

# THE AXA "We've just come into a lot of money" PLAN.

AXA Asia Pacific Holdings Limited  
Results for the six months ended 30 June 2005

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



22 August 2005

Be Life Confident

Good morning everybody and welcome to the presentation of our interim results for the six months ended 30 June 2005.

## C Today's agenda

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



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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. This is the first occasion on which we are reporting under the Australian equivalents of the new International Financial Reporting Standards. We have restated the 2004 comparatives on a consistent basis and Geoff will be taking you through the main impacts of IFRS in a few minutes.

## AXA Asia Pacific Group Highlights

- Strong growth in Operating Earnings, up 17.7% to \$185.8m (six months ended 30 June 2004 - \$157.8m)
  - Australia & NZ up 31.5% to \$99.8m (2004 - \$75.9m)
  - Hong Kong up 4.4% to \$83.9m (2004 - \$80.4m)
    - local currency up 9.6% to HK\$505.7m (2004 - HK\$461.6m)
- Investment Earnings up 35.9% to \$91.2m (2004 - \$67.1m)
  - Australia & NZ down 34.1% to \$45.8m (2004 - \$69.5m)
  - Hong Kong \$45.0m (2004 - \$(2.6)m)
- Total profit after tax before non-recurring items up 35.8% to \$246.4m (2004 - \$181.5m)
- Group funds under management, administration and advice up 9.0% to \$66.7bn (31 December 2004 - \$61.2bn)

(1) 2004 results restated from AGAAP to AIFRS for comparative purposes  
(2) Investment experience profit / loss on assets backing policy liabilities now included in Investment Earnings as "Investment experience - assets backing policy liabilities" rather than in Operating Earnings.  
Prior period results restated accordingly



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Firstly the Group highlights.

Once again we have produced strong growth in Operating Earnings which were up 17.7% to \$185.8 million.

Within this, Operating Earnings in Australia and New Zealand increased by 31.5% to \$99.8 million, and in Hong Kong Operating Earnings were up 4.4% to \$83.9 million.

In local currency the Hong Kong Operating Earnings were up 9.6% to HK\$505.7 million.

Group Investment Earnings were up 35.9% to \$91.2 million. In Australia and New Zealand, Investment Earnings were down 34.1% to \$45.8 million and in Hong Kong Investment Earnings were \$45 million against a small negative in the same period last year.

Total profit after tax and before non recurring items is up 35.8% to \$246.4 million, and Group funds under management, administration and advice were up 9% to \$66.7 billion as at 30 June 2005.

## Australia and New Zealand Highlights

- Very strong growth in Operating Earnings
  - Wealth management products and platforms up 47.9% to \$46.0m (2004 - \$31.1m)
  - Advice businesses up 36.0% to \$15.5m (2004 - \$11.4m)
  - Financial protection up 14.7% to \$38.3m (2004 - \$33.4m)
- Net retail inflows of \$1,370.2m (2004 - \$1,639.1m); Top 5 ranking for net retail funds flow (Plan for Life, ASSIRT) <sup>1</sup>
- Value of new business <sup>2</sup> up 17.2% to \$45.6m (2004 - \$38.9m)
- Funds under management, administration and advice up 9.0% to \$57.2bn (31 December 2004 - \$52.5bn)
- Funds under advice up 5.9% to \$5.4bn (31 December 2004 - \$5.1bn)
- Progressing well against AXA 6 goals

(1) 12 months ended 31 March 2005

(2) Based on 11% risk discount rate, 100 basis points above assumed equity return rate



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

Although net retail fund flows of \$1.37 billion were down a little on a very strong first half in 2004, we have maintained a top 5 ranking in both the Plan for Life and Assirt surveys.

The value of new business in the 6 months increased by 17.2% to \$45.6 million, and funds under management, administration and advice were up 9% to \$57.2 billion.

We have seen continuing growth in our advice businesses where funds under advice grew 5.9% to \$5.4 billion.

Overall we are progressing well against the AXA 6 goals .

## Hong Kong Highlights

- Operating Earnings up 9.6% to HK\$505.7m (2004 - HK\$461.6m)
- New business index <sup>1</sup> up 13.7% to HK\$616.0m (2004 - HK\$542.0m)
- Value of new business <sup>2</sup> up 6.3% to HK\$287.8m (2004 - HK\$270.8m)
- Net funds flow of HK\$1,845.3m (2004 - HK\$1,899.1m)
- Funds under management up 5.4% to HK\$47.2bn (31 December 2004 - HK\$44.8bn)
- Good early progress towards Hong Kong 6 aspirational goals

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

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



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In Hong Kong, Operating Earnings increased 9.6% to HK\$505.7 million.

New business index, defined as new regular premiums plus 10% of single premiums, was up 13.7% and the value of new business in the 6 months was up 6.3% to \$287.8 million. The fact that the value of new business has grown at a slower rate than the volume of new business is due to changes in product mix and does not reflect any reduction in margins as we will explain later on.

Funds under management were up 5.4% to \$47.2 billion. These results show that we have made good early progress towards the Hong Kong 6 aspirational goals.

## China & South East Asia Highlights

- New business index <sup>1</sup> up 97.8% to A\$61.7m <sup>2, 3</sup> (2004 - A\$31.2m)
- Value of new business <sup>4</sup> up 39.6% to A\$18.7m <sup>3, 5</sup> (2004 - A\$13.4m)
- Total premium income up 72.5% to A\$329.2m <sup>2, 3</sup> (2004 - A\$190.8m)
- Funds under management up 7.3% to A\$1.47bn <sup>3, 5</sup> (31 December 2004 - A\$1.37bn)
- Very strong growth in Indonesia and Thailand
- Malaysia entry announced - plan to commence operations in Q1 2006
- Well advanced in plans for India entry
- Early progress towards Asia 6 aspirational goals on track

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

(2) Constant currency basis at average exchange rates over the period

(3) 100% share

(4) Based on risk discount rates ranging from 11% – 20% for relevant countries

(5) Based on exchange rates at 30 June 2005



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Finally the highlights for China and South East Asia.

We are continuing to see strong growth in most of our operations and in terms of new business volume and new business value the region is starting to become a material part of the Group's operations.

New business index was up 97.8% to \$61.7 million and the value of new business was up 39.6% to \$18.7 million.

Total premium income was up 72.5% to \$329.2 million with funds under management growing 7.3% to \$1.47 billion.

We have seen very strong growth in Indonesia and Thailand driven by our partnerships with Bank Mandiri and Krungthai Bank.

Last week we announced our entry into Malaysia through the acquisition of the life portfolio of Tahan where we expect to commence operations in Q1 2006, and we are well advanced in our plans for entry into India. Overall, early progress towards the Asia 6 aspirational goals is on track.

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

# THE AXA "Now for the numbers behind the plan" PLAN.

AXA Asia Pacific Holdings Limited  
Results for the six months ended 30 June 2005

Geoff Roberts, Group Chief Financial Officer



Be Life Confident

# AXA Asia Pacific Group

## Profit & loss analysis

(A\$ million)

Six months to 30 June	2005	2004	Change
Australia & New Zealand	99.8	75.9	31.5%
Hong Kong	83.9	80.4	4.4%
Singapore	2.1	1.5	40.0%
<b>Operating Earnings</b>	<b>185.8</b>	<b>157.8</b>	<b>17.7%</b>
Investment Earnings			
- normalised	107.7	109.8	(1.9)%
- investment experience - assets in excess of policy liabilities	(9.0)	(54.9)	83.6%
- assets backing policy liabilities <sup>1</sup>	(7.5)	12.2	n/a
<b>Investment Earnings</b>	<b>91.2</b>	<b>67.1</b>	<b>35.9%</b>
Corporate expenses	(29.7)	(29.0)	(2.4)%
Interest expense <sup>2</sup>	(0.9)	(14.4)	93.8%
<b>Profit after tax and before non-recurring items</b>	<b>246.4</b>	<b>181.5</b>	<b>35.8%</b>
Non-recurring items	0.0	(117.1) <sup>3</sup>	n/a
<b>Profit after tax and non-recurring items</b>	<b>246.4</b>	<b>64.4</b>	<b>282.6%</b>

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

(2) Net of interest income from cross currency swaps and other derivatives

(3) Fair value of cross currency and interest rate swaps deemed to be ineffective hedges under AIFRS; under AGAAP this was recorded in the foreign currency translation reserve, not through profit and loss



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Thanks Les and **good morning**.

I am pleased to have the opportunity to be able to report **another strong** set of results.

Operating earnings are \$185.8m, **up 17.7%** from last year.

Operating Earnings increased **by 31.5%** in Australia and New Zealand to \$99.8 million and by 4.4% in Hong Kong to \$83.9 million. On a local currency basis Hong Kong earnings grew **9.6%**. A **very good performance** from **both** of our major businesses.

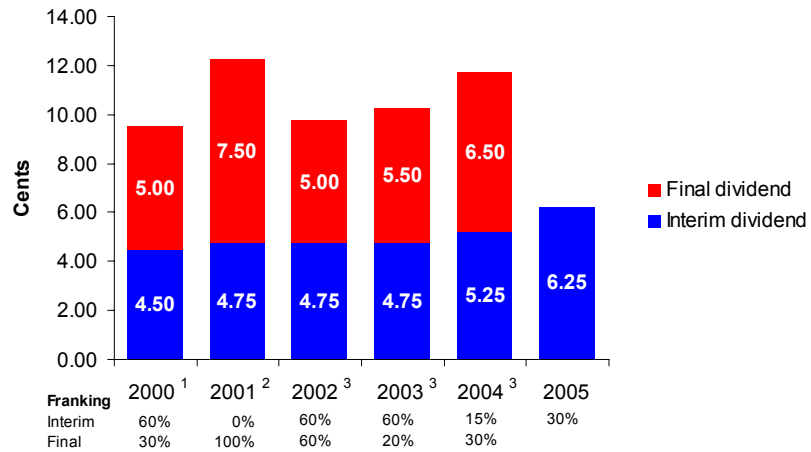
Investment earnings were **strong** at \$91.2m. To provide additional information we have split investment earnings into **3 categories** this year. The normalised earnings on shareholder funds represents assumed long term earnings on average shareholder capital **held**. As we explained at our May strategy briefing, **normalised** investment earnings on assets backing policy liabilities are included in **operating earnings**. Any **variations** from normalised earnings on assets backing policy liabilities are shown as **investment experience**. The increase in investment earnings compared to last year was due mainly to a **30 and 16 basis point decrease** in the US and Australian 10 year bond rates respectively, compared to both bond rates **increasing** 36 basis points in the first half of 2004.

Corporate expenses have remained roughly **constant** although, as advised in May, Asian development costs have increased as we expand into new markets.

Our interest expense **reduced** by \$13.5m. This is due to the **market value gain** on the cross currency interest rate swaps being recorded **in profit** under AIFRS. These cross currency swaps were restructured in July, so **future** interest expense will **exclude** these items.

Our **total** profit after tax and non-recurring items was \$246.4m. The non-recurring item in 2004 was an AIFRS adjustment to profit with respect to the fair value of our hedges.

Interim dividend up 19% to 6.25 cents per share



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



Reflecting the **strong growth in earnings**, the Board has declared an interim dividend for 2005 of **6.25 cents** per share, **up 19%** on the 2004 interim dividend.

