

ING Corporate Finance, Asia

ASEAN Banking and Insurance
Sector M&A Trends

27 June 2014

Executive summary

Banking sector

- Largest banks in each country generally controlled by local family groups
 - Emergence of a few ASEAN-based banks which have established presence across the region
 - Foreign ownership rules and disparity in economic standing and culture still need to be addressed before local banks expand regionally
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Insurance sector

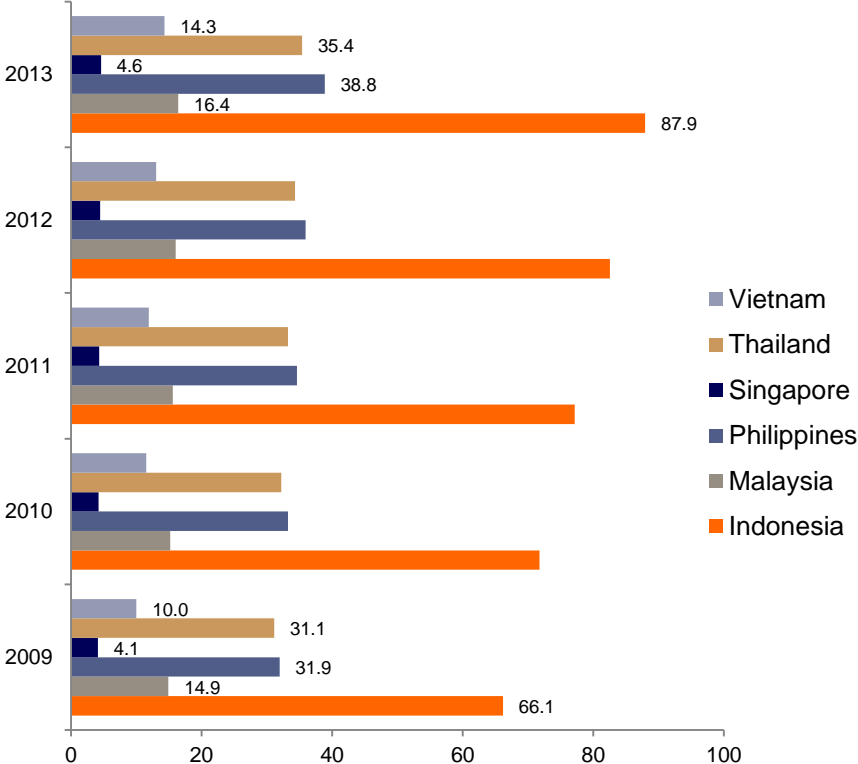
- Has generally been open to foreign ownership
 - Multinational entities generally have larger market shares (compared to banking)
 - Rapid growth may encourage emergence of ASEAN 'champions' (insurance affiliates of large ASEAN banks are most likely candidates)
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- Bancassurance as a capital-efficient means for local banks to further strengthen their positions in respective domestic markets

1. The ASEAN Banking Sector

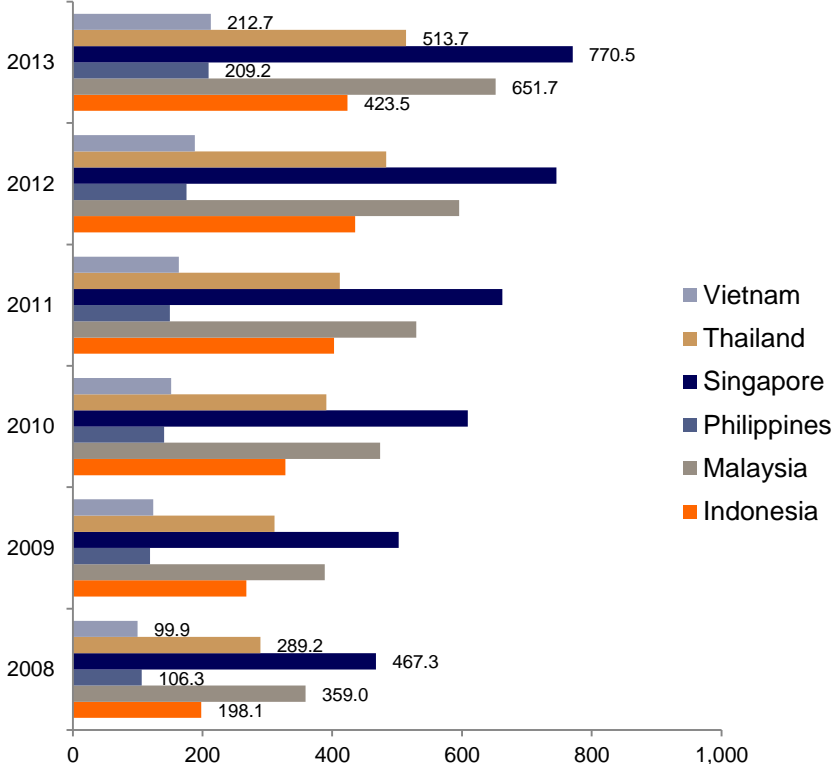
ASEAN Banking Overview

Indonesia's retail banking market is driven by its population while Singapore boasts the largest banking assets in ASEAN

Retail Banking Market Size per Country
(‘m people)



Total Banking Assets per Country
(US\$bn)

