

**AXA ASIA PACIFIC HOLDINGS LIMITED**  
**2008 HALF YEAR RESULTS SPEECH**  
**5 AUGUST 2008**

Good morning and thank you for joining us today.

This is the first time we have had the opportunity to host our results presentation at our new corporate head office of 750 Collins Street. For those of you present here, I welcome you.

My name is Andrew Penn and this is the results presentation for AXA Asia Pacific Holdings for the 6 months ended 30 June 2008.

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

Joining me here today in Melbourne is Geoff Roberts our Group Chief Financial Officer, Warren Lee, the Chief Executive of AXA Australia, Mike Thornton our Group Chief Actuary and other senior management.

Joining us by telephone is Mark Pearson – the former Regional Chief Executive of our Asian businesses. Mark has recently taken up his new position as CEO of AXA Japan and this will be his last results announcement

with us. I am sure you will all join me in thanking Mark for the contribution he has made to our Asian businesses over many years.

In Hong Kong we are joined by Kent Griffin our regional Chief Financial Officer, John Cai, the Chief Executive of AXA Hong Kong, Dave Matthews the CEO of our South East Asian businesses and other senior management.

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

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

What started as a relatively narrow issue concerning the sub prime mortgage sector in the US in the second half of last year has had a contagion effect on broader credit markets, investment markets and now the wider economy.

When I presented our 2007 full year results in February the significant market fall of 22 January was still a very raw memory. Since then we have seen further significant reductions in equity markets and increased volatility as well as write downs by large financial institutions.

The market in the first half of 2008 could not have been more different than the first half of 2007 when we saw continued strong growth in international

and domestic equities and record flows from the transitional superannuation arrangements in Australia.

Frankly it is impossible to predict how and when this will play out or what the next round of bad news will be. In the meantime it will continue to be a difficult time for our industry. At AXA whilst we can seek to mitigate its impact through effective risk management we are not immune.

However what is most important is to remember that this is not the first investment cycle we have been through and it won't be the last. For companies like AXA this market and these conditions are what we are here for, to help our customers manage through these cycles. If everything only ever went up people would not need us.

What is important in times like these is to stay focused on the long term. This is what we advise our customers to do and this is what we are doing.

We have built a reputation as a company that has a clear strategy, sets challenging long term goals, communicates them transparently and holds ourselves accountable for their delivery. We report against them on a regular basis.

This means that you have very clear picture of what we are focussed on achieving. It is an approach that has delivered consistently strong operating results over the long term and we will not be distracted from this despite

current market volatility and its impact on our short term investment experience.

Moving now to our results.

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Group Operating Earnings for the 6 months were up 11% to \$295.0 million reflecting the resilience of our business in the current market.

Profit after tax before investment experience was up 6% to \$324.6 million.

In the first half of 2008 the domestic and global equity markets have reduced by approximately 16% and 10% respectively. Not surprisingly therefore our actual investment earnings were negative in the half year and \$230.4 million lower than our expected normalised earnings of \$90 million.

Notwithstanding our strong Operating Earnings, for the reasons mentioned, profit after tax was down 75% to \$94.2 million.

Similarly Group funds under management, administration and advice were down 13% to \$95.3 billion with our positive net funds flow more than offset by the market movements.

In light of the current market the Board has prudently declared an interim dividend of 9.25 cents per share. This is the same level as last year.

We have maintained our strong capital position with total assets of \$857 million in excess of our regulatory requirements. This is after funding the acquisition of Genesys and providing for our interim dividend. Our gearing ratio is 38%, which remains below our target range of 40 to 50%

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

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Turning first to Australia.

Operating Earnings were up strongly by 22% to \$141.0 million. This result included the benefit from the continued positive performance in our Income Protection business which led to additional capitalised loss reversals.

When compared to last year's record flows as result of the superannuation transitional arrangements, AXA inflows were down 20% to \$5.2bn. Total AXA net flows remained strongly positive at \$1.6bn.

