AXA ASIA PACIFIC HOLDINGS LIMITED

2009 HALF YEAR RESULTS SPEECH

5 AUGUST 2009

Good morning and thank you for joining us today.

My name is Andrew Penn and this is the results presentation for AXA Asia Pacific Holdings for the half year ended 30 June 2009.

In addition to those present here 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 person is Geoff Roberts our Group Chief Financial Officer, Mike Thornton our Group Chief Actuary, Warren Lee, the Chief Executive of our Australian and New Zealand businesses and other senior management.

Joining us by telephone from Hong Kong we have Mike Bishop – the Regional Chief Executive of our Asian businesses. Mike is accompanied by Kent

Griffin the Regional Chief Financial Officer and Stuart Harrison who joins us for the first time having commenced in his role as Chief Executive Hong Kong in April.

Also I am very pleased to take this opportunity to announce that Kent Griffin will be taking up a new role in Australia later this year as Group General Manager – Strategic Finance and this will be his last results in his current role. Kent will be succeeded in Hong Kong by Alistair Brown currently General Manager Corporate Finance.

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

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

The last 18 months has seen the most remarkable and unprecedented combination of falls in investment markets, extreme volatility and impacts on the broader economy leading to extensive responses from Governments, policymakers and industry.

Two years ago when I presented our half year results for 2007 the ASX 200 sat at 5900 and went onto reach its high of over 6800 three months later. While the market closed last night at just over 4300 it went as low as 3100 in March. That is a peak to trough fall of 54%.

Financial services companies reflect what is happening at the macro level. When governments were dealing with the issues of global financial instability, companies in our sector were dealing with the challenges of capital and liquidity. As the global financial crisis has evolved, governments are now dealing with the implications for the broader economy. Likewise the implications for companies are pressure on operating performance, sales and profits. As I foreshadowed at our last results presentation, 2009 has so far proved to be a very difficult year for our industry.

The significance of the market falls can be seen in the reduction in our average funds under management and advice which for this half were down 26% on the same period last year. Needless to say this has had a material impact on our revenues. In addition the very unsettling period has seen consumers reluctant to invest and this has significantly affected new business across the industry in all of the markets in which we operate.

In Australia published data shows that industry net funds flow have been negative since the end of 2007, whilst in Hong Kong industry new business premiums for the first quarter of 2009 were down 37%. In India industry new business premiums for the first 5 months of 2009 were down 22% and first quarter industry sales in Singapore were down 56 per cent. This pattern is repeated across the region.

It is against this background that I present our results for the first half of 2009. And whilst understandably some of the performance is lower than the same period in 2008, these are strong results when one considers the severity of the market downturn in which we have been operating.

Our business model, with its inherent product and geographic diversification has served us well. Whilst all markets have been affected by the global financial crisis, the economies in Asia are still faring better than in many OECD countries. Also our financial protection and traditional life business has grown as consumers have become more risk averse and our advisers have responded accordingly. We also continue to benefit from being part of a strong global group.

The benefits of our business model are clear and are reflected in our half year results which I will now present.

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Group operating earnings for the six months were down 13 per cent to $255.5 million.

Profit after tax, before investment experience was down 18 per cent to $267.0 million.

Investment earnings for the 6 months of $55.4 million were in stark contrast to the negative $(140.4) million in the same period last year, although still fell short of our normalised investment earnings by $(19.6) million.

Non recurring items of $23 million for the six months principally included the profit on the sale of half of our economic interest in India offset by some restructuring costs associated with expense reduction initiatives in Australia and New Zealand.

Profit after tax and non recurring items was up 187 per cent to $270.4 million.

Group funds under management, administration and advice was down 10 per cent to $75.72 billion.

The Board has declared an interim dividend of 9.25 cents per share the same level as 2008 and this dividend will be franked at a level of 30 per cent.

During the six months we have strengthened our capital position primarily through the capital raising and at 30 June 2009 total assets above regulatory capital requirements were $1.45 billion. Our gearing ratio was 30 per cent, well below our target range of 40-50 per cent.

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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In Australia operating earnings were down 47 per cent to $75 million reflecting the impact of reduced average funds under management and approximately $20 million less capitalised loss reversals in financial protection than in 2008.

AXA inflows were down 30 per cent to $3.69 billion whilst net flows were down 89 per cent to $182.7 million.

Financial protection continued its strong performance with new business up 23 per cent to $58.8 million whilst the value of new business for the overall Australian operations was down 9 per cent to $63.7 million.

