

Banking and Insurance: Where Are the Points of Convergence and Development?



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Debates at La Maison Dorée

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Ten years ago, banking and insurance were local, focused and closed-off businesses

AXA 1990

Market capitalisation € 4 billion

Sales € 4 billion

73% in France

50% in Fire-Accident-Non Life Insurance (IARD)

Managed Assets € 24 billion

8% on behalf of third parties

BNP 1993

Market capitalisation € 8 billion

GNP € 6 billion

Balance Sheet € 225 million

Client deposits € 109 million

Client transactions € 116 million

Lending € 122 million (69% en France)

Managed Assets € 34 billion

75% of personnel in France

Distribution of financial products for private clients

In France, in 1991, branch banks

accounted for 42% of life insurance sales (€ 29 billion)

commercialised 1% of risk products (€ 23 billion)



Today, the businesses are global, broadened and have come closer together

AXA 2001

Market capitalisation € 40 billion

Sales € 71 billion

21% of sales in France

28% of sales in IARD insurance

Managed Assets € 950 billion

56% on behalf of third parties

BNP 2000

Market capitalisation € 42 billion

GNP € 16 billion

37% Financing - Investment

36% Retail (73% of which in France)

Balance sheet € 694 billion

Client deposits € 173 billion

Client transactions € 241 billion

Managed Assets € 267 billion

Distribution of financial products for private clients

In France, in 2000, branch banks

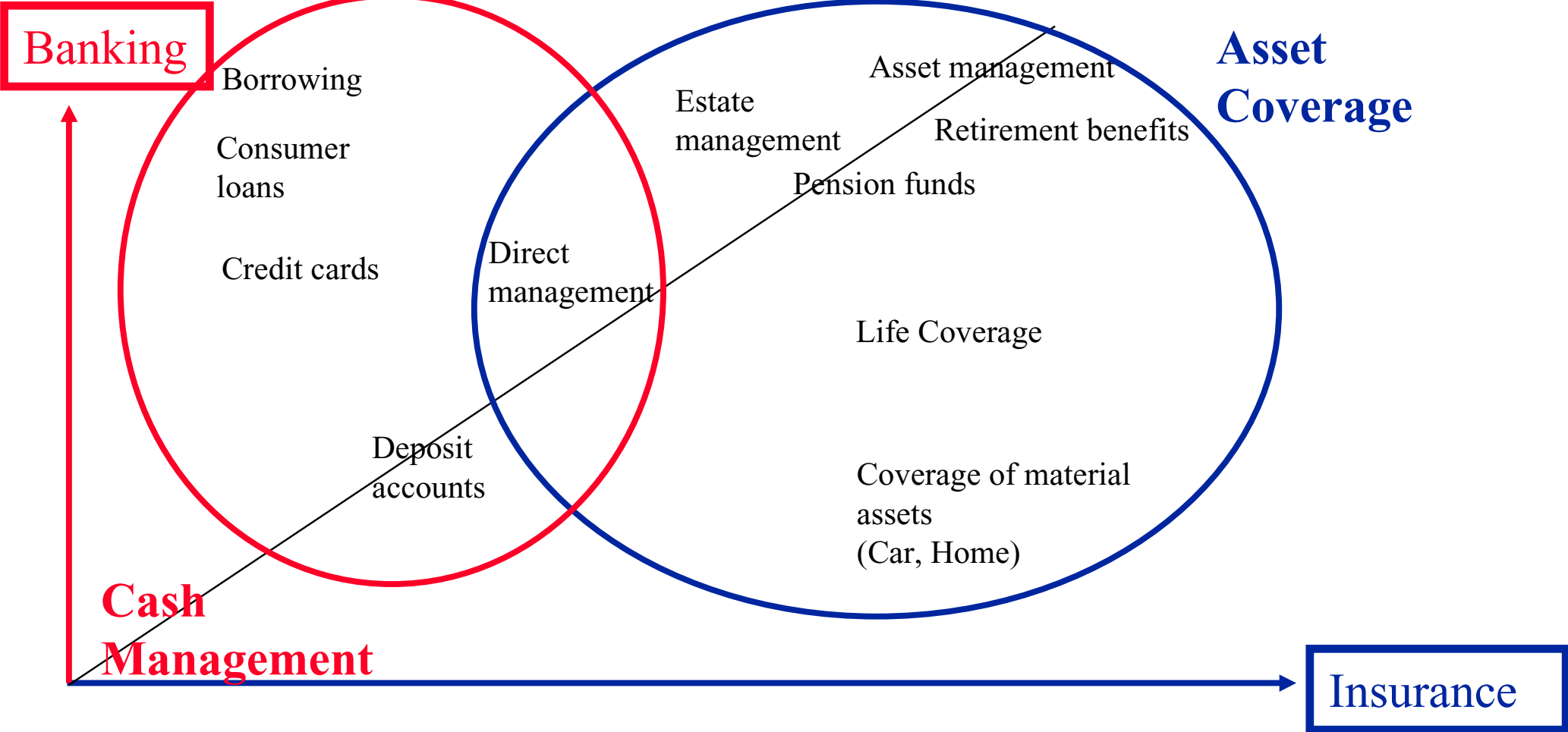
realised 61% of life insurance sales (€ 85 billion)

