

# AXA Asia Pacific Holdings

Andrew Penn



Be Life Confident

# Contents

- 1 : AXA Asia Pacific Holding - scope of operations and history
- 2 : Financial performance
- 3 : Market analysis
- 4 : AXA Asia Pacific Holdings and the AXA Global group



# Overview

- 51.6% owned by the AXA Group
- Operations in 10 markets in Asia Pacific (ex Japan)
- Life insurance, wealth management, advice and asset management
- FUM - A\$80.6 billion
- Premiums – A\$3.0 billion
- Staff – 4,392
- Advisers and agents – 9,550



All figures as at / for the 12 months to December 2005

# Scope of operations

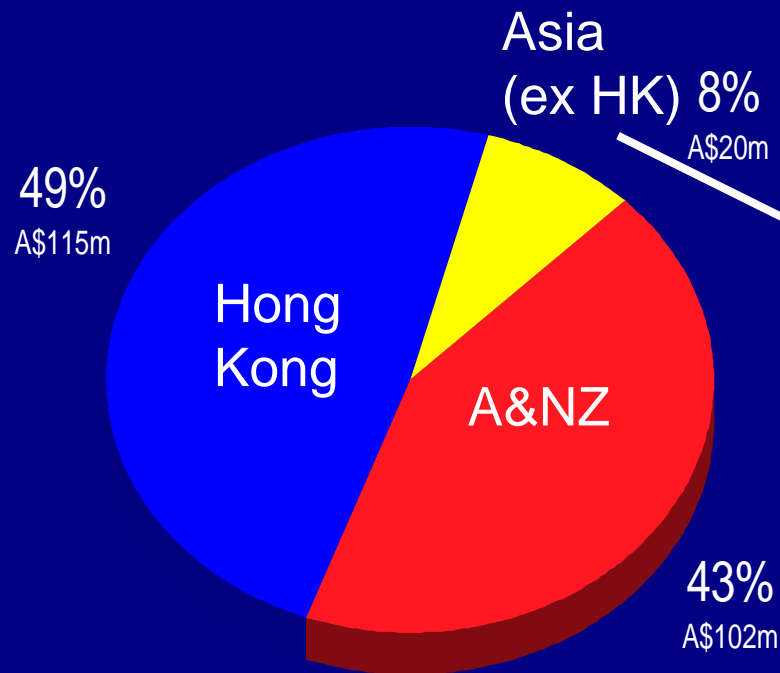


- Australia, New Zealand, Hong Kong and Singapore are 100% owned and controlled by AXA APH
- China - 25% share in JV with Minmetals - AXA SA (26%)
- Thailand – 50% share in JV with Krung Thai Bank
- India – 26% share in JV Bharti Enterprises
- Philippines – 45% share in JV with Metrobank
- Indonesia – 80% share in JV with Tempo Group & 51% share in JV with Bank Mandiri
- Malaysia – 49% share in JV with Affin Bank

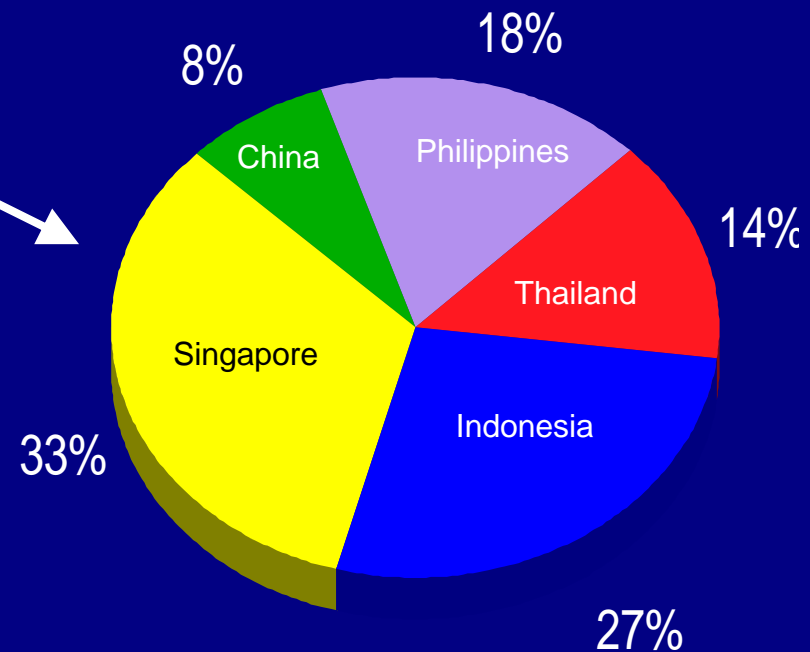


# Scope of operations

By value of new business<sup>1</sup>



Asia (ex HK) – by premium income<sup>2</sup>



All figures as at / for the 12 months to December 2005

1. Analysis using value of new business for year ended 31 December 2005. Risk discount rate – Equity return +100bps

2. India and Malaysia are yet to commence operations



# History

National Mutual demutualises and AXA invests A\$1bn

1995

National Mutual lists on ASX

1996

National Mutual adopts AXA brand

1999

AXA CEO is appointed

2000

## Strategic Transformation:

- Turn around Australia & New Zealand operations
- Transition successful Hong Kong business to new model
- Regionalise the Asian platform
- Refocus activities through a series of acquisitions and divestments

2006



# Turned around A&NZ business

- Historically AXA's A&NZ business was underperforming its key competitors in most areas
- A major transformational programme to turn around operating performance has been implemented focusing on the following:
  - Growing our share of retail investment and retirement savings
  - Improving retention of funds under management
  - Increasing the size and productivity of aligned advisers
  - Increasing penetration of non-aligned advisers
  - Entering into the advice business
  - Returning our income protection portfolio to profitability
  - Improving operational efficiency and reducing expense ratios
  - Improving our organisational capability through people



# Transitioned successful HK business to new model

- In Hong Kong the business was very successful but operated on a traditional model in a changing environment
- We have achieved transformation of the business by focusing on the following:
  - Increasing the number and productivity of aligned advisers
  - Building profitable new aligned and broker/IFA channels
  - Preparing for the growth of savings and investment markets
  - Delivering investment margins
  - Bringing persistency back to target levels
  - Improving organisational capability
  - Building AXA as preferred brand of choice
  - Delivering operational excellence through better quality service for lower cost



