

# THE AXA "Accelerated growth in Asia" PLAN.

AXA Asia Pacific Holdings Limited  
Our strategy in Asia

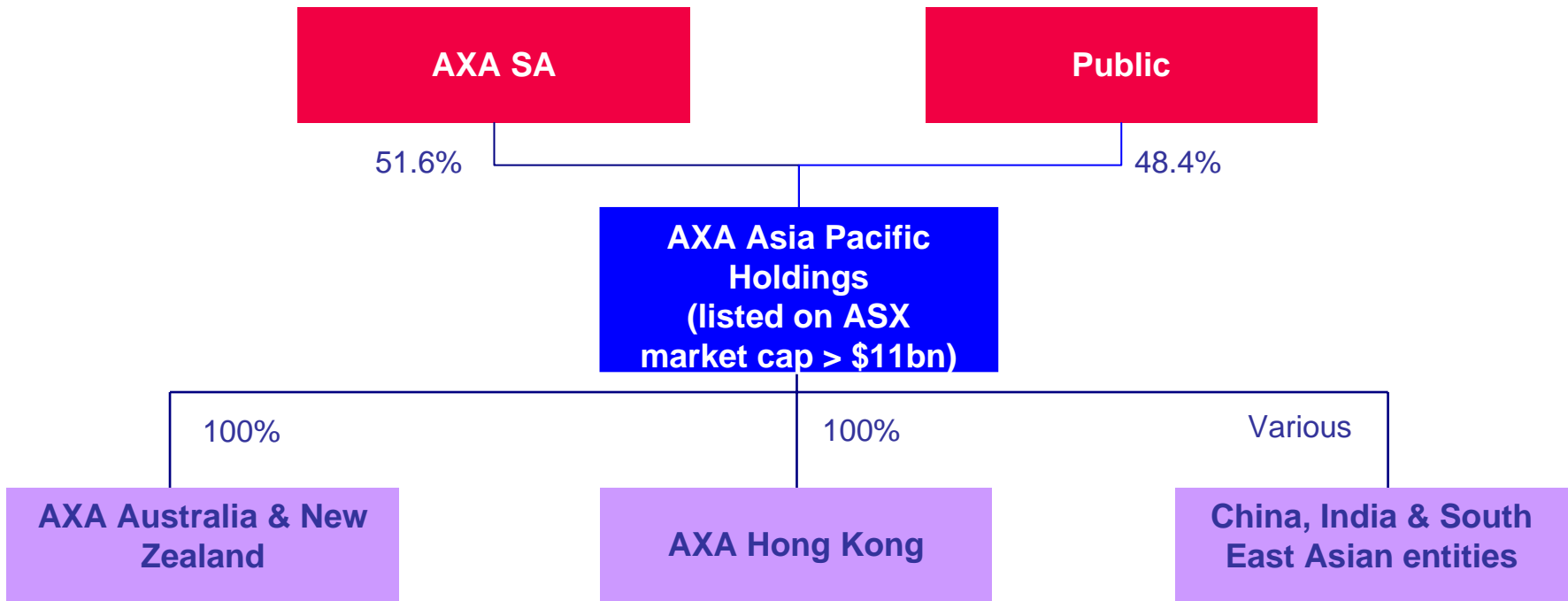
Les Owen, Group Chief Executive



16 May 2006

- Overview of our operations in Asia
- Overview of the Asian markets we operate in
- Challenges in Asia
- Summary

**AXA APH is listed on the Australian Stock Exchange. We have operations in Australia & New Zealand, Hong Kong, China and South East Asia and are in the process of entering India and Malaysia**



- Our vision is to be a leader in wealth management and financial protection:
  - *Wealth management* - financial advice, funds management and administration, superannuation, retirement and savings products
  - *Financial protection* - life insurance, income protection, and long term risk products

# Our strategy in Asia



— Be Life Confident —

- Achieve a leadership position in each of our markets by the time they enter the 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 global best practices to multiple distribution channels
- Gain early mover advantage for wealth management and financial planning advice services
- Drive profitable growth through a single regional platform.

