

# ● China Life Insurance Co., Ltd.

1H20





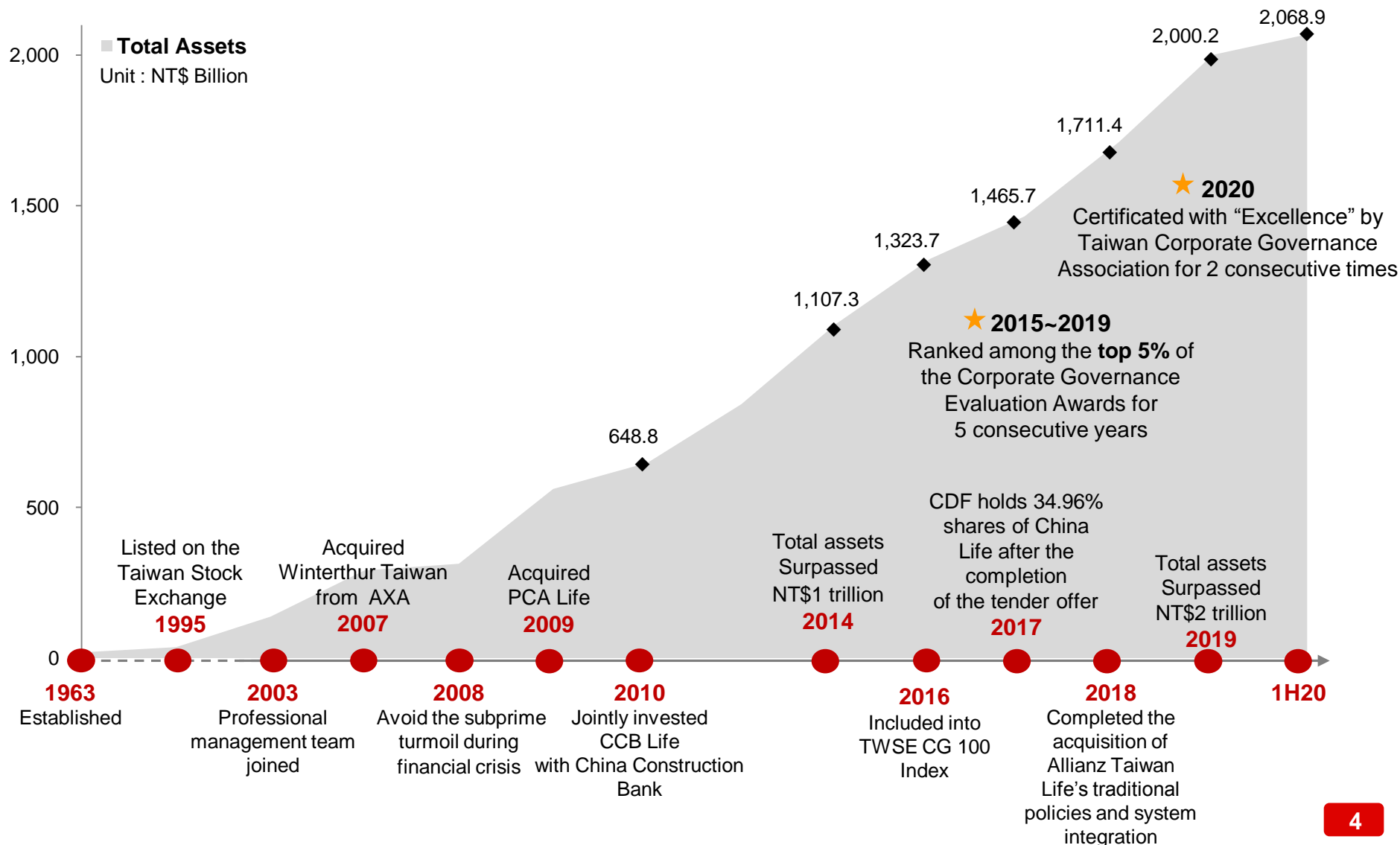
# Disclaimer

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# ● Business Performance



## ■ Continued growth in total assets with dedication to corporate governance and sustainability



Work toward  
sustainable development  
and aim to be  
the most reliable  
life insurance company

## Sound asset & liability management

Deliver continuous positive spread and generate sustainable profitability

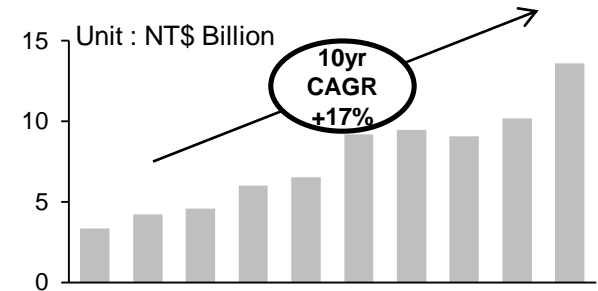
## Embedded value enhancement

Actively promote regular premium products and drive channels transformation

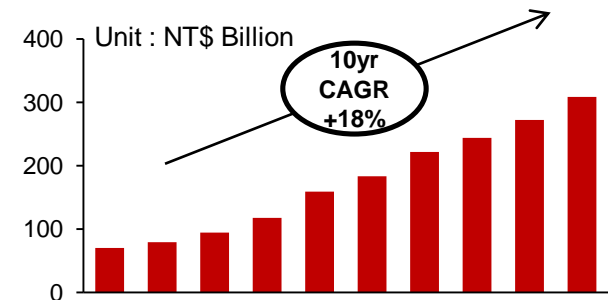
## Prudent capital management & risk control

Maintain sufficient capital level and sound investment portfolio

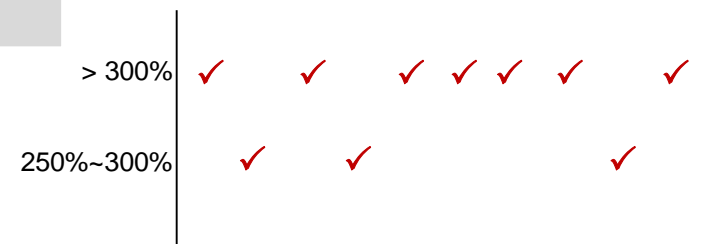
2010~2019 Net Profit



2010~2019 Embedded Value



✓ 2010~2019 RBC ratio



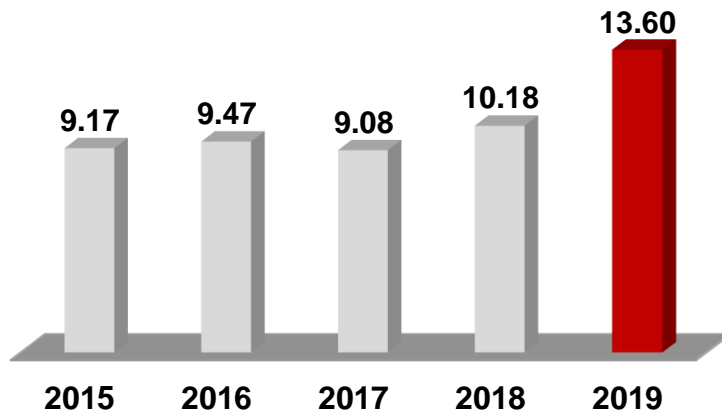
- Selected for inclusion in FTSE4Good TIP Taiwan ESG Index
- Selected for inclusion in Bloomberg Gender-Equality Index