Financial protection new business continued its recent positive momentum up 18% to \$48.0m

Value of new business for the 6 months was down 17% to \$69.9 million as a result of the lower wealth management sales.

Funds under management, administration and advice were down 11% to \$75.5 billion.

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New Zealand has also been affected by the falls and volatility in investment markets and has had the additional challenge of higher cash rates and other structural issues for our industry.

As we have previously reported there have been a number of positive changes in this regard such as Kiwisaver, tax changes and market conduct developments. These however, have been expensive to implement and it will take time to see their full benefit.

Operating earnings in New Zealand were down 11% to 27.1 million New Zealand dollars.

Total wealth management retail new business was down 9% to NZ\$410.3 million and the value of new business was down 5% to NZ\$7.7 million

Funds under management, administration and advice were down 18% to NZ\$8.1 billion.

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In Hong Kong Operating Earnings were up strongly, 23% to 963.1 million Hong Kong dollars. This is a very pleasing result, although somewhat offset at a group level following the continued appreciation of the Australian dollar.

In terms of sales, total new business index was up 7% to HK\$1.2 billion following the acquisition of Winterthur, which also helped the value of new business which was up 16% to HK\$546.1 million.

Following a repositioning of our agency channel around higher margin products, the total value of new business margin increased to 47% in the half year compared to 43% last year.

Finally reflecting markets, funds under management and administration were down 4% to HK\$72.8 billion.

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Turning to the rest of the region.

Our share of Operating Earnings from South East Asia were up 84% to A\$15.6 million Australian dollars and their significance to our overall operating results continues to increase.

Reflecting our continued investment and geographic expansion in India and China this result was negative A\$15.2 million.

In ipac Asia Operating Earnings remained flat at negative A\$2.8 million with the continuing development of this business offset by the falls in investment markets.

New business index across Asia excluding Hong Kong continued to grow up 41% to A\$236.2 million on a 100% share basis and the value of new business grew 36% to A\$59.8 million.

Funds under management, administration and advice were down 10% to A\$3.7 billion.

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

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Thanks Andy and good morning.

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Today we are reporting, in the context of difficult investment markets, a resilient set of operating earnings.

Despite the 14% weakening of the Hong Kong dollar and reduced funds under administration and advice, combined operating earnings across the 10 countries in our Group were up 11% to \$295m.

Normalised investment earnings decreased by 10% to \$90m due to the weakening of the Hong Kong dollar relative to the Australian dollar, the Winterthur acquisition and share buybacks. As we fair value all of our investments, investment experience which you can see at the bottom of the slide, was \$230m lower than normalised investment earnings due to lower

equity markets and widening corporate spreads. This decrease was broadly in line with the underlying movements in market indices.

Corporate expenses and interest expense have remained relatively stable.

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

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The Group Operating earnings increase of 11% or \$29m is shown graphically, by geographic region, on this slide. Andy will talk through the operations by country later in the presentation.

There were two particular items affecting Group operating earnings worthy of noting:

- due to a sustained improvement in income protection claims experience, we saw an increase in earnings primarily from higher capitalised loss reversals of \$21m . This was substantially offset by
- a decrease in earnings of \$20m from the strengthening of the Australian dollar against both the Hong Kong and the New Zealand dollars.

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Investment earnings were negative \$140m. Given normalised investment earnings were \$90m, this represents an investment experience loss of \$230m due to:

- \$203m from lower equity market returns and
- \$37m of lower returns from the effect of widening corporate bond spreads.

This investment experience was broadly in line with the sensitivities we provided in last year's investor compendium.

The lack of surprises in this result reflects the underlying quality and diversification of our bond portfolio in both Australia and Hong Kong.

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Earnings per share before non-recurring items was 5.6 cents, down 74%.

Return on equity was 10.1%, down 970 basis points.

