



## **Deutsche Australian Equities Conference**

**Les Owen**

**Group Chief Executive**

**AXA Asia Pacific Holdings Limited**

**London, 7 July 2003**

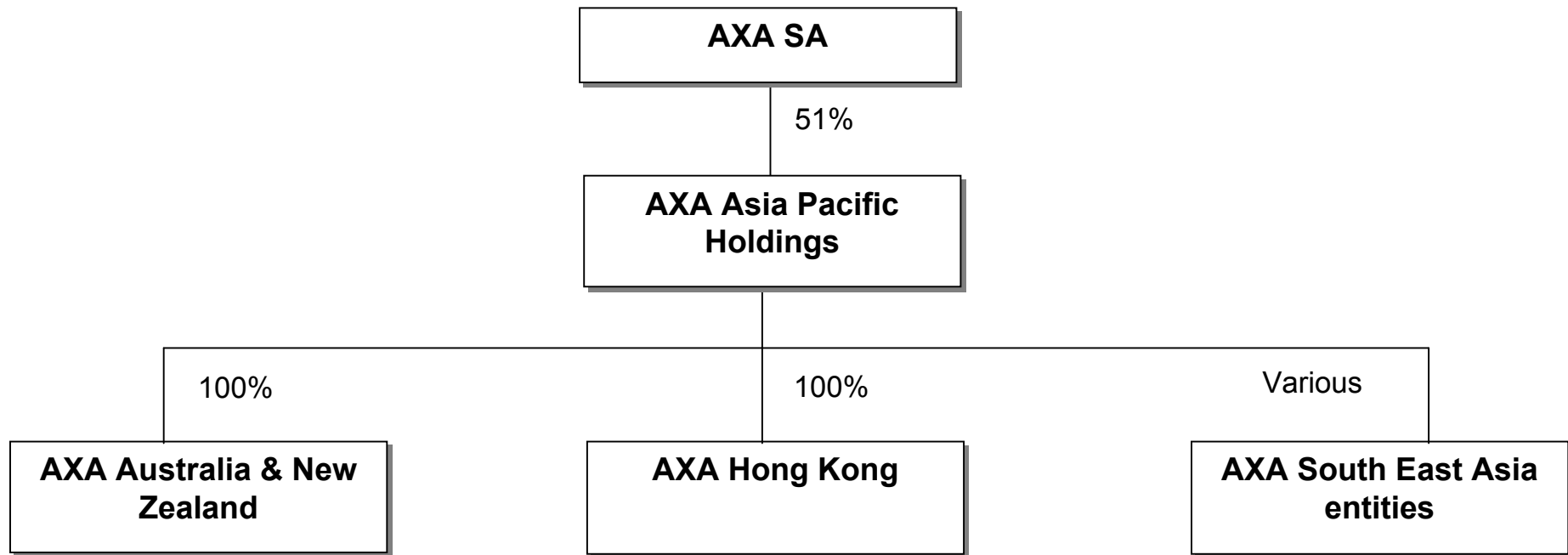


# Agenda

- Overview of AXA Asia Pacific
- Australia & New Zealand
- Hong Kong
- Group financial performance
  - profit summary
  - capital management
  - value



# Part of the Global AXA Group



## AXA APH's focus is on:

- *Wealth management* - financial advice, funds management and administration, superannuation, retirement and savings products
- *Financial protection* - life insurance, income protection and long term risk products





We have a clear vision

*To be a global leader in financial  
protection and  
wealth management*

**AXA**





# AXA Asia Pacific

31 December 2002  
A\$

Premiums: \$19M  
Agents: 1,236

Premiums: \$1,507M  
FUM: \$7.5B  
Agents: 2,351

Premiums: \$32M  
Agents: 3,659  
JV with Krungthai Bank

Shanghai

HK

Premiums: \$93M  
Agents: 1,715  
JV with Metrobank

Premiums: \$222M  
Agents: 359

Thailand

Philippines

Premiums: \$34M  
Agents: 1,697  
JV with Bank Mandiri

Singapore

Indonesia

Australia & New Zealand  
Premiums: \$631M  
Net Retail Funds Flow: \$1.9B  
Funds under management/  
administration/advice: \$44.3B  
Advisers: 1,586

Australia

New Zealand

• Profit after tax before non-recurring items	\$316M (+14%)
• Operating earnings (excl Health)	\$279M (+9%)
• Investment earnings	\$111M (+88%)
• Group funds under management & administration	\$48.5B (+16%)
• Market capitalisation	\$4.2B

# Our target markets have attractive long term fundamentals

China's affluent population (US\$50K+ liquid assets) increased by over 1M individuals from 1997 to 2001 and is forecast to reach 10.9M by end 2007

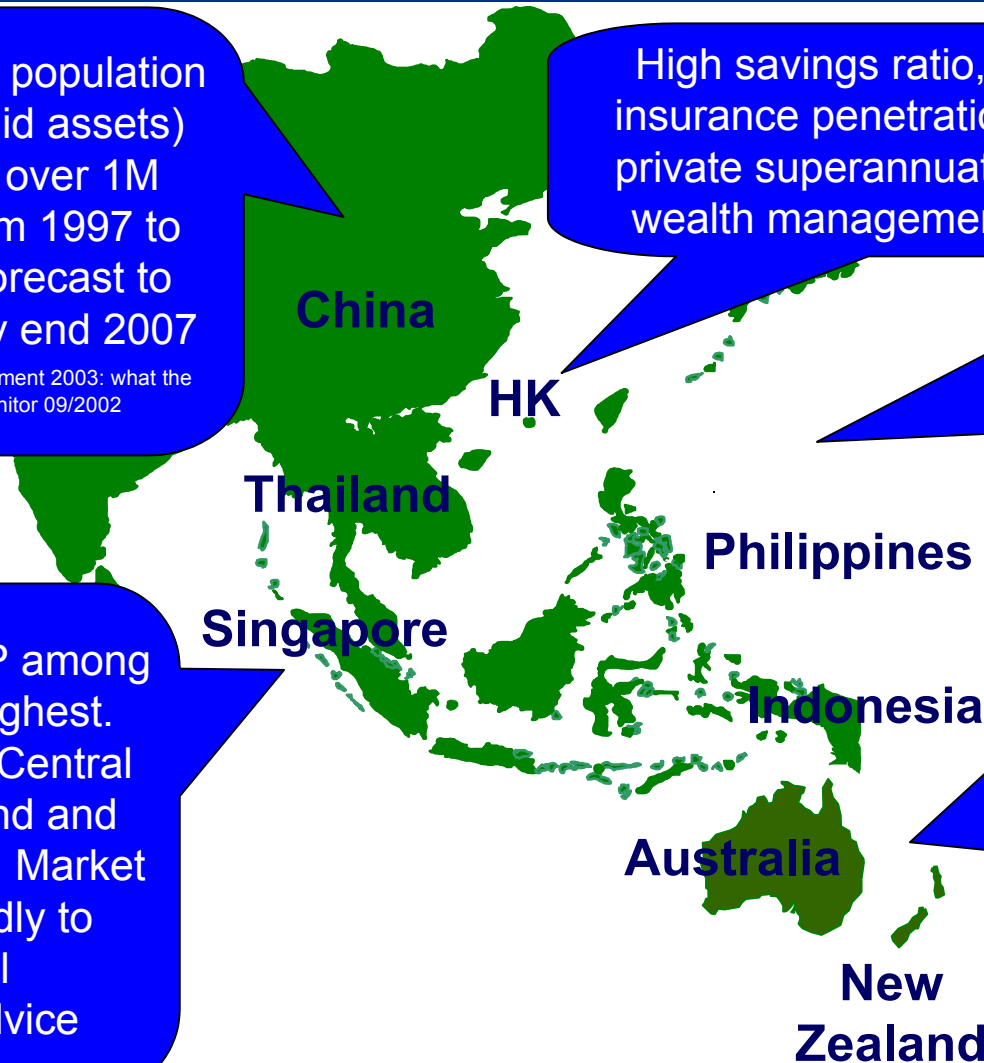
"Asia-Pacific Wealth Management 2003: what the future holds", Datamonitor 09/2002

High savings ratio, relatively low insurance penetration, mandatory private superannuation, emerging wealth management and advice

Thailand, Philippines and Indonesia - markets moving from infancy to growth phase in next ten years. Strong growth and profit potential

Per capita GDP among the world's highest. US\$100B+ in Central Provident Fund and cash deposits. Market moving rapidly to financial planning/advice

Highly developed and sophisticated market, top 10 in private superannuation by 2007, ageing population





## Australia & New Zealand





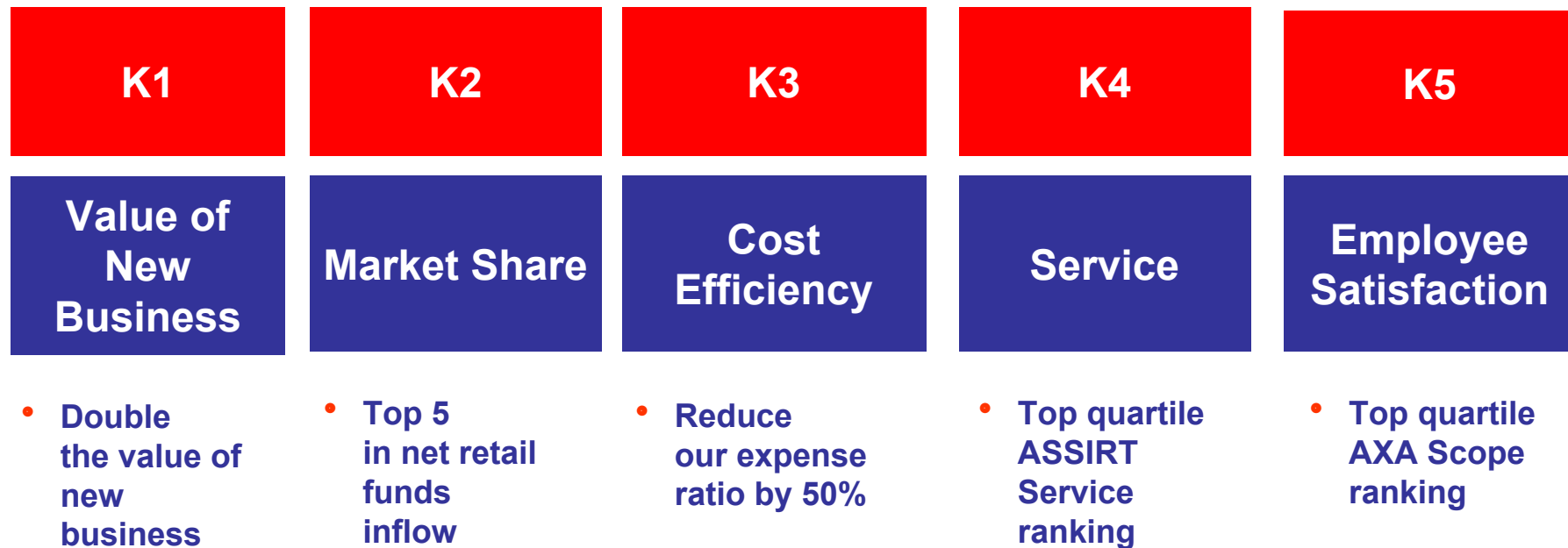
## Australia & New Zealand - position in 1999

