



AXA Asia Pacific Holdings Limited  
Results for the 6 months ended 30 June 2003

Les Owen, Group Chief Executive  
Andrew Penn, Chief Finance Officer



Media 26 August 2003

# C Today's agenda

- Overview Les Owen
- Half year results Andrew Penn
- Review of activities Les Owen



# AXA Asia Pacific Group Highlights

- Profit after tax before non-recurring items up 114% to \$287m (6 months to 30 June 2002 - \$134m)
- Operating earnings (ex Health) \$137m (2002 - \$137m)
  - Australia & NZ \$66m, up 5% (2002 - \$63m)
  - Hong Kong \$69m, down 7% (2002 - \$74m)
    - local currency HK\$335m up 7% (2002 - HK\$312m)
- Investment earnings \$188m, up 596% (2002 - \$27m)
  - Hong Kong \$173m (2002 - \$1m)
  - Australia & NZ \$15m (2002 - \$26m)
- Group funds under management and administration \$48.7b at 30 June 2003
- Financial strength improved and capital position strong



# Australia and New Zealand Highlights

- 5% increase in operating earnings (excluding Health) to \$66m (2002 - \$63m)
- Recurring management expenses \$168m, an improvement of 6% (2002 - \$178m)
- Non recurring profits of \$368m largely resulting from the sale of AXA Health and 50% interest in Members Equity
- Net retail funds flow up 32% to \$903m (2002 - \$682m), despite difficult market conditions
- Funds under management and administration up 2% to \$41.8b (31 December 2002 - \$41.0b)
- Funds under advice up 9% to \$3.5b (31 December 2002 - \$3.2b)
- Achieved top 5 ranking for net retail fund flows, and top 5 in master trust and portfolio administration market



# Hong Kong Highlights

- Sales up 9% to HK\$480m (2002 - HK\$442m) despite SARS impact; value of new business up 11%
- Recurring management expenses HK\$155m, down 14% (2002 - HK\$180m)
- Funds under management up 12% to HK\$36.4b (31 December 2002 - HK\$32.6b)
- Investment margin in excess of required 1% spread due to a combination of growth in equity markets, a fall in bond yields, and a contraction in US corporate bond spreads
- Distribution channels broadened
- Overall persistency further improved



# China & South East Asia Highlights

- Licence authorisation granted by CIRC to open AXA-Minmetals' second China branch operation in Guangzhou - preparations to commence business are well advanced
- New bancassurance joint venture with Bank Mandiri (Indonesia's largest bank) announced in January 2003
- Successfully launched investment linked products in Indonesia and the Philippines
- Value of new business in China and South East Asia up 13% (constant currency basis)
- Singapore operations restructured
- ipac business model launched in Singapore and Hong Kong





AXA Asia Pacific Holdings Limited  
Results for the 6 months ended 30 June 2003

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# AXA Asia Pacific Group

## Profit & loss analysis

(A\$ million) Six months to	30 June 2003	30 June 2002	Increase
Australia & New Zealand (ex Health)	66	63	5%
Hong Kong and Singapore	71	74	(4)%
<b>Operating earnings (ex Health)</b>	<b>137</b>	<b>137</b>	<b>0%</b>
Health	10	26	(62)%
<b>Operating earnings</b>	<b>147</b>	<b>163</b>	<b>(10)%</b>
Investment earnings	188	27	596%
Corporate expenses	(21)	(19)	(11)%
Interest expense	(27)	(37)	27%
<b>Profit after tax and before non-recurring items</b>	<b>287</b>	<b>134</b>	<b>114%</b>
Non-recurring items	368	0	>>
<b>Profit after tax and non-recurring items</b>	<b>655</b>	<b>134</b>	<b>389%</b>



# AXA Asia Pacific Group

## Earnings per share and return on equity

	30 June 2003	30 June 2002
Earnings per share (cents) <sup>1</sup>	16.5	7.6
Return on equity <sup>2</sup>	14.3%	9.2%

<sup>1</sup> EPS excludes non-recurring items and is for the 6 months to 30 June

<sup>2</sup> ROE calculated as profit after tax and before non-recurring items for the 12 months to 30 June as a percentage of average shareholders' equity

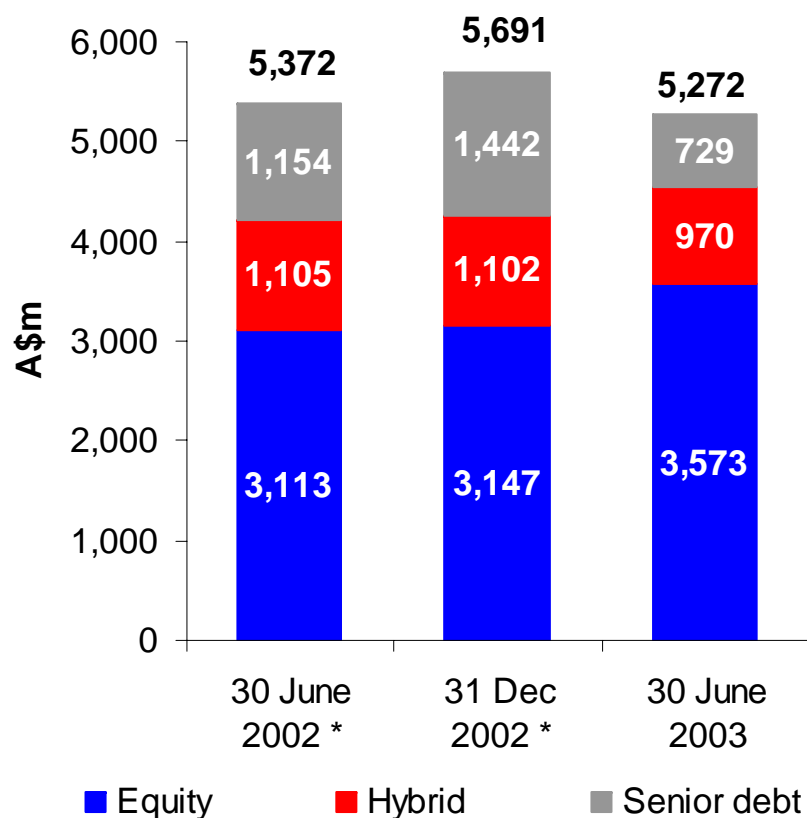
### Dividend

	Interim Dividend	Franking	Final Dividend	Franking	Total Dividend
2002	4.75c	60%	5.0c	60%	9.75c
2003	4.75c	60%			



# AXA Asia Pacific Group

## Capital structure (excluding outside equity interests)



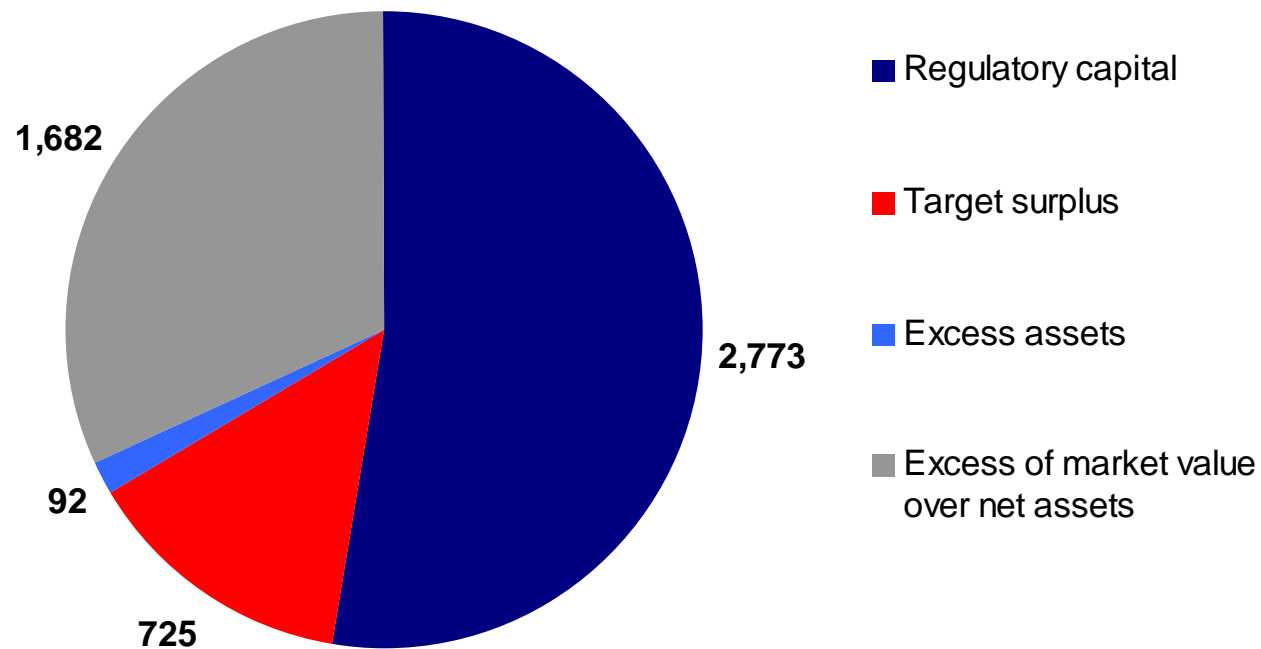
Gearing ratios	30 June 2003	31 Dec 2002 *	30 June 2002 *
Debt/capital resources	14%	25%	21%
(Debt+hybrid)/capital resources	32%	45%	42%
Debt/(equity+hybrid)	16%	34%	27%
(Debt+hybrid)/equity	48%	81%	73%
<b>Financial strength rating</b> (rating by S&P / Fitch)	<b>AA-/AA</b>		

\* Restated to incorporate change to accounting policy per AASB 1044



# AXA Asia Pacific Group Capital usage at 30 June 2003

Total capital \$5,272 million (excluding outside equity interests)



