Milena Penca
Company Secretary

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21 February 2006

Australian Stock Exchange Limited
Company Announcements Office
20 Bridge Street
SYDNEY NSW 2000

Market Information Services
New Zealand Stock Exchange
ASB Bank Tower
Level 9, 2 Hunter Street
Wellington
New Zealand

Dear Sir/Madam

AXA Asia Pacific Holdings Limited

Attached are materials in relation to the results of AXA Asia Pacific Holdings Limited for the year ended 31 December 2005, consisting of:

- Appendix 4E for the financial year ended 31 December 2005
- Investor compendium providing detailed information concerning the results
- Press release
- Presentation slides and speaker notes that will be used in presenting the results today.

Yours faithfully

Milena Penca
Group General Counsel & Company Secretary

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AXA ASIA PACIFIC HOLDINGS LIMITED

ABN 78 069 123 011

APPENDIX 4E

FOR THE YEAR ENDED

31 December 2005

1 Reporting Period

Year ended ('reporting period'):

31 December 2005

Previous year ended ('previous corresponding period'):

31 December 2004

2 Results for announcement to the market

Profit after income tax and before non-recurring items for the 12 months ended 31 December 2005 was $542 million (2004 - $514 million).

$Am	2005	2004
Operating Earnings	377	306
Investment Earnings	256	231
Corporate expenses - A&NZ and Group centre	(34)	(37)
- Executive share plan expense	(8)	(4)
- Asian regional and development costs	(31)	(12)
Interest expense - debt and debt related swaps	(53)	(42)
- other derivatives	35	17
Profit after tax before non recurring items	**542**	**459**
Non recurring items after tax	-	55
Profit after tax after non recurring items	**542**	**514**

- Profit after tax and before non-recurring items is up 18% to $542 million (2004 - $459 million).

- Operating Earnings are up 23% to $377 million (2004 - $306 million)

- Australia and New Zealand up 42% to $204 million (2004 - $143 million)

- Hong Kong in local currency up 10% to HK$1,012 million (2004 – HK$918 million), in Australian dollars up 6% to $173 million

- Investment Earnings are up 11% to $256 million (2004 - $231 million), with Australia and New Zealand Investment Earnings of $136 million (2004 - $124 million) and Hong Kong and Singapore Investment Earnings of $120 million (2004 - $107 million). Investment earnings are, by their very nature, volatile.

- Corporate expenses up 38% to $73 million (2004 - $53 million), primarily due to increased Asian regional and development costs.

					$A'm
2.1	Revenue from ordinary activities	Down	0.4%	To	4,918
2.2	Profit (loss) from ordinary activities after tax attributable to members	Up	5.4%	To	542
2.3	Net profit (loss) for the period attributable to members	Up	5.4%	To	542

		Amount Per Security	Franked amount Per security
	Dividends (distributions)		
2.4	Interim dividend (paid)	6.25¢	1.88¢
	Final dividend (proposed)	7.75¢	2.33¢
2.5	Record date for determining Entitlements to the final dividend	10 March 2006	

2.6 Brief explanation (if required) of any of the figures reported above.
Refer Investor Compendium and Financial Report for analysis of figures reported above.

A final dividend in respect of the 12 months ended 31 December 2005 of $135 million, franked to 30 per cent, (7.75 cents per share), was declared and is payable to shareholders on 31 March 2006. An interim dividend of 6.25 cents per share, franked at 30 percent (totalling $109 million) was paid during the year ended 31 December 2005.

2a Basis of preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

The accounting policies adopted in the preparation of the preliminary final report are consistent with those adopted and disclosed in the 2005 interim financial report.

Details of changes in accounting policies:

None

3 Income Statement

	Note	2005 $m	2004 $m
Premium, fee and other revenue	3.1	**2,209**	2,102
Investment revenue	3.1	**2,709**	2,838
Revenue from ordinary activities		**4,918**	4,940
Claims expense	3.1	**(1,044)**	(917)
Changes in net policy liabilities and policyowner retained profits	4.3	**(2,136)**	(2,294)
Commission		**(432)**	(412)
Operating expenses	3.1	**(662)**	(693)
Expenses from ordinary activities		**(4,274)**	(4,316)
Share of net profits of associates and joint ventures accounted for using the equity method	11	**8**	5
Finance costs	3.1	**(61)**	(45)
Profit before income tax		**591**	**584**
Income tax (expense)/benefit		**(49)**	(70)
Net profit after tax attributable to shareholders of AXA		**542**	**514**

3.1 Notes to the Income Statement

		2005 $m	2004 $m
	Revenue and Expense		
(a)	Included in the profit before income tax are the following items of revenue and expense		
	Revenue		
	Premium revenue		
	Premium revenue received and receivable	**3,905**	3,964
	Less deposits recognised as an increase in policy liabilities	**(2,147)**	(2,267)
	Total premium revenue	**1,758**	**1,697**
	Fees and Other Revenue		
	Fees	**308**	262
	Other operating income	**143**	143
	Total fees and other revenue	**451**	**405**
	Premium, fees and other revenue	**2,209**	**2,102**
	Investment revenue		
	Equity securities		
	Dividends		
	- Other parties	**96**	176
	Net realised gains/(losses)	**270**	60
	Net unrealised gains/(losses)	**534**	505
	Unit trust distributions	**795**	794
	Debt securities		
	Interest income		
	- Other parties	**717**	742
	Net realised gains/(losses)	**135**	(48)
	Net unrealised gains/(losses)	**(95)**	229
	Property investments		
	Net property rental		
	- Other parties	**9**	23
	Net realised gains/(losses)	**6**	24
	Net unrealised gains/(losses)	**70**	110
	Unit trust distributions	**47**	62
	Other investments		
	Net exchange gain/(loss) on foreign currency transactions	**28**	61
	Net realised gains/(losses)	**73**	-
	Net unrealised gains/(losses)	**24**	100
	Investment revenue	**2,709**	**2,838**
	Revenue from ordinary activities	**4,918**	**4,940**

3.1 Notes to the Income Statement (continued)

		2005	2004
		$m	$m
	Revenue and Expense (continued)		
(b)	**Expense**		
	Claims expense		
	Claims expenses paid and payable	**3,548**	3,255
	Less: withdrawals recognised as a reduction in policy liabilities	**(2,504)**	(2,338)
	Total Claims expense	**1,044**	**917**
	Included in total claims paid or payable		
	Life insurance claims		
	Life investment claims		
	Other operating expenses		
	Employee benefits expense	**307**	309
	Consultancy & legal	**31**	40
	IT and telecommunication costs	**16**	38
	Investment management fees	**38**	29
	Other expenses	**270**	277
	Total Other operating expenses	**662**	**693**
	Finance costs		
	Interest		
	Other related parties	**64**	52
	Other parties	**(3)**	(7)
	Total Finance costs	**61**	**45**

3.1 Notes to the Income Statement (continued)

		2005 $m	2004 $m
	Revenue and Expense (continued)		
(c)	**Significant Items**		
	The following individually significant items have been recognised in the Income Statement for the period, net of tax:		
	Fair value movement of derivatives	**-**	83
	Additional pension plan costs relating to change in crediting rate	**-**	(11)
	Impairment of goodwill in Sterling Grace Australia Holdings Limited	**-**	(10)
	Professional fees associated with the AXA SA bid for minority interests	**-**	(7)
	Total Significant Items of Revenue/(Expense)	**-**	55
(d)	**Specific Expense Disclosures**		
	Included within operating expenses above are the following specific items:		
	Depreciation, amortisation or diminution in value of		
	-Operating assets	**19**	25
	-Leased assets	**2**	-
	-Other intangibles	**6**	2
	Operating lease rental expense	**7**	18
	Contribution to superannuation plans	**24**	34

4 Balance Sheet

	Note	**2005 $m**	2004 $m
Assets			
Cash at bank and deposits on call	5.1	**1,447**	1,690
Receivables		**609**	554
Equity securities	4.1	**11,207**	9,941
Debt securities	4.1	**13,662**	12,671
Property investments	4.1	**1,687**	1,624
Other financial assets	4.1	**178**	181
Property, Plant and Equipment		**46**	68
Deferred tax assets		**149**	396
Goodwill		**1,235**	1,235
Intangible assets		**29**	31
Deferred acquisition costs		**107**	106
Other assets		**15**	7
Total Assets		**30,371**	28,504
Liabilities			
Payables		**1,129**	1,086
Current tax liabilities		**156**	316
Financial liabilities		**356**	550
Provisions		**123**	111
Deferred tax liabilities		**359**	373
Other liabilities		**39**	60
Retirement benefit obligations		**90**	117
Subordinated debt		**912**	873
Policy liabilities	4.3	**22,980**	21,482
Policy owner retained profits	4.3	**684**	426
Total Liabilities		**26,828**	25,394
Net Assets		**3,543**	3,110
Equity attributable to shareholders of the parent entity			
Issued capital		**1,005**	1,004
Reserves		**33**	(54)
Shareholders' retained profits	8	**2,505**	2,160
Total equity		**3,543**	3,110

4.1 Other Financial Assets

	2005	2004
	$m	$m
Other Financial Assets		
Equity Securities		
Equities held directly	**6,174**	4,191
Equities in associated entities	**107**	206
Equities held via unit trusts	**4,926**	5,544
	11,207	**9,941**
Debt securities		
Interest bearing securities		
-Government	**1,782**	1,882
-Other public sector	**615**	379
-Private sector (unsecured)	**6,404**	7,052
-Private sector (secured)	**142**	310
Loans to		
-Other related parties (unsecured)	**3**	5
-Other parties (unsecured)	**1**	2
-Other parties (secured)	**887**	899
Held via unit trusts	**3,828**	2,142
	13,662	**12,671**
Property investments		
Freehold and leasehold properties	**198**	252
Properties held by associated entities	**407**	378
Held via unit trusts	**1,082**	994
	1,687	**1,624**
Other financial assets		
Other investments	**178**	181
Held via unit trusts	**-**	-
	178	**181**
Total Financial Assets	**26,734**	**24,417**

4.2 Goodwill

	2005 $m	2004 $m
Gross carrying amount		
At 1 January	1,245	1,245
Additional amounts recognised through business combinations	-	-
Derecognised on disposal of a subsidiary	-	-
Other	-	-
At 31 December	**1,245**	**1,245**
Accumulated impairment losses		
At 1 January	(10)	-
Impairment losses	-	(10)
Eliminated on disposal of a subsidiary	-	-
At 31 December	**(10)**	**(10)**
	1,235	**1,235**

The consolidated entity tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. No impairment is deemed to have occurred during 2005. During 2004 the entity assessed the recoverable amount of goodwill in relation to Sterling Grace Australia Holdings Limited, and impaired the carrying value of goodwill by $10 million.

Goodwill acquired through business combinations has been allocated to the following groups of cash generating units for impairment testing as follows:

	2005 $m	2004 $m
AXA China Region	**809**	809
Sterling Grace Holdings Ltd (NZ)	**125**	125
Sterling Grace Australia Holdings Limited	**45**	45
ipac	**211**	211
AXA Life Singapore	**45**	45
	1,235	1,235

4.3 Policy liability and life insurance business

	2005 $m	2004 $m
Policy liabilities and policyowner retained profits at the end of the year	**23,664**	21,908
Policy liabilities and policyowner retained profits at the end of the previous period	**21,908**	20,178
Net change in policy liabilities and policyowner retained profits	1,756	1,730
Net change in policy liabilities and policyowner retained profits as above	**(1,756)**	**(1,730)**
Premiums recognised as an increase in policy liabilities	**2,147**	2,267
Claims recognised as a decrease in policy liabilities	**(2,504)**	(2,338)
Terminal bonus paid in the current year	**-**	(79)
Policyholder tax expense	**(350)**	(363)
Exchange adjustment	**327**	(51)
Net increase/(decrease) in insurance contract policy liabilities	(2,136)	(2,294)
Components of policy liabilities and policyowner retained profits		
Life insurance contracts		
Best Estimate Liability (1)		
Value of future policy benefits (2)	**17,926**	17,766
Value of future expenses	**1,711**	1,694
Value of (balance of) future premiums	**(12,499)**	(12,470)
Total Best Estimate Liability	7,138	6,990
Value of Future Profits (1)		
Value of future policy owner bonuses (3)	**3,933**	3,511
Value of shareholder profit margins	**2,732**	2,325
Total Value of Future Profits	6,665	5,836
Total value of declared bonuses (4)	**170**	167
Net policy liabilities for insurance contracts	13,973	12,993
Life investment contracts		
Investment contract liability	**9,688**	8,886
Management services asset or liability	**3**	29
Net policy liabilities for investment contracts	9,691	8,915
Total value for net policy liabilities and policyowner retained profits	23,664	21,908
Represented by:		
Policy liabilities	**22,980**	21,482
Policy owner retained profits	**684**	426
	23,664	21,908

1. For business valued by the projection method, the future charges for acquisition expenses are not an identified component of the policy liability.
2. Future policy benefits include bonuses credited to policy owners in prior periods but exclude current period bonuses as shown in (4) and future bonuses (3).
3. Future bonuses exclude current period bonuses.
4. Current period declared bonuses valued in accordance with the actuarial standard.

5 Statement of Cash Flows

	Note	**2005** **$m**	2004 $m
Cash flows from Operating Activities			
Premiums received		**3,898**	3,874
Interest received		**711**	597
Dividends/ trust distributions received		**967**	438
Fees, rents and other cash received		**537**	600
Policy payments		**(3,410)**	(3,196)
Interest and other finance costs paid		**(63)**	(62)
Income tax (paid) / received		**(234)**	(51)
Fees and commissions paid		**(495)**	(427)
Payment to suppliers and employees		**(674)**	(720)
Net Cash Provided by Operating Activities	5.1	**1,237**	1,053
Cash flows from Investing Activities			
Proceeds from sale of / (investment in) operating assets		**10**	(20)
Net proceeds from sale of / (investment in) equity securities		**(284)**	(297)
Net proceeds from sale of / (investment in) debt securities		**(802)**	(1,330)
Net proceeds from sale of / (investment in) property investments		**17**	599
Net proceeds from sale of / (investment in) other financial assets		**3**	99
Net Cash Provided by / (Used in) Investing Activities		**(1,056)**	(949)
Cash flows from Financing Activities			
Dividends paid during the year		**(222)**	(187)
Repayment of borrowings		**(225)**	(100)
Net Cash Provided by/(Used in) Financing Activities		**(447)**	(287)
Net increase / (decrease) in Cash Held		**(266)**	(183)
Cash at beginning of the financial period		**1,690**	**1,884**
Effect of exchange rate changes on the balance of cash held in foreign currencies at the beginning of the financial period		**23**	(11)
Cash at the End of the Financial Period	5.1	**1,447**	1,690

5.1 Notes accompanying the Statement of Cash Flows

		2005 $m	2004 $m
(a)	**Reconciliation of Cash**		
	For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:		
	Cash at bank and deposits on call	**1,447**	1,690
	Bank overdrafts	**-**	-
	Cash at the End of the Financial Year	**1,447**	**1,690**
	Financing Facilities		
	The total facilities available at balance date were as follows :		
	Bank overdraft and bill facilities	**-**	3
	Loan facilities and subordinated debt (denominated in United States Dollars)	**1,221**	1,240
	Loan facilities and subordinated debt (denominated in Australian Dollars)	**410**	410
	Total Financing Facilities	**1,631**	**1,653**
	Used at balance date :		
	Bank overdraft and bill facilities	**-**	-
	Loan facilities and subordinated debt (denominated in United States Dollars)	**988**	1,140
	Loan facilities and subordinated debt (denominated in Australian Dollars)	**280**	280
	Total Financing Facilities Used	**1,268**	**1,420**
	Unused at balance date :		
	Bank overdraft and bill facilities	**-**	3
	Loan facilities and subordinated debt (denominated in United States Dollars)	**233**	100
	Loan facilities and subordinated debt (denominated in Australian Dollars)	**130**	130
	Total Financing Facilities Unused	**363**	**233**

Senior debt

During the year, the AXA APH group repaid $225 million of senior debt (2004: $100 million).

Subordinated debt

No subordinated debt was drawn or repaid in 2005.

		2005 $m	2004 $m
(b)	**Reconciliation of Net Cash provided by Operating Activities to Operating Profit from ordinary activities after Income Tax**		
	Operating profit/(loss) after income tax	**542**	514
	Foreign exchange (gain)/loss	**(28)**	(80)
	Depreciation and amortisation of operating assets	**30**	27
	Share based payment expense	**8**	4
	Net depreciation/(revaluation) of investment assets and intangibles	**(1,085)**	(1,855)
	(Increase)/decrease in receivables	**(55)**	133
	(Increase)/decrease in other assets	**(9)**	(6)
	(Increase)/decrease in deferred tax asset	**247**	-
	Increase/(decrease) in payables	**28**	63
	Increase/(decrease) in provision for income tax	**(160)**	226
	Increase/(decrease) in deferred tax liability	**(16)**	88
	Increase/(decrease) in other liabilities	**(21)**	209
	Increase/(decrease) in net policy liabilities	**1,756**	1,730
	Net Cash (used in)/provided by Operating Activities	**1,237**	**1,053**

6 Dividends

Date the final dividend (distribution) is payable	31 March 2006

		Amount Per Security	Franked amount Per security At 30% tax	Amount per Security of foreign Source dividend
Interim dividend:	Current half year	6.25 ¢	1.88 ¢	4.37¢
	Previous half year	5.25 ¢	0.79 ¢	-
Final dividend	Current year end	7.75 ¢	2.33 ¢	5.42¢
	Previous year end	6.50 ¢	1.95 ¢	4.55¢

	Current Period $A'm	Previous Corresponding $A'm
Ordinary securities *(each class separately)*	222	187
Preference securities *(each class separately)*	-	-
Other equity instruments *(each class separately)*	-	-
Totals	222	187

7 Dividend reinvestment plans

Dividend reinvestment plans in operation	Not applicable
The last date(s) for receipt of election notices for participation in any dividend or distribution reinvestment plans	Not applicable

8 Statement of Retained Earnings

$ million	**As at 31 Dec 2005**	**As at 31 Dec 2004**
Shareholders' Retained Earnings		
Balance at beginning of the period	2,160	1,821
Profit for the period	542	514
Actuarial gains and losses	19	4
Dividends provided or paid	(222)	(187)
Dividends paid into Executive Share Plan	6	8
Balance at end of the period	2,505	2,160

9 Net tangible assets per security

	Current period	Previous corresponding Period
Net tangible assets per ordinary security	$1.31	$1.06

10 Entities over which control has been gained or lost

		Control gained	Control lost
4.1	Name of entity (or group of entities)	Not applicable	Not applicable
4.2	Date from which control was gained/lost	Not applicable	Not applicable
4.3	Profit (loss) from ordinary activities after tax of the controlled entity (or a group of entities) for the current period on which control was acquired (control gained) or for the current period to date of loss of control (control lost)	Not applicable	Not applicable
4.4	Profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	Not applicable	Not applicable

11 Details of associates and joint venture entities

	Percentage of ownership interest held at the end of period or date of disposal		Contribution to net profit / (loss)	
Equity accounted associates and joint venture entities	Current period %	Previous corresponding period %	Current period $A'm	Previous corresponding period $A'm
Alliance Capital Management Australia Ltd and Alliance Capital Management New Zealand Ltd	50%	50%	8	5
IMB Financial Planning Pty Ltd	50%	50%	-	-
Tynan Mckenzie Pty Ltd	33%	33%	-	-
TM Fallback Options Pty Ltd	50%	50%	-	-
AXA Life Insurance Corporation (Philippines)	45%	45%	-	-
PT AXA Life Indonesia	80%	80%	-	-
Krungthai AXA Life Insurance Company Limited	50%	50%	-	-
Totals	**Not applicable**	**Not applicable**	**8**	**5**
Other material interests	Not applicable	Not applicable	-	-
Totals	**Not applicable**	**Not applicable**	**8**	**5**

12 Other significant information

On 21 February 2006, AXA APH announced that it had reached agreement with National Australia Bank to purchase 100 per cent of MLC Hong Kong and MLC Indonesia for $575 million. The transaction is expected to be funded from internal capital resources. Completion of the acquisition is subject to regulatory approvals in Hong Kong and Indonesia.

13 Applicable Accounting Standards (foreign entities only)

Not applicable. AXA Asia Pacific Holdings Ltd is not a foreign entity.

14.1 Earnings per share

	31 Dec 2005	31 Dec 2004
Weighted average number of ordinary shares used in the calculation Of basic earnings per share and excluding non recurring items	1,742,168,225	1,740,691,632
Add: weighted average number of potential ordinary shares (1)	20,264,661	21,742,259
Weighted average number of ordinary shares and potential Ordinary shares used in the calculation of diluted earnings per share and excluding non recurring items	1,762,432,886	1,762,433,891
	$m	**$m**
Net profit used in calculating basic earnings per share	542	514
Net profit used in calculating basic earnings per share excluding significant items	542	459
Net profit used in calculating diluted earnings per share	544	516
Net profit used in calculating diluted earnings per share excluding significant items	544	461

(1) This relates to the acquisition of ipac Securities Limited. Refer Financial Report for the year ended 31 December 2004.

	Cents per share	Cents per share
Basic earnings per ordinary share	31.13	29.53
Basic earnings per ordinary share excluding significant items	31.13	26.37
Diluted earnings per ordinary share	30.87	29.30
Diluted earnings per ordinary share excluding significant items	30.87	26.18

14.2 Segment information

The revenue, result, assets and liabilities of each segment include items directly attributable to the segment and also those items that can be allocated on a reasonable basis. Unallocated items primarily comprise corporate assets and expenses. Inter-segment pricing is determined on an arm's length basis.

The Group is organised geographically (primary segment reporting) into three operating divisions as follows:

Australia and New Zealand : life insurance, funds management, health insurance and borrowing costs

Hong Kong : life insurance and funds management in Hong Kong

Asia ex Hong Kong: life insurance and funds management in China, Singapore and other Asian regions

The Group operates in the life and wealth management segments (secondary segment reporting) which includes life, term, trauma, and income protection insurance, retail funds, wealth management and superannuation. Segment revenue from external customers for the year totals $4,918 million (2004: $4,940 million) and segment assets at the end of the year are $30,371 million (2004: $28,504 million).

Primary Reporting - Geographical segments

Income Statement

12 months ended 31 December	**Australia and New Zealand**		**Hong Kong**		**Asia ex Hong Kong**		**Consolidation adjustments**		**Consolidated total**	
$ million	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Revenue										
External segment revenue	**3,457**	3,241	**1,305**	1,521	**156**	178	**-**	-	**4,918**	4,940
Inter-segment revenue	**870**	471	**2**	3	**1**	2	**(873)**	(476)	**-**	-
Share of net profit of equity accounted associates	8	5	**-**	-	**-**	-	**-**	-	**8**	5
Total revenue	**4,335**	**3,717**	**1,307**	**1,524**	**157**	**180**	**(873)**	**(476)**	**4,926**	**4,945**
Result										
Profit from ordinary activities before income tax expense	**332**	311	**257**	268	**2**	5	**-**	-	**591**	584
Income tax expense	**(35)**	(44)	**(12)**	(26)	**(2)**	-	**-**	-	**(49)**	(70)
Profit from ordinary activities after income tax expense	**297**	**267**	**245**	**242**	**-**	**5**	**-**	**-**	**542**	**514**

Balance Sheet

As at 31 December	**Australia and New Zealand**		**Hong Kong**		**Asia ex Hong Kong**		**Consolidation adjustments**		**Consolidated total**	
$ million	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Segment assets	**29,453**	27,074	**8,252**	7,197	**1,009**	964	**(8,857)**	(7,320)	**29,857**	27,915
Equity accounted investments	**461**	541	**-**	-	**53**	48		-	**514**	589
Total assets	**29,914**	**27,615**	**8,252**	**7,197**	**1,062**	**1,012**	**(8,857)**	**(7,320)**	**30,371**	**28,504**
Total liabilities	**24,324**	**22,789**	**6,167**	**5,208**	**877**	**801**	**(4,540)**	**(3,404)**	**26,828**	**25,394**

15 Disclosure of the adoption of Australian equivalents to International Financial Reporting Standards

This is the first full year report prepared based on Australian Equivalents to International Financial Reporting Standards (AIFRS). AASB 1 'First Time Adoption of Australian Equivalents to International Financial Reporting Standards' has been applied in preparing this report.

Prior to 1 January 2005 financial reports of the Group had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the report for the year ended 31 December 2005, management has amended certain accounting, valuation and consolidation methods applied in the previous AGAAP financial reports to comply with AIFRS.

Reconciliations and descriptions of the effects of transition from AGAAP to AIFRS on the Group's equity and profit are detailed below.

(a) Reconciliation of equity under previous AGAAP to AIFRS net of income tax

	31 December 2004	1 January 2004
	$m	$m
Total equity under previous AGAAP	**4,115**	**4,118**
De-recognition of internally generated goodwill	(396)	(388)
Adjustment to record differences in valuation of policy liabilities under AIFRS	(335)	(271)
Elimination of cost of Treasury shares held by AXA APH Executive Share Plan	(136)	(93)
Recognition of defined benefit pension plan liability using a risk free discount rate	(75)	(64)
Reclassification of minority interest to liabilities	(64)	(430)
Recognition of fair value of floating to fixed interest rate swaps previously held at cost	(13)	(19)
Other adjustments	14	6
Total equity under AIFRS	**3,110**	**2,859**

(b) Reconciliation of profit under previous AGAAP to AIFRS net of income tax

	31 December 2004 $m
Total profit under previous AGAAP	**540**
Gains and losses on derivative instruments taken to the Income Statement as requirements under AIFRS were not in place at transition	74
Adjustment to record differences in valuation of policy liabilities under AIFRS	(64)
Recognition of defined benefit pension plan liability using a risk free discount rate	(15)
Removal of appreciation on property	(11)
Recognition of fair value of floating to fixed interest rate swaps	9
Reclassification of foreign exchange gains on consolidation of the New Zealand statutory fund business previously booked to profit now taken to the foreign currency translation reserve	(9)
De-recognition of internally generated goodwill	(8)
Adjustment to consolidate the AXA APH Executive Share Plan, and record the amortisation of allocation rights issued	(6)
De-recognition of internally generated franking credits included in market value of subsidiaries	5
Other adjustments including de-recognition of selling costs for assets, removal of deferred tax discounting and adjustments to provisions	(1)
Total profit under AIFRS	**514**

Outlined below are the major differences between AGAAP and AIFRS.

1. Goodwill and Excess of Market Value Over Net Assets of controlled entities

Under AGAAP, all assets of a life insurer were held at market value, including investments in subsidiaries. On consolidation this led to the recognition of a separate asset, Excess of Market Value Over Net Assets (EMVONA), where the market value of the subsidiary exceeded the underlying net assets. EMVONA was not amortised but subject to recoverable amount testing. The balance of EMVONA at 31 December 2003 effectively represented acquired goodwill and increments in the value of goodwill since acquisition/establishment.

On transition to AIFRS, the internally generated portion of goodwill has been eliminated, which resulted in a reduction in this asset of $388 million at 1 January 2004 with the remainder classified as goodwill. At 31 December 2004 the reduction was $396 million. Most of the internally generated goodwill was in respect of the investment in AXA China Region.

2. Life insurance policy liabilities

Under AGAAP, policy liabilities of a life insurer were accounted for under AASB 1038 using the Margin on Services methodology. With the introduction of AIFRS, life insurers are required to classify products as either insurance, policies with discretionary participating features, or investment.

Products classified as either insurance or discretionary participating continue to be accounted for under AASB 1038. AASB 1038 has been amended to align with the limited guidance provided in AASB 4 'Insurance Contracts'. The most significant modification is the mandated use of a risk free rate to discount policy liabilities whose value is not directly linked to the value of identifiable assets (e.g. annuities, income protection, etc). Previously the expected long term rate of return based on the relevant asset pool to discount these liabilities was used. A liability adequacy test was also introduced to set a minimum level of liabilities for each specific product group.

For those products classified as investment, policy liabilities are accounted for in accordance with AASB 139. When valuing financial liabilities, AASB 139 allows the choice of amortised cost or fair value, with changes in fair value reflected in the Income Statement. The AASB have mandated the use of fair value for policy liabilities arising under an investment contract.

In addition deferred acquisition costs are separately identified as an asset, and deferred tax assets have increased reflecting the tax effect of the adjustments to policy liabilities.

3. Share based payments

When allocation and performance rights (the rights) were issued as part of the AXA APH executive share plan, shares prior to 2005 were purchased on market by AXA APH through a trust to ensure a matching of assets and liabilities. Consequently, no new shares prior to 2005 were issued when the rights were exercised. AGAAP recognised the funding cost on any borrowings to purchase these shares.

Under AIFRS, an expense is recorded for both the AXA APH and AXA SA rights granted to employees. This expense will be recognised over the vesting period and is based on the fair value of the rights at grant date. This is an accounting entry only and does not represent an economic cost to the company. Net assets remain unchanged as there is a corresponding entry to equity.

The trust that holds these shares for the benefit of employees has been consolidated for the first time under AIFRS. The shares owned by the trust are considered "treasury shares" and are recognised as a reduction in equity. Dividends earned by the trust on shares held are used to fund interest payments on the borrowings undertaken to purchase the shares. On consolidation, these intra-group transactions are eliminated.

To avoid future funding costs, some of the 2005 rights and any future rights will be satisfied by options over unissued shares.

4. Pension plan liabilities

Under AGAAP, accounting for defined benefit plans was on a cash basis, recognising expenses when contributions were actually paid or where there was a legal obligation to pay.

With the introduction of AIFRS there have been two main changes. The first is the recognition of the obligation as it accrues, irrespective of the funding arrangements, and the second relates to a requirement that plan liabilities are discounted at a risk free rate. The use of a risk free rate to discount plan liabilities rather than a rate based on expected returns on the plan's assets significantly increases the calculated liability.

The net liability recorded on transition at 1 January 2004 of $64 million represents the difference between assets, which are valued at fair value, and liabilities of the defined benefit schemes discounted at a risk free rate.

Each period the charge to profit comprises the following components:

- the service cost which is the increase in the final expected settlement an employee expects to receive from an additional period of service.

- the difference between the unwinding of the discount rate used in the liability calculation at the risk free rate and the assumed earning rate

Actuarial gains and losses incurred, when the estimates used in the fair value calculation differ to the actual outcome, are booked directly to retained profits.

5. Minority Interest

Under AIFRS the definitions of liabilities and equity are such that where an instrument is redeemable at the holder's option, as is the case with holdings in some unit trusts, the instrument should be classified as a liability. Consequently, minority interests have been reclassified as liabilities.

6. Derivative instruments

The Group holds a number of cross currency interest rate swaps as a hedge of its investment in AXA China Region. Under AGAAP, these swaps were recorded at market value with changes being reflected in the foreign currency translation reserve (FCTR) on consolidation. The cash flow interest rate differentials were taken directly to the Income Statement.

Under AIFRS all derivative instruments are recognised at fair value with hedge accounting allowed only where prescribed documentation is in place and effectiveness tests are met. The stringent requirements to enable hedge accounting were not met in 2004. Consequently, the movement in fair value of these swaps was booked to the Income Statement.

From 1 January 2005 swaps hedging on the basis of the forward rate are recorded in the Balance Sheet at fair value with any movement taken through the FCTR. Swaps hedging on the basis of the spot rate are recorded in the Balance Sheet at fair value with any movement in the foreign currency component taken to the FCTR, and any movement in the interest rate component taken to the Income Statement.

The Group also holds a series of interest rate swaps (paying fixed US$ and receiving floating US$) to hedge borrowing costs. Under AGAAP, these swaps were accounted for on an accruals basis with no recognition of market value. Under AIFRS, these are cash flow hedges and the fair value of these instruments is recognised with movements taken directly to reserves to the extent they are effective.

7. Investment assets

Under AGAAP, AASB 1038 'Life Insurance Business' required AXA APH to hold all assets related to life insurance business at net market value (with changes in net market value reflected in the Income Statement) while for non-life insurance entities all investments were carried at cost.

Under AIFRS, AXA APH holds all assets at fair value (primarily through the Income Statement) wherever that option is available for those assets that back policy liabilities.

The difference between the two valuation bases is that net market value based on mid price (AGAAP) requires an allowance for anticipated costs on sale, while fair value based on bid price (AIFRS) prohibits this.

8. Foreign currency translation reserve (FCTR)

The Group has taken the exemption offered by AASB 1 'First Time Adoption of Australian Equivalents to International Financial Reporting Standards' not to apply AASB 121 'The Effects of Changes in Foreign Exchange Rates'. Accordingly all cumulative translation differences are set to zero at the date of transition. At the date of transition to AIFRS retained earnings were reduced by $274 million.

Under AIFRS, the foreign currency translation of the Group's New Zealand branch is recorded in the FCTR whereas under AGAAP it was recorded in the Income Statement.

9. Income tax

Under AGAAP, an Income Statement approach was used to calculate deferred taxes. Under AIFRS, a balance sheet approach has been adopted, whereby deferred tax balances are recognised for all temporary differences subject to limited exceptions.

On moving to AIFRS for life insurance entities, deferred tax balances are no longer discounted. This has had a minimal effect.

There are also a number of individual adjustments with associated tax impacts. Deferred tax assets have increased due to the increase in life insurance policy liabilities and the pension plan liability. A reduction in deferred tax liabilities has occurred due to the write-off of EMVONA.

10. Explanation of material adjustments in the cash flow statement

The cash flow statement has been adjusted to reflect differences in the scope of entities included in the consolidated financial statements. The cash balance has been reduced by $168 million relating to funds held in entities that are no longer fully consolidated. Cash from operating expenses has increased by $100 million, cash from investing activities decreased by $268 million, and cash from financing activities remained unchanged.

16 Information on audit or review

This preliminary final report is based on accounts to which one of the following applies.

☑	The accounts have been audited.	☐	The accounts have been subject to review.
☐	The accounts are in the process of being audited or subject to review.	☐	The accounts have not yet been audited or reviewed.

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review.

N/A

Description of dispute or qualification if the accounts have been audited or subjected to review.

N/A

AXA Asia Pacific Holdings

Investor Compendium

For the 12 months ended 31 December 2005

ASIA PACIFIC

Be Life Confident

Contents

1.1 Key highlights

AXA Asia Pacific Holdings' profit after tax and before non-recurring items was up 18.1% to $542.4 million for the 12 months ended 31 December 2005 (12 months ended 31 December 2004 – $459.1 million).

Operating Earnings in Australia and New Zealand were exceptionally strong, up 42.3% to $203.7 million (2004 – $143.1 million). Wealth management profits were helped by healthy net fund flows and good investment performance. Financial protection also performed well, benefiting from favourable claims experience on group products.

The value of new business[1] was up 27.8% to $113.6 million (2004 – $88.9 million), driven by increased inflows on wealth management products, mutual funds and platforms, and by further reductions in the cost to income ratio.

Hong Kong Operating Earnings grew 10.3% in local currency to HK$1,012.1 million (2004 – HK$917.5 million). The value of new business[2] was up 13.3% to HK$756.3 million (2004 – HK$667.6 million).

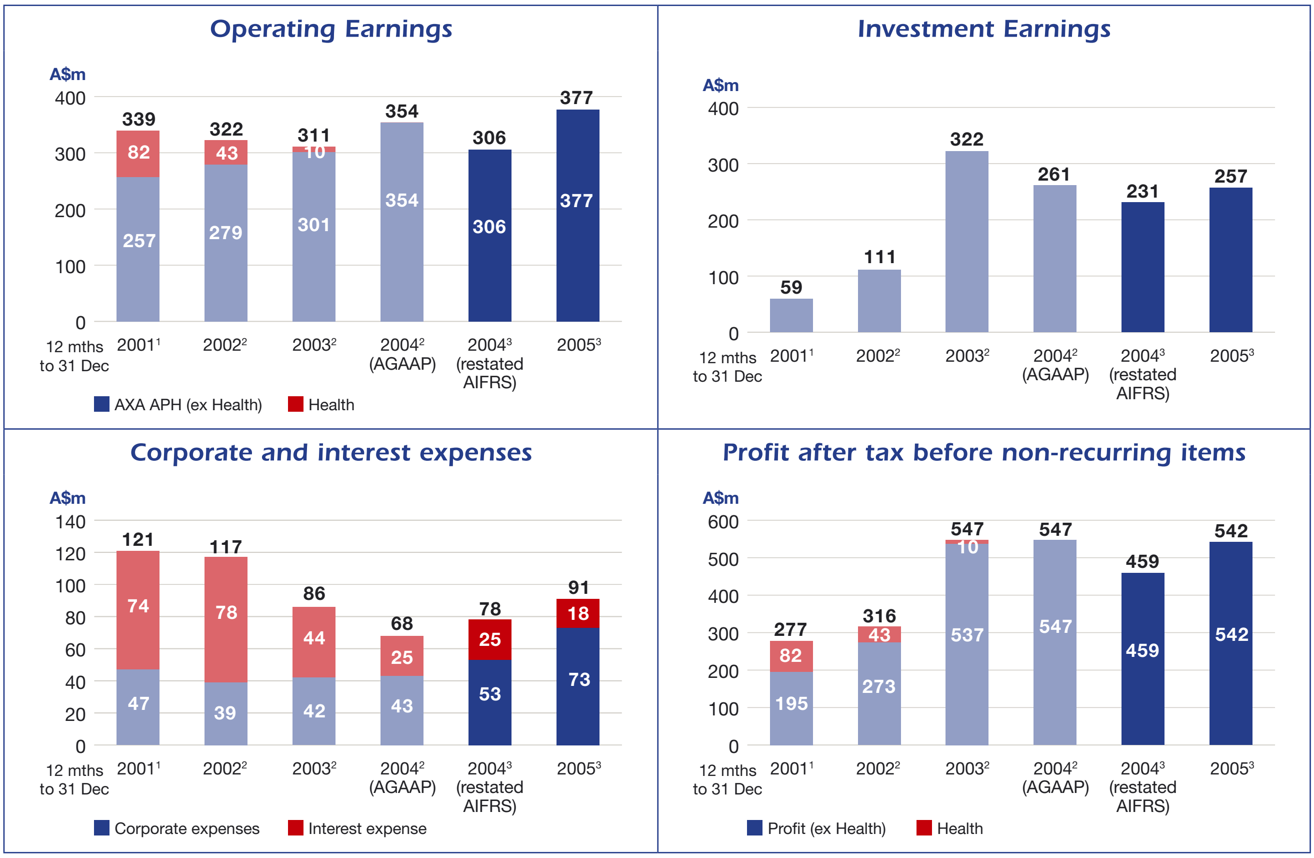
We continued to see strong growth in the rest of Asia. Total premium income was up 42.1% to A$622.7 million[3,4], and the value of new business was up 31.1% to A$37.5 million[3,4].

Group return on equity increased to 16.3% (2004 – 15.4%). Capital above target surplus is $876 million, and our gearing ratio[5] is 36% (2004 – 46%).

The Directors have declared a final dividend of 7.75 cents per share (30% franked), bringing the total dividend for the year to 14.0 cents per share, up 19.1% (2004 – 11.75 cents per share).

1 Based on 10.0% risk discount rate, equal to assumed equity return rate
2 Based on 10.5% risk discount rate, equal to assumed equity return rate
3 100% share
4 Translated at average exchange rates for the 12 months ended 31 December 2005
5 Range of total debt (debt + hybrid) / equity between 40% – 50%

Financial performance 2001 to 2005



1 AGAAP restated, but not audited
2 AGAAP audited
3 AIFRS audited from 1 January 2005. Investment experience profit / loss on assets backing policy liabilities is included in Investment Earnings as 'investment experience – assets backing policy liabilities' rather than in Operating Earnings. 2004 AIFRS results adjusted accordingly

1 Overview

1.2 The year at a glance

- Profit after tax and before non-recurring items up 18.1% to $542.4 million (2004 – $459.1 million)[6]
- Operating Earnings[7] up 23.1% to $376.7 million (2004 – $306.0 million)
  - Australia and New Zealand up 42.3% to $203.7 million (2004 – $143.1 million)
  - in local currency, Hong Kong up 10.3% to $1,012.1 million (2004 – HK$917.5 million)
  - in Australian dollars (A$), Hong Kong and Singapore Operating Earnings up 6.2% to $173.0 million (2004 – $162.9 million)
- Investment Earnings[7] up 11.0% to $256.6 million (2004 – $231.2 million)
  - Australia and New Zealand up 9.8% to $136.2 million (2004 – $124.1 million)
  - Hong Kong and Singapore up 12.4% to $120.4 million (2004 – $107.1 million)
- Corporate expenses up 37.5% to $73.0 million (2004 – $53.1 million) due to increased investment in Asian development
- Interest expense of $17.9 million (2004 – $25.0 million); comprising interest expense on net debt up 25.5% to $52.6 million (2004 – $41.9 million) offset by interest income and the fair value movement on derivatives up 105.3% to $34.7 million (2004 – $16.9 million)
- Group gearing ratio defined as total debt (debt + hybrid) to equity reduced to 35.8% (2004 – 45.8%), below target range of 40% – 50%
- Total Group assets under management and administration up 31.6% to $80.6 billion (2004 – $61.2 billion).

Australia and New Zealand

- Exceptionally strong growth in Operating Earnings
  - Wealth management products and platforms up 47.5% to $95.6 million (2004 – $64.8 million)
  - Advice businesses up 69.7% to $35.3 million (2004 – $20.8 million)
  - Financial protection up 26.6% to $72.8 million (2004 – $57.5 million)
- Net retail inflows (ex cash management trusts) up 71.7% to $5,036.5 million (2004 – $2,933.4 million)
- Value of new business[8] up 27.8% to $113.6 million (2004 – $88.9 million)
- Value of inforce[8] up 15.6% to $3,215.1 million (2004 – $2,782.0 million)
- Funds under management and administration up 34.0% to $70.3 billion (2004 – $52.5 billion)
- Funds under advice up 22.5% to $6.3 billion (2004 – $5.1 billion)
- Cost to income ratio down 8.1 percentage points to 73.3% (2004 – 81.4%)
- Continuing to progress well towards AXA 6 goals.

Hong Kong

- Solid growth in Operating Earnings
  - Financial protection up 11.1% to HK$888.9 million (2004 – HK$800.0 million)
  - Wealth management up 11.3% to HK$96.5 million (2004 – HK$86.7 million)
  - Group medical and general insurance up 45.1% to HK$44.7 million (2004 – HK$30.8 million)
  - New development expenses of HK$18.0 million (2004 – nil)
- Total life new business index[9] (excluding general insurance) up 20.6% to HK$1,274.6 million (2004 – HK$1,057.0 million)
- Value of new business[10] up 13.3% to HK$756.3 million (2004 – HK$667.6 million)
- Value of inforce[10] up 24.5% to $2,359.9 million (2004 – $1,896.0 million)
- Funds under management up 11.4% to HK$49.9 billion[11] (2004 – HK$44.8 billion)
- Good start towards Hong Kong 6 goals.

Asia (ex Hong Kong)

- New business index[9] up 59.3% to A$125.5 million[12,13] (2004 – A$78.8 million)
- Value of new business[14] up 31.1% to A$37.5 million[12,13] (2004 – A$28.6 million)
- Total premium income up 42.1% to A$622.7 million[12,13] (2004 – A$438.3 million)
- Funds under management up 20.0% to A$1.8 billion[15] (2004 – A$1.5 billion)
- Very strong growth in Thailand and Indonesia
- China returning to growth
- Entry into India and Malaysia announced
- Good start towards Asia 6 goals.

6 All 2004 comparative financial information has been restated (audited) to AIFRS

7 Investment experience profit / loss on assets backing policy liabilities now included in Investment Earnings as 'Investment experience – assets backing policy liabilities' rather than Operating Earnings. Prior period results adjusted accordingly

8 Based on 10.0% risk discount rate; equal to assumed equity return rate

9 Regular premiums plus 10% of single premiums

10 Based on 10.5% risk discount rate, equal to assumed equity return rate

11 Gross of HK$1.9 billion dividends and loans to AXA APH

12 On a constant currency basis, translated at average exchange rates for the 12 months ended 31 December 2005 of A$/Baht = 0.032555; A$/Rupiah = 0.000135; A$/Sing$ = 0.789037; A$/Rmb = 0.160598, A$/Peso = 0.023908

13 100% share

14 Based on risk discount rates of 11% for Singapore and 16% – 20% for other Asian operations

15 Based on exchange rates at 31 December 2005

1.3 *Financial summary*

Adoption of Australian equivalents of International Financial Reporting Standards

With effect from 1 January 2005, Australian companies were required to adopt the Australian equivalents of International Financial Reporting Standards (AIFRS). Accordingly our results are presented on an AIFRS basis, as they were for the six months ended 30 June 2005. Comparative financial information for the 12 months ended 31 December 2004 has been restated from AGAAP to AIFRS.

A reconciliation between published 2004 AGAAP results and restated 2004 AIFRS results, and between the actual results for the 12 months ended 31 December 2005 and how the results would have been reported under AGAAP, is provided in section 8.

Changes in earnings disclosure

To improve the investment market's understanding of our Operating Earnings, we are now, as detailed in our 30 June 2005 Investor Compendium, reflecting variations from long term assumed investment returns on assets backing policy liabilities (that is, investment experience) in Investment Earnings rather than Operating Earnings.

This change in presentation was designed to:

- more clearly show underlying operating results and trends
- incorporate volatility arising from fluctuations in investment markets in Investment Earnings.

1.3 **Financial summary** (continued)

(A$ million, unless otherwise stated) 12 months to / at 31 December		2005	2004	Change
Financial performance				
Operating Earnings		376.7	306.0	23.1%
Investment Earnings	▪ normalised	220.0	215.0	2.3%
	▪ investment experience – assets in excess of policy liabilities	(19.5)	11.8	n/a
	– assets backing policy liabilities	56.1	4.4	>>
Corporate expenses	▪ A&NZ & Group centre	(34.5)	(37.0)	6.8%
	▪ executive share plan	(7.5)	(4.1)	(82.9)%
	▪ Asian regional costs	(31.0)	(12.0)	(158.3)%
Interest expense[1]	▪ net debt	(52.6)	(41.9)	(25.5)%
	▪ cross currency interest rate swaps	28.6	16.9	69.2%
	▪ change in fair value of derivatives	6.1	0.0	n/a
Profit after income tax and before non-recurring items		**542.4**	459.1	18.1%
Non-recurring items		0.0	54.5	n/a
Profit after income tax and non-recurring items		**542.4**	513.6	5.6%
Shareholder returns				
Earnings per share before non-recurring items (cents)		31.1	26.4	17.8%
Normalised earnings per share before non-recurring items (cents)[2]		29.0	25.4	14.2%
Earnings per share after non-recurring items (cents)		31.1	29.5	5.4%
Dividend per share (cents)				
– Interim		6.25	5.25	19.0%
– Final		7.75	6.50	19.2%
Dividend franking level				
– Interim		30%	15%	
– Final		30%	30%	
Ordinary shares (million)		1,742	1,742	
Weighted average number of ordinary shares (million)		1,742	1,741	
Return on equity before non-recurring items		16.3%	15.4%	
Normalised return on equity before non-recurring items[2]		15.3%	14.9%	
Financial position				
Shareholders' equity		3,542.9	3,110.3	13.9%
Subordinated debt and hybrid capital		912.4	873.1	4.5%
Senior debt		355.9	550.2	(35.3)%
Capital resources		**4,811.2**	4,533.6	6.1%
Total debt / equity		35.8%	45.8%	
Capital				
Solvency reserve		884	1,001	(11.7)%
Additional capital adequacy requirement		1,146	996	15.1%
Excess assets (including target surplus)		1,411	1,190	18.6%
Funds under management, administration and advice				
Funds under management and administration[3]		80,560	61,223	31.6%
Funds under advice[4]		6,392	5,191[5]	23.1%

1 Interest expense on net debt in 2004 has been reduced by $10 million to reflect a re-allocation of interest income from A$/US$ cross currency interest rate swaps, previously disclosed in cross currency interest rate swaps. This allows a like for like comparison to the 2005 results, with no impact on overall profit

2 Calculated after replacing Investment Earnings with 'normalised Investment Earnings' of $220 million (2005) and $215 million (2004), adjusted for capital and currency impacts

3 All funds are only counted once (eg AllianceBernstein joint venture funds under management and funds in ipac's multi-manager portfolio's that are managed by AllianceBernstein are only counted once and funds for which AXA performs both the administration and funds management function are only counted once)

4 Of the reported 2005 funds under advice, $6,069 million is included as funds under management & administration (2004 – $5,191 million)

5 Adjusted upward by $62 million to include ipac Asia funds under advice that was not included in 2004 Investor Compendium

Financial performance

Profit after tax and before non-recurring items was up 18.1% to $542.4 million (2004 – $459.1 million).

2005 saw a continuation of strong growth in Operating Earnings, up 23.1% to $376.7 million (2004 – $306.0 million).

Operating Earnings 12 months to 31 December (A$ million)	2005	2004	Change
Australia & New Zealand	203.7	143.1	42.3%
Hong Kong	170.9	159.7	7.0%
Singapore	2.1	3.2	(34.4)%
Operating Earnings	**376.7**	306.0	23.1%

Growth in Operating Earnings in Australia and New Zealand was exceptional, up 42.3% to $203.7 million (2004 – $143.1 million). Higher funds under management (FUM) balances due to strong inflows and good investment performance generated strong increases in fee income from superannuation, investment management, administration and advice. 2004 Operating Earnings were negatively impacted by the strengthening of annuitant mortality experience which was not repeated in 2005. Financial protection profits benefited from favourable claims experience in our group life and group salary continuance books, and higher planned profit margins in our individual life business largely due to growth in the size of the portfolio and a favourable revision to mortality assumptions at December 2004. This was partially offset by less favourable claims experience in income protection.

Hong Kong Operating Earnings 12 months to 31 December (HK$ million)	2005	2004	Change
Operating Earnings	1,012.1	917.5	10.3%

In Hong Kong, Operating Earnings in local currency were up 10.3% to HK$1,012.1 million (2004 – HK$917.5 million) including the impact of additional expenses to develop new wealth management products and distribution channels. Excluding the wealth management development expenditure, Operating Earnings would have been up 12.3% to HK$1,030.1 million (2004 – HK$917.5 million). The key drivers of this increase were continued sales growth in most of our financial protection product groups, and an increase in the investment margin from 1.00% to 1.25% on the National Life (NL) series with effect from 1 July 2005. This was partially offset by mortality experience losses due to a severe and extended winter period. If mortality experience had been at expected levels, Operating Earnings on a like for like basis (excluding wealth management development expenditure and the 25 basis point increase in the investment margin) would have been up 11.8% to HK$1,026.2 million. A 3% increase in the average A$/HK$ exchange rate partially offset the increase in local currency profits. When translated into A$, Hong Kong Operating Earnings were up 7.0%.

Operating Earnings in Singapore were down 34.4% to $2.1 million (2004 – $3.2 million) largely due to a one-off tax cost of A$1.3 million included in 2005. Excluding that amount, Operating Earnings were up 6.3%.

Investment Earnings 12 months to 31 December (A$ million)	2005	2004	Change
Normalised			
Australia & New Zealand	74.0	63.0	17.5%
Hong Kong	145.0	151.0	(4.0)%
Singapore	1.0	1.0	0.0%
Sub-total	**220.0**	215.0	2.3%
Investment experience – assets in excess of policy liabilities			
Australia & New Zealand	25.6	31.2	(17.9)%
Hong Kong	(44.7)	(21.8)	(105.0)%
Singapore	(0.4)	2.4	n/a
Sub-total	**(19.5)**	11.8	n/a
Investment experience – assets backing policy liabilities			
Australia & New Zealand	36.6	29.9	22.4%
Hong Kong	19.8	(26.5)	n/a
Singapore	(0.3)	1.0	n/a
Sub-total	**56.1**	4.4	>>
Total Investment Earnings	**256.6**	231.2	11.0%

Hong Kong Investment Earnings 12 months to 31 December (HK$ million)	2005	2004	Change
Investment Earnings	709.8	590.2	20.3%

Investment Earnings were up 11.0% to $256.6 million (2004 – $231.2 million) due to strong equity market returns and an increase in year-end bond rates. Although the increase in bond rates reduced asset values and therefore Investment Earnings on assets in excess of policy liabilities, it had the opposite effect on investment experience on assets backing policy liabilities. This is because these bond rates are used to discount some policy liabilities. On some classes of business the duration of our assets is shorter than the duration of our liabilities. Consequently, rises in discount rates reduce liabilities by more than the corresponding reduction in market value of assets, thus increasing Investment Earnings on assets backing policy liabilities.

These increases were partially offset by lower earnings from assets in excess of liabilities in Hong Kong largely due to a 16 basis point increase in the US 10 year bond yield and a 17 basis point increase in the corporate spread, compared to a 2 basis point and 11 basis point decrease respectively last year. Lower growth in international equities, with the MSCI World Accumulation Index (US$) increasing 10.0%, compared to an increase of 15.2% in 2004, also contributed to lower investment returns.

1.3 **Financial summary** (continued)

'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. The increase in 'normalised' Investment Earnings relative to last year is largely due to an increase in the level of capital held.

The long term investment assumptions are:

	Equities	Fixed interest[1]	Property	Cash
Australia & New Zealand	10.00%	5.50%	7.75%	5.50%
Hong Kong	9.50%	5.70%	n/a	2.50%

1 These rates relate to the entire portfolio (US 10 year bonds and corporate bonds for Hong Kong)

These investment assumptions are consistent with the long term assumptions used in the illustrative traditional enterprise value calculations for December 2005. For Hong Kong, the equity return reflects the weighted average of the long term assumption across a number of countries, as capital is invested in the US (9.2%), Hong Kong (10.5%) and other countries (Asia – 10.5%; non-Asia – 9.25%).

The graph below compares the total reported Investment Earnings for the 12 months ended 31 December 2005 with the 'normalised' Investment Earnings.

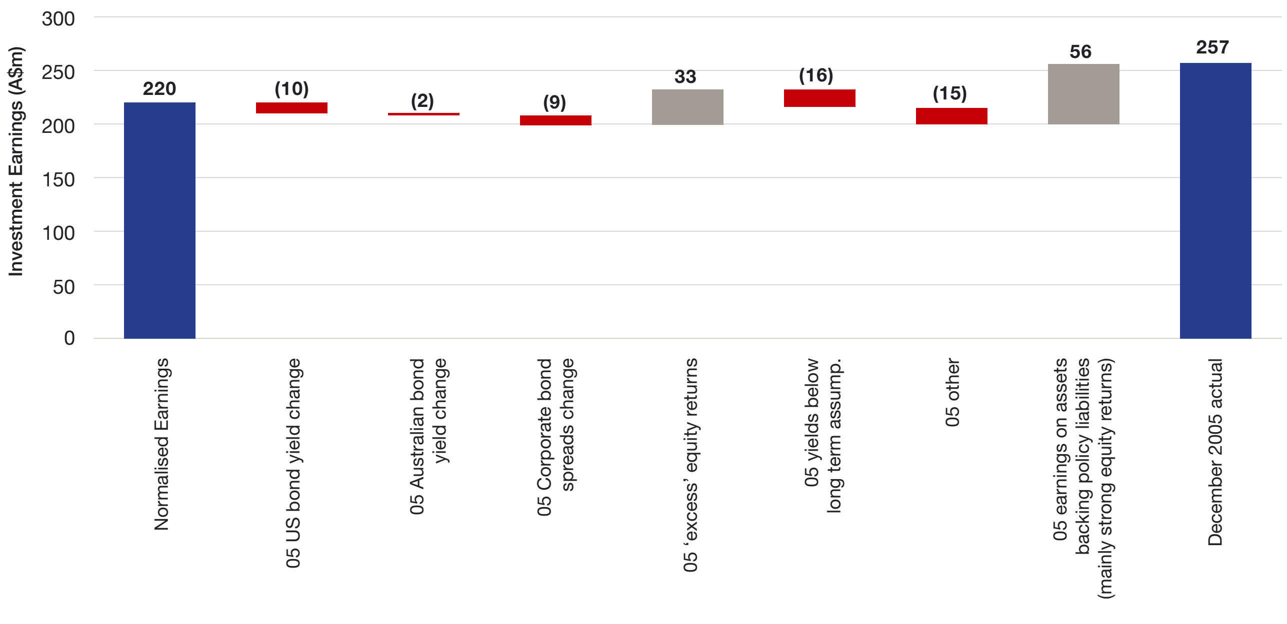
The key drivers behind Investment Earnings being above 'normalised' Investment Earnings were:

- good investment returns on assets backing policy liabilities where the shareholder carries the investment risk. In Australia and New Zealand, the main source of outperformance related to equity returns on assets backing annuity and income protection business. The S&P/ASX 300 Accumulation Index was up 22.5% (2004 – 27.9% growth) compared to the long term assumed growth of 10.0%
- In Hong Kong, the main source of outperformance was an increase in the discount rate used to determine liabilities for the Deposit Administration (DA) product. This product uses a HK$ risk free discount rate relating to nine year bonds which is in line with the duration of the liabilities, but is a longer duration than the assets held to support the liabilities. This year the discount rate increased leading to increased Investment Earnings as liabilities reduced by more than the corresponding reduction in the market value of assets (last year the risk free rate decreased creating the opposite effect)
- The MSCI World Accumulation Index (US$) was up 10.0% (2004 – 15.2%) compared to long term assumed growth of 9.5%.

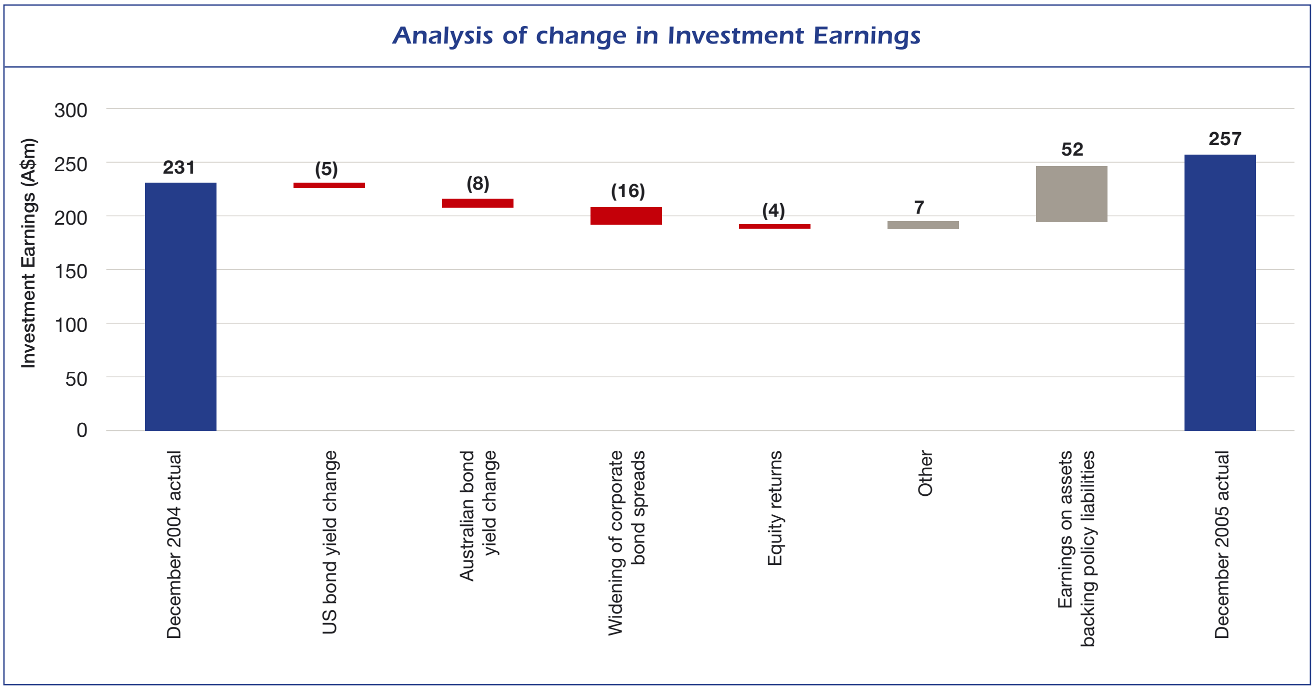
These gains were partially offset by:

- US 10 year bond yields remaining below the long term investment assumption of 5.2%. In addition the 16 basis point increase in US 10 year bond yields led to a reduction in the value of the US bond portfolio (2004 – 2 basis point decrease)
- corporate spreads increasing by 17 basis points (2004 – 11 basis point decrease).

Analysis of change in Investment Earnings



The following graph compares the total reported Investment Earnings for the 12 months ended 31 December 2005 with the 12 months ended 31 December 2004.



