

AXA Asia Pacific Holdings Limited  
Results for the 12 months ended 31 December 2004

Les Owen, Group Chief Executive  
Geoff Roberts, Group Chief Financial Officer



21 February 2005

*Be Life Confident*

Good morning everybody and welcome to the presentation of our results for year ended 31 December 2004.

We believe that, once again, we have delivered a very strong set of results continuing the steady improvement over the last couple of years which are further evidence that our strengthened position is delivering healthy operating and financial performance.



## Today's agenda

- Overview Les Owen
- Full year results Geoff Roberts
- Review of activities Les Owen



I will start with a brief overview, Geoff Roberts will take you through the results in a little more detail, and I will finish with a review of our activities and prospects.

- Strong growth in Operating Earnings, up 18% to \$354.2m (12 months ended 31 December 2003 - \$300.8m)
  - Australia & NZ \$192.3m, up 31% (2003 - \$147.3m)
  - Hong Kong \$160.5m, up 2% (2003 - \$156.9m)
    - local currency HK\$921.9m, up 15% (2003 - HK\$800.3m)
- Investment Earnings \$260.7m, down 19% (2003 - \$322.1m)
  - Australia & NZ \$114.0m, up 152% (2003 - \$45.2m)
  - Hong Kong \$143.4m, down 48% (2003 - \$275.1m)
- Corporate and interest expense down 21% to \$67.7m (2003 - \$85.8m)
- Total profit after tax before non-recurring items up 2% to \$547.2m (2003 - \$537.1m)
- Group funds under management, administration and advice up 17% to \$61.2b (31 December 2003 - \$52.2b)



First, the Group highlights.

Operating earnings were up by 18% to \$354.2 million which we believe represents an excellent result.

Within this, operating earnings in Australia and in New Zealand increased 31% to \$192.3 million and in Hong Kong, operating earnings were up 2% to \$160.5 million.

In local currency, the Hong Kong operating earnings were up 15% to HK\$921.9 million.

Group investment earnings were \$260.7 million down 19% on 2003.

In Australia and New Zealand, investment earnings were up 152% to \$114 million and in Hong Kong were down 48% to \$143.4 million. In fact investment returns in Hong Kong have been good as Geoff will explain later, but you will recall that investment earnings in 2003 were particularly strong due to the recovery in global equity markets.

Corporate and interest expense reduced by 21% to \$67.7 million, leaving overall profit after tax and before non recurring items up 2% to \$547.2 million.

Group funds under management, administration and advice were up 17% to \$61.2 billion.

- Very strong growth in Operating Earnings
  - Wealth management products and platforms up 39% to \$94.8m (2003 - \$68.3m)
  - Advice businesses up 18% to \$26.8m (2003 - \$22.8m)
  - Financial protection up 26% to \$70.7m (2003 - \$56.2m)
- Net retail inflows of \$2.93b, maintaining Top 5 ranking for net retail funds flow (Plan for Life, ASSIRT <sup>1</sup>)
- Value of new business up 10% to \$76.7m (2003 - \$69.9m)
- Funds under management, administration and advice up 19% to \$52.5b (31 December 2003 - \$44.2b)
- Funds under advice up 22% to \$5.1b (31 December 2003 - \$4.2b)

(1) 12 months ended 30 September 2004



4

In Australia and New Zealand, all our major business lines – financial protection, wealth management products and platforms, and advice – posted very strong increases in operating earnings.

Although net retail funds flows were down a little on a very strong 2003 we have maintained a top 5 ranking in both the Plan for Life and Assirt surveys.

The value of new business increased 10% to \$76.7 million and funds under management administration and advice were up 19% to \$52.5 billion.

Our advice businesses performed well with funds under advice increasing 22% to \$5.1 billion.

- Strong growth in Operating Earnings, up 15% to HK\$921.9m (2003 - HK\$800.3m)
- New business index <sup>1</sup> up 14% to HK\$1,172.0m (2003 - HK\$1,032.1m)
- Value of new business up 18% to HK\$614.3m (2003 - HK\$518.8m)
- Net funds flow up 5% to HK\$3.9b (2003 - HK\$3.7b)
- Funds under management up 16% to HK\$46.3b <sup>2</sup> (31 December 2003 - HK\$40.1b)
- Illustrative enterprise value of HK\$24.3b <sup>3</sup> - exceeding over-arching M6 goal of increasing enterprise value by 55% to HK\$23b

*(1) New regular premiums plus 10% of single premiums*

*(2) Gross of HK\$1.5b dividends remitted to AXA APH in 2004*

*(3) Adjusted for dividends. Target originally set on basis of 8x VNB multiple, which has been consistently used throughout the period of M6 programme*



In Hong Kong, operating earnings increased 15% to HK\$921.9 million reflecting good operating performance as well as the benefits from the change in profit carriers we implemented last year for our participating business.

New business index – that is new regular premiums plus 10% of single premiums – increased 14% to HK\$1,172 million. Margins on new business remain strong with the value of new business up 18% to HK\$614 million.

Net funds flow was up 5% to HK\$3.9 billion and total funds under management were up 16% to HK\$46.3 billion.

The illustrative enterprise value, on a consistent basis to that which was used in 2001 to set the target, and adjusted for dividend paid over the period, was HK\$24.3 billion which exceeded our overarching M6 goal.

- New business index <sup>1</sup> for the region up 18% <sup>2</sup> to A\$82.5m <sup>3</sup> (2003 - A\$69.8m)
- Value of new business for the region up 59% <sup>2</sup> to A\$27.1m <sup>3</sup> (2003 - A\$17.0m)
- Total premium income for the region up 37% <sup>2</sup> to A\$455.4m <sup>3</sup> (2003 - A\$332.9m)
- Funds under management up 23% <sup>2</sup> to A\$1.4b <sup>3</sup> (2003 - A\$1.1b)
- Very encouraging first year of joint venture with Bank Mandiri in Indonesia
- Granted preparatory licence for Beijing office, and group business and provincial licences

(1) New regular premiums plus 10% of single premiums  
(2) Constant currency basis at average exchange rates over the period  
(3) 100% share



6

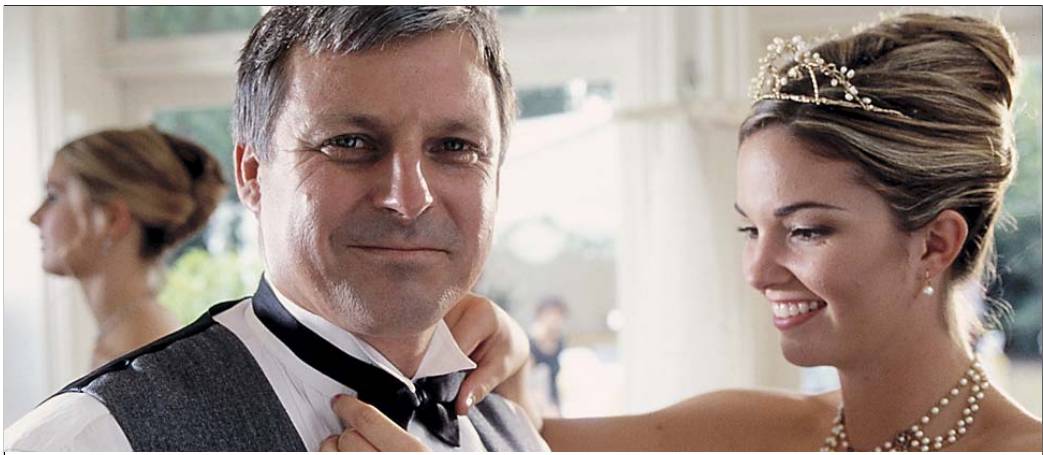
And finally the highlights in China and South East Asia.

Although still a small part of our overall operations we are seeing encouraging growth and, in particular, strong growth in value. On a 100% share basis and constant currency basis, new business index for the region was up 18% to \$82.5 million and the value of new business was up 59% to A\$27.1 million.

Total premium income for the region was up 37% to \$455.4 million and total funds under management were up 23% to \$1.4 billion.

We had a very encouraging first year with our joint venture with Bank Mandiri in Indonesia, and in China we have recently been granted preparatory licenses for Beijing, a Group business license and a provincial license which enables us to expand to Guangdong province.

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



AXA Asia Pacific Holdings Limited  
Results for the 12 months ended 31 December 2004

Geoff Roberts, Group Chief Financial Officer



*Be Life Confident*

(A\$ million)

<b>12 months to 31 December</b>	<b>2004</b>	<b>2003</b>	<b>Change</b>
Australia & New Zealand	192.3	147.3	31%
Hong Kong	160.5	156.9	2% <sup>1</sup>
Singapore	1.4	(3.4)	-
<b>Operating Earnings</b>	<b>354.2</b>	<b>300.8</b>	<b>18%</b>
Investment Earnings	260.7	322.1	(19)%
Corporate expenses	(42.8)	(42.0)	(2)%
Interest expense	(24.9)	(43.8)	43%
<b>Profit after tax and before non-recurring items</b>	<b>547.2</b>	<b>537.1</b>	<b>2%</b>
Divested business – Health <sup>2</sup>	-	9.8	-
Non-recurring items <sup>3</sup>	(7.5)	379.1	-
<b>Profit after tax and non-recurring items</b>	<b>539.7</b>	<b>926.0</b>	<b>(42)%</b>

(1) Up 15% in local currency

(2) The sale of AXA Health was completed on 28 February 2003

(3) Key items were: 2004 - one-off costs relating to approach by AXA SA to acquire the minority interests; 2003 - profit on sale of Health



8

Thanks Les and good morning.

I am pleased to have the opportunity to be able to report another strong set of results and in particular very strong Operating Earnings .

Operating earnings are \$354.2m up 18% from last year.

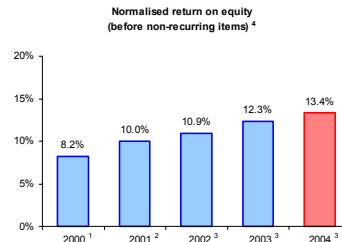
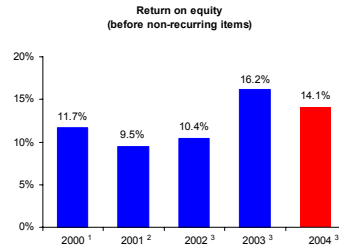
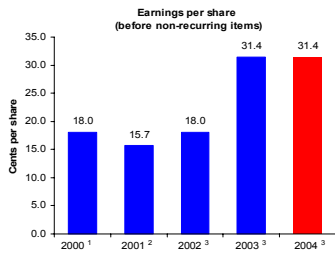
Operating Earnings increased by 31% in Australia and New Zealand to \$192.3 million and by 2% in Hong Kong to \$160.5 million. On a local currency basis this is a 15% increase. A very good performance from both of our major businesses.

Investment earnings were strong at \$260.7m. The decrease from the prior year was mainly due very high returns on international equities in 2003.

Corporate expenses have remained constant. Overall expenses included within operating earnings have also remained broadly constant.

Our interest expense on our \$US denominated debt reduced by 43% to \$24.9m. This improvement is mainly due to favourable interest rate differentials on our cross currency swaps and the appreciation of the Australian dollar.

