



## AXA Asia Pacific Holdings

UBS Investment Conference - "Australian Companies Competing on the Global Playing Field"

Les Owen - Group Chief Executive



20 November 2003

# C Today's agenda

- Australia & New Zealand - brief summary
- Asia overview
- Hong Kong
- China and South East Asia
- Summary



# C Australia and New Zealand

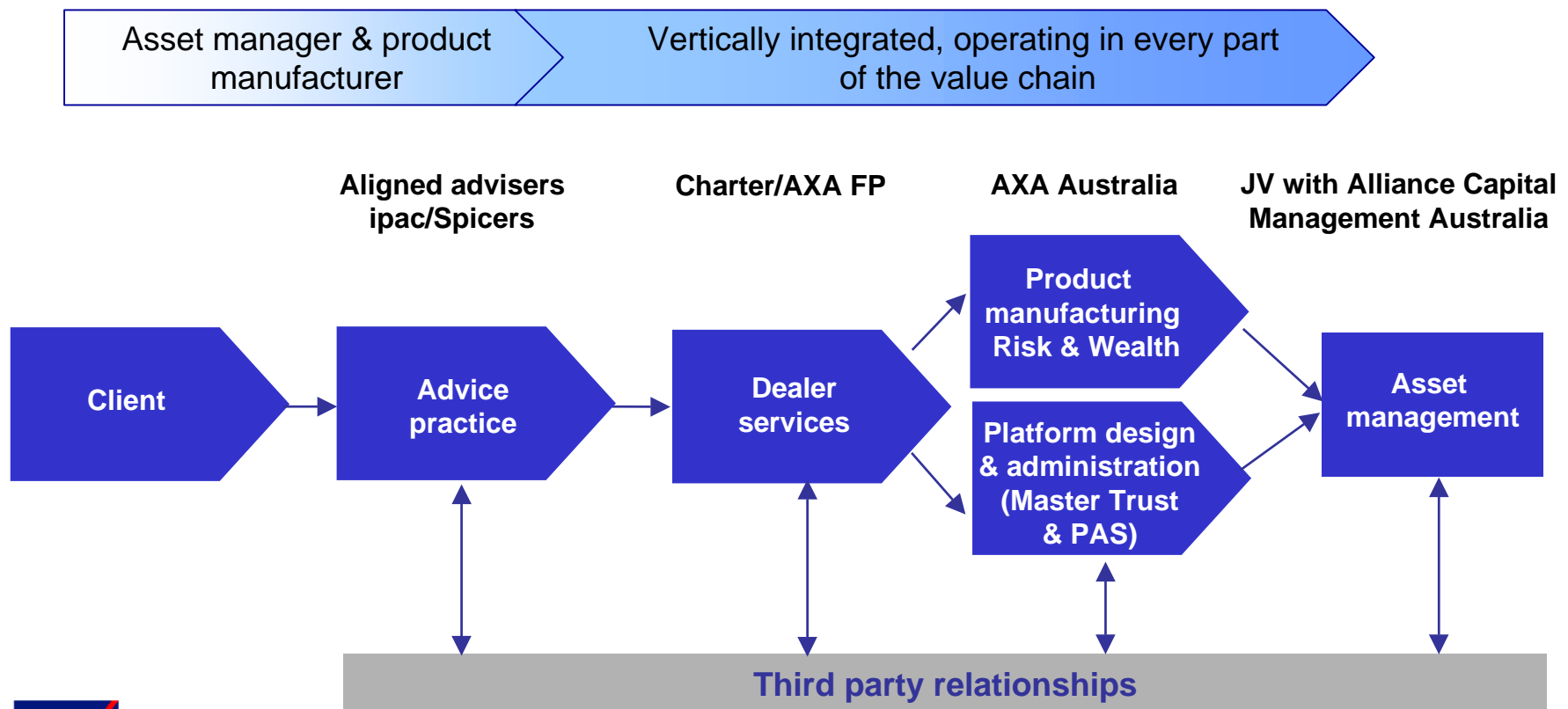
## We have made significant progress over the last 3 years

| From  | To  |
|---|---|
| <ul style="list-style-type: none"> <li>• Lack of focus, diverse business units</li> <li>• Weak local asset management capability</li> <li>• Product range focussed on financial protection</li> <li>• Reliance on tied agents</li> <li>• Losses from income protection</li> <li>• Sub-scale platform</li> <li>• Recurring cost base of A\$456m in FY1999</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>• Sold trustee, direct property, health, mortgage and banking units, reinvesting 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>• Profit from income protection</li> <li>• Top 5 market share</li> <li>• Recurring cost base of A\$358m in FY2002</li> <li>• Global brand and positioning</li> <li>• Performance culture, focus on value, strengthened management</li> <li>• Outsource arrangements with AXA Technology Services and AXA Business Services</li> </ul> |



# Australia and New Zealand Move into advice...

...through the acquisitions of ipac and Sterling Grace



# Australia

## Grow our share of retail investments and superannuation

### Significant improvement in retail funds flow market share ranking

Plan for Life - net retail funds flow  
12 months to Sep 2003\*

| Top 10         | Manager                        | Funds flow (A\$m) |
|----------------|--------------------------------|-------------------|
| 1              | Macquarie Group                | 2,332             |
| 2              | St George Group                | 1,111             |
| <b>3</b>       | <b>AXA</b>                     | <b>971</b>        |
| 4              | Challenger International Group | 764               |
| 5              | Oasis Funds Management         | 636               |
| 6              | ING Australia Group            | 611               |
| 7              | STL Financial Services Group   | 221               |
| 8              | JB Were Group                  | 184               |
| 9              | Citicorp                       | 175               |
| 10             | National Australia/MLC Group   | 116               |
| Top 10 Total   |                                | 7,121             |
| Industry total |                                | 4,468             |

ASSIRT - net retail funds flow  
12 months to Sep 2003

| Top 10         | Manager                                | Funds flow (A\$m) |
|----------------|--|-------------------|
| 1              | UBS Global Asset Management (Aust) Ltd | 2,164             |
| 2              | ING/ANZ                                | 1,343             |
| <b>3</b>       | <b>AXA</b>                             | <b>1,204</b>      |
| 4              | Platinum Asset Management              | 1,000             |
| 5              | National/MLC                           | 466               |
| 6              | Sandhurst Trustees Ltd                 | 407               |
| 7              | AMP                                    | 393               |
| 8              | Challenger Financial Services Group    | 389               |
| 9              | Macquarie Group                        | 366               |
| 10             | APN Funds Management                   | 353               |
| Total Top 10   |  | 8,085             |
| Industry total |  | 7,387             |



