



HEALTHIER, LONGER,
BETTER LIVES

AIA Group Investment in China Post Life

A unique growth opportunity

29 June 2021

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AIA Group Investment in China Post Life



Investment

- AIA will own a 24.99% equity stake in China Post Life, post investment, through its wholly-owned subsidiary AIA Company Limited
- Investment of RMB12,033m (US\$1,860m¹) representing 1.34x 2020 China Post Life book value on a pre-money basis²
- Fully financed on an all-cash basis by internal resources from Group Corporate Centre – financial flexibility remains very strong
- Financially compelling investment with significant upside potential

China Post Life

- Unique operating structure and platform – enabling rapid profitable growth at scale with market-leading efficiency
- #1 bank-affiliated³ life insurer and #9⁴ largest life insurer in China by Gross Written Premium⁵
- Access to ~40,000 financial outlets and more than 600m retail customers across China through distribution partnership with PSBC

Governance

- AIA will have the right to nominate one non-executive director to China Post Life Board
- AIA and China Post Life to form Technical Assistance Advisory Committee to deliver further value creation
- Technical assistance provided by dedicated team from AIA Group Office – AIA China will operate independently from China Post Life
- Business Cooperation Framework Agreement with China Post to explore additional business opportunities with AIA

Conditions

- Subject to China Banking and Insurance Regulatory Commission (CBIRC) and other necessary regulatory approvals

1. Unless otherwise specified in this document, the translation of Renminbi into United States Dollars is made for illustration purposes only at the rate of RMB6.47 to US\$1. No representation is made that any amounts in Renminbi could have been or could be converted at the specified rate. 2. 1.24x China Post Life pro forma book value on a post-money basis; 2020 book value on PRC GAAP basis, which refers to the generally accepted accounting principles in the People's Republic of China. 3. Bank-affiliated life insurer refers to a life insurer whose main distribution channel is bancassurance and is controlled by, or affiliated with, a large commercial bank in China. 4. WIND database of company filings, as at end of 2020. 5. Gross Written Premium refers to life insurance premium income on PRC GAAP basis (excluding reinsurance premium income).

China Post Life – A Unique Growth Opportunity



Largest Retail Financial Distribution Network

- Access to the largest retail financial distribution network in China with ~40,000 financial outlets
- Strong PSBC franchise with more than 600m retail customers
- China Post Life currently distributing in 21 provinces, covering 80% of the PSBC network

Unique Platform for Scalable and Efficient Expansion

- Distinctive operating structure and platform enabling rapid profitable growth
- Scalable operations leveraging China Post's resources and infrastructure, delivering market-leading efficiency
- Extensive presence in fast-growing cities and counties with low insurance penetration rates

Strong Operational Capabilities

- Proven track record of sales to PSBC retail customer base
- Shift towards regular premium and protection products underway with strong persistency
- Prudent balance sheet with robust risk management

Right Time, Right Model for Differentiated Partnership Distribution

- Unique operating model and partnership with AIA overcomes common bancassurance challenges
- Regulatory changes encouraging positive product mix transformation
- Strong relationship between China Post Life and PSBC as part of China Post

Significant Upside Potential Leveraging AIA Expertise

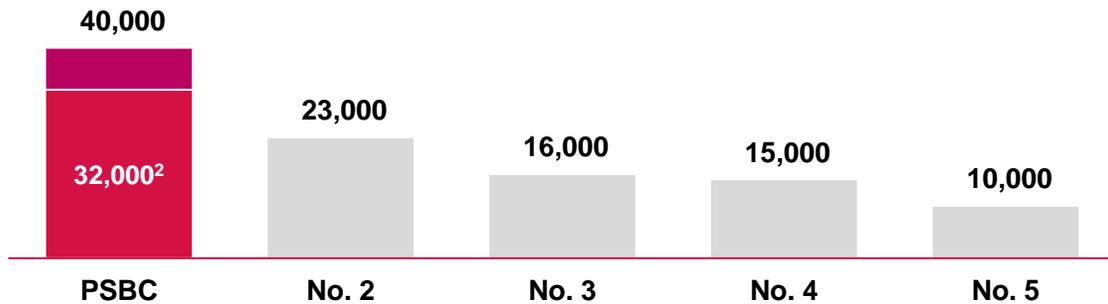
- Fully aligned on value creation through agreed governance model between AIA and China Post Life
- Tremendous scope for growth uplift and margin enhancement through Technical Assistance Advisory Committee
- Explore additional business opportunities between AIA and China Post