- Years of decline in wealth management
- Poorly regarded asset management
- Leader in financial protection - but some segments unprofitable
- Over reliance on traditional tied agent distribution
- Unfocused
- High cost base - highest cost ratios in AXA Group
- Mutual culture still in evidence





# K5 transformation programme 2000-2003





## Strategic imperatives - Australia & New Zealand

- 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 the organisational capability through people



# C We have made significant progress over the last 3 years in Australia & New Zealand...

From	To
<ul style="list-style-type: none"> <li>● Lack of focus, diverse business units</li> <li>● Weak local asset management capability (NM)</li> <li>● Product range focussed on financial protection</li> <li>● Reliance on tied agents</li> <li>● Solely in manufacturing and dealership services</li> </ul>	<ul style="list-style-type: none"> <li>● Sold trustee, direct property, health, mortgage and banking units</li> <li>● Reinvested in core businesses (AXA CR minorities, Sterling Grace, ipac)</li> <li>● Global asset management through Alliance Capital</li> <li>● New mezzanine and retail unit trusts, Bernstein value style, upgraded superannuation and PAS offers</li> <li>● Broadened distribution through non-aligned channels</li> <li>● Building financial advice business (ipac, Sterling Grace)</li> </ul>



# C We have made significant progress over the last 3 years in Australia & New Zealand

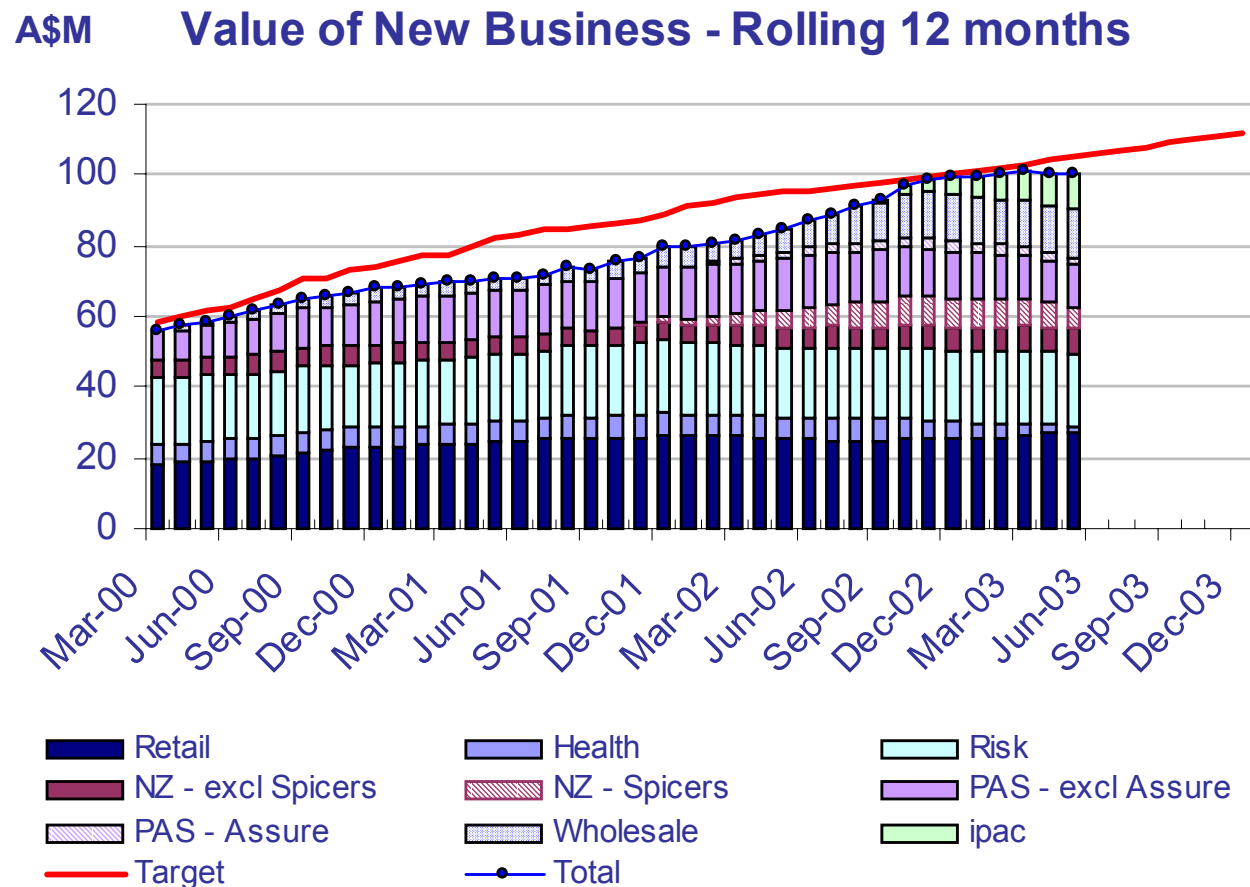
From	To
<ul style="list-style-type: none"> <li>● Losses from income protection</li> <li>● Sub-scale platform</li> <li>● Negative net funds flow</li>   <li>● Recurring cost base of A\$456M in 1999</li> <li>● Local brand and positioning</li> <li>● Mutual culture, weak measures, accountability and management</li> <li>● Little leveraging of Group capabilities</li> </ul>	<ul style="list-style-type: none"> <li>● Profit from income protection</li> <li>● Top three PAS player</li> <li>● Positive net funds flow (flow share above FUM share in 2002)</li> <li>● Recurring cost base of A\$358M in 2002</li> <li>● Global brand and positioning</li> <li>● Performance culture, focus on value, strengthened management</li> <li>● Outsource arrangements with AXA Technology Services, AXA Business Services</li> </ul>





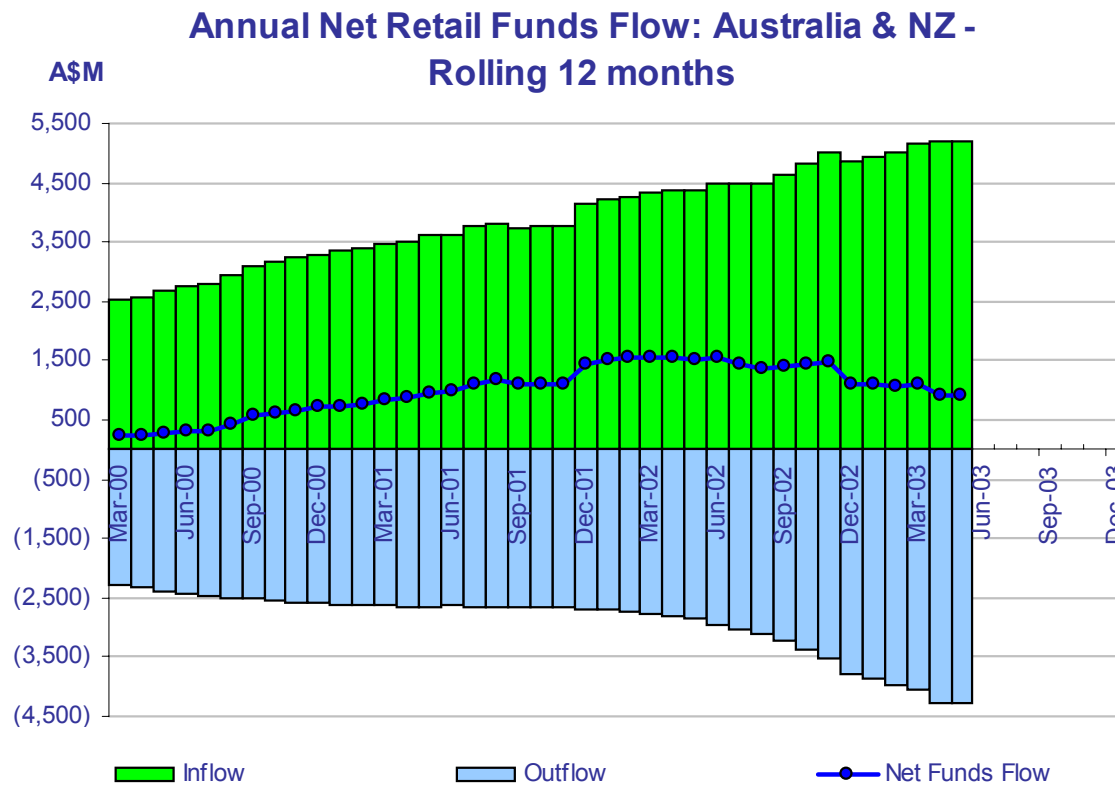
# Progress against K5 goals

## K1 - Double the value of new business



# Progress against K5 goals

## K2 - Top 5 in net retail funds inflow



# Progress against K5 goals

## K2 - Top 5 in net retail funds inflow

### Top 10 managers - March 2003 quarter (\$Am)

Top Ten	Manager	Net Inflow Mar 2003 Quarter
1 (2)	UBS Global Asset Mgt (Aust) Ltd	469
2 (1)	ING /ANZ	198
3 (5)	Platinum Asset Management	133
4 (7)	AXA Asia Pacific Holdings	124
5 (12)	Challenger International Ltd	116
6 (11)	APN Funds Management	79
7 (6)	Sandhurst Trustees Ltd	71
8 (16)	Deutsche Asset Management Australia Ltd	62
9 (14)	Citicorp Investment Ltd	54
10 (24)	State Super Financial Services Ltd	45
<b>Top 10 Total</b>		<b>1,351</b>
<b>Industry Total</b>		<b>434</b>