Our total profit after tax and non-recurring items is \$539.7m. When non-recurring profits and the effect of the very high international equity returns last year are excluded, you see a very solid underlying Operating Earnings growth.



- (1) 12 months ended 30 September (audited)  
 (2) 12 months ended 31 December (restated, but not audited)  
 (3) 12 months ended 31 December (audited)  
 (4) Calculated after deducting Health Operating Earnings (2003: \$9.8m, 2002: \$43.1m, 2001: \$82.0m), and replacing Investment Earnings with "normalised Investment Earnings" of \$229m (2004), \$193m (2003), \$171m (2002), \$163m (2001) and \$147m (2000)



Earnings per share before non-recurring items is 31.4 cents, similar to 2003.

Return on equity is 14.1%.

Both earnings per share and return on equity are affected by the volatile investment earnings.

When we exclude the sold Health business's Operating Earnings from 2003, and include normalised Investment Earnings in the calculation, earnings per share would be up 26% to 29.6 cents and return on equity up 110 basis points to 13.4%.

**Total dividend up 15% to 11.75 cents per share**

	<b>Interim dividend</b>	<b>Franking</b>	<b>Final dividend</b>	<b>Franking</b>	<b>Total dividend</b>
<b>2000</b> <sup>1</sup>	4.50c	60%	5.00c	30%	9.50c
<b>2001</b> <sup>2</sup>	4.75c	0%	7.50c	100%	12.25c
<b>2002</b> <sup>3</sup>	4.75c	60%	5.00c	60%	9.75c
<b>2003</b> <sup>3</sup>	4.75c	60%	5.50c	20%	10.25c
<b>2004</b> <sup>3</sup>	5.25c	15%	6.50c	30%	11.75c

*(1) 12 months ended 30 September*

*(2) 15 months ended 31 December*

*(3) 12 months ended 31 December*

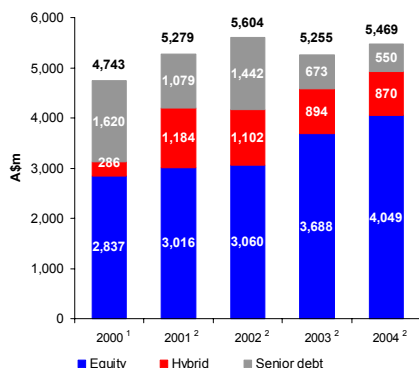


The Board has declared a final dividend for 2004 of 6.50 cents per share, up 18% on the final dividend for 2003.

This final dividend will be franked to a level of 30%.

This brings the total dividend to 11.75 cents per share, up 15% for the year.

**Strong balance sheet - gearing ratios below target range**



**Gearing ratios**

As at 31 December	2004	2003	2002	2001	2000
(Debt+hybrid)/equity	35%	42%	83%	75%	67%
Debt/capital resources	10%	13%	26%	20%	32%
<b>Insurer financial strength rating</b>	<b>AA-/AA<sup>1</sup></b>				

- New gearing policy - primary ratio of total debt (debt + hybrid) to equity to be maintained in target range of 40%-50%
- Change in policy to a more widely used and well understood measure

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

(1) As at 30 September  
(2) As at 31 December



(1) S&P / Fitch respectively

Over the course of the year, our capital position further strengthened.

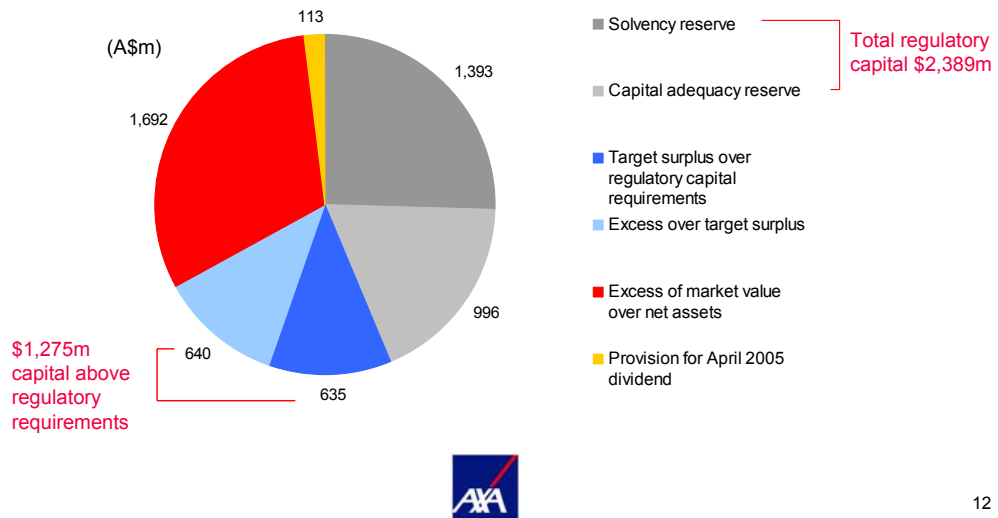
Since December 2003 our debt to equity ratio has reduced from 42% to 35%. Debt has decreased due to a \$100m repayment of debt and a \$47m foreign currency gain on our \$US denominated debt. Equity has increased due to the retention of profits in excess of dividends.

Our primary gearing ratio has changed from debt over capital resources, to total debt (debt and hybrid) over equity. This change was to align to a more widely used and well understood measure of financial leverage both within our industry and in the financial community.

Our gearing policy is to maintain total debt to equity within a range of 40-50%. With the transition to IFRS this year and our consequent reduction in equity we will move to within the low end of our target policy range.

At 31 December 2004, we had total capital resources of \$5.46bn. This comprises \$4.05bn of ordinary equity, up \$362 million from last year, \$870 million of hybrid debt, and \$550 million of senior debt.

**Total capital of \$5,469 million - capital position very strong**



A few more comments on our strong capital position.

Our total regulatory capital requirement at 31 December 2004 is \$2.39bn, representing \$1.39bn for our solvency requirement and \$996m for capital adequacy.

In addition to this regulatory capital, \$1.69bn of our capital resources represents the excess of market value over net assets of subsidiary companies.

Target surplus has increased by \$20m to \$635m at 31 December 2004 to reflect volume and currency movements.

The excess capital above target surplus has increased \$372m since December 2003 to \$640m. This increase reflects profits less dividends. It also reflects foreign exchange movements and capital efficiency initiatives that have reduced required regulatory capital.

With respect to this capital above target surplus, the following factors are relevant:

- in buoyant market conditions it is natural to have excess capital
- some of this capital will be absorbed on transition to IFRS
- uncertainty on whether APRA, in response to IFRS, will change regulatory capital requirements after 1 July 2005 remains and, of course,
- we are actively looking for growth in Asia.

In summary we are holding \$1,275m above regulatory capital requirements, a very strong position.

### Illustrative Group value of inforce up 17% (before transfers to net worth and on constant FX rates)

(A\$ million)	Risk discount rate			Risk discount rate		
	Equity return + 100 bps <sup>1</sup>			Equity return <sup>2</sup>		
At 31 December	2004	2003	Change	2004	2003	Change
<b>Value of inforce</b>						
Australia and New Zealand	2,957	2,560	16%	3,102	2,688	15%
Hong Kong	2,207	1,843	20%	2,328	1,969	18%
South East Asia	33	26	27%	33	28	18%
<b>Total value of inforce (before 2004 transfers to net worth and on constant FX) <sup>3</sup></b>	<b>5,197</b>	<b>4,429</b>	<b>17%</b>	<b>5,463</b>	<b>4,683</b>	<b>17%</b>
<b>Total value of inforce (before 2004 transfers to net worth and on actual FX)</b>	<b>5,131</b>	<b>4,429</b>	<b>16%</b>	<b>5,391</b>	<b>4,683</b>	<b>15%</b>
2004 transfers to Group net worth	(678)			(678)		
<b>Total value of inforce (after 2004 transfers to net worth and on actual FX)</b>	<b>4,453</b>	<b>4,429</b>		<b>4,713</b>	<b>4,683</b>	
Group net worth	1,275	883		1,275	883	
Debt	(1,420)	(1,606)		(1,420)	(1,606)	
Capitalised corporate expenses	(312)	(312)		(312)	(312)	
Total dividend payments for 2004	204			204		

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

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

(3) Based on A\$/US\$ exchange rate at 31 December 2003



13

Turning now to our illustrative value numbers.

We have moved from providing an illustrative value per share to providing the same amount of information but in the form of an inforce value and, separately, the value of new business.

Illustrative enterprise value represents inforce value plus a multiple applied to the value of one year's new business, plus group net worth, less debt and corporate expenses. In our view it is the most robust measure of performance for the year. In particular, the increase in inforce value and the increase in the value of new business are the most meaningful measures of shareholder value creation.

Total illustrative inforce value using discount rates of 11% for Australia and New Zealand and 11.5% for Hong Kong, before distributions to group net worth, has increased by 16% over the year or 17% on a constant currency basis.

This illustrative inforce value has increased by in excess of the discount rate due to:

- strong investment experience on assets backing the inforce portfolio
- strong persistency experience in Hong Kong, and
- profitable new business written during the year

Group net worth net of debt has increased by \$578m. Once distributions from the value of inforce of \$678m are excluded and dividends to shareholders for the year of \$204m are added back, the increase in value is \$104m. This \$104m represents the fact that our investment return on assets backing net worth exceeded our cost of debt of 2.8%.

As you can see, a very strong growth in value.

**Illustrative Group value of new business up 15%<sup>1</sup> - 20%<sup>2</sup> (on constant FX rates)**

(A\$ million) At 31 December	Risk discount rate			Risk discount rate		
	Equity return + 100 bps <sup>1</sup>			Equity return <sup>2</sup>		
	2004	2003	Change	2004	2003	Change
<b>Australia &amp; New Zealand</b>						
Financial protection	12	15		16	18	
Wealth management	65	55		73	59	
<b>Total A&amp;NZ value of new business ("VNB")</b>	<b>77</b>	<b>70</b>	<b>10%</b>	<b>89</b>	<b>77</b>	<b>16%</b>
<b>Hong Kong</b>						
Financial protection	89	77		95	80	
Wealth management	6	2		8	2	
Health	6	10		6	10	
<b>Total Hong Kong VNB</b>	<b>101</b>	<b>89</b>	<b>13%</b>	<b>109</b>	<b>92</b>	<b>18%</b>
South East Asia VNB	14	11	27%	14	11	27%
<b>Total Group VNB</b>	<b>192</b>	<b>170</b>	<b>13%</b>	<b>212</b>	<b>180</b>	<b>18%</b>
Group VNB on constant FX rates <sup>3</sup>	196		15%	216		20%

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

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

(3) At 31 December 2004



Value of new business represents the value created from new business written during 2004.

At constant exchange rates, our Group value of new business is up by 15-20%; dependent on discount rate used.

Our Australia and New Zealand business is up 10%-16% primarily due to growth in the advice and unit trust businesses.

Our Hong Kong business is up 11%-18% in \$A (18%-23% in \$HK) due to tactical repricing and the alignment of our agent compensation to the sales of more profitable products.

Our South East Asian businesses have grown 27% in \$A and 35% in constant currency terms mainly due to strong sales growth in the Philippines and Indonesia.

