

# 2011 INVESTOR BRIEFING

14 June 2011

ABN 60 090 739 923



# 7 ASIA





Boost Asian footprint – 10% of Group  
GWP by 2016

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# BUSINESS OVERVIEW

## A PORTFOLIO OF HIGH GROWTH BUSINESSES



COUNTRY	INDIA	THAILAND		MALAYSIA
BUSINESS		 Safety Insurance		
DESCRIPTION	<ul style="list-style-type: none"> <li>• JV with India's largest bank, the State Bank of India</li> </ul>	<ul style="list-style-type: none"> <li>• Personal lines insurer</li> <li>• 3rd largest motor insurer</li> </ul>	<ul style="list-style-type: none"> <li>• Commercial insurer</li> <li>• Operating since 1985</li> </ul>	<ul style="list-style-type: none"> <li>• JV with AmBank</li> <li>• 3rd largest motor insurer</li> </ul>
OWNERSHIP	26% with option to increase to 49%	98.5%	100%	49%
GWP <sup>1</sup>	\$15m	\$150m	\$40m	\$224m
GWP GROWTH <sup>2</sup>	N/A	8.8%	0.1%	7.8%

1 GWP presented on 100% ownership basis and in respect of FY11E (annualised from 9 months to 31 March 2011)

2 GWP growth represents two year CAGR to FY11E (annualised per previous note), in local currency terms

# OUR ACHIEVEMENTS

## OPERATIONAL IMPROVEMENT AND FOCUSED BUSINESS DEVELOPMENT



OBJECTIVES	ACHIEVEMENTS
<b>Further improvement in performance of existing businesses</b>	<ul style="list-style-type: none"><li>✓ Malaysian and Thai businesses performing in line with expectations</li><li>✓ IAG executive appointed AmG CEO, has delivered significant change to improve underwriting performance</li></ul>
<b>SBI joint venture in India to open first half calendar 2010</b>	<ul style="list-style-type: none"><li>✓ Soft launch in March 2010 followed by gradual product and systems roll-out from October 2010</li></ul>
<b>Increase market share of AmG through acquisition of MAA</b>	<ul style="list-style-type: none"><li>✗ MAA opportunity discontinued in late 2010 – actively considering other acquisition options</li></ul>
<b>Restructure NZI; pursue further synergies with Safety Insurance</b>	<ul style="list-style-type: none"><li>✓ Safety / NZI merger approved by OIC in January 2011 and NZI operational turnaround completed</li></ul>
<b>Pursue JV in China</b>	<ul style="list-style-type: none"><li>✓ In discussions with potential partner</li></ul>
<b>Identify and prioritise key markets for the next phase of development</b>	<ul style="list-style-type: none"><li>✓ Completion of market entry work for Indonesia – assessing opportunities</li><li>✓ Senior resource in Vietnam from January 2011; now gearing up for market entry</li></ul>

# STRATEGIC JOURNEY

FOCUS HAS EVOLVED FROM INITIAL ENTRY TO BUILDING SCALE



Horizon	<b>HORIZON 1</b> Since 2005 Initial market entry	<b>HORIZON 2</b> 2010-2015 Enter new markets; build platform	<b>HORIZON 3</b> Beyond 2015 Mature end state
	<i>Increasing operational focus</i>		
	<p><i>Decreasing M&amp;A focus</i></p> <ul style="list-style-type: none"> <li>• Targeted entry into four markets – Malaysia, Thailand, China, India</li> <li>• Build capability transfer model</li> <li>• Develop partnership model</li> <li>• M&amp;A dominates</li> </ul>	<ul style="list-style-type: none"> <li>• Market entry – China, Indonesia, Vietnam</li> <li>• In-market acquisitions to consolidate positions in Malaysia and Thailand</li> <li>• M&amp;A continues to dominate, both in-market and new countries</li> </ul>	<ul style="list-style-type: none"> <li>• Actively manage portfolio</li> <li>• Pursue selective in-market consolidation</li> <li>• Monitor emerging market opportunities</li> <li>• Consider opportunistic plays to supplement portfolio</li> </ul>
	<ul style="list-style-type: none"> <li>• NZI acquisition</li> <li>• Safety uplift to 98%</li> <li>• 30% Malaysian JV; sell life, uplift to 49% of general (AmG)</li> <li>• 26% SBI General investment</li> <li>• Safety / NZI legal merger</li> </ul>	<ul style="list-style-type: none"> <li>• Relocate Asia HQ to Singapore</li> <li>• Improve operational performance in existing businesses via capability transfer</li> </ul>	<ul style="list-style-type: none"> <li>• Optimise capital and operating efficiency</li> <li>• Strong operational focus on improving returns from the portfolio</li> <li>• Ongoing capability transfer</li> </ul>