The key driver behind the increase in Investment Earnings was the change to Hong Kong discount rates (described on page 5), which had a positive contribution in 2005, compared to a negative contribution in 2004.

Corporate expenses of $73.0 million were up $19.9 million (2004 – $53.1 million).

Corporate expenses for Australia & New Zealand and the Group centre were $2.5 million lower than last year reflecting operational efficiencies.

Under AIFRS an additional expense is required to be recorded for the AXA APH and AXA SA allocation rights granted to employees under the executive share plan. The cost of AXA APH options is not an economic cost to AXA APH and the cost of AXA SA options has no impact on AXA APH either as a cost, or through dilution when shares are issued on exercise of options. This expense is recognised over the vesting period and is based on the fair value of the options at grant date. The executive share plan expense is $3.4 million higher than last year due to the granting of additional options in 2005.

Asian regional costs were up $19.0 million on 2004 due to further investment in growing wealth management and in strengthening the management team ahead of planned growth, particularly in China, India and Malaysia.

Total interest expense of $17.9 million was $7.1 million lower than 2004 (2004 – $25.0 million):

- interest paid on net debt was $10.7 million higher than last year largely reflecting increased US interest rates on our US$ floating debt
- interest income of $28.6 million from our A$/HK$ cross currency interest rate swaps (CCIRS) which are held to hedge our investment in AXA Hong Kong, largely relates to a cash flow interest rate differential on the CCIRS of $13.4 million and a $13.2 million gain on the fair value of these swaps. Following the restructuring of our CCIRS in July 2005 to hedge the forward rate on a fixed HK$ payment, fixed A$ receipt basis, all movements from July 2005 of a similar nature to the $13.4 million and $13.2 million will go through reserves, not profit. The remaining interest income of $2.0 million represents realised profit from closing out certain forward foreign exchange contracts
- the $6.1 million gain on other derivatives represents the fair value movement on derivative instruments that are not deemed effective hedges under AIFRS. Under AIFRS, we have not applied hedge accounting for some of our derivative instruments and therefore any market movement is recorded in profit.

Tax

AXA APH has received assessments totalling $127 million in respect of the sale of AXA Health Insurance Pty Limited that the company objected to. No provision for this amount has been recognised in the Balance Sheet, as based on advice, the directors are confident of successfully having this assessment overturned. This case has been listed to be heard in the Federal Court.

The benefit from transitional tax treatment for our non-risk business within National Mutual Life Association (NMLA) ceased on 30 June 2005. We have replaced the loss of transitional tax in the current year. We remain confident that going forward the total profit previously supported by this transitional tax relief will be replaced, with some of the replacement being reflected in Operating Earnings and the rest in Investment Earnings.

2 Australia and New Zealand

2.1 Operational review

Our strategy in Australia and New Zealand is to be a leader in all parts of the wealth management and financial protection value chain:

- in product manufacturing
- as a provider of services to advisers
- as a direct provider of financial advice

and where possible to integrate those activities over more than one part of the value chain.

Asset management

We compete in asset management predominantly through our joint venture with AllianceBernstein. Additionally, ipac (Australia) and Arcus (New Zealand) provide multi-manager capability, and we utilise the investment capabilities of AXA Rosenberg for core style global equities, DB RREEF Funds Management Limited[16] for property, and our in-house commercial lending team for mortgage investments.

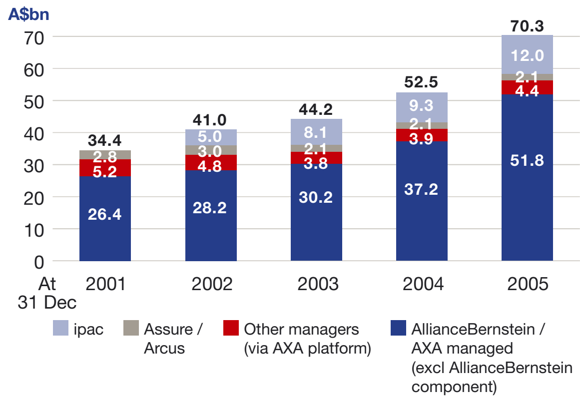
We have outstanding investment performance across most of our portfolios. In particular we have delivered top quartile performance in Australian and global equities for both value and growth styles for the 12 months ended 31 December 2005.

In early 2005, AllianceBernstein was awarded Money Management's 2005 'International Equity Fund Manager of the Year' and overall 'Fund Manager of the Year'. AXA was named Money Management's 2005 'Mortgage Manager of the Year' and received Personal Investor Magazine's award for Excellence in Financial Services 2005 for Mortgage Fund of the Year.

On 1 November 2005 Mark Dutton was appointed Chief Investment Officer. Mark is responsible for leading investment management in Australia and New Zealand, and for providing advice and input on investment objectives, policies and strategies for our entire range of funds, including multi-manager funds.

We have made further strong progress in growing total funds under management and administration, up 34.0% to $70.3 billion (2004 – $52.5 billion), with strong organic growth from both retail and institutional segments.

Funds under management and administration



Note:

1 ipac December 2003 FUM includes $2.0 billion transferred from AXA retail ($0.8 billion managed by AllianceBernstein and $1.2 billion managed by other fund managers)

2 ipac FUM includes funds managed by AllianceBernstein (through ipac's multi-manager offer) – $2.7 billion (2005) and $2.0 billion (2004)

3 Assure/Arcus includes $0.5 billion managed by AllianceBernstein (through Arcus' multi-manager offer)

4 AllianceBernstein / AXA managed funds exclude FUM managed via ipac and Arcus multi-manager offers outlined in (2)

During 2005 AllianceBernstein won tenders for large institutional mandates totalling $7.2 billion. The highly rated Global Equity Growth and Global Equity Value funds represent 59% of these mandates. We have been successful with the Global Blend Investment Fund, with new mandates totalling $2.1 billion. The Australian Equity Value Fund generated $910 million of institutional inflows.

AllianceBernstein is now the largest manager in Australia of global equities for Australian-sourced funds[17].

Investment performance[1]	6 months Dec 05		12 months Dec 05		3 years Dec 05		Research rating (van Eyk[2]/ Standard & Poor's)
Fund	Return	Quartile	Return	Quartile	Return	Quartile	
Global Equity – Growth	19.6%	1	23.7%	1	7.8%	3	A/4 stars
Global Equity – Value	18.0%	1	23.3%	1	14.5%	1	AA/5 stars
Australian Equity – Growth	14.6%	2	25.4%	1	22.0%	2	Not rated[3]/3 stars
Australian Equity – Value	14.7%	2	28.1%	1	n/a	n/a	A/3 stars
Australian Monthly Income	3.1%	2	6.2%	2	6.0%	2	Endorsed/5 stars
Australian Property Fund	6.1%	4	12.9%	3	13.3%	3	A/4 stars
Selected Equities Trust (NZ)	5.3%	2	8.6%	2	15.3%	2	5 stars (Morningstar)

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

2 van Eyk have changed their rating approach for mortgage funds. Our Australian Monthly Income Fund is one of only two mortgage funds, which have been endorsed (recommended) under the new system

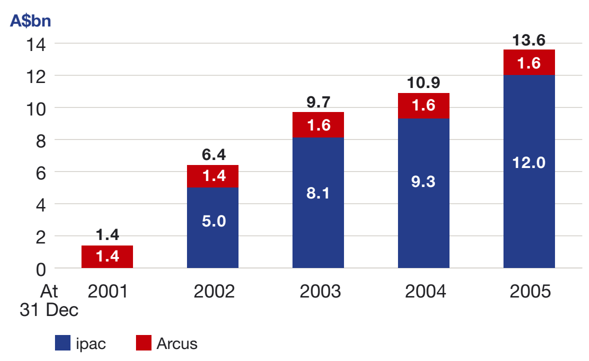
3 We expect to have this fund rated by the 3rd quarter of 2006

16 DB RREEF is jointly owned by Deutsche Bank AG and DB RREEF Trust

17 Source: Investor Supermarket Market Wrap September 2005 quarterly report

In multi-management, we manage approximately $13.6 billion of FUM through ipac investment management in Australia and Arcus in New Zealand.

Multi-manager funds under management



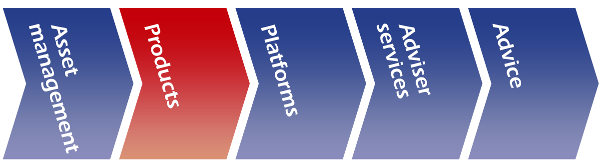
Note: ipac's FUM includes ipac retail funds and FUM for AXA's Super Directions, Summit Select and Generations products as well as funds managed for institutional investors

ipac has shown strong growth and is one of the largest multi-managers in Australia, well positioned to support the growing demand for multi-manager solutions. In recent years, ipac has built its capabilities to deliver multi-manager products to internal clients such as ipac Financial Planning, AXA Australia, and AXA businesses throughout Asia.

In April 2005 ipac was appointed by Legg Mason Asset Management (formerly Citigroup Asset Management) to manage the multi-manager investment portfolios of the Legg Mason Corporate Super Master Trust, generating initial inflows of $275 million with funds under management increasing to $355 million by the end of 2005.

In New Zealand, Arcus performed well, maintaining $1.6 billion of FUM despite the unfavourable tax regime for unit trust investors. In the recent Mercer industry survey[18], Arcus continued to outperform its competitors, ranking first in investment returns over 1-year, 3-year and 5-year periods.

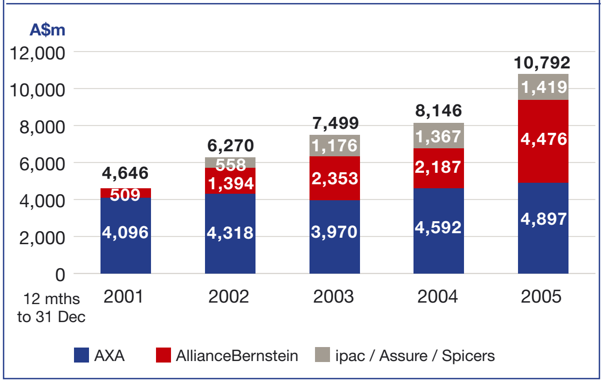
Products



Wealth management – Australia and New Zealand

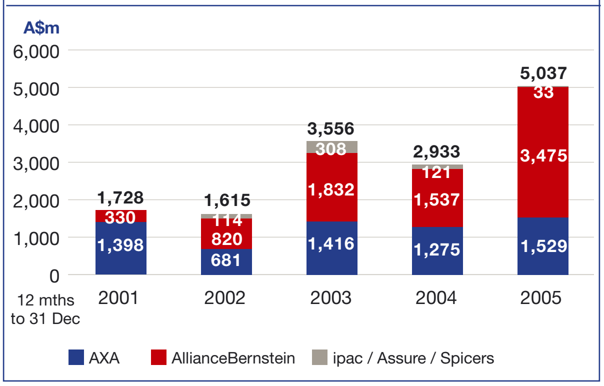
Fund flows have grown strongly over the past 12 months. Gross retail inflows were up 32.5% to almost $10.8 billion (2004 – $8.1 billion).

Wealth management – gross retail inflows



Net retail fund flows have also grown very strongly, up 71.7% to $5.0 billion (2004 – $2.9 billion).

Wealth management – net retail funds flow



Note:

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

2 Cash management trusts excluded

There has been continued strong growth in mandates for global equities, with demand for Australian equity mandates also increasing. By their very nature, large mezzanine investments and mandate wins tend to be inconsistent. There will always be volatility in these flows from period to period. We continued to expand our investment offer by developing global property securities and global equity style blend products.

AXA New Zealand enjoyed strong support for its investment products, including the Mortgage-backed Bond Fund launched in 2004 and the AXA Select Portfolio Service, an AXA-branded portfolio administration service built on the Assure platform for AXA aligned advisers and independent financial advisers. We also benefited from growth in the State Sector Retirement Savings Scheme launched to provide superannuation services to public sector employees, where we have seen strong growth following the lift in employer contribution with funds under management increasing to $31.8 million (2004 – $10.6 million).

18 Source: Mercer Investment Consulting NZ Managed Fund Survey (30 September 2005)

2.1 Operational review (continued)

We recently announced the purchase of Bank of New Zealand's wealth management business. This will add significant scale to our funds under management and improve funds flow through strengthened distribution via Bank of New Zealand branches. The acquisition was completed on 31 January 2006 and we are now managing an additional NZ$2.5 billion funds under management from 40,000 new wealth management clients through over 180 branches.

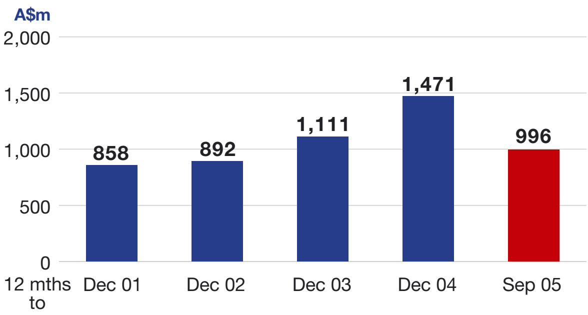
Market ranking – Australia

Based on the latest Plan for Life data AXA ranked 3rd overall for net funds flow. Plan for Life ranked AXA 9th for net retail funds flow and 2nd for wholesale unitised funds for the 12 months ended 30 September 2005. AXA was ranked 4th in the Standard & Poor's[19] survey for the same period.

Plan For Life

The Plan For Life administrator view, shown below, is based on all fund flows, including those sourced from another product manufacturer / distributor under badged outsource arrangements. This is a measure of product manufacturer scale.

Plan for Life – AXA Australia[20] net retail funds flow – administrator view

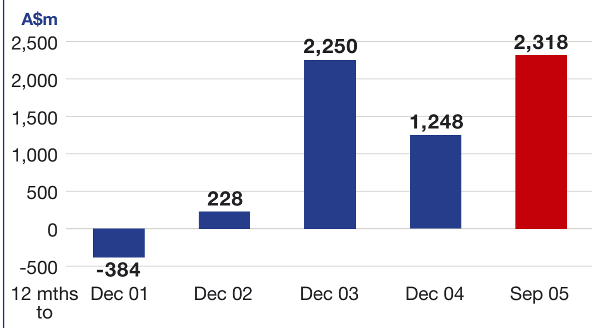


	Dec 01	Dec 02	Dec 03	Dec 04	Sep 05
Rank	10	7	3	5	9
Share of market net flow	3.4%	5.5%	14.9%	9.2%	5.1%

Plan for Life's definition of retail funds flow is limited and excludes all mezzanine trusts including, in AXA's case, the Wholesale Global Equity Value Fund and the Wholesale Australian Equity Value Fund. This means that our strong wholesale and mezzanine investment fund sales, which are ultimately funds sourced from retail investors, are not included in this view.

Plan for Life produces a separate survey for wholesale-unitised funds in which AXA is ranked 2nd.

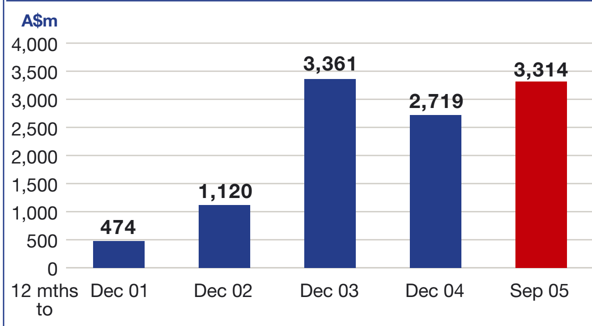
Plan for Life – AXA Australia[20] net retail funds flow – wholesale view



	Dec 01	Dec 02	Dec 03	Dec 04	Sep 05
Rank	35	17	3	5	2
Share of market net flow	n/a	3.9%	22.7%	9.5%	14.2%

If we combine the retail administrator view and this wholesale view, AXA is placed 3rd in the overall rankings.

Plan for Life – AXA Australia[20] net funds flow – combined retail administrator and wholesale views



	Dec 01	Dec 02	Dec 03	Dec 04	Sep 05
Rank	17	10	1	3	3
Share of market net flow	1.2%	5.0%	19.2%	9.3%	9.3%

AXA is one of only a few industry players who performed well in 2005 in both retail and wholesale.

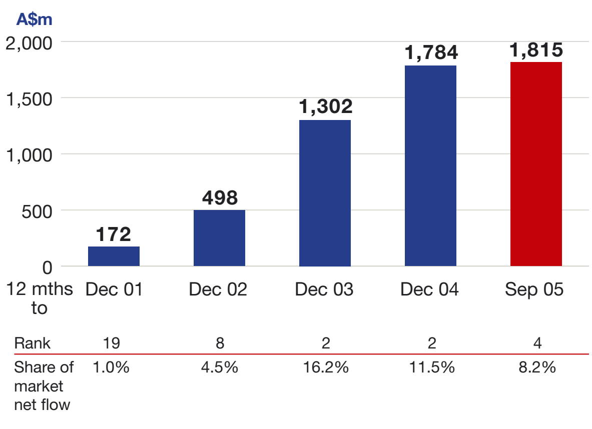
19 Previously known as ASSIRT

20 Plan For Life have amended their historical data to include Assure and ipac. The above data excludes Assure and ipac for periods up to 1 January 2002 and 1 October 2002 respectively

Standard & Poor's

The Standard & Poor's survey includes our key mezzanine funds, but not certain wholesale funds including, for example, our Wholesale Australian Income Fund, Wholesale Australian Monthly Income Fund and ipac wholesale unit trusts.

Standard & Poor's – AXA Australia net retail funds flow

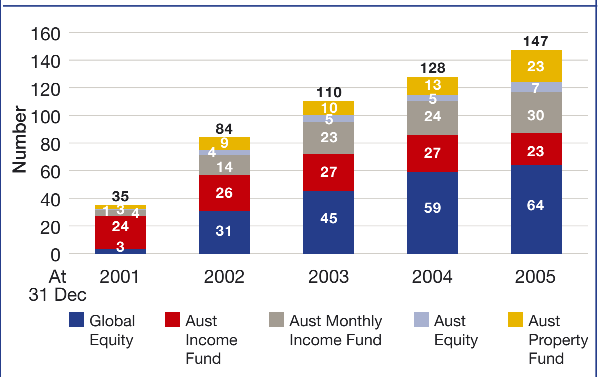


In the September quarter 2003, Standard & Poor's added AXA's platforms (Summit, Assure and ipac iselect) to the retail section of their report. This is in line with competitors such as ING/ANZ, Commonwealth/Colonial and Skandia

Listings on approved product lists in Australia

We have further increased our penetration of approved product lists and platform investment menus. Overall we now have 147 entries on the top 50 dealer group approved product lists (2004 – 128 entries).

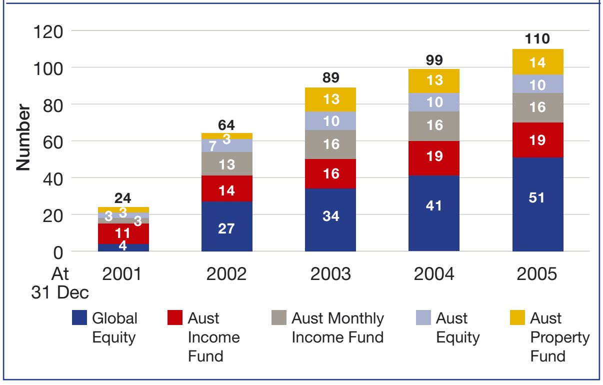
AXA managed fund entries in top 50 external dealer group product lists in Australia



Note: Top 50 dealer groups at December 2005 per Rainmaker/Money Management information, excluding AXA networks (AXA Financial Planning, Charter and ipac)

We also have 110 entries on the top 10 external master trust product lists (2004 – 99).

AXA managed fund entries in the top 10 external trust product lists in Australia



Note: Top 10 external master trusts excluding Summit as at 31 December 2005

Global equity listings remain strong, with 64 entries on the top 50 dealer group approved product lists and 51 entries on the top 10 external master trust product lists. This is close to our expected maximum penetration.

The most significant increase has been Australian Property Fund listings where we now have 23 entries on the top 50 external dealer group approved product lists. The improved penetration of the Australian Property Fund reflects the 4 star Standard & Poor's rating and van Eyk 'A' rating, together with our introduction of daily processing in November 2004.

We expect Australian equities and Australian property funds to further penetrate the product lists in 2006. The Australian Equity Growth Fund is not currently rated by van Eyk. Our focus is to achieve a rating during 2006, which is expected to have a significant impact on the number of listings. Further penetration of the Australian Equity Value Fund is expected after the third anniversary in mid-2006.

We continue to increase the number of listings for the Australian Monthly Income Fund and have intentionally reduced the entries for the capital guaranteed Australian Income Fund.

Financial protection – Australia and New Zealand

Our focus in 2005 has been to regain individual insurance market share on a profitable basis. A tactical sales campaign, 'Take 20', was launched in August 2004 aimed at improving term insurance sales in attractive market segments. Take 20 targeted new AXA clients aged 45 to 60 with sums insured of between $0.5 million and $2.0 million by offering a 20% discount to standard death only insurance rates.

In July 2005 we launched a new product offer which included a revised premium rate structure targeting the more profitable segments. This has positioned us in the top quartile of the market for our targeted market segments[21]. In addition, we continue to improve both our claims and underwriting processes.

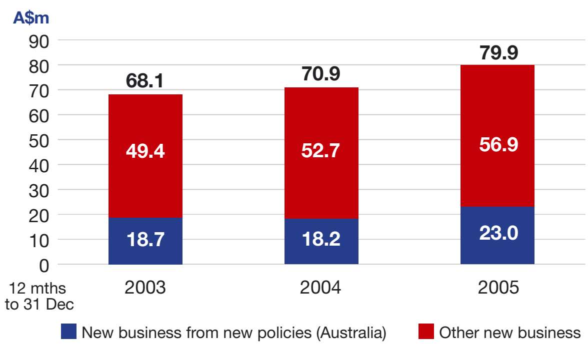
21 Source: Plan for Life Risk Products Database, 29 June 2005

2 Australia and New Zealand

2.1 Operational review (continued)

We have received excellent feedback regarding these product improvements from adviser surveys conducted at the launch, and subsequently confirmed by PlanTech research house ratings. Encouragingly, new annual premiums from sales of new policies (as opposed to increases on existing policies) in Australia were up 26.4% to $23.0 million (2004 – $18.2 million).

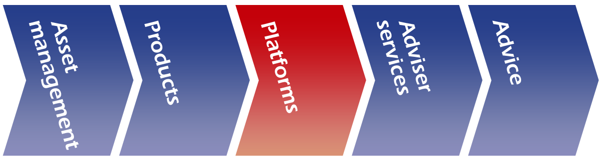
Individual business (IP & Life) – new policy premiums[1]



1 Other = incremental new business on existing business in Australia, and all New Zealand new business

A key focus for our New Zealand business during 2005 was the repricing of the Group Life business which contributed to an increase in Group Life contributions and only minimal discontinuances. Overall, risk sales in New Zealand were up 4.8% to $24.2 million (2004 – $23.1 million).

Platforms



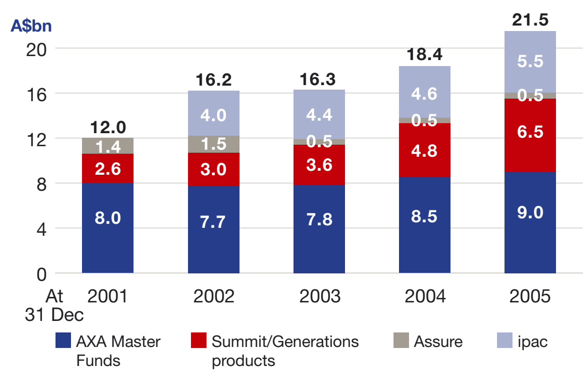
The Summit platform administers three product suites:

- Summit – catering for the investor with more complex investment needs
- Generations – offering simple solutions for investors with less complex investment needs
- iAccess – catering for ipac Financial Planning and equity partner clients, as well as third party channels.

Our platforms have had a very successful year, with net flows up 48.0% to $1,181.0 million (2004 – $797.8 million). This has been driven by the continued success of Generations, which contributed net inflows in 2005 (the first full year of sales) of $593.0 million. Importantly, the flows to Generations have not been at the expense of Summit. Net flows into Summit were $459.2 million (2004 – $460.5 million).

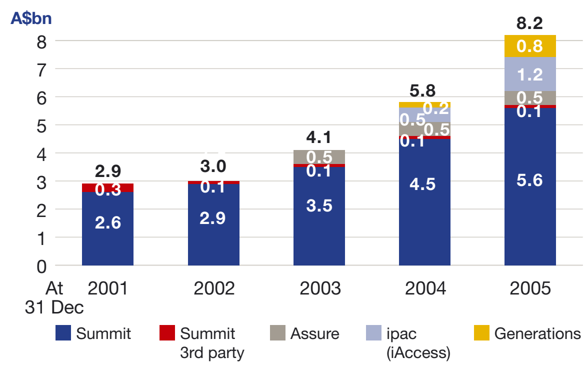
Platform funds under administration continued to grow, up 16.8% to $21.5 billion (2004 – $18.4 billion).

Master trusts, platforms and wraps – funds under administration



Funds under administration on the Summit platform was up 41.4% to $8.2 billion (2004 – $5.8 billion), with 38.1% of total funds under administration now on Summit (2004 – 31.5%).

Summit platform – funds under administration



The total Summit funds under administration of $8.2 billion differs to the chart 'Master trusts, platforms and wraps' showing Summit product as $6.5 billion. This is due to $1.2 billion of ipac funds and $0.5 billion of Assure funds, which are administered on Summit, being shown as part of ipac and Assure respectively in the 'Master trusts, platforms and wraps' chart, rather than as part of Summit

We anticipate that through a combination of new fund flows and conversions from existing AXA products that funds under administration will reach our minimum scale target of $10 billion by the end of 2006.

Funds under administration in Generations and Summit was up 35.4% to $6.5 billion.

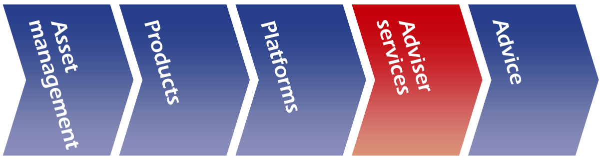
There have been solid flows into iAccess, driven by ipac Financial Planning and equity partners. ipac sales of iAccess were up 34% with iAccess funds under administration up 140.0% to $1.2 billion (2004 – $0.5 billion).

Assure funds under administration in Australia were marginally up at $521 million (2004 – $515 million).

During the year we introduced a 'nil commission' version of Generations. This will assist financial advice businesses to move from commission based charging to fee for service, in line with trends in the industry. This will further strengthen the support of Generations.

In November 2005 we piloted a new self managed fund service with a group of advisers. The feedback from advisers participating in the pilot was very encouraging, with close to 90% of advisers rating the product as either good or excellent. This market leading service is currently being formally launched to target this high growth sector of the superannuation market.

Adviser services



We provide services to, and distribute our products through, three main channels – AXA aligned advisers, advisers aligned to other manufacturers, and self-licensed financial advisers.

Advisers aligned to the AXA network in Australia – through Charter Financial Planning and AXA Financial Planning – are offered support services including compliance, training, practice management, technical advice, research and technology. Self-licensed advisers can also utilise these services through our Jigsaw offer.

We provide quality adviser services. Pleasingly, 91% of the Australian aligned network rated our dealer services 'satisfactory', 'very satisfactory' or 'excellent' in the 2005 Cognitive survey[22].

Reflecting the strength and quality of our field and sales support staff, we had the largest number of finalists of any product manufacturer placed in the 2005 Money Management/Tribeca Business Development Manager (BDM) of the Year Award with 6 of the 24 finalists. Two AXA BDMs were State winners (Victoria and Queensland).

Our advisory services team delivered a number of new initiatives during the year focussed on maintaining the highest quality of compliance:

- in the second half of the year we introduced the concept of a 'Certified Quality Advice Practice' award to recognise practices that provide outstanding quality advice. The first certification was awarded in August 2005 and we now have 13 practices that have met our stringent requirements for this award
- in September 2005 we launched an interactive computer disc that enables clients to access an adviser internet site. This provides the client with, among other things, copies of our Financial Services Guide, client questionnaires, our Quality Advice booklet, use of retirement income calculators and other useful tools. Three months after the launch, 25% of our advisers offer this service to their clients. This initiative is of benefit to both the adviser and the client, reducing administration for the adviser and ensuring the client has access to the most up-to-date information, as well as useful tools and calculators. It also allows us to control the quality of client-facing documents and ensure consistency within our aligned network
- in December we launched AXA GROW. This is a business growth solution that will assist aligned practices to manage business growth and succession. It will also enable principal advisers to plan for both non-organic growth and retirement and thereby maximise the value of their business. A 2004 Business Health survey[23] indicated that close to half the principals of financial advice businesses were considering leaving the industry in the next five years. Our GROW programme aims to assist practices identify and maximise the benefits presented by this opportunity within the industry.

Following the introduction of Super Choice, ASIC undertook a review of the main 20 Australian financial services licence holders, including AXA. The purpose of this review was to ensure that clients switching funds had been provided with appropriate financial advice, including adequate price comparisons. Out of the 20 licensees reviewed by ASIC, AXA was one of only two licensees not required to take remedial action.

We continue to educate our advisers with our Quality Advice Fundamentals booklets. In 2006 we will add reverse mortgages, debt funding, client education, complaint management and the client review process to the series.

To obtain feedback on the service provided by our aligned advisers to their clients, we run a shadow shopping campaign. Anonymous visits are made to advisers within our network and we obtain feedback on the client experience and the quality of the advice. As a result of this campaign we are implementing guidelines on dealing with new clients to ensure a high quality common client experience.

Over the next 12 months we plan to redesign our adviser orientation course by increasing the emphasis of the training on the provision of quality advice to complement the robust underlying advice processes. We are enhancing our payment processing capability for clients paying advisers on a fee for service basis. An increasing proportion of advisers wish to operate under a fee for service model as part of a quality advice offer. Indeed ASIC have recently commended AXA as one of only a small number of companies licensing financial advice networks who are actively adopting a fee for advice model.

In New Zealand we launched the Advancing Business Change programme (ABC) in June 2005, providing differentiated service levels to key adviser business partners. ABC and associated services will continue to assist New Zealand advisers to improve their businesses and provide best practice models, training and expertise in quality advice in preparation for further regulation and a new compliance regime in New Zealand.

AXA adviser networks

Australia

At 31 December 2005 we had 914 advisers in our financial advice network across Australia. A network of this size and quality provides AXA with a significant strategic advantage. We continue to see strong growth in sales generated by our aligned network.

22 Independent survey commissioned by AXA Australia

23 Source: Business Health Pty Limited, 28 April 2004

2.1 Operational review (continued)

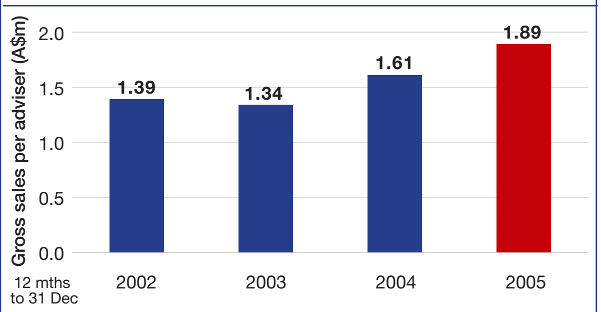
We are seeing the results of our strategy to improve the quality of our aligned financial advice network, although this has led to the departure of a small number of advisers. However, sales were 17% above 2004 despite the slight reduction in number of aligned advisers reflecting improved quality and higher productivity.

Australia Number of advisers At 31 December	2005	2004	Change	2003
Charter Financial Planning	427	419	1.9%	375
AXA Financial Planning	418	486	(14.0)%	545
Jigsaw[1]	69	40	72.5%	27
Total AXA Australia advice networks	914	945	(3.3)%	947

1 Advisers operating in self-licensed practices under their own brand and using the licensee services provided by AXA Financial Planning under contractual agreements

The productivity of our aligned advisers in Australia was up 17.4% to $1.89 million of wealth management sales per adviser per annum (2004 – $1.61 million).

Wealth management sales productivity in Australia[1]



1 Excluding one-off transitions

A key component of our strategy to recruit high quality, productive advisers into our financial advice network is the Discovery programme under which we package client registers to provide an initial cash flow and leads base for new advisers. Since its launch in 2003, the Discovery programme has attracted in excess of 100 advisers and generated sales of $608 million. Sales for advisers in the Discovery programme during 2005 totalled $383 million – 21% of total wealth management sales through our aligned channel for 2005.

The most recent WA Taylor survey, which measures service levels to advisers, shows that AXA in Australia is currently out of the top 5 service providers – although there is little difference between fifth position and AXA's ninth position. Although we have improved our scores in financial protection and maintained our result in the wealth management area since the last survey in 2004, we have seen a small decline in the score for our portfolio administration service on Summit.

We are focussing resources and effort on improving our service to advisers on Summit and expect to see this result improve in 2006. We will continue to make improvements to our service offer for wealth management and financial protection products.

New Zealand

At 31 December 2005 AXA New Zealand had 322 advisers and agents (2004 – 325).

New Zealand Number of advisers At 31 December	2005	2004	Change	2003
Aligned advisers and agents[1]	322	325	(0.9)%	359

1 2004 restated

During 2005, 16 new AXA aligned advisers joined the business while 19 left. Of the 19 advisers that left the business, 16 were sub-advisers working for registered AXA aligned advisers and 3 were accredited AXA aligned advisers. The 3 accredited AXA aligned advisers retired and sold their practices to existing accredited AXA aligned advisers.

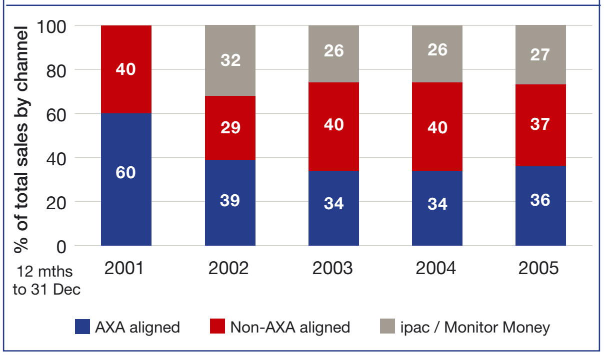
Average wealth management funds under management per aligned adviser was up 25.0% to NZ$0.8 million per adviser (2004 – NZ$0.64 million).

The New Zealand business improved its score in the annual WA Taylor survey which measures adviser service and satisfaction. The New Zealand business was ranked 4th (2004 – 7th), following considerable focus on our service to existing aligned advisers, in particular the launch of ABC.

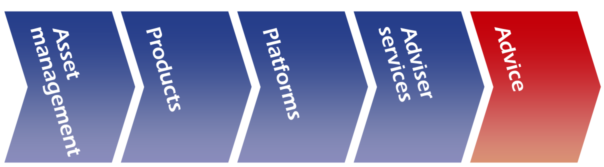
Sales by channel – Australia

Our improved penetration of external adviser product lists, together with the growth of our advice business, has resulted in a diversified and balanced distribution footprint in Australia.

Australia – sales by channel (single premium wealth products)



Advice



A key part of our wealth management strategy is to be a leading participant in the advice segment of the value chain. Through direct involvement in advice, AXA can:

- be a leader in this growing part of the value chain
- access the advice margin
- protect upstream product margin by being in a strong position as margin shifts to those closest to the end customer
- participate and influence the evolution of the advice market from a cottage industry structure to a scaled, corporatised industry.

Funds under advice At 31 December (A$ million)	2005	2004	Change	2003
ipac	4,355.7	3,400.0	28.1%	2,552.1
Monitor Money	605.9	572.7	5.8%	543.0
Spicers	1,323.1	1,155.9	14.5%	1,062.9
Total	**6,284.7**	5,128.6	22.5%	4,158.0

Funds under advice was up 22.5% to $6.3 billion (2004 – $5.1 billion), assisted by strong investment markets in Australia and New Zealand.

Our advice businesses will expand further when we move to full ownership of Tynan Mackenzie in July 2006. Tynan Mackenzie has more than $2 billion in funds under advice with $1.4 billion already managed by ipac.

Tynan Mackenzie and ipac have similar advice models. Monitor Money is migrating to the same advice model with a specialisation in the Self Managed Superannuation Fund (SMSF) segment.

At ipac, the Equity Partners Programme delivered strong net inflows, up 22% on 2004 to $184 million. ipac works with its equity partners to help improve their operations and embed the ipac advisory processes before moving to full ownership when the principals retire. These practices are among the best in the industry with one, Strategic Planning Partners on the Gold Coast, recognised as Practice of the Year in the 2005 national award from industry magazine, IFA.

In 2005, ipac integrated two equity partners into ipac financial planning. This is a low risk way to build scale in key locations or enter new markets through established businesses. ipac completed the purchase of a business in Mosman, providing ipac with a presence in a growing and affluent area of Sydney, with $80 million funds under advice successfully transitioned. ipac also integrated Hattersley Maxwell (Chatswood, Sydney) with $300 million funds under advice, into the Sydney CBD office, increasing scale and adding to adviser numbers.

ipac also entered into an equity partnership with a quality advice business in Adelaide with $250 million funds under advice, which will be completed in 2006, and extends ipac's national reach. ipac will assist this business to grow further and generate efficiencies for the practice and benefits for clients by leveraging ipac's advice and implementation capabilities. ipac also completed three small book buys that were absorbed into ipac's existing operations.

ipac financial planning successfully managed the introduction of significant legislative change in 2005 including Choice. ipac also continued to innovate and enhance its advice offer with the release of i-desk, a database that automates the production of Statements of Advice while still ensuring a high level of client personalisation.

ipac enhanced its corporate advice offer through the introduction of progressive advice that appeals to time poor executives. This advice offer has been successful in attracting new business from executives who were previously reluctant to commit to a full advice relationship.

At Monitor Money, the two Adelaide offices (following the acquisition of Patrick Whelan Financial Services) were merged and relocated to new facilities. This has achieved greater scale ($210 million funds under advice) and cost efficiencies by leveraging AXA infrastructure.

Monitor Money enhanced its capabilities as a provider of advice on SMSFs and forged strong alliances with accountants that are active in this segment. All advisers are fully trained and accredited to deliver SMSF advice. Monitor Money has developed centralised support to provide all documentation that advisers and clients need to operate SMSFs.

Monitor Money progressed with its lead generation programme (Accountant Alliance Programme) which began in 2004. New partners have been attracted to this programme in 2005 and standard work processes have been developed between Monitor Money and the alliance partners to optimise these relationships.

The growth in New Zealand funds under advice reflects the inclusion of Financial Pathways (A$60 million). This acquisition was completed in 2004 with over 60% of the FUM now re-invested in AXA Group products and services.

Spicers is improving its adviser sales and remuneration structures to address slow sales growth given difficult market conditions in New Zealand. It is also improving product and platform offerings to increase client services and investment flexibility to assist client retention.

Number of advisers At 31 December	2005	2004	Change	2003
Australia				
ipac – salaried advisers	40	34	17.6%	34
ipac – other advisers[1]	55	56	(1.8)%	53
Monitor Money	23	21	9.5%	25
Total Australia	**118**	111	6.3%	112
New Zealand	55	61	(9.8)%	66
Total Australia & New Zealand	**173**	172	0.6%	178

1 Includes advisers employed by businesses operating under a partnering agreement with ipac

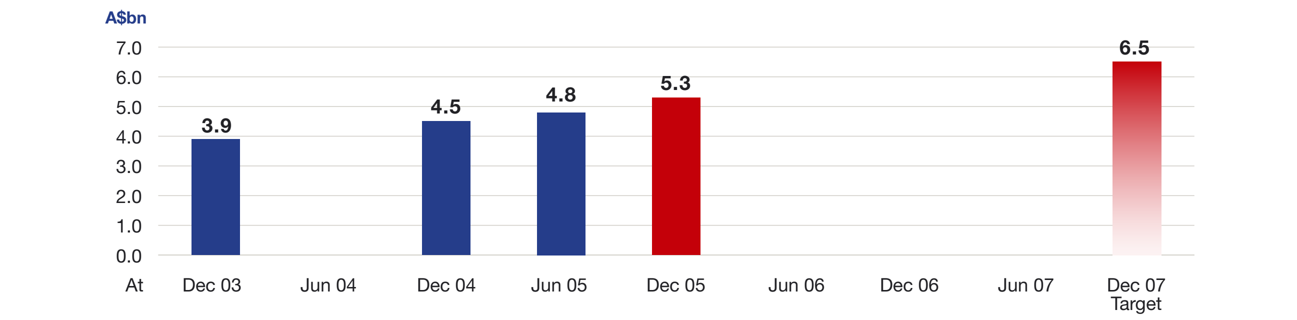
Recruitment of quality advisers is a key strategy. ipac recruited 14 advisers in 2005 benefiting from a series of recruitment initiatives that will continue in 2006. These new additions more than offset departures that included advisers that made career moves within the business.

At Spicers the fall in adviser numbers was expected and reflects a drive to consolidate adviser books and practices ahead of a change in the distribution business model in 2006, to one used by ipac and Tynan Mackenzie.

2.1 Operational review (continued)

AXA 6 progress

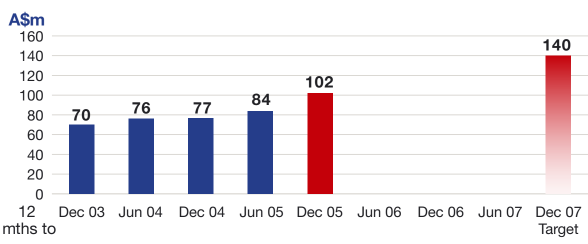
Overarching goal – Illustrative enterprise value up 17.8%[24]



Note: this chart is illustrative only for tracking progress

Refer section 7 for discussion of our progress towards our overarching goal.

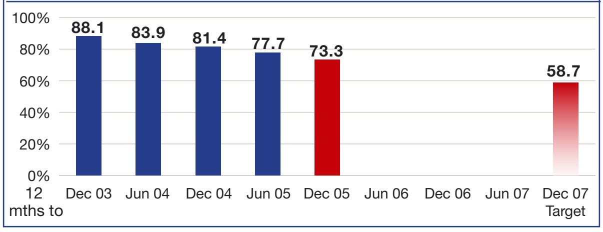
AXA 1 – To double the value of new business[1]



1 Based on constant assumed risk discount rate of 11.0% as outlined at start of AXA 6

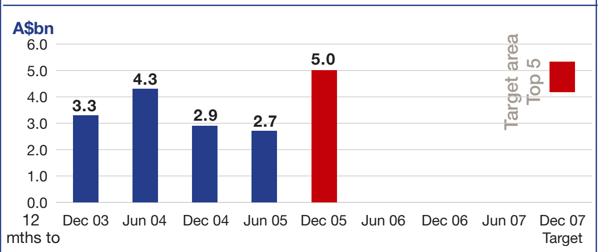
Refer section 7 for discussion of our progress towards AXA 1.

AXA 4 – To reduce the cost to income ratio by one third



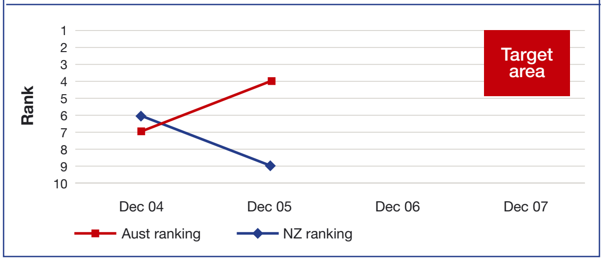
Refer page 19 for discussion of our progress towards AXA 4.

AXA 2 – To be consistently in the top 5 in net retail fund flows



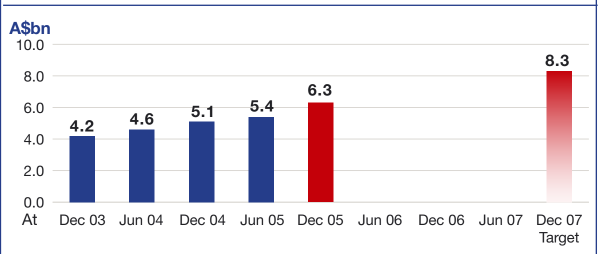
Refer pages 9 to 11 for discussion of our progress towards AXA 2.

AXA 5 – To be consistently in the top 5 in service to advisers



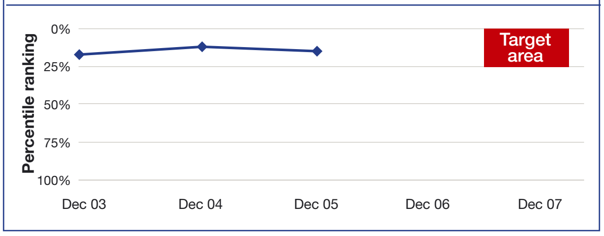
Refer pages 13 to 14 for discussion of our progress towards AXA 5.

AXA 3 – To double funds under advice



Refer pages 14 to 15 for discussion of our progress towards AXA 3.

AXA 6 – Be consistently in the top quartile in the AXA Group SCOPE Survey



24 Illustrative-only for tracking progress. Before dividends and transfers to net worth. Mid-point of range based on 11% discount rate, 7x FP VNB, 15x WM VNB; and 10% discount rate, 12x VNB, 20x WM VNB

Looking forward

Superannuation Choice

Choice in superannuation came into effect on 1 July 2005. Early analysis indicates the level of switching between superannuation funds have been no more than 2% of members funds and is in line with our view that Choice will have only limited impact on the superannuation structure.

Inflows into AXA's Super Directions for Business increased 14.5% to $371.1 million (2004 – $324.1 million). Net flows decreased 9.8% to $196.0 million (2004 – $217.2 million). A significant proportion of outflows flowed back into other AXA products, particularly Summit, Generations and iAccess personal superannuation products.

In response to the Choice environment, we have implemented initiatives such as a 'clearing house' service which allows employers to make member contributions to multiple superannuation funds online, and a self managed super fund service which caters for individual clients seeking greater investment control and flexibility under this new regime.

Self Managed Super Funds

The self managed superannuation segment experienced growth of 28% between September 2004 and September 2005, compared to 23% for retail funds[25].

To help increase our penetration of the Self Managed Super Fund (SMSF) sector we have launched two AXA SMSF offers, AXcess Self-managed Super and AXcess Managed Portfolio, which are currently being rolled out to aligned advisers.

Development of a SMSF offer is consistent with building our positioning as a leading provider of superannuation and retirement income solutions. It will help us to improve ties with leading financial advisers and increase our penetration of approved product lists.

Managed funds

In retail wealth management the key opportunities to grow sales in 2006 are in Australian equities, Australian property and multi-manager funds and, in the medium term, in our Global Equity Core Fund managed by AXA Rosenberg.

Our recent Australian equities investment performance has been strong, with both the value and growth funds ranking in the top quartile over the past 12 months. As expected, this investment performance, together with the A rating from van Eyk for the value fund, has led to an improvement in Australian equities fund inflows which grew to $130 million in 2005. We are hopeful of increasing penetration of approved product lists in 2006, which should translate into further growth in Australian equities fund flows.

We continue to be optimistic about our direct property and mortgage products. The Australian Property Fund has seen a significant increase in approved list penetration and inflows in 2005 as a result of product changes introduced in late 2004.

There are also growth opportunities for the ipac multi-manager business, with sales sourced through SUMMIT, Generations, AXA advice businesses and third party institutional investors.

Financial protection

The focus for AXA Australia in 2006 will be to accelerate profitable growth in our individual insurance market share by building on the momentum of our 2005 market offer. This will be supported by improvements in new business processing and a continued focus on high quality underwriting.

We will also be seeking to grow our market share of group insurance business on a profitable basis through careful segmentation and repositioning of our group insurance offer.

Retirement income

Regulations have recently been introduced which allow superannuation fund members to utilise preserved and restricted non-preserved benefits to purchase non-commutable income streams upon reaching retirement age, irrespective of whether they have actually retired from gainful employment. In response, we will be introducing a Non-Commutable Allocated Pension (NCAP) product in March 2006. NCAPs will allow members more flexibility with regard to their workplace arrangements by allowing access to superannuation to top-up income needs.

Platform

Most of our development in 2005 was focussed on delivering product changes resulting from new legislation, including new trustee licensing, new retirement income factors and additional fee disclosure requirements. This is expected to continue in 2006 as the Government focuses on superannuation transparency in the Choice environment.

Generating significant scale on our Summit platform remains an important objective. To support this we offer a 'transition assist' service to support the efficient migration of funds, generally from higher cost retail investment products to AXA platforms. We transitioned approximately $200 million in 2005 (2004 – $87 million).

We anticipate that through a combination of new fund flows and conversions from existing AXA products that funds under administration will reach our minimum scale target of $10 billion by the end of 2006.

Other platform priorities in 2006 are to further develop e-commerce functionality for advisers, including improved online reporting and online transaction capabilities.

Development of automated transaction capabilities for the purchase and sale of investment funds is also planned. This functionality will deliver significant benefits, including increased productivity and efficiency gains, as well as improved client and adviser service.

25 Source: APRA Quarterly Superannuation Performance, September 2005

2 Australia and New Zealand

2.1 Operational review (continued)

Advice

As part of the acquisition of ipac in 2002, AXA acquired 33% of Tynan Mackenzie, a highly successful financial planning business. At 31 December 2005 Tynan Mackenzie had $2.0 billion funds under advice and 34 advisers. We intend to exercise our option to acquire the remaining 67% of Tynan Mackenzie in the third quarter of 2006.

There remains a focus on the acquisition of smaller advice businesses that fit our advice model. With a strong pipeline, ipac is well placed to make further acquisitions in 2006. The continued recruitment of advisers into our advice businesses is also a key growth strategy.

Organic growth initiatives, such as ipac's corporate lead generation programme, will help drive inflows in 2006. Monitor Money has enhanced its capabilities as a provider of advice on SMSFs and will look to grow inflows through its alliances with accountants that are active in this client segment. At Spicers, a number of initiatives will seek to increase new business and support retention in 2006.

New Zealand

The outlook for the New Zealand business is optimistic, with significant improvements expected to the structure of the managed funds market in 2006 and 2007.

Changes to New Zealand tax regulations are expected to be confirmed this year which will see the introduction of amendments to the taxation of New Zealand managed funds and collective investment vehicles. These amendments will allow managed funds and collective investment vehicles to compete on equal terms with direct investments in similar asset pools.

Our purchase of Bank Of New Zealand's wealth management business adds significant scale (NZ$2.5 billion) to our funds under management and positions us as the clear leader in retail wealth management as measured by retail funds under management. The deal involves an exclusive distribution agreement through the bank's national network of over 180 branches, which further strengthens our distribution capability.

The final structure of the government's new national savings programme – KiwiSaver – is expected to be finalised this year for introduction in 2007. We are well positioned to capitalise on this opportunity given our existing, well-established work place savings business.

The focus for financial protection in New Zealand in 2006 will be, as in Australia, on a refreshed market offer.

2.2 Financial summary

Operating Earnings were up 42.3% to $203.7 million (2004 – $143.1 million), driven by strong growth in both wealth management and financial protection.

Financial performance 12 months to 31 December (A$ million)	2005	2004	Change
Operating Earnings			
Wealth management	130.9	85.6	52.9%
Financial protection	72.8	57.5	26.6%
Operating Earnings	**203.7**	143.1	42.3%
Investment Earnings			
▪ normalised	74.0	63.0	17.5%
▪ investment experience			
– assets in excess of policy liabilities	25.6	31.2	(17.9)%
– assets backing policy liabilities	36.6	29.9	22.4%
Investment Earnings	**136.2**	124.1	9.8%
Profit after income tax and before non-recurring items	**339.9**	267.2	27.2%
Non-recurring items	0.0	0.0	0.0%
Profit after income tax and non-recurring items	**339.9**	267.2	27.2%

Wealth management Operating Earnings were up 52.9% to $130.9 million (2004 – $85.6 million). Higher funds under management and advice in investment management, advice and superannuation increased fee revenue. The 2004 result for retirement income was negatively affected by the strengthening of annuitant mortality assumptions. Additional reserve strengthening was not required this year.

Financial protection Operating Earnings were up 26.6% to $72.8 million (2004 – $57.5 million) largely due to favourable claims experience in group life and group salary continuance. Higher planned profit margins in individual life, reflecting growth in the size of the portfolio and a favourable revision to mortality assumptions in December 2004, also contributed to the increase. This was partially offset by less favourable claims experience in income protection.

Investment Earnings were up 9.8% to $136.2 million (2004 – $124.1 million) primarily due to movements in bond rates being used to value certain products. As previously mentioned, for some classes of business the duration of the assets is shorter than the duration of the liabilities. Consequently, decreases in discount rates reduce Investment Earnings as liabilities increase by more than the corresponding assets. While the Australian 10-year bond yield decreased by 6 basis points this year, reducing Investment Earnings from assets backing policy liabilities, the decrease was lower than last year's 31 basis point decrease, increasing Investment Earnings compared to 2004.

12 months to 31 December (A$ million)	2005	Return[1]	2004	Return[1]
Assets backing shareholder funds				
Equities	40.7	17.3%	43.2	17.2%
Fixed interest	24.3	4.4%	24.6	4.8%
Property	0.8	3.0%	0.9	10.3%
Cash	2.0	4.0%	1.3	3.8%
Sub-total portfolio assets	**67.8**	**6.5%**	70.0	8.2%
Other assets	31.8		25.9	
Foreign currency translation	0.0		(1.7)	
Investment Earnings on assets in excess of policy liabilities	**99.6**		94.2	
Investment experience – assets backing policy liabilities	36.6		29.9	
Total Investment Earnings	**136.2**		124.1	

1 Weighted percentage return based on average portfolio mix as at 31 December 2005 and 31 December 2004 respectively

Investment Earnings on portfolio assets were down 3.1% to $67.8 million (2004 – $70.0 million), largely driven by lower domestic and fixed interest returns. While the S&P/ASX 300 Accumulation Index was up 22.5%, growth was lower than 2004's 27.9%. The Australian 10-year bond rate decreased by 6 basis points, which was lower than last year's 31 basis point decrease. This was partially offset by higher returns from international equities when viewed on an A$ basis. The MSCI World Accumulation Index (A$) was up 16.8%, compared to 9.9% over 2004. 'Other assets' primarily relates to after tax investment earnings on the recapitalisation of New Zealand. Foreign currency translation was $1.7 million higher than last year resulting from a realised loss in 2004 on the value of proceeds from the sale of our interest in AXA Investment Managers.

Investment returns from portfolio assets backing policy liabilities were $36.6 million (2004 – $29.9 million). Higher investment earnings from income protection as a result of changes made to the discount rate used to value product liabilities was the key driver of the difference compared to last year. The Australian 10-year bond yield decreased 6 basis points compared to a 31 basis point decrease in 2004. While a lower discount rate increases the level of liabilities, and as a result, reduces Investment Earnings, the decrease in the risk free rate this year was much lower than last year and as such higher investment earnings were recorded in 2005 relative to 2004.

Management expenses

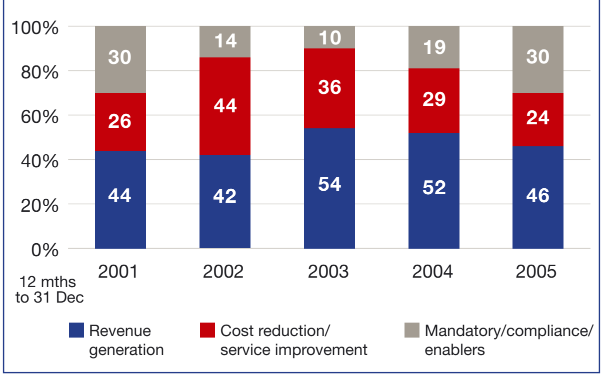
12 months to 31 December (A$ million)	2005	2004	Change
Recurring management expenses[1]	352.0	353.0	0.3%
Development expenses[1]	82.9	84.6	2.0%
Total management expenses	**434.9**	437.6	0.6%
Total commission and related expenses	263.1	254.8	(3.3)%
Total expenses	**698.0**	692.4	(0.8)%

1 2004 numbers have been restated on an AIFRS basis and are now inclusive of GST

Total management expenses were 0.6% lower at $434.9 million (2004 – $437.6 million) reflecting a 0.3% reduction in recurring management expenses and 2.0% reduction in development expenses.

The reduction in both development and recurring management expenses was due to improved operational effectiveness and ongoing cost reduction initiatives.

Development expenditure by initiative



The adoption of International Financial Reporting Standards and legislation such as Member Choice, Government Co-contribution, and safety in Super have led to an increase in mandatory and compliance related projects in 2005.

Reflecting increased business volumes, total commission and related expenses were up 3.3% to $263.1 million (2004 – $254.8 million).

2.3 Financial performance – Wealth management

General market conditions

The Australian and global equity markets performed strongly in 2005.

Industry survey results for the September 2005 quarter confirm that strong investment returns enjoyed by the market have translated into strong industry flows. There has been a movement away from traditional wholesale corporate super funds into retail employer sponsored super funds, as well as a strong improvement in flows into investment and unit trust products. The traditional lag between strong investment performance and fund flows would suggest that retail discretionary flows will remain strong during 2006.

Two major changes in superannuation during 2005 are expected to have a positive impact on superannuation savings going forward – the abolition of the superannuation surcharge from 30 June 2005 and the allowance of spouse co-contributions from 1 January 2006.

The results of the AXA Retirement Scope survey provided some interesting insights into attitudes towards retirement. Whereas the majority of Australians surveyed were confident about maintaining their standard of living after retirement and began preparing for retirement at a relatively early age, most were unaware of the financial choices needed to achieve their goals. This gap between perception and reality reinforces the need for quality financial advice.

Member Choice in Superannuation was introduced from 1 July 2005. Early indications suggest that switching of superannuation funds remains relatively low.

Financial performance

The following analysis shows profits from within the life company environment and those from products written outside the life company environment.

Operating Earnings 12 months to 31 December (A$ million)	2005	2004	Change
Wealth management (life company)	76.5	52.4	46.0%
Wealth management (other)	54.4	33.2	63.9%
Total wealth management	**130.9**	85.6	52.9%

Wealth management (life company environment)

The table below analyses the financial performance from wealth management products sold and managed within the life company statutory funds. This shows the planned profit margins for retirement income, superannuation and ordinary savings products as well as the key elements of experience profits and losses.

(A$ million)	Retirement income	Super-annuation	Ordinary savings	Total (life company)
Planned profit margins released	10.9	36.5	8.1	**55.5**
Experience profit (loss)				
Expenses	0.7	4.8	(1.7)	3.8
Other (incl. underwriting and surrenders)	3.4	7.3	6.5	17.2
Capitalised (losses) and reversals	0.0	0.0	0.0	0.0
Operating Earnings (12 months to 31 Dec 2005)	15.0	48.6	12.9	**76.5**
Operating Earnings (12 months to 31 Dec 2004)	(2.6)	46.6	8.4	52.4

Retirement income includes fixed term and lifetime annuities. 2004 Operating Earnings were negatively impacted by a strengthening of annuity mortality assumptions. It should be noted that funds under management of $1.3 billion for retirement income policies are no longer accounted for under Margin on Services (MoS) but under AASB139 and AASB118 and 2004 numbers have been restated to reflect this. For retirement income policies the profit margins released of $10.9 million represent the difference between the best estimate investment return and the risk-free rate.

The increase in superannuation was driven largely by increased fees from higher FUM, and favourable mortality experience in life insurance protection sold within business superannuation risk riders, which was partially offset by the loss of transitional tax relief. In addition, the 2004 result included $2.0 million of capitalised losses due to the strengthening of lapse assumptions on the group life component of business superannuation. It should be noted that funds under management of $6.7 billion for superannuation are no longer accounted for under Margin on Services (MoS) but under AASB139 and AASB118 and 2004 numbers have been restated to reflect this. The normalised profits relating to these superannuation policies are included in planned profit margins released of $36.5 million.

Ordinary savings includes traditional life savings products which generally include a financial protection component, and insurance bonds. These products are no longer available for sale and the portfolio is in run off. A one-off tax rebate, categorised as 'other', which arose due to the clarification of the treatment of tax on certain fee income, assisted the 2005 result.

Wealth management (non-life company environment)

The Operating Earnings of our non-life company wealth management operations are reported under the core product groupings of platform, advice and investments.