Using normalised investment earnings which provides a more appropriate trend of performance, we see growth in both these metrics, with earnings per share up 8% to 19.2 cents and return on equity up 80 basis points to 16.6%.

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The Board has declared an interim dividend of 9.25 cents per share, the same level as 2007.

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

Given our strong capital position, this reflects some conservatism, but gives due regard to the continued volatility of investment markets.

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Our balance sheet remains strong, despite a reduction in total capital resources of \$367m to \$4.66bn over the 6 month period.

Our debt to equity ratio increased from 35% to 38%, but this remains below our target gearing range of 40-50%.

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A breakdown of our total capital position of \$4.7bn is shown in the pie chart. Our total regulatory capital requirement at 30 June 2008 increased to \$1.57bn.

Total assets above regulatory capital at 30 June 2008 were \$857m representing:

- \$570m of target surplus and
- excess assets over target surplus of \$287m.

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

The balance of our capital resources represents an interim dividend of \$156m and \$2 billion of purchased goodwill and value of business inforce.

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This chart shows the movement in assets above regulatory capital for the 6 months to June 2008. The movement is split between operating and investment market movements of \$361m and other capital movements of \$259m.

The \$361m of operating and investment market movements relate to:

- profit for the 6 months of \$94m.
- an increase in regulatory capital of \$250m reflecting falls in equity markets and widening corporate spreads on our participating business in Australia and Hong Kong
- a decrease in our foreign currency translation reserve of \$171m because of the strengthening of the Australian dollar against both the Hong Kong dollar and the New Zealand dollar.
- investment experience in our defined benefit superannuation plan of \$45m.

Assets above regulatory capital before other capital movements of \$1.1 billion demonstrates our continued strength in these volatile markets. We have chosen to use this capital in the following ways:

- \$27m was used to complete our share buyback in March
- new debt of \$50m was drawn
- \$126m represents the goodwill in relation to the Genesys acquisition and
- an interim dividend of \$156m was declared.

We will continue to monitor our capital position in the context of current market volatility. Our strong capital position continues to enable us to pursue

attractive growth opportunities that might become available as evidenced by our recent Genesys acquisition.

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Turning now to our illustrative value of inforce.

Total illustrative inforce value, before transfers to group net worth, has decreased by 3% over the six month period on an actual currency basis to \$5.9 billion, but was up 2% on a constant currency basis.

The actual illustrative inforce value has decreased due to:

- negative investment experience on assets backing the inforce portfolio
- the significant strengthening of the Australian dollar against both the Hong Kong and New Zealand dollars, being partially offset by
- profitable new business written during the year.

As you can see, and as we mentioned in February at our full year results release, our value of inforce is far more resilient to volatile investment markets than short term operating and investment earnings.

This 3% decrease in inforce value represents a relatively constant value of inforce against a backdrop of decreasing investment markets.

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- When presenting the value of new business for illustrative purposes, we include all of our businesses as though we had owned them for the

previous 12 months. The exception is Genesys which we acquired on 30 June 2008 and have not included in the above figures. Our group value of new business decreased by 5% to \$409m on an actual exchange rate basis and decreased 2% on a constant exchange rate basis.

- The Australian and New Zealand value of new business decreased by 6%. Our Wealth management business in Australia was down 11% due to the more difficult investment market and the record sales from the 2007 transitional superannuation arrangements, whilst our Financial protection business was up 35%. Financial protection showed strong early progress, and is an area of key focus in our Ambition 2012 targets.
- Our Hong Kong value of new business was flat reflecting the challenges we have been experiencing in this business.
- For Asia ex Hong Kong, strong growth in Indonesia and Thailand was partially offset by decreases in the Philippines and ipac, leading to our Group share of the value of new business increasing by 5% to \$63m.
- Using the above, our current market capitalisation at a share price of \$4.50 implies a new business multiple of just over five.