# Overview of Asia life operations



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## China

- JV (AXA APH share: 25%) with Minmetals and AXA SA
- Shanghai #4 and Guangzhou #8 for new business amongst foreign life insurers
- Total premiums: A\$47m

## Hong Kong <sup>1</sup>

- AXA APH share: 100%
- #4 in new business, #3 in force
- Total premiums: A\$1.6bn
- Funds under management: A\$9.1bn
- Acquired MLC Hong Kong

## Philippines

- JV (AXA APH share: 45%) with the Philippines' largest financial conglomerate, Metrobank Group, with 565 branches
- #4 in new business
- Total premiums: A\$110m

## India

- JV with Bharti Enterprises established to enter A\$25bn Indian life market (AXA APH share: 26%)
- Plan to commence operations Q3 2006

## Thailand

- JV (AXA APH share: 50%) with Krung Thai Bank - Thailand's leading bank with 618 branches
- #8 in new business
- Total premiums: A\$90m

## Singapore

- AXA APH share: 100%
- #9 in new business
- Total premiums: A\$206m

## Malaysia

- JV with Affin to purchase Tahan Life and enter A\$6.0bn Malaysian life market (AXA APH share: 49%)
- Plan to commence operations Q3 2006

## Indonesia <sup>1</sup>

- JV (AXA APH share: 80%) with Tempo Group
- JV (AXA APH share: 51%) with Bank Mandiri, with 829 branches
- #2 in individual life new business
- Total premiums: A\$207m
- Acquired MLC Indonesia

## Asia (ex Hong Kong) <sup>1</sup>

- Total premiums: A\$660m
- FUM: A\$1.9bn



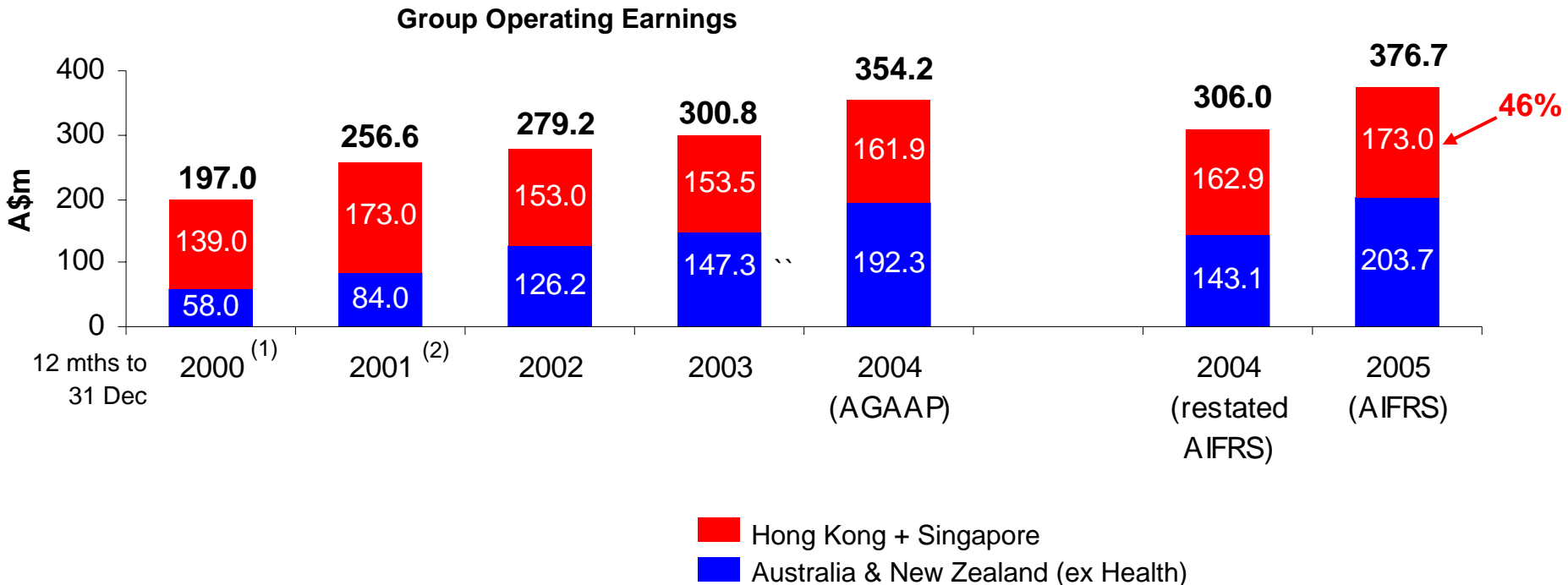
# Group Operating Earnings



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## Our Asian operations are a significant part of our business

- Hong Kong and Singapore comprised 46% of Group Operating Earnings for the year ended 31 December 2005



(1) 12 months ending 30 Sep 2000

(2) 12 months ending 31 Dec 2001 (restated, unaudited)