(A$ million)	Platform	Advice	Investments/ other[1]	Total (non-life company)
Gross fees/ revenues	94.1	148.3	65.5	307.9
Operating Earnings (12 months to 31 Dec 2005)	6.6	35.3	12.5	**54.4**
Operating Earnings (12 months to 31 Dec 2004)	6.3	20.8	6.1	33.2

1 Investments/other results include profits but not fees derived by the AllianceBernstein joint venture

We have experienced strong growth in non-life wealth management, with Operating Earnings up 63.9% to $54.4 million (2004 – $33.2 million).

Gross fee revenue for Platform was up 22.3% due to growth in funds under administration on Summit and strong flows into Generations. However this was largely offset by higher development expenses. It is expected that profits will grow at a faster rate once greater scale is achieved. We anticipate that through a combination of new fund flows and conversions from existing AXA products that funds under administration will reach our minimum scale target of $10 billion by the end of 2006.

Advice Operating Earnings include profits from ipac, Monitor Money and Spicers (New Zealand). The increase compared to last year was largely driven by higher net revenues in ipac from both multi-manager and equity partners.

Stronger institutional revenues as a result of additional mandate wins in AllianceBernstein (in which we have a 50% interest) and higher fees from growth in funds under management drove the increase in Investments/other.

2.4 Financial performance – Financial protection

The table below analyses the profit from our financial protection products. All financial protection products are written within the life company statutory funds. The table shows the planned profit margins released for long term risk, individual life, group life and salary continuance and individual income protection as well as the key elements of experience profit or loss. Group life and salary continuance, being short term contracts, use an accumulation method of accounting and as such a margin analysis is typically not applied. However, in this instance a margin analysis has been constructed to aid understanding.

(A$ million)	Long term risk	Individual life	Group life & group salary continuance	Individual income protection	Financial protection total
Planned profit margins released	16.5	40.8	7.7	3.7	**68.7**
Experience profit (loss)					
Expenses	(0.3)	(1.1)	1.4	0.0	0.0
Other (incl. underwriting and surrenders)	(2.0)	(0.4)	4.0	0.0	1.6
Capitalised (losses) and reversals	0.0	0.0	0.0	2.5	2.5
Operating Earnings (12 months to 31 Dec 2005)	14.2	39.3	13.1	6.2	**72.8**
Operating Earnings (12 months to 31 Dec 2004)	13.1	35.7	(0.1)	8.8	57.5

Profits on our closed book of long term risk products increased due to favourable claims experience. The 'other' experience item is largely driven by improved retention (lower lapses). As policy surrender values are less than our policy liabilities, lower than assumed lapses reduce short term profits but increase shareholder value in the longer term.

Individual life profits were higher than last year due to increased inforce volumes and the favourable revision to mortality and expense assumptions at December 2004 which improved planned profit margins. The slightly unfavourable expense margin was driven by additional development and project spend on our 2005 market offer.

The increase in group life and group salary continuance profit was driven by favourable underwriting experience due to better than expected mortality experience in our group life business following the re-rating of some policies.

A deterioration in claims experience, particularly in the second half of 2005, compared to 2004 was the key driver of the lower income protection result. This was primarily due to a deterioration in claims closure rates following the loss of experienced claims assessors in late 2004. This area continues to receive close management attention and we are strengthening claims management resources.

2.5 New business and fund flows

Wealth management fund flows

Net flows (retail and wholesale) were up 139.6% to $9,550.4 million (2004 – $3,986.6 million).

Product view 12 months to 31 December (A$ million)	Inflows			Outflows			Net flows		
	2005	2004	Change	2005	2004	Change	2005	2004	Change
Superannuation	2,810.4	2,402.5	17.0%	1,953.9	1,669.3	(17.0)%	856.5	733.2	16.8%
Retirement income	568.5	689.9	(17.6)%	778.6	733.4	(6.2)%	(210.1)	(43.5)	>>
Investment products	2,937.4	2,866.7	2.5%	2,022.6	2,159.9	6.4%	914.8	706.8	29.4%
AllianceBernstein – retail mandates[1]	4,476.1	2,186.8	104.7%	1,000.8	649.9	(54.0)%	3,475.3	1,536.9	126.1%
Total retail flows (excluding cash management trusts)[2]	**10,792.4**	8,145.9	32.5%	**5,755.9**	5,212.5	(10.4)%	**5,036.5**	2,933.4	71.7%
Cash management trusts	86.6	81.3	6.5%	72.6	149.2	51.3%	14.0	(67.9)	n/a
AllianceBernstein – wholesale mandates	7,706.7	4,017.9	91.8%	3,206.8	2,896.8	(10.7)%	4,499.9	1,121.1	301.4%
Total flows	**18,585.7**	12,245.1	51.8%	**9,035.3**	8,258.5	(9.4)%	**9,550.4**	3,986.6	139.6%
Included in the above:									
Platforms	2,916.5	2,361.1	23.5%	1,735.5	1,563.3	(11.0)%	1,181.0	797.8	48.0%
Advice	1,320.1	1,192.0	10.7%	983.2	763.1	(28.8)%	336.9	428.9	(21.5)%

1 All of these mandates are from retail providers. However, some flows may be institutionally sourced. As the flows are via mandates, we do not have a split

2 Cash management trusts are taken out for the purpose of AXA 2 net funds flow methodology

Total **gross** retail inflows in Australia and New Zealand (excluding cash management trusts) were up 32.5% to $10,792.4 million (2004 – $8,145.9 million). **Net** retail flows (excluding cash management trusts) were up 71.7% to $5,036.5 million (2004 – $2,933.4 million).

Whereas in dollar terms, retail outflows increased by 10.4% to $5,755.9 million (2004 – $5,212.5 million), as a percentage of average total retail funds under management and advice, outflows improved by 170 basis points to 14.6% of average retail funds under management and advice (2004 – 16.3%).

Included in the figures above are intra-group flows that arise when AXA clients switch from one product structure to another, such as from a traditional superannuation product to a platform based superannuation product.

Intra-group flows 12 months to 31 December (A$ million)	2005	2004	Change
Superannuation	411.2	153.0	168.8%
Retirement income	141.5	35.0	304.3%
Investment products	86.9	22.9	279.5%
AllianceBernstein – retail mandates	272.0	110.0	147.3%
Included in the above:			
Platforms	563.7	143.5	292.8%
Advice	397.0	100.0	297.0%

Note: These flows are both inflows and outflows into the same product line, therefore netting to zero on a net flows basis

Superannuation

Superannuation gross inflows were up 17.0% to $2,810.4 million (2004 – $2,402.5 million) primarily due to inflows from the Generations superannuation offer, Business Super Directions and ipac's iAccess superannuation product. Net flows increased 16.8% to $856.5 million (2004 – $733.2 million).

Retirement income

Retirement income gross inflows were down 17.6% to $568.5 million (2004 – $689.9 million). This decrease is largely attributable to a reduction in long term annuity inflows.

Inflows in 2004 for long term annuities were high in the lead up to the September 2004 legislative changes to eligibility criteria for this type of product. The market for these products subsequently declined resulting in lower inflows during 2005. The decrease in gross inflows was partly offset by an increase in Generations personal pension inflows.

AXA annuities 12 months to 31 December (A$ million)	Inflows			Outflows			Net flows		
	2005	2004	Change	2005	2004	Change	2005	2004	Change
Guaranteed annuities									
Short term	72.9	95.7	(23.8)%	168.6	241.7	30.2%	(95.7)	(146.0)	34.5%
Long term	50.2	181.8	(72.4)%	89.3	78.2	(14.2)%	(39.1)	103.6	n/a
Lifetime	3.4	37.3	(90.9)%	44.2	43.1	(2.6)%	(40.8)	(5.8)	(603.4)%
Subtotal	**126.5**	314.8	(59.8)%	**302.1**	363.0	16.8%	**(175.6)**	(48.2)	(264.3)%
Allocated pensions	442.0	375.1	17.8%	476.5	370.4	(28.6)%	(34.5)	4.7	n/a
Total	**568.5**	689.9	(17.6)%	**778.6**	733.4	(6.1)%	**(210.1)**	(43.5)	(383.0)%

Although gross inflows for long term annuities were down 72.4% to $50.2 million in 2005 (2004 – $181.8 million) our market share of gross inflows has increased from 3.5% for the month of March 2005 to 11.5% for the month of November 2005[26] as a result of our improved pricing.

The increased allocated pension gross outflows are largely the result of a higher level of pension payments consistent with business growth. Gross inflows for allocated pensions were up 17.8% to $442.0 million (2004 – $375.1 million).

Investment products

Investment product gross inflows were up 2.5% to $2,937.4 million (2004 – $2,866.7 million) and outflows declined 6.4%. Net flows grew 29.4% to $914.8 million (2004 – $706.8 million).

In September 2004 a third party distribution channel ended its support of our Australian Monthly Income Fund (AMIF) in favour of its own in-house mortgage product. As a result, gross inflows from this channel into AMIF were $349.6 million lower than last year. Excluding the impact of these AMIF flows, overall investment product gross inflows would otherwise be up 16.3% for the year.

Net inflows to our Global Equity Value Fund grew 166.6% to $595.1 million (2004 – $223.2 million), including the investment portfolio of the Generations product which generated $89 million of net inflows.

We highlight below the performance of some of our key investment products.

Mortgage funds

Our mortgage backed income funds continue to maintain strong ratings and high penetration of third party approved product lists and platform investment menus.

Total mortgage trust gross inflows were down 48.9% to $507.4 million (2004 – $993.3 million).

Gross inflows into AMIF were significantly down as a result of a third party distribution channel ending its support of the fund. Excluding the impact of this, AMIF gross inflows would otherwise have been 15.0% lower at $449.7 million (2004 – $528.9 million). This is a result of investor sentiment favouring higher risk / return fixed interest funds.

Recent events are likely to alter this preference. In December 2005 the Westpoint property group placed six of its mezzanine funds into voluntary administration, affecting 4,000 retail investors. Two other mezzanine funds have been forced into liquidation by ASIC. We believe there will be an increase in demand for quality mortgage funds such as ours as investors come to understand the nature of the risks.

26 Source: Plan for Life Monthly Annuities Sales Report, November 2005

2.5 New business and fund flows (continued)

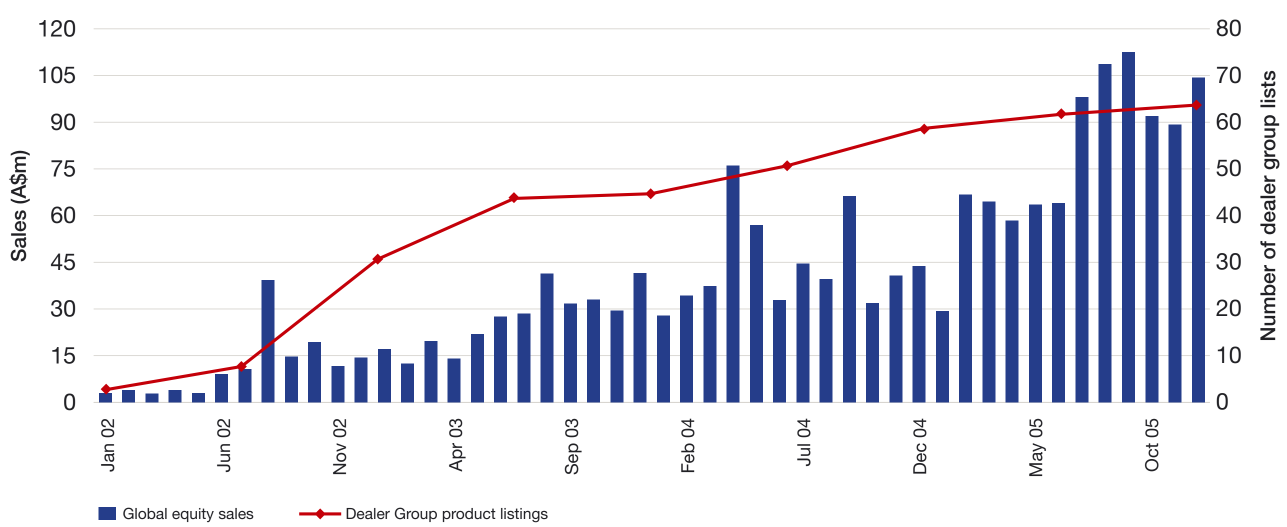
Global Equity Value Fund

The fund returned 23.3% (net of fees) for the 12 months ended 31 December 2005, outperforming its market benchmark by 6.4 percentage points.

The combination of excellent ratings, Money Management 2005 awards, and consistent top quartile investment performance, have led to very strong sales and continued high penetration of third party dealer group and master trust product lists. The November 2005 edition of IFA magazine reported that AXA's Global Equity Value Fund had the fifth highest platform presence across all products.

Total gross inflows were up 83.5% to $770.2 million (2004 – $419.8 million) and net inflows increased by 166.6% to $595.1 million (2004 – $223.2 million). There have been strong inflows from many of the major platforms in the market.

Monthly Global Equity sales (via mezzanine, retail and PAS)



Global Equity Growth Fund

We have seen an improvement in the flows to our Global Equity Growth Fund, with gross inflows up 14.4% to $126.5 million (2004 – $110.6 million).

Favourable ratings and strong investment performance over the last 24 months has resulted in increased penetration of dealer group and master trust product listings. The fund returned 23.7% (net of fees) for the 12 months ended 31 December 2005, outperforming its market benchmark by 6.9 percentage points. The increased penetration together with changing market conditions favouring this style of investment should result in increased flows in 2006.

Global Equity Core Fund

The Wholesale Global Equity Core Fund managed by AXA Rosenberg was launched in April 2005. AXA Rosenberg is an active, bottom-up manager, combining fundamental research with quantitative techniques. The 'core' approach produces a portfolio of international stocks that has neither a growth nor value bias over the medium to long term. During 2005 van Eyk gave this fund an 'A' rating. We expect to progressively gain dealer group and master trust product list penetration and, in turn, increase net funds flow over the next few years.

Australian Equity Value Fund

The Australian Equity Value Fund continued to provide top quartile performance returning 28.1% for the 12 months ended 31 December 2005, outperforming its market benchmark by 5.7 percentage points. The combination of this performance and the van Eyk upgrade to an 'A' rating in May 2005 led to further penetration of approved product lists. Net fund flows were up significantly to $123.5 million (2004 – $7.1 million). We expect this growth to continue, especially after the fund establishes a three year performance history in August 2006.

Australian Equity Growth Fund

This fund returned 25.4% for the 12 months ended 31 December 2005, exceeding the benchmark by 2.9 percentage points. Despite this good performance, the absence of a van Eyk rating is restricting penetration of dealer group product lists and master trust investment menus. We expect to have this fund rated by the third quarter of 2006.

Australian Property Fund

The Australian Property Fund is rated 4 stars by Standard & Poor's and is 'A' rated by van Eyk. Penetration of dealer group product lists and master trust investment menus continued to increase as a result of product improvements made in late 2004. Net flows were up 397.8% to $138.9 million (2004 – $27.9 million).

AllianceBernstein retail mandates

The trend away from pooled 'mezzanine' mutual funds to individual investment mandates through retail master trust platforms and multi-manager products continued. Gross inflows from retail mandates were up 104.7% to $4,476.1 million (2004 – $2,186.8 million) and net flows were up 126.1% to $3,475.3 million (2004 – $1,536.9 million).

AllianceBernstein wholesale mandates

Our joint venture partner, AllianceBernstein manages US$579 billion worldwide (at 31 December 2005). This global strength, strong investment performance and recognised industry awards, helped gross inflows in Australia and New Zealand increase 91.8% to $7,706.7 million (2004 – $4,017.9 million). With relatively constant outflows, net inflows were up 301.4% to $4,499.9 million (2004 – $1,121.1 million).

Platforms

Platform net flows were up 48.0% to $1,181.0 million (2004 – $797.8 million) primarily due to the continued success of Generations.

12 months to 31 December (A$ million)	Inflows			Outflows			Net flows		
	2005	2004	Change	2005	2004	Change	2005	2004	Change
Summit (incl 3rd party)	1,032.6	1,061.6	(2.7)%	573.3	601.1	4.6%	459.3	460.5	(0.3)%
Assure	24.7	37.4	(34.0)%	75.9	115.7	34.4%	(51.2)	(78.3)	34.6%
Generations[1]	636.3	155.1	310.3%	43.3	3.2	>>	593.0	151.9	290.4%
ipac	1,222.9	1,107.0	10.5%	1,043.0	843.3	(23.7)%	179.9	263.7	(31.8)%
Total	2,916.5	2,361.1	23.5%	1,735.5	1,563.3	(11.0)%	1,181.0	797.8	48.0%

1 Generations was launched in August 2004, with fund inflows from September 2004

Summit net flows remained strong and in line with 2004 flows.

Advice

12 months to 31 December (A$ million)	Inflows			Outflows			Net flows		
	2005	2004	Change	2005	2004	Change	2005	2004	Change
ipac	1,129.1	1,017.5	11.0%	711.4	495.7	(43.5)%	417.7	521.8	(20.0)%
Monitor Money	63.6	32.2	97.5%	83.8	82.7	(1.3)%	(20.2)	(50.5)	60.0%
Spicers	127.4	142.3	(10.5)%	188.0	184.7	(1.8)%	(60.6)	(42.4)	(42.9)%
Total	1,320.1	1,192.0	10.7%	983.2	763.1	(28.8)%	336.9	428.9	(21.5)%

ipac's net flows for 2004 benefited from a number of purchased client registers. In 2005 ipac completed less acquisitions than the year before contributing to net flows into the advice businesses reducing 21.5% to $336.9 million (2004 – $428.9 million).

There remains a considerable focus on book buys and equity partnerships in 2006 with a strong pipeline. There will also be a focus on the continued recruitment of advisers both for ipac and its equity partners.

In 2005, there was a significant movement of clients from one investment product strategy to another at ipac. In line with industry-wide practice, these intra-group flows have been recorded in both inflows and outflows (2005 – $397 million; 2004 – $100 million). If these intra-group flows are eliminated, the absolute level of ipac outflows decreased compared to 2004.

At Monitor Money, inflows nearly doubled, leading to net outflows reducing to $20.2 million (2004 – $50.5 million).

In New Zealand Spicers continued to be affected by tough market conditions. Tax anomalies, which are being addressed by the Government, mean that currently there is a strong investor preference for direct property, direct equity, and high yielding, high risk finance company debentures. While 2005 as a whole was challenging, the six months to 31 December 2005 showed improvement. The New Zealand Government announced several initiatives with the potential to result in a more consistent taxation treatment across investment categories which are expected to create renewed growth in retail funds flow over the medium term. The government is currently consulting with industry regarding these changes, and they are due to be enacted in 2007.

2.5 New business and fund flows (continued)

Financial protection

(A$ million)	New business 12 mths 31 Dec 05	New business 12 mths 31 Dec 04	New business Change	Discontinuances 12 mths 31 Dec 05	Discontinuances 12 mths 31 Dec 04	Discontinuances Change	Inforce As at 31 Dec 05	Inforce As at 31 Dec 04	Inforce Change
Regular premium									
Individual life	54.1	48.4	11.8%	31.3	29.8	(5.0)%	266.0	242.6	9.6%
Individual IP	25.8	22.5	14.7%	22.4	23.8	5.9%	200.0	196.4	1.8%
Group life & salary continuance	27.2	26.2	3.8%	20.9	17.9	(16.8)%	137.0	134.6	1.8%
Long term risk	3.0	3.2	(6.3)%	8.5	9.2	7.6%	89.3	94.6	(5.6)%
Total	**110.1**	100.3	9.8%	**83.1**	80.7	(3.0)%	**692.3**	668.2	3.6%
Single premiums	31.6	30.1	5.0%						

1 2004 Group insurance inforce has been restated to include $9.6 million of premiums not included in 2004 releases

Individual life and income protection new business premiums experienced solid growth during 2005. This was driven by the launch of product improvements in July and by a successful campaign (Take 20).

Although group insurance discontinuances were up relative to 2004, this was due to our strategy of increasing premiums on existing plans to improve profitability. This resulted in the loss of some additional plans but an overall increase in revenue and profits.

Individual life and income protection

Australian new business premiums for both individual life and income protection improved substantially relative to the prior years as a result of our tactical campaign targeting the over 45s market and due to the launch of our new and competitively well-positioned product range. The results of this campaign were seen predominantly in the results for the second and third quarters of 2005.

The new product range, launched in the third quarter of 2005, included a comprehensive review of all individual insurance products from both a product and pricing perspective. The offer has been well received by the market and we expect this to increase sales in 2006.

The income protection portfolio remains stable with continued improving persistency rates, while the individual life portfolio grew with inforce annual premiums up 9.6% to $266.0 million (2004 – $242.6 million).

Group life and salary continuance (income protection)

As in 2004, most of the revenue growth in the year has been through increasing premiums on existing plans as we completed the experience-based repricing of the portfolio, in line with our strategy to improve profitability.

Our policy is to continue to only focus on those segments of the market where we believe we can secure profitable business, such as group policies offered to superannuation master trusts. To support sales growth in our preferred market segments, a new group insurance offer will be launched to the market during 2006.

Long term risk

As anticipated, we experienced limited new sales of long term risk. Our focus is to continue our successful strategy of campaigns to retain plans to ensure long term persistency of this profitable portfolio. We have achieved this with discontinuances down 7.6% on 2004.

Product flows – alternate view

The fund flows outlined on page 22 represent flows into:

- AXA products using AXA / AllianceBernstein as single manager
- AXA platforms
- AllianceBernstein asset management services.

Set out below is an analysis which captures flows at product level at the point of sale. This view recognises that when selling platform products, AXA has the opportunity to capture additional revenue and value if investors select an AXA-managed fund or an ipac-managed multi-manager fund. This view recognises our multi-manager funds as a separate product line.

In this view we include 100% of sales of multi-manager funds via platforms (instead of only the portion managed by AllianceBernstein as in the previous view), as well as retail sources and institutional multi-manager mandates awarded to ipac.

This view provides a more comprehensive view of our fee-generating flows and is more representative of our sales activity.

Product view 12 months to 31 December (A$ million)	Gross inflows			Net flows		
	2005	2004	Change	2005	2004	Change
Superannuation	**2,810.4**	2,402.5	17.0%	**856.5**	733.2	16.8%
Retirement income	**568.5**	689.9	(17.6)%	**(210.1)**	(43.5)	(383.0)%
Investment, including:	**5,088.5**	4,704.7	8.2%	**1,656.5**	1,464.2	13.1%
▪ *investment – products and platforms*	**2,628.0**	2,637.3	(0.4)%	**777.4**	635.8	22.3%
▪ *investment in single manager unit trusts via AXA platforms*	**309.4**	229.4	34.9%	**137.4**	71.0	93.5%
▪ *investment in multi-manager unit trusts via AXA platforms*	**2,151.1**	1,838.0	17.0%	**741.7**	757.4	(2.1)%
Retail mandates – AllianceBernstein[1]	**3,757.4**	1,678.6	123.8%	**3,151.7**	1,427.3	120.8%
Retail mandates for multi-manager funds – ipac[2]	**345.0**	12.0	>>	**171.1**	(117.8)	n/a
Total retail flows (excl. cash management trusts)	**12,569.8**	9,487.7	32.5%	**5,625.7**	3,463.4	62.4%
Cash management trusts	**86.6**	81.3	6.5%	**14.0**	(67.9)	n/a
Wholesale mandates – AllianceBernstein	**7,706.7**	4,017.9	91.8%	**4,499.9**	1,121.1	301.4%
Wholesale mandates for multi-manager funds – ipac	**519.7**	86.4	501.5%	**245.8**	(774.6)	n/a
Total flows	**20,882.8**	13,673.3	52.7%	**10,385.4**	3,742.0	177.5%

1 Excluding funds managed by AllianceBernstein sourced through ipac multi-manager

2 Including funds managed by AllianceBernstein sourced through ipac multi-manager

The table below provides a reconciliation between the two views.

Product view 12 months to 31 December (A$ million)	Gross inflows		Net flows	
	2005	2004	2005	2004
Total flows (page 22)	**18,585.7**	12,245.1	**9,550.4**	3,986.6
Add multi-manager funds sold via AXA platforms	**2,151.1**	1,838.0	**741.7**	757.4
Remove portion of multi-managed funds managed by AllianceBernstein	**(718.7)**	(508.2)	**(323.6)**	(109.6)
Add ipac retail mandates	**345.0**	12.0	**171.1**	(117.8)
Add ipac wholesale mandates	**519.7**	86.4	**245.8**	(774.6)
Total flows including multi-manager	**20,882.8**	13,673.3	**10,385.4**	3,742.0

2.6 Funds under management, administration and advice

We continue to build our position and capabilities across the wealth management value chain in owned advice businesses, dealer services, distribution, product manufacture, administration, platforms and asset management. This strategy enables us to extract greater value and scale, and benefit from margins right across the value chain.

The following table sets out gross inflows and provides a reconciliation to inflows of $10,792 million.

Gross inflows by source

12 months to 31 December (A$ million)		Product view[1] >					AXA 2			
								AXA / AllianceBernstein asset management		
Distribution channel	Type of flow	Super	Ret Income	Invest	Sub-total	Advice[2] >	Product or Platform administration	Retail mandates[4]	Other retail[5]	External Managers[6]
ipac	Advice	562	297	271	**1,129**	1,129	1,129	247		976
	Administration	51	12	30	**94**		94			
Spicers / Monitor Money	Advice	16	0	175	**191**	191	191	16		219
	Administration	0	0	44	**44**		44			
Aligned and non-aligned advisers	Administration	1,878	128	435	**2,440**		2,440	472	309	1,659
	Investment	304	131	1,673	**2,108**				2,108	
AllianceBernstein institutional	Investment							3,741		
AXA Inflows		2,810	569	2,628	6,007	1,320	3,898	4,476	2,418	2,854
Platform flows into AXA investment funds[7]				309	309					
Reconciliation excl retail mandates		2,810	569	2,937	6,316		Subtotal inflows	10,792		

Net retail funds flows by source

12 months to 31 December (A$ million)		Product view[1] >					AXA 2			
								AXA / AllianceBernstein asset management		
Distribution channel	Type of flow	Super	Ret Income	Invest	Sub-total	Advice[2] >	Product or Platform administration	Retail mandates[4]	Other retail[5]	External Managers[6]
ipac	Advice	262	95	60	**418**	418	418	125		55
	Administration	(94)	(74)	(70)	**(238)**		(238)			
Spicers / Monitor Money	Advice	(9)	(16)	(56)	**(81)**	(81)	(81)	(52)		(64)
	Administration	0	0	(35)	**(35)**		(35)			
Aligned and non-aligned advisers	Administration	897	(17)	254	**1,134**		1,134	188	137	809
	Investment	(200)	(199)	625	**226**				226	
AllianceBernstein institutional	Investment							3,214		
AXA net funds flow		857	(210)	777	1,424	337	1,198	3,475	364	799
Platform flows into AXA investment funds[7]				137	137					
Reconciliation excl retail mandates		857	(210)	915	1,561		Subtotal net flows	5,037		

1 Sourced directly from retail customers; $3,741 million gross ($3,214 million net) comes from retail-sourced institutional funds but is not included under this heading

2 Advice flows included once only

3 We do not specifically count fund flows for the adviser services part of the value chain

4 ipac AllianceBernstein mandates include some institutional flows

5 'Other retail' represents flows into AllianceBernstein / AXA managed unit trusts and life company assets

6 Flows to 'external managers' achieved mainly via platform investor selection and via multi-manager (ipac and Arcus)

7 Platform business flowing into AXA investment trusts which is double counted to reflect the dual administrative and investment management margins

The above tables set out the component gross retail inflows of $10,792 million and net retail funds flow of $5,037 million. The 'Product view' illustrates product category flows by adviser distribution channel. Flows that include an advice margin from ipac and Spicers / Monitor Money are shown separately.

Product or platform administration flows come from AXA aligned and non-AXA aligned advisers (gross – $2,440 million; net – $1,134 million) part of which pass into AllianceBernstein asset management via ipac multi-managers (gross – $472 million; net – $188 million) and AXA mezzanine funds (gross – $309 million; net – $137 million), with the balance going to external managers (gross – $1,659 million; net – $809 million).

Additional non-platform investment-only flows of $2,108 million (gross) and $226 million (net) are all sourced from AXA aligned and non-AXA aligned advisers. This consists mainly of traditional retirement income and legacy superannuation business.

AllianceBernstein secured further retail mandate flows of $3,741 million (gross) and $3,214 million (net) from external retail providers (eg master funds and other retail 'fund of fund' arrangements).

Breakdown of funds flow into management, administration and advice

From an economic standpoint, we collect the following fees:

- an advice fee on 100% of fund flows into our advice businesses (ie $1,320 million gross flows and $337 million net flows)
- an administration fee on 100% of the total fund flows into our administration platforms (ie $3,898 million gross flows and $1,198 million net flows)
- an asset management fee on funds flowing from our administration platforms to AXA / AllianceBernstein including the $472 million (gross) and $188 million (net) flowing to AllianceBernstein via retail mandates and $309 million (gross) and $137 million (net) flows into AXA mezzanine funds
- an asset management fee on the $3,741 million (gross) and $3,214 million (net) from the AllianceBernstein retail mandates flowing to AXA / AllianceBernstein asset management.

Funds under management and administration (institutional and retail)

Funds under management and administration relates to funds that we administer on an AXA platform, irrespective of whether those funds are managed by AXA (through AllianceBernstein) or other fund managers selected by the client or by AXA. Overall funds under management and administration was up 34.0% to $70.3 billion (31 December 2004 – $52.5 billion). All categories of funds under management and administration were up except for Deutsche property funds where we have been progressively selling our non-core direct property assets.

(A$ million)	Funds under management and administration				Net funds flows		
Manager view	At 31 Dec 05	At 31 Dec 04	Change	At 31 Dec 03	12 mths 31 Dec 05	12 mths 31 Dec 04	Change
AXA	1,931.3	1,725.6	11.9%	1,601.4	102.8	173.5	(40.7)%
AllianceBernstein joint venture	52,743.0	37,516.8	40.6%	30,057.0	8,090.0	3,376.0	139.6%
Deutsche property funds	767.6	1,070.2	(28.3)%	1,570.0	(173.8)	(510.0)	65.9%
ipac	11,956.2	9,349.0	27.9%	8,080.0	1,211.0	(78.0)	n/a
External managers	5,653.7	4,841.4	16.8%	4,453.0	611.4	1,271.0	(51.9)%
Subtotal	**73,051.8**	54,503.0	34.0%	45,761.4	**9,841.4**	4,232.5	132.5%
Internal double count (ipac / AllianceBernstein)	(2,711.0)	(2,018.0)	34.3%	(1,516.0)	(291.0)	(245.9)	(18.3)%
Total	**70,340.8**	52,485.0	34.0%	44,245.4	**9,550.4**	3,986.6	139.6%

In aggregating funds under management and administration, some funds are counted twice (eg AllianceBernstein joint venture funds under management and funds in ipac's multi-manager portfolios that are managed by AllianceBernstein) to reflect that we receive a separate revenue stream for each service. We have counted funds only once to provide our total funds under management and administration of $70.3 billion.

Retail funds under management and administration grew 15.7% and overall funds under management and administration grew by 34.0%.

(A$ million)	Funds under management and administration				Net funds flows		
Source of funds	At 31 Dec 05	At 31 Dec 04	Change	At 31 Dec 03	12 mths 31 Dec 05	12 mths 31 Dec 04	Change
Retail funds	31,742.3	27,432.0	15.7%	23,960.0	1,575.2	1,328.6	18.6%
Retail mandates	13,276.2	7,299.4	81.9%	5,215.0	3,475.3	1,536.9	126.1%
Institutional funds	25,322.3	17,753.6	42.6%	15,070.4	4,499.9	1,121.1	301.4%
Total	**70,340.8**	52,485.0	34.0%	44,245.4	**9,550.4**	3,986.6	139.6%

3 Asia

3.1 Introduction

Our position in Asia with exciting medium to long term growth prospects, and the breadth and expansion of our footprint across the region, is a clear strategic advantage.

Strong economic growth and favourable demographics will continue to drive development of insurance markets across Asia. Increasing affluence and regulatory liberalisation provide opportunities for new products and distribution channels.

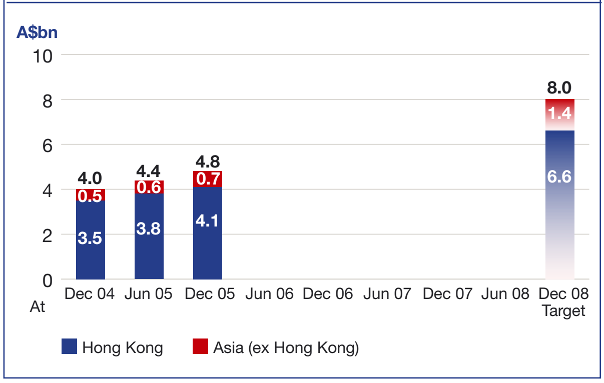
We have a clear and focussed strategy in Asia. We aim to achieve a leader position in each of our markets by the time they enter the 'growth' phase, when life insurance penetration increases sharply. We are drawing on our expertise in Australia to gain early mover advantage in wealth management and financial planning advice services, and our 20 years of Hong Kong expertise to gain market share in other Asian markets.

The AXA Asia Life Regional Centre in Hong Kong oversees our Asian businesses through a single regional platform. In addition to Hong Kong, we operate through wholly owned subsidiaries in Singapore and joint venture operations in China, Philippines, Thailand and Indonesia. We are also in the process of entering Malaysia and India and expect, subject to regulatory approval, to commence operations mid-2006 (subject to regulatory approval). In each of the joint venture businesses, we have operational management responsibility.

3.2 Asia 6 aspirational goals

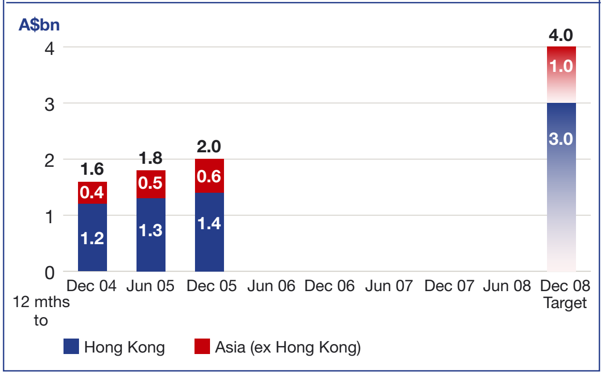
Progress continues on track.

Illustrative enterprise value up 20.7%[27]



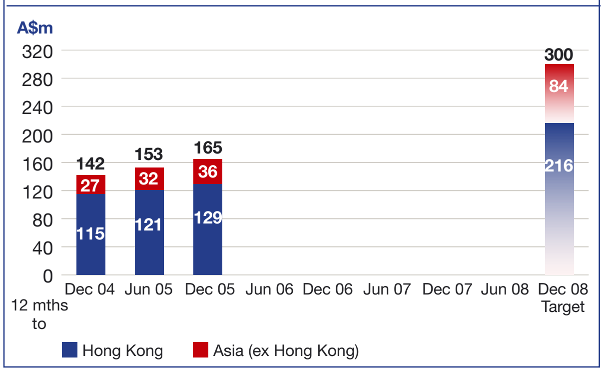
Refer section 7 for further information on growth in enterprise value in Hong Kong and Asia (ex Hong Kong) respectively.

Asia 2 – Grow total inflows 2.5 times to A$4 billion[29]



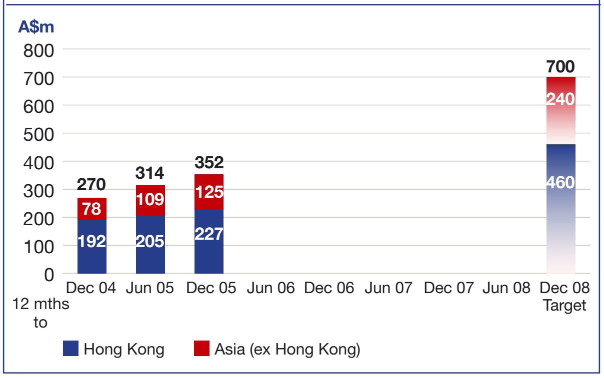
See pages 38 and 41 for further information on growth in total inflows in Hong Kong and Asia (ex Hong Kong) respectively.

Asia 1 – More than double the value of new business to A$300 million[28]



Commentary regarding the drivers behind the growth in value of new business can be found in section 7.

Asia 3 – Grow new business index[30] 2.5 times to A$700 million



See pages 38 and 41 for further information on growth in new business in Hong Kong and Asia (ex Hong Kong) respectively.

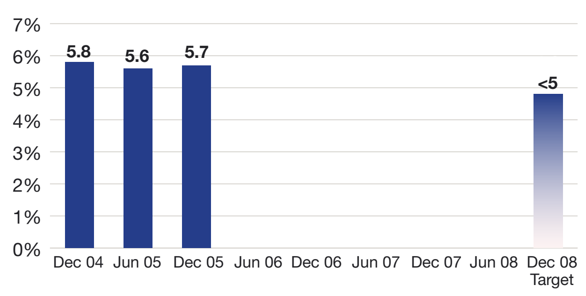
27 Illustrative only; 100% of joint venture operations; based on constant currency exchange rates as at 31 December 2004; assumes midpoint valuation metrics of 10.5%–11.5% HK risk discount rate, 10.0%–11.0% Singapore risk discount rate, 16%–20% for China and other Asian businesses, and VNB multiples for HK of 7x–20x Financial protection, 15x–20x Wealth management, and 4x–7x Group medical and general insurance

28 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 HK)) and equity return rates

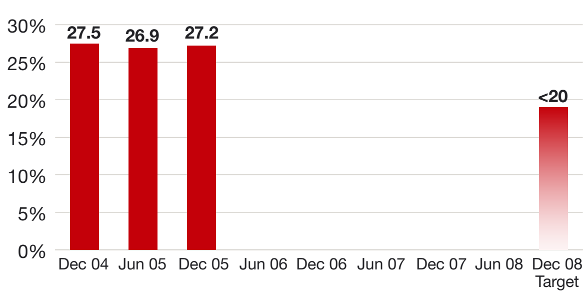
29 100% of joint venture operations, based on constant currency exchange rates at 31 December 2004

30 Regular premium sales plus 10% of single premium sales; 100% of joint venture operations based on constant currency exchange rates at 31 December 2004

Asia 4 – Reduce management expense ratio[1] for Hong Kong below 5%



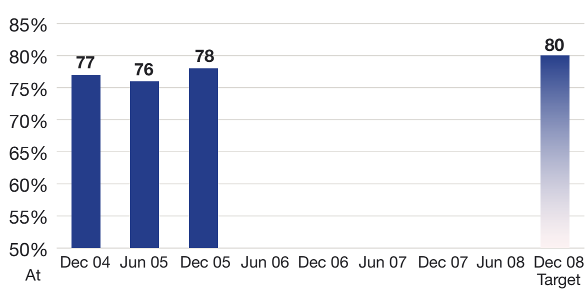
Asia 4 – Reduce management expense ratio[1] for Asia (ex HK) below 20%



1 Rolling 12 months.

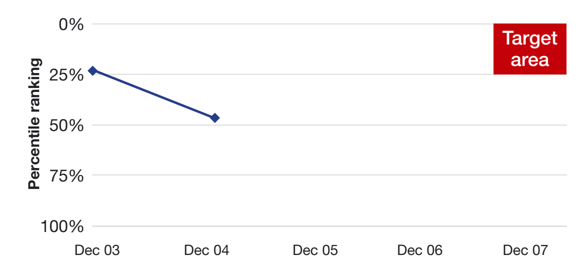
See page 37 for further information on MER in Hong Kong.

Asia 5 – Improve 13 month persistency ratio to 80%



See page 38 for further information on persistency.

Asia 6 – Achieve top quartile SCOPE score for staff



4 Hong Kong

4.1 Operational review

Market developments

Hong Kong is a very profitable life market with attractive growth opportunities given a high savings ratio and moderate life insurance penetration.

We have a very large and highly profitable business in Hong Kong where we are number 5 for inforce premiums and number 6 for new business.

The Hong Kong life insurance market continues to grow. Market statistics indicate that individual life new business was up 5.3% for the nine months ended 30 September 2005[31].

Increasing affluence and investor sophistication is now starting to drive growth in more sophisticated financial planning models.

Now at the end of its fifth year, the Mandatory Provident Fund (MPF) is increasingly important to Hong Kong residents and there is growing awareness that MPF alone will not provide sufficient assets to fund post-retirement lifestyles. This along with the significant level of bank savings, means that wealth management and financial advice products have strong growth potential.

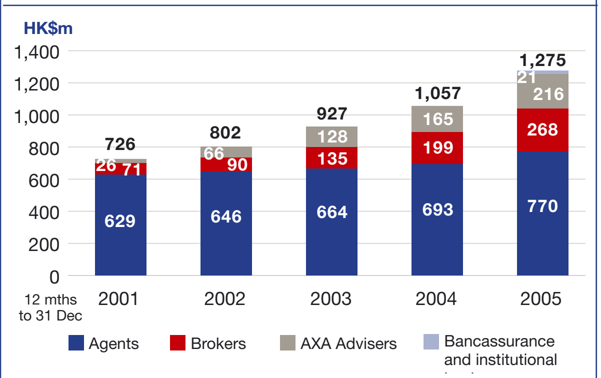
Progress on strategic imperatives

The key actions we have developed to meet our Asia 6 and Hong Kong 6 targets are centred around eight strategic imperatives. Our progress on some of these is outlined below.

Maximise the value of existing channels

All distribution channels continued to grow in 2005. Reflecting our focus on multi-channel distribution, the bancassurance channel has had initial encouraging sales and non-agency sales now represent 40% of total sales (2004 – 35%).

Total life new business index (regular premium +10% single premium)[1]

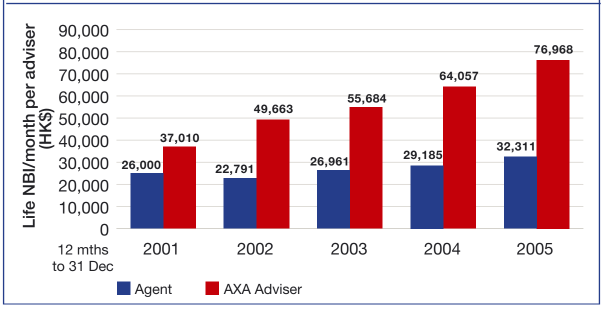


1 Regular premiums plus 10% single premiums, excludes general insurance

While agency will remain the dominant channel over the next few years, the market continues to evolve. Success is no longer simply a factor of agency numbers. Productivity and quality are key – a result of a combination of a sophisticated agency force with a broad product range, increased use of technology and sophisticated campaign management.

Productivity

Average productivity of tied agency / salaried adviser channels



Our broad product offering, and the changes implemented under the Hong Kong Agency Blueprint, continue to drive agent productivity, up 10.7% to HK$32,311 per month in 2005 (2004 – HK$29,185). We believe our agency force is one of the most productive in the market.

AXA Advisers (salaried sales channel) is one of the largest non bank salaried channels in Hong Kong. Productivity continues to increase, up 20.2% to HK$76,968 per month (2004 – HK$64,057). Sales by AXA Advisers now account for 16.9% of sales (2004 – 15.6%). To continue to generate growth in this channel, we have increased our lead generation activities and in late 2005, introduced a pilot specialist salaried Financial Planning team with an initial focus on selling MPF products.

Agents and advisers

At 31 December	2005	2004	Change	2003
Commissioned agents managed by agency leaders	1,282	1,267	1.2%	1,333
Commissioned agents managed by salaried staff	872	870	0.2%	747
Total commissioned agents	2,154	2,137	0.8%	2,080
Salaried advisers (including managers and trainees)	287	282	1.8%	264
Total advisers	2,441	2,419	0.9%	2,344

Salaried adviser numbers were up a little over the year.

Other channels

The broker channel is a growth area and our strategy is to target profitable segments. We have been strong for a number of years in employee benefits and general insurance while our more recent expansion into individual life and investment products is showing encouraging early results. 'Evolution', a new single premium wealth management product offering a broad range of fund and investment manager options, has achieved some initial success with HK$216 million of inflows.

We have been able to successfully manage channel conflict through a system of protocols and channel separation.

31 Source: OCI, September 2005

Maximise the value of bancassurance distribution

We have put in place a dedicated bancassurance sales team, leveraging our experience in Asia (ex Hong Kong) to develop distribution agreements with Hong Kong banks. We have had early success with HK$104 million of single premium sales via one bank relationship and have recently established another bank relationship.

Gain significance in wealth management

We are now well established in the MPF market and expect strong growth over the medium term. With investors seeking enhanced returns compared to bank deposits, sales of investment funds have been increasing.

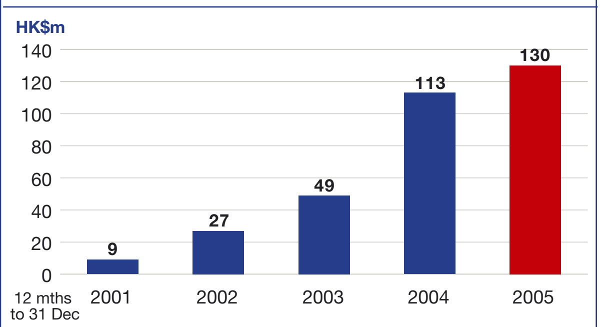
We have delivered strong investment performance across our MPF portfolios, with our four key portfolios all performing in the first or second quartile over the last 12 months and over three years.

	12 months Dec 05		3 years Dec 05	
Fund	Return (pa)	Quartile	Return (pa)	Quartile
Growth	22.53%	2	8.58%	2
Balanced	18.39%	2	6.92%	2
Stable	9.63%	2	2.87%	2
Cash	0.68%	1	0.58%	1

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

MPF new business index was up 15% to HK$130 million (2004 – HK$113 million) reflecting heightened scheme member interest following its five year anniversary together with increasing levels of member contributions driven by Hong Kong's improved economic outlook.

MPF NBI



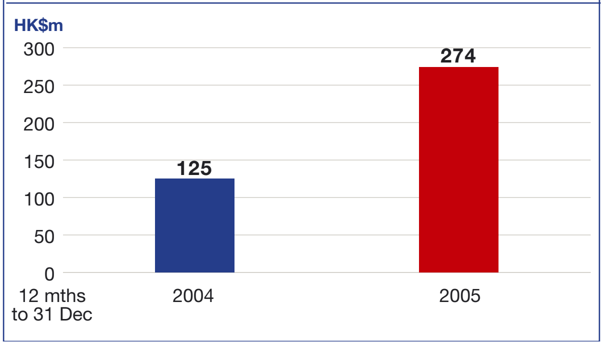
Utilising the experience of ipac Australia, we launched the first true multi-manager investment platform in Hong Kong, MPF Elite, as part of our MPF retirement offer in January 2005. The product has generated significant interest from our target corporate client segment with inflows of HK$111 million during 2005.

We have received regulatory approval to launch three new lifestyle funds to supplement our existing range of multi-manager funds and in February 2006 we launched a wholesale unit trust platform for aligned and non-aligned advisers.

Grow the value of our existing client relationships

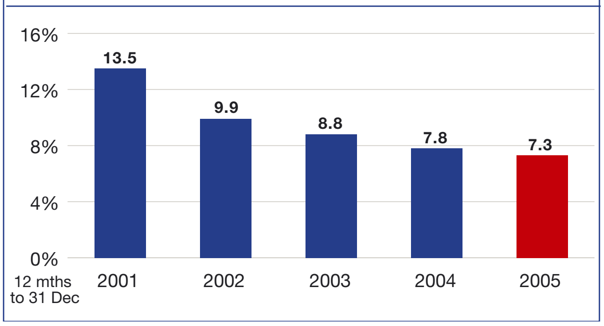
AXA has one of the largest customer bases in the Hong Kong financial services market with around one million policyholders. Further leveraging our customer database, 24 campaigns were undertaken in 2005. New business sales from campaigns and new initiatives was up 119% to HK$274 million (2004 – HK$125 million). New product initiatives were also a key contributor to this result including a refresh of the Smart Series participating life products and Maxx, a traditional savings product with an emphasis on savings rather than life cover.

NBI sales to existing clients from targeted campaigns and new initiatives



Reflecting our continued focus on persistency, the aggregate discontinuance rate further improved to 7.3%. It continues to be below our long term assumptions. The Hong Kong Agency Blueprint's compensation structure, together with successful retention programmes have been the key drivers for the continued improvement in persistency.

Aggregate life discontinuance rate (annualised)



Deliver 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 the assets backing those policies of at least 1.00% / 1.25% pa higher than the return we credit to policyholders. On the NLJ series, the target investment margin has increased from 1.00% pa to 1.25% pa with effect from 1 July 2005. The increase follows a review of our dividend declaration philosophy and is broadly consistent with the valuation of the capital guarantees.

4.1 Operational review (continued)

We have now recovered all past asset share deficits on our NL book of policies.

Even allowing for reductions in market values resulting from an assumed increase in the US 10 year bond rate to 5.2%, we have a surplus of asset shares over policyholder account balances.

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

	Fund size[1] (HK$ billion)	Investment guarantee to policyholder	Investment strategy (bond/equity)	Target long term investment return	Total policyholder return on current crediting rates (gtees+ cash div+bonus)
'NL' closed Life fund	19.4	4.25% pa	70/30 (Global)	6.50%	4.75% pa
'Smart' open Life fund	3.3	<1.00% pa	50/50 (Global)	7.50%	4.00% pa + TB[2]
'DA' Retirement fund (closed to all new contributions)	3.5	5.00% pa	80/20 (HK)	6.25%	5.00% pa
'Retirement' 0% guarantee funds (incl. MPF guarantee)	1.7	0.00%	80/20 (HK)	6.25%	1.00% pa – 5.00% pa

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

2 Terminal bonuses determined at the end of the life of the policy

The assumptions for prospective long term investment returns in the US 10 year Treasury, US corporate bonds and US equities are 5.2% pa, 5.9% pa and 9.2% pa respectively.

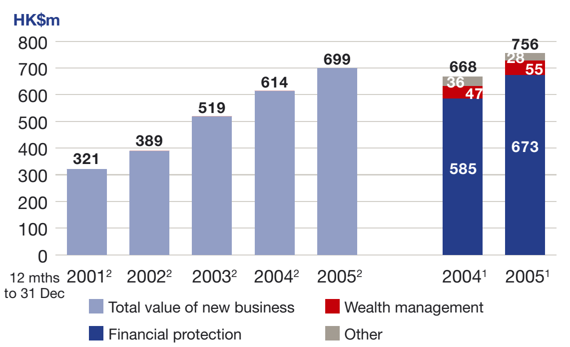
On the NL business, planned profits include the targeted investment margin of 1.25% pa, plus other margins of approximately 1% arising from expenses and mortality. Given the investment guarantees on this business, there are some scenarios of sustained low investment returns in the long term where it might not be possible to achieve the 1.25% investment margin. Other short term fluctuations in investment returns are expected to be passed on to policyholders, subject to smoothing, through the Active Dividend Management strategy so that the 1.25% margin is maintained.

Technical margins and product profitability

Our Asia 1 new business goal reflects our focus on growing shareholder value and recognises that profitable new business is more important than growth at any cost.

Value of new business[1] grew very strongly, up 13.3% to HK$756.3 million (2004 – HK$667.6 million).

Value of new business



1 Based on 10.5% risk discount rate, equal to assumed equity return

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

The key driver for the growth in the value of new business was a 22.2% increase in individual life sales, reflecting further improvements in adviser productivity and new product launches. In particular, new unit linked regular premium sales increased 37.4% following the launch of 'Dimensions', a hybrid participating / unit linked product, which has achieved HK$93.4 million of regular premiums for 2005. New traditional life regular premium sales increased by 12.0% assisted by the relaunch of Smart Series and introduction of the new Maxx savings product.

VNB margin 12 months to 31 December (HK$ million)	2005 NBI	2005 VNB	2005 VNB %	2004 NBI	2004 VNB	2004 VNB %
Traditional life	663.4	465.4	70.2%	593.6	421.4	71.0%
Unit linked	325.7	198.2	60.9%	236.8	151.8	64.1%
Group life	8.4	9.4	111.9%	10.6	11.7	110.5%
Financial protection	997.5	673.0	67.5%	841.0	584.9	69.5%
Unit linked single premium[1]	47.2	13.0	27.5%	17.8	10.2	57.4%
Retirement	157.0	42.0	26.8%	133.2	36.3	27.3%
Wealth management	204.2	55.0	26.9%	151.0	46.5	30.8%
Group medical	72.9	13.3	18.3%	65.0	20.1	30.9%
Total (excl. General Insurance	1,274.6	741.3	58.2%	1,057.0	651.5	61.6%
General Insurance	105.5	15.0	14.2%	115.0	16.1	14.0%
Total (incl. General Insurance	1,380.1	756.3	54.8%	1,172.0	667.6	57.0%

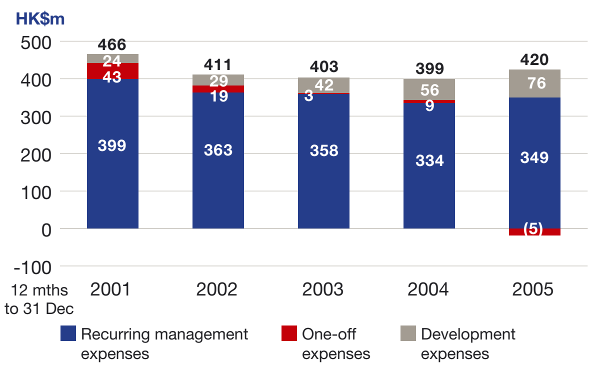
1 2005 sales driven by Evolution, a new offshore single premium product in the broker market where AXA Hong Kong receives a marketing allowance

We expect margins to remain strong for traditional participating and unit linked products. Although wealth management products have lower unit profitability than life insurance, this is expected to be compensated by higher volumes. The emergence of new wealth management sales is not substituting for life product sales.

Improve operational efficiency

We continue to challenge and review operational processes to improve quality and reduce recurring management costs. Our regional blueprints continue to provide scale benefits. We expect our ongoing efficiency savings to largely fund development expenditure over the next four years as we enter new segments and channels.

Total management expenses



Reflecting our approach of moving to an Asian regional structure, we are benefiting from the operation of regional shared services including information technology, finance, human resources and risk management. Recurring management expenses are 4.5% higher than 2004 alongside strong sales growth over that period.

Looking forward

Our vision and strategy is clear and remains unchanged. We have made good early progress towards our Hong Kong 6 aspirational targets.

Agency sales will continue to be the dominant channel over the next few years, and we are well placed here. We will continue to put significant management attention into further growing agency and adviser channels.

We will further leverage our Australian experience to grow in a number of emerging segments. Attractive growth opportunities exist in select broker channel segments. The emerging wealth management market is also expected to grow strongly – we have early mover advantage with our market leading multi-manager offer in place and we will continue to invest in strategic initiatives to build infrastructure and new distribution channels to support this segment of the market.

With close to 20 years experience in Hong Kong, and the ability to leverage our experience in Australia and New Zealand, AXA is well placed to grow in Hong Kong.

Hong Kong 6 – Targets and progress

The table below summarises our progress as at 31 December 2005.

	Aspirational goal	Dec 2004	Dec 2005	Target Dec 2008
HK1	Increase the value of one year's new business by 88%[1]	HK$700.0m	HK$784.8m	HK$1,316.0m
HK2	Grow gross inflows to HK$18b	HK$7.3b	HK$8.2b	HK$18.0b
HK3	Grow new business index to HK$2.8b	HK$1.17b	HK$1.38b	HK$2.80b
HK4	Reduce management expense ratio to below 5%	5.8%	5.7%	<5%
HK5	Improve customer satisfaction index by 28%	110	110	141
HK6	Consistently in the top quartile in the AXA Group SCOPE survey	Top quartile	Second quartile	Top quartile
Overarching target	Increase the enterprise value[2] by 88%	HK$21.4b	HK$25.2b	HK$40.3b

1 Illustrative only, based on assumed risk discount rate of 11.0%

2 Illustrative only. Assumes constant currency exchange rates as at 31 December 2004, and mid-point valuation metrics of 10.5%-11.5% risk discount rate, and VNB multiples for HK of 7x-20x Financial protection, 15x-20x Wealth management, and 4x-7x Group medical and general insurance.

4.2 Financial summary

Profit after tax and before non-recurring items was up 14.2% to HK$1,721.9 million (2004 – HK$1,507.7 million) driven by:

- continued profitable growth across most of our financial protection product groups
- the increase in investment margin from 1.00% to 1.25% for NL products with effect from 1 July 2005
- higher Investment Earnings from assets backing policy liabilities due to an increase in year-end bond rates. Although the increase in bond rates reduces asset values and therefore Investment Earnings on assets in excess of policy liabilities, it has the opposite effect on investment experience on assets backing policy liabilities. This is because these bond rates are used to discount some policy liabilities. On some classes of business the duration of our assets is shorter than the duration of our liabilities. Consequently, rises in discount rates increase Investment Earnings as liabilities reduce by more than the corresponding assets

partially offset by

- mortality experience losses due to a severe and extended winter period
- lower earnings from assets in excess of liabilities due to a 16 basis point increase in US 10 year bond yields and a 17 basis point increase in the corporate spread, compared to a 2 basis point and 11 basis point decrease last year respectively
- lower growth in international equities.

Financial performance 12 months to 31 December (HK$ million)	2005	2004	Change
Operating Earnings	1,012.1	917.5	10.3%
Investment Earnings			
▪ normalised	858.3	867.6	(1.1)%
▪ investment experience			
– assets in excess of policy liabilities	(264.5)	(125.1)	(111.4)%
– assets backing policy liabilities	116.0	(152.3)	n/a
Investment earnings	**709.8**	590.2	20.3%
Profit after income tax and before non-recurring items	**1,721.9**	1,507.7	14.2%
Non-recurring items	0.0	0.0	0.0
Profit after income tax and non-recurring items	**1,721.9**	1,507.7	14.2%

Financial performance 12 months to 31 December (A$ million)	2005	2004	Change
Operating Earnings	170.9	159.7	7.0%
Investment Earnings			
▪ normalised	145.0	151.0	(4.0)%
▪ investment experience			
– assets in excess of policy liabilities	(44.7)	(21.8)	(105.0)%
– assets backing policy liabilities	19.8	(26.5)	n/a
Investment earnings	**120.1**	102.7	16.9%
Profit after income tax and before non-recurring items	**291.0**	262.4	10.9%
Non-recurring items	0.0	0.0	0.0
Profit after income tax and non-recurring items	**291.0**	262.4	10.9%

Operating Earnings

Operating Earnings in local currency were up 10.3% to HK$1,012.1 million (2004 – HK$917.5 million).

Operating Earnings in A$ were up 7.0% due to a 3% increase in the average A$/HK$ exchange rate over the period partially offsetting the increase in local currency profits.

Investment Earnings

12 months to 31 December (HK$ million)	2005	Return[1]	2004	Return[1]
Assets backing shareholder funds				
Equities	268.8	13.8%	273.0	11.7%
Fixed interest	307.6	3.5%	458.7	6.1%
Property	20.2	10.9%	15.5	11.4%
Cash	18.0	2.8%	9.7	0.7%
Sub-total portfolio assets	**614.6**	**5.5%**	756.9	7.5%
Other assets	(20.8)	–	(14.4)	–
Investment Earnings on assets in excess of policy liabilities	**593.8**	–	742.5	–
Investment experience – assets backing policy liabilities	116.0	–	(152.3)	–
Total Investment Earnings	**709.8**	–	590.2	–

1 Weighted percentage return based on average portfolio mix for 2004 and 2005 respectively

Investment Earnings from assets backing shareholder funds were lower than last year reflecting:

- 10.0% increase in MSCI World Accumulation Index (US$) (2004 – 15.2%)
- 16 basis point increase in US 10 year bond yields to 4.40% (2004 – 2 basis point decrease)
- 17 basis point increase in the corporate spread to 0.97% (2004 – 11 basis point decrease).

The favourable investment experience on assets backing policy liabilities of HK$116.0 million mainly arose due to the AIFRS change in valuation methodology to value the DA product at the risk free rate. The HK$ nine-year bond risk free rate increased 63 basis points during the year, which reduced the level of liabilities and increased Investment Earnings. The nine-year HK$ bond yield has a duration which is in line with the duration of the HK$ denominated liabilities, but is a longer duration than the assets held to support the liabilities. Last year the HK$ nine-year bond risk free rate decreased by 65 basis points.

