

# ASX Announcement

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## Divestment of Australian and New Zealand life insurance businesses

**Thursday, 21 September 2017 (Sydney):** Commonwealth Bank today announced the sale of 100% of its life insurance businesses<sup>1</sup> in Australia (“**CommInsure Life**”) and New Zealand (“**Sovereign**”) to AIA Group Limited (“**AIA**”) for \$3.8 billion (the “**Transaction**”). The sale agreement also includes a 20-year partnership with AIA for the provision of life insurance products to customers in Australia and New Zealand.

CommInsure Life and Sovereign customers will retain all the current benefits of their existing policies. The Transaction and partnership announced today will allow customers to have continued access to high quality life insurance products through Commonwealth Bank and life and health insurance products through ASB, with the addition of AIA solutions to our offerings. Customers will benefit from AIA’s innovation in life insurance including a focus on digital engagement, the benefits and synergies of global scale and specialisation, and their strong bancassurance experience.

AIA is the largest independent publicly listed pan-Asian life insurance group and has well established life insurance businesses in Australia and New Zealand. The combined operations from this transaction will make AIA the market leader in both Australia and New Zealand.

Commonwealth Bank Chief Executive Officer Ian Narev said: “Providing our customers with access to high quality products and services for all their financial needs is core to our vision of securing and enhancing financial wellbeing. We have said for some time that while distributing life insurance is a fundamental part of that strategy, we were open to different models for doing so. The combination of AIA’s leading insurance capability and scale and Commonwealth Bank’s broad distribution, and our complementary values and commitment to customer focus and innovation, mean that a partnership between us will create an even better experience for our customers, in a more efficient way for our shareholders.”

AIA Group Chief Executive and President, Ng Keng Hooi, said: “The acquisition of CBA’s life insurance businesses and the new 20-year bancassurance partnership with CBA will strengthen AIA’s protection market leadership and expand our distribution capabilities in these markets. We look forward to welcoming our new customers and colleagues, and working with CBA to deliver innovative insurance products and services that meet the growing financial protection needs of customers across Australia and New Zealand.”

The Transaction will deliver important strategic benefits to Commonwealth Bank, contributing to the Group’s vision to secure and enhance the financial wellbeing of customers whilst creating value for shareholders.

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<sup>1</sup> The proposed transaction is structured as a sale of the shares in the legal entities comprising CommInsure Life and Sovereign.

The sale price is \$3.8 billion, a multiple of 16.9x FY17 pro forma earnings<sup>2</sup> and 1.1x the embedded value<sup>3</sup> of Commlnsure Life and Sovereign. A pre-completion dividend is also expected to be received by Commonwealth Bank (amount subject to the timing of completion, business performance and regulatory approvals).

Under the terms of the partnership, Commonwealth Bank will continue to earn income on the distribution of life and health insurance products.

The Transaction is expected to release approximately \$3 billion of Common Equity Tier 1 (“**CET1**”) capital and result in a pro forma uplift to the Group’s FY17 CET1 ratio of approximately 70 basis points on an APRA basis. Due predominantly to the carrying value of goodwill, the Transaction is expected to result in an indicative after tax accounting loss on sale of approximately \$300 million,<sup>4</sup> net of separation and transaction costs.

The Transaction and partnership do not include general insurance and the Commlnsure brand will be retained. The Transaction is subject to certain conditions and regulatory approvals in Australia and New Zealand and is also conditional upon the transfer of Commonwealth Bank’s equity interest in BoComm Life Insurance Company Limited (“**BoComm Life**”) out of Commlnsure. Commonwealth Bank is considering a range of strategic alternatives for the BoComm Life equity interest, which would be conditional on approval from the China Insurance Regulatory Commission. The Transaction is expected to be completed in calendar year 2018.

**Further information:** An investor presentation has been lodged with the ASX.

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#### Shareholders

For more information  
<https://www.commbank.com.au/about-us/investors>

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<sup>2</sup> Based on FY17 pro forma Cash NPAT of legal entities to be divested. Commlnsure Life’s FY17 Cash NPAT pro forma includes the impact of loss recognition of \$100m after tax and life remediation costs of \$9m after tax.

<sup>3</sup> Calculated using CBA forecasts and methodology.

<sup>4</sup> Based on the 30 June 2017 figures. The final gain/loss on sale will be determined at completion and will be impacted by the final determination of goodwill to be disposed, transaction and separation costs, other balances and final taxation impacts.