# Performance Highlights

- Net profit up 7% yoy in the first half of 2020, translating into EPS of NT\$1.79

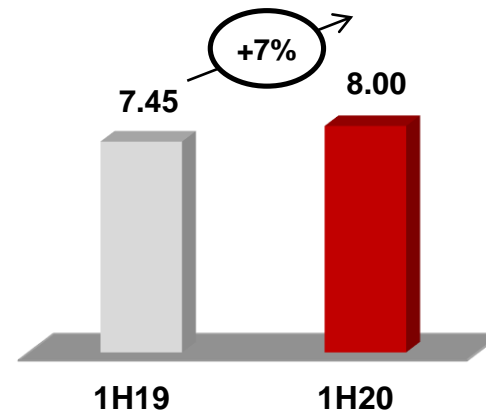
## Net Profit (annual)

Unit : NT\$ Billion



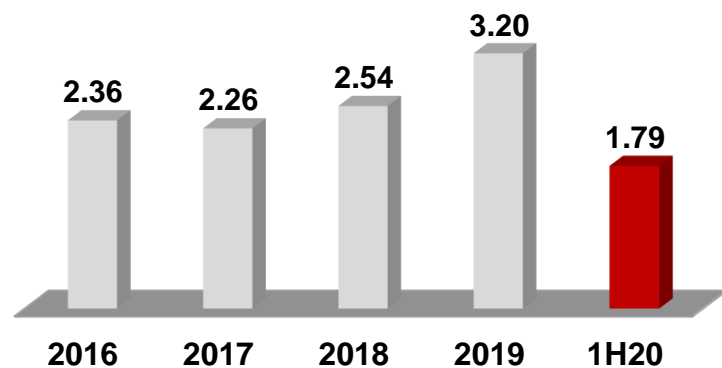
## Net Profit

Unit : NT\$ Billion

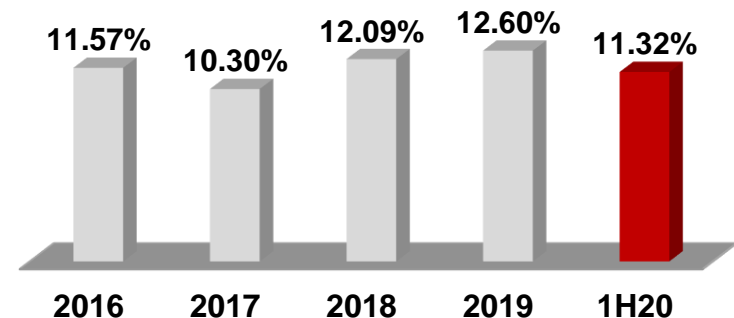


## Earnings per Share

Unit : NT\$



## ROE



\*EPS were disclosed according to financial reports

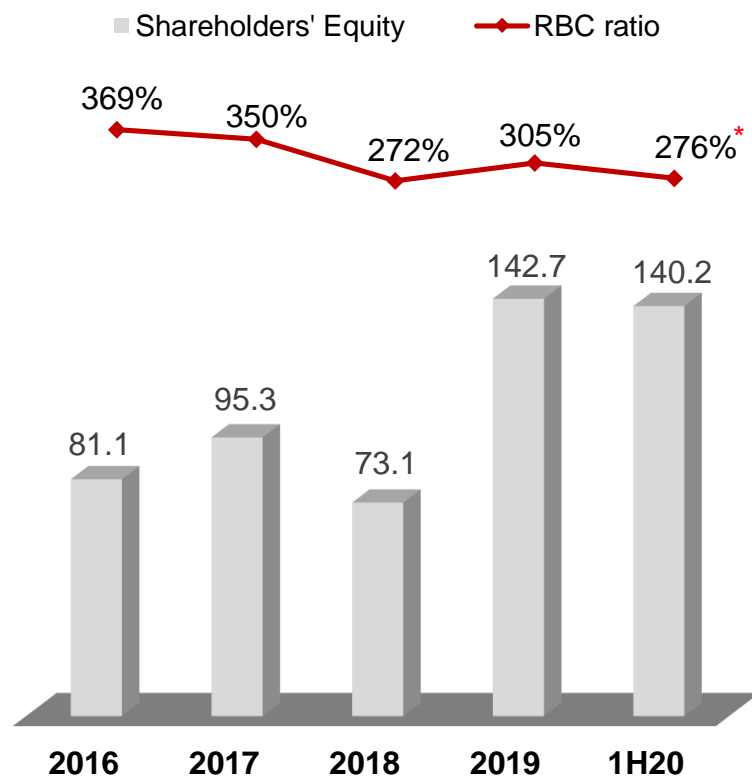


# Shareholders' Equity and Unrealized Balance of Financial Assets

## ■ Maintain sufficient capital level

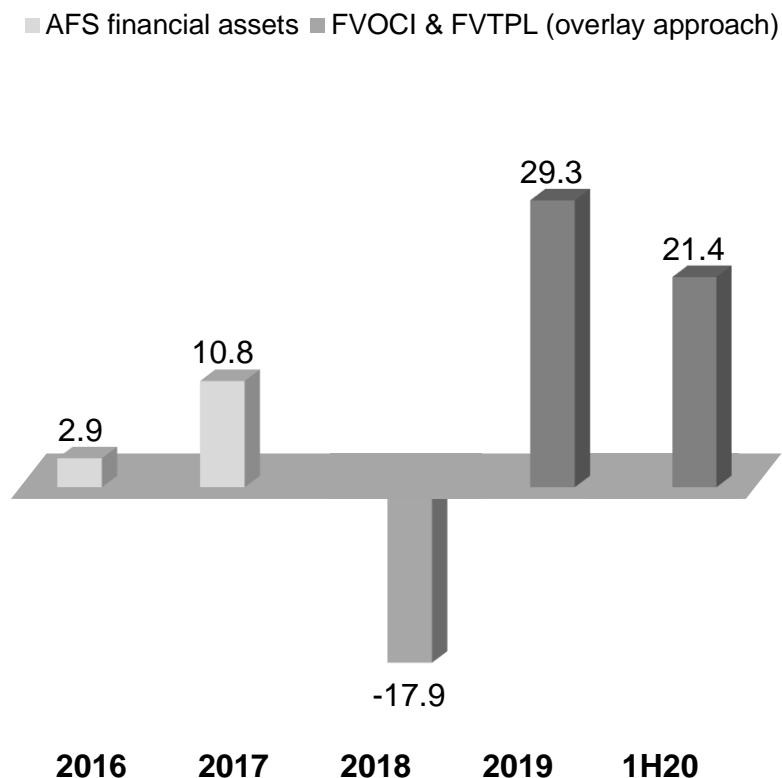
### Shareholders' Equity

Unit : NT\$ Billion



### Unrealized G/L of financial assets

Unit : NT\$ Billion



\* Preliminary RBC ratio

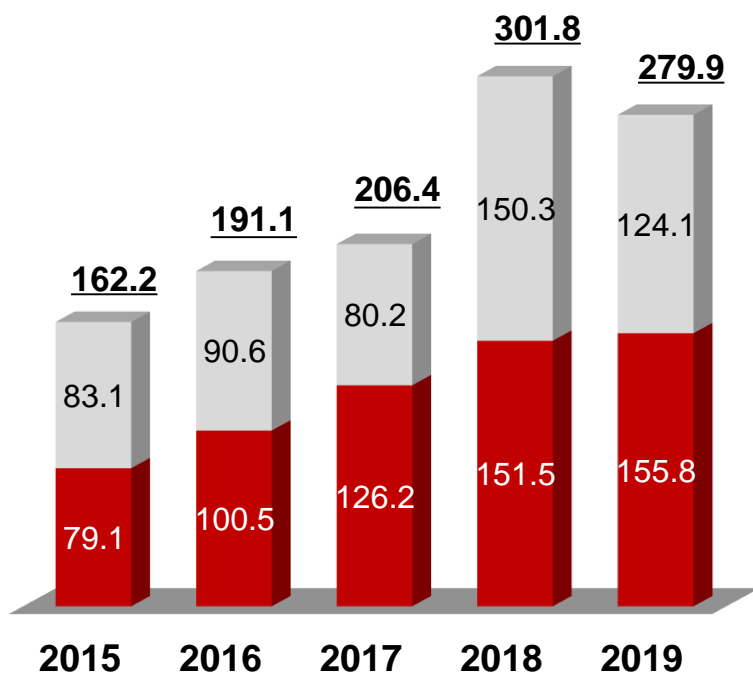
# Total Premium

- Deliver consistent growth in renewal premium income and business scale