12 months to 31 December (HK$ million)	2005	2004	Change
Expected profit margins released	**1,072.6**	906.9	18.3%
Experience profit (loss)			
▪ Expenses	1.3	(10.0)	n/a
▪ Other (incl. underwriting and mortality)	(61.8)	20.6	n/a
Total Operating Earnings	**1,012.1**	917.5	10.3%
Operating Earnings split:			
Financial protection	888.9	800.0	11.1%
Wealth management	96.5	86.7	11.3%
Group medical and general insurance	44.7	30.8	45.1%
New development	(18.0)	–	n/a
Total Operating Earnings	**1,012.1**	917.5	10.3%

Note: Investment experience is no longer included within Operating Earnings. It is included within Investment Earnings

Financial protection includes our participating, other risk, unit linked and group life businesses. The increase in financial protection profits was driven largely by higher planned profit margins reflecting profitable sales growth and assumption changes at December 2004, primarily relating to future mortality (reflecting improvements in experience in recent years). The increase in the investment margin from 1.00% to 1.25% on the NL series with effect from 1 July 2005 also contributed to the increase. This was partially offset by unfavourable claims experience in our participating business due to a higher number of death claims following a severe and extended winter period in Hong Kong. We understand this experience to be industry wide and not just specific to AXA. Surrender profits were lower than last year's excellent experience, although our aggregate discontinuance rate for our life insurance products has improved and is better than our long term assumptions.

Included in wealth management are two lines of retirement business, that which is written under the Ordinary Retirement Savings Ordinance (ORSO) and that which is written under the MPF. Profit growth in wealth management is driven by increased retirement sales and growth in funds under management, partly offset by experience losses relating to persistency. On the closed DA product, lower surrenders lead to reduced profits in the short term, as the policy liabilities released on surrender are higher than the surrender value.

Profits from general insurance were slightly higher than last year, reflecting our focus on maintaining strong margins despite competitive pressure impacting our ability to grow sales. Operating Earnings for group medical were higher than last year, largely driven by a repricing review undertaken in 2004, which increased prices on average by 5%, and higher sales, partly offset by higher claims.

New development expenses are related to new initiatives such as wealth management and bancassurance development.

Management expenses

Expenses 12 months to 31 December (HK$ million)	2005	2004	Change
Recurring management expenses	349.2	334.2	(4.5)%
Development expenses	75.5	56.3	(34.1)%
One-off expenses	(5.1)	8.5	n/a
Total management expenses	**419.6**	399.0	(5.2)%
Total commission and related expenses	767.8	767.1	(0.1)%
Total expenses	**1,187.4**	1,166.1	(1.8)%

Recurring management expenses increased by 4.5%, reflecting the growth of distribution channels and the strong growth in sales.

The increase in development expenses reflects management's focus in achieving the Hong Kong 6 aspirational goals through carrying out a number of accelerated growth programmes such as wealth management and bancassurance development.

One off expenses of HK$(5.1) million reflect the release of some accruals no longer required.

4.2 Financial summary (continued)

Persistency

(12 months to)	Period	31 Dec 05	30 Jun 05	31 Dec 04	30 Jun 04	31 Dec 03	30 Jun 03	31 Dec 02
By premiums								
Aggregate discontinuance[1]		7.3%	7.9%	7.8%	7.9%	8.8%	9.7%	9.9%
Persistency[1]								
Individual life – non-linked	13	72.7%	72.6%	76.0%	83.5%	79.6%	76.8%	75.0%
(Smart series)	25	70.5%	70.2%	72.3%	77.4%	72.0%	69.2%	67.5%
	61	60.6%	59.2%	59.2%	58.2%	54.9%	50.9%	48.2%
Individual life – unit linked	13	85.6%	82.3%	79.6%	71.5%	68.3%	75.7%	87.6%
	25	66.8%	62.5%	70.2%	62.9%	60.7%	68.1%	80.2%

1 Rolling 12 months

The aggregate discontinuance rate on individual life policies has improved to 7.3% and continues to be better than our long term assumption. The Customer Retention Team and the orphan management initiatives through the Customer Care Centre are continuing to perform well. This is being supplemented by an increased focus on retention from our agency force following the closer alignment of agent compensation with persistency as part of the Agency Blueprint implementation.

Persistency rates for non-linked individual life at short durations were impacted by one-off lapses in 2004 from sales through a couple of local brokers. We no longer write new business from these brokers and persistency has improved in the second half of 2005. Unit linked persistency over 13 months has improved further in the second half of 2005.

4.3 New business

New business grew strongly, with total life new business index[32] up 20.6% to HK$1,274.6 million (2004 – HK$1,057.0 million).

(HK$ million)	New business			Discontinuance			Inforce		
Annual premium products	12 mths 31 Dec 05	12 mths 31 Dec 04	Change	12 mths 31 Dec 05	12 mths 31 Dec 04	Change	At 31 Dec 05	At 31 Dec 04	Change
Individual life (non-linked)	663.4	592.2	12.0%	442.5	396.4	(11.6)%	5,057.1	4,836.2	4.6%
Individual life (unit linked)	322.0	234.3	37.4%	92.8	114.1	18.7%	711.2	482.0	47.6%
Total individual life	**985.4**	826.5	19.2%	**535.3**	510.5	(4.9)%	**5,768.3**	5,318.2	8.5%
Group retirement (incl. MPF)	114.4	107.3	6.6%	71.4	29.1	(145.4)%	1,317.9	1,274.9	3.4%
Group risk	81.3	75.6	7.5%	1.5	4.2	64.3%	447.5	367.7	21.7%
Total	**1,181.1**	1,009.4	17.0%	**608.2**	543.8	(11.8)%	**7,533.7**	6,960.8	8.2%
General insurance (P&C)[1]	105.5	115.0	(8.3)%						

1 Gross written premium

(HK$ million)	Inflows			Outflows			Net flow			FUM		
Single premium products	12 mths 31 Dec 05	12 mths 31 Dec 04	Change	12 mths 31 Dec 05	12 mths 31 Dec 04	Change	12 mths 31 Dec 05	12 mths 31 Dec 04	Change	At 31 Dec 05	At 31 Dec 04	At 31 Dec 03
Individual Life (incl. unit linked)	509.4	217.3	134.4%	206.8	88.3	(134.2)%	302.6	129.0	134.6%	1,451.8	1,170.3	921.3
Group Retirement[1]	425.2	258.6	64.4%	254.8	156.9	(62.4)%	170.4	101.7	67.6%	–	–	–
Total	**934.6**	475.9	96.4%	**461.6**	245.2	(88.3)%	**473.0**	230.7	105.0%	**1,451.8**	1,170.3	921.3

1 FUM for retirement is not split between regular and single contributions and excludes internal ORSO conversions

New **regular** premiums grew 17.0% to HK$1,181.1 million (2004 – HK$1,009.4) due to continued improvements in productivity in both agency and adviser channels, and new product launches. In particular, new individual life regular premiums were up 19.2% compared to last year.

New **non linked regular premium business** increased 12.0% to HK$663.4 million (2004 – $592.2 million), helped by sales from 'Maxx', a new traditional participating product launched in October 2005 with a greater savings focus which contributed HK$70 million of new regular premiums.

32 Regular premiums plus 10% of single premiums

New **unit linked regular premium business** was up 37.4% to HK$322.0 million (2004 – HK$234.3 million) driven by strong sales from 'Dimensions'.

Single premiums were up 96.4% to HK$934.6 million (2004 – HK$475.9 million) driven by strong inflows into investment and retirement products, particularly into our multi-manager investment platform and 'Evolution', a new investment linked product offered through broker channels with HK$216 million of inflows during 2005.

4.4 Funds under management

Funds under management continued to grow driven by net funds flow of HK$4.2 billion (2004 – HK$3.9 billion).

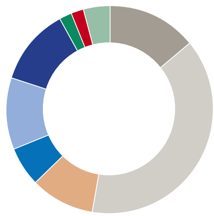
Breakdown of major funds[1] At 31 December (HK$ billion)	2005	2004	2003
'NL' closed life fund	19.4	18.5	16.4
'Smart' open life fund	3.3	2.1	1.2
'DA' retirement fund (closed to all new contributions)	3.5	3.7	3.8
'Retirement' 0% guarantee fund (incl. MPF guarantee)	1.7	1.3	0.8
'Honey' unit linked life	1.4	1.1	0.9
'MPF' non-guaranteed	3.9	3.3	2.6
Other (including Shareholder)	14.8	14.8	14.4
Funds under management (including linked)	**48.0**[2]	44.8	40.1

1 Fund size is based on AIFRS liability for life insurance and retirement business and account balance for unit linked business. This more accurately ties asset shares to respective crediting rates

2 Net of HK$1,939 million dividends and loans to AXA APH during the 12 months ended 31 December 2005

Portfolio composition

The chart below shows our investment portfolio mix at 31 December 2005 for the non-linked asset portfolio, together with additional details on the credit quality of our US corporate bond portfolio.



US Government bonds	14%
US Corporate & Agency bond portfolio	39%
HK$ bonds	10%
HK equities	6%
US equities	11%
Other equities	12%
Properties	2%
Cash	2%
Loans	4%

A breakdown of the US Bond portfolio by rating is outlined below.

US Bonds	Rating	Proportion
Government and Agency	AAA	35%
Corporate	AAA	5%
Corporate	AA	8%
Corporate	A	28%
Corporate	BBB	24%
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-.

5 Asia (ex Hong Kong)

5.1 Introduction

Our strategy

Our strategy is to achieve a leader position in each of our chosen markets when they enter the 'growth' phase through a multi-channel, multi-product approach, and to deliver high levels of shareholder return.

Country	Entity name	Ownership interest	Partner(s)
Singapore	AXA Financial Services (Singapore) Pte Ltd	100%	
	AXA Life Insurance Singapore Pte Ltd	100%	
	AXA Wealth Management Singapore Pte Ltd	100%	
	ipac Financial Planning	100%	
China	AXA-Minmetals Assurance Co Ltd	25%	Minmetals (49%), AXA SA (26%)
Thailand	Krungthai AXA Life Insurance Co Ltd	50%	Krung Thai Bank (50%)
Indonesia	P.T. AXA Life Indonesia	80%	Tempo Group (20%)
	P.T. AXA Mandiri Financial Services	51%	Bank Mandiri (49%)
	P.T. AXA Services Indonesia	100%	
Philippines	Philippine AXA Life Insurance Corporation	45%	Metrobank (55%)
India[1]	Bharti AXA Life Insurance Company Limited	26%	Bharti Enterprises Private Ltd (74%)
Malaysia[1]	AXA Affin Life Insurance Berhad	49%	Affin Holdings Berhad (51%)

1 Yet to commence operations

Our approach

Our approach is to operate a regional standardised business model to provide a sound platform for profitable growth. This leverages our 20 years experience of managing Asian businesses in Hong Kong. Regional best practice blueprints have been implemented in areas including agency management, bancassurance operations, wealth management, pricing, product development, IT systems, compliance and risk management.

The regional office provides support in terms of both operational expertise and overall governance. In particular, we pay constant attention to shareholder value creation by focussing on product profitability together with comprehensive risk management practices.

5.2 New business and fund flows

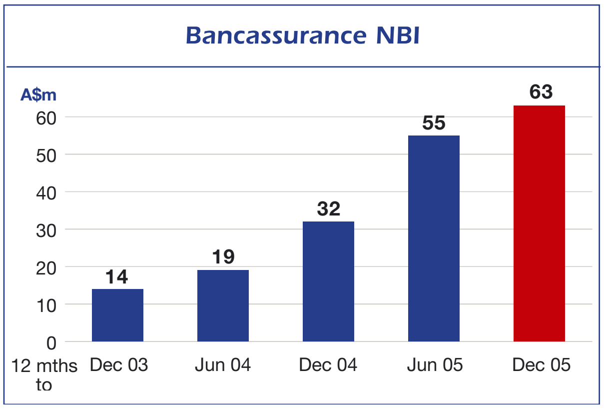
New business index[33] continued to grow very strongly, up 59.3% to A$125.5 million (2004 – A$78.8 million)[34]. Performing particularly well were Indonesia and Thailand benefiting from the expansion of our bancassurance partnerships. There was a slow down in Indonesia in the last quarter due to unfavourable economic conditions.

New business index[33] 12 months to 31 December	Currency	2005	2004	Change	2003
Thailand	THB	1,100.0	541.4	103.2%	645.8
Indonesia	IDR	308,090.0	158,619.4	94.2%	66,979.2
Singapore	SGD	29.6	23.1	28.1%	20.3
China	RMB	47.0	39.9	17.8%	46.1
Philippines	PHP	720.5	633.9	13.7%	583.9
Total (A$)[34]		**125.5**	**78.8**	**59.3%**	**67.4**

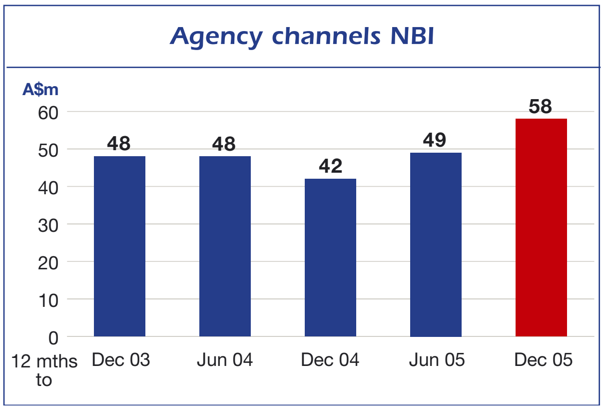
33 Regular premiums plus 10% of single premiums

34 100% of joint venture operations, translated at average exchange rates for the 12 months ended 31 December 2005 of A$/Baht = 0.032555; A$/Rupiah = 0.000135; A$/Sing$ = 0.789037; A$/Rmb = 0.160598, A$/Peso = 0.023908.

Sales from our bancassurance channels continued to grow as we expanded our presence to 1,410 bank branches across Asia (ex Hong Kong) (2004 – 1,267 branches). While the branch rollout will start to slow down, very strong growth opportunities will be mainly derived from further penetration of the available banking customer base.



Sales from agency channels continued to grow after the adoption of Agency Blueprints across all our operations. Sales growth was mainly driven by improved agent productivity.



The very strong growth in Thailand continued with new business up 103.2% driven by a significant improvement in agent productivity over the year and strong expansion of bancassurance sales through Krungthai Bank.

Driven by significant growth in sales through Bank Mandiri and improving agent productivity, new business in Indonesia was up 94.2%, although new business growth in the fourth quarter of 2005 decreased due to an overall market slowdown.

New business in Singapore was up 28.1% due to strong growth in sales of regular premium protection products through our adviser channel, and the rollover of maturing products into new investment linked plans.

New business in China was up 17.8% reflecting significant sales growth in the last two quarters following the opening of our new branch in Beijing, new bank alliances and improvements in agent productivity.

New business in Philippines was up 13.7% due to growth in sales of single premium investment linked products through our bancassurance channel and higher sales of regular premium products by our agency force.

Further information regarding the breakdown of new business index between regular premium and single premium sales is outlined below.

New regular premiums 12 months to 31 December (million)	Currency	2005	2004	Change	2003
Thailand	THB	1,028.5	526.9	95.1%	632.1
Indonesia	IDR	227,723.5	118,213.0	92.6%	63,610.9
Singapore	SGD	12.3	10.2	20.6%	7.2
China	RMB	29.8	34.5	(13.6)%	43.9
Philippines	PHP	413.0	358.4	15.2%	435.2
Total (A$)		88.6	55.3	60.3%	52.3

Single premiums 12 months to 31 December (million)	Currency	2005	2004	Change	2003
Thailand	THB	715.1	144.6	394.5%	137.3
Indonesia	IDR	803,664.3	404,064.1	98.9%	33,683.0
Singapore	SGD	172.4	128.9	33.7%	130.5
China	RMB	171.5	54.2	216.4%	21.9
Philippines	PHP	3,075.4	2,755.1	11.6%	1,487.8
Total (A$)		368.9	235.5	56.6%	151.1

Total premium income

All of our businesses continued to grow very strongly with total premium income up 42.1% to A$622.7 million reflecting strong sales growth, improvements in persistency, and increased sales of single premium products.

Total premium income 12 months to 31 December (A$million)[1]	2005	2004	Change	2003
Thailand	89.7	47.0	90.9%	36.7
Indonesia	169.9	93.2	82.3%	31.0
Singapore	206.0	170.7	20.7%	173.0
China	47.3	28.1	68.3%	20.0
Philippines	109.7	99.2	10.6%	63.3
Total (A$)	622.7	438.3	42.1%	323.9

1 100% of joint venture operations, translated at average exchange rates for the 12 months ended 31 December 2005 of A$/Baht = 0.032555; A$/Rupiah = 0.000135; A$/Sing$ = 0.789037; A$/Rmb = 0.160598, A$/Peso = 0.023908

Total premium income 12 months to 31 December (million)	Currency	2005	2004	Change	2003
Thailand	THB	2,756.0	1,444.4	90.8%	1,126.3
Indonesia	IDR	1,258,662.0	690,504.0	82.3%	229,466.1
Singapore	SGD	261.1	216.4	20.7%	219.2
China	RMB	294.6	175.0	68.3%	124.5
Philippines	PHP	4,588.8	4,151.2	10.5%	2,648.9

5.3 Advisers and agents

Adviser and agent numbers At 31 December	2005	2004	Change	2003
Thailand	2,200	2,085	5.5%	2,789
Indonesia	1,332	1,316	1.2%	1,128
Singapore	244	229	6.6%	216
China	1,295	1,687	(23.2)%	2,506
Philippines	951	940	1.2%	928
Total	6,022	6,257	(3.8)%	7,567

The total number of advisers and agents decreased due to our continued focus on productivity and removing non-performing advisers and agents through implementation of the Regional Agency Blueprint. This has had a significant impact on agent numbers in China. The change reflects a deliberate move away from a part time agency force to a professional, dedicated salesforce. The aim of the Agency Blueprint is to enhance agent productivity as well as align agent and adviser compensation closely with the profitability of business sold.

Included in the total number of advisers and agents above are 1,439 bank-based bancassurance advisers, up 34.9% since 31 December 2004, driven by continued strong expansion of our bancassurance distribution channel in Asia (ex Hong Kong).

5.4 Singapore

The past year saw a number of developments resulting from our focus on the wealth management and financial protection markets. Our approach of concentrating on unbundled insurance and investment products remains unique in the Singapore market.

AXA's Assure platform is one of the most comprehensive protection offers in the market. It includes our term insurance (the only stand alone trauma product in the Singapore market) and health insurance products.

We launched our first unit trust in the first half of 2005. The AXA Talents Fund is a product from the global AXA range, focussing on investments in entrepreneur-led companies. We will be launching a range of other additional funds over the next 12 months to complement our existing wealth management offer.

During 2005 we also strengthened our distribution capability by signing two new distribution agreements, complementing our two existing channels of aligned advisers and independent financial advisers:

- Hong Leong Finance – for distribution of AXA's Elite term and Critical Illness products late in 2005. Sales are already being received through this channel
- iFAST, a local platform administration system used predominantly by independent financial advisers to distribute the AXA Talents fund. This platform also lists AXA's Assure and investment linked products.

New business and funds flow have continued to grow as a result of our focus on pure risk protection and investment linked products. An encouraging trend was the continuing increase in new regular premium business, up 20.6% compared with last year.

Aligned adviser numbers have grown by 6.6% during the year to 244 advisers, with productivity remaining very strong at 4.1 cases per month per adviser.

Financial performance 12 months to 31 December (A$ million)	2005	2004	Change
AXA Life Insurance Singapore ('AXA LS'):			
Operating Earnings of life operation	2.1	3.2	(34.4)%
Investment Earnings			
▪ normalised	1.0	1.0	0%
▪ investment experience			
– assets in excess of policy liabilities	(0.4)	2.4	n/a
– assets backing policy liabilities	(0.3)	1.0	n/a
Profit after income tax before non-recurring items	2.4	7.6	(68.4)%

Note: Asian development costs are included within 'Corporate expenses – Asian regional costs'

Profit after income tax and before non-recurring items was down 68.4% to A$2.4 million (2004 – A$7.6 million)

Operating Earnings in Singapore were down 34.4% to $2.1 million (2004 – $3.2 million) largely due to a one-off tax cost of A$1.3 million included in 2005. Excluding that amount, Operating Earnings were up 6.3% as a result of sales growth, particularly on investment linked products.

Results of other Singapore operations, consisting of ipac financial planning and wealth management businesses were included in Asia development costs as they are in early stages of development. Development costs are being fully expensed.

Looking forward, we will continue to focus on recruiting and expanding our adviser force while at the same time gaining scale through other distribution channels in the emerging wealth management market.

5.5 China

China is a promising yet challenging life insurance market. China's large economy and population size, coupled with fast industrialisation and globalisation, will lead to strong growth in the life insurance market.

The long term fundamentals for growth are very attractive with real GDP growth forecast at 9.2%[35] in 2006, life insurance penetration of 2.5%[36], and the market now opening up further to foreign insurers. The China Insurance Regulatory Commission (CIRC) predicts a compound

35 Xinhua news agency website

36 CIRC website and www.stats.gov.cn (total life insurance in terms of GDP)

average growth rate of 20% in insurance premiums over the next three years to 2008 to Rmb830 billion driven by an emerging middle class, strong underlying growth and an ageing population.

Although our operation in China is small, and not at present material to the financial results of the Group, it offers significant opportunity for growth in the medium to long term with operations now in three major cities – Shanghai, Guangzhou and Beijing (commenced March 2005). We are taking a cautious approach to our investment in China, conscious of ensuring value creation and sustainability. Our philosophy is to build from a firm foundation before expanding into other cities.

We have strengthened our management team with the appointment of a new Chief Executive Officer, Jamie McCarry. A Chief Distribution Officer and Chief Marketing Officer have also been appointed to drive accelerated growth from the business.

5.6 Other Asian countries

Other Asian countries are poised to enter a new phase of rapid growth in financial protection and wealth management given high GDP growth, low insurance penetration, and large and rapidly ageing populations.

Attractive margins are available if we can successfully develop sustainable, competitive and profitable distribution channels. This provides us with a unique opportunity for long term growth and shareholder value creation.

Our strategy is to grow in these markets through a multi-distribution approach, in particular through bancassurance joint ventures. In Thailand, Indonesia and the Philippines, where we are in partnership with the leading local retail banks, we have access to over 2,000 branches and more than 15 million banking customers. At 31 December 2005, we were present in 1,410 branches and have further increased the size of our bank based adviser network by 34.9%.

The strength of our single regional platform approach is evident in the increasing proportion of unit linked sales. Unit linked products accounted for 83% of new sales[37] (2004 – 75%), significantly reducing the level of sales of products with guarantees and improving the value of new business.

Thailand

We operate a joint venture with Krung Thai Bank, Thailand's largest government bank, with an extensive network of 618 branches nationwide and over six million customers. With relatively low life insurance penetration of 1.9% and expected strong growth in GDP, the insurance market is very attractive for long term sustainable growth.

Krung Thai Bank has recently launched a financial services boutique in some key branches to enhance sales of broader financial products to their customers. A key offering will be Krungthai-AXA life insurance products. These boutiques are expected to be further rolled out to the majority of bank branches in 2006.

The implementation of the new agency model in 2004 which has a strong focus on quality and support of agents has shown very positive results. While agency manpower has declined by 3.1% from December 2004 due to termination of non performing agents, sales have increased sharply with productivity up over 135%. Our agents are the most productive in the industry, almost double our closest competitor.

Market ranking for the 12 months to 31 December 2005 improved from 9th in 2004 to 8th in 2005 with new business market share of 3% of sales.

Strong growth of the business is expected as we leverage our multi-distribution channels including agency, bancassurance and alternate distribution (utilising the strong business alliances of our joint venture partner).

Indonesia

Our bancassurance joint venture in Indonesia with Bank Mandiri continues to achieve very strong results, despite a slowdown in sales towards the end of 2005 given economic conditions. We ranked 2nd in new business market share, up from 3rd in 2004, with 10.6% market share for the nine months to 30 September 2005.

Our bancassurance channel through Bank Mandiri's network, and our regional blueprints, are providing a significant competitive advantage. We now have 705 financial advisers located in 584 bank branches (2004 – 438). The number of financial advisers located in bank branches was up 21.8% (2004 – 579). The productivity of bank based financial advisers continues to be extremely strong and much higher than the productivity of an average agent in the Indonesian market.

We have a stringent sales and activity management process in place that has been rolled out as part of the regional blueprint. This has helped to capture approximately 30,000 leads per month (2004 – approx. 10,000 leads) and has resulted in the joint venture consistently exceeding sales targets.

Our other joint venture with the Tempo Group continues to grow following the implementation of our regional Agency Blueprint last year. Our focus on productivity improvement has resulted in strong sales growth. In particular, average agent productivity increased by more than 80% on last year.

Looking forward we aim to further improve financial consultants productivity and increase the agency force size and productivity. We will continue to diversify our sales channels through various projects including the implementation of mobile financial advisers and worksite marketing.

Philippines

Philippine AXA Life is a partnership between AXA APH and Metrobank Group. Metrobank Group is the holding company of the largest bank in the Philippines with 565 branches and consolidated assets of Peso 553.2 billion (at 30 June 2005).

37 Excludes Thailand where regulations do not permit the sale of unit linked products

5.6 Other Asian countries (continued)

Bancassurance remains the premier distribution channel which accounts for 73% of total sales. We now have 367 financial executives servicing 527 branches. The agency channel also displayed encouraging performance in 2005 with 25.5% growth in new business as we started to realise the benefits from implementation of the regional Agency Blueprint.

By leveraging the regional platform, AXA's best of breed products were launched in February and July 2005 and now account for 52% of new business.

Moving forward, our focus will be to continue to increase bancassurance and agency productivity levels.

5.7 Growth opportunities

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

There are opportunities to expand into new markets through start-ups and acquisitions. In the second half of 2005 we announced our intention to enter India and Malaysia.

India

India is a US$16.9 billion life insurance market[38], the 4th largest in Asia (ex Japan). Foreign players have been permitted to operate in the market through joint ventures since 2001. In 2004, private players accounted for only 13% of total new business. More recent statistics indicate that private players now account for 26% of total new business.

We announced plans to enter the Indian market through a start up joint venture with Bharti Enterprises.

The joint venture has applied for a new life insurance licence. It will leverage Bharti Televenture's (telecommunications subsidiary) customer base of 16.6 million people through an exclusive distribution agreement. Utilising the experience we have gained sourcing leads from telecommunication companies in Hong Kong, the business model will utilise our blueprints for bancassurance, traditional agency and salaried adviser distribution.

Our expected capital commitment will be in the range of A$35 million – A$65 million over the first three years and we plan to commence operations mid-2006 (subject to regulatory approvals).

Malaysia

Malaysia is one of the largest markets in Asia (ex Hong Kong) with total premiums of US$4.2 billion[38] and premium growth of around 20% pa. Entry into this market can only be achieved by acquisition.

We have entered into an agreement with Affin Holdings Berhad (AHB) to acquire the life insurance portfolio of a small existing life insurer, Tahan, and form a joint venture. Our share of the purchase price is RM59.3 million (approximately A$22 million). We will be building both bank distribution channels, leveraging Affin's 106 branches, through a distribution agreement between the joint venture company and Affin Bank, and building traditional agency distribution channels.

A strong relationship already exists between AXA SA and Affin Bank through their general insurance joint venture in Malaysia.

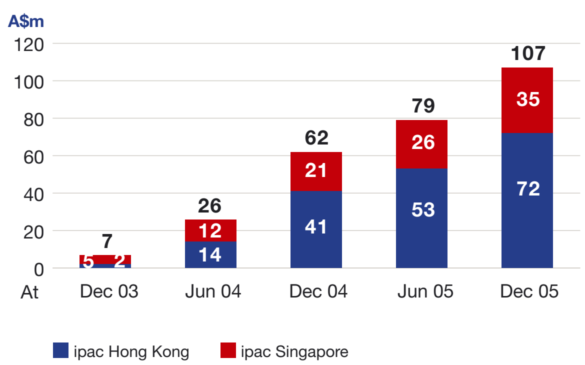
Our expected capital commitment is in the range of A$20 million – A$35 million over the first three years. We plan to commence operations mid-2006 (subject to regulatory approvals).

38 Source: Swiss Re, World Insurance 2004

In June 2005, we established our new Asian wealth management division to build scale in the emerging wealth management markets in Asia. This market in Asia is highly attractive with strong growth expected over the medium to long term. The key factors driving this growth are the rapidly growing economies driving large increases in personal wealth and living standards, combined with rapidly ageing populations resulting from the combination of reducing birth rates and increasing longevity.

ipac Asia's funds under advice grew 71.8%[39] in 2005 to A$107.2 million (2004 – A$62.4 million).

ipac Asia – funds under advice



Hong Kong

ipac Financial Planning continued its strong growth with funds under advice up 71.9% to HK$407.7 million (2004 – HK$237.2 million). Its ongoing service offer and fee transparency are attracting considerable interest from professional accountants, lawyers and corporations, important sources of client referrals.

Although it normally takes some years to build momentum in client referrals, we have already attracted strong support for our investment platform from expatriates and are seeing greater awareness and interest from the local population.

Singapore

ipac Financial Planning's funds under advice was up 71.1% to S$43.3 million (2004 – S$25.3 million). The emerging financial planning market continues to experience an increase in demand from the affluent population.

Other Asian markets

ipac Portfolio Management (Dublin) Limited (ipac Dublin) is the platform for managing the Strategic Investment Services Dublin umbrella unit trust (the Fund).

The Fund is currently the major investment platform for the ipac businesses in Asia. ipac Dublin funds under management was up 11.6% to US$169.4 million (2004 – US$151.8 million).

39 Based on constant currency exchange rates at 31 December 2005

7 Value and capital management

7.1 Value

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:

- 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
- adjusted Group net worth, being the economic value of net assets held in excess of the regulatory capital included in the value of inforce. This is shown net of a provision for the full year dividend and excludes AIFRS changes that do not have a value effect
- Group debt
- capitalised value of corporate expenses
- capitalised value of expense overruns for Asia (ex Hong Kong) businesses
- the value of new business, being the present value of future profits from one year's new business written in the 12 months ended 31 December 2005.

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

- 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).

The analyses of change in value of inforce provided in section 7.3 are based on the assumed local equity return. Investors should form their own view on an appropriate discount rate to adopt, which could vary from the three rates used for illustrative purposes.

Using the information provided in sections 7.2 to 7.5, an illustrative enterprise value per share under the traditional basis can be determined using the following steps:

- determine the value of inforce taking a view on the appropriate risk discount rate. The sensitivities outlined in section 7.6 allow differing views to be taken on key assumptions
- take the adjusted Group net worth (including an amount for the final 2005 dividend of $135 million for a cum dividend view), and subtract Group debt and an allowance for the capitalised value of corporate expenses and expense overruns in Asia (ex Hong Kong)
- take the value of one year's new business, taking a view on the appropriate risk discount rate, and multiply this by an appropriate new business multiple to arrive at the total value of future new business. Factors to be taken into consideration when deciding on suitable new business multiples include the risk discount rate, future market growth rates, management and distribution capability, and current and future profitability margins
- sum the total of the above and divide by the total number of shares on issue (1,742 million) to arrive at a value per share.

An illustrative enterprise value per share under the MCV basis can also be determined using a similar approach. An appropriate new business multiple needs to be applied consistent with MCV techniques. It is important to note that the MCV basis contains no explicit allowance for non-market related, or non-financial risk (sometimes known as 'agency' or 'operational' risk). Under the traditional approach, such risk is allowed for through an implicit margin in the risk discount rate. Consequently, investors should consider the differences between the results using traditional and MCV approaches, the reasons for those differences, and form their own view on an appropriate allowance for non-financial risks that have not been explicitly modelled.

7.2 *Summary of illustrative enterprise value*

Group value of inforce

The following table compares the illustrative value of inforce as at 31 December 2004 and 31 December 2005 on an actual and constant exchange rate basis.

The illustrative value of inforce at 31 December 2005 is shown before and after transfers to Group net worth of $640 million over the period.

At 31 December (A$ million)	Risk discount rate Equity return + 100 bps[1]			Risk discount rate Equity return[2]			Risk discount rate Equity return – 100 bps[3]		
	2005	2004	Change	2005	2004	Change	2005	2004	Change
Value of inforce									
Australia and New Zealand	3,069	2,637	16.4%	3,215	2,782	15.6%	3,374	2,936	14.9%
Hong Kong	2,226	1,781	25.0%	2,360	1,896	24.5%	2,516	2,031	23.9%
Asia (ex Hong Kong)[4]	73	53	38.5%	73	53	38.5%	73	53	38.5%
Total value of inforce (before 2005 transfers to net worth and on constant FX)[5]	**5,368**	4,471	20.1%	**5,648**	4,731	19.4%	**5,963**	5,020	18.8%
Total value of inforce (before 2005 transfers to net worth and on actual FX)[6]	**5,533**	4,471	23.7%	**5,822**	4,731	23.1%	**6,149**	5,020	22.5%
2005 transfers to Group net worth[7]	640			640			640		
Total value of inforce[6] (after 2005 transfers to net worth and on actual FX)	**4,893**	4,471	9.4%	**5,182**	4,731	9.5%	**5,509**	5,020	9.7%

1 Risk discount rate is 11.0% for Australia and New Zealand, and 11.5% for Hong Kong

2 Risk discount rate is 10.0% for Australia and New Zealand, and 10.5% for Hong Kong

3 Risk discount rate is 9.0% for Australia and New Zealand, and 9.5% for Hong Kong

4 Inforce value for Asia (ex Hong Kong) is shown before an allowance for expense overruns and is presented on a single set of risk discount rates (11.0% for Singapore and 16% to 20% for the other Asian (ex Hong Kong) businesses)

5 Based on A$/HK$ exchange rate of 6.09 (31 December 2004)

6 Based on A$/HK$ exchange rate of 5.69 (31 December 2005)

7 Total transfers to Group net worth of A$640 million consist of A$254 million for Australia and New Zealand and A$386 million for Hong Kong

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 up 19.4% to $5,648 million (2004 – $4,731 million). On actual exchange rates the illustrative value of inforce was up 23.1% to $5,822 million. Growth in the value of inforce was in excess of the risk discount rate due to the contribution made by profitable new business written over the period, favourable investment experience and expense improvements, along with growth in Asia (ex Hong Kong).

The change in value of inforce is explained in more detail in section 7.3.

Group net worth, debt and corporate expenses

At 31 December (A$ million)	2005	2004
Group net worth[1,2]	1,411	1,275
Plus adjustment to exclude AIFRS 'non-economic' impacts	121	–
Adjusted Group net worth for value reporting purposes	**1,532**	1,275
Group debt[3]	(1,268)	(1,420)
Capitalised corporate expenses[4]	(312)	(312)
Capitalised value of Asian (ex Hong Kong) expense overruns[5]	(27)	(18)
Total dividend payments for 2005[6]	244	

1 The Group net worth is presented net of a dividend provision of $113 million at 31 December 2004 and $135 million at 31 December 2005

2 Group net worth represents target surplus of $535 million and excess capital of $876 million. It is presented net of the final 2005 dividend of $135 million and includes the 2005 transfers from value of inforce of $640 million

3 31 December 2004 Group debt shown as per December 2004 Investor Compendium balance sheet and excludes a $3 million increase on transition to AIFRS

4 Excludes potential additional corporate expenses of $9 million to $13 million pa over the next three years

5 Value of Asia expenses being in excess of assumed long-term product expense loadings. Increase reflects reallocation of Singapore expenses

6 Dividends in relation to 2005 of $244 million represents the interim 2005 dividend of $109 million and a provision for the final 2005 dividend of $135 million

7.2 Summary of illustrative enterprise value (continued)

For value purposes, Group net worth, which is now on an AIFRS basis, has been adjusted to exclude the impact of AIFRS changes that do not reflect the economic reality of the business. The key adjustments relate to the effect of pension obligations determined at the risk free rate and the Share Trust consolidation impacts. These items, along with the analysis of the change in the Group net worth, are covered in more detail below.

Group value of inforce (after transfers to net worth)

The illustrative value of inforce at 31 December 2005 by region, after net transfers to Group net worth of $640 million, is summarised in the following table. These represent the final value position shown in the charts in section 7.3, where the growth of the value of inforce is explained in more detail.

At 31 December 31 December 2005	Risk discount rate		
(A$ million)	Equity return + 100 bps[1]	Equity return[2]	Equity return – 100 bps[3]
Australia & New Zealand			
Financial protection	1,499	1,580	1,672
Wealth management	1,319	1,384	1,451
Total A&NZ value of inforce	2,818	2,964	3,123
Hong Kong[4]			
Financial protection	1,799	1,929	2,080
Wealth management	173	185	201
Health	27	28	29
Total Hong Kong value of inforce	1,999	2,142	2,310
Asia (ex Hong Kong)[5]	76	76	76
Total Group value of inforce (after 2005 transfers to net worth and on actual FX)	4,893	5,182	5,509

1 Risk discount rate is 11.0% for Australia and New Zealand, and 11.5% for Hong Kong
2 Risk discount rate is 10.0% for Australia and New Zealand, and 10.5% for Hong Kong
3 Risk discount rate is 9.0% for Australia and New Zealand, and 9.5% for Hong Kong
4 Based on A$/HK$ exchange rate of 5.69 (31 Dec 2005)
5 Inforce value for Asia (ex Hong Kong) is shown before an allowance for the value of expenses being in excess of assumed long term product expense loadings. The value is presented on a single set of risk discount rates (11.0% for Singapore and 16% to 20% for the other Asian businesses)

Value of one year's new business

At 31 December (A$ million)	Risk discount rate Equity return + 100 bps[1]			Risk discount rate Equity return[2]			Risk discount rate Equity return – 100 bps[3]		
	2005	2004	Change	2005	2004	Change	2005	2004	Change
Australia & New Zealand									
Financial protection	**17**	12	42.9%	**22**	16	38.8%	**27**	21	28.2%
Wealth management	**85**	65	31.2%	**92**	73	25.5%	**100**	82	21.4%
Total A&NZ value of new business	**102**	77	33.0%	**114**	89	27.8%	**127**	103	22.8%
Hong Kong									
Financial protection	**103**	89	15.6%	**110**	96	15.0%	**120**	104	15.0%
Wealth management	**8**	6	20.0%	**9**	8	17.0%	**11**	9	18.3%
Health	**4**	6	(21.9)%	**5**	6	(21.4)%	**5**	6	(20.9)%
Total Hong Kong value of new business[4]	**115**	101	13.8%	**124**	110	13.3%	**136**	119	13.1%
Asia (ex Hong Kong)[5]	**20**	14	40.1%	**20**	14	40.1%	**20**	14	40.1%
Group VNB on constant FX rates[6]	**237**	192	23.2%	**258**	213	21.0%	**283**	236	19.8%
Group VNB on actual FX rates[7]	**246**		27.8%	**268**		25.6%	**292**		23.5%

1 Risk discount rate is 11.0% for Australia and New Zealand, and 11.5% for Hong Kong
2 Risk discount rate is 10.0% for Australia and New Zealand, and 10.5% for Hong Kong
3 Risk discount rate is 9.0% for Australia and New Zealand, and 9.5% for Hong Kong
4 Excludes HK$18 million of new development expenses related to new initiatives such as wealth management and bancassurance development. These are deducted in Group net worth
5 Asia (ex Hong Kong) is presented on a single set of risk discount rates (11.0% for Singapore and 16% to 20% for the other Asian businesses)
6 Based on A$/HK$ exchange rate of 6.09 as at 31 December 2004
7 Based on A$/HK$ exchange rate of 5.69 as at 31 December 2005

On constant exchange rates the illustrative value of new business (VNB) based on a risk discount rate equal to the assumed local equity return was up 21.0% to $258 million (31 December 2004 – $213 million).

The depreciation of the A$ favourably impacted the value of new business by $10 million (4.6%).

The change in the value of new business is explained in more detail in section 7.5.

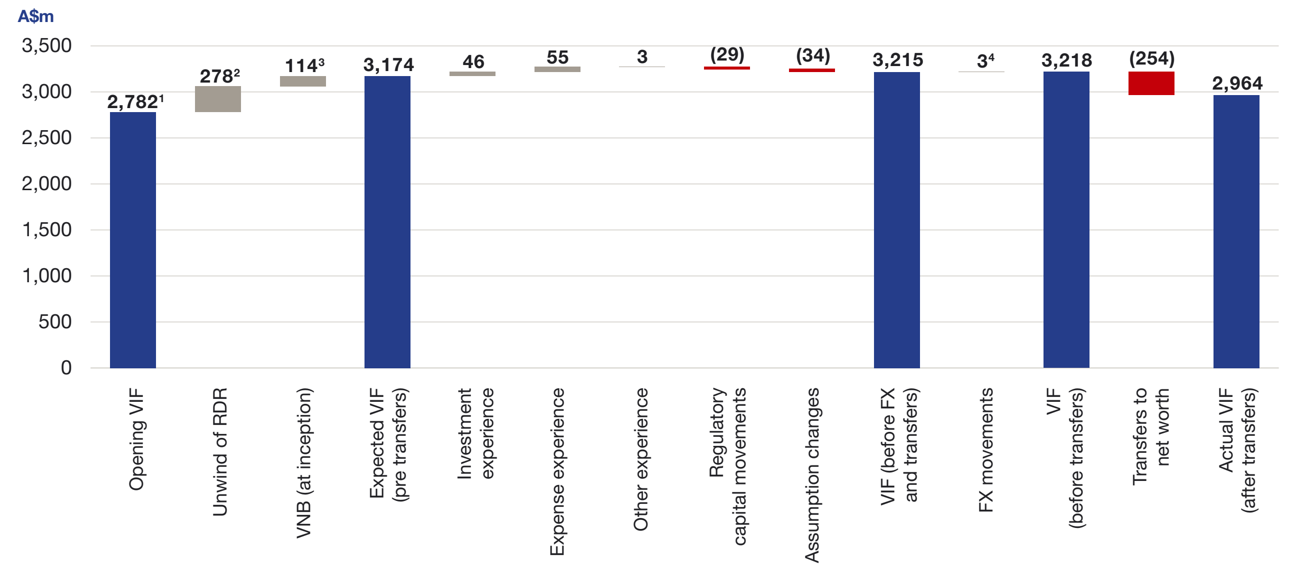
7.3 Traditional value of inforce

The following charts analyse the growth of the value of inforce.

Australia and New Zealand

Based on a risk discount rate equal to the assumed equity return (ie 10%), the value of inforce for Australia and New Zealand was up 15.6% to $3,215 million (2004 – $2,782 million) before foreign currency movements and transfers to Group net worth. The major movements over the past 12 months are outlined below.

Analysis of change in value of inforce



1 Represents closing value at 31 December 2004 as per page 68 of December 2004 Investor Compendium

2 Represents 12 months unwind at the risk discount rate of 10% on the opening VIF

3 Represents the value of new business for the 12 months ended 31 December 2005

4 Reflects the movement of A$/NZ$ exchange rate from 1.09 at 31 December 2004 to 1.07 at 31 December 2005, on VIF of NZ$407 million for New Zealand business before transfers to Group net worth

VNB contributed to the overall growth in the value of inforce, and reflects strong platform inflows into Generations and Summit, coupled with AllianceBernstein mandate wins.

Investment market performance during the period, in particular Australian equities, increased funds under management and fee revenue to higher levels than assumed at the beginning of the year. This, combined with favourable investment experience on regulatory capital, increased the value of inforce by $46 million.

Expense efficiency improvements contributed $55 million to the increase in the value of inforce during the period. This reflects savings in absolute costs along with unit costs reductions.

Favourable claims experience for annuity and group risk business, was partially offset by adverse lapse experience for Spicers New Zealand business, and resulted in a $3 million increase to the value of inforce.

On a consistent AIFRS basis over the period, the amount of regulatory capital held since December 2004 increased by $95 million, largely as a result of the $110 million increase following the implementation of the revised capital standard. The face value of this amount is reflected in lower transfers to net worth, while the $29 million lock-in cost of this additional capital is included as a reduction to the value of inforce before transfers to net worth. This results in a net increase to the value of inforce after transfers of $66 million.

The $34 million reduction in value is primarily due to assumption changes following a strengthening of lapse assumptions for Spicers.

The movement in the A$/NZ$ exchange rate increased the value of the New Zealand business in A$ terms by $3 million.

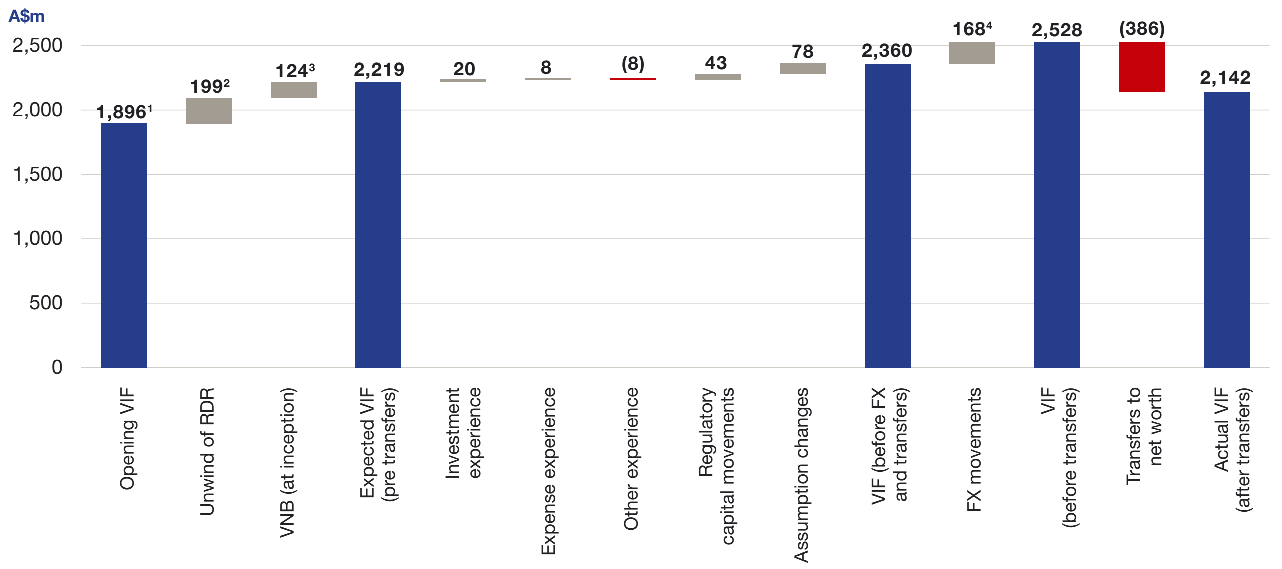
Transfers of $254 million to Group net worth include a release of Operating Earnings of $204 million, Investment Earnings on regulatory capital of $100 million, franking credits of $45 million, less a $95 million increase in regulatory capital.

7.3 Traditional value of inforce (continued)

Hong Kong

Based on a risk discount rate equal to the assumed equity return (ie – 10.5%), the value of inforce in Hong Kong was up 24.5% to $2,360 million (2004 – $1,896 million) before foreign currency movements and transfers to Group net worth.

Analysis of change in value of inforce



1 Represents closing value at 31 December 2004 as per page 68 of December 2004 Investor Compendium

2 Represents 12 months unwind at the risk discount rate of 10.5% on the opening VIF

3 Represents value of new business of HK$756 million (excluding indexation sales) at 31 December 2004 A$/HK$ exchange rate of 6.09

4 Reflects the movement of the A$/HK$ exchange rate from 6.09 at 31 December 2004 to 5.69 at 31 December 2005 on VIF of HK$14,382 million, before distributions to Group net worth

VNB contributed to the overall growth in the value of inforce and reflected increased sales volumes across most business lines.

Investment returns were higher than assumed over the period, mainly due to outperformance on assets backing the DA guaranteed liabilities, resulting in a favourable variation of A$20 million in the value of inforce.

Expense efficiency improvements across both financial protection and wealth management lines increased the value of inforce by A$8 million.

Less favourable mortality experience, mainly for individual life and group medical business, resulted in an A$8 million reduction to the value of inforce.

Reduced regulatory capital requirements resulted in a lower lock-in cost of capital, contributing A$43 million to the increase in the value of inforce over the period. This increase reflects lower regulatory capital requirements following the review of the Hong Kong statutory valuation basis, along with capital reductions as a result of managing risk more efficiently across the Group. Overall, capital requirements reduced by A$158 million and were transferred to net worth.

The A$78 million increase in the value of inforce due to assumption changes reflects a 0.25% increase in the investment margin for the NL business which added A$52 million, along with the impact of changes to the modelling of expected increases in future premiums which added A$26 million. A significant proportion of inforce Hong Kong life business is subject to annual indexation increases. Actual indexations are not included in the value of new business, but expected future indexations are allowed for within the value of inforce business.

The appreciation of the US$ and HK$ increased the value of inforce Hong Kong business in A$ terms by A$168 million. This increase in value of inforce is partly offset by a decrease in the value of hedges held at the Group level, consisting of US$ debt and A$/HK$ cross currency swaps. The movement in the value of these hedges is reflected in the Group net worth.

The transfer of A$386 million to Group net worth represents the release of Operating Earnings of A$171 million, Investment Earnings on regulatory capital of A$57 million, and a A$158 million reduction in regulatory capital over the period.

Asia (ex Hong Kong)

The value of inforce of the Asian (ex Hong Kong) business (AXA Group share, excluding China) was up 38.5% to A$73 million in constant currency terms and 44.2% to A$76 million on actual exchange rates (31 December 2004 – A$53 million). This increase is the result of our continuing focus on product profitability and growth in new business, particularly through bancassurance channels.

(A$ million)	AXA Life Singapore	Other Asian businesses (excluding Hong Kong and China)	Total
Value of inforce (before allowance for current expense overrun)	37	39	**76**

The value of inforce is determined using long term best estimate expense assumptions, excluding any allowance for current expenses being in excess of product expense loadings. The excess expenses relate to both acquisition and maintenance expenses and are assumed to be eliminated in most cases over the next three to five years.

China

The value of inforce for China is not material at present and is not included in the illustrative inforce value shown in this report.

7.4 Group net worth

The Group net worth is equal to total capital resources less the regulatory capital requirement and goodwill.

For value purposes, Group net worth has been adjusted to exclude the impact of AIFRS changes that do not affect the value of the business. These adjustments are summarised below:

31 December 2005 (A$ million)				
AIFRS Group net worth[1]	Add back Share Trust assets	Exclude impact of pension liabilities at the risk free rate	Exclude impact of policy/other liability movements	Adjusted Group net worth for value reporting[1]
1,411	134	57	(70)	**1,532**

1 Net of the final 2005 dividend provision of $135 million

Share Plan Trust: The detail of this consolidation adjustment is explained in section 8. It relates to an accounting adjustment for treasury shares which reduce equity (and therefore excess assets) by the cost price of shares owned by the Executive Share Plan. These shares can be sold for full value on the market.

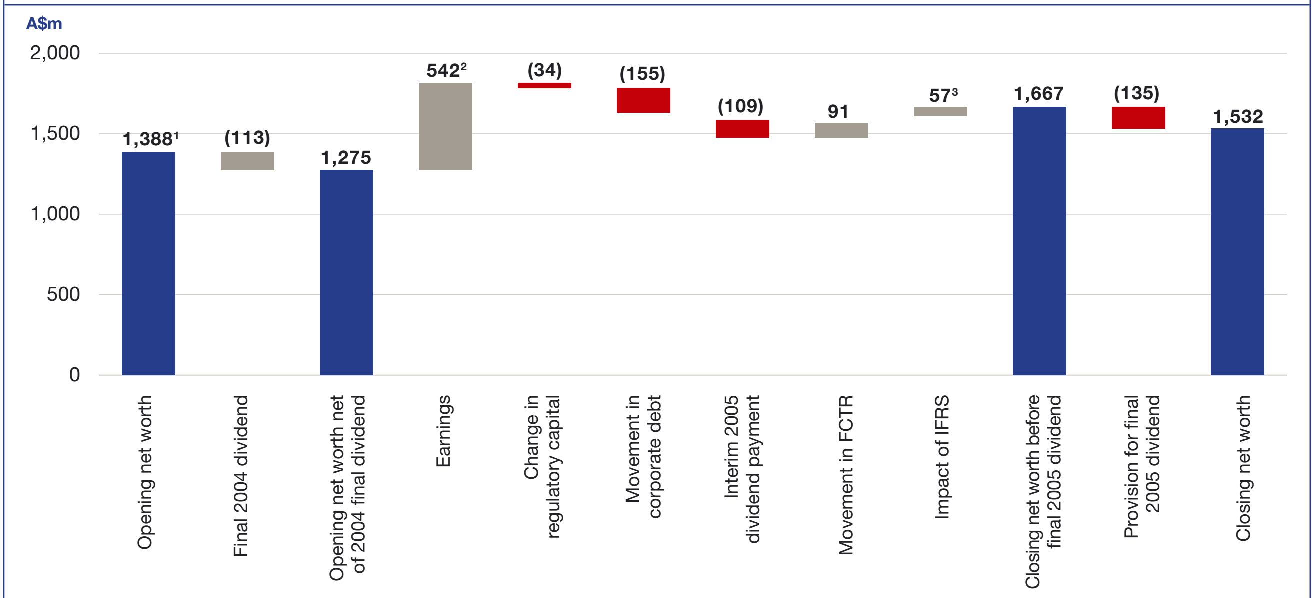
Pension liability at the risk free rate: This net liability represents the difference between assets, which are valued at fair value, and liabilities discounted at a risk free rate. It does not represent the true funding cost on best estimate assumptions.

Policy/other liability adjustments: Changes to net assets due to the restatement of tax assets on moving to AIFRS have been excluded for value reporting purposes to the extent these do not give rise to a change in the underlying discounted cashflows for value purposes.

Before the 2005 interim dividend payment of $109 million and the final dividend provision of $135 million, adjusted Group net worth was up 39.2% to $1,776 million (2004 – $1,275 million).

The major movements are outlined below.

Analysis of movement in adjusted Group net worth



1 As per page 73 of December 2004 Investor Compendium

2 As per profit after tax in the financial statements for 12 months to December 2005

3 The impact of AIFRS excludes those changes not affecting value totalling $121 million, as identified in the table above

7.4 Group net worth (continued)

The opening net worth of $1,388 million is equal to the sum of the target surplus of $635 million, the provision for the 2004 final dividend of $113 million and the capital above target surplus of $640 million.

Profit after tax, including non-recurring items over the period was $542 million.

Total regulatory capital increased $34 million since the introduction of AIFRS represented by an increase in Australia and New Zealand of $95 million, a decrease of $158 million in Hong Kong, an increase of $12 million in Asia (ex Hong Kong) and foreign currency impacts which increased capital by $85 million. This increase is the result of the introduction of revised capital adequacy standards in Australia, offset by capital management initiatives.

The $34 million increase in total regulatory capital excludes the impact of the change in the accounting basis from AGAAP to AIFRS. The increase in policy liabilities under AIFRS gave rise to the overall decrease in regulatory capital of $393 million. The movement in regulatory capital is explained in more detail in section 7.10.

The appreciation of the US$ over 2005 increased the A$ equivalent of our US$ denominated debt by $70 million, while a further A$225 million was repaid over the year.

There was a reduction in the Foreign Currency Translation Reserve (FCTR) of $91 million. Changes to these reserves do not affect reported profit under AIFRS. The FCTR movement relates to the translation gains on our investments in foreign operations, offset by the foreign exchange movement on the hedges we have on our investment in Hong Kong.

The move to AIFRS has resulted in a $57 million increase to Group net worth for value reporting purposes. This reflects a reduction in deferred tax liabilities as a result of the elimination of internally generated goodwill under AIFRS.

As described above, net worth at 31 December 2005 increased by $121 million for value reporting purposes in order to exclude AIFRS impacts which do not affect the value of the business. The closing Group net worth, after the provision for final 2005 dividend, of $1,532 million reduced by this $121 million gives an unadjusted AIFRS net worth of $1,411 million, which supports the target surplus of $535 million and capital above target surplus of $876 million.

7.5 Traditional value of new business

At 31 December (million)	Risk discount rate Equity return[1] 2005	2004	2003
Australia & New Zealand (A$)			
Financial protection	22	16	18
Wealth management	92	73	59
Total A&NZ value of new business (A$)	**114**	89	77
Hong Kong (HK$)			
Financial protection	673	585	495
Wealth management	55	47	23
Health	28	36	23
Total Hong Kong (HK$) value of new business[2]	**756**	668	541
Total Hong Kong (A$)[3]	133	110	92
Asia (ex Hong Kong) (A$)[4]	21	14	11
Total Group value of new business	**268**	213	180

1 Risk discount rate is 10.0% for Australia and New Zealand, and 10.5% for Hong Kong

2 Excludes HK$18 million of new development expenses related to new initiatives such as wealth management and bancassurance development. These are deducted in Group net worth

3 Based on A$/HK$ exchange rate of 5.69 as at 31 December 2005, 6.09 as at 31 December 2004

4 The value of new business for Asia (ex Hong Kong) of A$21 million (Singapore $5 million, Other Asian business including China $16 million) is based on AXA Group share

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

The value of one year's new business was up 27.8% to $114 million (2004 – $89 million) based on a risk discount rate equal to the assumed equity return (ie 10.0%).

This result is driven by strong growth in gross retail inflows for our investment management businesses. Platform inflows were up 23.5% following strong growth in the Generations and Summit products. These higher levels of inflows have increased the value of new business across platform and the multi-manager components of the value chain.

AllianceBernstein wholesale inflows of $12.2 billion were nearly double those for 2004, increasing the value of one year's new business by $7 million. A significant amount of these inflows were due to increased inflows into the global equity investment funds of AllianceBernstein.

These improvements were partially offset by reduced inflows into AMIF, the strengthening of lapse assumptions on some lines of business and lower sales of annuities following changes to the age pension eligibility test effective September 2004.

Financial protection increased following stronger individual risk sales in Australia and the positive impact of higher prices in New Zealand.

Hong Kong

The value of one year's new business in local currency terms was up 13.3% to HK$756 million (2004 – HK$668 million) based on a risk discount rate equal to the assumed equity return (ie 10.5%).

This increase reflects growth in sales volumes across most business lines, with the new life business index up 20.6%. In line with the Hong Kong 6 aspirational goals, sales growth was highest for single premium business, which while still highly profitable, has lower profit margins than traditional life business. Importantly, sales of wealth management products have not been replacing sales of traditional life products.

The appreciation of the HK$ increased growth in the value of new business in A$ terms to 21.3%.

For Hong Kong, the basis used above differs from that used in the value of new business HK 1 and Asia 1 measure, as the latter measure includes indexation increases to policies. The illustrative value analysis outlined in this section includes indexation increases in the value of inforce.

Asia (ex Hong Kong)

The value of one year's new business was up 40.1% in constant currency terms, driven by strong sales through both our bancassurance and agency channels in Thailand, and the bancassurance channel in Indonesia.

The combined Asia (ex Hong Kong) NBI has increased by 59% from 31 December 2004.

Exchange rate movements across the region increased the growth in value of new business in A$ terms to 47.4%.

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

7.6 Assumptions and sensitivities – Traditional approach

The following tables show the assumption bases used for valuing inforce and the value of one year's new business. For Australia and New Zealand, the most significant change from 31 December 2004 relates to the strengthening of lapse rates for Spicers business. For Hong Kong the main change from 31 December 2004 was the 0.25% increase in the assumed investment margin for the NL business.

Economic assumptions

The economic assumptions used at 31 December 2005 are summarised below.

Assumptions	CPI	Cash rate	Fixed interest	Equities	Property	Traditional risk discount rate
Australia	2.50%	5.50%	5.50%	10.00%	7.75%	10.00%
New Zealand	5.50%	5.50%	6.00%	10.00%	7.25%	10.00%
Hong Kong	2.50%	2.50%	5.50%	10.50%	7.50%	10.50%
US		2.50%	5.20%	9.20%		
Asia excluding Japan				10.50%		Singapore 11.00%
Other international				9.25%		Other Asia (ex Hong Kong) 16% to 20%

The main change from December 2004 is a 0.25% increase in the risk free rate in Australia. There were no changes made to the economic assumptions for Hong Kong.

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 shareholder over time as the portfolio matures. Under the traditional approach 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.

Expenses

Expense assumptions are based on actual unit costs for the 12 months ended 31 December 2005, consistent with profit reporting.

7.6 *Assumptions and sensitivities – Traditional approach* (continued)

Sensitivity to changes in assumptions

The table below shows the sensitivity of the illustrative traditional embedded value and value of new business (as at 31 December 2005) to variations in key economic and business assumptions.

The sensitivities are indicative only as they assume that the movement in a particular variable is independent of other variables. In addition, the impact on the value from a movement of a variable is not always symmetrical. In other words, the impact of an increase in assumptions is not necessarily the same as an equivalent fall.

