AXA Asia Pacific Holdings

Investor Compendium

For the 12 months ended 31 December 2008

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THE AXA / 2008 full year results / PLAN.

ASIA PACIFIC

redefining / financial services

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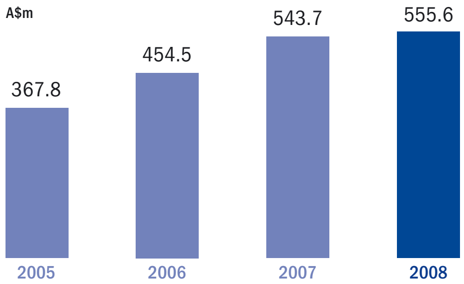
1.1 The period at a glance

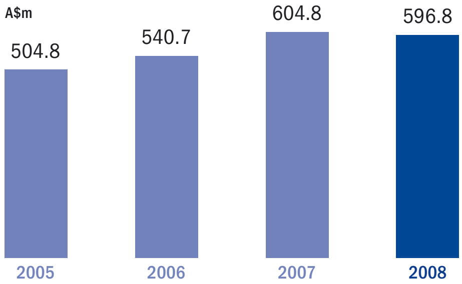
Operating Earnings up 2% to $555.6m (2007 – $543.7m)

12 mths to 31 Dec
A$m



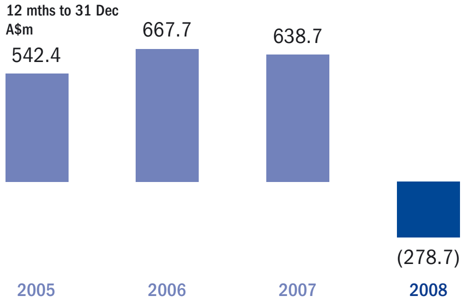
Net profit after income tax, before investment experience and non-recurring items down 1% to $596.8m (2007 – $604.8m)

12 mths to 31 Dec
A$m



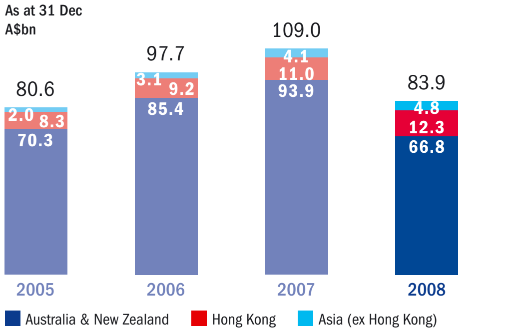
Net profit after income tax and non-recurring items down to $(278.7)m (2007 – $638.7m)

12 mths to 31 Dec
A$m



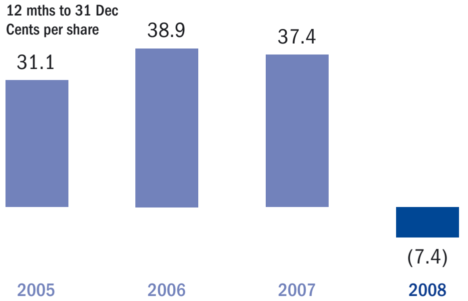
Group funds under management, administration and advice down 23% to $83.9bn (2007 – $109.0bn)

As at 31 Dec
A$bn



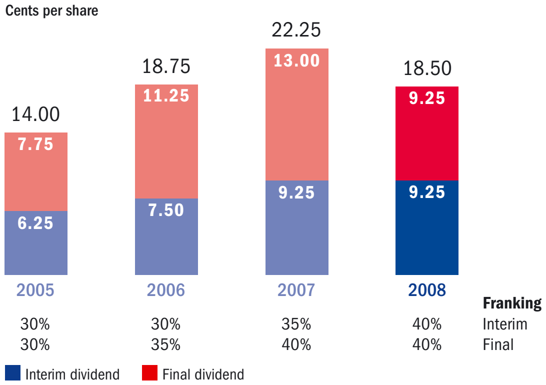
Earnings per share before non-recurring items (7.4) cents per share (2007 – 37.4 cents per share)

12 mths to 31 Dec
Cents per share



Final dividend down 29% to 9.25 cents per share (2007 – 13.00 cents per share), franked to 40%

Cents per share



1 Overview

1.2 Key highlights

2008 was an extraordinary year in investment markets and this has had a significant impact across the financial services industry. The S&P/ASX200 price index and the MSCI World (US$) accumulation index closed down 41% and 40% respectively.

In this difficult environment, our diverse business model has offered us some resilience to the impact of the markets. While our wealth management business has been significantly affected, our financial protection business has performed strongly as our clients' needs for protection have increased.

Our significant presence across the Asian region has also worked to our advantage in 2008.

We have retained our strong position in our core markets in Australia, New Zealand and Hong Kong, while continuing to expand our presence in other Asian markets. Our disciplined and results driven approach continues to underpin our focus on our Ambition programme and 2012 goals across the Group. 2008 also marked the successful completion of our Asia 6 programme.

Operating Earnings, the key indicator of the underlying profit performance of the business, were up 2% to $555.6m (2007 – $543.7m).

Australian Operating Earnings were up 1% to $235.3m (2007 – $232.5m) reflecting growth in the financial protection business and capitalised loss reversals following a sustained improvement in claims experience. This was partially offset by a reduction in our wealth management business. Average funds under management, on which fees are earned, have reduced reflecting the downturn of the equity market, whilst expenses have remained largely stable. The value of new business was down 40% to $106.8m (2007 – $178.2m) while wealth management gross inflows were down 27% to $12.09bn (2007 – $16.57bn). Overall financial protection value of new business has shown strong growth, whilst wealth management value of new business decreased when compared to last year's exceptional performance, which reflected the 2007 transitional superannuation provisions and the difficult market conditions in 2008.

New Zealand Operating Earnings were down 31% to $36.0m (2007 – $51.9m). In local dollars, earnings were down 28% to NZ$42.8m (2007 – NZ$59.1m). Wealth management earnings were lower reflecting a decline in average funds under management from the market downturn and costs relating to regulatory changes. Reduced financial protection earnings were impacted by an increase in individual life surrenders due to increased commission rates being offered by industry participants. The value of new business was down 40% to NZ$10.0m (2007 – NZ$16.7m) reflecting the particularly difficult market conditions.

Hong Kong Operating Earnings were up 11% to $290.3m (2007 – $262.0m). In local dollars, earnings were up 12% to HK$1.91bn (2007 – HK$1.70bn) due to growth in our financial protection business and the inclusion of Winterthur. The value of new business was up 6% to HK$1.16bn (2007 – HK$1.10bn).

Operating Earnings for the rest of Asia were down to $(6.0)m (2007 – $A(2.7)m), reflecting strong profit growth in South East Asia offset by continued investment in the growth markets of India and China. The value of new business was up 40% for these businesses.

Profit after tax, before investment experience was down 1% to $596.8m (2007 – $604.8m), reflecting the growth in Group Operating Earnings offset by an increase in interest expense.

Notwithstanding recent market volatility, our balance sheet remains strong with $779m of total assets above regulatory capital, and a gearing ratio of 56%.

Capital management is an integral part of our risk management framework and our culture. To protect our capital strength and reduce the sensitivity of our investment earnings to further investment market volatility, we put in place several capital management initiatives during 2008. The most significant protection put in place were the purchase of equity puts, equity collars, interest rate swaps, the reinsurance of some of our Hong Kong business to Australia and the reinsurance of our Australian income protection in long term claim. While we have proactively taken steps to protect AXA against further investment market downturns, we are also seeking to ensure that we are well placed for growth once current investment market volatility subsides.

We continue to maintain strong financial strength ratings for our principal life insurance companies in Australia, New Zealand and Hong Kong. These entities are rated by AA by both Standard & Poor's and Fitch, reflecting the financial strength of the Global AXA Group.

The Directors have declared a final dividend of 9.25 cents per share franked to 40% (2007 – 13.00 cents per share).

1.3 Looking forward

It seems unlikely the economic environment will significantly improve in the short term and we expect 2009 will be challenging for our industry. Notwithstanding this, the characteristics that make our markets attractive over the longer term have not changed.

The superannuation environment, favourable demographics and savings rates are positive, long term fundamental drivers for our businesses across the Asia Pacific region. We have the right strategies in place to take advantage of them and to respond to the challenges posed by the current markets.

We remain committed to our Ambition 2012 strategy.

Australia and New Zealand

Australia's mandated superannuation regime will continue to provide a strong fundamental and sustainable foundation for our business and will drive growth into the future. Taxation changes, made in 2006, also enhance the long term attractiveness of superannuation as a key form of savings for Australians.

Launched in late 2007, our North product, with its unique downside protection, continues to establish itself in the distribution market and is an excellent client proposition in volatile markets.

Our strengthening position in financial protection is extremely timely given the counter cyclical nature of this market. Heightened consumer sentiment towards security supports future growth in this market.

With the acquisition of Genesys increasing our aligned adviser network by around 360 advisers we are one of the largest advice networks in Australia and plan to continue to grow our distribution footprint.

New Zealand is a market that has faced more challenges than Australia. Whilst the short to medium term outlook remains tough, we remain optimistic that recent policy changes and initiatives around superannuation, tax and market conduct regulation will improve the dynamics over the longer term.

Asia

In Asia, we have established presences in some of the world's fastest growing insurance and wealth management markets. Notwithstanding the global slowdown, GDP across the Asian region is expected to continue to outperform the rest of the world. This is particularly true for China and India, two important markets for us.

Our Asian footprint encompasses ten countries and provides a point of differentiation.

The existence of large, relatively young and rapidly growing populations makes the demographics in Asia particularly attractive for our industry. High saving rates, relative faster growing GDPs and low insurance penetration are also likely to continue to support strong growth.

Our multi-distribution approach throughout the region provides adaptability and we will continue to develop and grow this further.

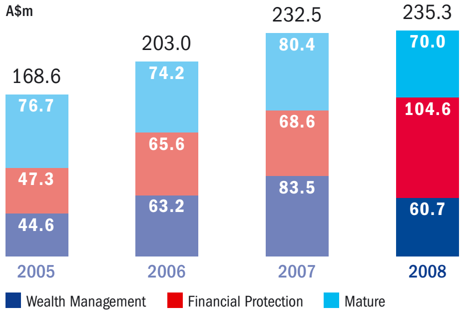
We continue to develop more defensive style products, which are becoming more attractive in the current difficult and uncertain market environment.

1.4 Group financial summary

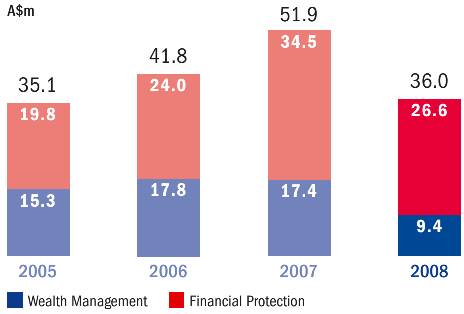
12 months to / as at A$m, unless otherwise stated		2008	2007	Change
Financial performance				
Operating Earnings	– Australia	235.3	232.5	1%
	– New Zealand	36.0	51.9	(31)%
	– Hong Kong	290.3	262.0	11%
	– South East Asia	34.9	22.4	56%
	– India and China	(34.5)	(19.5)	(77)%
	– ipac Asia	(6.4)	(5.6)	(14)%
Operating Earnings		**555.6**	**543.7**	**2%**
Investment Earnings (normalised)		185.0	195.0	(5)%
Corporate expenses		(55.6)	(56.9)	2%
Interest expense		(56.4)	(48.7)	(16)%
Executive share plan expense		(11.4)	(13.9)	18%
Amortisation of value of businesses acquired		(20.4)	(14.4)	(42)%
Profit after income tax, before investment experience and non-recurring items		**596.8**	**604.8**	**(1)%**
Investment experience		(722.7)	39.8	<<
Non-recurring items		(152.8)	(5.9)	<<
Profit/(loss) after tax		**(278.7)**	**638.7**	**<<**
Shareholder returns				
Earnings per share before non-recurring items (cents)		(7.4)	37.4	<<
Normalised earnings per share before non-recurring items (cents)[1]		35.3	35.1	0%
Dividend per share (cents)	– interim	9.25	9.25	–
	– final	9.25	13.00	–
Dividend franking level	– interim	40%	35%	
	– final	40%	40%	
Return on equity before non-recurring items		(3.6)%	16.9%	
Normalised return on equity before non-recurring items[1]		15.2%	15.9%	
Financial position				
Shareholders' equity		3,266.6	3,726.2	(12)%
Subordinated debt and hybrid capital		933.4	800.1	17%
Senior debt		900.7	505.9	78%
Capital resources		**5,100.7**	**5,032.2**	**1%**
Total debt / equity		56%	35%	
Capital				
Regulatory capital		2,065	1,323	(56)%
Excess assets (including target surplus)		779	1,477	(47)%
Funds under management, administration and advice (A$bn)				
	– Australia	61.6	85.2	(28)%
	– New Zealand	5.2	8.7	(40)%
	– Hong Kong	12.3	11.0	12%
	– Asia (ex Hong Kong)	4.2	3.9	8%
	– ipac Asia	0.6	0.2	>>
Group funds under management, administration and advice ($bn)		83.9	109.0	(23)%

1 Calculated after replacing investment earnings with normalised Investment Earnings of $185m (2008), $195m (2007)

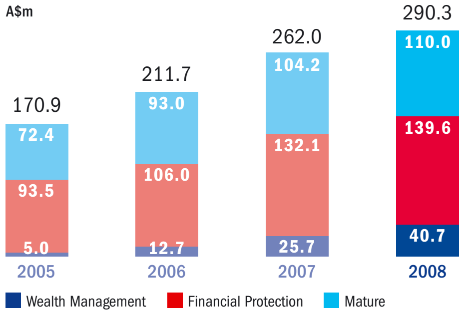
Australia Operating Earnings
up 1% to $235.3m
12 mths to 31 Dec
A$m



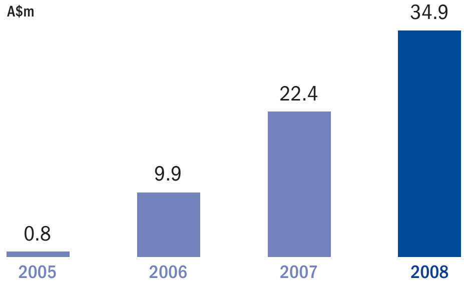
New Zealand Operating Earnings
down 31% to $36.0m (down 28% in local currency)
12 mths to 31 Dec
A$m



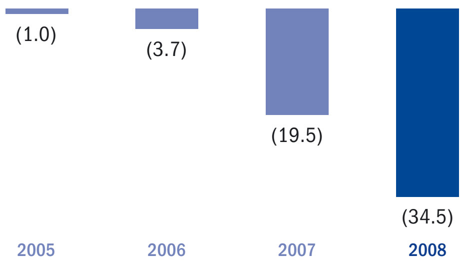
Hong Kong Operating Earnings
up 11% to $290.3m (up 12% in local currency)
12 mths to 31 Dec
A$m



South East Asia Operating Earnings
up 56% to $34.9m
12 mths to 31 Dec
A$m

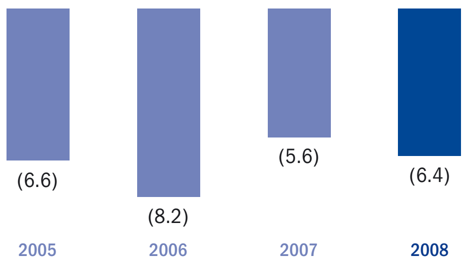


India and China Operating Earnings
down 77% to $(34.5)m
12 mths to 31 Dec
A$m



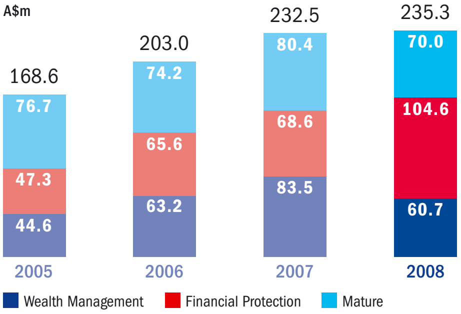
1 First half 2006 results were not reported for China; we commenced operations in India in August 2006

ipac Asia Operating Earnings
down 14% to $(6.4)m
12 mths to 31 Dec
A$m

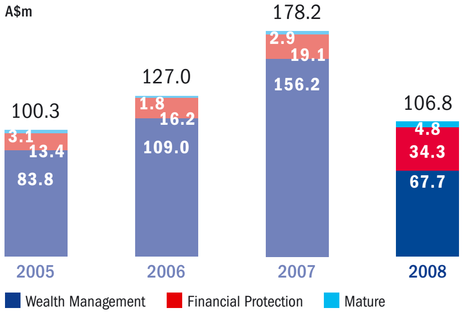


2.1 Australia

Operating Earnings
12 mths to 31 Dec
A$m



Value of new business
12 mths to 31 Dec
A$m



Wealth management business

12 months to 31 Dec 2008 A$m	Platform	Advice	Investment[1]	Total	Inter-segment[2]	Total
Gross fees	155.6	194.4	209.4			559.4
Expenses (including commissions)	(153.0)	(166.5)	(157.8)			(477.3)
Tax	0.8	(6.5)	(15.7)			(21.4)
Operating Earnings	**3.4**	**21.4**	**35.9**			**60.7**
Opening FUM / FUA (1 January)	**11,498.6**	**8,812.1**	**87,989.7**	**108,300.4**	**(36,748.7)**	**71,551.7**
Inflows	2,205.8	1,620.4	12,882.2	16,708.4	(4,615.0)	12,093.4
Outflows	(1,480.8)	(1,481.8)	(14,577.0)	(17,539.6)	4,164.5	(13,375.1)
Net flows	**725.0**	**138.6**	**(1,694.8)**	**(831.2)**	**(450.5)**	**(1,281.7)**
Other	–	6,414.7[3]	(1,251.0)[4]	5,163.7	1,186.2[4]	6,349.9
Capital appreciation/(depreciation)	(3,253.0)	(3,476.4)	(27,748.8)	(34,478.2)	8,468.7	(26,009.5)
Closing FUM / FUA (31 December)	**8,970.6**	**11,889.0**	**57,295.1**	**78,154.7**	**(27,544.3)**	**50,610.4**
Average FUM / FUA	**10,284.4**	**10,246.4**	**75,284.8**	**95,815.6**	**(33,016.9)**	**62,798.7**

1 FUM and operating earnings for our AllianceBernstein joint venture are included at 100% and 50% respectively
2 Inter-segment flows are single flows that reoccur across the value chain. Removing the double counted flow provides a single count view of Australia-wide funds under management and advice and flows
3 Represents the acquisition of Genesys funds under advice and administration
4 Represents the sale of our annuity portfolio

12 months to 31 Dec 2007 A$m	Platform	Advice	Investment[2]	Total	Inter-segment[3]	Total
Gross fees[1]	163.9	135.4	233.7			533.0
Expenses (including commissions)[1]	(147.9)	(95.4)	(169.8)			(413.1)
Tax	(5.2)	(12.0)	(19.2)			(36.4)
Operating Earnings	**10.8**	**28.0**	**44.7**			**83.5**
Opening FUM / FUA (1 January)	**9,295.5**	**6,669.1**	**77,297.6**	**93,262.2**	**(31,357.6)**	**61,904.6**
Inflows	3,154.3	1,709.7	18,084.3	22,948.3	(6,378.6)	16,569.7
Outflows	(1,311.6)	(1,007.1)	(9,166.0)	(11,484.7)	2,440.5	(9.044.2)
Net flows	**1,842.7**	**702.6**	**8,918.3**	**11,463.6**	**(3,938.1)**	**7,525.5**
Other	–	1,109.7[4]	379.4[5]	1,489.1	(379.4)	1,109.7
Capital appreciation/(depreciation)	360.4	330.7	1,394.4	2,085.5	(1,073.6)	1,011.9
Closing FUM / FUA (31 December)	**11,498.6**	**8,812.1**	**87,989.7**	**108,300.4**	**(36,748.7)**	**71,551.7**
Average FUM / FUA	**10,650.1**	**8,353.9**	**83,762.8**	**102,766.8**	**(35,375.4)**	**67,391.5**

1 The 2007 comparatives for the investment and advice segments have been restated to be comparable with the 2008 information presented. There is no change to the 2007 Operating Earnings reported.
2 FUM and Operating Earnings for our AllianceBernstein joint venture are included at 100% and 50% respectively
3 Inter-segment flows are single flows that reoccur across the value chain. Removing the double counted flow provides a single count view of Australia-wide funds under management and advice and flows
4 Represents the acquisition of Tynan Mackenzie FUA and ipac FUA transferred from external to internal management
5 Represents a portion of the ipac FUA, which is removed in the inter-segment column

A$m	Platform	Advice	Investment	Total	Inter-segment	Total
Allocation of assets 2008						
– Australian equities	37%	34%	16%			
– International equities	25%	23%	48%			
– Australian fixed income	7%	8%	12%			
– Property	8%	8%	4%			
– Other[1]	23%	27%	20%			
Value of new business[1]						67.7
New business index						1,209.3
VNB Margin						6%
Total management expenses						197.8
Allocation of assets 2007						
– Australian equities	41%	36%	16%			
– International equities	25%	25%	57%			
– Australian fixed income	6%	8%	10%			
– Property	11%	9%	4%			
– Other[2]	17%	22%	13%			
Value of new business[1]						156.2
New business index						1,657.0
VNB Margin						9%
Total management expenses						167.4

1 Based on a 10% discount rate

2 Other assets comprise cash and loans

Product development

Following the 2007 launch of our unique guaranteed product, North, we have extended our offer in 2008 to include ordinary money and added the Protected Investment Guarantee which provides a 100% return of capital over 5 and 7 years. This means that North is now able to provide investment solutions across the three key segments of ordinary money, superannuation and pensions and across all client time horizons.

Three new unit trusts (Wholesale Global Diversified Yield and Wholesale Property Securities Fund (hedged and unhedged)) were launched in June 2008, improving the diversity of our fund range and fund manager relationships. Further, in October 2008, we introduced active currency management to the Wholesale Global Equity Value Fund and Wholesale Global Equity Growth Fund, with the objective of improving the long-term returns of the Funds on a risk-adjusted basis.

Platform developments during 2008 were largely focused on improving functionality through straight through processing and website enhancements. These developments and other service led initiatives were received favourably by our advisers who in 2008 ranked AXA fourth against ten industry platform providers. Our platform offer was further enhanced in December through the launch of three new Generations investment options with a new cash investment option available from January 2009.

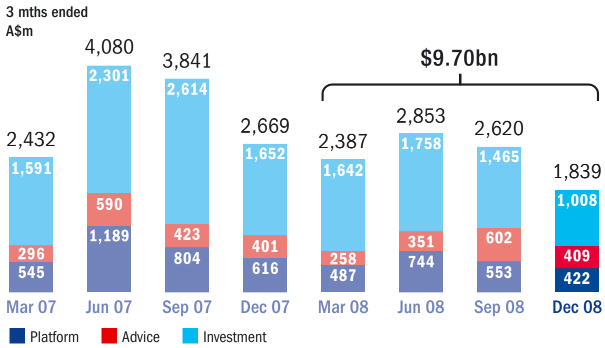
An outcome of market conditions in 2008 was the Australian Monthly Income Fund commenced operating under a structured withdrawal regime. In addition, redemptions are currently deferred for the Australian Property Fund.

2 Operating performance

Fund flows / Funds under management

Total Australia wealth management gross inflows (including AllianceBernstein) were down 27% to $12.09bn (2007 – $16.57bn) and AXA wealth management gross inflows were down 26% to $9.70bn (2007 – $13.02bn). Total wealth management net flows (including AllianceBernstein) were down to $(1.28)bn (2007 – $7.53bn). However, contrary to market trends, our positive net inflow position was maintained for the year for AXA wealth management net flows, down 84% to $1.09bn (2007 – $6.71bn). Market conditions in 2008 have been challenging, especially for the wealth management sector, with the S&P/ASX 200 price index and MSCI world excluding Australia (A$) accumulation index falling over the twelve months by 41% and 25% respectively. In addition, 2007 included the one-off benefit of inflows resulting from the change in superannuation legislation.