# Australia and New Zealand Profit after tax

(A\$ million)

<b>12 months to 31 December</b>	<b>2004</b>	<b>2003</b>	<b>Change</b>
Wealth management products and platforms	94.8	68.3	39%
Advice	26.8	22.8	18%
<b>Total Wealth management</b>	<b>121.6</b>	<b>91.1</b>	<b>33%</b>
Financial protection	70.7	56.2	26%
<b>Operating Earnings</b>	<b>192.3</b>	<b>147.3</b>	<b>31%</b>
Investment Earnings	114.0	45.2	152%
<b>Profit after tax and before non-recurring items</b>	<b>306.3</b>	<b>192.5</b>	<b>59%</b>



15

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

Encouragingly we saw growth in profit from all major product groups.

Wealth management products grew 39% to \$94.8m due to positive net funds flow increasing fees from funds under management, together with abnormally high investment profits on our annuity products.

Advice grew 18% to \$26.8m due to a combination of positive net funds flow and the rebound of Australian equity markets which has driven funds under management and advice balances higher, and generated additional fee revenue.

Financial protection grew 26% to \$70.7m driven in part by improved claims and lapse experience on our Australian individual life products.

Reductions in expenses over the last four years have also underpinned improved profits.

Investment earnings have increased by 152% primarily as a result of:

- the domestic equity market increasing by 27.9%
- a 31 basis point decrease in the bond market compared with last year's 43 basis point increase and
- a foreign exchange gain from the strengthening of the NZ dollar compared to a loss in the previous year

# Australia and New Zealand New business / gross inflows

(A\$ million)	2004	2003	Change
<b>12 months to 31 December</b>			
<b>Wealth management (gross inflows)</b>			
Superannuation	2,402.5	2,229.9	8%
Retirement income	689.9	697.4	(1)%
Investment products	2,866.7	2,218.7	29%
ACM retail mandates	2,186.8	2,352.8	(7)%
Cash management trusts	81.3	254.5	(68)%
<b>Total retail flows</b>	<b>8,227.2</b>	<b>7,753.3</b>	<b>6%</b>
ACM wholesale mandates	4,017.9	2,761.0	46%
<b>Total</b>	<b>12,245.1</b>	<b>10,514.3</b>	<b>16%</b>
Included in the above:			
Platforms	2,361.1	1,812.5	30%
Advice	1,192.0	920.3	30%
<b>Financial protection (new annual premiums)</b>			
Individual life	48.4	45.2	7%
Individual income protection	22.5	23.0	(2)%
Group insurance	26.2	23.8	10%
Long term risk	3.2	3.9	(17)%
<b>Total</b>	<b>100.3</b>	<b>95.8</b>	<b>5%</b>



16

Turning now to our strong growth in gross inflows and new annual premiums. This is not new information as we released these new business results to the market last month.

In summary, we had a 16% increase in total inflows.

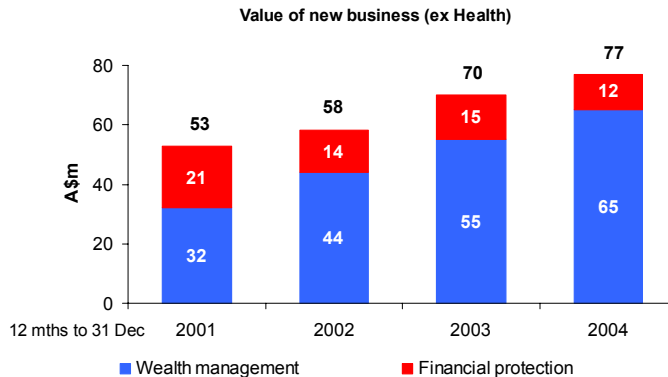
Investment product flows increased markedly due to strong sales from the Australian Monthly Income Fund and our International Equity Funds.

Institutional inflows also increased substantially due to increasing demand for international equity mandates from corporate and government superannuation clients.

Encouragingly, our flows into our platforms and advice businesses both increased by 30%.

With respect to financial protection, we had a 5% increase in new annual premiums in our individual life business.

## Value of new business up 10% to \$77m



We have had an encouraging start to our Australia and New Zealand AXA 1 goal of doubling the value of new business. The value of new business has increased by 10% to \$77m.

Our wealth management business has grown by 18%, driven by flows into Summit & ipac, together with strong institutional flows into our Alliance Capital joint venture.

The value of new business for financial protection reduced from last year. In August we made a number of pricing changes and other improvements which we believe will lead to higher future new business growth in the longer term. However, in the short term, new business volumes have not been sufficient to offset these product and price changes.

(HK\$ million)

12 months to 31 December	2004	2003	Change
Operating Earnings	921.9	800.3	15%
Investment Earnings	823.7	1,402.7	(41)%
<b>Profit after tax and before non-recurring items</b>	<b>1,745.6</b>	<b>2,203.0</b>	<b>(21)%</b>

(A\$ million)

12 months to 31 December	2004	2003	Change
Operating Earnings	160.5	156.9	2%
Investment Earnings	143.4	275.1	(48)%
<b>Profit after tax and before non-recurring items</b>	<b>303.9</b>	<b>432.0</b>	<b>(30)%</b>



Now turning to Hong Kong.

Underlying our result is a 15% improvement in Operating Earnings to HK\$921.9m.

As stated last year we also introduced a change in the profit carrier for the participating life business which had a positive impact of around HK\$42m this period. Excluding this, Operating Earnings are up 10% primarily due to improvements in persistency and mortality.

Investment earnings in 2004 were strong at HK\$823.7m but still down considerably from 2003. The major reason for this decrease is due to last year's very strong global equity market returns with the key MSCI World Index returning 33.8% compared to a lower but still strong 15.2% return this year.

### Investment margin on NL series well in excess of 1% target

<b>Earning rates for assets supporting policy liabilities</b>	<b>%</b>
Investment income	4.4
Capital gain on fixed interest portfolio	0.1
Capital gain on equities and property	4.1
<b>Sub-total</b>	<b>8.6</b>
Credited to policyholders	(4.6)
<b>Investment margin</b>	<b>4.0</b>

- Asset share on NL participating business now broadly in line with policyholder liabilities (allowing for the impact on bond values of a rise in the US 10 year Treasury rate to our assumed long term rate of 5.2%)



Our Hong Kong investment margin:

The continued strong investment performance in 2004 meant that we achieved our long term target return of a 1% margin on participating life business. In fact the investment margin, that is the total return less amounts credited to policyholders, is 4%.

Consequently, we have a surplus in our active dividend management account at 31 December 2004. That is, we have earned more than we have credited. However, our long term asset model assumes US 10-year bond rates are higher than at 31 December. Therefore, on an economic basis, when we allow for the impact on bond values of a rise in our long term US bond rate to 5.2%, we will broadly be in line with policyholder liabilities.

It is also worth mentioning that in the capital slide I put up earlier we have already provided for US 10 year bond rates at our long term assumed rate of 5.2%. This means our surplus above regulatory capital will not be materially impacted by an increase in these 10 year bond rates.

This business remains very profitable for us and we are confident that our target of a 1% margin on investment returns will continue to be achievable.

(HK\$ million)			
12 months to 31 December	2004	2003	Change
<b>New regular premiums</b>			
Individual life (non-linked)	592.2	582.7	2%
Individual life (unit linked)	234.3	226.2	4%
<b>Total individual life</b>	<b>826.5</b>	<b>808.9</b>	<b>2%</b>
Group retirement (incl MPF)	107.3	40.1	168%
Group risk	75.6	32.8	130%
<b>Total</b>	<b>1,009.4</b>	<b>881.7</b>	<b>15%</b>
<b>Single premiums</b>			
Individual life	217.3	119.6	82%
Group retirement	258.6	328.1	(21)%
<b>Total</b>	<b>475.9</b>	<b>447.7</b>	<b>6%</b>
Total life new business index <sup>1</sup>	1,057.0	926.5	14%
General insurance <sup>2</sup>	115.0	105.5	9%
<b>Total new business index</b>	<b>1,172.0</b>	<b>1,032.0</b>	<b>14%</b>

(1) New regular premiums plus 10% single premiums

(2) Gross written premium



As announced in our new business release last month, new business in Hong Kong showed good growth compared to last year.

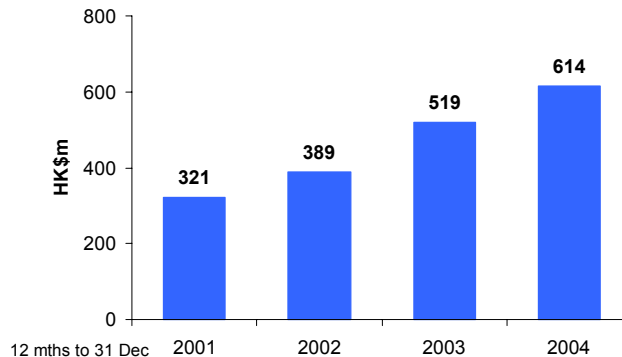
The new business index, which includes regular premiums and 10% of single premiums, was up 14% to HK\$1,172m.

Individual life regular premium sales continued to grow, up 2%, whilst individual life single premium business grew 82% due partly to the launch of our new single premium endowment plan last year and more favourable investment markets.

Our unit linked product sales as a percentage of total sales remains one of the highest in Hong Kong.

Regular premium retirement business was up 168% due to the broadening of our distribution channels and some success in the broker channel.

**Value of new business up 18% to HK\$614m**



This sales performance has flowed through into the value of new business. New business is up 18% to HK\$614m.

Our value of new business has increased at a faster rate than sales due to focussed profitability initiatives including:

- tactical repricing, and
- stronger alignment under the Hong Kong Agency Blueprint of agent compensation with the sales of more profitable products.

**New business index <sup>1</sup> for the region up 18%**

<b>(million)</b>			
<b>12 months to 31 December</b>	<b>2004</b>	<b>2003</b>	<b>Change</b>
Indonesia (Rupiah)	158,619.4	66,979.2	137%
Singapore (Sing\$)	23.1	20.3	14%
Philippines (Peso)	633.9	583.9	9%
China (Rmb)	39.9	46.1	(13)%
Thailand (Baht)	541.4	645.8	(16)%
<b>Total (AUD) <sup>2</sup></b>	<b>82.5</b>	<b>69.8</b>	<b>18%</b>

*(1) New regular premiums plus 10% single premiums*

*(2) On constant currency basis at average exchange rates over the period, representing 100% share of the businesses*



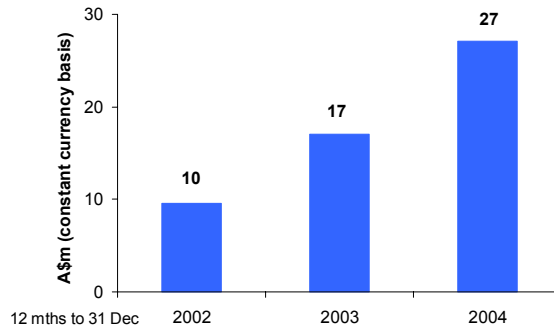
Finally a few words on our other Asian businesses.

The new business index on a 100% share basis and constant currency basis, increased 18% to A\$82.5m.

New business increased strongly in Indonesia, Singapore and the Philippines. It reduced in China and Thailand.

Our bank assurance joint venture in Indonesia has made a very encouraging start contributing to the growth in the new business index of 137%. This has moved AXA's business in Indonesia to number three in new business market share.