	Australia & New Zealand		Hong Kong		
% change in traditional value of inforce	Financial protection	Wealth management	Financial protection	Wealth management	Health
+ 50 bps in risk free rates[1]	0.3%	(1.1)%	(0.3)%	3.4%	0.9%
- 50 bps in risk free rates[2]	(0.3)%	1.1%	0.2%	(3.5)%	(1.0)%
+ 10% in value of equity markets at start of projection	0.6%	4.1%	2.0%	6.5%	0.0%
- 10% in the lapse rate	4.8%	6.7%	4.2%	5.1%	0.6%
- 10% expenses (overall and permanent decrease)	2.3%	10.2%	0.7%	1.9%	8.4%
- 5% mortality rate for annuity business	n/a	(0.8)%	n/a	n/a	n/a
- 5% mortality rate for non-annuity business	5.0%	0.6%	1.4%	0.0%	0.0%
- 10% morbidity incidence rates	5.1%	n/a	n/a	n/a	n/a
+ 10% morbidity termination rates	8.5%	n/a	n/a	n/a	n/a
	Australia & New Zealand		Hong Kong		
% change in traditional value of new business	Financial protection	Wealth management	Financial protection	Wealth management	Health
+ 50 bps in risk free rates[1]	(5.8)%	(0.4)%	(3.0)%	(3.7)%	2.8%
- 50 bps in risk free rates[2]	6.2%	0.4%	2.2%	3.9%	(2.8)%
+ 10% in value of equity markets at start of projection	n/a	n/a	n/a	n/a	n/a
- 10% in the lapse rate	25.3%	15.7%	6.8%	11.4%	0.5%
- 10% expenses (overall and permanent decrease)	26.1%	26.4%	4.4%	1.8%	15.3%
- 5% mortality rate for annuity business	n/a	(0.1)%	n/a	n/a	n/a
- 5% mortality rate for non-annuity business	31.0%	0.3%	0.6%	0.1%	43.3%
- 10% morbidity incidence rates	17.3%	n/a	n/a	n/a	n/a
+ 10% morbidity termination rates	20.4%	n/a	n/a	n/a	n/a

1 In this scenario, all fixed interest yields increase by 50bps, as well as expected equity returns and the risk discount rate

2 In this scenario, all fixed interest yields decrease by 50bps, as well as expected equity returns and the risk discount rate

7.7 Market Consistent Value

While traditional embedded value and value of new business 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.

MCV is 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, the MCV uses the same assumptions as the traditional approach.

However, the MCV disclosed does not contain any explicit allowance for non-market related, or non-financial risk (sometimes known as 'agency' or 'operational' risk). In the traditional approach, such risk is allowed for through an implicit margin in the risk discount rate. Techniques to assess the cost of non-financial risk under MCV are still being developed.

Consequently, investors should consider the differences between the results using traditional and MCV methodologies, the reasons for those differences, and form their own view on an appropriate allowance for non-financial risks that have not been explicitly modelled.

Group value of inforce – MCV methodology

At 31 December (A$ million)	2005	2004	Change %
Australia & New Zealand	3,563	2,941	21.1%
Hong Kong	3,101	2,671	16.1%
Asia (ex Hong Kong)[1]	73	53	38.5%
Total value of inforce (before 2005 transfers to net worth and on constant FX)[2]	**6,737**	5,665	18.9%
Total value of inforce (before 2005 transfers to net worth and on actual FX)[3]	**6,964**	5,665	22.9%
2005 transfers to Group net worth[4]	640		
Total value of inforce (after 2005 transfers to net worth and on actual FX)[3]	**6,324**	5,665	11.6%

1 Before an allowance for expense overruns. This value has not been restated for MCV

2 Based on A$/HK$ exchange rate of 6.09 (31 December 2004)

3 Based on A$/HK$ exchange rate of 5.69 (31 December 2005)

4 Total transfers to Group net worth of A$640 million consists of A$254 million for Australia and New Zealand and A$386 million for Hong Kong A&NZ

On constant exchange rates and before transfers to net worth, the illustrative MCV value of inforce was up 18.9% to $6,737 million (31 December 2004 – $5,665 million). On actual exchange rates the illustrative MCV value of inforce was up 22.9% to $6,964 million.

The depreciation of the A$ had a favourable impact on the growth in the illustrative MCV value of inforce for Hong Kong over the period, increasing the growth before transfers to net worth by $227 million (4.0%).

The following table compares the traditional and market consistent values of inforce at 31 December 2005, by region and product group. The amounts are shown after net transfers to Group net worth of $640 million.

At 31 December 2005 (A$ million)	Traditional Embedded Value[1]	Market Consistent Value	Change $	Change %
Australia & New Zealand				
Financial protection	1,580	1,770	190	12.0%
Wealth management	1,384	1,550	166	12.0%
Time value of guarantees	–	(8)	(8)	n/a
Total A&NZ value of inforce	2,964	3,312	348	11.7%
Hong Kong[2]				
Financial protection	1,929	3,011	1,082	56.1%
Wealth management	185	225	40	21.7%
Health	28	23	(5)	(18.2)%
Time value of guarantees		(323)	(323)	n/a
Total Hong Kong value of inforce	2,142	2,936	794	37.1%
Asia (ex Hong Kong)[3]	76	76	–	–
Total Group value of inforce (after 2005 transfers to net worth)	5,182	6,324	1,142	22.0%

1 Risk discount rate is 10.0% for Australia and New Zealand, and 10.5% for Hong Kong, and differs from the 11.0% for Australia and New Zealand, and 11.5% for Hong Kong used for the 9 December MCV release

2 Based on A$/HK$ exchange rate of 5.69 (31 December 2005)

3 Inforce value for Asia (ex Hong Kong) is shown before an allowance for expense overruns. 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 these 'risk neutral' results, the reduction in value caused by removing the capitalisation of future investment risk premiums is more than offset by the increase in value caused by the use of a risk free discount rate. This means that relative to MCV, the traditional value's single risk discount rate overstates the level of financial risk inherent in projected future earnings. This occurs because for much of the financial protection portfolio future cash flows and earnings are largely independent of investment markets and financial risk.

7.7 Market Consistent Value (continued)

In wealth management, MCV increases for investment linked products as fees linked to less risky asset classes increase in value. The use of a risk free discount rate more than offsets the removal of the capitalisation of future investment risk premiums. Relative to MCV, the traditional value's single risk discount rate overstates the level of financial risk inherent in projected future earnings. This increase in value is partially offset by reduced investment earnings on annuities, the liabilities of which are partially supported by equities which have a higher investment risk premium.

The illustrative MCV of the financial protection business in Hong Kong is higher than under the traditional value. Like in Australia and New Zealand, removing the capitalisation of future investment risk premiums is more than offset by the increase in value caused by the use of a risk free discount rate. This 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. This has a significant impact on the valuation of the long duration cash flows on whole of life business, a large part of the Hong Kong portfolio.

The MCV results include an explicit reduction in value relating to the cost of investment guarantees, which are assessed using sophisticated stochastic investment models.

Group net worth, debt and corporate expenses

At 31 December 2005 (A$ million)	Traditional Embedded Value	Market Consistent Value	Change
Group net worth[1]	1,532	1,532	0.0%
Group debt	(1,268)	(1,268)	0.0%
Capitalised corporate expenses[2]	(312)	(475)	(52.2)%
Capitalised value of Asian (ex Hong Kong) expense overruns[3]	(27)	(27)	0.0%
Total dividends in relation to 2005[4]	244	244	0.0%

1 Group net worth presented is net of dividend provisions of $135 million at 31 December 2005

2 Excludes potential additional Asian development expenses of $9 million – $13 million pa over the next three years should planned organic growth come to fruition

3 Value of Asian (ex Hong Kong) expenses being in excess of assumed long-term product expense loadings

4 Dividends in relation to 2005 of $244 million represents the interim 2005 dividend of $109 million and a provision for the final 2005 dividend of $135 million

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 value of capitalised corporate expenses has been valued at a risk free discount rate of 5.27% over a 20 year time horizon, down from 5.42% at 31 December 2004.

Value of one year's new business – MCV methodology

At 31 December (A$ million)	2005	2004	Change
Australia & New Zealand			
Financial protection	48	38	27.3%
Wealth management	103	72	43.3%
Time value of guarantees	–	–	
Total A&NZ value of new business	**151**	110	37.8%
Hong Kong[1]			
Financial protection	166	139	19.6%
Wealth management	18	15	19.5%
Health	7	8	(15.6)%
Time value of guarantees	(10)	(11)	(6.6)%
Total Hong Kong value of new business[2]	**181**	151	19.6%
Asia (ex Hong Kong)[3]	20	14	40.1%
Total Group VNB on constant FX rates[1]	**352**	275	27.7%
Total Group VNB on actual FX rates[4]	**366**		32.7%

1 Based on A$/HK$ exchange rate of 6.09 (31 December 2004)

2 Excludes HK$18 million of new development expenses related to new initiatives such as wealth management and bancassurance development. These are deducted in Group net worth

3 The value of new business for Asia (ex Hong Kong) is based on AXA APH Group share. This value has not been restated for MCV

4 Based on A$/HK$ exchange rate of 5.69 (31 December 2005)

At 31 December 2005 (A$ million)	Traditional Embedded Value[1]	Market Consistent Value	Change $	Change %
Australia & New Zealand				
Financial protection	22	48	26	123.1%
Wealth management	92	103	11	12.2%
Time value of guarantees	–	–	–	n/a
Total A&NZ value of new business	114	151	37	33.4%
Hong Kong[2]				
Financial protection	118	178	60	50.4%
Wealth management	10	19	10	101.0%
Health	5	7	2	45.8%
Time value of guarantees	–	(11)	(11)	n/a
Total Hong Kong value of new business[3]	133	194	61	45.9%
Asia (ex Hong Kong)[4]	21	21	n/a	n/a
Total Group value of new business	268	366	98	36.8%

1 Risk discount rate is 10.0% for Australia and New Zealand, and 10.5% for Hong Kong
2 Based on A$/HK$ exchange rate of 5.69 (31 December 2005)
3 Excludes HK$18 million of new development expenses related to new initiatives such as wealth management and bancassurance development. These are deducted in Group net worth
4 The value of new business for Asia (ex Hong Kong) is based on AXA APH Group share. This value has not been restated for MCV

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. This occurs as 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, relative to the inforce portfolio, investment guarantees are not as significant for new business. This is particularly the case in Hong Kong, where the higher guarantee book of policies is closed to new business.

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 (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 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[1]	Implied discount rate
Inforce business					
Australia	5.3%	1.7%	0.1%	0.2%	7.3%
Hong Kong	4.4%	1.3%	1.1%	0.0%	6.8%
New business					
Australia	5.3%	1.1%	0.0%	0.1%	6.5%
Hong Kong	4.4%	0.9%	0.5%	0.0%	5.8%

1 Hong Kong cost of capital is close to nil as shareholder investment income is not taxed

Investment guarantees

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

At 31 December 2005 (A$ million)	Inforce	One year's new business
Australia & New Zealand		
Financial protection	(4)	–
Wealth management	(4)	–
Total A&NZ	(8)	–
Hong Kong		
Financial protection	(323)	(11)
Wealth management	–	–
Health	–	–
Total Hong Kong	(323)	(11)
Asia (ex Hong Kong)	–	–
Group time value of guarantees	(331)	(11)

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. The open Smart Series product has a capital guarantee, but a significantly lower underlying guaranteed return of approximately 1% pa.

The time value of investment guarantees is assessed using sophisticated stochastic investment models that are consistent with option pricing techniques. 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 the valuation. The extent of changes in the valuation is cushioned by management's ability to manage bonus and crediting rate declarations over time.

Increases in the time value of guarantees for Hong Kong's inforce financial protection business is the result of lower long duration US bond yields. While US 10 year bond yields increased by 16 basis points over 2005, the yield curve flattened substantially reducing implied forward rates of return. As a result, at this point in the yield curve cycle there are more investment scenarios where guarantees might be recognised.

7.8 *Assumptions and sensitivities – 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 market 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 the government bond rates of duration similar to the duration of the liabilities and are summarised below at the beginning and the end of the year.

At 31 December Risk free rate	2005	2004
Australia	5.27%	5.42%
New Zealand	5.92%	6.07%
Hong Kong – 'NL' closed life fund	4.39%	4.80%
Hong Kong – other business	4.30% – 4.43%	3.50% – 5.00%

Options and guarantees

Options and guarantees are explicitly valued using sophisticated stochastic investment models that allow for future stock market and interest rate volatility. These models ensure that the value of guarantees in extreme investment conditions are recognised and explicitly valued based on a statistical model. As well as modelling volatile investment conditions, the valuation also models management and policyholder reactions to conditions, notably with regard to bonus rate decisions and policyholder lapses.

The AXA Group uses a model developed by Barrie & Hibbert (B&H). B&H has considerable experience in developing asset models for use in many countries, and is recognised as an industry leader in the UK.

The model contains statistical distributions of investment returns for each asset class, as well as correlations between those asset classes and rules on how the returns for each asset class vary over time. For example, it is assumed that market values will be mean reverting over time. The distributions within the model are used to generate 1,000 plausible economic scenarios for future investment returns. This range of economic scenarios (including equities, bonds, credit spreads, property, inflation and GDP) allows investment guarantees to be explicitly valued.

The construction of market consistent, risk neutral economic scenarios requires a careful calibration to underlying market parameters to ensure that the valuation replicates the prices of assets it has been calibrated to. Three key areas of calibration are the initial yield curves, implied market volatilities, and the correlations between asset classes and economies. The risk free yield curves as at 31 December 2005 are summarised below:

Year	Australia	US / Hong Kong
1	5.43%	3.79%
5	5.22%	4.11%
10	5.21%	4.18%
15	5.20%	4.29%
20	5.19%	4.40%

Samples of key stochastic investment assumptions are summarised below. These illustrate the level of volatility in investment earnings and the relationship between earnings on equities and bonds. These are particularly important in determining how investment guarantees have been valued and, typically, the greater the volatility and the higher the correlations, the higher the cost of investment guarantees.

	Volatility of returns in year 10		Correlation over 1 year in year 10	
	Equities	Bonds	Equities and inflation	Equities and bonds
Australia	19.5%	10.0%	10.0%	11.0%
US / Hong Kong	16.2%	8.4%	12.0%	15.0%

The assets that are projected using the stochastic investment model are consistent with investment mandates on the relevant portfolios. Assets for the NL series are invested 70% / 30% in global bonds and equities respectively.

Sensitivity of MCV to changes in assumptions

The table below shows the sensitivity of the MCV as at 31 December 2005 to variations in key economic and business assumptions.

The sensitivities are indicative only as they assume that the movement in a particular variable is independent of other variables. In addition, the impact on the value from a movement of a variable is not always symmetrical. In other words, the impact of an increase in assumptions is not necessarily the same as an equivalent fall.

	Australia and New Zealand		Hong Kong		
% change in MCV value of inforce	Financial protection	Wealth management	Financial protection	Wealth management	Health
+ 50 bps in risk free rates	(0.4)%	(1.3)%	(0.2)%	2.1%	(0.2)%
- 50 bps in risk free rates	0.4%	1.3%	(11.9)%	(2.0)%	0.2%
+ 10% in value of equity markets at start of projection	0.6%	3.1%	3.9%	9.2%	0.0%
- 10% in the lapse rate	7.4%	7.0%	10.1%	2.2%	1.8%
- 10% expenses (overall and permanent decrease)	2.8%	10.1%	1.0%	2.5%	9.0%
- 5% mortality rate for annuity business	n/a	(1.1)%	n/a	n/a	n/a
- 5% mortality rate for non-annuity business	5.6%	0.2%	6.7%	0.0%	0.6%
- 10% morbidity incidence rates	5.0%	n/a	n/a	n/a	n/a
- 10% morbidity termination rates	9.2%	n/a	n/a	n/a	n/a
	Australia and New Zealand		Hong Kong		
% change in MCV value of new business	Financial protection	Wealth management	Financial protection	Wealth management	Health
+ 50 bps in risk free rates	(5.6)%	(0.2)%	(4.0)%	(4.6)%	0.7%
- 50 bps in risk free rates	7.2%	0.2%	3.7%	5.4%	(0.7)%
+ 10% in value of equity markets at start of projection	n/a	n/a	n/a	n/a	n/a
- 10% in the lapse rate	22.3%	16.0%	14.7%	13.0%	0.9%
- 10% expenses (overall and permanent decrease)	14.7%	25.0%	6.2%	2.4%	10.0%
- 5% mortality rate for annuity business	n/a	0.0%	n/a	n/a	n/a
- 5% mortality rate for non-annuity business	40.3%	1.9%	1.2%	0.0%	42.0%
- 10% morbidity incidence rates	9.4%	n/a	n/a	n/a	n/a
- 10% morbidity termination rates	11.2%	n/a	n/a	n/a	n/a

7.9 Capital structure and performance

At 31 December (A$ million)	2005	2004
Capital resources		
Equity	3,542.9	3,110.3
Subordinated debt and hybrid capital	912.4	873.1
Senior debt	355.9	550.2
Total capital resources	**4,811.2**	4,533.6
Gearing ratios		
(Debt + hybrid) / equity	35.8%	45.8%
Senior debt / capital resources	7.4%	12.1%

From 1 January 2005, our gearing policy changed, with the primary ratio of total debt (debt + hybrid) / equity to be maintained in a target range of 40% – 50%.

Movement of net assets	(A$ million)
Net assets as at 31 December 2004	3,110.3
Net profit after tax	542.4
Increase in retained earnings	24.5
Dividends paid	(222.1)
Increase in contributed equity	1.2
Other reserves	86.6
Net assets as at 31 December 2005	3,542.9

Net assets increased $432.6 million due to earnings of $542.4 million, offset by the payment of the 2004 final dividend and the 2005 interim dividend of $113.2 million and $108.9 million respectively.

There was an increase in retained earnings, other reserves and contributed equity increasing net assets by $111.1 million, $24.5 million and $1.2 million respectively. This movement is related to the gains on our investment in foreign operations, offset by the foreign exchange movement on the hedges we have against our investment in Hong Kong.

Movement of capital	(A$ million)
Net profit after tax	542.4
Increase in retained earnings	24.5
Dividends paid	(222.1)
Change in hybrid capital (foreign exchange movement only)	39.3
Debt repayments	(225.0)
Change in senior debt (foreign exchange movement only)	30.7
Other reserves	86.6
Increase in contributed equity	1.2
Total increase in capital	277.6

Debt

At 31 December 2005 (A$ million)	Committed	Drawn
Senior debt		
Loan from AXA SA (US$ denominated)	405.9	355.9
Loan from AXA SA (net of offsetting deposits)	80.0	–
Total senior debt	485.9	355.9
Subordinated debt and hybrid debt		
Hong Kong – Non-cumulative Redeemable Preference Shares (hybrid debt) (US$ denominated $462.6 million)	632.4	632.4
Subordinated loan from AXA SA (A$ denominated)	280.0	280.0
Total subordinated debt	912.4	912.4
Total debt	1,398.3	1,268.3

Senior long term debt with the global AXA Group is drawn in either A$ or US$. Currently, the proportion drawn in US$ represents 77.9% of the total drawn debt. However all A$ drawn debt has been swapped to US$ using cross-currency swaps. The average after-tax interest rate for interest bearing debt for the period 1 January 2005 to 31 December 2005 was 3.81% pa.

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$ equivalent (A$ million)
Position as at 31 December 2005:	
US$ denominated debt (including cross-currency swaps)	1,268.4
HK$ hedged through cross currency interest rate swaps	1,129.0
Total hedged	2,397.4

Cross currency interest rate swaps have been entered into to protect the value of the Hong Kong operations from the potential negative operational consequences of a break in the US$/HK$ peg followed by a depreciation of the HK$ against the US$.

Capital performance

Both return on equity and return on capital increased for the year due to a 23.1% increase in Operating Earnings and an 11.0% increase in Investment Earnings.

On a 'normalised' Investment Earnings basis, the return on equity and return on capital increased at a lower rate reflecting the positive investment experience over the period.

12 months to 31 December	2005	2004
Return on equity[1]	16.3%	15.4%
Return on equity (adjusted for 'normalised' Investment Earnings)[2]	15.3%	14.9%
Return on capital[3]	12.0%	10.8%
Return on capital (adjusted for 'normalised' Investment Earnings)[2]	11.3%	10.4%
Estimated weighted average cost of capital	8.3% – 9.1%	7.6% – 8.6%

1 Calculated as profit after tax and before non-recurring items for the 12 months to 31 December as a percentage of average shareholders' equity

2 Calculated after replacing Investment Earnings with 'normalised' Investment Earnings of $220 million (2005) and $215 million (2004), adjusted for capital and currency impacts

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

The weighted average cost of capital ('WACC') takes into account the after tax cost of debt, the estimated cost of equity and the average gearing ratio over the period. The estimated cost of equity is assumed to be the same as our long term return for Australian equities (10%). The annualised WACC for the 12 months ended 31 December 2005 is estimated at between 8.3% and 9.1%. The lower end of the range uses the gearing ratio calculated based on reported shareholder capital. The upper end of the range uses a gearing ratio calculated using market capitalisation. The increase in WACC since December 2004 is due to an increase in both reported shareholder equity and market capitalisation between December 2004 and December 2005.

7.10 Capital allocation

At 31 December 2005 we had total capital resources, being shareholders' equity, senior and subordinated debt and hybrid capital, of $4,811.2 million.

At 31 December 2005 (A$ million)	Notional net assets	Goodwill	Total
Australia and New Zealand	1,108.3	381.0	1,489.3
Hong Kong	1,286.1	809.0	2,095.1
Asia (ex Hong Kong)	318.4	45.0	363.4
Unallocated corporate net assets	863.4	0.0	863.4
Total capital	3,576.2	1,235.0	4,811.2
Senior debt			(355.9)
Subordinated debt and hybrid capital			(912.4)
Shareholders' equity			3,542.9

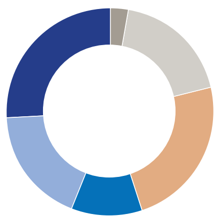
We target a level of assets in excess of regulatory capital requirements (target surplus) such that, in normal market conditions, at all times over the following two-year period, and using statistical techniques based on accepted models of market scenarios, there is a 96% probability of meeting regulatory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

This is a test based upon normal market conditions. In adverse market conditions, actual surplus may be below the target. In strong market conditions, actual surplus could be above the target.

Target surplus is managed at the Group level allowing for diversification benefits between entities.

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.

Total capital ($4,811 million)



Total AXA APH regulatory capital requirements, including the solvency and capital adequacy reserves, decreased by $359 million. This reduction is the result of higher policy liabilities on the transition to AIFRS, coupled with capital management initiatives, partially offset by increases relating to the introduction of revised capital adequacy standards in Australia.

The revised Australian standards, which came into effect on 31 December 2005, reflect the introduction of AIFRS, but more conservative requirements were also introduced for the assumed future investment performance, annuity mortality experience and credit risk.

Regulatory capital requirements within the Australia and New Zealand business decreased by $133 million mainly due to a reduction of $228 million from increased policy liabilities on the transition to AIFRS, $15 million of other capital decreases, offset by an increase of $110 million following the implementation of revised Australian capital adequacy standards.

Regulatory capital requirements within the Hong Kong business decreased by $238 million mainly due to:

- a reduction of $165 million due to increased policy liabilities on the transition to AIFRS, mainly as a result of DA business being valued at a risk free discount rate
- capital efficiency savings of $102 million, following a detailed review of the Hong Kong prudential reserving basis (which contributed $57 million) and the establishment of an internal reinsurance contract (which contributed $45 million). This shows the positive impact of managing risks more effectively across the Group

7.10 **Capital allocation** (continued)

- a reduction of A$51 million due to good investment performance increasing the asset shares available to meet policyholder benefits
- a reduction of $30 million in the additional prudent capital established to provide for a rise in US 10 year bond yields to our long term assumption of 5.2%. This additional capital reduced following the 16 basis point increase in yields over the year.

These reductions were partially offset by:

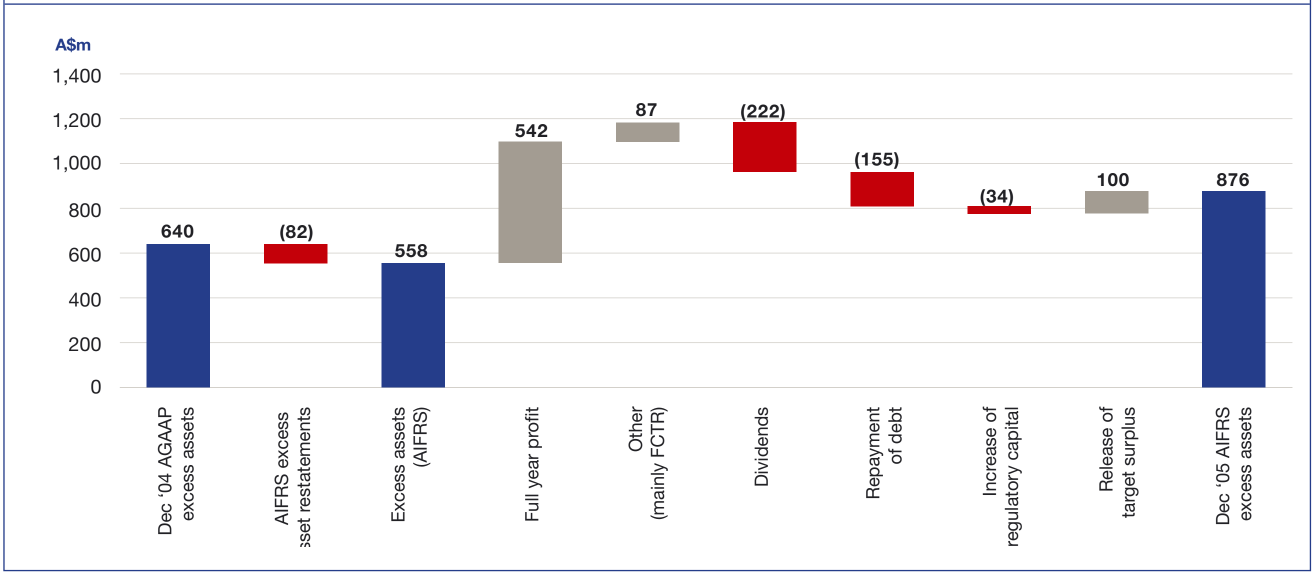
- an increase of $85 million following a strengthening of the HK$
- a net increase in capital of $25 million from other effects including business growth.

There has been an increase of $12 million in regulatory capital requirements for other Asian businesses.

The target surplus is reviewed annually and at 31 December 2005 was reduced by $100 million. The main factors leading to the lower target surplus were strong investment experience which led to a reduction in the potential impacts of underlying guarantees and further product diversification away from products offering investment guarantees.

Excess capital over target surplus is affected by changes in the total capital held, and by changes to the other demands for that capital. The introduction of AIFRS changed the level of excess capital due to changes in shareholders equity, purchased goodwill, and the level of regulatory capital in excess of policy liabilities. The 'other' earnings below includes items that affect shareholder equity which are not reported as profit, such as the change to the Foreign Currency Translation Reserve and the change in the defined benefit superannuation plan liability. The increase in the provision for the final dividend is also included.

Analysis of change in excess assets



7.11 Investment of assets supporting shareholder capital

Our policy for investing assets supporting shareholder capital is 20% – 40% in growth assets (equity and property) and 60% – 80% in fixed income, with the remainder invested in cash.

At 31 December 2005, the asset mix was:

(A$ million)	Shareholder capital	Cash	Fixed interest	Loans	Equities	Property
Australia & New Zealand	1,116.2	46.9	796.1	5.0	257.6	10.6
Hong Kong	2,123.1	66.3	1,268.7	143.6	620.0	24.5
Asia (ex Hong Kong)	39.4	22.1	17.3	0.0	0.0	0.0
Total	3,278.7	135.3	2,082.1	148.6	877.6	35.1
% of total shareholder assets		4.4%	63.4%	4.5%	26.6%	1.1%
Subsidiary assets and other provisions	297.5					
Goodwill	1,235.0					
Total capital	4,811.2					

Australia & New Zealand

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

	Equities	Fixed interest
Australia	74%	83%
New Zealand	14%	17%
Other	12%	0%
Total	100%	100%

The benchmark for equities is the S&P/ASX 300 All Ordinaries in Australia and the NZSE40 Gross Index in New Zealand. The approximate duration of the fixed interest portfolio is 3.6 years. Investment Earnings are taxed at the local corporate rates (Australia 30%, New Zealand 33%).

The following table shows the immediate after tax impact of a change in financial markets on the Investment Earnings line of the profit and loss account.

Sensitivity of Australia and New Zealand Investment Earnings (A$ million)	Assets in excess of policy liabilities	Assets backing products
+/– 500 bps in local equities	+/– 7.8	+/– 9.0
+/– 500 bps in international equities	+/– 1.1	+/– 1.9
+/– 100 bps move in interest rates	–/+ 20.0	+/– 22.9

Hong Kong

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

	Equities	Fixed interest
US Corporate	n/a	72%
US Government	n/a	22%
US	63%	94%
Hong Kong	10%	5%
Other	27%	1%
Total	100%	100%

The overall equity benchmark is a blend of two international indices produced by Morgan Stanley Capital International (MSCI). The portfolio benchmark is similar to 90% of the MSCI World Free Asia excluding Japan Index plus 10% of the MSCI All Countries Far East Free excluding Japan Index. The 'other' equities currently include 11% Asian equities, 7% European equities, 4% United Kingdom equities and 5% in other markets. Foreign sourced income is not taxable in Hong Kong.

US bonds dominate the Hong Kong fixed interest portfolio leaving the value of the portfolio sensitive to changes in US yields. Consequently we sold 6,000 US Treasury futures in order to reduce the impact of possible increases in US bond yields. This strategy has effectively reduced the benchmark duration of the total US bond portfolios by 0.9 years to 6.3 years and the overall bond portfolio, including US Government, US corporates, Hong Kong and all other bonds, by 0.8 years to 6.2 years.

The following table shows the immediate after tax profit impact of a change in financial markets on the Investment Earnings line of the profit and loss account.

Sensitivity of Hong Kong Investment Earnings (A$ million)	Assets in excess of policy liabilities	Assets backing products
+/– 500 bps in international equities	+/– 31.0	+/– 7.4
+/– 100 bps in US bond yields	–/+ 77.0	+/– 11.6
+/– 100 bps in US, Hong Kong and all other bond yields	–/+ 80.7	+/– 49.1
+/– 100 bps in corporate spread	–/+ 54.0	–/+ 14.9

8 Financial statements

8.1 Group consolidated balance sheet

The table below outlines the balance sheet as at 31 December 2005, as well as the adjustments made to the opening balance sheet (31 December 2004) in moving from AGAAP to AIFRS.

(A$ million)	31 Dec 2004 (AGAAP)	AIFRS adjustments	31 Dec 2004 (AIFRS)	31 Dec 2005 (AIFRS)
Assets				
Receivables	663.4	(109.5)	553.9	608.7
Investment assets	25,968.8	138.4	26,107.2	28,180.5
Property, plant and equipment	64.0	4.1	68.1	46.4
Deferred tax assets	280.7	115.5	396.2	149.4
Goodwill	–	1,235.1	1,235.1	1,235.1
Intangibles	32.4	(1.7)	30.7	29.3
Deferred acquisition costs	–	106.1	106.1	106.8
Excess of market value over net assets of controlled entities (EMVONA)	1,692.0	(1,692.0)	–	–
Other assets	73.5	(66.4)	7.1	15.1
Total assets	28,774.8	(270.4)	28,504.4	**30,371.3**
Liabilities				
Payables	890.4	195.7	1,086.1	1,129.0
Current tax liabilities	316.2	(0.7)	315.5	156.2
Financial liabilities	549.8	0.4	550.2	355.9
Provisions	107.4	3.5	110.9	123.1
Deferred tax liabilities	399.8	(26.5)	373.3	358.8
Other liabilities	116.8	(56.6)	60.2	38.8
Retirement Benefit Obligations	–	116.6	116.6	89.9
Subordinated debt and hybrid capital	870.1	3.0	873.1	912.4
Life insurance policy liabilities	21,409.8	498.4	21,908.2	23,664.3
Total liabilities	24,660.3	733.8	25,394.1	**26,828.4**
Net assets	4,114.5	(1,004.2)	3,110.3	**3,542.9**
Equity attributable to shareholders of the parent entity				
Contributed equity	1,138.5	(134.7)	1,003.8	1,005.0
Other reserves	(273.5)	219.6	(53.9)	32.7
Shareholders' retained profits	3,184.5	(1,024.1)	2,160.4	2,505.2
Total equity attributable to shareholders of the parent entity	4,049.5	(939.2)	3,110.3	**3,542.9**
Outside equity interests in controlled entities	65.0	(65.0)	–	–
Total equity	4,114.5	(1,004.2)	3,110.3	**3,542.9**

Note: As June 2005 was the first time we have disclosed our accounts on an AIFRS basis, some minor adjustments were required to be made to the 2004 balance sheet. There has been no change to the 2004 net assets total

The balance sheet presented above is extracted from the full year financial report prepared based on AIFRS. AASB 1 'First Time Adoption of Australian Equivalents to International Financial Reporting Standards' has been applied in preparing this financial report.

Prior to 1 January 2005, financial reports of the Group were prepared in accordance with previous AGAAP. AGAAP differs in certain respects from AIFRS. When preparing the financial report for the year ended 31 December 2005, management has applied these new accounting, valuation and consolidation methods as required by AIFRS.

8.2 Group consolidated profit and loss analysis

The following section highlights the key differences between profit reported under AIFRS for the 12 months ended 31 December 2005 and the corresponding period for AGAAP. Also provided is a summary of the material restatements made to the AGAAP 31 December 2004 results, as reported in last year's compendium, to arrive at the 31 December 2004 AIFRS comparatives.

Actual profit for 12 months ended 31 December 2005 as reported under AIFRS

(A$ million)		A&NZ	Hong Kong	Singapore	AXA APH	Consol. AXA APH
Operating Earnings		**203.7**	**170.9**	**2.1**	**0.0**	**376.7**
Investment Earnings	▪ assets in excess of policy liabilities	99.6	100.3	0.6	0.0	200.5
	▪ investment experience – assets backing policy liabilities	36.6	19.8	(0.3)	0.0	56.1
Investment Earnings		**136.2**	**120.1**	**0.3**	**0.0**	**256.6**
Corporate expenses	▪ A&NZ and Group centre	0.0	0.0	0.0	(34.5)	(34.5)
	▪ executive share plan expense	0.0	0.0	0.0	(7.5)	(7.5)
	▪ Asian regional costs	0.0	0.0	0.0	(31.0)	(31.0)
Interest expense	▪ net debt	0.0	0.0	0.0	(52.6)	(52.6)
	▪ cross currency interest rate swaps	0.0	0.0	0.0	28.6	28.6
	▪ fair value of derivatives	0.0	0.0	0.0	6.1	6.1
Profit after income tax before non-recurring items		**339.9**	**291.0**	**2.4**	**(90.9)**	**542.4**
Non-recurring items		0.0	0.0	0.0	0.0	0.0
Profit after income tax and non-recurring items		**339.9**	**291.0**	**2.4**	**(90.9)**	**542.4**

Pro forma unaudited profit for 12 months ended 31 December 2005 under AGAAP

(A$ million)		A&NZ	Hong Kong	Singapore	AXA APH	Consol. AXA APH
Operating Earnings		**226.8**	**163.6**	**2.1**	**0.0**	**392.5**
Investment Earnings	▪ assets in excess of policy liabilities	134.8	97.7	0.6	0.0	233.1
	▪ investment experience – assets backing policy liabilities	32.1	18.8	(0.3)	0.0	50.6
Investment Earnings		**166.9**	**116.5**	**0.3**	**0.0**	**283.7**
Corporate expenses	▪ A&NZ and Group centre	0.0	0.0	0.0	(28.3)	(28.3)
	▪ executive share plan expense	0.0	0.0	0.0	0.0	0.0
	▪ Asian regional costs	0.0	0.0	0.0	(31.0)	(31.0)
Interest expense	▪ net debt	0.0	0.0	0.0	(52.6)	(52.6)
	▪ cross currency interest rate swaps	0.0	0.0	0.0	15.4	15.4
	▪ fair value of derivatives	0.0	0.0	0.0	0.0	0.0
Profit after income tax before non-recurring items		**393.7**	**280.1**	**2.4**	**(96.5)**	**579.7**
Non-recurring items		0.0	0.0	0.0	0.0	0.0
Profit after income tax and non-recurring items		**393.7**	**280.1**	**2.4**	**(96.5)**	**579.7**

8.2 Group consolidated profit and loss analysis (continued)

Pro forma restated profit for 12 months ended 31 December 2004 under AIFRS

(A$ million)		A&NZ	Hong Kong	Singapore	AXA APH	Consol. AXA APH
Operating Earnings		**143.1**	**159.7**	**3.2**	**0.0**	**306.0**
Investment Earnings	▪ assets in excess of policy liabilities	94.2	129.2	3.4	0.0	226.8
	▪ investment experience – assets backing policy liabilities	29.9	(26.5)	1.0	0.0	4.4
Investment Earnings		**124.1**	**102.7**	**4.4**	**0.0**	**231.2**
Corporate expenses	▪ A&NZ and Group centre	0.0	0.0	0.0	(37.0)	(37.0)
	▪ executive share plan expense	0.0	0.0	0.0	(4.1)	(4.1)
	▪ Asian regional costs	0.0	0.0	0.0	(12.0)	(12.0)
Interest expense	▪ net debt	0.0	0.0	0.0	(41.9)	(41.9)
	▪ cross currency interest rate swaps	0.0	0.0	0.0	16.9	16.9
	▪ fair value of derivatives	0.0	0.0	0.0	0.0	0.0
Profit after income tax before non-recurring items		**267.2**	**262.4**	**7.6**	**(78.1)**	**459.1**
Non-recurring items		0.0	0.0	0.0	54.5	54.5
Profit after income tax and non-recurring items		**267.2**	**262.4**	**7.6**	**(23.6)**	**513.6**

Actual profit for 12 months ended 31 December 2004 as reported under AGAAP

(A$ million)		A&NZ	Hong Kong	Singapore	AXA APH	Consol. AXA APH
Operating Earnings		**158.4**	**153.5**	**3.2**	**0.0**	**315.1**
Investment Earnings	▪ assets in excess of policy liabilities	114.0	144.8	3.3	0.0	262.1
	▪ investment experience – assets backing policy liabilities	34.0	7.0	1.0	0.0	42.0
Investment Earnings		**148.0**	**151.8**	**4.3**	**0.0**	**304.1**
Corporate expenses	▪ A&NZ and Group centre	0.0	0.0	0.0	(35.0)	(35.0)
	▪ executive share plan expense	0.0	0.0	0.0	0.0	0.0
	▪ Asian regional costs	0.0	0.0	0.0	(12.0)	(12.0)
Interest expense	▪ net debt	0.0	0.0	0.0	(41.9)	(41.9)
	▪ cross currency interest rate swaps	0.0	0.0	0.0	16.9	16.9
	▪ fair value of other swaps	0.0	0.0	0.0	0.0	0.0
Profit after income tax before non-recurring items		**306.4**	**305.3**	**7.5**	**(72.0)**	**547.2**
Non-recurring items		(0.4)	0.0	0.0	0.0	0.0
Profit after income tax and non-recurring items		**306.0**	**305.3**	**7.5**	**(79.1)**	**539.7**

The AXA APH Group AIFRS profit after income tax and before non-recurring items for the 12 months ended 31 December 2005 was $542.4 million, 6.4% lower than AGAAP. Key material differences to the profit and loss from the adoption of AIFRS in 2005 are outlined below.

Operating Earnings

- higher policy liabilities under AIFRS result in more assets being allocated to back policy liabilities. Earnings on these additional assets were $33.7 million (2004 – $17.8 million). This has no effect on total earnings as there is an equal and offsetting decrease in Investment Earnings
- stronger reserving reduced AIFRS Operating Earnings by $48.4 million relative to AGAAP (2004 – $16.3 million) particularly for our financial protection and superannuation products. The creation of additional liabilities in financial protection has a more negative impact under AIFRS as this methodology uses the risk free rate to discount liabilities, while AGAAP uses a higher best estimate rate. Closing AIFRS liabilities for superannuation were significantly higher than AGAAP liabilities at the end of 2005. AIFRS liabilities for superannuation grew in line with strong investment markets and inflows over 2005 and as such closed significantly higher than AGAAP liabilities which uses a best estimate assumption to discount liabilities
- the change in valuation methodology adopted under AIFRS to value the DA business in Hong Kong under the liability adequacy test at the risk free rate increased AIFRS Operating Earnings by $7.3 million (2004 – $6.2 million)
- a narrower definition of deferred acquisition costs under AIFRS for certain unit linked business reduced Operating Earnings by $6.7 million (2004 – $7.4 million). Last year also included $5.2 million of integration costs incurred within ipac which were recognised as an expense under AIFRS but not under AGAAP

- AIFRS requires the recognition of our defined benefit superannuation plan assets at fair value and liabilities discounted at a risk free rate. The additional expense in AIFRS is a result of the calculated charge (AIFRS) exceeding the cash contribution (AGAAP) for the period. This reduced AIFRS Operating Earnings by $1.7 million (2004 – $3.9 million).

Investment Earnings

Assets in excess of policy liabilities

- as noted above, the increase in assets backing policy liabilities resulted in a reallocation of income to Operating Earnings, and therefore reduced AIFRS Investment Earnings by $33.7 million (2004 – $17.8 million)
- AIFRS Investment Earnings from assets in excess of policy liabilities in Hong Kong were $2.6 million higher than AGAAP (2004 – $15.6 million). While a number of methodology changes have impacted these earnings, relative to AGAAP, the most material, particularly in relation to last year, is the valuation of our building in Hong Kong. While our building in Hong Kong continues to be held at fair value, AGAAP requires any movement in fair value to be recorded in the profit and loss account. Under AIFRS the building is still held at fair value although any market movements are recognised in reserves, thus reducing AIFRS Investment Earnings by $2.1 million (2004 – $11.0 million)
- a $1.5 million gain (2004 – $8.2 million) on the translation of our New Zealand branch is recognised in the profit and loss account under AGAAP. Under AIFRS this profit is recorded in the FCTR reducing Investment Earnings volatility
- a profit of $5.3 million was recognised under AIFRS in 2004 due to the release of franking credits from wholly owned subsidiaries held at cost. Under AGAAP, these subsidiaries were held at market value and as such the value of these franking credits were already recorded within the carrying value. The majority of franked dividends were paid in the prior year and as such only a minimal impact is expected in the future.

Assets backing policy liabilities

- The $4.5 million positive impact in Australia and New Zealand due to changes in the risk free discount rate was largely driven by individual life products. Under AGAAP, liabilities for this product, which are negative, are discounted using the cash rate, while under AIFRS the Australian 10-year bond rate is used to discount liabilities. Over the year the cash rate increased, creating a loss in AGAAP, while the Australian 10-year bond rate decreased creating a small profit under AIFRS
- Hong Kong Investment Earnings from assets backing policy liabilities under AIFRS were $1.0 million higher than AGAAP (2004 – $(33.5) million) following a recent change in the valuation methodology adopted under AIFRS to value the DA business under the liability adequacy test at the risk free rate. Under AIFRS, policy reserves for the DA retirement fund (closed to all new contributions) are calculated using a risk free interest rate, being the yield on Hong Kong government bonds appropriate to the cash flows of future liabilities. Changes in policy liabilities directly linked to a movement in the prevailing risk free rate are included within this investment experience.

Corporate expenses

As the executive share plan is consolidated under AIFRS, the interest income that was recognised under AGAAP of $6.2 million has been eliminated (2004 – $2.0 million).

Under AIFRS an additional expense of $7.5 million is recorded for the AXA APH and AXA SA share plan allocation rights granted to employees (2004 – $4.1 million). This expense will be recognised over the vesting period and is based on the fair value of the options at grant date. This is not an economic cost to the company.

Interest expense

There is no change in the recognition of net debt interest expense. However, there is a change with respect to interest recorded on derivatives.

Interest income on the CCIRS of $13.4 million and the market value of the interest component of this swap of $13.2 million is included in profit under AIFRS if the spot rate is hedged, which we did until July 2005 when we restructured our CCIRS. Under AGAAP the interest income went through profit but the fair value of the swap went through reserves.

Following the restructuring of our CCIRS in July 2005 to hedge the forward rate on a fixed HK$ payment, fixed A$ receipt basis, all future movements will go through reserves, not profit.

Also included is a $6.1 million gain on other derivatives representing the market movement on derivative instruments not deemed effective hedges under AIFRS. Previously under AGAAP these market movements were taken through reserves or held off-balance sheet.

Non-recurring items

Of the $62.0 million difference in non-recurring items in 2004, $83.0 million relates to the fair value of cross currency and interest rate swaps deemed to be ineffective hedges under the strict AIFRS definition of, and documentation requirements supporting effective hedging. This amount was recorded directly in the foreign currency translation reserve under AGAAP so the net assets position remains the same. This is partially offset by the reversal of internally generated goodwill of $10.0 million and $11.0 million additional pension plan costs following a change to crediting rates.

8.3 Australia & New Zealand profit and loss analysis (AIFRS)

12 months ended 31 December 2005 (A$ million)	Wealth Management	Financial Protection	Investment Earnings/other	A&NZ
Earnings	54.4	0.0	0.0	54.4
Expected margins released	55.5	68.7	0.0	124.2
Experience profit/(loss)	21.0	1.6	0.0	22.6
Operating Earnings	130.9	70.3	0.0	201.2
Capitalised losses and reversals	0.0	2.5	0.0	2.5
Operating Earnings and capitalised losses and reversals	130.9	72.8	0.0	203.7
Investment Earnings ▪ normalised	0.0	0.0	74.0	74.0
▪ investment experience – assets in excess of policy liabilities	0.0	0.0	25.6	25.6
– assets backing policy liabilities	24.7	11.9	0.0	36.6
Profit after income tax before non-recurring items	155.6	84.7	99.6	339.9
Non-recurring items	0.0	0.0	0.0	0.0
Profit after income tax and non-recurring items	155.6	84.7	99.6	339.9

12 months ended 31 December 2004 (A$ million)	Wealth Management	Financial Protection	Investment Earnings/other	A&NZ
Earnings	33.2	0.0	0.0	33.2
Expected margins released	62.8	57.5	0.0	120.3
Experience profit/(loss)	19.5	(5.3)	0.0	14.2
Operating Earnings	115.5	52.2	0.0	167.7
Capitalised losses and reversals	(29.9)	5.3	0.0	(24.6)
Operating Earnings and capitalised losses and reversals	85.6	57.5	0.0	143.1
Investment Earnings ▪ normalised	0.0	0.0	63.0	63.0
▪ investment experience – assets in excess of policy liabilities	0.0	0.0	31.2	31.2
– assets backing policy liabilities	23.9	6.0	0.0	29.9
Profit after income tax before non-recurring items	109.5	63.5	94.2	267.2
Non-recurring items	0.0	0.0	0.0	0.0
Profit after income tax and non-recurring items	109.5	63.5	94.2	267.2

8.4 Hong Kong profit and loss analysis (AIFRS)

(HK$ million)	12 months to 31 Dec 05	12 months to 31 Dec 04
Expected margins released	1,072.6	906.9
Experience profit/(loss)	(60.5)	10.6
Operating Earnings	**1,012.1**	917.5
Investment Earnings ▪ normalised	858.3	867.6
▪ investment experience – assets in excess of policy liabilities	(264.5)	(125.1)
– assets backing policy liabilities	116.0	(152.3)
Profit after income tax before non-recurring items	**1,721.9**	1,507.7
Non-recurring items	0.0	0.0
Profit after income tax and non-recurring items	**1,721.9**	1,507.7

8.5 Sensitivity analysis

The table below outlines Operating and Investment Earnings sensitivities under AIFRS to changes in investment markets and exchange rates and operational metrics. Consistent with recent Investor Compendiums, the table indicates the impact on earnings in the period, of changes over the period in equity markets or yields.

The sensitivities are indicative only as they assume that the movement in a particular variable is independent of other variables. These sensitivities do not attempt to quantify the impact of changes in the discount rate for valuing liabilities for those products where there is a mismatch between assets and liabilities.

Profit after tax for 12 months ended 31 December 2005 (A$ million)	Australia/New Zealand		Hong Kong/Singapore		Holding company interest on debt	Total profit
	Operating Earnings	Investment Earnings	Operating Earnings	Investment Earnings[1]		
+/- 500 bps in Australian equities	+/-5.3	+/-16.8	0.0	0.0	0.0	+/-22.1
+/- 500 bps in international equities	+/-3.7	+/-3.0	0.0	+/-38.4	0.0	+/-45.1
+/- 50 bps in bond yields	0.0	+/-1.5	0.0	-/+15.8	0.0	-/+14.3
+/- 50 bps in corporate spread	0.0	-/+11.3	0.0	-/+34.5	0.0	-/+45.8
+/- 5% move in A$/US$[1]	0.0	0.0	-/+8.1	-/+5.7	+/-1.2	-/+12.6
+/- 100 bps move in interest rates[2]	0.0	0.0	0.0	0.0	+/-2.1	+/-2.1
+/- 5% change in assets under management[3]	+/-13.4	0.0	+/-0.3	0.0	0.0	+/-13.7
+/- 5% change in sales volumes[3]	+/-2.6	0.0	+/-0.4	0.0	0.0	+/-3.0
+/- 1% change in discontinuance rates[3]	-/+4.3	0.0	+/-1.3	0.0	0.0	-/+3.0

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

2 This is a 5% move in the average A$/US$ exchange rates over the period. Profits are translated using the YTD average exchange rate, mitigating some of the volatility in spot rates

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

4 Assuming product mix does not alter

Operating Earnings are not sensitive to changes in investment markets for three reasons:

- we now only include long term assumed earning rates in Operating Earnings
- we use asset matching techniques to ensure that asset movements are largely offset by a similar movement in policy liabilities
- in relation to Hong Kong, we use a technique called 'Active Dividend Management' to smooth the impact of investment markets on policyholder benefits and shareholder profits.

Investment Earnings reflect the impact of investment returns on assets in excess of policy liabilities and investment experience on assets backing policy liabilities. Assets in excess of policy liabilities are invested in accordance with the investment allocations set out on page 63.

We use a natural hedge to reduce our exposure to US$ currency movements. The value of Hong Kong profits falls 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$ has the potential to significantly impact the value of assets held overseas. However, the accounting convention is to translate earnings at average rates over the year and as a result, the value of our earnings in Hong Kong are partially 'cushioned' from a significant change in spot rates.

8.6 Exchange rate table

	12 months 31 Dec 05	12 months 31 Dec 04	12 months 31 Dec 03
Profit and loss			
A$/US$	0.76121	0.73758	0.65514
A$/HK$	5.91891	5.74561	5.10157
A$/SG$	1.26737	1.24494	1.14242
A$/NZ$	1.08264	1.10829	1.12152
Balance sheet			
A$/US$	0.73231	0.78390	0.75345
A$/HK$	5.68760	6.09303	5.84960
A$/SG$	1.21975	1.27964	1.27958
A$/NZ$	1.072539	1.08528	1.14759

9 Miscellaneous

9.1 Financial calendar for 2006

Event	Date
2005 Annual Report sent to shareholders	10 March 2006
2005 final dividend – Ex date – Record date – Paid to shareholders	 6 March 2006 10 March 2006 31 March 2006
Annual General Meeting	12 April 2006
March quarter new business and funds flow release	21 April 2006*
End of 2005 half year	30 June 2006
June quarter new business and funds flow release	21 July 2006*
2006 half year results announcement	3 August 2006
2006 interim dividend – Ex date – Record date – Paid to shareholders	 4 September 2006* 8 September 2006* 29 September 2006*
September quarter new business and funds flow release	24 October 2006*
End of 2006 full year	31 December 2006

* Likely date, subject to confirmation

9.2 Key 2005 ASX releases

This schedule contains only a summary of the announcements made to the ASX in 2005. It does not include announcements of changes in Directors' interests 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**.

9 December	Restatement of 31 December 2004 embedded and new business value on a market consistent basis	Restatement of AXA APH's 31 December 2004 embedded and new business value on a market consistent basis using principles consistent with those underlying European Embedded Value
30 November	Intention to acquire NAB's NZ managed fund business	Announced intention to acquire National Australia Bank's New Zealand managed fund business, BNZ Investment Management Ltd
21 November	Acquisition of life insurance business in Malaysia	AXA APH, Affin Holdings Berhad (AHB), and Tahan Insurance Malaysia Berhad (Tahan) signed a legally binding agreement whereby a joint venture company, 49.999% owned by AXA and 50.001% by AHB, will purchase the life insurance business of Tahan
24 October	New business and fund flows	Details of new business and fund flows for the nine months ended 30 September 2005
3 October	Half year report	Half year report sent to shareholders
30 August	Director appointment	Appointment of Mr Kennedy Wong as a non-executive director of the Board
25 August	Proposed life insurance joint venture in India	AXA APH signed a binding agreement with Bharti Enterprises Private Limited to establish a life insurance joint venture company and to apply for a life insurance licence in India
22 August	Announcement of 2005 half year results (six months ended 30 June 2005)	
18 August	Proposed acquisition of life insurance business in Malaysia	AXA APH, Affin Holdings Berhad (AHB) and Tahan Insurance Malaysia Berhad (Tahan) signed a non-binding indicative term sheet whereby a joint venture company to be incorporated by AXA and AHB will purchase the life insurance business of Tahan
22 July	New business and fund flows	Details of new business and fund flows for the six months ended 30 June 2005
15 June	Warning to AXA APH shareholders	Media release warning AXA APH shareholders of unsolicited offers made by National Share Purchasing Corporation, a company associated with David Tweed
12 & 13 May	AXA APH Strategy Briefing	Copies of presentations made at the 2005 Strategy Briefing
28 April	New business and fund flows	Details of new business and fund flows for the three months ended 30 March 2005
13 April	Annual General Meeting	The total number of votes exercisable by all validly appointed proxies was provided in respect of each motion to re-elect Directors and to approve the Group Chief Executive's participation in the share plan
11 March	Notice of Annual General Meeting – shareholder pack	Copy of Notice of Annual General Meeting and 2004 Annual Report
21 February	Announcement of 2004 full year results (12 months ended 31 December 2004)	
28 January	Director retirement	Retirement of Peter Masfen as a Director of AXA APH
27 January	New business and fund flows	Details of new business and fund flows for the 12 months ended 31 December 2004

9.3 Top 20 shareholders at 31 December 2005

Shareholder		Number of shares held	% of issued capital
1	AXA SA	742,063,178	42.59
2	JP Morgan Nominees Australia Limited	117,980,820	6.77
3	National Nominees Limited	103,861,645	5.96
4	AXA <No 2 A/C>	97,653,005	5.61
5	Westpac Custodian Nominees Limited	75,914,489	4.36
6	AXA Sun Life PLC	59,125,101	3.39
7	AXA APH Executive Plan (Australia) Pty Limited	44,542,555	2.56
8	Citicorp Nominees Pty Ltd	32,758,876	1.88
9	ANZ Nominees Limited	27,136,935	1.56
10	Cogent Nominees Pty Limited	17,347,336	1.00
11	Queensland Investment Corporation	15,813,179	0.91
12	AMP Life Limited	12,379,935	0.71
13	Tasman Asset Management Ltd	7,279,414	0.42
14	Suncorp Custodian Services Pty Limited	6,914,079	0.40
15	HSBC Custody Nominees (Australia) Limited	6,824,541	0.39
16	Cogent Nominees Pty Limited	6,095,880	0.35
17	Australian Foundation Investment Company Limited	5,947,808	0.34
18	Argo Investments Limited	4,131,109	0.24
19	Citicorp Nominees Pty Limited	3,278,211	0.19
20	Citicorp Nominees Pty Limited	3,227,753	0.19
Total top 20		**1,390,275,849**	**79.80**
Remainder		351,892,406	20.20
Total issued shares		**1,742,168,255**	**100.00**

9.4 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 pages 30 to 47 of the 2004 Concise Annual Report (a copy of which is located on our website at www.axaasiapacific.com.au), and other useful information located on our website.

Further information will be included in the 2005 Annual Report to be released on 10 March 2006.

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Corporate directory

Stock exchange details

Stock exchange listings	Australia (ASX) and New Zealand (NZX)
ASX code	AXA
NZX code	AXA

Registered office

Address	AXA Asia Pacific Holdings Limited 447 Collins Street Melbourne, Victoria, 3000, Australia
Telephone	+61-3 9287 3333
Facsimile	+61-3 9614 2240
Website	www.axaasiapacific.com.au

Share registry — Computershare Investor Services

Address	GPO Box 2975EE Melbourne, Victoria, 3001, Australia
Telephone	1300 367 373 (Australia) 0800 669 955 (New Zealand)
Facsimile	+61-3 9611 5710
Email	melbourne.services@computershare.com.au

Investor Relations — Ronn Bechler – Group Manager, Investor Relations

Telephone	+61-3 9616 3322
Facsimile	+61-3 9618 4661
Email	ronn.bechler@axa.com.au investor.relations@axa.com.au

www.axaasiapacific.com.au

ASIA PACIFIC

AXA Asia Pacific Holdings Limited ABN 78 069 123 011

06450-02-06P

Be Life Confident

ASIA PACIFIC

news release

www.axaasiapacific.com.au

21 February 2006

AXA ASIA PACIFIC HOLDINGS LIMITED
Results for the 12 months ended 31 December 2005

AXA Asia Pacific Holdings (AXA APH) today announced an increase of 18.1 per cent in profit after tax and before non-recurring items to $542.4 million for the 12 months ended 31 December 2005 (12 months ended 31 December 2004 – $459.1 million).

Operating Earnings, a key indicator of the underlying performance of the business, continued to grow strongly, up 23.1 per cent to $376.7 million (2004 - $306.0 million).

Commenting on the results, Group Chief Executive Les Owen, said

"I am delighted that we have once again delivered an excellent set of results.

"Operating Earnings in Australia and New Zealand were exceptionally strong, up 42.3 per cent to $203.7 million (2004 – $143.1 million). Wealth management profits were helped by healthy net fund flows and good investment performance. Financial protection also performed well, benefiting from favourable claims experience on our group products.

"The value of new business [1] was up 27.8 per cent to $113.6 million (2004 - $88.9 million), driven by increased inflows on wealth management products, mutual funds and platforms, and by further reductions in our cost to income ratio.

"Hong Kong Operating Earnings grew 10.3 per cent in local currency to HK$1,012.1 million (2004 – HK$917.5 million). The value of new business [2] was up 13.3 per cent to HK$756.3 million (2004 – HK$667.6 million).

"We have continued to see strong growth in the rest of Asia. Total premium income was up 42.1 per cent to A$622.7 million [3, 4], and the value of new business was up 31.1 per cent to A$37.5 million [3, 4].

"Group return on equity increased to 16.3% (2004 – 15.4%).

"This morning we announced the acquisition of MLC Hong Kong and MLC Indonesia for $575 million. This supports our strategy of accelerating growth in Asia and strengthens our position in the very attractive Hong Kong life insurance market. We have a strong balance sheet. After taking into account the MLC Hong Kong / Indonesia acquisitions we have capital above target surplus of $301 million and our gearing ratio [5] is 36% (2004 – 46%)."

The Directors have declared a final dividend of 7.75 cents per share (30 per cent franked), bringing the total dividend for the year to 14.00 cents per share, up 19.1 per cent (2004 – 11.75 cents per share).

(All figures are reported in Australian Dollars unless otherwise stated. These results have been presented on the basis of the Australian equivalents of International Financial Reporting Standards (AIFRS). Comparative financial information for the 12 months ended 31 December 2004 has been restated (audited) to AIFRS)

[1] Based on 10.0% risk discount rate, equal to assumed equity return rate
[2] Based on 10.5% risk discount rate, equal to assumed equity return rate
[3] 100% share
[4] Translated at average exchange rates for the 12 months ended 31 December 2005
[5] Range of total debt (debt + hybrid) / equity between 40%-50%

AXA Asia Pacific Holdings Limited ABN 72 069123011
447 Collins Street Melbourne Victoria 3000 Australia
Phone 61 3 9618 4985 Facsimile 61 3 9618 4661
www.axaasiapacific.com.au

Australia and New Zealand - key points

- Exceptionally strong growth in Operating Earnings, up 42.3% to $203.7 million (2004 - $143.1 million)
  - Wealth management products and platforms up 47.5% to $95.6 million (2004 - $64.8 million)
  - Advice businesses up 69.7% to $35.3 million (2004 - $20.8 million)
  - Financial protection up 26.6% to $72.8 million (2004 - $57.5 million)
- Net retail inflows (excluding cash management trusts) up 71.7% to $5,036.5 million (2004 - $2,933.4 million)
- Value of new business [1] up 27.8% to $113.6 million (2004 - $88.9 million)
- Funds under management, administration and advice up 34.0% to $70.3 billion (31 December 2004 - $52.5 billion)
- Funds under advice up 22.5% to $6.3 billion (31 December 2004 - $5.1 billion)
- Continuing to progress well towards AXA 6 goals.