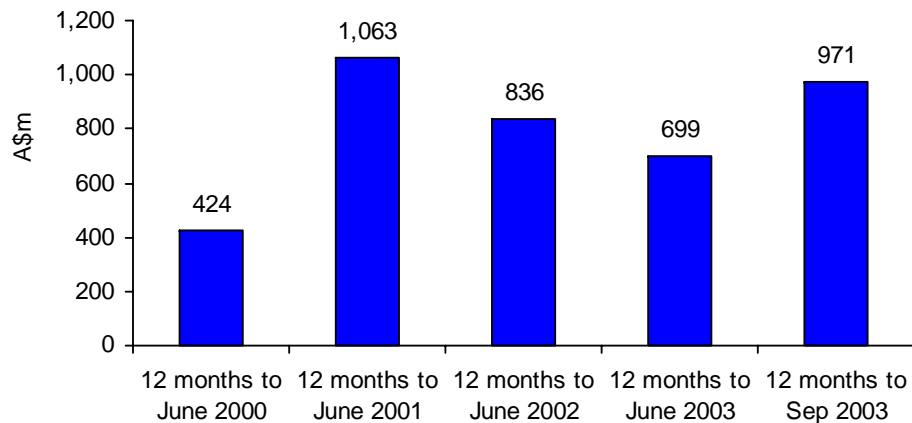
\* Preliminary data

# Australia

## Grow our share of retail investments and superannuation

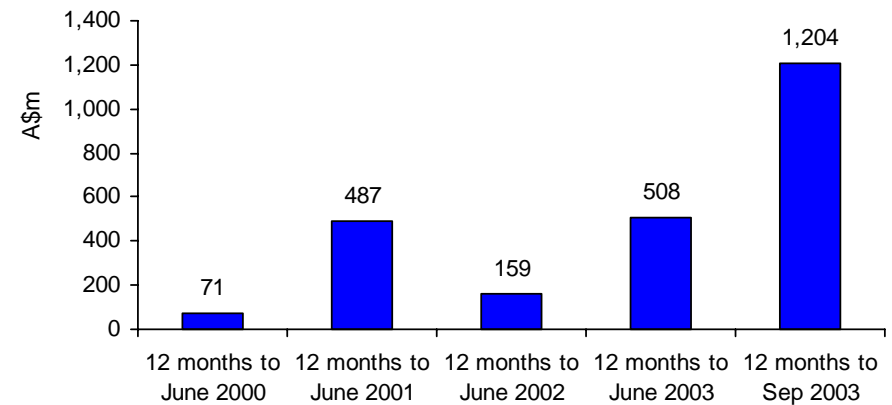
### Significant improvement in retail funds flow market share ranking

Plan for Life - AXA Australia net retail funds flow \*



|      |    |   |    |   |   |
|------|----|---|----|---|---|
| Rank | 10 | 9 | 10 | 5 | 3 |
|------|----|---|----|---|---|

ASSIRT - AXA Australia net retail funds flow



|      |    |    |    |   |   |
|------|----|----|----|---|---|
| Rank | 25 | 12 | 21 | 7 | 3 |
|------|----|----|----|---|---|

\* Preliminary data for Sep 03

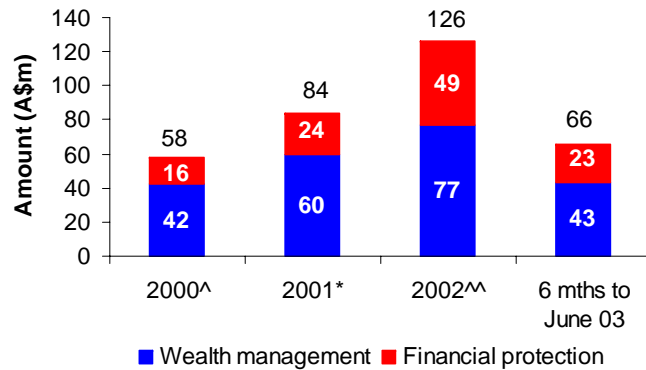


Plan for Life historical data has been amended: Assure and ipac have been taken out of AXA flows for periods prior to 1 October 2002 and 1 January 2002 respectively

ASSIRT data excludes PAS (Summit, Assure & iselect)

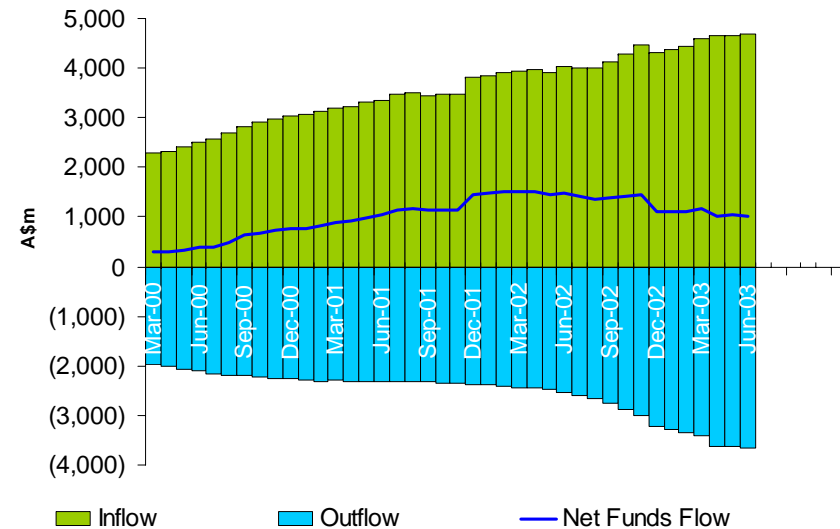
# Australia and New Zealand Profit growth and progress against K5 goals

Operating earnings (ex Health)

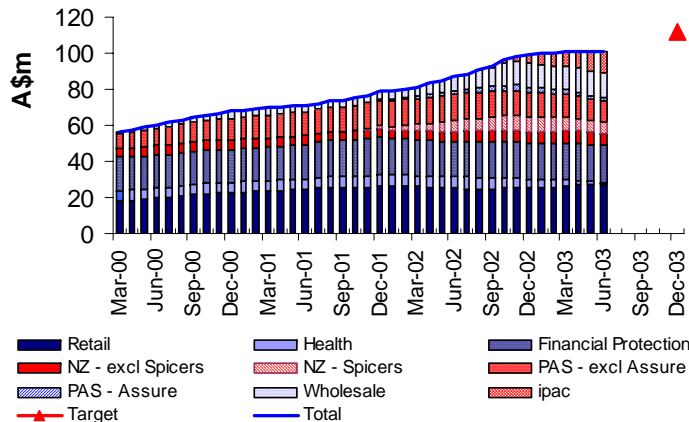


^ 12 months ended 30 September (audited)  
 \* 12 months ended 31 December (restated, but not audited for 2001)  
 ^^ 12 months ended 31 December (audited)

