

# THE AXA

"2008  
interim  
results"

# PLAN.

**AXA Asia Pacific Holdings**

**Investor Compendium**

For the 6 months ended 30 June 2008



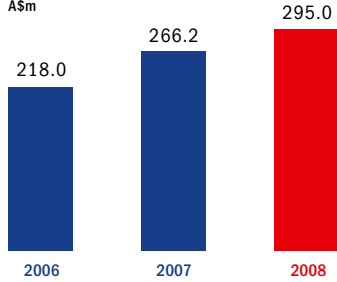
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1.1 The period at a glance

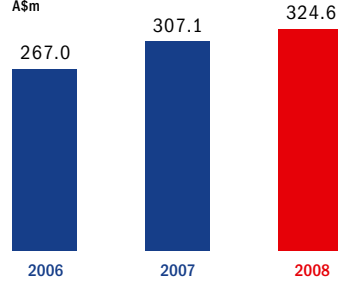
**Operating Earnings up 11% to \$295.0m**  
(2007 – \$266.2m)

6 mths to 30 Jun  
A\$m



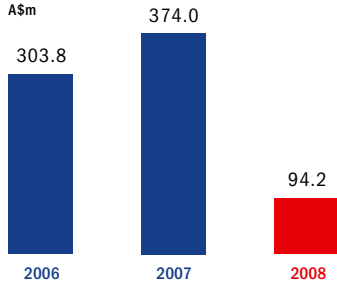
**Net profit after tax, before investment experience up 6% to \$324.6m**  
(2007 – \$307.1m)

6 mths to 30 Jun  
A\$m



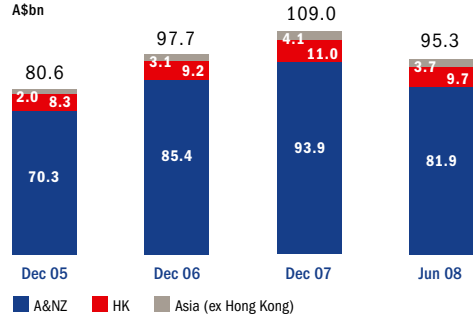
**Net profit after tax down 75% to \$94.2m**  
(2007 – \$374.0m)

6 mths to 30 Jun  
A\$m



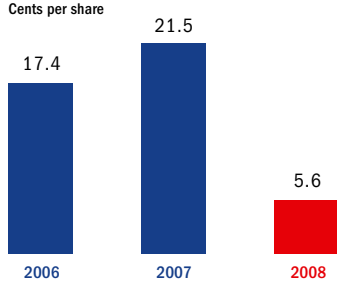
**Group funds under management, administration and advice down 13% to \$95.3bn**  
(31 December 2007 – \$109.0bn)

As at  
A\$bn



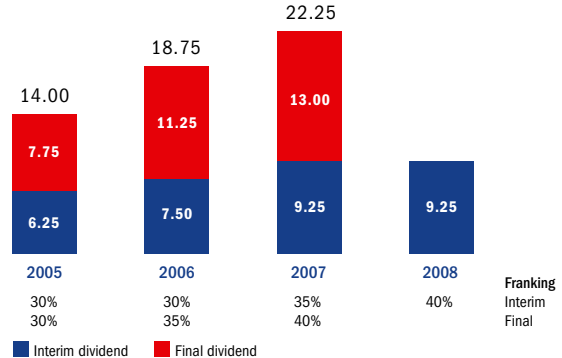
**Earnings per share down 74% to 5.6 cents per share**  
(2007 – 21.5 cents per share)

6 mths to 30 Jun  
Cents per share



**Interim dividend flat at 9.25 cents per share franked to 40%**  
(2007 interim – 9.25 cents per share franked to 35%)

Cents per share



# 1 | Overview

## 1.2 Key highlights

Operating Earnings, the key profit indicator of the underlying performance of the business, was up 11% to \$295.0m (2007 – \$266.2m), notwithstanding a \$20m reduction in 2008 earnings due to the appreciation of the A\$ relative to the HK\$ and the NZ\$.

The market in the first half of 2008 was markedly different to the first half of 2007. Last year benefited from transitional superannuation arrangements in Australia and favourable equity markets. 2008 has been a difficult market with the S&P/ASX300 and the MSCI World (US\$) accumulation indices closing down 16% and 10% respectively. Our operating results reflect the resilience of our business model, represented through the breadth of operations both from a product perspective and geographic spread.

Australian Operating Earnings were up 22% to \$141.0m (2007 – \$115.7m) reflecting growth in the financial protection business and capitalised loss reversals following a sustained improvement in claims experience. This was partially offset by a 5% reduction in our wealth management business. Average funds under management, on which fees are earned, have reduced reflecting the downturn of the equity market. The value of new business was down 17% to \$69.9m (2007 – \$84.4m) while overall financial protection value of new business has shown strong growth in these difficult markets. Wealth management value of new business decreased when compared to last year's exceptional performance reflecting the 2007 transitional superannuation provisions and more favourable market conditions.

New Zealand Operating Earnings were down 15% to \$22.9m (2007 – \$27.1m). In local dollars, earnings were down 11% to NZ\$27.1m (2007 – NZ\$30.6m). This reflects a decline in average funds under management from the market downturn and costs relating to the regulatory changes, which improve the longer term outlook of the New Zealand market. The value of new business was down 5% to NZ\$7.7m (2007 – NZ\$8.1m) due to a mix of lower margin wealth management sales following a trend to more conservative asset classes.

Hong Kong Operating Earnings were up 8% to \$133.5m (2007 – \$123.2m). In local dollars, earnings were up 23% to HK\$963.1m (2007 – HK\$780.0m) due to the inclusion of Winterthur and growth in our financial protection business. The value of new business was up 16% to HK\$546.1m (2007 – HK\$469.4m).

Operating Earnings for the rest of Asia were down to \$(2.4)m (2007 – \$0.2m), reflecting strong profit growth in South East Asia offset by continued investment in the growth markets of India and China. The value of new business was up 36% for these businesses.

Profit after tax, before investment experience was up 6% to \$324.6m (2007 – \$307.1m), reflecting the growth in Group Operating Earnings.

Notwithstanding recent market volatility, our balance sheet remains strong with \$857m of total assets above regulatory capital, and a gearing ratio of 38%.

The Directors have declared an interim dividend of 9.25 cents per share franked to 40%, (2007 interim – 9.25 cents per share).

## 1.3 Looking forward

### Australia and New Zealand

Australia's superannuation regime continues to provide a strong fundamental and sustainable foundation for our business and will drive growth into the future.

We will continue to grow our distribution footprint both organically and where appropriate, via acquisitions such as Genesys which increased our aligned adviser network by 366 advisers and firmly established our position as one of the largest advice networks in Australia.

We remain committed to growing financial protection profitably, particularly individual life, with several product enhancements launched in May and July this year. Against the backdrop of challenging market conditions, the strong growth in individual sales demonstrates the resilience of our business model and the adaptability of our distribution network.

Launched in late 2007, North, with its unique downside protection, continues to receive strong support with sales exceeding \$100m and more than 600 advisers now registered to sell the product.

Notwithstanding the confluence of investment market volatility, high interest rates and a lack of market regulation in New Zealand, we remain optimistic in our ability to successfully leverage our position as one of the New Zealand Government's six default providers of KiwiSaver. As the market leader for retail wealth management, we are also well placed to benefit from the tax reforms which make managed investment funds more attractive.

### Asia

In Asia, our growing footprint in ten countries is a key strength and our ongoing success in these markets will continue to differentiate us from our peers. We now have established presences in some of the world's fastest growing insurance and wealth management markets.

In Hong Kong, we will continue to build on our multi-distribution channel which is a key strength of our business in the region. Ongoing initiatives are being implemented to strengthen our distribution capabilities including increasing productivity and the aggregate value of new business while maintaining product margins.

Despite some market-related headwinds in the Philippines and Singapore, we remain well positioned in our chosen markets in South East Asia and we will continue to leverage our strong bancassurance joint ventures in the region. The launch of a number of more defensive style products in the first half of 2008 demonstrates our adaptability in difficult market conditions and should ensure that this region continues to increase its significance in Group value.

Ongoing investment in both India and China is clearly demonstrated by the rapid growth in adviser numbers in India and our expanding provincial footprint in the Chinese market.

With less than six months to go, we remain committed to our Asia 6 goals. We will be announcing what comes after at our Annual Strategy Day in November.

Whilst the outlook for investment markets remains uncertain, our strategy is the right one and we remain focused on our long term targets.

## 1.4 Group financial summary

6 months to / as at A\$m, unless otherwise stated	2008	2007	Change
<b>Financial performance</b>			
Operating Earnings			
- Australia	141.0	115.7	22%
- New Zealand	22.9	27.1	(15)%
- Hong Kong	133.5	123.2	8%
- South East Asia	15.6	8.5	84%
- India and China	(15.2)	(5.5)	<<
- ipac Asia	(2.8)	(2.8)	-
<b>Operating Earnings</b>	<b>295.0</b>	<b>266.2</b>	<b>11%</b>
Investment Earnings (normalised)	90.0	100.0	(10)%
Corporate expenses	(22.0)	(24.5)	10%
Interest expense <sup>1</sup>	(24.7)	(23.7)	(4)%
Executive share plan expense	(6.6)	(7.0)	6%
Amortisation of value of businesses acquired	(7.1)	(3.9)	<<
<b>Profit after tax, before investment experience</b>	<b>324.6</b>	<b>307.1</b>	<b>6%</b>
Investment experience <sup>1</sup>	(230.4)	66.9	<<
<b>Profit after tax</b>	<b>94.2</b>	<b>374.0</b>	<b>(75)%</b>
<b>Shareholder returns</b>			
Earnings per share before non-recurring items (cents)	5.6	21.5	<<
Normalised earnings per share before non-recurring items (cents) <sup>1</sup>	19.2	17.7	8%
Dividend per share (cents) - interim	9.25	9.25	-
Dividend franking level - interim	40%	35%	
Rolling 12 months return on equity	10.1%	19.8%	
Rolling 12 months normalised return on equity <sup>2</sup>	16.6%	15.8%	
<b>Financial position</b>			
	<b>30 Jun 08</b>	<b>31 Dec 07</b>	
Shareholders' equity	3,375.9	3,726.2	(9)%
Subordinated debt and hybrid capital	755.5	800.1	(6)%
Senior debt	533.7	505.9	5%
<b>Capital resources</b>	<b>4,665.1</b>	<b>5,032.2</b>	<b>(7)%</b>
Total debt / equity	38%	35%	
<b>Capital</b>			
Regulatory capital	1,573	1,323	(19)%
Excess assets	857	1,477	(42)%
<b>Funds under management, administration and advice (A\$bn)</b>			
- Australia	75.5	85.2	(11)%
- New Zealand	6.4	8.7	(26)%
- Hong Kong	9.7	11.0	(12)%
- Asia (ex Hong Kong)	3.5	3.9	(10)%
- ipac Asia	0.2	0.2	-
<b>Group funds under management, administration and advice (\$bn)</b>	<b>95.3</b>	<b>109.0</b>	<b>(13)%</b>

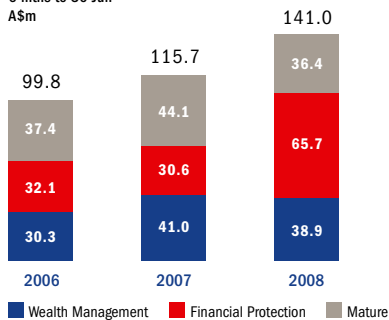
1 To present results on a consistent basis, \$0.9m of interest income in 2007 has been reclassified from interest expense on net debt to investment experience.

2 Calculated after replacing Investment Earnings with normalised Investment Earnings of \$90m (2008), \$100m (2007)

# 2 | Operating performance

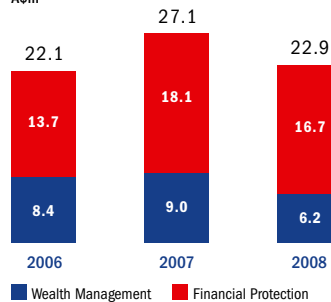
## Australia Operating Earnings up 22% to \$141.0m

6 mths to 30 Jun  
A\$m



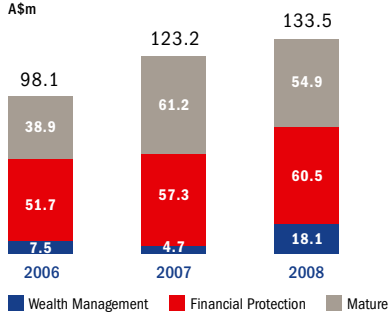
## New Zealand Operating Earnings down 15% to \$22.9m (down 11% in local currency)

6 mths to 30 Jun  
A\$m



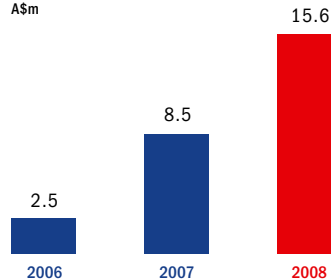
## Hong Kong Operating Earnings up 8% to \$133.5m (up 23% in local currency)

6 mths to 30 Jun  
A\$m



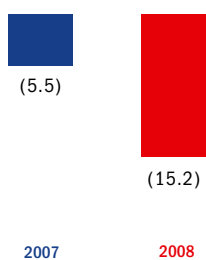
## South East Asia Operating Earnings up 84% to \$15.6m

6 mths to 30 Jun  
A\$m



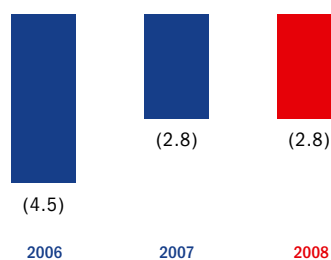
## India and China Operating Earnings<sup>1</sup> down 176% to \$(15.2)m

6 mths to 30 Jun  
A\$m



## ipac Asia Operating Earnings stable at \$(2.8)m

6 mths to 30 Jun  
A\$m

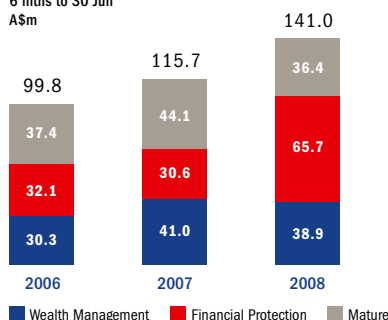


<sup>1</sup> First half 2006 results were not reported for China; we commenced operations in India in August 2006

## 2.1 Australia

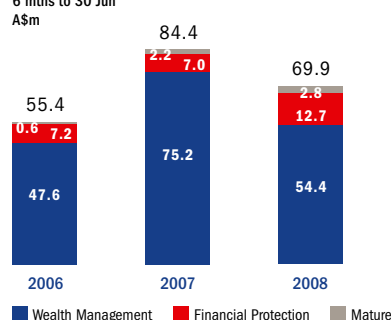
### Operating Earnings

6 mths to 30 Jun  
A\$m



### Value of new business

6 mths to 30 Jun  
A\$m



### Wealth management business

#### 6 months to 30 June 2008

A\$m	Platform	Advice	Investment <sup>1</sup>	Total	Inter-segment <sup>2</sup>	Total
Gross fees	80.0	63.3	111.0	254.3		254.3
Expenses (including commissions)	(74.4)	(46.6)	(81.5)	(202.5)		(202.5)
Tax	(1.3)	(2.7)	(8.9)	(12.9)		(12.9)
<b>Operating Earnings</b>	<b>4.3</b>	<b>14.0</b>	<b>20.6</b>	<b>38.9</b>		<b>38.9</b>
<b>Opening FUM / FUA (31 December)</b>	<b>11,498.6</b>	<b>8,812.1</b>	<b>87,989.7</b>	<b>108,300.4</b>	<b>(36,748.7)</b>	<b>71,551.7</b>
Inflows - new business	1,230.9	609.1	7,104.7	8,944.7	(2,349.7)	6,595.0
- other <sup>3</sup>	1,979.5	-	-	1,979.5	(64.8)	1,914.7
<b>Inflows</b>	<b>3,210.4</b>	<b>609.1</b>	<b>7,104.7</b>	<b>10,924.2</b>	<b>(2,414.5)</b>	<b>8,509.7</b>
Outflows	(737.4)	(547.0)	(5,768.3)	(7,052.7)	1,888.8	(5,163.9)
<b>Net flows</b>	<b>2,473.0</b>	<b>62.1</b>	<b>1,336.4</b>	<b>3,871.5</b>	<b>(525.7)</b>	<b>3,345.8</b>
Capital depreciation	(1,551.7)	(1,011.7)	(13,396.8)	(15,960.2)	3,402.1	(12,558.1)
<b>Closing FUM / FUA (30 June)</b>	<b>12,419.9</b>	<b>7,862.5</b>	<b>75,929.3</b>	<b>96,211.7</b>	<b>(33,872.3)</b>	<b>62,339.4</b>
<b>Average FUM / FUA<sup>3</sup></b>	<b>10,779.0</b>	<b>8,235.5</b>	<b>80,958.3</b>	<b>99,972.8</b>	<b>(34,727.8)</b>	<b>65,245.0</b>

1 FUM and Operating Earnings for our AllianceBernstein joint venture are included at 100% and 50% respectively

2 Inter-segment flows are single flows that reoccur across the value chain. Removing the double counted flow provides a single count view of Australia-wide funds under management and advice and flows

3 Represents the acquisition of Synergy; average FUM/FUA has been calculated excluding Synergy

#### 6 months to 30 June 2007

A\$m	Platform	Advice	Investment <sup>1</sup>	Total	Inter-segment <sup>2</sup>	Total
Gross fees	76.6	63.4	116.9	256.9		256.9
Expenses (including commissions)	(69.6)	(42.8)	(86.6)	(199.0)		(199.0)
Tax	(1.6)	(6.2)	(9.1)	(16.9)		(16.9)
<b>Operating Earnings</b>	<b>5.4</b>	<b>14.4</b>	<b>21.2</b>	<b>41.0</b>		<b>41.0</b>
<b>Opening FUM / FUA (31 December)</b>	<b>9,295.5</b>	<b>6,669.1</b>	<b>77,297.6</b>	<b>93,262.2</b>	<b>(31,357.6)</b>	<b>61,904.6</b>
Inflows - new business	1,733.7	885.6	8,230.1	10,849.4	(2,802.2)	8,047.2
- other <sup>3</sup>	-	1,019.4	303.2	1,322.6	(303.2)	1,019.4
<b>Inflows</b>	<b>1,733.7</b>	<b>1,905.0</b>	<b>8,533.3</b>	<b>12,172.0</b>	<b>(3,105.4)</b>	<b>9,066.6</b>
Outflows	(549.6)	(423.4)	(4,284.2)	(5,257.2)	1,029.0	(4,228.2)
<b>Net flows</b>	<b>1,184.1</b>	<b>1,481.6</b>	<b>4,249.1</b>	<b>6,914.8</b>	<b>(2,076.4)</b>	<b>4,838.4</b>
Capital appreciation	439.1	492.0	4,029.3	4,960.4	(2,222.9)	2,737.5
<b>Closing FUM / FUA (30 June)</b>	<b>10,918.7</b>	<b>8,642.7</b>	<b>85,576.0</b>	<b>105,137.4</b>	<b>(35,656.9)</b>	<b>69,480.5</b>
<b>Average FUM / FUA</b>	<b>10,124.3</b>	<b>8,031.1</b>	<b>81,504.0</b>	<b>99,659.4</b>	<b>(34,358.3)</b>	<b>65,301.1</b>

1 FUM and Operating Earnings for our AllianceBernstein joint venture are included at 100% and 50% respectively

2 Inter-segment flows are single flows that reoccur across the value chain. Removing the double counted flow provides a single count view of Australia-wide funds under management and advice and flows

3 Represents the acquisition of Tynan Mackenzie FUA and ipac FUA transferred from external administration to internal management

## 2 | Operating performance

A\$m	Platform	Advice	Investment <sup>1</sup>	Total	Inter-segment <sup>2</sup>	Total
<b>Allocation of assets 2008</b>						
- Australian equities	40%	36%	18%			
- International equities	25%	24%	55%			
- Australian fixed income	6%	8%	13%			
- Other	29%	32%	14%			
Value of new business <sup>3</sup>				54.4	-	54.4
New business index	123.1	60.9	710.5	894.5	(235.0)	659.5
VNB margin				6%	-	8%
Total management expenses						88.3
<b>Allocation of assets 2007</b>						
- Australian equities	41%	36%	17%			
- International equities	25%	25%	58%			
- Australian fixed income	6%	8%	12%			
- Other	28%	31%	13%			
Value of new business <sup>3</sup>				75.2	-	75.2
New business index	173.4	88.6	823.0	1,085.0	(280.2)	804.8
VNB margin				7%	-	9%
Total management expenses						81.5

1 FUM and Operating Earnings for our AllianceBernstein joint venture are included at 100% and 50% respectively

2 Inter-segment flows are single flows that reoccur across the value chain. Removing the double counted flow provides a single count view of Australia-wide funds under management and advice and flows

3 Based on a 10% discount rate

### Operating Earnings

Platform was down 20% to \$4.3m (2007 - \$5.4m) due to initial expenses on our newly launched North superannuation offer.

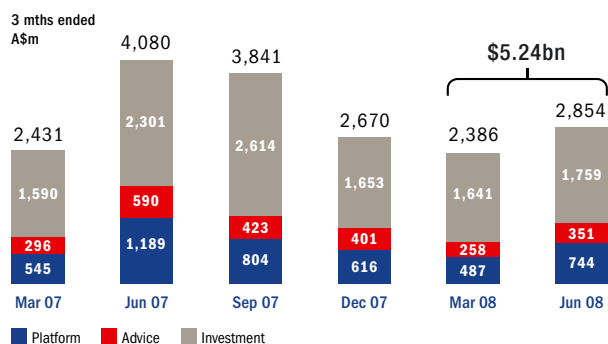
Advice was down 3% to \$14.0m (2007 - \$14.4m) reflecting investment in planned growth in salaried advisers, partially offset by a tax benefit recognised in the first half of 2008.

Investment was down 3% to \$20.6m (2007 - \$21.2m) due to the market downturn in late 2007 that has continued into 2008 which was partially offset by higher inflows into our wholesale business. Average funds under management were down 1% to \$81.0bn (2007 - \$81.5bn).

### Funds under management

Total Australian wealth management gross inflows were down 18% to \$6.60bn (2007 - \$8.05bn). While net flows, excluding other flows, were down 63% to \$1.43bn (2007 - \$3.82bn), our net inflow position was maintained. The second quarter of 2008 saw a continuation of the challenging market conditions experienced in the first quarter, with the S&P/ASX 300 and MSCI World excluding Australia (A\$) accumulation indices falling by 16% and 18% respectively in the first half of 2008. In addition, 2007 included one-off inflows resulting from the change in superannuation legislation.

Excluding AllianceBernstein, gross inflows by quarter are shown in the chart below.



