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## **AIA Group Limited**

**友邦保險控股有限公司**

*(Incorporated in Hong Kong with limited liability)*

**Stock Code: 1299**

### **UPDATE TO DISCLOSEABLE TRANSACTION**

## **AIA AND COMMONWEALTH BANK OF AUSTRALIA ENTER INTO BINDING AGREEMENTS FOR ALTERNATIVE COMPLETION THROUGH A PORTFOLIO TRANSFER OF COMMONWEALTH BANK OF AUSTRALIA'S LIFE INSURANCE BUSINESS IN AUSTRALIA**

AIA Group Limited (the "**Company**", together with its subsidiaries, "**AIA**") announces an update in relation to the proposed acquisition by AIA of the life insurance business of Commonwealth Bank of Australia ("**CBA**") in Australia, which was part of the transactions announced by the Company on 21 September 2017 and as subsequently updated on 23 August 2019.

- AIA and CBA have entered into binding documentation to give effect to a portfolio transfer of CBA's life insurance business conducted through The Colonial Mutual Life Assurance Society Limited ("**CMLA**") to AIA Australia Limited ("**AIA Australia**"), being an alternative completion mechanism and structure for the proposed acquisition by AIA of the life insurance business of CBA in Australia.
- The portfolio transfer will be effected by way of a scheme under Part 9 of the Life Insurance Act 1995 (Cth) of Australia ("**Part 9 Scheme**"), and is subject to approval from the Australian Prudential Regulation Authority ("**APRA**"), the Treasurer of Australia and confirmation of the Federal Court of Australia ("**Federal Court**").

- The commercial terms of the proposed acquisition by AIA of the life insurance business of CBA, including the proposed portfolio transfer to be effected by way of the Part 9 Scheme, remain consistent with those previously announced for the transaction, and the final component of the purchase price is payable on the final implementation of the portfolio transfer.
- The total net cash outlay for the acquisition of the business of CMLA and certain related entities of CMLA (including amounts paid prior to the date of this announcement) will be approximately US\$1.0 billion, in line with the Company's announcement dated 23 August 2019, subject to any purchase price adjustments agreed by the parties in the binding documentation relating to the Alternative Arrangements (as defined below).

## BACKGROUND

Reference is made to the announcement of the Company dated 21 September 2017 (the "**2017 Announcement**") and the subsequent announcement dated 23 August 2019 (the "**2019 Announcement**"), in relation to the proposed acquisition of the life insurance businesses in Australia and New Zealand of CBA (the "**Proposed Transaction**") and the alternative completion structure and arrangements with respect to the Proposed Transaction (the "**Alternative Arrangements**") announced in the 2019 Announcement.

As part of the Proposed Transaction, a share sale agreement dated 21 September 2017 ("**2017 SSA**") in relation to the sale and purchase of the entire issued share capital of CMLA (amongst other entities) (the "**CMLA Acquisition**") was entered into between CBA, Commonwealth Insurance Holdings Limited ("**CIHL**", being a wholly-owned subsidiary of CBA) and AIA International Limited ("**AIA International**"), a wholly-owned subsidiary of the Company. As announced in the 2019 Announcement, AIA International, CBA and CIHL entered into a termination deed in relation to the 2017 SSA, effective on the commencement of the JCA (defined below).

Further, as part of the Alternative Arrangements and as announced in the 2019 Announcement:

- (a) AIA International and CBA entered into a framework deed (the "**Framework Deed**") under which the parties agreed to, amongst other things, effect a transfer of the life insurance business of CMLA to AIA Australia by way of (i) a voluntary transfer approved under section 10 of the Financial Sector (Transfer and Restructure) Act 1999 (Cth) of Australia or (ii) a transfer of business of CMLA through a Part 9 Scheme;
- (b) AIA Company Limited ("**AIA Co**") (being the immediate parent company of AIA International), CBA and CIHL entered into a new agreement for the CMLA Acquisition ("**New SSA**"), which took effect on the commencement of the JCA (as defined below). The New SSA contained the same commercial terms in all material respects as the 2017 SSA; and
- (c) AIA Australia, CBA and CMLA (amongst others) entered into a joint cooperation agreement ("**Joint Cooperation Agreement**" or "**JCA**") to establish a contractual joint venture and to allow for the cooperation and joint administration through an agreed management and oversight structure of both AIA Australia and CMLA. Under the JCA, AIA Australia exercises an appropriate level of direct management control and oversight of both the AIA Australia and CMLA businesses pending final completion of the Proposed Transaction.