K2 Annual net retail funds flow  
(Australia & NZ)  
Rolling 12 months



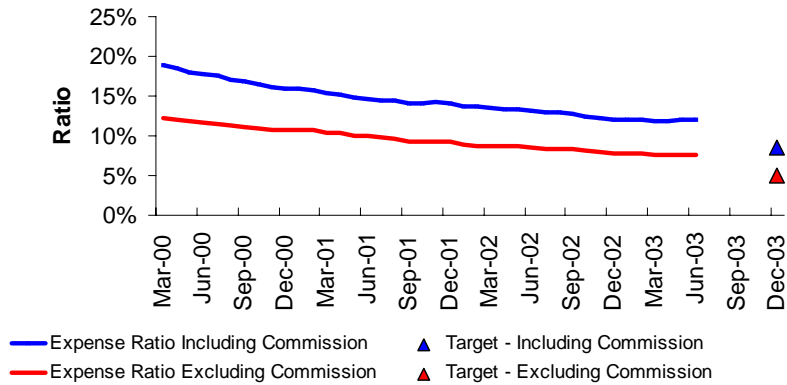
K1 Value of new business



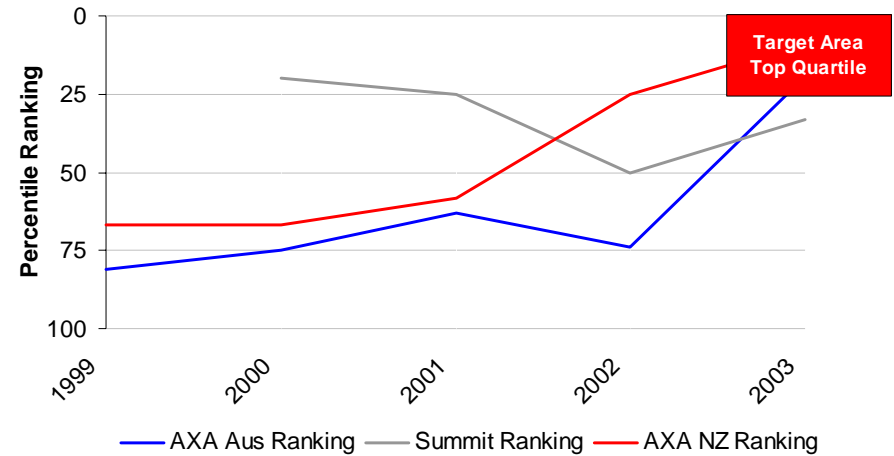
- Rank share of market net fund flows for 12 months to 30 September 2003:
  - Plan For Life: 3rd
  - ASSIRT: 3rd

# Australia and New Zealand Progress against K5 goals

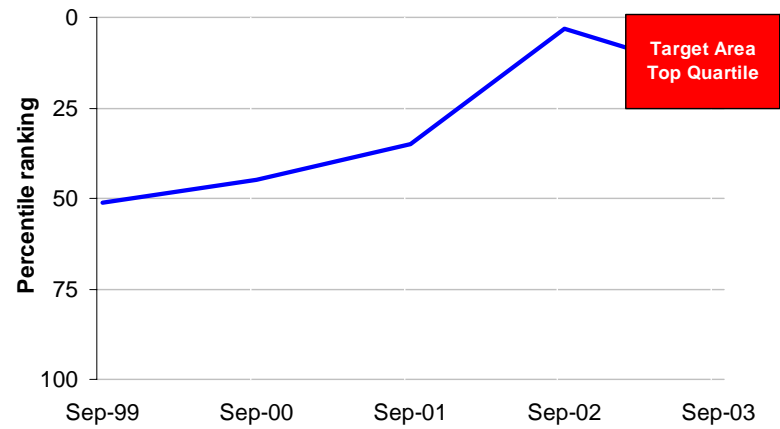
**K3 Management expense ratio  
(includes Sterling Grace, ipac & AXA Health)  
Rolling 12 months**



**K4 ASSIRT Fund Managers(Aus)/Assirt MasterTrusts(Aus)  
/AC Nielson (NZ) Adviser Service Ranking**



**K5 Scope survey overall ranking - Aust/NZ**



# Australia and New Zealand

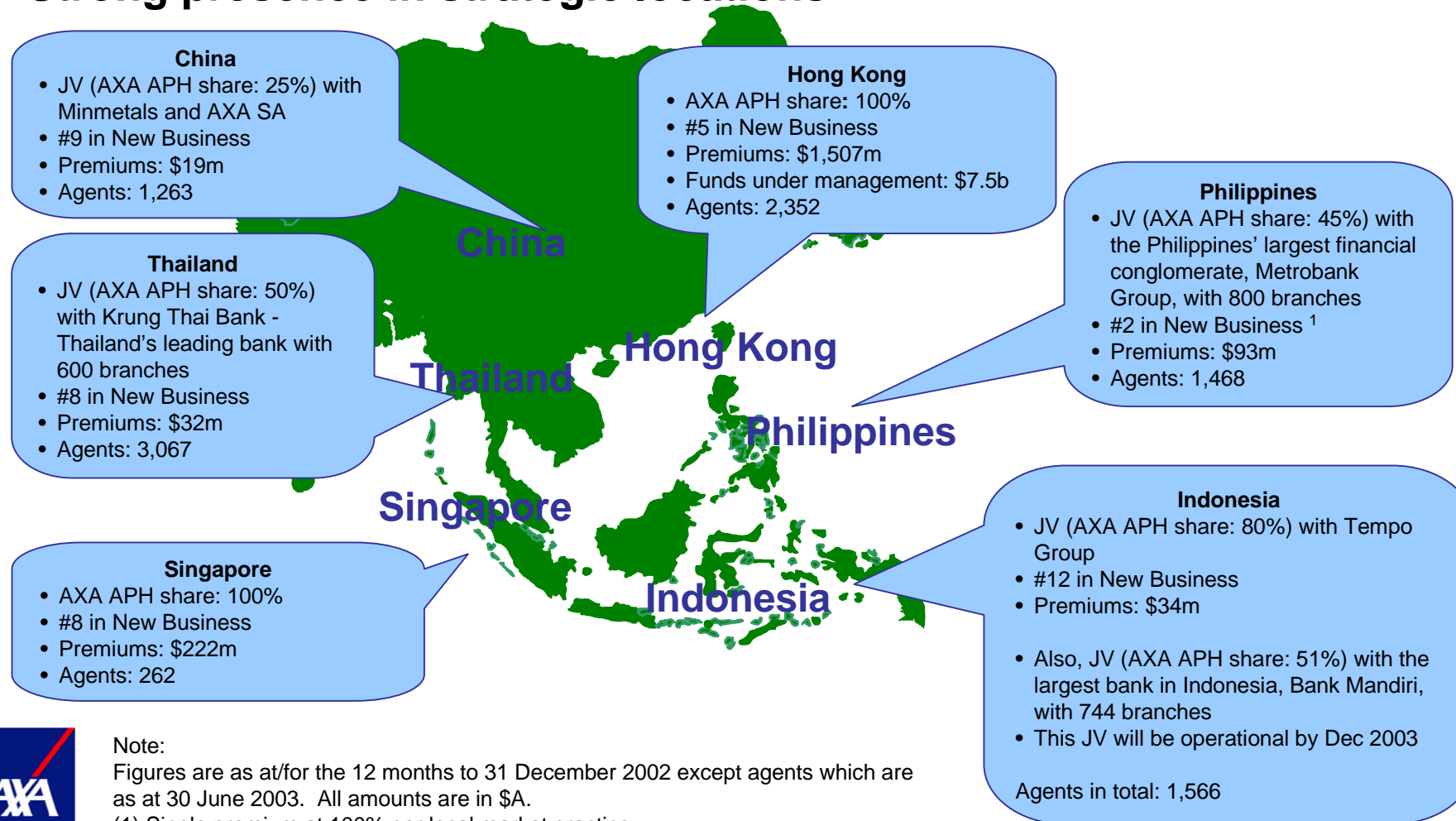
## In summary...