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

#### Balance sheet

- De-recognition of internally generated goodwill
- Liabilities increase due to a move to account balance / surrender value for Phase 1 investment products, use of risk free rate for Phase 2 insurance products, and the application of the liability adequacy test
- Elimination of AXA APH shares held in Executive Share Plan, and use of risk free rate to value liabilities of the defined benefit pension plan

#### Profit & loss

- Operating Earnings increase due to normalised return on higher assets allocated to policy liabilities, offset by some new business strain on higher liabilities established at the risk free rate and lower acquisition costs capitalised
- Investment Earnings
  - decrease due to re-allocation of assets to Operating Earnings
  - decrease as some items are booked directly to reserves, not profit
  - increased volatility as impact of period to period change in risk free discount rate results in experience gain / loss on assets backing policy liabilities



A reminder of the **key changes** to both the **Balance Sheet** and the **Profit and Loss** under AIFRS.

Firstly the **Balance Sheet**. The reduction in net assets primarily relates to the combination of the **derecognition** of internally generated goodwill, an **increase** in policy liabilities, **the elimination** of shares held by the Executive Share Plan and the **discounting** of our defined benefit plan obligations at the **risk free rate**.

In the main, the adjustments **do not affect value** as they do not change cash flow. However this accounting **increase** in policy liabilities will be **released** over time and **will increase future operating earnings**.

These liability increases occur for **3 reasons**:

- an increase to **account balance** or surrender value for unit linked business
- the use of a **risk free rate** being mandated for the valuation of products where the benefits **do not** depend on future investment returns and
- the application of a **liability adequacy test** to set a minimum level liability

As liabilities have increased, the assets earmarked to back these liabilities **increased** and the assets earmarked to back assets in excess of policy liabilities **decreased** by the same amount.

In the **profit and loss**, **future operating earnings** will increase by the normalised investment return applied to this **higher level of assets** offset by some new business strain.

Investment earnings will **go down** by an equivalent amount and will also be affected by some items which are now booked **directly to reserves and not profit**.

Finally, the use of the **risk free rate** to value Phase 2 insurance products at each reporting period, will lead to increased investment volatility. When the **bond rate moves**, the **discount rate** to value liabilities changes with a **related effect on investment earnings**.

# AXA Asia Pacific Group AGAAP / AIFRS profit & loss reconciliation

(A\$ million)	AGAAP	AIFRS	Variance
<b>Six months to 30 June 2005</b>			
Australia & New Zealand	99.3	99.8	0.5
Hong Kong	80.3	83.9	3.6
Singapore	2.1	2.1	0.0
<b>Operating Earnings</b>	<b>181.7</b>	<b>185.8</b>	<b>4.1</b>
Investment Earnings			
- normalised			
- investment experience - assets in excess of policy liabilities	114.1	107.7	(15.4)
- assets backing policy liabilities	4.3	(7.5)	(11.8)
<b>Investment Earnings</b>	<b>118.4</b>	<b>91.2</b>	<b>(27.1)</b>
Corporate expenses	(23.2)	(29.7)	(6.5)
Interest expense - net debt	(26.7)	(26.7)	0.0
- derivatives	12.6	25.8	13.2
<b>Profit after tax and before non-recurring items</b>	<b>262.8</b>	<b>246.4</b>	<b>(16.4)</b>
Non-recurring items	0.0	0.0	0.0
<b>Profit after tax and non-recurring items</b>	<b>262.8</b>	<b>246.4</b>	<b>(16.4)</b>

Higher normalised investment return on assets backing policy liabilities resulting from liability increases offset by a reduced scope of deferral of acquisition costs

Lower normalised investment return on assets in excess of policy liabilities following reallocation to Operating Earnings referred to above; some items go directly to reserves

Increased volatility due to changes in Phase 2 insurance product liabilities reflecting changes in risk free rates

The fair value movement on derivatives recognised in the P&L under AIFRS. Any volatility going forward is likely to be minimal following a restructure of our derivative portfolio



Recognition of the accounting charge relating to our executive share plan

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So in practice, what is the effect of these changes?

Operating earnings have **increased** by **\$4.1m** under AIFRS due to normalised investment returns on **higher assets** backing policy liabilities which, together with profits from the **run-off** of these higher liabilities, is partially offset by the **new business strain** of higher liabilities being established, and the reduced scope for deferral of acquisition costs.

The decrease in investment earnings backing assets in excess of policy liabilities of **\$15.4m** was due to the **above reallocation** and also due to some profits being recorded **directly in reserves** under AIFRS.

The **decrease of \$11.8m** in investment experience on assets backing product liabilities was due to the **bond rate decrease** in the 6 months to June 2005 which **increased liabilities** and resulted in **lower investment income**.

Corporate expenses have **increased by \$6.5m** because of an increase in the funding costs of shares in the Share Plan trust and the need to **additionally** expense the value of executive options over the vesting period.

The fair value movement of the interest derivative has **decreased** interest by **\$13.2m** as the market gain on our AUD/HKD cross currency interest rate swaps was booked to **profit** under AIFRS.

Ignoring the **reallocation** between investment and operating earnings and **investment market fluctuations, going forward** under AIFRS

- **operating earnings should increase** due to the release of higher policy liabilities
- **investment earnings should decrease but only if** there is a revaluation increment on owner occupied property
- **corporate expenses should increase** because of the amortisation of executive share options and
- **our interest expense**, now we have restructured our cross currency interest rate swaps in July, **will** exclude derivative interest income effects and **become a more normalised interest on net debt**.

# AXA Asia Pacific Group

## AGAAP / AIFRS shareholders equity reconciliation

<u>31 December 2004</u>	<u>(A\$ million)</u>	
<b>Shareholders equity – AGAAP</b>	<b>4,049.5</b>	
Derecognition of internally generated goodwill	(399.5)	Internally generated component of goodwill not recognised under AIFRS
Valuation of policy liabilities	(327.1)	Phase 1 products recorded at fair value. Phase 2 insurance products valued using risk free rate. Impact of liability adequacy test
Consolidation of Executive Share Plan	(134.7)	Executive Share Plan trust consolidated under AIFRS. Shares in AXA APH held by trust are eliminated against equity
Recognition of defined benefit pension plan	(75.7)	Liabilities of defined benefit pension plan discounted at risk free rate
Other	(2.2)	
<b>Shareholders equity – AIFRS</b>	<b>3,110.3</b>	

Note: Adjustments shown net of tax



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This represents the **main changes to the Balance Sheet** at 31 December 2004 on transition to AIFRS.

The adjustment of **\$399.5m** relates to the **derecognition** of internally generated goodwill of \$457m partially offset by a release of a deferred tax liability of \$57m.

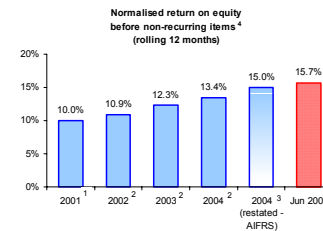
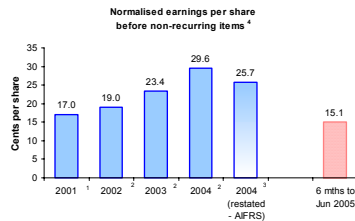
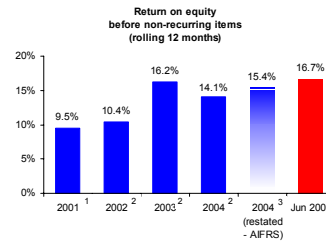
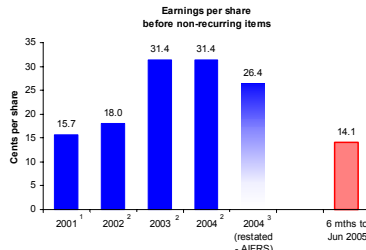
The **\$327.1m** represents the net impact of an increase in policy liabilities of \$479m and a related deferred tax asset increase of \$75m, being partially offset by an increase in Deferred Origination costs of \$106m and a deferred tax liability increase of \$29m.

Shares in AAPH held by The Executive Share Plan Trust of **\$134.7m** are consolidated and then **eliminated** under AIFRS and

The **defined benefit pension plan net of tax adjustment of \$75.7m** relates to the plan's liabilities for AIFRS reporting, now being discounted at the **risk free** rate.

# AXA Asia Pacific Group

## Earnings per share and return on equity



- (1) 12 months ended 31 December (restated, but not audited)  
 (2) 12 months ended 31 December (audited)  
 (3) 12 months ended 31 December (restated for AIFRS, 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 \$221m (rolling 12 months to 30 June 2005), \$108m (H05), \$229m (2004), \$193m (2003), \$171m (2002), \$163m (2001) and \$147m (2000)



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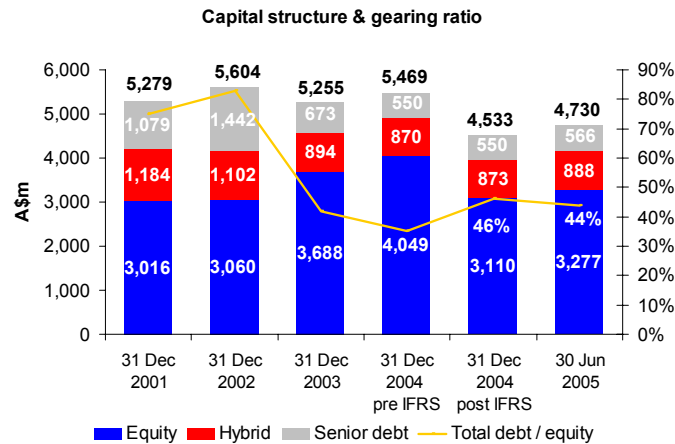
Earnings per share before non-recurring items was **14.1 cents**, up 36% from June 2004.

The rolling 12 months return on equity was **16.7%**. You will note the reduction in shareholder equity we discussed on the previous slide has **improved** return on equity.

Earnings per share and return on equity are both affected by **volatile** investment earnings.

When we **include normalised** Investment Earnings in the calculation, earnings per share are **up 18%** to **15.1 cents** whilst the return on equity increases to **15.7%**.

Strong balance sheet - gearing ratio <sup>1</sup> in target range of 40% - 50%



(1) Measured on the basis of total debt (debt + hybrid) to equity

(2) 2003 senior debt restated in accordance with changes to AASB 1044



Financial strength rating  
(S&P / Fitch respectively)

AA- / AA

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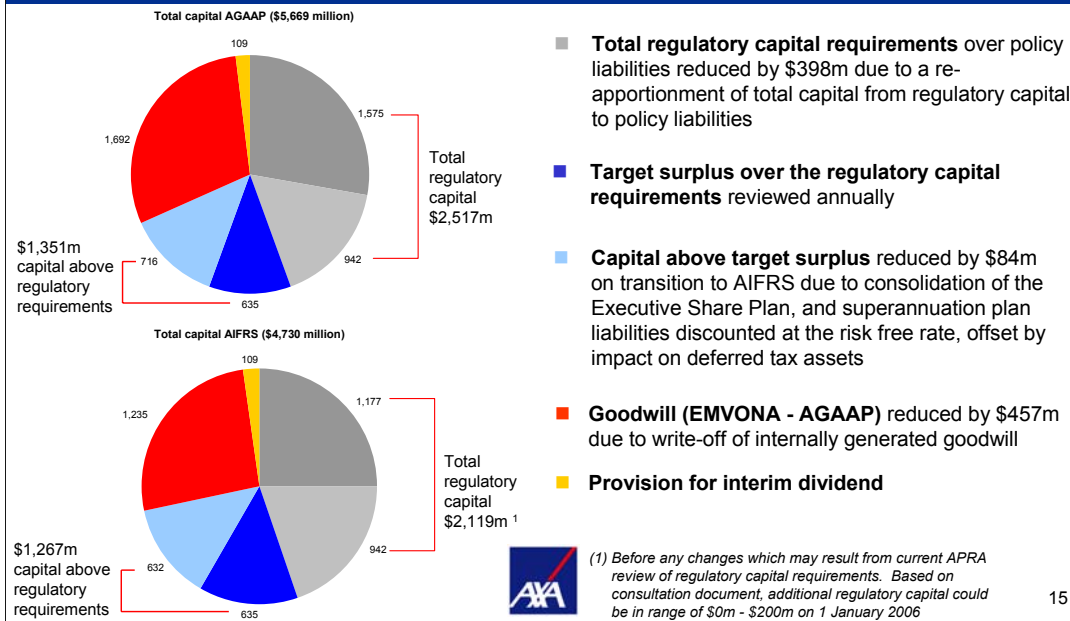
Our **capital position** has further **strengthened**.

