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新华人寿保险股份有限公司  
New China Life Insurance Company Ltd.

## 2014 Annual Results Announcement



March 2015

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# Agenda



## Overview

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Strategy & outlook



In 2014, the Company adhered to the "customer-centric" strategic direction, thoroughly implemented the strategic principles of "adhering to the sustained and steady development of existing business, upholding reform and innovation, committing to value, and returning to the essence of insurance" and steadily proceeded with the strategic initiatives of "Ten major systems, Six major platforms, Three core capacities and Two synergetic sectors". In the reporting period, the Company achieved significant results under the concept of "focusing on value as well as considering scale", with first year premium increasing 33.1% YoY and value of new business increasing 16.0% YoY. The fast growth can be attributed to the improvements and enhancements we achieved in the areas of product structure, team capability, customer base and institution establishment.

- The Company continuously optimized product structure, with health insurance products and annuities driving value enhancement
- Sales team remained stable with improved capabilities, as proportion and per capita productivity of high performing agents were steady and gradually increasing
- Customer base kept growing with optimized structure, while the proportion of "core customer" in new customers increased dramatically
- City branches gradually strengthened their strategic and competitive positions to become a major source of premiums

We are pleased to see that the business performance and strategic transformation of NCI have gained recognition in the capital market, and the Company's share price outperformed the market in 2014.

# Key financial & business indicators

Unit: RMB million	2014/ End of 2014	2013/ End of 2013	Change (%)	
Gross written premiums	109,868	103,640	↑	6.0%
Market share	8.7%	9.6%	↓	0.9 pts
Net profit attributable to shareholders of the Company	6,406	4,422	↑	44.9%
Total assets	643,709	565,849	↑	13.8%
Shareholders' equity attributable to the Company	48,359	39,312	↑	23.0%
Basic earnings per share (RMB)	2.05	1.42	↑	44.4%
Net assets per share (RMB)	15.50	12.60	↑	23.0%
Weighted ROAE	14.63%	11.76%	↑	2.87 pts

Note: Market share: represents the data published by the CIRC

# Key financial & business indicators (cont'd)

Unit: RMB million	2014/ End of 2014	2013/ End of 2013	Change (%)	
Investment assets	625,718	549,596	↑	13.9%
Total investment income	32,323	24,734	↑	30.7%
Total investment yield <sup>1</sup>	5.8%	5.2%	↑	0.6 ppts
Net investment yield <sup>1</sup>	5.2%	5.0%	↑	0.2 ppts
Embedded value	85,260	64,407	↑	32.4%
Value of one-year's new business	4,912	4,236	↑	16.0%
Solvency margin	226.53%	169.66%	↑	56.87 ppts

Note: Investment yield has been restated. The comparative figures have been recalculated on the base line of this period



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# Overall insurance performance

## Gross written premiums

(RMB million)

NCI ranking<sup>1</sup>:

3

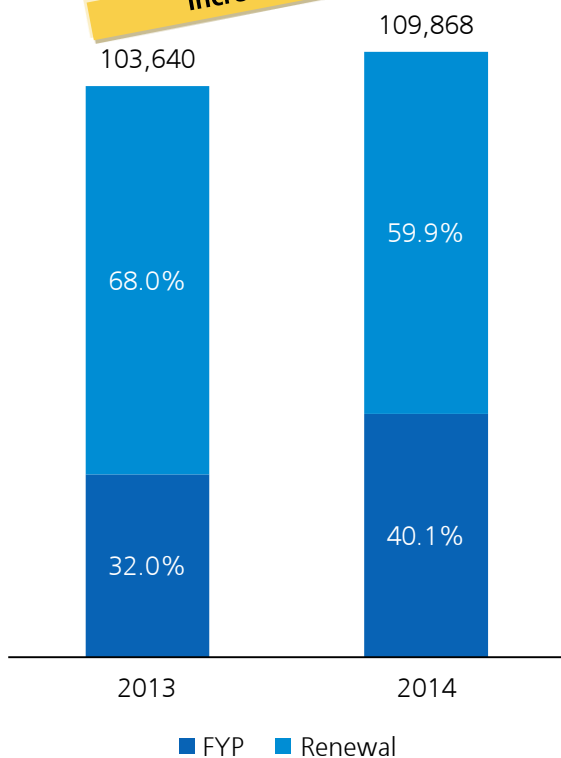
3

Market share:

9.6%

8.7%

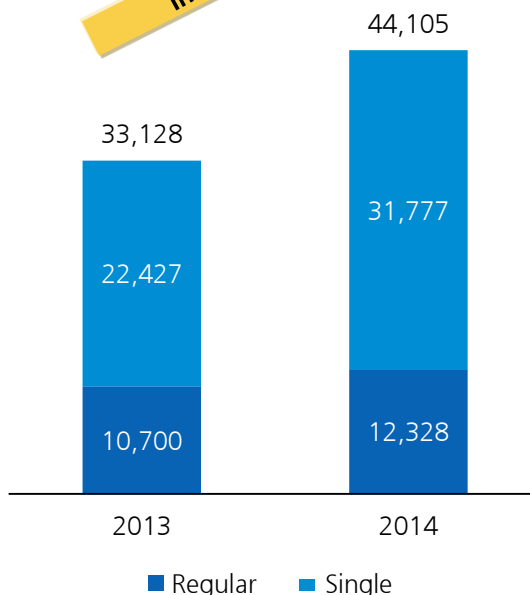
Increase: 6.0%



## First year premiums (FYP)

(RMB million)

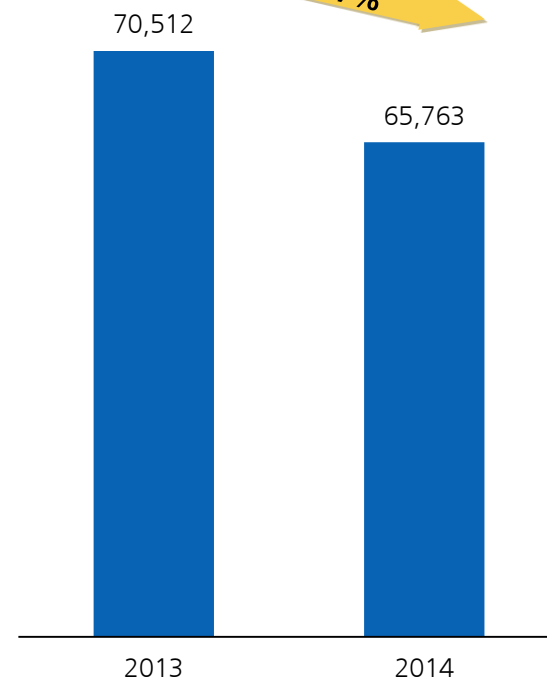
Increase: 33.1%



## Renewal premiums

(RMB million)

