

# ● China Life Insurance Co., Ltd.

August 2018





# Disclaimer

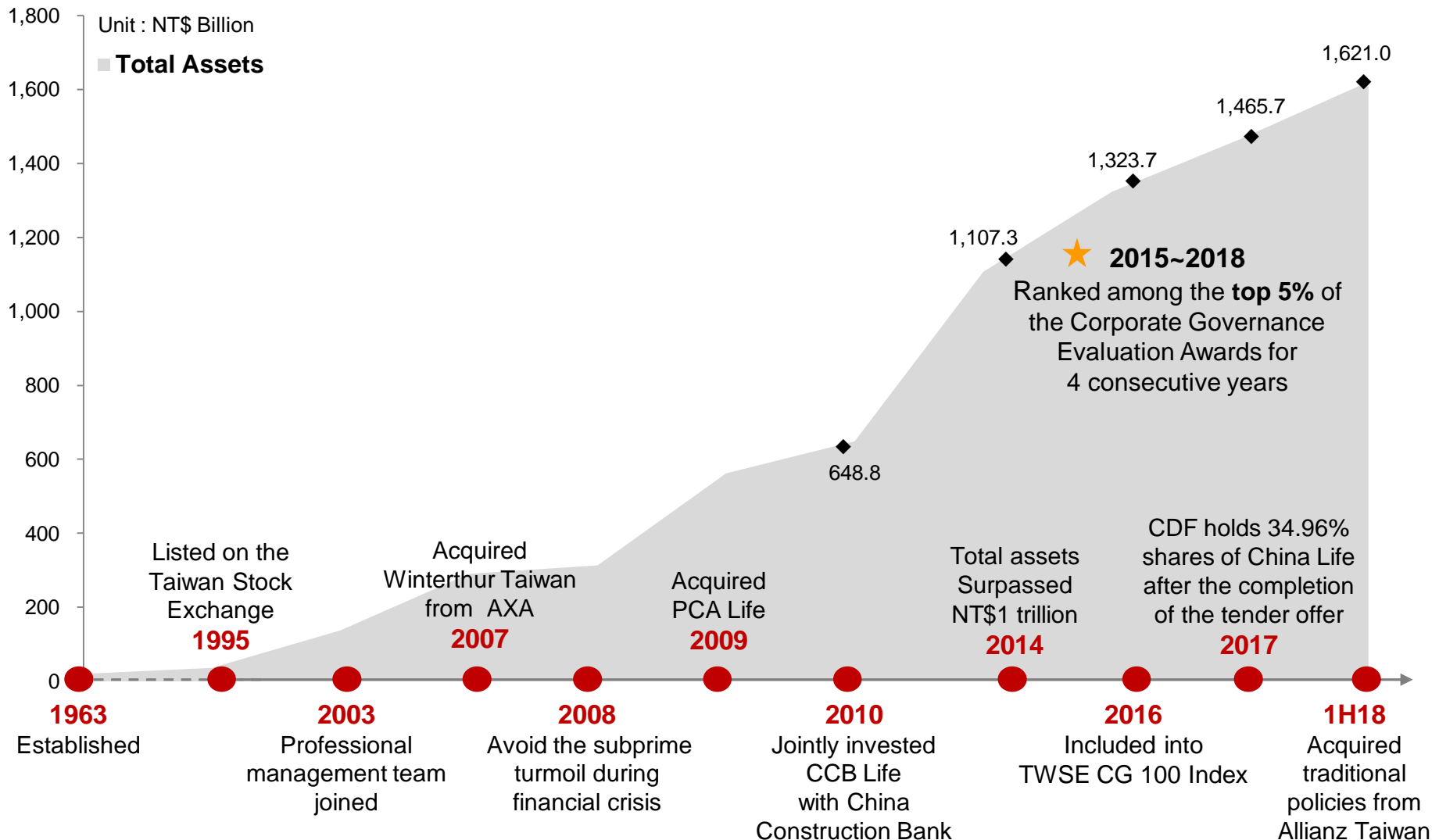
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# ● Business Performance





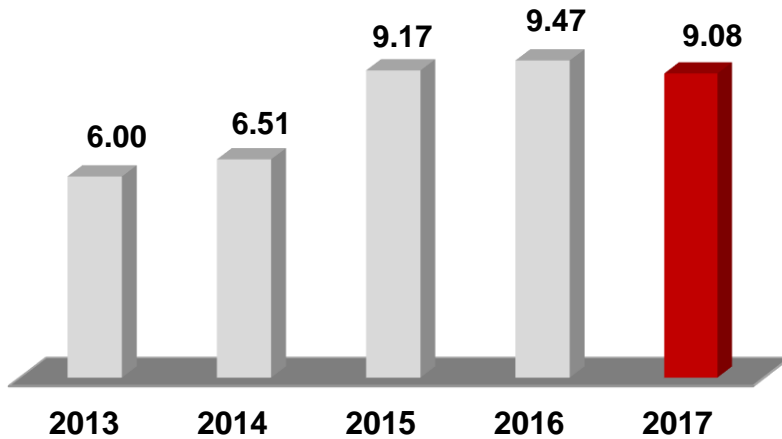
# Milestones



# Performance Highlights

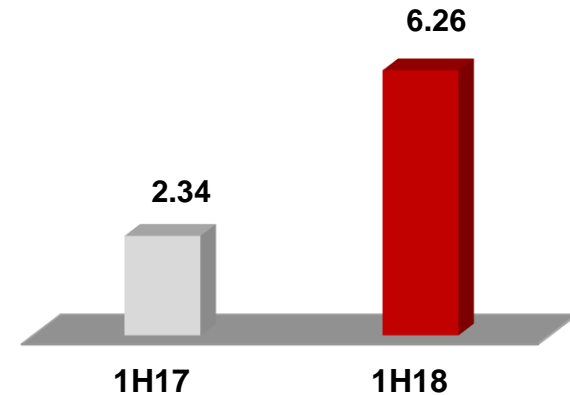
## Net Profit (annual)