In the slide we show our capital structure on a pre and post AIFRS basis at 31 December 2004.

After AIFRS adjustments, our debt to equity ratio has **reduced** from 46% to 44%. Debt has increased due to a \$31m foreign currency gain on our \$US denominated debt and equity has increased due to the retention of profits in excess of dividends.

At 30 June 2005, we had **total** capital resources of \$4.73bn. This comprises \$3.28bn of ordinary equity, up \$167 million from last year, \$888 million of subordinated and hybrid debt, and \$566 million of senior debt.

## AXA Asia Pacific Group Capital usage at 30 June 2005



A few comments on our **strong capital position**. The pie chart represents **shareholder equity plus debt**. You will note shareholder equity **reduced by \$939m** from June 2005 on transition to AIFRS.

Our **total regulatory capital** requirement at 30 June 2005 was \$2.12bn, representing \$1.18bn for our solvency requirement and \$942m for capital adequacy. The decrease in regulatory capital on transition from AGAAP to AIFRS of **\$398m** was due to a **reapportionment** of capital to policy liabilities representing the **increase in policy liabilities less deferred origination costs**.

In addition to this regulatory capital, \$1.23bn of our capital resources represents purchased goodwill. This has been reduced by the **derecognition** of internally generated goodwill of **\$457m**.

**Target surplus at \$635m** is reviewed annually and has not changed.

The **capital above target surplus** of **\$632m** has reduced by **\$84m** from AGAAP. This was due to adjustments for the **Executive Share Plan** and the **defined benefit pension plan less deferred tax benefits** on all AIFRS adjustments.

With respect to our **intentions** with this **\$632m capital above target surplus**, the following factors are relevant:

- uncertainty on the extent of changes to regulatory capital requirements from 1 January 2006 **remains**. When these changes are finally implemented, we **expect** that **regulatory capital requirements** could **impact capital above target surplus** in the range of **\$0-\$200m**

- we are **actively** looking for **growth in Asia**. You will hear our comments with respect to **Malaysia and India** from Les today and, should all our plans come to fruition, **capital requirements of \$150m-\$300m** will be needed over the next 3 years

- we are continuing to look at advice business acquisitions including the minorities of Tynan & McKenzie in 2006 and

**senior debt of \$225m** is due to **mature** in September 2005.

So, in summary we are holding **\$1,267m above** regulatory capital requirements, a **very strong capital position**.

Illustrative Group value of inforce up 9.5% <sup>1</sup>

(A\$ million)	Risk discount rate					
	Equity return + 100 bps <sup>1</sup>			Equity return <sup>2</sup>		
	30 June 2005	31 Dec 2004	Change	30 June 2005	31 Dec 2004	Change
<b>Value of inforce</b>						
Australia and New Zealand	2,813	2,637	6.7%	2,949	2,782	6.0%
Hong Kong	1,973	1,781	10.8%	2,108	1,896	11.2%
South East Asia <sup>3</sup>	62	53	17.0%	62	53	17.0%
<b>Total value of inforce (before 2005 transfers to net worth and on constant FX) <sup>4</sup></b>	<b>4,848</b>	<b>4,471</b>	<b>8.4%</b>	<b>5,119</b>	<b>4,731</b>	<b>8.2%</b>
<b>Total value of inforce (before 2005 transfers to net worth and on actual FX)</b>	<b>4,898</b>	<b>4,471</b>	<b>9.5%</b>	<b>5,174</b>	<b>4,731</b>	<b>9.4%</b>
2005 transfers to Group net worth	(322)			(322)		
<b>Total value of inforce (after 2005 transfers to net worth and on actual FX)</b>	<b>4,576</b>	<b>4,471</b>	<b>2.3%</b>	<b>4,852</b>	<b>4,731</b>	<b>2.6%</b>
Adjusted Group net worth	1,414	1,275		1,414	1,275	
Debt	(1,454)	(1,420)		(1,454)	(1,420)	
Capitalised corporate expenses <sup>5</sup>	(312)	(312)		(312)	(312)	
China / South East Asia expense overruns <sup>6</sup>	(17)	(18)		(17)	(18)	
Total dividend payments for 2005 <sup>7</sup>	109			109		

(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 risk discount rates ranging from 11% – 20% for relevant countries, the same in both illustrative values

(4) Based on A\$/US\$ exchange rate at 31 December 2004



(5) Excludes potential additional corporate expenses of \$9m-\$13m pa over next three years should planned organic growth come to fruition

(6) Value of South East Asia development expenses being in excess of assumed long-term product expense loadings

(7) Provision for 2005 interim dividend

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Turning now to our **illustrative value numbers**.

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 capitalised corporate expenses **less** the value of expense overruns in our South East Asian businesses.

In our view illustrative value 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**.

With respect to AIFRS, in the main, value is **not affected**. The change in recognition of profits does not change cash flows and consequently does not change value.

Total illustrative **inforce** value using discount rates of **11%** for Australia and New Zealand, **11.5%** for Hong Kong and **11%-20%** for South East Asia, **before** distributions to group net worth, has increased by **9.5%** over the **six month period** or **8.4%** on a **constant currency** basis.

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

- **profitable new business** written over the six month period and
- **improvements in expense experience** in Australia and New Zealand. As unit cost assumptions are **now reflective of actual expense experience**, efficiency gains, for **the first time**, are **reflected in value**.

Group net worth of \$1,267m represents \$635m of target surplus and \$632m of capital in excess of target surplus. It is increased to \$1,414m by adjustments to **neutralise** AIFRS accounting entries that **do not affect value**. These adjustments, which total \$147m, include the share plan trust elimination, the use of the risk free rate for the defined pension plan and the deferred tax assets associated with policy liability increases.

**Illustrative Group value of new business up 9.4% <sup>1</sup>**

(A\$ million)	Risk discount rate					
	Equity return + 100 bps <sup>1</sup>			Equity return <sup>2</sup>		
	30 June 2005	31 Dec 2004	Change	30 June 2005	31 Dec 2004	Change
<b>12 months to</b>						
<b>Australia &amp; New Zealand</b>						
Financial protection	13	12	5.6%	16	16	5.1%
Wealth management	71	65	9.6%	80	73	8.9%
<b>Total A&amp;NZ value of new business ("VNB")</b>	<b>84</b>	<b>77</b>	<b>9.1%</b>	<b>96</b>	<b>89</b>	<b>7.9%</b>
<b>Hong Kong</b>						
Financial protection	92	89	3.9%	99	95	4.1%
Wealth management	8	6	30.8%	10	8	33.1%
Health	6	6	(2.9)%	6	6	(2.8)%
<b>Total Hong Kong VNB</b>	<b>106</b>	<b>101</b>	<b>5.2%</b>	<b>115</b>	<b>109</b>	<b>5.5%</b>
China and South East Asia VNB <sup>3</sup>	17	14	23.4%	17	14	23.4%
<b>Total Group VNB on constant FX rates <sup>4</sup></b>	<b>207</b>	<b>192</b>	<b>8.0%</b>	<b>228</b>	<b>212</b>	<b>7.7%</b>
<b>Group VNB on actual FX rates</b>	<b>210</b>		<b>9.4%</b>	<b>231</b>		<b>9.0%</b>

(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 risk discount rates ranging from 11% – 20% for relevant countries, the same in all illustrative values  
(4) Based on A\$ / US\$ exchange rate at 31 December 2004



**Value of new business** represents the value created from new business **written** over the past 12 months.

Using a discount rate of 11% for A&NZ and 11.5% for Hong Kong, Group value of new business was **up by 9.4%** since December 2004 or **8%** on a **constant currency basis**.

Our Australia and New Zealand business was **up 9.1%** primarily due to growth in the investment management and platform businesses.

Our Hong Kong business was **up 5.2%** at constant currency due to growth in all areas, but primarily in the lower margin retirement income businesses.

Our South East Asian businesses have **grown 23.4% in \$A** mainly due to strong sales growth in **Indonesia and Thailand**.

This represents a **strong growth in value**.

## Australia and New Zealand Profit after tax

(A\$ million)			
Six months to 30 June	2005	2004	Change
Wealth management products and platforms	46.0	31.1	47.9%
Advice	15.5	11.4	36.0%
Total Wealth management	61.5	42.5	44.7%
Financial protection	38.3	33.4	14.7%
<b>Operating Earnings</b>	<b>99.8</b>	<b>75.9</b>	<b>31.5%</b>
Investment Earnings			
- normalised	35.2	34.1	3.2%
- investment experience - assets in excess of policy liabilities	9.8	12.3	(20.3)%
- assets backing policy liabilities	0.8	23.1	(96.5)%
<b>Investment Earnings</b>	<b>45.8</b>	<b>69.5</b>	<b>(34.1)%</b>
<b>Profit after tax and before non-recurring items</b>	<b>145.6</b>	<b>145.4</b>	<b>0.1%</b>



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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 **47.9%** to \$46m due to positive net funds flow **increasing fees** from funds under management, together with the **absence** of the need this year to strengthen annuitant mortality.

Advice grew **36%** to \$15.5m due to a combination of **positive** net funds flow and **strong performance of Australian equity markets** which has driven funds under management and advice balances higher, and generated **additional fee revenue**.

Financial protection grew **14.7%** to \$38.3m driven by growth in our Australian individual life products and favourable underwriting experience in group life.

**Reductions** in expenses over the last four years continue to **underpin** improved profits.

Investment earnings were **strong**, being \$10.6m above normalised returns. They **decreased** 34.1% from last year primarily as a result of a 16 **basis point decrease** in the bond market compared with last year's 36 basis point increase.

Although this has a **positive** effect on investment experience backing assets in excess of policy liabilities as the value of the fixed interest bonds **rise**, it has a **negative** effect on assets backing product liabilities.

The **decrease** in bond rate results in a **lower** discount rate and **higher** liabilities for income protection and lifetime annuities in particular. Consequently, **negative** investment experience results.