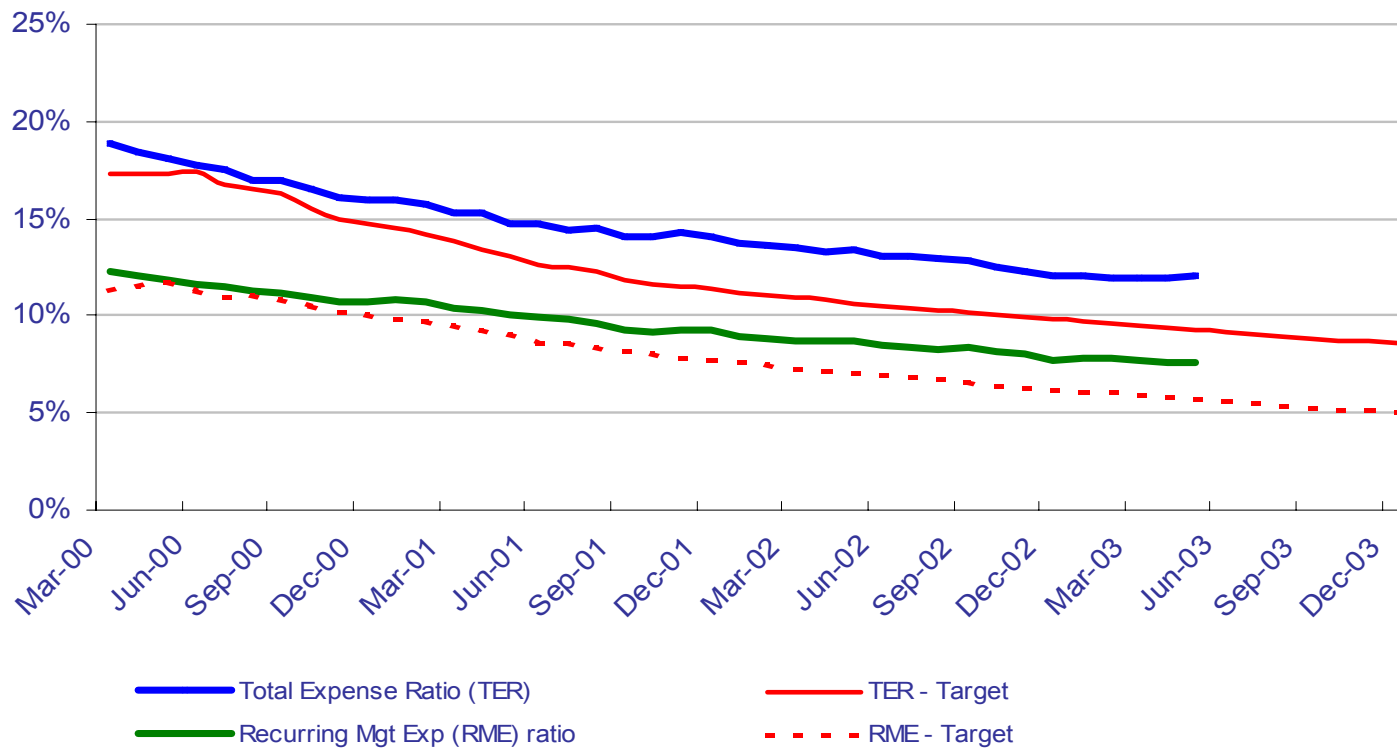


Source: Assirt market share report

# Progress against K5 goals

## K3 - Reduce our expense ratio by 50%

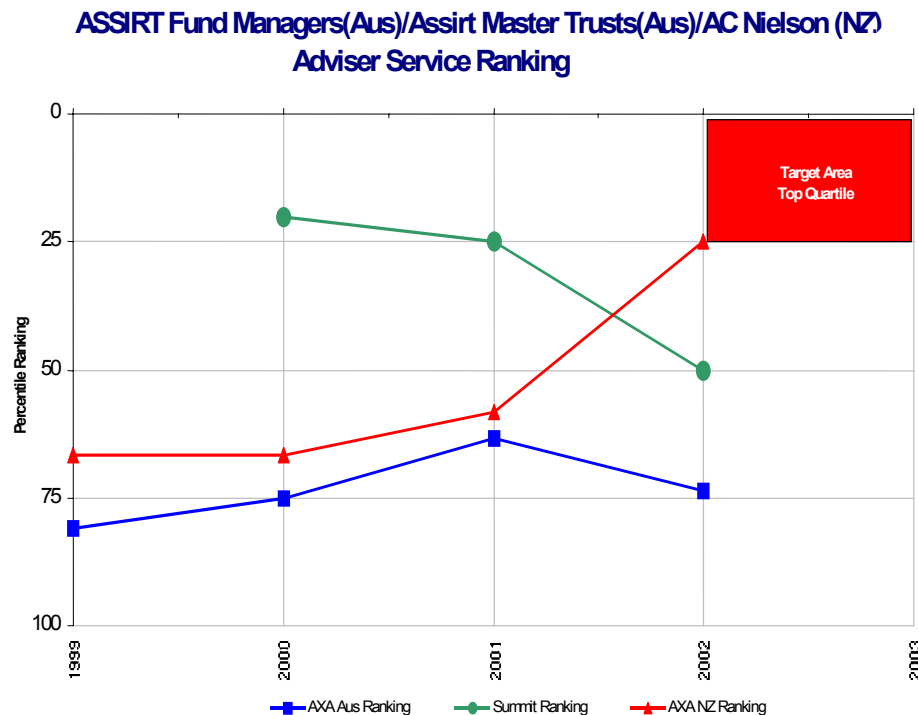
Expense ratios - Rolling 12 months





## Progress against K5 goals

### K4 - Top quartile ASSIRT Service ranking



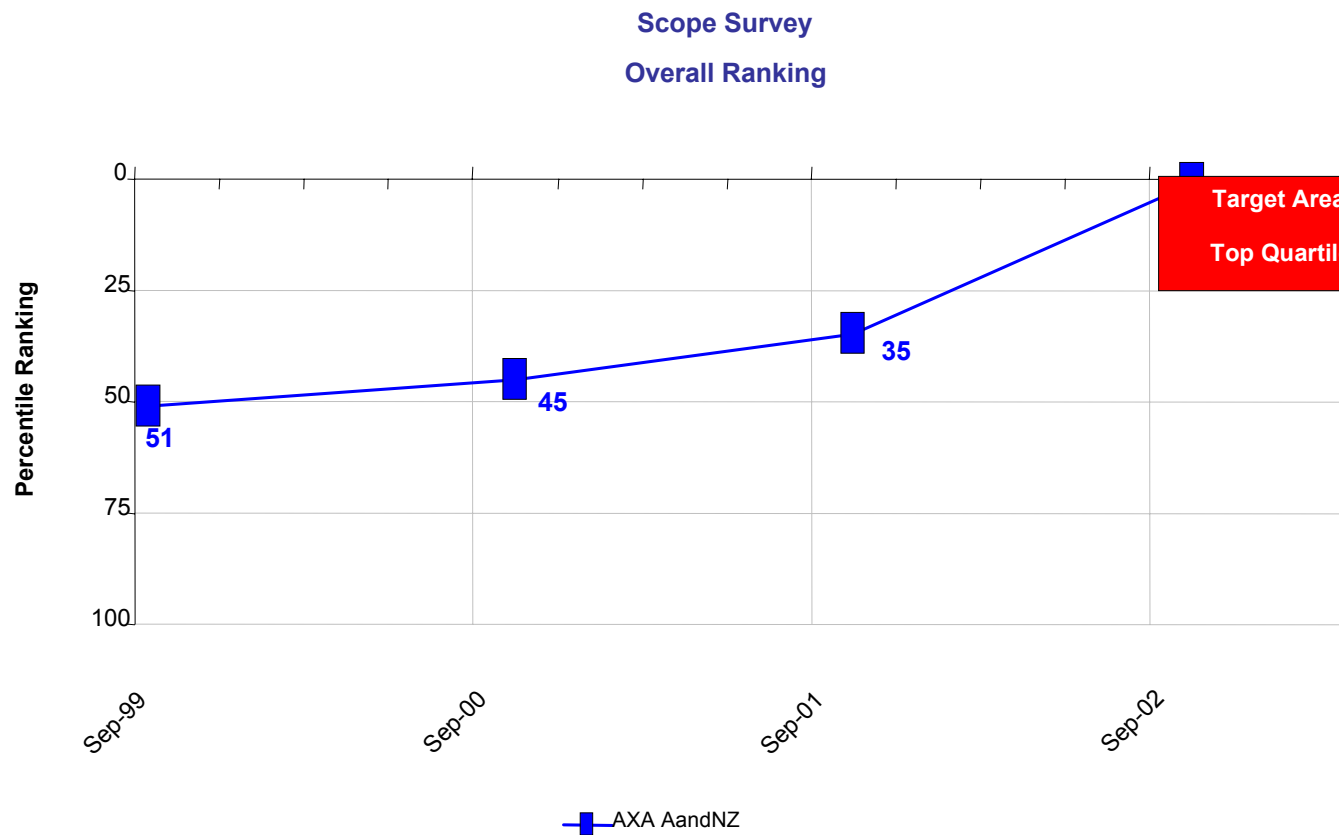
- ASSIRT result was disappointing
  - investment performance had a major impact
  - growth bias of Alliance was out of favour
- Have moved to rectify this
  - strengthened the marketing team
  - increased tactical marketing
- Working with Alliance to broaden investment styles
  - announced the launch of the Australian value service under the Bernstein brand