- Developed wealth management capabilities
  - asset management
  - product design and platform distribution
  - distribution and dealership services
  - advice (acquisition of ipac and Sterling Grace)
- Enhanced product range and greater distribution capability
- Still a leader in financial protection, but on a profitable basis
- Significant progress made against our K5 goals despite challenging market conditions
- Well positioned for future growth as markets recover



# Asia Overview of operations

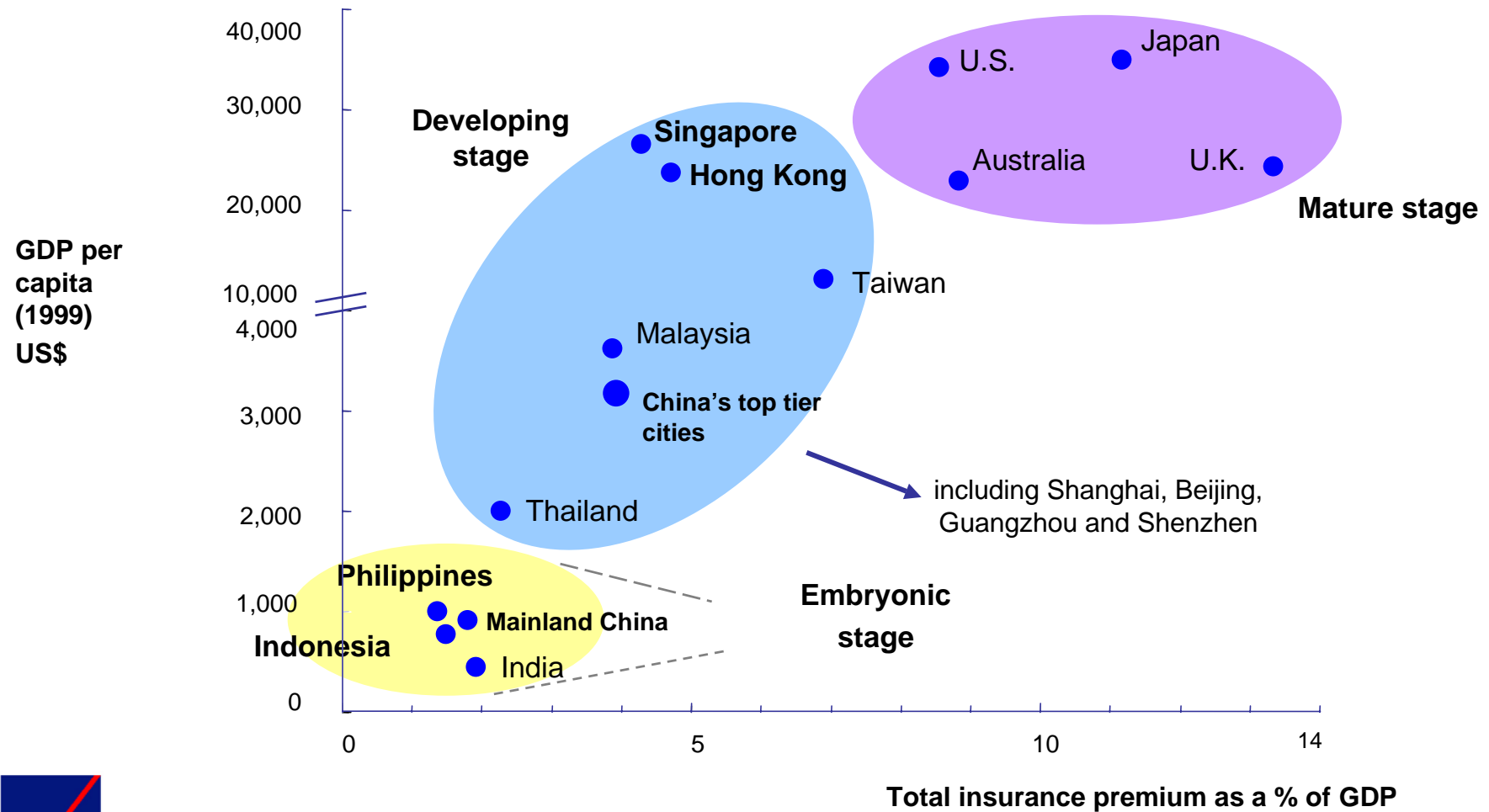
## Strong presence in strategic locations



Note:  
 Figures are as at/for the 12 months to 31 December 2002 except agents which are as at 30 June 2003. All amounts are in \$A.  
 (1) Single premium at 100% per local market practice

# Hong Kong, China & South East Asia

## Strong growth potential



Source: SIGMA, September 2000; McKinsey research

# Hong Kong, China & South East Asia

## Attractive long term fundamentals

- China's affluent population (US\$50,000+ liquid assets) increased by over 1m individuals from 1997 to 2001 and is forecast to reach 10.9m by end 2007
- Forecast to enter top 10 global insurance markets over the next 20 years
- Low penetration with markets now opening

- High savings rate, low penetration of insurance and retail funds, poor returns from alternative vehicles, combined with increasing investor maturity creating demand for wealth management and advice
- Profitable group market and high profit margins, with increasing popularity of unit linked products

- Per capita GDP among the world's highest, with ambition to become the regional financial centre
- US\$100b+ in CPF and cash deposits at the disposal of increasingly sophisticated investors

- Thailand, Philippines and Indonesia have an emerging middle class, as well as large, growing, relatively young populations, with basic insurance needs
- Penetration is currently low and regulators are opening to unit-linked products



The combined ranking for Philippines, Thailand, Singapore and Indonesia is estimated to be in the top 20 based on global market share for life insurance by 2017

In Asia, strong economic growth will continue to generate rapid growth in wealth. Some markets are evolving from simple life products to investment, wealth management and advice



# Hong Kong Market continues to be extremely attractive

**GDP, Population, Savings Rate**

| Country          | GDP<br>US\$ billion | GDP per<br>capita (US\$) | Population<br>(million) | Savings<br>% of personal<br>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  |