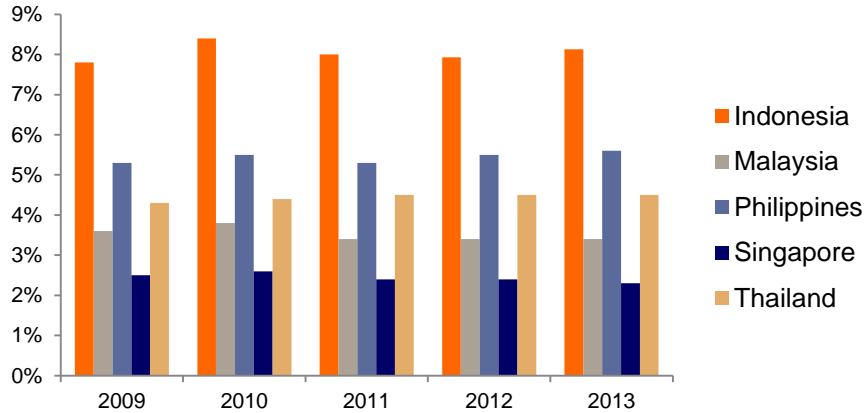


Source: Euromonitor

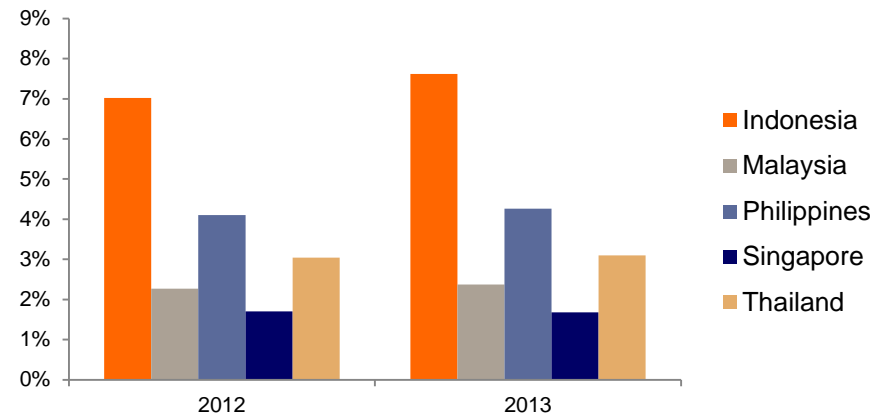
ASEAN Banking Sector Performance

Indonesian banks continue to outperform regional peers due to high local GDP growth and low product penetration rates

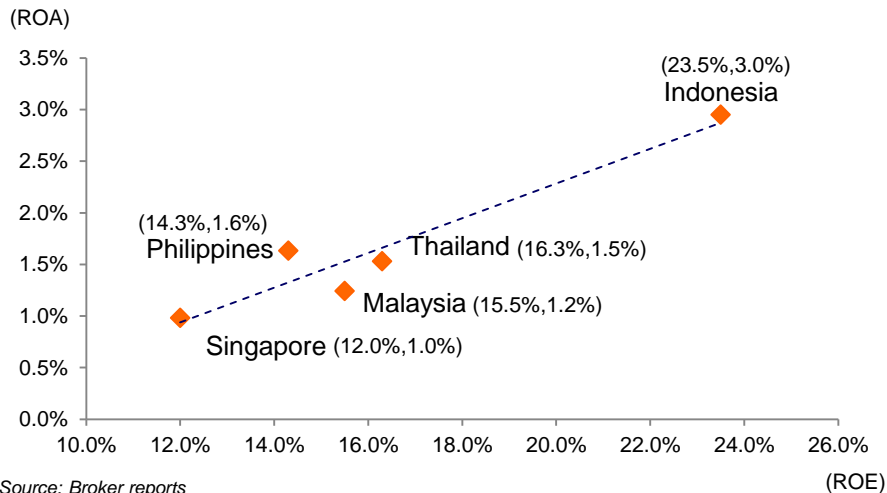
Total Revenue / Assets (%)



Net Interest Margin (NIM) (%)

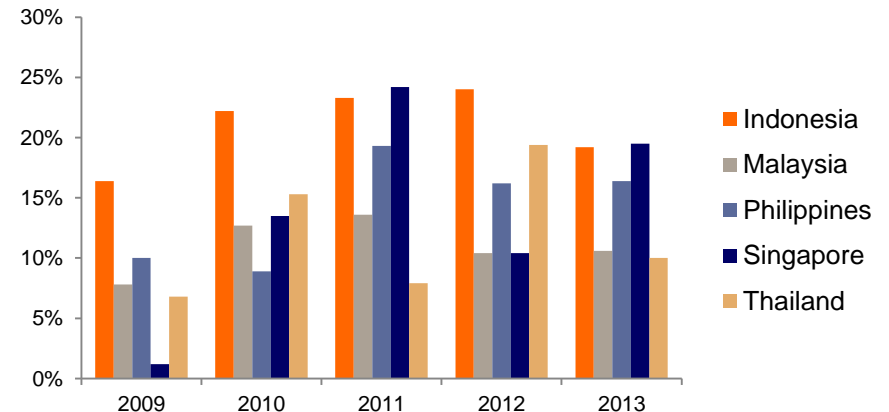


ROA and ROE (%)



Source: Broker reports

Loan Growth YoY (%)



ASEAN Based Banks in The Region

DBS, OCBC, UOB, Maybank and CIMB are present in the important markets in ASEAN



Source: Company

Recent ASEAN Banking M&A Deals

Indonesia, Philippines and Thailand banks have accounted for US\$9,623m of the 25 most recent banking M&As in ASEAN