## Financial protection business

6 months to 30 June A\$m	2008				2007			
	Individual life	Individual income protection	Group	Total	Individual life	Individual income protection	Group	Total
Planned profit margin	17.6	2.1	15.0	34.7	16.2	2.3	8.8	27.3
Experience profit/loss								
- expenses	(3.9)	(1.1)	0.5	(4.5)	(0.8)	(0.4)	0.1	(1.1)
- other	(3.1)	6.9	6.6	10.4	(0.9)	0.9	2.8	2.8
Capitalised loss reversals	0.0	25.1	0.0	25.1	-	1.6	-	1.6
<b>Operating Earnings</b>	<b>10.6</b>	<b>33.0</b>	<b>22.1</b>	<b>65.7</b>	<b>14.5</b>	<b>4.4</b>	<b>11.7</b>	<b>30.6</b>
<b>Opening inforce premiums (31 December)</b>	<b>251.6</b>	<b>185.3</b>	<b>163.2</b>	<b>600.1</b>	<b>234.1</b>	<b>182.0</b>	<b>165.0</b>	<b>581.1</b>
- new business	27.1	12.2	8.7	48.0	21.6	11.3	7.8	40.7
- discontinuances	(16.5)	(10.8)	(9.9)	(37.2)	(14.6)	(9.8)	(12.4)	(36.8)
<b>Closing inforce premiums (30 June)</b>	<b>262.2</b>	<b>186.7</b>	<b>162.0</b>	<b>610.9</b>	<b>241.1</b>	<b>183.5</b>	<b>160.4</b>	<b>585.0</b>
<b>Allocation of assets</b>								
- Australian equities	0%	28%	27%		0%	27%	26%	
- International equities	0%	14%	0%		0%	14%	0%	
- Fixed Income	100%	9%	68%		100%	12%	70%	
- Property	0%	21%	0%		0%	20%	0%	
- Other	0%	28%	5%		0%	27%	4%	
Value of new business <sup>1</sup>				12.7				7.0
New business index				42.8				43.4
VNB margin				30%				16%
Total management expenses				42.1				38.4

<sup>1</sup> Based on a 10% discount rate

### Operating Earnings

Individual life was down 27% to \$10.6m (2007 - \$14.5m). Strong growth in sales is reflected in higher planned profit margins, which has been offset by negative experience items. Our investment to support our strategy of improving our new business offer and simplifying and re-engineering our business has resulted in an increase in expenses in the short term. We have also seen unfavourable claims experience in the first half of 2008.

Income protection was up 650% to \$33.0m (2007 - \$4.4m) due to increased capitalised loss reversals following an experience investigation into claim incidence and termination rates. Other experience includes the benefit from claims experience. The expense experience represents continued investment into our claims capability.

Group life and salary continuance was up 89% to \$22.1m (2007 - \$11.7m) reflecting the on-going focus on the business to grow profitably. We have again experienced favourable claims experience.

### New business

Individual life new business was up 25% to \$27.1m (2007 - \$21.6m) reflecting targeted market offers, the increased focus of specialist financial protection support staff and an emphasis on service improvement. We launched an enhanced individual offer in July 2008.

Individual income protection new business was up 8% to \$12.2m (2007 - \$11.3m), mainly due to increases in our large inforce book. We maintain our focus on improvements in service and in claims management.

Group risk new business showed solid growth, up 12% to \$8.7m (2007 - \$7.8m), following our success in some new business tenders.

## 2 | Operating performance

### Mature business

6 months to 30 June A\$m	2008				2007			
	Retirement income	Long term savings	Long term risk	Total	Retirement income	Long term savings	Long term risk	Total
Planned profit margin	6.6	20.6	8.0	35.2	5.1	28.5	7.9	41.5
Experience profit/loss								
- expenses	-	0.7	(0.3)	0.4	(0.5)	(3.5)	0.2	(3.8)
- other	-	(0.4)	-	(0.4)	(2.3)	(0.2)	2.4	(0.1)
Capitalised loss/reversals	1.2	-	-	1.2	6.5	-	-	6.5
<b>Operating Earnings</b>	<b>7.8</b>	<b>20.9</b>	<b>7.7</b>	<b>36.4</b>	<b>8.8</b>	<b>24.8</b>	<b>10.5</b>	<b>44.1</b>
<b>Opening inforce premium (31 December)</b>			<b>44.6</b>	<b>44.6</b>			<b>48.6</b>	<b>48.6</b>
- new business			0.4	0.4			0.7	0.7
- discontinuances			(1.8)	(1.8)			(3.0)	(3.0)
<b>Closing inforce premium (30 June)</b>			<b>43.2</b>	<b>43.2</b>			<b>46.3</b>	<b>46.3</b>
<b>Opening FUM (31 December)</b>	<b>1,611.8</b>	<b>9,955.8</b>	<b>2,095.6</b>	<b>13,663.2</b>	<b>1,699.2</b>	<b>9,990.5</b>	<b>2,067.2</b>	<b>13,756.9</b>
Inflows - new business	0.7	756.8	22.3	779.8	41.9	489.7	25.6	557.2
- other <sup>3</sup>	-	315.2	-	315.2	-	-	-	-
Inflows	0.7	1,072.0	22.3	1,095.0	41.9	489.7	25.6	557.2
Outflows	(166.2)	(670.5)	(71.8)	(908.5)	(174.8)	(719.9)	(84.2)	(978.9)
<b>Net flows</b>	<b>(165.5)</b>	<b>401.5</b>	<b>(49.5)</b>	<b>186.5</b>	<b>(132.9)</b>	<b>(230.2)</b>	<b>(58.6)</b>	<b>(421.7)</b>
Capital appreciation	15.1	(583.1)	(170.5)	(738.5)	32.4	544.0	-	576.4
<b>Closing FUM (30 June)</b>	<b>1,461.4</b>	<b>9,774.2</b>	<b>1,875.6</b>	<b>13,111.2</b>	<b>1,598.7</b>	<b>10,304.3</b>	<b>2,008.6</b>	<b>13,911.6</b>
<b>Average FUM</b>	<b>1,514.9</b>	<b>9,597.1</b>	<b>1,967.2</b>	<b>13,079.2</b>	<b>1,661.8</b>	<b>10,280.5</b>	<b>2,037.7</b>	<b>13,980.0</b>
<b>Allocation of assets</b>								
- Australian equities	10%	44%	34%		11%	47%	34%	
- International equities	1%	8%	26%		2%	9%	26%	
- Fixed Income	73%	19%	16%		74%	17%	16%	
- Property	1%	7%	10%		2%	8%	10%	
- Other	15%	22%	14%		11%	19%	14%	
Value of new business <sup>1</sup>				2.8				2.2
New business index				78.0				55.7
VNB margin				4%				4%
Total management expenses				53.8				56.4

1 Based on a 10% discount rate

2 The other asset class for long term savings largely comprises cash and for long term risk largely comprises property and loans

3 This represents the inclusion of FUM on guaranteed savings account product which was not previously reported

### Operating Earnings

Retirement income includes fixed and lifetime annuity products, which were closed to new business in September 2007 following legislative changes for complying income streams. Operating Earnings were down 11% to \$7.8m (2007 - \$8.8m) due to lower capitalised loss reversals. This was partially offset by an increase in planned profit margins due to lower new business strain following the closure of this product combined with a higher investment margin due to widening corporate spreads. AXA agreed to sell its annuity book to Challenger Financial Group in June 2008 with completion expected in early 2009. On completion, a non-recurring profit of approximately \$50m before tax is anticipated. Post completion, the remaining retirement income products are expected to generate planned profit of \$3.5m per annum, ceasing June 2010.

Long term savings, comprising insurance bonds and traditional savings products including superannuation products sold by the life company, was down 16% to \$20.9m (2007 - \$24.8m), reflecting lower average funds under management driven by market downturns and net outflows from the mature business. This portfolio is writing limited new business, with most superannuation investments now being sold outside the life company, and included in the wealth management segment. Negative expense experience in 2007 is reflected within 2008 planned profit margins.

Long term risk, our traditional participating business, was down 27% to \$7.7m (2007 - \$10.5m). Last year, one-off profits were recognised from higher surrenders as policyholders sought to take advantage of the government's superannuation transitional rules by June. Going forward, planned margins should remain relatively stable. Long term risk products are closed to new business.

## Funds under management

Retirement income gross inflows were down 98% to \$0.7m (2007 – \$41.9m). While 2007 gross inflows increased leading up to the 20 September 2007 legislative deadline for the purchase of complying income streams, our annuity books were subsequently closed to new business. New business in this segment represents allocated pension business written through the life company.

Long term savings gross inflows were up 55% to \$756.8m (2007 – \$489.7m) largely driven by several large super funds, whose clients have invested in our conservative saving account products.

Long term risk net flows were down 13% to \$22.3m (2007 – \$25.6m). Although this product group has a minor investment component, it attracts minimal new business and the policies are maturing. As a result, our long term risk book is in run off.

## Adviser numbers and productivity

Adviser numbers At	30 Jun 08	31 Dec 07	Change
Charter Financial Planning	461	447	3%
AXA Financial Planning	357	364	(2)%
Genesys Wealth Advisers	366	-	>>
Jigsaw Support Services <sup>1</sup>	200	240	(17)%
	<b>1,384</b>	<b>1,051</b>	<b>32%</b>
ipac - salaried advisers	51	54	(6)%
ipac - other advisers <sup>2,3</sup>	80	78	3%
Monitor Money	23	20	15%
Tynan Mackenzie	38	34	12%
	<b>192</b>	<b>186</b>	<b>3%</b>
<b>Total advisers</b>	<b>1,576</b>	<b>1,237</b>	<b>27%</b>

1 Advisers operating in self licensed practices using the licensee services provided by AXA Financial Planning under contractual agreements

2 Includes advisers employed by businesses operating under a partnership agreement with ipac, the 2007 figure has been adjusted to remove a small number of advisers who are licensed through Charter Financial Planning

3 2007 adviser numbers were restated down 18 as they were double counted last year

Adviser numbers are up 27% to 1,576 as a result of the acquisition of Genesys Wealth Advisers in June 2008. At the same time, we have been able to maintain stable adviser numbers in our two existing licensee businesses, Charter Financial Planning and AXA Financial Planning. The acquisition of Genesys Wealth Advisers is in line with our stated strategy of extending our high quality financial advice network.

At 30 June 2008, Jigsaw had relationships with 200 advisers across 25 practices. Jigsaw provides licensee services to self licensed practices and small to medium sized dealer groups. In May 2008, two groups with a combined total of 40 advisers left Jigsaw, one as a result of an external sale, the other deciding to undertake licensee services in-house.

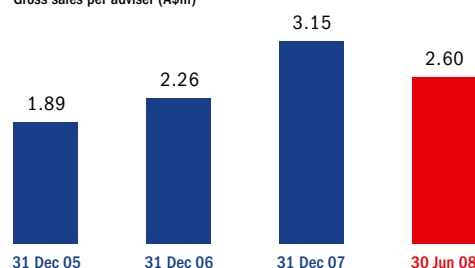
Within our aligned network, we currently have 170 advisers seeded through our Discovery programme. Established Discovery advisers are amongst the most productive in our network, with productivity 30% higher than our average. This highly successful programme continues to draw new recruits to our network by enabling experienced advisers to establish their own business. Since inception in June 2003, our Discovery advisers have generated more than \$2.0 billion of AXA wealth management sales.

Our aligned practices continue to benefit from our full suite of licensee services including our business improvement programme. The business planning tool which forms part of this programme assists practice principals in articulating their strategy, enables them to compare their business against industry benchmarks and develop a plan to improve business performance. Those practices undertaking the business planning process have seen their revenue and profitability grow at higher rates compared to a control group.

Approximately half of AXA's owned and aligned advisers are Certified Financial Planners.

## Wealth management productivity

Rolling 12 mths to  
Gross sales per adviser (A\$m)

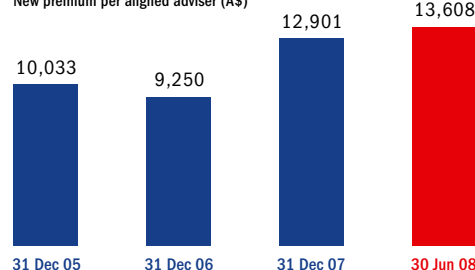


1 Excludes one-off transitions

The productivity of our aligned advisers for the 12 months ended 30 June 2008 was down 17% to \$2.60m of wealth management sales per adviser per annum (31 December 2007 – \$3.15m). The 12 months to December 2007 were abnormally high due to the impact of accelerated sales of products in the lead up to the June 2007 superannuation contribution window. This is a solid performance given volatility in investment markets.

## Financial protection productivity

Rolling 12 mths to  
New premium per aligned adviser (A\$)



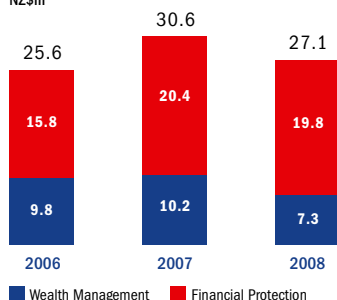
Financial Protection productivity showed further improvement, highlighting the success of new product launches and specialist recruitment campaigns. The improvement in financial protection productivity also highlights the adaptability and sales capability of AXA's adviser network in a challenging market environment.

## 2 | Operating performance

### 2.2 New Zealand

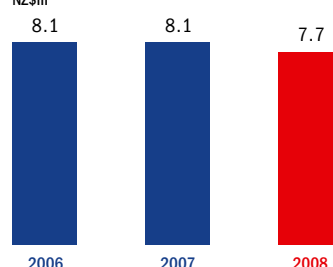
#### Operating Earnings

6 mths to 30 Jun  
NZ\$m



#### Value of new business

6 mths to 30 Jun  
NZ\$m



6 months to 30 June  
NZ\$m (unless otherwise noted)

	2008	2007	Change
Wealth management <sup>1</sup>	7.3	10.2	(28)%
Financial protection	19.8	20.4	(3)%
<b>Total Operating Earnings</b>	<b>27.1</b>	<b>30.6</b>	<b>(11)%</b>
<b>Total Operating Earnings (A\$)</b>	<b>22.9</b>	<b>27.1</b>	<b>(15)%</b>
<b>Opening inforce premiums (31 December)</b>	<b>172.3</b>	<b>163.9</b>	<b>5%</b>
- new business	12.9	11.2	15%
- discontinuances	(10.6)	(9.6)	(10)%
<b>Closing inforce premiums (30 June)</b>	<b>174.6</b>	<b>165.5</b>	<b>5%</b>
<b>Opening FUM / FUA 31 December<sup>1</sup></b>	<b>9,841.0</b>	<b>11,175.3</b>	<b>(12)%</b>
Inflows	904.8	935.9	(3)%
Outflows	(1,574.2)	(1,257.4)	(25)%
<b>Net flows</b>	<b>(669.4)</b>	<b>(321.5)</b>	<b>(108)%</b>
Capital appreciation	(1,107.9)	500.1	<<
<b>Closing FUM / FUA 30 June</b>	<b>8,063.7</b>	<b>11,353.9</b>	<b>(29)%</b>
Closing FUM / FUA 30 June (A\$)	6,399.8	10,290.6	(38)%
<b>Average FUM / FUA</b>	<b>8,859.7</b>	<b>11,254.5</b>	<b>(21)%</b>
<b>Allocation of assets</b>			
- NZ equities	23%	19%	
- International equities	29%	42%	
- NZ Fixed Interest	18%	16%	
- Other	30%	23%	
Value of new business	7.7	8.1	(5)%
New business index	95.6	99.6	(4)%
VNB margin	8%	8%	
Total management expenses	35.3	31.4	(12)%

<sup>1</sup> FUM and operating earnings for our AllianceBernstein joint venture are included at 100% and 50% respectively

#### Operating Earnings

Operating Earnings were down 11% to NZ\$27.1m (2007 – NZ\$30.6m).

Operating Earnings for wealth management were down 28% to NZ\$7.3m (2007 – NZ\$10.2m) mainly due to a decline in average funds under administration as a result of negative equity market returns since late 2007, coupled with net outflows during 2008. In addition, the amortisation of costs relating to KiwiSaver and tax legislation changes which were capitalised in 2007 has also dampened the result. This was partially offset by capitalised loss reversals in the first half of 2008. The New Zealand wealth management market remains very difficult.

Financial protection Operating Earnings were down 3% to NZ\$19.8m (2007 – NZ\$20.4m) due to lower profits from the long term risk book offset by continuing growth in our individual life and individual income protection businesses.

## Value of new business

Value of new business was down 5% to NZ\$7.7m (2007 – NZ\$8.1m) due to lower wealth management sales.

## Funds under management

### Wealth management

Lower global equity market values has been the primary contributor to retail funds under management in New Zealand falling from NZ\$4.64 billion at the end of December 2007 to \$4.23 billion at the end of June 2008. This, however, still maintains our position as New Zealand's largest retail fund manager.

Both overall sales and the sales mix are significantly impacted by high New Zealand interest rates and the poor performance of global equity markets. Total retail wealth management sales are 91% of the same period in 2007. Better than expected support for the new national savings plan KiwiSaver, to which AXA New Zealand is one of six default providers, has been offset by lower sales in our Spicers and Bank of New Zealand networks.

With an official cash rate of 8.25% (8.00% from 24 July 2008) and investors nursing substantial equity market losses, demand for Wealth Management products has been very subdued. The shift to defensive products has been compounded by the collapse of the finance company sector with many investors suffering losses in what had been previously considered as secure debenture products.

Not surprisingly, total retail outflows are 28% higher than the same period in 2007. Overall retail net flows are NZ\$(154.2)m against NZ\$13.2m for the same period in 2007.

While very challenging, underlying support driven by AXA's KiwiSaver position and new product launches in our multi-distribution network (Spicers, BNZ and AXA) will underpin our performance in the second half of the year.

Wholesale outflows have similarly been impacted by market conditions. In addition, NZ\$475m of wholesale FUM inherited through the acquisition of BNZ IM was withdrawn in the first half of 2008. This FUM was attributed minimal value in the purchase as the new tax regime was known to have removed the passive tax advantage for these funds.

### Financial protection

Financial protection sales were 15% higher than the same period in 2007, with the majority of the increase attributable to higher Group life sales through membership increases to existing plans and some scheme benefit increases.

The New Zealand economy continues to tighten. While our traditional agency force has turned to financial protection sales over the troubled wealth management market, a tighter domestic economy may influence overall financial protection sales in the second half of the year. High commission rates and benefit enhancements being offered by industry participants continue to make the financial protection market challenging.

For the six months to 30 June 2008 total in-force business is NZ\$174.6m, a net increase of NZ\$2.3m for the six month period, maintaining AXA's ranking as New Zealand's third largest insurer.

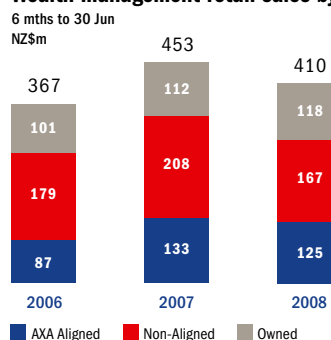
## Advisers and productivity

Adviser numbers At	30 Jun 08	31 Dec 07	Change
Aligned advisers and agents	364	352	3%
Spicers advisers	54	56	(4)%
<b>Total advisers</b>	<b>418</b>	<b>408</b>	<b>2%</b>

In the six months to 30 June 2008, 15 new AXA aligned advisers were appointed whilst three left due to resignation, retirement and sale of an agency. Including our Spicers advisers, New Zealand's total adviser network was up 2% to 418 (2007 – 408).

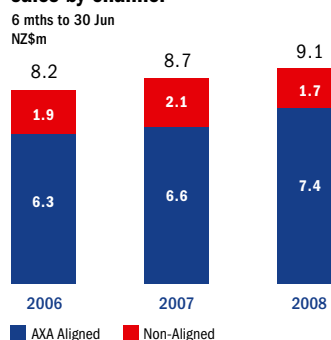
In addition to AXA's owned and aligned adviser network, AXA products are also sold through a non-aligned channel comprising approximately 1,000 brokers and independent advisers. This distribution reach across our multi-distribution channels of aligned advisers, Spicers, Bank of New Zealand and independent advisers, combined with our leadership position in retail funds under management and financial protection premiums in-force will enable us to capitalise on opportunities as the economy improves and the market becomes more regulated.

### Wealth management retail sales by channel



Wealth management retail sales have decreased by 9% to NZ\$410m in 2008 (2007 – NZ\$453m) with the owned and aligned channels performing relatively well compared to the non-aligned channel. In the non-aligned channel, term and cash deposits are being favoured over more traditional unit trust or growth investment products.

### Individual financial protection new business sales by channel



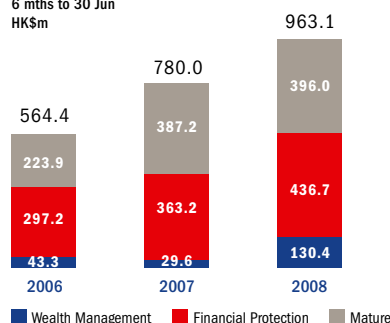
Individual financial protection sales have increased by 5% to NZ\$9.1m (2007 – NZ\$8.7m). This comprises 12% growth in the aligned channel partially offset by a 19% reduction in the non-aligned channel. The New Zealand individual life market remains competitive with commission rates in the broader industry increasing 20% in the first half of 2008. We have not followed these commission rate increases.

## 2 | Operating performance

### 2.3 Hong Kong

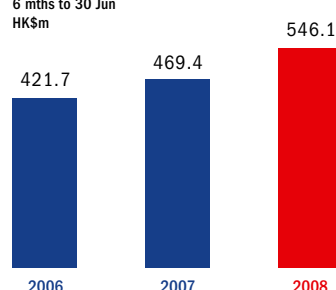
#### Operating Earnings

6 mths to 30 Jun  
HK\$m



#### Value of new business

6 mths to 30 Jun  
HK\$m



6 months to 30 June HK\$m (unless otherwise noted)	2008			
	Wealth management	Financial protection	Mature	Total
Planned profit margin	161.9	456.1	355.1	973.1
Experience profit/loss				
- expenses	(8.3)	(4.7)	(1.4)	(14.4)
- other	(23.2)	(14.7)	42.3	4.4
<b>Operating Earnings</b>	<b>130.4</b>	<b>436.7</b>	<b>396.0</b>	<b>963.1</b>
<b>Operating Earnings - A\$m</b>	<b>18.1</b>	<b>60.5</b>	<b>54.9</b>	<b>133.5</b>
<b>Opening FUM / FUA - 31 December 2007<sup>1</sup></b>	<b>19,654.8</b>	<b>11,091.0</b>	<b>44,941.3</b>	<b>75,687.1</b>
Inflows	2,622.6	2,815.2	1,556.8	6,994.6
Outflows	(1,849.1)	(1,483.7)	(1,318.3)	(4,651.1)
<b>Net flows</b>	<b>773.5</b>	<b>1,331.5</b>	<b>238.5</b>	<b>2,343.5</b>
Capital appreciation	(1,841.8)	(412.7)	(961.6)	(3,216.1)
Movement in shareholder FUM <sup>2</sup>	-	(230.4)	(1,790.2)	(2,020.6)
<b>Closing FUM / FUA - 30 June 2008</b>	<b>18,586.5</b>	<b>11,779.4</b>	<b>42,428.0</b>	<b>72,793.9</b>
<b>Closing FUM / FUA - A\$m</b>	<b>2,467.0</b>	<b>1,563.5</b>	<b>5,631.6</b>	<b>9,662.1</b>
<b>Average FUM / FUA<sup>3</sup></b>				<b>73,974.9</b>
<b>Opening inforce premiums</b>	<b>2,943.6</b>	<b>5,749.9</b>	<b>3,151.6</b>	<b>11,845.1</b>
- new business	498.3	539.9	-	1,038.2
- discontinuances	(228.3)	(340.2)	(52.7)	(621.2)
<b>Closing inforce premiums</b>	<b>3,213.6</b>	<b>5,949.6</b>	<b>3,098.9</b>	<b>12,262.1</b>
<b>Allocation of Assets</b>				
- HK equities				6%
- International equities				17%
- US Bonds				45%
- HK bonds				8%
- Other <sup>4</sup>				24%
Value of new business	189.4	356.7	-	546.1
New business index	602.5	563.6	-	1,166.1
VNB margin	31%	63%	-	47%
Total Management Expenses				328.1

1 HK\$1.36bn of FUM has been restated from WM to mature, representing shareholder of FUM of Winterthur

2 Included in the change of FUM from 31 December 2007 to 30 June 2008 were dividends of HK\$1.52bn paid to the Holding company

3 Average for the last 6 months

4 Includes assets supporting unit linked products

6 months to 30 June HK\$m	2007			
	Wealth management	Financial protection	Mature	Total
Planned profit margin	36.5	352.8	319.0	708.3
Experience profit/loss				
- expenses	(7.3)	(7.0)	31.7	17.4
- other	0.4	17.4	36.5	54.3
<b>Operating Earnings</b>	<b>29.6</b>	<b>363.2</b>	<b>387.2</b>	<b>780.0</b>
<b>Operating Earnings – A\$m</b>	<b>4.7</b>	<b>57.3</b>	<b>61.2</b>	<b>123.2</b>
<b>Opening FUM / FUA – 31 December 2006</b>	<b>9,638.1</b>	<b>8,120.0</b>	<b>39,940.7</b>	<b>57,698.8</b>
Inflows				
- inforce and new business	1,927.6	2,742.7	1,552.5	6,222.8
- other <sup>1</sup>	7,714.8	-	1,362.2	9,077.0
Inflows	9,642.4	2,742.7	2,914.7	15,299.8
Outflows	(1,315.4)	(1,557.6)	(1,271.4)	(4,144.4)
<b>Net flows</b>	<b>8,327.0</b>	<b>1,185.1</b>	<b>1,643.3</b>	<b>11,155.4</b>
Capital appreciation	886.8	371.9	1,155.6	2,414.3
Movement in shareholder FUM	-	(363.0)	1,789.6	1,426.6
Acquisition cost of Winterthur <sup>1</sup>	(1,952.2)	-	-	(1,952.2)
<b>Closing FUM / FUA – 30 June 2007<sup>2</sup></b>	<b>16,899.7</b>	<b>9,314.0</b>	<b>44,529.2</b>	<b>70,742.9</b>
<b>Closing FUM / FUA – A\$m</b>	<b>2,548.4</b>	<b>1,404.5</b>	<b>6,714.7</b>	<b>10,667.6</b>
<b>Average FUM / FUA – HK\$m</b>				<b>63,349.4</b>
<b>Opening inforce premiums</b>	<b>1,122.5</b>	<b>5,337.0</b>	<b>3,291.6</b>	<b>9,751.1</b>
- new business	365.4	579.8	-	945.2
- discontinuances	(226.3)	(291.1)	(158.3)	(675.7)
- other <sup>1</sup>	1,319.2	-	-	1,319.2
<b>Closing inforce premiums</b>	<b>2,580.8</b>	<b>5,625.7</b>	<b>3,133.3</b>	<b>11,339.8</b>
<b>Allocation of Assets</b>				
- HK equities				6%
- International equities				24%
- US Bonds				42%
- HK bonds				8%
- Other <sup>3</sup>				20%
Value of new business	97.6	371.8	-	469.4
New business index	488.4	601.8	-	1,090.2
VNB margin	20%	62%	-	43%
Total Management Expenses				303.7

1 Relates to the acquired Winterthur business

2 Balance restated to include \$8bn of Winterthur acquired FUM

3 Includes assets supporting unit linked products

## Operating Earnings

Operating Earnings in local currency were up 23% to HK\$963.1m (2007 – HK\$780.0m) while Operating Earnings in A\$ were up 8% to \$133.5m (2007 – \$123.2m), reflecting the impact of the 14% appreciation in the average A\$/HK\$ exchange rate over the period.