Access to Largest Retail Financial Distribution Network in China



PSBC Network > No. 2 and No. 3 Combined

of Retail Financial Outlets¹



China Post Life Distributes Across 80% of PSBC Network

Current Distribution Footprint

Potential Footprint: PSBC Network³

21 provinces

31 provinces

291 cities

334 cities

1,624 counties

2,800 counties

Vast Retail Base Offering Significant Sales Potential

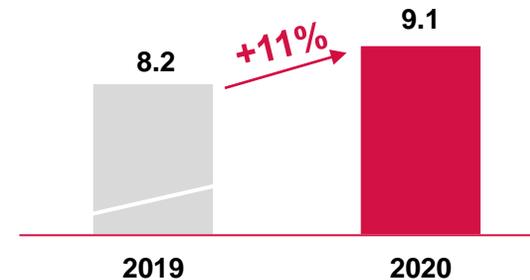


PSBC Retail Customer Base

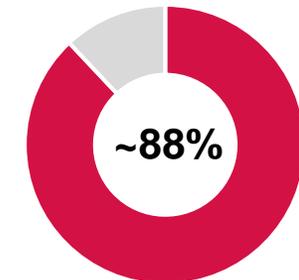
622m

Strong PSBC Retail Franchise

Retail Deposits
RMB trillion



Retail Deposits as %
of Total Deposits



Notes: All figures are as of end 2020 unless otherwise stated. Source: China Post Life, PSBC, China Post and company annual reports.

1. Retail financial outlets refers to bank branches and other outlets of PSBC that distribute life insurance. Retail financial outlets for peers refers to bank branches. Numbers shown are rounded to the nearest '000.

2. ~32,000 retail financial outlets that distribute China Post Life insurance products. 3. As at end 2019.

Unique Operating Structure and Platform



Rapid Expansion Across Entire Province

Unique Operating Structure

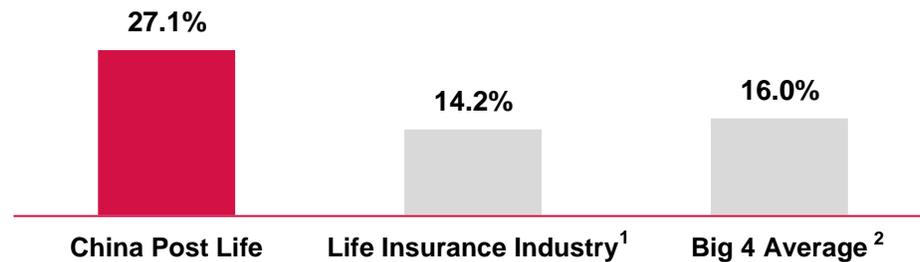
- No need for individual city / county permits once province is approved
- Products and services can be provided with no sub-level approvals needed

Market-leading Efficiency

Leveraging Existing Platform

- China Post's existing infrastructure and resources used for customer servicing to support China Post Life's operations
- No need for new office infrastructure across cities / counties enabling low-cost expansion

GWP CAGR, 2015-2020



Administrative Expense Ratio³, 2020 (%)



Source: company data from financial reports, CBIRC industry data.

1. In China. 2. Big 4 refers to life insurance companies affiliated with commercial banks in China, including ICBC-AXA, ABC Life, CCB Life, BOC-Samsung Life.