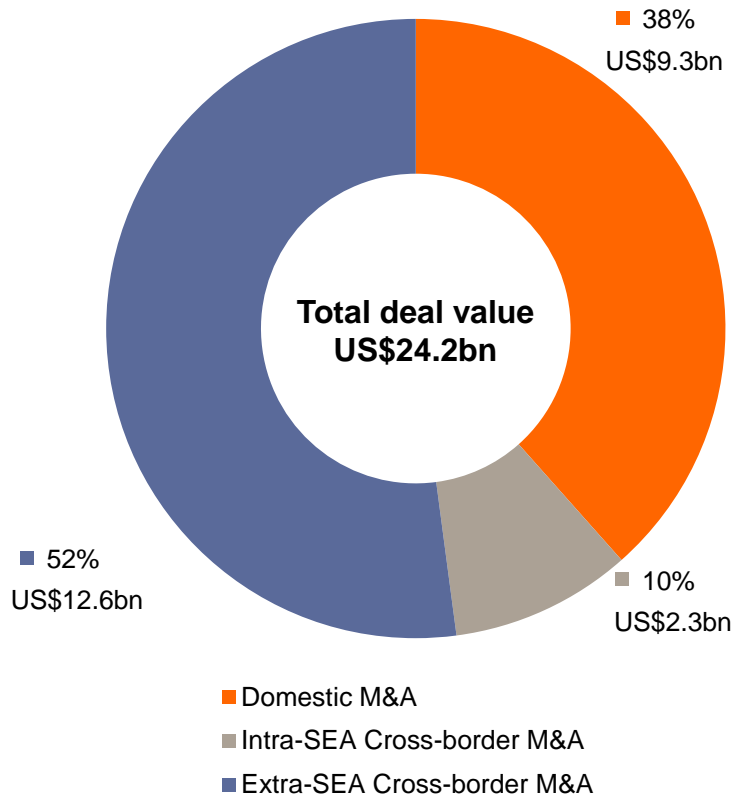
Announcement	Acquiror	Target	Target Nationality	Deal Value (\$US'm)
21-Jan-14	LT Group Inc	Philippine National Bank - PNB (11.3%)	 Philippines	241.6
15-Jan-14	Fubon Financial Holding Co Ltd	CIMB Group Holdings Bhd (0.6%)	 Malaysia	100.0
24-Dec-13	J Trust Co Ltd	PT Bank Mayapada Internasional Tbk (10%)	 Indonesia	45.0
22-Nov-13	Private Investor	Vietnam Prosperity Joint Stock Commercial Bank (14.9%)	 Vietnam	55.5
8-Nov-13	Phillip Services Pty Ltd	HwangDBS Commercial Bank plc	 Cambodia	40.0
18-Sep-13	China Banking Corp	Planters Development Bank	 Philippines	42.7
1-Aug-13	BIMB Holdings Bhd	Bank Islam Malaysia Bhd (39.5%)	 Malaysia	712.9
2-Jul-13	Mitsubishi UFJ Financial Group Inc	Bank of Ayudhya pcl (72.0%)	 Thailand	5,503.0
27-Jun-13	PT Bank Tabungan Pensiunan Nasional Tbk	PT Bank Sahabat Purba Danarta (70%)	 Indonesia	60.4
19-Jun-13	Private Investor	PT Bank Internasional Indonesia Tbk - BII (9%)	 Indonesia	186.6
14-Jun-13	Bosowa Corp	PT Bank Bukopin Tbk (14%)	 Indonesia	118.6
8-May-13	Sumitomo Mitsui Financial Group Inc	PT Bank Tabungan Pensiunan Nasional Tbk (40%)	 Indonesia	1,559.5
3-May-13	Korean Federation of Community Credit Co-op	Indochina Bank Ltd	 Laos	25.7
8-Apr-13	PT MNC Kapital Indonesia Tbk	PT Bank ICB Bumiputera Tbk (24%)	 Indonesia	21.5
22-Mar-13	E.Sun Financial Holding Co Ltd	Union Commercial Bank plc (70%)	 Cambodia	69.3
9-Jan-13	UnionBank of the Philippines	City Savings Bank	 Philippines	140.2
4-Jan-13	International Finance Corp - IFC	Rizal Commercial Banking Corp - RCBC (5.6%)	 Philippines	101.2
27-Dec-12	Mitsubishi UFJ Financial Group Inc	Vietnam JSCB for Industry & trade - VietinBank (19.7%)	 Vietnam	741.0
20-Dec-12	Shinhan Financial Group Co Ltd	PT Bank Metro Express Tbk (40%)	 Indonesia	30.0
11-Oct-12	Ayala Corp	Bank of the Philippine Islands (10.4%)	 Philippines	616.5
25-Sep-12	Market Purchase	Bank of Ayudhya pcl (7.6%)	 Thailand	473.9
31-Jul-12	Tanduy Holdings Inc	Philippine National Bank - PNB (34.8%)	 Philippines	406.7
27-Jun-12	Market Purchase	Masan Group Corp (4.0%)	 Vietnam	100.6
14-Jun-12	Cathay Financial Holding Co Ltd	Singapore Banking Corp Ltd (70%)	 Cambodia	22.5
12-Jun-12	Woori Finance Holdings Co Ltd	PT Bank Himpunan Saudara 1906 Tbk (33%)	 Indonesia	76.2