Unit : NT\$ Billion

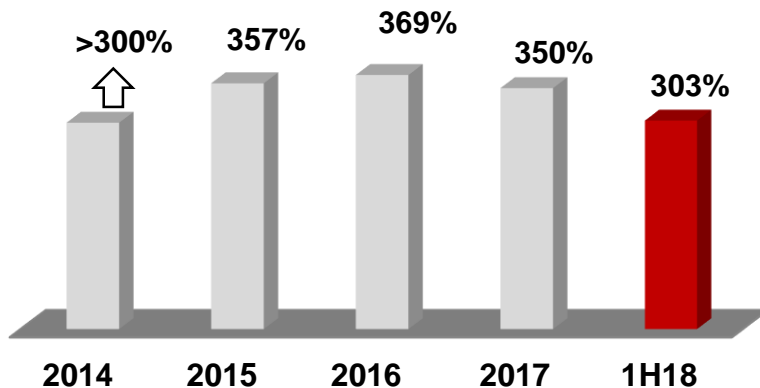


## Net Profit

Unit : NT\$ Billion

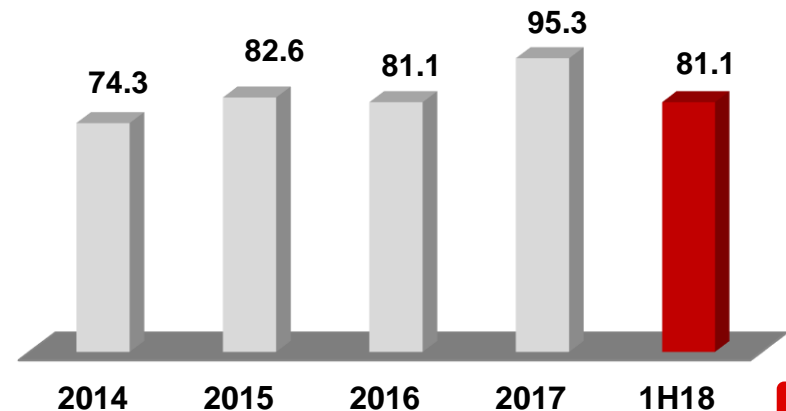


## RBC Ratio



## Shareholders' Equity

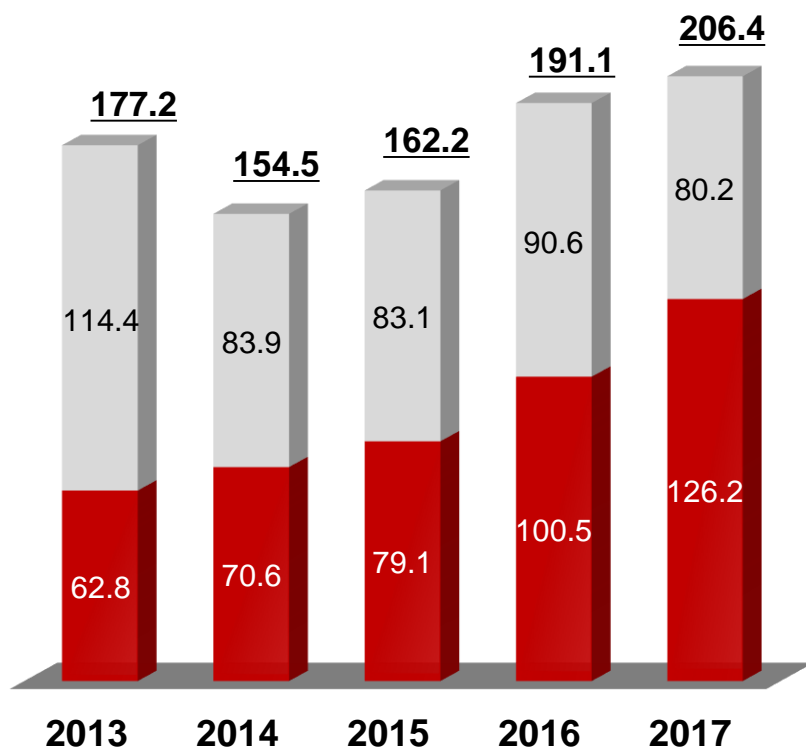
Unit : NT\$ Billion



## Total Premium (annual)

Unit: NT\$ Billion

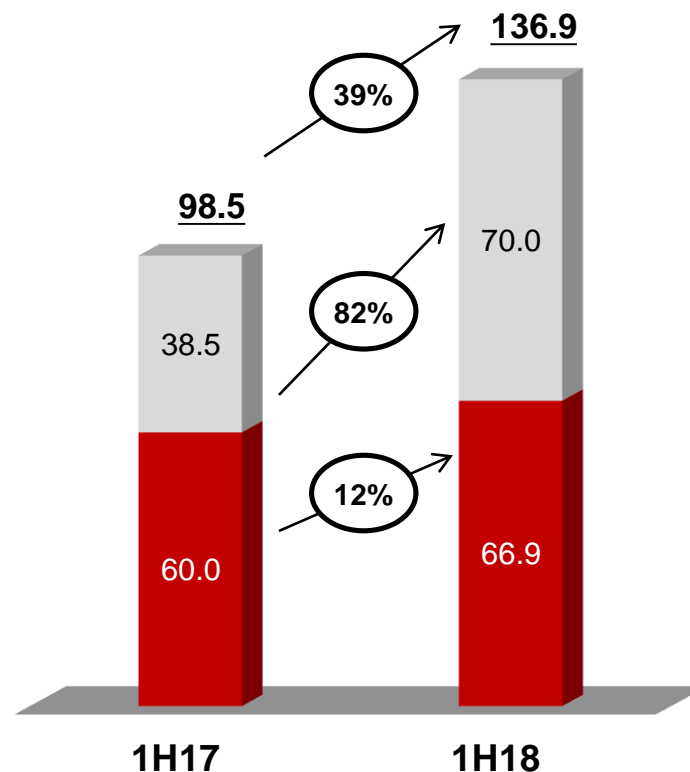
■ FYP ■ Renewal premium



## Total Premium

Unit: NT\$ Billion

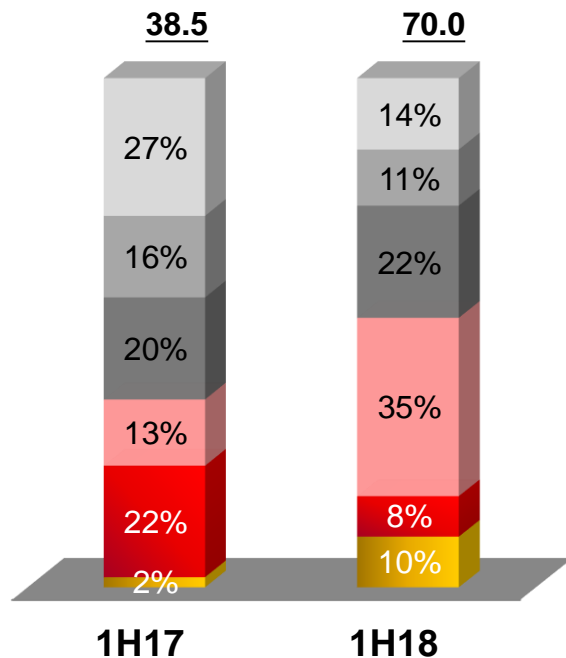
■ FYP ■ Renewal premium



## FYP

Unit: NT\$ Billion

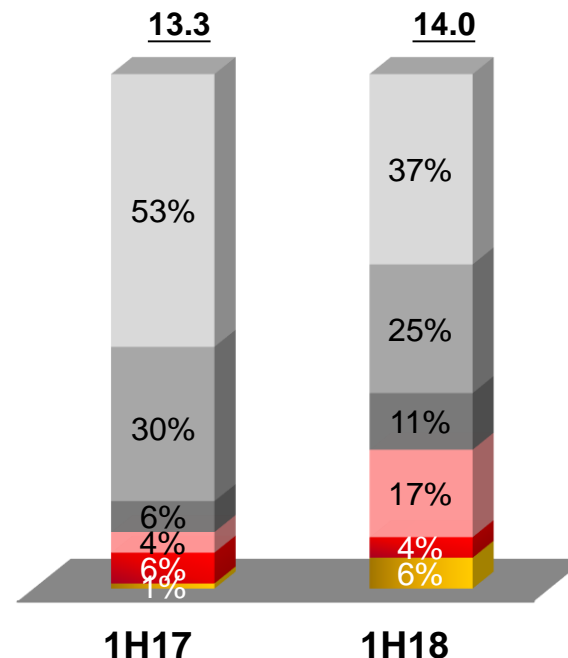