Funds under management, administration and advice was down 11 per cent to $54.63 billion.

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New Zealand has continued to be a very difficult market and to March 2009 had experienced five successive quarters of negative economic growth. There is a strong chance we will also see negative growth for the June quarter when those numbers are published.

Operating earnings in New Zealand were down 39 per cent to $16.4 million New Zealand dollars.

Total wealth management retail inflows were down 26 per cent to NZ$304.2 million whilst net retail outflows improved 78 per cent to NZ$(34.6) million.

Total financial protection new business was down 2 per cent to NZ$12.7 million with the value of new business overall down 34 per cent to NZ$5.1 million.

Funds under management, administration and advice were down 6 percent to NZ$5.91 billion.

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In Hong Kong operating earnings were up 1 per cent to $969.4 million Hong Kong dollars.

Total new business index was down 7 per cent to $HKD1.09 billion however, the value of new business was up 2 per cent to HKD$555.3 million as we continued to see a switch towards higher margin products.

This is also reflected in the value of new business margin for the six months which was 51 per cent, compared to 47 per cent for the same period in 2008.

Funds under management and administration were up 9 per cent in Hong Kong to HKD$72.95 billion reflecting positive net inflows and the better performance of the Hang Seng compared with other global stock markets.

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Turning to the rest of the region.

Our share of operating earnings from South East Asia were up 10 per cent to $17.2 million Australian dollars.

Reflecting our continued investment in India and China our share of this result was $(19.9) million.

ipac Asia which is exclusively focused on wealth management in the region with predominantly equity based investments was particularly affected by the global financial crisis and incurred a loss of $(5.7) million for the first half.

On a 100 per cent share basis new business index across the region was up 13 per cent to $267.8 million with the value of new business up even stronger, by 49 per cent to $88.9 million.

Funds under management, administration and advice were down 1 per cent to $4.7 billion.

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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.

Following the downturn in investment markets, particularly in the second half of 2008, and the resulting impact on our average funds under management, our combined operating earnings across the ten countries in our Group were down 13% to $255 million.

Normalised investment earnings decreased 17% to $75 million due to a more conservative asset mix and lower interest rates.

Corporate expenses increased as we are upgrading our Regional Asian IT and operational infrastructure to position us for future growth.

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

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

Our investment experience was $19 million lower than normalised investment earnings due primarily to rising bond yields and the cost of derivative protection offsetting stronger equity returns and narrowing corporate spreads. Non-recurring items of $23 million reflects the profit on the sale of half of our economic investment in India, less the costs of restructuring in Australia and New Zealand. This restructuring reduces our future cost base and partially offsets the impact of lower revenues from lower funds under management.

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The Group Operating earnings decrease of 13% or $39 million is shown by region on this slide. Andy will talk through each of these regions later.
The three largest items affecting Group operating earnings include:

- for Australia, a decrease in earnings due to the significant capitalised loss reversals in 2008 associated with an improvement in income protection claims experience
- for Australia and New Zealand, a decrease in earnings from lower funds under management in the wealth management businesses offset partially by lower expenses and
- for Hong Kong, whilst earnings were flat in Hong Kong dollar terms, earnings in Australian dollar terms were positively impacted by the 24% appreciation in the average exchange rate over the period.

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At a Group level, expenses are a story in two regional parts.

Firstly, in Australia and New Zealand, where there is a high reliance on wealth management, we have implemented a number of cost management initiatives including headcount reductions. We are confident that these initiatives will underpin improved future profits.

Secondly in Asia and in Hong Kong particularly, although we have reduced expenses since the second half of 2007, we have increased our investment in the first half of 2009 to support sales and marketing campaigns and to enhance customer service in our Mandatory Provident Fund business.

In corporate expenses, although first half expenses in 2009 are down on the second half of 2008, we recently commenced a three year program to prepare our Asian Regional IT and operational infrastructure for future growth.   This program will result in an increase over the next 2 to 3 years in Asian Regional corporate expenses.

These expense changes reflect the balance between prudent expense reductions and the need to ensure we are well placed to benefit from future growth in our markets.

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Investment earnings were $55 million represented by normalised investment earnings of $75 million and an investment experience loss of $19.6 million. This adverse investment experience includes:

- $21 million due to rising bond yields
- $15 million representing the time value cost of our derivative protection program, partially offset by
- $17 million from higher equity returns, which were above our long term normalised assumptions,

The sale of our annuity portfolio last year, the purchase of equity, interest rate and credit protection and reductions in equities backing shareholder capital and our DA product in Hong Kong, has significantly reduced the sensitivity of our investment earnings to downward movements in investment markets.