# AXA Asia Pacific Group

## Illustrative value

Range	30 June 2003		31 Dec 2002	
	Low	High	Low	High
Enterprise Value	\$4.7b	\$5.1b	\$4.9b	\$5.3b
Enterprise Value per share	\$2.69	\$2.94	\$2.80	\$3.07

- Reduction reflects effect of appreciation of Australian Dollar on value of AXA Hong Kong



# C Australia and New Zealand

## Profit after tax and before non-recurring items

<b>(A\$ million)</b> <b>Six months to</b>	<b>30 June 2003</b>	<b>30 June 2002</b>	<b>Increase</b>
Wealth Management	43	38	13%
Financial Protection	23	25	(8)%
<b>Operating earnings (excluding Health)</b>	<b>66</b>	<b>63</b>	<b>5%</b>
Health	10	26	(62)%
<b>Operating earnings (including Health)</b>	<b>76</b>	<b>89</b>	<b>(15)%</b>
<b>Investment earnings</b>	<b>15</b>	<b>26</b>	<b>(42)%</b>
<b>Profit after tax before non-recurring items</b>	<b>91</b>	<b>115</b>	<b>(21)%</b>



# Australia and New Zealand

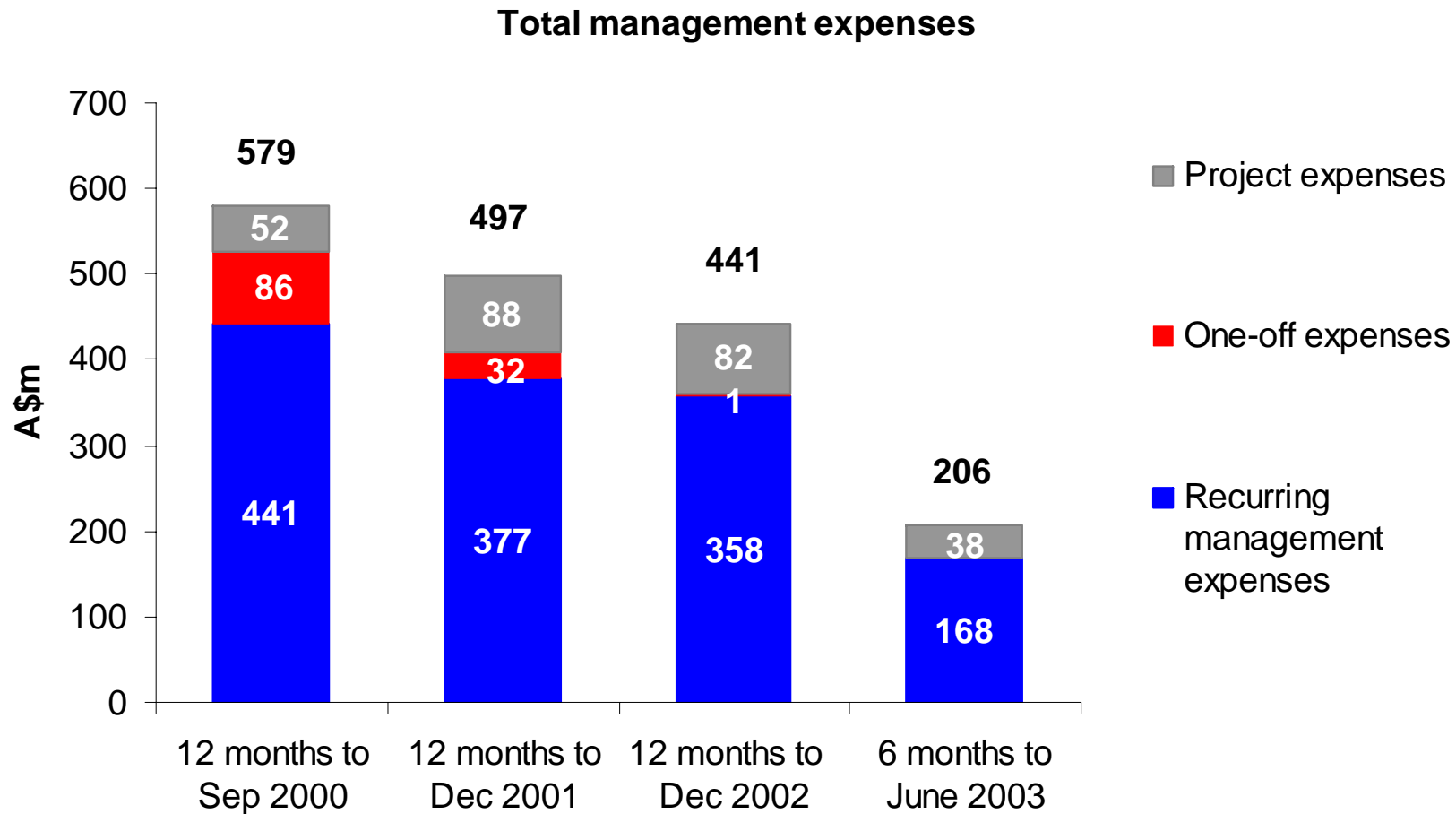
## New business / gross inflows

(A\$ million) Six months to New annual premium	30 June 2003	30 June 2002	Increase
Long term life	1	1	(11)%
Income protection	9	10	(10)%
Individual term & trauma	16	15	7%
Group insurance	13	7	78%
Financial Protection – New Zealand	9	8	8%
<b>Total</b>	<b>47</b>	<b>41</b>	<b>15%</b>
Single premium	14	13	8%
<b>Gross inflows</b>			
Superannuation & retirement income	767	703	9%
Investments	1,003	390	157%
Portfolio administration services <sup>1</sup>	427	604	(29)%
Alliance Capital sourced inflows	1,838	1,600	15%
New Zealand	237	268	(12)%
<b>Total</b>	<b>4,272</b>	<b>3,565</b>	<b>20%</b>

<sup>1</sup> Excludes Symetry



# Australia and New Zealand Total management expenses



Total management expenses excludes commission and related expenses



# C Hong Kong

## Profit after tax and before non-recurring items

<b>(HK\$ million)</b>	<b>30 June</b>	<b>30 June</b>	
<b>Six months to</b>	<b>2003</b>	<b>2002</b>	<b>Increase</b>
Operating earnings	335	312	7%
Investment earnings	839	9	>>
<b>Profit after tax</b>	<b>1,174</b>	<b>321</b>	<b>266%</b>

<b>(A\$ million)</b>	<b>30 June</b>	<b>30 June</b>	
<b>Six months to</b>	<b>2003</b>	<b>2002</b>	<b>Increase</b>
Operating earnings	69	74	(7)%
Investment earnings	173	1	>>
<b>Profit after tax</b>	<b>242</b>	<b>75</b>	<b>223%</b>



# Hong Kong Investment margin on policyholder assets

- Margin on policyholder assets for 6 month period exceeded 1% annual margin target

<b>Earning rates for assets supporting policy liabilities</b>	<b>%</b>
Investment interest income	2.1
Gains on fixed interest portfolio	3.3*
Gains on equities	2.5
<b>Total</b>	<b>7.9</b>
Interest credited to policyholders	(2.4)
<b>Investment margin</b>	<b>5.5</b>
<b>Investment margin (ex fixed interest gains)</b>	<b>2.2</b>

\* Approximately 1.3% due to yield decrease and 2% due to contraction in corporate spread

- Investment spread driven by strong equity markets, fall in bond yields and contraction in corporate spread
- Crediting rates reduced by a further 25 basis points from August 2003



# Hong Kong New business

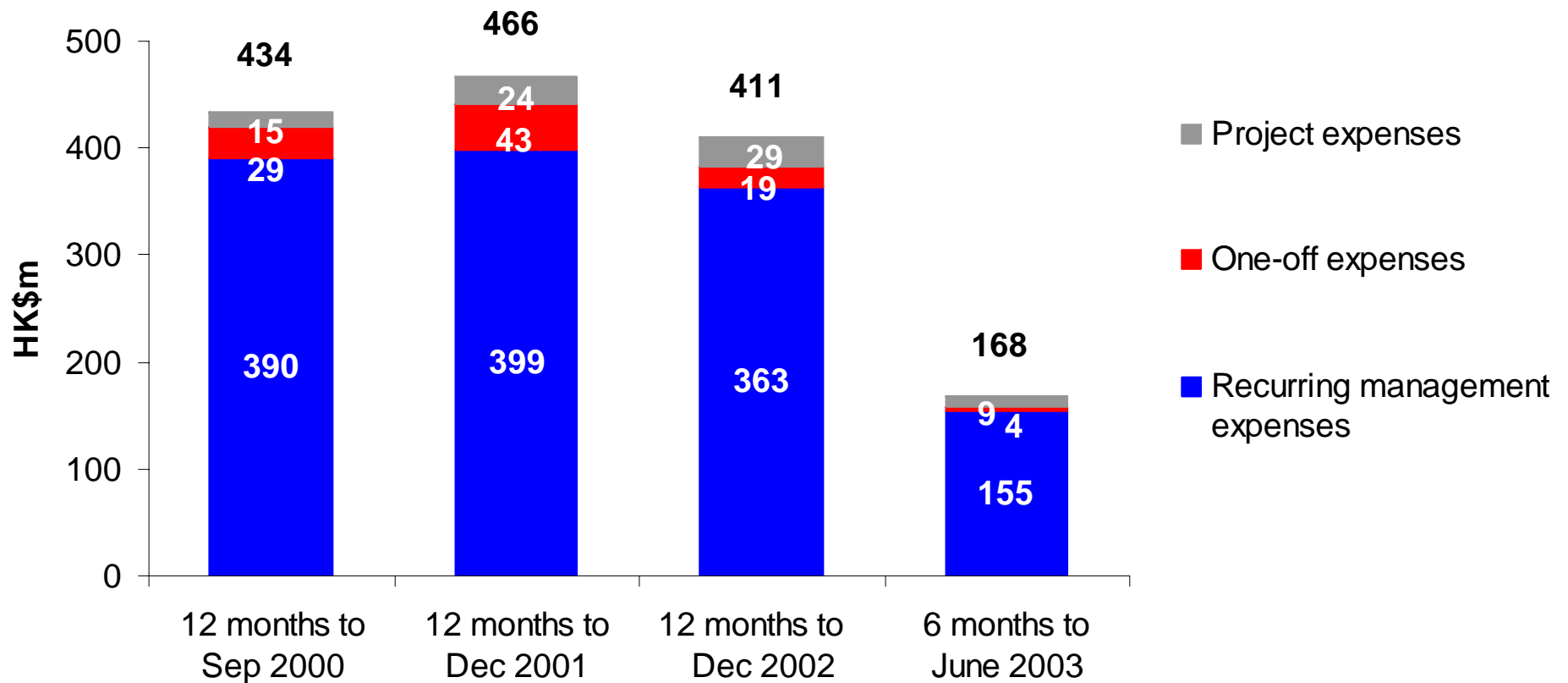
(HK\$ million) Six months to	30 June 2003	30 June 2002	Increase
<b>Regular Premium</b>			
Individual life (non-linked)	250	220	14%
Individual life (unit linked)	100	65	54%
<b>Total individual life</b>	<b>350</b>	<b>285</b>	<b>23%</b>
Group retirement (incl MPF)	24	11	121%
Group risk	23	54	(57%)
<b>Total</b>	<b>397</b>	<b>349</b>	<b>14%</b>
<b>Single Premium</b>			
Individual Life (incl unit linked)	14	220	(94)%
Group retirement	222	107	107%
<b>Total</b>	<b>236</b>	<b>327</b>	<b>(28)%</b>
<b>Total (Regular Premium + 10% Single Premium) excluding general insurance</b>	<b>421</b>	<b>382</b>	<b>10%</b>
General insurance (P&C) <sup>1</sup>	59	60	(2)%
<b>Total (Regular Premium + 10% Single Premium) including general insurance</b>	<b>480</b>	<b>442</b>	<b>9%</b>

