



# **AXA Asia Pacific Holdings Limited Annual General Meeting**

**14 April 2004**



# Today's agenda

- Overview Rick Allert  
Chairman
- Review of activities Les Owen  
Group Chief Executive





**Rick Allert, Chairman**

**Overview**



# AXA Asia Pacific Group

## 2003 - a year of contrasts

### 2003 - First half

- Weak global equity markets
- Fragile consumer confidence
- SARS in Asia
- War in Iraq

### 2003 - Second half

- Strong recovery in US and global equity markets
- Strong return to growth in Hong Kong economy
- Improvement in consumer confidence
- Increase in new business and fund flows in our businesses



# AXA Asia Pacific Group Highlights

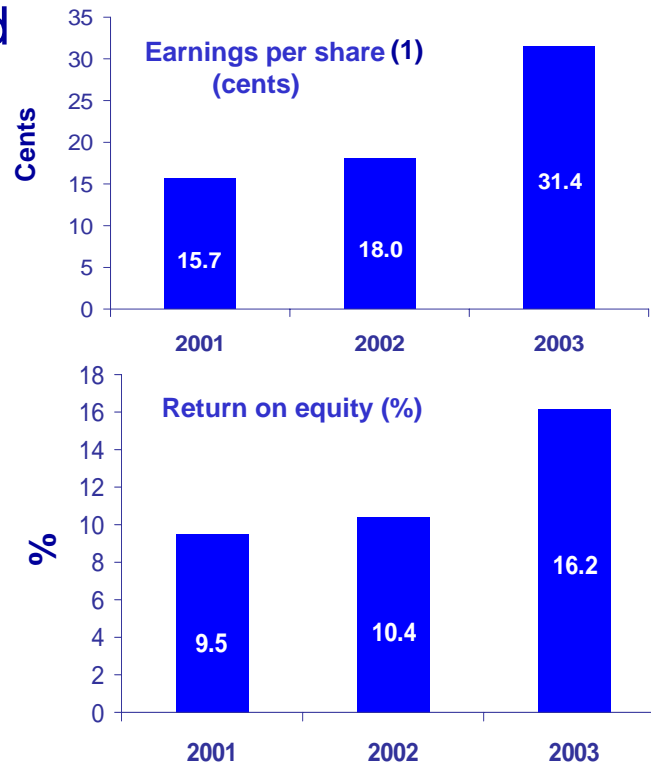
- Profit after tax (excluding Health) and before non-recurring items **up 97%** to \$537m (12 months ended 31 December 2002 - \$273m)
- Operating Earnings(ex Health) **up 8%** to \$301m (2002 - \$279m)
- Investment Earnings \$322m, **up 189%** (2002 - \$111m)
- Group funds under management and administration **up 5%** to \$51.1b (2002 - \$48.5b)
- Strong capital position



# AXA Asia Pacific Group

## Dividend, earnings per share and return on equity

- Final dividend 5.50 cents per share, franked at 20%
- Total dividend 10.25 cents per share
- Earnings per share<sup>(1)</sup> increased to 31.4 cents
- Return on equity of 16.2%



(1) Earnings per share excludes non recurring items and is for the 12 months to 31 December



# Australia and New Zealand Highlights



Operating Earnings (ex Health) up 17% to \$147m (2002 - \$126m)



Achieved 4 out of 5 of our K5 aspirational goals



Net retail funds flow up 123% to \$3.7b (2002 - \$1.7b)



Funds under management and administration up 8% to \$44.2b (2002 - \$41.0b)



Funds under advice and administration up 28% to \$4.2b (2002 - \$3.3b)



Business successfully repositioned for further growth



# Hong Kong Highlights



New business<sup>(1)</sup> up 14% to HK\$1,032m (2002 - HK\$909m)



Value of new business up 33% to HK\$519m (2002 - HK\$389m)



Aggregate discontinuance rate improved to 8.8%, better than target of 9.0%



Funds under management up 23% to HK\$40.1b (2002 - HK\$32.6b)



Further repositioning of distribution channels



(1) New business is measured as new regular premiums + 10% of single premiums

# China & South East Asia Highlights



**Guangzhou branch** - new China branch operation launched in November 2003

- 783 agents by 31 December 2003



**Shanghai branch** - sales up 46%<sup>(1)</sup>, total premiums up 34%<sup>(1)</sup>



**China and South East Asia** - value of new business up 78%<sup>(2)</sup>



**Indonesia** - new bancassurance joint venture with Bank Mandiri launched in December and now being rolled out to bank branches

- Bank Mandiri is Indonesia's largest bank with over 700 branches and 7 million customers

(1) local currency  
(2) constant currency basis



# AXA Asia Pacific Group

## Corporate governance

- Committed to highest standards of corporate governance
  - Comply in full with ASX Code
- Independent Board
  - Independent Chairman
  - Majority of independent Directors
  - Four new non-executive Directors appointed since last AGM
  - Committees for Audit & Compliance, Investment, Remuneration & Nominations, and Insurance & Operating Subsidiaries
- Transparent financial reporting - Investor Compendium
- Regular Board reviews of governance, effectiveness, transparency and continuous disclosure





## AXA in the community



### **AXA Hearts in Action**

- AXA Hearts in Action is a Global AXA Group community based volunteer programme
- Through Hearts in Action, AXA assists numerous charities
  - Forges ongoing relationships with charities
  - Enables strong links between community organisations and AXA employees who volunteer their time



# AXA in the community



AXA promotes environmentally sound practices in the workplace

- purchasing paper produced only from sustainable forest plantations
- reducing paper useage through the company
- taking part in Green Day activities
- donations to Landcare



# The outlook

- AXA operates in one of the fastest growing markets in Australia & New Zealand
  - savings ratios much too low for ageing population
- Hong Kong economy growing strongly
  - Closer Economic Partnership Agreement with China
- Chinese market opening up following China's entry into the World Trade Organisation
- Growth potential in South East Asia





**Les Owen, Group Chief Executive**

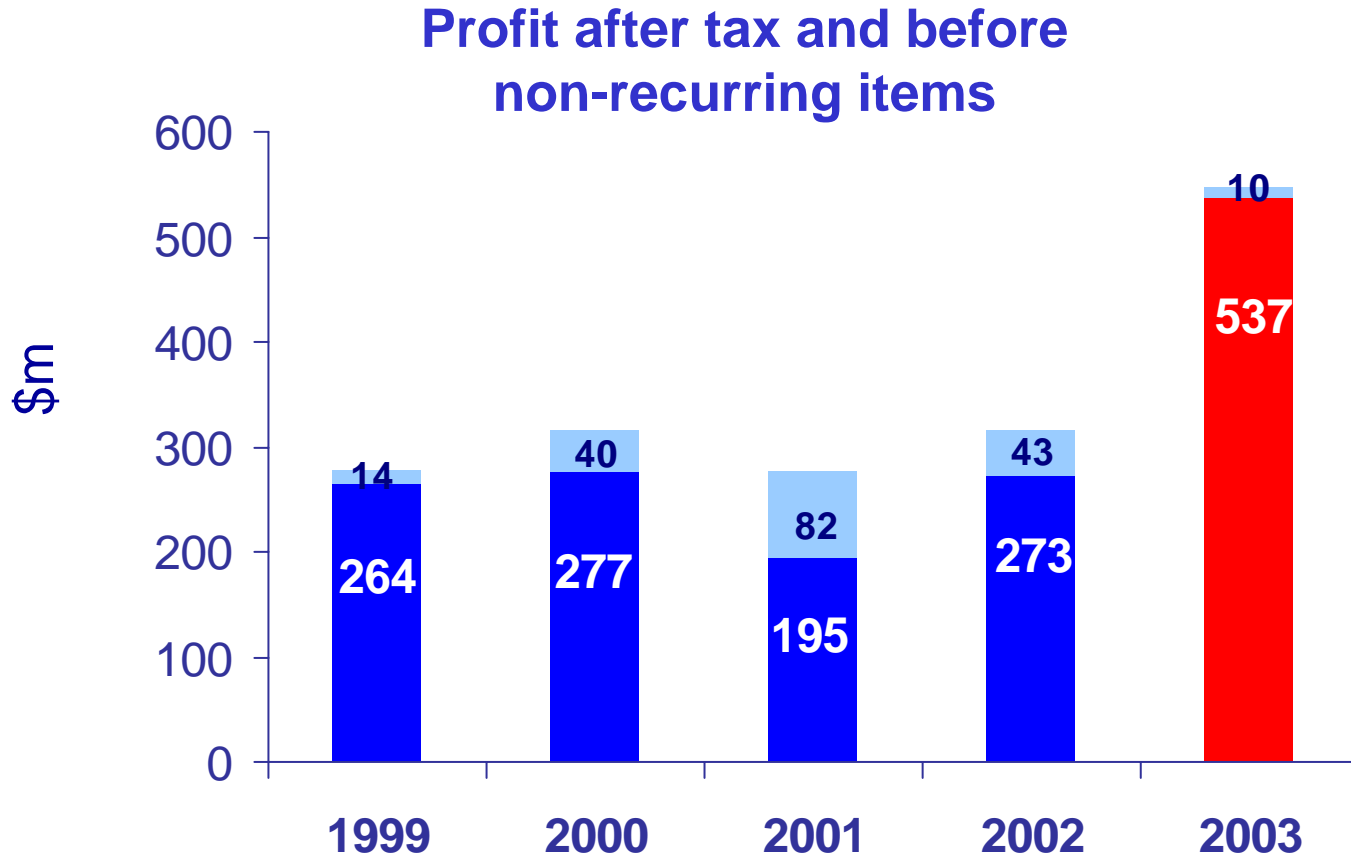
**Review of activities**





# AXA Asia Pacific Group

## Profit after tax before non-recurring items



- Health
- Excluding Health



# AXA Asia Pacific Group Operating Earnings



(1) excluding Health

(2) compound annual growth rate



# Australia and New Zealand K5 transformation programme

- The K5 transformation programme was launched to strengthen and reposition the Australian and New Zealand businesses
- At that time:
  - market share was low and declining in fast growing investment and superannuation markets
  - market leader in most risk segments, but income protection was unprofitable
  - management of aligned adviser channel with general agents
  - service and product offer was poorly perceived by non-aligned distribution channels; had low penetration
  - perception of our investment capability and performance was poor
  - high costs relative to competitors
  - mutual culture