## Australia and New Zealand New business / gross inflows

(A\$ million)	2005	2004	Change
<b>Six months to 30 June</b>			
<b>Wealth management (gross inflows)</b>			
Superannuation	1,398.3	1,122.0	24.6%
Retirement income	297.7	252.3	18.0%
Investment products	1,241.2	1,442.2	(13.9)%
Alliance Capital retail mandates	1,367.9	1,107.1	23.6%
<b>Total retail flows</b>	<b>4,305.1</b>	<b>3,923.6</b>	<b>9.7%</b>
Cash management trusts	36.9	37.5	(1.6)%
ACM wholesale mandates	3,084.5	2,666.4	15.7%
<b>Total</b>	<b>7,426.5</b>	<b>6,627.5</b>	<b>12.1%</b>
<i>Included in the above:</i>			
Platforms	1,479.5	1,030.9	43.5%
Advice	685.2	570.6	20.1%
<b>Financial protection (new annual premiums)</b>			
Individual life	25.6	21.9	16.9%
Individual income protection	11.9	10.0	19.0%
Group insurance	12.7	14.6	(13.0)%
Long term risk	1.5	1.5	0.0%
<b>Total</b>	<b>51.7</b>	<b>48.0</b>	<b>7.7%</b>



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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 **12.1%** increase in total inflows.

Superannuation flows increased **markedly** due to the success of our Generations offer.

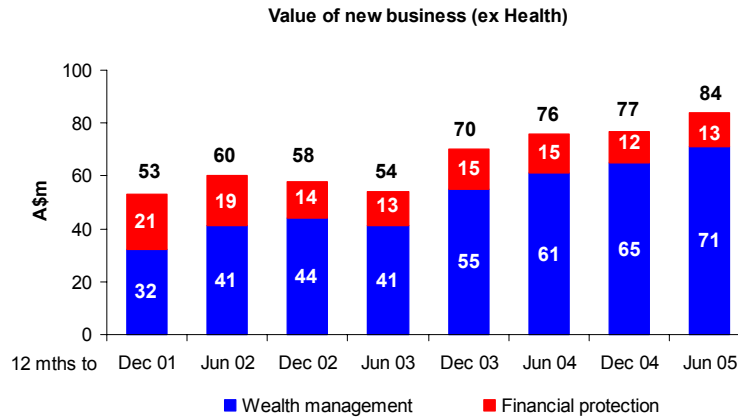
Retail and wholesale mandate inflows increased substantially due to increasing demand for **international equity mandates**.

Encouragingly, our flows into our platforms and advice businesses both increased by **43.5%** and **20.1%** respectively.

With respect to financial protection, we had a **16.9%** increase in new annual premiums in our individual life business and a **19%** increase in individual income protection business. We are confident in our ability to grow this business, having recently launched our revised product range.

## Australia and New Zealand Value of new business

Rolling 12 months value of new business <sup>1</sup> up 9% since 31 December 2004 to \$84m



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



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On a rolling 12 month basis the value of new business increased **9%** from December 2004 to \$84m based on a risk discount rate of 11%.

Wealth management business grew **10%**, driven by strong flows into Generations and Summit and our multi-manager offering, together with strong institutional flows into our Alliance Capital joint venture.

The value of new business for financial protection **increased 5%** since 31 December. This was mainly due to **price increases** in our New Zealand business and **higher Australian sales** in the second quarter of 2005. You will recall in August last year we made a number of pricing changes and other improvements to these products which we believe will lead to higher future new business growth in the longer term.

## AXA Asia Pacific Group Transitional tax ceased on 30 June 2005

- The benefit from transitional tax treatment for non-risk business within NMLA ceased on 30 June 2005
- Without any mitigating action, Operating Earnings would be \$9m-\$10m lower in the 2005 year and \$18m-\$20m lower in 2006 and subsequent years
- We have initiatives to fully mitigate the loss of transitional tax relief in 2005 and subsequent years
- No noticeable impact on Operating Earnings trends in 2005
- Around 50% of profit replacement of \$18m-\$20m will come through Operating Earnings in 2006 and beyond. The balance will come through normalised Investment Earnings



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Transitional tax on our non-risk business written **within** the Australian life company **ceased on 1 July 2005**.

If we **take no mitigating action**, our operating earnings would decrease by **\$9-\$10 million** for the remainder of this financial year and **\$18-\$20 million** for the full year 2006, and beyond.

We have developed initiatives to **replace** the operating earnings in **2005** and to **replace overall profits in 2006 and subsequent years**.

Up to **50%** of the **profit replacement of \$18m-\$20m will come through operating earnings in 2006 and beyond**. The balance will come through normalised investment earnings.

## Hong Kong Profit after tax

Six months to 30 June	(HK\$ million)			(A\$ million)		
	2005	2004	Change	2005	2004	Change
Operating Earnings	505.7	461.6	9.6%	83.9	80.4	4.4%
Investment Earnings						
- normalised	436.2	433.2	0.7%	72.3	75.4	(4.1)%
- inv. exp. - assets in excess of policy liabilities	(116.6)	(386.3)	69.8%	(18.8)	(67.2)	72.0%
- assets backing policy liabilities	(51.1)	(62.1)	17.7%	(8.5)	(10.8)	21.3%
Investment Earnings	268.5	(15.2)	n/a	45.0	(2.6)	n/a
<b>Profit after tax and before non-recurring items</b>	<b>774.2</b>	<b>446.4</b>	<b>73.4%</b>	<b>128.9</b>	<b>77.8</b>	<b>65.7%</b>



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Now turning to **Hong Kong**.

Underlying our result was a **9.6% improvement in Operating Earnings** to HK\$505.7m driven by continued profitable sales growth and a strong focus on expense control.

The **increase** in operating earnings was **dampened by higher death claims than expected resulting from a severe and extended winter** in the first quarter of 2005; reflective of industry wide experience.

Investment earnings in 2005 were **HK\$268.5m, considerably higher than 2004**. The increase from last year was due to a **30 bp decrease** in US 10 year bond yields compared to a **36 bp increase** last year.

The **negative** investment experience **from normalised earnings** on assets in excess of policy liabilities was primarily due to **lower equity returns** this year with the MSCI World Index returning negative 0.4% in the 6 months to June 2005 compared to a 3.7% increase in the prior period.

## Hong Kong New business

(HK\$ million)			
Six months to 30 June	2005	2004	Change
<b>New regular premiums</b>			
Individual life (non-linked)	258.0	289.4	(10.9)%
Individual life (unit linked)	152.6	97.2	57.0%
<b>Total individual life</b>	<b>410.6</b>	<b>386.6</b>	<b>6.2%</b>
Group retirement (incl MPF)	78.1	21.2	268.4%
Group risk	44.2	46.4	(4.7)%
<b>Total</b>	<b>532.9</b>	<b>454.2</b>	<b>17.3%</b>
<b>Single premiums</b>			
Individual life – incl unit linked	135.0	132.5	1.9%
Group retirement	147.5	126.9	16.2%
<b>Total</b>	<b>282.5</b>	<b>259.4</b>	<b>8.9%</b>
Total life new business index <sup>1</sup>	561.2	480.1	16.9%
General insurance <sup>2</sup>	54.8	61.9	(11.5)%
<b>Total new business index</b>	<b>616.0</b>	<b>542.0</b>	<b>13.7%</b>

(1) New regular premiums plus 10% single premiums

(2) Gross written premium



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As announced in our new business release last month, new business in Hong Kong showed **strong growth**.

New business index, which includes regular premiums and 10% of single premiums, was **up 13.7% to HK\$616m**.

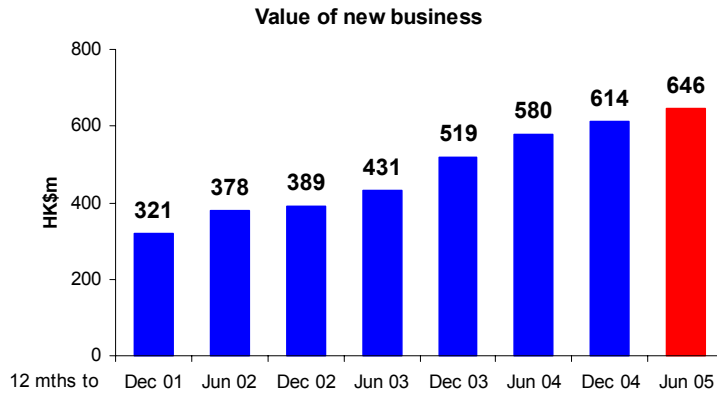
Individual life regular premium sales continued to grow, up **6.2%**.

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 268.4%** due to the **broadening of our distribution channels**, some success in the broker channel and a sustained **strong MPF investment performance**.

## Hong Kong Value of new business

Rolling 12 months value of new business <sup>1</sup> up 5% since 31 December 2004 to HK\$646m



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



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Value of new business represents a rolling 12 month view.

Our Hong Kong sales performance has flowed through into the rolling 12 month value of new business, which was **up 11%** from June 2004 and up **5%** from December 2004 to **HK\$646m**.

Our value of new business has increased at a **slower rate than sales** due to a change in mix of the new business to the lower margin, **but still highly profitable**, retirement business. This change in mix is consistent with our targets under HK6 where the **rate of growth of sales is higher than the targeted rate of growth in value of one year's new business**.

I should point out that **our growth into the retirement market** is new business for us and **is not a substitute** for our traditional life sales.

## China & South East Asia New business

### New business index <sup>1</sup> up 98% <sup>2</sup>

(million)			
Six months to 30 June	2005	2004	Change
Indonesia (Rupiah)	179,476.6	47,564.6	277.3%
Thailand (Baht)	485.9	226.0	115.0%
Singapore (Sing\$)	13.5	9.7	39.2%
Philippines (Peso)	334.6	278.0	20.4%
China (Rmb)	17.7	19.9	(11.1)%
<b>Total (AUD) <sup>2</sup></b>	<b>61.7</b>	<b>31.2</b>	<b>97.8%</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



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Finally a few words on our other Asian businesses.

The new business index on a 100% share and constant currency basis, increased **97.8%** to A\$61.7m.

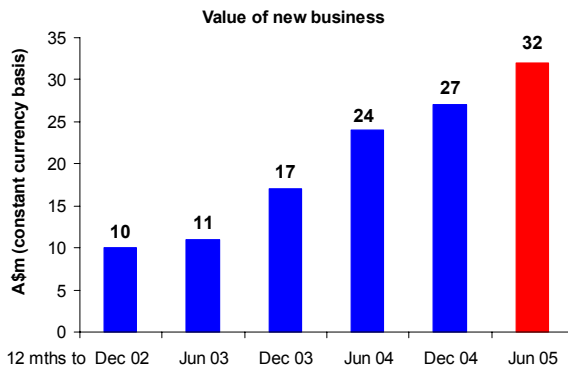
New business increased particularly **strongly** in **Indonesia and Thailand**.

Our bank assurance joint venture in **Indonesia** continues to perform strongly with growth in the new business index of **277.3%**. This has moved AXA's business in Indonesia to **number two** in new business market share.

**Thailand growth of 115%** was due to improvements in agent productivity and the expansion of our bancassurance channel.

## China & South East Asia Value of new business

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



- Value of new business <sup>1</sup> up 17.8% <sup>2</sup> on a rolling 12 months basis to \$31.8m
- AXA APH share of value of new business is \$17.2m, representing 8% of total Group value of new business

(1) 100% share

(2) Based on constant currency exchange rates at 30 June 2005



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Value of new business has increased **33%** on June 2004 and **17.8%** on December 2004 on a rolling 12 month view.

Across the region, there has been a constant focus on improving product profitability, with initiatives such as re-pricing, changes to contract terms and conditions, and the introduction of unit-linked products now completed.