- Traditional\*\* - regular
- Foreign Currency - regular
- Traditional\*\* - single
- Foreign Currency - single
- Interest Sensitive Annuity & Universal Life
- Investment-link



## FYPE\*

Unit: NT\$ Billion

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



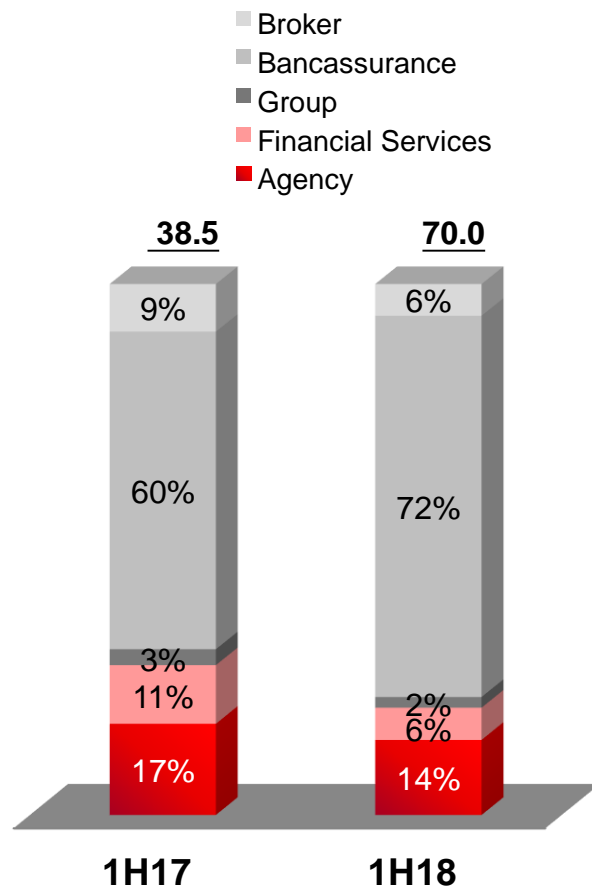
\* **FYPE (First Year Premium Equivalent)** = 10% x single & flexible premium + 20% x 2-year premium payment term + ... + 50% x 5-year premium payment term + 100% x 6-year and more premium payment term