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Earnings per share before non-recurring items were 13.5 cents.

A 12 month rolling return on equity before non-recurring items was 0.7%. Using normalised investment earnings and excluding non-recurring items, earnings per share were 14.5 cents and return on equity was 13.1%.

Given the downturn in investment markets in the second half of 2008, isolating 6 months performance provides a different perspective. The red bars on the chart shows an annualised actual return on equity of 13.2% and a normalised return of 14.3% for the first half of 2009.

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

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

Our Dividend Reinvestment Plan remains active and AXA SA have confirmed that they will participate in this plan for the interim dividend.

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The capital raising and debt repayment earlier this year strengthened our Balance Sheet.

Total capital resources increased by 7% to $5.4 billion over the six months primarily as a result of our capital raising of $878 million less debt repayments.

Total debt decreased by $557 million representing $430 million of repayments and $127 million of favourable foreign exchange movements.

Our debt to equity ratio decreased from 56% to 30% which is below our long term target range.

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A breakdown of our capital position of $5.4 billion is shown in the pie chart. Our total regulatory capital requirements at 30 June 2009 decreased from $2 billion to $1.8 billion.

Total assets above regulatory capital at 30 June 2009, before any dividend payment, were $1.45 billion representing:

- $690 million of target surplus and
- $760 million of excess assets over target surplus.

I will talk about the change in total assets above regulatory capital in the next slide, but this is clearly a strong capital position.
The balance of our capital resources represents $2.1 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 six months to 30 June 2009.

The main movements relate to:

- profit for the six months of $270 million
- capital raised of $878 million less debt repaid of $430 million
- a cash payment for the 2008 final dividend of $51 million
- a decrease in regulatory capital of $37 million
- a weakening of the Hong Kong dollar of $86 million, and
- positive investment experience in our defined benefit superannuation plan of $53 million.

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Capital management is an integral part of our risk management framework and our culture. As a result we have taken a number of further actions to protect policyholders and shareholders against downside risks.

After completing a number of strategic asset allocation reviews in late 2008 and early 2009, we have reduced our exposure to equities across shareholder capital and certain participating products.

In addition, the equity and interest rate protection we put in place last year has been extended.

In Australia and New Zealand, we purchased equity puts to protect 100% of equities until March 2011 in the key areas of our business.

In Hong Kong and Singapore, we have purchased puts and sold calls on 100% of our equities. These expire in March 2010 and September 2009 respectively.

Our credit protection on our corporate bond portfolio in Hong Kong, our interest rate swaps to protect against interest rate movements in Australia and New Zealand and the reinsurance of a proportion of our Hong Kong financial protection portfolio to Australia all remain in place.

Finally, we continue to actively manage policyholder bonuses and crediting rates and have reduced these over 2009.

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To respond to market interest in the strength and resilience of our participating reserves, we have shown here that reserves are strong even under adverse investment conditions.

Using current interest rates at 30 June 2009, we have “shock tested” total smoothing reserves using a 25% decrease in equities, coupled with a 100 basis points change in bond yields and a 75 basis point increase in corporate spreads.

After this combined shock, and taking into account the derivative protection in place, all products still have significant future smoothing reserves as shown in the right hand column.

Notwithstanding remaining smoothing reserves, as mentioned on the previous slide, we have taken steps to reduce bonuses on our participating products and further reductions are possible.

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This slide provides an update on our excess asset and investment earnings sensitivities.

Given the interest rate swaps we have in place, the sensitivity of excess assets and investment earnings to a 50 basis point increase in bond yields is $40 million and $7 million respectively.

The sensitivity of excess assets and investment earnings to a 10% decrease in equities is $90 million and $28 million respectively.

The sensitivity of excess assets and investment earnings to a 50 basis point increase in corporate spreads is $30 million and $8 million respectively.

These sensitivities are not linear and therefore as markets move, many of the sensitivities will vary, particularly with respect to large reductions in bond yields in Hong Kong and with respect to equities in Hong Kong where the impact is dependent upon the strike price of the equity puts and calls.

For the purpose of this sensitivity illustration, we have used indices at 30 June 2009 as a starting point.

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Turning now to our illustrative value of inforce.