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



Operating Earnings

Total wealth management Operating Earnings were down 27% to $60.7m (2007 – $83.5m). The market downturn has had a direct impact on our average FUM/FUA balances and ultimately fee revenue generated across the wealth management businesses.

The 69% reduction in earnings for platform to $3.4m (2007 – $10.8m) was also impacted by initial expenses for North, our unique guaranteed product. Excluding the impact of North, the decline in the gross fee margins can be attributed to a shift in the proportion of net flows from the higher margin Summit platform to the lower margin Generations platform. In the current volatile market, we have noticed a shift in investor behaviour towards less complex products.

Although total expenses in platform (excluding the impact of North) have declined in absolute dollars, the expense margin has increased slightly. This can be largely attributed to platform maintenance and development expenditure that is still required, despite the decline in FUA. Such costs include those relating to improving the functionality of the platform offering as well as launching three new investment options on Generations.

The 24% reduction in earnings for advice to $21.4m (2007 – $28.0m) reflects market declines and also investment in planned growth in salaried advisers. Genesys was acquired on 30 June 2008 and earnings have been included for the second half of the year. Excluding the impact of Genesys, the FUA decline experienced in ipac's full advice model (higher margin) has been partially offset by the integration of acquired Equity Partner FUA (lower margin) onto the iAccess platform in late 2007.

Although total expenses in advice have declined slightly in absolute dollars, excluding the impact of Genesys, the expense margin has increased. This is largely a function of the fixed cost base, whereby staff and salaried adviser costs are not directly linked to the decline in FUA.

Investment operating earnings were down 20% to $35.9m (2007 – $44.7m). Although expenses declined in absolute dollars, the expense margin has increased slightly. This is once again largely a function of the fixed cost base incurred (staff and related costs), despite the decline in FUM. Costs were also incurred to improve our product offering, including the launching of three new unit trusts in June 2008.

Excluding the impact of AllianceBernstein, the decline in the gross fee margins can be attributed to the shift in investor behaviour. There has been a shift in the proportion of inflows into our mezzanine unit trust products from the relatively higher margin equity value funds to the lower margin and more conservative style fixed income and cash funds.

Value of new business

Wealth management value of new business was down by 57% to $67.7m (2007 – $156.2m) due to reduced inflows and the impact of lower FUM on unit costs. Lower inflows reflected the 2008 market conditions and the one-off impact of transitional superannuation arrangements in 2007.

Financial Protection Business

12 months to 31 Dec A$m	2008 Individual life	2008 Individual income protection	2008 Group	2008 Total	2007 Individual life	2007 Individual income protection	2007 Group	2007 Total
Planned profit margin	33.2	4.6	30.0	67.8	33.3	4.6	17.8	55.7
Experience profit/loss								
– expenses	(4.5)	(1.3)	1.4	(4.4)	(1.2)	(3.4)	1.3	(3.3)
– other	(0.1)	2.4	4.1	6.4	(6.0)	11.3	7.2	12.5
Capitalised (loss)/reversals	0.0	34.8	0.0	34.8	0.0	3.7	0.0	3.7
Operating Earnings	**28.6**	**40.5**	**35.5**	**104.6**	**26.1**	**16.2**	**26.3**	**68.6**
Opening inforce premiums (1 January)	**251.6**	**185.3**	**163.2**	**600.1**	**234.1**	**182.0**	**165.0**	**581.1**
– new business	61.1	25.9	34.1	121.1	50.4	24.5	17.3	92.2
– discontinuances	(36.6)	(23.0)	(22.4)	(82.0)	(32.9)	(21.2)	(19.1)	(73.2)
Closing inforce premiums (31 December)	**276.1**	**188.2**	**174.9**	**639.2**	**251.6**	**185.3**	**163.2**	**600.1**
Allocation of assets[1]								
– Australian equities	0%	13%	28%		0%	20%	26%	
– International equities	0%	0%	0%		0%	10%	0%	
– Australian Fixed Income	100%	19%	68%		100%	35%	70%	
– Property	0%	32%	0%		0%	15%	0%	
– Other[2]	0%	36%	4%		0%	20%	4%	
Value of new business[3]				34.3				19.1
New business index				106.9				96.6
VNB margin				32%				20%
Total management expenses				88.7				77.3

1 The asset mix for individual income protection outstanding claims is shown. Reserves for policies that are not on claim are invested in the same way as individual life

2 Other assets mainly comprise cash and loans

3 Based on a 10% discount rate

Product development

During 2008 we implemented three improvements to our financial protection product offering, representing the largest change to our product range since 2005. The first of these was launched in February and related to improving our mandatory underwriting requirements. The second, in July, defined our primary target market, upgraded our product and modified our pricing to be consistent with this target market. In November, our third launch focused on the availability of income protection through superannuation along with other enhancements.

An upgrade to our group insurance product offer was launched in November 2008. This included the rationalisation and enhancement of all marketing, product and transaction materials. In addition, following a segmentation of our client base, we have re-aligned our services and new Customer Relationship Management Teams were implemented in September 2008.

New business

Individual life new business was up 21% to $61.1m (2007 – $50.4m). Strong sales of new policies were driven by positive adviser response to our continued improvements in our product proposition, new business processing and administration services.

Individual income protection new business was up 6% to $25.9m (2007 – $24.5m).

Group risk new business showed solid growth, up 97% to $34.1m (2007 – $17.3m) reflecting the successful re-tender of a large group life plan.

Operating Earnings

Individual life was up 10% to $28.6m (2007 – $26.1m). Planned profit margins have remained stable while an increase in expenses reflects ongoing investment in supporting our strategy of improving our new business offer and simplifying and re-engineering our business.

Income protection was up 150% to $40.5m (2007 – $16.2m) due to increased capitalised loss reversals following an experience investigation into claim incidence and termination rates. Capitalised loss reversals of $34.8m in 2008 comprised $25.1m in the first half and $9.7m in the second half. Other experience includes improvements to persistency rates whilst the expense experience represents continued investment into our claims capability. Remaining capitalised losses at 31 December 2008 are $3.5 million (net of tax).

Group life and salary continuance was up 35% to $35.5m (2007 – $26.3m) reflecting the on-going focus on growing the business profitably along with continued favourable claims experience. Group business operates in a competitive market and is generally re-priced over a three year cycle.

Value of new business

Financial protection value of new business was up 80% to $34.3m (2007 – $19.1m) reflecting a 31% increase in new business sales.

Mature business

	2008				2007			
12 months to 31 Dec A$m	Retirement income	Long term savings	Long term risk	Total	Retirement income	Long term savings	Long term risk	Total
Planned profit margin	9.0	35.1	16.0	60.1	8.3	50.0	15.6	73.9
Experience profit/loss								
– expenses	–	0.8	(0.6)	0.2	(2.1)	(1.3)	0.0	(3.4)
– other	7.7	0.0	0.8	8.5	(1.9)	1.7	1.1	0.9
Capitalised loss/reversals	1.2	0.0	0.0	1.2	9.0	0.0	0.0	9.0
Operating Earnings	**17.9**	**35.9**	**16.2**	**70.0**	**13.3**	**50.4**	**16.7**	**80.4**
Opening inforce premium (1 January)			**44.6**	**44.6**			**48.6**	**48.6**
– new business			0.8	0.8			1.2	1.2
– discontinuances			(3.5)	(3.5)			(5.2)	(5.2)
Closing inforce premium (31 December)			**41.9**	**41.9**			**44.6**	**44.6**
Opening FUM (1 January)	**1,611.8**	**9,955.8**	**2,095.6**	**13,663.2**	**1,699.2**	**9,990.5**	**2,067.2**	**13,756.9**
Inflows	1.8	1,716.7	43.9	1,762.4	118.2	924.9	49.3	1,092.4
Outflows	(279.3)	(1,252.6)	(153.9)	(1,685.8)	(320.9)	(1,501.8)	(169.8)	(1,992.5)
Net flows	**(277.5)**	**464.1**	**(110.0)**	**76.6**	**(202.7)**	**(576.9)**	**(120.5)**	**(900.1)**
Other	(1,251.0)[1]	315.2[2]	–	(935.8)	–	–	–	–
Capital (depreciation)/appreciation	96.6	(1,548.8)	(366.0)	(1,818.2)	115.3	542.1	148.8	806.2
Closing FUM (31 December)	**179.9**	**9,186.3**	**1,619.6**	**10,985.8**	**1,611.8**	**9,955.8**	**2,095.6**	**13,663.2**
Average FUM	**1,294.0**	**9,586.3**	**1,870.7**	**12,751.0**	**1,632.3**	**10,183.2**	**2,081.3**	**13,896.8**
Allocation of assets								
– Australian equities	15%	39%	34%		10%	47%	34%	
– International equities	8%	7%	26%		2%	8%	26%	
– Australian Fixed Income	10%	20%	16%		68%	18%	16%	
– Property	7%	7%	10%		1%	8%	10%	
– Other[3]	60%	27%	14%		19%	19%	14%	
Value of new business[4]				4.8				2.9
New business index				176.2				109.2
VNB Margin				3%				3%
Total management expenses				102.9				119.0

1 This represents the sale of our annuity portfolio

2 This represents the inclusion of FUM on guaranteed savings account product not previously reported

3 Other asset class largely comprises cash and loans

4 Based on a 10% discount rate

Fund flows / Funds under management

Retirement income gross inflows were down 98% to $1.8m (2007 – $118.2m). While 2007 gross inflows increased leading up to the 20 September 2007 legislative deadline for the purchase of complying income streams, our annuity books were subsequently closed to new business. New business in this segment represented allocated pension business written through the life company. Our Australian annuity business was sold effective 30 November 2008. The remaining funds under management relates to allocated pensions and a short duration corporate annuity.

Long term savings gross inflows were up 86% to $1,716.7m (2007 – $924.9m) largely driven by several large superannuation funds, whose clients invest in our conservative saving account products during the volatile market conditions.

Long term risk net outflows reduced 9% to $(110.0)m (2007 – $(120.5)m). This product group attracts minimal new business and the policies are maturing. As a result, our long term risk book is in run off.

Operating Earnings

Retirement income includes fixed and lifetime annuity products, which were closed to new business in September 2007 following legislative changes for complying income streams. Operating Earnings were up 35% to $17.9m (2007 – $13.3m). The increase in other experience reflects a one-off underwriting profit following a full administrative review prior to the sale of this closed portfolio. This was partially offset by lower capitalised loss reversals. The net profit after tax on the sale of the annuity book of $35 million offset by the impact of a negative sales price adjustment of $68 million resulting from the dislocation of the credit market has been recorded in non-recurring items. Planned profit margins for the remaining retirement income business are estimated to be $1.7m in 2009.

Long term savings, comprising insurance bonds and traditional savings products including superannuation products sold by the life company, was down 29% to $35.9m (2007 – $50.4m), reflecting lower average funds under management driven by the market downturn and net outflows from the mature business (excluding inflows in to our lower margin conservative savings account products) combined with the relatively fixed nature of our expense base. This portfolio is writing limited new business, with most superannuation investments now being sold outside the life company, and included in the wealth management segment. Negative expense experience in 2007 is now reflected within 2008 planned profit margins.

Long term risk, our traditional participating business, was down 3% to $16.2m (2007 – $16.7m). Last year, one-off profits were recognised from higher surrenders as policyholders sought to take advantage of the Government's superannuation transitional rules. Going forward, planned margins are expected to decline due to a decline in shareholder profits driven by the current period investment losses. Long term risk products are closed to new business.

Value of new business

Mature value of new business was up by 66% to $4.8m (2007 – $2.9m) due to our conservative savings account products attracting inflows from several large existing clients.

Adviser numbers

Adviser numbers At	31 Dec 08	31 Dec 07	Change
Charter Financial Planning	478	447	7%
AXA Financial Planning	358	364	(2)%
Genesys Wealth Advisers	358	–	n/a
Jigsaw[1]	210	240	(13)%
Aligned advisers	**1,404**	**1,051**	**34%**
ipac – salaried advisers	57	54	6%
ipac – other advisers[2]	88	78	13%
Monitor Money	13	20	(35)%
Tynan Mackenzie	42	34	24%
Advisers – owned advice firms	**200**	**186**	**8%**
Total advisers	**1,604**	**1,237**	**30%**

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

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

Adviser numbers are up 30% to 1,604 as a result of the acquisition of Genesys Wealth Advisers in June 2008. At the same time, we have been able to maintain or grow adviser numbers in our aligned and owned networks.

In Charter Financial Planning we have 478 aligned advisers who are licensed by AXA, use our products and use a non institutional brand. AXA Financial Planning comprises 358 aligned advisers also licensed by AXA and use our products but additionally leverage the AXA brand.

The acquisition of Genesys Wealth Advisers is in line with our strategy of extending our high quality financial advice network and consolidates AXA's position as one of the leading operators of advice businesses in Australia. Since acquisition, adviser numbers have been stable.

Through the Jigsaw brand we have relationships with 210 advisers across 25 practices. Jigsaw provides licensee services to self licensed practices and small to medium sized dealer groups. We are also assisting these advisers to improve their practice productivity.

We attract and retain advisers in our network through a competitive licensee service offering, a well balanced and diverse approved product list and excellent relationship management. Development and delivery of our offer is targeted at adviser needs at the different stages of their business life cycle. Our licensee services include our business improvement programme and the recently released, organic growth programme.

Within our aligned network, we currently have 179 advisers seeded through our Discovery programme. Established Discovery advisers are amongst the most productive in our network, with productivity 30% higher than our average. Since inception in June 2003, our Discovery advisers have generated $2.4 billion of AXA wealth management sales. This highly successful programme continues to draw new recruits into our network by enabling experienced advisers to establish their own business. In 2009, AXA's Discovery program will form part of our Genesys market offer.

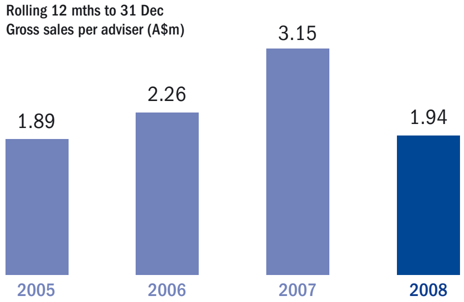
2 | Operating performance

At 31 December 2008, AXA had 200 employed (or equity partnered) advisers delivering advice through the ipac, Tynan MacKenzie and Monitor Money brands.

Productivity and profitability

Wealth management sales productivity in Australia[1]

Rolling 12 mths to 31 Dec
Gross sales per adviser (A$m)

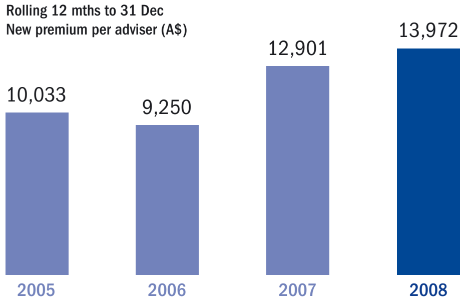


1 Excludes one-off transitions

The productivity of our aligned advisers for the 12 months ended 31 December 2008 was down 38% to $1.94m of wealth management sales per adviser per annum (31 December 2007 – $3.15m). This reflected the economic environment and the fact that the 12 months to December 2007 were abnormally high due to the impact of accelerated sales of products in the lead up to the June 2007 superannuation contribution window.

Financial protection sales productivity in Australia[1]

Rolling 12 mths to 31 Dec
New premium per adviser (A$)

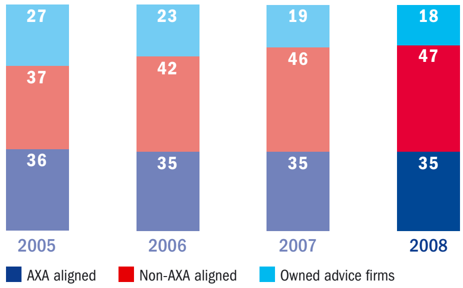


1 Excludes automated increases

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

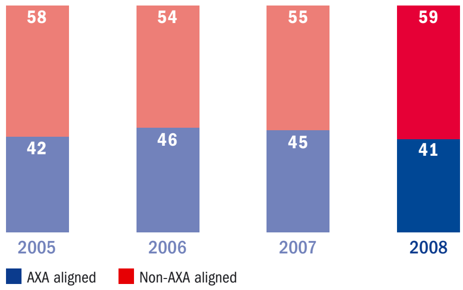
Wealth management sales by adviser channel

12 mths to 31 Dec
% of sales



Financial protection new business[1] sales by adviser channel

12 mths to 31 Dec
% of sales



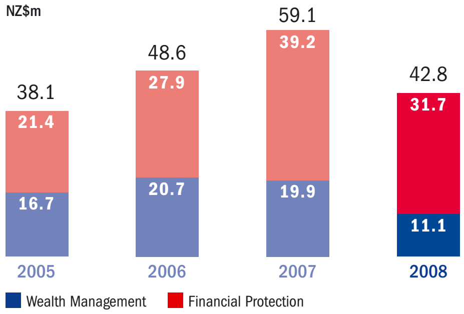
1 Includes automated increases

The distribution of all wealth management and financial protection sales by channel is shown in the charts above.

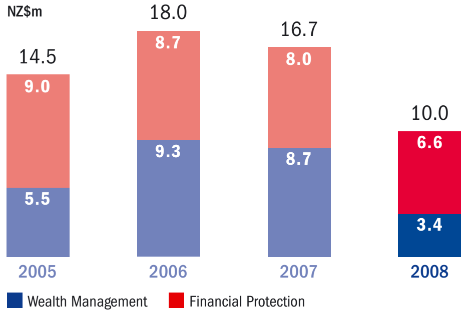
We have a broad range of product which positions us strongly across our distribution channels including non-aligned advisers. Following the launch of North we now have over 100 non-aligned licensees registered to sell the product, which provides access to more than 4,000 non-aligned advisers.

2.2 New Zealand

Operating Earnings
12 mths to 31 Dec
NZ$m



Value of new business
12 mths to 31 Dec
NZ$m



12 months to 31 Dec NZ$m	2008	2007	Change
– Wealth management[1]	11.1	19.9	(44)%
– Financial protection	31.7	39.2	(19)%
Total Operating Earnings	**42.8**	**59.1**	**(28)%**
Total Operating Earnings (A$)	**36.0**	**51.9**	**(31)%**
Opening inforce premiums (1 January)	**172.3**	**163.9**	**5%**
– new business	28.1	27.4	3%
– discontinuances	(24.8)	(19.0)	(31)%
Closing inforce premiums 31 December	**175.6**	**172.3**	**2%**
Opening FUM / FUA 1 January – NZ$[1]	**9,841.0**	**11,175.3**	**(12)%**
Inflows	1,607.9	1,856.7	(13)%
Outflows	(3,004.9)	(3,534.5)	15%
Net flows	**(1,397.0)**	**(1,677.8)**	**17%**
Capital (depreciation)/appreciation	(2,152.6)	343.5	<<
Closing FUM / FUA 31 December – NZ$	**6,291.4**	**9,841.0**	**(36)%**
Closing FUM / FUA 31 December – A$	5,186.3	8,670.6	(40)%
Average FUM / FUA – NZ$	**7,531.8**	**10,508.1**	**(28)%**
Allocation of assets			
– NZ equities	19%	19%	
– International equities	42%	42%	
– NZ Fixed Interest	18%	19%	
– Property	4%	4%	
– Other[2]	17%	16%	
Value of new business	10.0	16.7	(40)%
New business index	182.8	212.7	(14)%
VNB margin	5%	8%	
Total management expenses	72.0	66.0[3]	(9)%

1 FUM and Operating Earnings for our AllianceBernstein joint venture are included at 100% and 50% respectively
2 Other assets include cash and international fixed interest
3 2007 recurring management expenses have been restated to exclude NZ$1.7m of claims costs and to include a defined benefit plan charge

Product and product development

Two new products have been introduced in 2008. Cash Portfolio Investment Entities (PIEs) compete with traditional term deposits, enabling investors to reduce the level of tax paid by taking advantage of the PIE tax reforms. This cash PIE product is offered through our owned and aligned adviser networks. UK Pension funds were also introduced under the AXA Personal Superannuation umbrella to enable investors to transfer Sterling from UK funds into local New Zealand products and manage their exchange rate exposure before converting to NZ dollars.

Financial protection product enhancements were also launched in 2008.

Funds flow / Funds under management

Total New Zealand wealth management gross inflows were down 13% to NZ$1.61bn (2007 – NZ$1.86bn). Net flows were up 17% to NZ$(1.40)bn (2007 – NZ$(1.68)bn) as a result of net outflows from the BNZ Wholesale product reducing from NZ$(1.03)bn in 2007 to NZ$(0.57)bn in 2008. These significant outflows over the two year period were due to investors responding to the tax reforms which removed the passive tax applied to these funds. Outflows of this nature should not recur. The second half of 2008 saw a continuation of the challenging market conditions experienced in the first half with the NZX50 and the MSCI World excluding Australia (A$) accumulation indices falling by 33% and 25% respectively for the year. The New Zealand economy remains in recession with three consecutive quarters of negative growth in 2008. Despite these challenges we have maintained our position as the largest fund manager in the New Zealand market[1].

Strong support for the new national savings plan KiwiSaver, to which AXA New Zealand is one of six default providers, has been offset by lower sales in our Spicers and BNZ networks. Spicers and BNZ sales have been affected by the high official cash rate, being above 8% throughout the first seven months of 2008 and negative publicity surrounding the closure of mortgage funds. Investor uncertainty around volatile equity markets and the collapse of the finance company sector, with many investors suffering losses in what had been previously considered as secure debenture products, has seen a move to more defensive cash based products, often outside of AXA.

Financial protection

Financial protection sales are up 3% due to higher group life sales driven by improved service and administration.

High commission rates being offered by industry participants continue to make the financial protection market challenging resulting in a 31% increase in discontinuances.

At 31 December 2008, total in-force business was NZ$175.6m, a net increase of NZ$3.3m over the 2008 year, maintaining AXA's ranking as New Zealand's third largest insurer.

Operating Earnings

Operating Earnings were down 28% to NZ$42.8m (2007 – NZ$59.1m).

Operating Earnings for wealth management were down 44% to NZ$11.1m (2007 – NZ$19.9m) mainly due to a decline in average funds under administration as a result of negative equity markets, coupled with lower inflows and higher outflows during 2008. In addition, the amortisation of costs relating to KiwiSaver and tax legislation changes which were capitalised in 2007 has also dampened the result. This was partially offset by 2008 capitalised loss reversals of NZ$3.8m (2007 – NZ$1.2m) driven by a change in mortality assumptions for New Zealand annuitants in 2008. The New Zealand wealth management market remains challenging.

Financial protection Operating Earnings were down 19% to NZ$31.7m (2007 – NZ$39.2m) as the long term risk book is in run-off and we have experienced a higher rate of surrenders in our individual life business. The higher surrenders reflect the impact of increased commission rates being offered by industry participants.

Value of new business

Value of new business was down 40% to NZ$10m (2007 – NZ$16.7m) due to lower inflows and funds under management in our wealth management business and a higher proportion of lower margin cash inflows.