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To conclude, we have demonstrated resilience and strength;

- operating earnings were up 11%
- illustrative value of inforce and illustrative value of new business, often used as a proxy for company valuation, only decreased 3% and 5% respectively while
- the interim dividend was maintained at last year's level.

At the same time, our strong capital position of \$857m, after allowing for an interim dividend, has been maintained, even after purchasing Genesys, finalising \$27m of our share buy-back, and the current market volatility.

I will now hand back to Andy to take you through a more detailed review of the six months activities.

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Thank you Geoff.

Let me turn first to Australia.

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Operating Earnings in Australia were up 22% to \$141.0 million.

Within this Wealth management was down 5% to \$38.9 million reflecting the costs of setting up the North product and the impact of markets on average funds under management.

We saw a strong contribution from financial protection up 115% to \$65.7 million. This benefited from the continued positive performance in our Income Protection business leading to capitalised loss reversals of \$25.1m. We also saw continued strong growth from group life as a result of favourable claims experience, although we remain cautious about forecasting this into the future.

Our mature business was down 17% to \$36.4m mainly following the benefit of \$6.5 million of capitalised loss reversals last year.

The value of new business for the six months was down 17% to \$69.9m. The reduction in wealth management VNB reflects lower inflows this year compared to 2007's record sales. This was partly offset by our strong growth in financial protection new business.

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Our distribution footprint in Australia is a key strength.

Total wealth management sales are well diversified with 35% currently coming from aligned advisers, 47% from non aligned and 18% from our owned advice businesses.

Over the past 3 years we have increased the percentage of sales through the non-aligned channel, largely due to strong growth in sales of the Global Equity Value Fund, the Australia Property Fund and the Australian Monthly Income Fund.

More recently with our improved offer in the financial protection market we have also increased the percentage of financial protection sales through the non-aligned channel to 60% as you can see from the chart on the right hand side of the slide.

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In our adviser networks the acquisition of Genesys added 366 advisers.

Total adviser numbers were up 27% to almost 1,600, firmly establishing our position as one of the largest advice networks in Australia.

The AXA Financial Planning and Charter Financial Planning delalershps have remained broadly stable in 2008 although up on the same period last year.

We saw a reduction in Jigsaw as a result of an external sale and one dealer group deciding to undertake licensee services in-house.

Whilst owned advice firms represent only 12% of total adviser numbers, they remain an important part of our overall mix, contributing around 18% of wealth management sales.

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Not only have we grown our networks, we have also seen strong growth in adviser productivity over recent years.

In the first half of 2008 wealth management productivity remained strong when you consider the current market conditions and impact of the one off sales last year.

Financial protection productivity has grown strongly since the improvements we have made in this area in product, service and adviser support.

The improvement in Financial Protection also highlights the adaptability of our adviser network in a challenging environment.

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Turning now to external adviser groups where we have had particularly strong success with the sale of investment products. An important lead indicator is the number of APLs that our products are listed on through dealer groups on the left hand chart and external master trusts on the right.

We maintain a well diversified product suite with penetration across all major asset classes. Following the significant success of the Global Equity Value fund we are now starting to see penetration of our new North product which has achieved 10 APL listings in the 8 months since launch.

Overall we have relationships with approximately 6,000 advisers through external networks in addition to our own. This means we are being supported by around half of the advisers in Australia.

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Turning to inflows, gross wealth management inflows in the first half have been resilient at \$5.24 billion. Net inflows were significant at \$1.63 billion.

Importantly we have maintained our ranking of 3<sup>rd</sup> for net retail funds flow for the 12 months to March 2008 in the Plan for Life survey.

It is interesting to note that the number of transactions on our platform in June actually increased this year relative to last year, but the dollar value per

transaction reduced. This is understandable given last year customers had the one-off opportunity to make contributions into superannuation of up to A\$1 million.

Overall flows were aided by strong sales of the Australian Monthly Income fund, other defensive asset classes and multi-manager funds.