# Regionalised Asian platform

- When the AXA Group acquired National Mutual it had small greenfield operations in a number of countries throughout the region, but with little synergy between them
- Our strategy has been to regionalise the Asian businesses through:
  - Implementing a series of regional blueprints in distribution, product and other key areas
  - Consolidating computer systems
  - Consolidating support functions – eg Finance, HR, Actuarial.
  - Strengthening the regional executive team
- More recently we have expanded our advice business and multi-manager capabilities into Asia



# Corporate activity

## Australia & New Zealand

- Exited non core businesses - health insurance, trustee & payroll companies and property management
- Entry into advice through the acquisition of ipac and Sterling Grace
- Acquisition of the investment management arm of the Bank of New Zealand

## Asia

- Entered a new bancassurance joint venture in Indonesia with Bank Mandiri
- Expanded presence in China beyond Shanghai and entered into India and Malaysia
- Consolidation of position in Hong Kong and Indonesia through the acquisition of MLC Hong Kong and MLC Indonesia



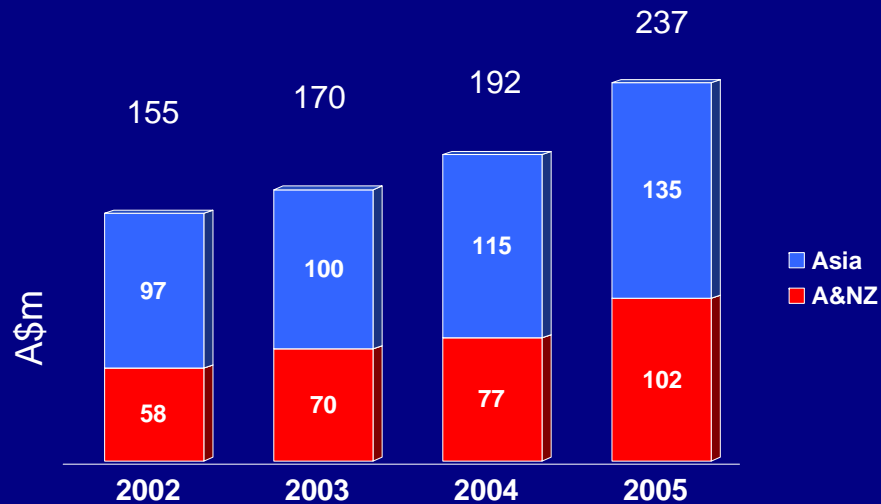
# Financial performance



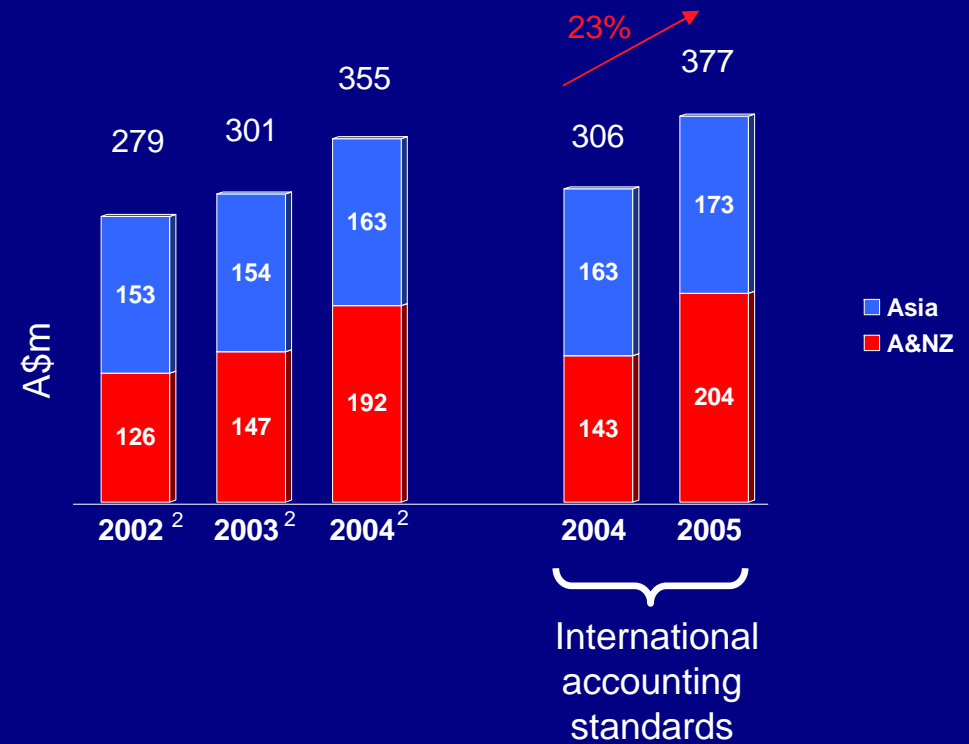
Be Life Confident

# Financial performance

## Value of new business (VNB)<sup>1</sup>

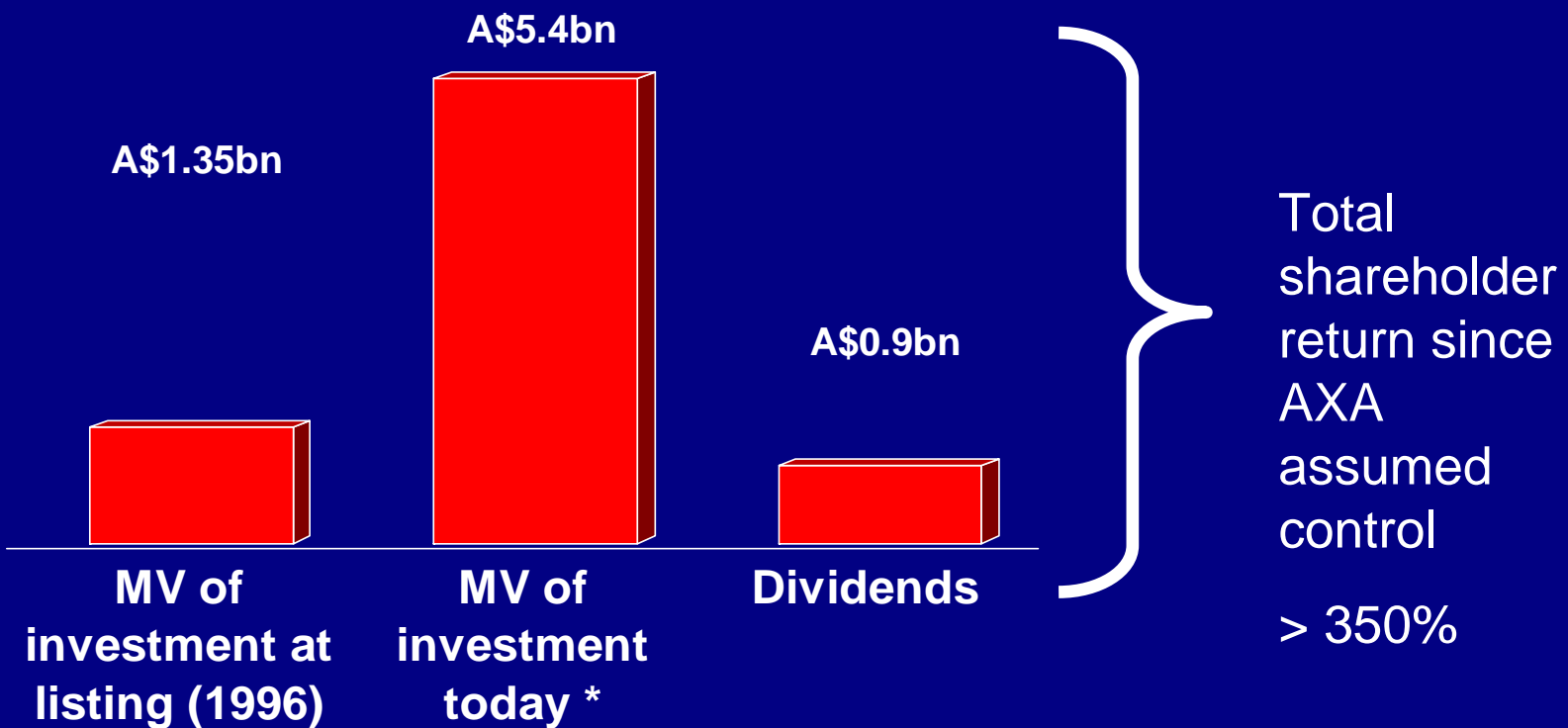


## Operating Earnings



1. Risk discount rate equals equity return + 100 bps.  
2002 – Risk discount rates are A&NZ 11% and HK 12.5%  
2003 – 2005 - Risk discount rates are A&NZ - 11%, HK – 11.5%, Asia (ex HK) ranging from 11% to 20%
2. Prepared on the local statutory basis. As reported to the Australian Stock Exchange (ASX)

# Shareholder return



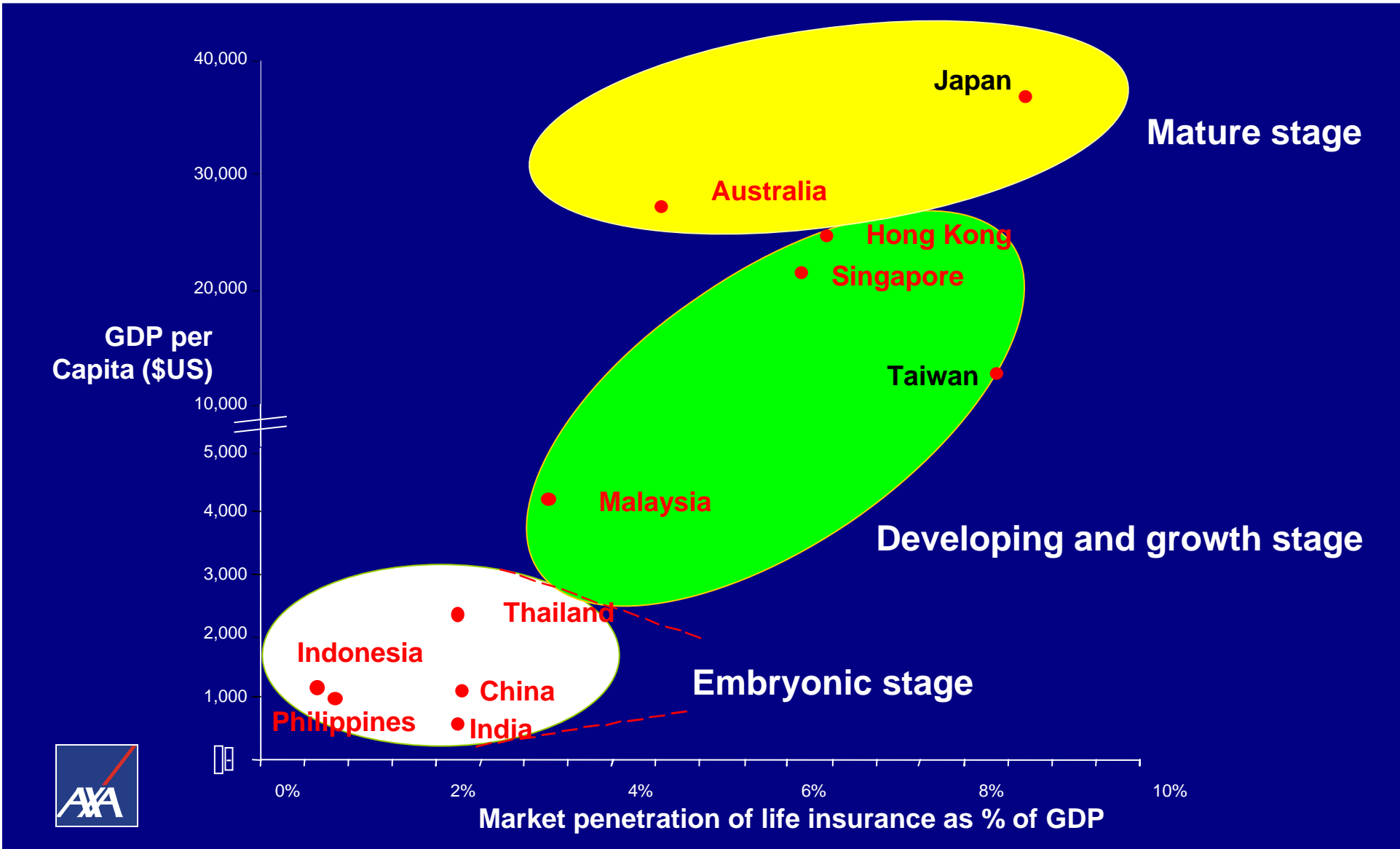
\* As at 31 May 2006. Share price – A\$5.96

