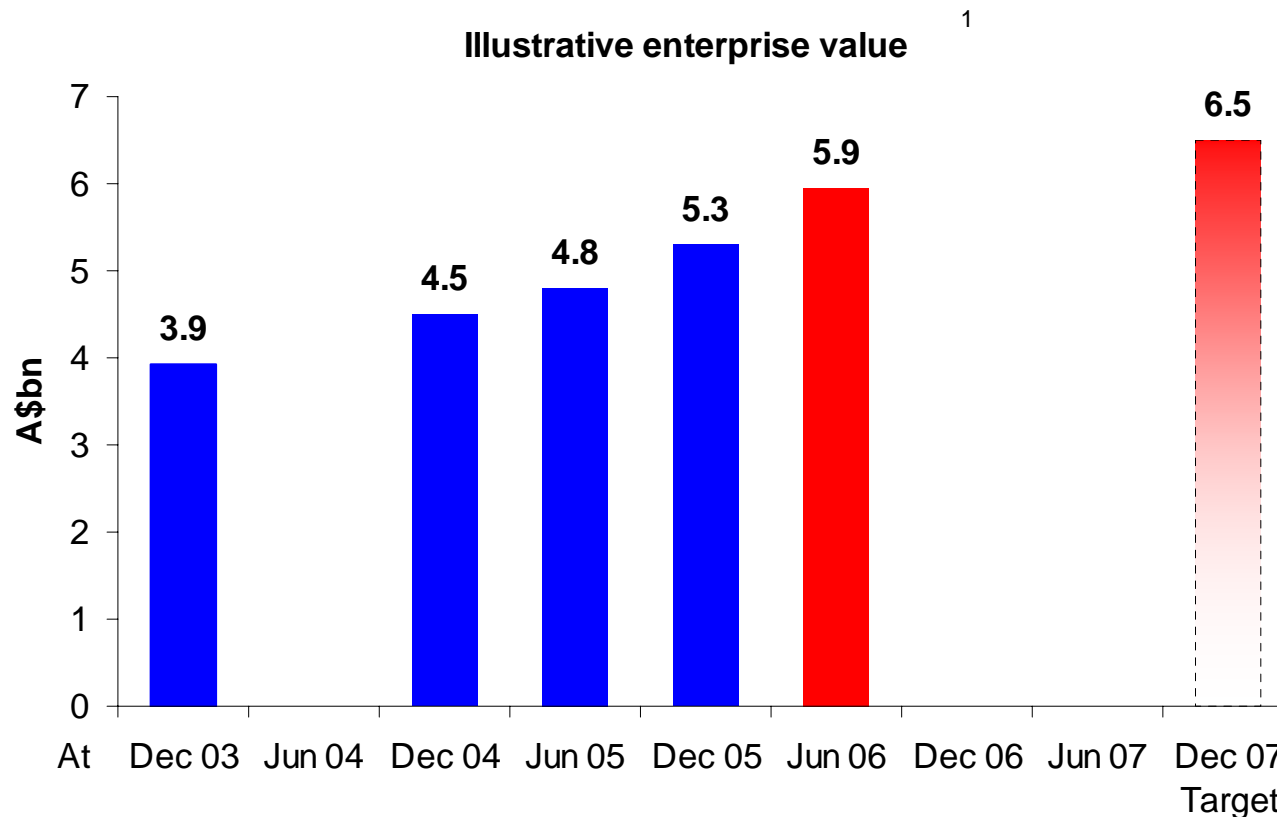
## Progress towards AXA 6 goals on track



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### Overarching goal to increase illustrative enterprise value by 65% to A\$6.5bn

Illustrative enterprise value <sup>1</sup> \$5.9bn – up 11.3% since 31 December 2005 – ahead of required trajectory



(1) Illustrative - only for tracking progress. Before dividends and transfers to net worth. Mid-point of range based on 11% discount rate, 7x FP VNB, 15x WM VNB; and 10% discount rate, 12x FP VNB, 20x WM VNB

# Australia and New Zealand In summary...



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- Growth markets with attractive fundamentals
- Very strong growth in wealth management
- Still a leader in financial protection, but on a profitable basis
- Improved operational efficiency
- Benefits of aspirational programmes clearly seen
  - strong growth in Operating Earnings
  - strong growth in value of new business

# Overview of operations Asia



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## China

- JV (AXA APH share: 25%) with Minmetals and AXA SA
- Shanghai #4 for new business amongst foreign life insurers
- Total premiums: A\$72m

## Hong Kong

- AXA APH share: 100%
- #3 in new business, #2 in force
- Total premiums: A\$1.6bn
- Funds under management: A\$8.9bn
- Integrating MLC Hong Kong

## Philippines

- JV (AXA APH share: 45%) with the Philippines' largest financial conglomerate, Metrobank Group, with 564 branches
- #4 in new business
- Total premiums: A\$143m

## India

- JV (AXA APH share: 26%) with Bharti Enterprises to access US\$16bn Indian life market
- Commenced operations end of August 2006

## Thailand

- JV (AXA APH share: 50%) with Krung Thai Bank - Thailand's leading bank with over 669 branches
- Top 10 for new business
- Total premiums: A\$107m

## Singapore

- AXA APH share: 100%
- Top 10 for new business
- Total premiums: A\$249m

## Malaysia

- JV (AXA APH share: 49%) with Affin purchased Tahan Life to access US\$4.2bn Malaysian life market
- Operations commenced in September 2006

## Indonesia

- JV (AXA APH share: 80%) with Tempo Group
- JV (AXA APH share: 51%) with the largest bank in Indonesia, Bank Mandiri, with 638 branches
- #3 in new business
- Total premiums: A\$121m
- Integrating MLC Indonesia

## Asia (ex Hong Kong)

- Total premiums: A\$717m
- FUM: A\$2.2bn



Apart from market shares (latest available), figures are as at/for the 12 months to 30 June 2006

- To achieve a top 5 position in each of our markets by the time they enter the 'growth' phase
- To be at the forefront in each market as it moves to financial planning
- Leverage 20 years experience in Hong Kong to drive profitable growth through using a single business model (our blueprints) across our Asian operations
- Grow multi-channel distribution in each country

# Hong Kong Attractive market fundamentals



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- High propensity to save - HK\$3.3 trillion in retail bank deposits <sup>1</sup>
- Moderate life insurance penetration by global standards <sup>2</sup>
- Growing need for financial advice
  - increasing affluence and investor sophistication
  - ageing population
  - privately funded mandatory retirement savings market expected to more than double over next five years
- Retail investment fund penetration accelerating

*(1) HK Government statistics*

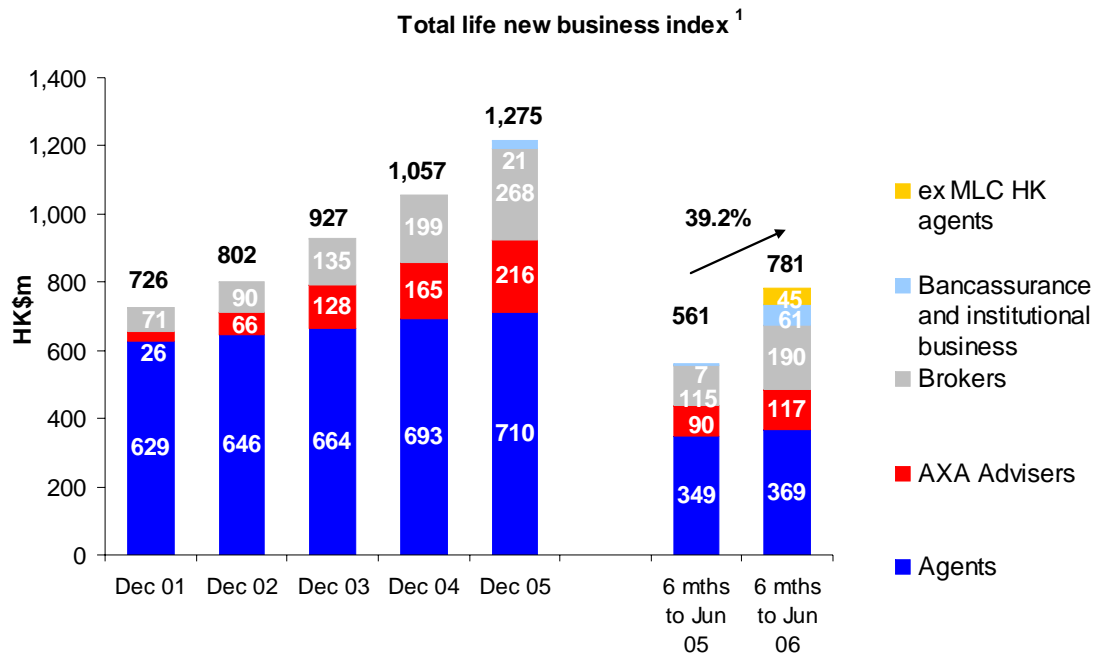
*(2) World Insurance in 2003, Swiss Re, 2004*

# Hong Kong Continuing strong growth



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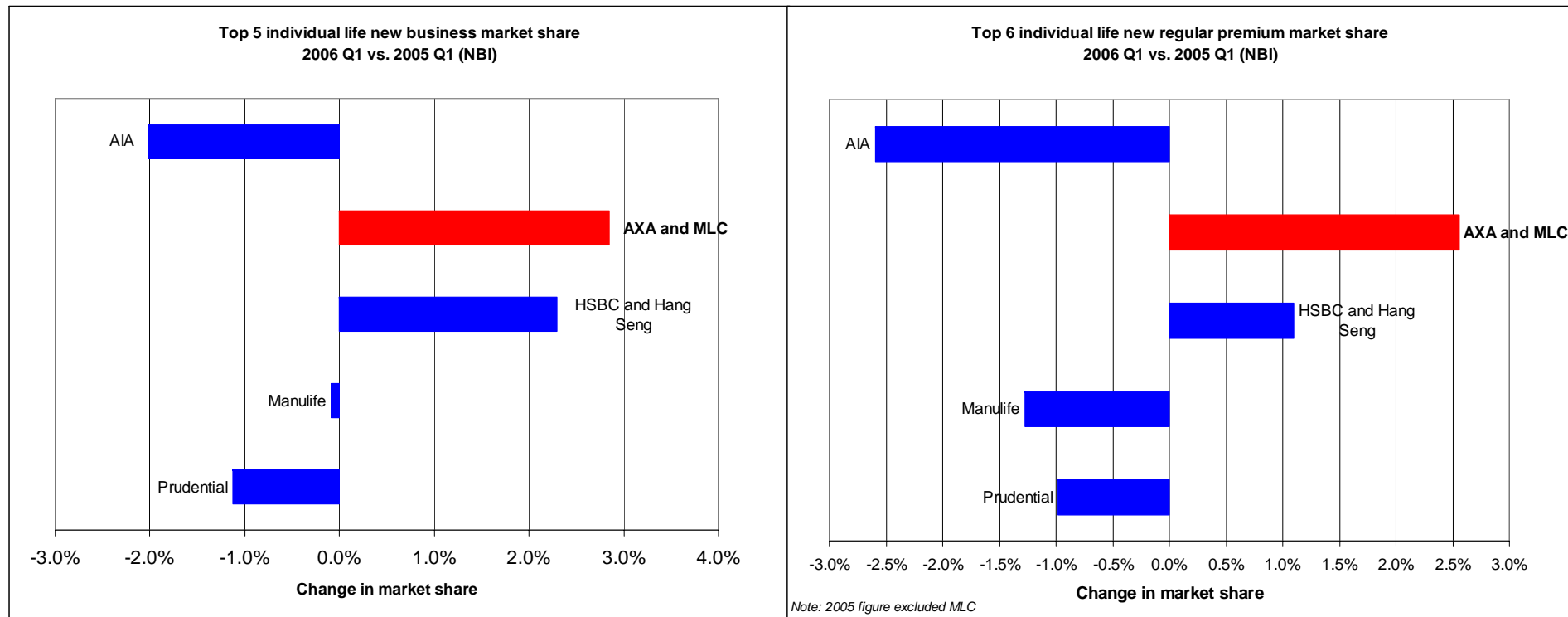
## Broadening of distribution channels – life sales up 39.2 % to HK\$ 781.2m