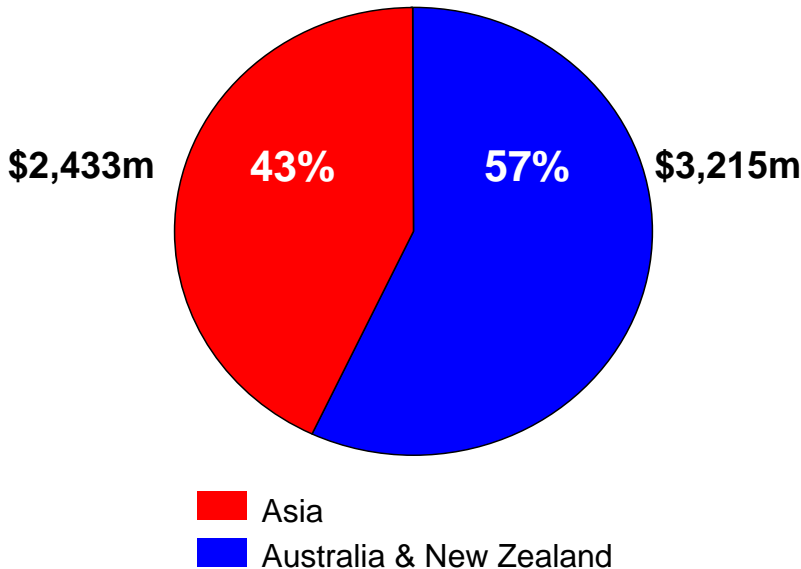
\*Australian Health operations were sold in 2002

## Our Asian operations are a significant part of our business

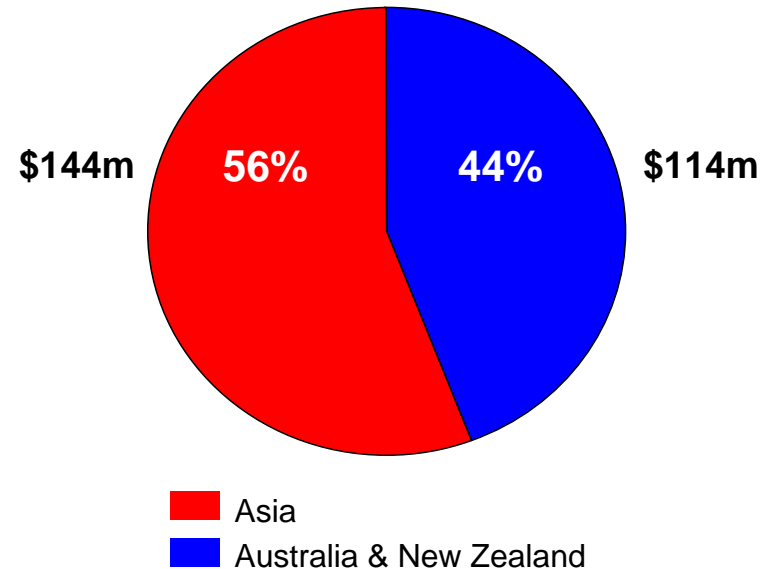
At 31 December 2005 Asia comprised:

- 43% of Group illustrative value of inforce business
- 56% of Group illustrative value of new business

Group illustrative value of inforce business



Group illustrative value of new business



(1) Risk discount rate = 10.0% for A&NZ, 10.5% for HK, 11% for Singapore and 16% – 20% for other Asian operations

(3) Assumes HK\$/A\$ exchange rate at 31 December 2004

(3) VNB excludes HK\$18 million of new development expenses related to new initiatives such as wealth management & bancassurance development.



