

# AXA Asia Pacific Holdings



Results for the 12 months ending  
30 September 2001

Les Owen, Group Chief Executive

Matthew Slatter, Chief Finance Officer

Kent Griffin, Group Treasurer & Chief Actuary

10 December 2001



# Today's Agenda

- Overview Les Owen
- 12 month results Matthew Slatter  
Kent Griffin
- Review of activities Les Owen



# Overview

## AXA Asia Pacific Group

- Operating earnings up 47% to \$362m (2000 - \$247m)
  - AXA A&NZ up 95% to \$207m (2000 - \$106m)
  - AXA CR up 16% to \$155m (2000 - \$134m)
- Investment earnings 57% down at \$88m (2000 - \$203m)
  - AXA A&NZ down 53% at \$42m (2000 - \$90m)
  - AXA CR down 68% at \$36m (2000 - \$114m)
- Interest expenses up 11% to \$80m (2000 - \$72m)
- Profit after Tax before Non-Recurring Items down 8% at \$292m (2000 - \$318m)



# Overview

## AXA Australia and New Zealand

- Improvement in operating earnings in all 3 businesses:
  - Funds Management up 46% to \$57m
  - Risk up 144% (before capitalised losses) to \$66m
  - Health up 110% to \$84
- Total funds under management and administration \$39bn, up 18% (2000 - \$33bn)
- Retail product net flows \$972m, up 79% (2000 - \$544m)
- Solid progress on all K5 measures



# Overview

## AXA Australia and New Zealand

- Asset management
  - Comprehensive range of new mezzanine and retail funds launched
  - Strong ratings from research houses and gatekeepers
- Distribution
  - Acquisition of Sterling Grace
  - Productivity grown by 15%
  - IFA sales of retail investment and SUMMIT up 36%
- Risk insurance
  - Strong performance from Health insurance
  - Further action to turn income protection around



# Overview

## AXA Australia and New Zealand

- Cost management
  - Recurring management expenses down 13% to \$385m (2000 - \$441m)
  - Investment in transformation projects of \$84m
- Business retention
  - RSP - Launched product upgrade and conversion offers
  - Tailored and Simple Super retention campaign in development
  - Business targets set to reduce potentially controllable outflows



# Overview

## AXA China Region

- Operating earnings maintained in difficult environment
  - In A\$ earnings up 16% at A\$155m
  - In HK\$ earnings down 4% to HK\$626m
- Investment earnings
  - Down 74%, falls in equity markets
  - Bond portfolio gains partially offset but risk spread widened
- Distribution
  - Poaching seems to have abated - AXA approach vindicated
  - Agent numbers increasing
  - Persistency improved significantly over last 6 months
  - Productivity up
  - New strategies being implemented



# Overview

## AXA China Region

- Products
  - Crediting rates reduced on participating business
  - Unit linked launch in January, single premium in July
  - Structured bond launched in November
- Transformation programme well under way
  - Strengthened management capability
  - Enhanced change management capability
- Strong market position
  - Best insurance company in Hong Kong for second year running
- China
  - Good progress in Shanghai
  - AXA Minmetals granted extension for second mainland branch - target Q4 2002 to start operations



# Overview

## AXA International

- Regional management platform implemented
- Strong new business growth in Singapore, Indonesia, Thailand and the Philippines
- Building a financial planning business in Singapore
- Sold operations in Taiwan



# Matthew Slatter

## Chief Finance Officer

- Results for the 12 months ending 30 September 2001



# AXA Asia Pacific Group

- Profit and Loss Analysis

A\$ million	2001	2000	% change
AXA A&NZ	207	106	95
AXA CR	155	134	16
AXA International	-	7	(100)
<b>Operating Earnings</b>	<b>362</b>	<b>247</b>	<b>47</b>
Capitalised Losses	(37)	(8)	(363)
<b>Investment Earnings</b>	<b>88</b>	<b>203</b>	<b>(57)</b>
Corporate Expenses*	(41)	(52)	21
Interest Expense	(80)	(72)	(11)
Non-Recurring Items	28	56	(50)
<b>Profit after Tax and Non-Recurring Items</b>	<b>320</b>	<b>374</b>	<b>(14)</b>

\* including Goodwill Amortisation



# AXA Australia and New Zealand

- Profit after Tax and Non-Recurring Items

A\$ million	2001	2000	% change
Risk	66	27	144
Funds Management	57	39	46
Health	84	40	110
<b>Operating Earnings</b>	<b>207</b>	<b>106</b>	<b>95</b>
Capitalised Losses and Reversals	(37)	(8)	(363)
<b>Investment Earnings</b>	<b>42</b>	<b>90</b>	<b>(53)</b>
Corporate Expenses	-	(18)	100
Non-Recurring Items	(3)	(39)	92
<b>Profit after Tax and Non-Recurring Items</b>	<b>209</b>	<b>131</b>	<b>60</b>



# AXA Australia and New Zealand

- New Business

<b>New Annual Premium A\$ million</b>	<b>2001</b>	<b>2000</b>	<b>% change</b>
Risk	138	128	8
Health	46	201	(77)
<b>Total</b>	<b>184</b>	<b>329</b>	<b>(44)</b>
<b>Risk New Single Premium</b>	<b>23</b>	<b>19</b>	<b>21</b>

<b>Savings and Investment</b>	<b>2001</b>	<b>2000</b>	<b>% Change</b>
Superannuation and Savings	1,893	1,641	15
Master Trust	975	795	23
Retail Investment	749	589	27
Wholesale Investment – (inc ACM)	1,655	1,034	60
<b>Total</b>	<b>5,272</b>	<b>4,059</b>	<b>30</b>



# AXA Australia and New Zealand

- Net Flows

<b>Net Flows</b>	<b>2001</b>	<b>2000</b>	<b>% Change</b>
Superannuation and Savings	124	(31)	500
Master Trust	712	623	14
Retail Investment	136	(48)	368
Wholesale Investment – (inc ACM)	752	485	55
<b>Total</b>	<b>1,724</b>	<b>1,029</b>	<b>68</b>



# AXA Australia and New Zealand

- Operating Earnings - Risk

A\$ million	2001	2000	% change
Long Term Risk	20	14	43
Individual Life	31	16	94
Income Protection	19	(10)	371
Group Risk	(4)	7	(157)
<b>Operating Earnings</b>	<b>66</b>	<b>27</b>	<b>144</b>
<b>Capitalised Losses</b>	<b>(40)</b>	<b>(11)</b>	<b>(364)</b>



# AXA Australia and New Zealand

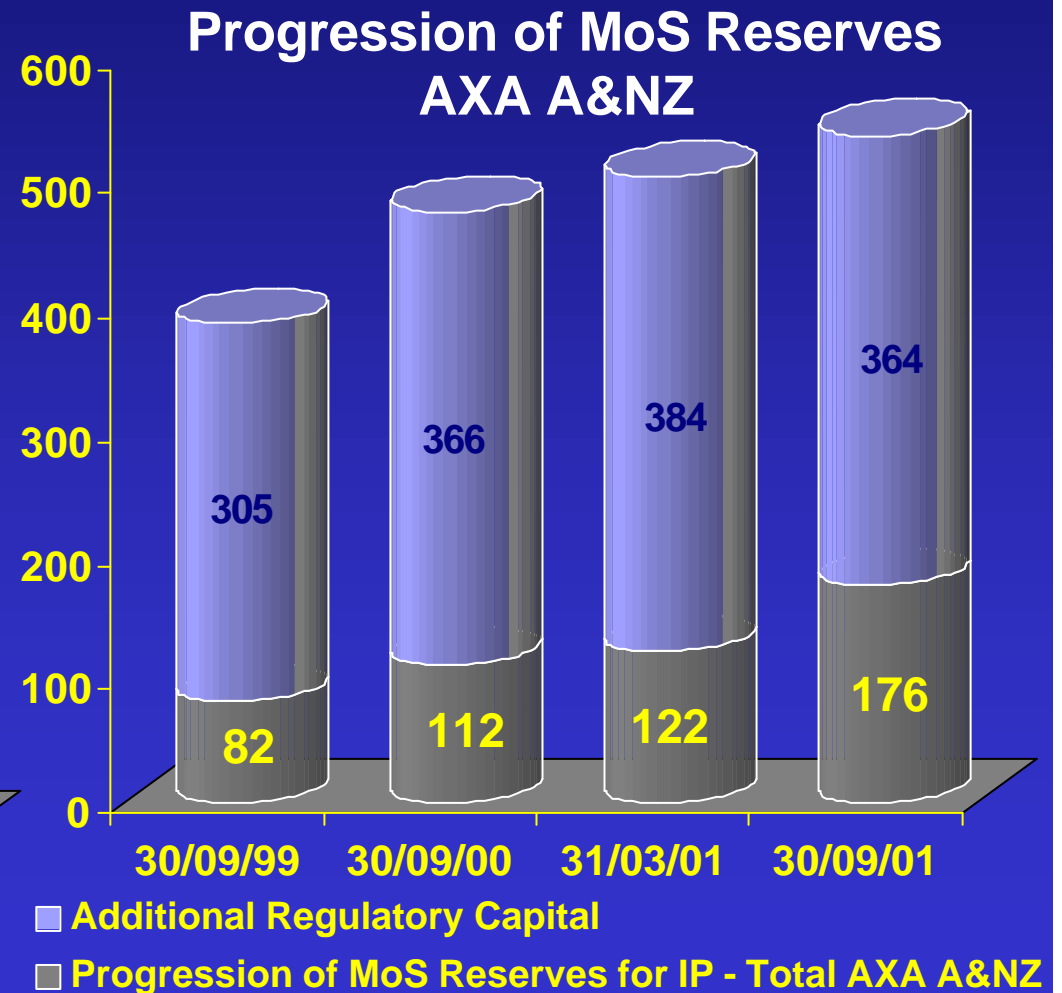
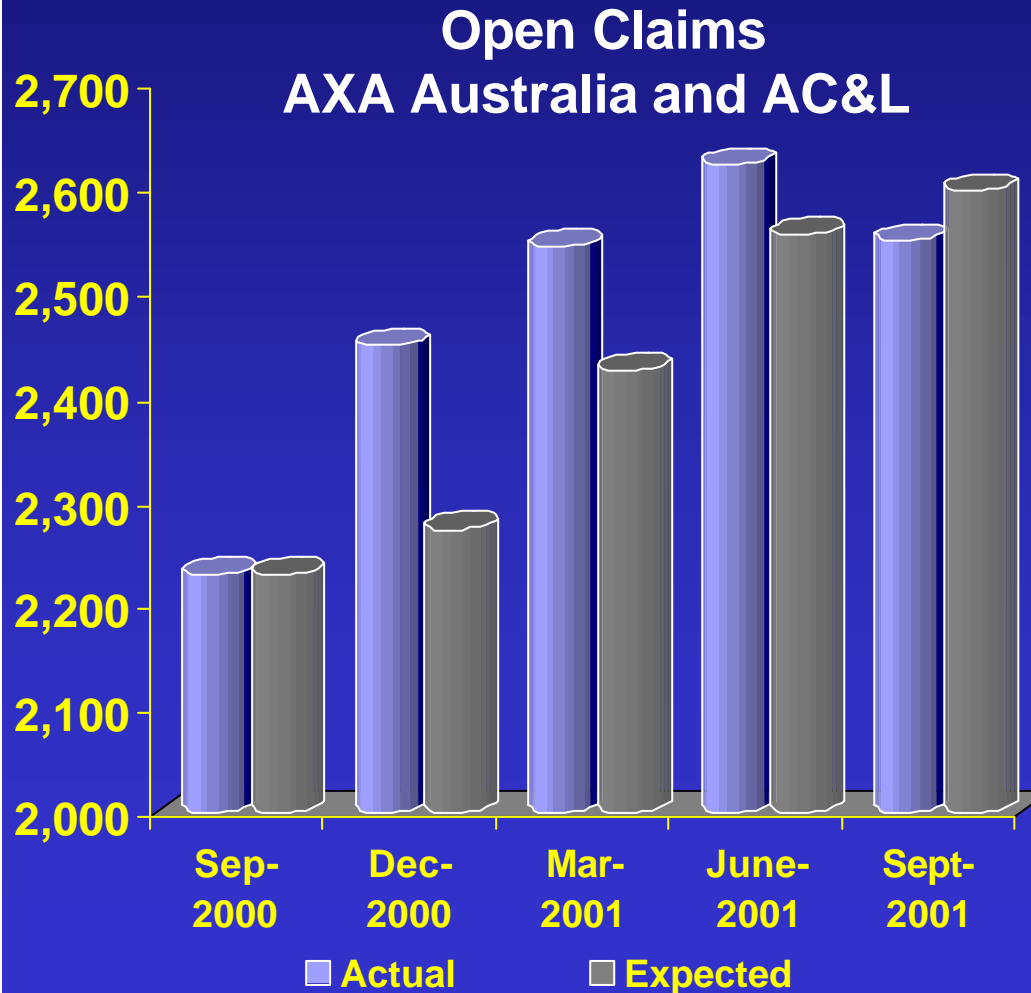
- Income Protection

A\$ million	2001	2000	% change
Experience Profits	17	(2)	9500
Claims Experience	2	(8)	125
Capitalised Losses	(40)	(11)	(264)
<b>Profit / (Loss)</b>	<b>(21)</b>	<b>(21)</b>	<b>-</b>



