



# news release

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**21 February 2005**

**(All figures are reported in Australian Dollars unless otherwise stated)**

## **AXA ASIA PACIFIC HOLDINGS LIMITED Results for the 12 months ended 31 December 2004**

AXA Asia Pacific Holdings (AXA APH) today announced profit after tax and before non-recurring items of \$547.2 million for the 12 months to 31 December 2004 (12 months to 31 December 2003 - \$537.1 million).

Operating Earnings, the key indicator of the underlying performance of the business, grew strongly, up 18 per cent to \$354.2 million (2003 - \$300.8 million).

Profit after tax for the comparable period in 2003 included the significant one-off profits in respect of the sale of AXA Health and our 50 per cent interest in Members Equity.

Commenting on the results, Group Chief Executive Les Owen, said,

"This is another very strong result.

"Operating Earnings in Australia and New Zealand were up 31 per cent to \$192.3 million. Wealth management profits were helped by strong domestic equity performance, growth in funds under management, administration and advice, and further improvements in our cost to income ratio. AXA Generations, our new simplified platform which was launched in August, has attracted strong inflows. Financial protection also performed strongly with continued good claims experience in income protection, and a positive impact from investment markets.

"Operating Earnings in Hong Kong grew 15 per cent in local currency to HK\$921.9 million, driven by positive investment markets, growth in the portfolio and a more profitable sales mix.

"The Hong Kong M6 transformation programme came to an end in December and I am delighted to say that we achieved four out of the six aspirational targets we set ourselves in early 2001. The over-arching goal of increasing enterprise value by 55 per cent was exceeded, and we more than doubled the value of new business over this period.

"2004 saw steady progress in China and South East Asia. Total premium income was up 37 per cent<sup>1</sup> to \$455.4<sup>2</sup> million, and the value of new business grew 59 per cent<sup>1</sup> to \$27.1<sup>2</sup> million. "

The Directors have declared a final dividend of 6.50 cents per share (30 per cent franked) bringing the total dividend for the year to 11.75 cents per share up 15 per cent. (2003 -10.25 cents per share).

<sup>1</sup> On a constant currency basis, translated at average exchange rates for the 12 months ended 31 December 2004 of A\$/Rmb = 0.163529; A\$/Sing\$ = 0.803247; A\$/Peso = 0.024113; A\$/Baht = 0.033655; A\$/Rupiah = 0.000151

<sup>2</sup> 100% share

## Australia and New Zealand - key points

- Very strong growth in Operating Earnings (excluding Health) up 31 per cent to \$192.3 million (2003 - \$147.3 million)
- Wealth management products and platforms up 39 per cent to \$94.8 million (2003 - \$68.3 million)
- Advice businesses up 18 per cent to \$26.8 million (2003 - \$22.8 million)
- Financial protection up 26 per cent to \$70.7 million (2003 - \$56.2 million)
- Gross retail inflows were up 6 per cent to \$8,227.2 million (2003 - \$7,753.3 million)
- Net retail inflows (excluding cash) of \$2,933.4 million, maintaining our top five ranking for net retail flows (based on Plan for Life and ASSIRT data for the 12 months ended 30 September 2004)
- Value of new business up 10 per cent to \$76.7 million (2003 - \$69.9 million)
- Funds under management, administration and advice up 19 per cent to \$52.5 billion (31 December 2003 - \$44.2 billion)
- Funds under advice up 22 per cent to \$5.1 billion (31 December 2003 - \$4.2 billion)
- Cost to income ratio down 6.7 percentage points to 81.4 per cent (2003 - 88.1 per cent).

## Hong Kong – key points

- M6 transformation programme completed, achieving four out of six M6 aspirational goals
- Strong growth in Operating Earnings up 15 per cent to HK\$921.9 million (2003 - HK\$800.3 million)
- M1 enterprise value of HK\$24.3 billion<sup>3</sup>
- Total new business index<sup>4</sup> up 14 per cent to HK\$1,172.0 million (2003 - HK\$1,032.1 million)
- Value of new business up 18 per cent to HK\$614.3 million (2003 - HK\$518.8 million)
- Net funds flow up 5 per cent to HK\$3.9 billion (2003 - HK\$3.7 billion)
- Funds under management (“FUM”) up 16 per cent to HK\$46.3 billion<sup>5</sup> (2003 - HK\$40.1 billion)
- Business retention levels further improved with the aggregate discontinuance rate down to 7.8 per cent (2003 - 8.8 per cent)
- Agent productivity up 8 per cent to HK\$31,464 average monthly sales (2003 - HK\$29,165), and AXA adviser productivity up 15 per cent to HK\$64,057 (2003 - HK\$55,684)
- Advice businesses now operational in both Hong Kong and Singapore, using the ipac business model.