# Hong Kong value of new business

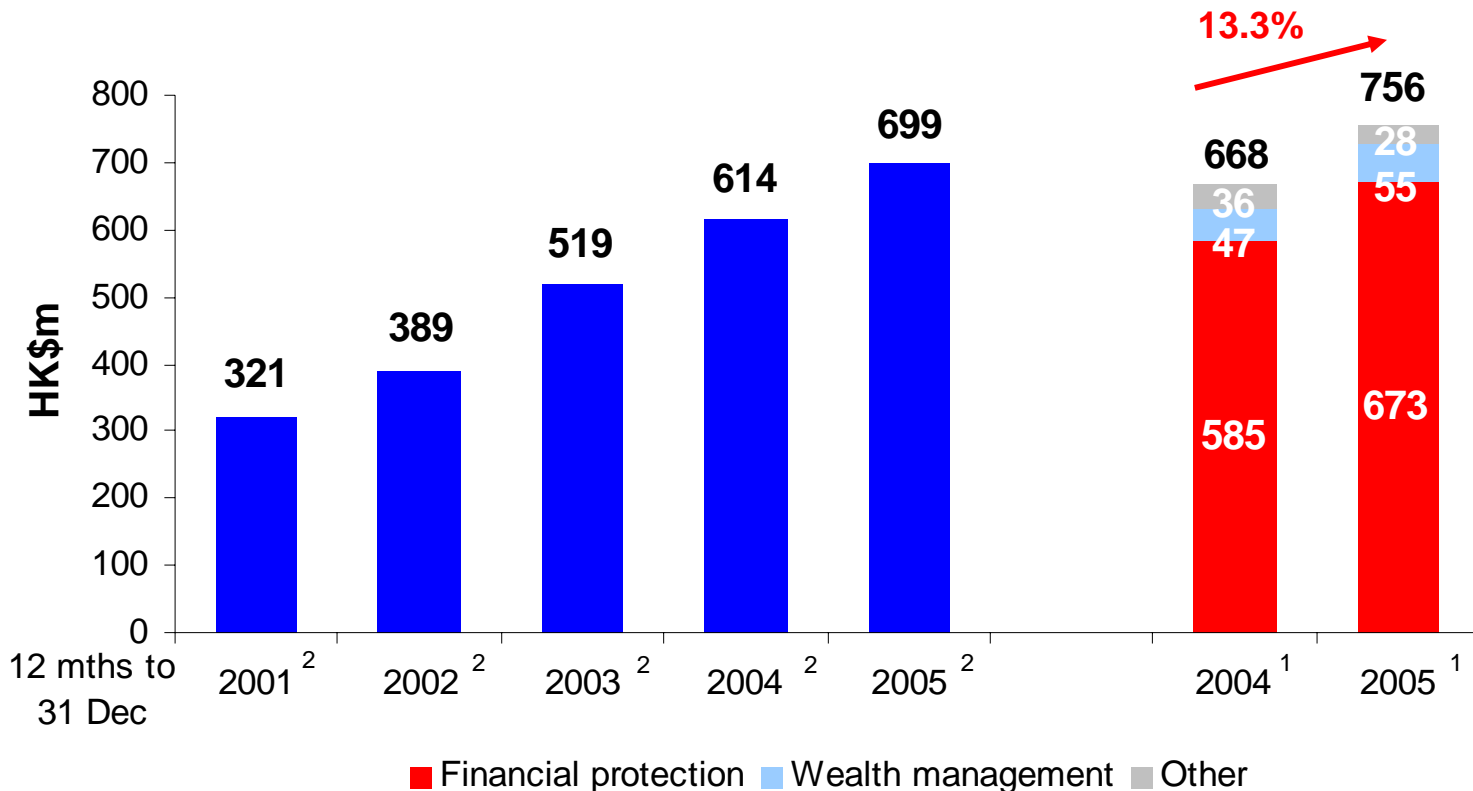


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## Our Asian operations are a significant part of our business

- Value of new business<sup>1</sup> in Hong Kong has more than doubled since 2001 – and was up 13.3% in 2005 to HK\$756m

### Value of new business



(1) Based on 10.5% risk discount rate, equal to assumed equity return

(2) Based on 11.5% risk discount rate, 100 basis points above assumed equity return



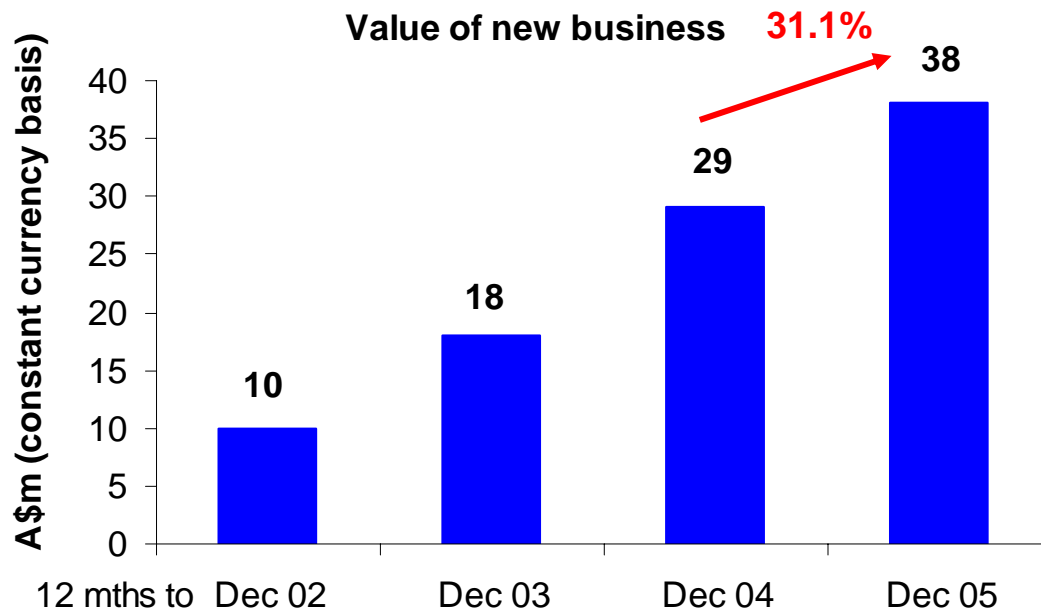
# Asia (ex Hong Kong) value of new business