# K5 transformation programme was launched in April 2000



## K5 was underpinned by seven strategic imperatives

- Grow our share of retail investments and superannuation
- Improve retention of funds under management
- Increase size and productivity of aligned advisers
- Increase penetration of non aligned advisers
- Return our income protection portfolio to profitability
- Improve operational efficiency and reduce expense ratios
- Improve our organisational capability through people

# Australia & New Zealand Operating Earnings



(1) Compound annual growth rate

(2) Operating Earnings in 1999 were prepared on a statutory reporting basis. Therefore no split between financial protection & wealth management is available

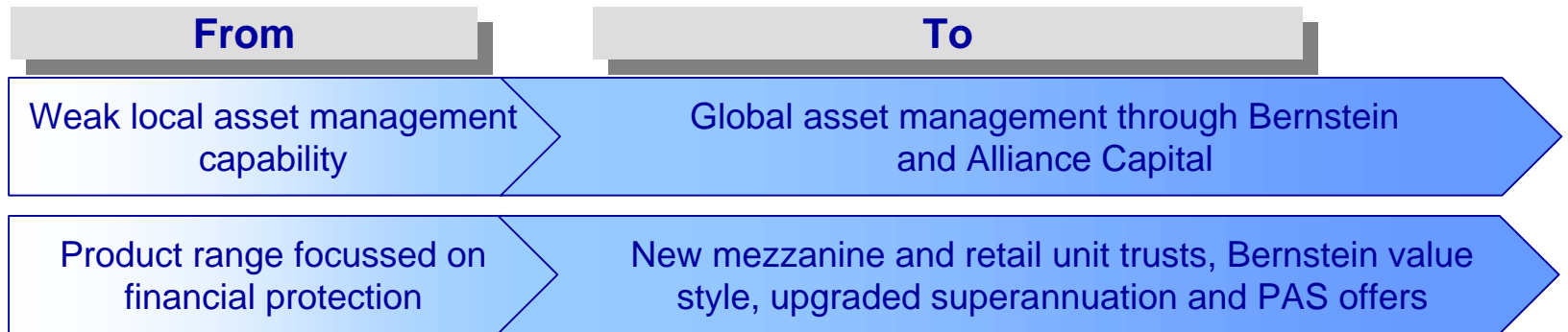
(3) Excludes Health



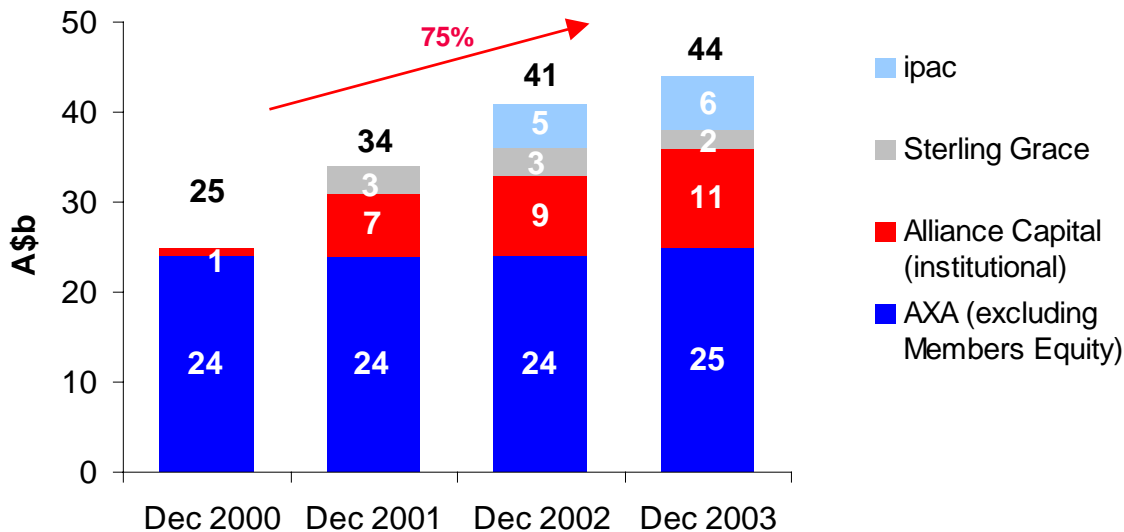
■ Financial protection  
■ Wealth management