Wealth management includes retirement business (ORSO and MPF), unit trust products, Signature Series, Citibank bancassurance products and Winterthur. Wealth Management Operating Earnings were up 341% to HK\$130.4m (2007 – HK\$29.6m), reflecting the inclusion of Winterthur partially offset by the new business strain from the newly launched Citibank Apex and Vertex products.

The financial protection business combines both life, which includes the Smart Series and other individual life products, as well as Group and general insurance. Operating Earnings were up 20% to HK\$436.7m (2007 – HK\$363.2m) due to favourable claims experience, higher sales and growth in the inforce portfolio. In addition, an increase in dividends to policyholders has increased earnings by HK\$42m, as shareholder profit is recognised in line with policyholder dividends. The full year impact of the change in dividend in 2007 of \$HK85m was recorded in the second half of 2007.

Mature products, which include National Life series, the MLC business and Deposit Administration products, are closed to new business and are in run-off. Operating Earnings for these products were up 2% to HK\$396.0m (2007 – HK\$387.2m) primarily due to prior year reinsurance recoveries and the recognition of a tax benefit in the first half of 2008. This was partially offset by a one-off recovery received in respect of the final settlement of a legal case included in the results of the first half of 2007, the amount of which remains confidential.

## 2 | Operating performance

### Funds under management

Total funds under management and administration at 30 June 2008 were down 4% to HK\$72.8bn (31 December 2007 – HK\$75.7bn) having been impacted by recent market conditions with the MSCI World Index (US\$) and Hang Seng down by 10% and 21% respectively, combined with shareholder dividends paid of HK\$1.52bn for the six months.

### Other

New business index was up by 7% to \$1.17bn (2007 – \$1.09bn) due to the contribution from the acquisition of Winterthur.

Wealth management new business index increased from HK\$488.5m to HK\$602.5m reflecting contributions from Winterthur channels and our Citibank bancassurance agreement. This was partially offset by a decrease of group retirement and investment products which were impacted by the adverse market conditions. Financial protection new business index was down 6% to HK\$563.6m (2007 – HK\$601.8m) mainly driven by a decrease in salaried adviser numbers. This follows a restructuring of the channel in late 2007.

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 Citibank bancassurance agreement.

A comparison of margins across the new business categories is provided below demonstrating that the total VNB margin of Hong Kong in 2008 was up to 47% (2007 – 43%).

6 months to 30 June	H1'2008			H1'2007			FY'2007	
	VNB HK\$m	NBI HK\$m	Margin %	VNB HK\$m	NBI HK\$m	Margin %	Margin %	
Investment	157.3	451.4	35%	58.3	221.3	26%	34%	
Group retirement and investment products	32.1	151.1	21%	39.3	267.2	15%	19%	
<b>Wealth management</b>	<b>189.4</b>	<b>602.5</b>	<b>31%</b>	<b>97.6</b>	<b>488.5</b>	<b>20%</b>	<b>29%</b>	
Traditional life	261.6	342.5	76%	245.3	314.1	78%	78%	
Unit linked	55.6	66.9	83%	91.6	128.7	71%	74%	
Group life	12.5	14.6	86%	7.7	5.9	131%	122%	
<b>Financial protection excluding medical and general</b>	<b>329.7</b>	<b>424.0</b>	<b>78%</b>	<b>344.6</b>	<b>448.7</b>	<b>77%</b>	<b>78%</b>	
Group medical	15.6	70.6	22%	14.4	85.8	17%	18%	
General insurance	11.4	69.0	17%	12.8	67.3	19%	19%	
<b>Financial protection</b>	<b>356.7</b>	<b>563.6</b>	<b>63%</b>	<b>371.8</b>	<b>601.8</b>	<b>62%</b>	<b>65%</b>	
<b>Total</b>	<b>546.1</b>	<b>1,166.1</b>	<b>47%</b>	<b>469.4</b>	<b>1,090.3</b>	<b>43%</b>	<b>46%</b>	

### Grow the value of our existing client relationships

Persistency continues to remain a focus as it is one of the key levers that translates value into earnings. Over the period the aggregate discontinuance rate for regular premium life business continues to be better than our long term assumption. Agent compensation structures tied to persistency under our Agency Blueprint, combined with successful client retention programmes, are the key reasons for sustained persistency improvements.

A detailed breakdown of persistency is outlined in the table below.

12 months to	Period	30 Jun 08	31 Dec 07	30 Jun 07	31 Dec 06	30 Jun 06	31 Dec 05	30 Jun 05
<b>By premiums</b>								
Aggregate discontinuance		7.1%	7.2%	6.5%	6.5%	7.0%	7.3%	7.9%
<b>Persistency</b>								
Individual life – non-linked	13*	90.5%	89.8%	91.3%	81.5%	71.3%	72.7%	72.6%
(Smart series)	25	86.7%	86.1%	88.6%	79.2%	69.1%	70.5%	70.2%
	61	77.0%	77.2%	81.3%	71.1%	60.5%	60.6%	59.2%
Individual life – unit linked	13*	88.9%	87.2%	72.9%	78.7%	89.1%	85.6%	82.3%
	25	46.3%	56.1%	60.8%	65.5%	77.5%	66.8%	62.5%

\* Includes Winterthur from December 07

### Breakdown of funds under management<sup>1</sup>

HK\$m	At 30 Jun 08	At 31 Dec 07
'NL' closed life fund	21.2	22.1
'Smart' open life fund	9.6	8.9
'DA' retirement fund (closed to all new contributions)	3.0	3.1
'Retirement' 0% guarantee fund (incl. MPF guarantee)	2.5	2.5
Unit linked life	8.8	9.5
'MPF' non-guaranteed	7.1	7.3
Other (including shareholder)	20.6	22.3
<b>Funds under management</b>	<b>72.8</b>	<b>75.7</b>

<sup>1</sup> Fund size is based on AIFRS liability for life insurance and retirement business and account balance for unit linked business

## Investment and technical margins

A key financial target for our traditional participating business is to earn, over the medium to long term, an average return on assets backing those policies of at least 1.00% to 1.25% pa higher than the investment return we credit to policyholders for DA and NL respectively.

The table below summarises the fund sizes, and long term investment assumptions for the main participating product groupings.

Fund size <sup>1</sup>	Fund size <sup>1</sup> (HK\$bn)	Investment guarantee to policyholder	Investment strategy (bond / equity)	Target long term investment return	Total policyholder return on current crediting rates (gtees+cash div+bonus)	Expected long-term investment margin
'NL' closed Life fund	21.2	4.25% pa	80/20 (Global)	6.20%	4.75% pa	1.25%
'Smart' open Life fund	9.6	<1.00% pa	50/50 (Global)	7.50%	4.00% pa + TB <sup>2</sup>	1.00%
'DA' Retirement fund (closed to all new contributions)	3.0	5.00% pa	80/20 (HK)	6.25%	5.00% pa	1.00%
'Retirement' 0% guarantee funds (incl. MPF guarantee)	2.5	0.00% pa	80/20 (HK)	6.25%	4.00% pa - 5.00% pa	1.00%

1 Fund size based on AIFRS liability

2 Terminal bonuses determined at the end of the policy life

Other than the Smart open life fund which is receiving new business, fund balances remained relatively stable although our ADM balance was lower following the impact of investment markets but remains strongly positive.

## Adviser numbers and productivity

Number of advisers At	30 Jun 08	31 Dec 07	Change
Commissioned agents managed by agency leaders <sup>1</sup>	1,743	2,010	(13)%
Commissioned agents managed by salaried staff <sup>1</sup>	1,051	812	29%
<b>Total commissioned agents</b>	<b>2,794</b>	<b>2,822</b>	<b>(1)%</b>
Salaried advisers (including managers and trainees) and AXA Financial Planners	142	189	(25)%
PPCG	174	141	23%
Swiss Privilege	180	158	14%
<b>Total agents and advisers</b>	<b>3,290</b>	<b>3,310</b>	<b>(1)%</b>

1 During the period approximately 140 commissioned agents transferred from managed by agency leaders to managed by salaried staff

Total agents and advisers were broadly flat to 3,290 (31 December 2007 - 3,310) reflecting the increase in termination of unproductive agents and a decrease in salaried adviser numbers offset by active recruitment.

Commissioned agent numbers decreased 1% to 2,794 (31 December 2007 - 2,822) reflecting an increase in terminations of unproductive agents. Our Agency Blueprint has strict minimum production levels otherwise agents are automatically terminated.

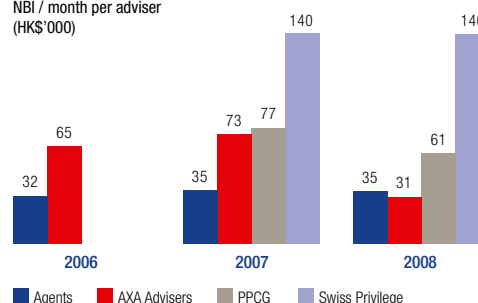
This year we have seen a decrease in salaried adviser numbers to 142 (31 December 2007 - 189). The remuneration and governance structure of this channel was significantly strengthened during 2007. A number of changes were made which included the application of minimum production requirements and changes to compensation to shift focus to higher quality business. As a consequence, a number of advisers have departed. The key focus in the next 12 to 18 months will be to rebuild this channel both in terms of number of advisers and productivity. During the month of June, 12 salaried

advisers were recruited. PPCG and Swiss Privilege agent numbers increased to a total of 354 (31 December 2007 - 299).

Our strategy is to grow the distribution footprint through multi-distribution. We continue to modernise our agency force and improve productivity through a broadened product range, increased technology use and innovative marketing campaigns.

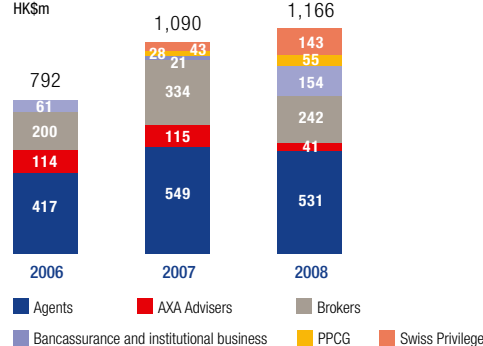
### Adviser productivity

6 mths to 30 Jun  
NBI / month per adviser  
(HK\$'000)



### New business index by channel

6 mths to 30 Jun  
HK\$m



## VNB margin by channel

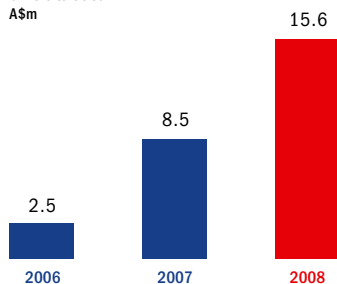
	H1'2008			H1'2007			FY'2007
	VNB HK\$m	NBI HK\$m	Margin %	VNB HK\$m	NBI HK\$m	Margin %	Margin %
Agency	327.8	531.4	62%	305.8	548.9	56%	57%
AXA advisers/financial planners	14.4	40.5	36%	60.5	115.2	53%	48%
PPCG	13.5	55.0	25%	6.2	28.4	22%	27%
Swiss Privilege	55.4	143.5	39%	11.9	43.2	28%	47%

## 2 | Operating performance

### 2.4 South East Asia

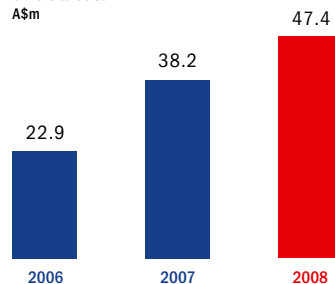
#### Operating Earnings<sup>1</sup>

6 mths to 30 Jun  
A\$m



#### Value of new business<sup>2</sup>

6 mths to 30 Jun  
A\$m



1 Group share basis

2 On a 100% share basis

6 months to 30 June  
A\$m

	2008	2007	Change
Operating Earnings <sup>1</sup>	15.6	8.5	84%
Value of new business <sup>2</sup>	47.4	38.2	24%
New business index <sup>3</sup>	153.7	137.6	12%
VNB margin	31%	28%	

1 At respective actual average exchange rates

2 On a 100% share using respective actual exchange rates

3 Translated using respective actual average exchange rates for the period ended 30 June. Figures represent 100% share

#### Operating Earnings

The South East Asian region includes our businesses in the Philippines, Indonesia, Thailand, Singapore and Malaysia. We have seen strong growth in Operating Earnings, up 84% to \$15.6m (2007- \$8.5m). However, the growth has been more modest compared to the second half of last year, reflecting the impact of current markets on investment-linked business.

#### Funds flow by country

6 months to 30 June	Philippines (Peso m)			Indonesia (Rupiah bn) <sup>1</sup>			Thailand (Baht m)		
	2008	2007	Change	2008	2007	Change	2008	2007	Change
Opening inforce premiums - 31 Dec	1,676.6	1,314.9	28%	1,604.0	1,059.2	51%	5,651.9	3,512.3	61%
- new business	326.1	272.3	20%	465.9	291.3	60%	1,581.0	1,073.7	47%
- discontinuances	(229.0)	(163.1)	(40)%	(143.7)	(122.8)	(17)%	(401.9)	(224.5)	(79)%
Closing inforce premiums - 30 June	1,773.7	1,424.1	25%	1,926.2	1,227.7	57%	6,831.0	4,361.5	57%
Opening FUM - 31 Dec	33,953.4	22,672.7	50%	7,045.9	3,799.0	85%	9,784.0	6,060.6	61%
Inflows	3,054.3	10,106.6	(70)%	1,423.7	874.2	63%	3,920.2	2,225.4	76%
Outflows	(3,131.7)	(2,120.4)	(48)%	(685.9)	(254.9)	<<	(1,403.0)	(900.5)	(56)%
Capital (depreciation)/appreciation	(2,174.2)	200.3	<<	(704.5)	410.8	<<	(621.7)	325.0	<<
Closing FUM - 30 June	31,701.8	30,859.2	3%	7,079.2	4,829.1	47%	11,679.5	7,710.5	51%
New business index	568.4	1,211.3	(53)%	534.9	341.8	56%	1,662.4	1,104.0	51%

1 Inforce premiums for Indonesia and Singapore as at 31 December 2007 have been restated to exclude single premium business to ensure consistent disclosure across the regions

6 months to 30 June	Singapore (Sing\$ m) <sup>1</sup>			Malaysia (Ringgit m)		
	2008	2007	Change	2008	2007	Change
<b>Opening inforce premiums – 31 Dec</b>	<b>92.9</b>	<b>88.4</b>	<b>5%</b>	<b>22.0</b>	<b>20.9</b>	<b>5%</b>
- new business	6.3	5.1	24%	5.8	0.9	>>
- discontinuances	(2.6)	(3.8)	32%	(1.8)	(1.6)	(13)%
<b>Closing inforce premiums – 30 June</b>	<b>96.6</b>	<b>89.7</b>	<b>8%</b>	<b>26.0</b>	<b>20.2</b>	<b>29%</b>
<b>Opening FUM – 31 Dec</b>	<b>1,656.9</b>	<b>1,382.7</b>	<b>20%</b>	<b>282.5</b>	<b>276.9</b>	<b>2%</b>
Inflows	174.4	184.1	(5)%	18.9	13.2	43%
Outflows	(108.8)	(120.8)	10%	(27.1)	(28.3)	4%
Capital appreciation/(depreciation)	(203.4)	137.1	<<	(1.3)	27.1	<<
<b>Closing FUM – 30 June</b>	<b>1,519.1</b>	<b>1,583.1</b>	<b>(4)%</b>	<b>273.0</b>	<b>288.9</b>	<b>(6)%</b>
<b>New business index</b>	<b>22.1</b>	<b>24.7</b>	<b>(11)%</b>	<b>7.9</b>	<b>1.3</b>	<b>&gt;&gt;</b>

1 Inforce premiums for Indonesia and Singapore as at 31 December 2007 have been restated to exclude single premium business to ensure consistent disclosure across the regions

## Agents and advisers

Agent and adviser numbers As at	30 Jun 08	31 Dec 07	Change
Philippines	1,170	1,195	(2)%
Indonesia	5,788	4,663	24%
Thailand	6,722	6,990	(4)%
Singapore	363	355	2%
Malaysia	365	338	8%
<b>Total</b>	<b>14,408</b>	<b>13,541</b>	<b>6%</b>

The total number of agents and advisers of 14,408 was up 6% due to continued growth in operations and successful recruitment campaigns. Within this number, the total number of bancassurance advisers was up 10% to 2,315 (31 December 2007 – 2,113).

## Bank distribution

Bank	No. of branches		
	30 Jun 08	31 Dec 07	Change
Philippines Metrobank	545	544	0%
Indonesia Bank Mandiri	939	928	1%
Thailand Krung Thai Bank	838	766	9%
Malaysia AFFIN Bank	82	81	1%
<b>Total</b>	<b>2,404</b>	<b>2,319</b>	<b>4%</b>

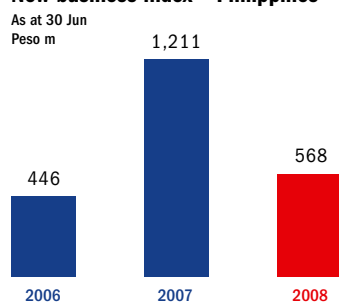
AXA has joint venture partnerships with some of the largest banks in the Philippines, Indonesia, Thailand and Malaysia which provide exclusive access to over 2,400 branches in these markets.

## Philippines

Philippine AXA Life is our joint venture with the Metrobank Group, the holding company of the largest bank in the Philippines, with 545 branches. AXA's bancassurance operation is the key distribution channel for the joint venture, accounting for 72% of total NBI (2007 – 84%).

All major players in the market have experienced contracting sales in 2008 due to the impact of the downturn in investment markets and the appreciation of the Peso against the US dollar. The impact of the downturn is reflected in the 53% contraction in our NBI to Peso 568m (2007 – Peso 1,211m).

### New business index – Philippines



Within this total NBI, customer preference for investment linked, single premium products in 2008 slowed considerably, with NBI down 78% to Peso 201m (2007 – Peso 914m) in the first half. However, regular premium NBI, increased by 24% to Peso 367m (2007 – Peso 297m) reflecting the shift in focus towards longer term retirement and education solutions.

Philippine AXA Life ranks second for total premium income and has a market share of around 21%<sup>1</sup>. For unit-linked, variable life premium income, Philippine AXA Life was the market leader<sup>1</sup>, with a market share of approximately 45%<sup>1</sup>.

Looking forward, we continue to leverage our existing bancassurance arrangements, build our tied agency network and continue to develop alternative distribution channels. We are also encouraging our distribution network to sell more regular premium financial protection products.

1 Source: 2007 Annual Statements – Insurance Commission of the Philippines

## 2 | Operating performance

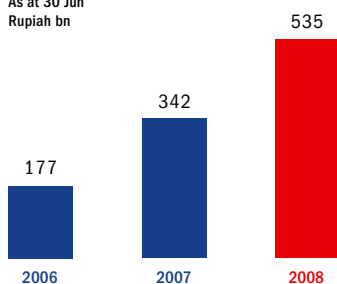
### Indonesia

The Indonesian market continues to grow strongly, recording a 61% increase in total premium income to US\$1.5bn<sup>2</sup> for the three months ended 31 March 2008 (2007 – US\$0.9bn). Market fundamentals continue to remain very attractive, with relatively low life insurance penetration.

Our new business index was up 56% due to strong growth in investment linked products through both bancassurance and agency channels.

#### New business index – Indonesia

As at 30 Jun  
Rupiah bn



AXA Mandiri Financial Services, our bancassurance joint venture with Bank Mandiri, continues to achieve strong results. We now have 1,200 financial advisers (31 December 2007 – 1,035) across 939 Bank Mandiri branches (31 December 2007 – 841). Productivity of bank-based financial advisers remains strong at 6.5 cases per month. This is significantly higher than average agent productivity in the broader Indonesian market. The bancassurance new business index rose 46% to IDR366bn (2007 – IDR251bn).

AXA Life Indonesia, our agency distribution joint venture with the Tempo Group, continues to grow its sales management fundamentals. The total new business index of AXA Life doubled to IDR51bn (2007 – IDR26bn).

AXA Financial Indonesia (ex MLC Life Indonesia) also performed strongly during the first half, with agent numbers increasing to 3,443 (31 December 2007 – 2,828) and new business index up to IDR118bn (2007 – IDR65bn).

AXA Mandiri Financial Services and AXA Life Indonesia both declared and paid their second dividends to all shareholders, totalling IDR85bn and IDR10bn, respectively.

AXA Indonesia was ranked second<sup>2</sup> (March 2007 – third) for new business among foreign joint venture companies for the three months ended 31 March 2008, and fourth<sup>2</sup> (March 2007 – sixth) for new business among all life companies. Our overall market share increased to 8.9%<sup>2</sup> (March 2007 – 6.6%). In the recent Indonesia Life Insurance Association annual awards, AXA Mandiri Financial Services and AXA Financial Indonesia won a total of six out of 11 awards in the agency and bancassurance categories.