## Total Premium (annual)

Unit: NT\$ Billion

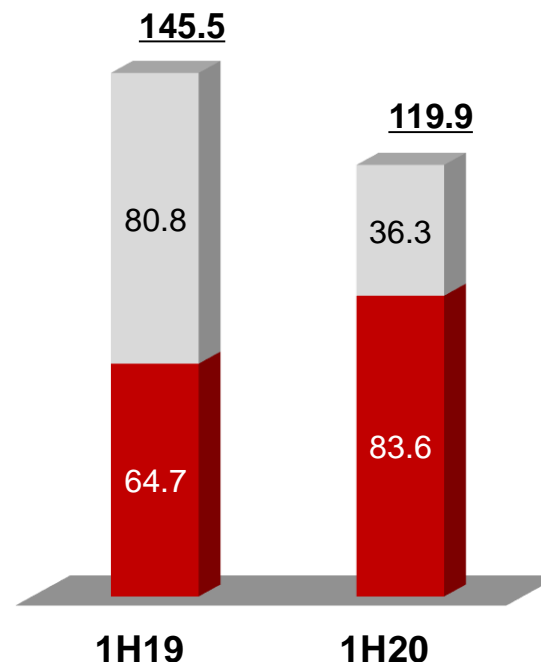
■ FYP ■ Renewal premium



## Total Premium

Unit: NT\$ Billion

■ FYP ■ Renewal premium



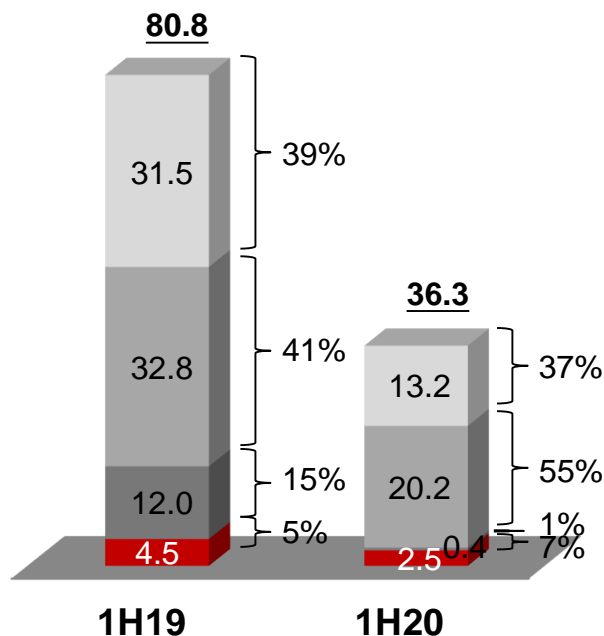


- Focus on product mix enhancement. Foreign currency denominated policies grew quarter by quarter to 72% of FYP

## FYP

Unit: NT\$ Billion

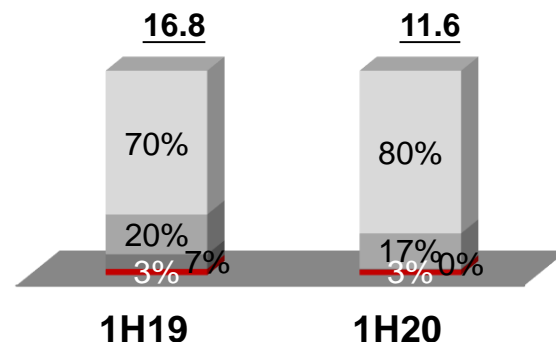
- Traditional\*\* - regular
- Traditional\*\* - single
- Interest Sensitive Annuity & Universal Life
- Investment-link



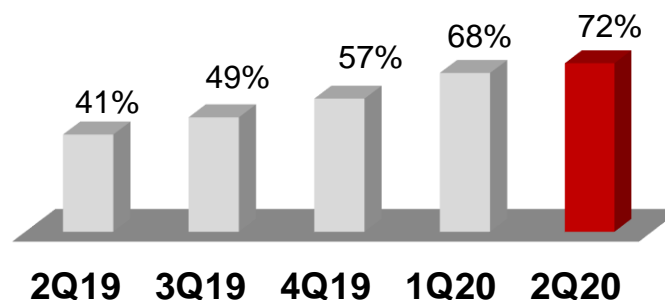
## FYPE\*

Unit: NT\$ Billion

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



## Foreign-currency policy as % of FYP



\* **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

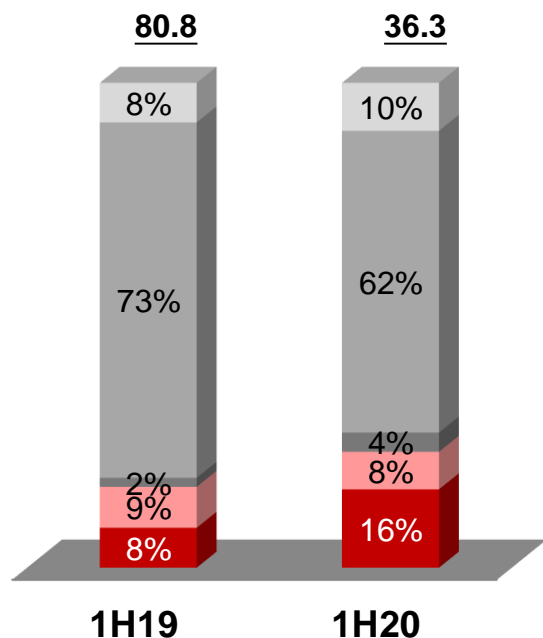
\*\* **Traditional**: incl. traditional life, interest sensitive life, health & accident