- All channels growing
- Non-agency accounted for 47% of life sales (2005 – 38%)
- Integration of ex MLC HK agents on track
- Broker sales growing through life and wealth management products
- Very encouraging early progress on bancassurance sales

(1) Regular premiums plus 10% single premiums, excludes general insurance; ex MLC HK NBI since 8 May

## AXA is performing well versus peer group, particularly with higher margin regular premium life products



**Note:**

- (1) 2005 market shares statistics exclude ex MLC HK
- (2) The market share statistics are not quality assured or audited; contain new business reported through "internal switching", banks high guarantee short term endowment products, and future premium deposits; and include offshore business sold elsewhere in Asia by companies that have headquarters and process sales in Hong Kong

# Hong Kong MLC Hong Kong integration update



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## Integration process on track – completion by end of 2006

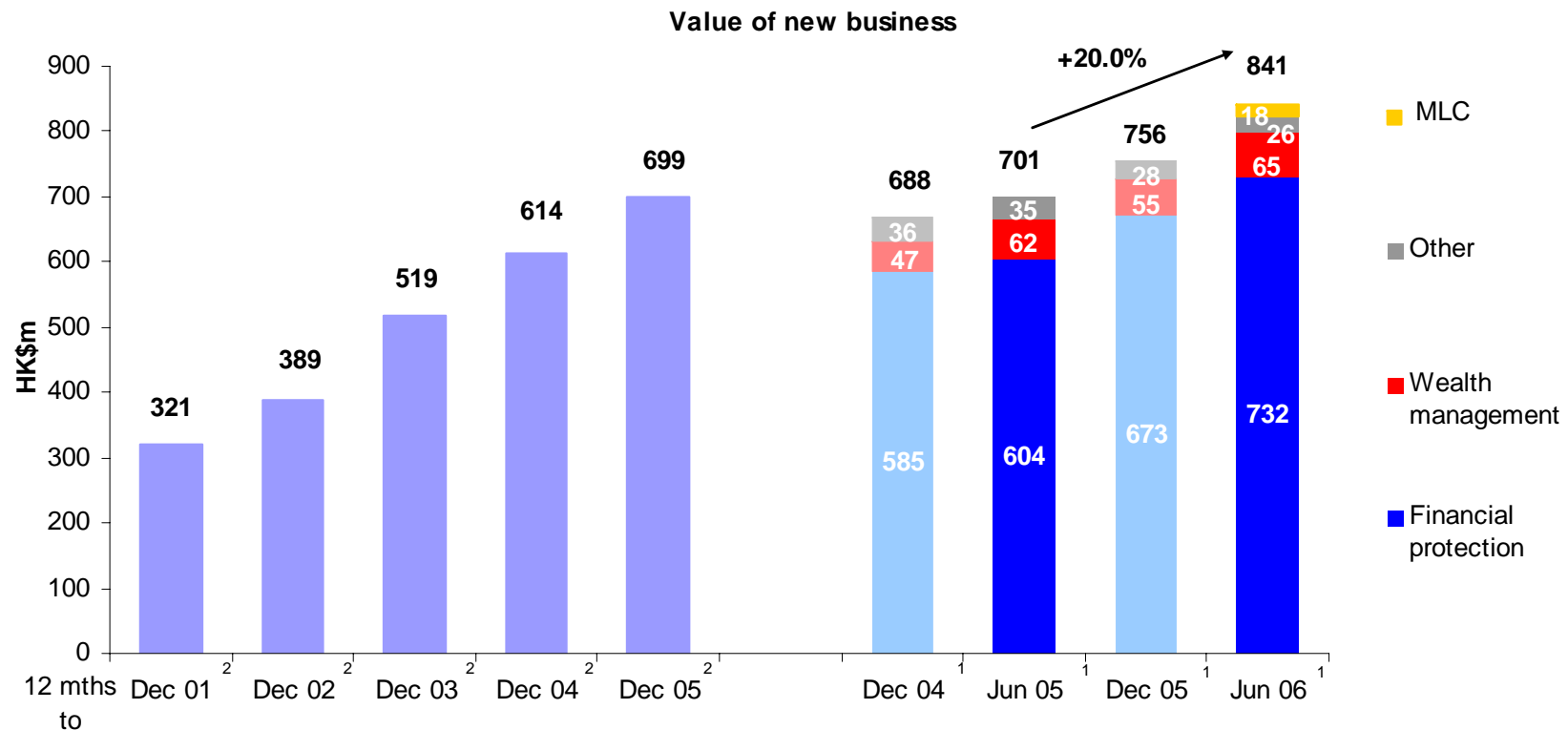
- Ex MLC agency force stable (circa 750 agents)
  - all MLC agents targeted for retention have signed AXA contracts
  - Hong Kong Agency Blueprint rolled out to ex MLC agency force on 3 July
  - some agent loss anticipated over coming months during transition to AXA products, practices and remuneration – in line with original expectations
- Ex MLC product range replaced
  - full AXA product range available from 12 June
  - ex MLC product range closed to new business from mid July
- On track to deliver targeted annualised cost savings of HK\$70m – HK\$95m
- AXA governance, compliance and internal control processes implemented
- New organisation structure in place with key staff retained

# Hong Kong Value of new business



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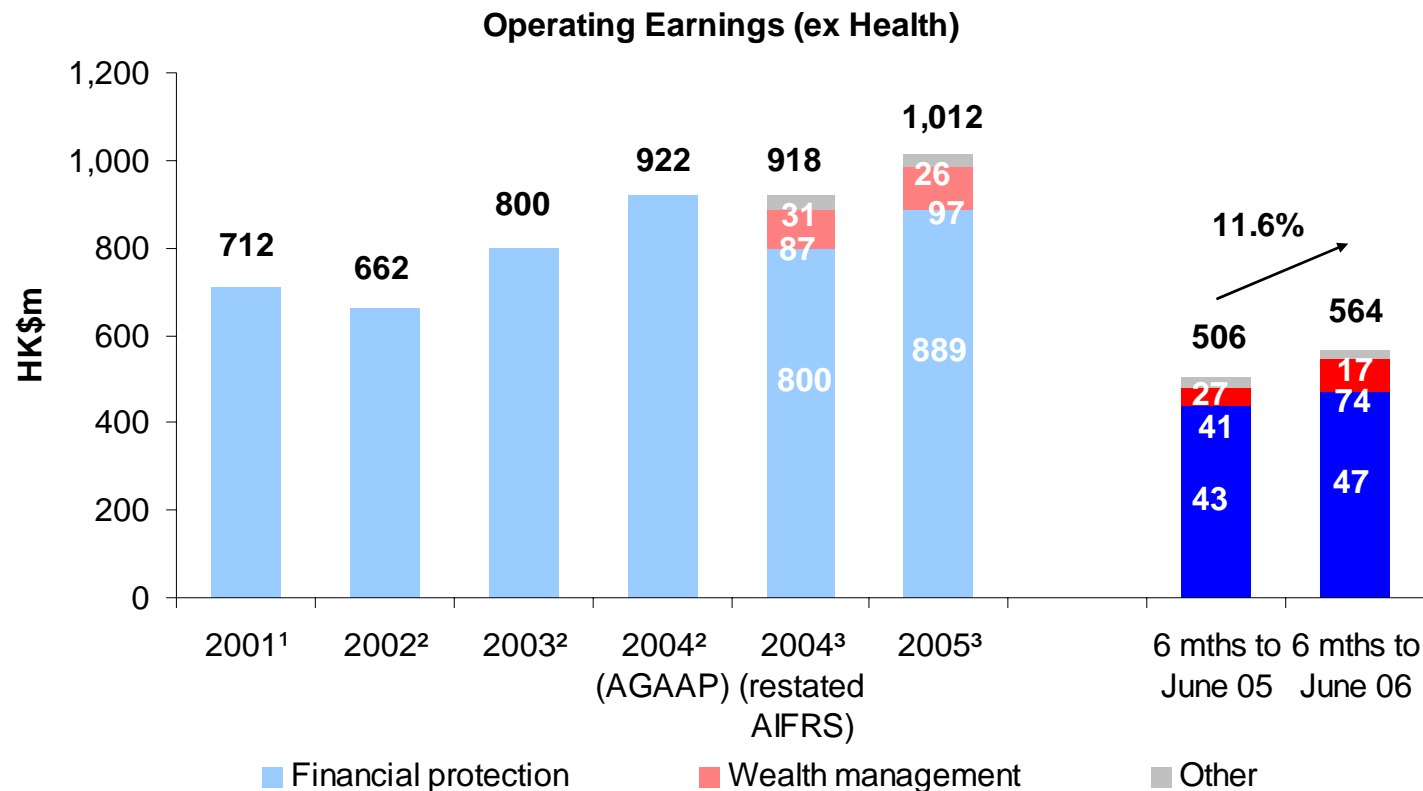
**Rolling 12 mth value of new business <sup>1</sup> HK\$841m – up 20.0% since 30 June 2005; up 17.4% ex MLC HK**



(1) Based on 10.5% risk discount rate, equal to assumed equity return; 12.0% for ex MLC HK and only includes ex MLC HK VNB since 8 May

(2) Based on 11.5% risk discount rate, 100 basis points above assumed equity return

## Operating Earnings - very strong growth over past 3.5 years



(1) 12 months ended 31 December (AGAAP restated, but not audited for 2001)

(2) 12 months ended 31 December (AGAAP, audited)

(3) 12 months ended 31 December (AIFRS, audited); From 1 January 2005, investment experience profit/loss on assets backing policy liabilities is included in Investment Earnings as 'investment experience – assets backing policy liabilities' rather than in Operating Earnings

# Hong Kong In summary...



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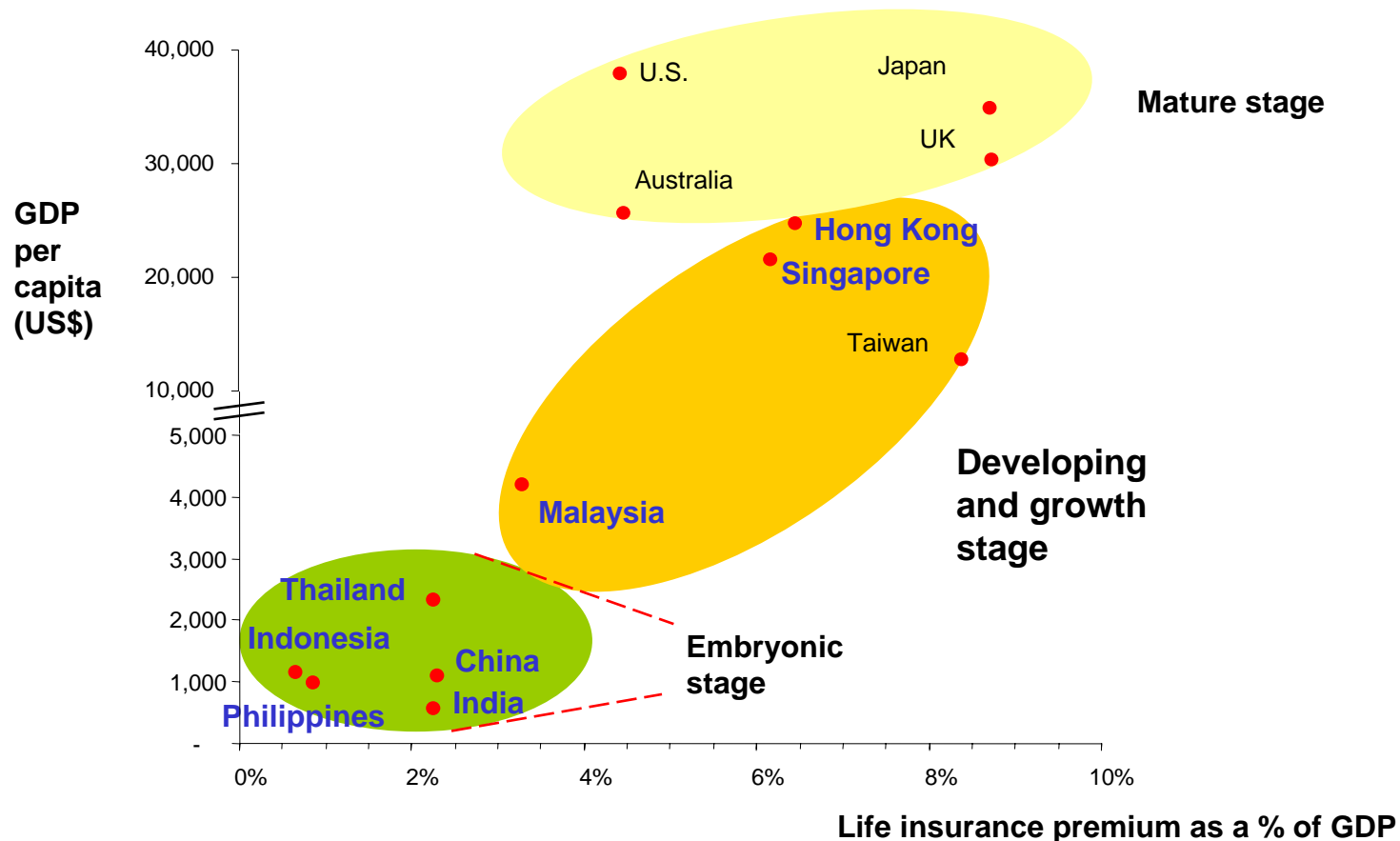
- Attractive high growth market
- Operating results showing
  - sales growth
  - persistency improvements
  - strong expense control
- Well positioned for future growth
  - multi-channel, multi-product approach
- Moved into wealth management
- Significant potential to add value through acquisition of MLC Hong Kong
- Benefits of aspirational programmes clearly seen through the strong growth in Operating Earnings and value of new business