Looking forward, we continue to leverage our existing bancassurance arrangements and further develop our tied and salaried agency networks.

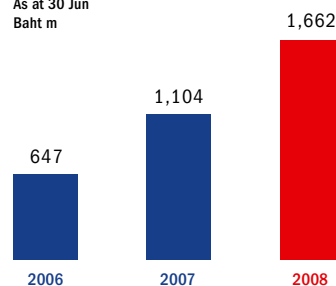
### Thailand

Thailand's life insurance market is very attractive given its relatively low penetration rate and expected strong growth in GDP and disposable incomes. Year-to-date total premiums in the Thai life insurance market were US\$2.5bn through to May 2008, representing an increase of 13% over the same period last year. The market growth for new business index for the year to May 2008 was 9%<sup>3</sup>.

Our new business index in Thailand for the first half of the year was up 51% to THB1.66bn, reflecting growth in distributor numbers over the 12 months to June 2008, driven by effective recruitment, with productivity levels maintained as well as very strong growth in the bancassurance channel.

#### New business index – Thailand

As at 30 Jun  
Baht m



Total agent numbers declined by 5% to 6,133 (31 December 2007 – 6,482), reflecting the company's increased focus on increasing productivity through the enforcement of auto-termination rules. Overall productivity leads the industry at 1.62 cases per agent per month.

Through our bancassurance joint venture with Krungthai Bank, we have access to 838 branches and business centres with over 7.5 million direct customers and indirect access to a further 15 million customers through the state owned enterprises. We now have 589 financial advisers and managers (31 December 2007 – 508) in 604 branches (31 December 2007 – 571). Given the improved productivity of bank-based advisers and an increase in loan related business, NBI from our bancassurance channel was up 153% to THB688.3m (2007 – THB272.3m).

We retained our market ranking of seventh<sup>3</sup> for new business for the five months ended May 2008 (December 2007 – seventh), but with a higher market share of 6.6%<sup>3</sup> (December 2007 – 5.1%). In terms of year on year new business growth, the market grew at 9%<sup>3</sup> compared to our growth of 61%.

Looking forward, we expect our strong new business growth to continue as we leverage our multi-distribution model and further utilise the strong business alliance with Krungthai Bank.

<sup>2</sup> Indonesia Life Insurance Association (AAJI), with New Business Premium based on 100% credit for both Regular and Single Premium

<sup>3</sup> Thai Life Assurance Association (TLAA)

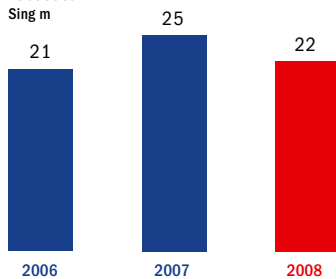
## Singapore

Singapore is an attractive life insurance market with year to date annualised gross life premiums of almost S\$3 billion<sup>4</sup> as at March 2008. The market is characterised by large bank deposits and an affluent but underinsured population.

New business index has steadily grown over the past three years with a compound annual growth rate of 17% since 2005, albeit with slower growth in 2008 due to the recent market downturn.

### New business index<sup>5</sup> – Singapore

As at 30 Jun  
Sing m



We ranked ninth in the market for the new business index during the first quarter of 2008 (March 2007 – seventh), with a market share of 2.3%<sup>4</sup> (March 2007 – 3%).

For AXA Life Singapore, gross single premium sales were down by 23% to S\$123m (June 2007 – S\$160m) due to a weaker economic and investment outlook coupled with high inflation. Regular premium sales were up 14% to S\$9.9m (June 2007 – S\$8.7m) due to new protection products and enhancements to our investment-linked product range.

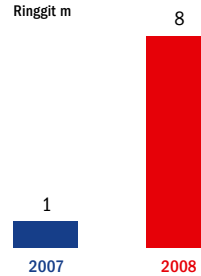
Our strategy of focussing on unbundled insurance and investment products rather than traditional participating products remains unique in the Singapore market. Looking forward, we plan to further expand our adviser sales force, strengthen our retirement proposition and continue to pursue strategic alliance opportunities. We will also look to increase sales through targeted campaigns, as well as repackaging our protection and investment product range.

## Malaysia

New business index for Malaysia's life insurance industry grew by 2% in the first quarter of 2008 to RM611.3m. Although our market ranking remains unchanged, market share improved during the first quarter from 0.1% to 0.4%. When compared with other industry participants in the market, AXA is still considered a relatively new player.

### New business index – Malaysia

As at 30 Jun  
Ringgit m



Working in partnership with AFFIN Bank, we continue to expand our multi-distribution model by distributing regular premium investment linked products through our branch network. We have expanded our tied agency distribution by setting up for branch offices in the Northern, Central and Southern Peninsula and East Malaysia. These new offices allow us to provide better service to our customers and to be more available to them. Strengthening agency recruitment and improving productivity remain the key focus points underpinning the expansion of our tied agency distribution.

Looking ahead, we are on target to launch Dimension, a traditional life insurance product and a single premium capital protected product. These products will enhance the range of offerings and be a suitable financial protection solution for our customers who may be risk adverse, especially in the current economic environment.

<sup>4</sup> Life Insurance Association Singapore

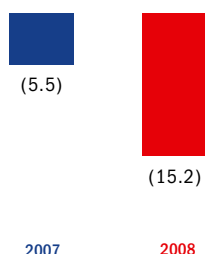
<sup>5</sup> Represents 10% of single premium sales and 100% of regular premium sales

## 2 | Operating performance

### 2.5 India and China

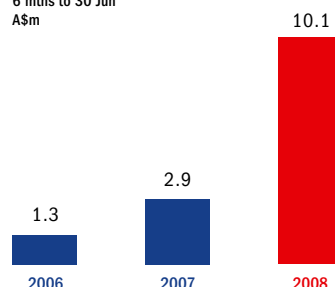
#### Operating Earnings<sup>1</sup>

6 mths to 30 Jun  
A\$m



#### Value of new business

6 mths to 30 Jun  
A\$m



1 AXA commenced operations in India in 2006

6 months to 30 June  
A\$m

	2008	2007	Change
Operating Earnings <sup>1</sup>	(15.2)	(5.5)	<<
Value of new business <sup>2</sup>	10.1	2.9	>>
New business index <sup>2</sup>	49.0	14.0	>>
VNB margin	21%	21%	

1 At respective average actual exchange rates

2 On a 100% share, translated at respective actual exchange rates

#### Operating Earnings

Operating losses for India and China have increased due to continued expenditure on further expansion, including an increase in the number of branches and the associated sales force in India and an increase in licences issued in China, along with capital strain from new business growth, particularly in India. We are also funding the AXA APH share startup of AXA Bharti Investment Managers (37.5% owned) which is in the process of commencing operations.

#### Advisers and productivity

##### Agent and adviser numbers

As at	30 Jun 08	31 Dec 07	Change
India	24,364	13,898	75%
China	2,568	3,034	(15)%
<b>Total</b>	<b>26,932</b>	<b>16,932</b>	<b>59%</b>

Agent and adviser numbers in India grew strongly in the period. Notwithstanding new branch licenses being obtained in the first half of 2008, the 15% decrease in sales force in China during the period reflects an increased focus on maintaining sales force productivity by enforcing auto-termination rules outlined in our regional best practice Blueprints.

#### Funds flow by country

6 months to 30 June	India (Rupee m)			China (Rmb m)		
	2008	2007	Change	2008	2007	Change
Opening inforce premiums	844.6	28.2	>>	213.5	155.4	37%
- new business	1,351.7	203.4	>>	65.3	28.4	>>
- discontinuances	(222.5)	(30.9)	<<	(12.8)	(8.9)	(44)%
Closing inforce	1,973.8	200.7	>>	266.0	174.9	52%
New Business Index	1,353.1	179.6	>>	85.4	55.2	55%

#### India

India continued to experience strong GDP growth of approximately 8.8%<sup>1</sup> over the six months to 31 March 2008 driven by increasing domestic consumption and investment.

The life insurance industry annualised new business premium for the period January 2008 to May 2008 was INR282bn<sup>2</sup>, up 38% over the prior period. Private sector participants grew 76%<sup>2</sup> during the same period, up from 45% and gained a market share of 58%<sup>2</sup>. Life Insurance Corporation of India holds the remaining 42%. The recent downturn in investment markets has driven a slow down in industry growth due to the dominance of unit linked products within the portfolios of life insurance companies.

1 Reserve Bank of India (RBI)

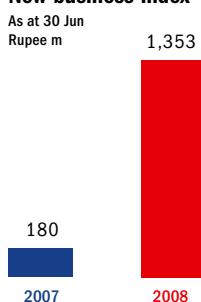
2 Regulatory and Development Authority of India (IRDA)

Several new players have recently entered the market including as Generali, Fortis, HSBC, Aegon, Dai-ichi and Legal & General.

Bharti AXA Life Insurance Company was the sixteenth player to enter the Indian life insurance business and is now ranked 14th<sup>2</sup> in terms of the quantum of annualised new business premium written by private players for the five months ended May 2008.

New business index for Bharti AXA Life for the six months ended 30 June 2008 was up strongly, at INR1,353m (2007 – INR180m).

### New business index – India



AXA continues to invest in expanding our reach across the country with Bharti AXA Life agents and salaried advisers now selling out of 94 branches in 83 cities across India.

The sales teams have expanded to over 24,000 agents and advisers in the first half. In addition, the company's individual and group products are now being sold across 325 branches of CitiFinancial (the largest retail consumer finance company in India) and 357 Airtel Relationship Centres.

Growth during 2008 will be driven by expansion of the branch network and sales force (both agents and salaried advisers) together with sales through CitiFinancial.

### China

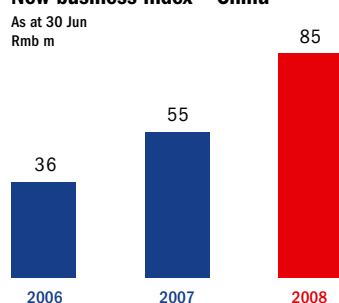
Sound long-term economic fundamentals underpinned by increasing consumer affluence, awareness of the need for financial protection, and low life insurance penetration all point to significant growth prospects in China.

The Chinese life insurance market has kept pace with the rapid economic growth. According to the China Insurance Regulatory Commission (CIRC), at the end of May 2008, the national life market recorded total premium income of almost Rmb350bn, an increase of over 60% compared to the prior period. A key driver of the strong growth is the boom in bancassurance business, with many of our competitors focusing on sales volume by selling low margin products, such as universal life with high guarantees.

New business of AXA-Minmetals (AXA MM) continued to grow strongly in 2008, with new business index up 55% to Rmb85m (2007 – Rmb55m). This strong growth was driven by increased geographical presence as well as continued development of our distribution capability, particularly AXA Adviser, bancassurance and group channels.

The AXA Adviser channel is one of the key drivers of our strong growth. The results are very encouraging with year to date June new business index being nearly four times higher than last year. This represents almost 25% of the total new business index for the company (up from 9% in 2007).

### New business index – China



Bancassurance new business index increased by 70% and currently represents 30% of total new business index. Our bancassurance arrangement with seven banks provides access to 250 outlets across China and we have successfully built dedicated resources to further develop relationships with both local and foreign banks. Further expansion and development of our bancassurance agreements is key to realising our accelerated growth plans in China.

AXA MM has operations in seven major cities – Shanghai, Guangzhou, Beijing, Foshan, Shenzhen, Dongguan, and Nanjing (opened in March 2008) – and holds five provincial licenses, including the recently awarded license for the Liaoning province. Our geographic footprint is still relatively small compared with our competitors, which is a limiting factor on our current market share and ranking.

Early this year, further branch rollout was positioned as one of our key imperatives and is expected to underpin our accelerated growth plans in China. The branch rollout plan for the rest of the year will focus on the Jiangsu province as well as our northern China hub expansion.

The branch opening in Nanjing, the capital of the Jiangsu province, was an important milestone for AXA MM. With the Jiangsu licence, we now have access to the wealthiest provinces in terms of both GDP and insurance premiums, representing over 10% of the total national life premium income in China. With this provincial licence, we should have easier access to up to ten additional cities in Jiangsu, subject to local CIRC approval. The branch rollout team has commenced detailed preparations to open in three additional cities in the Jiangsu province, with the expectation of commencing business by the end of 2008. In the Guangdong province, preparations to open a branch in Chancheng are progressing well, with the scheduled opening expected in the second half of 2008.

In June 2008, AXA MM also received a provincial licence approval for Liaoning, initially through entry into the provincial capital Shenyang, with plans to follow with a branch in Dalian and longer term expansion opportunities in up to ten cities.

Apart from the branch rollout project, AXA MM has several other key strategic projects in place which are expected to drive accelerated growth. These include the preferred customer and preferred employer projects as well as initiatives in business development and wealth management.

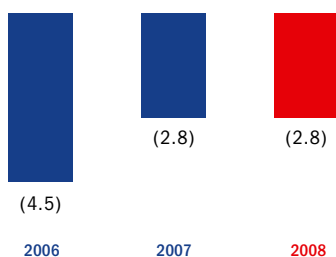
The outlook for AXA MM continues to be positive given the clear strategic focus, committed management team, the fundamental potential of the Chinese market. The regulatory backdrop, however, presents some challenges.

## 2 | Operating performance

### 2.6 ipac Asia

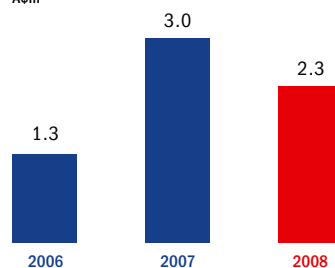
#### Operating Earnings

6 mths to 30 Jun  
A\$m



#### Value of new business

6 mths to 30 Jun  
A\$m



6 months to 30 June  
A\$m

	2008	2007	Change
Operating earnings <sup>1,2</sup>	(2.8)	(2.8)	-
Value of new business <sup>3,4</sup>	2.3	3.0	(23)%
New business index <sup>1,4,5</sup>	33.5	16.0	109%
VNB margin <sup>5</sup>	7%	19%	

1 At respective actual average exchange rates over the period to 30 June

2 Includes results of ipac HK, ipac Singapore and ipac Dublin

3 At respective actual rates as at 30 June

4 Includes results of ipac HK, ipac Singapore, ipac Taiwan and ipac Dublin

5 Included in NBI was A\$224.6m of funds originated from AXA Singapore. These are now administered on the ipac platform and an administration margin is earned although this has reduced the overall VNB margin

#### Operating Earnings

In 2004 we commenced rolling out the ipac model in Asia utilising a multi-manager investment product platform which is targeted at both retail and institutional clients. Operating Earnings have remained flat against last year despite the impact of the downturn in equity markets due to improved adviser productivity and expense management.

In 2008 we acquired an ipac style business in Taiwan providing access to this attractive growth market.

#### Funds flow by country

A\$m	Inflows (6 months ended)			Netflows (6 months ended)			Funds under advice / management (as at)		
	30 Jun 08	30 Jun 07	Change	30 Jun 08	30 Jun 07	Change	30 Jun 08	30 Jun 07	Change
Retail - ipac financial planning	57.1	94.4	(40)%	41.6	85.0	(51)%	354.3	326.1	9%
Institutional - ipac Dublin	295.5	99.0	198%	263.9	82.3	221%	613.0	457.8	34%
Inter-segment	(17.2)	(30.9)	44%	(8.5)	(24.5)	65%	(128.4)	(101.5)	(27)%
<b>Total ipac Asia</b>	<b>335.4</b>	<b>162.5</b>	<b>106%</b>	<b>297.0</b>	<b>142.8</b>	<b>108%</b>	<b>838.9</b>	<b>682.4</b>	<b>23%</b>

### **Retail – ipac financial planning**

ipac Asia is an international financial advice and investment group that has been helping clients in Hong Kong, Singapore and recently Taiwan achieve their financial and chosen lifestyle goals since 2004.

Retail sales from ipac Asia were below last year; inflows from ipac Hong Kong were down 57% to HK\$184.2m (2007 – HK\$428.8m), which reflected last year's one-off superannuation inflows from Australian expatriates along with recent market volatility resulting in slower sales. However, ipac Singapore was 9% ahead of last year at S\$35.9m (2007 – S\$33m) as a result of its increased adviser numbers and strong activity levels.

In January 2008, AXA purchased a small financial planning business in Taiwan, Sinopro Investment Consulting Enterprise (Sinopro Taiwan) to be renamed ipac Taiwan. Sinopro Taiwan is an ipac style financial planning business established in 1997. The acquisition of Sinopro will enable AXA to be at the forefront of the development of financial planning in Taiwan and provides AXA with an immediate entry into this attractive market.

Despite the market volatility, redemption rates for ipac Asia remain very healthy at below 10% reflecting the strong client value proposition offered.

### **Institutional – ipac Dublin**

ipac Portfolio Management (Dublin) Limited (ipac Dublin) is the platform for managing the Strategic Investment Services multi-manager investment funds. ipac Dublin provides investment solutions for the ipac financial planning businesses in Asia as well as being distributed through dealership arrangements in South Africa and Singapore. Total institutional gross inflows were up 250% to US\$273.4m (2007 – US\$78.1m) mainly due to the successful transition of an investment fund, worth US\$202.5m, from AXA Life Singapore to the ipac Dublin platform in the first quarter of 2008 and sales inflows from Singapore and South Africa.

# 3 | Investment Earnings

## 3.1 Overview

Investment Earnings  
6 months to 30 June  
A\$m

	2008	2007	Change
<b>Normalised</b>			
Australia & New Zealand	41.0	41.0	-
Hong Kong	42.0	53.0	(21)%
Asia (ex Hong Kong)	7.0	6.0	17%
<b>Sub-total</b>	<b>90.0</b>	<b>100.0</b>	<b>(10)%</b>
<b>Investment experience – assets in excess of policy liabilities</b>			
Australia & New Zealand	(68.9)	(0.2)	<<
Hong Kong	(72.8)	3.7	<<
Asia (ex Hong Kong)	(7.4)	(3.0)	(147)%
<b>Sub-total</b>	<b>(149.1)</b>	<b>0.5</b>	<b>&lt;&lt;</b>
<b>Investment experience – assets backing policy liabilities (discount rate)</b>			
Australia & New Zealand	7.8	8.3	(6)%
Hong Kong	0.9	22.8	(96)%
Asia (ex Hong Kong)	0.0	0.0	-
<b>Sub-total</b>	<b>8.7</b>	<b>31.1</b>	<b>(72)%</b>
<b>Investment experience – assets backing policy liabilities (other)</b>			
Australia & New Zealand	(83.5)	18.5	<<
Hong Kong	(6.5)	16.8	<<
Asia (ex Hong Kong)	0.0	0.0	-
<b>Sub-total</b>	<b>(90.0)</b>	<b>35.3</b>	<b>&lt;&lt;</b>
<b>Total Investment Earnings</b>	<b>(140.4)</b>	<b>166.9</b>	<b>&lt;&lt;</b>

Investment Earnings were down 184% to \$(140.4)m (2007 – \$166.9m) due to lower equity market returns and widening corporate spreads.

**Normalised Investment Earnings** were down 10% to \$90.0m (2007 – \$100.0m) due to the lower level of invested assets following the acquisition of Winterthur Hong Kong and the share buy-back, and the reduction in value of the Hong Kong Dollar (HK\$). Normalised Investment Earnings are based on the average asset mix on average capital held over the period using assumed long term investment assumptions instead of actual returns. Our long term investment assumptions are consistent with those used in our illustrative value calculations as outlined in section 5.

## 3.2 Calculation of normalised investment earnings

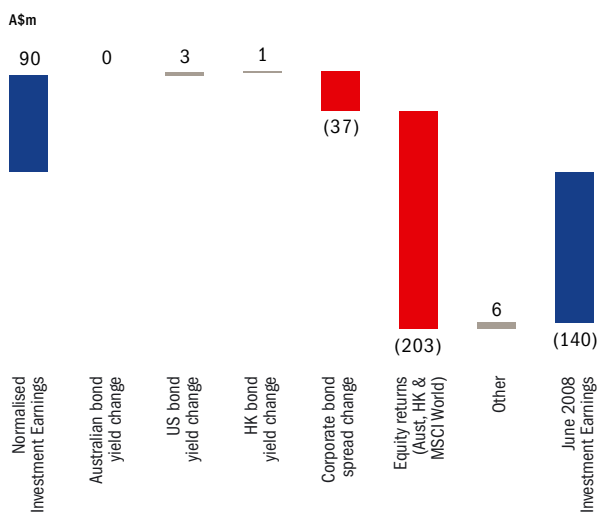
6 months to 30 June 2008 A\$m	30 Jun 08 assets	31 Dec 07 assets	Average assets	Long-term return	Tax	Normalised total
<b>Australia &amp; New Zealand</b>						
Equities	226.9	294.4	260.7	10.00%	30%	9.0
Fixed interest	594.1	767.5	680.8	6.75%	30%	16.0
Property	58.3	0.9	29.6	7.75%	30%	1.0
Cash	127.1	83.5	105.3	6.75%	30%	2.0
Other						13.0
<b>Hong Kong</b>						
Equities	323.4	424.8	374.1	9.50%	0%	17.0
Fixed interest	804.4	927.7	866.0	5.70%	0%	24.0
Cash	71.2	60.0	65.6	2.50%	0%	1.0
<b>Asia (ex Hong Kong)</b>						
Equities and property	19.3	18.6	19.0	9.50%	0%	1.0
Fixed interest and cash	211.9	208.4	210.2	5.70%	0%	6.0
<b>Total</b>	<b>2,436.6</b>	<b>2,785.8</b>	<b>2,611.3</b>			<b>90.0</b>
<b>6 months to 30 June 2007 A\$m</b>						
<b>Australia &amp; New Zealand</b>						
Equities	384.6	366.0	375.3	10.00%	30%	13.0
Fixed interest	811.6	830.4	821.0	6.50%	30%	18.0
Property	7.9	16.3	12.1	7.75%	30%	-
Cash	1.5	33.2	17.4	6.50%	30%	-
Other						10.0
<b>Hong Kong</b>						
Equities	445.9	523.4	484.7	9.50%	0%	23.0
Fixed interest	924.4	1,117.7	1,021.0	5.70%	0%	29.0
Property	-	0.3	0.2	5.00%	0%	-
Cash	39.5	58.2	48.8	2.50%	0%	1.0
<b>Asia (ex Hong Kong)</b>						
Equities and property	16.1	-	8.1	9.50%	0%	-
Fixed interest and cash	200.6	232.5	216.6	5.70%	0%	6.0
<b>Total</b>	<b>2,832.1</b>	<b>3,178.0</b>	<b>3,005.2</b>			<b>100.0</b>

Our policy for investing assets supporting shareholder capital is approximately 30% in growth assets (equity and property) with the balance in fixed income and cash. Our asset allocation at 30 June 2008 was as follows:

A\$m	30 Jun 08 assets		31 Dec 07 assets	
<b>AXA APH</b>				
Equities	569.6	23.4%	737.8	26.5%
Fixed interest	1,610.4	66.1%	1,903.6	68.3%
Property	58.3	2.4%	0.9	0.0%
Cash	198.3	8.1%	143.5	5.2%
<b>Total invested assets</b>	<b>2,436.6</b>	<b>100.0%</b>	<b>2,785.8</b>	<b>100.0%</b>
Subsidiary assets and other provisions	149.2		234.5	
Goodwill/Value of business inforce	2,079.3		2,011.9	
<b>Total capital</b>	<b>4,665.1</b>		<b>5,032.2</b>	

# 3 | Investment Earnings

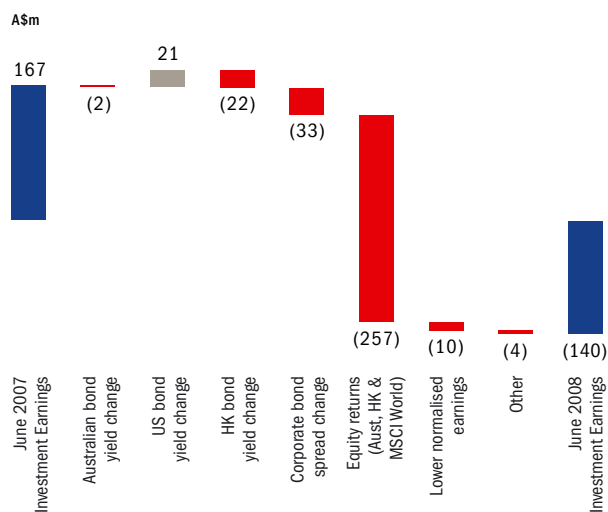
## Normalised and actual Investment Earnings



The key drivers behind Investment Earnings being below normalised returns were:

- lower equity market returns:
  - Australian S&P/ASX 300 Accumulation Index was down 16.1% (normalised up 5%)
  - MSCI World Accumulation Index (US\$) was down 10.2% (normalised up 4.8%)
  - MSCI World ex Aust Accumulation Index (A\$) was down 18.2% (normalised up 5.0%)
  - Hang Seng Index (HK\$) was down 20.5% (normalised up 4.8%)
- the widening of corporate spreads decreased the value of corporate bonds
  - Australian corporate spread over government bonds for AAA rated securities (1-5 years maturity) increased 43bps
  - US corporate spread over government bonds for securities held by Hong Kong increased 61bps.