commercialised 8% of risk products (€ 32 billion)

Financing of enterprise risk

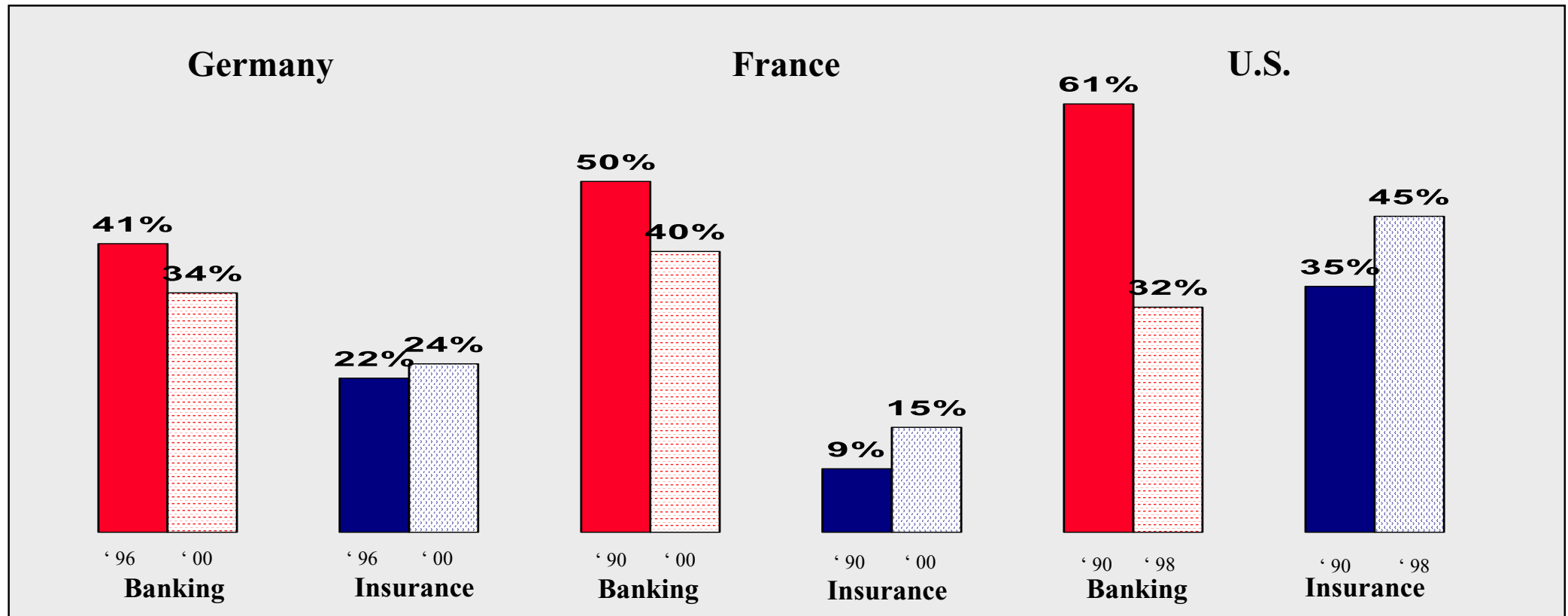


In the private clientèle sector, it is the client who brought about change...