Decrease: 6.7%



Note

1. Market ranking and market share data derived from CIRC

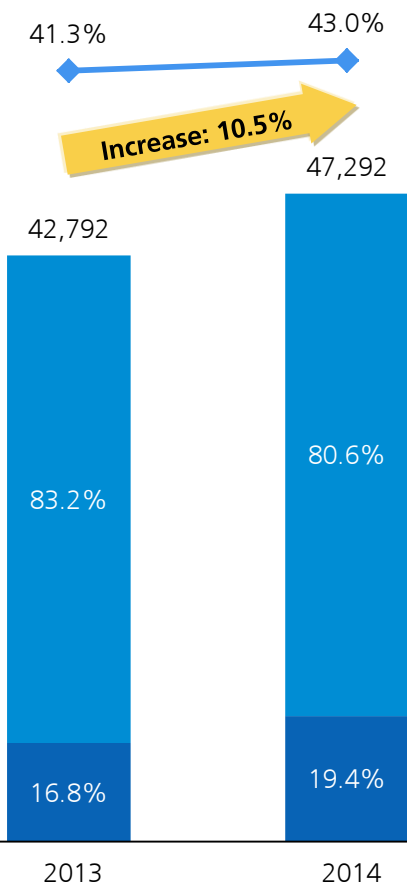


# Individual insurance agent channel

## Rapid premium growth and significant increase in channel contribution

### Individual insurance agent channel GWP

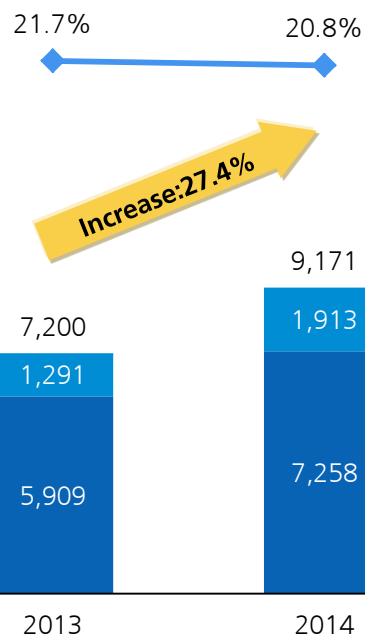
(RMB million)



■ FYP ■ Renewal Premiums  
— % of total premiums

### Individual insurance agent channel FYP

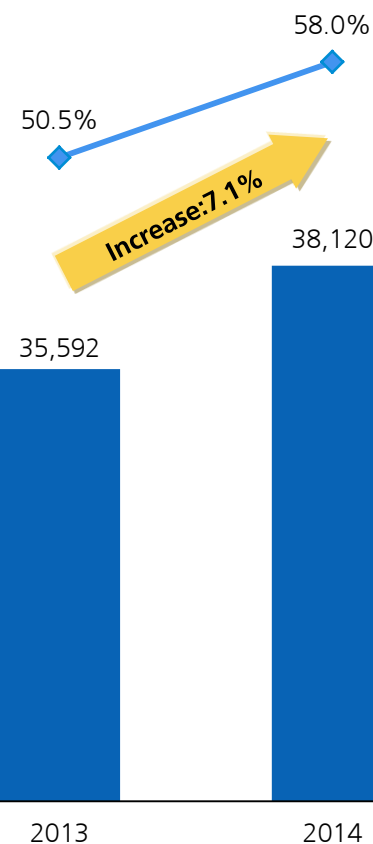
(RMB million)



■ Regular ■ Single  
— % of total FYP

### Individual insurance agent channel renewal premiums

(RMB million)



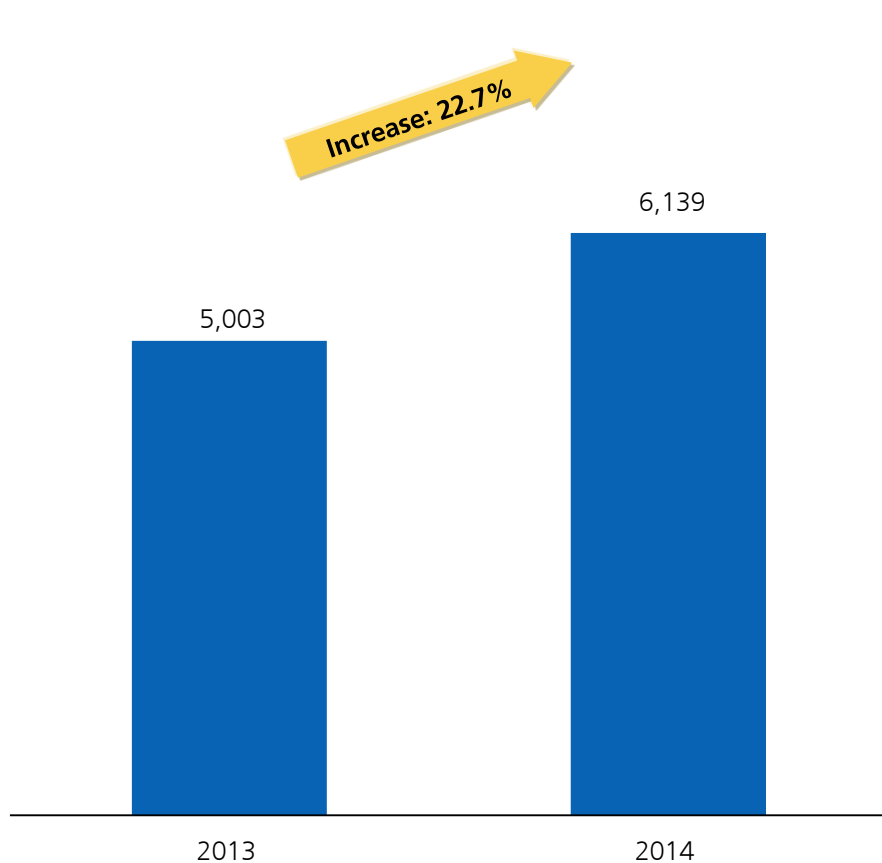
■ Individual insurance agent renewal premiums  
— % of total renewal premiums