Value of new business has been strong, **although slower than growth in the new business index due to changes in product mix**. Profit margins in 2005 are **in line** with our expectations, whereas margins in 2004 were **above** expectations.

Strong growth in Indonesia with Bank Mandiri, and Thailand with the Krungthai Bank, has **contributed strongly** to the value of new business increase.

**Our share** of this value of new business at current rates was **\$17.2m** representing **8%** of the **Group's total value of new business**.

## Summary

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

- Strong growth in Operating Earnings
- AIFRS slightly positive for Operating Earnings and negative for Investment Earnings
- Group value of new business <sup>1</sup> up 9.4% and value of inforce <sup>1</sup> up 9.5% over the past six months
- Capital position remains very strong
- Interim dividend up 19%

(1) Based on risk discount rate 100 basis points above assumed equity returns, ie. 11.0% for A&NZ, 11.5% for HK



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So, in summary, we have again seen very **strong growth** in operating earnings in Australia, New Zealand and Hong Kong, demonstrating the **success of our business** and the **strength and breadth of our footprint**.

The introduction of AIFRS **does not change this message**, although it does affect investment earnings due to the use of the risk free rate to discount liabilities.

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

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 current regulatory capital requirements.

Our interim dividend has **increased by 19%**.

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.

# THE AXA "We already have a great plan" PLAN.

AXA Asia Pacific Holdings Limited  
Review of activities

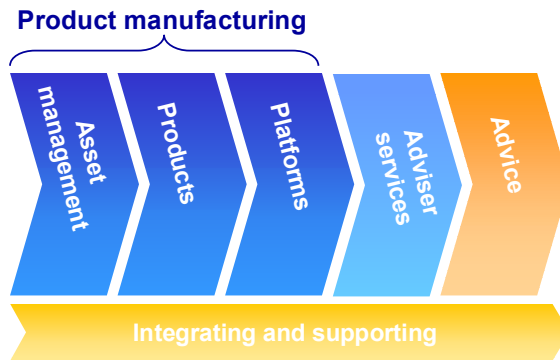
Les Owen, Group Chief Executive



Be Life Confident

## Australia and New Zealand Our strategy

**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**



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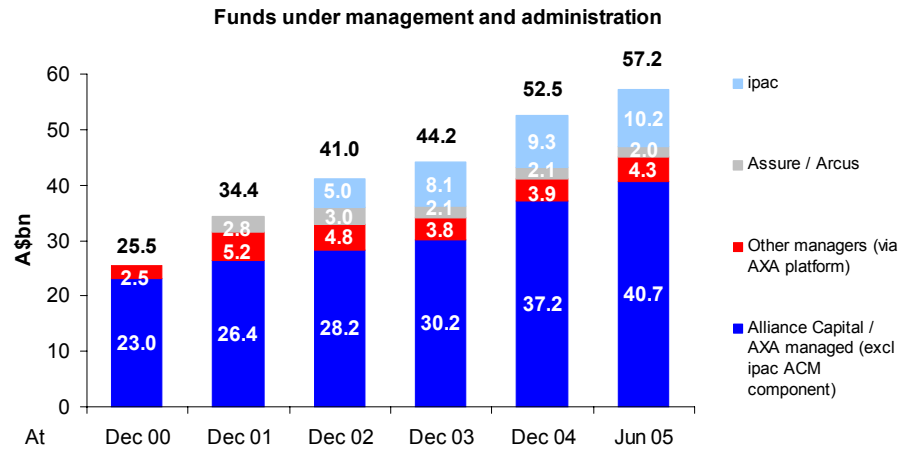
Thank you Geoff. Let me turn first to Australia and New Zealand.

Our strategy is working well and is delivering strong results. We aim to be a leader in all parts of the financial protection and wealth management value chain:

- Asset management
- Financial protection, investment, superannuation and savings products
- Mastertrust, wrap and administration platforms
- Adviser services and
- Advice through ipac in Australia and Spicers in New Zealand

The last 6 months have seen us make further progress in each of these segments.

**Strong growth in funds under management and administration**



In asset management total funds under management and administration were up 9% over the period to \$57.2 billion.

Within this, the inhouse managed assets – that is assets managed by the Alliance Capital JV and through AXA itself – grew nearly 10% to \$40.7 billion. Externally managed assets grew 10% to \$4.3 billion and assets under ipac and Spicers platforms grew 7% to \$12.2 billion.

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

Fund	6 months		12 months		3 years		Research rating (Van Eyk / ASSIRT)
	Return	Quartile	Return	Quartile	Return (pa)	Quartile	
Global Equity – Growth	3.5%	2	0.9%	3	-3.1%	4	A/4 stars
Global Equity – Value	4.5%	1	7.5%	1	4.1%	1	AA/5 stars
Aust. Equity – Growth	9.4%	1	29.0%	1	13.9%	3	Not rated/3 stars
Aust. Equity – Value	11.7%	1	32.4%	1	n/a	n/a	A/3 stars
Aust. Monthly Income	3.1%	1	6.1%	1	5.9%	1	A/5 stars
Aust. Property Fund	6.4%	2	14.1%	1	12.4%	1	A/4 stars
Selected Equities Trust (NZ)	4.8%	3	21.9%	3	18.6%	2	5 stars (Morningstar)

Source: Morningstar and AXA APH. Returns are before tax and after management fees for Australia, before management fees for New Zealand

- Alliance Bernstein was recently awarded Money Management’s 2005 overall “Fund Manager of the Year” and “International Equity Fund Manager of the Year”
- AXA was named Money Management’s 2005 “Mortgage Fund Manager of the Year” and received the Personal Investor Magazine Award for Excellence in Financial Services 2005 for “Mortgage Fund of the Year”

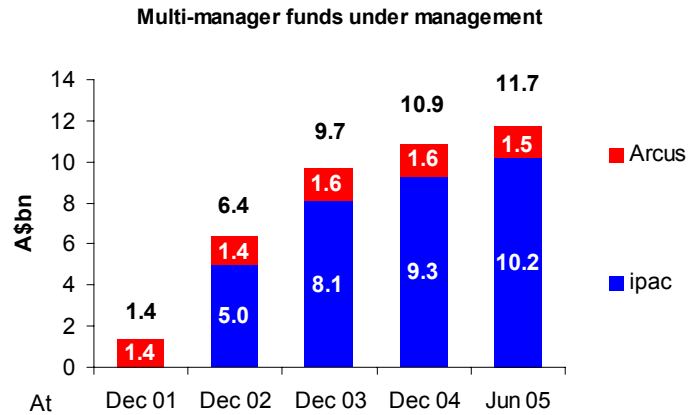


We have seen further improvement in our investment performance. Most of our core investment offerings are now in the top quartile of their comparative groups over 6 months and 1 year and, in particular, the investment performance in both Australian Equity Value and Australian Equity Growth is now looking very good.

Alliance Bernstein was recently awarded both the overall “Fund manager of the Year” and the “International Equity Fund Manager of the Year” for 2005 by Money Management, and AXA won the “Mortgage Fund Manager of the Year”.

This strong position is driving continuing growth in our fund flows and we confidently expect an increasing flow into Australian equity funds over the next 12 months.

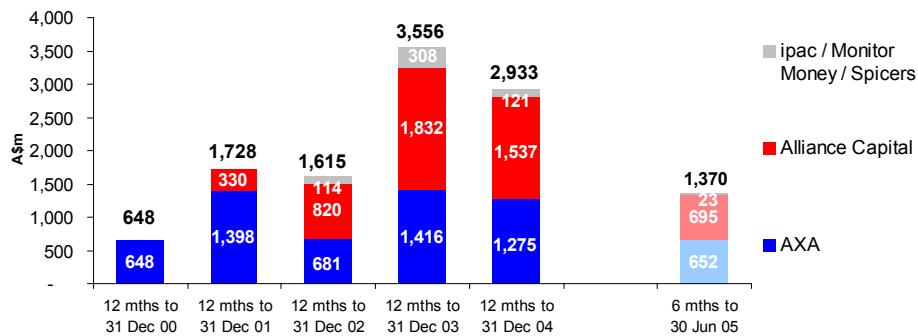
**Strong growth in multi-manager funds under management**



We are a leading multi manager, in Australia through ipac, and in New Zealand through Arcus. Total multi manager funds under management grew by 7% over the period with particular growth in ipac which is now managing over \$10 billion.

**Net retail funds flow remains strong**

Wealth management - net retail funds flow



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

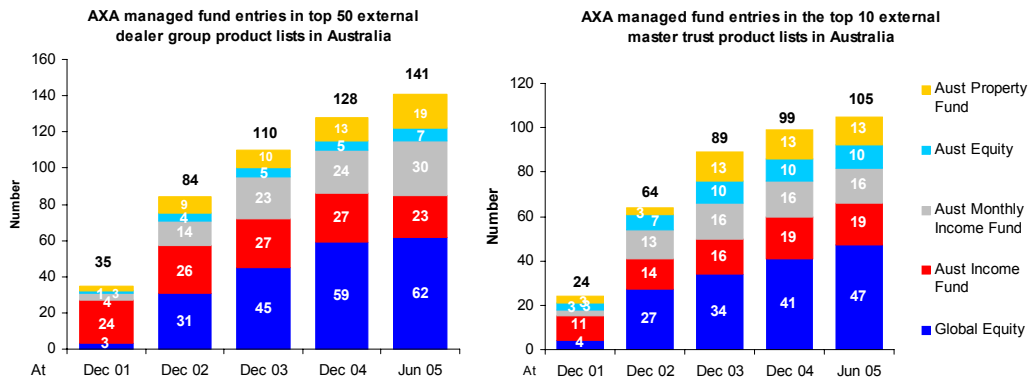
(2) Cash management trusts excluded



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

Net retail fund flows in the first 6 months of the year were \$1.37 billion. Although this was a little down on the same period last year we retained our position in the top 5 in both the Plan for Life and the Assirt market share surveys. The reduction in net flows compared to the first 6 months of 2004 can be almost entirely explained by the move by one of the major banks to start using its inhouse product rather than our Australian Income Fund. In other segments we saw good growth in net flows in superannuation, into Alliance Capital retail and wholesale mandates, and into our platforms.

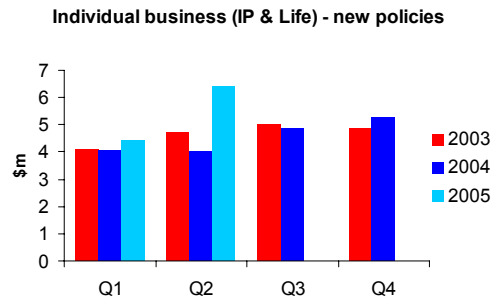
**Penetration of approved product lists and external master trusts continues to increase**



I am confident that we can continue to grow our sales and gross inflows not least because we are continuing to increase our penetration of the major external Master trust and dealer group approved product lists. Global equities remains our star performer but we are starting to gain penetration in Australian equities. This is starting to produce new business and this will be reflected in our third quarter numbers.