# Australia and New Zealand

## Grow our share of retail investments and superannuation



Funds under management and administration



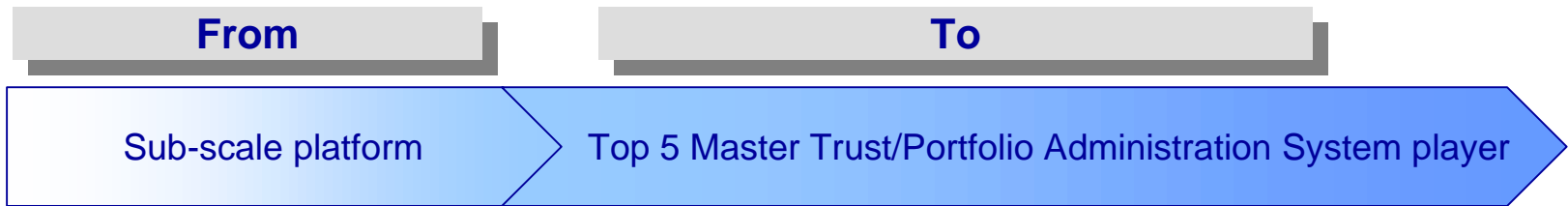
BERNSTEIN 

AllianceCapital 

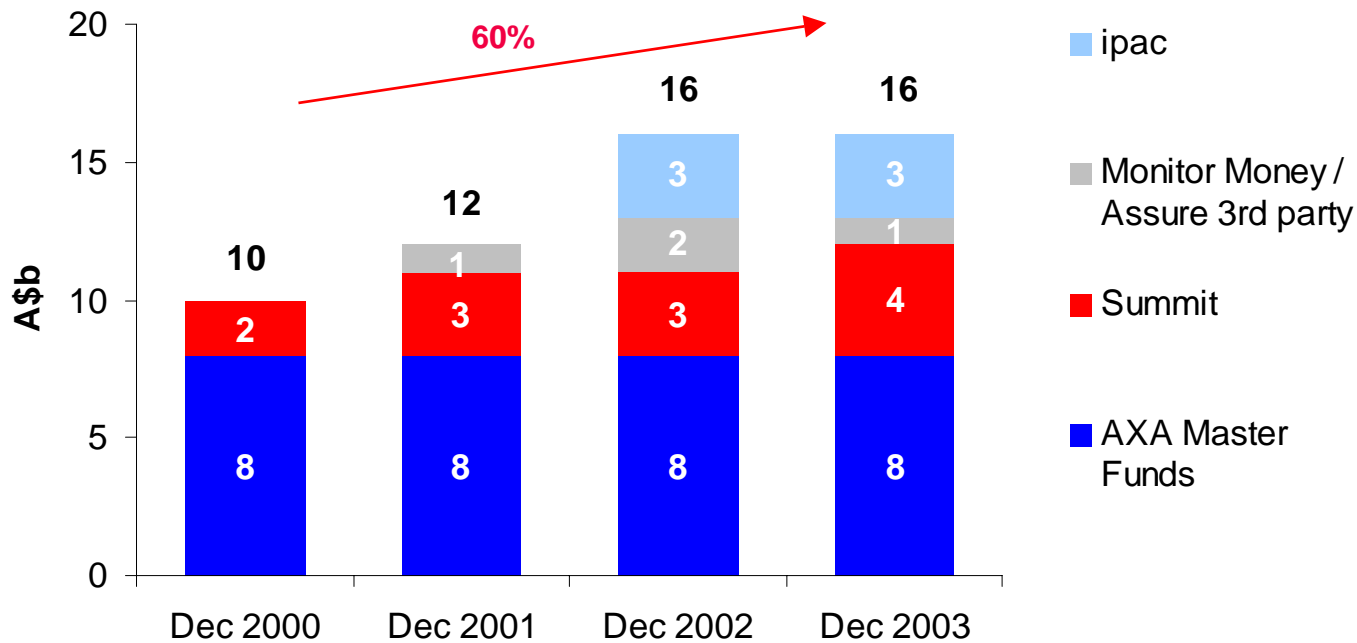


# Australia and New Zealand

## Grow our share of retail investments and superannuation



**Master trusts, platforms and wraps - Australia**  
Funds under administration

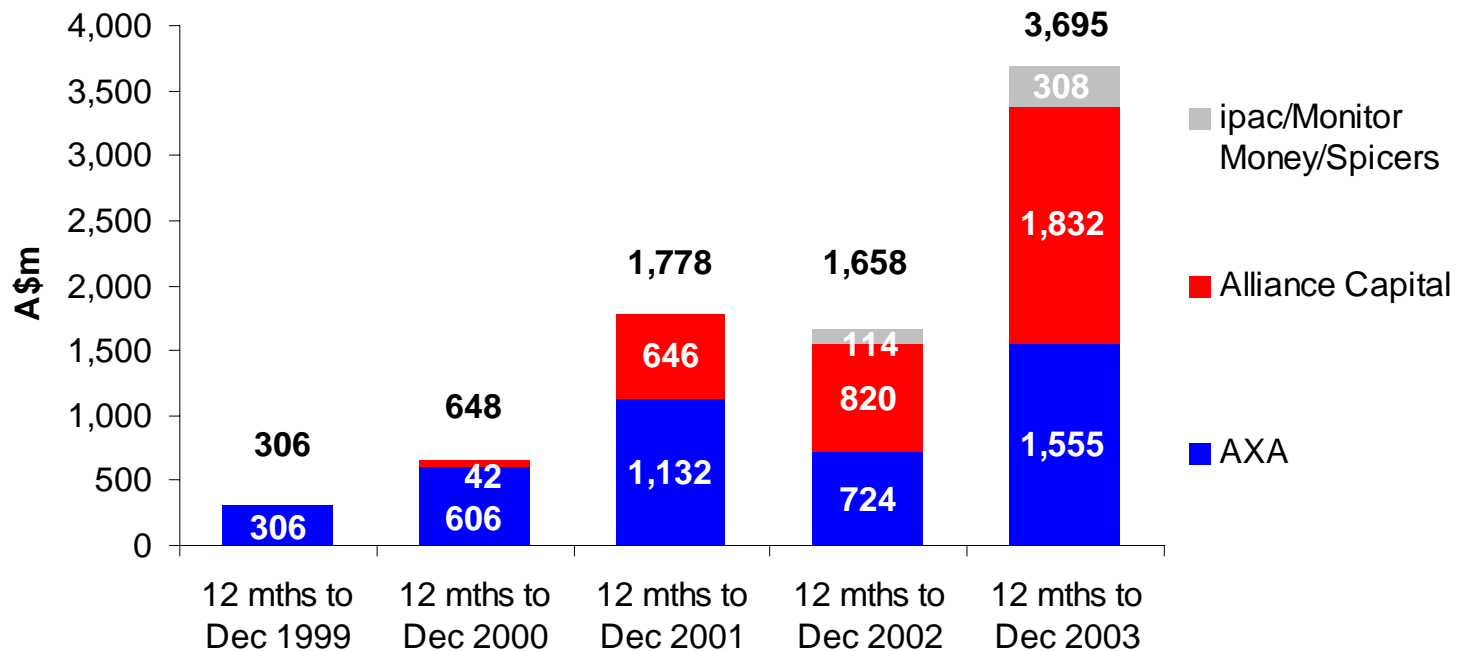


# Australia and New Zealand

## Grow our share of retail investments and superannuation



**Net retail funds flow (excluding Assure third parties\*)**



\* Net inflow of \$254m and outflow of \$277m in relation to terminated Assure third party contracts have been excluded from the 12 months ended 31 December 2002 and 2003 respectively

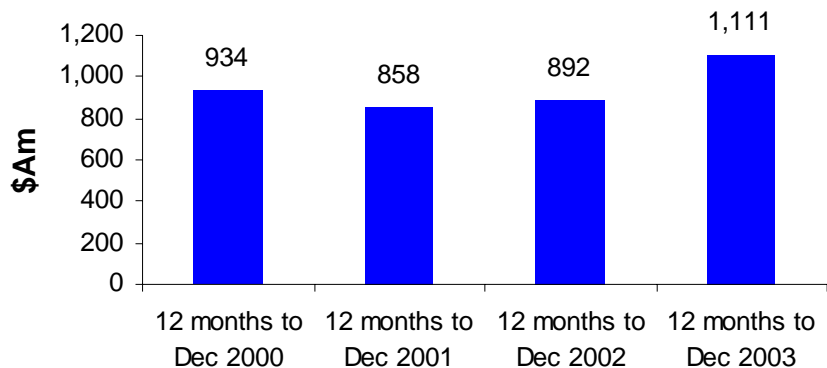


# Australia

## Growth in net retail funds flow

We have greatly improved our position in retail net funds flow

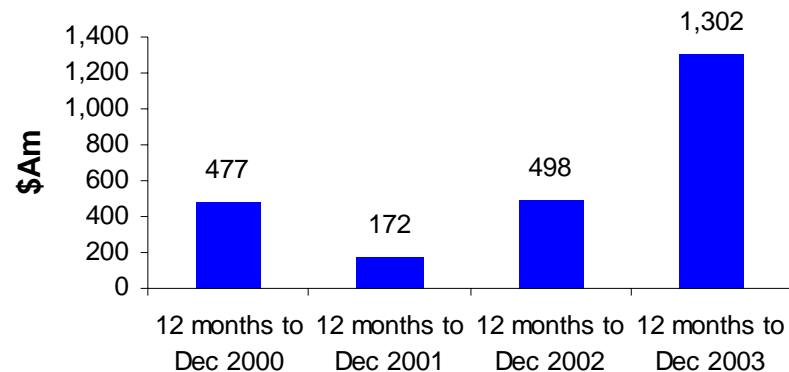
Plan for Life - AXA Australia net retail funds flow



Rank	9	10	7	3
Share of Market net flow	3.8%	3.4%	5.5%	14.9%

Plan for Life historical data has been adjusted to remove net fund flows associated pre-acquisition with ipac (pre 1 October 2002) and Monitor Money / Assure (pre 1 January 2002)

ASSIRT - AXA Australia net retail funds flow



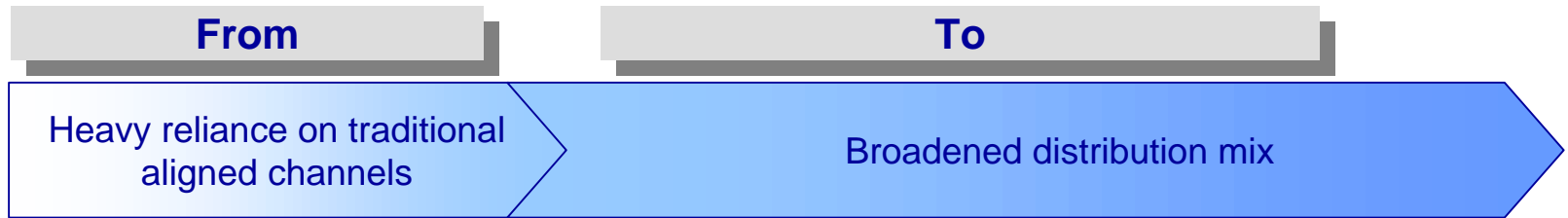
Rank	11	19	8	2
Share of Market net flow	2.6%	1.0%	4.5%	16.2%

ASSIRT data for 2000, 2001 and 2002 excludes Summit, Monitor Money and ipac retail

