

● China Life Insurance Co., Ltd.

March 2019





Disclaimer

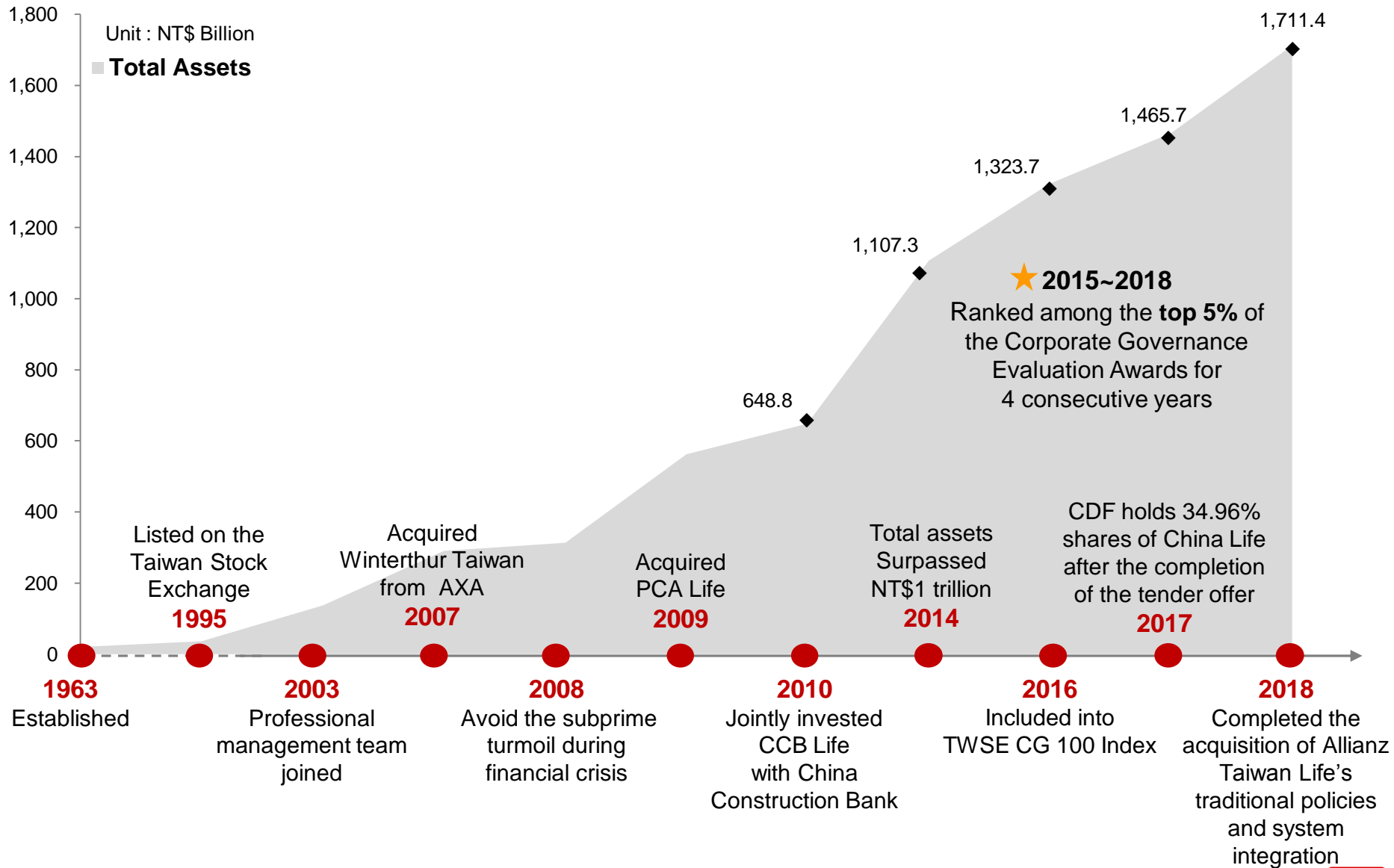
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● Business Performance