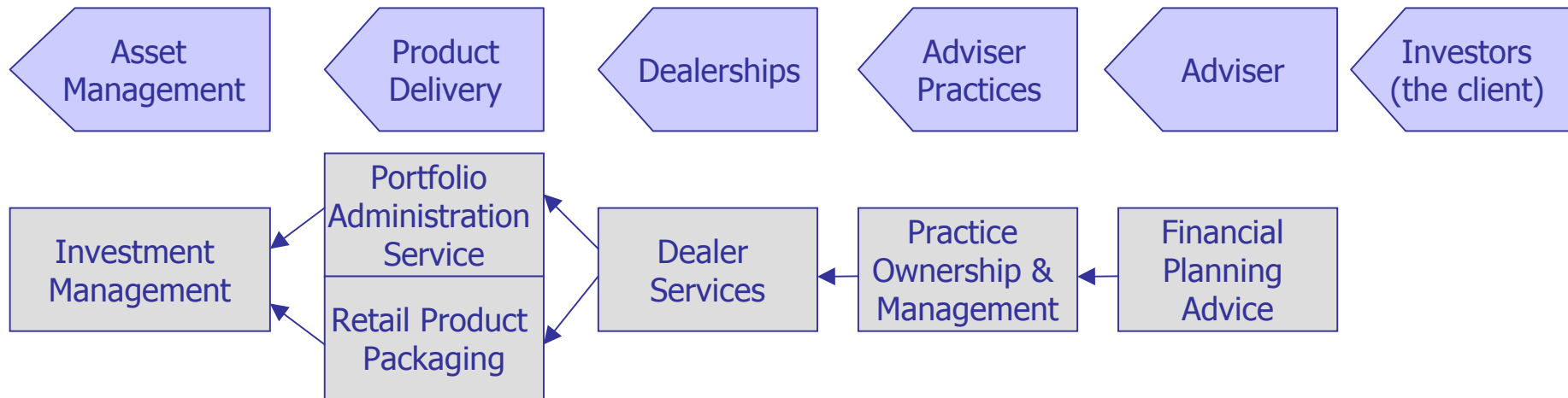


# Progress against K5 goals

## K5 - Top quartile AXA Scope Survey ranking



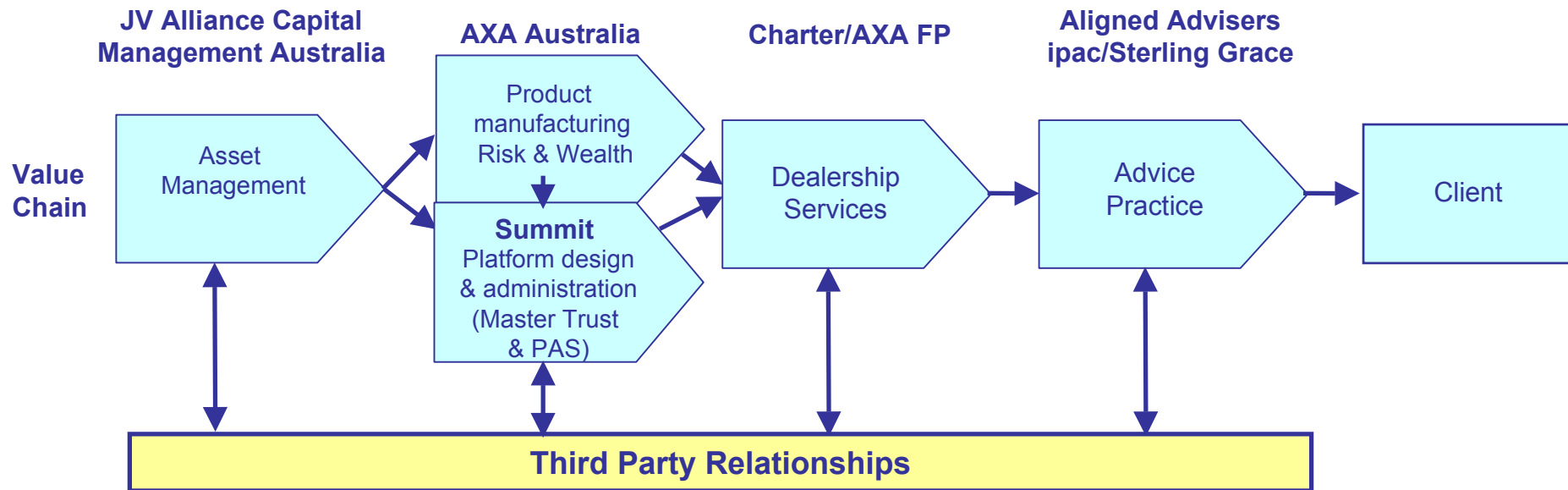
# Our recent acquisitions of Sterling Grace and ipac have expanded our capability in distribution & advice



## Industry Players



# In wealth management, AXA is now well positioned



## AXA positioning

- Operating in every part of the value chain
- Vertically integrated
- Open architecture for AXA aligned networks
- Improving penetration of third party aligned and independent distribution networks



# Market share improvement reflects our progress in wealth management

## Retail assets under management, A\$B

December 2000			December 2001			March 2003		
NAB / MLC	29.7	14.5%	NAB / MLC	34.0	14.4%	CBA / Colonial	45.5	19.4%
AMP	25.3	12.4%	CBA	32.8	13.9%	NAB / MLC	32.4	13.8%
CBA	19.5	9.5%	AMP	29.0	12.3%	AMP	27.4	11.7%
BT Financial	18.0	8.8%	Colonial	15.8	6.7%	ANZ / ING	26.9	11.5%
Colonial	15.5	7.6%	WBC	14.5	6.1%	WBC / BT	23.8	10.1%
WBC	13.7	6.7%	BT Financial	14.1	6.0%	<b>AXA</b>	<b>13.8</b>	<b>5.9%</b>
ANZ	11.0	5.4%	ANZ	12.2	5.2%	Macquarie	11.1	4.7%
Mercantile	9.7	4.7%	Macquarie	10.8	4.6%	Perpetual	6.6	2.8%
Macquarie	9.7	4.7%	ING	9.5	4.0%	UBS	4.3	1.8%
Perpetual	5.3	2.6%	<b>AXA</b>	<b>7.4</b>	<b>3.1%</b>	Tower	4.0	1.7%
<b>Top 10</b>	<b>157.4</b>	<b>76.9%</b>	<b>Top 10</b>	<b>180.3</b>	<b>76.3%</b>	<b>Top 10</b>	<b>195.8</b>	<b>83.5%</b>
<b>Total market</b>	<b>204.8</b>	<b>100.0%</b>	<b>Total market</b>	<b>236.4</b>	<b>100.0%</b>	<b>Total market</b>	<b>234.6</b>	<b>100.0%</b>



SOURCE: ASSIRT Market Share Report

# In financial protection, AXA has traditionally had a leading position in Australia

Inforce Business, A\$M December 2002	
CBA/Colonial	607
<b>AXA Group</b>	<b>569</b>
AMP Group	546
NAB/MLC	545
ING	395
Royal & Sun Alliance	282
Tower	206
Westpac	170
Citicorp Life	141
Norwich Union	110
Total for Top 10	3,573
Total Market	3,989
Market Share of Top 10	90.0 %

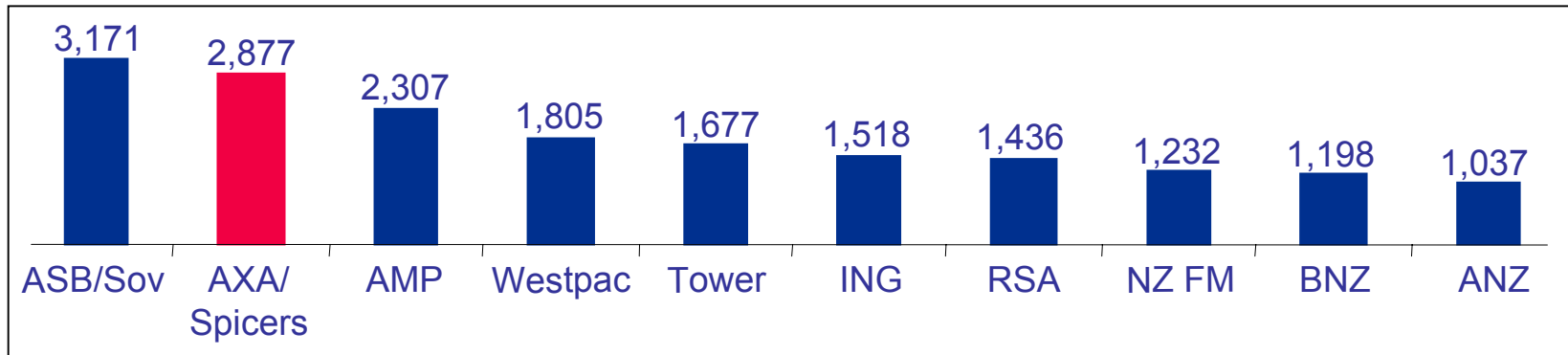
New Annual Premium, A\$M Year To December 2002	
CBA/Colonial	134
NAB/MLC	124
<b>AXA Group</b>	<b>88</b>
ING	80
Citicorp	64
Westpac	56
AMP Group	54
Royal & Sun Alliance	45
Tower	35
American International	32
Total for Top 10	711
Total Market	788
Market Share of Top 10	90.3 %



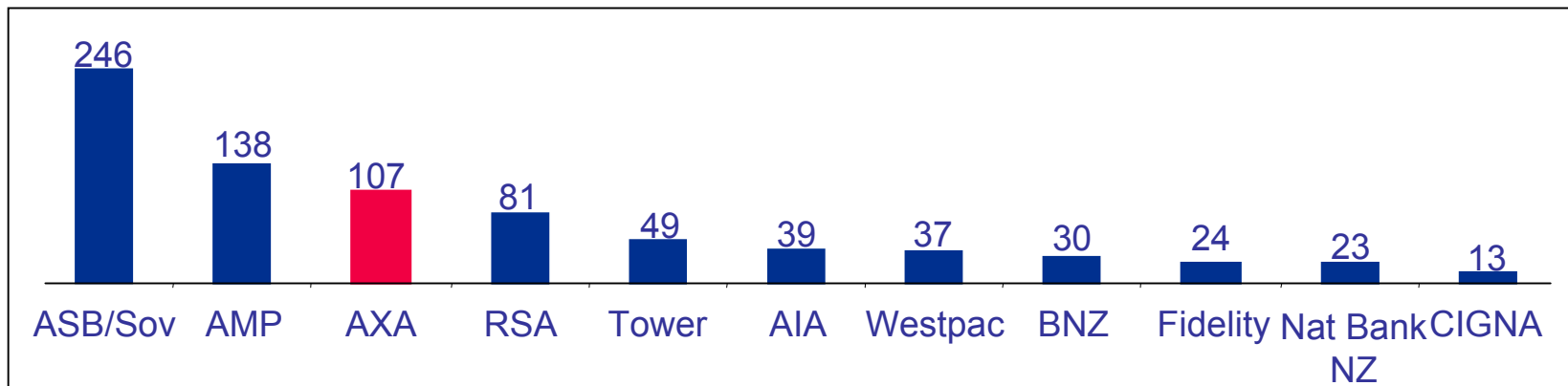


## AXA is also a market leader in New Zealand

Retail Funds Under Administration (NZ\$M) December 2002<sup>1</sup>



Financial Protection Inforce Annual Premium (NZ\$M) December 2002<sup>2</sup>



1. Source: Fund choice and Internal Analysis  
2. Source: ISI Stats Dec 2002



## Summary - Australia & New Zealand

- Developed wealth management capabilities
  - asset management
  - product design and platform administration
  - distribution and dealership services
  - advice (acquisition of ipac and Sterling Grace)
- Still a leader in financial protection, but on a profitable basis
- Improved operational capability and cost efficiency
- Significant progress made against our K5 goals despite challenging market conditions
- Well positioned to take advantage of any improvement in market conditions and consumer confidence