Total illustrative inforce value, before transfers to group net worth, decreased by 2% on an actual currency basis over the 6 months to $6.4 billion, but increased 6% on a constant currency basis.

The actual illustrative inforce value decreased due to:

- negative investment experience on assets backing the inforce portfolio
- reduced future investment earnings, given a reduction in the proportion of equities within the participating business

- the weakening of the Hong Kong dollar against the Australian dollar, partially offset by
- profitable new business written during the year.

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Our group value of new business increased by 11% to $407 million on an actual currency basis and 4% on a constant currency basis.

The Australian and New Zealand value of new business increased by 17% and 38% respectively. The value of new business of our financial protection business was up 32% following strong sales volumes and lower unit costs. The effect of the investment markets on lower funds under management was fully reflected in the 2008 value of new business results. Consequently, our value of wealth management new business in Australia was up 9% due to strong North sales and expense reductions offsetting lower volumes of other wealth management sales.

Our Hong Kong value of new business was down 4% reflecting a similar reduction in new business volumes.

For Asia ex Hong Kong, growth in Thailand, Singapore and China was partially offset by decreases in the Philippines, Indonesia and ipac, leading to our Group share of value of new business increasing by 6% to $75 million.

These value numbers reflect the benefits of the diversity of our business.

In particular:

- financial protection sales have continued to be strong across the region
- sales of North, our capital protected product, have increased substantially in 2009 and
- our Asia ex Hong Kong businesses have continued to expand.

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In summary;

- operating earnings were down 13%
- illustrative value of inforce and illustrative value of new business, often used as a proxy for company valuation, were less impacted by the 2008 market falls being down 2% and up 11% respectively while
- our interim dividend was maintained at the same level as our final 2008 dividend of 9.25 cents per share.

At the same time, our capital position representing assets above regulatory capital of $1.45 billion at 30 June 2009 is strong.

We believe these are credible results delivered in very challenging times and reflect the benefits of our geographic and product diverse business model.

I will now hand back to Andy to take you through a more detailed review of key activities for the 6 month period.

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Thanks Geoff

Let me turn first to Australia.

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Operating earnings in Australia were down 47 per cent to $75 million.

Whilst funds under management as at 30 June were down 11 per cent on 31 December 2008, average funds under management in the first half of 2009 were down 28 per cent on the first half of 2008.

This has obviously had a material impact on our revenues in wealth management with operating earnings down 56 per cent to $17.3 million. Mature operating earnings were also affected, down 43 per cent to $20.8

million. In addition mature operating earnings were affected by the investment market impact on participating profits.

Financial protection operating earnings were down 44 per cent to $36.9 million due to the reduction in capitalised loss reversals and some unfavourable income protection claims experience.

We have implemented a number of cost saving initiatives in the first half of 2009 as Geoff has mentioned to improve our future earnings.

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Value of new business was down 9 per cent to $63.7 million. This is a good outcome in this environment and emphasises the benefits of our broad product offer.

Wealth management value of new business was down 29 per cent to $38.4 million. This reflects the reduction of sales in investment products and in conjunction with lower average funds under management, the impact on unit costs. This was partly offset by strong growth in North sales.

Financial protection value of new business was up 75 per cent to $22.2 million reflecting continued strong growth in sales and the benefit to unit costs.

Mature value of new business was up 11 per cent to $3.1 million due to increased inflows into our conservative savings product.

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The breadth of our distribution across both wealth management and financial protection markets has provided resilience in what has been a very difficult market. It also positions us strongly for the future.

The percentage of wealth management sales from our aligned channel has increased to 48 per cent following the acquisition of Genesys and the impact of lower investment sales in the non aligned channel.

We have continued to see growing sales in financial protection in both the aligned and non aligned channels. The extent to which we are increasing our penetration in non aligned is demonstrated through the increase in the proportion of sales to 60 per cent.

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Adviser numbers grew a further 1 per cent in the period to 1,623. The AXA adviser network is one of the largest in Australia and represents more than 10 per cent of advisers in the top 100 dealer groups.

AXA financial planning increased 6 per cent due to a series of initiatives that leverage AXA's expertise, skills and branding in starting new adviser businesses. An AXA initiative called 'business in a box' has proved very successful for recruiting within the industry.

Genesys wealth advisers have decreased through a combination of some advisers transitioning to other AXA channels, some practices that we have terminated and lower recruitment activity as we have been focusing on integrating Genesys within our network.