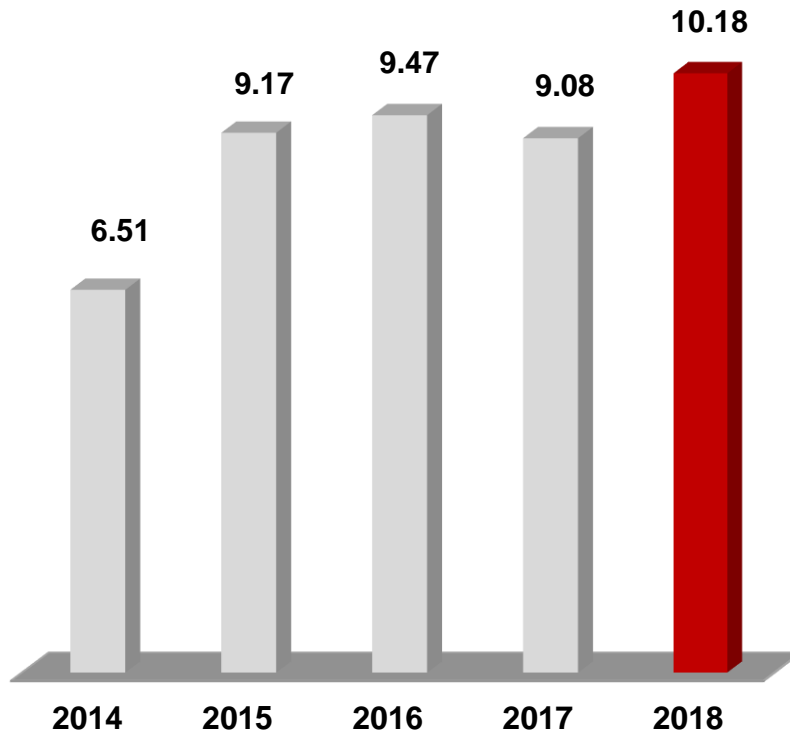
Milestones



Performance Highlights

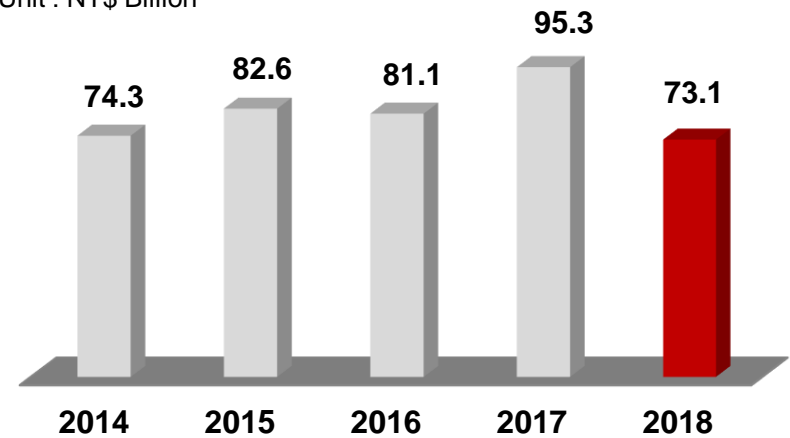
Net Profit

Unit : NT\$ Billion

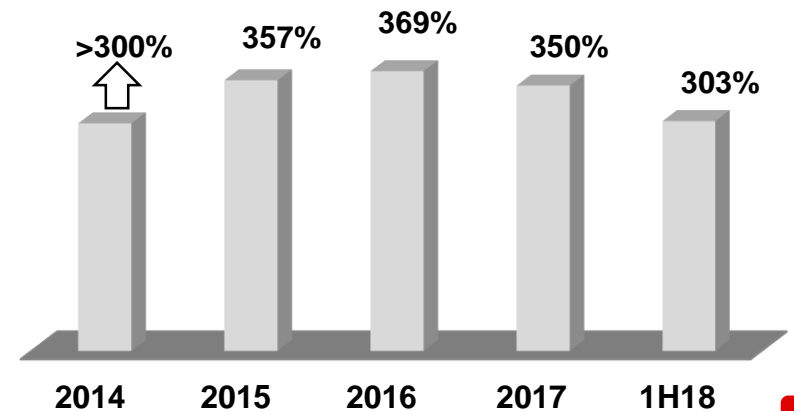


Shareholders' Equity

Unit : NT\$ Billion



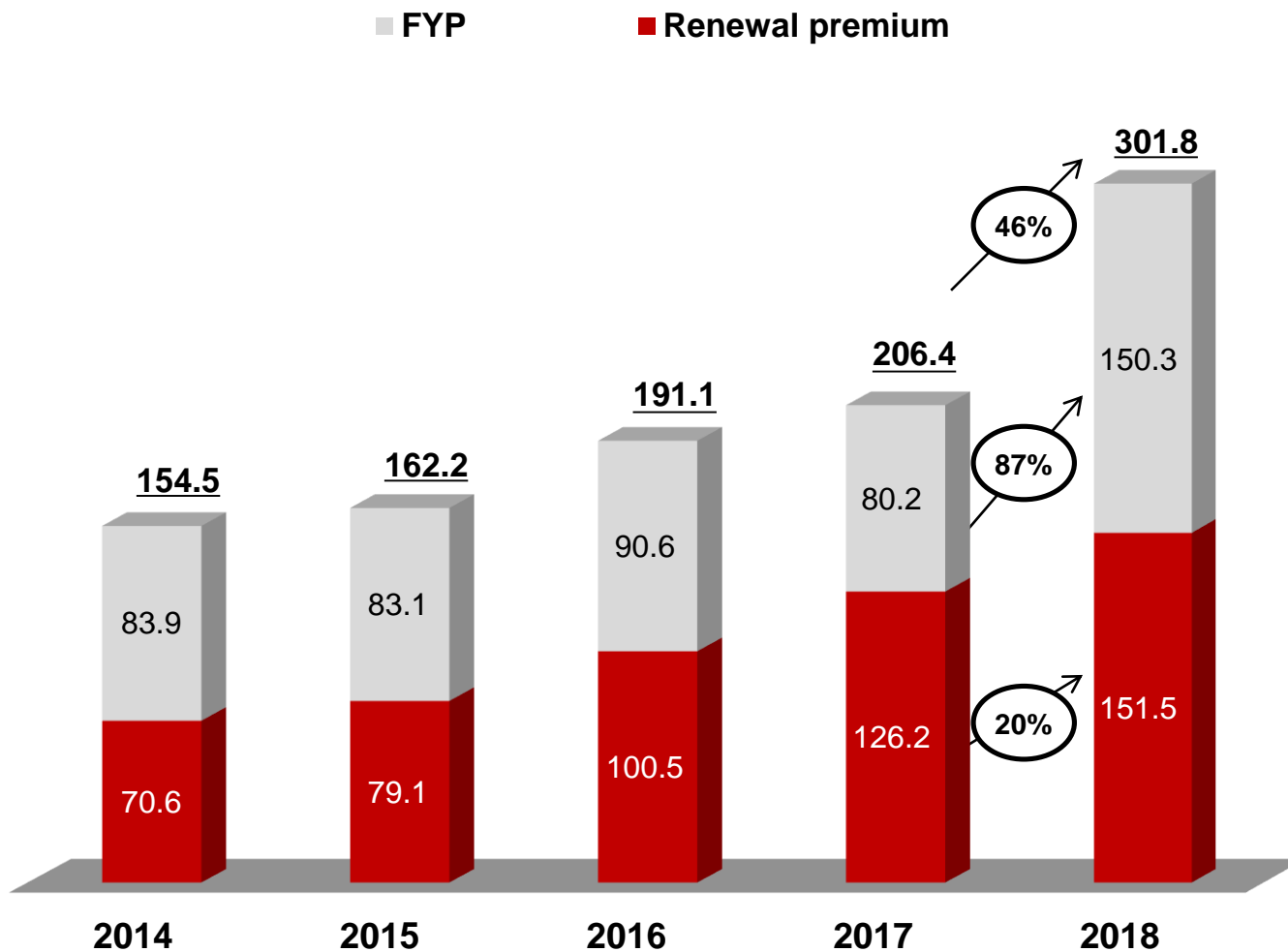
RBC Ratio





Total Premium

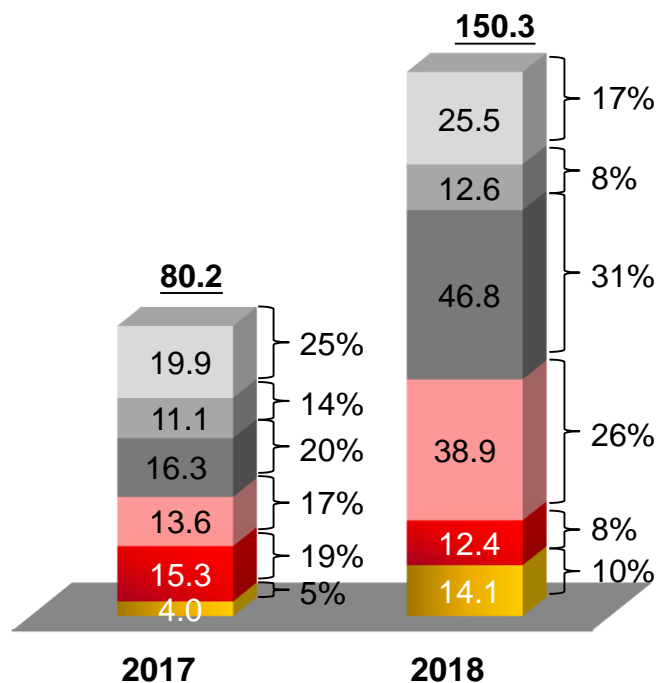
Unit: NT\$ Billion



FYP

Unit: NT\$ Billion

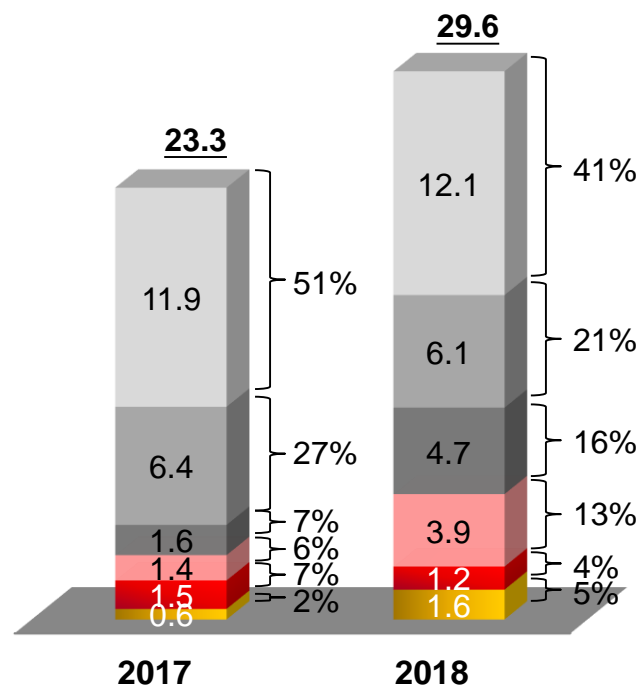
- Traditional** - regular