## INTRODUCTION

The Company announces that AIA Co, AIA Australia, CBA and CMLA (amongst others) have, as of the date of this announcement, proceeded to execute transaction documentation in respect of the Alternative Arrangements previously disclosed in the 2019 Announcement.

As at the date of this announcement, completion of the purchase of the entire issued share capital of CMLA and certain affiliated companies of CMLA under the New SSA has not yet taken place, pending the obtaining of approval from a relevant regulatory authority in respect of the disposal by CMLA of its equity interest in BoCommLife Insurance Company Limited (the “**BoCommLife Equity Interest**”), being one of the conditions precedent for the completion of the CMLA Acquisition (“**CMLA Completion**”).

In view of the delay in the CMLA Completion and to finalise the implementation of the Alternative Arrangements contemplated under the Framework Deed, the parties have agreed to progress the Proposed Transaction by way of a Part 9 Scheme. To effect the Part 9 Scheme, the Company announces that, on 29 September 2020, the following agreements were executed:

- (a) a transfer deed between AIA Australia, CMLA and CBA (“**Transfer Deed**”). Under the terms of the Transfer Deed, AIA Australia and CMLA agree to jointly apply to the Federal Court for confirmation of a Part 9 Scheme to transfer the life insurance business of CMLA to AIA Australia. It is anticipated that the Part 9 Scheme will be effective on 1 April 2021, or such other date as confirmed by the Federal Court (“**Scheme Effective Time**”). The commercial terms of the Transfer Deed are equivalent to the terms of the New SSA, which relates to the CMLA Acquisition; and
- (b) an amendment deed to the New SSA (“**Scheme SSA Amendment Deed**”) between AIA Co, CIHL and CBA, the effect of which is to remove the terms of the New SSA which relate to the CMLA Acquisition, such that only the shares in the affiliated companies of CMLA, namely CMLA Services Pty Limited and Jacques Martin Pty Ltd. (the “**Non-CMLA Target Entities**”) and not the shares in CMLA itself will be transferred to AIA Australia on the Scheme Effective Time. The commercial arrangements relating to CMLA will instead be set out in the Transfer Deed. Following its amendment by the Scheme SSA Amendment Deed, the New SSA will be referred to as the “**Scheme SSA**”. The amendments in the Scheme SSA Amendment Deed become effective on the business day before the Scheme Effective Time (“**Scheme Completion Date**”).

Following execution of the Transfer Deed and the Scheme SSA Amendment Deed, it is the parties’ expectation that the remaining part of the Proposed Transaction will now be completed by the Part 9 Scheme and the Scheme SSA, and not by the CMLA Acquisition. Once the Part 9 Scheme becomes effective on the Scheme Effective Time, the JCA will also terminate.

In relation to the entities that are the subjects of the remaining part of the Proposed Transaction, namely CMLA and the Non-CMLA Target Entities, the aggregate value of the net assets attributable to the CMLA business that is the subject of the Transfer Deed and the Non-CMLA Target Entities as at 30 June 2020 was A\$887 million<sup>1,2</sup> (equivalent to US\$608 million). The aggregated profit/(loss) before and after taxation and one-off items attributable to the CMLA business that is the subject of the Transfer Deed and the Non-CMLA Target Entities for the year ended 30 June 2020 were A\$(100) million<sup>1</sup> and A\$(64) million<sup>1</sup> (equivalent to US\$(69) million and US\$(44) million respectively) and the corresponding figures for 2019 are A\$63 million<sup>1</sup> and A\$7 million<sup>1</sup> (equivalent to US\$43 million and US\$5 million respectively)<sup>3</sup>.