Advisers and productivity

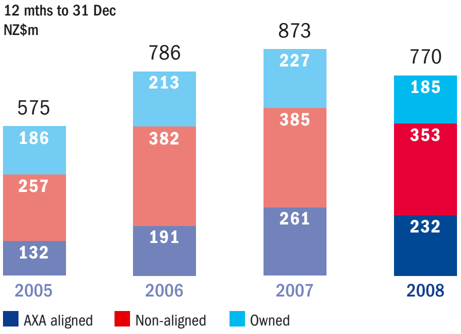
Adviser numbers At	31 Dec 08	31 Dec 07	Change
Aligned advisers	365	352	4%
Spicers advisers	49	56	(13)%
Total advisers	**414**	**408**	**1%**

In the twelve months to 31 December 2008, 21 new AXA aligned advisers were appointed whilst 8 left due to resignation, retirement or agency sale. New Zealand's total adviser network was up 1% to 414 (2007 – 408), Spicers adviser numbers reduced by seven following initiatives to optimise the advice network composition and profitability. In addition to AXA's owned and aligned adviser network, AXA products are also sold through a non-aligned channel comprising approximately 920 brokers and independent advisers.

In 2008, the AXA Academy was launched to provide assistance to existing advisers to achieve compliance with the new financial planning regulations and to provide training and support for new advisers entering the industry. This initiative will support our existing adviser network and ensure a strong network of advisers is developed for the future.

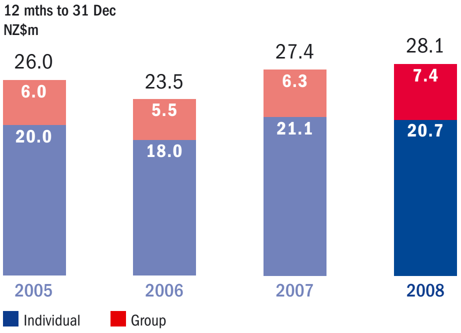
1 FundSource December 2008 quarter

Retail wealth management inflows by channel



Wealth management retail sales have decreased by 12% to NZ$770m in 2008 (2007 – NZ$873m) due to a combination of weak and volatile local and global equity markets and the local economy entering a recession. In addition, a high official cash rate during the first half of 2008 (although since much reduced) in response to inflationary pressures has led to term and cash deposits being favoured over more traditional unit trust or growth investment products. Establishment of the Government deposit guarantee scheme has complicated wealth management product offerings and impacted on flows as investors have sought products that participate in the guarantee scheme.

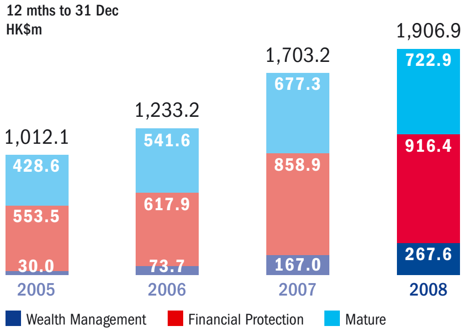
Financial protection new business



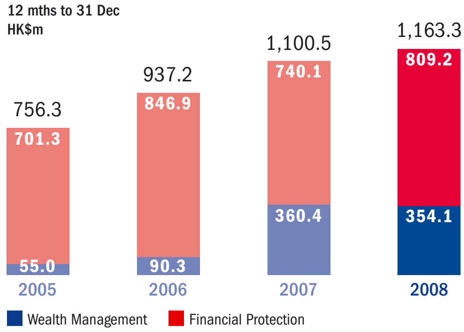
Overall financial protection sales were up 3% and inforce up 2%. Aligned individual sales were up 2% to NZ$16.7m (2007 – NZ$16.4m) offsetting the 15% decrease in individual non-aligned sales to NZ$4.0m (2007 – NZ$4.7m) due to significant increases in commissions by some industry participants. Group sales increased 17% to NZ$7.4m (2007 – NZ$6.3m) driven by improved service and claims administration.

2.3 Hong Kong

Operating Earnings
12 mths to 31 Dec
HK$m



Value of new business
12 mths to 31 Dec
HK$m



12 months to 31 Dec HK$m	2008 Wealth management	Financial protection	Mature	Total
Planned profit margin	292.6	950.8	710.2	1,953.6
Experience profit/loss				
– expenses	(2.0)	(10.6)	(2.2)	(14.8)
– other	(23.0)	(23.8)	14.9	(31.9)
Operating Earnings	**267.6**	**916.4**	**722.9**	**1,906.9**
Operating Earnings – A$m	**40.7**	**139.6**	**110.0**	**290.3**
Opening FUM / FUA – 1 January[1]	**19,654.8**	**11,091.0**	**44,941.3**	**75,687.1**
Inflows	5,236.6	6,120.8	2,973.9	14,331.3
Outflows	(3,699.0)	(3,070.2)	(2,868.5)	(9,637.7)
Net flows	**1,537.6**	**3,050.6**	**105.4**	**4,693.6**
Capital depreciation	(6,899.8)	(2,065.8)	(3,072.7)	(12,038.3)
Movement in shareholder FUM[2]	–	(394.8)	(1,018.7)	(1,413.5)
Closing FUM / FUA – 31 December	**14,292.6**	**11,681.0**	**40,955.3**	**66,928.9**
Closing FUM / FUA – A$m	**2,622.5**	**2,143.3**	**7,514.7**	**12,280.6**
Average FUM / FUA – HK$m				**70,704.4**
Opening inforce premiums	**2,943.6**	**5,749.9**	**3,151.6**	**11,845.1**
– new business	947.9	1,109.9	–	2,057.8
– discontinuances	(540.0)	(758.3)	(118.4)	(1,416.7)
Closing inforce premiums	**3,351.5**	**6,101.5**	**3,033.2**	**12,486.2**
Allocation of assets				
– HK equities				5%
– International equities				13%
– US Bonds				47%
– HK bonds				9%
– Other[3]				26%
Value of new business	354.1	809.2	–	1,163.3
New business index	1,114.2	1,124.3	–	2,238.5
VNB margin	32%	72%	–	52%
Total Management Expenses				661.4

1 HK$1.36bn of FUM has been restated from wealth management to mature, representing shareholder FUM of Winterthur
2 Included in the change of FUM from 31 December 2007 to 31 December 2008 under mature were dividends of HK$1.52bn paid to the Holding company
3 Includes investments in unit trusts and unit linked products

12 months to 31 Dec HK$m	2007 Wealth management	Financial protection	Mature	Total
Planned profit margin	162.6	833.1	649.5	1,645.2
Experience profit/loss				
– expenses	12.7	(24.0)	7.5	(3.8)
– other	(8.3)	49.8	20.3	61.8
Operating Earnings	**167.0**	**858.9**	**677.3**	**1,703.2**
Operating Earnings – A$m	**25.7**	**132.1**	**104.2**	**262.0**
Opening FUM / FUA – 1 January	**9,638.1**	**8,120.0**	**39,940.7**	**57,698.8**
Inflows – inforce and new business	5,330.1	5,657.6	3,551.2	14,538.9
Inflows – other[1]	7,714.8	–	1,362.2	9,077.0
Outflows	(3,570.9)	(2,978.0)	(3,030.0)	(9,578.9)
Net flows	**9,474.0**	**2,679.6**	**1,883.4**	**14,037.0**
Capital appreciation	2,494.9	759.4	2,852.9	6,107.2
Movement in shareholder FUM[2]	–	(468.0)	264.3	(203.7)
Acquisition cost of Winterthur[1]	(1,952.2)	–	–	(1,952.2)
Closing FUM / FUA – 31 December[3]	**19,654.8**	**11,091.0**	**44,941.3**	**75,687.1**
Closing FUM / FUA – A$m	**2,864.3**	**1,616.3**	**6,549.2**	**11,029.8**
Average FUM / FUA – HK$m				**69,216.8**
Opening inforce premiums	**1,122.5**	**5,337.0**	**3,291.6**	**9,751.1**
– new business	1,010.2	1,085.4	–	2,095.6
– discontinuances	(508.3)	(672.5)	(140.0)	(1,320.8)
– other	1,319.2[2]	–	–	1,319.2
Closing inforce premiums	**2,943.6**	**5,749.9**	**3,151.6**	**11,845.1**
Allocation of assets				
– HK equities				7%
– International equities				19%
– US Bonds				42%
– HK bonds				8%
– Other[4]				24%
Value of new business	360.4	740.1	–	1,100.5
New business index	1,254.5	1,141.9	–	2,396.4
VNB margin	29%	65%	–	46%
Total Management Expenses				702.2

1 Relates to acquired Winterthur business, HK$7.7bn of Winterthur acquired FUM (before capital appreciation), HK$1.3bn of acquired inforce and (HK$1.9bn) of acquisition cost.

2 Included in the change of FUM from 31 December 2006 to 31 December 2007 under mature were dividends of (HK$2.6bn) paid to and HK$1.9bn capital injection from the Holding company

3 2007 change in FUM items have been updated although closing total FUM is not impacted

4 Includes investments in unit trusts and unit linked products

2 Operating performance

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Operating Earnings

Operating Earnings in local currency were up 12% to HK$1,906.9m (2007 – HK$1,703.2m) while Operating Earnings in A$ were up 11% to $290.3m (2007 – $262.0m), reflecting the impact of the 1% appreciation in the average A$/HK$ exchange rate over the period.

Wealth management includes retirement business (ORSO and MPF), unit trust products, Signature Series, Citibank bancassurance products and Winterthur. Wealth Management Operating Earnings were up 60% to HK$267.6m (2007 – HK$167.0m), reflecting the inclusion of Winterthur results and synergies for the full year. The negative other experience relates to surrender losses on Winterthur business.

The financial protection business combines both life, which includes the Smart Series, as well as Group and general insurance. Operating Earnings were up 7% to HK$916.4m (2007 – HK$858.9m) due to higher sales, an increase in planned margins and growth in the inforce portfolio. The negative expense experience reflects a one-off tax charge in our Group Life business while the negative other experience reflects claims experience for our general insurance business.

Mature products, which include National Life series, the MLC business and Deposit Administration products, are closed to new business and are in run-off. Operating Earnings for these products were up 7% to HK$722.9m (2007 – HK$677.3m). The other experience reflects favourable underwriting contributions from our closed National Life business, together with prior year reinsurance recoveries and the recognition of a tax benefit, offset slightly by lower than anticipated surrenders. In addition, a one-off recovery received in respect of the final settlement of a legal case is included in the results of the first half of 2007, the amount of which remains confidential.

Funds under management

Total funds under management and administration at 31 December 2008 was down 12% to HK$66.93bn (31 December 2007 – HK$75.67bn) impacted by recent market conditions, with the MSCI World Accumulation Index (US$) and Hang Seng Index down by 40% and 48% respectively, and a HK$1.52bn shareholder dividend paid to AXA Asia Pacific Holdings.

Value and new business index

New business index was down 7% to HK$2.24bn (2007 – HK$2.40bn). This result included a full year of Winterthur sales compared to an eight month contribution last year. The reduction is primarily due to the final quarter of 2008 being significantly below 2007 with adverse market conditions impacting unit linked and wealth management products. However, we have seen a continued shift towards higher margin regular premium traditional life business.

Wealth management new business index was down 11% to HK$1.11bn (2007 – HK$1.25bn) mainly reflecting lower retirement sales through the broker channel and a significant decline in investment sales in the final quarter of 2008. This decrease has been partially offset by an additional four months of sales from Winterthur channels and contributions from our new Citibank bancassurance agreement. Financial protection new business index was down 2% to HK$1.12bn (2007 – HK$1.14bn). Strong growth in traditional life sales, up 14% to HK$755.9m, reflects the increasing shift towards financial protection products. This was more than offset by a decrease in sales of unit linked financial protection products. Unit linked sales have been impacted by the current market conditions and the restructure of the salaried adviser channel in the first half of 2008.

A comparison of margins across the new business categories is provided below. The overall VNB margin of Hong Kong in 2008 increased to 52% (2007 – 46%), mainly driven by the shift of the product mix to higher margin traditional products and the positive impact from changes in assumptions in second half of the year due to an improvement in lapse experience.

Stronger wealth management margins in 2008 reflect a focus away from short duration limited pay Signature Saver. VNB margins have also increased in our unit linked financial protection products due to an increase in higher margin, regular premium business.

	2008			2007			H1'2008	H2'2008
12 months to 31 Dec	VNB	NBI	VNB%	VNB	NBI	VNB%	VNB%	VNB%
Investment	282.0	767.9	37%	270.5	787.3	34%	35%	39%
Group retirement and investment products	72.1	346.3	21%	89.9	467.2	19%	21%	20%
Wealth management	**354.1**	**1,114.2**	**32%**	**360.4**	**1,254.5**	**29%**	**31%**	**32%**
Traditional life	646.6	755.9	86%	518.4	660.9	78%	76%	93%
Unit linked	100.9	111.1	91%	163.0	219.1	74%	83%	102%
Group life	17.7	18.3	97%	13.1	10.7	122%	86%	141%
Financial protection excluding medical and general	**765.2**	**885.3**	**86%**	**694.5**	**890.7**	**78%**	**78%**	**94%**
Group medical	20.8	119.2	17%	20.8	117.2	18%	22%	11%
General insurance	23.2	119.8	19%	24.8	134.0	19%	17%	23%
Financial protection	**809.2**	**1,124.3**	**72%**	**740.1**	**1,141.9**	**65%**	**63%**	**81%**
Total	**1,163.3**	**2,238.5**	**52%**	**1,100.5**	**2,396.4**	**46%**	**47%**	**58%**

Persistency

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

A more detailed breakdown of persistency is outlined in the table below. This is encouraging in the context of the current market where one would expect there to be increased pressure on discontinuances.

12 months to	Period	31 Dec 08	30 Jun 08	31 Dec 07	30 Jun 07	31 Dec 06	30 Jun 06	31 Dec 05
By premiums								
Aggregate discontinuance		7.2%	7.1%	7.2%	6.5%	6.5%	7.0%	7.3%
Persistency								
Individual life – non-linked (Smart series)	13[1]	89.5%	90.5%	89.8%	91.3%	81.5%	71.3%	72.7%
	25	87.1%	86.7%	86.1%	88.6%	79.2%	69.1%	70.5%
	61	77.3%	77.0%	77.2%	81.3%	71.1%	60.5%	60.6%
Individual life – unit linked	13[1]	93.2%	88.9%	87.2%	72.9%	78.7%	89.1%	85.6%
	25	65.4%	46.3%	56.1%	60.8%	65.5%	77.5%	66.8%

1 Includes Winterthur from December 2007

Breakdown of funds under management

Breakdown of major funds[1] HK$bn	At 31 Dec 2008	At 31 Dec 2007
'NL' closed life fund	19.2	22.1
'Smart' open life fund	10.0	8.9
'DA' retirement fund (closed to all new contributions)	2.8	3.1
'Retirement' 0% guarantee fund (incl. MPF guarantee)	2.7	2.5
Unit linked life	5.6	9.5
'MPF' non-guaranteed	5.8	7.3
Other (including shareholder)	20.8	22.3
Funds under management	**66.9**	**75.7**

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

Investment and technical margins

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

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

	Fund size[1] (HK$bn)	Investment guarantee to policyholder	Investment strategy (bond/equity)	Target long term investment return	Total policyholder return on current crediting rates (gtees+cash div+bonus)	Expected long-term investment margin
'NL' closed Life fund	19.2	4.25% pa	80/20 (Global)	6.20%	4.75% pa	1.25%
'Smart' open Life fund	10.0	<1.00% pa	50/50 (Global)[3]	7.50%	4.00% pa + TB[2]	1.00%
'DA' Retirement fund (closed to all new contributions)	2.8	5.00% pa	80/20 (HK)[4]	6.25%	5.00% pa	1.00%
'Retirement' 0% guarantee funds (incl. MPF guarantee)	2.7	0.00% pa	80/20 (HK)	6.25%	4.00% pa – 5.00% pa	1.00%

1 Fund size based on AIFRS liability
2 Terminal bonuses determined at the end of the policy life
3 Smart open life fund investment strategy will move from 50/50 to 70/30
4 DA retirement fund investment strategy will move from 80/20 to 100/0

Other than the Smart open life fund that is receiving new business, fund balances dropped over the period and the ADM balance weakened following the impact of poor investment market performance and is now in deficit. However, there are still very significant balances of future policyholder profit margin reserves. These future policyholder margin reserves substantially exceed the ADM balance. The crediting rates which, subject to policyholder reasonable expectations and guaranteed minimums, can be reduced at any time.

Adviser numbers and productivity

Number of advisers At	31 Dec 08	31 Dec 07	Change
Commissioned agents managed by agency leaders	1,775	2,010	(12)%
Commissioned agents managed by salaried staff	991	812	22%
Total commissioned agents	**2,766**	**2,822**	**(2)%**
Salaried advisers (including managers and trainees) and AXA Financial Planners	202	189	7%
PPCG	196	141	39%
Swiss Privilege	181	158	15%
Total agents and advisers	**3,345**	**3,310**	**1%**

Total agents and advisers increased marginally by 1% to 3,345 (31 December 2007 – 3,310).

Commissioned agent numbers decreased 2% to 2,766 (31 December 2007 – 2,822). Whilst we have increased recruitment activity, this has been offset by the impact of minimum production levels not being met and agents being automatically terminated. An experienced hire program is being put in place to increase agent numbers to promote business growth in 2009. We are seeking experienced agents with a background in insurance or banking in order to provide stability to agent numbers as well as new business.

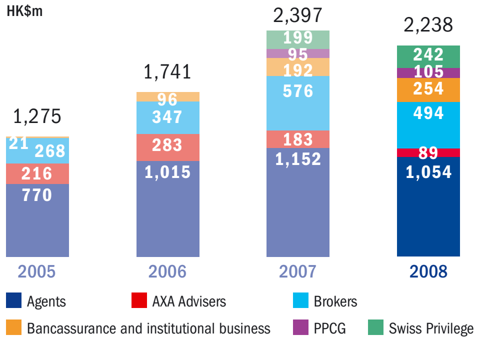
This year we have seen a 7% increase in salaried adviser numbers to 202 (31 December 2007 – 189). The remuneration and governance structure of this channel was significantly strengthened during 2007. A number of changes were made including the application of minimum production requirements, while compensation also changed, to shift focus to higher quality business. As a consequence, a number of advisers left the business. The key focus in the next 12 to 18 months will be to continue to rebuild this channel both in terms of number of advisers and productivity. Since July 2008, the number of salaried advisers has increased by 42% from 142 to 202. During the month of December, 24 salaried advisers were recruited.

PPCG and Swiss Privilege agent numbers increased 26% to a total of 377 (31 December 2007 – 299).

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

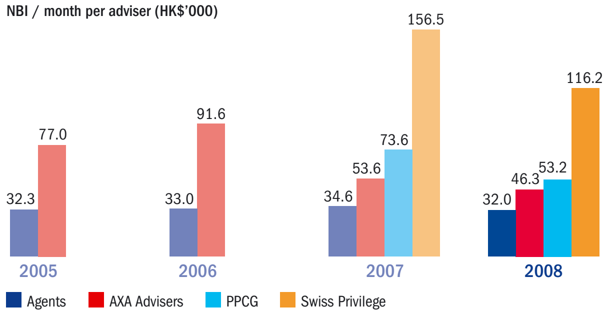
New business index by channel

12 mths to 31 Dec
HK$m



Adviser productivity by channel

12 mths to 31 Dec
NBI / month per adviser (HK$'000)



VNB margin by channel

VNB margin by channel	FY'2008[1] VNB HK$m	FY'2008[1] NBI HK$m	FY'2008[1] Margin %	FY'2007[1] VNB HK$m	FY'2007[1] NBI HK$m	FY'2007[1] Margin %	H1'2008 Margin %	H2'2008 Margin %
Agency	733.8	1,053.7	70%	661.6	1,151.7	57%	62%	78%
AXA Advisers/financial planners	34.1	89.0	38%	87.8	182.8	48%	36%	41%
PPCG	28.0	105.4	27%	25.3	95.3	27%	25%	29%
Swiss Privilege	99.5	242.0	41%	92.9	198.9	47%	39%	45%

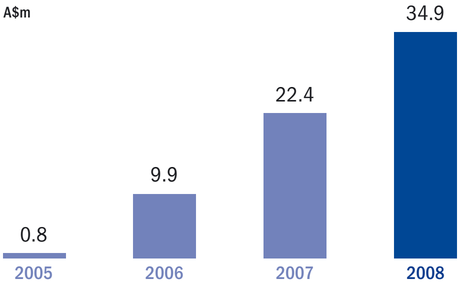
1 Excludes indexation, includes General Insurance

VNB margin for agency has increased from last year, mainly due to the switch from investment linked products to higher margin traditional products.

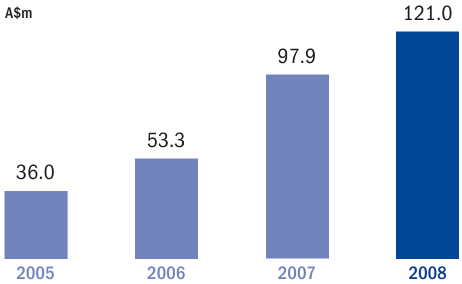
VNB margin dropped for AXA advisers and financial planners reflecting the increase in the ratio of financial planners to AXA Advisers. Financial planners sell mainly retirement business products with a lower VNB margin than the traditional life products sold by AXA Advisers.

2.4 South East Asia

Operating Earnings[1]
12 mths to 31 Dec
A$m



Value of new business[2]
12 mths to 31 Dec
A$m



1 Group share basis
2 On a 100% share basis

12 months to 31 Dec A$m	2008	2007	Change
Operating Earnings[1]	34.9	22.4	56%
Value of new business[2]	121.0	97.9	24%
New business index[2]	299.3	312.4	(4)%
VNB margin	40%	31%	

1 At respective actual exchange rates
2 On a 100% share using respective actual exchange rates

Operating Earnings

The South East Asian region includes our businesses in the Philippines, Indonesia, Thailand, Singapore and Malaysia. We have seen strong growth in Operating Earnings, up 56% to $34.9m (2007 – $22.4m) particularly driven by growth in Indonesia and Thailand. This growth has been partly offset by a reduction in earnings from Singapore due to reduced sales of unit linked business and lower funds under management reflecting the adverse market conditions in 2008.

Funds flow by country

	Philippines (Peso m)			Indonesia (Rupiah bn)			Thailand (Baht m)		
12 months to 31 Dec	2008	2007[1]	Change	2008	2007[1,2]	Change	2008	2007[1]	Change
Opening inforce premiums – 1 January	1,676.6	1,314.9	28%	1,604.0	1,059.2	51%	5,651.9	3,512.3	61%
– new business	603.5	821.3	(27)%	754.9	750.2	1%	3,383.7	2,672.2	27%
– discontinuances	(418.2)	(459.6)	9%	(277.3)	(205.4)	(35)%	(907.1)	(532.6)	(70)%
Closing inforce premiums 31 December	1,861.9	1,676.6	11%	2,081.6	1,604.0	30%	8,128.5	5,651.9	44%
Opening FUM – 1 January	33,953.4	22,672.7	50%	7,045.9	3,799.0	85%	9,784.0	6,060.6	61%
Inflows	5,372.7	16,365.4	(67)%	2,997.8	3,212.7	(7)%	9,052.4	5,814.1	56%
Outflows	(7,224.8)	(4,852.5)	(49)%	(1,918.7)	(1,117.0)	(72)%	(3,869.4)	(2,684.0)	(44)%
Capital appreciation	(1,548.4)	(232.2)	<<	(2,045.5)	1,151.2	(278)%	1,749.7	593.3	195%
Closing FUM – 31 December	30,552.9	33,953.4	(10)%	6,079.5	7,045.9	(14)%	16,716.7	9,784.0	71%
New business index	1,022.1	2,225.7	(54)%	877.6	917.5	(4)%	3,534.0	2,743.2	29%

1 2007 comparatives have been restated to show gross inflows to ensure consistent disclosure across the regions. 2007 FUM balances remain unchanged.
2 Inforce premiums for Indonesia and Singapore as at 31 December 2007 have been restated to exclude single premium business to ensure consistent disclosure across the regions.

