

# ● China Life Insurance Co., Ltd.

1H19





# Disclaimer

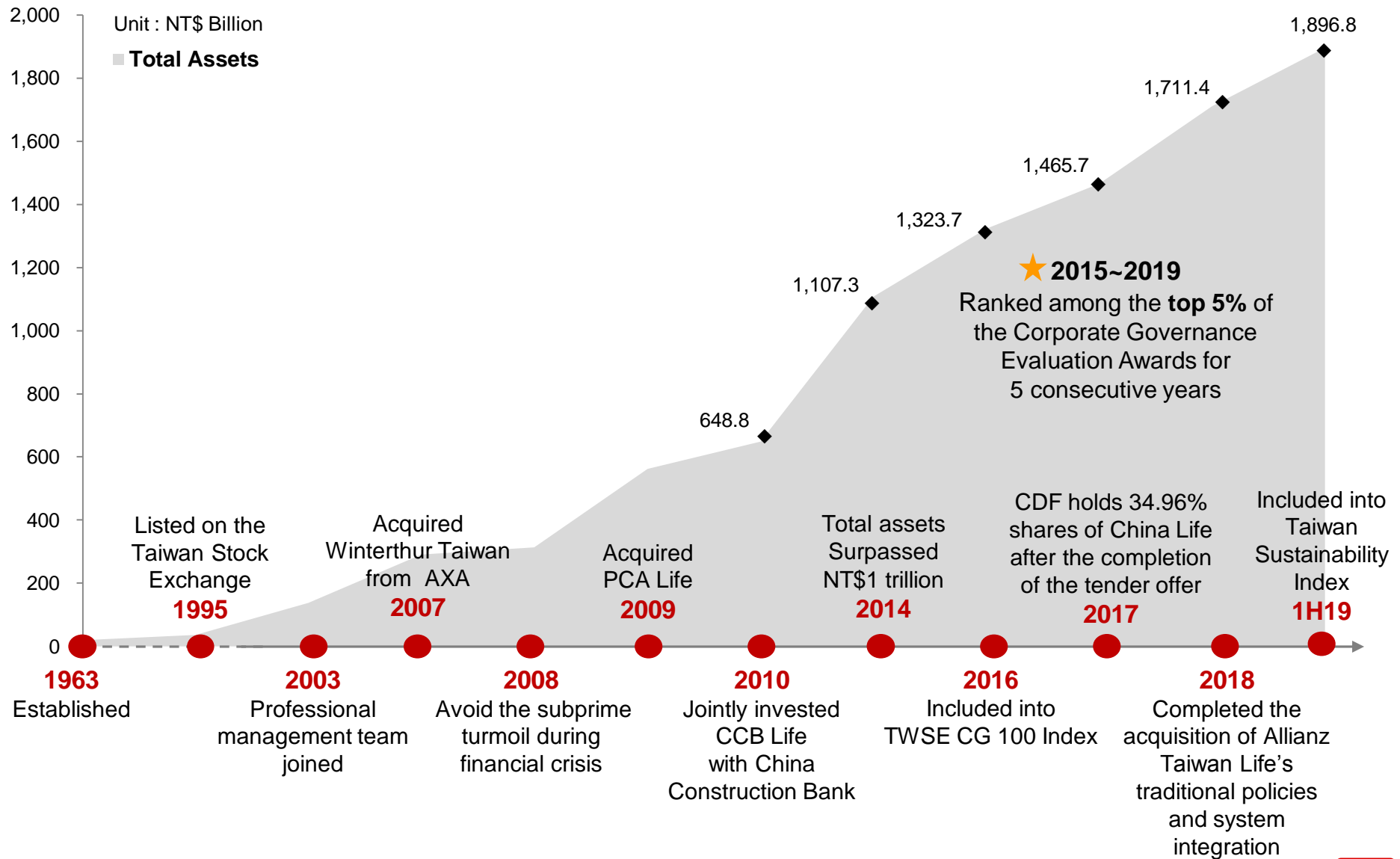
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# ● Business Performance





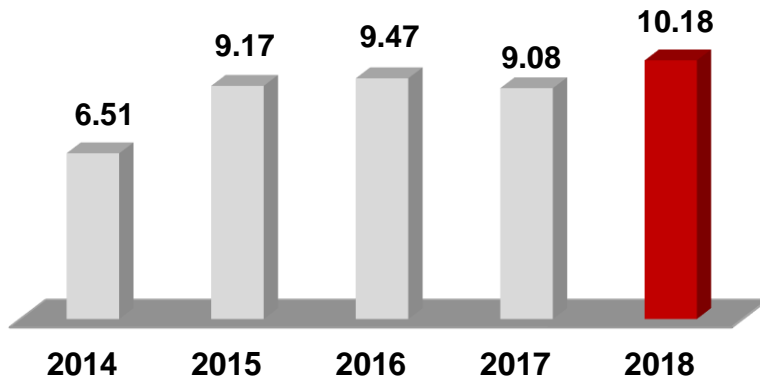
# Milestones



# Performance Highlights

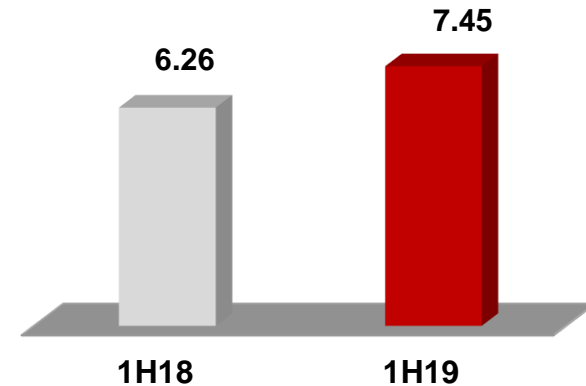
## Net Profit (annual)