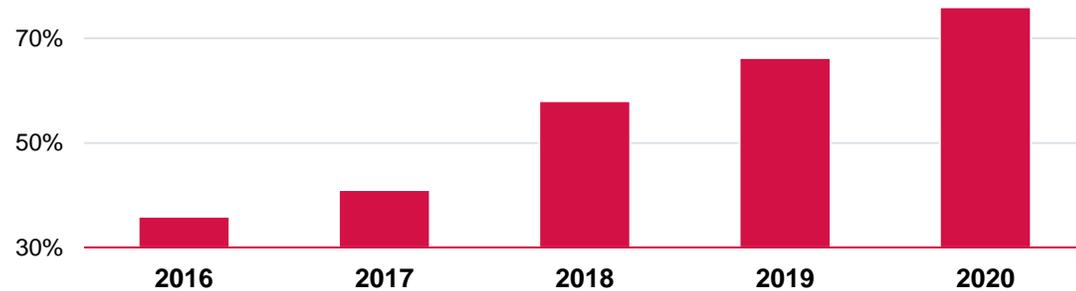
3. Refers to administrative expenses divided by Gross Written Premium. 4. Listed peers refers to H-share listed China life insurance companies, including Ping An, China Life, New China Life and CPIC.

Strong Operational Capabilities and Prudent Balance Sheet



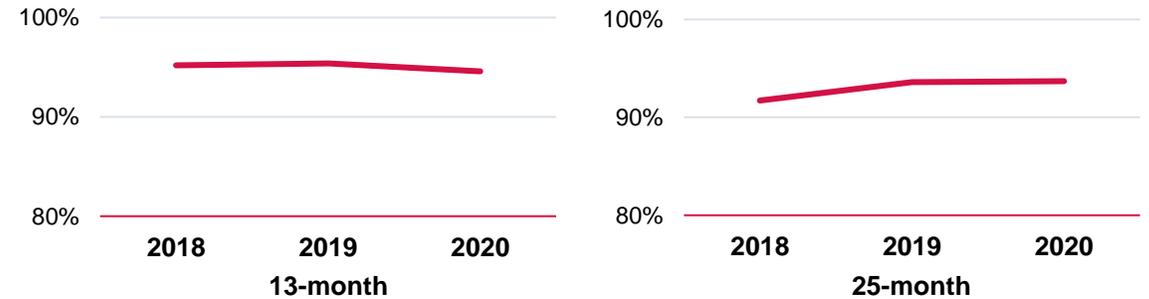
Move to Regular Premium Products

First Year Regular Premium as % of New Business Premium



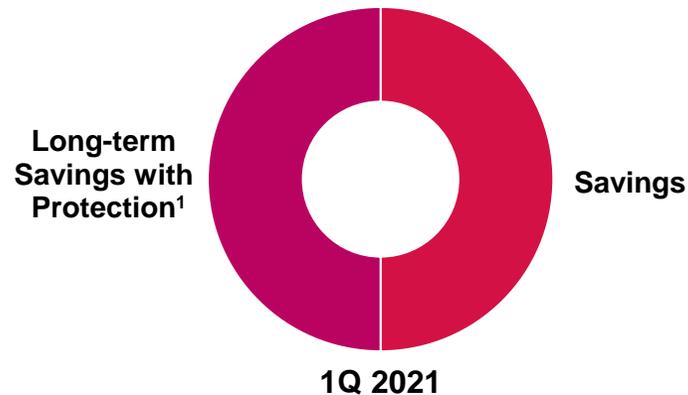
Strong and Consistent Persistency

Persistency Ratio



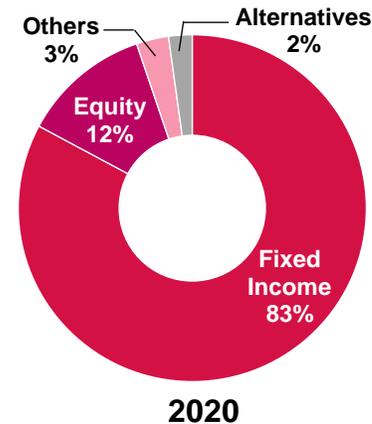
Shifting to Longer-term, Higher-margin Product Mix

New Business Premium by Product Type



Prudent Balance Sheet

Investment Portfolio



Robust Risk Management

- No negative spread business
- No non-performing assets
- Assets and liabilities closely matched
- ~2% alternative assets

Notes: All figures are as of end 2019 unless otherwise stated. Source: China Post Life company data.
1. Includes whole life, term life and long-term health.