## PRINCIPAL TERMS OF THE TRANSFER DEED

The principal terms of the Transfer Deed are summarised as follows:

### *Transfer of assets and liabilities of CMLA to AIA Australia*

Under the Transfer Deed, the assets and liabilities relating to the CMLA business at the Scheme Effective Time (subject to some specific exclusions as detailed below), including the life insurance business of CMLA, will be transferred to AIA Australia at the Scheme Effective Time by way of a statutory vesting under Part 9 of the Life Insurance Act 1995 (Cth) of Australia (“**Life Act**”). These include:

- (a) the assets and liabilities of CMLA referable to its statutory funds, being the funds in which all assets and liabilities of CMLA referable to its policyholders are maintained in accordance with the Life Act;
- (b) the assets and liabilities of CMLA referable to its shareholders’ fund, being the assets and liabilities of CMLA other than those referable to its statutory funds;
- (c) the rights and benefits under any contracts to which CMLA is a party, including the life insurance policies issued by CMLA; and
- (d) certain intellectual property rights and business records of CMLA, and goodwill referable to the business conducted by CMLA.

Certain assets and liabilities of CMLA will not be transferred to AIA Australia on the Scheme Effective Time (“**Excluded Assets**” and “**Excluded Liabilities**”), including the BoCommLife Equity Interest and certain other assets and liabilities agreed by the parties to be excluded by the Part 9 Scheme. The commercial terms of the Transfer Deed are equivalent to the terms of the CMLA Acquisition, as they apply to CMLA.

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<sup>1</sup> The figures are all based on audited financial statements prepared on the Australian statutory accounting basis for the 12-month period to 30 June 2020.

<sup>2</sup> The figure reflects proceeds paid to CBA under the reinsurance agreement of a majority of the CMLA in-force portfolio of insurance policies as disclosed in the 2019 Announcement as well as one-off adjustments attributable to the said reinsurance arrangements.

<sup>3</sup> Net losses for the year ended 30 June 2020 for the CMLA business that is the subject of the Transfer Deed reflected one off adjustments associated with the aforementioned reinsurance arrangements and adverse claims experience.

## ***Obligations of the parties and process for the implementation of the Part 9 Scheme***

Each of AIA Australia, CMLA and CBA has agreed that, subject to the fulfilment of the conditions as set out in the Transfer Deed (and summarised in the paragraph headed “*Conditions*” below), it will perform (or will procure relevant parties to perform) certain steps with a view to implementing the Part 9 Scheme.

Under the Transfer Deed, the parties agree to take the following steps to implement the Part 9 Scheme:

- (a) AIA Australia and CMLA will file an originating application with the Federal Court (“**Originating Application**”), commencing the process for the Federal Court’s consideration of the Part 9 Scheme. It is currently anticipated that the Originating Application will be filed with the Federal Court in or around November 2020;
- (b) following the filing of the Originating Application, AIA Australia and CMLA will undertake a public consultation for the Part 9 Scheme, during which certain documents (including the Scheme Document (as defined below) and supporting actuarial reports) will be made available to certain policyholders of AIA Australia and CMLA; and
- (c) following the completion of the public consultation period, AIA Australia and CMLA will apply to the Federal Court for final confirmation of the Part 9 Scheme. The Federal Court will then hold a final hearing to decide whether to confirm the Part 9 Scheme (“**Confirmation Hearing**”).

### ***Conditions***

The parties’ obligation to implement (or procure the implementation of) the Part 9 Scheme under the Transfer Deed are subject to the fulfillment of certain conditions, including but not limited to the receipt of an approval by APRA and the Treasurer of Australia under the Insurance Acquisitions and Takeovers Act 1991 (Cth) of Australia (IATA) and the Foreign Acquisitions and Takeovers Act 1975 (Cth) of Australia (FATA) for the parties to implement the Part 9 Scheme, and the absence of any government orders or regulation preventing the implementation of the Part 9 Scheme or the Scheme SSA as at the Scheme Completion Date.

The Part 9 Scheme is also conditional on the final confirmation of the Federal Court obtained at the Confirmation Hearing.

### ***Purchase Price and commercial terms***

The commercial terms of the Transfer Deed are equivalent to the terms of the New SSA which relate to the CMLA Acquisition. Under the terms of the Scheme SSA and the Transfer Deed, the amount of the purchase price under the New SSA (“**Purchase Price**”) that have been paid or remain payable by AIA and that are referable to CMLA will be reapplied as the purchase price for the assets and liabilities of CMLA.

The Purchase Price is expected to be A\$2,135 million, reflecting the netting off of the final completion adjustment amount, and which remains subject to certain other adjustments as agreed between the parties under the New SSA, the Scheme SSA and the Transfer Deed. Any remaining amounts of the Purchase Price (including the residual completion payment (as described in the 2019 Announcement) of up to a maximum of A\$100 million) will be paid by AIA Australia on the Scheme Completion Date or such other date as the parties may agree, in accordance with the Transfer Deed.