**Product repositioning and growth in bank distribution driving strong new business value**



*Note: On constant currency basis as at 31 December 2004, representing 100% share of the businesses*



Across the region, there has been an increased focus on improving product profitability, with initiatives such as re-pricing, changes to contract terms and conditions and the introduction of unit-linked products in the Philippines, China and Indonesia, all taking place in late 2003 and early 2004.

This, combined with the strong growth in Indonesia with Bank Mandiri, has led to the value of new business increasing by 59% to \$27m over the year on a constant currency basis.

AXA's group share of this value of new business at current rates is \$14m representing 7% of the Group's total value of new business.

- Australia has adopted IFRS from 1 January 2005
- Because of significant differences in US / Europe, IFRS will not achieve its objective of global transparency / comparability
- We will report on the Australian version of IFRS (“AIFRS”) basis at 30 June 2005 and 31 December 2005 (with restated 2004 comparatives)
- Indicative guidance:
  - AIFRS shareholders’ equity approx. \$730m lower than AGAAP at 31 December 2004
    - Internally generated goodwill being written off (-\$460m)
    - Reserving for policy liabilities at risk free rate (-\$170m)
    - Consolidation of Executive Share Plan (-\$130m)
    - Superannuation plan liabilities discounted at risk free rate (-\$120m)
    - Associated tax impacts (+\$150m)

*Note: Actual comparative balance sheet impacts may differ from those outlined above. Information has been provided as an indicative guide only*



Now a few words on International Financial Reporting Standards.

We will prepare financial statements in accordance with IFRS from 1 January 2005 and include restated 2004 comparatives. Any adjustments will be made against opening retained earnings at 1 January 2004.

Disappointingly, the introduction of IFRS has not achieved its prime objective of global comparability. In fact, ridiculously, we have to prepare accounts under 5 different methodologies in 2005.

The disclosure we are providing today is indicative only and is subject to changes in standards and interpretations.

However, consistent with our philosophy of leading the market in transparency, we provide the following information:

At December 2004, shareholders’ equity may decrease by approximately \$730m. The larger items include:

- the derecognition of internally generated goodwill of approximately \$460m
- an increase in policy liabilities which are now discounted at a risk free rate of approximately \$170m
- Ridiculously, under IFRS, although we buy shares on the market to match our liability under the Executive Share Plan, we have to eliminate approximately \$130m of equity arising on the consolidation of our Executive Share Plan Trust
- adjustments of \$120m to account for our fully funded defined benefit superannuation plan as liabilities are now discounted at a risk free rate
- offset partially by positive associated tax impacts of \$150m.

This is not a bad story for AXA. Why?

- the market clearly understands the internally generated goodwill adjustment
- future profits on the in-force book are likely to increase. With no change to future cash flows, the addition to liabilities booked against opening retained earnings will increase profits in future years
- the consolidation of the share plan comes at no economic cost to AXA
- our gearing ratio will remain strong at 42%.

- 2004 AIFRS Operating Earnings approx. \$7m (2%) higher than AGAAP, excluding market movement impacts that may be non-recurring in nature
  - stronger reserving basis for “investment” products (-\$3m)
  - potential increase in volatility of Operating Earnings
  - increased allocation of investment assets to back higher policy liabilities (+\$10m)
- 2004 AIFRS Investment Earnings, which like AGAAP are volatile in nature, are expected to be approximately \$28m (11%) lower than AGAAP
  - reduced allocation of investment assets (-\$10m)
  - foreign exchange gain from translation of NZ branch recorded directly in reserves (-\$8m)
  - unrealised gains on owner occupied property in HK recorded directly in reserves (-\$12m)
  - change in timing of release of subsidiary profits (+\$2m)
- Additional non-economic expenses are expected to be recorded under AIFRS for the share plan (-\$7m) and the change in the superannuation plan liability (-\$3m)

*Note: Actual comparative profit and loss impacts may differ from those outlined above. Information has been provided as an indicative guide only*



The effect on recurring operating earnings is not likely to be significant.

Leaving aside market movements in 2004 like the 31 basis point decrease in the Australian risk free bond rate, operating earnings may increase slightly due to investment earnings on the larger amount of assets allocated to back increased policy liabilities. This will be offset by correspondingly decreased investment earnings on assets backing shareholder capital. The IFRS requirement to value certain policy liabilities at a risk free rate will potentially increase the volatility of operating earnings for the industry in the future.

Investment returns should be marginally less volatile as items such as gains on owner occupied property and foreign exchange gains will go directly to reserves, not through profit. In 2004, as a result of market and exchange movements, this reduces IFRS investment earnings.

A frustrating IFRS effect is the increased expense of the share plan but debate on this topic by many industry participants is continuing.

## **Excellent financial performance across all areas of our business**

- Strong growth in Operating Earnings in both Australia/New Zealand and Hong Kong
- Continued growth in value of new business for Australia/New Zealand and Hong Kong
- Strong growth in value of new business for South East Asia
- Full year dividend up 15%
- Strong capital position



So, in summary, we have strong growth in operating earnings in Australia, New Zealand and Hong Kong.

We have also continued our growth in value of new business in these markets.

Clearly, our transformation programs have delivered a positive impact on our bottom line.

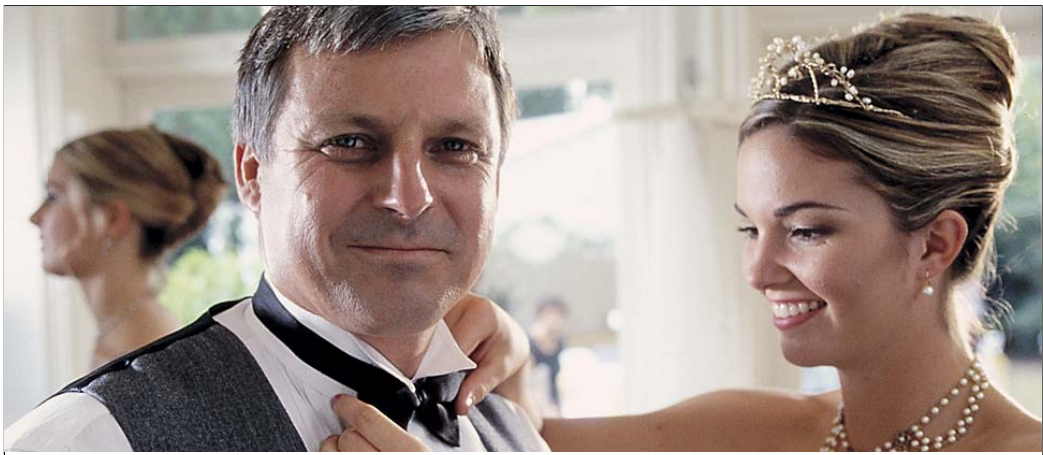
We are seeing early signs of positive growth in the value of new business in our South East Asian businesses and

We have increased the full year dividend by 15%.

At the same time as strengthening our operating performance, our already strong capital position has strengthened further. Our capital resources are well in excess of our regulatory capital requirements.

We are well placed to continue to grow profitability and provide attractive returns for our shareholders.

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



AXA Asia Pacific Holdings Limited  
Review of activities

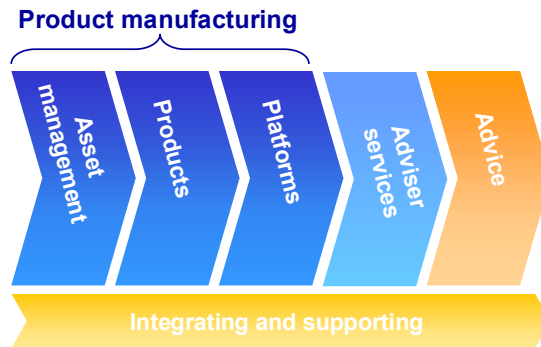
Les Owen, Group Chief Executive



Be Life Confident

Thank you Geoff. Let me turn first to Australia and New Zealand.

**Our strategy is to be a leader 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**

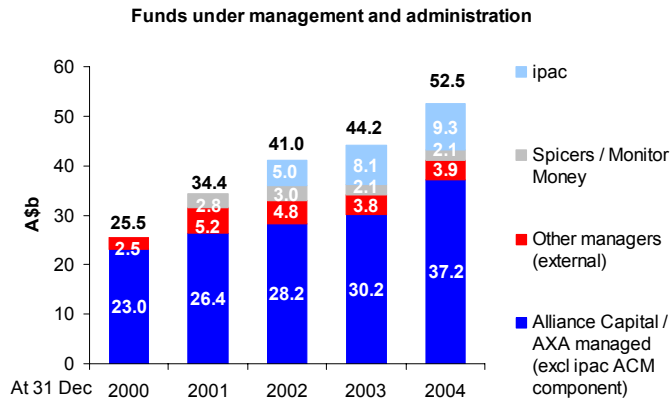


Our strategy is to be a leader in all parts of the financial protection and wealth management value chain and where possible to integrate activities across the value chain.

We have structured our business in Australia and New Zealand around:

- asset management
- financial protection, investment, superannuation and savings products
- Mastertrust, wrap and administration platforms
- adviser services which are the licensing and dealership services provided to aligned advisers and the sales and marketing effort we put into getting business from non AXA aligned advisers, and
- advice - ipac in Australia and Spicers in New Zealand.

**Funds under management and administration up 19% to \$52.5b**



Firstly asset management. Total funds under management and administration were up 19% to \$52.5 billion.

Within this, the inhouse managed assets – that is assets managed by our joint venture with Alliance Capital and within AXA itself - grew 23% to \$37.2 billion. Assets on the ipac and Spicers platforms grew to \$9.3 billion and \$2.1 billion respectively.

**Strong investment performance across most of our portfolios**

Fund	12 months		3 years		Research rating (Van Eyk / ASSIRT)
	Return	Quartile	Return	Quartile	
Aust Equity - Growth	29.3%	1	7.3%	4	Fund Watch / 3 stars
Aust Equity - Value	31.8%	1	n/a	n/a	B / 3 stars
Aust Monthly Income	6.2%	2	5.7%	2	A / 5 stars
Aust Property Fund	17.5%	1	11.8%	1	A / 5 stars
Global Equity - Growth	6.9%	4	-12.2%	4	A / 4 stars
Global Equity - Value	15.1%	1	-1.0%	1	AA / 5 stars
Selected Equities Trust (NZ)	24.7%	2	16.4%	1	4 stars (Morningstar)

*Source: Mercer Investment Consulting and Morningstar [NZ]. Returns are before tax and after management fees.*

- The Global Equity Value Fund continues to have top research house ratings
- Australian equities performance is improving
- Bernstein recently awarded Equity Manager of the Year (Insto Awards)

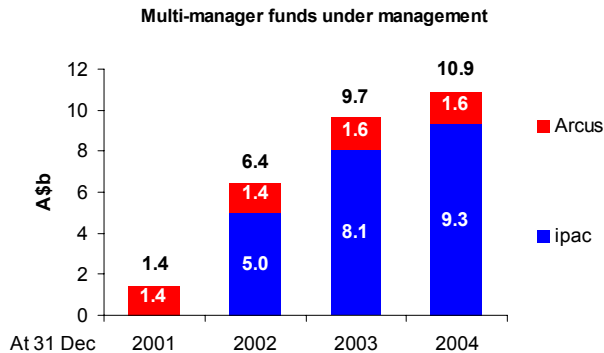


I am pleased to say that the improved investment performance that we reported at the half year has continued through the second half. Six out of seven of our key funds are now ranked in the first and second performance quartiles.