# Asia (ex Hong Kong) Market overview



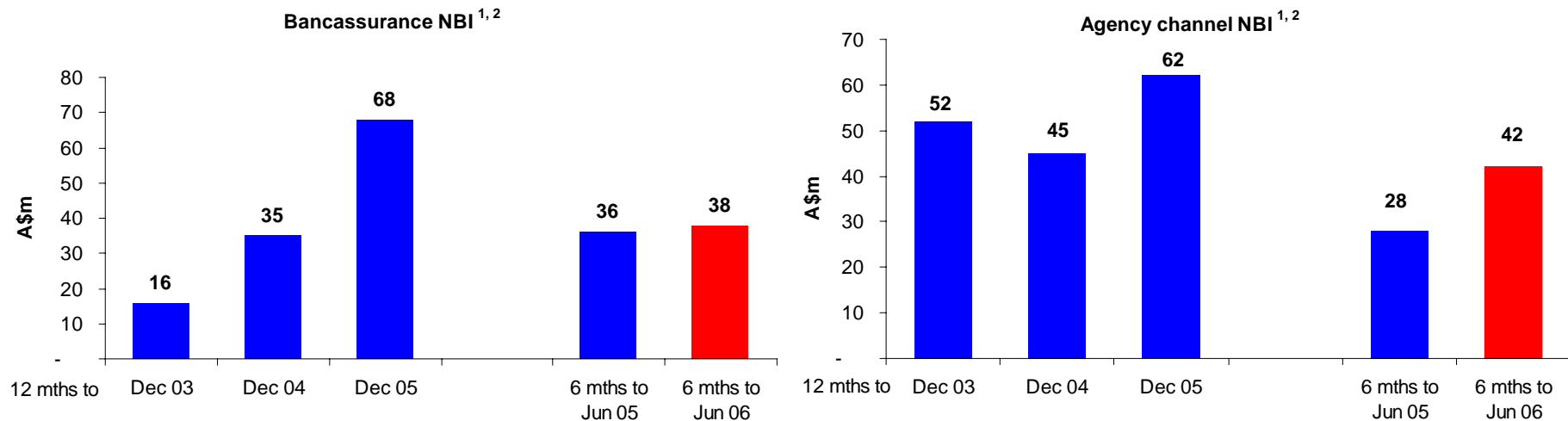
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With low insurance penetration, rapidly ageing populations, high savings and growth in GDP per capita, these markets are poised for growth



Source: World insurance in 2003, Swiss Re, 2004

## Growth from both bank and agency channels



- Greater than 75% of joint venture bank branches penetrated; aim to increase bank advisers by 30% over next 18 months
- Agency numbers across the region up from c 4,600 to c 6,400 (including ex MLC Indonesia) over 1H06; productivity increases across all operations; new business index up 50% since 1H05 to A\$42m
- Encouraging progress in China; however market remains challenging

(1) New business index = regular premium sales + 10% of single premium sales

(2) On constant currency basis at average exchange rates for the six months ended 30 June 2006, representing 100% of the businesses

# Asia (ex Hong Kong) Expanded footprint



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## India and Malaysia – operations commenced

### India

- Licence received (effective 14 July 2006)
- First office opened in Hyderabad
- First set of agency leaders trained
- Agents and advisers being trained ahead of further launches
- First two products approved and launched (unit linked insurance products), awaiting regulatory clearance on a further four products
- First policies sold end of August

### Malaysia

- Portfolio transfer complete, licence received and control of operations transferred (effective 30 June 2006)
- Recruiting first group of agents and bank financial advisers
- Product approvals and launch in September

# Asia AXA SA's acquisition of the Winterthur Group



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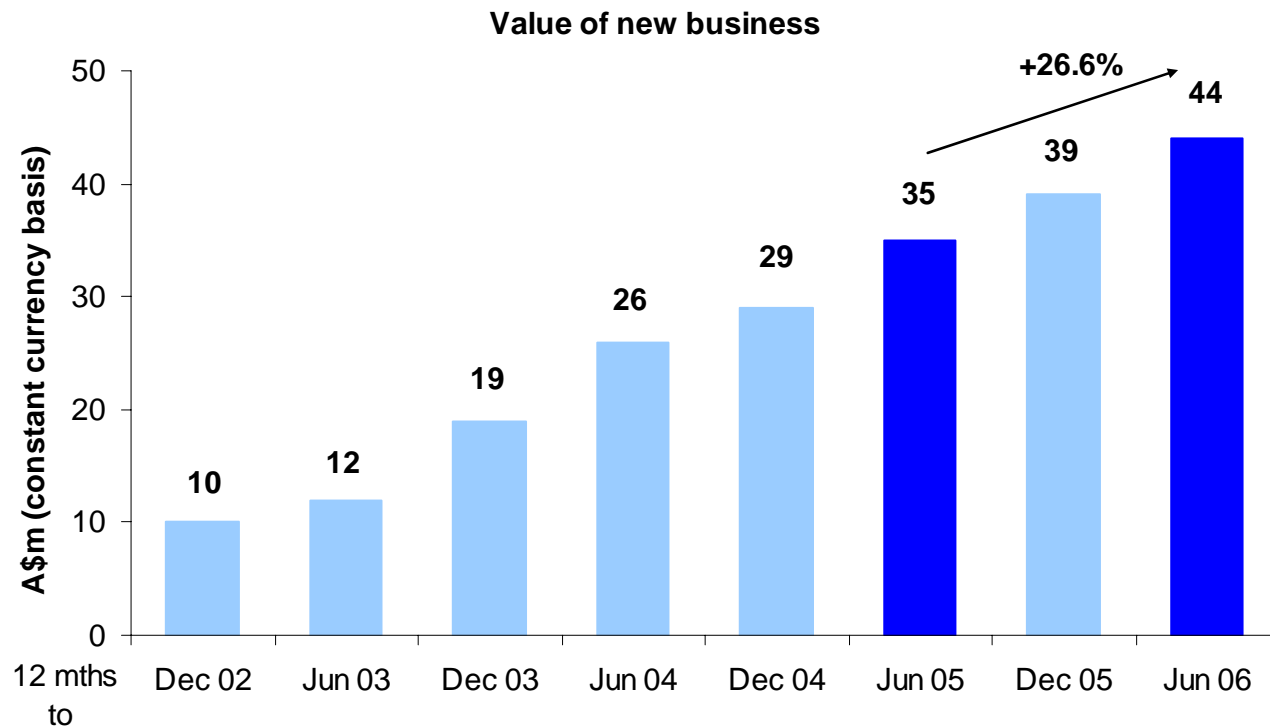
- On 14 June 2006, AXA SA announced that it had entered into a definitive agreement to acquire the Winterthur Group (Winterthur) from the Credit Suisse Group
- In accordance with its undertakings to the Foreign Investment Review Board, AXA SA has confirmed that it will offer Winterthur's Asian life insurance assets to AXA APH when the acquisition completes
- The Board has considered the position and notified the market on 19 July that it would not be in AXA APH's interests to acquire Winterthur's Japanese operations
- We will shortly commence the review of Winterthur's other Asian life insurance assets

# Asia (ex Hong Kong) Value of new business



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**Rolling 12 mth value of new business<sup>1</sup> A\$44m – up 26.6% since 30 June 2005**



- AXA APH share of value of new business is \$25m, representing 9% of total Group value of new business

(1) 100% share, based on constant currency exchange rates at 30 June 2006, assumed risk discount rates of 11% for Singapore and 16% – 20% for other Asian (ex HK) operations; and only ex MLC Indonesia VNB since 8 May

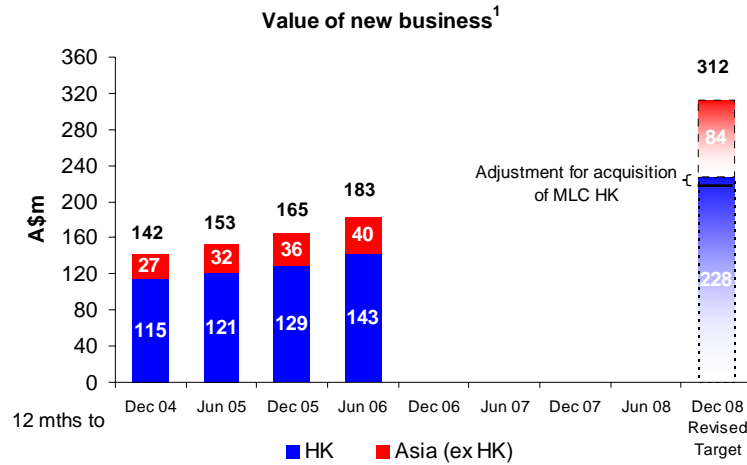
# Asia

## Progress towards Asia 6 goals on track



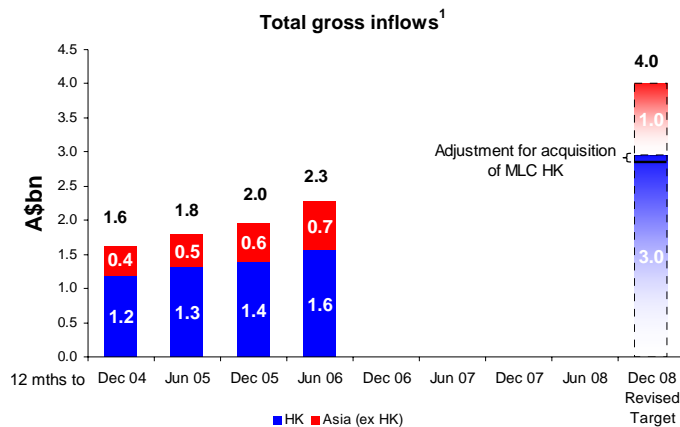
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### Asia 1 - More than double the value of new business

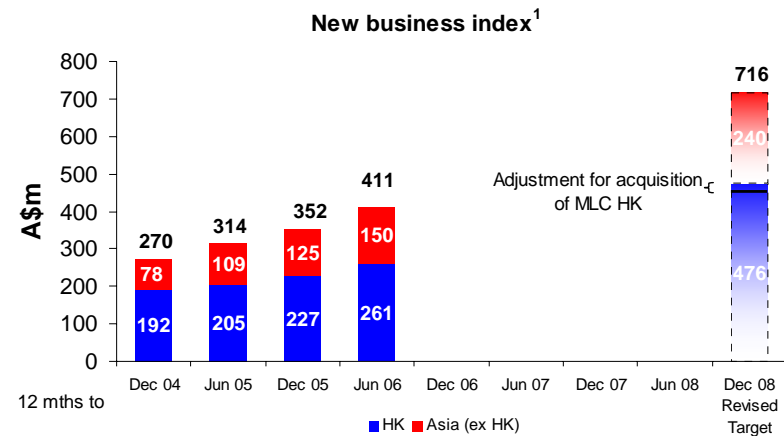


(1) Illustrative only; 100% share; constant exchange rates at 31 December 2004; constant assumed risk discount rates (11% for HK, 11%-20% for Asia (ex HK), and 12.0% for ex MLC HK); ex MLC contribution only relates to period since 8 May