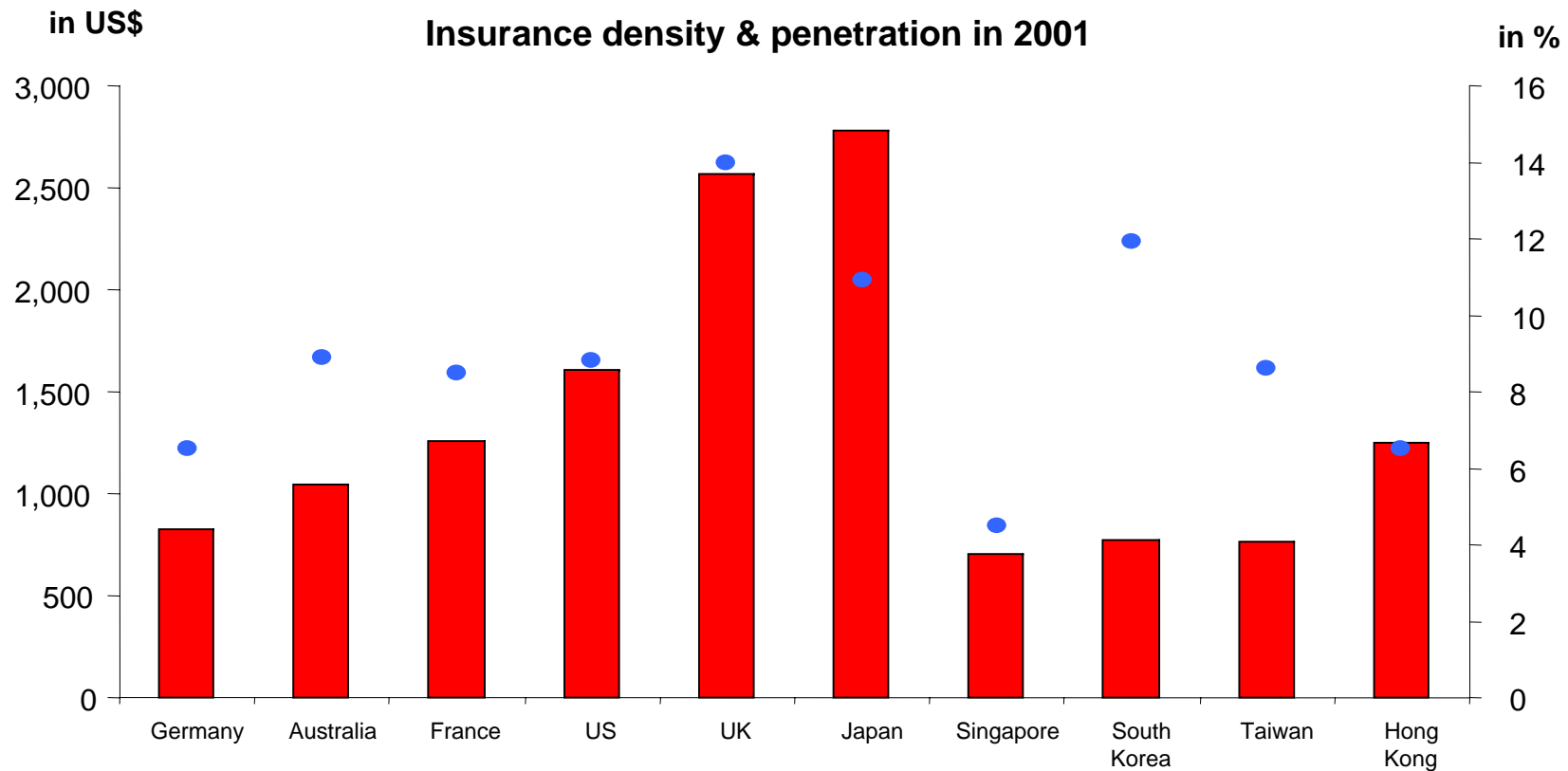
Source: National Estimates at Mid-Year: National statistical offices/UN/Euromonitor  
Euromonitor from International Monetary Fund (IMF), International Financial Statistics  
National statistical offices/OECD/Euromonitor 2002