# AXA Australia and New Zealand

- Income Protection





# AXA Australia and New Zealand

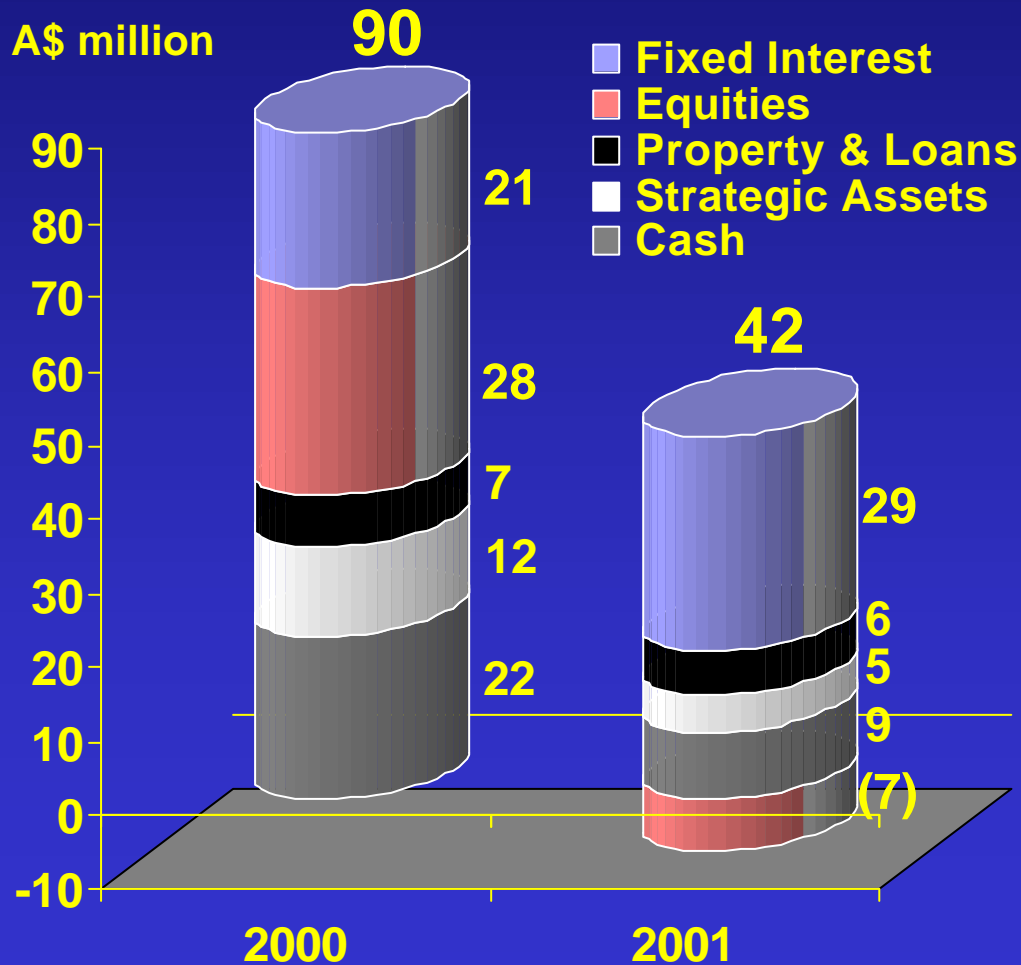
- Operating Earnings - Funds Management

<b>A\$ million</b>	<b>2001</b>	<b>2000</b>	<b>% change</b>
Retirement Income	8	(1)	900
Personal & Business Superannuation	32	13	146
Other (inc SUMMIT and NMFM)	17	27	(37)
<b>Operating Earnings</b>	<b>57</b>	<b>39</b>	<b>46</b>

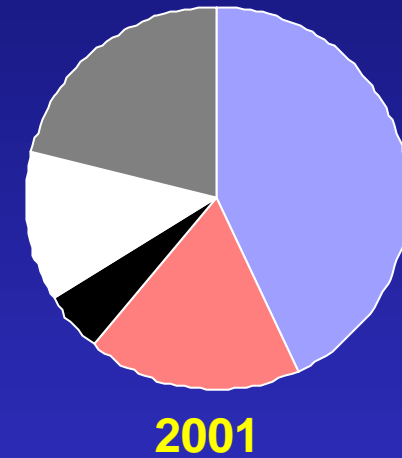


# AXA Australia and New Zealand

- Investment Earnings



## Shareholder Capital Mix

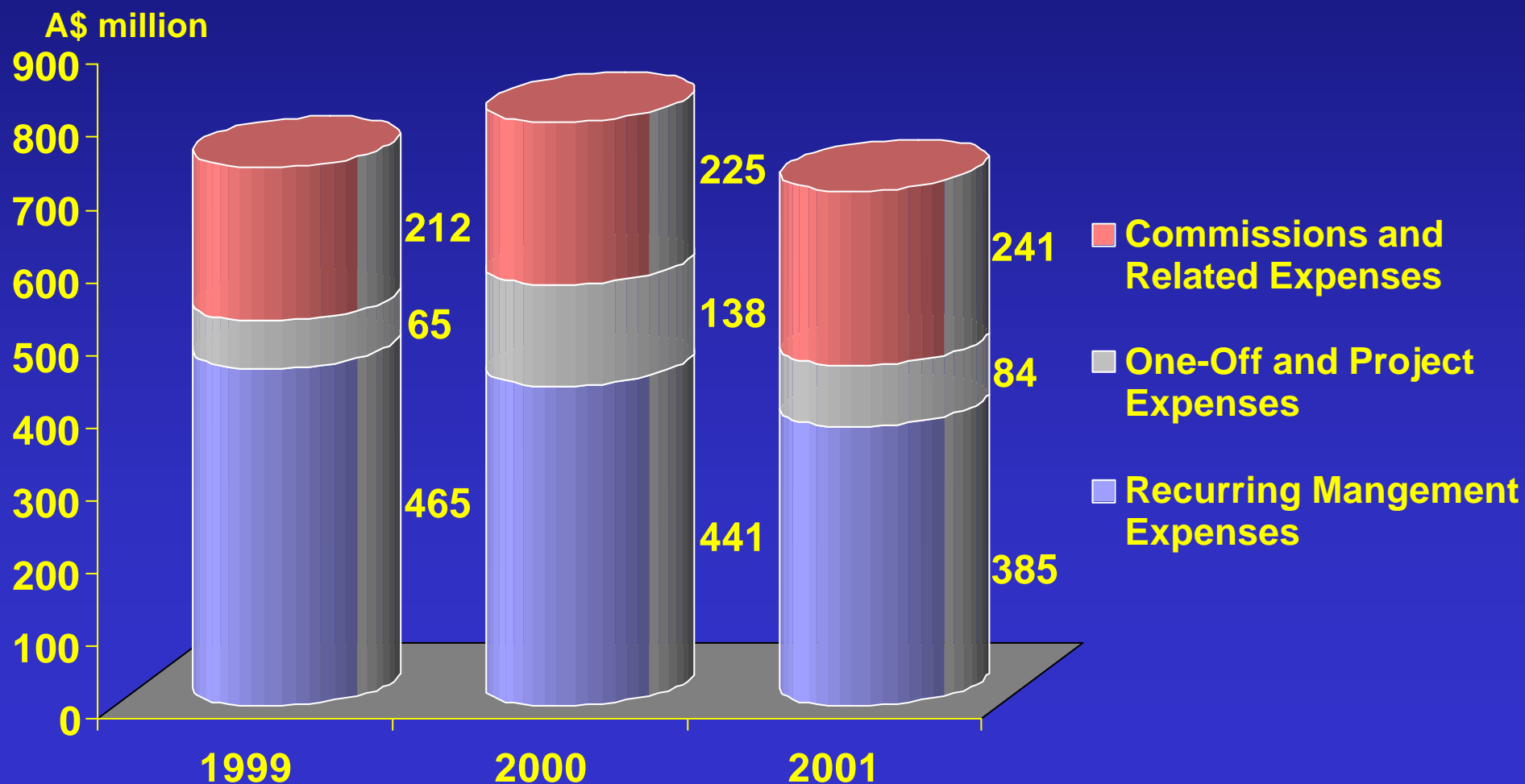


%	2001
Fixed Interest	43
Equities	18
Property	5
Strategic Assets	13
Cash	21
<b>Total</b>	<b>100</b>



# AXA Australia and New Zealand

- Total Expenses





# AXA China Region

- Profit after Tax and Non-Recurring Items

<b>A\$ million</b>	<b>2001</b>	<b>2000*</b>	<b>% change</b>
Operating Earnings	155	134	16
Investment Earnings	36	114	(68)
<b>Profit after Tax and Non Recurring Items</b>	<b>191</b>	<b>248</b>	<b>(23)</b>

\* Group Share

<b>HK\$ million</b>	<b>2001</b>	<b>2000</b>	<b>% change</b>
Operating Earnings	626	653	(4)
Investment Earnings	146	560	(74)
<b>Profit after Tax and Non Recurring Items</b>	<b>772</b>	<b>1,213</b>	<b>(36)</b>



# AXA China Region

- New Business - Annual Premium Products

HK\$ million	2001	2000	% change
Unit Linked	130	-	N/A
Non Linked	446	657	(31)
<b>Individual Life</b>	<b>576</b>	657	(12)
<b>MPF / Retirement*</b>	<b>665</b>	14	N/A
<b>Group Risk</b>	<b>57</b>	25	128
<b>General Insurance</b>	<b>81</b>	83	(2)
<b>Total Annual Premium</b>	<b>1,379</b>	779	77
<b>Total Advisers</b>	<b>2,122</b>	2,215	(4)

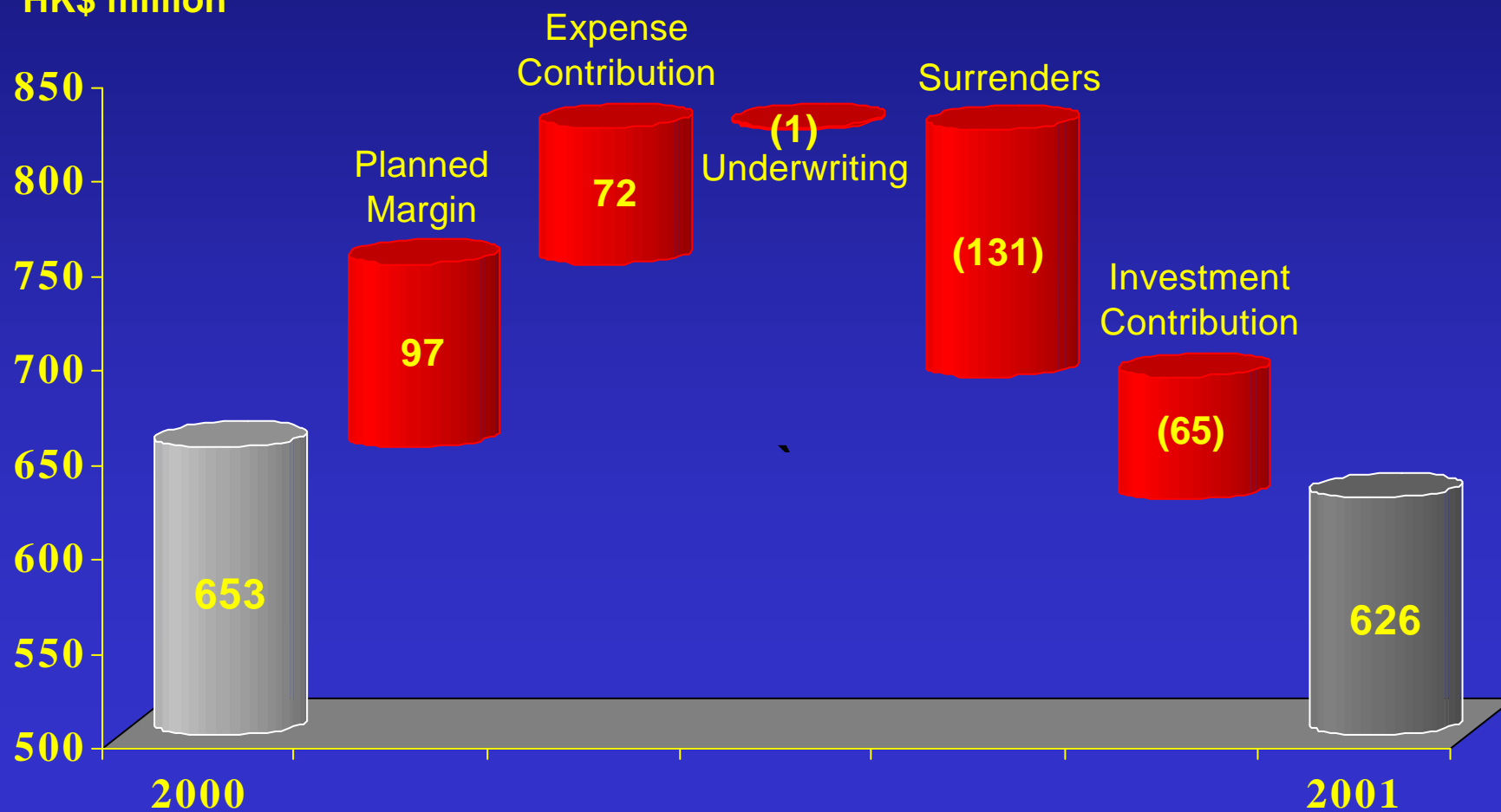
\* net of ORSO conversions



# AXA China Region

- Operating Earnings

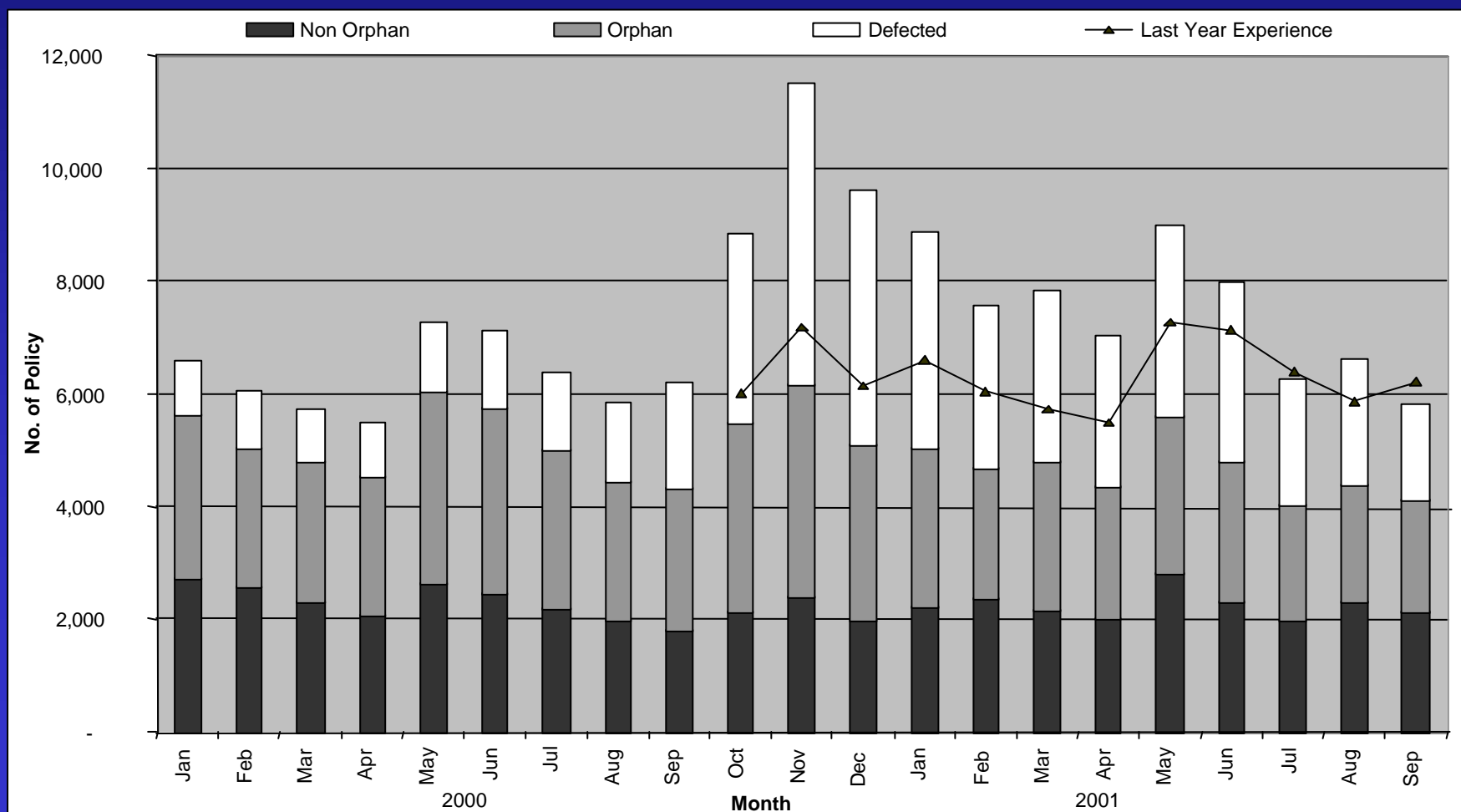
HK\$ million





# AXA China Region

- Lapse and Surrender (Individual Life Only)