# STRATEGIC DIRECTION

TO BE 10% OF GROUP'S GWP BY 2016 (PROPORTIONAL BASIS)



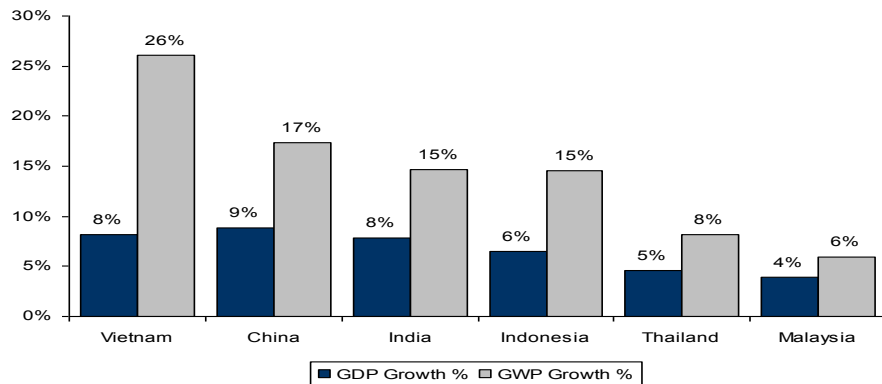
<b>Vision</b>	<ul style="list-style-type: none"><li>• Create a high growth, high value portfolio of general insurance businesses in Asia</li></ul>
<b>Goal</b>	<ul style="list-style-type: none"><li>• To be 10% of the Group's GWP by 2016 (proportional basis)</li><li>• Achieve ROE no less than WACC within 3-5 years for each new market entry</li></ul>
<b>Strategy</b>	<ul style="list-style-type: none"><li>• Acquire and add value to a portfolio of profitable, and predominantly personal lines businesses, in selected high growth Asian markets</li><li>• Compete through a well executed model combining effective market entry, capability transfer and local partnering</li></ul>
<b>Priorities</b>	<ul style="list-style-type: none"><li>• Prioritise high growth and regionally significant markets – six priority markets of India, China, Malaysia, Thailand, Indonesia and Vietnam</li><li>• Acquire well and implement capability transfer effectively</li><li>• Develop strong and functional local relationships</li></ul>

# STRATEGIC FOCUS

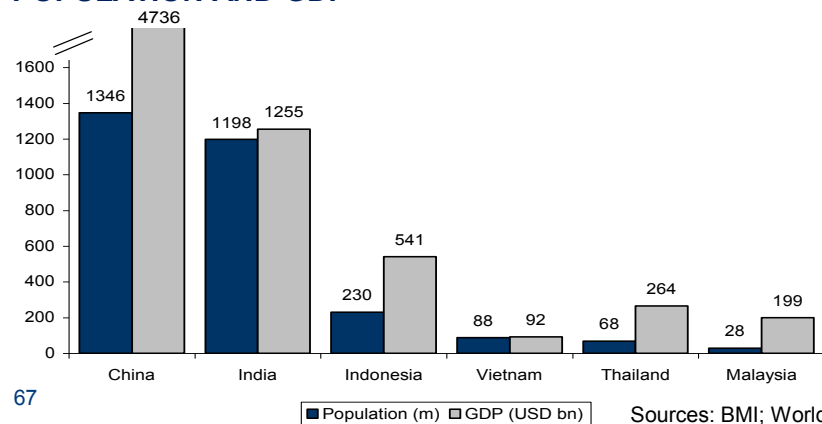
## MACRO INDICATORS – ATTRACTIONS OF OUR SIX PRIORITY MARKETS



### FIVE YEAR FORECAST GDP & GWP GROWTH 2011-2015



### POPULATION AND GDP



#### China and India

- Top 1 and 2 global populations
- Highest forecast GDP growth in Asia
- High GWP growth rates

#### Thailand and Malaysia

- Forecast GWP above mature market rates
- Our businesses producing strong margins