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

# Distribution Channels

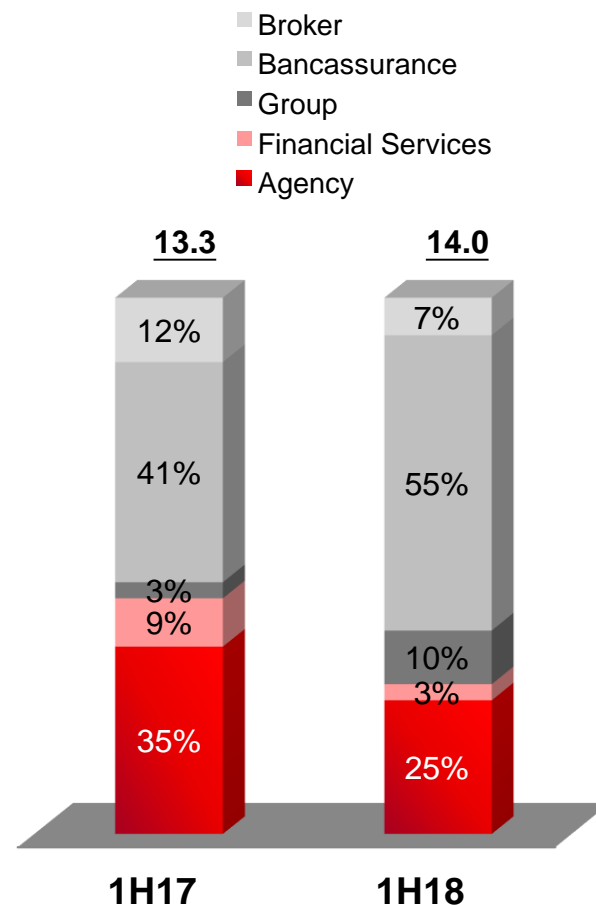
## FYP

Unit : NT\$ Billion



## FYPE\*

Unit : NT\$ Billion

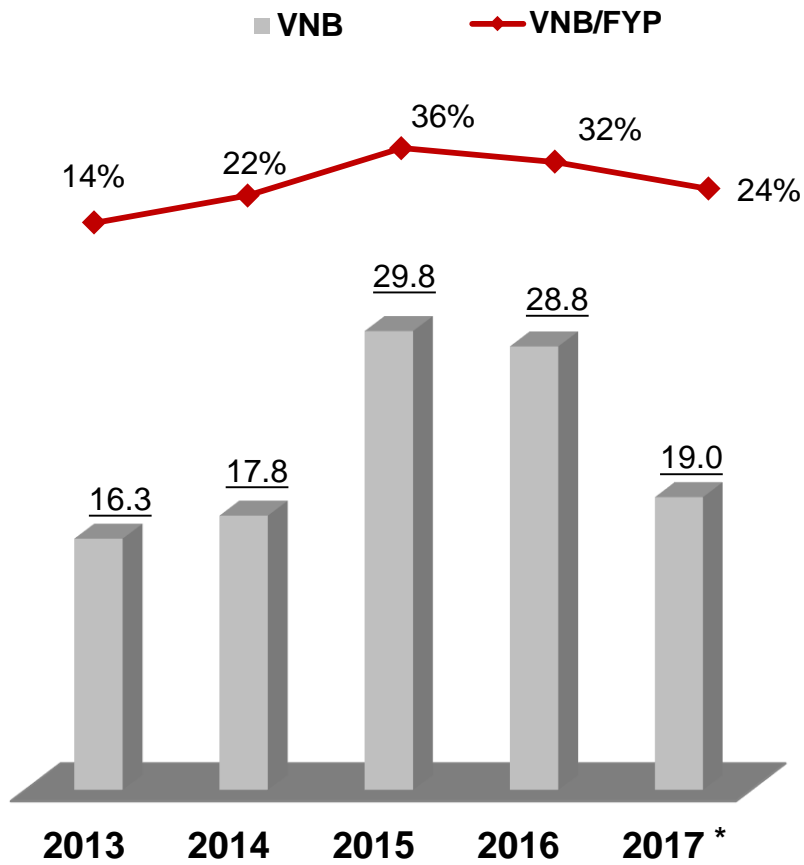


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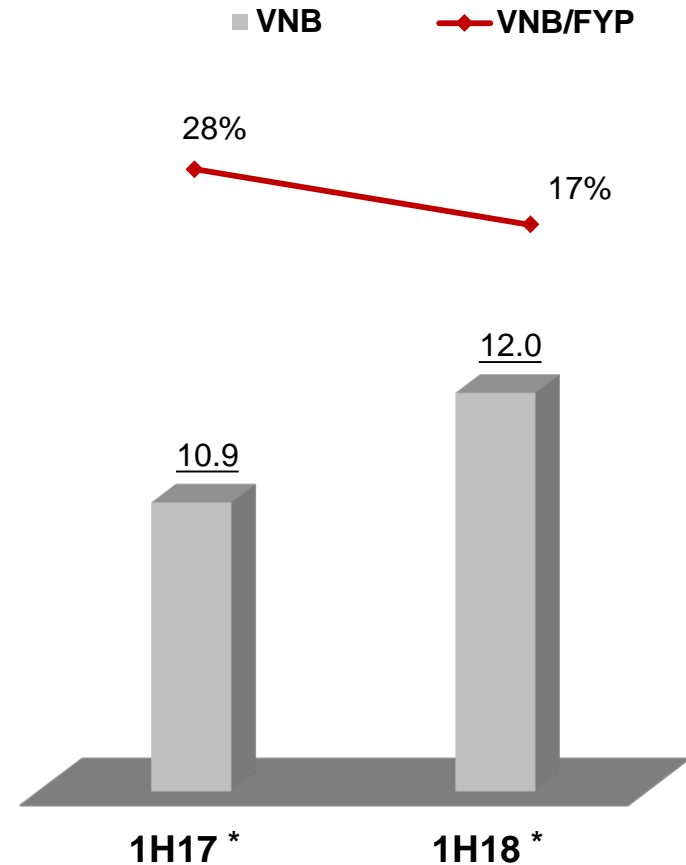
## VNB and Margin (annual)