**Increasing market share since Q3 2004**

- Encouraging trend in new business volumes following income protection product upgrades in August 2004

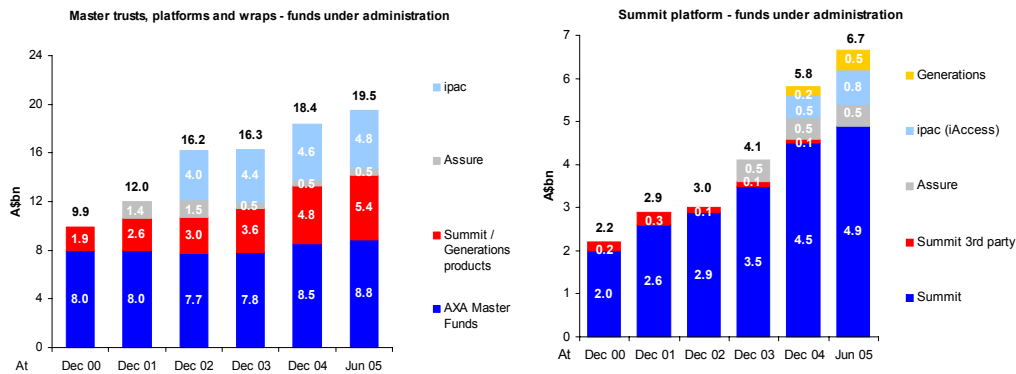


- Product upgrades launched in July 2005
- Feedback from launch has been excellent



A brief look at financial protection. Having improved the profitability of our financial protection book over the last 3 years, we have over the last 12 months turned our attention to starting to regrow our market share but not at the expense of shareholder value. I am pleased to say that the encouraging trend that started in the 4<sup>th</sup> quarter of last year has continued into the first half of this year. As you can see from this slide, new business volumes picked up in the first quarter this year and picked up very substantially in the second quarter where we were more than 40% up on the second quarter performance in 2003 and 2004. We have recently launched major product upgrades at a roadshow around Australia which was attended by over 2000 advisers. We have had positive feedback and I am confident that, in the second half and into next year, we will see a continuation of the trend of increased market share.

**Further growth in platform and Summit funds under administration with 35% of funds now on Summit (December 2004 – 32%)**

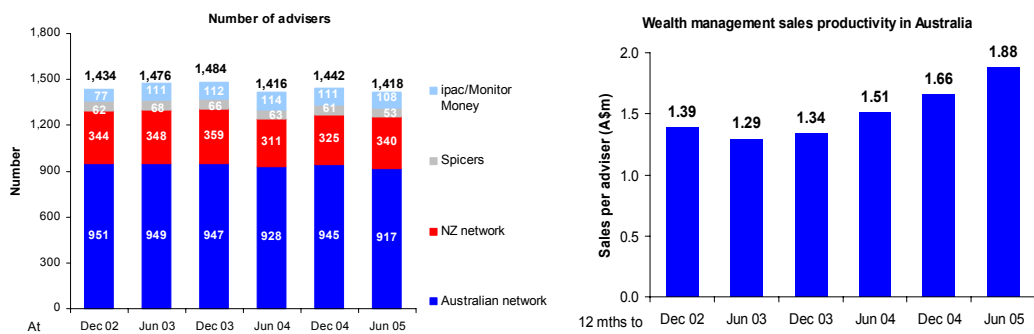


The total Summit funds under administration of \$6.7bn differs to the chart "Master trusts, platforms and wraps" showing Summit product as \$5.4bn. This is due to \$0.8bn of ipac funds and \$0.5bn of Monitor Money funds, which are administered on Summit, being shown as part of ipac and Monitor Money respectively in the "Master trusts, platforms and wraps" chart, rather than as part of Summit.

Building a scale administration platform is an important part of our strategy and we have seen further progress over the last 6 months. Total funds on our Master trust, administration and Wrap platforms are now just under \$20 billion and we have successfully consolidated about 35% of this onto the Summit technology platform, up from 32% at the end of last year. The lighter functionality platform – Generations – that we launched in the third quarter last year has been particularly successful and we now have around \$500 million under Generations.

# Australia and New Zealand Adviser services

## Strong growth in productivity of AXA aligned advisers



Note: Number of 'NZ network' advisers restated for 2004

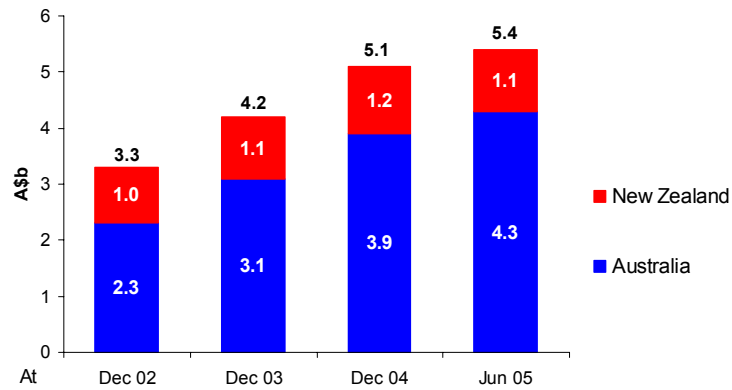


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Turning now to adviser services. Adviser numbers have fallen a little over the period. This is mainly due to normal turnover with some further overall reduction in industry numbers following the introduction of the new licensing and disclosure regime. In Australia the Discovery programme is continuing to work well and we expect growth in adviser numbers during the second half of the year.

Encouragingly productivity continues to improve and, as you can see from the chart on the right, wealth management sales per adviser over the last 12 months are up to \$1.88 million, up 25% over the last 12 months.

Continued growth in funds under advice

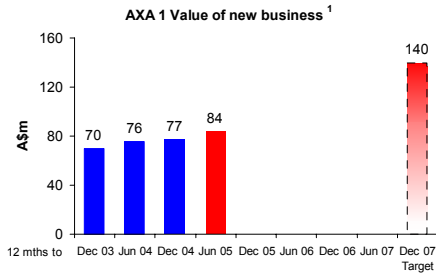


We have also seen continued growth in our advice businesses.

In ipac funds under advice grew by 10% to \$4.3 billion. There was a small decline in New Zealand where the market as a whole is still not growing, largely as a result of the disadvantageous tax structure for pooled and mutual funds. The New Zealand Government has announced a change to create a level playing field and plans to grow private superannuation savings. We are confident that over the medium term our strong position in professional advice will lead to a return to growth.

# Australia and New Zealand AXA 6 progress

## AXA1 - Double value of new business

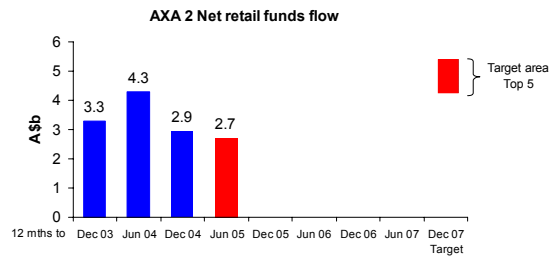


- Performance driven by strong growth in platform and investment management businesses

(1) Based on constant assumed risk discount rate of 11.0%



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



- Ranked fifth (Plan for Life) and first (ASSIRT) as at 31 March 2005

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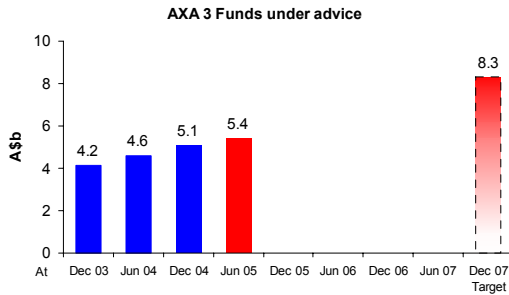
So how are we tracking against the AXA 6 aspirational objectives that we set out in April 2004.

Firstly AXA 1 – to double the value of new business. As you can see we are making reasonable progress here. However we will have to increase the rate of growth if we are to reach our objective of \$140 million by the end of 2007.

AXA 2 – to consistently be in the top 5 for net retail funds flow. Although we have seen a small decline in retail fund flows for the reasons I explained earlier, we remain in the top 5 and if we can increase our traction in Australian equities then there is no reason why we should not remain on target.

# Australia and New Zealand AXA 6 progress

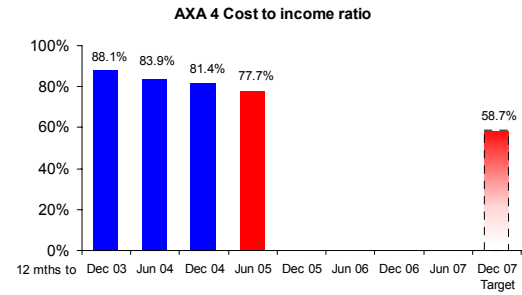
## AXA3 - Double funds under advice



- Strong growth in ipac and Monitor Money funds under advice, assisted by investment market growth
- Spicers performance still suffering from difficult market environment in NZ. Recent proposed changes to NZ's savings and tax regimes should improve market environment in due course



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



- Decrease driven by 4.4% increase in income and 1.0% decrease in overall expenses

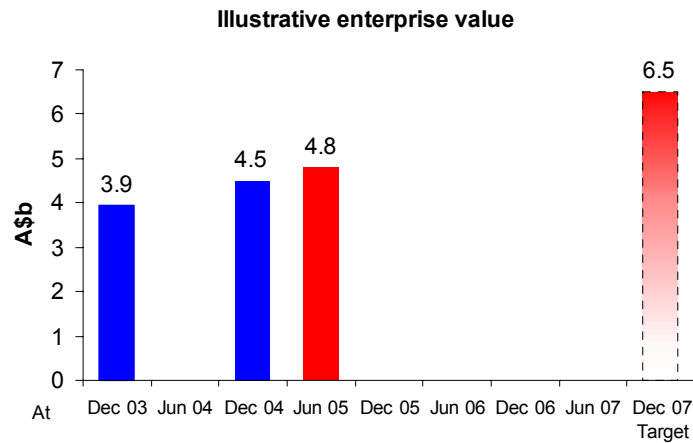
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The third objective is to double funds under advice. We have seen good growth in ipac and Monitor Money in Australia and we are on track to meet this objective.

Next AXA 4 – to reduce the cost to income ratio by one-third. In the first half the ratio reduced by 440 basis points to 77% so, again, we are on track.

AXA 5 and AXA 6 were about adviser and staff attitudes respectively and we will not have the results of the 2005 surveys until later this year.

Illustrative enterprise value <sup>1</sup> up 6.9%



(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



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Our overarching objective, of course, is to increase the enterprise value - that is the embedded value of inforce business plus the value of future new business - by 65% by the end of 2007.

On the illustrative basis that we are using, the enterprise value at 30 June 2005 was \$4.8 billion, a 6.9% increase on the position at the end of 2004. So again we are making reasonably good progress towards this objective.

## Australia and New Zealand Looking forward

- Strong market position and strategy execution
- Continued momentum in all business segments
- Attractive earnings growth
- Priorities in Australia:
  - continue to capitalise on excellent performance for Global Equity Value
  - turn good investment performance in Australian equities into funds flows
  - grow superannuation gross inflows following tax changes
  - continue to build scale in platforms and advice
  - launch self-managed super offer
  - continue to grow financial protection market share following recent product revamp
- Priorities in New Zealand:
  - continue to develop superannuation presence through appointment to State Sector Retirement Savings Scheme
  - build on leading multi-manager investment performance
  - continue to develop new adviser support programme - Activating Business Change



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Looking forward I believe that we have a strong market position. We have executed our strategy well in Australia and New Zealand. We have built good momentum in all our business segments and we have delivered attractive earnings growth over the last 2 years.