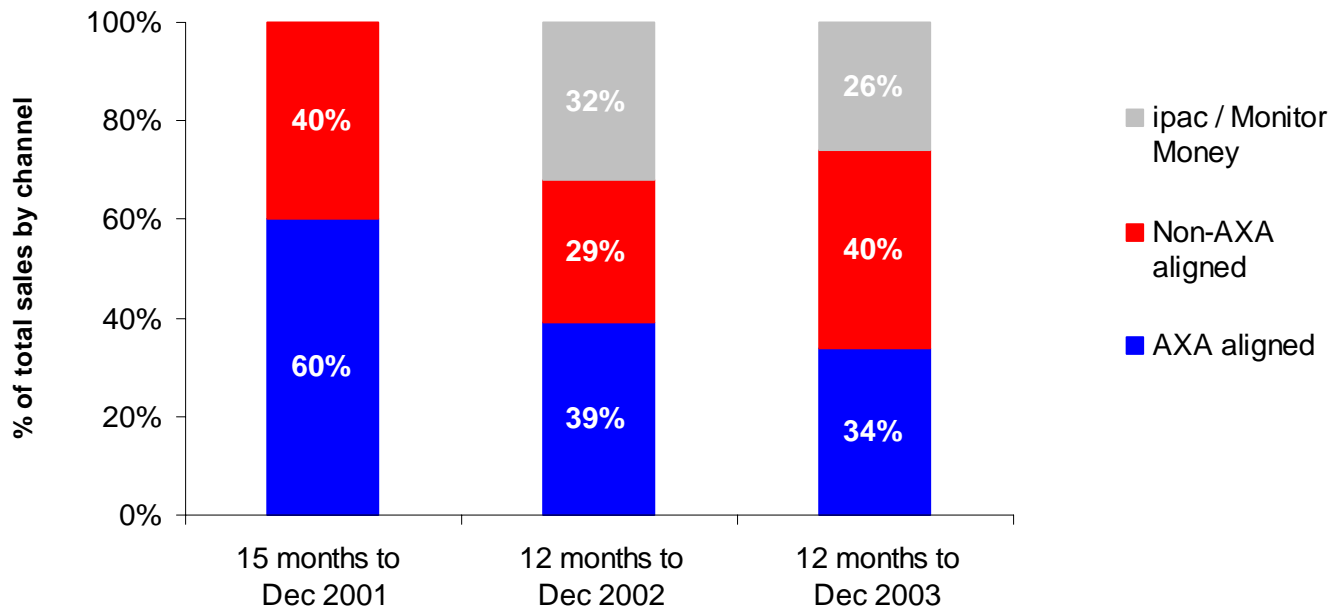


# Australia

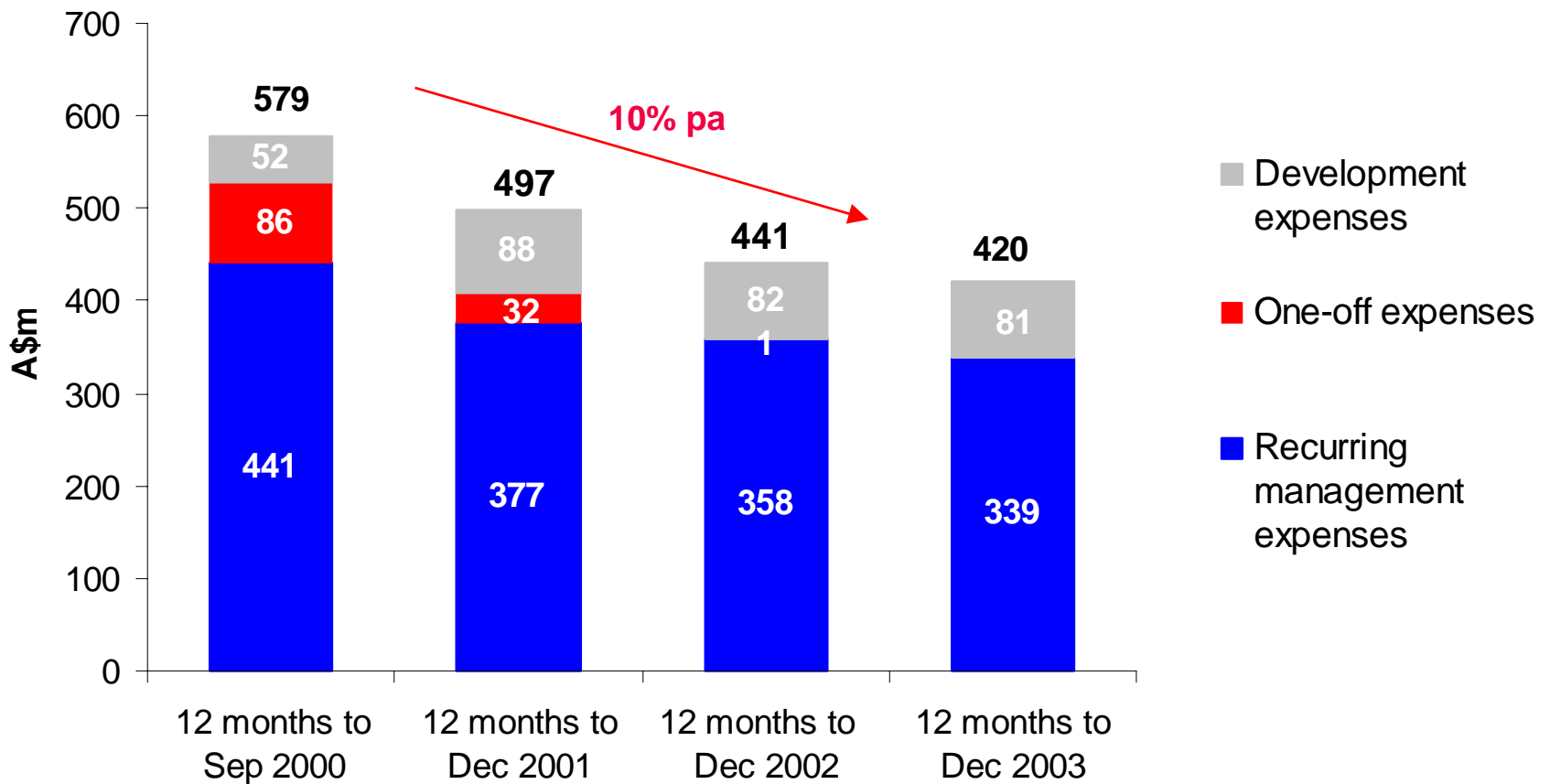
## Increase penetration of non-aligned advisers



Sales by channel (single premium wealth products)



# Australia and New Zealand Total management expenses

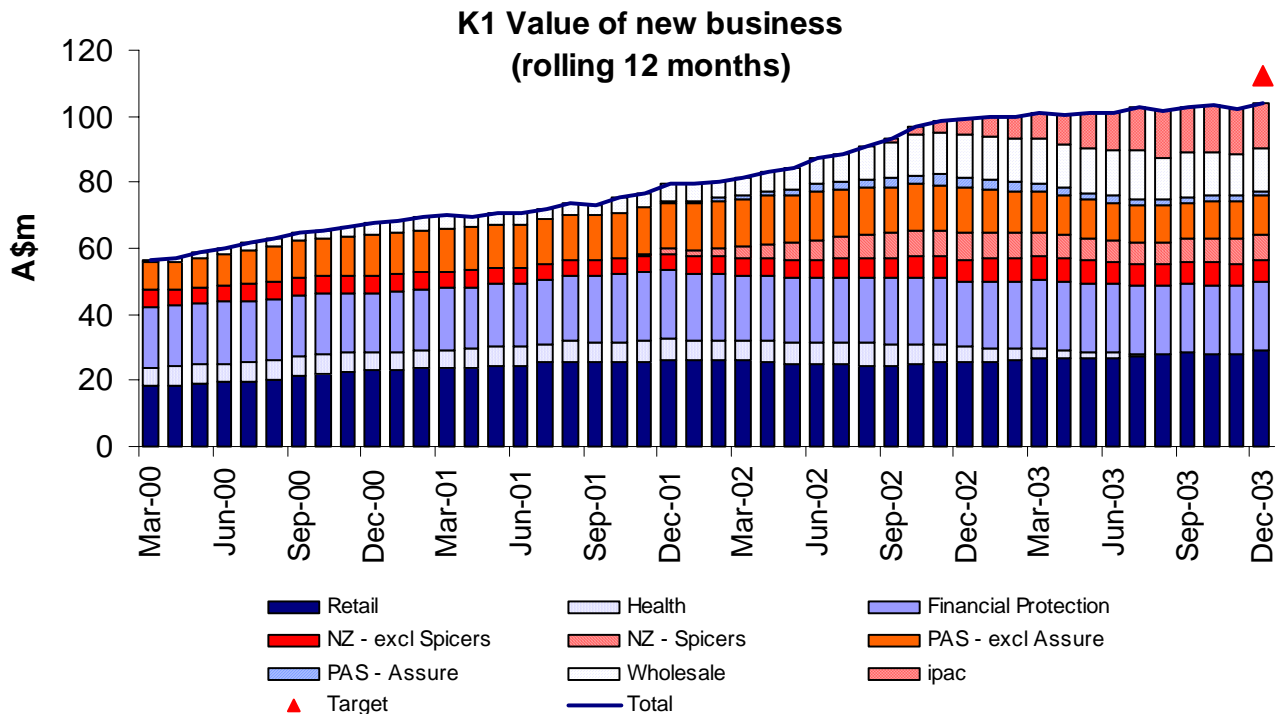


Total management expenses excluding commission and related expenses



# Australia and New Zealand Final K5 scorecard

## K1 - Double the value of new business



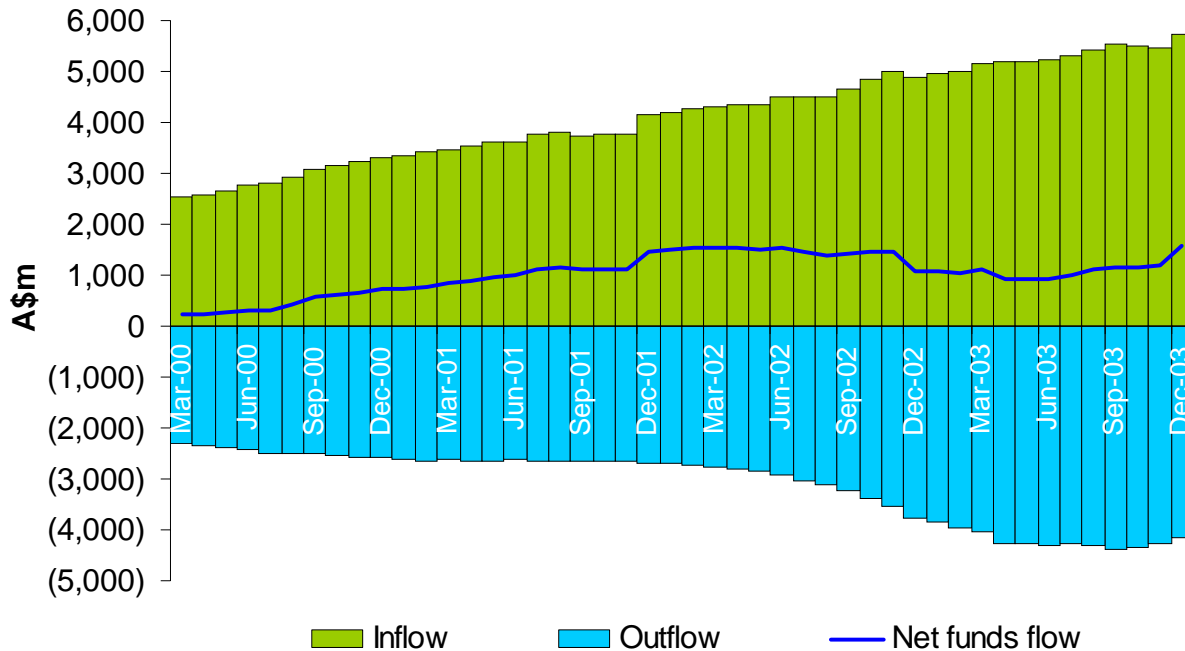
- Achieved 93% of target in difficult market environment



# Australia and New Zealand Final K5 scorecard

## K2 - Top 5 in net retail funds inflow

K2 Annual net retail funds flow - Australia / NZ  
(rolling 12 months)



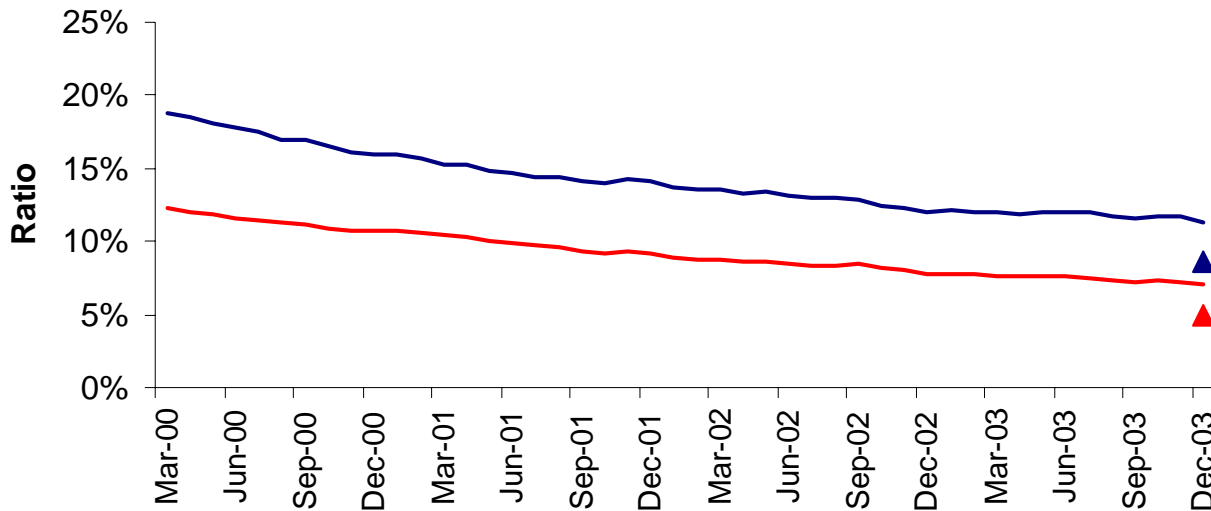
- Top 3 in net retail funds flows (ASSIRT 12 months to 31 Dec 2003)
- Top 3 in net retail funds flows (Plan For Life 12 months to 31 Dec 2003)



