
IAG EXPANDS MALAYSIAN OPERATIONS



Insurance Australia Group Limited (IAG) today announced its Malaysian joint venture business, AmG Insurance Berhad (AmG), has entered into a conditional agreement to acquire Kurnia Insurans (Malaysia) Berhad (Kurnia). The purchase price is RM1.55 billion (approximately A\$480 million), of which IAG will contribute 49% (approximately A\$235 million), in line with its ownership of AmG.

IAG's share of the purchase price will be funded from internal resources. The acquisition is expected to be earnings per share accretive within 12 months of completion.

IAG Managing Director and CEO, Mr Mike Wilkins, said that the acquisition will make AmG the largest general insurer in Malaysia, with 13% of Malaysia's general insurance market and a clear number one position in motor insurance.

"Since IAG entered Malaysia's insurance market in 2006, we've forged a successful partnership with AmBank Group, narrowed our focus to general insurance and increased our joint venture ownership from 30% to 49%. AmG has performed consistently well, and achieved a strong insurance margin of 19.4% in the first half of IAG's 2012 financial year.

"This is another important step in IAG's strategy to boost its Asian footprint, contributing to the Asia division's target of representing 10% of IAG's gross written premium by 2016, on a proportional basis," he said.

CEO of IAG's Asia division, Mr Justin Breheny, said the acquisition of Kurnia was consistent with the division's strategy of pursuing consolidation opportunities in its established markets, where good long term growth prospects exist.

"Kurnia is a top four general insurer in Malaysia, and the largest motor insurer. It has a well recognised brand for general insurance, around three million customers and a nationwide network of branches and agents," Mr Breheny said.

"AmG and Kurnia are highly complementary businesses. The addition of Kurnia will more than double AmG's annual gross written premium to over RM1.7 billion (around A\$530 million), broaden its distribution base and expand its product service offering.

"It will create an organisation with a strong competitive position in Malaysia's large, stable and growing general insurance market and a leading market share of 22% in the key motor segment. We expect significant synergies from the combination of the two businesses in the first two years," said Mr Breheny.

Malaysia's general insurance market grew by 7.8% in calendar 2011 in local currency terms and is expected to grow around 6% per annum over the next three years. Market growth is supported by a strong economy, which is projected to grow around 4-5% in calendar 2012, in a positive regulatory environment.

The Malaysian Minister of Finance has granted approval for AmG to enter into a purchase agreement to acquire Kurnia. The acquisition remains subject to approval by the shareholders of Kurnia's parent company, Kurnia Asia Berhad, with completion expected in the second half of calendar 2012.

ABOUT KURNIA INSURANS (MALAYSIA) BERHAD (KURNIA)

Kurnia was established in 1991, and has grown to become a leading non-life insurer in Malaysia. In the 2011 calendar year, Kurnia recorded gross written premium of RM1.07 billion (around A\$335 million) and a net profit after tax of RM87 million (around A\$27 million). It has an 8% share of the Malaysian general insurance market, and is the largest motor insurer with a 14% market share by gross written premium. It has nearly 1,300 employees, an extensive network of 30 branches and 5,500 agents, serving approximately three million policyholders.

ABOUT AMBANK GROUP

AMMB Holdings Berhad is the holding company for AmBank Group and is listed on the Malaysian stock exchange. With a history of some 37 years stretching back to 1975, AmBank Group provides a wide range of financial products and services through various subsidiaries. Today, its business divisions cover activities across retail banking, business banking, transaction banking, corporate and institutional banking, investment banking including funds management and stockbroking, markets, Islamic banking, general insurance, life assurance and family takaful. Its major shareholders are Tan Sri Azman Hashim, a prominent Malaysian entrepreneur who has been instrumental in AmBank Group's growth over the past 30 years, Australia and New Zealand Banking Group Limited, and Employees Provident Fund. AmBank Group's medium term aspiration is to become Malaysia's preferred banking group with international connectivity. For further information, please visit our corporate website at www.ambankgroup.com

ABOUT AMG INSURANCE BERHAD (AMG)

AmG is a general insurance business which trades under the AmAssurance brand, and is 51% owned by AmBank Group and 49% by IAG. It was formerly part of the composite insurance (life and general) operation of AmBank Group which was separated in December 2008, with AmG assuming the general insurance business. For calendar 2011, AmG generated gross written premium of RM637 million (A\$199 million). It is Malaysia's 4th largest motor insurer and the 8th largest general insurer by gross written premium. It has an extensive distribution network made up of AmBank Group's 190 bank branches and its own 19 branches and 2,900 insurance agents, and serves approximately one million policyholders.

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MARKET AND MEDIA BRIEFING

Please find attached a presentation with further details on the transaction. IAG management will discuss this presentation via a teleconference at 10:30am (Sydney time) today.

To participate from within Australia, dial 1800 558 698

To participate from within Malaysia, dial 1800 816 294

To participate from outside Australia, dial +61 2 9007 3187

Please quote conference ID: 726259

About Insurance Australia Group

Insurance Australia Group Limited (IAG) is the parent company of an international general insurance group, with operations in Australia, New Zealand, the United Kingdom and Asia. Its current businesses underwrite over \$8 billion of premium per annum, selling insurance under many leading brands including NRMA Insurance, CGU, SGIO, SGIC, Swann and Buzz Insurance (Australia); NZI and State (NZ); Equity Red Star (UK); and Safety and NZI (Thailand). For further information please visit www.iag.com.au.

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