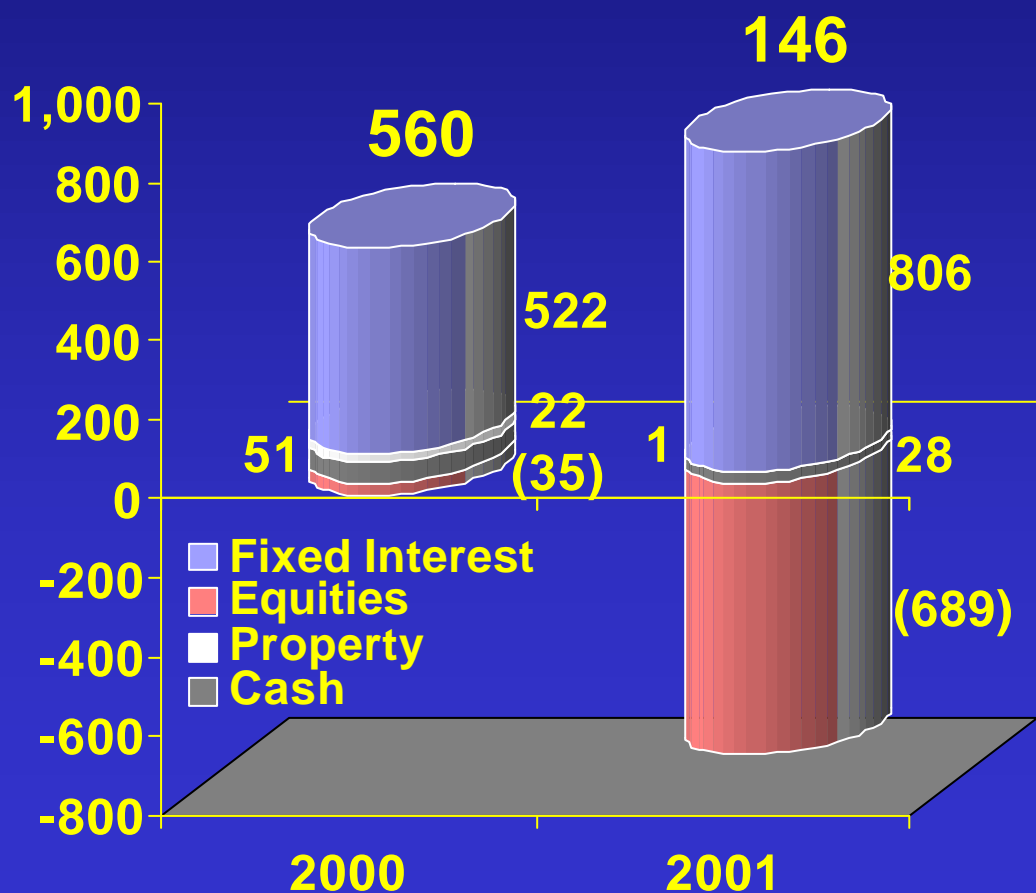




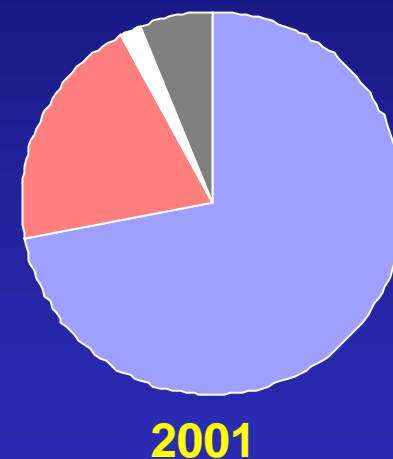
# AXA China Region

- Investment Earnings

HK\$ million



## Shareholder Capital Mix



	FY01
Fixed Interest	72
Equities	20
Property	2
Cash	6
<b>Total</b>	<b>100</b>



# AXA Asia Pacific Group

- Non-Recurring Items

A\$ million	2001	2000
Profit on sale of property management business	48	-
Write-down of AXA Life Taiwan	(34)	-
Tax credit arising on US\$ debt repayment	31	-
Other provisions and gains	(23)	(12)
Tax benefit arising on wind-up of subsidiaries	23	-
Redundancy and restructuring provisions	(17)	(37)
Profit on AXA CR transfer	-	149
Write-off of AC&L goodwill	-	(47)
Business Tax reform impact	-	25
Y2K and GST costs	-	(22)
<b>Total</b>	<b>28</b>	<b>56</b>



# AXA International

- Total Profit After Tax

<b>A \$million</b>	<b>2001</b>	<b>2000</b>	<b>% Change</b>
Operating Earnings	-	7	(100)
Investment Earnings	10	(1)	1100
<b>Total Profit after Tax</b>	<b>10</b>	<b>6</b>	<b>67</b>

- New Business

<b>A \$million</b>	<b>2001</b>	<b>2000</b>	<b>% change</b>
Indonesia	19	12	58
Thailand	14	4	250
The Philippines	37	16	131
Singapore	312	201	55

Annual Premium + 10% Single Premium



# Subsequent Events

- Enron
- Enron bonds originally acquired mid-2000. Holding re-balanced June 2001, then BBB+ with value US\$43.6 million
- Part of the AXA CR US\$2.35 billion fixed interest portfolio, managed by Alliance Capital
- Held in the AXA CR long-term insurance fund
- Sold on 29 November 2001, total loss US\$35 million
- Loss of US\$12 million (approx Australian \$23.3 million) will be recorded in 3 months ended 31 December 2001



# AXA Asia Pacific

- Enterprise Value

Value of AXA APH \$ million	30/09/2001					Total (a)	Total (b)
	Embedded Value	Value of One Year's New Business	Range of Multiples*				
			(a)	(b)			
<b>AXA A&amp;NZ</b>							
- Risk	1,370	21	7	9	1,517	1,560	
- Funds Management	1,588	29	15	20	2,020	2,165	
- Health	510	10	4	7	552	583	
<b>Total AXA A&amp;NZ</b>	<b>3,467</b>	<b>60</b>	<b>10</b>	<b>14</b>	<b>4,089</b>	<b>4,308</b>	
<b>AXA CR</b>							
- Risk	2,604	58	7	9	3,008	3,123	
- Funds Management	150	4	15	20	209	228	
- Health	265	20	4	7	344	403	
<b>Total AXA CR</b>	<b>3,019</b>	<b>81</b>	<b>7</b>	<b>9</b>	<b>3,561</b>	<b>3,754</b>	
<b>International</b>	<b>112</b>	<b>9</b>	<b>9</b>	<b>12</b>	<b>190</b>	<b>216</b>	
<b>Total</b>	<b>6,598</b>	<b>150</b>	<b>9</b>	<b>11</b>	<b>7,840</b>	<b>8,278</b>	
Corporate Expenses					(251)	(251)	
Unallocated Corporate Net Assets					25	25	
Debt					(2,155)	(2,155)	
<b>Total after Debt and Corporate Expenses</b>					<b>5,458</b>	<b>5,897</b>	

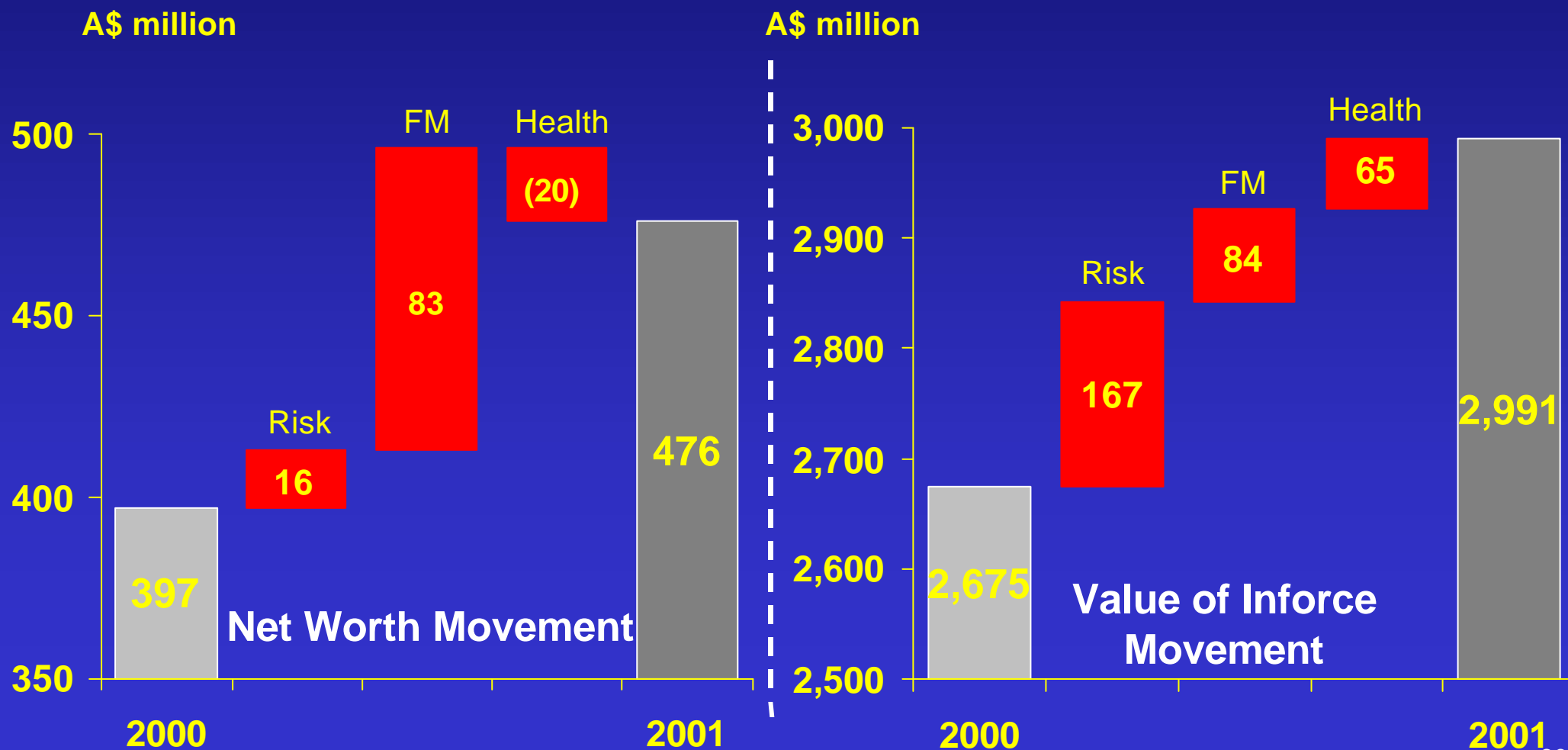
\* Multiples are provided for illustrative purposes only and do not necessarily reflect the views of AXA APH.