- Foreign Currency - regular
- Traditional** - single
- Foreign Currency - single
- Interest Sensitive Annuity & Universal Life
- Investment-link



FYPE*

Unit: NT\$ Billion

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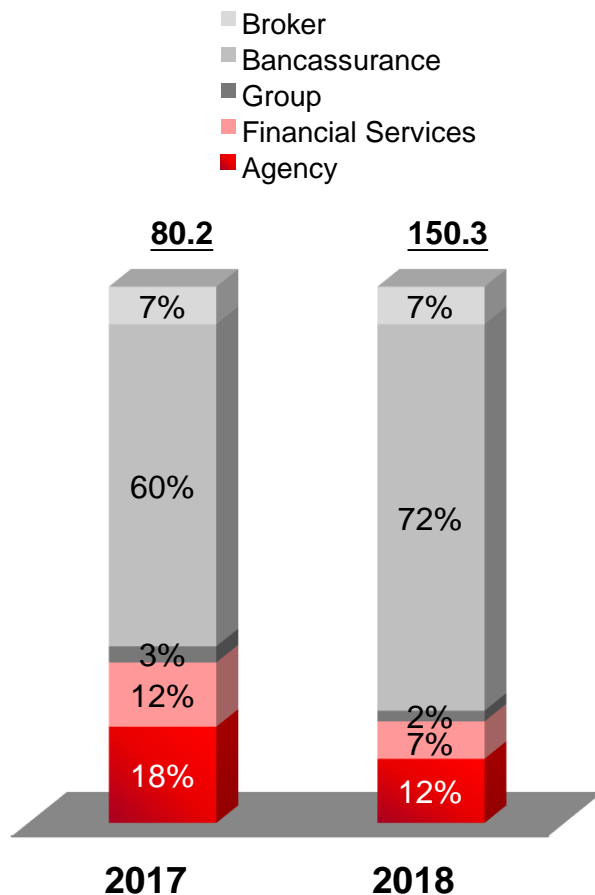
* **FYPE (First Year Premium Equivalent)** = 10% x single & flexible premium + 20% x 2-year premium payment term + ... + 50% x 5-year premium payment term + 100% x 6-year and more premium payment term