# C Hong Kong



# Hong Kong is a very attractive market

**GDP, Population, Savings Rate**

Country	GDP US\$ billion	GDP per capita (US\$)	Population (million)	Savings % of personal disposable income
USA	10,469	37,684	278	4
Japan	4,059	31,942	127	13
China	1,233	948	1,300	14
India	530	507	1,046	26
S. Korea	455	9,395	48	14
Australia	383	19,839	19	3
Taiwan	298	13,162	23	18
<b>Hong Kong</b>	<b>162</b>	<b>22,804</b>	<b>7</b>	<b>32</b>
Indonesia	168	772	218	1
Thailand	119	1,899	63	14
Singapore	88	26,722	3	30
Philippines	77	962	80	4
Malaysia	92	3,917	23	33
Vietnam	36	434	83	16

- Savings are high
- High profit margins, no sign of margin squeeze
- Poor returns from alternative vehicles - property, bank deposits
- Strong growth prospects



Source: National Estimates at Mid-Year: National statistical offices/UN/Euromonitor  
Euromonitor from International Monetary Fund (IMF), International Financial Statistics  
National statistical offices/OECD/Euromonitor 2002



## Hong Kong - position in 1999

- 10 years of highly profitable growth
- Low cost
- Largely single channel, single product business
- High guarantee traditional par products
- Lack of control over agency channel - vulnerable to agent poaching
- Limited experience of change





# M6 transformation programme 2001-2004

M1	M2	M3	M4	M5	M6
Value of Business	Premium income	Assets under mgt	Provider of Choice	Employee Satisfaction	Value of sales
<ul style="list-style-type: none"><li>Enterprise Value HK\$23B (before any dividend)</li></ul>	<ul style="list-style-type: none"><li>Gross premium income HK\$10B by 2004</li></ul>	<ul style="list-style-type: none"><li>Assets under mgt HK\$42B by 2004</li></ul>	<ul style="list-style-type: none"><li>#1 Brand choice</li></ul>	<ul style="list-style-type: none"><li>&gt;30 SCOPE</li></ul>	<ul style="list-style-type: none"><li>Value of new business HK\$753M by 2004</li></ul>





## Strategic imperatives - Hong Kong

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



# C We have made significant progress over the last 3 years in Hong Kong

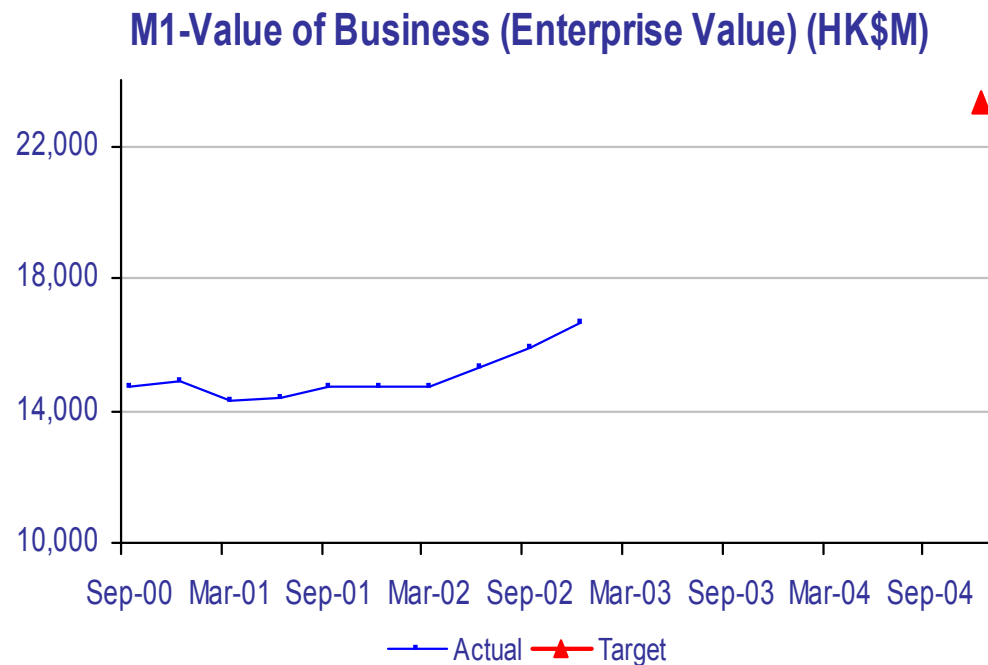
From	To
<ul style="list-style-type: none"> <li>● Largely a single channel, single product business</li> <li>● Lack of control over agency leaders, hierarchical management of sales force</li> <li>● Agency poaching and policy twisting</li> <li>● Traditional whole-life products with high guarantees</li> <li>● Mainly financial protection</li> <li>● Culture of success, but little experience of change</li> </ul>	<ul style="list-style-type: none"> <li>● Multi-channel, multi product range, moving to wealth management</li> <li>● More AXA control of agencies, new management processes (AXA Advisers, AXA Phoenix)</li> <li>● Stable agency force and discontinuances trending back to long term assumption levels</li> <li>● Closed high guarantee life product, lowered guarantees, introduced unit-linked products</li> <li>● Building ipac model, scale MPF player</li> <li>● Initiating and successfully managing change</li> </ul>





## M1 - Enterprise Value

Progress towards HK\$23B aspirational target



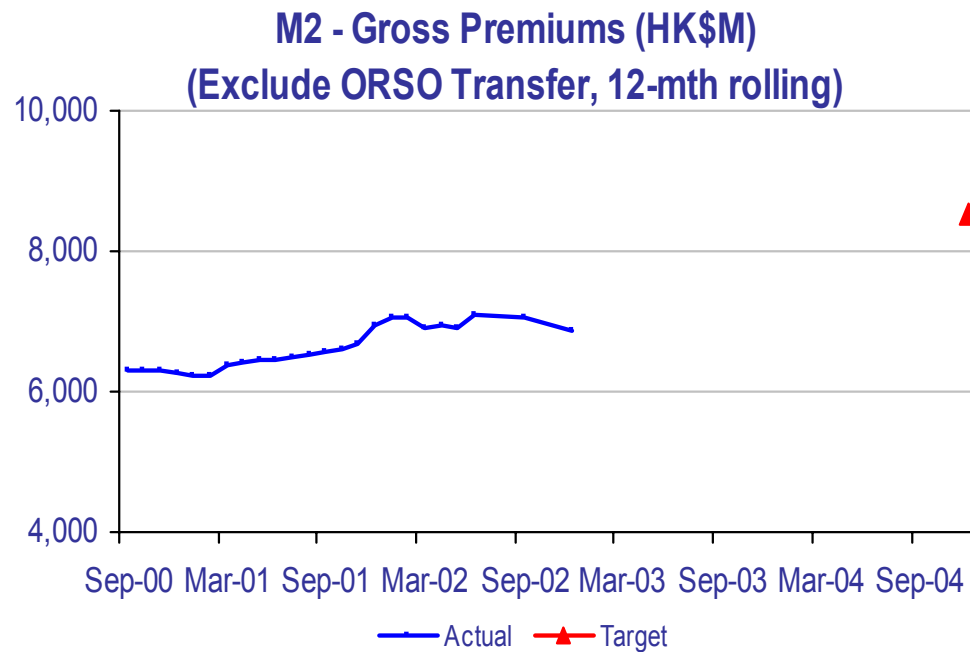
- Persistency continues to improve
- Mortality experience continues to be favourable
- Already low expense ratios continue to be reduced
- Good product profitability

**Enterprise Value on track towards goal in 2004**



# M2 - Gross premiums

## Progress towards HK\$10B aspirational target



- Gross premiums below target reflecting lower renewal premiums following agent poaching during 2001
- Partially offset by growth in individual life sales following new product development and diversification of distribution channels

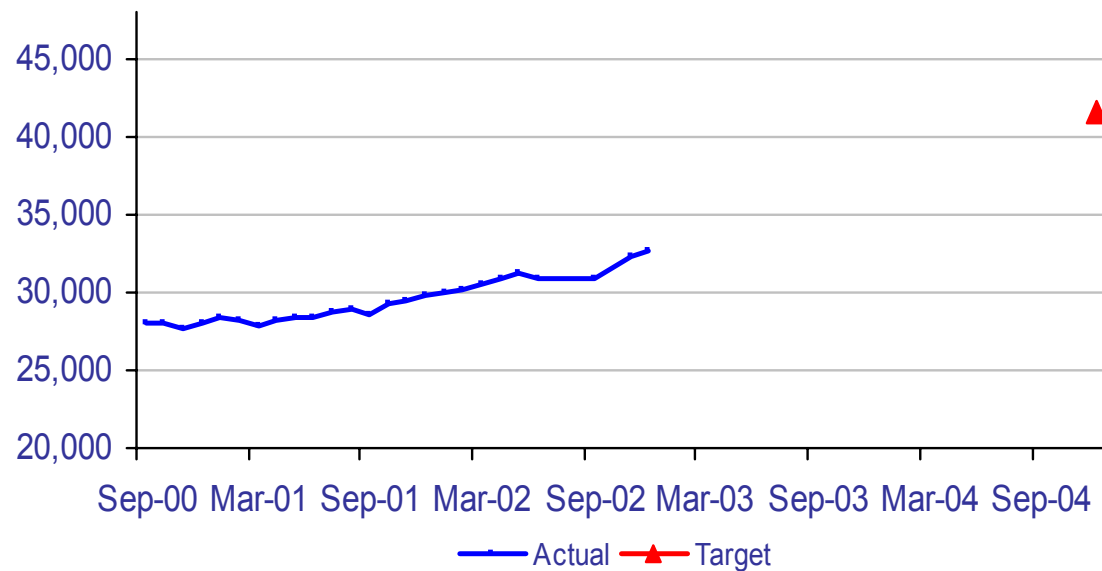
**Net funds flow continues to be strong at HK\$3.7B**



# M3 - Total assets under management

## Progress towards HK\$42B aspirational target

M3 - Total assets under management  
(incl. Linked) (HK\$M)