# Australia and New Zealand Final K5 scorecard

## K3 - Reduce our management expense ratio by 50%

K3 Management expense ratio - incl Sterling Grace, ipac & Health  
(rolling 12 months)



— Expense ratio incl commission      ▲ Target - incl commission  
— Expense ratio excl commission      ▲ Target - excl commission

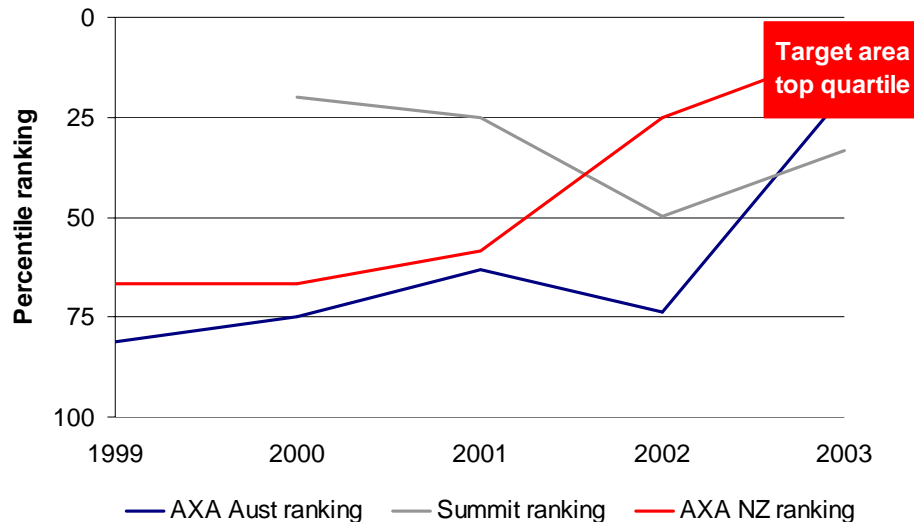
- Reduced management expense ratio by 40%
- Absolute cost reduction target exceeded



# Australia and New Zealand Final K5 scorecard

## K4 - Top quartile service ranking

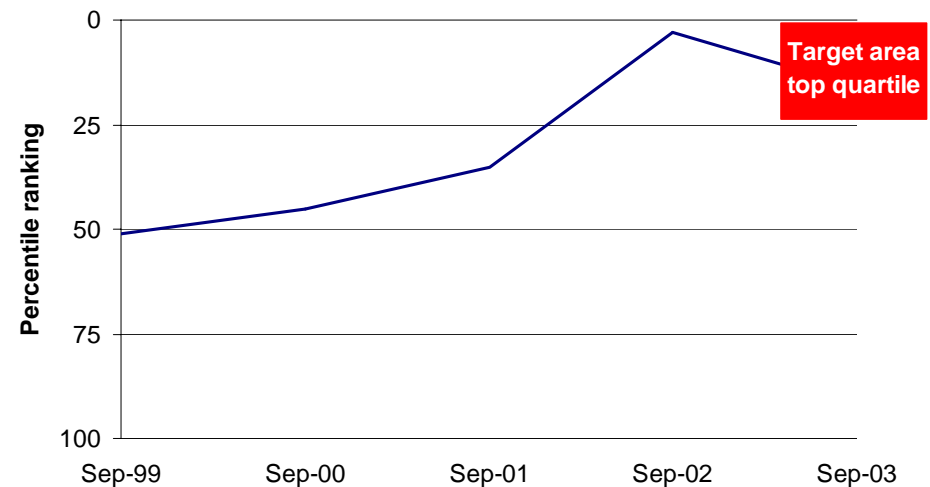
K4 ASSIRT fund managers (Aust) / ASSIRT master trusts (Aust) / AC Nielsen (NZ) adviser service ranking



- AXA Australia ranked 5th out of 26 in 2003 (Assirt survey)
- AXA New Zealand ranked 1st among all providers in 2003 (AC Neilson survey)

## K5 - Top quartile AXA SCOPE survey ranking

K5 SCOPE survey overall ranking - Aust/NZ



- Achieved 16th percentile in 2003



# Australia and New Zealand

## The outlook

- Our vision is to be a leader in wealth management and financial protection - both strong growth segments
- Our vision and strategy are right and do not need changing
- We have established a platform for growth through the K5 programme
- Our strategy is based on three key points of sustainable competitive differentiation
  - global scale
  - execution capabilities and delivery
  - focus of our business on quality advice
- We are committed to moving from player to leader



# Australia and New Zealand Going forward

New aspirational performance goals - raising the bar

By December 2007 we aim to:

- **AXA 1** - Double the value of new business
- **AXA 2** - Be consistently in the top 5 in net retail funds inflow
- **AXA 3** - Double our funds under advice
- **AXA 4** - Reduce the cost to income ratio by one third
- **AXA 5** - Be consistently in the top 5 in service to advisers
- **AXA 6** - Remain in the top quartile in the AXA Group Scope Survey

Overarching objective - increase enterprise value<sup>(1)</sup> by 65%

(1) Enterprise value is an assessment of long term Group shareholder value. Enterprise value = net assets + the present value of future shareholder profits from both our existing business + new business



# Hong Kong M6 transformation programme

By end 2004 our aspiration is to achieve

M1	M2	M3	M4	M5	M6
Value of business	Premium income	Assets under mgt	Provider of choice	Employee satisfaction	Value of sales
Enterprise value HK\$23b (before dividends)	Gross premium income HK\$10b	Assets under management HK\$42b	#1 brand choice	>30 Scope	Value of new business HK\$753m

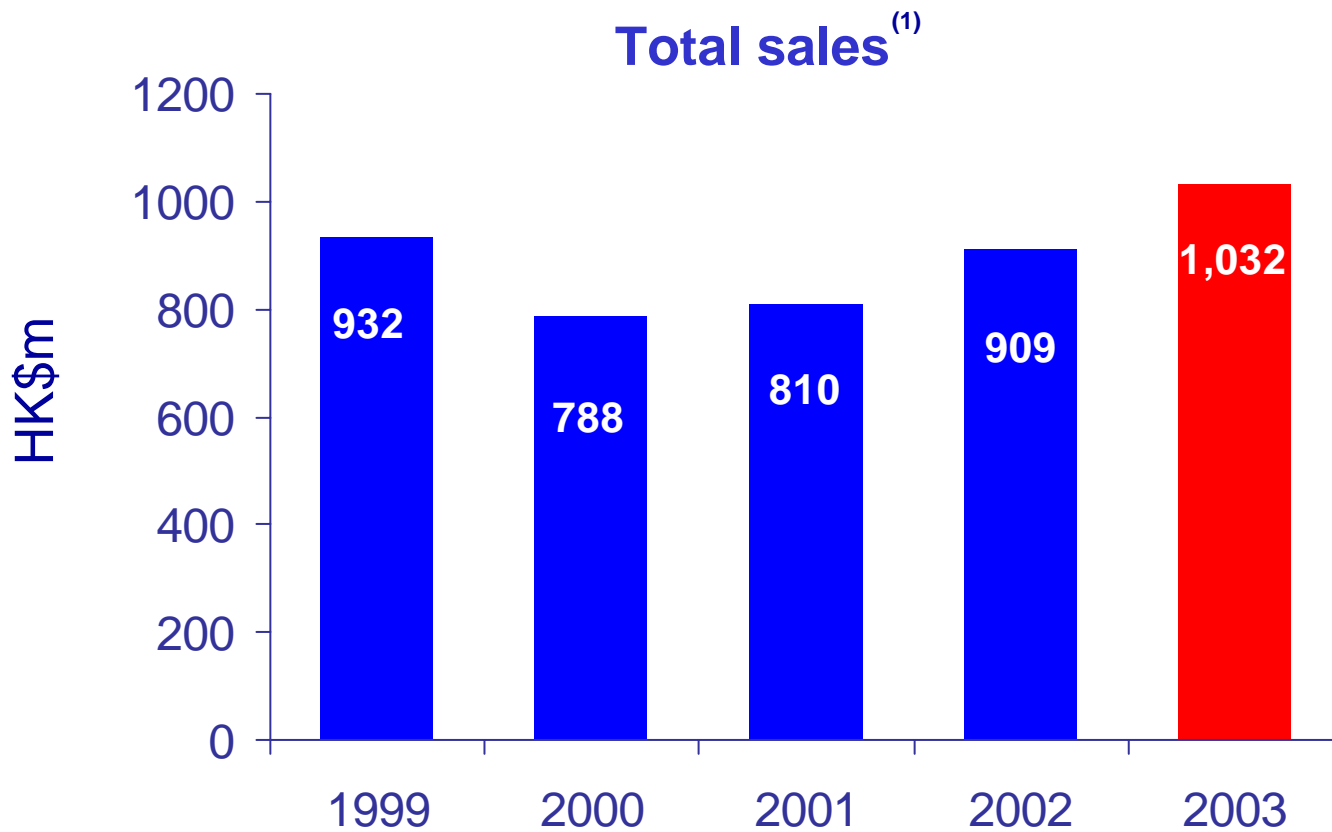
## M6 is underpinned by eight strategic imperatives