# Hong Kong

## Life insurance premium per capita currently strong...

...with plenty of room for further growth

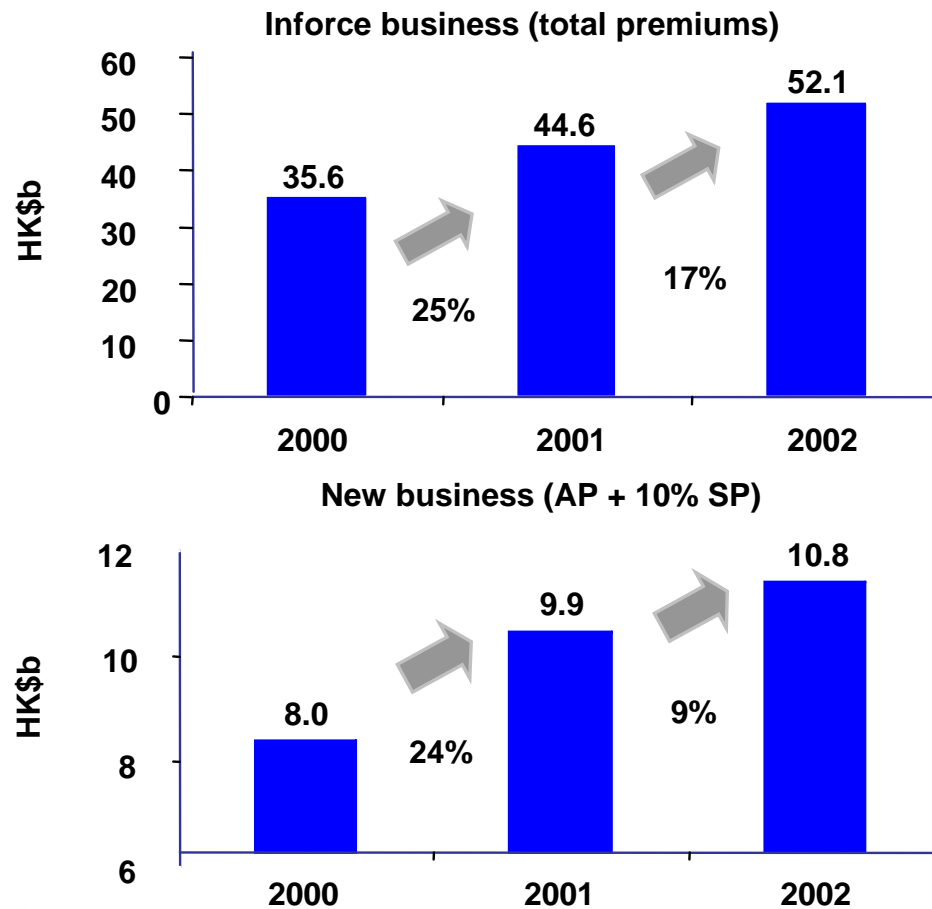


■ Life premiums per capita

● Premiums as % of GDP

Source: Swiss Re, sigma No. 6/2002

# Hong Kong Strong market growth



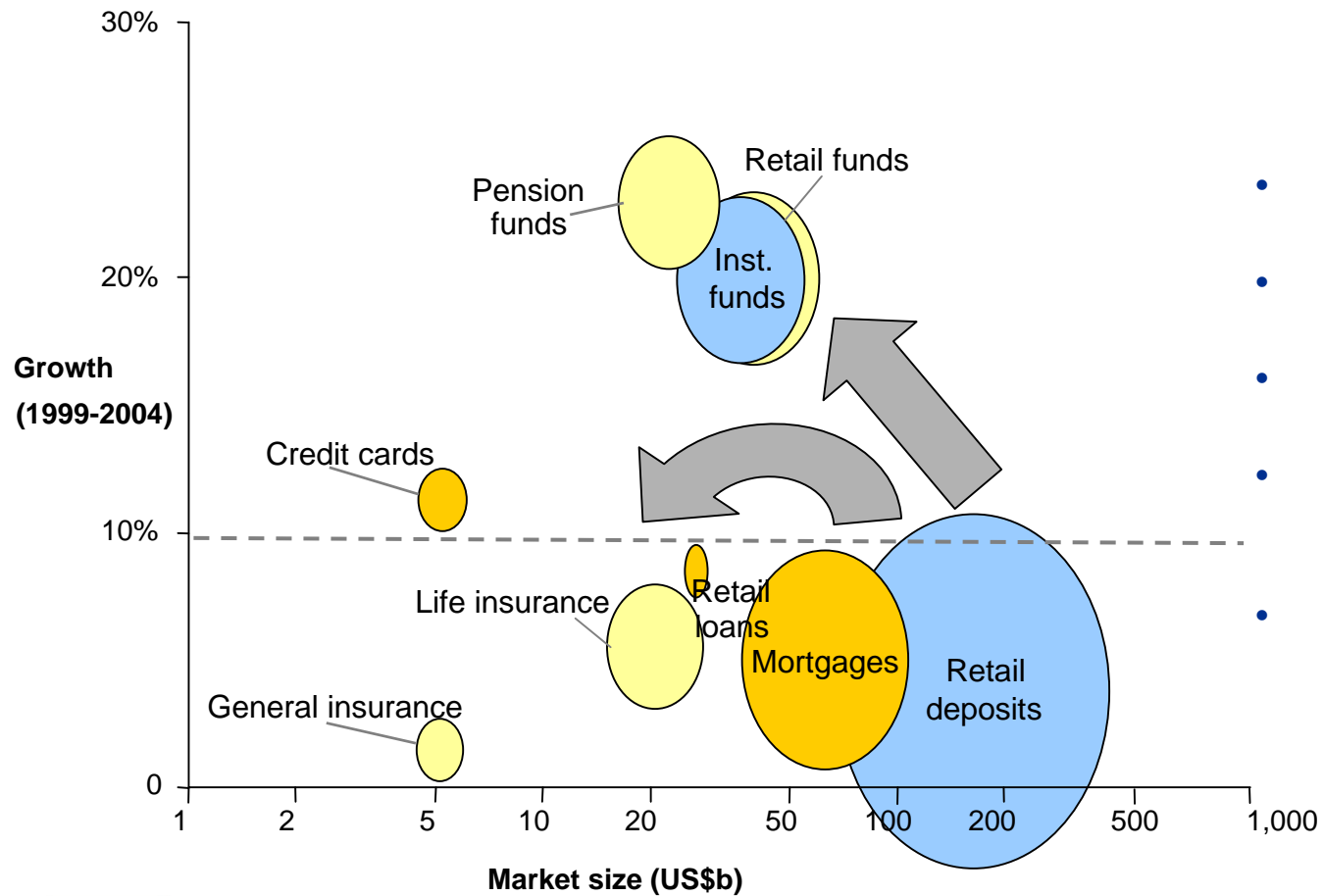
- Strong market growth fuelled by
  - Higher awareness of financial products, including MPF introduction
  - Higher share of wallet
  - Bank distribution growth



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

# Hong Kong

## What is changing in the market?

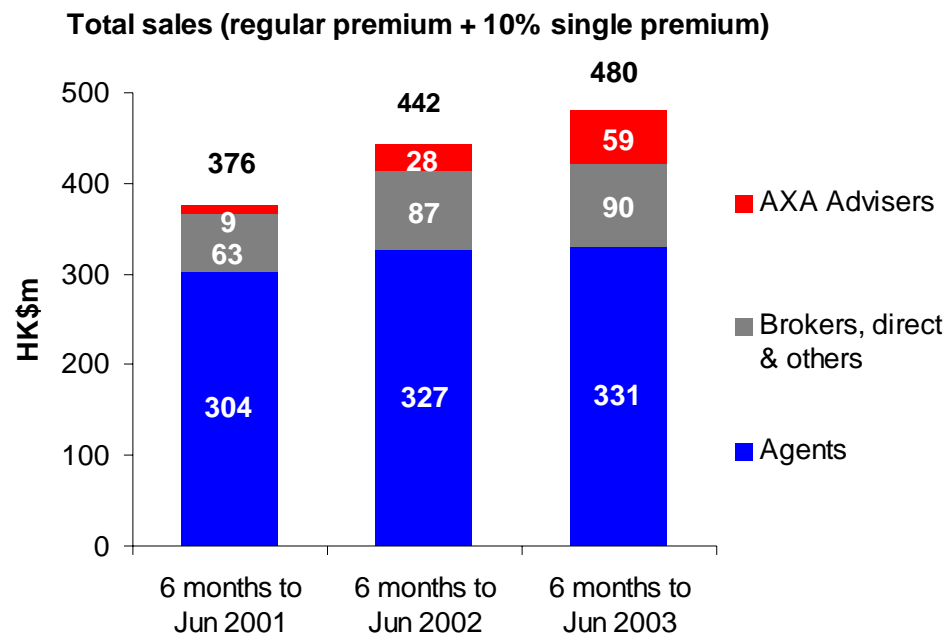
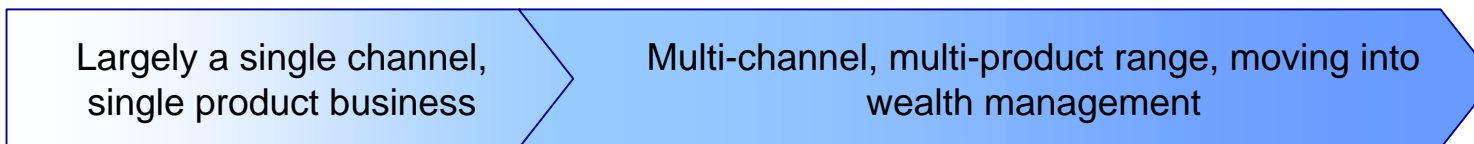


- Banks entering insurance market
- Emergence of retirement savings
- Alternative distribution channels
- Insurance companies tapping into deposits money
- Starting to evolve towards wealth management and financial planning