\*\* Value for Funds Management of AXA CR is \$14 million (including \$1 million for M&A)



# AXA Australia and New Zealand

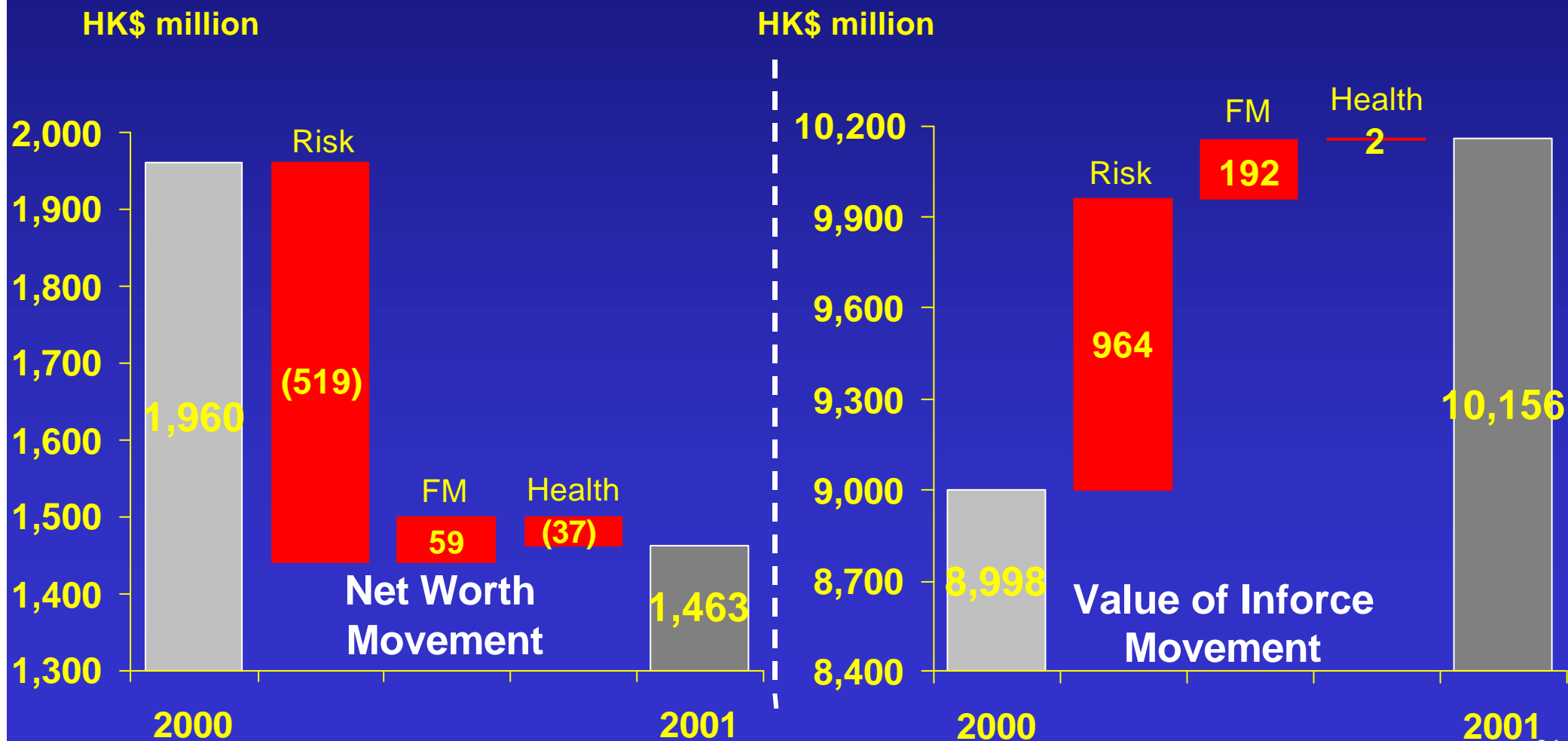
- Embedded Value Analysis





# AXA China Region

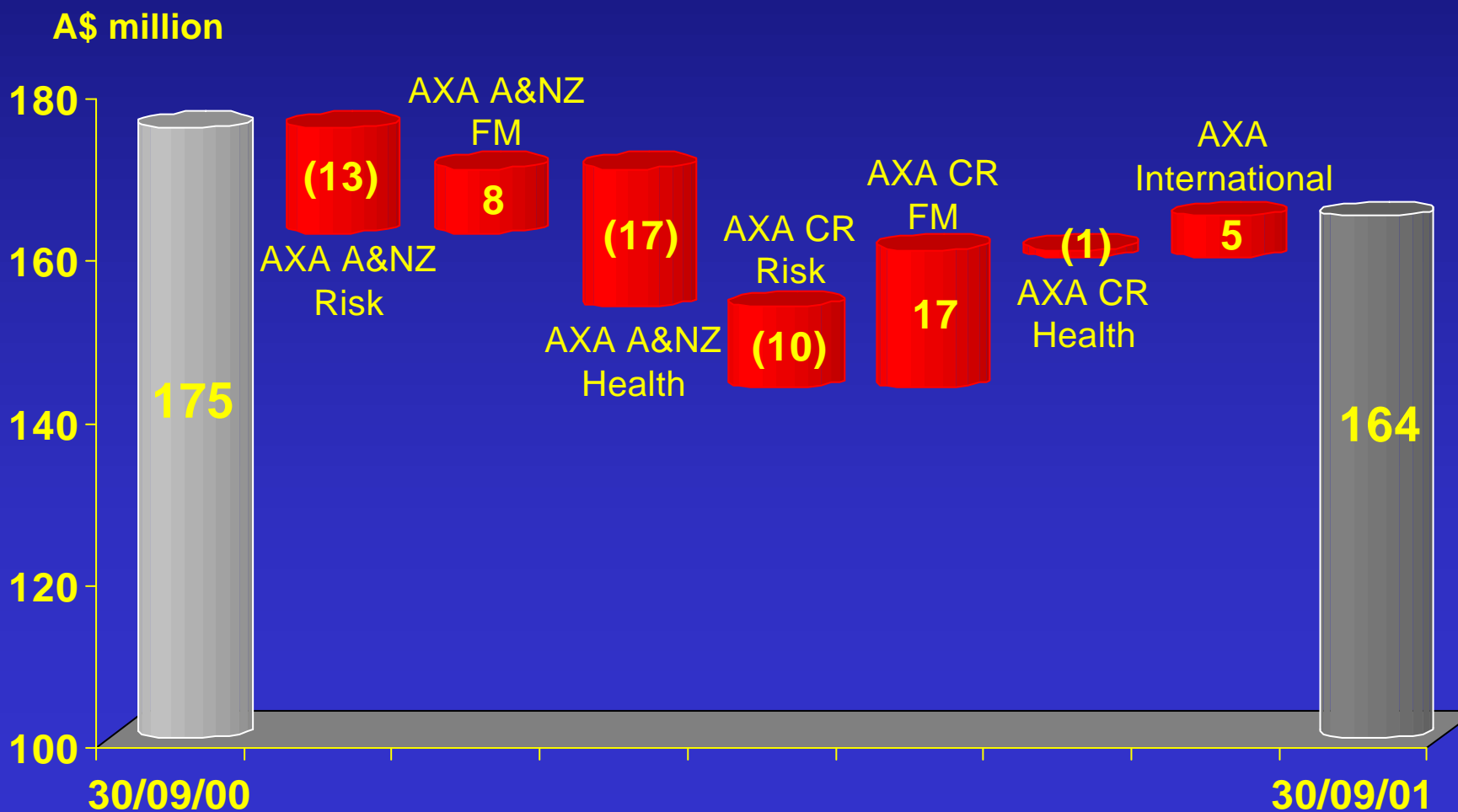
- Embedded Value Analysis





# AXA Asia Pacific Group

- Value of New Business

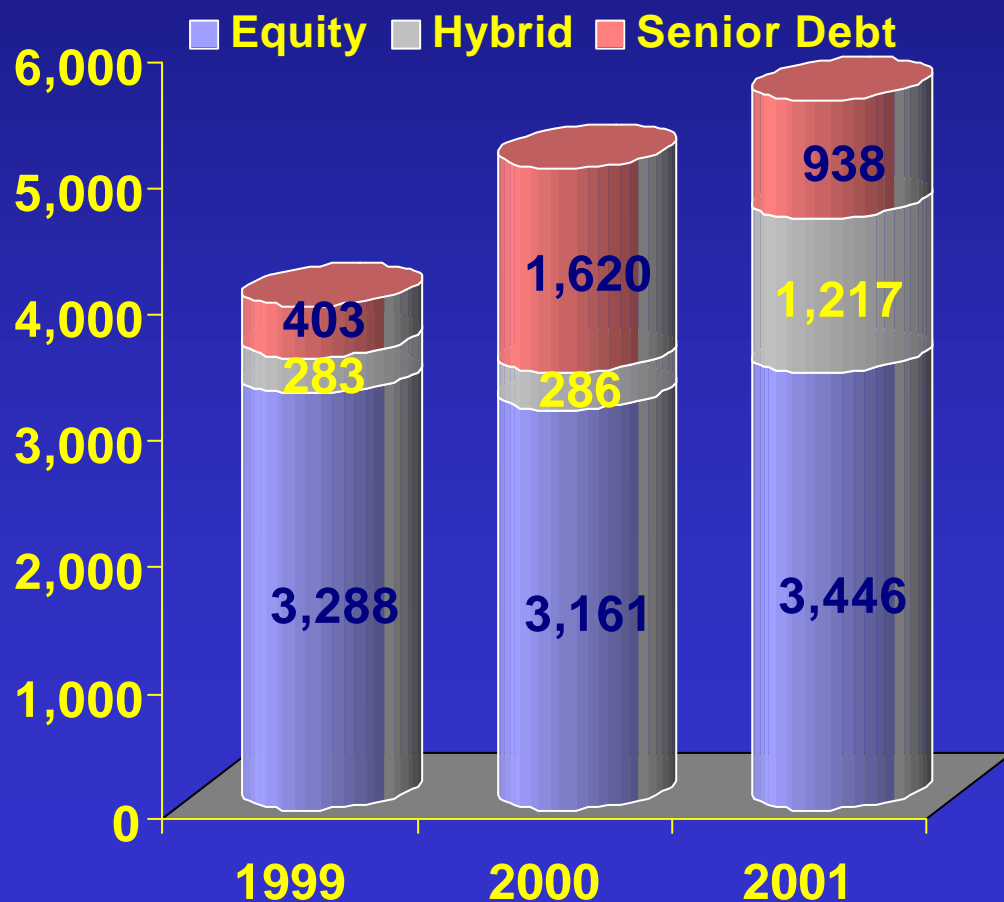




# AXA Asia Pacific Group

- Capital Structure

AGAAP, A\$ million



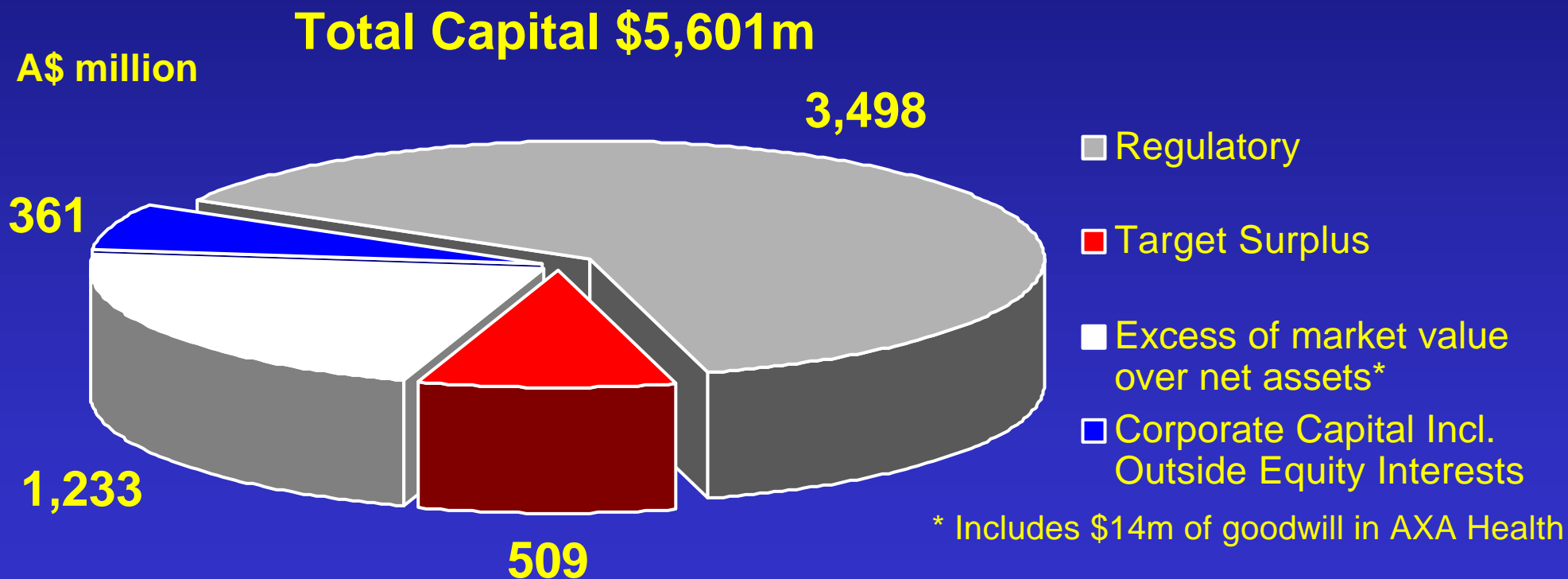
Gearing Ratios	2001	2000
Debt/Capital Resources	17%	32%
Debt/(Equity + Hybrid)	20%	47%
(Debt+ Hybrid) / Equity	63%	60%
Financial Strength Rating*	AA	AA

\* Rating by S&P and Fitch



# AXA Asia Pacific Group

- Capital Usage at 30/09/01



- More than 50% of capital usage is driven by regulatory requirements.
- Corporate Capital includes capital in excess of regulatory requirements and target surplus



# Les Owen Group Chief Executive

- Review of Activities



# Review of activities

## AXA Australia & New Zealand

- Strategic imperatives
- Grow our market share of retail investments and superannuation
- Improve retention of funds under management
- Increase size and productivity of aligned dealerships
- Increase penetration of the non aligned dealership sector
- Return our income protection portfolio to profitability
- Improve operational effectiveness and reduce expense ratios
- Improve the organisational capability through people



# Review of activities

## AXA Australia & New Zealand

- Grow our market share of retail investments and superannuation
- Asset Management Capability
  - Implemented Alliance Capital joint venture
  - Property management outsourced to Deutsche Asset Management
- New Wealth Management Products and Systems
  - Launched 13 new mezzanine funds in March
  - 13 new retail funds in July
  - Wholesale Global Diversified Hedge Fund, Wholesale & Retail Global Equity - Value Fund launched in November
  - 4/5\* ratings from Van Eyk and ASSIRT
  - New administration platform to support these products



# Review of activities

## AXA Australia and New Zealand

- Grow our market share of retail investments and superannuation
- Product Ratings

<b>Fund Name</b>	<b>Assirt</b>	<b>Van Eyk Research</b>	<b>FPI Research</b>
Wholesale Global Equity – Value Fund	5 Stars		
W/sale Global Equity – Growth		Recommended - A	
W/sale US Equity – Premier Growth	5 Stars	Recommended - AA	
W/sale Global Equity – Technology	4 Stars		
W/sale Australian Income		Recommended - A	Recommended
W/sale Australian Income Non G'teed			Recommended
Australian Property Trust	On Hold	Recommended	Recommended
W/Sale Cash Management Trust	4 Stars		
AXA NM Australian Income Trust	5 Stars	Recommended - A	Recommended
AXA NM Australian Income Trust Non G'teed			Recommended
AXA NM Cash Management Trust	4 Stars		