Unit : NT\$ Billion



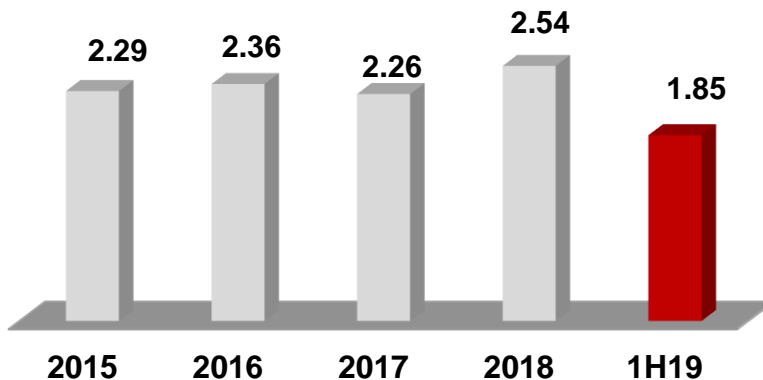
## Net Profit

Unit : NT\$ Billion

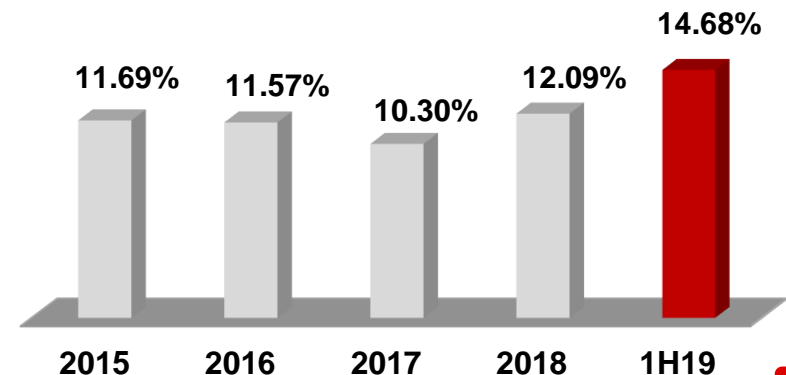


## Earnings per Share

Unit : NT\$



## ROE



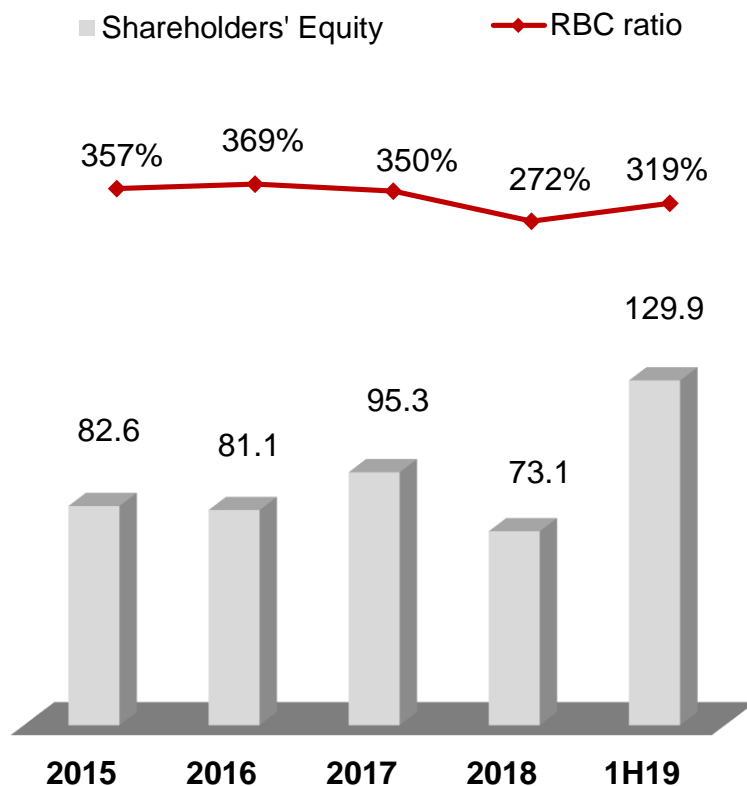
\*EPS were disclosed according to financial reports



# Shareholders' Equity and Unrealized Balance of Financial Assets

## Shareholders' Equity

Unit : NT\$ Billion



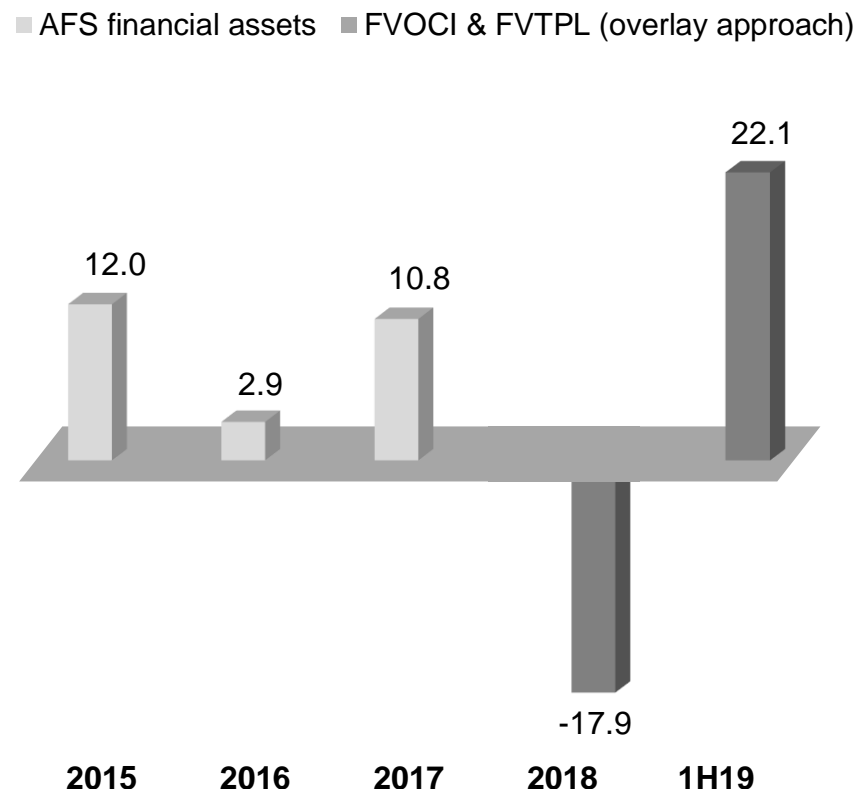
Net worth to total assets\*

7.26%	6.44%	6.79%	4.44%	7.12%
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\*Excluding the separate account product assets