Source: Dealogic

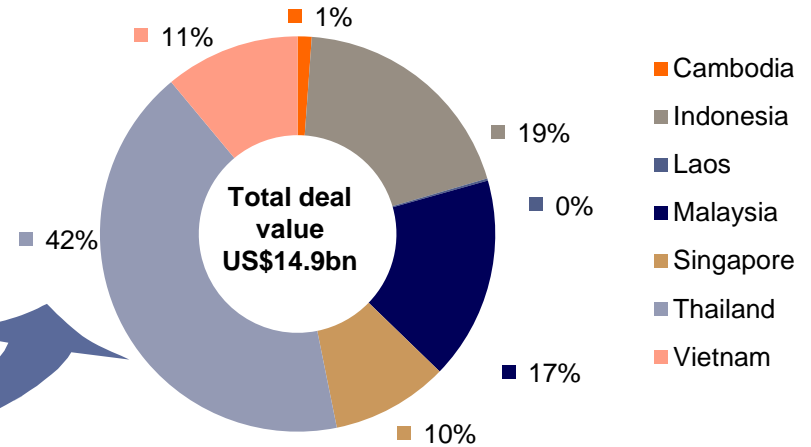
Banking M&A Deals Since 2010

Extra-SEA Cross-border M&A continue to dominate; Japanese and Malaysia the main acquirors

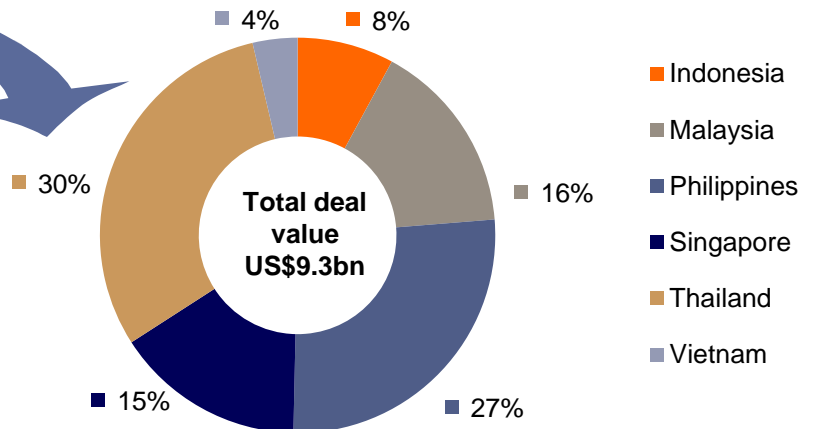
Cross-border vs Domestic M&A deals in SEA



In-bound cross-border deals



Domestic deals



Source: Dealogic

Hurdles to Regional Consolidation

Foreign ownership cap, cultural integration – main hurdles to consolidation

Foreign Ownership Caps

Country	Foreign Investment Policy
Indonesia	40% foreign ownership cap
Malaysia	70% foreign ownership cap
Singapore	5%, 12%, 20% thresholds on foreign ownership
Thailand	25% foreign ownership cap (49% on case-to-case basis)
Vietnam	20% foreign ownership cap
Philippines	60% foreign ownership cap (new proposed law to increase this to 100%)

Impact of Basel III rules

- With foreign ownership limits on banks in Asia, acquisition of banks in Asia are likely to be minority stake transactions
- Under Basel III, minority holdings are required to be fully deducted against capital
- Consequently, full deductibility of non-majority shareholdings under Basel III, in conjunction with foreign ownership restrictions in place in SEAsian countries is likely to dampen the appetite for banks to acquire non-majority stakes in other banks within the region

Differences in culture

Filipino consumers have a higher preference for branches more than self-services channels (40% per week), compared to the Southeast Asian peers (20% per week).

Southeast Asian consumers use ATMs as a channel (60% per week) more than their Filipino consumers (40% per week).