12 months to 31 Dec	Singapore (Sing$ m) 2008	2007[1,2]	Change	Malaysia (Ringgit m) 2008	2007[1]	Change
Opening inforce premiums – 1 January	**92.9**	**88.4**	**5%**	**22.0**	**20.9**	**5%**
– new business	15.3	10.9	40%	16.8	4.5	273%
– discontinuances	(5.7)	(6.4)	11%	(4.5)	(3.4)	(32)%
Closing inforce premiums – 31 December	**102.5**	**92.9**	**10%**	**34.3**	**22.0**	**56%**
Opening FUM – 1 January	**1,656.9**	**1,382.7**	**20%**	**282.5**	**276.9**	**2%**
Inflows	252.5	412.6	(39)%	62.9	31.4	100%
Outflows	(197.7)	(279.8)	29%	(62.2)	(49.6)	(25)%
Capital appreciation	(455.1)	141.4	(422)%	(13.3)	23.8	(156)%
Closing FUM – 31 December	**1.256.6**	**1,656.9**	**(24)%**	**269.9**	**282.5**	**(4)%**
New business index	**34.8**	**48.5**	**(28)%**	**18.4**	**5.5**	**235%**

1 2007 comparatives of inflows and outflows have been restated to show gross inflows to ensure consistent disclosure across the regions. 2007 FUM balances remain unchanged

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

Agents and advisers

Agent and adviser numbers As at	31 Dec 08	31 Dec 07	Change
Philippines	1,174	1,195	(2)%
Indonesia	6,695	4,663	44%
Thailand	7,148	6,990	2%
Singapore	347	355	(2)%
Malaysia	307	338	(9)%
Total	**15,671**	**13,541**	**16%**

The total number of agents and advisers of 15,671 was up 16%, primarily reflecting our successful recruitment initiatives in expanding the agency force in Indonesia. Within the total agent and adviser numbers, the total number of bancassurance advisers was up 6% to 2,239 (31 December 2007 – 2,113).

Bank distribution

	Bank	No. of branches 31 Dec 08	No. of branches 31 Dec 07	No. of bank retail customers (m) 31 Dec 08
Philippines	Metrobank	551	544	3.0
Indonesia	Bank Mandiri	966	928	7.0
Thailand	Krung Thai Bank	840	766	13.5
Malaysia	AFFIN Bank	82	81	0.5
Total		**2,439**	**2,319**	**24.0**

We have joint venture partnerships with some of the largest banks in the Philippines, Indonesia, Thailand and Malaysia, giving us exclusive access to over 2,400 branches in these markets.

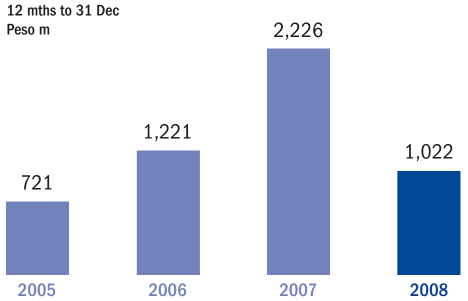
Philippines

Philippine AXA Life is our joint venture with the Metrobank Group, the holding company of the largest bank in the Philippines, with 551 branches. AXA's bancassurance operation is the key distribution channel for the joint venture, accounting for 70% of total new business index (NBI) (2007 – 83%).

The Philippines life market contracted in 2008 due to the impact of global investment markets, with our full year 2008 NBI down 54% to Peso 1,022m (December 2007 – Peso 2,226m).

New business index – Philippines

12 mths to 31 Dec
Peso m



Customer demand for single premium investment linked products slowed considerably, with NBI down 77% to Peso 329m (2007 – Peso 1,405m). However, regular premium NBI, which accounted for 68% of 2008 total NBI (December 2007 – 37%), was down only 16% to Peso 693m (December 2007 – Peso 821m).

Agent numbers were down slightly during 2008 to 1,174 (31 December 2007 – 1,195) mainly reflecting a reduction in bank-based financial advisers. However, productivity of bank-based advisers was 2.55 cases per month, which is higher than the average adviser productivity in the broader Philippines market. Other comparable companies are reported to have a productivity rate of around 1.00 case per month.

In 2007, Philippine AXA Life ranked second for total premium income and had a market share of around 21%[1]. For unit linked life premium income, Philippine AXA Life was the market leader[1], with a market share of approximately 45%[1]. All companies across the industry have experienced reductions in single premium unit linked sales, although AXA was particularly affected due to a higher concentration of this product.

Looking forward, we will continue to leverage our existing bancassurance arrangements, build our tied agency network and continue to develop alternative distribution channels. We are also continuing to encourage our distribution network to focus more on regular premium financial protection products during these times of market volatility.

Indonesia

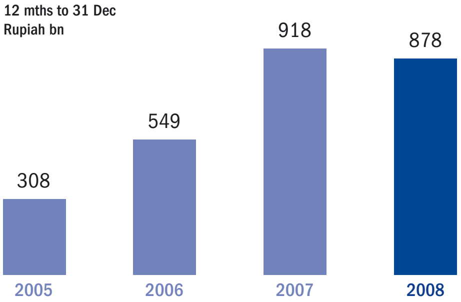
AXA Mandiri Financial Services is our bancassurance joint venture with Bank Mandiri. The joint venture comprises 1,111 financial advisers (31 December 2007 – 1,035) across 966 Bank Mandiri branches (31 December 2007 – 928).

The Indonesian market continued to grow in 2008 although at a slower rate due to the investment market downturn. The market total premium income was IDR37.9trn[2] for the nine months ended 30 September 2008, representing 17% growth over the same period last year. Market fundamentals continue to remain attractive in the long term, with relatively low life insurance penetration.

Our new business index for the 12 months to 31 December 2008 was down 4% reflecting the impact of the investment market downturn on customer sentiment for investment linked products, notably in the last quarter.

New business index – Indonesia

12 mths to 31 Dec
Rupiah bn



AXA Financial Indonesia (ex MLC Life Indonesia) increased its new business index by 18% to IDR207bn (2007 – IDR176bn), with agent numbers increasing to 4,208 (31 December 2007 – 2,828).

Productivity of AXA Mandiri-based financial advisers was 5.2 cases per month. This is significantly higher than average agent productivity in the broader Indonesian market. The bancassurance new business index was 15% down to IDR573bn (2007 – IDR674bn), impacted by reduced single premium sales (down 32%).

AXA Life Indonesia, our agency distribution joint venture with the Tempo Group, continues to grow its distribution capability. The total new business index of AXA Life increased by 45% to IDR98bn (2007 – IDR68bn), with agent numbers growing to 1,184 (31 December 2007 – 713).

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

2 Indonesia Life Insurance Association (AAJI)

AXA Indonesia was ranked[3] third (December 2007 – third) in terms of new business premium amongst foreign joint venture companies for the nine months ended 30 September 2008, and fifth[3] (December 2007 – fifth) for new business amongst all life companies. Our overall market share decreased to 6.7%[3] (December 2007 – 7.8%) given our high proportion of single premium, unit linked sales, compared with other industry competitors.

Looking forward, we will continue to leverage our existing bancassurance arrangement and build on our successful telemarketing pilot with Bank Mandiri, which has reached over 140,000 new bank customers through 138 telemarketers. We will also further develop our tied and salaried agency networks.

Thailand

Through our bancassurance joint venture with Krung Thai Bank, we have access to 840 branches (2007 – 766 branches) and business centres with over 13.5 million customers. We now have 602 financial advisers and managers (31 December 2007 – 508) in 611 branches (31 December 2007 – 571).

NBI for Thailand was up 29% to THB3,534m in 2008, reflecting growth in agency and bank productivity levels and very strong growth in the bancassurance channel.

New business index – Thailand

12 mths to 31 Dec
Baht m

Thailand's life insurance market is very attractive given its relatively low penetration rate and continued growth in GDP and disposable incomes. In the 11 months to 30 November 2008, total premiums in the Thai life insurance market were US$5.6bn representing an increase of 10%[4] over the same period last year.

Agent numbers grew during 2008 to 6,546 (31 December 2007 – 6,482). Our overall case productivity leads the industry at 1.72 cases per agent per month. Given the improved productivity of bank-based advisers, sales from our bancassurance channel were up 73% to THB1,421m (2007 – THB823m).

Our market ranking for new business to November 2008 was 7th [4] (December 2007 – 7th), with a higher market share of 6.5%[4] (December 2007 – 5.1%). The market NBI grew at 2%[5] in 2007 while AXA grew at 33%.

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

3 Indonesia Life Insurance Association (AAJI), with new business premium based on 100% credit for both regular and single premium

4 Thai Life Assurance Association (TLAA)

5 Thai Life Assurance Association (TLAA) – based on first year premium received plus 10% of single premium

Singapore

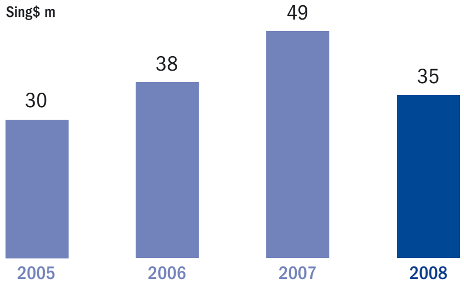
Our operations in Singapore are wholly-owned by AXA APH and sales are driven by our aligned agency network.

In April, the Central Provident Fund (CPF) Board imposed new investment restrictions on the use of CPF monies. This resulted in a 62%[6] decline in CPF sales in the industry. Coupled with the current global financial crisis, major players in the industry channelled their sales effort towards regular premium insurance products which registered a 36%[6] increase in 2008.

AXA Singapore was also impacted by the challenging markets conditions during 2008, with NBI for the year down by 28% to S$34.8m (2007 – S$48.5m).

New business index – Singapore

12 mths to 31 Dec
Sing$ m



AXA Life Singapore saw its gross single premium investment linked sales reduce by 34%[6]. Redemption rates for the single premium investment linked products however were lower as a result of the company's initiatives to educate advisers and policyholders. The company also directed its sales resources towards regular premiums products that grew 31%[6] compared to last year. We ranked 12th in the industry in terms of new business index as at September 2008.

Looking forward, we will focus on expanding our adviser sales force and broadening our product offering with new hybrid and retirement products. We will also continue to pursue strategic alliance opportunities.

The Singapore market recorded 10% growth in gross life premiums to S$7.6 billion[7] for the first 9 months of 2008. However, this excludes the very challenging final quarter.

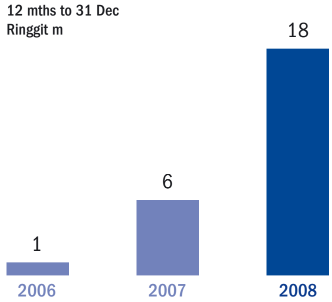
Malaysia

In Malaysia, we have a bancassurance joint venture with AFFIN Holdings with whom we continue to expand our multi-distribution model by distributing regular premium investment linked products through our branch network.

As at 30 September 2008, the new business index (NBI) for Malaysia's life insurance industry grew by 5.9% to RM1.97bn[8]. AXA's individual life's NBI grew 231%[8] and its market share increased from 0.2% to 0.6%[8], making AXA the fastest growing company in the life insurance industry, albeit from a small base.

New business index – Malaysia

12 mths to 31 Dec
Ringgit m



Our NBI was up significantly in 2008 at RM18.4m (2007 – RM5.5m). Our strategy of building multi-distribution channels through our bancassurance partnership with AFFIN Bank and direct marketing initiatives has contributed 50% of this year's NBI (RM9.3m) (2007 – RM0.8m).

Tied agency distribution has also gained momentum, closing the year with RM9.1m (2007 – RM4.7m), with the introduction of our first traditional life participating insurance product, Dimension, in September 2008.

Looking forward, tied agency distribution will continue its expansion with six new branches planned for the year to support growth. The bancassurance channel will be expanded further with the successful inclusion of two new bank partnerships which will be launched in the first quarter.

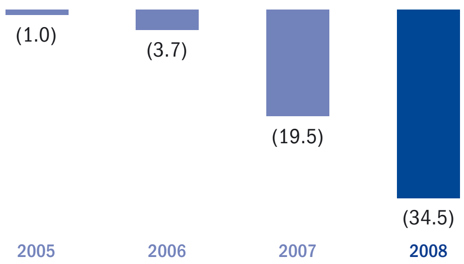
6 Life Insurance Association Singapore – for the nine months ended 30 September 2008

7 Life Insurance Association Singapore

8 Draft Life Insurance Association of Malaysia (LIAM) Statistics

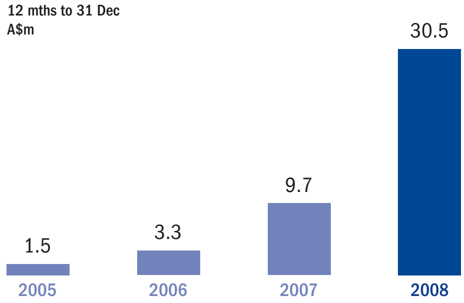
2.5 India and China

Operating Earnings[1]
12 mths to 31 Dec
A$m



1 AXA commenced operations in India in 2006

Value of new business
12 mths to 31 Dec
A$m



12 months to 31 Dec A$m	2008	2007	Change
Operating Earnings[1]	(34.5)	(19.5)	(77)%
Value of new business[2]	30.5	9.7	214%
New business index[2]	120.0	48.5	147%
VNB margin	25%	20%	

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

Operating Earnings

Operating losses for India and China have increased as we expanded our presence in these countries. Our investment reflects growth in the number of branches and the associated sales force in India and an increase in licences issued in China. Earnings were also impacted by the new business strain on new business growth in India.

AXA Investment Managers commenced operations in the second half of 2008. Our share of this business is 33.75%.

Advisers and productivity

Agent and adviser numbers As at	31 Dec 08	31 Dec 07	Change
India	38,605	13,898	178%
China	2,851	3,034	(6)%
Total	**41,456**	**16,932**	**145%**

Agent and adviser numbers in India grew strongly during the year driven by our branch expansion program across the country.

Notwithstanding new branch licences being obtained in the year, the 6% decrease in the sales force in China reflects an increased focus in the first half of 2008 on maintaining sales force productivity by enforcing validation rules outlined in our regional best practice Blueprints.

Funds flow by country

	India (Rupee m)			China (Rmb m)		
12 months to 31 Dec	2008	2007	Change	2008	2007	Change
Opening inforce premiums	844.6	28.2	>>	213.5	155.4	37%
– new business	3,312.9	890.1	272%	144.8	77.1	88%
– discontinuances	(742.0)	(73.7)	(907)%	(29.5)	(19.0)	(55)%
Closing inforce premiums	3,415.5	844.6	304%	328.8	213.5	54%
New Business Index	3,312.9	891.6	272%	171.7	145.4	18%

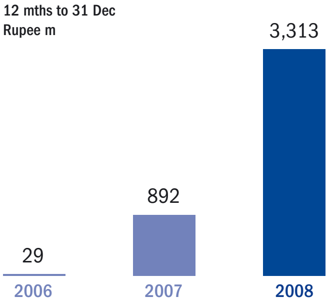
India

Indian GDP growth has averaged 8.8%[1] over the last four years. However the global financial crisis and the resultant liquidity squeeze has impacted Indian growth forecasts with the Reserve Bank of India revising its GDP growth forecast to approximately 6.5% to 7%. The stock market has declined by 54% from the peak levels reached in January 2008.

The private sector life insurance players have grown 52%[2] for the period January 2008 to November 2008. However, recent growth has been impacted by the downturn in stock markets with growth slowing from 94% in January 2008 to 38%[2] in November 2008. For the same period last year Bharti AXA Life grew 349%. The share of the private players increased from 48% as at 31 December 2007 to 60% as at 30 November 2008[2].

The growth in outflows in 2008 is due to the growth in the balance of our inforce book and our NBI has been growing at a robust pace. This is in line with the expansion of our operations across the country.

New business index – India
12 mths to 31 Dec
Rupee m



Bharti AXA Life Insurance Company was the sixteenth player to enter the Indian life insurance market and is now ranked thirteenth based on annualised new business premium. The market continues to attract new players and in 2008 Generali, Fortis, HSBC, Aegon, Dai-Ichi and Legal & General commenced operations.

The company has grown its proprietary branch network from 77 branches at the end of December 2007 to nearly 200 branches at the end of December 2008. The number of life agents has increased to 34,604 (2007 – 11,409) while the number of salaried advisers has increased to 4,001 (2007 – 2,489). In addition, the company's products are now being exclusively sold across 522 Bharti Airtel centres and distributors and also through over 1,600 Bharti Teletech dealers.

We expect the Indian market to slow sharply in 2009 and therefore our focus will be to capitalise on the infrastructure we have established and consolidate within this.

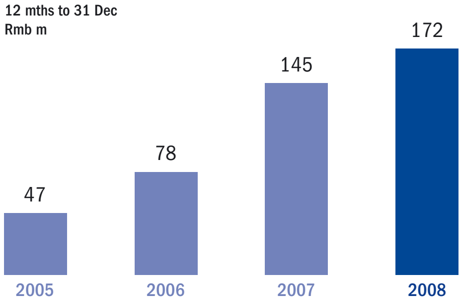
China

China remains one of the key emerging insurance markets in Asia, with sound long-term economic fundamentals underpinned by increasing consumer affluence, awareness of the need for financial protection, and low insurance penetration rates. This all assists strong long-term growth prospects. China's GDP has grown at an annual average rate of over 10% in the last 5 years[3]. The global financial crisis has also had an impact on China, which has seen significant volatility in investment markets this year with the Shanghai Composite Index falling by over 60% since the start of the year[4]. China's insurance sector has however remained relatively stable, with strong growth in new business in 2008.

According to China Insurance Regulatory Commission (CIRC) figures, as at the end of October 2008, the national life market recorded total premium income of Rmb655bn, an increase of almost 58% compared with the corresponding period last year[5]. A key driver of the strong growth was the boom in bancassurance business, with many competitors focusing on sales volume by selling low margin products, such as universal life with high crediting rates or single premium plans with high guarantees. Sales of investment linked business reduced significantly from 2007 levels due to a combination of competition from these high guarantee products and investors being more risk averse in the current volatile market conditions. In addition, regulatory developments to tighten investment linked product (ILP) sales practices and qualifications which should bring long term benefits to the industry, resulted in medium term disruption to ILP sales.

AXA-Minmetals' (AXA MM) new business continued to grow in 2008, with NBI for 2008 of Rmb172m, up 18%, despite the challenges faced by our investment linked biased product strategy.

New business index – China
12 mths to 31 Dec
Rmb m



We attribute this growth to successful developments in our distribution capability, particularly the increased prominence of our AXA Adviser and group channels. Continued development of our distribution capability, coupled with our increased geographical presence will help to support our growth in future years.

1 Reserve Bank of India

2 Insurance Regulatory and Development Authority of India (IRDA)

3 Chinese government's official web portal

4 Shanghai Stock Exchange web

5 China Insurance Regulatory Commission (CIRC)

AXA MM's multi-distribution capability can be seen from the balanced distribution mix from our four channels. The success of the adviser and group channels this year have been the important factors in our sales improvement. The Adviser channel now makes up almost 30% (2007 – 11%) of total NBI to Rmb49m. The group channel NBI is almost two and a half times the level of last year.

At the start of 2008, geographical expansion in China was a key strategic imperative to drive our accelerated growth ambitions. AXA MM now has operations in 11 major cities – Beijing, Shanghai, Guangzhou, Shenyang, Dongguan, Shenzhen, Foshan (including Chancheng and Shunde), Nanjing, Suzhou, Changzhou and Wuxi. Four of these cities were opened in the last six months. Our geographic footprint is now much broader than it was a year ago, when we operated in six cities (Beijing, Shanghai, Guangzhou, Foshan, Shenzhen and Dongguan), but is still relatively small when compared with our competitors. We will continue to expand geographically to ensure we continue to gain market share.

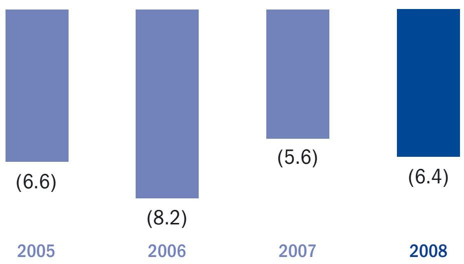
The focus in 2008 has been on expansion in the East and North of China. During the year, we managed to capitalise on our Nanjing licence approval by opening up in three more cities in the Jiangsu province, the wealthiest province in China in terms of GDP. A major focus in 2009 will be to ensure these and other new cities we enter get up to speed as soon as possible. We also commenced operations in Liaoning, through entry through the provincial capital Shenyang. We have also obtained our licence approval for Tianjin, and preparatory work is in progress for commencement of operations in the second quarter of 2009.

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

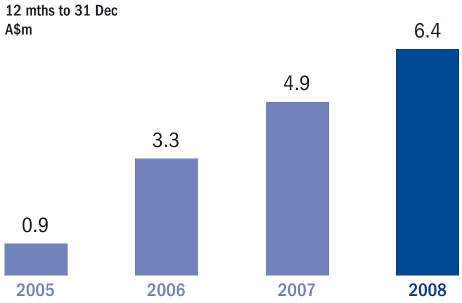
The short to medium term outlook is for continued volatility and difficult operating conditions in the Chinese market as the major developed economies in the world enter into recession and China's economy feels the effects of this global slowdown. We expect there to be a further slowdown in the insurance sector and the foreign companies including AXA to be at a relative disadvantage to the domestic companies. We also anticipate branch expansion will be constrained by regulatory change. The long-term outlook for AXA MM, however, remains positive given the inherent potential of the Chinese market and the clear strategic focus of the Group and management team.

2.6 ipac Asia

Operating Earnings
12 mths to 31 Dec
A$m



Value of new business
12 mths to 31 Dec
A$m



12 months to 31 Dec A$m	2008	2007	Change
Operating Earnings[1]	(6.4)	(5.6)	(14)%
Value of new business[2]	6.4	4.9	31%
New business index[1,3]	49.8	28.3	76%
VNB margin[3]	13%	17%	–

1 At respective actual average rates over the period to 31 December
2 At respective actual rates as at 31 December
3 Included in NBI was $224.6m of funds originated from AXA Singapore. These are now administered on the ipac platform and an administration margin is earned although this has reduced the overall VNB margin

Operating Earnings

In 2004 we commenced rolling out the ipac model in Asia utilising a multi-manager investment product platform which is targeted at both retail and institutional clients. This business is particularly exposed to the difficult markets both from the perspective of the impact on FUM values and sales. Operating Earnings have decreased against last year due to lower retail funds under administration in local currency from the investment market downturn.

In 2008 we established ipac in Taiwan through a very small acquisition providing access to this attractive growth market.

Funds flow by country

12 months to 31 Dec	Inflows			Netflows			Funds under advice / management		
A$m	2008	2007	Change	2008	2007	Change	2008	2007	Change
Retail – ipac financial planning	113.6	138.0	(18)%	75.1	115.0	(35)%	359.5	326.1	10%
Institutional – ipac Dublin	421.0	192.7	118%	334.4	156.6	(114)%	651.8	457.8	42%
Inter-segment	(36.8)	(48.0)	(23)%	(17.9)	(30.1)	(41)%	(120.0)	(101.5)	18%
Total ipac Asia	497.8	282.7	76%	391.6	241.5	62%	891.3	682.4	31%

Retail – ipac financial planning

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

Retail sales from ipac Asia were below last year. Inflows from ipac Hong Kong were down 45% to HK$328m (2007 – HK$591m), which reflected last year's one-off superannuation inflows from Australian expatriates along with recent market volatility resulting in slower sales. However, ipac Singapore was 13% ahead of last year at S$67m (2007 – S$59m) as a result of its increased adviser numbers and strong activity levels.

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

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

Institutional – ipac Dublin

ipac Portfolio Management (Dublin) Limited (ipac Dublin) is the platform for managing the Strategic Investment Services multi-manager investment funds. ipac Dublin provides investment solutions for the ipac financial planning businesses in Asia as well as being distributed through dealership arrangements in South Africa and Singapore. Total institutional gross inflows were up 120% to US$355m (2007 – US$161m) mainly due to the successful transition of an investment fund, worth A$225m, from AXA Life Singapore to the ipac Dublin platform in the first quarter of 2008 and sales inflows from Singapore and South Africa.