## Unrealized G/L of financial assets

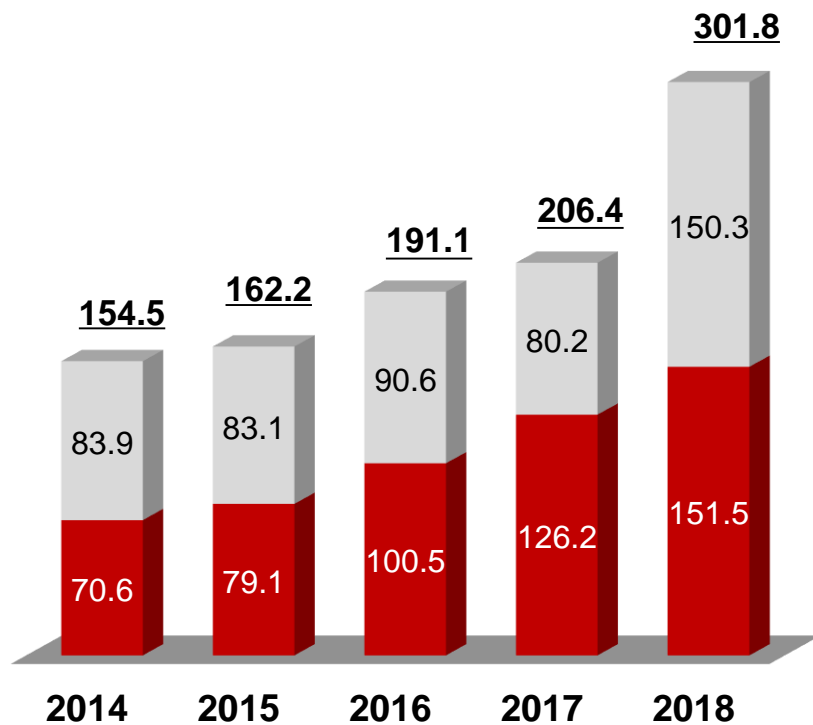
Unit : NT\$ Billion



## Total Premium (annual)

Unit: NT\$ Billion

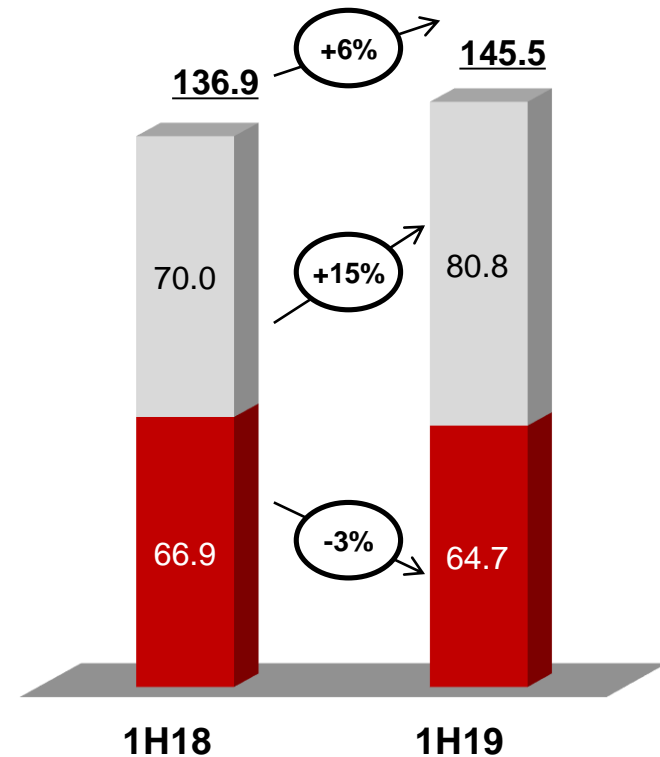
■ FYP ■ Renewal premium



## Total Premium

Unit: NT\$ Billion

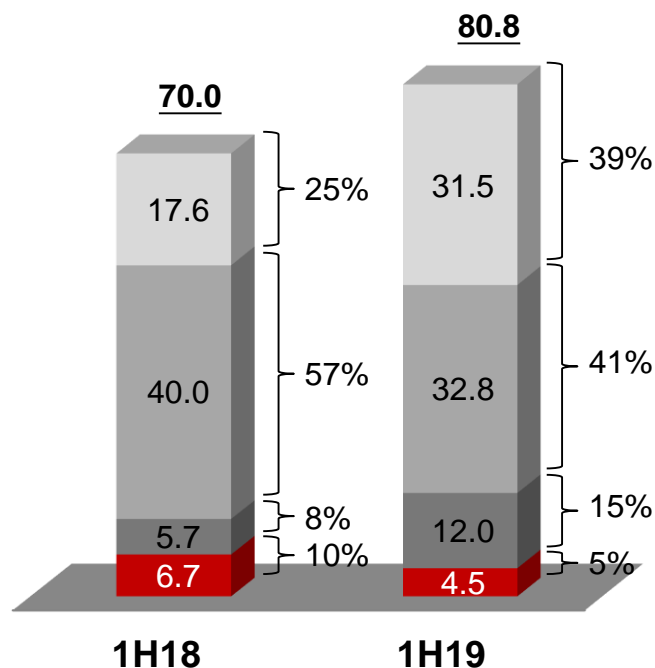
■ FYP ■ Renewal premium



## FYP

Unit: NT\$ Billion

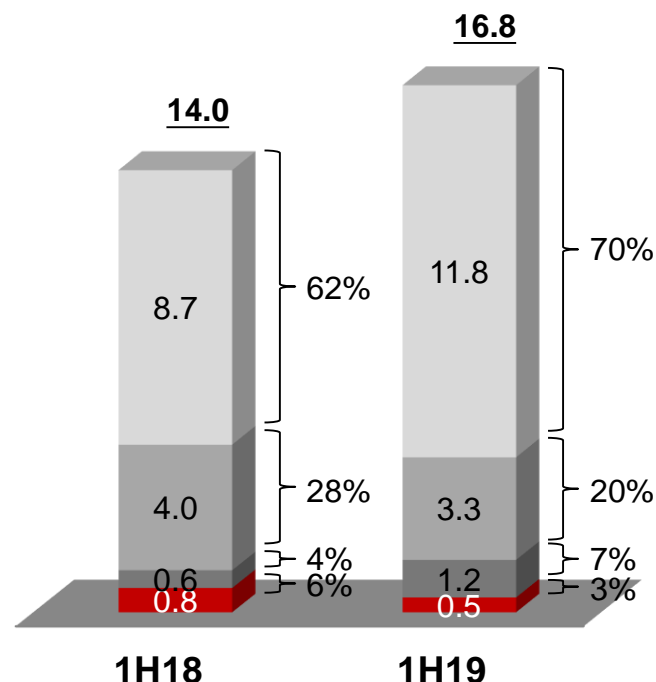
- Traditional\*\* - regular
- Traditional\*\* - single
- Interest Sensitive Annuity & Universal Life
- Investment-link



## FYPE\*

Unit: NT\$ Billion

- Traditional\*\* - regular
- Traditional\*\* - single
- Interest Sensitive Annuity & Universal Life
- Investment-link



\* **FYPE (First Year Premium Equivalent)** = 10% x single & flexible premium + 20% x 2-year premium payment term + ... + 50% x 5-year premium payment term + 100% x 6-year and more premium payment term

\*\* **Traditional**: incl. traditional life, interest sensitive life, health & accident

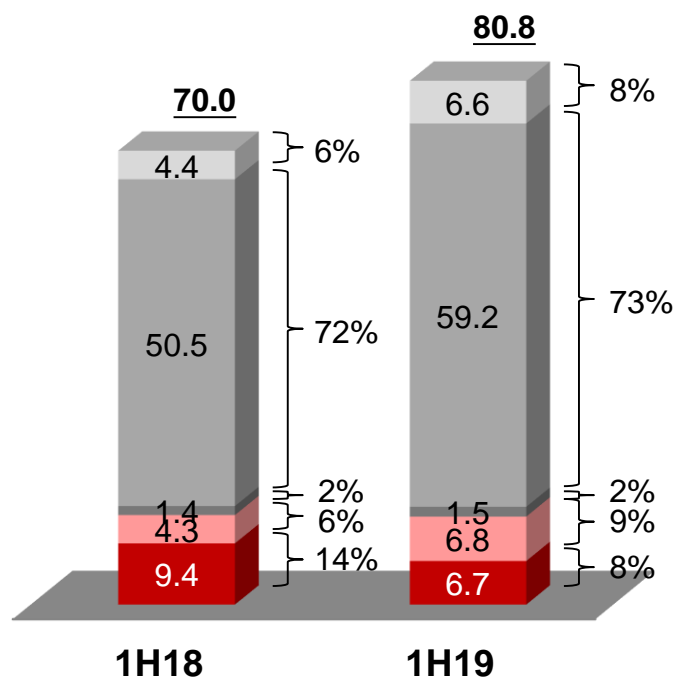


# Distribution Channels

## FYP

Unit: NT\$ Billion

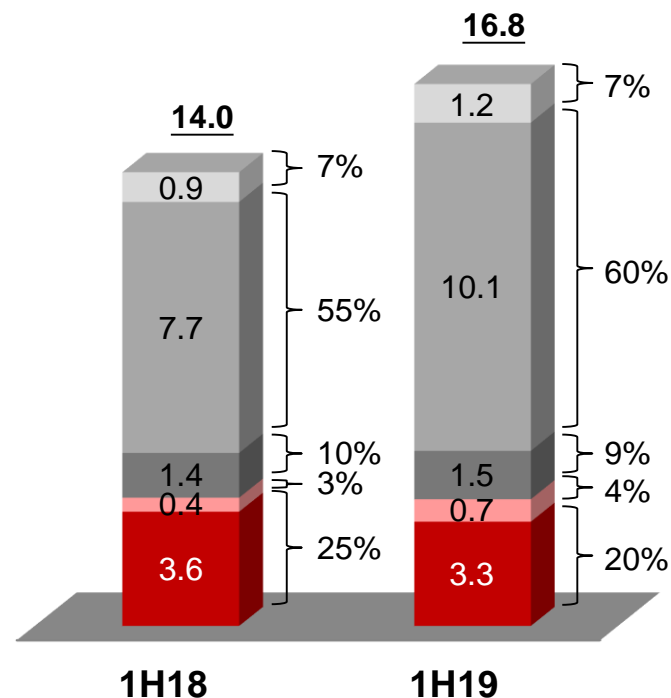
- Broker
- Bancassurance
- Group
- Financial services
- Agency