Unit : NT\$ Billion



## VNB and Margin

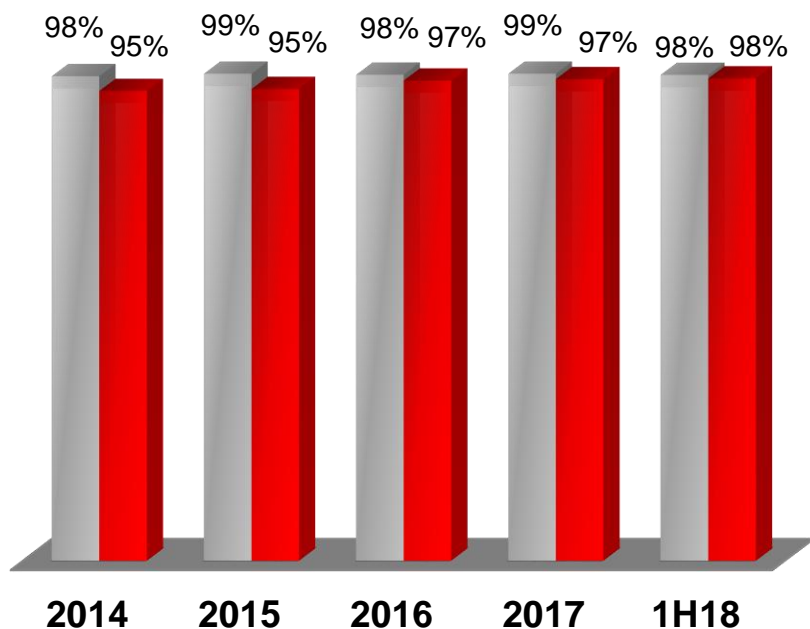
Unit : NT\$ Billion



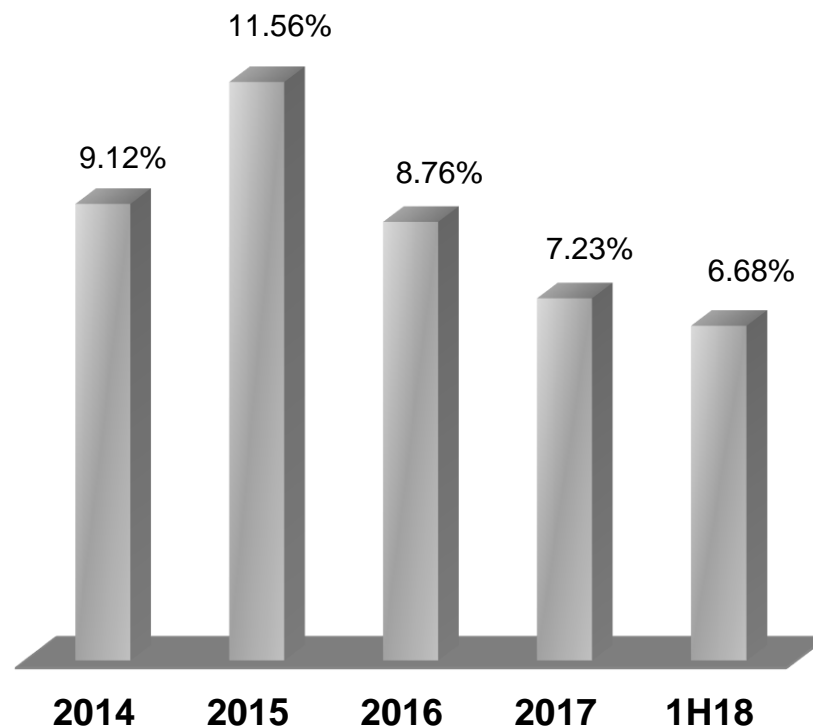
\* 1H17, 2017 & 1H18 VNB were based on 2017 EV assumption

## Persistency Ratio

■ 13 M ■ 25 M



## Expense Ratio



# Investment Portfolio

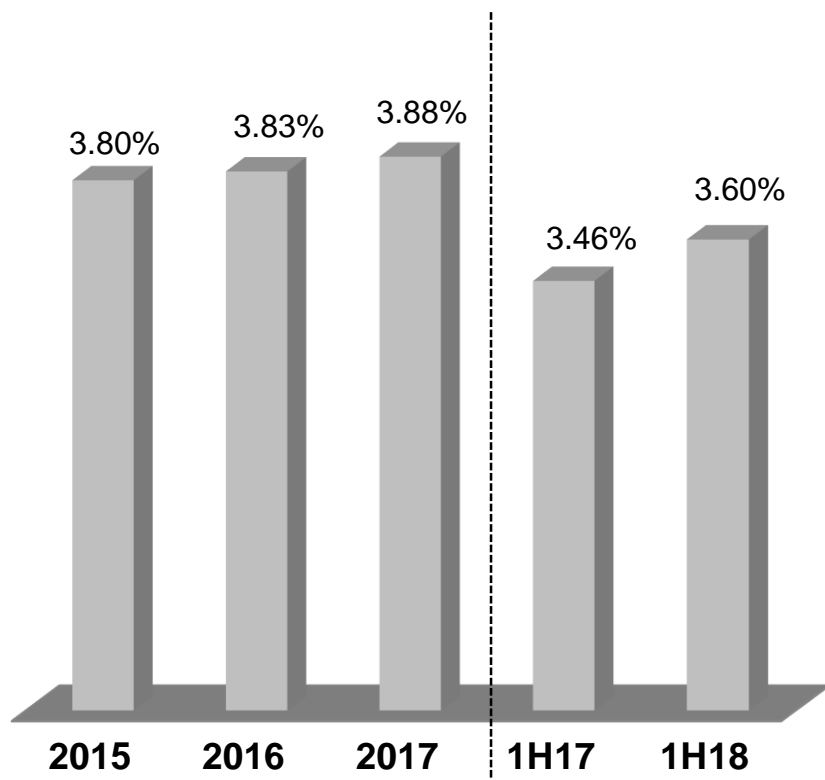
(Unit: NT\$ Billion)	2017/6/30		2017/12/31		2018/6/30	
	Amount	Weight	Amount	Weight	Amount	Weight
Deposits and Short-term investment	38.5	3.0%	23.3	1.7%	39.2	2.6%
Domestic Fixed Income	210.5	16.3%	235.2	17.2%	210.7	13.9%
Domestic Equity	112.9	8.8%	120.3	8.8%	138.8	9.1%
Loans - Mortgage	1.9	0.2%	1.6	0.1%	1.4	0.1%
Loan - Policy	28.7	2.2%	29.9	2.2%	31.5	2.1%
Real Estate	31.6	2.4%	32.1	2.4%	32.4	2.1%
Foreign Deposits	22.5	1.7%	19.1	1.5%	17.0	1.1%
Overseas Fixed Income*	804.5	62.4%	861.4	63.1%	998.4	65.8%
Overseas Equity	38.6	3.0%	41.3	3.0%	48.3	3.2%
<b>Total Investments</b>	<b>1,289.7</b>	<b>100.0%</b>	<b>1,364.2</b>	<b>100.0%</b>	<b>1,517.7</b>	<b>100.0%</b>

\* Including OTC Listed Int'l Bonds. Investment amount in OTC Listed Int'l Bonds in 1H17, 2017 and 1H18 were NT\$320.6 bn, NT\$344.6 bn, NT\$405.0 bn, respectively.