- Increase the number and productivity of agents
- Build profitable new distribution channels
- Build AXA as preferred brand of choice
- Deliver investment margins on par business
- Bring persistency back to target levels
- Improve organisational capability through our people
- Deliver operational excellence
- Prepare for growth of savings and investment market

# Hong Kong Operating Earnings



# Hong Kong New business



(1) Regular premium + 10% single premium



# Hong Kong Hong Kong agency Blueprint

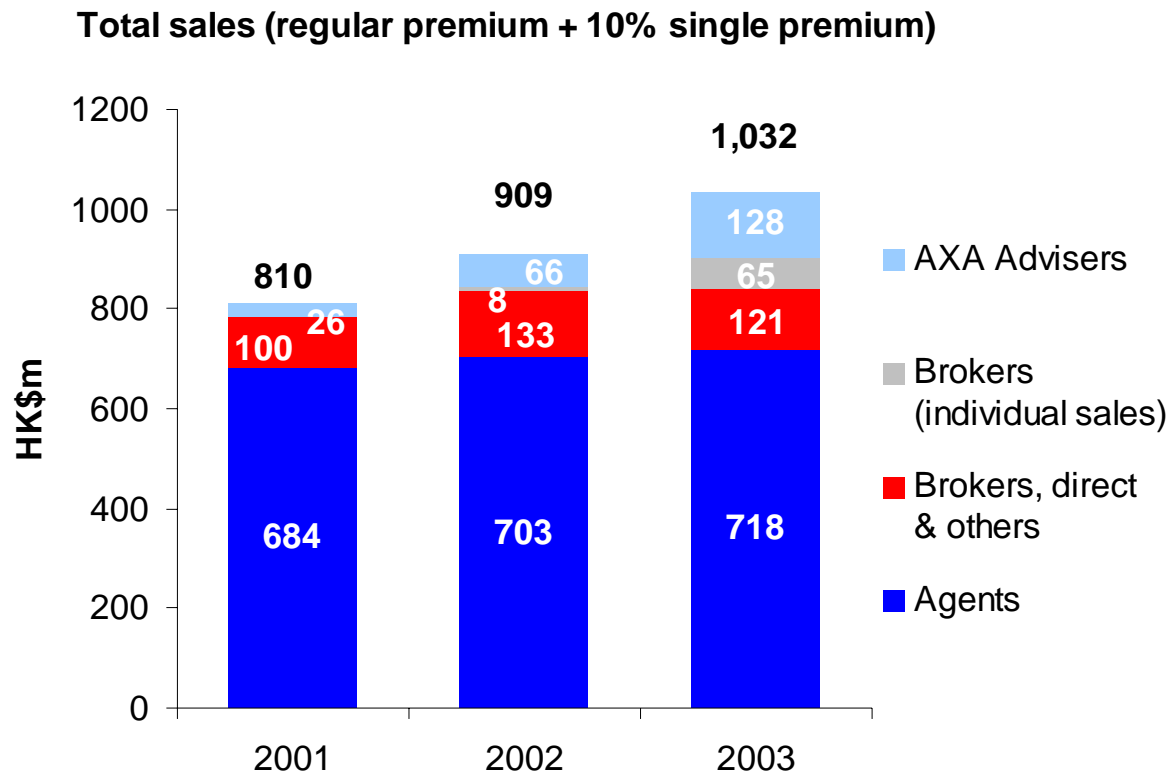
- Developed during 2003, launched in January 2004
- Best practice platform leveraging AXA's experience in Asia, Australia and globally
- Fundamental change from “franchise” to “career agency”
- Pay & practices fully aligned to strategic growth and value goals
- Enhanced technology support, including market leading ‘point of sales’ tool
- Training, support and incentives to recruit and retain quality agents
- Positively received and supported by agency leaders
- Implemented in China with strong results in second half of 2003
- Plan to roll out to Thailand, Philippines and Indonesia in 2004



# Hong Kong

## Build profitable new distribution channels

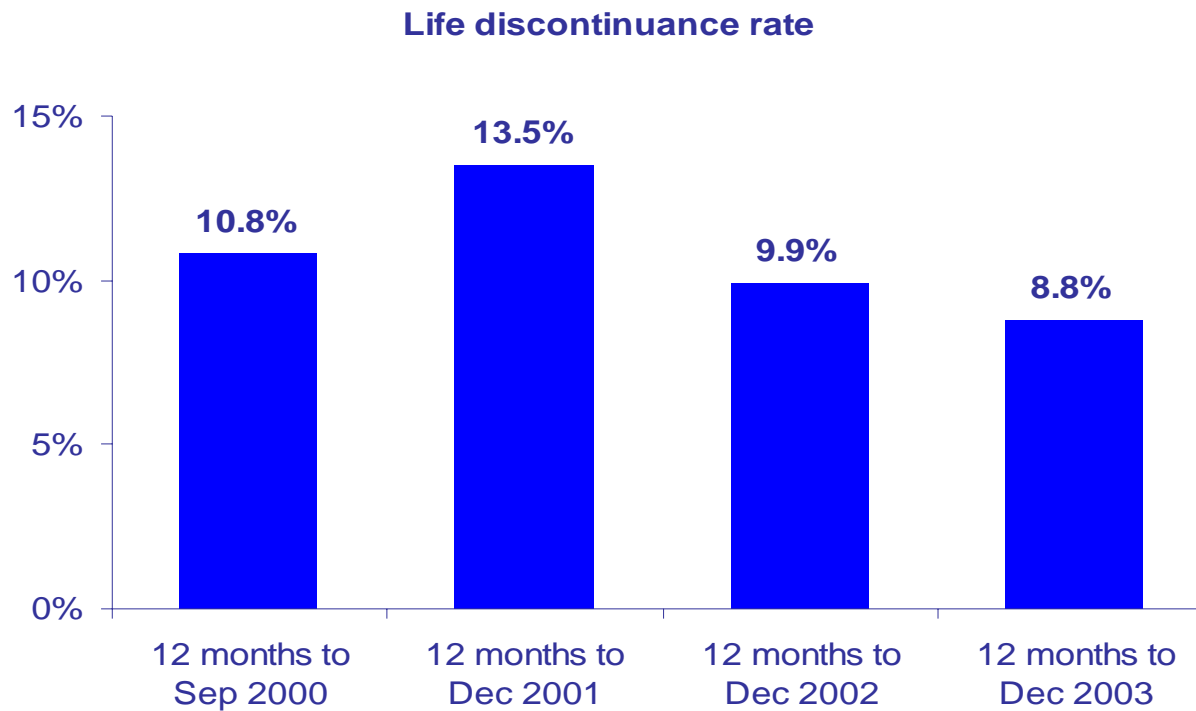
- Salaried advisers (AXA Advisers) accounted for 12% of total sales, and non-agent channels accounted for 18%



# Hong Kong

## Bring persistency back to target levels

Aggregate discontinuance improved to 8.8%



# Hong Kong

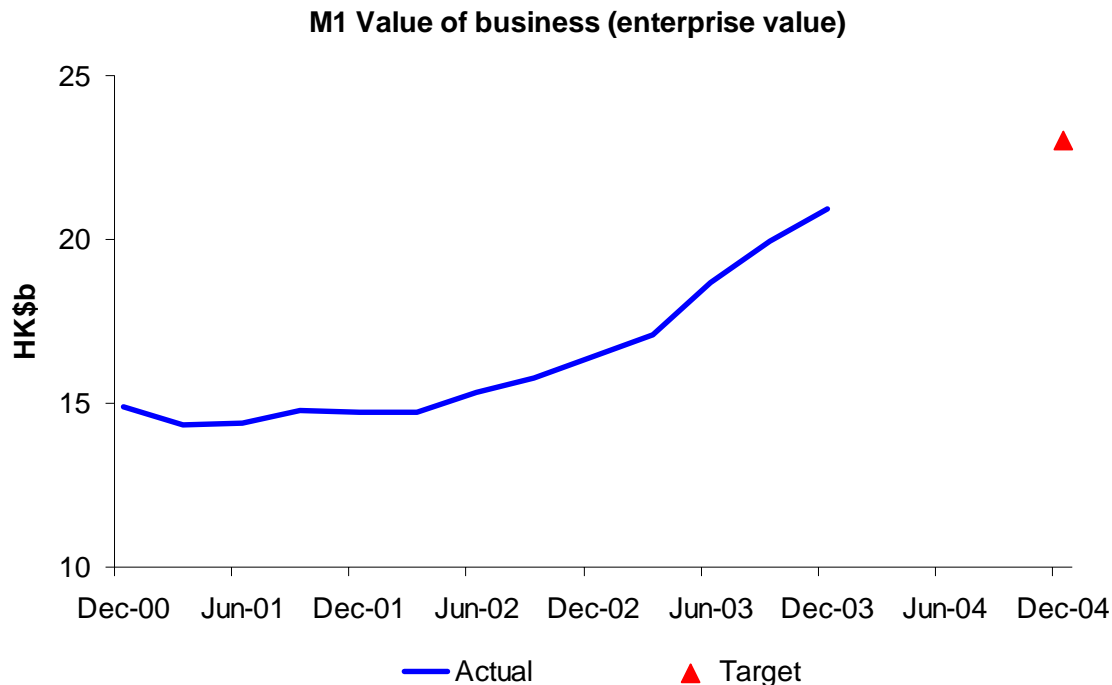
## Prepare for growth of savings and investment market

- Individual unit linked retirement savings plan launched in April 2003
  - achieved HK\$30m of sales
- 28% of individual life sales were unit linked
- MPF:
  - 5% share of the MPF market with HK\$3.1b funds under management
  - MPF market forecast to grow from HK\$60b to \$500b by 2015
  - strong customer service capability, investment performance strong with 3 of 4 industry comparable funds in top quartile in 2003
- ipac Hong Kong financial advisory business launched