## FYPE\*

Unit: NT\$ Billion

- Broker
- Bancassurance
- Group
- Financial services
- Agency

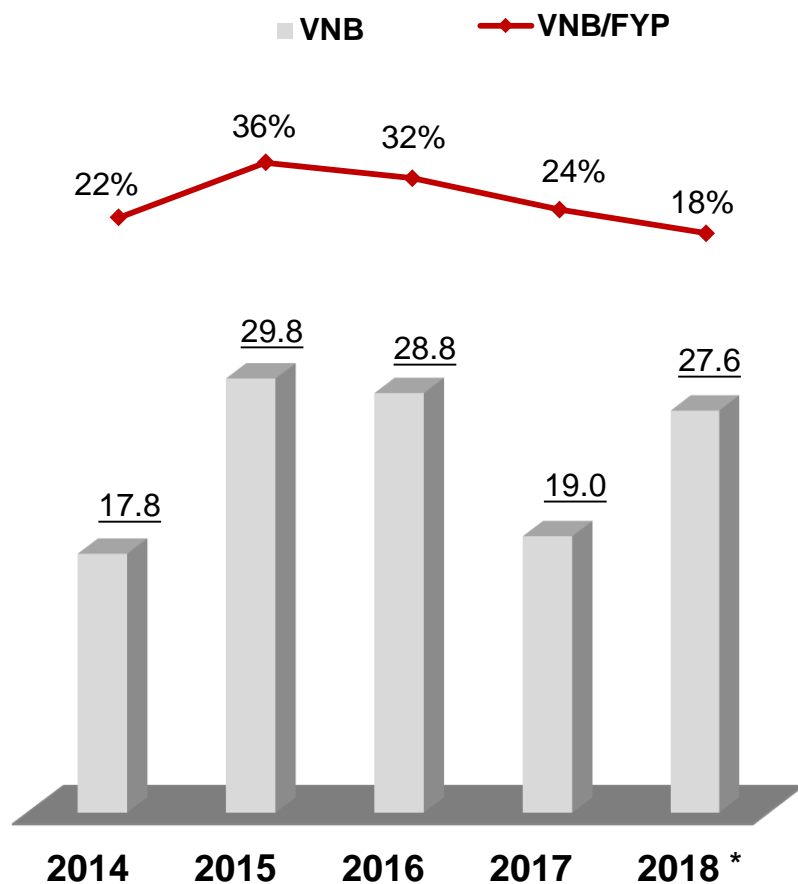


\* **FYPE (First Year Premium Equivalent)** = 10% x single & flexible premium + 20% x 2-year premium payment term + ... + 50% x 5-year premium payment term + 100% x 6-year and more premium payment term

# VNB and Margin

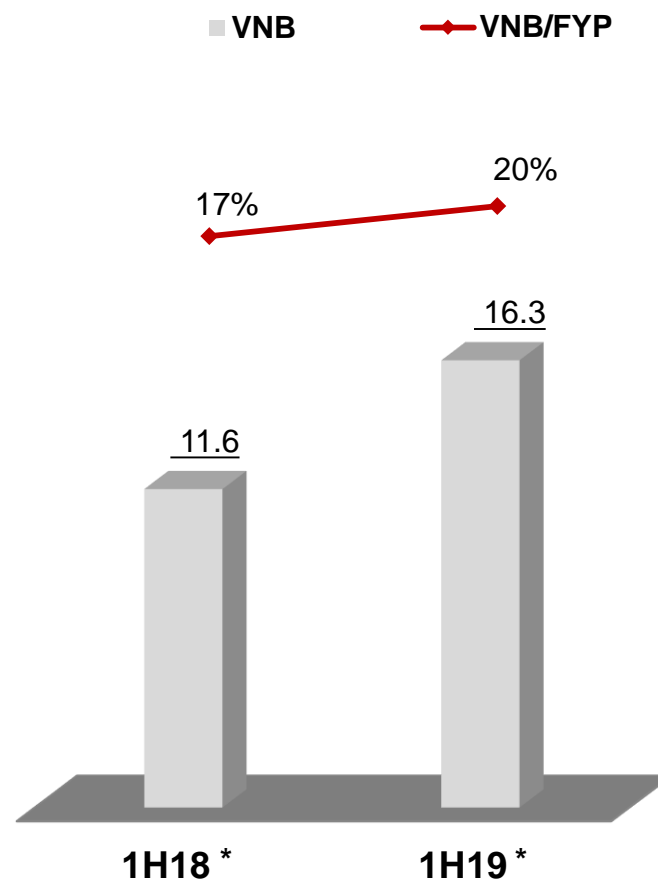
## VNB and Margin (annual)