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## Our Asian operations are a significant part of our business

- Value of new business<sup>1</sup> in Asia (ex Hong Kong) has almost quadrupled since 2002 – and was up 31.1% in 2005 to A\$38m



- AXA APH share of value of new business is \$20.6m, which represents 8% of total Group value of new business<sup>2</sup>

(1) 100% share, based on constant currency exchange rates at 31 December 2005, assumed risk discount rates of 11% for Singapore and 16% – 20% for other Asian operations

(2) Based on risk discount rate equal to assumed equity returns for A&NZ (10.0%) and HK (10.5%)

# Overview of Asian markets we operate in



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## Asia has attractive markets with high growth potential

	HK	China	India	Malaysia	Singapore	Thailand	Indonesia	Philippines	Australia
Population (m)	7	1,300	1,080	26	4	63	221	82	20
2005 GDP (A\$bn) <sup>1</sup>	244	2,588	1,092	177	154	250	414	116	1,020
Insurance market size (A\$bn) <sup>1</sup>	20	62	25	6	10	6	4	1	36
Forecast growth rate p.a.	13%	18%	15%	12%	13%	13%	17%	11%	6%
Premium per capita (A\$) <sup>1</sup>	2,801	48	23	253	2,350	97	16	17	1,774
Foreign share of life market new business <sup>2 3</sup>	91%	3%	36%	75%	58%	62%	59%	70%	31%

(1) Assumes A\$/US\$ rate of 0.73231

(2) As at December 2004 except India which is at March 2006

(3) Foreign share of life market new business includes foreign subsidiaries and branches

(4) Insurance market size is defined as inforce annual premiums from life business. In Australia this excludes the significant wealth management market which has funds under management in excess of A\$700bn.

Source: Swiss Re economic research, IRDA Annual Report 2005, Bank Negara Annual Report, Indonesian Life Insurance Federation, TLAA, PLIA/IIAP, Life Insurance Association of Singapore, CIA World Factbook (information as at December 2004)