Finally some of our recent cost initiatives also included reducing the number of salaried advisers in ipac, Monitor Money and Tynan McKenzie.

Against this, we have continued our equity partner programme and have increased adviser numbers by 19 per cent.

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Needless to say productivity within our aligned distribution channels has been affected by the market conditions.

Wealth management productivity for the rolling 12 months to 30 June 2009 was affected by the difficult investment markets. During this period advisers have been very heavily focused on client retention.

The spike in wealth management productivity for the twelve months ended 31 December 2007 is due to the 2006 federal budget superannuation changes.

We have continued the trend of increasing productivity of financial protection through our aligned networks which was up a further 6 per cent in the rolling 12 months to 30 June 2009.

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In the non aligned sector our position on approved product listings remains critical to our success.

In this regard the penetration of North in the non aligned dealer groups' product lists increased further giving us access to a significant number of advisers.

Whilst we have retained listings for our property and mortgage funds, the property fund has clearly been affected by the market conditions and the Australian Monthly Income Fund by the introduction of the Government guarantee on bank deposits in October of 2008. Notwithstanding this our mortgage fund has recently been upgraded by Lonsec as the preferred fund in the sector.

Our Australian equities services have also benefited from recent reviews with the value service having it's A rating reconfirmed by Van Eyk and our growth service being upgraded to an A rating.

We have also seen much lower sales of our global equity products with some downgrades. Whilst this has led to some reduction in our entries on approved product lists for global equities we have seen a larger impact in model portfolios.

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The impact on wealth management of the market environment is evident from our gross inflows which were down 30 per cent for the six months to June to $3.69 billion. Clearly the December 2008 and March 2009 quarters were the most significantly affected by the severe market dislocation.

Improvement in sales in the second quarter of 2009 has been supported by the usual end of tax year activity.

Within investments during the June quarter we did see some changes in customer preference from cash towards other wealth management products whilst our platform sales were strongly supported through North.

Whilst not shown in the chart, net AXA flows for the first half of 2009 were positive at $182.7 million. If we include our mature business this net flow number increases to $403.3 million. This is notwithstanding the reduction in gross inflows and it is encouraging that outflows have been minimised during this time due to closer adviser/client interaction. We have also retained our position in the top 5 in the industry for net funds flow against an industry that has been experiencing net funds outflow.

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Our North product continues its strong growth momentum.

North sales of $493 million in the first half of 2009 were more than double the sales in the second half of 2008.

Over the same period the number of advisers registered to sell North increased 73 per cent to 1,740 with many of these still going through the process of training and activisation.

This also includes greater penetration in the non aligned sector and new business applications have more than tripled to 5,573.

The North product range continues to receive very strong external endorsement and has the highest structured product rating from S & P.

AXA's North protected investment guarantee also won the 2009 Rainmaker marketing excellence award for best innovation of the year and new superannuation product of the year. This is the second year running that we have won awards for our North product range.

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Our individual life new business has also continued to grow. Individual life new business was up 19 per cent to $32.2 million due to ongoing product and service improvements, growth in new sales and CPI increases.

The substantial increase in average daily applications in the second half of 2008 has also been maintained in the first half of 2009.

We continue to see a bias of customers towards risk protection in the current market environment which is obviously fuelling financial protection growth across the industry.

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Turning now to financial protection profitability.

Income protection operating earnings were down 89 per cent on the second half of 2008 although this was mainly due to the higher capitalised loss reversals in the previous period.

Experience losses in the second half of 2008 and first half of 2009 were principally due to the slower closure of open claims. This could be an early indication of the impact of the economy as it is harder for people to move off claim and back into work against a background of higher unemployment. So far we have not seen any material increase in new claims although we continue to monitor this closely

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We have however, recently introduced some pricing changes to our in force AC&L income protection portfolio.

We continue to experience favourable claims and good profitability within our group portfolio.

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As I mentioned in my introduction New Zealand has experienced consecutive periods of negative economic growth. In conjunction with structural issues for our industry, this has combined to make New Zealand an extremely difficult market.

Operating earnings were down 39 per cent to $16.4 million New Zealand dollars and the value of new business was down 34 per cent to NZ$5.1 million.

Operating earnings were impacted by the reduced average funds under management, down 32 per cent, a one off capitalised loss reversal of NZ$3 million in 2008 and some unfavourable income protection claims experience.

Wealth management value of new business was down 78 per cent to NZ$1.1 million reflecting the very difficult investment environment and the impact of lower average funds under management on unit costs.