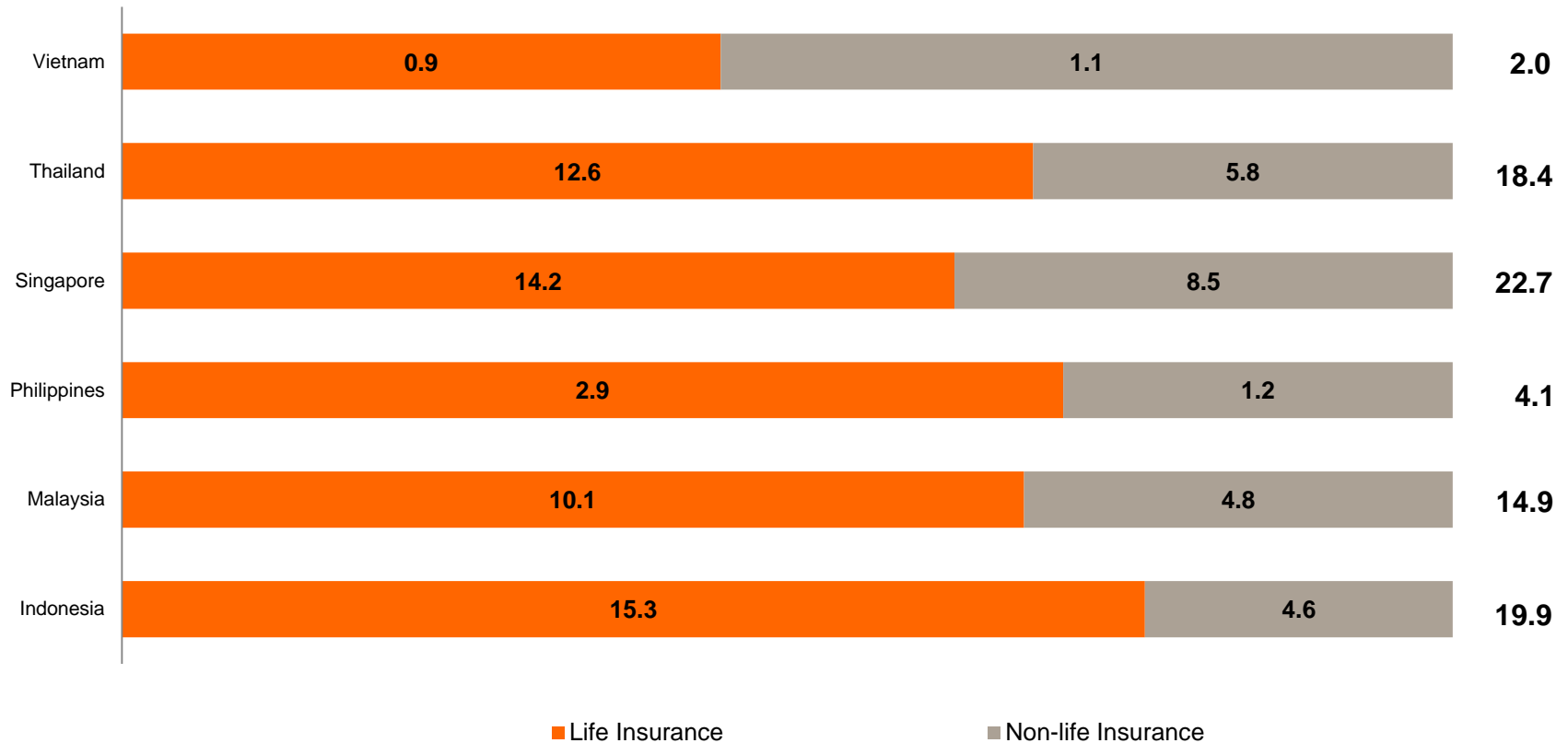
Southeast Asian consumers have differing levels of sophistication. Philippine consumers own an average of 2.5 products per customer, while the average Southeast Asian consumer owns 3.5 products.

2. The ASEAN Insurance Sector

ASEAN Insurance Overview

Life insurance sector continue to outperform non-life







Life vs Non-life Premiums per Country¹, 2012
(US\$'bn)



(1): Gross insurance premiums
Source: Euromonitor, Broker reports

ASEAN Life Insurance Overview

Foreign players dominate Philippines and Vietnam, face local competition in rest of SEA

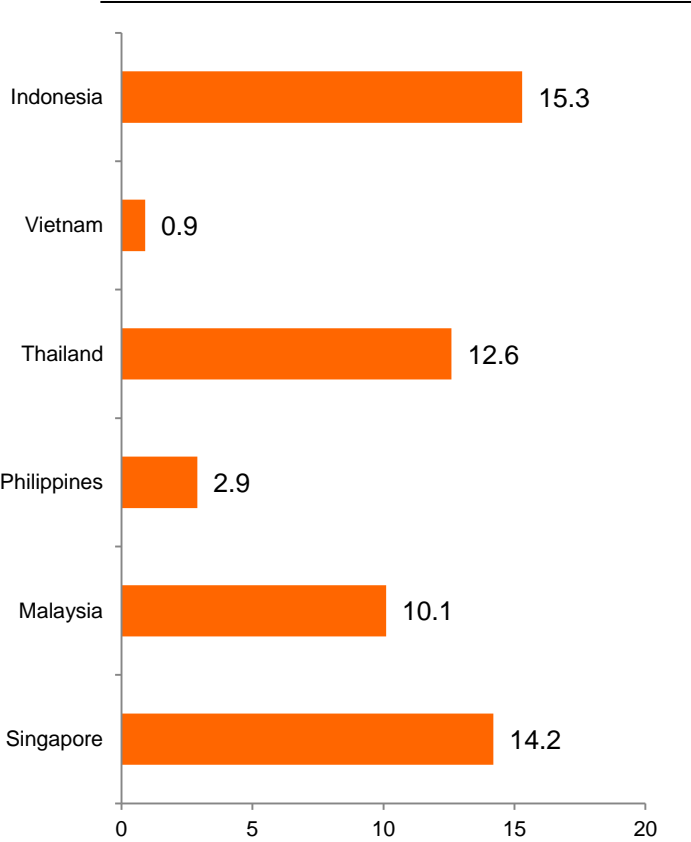
Country	Year first foreign insurer entered	Foreign players in top 5	Market share of foreign players in top 5
 Vietnam	1999	3 Pru UK, Manulife, Bao Viet Life (Sumitomo Life owns a stake)	71.0%
 Philippines	1895	5 Sun Life, Pru UK, Philamlife (owned by AIA), AXA, Manulife	62.6%
 Singapore	1931	3 AIA, Pru UK, Aviva	44.1%
 Malaysia	1924	2 Pru UK, AIA	42.6%
 Thailand	1938	3 AIA, Muang Thai Life (Ageas owns a stake), Bangkok Life (Nissay owns a stake)	47.6%
 Indonesia	1975	3 Pru UK, Manulife, Allianz	24.2%