Unit : NT\$ Billion



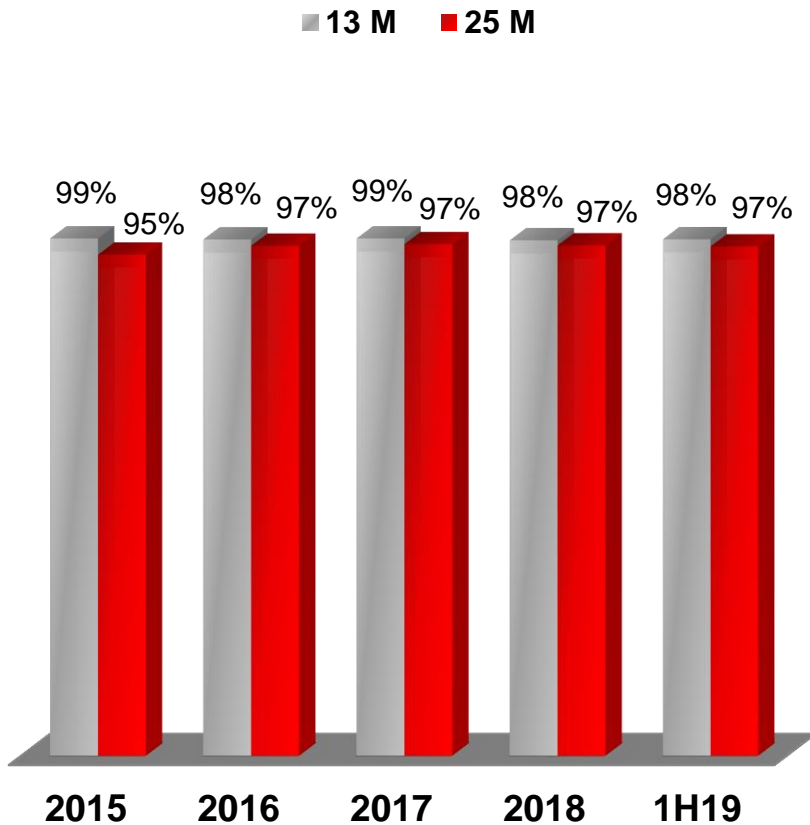
## VNB and Margin

Unit : NT\$ Billion

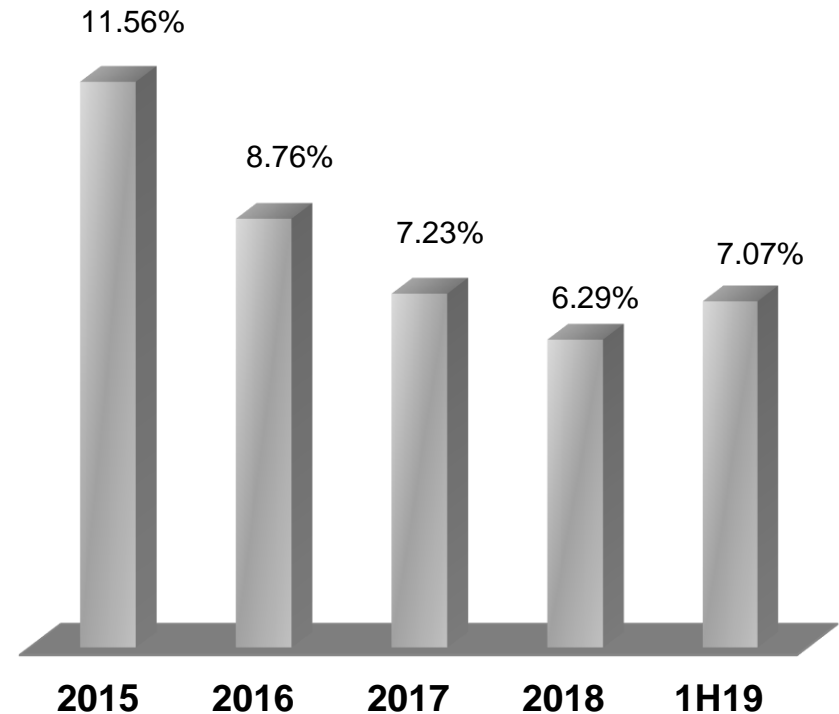


\* 1H18, 2018 & 1H19 VNB were based on 2018 EV assumption

## Persistency Ratio



## Expense Ratio





# Investment Portfolio

(Unit: NT\$ Billion)	2018/6/30		2018/12/31		2019/6/30	
	Amount	Weight	Amount	Weight	Amount	Weight
Deposits and Short-term investment	39.2	2.6%	30.0	1.9%	18.0	1.0%
Domestic Fixed Income*	217.5	14.3%	269.4	16.8%	294.4	16.6%
Domestic Equity	131.9	8.7%	104.7	6.5%	134.1	7.6%
Loans - Mortgage	1.4	0.1%	1.2	0.1%	1.0	0.1%
Loan - Policy	31.5	2.1%	32.2	2.0%	32.5	1.8%
Real Estate	32.4	2.1%	33.4	2.1%	35.0	2.0%
Foreign Deposits	17.0	1.1%	13.4	0.8%	18.3	1.0%
Overseas Fixed Income**	1,004.7	66.2%	1,081.8	67.5%	1,188.0	67.0%
Overseas Equity	42.1	2.8%	36.0	2.3%	51.6	2.9%
<b>Total Investments</b>	<b>1,517.7</b>	<b>100.0%</b>	<b>1,602.1</b>	<b>100.0%</b>	<b>1,772.9</b>	<b>100.0%</b>

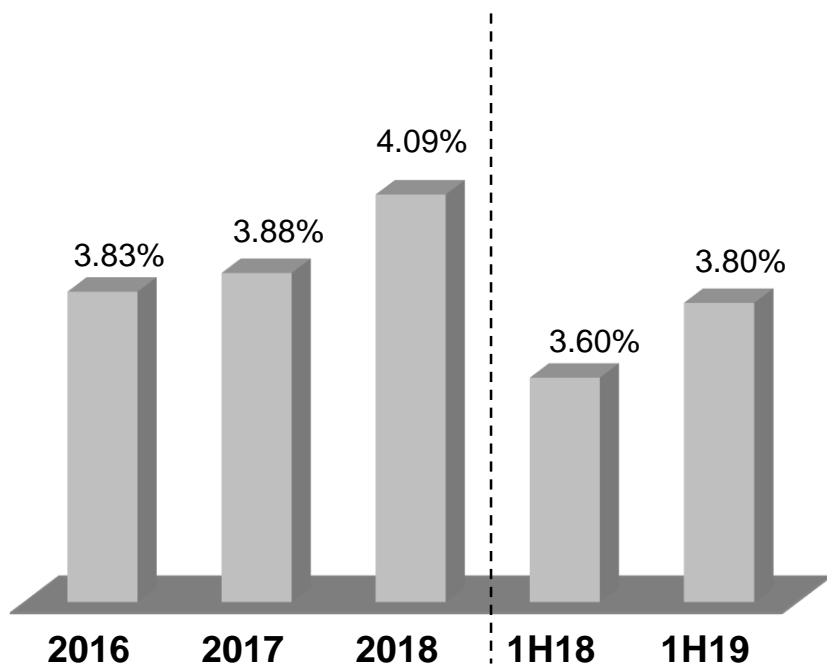
\* Including NTD-denominated ETF

\*\* Including OTC Listed Int'l Bonds. Investment amount in OTC Listed Int'l Bonds in 1H18, 2018 and 1H19 were NT\$405.0 bn, NT\$418.3 bn, NT\$443.3 bn, respectively.



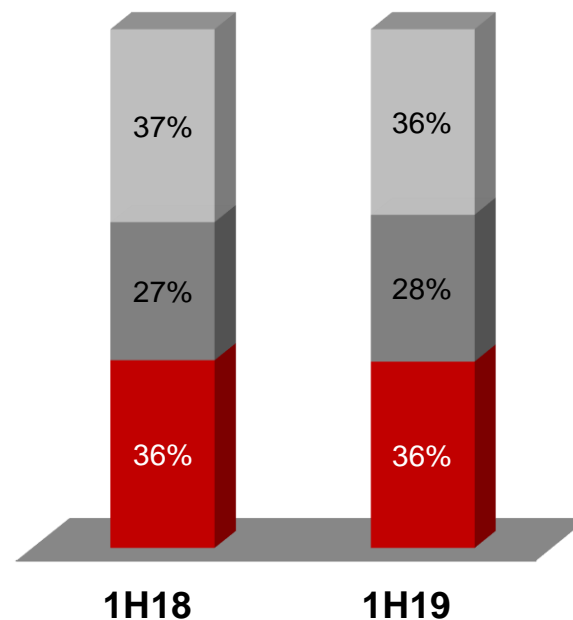
# Recurring Yield & Overseas Fixed Income By Region