Hong Kong – key points

- Solid growth in Operating Earnings, up 10.3% to HK$1,012.1 million (2004 - HK$917.5 million)
  - Financial protection up 11.1% to HK$888.9 million (2004 - HK$800.0 million)
  - Wealth management up 11.3% to HK$96.5 million (2004 - HK$86.7 million)
  - Group medical and general insurance up 45.1% to HK$44.7 million (2004 - HK$30.8 million)
  - New development expenses of HK$18.0 million (2004 - nil)
- Total life new business index [6] (excluding general insurance) up 20.6% to HK$1,274.6 million (2004 - HK$1,057.0 million)
- Value of new business [2] up 13.3% to HK$756.3 million (2004 - HK$667.6 million)
- Funds under management up 11.4% to HK$49.9 billion[7] (31 December 2004 - HK$44.8 billion)
- Good start towards Hong Kong 6 goals
- Acquisition of MLC Hong Kong strengthens our market position and increases the size of our agency distribution by over 35%.

Asia (ex Hong Kong) – key points

- New business index [6] up 59.3% to $125.5 million [3, 4] (2004 - $78.8 million)
- Value of new business [8] up 31.1% to $37.5 million [3, 9] (2004 - $28.6 million)
- Total premium income up 42.1% to $622.7 million [3, 4] (2004 - $438.3 million)
- Funds under management up 20.0% to $1.8 billion [3, 9] (31 December 2004 - $1.5 billion)
- Very strong growth in Thailand and Indonesia
- China returning to growth
- Malaysia and India on plan to commence operations mid-2006 (subject to regulatory approvals)
- Good start towards Asia 6 goals.

---

[6] Regular premiums plus 10% of single premiums
[7] Gross of dividends and loans to AXA APH
[8] Based on 11.0% risk discount rate for Singapore and 16%-20% for other Asian operations
[9] Based on exchange rate at 31 December 2005

Group financials – key points

- Earnings per share (before non-recurring items) up 17.8% to 31.1 cents (2004 - 26.4 cents). On a normalised basis [10], earnings per share (before non-recurring items) up 14.2% to 29.0 cents (2004 - 25.4 cents)
- Return on average shareholders equity (before non-recurring items) – 16.3% (2004 - 15.4%). On a normalised basis [10], return on average shareholders equity (before non-recurring items) – 15.3% (2004 - 15.0%)
- Group funds under management, administration and advice up 31.2% to $80.6 billion (31 December 2004 - $61.2 billion)
- Strong balance sheet – total debt / equity at 36%, below our target range
- $1,411 million capital above regulatory requirements
- $301 million capital above internal target surplus after accounting for the MLC HK / Indonesia acquisition.

Future outlook

Commenting on prospects for the future, Group Chief Executive Les Owen, said

“AXA APH is well positioned to continue to grow profitably in our core business of financial protection and wealth management.

“We have significant momentum in Australia and New Zealand, and in Hong Kong, and all our other Asian operations are growing strongly. We are progressing well towards our AXA 6 goals in Australia and New Zealand, and have made a good start towards our Asia 6 goals.

“Our balance sheet remains strong, even after funding the MLC Hong Kong / Indonesia acquisition, with capital well in excess of our own target position, and gearing below our target range, and we are in a position to take advantage of further growth opportunities when they are available.

“Our brand campaign in Australia over the last 12 months has focussed on the importance of everyone having a financial plan. We too have a plan – we plan to continue to improve our products and services for our customers, and to continue to grow shareholder value.”

Contact

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+61-(0)3 9618 4985
+61-(0)412 223 485

Investors: Ronn Bechler, Group Manager Investor Relations
+61-(0)3 9616 3322
+61-(0)400 009 774

[10] “Normalised” 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

ATTACHMENT

AXA APH Group result for 12 months ended 31 December 2005

(A$ million)	12 months to 31 Dec 05	12 months to 31 Dec 04	Change
Operating Earnings			
Australia & New Zealand	203.7	143.1	42.3%
Hong Kong and Singapore	173.0	162.9	6.2%
Operating Earnings	**376.7**	**306.0**	**23.1%**
Investment Earnings	256.6	231.2	11.0%
Corporate expenses	(73.0)	(53.1)	(37.5)%
Interest expense	(17.9)	(25.0)	28.4%
Profit after tax and before non-recurring items	**542.4**	**459.1**	**18.1%**
Non-recurring items	-	54.5 [1]	n/a
Profit after tax and non-recurring Items	**542.4**	**513.6**	**5.6%**

[1] Fair value of cross currency and interest rate swaps deemed to be ineffective hedges under AIFRS, whereas under AGAAP this was recorded in the foreign currency translation reserve

AXA Australia and New Zealand

(A$ million)	12 months to 31 Dec 05	12 months to 31 Dec 04	Change
Wealth management	130.9	85.6	52.9%
Financial protection	72.8	57.5	26.6%
Operating Earnings (excluding Health)	**203.7**	**143.1**	**42.3%**
Investment Earnings	136.2	124.2	9.7%
Profit after tax and before non-recurring items	**339.9**	**267.3**	**27.2%**

AXA Hong Kong

(A$ million)	12 months to 31 Dec 05	12 months to 31 Dec 04	Change
Operating Earnings	170.9	159.7	7.0%
Investment Earnings	120.1	102.7	16.9%
Profit after tax and before non-recurring items	**291.0**	**262.4**	**10.9%**

(HK$ million)	12 months to 31 Dec 05	12 months to 31 Dec 04	Change
Operating Earnings	1,012.1	917.5	10.3%
Investment Earnings	709.8	590.2	20.3%
Profit after tax and before non-recurring items	**1,721.9**	**1,507.7**	**14.2%**

International Financial Reporting Standards

With effect from 1 January 2005, Australian companies are required to adopt the Australian equivalents of International Financial Reporting Standards (AIFRS). Accordingly, our results are presented on an AIFRS basis, with comparative financial information also restated to AIFRS.

For the 12 months ended 31 December 2005, the adoption of AIFRS reduced Group profit after tax and before non-recurring items by $37.3 million from what it would have been under Australian GAAP:

- reduced Operating Earnings (-$15.8 million)
- reduced Investment Earnings (-$27.1 million)
- increased corporate expenses (-$13.7 million)
- reduced interest expense (+$19.3 million).

THE AXA "Doing the right things right produces results" PLAN.

AXA Asia Pacific Holdings Limited
Results for the 12 months ended 31 December 2005

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

AXA

21 February 2006

Be Life Confident

Today's agenda

ASIA PACIFIC

Be Life Confident

• Overview	Les Owen
• Full year results	Geoff Roberts
• Review of activities	Les Owen
• Acquisition of MLC HK / Indonesia	Les Owen

AXA Asia Pacific Group
Highlights

ASIA PACIFIC
Be Life Confident

- Strong growth in Operating Earnings [1], up 23.1% to $376.7m (12 months ended 31 December 2004 - $306.0m) [2]
  - Australia & NZ up 42.3% to $203.7m (2004 - $143.1m)
  - Hong Kong up 7.0% to $170.9m (2004 - $159.7m)
    - local currency up 10.3% to HK$1,012.1m (2004 - HK$917.5m)
- Investment Earnings [1] up 11.0% to $256.6m (2004 - $231.2m)
  - Australia & NZ up 9.8% to $136.2m (2004 - $124.1m)
  - Hong Kong up 16.9% to $120.1m (2004 - $102.7m)
- Total profit after tax before non-recurring items up 18.1% to $542.4m (2004 - $459.1m)
- Group funds under management, administration and advice up 31.6% to $80.6bn (2004 - $61.2bn)
- Acquisition of MLC Hong Kong / Indonesia for $575m - consistent with our ‘accelerated growth’ strategy in Asia

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

Australia and New Zealand
Highlights

- Exceptionally strong growth in Operating Earnings
  - Wealth management products and platforms up 47.5% to $95.6m (2004 - $64.8m)
  - Advice businesses up 69.7% to $35.3m (2004 - $20.8m)
  - Financial protection up 26.6% to $72.8m (2004 - $57.5m)
- Net retail inflows up 71.7% to $5,036.5m (2004 - $2,933.4m)
- Value of new business [1] up 27.8% to $113.6m (2004 - $88.9m)
- Funds under management, administration and advice up 34.0% to $70.3bn (2004 - $52.5bn)
- Funds under advice up 22.5% to $6.3bn (2004 - $5.1bn)
- Continuing to progress well towards AXA 6 goals

(1) Based on 10.0% risk discount rate, equal to assumed equity return rate

Hong Kong
Highlights

ASIA PACIFIC
Be Life Confident

- Solid growth in Operating Earnings
  - Financial protection up 11.1% to HK$888.9m (2004 - HK$800.0m)
  - Wealth management up 11.3% to HK$96.5m (2004 - HK$86.7m)
  - Group medical and general insurance up 45.1% to HK$44.7m (2004 - HK$30.8m)
- Total life new business index [1] up 20.6% to HK$1,274.6m (2004 - HK$1,057.0m)
- Value of new business [2] up 13.3% to HK$756.3m (2004 - HK$667.6m)
- Funds under management up 11.4% to HK$49.9bn [3] (2004 - HK$44.8bn)
- Good start towards Hong Kong 6 goals

(1) New regular premiums plus 10% of single premiums (excluding general insurance)
(2) Based on 10.5% risk discount rate, equal to assumed equity return rate
(3) Gross of HK$1.9bn dividends and loans to AXA APH during the 12 months ended 31 December 2005

Asia (ex Hong Kong)
Highlights

- New business index [1] up 59.3% to A$125.5m [2, 3] (2004 - A$78.8m)
- Value of new business [4] up 31.1% to A$37.5m [3, 5] (2004 - A$28.6m)
- Total premium income up 42.1% to A$622.7m [2, 3] (2004 - A$438.3m)
- Funds under management up 20.0% to A$1.8bn [3, 5] (2004 - A$1.5bn)
- Very strong growth in Thailand and Indonesia
- China returning to growth
- Entry to India and Malaysia announced
- Good start towards Asia 6 goals

(1) New regular premiums plus 10% of single premiums
(2) Constant currency basis at average exchange rates over the period
(3) 100% share
(4) Based on risk discount rates of 11% for Singapore and 16% – 20% for other Asian operations
(5) Based on exchange rates at 31 December 2005

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

AXA Asia Pacific Holdings Limited
Results for the 12 months ended 31 December 2005

Geoff Roberts, Group Chief Financial Officer

Be Life Confident

AXA Asia Pacific Group
Profit & loss analysis

(A$ million)

12 months to 31 December	**2005**	**2004**	**Change**
Australia & New Zealand	203.7	143.1	42.3%
Hong Kong	170.9	159.7	7.0%
Singapore	2.1	3.2	(34.4)%
Operating Earnings	**376.7**	**306.0**	**23.1%**
Investment Earnings			
- normalised	220.0	215.0	2.3%
- investment experience - assets in excess of policy liabilities	(19.5)	11.8	n/a
- assets backing policy liabilities [1]	56.1	4.4	>>
Investment Earnings	**256.6**	**231.2**	**11.0%**
Corporate expenses	(73.0)	(53.1)	(37.5)%
Interest expense [2]	(17.9)	(25.0)	28.4%
Profit after tax and before non-recurring items	**542.4**	**459.1**	**18.1%**
Non-recurring items	-	54.5 [3]	n/a
Profit after tax and non-recurring items	**542.4**	**513.6**	**5.6%**

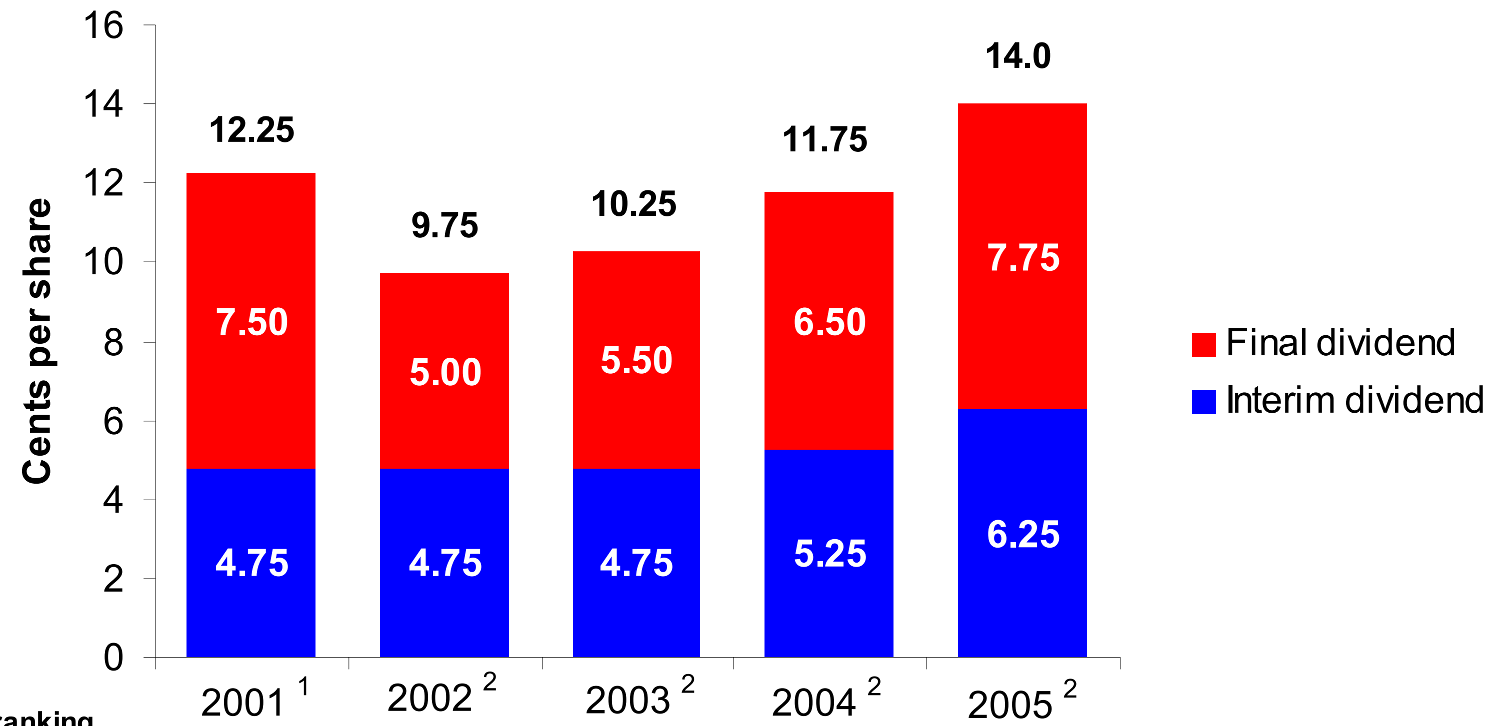
(1) Excess / (deficit) over assumed long term investment earnings rates on assets backing policy liabilities

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

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

AXA Asia Pacific Group
Dividend

Final dividend up 19.2% to 7.75 cents per share; total dividend up 19.1% to 14.0 cents per share



Franking	2001 [1]	2002 [2]	2003 [2]	2004 [2]	2005 [2]
Interim	0%	60%	60%	15%	30%
Final	100%	60%	20%	30%	30%

(1) 15 months ended 31 December
(2) 12 months ended 31 December

AXA Asia Pacific Group
Earnings per share and return on equity

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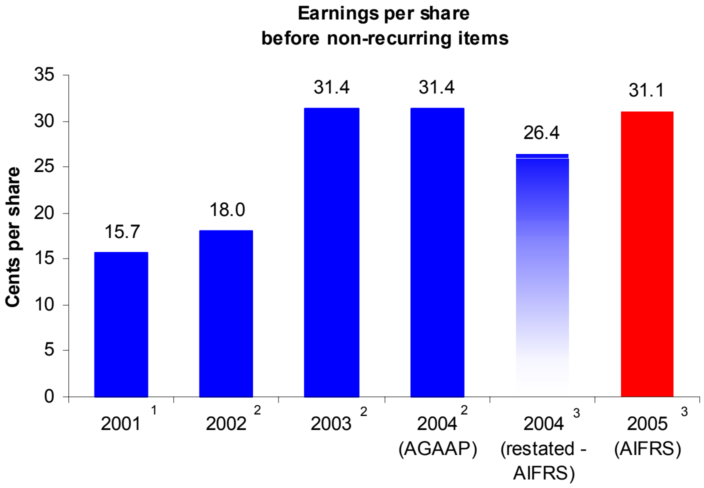

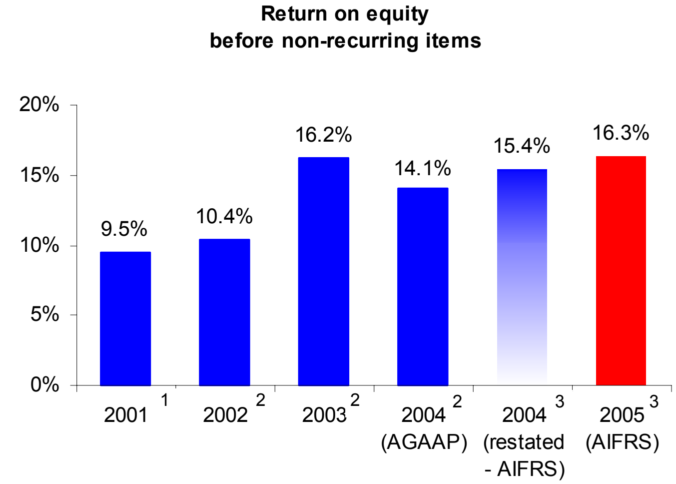

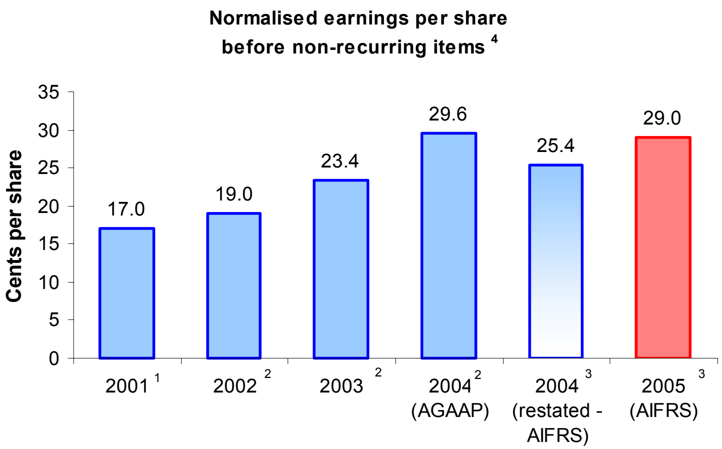

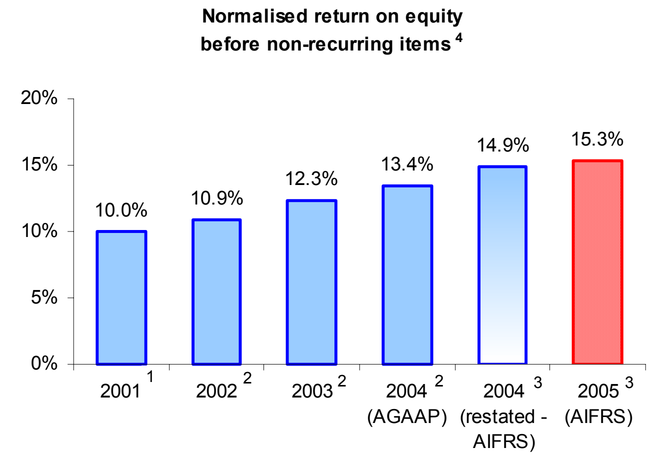

(1) 12 months ended 31 December (AGAAP, restated, but not audited)
(2) 12 months ended 31 December (AGAAP, audited)
(3) 12 months ended 31 December (AIFRS, audited)
(4) Calculated after deducting Health Operating Earnings (2003: $9.8m, 2002: $43.1m, 2001: $82.0m), and replacing Investment Earnings with "normalised" Investment Earnings of $220m (2005), $215m (2004), $193m (2003), $171m (2002) and $163m (2001)

Capital structure

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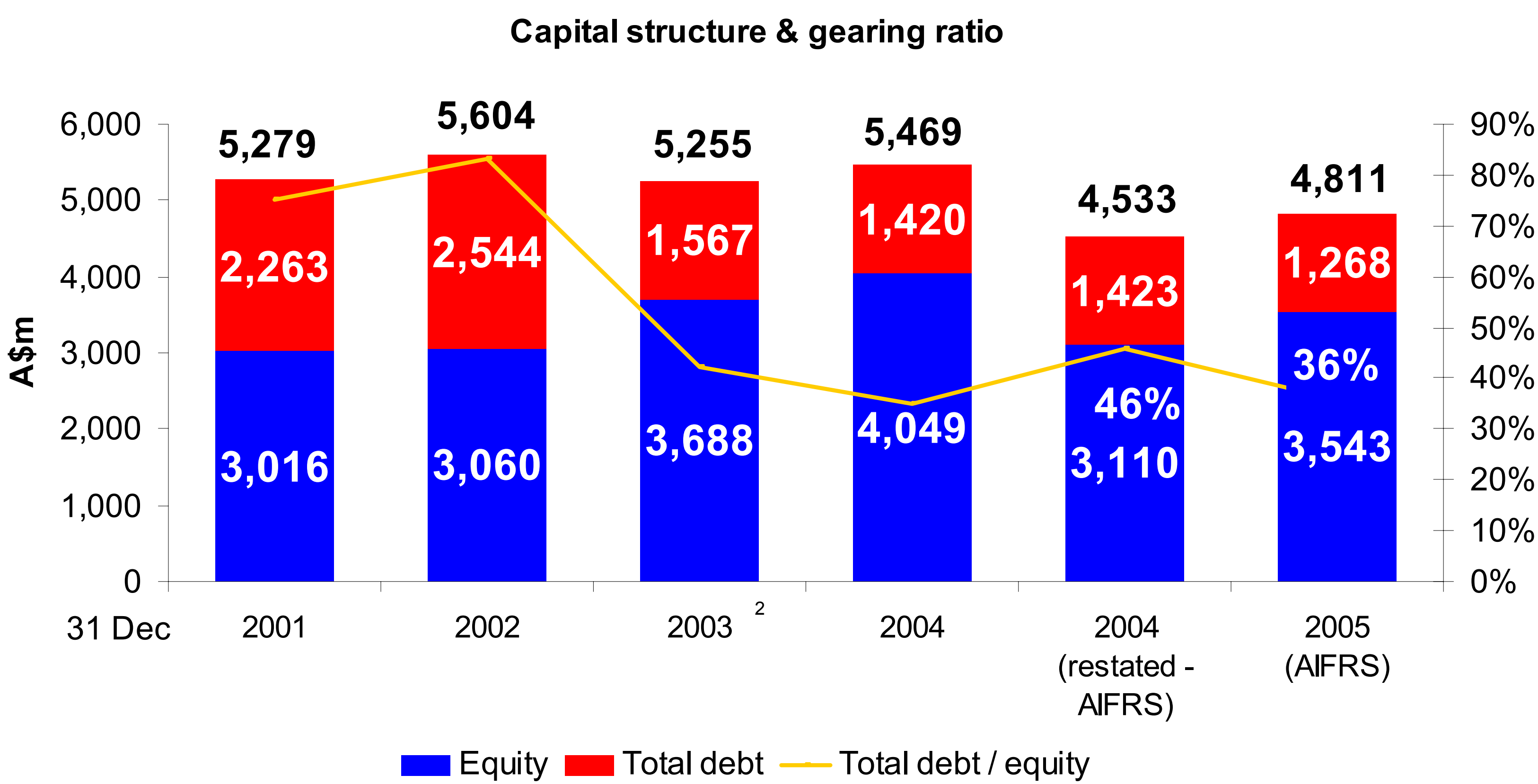
Strong balance sheet - gearing ratio reduced to 36% (target range 40%-50%) [1]



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

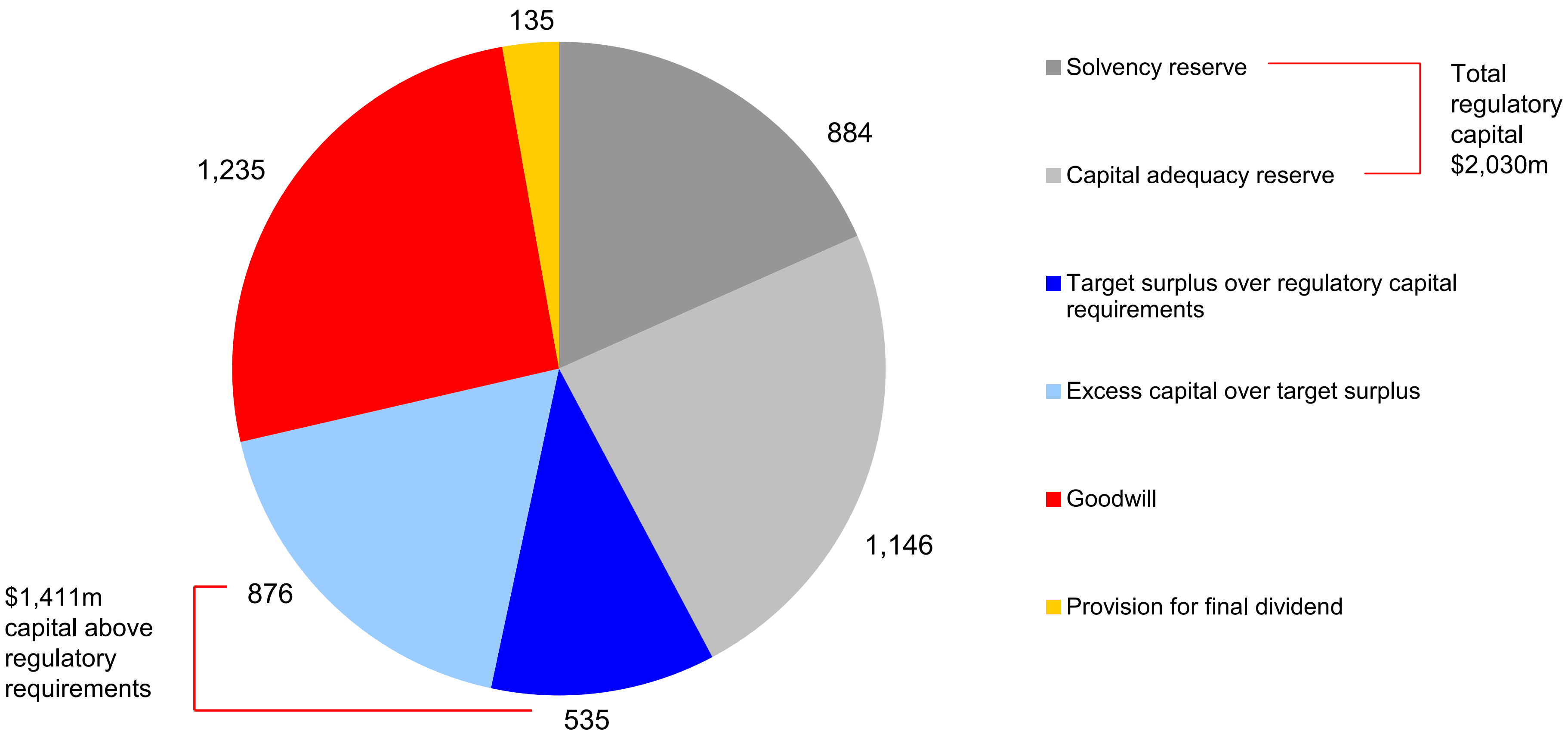
(2) 2003 debt restated in accordance with changes to AASB 1044

Financial strength rating **AA- / AA**

(S&P / Fitch respectively)

AXA Asia Pacific Group
Capital usage at 31 December 2005

Total capital of $4,811 million - capital position very strong



- After taking into account the MLC HK / Indonesia acquisitions we have capital above target surplus of $301m

AXA Asia Pacific Group
Illustrative value of inforce - traditional basis

ASIA PACIFIC
Be Life Confident

Illustrative Group value of inforce up 23.1% [1]

(A$ million)	Risk discount rate: Equity return [1]			Risk discount rate: Equity return + 100 bps [2]		
	31 Dec 2005	31 Dec 2004	Change	31 Dec 2005	31 Dec 2004	Change
Value of inforce						
Australia and New Zealand	3,215	2,782	15.6%	3,069	2,637	16.4%
Hong Kong	2,360	1,896	24.5%	2,226	1,781	25.0%
Asia (ex Hong Kong) [3]	73	53	38.5%	73	53	38.5%
Total value of inforce (before 2005 transfers to net worth and on constant FX) [4]	**5,648**	**4,731**	**19.4%**	**5,368**	**4,471**	**20.1%**
Total value of inforce (before 2005 transfers to net worth and on actual FX)	**5,822**	**4,731**	**23.1%**	**5,533**	**4,471**	**23.7%**
2005 transfers to Group net worth	640			640		
Total value of inforce (after 2005 transfers to net worth and on actual FX)	**5,182**	**4,731**	**9.5%**	**4,893**	**4,471**	**9.4%**
Adjusted Group net worth [5]	1,532	1,275		1,532	1,275	
Debt	(1,268)	(1,420)		(1,268)	(1,420)	
Capitalised corporate expenses [6]	(312)	(312)		(312)	(312)	
Value of expense overruns [7]	(27)	(18)		(27)	(18)	
Total dividend payments for 2005 [8]	244			244		

(1) Risk discount rate = 10.0% for A&NZ, and 10.5% for HK
(2) Risk discount rate = 11.0% for A&NZ and 11.5% for HK
(3) Based on risk discount rates of 11% for Singapore and 16% – 20% for other Asian operations; the same in both illustrative values
(4) Based on HK$/A$ exchange rate at 31 December 2004
(5) After provision of final dividend for 2005 of $135m
(6) Excludes potential additional corporate expenses of $9m to $13m pa over the next three years
(7) Value of Asia expenses being in excess of assumed long-term product expense loadings. Increase reflects reallocation of Singapore expenses
(8) Dividends relating to 2005 of $244m represents the interim 2005 dividend of $109m and a provision for the final 2005 dividend of $135m

AXA Asia Pacific Group
Illustrative value of new business - traditional basis

ASIA PACIFIC
Be Life Confident

Illustrative Group value of new business up 25.6% [1]

(A$ million)	Risk discount rate: Equity return [1]			Risk discount rate: Equity return + 100 bps [2]		
12 months to	31 Dec 2005	31 Dec 2004	Change	31 Dec 2005	31 Dec 2004	Change
Australia & New Zealand						
Financial protection	22	16	38.8%	17	12	42.9%
Wealth management	92	73	25.5%	85	65	31.2%
Total A&NZ value of new business ("VNB")	**114**	**89**	**27.8%**	**102**	**77**	**33.0%**
Hong Kong						
Financial protection	110	96	15.0%	103	89	15.6%
Wealth management	9	8	17.0%	8	6	20.0%
Health	5	6	(21.4)%	4	6	(21.9)%
Total Hong Kong VNB [3]	**124**	**110**	**13.3%**	**115**	**101**	**13.8%**
Asia (ex Hong Kong) VNB [4]	20	14	40.1%	20	14	40.1%
Total Group VNB on constant FX rates [5]	**258**	**213**	**21.0%**	**237**	**192**	**23.2%**
Group VNB on actual FX rates	**268**		**25.6%**	**246**		**27.8%**

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

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

(3) Excludes HK$18 million of new development expenses related to new initiatives such as wealth management and bancassurance development. These are deducted in Group net worth

(4) Group share; based on risk discount rates of 11% and 16% - 20% for other Asian operations; the same in all illustrative values

(5) Based on HK$ /A$ exchange rate at 31 December 2004

AXA Asia Pacific Group
Illustrative value of inforce and new business - market consistent basis

(A$ million)	31 Dec 2005	31 Dec 2004	Change %
Value of inforce			
Australia & New Zealand	3,563	2,941	21.1%
Hong Kong	3,101	2,671	16.1%
Asia (ex Hong Kong) [1]	73	53	38.5%
Total value of inforce (before 2005 transfers to net worth and on constant FX)	**6,737**	**5,665**	**18.9%**
Total value of inforce (before 2005 transfers to net worth and on actual FX)	**6,964**	**5,665**	**22.9%**
2005 transfers to Group net worth	640		
Total value of inforce (after 2005 transfers to net worth and on actual FX)	**6,324**	**5,665**	**11.6%**
Value of one year's new business			
Australia & New Zealand			
- Financial protection	48	38	27.3%
- Wealth management	103	72	43.3%
- Time value of guarantees	-	-	
Total A&NZ VNB	**151**	**110**	**37.8%**
Hong Kong			
- Financial protection	166	139	19.6%
- Wealth management	18	15	19.5%
- Health	7	8	(15.6)%
- Time value of guarantees	(10)	(11)	(6.6)%
Total Hong Kong VNB [2]	**181**	**151**	**19.6%**
Asia (ex Hong Kong) [1]	20	14	40.1%
Total Group VNB on constant FX	**352**	**275**	**27.7%**
Total Group VNB on actual FX	**366**		**32.7%**

(1) This value has not been restated for MCV

(2) Excludes HK$18 million of new development expenses related to new initiatives such as wealth management and bancassurance development. These are deducted in Group net worth

(3) Techniques to assess the cost of non-financial risk under MCV are still being developed. At this stage, no allowance for non-financial risk has been made in these MCV results

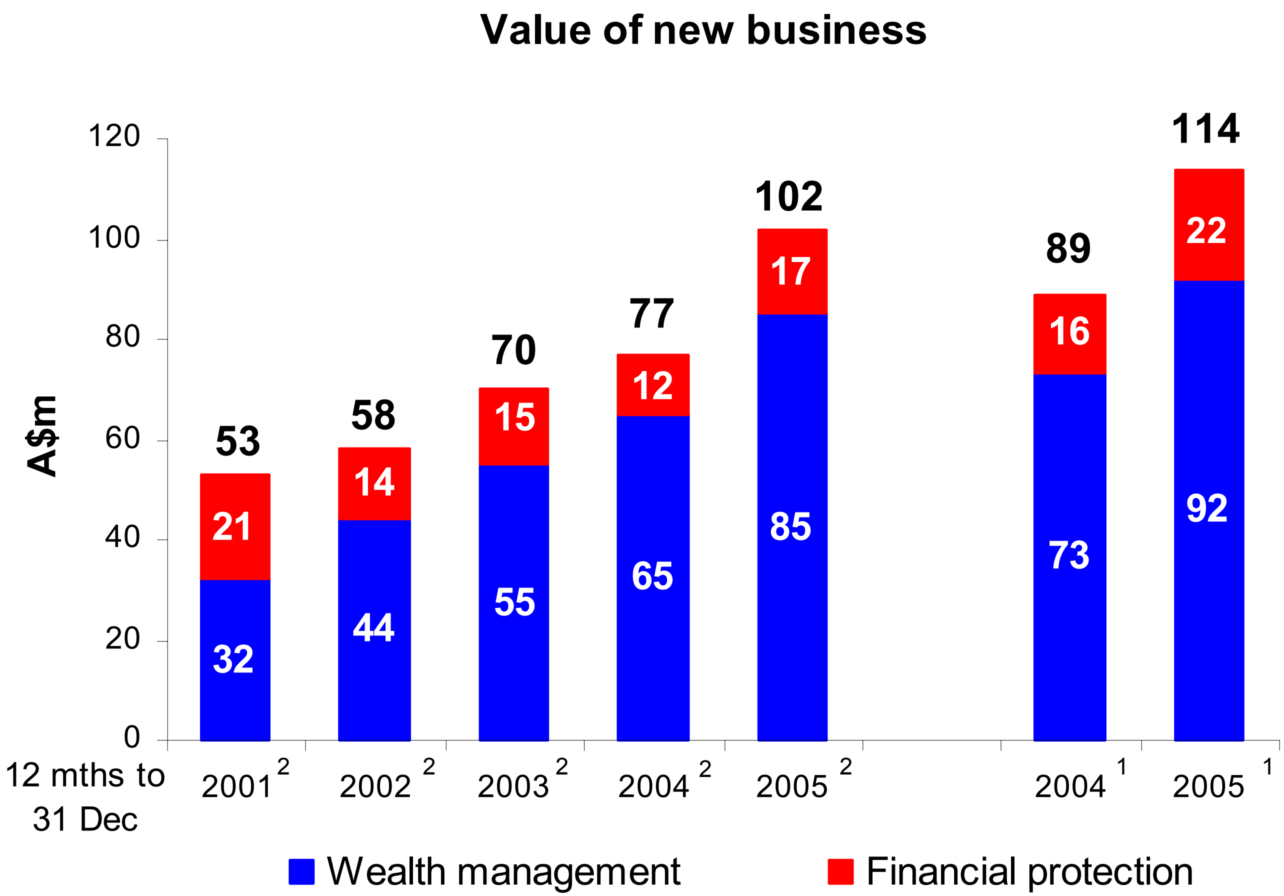
Australia and New Zealand
Profit after tax

ASIA PACIFIC
Be Life Confident

(A$ million) 12 months to 31 December	2005	2004	Change
Wealth management products and platforms	95.6	64.8	47.5%
Advice	35.3	20.8	69.7%
Total wealth management	130.9	85.6	52.9%
Financial protection	72.8	57.5	26.6%
Operating Earnings	**203.7**	**143.1**	**42.3%**
Investment Earnings			
- normalised	74.0	63.0	17.5%
- investment experience - assets in excess of policy liabilities	25.6	31.2	(17.9)%
- assets backing policy liabilities	36.6	29.9	22.4%
Investment Earnings	**136.2**	**124.1**	**9.8%**
Profit after tax and before non-recurring items	**339.9**	**267.2**	**27.2%**

Value of new business

Value of new business [1] up 27.8% to $114m



(1) Based on 10.0% risk discount rate, equal to assumed equity return

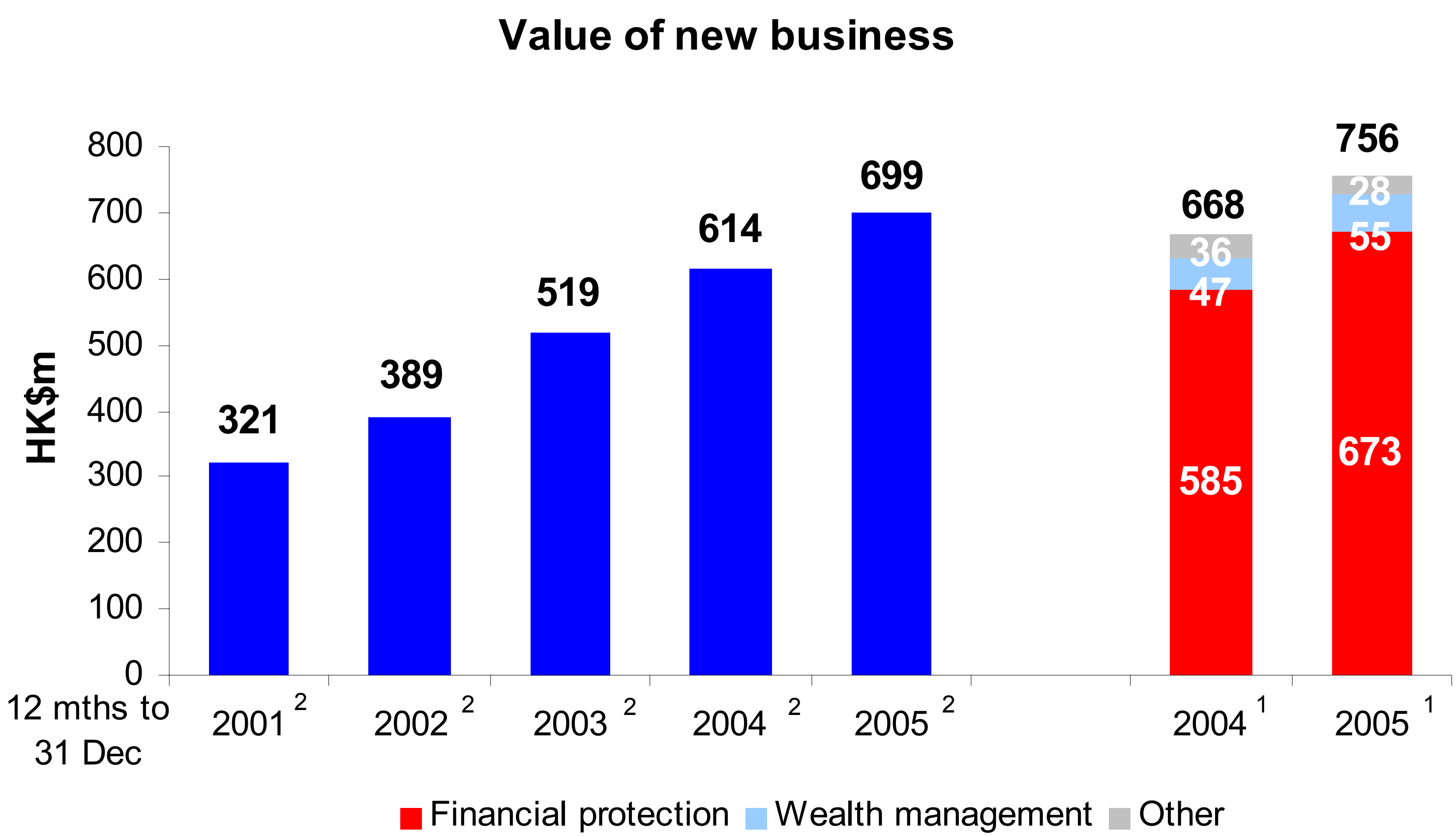
(2) Based on 11.0% risk discount rate, 100 basis points above assumed equity return

(3) Profits exclude Health

Hong Kong
Profit after tax

12 months to 31 December	(HK$ million) 2005	2004	Change	(A$ million) 2005	2004	Change
Financial protection	888.9	800.0	11.1%	150.1	139.2	7.8%
Wealth management	96.5	86.7	11.3%	16.2	15.1	7.3%
Group medical and general insurance	44.7	30.8	45.1%	7.6	5.4	40.7%
New development	(18.0)	0.0	n/a	(3.0)	0.0	n/a
Operating Earnings	**1,012.1**	**917.5**	**10.3%**	**170.9**	**159.7**	**7.0%**
Investment Earnings						
- normalised	858.3	867.6	(1.1)%	145.0	151.0	(4.0)%
- inv. exp. - assets in excess of policy liabilities	(264.5)	(125.1)	(111.4)%	(44.7)	(21.8)	(105.0)%
- assets backing policy liabilities	116.0	(152.3)	n/a	19.8	(26.5)	n/a
Investment Earnings	**709.8**	**590.2**	**20.3%**	**120.1**	**102.7**	**16.9%**
Profit after tax and before non-recurring items	**1,721.9**	**1,507.7**	**14.2%**	**291.0**	**262.4**	**10.9%**

Value of new business [1] up 13.3% to HK$756m



(1) Based on 10.5% risk discount rate, equal to assumed equity return
(2) Based on 11.5% risk discount rate, 100 basis points above assumed equity return

Hong Kong
Increase in investment margin on National Life series from 1% to 1.25%

ASIA PACIFIC

Be Life Confident

Target investment margin on NL series increased from 1% to 1.25% with effect from 1 July 2005

- Background
  - asset shares on our active dividend management now exceed policyholder account balances (after allowing for US 10 year Treasury yields to increase to 5.2%)
  - development work on Economic Capital and Market Consistent Values have provided additional information on the cost of guarantees on the NL series products
- Financial impact
  - H2 2005 profit + A$5m
  - traditional embedded value + A$67m
  - market consistent value of inforce + A$123m

Asia (ex Hong Kong)
Value of new business

ASIA PACIFIC

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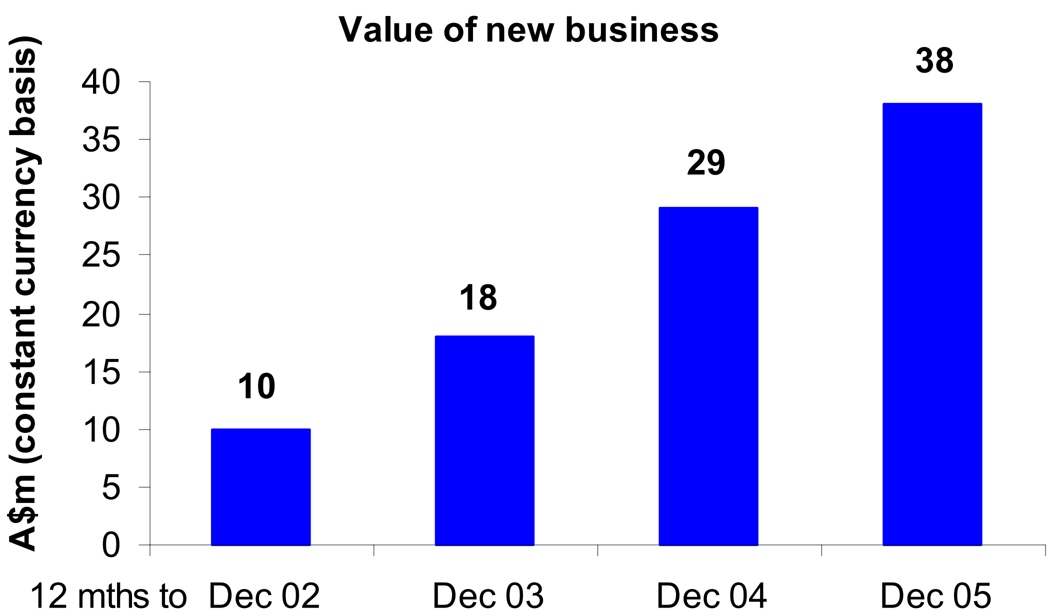
Value of new business[1] up 31.1% to A$38m



- Value of new business up 31.1% to A$37.5m (2004 - A$28.6m)
- AXA APH share of value of new business is $20.6m, which represents 8% of total Group value of new business[2]

(1) 100% share, based on constant currency exchange rates at 31 December 2005, assumed risk discount rates of 11% for Singapore and 16% – 20% for other Asian operations

(2) Based on risk discount rate equal to assumed equity returns for A&NZ (10.0%) and HK (10.5%)

Summary

Another year of excellent financial performance across all areas of our business

- Very strong growth in Operating Earnings, up 23.1%
- Illustrative Group value of new business[1] up 25.6%
- Illustrative Group value of inforce[1] up 23.1%
- Group funds under management and administration up 31.6% to A$80.6bn (2004 - A$61.2bn)
- A very strong capital position
- Final dividend up 19.2%; total dividend up 19.1%

(1) Based on risk discount rate equal to assumed equity returns for A&NZ (10.0%) and HK (10.5%)

THE AXA "How we intend to keep moving forward" PLAN.

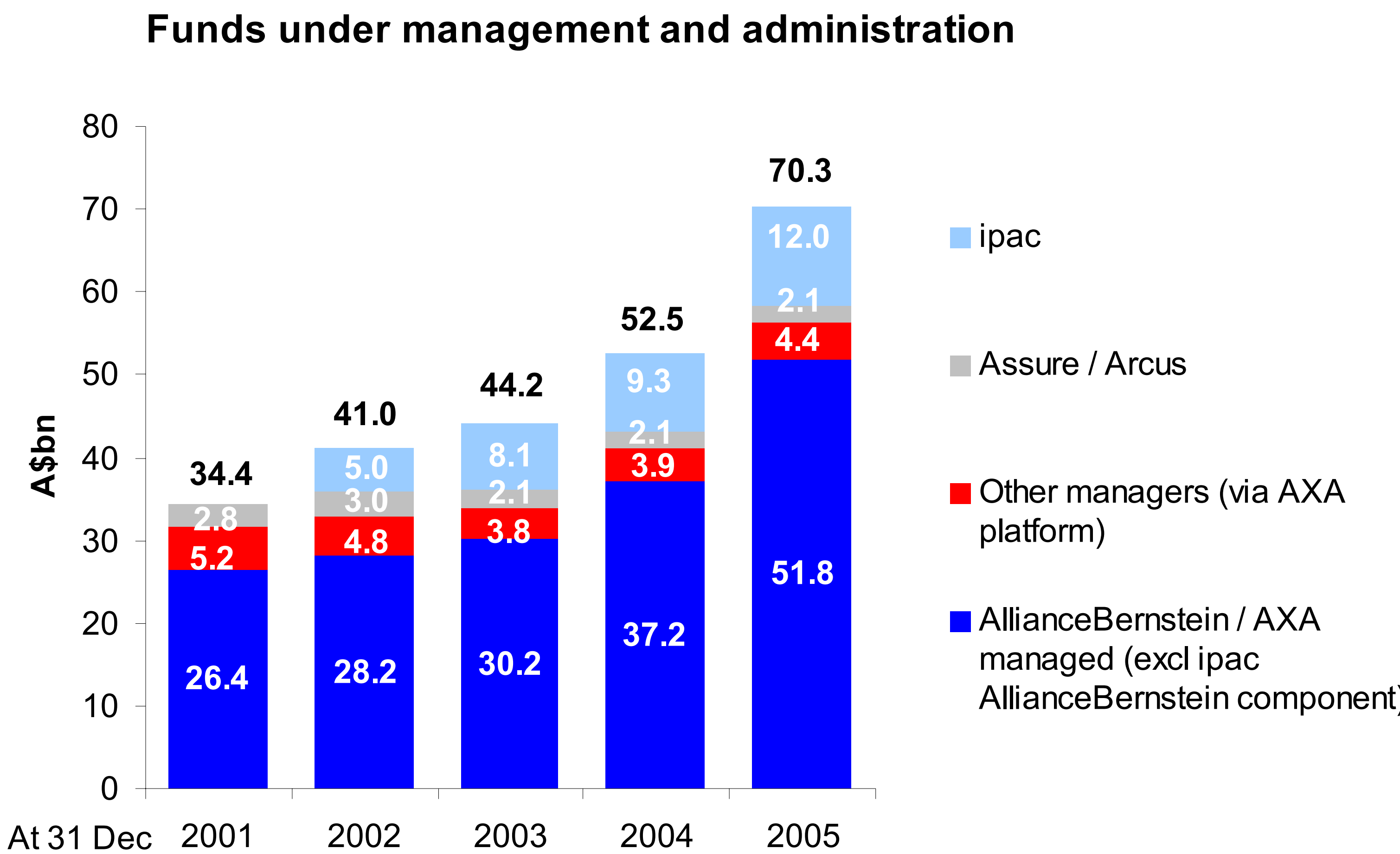
AXA Asia Pacific Holdings Limited
Review of activities

Les Owen, Group Chief Executive

Be Life Confident

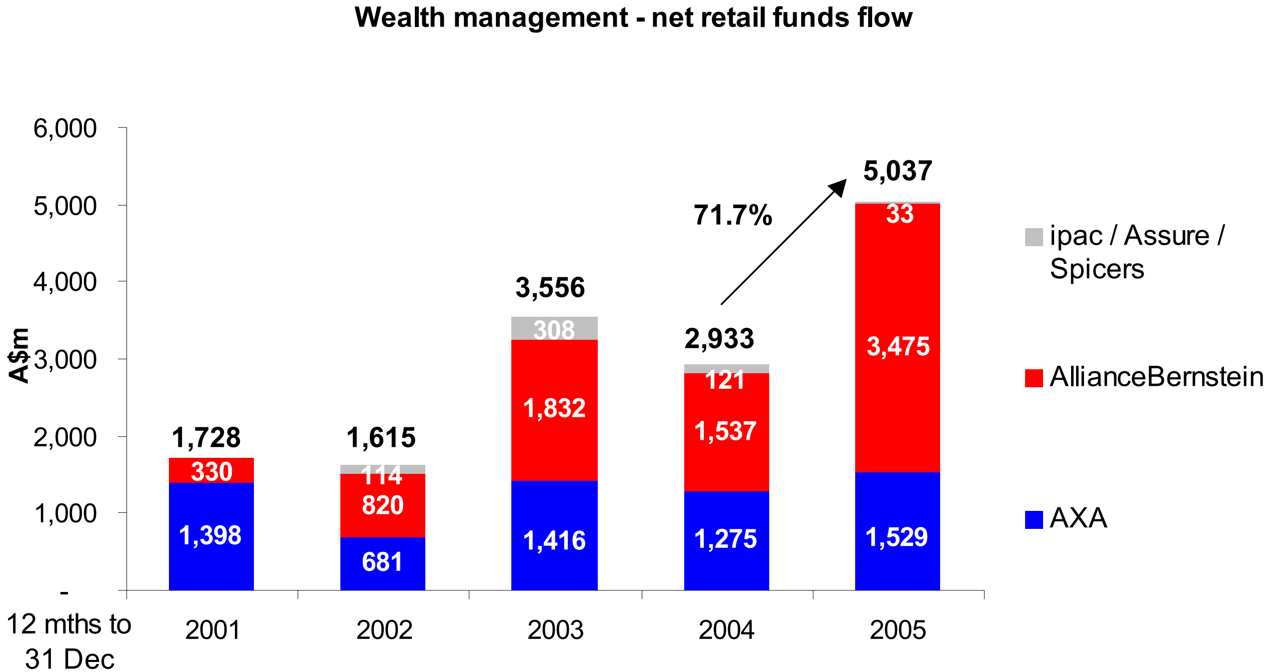
Australia and New Zealand
Encouraging momentum in wealth management

Funds under management and administration up 34% to $70.3bn



Encouraging momentum in wealth management

Strong growth in net retail funds flow



- AllianceBernstein net inflows more than doubled
- Inflows into highly rated Global Equity Value Fund of $595.1m (2004 - $223.2m)
- Continued strong inflows into AXA Generations and Summit
- Decrease in net funds flow for ipac / Assure / Spicers largely due to net outflows from non core third party channels

Australia and New Zealand
Encouraging momentum in wealth management

ASIA PACIFIC
Be Life Confident

Outstanding investment performance across most of our portfolios

Fund	12 months Return	12 months Quartile	3 years Return (pa)	3 years Quartile	Research rating (Van Eyk / Standard & Poor's)
Global Equity – Growth	23.7%	1	7.8%	3	A/4 stars
Global Equity – Value	23.3%	1	14.5%	1	AA/5 stars
Aust. Equity – Growth	25.4%	1	22.0%	2	Not rated/3 stars
Aust. Equity – Value	28.1%	1	n/a	n/a	A/3 stars
Aust. Monthly Income	6.2%	2	6.0%	2	Endorsed/5 stars
Aust. Property Fund	12.9%	3	13.3%	3	A/4 stars
Selected Equities Trust (NZ)	8.6%	2	15.3%	2	5 stars (Morningstar)

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

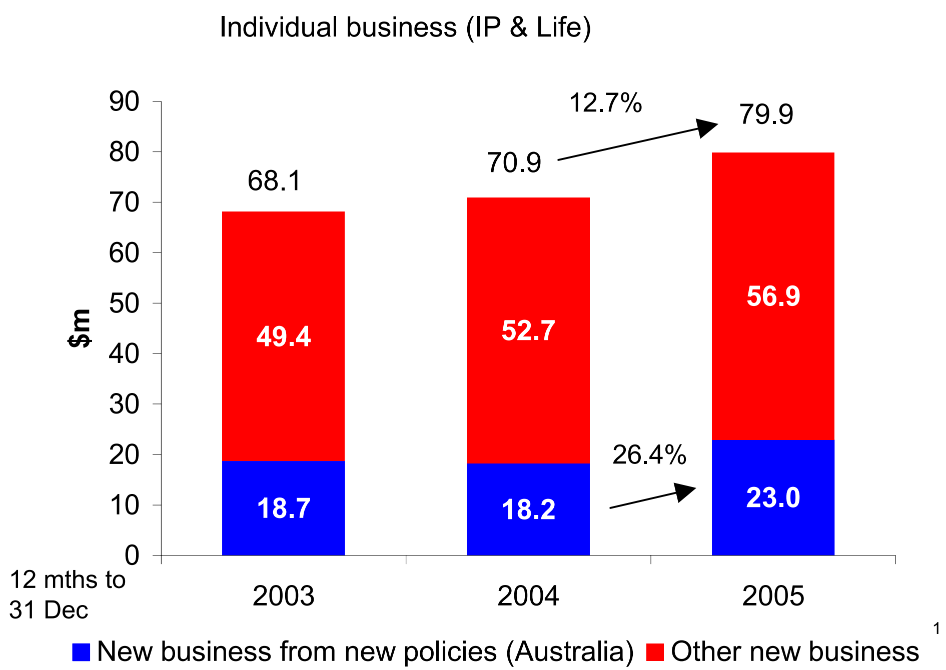
- AllianceBernstein awarded Money Management's 2005 overall "Fund Manager of the Year" and "International Equity Fund Manager of the Year"
- AXA was named Money Management's 2005 "Mortgage Fund Manager of the Year" and received the Personal Investor Magazine Award for Excellence in Financial Services 2005 for "Mortgage Fund of the Year"
- We expect Australian Equities Growth Fund to be rated by Q3 2006

Australia
Increasing momentum in Financial protection

ASIA PACIFIC
Be Life Confident

Individual life and income protection new business from new policy sales up 26.4%

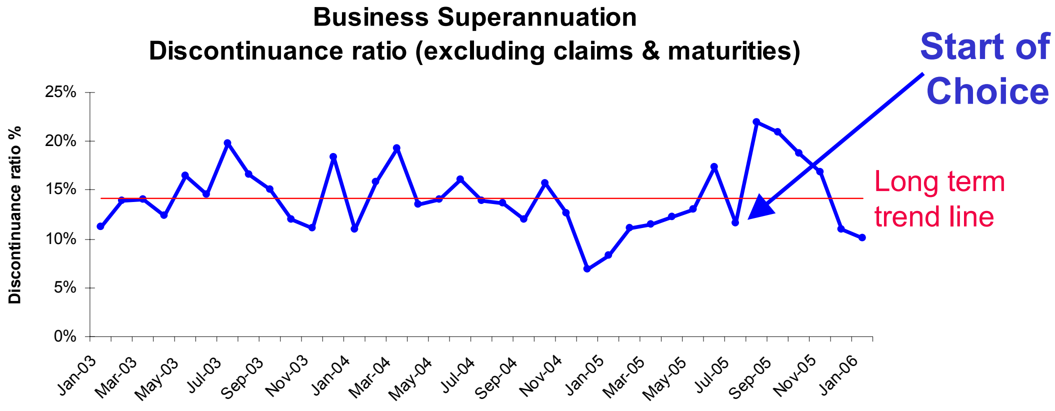
- Improved sales in 2005, following campaign targeting 'over-45's' market

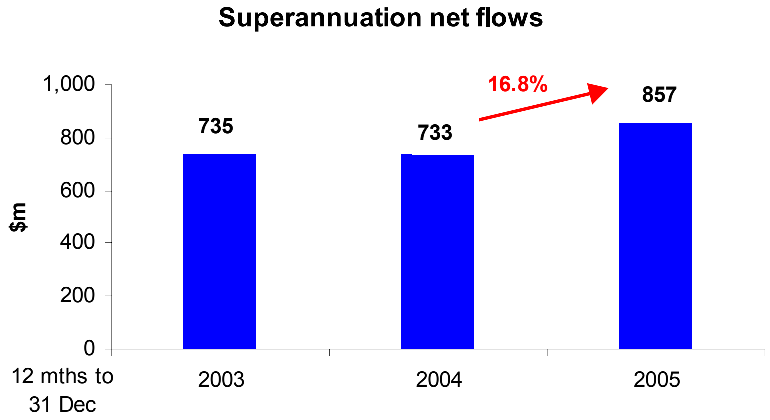


- Product improvements made in July 2005 are expected to deliver further growth in 2006

(1) Other = incremental new business on existing business in Australia, and all New Zealand new business

Australia
Choice has had limited impact





- Business superannuation discontinuance increased in July 2005 but had returned to normal levels by the end of the year
- The temporary increase in discontinuance is equivalent to 2% of our business superannuation funds under administration
- 37% of business superannuation outflows due to discontinuance were retained as inflows into our personal superannuation products
- Superannuation net flows were up 16.8% to $857m in 2005

