

Divestment of Australian and New Zealand life insurance businesses

21 September 2017



Commonwealth Bank of Australia | ACN 123 123 124 |



Disclaimer

The material in this presentation is general background information about the Group and its activities current as at the date of the presentation, 21 September 2017. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. Investors should consult with their own legal, tax, business and/or financial advisors in connection with any investment decision.

Any forward-looking statements included in this presentation speak only as at the date of this presentation and undue reliance should not be placed upon such statements. Although the Group believes the forward-looking statements to be reasonable, they are not certain. To the maximum extent permitted by law, responsibility for the accuracy or completeness of any forward-looking statements whether as a result of new information, future events or results or otherwise is disclaimed.

The Group is under no obligation to update any of the forward-looking statements contained within this presentation, subject to disclosure requirements applicable to the Group.

Overview

- Agreement to sell 100% of CBA's life insurance businesses¹ in Australia (“**Commlnsure Life**”) and New Zealand (“**Sovereign**”) to AIA Group Limited (“**AIA**”) for \$3.8 billion
- 20-year partnership with AIA optimises complementary strengths for improved customer outcomes
- Customers to benefit from AIA's high quality product offerings, innovation, global scale and specialisation advantages
- Balanced transaction and financial outcomes for both parties
- Significant capital uplift for CBA – pro forma CET1 ratio up ~70 basis points
- Subject to regulatory approvals and conditions – expected completion calendar 2018
- CBA will continue to manufacture and distribute general insurance products under the Commlnsure brand

1. The proposed transaction is structured as a sale of the shares in the legal entities comprising Commlnsure Life and Sovereign.

Optimising outcomes for CBA and our customers

- Evolving dynamics in the life insurance industry
 - Global players with economies of scale
 - Sophisticated offerings requiring specialised technology, investment and risk management
 - Changing global regulatory landscape
- Provision of life insurance to customers remains core to our vision
- Partnership leverages core competencies of respective organisations for an even better customer experience
 - CBA's broad distribution capability
 - AIA's innovation, specialisation advantages in product offerings and greater scale
- Divestment and partnership model optimises the Group's capital position – including pro forma FY17 CET1 ratio uplift of ~70 basis points

AIA an ideal strategic partner

- The world's second largest life insurer by market capitalisation
 - Total sum assured of over US\$1 trillion
 - Over 30 million individual policies and 16 million group scheme members
 - Extensive bancassurance experience – over 60 partnerships
- Long and committed history in Australia and New Zealand
 - AIA would become the #1 life insurer in both markets following the transaction
- Complementary values and commitment to customer focus and innovation
- Partnership terms for the benefit of customers
 - Competitiveness: Regular testing of product offerings and service levels
 - Customer Experience: AIA claims management visible to CBA via reporting
 - Innovation: Mutual commitment to innovation

Transaction metrics

- Sale price of \$3.8 billion
- P/E multiple of 16.9x¹
- Pre-completion dividend also expected to be received by CBA²
- Financial impacts include goodwill reduction of ~\$1.4 billion³ and are net of separation and transaction costs
- Indicative after tax loss on sale of ~\$300 million⁴

Transaction multiples

Price / Earnings ¹	16.9x
Price / NTA ¹	1.7x
Price / EV ⁵	1.1x

1. Transaction multiples based on FY17 pro forma Cash NPAT and NTA of legal entities to be divested.
2. CBA will continue to benefit from the earnings generated by CommInsure Life and Sovereign until completion.
3. Reflects an initial estimate of CBA goodwill reduction due to the disposal and will be finalised at completion.
4. Based on 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.
5. EV (Embedded Value) calculated using CBA forecasts and methodology.

Pro forma profit reconciliation

	CommInsure Life (A\$m)	Sovereign (NZ\$m)	(A\$m ¹)	Total (A\$m)
FY17 Cash NPAT	202 ²	102	96	298
- General Insurance (retained)	(62)	-	-	(62)
- Standalone cost adjustments ³	(12)	0	0	(12)
FY17 Cash NPAT Pro forma⁴	128	102	96	224
Net Tangible Assets (Pro forma) ⁵	1,532	759	724	2,256

Group	FY17 Actual	Transaction Adjustments	Other Adjustments⁶	FY17 Pro forma
Cash NPAT (\$m)	9,881	(224)	40	9,697
Cash EPS (\$)	5.74	(0.13)	0.03	5.64
ROE ⁷	16.0%	(26bps)	6bps	15.8%
CET1 Impact	10.1%	~70bps		10.8%

- Pro forma FY17 Cash NPAT of \$224m for entities to be divested
- General Insurance retained (\$62m in Cash NPAT in FY17)
- FY17 pro forma CET1 ratio uplift of ~70 basis points
- Group ROE marginally lower at 15.8%⁷
- Level of earnings and ROE dilution dependent on level of proceeds retained from divestment

1. NTA assumes foreign exchange rate as at 30 June 2017 (1 New Zealand Dollar = 0.953 Australian Dollars). P&L items assume an average FY17 foreign exchange rate (1 New Zealand Dollar = 0.945 Australian Dollars).
2. FY17 Cash NPAT includes CommInsure Life, General Insurance and other legal entity items per the Group's FY17 Profit Announcement (PA).
3. Reflects incremental operating costs required for CommInsure Life and Sovereign as a standalone entity, previously not reported in divested entity financials.
4. CommInsure 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.
5. Based on Net Tangible Assets of legal entities to be divested.
6. Assumes consideration is reinvested at 1.5% cash rate. This is tax effected and then partially offsets the pro forma Cash NPAT of divested businesses and is compared to CBA's FY17 Cash NPAT.
7. The denominator in the ROE calculation is determined as the FY17 average shareholders equity for CBA net of estimated after tax loss on sale and other equity movements. Pro forma impacts assume no capital management actions.

Regulatory approvals and conditions

- Proposed transaction subject to regulatory approvals in Australia and New Zealand, including:
 - Australia: Federal Treasurer (under the Financial Sector (Shareholdings) Act), Foreign Investment Review Board, Australian Prudential Regulation Authority, Australian Competition and Consumer Commission
 - New Zealand: Reserve Bank of New Zealand, Commerce Commission and the Overseas Investment Office
- Proposed transaction excludes CBA's equity interest in BoComm Life Insurance Company Limited ("**BoComm Life**"), a joint venture life insurance company in China. As a result, the proposed transaction is conditional upon transfer of CBA's equity interest in BoCommLife out of Commlnsure Life
 - CBA's 37.5% equity interest is held by The Colonial Mutual Life Assurance Society Limited, the main operating entity of Commlnsure Life
 - CBA is actively engaged in a range of strategic alternatives for the BoComm Life equity interest which are conditional on China Insurance Regulatory Commission approval