Not surprisingly sales of international equity products in Australia have been in the current market environment including the Global Equity Value Fund.

Finally, in November last year we launched our new innovative guaranteed product North. This year we launched a non-superannuation version. Overall we are pleased with progress:

- sales exceeded A\$100m for the 6 months to June
- more than 600 advisers have now registered to sell North; and
- the product was awarded Rainmaker's Retail Superannuation Product of the Year for 2008.

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In financial protection this time last year I highlighted three key initiatives that we were going to undertake to improve our new business growth in individual financial protection whilst retaining our focus on profitability. These were

- Improvements in our application processing
- adding 9 specialist financial protection sales staff to our distribution team; and
- a refresh of our core individual product set to improve product ratings

I am pleased to report these have been successful and we have continued our momentum from the second half of last year with individual life new business up 25% to A\$27.1 million. Our pipeline of new business remains positive as evidenced by the increase in the average daily number of applications which has improved 19% in the first half of 2008.

Further, our July individual insurance solutions upgrade is expected to deliver improvements in product ratings in our target segments.

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Our focus on profitability in financial protection is reflected in our income protection and group portfolio, where Operating Earnings are up significantly.

As I mentioned earlier income protection Operating Earnings benefited from the inclusion of capitalised loss reversals following a detailed experience investigation into our claims and termination experience.

Group insurance Operating Earnings were up 89% to A\$22.1 million reflecting the on-going profitability of this book of business. We have once again benefited from favourable claims experience.

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Turning now to New Zealand

Operating Earnings for the 6 months were down 11% to NZ\$27.1 million New Zealand dollars.

Financial protection was down 3% due to lower profits from our long term risk book offset by growth in individual life and income protection.

Wealth management earnings were down 28% for the period due to a decline in average funds under management and the continuation of costs relating to the implementation of the tax changes and Kiwisaver

The value of new business in New Zealand was down 5% to NZ\$7.7 million reflecting lower wealth management sales and a change in business mix.

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With a combination of high domestic cash rates, the collapse of the finance company sector in conjunction with volatile investment markets, the New Zealand wealth management market has been very challenging.

Overall this has had an impact on our wealth management sales which were down 9% on last year. Notwithstanding this, AXA continues to lead the New Zealand wealth management market with 19% market share.

Pleasingly inflows of more than NZ\$60 million for Kiwisaver have been stronger than expected.

In August, we will launch a tax advantaged cash product in conjunction with the Bank of New Zealand, to be promoted through their branch network.

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In financial protection total individual new business was up 5%, with relatively better performance in AXA's aligned channel.

Commission rates in the broker market have now reached up to 225% of annualised first year premium significantly challenging industry profitability. Our commission rates are relatively un-competitive as we seek to maintain profit margins, leading to lower broker sales.

We remain positioned as the third largest player with market share of 12% as at March 2008 with further key initiatives planned to improve our financial protection offering. However, it is realistically going to be difficult to improve penetration into the broker sector with competitors offering these rates of commission.

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In November last year we launched our Ambition 2012 programme for Australia and New Zealand. Our overarching goal is to double the enterprise value of these businesses.

This is a 5 years programme and as with previous programmes represents our aspirations for the business. The market for the first six months of this programme could not have been more challenging and as yet it is unclear when these conditions will improve. Notwithstanding this our strategy remains

the right one and we remain focused on achieving our long term goals by the end of 2012.

In June we announced the acquisition of Genesys. This transaction completed on 30 June. We have appropriately adjusted our Ambition 3 goal to reflect this.

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

In Hong Kong Operating Earnings were up 23% to HK\$963.1 million Hong Kong dollars with growth in all product categories.

Wealth management Operating Earnings were up 341% to HK\$130.4 million reflecting the inclusion of Winterthur partly offset by new business strain from our Citibank investment products.