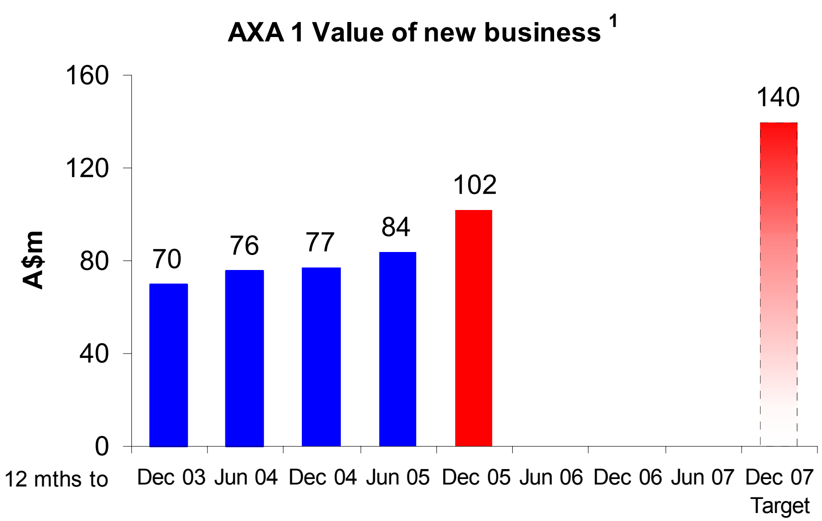
New Zealand
Market dynamics improving

- Proposed changes to savings and tax regimes to be enacted in 2007
  - equalisation of tax treatment of pooled funds with direct investments expected to create renewed growth in retail funds flow
  - Government moves to invigorate employee retirement savings through KiwiSaver
- Recently completed purchase of Bank of New Zealand Investment Management
  - AXA positioned as the clear leader in retail wealth management
  - significant increase in scale - funds under management up NZ$2.5bn to NZ$8.4bn
  - opportunity for further product and platform enhancements - transition 11 unit trusts and 3 superannuation funds onto our platform
  - strengthened distribution - 40,000 new wealth management clients, access to over 180 branches and 30 advisers
  - migrate existing Bank of New Zealand Investment Management customers to AXA products and services over the next 18 months
  - AXA investment products available to all new Bank of New Zealand customers
- Spicers
  - implementing ipac finder / minder model where prospecting and servicing advisers are separately recognised and rewarded

Australia and New Zealand
Progress towards AXA 6 goals on track

AXA 1 - Double the value of new business

Strong growth in VNB



- Strong growth in platform and investment management, particularly in the second half of the year
- Continued improvement in cost to income ratio

Looking forward

- Continued growth in Generations and Summit sales leveraging strong AllianceBernstein and ipac multi-manager performance
- Roll-out AXcess (recently launched SMSF)
  - professional, integrated services in fragmented market
- Grow superannuation following removal of surcharge
  - AXA Business Super AAA rated by Rainmaker
- Growth in targeted profitable segments of Group Life
- Further individual financial protection product enhancements in 2006
- Grow sales through Bank of New Zealand

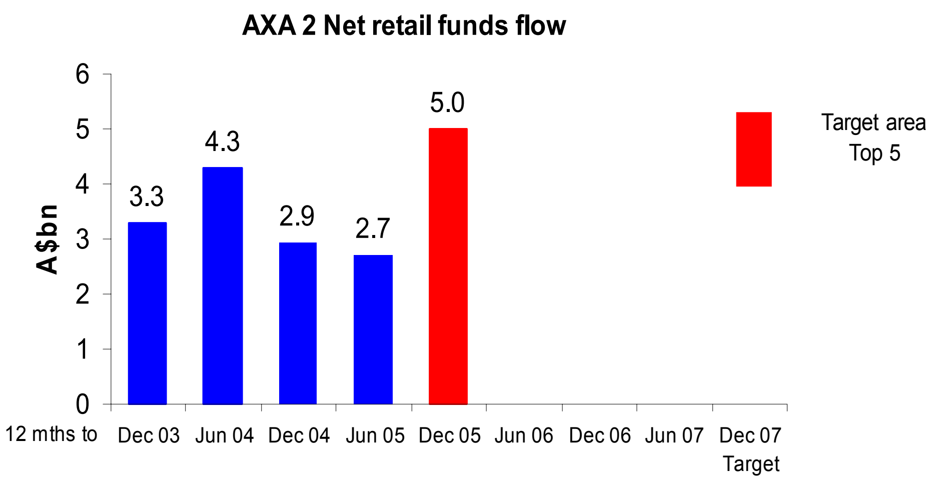
(1) Based on constant assumed risk discount rate of 11.0% as used from the start of AXA 6

Australia and New Zealand
Progress towards AXA 6 goals on track

AXA ASIA PACIFIC
Be Life Confident

AXA 2 - Consistently in top 5 for net funds flow

In top 5



- Plan for Life [1]:
  - overall net funds flow - 3rd [2]
  - net retail funds flow - 9th
  - wholesale unitised funds flow - 2nd
- Standard & Poor's [1,3] - 4th

(1) Rankings for the 12 months ended 30 September 2005
(2) Based on Plan for Life data
(3) Previously known as ASSIRT

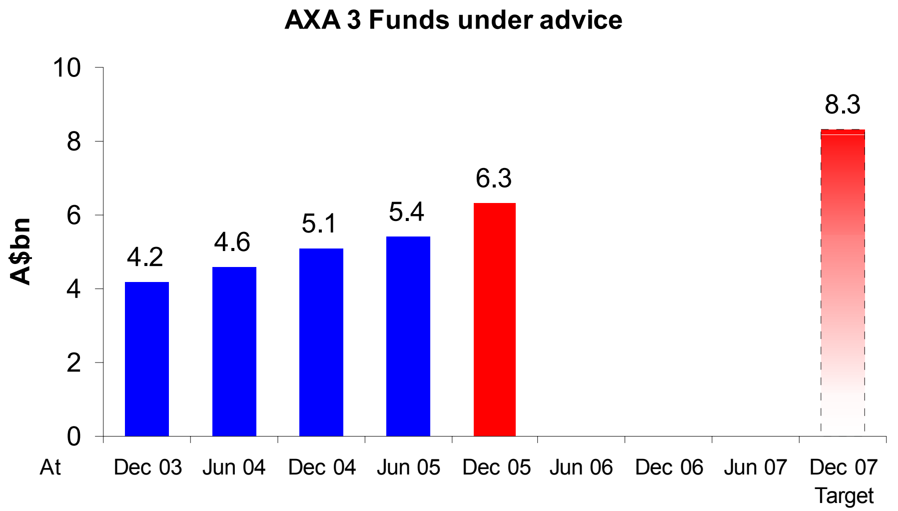
Looking forward

- Leverage outstanding investment performance for AllianceBernstein and ipac
  - further grow global equities, particularly through retail channel
  - traction in Australian equity sales - targeting strong growth
- New fund opportunities, eg AXA Rosenberg Core Global Equities
- Roll-out AXcess SMSF
  - additional fund flows into Summit and AXA managed funds
- Upgrades in platform functionality
  - electronic link to AXcess SMSF
  - enhanced web based reporting
  - non-commutable pensions

Australia and New Zealand
Progress towards AXA 6 goals on track

AXA 3 - Double funds under advice

Strong growth in funds under advice



- Assisted by strong equity market growth in 2005

Looking forward

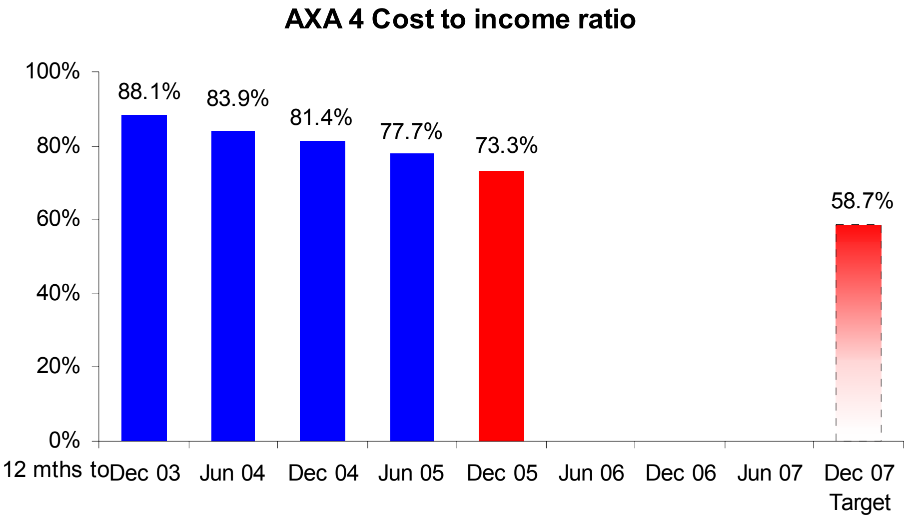
- Acquisition of remaining 67% of Tynan Mackenzie
  - $2bn funds under advice ($1.4bn already managed by ipac)
  - 34 advisers
  - $261m gross inflows in 2005
- ipac organic growth initiatives, eg corporate lead generation programme
- Further equity partner acquisitions
- Return Spicers to growth
  - improved market dynamics
  - 'finder-minder' model

Australia and New Zealand
Progress towards AXA 6 goals on track

ASIA PACIFIC
Be Life Confident

AXA 4 - Reduce cost to income ratio by one-third

810 bps reduction in 2005



- On track but more to do

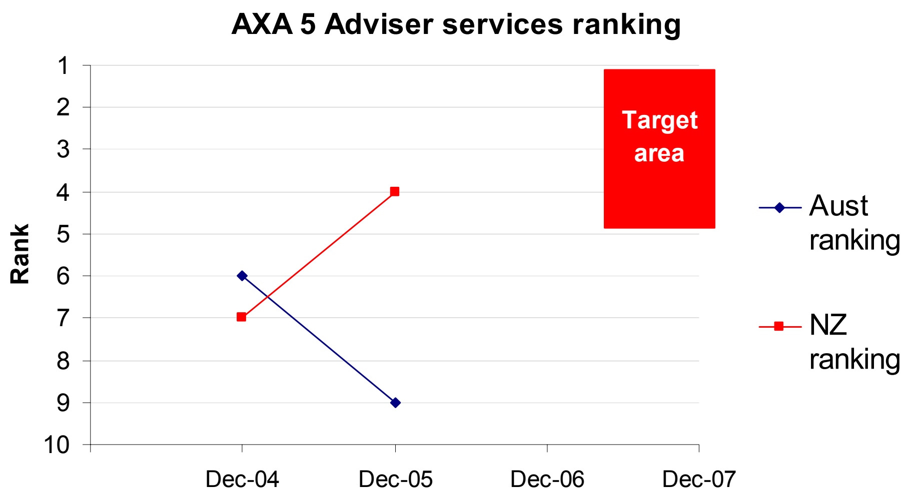
Looking forward

- Combination of growth and further process re-design in 2006 and 2007
- Further simplification of corporate structure and programme of product range rationalisation
- Minimum scale target of $10bn on single technology platform - anticipated to reach this during 2006

Australia and New Zealand
Progress towards AXA 6 goals on track

AXA 5 - Consistently in top 5 for service to advisers

Mixed results



- On track in New Zealand
- Position disappointing in Australia, although little difference in ratings between 5th and 9th positions

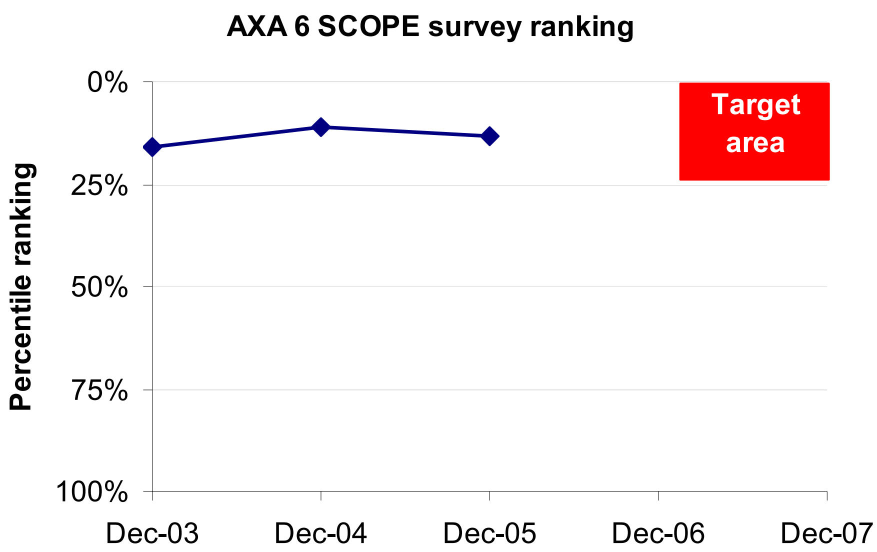
Looking forward

- Improving Summit service a focus for 2006
- Significant investment in upgrading our Financial Adviser Network services
- Roll-out AXA GROW to assist aligned practices to manage business growth and succession
- Advancing Business Change programme in New Zealand

Australia and New Zealand
Progress towards AXA 6 goals on track

AXA 6 - Consistently in top quartile in global AXA Group SCOPE survey

Remained in top quartile



- Absolute score up again in 2005
- Australia and New Zealand in top quartile

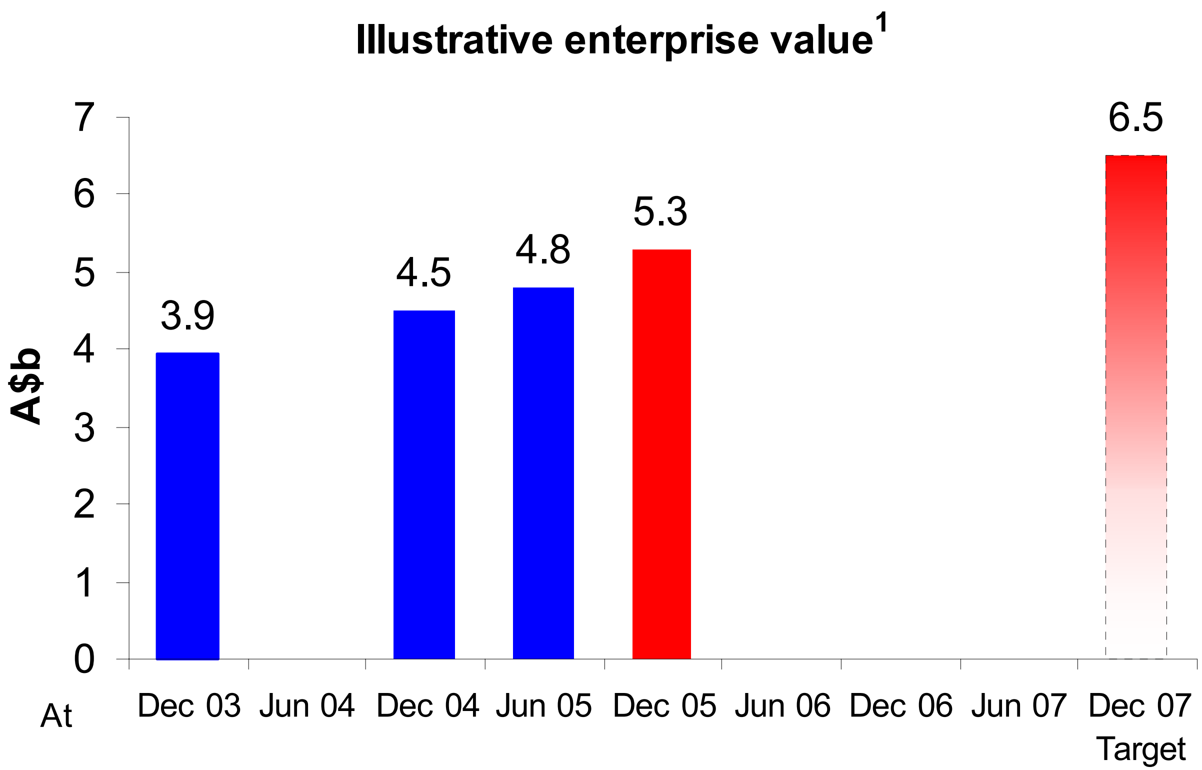
Looking forward

- Maintain top quartile score

Australia and New Zealand
Progress towards AXA 6 goals on track

Overarching goal to increase illustrative enterprise value by 65% to A$6.5bn

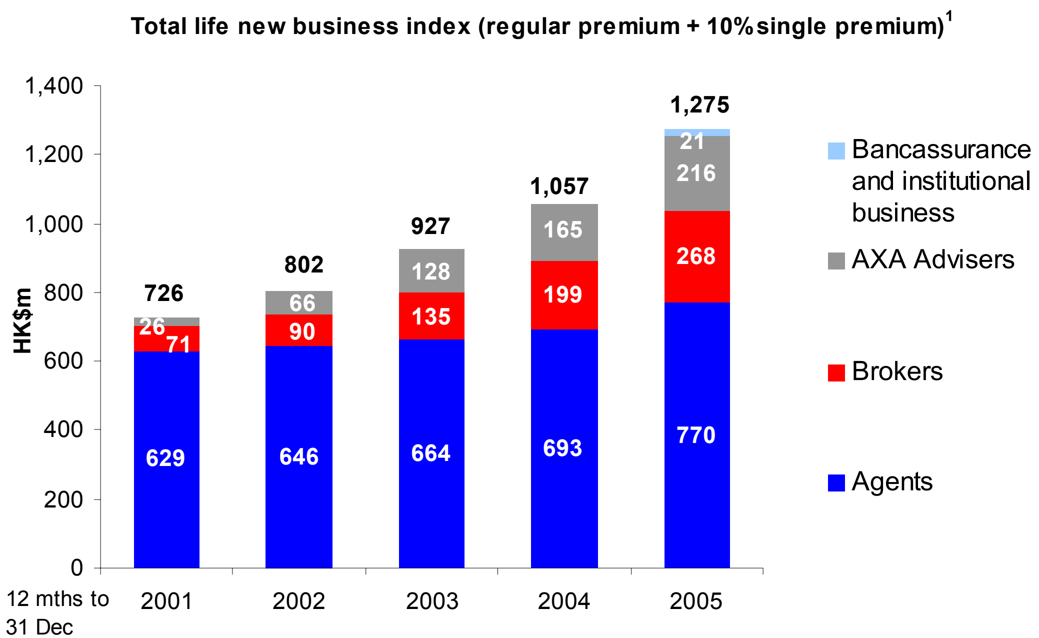
Illustrative enterprise value [1] up 17.8% over 2005 - on track



(1) Illustrative - only for tracking progress. Before dividends and transfers to net worth. Mid-point of range based on 11% discount rate, 7x FP VNB, 15x WM VNB; and 10% discount rate, 12x FP VNB, 20x WM VNB

Hong Kong
Encouraging momentum

Broadening of distribution channels - sales up 20.6% to HK$1,275m



- All channels growing
- Non-agency now accounts for 40% of life sales (2004 - 35%)
- Further improvements in agent / adviser productivity
- Broker sales growing through life and wealth management products
- Emergence of bancassurance - early progress encouraging

(1) Regular premiums plus 10% single premiums, excludes general insurance

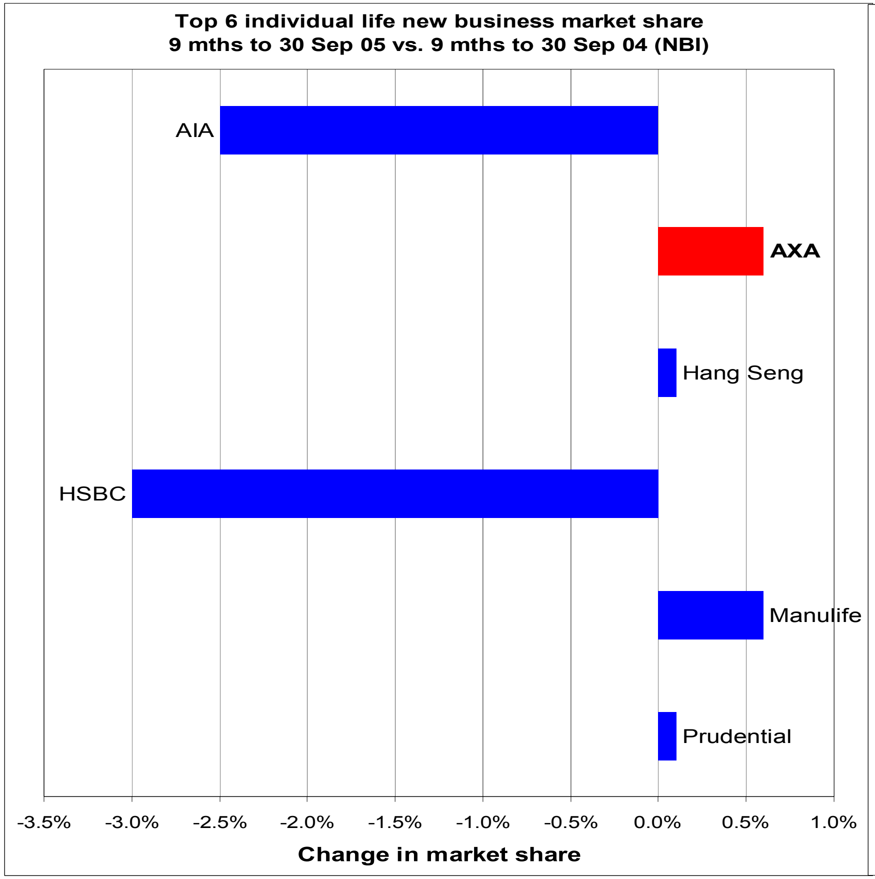
Hong Kong
Encouraging momentum

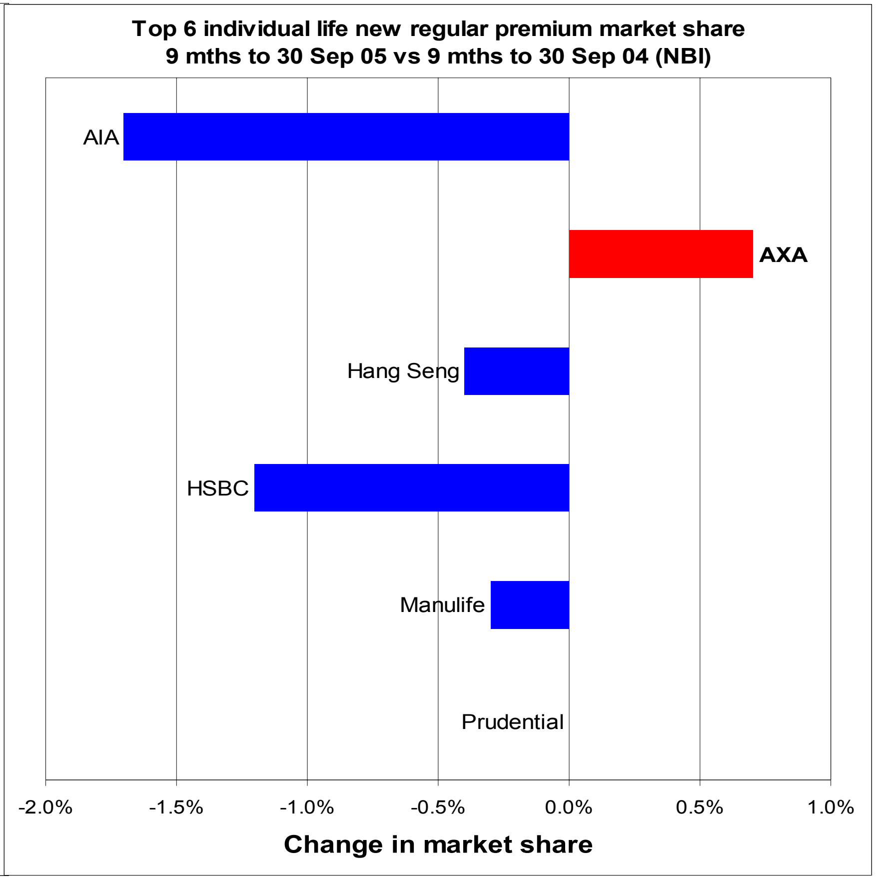
ASIA PACIFIC
Be Life Confident

Product developments position us well for future growth

- **Financial protection / savings**
  - Maxx - traditional participating product with a greater savings focus. Launched in October 2005, contributing HK$70m new regular premiums
  - Dimensions - very successful hybrid participating / unit linked product, contributing HK$94m new regular premiums
  - Smart Series II - refresh of traditional participating life series with wider range of payment options, contributing HK$352m new regular premiums
- **Wealth management**
  - Elite MPF - multi manager fund options, a first in the Hong Kong market, with HK$152m of single premiums and HK$9m new regular premiums
  - Evolution - investment linked product contributing HK$216m of single premiums

AXA is performing well versus peer group, particularly with higher margin regular premium life products



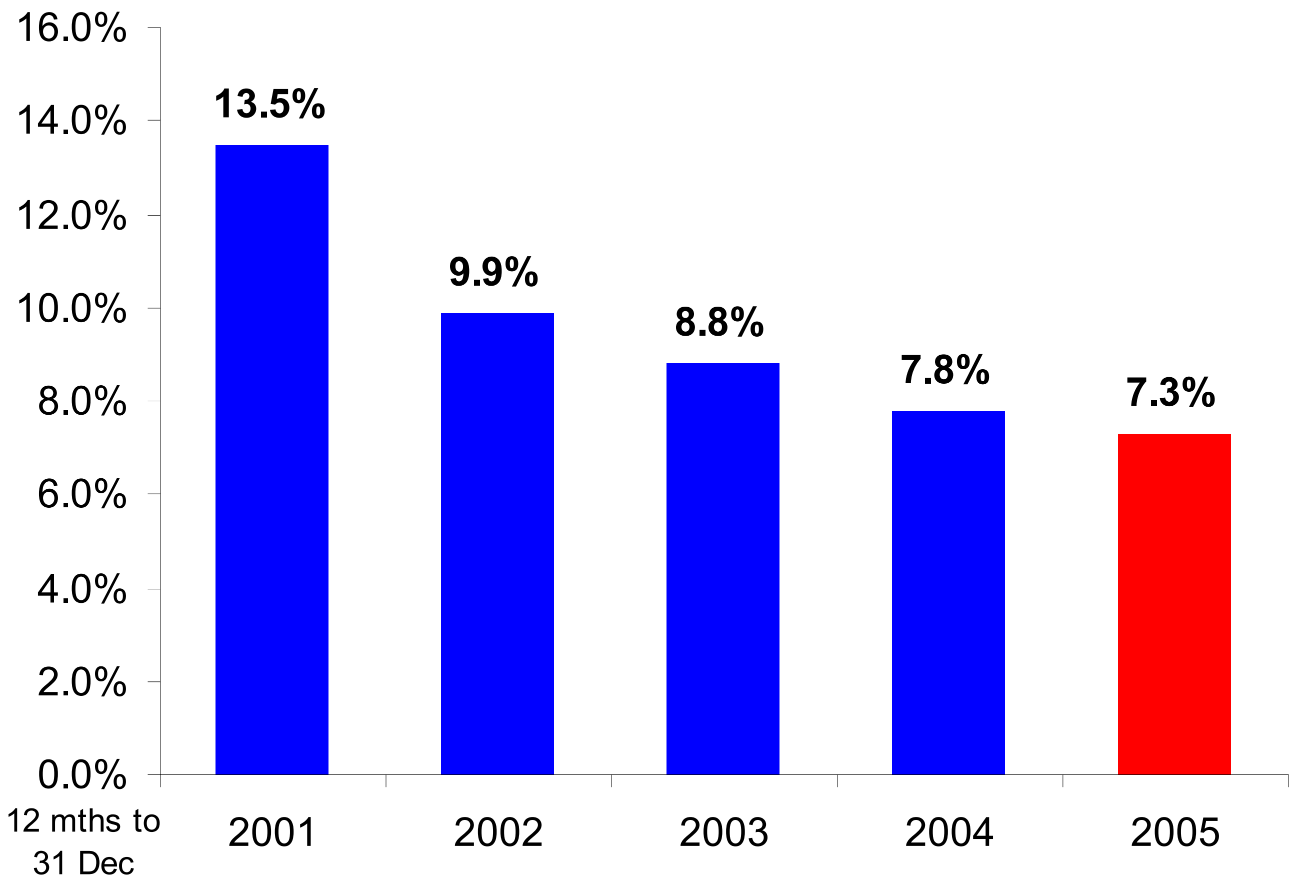


Note the market share statistics:
(1) are not quality assured or audited
(2) contain new business reported through "internal switching", banks high guarantee short term endowment products,and future premium deposits
(3) include offshore business sold elsewhere in Asia by companies that have headquarters and process sales in Hong Kong

Hong Kong
Persistency continues to improve

Aggregate discontinuance further improved to 7.3%

Aggregate life discontinuance rate (annualised)



Hong Kong
Margins remain attractive

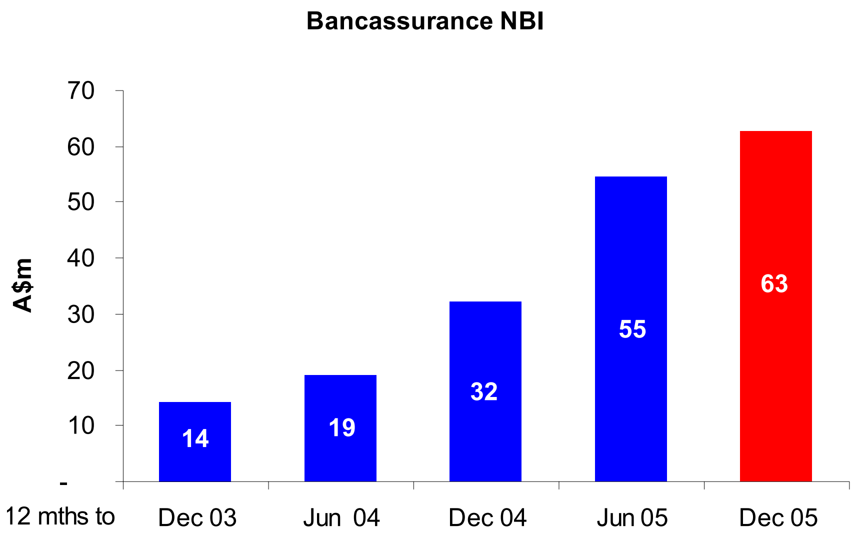
Product margins maintained

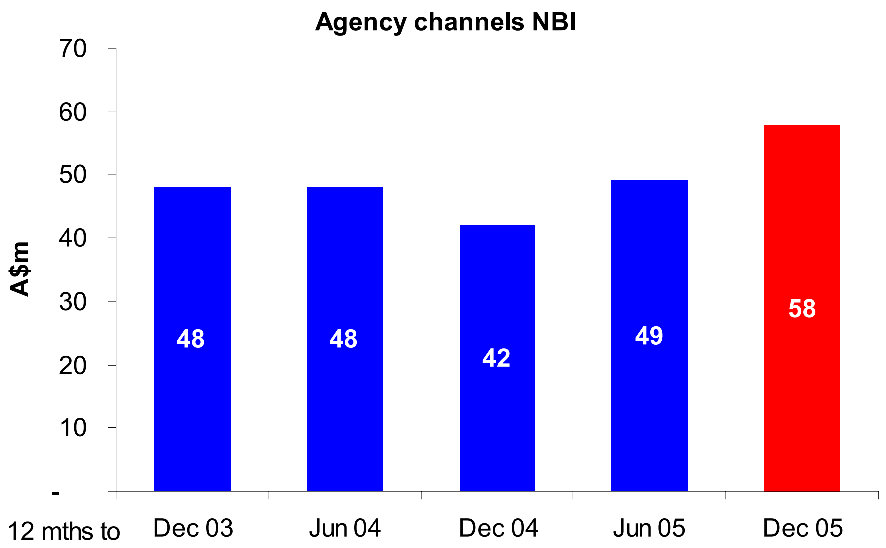
12 months to 31 December (HK$ million)	2005			2004		
	NBI	VNB	VNB%	NBI	VNB	VNB%
Traditional life	663.4	465.4	70.2%	593.6	421.4	71.0%
Unit linked regular premium	325.7	198.2	60.9%	236.8	151.8	64.1%
Retirement	157.0	42.0	26.8%	133.2	36.3	27.3%
Group medical and general insurance	178.4	28.3	15.9%	180.0	36.2	20.1%
Unit linked single premium [1]	47.2	13.0	27.5%	17.8	10.2	57.3%
Group life	8.4	9.4	111.7%	10.6	11.7	110.4%
Total	**1,380.1**	**756.3**	**54.8%**	**1,172.0**	**667.6**	**57.0%**

(1) 2005 sales driven by Evolution, a new offshore single premium product in the broker market where AXA Hong Kong receives a marketing allowance

Asia (ex Hong Kong)
Encouraging momentum

Growth from both bank and agency channels





Notes:
(1) On constant currency basis at average exchange rates for the 12 months ended 31 December 2005, representing 100% of the businesses
(2) New business index = regular premium sales + 10% of single premium sales

- 70% of joint venture bank branches penetrated; aim to achieve 100% branch penetration within next two years
- Less than 1% of joint venture bank retail customers penetrated - significant growth potential

Asia (ex Hong Kong)
Expanded footprint in Asia

AXA ASIA PACIFIC
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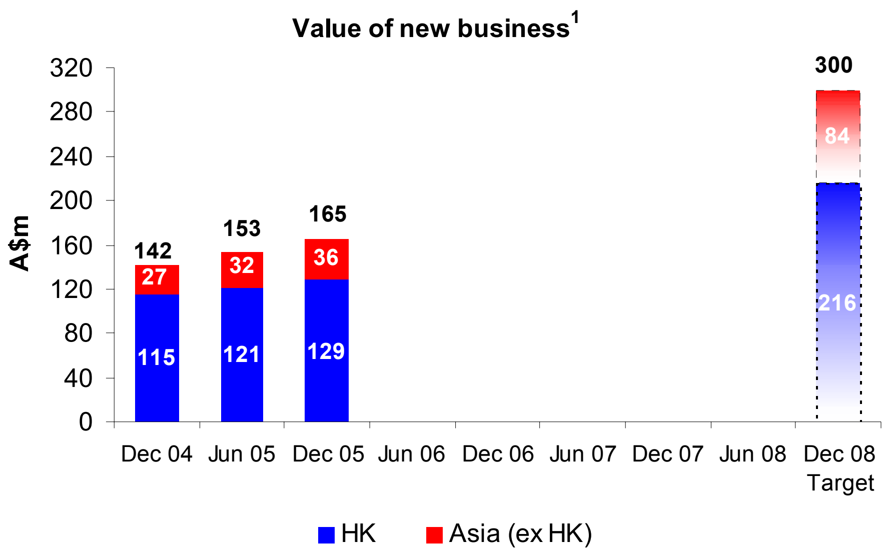
Plan to commence operations in India and Malaysia in mid-2006 (subject to regulatory approvals)

- **India**
  - JV agreement with Bharti Enterprises and exclusive distribution agreement with Bharti Televentures (customer base of 16.6 million)
  - Leverage AXA's salaried Adviser, Bancassurance, Agency and Product Blueprints
  - Finalising business plan, recruiting senior team
  - AXA APH expected capital commitment in the range of A$35m-A$65m over the first three years
- **Malaysia**
  - Entry via acquisition of life portfolio of Tahan Insurance and JV with Affin Holdings - AXA APH's share of purchase price is RM59m (approx. A$22m)
  - Business model will utilise AXA's Bancassurance, Agency and Product Blueprints
  - Leverage Affin's 106 branches
  - AXA APH expected capital commitment in the range of A$20m-A$35m over the first three years
  - Portfolio transfer, license grant and control of operations expected Q2 2006

Asia
Progress towards Asia 6 goals on track

Asia 1 - More than double the value of new business

Strong growth in VNB



- Strong sales growth
- Profit margins remain highly attractive

Looking forward

- Maintain focus on technical margins
  - investment margin
  - discontinuance rates
  - expense efficiencies

Hong Kong

- Develop wealth management

Asia (ex Hong Kong)

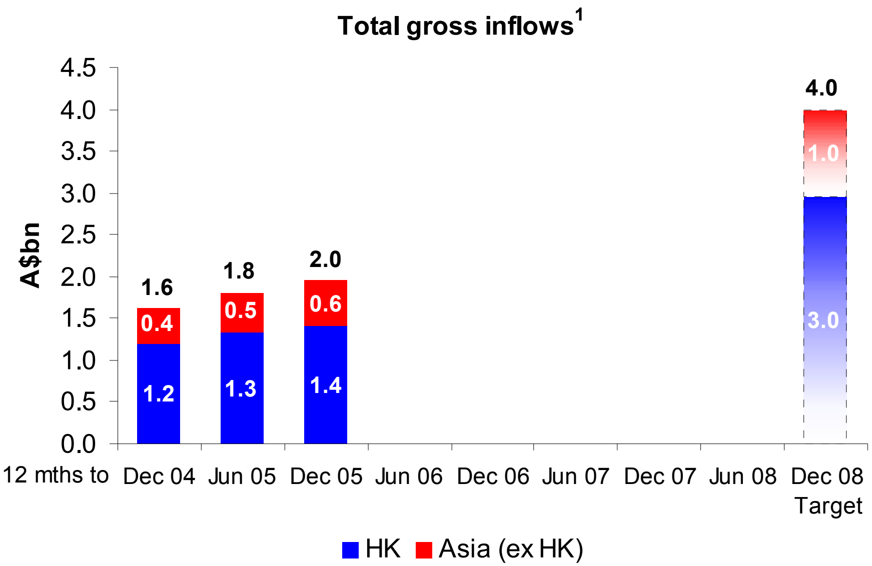
- Further grow bancassurance channels
- Launch new products based on successful Hong Kong products eg variant of ‘Dimensions’, ‘Maxx’, etc

(1) 100% share; constant exchange rates at 31 December 2004 and constant assumed risk discount rates (11% for HK, 11%-20% for Asia (ex HK))

Progress towards Asia 6 goals on track

Asia 2 - Grow total inflows 2.5 times

Solid growth in total gross inflows



- Strong sales into our Hong Kong multi-manager investment platform and our ‘Evolution’ product
- Strong unit linked single premiums from bancassurance operations

Looking forward

Hong Kong

- Position AXA as leading wealth management player
- Use multi-manager platform to secure product distribution agreements with banks
- Access larger share of the single premium market through new product launches
- Grow ipac Financial Planning
- Increase market share in corporate segment through multi-manager offer

Asia (ex Hong Kong)

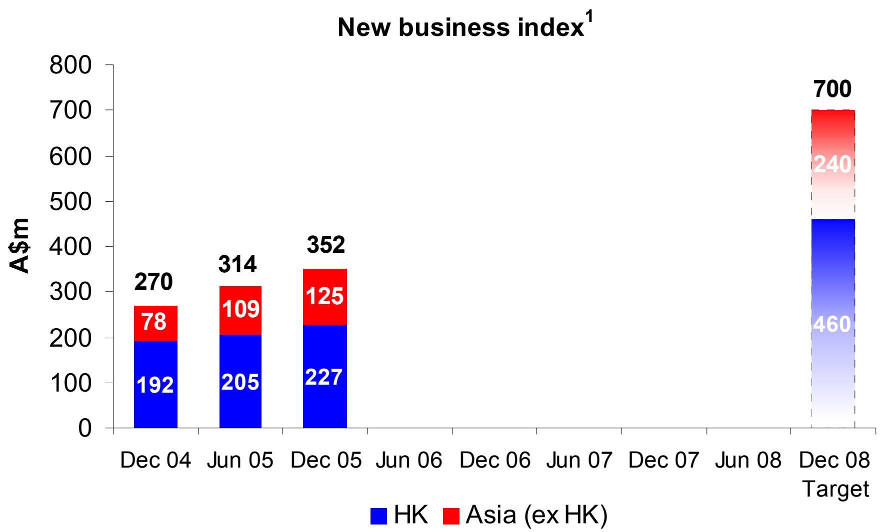
- Grow ipac Financial Planning
- Grow bancassurance sales

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

Progress towards Asia 6 goals on track

Asia 3 - Grow new business index 2.5 times

Strong growth in new business index



- Total life new business sales in Hong Kong continued to grow strongly, up 20.6%
- Very strong growth in Asia, up 59.3% with Thailand and Indonesia performing particularly well

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

Looking forward

Hong Kong

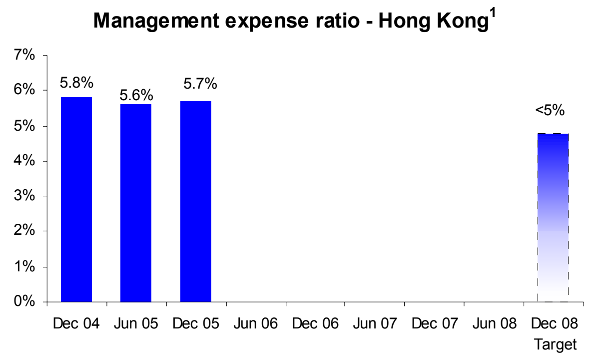
- Launch aligned distribution services offer to grow adviser numbers and sales capability
- Expand Financial Planning pilot for salaried advisers
- Develop and launch second generation investment linked products

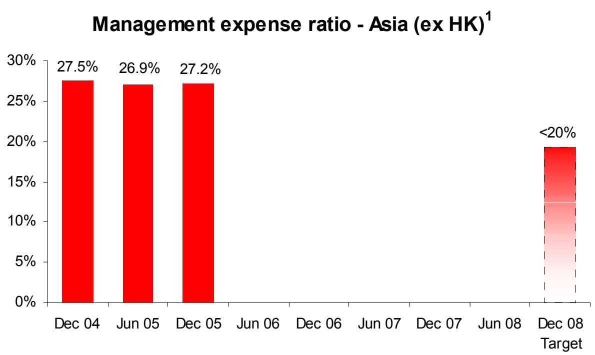
Asia (ex Hong Kong)

- Continue to roll-out enhanced Bancassurance Blueprint to all JV partners
- Expand group insurance product range in China
- Expand sales outlets in Guangdong province (China)

Asia 4 - Reduce management expense ratio

Management expense ratios lower





- Hong Kong MER includes initial development costs for multi-manager, wealth management and distribution projects

Looking forward

- Single Business Model (including product, platform, finance and distribution blueprints) now fully rolled out - will drive lower unit costs
- Achieve scale in Asia (ex Hong Kong) operations

(1) Rolling 12 months

Asia
Progress towards Asia 6 goals on track

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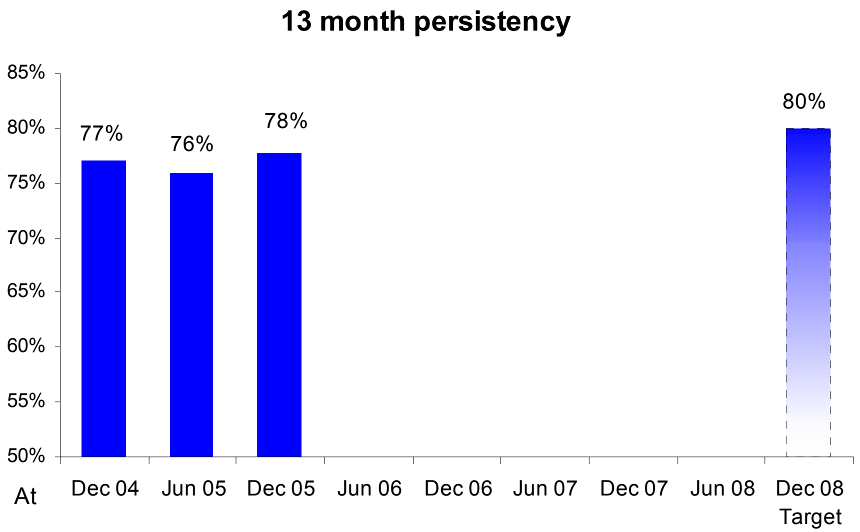
Asia 5 - Improve 13 month persistency ratio to 80%

Continued improvements in persistency



- Persistency better than pricing assumptions
- Key drivers for improvement have been the Hong Kong Agency Blueprint's compensation structure, together with successful retention programmes

Looking forward

Hong Kong

- Undertake further customer retention programmes

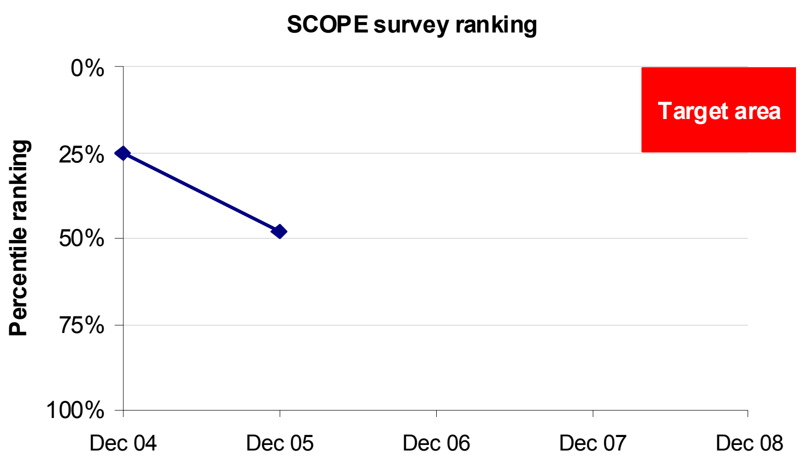
Asia (ex Hong Kong)

- Use Hong Kong's proven customer retention capability
- Increasing effect of Agency and Bancassurance Blueprints

Asia
Progress towards Asia 6 goals on track

Asia 6 - Achieve top quartile SCOPE score for staff

Result below target



- Absolute score consistent with 2004

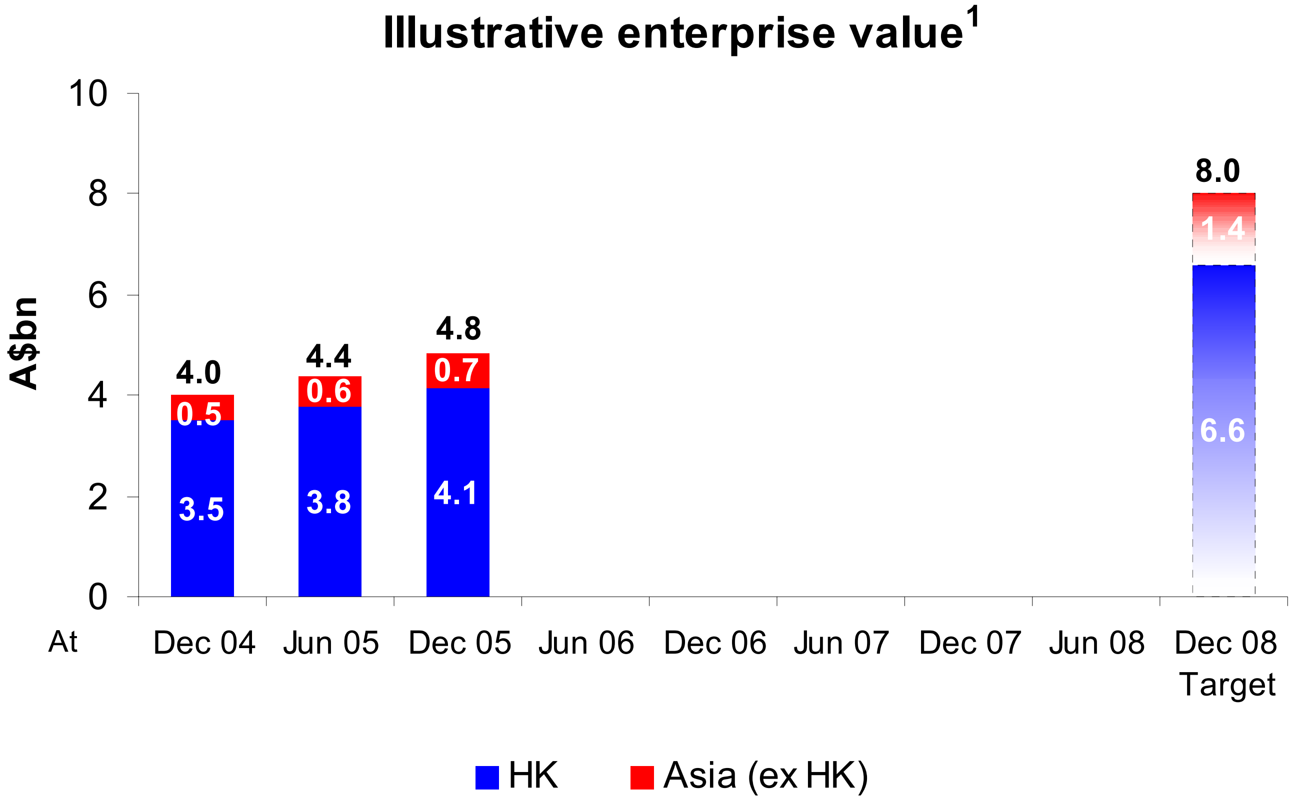
Looking forward

- Strengthening of senior management team now complete
- Roll-out successful Australasian leadership training courses

Asia
Progress towards Asia 6 goals on track

Overarching goal to double illustrative enterprise value to A$8.0bn

Illustrative enterprise value [1] up 20.7% over 2005 - on track



(1) *Illustrative - only for tracking progress; based on 100% share, constant assumed risk discount rates, equity return rates and VNB multiples, constant exchange rates at 31 December 2004*

THE AXA "Accelerated growth in Asia" PLAN.

AXA Asia Pacific Holdings Limited
Acquisition of MLC Hong Kong and MLC Indonesia

Les Owen, Group Chief Executive

AXA

Be Life Confident

Overview

ASIA PACIFIC

Be Life Confident

- AXA APH has reached agreement with National Australia Bank to acquire 100% of MLC Hong Kong and MLC Indonesia for A$575m [1]
- A strategically attractive growth opportunity consistent with 'accelerated growth' in Asia
- Hong Kong is a market we know well
  - AXA HK is already strongly positioned
  - life insurance margins are very attractive
  - Hong Kong has high savings ratios with further growth potential for life insurance, investment products and wealth management
- In Indonesia AXA has grown strongly over the last two years
  - MLC Indonesia increases our agent numbers from 600 to over 1,500
  - improves our market ranking
- EPS neutral in 2006 (before one-off integration costs) and accretive in 2007
- Significant potential value creation over next 2-3 years
- Acquisition to be funded through utilisation of existing excess capital resources

(1) Price assumes completion on 31 March 2006

Transaction summary

- Acquisition price — A$575m [1] in cash comprising:
  - MLC Hong Kong - A$555m
  - MLC Indonesia - A$20m
- Source of financing — Existing capital resources
- Gearing impact — Gearing ratio unchanged
- Expected completion — Q2 2006 (subject to regulatory approvals)

(1) Price assumes completion on 31 March 2006

Hong Kong
Financial and operational metrics

AXA ASIA PACIFIC
Be Life Confident

Strengthened market position and distribution reach

	AXA HK [1]	MLC HK [1]	Post acquisition
Operating + Investment Earnings [2]	A$291m	A$35m	A$326m
Inforce market share [3]	8.2%	1.8%	10.0%
New business market share [3]	5.9%	1.6%	7.5%
Value of new business [4]	A$133m [5]	A$14m [6]	A$147m
Total premium income [7]	A$1.4bn	A$0.2bn	A$1.6bn
Life new business index [7]	A$215m	A$36m	A$251m
Agent and adviser numbers	c2,400	c800	>3,000

(1) All AXA data for 12 months ended 31 December 2005 unless otherwise stated; all MLC Hong Kong data for 12 months ended 30 September 2005 unless otherwise stated (sourced from MLC Hong Kong)

(2) Actual historic earnings, pre-synergies, based on average HK$/A$ exchange rate of 5.91891 for the 12 months ended 31 December 2005

(3) Source - OCI doe 9 months ended 30 September 2005; regular premiums + 10% single premiums

(4) Based on HK$/A$ exchange rate of 5.68760 as at 31 December 2005

(5) Based on risk discount rate of 10.5%

(6) Incorporates MLC Hong Kong VNB based on risk discount rate of 12.0%

(7) Based on average HK$/A$ exchange rate of 5.91891 for the 12 months ended 31 December 2005

Hong Kong
Valuation and synergies

- The acquisition price of $555m is equivalent to:
  - 1.5 times embedded value as at 30 September 2005 [1]
  - a small premium over National Australia Bank's published [1] Appraisal Value as at 30 September 2005 allowing for roll forward
  - price earnings ratio of 15.9 times based on MLC Hong Kong actual 2005 earnings
- EPS neutral in 2006 (before one-off integration costs), and accretive in 2007
- Significant potential value upside over next 2-3 years
  - revenue and cost synergies
  - capital efficiency opportunities
  - valuation basis following successful integration

(1) National Australia Bank published basis as at 30 September 2005

Hong Kong
Integration strategy

- Plan to fully integrate staff and agency management structure with AXA HK
- MLC Hong Kong agency force will transition to AXA HK's terms and conditions and remuneration model
- MLC Hong Kong brand will continue to be used for a transitional period after which time we will move to a single AXA product range under the AXA brand
- Transitional arrangements have been put in place to maximise agent retention - funded by National Australia Bank

Indonesia
Financial and operational metrics

ASIA PACIFIC
Be Life Confident

Strengthened market position and distribution reach

	AXA LI [1]	AXA Mandiri [1]	MLC Indonesia [2]	Post acquisition
Inforce market share [3]	1.5%	5.7%	1.3%	8.5%
New business market share [3, 4]	1.1%	9.6%	1.3%	12.0%
Value of new business [5]	A$1m	A$10m	A$3m	A$14m
Total premium income [6]	A$37m	A$132m	A$38m	A$207m
Total new business [4]	A$13m	A$126m	A$22m	A$161m
Agent and adviser numbers	c600	c700	c1,000	>2,200

(1) 100% share

(2) All AXA data for 12 months ended 31 December 2005 unless otherwise stated; all MLC Indonesia data for 12 months ended 30 September 2005 unless otherwise stated (sourced from MLC Hong Kong)

(3) Source - DAI (Indonesian Insurance Association) for 9 months ended 30 September 2005; total new business premium including 100% of single premiums

(4) Regular premiums + 100% of single premiums (basis used in DAI reporting)

(5) Based on Rupiah/A$ of 7,218 as at 31 December 2005; excluding expense overruns

(6) Based on average Rupiah/A$ of 7,422 for the 12 months ended 31 December 2005

Summary

ASIA PACIFIC
Be Life Confident

- Another excellent set of results
- Significant momentum in Australia and New Zealand
- Asia growing very strongly
- Progressing well towards AXA 6 and Asia 6 aspirational goals
- Accelerating growth in Asia with the acquisition of MLC HK / Indonesia
- Very strong capital and financial position
- Everybody needs a plan - we plan to continue growing shareholder value

THE AXA
"Some more detail behind the numbers"
PLAN.