The Global Equity Value Fund continues to be our star performer and, indeed, Bernstein have recently been awarded Fund Manager of the Year by the Insto Awards.

As you know the challenge over the last 3 years has been our relatively weak performance in Australian equities. I am pleased to say that the changes implemented over the last 18 months or so are coming through in improved performance. If we can maintain this improvement then I am confident that we will get increasing penetration on Australian Equities approved product lists and fund flows into this important sector will grow.

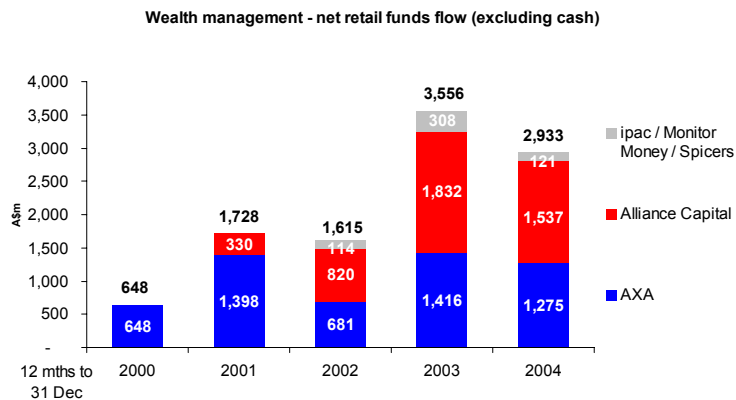
### Continued strong growth in multi-manager funds under management



With our acquisitions of ipac and Spicers we are now also a major multi manager. We have \$10.9 billion in multi manager funds under management and 2004 has seen strong growth in ipac where funds under management increased by 15% to \$9.3 billion.

I believe that we have a sustainable competitive advantage in asset management with our joint venture with one of the leading global asset managers, offering growth and value equity styles for both Australian and international equities, and also having a leading multi manager capability.

## Net retail funds flow remains strong



**Note:**

(1) Net inflow of \$254 million and net outflow of \$277 million in relation to terminated Assure third party contracts have been excluded from the 12 months ended 31 December 2002 and 2003 respectively

(2) Cash management trusts excluded



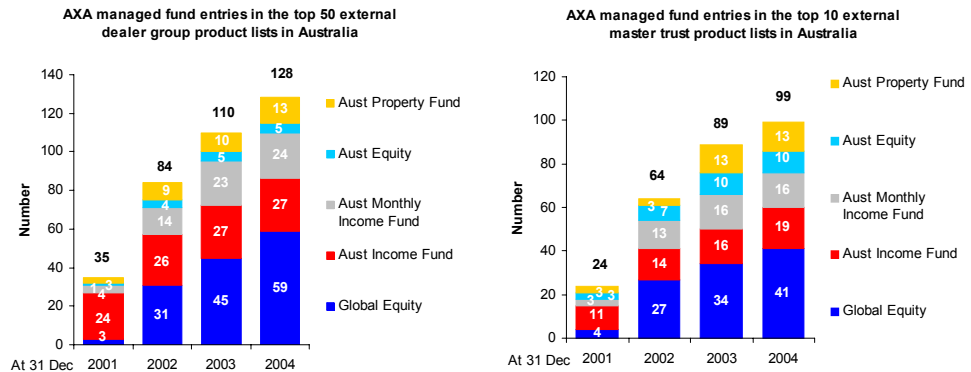
Let me turn now to the second element of the value chain – products.

Net retail fund flows remain strong with inflows of over \$2.9 billion in 2004. This has fallen back a little compared to 2003 for three main reasons.

- Firstly Alliance Capital had an exceptionally good year in 2003 for retail mandates
- Secondly there was some one off outflows in ipac from non-strategic partners, and in New Zealand. These outflows were largely low margin institutional funds
- And thirdly, there was some reduction in inflows into short term annuities following a deliberate move on our part to increase margins in our pricing.

We had strong flows into our global equity products, into Summit, and into ipac's retail platform.

**Penetration of approved product lists and external master trusts continues to increase**

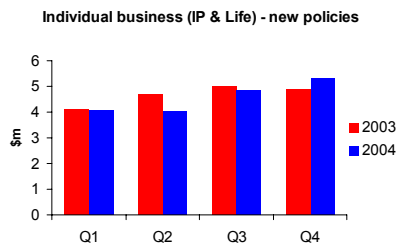


For the past 3 years we have sharply increased penetration of the approved product lists of the top 50 external dealer groups and the top 10 external Master Trusts. This is an important lead indicator of future funds flows. In 2004 we further improved our penetration, particularly in global equity.

As you can see, we have achieved this significantly increased penetration without much help from Australian equities. Given our improving investment performance in both growth and value styles, we have a very significant opportunity to increase the penetration of our Australian equity products over the next 18 months, and we can then expect significant growth in Australian equities funds flows.

**We remain focussed on profitable growth in new business**

- Encouraging trend in new business volumes following launch of product upgrades in August 2004



- Income protection inception and termination rates better than our reserving assumptions
- Further product upgrades planned for July 2005

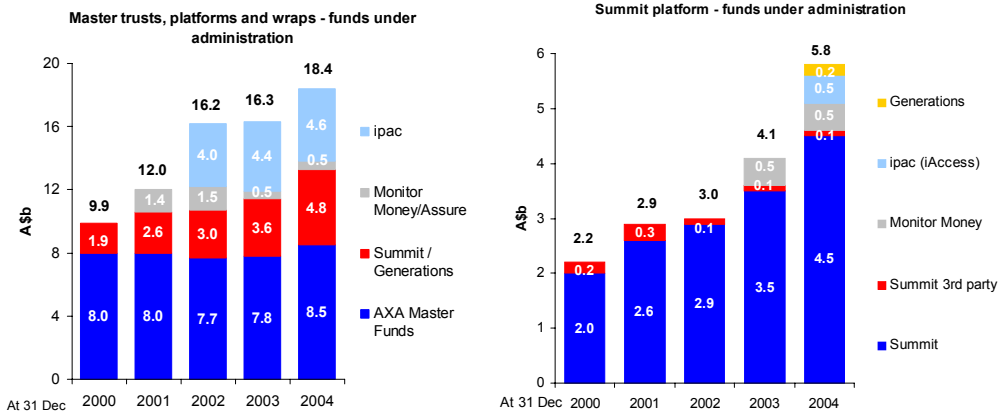


A brief look at financial protection. You will be aware that four years ago we had over 30% of the income protection market in Australia but we were losing significant amounts of money. I am pleased to say that we have turned this around and have made operating profits in income protection for the last six half year periods.

However this has come at some cost to our market share, and also to our share of term and trauma new business where many advisers package this together with income protection. Growth in new business in 2004 was one of the few flat spots in our overall performance. However we are devoting more management attention to improving our product offers so that we can grow new business volumes and market share but on a profitable basis. We introduced some product improvements in August and, as you can see, following this we are starting to see an encouraging trend in new business volumes with the fourth quarter showing an encouraging increase over the same period last year.

I can assure you that we will not sacrifice profitability for market share. Income protection inception and termination rates remain below those assumed in our reserving. We have further product upgrades planned for 2005 and I am cautiously optimistic that we can see steady growth in our market share of this important segment of our business.

**Platform funds under administration up 13% to \$18.4b, with 32% of funds now on Summit (2003 – 26%)**



The total Summit funds under administration of \$5.8b differs to the chart "Master trusts, platforms and wraps" showing Summit product as \$4.8b. This is due to \$0.5b of ipac funds and \$0.5b of Monitor Money funds, which are administered on Summit, being shown as part of ipac and Monitor Money respectively in the "Master trusts, platforms and wraps" chart, rather than part of Summit.

Master trusts and portfolio administration platforms continue to dominate the retail funds market in Australia, and building and maintaining a leading position in this segment is an important part of our strategy.

Total funds on our Master trusts and platforms increased by 13% to \$18.4 billion. Our strategy is to progressively consolidate a significant proportion of these funds on to a single technological platform in order to get the benefits of scale. We have made further progress towards this objective with funds on the Summit platform growing by over 40% to \$5.8 billion.

### **AXA Generations successfully launched**

- 'Light function' master trust with a select investment menu, built on the Summit platform
- A single 'window' for advisers and clients to their investment and superannuation portfolios
- Both 'light' and 'full' function offers on a single technology platform - uniquely positioned
- Launched successfully in September 2004, with inflows of over \$150m in the first four months
- Early success penetrating the approved product lists of non aligned dealerships



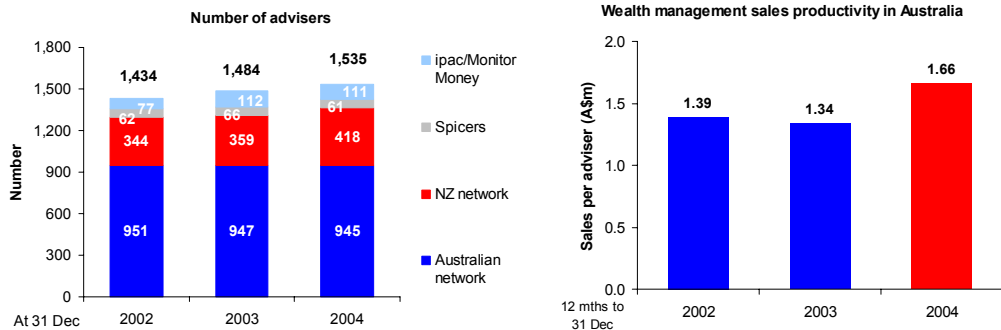
In September we launched a streamlined lower cost version of Summit – AXA Generations - and we had attracted inflows of \$150 million by the end of the year.

We believe that we have a competitive advantage in that AXA Generations, unlike most competing products, is built on the same technological platform as the fuller function Summit which means that advisers and clients will have a single “window” to their investment and superannuation portfolios, a single access point for servicing, a smooth transition as investment needs become more sophisticated, and consolidated reporting.

We expect funds on Summit to continue to grow strongly over the next couple of years as we progressively move more ipac funds across, and as inflows to Generations grow.

Let me turn now to adviser services.

## Adviser numbers steady; productivity of AXA aligned advisers up 24%



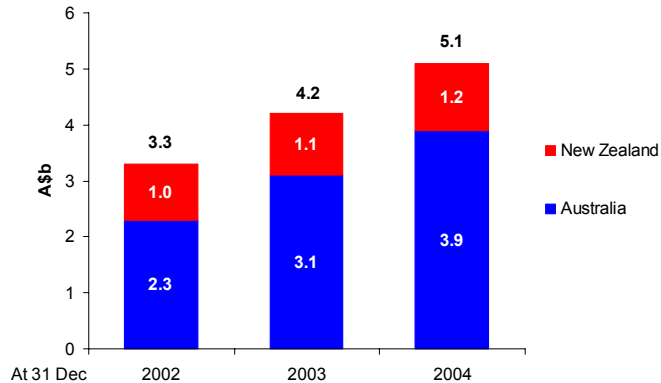
- AXA currently does business with 70% of 650 Australian Financial Services licensees who represent more than 16,000 advisers



Implementation of the Financial Services Reforms in 2004 has increased the minimum professional requirements for advisers and there has undoubtedly been some shakeout in the market. I am pleased to say that the total number of advisers in the AXA networks increased during the year and the Australian aligned adviser networks held adviser numbers steady when many will have seen reductions. I am also pleased to report that the productivity of AXA aligned advisers grew by 24%. Average sales per adviser in Australia were \$1.66 million last year.