# Individual insurance agent channel (cont'd)

## Consistent optimization for terms and product structure

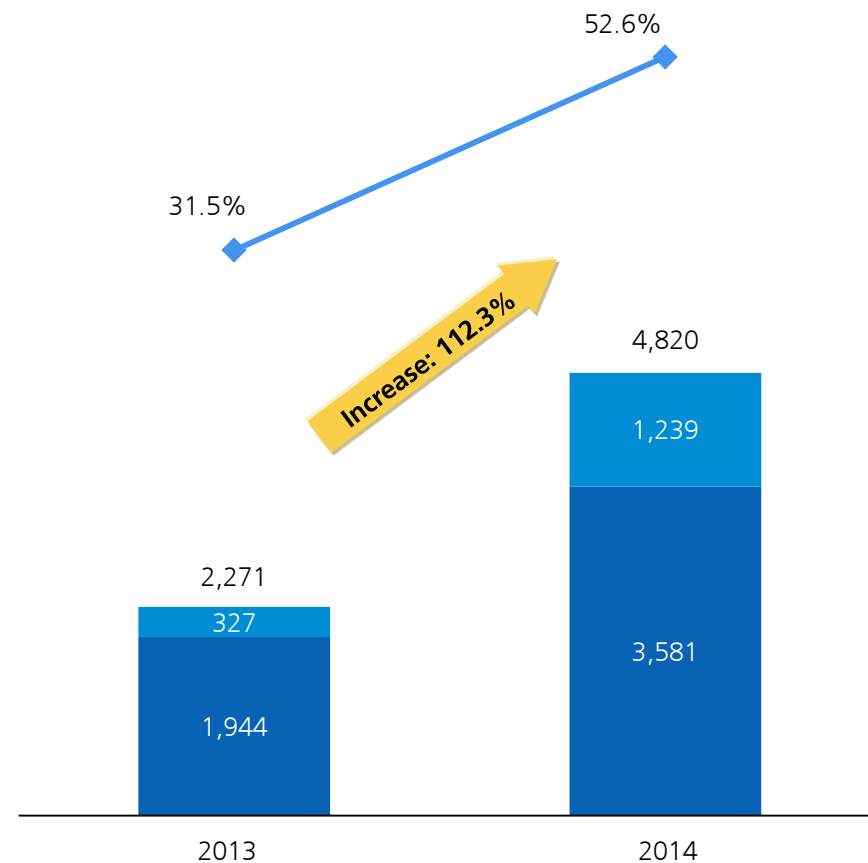
### FYP from regular products with payment period of 10 years or above

(RMB million)



### FYP contributed by traditional insurance and health insurance

(RMB million)