## Pre-hedging Recurring Yield \*



## Overseas Fixed Income By Region

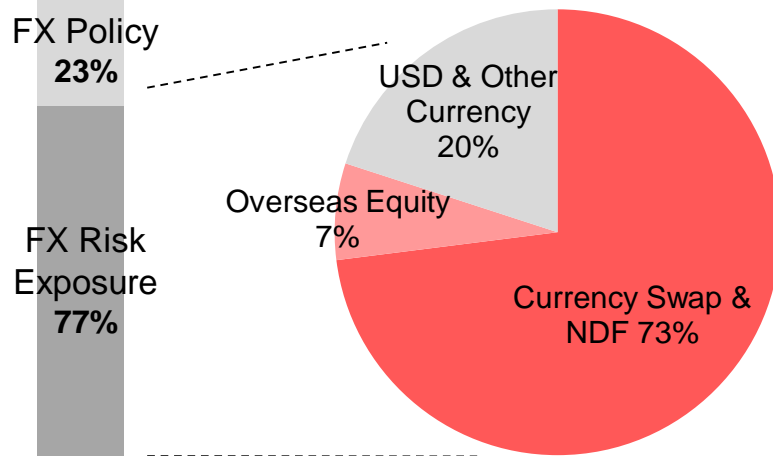
■ Asia & Others   ■ Europe   ■ North America



