

Highlights from the Address by the Group Chief Executive, Les Owen
National Mutual Holdings Annual General Meeting

15 February 2000

Les Owen, the newly appointed Group Chief Executive, will today address shareholders at the Annual General Meeting.

During his address Les Owen will make it clear that his objectives are to :

- Revitalise the Australian and New Zealand businesses to stimulate sustainable and profitable revenue growth particularly in the areas of long term investment and superannuation
- Build on the Group's strong position in the exciting markets of the Asia-Pacific region.

In commenting on last year's performance Mr Owen will say that, although overall profit after tax increased by 47%, operating earnings did not meet the company's expectations. In particular Mr Owen will comment on the difficult trading environment in the income protection market where last year, operating losses of \$15m were reported.

It was announced when our full year results were presented last December that we had taken a number of actions to address the situation including the tightening of underwriting procedures, more focus on claims management and implementation of selective price increases both for new business and for in force business. However, we have continued to suffer from adverse claims experience in income protection business during the first three months of this financial year. Although further action is being taken we may well see further losses this year. If claims experience continues at the level of recent months for the rest of the year, losses could be of the order of \$15-\$20m for the full year. Further details will be given with our interim results.

Mr Owen will also refer to what will be necessary to achieve improved performance in the core Australian and New Zealand businesses. Globally the AXA group is a leader in insurance and asset management and aims to be the reference company in each market in which it chooses to compete. Whilst recognising that much needs to be done Les Owen will emphasise AXA's ambition to become the reference company in the Australian market.

In Australia we are number one in the risk markets but in the strongest growing and most profitable area of the market – investment and retail superannuation – we are well short of where we wish to be. Our short term priorities are to focus on improving the Australia and New Zealand businesses to ensure that we have the capability and the organisational structure to increase momentum by growing our market share. Plans are already being designed for the action that needs to be taken and I will be giving more detail of these plans with the presentation of our interim results.

It is likely that the implementation of these plans will involve some one off restructuring costs in relation to Australia and New Zealand. Again more detail of this will be given with our interim results.

Mr Owen will also refer to uncertainty created by the proposed Business Tax Reform. Depending on the detail, and on market receptivity to increases in tax being passed on in product pricing, some additional one off provisions may be necessary.

He will emphasise that whilst there is no doubt that we face a significant challenge in returning to a leadership position in the investment markets, this is our firm ambition.