Financial protection value of new business was up 43 per cent to $4 million due to the increase in individual financial protection sales and our success in re tendering for group life schemes.

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Retail wealth management inflows were down 26 per cent reflecting the difficult market conditions.

Aligned inflows were down 28 per cent to NZ$90 million resulting from the closure of mortgage backed products as the introduction of the guarantee on bank deposits in New Zealand had similar impacts to Australia.

Non aligned inflows were down 13 per cent to NZ$146 million reflecting lower Bank of New Zealand inflows partially offset by growth in Kiwisaver. All of the larger players in Kiwisaver including AXA have seen an increase in their market share in the recent period at the expense of the smaller players.

Inflows from our owned channels were down 43 per cent to NZ$68 million reflecting the market conditions.

Retail net outflows improved 78 per cent to NZ$(34.6) million due to improved retention in Spicers and our mature business and the impact of restricted withdrawals in our mortgage funds.

Notwithstanding the challenging environment we have continued to maintain a leadership position in retail funds under management with a market share of 18.2 per cent.

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In financial protection new business was down 2 per cent whilst in force was up 1 per cent.

We saw 5 per cent growth in individual life new business to NZ$9.6 million due to an increase in both individual life and income protection sales.

Group life new business was down 18 per cent to NZ$3.1 million mainly due to lower benefit increases than last year on existing schemes.

In force premiums have grown 1 per cent reflecting the continued impact of commission trends on discontinuances particularly in individual life.

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I will conclude my comments on Australia and New Zealand with a brief word on our Ambition 2012 programme.

Clearly the global financial crisis has had a significant impact on our results. Whilst the goals look extremely challenging given where we stand today, I remain of the view that now is not the time to review them. Frankly it remains unclear how market conditions will evolve over the remainder of 2009 and the period of our Ambition 2012 programme.

Notwithstanding this, our strategy that underpins our programme remains the right one and we are committed to delivering against it.

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Let me now turn to Asia and firstly Hong Kong.

Operating earnings were up 1 per cent in Hong Kong to $969.4 million Hong Kong dollars.

Wealth management operating earnings were up 29 per cent to HKD$168.6 million partly assisted by a one off tax benefit of $37 million and lower new business strain on our Signature Series offset by reduced fees from lower average funds under management.

Financial protection operating earnings were up 18 per cent to HKD$517 million due to continued growth in the portfolio, and the faster emergence of profit on our medical business.

Mature operating earnings were down 28 per cent to HKD$283.8 million due to a non recurring profit of HKD$32 million which was included in the 2008 result, some unfavourable claims experience in 2009 and the impact on planned margins of changes to our strategic asset allocation.

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New business index was down 7 per cent to HKD$1.09 billion Hong Kong dollars.

This reflected a reduction in sales across the industry. Indeed OCI statistics indicate that first quarter of 2009 new business premiums for the industry were down 37 per cent with AXA down only 10 per cent.

The continued shift towards higher margin traditional financial protection business is demonstrated in the chart on the right where you can see this business accounted for 38 per cent of NBI in the first half of 2009 compared to 29 per cent in 2008.

During the first half of 2009 we restructured our salaried channels creating AXA privilege by combining AXA advisers and PPCG. I will comment again on this in a later slide.

Wealth management sales have been particularly affected by the adverse market conditions including sales of unit linked and investment products.

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Value of new business in Hong Kong, notwithstanding the reduction in NBI, was up 2 per cent to HKD$555.3 million.

Value of new business for financial protection was up 11 per cent to HKD$394.9 million benefiting from the growth in NBI and some improvements in margin from improved lapse experience.

Value of new business for wealth management was down 15 per cent to HKD$160.4 million whilst the overall value of new business margin increased from 47 to 51 per cent.

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Turning specifically to our agency channel, new business index was down 12 per cent to HKD$470 million whilst value of the new business was up 2 per cent to $335 million.

In addition to lower new business activity we have also noticed a reduction in lower average case sizes in Hong Kong during the first half of 2009. This is consistent with the switch away from wealth management to financial protection.

Pleasingly in the second quarter of 2009 we have seen some growth in agent numbers as we have intensified our recruitment activity through the introduction of an experienced hire programme. We anticipate that this programme will continue to add to agent numbers during the rest of the year.