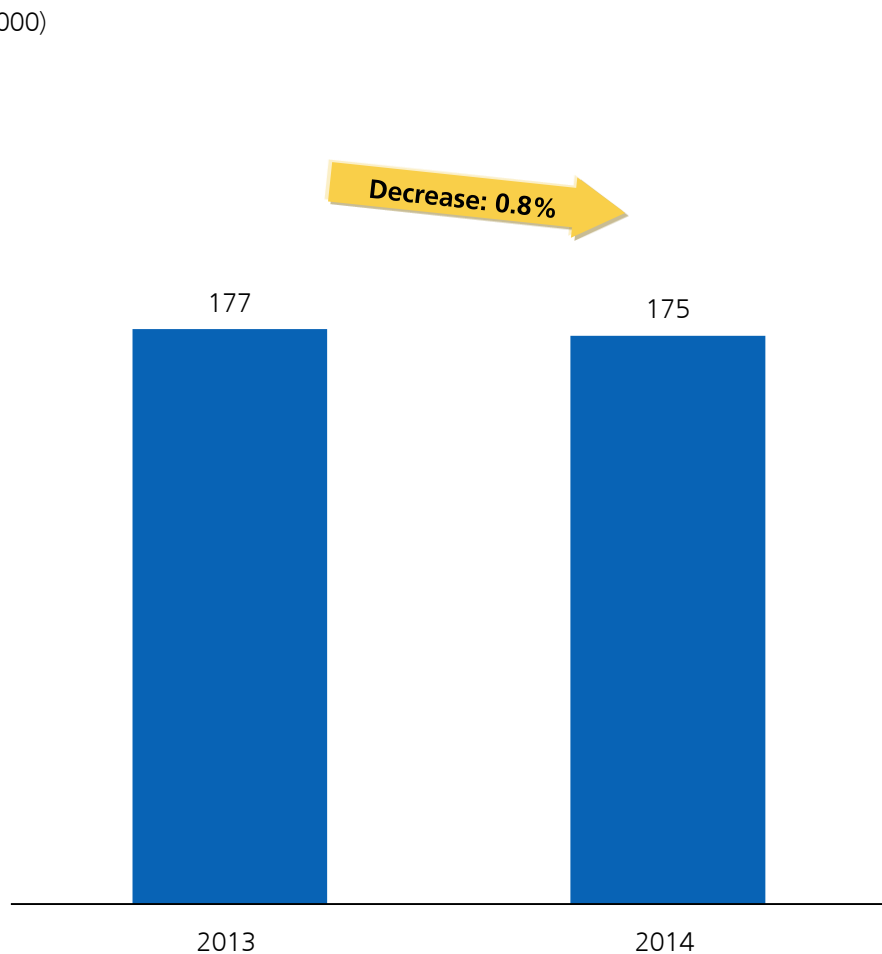
- Individual insurance agent renewal premiums
- Health insurance FYP
- % of FYP contributed by traditional and health insurance

# Individual insurance agent channel (cont'd)

## Sales team remains stable while promoting for better performance

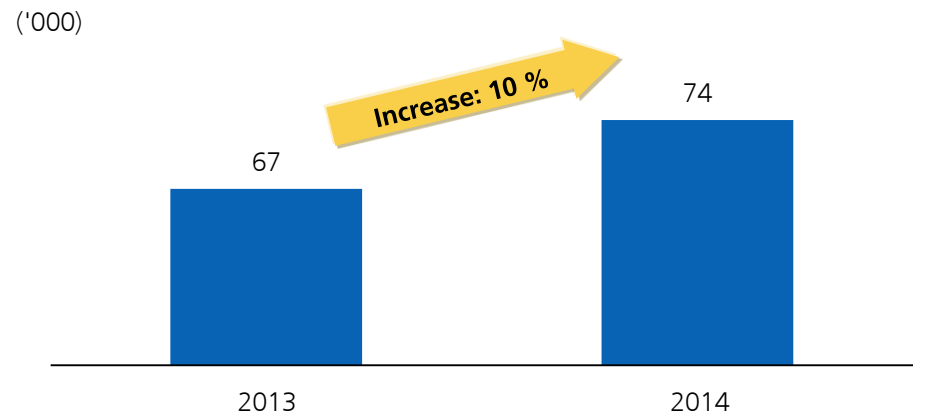
### Number of insurance agents

('000)