# Hong Kong Progress against M6 goals

## M1 - Enterprise value of HK\$23 billion

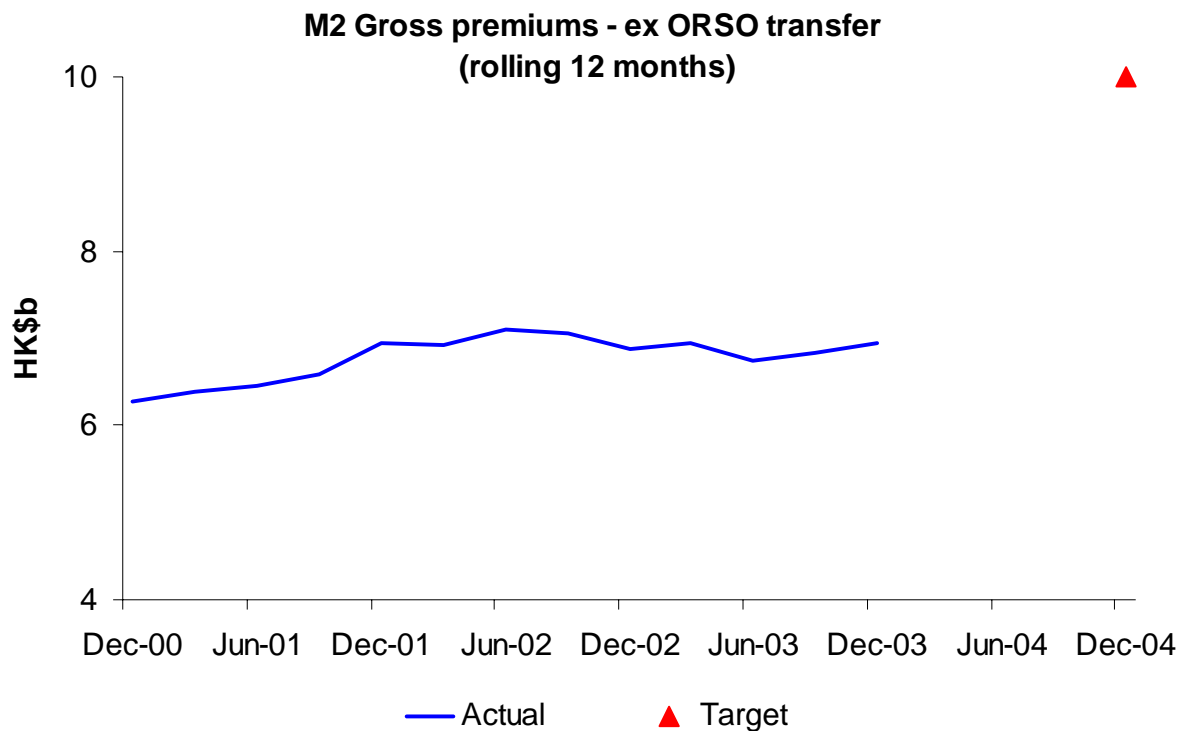


- 33% increase in value of new business
- Persistency continues to improve
- Earned well in excess of 1% spread in 2003
- Already low expense ratios continue to be reduced



# Hong Kong Progress against M6 goals

## M2 - Gross premiums of HK\$10 billion



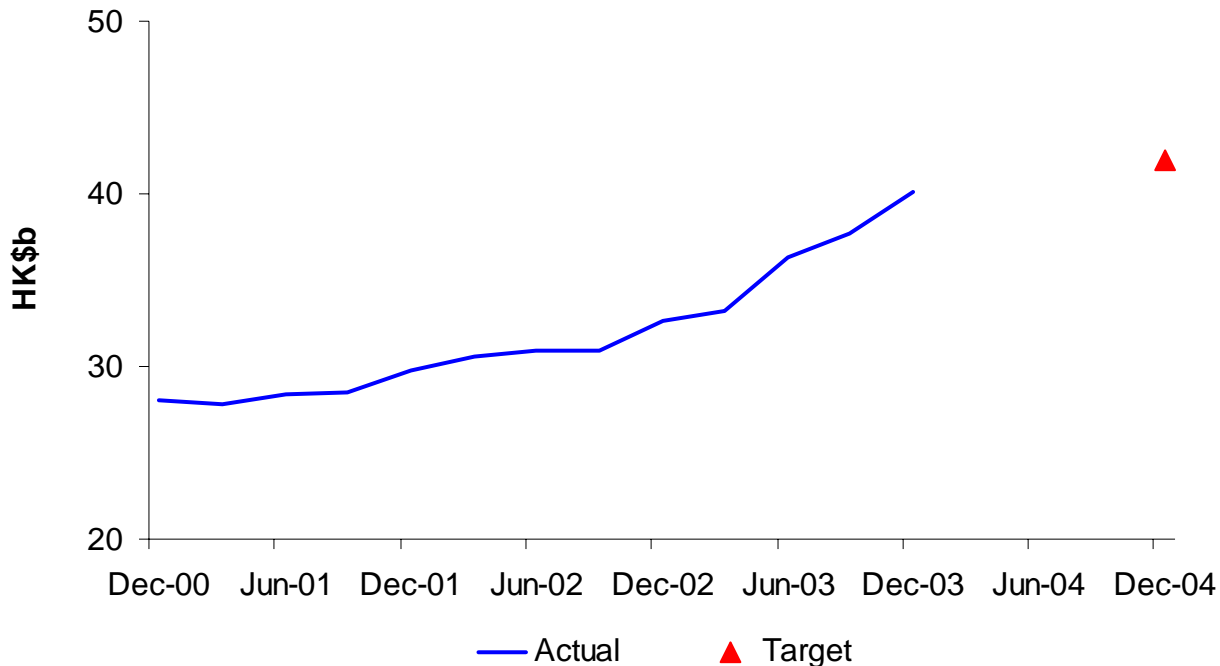
- Gross premiums below target reflecting lower than planned single premium sales
- Partially offset by growth in individual sales following new product development and diversification of distribution channels
- Increase focus on retirement and single premium sales in 2004



# Hong Kong Progress against M6 goals

## M3 - Total assets under management of HK\$42 billion

M3 Total assets under management (incl. linked)



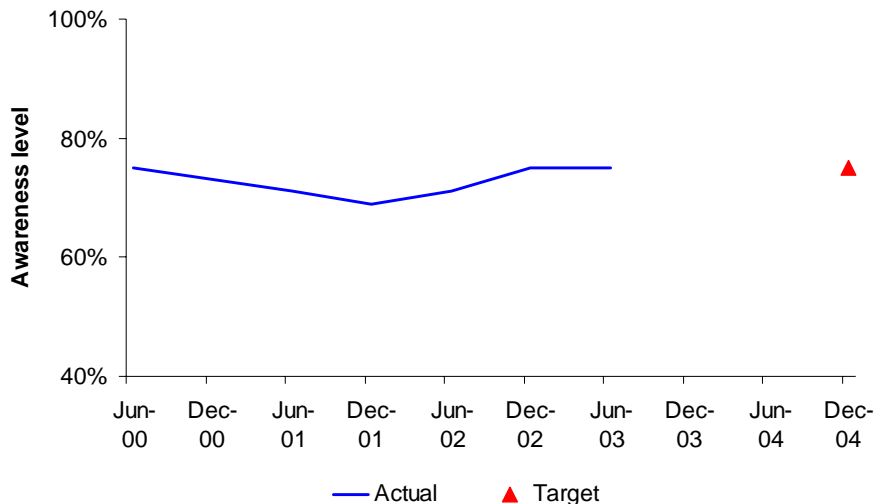
- Well on track to achieve goal, despite difficult investment markets in 2001 and 2002
- Strong recovery in equity markets in second half 2003
- Growth driven by strong net funds flows of HK\$3.7b in 2003, and improved investment markets



# Hong Kong Progress against M6 goals

## M4 - Provider of choice (brand awareness)

M4 Provider of choice - AXA (Kwok Wei) brand awareness

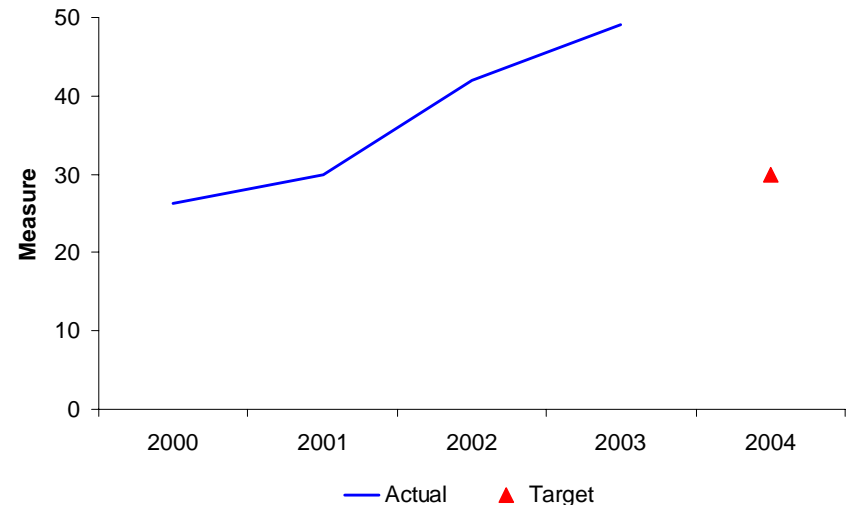


- Brand strength remains very high on all measures
- Surveys show 100% brand recall and 75% unaided brand awareness
- High brand awareness supported by long presence in HK, strong distribution force and press coverage



## M5 - Employee satisfaction (>30 SCOPE)

M5 Employee satisfaction (SCOPE survey result)