# Review of activities

## AXA Australia & New Zealand

- Grow our market share of retail investments and superannuation
- Repositioning the business mix

		Grow Aggressively	Defend Aggressively
Value	High	Unit Trusts (equities) SUMMIT Personal Super Business Super Allocated Pensions	Lump Sum Insurance Group Life
	Low	Ordinary Savings Cash Management Trusts DIY Super Eligible Rollover Funds Long Term Risk Annuities (short term)	Annuities (long term) Disability Insurance Group Salary Continuance Unit Trusts (cash/mortgages)
		Low	High
		Current Market Share	



# Review of activities

## AXA Australia & New Zealand

- Grow our market share of retail investments and superannuation
- Repositioning the business mix

Net Funds Inflows (open products) A\$ million	12 months to Sept 01	12 months to Sept 00	Difference	
<b>Grow Aggressively</b>				
Unit Trusts (equities)	64	5	59	1108%
SUMMIT (excludes 3 <sup>rd</sup> party)	679	549	130	24%
Personal Super (open)	329	228	101	44%
Business Super (open)	133	74	59	80%
Allocated Pensions	21	(3)	24	N/A
<b>Defend Passively</b>				
Life/Long Term Annuities	57	20	37	185%
Unit Trusts (cash/mortgagegs)	134	(27)	161	N/A
<b>Low Priority</b>				
Ordinary Savings	(65)	(77)	12	N/A
Short Term Annuities	134	177	(43)	(24%)
<b>Total</b>	<b>739</b>	<b>607</b>	<b>132</b>	<b>22%</b>

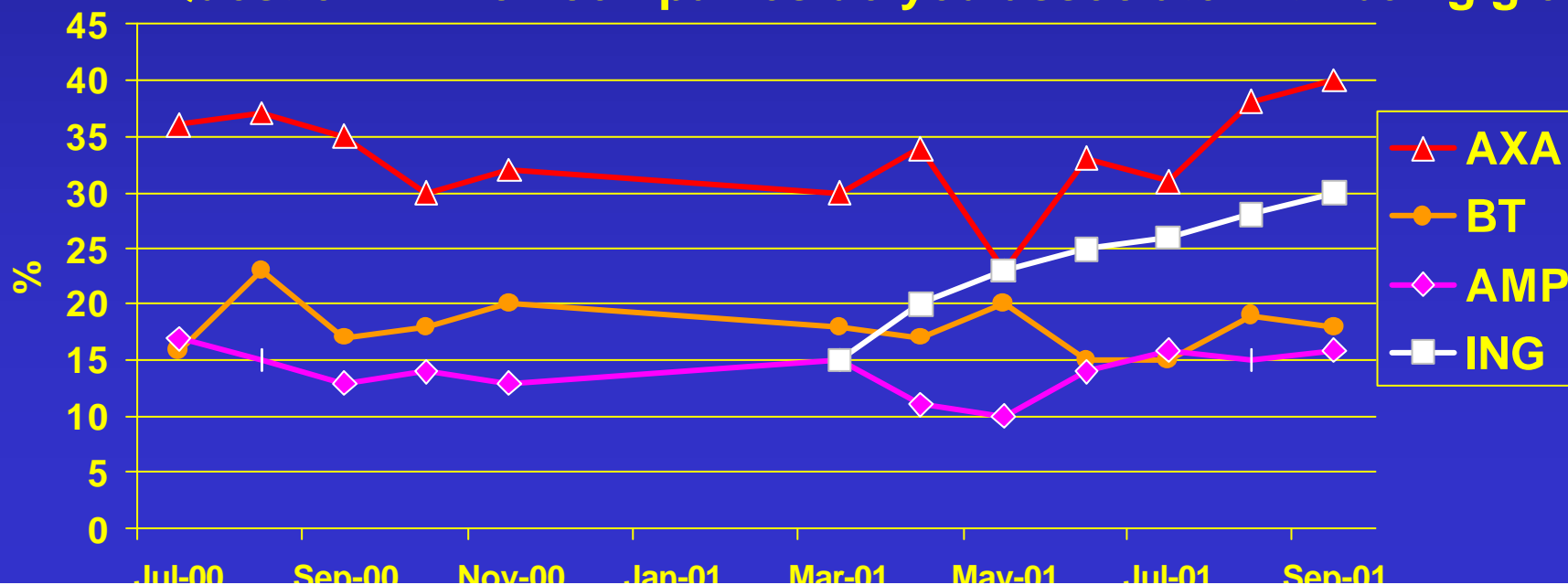


# Review of activities

## AXA Australia and New Zealand

- Grow our market share of retail investments and superannuation
- Prompted brand awareness 85% plus, leading Global association
- Advertising focused on targeting specific market segments, e.g. 'AXA Sharemarket report'.

**Question: Which companies do you associate with being global?**

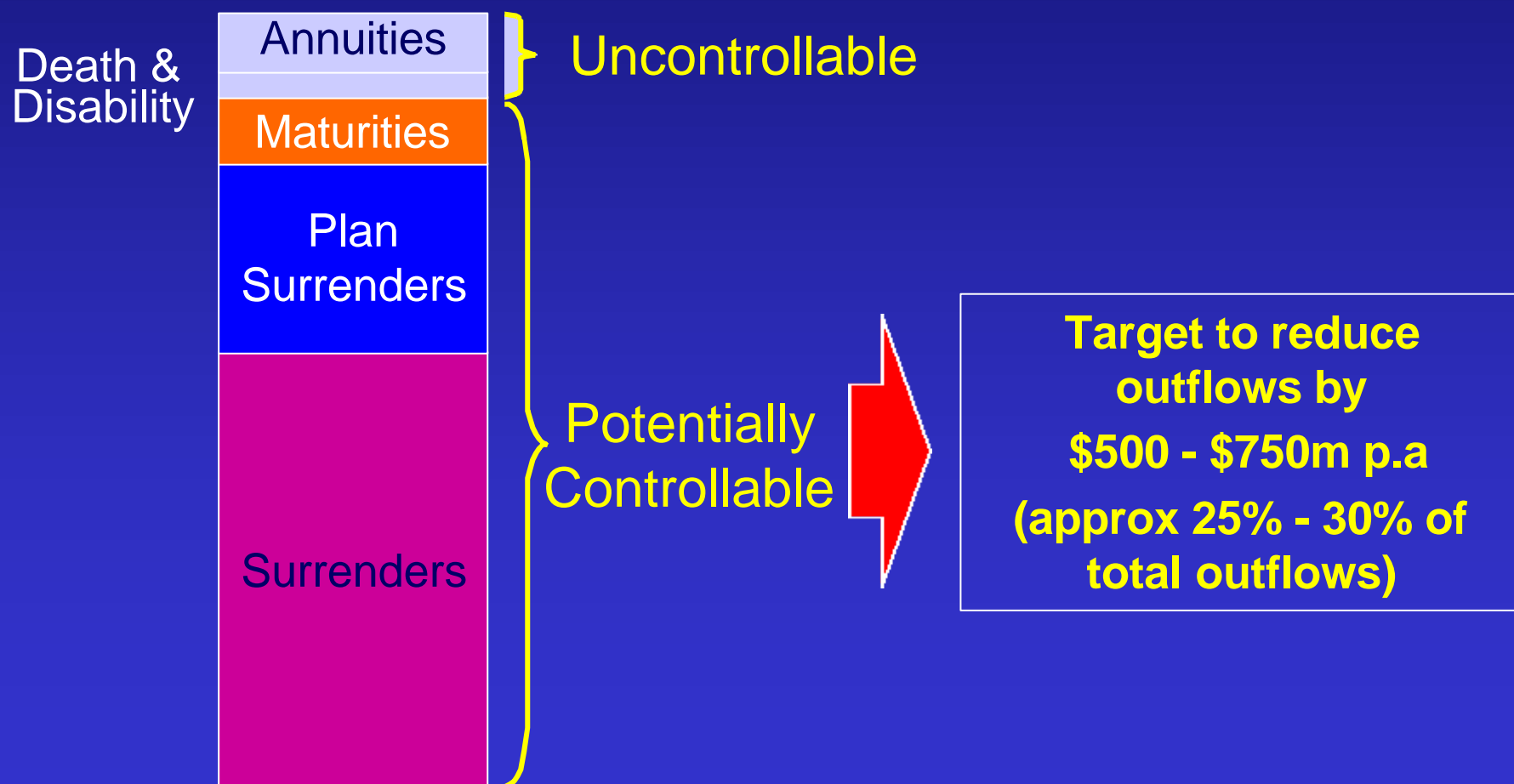




# Review of activities

## AXA Australia and New Zealand

- Improve retention of funds under management





# Review of activities

## AXA Australia and New Zealand

- Improve retention of funds under management
- Retirement Security Plan (RSP) offer launched to advisers
  - RSP - \$3.5bn fund, 250,000 clients
  - Initiatives include product upgrade, modernised benefits, conversion options
  - Clients at maturity are provided discounted financial planning if they reinvest in an AXA product eg. Portfolio Administration Systems, Unit Trusts, Super Directions
- Tailored and Simple Super retention campaign in development
  - Product and advice offerings for terminating members
  - Offer of additional products eg. discounted Home Loans through Members Equity



# Review of activities Australia

- Increase size and productivity of aligned dealership
- Aligned sales of investment products (31 Oct YTD figures)
  - Personal Super YTD sales \$430m - up 16%
  - Business Super YTD sales \$169m - up 9%
  - Retirement Income \$135m - up 21%
  - SUMMIT YTD sales \$794m - up 27%
- Adviser performance
  - 1004 authorised Financial Planners and Advisers
  - Adviser productivity up 15% on previous year
  - 85% of AXA dealership sales placed in AXA products



# Review of activities Australia

- Increase penetration of non aligned dealership sector
- IFA Investment and super sales are growing (31 Oct YTD figures)
  - Personal Super YTD sales \$18m - up 14%
  - Retirement Income YTD sales \$446m - up 56%
  - SUMMIT YTD sales \$158m - up 23%
- Penetration of IFA product lists (APL's) is growing
  - AXA's inclusion on approved IFA product lists increased from 89 to 154 - 73% increase
  - AXA's inclusion on master fund platforms increased from 15 to 28 - 87% increase
  - AXA now receiving sales through 32 external dealer groups



# Review of activities

## Australia and New Zealand

- Increase size and productivity of our aligned and non aligned dealerships
- Sterling Grace
  - Sterling Grace acquisition positions AXA as leading advisory service in NZ with 13% of total funds under advice and strengthens AXA Australia presence
  - AXA is now in the business of giving advice as well as providing supporting service to advisers.
  - Sterling Grace provides AXA with a share of the advice margin in the growing wealth management sector



# Review of activities Australia and New Zealand



## Industry Players

Maple Brown Abbott

PAS operators

Retail funds manager - BT

FAs & branded FPs eg Charter, Hillross

AMP/ AXA

Sterling Grace

## Key points:

- Sterling Grace integrates AXA's position further along the value chain
- Retail managers have moved into product packaging portfolio services
- PAS operators becoming integrated into either asset managers or advisor practices



# Review of activities Australia and New Zealand

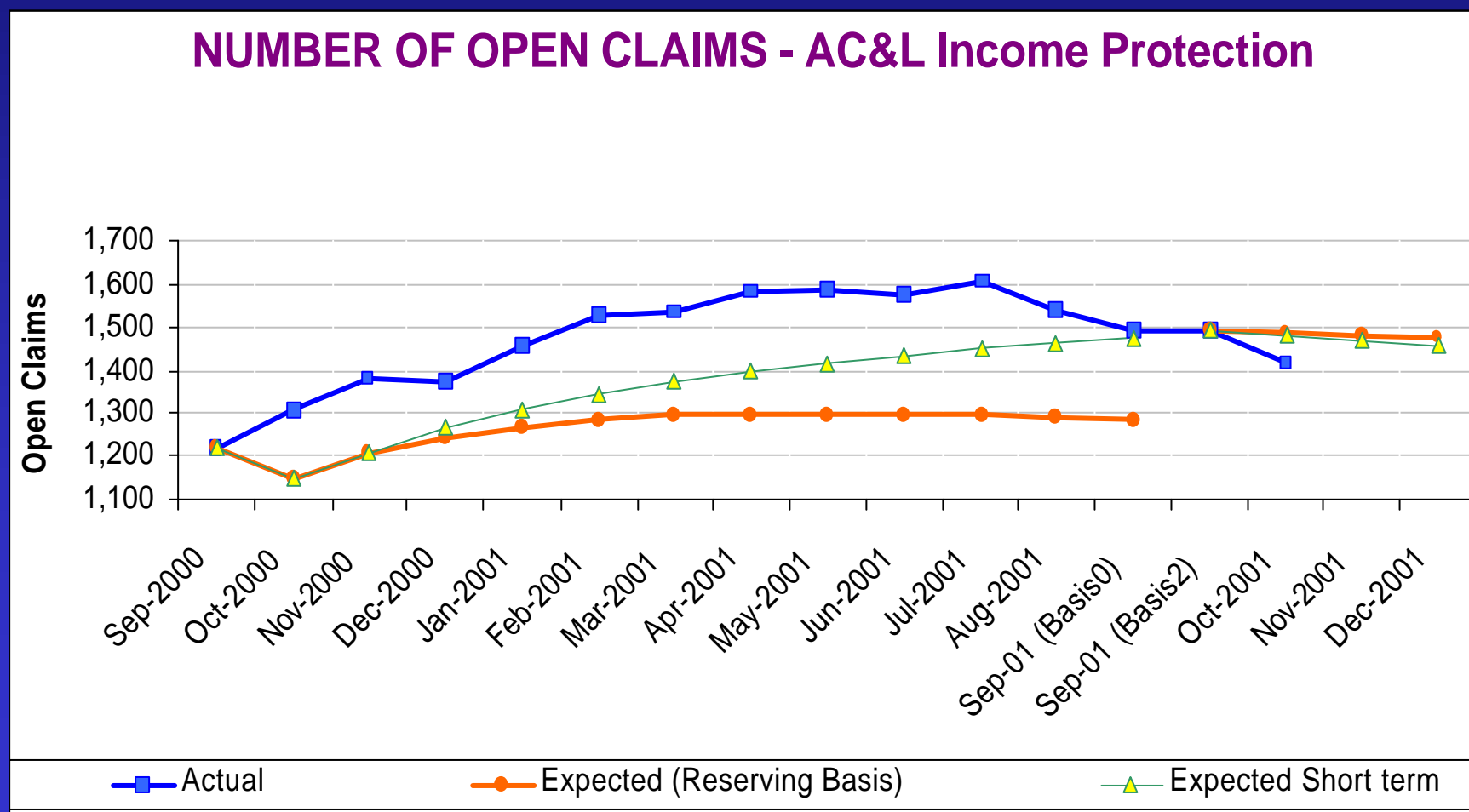
- Returning our Income Protection portfolio to profitability
- New product /repricing in December 2000 - new business is profitable
- Price increases averaging 20% for new inforce business implemented December 2000
- Shock lapse experience less than expected following changes
- Underwriting standards tightened, significant increase in claims management resource
- Introduction of specialist claims and underwriting panels
- Reserves strengthened again to recognise claims duration and cost experience. Experience in recent months better than early in the year