## Change in actual Investment Earnings



The key drivers behind the decrease in Investment Earnings compared to the same period last year were:

- lower equity market returns
  - Australian S&P/ASX 300 Accumulation Index (A\$) was down 16.1% (2007 – 12.9% increase)
  - MSCI World Accumulation Index (US\$) was down 10.2% (2007 – 9.5% increase)
  - MSCI World ex Aust Accumulation Index (A\$) was down 18.2% (2007 – 1.1% increase)
  - Hang Seng Index (HK\$) was down 20.5% (2007 – 9.1% increase)
- the widening of corporate spreads decreased the value of corporate bonds
  - Australian corporate spread over government bonds for AAA rated securities (1-5 years maturity) increased 43bps (2007 – 6bp increase)
  - US corporate spread over government bonds for securities held by Hong Kong increased 61bps (2007 – 6bp increase).

### 3.3 Investment of assets supporting shareholder capital

#### Australia & New Zealand

The following table shows the breakdown of the current shareholder invested capital by regional market for equities and fixed interest.

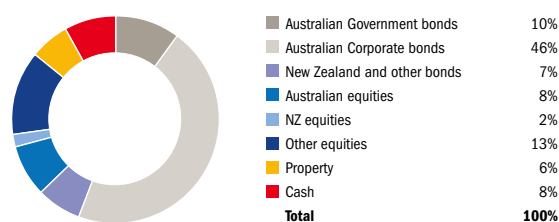
A\$m	Equities		Fixed interest	
Australia <sup>1</sup>	\$78.8m	35%	\$525.0m	88%
New Zealand	\$23.8m	10%	\$63.4m	11%
Other	\$124.3m	55%	\$5.7m	1%
<b>Total</b>	<b>\$226.9m</b>	<b>100%</b>	<b>\$594.1m</b>	<b>100%</b>

<sup>1</sup> Of the 88% of fixed interest assets invested in Australia, 62% is invested in corporate bonds, whilst the remaining 26% is invested in Government bonds

The approximate duration of the fixed interest portfolio is 3.9 years. The average rating of our bond portfolio is A.

#### Portfolio composition

The chart below shows our investment portfolio mix at 30 June 2008 for shareholder invested capital, together with additional details on the credit quality of our Australian and New Zealand corporate bond portfolio.



A breakdown of the Australian and New Zealand bond portfolio as at 30 June 2008 by rating is below:

Government and agency	AAA	17%
Corporate	AAA	16%
Corporate	AA	37%
Corporate	A	13%
Corporate	BBB	11%
Short dated		6%
<b>Total</b>		<b>100%</b>
Average	A	

On a weighted basis, our average credit rating for the bond portfolio is in line with our target. Our policy is to maintain a weighted average rating of A, with a minimum of A-.

#### Hong Kong

The following table shows the breakdown of the current Hong Kong shareholder invested capital by regional market for equities and fixed interest.

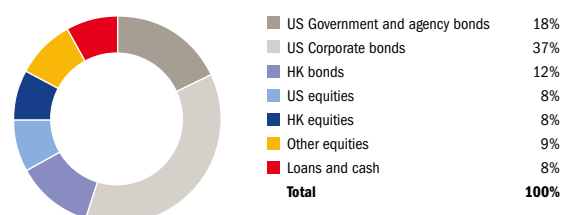
A\$m	Equities		Fixed interest	
US <sup>1</sup>	\$113.6m	35%	\$752.5m	94%
Hong Kong	\$72.0m	22%	\$49.3m	6%
Other	\$137.8m	43%	\$2.6m	0%
<b>Total</b>	<b>\$323.4m</b>	<b>100%</b>	<b>\$804.4m</b>	<b>100%</b>

<sup>1</sup> Of the 94% of fixed interest assets invested in the US, 55% is invested in US corporate bonds, whilst the remaining 39% is invested in Treasury bonds

The approximate duration of the US fixed interest portfolio is 7.1 years. The average rating of our US bond portfolio is A.

#### Portfolio composition

The chart below shows our investment portfolio mix at 30 June 2008 for shareholder invested capital and assets supporting non unit linked products, together with additional details on the credit quality of our US corporate bond portfolio.



A breakdown of the US bond portfolio as at 30 June 2008 by rating is below:

Government and agency	AAA	36%
Corporate	AAA	8%
Corporate	AA	12%
Corporate	A	25%
Corporate	BBB	19%
<b>Total</b>		<b>100%</b>
Average	A	

On a weighted basis, our average credit rating for the US bond portfolio is in line with our target. Our policy is to maintain a weighted average rating of A, with a minimum of A-.

# 4 Expenses

## 4.1 Group

Other Group profit items include the following expenses:

	2008	2007	Change
Corporate expenses – ANZ	12.3	14.0	12%
– Asia	9.7	10.5	8%
Interest expense	24.7	23.7	(4)%
Executive share plan expense	6.6	7.0	6%
Amortisation of value of businesses acquired	7.1	3.9	(82)%
<b>Total</b>	<b>60.4</b>	<b>59.1</b>	<b>(2)%</b>

- Corporate expenses were down 12% in Australia and New Zealand to \$12.3m (2007 – \$14.0m) and down 8% in Asia to \$9.7m (2007 – \$10.5m) reflecting calendarisation of expenditure.
- Interest expense was up 4% to \$24.7m (2007 – \$23.7m) due to changes in fair value on our US denominated interest rate swaps.
- Executive share plan expense was broadly in line with last year at \$6.6m (2007 – \$7.0m).
- Amortisation of value of businesses acquired of \$7.1m (2007 – \$3.9m) relates to the purchase of MLC Hong Kong and the remaining 67% of Tynan Mackenzie in 2006, and the purchase of Winterthur Life Hong Kong in April 2007.

## 4.2 Australia and New Zealand

We have been able to maintain a cost to income ratio of 48% (December 2007 – 48%) while still supporting the growth areas of the business. Our 2012 Ambition 4 target is to achieve a cost to income ratio of 38%.

### Australia

6 months to 30 June A\$m	Advice Business			Non-Advice Business			Total		
	30 Jun 08	30 Jun 07 <sup>1</sup>	Change	30 Jun 08	30 Jun 07 <sup>1</sup>	Change	30 Jun 08	30 Jun 07 <sup>1</sup>	Change
Recurring management expenses	37.0	33.3	(11)%	113.0	112.2	(1)%	150.0	145.5	(3)%
Development expenses	0.9	1.1	18%	33.3	29.7	(12)%	34.2	30.8	(11)%
<b>Total management expenses</b>	<b>37.9</b>	<b>34.4</b>	<b>(10)%</b>	<b>146.3</b>	<b>141.9</b>	<b>(3)%</b>	<b>184.2</b>	<b>176.3</b>	<b>(4)%</b>
Total commission and related expenses	8.6	8.4	(2)%	143.3	137.1	(5)%	151.9	145.5	(4)%
<b>Total expenses</b>	<b>46.5</b>	<b>42.8</b>	<b>(9)%</b>	<b>289.6</b>	<b>279.0</b>	<b>(4)%</b>	<b>336.1</b>	<b>321.8</b>	<b>(4)%</b>

<sup>1</sup> 2007 comparatives have been restated to exclude corporate expenses and to report expenses of our adviser service companies as commission consistent with our value chain reporting

Recurring management expenses were up 3% to \$150.0m (2007 – \$145.5m) primarily due to expansion in our advice businesses. Recurring management expenses in our advice businesses were up 11% to \$37.0m (2007 – \$33.3m) or 6% excluding acquisitions.

Development expenses were up 11% to \$34.2m (2007 – \$30.8m) largely due to the calendarisation of project spend. In 2007 development expenses were weighted towards the second half of the year.

Total commission and related expenses were up 4% to \$151.9m (2007 – \$145.5m) due to the growth in financial protection sales and inforce premiums. Wealth management commissions were slightly lower than last year following the reduction of inflows as a consequence of the downturn in investment markets.

### New Zealand

6 months to 30 June NZ\$m	Advice Business			Non-Advice Business			Total		
	30 Jun 08	30 Jun 07 <sup>1</sup>	Change	30 Jun 08	30 Jun 07 <sup>1</sup>	Change	30 Jun 08	30 Jun 07	Change
Recurring management expenses	4.9	5.8	16%	26.5	23.0	(15)%	31.4	28.8	(9)%
Development expenses	0.1	0.1	0%	3.8	2.5	(52)%	3.9	2.6	(50)%
<b>Total management expenses</b>	<b>5.0</b>	<b>5.9</b>	<b>15%</b>	<b>30.3</b>	<b>25.5</b>	<b>(19)%</b>	<b>35.3</b>	<b>31.4</b>	<b>(12)%</b>
Total commission and related expenses	2.5	2.7	7%	16.2	19.7	18%	18.7	22.4	17%
<b>Total expenses</b>	<b>7.5</b>	<b>8.6</b>	<b>13%</b>	<b>46.5</b>	<b>45.2</b>	<b>(3)%</b>	<b>54.0</b>	<b>53.8</b>	<b>0%</b>

<sup>1</sup> The 2007 comparative split of expenses have been restated to align with value chain reporting

Recurring management expenses were up 9% to NZ\$31.4m (2007 – NZ\$28.8m) due to our investment in operational capability to support the recent superannuation and savings reform in New Zealand.

Development expenses were up 50% to NZ\$3.9m (2007 – NZ\$2.6m) due to the amortisation of project spend capitalised in 2007. A greater proportion of development expenses were incurred in the second half of 2007 which continued into 2008 as the final phases of the CIV and KiwiSaver projects were completed.

Total commission and related expenses were down 17% to NZ\$18.7m (2007 – NZ\$22.4m) due to lower business volumes as a result of recent market conditions.

### 4.3 Hong Kong

We have achieved a management expense ratio of 5.4% notwithstanding that we have a higher cost base in the short term as a result of the Winterthur acquisition.

6 months to 30 June HK\$m	2008	2007	Change
Recurring management expenses	306.2	268.4	(14)%
Development expenses	21.9	33.5	35%
One-off expenses	-	1.8	<<
<b>Total management expenses</b>	<b>328.1</b>	<b>303.7</b>	<b>(8)%</b>
Total commission and related expenses <sup>1</sup>	796.9	612.8	(30)%
<b>Total expenses</b>	<b>1,125.0</b>	<b>916.5</b>	<b>(23)%</b>

<sup>1</sup> 2007 has been restated to include Winterthur commissions for 2 months post the acquisition in April 2007

Recurring management expenses were up 14% to HK\$306.2 (2007 – HK\$268.4m) due to the inclusion of Winterthur and growth of the inforce portfolio.

Development expenses were down 35% to HK\$21.9m (2007 – HK\$33.5m) due to non-recurring new development expenses on new products, the bancassurance channel and process reengineering in 2007.

One-off expenses of HK\$1.8m last year includes Winterthur one-off integration project costs.

Commission related expenses were up 30% to HK\$796.9m (2007 – HK\$612.8m) due to sales growth, a higher portion of traditional life new business and the inclusion of Winterthur for a full 6 months.

# 5 | Value

## 5.1 Overview

This section contains an assessment of long term Group shareholder value, based on discounted shareholder cash flows from inforce business and future new business.

The value information provided in this section is illustrative only. It does not necessarily reflect the value that the Directors would place on AXA APH, or on any part of AXA APH.

The illustrative value analysis presented has been calculated using traditional embedded value and market consistent value (MCV) techniques. The components of value include:

Additions to value:

- the value of inforce, being the present value of future profits expected to be derived from all current inforce policies, plus the regulatory capital and franking credits expected to be released to shareholders over time
- the value of new business, being the present value of future profits from one year's new business
- Group net worth, being the value of net assets held in excess of regulatory capital (shown net of dividend provisions)
- the value of AXA APH shares owned by the Executive Share Plan. These shares have a real value, but are eliminated from Group net worth under AIFRS accounting rules
- the cumulative capital injected into India and Malaysia, which has reduced Group net worth, but has not been included in the value of new business or value of inforce results
- an appropriate value for the Genesys business, acquired 30 June 2008

Reductions to value:

- a reserve which allows for differences in US long term fixed interest assumptions and actual US bond yields
- Group debt
- the capitalised value of corporate expenses
- the capitalised value of expense overruns for Asia (ex Hong Kong)

The provision for the interim 2008 dividend should be included for a cum-dividend value.

To assist investor understanding, the illustrative value of inforce and the value of one year's new business have been calculated on three risk discount rates under the traditional approach:

- equal to the assumed local equity return (10% for Australia and New Zealand, 10.5% for Hong Kong)
- 100 basis points above the assumed local equity return (11% for Australia and New Zealand, 11.5% for Hong Kong)
- 100 basis points below the assumed local equity return (9% for Australia and New Zealand, 9.5% for Hong Kong)

Following the successful integration of the acquired Winterthur business, this has now been valued within the Hong Kong results on a consistent basis.

Investors should form their own view on an appropriate risk discount rate and assumptions to adopt, which could vary from those presented here for illustrative purposes. These results, coupled with an appropriate new business multiple and the sensitivities outlined in section 6 can be used to determine an illustrative enterprise value per share. For this purpose, the total number of shares on issue is 1,691m.

New business multiples are used to determine the total value of future new business. Factors to be taken into consideration in determining the appropriate multiple include the risk discount rate, future market growth rates, management and distribution capability, and current and future profitability margins.

## 5.2 Summary of illustrative enterprise value – Traditional approach

### Group value of inforce

The following table compares the illustrative value of inforce as at 30 June 2008 and 31 December 2007 on actual and constant exchange rates.

Value of inforce A\$m	Risk discount rate								
	Equity return + 100 bps			Equity return			Equity return – 100 bps		
	30 Jun 08	31 Dec 07 <sup>1</sup>	Change	30 Jun 08	31 Dec 07 <sup>1</sup>	Change	30 Jun 08	31 Dec 07 <sup>1</sup>	Change
Australia	2,671	2,740	(3)%	2,807	2,885	(3)%	2,959	3,048	(3)%
New Zealand	436	453	(4)%	458	475	(4)%	477	501	(5)%
Australia and New Zealand	3,107	3,193	(3)%	3,265	3,360	(3)%	3,436	3,549	(3)%
Hong Kong	2,289	2,129	8%	2,460	2,272	8%	2,656	2,440	9%
Asia (ex Hong Kong) <sup>2</sup>	206	188	10%	206	188	10%	206	188	10%
<b>Total value of inforce (before transfers from net worth and on constant FX)<sup>3</sup></b>	<b>5,602</b>	<b>5,510</b>	<b>2%</b>	<b>5,931</b>	<b>5,820</b>	<b>2%</b>	<b>6,298</b>	<b>6,177</b>	<b>2%</b>
2008 transfers from Group net worth	120			120			120		
<b>Total value of inforce (after transfers from net worth and on constant FX)<sup>3</sup></b>	<b>5,722</b>	<b>5,510</b>	<b>4%</b>	<b>6,051</b>	<b>5,820</b>	<b>4%</b>	<b>6,418</b>	<b>6,177</b>	<b>4%</b>
Total value of inforce (before transfers from net worth and on actual FX) <sup>4</sup>	5,602	5,781	(3)%	5,931	6,112	(3)%	6,298	6,504	(3)%
<b>Total value of inforce (after transfers from net worth and on actual FX)<sup>4,5</sup></b>	<b>5,722</b>	<b>5,781</b>	<b>(1)%</b>	<b>6,051</b>	<b>6,112</b>	<b>(1)%</b>	<b>6,418</b>	<b>6,504</b>	<b>(1)%</b>

1 All December 2007 value of inforce numbers are after transfers to net worth

2 Inforce value for the Asia (ex Hong Kong) business (AXA group share) is shown before an allowance for expense overruns and is presented on a single set of risk discount rates (11% for Singapore and ipac Asia, 14% to 20% for the other Asian (ex Hong Kong) businesses)

3 Based on spot exchange rates as at 30 June 2008

4 2008 based on exchange rates as at 30 June 2008 and 2007 based on exchange rates as at 31 December 2007

5 No value of inforce has been included for Genesys, acquired 30 June 2008

On constant exchange rates, the illustrative value of inforce based on risk discount rates equal to assumed local equity returns was up 2% to \$5.9bn (December 2007 – \$5.8bn).

The value of inforce has been negatively affected by the depreciation in the value of equities since 31 December 2007 and the appreciation of the Australian dollar against both the Hong Kong dollar and New Zealand dollar. These were partly offset by the contribution made by profitable new business written over the period.

### Group value of inforce (after transfers from net worth)

The illustrative value of inforce at 30 June 2008 by broad product grouping and region, after transfers from Group net worth is summarised below.

Value of inforce at 30 June 2008 A\$m	Risk discount rate		
	Equity return + 100 bps	Equity return	Equity return – 100 bps
Wealth management	766	800	839
Financial protection	1,140	1,202	1,271
Mature	726	766	810
<b>Australia</b>	<b>2,632</b>	<b>2,768</b>	<b>2,920</b>
<b>New Zealand</b>	<b>422</b>	<b>444</b>	<b>463</b>
<b>Australia and New Zealand</b>	<b>3,054</b>	<b>3,212</b>	<b>3,383</b>
Wealth management	394	422	453
Financial protection	849	897	950
Mature	1,219	1,314	1,426
<b>Hong Kong<sup>1</sup></b>	<b>2,462</b>	<b>2,633</b>	<b>2,829</b>
<b>Asia (ex Hong Kong)</b>	<b>206</b>	<b>206</b>	<b>206</b>
<b>Total value of inforce (after transfers to net worth)</b>	<b>5,722</b>	<b>6,051</b>	<b>6,418</b>

1 Based on exchange rate as at 30 June 2008

If the new business value for the Swiss Privilege channel of Winterthur exceeds certain levels, a deferred consideration payment by AXA APH of up to approximately \$80m may be required in accordance with the acquisition price adjustment mechanism agreed with AXA SA. No allowance has been made for this in either the value of new business or value of inforce business.

## Value of one year's new business

The following table compares the value of one year's new business for the 12 month periods ended 30 June 2008 and 31 December 2007 on actual and constant exchange rates.

On constant exchange rates the illustrative value of new business (VNB) based on risk discount rates equal to assumed local equity returns was down 2% to \$409m (December 2007 – \$415m).

Value of new business in 12 months to A\$m	Risk discount rate								
	Equity return + 100 bps			Equity return			Equity return – 100 bps		
	30 Jun 08	31 Dec 07	Change	30 Jun 08	31 Dec 07	Change	30 Jun 08	31 Dec 07	Change
Wealth management	132	148	(11)%	142	159	(11)%	154	171	(10)%
Financial protection	21	15	43%	26	19	35%	31	24	30%
<b>Australia</b>	<b>153</b>	<b>163</b>	<b>(6)%</b>	<b>168</b>	<b>178</b>	<b>(6)%</b>	<b>185</b>	<b>195</b>	<b>(5)%</b>
<b>New Zealand</b>	<b>13</b>	<b>13</b>	<b>0%</b>	<b>14</b>	<b>14</b>	<b>0%</b>	<b>16</b>	<b>16</b>	<b>0%</b>
<b>Australia and New Zealand</b>	<b>166</b>	<b>176</b>	<b>(6)%</b>	<b>182</b>	<b>192</b>	<b>(5)%</b>	<b>201</b>	<b>211</b>	<b>(5)%</b>
Wealth management	55	53	4%	59	57	3%	62	60	3%
Financial protection	102	99	3%	105	106	(1)%	109	113	(3)%
<b>Hong Kong<sup>1,2</sup></b>	<b>157</b>	<b>152</b>	<b>3%</b>	<b>164</b>	<b>163</b>	<b>1%</b>	<b>171</b>	<b>173</b>	<b>(1)%</b>
<b>Asia (ex Hong Kong)<sup>3</sup></b>	<b>63</b>	<b>60</b>	<b>4%</b>	<b>63</b>	<b>60</b>	<b>4%</b>	<b>63</b>	<b>60</b>	<b>4%</b>
<b>Total value of new business on constant FX<sup>4</sup></b>	<b>386</b>	<b>388</b>	<b>(1)%</b>	<b>409</b>	<b>415</b>	<b>(2)%</b>	<b>435</b>	<b>444</b>	<b>(2)%</b>
<b>Total value of new business on actual FX<sup>5,6</sup></b>	<b>386</b>	<b>403</b>	<b>(4)%</b>	<b>409</b>	<b>430</b>	<b>(5)%</b>	<b>435</b>	<b>458</b>	<b>(5)%</b>

1 Results exclude expenses to support the development of new distribution channels and wealth management infrastructure. For the 12 months ended 30 June 2008, these were HK\$39m and were deducted in Group net worth

2 Winterthur new business for the full 12 months of 2007 is included

3 These results exclude India and Malaysia

4 Based on average exchange rates to 30 June 2008

5 2008 based on average exchange rates to 30 June 2008. 2007 based on average exchange rates for the year ended 31 December 2007

6 No value of new business has been included for Genesys, acquired 30 June 2008

## Other information required to calculate an illustrative enterprise value

A\$m	30 Jun 08	31 Dec 07
Group net worth <sup>1,2</sup>	857	1,477
Provision for dividend	156	220
Shares owned by the Executive Share Plan eliminated in Group net worth <sup>3</sup>	95	103
Cumulative capital injections for Malaysia and India	129	99
Goodwill in relation to Genesys, acquired 30 June 2008	126	-
Reserve for US bond yields <sup>4</sup>	(327)	(374)
Group debt	(1,289)	(1,306)
Capitalised corporate expenses <sup>5</sup>	(392)	(392)
Capitalised value of Asia (ex Hong Kong) expense overruns	(38)	(53)

1 Net of dividend of \$156m as at 30 June 2008

2 Group net worth for 30 June 2008 represents target surplus of \$570m and excess capital of \$287m

3 Value of AXA APH shares owned by the Executive Share Plan, which have a real economic value, but are eliminated under AIFRS accounting rules

4 Amount held to allow for differences in the assumed US long term fixed interest assumption and actual US bond yields

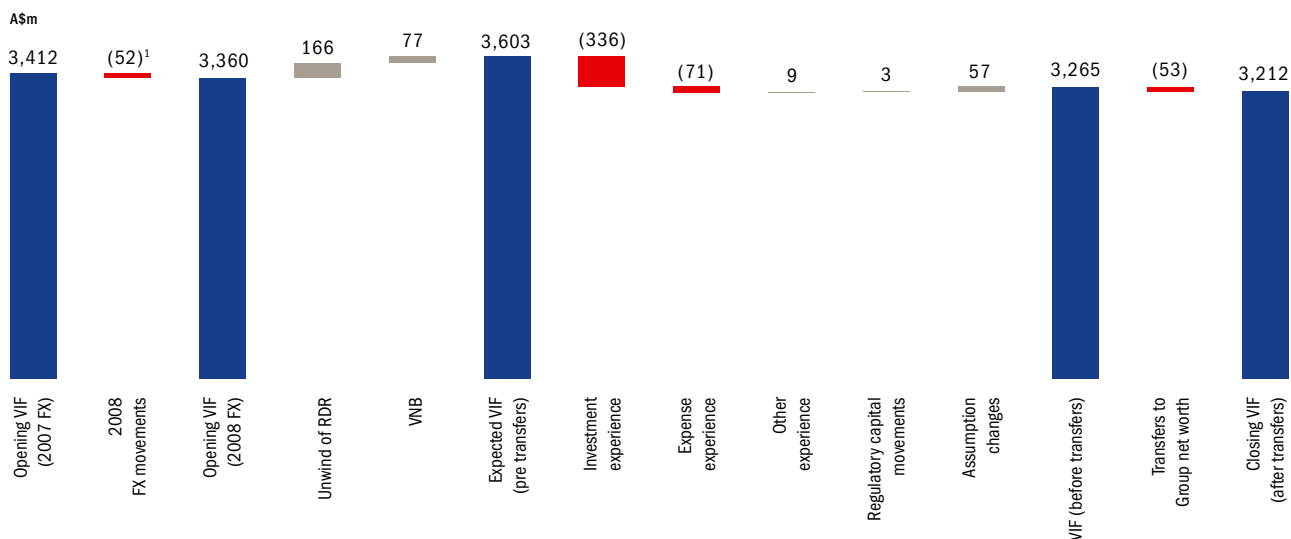
5 Excludes notional expenses associated with the Executive Share Plan

### 5.3 Value of inforce – Traditional approach

The following charts analyse the change in the illustrative value of inforce.