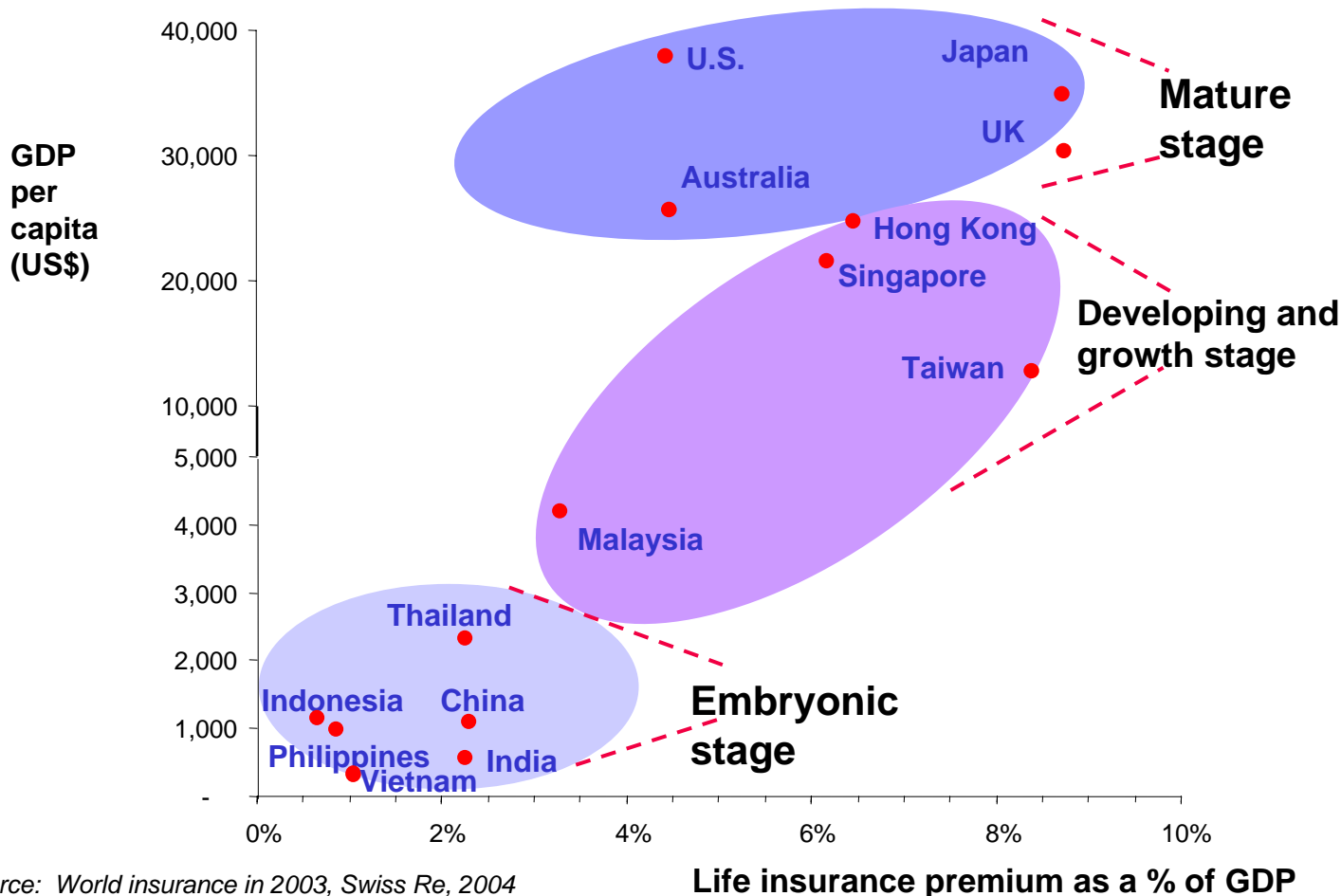


# Overview of Asian markets we operate in



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Once economies reach around US\$4,000 to US\$5,000 per capita GDP, life insurance penetration increases rapidly – providing significant growth potential in the medium to long term



Source: World insurance in 2003, Swiss Re, 2004



# Overview of Asian markets we operate in



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**Insurance markets in Asia are less developed than Australia. However a high propensity to save and a growing need for financial advice in Asia provides growth opportunities**

**Infancy → Early growth → Late growth → Maturity**

<b>Product:</b>	<ul style="list-style-type: none"> <li>Simple products, traditional life</li> </ul>	<ul style="list-style-type: none"> <li>Initial investment-linked products</li> </ul>	<ul style="list-style-type: none"> <li>Unbundling of risk &amp; savings products</li> <li>Differentiated complex investment-linked products</li> </ul>	<ul style="list-style-type: none"> <li>Disaggregation, commoditisation</li> <li>Growth of PAS/ Wrap platforms</li> </ul>
<b>Distribution:</b>	<ul style="list-style-type: none"> <li>Proprietary sales force</li> </ul>	<ul style="list-style-type: none"> <li>Proprietary sales force</li> <li>Emergence of brokers</li> </ul>	<ul style="list-style-type: none"> <li>Penetration by brokers &amp; IFAs</li> <li>Convergence between banks &amp; insurers</li> </ul>	<ul style="list-style-type: none"> <li>Open architecture</li> <li>High advice ingredient</li> <li>Margin captured by advisers</li> </ul>
<b>Compensation:</b>	<ul style="list-style-type: none"> <li>High up-front commission</li> </ul>	<ul style="list-style-type: none"> <li>High up-front, introduction of renewal</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of up-front, more emphasis on renewal</li> </ul>	<ul style="list-style-type: none"> <li>Fee-for-service, renewal, AUM</li> </ul>
<b>Source of profit:</b>	<ul style="list-style-type: none"> <li>Underwriting drives profits</li> </ul>	<ul style="list-style-type: none"> <li>Competitive pressure erodes underwriting profits</li> </ul>	<ul style="list-style-type: none"> <li>Investing drives industry profits</li> </ul>	<ul style="list-style-type: none"> <li>Control of customer relationship drives profits</li> </ul>