<sup>1</sup> Total premium



# Hong Kong Total management expenses

Total management expenses



Total management expenses excludes commission and related expenses





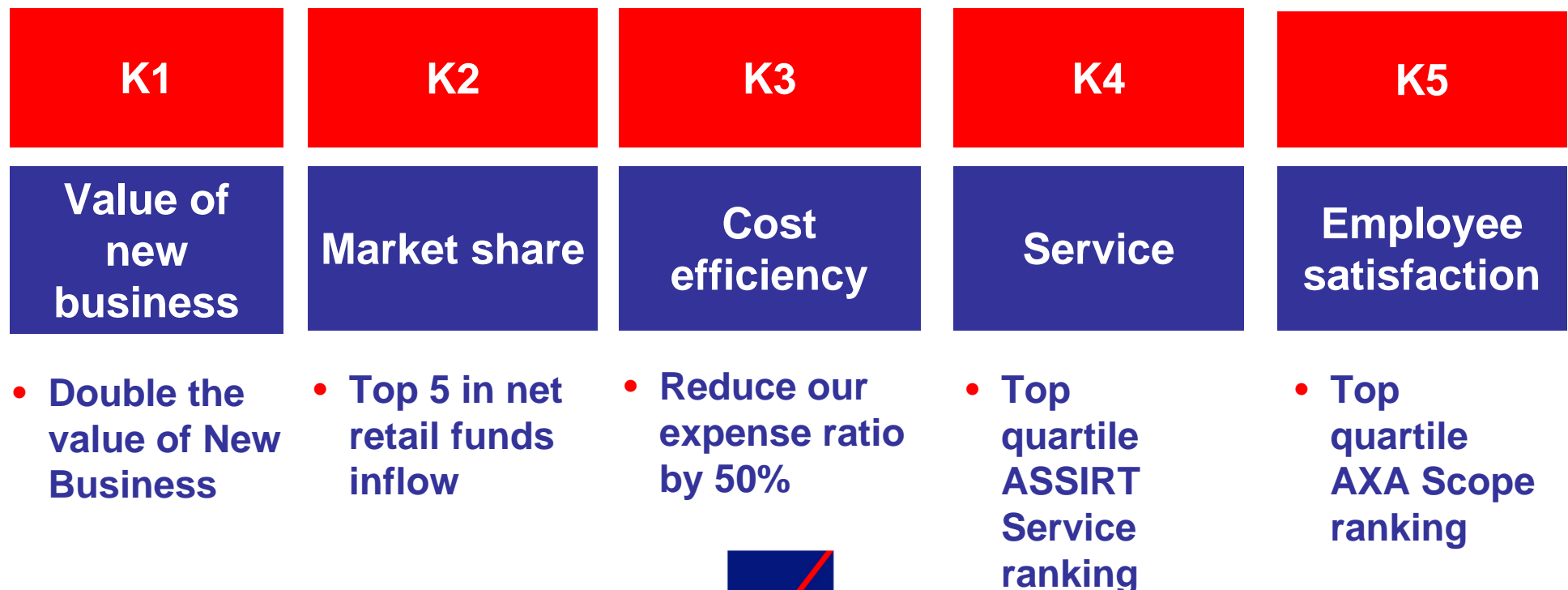
AXA Asia Pacific Holdings Limited  
Review of activities

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# Australia and New Zealand K5 transformation programme

By end 2003, we aspire to be in the top 20 of the largest 100 Australian & NZ companies as measured by total shareholder return



# Australia and New Zealand Strategic imperatives

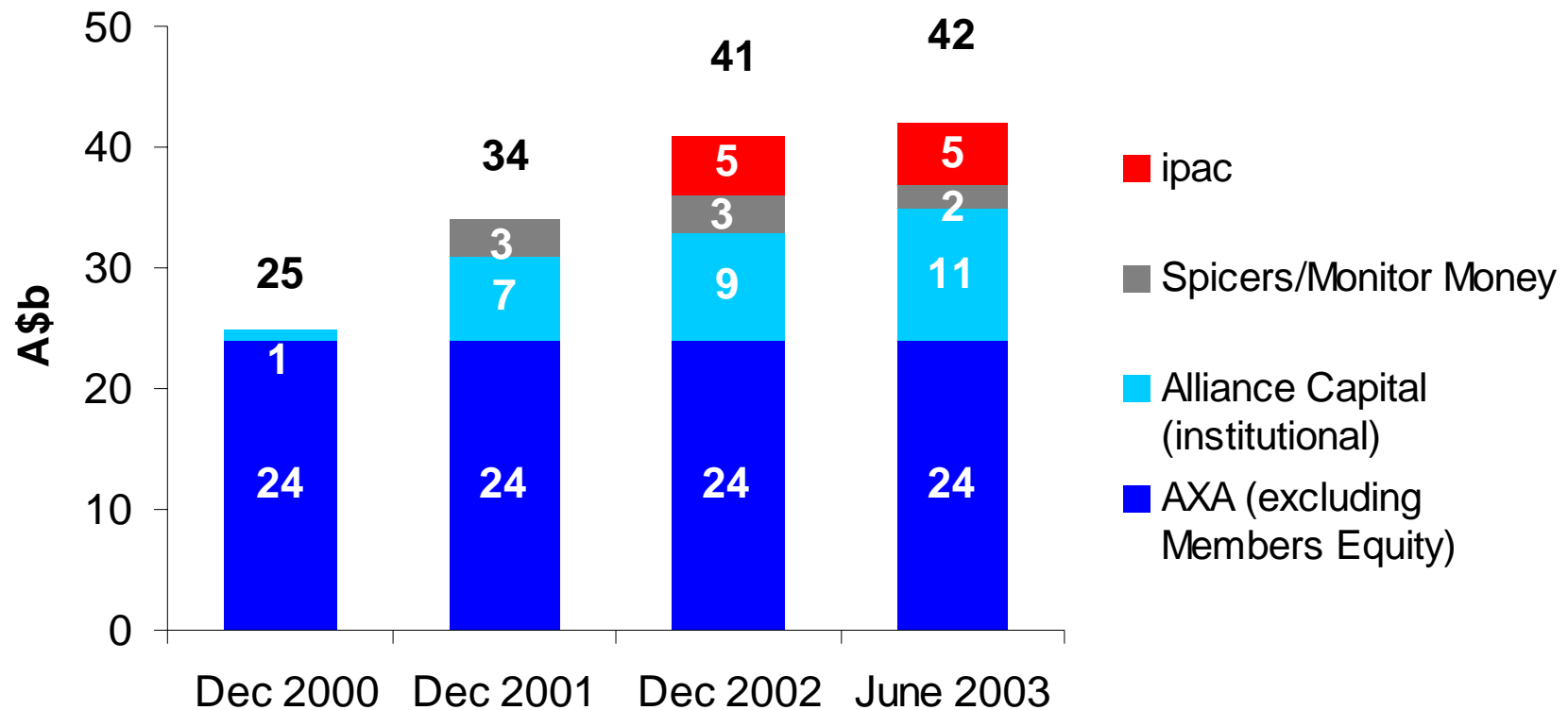
- Grow our share of retail investments and superannuation
- Improve retention of funds under management
- Increase size and productivity of aligned advisers
- Increase penetration of non aligned advisers
- Return our income protection portfolio to profitability
- Improve operational efficiency and reduce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