### Asia 2 - Grow total inflows 2.5 times



### Asia 3 - Grow new business index 2.5 times



(1) 100% share; constant exchange rates at 31 December 2004; ex MLC contribution only relates to period since 8 May

# Asia

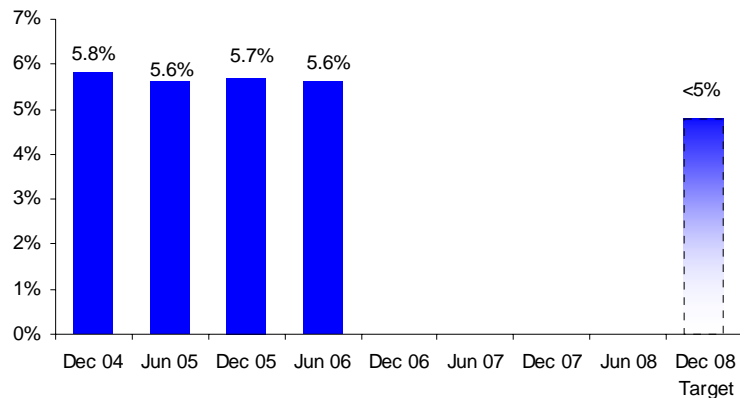
## Progress towards Asia 6 goals on track



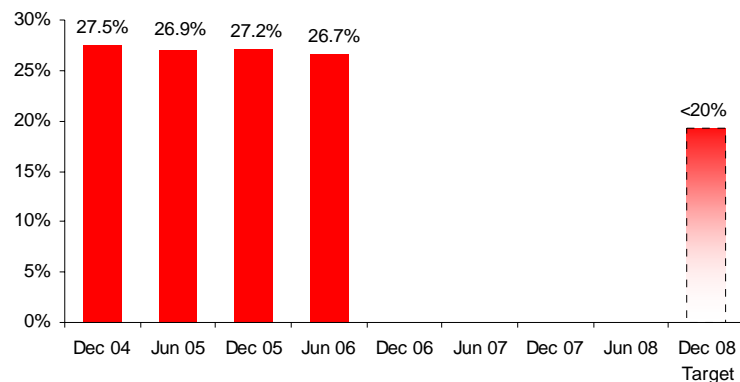
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### Asia 4 - Reduce management expense ratio

Management expense ratio - Hong Kong<sup>1</sup>

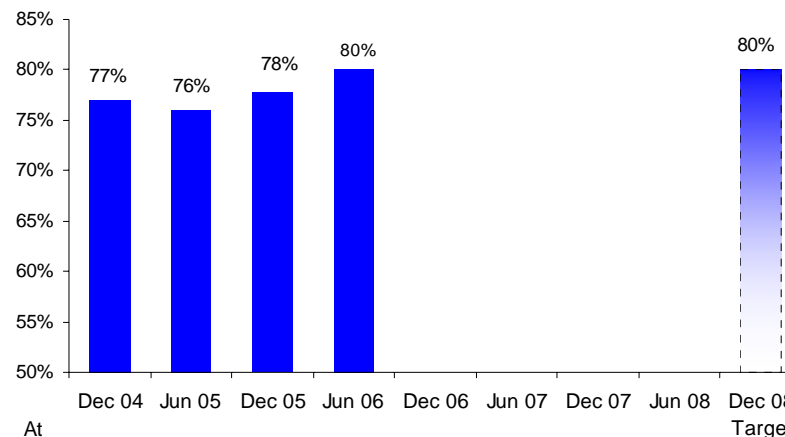


Management expense ratio - Asia (ex HK)<sup>1</sup>



### Asia 5 - Improve 13 month persistency ratio to 80%

13 month persistency



(1) Rolling 12 months; ex MLC contribution only relates to period since 8 May

# Asia

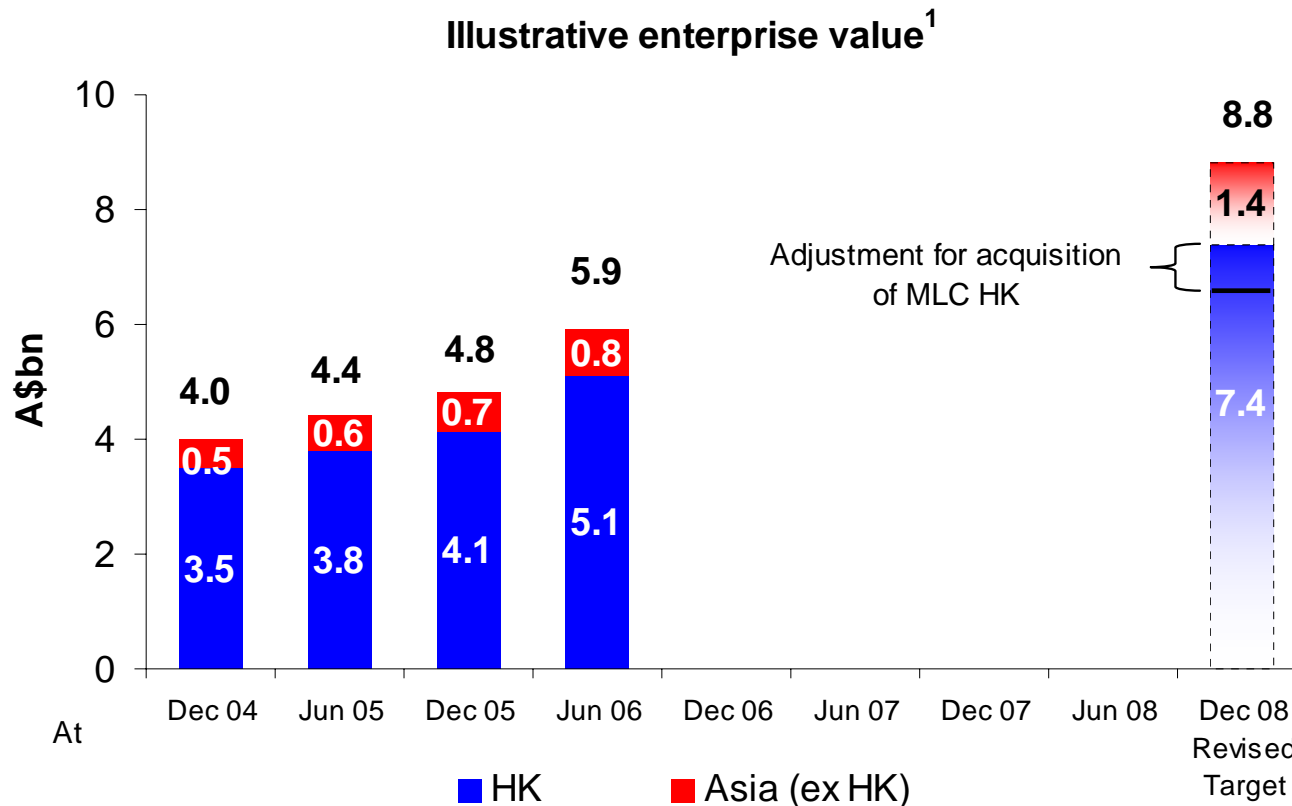
## Progress towards Asia 6 goals on track



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### Overarching goal to more than double illustrative enterprise value to A\$8.8bn

Illustrative enterprise value <sup>1</sup> A\$5.9bn – up 22.9% since 31 December 2005 – good progress and firmly on track



(1) Illustrative - only for tracking progress; based on 100% share; constant assumed risk discount rates, equity return rates and VNB multiples; constant exchange rates at 31 December 2004; ex MLC HK contribution at June 2006 of A\$0.5bn relates to 12 months ended 31 March 2006

# AXA Asia Pacific Group Financial performance



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(A\$ million)

Six months to 30 June	2006	2005	Change
Australia & New Zealand	121.9	99.8	22.1%
Hong Kong	98.1	83.9	16.9%
Singapore	3.0	2.1	42.9%
<b>Operating Earnings</b>	<b>223.0</b>	<b>185.8</b>	<b>20.0%</b>
Investment Earnings			
- normalised	110.0	108.0	1.9%
- investment experience - assets in excess of policy liabilities	(31.7)	(9.3)	<<
- assets backing policy liabilities (discount rate) <sup>1</sup>	65.7	(5.1)	>>
- assets backing policy liabilities (other) <sup>2</sup>	2.8	(2.4)	>>
<b>Investment Earnings</b>	<b>146.8</b>	<b>91.2</b>	<b>61.0%</b>
Corporate expenses	(34.4)	(29.7)	(15.8)%
Interest expense	(31.6)	(0.9)	<<
<b>Profit after tax and before non-recurring items</b>	<b>303.8</b>	<b>246.4</b>	<b>23.3%</b>
Non-recurring items	0.0	0.0	-
<b>Profit after tax and non-recurring items</b>	<b>303.8</b>	<b>246.4</b>	<b>23.3%</b>

(1) Due to movement in risk free rate used to value policy liabilities

(2) Excess / (deficit) over assumed long term investment earnings rates on assets backing policy liabilities

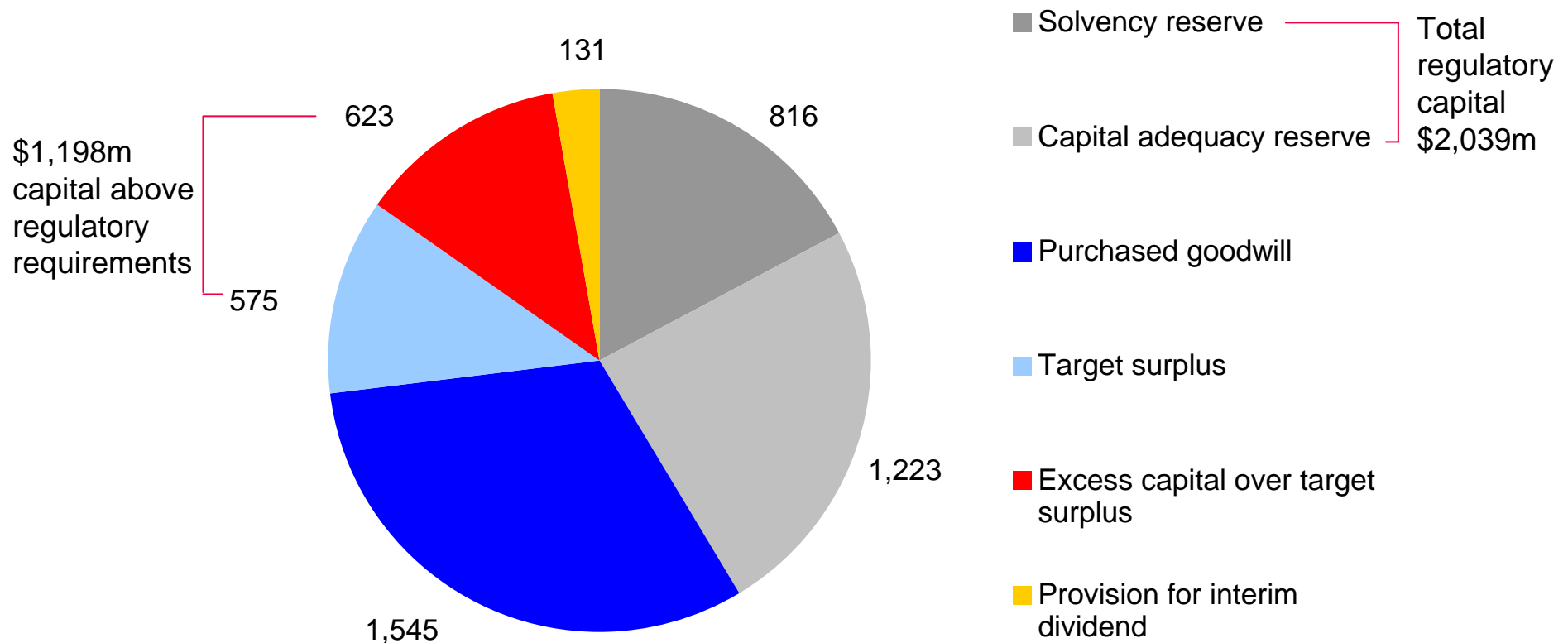
# AXA Asia Pacific Group

## Capital usage at 30 June 2006



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**Total capital of \$4,913 million - capital position remains strong**