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

Distribution Channels

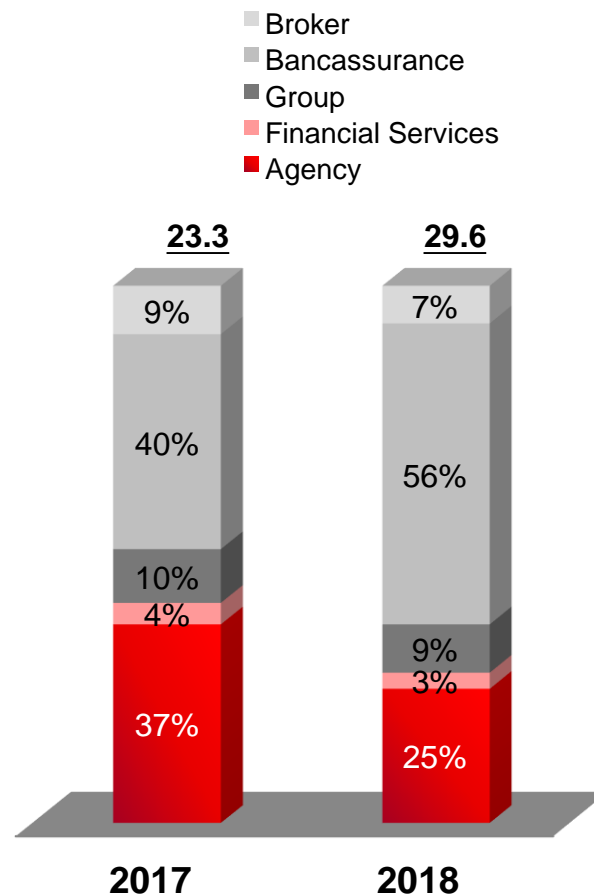
FYP

Unit : NT\$ Billion



FYPE*

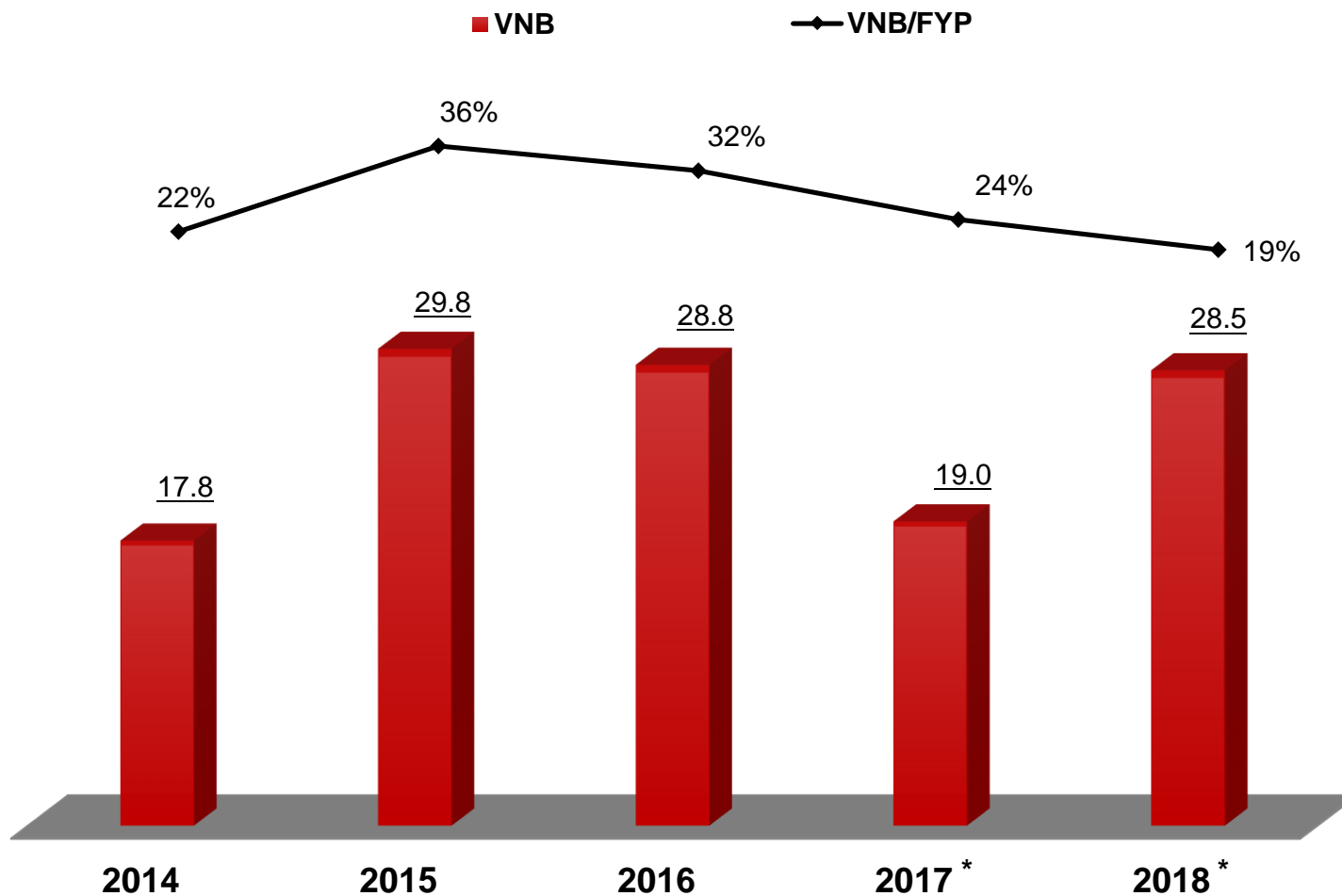
Unit : NT\$ Billion



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VNB and Margin

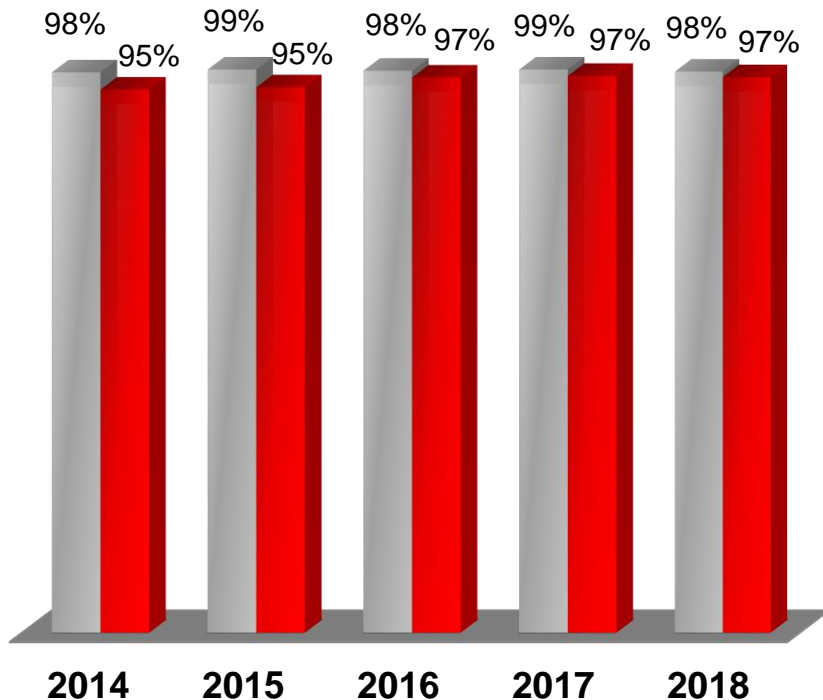
Unit : NT\$ Billion



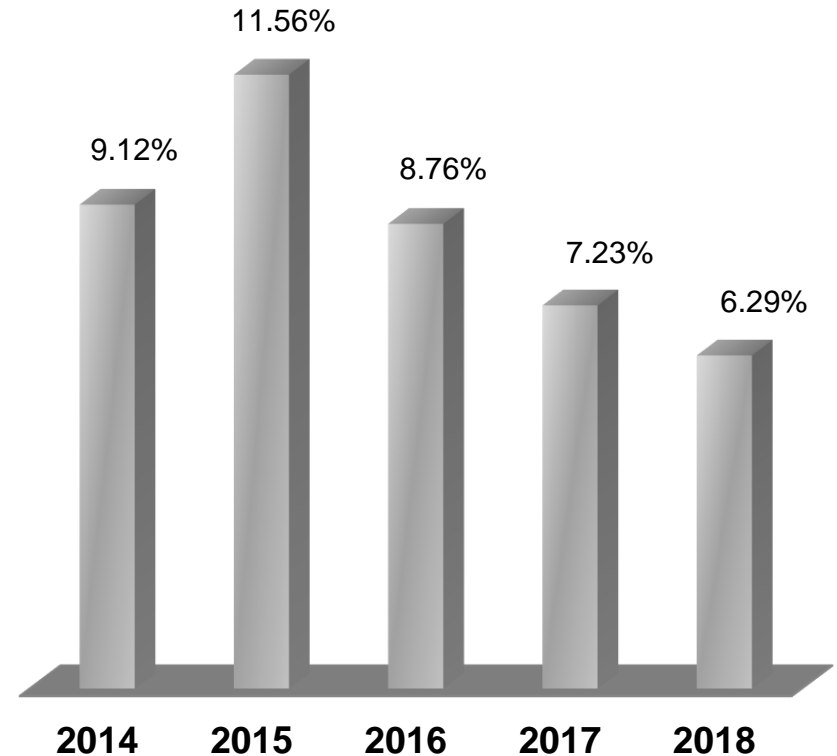
* 2017 & 2018 VNB were based on 2017 EV assumption

Persistency Ratio

■ 13 M ■ 25 M



Expense Ratio





Investment Portfolio

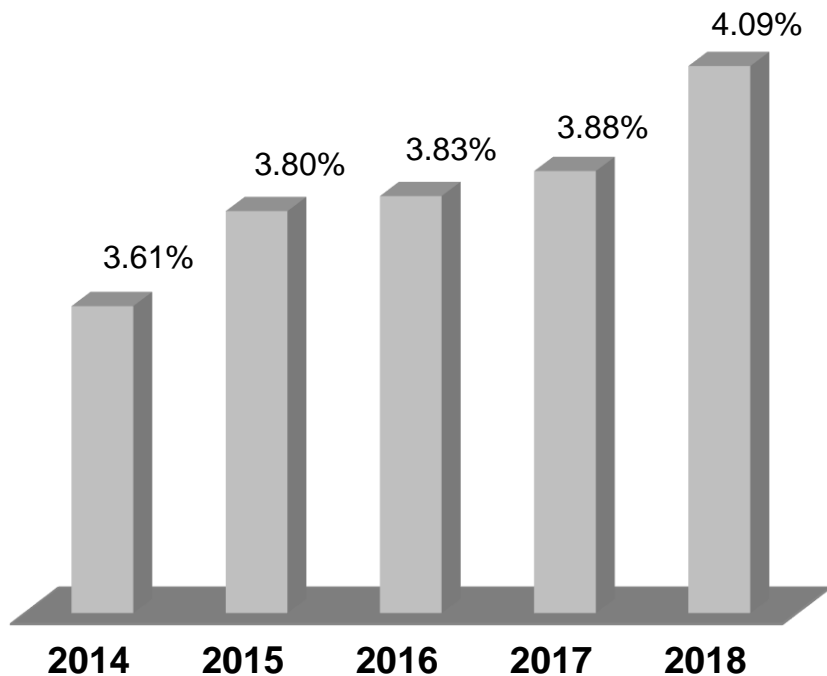
(Unit: NT\$ Billion)	2016/12/31		2017/12/31		2018/12/31	
	Amount	Weight	Amount	Weight	Amount	Weight
Deposits and Short-term investment	26.8	2.2%	23.3	1.7%	30.0	1.9%
Domestic Fixed Income	217.8	17.7%	235.2	17.2%	237.2	14.8%
Domestic Equity	70.8	5.8%	120.3	8.8%	136.9	8.5%
Loans - Mortgage	2.2	0.2%	1.6	0.1%	1.2	0.1%
Loan - Policy	28.6	2.3%	29.9	2.2%	32.2	2.0%
Real Estate	31.0	2.5%	32.1	2.4%	33.4	2.1%
Foreign Deposits	7.5	0.6%	19.1	1.5%	13.4	0.8%
Overseas Fixed Income*	795.3	64.7%	861.4	63.1%	1,076.8	67.2%
Overseas Equity	48.6	4.0%	41.3	3.0%	41.0	2.6%
Total Investments	1,228.6	100.0%	1,364.2	100.0%	1,602.1	100.0%

* Including OTC Listed Int'l Bonds. Investment amount in OTC Listed Int'l Bonds in 2016, 2017 and 2018 were NT\$276.4 bn, NT\$344.6 bn, NT\$418.3 bn, respectively.