- Develop multi-channel strategy and agency transformation through utilizing digital tools

## FYP

Unit: NT\$ Billion

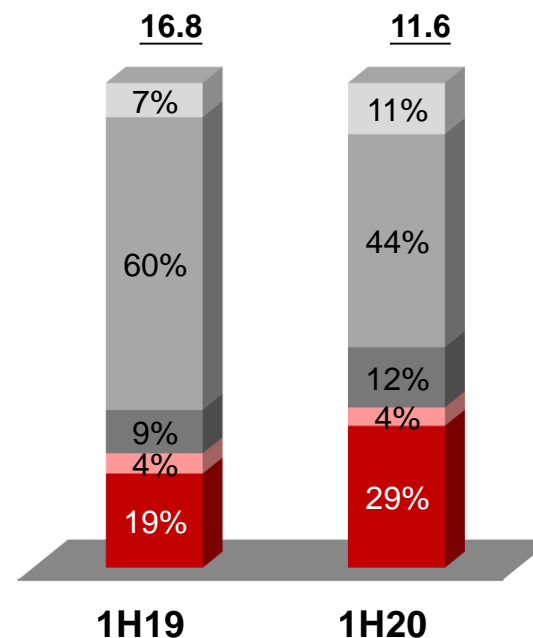
- Broker
- Bancassurance
- Group
- Financial services
- Agency



## FYPE\*

Unit: NT\$ Billion

- Broker
- Bancassurance
- Group
- Financial services
- Agency



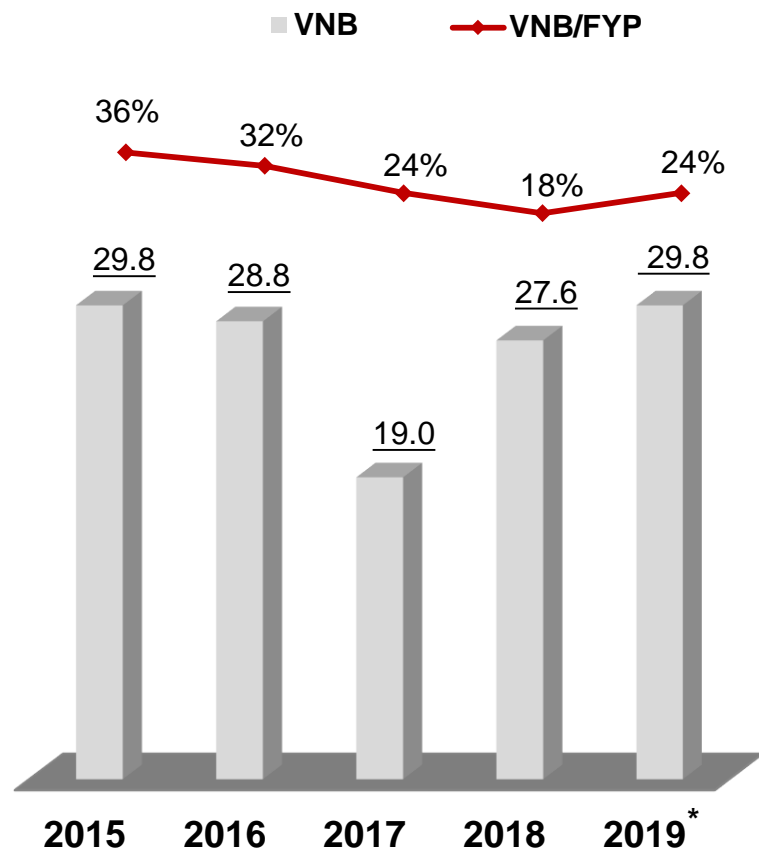
\* **FYPE (First Year Premium Equivalent)** = 10% x single & flexible premium + 20% x 2-year premium payment term + ... + 50% x 5-year premium payment term + 100% x 6-year and more premium payment term

# VNB and Margin

- Driven by the value focused strategy, VNB margin enhanced to 30%

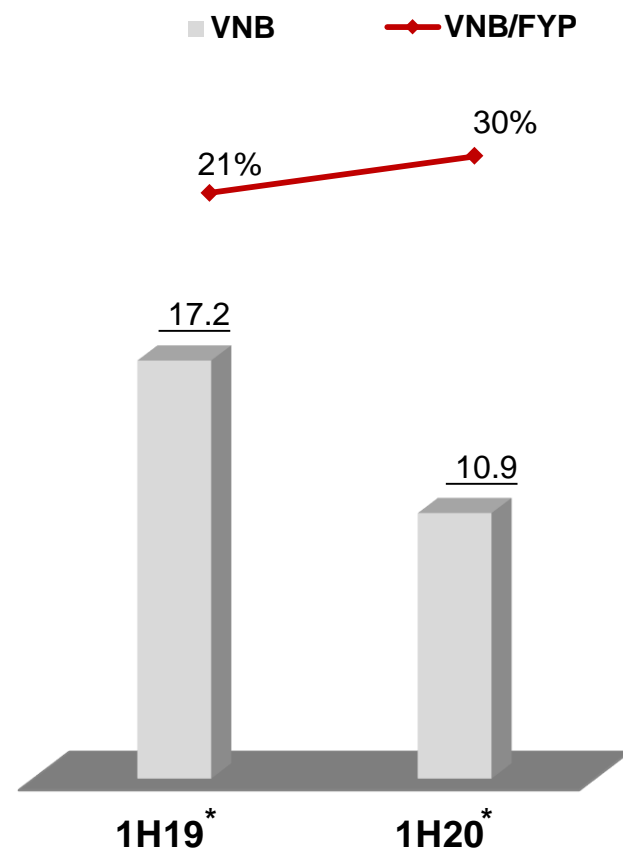
## VNB and Margin (annual)

