

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 <sup>1</sup> 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 <sup>2</sup> 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 <sup>3,4</sup>, and the value of new business was up 31.1 per cent to A\$37.5 million <sup>3,4</sup>.

“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 <sup>5</sup> 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)*

<sup>1</sup> Based on 10.0% risk discount rate, equal to assumed equity return rate

<sup>2</sup> Based on 10.5% risk discount rate, equal to assumed equity return rate

<sup>3</sup> 100% share

<sup>4</sup> Translated at average exchange rates for the 12 months ended 31 December 2005

<sup>5</sup> Range of total debt (debt + hybrid) / equity between 40%-50%

## 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 <sup>1</sup> 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 <sup>6</sup> (excluding general insurance) up 20.6% to HK\$1,274.6 million (2004 - HK\$1,057.0 million)
- Value of new business <sup>2</sup> up 13.3% to HK\$756.3 million (2004 - HK\$667.6 million)
- Funds under management up 11.4% to HK\$49.9 billion<sup>7</sup> (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 <sup>6</sup> up 59.3% to \$125.5 million <sup>3, 4</sup> (2004 - \$78.8 million)
- Value of new business <sup>8</sup> up 31.1% to \$37.5 million <sup>3, 9</sup> (2004 - \$28.6 million)
- Total premium income up 42.1% to \$622.7 million <sup>3, 4</sup> (2004 - \$438.3 million)
- Funds under management up 20.0% to \$1.8 billion <sup>3, 9</sup> (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.

<sup>6</sup> Regular premiums plus 10% of single premiums

<sup>7</sup> Gross of dividends and loans to AXA APH

<sup>8</sup> Based on 11.0% risk discount rate for Singapore and 16%-20% for other Asian operations

<sup>9</sup> 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 <sup>10</sup>, 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 <sup>10</sup>, 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

Media: Francine McMullen, Manager Media & Government Relations  
+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

---

<sup>10</sup> “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
<b>Operating Earnings</b>			
Australia & New Zealand	203.7	143.1	42.3%
Hong Kong and Singapore	173.0	162.9	6.2%
<b>Operating Earnings</b>	<b>376.7</b>	<b>306.0</b>	<b>23.1%</b>
Investment Earnings	256.6	231.2	11.0%
Corporate expenses	(73.0)	(53.1)	(37.5)%
Interest expense	(17.9)	(25.0)	28.4%
<b>Profit after tax and before non-recurring items</b>	<b>542.4</b>	<b>459.1</b>	<b>18.1%</b>
Non-recurring items	-	54.5 <sup>1</sup>	n/a
<b>Profit after tax and non-recurring items</b>	<b>542.4</b>	<b>513.6</b>	<b>5.6%</b>

<sup>1</sup> 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%
<b>Operating Earnings (excluding Health)</b>	<b>203.7</b>	<b>143.1</b>	<b>42.3%</b>
Investment Earnings	136.2	124.2	9.7%
<b>Profit after tax and before non-recurring items</b>	<b>339.9</b>	<b>267.3</b>	<b>27.2%</b>

## 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%
<b>Profit after tax and before non-recurring items</b>	<b>291.0</b>	<b>262.4</b>	<b>10.9%</b>

(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%
<b>Profit after tax and before non-recurring items</b>	<b>1,721.9</b>	<b>1,507.7</b>	<b>14.2%</b>

## 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).