Recurring Yield & Overseas Fixed Income By Region

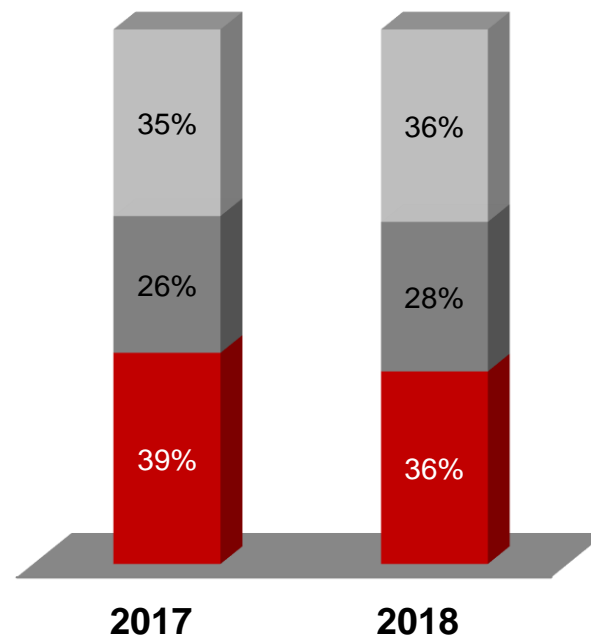
Pre-hedging Recurring Yield *



* Based on actual exchange rate

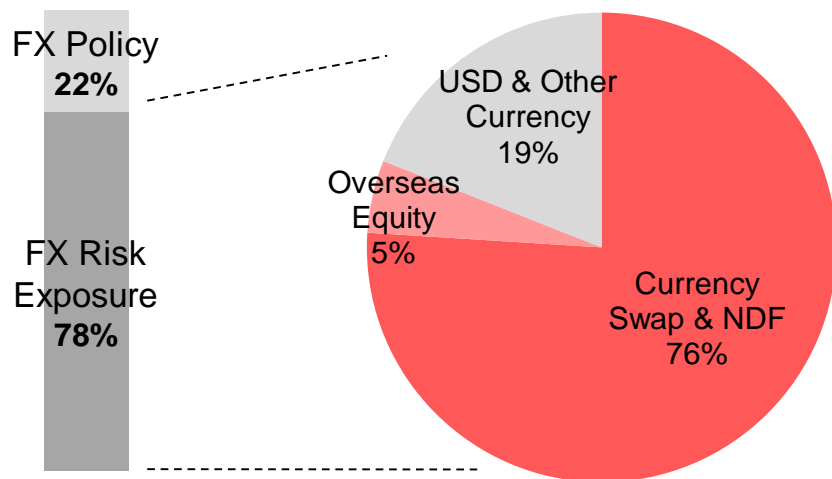
Overseas Fixed Income By Region

■ Asia & Others ■ Europe ■ North America

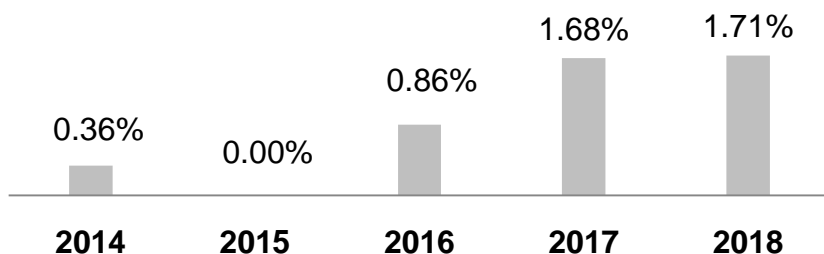


Hedging Structure

FX Position in 2018

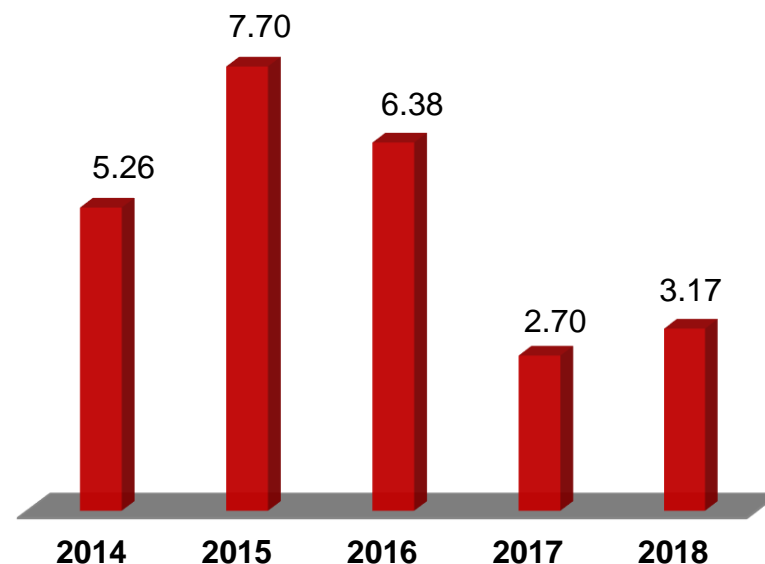


Hedging Cost



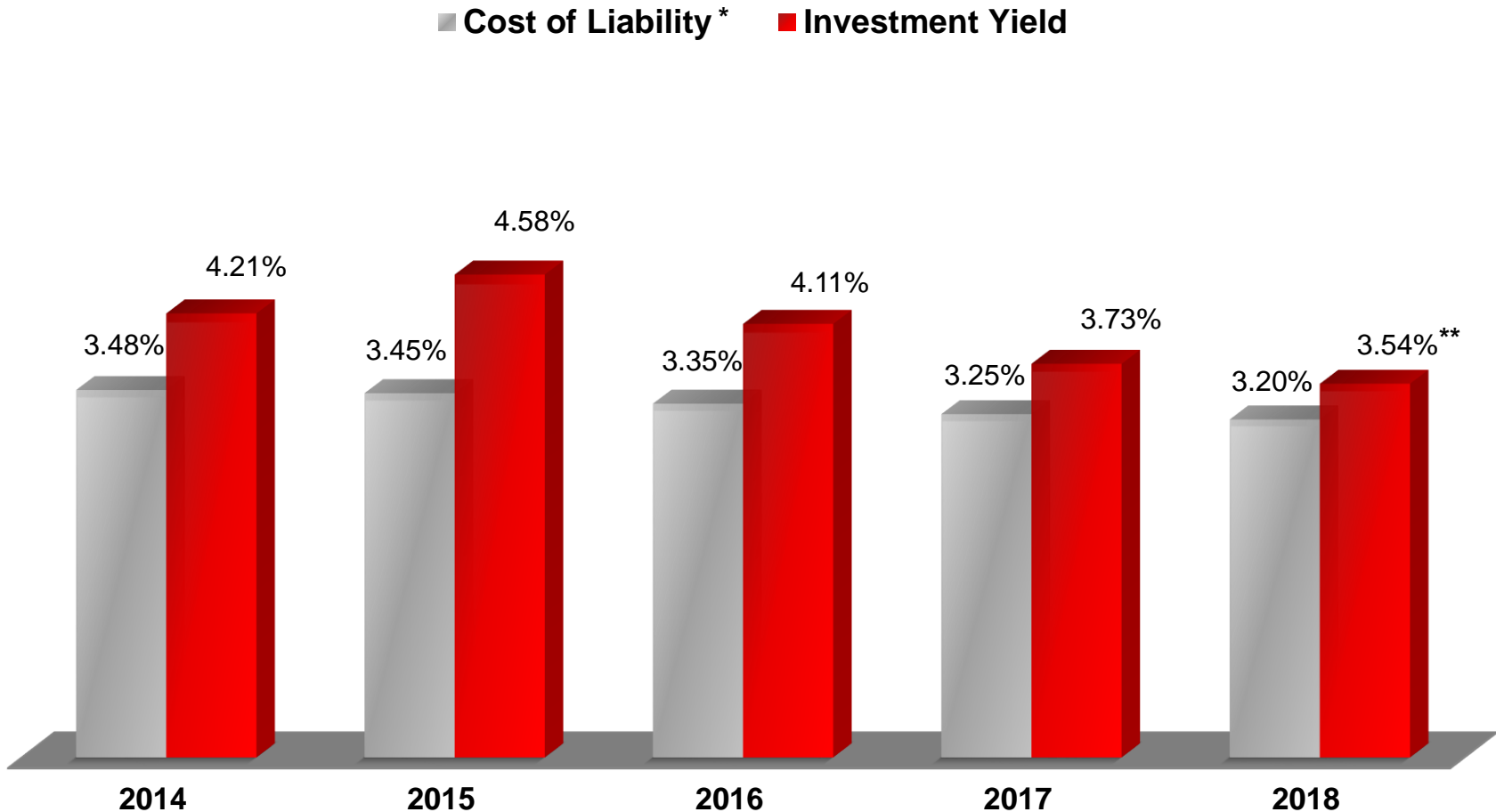
FX Reserve Balance

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	2016	2018/2017 YoY
<u>Income statement</u>				
First year premium	150,339	80,225	90,627	87%
Total premium	301,832	206,440	191,139	46%
Retained premium earned	280,819	194,644	181,843	44%
Total investment income	52,613	47,417	47,054	11%
Recurring investment income	58,147	48,206	42,432	21%
Other investment income	(5,534)	(789)	4,622	601%
Realized gains (losses) from equity	7,161	5,778	2,327	24%
Realized gains (losses) from fixed income	5,028	8,340	8,893	-40%
Fair value movement for investment property	(58)	(98)	(186)	-41%
FX related and others	(17,665)	(14,809)	(6,412)	19%
Other operating revenue	1,124	1,024	1,032	10%
Total operating revenue	334,556	243,085	229,929	38%
Retained claim payments	95,111	70,482	81,882	35%
Net changes in insurance liabilities	213,696	149,664	121,326	43%
Commission expenses	12,318	9,449	11,724	30%
Administrative and general expenses	4,955	4,405	4,057	12%
Other operating expenses	520	345	264	51%
Total operating costs and expenses	326,600	234,345	219,253	39%
Non-operating income and expenses	1,647	(1)	56	NM
Income before tax	9,603	8,739	10,732	10%
Net income	10,178	9,084	9,468	12%
Earnings per share (NT\$)*	2.54	2.26	2.36	12%

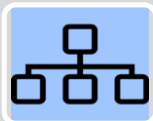
Balance sheet data

Total assets	1,711,355	1,465,734	1,323,711	17%
Total assets (general account)	1,647,854	1,403,909	1,259,271	17%
Insurance liabilities	1,555,698	1,286,902	1,150,706	21%
Total liabilities	1,638,261	1,370,396	1,242,639	20%
Total liabilities (general account)	1,574,760	1,308,571	1,178,199	20%
Total shareholders' equity	73,094	95,338	81,072	-23%

Key financial ratios

ROA	0.64%	0.65%	0.75%
ROE	12.09%	10.30%	11.57%
RBC ratio	NA	350%	369%

*EPS were disclosed according to financial reports



Ethical Management and a Robust Organizational Structure

- Ranked in the **top 5%** of listed companies for the Corporate Governance Evaluation Award for the **fourth consecutive year**