Unit : NT\$ Billion



## VNB and Margin

Unit : NT\$ Billion

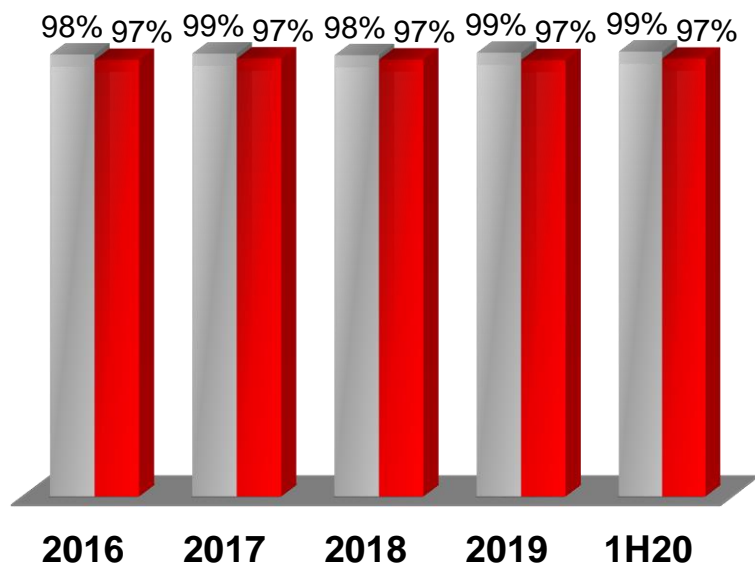


\* 1H19, 2019 & 1H20 VNB were based on 2019 EV assumption

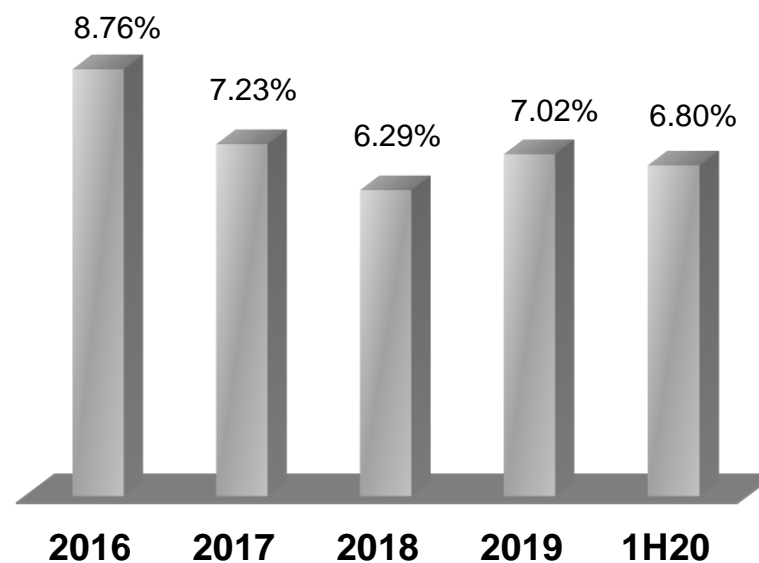
- Maintain stable persistency ratio and expense ratio

## Persistency Ratio

■ 13 M ■ 25 M



## Expense Ratio



## ■ Prudent asset allocation and risk management

(Unit: NT\$ Billion)	2019/06/30		2019/12/31		2020/06/30	
	Amount	Weight	Amount	Weight	Amount	Weight
Deposits and Short-term investment	18.0	1.0%	43.9	2.3%	59.8	3.1%
Domestic Fixed Income*	294.4	16.6%	318.7	17.2%	313.9	16.3%
Domestic Equity	134.1	7.6%	122.5	6.6%	125.0	6.5%
Loans - Mortgage	1.0	0.1%	0.8	0.0%	0.7	0.0%
Loans - Policy	32.5	1.8%	33.2	1.8%	32.7	1.7%
Real Estate	35.0	2.0%	36.7	2.0%	38.5	2.0%
Foreign Deposits	18.3	1.0%	36.6	2.0%	27.1	1.4%
Overseas Fixed Income**	1,188.0	67.0%	1,205.6	65.0%	1,251.7	65.0%
Overseas Equity	51.6	2.9%	56.9	3.1%	76.4	4.0%
<b>Total Investments</b>	<b>1,772.9</b>	<b>100.0%</b>	<b>1,854.9</b>	<b>100.0%</b>	<b>1,925.8</b>	<b>100.0%</b>

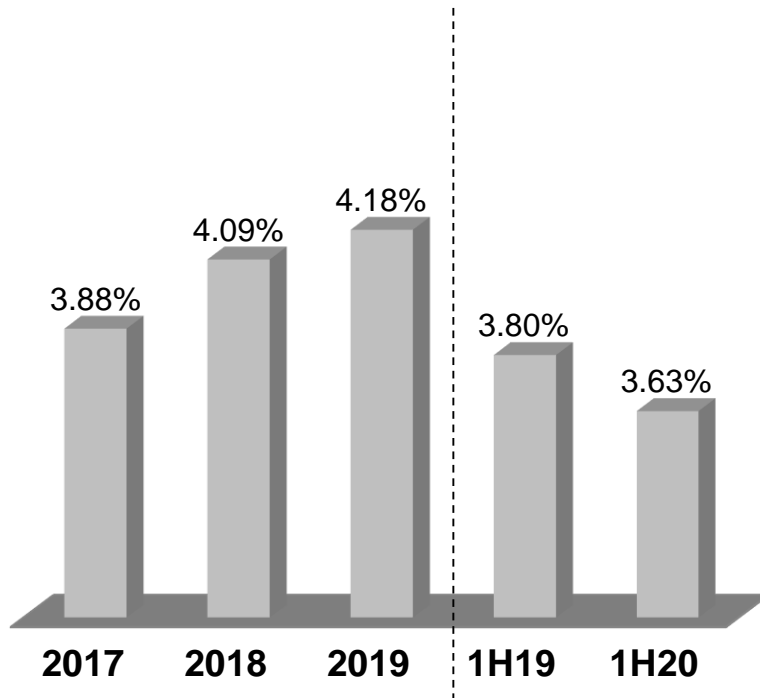
\* Including NTD-denominated ETF

\*\* Including OTC Listed Int'l Bonds. Investment amount in OTC Listed Int'l Bonds in 1H19, 2019 and 1H20 were NT\$443.3 bn, NT\$416.9 bn, NT\$416.3 bn, respectively

# Recurring Yield & Overseas Fixed Income By Region

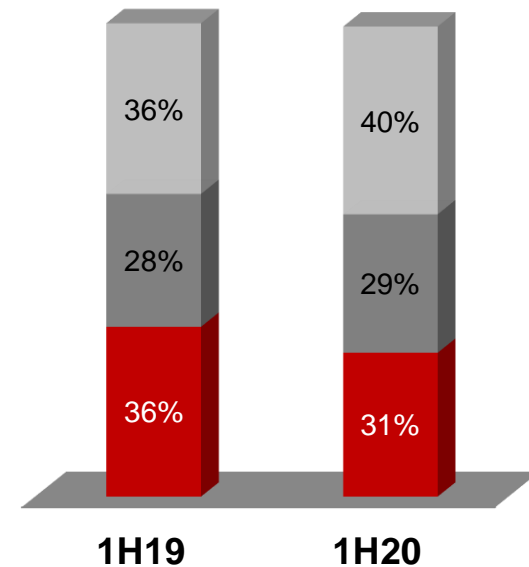
- Generate sustainable recurring investment return under prudent risk management