Source: Analyst reports; Bain analysis

## Build profitable new distribution channels

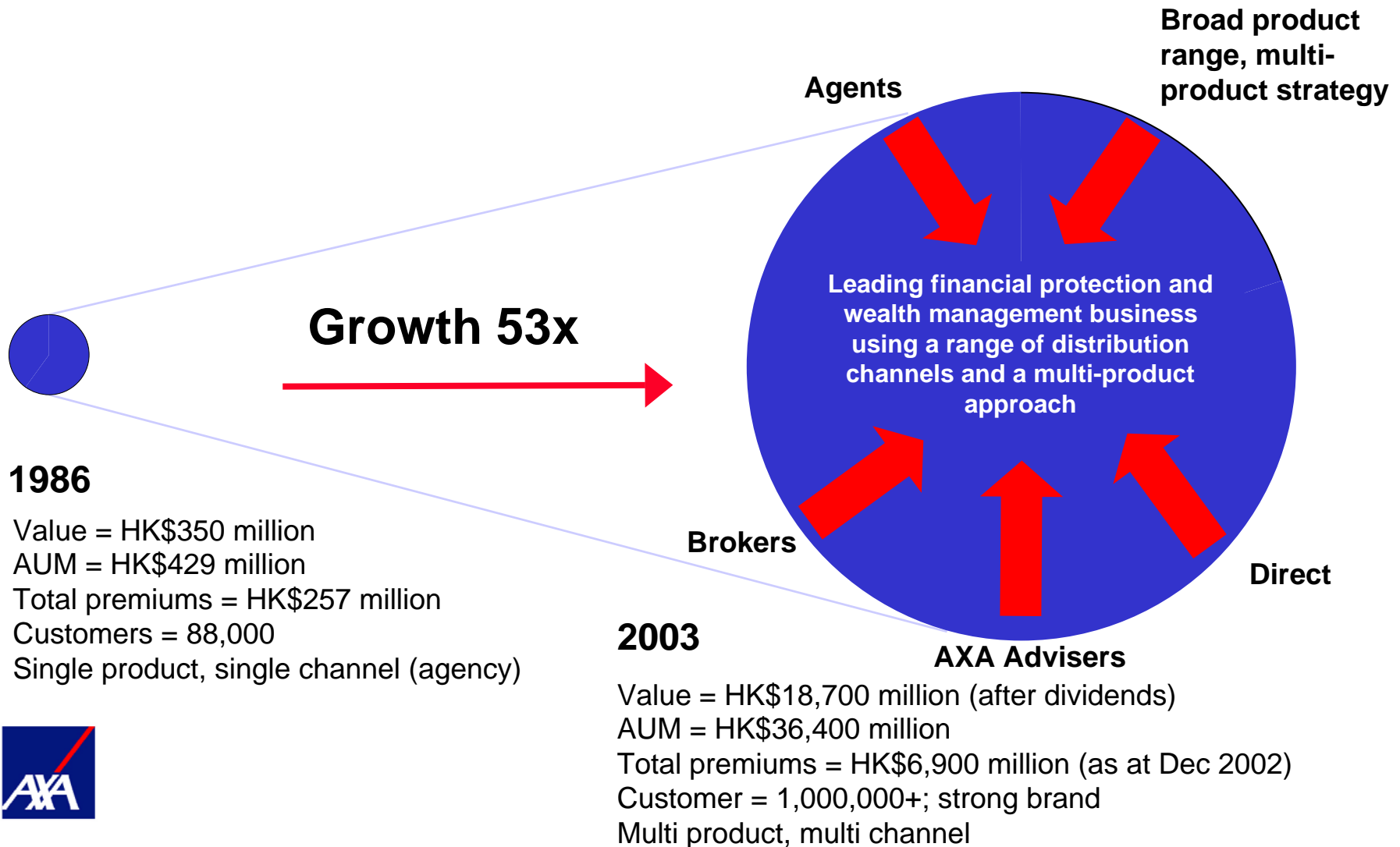


## Prepare for the growth of savings and investment market

- Developed range of unit linked products in 2001 and structured bonds in 2002
- Individual unit linked retirement savings plan launched in April
- MPF
  - we have approx. 5% share of the MPF market (MPF market is forecast to grow from HK\$40 billion to almost \$500 billion over the next 11 years)
  - if we maintain our market share, MPF Funds Under Management forecast to increase from HK\$2.1 billion in 2002 to HK\$22.6 billion in 2014
  - given our scale, we are also well placed to capitalise on consolidation opportunities as they emerge
- ipac Hong Kong financial advisory business was launched in July



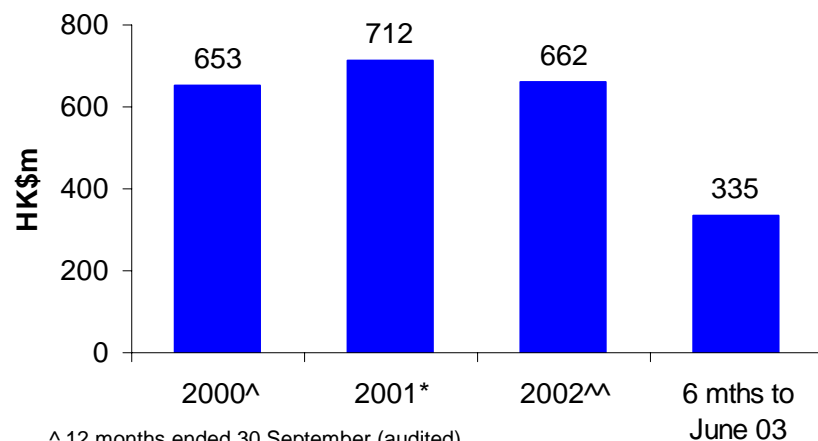
# Hong Kong Case study



# Hong Kong

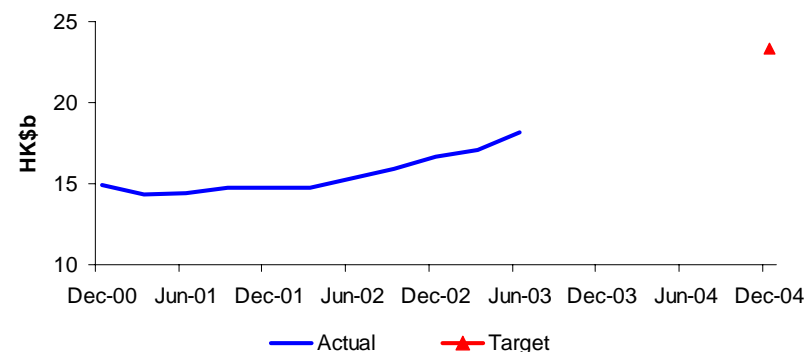
## Profit growth and progress against M6 goals

**Operating earnings**

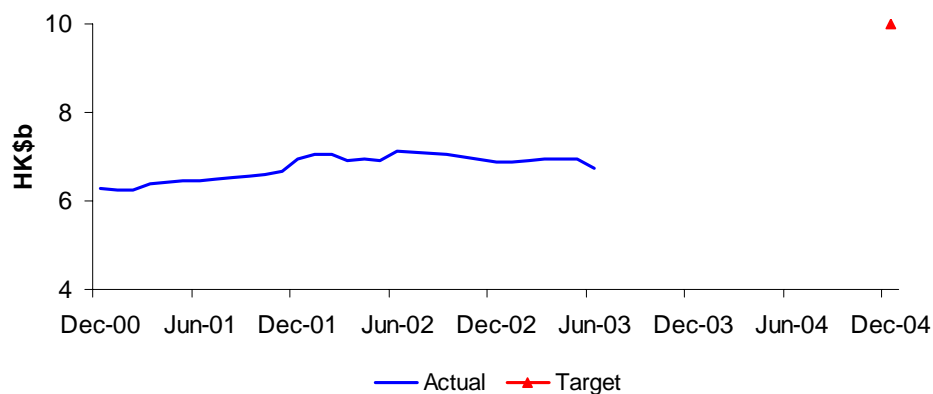


<sup>^</sup> 12 months ended 30 September (audited)  
<sup>\*</sup> 12 months ended 31 December (restated, but not audited for 2001)  
<sup>^</sup> 12 months ended 31 December (audited)