# Market analysis



Be Life Confident

# Markets – GDP v market penetration



# Markets

Market	Australia	New Zealand	Hong Kong	South East Asia	China
Premiums <sup>1</sup>	A\$545m	A\$148m	A\$1.6bn	A\$575m	A\$47m
FUM <sup>1</sup>	A\$63.0bn	A\$7.3bn	A\$8.8bn	A\$1.8bn	A\$0.1bn
Market position <sup>1</sup>	#5 <sup>2</sup>	#1 <sup>3</sup>	#3 <sup>4</sup>	Various	#4 <sup>5</sup>
Key competitors					
AXA	Same presence or larger	Same presence or larger	Same presence or larger	Same presence or larger	Same presence or larger
AIG	Smaller presence relative to AXA	Smaller presence relative to AXA	Same presence or larger	Same presence or larger	Same presence or larger
ING	Smaller presence relative to AXA	Smaller presence relative to AXA	Smaller presence relative to AXA	Same presence or larger	Same presence or larger
Allianz	No presence	No presence	Smaller presence relative to AXA	Smaller presence relative to AXA	Smaller presence relative to AXA
Manulife	No presence	No presence	Same presence or larger	Same presence or larger	Same presence or larger
Generali	No presence	No presence	Smaller presence relative to AXA	Smaller presence relative to AXA	Same presence or larger
Prudential	No presence	No presence	Same presence or larger	Same presence or larger	Same presence or larger



No presence

Same presence or larger

Smaller presence relative to AXA

1. As at / for the 12 months ended December 2005
2. Based on FUA - Plan for life / Internal analysis
3. Source – Morningstar – retail funds under administration

4. Combined AXA / MLC Hong Kong for inforce business
5. For the 12 months to December 2005 based on Shanghai region new business

# Australia – key market characteristics

- Mature market
- Key competitors are local banks and AMP. The only global competitor is ING
- Open architecture
- 9% mandated retirement savings (superannuation) generating A\$54bn<sup>1</sup> of new funds per annum
- Heavily regulated
- Significant industry focus on the quality of advice



1.

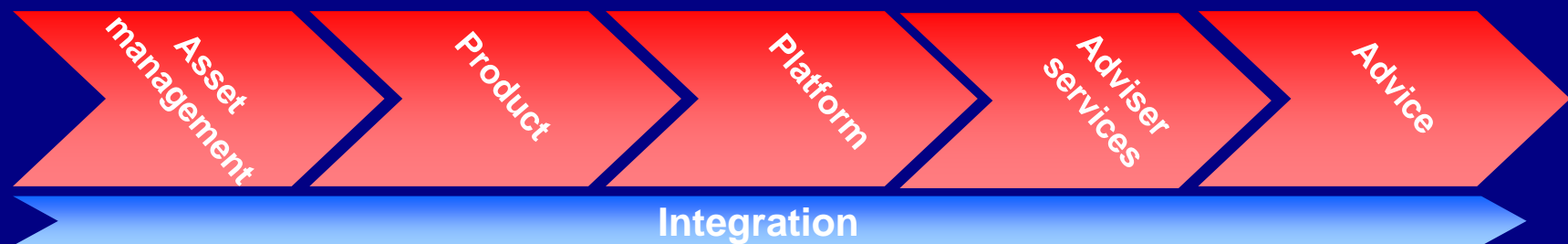
Source – APRA Quarterly Superannuation Performance – 12 months to December 2005

# Australia - strategy

Our strategy is to compete in all parts of the financial protection and wealth management value chain

- In product manufacturing
- As a provider of services to advisers
- As a direct provider of financial advice

And where possible to integrate our offering over more than one part of the value chain