**Gearing ratio reduced to 33% (target range 40% - 50%); insurer financial strength rating AA-/AA (S&P/Fitch)**

# Summary



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- Target markets have attractive long term fundamentals
- Continuing strong growth in Australia / New Zealand
- Accelerating growth in Asia organically, through acquisition (ex MLC Hong Kong / Indonesia) and through new business start ups (India and Malaysia)
- Strong capital and financial position – excess capital reinvested in growth opportunities
- Strong management teams – performance based culture focused on value
- Our strategy is working well
- Well positioned for further growth in value and earnings

Merrill Lynch  
Australia Investment Conference  
New York  
20 - 21 September 2006

AXA Asia Pacific Holdings Limited

Background information



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# 10 most frequently asked questions

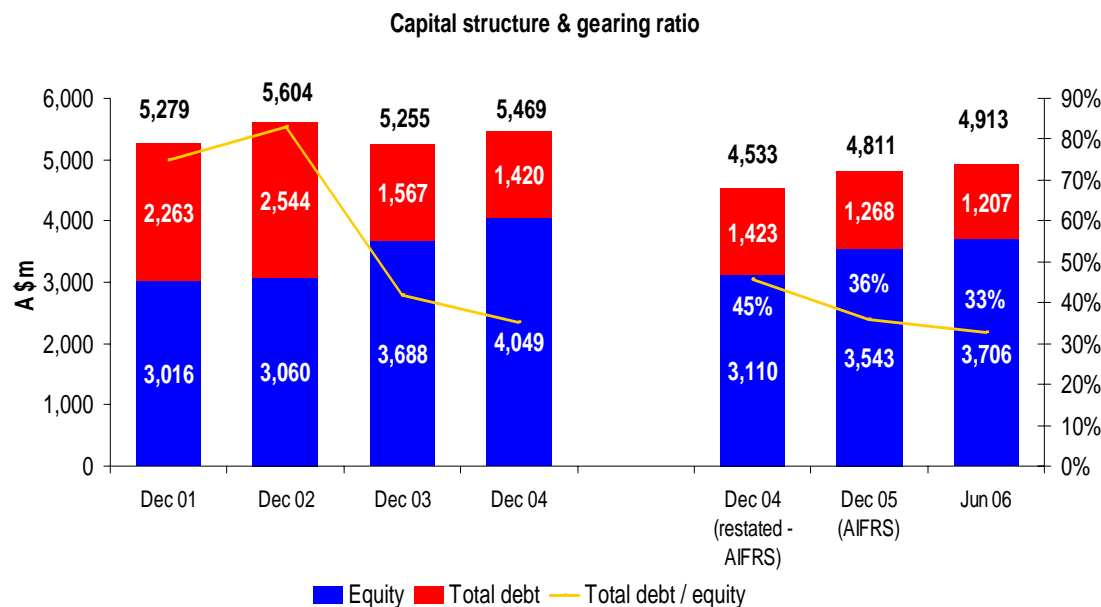
## Capital



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### 1. How strong is your capital position?

- We have a strong capital position, with total capital resources of over \$4.9bn (as at 30 June 2006)
- Our gearing ratio is 33% (debt + hybrid) / equity - below our target range of 40%-50%



Note: 2003 senior debt restated in accordance with changes to AASB 1044

- Our total capital resources are used to support the regulatory capital requirements of our operating subsidiaries and to fund the excess of market value over net assets

# 10 most frequently asked questions

## Capital



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### 1. How strong is your capital position? (cont'd)

- At 30 June 2006 we held excess capital over our regulatory requirements of \$1,198m
- We maintain a target surplus policy which acts as a buffer to reduce the likelihood that we will ever breach our regulatory capital requirements
- Consequently the target surplus is what it says, ie. it is a target. It is not a minimum
- Our target surplus is calculated based on a stochastic model of more than 1,000 economic scenarios such that, in normal market conditions, there is a 96% probability we will meet our regulatory capital requirements over a 2 year period
- Target surplus at 30 June 2006 was \$575m
- We carried an excess over our target surplus of \$623m at 30 June 2006

# C 10 most frequently asked questions

## Capital



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## 2. How do you intend to use the capital above target surplus?

- With respect to capital above target surplus, the following factors are relevant:
  - in buoyant market conditions it is natural to have excess capital
  - we will be acquiring the remaining 67% of Tynan Mackenzie we do not own later this year
  - capital is required to pursue our organic growth plans in Asia
  - we constantly look for growth opportunities in the markets in which we operate (eg Winterthur)

# 10 most frequently asked questions

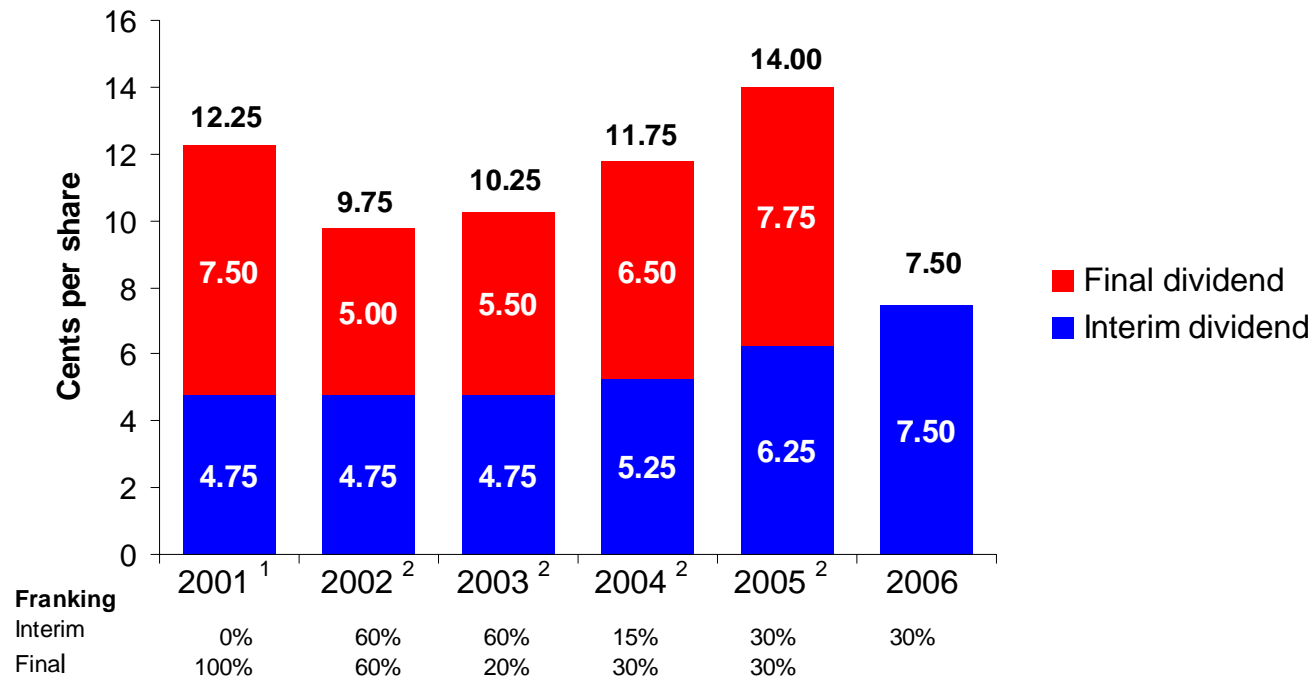
## Dividends



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### 3. Given excess capital, why has the dividend not increased by a greater amount?

- 2006 interim dividend was up 20.0% to 7.50 cents per share
- Franking level is 30% as a result of a proportion of earnings sourced outside Australia



(1) 15 months ended 31 December  
 (2) 12 months ended 31 December

# C 10 most frequently asked questions

## Dividends



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### 3. Given excess capital, why has the dividend not increased by a greater amount? (cont'd)

- Our dividend policy aims to achieve a dividend payout ratio of 50% of profits before non-recurring items over the longer term
- The two key components to profit before non-recurring items are:
  - Operating Earnings – measure the key underlying performance of the business
  - Investment Earnings – reflect the investment returns on assets in excess of policy liabilities and investment experience on assets backing policy liabilities
- Whilst Operating Earnings performance has been strong over recent periods, following the initiatives we have taken to improve the business, Investment Earnings are by their nature volatile
- The Board of Directors constantly monitors dividends in the context of a variety of factors including market conditions, capital structure and growth opportunities

# 10 most frequently asked questions

## Interaction between planned profit margins and experience gains/losses



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### **4. At what point would you view current experience profits as permanent, and would you increase your planned profit margins as a result?**

- There are a variety of factors which have had a positive impact on experience and we want to be cautious before assuming current experience is permanent
- If a permanent change is evident, then best estimate assumptions are adjusted

# 10 most frequently asked questions Hong Kong



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## 5. Is increased competition in Hong Kong leading to margin pressure?

- It is a positive feature of the Hong Kong market that product profitability is relatively high by international standards
- Whilst our plans and valuations do assume some level of margin squeeze for new business in the future, there are no indications this will occur in the immediate future
- A number of factors are likely to continue to support this relatively attractive environment in Hong Kong
  - all major players are “for profit” companies (ie. not mutual companies) and historically tend to act with the rationality of “for profit” companies
  - the competitive arena continues to be on the distribution front rather than price
  - there is minimal regulatory intervention in Hong Kong

# 10 most frequently asked questions Hong Kong



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## 5. Is increased competition in Hong Kong leading to margin pressure? (cont'd)

- We have not decreased pricing and our costs have not increased - there has been no evidence of margin pressure in Hong Kong as can be seen from the table below

Six months to 30 June (HK\$ million)	2006			2005		
	NBI	VNB	VNB%	NBI	VNB	VNB%
Traditional life <sup>1</sup>	306.5	243.8	79.5%	220.9	166.5	75.4%
Unit linked regular premium	142.4	95.4	67.0%	154.5	88.9	57.6%
Group life	4.9	5.2	106.6%	5.6	6.0	107.6%
Unit linked single premium <sup>2</sup>	53.9	18.0	33.4%	11.5	4.9	42.2%
Group retirement and investment products	136.0	24.5	18.0%	92.9	27.1	29.1%
Group medical	54.8	9.8	17.8%	38.7	11.9	30.9%
<b>Total (ex GI, indexation + MLC HK)</b>	<b>698.6</b>	<b>396.8</b>	<b>56.8%</b>	<b>524.1</b>	<b>305.3</b>	<b>58.2%</b>
General insurance	48.2	6.9	14.4%	54.8	7.8	14.2%

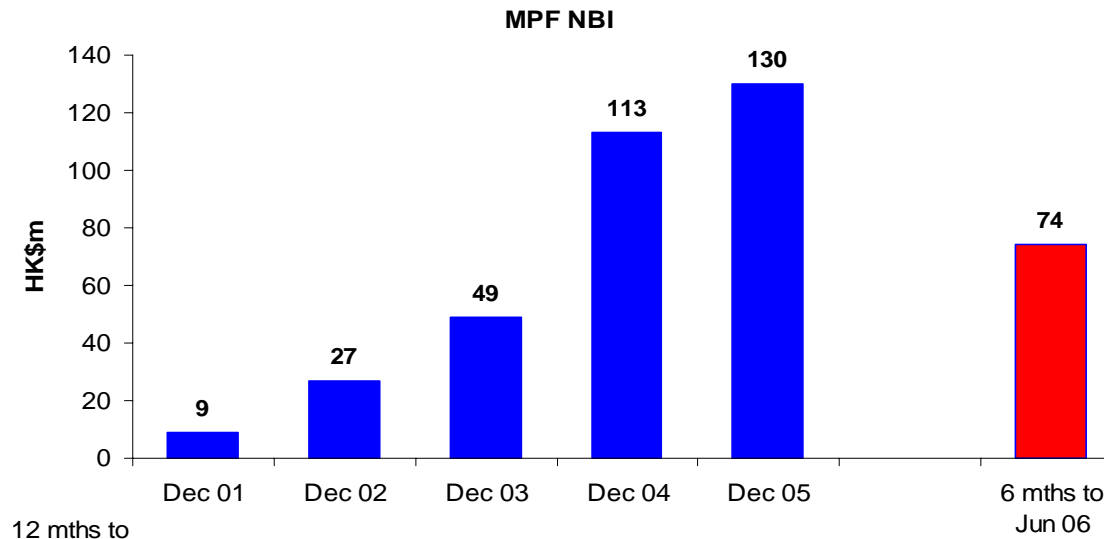
(1) 2005 sales driven by Evolution, a new offshore single premium product in the broker market where AXA Hong Kong receives a marketing allowance

# 10 most frequently asked questions Hong Kong



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## 6. Do you have a sustainable position in the MPF market?