3 Investment Earnings

3.1 Overview

Investment Earnings 12 months to 31 Dec A$m	2008	2007	Change
Normalised			
Australia & New Zealand	82.0	83.0	(1)%
Hong Kong	93.0	104.0	(11)%
Asia (ex HK)	10.0	8.0	25%
Sub-total	**185.0**	**195.0**	**(5)%**
Investment experience – assets in excess of policy liabilities			
Australia & New Zealand	(69.6)	(22.9)	<<
Hong Kong	(218.5)	21.8	<<
Asia (ex HK)	(1.2)	7.3	<<
Sub-total	**(289.3)**	**6.2**	**<<**
Investment experience – assets backing policy liabilities (discount rate)			
Australia & New Zealand	(70.3)	10.0	<<
Hong Kong	(97.7)	(28.8)	<<
Asia (ex HK)	–	–	
Sub-total	**(168.0)**	**(18.8)**	**<<**
Investment experience – assets backing policy liabilities (other)			
Australia & New Zealand	(204.9)	(2.1)	<<
Hong Kong	(60.5)	54.5	<<
Asia (ex HK)	–	–	
Sub-total	**(265.4)**	**52.4**	**<<**
Total investment experience	**(722.7)**	**39.8**	**n/a**
Total Investment Earnings	**(537.7)**	**234.8**	**<<**

Investment Earnings were $(537.7)m (2007 – $234.8m) due to lower equity market returns and widening corporate spreads.

Normalised Investment Earnings were down 5% to $185m (2007 – $195m) due to poor investment returns reducing the asset base. 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.

3.2 Calculation of normalised investment earnings

12 months to 31 Dec 2008 A$m	31 Dec 08 assets	31 Dec 07 assets	Average assets	Long-term return	Tax	Normalised total
Australia & New Zealand						
Equities	132.1	294.4	213.3	10.00%	30%	15
Fixed interest	288.3	767.5	527.9	6.50%	30%	24
Property	53.9	0.9	27.4	7.75%	30%	2
Cash	576.2	83.5	329.9	6.50%	30%	15
Other						26
Hong Kong						
Equities	398.5	424.8	411.7	9.50%	0%	39
Fixed interest	924.4	927.7	926.1	5.70%	0%	52
Cash	141.3	60.0	100.7	2.50%	0%	2
Asia ex-HK						
Equities & property	15.0	18.6	16.8	9.50%	0%	1
Fixed interest	130.6	111.5	121.0	5.70%	0%	7
Cash	113.5	96.9	105.2	2.50%	0%	2
Total	**2,773.8**	**2,785.8**	**2,780.0**			**185**

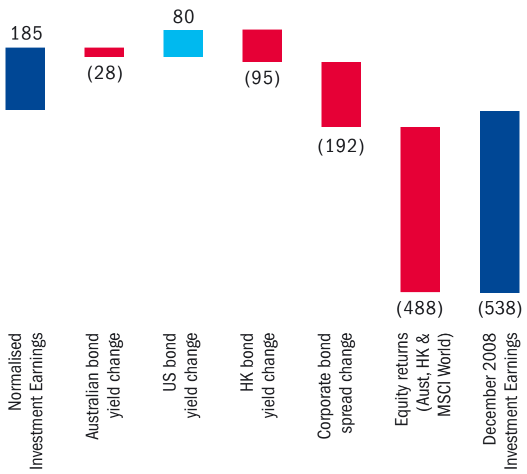
12 months to 31 Dec 2007 A$m	31 Dec 07 assets	31 Dec 06 assets	Average assets	Long-term return	Tax	Normalised total
Australia & New Zealand						
Equities	294.4	366.0	330.2	10.00%	30%	23
Fixed interest	767.5	830.4	798.9	6.50%	30%	36
Property	0.9	16.3	8.6	7.75%	30%	–
Cash	83.5	33.2	58.4	6.50%	30%	3
Other						21
Hong Kong						
Equities	424.8	523.4	474.1	9.50%	0%	45
Fixed interest	927.7	1,117.7	1,022.7	5.70%	0%	58
Property	–	0.3	0.2	5.00%	0%	–
Cash	60.0	58.2	59.1	2.50%	0%	1
Asia ex-HK						
Equities & property	18.6	–	9.3	9.50%	0%	1
Fixed interest & cash	208.4	41.8	125.1	5.70%	0%	7
Total	**2,785.8**	**2,987.3**	**2,886.6**			**195**

Our policy for investment assets supporting shareholder capital are transitioning from 30% to 20% in growth assets (equity and property) and the balance in fixed income and cash. During the 2008 market volatility, we have not been actively rebalancing our portfolio. Our physical asset allocation is set out below. This excludes any derivatives which are outlined in section 6.1.

A$m	31 Dec 08 assets		31 Dec 07 assets	
AXA APH				
Equities	545.6	20%	737.8	26%
Fixed interest	1,343.3	48%	1,806.7	65%
Property	53.9	2%	0.9	0%
Cash	831.0	30%	240.4	9%
Total invested assets	**2,773.8**	**100%**	**2,785.8**	**100%**
Subsidiary assets & other provisions	70.2		234.5	
Goodwill/Value of business inforce	2,256.7		2,011.9	
Total capital	**5,100.7**		**5,032.2**	

Normalised and actual Investment Earnings

Analysis of change in Investment Earnings
Comparison to Normalised Earnings
A$m

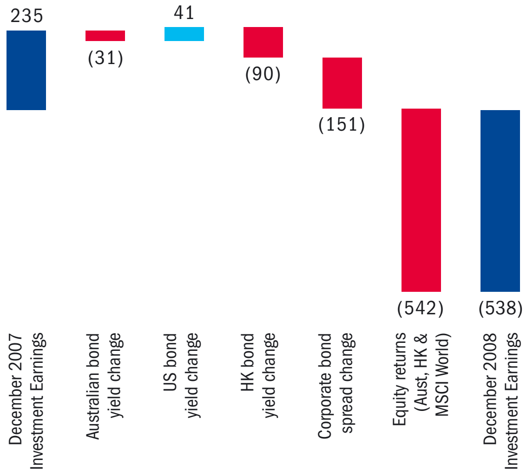


The key drivers behind Investment Earnings being below normalised returns were:

- lower equity market returns than normalised assumptions:
  - Australian S&P/ASX 200 was down 41.3% (normalised up 10%)
  - MSCI World ex Aust Accumulation Index (A$) was down 24.9% (normalised up 10%)
  - MSCI World Accumulation Index (US$) was down 40.3% (normalised up 10%)
  - Hang Seng Index (HK$) was down 48.3% (normalised up 10%)
- the widening of corporate spreads decreased the value of corporate bonds
  - Australian corporate spread over government bonds for A rated securities (1-5 years maturity) increased 275bps
  - US corporate spread over government bonds for securities held by Hong Kong increased 210bps
- A decrease in US bond yields over the period increased the value of fixed interest assets
  - US 10 year bond yields decreased 178bps
- A decrease in Australia and Hong Kong bond yields over the period increased liabilities. As the duration of average liabilities is longer than the duration of the average assets held to support the liabilities, the decrease in bond yields leads to decreased Investment Earnings, as liabilities increase by more than the corresponding increase in the market value of the assets
  - Hong Kong 10 year bond yield decreased 225bps
  - Australian 10 year bond yield decreased by 234bps

Change in actual Investment Earnings

Analysis of change in Investment Earnings
Comparison to 31 December 2007
A$m



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

- lower equity market returns
  - Australian S&P/ASX 200 was down 41.3% (2007 – 11.8% increase)
  - MSCI World ex Aust Accumulation Index (A$) was down 24.9% (2007 – 2.6% decrease)
  - MSCI World Accumulation Index (US$) was down 40.3% (2007 – 9.6% increase)
  - Hang Seng Index (HK$) was down 48.3% (2007 – 39.3% increase)
- the widening of corporate spreads decreased the value of corporate bonds
  - Australian corporate spreads over government bonds for A rated securities (1-5 years maturity) increased 275bps (2007 – 75bps increase)
  - US corporate spreads over government bonds for securities held by Hong Kong increased 210bps (2007 – 103bp increase)
- decrease in US bond yields over the period increased the value of fixed interest assets
  - US 10 year bond yields decreased 178bps (2007 – 68bps decrease)
- A decrease in Australia and Hong Kong bond yields over the period increased liabilities. As the duration of average liabilities is longer than the duration of the average assets held to support the liabilities, the decrease in bond yields leads to decreased Investment Earnings, as liabilities increase by more than the corresponding increase in the market value of the assets
  - Hong Kong 10 year bond yield decreased 225bps (2007 – 25bps decrease)
  - Australian 10 year bond yield decreased by 234bps (2007 – 44bps increase)

3.3 Investment of assets supporting shareholder capital

Australia & New Zealand

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

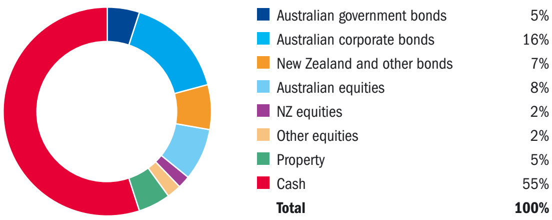
A$m	Equities		Fixed interest	
Australia[1]	$84.5m	64%	$219.1m	76%
New Zealand	$23.8m	18%	$63.4m	22%
Other	$23.8m	18%	$5.8m	2%
Total	**$132.1m**	**100%**	**$288.3m**	**100%**

1 Of the 76% of fixed interest assets invested in Australia, 59% is invested in corporate bonds, whilst the remaining 17% is invested in Government bonds

The approximate interest rate duration of the fixed interest portfolio is 2.9 years. The average credit rating of our fixed interest portfolio is A.

Portfolio composition

The chart below shows our investment portfolio mix at 31 December 2008 for shareholder invested capital, together with additional details on the credit quality of our Australian and New Zealand bond portfolio.



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

Government and agency	AAA	19%
Corporate	AAA	8%
Corporate	AA	30%
Corporate	A	15%
Corporate	BBB	24%
Corporate	BB	1%
Short dated		3%
Total		**100%**
Average	A	

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

Hong Kong

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

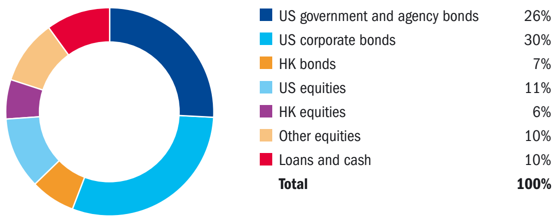
A$m	Equities		Fixed interest	
US[1]	$159.4m	40%	$822.7m	89%
Hong Kong	$87.7m	22%	$92.4m	10%
Other	$151.4m	38%	$9.3m	1%
Total	**$398.5m**	**100%**	**$924.4m**	**100%**

1 Of the 89% of fixed interest assets invested in the US, 48% is invested in US corporate bonds, whilst the remaining 41% is invested in Treasury bonds

The approximate interest rate duration of the US fixed interest portfolio is 8.0 years. The average credit rating of our US fixed interest portfolio is A.

Portfolio composition

The chart below shows our investment portfolio mix at 31 December 2008 for shareholder invested capital and assets supporting non unit linked products, together with additional details on the credit quality of our US corporate bond portfolio.



A breakdown of the US fixed interest portfolio as at 31 Dec 2008 by rating is below:

Government and agency	AAA	39%
Corporate	AAA	7%
Corporate	AA	12%
Corporate	A	25%
Corporate	BBB	17%
Total		**100%**
Average	A	

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

3.4 Investment of assets with shareholder profit exposure

Investment earnings are impacted by the asset performance of assets backing products, as well as the assets supporting shareholder capital. The dollar level of market exposure has reduced over the year due to the sale of our annuity business and the external reinsurance of Australian income protection long term claims. This table does not include the impact of derivatives purchased for protection, which are described in section 6.1.

12 mths to 31 Dec 08 A$m	Equities	Property	Corporate Bonds	Government Bonds	Cash	Total
Assets in excess of policy liabilities	545.6	53.9	753.3	590.0	831.0	2,773.8
Financial protection	112.8	66.6	(180.6)	(53.2)	91.0	36.6
Annuities	–	–	22.6	21.6	106.0	150.2
HK DA & non-participating insurance	65.9	–	187.5	158.3	–	411.7
	724.3	**120.5**	**782.8**	**716.7**	**1,028.0**	**3,372.3**

12 mths to 31 Dec 07 A$m	Equities	Property	Corporate Bonds	Government Bonds	Cash	Total
Assets in excess of policy liabilities	737.8	0.9	982.9	823.8	240.4	2,785.8
Financial protection	183.8	45.5	47.1	26.5	35.0	337.9
Annuities	127.3	–	615.5	431.9	152.3	1,327.0
HK DA & non-participating insurance	88.7	–	221.9	196.8	–	507.4
	1,137.6	**46.4**	**1,867.4**	**1,479.0**	**427.7**	**4,958.1**

Expenses and non-recurring items 4

4.1 Group

Other Group profit items include the following expenses:

12 months to 31 Dec A$m	2008	2007	Change
Corporate expenses	55.6	56.9	2%
Interest expense	56.4	48.7	(16)%
Executive share plan expense	11.4	13.9	18%
Amortisation of value of businesses acquired	20.4	14.4	(42)%
Total	**143.8**	**133.9**	**(7)%**

Corporate expenses for the Group were broadly stable in 2008.

Interest expense was up 16% to $56.4m (2007 – $48.7m) due to an increase in debt levels and a reduction in interest income from the Group's interest rate derivatives. These were partially offset by lower USD interest rates.

Executive share plan expense was down 18% to $11.4m (2007 – $13.9m) due to the recognition of a tax credit on the amortisation of AXA APH share plan stock options and performance units.

Amortisation of value of businesses acquired of $20.4m (2007 – $14.4m) relates to the purchase of MLC Hong Kong and the remaining 67% of Tynan Mackenzie in 2006, the purchase of Winterthur Life Hong Kong in April 2007 and the purchase of Genesys in June 2008.

4.2 Australia and New Zealand

We have continued to invest in the growth areas of our business which when combined with lower income has resulted in a cost to income ratio of 51.1% (December 2007 – 47.8%). Our 2012 Ambition 4 target is to achieve a cost to income ratio of 38.3%.

Australia

12 months to 31 Dec	Advice			Non-advice			Total		
A$m	2008	2007[1]	Change	2008	2007[1]	Change	2008	2007[1]	Change
Recurring management expenses	90.0	70.7	(27)%	236.0	225.9	(4)%	326.0	296.6	(10)%
Development expenses	2.4	1.9	(26)%	61.0	65.2	6%	63.4	67.1	6%
Total management expenses	**92.4**	**72.6**	**(27)%**	**297.0**	**291.1**	**(2)%**	**389.4**	**363.7**	**(7)%**
Total commission and related expenses	74.1	22.8	(225)%	283.1	288.4	2%	357.2	311.2	(15)%
Total expenses	**166.5**	**95.4**	**(75)%**	**580.1**	**579.5**	**0%**	**746.6**	**674.9**	**(11)%**

1 The 2007 commission expense comparative for the advice segment has been restated to be comparable with the 2008 information presented

Recurring management expenses were up 10% to $326.0m (2007 – $296.6m) primarily due to acquisitions in our advice businesses, notably Genesys and ipac equity partners. Excluding acquisitions, recurring management expenses increased by 2%. 2009 recurring management expenses, excluding any scope changes from acquisitions, are expected to be lower than 2008 levels.

Development expenses were down 6% to $63.4m (2007 – $67.1m). Excluding acquisitions, there is currently forecast to be a small decrease in development expenditure in 2009.

Total commission and related expenses were up 15% to $357.1m (2007 – $311.2m) due to the inclusion of Genesys. Excluding Genesys, commission and related expenses were down 3% due to reduced wealth management commissions as a result of the downturn in investment markets, partly offset by growth in financial protection.

New Zealand

12 months to 31 Dec	Advice			Non-advice			Total		
NZ$m	2008	2007[1]	Change	2008	2007[1]	Change	2008	2007[2]	Change
Recurring management expenses	14.0	11.3	(24)%	52.6	47.8	(10)%	66.6	59.1	(13)%
Development expenses	0.2	0.4	50%	5.2	6.5	20%	5.4	6.9	22%
Total management expenses	**14.2**	**11.7**	**(22)%**	**57.8**	**54.3**	**(6)%**	**72.0**	**66.0**	**(9)%**
Total commission and related expenses	6.0	6.4	6%	35.4	40.2	12%	41.4	46.6	11%
Total expenses	**20.2**	**18.1**	**(12)%**	**93.2**	**94.5**	**1%**	**113.4**	**112.6**	**(1)%**

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

2 2007 recurring management expenses have been restated to exclude NZ$1.7m of claims costs and to include a defined benefit plan charge

Recurring management expenses were up 13% to NZ$66.6m (2007 – NZ$59.1m) or 8% excluding the acquisition of Charter Financial Services. Excluding acquisitions, recurring management expenses were up due to our investment in operational capability to support recent superannuation and tax reforms in New Zealand.

Development expenses were down 22% to NZ$5.4m (2007 – NZ$6.9m) following two years of heavy investment responding to tax and related reforms together with a reduced spend in response to deteriorating market conditions.

Total commission and related expenses were down 11% to NZ$41.4m (2007 – NZ$46.6m) due to challenging market conditions constraining volumes.

4.3 Hong Kong

12 months to 31 Dec HK$m	2008	2007	Change
Recurring management expenses	600.4	610.1	2%
Development expenses	61.0	92.1	34%
Total management expenses	**661.4**	**702.2**	**6%**
Total commission and related expenses	1,562.0	1,508.1	(4)%
Total expenses	**2,223.4**	**2,210.3**	**(1)%**

Recurring management expenses were down 2% to HK$600.4m (2007 – HK$610.1m). Notwithstanding the inclusion of Winterthur for a full 12 months, a focus on expense management and a release of prior year provisions resulted in reduced costs.

Development expenses were down 34% to HK$61.0m (2007 – HK$92.1m) due to a conscious effort to reduce development expenses in the current climate and lower development expenses on areas such as the bancassurance channel.

Commission related expenses were up 4% to HK$1,562.0m (2007 – HK$1,508.1m) due to a higher proportion of traditional life new business written during the year which attracts a higher commission together with the inclusion of Winterthur for a full 12 months.

4.4 Non-recurring items

During 2008 non-recurring items of $(152.8)m (2007 – $(5.9)m) were recognised. These items comprised:

- $(50)m goodwill write-down on our New Zealand wealth management business reflecting market conditions
- $(40)m tax expense relating to the 1993 sale of the National Mutual United Kingdom business which was subject to litigation and in respect of which we are now appealing a court decision
- $(33)m realised loss on the sale of our annuity business being the profit on sale of $35m offset by a $(68)m impact from the dislocation of credit markets on the pricing mechanism
- $(20)m provision for costs associated with the purchase of Genesys, and
- $(10)m charge for restructuring in Australia and New Zealand.

5.1 Overview

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

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

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

Additions to value:

- Group net worth, being the value of net assets held in excess of regulatory capital;
- the value of inforce, being the present value of future profits expected to be derived from all current inforce policies, plus the regulatory capital and franking credits expected to be released to shareholders over time;
- the value of future new business, being the present value of future profits expected to be derived from all future years' new business. A suitable multiple needs to be applied to the value of one year's new business to determine the total value of future new business. Factors to be taken into consideration in determining the appropriate multiple include the risk discount rate, future expected market growth rates, management and distribution capability, and current and expected future profitability margins;
- the value of AXA APH shares owned by the Executive Share Plan. These shares have a real value, but are eliminated from net assets under AIFRS accounting rules; and
- the cumulative capital injected into India and Malaysia, which has reduced Group net worth, but has not been included in the value of new business or value of inforce results.

Reductions to value:

- reserves which allow for the difference between assumed long term fixed interest yields and actual current bond yields in Australia, New Zealand and Hong Kong;
- Group debt;
- the capitalised value of corporate expenses;
- the capitalised value of expense overruns for Asia (ex Hong Kong).

The results presented in this section, coupled with the sensitivities outlined in section 6 can be used to determine an illustrative enterprise value per share. For this purpose, the total number of shares on issue is 1,691m.

5.2 Summary of illustrative enterprise value – Traditional approach

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

- equal to the assumed local equity return (10.0% for Australia and New Zealand, 10.5% for Hong Kong);
- 100 basis points above the assumed local equity return (11.0% for Australia and New Zealand, 11.5% for Hong Kong); and
- 100 basis points below the assumed local equity return (9.0% for Australia and New Zealand, 9.5% for Hong Kong).

Fixed interest bond yields have dropped considerably since December 2007. However, a long term view on risk discount rates has been taken and illustrative values have been provided using the same discount rates as in prior years. Current fixed interest assets have been valued at market rates while future earnings have been projected at long-term rates consistent with the risk discount rates. The difference between the asset values implied by these two sets of assumptions is shown as an adjustment to enterprise value.

Investors should form their own view on an appropriate risk discount rate and other assumptions to adopt, which could vary from those used to determine the illustrative values presented here.

Group value of inforce

The value of inforce is the discounted present value of future profits from policies inforce at the date of valuation.

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

	Risk discount rate								
	Equity return + 100 bps			Equity return			Equity return – 100 bps		
Value of inforce at 31 Dec A$m	2008	2007[1]	Change	2008	2007[1]	Change	2008	2007[1]	Change
Australia	2,176	2,739	(21)%	2,284	2,885	(21)%	2,404	3,048	(21)%
New Zealand	348	484	(28)%	367	506	(27)%	389	532	(27)%
Australia and New Zealand	**2,524**	**3,223**	**(22)%**	**2,651**	**3,391**	**(22)%**	**2,793**	**3,580**	**(22)%**
Hong Kong	2,944	2,941	–	3,209	3,147	2%	3,515	3,404	3%
Asia (ex Hong Kong)[2]	299	240	25%	299	240	25%	299	240	25%
Total value of inforce (before 2008 acquisition and disposal, before transfers from net worth and on constant FX)[3]	**5,767**	**6,404**	**(10)%**	**6,159**	**6,778**	**(9)%**	**6,607**	**7,224**	**(9)%**
Acquisition and disposal[4]	(38)	–	–	(38)	–	–	(38)	–	–
Total value of inforce (after 2008 acquisition and disposal, before transfers from net worth and on constant FX)	5,729	6,404	(11)%	6,121	6,778	(10)%	6,569	7,224	(9)%
2008 transfers from Group net worth	438			438			438		
Total value of inforce (after transfers from net worth and on constant FX)[3]	**6,167**	**6,404**		**6,559**	**6,778**		**7,007**	**7,224**	
Total value of inforce (before transfers from net worth and on actual FX)[5]	5,729	5,781	(1)%	6,121	6,112	–	6,569	6,504	1%
Total value of inforce (after transfers from net worth and on actual FX)[5]	6,167	5,781		6,559	6,112		7,007	6,504	

1 December 2007 values of inforce are all after transfers to net worth

2 Value of inforce for the Asia (ex Hong Kong) business is shown on a Group share basis, excluding any allowance for expense overruns, and is presented on a single set of risk discount rates (11% for Singapore and ipac Asia, 14% to 20% for the other Asian (ex Hong Kong) businesses). No value of inforce has been included for India and Malaysia

3 Based on exchange rates as at 31 December 2008

4 The acquisition and disposals include the purchase of Genesys, sale of Australian annuities and Australian income protection reinsurance arrangement entered into. The purchase price paid for Genesys is included in the change in net worth only

5 2008 based on exchange rates as at 31 December 2008 and 2007 based on exchange rates as at 31 December 2007

On constant exchange rates, the illustrative value of inforce based on risk discount rates equal to assumed local equity returns was down 10% to $6.12bn (December 2007 – $6.78bn).