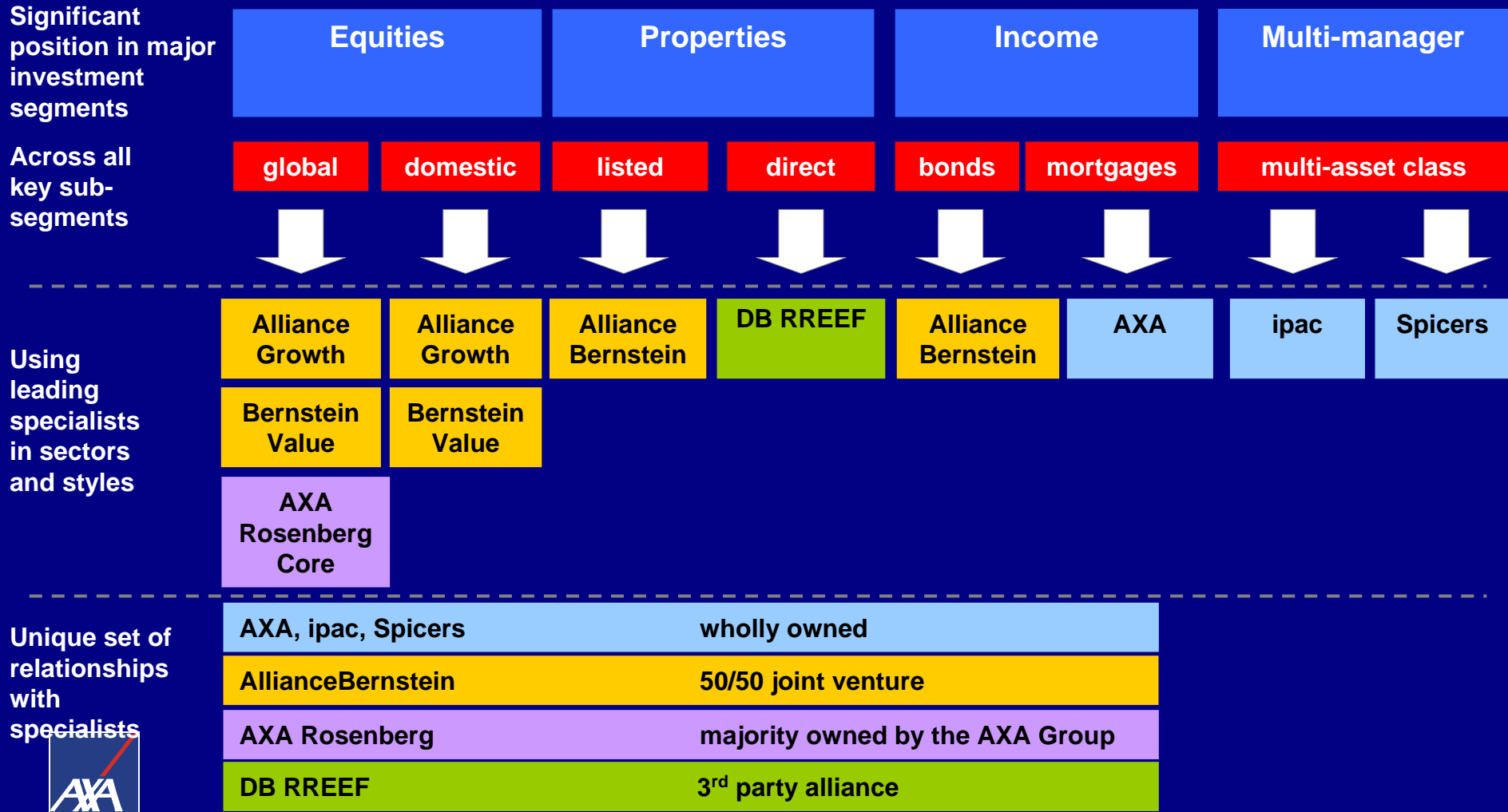
# Australia – medium term priorities

- Capitalise on the quality and breadth of our asset management capabilities
- Further improve our cost to income ratio in a sustainable way
- Build the necessary functionality and scale to improve the competitiveness of our platform
- Increase the breadth of our distribution
- Drive sustainable growth in value and profitability of our Financial Protection business
- Consistently deliver competitive levels of service and improve the service experience for advisers and customers



# Australia – asset management capabilities

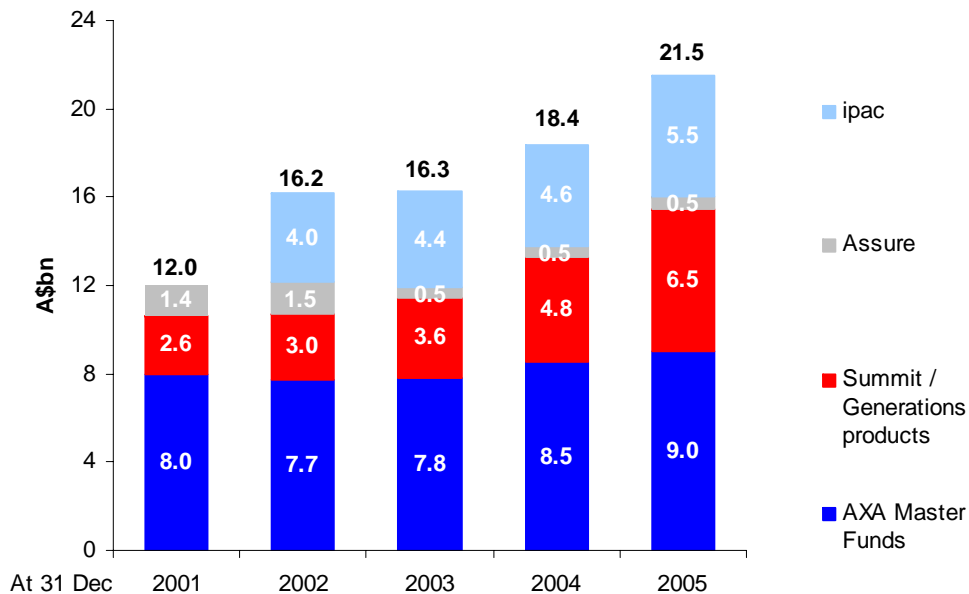
## Specialist managers, best of breed products, global leverage



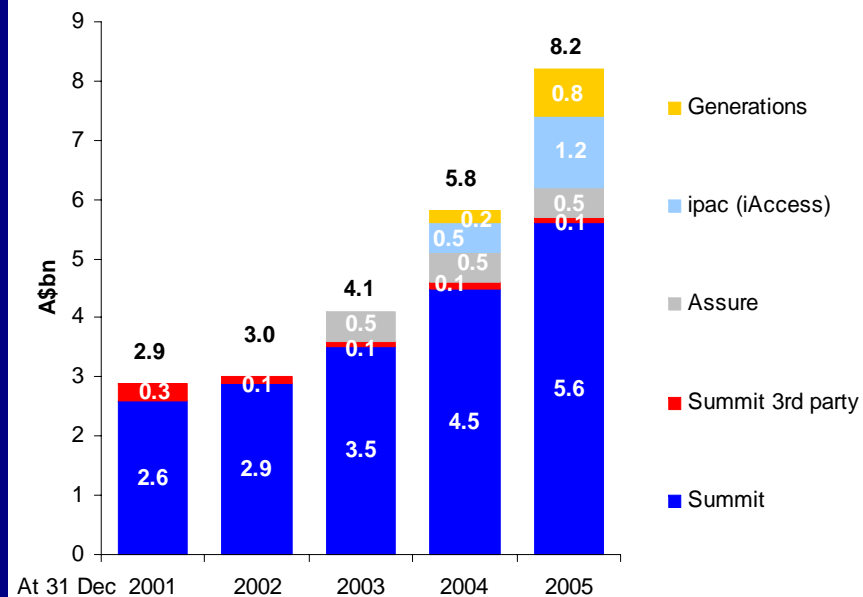
# Australia – grow scale on our platform