## Pre-hedging Recurring Yield \*



## Overseas Fixed Income By Region

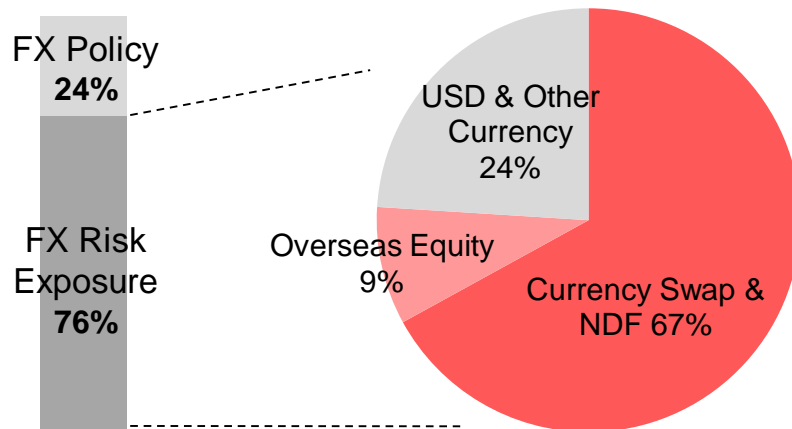
■ Asia & Others ■ Europe ■ North America