#### Indonesia and Vietnam

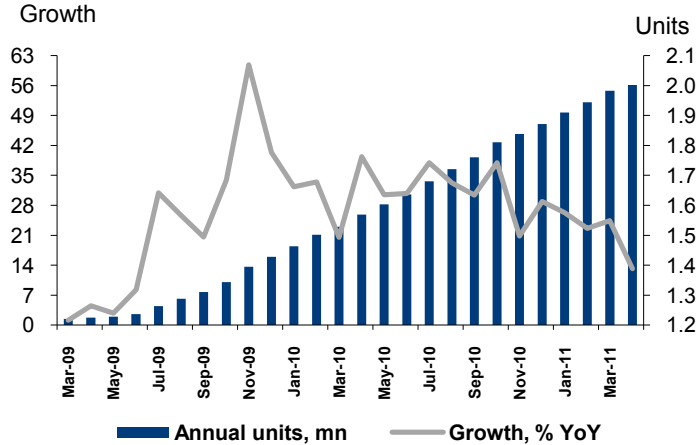
- Most populous developing markets in Asia behind China and India
- Strong forecast GDP and GWP growth rates
- Developing in right direction

# INDIA: MARKET ENVIRONMENT

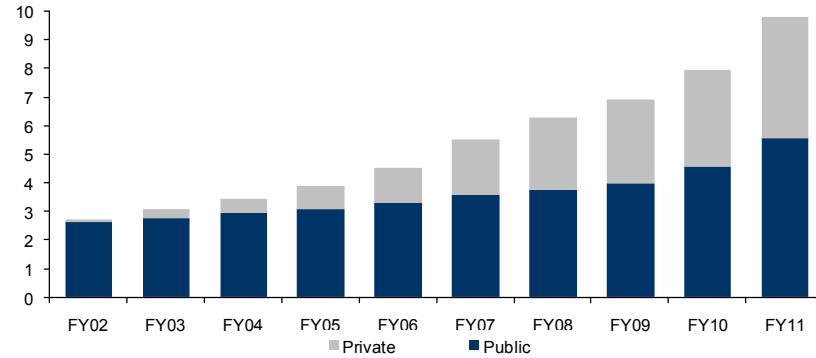
## RAPID ECONOMIC AND GENERAL INSURANCE INDUSTRY DEVELOPMENT



### INDIA: PASSENGER CAR SALES



### INDIA: GWP (A\$BN)



### Political and Economic

- 5 year plan for 2012–17 targets GDP growth of 9–9.5%
- Significant growth in passenger vehicle sales
- Liberalisation of foreign direct investment, includes planned increase in ownership limit from 26% to 49% in insurance sector

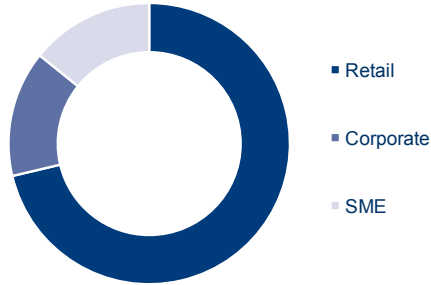
### Regulatory and Industry

- Private companies continue to outgrow the public sector, reaching 43% market share
- Private companies continue to have better combined ratios than the public sector

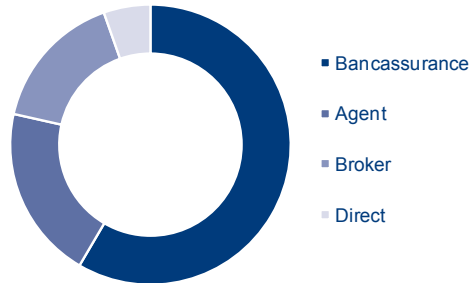




### TARGET CUSTOMER MIX



### TARGET CHANNEL MIX



### Phased roll-out

- JV agreement signed November 2008, A\$126m contributed to JV November 2009, and general insurance licence received from IRDA in December 2009
- Approvals for 29 products in place, 8 awaiting approval
- Limited underwriting commenced March 2010
- IT systems live March 2011 with motor and long term home launched

### People

- Four IAG full time roles: Deputy CEO, underwriting, distribution and claims
- 30 IAG people have been in project roles over past two years
- Over 420 staff already in positions across 20 branch network
- Two IAG Board positions

### Distribution

- JV initially focused on the retail segment via SBI bancassurance channel
- Over 5,500 SBI bank employees qualified to sell general insurance products
- Other channels being developed – over 1,600 licenced agents already in place
- 17 of an initial planned 20 branches already in place, accessing leads from 200 SBI loan processing centres and over 13,000 SBI branches

# INDIA: FOCUS FOR THE FUTURE

TO ACHIEVE A\$1BN IN GWP IN FIVE YEARS (2016)



**Top 5 position in private sector with 5% market share by 2016**

- This equates to A\$1bn in GWP by 2016 (100% basis)
- Make the most of SBI's brand and distribution strength to secure a sustainable, profitable, scalable position