# Recurring Yield & Overseas Fixed Income By Region

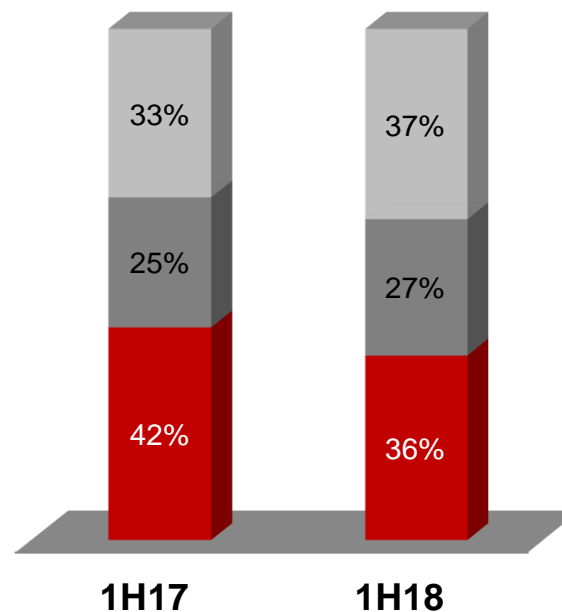
## Pre-hedging Recurring Yield\*



\* Based on actual exchange rate

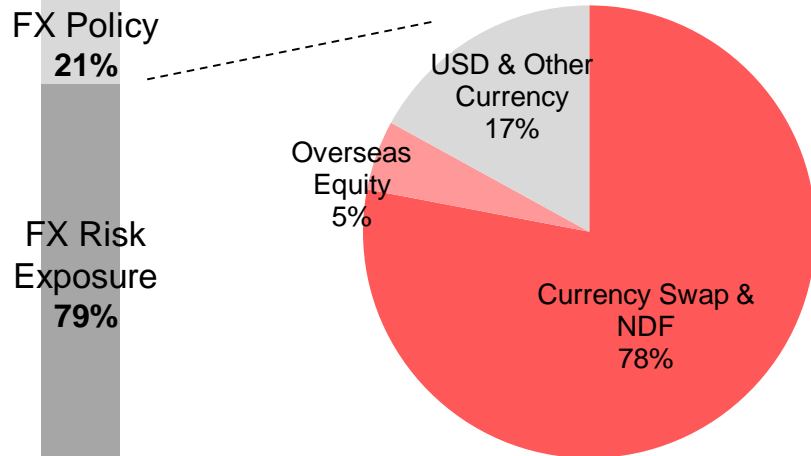
## Overseas Fixed Income By Region

■ Asia & Others ■ Eurpoe ■ North America

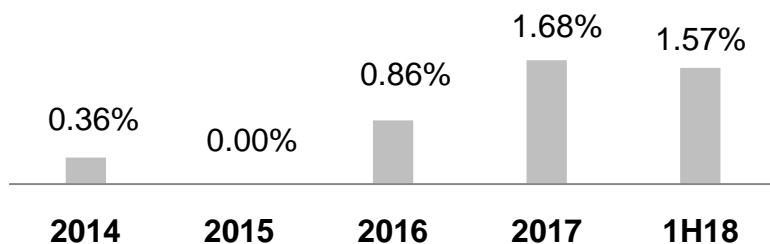


# Hedging Structure

## FX Position in 1H18

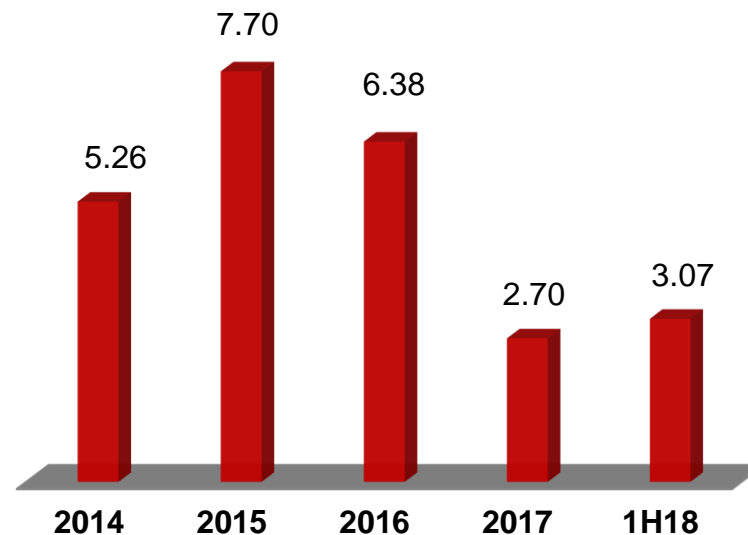


## Hedging Cost



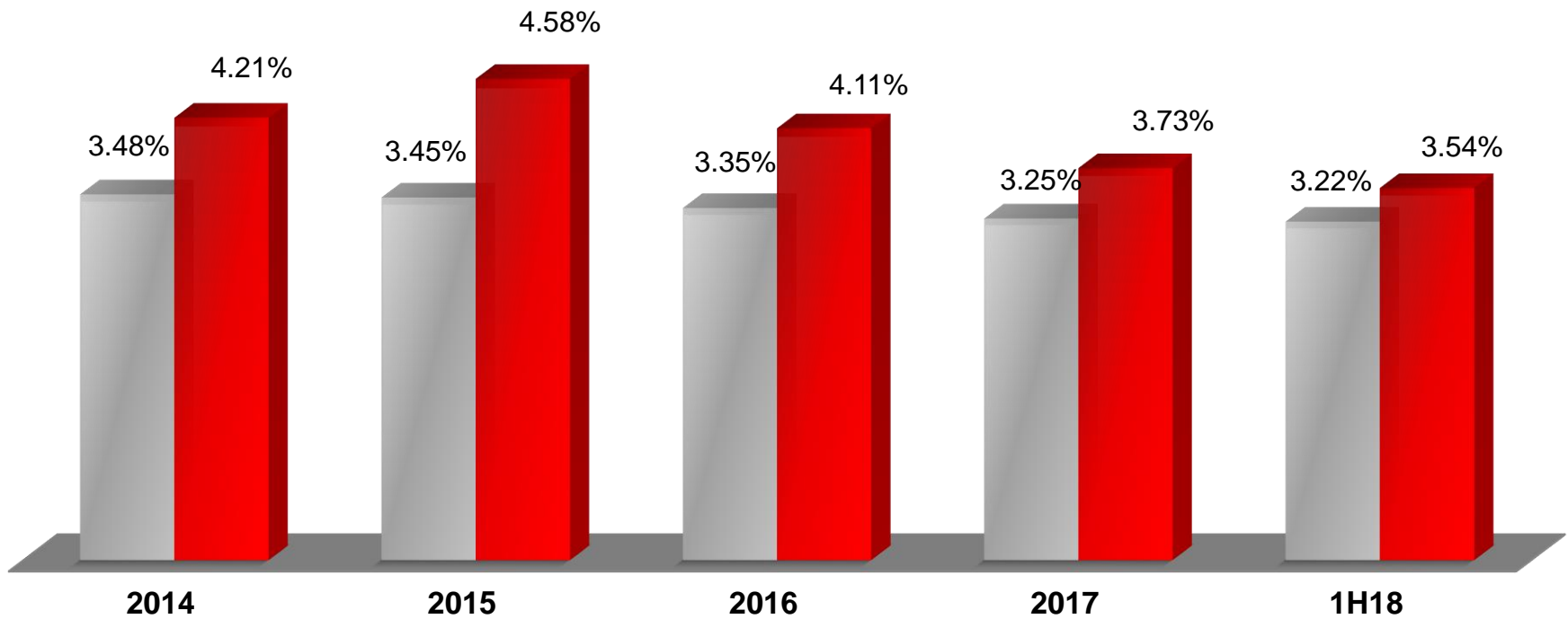
## FX Reserve Balance

Unit : NT\$ Billion



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

■ Cost of Liability\* ■ Investment Yield



\* Reserve-based cost of liability



# Financial Highlights

(NT\$ million)

## Income statement

	2017	2016	YoY	1H18	1H17	YoY
First year premium	80,225	90,627	-11%	70,021	38,541	82%
Total premium	206,440	191,139	8%	136,852	98,471	39%
Retained premium earned	194,644	181,843	7%	126,473	93,570	35%
Total investment income	47,417	47,054	1%	25,720	19,277	33%
Recurring investment income	48,206	42,432	14%	24,987	20,981	19%
Other investment income	(789)	4,622	NM	733	(1,704)	NM
Realized gains (losses) from equity	5,778	2,327	148%	5,008	2,304	117%
Realized gains (losses) from fixed income	8,340	8,893	-6%	3,633	4,957	-27%
Fair value movement for investment property	(98)	(186)	-47%	(51)	(79)	-35%
FX related and others	(14,809)	(6,412)	131%	(7,857)	(8,886)	-12%
Other operating revenue	1,024	1,032	-1%	534	528	1%
Total operating revenue	243,085	229,929	6%	152,727	113,375	35%
Retained claim payments	70,482	81,882	-14%	41,792	34,105	23%
Net changes in insurance liabilities	149,664	121,326	23%	97,233	70,488	38%