Differentiated Partnership Distribution – Right Model at the Right Time



Insurance an essential offering for banks



Bancassurance accounts for ~30%¹ of China life insurance market



Effective and efficient access to customers



Regulations promoting regular premium business

Common Bancassurance Challenges

Insurer limited to manufacturing, bank owns customer

Focused on short-term, deposit replacement products

High commissions and fierce competition

Partnerships often misaligned on long-term ambitions

Differentiated AIA Group – China Post Life Partnership Uniquely Positioned to Capture Growth Upside

Strong relationship between China Post Life and PSBC through common parent

Significant potential for further growth and margin enhancement leveraging AIA's expertise

Unique operating model with substantially lower costs compared with peers

Alignment on sustainable value creation between China Post, China Post Life and AIA

1. By Gross Written Premium, Insurance Association of China, CBIRC, 2020.

Leveraging AIA's Expertise to Deliver Significant Upside



Significant Value Upside Opportunity

Increase New Business Penetration¹ from ~1%



622m

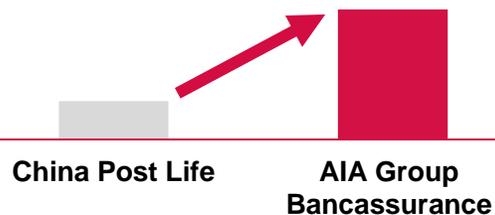
PSBC Retail Customers

Expand China Post Life Share of PSBC New Business



Improve Product Profitability and Product Mix

2020 VONB Margin



Deliver Material Growth in VONB



AIA Group Office Expertise To Deliver Value

Technical Assistance Advisory Committee supporting long-term value creation through a dedicated joint team between China Post Life and AIA Group Office focusing on:

- 1 Transforming and growing distribution capabilities
- 2 Developing long-term, protection-led propositions
- 3 Expanding technology, digital and analytics enablement
- 4 Enhancing investment and actuarial expertise
- 5 Delivering world-class risk management and governance

Notes: All figures are as at end 2020 unless otherwise stated. Source: company data.

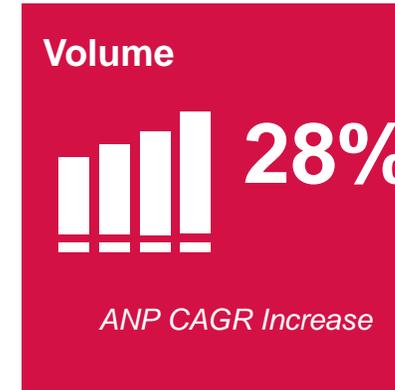
1. Penetration has been determined as number of China Post Life in-force policies divided by total PSBC retail customers.

2. VONB is stated on China Post Life embedded value basis, translated into United States Dollars based on average spot rates over the period.

AIA's Strong Track Record in Transforming Partnerships



Case Study: AIA India Bancassurance Partnership¹



AIA's Key Success Factors



Partnership Engagement



Distribution Enablement and Industrialisation



Value-driven Propositions



Customer Needs Awareness and Lead Generation

Benefit from Full Growth Potential of China Life Insurance Market



AIA Group

Further increases exposure to the large and rapidly-growing Chinese life insurance market
Captures opportunities across complementary distribution channels and customer segments

AIA China 100% Owned

- Target fast-growing middle class and affluent customers
- Premier Agency distribution model leveraging unique opportunity as target market quadruples by 2030
- Comprehensive long-term protection and savings propositions integrated with AIA's health and wellness ecosystem

China Post Life 24.99% Investment¹

- Target mass and emerging mass-affluent market
- Unique distribution model leveraging PSBC's ~40,000 financial outlets and more than 600m retail customers
- Long-term savings with protection products to meet the primary needs of the target customer segment

Helping Millions More Chinese Families Live Healthier, Longer, Better Lives

1. Subject to securing all necessary regulatory approvals.

China Post Life – A Unique Investment Opportunity



- **Access to largest retail financial distribution network in China**
- **Unique model enabling rapid expansion with market-leading efficiency**
- **Right model at the right time for successful partnership growth**
- **Strong operational capabilities with prudent balance sheet**
- **Significant upside potential leveraging AIA's expertise**
- **Financially compelling and complementary to AIA China's strategy**