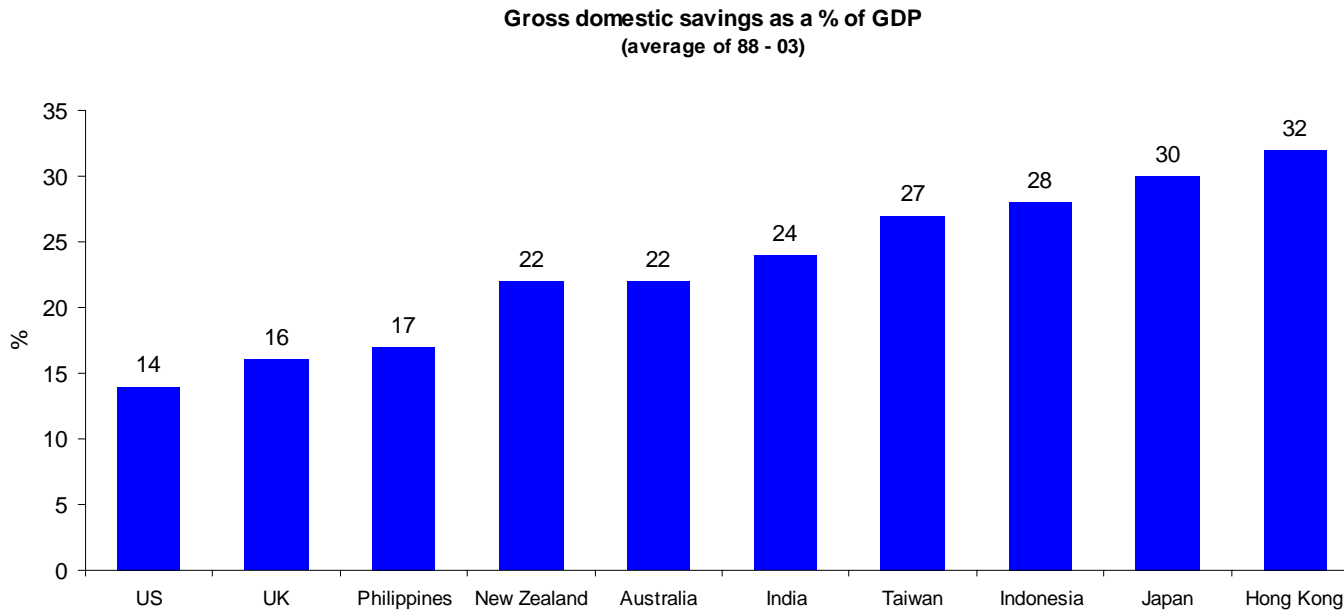
▲ China    ▲ Other SE Asia    ▲ Korea    ▲ Taiwan    ▲ Japan    ▲ Hong Kong    ▲ Singapore    ▲ US, UK

Australia (circa 1986) ▲



▲ Australia (2005)

## Savings rates in Asia are relatively high - Hong Kong has one of the highest saving rates in the world



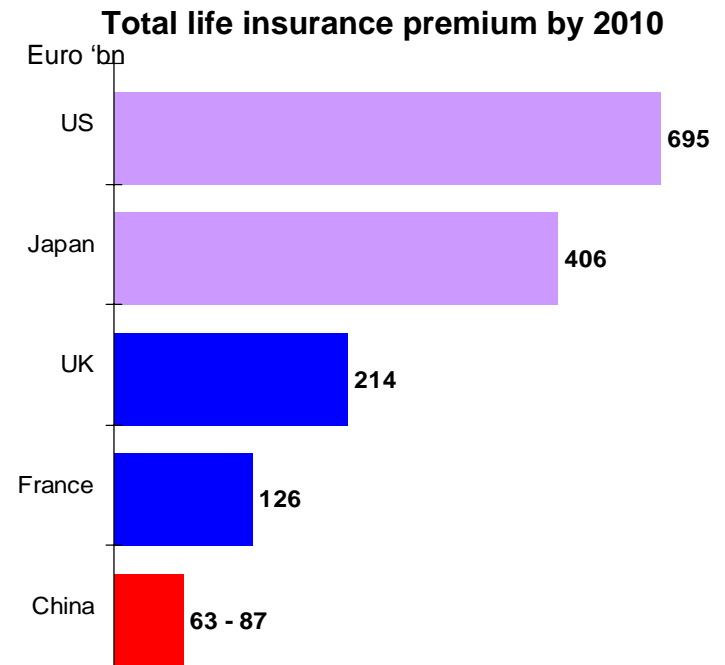
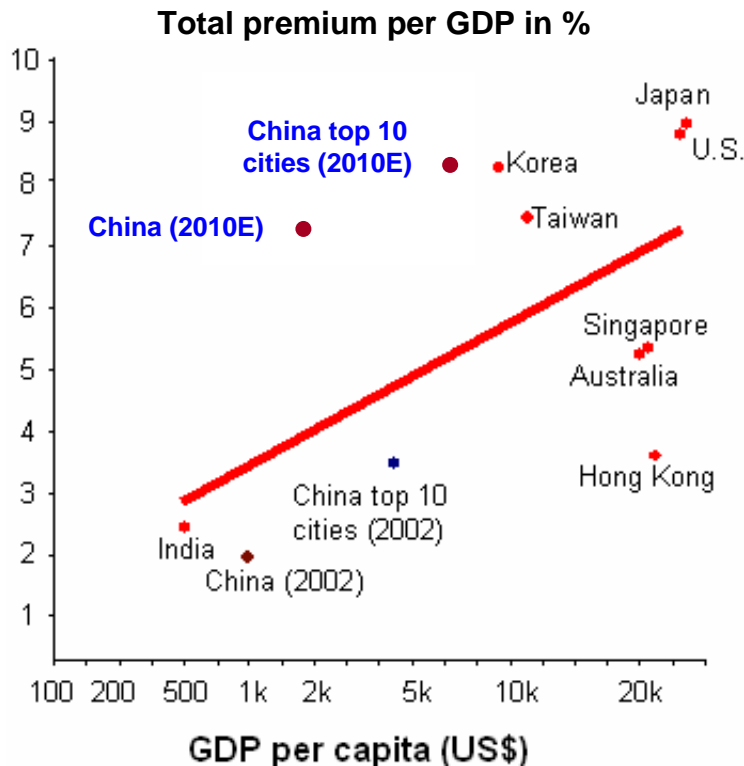
- Gross domestic savings in Hong Kong – 32% of GDP compared to 22% in Australia

