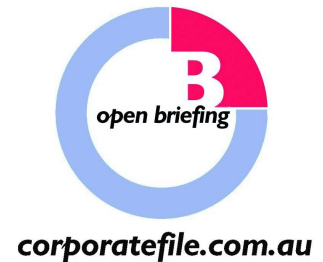


**Attention ASX Company Announcements Platform  
Lodgement of Open Briefing®**



AXA Asia Pacific Holdings Limited  
447 Collins Street  
Melbourne, VIC 3000

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**Title:** Open Briefing® . AXA APH. CEO on Proposed Winterthur Acquisition

**Record of interview:**

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AXA APH today released the Explanatory Memorandum in relation to the proposed acquisition of Winterthur Hong Kong from AXA SA. The deal has been recommended by the independent Directors, and the independent expert concluded the deal is fair and reasonable, and in the best interests of minority shareholders. Why do you see the deal as important for AXA APH?

**Group Chief Executive Andrew Penn**

This is a strategically attractive growth opportunity for us in a market we know well and where we have a track record of achievement and growth. In addition to increasing our market share, it will further extend our multi-channel distribution footprint and increase our presence in the unit-linked and high net worth market segments. We have proven our ability to integrate acquisitions in the Hong Kong market with our recent completion of the MLC integration, where we achieved revenue outcomes and expense savings ahead of target. The successful MLC integration team has been redeployed onto the integration of Winterthur.

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What impact will the deal have on earnings?

**Group Chief Executive Andrew Penn**

We anticipate a small impact on earnings as we integrate the business in 2007, and as we have stated in the Explanatory Memorandum, we expect the acquisition to be earnings accretive in 2008, before one-off integration costs and amortisation.

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The upfront payment for the business is HK\$1.9 billion, with the final purchase price in the range of HK\$1.7 billion to HK\$2.4 billion. How have you reached your valuation and offer price?

**Group Chief Executive Andrew Penn**

The primary valuation that we used is based on an actuarial appraisal value, and the proposed acquisition price is supported by the independent expert's analysis.

For a risk discount rate of 11 percent, the upfront acquisition price represents a multiple of 1.5 times the embedded value calculated at 31 December 2006, or using another standard industry measure, it represents a new business multiple of 10 times. We believe these valuation metrics compare favourably with the market and those we use for the illustrative values of our own businesses.

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The final purchase price will vary depending upon the growth of the Swiss Privilege channel. Can you explain the rationale for the pricing mechanism, and why the pricing is solely dependent upon the success of a single channel?

**Group Chief Executive Andrew Penn**

It is the price *adjustment* mechanism that is based on the performance of the Swiss Privilege channel.

The Swiss Privilege channel is the largest channel in the Winterthur portfolio and is an area of considerable strategic interest for us as it expands our product and distribution capabilities to the high net worth segment in Hong Kong. It is a fast growing but relatively young channel targeting high net worth customers with a range of wealth management services. As such, we have set a pricing mechanism which reflects a range of possible outcomes for this key channel.

The pricing mechanism requires at least a 10 percent growth rate to be maintained in Swiss Privilege for the upfront payment to be maintained. Lower growth rates will see a repayment to us and the ultimate price will fall to the low end of the range. This provides us with some protection if the key channel we are acquiring does not deliver in accordance with our expectations, or if there is a sudden deterioration in market conditions.

If Swiss Privilege continues to grow strongly, above 10 percent, then the pricing will move towards the upper end of the price range with the maximum set at 25 percent growth, and we will make an additional payment to complete the purchase. We would be pleased to pay this additional amount as it means the performance will be exceeding our expectations.

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The Swiss Privilege channel was rebranded in January 2006 from its former brand of Credit Suisse Privilege. How successful was the rebranding?

**Group Chief Executive Andrew Penn**

The rebranding has been tracking successfully with a positive response from new customers, and good retention of existing customers. This is reflected in the continued growth rates that the channel has experienced. 13 per cent growth was recorded over the year following the rebranding to 'Swiss Privilege' in January 2006.

We are very comfortable in managing rebranding exercises, having successfully rebranded in both the Australian and Hong Kong markets, including the recent MLC rebranding.

We are also very comfortable managing multiple brands in a single market, with ipac financial planning successfully operating as a separate brand in Hong Kong.

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The Swiss Privilege channel, with assets under management of HK\$4.2 billion, and Personal Portfolio Consulting Group ("PPCG"), with assets under management of \$0.8 billion, are the two major channels in the Winterthur operations. How do these channels differ from each other, and how do they differ from AXA's existing channels?

**Group Chief Executive Andrew Penn**

Our strength in Hong Kong has traditionally been marketing financial protection and savings products to the mass affluent segment. The Swiss Privilege channel and PPCG are complementary to our existing distribution and will position us strongly in the high net worth and investment segments of the Hong Kong wealth management market.