# Australia and New Zealand

## Grow our share of retail investments and superannuation

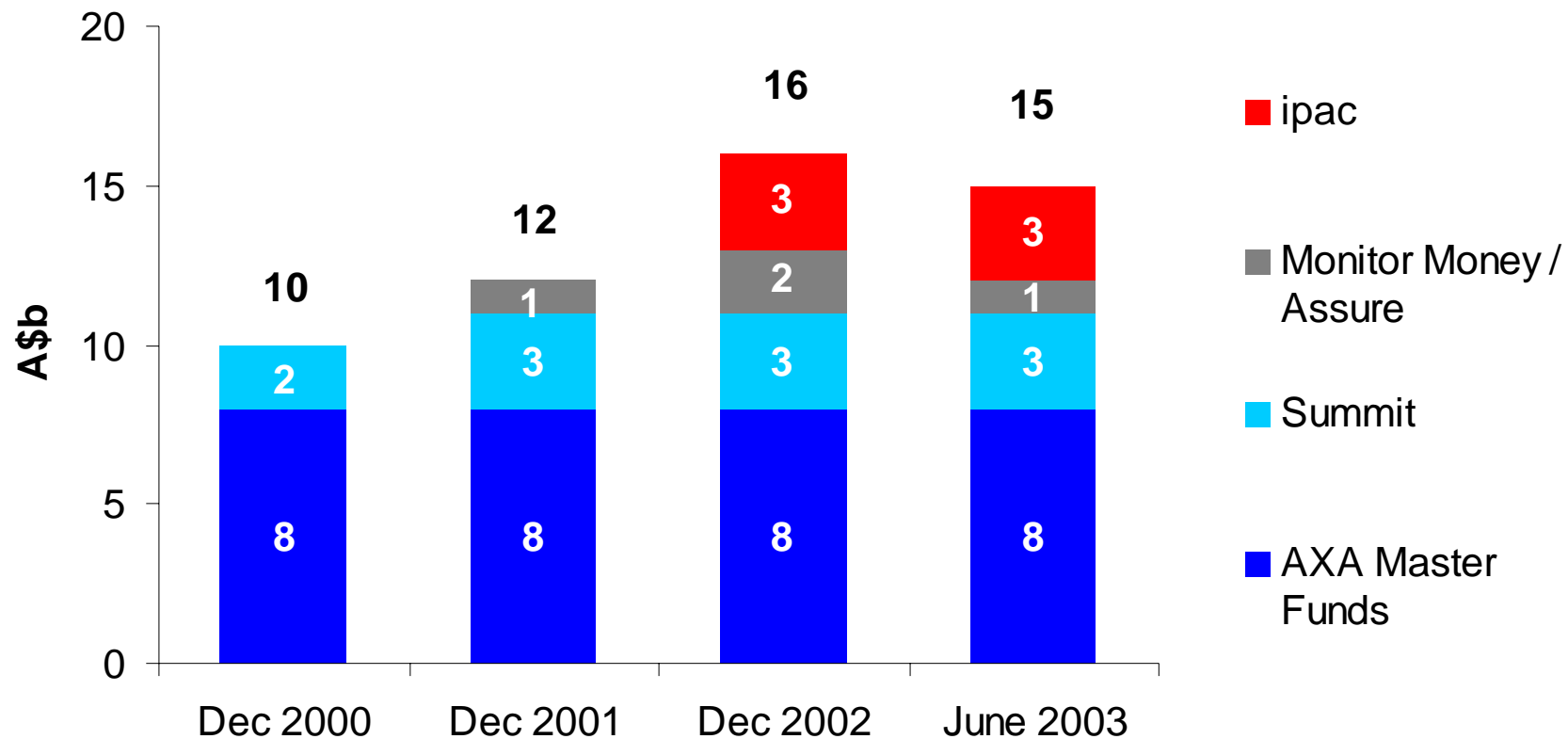
Funds under management and administration



# Australia and New Zealand

## Grow our share of retail investments and superannuation

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

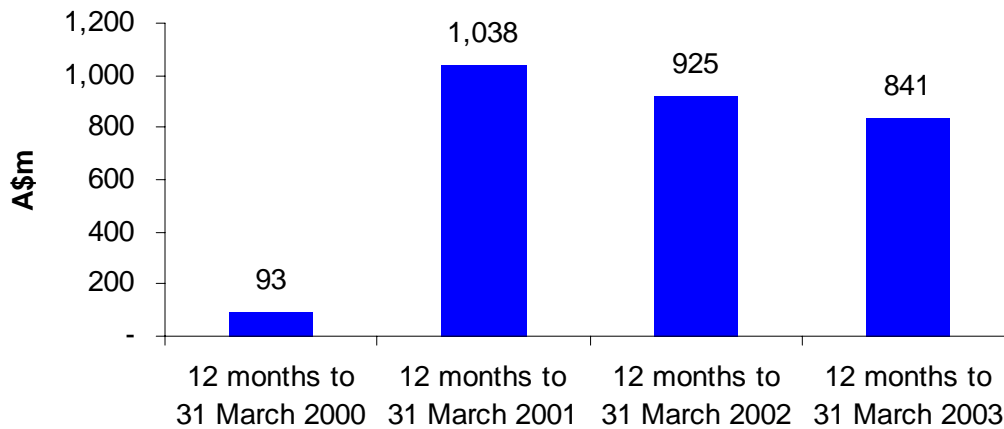


# Australia and New Zealand

## Grow our share of retail investments and superannuation

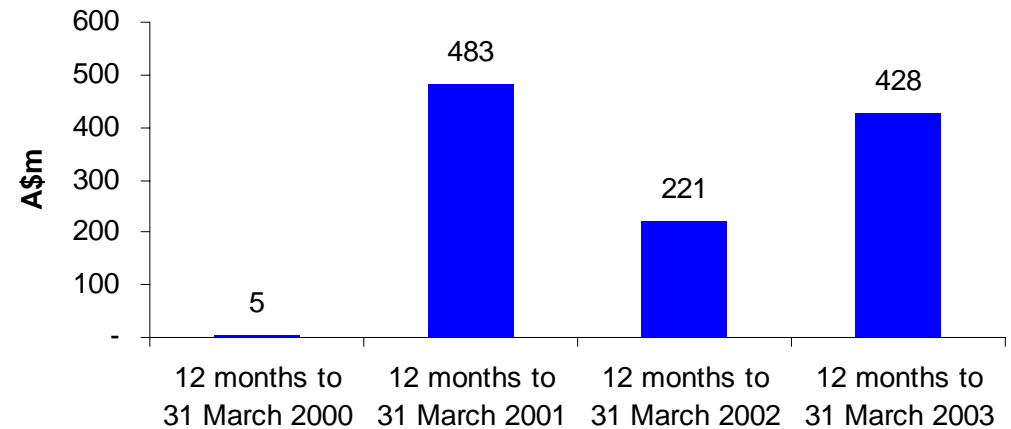
- Significant improvement in retail funds flow market share ranking

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



Rank	18	9	10	5
Share of market net flow	0.5%	3.8%	3.6%	7.4%

**ASSIRT - AXA Australia net retail funds flow**



Rank	42	11	18	7
Share of market net flow	0.0%	2.5%	1.3%	4.6%

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

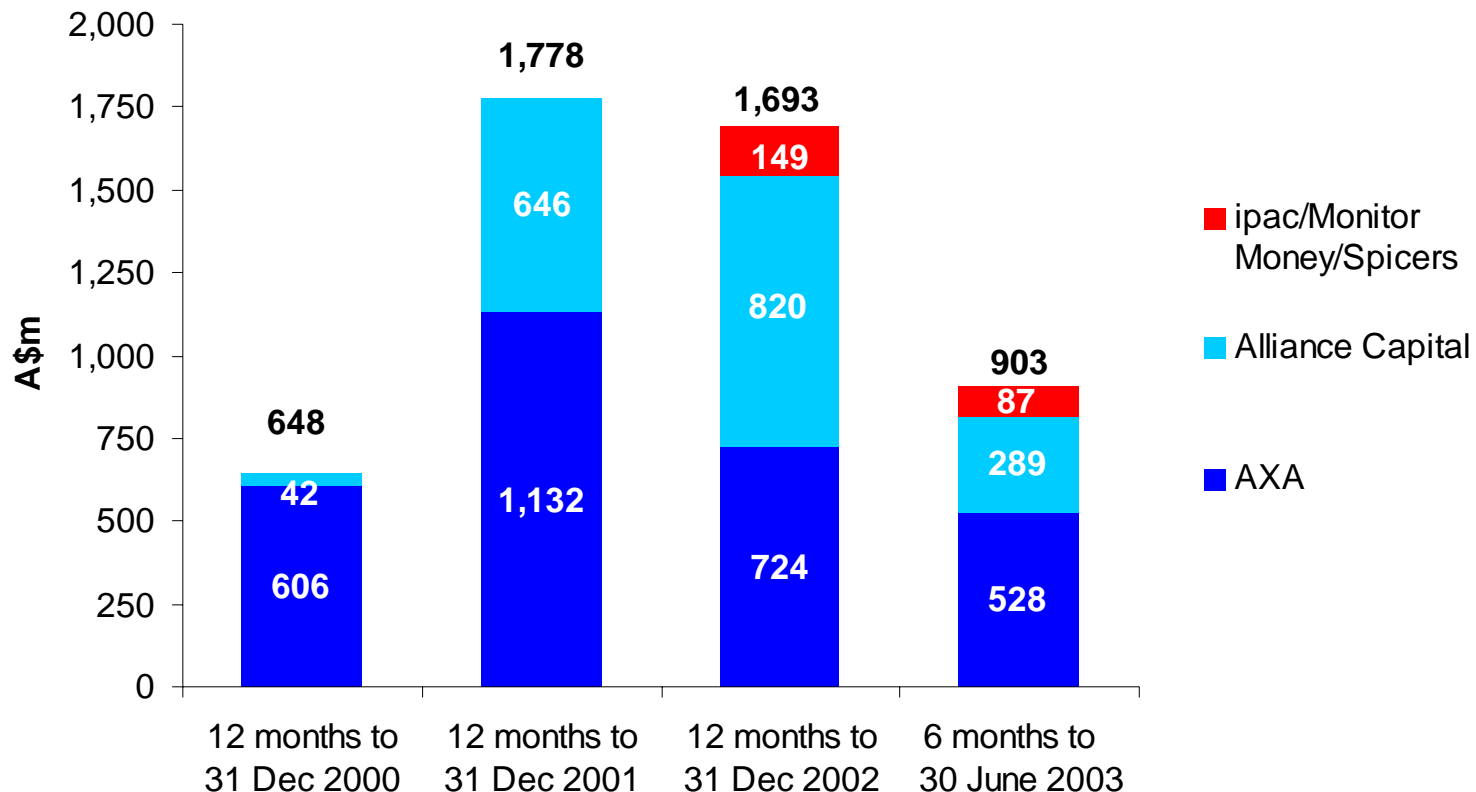


ASSIRT data excludes PAS (SUMMIT, Assure & iselect)