**M1 - Value of business (enterprise value)**

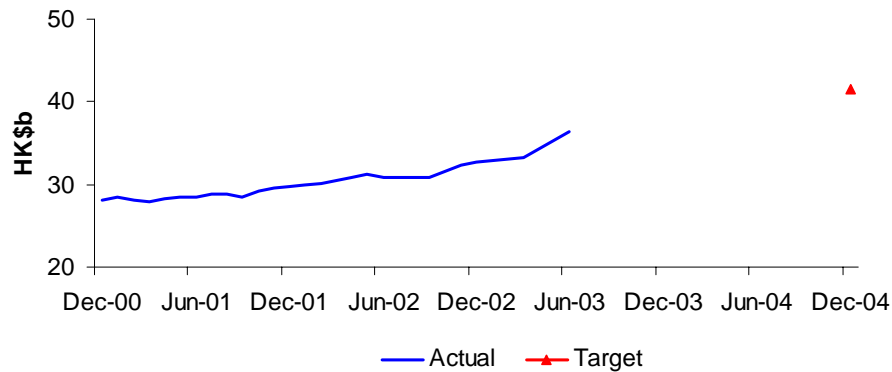


**M2 - Gross premiums (ex ORSO transfer, rolling 12 month)**

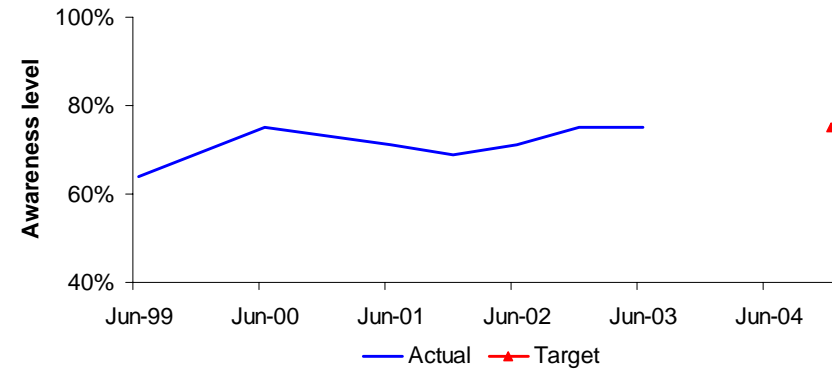


# Hong Kong Progress against M6 goals

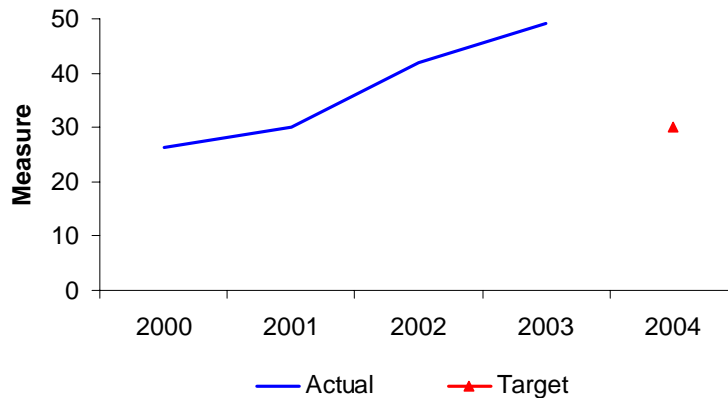
**M3 - Total assets under management (incl. linked)**



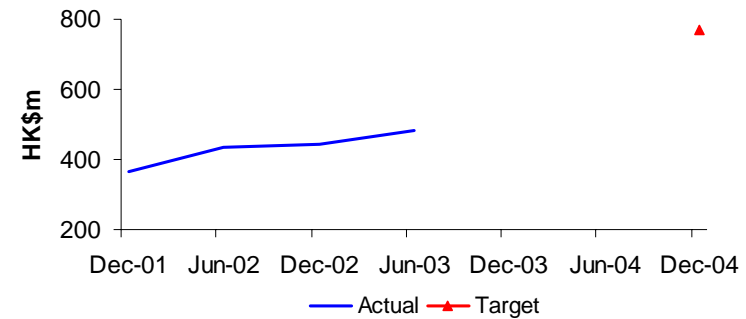
**M4 - Provider of choice - AXA (Kwok Wei) brand awareness**



**M5 - Employee satisfaction (Scope survey result)**



**M6 - Value of New Business (rolling 12-mths)**



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



# Hong Kong In summary...

- Hong Kong is an attractive high growth market
- Operating results showing
  - sales growth
  - persistency improvements
  - strong expense control
- New strategic initiatives working well
  - AXA Advisers
  - No or low guarantee products for new business
- 1% spread achieved in 2003, following adverse markets in 2001 and 2002
- Well positioned for future growth
  - multi-channel, multi-product approach
- Moving into wealth management



# China and South East Asia Regional vision

## VISION

To create a single integrated multi-distribution business model capable of being the leader in financial protection and wealth management in Asia



Exercise prudent governance

Enhance distribution capabilities

Capture market share

Grow appraisal value

Maximise return on capital



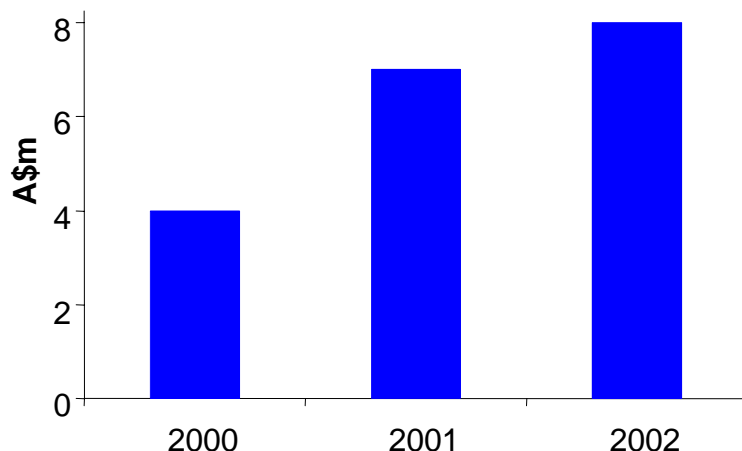
# C China and South East Asia Regional strategy

- Build top 5 position before markets enter growth phase
- Multi-channel approach
  - bank alliances
  - agency
- Single platform business model based on Hong Kong capabilities



# China and South East Asia Outlook is good

Value of one year new business \*



\* VNB calculated on standard costs

| NBI (A\$m)                 | 2000        | 2001        | 2002        | CAGR % | Industry CAGR % |
|----------------------------|-------------|-------------|-------------|--------|-----------------|
| Philippines                | 10.0        | 13.5        | 24.6        | 57%    | 12%             |
| Thailand                   | 8.0         | 13.2        | 18.5        | 53%    | 35%             |
| Indonesia                  | 7.0         | 10.2        | 13.1        | 37%    | 17%             |
| Singapore                  | 35.7        | 41.9        | 21.6        | -22%   | 12%             |
| China                      | 5.7         | 9.1         | 7.1         |        |                 |
| <b>Total SEA and China</b> | <b>66.4</b> | <b>87.9</b> | <b>84.9</b> |        |                 |

## China

- Gross premiums up 27% in local currency terms in first half of 2003
- Licence authorisation granted by CIRC to open AXA-Minmetals' second China branch operation in Guangzhou. Preparations to commence business well advanced

## South East Asia

- Continued strong growth in new business
- Bancassurance distribution working well
- New joint venture with Bank Mandiri - the largest Indonesian bank
- ipac financial advice model launched in Singapore



Note: Our compound growth rates outside of Singapore are well above the industry average benefiting from a multi-distribution capability

# C Summary

- We have made significant progress and are well placed to meet key challenges
- Clear signs that the repositioning of our business is delivering results
- Our target markets continue to have attractive long term fundamentals
- We are well positioned within our markets to continue to grow profitably
- Our strategy is standing up well and we remain committed to it



# Disclaimer

- The material in this presentation is a summary of the historical results of the AXA APH Group and an update on Group activities and is current at the date of preparation, 20 November 2003. Further details are provided in the Company's half year and full year accounts, Investor Compendiums and results announcements. 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 at:

[www.axa-asiapacific.com.au](http://www.axa-asiapacific.com.au)





## AXA Asia Pacific Holdings

UBS Investment Conference - "Australian Companies Competing on the Global Playing Field"

Les Owen - Group Chief Executive



20 November 2003