## Consistent growth in funds under administration

Master trusts, platforms and wraps - funds under administration



Summit platform - funds under administration

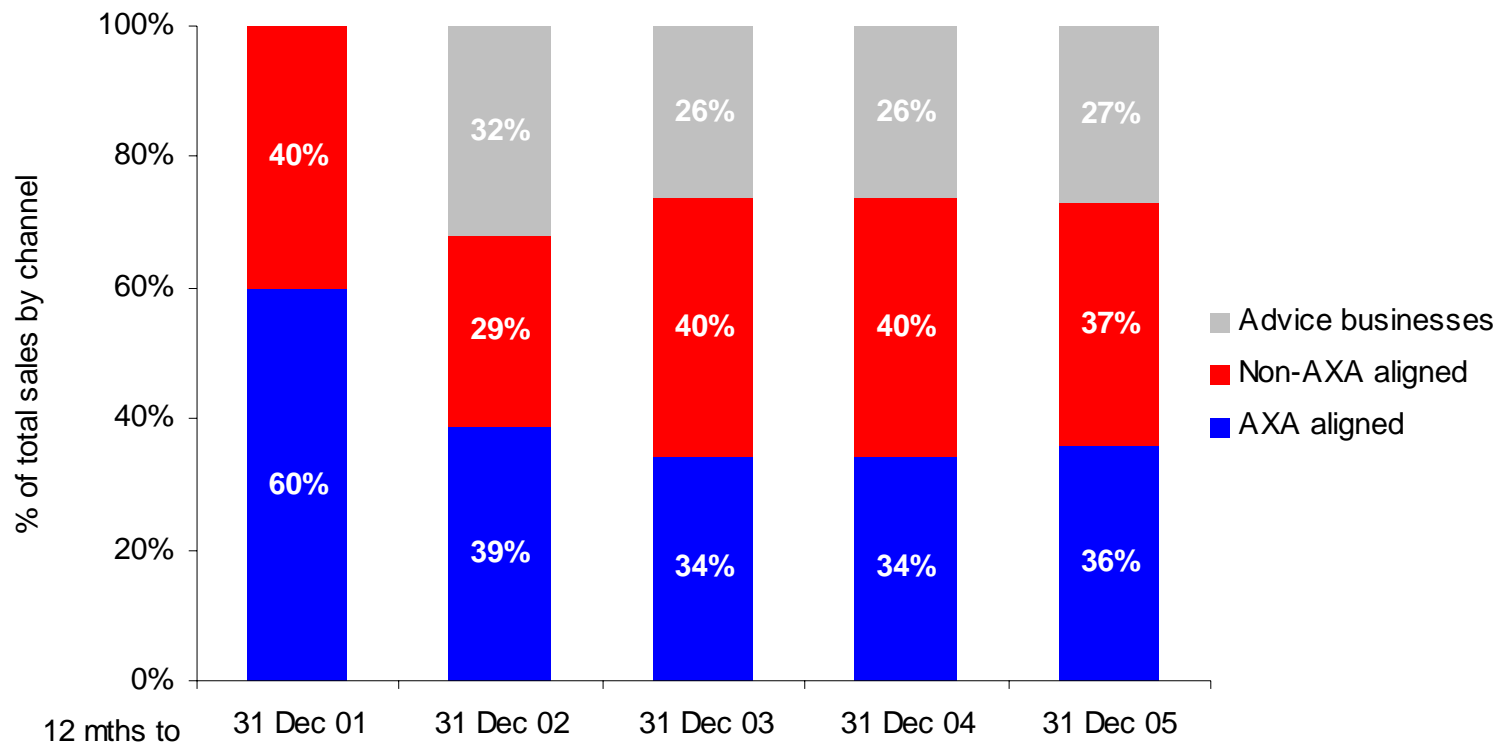


The total Summit funds under administration of \$8.2bn differs to the chart 'Master trusts, platforms and wraps' showing Summit product as \$6.5bn. This is due to \$1.25bn of ipac funds and \$0.5bn of Assure funds, which are administered on Summit, being shown as part of ipac and Assure respectively in the 'Master trusts, platforms and wraps' chart, rather than as part of Summit

# Australia increase the breadth of our distribution

We have diversified our distribution

Australia - Sales by channel (single premium wealth products)



# New Zealand – Key market characteristics

- Mature market, although less mature than Australia
- Relatively weaker economy than Australia
- Key competitors are the local banks (owned by Australian banks) and AMP. ING is the only global competitor
- No significant incentive for long term savings and relatively high social security safety net
- Taxation of managed funds has historically been unfavourable
- Minimal product and adviser regulation
- A number of recent regulatory and tax changes have improved the attractiveness of the New Zealand market



# New Zealand – market changes

**The Government has moved to address weaknesses in savings and taxation, with new legislation to come into effect on 1 April 2007.**

	2004	2005	Today	Description
<b>Savings</b>	Harris report on workplace savings. Launch of State Sector Retirement Savings Scheme (SSRSS)	Budget announcement on national workplace savings initiative in May	KiwiSaver Bill passed and at Select Committee	<ul style="list-style-type: none"> <li>• New universal work place savings scheme effective 1 April 2007</li> <li>• Not compulsory, but automatic enrolment with option to opt out</li> <li>• NZ\$1,000 initial joining incentive</li> <li>• NZ Treasury forecast 25% of eligible workforce will be “KiwiSavers” by 2013</li> </ul>
<b>Taxation</b>	Stobo report on taxation driving awareness for capital gains issues	Recommendations to Government, likely scope known in 2005	Details of changes to the taxation of collective investment vehicles (CIVs) announced	<ul style="list-style-type: none"> <li>• No tax difference between CIVs and direct investment</li> <li>• Australian and NZ investments treated as one market</li> <li>• International investments subject to new comparative value tax regime</li> </ul>



- Further work on adviser disclosure and licensing is planned for introduction in 2008