# Australia and New Zealand

## Grow our share of retail investments and superannuation

Net retail funds flow (excluding Symetry\*)



\* Net inflow of \$219m and outflow of \$196m in relation to Symetry have been excluded from the 12 months ended 31 December 2002 and from the 6 months ended 30 June 2003 respectively



# C Australia and New Zealand

## Improve retention of funds under management

Product group (\$ million)	Retained in alternative product	Retained in existing product	Total by product
Super & Retirement Income	71	84	155
Investments	0	10	10
Summit	6	0	6
Financial Protection	0	6	6
<b>Total CRM</b>	<b>77</b>	<b>100</b>	<b>177</b>

- Focus on Super and Retirement income. FUM outflows have declined by 11% in the six months to June 2003 vs 2002
- \$177m saved at half year 2003, three fold increase over same period last year. Total for 2002 \$190m. Target for 2003 \$400m



# C Australia ipac integration effectively complete

- Purchase price equivalent to 13-17 times expected 2003 profit after tax
- Market growth in 2003 likely to deliver lower than anticipated revenues
- Despite the market, profit after tax still expected to be consistent with a P/E multiple within the targeted range due to
  - stringent cost controls
  - synergies from ipac's multi-manager capability
- Cost savings of \$10m in 2003. Annualised savings in 2004 of \$15m - significantly greater than the level assumed at acquisition



# Australia

## Increase penetration of non aligned advisers

- Improvements to our product range combined with the joint venture with Alliance Capital/Bernstein broadening our access to the non aligned market
- Sales for single premium investment products up with strong increase in sales of unit trusts

<b>A\$ million</b>	<b>June</b>	<b>June</b>	
<b>Six months to</b>	<b>2003</b>	<b>2002</b>	<b>Increase</b>
Mezzanine Unit Trusts	191	78	145%
Retail Unit Trusts	73	36	103%
Retirement Income	202	150	35%
Personal Super	32	26	23%

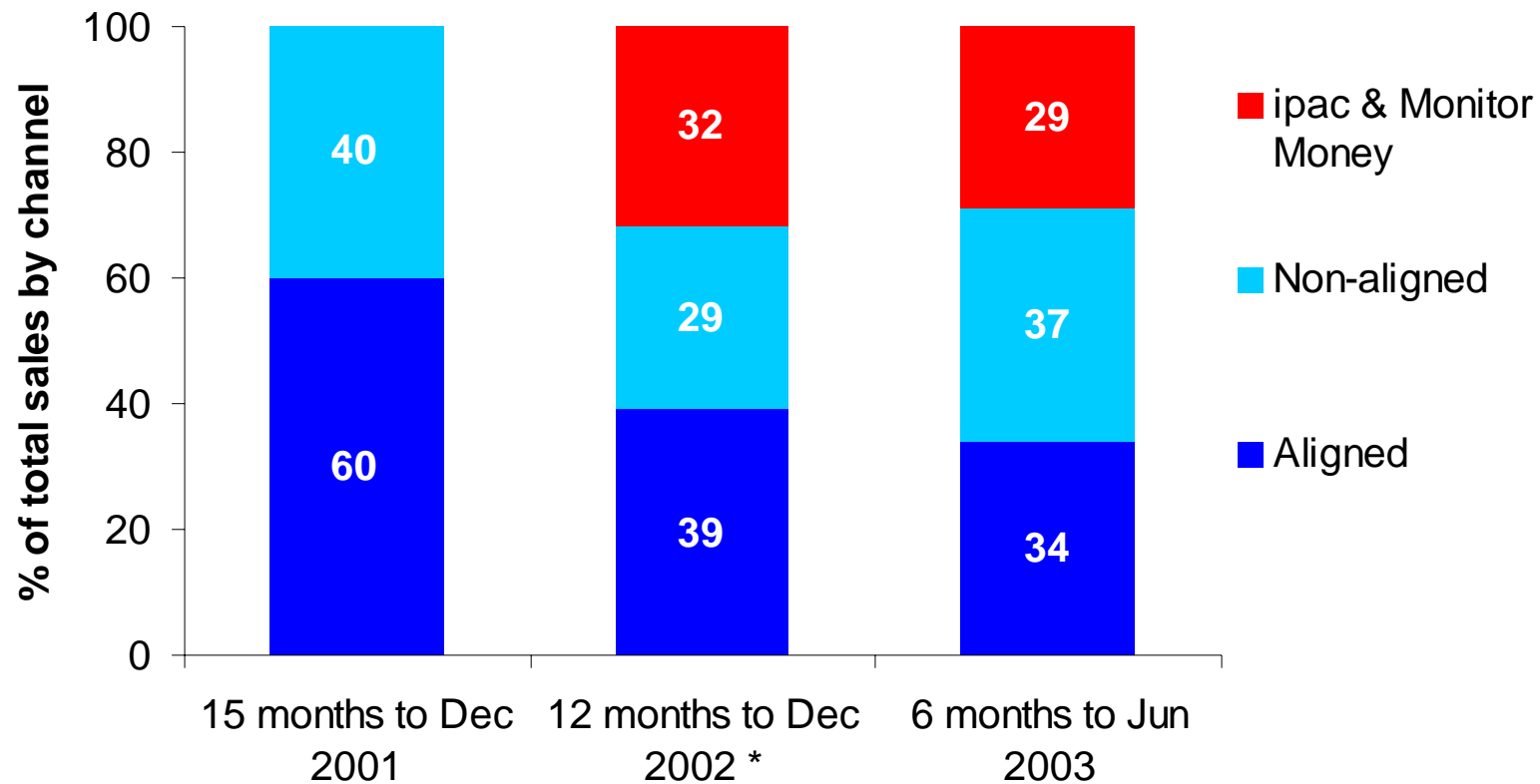
- Continue to increase penetration of
  - master trust investment lists
  - dealer group approved product lists



# Australia

## Increase penetration of non aligned advisers

Sales by channel (single premium wealth products)

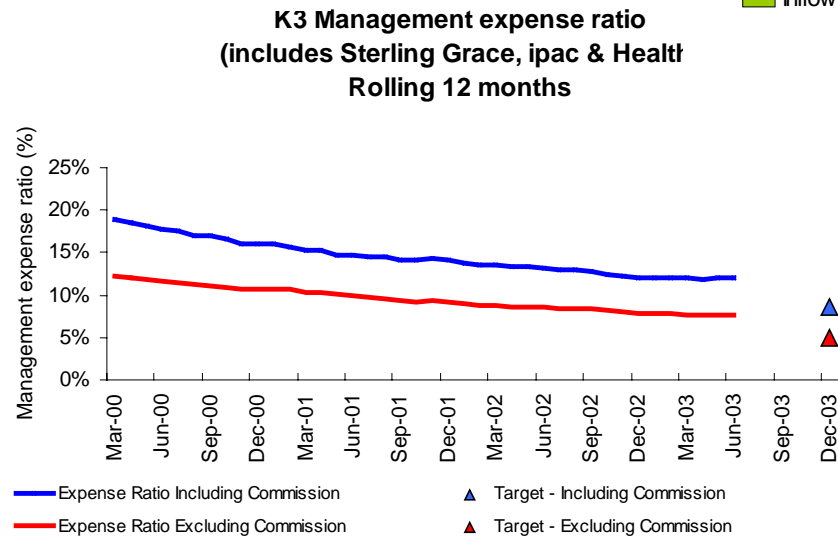
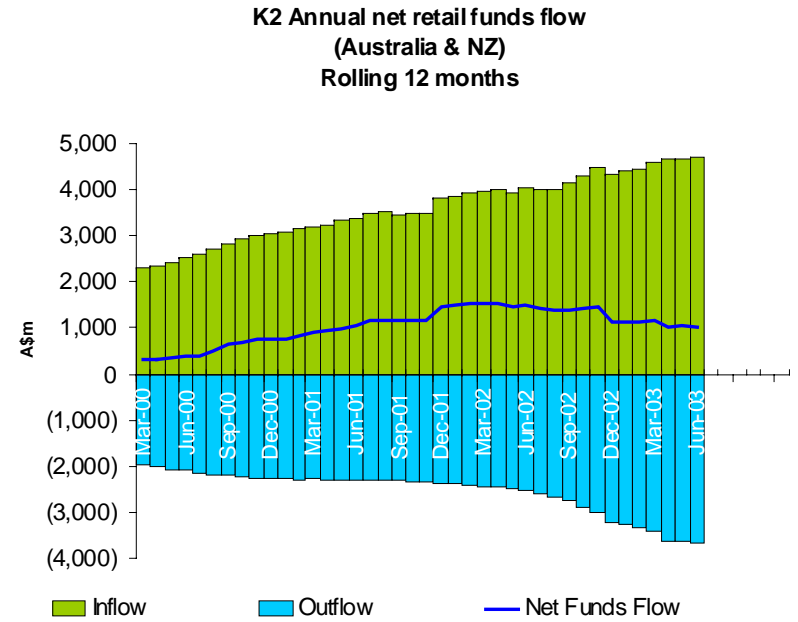
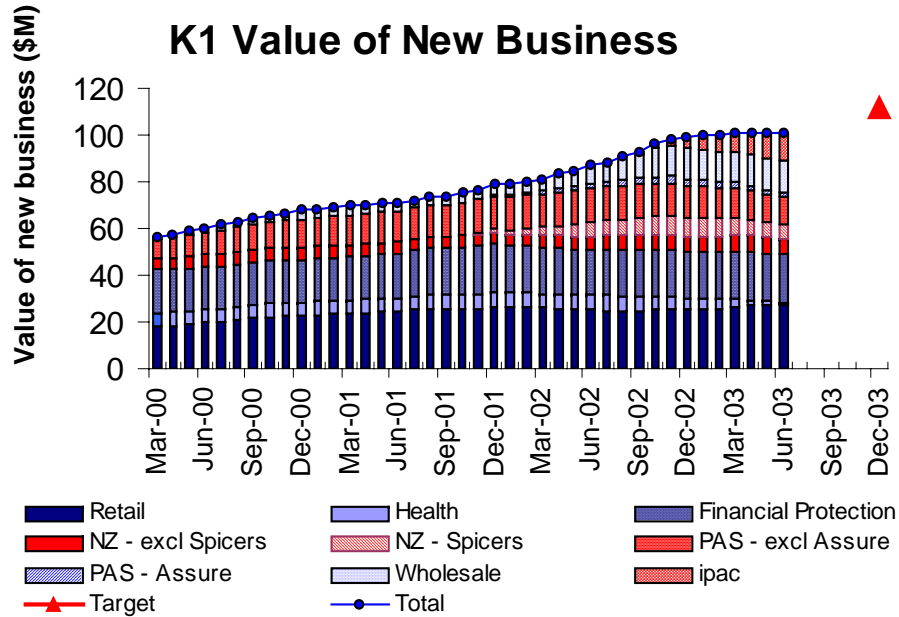