Commission expenses	9,449	11,724	-19%	5,731	4,812	19%
Administrative and general expenses	4,405	4,057	9%	2,545	1,878	36%
Other operating expenses	345	264	31%	277	139	99%
Total operating costs and expenses	234,345	219,253	7%	147,578	111,422	32%
Non-operating income and expenses	(1)	56	NM	553	(14)	NM
Income before tax	8,739	10,732	-19%	5,702	1,939	194%
Net income	9,084	9,468	-4%	6,259	2,344	167%
Earnings per share (NT\$)*	2.40	2.50	-4%	1.65	0.62	166%

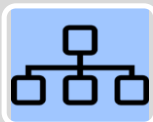
## Balance sheet data

Total assets	1,465,734	1,323,711	11%	1,621,011	1,382,368	17%
Total assets (general account)	1,403,909	1,259,271	11%	1,558,133	1,323,023	18%
Insurance liabilities	1,286,902	1,150,706	12%	1,439,326	1,210,652	19%
Total liabilities	1,370,396	1,242,639	10%	1,539,961	1,296,973	19%
Total liabilities (general account)	1,308,571	1,178,199	11%	1,477,083	1,237,628	19%
Total shareholders' equity	95,338	81,072	18%	81,050	85,395	-5%

## Key financial ratios

ROA	0.65%	0.75%				
ROE	10.30%	11.57%				
RBC ratio	350%	369%		303%	334%	

\*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”



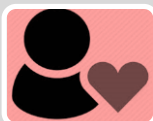
## Core Functions and Social Participation

- 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 22 provincial branches and 173 sub-branches, CCB Life continues to expand its operations and fully utilizes China Construction Bank's 10,564 branches as bancassurance network

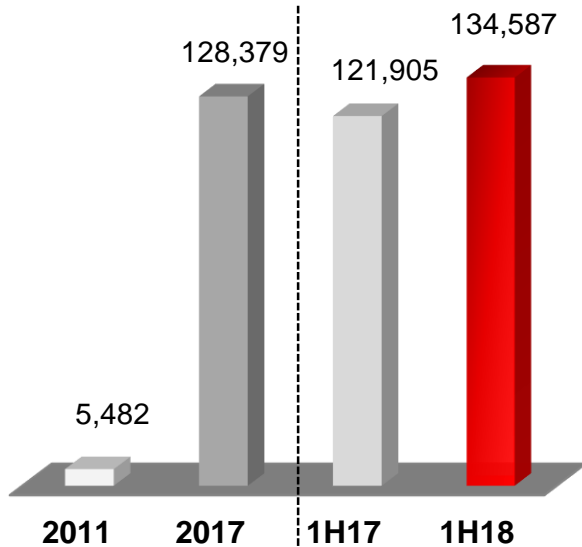
■ A total of 3 provincial branches in 2Q 2011

■ As of December 2017, CCB Life has expanded its business scope to 22 provincial branches