#### Australia and New Zealand

On constant exchange rates and before transfers to net worth, the illustrative value of inforce based on a risk discount rate equal to the assumed local equity return was down 3% to \$3.27bn (December 2007 – \$3.36bn).



<sup>1</sup> Change in A\$/NZ\$ exchange rate from 1.13 at 31 December 2007 to 1.26 at 30 June 2008

The movement in the A\$/NZ\$ exchange rate decreased the illustrative value of New Zealand business in A\$ terms by \$52m.

VNB added \$77m to the overall illustrative value of inforce reflecting growth in individual financial protection sales and continued, although reduced, flows into wealth management products, despite the volatile investment environment.

Investment market performance for Australian and international equities decreased funds under management and reduced fee revenue below that assumed at the beginning of the year. This, combined with negative investment experience on assets backing products and regulatory capital, decreased the illustrative value of inforce by \$336m. The impact has been across all the broad product groupings. Included in this decrease is the impact of the negative investment experience on regulatory capital.

Expense experience decreased the illustrative value of inforce by \$71m during the period. While the actual level of expenses was relatively stable, lower funds under management caused by investment market movements resulted in higher unit costs in the wealth management and mature businesses.

Other experience items added \$9m to the value of inforce. Within financial protection business, positive underwriting experience has been partially offset by higher than anticipated outflows from wealth management products.

The amount of regulatory capital required to be held has increased by \$61m since Dec 2007, including capital reduction initiatives of \$10m. The increase in capital is included in transfers to Group net worth. The decrease in the cost of capital due to efficiencies is included as an increase to the value of inforce of \$3m. The cost of the other capital changes is included within the impact of the other factors that led to the changes in the level of capital.

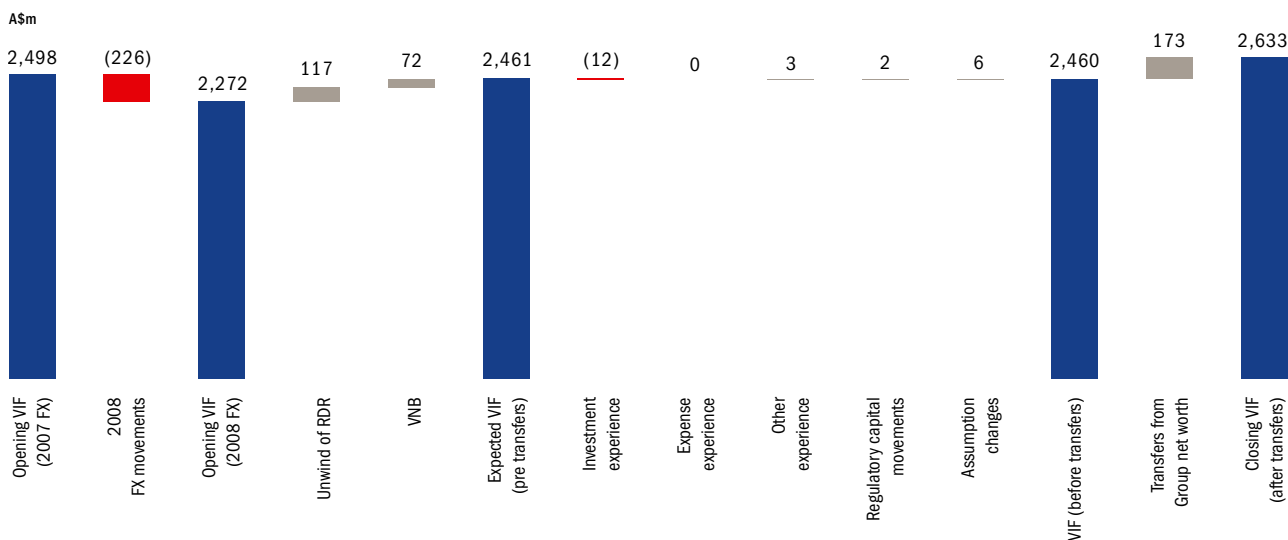
Assumption and modelling changes increased the value of inforce by \$57m over the period. There were two major contributors to this increase. Firstly, Australian individual income protection morbidity assumptions were changed to reflect the results of the most recent claims experience investigation. Secondly, economic assumptions for cash and fixed interest earnings were increased by 0.25% which added value to financial protection and mature products.

Transfers to Group net worth of \$53m include a release of Operating Earnings of \$164m, a release of franking credits of \$29m less negative investment earnings of \$(79)m and a \$(61)m increase in regulatory capital.

# 5 | Value

## Hong Kong

On constant exchange rates and before transfers from net worth, the illustrative value of inforce based on a risk discount rate equal to the assumed local equity returns was up 8% to \$2.46bn (December 2007 – \$2.27bn).



The movement in the A\$/HK\$ exchange rate decreased the illustrative value of inforce in A\$ terms by \$226m.

VNB of \$72m contributed to the overall growth in the illustrative value of inforce.

Investment experience decreased the value of inforce by \$12m, largely as a result of falling Hong Kong equity markets. The decrease was mitigated by an expectation that bonus rates would decrease to reflect the reduced market value of assets backing participating business and the release of the Active Dividend Reserve.

Favourable mortality experience over the period has increased the illustrative value of inforce by \$3m.

Capital reduction initiatives reduced capital by \$5m with a cost of capital benefit of \$2m.

Assumption changes increased the value of inforce by \$6m. This was a result of reducing the risk discount rate used for valuing the Winterthur business from 11.0% to 10.5% to bring it in line with the rest of the business, now that it has been fully integrated.

Transfers from Group net worth of \$173m are due to additional capital being required to support the inforce business. Operating Earnings of \$134m were offset by an increase in regulatory capital of \$(245)m and a negative return on assets supporting regulatory capital of \$(62)m.

## Asia (ex Hong Kong)

On constant exchange rates, the illustrative value of inforce of Indonesia, Singapore, Thailand, Philippines, China and ipac (AXA group share) was up 10% to \$206m (December 2007 – \$188m). This increase is despite the challenging investment environment and reflects our continuing focus on product profitability and growth in new business.

The illustrative value of inforce is determined based on AXA APH Group share and using long term best estimate expense assumptions, excluding any allowance for current expenses being in excess of product expense loadings. The value of these excess expenses relate to both acquisition and maintenance expenses and have reduced from \$53m for the year to December 2007 to \$38m for the 12 months to June 2008. These expense overruns are projected to be materially eliminated by 2011.

Whilst \$39m and \$90m of capital have been injected into Malaysia and India respectively since inception, we have currently not recognised any value of inforce for these businesses.

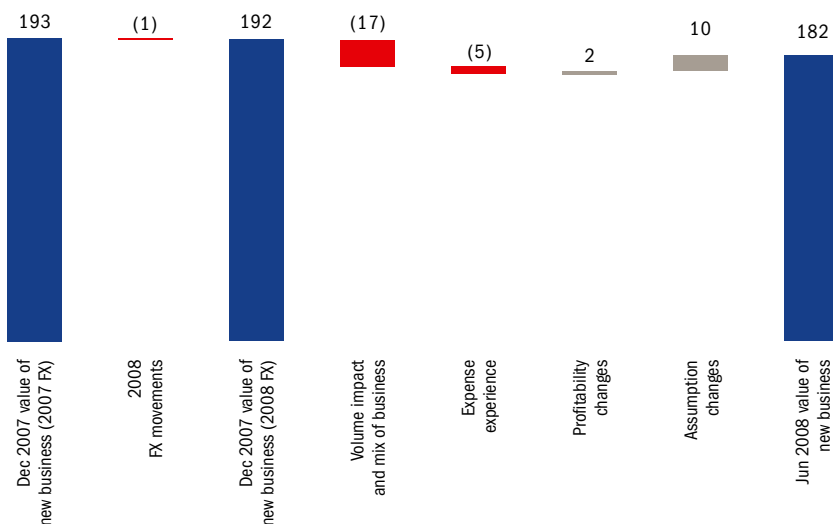
## 5.4 Value of one year's new business – Traditional approach

The value of one year's new business is the discounted present value of future profits from policies written over the 12 months preceding the date of valuation.

### Australia and New Zealand

On a constant exchange rate, the illustrative value of one year's new business on a risk discount rate equal to the assumed local equity return was down 5% to \$182m (December 2007 – \$192m).

A\$m



The movement in the A\$/NZ\$ exchange rate decreased the illustrative value of one year's new business in A\$ terms by \$1m.

The overall volume of new business is lower than in 2007, as a result of volatile investment conditions hampering wealth management sales, and the exceptional Australian flows in 2007 caused by one-off superannuation transitional arrangements not being repeated. This is partly offset by strong sales of Australian individual life business. The overall contribution of volumes resulted in a decrease in the value of new business of \$(17)m.

Reduced inflows and worse than expected investment market performance combined with relatively stable expenses resulted in higher unit costs in wealth management products, partly offset by financial protection products. Overall this led to a \$(5)m decrease in the value of new business.

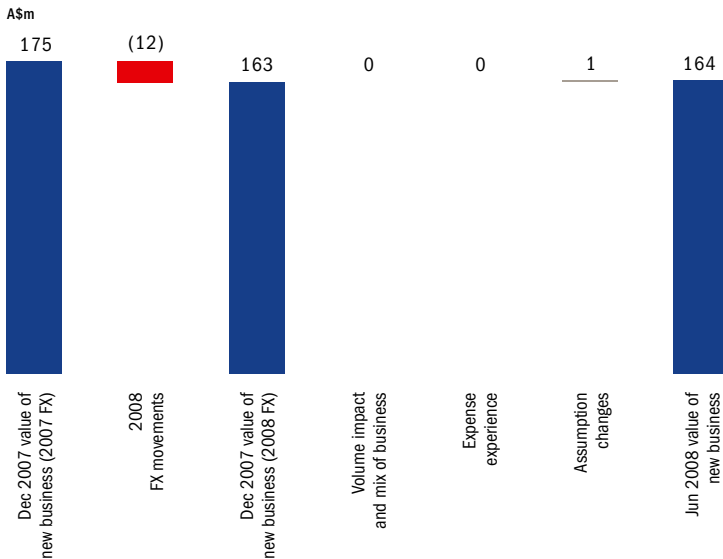
The value of new business increased by \$2m as a result of a few pricing initiatives. These were primarily related to changes in fee scales on some wealth management products.

Changes in assumptions and other refinements contributed \$10m to the value of new business. The largest contributions to this increase were adjusting individual income protection assumptions in line with actual claim experience, adjusting unit trust acquisition and maintenance cost splits in line with actual expenditure and including some value for transition to retirement pension products. These transition to retirement products were conservatively assumed to have nil value at December 2007 yet increased lapse assumptions on superannuation products to allow for this transition to retirement were already included in the 2007 value of new business and inforce.

# 5 | Value

## Hong Kong

On a constant exchange rate, the illustrative value of one year's new business based on a risk discount rate equal to the assumed local equity return was up 1% to \$164m (December 2007 – \$163m).



The movement in the A\$/HK\$ exchange rate decreased the illustrative value of one year's new business in Australian dollar terms by \$12m. Higher volumes of wealth management business were offset by lower volumes of financial protection new business. Business mix continues to shift from regular premium financial protection to single premium wealth management. The net impact on the value of new business was \$0m.

The Winterthur integration created some expense synergies, most of which was reflected through the value of inforce in 2007. This has been offset by higher unit costs as a result of lower funds under management. The net impact on the value of new business was \$0m.

Following the successful integration of the acquired Winterthur business, this has now been valued within the Hong Kong results on a consistent basis. The risk discount rate for this business was reduced from 11.0% to 10.5% which increased the value of new business by \$1m.

## Asia (ex Hong Kong)

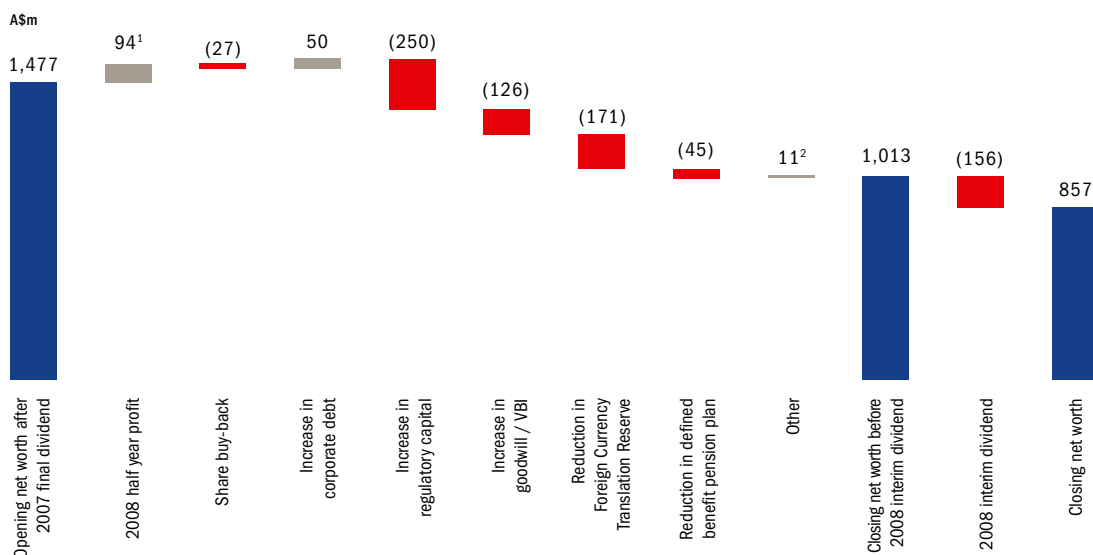
On constant exchange rates, the illustrative value of new business (AXA group share) was up 4% to \$63m (December 2007 – \$60m). The increase was driven by strong sales in Indonesia, Thailand and China. These were offset by weaker sales in Philippines (which is very reliant on single premium investment linked policies), ipac and Singapore. No value of new business has been recognised for India and Malaysia.

The value of new business has been determined on our best estimate of long term expense assumptions.

## 5.5 Group net worth

### Group net worth – traditional approach

Group net worth is equal to total capital resources less regulatory capital requirements and goodwill. The major movements are outlined below.



1 As per profit after tax in the financial statements for the 6 months ended 30 June 2008

2 'Other' includes items that affect shareholder equity which are not reported as profit, such as movements relating to treasury shares. The effect of the strengthening of the Australian dollar on debt levels was offset by the exchange rate effect on goodwill

The opening net worth of \$1,477m is equal to the sum of the target surplus of \$570m and the excess assets above target surplus of \$907m.

Over the period, our share buy-back reduced net worth by \$27m. New debt increased net worth by \$50m.

Total regulatory capital increased by \$250m. The movement in regulatory capital is explained in more detail in section 7.

Purchased goodwill and value of business inforce (VBI) increased by \$126m, due to the purchase of Genesys.

There was a reduction in the foreign currency translation reserve (FCTR) of \$171m due to the strengthening of the Australian dollar against the Hong Kong dollar. The defined benefit superannuation liability increased by \$45m primarily due to negative equity returns relative to the long term assumptions, while other movements in reserves, mainly due to Treasury share related movements, totalled \$11m.

The closing net worth of \$857m equals the sum of the target surplus of \$570m and the excess assets above target surplus of \$287m.

## 5.6 Assumptions – Traditional approach

The following tables show the assumptions used in valuing inforce and new business.

### Economic assumptions

The economic assumptions used at 30 June 2008 are summarised below.

Assumptions	CPI	Cash rate	Fixed interest	Equities	Property	Risk discount rate (long term equity return)
Australia	2.5%	6.75%	6.75%	10.0%	7.8%	10.0%
New Zealand	2.5%	6.75%	6.75%	10.0%	7.5%	10.0%
Hong Kong	2.5%	2.5%	5.5%	10.5%		10.5%
US		2.5%	5.2%	9.2%		n/a
Asia excluding Japan				10.5%		n/a
Other international				9.3%		Singapore and ipac Asia 11% Other Asia 14% to 20%

The only changes to economic assumptions since 31 December 2007 were 0.25% increases in the cash rate and fixed interest returns for Australia and New Zealand. In addition, the New Zealand tax rate for the corporate entity and the policyholder changed from 33% to 30% with effect from the 2008/09 tax year, as announced in the New Zealand budget on 17 May 2007.

For Hong Kong, there were no changes to economic assumptions from December 2007, other than in respect of Winterthur business, which was now valued at a risk discount rate of 10.5% in line with the rest of Hong Kong business, rather than the 11.0% risk discount rate used in 2007.

## Capital requirements

Life insurance businesses are required to hold regulatory capital over and above the liabilities in the company accounts. This capital is retained in the business and can only be returned to the shareholders over time as the portfolio matures. The value of this capital is discounted, reflecting the time it is retained in the business. This discount (cost of capital) is partly offset by franking credits that can be utilised by Australian domiciled shareholders.

## Discontinuances, mortality and morbidity

These are based on best estimate assumptions consistent with profit reporting and recent company experience.

For Australia and New Zealand, the most significant change from 31 December 2007 relates to morbidity assumptions for individual income protection. Claims experience over recent years justified an improvement in the value of future claims.

For Hong Kong, there have been no changes in assumptions since 31 December 2007.

## Expenses

Expense assumptions for Australia, New Zealand and Hong Kong are based on actual expenses for the 12 months ended 30 June 2008, consistent with profit reporting.

## 5.7 Market Consistent Value

While traditional embedded value and value of new business measures provide useful information on the underlying economic value of the business and changes in the economic value from period to period, traditional approaches have a number of disadvantages which can make it difficult to make meaningful comparisons between companies.

Market Consistent Values (MCV) are designed to overcome some of these issues and provide additional insight and information. The key features of MCV techniques include:

- the valuation of cash flows on a basis consistent with that used by the market to value cash flows with the same characteristics and risk
- the explicit valuation of investment guarantees and options, consistent with standard option pricing techniques, using sophisticated stochastic investment models that allow for future equity and interest rate volatility.

In other respects, notably with regard to future demographic and experience assumptions, MCV uses the same assumptions as the traditional approach.

The illustrative MCV contains no allowance for non-market related, or non-financial risk (sometimes known as 'agency' or 'operational' risk). Techniques to assess the value of non-financial risk under MCV are still being developed by the industry globally. In the traditional approach, such risk is allowed for through an implicit margin in the risk discount rate.

Investors should consider the differences between the results using traditional and MCV methodologies and the reasons for those differences, and form their own view on appropriate allowances for non-financial risks.

## Group value of inforce

On constant exchange rates and before transfers from net worth, the illustrative MCV of inforce was down 1% to \$6.28bn (December 2007 – \$6.36bn).

Value of inforce A\$m	30 Jun 08	31 Dec 07	Change
Australia	3,037	3,184	(5)%
New Zealand	474	487	(3)%
Australia and New Zealand	3,511	3,671	(4)%
Hong Kong	2,560	2,499	2%
Asia (ex Hong Kong) <sup>1</sup>	206	188	10%
<b>Total value of inforce (before transfers from net worth and on constant FX)<sup>2</sup></b>	<b>6,277</b>	<b>6,358</b>	<b>(1)%</b>
2008 transfers from Group net worth	120		
<b>Total value of inforce (after transfers from net worth and on constant FX)<sup>2</sup></b>	<b>6,397</b>	<b>6,358</b>	<b>1%</b>
<b>Total value of inforce (after transfers from net worth and on actual FX)<sup>3</sup></b>	<b>6,397</b>	<b>6,674</b>	<b>(4)%</b>

1 This value has not been restated for MCV

2 Based on spot exchange rates as at 30 June 2008

3 2008 based on spot exchange rates as at 30 June 2008. 2007 based on spot exchange rates as at 31 December 2007

The following table compares the traditional and market consistent values of inforce at 30 June 2008, by region and product group. The amounts are shown after transfers from Group net worth of \$120m.

At 30 June 2008 Value of Inforce A\$m	Traditional Value <sup>1</sup>	Market Consistent Value	Difference \$	Difference %
Wealth management	800	852	52	7%
Financial protection	1,202	1,378	176	14%
Mature	766	800	34	4%
Time value of options and guarantees		(32)	n/a	n/a
<b>Australia</b>	<b>2,768</b>	<b>2,998</b>	<b>230</b>	<b>8%</b>
<b>New Zealand</b>	<b>444</b>	<b>460</b>	<b>16</b>	<b>4%</b>
<b>Australia and New Zealand</b>	<b>3,212</b>	<b>3,458</b>	<b>246</b>	<b>8%</b>
Wealth management	422	505	83	20%
Financial protection	897	1,668	771	86%
Mature	1,314	1,204	(110)	(8)%
Time value of guarantees	n/a	(644)	n/a	n/a
<b>Hong Kong<sup>2</sup></b>	<b>2,633</b>	<b>2,733</b>	<b>100</b>	<b>4%</b>
<b>Asia (ex Hong Kong)<sup>3</sup></b>	<b>206</b>	<b>206</b>	<b>n/a</b>	<b>n/a</b>
<b>Total value of inforce (after transfers to net worth)</b>	<b>6,051</b>	<b>6,397</b>	<b>346</b>	<b>3%</b>

1 Risk discount rate is 10% for Australia and New Zealand, 10.5% for Hong Kong, 11% for Singapore and ipac and 14% to 20% for the other Asian businesses

2 Based on exchange rates as at 30 June 2008

3 This value has not been restated for MCV

The illustrative MCV of the financial protection business in Australia and New Zealand is higher than the traditional value. In the MCV 'risk neutral' results, the increase in value caused by the use of the lower risk free discount rate is greater than the decrease in value caused by removing the capitalisation of future investment risk premiums from the traditional value.

For financial protection products, the traditional value's single risk discount rate may understate value by overstating the level of financial risk inherent in projected future earnings as the majority of cash flows and earnings are independent of investment markets and financial risk.

In wealth management, MCV increases for investment linked products as fees linked to less risky asset classes are not discounted at a rate higher than the investment earnings rate. This increase in value is partially offset by a reduced value for annuities as the impact of the investment risk premium for equities backing annuities is greater than the impact of the reduced discount rate. Overall, the traditional value's single risk discount rate may overstate the level of financial risk inherent in projected future earnings of wealth management products.