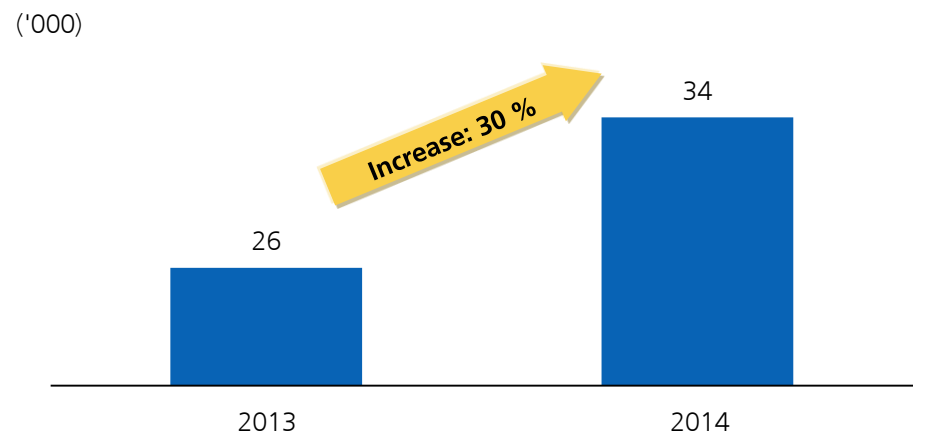
### # of qualified individual insurance agents<sup>1</sup> (monthly average)

('000)



### # of high performing individual insurance agents<sup>2</sup> (monthly average)

('000)



Note

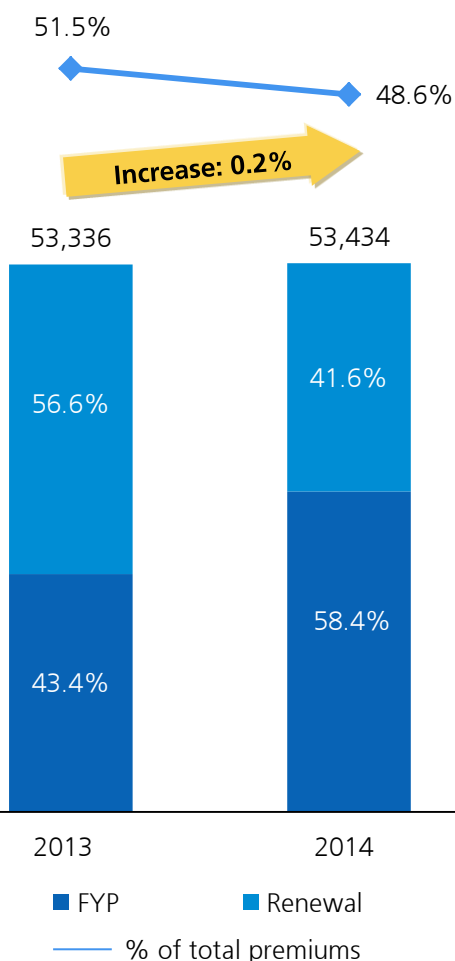
1. Qualified individual insurance agents refers to those who sold at least one insurance policy calculated on a monthly basis on an individual basis, of which the payment term is more than one year
2. High performing individual insurance agents refers to those who sold at least one insurance policy calculated on a monthly basis on an individual basis, of which the payment term is more than one year and individual insurance first year commission of not less than RMB2,000. The comparative figures have been recalculated on the basis line of the reporting period