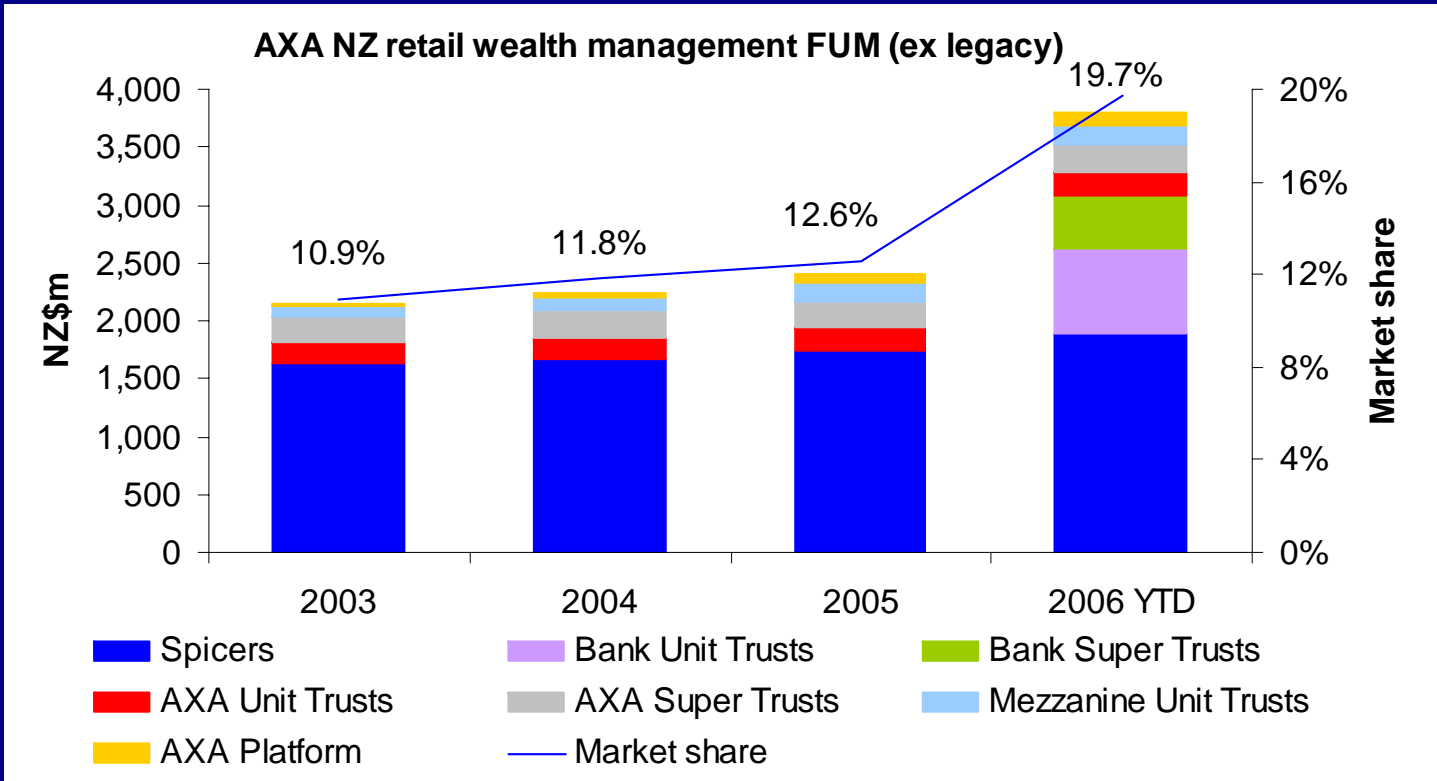
# New Zealand – medium term priorities

- Exploit our position as one of the three Government nominated providers of retirement savings for the public sector into the private sector
- Develop the investment platform and support structure to maximise the opportunity from the new tax environment
- Successfully integrate the recent BNZ acquisition
- Grow our Financial Protection market share profitably
- Further segment our distribution model to recognise the increasing influence of multi-channel distribution - aligned advisers, brokers, IFAs, Spicers, Bank and alliances
- Grow Spicers – our advice business



# New Zealand – BNZ acquisition

We have substantially increased in size through the acquisition of Bank of New Zealand’s managed funds business. With an additional NZ\$1.3bn in retail FUM, retail wealth management market share has increased from 10.9% to 19.7%



Source: Morningstar / AXA

# Hong Kong – key market characteristics

- Highly attractive market in a strategically important position in Asia
- Closer Economic Partnership Agreement (CEPA) with China
- Key competitors are HSBC and foreign players – AIG, Manulife, Prudential
- Business supportive regulatory environment
- High savings rate, large retail bank deposits
- Relatively traditional product set with high margins
- Low penetration of insurance and retail funds
- Increasing investor maturity creating demand for wealth management and advice
- Compulsory retirement savings – Mandatory Provident Fund (MPF)



# Hong Kong – medium term priorities

- Maximise the value of existing channels
- Maximise the value of bancassurance distribution
- Gain significance in wealth management
- Grow the value of existing client relationships
- Deliver investment and technical margins
- Improve operational efficiency
- Successfully integrate the MLC acquisition



# Hong Kong – MLC acquisition

## Strengthened market position and distribution reach

	AXA HK <sup>1</sup>	MLC HK <sup>1</sup>	Total
Operating + Investment Earnings <sup>2</sup>	A\$291m	A\$35m	A\$326m
Inforce market share <sup>3</sup>	8.2%	1.8%	10.0%
New business market share <sup>3</sup>	5.9%	1.6%	7.5%
Value of new business <sup>4</sup>	A\$133m <sup>5</sup>	A\$14m <sup>6</sup>	A\$147m
Total premium income <sup>7</sup>	A\$1.4bn	A\$0.2bn	A\$1.6bn
Life new business index <sup>7</sup>	A\$215m	A\$36m	A\$251m
Agent and adviser numbers	c2,400	c800	>3,000

(1) All AXA data for 12 months ended 31 December 2005 unless otherwise stated; all MLC Hong Kong data for 12 months ended 30 September 2005 unless otherwise stated (sourced from MLC Hong Kong)

(2) Actual historic earnings, pre-synergies, based on average HK\$/A\$ exchange rate of 5.91891 for the 12 months ended 31 December 2005

(3) Source - OCI for 9 months ended 30 September 2005; regular premiums + 10% single premiums

(4) Based on HK\$/A\$ exchange rate of 5.68760 as at 31 December 2005

(5) Based on risk discount rate of 10.5%

(6) Incorporates MLC Hong Kong VNB based on risk discount rate of 12.0%

(7) Based on average HK\$/A\$ exchange rate of 5.91891 for the 12 months ended 31 December 2005



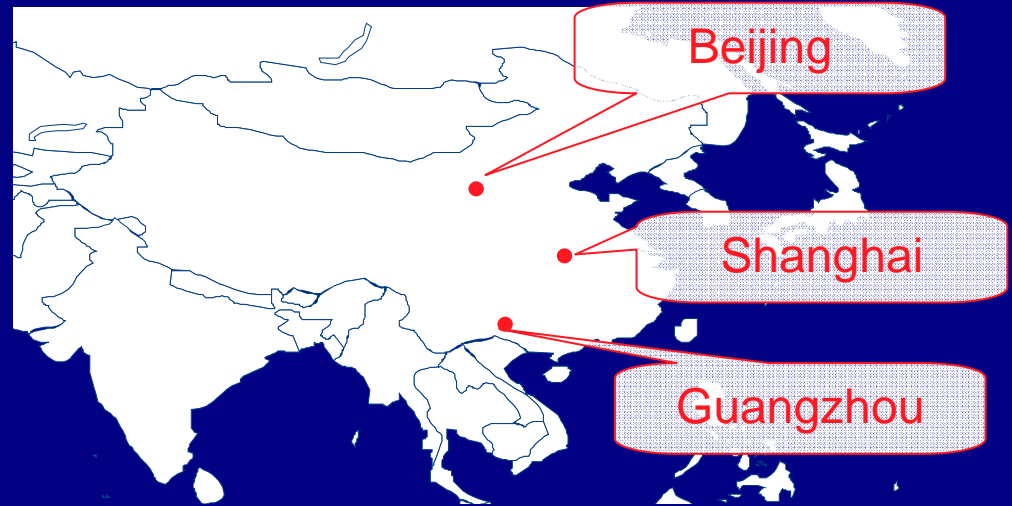
# China – key market characteristics

- Emerging middle class (+A\$70k liquid assets) increased by over 1m individuals from 1997 to 2001 and is forecast to reach 11m by the end of 2007
- Forecast to enter the top 10 global insurance markets over the next 20 years
- Key competitors are traditionally state owned players (controlling 97%) of the market and foreign players with a relatively small market share.
- Evolving regulatory environment and strong competition from domestic players
- Licenses restricted by geographic district, creating intense pockets of competition
- Strong competition for management and senior executives