AIA expects that the total net cash outlay (including amounts paid prior to the date of this announcement) will be approximately US\$1.0 billion for the CMLA Acquisition, subject to any adjustments as agreed between the parties under the New SSA, the Scheme SSA and the Transfer Deed.

### ***Termination of the Transfer Deed***

If, by 31 December 2021, the Scheme Completion Date has not occurred and the transfer of the BoCommLife Equity Interest has not been completed, each of the parties will engage in further discussions having regard to factors including the continued performance by the parties of the JCA and other related agreements, the increase in the degree of control by AIA Australia of the business of the JCA, the likelihood of obtaining regulatory approval in respect of the transfer of the BoCommLife Equity Interest and the likelihood that the Part 9 Scheme will be implemented in the future.

The Transfer Deed will also terminate, amongst other circumstances, (a) if the Scheme SSA Amendment Deed or the New SSA is terminated before the Confirmation Hearing; (b) if CMLA Completion takes place before the completion of the Part 9 Scheme; or (c) upon the winding-up of the Company, AIA Co, AIA Australia or CBA.

### ***Scheme Document***

The Transfer Deed annexes a document referred to as the “**Scheme Document**”. The Scheme Document is the document to be confirmed by the Federal Court which gives effect to the Part 9 Scheme on the Scheme Effective Time.

The Scheme Document sets out the effect of the Part 9 Scheme on AIA Australia and CMLA, including that, on and from the Scheme Effective Time:

- (a) AIA Australia is substituted for CMLA under all of the contracts to which CMLA is a party, including all life insurance policies issued by CMLA, other than any contracts specifically excluded by the parties;
- (b) AIA Australia becomes the issuer of CMLA’s life insurance policies, and CMLA ceases to be the issuer of CMLA’s life insurance policies;
- (c) AIA Australia assumes all liabilities and obligations under, or in respect of, CMLA’s life insurance policies, and CMLA is released and discharged from all liabilities and obligations under, or in respect of, CMLA’s life insurance policies;

- (d) AIA Australia is entitled to all rights and benefits of CMLA under, or in respect of, CMLA's life insurance policies, including the right to receive any fees or premiums payable under those policies, and the right to enforce all rights and remedies available under those policies;
- (e) AIA Australia assumes the position of CMLA under all of CMLA's life insurance policies in respect of any proceedings pending by or against CMLA in respect of any of its life insurance policies; and
- (f) the assets and liabilities referable to the statutory funds or shareholders' fund of CMLA become referable to the statutory fund or shareholders' fund (respectively) of AIA Australia.

The terms of the Scheme Document are subject to confirmation by the Federal Court obtained at the Confirmation Hearing.

## **PRINCIPAL TERMS OF THE SCHEME SSA AMENDMENT DEED AND SCHEME SSA**

It is contemplated that the Scheme SSA Amendment Deed will remove the terms of the New SSA that relate to CMLA, such that terms of the New SSA only apply to the Non-CMLA Target Entities, the principal businesses of which are providing ancillary services to the business of CMLA. The Scheme SSA Amendment Deed will become effective on the Scheme Completion Date, following which the New SSA will become known as the Scheme SSA.

### ***Subject matter of the Scheme SSA and purchase price for the Non-CMLA Target Entities***

The Scheme SSA sets out the terms of the New SSA as they apply to the Non-CMLA Target Entities. A component of the purchase price already paid by AIA under the New SSA will be applied as the purchase price of the Non-CMLA Target Entities, which is equal to the value of the net assets of the Non-CMLA Target Entities. This component of the purchase price is A\$12.70 million (equivalent to US\$8.7 million).

### ***Condition and Termination of the Scheme SSA***

The completion of the sale and purchase of the shares of the Non-CMLA Target Entities is subject to the absence of any government order or statute preventing such sale on or before the completion of the sale and purchase.

The Scheme SSA may be terminated, amongst others, upon the winding up of the Company, AIA Co, AIA Australia or CBA.