- The MPF regime commenced on 1 December 2000. In total, new business retirement sales for the six months ended 30 June 2006 were HK\$82m. Funds under management continue to grow as renewal contributions are made
- MPF is already making a positive and important contribution to our profitability
- We are one of the few significant companies in the segment that is not sharing revenue from retirement scheme business with a joint venture partner
- Acquisition of MLC Hong Kong added around HK\$600m in MPF FUM

# 10 most frequently asked questions Asian wealth management



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## 7. What is your strategy for wealth management in Asia?

- At this stage we believe that the Hong Kong and Singapore markets are the most advanced and most attractive. There are already sizeable customer segments that have the need for a wealth management model
- The Hong Kong and Singapore markets have a number of characteristics that will drive the development of a wealth management industry:
  - an established mandatory superannuation scheme which permits people to invest their funds in approved vehicles such as unit trusts and single premium life policies
  - a programme of regulatory reform which has been focussed on improving the professionalism of advisers, levelling the playing field across industry sectors and increasing disclosure
  - an increasingly sophisticated and aware consumer
  - a large pool of savings invested in traditional bank products earning low rates of return

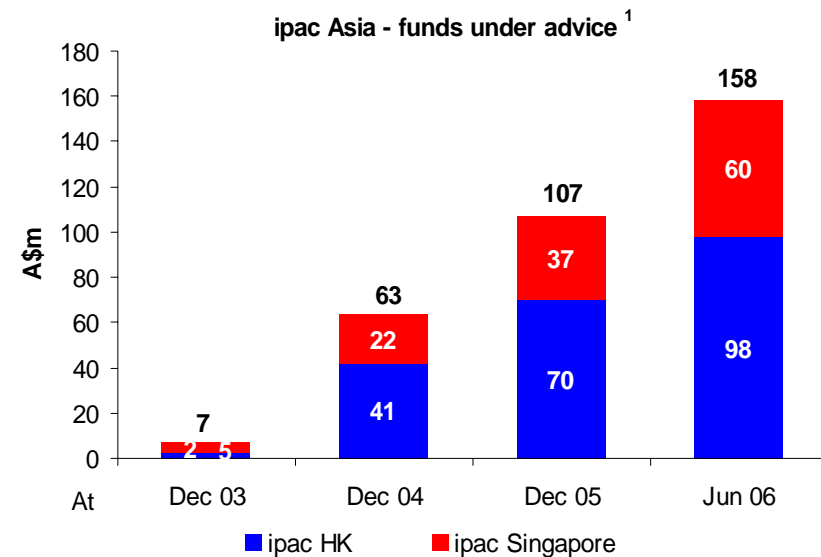
# 10 most frequently asked questions Asian wealth management



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## 7. What is your strategy for wealth management in Asia? (cont'd)

- Our strategy is to leverage our advice and wealth management business, ipac. The ipac model in Australia is already well proven, so we are rolling it out with as little change as possible. For example, we transferred a senior ipac manager from Australia to head the business in Hong Kong
- We will review further roll-out once we have learnt from our experiences in these markets
- We believe that the other Asian markets will develop along similar lines to Australia
- We have also launched a multi-manager platform into the MPF market which is unique in Hong Kong



(1) Based on constant currency exchange rates as at 30 June 2006

# 10 most frequently asked questions

## 1% spread



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### 8. How achievable is the 1%/1.25% spread in Hong Kong?

- Individual participating life insurance policies with relatively high guarantees (compared to the current environment) have been the predominant product sold by all life insurance companies in Hong Kong during the 1980s and 1990s
- AXA closed its higher guaranteed products (NL series) to new business in 2000. All new products are either unit linked or carry low guarantees, ie. <1%
- The inforce block of higher guaranteed business carries an implicit guarantee of 4.25%. If the relatively high technical margin of approximately 1.25% is taken into account, AXA only has to earn 3.00% to preserve its capital position in relation to this block of business
- We now aim to make a 1.25% margin over the crediting rate to policyholders to reflect the cost of providing the guarantee and as part of our profit margin (previously 1%)
- We believe the 1.25% spread is achievable, based on a target return on target asset mix of 6.5%pa - the significant assumptions underlying the prospective long term investment returns are US Treasuries (5.2%), US corporate bonds (5.9%) and global equities (9.2%)

# 10 most frequently asked questions

## Investment Earnings



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### 9. How are you positioned for increased bond yields? How will this affect your ability to achieve the 1% / 1.25% spread?

- Higher yields are good news as they assist us in achieving our 1% / 1.25% spread target over the longer term
- There is an impact on the mark-to-market value of the bond portfolio due to rising yields. This would be a short term impact and over the longer term higher interest rates would assist in meeting our 1% / 1.25% spread target and recovering any under recovery in the past
- Whilst we actively manage over/under-recoveries, we will not depart from the long term broadly matched profile of the portfolio to the associated liabilities

# 10 most frequently asked questions

## Investment Earnings



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### **10. What are the conditions placed by the Australian Government on AXA SA's investment in AXA Asia Pacific Holdings?**

- AXA Asia Pacific will remain a separate entity headquartered in Australia
- The Chairman, and a majority of the Board of Directors, will be Australian citizens
- AXA SA cannot increase its 51% shareholding without the prior approval of the Government
- AXA SA must operate its Asian life insurance interests and pursue its Asia Pacific life insurance business strategy through AXA Asia Pacific

# AXA Asia Pacific Group

## Illustrative value of inforce - traditional basis



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### Illustrative Group value of inforce (ex MLC Hong Kong / Indonesia) up 8.4% to \$5.62bn <sup>1</sup>; up 15.0% to \$5.96bn including MLC

(A\$ million)	Risk discount rate					
	Equity return <sup>1</sup>			Equity return + 100 bps <sup>2</sup>		
12 months to	30 June 2006	31 Dec 2005	Change	30 June 2006	31 Dec 2005	Change
<b>Value of inforce</b>						
Australia and New Zealand	3,271	2,964	10.4%	3,117	2,818	10.6%
Hong Kong	2,346	2,142	9.5%	2,201	1,999	10.1%
Asia (ex Hong Kong) <sup>3</sup>	87	76	14.1%	87	76	14.1%
<b>Total value of inforce (before 2006 transfers to net worth and on constant FX) <sup>4</sup></b>	<b>5,704</b>	<b>5,182</b>	<b>10.1%</b>	<b>5,405</b>	<b>4,893</b>	<b>10.4%</b>
<b>Total value of inforce (before 2006 transfers to net worth and on actual FX)</b>	<b>5,618</b>	<b>5,182</b>	<b>8.4%</b>	<b>5,319</b>	<b>4,893</b>	<b>8.7%</b>
Ex MLC Hong Kong and Indonesia <sup>5</sup>	339			339		
<b>Total value of inforce (before 2006 transfers to net worth, on actual FX, after ex MLC)</b>	<b>5,957</b>	<b>5,182</b>	<b>15.0%</b>	<b>5,658</b>	<b>4,893</b>	<b>15.6%</b>
2006 transfers to Group net worth	(406)			(406)		
<b>Total value of inforce (after 2006 transfers to net worth and on actual FX)</b>	<b>5,551</b>	<b>5,182</b>		<b>5,252</b>	<b>4,893</b>	
Group Net Worth (GNW) <sup>6</sup>	1,198	1,411		1,198	1,411	
Shares owned by the Executive Share Plan eliminated in GNW <sup>7</sup>	132	134		132	134	
Group debt	(1,207)	(1,268)		(1,207)	(1,268)	
Capitalised corporate expenses <sup>8</sup>	(352)	(312)		(352)	(312)	
Capitalised value of Asia (ex HK) expense overruns <sup>9</sup>	(26)	(27)		(26)	(27)	
Interim dividend payment for 2006	131			131		

(1) Risk discount rate = 10.0% for A&NZ, 10.5% for HK

(2) Risk discount rate = 11.0% for A&NZ, 11.5% for HK

(3) Based on risk discount rates of 11% for Singapore and 16% – 20% for other Asian (ex HK) operations; the same in both illustrative values

(4) Based on A\$/HK\$ exchange rate of 5.69 at 31 December 2005

(5) Risk discount rate = 12.0% (HK) and 20.0% (Indonesia)

(6) Net of \$131m provision for interim 2006 dividend

(7) Value of shares owned by Executive Share Plan, which are eliminated under AIFRS accounting rules

(8) Excludes potential additional one-off corporate expenses of approx. \$26m over the next 18 months to support the establishment of new Asian businesses

(9) Value of expenses being in excess of assumed long term product expense loadings for Singapore, Thailand, Philippines and Indonesia, including \$4m for ex MLC Indonesia

# AXA Asia Pacific Group

## Illustrative value of new business - traditional basis



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### Illustrative Group value of new business (ex MLC Hong Kong / Indonesia) up 11.7% to \$298m <sup>1</sup>; up 17.7% to \$315m including MLC

(A\$ million)	Risk discount rate					
	Equity return <sup>1</sup>			Equity return + 100 bps <sup>2</sup>		
	30 June 2006	31 Dec 2005	Change	30 June 2006	31 Dec 2005	Change
<b>12 months to</b>						
<b>Australia &amp; New Zealand</b>						
Financial protection	23	22	4.0%	18	17	6.5%
Wealth management	109	92	18.5%	101	85	18.7%
<b>Total A&amp;NZ value of new business ("VNB")</b>	<b>132</b>	<b>114</b>	<b>16.0%</b>	<b>119</b>	<b>102</b>	<b>16.7%</b>
<b>Hong Kong</b>						
Financial protection	128	118	8.5%	119	110	8.7%
Wealth management	11	10	18.9%	10	8	23.7%
Health	5	5	(9.1)%	4	5	(9.5)%
<b>Total Hong Kong VNB <sup>3</sup></b>	<b>144</b>	<b>133</b>	<b>8.7%</b>	<b>133</b>	<b>123</b>	<b>9.0%</b>
Asia (ex Hong Kong) VNB <sup>4</sup>	23	21	14.1%	23	21	14.1%
<b>Total Group VNB on constant FX rates (ex MLC) <sup>5</sup></b>	<b>299</b>	<b>268</b>	<b>11.9%</b>	<b>275</b>	<b>246</b>	<b>12.3%</b>
<b>Total Group VNB on actual FX rates (ex MLC)</b>	<b>298</b>	<b>268</b>	<b>11.7%</b>	<b>274</b>	<b>246</b>	<b>12.1%</b>
Ex MLC Hong Kong and Indonesia <sup>6</sup>	17			17		
<b>Total Group VNB on actual FX rates</b>	<b>315</b>	<b>268</b>	<b>17.7%</b>	<b>291</b>	<b>246</b>	<b>18.2%</b>

(1) Risk discount rate = 10.0% for A&NZ, 10.5% for HK

(2) Risk discount rate = 11.0% for A&NZ, 11.5% for HK

(3) Excludes new development expenses related to new initiatives such as wealth management and bancassurance development. For the 12 months ended 30 June 2006, these were HK\$30m and have been deducted in Group net worth

(4) Group share; based on risk discount rates of 11% for Singapore and 16% - 20% for other Asian operations; the same in all illustrative values

(5) Based on A\$/HK\$ exchange rate of 5.69 at 31 December 2005

(6) Risk discount rate = 12.0% (HK) and 20.0% (Indonesia); and includes sales over the rolling 12 months to 31 March 2006