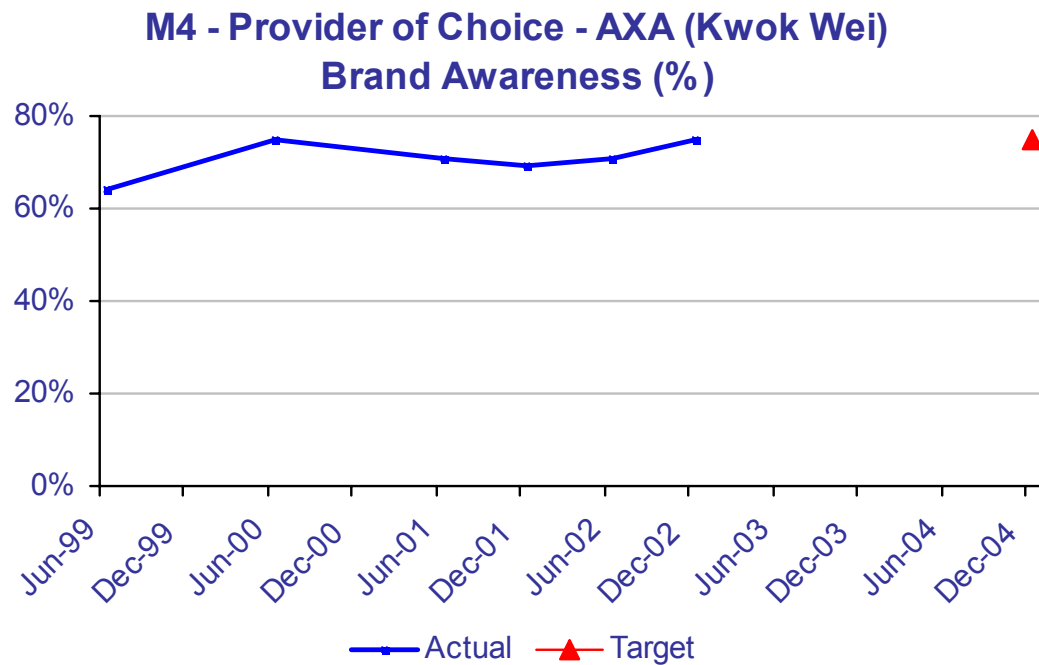
- Increase in assets under management reflects positive net funds flow of HK\$3.7B

**On track to achieve target despite difficult investment markets**



# M4 - Provider of Choice (Brand Awareness)

## Progress towards aspirational target of #1 Brand Choice



- Surveys show AXA brand has 100% recall and 75% unaided brand awareness
- Third year in a row voted best insurer in Hong Kong

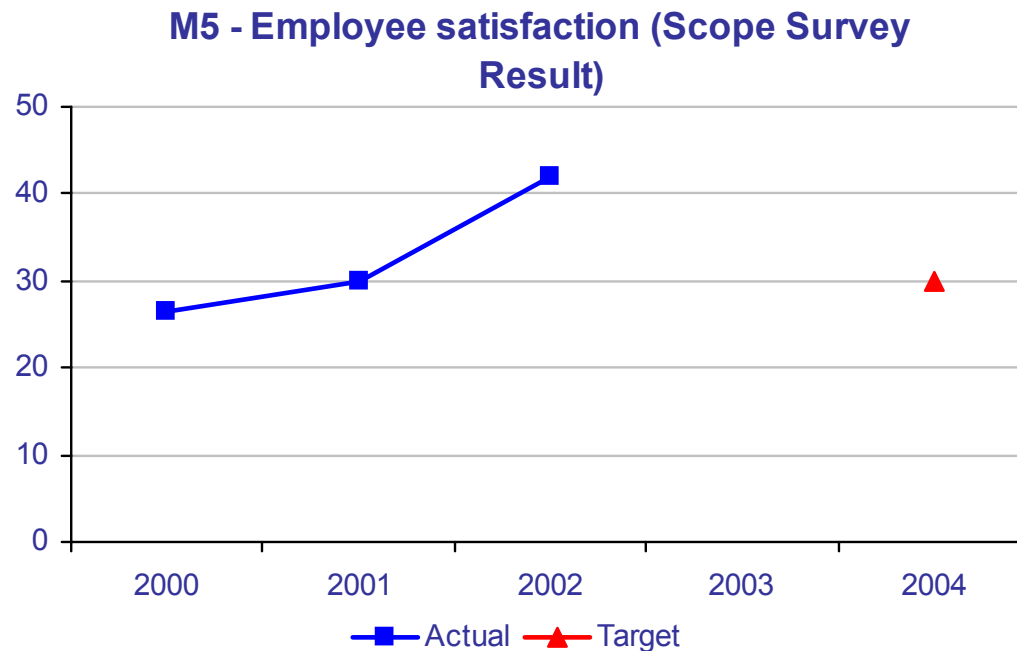
**Excellent Brand - platform to support new growth initiatives and maintain margins**





## M5 - Employee satisfaction

Progress towards aspirational target of > 30 on Scope



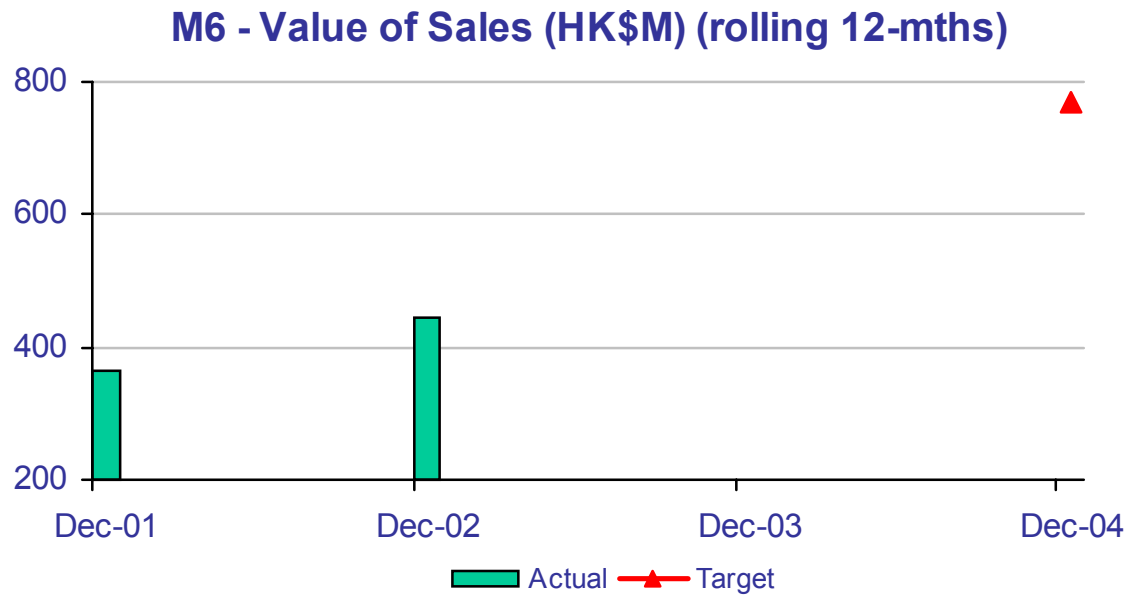
- Overall Scope score of 42
- Above target of 30
- Particularly pleasing given headcount reductions and change management processes implemented

**AXA performance culture  
allowing us to attract better  
staff and retain key staff**



# M6 - Value of sales

## Progress towards HK\$753M aspirational target



- Increase in value of sales attributed to ongoing focus on product profitability, in particular re-pricing of Smart series and non linked products

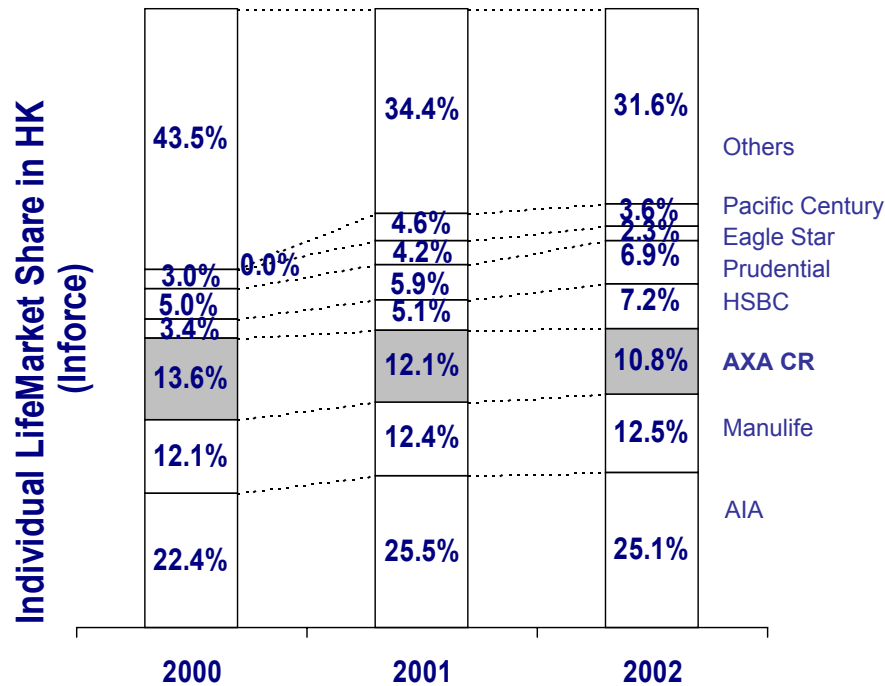
**12% sales growth**  
**21% growth in value of new business**



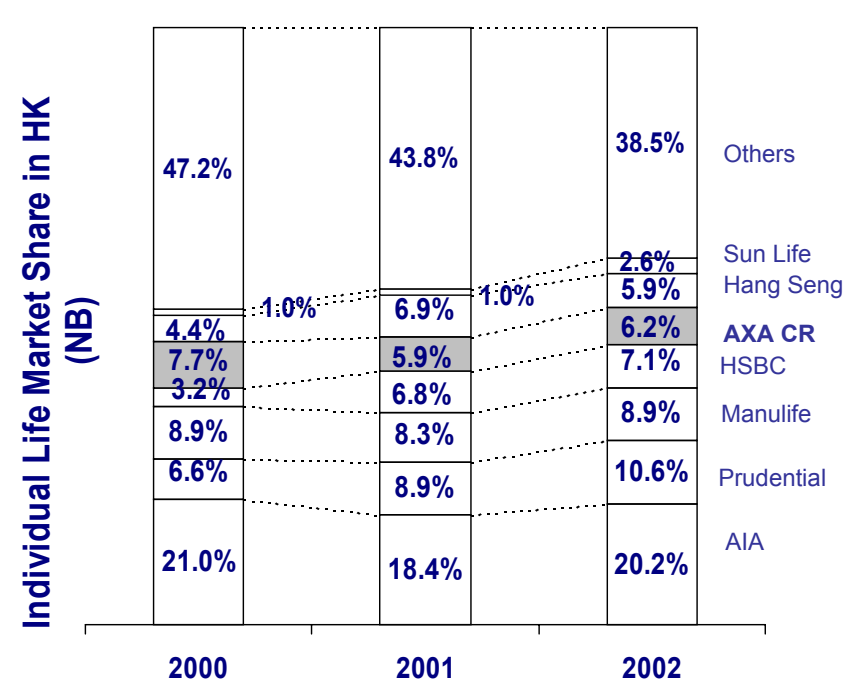
Note: Excludes MPF one-off impact of HK\$57M in 2001, and includes value of indexation increase

# AXA Hong Kong has a strong position in the market

**Inforce Market Share**



**NB Market Share**



**Warnings:**

Statistics are not sanctioned or audited and comparisons with previous years do not fully reflect the true trends in the market place. They contain business which has been internally replaced, business switched from one company to another and banks' high guarantee endowment products. This includes insurance business only and mutual fund business is not included.