The Group value of inforce has been negatively affected by the depreciation in the value of equities since 31 December 2007.

Assisted by the appreciation of the Hong Kong dollar against the Australian dollar, on an actual exchange rate basis, the value of inforce before 2008 transfers is marginally higher at $6.12bn.

Group value of inforce (after transfers from net worth)

The illustrative value of inforce at 31 December 2008 after transfers from Group net worth, split by broad product grouping and region, is summarised below.

	Risk discount rate		
Value of inforce at 31 Dec 2008 A$m	Equity return + 100 bps	Equity return	Equity return – 100 bps
Wealth management[1]	558	582	609
Financial protection	986	1,040	1,100
Mature	544	574	607
Australia	**2,088**	**2,196**	**2,316**
New Zealand	**414**	**433**	**455**
Australia and New Zealand	**2,502**	**2,629**	**2,771**
Wealth management	571	613	662
Financial protection	1,228	1,322	1,431
Mature	1,567	1,696	1,844
Hong Kong	**3,366**	**3,631**	**3,937**
Asia (ex Hong Kong)	**299**	**299**	**299**
Total value of inforce (after transfers from net worth)	**6,167**	**6,559**	**7,007**

1 Genesys was acquired on 30 June 2008 and its value is included within Australian wealth management

Group value of one year's new business

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. On constant exchange rates, the illustrative value of new business based on risk discount rates equal to the assumed local equity returns was down 15% to $366m (December 2007 – $429m).

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

	Risk discount rate								
Value of new business in 12 mths to 31 Dec	Equity return + 100 bps			Equity return			Equity return – 100 bps		
A$m	2008	2007	Change	2008	2007	Change	2008	2007	Change
Wealth management[1]	68	148	(54)%	75	159	(53)%	83	171	(52)%
Financial protection	30	15	99%	34	19	79%	41	24	72%
Australia	98	163	(40)%	109	178	(39)%	124	195	(37)%
New Zealand	8	13	(43)%	9	14	(36)%	9	16	(38)%
Australia and New Zealand	106	176	(40)%	118	192	(39)%	133	211	(37)%
Wealth management	48	56	(15)%	54	60	(10)%	60	63	(5)%
Financial protection	115	106	9%	123	113	9%	131	120	10%
Hong Kong[2,3]	163	162	0%	177	173	2%	191	183	4%
Asia (ex Hong Kong)[4]	71	64	11%	71	64	11%	71	64	11%
Total value of new business on constant FX[5]	340	402	(16)%	366	429	(15)%	395	458	(14)%
Total value of new business on actual FX[6]	340	403	(16)%	366	430	(15)%	395	458	(14)%

1 Genesys new business for the full 12 months of 2008 is included. The effective date of acquisition was 30 June 2008
2 Results exclude expenses to support the development of new distribution channels and wealth management infrastructure
3 Winterthur new business for the full 12 months of 2007 is included
4 No value of new business has been included for India and Malaysia
5 Based on average exchange rates for the year ended 31 December 2008
6 2008 based on average exchange rates for the year ended 31 December 2008. 2007 based on average exchange rates for the year ended 31 December 2007

Additional information required to calculate an illustrative enterprise value

Elements of enterprise value at 31 Dec A$m	2008	2007
Group net worth[1]	779	1,477
Provision for cash dividend[2]	–	220
Shares owned by the Exec Share Plan eliminated in Group Net worth[3]	29	103
Cumulative capital injections for Malaysia and India	176	99
Reserve for Australian bond yields[4]	(43)	–
Reserve for US bond yields in HK[5]	(241)	(374)
Group debt	(1,834)	(1,306)
Capitalised corporate expenses[6]	(392)	(392)
Capitalised value of Asia (ex HK) expense overruns	(72)	(53)

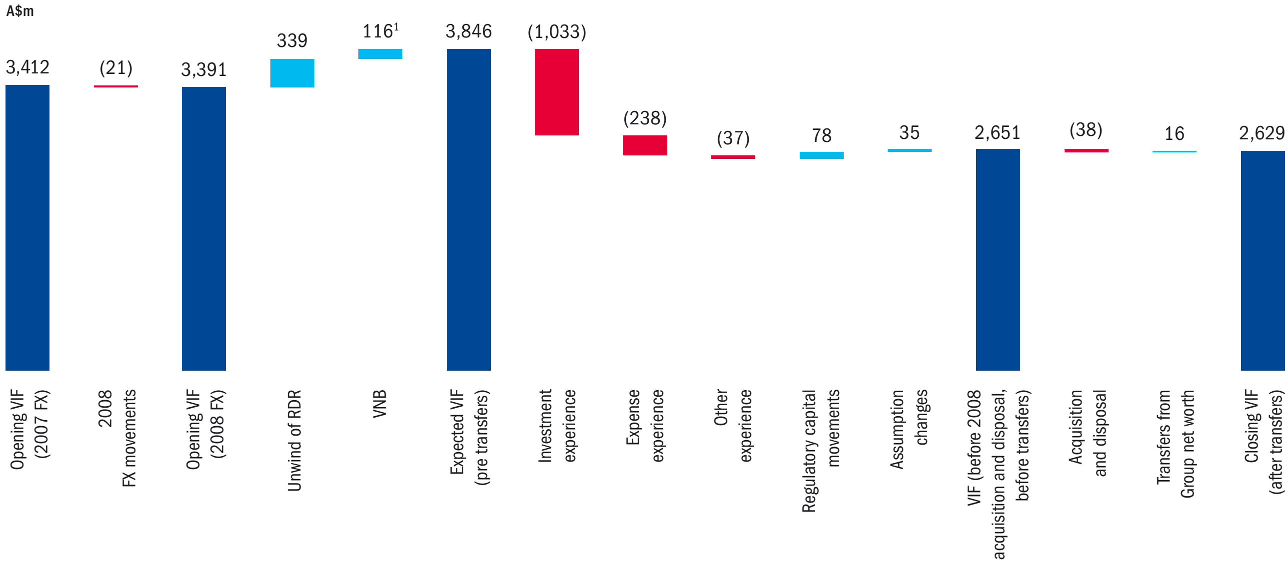
1 Group net worth at 31 December 2008 comprises target surplus of $690m and excess capital of $89m
2 A dividend reinvestment plan has been introduced this year
3 Value of AXA APH shares owned by the Executive Share Plan, which have a real economic value, but are eliminated under AIFRS accounting rules
4 Amount held to allow for the difference between assumed Australian long term fixed interest yields and actual current Australian bond yields
5 Amount held to allow for the difference between assumed US long term fixed interest yields and actual current US government and corporate bond yields
6 Excludes notional expenses associated with the Executive Share Plan

If the new business value for the Swiss Privilege channel of Winterthur exceeds certain levels, a deferred consideration payment of up to approximately $80m may be required from AXA APH in accordance with the acquisition price adjustment mechanism agreed with AXA SA.

5.3 Analysis of change in value of inforce – Traditional approach

Australia and New Zealand

On constant exchange rates and before acquisitions and transfers from net worth, the illustrative value of inforce based on a risk discount rate equal to the assumed local equity return was down 22% to $2.65bn (December 2007 – $3.39bn).



1 6 months of Genesys new business is included, from the acquisition date of 30 June 2008.

The weakening of the New Zealand dollar against the Australian dollar over the year decreased the illustrative value of New Zealand business in A$ terms by $21m.

VNB added $116m to the overall illustrative value of inforce reflecting growth in individual financial protection sales and continued, although reduced, flows into wealth management products. New business written by Genesys in the 6 months since the date of acquisition has been included.

Investment market performance for Australian and international equities significantly decreased funds under management and reduced future fee revenue below that assumed at the beginning of the year reducing VIF by $693m. Negative investment experience on assets backing products and regulatory capital further decreased the current year's investment earnings and therefore the illustrative value of inforce by $340m.

Expense experience decreased the illustrative value of inforce by $238m during the period. While the actual level of expenses was relatively stable, worse than expected investment market performance resulted in a lower funds under management and therefore higher unit costs in the wealth management and mature businesses. In this context we have used closing funds under management to fully reflect all of the year's downturn in value. In past years we have used average funds under management.

Other experience items decreased the value of inforce by $37m. Higher outflows in investment products, reflecting the difficult market conditions, have resulted in unfavourable short term lapse experience.

The decrease in the cost of capital due to capital efficiencies implemented increased the value of inforce by $78m. The cost of the other capital changes is included within the impact of the other factors that led to the changes in levels of capital, primarily within investment experience.

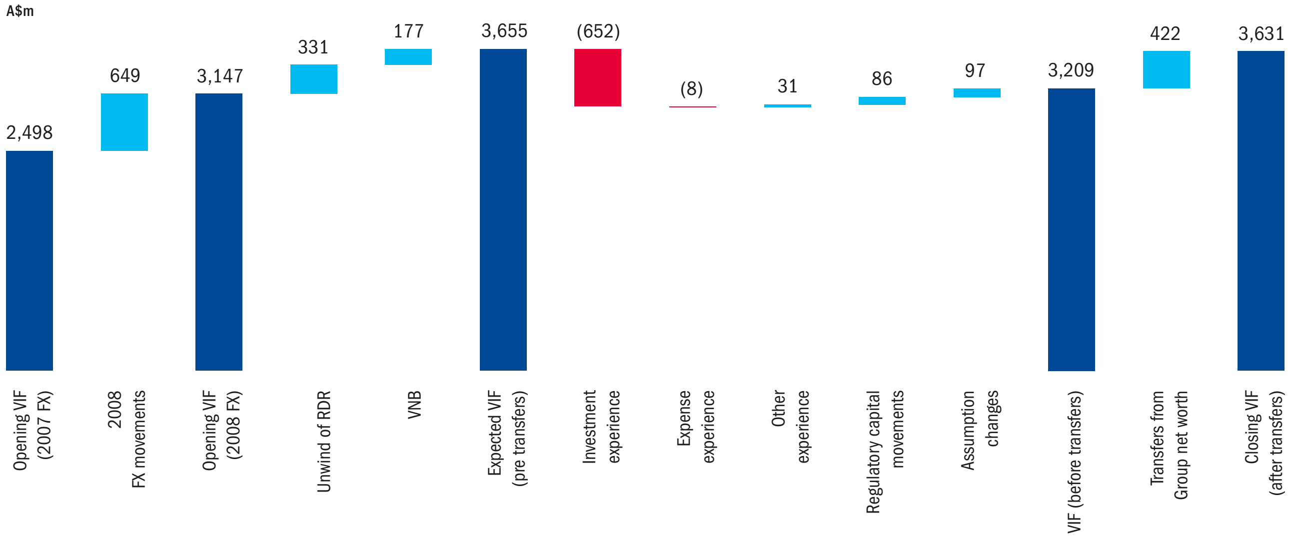
Assumption changes increased the value of inforce by $35m over the period primarily due to a change in Australian individual income protection morbidity assumptions to reflect the results of the most recent claims experience investigation.

Acquisitions and disposals reduced value of inforce by $38m. The acquisition of Genesys added $74m to the value of inforce. The disposal of annuities including the pricing mechanism adjustment decreased the value of in force by $68m. In addition, an income protection claims reinsurance arrangement decreased the value of inforce by $44m net of a positive cost of capital benefit when valued on the traditional embedded value approach, due to the removal of future equity return premiums.

Transfers from Group net worth of $16m include a release of Operating Earnings of $271m and a release of $55m of franking credits. Offsetting this are negative investment earnings of $286m on assets backing policy liabilities and regulatory capital, $41m in respect of the pricing mechanism adjustment on sale of annuities net of the agreed sale price and a net increase of $15m in regulatory capital.

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 returns was up 2% to $3.21bn (December 2007 – $3.15bn).



The strengthening of the Hong Kong dollar against the Australian dollar over the year increased the illustrative value of Hong Kong business in A$ terms by $650m.

VNB of $177m contributed to the overall growth in the illustrative value of inforce.

Investment market performance reduced the value of inforce by $652m, largely as a result of falling equity markets. The decrease includes a reduction in the value of inforce as a result of lower future earnings and net negative investment earnings in the current year partially offset by an assumption of reduced future policyholder dividends.

Expense experience decreased the illustrative value of inforce by $8m during the period.

Other experience items increased the value of inforce by $31m due to a reduction in the tax rate and favourable mortality experience.

Capital reduction initiatives reduced capital by $569 m with a cost of capital benefit of $86m.

Assumption changes contribute a positive value of $97m, reflecting improved persistency and the reduction in the risk discount rate used for valuing the Winterthur business from 11.0% to 10.5% in line with the rest of the business.

Transfers from Group net worth of $422m include a release of Operating Earnings of $290m. Offsetting this, are negative investment earnings of $226m and a net increase of $486m in regulatory capital.

Asia (ex Hong Kong)

On constant exchange rates, the illustrative value of inforce of Indonesia, Singapore, Thailand, Philippines, China and ipac (AXA group share) was up 25% to $299m (December 2007 – $240m). This increase is despite the challenging investment environment and reflects our continuing focus on product profitability and growth in new business.

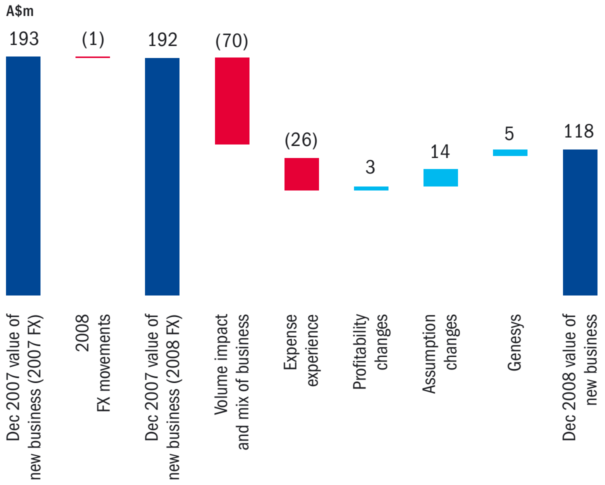
The illustrative value of inforce is determined using long term best estimate expense assumptions, excluding any allowance for current expenses being in excess of product expense loadings. The present value of these excess acquisition and maintenance expenses increased on constant exchange rates by $4m to $72m at December 2008, primarily as a result of lower than planned sales volumes. The remainder of the increase is related to exchange rate differences. These expense overruns are projected to be materially eliminated by 2011.

Whilst cumulative capital of $42m and $134m has been injected into Malaysia and India respectively since inception, we have currently not recognised any value of inforce for these businesses.

5.4 Analysis of change in value of new business – Traditional approach

Australia and New Zealand

On a constant exchange rate, the illustrative value of one year's new business on a risk discount rate equal to the assumed local equity return was down 39% to $118m (December 2007 – $192m).



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

The overall volume of new business is lower than in 2007, as a result of difficult investment conditions hampering wealth management sales, and exceptional Australian flows in 2007 caused by one off superannuation legislation changes. These lower volumes are partly offset by strong sales of Australian individual life business during 2008. The combined contribution of volume and business mix changes resulted in a decrease in the value of new business of $70m.

Reduced inflows in wealth management products combined with relatively stable expenses led to higher acquisition unit costs. In addition, when the stable expense base is spread over the lower value of funds under management, increased maintenance unit costs have emerged. In this context we have used closing funds under management to fully reflect all of the year's downturn in value compared to using average funds under management in prior years. If we had used average funds under management in 2008, the value of new business would have been approximately $140m.

The impact of this was partly offset by increased financial protection product sales and a resulting decrease in acquisition unit costs. Overall this led to a $26m decrease in the value of new business.

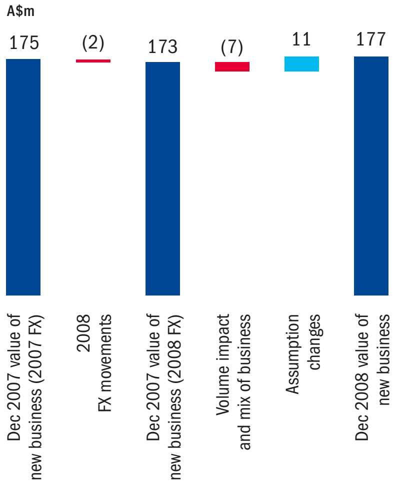
The value of new business increased by $3m since tiered fee scales have led to higher average fees on lower fund balances on some wealth management products.

Changes in assumptions and other refinements contributed $14m to the value of new business. The largest contributions to this increase were revised individual income protection assumptions in line with actual claims experience and the inclusion of some value for transition to retirement pension products.

Genesys was acquired in June 2008. A full year's value of new business of $5m has been included.

Hong Kong

On a constant exchange rate, the illustrative value of one year's new business based on a risk discount rate equal to the assumed local equity return was up 2% to $177m (December 2007 – $173m).



The movement in the average A$/HK$ exchange rate decreased the illustrative value of one year's new business in Australian dollar terms by $2m.

The overall volume of new business is lower than in 2007, as a result of adverse market conditions. The decrease in volume has however been partly offset by a shift towards higher margin regular premium financial protection business, with a net decrease of $7m in the value of new business.

Changes in assumptions contributed $11m to the value of new business. The main contribution was from revised assumptions for improved persistency, in line with experience. In addition, the risk discount rate used to value the Winterthur business was reduced from 11.0% to 10.5%, consistent with the rest of Hong Kong business.

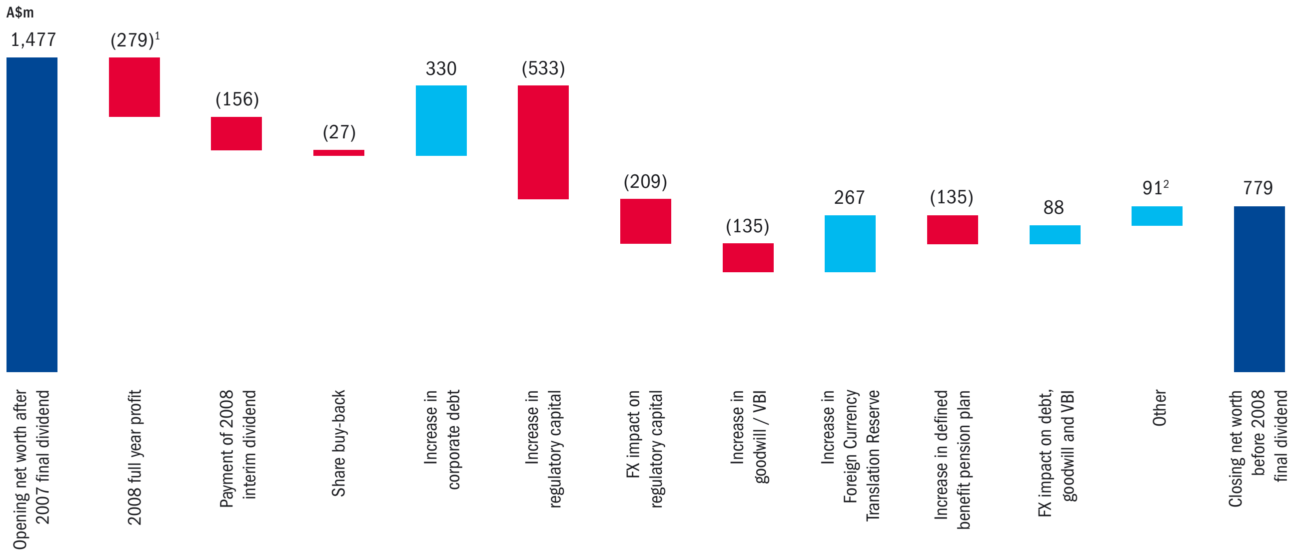
Asia (ex Hong Kong)

On constant exchange rates, the illustrative value of new business (AXA group share) was up 11% to $71m (December 2007 – $64m). The increase was driven by strong sales in Indonesia, Thailand and China. These were offset by weaker sales in Philippines (which is more reliant on single premium investment linked policies), ipac and Singapore. No value of new business has been recognised for India and Malaysia.

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

5.5 Analysis of change in Group net worth – Traditional approach

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



1 As per profit after tax in the financial statements for the 12 months ended 31 December 2008

2 'Other' includes items that affect shareholder equity which are not reported as profit, such as movements relating to treasury shares

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

Over the period, the interim dividend of $156m and a share buy-back of $27m reduced net worth, while new debt increased net worth by $330m.

In aggregate, regulatory capital increased by $742m representing $533m of capital increase and $209m of foreign exchange effect. The movement in regulatory capital is explained in more detail in section 7.

The impact on net worth of purchased goodwill and inforce business (VBI) relating to the purchase of Genesys was a decrease of $135m, representing the purchase price of $150m less net worth acquired of $15m.

There was an increase in the foreign currency translation reserve (FCTR) of $267m due to the weakening of the Australian dollar against the Hong Kong dollar, which increased the value of our assets in Asia. The defined benefit superannuation liability increased by $135m primarily due to negative equity returns and lower bond rates, while other movements in reserves, mainly due to Treasury shares, totalled $91m.

The closing net worth before 2008 final dividend of $779m equals the sum of the target surplus of $690m and the excess assets above target surplus of $89m.

5.6 Assumptions – Traditional approach

The following tables show the assumptions used for determining the value of inforce and the value of one year's new business.

Economic assumptions

The economic assumptions used at 31 December 2008 are summarised below.

Assumptions	CPI	Cash rate	Fixed interest	Equities	Property	Risk discount rate (long term equity return)
Australia	2.5%	5.5%	5.5%	10.0%	7.75%	10.0%
New Zealand	2.5%	6.0%	6.0%	10.0%	7.50%	10.0%
Hong Kong	2.5%	2.5%	5.5%	10.5%		10.5%
US		2.5%	5.2%	9.2%		n/a
Asia excluding Japan				10.5%		n/a
Other international				9.2%		Singapore and ipac Asia 11% Other Asia 14% to 20%

The changes to economic assumptions since 31 December 2007 were:

- For Australia and New Zealand, 1.0% decreases in the cash rate and fixed interest returns
- For New Zealand, the tax rate for the corporate entity and the policyholder changed from 33% to 30% with effect from the 2008/09 tax year.
- The Winterthur business was valued at a risk discount rate of 10.5% in line with the rest of Hong Kong business reflecting the successful integration of the business. The tax rate in Hong Kong reduced from 17.5% to 16.5%.

Capital requirements

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

Discontinuances, mortality and morbidity

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

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

For Hong Kong, the main changes in assumptions since 31 December 2007 relate to tax rate changes and assumptions reflecting improved persistency.

Expenses

Expense assumptions for Australia and New Zealand are based on actual expenses for the year ended 31 December 2008 and closing funds under management. For Hong Kong, they are based on long term best estimate assumptions, consistent with profit reporting.

5.7 Market consistent value

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

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

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

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

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

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

Group value of inforce

On constant exchange rates and before transfers from net worth, the illustrative MCV of inforce was down 14% to $5.74bn (December 2007 – $6.71bn).