...but today, the private clients have not made their preference clear

Market share in household savings



Deregulation and the development of capital markets have accentuated the convergence

Deregulation:

Verification of solvency rather than products

Facilitates innovation and competition and, thus, convergence

Private clients:

Structured offers that are closer to client needs

More sophisticated demand (products, markets)

Enterprises:

From the traditional risk absorption approach to restructuring and risk distribution (RRD)

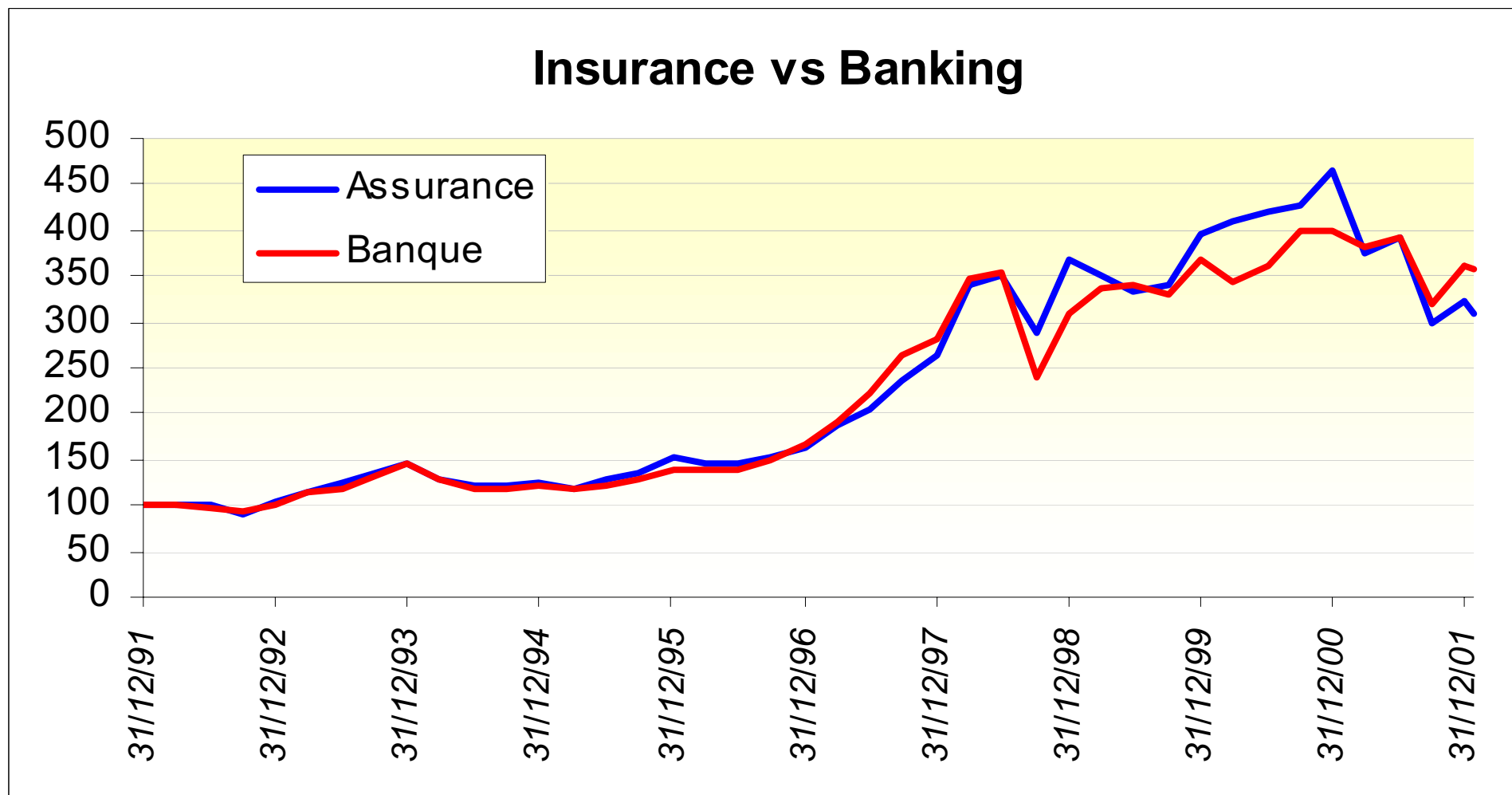
Development of alternative sources of financing