- Women comprise **44%** of our Board of Directors, a relatively high percentage that fosters greater gender equality



Stable Operational Performance

- We were **the only** life insurance company in Taiwan to distribute a cash dividend for **five consecutive years**
- In response to government policy, China Life invested **NT\$41.85 billion** in the “5+2 Major Innovative Industries”



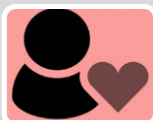
Core Functions and Social Participation

- We held **544** charitable activities and our volunteers contributed a record **28,859** hours of work
- In the five years since the “Read Across 319 Townships” program started in 2013, the number of participants has grown to **4,600**



Talent Development and a Secure Workplace

- Our employees had an average of **1.97** professional certificates, up **16.57%** compared to 2016
- We expanded our onsite health care program and a total of 26 sessions took place in 2017, which was six more than in 2016



Diverse Products and Attentive Service

- The number of microinsurance beneficiaries rose to **16,306**. Government officials praised our progress toward inclusive financing
- Scores of 4 or higher (out of 5) were recorded in **99.9%** of satisfaction surveys at general service counters and **100%** of satisfaction surveys at care counters



Green Services and a Low Carbon Economy

- In 2017, our total green procurement was NT\$14.70 million, an increase of **NT\$5.14 million** compared to 2016
- We created a green workflow that has saved 3.485 million sheets of paper, which is equivalent to **18,700 kg** of carbon emissions

● 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 192 sub-branches, CCB Life continues to expand its operations and fully utilizes China Construction Bank's 10,848 branches as bancassurance network

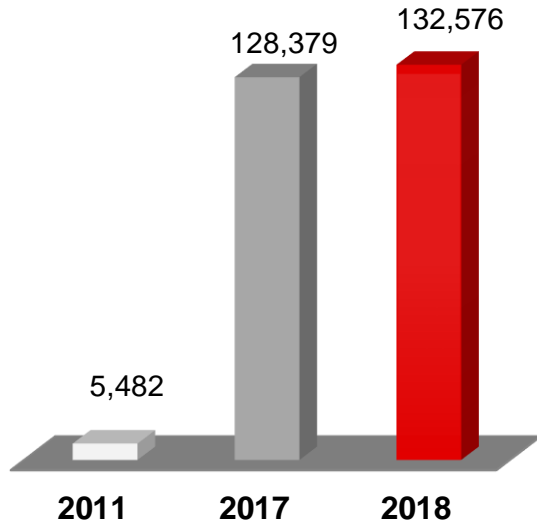
■ A total of 3 provincial branches in 2Q 2011

■ As of December 2018, CCB Life has expanded its business scope to 23 provincial branches

Remarkable Business Growth

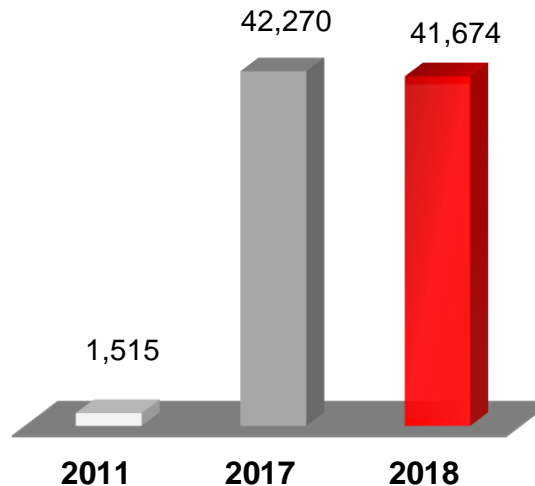
Total Assets

Unit : RMB\$ Million



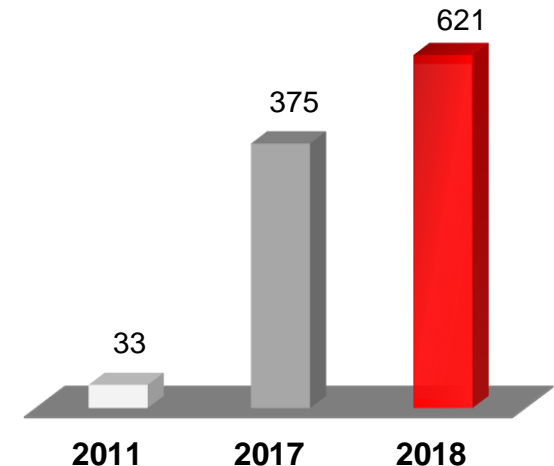
Total Premium

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 192 sub-branches & offices as of Dec 2018
- Continuous improvement of gross premium income market share ranking: #40 in 2011 -> #20 in 2018