Source: HK Insurance Authority, OCI, as adjusted by AXA

# C Summary - Hong Kong

- Operating results showing:
  - sales growth
  - persistency improvements
  - strong expense control
- New strategic initiatives working well
  - AXA advisers, brokers
  - low guarantee products for new business
- Well positioned for future growth
  - multi-channel, multi-product approach
- 1% spread achievable on reasonable long term assumptions
- Moving into wealth management



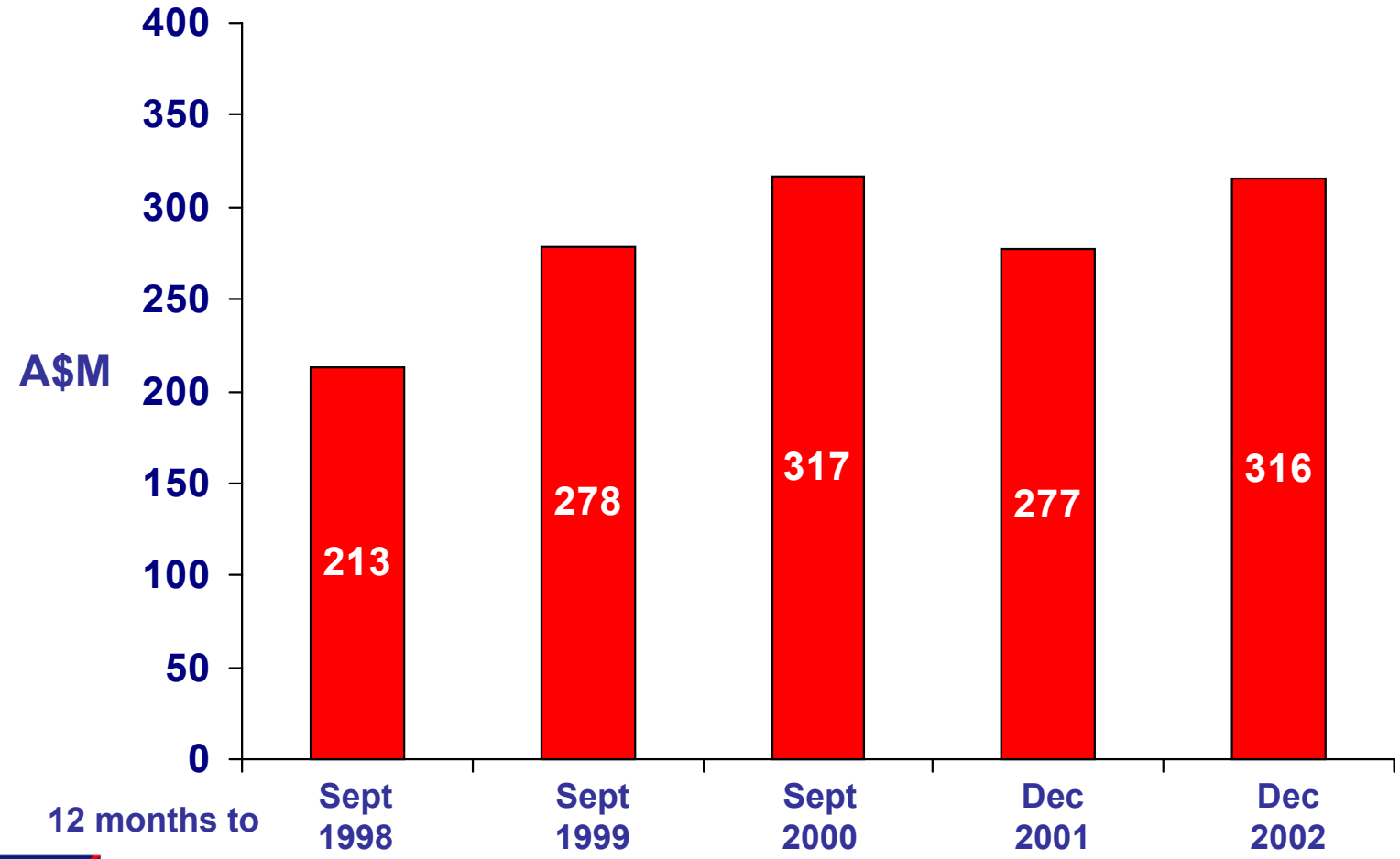


## Group financial performance



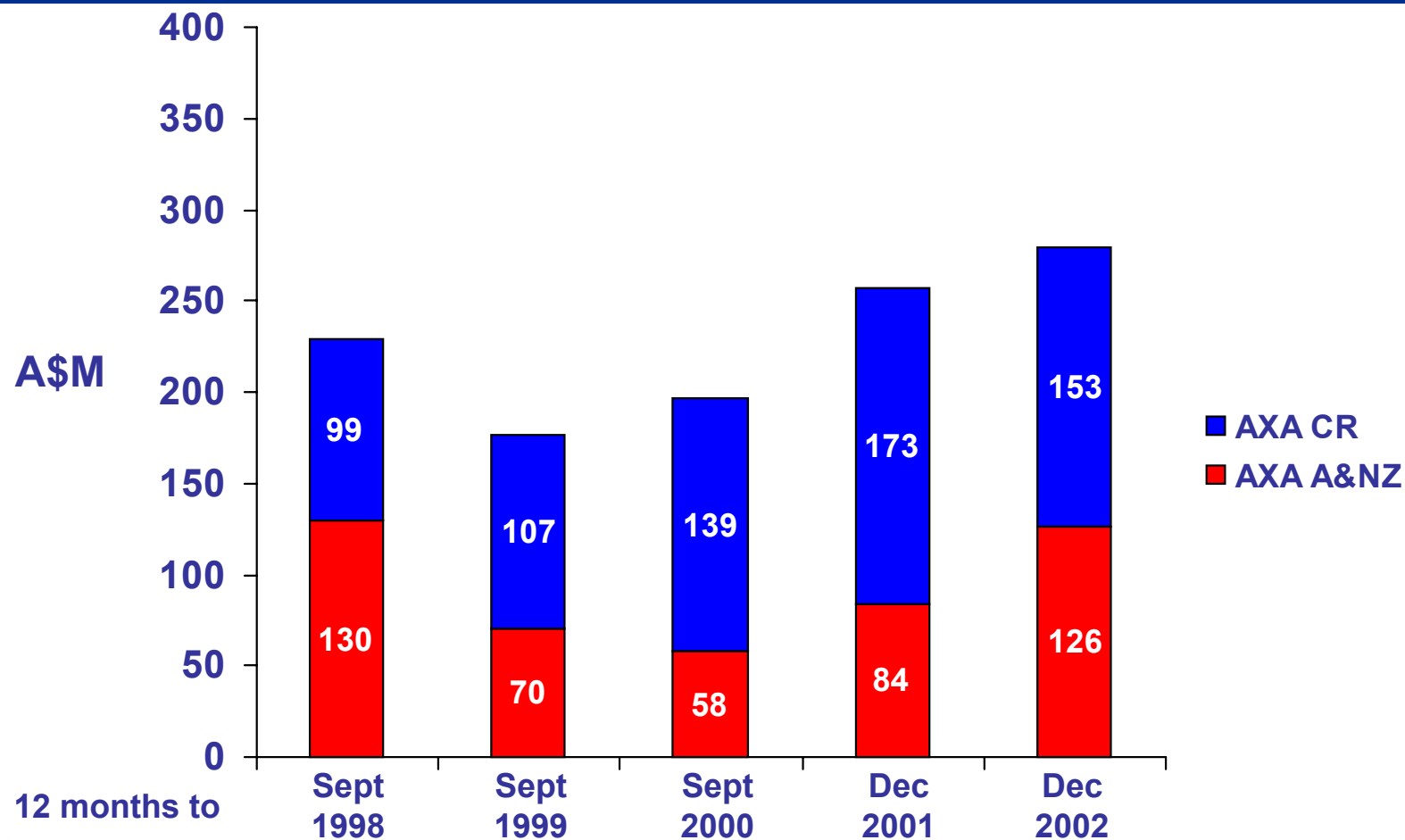


# AXA APH profit after tax before non recurring items





# AXA APH operating earnings (excluding Health)



# Earnings per share & return on equity

12 months to	31 December 2002	31 December 2001	30 September 2000
Earnings per share (A cents)*	18.0	15.7	18.0
Return on equity**	10.4%	9.5%	11.7%
Return on capital***	6.8%	6.5%	8.7%

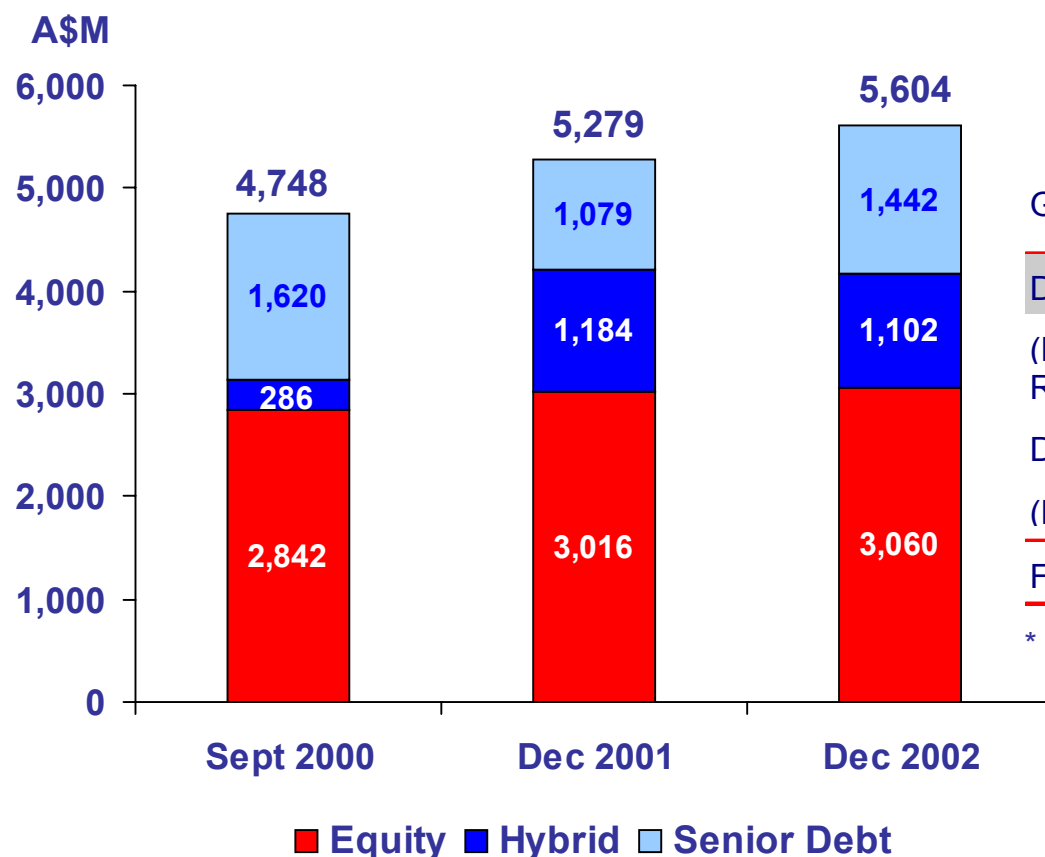
\* EPS excludes non recurring items

\*\* Calculated as profit after tax and before non recurring items as percentage of average shareholder equity