# Bancassurance channel

## Volume growth driven by launch of new products

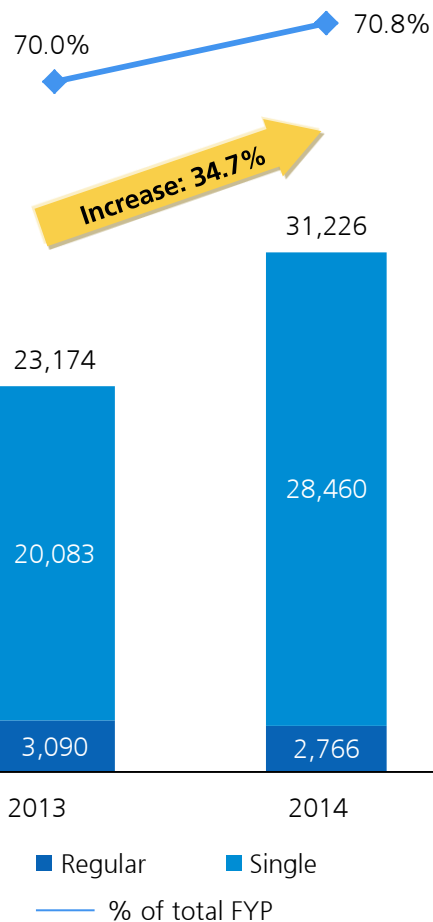
### Bancassurance channel GWP

(RMB million)



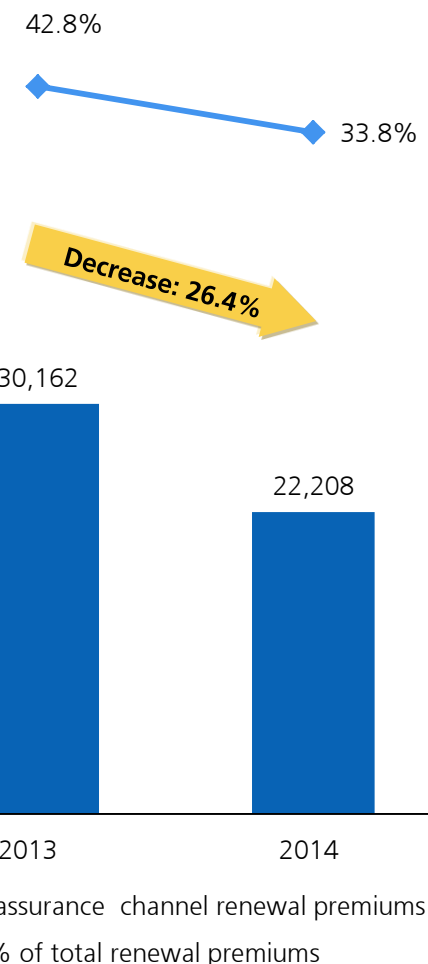
### Bancassurance channel FYP

(RMB million)



### Bancassurance channel renewal premiums

(RMB million)



Note: The bancassurance channel absorbs the pre-existing wealth channel. The comparative figures have been recalculated on the base line of this period

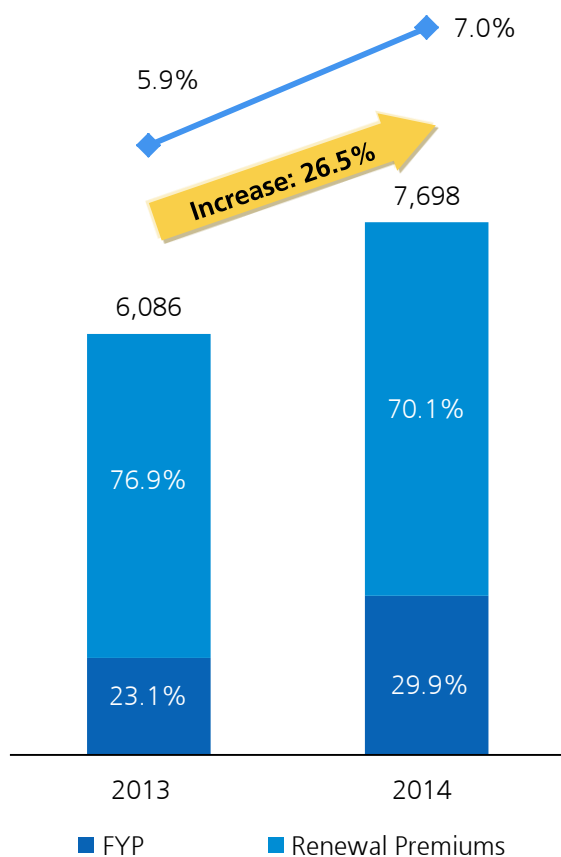
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# Service and business development channel