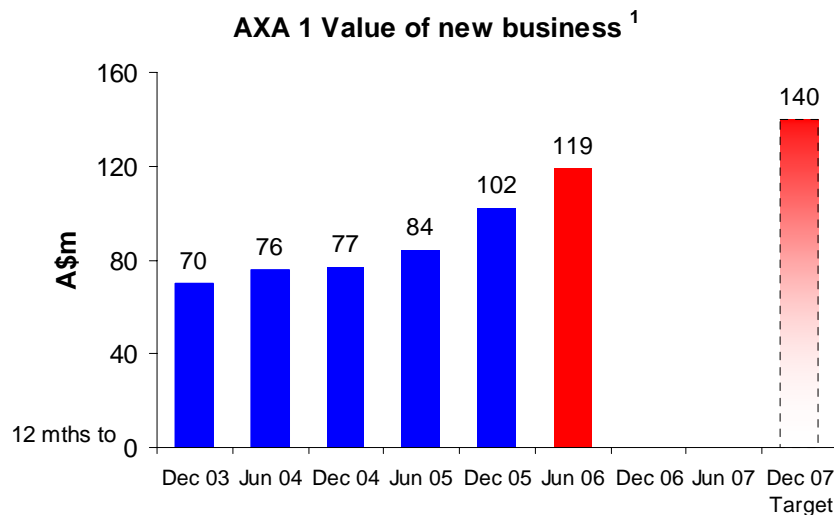
# Australia and New Zealand Progress towards AXA 6 goals on track



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## AXA 1 - Double the value of new business

Strong growth in VNB, up 16.7%  
since 31 December 2005



- Strong flows into platform, superannuation and investment products
- Continued cost to income ratio improvements

## Looking forward

- Growth in superannuation
- Increasing Generations, Summit and investment sales, leveraging strong AllianceBernstein and ipac multi-manager performance
- Penetration of SMSF market via AXcess
- Individual and group financial protection product enhancements in 2006
- Return to growth in New Zealand
- Further reductions in cost to income ratio

(1) Based on constant assumed risk discount rate of 11.0% as used from the start of AXA 6

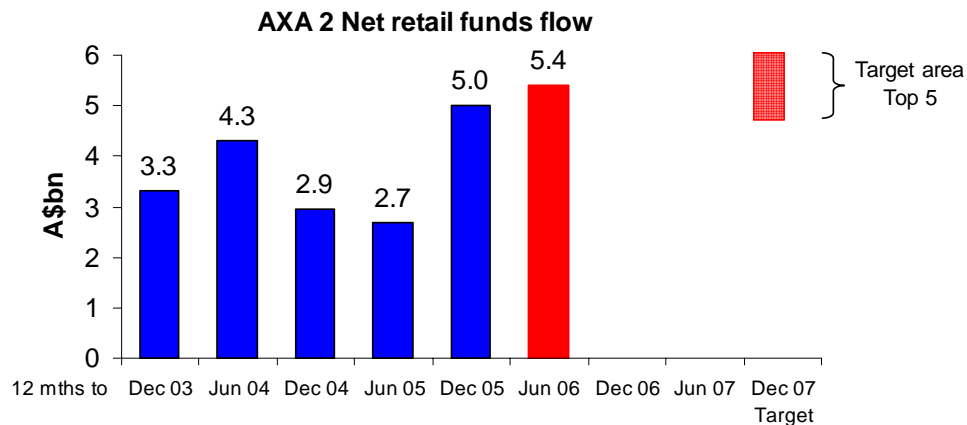
# Australia and New Zealand Progress towards AXA 6 goals on track



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## AXA 2 - Consistently in the top 5 for net retail funds flow

### In top 5



- Standard & Poor's <sup>1</sup> – 5th
- Plan for Life <sup>1</sup> – 3rd combined retail marketer and wholesale unitised view

### Looking forward

- Leveraging good investment performance from AllianceBernstein and ipac
  - further growth in global equities, particularly through retail channel
  - improving traction in Australian equity sales (Australian Equity Value achieved 5 star Morningstar rating)
- New fund opportunities, eg AXA Rosenberg Core Global Equities, Global Equity Blend

(1) Rankings for the 12 months ended 30 March 2006

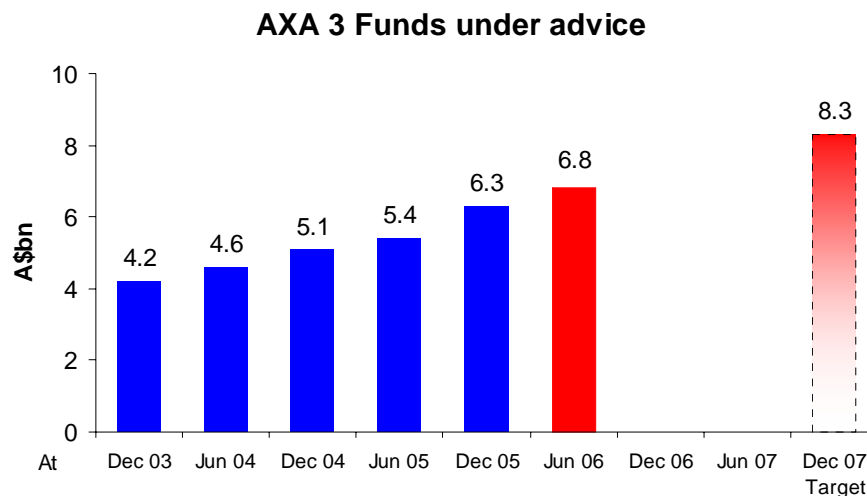
# Australia and New Zealand Progress towards AXA 6 goals on track



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## AXA 3 - Double funds under advice

Continued growth in funds under advice, up 8.8% since 31 December 2005



- Strong inflows up 23.3% to \$845.0m (2005 - \$685.2m)
- Transfer of \$220m from a new ipac equity partner

## Looking forward

- Acquisition of remaining 67% of Tynan Mackenzie
  - \$2.1bn funds under advice (\$1.5bn already managed by ipac)
  - 34 advisers
  - \$123.1m gross inflows in 1H06
- ipac organic growth initiatives, eg corporate lead generation programme
- Further equity partner acquisitions
- Spicers returning to growth
  - ‘finder-minder’ model
  - improved New Zealand market dynamics

# Australia and New Zealand Progress towards AXA 6 goals on track

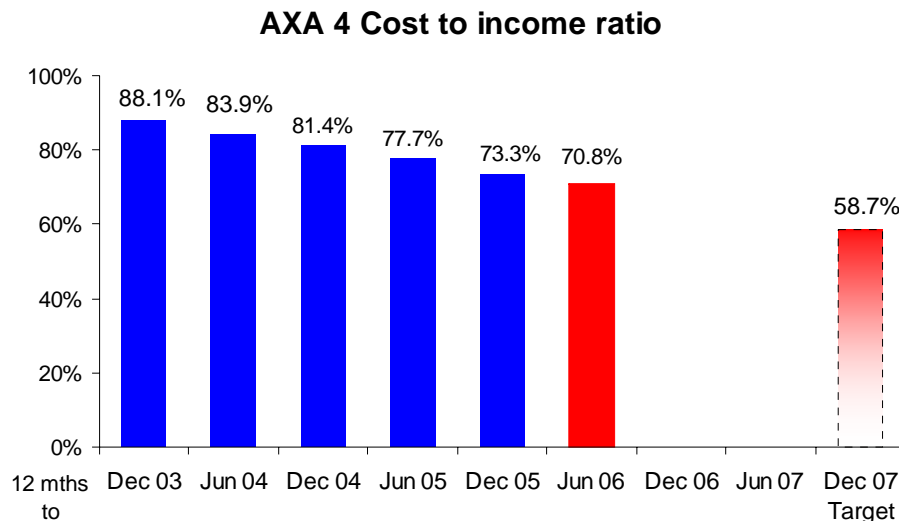


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## AXA 4 - Reduce cost to income ratio by one-third

250 bps reduction since 31  
December 2005

### Looking forward



- Continuation of strong income growth
- Product range and system rationalisation; reduced complexity
- Particular focus on our 'legacy' book
- Will exceed minimum scale target of \$10bn on single PAS technology platform during 2H06

- Strong growth in income due to strong net inflows and buoyant investment markets
- Continuing cost efficiency initiatives

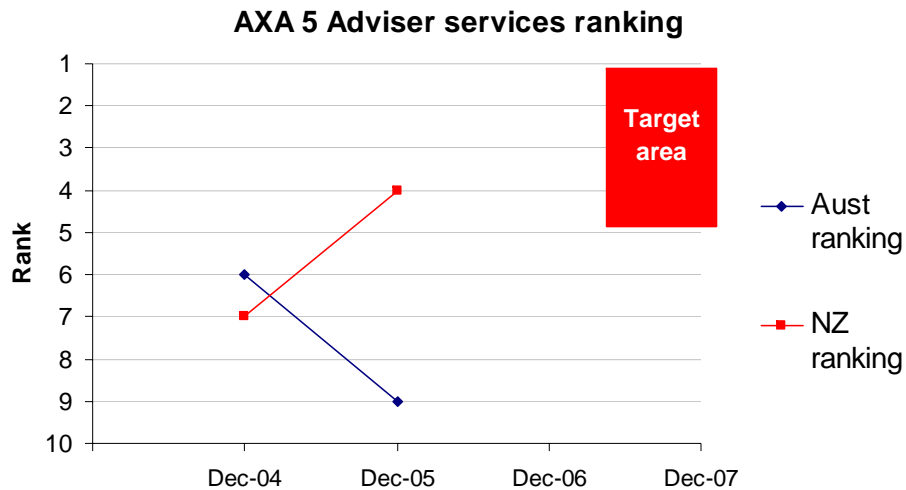
# Australia and New Zealand Progress towards AXA 6 goals



Be Life Confident

## AXA 5 - Consistently in the top 5 for service to advisers

### Mixed results



- WA Taylor survey for 2006 to be undertaken at end of the year

### Looking forward

- Focus on improving Summit service
  - additional staff to improve transaction turnaround
  - new transaction processing engine to improve scalability
- AXA GROW assisting aligned practices to manage business growth and succession
- Adviser retention / recruitment aided through new adviser terms in response to CLERP 9
- Advancing Business Change programme in New Zealand

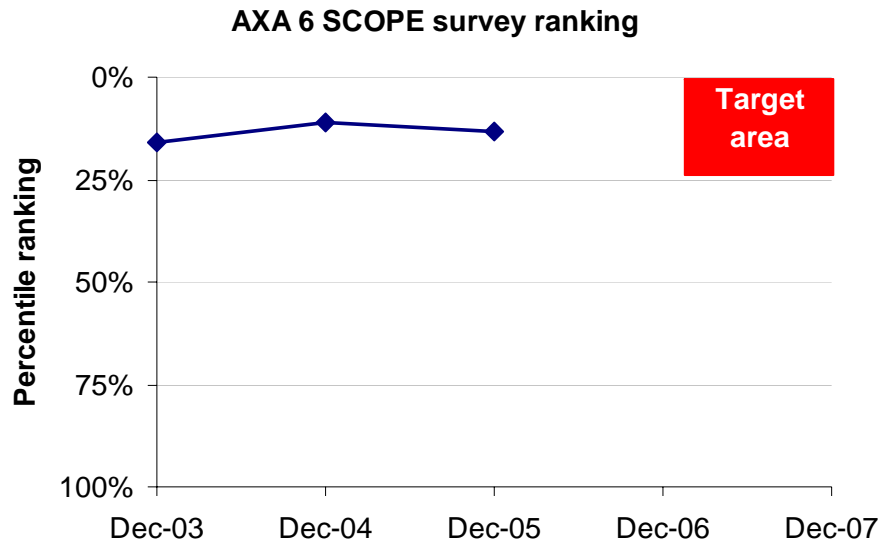
# Australia and New Zealand Progress towards AXA 6 goals on track



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## AXA 6 - Consistently in the top quartile in the global AXA Group SCOPE survey

Remained in top quartile



- Australia and New Zealand in top quartile in 2005
- 2006 survey conducted in Q4