Our priorities over the next 12 months are to continue to capitalise on the excellent performance of our Global Equity Value Fund and to turn the significantly improved investment performance in Australian equities into strong positive fundflows.

We have an opportunity to grow our superannuation business following the recent tax changes and we must continue our strategy of building scale in our platform and advice businesses.

Later this year we will be launching our self managed superannuation offer as part of our response to the Choice environment and we expect to continue to grow our market share, of new financial protection business, and to increase the rate of growth, following our very successful recent product relaunch.

In New Zealand we must maximise the opportunity in superannuation through our appointment as one of three providers to the State Sector Retirement Savings Scheme, build on our strong position in multi manager, and develop our adviser support services, as the regulatory model in New Zealand starts to move towards the Australian model.

## Asia Asia 6 - "accelerated growth" strategy

**Overarching goal: To double enterprise value of Asian operations to A\$8bn<sup>1</sup> by 2008**



(1) 100% of joint venture operations, based on constant currency exchange rates at December 2004, and constant assumed risk discount rates and equity return rates



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Let me turn now to Hong Kong and Asia.

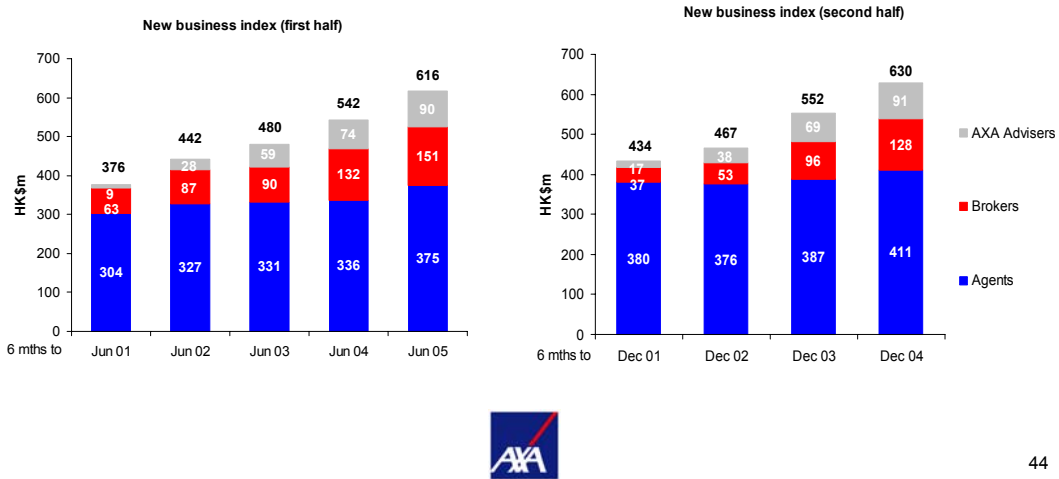
In May we announced a further set of aspirational goals for our operations in Asia – Asia 6.

- Firstly to more than double the value of new business to A\$300 million by the end of 2008.
- Secondly to grow total inflows 2.5 times to A\$4 billion
- Thirdly to grow new business index – that is new regular premiums plus 10% of single premiums – 2.5 times to A\$700 million
- Next to improve the management expense ratio to below 5% in Hong Kong - and in aggregate to below 20% in South East Asia and China
- To improve or maintain our 13 month persistency – a key measure of the quality of the quality of our sales operations – to better than 80% and
- finally to achieve a top quartile scope score for staff satisfaction

The overarching goal was to double the enterprise value – that is the value of inforce plus the value of new business of our Asian operations to A\$8 billion by the end of 2008.

We set out a number of strategic imperatives that we would need to meet to deliver these goals and I will cover progress on some of these this morning.

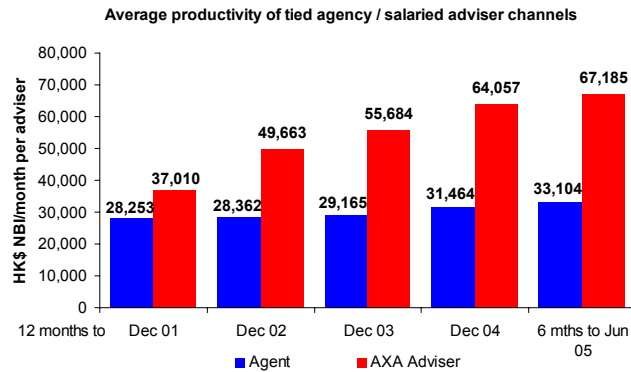
**All channels growing; non-agency now accounts for 39% of sales**



Firstly to maximise the value of existing distribution channels.

All channels have been growing strongly. Particularly in Hong Kong, new business is impacted by seasonal factors but the strong growth we showed in the second half of 2004 has continued into the first half this year with new business index up 14% up on the corresponding period last year. And we are continuing to diversify our distribution with sales through AXA advisers and through brokers now accounting for 39% of total sales.

**Further improvement in agent and AXA Adviser productivity**



- 48% of advisers managed by salaried managers
- Total adviser numbers of 2,273 broadly in line with June 2004



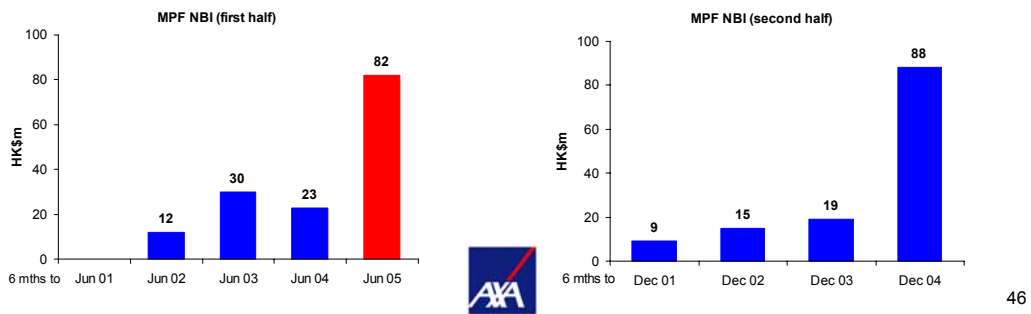
We have also seen further improvement in agent and AXA adviser productivity. Agent numbers are broadly flat compared to June last year but the number of advisers managed by salaried managers has continued to increase and now represents 48% of our total agency and adviser force. Productivity of both AXA advisers and traditional agents increased by 5% in the first half.

# Hong Kong Gain significance in wealth management

## Strong performance on MPF funds

Fund	12 months		3 years	
	Return	Quartile	Return (pa)	Quartile
Growth	17.11%	2	13.27%	1
Balanced	14.88%	3	12.01%	2
Stable	10.47%	1	9.85%	2
Cash	1.04%	2	1.01%	2

Source: Lipper Asia Limited / AXA Hong Kong / AXA Rosenberg Investment Management Asia Pacific Ltd



One of our strategic imperatives is to gain significance in wealth management as the Hong Kong and Asian markets start to mature. In Hong Kong we have a strong investment performance record on our MPF funds and, as you can see over 3 years, all our major funds are in the first or second quartile.

This, together with the fact that many companies are now starting to review their MPF provider, has led to very strong increases in new business which has quadrupled over the last 12 months.

## C Hong Kong Gain significance in wealth management

### Well advanced on product and investment platform

- First to launch true multi-manager platform in Hong Kong
- Leveraging ipac investment management capabilities
- Market offer expanded – now able to provide advice, administration, retirement product and investment platform
- Bancassurance/institutional sales team established
- Early signs promising with HK\$84m of inflows into multi-manager in July 2005



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We are also developing our product and investment platform offers in Hong Kong.

Earlier this year we were the first to launch a true multi manager platform in Hong Kong leveraging off the capabilities we have with ipac in Australia.

We have expanded our market offer and are now able to provide advice through ipac in Hong Kong and Singapore, administration and retirement and investment product platform.

We have recently established a dedicated bancassurance and institutional sales team and there are promising early signs with HK\$84 million of inflows into the new multi manager product in July.

**Product margins maintained**

Six months to 30 June (HK\$ million)	2005			2004		
	NBI	VNB	VNB%	NBI	VNB	VNB%
Traditional life <sup>1</sup>	226	160	71%	258	186	72%
Unit linked	154	82	53%	97	55	57%
Unit linked single premium	12	4	38%	12	6	48%
Retirement	93	22	24%	28	5	17%
Group medical and general insurance	94	19	20%	102	20	19%
<b>Total</b>	<b>579</b>	<b>288</b>	<b>50%</b>	<b>497</b>	<b>271</b>	<b>54%</b>

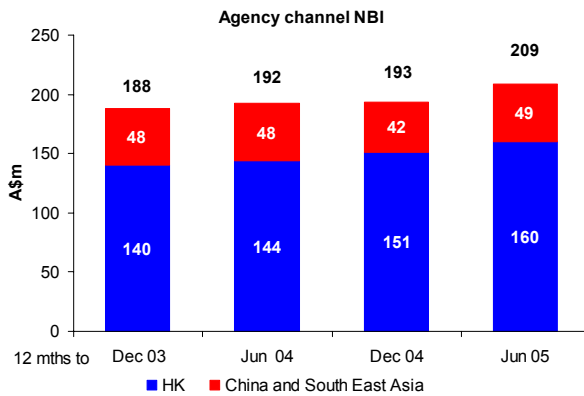
(1) Excluding indexation



As you saw earlier in the presentation the value of new business in Hong Kong grew 6.3% whereas new business index grew at 13.7%. However this is not because of price reductions or margin reductions in the market but rather because of a change in product mix of sales with retirement and wealth management products growing at a faster rate than traditional life and unit linked.

As you can see from this table there have only been small changes in the unit margins for the major product classes compared to the same period in 2004 and these are explained by minor variations in, for example, age or the precise structure of rider taken out. Premium rates have not reduced. Although the margins on wealth management products in Hong Kong are high by the standards of most developed countries, they are lower than those in traditional life. Hence as we grow in wealth management we can expect to see new business value grow at a lower rate than overall new business index. However our strategy is to grow both – and importantly wealth management is not a substitute for sales of life product, but will represent additional sales.

**Tied agency / salaried adviser channels growing after adoption of best practice models**



- Agency Blueprint implemented in all operations during 2004
- On a rolling 12 month basis, agency premium productivity in China and South East Asia up 35% whilst average agent numbers down 13%

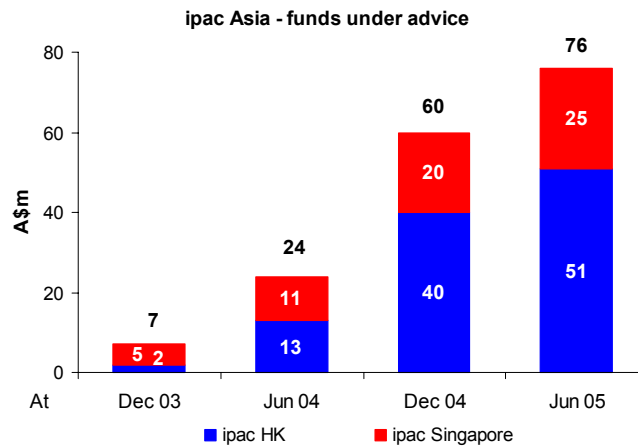
*Note: 100% of joint venture operations, based on constant currency average exchange rates for the six months ended 30 June 2005*



We have over the last 18 months implemented the agency blueprint model in Hong Kong and throughout China and South East Asia. As you can see from this slide new business from our agency channels across the region is increasing. On a rolling 12 month basis agency productivity in China and South East Asia was up 35%.