Although the AXA aligned network remains a very important strategic advantage for us, we now get significant new business from other channels. In fact in 2004 AXA did business with around 70% of the 650 Australian financial services licensees, who together represent more than 16,000 advisers.

Funds under advice up 23% to \$5.1b

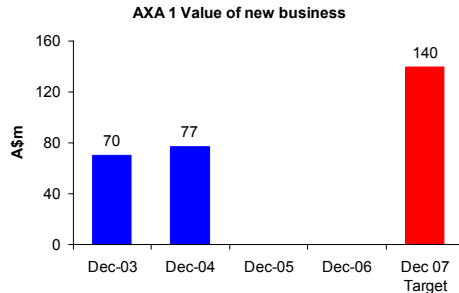


Advice which, as I said earlier, is a segment in which our strategy differentiates us from most of our competitors, saw strong growth with funds under advice increasing 23% to \$5.1 billion.

In Australia funds under advice increased 26% to \$3.9 billion.

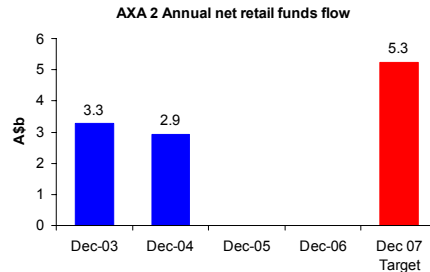
The market in New Zealand remains difficult due to structural issues around the tax regime and the lack of any incentive to invest in superannuation or mutual funds. Growth in funds under advice was relatively modest in Spicers although we did perform better than the market average and increased our market share.

## AXA1 - Double value of new business



- Solid progress towards achieving goal of doubling the value of new business
- Platform administration systems, ipac and Alliance Capital were significant contributors to result

## AXA2 - Consistently in top 5 for net funds flow



- Ranked fourth (Plan for Life) and first (ASSIRT)

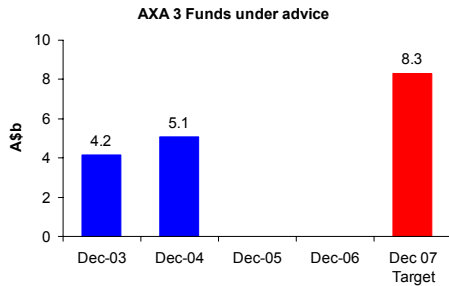


So I think good performance in all areas of our operations. We announced our aspirational AXA 6 goals in April, to be achieved by the end of 2007, and though it is still very early days we have made a good start.

AXA 1 to double the value of new business. We have seen solid progress with significant contributions from platforms, ipac and Alliance Capital. Clearly we need to increase the rate of growth in 2005.

AXA 2 to be consistently in the top 5 in net retail fund flows. We were running fourth in 2004 despite a small reduction in net flows compared to 2003.

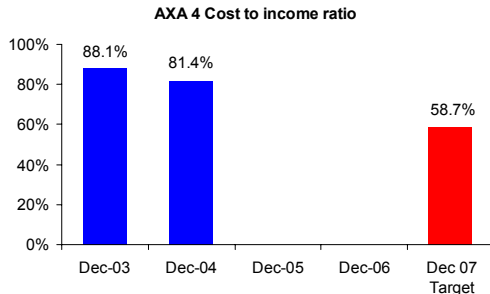
## AXA3 - Double funds under advice



- Increase mainly driven by ipac due to strong performance of in-house financial planning business and affiliated practices
- Monitor Money was in a year of transition with repositioning of the adviser group
- Spicers up 9% despite subdued market for managed funds in NZ



## AXA4 - Reduce cost to income ratio by one-third

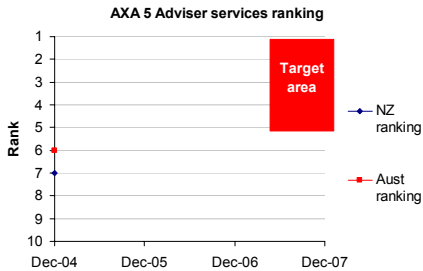


- Decrease of 6.7 percentage points driven by 10% increase in income, with overall expenses constant
- Wealth management FUM increased significantly due to strong net funds flow and improved market conditions

AXA 3 to double funds under advice. Very much on target here with the increase mainly driven by ipac due to strong performance of the inhouse financial planning business. Funds under advice in Spicers were up 9% despite a subdued market for managed funds in New Zealand.

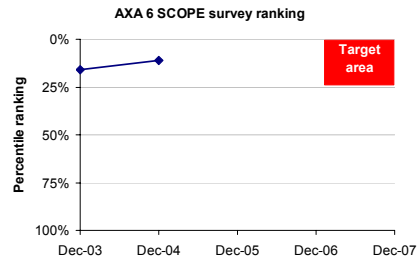
AXA 4 to reduce the cost to income ratio by one third. 2004 saw a decrease of 6.7 percentage points so, again, a good start.

## AXA5 - Consistently in top 5 for service to advisers



- Currently just outside our target
- Enhancements to platform service and Generations, addressing issues

## AXA6 - Consistently in top quartile in global AXA Group SCOPE survey



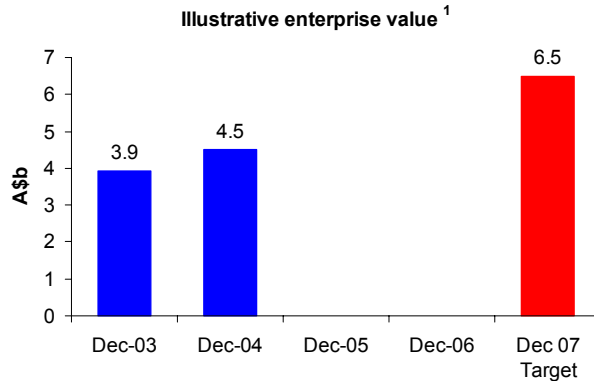
- Objective achieved with survey showing an improvement across the majority of key dimensions



AXA 5 to be consistently in the top 5 in service to advisers. We are currently just outside our target.

And finally AXA 6 to be consistently in the top quartile position in the Global Scope survey where we remain very well placed.

**Over-arching objective - to increase enterprise value <sup>2</sup> by 65%**



(1) Illustrative only for tracking progress

(2) 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 VNB, 20x WM VNB



Our overarching goal is to increase enterprise value by 65% by 2007. A very good start here with an increase of 15% to \$4.5 billion.

I would remind you that this is illustrative only. It is based on the mid point of the two risk discount rates we illustrate, and on the mid point of the multiples of new business value which we used in the Investor Compendium at the 2004 half year. These multiples will remain fixed throughout the period to track progress on a comparable basis.

- Grow advice businesses organically and through acquisition
- Build scale on a single technology platform
- Grow financial protection business profitably
- Achieve re-ratings for our Australian equity products and improve penetration of approved product lists
- Capitalise on the Member Choice environment
- Leverage the changes in regulation of financial advisers in New Zealand to grow aligned adviser network



Looking forward, our priorities in Australia and New Zealand are:

- to continue to grow the advice businesses both organically and through acquisition
- to build increased scale in our platform operations and to consolidate more of our funds under administration
- to grow our financial protection market share profitability
- to achieve re-ratings for our Australian equity products and to increase penetration of approved product lists
- to capitalise on the Member Choice environment in Australia
- And in New Zealand there is an opportunity, as regulation of financial advisers moves in the direction of the Australian model, to leverage the changes and grow our aligned adviser network

- In April 2001, M6 transformation programme launched to transform to a multi-distribution, multi-product business
  - At that time:
    - we had enjoyed 10 years of highly profitable growth
- BUT
- largely single channel, single product business
  - high guarantee, traditional par products
  - lack of control over agency – vulnerable to agent poaching
  - not well positioned as distribution channels broadened, or for wealth management market
  - limited experience of change



Let me turn now to Hong Kong.

In April 2001, we launched the M6 transformation programme to move to a multi channel, multi product business.

At that time we had enjoyed 10 years of highly profitable growth but our business was largely single channel and single product, with sales dominated by traditional participating products with relatively high guarantees.

Although the agency model had been highly successful the reality was that we had little management control of agents as they were managed by self employed leaders and thus we were vulnerable to agent poaching.

We were not well positioned to take advantage of the broadening of distribution channels or the emergence of a wealth management market, and we had limited experience of successfully managing and implementing change.

**The over-arching goal of M6 was to increase enterprise value to HK\$23b. Supporting M6 were eight strategic imperatives**

- increase the number and productivity of agents
- build profitable new distribution channels
- build AXA as preferred brand of choice
- deliver investment margins on par business
- bring persistency back to target levels
- improve organisational capability through our people
- deliver operational excellence
- prepare for growth of savings and investment market



The overarching financial objective of M6 was to increase the enterprise value to HK\$23 billion and supporting this there were 8 strategic imperatives. So how have we got on?

# Hong Kong

## Increase the number and productivity of agents

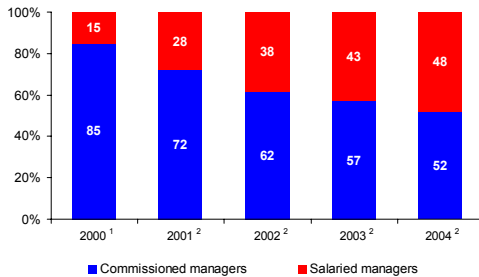
From

To

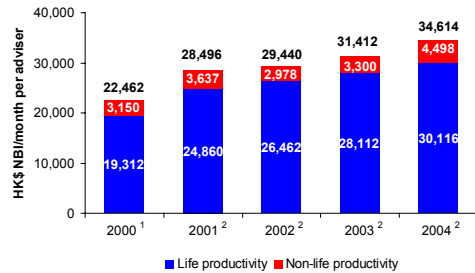
Lack of control over agency leaders, hierarchical management of sales force

More control over agencies, new management processes (AXA Advisers, AXA Phoenix)

% advisers managed by salaried vs commissioned managers



Average productivity of advisers



(1) 12 months ended 30 September  
(2) 12 months ended 31 December

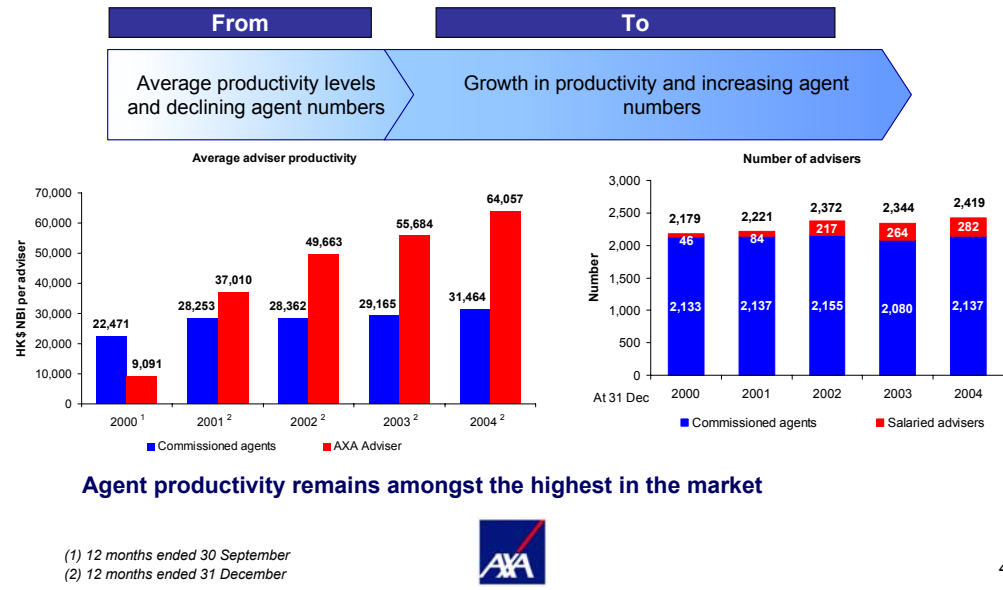


46

First to increase the number and productivity of our agents. Five years ago 85% of our agents were managed by self employed managers. The figure is now 52% and this increasing management control has led to significant improvements in average productivity. Since 2000 average productivity, measured as new business index per agent per month, has increased by 54% to HK\$34,600.