# Asia

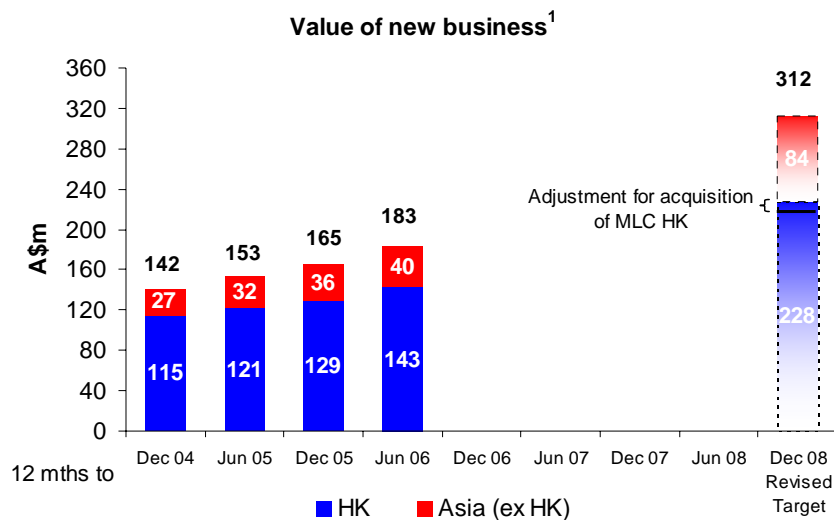
## Progress towards Asia 6 goals on track



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### Asia 1 - More than double the value of new business

Strong growth in VNB, up 10.9% to A\$183m



- Accelerating sales growth
- Profit margins remain highly attractive

### Looking forward

- Maintain focus on technical margins
  - investment margin
  - discontinuance rates
  - expense efficiencies

### Hong Kong

- Integration of ex MLC agents
- Broadened distribution
- Growth in wealth management

### Asia (ex Hong Kong)

- Further growth in bancassurance
- New products based on successful Hong Kong blueprints
- Integration of ex MLC Indonesia agents
- Contribution from India and Malaysia

(1) Illustrative only; 100% share; constant exchange rates at 31 December 2004; constant assumed risk discount rates (11% for HK, 11%-20% for Asia (ex HK), and 12.0% for ex MLC HK); ex MLC contribution only relates to period since 8 May

# Asia

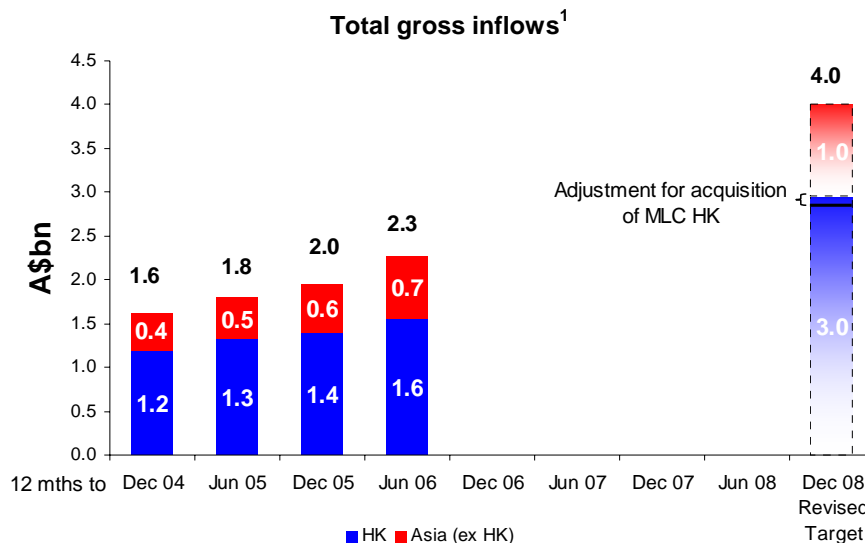
## Progress towards Asia 6 goals on track



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### Asia 2 - Grow total inflows 2.5 times

Solid growth in total gross inflows, up 15.0% to A\$2.3bn



- Exceptionally strong sales of multi-manager and 'Evolution'
- Strong unit linked single premiums from Asia (ex HK) bancassurance operations

### Looking forward

#### Hong Kong

- Growth in wealth management
- Product distribution agreements with banks
- Growth of the single premium investment market
- Increased market share in corporate and MPF segments through multi-manager offer

#### Asia (ex Hong Kong)

- Growth in ipac Financial Planning
- Further growth in bancassurance
- Contribution from India and Malaysia

(1) 100% share; constant exchange rates at 31 December 2004; ex MLC contribution only relates to period since 8 May

# Asia

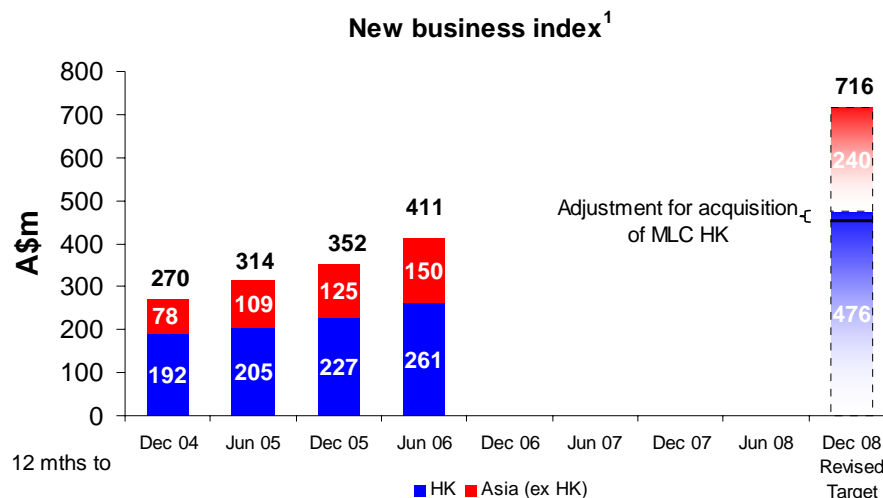
## Progress towards Asia 6 goals on track



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### Asia 3 - Grow new business index 2.5 times

Strong growth in new business index, up 16.8% to A\$411m



- Hong Kong broker sales growth through wealth management products
- Early progress on Hong Kong bancassurance
- Strong growth in Singapore and China

### Looking forward

#### Hong Kong

- Continuing growth in all channels
- Launch of distribution services offer - build on "Network" pilot
- Financial planning channel for salaried advisers
- Launch of second generation investment linked products

#### Asia (ex Hong Kong)

- Further growth in bancassurance
- New branches in China
- Contribution from India and Malaysia

(1) 100% share; constant exchange rates at 31 December 2004; ex MLC contribution only relates to period since 8 May

# Asia

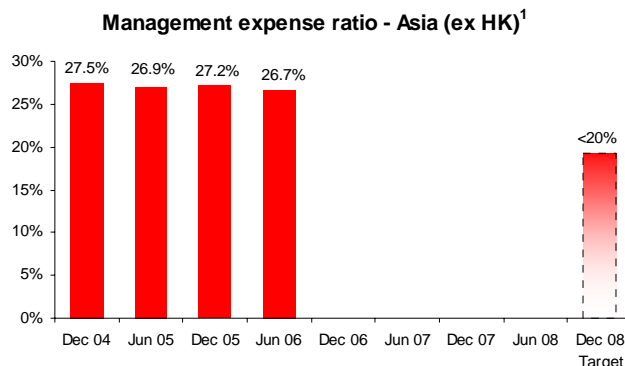
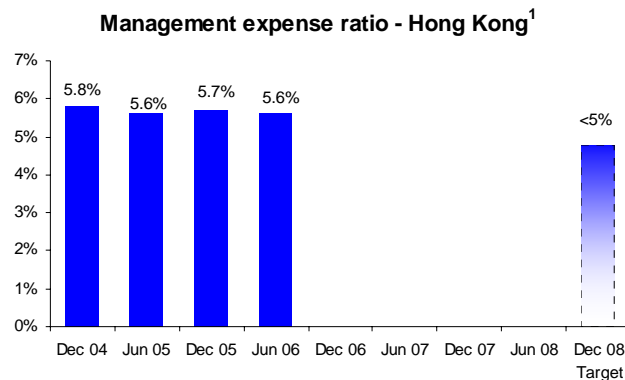
## Progress towards Asia 6 goals on track



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### Asia 4 - Reduce management expense ratios

#### Management expense ratios stable



- Hong Kong MER includes ex MLC expenses which will reduce after integration

#### Looking forward

- Strong volume growth
- Complete integration of ex MLC businesses in Hong Kong and Indonesia
- Benefits of single regional platform
- Growing scale in Asia (ex Hong Kong) operations
- Move of some support functions to India provides medium term efficiency opportunities

(1) Rolling 12 months; ex MLC contribution only relates to period since 8 May

# Asia

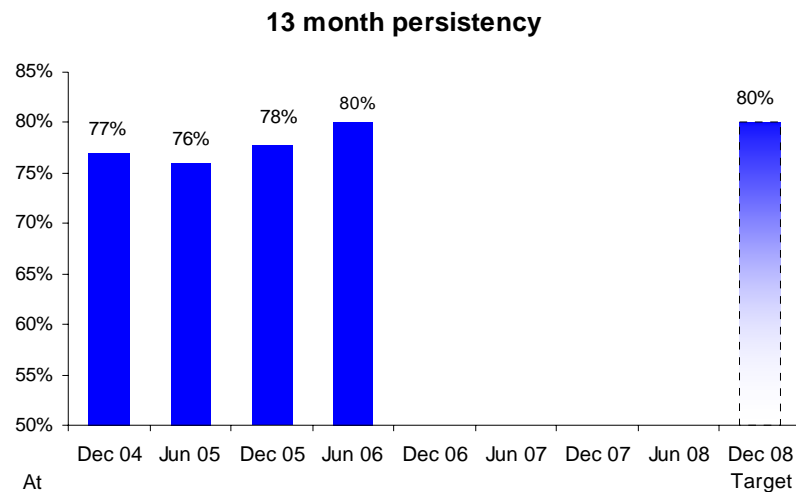
## Progress towards Asia 6 goals on track



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### Asia 5 - Improve 13 month persistency ratio to 80%

#### Persistency on track, up to 80%



- Persistency better than pricing assumptions
- During 2006, agency remuneration further geared towards persistency
- Successful customer retention programmes

#### Looking forward

##### Hong Kong

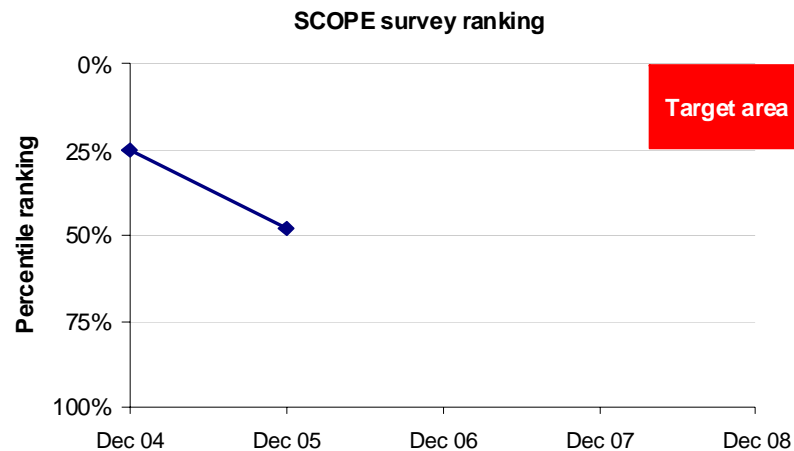
- Dedicated customer retention teams
- Extension of retention focus to ex MLC portfolios

##### Asia (ex Hong Kong)

- Continuing focus on
  - training and compliance
  - client communications
  - customer retention initiatives leveraging Hong Kong's proven capabilities
- Increasing benefits from Agency and Bancassurance Blueprints

## Asia 6 - Achieve top quartile SCOPE score for staff

### Result below target



- Ranked 2<sup>nd</sup> quartile in 2005
- 2006 survey conducted in Q4 2006

### Looking forward

- Significant strengthening of leadership teams providing depth and breadth of talent required for our 'accelerated growth' strategy
- Roll-out of pan-Asia learning and capability framework including leadership development programmes

# Disclaimer



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New York  
20 - 21 September 2006

AXA Asia Pacific Holdings Limited

Geoff Roberts, Group Chief Financial Officer  
Ronn Bechler, Group Manager Investor Relations



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