Swiss Privilege targets high net worth clients with wealth management products via salaried advisers that are provided company sourced leads. PPCG is a mid-market wealth management sales force that operates on a salary basis and prospects for its own leads.

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The level of potential synergies that have been flagged are in the range of HK\$35-45 million for the Winterthur business, below those achieved in the MLC Hong Kong acquisition. Why are the synergies lower, and can you identify the major areas and products where the savings will occur?

**Group Chief Executive Andrew Penn**

MLC Hong Kong and Winterthur Life Hong Kong have different business models. MLC Hong Kong was a lot like our business in Hong Kong five years ago, marketing financial protection products through a single traditional tied agency force. This acquisition enabled us to expand our scale and extract significant synergies.

Whilst about one third of the Winterthur business is similar to MLC Hong Kong, this acquisition is more about expanding our capabilities. It expands our presence in the unit-linked and high net worth market segments, with more wealth management product offerings. These require different operating systems from our current core systems, and hence less back office synergies.

The major areas of savings will come from the traditional agency area where, as with MLC Hong Kong, we can move to a single product suite and reduce the back office costs by applying our AXA Hong Kong blueprints in product, distribution and service.

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What will be the major risks and areas of management focus for AXA APH during the integration phase of the Winterthur business?

**Group Chief Executive Andrew Penn**

There are always risks in any integration process that require careful management. However we have proven our ability to integrate businesses of this size in Hong Kong and the integration team that recently completed the successful MLC integration has been redeployed to Winterthur.

The major areas of risk are those outlined in the Explanatory Memorandum, specifically the importance of retaining highly productive sales personnel.

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Will the Swiss Privilege and PPCG distribution channels be integrated into the Asian 'agency blueprint'? Will these different channels give rise to channel conflict within AXA APH?

**Group Chief Executive Andrew Penn**

No. The agency blueprint provides best practice support for our traditional agency distribution and we will use this to integrate the Winterthur agency channel, but not Swiss Privilege or PPCG.

As Swiss Privilege and PPCG are new distribution channels for AXA we will operate them largely unchanged but will of course look for synergy benefits in back office and marketing support.

We don't see any significant areas of channel conflict as Swiss Privilege and PPCG are mainly focussed on different market segments from our existing core customers. Indeed there may be some opportunities for cross-selling products between the existing PPCG customers and the existing AXA customers.

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The Explanatory Memorandum states that the initial consideration may be funded from either excess capital or debt. How will the acquisition be funded?

**Group Chief Executive Andrew Penn**

We have a strong capital position with sufficient excess capital over regulatory requirements to fund the acquisition and the capacity to add debt if we choose to do so. We will assess the most favourable option at the time the initial payment is due assuming the transaction is approved. Obviously we will consider the interest rate environment and attractiveness of the terms available in the debt market and compare this with using our surplus capital. We are not committing to a particular form of funding at this stage.

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Will the Asia 6 management goals be revised for the acquisition, and if so, by how much?

**Group Chief Executive Andrew Penn**

Yes, and we have lodged with the ASX today, a presentation which sets out how we will revise our Asia 6 goals using a similar approach to that we adopted with the MLC Hong Kong acquisition. The following revisions will be made to the Asia 6 goals, should shareholders approve the acquisition:

- The Asia 1 target, to more than double the value of new business, will increase by A\$12 million to A\$324 million.
- The Asia 2 target, to grow total inflows more than 2.5 times, will increase by A\$0.3 billion to A\$4.3 billion.
- The Asia 3 target, to grow the new business index more than 2.5 times, will increase by A\$63 million to A\$779 million.
- The Asia 4 target will increase by 0.2 percent to 5.2 percent.
- Our overarching goal, to more than double the illustrative enterprise value, will increase by A\$0.4 billion to A\$9.2 billion.

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Do your recently announced capital management initiatives mean there are no further acquisition opportunities imminent for the group? Can you outline the position on the remaining Winterthur assets?

**Group Chief Executive Andrew Penn**

The recently announced capital management initiatives recognised our strong capital position. Following the buy-back, and the increased dividend payout policy, we will still be below our long term gearing ratio and hold capital in excess of our target surplus. This provides us with continued flexibility to pursue acquisitions if we choose to do so.

Regarding the other Winterthur assets, we have already announced that we are not interested in the Winterthur life insurance business in Japan or the health insurance business in Indonesia. We have not yet decided on the smaller Winterthur Taiwan business or the strategic stake in Taikang Life in China and will make an announcement in due course.

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Thank you Andrew.

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For further information on AXA Asia Pacific Holdings Limited please visit [www.axaasiapacific.com.au](http://www.axaasiapacific.com.au) or call Ronn Bechler, Group Manager Investor Relations +61-(0)3 9616 3322.

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