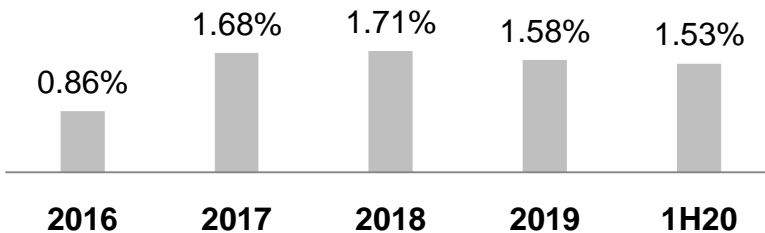
\* Based on actual exchange rate

- Manage FX exposure with solid structure. Hedging cost was 1.53% in 1H20

## FX Position in 1H20

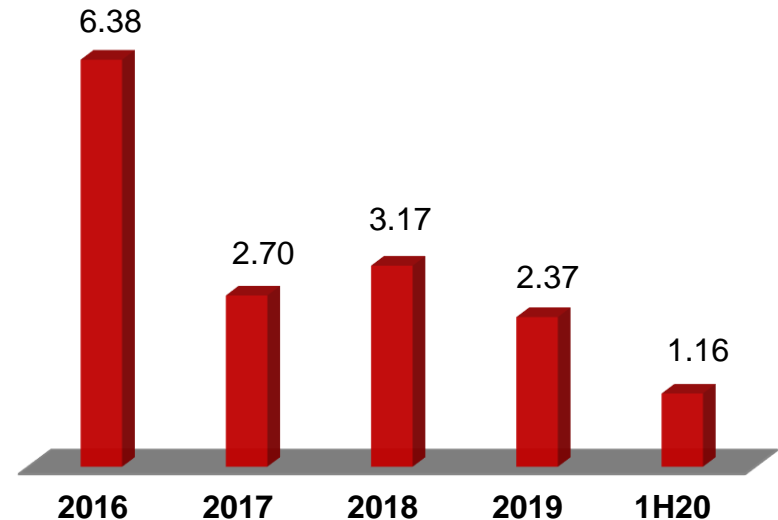


## Hedging Cost



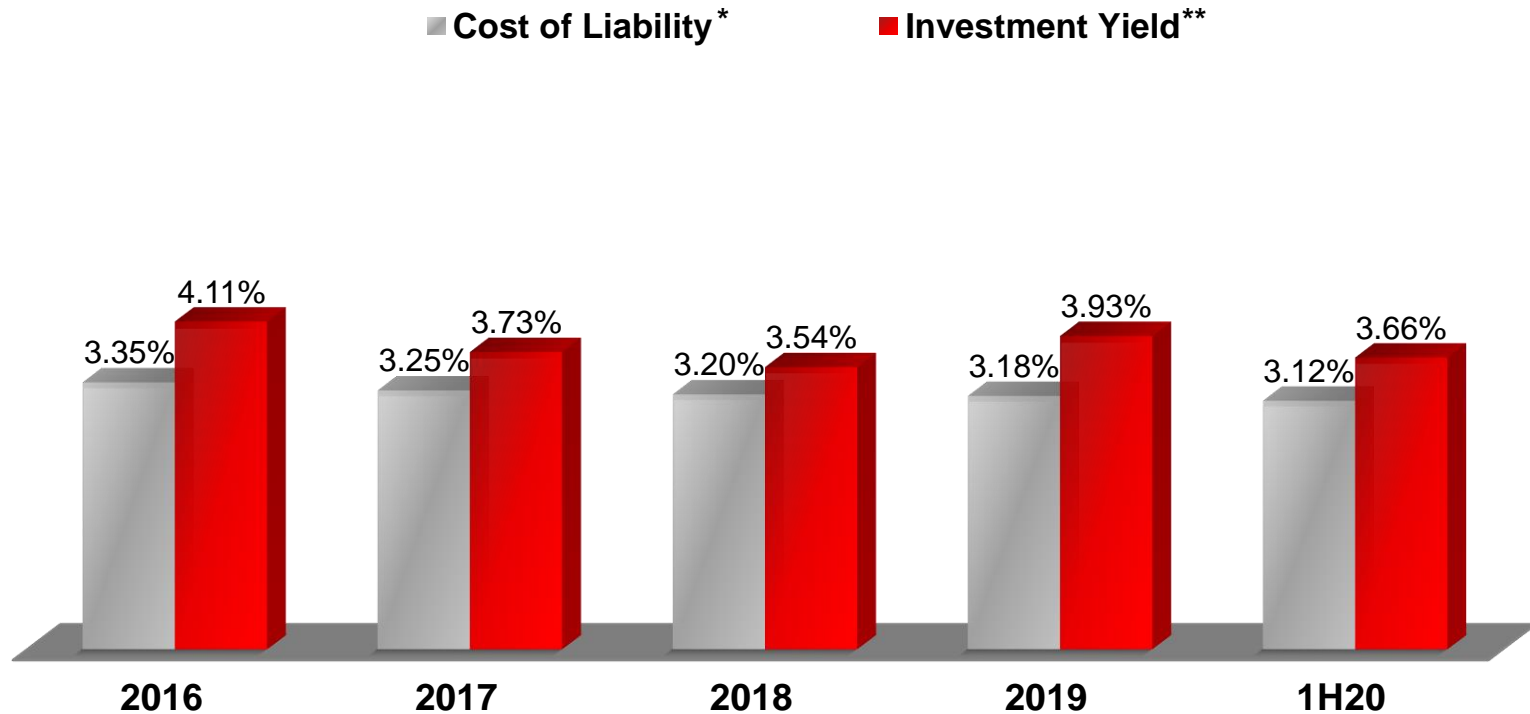
## FX Reserve Balance

Unit : NT\$ Billion



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

- Emphasis on asset & liability management to generate long-term positive spread



\* Reserve-based cost of liability

\*\* Included realized gain/ loss under FVOCI since 2018



# Financial Highlights

(NT\$ million)	2018	2019	YoY	1H19	1H20	YoY
<b>Income statement</b>						
First year premium	150,339	124,095	-17%	80,758	36,320	-55%
Total premium	301,832	279,910	-7%	145,496	119,944	-18%
Retained premium earned	280,819	260,084	-7%	137,524	113,825	-17%
Total investment income	52,613	67,230	28%	32,580	34,260	5%
Recurring investment income	58,147	68,664	18%	31,231	32,598	4%
Other investment income	(5,534)	(1,434)	74%	1,349	1,662	23%
Realized gains (losses) from equity	6,937	4,800	-31%	2,597	2,349	-10%
Realized gains (losses) from fixed income	5,252	12,990	147%	6,780	9,472	40%
Fair value movement for investment property	(58)	0	NM	0	47	NM
FX related and others	(17,665)	(19,224)	-9%	(8,028)	(10,206)	27%
Other operating revenue	1,124	1,229	9%	591	652	10%
Total operating revenue	334,556	328,543	-2%	170,695	148,737	-13%
Retained claim payments	95,111	103,589	9%	52,063	50,319	-3%
Net changes in insurance liabilities	213,696	191,942	-10%	100,495	81,442	-19%
Commission expenses	12,318	12,128	-2%	6,583	4,506	-32%
Administrative and general expenses	4,955	5,811	17%	2,995	3,028	1%
Other operating expenses	520	482	-7%	218	244	12%
Total operating costs and expenses	326,600	313,952	-4%	162,354	139,539	-14%
Non-operating income and expenses	1,647	11	-99%	4	4	0%
Income before tax	9,603	14,602	52%	8,345	9,202	10%
Net income	10,178	13,598	34%	7,450	8,003	7%
Earnings per share (NT\$)*	2.54	3.20	26%	1.85	1.79	-3%

## Balance sheet data

Total assets	1,711,355	2,000,238	17%	1,896,755	2,068,876	9%
Total assets (general account)	1,647,854	1,922,316	17%	1,825,263	1,995,117	9%
Insurance liabilities	1,555,698	1,740,627	12%	1,661,229	1,815,848	9%
Total liabilities	1,638,261	1,857,568	13%	1,766,820	1,928,707	9%
Total liabilities (general account)	1,574,760	1,779,646	13%	1,695,328	1,854,948	9%
Total shareholders' equity	73,094	142,670	95%	129,935	140,169	8%

## Key financial ratios

ROA	0.64%	0.73%		0.82%	0.78%	
ROE	12.09%	12.60%		14.68%	11.32%	
RBC ratio**	272%	305%		319%	276%	

\*EPS were disclosed according to financial reports

\*\*1H20 RBC ratio is preliminary figures

# 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 24 provincial branches and 217 sub-branches, CCB Life continues to expand its operations and fully utilizes China Construction Bank's 11,316 branches as bancassurance network

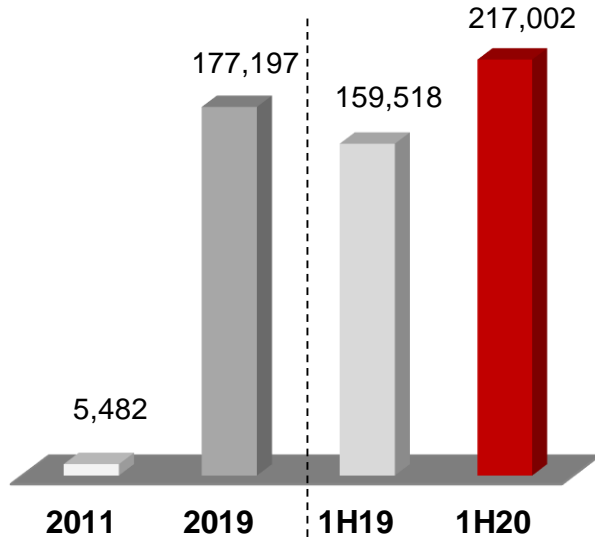
■ A total of 3 provincial branches in 2Q 2011

■ As of June 2020, CCB Life has expanded its business scope to 24 provincial branches

# Remarkable Business Growth

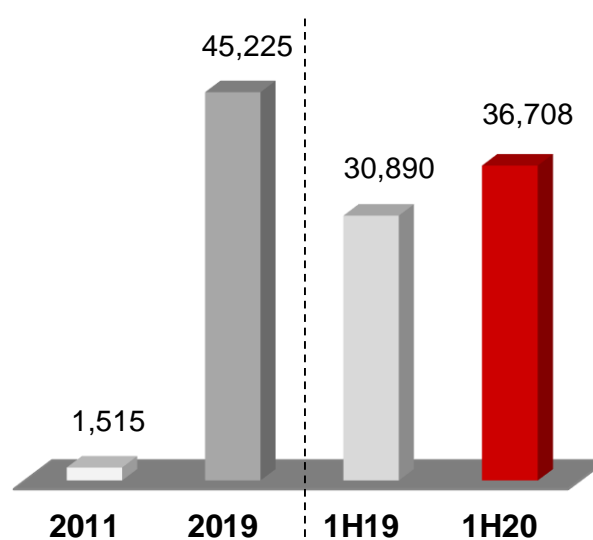
## Total Assets

Unit : RMB\$ Million



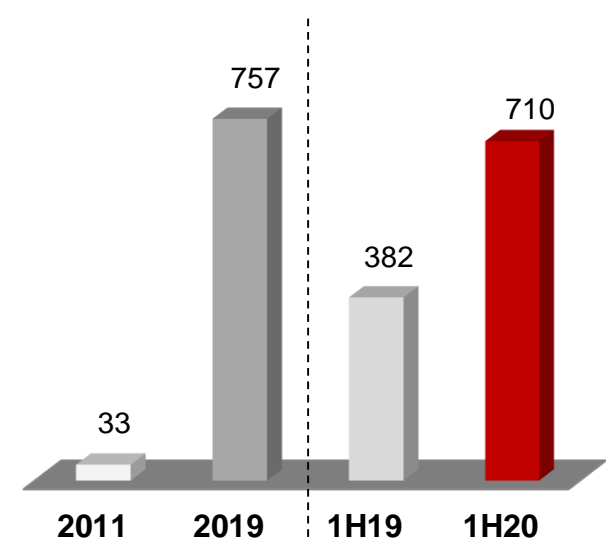
## Total Premium

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 24 provincial branches and 217 sub-branches & offices as of June 2020