Value of inforce at 31 Dec A$m	2008	2007	Change
Australia	2,660	3,184	(16)%
New Zealand	392	506	(22)%
Australia and New Zealand	3,052	3,690	(17)%
Hong Kong	2,389	2,776	(14)%
Asia (ex Hong Kong)[1]	299	240	25%
Total value of inforce (before transfers from net worth and on constant FX)	5,740	6,706	(14)%
2008 transfers from Group net worth	438		
Total value of inforce (after transfers from net worth and on constant FX)[2]	6,178	6,706	
Total value of inforce (after transfers from net worth and on actual FX)[3]	6,178	6,674	

1 Value of inforce for the Asia (ex Hong Kong) business is shown on a Group share basis, excluding any allowance for expense overruns, and has not been restated for MCV

2 Based on exchange rates as at 31 December 2008

3 2008 based on exchange rates as at 31 December 2008 and 2007 based on exchange rates as at 31 December 2007

Comparison between traditional and market consistent values of inforce

Value of inforce at 31 Dec 2008[1] A$m	Traditional Value[2]	Market Consistent Value	Difference $	Difference %
Wealth management	582	621	39	7%
Financial protection	1,040	1,428	388	37%
Mature	574	592	18	3%
Time value of options and guarantees	–	(31)	(31)	n/a
Australia	**2,196**	**2,610**	**414**	**19%**
New Zealand	**433**	**458**	**25**	**6%**
Australia and New Zealand	**2,629**	**3,068**	**439**	**17%**
Wealth management	613	892	279	46%
Financial protection	1,322	2,367	1,045	79%
Mature	1,696	436	(1,260)	(74)%
Time value of guarantees	–	(884)	(884)	n/a
Hong Kong	**3,631**	**2,811**	**(820)**	**(23)%**
Asia (ex Hong Kong)[3]	**299**	**299**	**n/a**	**n/a**
Total value of inforce (after transfers from net worth)	**6,559**	**6,178**	**(381)**	**(6)%**

1 The amounts are shown after transfers from Group net worth of $438m.

2 Risk discount rate is 10.0% for Australia and New Zealand, 10.5% for Hong Kong, 11% for Singapore and ipac and 14% to 20% for the other Asian businesses

3 Value of inforce for the Asia (ex Hong Kong) business is shown on a Group share basis, excluding any allowance for expense overruns, and has not been restated for MCV

The illustrative MCV of the financial protection business in Australia, New Zealand and Hong Kong is higher than the traditional value. In the MCV 'risk neutral' results, the increase in value caused by the use of the lower risk free discount rate is greater than the decrease in value caused by not recognising the capitalisation of future investment risk premiums that are included in the traditional value. This gap has widened during 2008 as a result of the decrease in the risk free rate.

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

In wealth management, MCV increases for investment linked products as fees linked to less risky asset classes are not discounted at a rate higher than the investment earnings rate of those assets. Overall, the traditional value's single risk discount rate may overstate the level of financial risk inherent in projected future earnings of wealth management products.

The illustrative MCV of the mature businesses in Hong Kong is substantially lower than the traditional value. In the MCV 'risk neutral' results, the risk free rates have decreased significantly and are now below the implicit guarantee level of some mature products.

Group value of one year's new business

On constant exchange rates, the illustrative MCV of one year's new business was down marginally at $526m (December 2007 – $531m).

Value of new business in 12 mths to 31 Dec A$m	2008	2007	Change
Australia	176	211	(16)%
New Zealand	14	18	(24)%
Australia and New Zealand	190	229	(17)%
Hong Kong	265	238	11%
Asia (ex Hong Kong)[1]	71	64	11%
Total value of new business on constant FX[2]	**526**	**531**	**(1)%**
Total value of new business on actual FX[3]	**526**	**529**	**(1)%**

1 On a Group share basis, excluding any allowance for expense overruns, and has not been restated for MCV

2 Based on average exchange rates for the year ended 31 December 2008

3 2008 based on average exchange rates for the year ended 31 December 2008. 2007 based on average exchange rates for the year ended 31 December 2007.

Comparison between traditional and market consistent values of new business

Value of new business in 12 mths to 31 Dec 2008 A$m	Traditional Value	Market Consistent Value	Difference $	Difference %
Wealth management	75	92	17	23%
Financial protection	34	84	50	146%
Australia	**109**	**176**	**67**	**61%**
New Zealand[1]	**9**	**14**	**5**	**63%**
Australia and New Zealand	**118**	**190**	**72**	**61%**
Wealth management	54	110	56	105%
Financial protection	123	235	112	90%
Time value of guarantees	0	(80)	(80)	n/a
Hong Kong[1]	**177**	**265**	**88**	**50%**
Asia (ex Hong Kong)[2]	**71**	**71**	**n/a**	**n/a**
Total value of new business	**366**	**526**	**160**	**44%**

1 Based on average exchange rates for the year ended 31 December 2008

2 On a Group share basis, excluding any allowance for expense overruns, and not restated for MCV

The percentage by which the market consistent value of new business exceeds the traditional value is generally greater than the difference in the value of inforce. The reason is that the value of new business includes up-front acquisition expenses including commission, the value of which is unchanged using MCVs, followed by a stream of future profits, which have a higher value under MCV as a result of the use of the lower risk free discount rate. This is particularly noticeable for financial protection business. This effect is also more pronounced for new business since the negative impact from the cost of investment guarantees is lower, given the relatively lower level of guarantee offered compared to inforce policies.

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

Additional information required to calculate an illustrative enterprise value

Group net worth, debt and corporate expenses

Elements of enterprise value at 31 Dec 2008 A$m	Traditional value	Market consistent value
Group net worth	779	779
Shares owned by the Executive Share Plan eliminated in Group net worth	29	29
Cumulative capital injections for Malaysia and India	176	176
Reserve for Australian bond yields	(43)	–
Reserve for US bond yields in HK	(241)	–
Group debt	(1,834)	(1,834)
Capitalised corporate expenses	(392)	(610)
Capitalised value of Asian (ex Hong Kong) expense overruns[1]	(72)	(72)

1 This value has not been restated for MCV

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

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Implied discount rates

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

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

Implied discount rate at 31 Dec 2008	Risk free rate	Margin for financial risk	Time value of guarantees	Cost of capital[1]	Implied discount rate
Inforce business					
Australia and New Zealand	3.7%	1.3%	0.3%	0.5%	5.8%
Hong Kong	2.6%	3.6%	3.4%	0.1%	9.7%
New business					
Australia and New Zealand	3.7%	1.6%	0.0%	0.3%	5.6%
Hong Kong	2.5%	0.8%	0.8%	0.4%	4.5%

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

Value of options and guarantees

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

Time value of guarantees at 31 Dec 2008 A$m	Inforce	One year's new business
Wealth management	(1)	–
Financial protection	–	–
Mature	(30)	–
Australia	**(31)**	**–**
New Zealand	**(20)**	**–**
Australia and New Zealand	**(51)**	**–**
Wealth management	–	–
Financial protection	(420)	(80)
Mature	(464)	–
Hong Kong	**(884)**	**(80)**
Asia (ex Hong Kong)	–	–
Total time value of guarantees	**(935)**	**(80)**

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

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

The time value of guarantees at 31 December 2008 is $935m and has increased by $345m since 31 December 2007 (on actual FX) due to increases in equity and bond volatility assumptions to bring these in line with implied volatilities in the capital markets over 2008 and the weakening of the A$ against the HK$.

5.8 Assumptions – Market consistent value approach

With the exception of economic assumptions and those assumptions needed to value options and guarantees explicitly, the assumptions used for MCV are consistent with those used under the traditional approach.

Economic assumptions

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

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

Risk free rate as at 31 Dec	2008	2007
Australia	3.7%	7.1%
New Zealand	5.1%	7.8%
Hong Kong – 'NL' closed life fund	2.6%	5.0%
Hong Kong – other business	2.6%	4.9%

Options and guarantees

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

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

To the extent that any policy values are currently below their guaranteed level, the difference is held as part of the basic policy liability. The time value of options and guarantees continues to value just the future cost of these options and guarantees, assessed stochastically.

6.1 Profit sensitivities

The table below outlines indicative Operating and Investment Earnings sensitivities to changes in investment markets, exchange rates and operational metrics. These sensitivities are indicative only as they assume that the movement in a particular variable is independent of other variables.

For Operating Earnings, the sensitivities have been calculated based on the actual results for the 12 months to 31 December 2008 adjusted for closing funds under management balances as at 31 December 2008. All changes are assumed to have occurred uniformly over the 12 month period. For example, if the 10% reduction in equities was to happen at the beginning of the period, the impact on Operating Earnings would be approximately double the amount shown in the table. However, if the 10% reduction in equities was to occur at the end of the period, the impact would be close to zero.

For Investment Earnings, the sensitivities have been calculated based on the actual asset and liability position as at 31 December 2008 adjusted for the sale of the Australian annuity book and the reinsurance arrangement for Australian income protection business. The sensitivities ignore the impact of short term equity derivatives, which are discussed below. The timing of the movement in a particular variable is not relevant when applying investment sensitivities.

Profit after tax for 12 months to 31 Dec 2008 A$m	Indices @ 31/12/08	Australia / New Zealand		Hong Kong		Asia (ex Hong Kong)		Holding company interest on debt	Total Profit
		Operating Earnings	Investment Earnings[1]	Operating Earnings	Investment Earnings[1]	Operating Earnings	Investment Earnings[1]		
+/–10% Australian equities (S&P/ASX 200 Accumulation Index (A$))	3,722	**+/–5.3**	**+/–15.5**	**+/–0.0**	**+/–0.0**	**+/–0.2**	**+/–0.0**	**+/–0.0**	**+/–21.0**
+/–10% international equities		**+/–3.8**	**+/–1.7**	**+/–0.0**	**+/–46.4**	**+/–0.8**	**+/–1.5**	**+/–0.0**	**+/–54.2**
– MSCI World ex Aust Accumulation Index (A$)	3,472	+/–3.8	+/–0.3	+/–0.0	+/–0.0	+/–0.0	+/–0.0	+/–0.0	+/–4.1
– MSCI World Accumulation Index (US$)	2,920	+/–0.0	+/–1.4	+/–0.0	+/–30.0	+/–0.8	+/–1.5	+/–0.0	+/–33.7
– Hang Seng (HK$)	14,387	+/–0.0	+/–0.0	+/–0.0	+/–16.4	+/–0.0	+/–0.0	+/–0.0	+/–16.4
+/–0.5% government bond yields[2]		**–/+0.4**	**+/–7.3**	**+/–0.0**	**–/+8.1**	**–/+0.1**	**+/–0.5**	**+/–0.0**	**–/+0.8**
– Australian 10-Year bond rate	3.99%	–/+0.4	+/–7.3	+/–0.0	+/–0.0	+/–0.0	+/–0.0	+/–0.0	+/–6.9
– USD 10-Year bond rate	2.25%	+/–0.0	+/–0.0	+/–0.0	–/+24.4	–/+0.1	+/–3.2	+/–0.0	–/+21.3
– HK 10-Year bond rate	1.19%	+/–0.0	+/–0.0	+/–0.0	+/–16.3	+/–0.0	–/+2.7	+/–0.0	+/–13.6
+/–0.5% corporate spread[2]		**–/+0.1**	**–/+2.4**	**+/–0.0**	**–/+11.5**	**+/–0.0**	**–/+1.4**	**+/–0.0**	**–/+15.4**
– Australian corporate spread	4.15%	–/+0.1	–/+2.4	+/–0.0	+/–0.0	+/–0.0	+/–0.0	+/–0.0	–/+2.5
– US corporate spread	3.61%	+/–0.0	+/–0.0	+/–0.0	–/+11.5	+/–0.0	–/+1.4	+/–0.0	–/+12.9
+/–5% change in A$/HK$[3]	6.57	**+/–0.0**	**+/–0.0**	**–/+13.8**	**–/+4.5**	**+/–0.0**	**+/–0.0**	**+/–1.3**	**–/+17.0**
+/–0.5% move in interest rates[4]	n/a	**+/–0.1**	**+/–0.0**	**+/–0.0**	**+/–0.0**	**+/–0.0**	**+/–0.0**	**–/+3.6**	**–/+3.5**
+/–5% change in average assets under management	n/a	**+/–8.3**	**+/–0.0**	**+/–1.5**	**+/–0.0**	**+/–0.8**	**+/–0.0**	**+/–0.0**	**+/–10.6**
+/–5% change in sales volumes[5]	n/a	**+/–1.4**	**+/–0.0**	**+/–2.3**	**+/–0.0**	**+/–2.1**	**+/–0.0**	**+/–0.0**	**+/–5.8**
+/–1% change in discontinuance rates	n/a	**–/+2.2**	**+/–0.0**	**+/–3.3**	**+/–0.0**	**+/–0.1**	**–/+0.0**	**+/–0.0**	**+/–1.2**

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

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

3 This is a 5% move in the average A$/US$ exchange rate over the period. Profits are translated using the YTD average exchange rate, mitigating some of the volatility in spot rates

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

5 Assuming product mix does not alter

During 2008 a number of short term equity derivatives were entered into.

All equities backing shareholder capital and non-participating liabilities in Australia and New Zealand are protected on the downside via purchased put options, as are approximately half of the equities in the conventional participating book. These options expire in March 2010. We remain well positioned to benefit from any market recovery. In Hong Kong and Singapore all shareholder and traditional participating equity exposures are protected by collars, comprising purchased puts and sold calls, which expire in April 2009.

The notional value of all purchased equity put options of A$3.0bn is allocated approximately 27% US, 28% Australia, 16% Hong Kong, 12% Europe, and 17% other international. Broadly, the Australian shareholder capital and non-participating liabilities have put strike prices 7% above the ASX200 as at 31 December 2008, while the Australian conventional participating put strike prices are approximately 30% below 31 December 2008 levels. On average, the international put strike prices are 5% below the respective indices on 31 December 2008.

The notional value of all sold equity calls in Hong Kong and Singapore of A$1.7bn is allocated approximately 47% US, 27% Hong Kong, 20% Europe, and 6% other international. On average, the call strikes are 21% above market levels as at 31 December 2008.

The impact of these short term equity derivatives is not captured in the sensitivities table above. The fair value of these derivatives comprises intrinsic value and time value. Time value is influenced by the time to maturity, market levels relative to the strike price and volatility, and is only meaningful at a point in time. As such, no sensitivity is provided for changes in time value. According to the profit sensitivities table, excluding short term equity derivatives, a 10% increase/decrease in the Australian and New Zealand equity portfolio would impact investment earnings by +$17.2m/–$17.2m. Including the intrinsic value of short term equity derivatives, a 10% increase/decrease in the Australian and New Zealand equity portfolio would impact investment earnings by +$3m/+$3m. According to the profit sensitivities table, excluding short term equity derivatives, a 10% increase/decrease in the Hong Kong equity portfolio would impact investment earnings by +$46.4m/–$46.4m. Including the intrinsic value of short term equity derivatives, a 10% increase/decrease in the Hong Kong equity portfolio would impact investment earnings by +$46m/–$25m.

In addition, approximately one third of the corporate bond portfolio in Hong Kong is credit protected against default risk to maturity and a number of long term interest rate swaps provide protection against falling interest rates in Australia. These derivatives are long term in nature and have been reflected in the sensitivities table.

6.2 Value sensitivities

The tables below show the sensitivity as at 31 December 2008 of the illustrative value of inforce and value of new business to variations in key economic and business assumptions on both a traditional basis and a market consistent basis.

The sensitivities are indicative only as they assume that the variation in a particular assumption is independent of other assumptions and impacts. In particular and as an example, a decrease in the equity market would reduce future profits and hence reduce the value of inforce. In addition, there would be a current period impact at the time of the equity market fall. This impact is not included in the value sensitivities below and can be estimated using the profit sensitivities in section 6.1.

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

Traditional value sensitivities

	Australia & New Zealand			Hong Kong			
% change in traditional value of inforce	Financial Protection	Wealth Management[1]	Total	Financial Protection	Wealth Management	Mature	Total
+ 50 bps in risk free rates[2]	(1.2)%	(0.7)%	(1.0)%	(2.0)%	(1.5)%	(4.3)%	(3.0)%
– 50 bps in risk free rates	1.2%	0.7%	1.0%	2.1%	1.6%	4.7%	3.2%
+ 10% in value of equity markets at start of projection	0.6%	12.9%	4.9%	1.8%	1.7%	2.3%	2.0%
– 10% in lapse rate	5.4%	8.8%	6.7%	2.8%	7.3%	4.1%	4.0%
– 10% in expenses (overall and permanent decrease)	2.5%	14.9%	7.2%	0.8%	1.7%	0.8%	0.9%
– 5% in mortality rate for non-annuity business[3]	5.8%	0.2%	3.6%	0.7%	0.1%	1.8%	1.1%
– 10% in morbidity incidence rates[3]	4.3%	n/a	n/a	0.4%	0.2%	0.0%	0.2%
+ 10% in morbidity termination rates	3.9%	n/a	n/a	n/a	n/a	n/a	n/a
+ 50 bps in credit spreads	0.4%	(0.3)%	0.1%	0.0%	0.0%	0.0%	0.0%
– 50 bps in credit spreads	(0.4)%	0.3%	(0.1)%	0.0%	0.0%	0.0%	0.0%
% change in traditional value of new business							
+ 50 bps in risk free rates[2]	(6.6)%	(1.2)%	(2.9)%	(3.7)%	(1.7)%	n/a	(3.1)%
– 50 bps in risk free rates	7.1%	1.2%	3.0%	3.8%	1.8%	n/a	3.2%
– 10% in lapse rate	23.1%	15.2%	17.7%	4.6%	12.8%	n/a	7.2%
– 10% in expenses (overall and permanent decrease)	21.6%	47.4%	39.4%	3.4%	15.3%	n/a	7.2%
– 5% in mortality rate for non-annuity business[3]	27.2%	0.0%	8.4%	1.3%	0.2%	n/a	1.0%
– 10% in morbidity incidence rates[3]	5.7%	n/a	1.8%	0.7%	0.0%	n/a	0.5%
+ 10% in morbidity termination rates	7.6%	n/a	2.3%	n/a	n/a	n/a	n/a
+ 50 bps in credit spreads	0.7%	(0.4)%	0.0%	0.0%	0.0%	n/a	0.0%
– 50 bps in credit spreads	(0.7)%	0.4%	0.0%	0.0%	0.0%	n/a	0.0%

1 Wealth management includes mature business (excluding long term risk) for Australia and New Zealand

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

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

Market consistent value sensitivities

	Australia & New Zealand			Hong Kong		
% change in market consistent value of inforce	Financial Protection	Wealth Management[1]	Total	Financial Protection	Wealth Management	Total[2]
+ 50 bps in risk free rates	(1.8)%	(0.9)%	(1.5)%	(2.1)%	(1.6)%	6.2%
– 50 bps in risk free rates[3]	1.9%	0.9%	1.5%	(5.6)%	1.7%	(11.0)%
+ 10% in value of equity markets at start of projection	0.5%	13.1%	4.8%	2.3%	1.6%	2.9%
– 10% in lapse rate	6.9%	9.6%	7.9%	4.0%	9.2%	5.7%
– 10% in expenses (overall and permanent decrease)	2.6%	15.3%	7.3%	1.0%	1.0%	1.2%
– 5% in mortality rate for non-annuity business[4]	6.0%	0.2%	3.9%	1.8%	0.4%	1.7%
– 10% in morbidity incidence rates[4]	4.0%	n/a	2.6%	n/a	n/a	n/a
+ 10% in morbidity termination rates	5.7%	n/a	3.6%	n/a	n/a	n/a
+ 50 bps in credit spreads	(0.0)%	(0.3)%	(0.1)%	n/a	n/a	n/a
– 50 bps in credit spreads	0.0%	0.3%	0.1%	n/a	n/a	n/a
+ 25% in equity volatility	(0.5)%	(0.6)%	(0.5)%	n/a	n/a	n/a
+ 25% in bond volatility	(0.1)%	(0.0)%	(0.1)%	n/a	n/a	n/a
% change in market consistent value of new business						
+ 50 bps in risk free rates	(6.7)%	(0.9)%	(3.2)%	(13.4)%	(3.6)%	(9.3)%
– 50 bps in risk free rates	7.3%	0.9%	3.4%	12.5%	3.8%	8.9%
– 10% in lapse rate	20.6%	18.3%	19.2%	3.7%	9.2%	6.0%
– 10% in expenses (overall and permanent decrease)	13.5%	38.7%	28.8%	2.7%	5.9%	4.1%
– 5% in mortality rate for non-annuity business[4]	19.6%	0.0%	7.7%	1.8%	0.7%	1.3%
– 10% in morbidity incidence rates[4]	3.7%	n/a	1.5%	n/a	n/a	n/a
+ 10% in morbidity termination rates	5.1%	n/a	2.0%	n/a	n/a	n/a
+ 50 bps in credit spreads	0.0%	(0.4)%	(0.2)%	n/a	n/a	n/a
– 50 bps in credit spreads	0.0%	0.4%	0.2%	n/a	n/a	n/a
+ 25% in equity volatility	0.0%	0.0%	0.0%	n/a	n/a	n/a
+ 25% in bond volatility	0.0%	0.0%	0.0%	n/a	n/a	n/a

1 Wealth management includes mature business (excluding long term risk) for Australia and New Zealand
2 Total for Hong Kong includes financial protection, wealth management and mature business
3 A further reduction in the risk free rate in Hong Kong will lead to a reduction in value on some participating financial protection business due to the impact of guarantees
4 Death, disablement and trauma assumption is adjusted for all lump sum risk business

6.3 Excess assets sensitivities

The table below outlines indicative sensitivities in our excess assets to changes in investment markets and exchange rates. The impact of short term equity derivatives, discussed below and in section 6.1, is not captured in these sensitivities. The sensitivities have been calculated based on the actual asset and liability position and market indices as at 31 December 2008. The sensitivities are indicative only as they assume that the variation in a particular market movement is independent of other market movements. In addition, these sensitivities are not linear and therefore as markets move, many of the sensitivities will vary significantly.

The sensitivities represent the combined impact of market movements on the assets, liabilities and regulatory capital. For our Hong Kong business, the discount rates used to calculate regulatory capital liabilities reflect a degree of subjectivity relating to future, past and current yields. Sensitivities take into account the estimated impact that changes to government bond yields will have on discount rates used to value regulatory liabilities, assuming all other conditions remain constant.

Excess assets as at 31 Dec 2008	A$m	
	+50bps	–50bps
+/– 50bps government bond yields	**–40**	**–50**
Australian 10-year bond rate	+70	–90
USD 10-year bond rate	–140	+120
HK 10-year bond rate	+30	–80
	+10%	–10%
+/– 10% equity markets	**+220**	**–270**
Australian equity markets	+50	–80
International equity markets	+170	–190
	+50bps	–50bps
+/– 50bps corporate spread	**–30**	**+30**
Australia corporate spread	–10	+10
US corporate spread	–20	+20
	+5%	–5%
+/– 5% change in A$/HK$	**+30**	**–30**

The fair value of short term equity derivatives, outlined in section 6.1, comprises intrinsic and time values. Time value is influenced by the time to maturity, market levels relative to the strike price and volatility, and is only meaningful at a point in time. As such, no sensitivity is provided for changes in time value. According to the sensitivities table above, excluding short term equity derivatives, a 10% increase/decrease in equity markets would impact excess assets by approximately +$220m/–$270m. Including the intrinsic value of short term equity derivatives, a 10% increase/decrease in equity markets would impact excess assets by approximately +$205m/–$165m. These sensitivities do not reflect ongoing capital management initiatives, $35m of which have added to excess assets since year end.

7.1 Overview

Total capital resources at 31 December 2008 were up $68m to $5.10bn (31 December 2007 – $5.03bn).

A$m	As at 31 Dec 08	As at 31 Dec 07
Capital resources		
Equity (net assets)	3,266.6	3,726.2
Subordinated debt and redeemable preference shares	933.4	800.1
Senior debt	900.7	505.9
Total capital resources	**5,100.7**	**5,032.2**
Gearing ratios		
Total debt / equity	56.1%	35.0%
Senior debt / capital resources	17.7%	10.1%

Our gearing (total debt to equity) was 56.1% (31 December 2007 – 35.0%), above our target range of 40% to 50%.

Net assets decreased $459.6m to $3.27bn (31 December 2007 – $3.73bn) for the following reasons:

Movement of net assets	A$m
Net assets as at 31 December 2007	3,726.2
Net profit after tax	(278.7)
Dividends paid	(376.1)
On-market share buy-back	(27.1)
Other reserves (mainly exchange related)	222.3
Net assets as at 31 December 2008	3,266.6

Debt

Total debt at 31 December 2008 was up $528.1m to $1.83bn (31 December 2007 – $1.31bn).