\*\*\* Calculated as profit after tax, before non recurring items and adding back interest expense, as a percentage of average total capital resources



# AXA APH capital structure



Gearing Ratios	Dec 2002	Dec 2001	Sept 2000
Debt/Capital Resources	26%	20%	34%
(Debt+Hybrid)/Capital Resources	45%	43%	40%
Debt/(Equity+Hybrid)	35%	26%	52%
(Debt+Hybrid)/Equity	83%	75%	67%
Financial Strength Rating*	AA-/AA		

\* Rating by S&P / Fitch

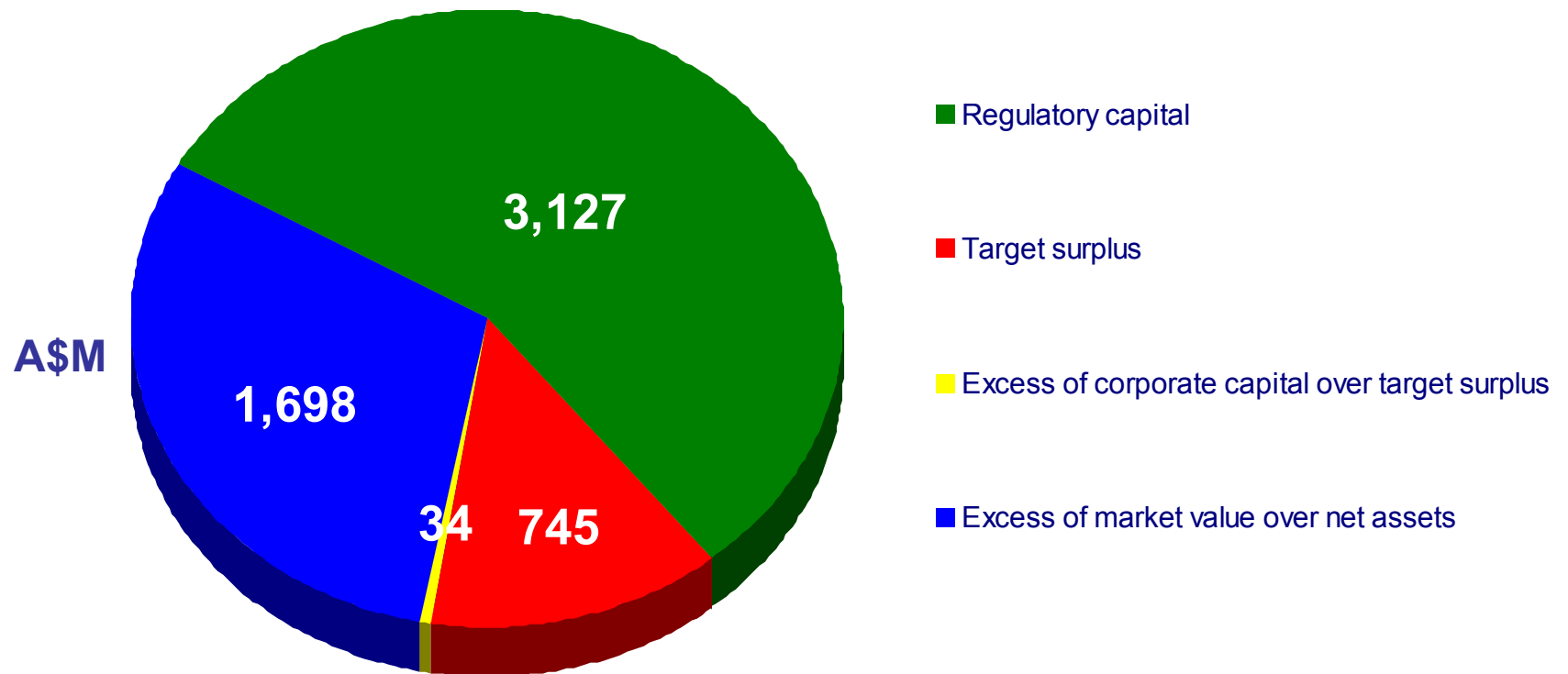


Following the receipt of proceeds from the sales of Members' Equity and our Australian health business, our debt / capital resources gearing ratio has been reduced to 15%



# AXA APH capital allocation as at 31 December 2002

Total capital A\$5,604M



# Indicative enterprise value

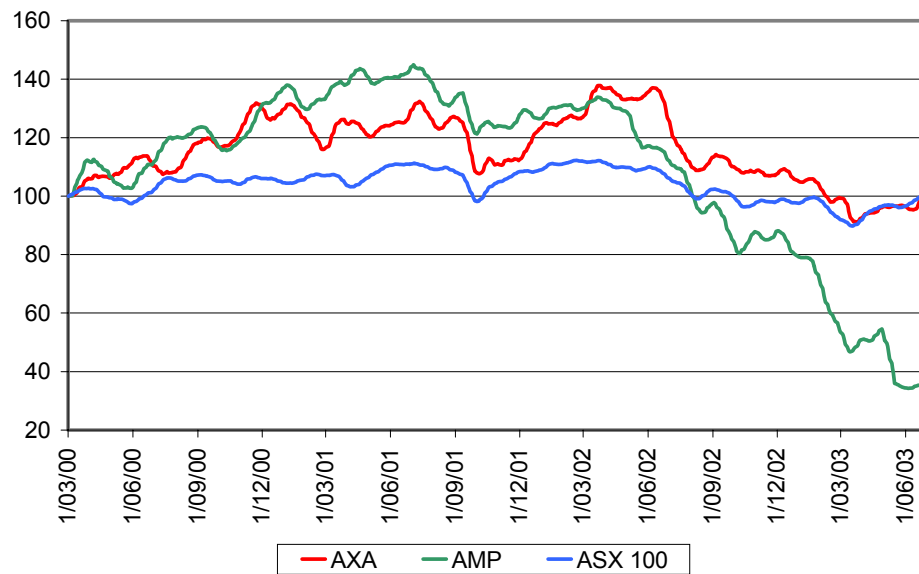
Indicative enterprise value of AXA APH	31 December 2002					
	Value of inforce	Value of one year's new business	Range of multiples		Total (a)	Total (b)
A\$ M			(a)	(b)		
Australia & New Zealand						
- Financial Protection	1,185	14	7	9	1,284	1,313
- Wealth Management	1,340	44	15	20	1,999	2,218
<b>Australia &amp; New Zealand</b>	<b>2,525</b>	<b>58</b>			<b>3,283</b>	<b>3,531</b>
Hong Kong						
- Financial Protection	2,123	76	7	9	2,650	2,801
- Wealth Management	109	1	15	20	129	135
- Health	189	12	4	7	237	273
<b>Hong Kong</b>	<b>2,421</b>	<b>89</b>			<b>3,016</b>	<b>3,210</b>
<b>South East Asia</b>	<b>24</b>	<b>8</b>	<b>9</b>	<b>12</b>	<b>100</b>	<b>126</b>
<b>Asian Regional Centre expenses</b>					<b>(72)</b>	<b>(72)</b>
<b>Total</b>	<b>4,970</b>	<b>155</b>			<b>6,328</b>	<b>6,795</b>
<b>Total value after debt and corporate expenses, dividend</b>					<b>4,869</b>	<b>5,336</b>
<b>Indicative value per share</b>					<b>\$2.80</b>	<b>\$3.07</b>



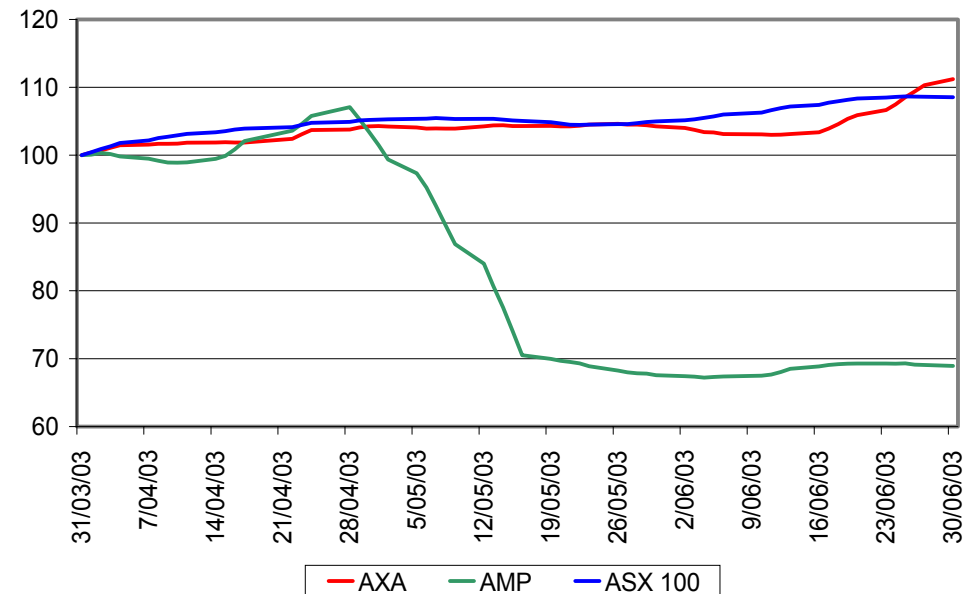
Source: AXA APH Investor Compendium - Dec 2002

# AXA APH share performance

**AXA APH share price performance compared to AMP and ASX 100 since March 2000**



**AXA APH share price performance compared to AMP and ASX 100 over last 3 months**



Source: ASX



## In conclusion

- Our target markets continue to have attractive long term fundamentals
- We have made significant progress and are well placed to meet key challenges
- Our strategy is standing up well and we remain committed to it





## **Deutsche Australian Equities Conference**

**Les Owen**

**Group Chief Executive**

**AXA Asia Pacific Holdings Limited**

**London, 7 July 2003**