**Breakeven 2015 and underwriting profit 2016**

- Disciplined approach to risk based underwriting
- Focus is on the SBI bancassurance channel

**Bancassurance priority, but develop all channels**

- Plan to develop all channels over time – bancassurance, broker and agent
- SBI relationship and customer base will be leveraged for lead generation in broker / corporate / SME channels

**Complete systems, product and branch rollout**

- Branches being rolled out rapidly to support top line growth targets
- Technology and processes driving cost efficiencies
- Full product range to be offered – 29 product approvals already received

# THAILAND: FOCUS FOR THE FUTURE

## ACHIEVE TOP 2 POSITION IN MOTOR



Safety Insurance	<b>Top 2 position in motor</b>	<ul style="list-style-type: none"><li>• Continue momentum to grow to top 2 position in motor – from top 4 position in 2009, top 3 position in 2010</li></ul>
	<b>Maintain organic growth momentum</b>	<ul style="list-style-type: none"><li>• Growth achieved through organic expansion – focus on scale</li><li>• Maintain profitable growth by continuing current low cost manufacturer model and leveraging strong links to motor industry</li></ul>
	<b>Position for M&amp;A / consolidation</b>	<ul style="list-style-type: none"><li>• Strongly positioned for consolidation as and when RBC requirements strengthened</li></ul>
NZI	<b>Operating efficiency in commercial lines</b>	<ul style="list-style-type: none"><li>• Improved efficiency through NZI merger with highly efficient Safety business</li></ul>

# MALAYSIA: FOCUS FOR THE FUTURE

## OBTAINING A MARKET LEADERSHIP POSITION



### No. 1 in motor

- By organic growth (strategic initiatives focused on improved penetration and renewal retention) and through acquisition

### Lead in niche commercial

- Strategic initiatives targeting specific industries with specialist product and innovative distribution solutions

### Lead in non-motor personal lines

- By leveraging motor scale and customer base and optimising use of the AmBank Group network

### Industry M&A consolidation

- Continue to focus on building scale via in-country bolt-on acquisitions to the AmG business

# MARKET ENTRY: CHINA, INDONESIA AND VIETNAM

## SIGNIFICANT PROGRESS IN TARGET MARKETS



	CHINA	INDONESIA	VIETNAM
Rationale/Outlook	<ul style="list-style-type: none"><li>• Strong economic fundamentals: 2010 GDP +10.3%; 9% in next 5 years</li><li>• Household wealth increasing rapidly – new car sales +32.4% to 18m in 2010</li><li>• General insurance market +34.6% in 2010 – forecast to grow 10–15% p.a. over next 10 years</li><li>• Improving regulatory environment</li><li>• Overall industry (life and non-life) profit of US\$9.2bn in 2010</li><li>• Foreign investment capped at 20%, but 24.9% possible with regulatory waiver</li></ul>	<ul style="list-style-type: none"><li>• Largest economy in SE Asia – growth outlook similar to India and China</li><li>• One of the most open economies in Asia for foreign investment – ownership up to 80%</li><li>• General insurance market growth rates expected to accelerate to 15% over next 3-5 years</li><li>• A number of stable, sustainably profitable players</li></ul>	<ul style="list-style-type: none"><li>• Second fastest growing economy in the world with the least volatility over the last 20 years</li><li>• Foreign investment capped at 20-25% (with potential for more)</li><li>• General insurance market CAGR of 25% for 2004-2009 and growth expected at similarly high levels for the next 3-5 years</li></ul>
Progress	<ul style="list-style-type: none"><li>• Regional focus</li><li>• Good progress in discussions with potential partner</li></ul>	<ul style="list-style-type: none"><li>• Strategic assessment complete</li><li>• Investment discussions already held with a number of parties</li><li>• Focus is on partners with existing distribution footprints and ability to grow a scale position</li></ul>	<ul style="list-style-type: none"><li>• Market entry strategic review underway</li><li>• Solid leads with potential partners being pursued</li></ul>



### Contributing 10% of the Group's GWP by 2016 (proportional basis)

- **India** – Grow SBI General Insurance to top 5 position in private sector with 5% market share and A\$1bn revenue by 2016
- **Malaysia** – Grow AmG to number 1 position in motor through organic growth initiatives and acquisitions, and rebalance portfolio to lead in niche commercial and non-motor personal lines
- **Thailand** – Grow Safety/NZI to top 2 position in motor, through organic branch expansion and acquisitions
- **China** – Commence a general insurance JV in short to medium term
- **Indonesia and Vietnam** – Pursue general insurance JVs