AXA Asia Pacific Holdings Limited

Appendix - Background information

Be Life Confident

AXA Asia Pacific Group
AGAAP / AIFRS profit & loss reconciliation

ASIA PACIFIC
Be Life Confident

(A$ million)

12 months to 31 December 2005	AGAAP	AIFRS	Variance
Australia & New Zealand	226.8	203.7	(23.1)
Hong Kong	163.6	170.9	7.3
Singapore	2.1	2.1	-
Operating Earnings	**392.5**	**376.7**	**(15.8)**
Investment Earnings			
- normalised	233.1	220.0	(32.6)
- investment experience - assets in excess of policy liabilities		(19.5)	
- assets backing policy liabilities	50.6	56.1	5.5
Investment Earnings	**283.7**	**256.6**	**(27.1)**
Corporate expenses	(59.3)	(73.0)	(13.7)
Interest expense - net debt	(52.6)	(52.6)	-
- derivatives	15.4	34.7	19.3
Profit after tax and before non-recurring items	**579.7**	**542.4**	**(37.3)**
Non-recurring items	-	-	-
Profit after tax and non-recurring items	**579.7**	**542.4**	**(37.3)**

Driven by higher reserving using risk free rate for financial protection business and a narrower definition of deferred acquisition costs, partially offset by higher normalised investment return

Higher normalised investment return on assets backing policy liabilities resulting from liability increases

Lower normalised investment return on assets in excess of policy liabilities following reallocation to Operating Earnings on higher assets backing higher liabilities

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

Recognition of the accounting charge relating to the executive share plan and the elimination of interest income previously recognised under AGAAP

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

AXA Asia Pacific Group
Illustrative value of inforce and new business - traditional / market consistent reconciliation

ASIA PACIFIC
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(A$ million) As at 31 December 2005 Value of inforce	Traditional EV [1]	MCV [2]	Change $
Australia & New Zealand			
- Financial protection	1,580	1,770	190
- Wealth management	1,384	1,550	166
- Time value of guarantees	-	8	(8)
Total A&NZ value of inforce	**2,964**	**3,312**	**348**
Hong Kong			
- Financial protection	1,929	3,011	1,082
- Wealth management	185	225	40
- Health	28	23	(5)
- Time value of guarantees	-	323	(323)
Total Hong Kong value of inforce	**2,142**	**2,936**	**794**
Asia (ex Hong Kong) [3]	76	76	-
Total Group (after 2005 transfers to net worth and on actual FX)	**5,182**	**6,324**	**1,142**

Value of new business	Traditional EV [1]	MCV	Change $
- Financial protection	22	48	26
- Wealth management	92	103	11
- Time value of guarantees	-	-	-
Total A&NZ value of inforce	**114**	**151**	**37**
Hong Kong			
- Financial protection	118	178	60
- Wealth management	10	19	10
- Health	5	7	2
- Time value of guarantees	-	(11)	(11)
Total Hong Kong value of inforce	**133**	**194**	**61**
Asia (ex Hong Kong) [3]	21	21	-
Total Group (on actual FX rates)	**268**	**366**	**98**

Cash flows are mostly independent of investment markets and financial risk. Largely unchanged cash flows are discounted at lower risk free rate

The impact of discounting at the risk free rate is partially offset by lower projected fees as assumed future investment earnings rates reduce to risk free rates

Traditional value techniques overstate the value of investment guarantees. Impact is large due to long duration of liabilities

Explicit reduction in value relating to the cost of investment guarantees. Higher this year due to flattening of the US bond yield curve

Future revenue flows increase in value as they are discounted at the risk free rate, while the value of up-front expenses remain unchanged

Explicit reduction relating to the cost of investment guarantees. The impact is not as significant as VIF as the higher guarantee book of business in Hong Kong is closed to new business

(1) Risk discount rate is 10.0% for Australia and New Zealand, and 10.5% for Hong Kong

(2) Techniques to assess cost of non-financial risk under MCV are still being developed. At this stage, no allowance for non-financial risk has been made in these MCV results

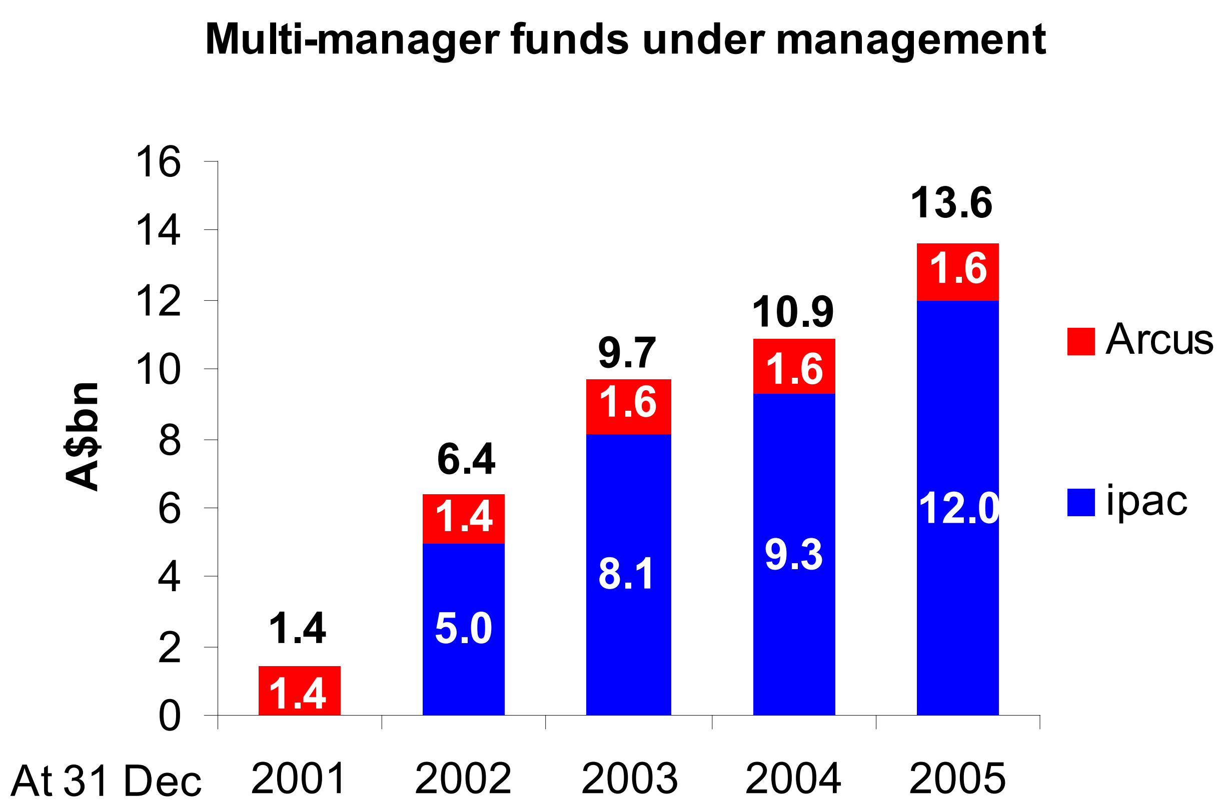
(3) Inforce value for Asia (ex HK) is shown before an allowance for expense overruns. This value has not been restated for MCV

Australia and New Zealand
New business / gross inflows

(A$ million) 12 months to 31 December	2005	2004	Change
Wealth management (gross inflows)			
Superannuation	2,810.4	2,402.5	17.0%
Retirement income	568.5	689.9	(17.6)%
Investment products	2,937.4	2,866.7	2.5%
Alliance Capital retail mandates	4,476.1	2,186.8	104.7%
Total retail flows	**10,792.4**	**8,145.9**	**32.5%**
Cash management trusts	86.6	81.3	6.5%
ACM wholesale mandates	7,706.7	4,017.9	91.8%
Total	**18,585.7**	**12,245.1**	**51.8%**
Included in the above:			
Platforms	2,916.5	2,361.1	23.5%
Advice	1,320.1	1,192.0	10.7%
Financial protection (new annual premiums)			
Individual life	54.1	48.4	11.8%
Individual income protection	25.8	22.5	14.7%
Group insurance	27.2	26.2	3.8%
Long term risk	3.0	3.2	(6.3)%
Total	**110.1**	**100.3**	**9.8%**

Australia and New Zealand
Asset management

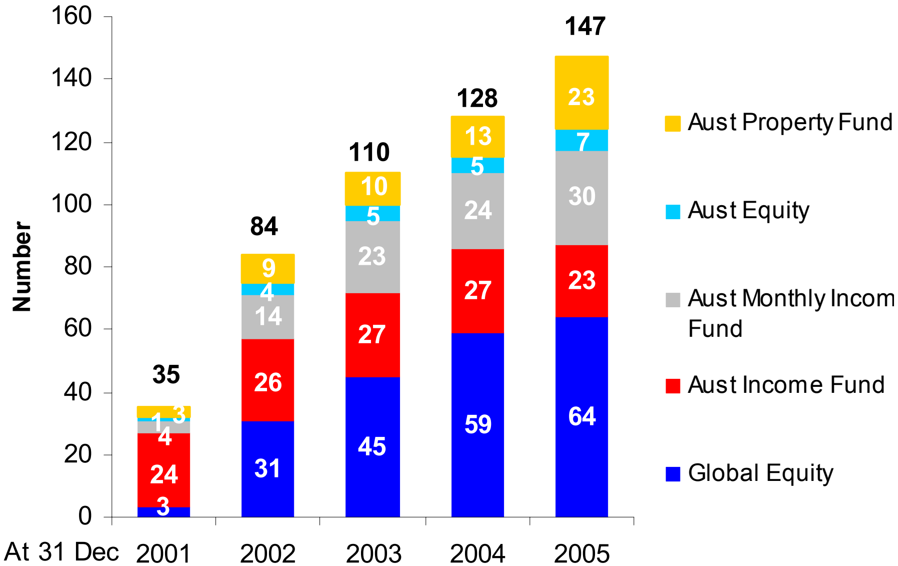
ipac multi-manager funds under management up 24.8% to $13.6bn



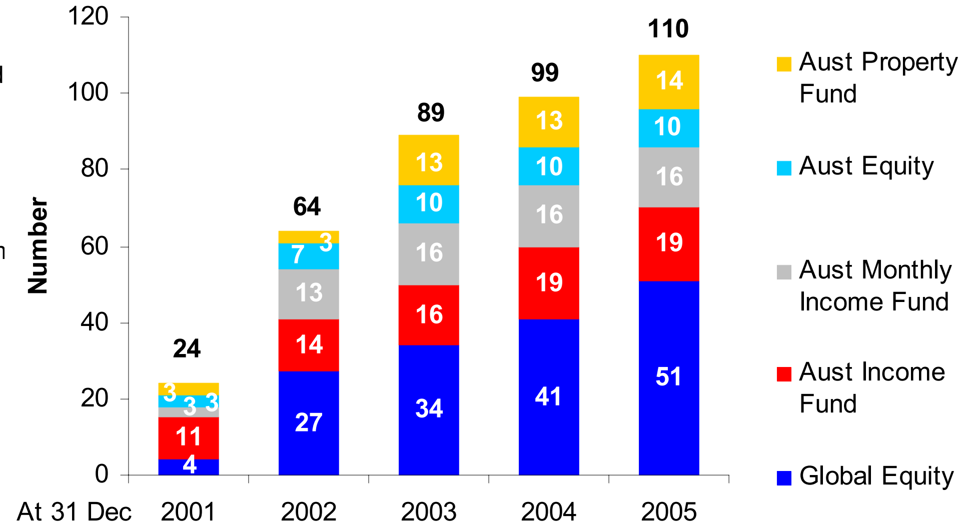
Australia
Products - Wealth management

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

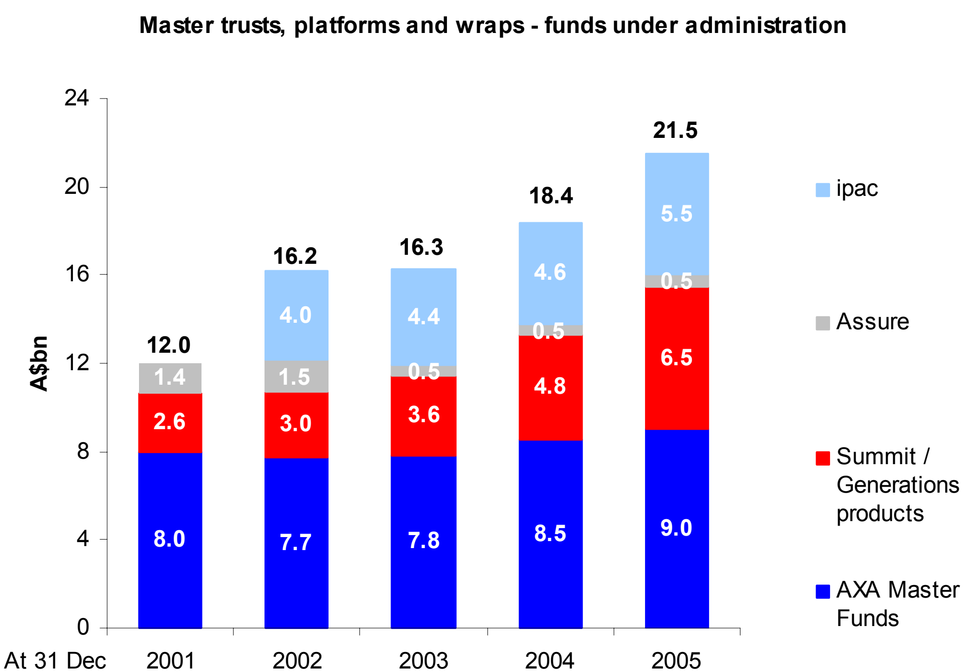
AXA managed fund entries in top 50 external dealer group product lists in Australia

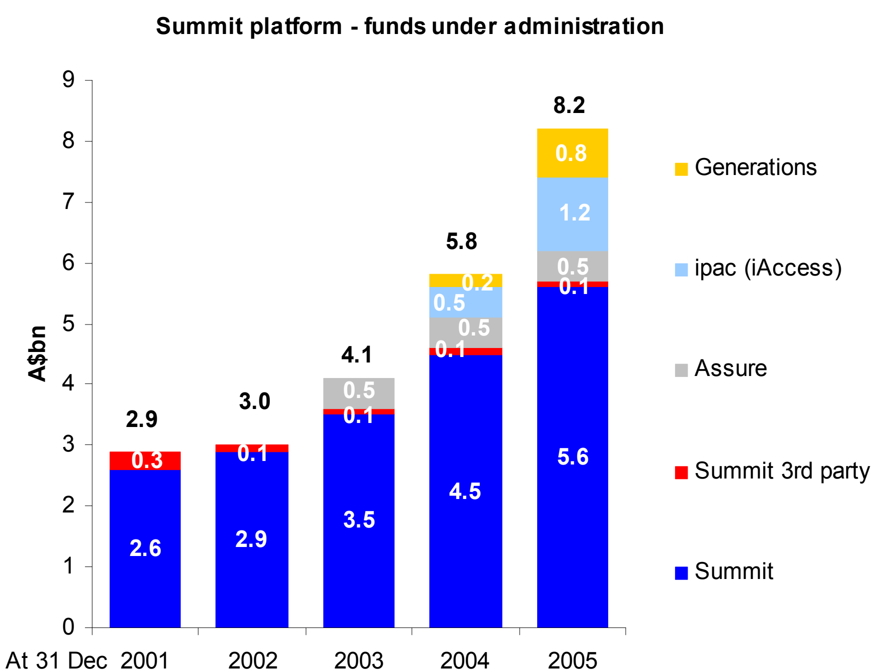


AXA managed fund entries in the top 10 external master trust product lists in Australia



Further growth in platform and Summit funds under administration with 38.1% of funds now on Summit (December 2004 – 31.5%)

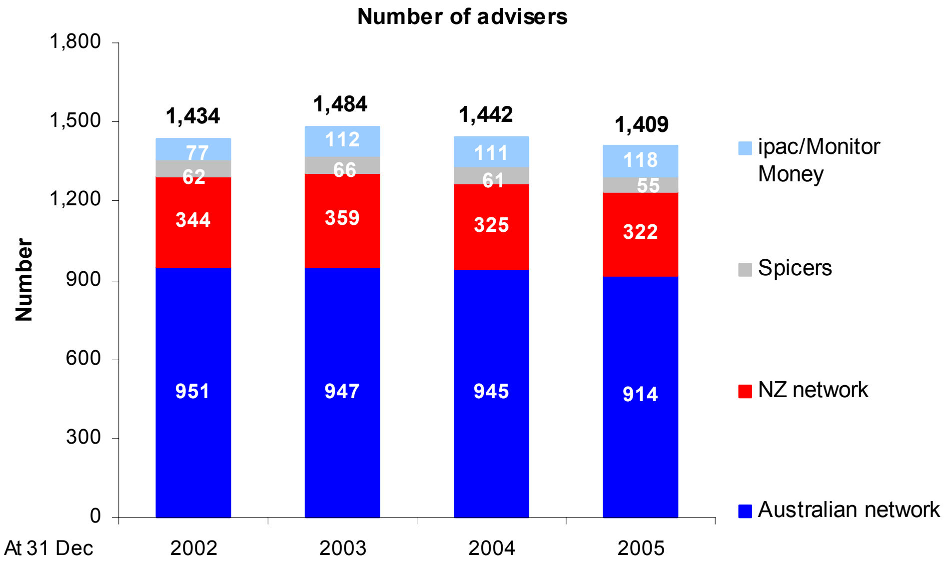




The total Summit funds under administration of $8.2bn differs to the chart 'Master trusts, platforms and wraps' showing Summit product as $6.5bn. This is due to $1.25bn of ipac funds and $0.5bn of Assure funds, which are administered on Summit, being shown as part of ipac and Assure respectively in the 'Master trusts, platforms and wraps' chart, rather than as part of Summit

Australia and New Zealand
Adviser services

Continued strong growth in productivity of AXA aligned advisers



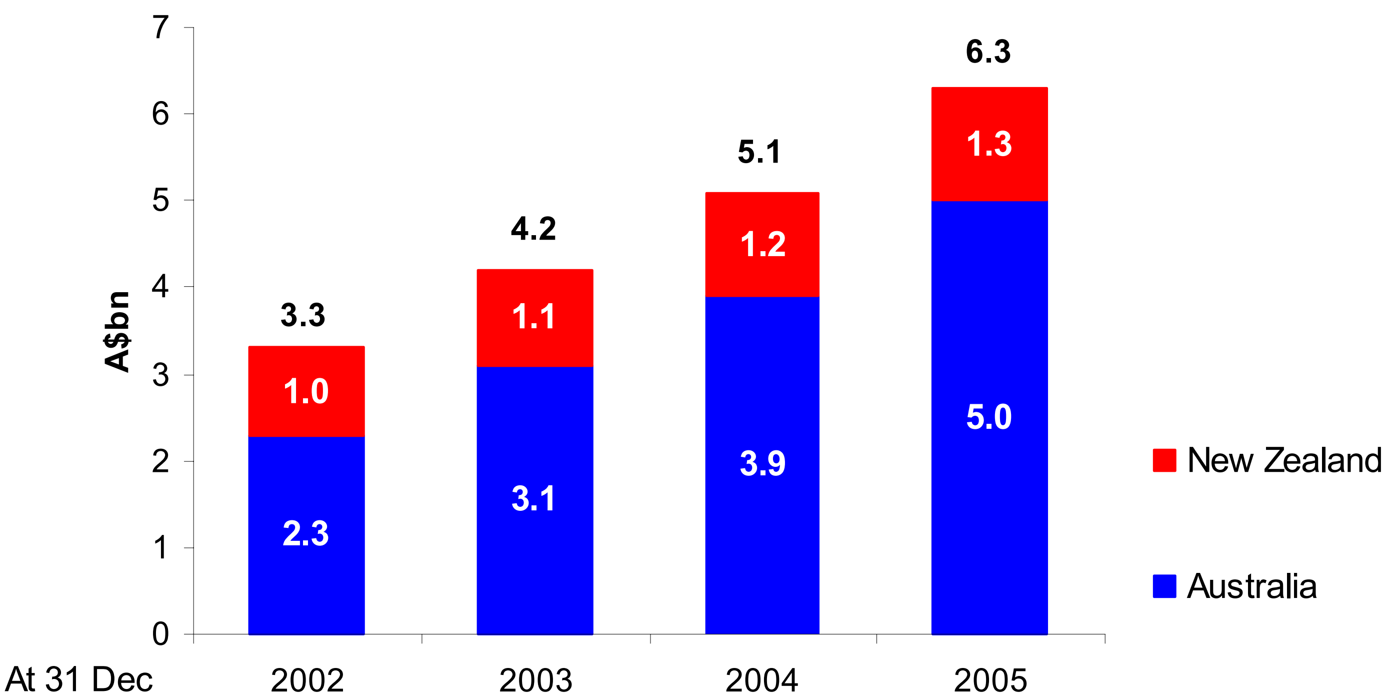
Note: Number of 'NZ network' advisers restated for 2004

(1) Excluding one-off transitions

- We are seeing the results of our strategy to improve the quality of our financial advice network

Australia and New Zealand
Advice

Funds under advice up 23.5% to $6.3bn



Hong Kong
New business

(HK$ million)

12 months to 31 December	2005	2004	Change
New regular premiums			
Individual life (non-linked)	663.4	592.2	12.0%
Individual life (unit linked)	322.0	234.3	37.4%
Total individual life	**985.4**	**826.5**	**19.2%**
Group retirement (incl MPF)	114.4	107.3	6.6%
Group risk	81.3	75.6	7.5%
Total	**1,181.1**	**1,009.4**	**17.0%**
Single premiums			
Individual life – incl unit linked	509.4	217.3	134.4%
Group retirement	425.2	258.6	64.4%
Total	**934.6**	**475.9**	**96.4%**
Total life new business index [1]	**1,274.6**	**1,057.0**	**20.6%**
General insurance [2]	105.5	115.0	(8.3)%

(1) New regular premiums plus 10% single premiums

(2) Gross written premium

Hong Kong
Maximise value of existing distribution channels

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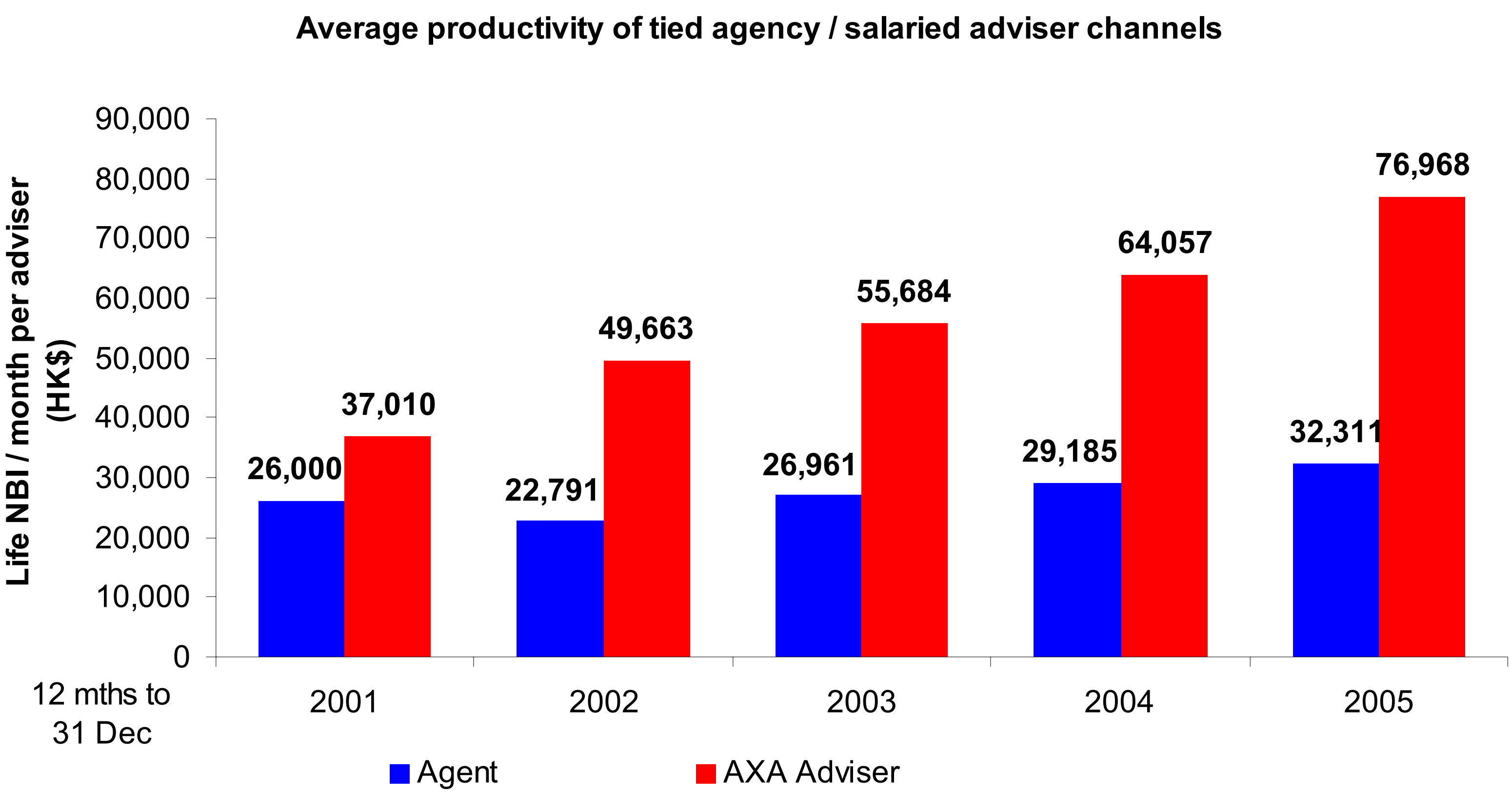
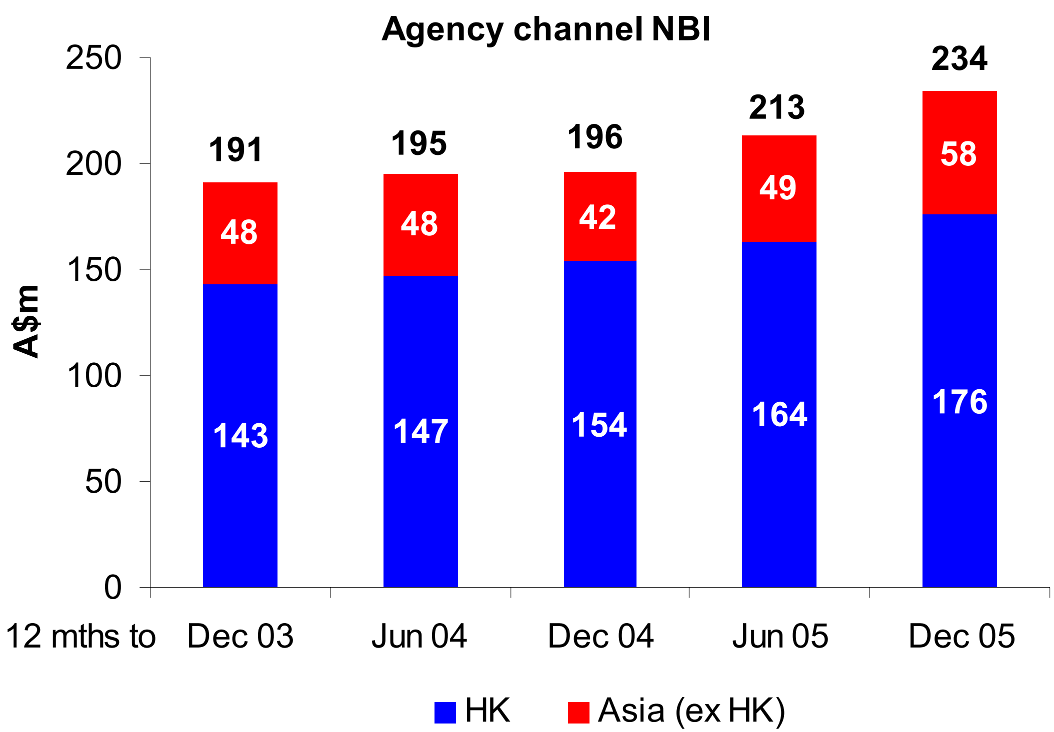
Further improvement in agent and AXA Adviser productivity



- 47% of advisers managed by salaried managers
- Total adviser numbers of 2,441, broadly in line with December 2004

Asia
Maximise value of existing channels

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

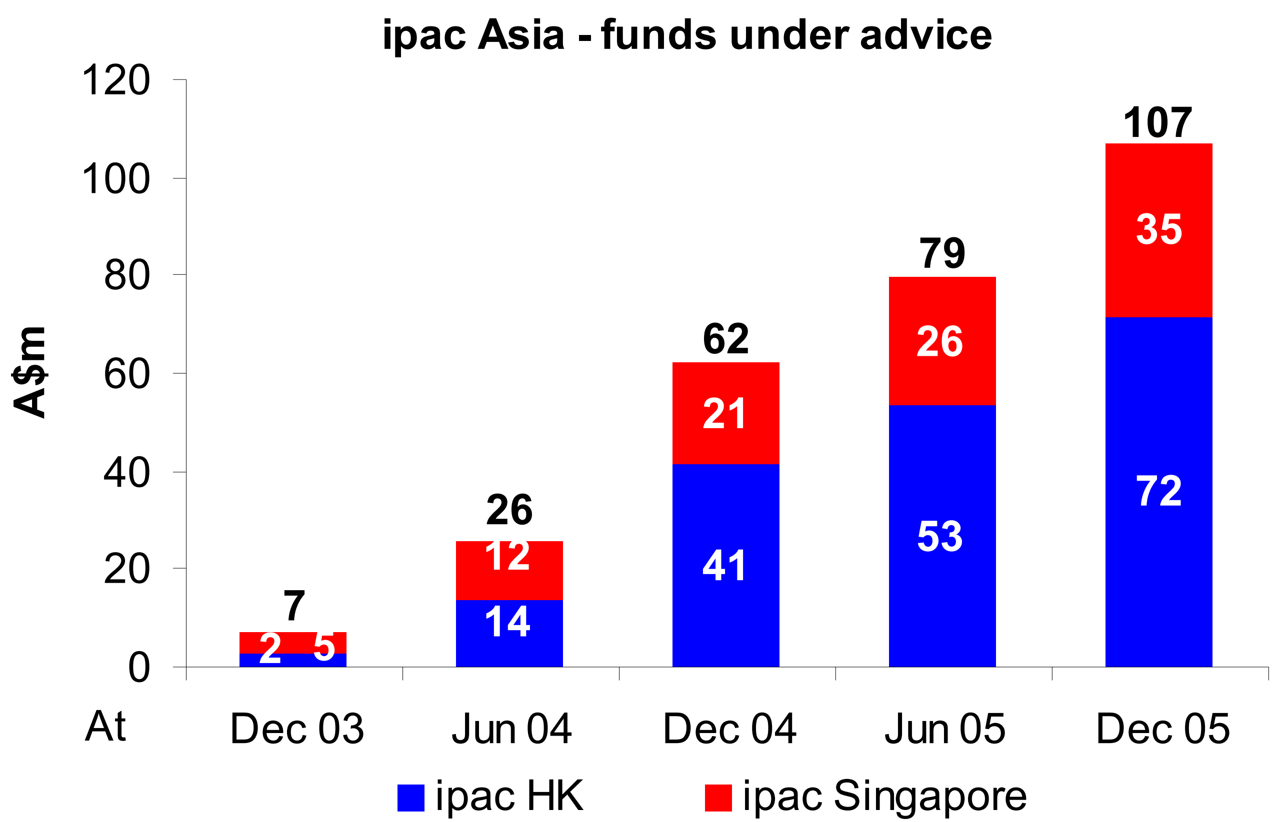


- Agency Blueprint implemented in all operations during 2004
- Agency premium productivity in Asia (ex HK) up 38.1% whilst average agent numbers down 3.8%

Note: 100% of joint venture operations, based on constant currency average exchange rates for the 12 months ended 31 December 2005

Asia
Gain significance in wealth management market

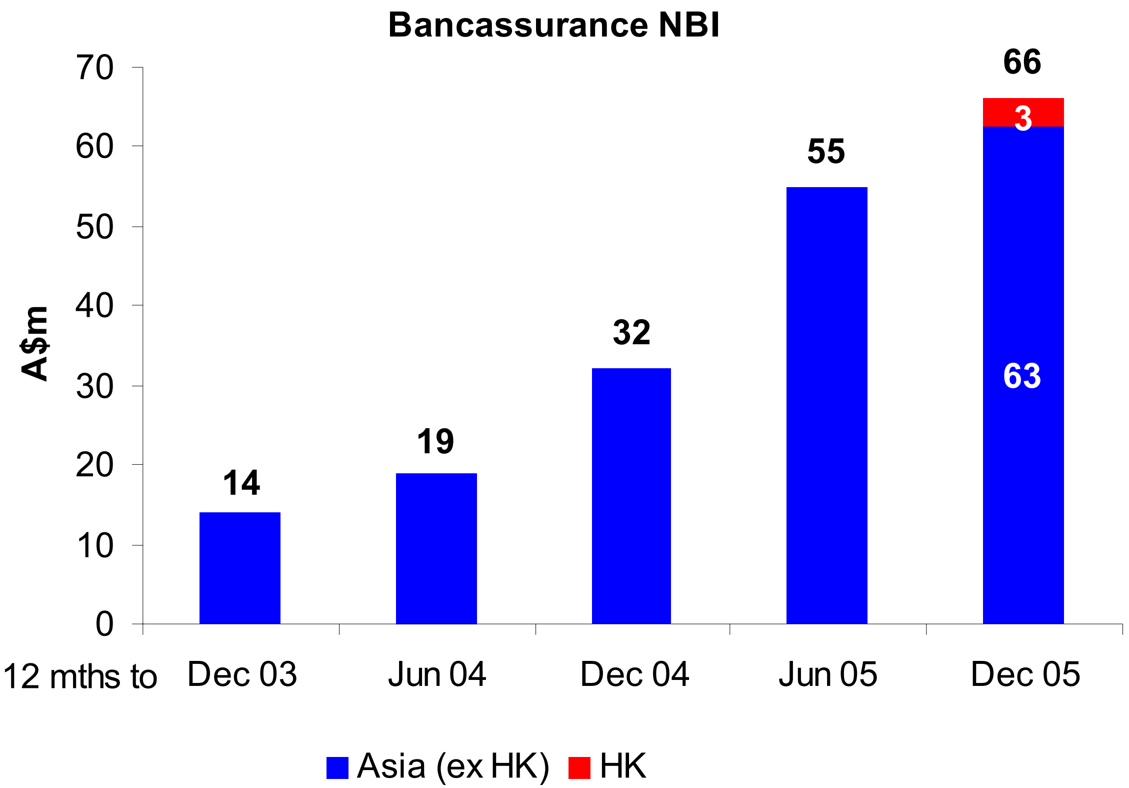
ipac Asia funds under advice up 35.4% to A$107m



Note: Based on constant currency exchange rates at 31 December 2005

Asia
Maximise value of bancassurance distribution

Bancassurance growth accelerating



- Now operating in 1,410 bank branches across South East Asia (31 Dec 2004 – 1,267)
- AXA Mandiri success in achieving number 2 market share in Indonesia after 2 years of operation

Note: 100% of joint venture operations, based on constant currency average exchange rates for the 12 months ended 31 December 2005

Asia (ex Hong Kong)
New business

ASIA PACIFIC
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(million)

12 months to 31 December	2005	2004	Change
Thailand (Baht)	1,100.0	541.4	103.2%
Indonesia (Rupiah)	308,090.0	158,619.4	94.2%
Singapore (Sing$)	29.6	23.1	28.1%
China (Rmb)	47.0	39.9	17.8%
Philippines (Peso)	720.5	633.9	11.0%
Total (A$) [2]	**125.5**	**78.8**	**59.3%**

(1) New regular premiums plus 10% single premiums
(2) On constant currency basis at average exchange rates over the period, representing 100% share of the businesses

Disclaimer

The material in this presentation is a summary of the results of the AXA APH Group for the 12 months ended 31 December 2005 and an update on Group activities and is current at the date of preparation, 21 February 2006. Further details are provided in the Company's full year accounts, Investor Compendium and results announcement released on 21 February 2006. This presentation provides information in summary form and is not intended to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. Further information including historical results and a description of the activities of the Group is available on our website, www.axaasiapacific.com.au.

THE AXA "Doing the right things right produces results" PLAN.

AXA Asia Pacific Holdings Limited
Results for the 12 months ended 31 December 2005

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

AXA Asia Pacific Holdings Limited 2005
Full Year Results Speech
21 February 2006

Highlights

Good morning everybody and welcome to the presentation of our results for the 12 months ended 31 December 2005.

I am pleased to say that we have delivered another very good set of results continuing the momentum we have built up in recent years.

➔

I will start with a brief overview, Geoff Roberts will take you through the results in a little more detail, and I will finish with a review of our activities and prospects and give you more background on the acquisition of MLC Hong Kong and Indonesia that we announced yesterday.

➔

Firstly the Group highlights

We have delivered strong growth in Operating Earnings which were up 23.1% to $376.7 million.

Within this, Operating Earnings in Australia and New Zealand increased by 42.3% to $203.7 million, and in Hong Kong were up 7% to $170.9 million.

In local currency the Hong Kong Operating Earnings were up 10.3% to just over HK$1 billion.

Group Investment Earnings were up 11% to $256.6 million and total profit after tax and before non-recurring items was up 18.1% to $542.4 million.

Helped by increases in net fund flows and strong investment market performance, Group funds under management, administration and advice were up 31.6% to $80.6 billion.

And of course we announced yesterday the acquisition of MLC Hong Kong and Indonesia for $575 million supporting our strategy of accelerated growth in Asia.

➔

In Australia and New Zealand, all our major business lines delivered exceptional growth in Operating Earnings. Wealth management products and platforms were up 47.5%, advice businesses were up 69.7% and financial protection was up 26.6%.

As reported to the market last month, there has been very strong growth in net retail fund flows which were up 71.7% to just over $5 billion.

The value of new business, based on a risk discount rate equal to the assumed long term equity return rate, was up 27.8% to $113.6 million.

Funds under management, administration and advice were up 34% to $70.3 billion, and funds under advice were up 22.5% to $6.3 billion.

Overall we are continuing to progress well towards our AXA 6 goals.

➔

In Hong Kong we delivered solid growth with financial protection and wealth management Operating Earnings both up 11% and group medical and general insurance up 45.1%.

Total life new business index was up 20.6% to HK$1.27 billion and the value of new business using a risk discount rate equal to the assumed long term equity rate was up 13.3% to HK$756.3 million.

Funds under management were up 11.4% over the year to HK$49.9 billion.

We have made a good start towards achieving the Hong Kong 6 goals.

➔

Finally the highlights for the rest of the Asian region.

We have seen continuing strong growth in most of our operations. New business index was up 59.3% to A$125.5 million and the value of new business was up 31% to A$37.5 million. Total premium income was up 42.1% to A$622.7 million.

Funds under management were up 20% to A$1.8 billion.

A few months ago we announced our entry into India and Malaysia and we are on track to commence operations around the middle of 2006 subject to regulatory approval.

Overall a good start towards meeting our Asia 6 goals.

➔

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

➔

Thanks Les and good morning.

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

Operating earnings are up 23.1% to $376.7m.

Operating earnings increased by 42.3% in Australia and New Zealand to $203.7m and by 7% in Hong Kong to $170.9m. On a local currency basis, earnings in Hong Kong increased by 10%. A very good performance from both of our major businesses.

Investment earnings were strong, up 11% to $256.6m.

Corporate expenses have increased by 37.5% to $73m. This is due to our continued investment in the future growth in Asia. Our regional blueprint platform rollout and our developing ipac and wealth management businesses in Asia are evidence of this investment.

Interest expense on our $US denominated debt reduced by 28.4% to $17.9m. This improvement is mainly due to favourable interest rate differentials and market gains on our cross currency swaps.

Total profit after tax but before non-recurring items is $542.4m, a very solid 18.1% growth on last year.

➔

The Board has declared a final dividend for 2005 of 7.75 cents per share, up 19.2% on the final dividend for 2004.

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

This brings the total dividend to 14.0 cents per share, up 19.1% for the year.

➔

Earnings per share before non-recurring items is 31.1 cents, up 18.0% from 26.4 cents in 2004.

Return on equity is 16.3%, up 90 basis points.

Both earnings per share and return on equity are affected by investment earnings, which can be volatile. Therefore, using a normalised investment earnings measure provides a more realistic trend of performance.

When we include normalised investment earnings in the calculation, earnings per share would be up 14% to 29 cents and return on equity up 40 basis points to 15.3%.

➔

Over the course of the year, our capital position further strengthened. Total capital resources at 31 December 2005 are $4.81bn.

Since December 2004, our debt to equity ratio has reduced from 46% to 36%. Debt has decreased primarily due to a repayment of senior debt. Equity has increased due to the retention of profits in excess of dividends.

Although our target gearing range is to maintain debt to equity within a range of 40-50%, our current gearing position and capital strength provide us with the flexibility to pursue attractive growth opportunities.

➔

A breakdown of our capital position of $4.81bn is shown in the pie chart.

Total regulatory capital requirement at 31 December 2005 is $2.03bn, representing $884m of solvency requirements and $1.146bn of capital adequacy requirements.

In addition to this regulatory capital, $1.235bn of our capital resources represents purchased goodwill.

Target surplus has decreased by $100m to $535m at 31 December 2005. This decrease is recognition of the significant reserves built up from strong investment markets and the benefits of diversification away from products offering guarantees.

The excess capital over target surplus is $876m. This increase reflects profits less dividends. It also reflects capital efficiency initiatives that have reduced required regulatory capital.

We are very pleased to announce that $575m of this $876m will be used to acquire 100% of MLC Hong Kong and MLC Indonesia. Our investment of this excess capital in the high growth markets of Hong Kong, where we have 20 years' experience, and Indonesia, is consistent with our strategy of accelerating growth in Asia. Les will speak more about this later.

In summary, at 31 December 2005 we are holding $1.411bn above regulatory capital requirements, a very strong position.

➔

Turning now to our illustrative value numbers.

Illustrative enterprise value represents the value of inforce plus a multiple applied to the value of one year's new business, plus group net worth, less debt and corporate expenses. The increase in inforce value and the increase in the value of new business are the most meaningful measures of shareholder value creation.

We are continuing to provide illustrative values using a range of discount rates. For the purpose of these slides, we have focused on discount rates equal to local equity returns. The move to a lower discount rate reflects the fact that the cost of guarantees included in our market consistent value results is lower than what was implied in the higher discount rate used in the traditional value basis.

Total illustrative inforce value using discount rates of 10% for Australia and New Zealand and 10.5% for Hong Kong, before distributions to group net worth, has increased by 23.1% over the year, or 19.4% on a constant currency basis.

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

- strong investment experience on assets backing the inforce portfolio
- strong expense control through lower unit costs, and
- profitable new business written during the year

As you can see, this represents very strong growth in value of inforce.

➔

Value of new business represents the value created from new business written during 2005.

Our Group value of new business using equity return discount rates of 10% for Australia and New Zealand and 10.5% for Hong Kong is up 25.6% or 21.0% at constant exchange rates.

Our Australia and New Zealand business is up 27.8% primarily due to strong growth in our platform inflows and very strong growth in our Alliance retail and wholesale inflows.

Our Hong Kong business is up 13.3% reflecting increased sales volumes across most business lines, with our life new business index increasing by

21%. The growth rate was highest for single premium business, which offers attractive profit margins, but has lower margins than the regular premium traditional products.

Our other Asian businesses have grown 40.1% mainly due to strong sales growth in Indonesia and Thailand.

➔

As we said to the market on 9 December 2005 when we released our 2004 market consistent value results, market consistent values provide useful additional information and overcome a number of disadvantages in traditional valuations.

Specifically, they value future cashflows on a basis consistent with the market, removing from value for example, any future risk premiums for equity holdings and they explicitly value investment guarantees.

This market consistent value increase completes the picture. It is clear that whatever measure of performance we use: operating earnings, traditional value or market consistent value, we have had a very strong performance.

On an actual exchange rate basis, the market consistent value of inforce, before transfers to net worth, increased by 22.9% and value of new business increased by 32.7%.

These market consistent values are, by their nature, more volatile as their values move with the market.

However these values presented above do not include a deduction for non-financial risk as market practice in this area is still evolving. This needs to be taken into account when using these value results.

➔

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

Encouragingly, we saw growth in profit from most major product groups.

Wealth management products grew 47.5% to $95.6m, due to positive net funds flow which increased fees from funds under management. In addition, this year there was no requirement to strengthen annuitant mortality assumptions.

Advice grew 69.7% to $35.3m due to a combination of positive net funds flow and the continued strength of Australian equity markets. This has combined to increase funds under management and advice, and generate additional fee revenue.

Financial protection grew 26.6% to $72.8m driven in part by improved claims experience on our group life business.

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

Investment earnings have increased by 9.8% due to strong international equity returns, when viewed from an Australian dollar perspective, and movements in bond rates used to value certain products.

➔

We are progressing well on our Australia and New Zealand AXA 1 goal of doubling the value of new business. Using the 10% equity return discount rate the value of new business has increased by 27.8% over the year from $89m to $114m.

Our wealth management business has grown by 26%, driven by strong flows into both our platform and multi-manager businesses, together with strong retail and institutional flows into our Alliance Capital joint venture.

The value of new business for financial protection has grown by 37%. This demonstrates that improvements made to our financial protection products are gaining traction in the market.

In both parts of our business, the benefit of increasing scale has reduced our unit costs and assisted an improvement in value.

➔

Now turning to Hong Kong.

Underlying our result is a 10.3% improvement in Operating Earnings to HK$1,012.1m.

Growth in financial protection and wealth management was primarily driven by an increase in the size of these portfolios.

Two offsetting factors also affected financial protection profit. We increased the investment margin spread from 1% to 1.25% from 1 July to reflect our confidence in achieving the investment spread going forward. This increased earnings in the period by HK$32m. Offsetting this was unfavourable mortality experience of HK$38m due to the severe and sustained winter in 2005.

This 10.3% operating earnings growth was achieved even after allowance for an increased HK$18m development spend on our wealth management initiatives.

These initiatives include the expansion of the distribution network and multi-manager platform development. Excluding this, operating earnings growth would have been 12%.

Investment earnings in 2005 were strong at HK$709.8m, up 20.3% on the prior year. The major reason for this increase was the increase in the bond rates. Although this increase in bond rates decreases asset values and therefore investment earnings on assets in excess of policy liabilities, it has the opposite effect on assets backing policy liabilities. This is because these bond rates are used to discount some policy liabilities thereby reducing liabilities by more than the corresponding fall in supporting assets. This increases net earnings. The opposite effect occurred in 2004.

➔

Using the assumed equity return discount rate of 10.5%, the value of new business in Hong Kong is up 13.3% to HK$756m.

Consistent with our strategies and targets in Asia 6, our value of new business has increased at a slightly slower rate than sales due to a change in product mix to a greater proportion of wealth management products. Although wealth management products are lower margin, wealth management is a new market for us in Hong Kong. It is not a substitute for higher margin traditional business.

➔

As I mentioned a few slides earlier, with effect from 1 July, we have increased the investment margin in Hong Kong on our NL Series from 1% to 1.25%.

The background to this increase relates to asset share deficits that previously existed on our NL series of products. These deficits occurred as a result of the equity crash in 2001 when investment earnings were lower than guaranteed crediting rates.

Since this time, through careful and active management of our crediting rates, we have more than recovered these asset share deficits.

Asset shares now exceed policyholder account balances and we remain confident in our assumption that we will on average achieve our normalised investment return of 6.5% going forward.

At the same time, our market consistent valuation development has provided additional information on the potential cost of NL investment guarantees.

After considering the asset share surplus position, the investment spread currently being achieved, and crediting rates to provide appropriate returns to policyholders, we have concluded that a spread of 1.25% is an appropriate and achievable long term margin.

The financial impacts of this increase in investment margin, which vary due to the different discount rates used, are:

- an increase in operating earnings of A$5m for the half year from 1 July
- an increase in the traditional enterprise value of $67m and
- a net increase in the market consistent value of $123m

➔

In respect to our other Asian businesses, there has been an increased focus on leveraging our 20 years' experience in Hong Kong by implementing regional blueprints across Asia. These blueprints, which include product approval and development (with a focus on unit linked products), agency remuneration, bancassurance and risk management enables us to achieve sustainable and controlled growth across the region.

This, combined with the strong growth in all countries and, in particular, Thailand and Indonesia, has led to the value of new business increasing by 31.3% to $37.5m over the year on a constant currency basis.

AXA's group share of this new business value at current rates is $20.6m representing 8% of the Group's total value of new business.

➔

So, in summary, we have had strong growth in Operating Earnings in Australia, New Zealand and Hong Kong.

We have also continued our very strong growth in value of new business and value of inforce in these markets, whether it be on a traditional or market consistent value basis.

Group funds under management and administration have grown 31.6% to $80.6bn.

At the same time as strengthening our operating performance and value, our capital position has strengthened further.

We have also increased our final dividend and our full year dividend by 19.2% and 19.1% respectively.

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

Review of activities

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

➔

I believe that our results clearly demonstrate a continuation of the encouraging momentum that we have seen over the last 2 years.

In wealth management, funds under management and administration were up 34% to A$70.3 billion. Within this AllianceBernstein and AXA managed funds grew 39% to A$51.8 billion and funds under advice and management at ipac grew 29% to A$12 billion.

➔

2005 saw very strong growth in net retail funds flows which were up 71.7% to just over A$5 billion.

AllianceBernstein net inflows more than doubled as did the inflows into our highly rated Global Equity Value Fund to nearly A$600 million.

We also saw continued strong inflows into our platform products – AXA Generations and Summit.

There was a decrease in overall net funds flow for ipac, Assure and Spicers although this was largely due to net outflows from non-core third party channels.

➔

Clearly the outstanding investment performance across most of our portfolios has been a key driver behind this growth.

All our core equity products were in the top quartile for performance in 2005 and six out of the seven core products were in the top two quartiles.

Both AXA and AllianceBernstein received a number of awards and the excellent performance from both of our Australian equity products gives us confidence that we will see strong growth in sales in 2006. The Australian Equity Value Fund is already rated A by Van Eyk and we expect the Australian Equities Growth Fund to be rated by the third quarter.

➔

I am pleased to say that the signs of increasing momentum in financial protection that we saw towards the end of 2004, and in the first half of last year, have continued and, indeed, strengthened in the second half.

Individual financial protection new business was up 12.7% to A$79.9 million. However, within this, new business from brand new policy sales was up strongly by 26.4% to A$23 million following our campaign earlier in the year to target the over 45 market, and product improvements made in July. I am confident that we will continue to see above market growth in new financial protection business in 2006.

➔

One of the major changes in the Australian market in 2005 was the introduction of superannuation Choice in July. The impact has, as we forecast last year, been quite limited. As far as AXA is concerned you can see that under our business super, there was a spike in discontinuances immediately following the introduction of Choice, but it quickly returned to normal or better than normal levels by the end of the year. This temporary increase in discontinuance is equivalent to around 2% of our business super funds under administration. Our view is that there was a small proportion of super fund members who were waiting for the legislation in order to exercise Choice and that they did this quickly. We do not expect to see any significant further impact over the short to medium term. Indeed 37% of our business super outflows due to discontinuance were retained as inflows into our personal super products.

Overall in 2005 superannuation net flows were up 16.8% to $857 million.

➔

New Zealand has been a difficult market for the last 2 or 3 years following the crash in global equity markets.

However the market dynamics are improving and this is, I think, positive for us in view of our strong position in New Zealand. The proposed changes to the savings and tax regimes are expected to be enacted in 2007 and this will lead to equalisation of the tax treatment of pooled and mutual funds with that of direct investments. We expect this to create renewed growth in retail funds flows.

The Government is also introducing the Kiwi Saver Scheme which will involve automatic employee enrolment in retirement savings plans and we believe that this will lead to an increase in savings ratios in New Zealand.

As you are aware we have recently completed the purchase of the investment management operations of the Bank of New Zealand. This positions AXA as the clear market leader in retail wealth management and gives us a significant increase in scale. This increases our funds under management have increased by NZ$2.5 billion to NZ$8.4 billion.

We are well under way with our integration plans and are transitioning a number of Bank of New Zealand funds on to our platform.

The acquisition gives us strengthened distribution – 40,000 new wealth management clients and access to over 180 branches through thirty advisers.

Funds under advice in Spicers have been flat over the last 2 years but we are implementing the ipac finder/minder model in 2006 and we are hopeful that this will help us return to growth.

➔

So what progress have we made in 2005 towards reaching our AXA6 goals. Well I am pleased to say that we remain on track.

Firstly AXA1 – to double the value of new business
Just to remind you that to ensure we track progress on a like for like basis the value of new business used in AXA1 is calculated on an 11% discount rate rather than on the 10% used elsewhere in these slides. As you can see we are well on track due to strong growth in platforms and investment management, particularly in the second half of the year, and improvements in our cost to income ratio.

Looking forward, growth in the value of new business will come from increased Generations and Summit sales leveraging the very strong AllianceBernstein and ipac multi manager investment performance that I talked about earlier.

We are in the process of rolling out AXcess, our recently launched self managed super fund, and I believe that we can grow market share by offering professional, integrated services in what is a very fragmented market.

There are clear opportunities to grow superannuation sales following removal of the surcharge last year and AXA's business super plan is triple A rated by Rainmaker.

We have seen encouraging improvements in profitability in group life in 2005 and we believe that we can continue this through targeting clearly defined, profitable segments.

We will be making more product enhancements to individual financial protection and I expect further growth, on a profitable basis in 2006. And we have the opportunity to grow sales through our Bank of New Zealand distribution agreement.

➔

AXA2 – to be consistently in the top 5 for net fund flows

We had a very good year in 2005 and the Plan for Life data showed us third for overall net fund flows, ninth for net retail flows and second for wholesale unitised fund flows.

Overall we were ranked fourth by Standard & Poors.

Looking forward we have a tremendous opportunity to leverage the outstanding investment performance currently being delivered by AllianceBernstein and ipac. Although we are now the largest Australasian manager of global equities, we have further growth opportunities, particularly through retail channels. We are starting to see traction in Australian equity sales and are targeting strong growth in 2006.

There are also new fund opportunities. For example we are launching an AXA Rosenberg core global equities product later this year.

I have already mentioned the rollout of AXcess and this should generate additional fund flows into Summit and into AXA managed funds.

Overall encouraging progress towards AXA2.

➔

AXA3 – to double funds under advice

As you can see we are on target here assisted by strong equity market growth in 2005.

Looking forward we will complete the acquisition of the remaining 67% of Tynan McKenzie in the second half of the year. This will bring an additional A$0.6 billion of funds advised by Tynan McKenzie which are not in ipac multi manager products.

We have a number of initiatives within ipac financial planning including developing our corporate lead generation programme. We have a number of further equity partner acquisitions targeted and in New Zealand we are looking to return Spicers to growth through a combination of improved market dynamics and implementation of the “finder/ minder” model.

➔

Now AXA4 – to reduce our cost to income ratio by one third.

Again, as you can see, we are on track but there is more to do if we are to meet this one.

Looking forward I expect further improvements through a combination of growth and process redesign initiatives in 2006 and 2007.

We have plans for further simplification of our corporate structure and have started a programme of product range rationalisation.

On platforms I anticipate we will reach our minimum scale target of A$10 billion on a single technology platform during 2006.

➔

AXA5 – to be consistently in the top 5 for service to advisers. Well here we are on track in New Zealand but the position in Australia is disappointing where we have slipped in the WA Taylor rankings to ninth. In 2006 we intend to move back towards our target through focussing on improving Summit service, starting a programme of significant investment in upgrading our Financial Adviser Network services, rolling out our AXA GROW initiative to assist aligned practices to manage business growth and succession, and launching our Advanced Business Change programme for New Zealand in anticipation of a number of proposed regulatory changes.

➔

And AXA 6 – to be consistently in the top quartile in the global AXA Scope survey. Our scores improved again in 2005 and we remain firmly in the top quartile.

➔

And finally our overarching goal to increase the illustrative enterprise value of our Australia and New Zealand operations by 65% to $A6.5 billion by the end of 2007.

On the basis we use for tracking this, our illustrative enterprise value was up 17.8% to A$5.3 billion, very much on target.

➔

Let me turn now to Hong Kong where we also have encouraging momentum. The broadening of our distribution channels has driven strong sales growth, up 20.6%. All channels are growing and non agency now accounts for around 40% of life sales. 2005 saw further improvements in agent and adviser productivity and broker sales grew by nearly 35% mainly through life and wealth management products. The development of bank distribution agreements is starting to pay dividends with encouraging early progress.

➔

New business in Hong Kong has benefitted from a number of upgrades to our product suite and this positions us well for future growth going forward.

In October we launched Maxx and this contributed HK$70 million of new regular premiums.

Dimensions – our successful hybrid par/unit linked product contributed HK$94 million in new regular premiums, and we refreshed Smart series which contributed HK$352 million of new regular premiums.

In wealth management we have taken the successful ipac multi manager product from Australia and launched Elite into the MPF market – a first in Hong Kong. And finally Evolution – an investment linked product investing in offshore funds - contributed HK$216 million of single premiums.

➔

This encouraging momentum is clearly showing through in improving market share. As always we are putting a health warning on the market share statistics in Hong Kong but, nonetheless, it would appear that we have performed very well. Against our peer group of the largest 6 players we grew market share on a total new business index basis, and we were the only one of the major players to grow our market share in the higher margin regular premium life segment.

➔

As you know persistency is a key measure of the quality and ultimate profitability of business in Hong Kong and 2005 saw further improvement with aggregate discontinuances down to 7.3%, better than our long term pricing and value assumptions.

➔

Life insurance new business margins in Hong Kong are amongst the highest in the world and these have been maintained in 2005. For traditional life, the ratio of the value of new business to new business index was steady at around 70% and for linked regular premiums, was steady at around 60%.

The small changes you see in this table between 2004 and 2005 merely reflect minor variations in sales and product mix and not any reduction in our prices.

Although still small in terms of our overall new business index, sales of our new unit linked single premium product, Evolution, are increasing strongly. This is an off shore product being sold into the broker market and the overall margins, whilst still attractive by normal benchmarks, are lower than those for traditional regular premium business.

➔

If we look at the rest of Asia we also have an encouraging picture of increasing momentum.   We have seen strong growth from both bank and agency channels. Our agency business is benefiting from the bedding down of the agency blueprint models we have implemented over the last 18 months, and we continue to grow our bank penetration.

By the end of 2005 we were operating in around 70% of the retail branches of our joint venture bank partners. We aim to achieve 100% penetration over the next 2 years.

The opportunity here is enormous – we still have less than 1% of the customer base of our joint venture banks as AXA customers.

➔

We announced last year plans to commence operations in India and Malaysia and we are on track to be up and running around the middle of 2006.

In India we have now signed an exclusive distribution agreement with Bharti Televentures, the leading mobile phone company with a customer base of over 16 million people.

We will be leveraging AXA's salaried adviser, bancassurance, agency and product blueprints and we are currently finalising our detailed business plan and will shortly announce the appointment of the CEO.

Our expected capital commitment over the first 3 years is in the range of A$35 to A$65 million depending upon the rate of growth and the relative mix of distribution channels.

In Malaysia our entry is via the acquisition of the life portfolio of Tahan Insurance through a joint venture with Affin Holdings. AXA's share of the purchase price was around A$22 million.

Our expected capital commitment here is in the range of A$20 to A$35 million over the first 3 years.

➔

We are about a year into our Asia 6 programme and although it is still early days I am pleased to say that we are on track. We saw an encouraging increase in the value of new business in 2005 through strong sales growth in Hong Kong and across Asia.

Looking forward we will be maintaining a sharp focus on our technical margins through careful asset liability management to deliver our target investment margins. Our discontinuance rates are at a very satisfactory level and we are targeting some improvements in our expense ratios over the next 3 years.

In Hong Kong our developing wealth management operations will contribute increasingly to the growth in value in new business.

In the rest of Asia we have a tremendous opportunity to continue to grow our bank business and we will be supporting this through the launch of variants of our successful Hong Kong products.

➔

Asia 2 – to grow total inflows 2.5 times

We have made solid progress in 2005 but we do need to accelerate our growth if we are to meet our target.

Going forward we have an opportunity to position AXA as a leading player in the emerging wealth management segment, there are opportunities to grow multi manager sales through product and distribution agreements with banks, and also to increase our market share in corporate pensions in Hong Kong.

➔

Asia 3 – to increase our new business index 2.5 times

Strong growth in Hong Kong and across the region means that we are very much on track here.

Looking forward we will be launching an aligned distribution services offer based on the Australian dealership services model and this will help us to grow adviser numbers.

We have run a small but successful pilot in 2005 where we have been developing AXA salaried advisers into financial planners and we will be expanding this year.

We will also be developing and launching a new generation of investment linked products.

Although China has not grown as we would have liked over the last couple of years we have seen encouraging trends in the fourth quarter following the changes to our senior management team, and in 2006 we will be expanding our group insurance product range and also expanding throughout Guangdong province.

➔

We have made some progress towards our management expense ratio targets. The Hong Kong ratio includes some initial development costs for multi manager, wealth management and distribution projects.

Looking forward the continued strengthening of our single business model and blueprints will drive lower unit costs across the region and, of course, we need to continue to move towards a scale position in our smaller operations.

➔

Asia 5 – to improve our 13 month persistency ratio to 80%

We saw some improvement in 2005 and we are not far from our target. Importantly, current persistency experience is already better than our pricing and value assumptions. Rolling out the customer retention initiatives that have been so successful in Hong Kong will enable us to further improve persistency.

➔

Asia 6 – to achieve a top quartile SCOPE score

Although our absolute score has remained consistent with 2004, we slipped in the overall AXA rankings. Look forward, however, I am pleased to say that we have over the last 18 months carried out a significant strengthening of our senior management team across the region. This is now complete and we expect this to help meet our target over the next 3 years.

➔

And finally the overarching goal to double the enterprise value of our Asian operations to A$8 billion by the end of 2008. The illustrative enterprise value was up 20.7% over the year to A$4.8 billion, very much on track.

➔

I will finish by giving you a little more background about the acquisition of MLC Hong Kong and Indonesia which we announced yesterday.

The consideration is $575 million assuming completion on 31 March 2006.

This is a strategically attractive growth opportunity which is consistent with accelerating our growth in Asia.

Hong Kong is a market we know well. We have been operating there for 20 years and are already strongly positioned. Margins on life insurance are, as you know, very high by the standards of other developed countries and, with high savings ratios, there is further growth potential for life insurance, investment products and wealth management.

In Indonesia AXA has grown strongly over the last 2 years particularly through our joint venture with Bank Mandiri. The MLC Indonesia acquisition increases our agent numbers from 600 to over 1,500 and will move us to second place in the market for new business with a market share of around 12%.

We believe this transaction represents an attractive opportunity to strengthen our position and offers significant value upside over the next 2 to 3 years as we integrate these businesses and implement our product and distribution blueprints.

The acquisition will be broadly EPS neutral in 2006 before the impact of one off integration costs, and accretive in 2007.

The acquisition will be funded from existing capital resources. Our strong capital position that Geoff mentioned earlier in the presentation has enabled us to take advantage of this opportunity which is completely consistent with our strategy of accelerated growth in Asia.   Even after this we will still have around $300 million of capital in excess of our own target surplus position.

➔

The acquisition price is $575 million in cash assuming completion on 31 March 2006. This comprises $555 million in respect of MLC Hong Kong, and $20 million in respect of MLC Indonesia.

As the transaction has been funded in cash there is no impact on our gearing ratio and we expect completion in the second quarter of 2006 subject to regulatory approvals.

➔

The acquisition of MLC Hong Kong will add to our already strong market position.

Our inforce market share will increase to 10% and our new business market share to around 7.5% which will rank us fifth in the market, and third if we exclude HSBC and Hang Seng.

There will be a quantum increase in our adviser numbers in Hong Kong and we expect in excess of 3,000 highly productive career agents when the integration has been completed.

➔

The acquisition of $555 million is equivalent to 1½ times the NAB published embedded value as at 30 September 2005, and represents a small premium over their published appraisal value allowing for roll forward to 31 March. I would point out that NAB's published valuation basis was based on a risk discount rate of 12% which is in excess of the illustrative basis we use for our Hong Kong business.

The price is 15.9 times MLC Hong Kong's actual 2005 earnings.

The acquisition will be EPS neutral in 2006 before one off integration costs and accretive from 2007.

We believe there is significant potential value upside for AXA over the next 2 to 3 years. There are revenue synergy opportunities. The MLC agency force is less productive than AXA's and integration of our agency management and our agency blueprints offers a significant opportunity. MLC Hong Kong's expense ratio is more than 50% higher than AXA's and there are also clear opportunities here.

The risk discount rate of 12% used by National Australia Bank is, we think, appropriate for this business on a stand alone basis. However as the integration proceeds and the integration risk reduces we will review this assumption.

➔

We plan to fully integrate the MLC staff and agency management structure with AXA and the agency force will transition over a period of time to AXA Hong Kong's terms and conditions and remuneration model.

We will continue to use the MLC Hong Kong brand for a transitional period after which time we will move to a single AXA product range under the AXA brand.

Agent retention is obviously important and transitional arrangements have been put in place by NAB to assist in this.

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The acquisition will also strengthen our market position and distribution reach in Indonesia. Our market share will move to around 8.5% for inforce business and 12% for new business leading us to second place in the market.

Our agent and adviser numbers will increase around 75% to over 2,200.

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In summary I believe we have produced another excellent set of results.

We have significant momentum in Australia and New Zealand and all our operations in Asia are growing strongly.

As you have seen we are progressing well towards both our AXA 6 and our Asia 6 aspirational goals.

We are accelerating growth in Asia as evidenced by the acquisition of MLC Hong Kong and Indonesia.

We have a very strong capital position and can take advantage of attractive growth opportunities when they are available.

Our brand campaign in Australia over the last 12 months has focussed on the importance of everyone having a financial plan. I can assure you that we too have a plan – we plan to continue growing shareholder value.