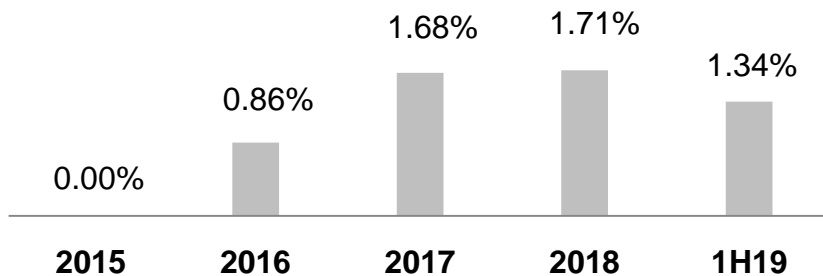
\* Based on actual exchange rate

# Hedging Structure

## FX Position in 1H19

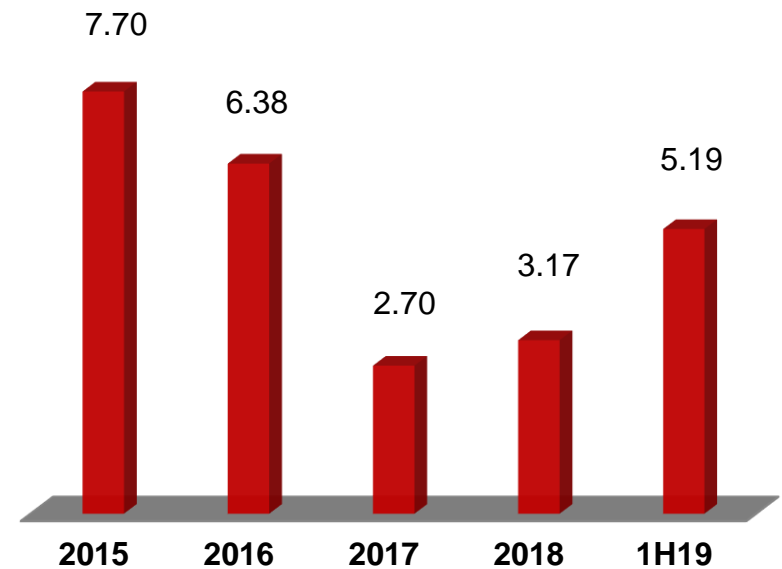


## Hedging Cost



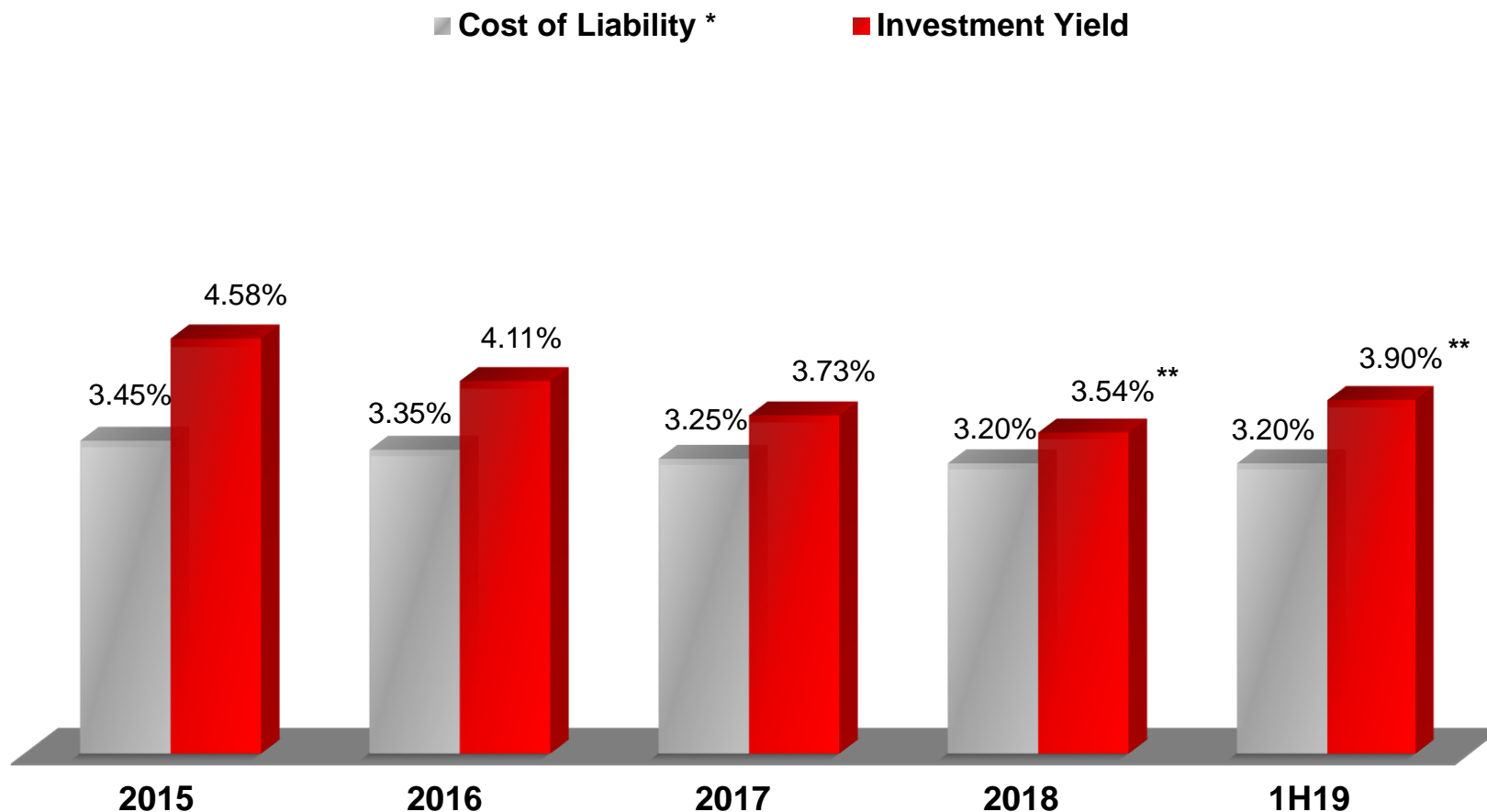
## FX Reserve Balance

Unit : NT\$ Billion



\*The initial amount of FX reserve balance was NT\$1.75 billion

# Investment Spread



\* Reserve-based cost of liability

\*\* Including realized gain/ loss under FVOCI



# Financial Highlights

(NT\$ million)	2018	2017	YoY	1H19	1H18	YoY
<b>Income statement</b>						
First year premium	150,339	80,225	87%	80,758	70,021	15%
Total premium	301,832	206,440	46%	145,496	136,852	6%
Retained premium earned	280,819	194,644	44%	137,524	126,473	9%
Total investment income	52,613	47,417	11%	32,580	25,720	27%
Recurring investment income	58,147	48,206	21%	31,231	24,987	25%
Other investment income	(5,534)	(789)	601%	1,349	733	84%
Realized gains (losses) from equity	6,937	5,793	20%	2,597	4,934	-47%
Realized gains (losses) from fixed income	5,252	8,325	-37%	6,780	3,707	83%
Fair value movement for investment property	(58)	(98)	-41%	0	(51)	-100%
FX related and others	(17,665)	(14,809)	19%	(8,028)	(7,857)	2%
Other operating revenue	1,124	1,024	10%	591	534	11%
Total operating revenue	334,556	243,085	38%	170,695	152,727	12%
Retained claim payments	95,111	70,482	35%	52,063	41,792	25%
Net changes in insurance liabilities	213,696	149,664	43%	100,495	97,233	3%
Commission expenses	12,318	9,449	30%	6,583	5,731	15%
Administrative and general expenses	4,955	4,405	12%	2,995	2,545	18%
Other operating expenses	520	345	51%	218	277	-21%
Total operating costs and expenses	326,600	234,345	39%	162,354	147,578	10%
Non-operating income and expenses	1,647	(1)	NM	4	553	-99%
Income before tax	9,603	8,739	10%	8,345	5,702	46%
Net income	10,178	9,084	12%	7,450	6,259	19%
Earnings per share (NT\$)*	2.54	2.26	12%	1.85	1.56	19%

## Balance sheet data

Total assets	1,711,355	1,465,734	17%	1,896,755	1,621,011	17%
Total assets (general account)	1,647,854	1,403,909	17%	1,825,263	1,558,133	17%
Insurance liabilities	1,555,698	1,286,902	21%	1,661,229	1,439,326	15%
Total liabilities	1,638,261	1,370,396	20%	1,766,820	1,539,961	15%
Total liabilities (general account)	1,574,760	1,308,571	20%	1,695,328	1,477,083	15%
Total shareholders' equity	73,094	95,338	-23%	129,935	81,050	60%

## Key financial ratios

ROA	0.64%	0.65%
ROE	12.09%	10.30%
RBC ratio	272%	350%

\*EPS were disclosed according to financial reports



# ● CCB Life Business Overview



# Rapid Channel Expansion



■ In 2011, China Life acquired a stake in CCB Life, the insurance subsidiary of China Construction Bank, and provided technical supports to CCB Life's business development

■ With 23 provincial branches and 204 sub-branches, CCB Life continues to expand its operations and fully utilizes China Construction Bank's 11,265 branches as bancassurance network

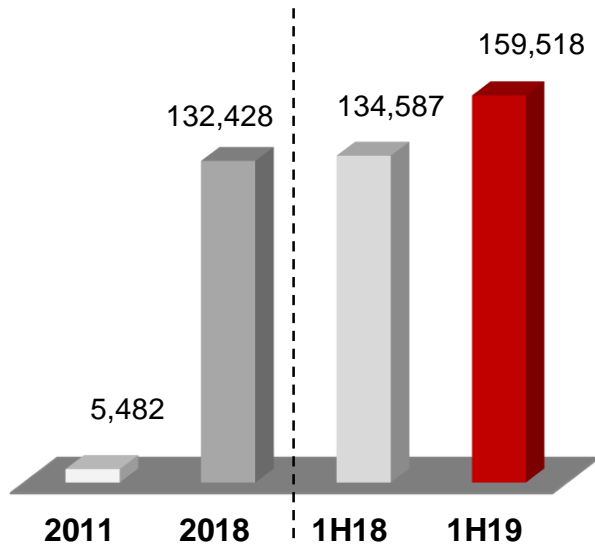
■ A total of 3 provincial branches in 2Q 2011

■ As of June 2019, CCB Life has expanded its business scope to 23 provincial branches

# Remarkable Business Growth

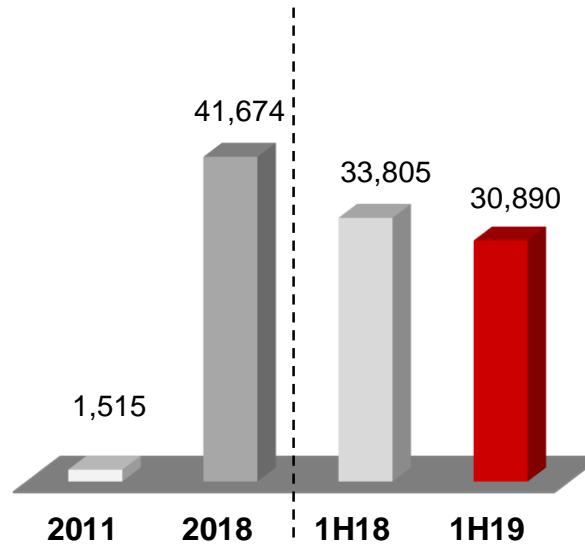
## Total Assets

Unit : RMB\$ Million



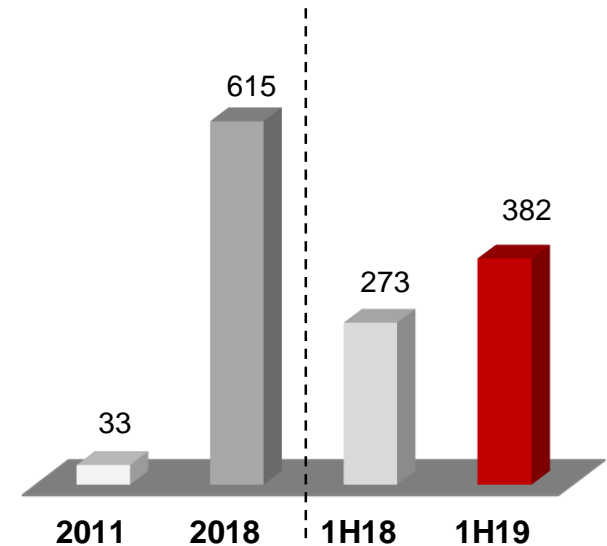
## Total Premium

Unit : RMB\$ Million



## Net Profit

Unit : RMB\$ Million



\* China Life entered into a joint investment with CCB in CCB Life since July 2011

\*\* On a consolidated basis since 2016

### Business growth and branches expansion

- Expanded its operation to 23 provincial branches and 204 sub-branches & offices as of June 2019
- Continuous improvement of gross premium income market share ranking:  
#40 in 2011 -> #20 in 2018