### Business transformation and optimization

- Focus 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

**2019**

### NTD Policies

Year 1 ~ Year 19 : **3.50% ~ 4.88%**

Year 20 and after : **4.88%**

### USD Policies

Year 1 ~ Year 19 : **4.30% ~ 5.20%**

Year 20 and after : **5.20%**

**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%**

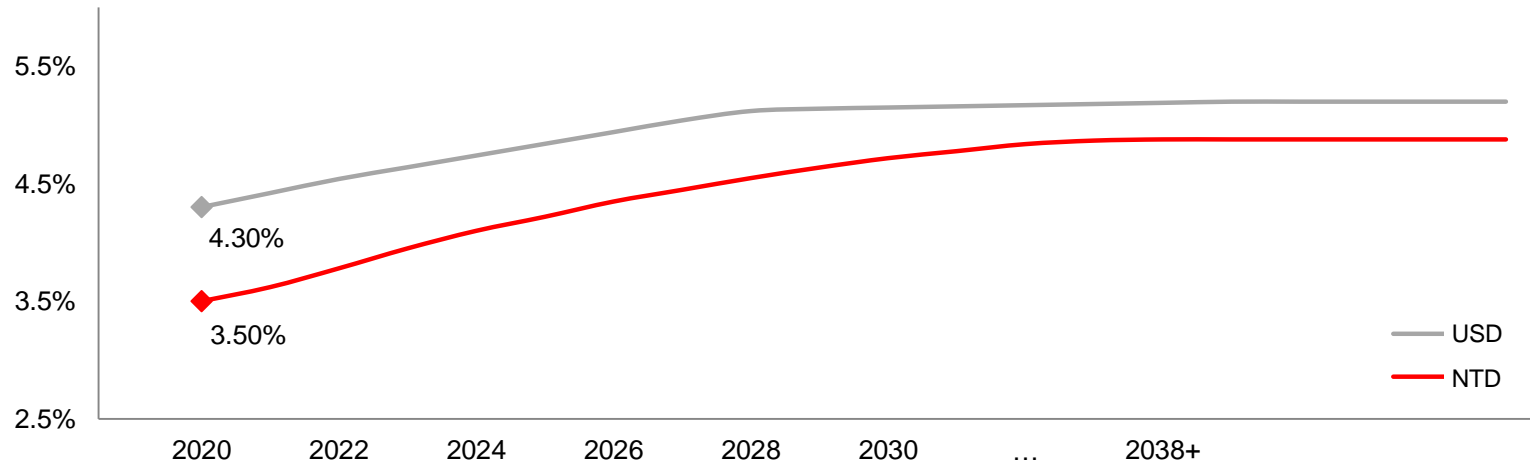
\*including interest-sensitive annuities & universal life

## Risk Discount Rate

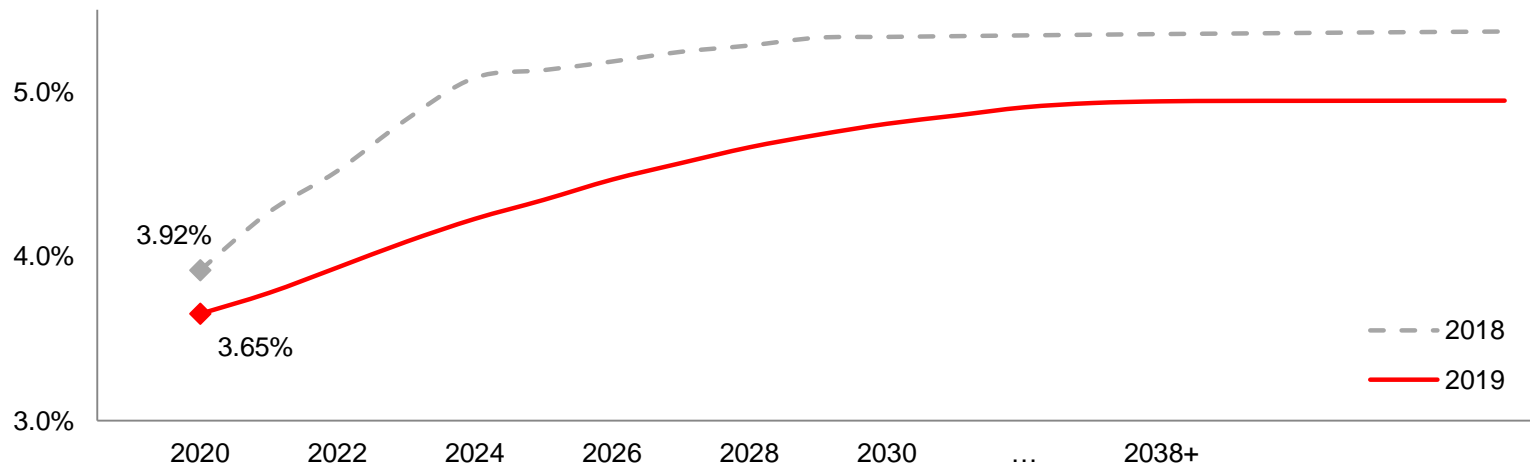
2019 RDR: 9.5%

2018 RDR: 10.5%

## Investment return assumptions for the VIF in 2019



## Investment return assumptions for the VIF in 2018 and 2019



## 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	2018/12/31	2019/12/31	YoY %
Adjusted Net Worth	84.8	122.4	44.4%
Value of In Force	221.1	225.1	1.8%
Cost of Capital	(33.3)	(38.7)	16.1%
<b>Embedded Value</b>	<b>272.6</b>	<b>308.8</b>	<b>13.3%</b>
# of Outstanding Shares	4,014	4,464	-
<b>EV Per Share</b>	<b>NT\$67.9</b>	<b>NT\$69.2</b>	<b>1.9%</b>
<b>V1NB (after CoC)*</b>	<b>27.6</b>	<b>29.8</b>	<b>8.2%</b>

\* V1NB = Value of last 12 months new business

# Sensitivity Analysis - VIF

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

Valuation Date: 2019/12/31	All else equal except		Base Case	All else equal except	
Solvency Basis: RBC=200%	Inv. Yield	Inv. Yield	Investment Yield: NTD <b>3.50%~4.88%</b> USD <b>4.30%~5.20%</b>	RDR	RDR
	- 0.25%	+ 0.25%	RDR: <b>9.5%</b>	-0.5%	+0.5%
Adjusted Net Worth	122.4	122.4	122.4	122.4	122.4
Value of In-Force	190.6	258.3	225.1	236.7	214.5
Cost of Capital	(40.8)	(36.6)	(38.7)	(37.0)	(40.2)
<b>Embedded Value</b>	272.3	344.1	308.8	322.2	296.7
<b>EV per share</b>	NT\$61.0	NT\$77.1	NT\$69.2	NT\$72.2	NT\$66.5

● Thank you