Source: Business Monitor International Country Insurance Reports 2014

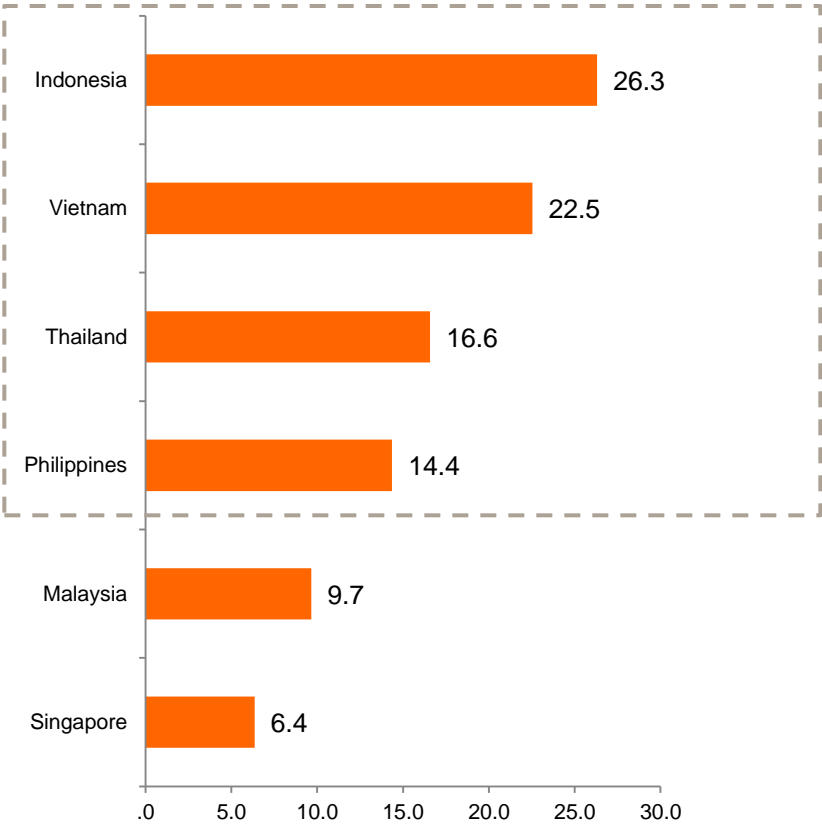
Rapid Life Insurance Premium Growth

Vietnam, Indonesia, Thailand and Philippines have demonstrated robust premium growth

Life Insurance Premium¹, 2012
US\$bn



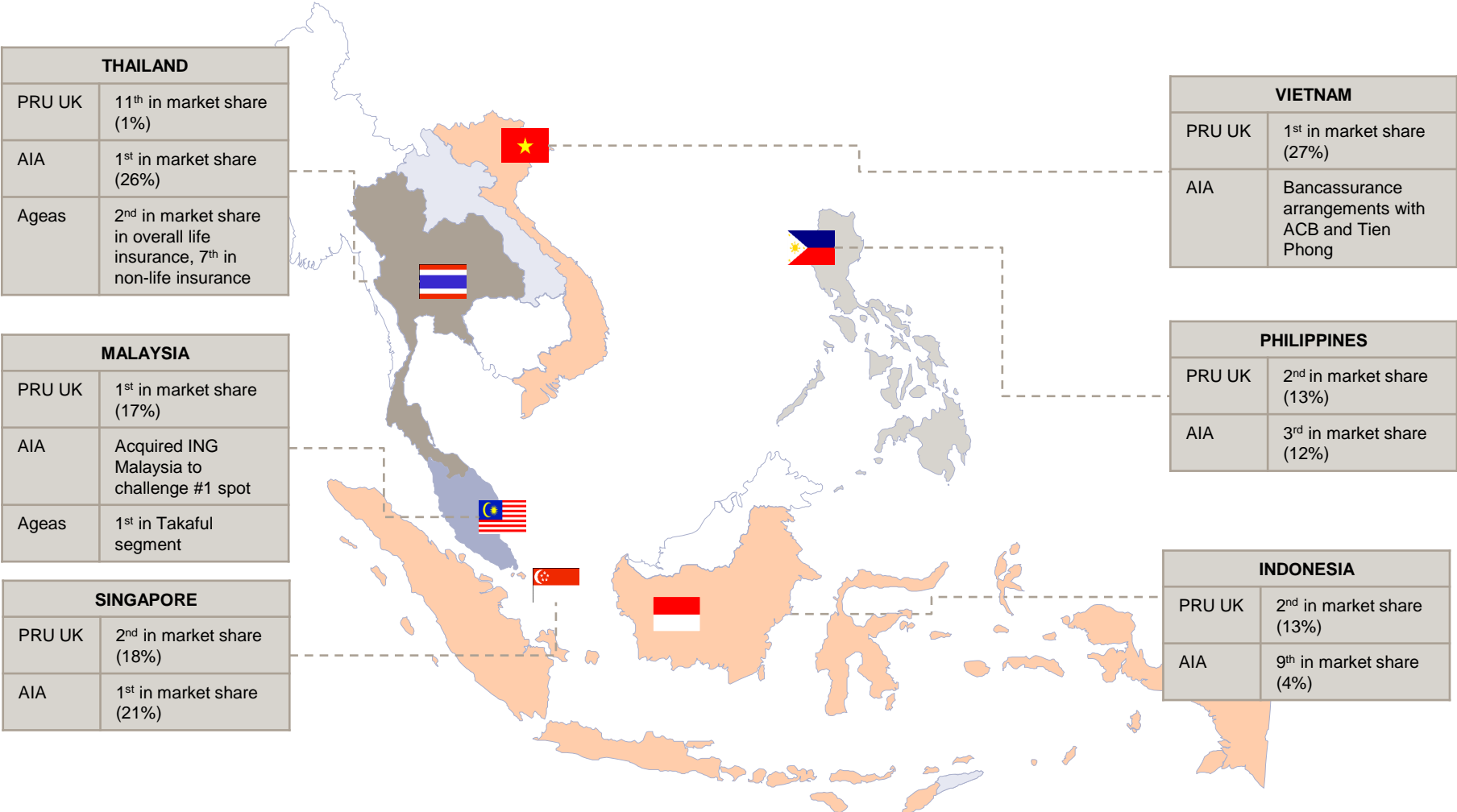
Historical 5-year average growth, 2007-2012
Percent