Broadening of the credit market

sophistication of financial products



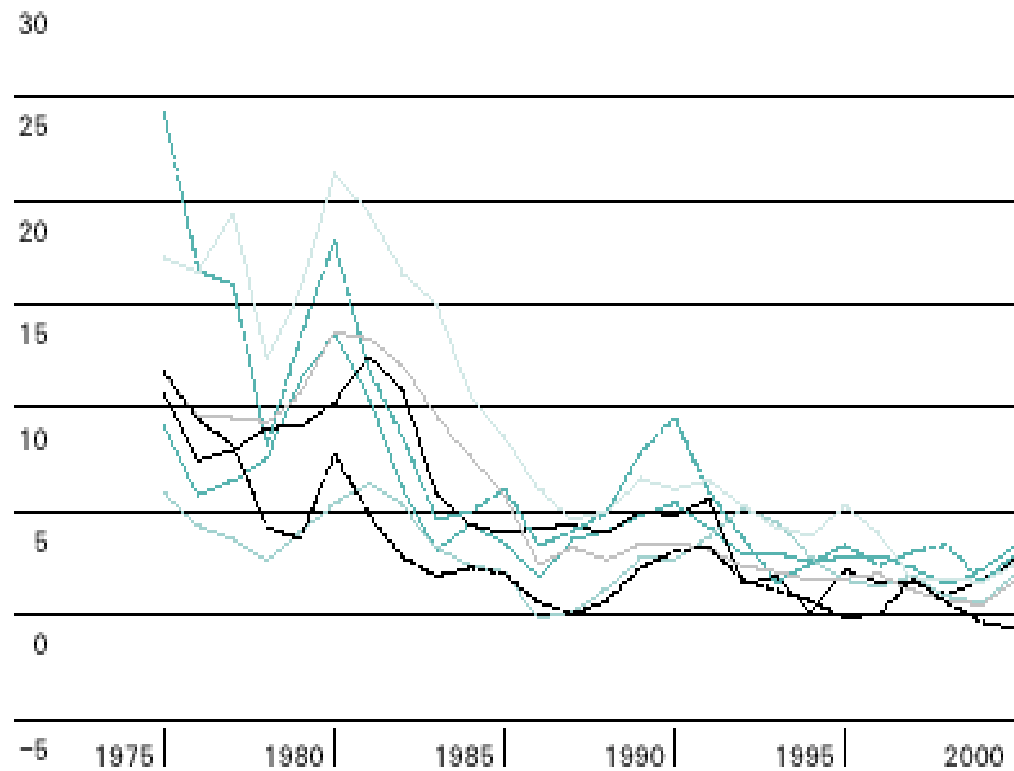
...but the markets did not favour one sector over the other