Financial protection Operating Earnings were up 20% to HK\$436.7 million due to favourable claims experience and overall growth in the portfolio due to strong sales over recent years. In addition a change in profit carriers increased earnings by HK\$42 million in the period.

Operating Earnings for our mature business, which includes our NL and DA series and the MLC portfolio that we closed to new business, were up 2% to HK\$396.0. This portfolio is in run-off and last year benefited from the settlement of a legal case.

The value of new business in Hong Kong grew 16% to HK\$546.1 million following the inclusion of a full 6 months of Winterthur and the repositioning of our agency channel to sell higher margin products. This is an important area of interest and I will address both VNB and product margins in more detail shortly.

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Over the past few years we have continued to broaden our distribution footprint through a multi channel approach, which has been a key focus for us.

Overall life new business index grew 7% to HK\$1.17bn reflecting the inclusion of additional sales from Winterthur for a full 6 months.

The bancassurance channel also grew very strongly benefiting from our new Citibank distribution agreement that we signed in the 2<sup>nd</sup> half of 2007.

We saw a fall in new business index from brokers, AXA advisers and agency channels.

In the broker channel higher sales this year of life insurance products were offset by lower sales of lower margin retirement products last year.

In AXA Advisers as we have previously reported sales have fallen significantly during the restructuring of this channel.

Finally new business index from the agency channel was down 3%, however productivity was maintained and margins were improved, as the channel was redirected to selling higher margin traditional life products.

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Total agents and adviser numbers were stable over the period at 3,290.

Agent numbers were broadly flat ending the period at 2,794. However, as is usually the case, there was a fall early in the year due to auto-terminations as a result of the application of our agency blueprint. These included some agents that we inherited from the acquisition of Winterthur that we did not expect to meet our productivity standards. Since then recruitment activity has increased agent numbers by almost 100 from February to June although across the industry agent numbers remain flat.

We have also seen a shift in those agents managed by agency leaders to those managed by salaried staff. This has been an important part of the agency distribution strategy to protect against competitor activity.

At our full year results I outlined that there were a number of challenges within the AXA adviser channel and that it had been restructured. The impact of this restructure has continued to flow through into the first half of 2008, with AXA adviser and financial planner numbers decreasing by 25%.

This has been disappointing and whilst there is a small increase in recruitment activity in June I think it is too early to declare this a sustained trend.

Recruitment activity has also increased in the Swiss Privilege and PPCG channels, with adviser numbers growing 14% and 23% respectively over the period.

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For the first time we have provided margin analysis by channel as well as productivity statistics.

In agency whilst total new business index from the agency channel decreased, productivity was maintained and margins improved and therefore value of new business increased.

In the first half of 2007 our agency distribution channel focussed on selling our investment linked regular premium signature saver product which had a lower margin than our traditional financial protection business. In the second half of 2007 we redirected the agency channel back towards the traditional higher margin products. This has continued in 2008 with our aggregate margin through agency improving from 56% to 62%.

This slide also shows the productivity and margin decrease for AXA advisers which reflects the restructure of this channel.

The margin improvement in PPCG and Swiss Privilege since acquisition reflects the shifting of focus from single premium to regular premium.

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Turning now to margins at a product level.

We have broadly maintained or improved margins at a product level with total aggregate margin increasing from 43% for the first half of 2007 to 47% for the first half of 2008.

This reflects strong improvement in the VNB margin for wealth management and a higher proportion of traditional life sales following the focus away from short term pay Signature Saver.

Overall we expect to see a higher proportion of wealth management sales in the future as we continue to broaden our distribution through new channels such as Swiss Privilege, PPCG and the new Citibank bancassurance agreement.

Whilst this may mean that the weighted average of our VNB margin will reduce, our focus is to continue to maximise margins at the product level and grow the dollar value of new business overall.

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Turning to our other Asian operations.

In South East Asia we have seen strong growth with Operating Earnings up 84% to A\$15.6 million Australian dollars. However the growth has been more modest compared to the second half of last year reflecting the impact of the current markets on investment linked business.