The illustrative MCV of the financial protection business in Hong Kong is higher than the traditional value. Like in Australia and New Zealand, removing the capitalisation of future investment risk premiums from the traditional value is more than offset by the increase in value caused by the use of the lower risk free discount rate. This valuation impact is more pronounced in Hong Kong than in Australia and New Zealand as the 'risk neutral' MCV result for Hong Kong benefits from a larger reduction in the discount rate which is applied over longer duration cash flows on the whole of life business, a large part of the Hong Kong portfolio. However, the MCV results include an explicit reduction in value relating to the cost of investment guarantees, which are assessed using sophisticated stochastic investment models. The relatively high cost of these guarantees in Hong Kong when compared with Australia and New Zealand more than offsets the larger impact of the reduced discount rate.

### Group value of one year's new business

On constant exchange rates, the illustrative MCV of one year's new business was down marginally at \$508m (December 2007 - \$510m).

12 months to A\$m	30 Jun 08	31 Dec 07	Change
Australia	202	211	(4)%
New Zealand	17	18	(2)%
Australia and New Zealand	219	229	(4)%
Hong Kong <sup>1</sup>	226	221	2%
Asia (ex Hong Kong) <sup>2</sup>	63	60	4%
<b>Total value of new business on constant FX<sup>3</sup></b>	<b>508</b>	<b>510</b>	<b>0%</b>
<b>Total value of new business on actual FX<sup>4</sup></b>	<b>508</b>	<b>529</b>	<b>(4)%</b>

1 Results exclude expenses to support the development of new distribution channels and wealth management infrastructure. For the 12 months ended 30 June 2008, these were HK\$39m and were deducted in Group net worth

2 This value has not been restated for MCV

3 Based on average exchange rates to 30 June 2008

4 2008 based on average exchange rates to 30 June 2008. 2007 based on average exchange rates for the year ended 31 December 2007

The following table compares the traditional and market consistent values of new business for the year ended 30 June 2008, by region and product group.

12 months to 30 June 2008 A\$m	Traditional Value	Market Consistent Value	Difference \$	Difference %
Wealth management	142	162	20	14%
Financial protection	26	40	14	55%
Time value of guarantees	n/a	0	n/a	n/a
<b>Australia</b>	<b>168</b>	<b>202</b>	<b>34</b>	<b>20%</b>
<b>New Zealand</b>	<b>14</b>	<b>17</b>	<b>3</b>	<b>25%</b>
<b>Australia and New Zealand</b>	<b>182</b>	<b>219</b>	<b>37</b>	<b>21%</b>
Wealth management	59	89	30	51%
Financial protection	105	159	54	51%
Time value of guarantees	n/a	(22)	n/a	n/a
<b>Hong Kong<sup>1,2</sup></b>	<b>164</b>	<b>226</b>	<b>62</b>	<b>38%</b>
<b>Asia (ex Hong Kong)<sup>1</sup></b>	<b>63</b>	<b>63</b>	<b>n/a</b>	<b>n/a</b>
<b>Total value of new business<sup>2</sup></b>	<b>409</b>	<b>508</b>	<b>99</b>	<b>24%</b>

1 This value has not been restated for MCV

2 Based on average exchange rates to 30 June 2008

The percentage increase in the value of new business is generally greater than the increase in the value of inforce when comparing MCV with traditional value. The reason is that the value of new business normally includes up-front acquisition expenses including commission, the value of which is unchanged using MCVs, followed by a stream of future profits, which increase under MCV through the use of the lower risk free discount rate.

In addition, investment guarantees are not as significant for new business as for the inforce portfolio. For example in Hong Kong, the higher guarantee book of policies is closed to new business.

### Group net worth, debt and corporate expenses

At 30 June 2008 A\$m	Traditional Embedded Value	Market Consistent Value
Group net worth	857	857
Provision for interim dividend	156	156
Shares owned by the Executive Share Plan eliminated in Group net worth	95	95
Cumulative capital injections for Malaysia and India	129	129
Goodwill in relation to Genesys, acquired 30 June 2008	126	126
Reserve for US bond yields	(327)	0
Group debt	(1,289)	(1,289)
Capitalised corporate expenses	(392)	(508)
Capitalised value of Asian (ex Hong Kong) expense overruns <sup>1</sup>	(38)	(38)

1 This value has not been restated for MCV

Under the traditional approach, the components of net worth are taken at market value, while debt is included at face value. This approach is the same for MCV. However, under MCV, the provision for a rise in US bond yields is not required and the value of capitalised corporate expenses has been valued at a risk free discount rate over a 20 year time horizon.

## Implied discount rates

Under MCV, the value of projected earnings, the time value of options and guarantees, and the cost of capital, allow explicitly for financial risks. The equivalent risk discount rate or implied discount rate (IDR), at which traditional value would equal MCV can be derived. It can be interpreted as a measure of the risk inherent in projected earnings and reflects a bottom-up, explicit assessment of the financial risks in the business.

The IDR presented does not contain any allowance for non-financial risk, including operational risk.

The components of the IDR for inforce and new business are:

	Risk free rate	Margin for financial risk	Time value of guarantees	Cost of capital	Implied discount rate
<b>Inforce business</b>					
Australia and New Zealand	7.3%	0.7%	0.2%	0.2%	8.4%
Hong Kong	4.9%	0.4%	2.5%	0.1%	7.9%
<b>New business</b>					
Australia and New Zealand	7.3%	0.6%	0.0%	0.1%	8.0%
Hong Kong	4.9%	0.6%	1.0%	0.1%	6.6%

## Investment guarantees

The current time value (or cost) of investment guarantees included in MCVs are summarised below.

At 30 June 2008 A\$m	Inforce	One year's new business
Wealth management	0	0
Financial protection	0	0
Mature	(32)	0
<b>Australia</b>	<b>(32)</b>	
<b>New Zealand</b>	<b>(11)</b>	<b>0</b>
<b>Australia and New Zealand</b>	<b>(43)</b>	<b>0</b>
Wealth management	0	0
Financial protection	(644)	(22)
Mature	0	0
<b>Hong Kong</b>	<b>(644)</b>	<b>(22)</b>
Asia (ex Hong Kong)	0	0
<b>Group time value of guarantees</b>	<b>(687)</b>	<b>(22)</b>

In Australia and New Zealand, the time value of investment guarantees is low due to the low level of guarantees, the reducing capital guaranteed portfolio and the reserves held which are sufficient to cover investment guarantees in a wide range of adverse investment scenarios.

In Hong Kong, there are more substantial guarantees. The closed 'NL' series is a large inforce portfolio and has an underlying guaranteed return of 4.25% pa, whilst the closed MLC portfolio includes similar products. The open Smart Series product has a significantly lower underlying guaranteed return of approximately 1% pa.

The time value of guarantees at 30 June 2008 is \$687m and has increased by \$97m since 31 December 2007 (on actual FX) due primarily to increases in equity and bond volatility assumptions to bring these in line with implied volatilities in the capital markets at the end of June 2008.

## 5.8 Assumptions – MCV methodology

With the exception of economic assumptions, the assumptions used for MCV are consistent with those used under the traditional approach.

### Economic assumptions

While in theory, each MCV cash flow is discounted at a level that reflects its level of financial risk, in practice, in these 'risk neutral' results each cash flow is projected and discounted using the risk free rate.

The risk discount rates used are based on swap rates of duration similar to the duration of the liabilities.

Risk free rate as at	30 Jun 08	31 Dec 07
Australia	7.3%	7.1%
New Zealand	7.4%	7.8%
Hong Kong - 'NL' closed life fund	5.0%	5.0%
Hong Kong - other business	4.9%	4.9%

### Options and guarantees

The time value of investment options and guarantees is assessed using stochastic investment models that are consistent with option pricing techniques. The time value is an estimate of the cost of insuring these guarantees in current markets and ensures that the values of existing guarantees in extreme investment conditions are recognised and explicitly valued. Although these stochastic models consider a wide range of possible investment scenarios, like traded options, the value of guarantees will depend on the investment markets at the time of valuation. In many investment scenarios, including the best estimate assumptions used in the traditional embedded value approach, the expected cost of these guarantees is nil. In these scenarios, the time value of guarantees would be released to increase shareholder value.

The extent of changes in the valuation of guarantees is cushioned by management's ability to manage bonus and crediting rate declarations over time. Likely management and policyholder reactions to conditions, notably with regard to bonus rate decisions and policyholder lapses, are therefore also modelled.

## 6.1 Profit sensitivities

The table below outlines indicative Operating and Investment Earnings sensitivities to changes in investment markets, exchange rates and operational metrics. The table indicates the impact on earnings in the period, of changes in equity markets or yields occurring uniformly over the period.

These sensitivities are indicative only as they assume that the movement in a particular variable is independent of other variables and move uniformly over the period. In respect of Operating Earnings, if the impact were to happen at the beginning of the period (ie equity markets decrease 10% on 1 January) the impact would be approximately double the amount in the table whereas if the decline in markets were to occur at the end of the period it would be close to zero. The timing of the movement in a particular variable is not relevant in assessing the impact on investment earnings.

Profit after tax for 6 months to 30 June 2008 A\$m	Indices @ 30/06/08	Australia / New Zealand		Hong Kong		Asia (ex Hong Kong)		Holding company interest on debt	Total Profit
		Operating Earnings	Investment Earnings <sup>1</sup>	Operating Earnings	Investment Earnings <sup>1</sup>	Operating Earnings	Investment Earnings <sup>1</sup>		
+/-10% Australian equities (S&P/ASX 300 Accumulation Index (A\$))	33,861	+/-2.8	+/-29.7	+/-0.0	+/-0.0	+/-0.1	+/-0.0	+/-0.0	+/-32.6
+/-10% international equities		+/-2.5	+/-13.8	+/-0.0	+/-46.0	+/-0.2	+/-2.4	+/-0.0	+/-64.9
- MSCI World ex Aust Accumulation Index (A\$)	3,781	+/-2.5	+/-9.7	+/-0.0	+/-0.0	+/-0.0	+/-0.0	+/-0.0	+/-12.2
- MSCI World Accumulation Index (US\$)	4,392	+/-0.0	+/-4.1	+/-0.0	+/-29.7	+/-0.2	+/-2.4	+/-0.0	+/-36.4
- Hang Seng (HK\$)	22,102	+/-0.0	+/-0.0	+/-0.0	+/-16.3	+/-0.0	+/-0.0	+/-0.0	+/-16.3
+/-0.5% government bond yields <sup>2</sup>		-/+0.3	-/+1.5	+/-0.0	-/+15.5	+/-0.0	+/-1.1	+/-0.0	-/+16.2
- Australian 10-Year bond rate	6.45%	-/+0.3	-/+1.5	+/-0.0	+/-0.0	+/-0.0	+/-0.0	+/-0.0	-/+1.8
- USD 10-Year bond rate	3.98%	+/-0.0	+/-0.0	+/-0.0	-/+27.5	+/-0.0	+/-1.1	+/-0.0	-/+26.4
- HK 10-Year bond rate	3.47%	+/-0.0	+/-0.0	+/-0.0	+/-12.0	+/-0.0	+/-0.0	+/-0.0	+/-12.0
+/-0.5% corporate spread <sup>2</sup>		-/+0.1	-/+13.9	+/-0.0	-/+17.2	+/-0.0	-/+0.9	+/-0.0	-/+32.1
- Australian corporate spread	1.62%	-/+0.1	-/+13.9	+/-0.0	+/-0.0	+/-0.0	+/-0.0	+/-0.0	-/+14.0
- US corporate spread	2.12%	+/-0.0	+/-0.0	+/-0.0	-/+17.2	+/-0.0	-/+0.9	+/-0.0	-/+18.1
+/-5% change in A\$/HK\$ <sup>3</sup>	7,214	+/-0.0	+/-0.0	-/+6.4	-/+2.0	+/-0.0	+/-0.0	+/-0.5	-/+7.9
+/-0.5% move in interest rates <sup>4</sup>	n/a	+/-0.0	+/-0.0	+/-0.0	+/-0.0	+/-0.0	+/-0.0	-/+1.4	-/+1.4
+/-5% change in average assets under management	n/a	+/-5.0	+/-0.0	+/-0.9	+/-0.0	+/-0.5	+/-0.0	+/-0.0	+/-6.4
+/-5% change in sales volumes <sup>5</sup>	n/a	+/-0.8	+/-0.0	+/-0.9	+/-0.0	+/-1.0	+/-0.0	+/-0.0	+/-2.7
+/-1% change in discontinuance rates	n/a	-/+0.3	+/-0.0	+/-3.0	+/-0.0	+/-0.0	+/-0.0	+/-0.0	+/-2.7

1 Investment Earnings includes normalised earnings, and investment experience on assets in excess of policy liabilities and assets backing policy liabilities

2 Assuming a parallel shift in bond yields. Actual shifts in bond yields are rarely parallel

3 This is a 5% move in the average A\$/HK\$ exchange rate over the period. Profits are translated using the YTD average exchange rate, mitigating some of the volatility in spot rates. The sensitivity for Hong Kong Investment Earnings has been calculated on Normalised Investment Earnings which does not take into account the negative investment experience during the half year

4 The interest rate impact on Investment Earnings has also been included within the movement in bond yields and corporate spread

5 Assuming product mix does not alter

Operating Earnings have relatively limited sensitivity to short term changes in investment markets given:

- Operating Earnings include long term assumed earnings rates. However, fee revenue will be impacted as funds under management, administration and advice levels change due to movements in investment markets.
- In Hong Kong, we use a technique called 'Active Dividend Management' to smooth the impact of investment markets on Hong Kong policyholder benefits and shareholder profits.

We use debt as a natural hedge to reduce our exposure to US\$ currency movements. The value of Hong Kong profits fall when the US\$ weakens, but the value of interest payments on US\$ denominated debt also falls. However, the hedge is only partial.

Movements in the HK\$ spot rate relative to the A\$ have the potential to significantly impact the value of assets held overseas. However, the accounting convention is to translate earnings at average rates over the period and as a result, the value of our earnings in Hong Kong are partially 'cushioned' through this averaging process from a significant change in spot rates.

### Application of profit sensitivities

These sensitivities show the impact of investment markets on the actual 2008 half year earnings, and when combined with expected normalised Investment Earnings, may be used to estimate future earnings.

In order to predict future period's Investment Earnings, the sensitivities should be applied relative to growth rates assumed in base projection models. That is, if the assumption for the S&P/ASX 300 Accumulation Index was an increase of 10% and there was an actual decrease of 11%, the sensitivity should be applied on a 21% variance to expected returns. The same method also applies to estimating sensitivities for Operating Earnings. As sensitivities assume a uniform change over the period, it is important to note that the timing of the index variation from long term assumptions has an effect on the operating earnings.

# 6 | Sensitivities

An illustration of this as it may have been applied to the first half of the 2008 year for Investment Earnings is as follows:

	Normalised <sup>1</sup> A %/bps	Actual B %/bps	Variance C=B-A %/bps	Sensitivity <sup>2</sup> D \$m	Sensitivity <sup>2</sup> E %/bps	Estimate \$ F=C/E*D \$m
S&P/ASX 300 Accumulation Index (A\$)	5.0	(16.1)	(21.1)	33.9	10.0	(71.5)
MSCI World Accumulation Index (US\$)	4.8	(10.2)	(15.0)	74.9	10.0	(112.4)
Aus 10 year government bond	0.0	12.0	12.0	0.8	50.0	0.2
US 10 year treasury bond	0.0	(5.0)	(5.0)	(9.7)	50.0	1.0
Australian corporate spread <sup>3</sup>	0.0	43.0	43.0	(13.4)	50.0	(11.5)
US corporate spread	0.0	61.0	61.0	(26.7)	50.0	(32.6)
Expected investment experience A\$m						(226.8)
Normalised earnings A\$m						90.0
<b>Total expected A\$m</b>						<b>(136.8)</b>
<b>Total reported A\$m</b>						<b>(140.4)</b>

1 As disclosed in the normalised investment earnings table, page 25 December 2007 Investor Compendium

2 As disclosed in the profit sensitivities table, page 41 December 2007 Investor Compendium

3 Calculated as the difference between the 3 year AAA corporate bond and the 3 year government bond. Whilst our portfolio is rated A on average, the readily available AAA corporate spread provides a reasonable proxy

## 6.2 Traditional value sensitivities

The table below shows the sensitivity as at 30 June 2008 of the illustrative value of inforce and value of new business to variations in key economic and business assumptions.

The sensitivities are indicative only as they assume that the variation in a particular assumption is independent of other assumptions and impacts. In particular and as an example, a decrease in the equity market would reduce the value of inforce according to the sensitivities below, when valuing the impact on future profits. However, in addition to this valuation sensitivity, the actual impact of such a decrease in any period would lead to negative investment experience, both impacts being included in the analysis of the change in the value of inforce.

In addition, the impact of changes in assumptions is not always symmetrical. In other words, the impact of an increase in an assumption is not necessarily the same as the impact of an equivalent decrease.

% change in traditional value of inforce	Australia and New Zealand		Hong Kong		
	Financial protection	Wealth management <sup>1</sup>	Financial protection	Wealth management	Mature
+ 0.5% in risk free rates <sup>2</sup>	(1.2)%	(0.3)%	(6.1)%	(1.2)%	(2.8)%
- 0.5% in risk free rates <sup>3</sup>	1.3%	0.3%	5.1%	1.4%	2.2%
+ 10% in value of equity markets at start of projection	0.6%	5.3%	2.1%	1.2%	1.3%
- 10% in the lapse rate	4.5%	8.1%	1.5%	6.3%	2.7%
- 10% expenses (overall and permanent decrease)	2.1%	12.3%	0.3%	1.1%	1.5%
- 5% mortality rate for annuity business	n/a	(0.4)%	n/a	n/a	n/a
- 5% mortality rate for non-annuity business <sup>4</sup>	6.3%	0.1%	0.9%	0.1%	1.2%
- 10% morbidity incidence rates	4.1%	n/a	n/a	n/a	n/a
+ 10% morbidity termination rates	5.7%	n/a	n/a	n/a	n/a

% change in traditional value of new business	Australia and New Zealand		Hong Kong	
	Financial protection	Wealth management <sup>1</sup>	Financial protection	Wealth management
+ 0.5% in risk free rates <sup>2</sup>	(6.7)%	(0.3)%	(3.3)%	(1.5)%
- 0.5% in risk free rates <sup>3</sup>	7.0%	0.4%	3.5%	1.6%
- 10% in the lapse rate	23.9%	14.2%	3.8%	6.2%
- 10% expenses (overall and permanent decrease)	31.1%	23.0%	4.1%	14.9%
- 5% mortality rate for annuity business	n/a	(0.0)%	n/a	n/a
- 5% mortality rate for non-annuity business <sup>4</sup>	34.7%	0.0%	2.7%	0.1%
- 10% morbidity incidence rates	13.6%	n/a	n/a	n/a
+ 10% morbidity termination rates	17.1%	n/a	n/a	n/a

1 Wealth management includes mature business for Australia and New Zealand

2 All fixed interest yields, equity returns and the risk discount rate increase by 50 bps

3 All fixed interest yields, equity returns and the risk discount rate decrease by 50 bps

4 Death, disablement and trauma assumption is adjusted for all lump sum risk business

### 6.3 Market consistent value sensitivities

The table below shows the sensitivity as at 30 June 2008 of the illustrative value of inforce and value of new business to variations in key economic and business assumptions, on a market consistent basis.

The sensitivities are indicative only as they assume that the variation in a particular assumption is independent of other assumptions and impacts. In particular and as an example, a decrease in the equity market would reduce the value of inforce according to the sensitivities below, when valuing the impact on future profits. However, in addition to this valuation sensitivity, the actual impact of such a decrease in any period would lead to negative investment experience, both impacts being included in the analysis of the change in the value of inforce.

In addition, the impact of changes in assumptions is not always symmetrical. In other words, the impact of an increase in an assumption is not necessarily the same as the impact of an equivalent decrease.

% change in MCV value of inforce	Australia and New Zealand		Hong Kong		
	Financial protection	Wealth management <sup>1</sup>	Financial protection	Wealth management	Mature
+ 0.5% in risk free rates	(2.0)%	(0.5)%	0.2%	(1.1)%	11.5%
- 0.5% in risk free rates	2.1%	0.5%	(0.7)%	1.2%	(17.9)%
+ 10% in value of equity markets at start of projection	0.5%	5.2%	1.4%	2.3%	(19.0)%
- 10% in the lapse rate	5.6%	8.6%	3.7%	10.3%	10.4%
- 10% expenses (overall and permanent decrease)	2.3%	11.7%	1.1%	1.5%	1.4%
- 5% mortality rate for annuity business	n/a	(0.7)%	n/a	n/a	n/a
- 5% mortality rate for non-annuity business	6.6%	0.1%	2.0%	0.3%	4.0%
- 10% morbidity incidence rates	3.9%	n/a	n/a	n/a	n/a
+ 10% morbidity termination rates	5.8%	n/a	n/a	n/a	n/a

% change in MCV value of new business	Australia and New Zealand		Hong Kong	
	Financial protection	Wealth management <sup>1</sup>	Financial protection	Wealth management
+ 0.5% in risk free rates	(6.3)%	(0.5)%	(5.8)%	(2.7)%
- 0.5% in risk free rates	6.7%	0.5%	6.4%	2.5%
- 10% in the lapse rate	19.3%	15.9%	7.5%	10.6%
- 10% expenses (overall and permanent decrease)	17.2%	22.1%	3.2%	4.7%
- 5% mortality rate for annuity business	n/a	(0.0)%	n/a	n/a
- 5% mortality rate for non-annuity business <sup>2</sup>	22.1%	0.0%	1.6%	0.2%
- 10% morbidity incidence rates	7.8%	n/a	n/a	n/a
+ 10% morbidity termination rates	10.1%	n/a	n/a	n/a

<sup>1</sup> Wealth management includes mature business for Australia and New Zealand

<sup>2</sup> Death, disablement and trauma assumption is adjusted for all lump sum risk business

# 7 | Capital and debt

## 7.1 Overview

Total capital resources at 30 June 2008 were down \$367.1m to \$4.67bn (31 December 2007 – \$5.03bn).

A\$m	As at 30 Jun 08	As at 31 Dec 07
<b>Capital resources</b>		
Equity (net assets)	3,375.9	3,726.2
Subordinated debt and redeemable preference shares	755.5	800.1
Senior debt	533.7	505.9
<b>Total capital resources</b>	<b>4,665.1</b>	<b>5,032.2</b>
<b>Gearing ratios</b>		
Total debt / equity	38.2%	35.0%
Senior debt / capital resources	11.4%	10.1%

Our gearing (total debt to equity) was 38.2% (31 December 2007 – 35.0%), below our target range of 40% to 50%.

Net assets decreased \$350.3m to \$3.38bn (31 December 2007 – \$3.73bn) for the following reasons:

Movement of net assets	A\$m
Net assets as at 31 December 2007	3,726.2
Net profit after tax	94.2
Dividends paid	(220.0)
On-market share buy-back	(27.1)
Other reserves (mainly foreign exchange related)	(197.4)
Net assets as at 30 June 2008	3,375.9

### Debt

Total debt at 30 June 2008 was down \$16.8m to \$1.29bn (31 December 2007 – \$1.31bn).

At 30 June 2008 A\$m	Committed	Drawn
<b>Senior debt</b>		
Loan from AXA SA (US\$ denominated)	233.7	233.7
Loan from AXA SA (A\$ denominated)	480.0	300.0
<b>Total senior debt</b>	<b>713.7</b>	<b>533.7</b>
<b>Redeemable preference shares and subordinated debt</b>		
Hong Kong – Redeemable Preference Shares (US\$ denominated \$430m) – with AXA SA	446.6	446.6
Loan from Winterthur Switzerland (HK\$ denominated)	28.9	28.9
Loan from AXA SA (A\$ denominated)	280.0	280.0
<b>Total redeemable preference shares and subordinated debt</b>	<b>755.5</b>	<b>755.5</b>
<b>Total debt</b>	<b>1,469.2</b>	<b>1,289.2</b>

Senior long term debt with the Global AXA Group is drawn in either A\$ or US\$. The average after tax interest rate for interest bearing debt for the six months ended 30 June 2008 was 3.73% pa.