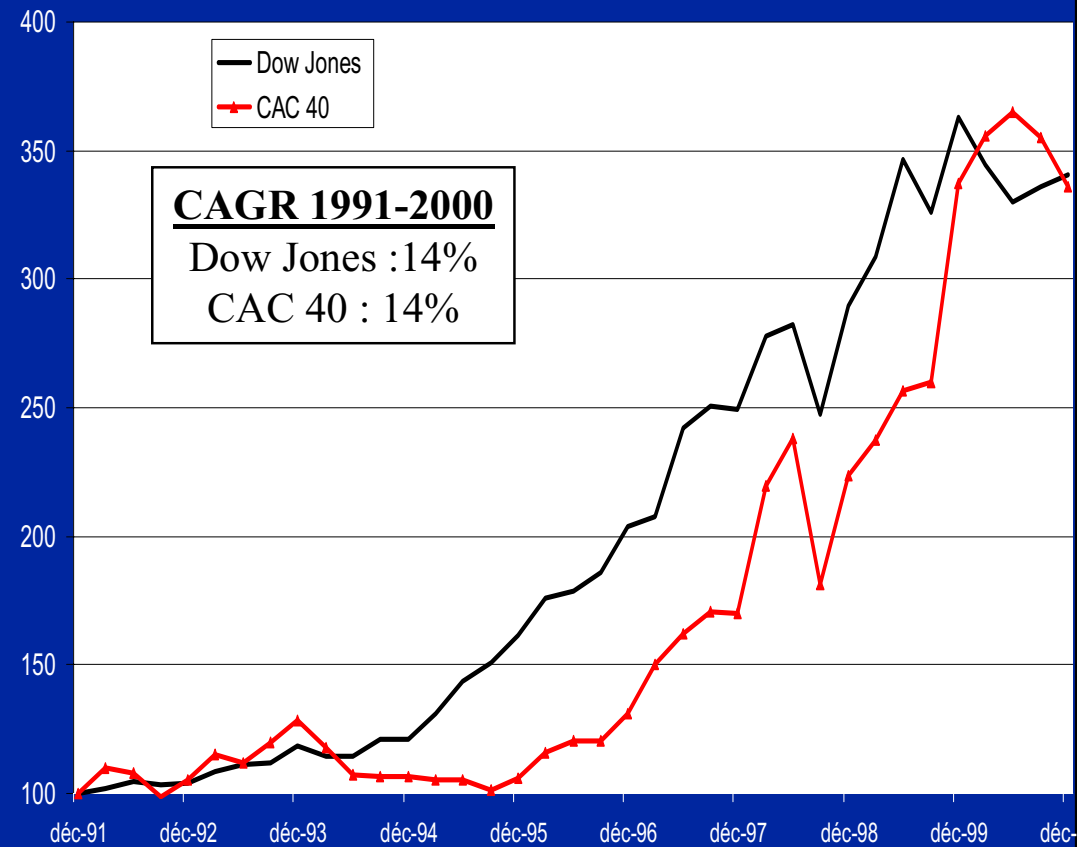
The economic environment supported the growth of insurance companies

Strong disinflation in the 1980s: Value creation in Risk Insurance

Consumer price inflation in %



Booming financial markets in the 1990s: Value creation in Life Insurance



- US
- Canada
- UK
- Germany
- France
- Italy
- Japan

Where are we today?

The business models have points in common

Retail / Corporate Separation.

Distribution / Production Separation.

Importance of CRM.

Importance of Asset Management.

Importance of the teams.

Importance of globalisation.

Success is uneven

The bankers are more « productive » than the insurers.

The insurers are more « international » than the bankers.

Open architecture is accepted, but not widespread.

« Banking insurance » is provided, but with mixed results.



Is there only one way to move forward?

Does convergence, or full frontal competition on certain customer segments, mean that there is only one success model?

The model depends on the vision.

The vision depends on how the business is defined.