### Business transformation and optimization

- Focuses on promoting regular paid and high value products
- Reformed to company limited by shares in December 2016
- Named the "Best Life Insurance Company for Business Transformation" at the "2017 Gold Medal List of Chinese Financial Institutions – Golden Dragon Awards"
- Completed capital raising of RMB 6.0 billion in April 2019

# Embedded Value



## Investment Return

**2018**

### Traditional Policies

Year 1 ~ Year 10 : **3.75% ~ 5.31%**

Year 11 and after : **5.35%**

### Interest Sensitive Policies\*

Year 1 ~ Year 10 : **2.75% ~ 4.45%**

Year 11 and after : **4.55%**

\*including interest-sensitive annuities & universal life policies

**2017**

### Traditional Policies

Year 1 ~ Year 10 : **3.75% ~ 5.31%**

Year 11 and after : **5.35%**

### Interest Sensitive Policies\*

Year 1 ~ Year 10 : **2.75% ~ 4.45%**

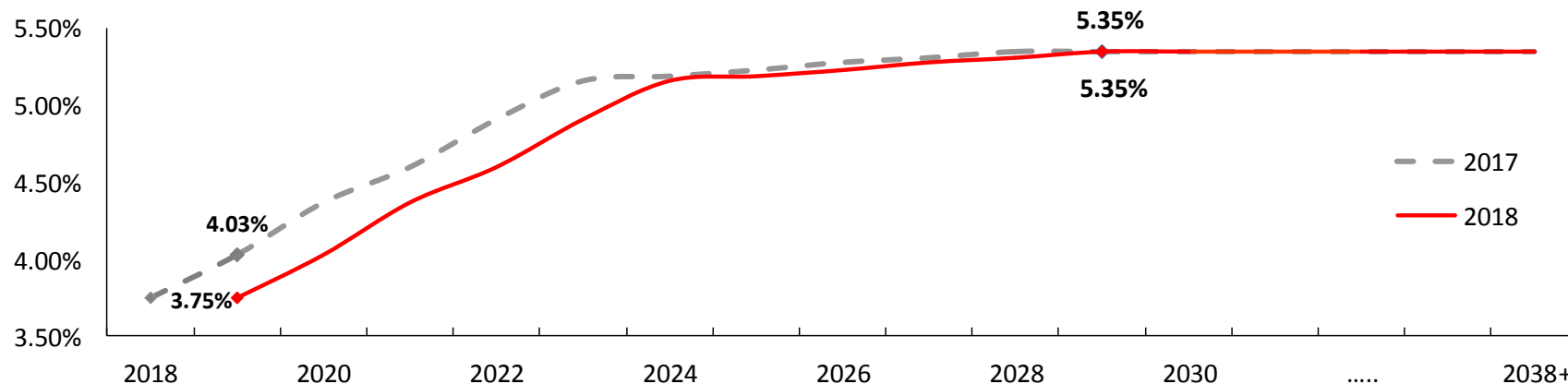
Year 11 and after : **4.55%**

## Risk Discount Rate

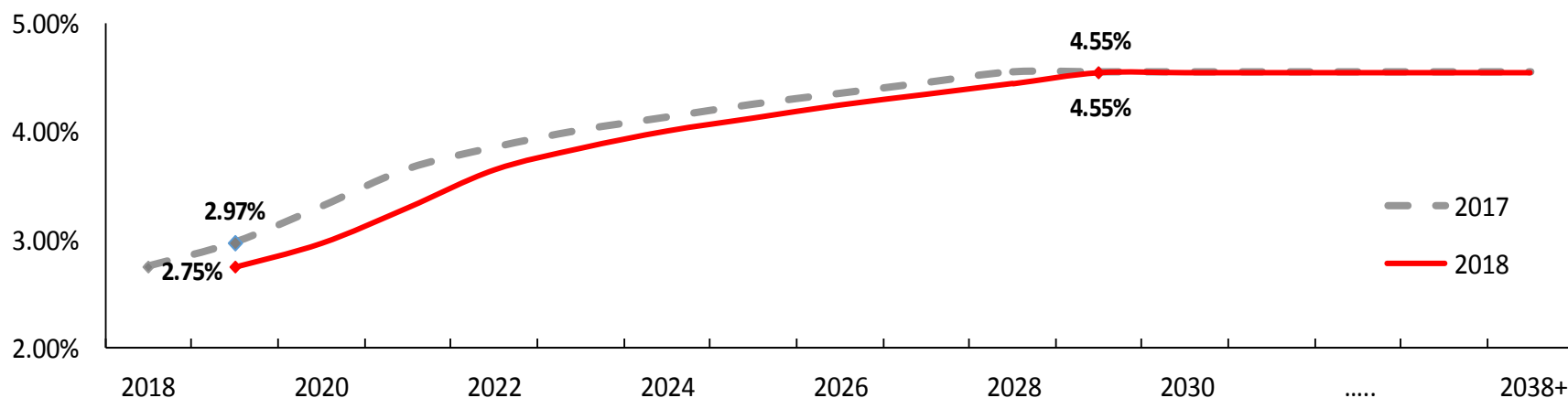
**10.5%**

# Investment Yield Assumption

## Traditional Policies



## Interest Sensitive Policies



## Cost of Capital (COC)

Based on capital requirement maintaining at least RBC = 200% with K factor= 0.5

## Other Assumptions

1. Mortality: Based on company experience and considering future trends
2. Morbidity: Based on company experience and considering future trends
3. Lapses: Based on company experience and considering future trends
4. Expense: Based on company experience and considering future trends

## External Reviewer

Ernst & Young Advisory Services Limited provides an independent review of the assumptions on Embedded Value

# YoY Embedded Value

Unit: NT\$ Billion (NT\$ Per Share; Million shares)

Valuation Date	2017/12/31	2018/12/31	YoY %
Adjusted Net Worth	93.3	84.8	-9.2%
Value of In Force	178.5	221.1	23.9%
Cost of Capital	(27.2)	(33.3)	22.6%
<b>Embedded Value</b>	<b>244.7</b>	<b>272.6</b>	<b>11.4%</b>
# of Outstanding Shares	3,786	4,014	-
<b>EV Per Share</b>	<b>NT\$64.62</b>	<b>NT\$67.92</b>	<b>5.1%</b>
<b>V1NB (after CoC)*</b>	<b>19.0</b>	<b>27.6</b>	<b>44.9%</b>

\* V1NB = Value of last 12 months new business



# Sensitivity Analysis - VIF

Unit: NT\$ Billion (NT\$ Per Share)

Valuation Date: 2018/12/31	All else equal except		Base Case	All else equal except	
Solvency Basis: RBC=200%	Inv. Yield	Inv. Yield	Investment Yield: <u>Traditional 3.75%~5.35%</u> <u>Interest Sensitive</u> <u>2.75%~4.55%</u> RDR: 10.5%	RDR	RDR
	- 0.25%	+ 0.25%		-0.5%	+0.5%
Adjusted Net Worth	84.8	84.8	84.8	84.8	84.8
Value of In-Force	191.9	250.3	221.1	232.0	211.2
Cost of Capital	(34.5)	(31.1)	(33.3)	(31.5)	(33.9)
<b>Embedded Value</b>	242.2	303.9	272.6	285.2	262.0
<b>EV per share</b>	NT\$60.34	NT\$75.72	NT\$67.92	NT\$71.06	NT\$65.29

● Thank you