# Remarkable Business Growth

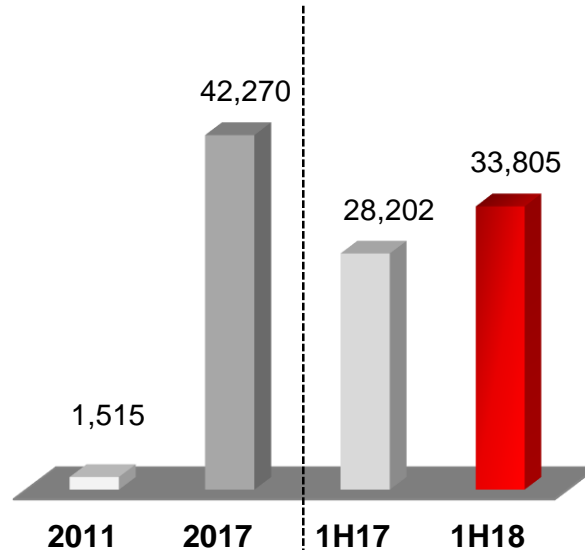
## Total Assets

Unit : RMB\$ Million



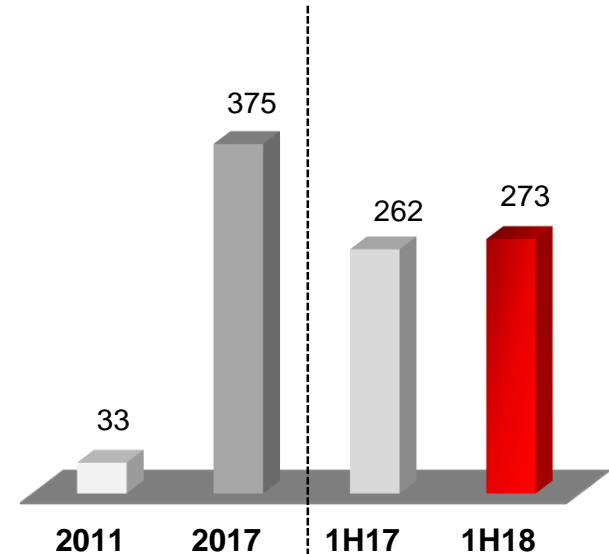
## Total Premium

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

- Ranking of gross premium income market share continues to improve #40 in 2011 -> #13 in 1Q18
- Expanded its operation to 22 provincial branches and 173 sub-branches and offices as of June 2018

### Enhance value of policy and strengthen corporate governance

- Focuses on promoting regular paid and high value products
- Reformed to company limited by shares in December 2016

### Implement business structure transformation and optimization

- Issued USD500 million capital debenture successfully in April 2017 (coupon rate 4.5%)
- Named the "Best Life Insurance Company for Business Transformation" at the "2017 Gold Medal List of Chinese Financial Institutions – Golden Dragon Awards"

2011

2016

2017...

# ● 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\*

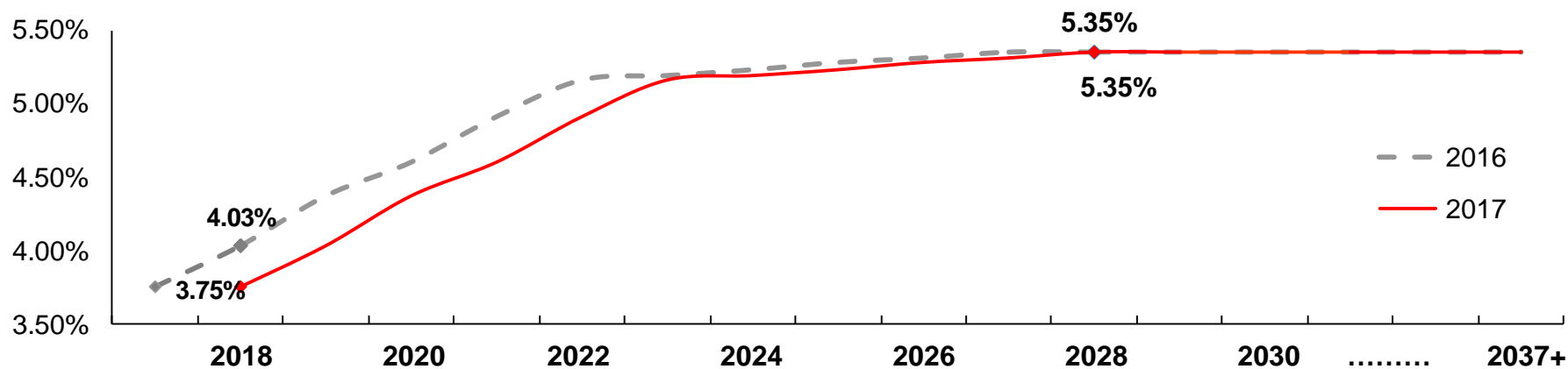
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Year 11 and after : **4.55%**

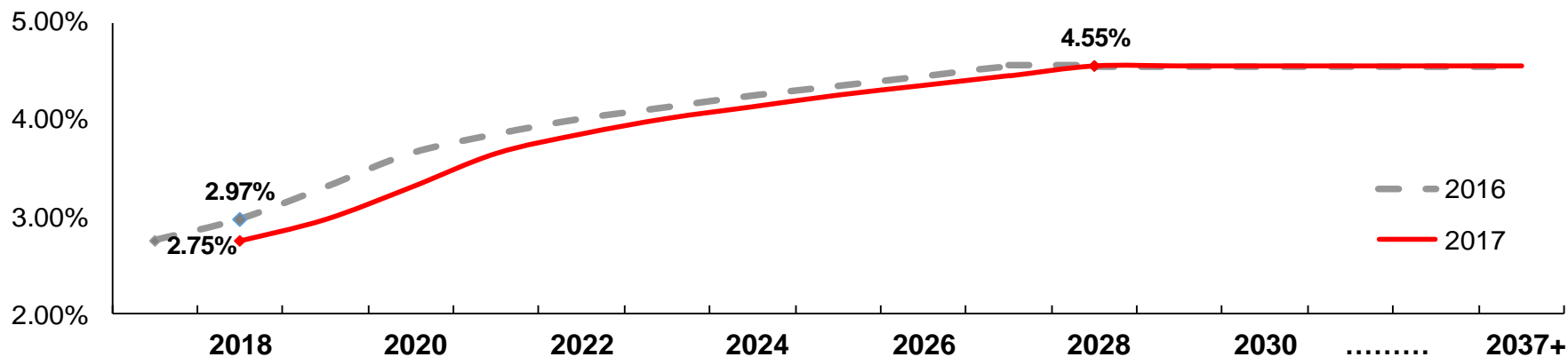
## Risk Discount Rate

**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%
<b>Embedded Value</b>	<b>222.1</b>	<b>244.7</b>	<b>10.2%</b>
# of Outstanding Shares	3,474	3,786	-
<b>EV Per Share</b>	NT\$63.94	NT\$64.62	1.1%
<b>V1NB (after CoC)*</b>	<b>28.8</b>	<b>19.0</b>	<b>-34.0%</b>

\* 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 <b>3.75%~5.35%</b> Interest Sensitive <b>2.75%~4.55%</b> RDR: <b>10.5%</b>	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)
<b>Embedded Value</b>	218.8	270.4	244.7	254.7	235.5
<b>EV per share</b>	NT\$57.79	NT\$71.42	NT\$64.62	NT\$67.26	NT\$62.21

● Thank you