(1): Gross life insurance premiums
Source: Business Monitor

Multinational Life Insurers in the ASEAN Region



Prudential UK, AIA and Ageas are market leaders in key SEA countries



Source: Company

Recent ASEAN Insurance M&A Deals

Malaysia, Thailand and Indonesia have accounted for US\$2,354m of the 25 most recent insurance M&As in ASEAN

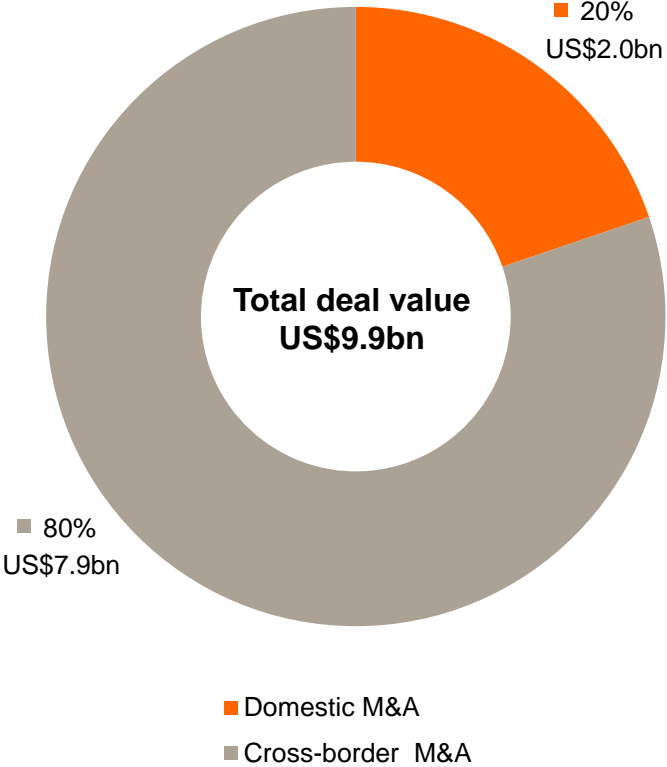
Announcement	Acquiror	Target	Target Nationality	Deal Value (US\$m)
3-Mar-14	Hiscox Ltd	DirectAsia.com	 Singapore	55.0
2-Dec-13	Sumitomo Life Insurance Co Ltd	PT BNI Life Insurance (40%)	 Indonesia	356.1
14-Nov-13	Assicurazioni Generali SpA	Generali Asia NV (40%)	 Philippines	53.7
16-Oct-13	Mapfre SA	PT Asuransi Bina Dana Artha Tbk (20%)	 Indonesia	49.2
10-Oct-13	GT Capital Holdings Inc	Charter Ping An Insurance Corp (66.7%)	 Philippines	32.5
15-Aug-13	Prudential Financial Inc (70%/30%)	Uni Asia Life Assurance Bhd	 Malaysia	158.3
26-Jul-13	Meiji Yasuda Life Insurance Co	Thai Life Insurance Co Ltd (15%)	 Thailand	700.0
4-Jun-13	Dai-ichi Life Insurance Co Ltd	PT Panin Life (40%)	 Indonesia	335.3
27-Mar-13	KSK Group Bhd	KSK Group Bhd (42.4%)	 Malaysia	133.4
17-Jan-13	Khazanah Nasional Bhd	CIMB Aviva Assurance Bhd (49%)	 Malaysia	353.5
17-Jan-13	Sun Life Financial Inc	CIMB Aviva Assurance Bhd (49%)	 Malaysia	243.7
27-Dec-12	KTB Capital Holding Co Ltd	Krungthai AXA Life Insurance pcl (25.5%)	 Thailand	63.8
20-Dec-12	Sumitomo Life Insurance Co Ltd	Bao Viet Holdings (18%)	 Vietnam	340.9
6-Dec-12	UISC (Holdings) Ltd	Sony Life Insurance (Philippines) Corp	 Philippines	24.5
5-Nov-12	Prudential plc	Thanachart Life Assurance Co Ltd	 Thailand	585.0
16-Oct-12	AMMB Holdings Bhd	AmLife Insurance Bhd (30%)	 Malaysia	80.0
11-Oct-12	AIA Group Ltd	ING Management Holdings (Malaysia) Sdn Bhd	 Malaysia	1,720.2
7-Sep-12	Sanlam Ltd	Pacific & Orient Insurance Co Bhd (49%)	 Malaysia	86.6
3-Jul-12	HDI Haftpflichtverband der Deutschen Industrie VaG	PVI Holdings (Vietnam) (6.8%)	 Vietnam	26.9
13-Jun-12	ACE Ltd	PT Asuransi Jaya Proteksi (80%)	 Indonesia	130.0
23-May-12	Existing Shareholders	MPHB Capital Bhd	 Malaysia	313.9
23-Apr-12	Tune Money Sdn Bhd	Oriental Capital Assurance Bhd (79.8%)	 Malaysia	51.3
20-Apr-12	Marubeni Corp	ACR Capital Holdings Pte Ltd (22%)	 Singapore	236.0
17-Apr-12	Sri Ayudhya Capital pcl	Ayudhya Allianz CP Life Assurance pcl (8.5%)	 Thailand	24.4
17-Apr-12	Insurance Australia Group Ltd	AAA Assurance Corp (30%)	 Vietnam	20.7