# Review of activities

## Australia and New Zealand

- Returning our Income Protection portfolio to profitability

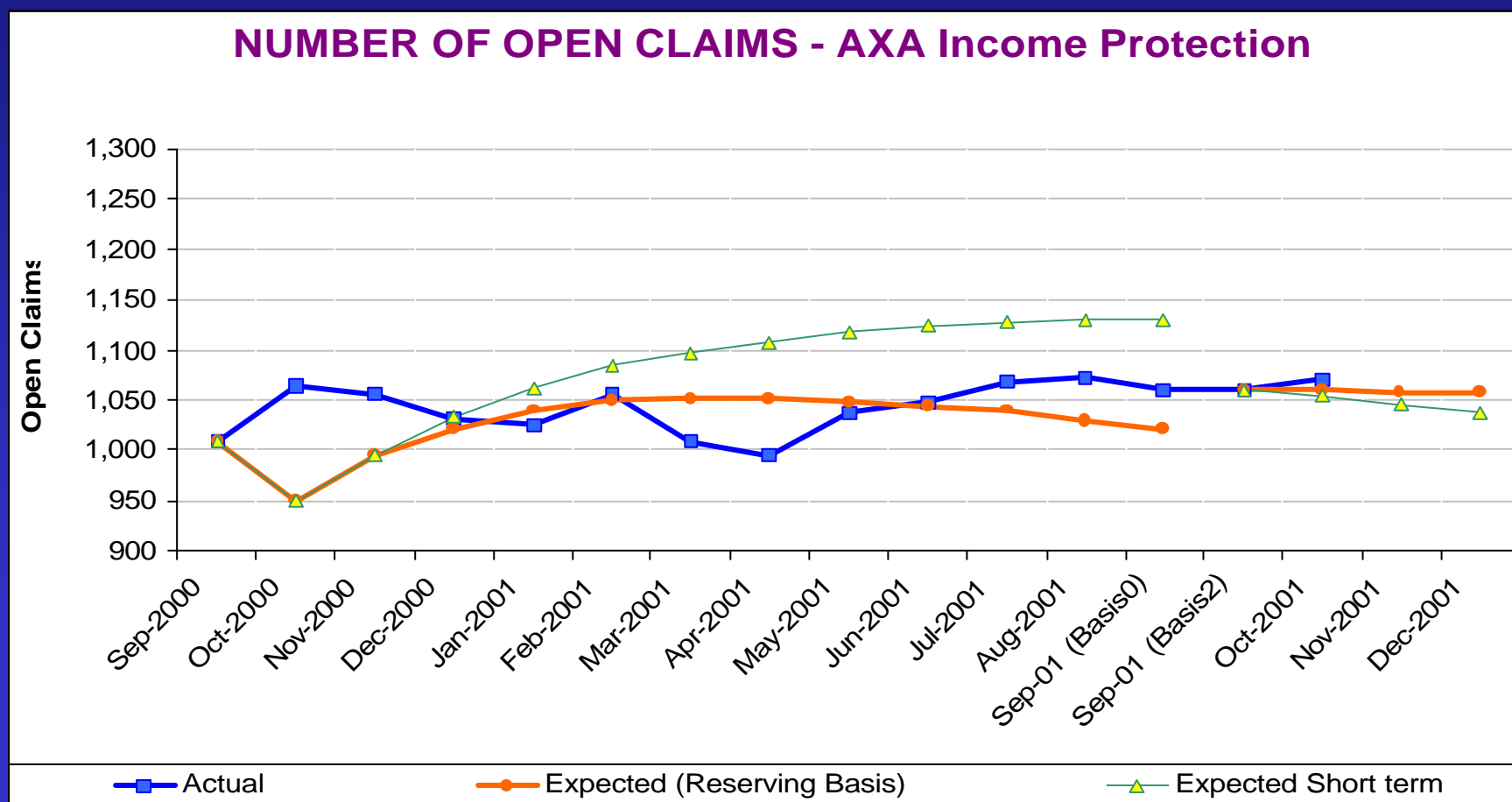




# Review of activities

## Australia and New Zealand

- Returning our Income Protection portfolio to profitability





# Review of activities

## Australia and New Zealand

- Improve operational effectiveness and reduce expense ratios
- Recurring management expenses down 13% over past 12 months. Down 17% since K5 launch in April 2000
- Continuing efforts to further reduce costs in 2002 and 2003. Design phase completed, implementation underway:
  - new customer segmentation model, aligning Distribution, Customer Services and Marketing
  - enhanced self service based administration for customers and advisers
  - investment in work management and work flow systems to enhance operations efficiency



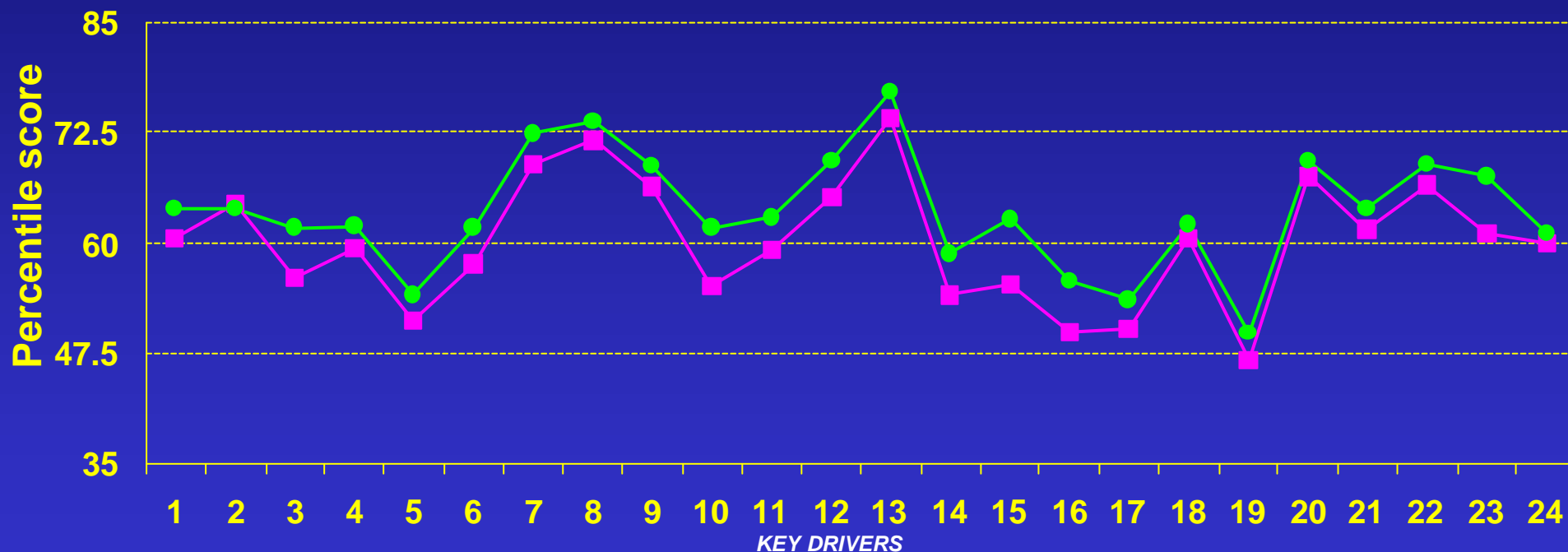
# Review of activities Australia and New Zealand

- Improve organisational capability through people
- AXA Scope Survey
  - Response rate 85%, exceptionally high
  - Ranking at the 35th percentile (as at June 2001), previously 45th percentile
  - Positive incremental increases on all 23 key attributes



# Progress on key initiatives - Scope

- Improve organisational capability through people



1. K5 Index
2. AXA Group Image
3. Company Image
4. Company Satisfaction
5. Turnover Intentions
6. Internal Communications

7. Customer Orientation
8. Team Cohesion
9. Job Satisfaction
10. Morale
11. Team Efficiency
12. Goal Congruence

13. Role Clarity
14. Performance Appraisal
15. Appraisal & Recognition
16. Training & Development
17. Career Opportunities
18. Involving Culture

19. Performance Pay
20. Work-Family Balance
21. Technology
22. Immediate Manager
23. Supportive Management
24. Senior Management

■ Australia & New Zealand 2000 ● Australia & New Zealand 2001



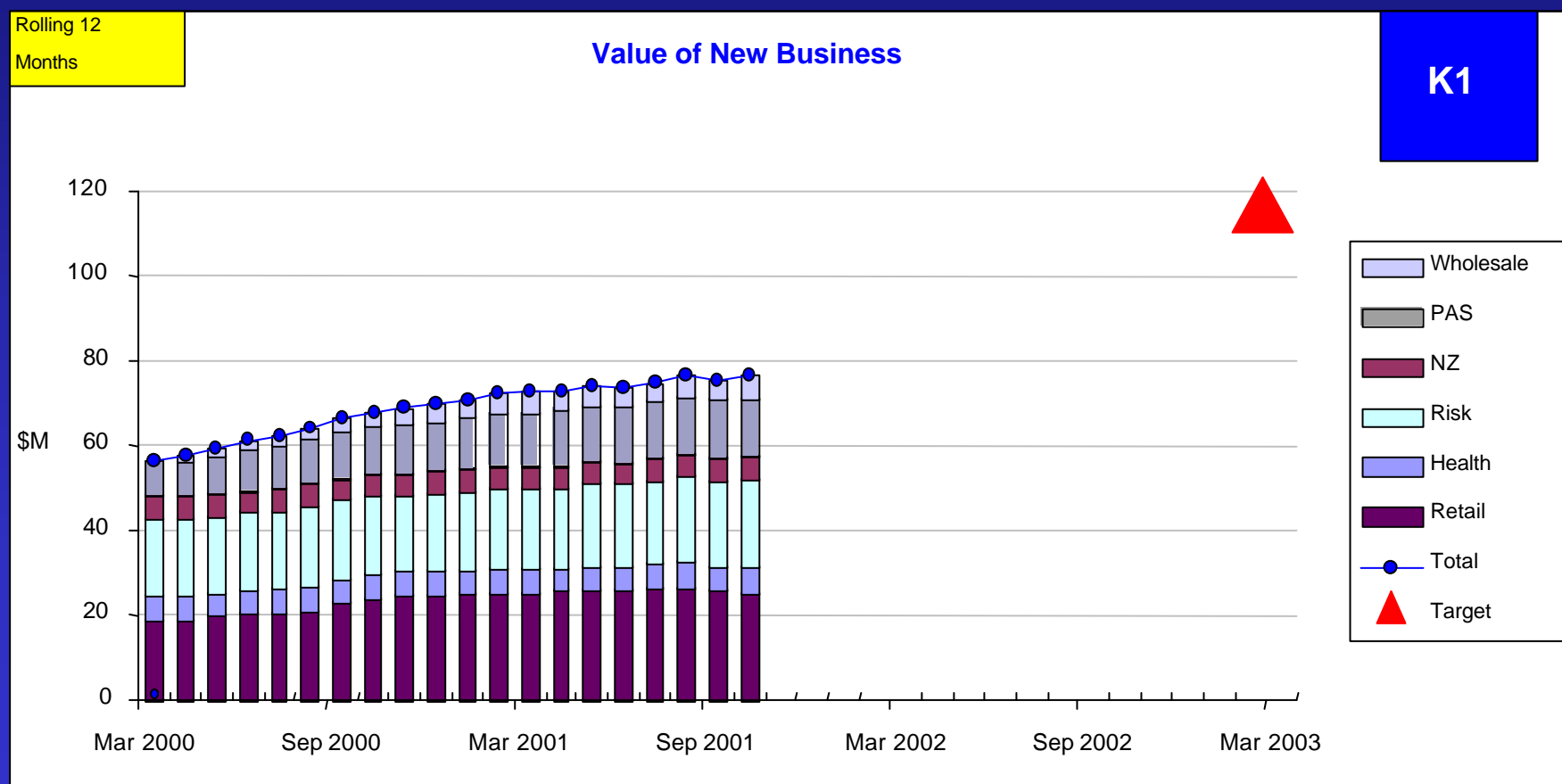
# Review of activities Australia and New Zealand

- Health
- Contributions grew 15%
- Claims ratio 77%, down from 81%. Claims growth less than competitors as AXA HI early 'no gaps' insurer and less exposure to recent growth in no gaps claims
- Management Expense Ratio (Sept 2001) 8.7% - down from 12%. Significantly lower than industry average of 11.6%
- Market share of hospital membership remains sound - 23% in Victoria, 44% in South Australia (Sept 2001)
- Strategy is to optimise shareholder value