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As I mentioned a moment ago we have created a new channel, AXA Privilege, through the combination of AXA advisers and PPCG. This is to simplify and better align our wealth management client proposition and to use AXA Privilege as a feeder channel for Swiss Privilege.

The Privilege channels, i.e. AXA Privilege and Swiss Privilege, have both been impacted by the market environment due to their exclusive focus on wealth management.

We have seen a higher turnover in advisers as the current environment has made it hard for them to be successful and we have also seen some competitor poaching activity.

Adviser numbers declined in the first quarter of 2009 but have since remained stable.

New business index and the value of new business both reduced by 22 per cent to HKD$186 million and HKD$65 million respectively.

Following the structural changes in our Privilege channels and in response to the current investment environment we are in the process of introducing new sales support and remuneration systems whilst maintaining the focus of these channels on the wealth management market.

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Finally turning to our broker and bancassurance channels in Hong Kong

Bancassurance new business index was up 23 per cent to HKD$189.9 million and has strongly recovered since the second half of 2008.

We strengthened our bancassurance proposition by adding a further product offering through the launch of Vertex and this is becoming a significant proportion of sales.

Broker new business index was stable at HKD$242.8 million notwithstanding a reduction in general insurance business. We have seen growth in both traditional life and group insurance through the broker channel.

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As I mentioned earlier we have continued to see a new business focus on higher margin traditional life business.

The VNB margin for the six months to 30 June was 51 per cent compared to 47 per cent for the same period last year. The full year 2008 VNB margin of 52 per cent also included the impact of the annual review of assumptions in the second half of 2008 and factored in an improvement in lapse experience.

Hong Kong remains a significant and important business in our portfolio. One of our challenges over recent times has been to ensure that we continue to achieve momentum in the growth of the business. We have implemented a number of initiatives over the last 2 years to do so, although the benefits of these have obviously been somewhat offset by the very difficult market environment as reflected in the OCI industry statistics. These statistics nonetheless also demonstrate AXA's relatively strong performance compared to the rest of the industry.

Importantly during the first half of 2009 we welcomed Stuart Harrison as the new Chief Executive for the business. Stuart has extensive experience in our industry in the UK with Allied Dunbar and in Korea and Australia with AIG where he had a strong track record in growth. Stuart started with us in early April and is already having an impact. I am very confident under Stuart's leadership the initiatives we have previously put in place in conjunction with a more favourable market environment in the future, position us well in Hong Kong.

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Turning to our other Asian operations.

In South East Asia our share of operating earnings was up 10 per cent to $17.2 million Australian dollars whilst the value of new business on 100 per cent share basis was up 45 per cent to $68.6 million.

Operating earnings and the value of new business in Australian dollars have both been positively impacted by foreign exchange movements. The value of new business has also been assisted by higher margins in Singapore and strong growth in Thailand.

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New business index performance was mixed across the region with Thailand and Malaysia up strongly by 26 and 38 per cent respectively.

Singapore was relatively flat albeit with a switch towards higher margin business.

Sales in the Philippines and Indonesia were down on first half of 2008 by 31 and 16 per cent respectively.

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Encouragingly over the last six months to June we grew agent and adviser numbers in the region by 12 per cent to more than 17,000 with growth in every market. Within this the number of agents in the branches of our bancassurance partners grew by 8 per cent to 2414. We have also recently signed an agreement to extend our distribution agreement in Indonesia with Bank Mandiri to their Sharia bank which gives us access to a further 200 branches from October this year.

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Let me turn finally to India and China. Our investment in India and China continued in the first half of 2009. The benefit of this is reflected in our value of new business which is up 84 per cent to $18.6 million Australian dollars.

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In India new business index was up 44 per cent to $1.95 billion Indian Rupees. This compares to a decrease in the industry among the private sector players of 22 per cent for the five months to 31 May.

Whilst India remains a tremendously exciting market we do foresee the need for significant changes in the industry. This is caused by the bias of the Indian market towards investment orientated products with relatively low margins compared to the rest of the region and large part time agency distribution which is relatively unproductive and expensive to run.

As I have previously shared with the market, against this background our strategy has been to limit geographic growth in 2009 and capitalise on our existing infrastructure whilst concentrating on productivity and quality within our distribution channels. As a consequence branch numbers have been capped at around 200 and we have reduced agent and adviser numbers 17 per cent to 32,000.