At 31 Dec 2008 A$m	Committed	Drawn
Senior debt		
Loan from AXA SA (US$ denominated)	320.7	320.7
Loan from AXA SA (A$ denominated)	580.0	580.0
Total senior debt	**900.7**	**900.7**
Redeemable preference shares and subordinated debt		
Hong Kong – Redeemable Preference Shares		
(US$ denominated $430m) – with AXA SA	612.9	612.9
Loan from Winterthur Switzerland		
(HK$ denominated)	40.5	40.5
Loan from AXA SA (A$ denominated)	280.0	280.0
Total redeemable preference shares and subordinated debt	**933.4**	**933.4**
Total debt	**1,834.1**	**1,834.1**

Senior long term debt with the Global AXA Group is drawn in either A$ or US$. The average after tax interest rate for interest bearing debt for the twelve months ended 31 December 2008 was 3.87% pa.

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

Currency exposure

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

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

Position as at 31 Dec 2008	A$m
– US$ denominated debt	933.6
– HK$ denominated debt (including A$/HK$ cross currency interest rate swaps)	140.5
Total hedged	**1,074.1**

Capital performance

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

On a normalised basis, where Investment Earnings are restated using long term investment assumptions as outlined in section 3, the return on equity and return on capital decreased by 0.7% and 1.2% respectively.

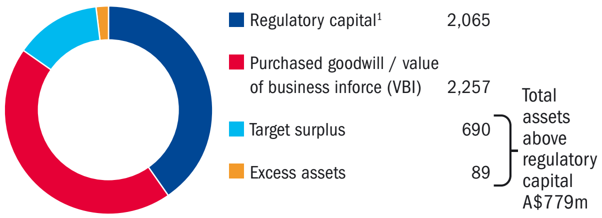
12 months to	31 Dec 08	31 Dec 07
Return on equity[1]	(3.6)%	16.9%
Return on equity (adjusted for normalised Investment Earnings)[2]	15.2%	15.9%
Return on capital[3]	(1.4)%	13.8%
Return on capital (adjusted for normalised Investment Earnings)[2,3]	11.9%	13.1%

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

2 Calculated after replacing Investment Earnings with normalised Investment Earnings of $185m (2008) and $195m (2007)

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

Total Capital $5.10bn



1 Regulatory capital comprises Australia $727m; New Zealand $173m; Hong Kong $990m; Asia (ex HK) $175m

7 Capital and debt

Total regulatory capital, including the solvency and capital adequacy reserves, increased by $742m to $2.07bn (31 December 2007 – $1.32bn) largely due to investment market and exchange rate movements.

The increase in regulatory capital of $742m included:

- Australia and New Zealand (increase of $15m):
  - $415m increase mainly due to weak equity markets, which reduced the value of assets supporting participating business
  - $142m reduction due to divesting lines of business including $94m for the sale of our annuity business to Challenger and $55m for the 2008 impact of the external reinsurance of Australian income protection long term claims, partially offset by $7m from the Genesys acquisition
  - $258m reduction due to other capital initiatives, including the purchase of equity puts, interest rate swaps, hedging of currency risk, and reductions in inadmissible assets
- Hong Kong (increase of $670m):
  - $1,055m increase mainly due to lower equity returns and widening credit spreads, which reduced the assets and policy liabilities supporting participating business, but does not reduce the regulatory required assets. In addition, the reduction in bond yields increased the regulatory required assets. As regulatory capital is the difference between these two large figures, this increased regulatory capital.
  - $184m increase in regulatory capital following a strengthening of the HK$ spot rate, increasing the A$ value of regulatory capital in Hong Kong
  - $569m reduction due to capital initiatives, including the purchase of equity collars, the purchase of credit protection, increased reinsurance and the more efficient use of our corporate structure in Hong Kong,
- Asia ex Hong Kong (increase of $57m) mainly due to exchange rate movements of $25m and increases in Thailand, Philippines and Indonesia.

AXA APH targets a level of assets in excess of regulatory capital requirements (target surplus) such that, in normal market conditions, at all times over the following year, and using statistical techniques based on accepted models of market scenarios, and including an allowance for insurance and operational risks, there is a 97.5% probability of meeting regulatory capital requirements.

Target surplus is managed at the AXA APH level allowing for diversification benefits between entities.

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.

Notwithstanding the significant equity market falls over the year, assets above regulatory capital before dividends continue to exceed our target surplus requirements.

Target surplus is reviewed annually, and at 31 December 2008 increased by $120m to $690m following a strengthening of the HK$ spot rate, which increased the A$ value of target surplus held in Hong Kong, increased sensitivity of capital to lower interest rates and a new allowance for insurance and operational risk. These impacts were partially offset by derivative protection and a reduction in equity backing ratios put in place in 2008.

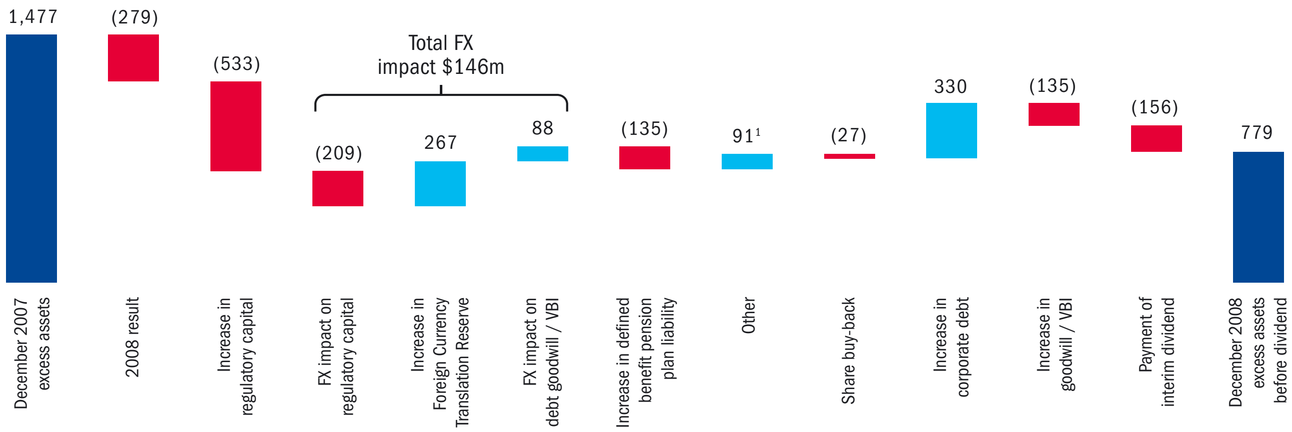
Our policy has been strengthened to include insurance and operational risk as well as now being based on a 97.5% probability of meeting capital requirements over one year.

Purchased goodwill and the value of business inforce increased by $135m following the acquisition of Genesys.

Excess assets reduced by $698m to $779m (31 December 2007 – $1,477m) primarily due to the increase in regulatory capital and the purchase of Genesys, offset by movements in the Foreign Currency Translation Reserve (FCTR) and an increase in corporate debt.

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

Change in excess assets
A$m



1 'Other' includes items that affect shareholder equity which are not reported as profit, such as movements relating to treasury shares.

8.1 Australia and New Zealand

Ambition 2012 goals

In November 2007, we launched our Ambition 2012 programme for Australia and New Zealand. Our overarching goal is to double the enterprise value of these businesses.

The market for the first twelves months of this five year programme could not have been more challenging and as yet, it is unclear when these conditions will improve. Notwithstanding this, our strategy remains the right one and we remain focussed on our long term goals.

In June, we announced and completed the acquisition of Genesys and our goals have been adjusted accordingly.

Overarching goal Double illustrative enterprise value

Ambition 1 Double the value of new business

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

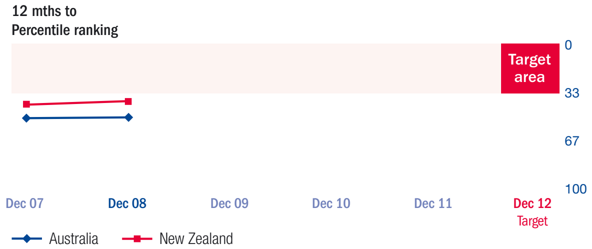
Ambition 2 Top 3 in both retail funds flow and net premium flows

1 Our chosen market segment for Australia is term, trauma and TPD

2 Our chosen market segment for New Zealand is individual life, individual income protection and group risk

3 31 December 2008 net premium flows based on Plan For Life, 30 September 2008

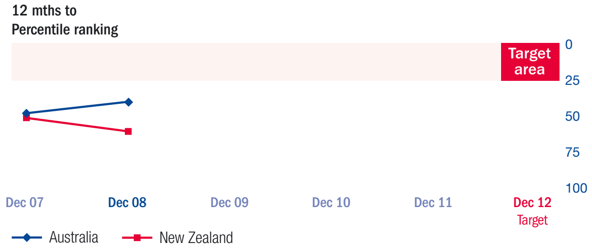
Ambition 5 Top third for customer and adviser satisfaction



Ambition 3 Double funds under advice including aligned channels

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

Ambition 6 Top quartile for employee engagement



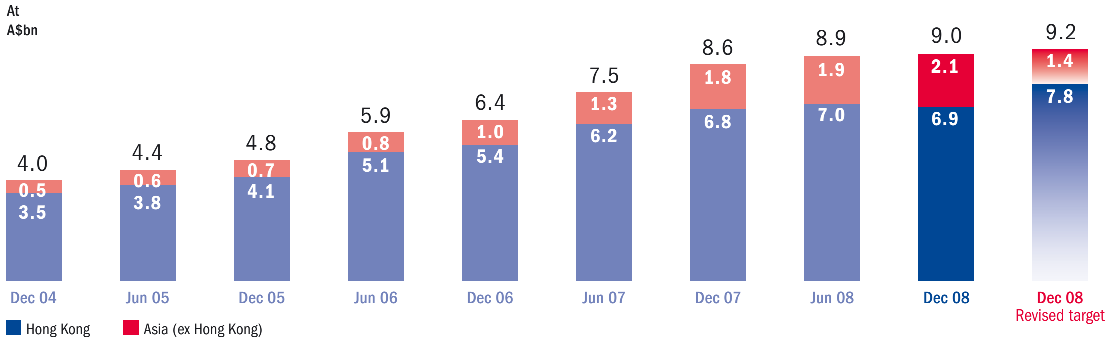
8.2 Asia

Asia 6 goals

December 2008 marked the completion of our four year Asia 6 programme. Notwithstanding the challenging economic environment across Asia in 2008, particularly the final quarter, we were able to more than double our illustrative enterprise value, although we have fallen slightly short of our target of A$9.2bn. In addition we have also achieved our Asia 4, 5 and 6 goals.

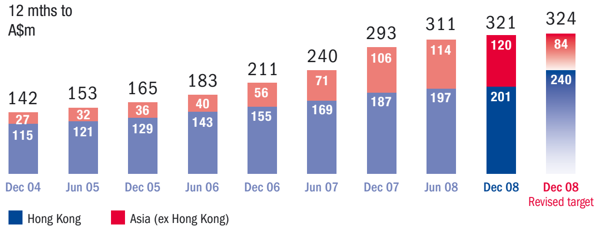
New business sales, particularly of single premium products through our bank channels, were impacted by the global economic slowdown in the second half of 2008, as a result of which both Asia 2 and Asia 3 goals were not achieved. A favourable product and distribution channel mix meant we were able to positively impact new business margin although we narrowly fell short of our Asia 1 goal.

Overarching goal More than double illustrative enterprise value[1]



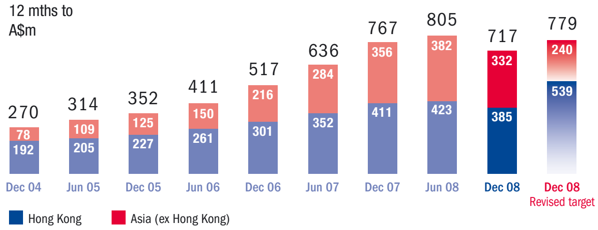
1 Illustrative only; 100% share; based on constant currency exchange rates as at 31 December 2004; assumes midpoint valuation metrics of 10.5%-11.5% HK risk discount rate, risk discount rate of 11% – 20% for Asia (ex Hong Kong) businesses, and VNB multiples for HK of 7x-20x Financial protection, 15x-20x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

Asia 1 More than double the value of new business[1]



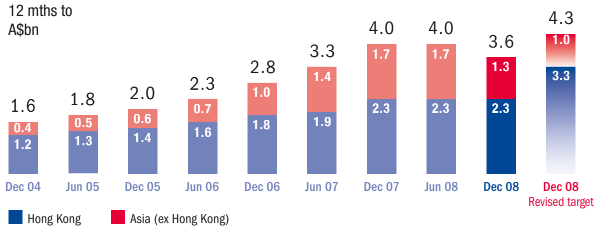
1 Illustrative only, 100% of joint venture operations, based on constant currency exchange rates at 31 December 2004 and constant assumed risk discount rates (11% for HK, 11%–20% for Asia (ex Hong Kong))

Asia 3 Grow new business index[1] **more than 2.9 times**



1 Regular premium sales plus 10% of single premium sales

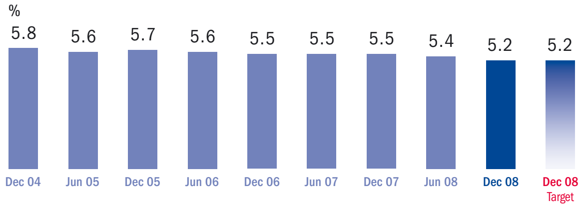
Asia 2 Grow total inflows[1] **2.7 times**



1 100% of joint venture operations, based on constant currency exchange rates at 31 December 2004

Asia 4 **Reduce Hong Kong management expense ratio[1] to 5.2%**

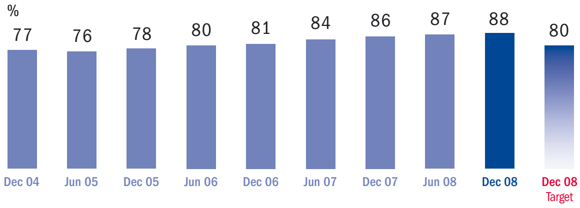
12 mths to
%



1 Rolling 12 months

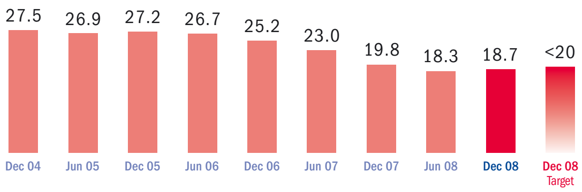
Asia 5 **Improve 13 month persistency ratio to 80%**

At
%



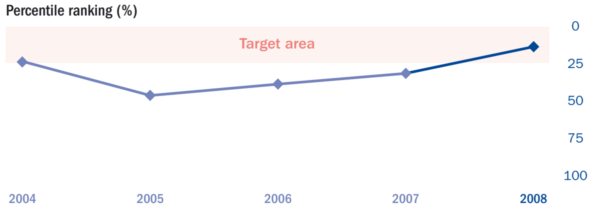
Asia 4 **Reduce Asia (ex Hong Kong) management expense ratio below 20%**

12 mths to
%



Asia 6 **Achieve top quartile SCOPE score for staff**

12 mths to 31 Dec
Percentile ranking (%)



Ambition 2012 goals

In November 2008, we launched our Ambition 2012 programme for our Asian businesses. This is a four year programme and is aimed at continuing the growth of our business to 2012.

Our strategy has not changed and our Ambition 2012 vision is to be the preferred company in both the financial protection and wealth management markets in the countries in which we operate.

We have again set challenging aspirational goals for our Asian business that focus on what is important in our business and which will drive value for shareholders.

	Ambition 2012	31 December 2008	2012 aspirational goals
Overarching	More than double enterprise value	A$8.0bn	A$16.0bn
Ambition 1	Double the value of new business	A$360m	A$720m
Ambition 2	Double annualised premium income	A$2.75bn	A$5.50bn
Ambition 3	Double new business index	A$794m	A$1,588m
Ambition 4	Reduce cost to income ratio: Hong Kong <20% Asia ex Hong Kong <60%	 24% 82%	 <20% <60%
Ambition 5	Improve customer satisfaction to top quartile against competitors and increase distributor satisfaction by 25%	Distribution Customer	125 Top quartile
Ambition 6	Improve employee engagement score to top quartile against external benchmark		Top quartile

Supporting our vision and aspirational targets are eight strategic imperatives as follows:

1 Restore and sustain growth in Hong Kong
2 Achieve full potential in India profitably and sustainably
3 Change the paradigm in China
4 Achieve scale in Malaysia and Singapore
5 Build top class team through recruitment and retention of talent
6 Re-engineer our IT platform and capabilities to support our Ambition 2012 vision
7 Support organic growth with inorganic opportunities to achieve scale, and
8 Emergence of at least one other market to achieve similar scale to Hong Kong.

9 Financial statements

9.1 Group balance sheet

$m	31 Dec 2008	31 Dec 2007
Assets		
Cash at bank and deposits on call	3,193	1,730
Receivables	1,253	830
Equity securities	10,989	15,485
Debt securities	11,663	13,553
Property investments	1,220	1,888
Other financial assets	69	53
Investments accounted for using the equity method	215	164
Property, plant and equipment	47	56
Deferred tax assets	881	151
Goodwill	1,785	1,679
Intangible assets	564	442
Deferred acquisition costs	254	160
Total assets	**32,133**	**36,191**
Liabilities		
Payables	1,505	2,151
Current tax liabilities	15	256
Financial liabilities	901	506
Provisions	162	166
Deferred tax liabilities	220	218
Retirement benefit obligations	232	34
Subordinated debt and redeemable preference shares	933	800
Minority interest in controlled unit trusts	1,007	1,359
Policy liabilities	23,891	26,975
Total liabilities	**28,866**	**32,465**
Net assets	**3,267**	**3,726**
Equity attributable to shareholders of the parent entity		
Issued capital	720	672
Reserves	75	(203)
Shareholders' retained profits	2,472	3,257
Total equity	**3,267**	**3,726**

10.1 Financial calendar for 2009

Event	Date
2008 full year result announcement	17 February 2009
2008 final dividend	
– Ex date	2 March 2009
– Record date	6 March 2009
– Paid to shareholders	9 April 2009
Annual General Meeting	6 May 2009
New business and funds flow Q1 2009 release	22 April 2009
End of 2009 half year	30 June 2009
2009 half year result announcement	30 July 2009
2009 interim dividend	
– Ex date	10 August 2009[1]
– Record date	14 August 2009[1]
– Paid to shareholders	11 September 2009[1]
New business and funds flow Q3 2009 release	21 October 2009[1]
Strategy Day	30 November 2009[1]
End of 2009 full year	31 December 2009

1 Likely date, subject to confirmation

10.2 Key 2008 ASX releases

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

6 February	**New business and funds flow**	New business and funds flow for the twelve months ended 31 December 2007
19 February	**2007 full year results materials**	
7 March	**Final share buyback**	Notice of final share buyback and completion of $400m share buyback
16 April	**AXA APH AGM materials**	
16 April	**Director appointment**	Notice of appointment of Tony Froggatt as a non-executive Director
23 April	**New business and funds flow**	New business and funds flow for the three months ended 31 March 2008
28 April	**AXA APH Senior Executive Change**	Announcement of appointment of Mark Pearson, Chief Executive Officer of AXA Asia Life, to President and CEO of AXA Life Japan and AXA Japan Holding
16 May	**Malaysian Assurance Alliance Berhad**	Announcement that AXA was no longer pursuing the possible acquisition of Malaysian Assurance Alliance Berhad in Malaysia
4 June	**Challenger transaction**	Announcement of acquisition of Challenger's financial planning business and sale of AXA Australia's annuity business to Challenger
3 July	**Board changes**	Notice of appointment of Peter Sullivan as a non-executive Director and retirement of Robin Monro-Davies
23 July	**New business and funds flow**	New business and funds flow for the six months ended 30 June 2008
30 July	**AXA APH Senior Executive Appointment in Asia**	Announcement of appointment of Michael Bishop as Regional Chief Executive of AXA Asia Life and Keith Perkins as Regional Chief Operating Officer
5 August	**2008 Half year results materials**	
19 August	**AXA APH – AXA Wholesale Australian Property fund**	Announcement of a proposal to list the AXA Wholesale Australian Property Fund on the Australian Securities Exchange
15 October	**AXA Wholesale Property Fund update**	Announcement of deferring the listing proposal of the AXA Wholesale Australian Property Fund on the Australian Securities Exchange
22 October	**New business and funds flow**	Announcement of our new business and funds flow for the nine months ended 30 September 2008
23 October	**Australian Monthly Income Fund**	Announcement of a six month deferral of redemptions from the Australian Monthly income Fund
21 November	**AXA APH Strategy Briefing materials**	
25 November	**Challenger transaction**	Announcement of the Federal court's unconditional approval of AXA Australia's sale of the annuity business to Challenger
28 November	**Wholesale Australian Property Fund update**	Announcement that the Wholesale Australian Property Fund was not in a position to realise its property investments at the optimal value for the funds' clients in the short term
18 December	**Australian Monthly Income Fund update**	Announcement of the introduction of new withdrawal arrangements for AXA's Australian Monthly Income Fund

10.3 Top 20 shareholders at 31 December 2008

Shareholder		Number of shares held	% of issued capital
1	AXA SA	742,063,178	43.87%
2	HSBC Custody Nominees (Australia) Limited	107,256,176	6.34%
3	National Nominees Limited	106,131,522	6.27%
4	AXA <NO 2 A/C>	97,653,005	5.77%
5	JP Morgan Nominees Australia Limited	89,337,283	5.28%
6	AXA Sun Life PLC	59,125,101	3.50%
7	Citicorp Nominees Pty Limited	29,404,372	1.74%
8	ANZ Nominees Limited	21,537,876	1.27%
9	Cogent Nominees Limited	19,885,284	1.18%
10	Tasman Asset Management Ltd	7,433,337	0.44%
11	AXA APH Executive Share Plan (Australia) Pty Limited	6,426,771	0.38%
12	AMP Life Ltd	6,168,682	0.36%
13	Australian Foundation Investment Company Limited	6,147,808	0.36%
14	Argo Investments Limited	5,336,109	0.32%
15	Neweconomy Com Au Nominees Pty Limited	4,703,802	0.28%
16	Citigroup Nominees Pty Limited	4,410,777	0.26%
17	Queensland Investment Corporation	3,707,738	0.22%
18	UBS Wealth Management Australia Nominees Pty Ltd	3,270,000	0.19%
19	CS Third Pty Limited	3,209,585	0.19%
20	Citicorp Nominees Pty Limited	3,034,941	0.18%
Total top 20		**1,326,243,347**	**78.41%**
Remainder		365,143,005	21.59%
Total issued shares		**1,691,386,352**	**100.00%**

10.4 Corporate governance and responsibility

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

10.5 Exchange rates

		2008	2007
Profit and loss		**12 months to 31 Dec**	**12 months to 31 Dec**
United States	USD	0.84	0.84
Hong Kong	HKD	6.57	6.50
Singapore	SGD	1.19	1.26
New Zealand	NZD	1.19	1.13
Philippines	PHP	37.36	38.58
Indonesia	IDR	8,077.18	7,692.31
Thailand	THB	27.79	28.86
Malaysia	MYR	2.80	2.88
India	INR	36.55	34.64
China	CNY	5.86	6.38
Balance sheet		**As at 31 Dec**	**As at 31 Dec**
United States	USD	0.70	0.88
Hong Kong	HKD	5.45	6.86
Singapore	SGD	1.00	1.26
New Zealand	NZD	1.21	1.13
Philippines	PHP	33.30	36.18
Indonesia	IDR	7,981.21	8,291.67
Thailand	THB	24.41	26.18
Malaysia	MYR	2.43	2.91
India	INR	34.20	34.61
China	CNY	4.79	6.42

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

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Corporate directory

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