# AXA in 2001 - progress against K5 goals

- K1 - Double Value of New Business\*

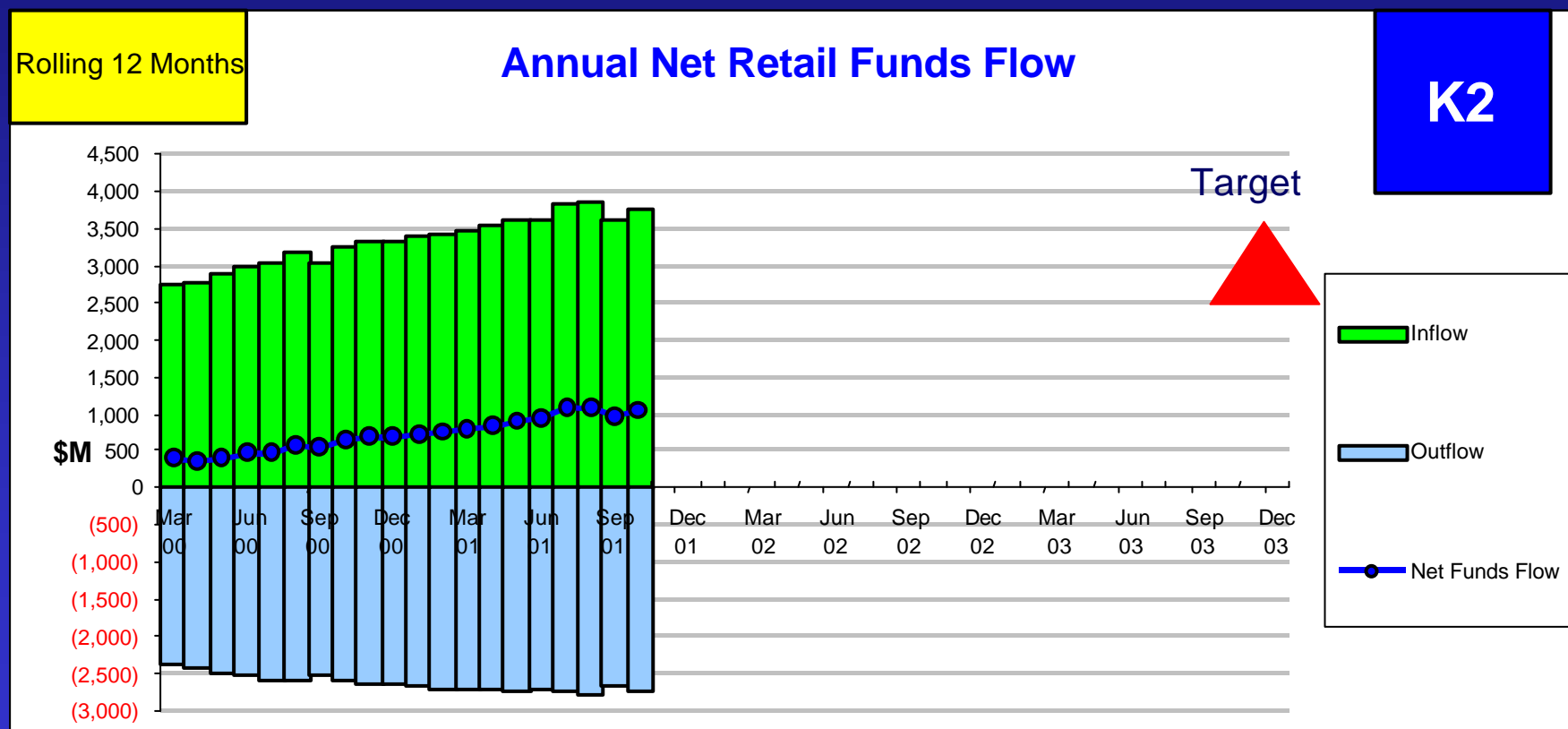


\* Includes AXA A&NZ Life, Health and Retail Funds



# AXA in 2001 - progress against K5 goals

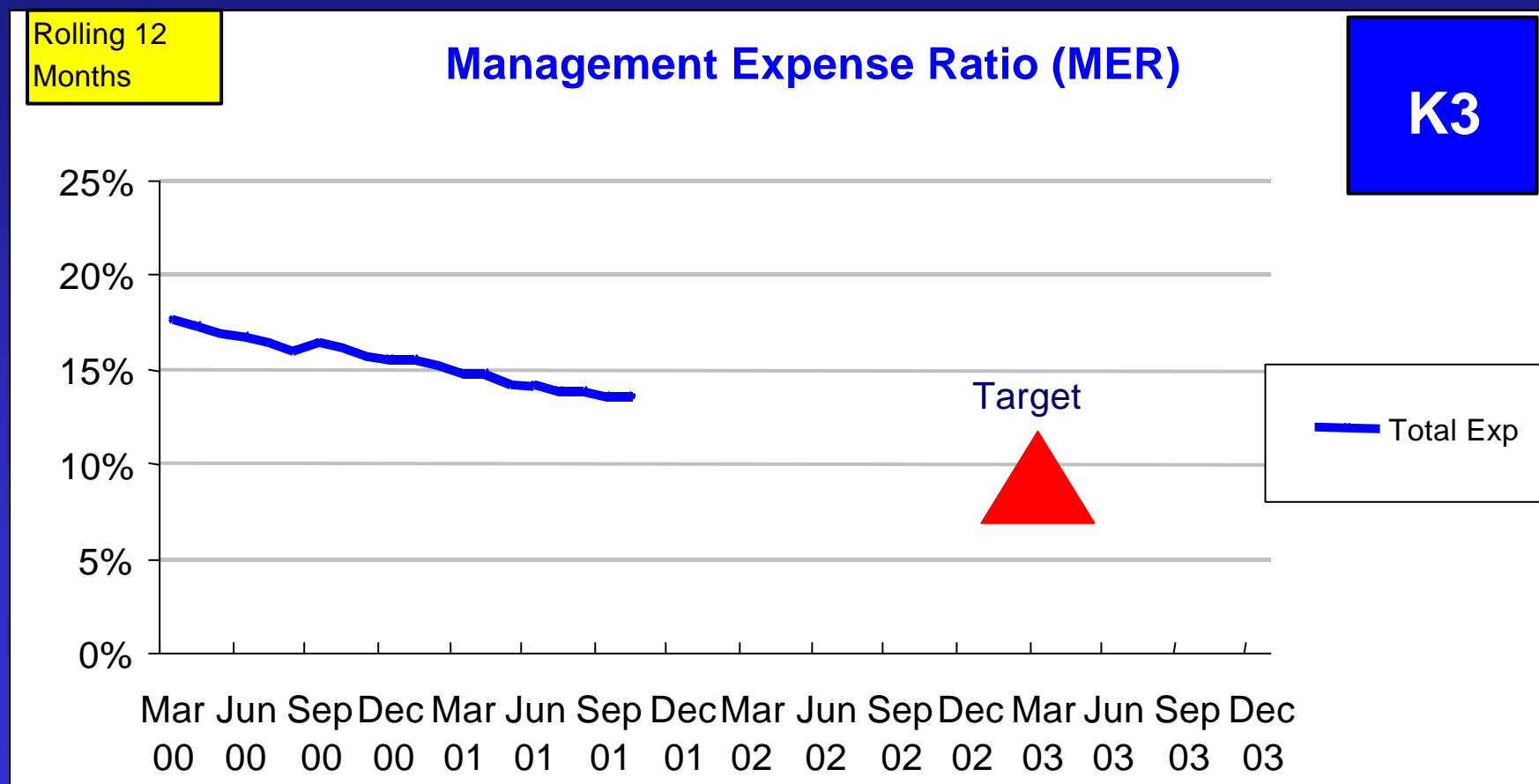
- K2 - Top 5 in Net Retail Funds Inflow





# AXA in 2001 - progress against K5 goals

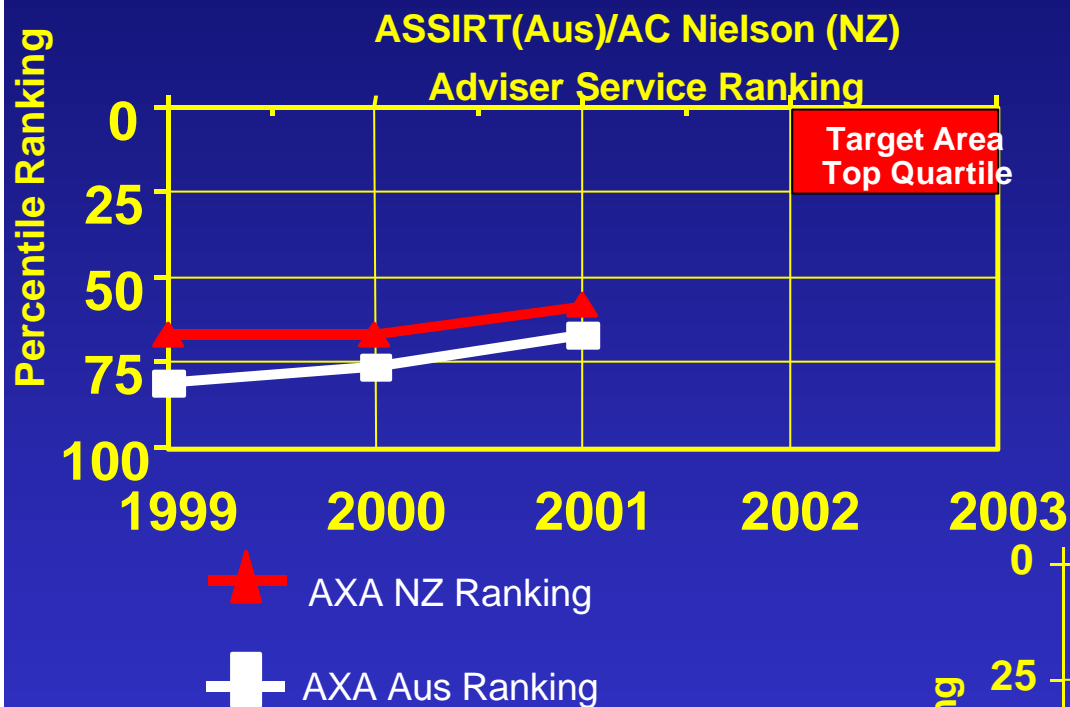
- K3 - Halve Management Expense Ratio



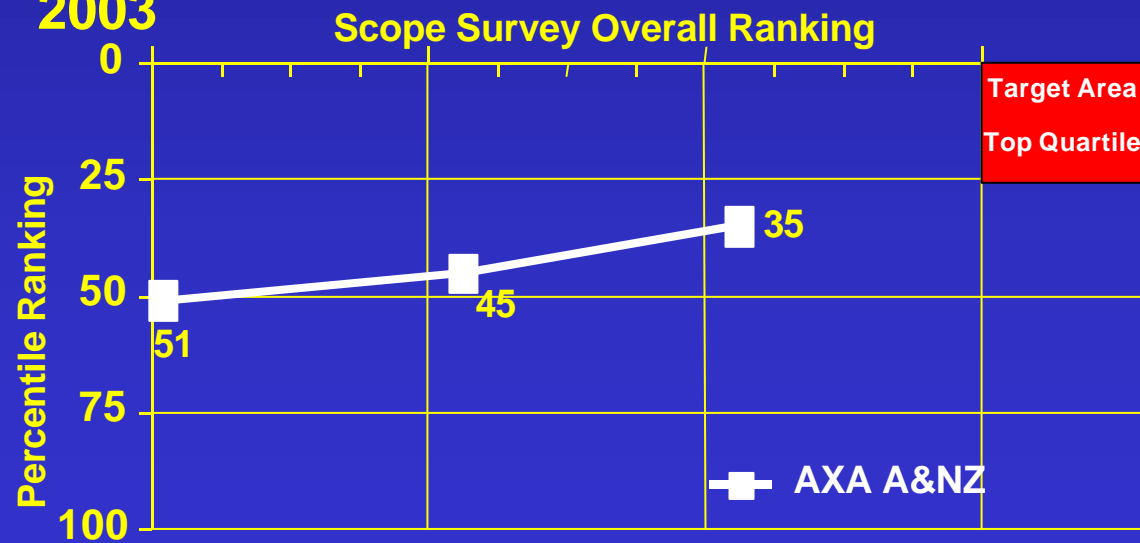


# AXA in 2001 - progress against K5 goals

- K4 - ASSIRT Service Ranking



- K5 - Scope Survey Ranking





# Review of activities

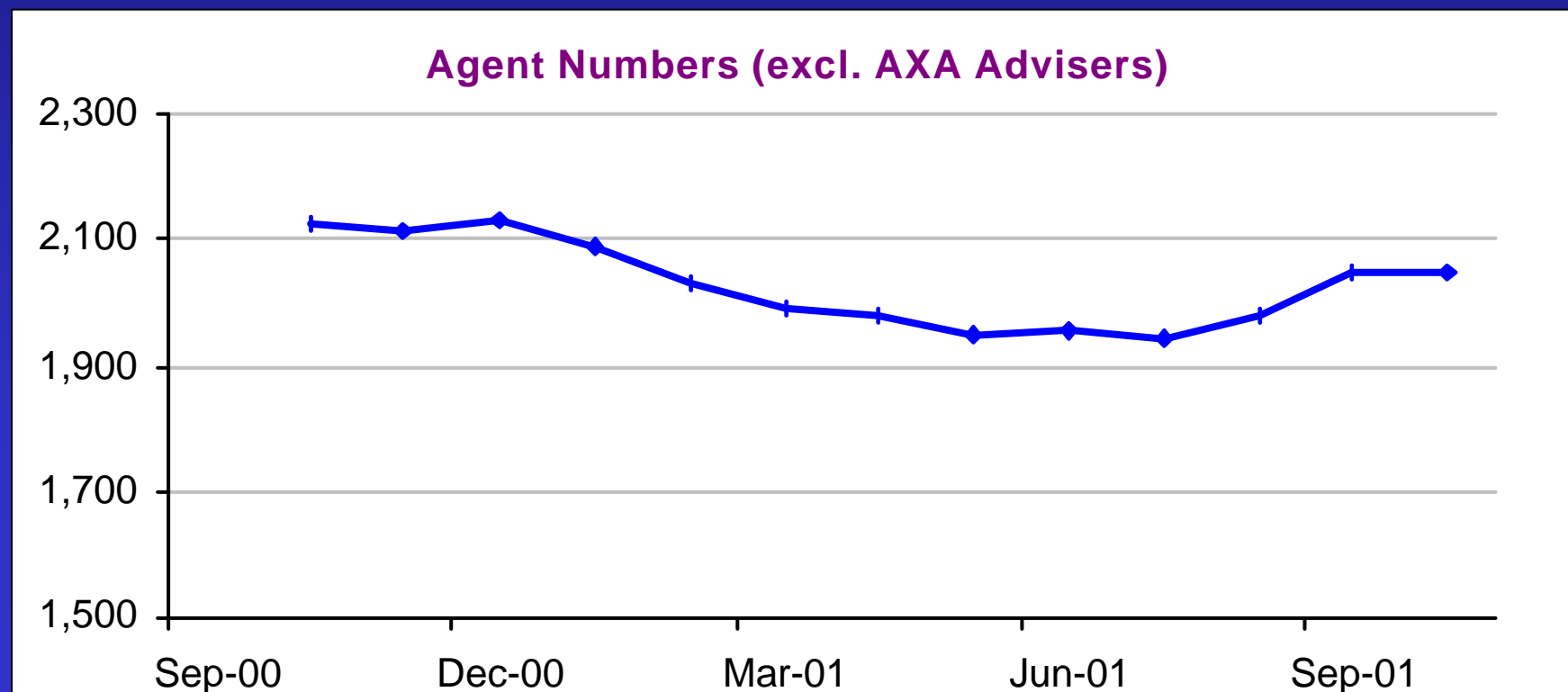
## AXA China Region

- Strategic Imperatives
  - 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 overall operation efficiency and cost ratio of the business



# Review of activities AXA China Region

- Increase the number and productivity of agents
- Agent numbers growing again, no resignations due to poaching for many months.