Further and in response to these challenges we have restructured our economic holding through the sale of half of our interest in India to AXA SA. The profit on this sale was $39 million which reflected a return equivalent to our weighted average cost of capital. The resulting position provides us with an appropriate economic exposure whilst rebalancing the proportion of capital we are investing in the market relative to the rest of the region.

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In China new business index was up 44 percent to $123.2 million RMB. This reflects the success of our multi distribution capability and recent growth in our branch network.

Agent and adviser numbers were down 13 per cent to 2,482. Within this our AXA adviser channel has increased whilst traditional agent numbers have decreased following the impact of new regulations and market conditions on unit linked products.

We also recently opened a branch in Tianjin taking our total geographic expansion to 12 cities.

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Turning now to our Ambition 2012 programme for Asia. The first six months of the programme have been marred by the very difficult external environment although we have made progress against all of our financial goals other than new business index. As with Australia it is too early to review these goals and nothing has changed to impact our commitment to the underlying strategy.

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Let me sum up.

Group operating earnings for the 6 months to 30 June 2009 were down 13 per cent to $255.5 million.

Profit after tax, before investment experience and non recurring items was down 18 per cent to $267.0 million.

Profit after tax and non recurring items was up 187 per cent to $270.4 million.

We ended the period with a strong capital position as demonstrated by total assets in excess of regulatory capital requirements of $1.45 billion and a gearing ratio of 30 per cent, well below our target range.

We also ended the period with strong performance in our value metrics with the illustrative value of inforce down only 2% and the illustrative value of new business up 11%.

The first half of 2009 has been a very challenging period for our industry. However, our geographic and product diversification has offered considerable resilience to our operating performance.

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In closing I will make a few comments about the future.

The impact of the global financial crisis has been profound and it has clearly had a significant effect on the broader economy. As we foreshadowed 2009, has been very difficult so far and it looks like it will continue to be so.

Against this background and as we more forward through the rest of this difficult period we will continue to focus on the things that I have previously outlined to the market.

Firstly, capital management where we have substantially strengthened our position over the last six months.

Secondly earnings preservation where clearly there has been considerable pressure from the external market factors in 2009, and which we anticipate will continue.

Thirdly through taking advantage of our relative strengths and growing the parts of our business which we can in this environment. In this regard we have improved our position in financial protection and continued to capitalise on our very unique North proposition in Australia. We have restructured our economic holding in India and modified our strategy accordingly. We have also restructured our Privilege channels in Hong Kong.

Fourthly we will continue to ensure that we are well positioned to take advantage of opportunities that will inevitably arise. As I have said before, this does not necessarily refer to acquisitions as there are also opportunities to attract clients, agents and advisers from companies doing less well. We are starting to the see the benefit of this particularly in Hong Kong and Indonesia and we are also growing market share in a number of other countries.

And finally we will stay true to our core values as a company with a commitment to the provision of quality financial advice to all of our customers.

The global financial crisis has also led to a number of reviews and inquiries around the globe, including here in Australia. Given the genesis of this crisis was the over promotion and easy availability of credit, it is perhaps not surprising that credit also sits at the heart of many of the failures that have occurred. We therefore congratulate the State and Federal Governments on the steps that have been taken to improve the regulation of lending practices.

Whilst there will be other opportunities for improvement. It is important that we do not introduce more complexity, more cost and more uncertainty in our system and potentially damage confidence and make financial advice less accessible. Australia went into this crisis with a strong, well regulated financial services industry, strong financial institutions and a world leading superannuation system.

Notwithstanding the short term challenges posed by the global financial crisis the fundamental characteristics that make our industry attractive have not changed.

In addition to compulsory superannuation in Australia, a number of other countries in which we operate have systems that support long term retirement savings and it remains a high priority issue for those that don't.

In insurance whilst there has been strong growth in recent years there continues to be low penetration in many of the markets in which we operate reflecting under insurance across our region. There is also no doubt that the global financial crisis has given customers a heightened sense of awareness of the need for protection.

In Asia we are operating in markets with very favourable demographics for our industry and high savings rates. Also whilst the global economy is slowing quite sharply, economies in many of the countries in which we operate are likely to grow faster than world averages.

In the first half of 2009 two thirds of our Operating Earnings came from our investments in Asia. With the breadth and strength of our operations in the region, prospects for longer term growth remain strong.

In Australia our industry also has good long term growth prospects and we are well positioned with the quality of our product offerings and very extensive distribution networks.

In summary despite the difficult environment in which we have been operating this remains a growth industry and we are extremely well positioned in some of its fastest growing markets.

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