The Group's debt is structured to provide flexibility and limit the Group's refinancing risk. The debt maturity profile of our committed debt facilities are spread out over a number of different periods, and has a weighted average duration of approximately two years.

### Currency exposure

Our policy is to not generally hedge the exposure of balance sheet, economic value or earnings to movements in currency, except:

- debt will normally be denominated in the appropriate currency as a natural hedge against material exposures, up to a maximum level equal to the economic value of Group assets held in each currency
- where a specifically identified risk exists, such as transaction exposure or political risk, hedges may be taken to protect earnings and/or value on a case by case basis.

	A\$m
Position as at 30 June 2008:	
- US\$ denominated debt (including A\$/US\$ cross currency interest rate swaps)	760.3
- HK\$ denominated debt (including A\$/HK\$ cross currency interest rate swaps)	128.9
<b>Total hedged</b>	<b>889.2</b>

### Capital performance

Return on equity and return on capital decreased over the year as a result of less favourable investment returns. These were partially offset by growth in Operating Earnings.

On a normalised basis, where Investment Earnings are restated using long term investment assumptions as outlined in section 3, the return on equity and return on capital increased by 70bps and 20bps respectively.

12 months to	30 Jun 08	31 Dec 07
Rolling 12 months return on equity <sup>1</sup>	10.1%	16.9%
Rolling 12 months return on equity (adjusted for normalised Investment Earnings) <sup>2</sup>	16.6%	15.9%
Rolling 12 months return on capital <sup>3</sup>	8.4%	13.8%
Rolling 12 months return on capital (adjusted for normalised Investment Earnings) <sup>2,3</sup>	13.3%	13.1%

1 Calculated as profit after tax and before non-recurring as a percentage of average shareholders' equity

2 Calculated after replacing Investment Earnings with normalised Investment Earnings of \$185m (12 months to June 2008) and \$205m (12 months to June 2007)

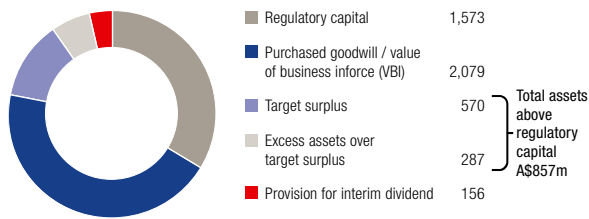
3 Calculated as profit after tax and before non-recurring items and interest expense for the 12 month period as a percentage of average total capital resources

### Capital allocation

At 30 June 2008 we had total capital resources, being shareholders' equity, senior and subordinated debt and redeemable preference shares, of \$4.67bn.

At 30 June 2008 A\$m	Notional net assets	Goodwill	Total
Australia and New Zealand	1,044.0	691.1	1,735.1
Hong Kong	971.0	1,341.1	2,312.1
Asia (ex Hong Kong)	323.0	47.1	370.1
Unallocated corporate net assets	247.8	0.0	247.8
<b>Total capital</b>	<b>2,585.8</b>	<b>2,079.3</b>	<b>4,665.1</b>
Subordinated debt and redeemable preference shares			(755.5)
Senior debt			(533.7)
<b>Shareholders' equity</b>			<b>3,375.9</b>

### Total Capital \$4.67bn



Total regulatory capital, including the solvency and capital adequacy reserves, increased by \$250m to \$1.57bn (31 December 2007 – \$1.32bn) largely due to investment market and exchange rate movements.

The increase in regulatory capital of \$250m included:

- Australia and New Zealand (increase of \$61m):
  - \$10m reduction due to capital initiatives
  - \$71m increase mainly due to weak equity markets, which reduced the value of assets supporting participating business
- Hong Kong (increase of \$216m):
  - \$5m reduction due to capital initiatives
  - \$250m increase mainly due to lower equity returns and widening credit spreads, which reduced the policy liabilities supporting participating business, but does not reduce the regulatory required assets. As regulatory capital is the difference between these two large figures, this increases regulatory capital.
  - \$29m reduction in regulatory capital following a weakening of the HK\$ spot rate, reducing the A\$ value of regulatory capital in Hong Kong
- Asia ex Hong Kong (decrease of \$27m) mainly due to exchange rate movements, dividends paid and a lower level of shareholder capital held in the region.

We target a level of assets in excess of regulatory capital requirements (target surplus) such that, in normal market conditions, at all times over the following two-year period, and using statistical techniques based on accepted models of market scenarios, there is a 96% probability of meeting regulatory capital requirements.

One of the key tools used to determine the target surplus level is an asset-liability model that projects 1,000 scenarios of future capital requirements. This model takes into account a whole range of asset simulations and then calculates the impacts on cashflows and capital requirements for each simulation, taking into account management policies and policyholder reactions.

Target surplus is based upon normal market conditions. In adverse market conditions, actual surplus may be below the target. In strong market conditions, actual surplus may be above the target. Notwithstanding the significant equity market falls in the first half of the year, assets above regulatory capital continue to exceed our target surplus requirements.

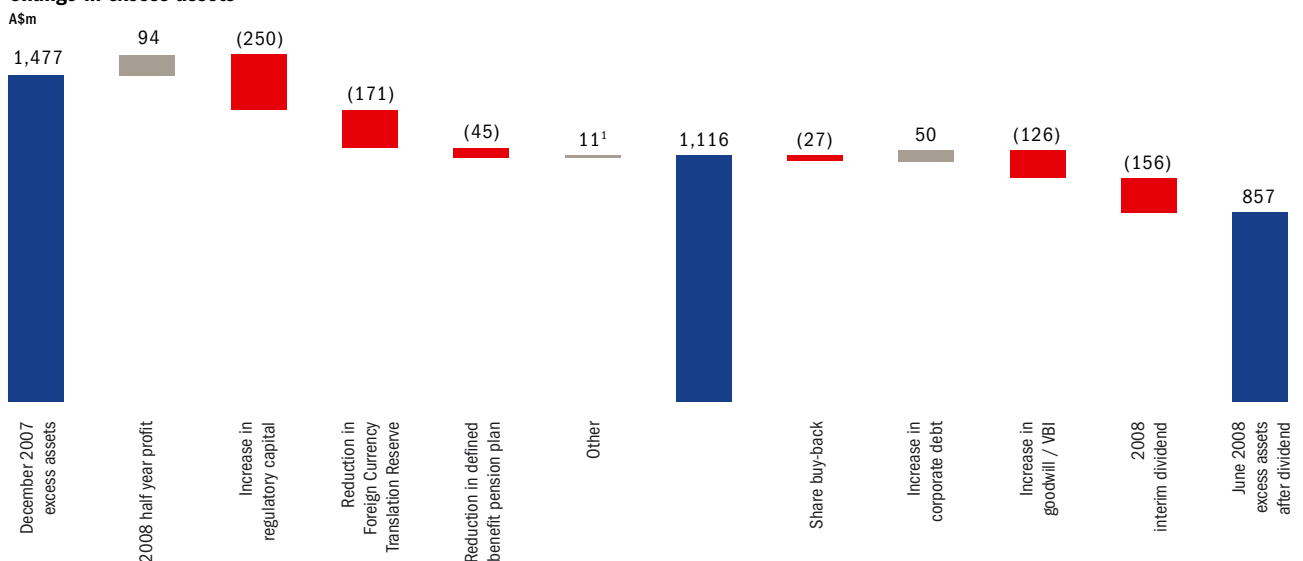
Target surplus is managed at the Group level after allowing for diversification benefits between entities. Target surplus is reviewed annually, and at 30 June 2008 remained unchanged from the position at 31 December 2007.

Purchased goodwill and the value of business inforce increased by \$126m following the acquisition of Genesys.

Excess assets over target surplus reduced by \$620m to \$857m (31 December 2007 – \$1,477m) primarily due to the increase in regulatory capital, the reduction in the Foreign Currency Translation Reserve (FCTR) and the purchase of Genesys.

The chart below highlights movements in the total assets above regulatory capital for the period.

### Change in excess assets



<sup>1</sup> 'Other' includes items that affect shareholder equity which are not reported as profit, such as movements relating to treasury shares. The effect of the strengthening of the A\$ on debt levels was offset by the exchange rate effect on goodwill

# 8 | AXA goals and strategic direction

## 8.1 Australia and New Zealand – Ambition 2012 goals

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.

### Overarching goal – Double illustrative enterprise value

At  
A\$bn



### Ambition 1 – Double the value of new business

12 mths to  
A\$m



### Ambition 4 – Reduce the cost to income ratio by 20 per cent

%



### Ambition 2 – Top 3 in both retail funds flow and net premium flows

12 mths to  
Rank



- Our chosen market segment for Australia is term, trauma and TPD
- Our chosen market segment for New Zealand is individual life, individual income protection and group risk

### Ambition 5 – Top third for customer and adviser satisfaction

12 mths to  
Percentile ranking



### Ambition 6 – Top quartile for employee engagement

12 mths to  
Percentile ranking



### Ambition 3 – Double funds under advice including aligned channels

12 mths to  
A\$bn



<sup>3</sup> Ambition 3 target has been adjusted from \$54bn to \$70bn to reflect the acquisition of Genesys Wealth Advisers as at 30 June 2008

## 8.2 Asia 6 goals

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

The Asia 6 overarching goal is to more than double the illustrative enterprise value by the end of 2008 to A\$9.2bn. At 30 June illustrative enterprise value was A\$8.9bn.

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

Our Asia 2 target is to grow total inflows to \$4.3bn. Gross inflows were up 21% to \$4.0bn over the past 12 months, although remained flat over the half year reflecting a bias towards 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 the value of new business.

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 \$805m which is currently ahead of our year end target.

Our Asia 4 objective is 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 in the half year to 5.4% reflecting growing scale and the full effect of cost synergies from our acquisition of Winterthur.

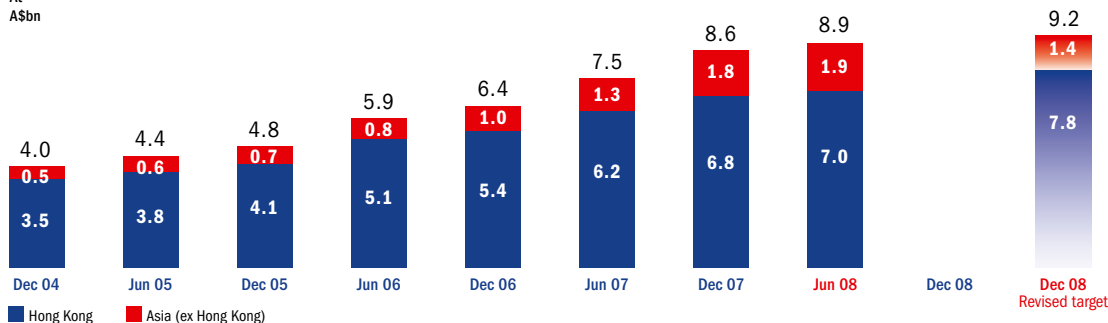
Our Asia 5 goal is to improve the 13 month persistency ratio on regular premium business to 80% and here we continue to perform better than target and our pricing assumptions.

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.

In summary, overall we remain on track. Whilst Hong Kong is further behind its targets, this has been compensated for by better performance across the rest of the region.

### Overarching goal – More than double illustrative enterprise value<sup>1</sup>

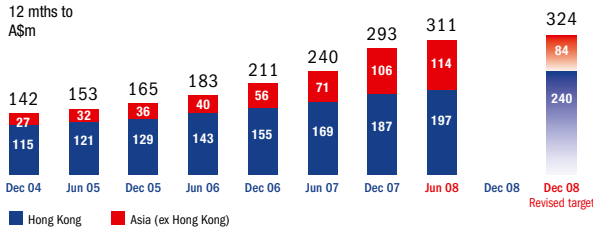
At  
A\$bn



<sup>1</sup> Illustrative only; 100% share; based on constant currency exchange rates as at 31 December 2004; assumes midpoint valuation metrics of 10.5%-11.5% HK risk discount rate, risk discount rate of 11% – 20% for Asia (ex Hong Kong) businesses, and VNB multiples for HK of 7x-20x Financial protection, 15x-20x Wealth management, and 4x-7x Group medical and general insurance

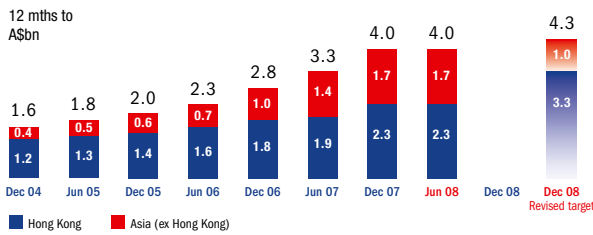
# 8 | AXA goals and strategic direction

## Asia 1 – More than double the value of new business<sup>2</sup>



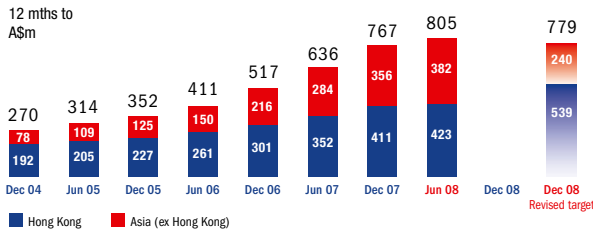
2 Illustrative only, 100% of joint venture operations, based on constant currency exchange rates at 31 December 2004 and constant assumed risk discount rates (11% for HK, 11%-20% for Asia (ex Hong Kong))

## Asia 2 – Grow total inflows<sup>3</sup> 2.7 times



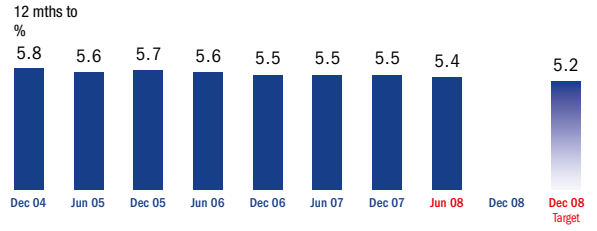
3 100% of joint venture operations, based on constant currency exchange rates at 31 December 2004

## Asia 3 – Grow new business index<sup>4</sup> more than 2.9 times



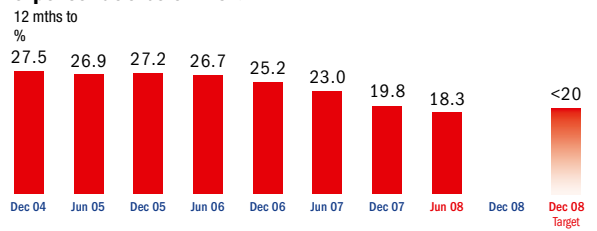
4 Regular premium sales plus 10% of single premium sales

## Asia 4 – Reduce Hong Kong management expense ratio<sup>5</sup> to 5.2%

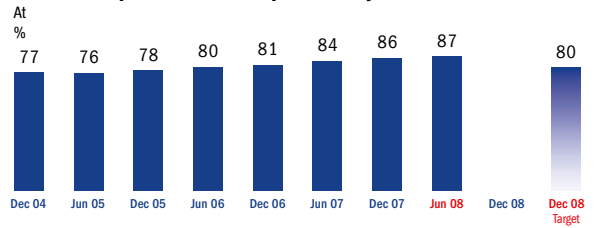


5 Rolling 12 months

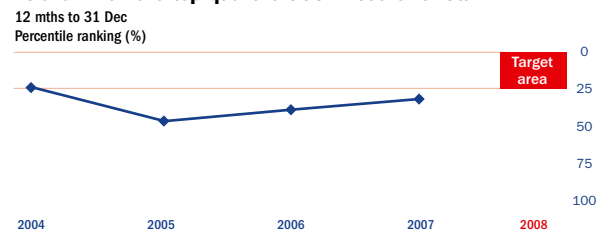
## Asia 4 – Reduce Asia (ex Hong Kong) management expense ratio below 20%



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



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



## 9.1 Group balance sheet

\$m	30 Jun 2008	31 Dec 2007
<b>Assets</b>		
Cash at bank and deposits on call	1,603	1,730
Receivables	729	814
Current tax receivable	86	-
Equity securities	12,757	15,485
Debt securities	11,739	13,553
Property investments	1,545	1,888
Other financial assets	61	53
Investments accounted for using the equity method	170	164
Property, plant and equipment	56	56
Deferred tax assets	367	151
Goodwill	1,783	1,679
Intangible assets	409	442
Deferred acquisition costs	185	160
Other assets	21	21
<b>Total assets</b>	<b>31,511</b>	<b>36,196</b>
<b>Liabilities</b>		
Payables	1,155	2,110
Current tax liabilities	-	256
Financial liabilities	534	506
Provisions	111	166
Deferred tax liabilities	187	218
Other liabilities	42	59
Retirement benefit obligations	104	34
Subordinated debt and redeemable preference shares	756	800
Minority interest in controlled unit trusts	1,025	1,346
Policy liabilities	24,221	26,975
<b>Total liabilities</b>	<b>28,135</b>	<b>32,470</b>
<b>Net assets</b>	<b>3,376</b>	<b>3,726</b>
<b>Equity attributable to shareholders of the parent entity</b>		
Issued capital	653	672
Reserves	(367)	(203)
Shareholders' retained profits	3,090	3,257
<b>Total equity</b>	<b>3,376</b>	<b>3,726</b>

# 10 | Miscellaneous

## 10.1 Financial calendar for 2008

Event	Date
2008 half year result announcement	5 August 2008
2008 interim dividend	
- Ex date	18 August 2008
- Record date	22 August 2008
- Paid to shareholders	15 September 2008
New business and funds flow Q3 2008 release	22 October 2008
Strategy day	21 November 2008
End of 2008 full year	31 December 2008

## 10.2 Key 2008 ASX releases

This schedule contains a summary of the announcements made to the ASX in 2008 to date. It does not include announcements of changes in Directors' interests, substantial shareholder notices, or investor presentations. Reference should be made to a copy of the ASX announcements should further information be required. These are available on [www.axaasiapacific.com.au](http://www.axaasiapacific.com.au).

6 February	<b>New business and funds flow</b>	New business and funds flow for the twelve months ended 31 December 2007
19 February	<b>2007 full year results materials</b>	
7 March	<b>Final share buyback</b>	Notice of final share buyback and completion of \$400m share buyback
16 April	<b>AXA APH AGM materials</b>	
16 April	<b>Director appointment</b>	Notice of appointment of Tony Froggatt as a non-executive Director
23 April	<b>New business and funds flow</b>	New business and funds flow for the three months ended 31 March 2008
28 April	<b>AXA APH Senior Executive Change</b>	Announcement of appointment of Mark Pearson, Chief Executive Officer of AXA Asia Life, to President and CEO of AXA Life Japan and AXA Japan Holdings
16 May	<b>Malaysian Assurance Alliance Berhad</b>	Announcement that AXA was no longer pursuing the possible acquisition of Malaysian Assurance Alliance Berhad in Malaysia
4 June	<b>Challenger transaction</b>	Announcement of acquisition of Challenger's financial planning business and sale of AXA Australia's annuity business to Challenger
3 July	<b>Board changes</b>	Notice of appointment of Peter Sullivan as a non-executive Director and retirement of Robin Monro-Davies
23 July	<b>New business and funds flow</b>	New business and funds flow for the six months ended 30 June 2008
30 July	<b>AXA APH Senior Executive Appointments</b>	Announcement of appointment of Michael Bishop to the position of Regional Chief Executive AXA Asia Life and Keith Perkins as Regional Chief Operating Officer AXA Asia Life

### 10.3 Top 20 shareholders at 30 June 2008

Shareholder	Number of shares held	% of issued capital
1 AXA SA	742,063,178	43.88%
2 HSBC Custody Nominees (Australia) Limited	111,080,415	6.57%
3 National Nominees Limited	109,841,591	6.50%
4 AXA <NO 2 A/C>	97,653,005	5.77%
5 JP Morgan Nominees Australia Limited	84,545,955	5.00%
6 AXA Sun Life PLC	59,125,101	3.50%
7 Citicorp Nominees	29,495,862	1.74%
8 ANZ Nominees Limited	18,175,808	1.07%
9 AXA APH Executive Share Plan (Australia) Pty Limited	16,889,662	1.00%
10 Cogent Nominees	16,214,818	0.96%
11 AXA APH Executive Share Plan (Australia) Pty Limited	7,160,633	0.42%
12 Tasman Asset Management Ltd	7,037,122	0.42%
13 HSBC Custody Nominees (Australia) Limited	6,286,624	0.37%
14 Australian Foundation Investment Company Limited	6,147,808	0.36%
15 Argo Investments Limited	5,226,109	0.31%
16 Cogent Nominees Pty Limited	4,245,271	0.25%
17 Queensland Investment Corporation	3,330,734	0.20%
18 UBS Wealth Management Australia Nominees Pty Ltd	3,249,585	0.19%
19 Custodial Services Limited	3,091,999	0.18%
20 Djerriwarrh Investments Limited	2,543,966	0.15%
<b>Total top 20</b>	<b>1,333,405,246</b>	<b>78.84%</b>
Remainder	357,838,505	21.16%
<b>Total issued shares</b>	<b>1,691,243,751</b>	<b>100.00%</b>

### 10.4 Corporate governance and responsibility

For detailed information on AXA APH's corporate governance practices and policies, and corporate responsibility commitments and activities, please refer to our Concise Annual Reports (copies of which are located on our website at [www.axaasiapacific.com.au](http://www.axaasiapacific.com.au)), and other useful information located on our website.

### 10.5 Exchange rates

		2008	2007
<b>Profit and loss</b>		<b>6 months to 30 June</b>	<b>6 months to 30 June</b>
United States	USD	0.93	0.81
Hong Kong	HKD	7.21	6.33
Singapore	SGD	1.28	1.24
New Zealand	NZD	1.18	1.13
Philippines	PHP	38.84	38.70
Indonesia	IDR	8,561.0	7,352.94
Thailand	THB	29.32	28.11
Malaysia	MYR	2.98	2.81
India	INR	37.71	34.44
China	CNY	6.53	6.26
<b>Balance sheet</b>		<b>As at 30 June</b>	<b>As at 31 December</b>
United States	USD	0.96	0.88
Hong Kong	HKD	7.51	6.86
Singapore	SGD	1.31	1.26
New Zealand	NZD	1.26	1.13
Philippines	PHP	43.29	36.18
Indonesia	IDR	8,891.36	8,291.67
Thailand	THB	32.21	26.18
Malaysia	MYR	3.15	2.91
India	INR	41.43	34.61
China	CNY	6.60	6.42

## **Disclaimer**

The information contained in this Investor Compendium is in addition to the financial statements and financial accounts. It is given in good faith and consists of internal management information and opinions and external market data. While AXA APH has sought to ensure that information and opinions expressed are reasonable by undertaking a review process, it makes no representation or warranty as to the accuracy or completeness of any information, opinion or statement in this Investor Compendium.

The Investor Compendium is not an offer document and therefore has not been subject to audit or a full due diligence process typically used for an offer document. In particular, information and statements in this Investor Compendium do not constitute investment advice or a recommendation on any matter.

The information contained in this Investor Compendium is for general information only. It is not intended that the Investor Compendium be relied upon as advice to investors or potential investors and it does not take into account the investment objectives, financial situation or needs of any particular investor. Past performance is not necessarily an indicator of future performance.

Forward looking statements, which are used in this Investor Compendium are based on management's current views and assumptions and involve known and unknown risks and uncertainties, many of which are beyond the control of AXA APH. Actual results, performance or events may differ materially from those statements and opinions expressed or implied in this Investor Compendium and are not guarantees or representations of future performance.

# Corporate directory

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Stock exchange listing Australian Stock Exchange (ASX)  
ASX code AXA

## Registered office

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Website [www.axaasiapacific.com.au](http://www.axaasiapacific.com.au)

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