The value of new business was up 24% to A\$47.4 million on a 100% basis reflecting strong growth in Indonesia and Thailand bank and agency channels in particular.

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If we look at the operating performance by country.

New business index from the Philippines has been materially impacted by the downturn in investment markets on single premium investment linked sales which were down 53%.

In Thailand new business index was up 51% due to strong sales through both our bancassurance partner Krung Thai and continued growth in agent numbers.

In Indonesia new business index grew 56% due to strong sales through our bancassurance Joint Venture with Mandiri and good performance from the agency channel.

In Singapore, new business index was down 11% due to the impact of market conditions on single premium sales.

And finally in Malaysia growth was driven by the launch of our first bancassurance products and through direct marketing.

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Our distribution footprint in South East Asia remains a key strength.

We have bancassurance joint ventures with some of the leading players in the region. Through them we have exclusive access to their customers and bank branches which have increased in the period to 18.6 million and more than 2,400 respectively.

We also continue to grow agent and adviser numbers. With 2,000 bank advisers and our tied agents we now have more than 14,000 salespeople in South East Asia.

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Through India and China we have access to two of the world's fastest growing and potentially largest insurance and wealth management markets.

Reflecting our continued branch expansion in India and an increase in the number of licenses in China, Operating Earnings were negative \$15.2m for the six months.

On the other hand the value of new business grew more than 200% to \$10.1 million Australian dollars.

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We continue to grow rapidly in India, with New Business Index up very strongly to 1.35 billion rupee.

At 30 June we had expanded our distribution footprint to 94 branch offices in 83 cities and grown agent and adviser numbers to more than 24,000.

We are also broadening our distribution channels with our individual and group products now selling through 325 branches of CitiFinancial and 357 Airtel Relationship Centres.

Notwithstanding our good early progress, the current investment market environment is likely to make India more challenging in the short to medium term because of its particular bias to unit linked products.

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Following recent regulatory developments agency recruitment has become more challenging in China which has led to a reduction in total agent and adviser numbers to 2,568. As a consequence we have redoubled our efforts in the salaried adviser channel.

Pleasingly New Business Index was up 55% to 85 million Rmb.

We have also been particularly successful in the last six months with licence approvals.

We now hold five provincial licenses - Jiangsu, Liaoning, Guangdong, Shanghai and Beijing. Through these we have established operations in 7 major cities with preliminary licence approvals for a further 5 which we anticipate to have opened by the end of the year.

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Turning now to our Asia 6 goals.

With less than 6 months to go on we remain on track to achieve our Asia 6 programme.

The Asia 6 overarching goal is to more than double the illustrative enterprise value of our businesses in the aggregate by the end of 2008. At 30 June this had grown to A\$8.9bn and we require growth of a further 3% to achieve our final target of A\$9.2 billion Australian dollars.

Our Asia 1 goal, to more than double the value of new business, was up 30% over the past 12 months to A\$311 million, and we now require around 4% growth to achieve this goal by the end of the year.

Our Asia 2 target is to grow total inflows to A\$4.3 billion. Gross inflows were flat over the period at A\$4.0 billion reflecting less single premium business than we had anticipated. Achieving this target will be challenging but it is more important to focus on higher margin regular premium business which will drive VNB.

Our Asia 3 goal is to grow new business index. Across our Asian operations, new business index over the past 12 months was up 27% to A\$805 million currently ahead of our year end target.

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Turning to Asia 4 our objective to reduce management expense ratios.

In Asia ex Hong Kong, we are already operating below our targeted management expense ratio of 20% one year ahead of plan as we continue to grow scale in our operations

In Hong Kong our management expense ratio improved 10 bps to 5.4% reflecting growing scale and the full effect of cost synergies from the acquisition of Winterthur.