# Review of activities

## AXA China Region

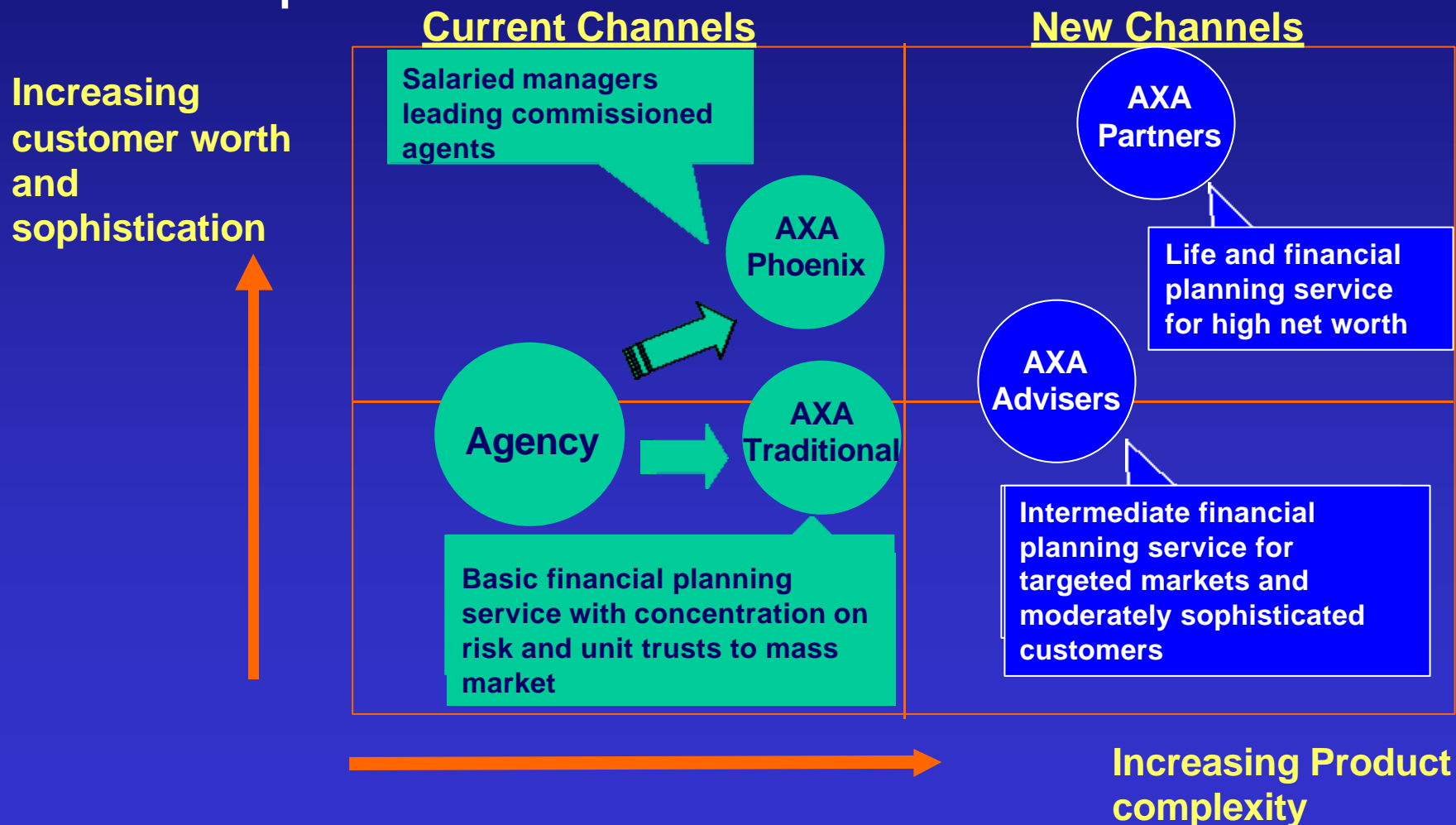
- Increase the number and productivity of agents
- Company managed distribution growing - now 35%

<b>Agency Model</b>	<b>AXA Phoenix</b>	<b>AXA Advisers</b>
1.377 Agents	670 Agents	80 Advisers



# Review of activities AXA China Region

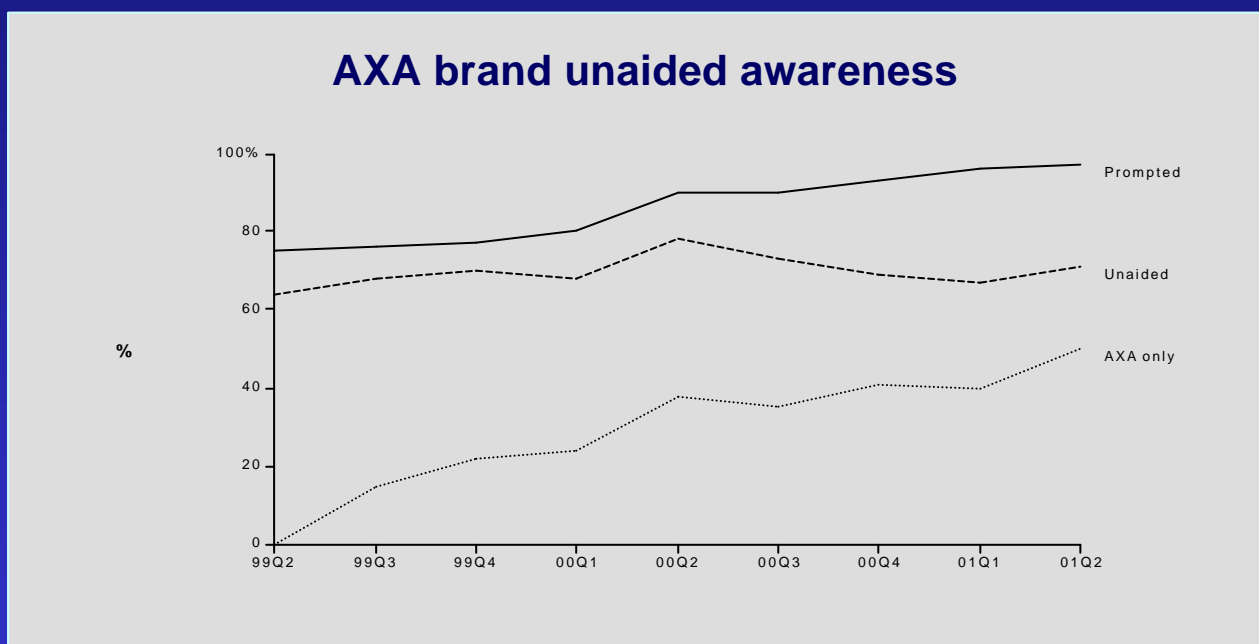
- Build profitable new distribution channels





# Review of activities AXA China Region

- Build preferred brand of choice



Source: NFO World Group

**View of AXA by intended buyers**

<b>Insist on AXA</b>	<b>1%</b>
<b>Prefer</b>	<b>30%</b>
<b>Like to Try</b>	<b><u>10%</u></b>
	<b>41%</b>

Source: NFO World Group

- AXA CR awarded “Best Insurer in Hong Kong” for 2 consecutive years
- Successful “Who wants to be a millionaire” sponsorship has created wide awareness of AXA
  - “Is a big global company” +4.5% over average of major competitors
  - “Inspires people to think positively” +14.6% over average of major competitor



# Review of activities AXA China Region

- Deliver investment margins - actions taken
- Revised crediting rates are in force from 3 December 2001
- Typical reduction is 1% for in force portfolio
- Competitive position is maintained because :
  - (1) Other major players have also acted
  - (2) Current products being marketed are low guarantee/maturity bonus design which allows greater equity exposure and more attractive illustrations
  - (3) Unit linked plans are now 50% of new business
- Prospective investment spread is maintained at minimum 1% with additional spread to counteract this year's poor return.



# Review of activities AXA China Region

- Deliver investment margins - current position

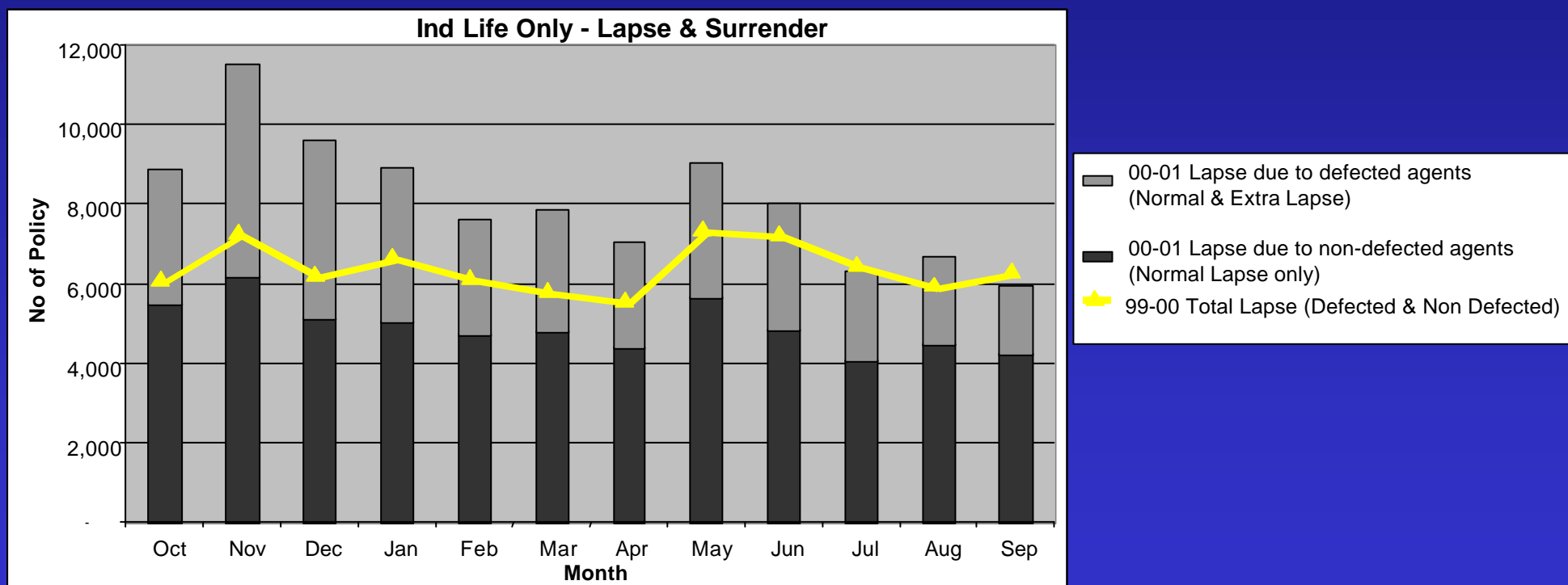
	Inv. Gtee to P/H	Inv. Strategy Bond/Equity	<u>Prospective</u> Long term Inv. Return	<u>Current</u> Total P/H return (Gtees + Cash div + Maturity bonus)
“NL”-\$16bn <u>closed</u> Life fund	4.25%	70/30 (Global)	7.7%	5.8%
“Smart” - \$0.3bn open Life fund	1%	50/50 (Global)	8.6%	7.6%
“DA” - \$4bn Retirement fund <u>closed</u> to new schemes	5%	80/20 (Hong Kong)	7.8%	5.0%
“MPF” - \$0.3bn Guarantee Fund	0%	80/20 (Hong Kong)	7.8%	5.0%

Embedded value based on 1% long term spread



# Review of activities AXA China Region

- Bring persistency back to target levels
- Intense management focus has successfully brought discontinuances back to normal levels



- AXA Advisers used for orphans
- Established conservation team / win back unit



# Review of activities

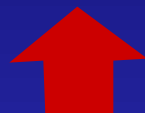
## AXA China Region

- Improve overall operational efficiency and cost ratios
- Recurring management expenses HK\$343m - down 12%
- Further cost reduction targets for 2002 and 2003
- Re-engineering processes to deliver further efficiency gains
- Asian life Regional Centre established



# Review of activities AXA China Region

By 2004, AXA China Region will increase shareholder value by 55%



**M1**

**M2**

**M3**

**M4**

**M5**

**M6**

**Value of Business**

**Premium Income**

**Assets under management**

**Provider of Choice**

**Employee Satisfaction**

**Value of Sales**

- Appraisal Value HK\$23bn (before any dividend)
- Embedded value HK\$16.7bn (before dividend)
- 26% efficiency gain over 3 years

- Gross premium income HK\$10bn by 2004

- HK\$42bn by 2004

- # 1 Brand choice
- 75% unaided awareness
- Discontinuance rate <9%

- > 30 Scope

- Grow value of one year's new business by 33% pa



# Review of activities International

- Shanghai
  - 1,391 agents - up 42%
- License extension
  - Guangzhou preferred city
  - Regional IT platform supported by Shanghai
  - Back office operations centralised in Shanghai
  - Utilise Shanghai product range



# Summary

- Australia and New Zealand
  - Making good progress on transformation programme
  - Significant improvement in operating performance
- AXA China Region
  - Successful business, assuming leading role in rapidly developing market
  - Implementing a business transformation programme to further enhance performance
  - China is a rapidly growing economic force. AXA well positioned to play a significant role.
  - Regional management structure established in Hong Kong.

# AXA Asia Pacific Holdings



Results for the 12 months ending  
30 September 2001

Les Owen, Group Chief Executive

Matthew Slatter, Chief Finance Officer

Kent Griffin, Group Treasurer & Chief Actuary

10 December 2001