\* Pro forma - ipac included for full 12 months





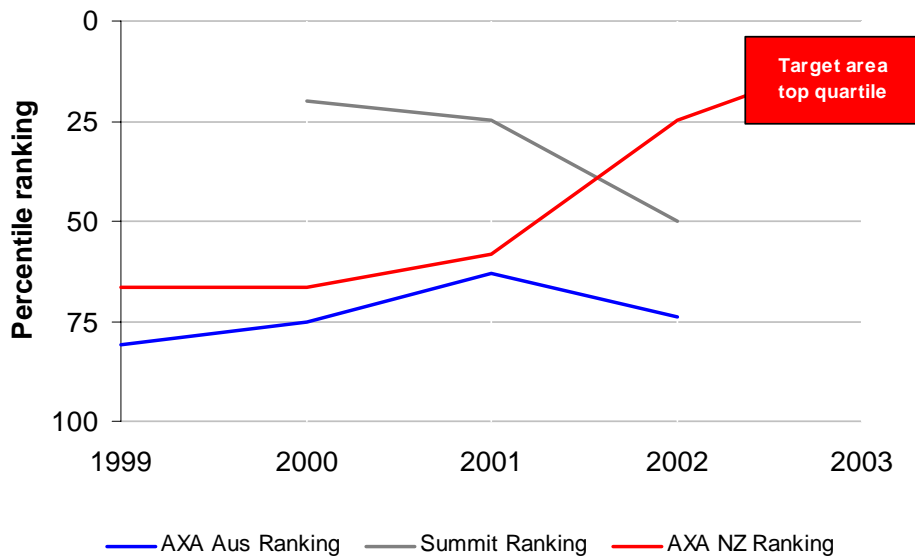
# Progress against K5 goals - K1, K2 & K3



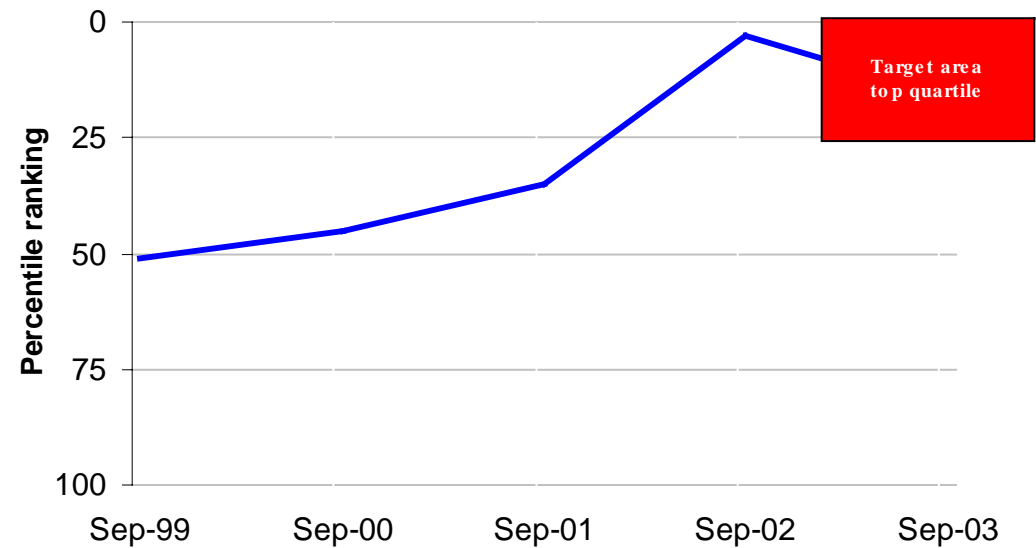


# Progress against K5 goals - K4 & K5

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



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



# 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
<ul style="list-style-type: none"><li>Enterprise value HK\$23b (before dividends)</li></ul>	<ul style="list-style-type: none"><li>Gross premium income HK\$10b</li></ul>	<ul style="list-style-type: none"><li>Assets under management HK\$42b</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</li></ul>



# Hong Kong Strategic imperatives

- Increase the number and productivity of agents
- Build profitable new distribution channels
- Build AXA as 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

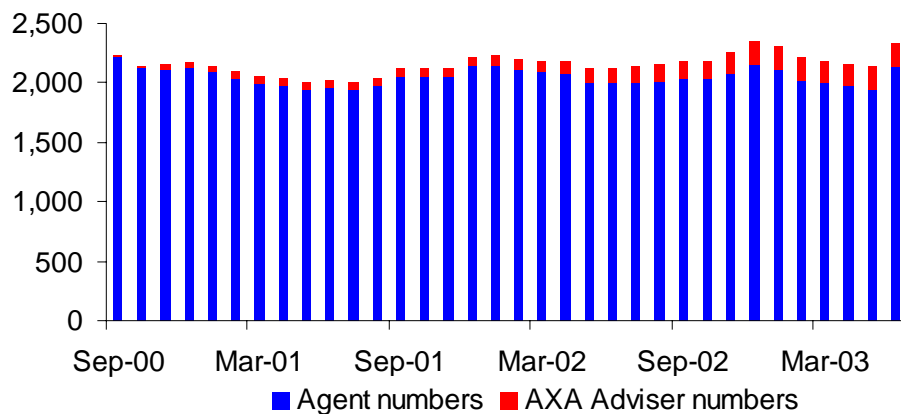


# Hong Kong

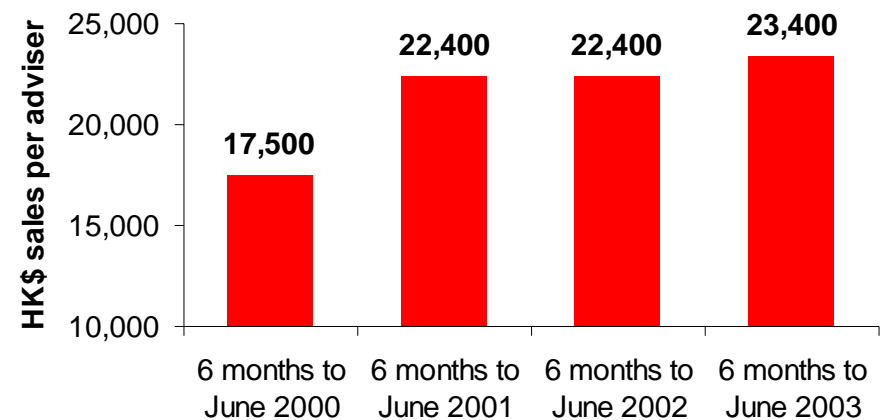
## Increase the number and productivity of agents

- Adviser numbers increased by 10% compared to the same period last year
- Number of new recruits in June the highest since the industry introduced agent examinations
- Productivity has further improved by 4% despite the difficult environment due to SARS