# China insurance market



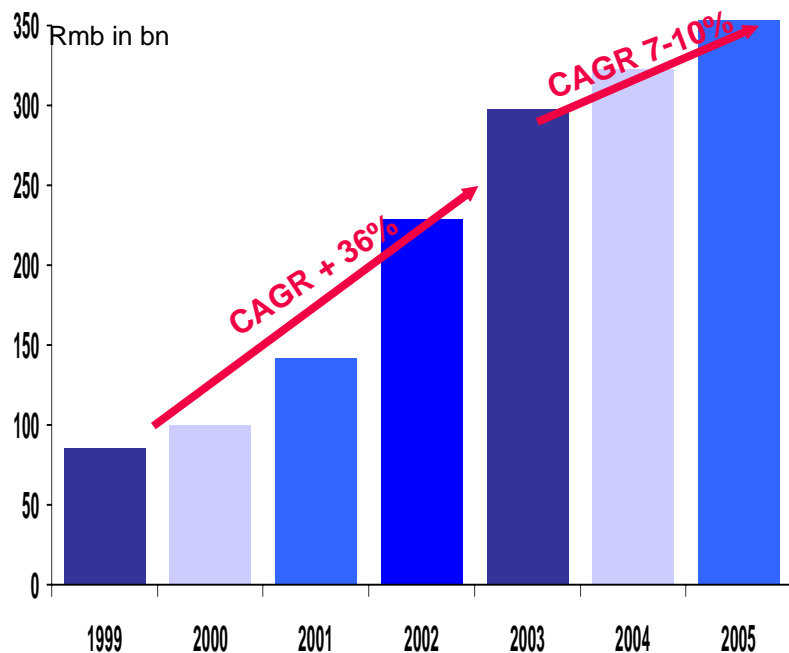
— Be Life Confident —

**China's top 10 cities are forecast to have penetration levels in line with Korea and Taiwan by 2010 to become seventh largest insurance market in the world**



## China is one of the most promising but challenging insurance markets in the world

China life insurance premium 1999 - 2005



- Growth of top 3 players slowed in 2004/5 due to distribution restructuring and change of product focus
  - pulling back from single premium products and reducing volume of unit-linked products
  - consolidating and downsizing of agency forces
- Such industry restructuring is healthy for the long term sustainable growth of the China life insurance market as it shifts focus more towards profitability
- Overall market likely to pick up more strongly as industry leaders begin growing again after their restructuring efforts.

- Many of the global trends in wealth management are seen in Asia today
  - increased longevity
  - increasing wealth and improved lifestyles
  - deregulation of retirement schemes
  - regulatory initiatives increasing disclosure, minimum education levels and professionalism of advisers
  - growing customer awareness
  - emerging consumer press
- These factors are creating attractive market opportunities

## A number of factors provide AXA with a competitive advantage

- Global scale and capability
- Multi-distribution
- Equity joint ventures with leading banks in South East Asia
- Regional best practice Blueprints in products, financial planning, distribution and financial control
- Proven ability to successfully execute change

- Attracting, developing and retaining high quality local management
- Growing the traditional agency channel whilst at the same time building bancassurance, modernising and driving change
- Operating profitably in markets where regulators, in some cases, control product pricing and irrational competition exists
- Building scale in the emerging wealth management markets
- Implementing effective governance and risk management controls in fast expanding, emerging markets
- Regulatory obstacles in some jurisdictions

- Asia offers significant growth opportunities in short and long term
- AXA has repositioned and strengthened our businesses and we are well placed to benefit from these opportunities
- Asia will represent an increasing proportion of our profits and value over the next 5 years

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