Source: Dealogic

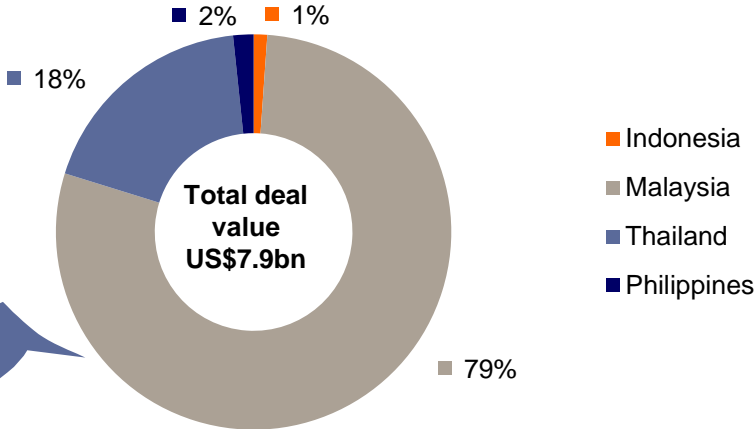
Insurance M&A deals Since 2010

Cross-border M&A continue to dominate; Japan and Hong Kong the main acquirors

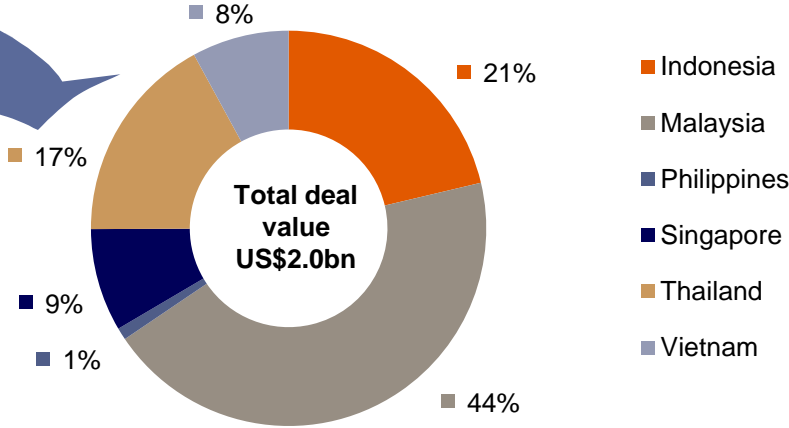
Cross-border vs Domestic M&A deals in SEA



In-bound cross-border deals



Domestic deals



Source: Dealogic

Bancassurance Relationships in Asia

Market leaders AIA and Pru UK have bancassurance relationships in all 6 SEA countries

Bancassurance partner by country

Country	AIA AIA	Prudential PRU	Allianz ALL	Manulife MAN	Eastern GE	AXA AXA	Ageas AGE	Sun Life SUN	Aviva AVI
Indonesia	BCA BII	BII	Danamon	Danamon DBS, SCB		Mandiri		CIMB	Permata
Vietnam	ACB Tien Phong	Agribank		ANZ Techcombank					
Thailand	Kiatnakin Tisco	Thanachart	Ayudhya Krungsri			Krungthai	Kasikorn		
Philippines	BPI	HSBC, Citibank		China Bank		Metrobank		RCBC	
Malaysia	Public Bank EON, BSN	Alliance	Alliance		OCBC	AFFIN	Maybank	CIMB	
Singapore		Maybank Singpost		Citibank SBI	OCBC				DBS

* AIA and Pru UK also have regional arrangements with Citibank and SCB, respectively

Bank deposits market share (%)

Country										
Indonesia	Mandiri 15%	BCA 12%	Rakyat 12%	Negara 9%	Panin 3%	Danamon 3%				
Thailand	Bangkok 22%	Krungthai 20%	Kasikorn 16%	Siam 16%	ThanaChart 9%	Ayudhya 9%	TMB 7%	TISCO 2%		
Philippines	BDO 17%	Metrobank 14%	BPI 12%	Landbank 10%	PNB 6%	China Bank 5%	Union Bank 4%	RCBC 4%	Citibank 3%	
Malaysia	Maybank 23%	Public 20%	CIMB 13%	HLB 8%	RHB 6%	Alliance 3%				
Singapore	DBS 26%	UOB 20%	Hang Seng 10%	Std Chtd 8%	BEA 5%	DBS 3%	ICBC 2%			

Source: Broker reports

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