Agent numbers



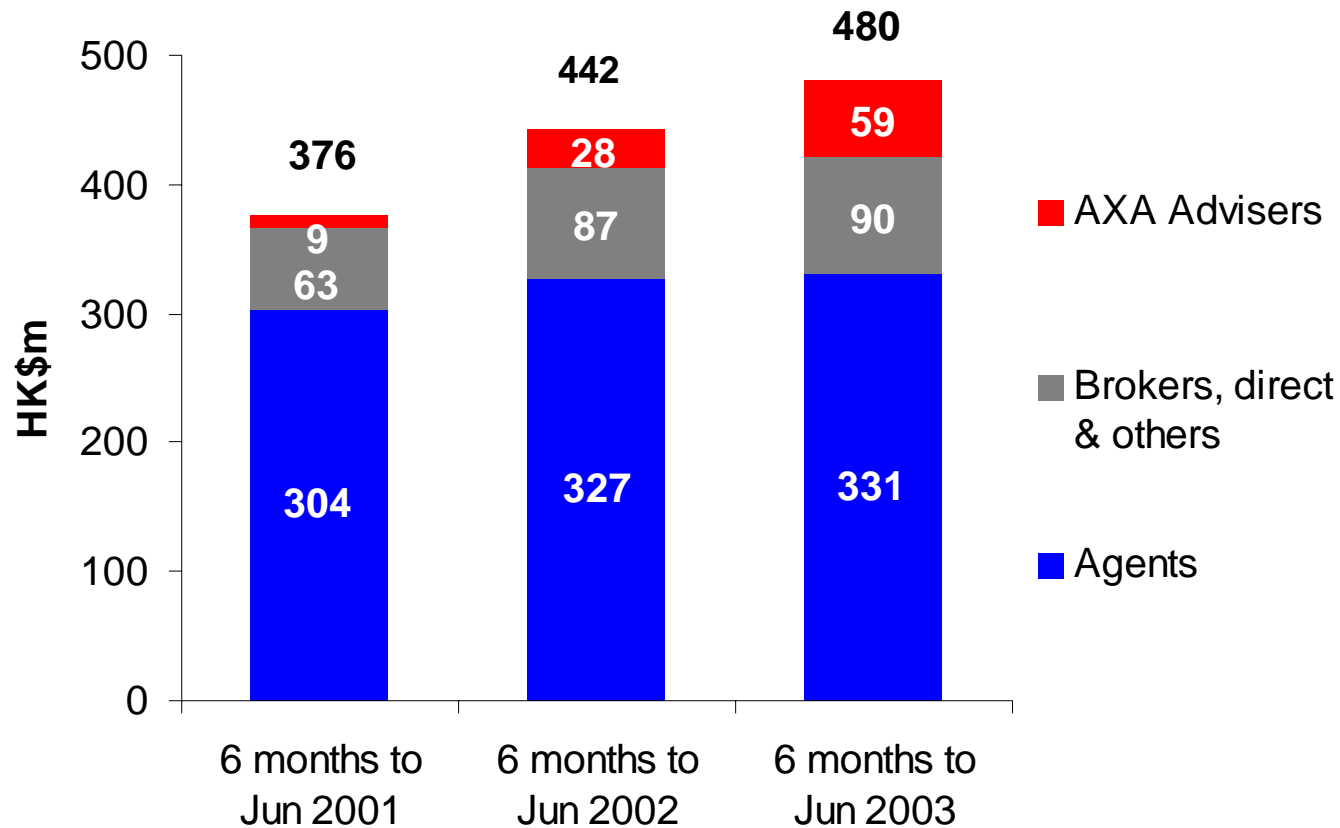
Average monthly agent productivity



# Hong Kong

## Build profitable new distribution channels

Total sales (regular premium + 10% single premium)

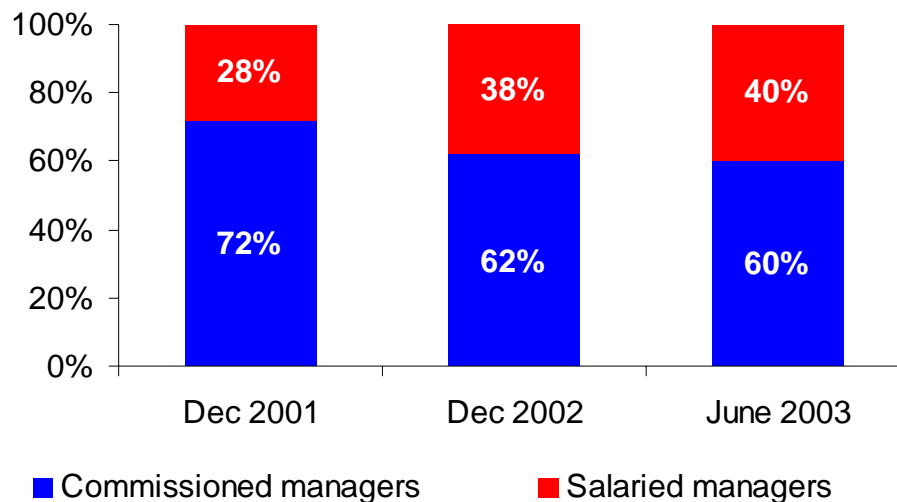


# Hong Kong

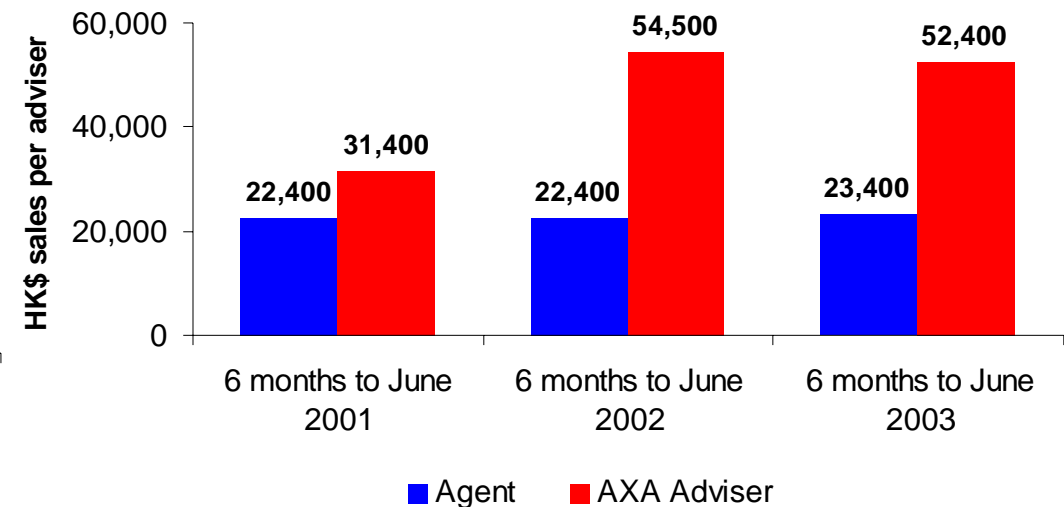
## Build profitable new distribution channels

- Company managed distribution now 40% of total
- Salaried advisers productivity double that of traditional agents
- Number of salaried advisers up 76% from 30 June 2002

Advisers managed by salaried vs commissioned managers



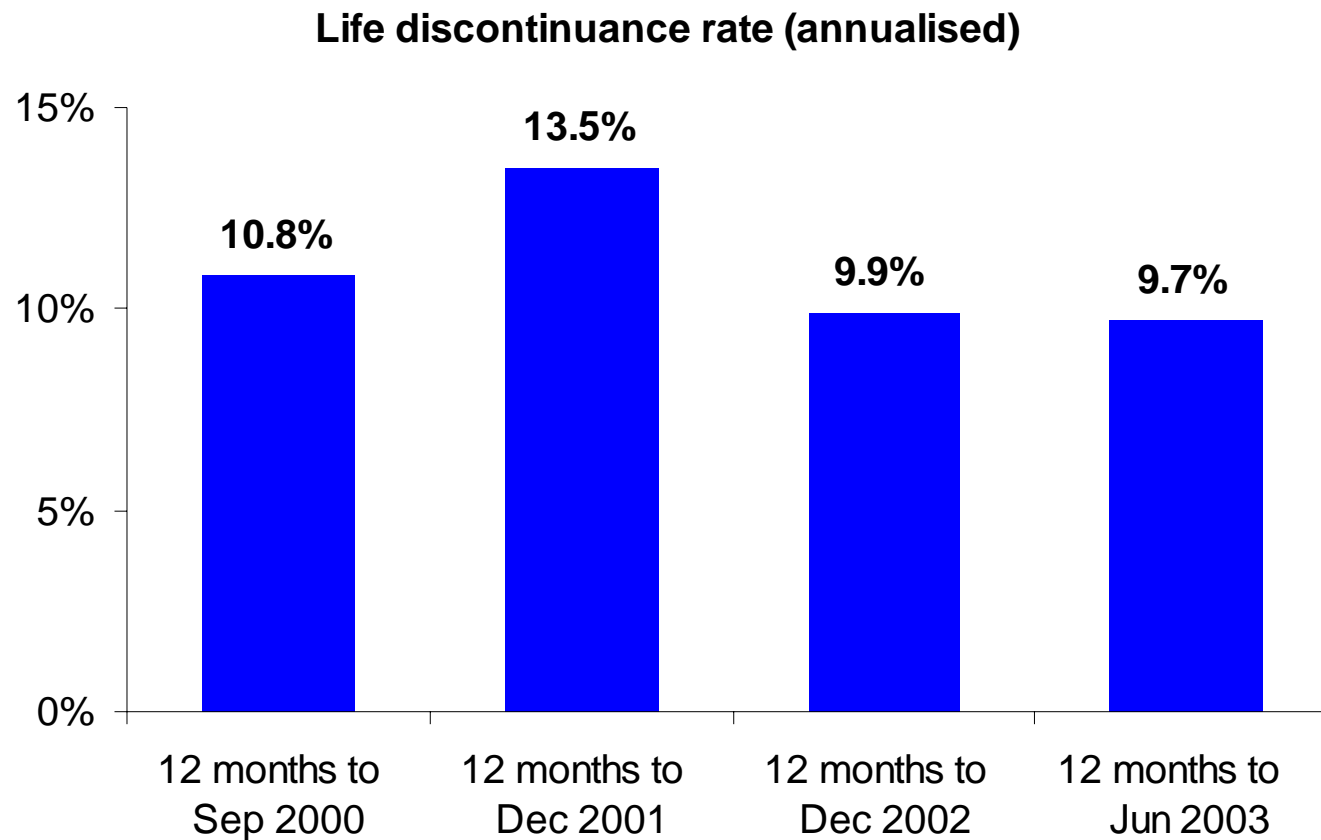
Average monthly productivity



# Hong Kong

## Bring persistency back to target levels

- Aggregate lapse rate further improved



# Hong Kong

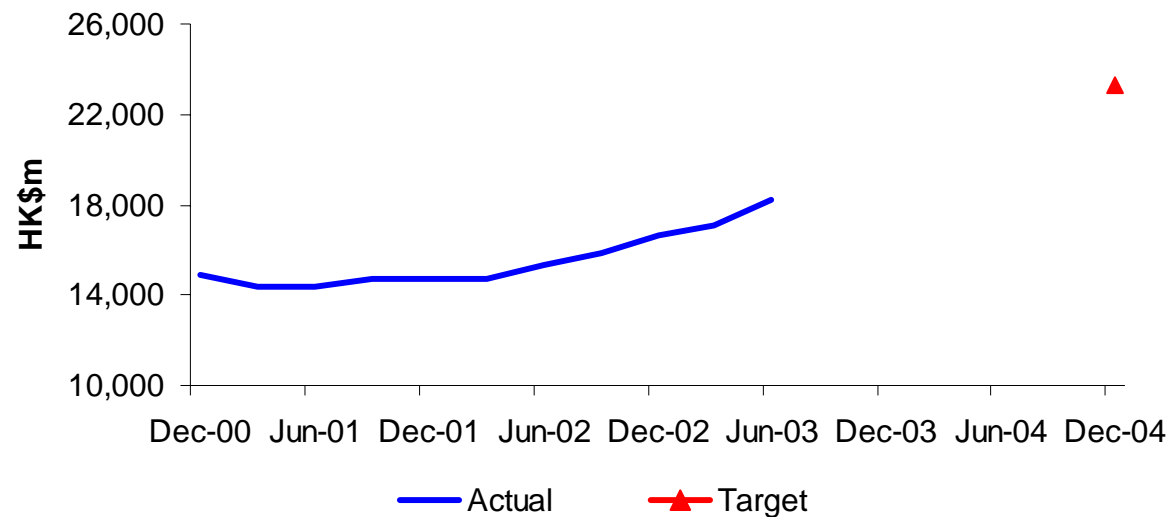
## Prepare for growth of savings and investment market