# Hong Kong

## Increase the number and productivity of agents



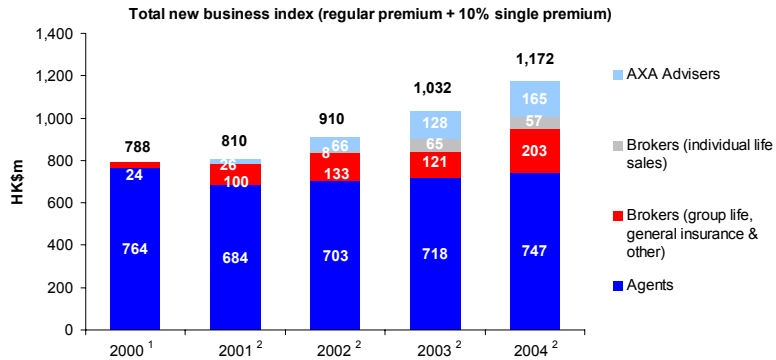
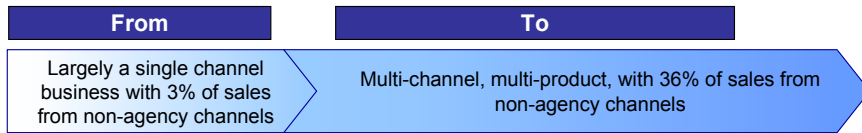
The strongest growth in productivity has come from AXA Advisers – that is salaried advisers feeding off leads. At the end of 2004 we had 282 salaried advisers with an average monthly new business productivity of over \$64,000.

The productivity of the self employed agency has also improved, by 40% to \$31,500 per annum which is one of the highest levels of agency productivity in the Hong Kong market.

We have recovered from the agency poaching in 2000 and 2001 and we have increased agent numbers since M6 was launched. We now have just over 2400 agents and advisers, an 11% increase over 2000.

# Hong Kong

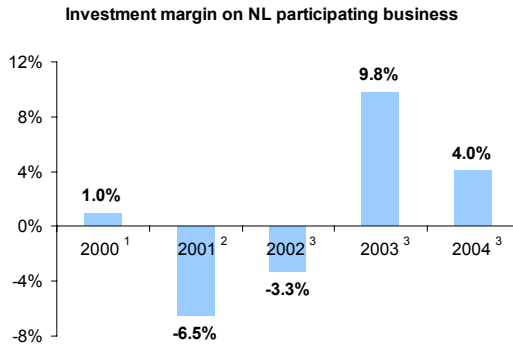
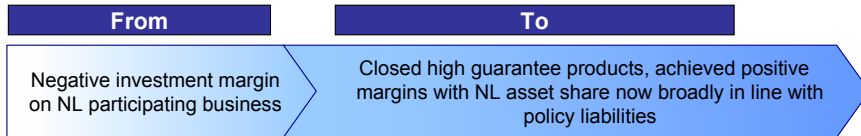
## Build profitable new distribution channels



(1) 12 months ended 30 September  
 (2) 12 months ended 31 December



The second imperative was to build profitable new distribution channels. We have moved from being a single channel business with only 3% of sales from non agency channels in 2000, to now having 36% of sales from non agency channels including brokers and AXA Advisers. Total new business index has increased by 50% to \$1.17 billion over the four years of M6.



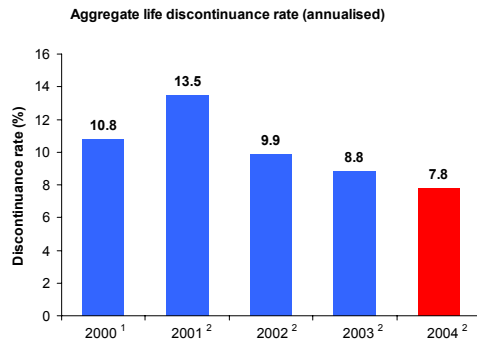
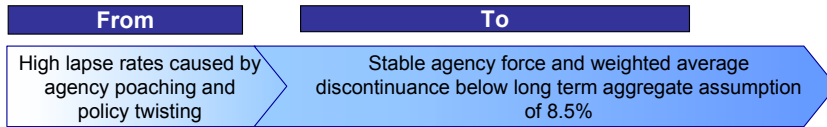
(1) 12 months ended 30 September  
(2) 15 months ended 31 December  
(3) 12 months ended 31 December



The next strategic imperative was to deliver the investment margins necessary to support the 1% shareholder spread which underlies our product pricing and value calculations.

It is a fundamental feature of all participating business anywhere in the world that there will be periods where asset shares are above policyholder liabilities and periods where they are below simply due to the volatile nature of investment markets. Due to the collapse in global equity markets in the second half of 2000 and through 2001 and 2002 we had a negative spread on our NL series but two years of more positive equity returns have led to a position where the underlying asset shares backing this product are now in line with policy liabilities after delivering the 1% spread to shareholders. We remain happy with our asset/liability management objective and with the target of a 1% spread.

# Hong Kong Bring persistency back to target levels

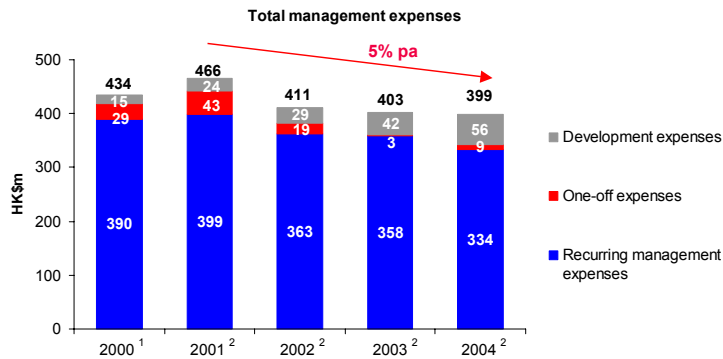
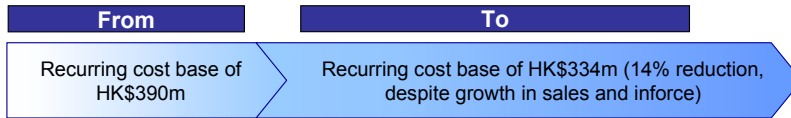


(1) 12 months ended 30 September  
(2) 12 months ended 31 December



50

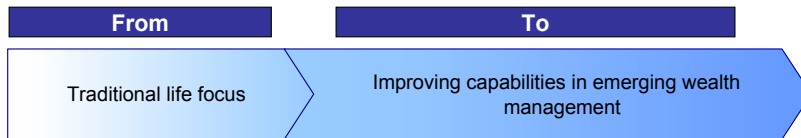
The agent poaching in 2000 and 2001 led to some significant increases in lapse rates as departing agents twisted policies. This was the catalyst for significant action to improve retention, and the results have been very positive with steady improvements over the last 3 years. In 2004 aggregate lapse rates were around 7.8% compared to the aggregate in our long term pricing and value assumptions of around 8.5% and our 2004 results included persistency experiencing profits.



(1) 12 months ended 30 September  
(2) 12 months ended 31 December



Although Hong Kong has always been a relatively low cost operation we have nonetheless improved our cost to income ratio over the period. Absolute management expenses have reduced at around 5% per annum whilst we have seen a 50% growth in new business over the same period, and have also increased our investment in development.



- ipac financial planning
  - fully operational, established in expatriate market, with FUA of HK\$237m
- Wealth management
  - Introduced Honey range of unit linked and other single premium investment linked products
  - Unit linked now represents 30% of life sales (2000 - nil), with 77% of advisers licensed to sell unit linked (2000 - nil)
- Retirement
  - Multi-manager MPF product launched, leveraging ipac platforms and expertise



And finally we have made good progress in preparing for growth in the advice, savings and investment markets.

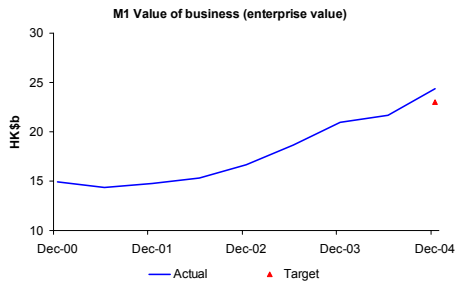
Ipac Financial Planning is now fully operational in Hong Kong and is well established in the expatriate market with funds under advice of HK\$237 million.

On the life insurance side we have introduced a range of unit linked and other single premium investment products and if investor confidence in equity markets continues to improve we would expect the proportion of new business sold into unit linked products to grow.

Unit linked now represents 30% of life sales with 77% of advisers now licensed to sell unit linked.

And in the retirement and MPF market we have recently launched the ipac multi manager offer, positioning us uniquely and giving us the opportunity to grow MPF market share as companies start to review their investment management and service providers.

## M1 - Enterprise value of HK\$23b



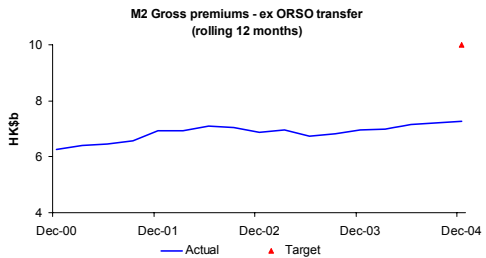
- Exceeded M1 goal <sup>1</sup> with enterprise value up 63% to HK\$24.3b <sup>2</sup> (2000 – HK\$14.9b)
- Strong growth in value of new business
- Continued improvements to persistency
- Mortality experience favourable
- Management expenses well controlled

(1) Target set on basis of 8x VNB multiple, which has been consistently applied throughout the period of M6

(2) Gross of HK\$1.5b dividends remitted to AXA APH in 2H 2004



## M2 - Gross premiums of HK\$10b



- Not achieved due to lower single premium sales than anticipated when target was set
- Single premium life market still characterised by high guarantees and conversion from deposit monies held at banks
- Although performance has been below plan, we have focussed on profitability rather than gaining market share in higher risk segments

53

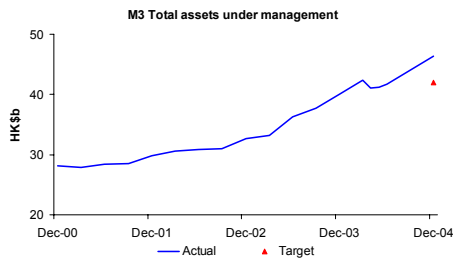
Overall we met or exceeded 4 out of the 6 M6 goals, fell fractionally short on the 5<sup>th</sup> and missed one.