## Asia Gain significance in wealth management market

### 27% growth in funds under advice through ipac businesses



Note: Based on constant currency exchange rates at 30 June 2005

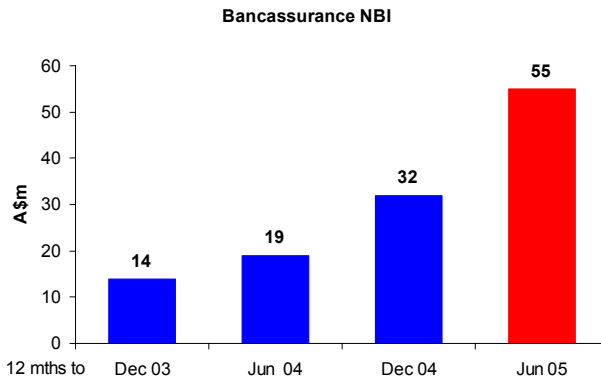


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And we are seeing strong growth in the ipac businesses in Hong Kong and Singapore. Funds under advice were \$A76 million at the end of June, up 27% over 6 months. Although still small in overall terms this growth is a clear sign that our strategy of being a leader in the emerging advice and wealth management markets in Asia is the right one.

## China and South East Asia Maximise value of bancassurance distribution

### Bancassurance growth accelerating



- Now operating in 1,435 bank branches across South East Asia (31 Dec 2004 – 1,267)
- AXA Mandiri success in achieving number 2 market share in Indonesia after 18 months of operation

*Note: 100% of joint venture operations, based on constant currency average exchange rates for the six months ended 30 June 2005*



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We have successful joint venture partnerships with the leading banks in Indonesia, Thailand and the Philippines and we also have distribution agreements with a number of the banks in China. New business index on a rolling 12 month basis was A\$55 million over the last 6 months.

Across the region, new business index from sales to bank customers is growing very strongly indeed.

We are now selling through over 1400 bank branches across South East Asia.

## South East Asia Seek attractive non-organic growth opportunities

### Malaysia joint venture with Affin Bank announced

- US\$4.2bn life insurance market <sup>1</sup>
- Market premium growth of around 20% pa
- Entry via acquisition of life portfolio of Tahan Insurance
- Partnership with Affin Bank (AXA's general insurance partner)
- Bancassurance and agency distribution
- AXA APH expected capital commitment not material relative to \$632m capital held in excess of regulatory capital requirements and target surplus
- Plan to commence operations in first quarter 2006

(1) Total life premium income; source: Swiss Re, World Insurance 2004



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And our bancassurance distribution relationships are growing. Last week we announced a joint venture with Affin Bank in Malaysia. Malaysia is one of the larger markets in South East Asia with total premiums of US\$4.2 billion in 2004 and premium growth of around 20% per year. Entry to the market can only be via acquisition and we announced last week that we have signed non-binding term sheets in partnership with Affin Bank to acquire the life portfolio of a small existing life insurer, Tahan.

Affin Bank is very familiar to us. AXA SA has a strong relationship with them through the existing general insurance joint venture in Malaysia.

At present the purchase price remains confidential but I can say that the AXA APH share of this together with our share of any additional capital required to support the business will not be material relative to the \$632 million of capital, after AIFRS adjustments, that we currently hold in excess of our regulatory capital requirements and target surplus. We initially intend operating through bancassurance and agency distribution and we plan to commence operations in the first quarter of next year.

## South East Asia Seek attractive non-organic growth opportunities

### Well advanced in plans to enter India

- US\$16.9bn life insurance market <sup>1</sup> - 5th largest in Asia
- Foreign JVs permitted since 2001, now accounting for 33% of new business
- Business model will utilise AXA's salaried Adviser, Bancassurance, Agency and Product Blueprints
- AXA APH expected capital commitment in the range of A\$35m-A\$65m over the next three years

(1) Total life premium income; source: Swiss Re, World Insurance 2004



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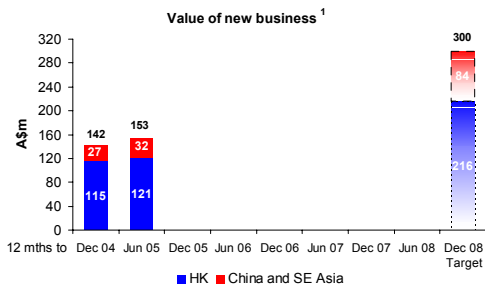
We are also well advanced in our plans to enter India.

India is a US\$16.9 billion life insurance market, the 5<sup>th</sup> largest in Asia. Foreign players have been permitted to operate in the market through joint ventures since 2001 and the foreign JV's last year accounted for around a third of total new business.

We are in advanced discussions with potential partners on a business model which will utilise AXA's blueprints for bancassurance, traditional agency and salaried adviser distribution.

This operation will be a start up and our expected capital commitment will be in the range of \$35 to \$65 million over the next 3 years.

**Asia 1 - More than double value of new business**



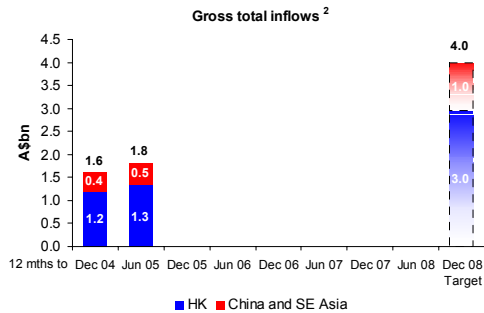
- Mainly driven by strong sales growth in South East Asia

(1) 100% share; constant assumed risk discount rates and exchange rates at 31 December 2004

(2) 100% share; constant exchange rates at 31 December 2004



**Asia 2 - Grow total inflows 2.5 times**



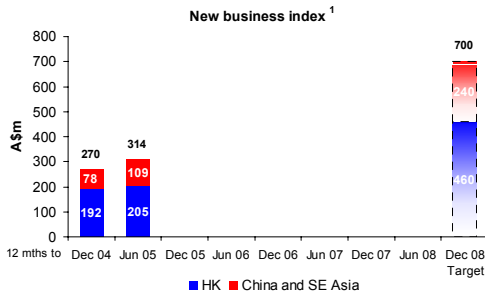
- Strong single premium unit linked flows in China and South East Asia
- Increased sales of retirement business in Hong Kong

So overall how are we progressing against our Asia 6 aspirational goals? Well it is still very early days and there is a long way to go but I think we have made an encouraging early start.

Value of new business is tracking in the right direction with increases in Hong Kong and strong increases in South East Asia.

Total gross inflows are growing driven by increased sales of retirement business in Hong Kong and strong single premium unit linked sales in China and South East Asia.

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

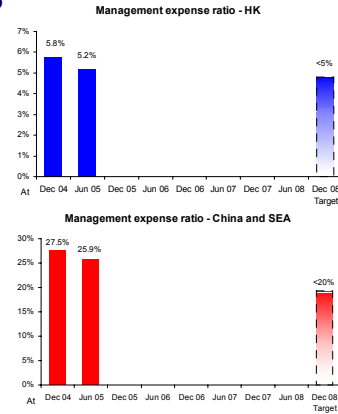


- Performing particularly well were Indonesia and Thailand

(1) 100% share; constant exchange rates at 31 December 2004



**Asia 4 - Reduce management expense ratio**



- Hong Kong operates within reasonably low management expense ratio
- Accelerated growth and economies of regional business platform assisted China and South East Asia

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New business index is growing with particularly strong performance from our bancassurance operations in Indonesia and Thailand.

And we have also made a good start to meeting our management expense ratio targets.

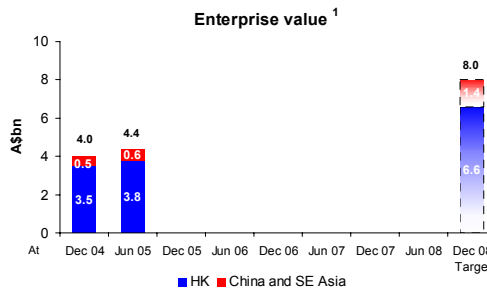
**Asia 5 - Improve 13 month persistency ratio to 80%**



- Persistency better than pricing assumptions although slightly below December 2004
- Affected by broker discontinuance rates on 2004 sales in Hong Kong, offsetting improvements in South East Asia



**Illustrative enterprise value up 9.5%**



- Illustrative enterprise value in Hong Kong up 8.1%
- Strong growth in South East Asia

(1) 100% share; constant assumed risk discount rates and exchange rates at 31 December 2004

Our 13 month aggregate persistency at 76% is a bit below where we want it to be although this is almost entirely due to some one off broker discontinuances on 2004 sales. Persistency is still better than the aggregate pricing assumptions.

And finally on our overarching goal of doubling the enterprise value to A\$8 billion, we have started quite well with an 8.1% increase in the first half of this year.

So overall our early progress is on track.

## Asia Looking forward

- Maintain early momentum of “*accelerated growth*” strategy
- Leverage Australasian expertise as distribution models become more sophisticated and markets evolve towards wealth management
- Priorities in Hong Kong:
  - grow core life insurance market through tied agency / salaried adviser channels
  - grow sales to brokers - opportunities for value creation in select areas
  - capitalise on early mover advantage in emerging wealth management market - multi-manager capability now in place
- Priorities in China and South East Asia:
  - grow bancassurance and agency channels
  - increase scale and eliminate expense overrun
  - enter attractive markets - Malaysia and India



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Looking forward we need to maintain the early momentum of the accelerated growth strategy.

We have the opportunity to leverage our Australasian expertise as distribution models in Hong Kong and Singapore particularly become more sophisticated, and as markets evolve towards wealth management.

In Hong Kong our priorities are

- to continue to grow our core life insurance business through our tied agency and salaried adviser channels.
- to grow our broker market share focused on profitable, quality segments, and
- to capitalise on our early mover advantage in the emerging wealth management market through our ipac advice businesses and through our multi manager products

Our priorities in China and South East Asia are to grow bancassurance and agency channels, to increase scale, eliminate our expense overruns in the next 3 to 4 years, and starting delivering statutory profits and to successfully enter the attractive markets of Malaysia and India.

## C Summary

- An excellent set of results
- Momentum continuing to build in Australia / New Zealand
- Accelerating growth in Asia
- Good progress against AXA 6 and Asia 6 aspirational goals
- Strong capital and financial position
- Well positioned for further growth in value and earnings



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In summary, I believe this is another excellent set of results. Our momentum continues to build in Australia and New Zealand and we are seeing accelerating growth in Asia.

Although it is early days I believe we have made good progress against both the AXA 6 and the Asia 6 aspirational goals.

Our capital and financial position remains very strong and we are well positioned for further growth in value and in earnings.

I am happy to take questions

## C Disclaimer

The material in this presentation is a summary of the results of the AXA APH Group for the six months ended 30 June 2005 and an update on Group activities and is current at the date of preparation, 22 August 2005. Further details are provided in the Company's half year accounts, Investor Compendium and results announcement released on 22 August 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).



# THE AXA "We've just come into a lot of money" PLAN.

AXA Asia Pacific Holdings Limited  
Results for the six months ended 30 June 2005

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



22 August 2005

Be Life Confident