# China– medium term priorities

- Currently present in three cities
- Expanding to five cities by 2007



- Roll out new products that capture single premium business
- Strengthen the agency distribution management capability
- Industrialise agency recruitment process
- Implement Shared Services model
- Build top class management team



# South East Asia – Key market characteristics

- The Association of South East Asian Nations (ASEAN) comprises Thailand, Singapore, Indonesia, Malaysia, Philippines, Brunei, Cambodia, Myanmar and Vietnam
- AXA has a presence in the key markets of Thailand, Singapore, Indonesia, Malaysia and Philippines
- Each market is relatively small but in aggregate SE Asia is equivalent to a top 20 global market
- Markets are at different stages of maturity with the most mature being Singapore
- All markets share a common feature of relatively traditional products sold through traditional tied agents
- Mixed regulatory environment with compulsory retirement savings in Singapore



# South East Asia– medium term priorities

- Achieve a leadership position in each of our markets by the time they enter the accelerated growth phase
- Provide a comprehensive range of financial protection and wealth management products to mass market, mass affluent and corporate customers
- Deliver superior performance by applying AXA's best practices to multiple distribution channels through our regional blueprints
- Gain early mover advantage for wealth management and financial advice planning services through the expansion of ipac into the region
- Achieve further operational efficiency through a single regional platform
- Develop start-up operations in Malaysia



# India – key market characteristics

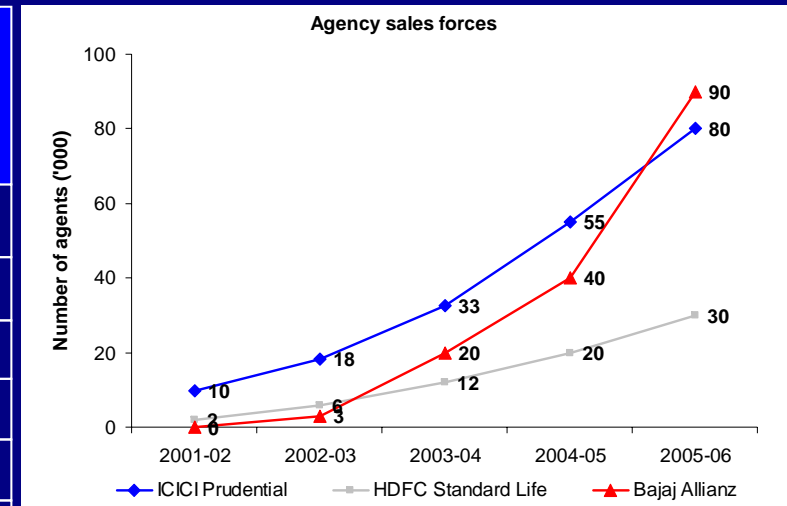
- Historically a nationalised industry. Life insurance re-opened in 1995
- Fifth largest insurance market in Asia - A\$25bn
- Key competitors are the Life Insurance Company of India which controls >90% of the in-force market with more than one million agents
- Rapidly increasing affluence among urban households
- National licences – no business or geographic restrictions for foreign insurers
- The Indian government has announced its intention to raise the 26% foreign investment ceiling to 49% (no set date)
- Market growth of 32% pa over the past 4 years



# India

- AXA's strategy is to achieve a top 5 position through multi-distribution, multi-product platform, applying AXA's best practice blueprints and by leveraging Bharti's local knowledge, infrastructure and 20m customer base

Companies	Cumulative capital spend (A\$m) March 2006	Market share (NBI basis) January 2006 <sup>2</sup>	NBI (A\$m) March 2005	Premium growth (Mar 2005 vs. Mar 2004)
ICICI Prudential	359	11.5%	445	129%
Bajaj Allianz	108	5.6%	137	184%
HDFC Standard Life	127	4.2%	119	184%
Birla Sun Life	133	2.9%	181	39%
Tata AIG Life	152	2.7%	90	68%
Max New York Life	167	2.4%	67	71%
All private insurers	1,356	36%	1,322	110%



(1) Source: IRDA

(2) Industry sources



# AXA Asia Pacific Holdings and the AXA Global Group



Be Life Confident

# Global leverage

- Brand
- AXA Business Services – back office processing in India
- AXA Tech – IT infrastructure
- Investment Management capabilities
  - AllianceBernstein – Joint venture in A&NZ
  - AXA IM – Joint venture in India
  - AXA Rosenberg



# Management focus

- Maximise leverage from the group
- Focus on excellence in execution
- Set clear transparent aspirational goals
- Communicate those goals internally and externally
- Align local goals to Ambition 2012



# AXA 6 – Australia and New Zealand

Aspirational Goals		Actual Dec 03	Actual Dec 05	Target Dec-07
AXA 1	Double the value of new business.	\$70m	\$102m	\$140m
AXA 2	Be consistently in the top 5 in net retail funds flow. <sup>1</sup>	4th	3rd	Top 5
AXA 3	Double funds under advice (FUA).	\$4.2m	\$6.3bn	\$8.3bn
AXA 4	Reduce the cost to income ratio by a third.	88%	73%	59.0%
AXA 5	Be consistently in the top 5 for service to advisers.	Top 5	9th	Top 5
AXA 6	Be consistently in the top quartile in the AXA Group Scope Survey of employee satisfaction.	Top Quartile	Top Quartile	Top Quartile



1. Based on Plan for Life data

# Asia 6

Aspirational Goals <sup>1</sup>		Actual Dec 04	Actual Dec 05	Target Dec-08
Asia 1	More than double the value of new business to A\$312m	\$142m	\$165	\$312
Asia 2	Grow total inflows 2.5 times to A\$4 billion	1.6	2.0	4.0
Asia 3	Grow new business index 2.5 times to A\$716 million	270	352	716
Asia 4	Reduce management expense ratio Hong Kong below 5%, SE Asia & China below 20%	5.8% / 27.5%	5.7% / 27.2%	5% / 20%
Asia 5	Improve 13 month persistency ratio to 80%	77%	78%	80%
Asia 6	Achieve top quartile SCOPE score for staff	Top Quartile	2nd Quartile	Top Quartile



1. The Hong Kong components of the Asia 6 goals have been revised following the acquisition of MLC Hong Kong. The targets above reflect the revised 2008 targets.

# Ambition 2012



AXA 6

Asia 6

Ambition 2012

2006

2007

2008

2012



# Questions



Be Life Confident