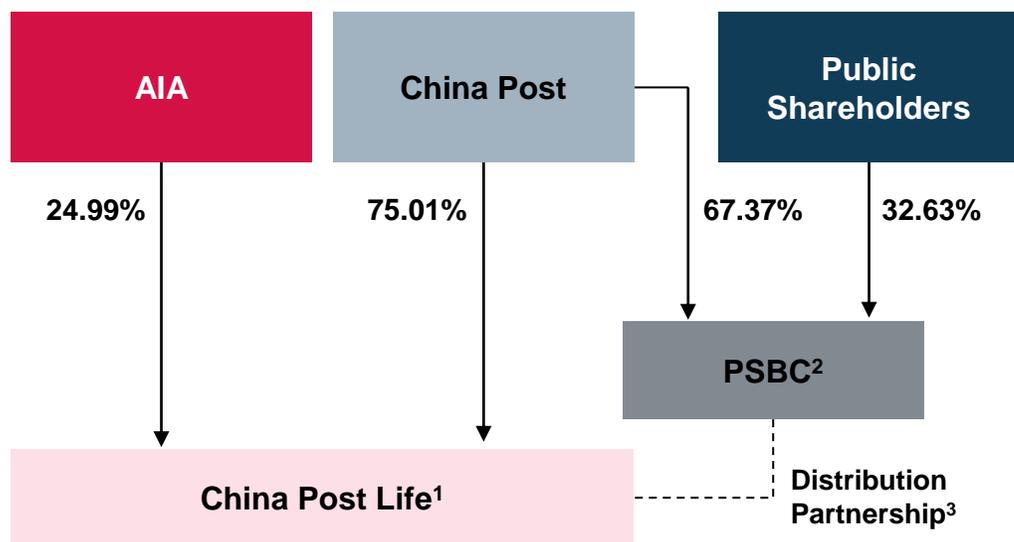
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APPENDIX

Post Investment Ownership and Governance Structure



Ownership Structure Post AIA Investment



Governance Structure

China Post Life Board Representation

- AIA has the right to nominate one non-executive director

Technical Assistance Advisory Committee

- Joint AIA and China Post Life committee to report directly to China Post Life board
- AIA representation through a dedicated team from AIA Group Office
- Provide support to China Post Life to deliver long-term value creation

Technical Assistance Focus Areas

- Transforming and growing distribution capabilities
- Developing long-term, protection-led propositions
- Expanding technology, digital and analytics enablement
- Enhancing investment and actuarial expertise
- Delivering world-class risk management and governance

Business Cooperation Framework Agreement

- Explore additional business opportunities between AIA and China Post

Notes: PSBC is listed on Hong Kong Stock Exchange (stock code: 1658.HK) and Shanghai Stock Exchange (stock code: 601658.SH).

1. China Post Life shareholding includes both direct and indirect holdings as at end 2020. Proposed investment by AIA is subject to securing all necessary regulatory approvals.

2. PSBC shareholding includes both direct and indirect holdings. Source: PSBC, as at 31 March 2021.

3. Distribution partnership refers to the existing arrangement between China Post Life and PSBC for the distribution and servicing of life insurance business.

China Post Life Key Financials



(RMB m)	2019	2020
Revenue Metrics		
Total Revenue	74,820	93,784
Gross Written Premium	67,541	81,996
<i>Gross Written Premium Growth %</i>	17.1%	21.4%
Investment Yield	8,116	12,459
<i>Gross Investment Yield %</i>	5.1%	5.2%
VONB	856	1,866
<i>VONB Growth%</i>	15.2%	118.1%
Balance Sheet Metrics		
Total Assets	192,395	283,814
Time Deposit	32,900	60,400
Available-for-sale Financial Assets	130,385	159,808
Total Liabilities	167,097	256,948
Life Insurance Claims Reserve	160,444	234,390
Shareholders' Equity	25,298	26,866