M1, to increase the enterprise value to HK\$23 billion. We exceeded this with enterprise value up 63% to HK\$24.3 billion.

M2, to increase total premiums to \$10 billion. We fell substantially short of this due almost entirely to not achieving the growth in single premiums that we were originally targeting.

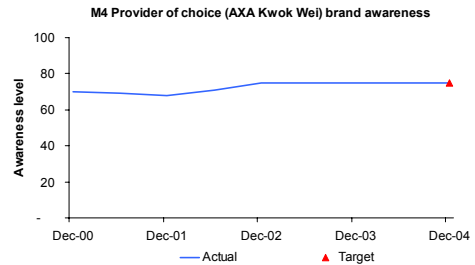
This has partly been caused by the collapse in equity markets which impacted consumer confidence and hence sales of single premium unit linked products. As a result the single premium life market has remained largely characterised by conversion from deposit monies held at banks into single premium endowments with guaranteed surrender values. Although our performance has been below plan we have been very disciplined in continuing to focus on profitability rather than going after market share in segments which we regard as high risk.

## M3 - Total assets under management of HK\$42b



- Exceeded M3 goal with total assets under management up 65% to HK\$46.3b<sup>1</sup> (2000 – HK\$28.1b)
- Net funds flow strong at HK\$3.9b in 2004

## M4 - Provider of choice (brand awareness)



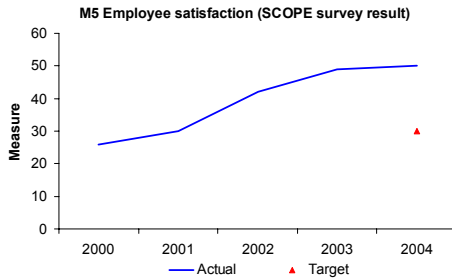
- Brand strength remains very high on all measures achieving M4 target with 99% aided recognition and 75% unaided
- Awarded “Superbrands HK 2004/05” award, one of only four insurers to receive this award

(1) Gross of HK\$1.5b dividends remitted to AXA APH in 2H 2004



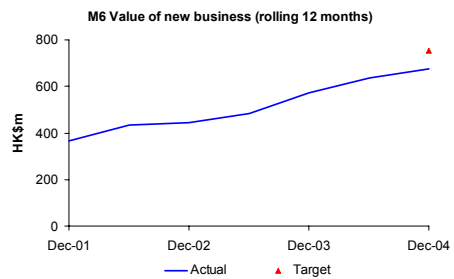
We exceeded our M3 goal for total assets under management with total assets up 65% to \$46.3 billion, and our brand in Hong Kong remains extremely strong.

## M5 - Employee satisfaction



- Target achieved
  - in the top quartile of global AXA Group companies
  - steady improvement since 2000

## M6 - Value of new business of HK\$753m



- Achieved 90% of M6 goal with value of new business more than doubling since 2000
- Key drivers were focus on product profitability and alignment of agency remuneration



(1) M6 value of one year's new business included automatic increases to policies. This differs from illustrative value of new business which measures new sales in the relevant period

Employee satisfaction has steadily improved over the period and we also met this objective.

And finally M6, to increase the value of new business to HK\$750 million.

We achieved 90% of this goal, and the value of new business more than doubled since 2000.

- The life insurance market continues to show strong growth due to:
  - high propensity to save
  - moderate life insurance penetration
  - growing need for financial advice
  - Mainland Chinese visitors
- Bancassurance operations have had success in moving deposit monies from low yielding savings account - challenge and opportunity for AXA
- Agency will remain the most important channel and we are well placed
- Emerging broker, advice and wealth management segments - leverage Australian experience and ipac business model
- New set of aspirational objectives to be announced in May



Looking forward, the life insurance market in Hong Kong continues to show strong growth due to a high propensity to save, only moderate life insurance penetration by the standards of developed countries, an emerging need for financial advice and a significant boost to the economy as a result of an increase in mainland Chinese visitors.

The banks in Hong Kong remain very strong in market share terms and they have clearly had success in moving deposit monies from low yielding savings accounts into, largely, guaranteed single premium endowments with higher returns than their own savings accounts. Clearly this is a challenge for us but it is also an opportunity and if we see stability in equity markets and improved consumer confidence we have a significant opportunity to increase sales of wealth management products.

Agency will remain the most important channel and we are well placed here and will continue to put significant management attention into growing this channel.

However there is an emerging broker channel, and advice and wealth management segments, and we will be seeking to leverage our Australian and ipac experience.

And finally following the success of K5 and M6, and the setting of the AXA6 aspirational targets in Australia and New Zealand – we will be setting a series of new targets for Hong Kong and Asia and we will give more details of this at our strategy briefing in May.



### China

- Total premium income up 41% to Rmb 175.0m (2003 – Rmb 124.5m)
- Market share ranking of 4th in Shanghai and 7th in Guangzhou amongst foreign insurers
- Shanghai total premium income up 9%; market down 5%
- New business down 13% to Rmb 39.9m
- Establishing Beijing branch following granting of preparatory licence in late 2004
- Group business and provincial licenses recently granted

### South East Asia

- Very successful start to Bank Mandiri JV in Indonesia - now 3rd in market share (2003 - 16th)
- Completed review and relaunch of product range - 75% of new business investment linked (ex Thailand)
- Total premium income up 37%



Let me turn briefly to China and SE Asia.

In China total premium income was up 41% to \$175 million renminbi and we are fourth ranked in Shanghai and seventh ranked in Guangzhou among foreign insurers. In Shanghai total premium grew 9% in a quite difficult market where, for the market as a whole, total premium income actually fell 5% in 2004.

The difficult market led to a fall in new business of 13%. We have been granted a preparatory licence for Beijing and we are working towards opening the Beijing operation towards the middle of this year.

We have also now received licences for Group insurance business, and provincial licenses which means we can expand our Guangzhou operation into Guangdong province.

In SE Asia we have had a very successful start to our joint venture with Bank Mandiri in Indonesia – we are now No. 3 in the market.

We have completed the review of our product range and repriced and relaunched products across the region. 75% of new business is now investment linked (ex Thailand). Total premium income was up 37%.

### Significant potential for growth in the medium / long term

- Leverage Group skills and capabilities
- Opportunities to expand into new markets in Asia through start-ups and acquisitions - currently looking at India
- We do not underestimate the significant risks and challenges
- Medium term financial impacts:
  - planned organic growth over the next three years can be funded from internal capital resources - A\$150m - A\$300m if all plans come to fruition
  - potential additional corporate expenses of A\$9m - A\$13m pa over next three years
  - unlikely to see a positive contribution to AIFRS operating profit for at least five years



Although our China and SE Asian operations are not material to the financial results of the Group, they do offer significant potential for growth in the medium to long term.

Our geographical spread provides an opportunity to leverage the skills and capabilities we have built in Australia, New Zealand and Hong Kong.

As well as growing our existing operations organically, we are continually examining opportunities to expand both in the markets we are in, and into new markets, through start ups and acquisitions. We are well advanced in looking at entry options for India.

However it is important to point out that there are significant risks and challenges in growing scale, profitable businesses in these countries. It is not easy and success will not come quickly.

As we previously said, our planned organic growth over the next three years can be funded from internal capital resources. Our strategic plans, if they all come to fruition, will require additional capital of between A\$150 million and A\$300 million over the next 3 to 4 years.

To support this accelerated growth, we are strengthening the regional office and our China development team and I would anticipate additional corporate expenses of between \$9 and \$13 million per annum over the next 3 years.

Whilst it is clear that we are adding value with good growth in the value of new business, we are unlikely to see a positive contribution to earnings for at least 5 years.

- Another very strong result
- Well positioned for continuing profitable growth in all our markets
- Our strategy is working well
- Momentum in Australia / New Zealand encouraging
- Hong Kong performing well - significant shareholder value being added
- China and South East Asia the long term growth engines
- Strong capital position
- Strong management teams



So in summary can I say that I think this has been another very strong result.

We are well positioned for continuing profitable growth in all our markets. Our strategy is working well and we see no need to change it. We will keep focussed on excellence in execution.

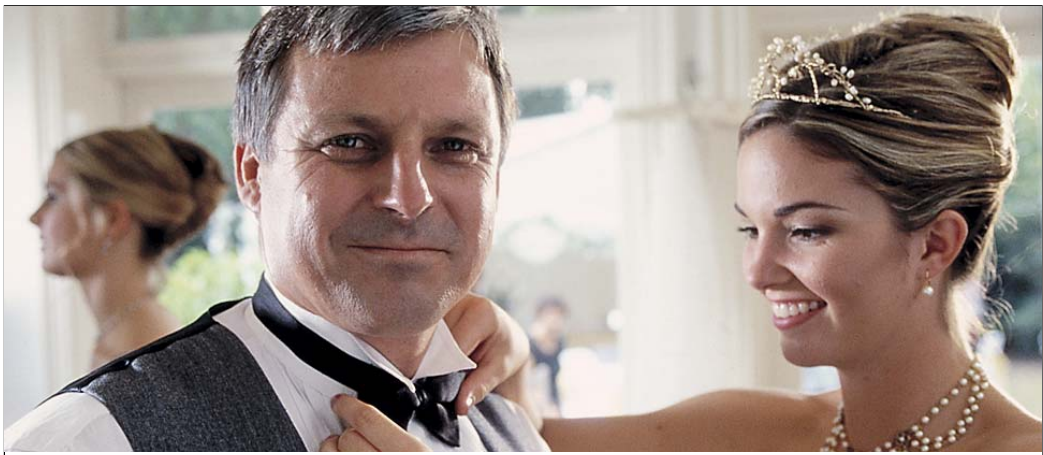
We have encouraging momentum in Australia and New Zealand, and Hong Kong is performing well.

China and South East Asia are clearly our long term growth engines but these are longer term opportunities and there are some quite significant challenges ahead of us.

However we have a strong balance sheet, a strong capital position and our track record is evidence of our strong management teams.

The material in this presentation is a summary of the results of the AXA APH Group for the 12 months ended 31 December 2004 and an update on Group activities and is current at the date of preparation, 21 February 2005. Further details are provided in the Company's full year accounts, Investor Compendium and results announcement released on 21 February 2005. This presentation provides information in summary form and is not intended to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. Further information including historical results and a description of the activities of the Group is available on our website, [www.axaasiapacific.com.au](http://www.axaasiapacific.com.au).





AXA Asia Pacific Holdings Limited  
Results for the 12 months ended 31 December 2004

Les Owen, Group Chief Executive  
Geoff Roberts, Group Chief Financial Officer



21 February 2005

*Be Life Confident*