## **REASONS FOR ENTERING INTO AND BENEFITS OF THE TRANSFER DEED AND THE SCHEME SSA AMENDMENT DEED**

Please refer to the section headed "Introduction" for the reasons for entering into the Transfer Deed and the Scheme SSA Amendment Deed. In light of such reasons, the directors of the Company therefore consider that the terms of the Transfer Deed and the Scheme SSA Amendment Deed, and the transactions contemplated thereunder, are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## **INFORMATION ABOUT THE PARTIES**

### ***AIA***

The Company and its subsidiaries comprise the largest independent publicly listed pan-Asian life insurance group. It has a presence in 18 markets in Asia-Pacific – wholly-owned branches and subsidiaries in Mainland China, Hong Kong Special Administrative Region, Thailand, Singapore, Malaysia, Australia, Cambodia, Indonesia, Myanmar, the Philippines, South Korea, Taiwan (China), Vietnam, Brunei, Macau Special Administrative Region, New Zealand, a 99 per cent subsidiary in Sri Lanka and a 49 per cent joint venture in India.

The business that is now AIA was first established in Shanghai a century ago in 1919. It is a market leader in the Asia-Pacific region (ex-Japan) based on life insurance premiums and holds leading positions across the majority of its markets. It had total assets of US\$291 billion as of 30 June 2020.

AIA meets the long-term savings and protection needs of individuals by offering a range of products and services including life insurance, accident and health insurance and savings plans. AIA also provides employee benefits, credit life and pension services to corporate clients. Through an extensive network of agents, partners and employees across Asia-Pacific, AIA serves the holders of more than 36 million individual policies and over 16 million participating members of group insurance schemes.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited under the stock code “1299” with American Depositary Receipts (Level 1) traded on the over-the-counter market (ticker symbol: “AAGIY”).

### ***CBA and CIHL***

CBA is one of Australia’s leading providers of integrated financial services, including retail, business and institutional banking, superannuation, general insurance, share-broking services and finance company activities. CBA’s operations are conducted primarily in Australia and New Zealand, with branches across Asia, New Zealand, North America and Europe. CIHL is an investment holding company wholly owned by CBA.

### ***CMLA***

Established in 1873, CMLA is one of the largest insurance providers in Australia, with an existing customer base of approximately 2.5 million customers.

CMLA offers life insurance products (including term life, critical illness and income protection), savings and retirement products.

CMLA life insurance products are sold through a number of distribution channels, CBA branches, digital channels, financial advisers, superannuation funds and to the customers of Colonial First State investment platform (CBA’s market-leading investment platform).

To the best of the knowledge, information and belief of the directors of the Company, having made all reasonable enquiry, CBA, CIHL and the ultimate beneficial owner of CBA and CIHL are third parties independent of the Company and the connected persons of the Company.



The shares in CMLA are legally owned by CIHL, a wholly owned subsidiary of CBA. Under the JCA, AIA Australia exercises an appropriate level of direct management control and oversight of both the AIA Australia and CMLA businesses (excluding CMLA's stake in BoCommLife Equity Interest). The results of CMLA (excluding its stake in BoCommLife Equity Interest) has been included in the Group's results since November 2019 when the JCA became effective.

## **IMPLICATIONS UNDER THE LISTING RULES**

The Proposed Transaction constituted a discloseable transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), The Transfer Deed and the Scheme SSA Amendment Deed will constitute variations of certain material terms of part of the transactions disclosed in the 2017 Announcement and the 2019 Announcement. This announcement is made for the information of the Company's shareholders and other investors pursuant to Rule 14.36 of the Listing Rules. Further announcement will be made as and when appropriate.

*Note: The figures in Australian dollars (A\$) have been converted into United States dollars (US\$) at the rate of US\$0.6857 to A\$1 in this announcement and are stated for indicative purpose only.*

By Order of the Board  
**Lee Yuan Siong**  
*Executive Director,*  
*Group Chief Executive and President*

Hong Kong, 30 September 2020

As at the date of this announcement, the Board of Directors of the Company comprises:

*Independent Non-executive Chairman and Independent Non-executive Director:*

Mr. Edmund Sze-Wing Tse

*Executive Director, Group Chief Executive and President:*

Mr. Lee Yuan Siong

*Independent Non-executive Directors:*

Mr. Jack Chak-Kwong So, Mr. Chung-Kong Chow, Mr. John Barrie Harrison, Mr. George Yong-Boon Yeo, Professor Lawrence Juen-Yee Lau, Ms. Swee-Lian Teo, Dr. Narongchai Akrasanee and Mr. Cesar Velasquez Purisima