AXA maintains its decision to be a specialist

One business: financial coverage

Performed on key markets

In an open architecture

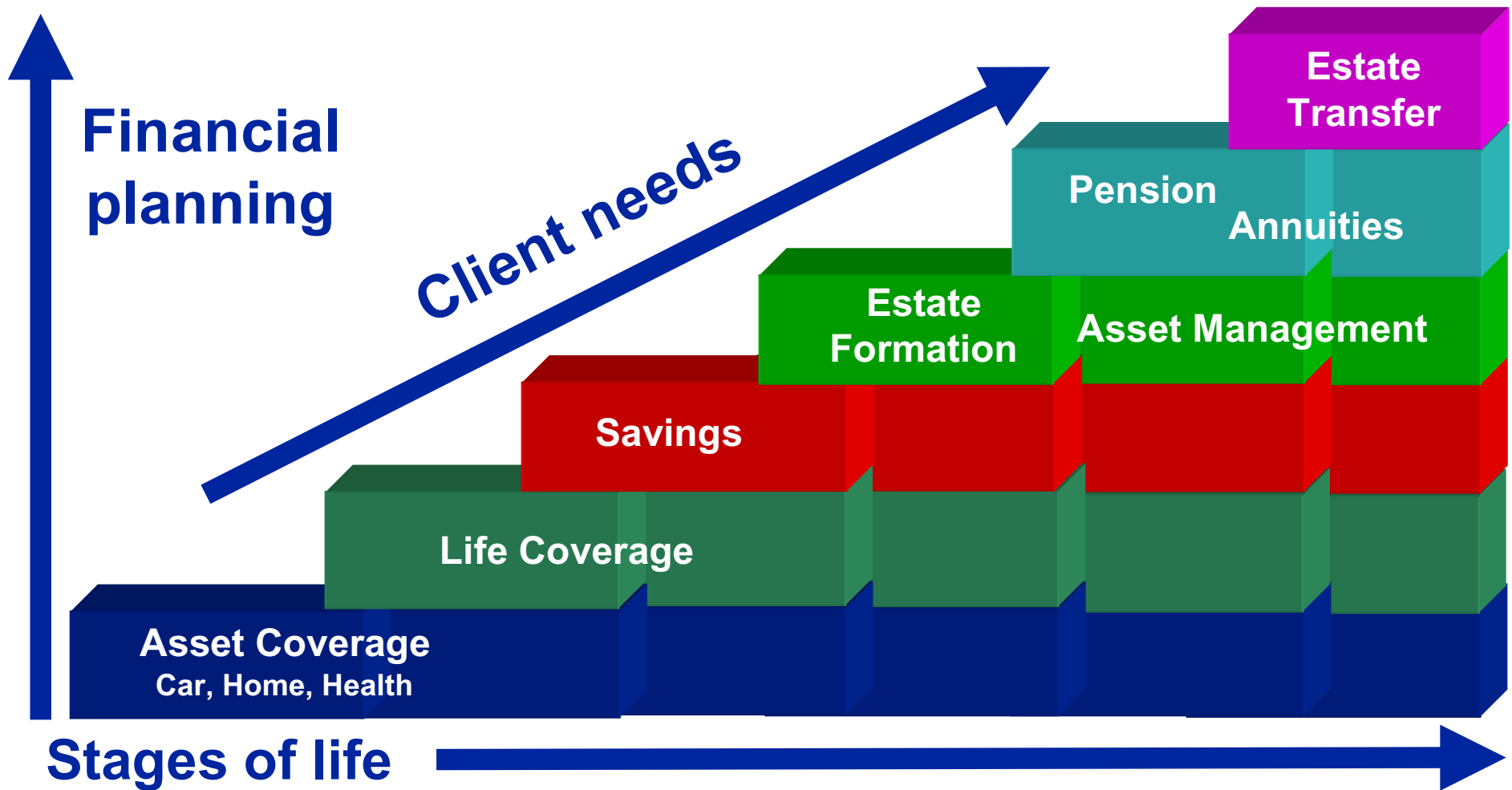
Focused on consulting

Supported by a global brand

As a benchmark employer



AXA 's Business: Financial Coverage



Financial Protection

Is...

A model based on consultancy and added value for the client

Insurance

Asset Management

Financial services for private clients and associated banking products

Is not...

A “One Size Fits All” model

Everything for all people

The same business split everywhere



The Key Markets

Are...

The main developed countries

A few other countries, depending on opportunities for growth

In 2000, industrialised countries accounted for (*)

91% Life premiums

90.3% IARD premiums

Whereas their percentage of the world population is 14% and that of global GNP 77%

Are not...

Emerging countries, where in most cases, the penetration of life insurance in the local economy is declining

Politically unstable countries



*Swiss Re Sigma 6/2001

Entretiens de la Maison Dorée

05/02/2002

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Open Architecture

Is...

- A broader product offering**
- Access to “non-proprietary” distribution**
- Multi-relational dealings**
- First developing one’s own sales force**
- Choosing key partners**
- Excellence in production and distribution**

Is not...

- First destroying one’s business**
- Deserting one’s brand to make a few extra sales**
- Buying/merging with a bank to gain access to distribution or products**
- Becoming a faceless supermarket**



Consultancy

Is...

Selling solutions

Building long-term relationships

Developing and training a sales force

Is not...

Forcing sales

Working with only one contact person

Giving advice at the expense of product and service quality



A global brand

Is...

Supporting the industrial model

Fulfilling client needs

Care-Support-Efficiency

Is not...

**Building an image with no
content**

**Losing the client in a jungle of
products**



Being a benchmark employer

Is...

Having strong values

Having all employees on board

Hiring and retaining the best

Is not...

Promoting a mercenary spirit

Top-down thinking and action



AXA 's Challenges

Focusing on the business

Relaying internal growth

The challenge of industrialisation

productivity

leverage

Quality of service and knowing the client



« It doesn 't matter whether a cat is white or black ...