Business transformation and optimization

- 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"
- Focuses on high margin regular premium business
- Provides professional insurance services to support China Construction Bank's development strategy through three initiatives – lending of residential properties, application of financial technology and promoting inclusive financial services

Embedded Value



Investment Return

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%**

*including interest-sensitive annuities & universal life policies

2016

Traditional Policies

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

Year 11 and after : **5.35%**

Interest Sensitive Policies*

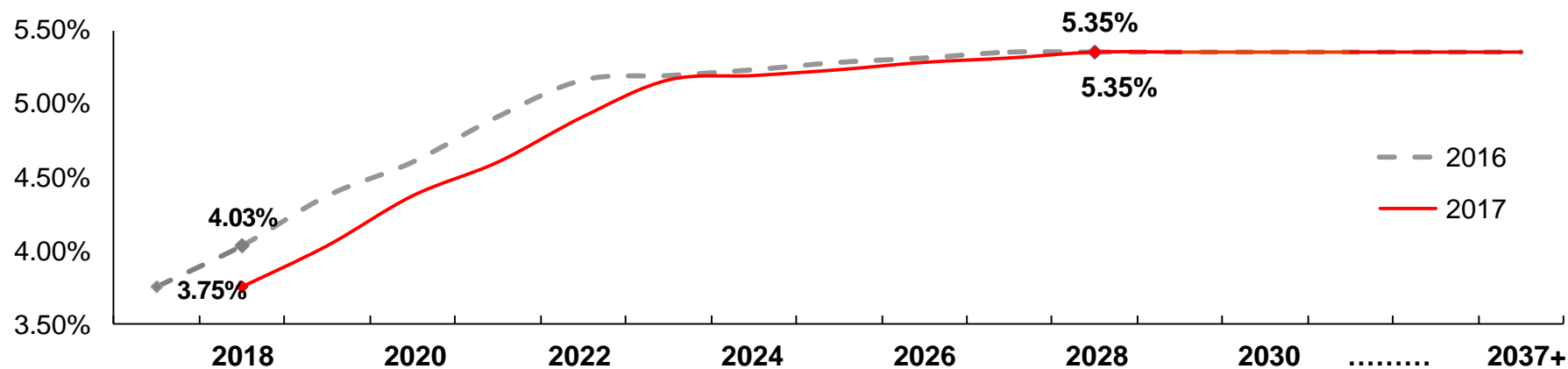
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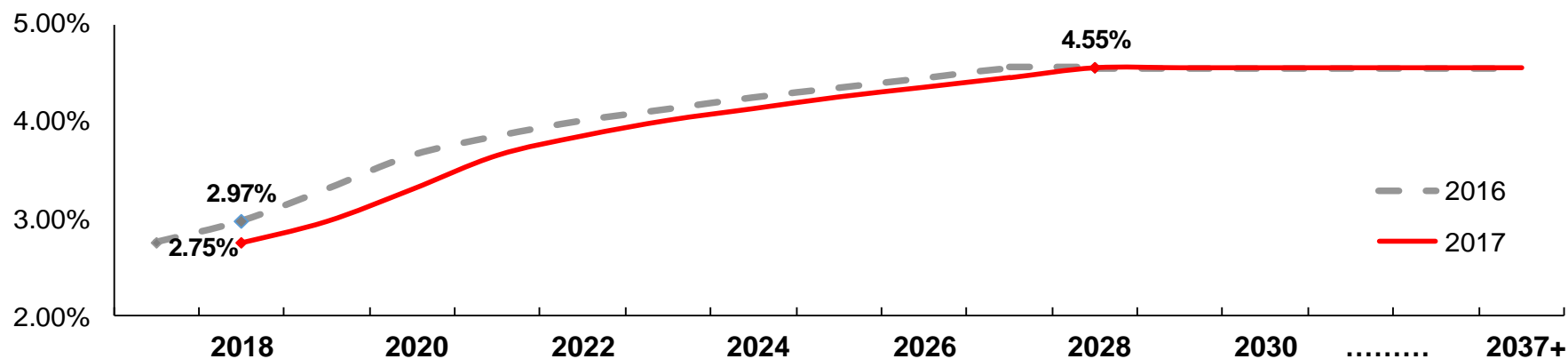
Risk Discount Rate

10.5%

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

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

Valuation Date	2016/12/31	2017/12/31	YoY %
Adjusted Net Worth	88.6	93.3	5.3%
Value of In Force	157.5	178.5	13.3%
Cost of Capital	(24.1)	(27.2)	12.9%
Embedded Value	222.1	244.7	10.2%
# of Outstanding Shares	3,474	3,786	-
EV Per Share	NT\$63.94	NT\$64.62	1.1%
V1NB (after CoC)*	28.8	19.0	-34.0%

* V1NB = Value of last 12 months new business

Sensitivity Analysis - VIF

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

Valuation Date: 2017/12/31	All else equal except		Base Case	All else equal except	
Solvency Basis: RBC=200%	Inv. Yield - 0.25%	Inv. Yield + 0.25%	Investment Yield: Traditional 3.75%~5.35% Interest Sensitive 2.75%~4.55% RDR: 10.5%	RDR -0.5%	RDR +0.5%
Adjusted Net Worth	93.3	93.3	93.3	93.3	93.3
Value of In-Force	154.2	202.8	178.5	187.5	170.3
Cost of Capital	(28.7)	(25.7)	(27.2)	(26.1)	(28.1)
Embedded Value	218.8	270.4	244.7	254.7	235.5
EV per share	NT\$57.79	NT\$71.42	NT\$64.62	NT\$67.26	NT\$62.21

● Thank you