- Hong Kong continues to be an extremely attractive market
  - savings rates are high
  - penetration rates low for both insurance and investment products
- Individual unit linked retirement savings plan launched in April
- MPF - well placed to capitalise on consolidation opportunities as they emerge
- ipac Hong Kong financial advisory business launched in July

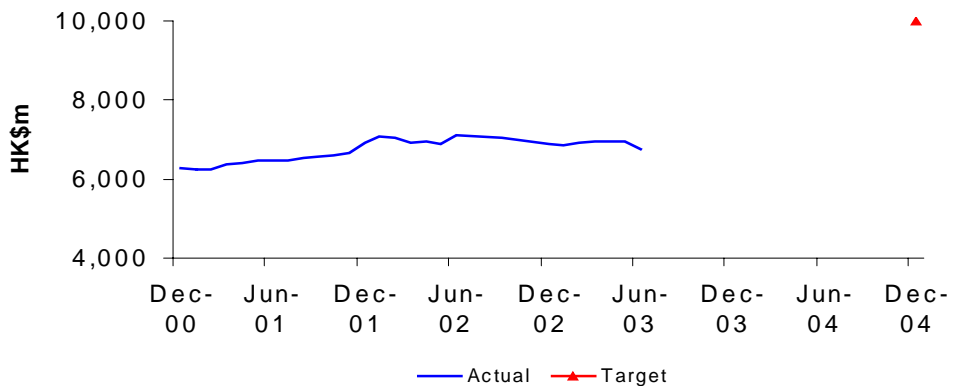


# Progress against M6 goals

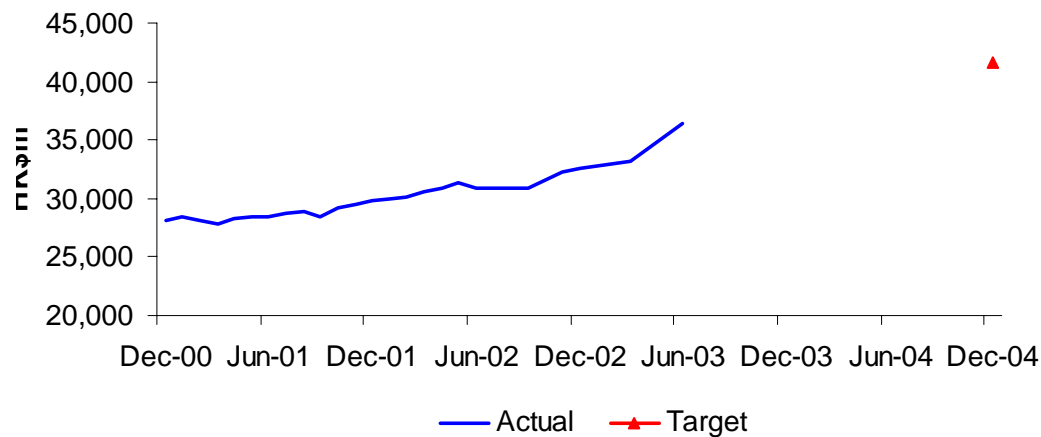
**M1 - Value of business (enterprise value)**



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

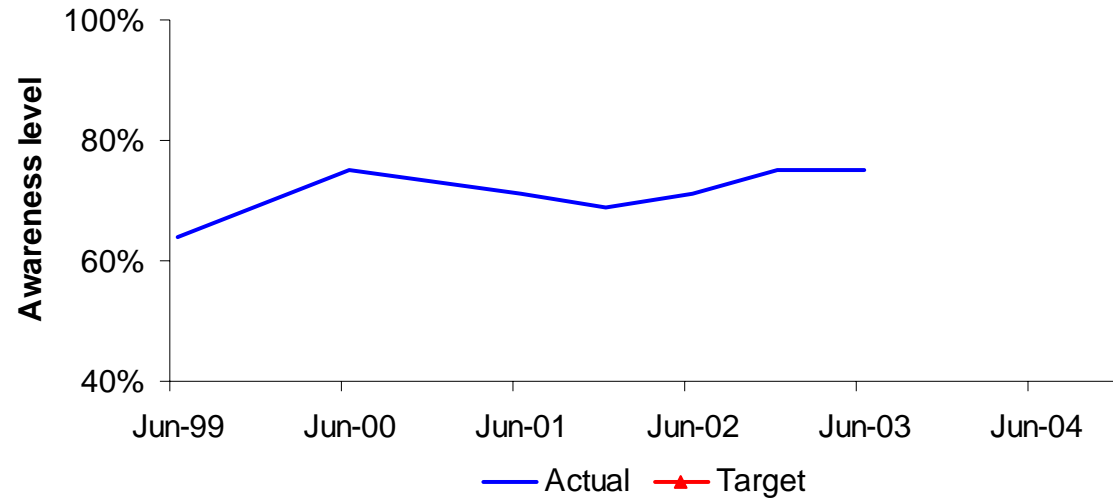


**M3 - Total assets under management (incl. linked)**

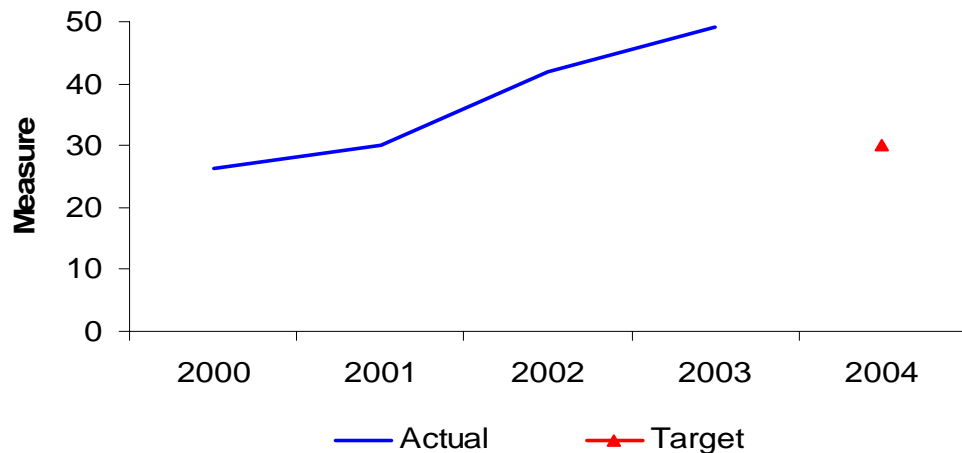


# Progress against M6 goals

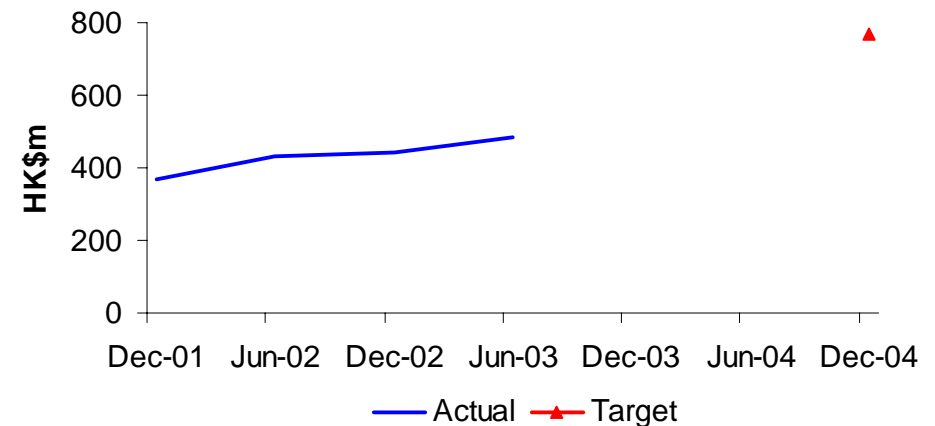
**M4 - Provider of choice - AXA (Kwok Wei) brand awareness**



**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 increase

# Summary

- Good performance in difficult environment
- Clear signs that repositioning of business is delivering results
- Strong financial position
- Well positioned for market recovery
- No change to our strategy, no change in our focus



# Disclaimer

- The material in this presentation is a summary of the results of the AXA APH Group for the 6 months ended 30 June 2003 and an update on Group activities and is current at the date of preparation, 26 August 2003. Further details are provided in the Company's half year accounts, Investor Compendium and results announcement released on 26 August 2003. 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 at the website [www.axa-asiapacific.com.au](http://www.axa-asiapacific.com.au).





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