Our Asia 5 goal is to improve the 13 month persistency ratio on regular premium business to 80% and here we continue to perform better than target and our pricing assumptions.

Finally our Asia 6 ranking, which measures employee engagement, will be measured in the second half of the year and we are currently ranked just outside the top quartile.

So as I said before overall we remain on track for Asia 6. Whilst Hong Kong it is further behind its aspirational goals this has been compensated for by better performance across the rest of the region.

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Let me now summarise my presentation.

As I said in my opening, the market conditions could not have been more different to those that prevailed for the first 6 months of 2007. Notwithstanding this, Operating Earnings for the 6 months to 30 June were up 11% to A\$295.0 million.

In Australia Operating Earnings were up 22% to A\$141.0 million. Net inflows remained positive at \$1.6 billion and we retained our number three position in retail wealth management net new business. We also saw strong growth in financial protection new business up 18% to A\$48.0m.

In New Zealand the investment market volatility and local issues conspired to make this a difficult market with Operating Earnings down 11% to NZ\$27.1 million.

In Hong Kong, operating earnings were up strongly, 23% to HK\$963.1 million and whilst VNB was up 16% to HK\$546.1 million we have not seen the same level of growth in new business index.

In the rest of the region total new business index was up 41% and the value of new business up 36% with particularly strong contributions from China, India, Indonesia and Thailand.

Finally notwithstanding the significant falls we have seen in global and domestic equity markets and an increase in corporate spreads we complete the half year with total assets above regulatory capital of A\$857 million. This is after funding the acquisition of Genesys and after providing for the interim dividend.

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In closing a few comments about the future.

I said in my opening that it is very difficult to predict how the current market will play out and the full extent of its impact on the economy. In the meantime it will continue to be difficult for all of us in our industry.

However as I also said it is our job to focus on the long term because the long terms trends in our industry continue to be attractive, and that is exactly what we will do. We have a clear strategy and a strong balance sheet.

In Australia compulsory superannuation enhanced with recent tax changes will continue to make this an important driver of growth for our industry.

We remain well positioned in this regard. In the first half of the year through the acquisition of Genesys we have further expanded our role in advice. We also have attractive product propositions such as our new North initiative.

Similarly we have started to get some traction in financial protection where we are seeing stronger growth both in the aligned and non aligned sector. We have achieved this through a better product and service offering while continuing to maintain our focus on profitability. This is an important market as Australians remain underinsured.

In New Zealand the short term market continues to look challenging and this has obviously not been helped by the investment market volatility. However, we remain confident that over the longer term the policy initiatives taken by the Government should bear fruit.

Our Ambition 2012 programme for Australia and New Zealand is in its first year and we remained determined to stay focussed on our aspirational goals.

Hong Kong clearly remains an attractive market and an important growth engine for us in the region. We have a very strong position and I believe we should be taking better advantage of it, this is something that is a key priority for us.

Our other Asian operations continue to offer us exciting opportunities for growth. We have further expanded our distribution reach.

Whilst it is difficult to predict how the current environment will play out and when things may improve, at the moment we remain on track to deliver our Asia 6 programme by the end of the year. We will be announcing what comes after Asia 6 in November.

It is an important time therefore to be announcing the appointment of two very senior executives to our team in Asia. Mike Bishop, as the Regional Chief Executive Officer who comes to us from Prudential and Keith Perkins, Regional Chief Operating Officer who comes to us from Aviva.

Mike brings with him very significant experience across the region with a strong track record of performance particularly in Hong.

Keith comes with similarly broad experience across the region particularly in bancassurance where he has been instrumental in establishing a number of important arrangements for Aviva including in Singapore and Korea.

I'm sure these two appointments will further strengthen our management teams and we look forward to introducing them to you in due course.

We end the half year with almost 7,000 employees and more than 45,000 exclusive agents and advisers across the Group and I would like to finish by thanking them for their hard work.

Thank you and we will now open for questions.