## China and South East Asia – key points

- Singapore Operating Earnings up 141 per cent to \$1.4 million (2003 - \$(3.4) million)
- New business index<sup>4</sup> for the region up 18 per cent<sup>1</sup> to \$82.5 million<sup>2</sup> (2003 - \$69.8 million)
- Value of new business for the region up 59 per cent<sup>1</sup> to \$27.1 million<sup>2</sup> (2003 - \$17.0 million)
- Total premium income for the region up 37 per cent<sup>1</sup> to \$455.4 million<sup>2</sup> (2003 - \$332.9 million)
- Funds under management up 23 per cent to \$1.4 billion (2003 - \$1.1 billion)
- Shanghai total premium income up 9 per cent compared to an overall market decline of 5 per cent (11 months ended 30 November 2004)
- Bancassurance joint venture in Indonesia with Bank Mandiri had a very encouraging start. We now have financial advisers in 438 bank branches and, on a combined basis, AXA businesses in Indonesia ranked 3rd in new business market share (9 months ended 30 September 2004), up from 16th in 2003.

<sup>3</sup> Adjusted for dividends. Target originally set on basis of 8x value of new business multiple, which has been consistently applied throughout the period of the M6 programme

<sup>4</sup> Regular premiums plus 10% of single premiums

<sup>5</sup> Gross of HK\$1.5 billion dividends remitted to AXA APH in 2H 2004

## Group financials – key points

- Earnings per share (before non-recurring items) of 31.4 cents (2003 – 31.4 cents). On a normalised basis<sup>6</sup>, earnings per share (before non-recurring items) up 26 per cent to 29.6 cents (2003 – 23.4 cents)
- Return on average shareholders equity (before non-recurring items) 14.1 per cent (2003 – 16.2 per cent). On a normalised basis<sup>6</sup>, return on average shareholders equity (before non-recurring items) 13.4 per cent (2003 – 12.3 per cent)
- Strong balance sheet – (debt + hybrid) / equity at 35 per cent
- \$1,275 million capital above regulatory requirements
- \$640 million capital above internal target surplus.

## Future outlook

Commenting on prospects for the future, Group Chief Executive Les Owen said,

"We are very pleased with the 2004 results and are well positioned for continuing profitable growth in all our markets. Our strategy is working well and our focus will continue to be on excellence in execution.

"In Australia and New Zealand we have good, positive momentum in a market which continues to grow driven by an ageing population, the need for increased levels of long term savings and the opportunity to increase average levels of financial protection cover for individuals.

"Hong Kong remains a high growth market with only moderate insurance penetration and a high propensity to save. There is an emerging wealth management and advice market and we are well placed to leverage the Group's experience from Australasia and to continue to deliver attractive returns to shareholders.

"China and South East Asia represent our long term growth engines. Success in these markets will, though, require a patient and long term strategic approach. We are continually looking at strategies to accelerate profitable growth in Asia and are actively looking at market entry opportunities in India.

"We have a strong capital position and a strong balance sheet to support growth, and we have a management team that has built a successful track record over the last 5 years and which is very capable of executing our strategy successfully."

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<sup>6</sup> "Normalised" earnings calculated after deducting \$9.8m Health Operating Earnings from 2003 profit, and replacing Investment Earnings of \$229m (2004) and \$193m (2003)

## ATTACHMENT

## AXA APH Group result for 12 months ended 31 December 2004

(A\$ million)	12 months to 31 Dec 04	12 months to 31 Dec 03	Change
<b>Operating Earnings</b>			
Australia & New Zealand (excluding Health)	192.3	147.3	31%
Hong Kong and Singapore	161.9	153.5	5%
<b>Operating Earnings (excluding Health)</b>	<b>354.2</b>	<b>300.8</b>	<b>18%</b>
Investment Earnings	260.7	322.1	(19)%
Corporate expenses	(42.8)	(42.0)	(2)%
Interest expense	(24.9)	(43.8)	43%
<b>Profit after tax excluding Health and before non-recurring items</b>	<b>547.2</b>	<b>537.1</b>	<b>2%</b>
AXA Health <sup>1</sup>	n/a	9.8	n/a
Non-recurring items	(7.5)	379.1	n/a
<b>Profit after tax and non-recurring items</b>	<b>539.7</b>	<b>926.0</b>	<b>(42)%</b>

<sup>1</sup>The sale of Health was completed on 28 February 2003. Earnings in 2003 are only in respect of the period 1 January 2003 – 28 February 2003.

## AXA Australia and New Zealand

(A\$ million)	12 months to 31 Dec 04	12 months to 31 Dec 03	Change
Wealth management	121.6	91.1	33%
Financial protection	70.7	56.2	26%
<b>Operating Earnings (excluding Health)</b>	<b>192.3</b>	<b>147.3</b>	<b>31%</b>
Investment Earnings	114.0	45.2	152%
<b>Profit after tax excluding Health and before non-recurring items</b>	<b>306.3</b>	<b>192.5</b>	<b>59%</b>
AXA Health	n/a	9.8	n/a
Non-recurring items	(0.4)	(19.7)	98%

## AXA Hong Kong

(A\$ million)	12 months to 31 Dec 04	12 months to 31 Dec 03	Change
Operating Earnings	160.5	156.9	2%
Investment Earnings	143.4	275.1	(48)%
<b>Profit after tax and before non-recurring items</b>	<b>303.9</b>	<b>432.0</b>	<b>(30)%</b>

(HK\$ million)	12 months to 31 Dec 04	12 months to 31 Dec 03	Change
Operating Earnings	921.9	800.3	15%
Investment Earnings	823.7	1,402.7	(41)%
<b>Profit after tax and before non-recurring items</b>	<b>1,745.6</b>	<b>2,203.0</b>	<b>(21)%</b>