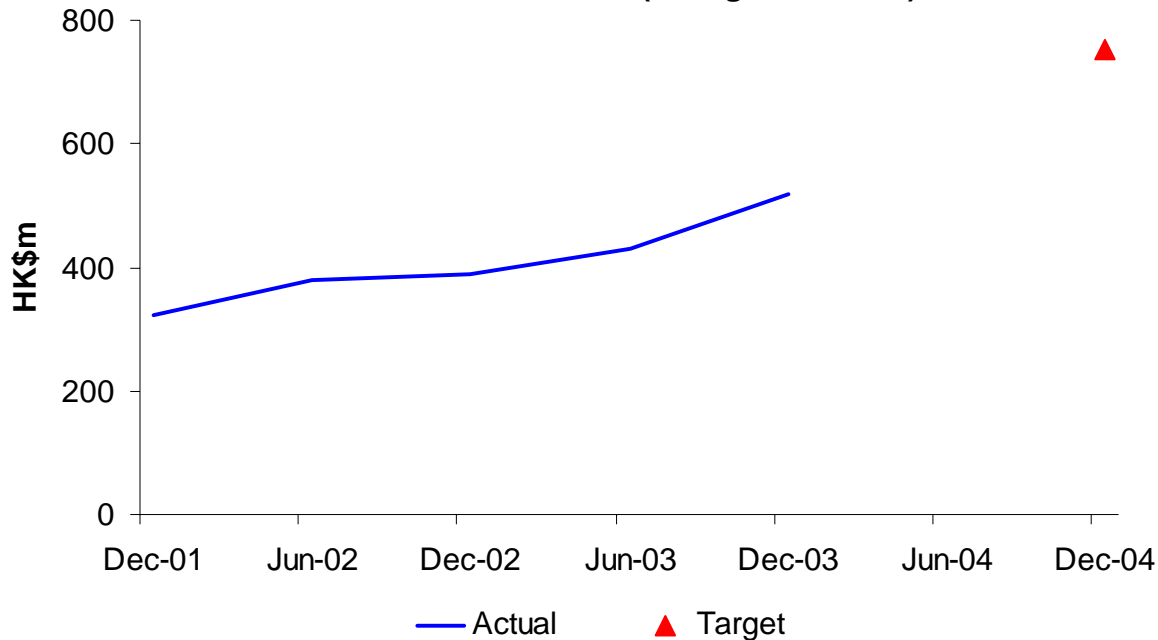


- Overall SCOPE score of 49, compared to target of 30
- Top quartile
- Particularly pleasing given headcount reductions and change management processes implemented

# Hong Kong Progress against M6 goals

## M6 - Value of new business of \$753 million

M6 Value of new business (rolling 12 months)



Excludes MPF one-off impact of HK\$57m in 2001, and includes value of indexation

- Increase in value of new business due to ongoing focus on product profitability, tactical repricing and close management of sales mix
- Value of new business up 33% (26% on a like-for-like economic basis)



# Hong Kong

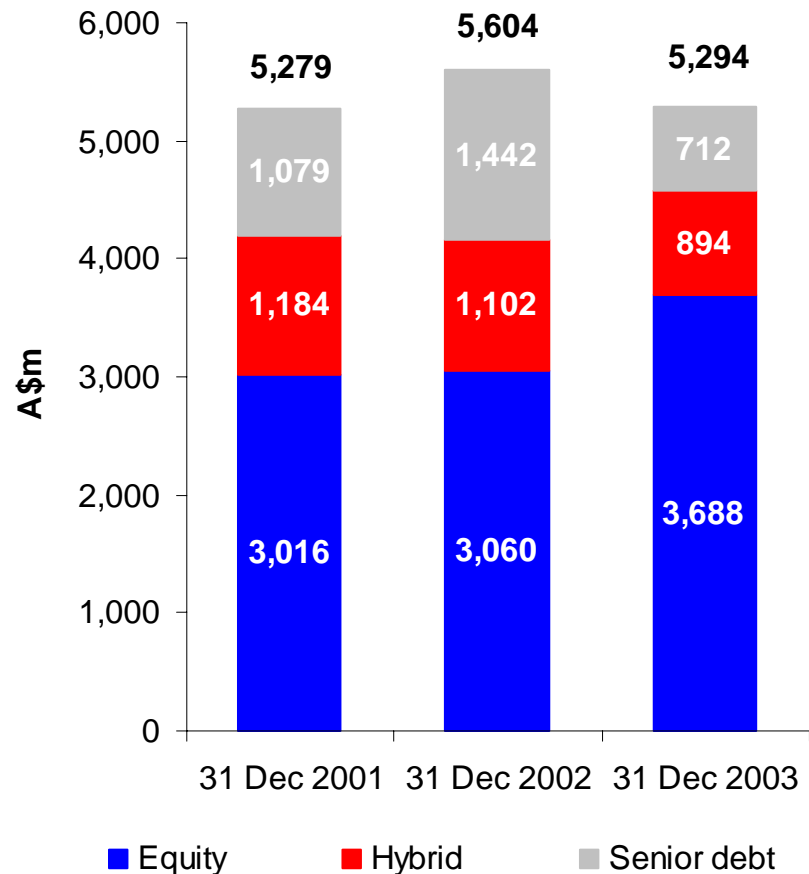
## The outlook

- Hong Kong is a very attractive market for profitable growth
- AXA is well positioned, with our multi-channel, multi-product approach
- Operating results are strong, with good performance in all key value drivers
  - New business and market share
  - Value of new business
  - Target 1% shareholder spread achieved
  - Management expenses
  - Discontinuance rates
- Good progress and on track to deliver most of the M6 aspirational targets



# AXA Asia Pacific Group

## Capital structure



Gearing ratios	31 Dec 2003	31 Dec 2002	31 Dec 2001
Debt/capital resources	13%	26%	20%
(Debt+hybrid)/capital resources	30%	45%	43%
Debt/(equity+hybrid)	16%	35%	26%
(Debt+hybrid)/equity	44%	83%	75%

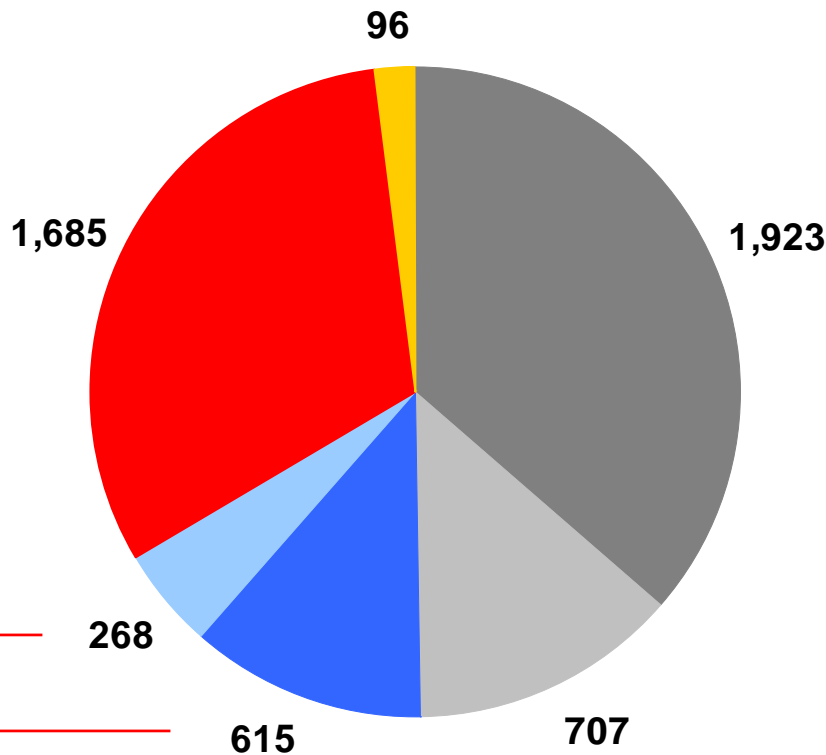
**Financial strength rating** **AA-/AA**

(rating by S&P / Fitch)



# AXA Asia Pacific Group Capital usage at 31 December 2003

Total capital \$5,294 million



- Solvency reserve
- Capital adequacy reserve
- Target surplus over regulatory capital requirement
- Capital above target surplus
- Excess of market value over net assets
- Provision for 2004 final dividend

Total regulatory capital \$2,630m

\$883m capital above regulatory requirements



# AXA Asia Pacific Group Share price performance

	12 months ending 8 April 2004	4 years ending 8 April 2004
<b>AXA APH</b>	<b>+61.0%</b>	<b>+32.5%</b>
S&P/ASX 200 Insurers	+32.9%	-12.6%
All Ordinaries	+21.5%	+8.6%
S&P/ASX 100	+19.1%	+9.7%

AXA APH share price has outperformed peers in the insurance market over the last four years



# AXA Asia Pacific Holdings

## 8 reasons to be positive about AXA APH...

- We operate in growth markets/ geographies
- Our strategy is clear in
  - Australia and New Zealand
  - Hong Kong
  - China
  - South East Asia
- We are focused on our core business
  - wealth management
  - financial protection
- We are focused on shareholder value



# AXA Asia Pacific Holdings

## .....8 reasons to be positive about AXA APH

- We have set out very clear objectives
  - over the last 3½ years
  - over the next 3½ years
- We have (in the main) delivered what we said we would
- We have strong management teams and execution capability
- We have no intention of standing still



# Disclaimer

The material in this presentation is a summary and update on Group activities and is current at the date of preparation, 29 March 2004. Further details are provided in the Company's full year accounts, Investor Compendium and results announcement released on 24 February 2004, the Company's concise annual report and financial statements released on 12 March 2004 and strategy presentation material released on 29-30 March 2004. This presentation provides information in summary form and is not intended to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. Further information including historical results and a description of the activities of the Group is available on our website, [www.axa-asiapacific.com.au](http://www.axa-asiapacific.com.au).





# **AXA Asia Pacific Holdings Limited Annual General Meeting**

**14 April 2004**