## Further deepen client management ability

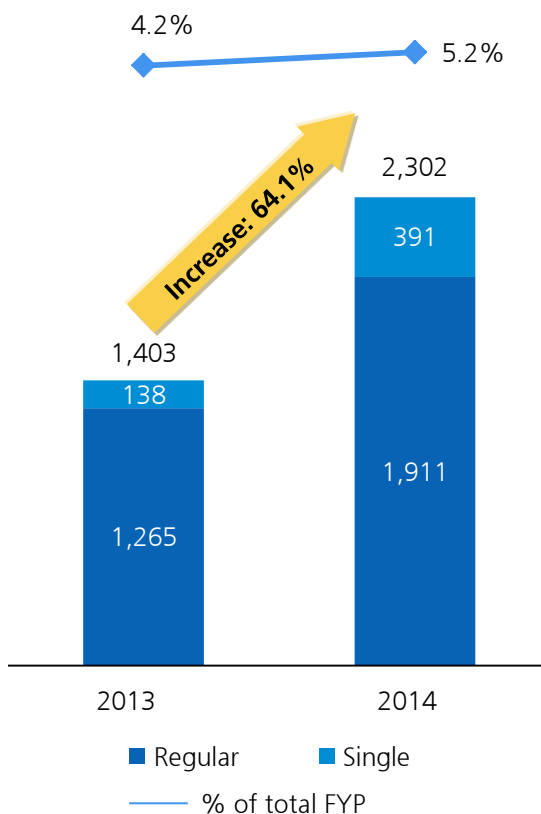
### Service and business development channel GWP

(RMB million)



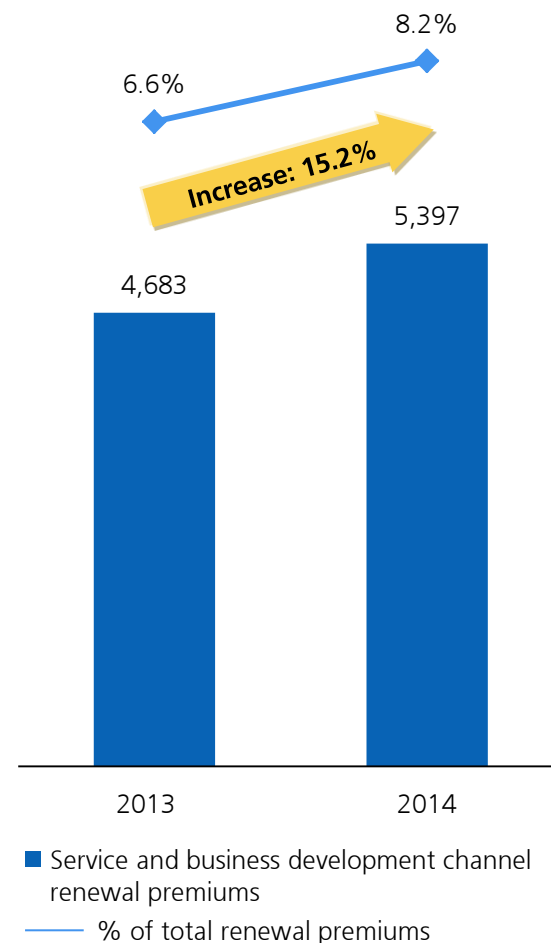
### Service and business development channel FYP

(RMB million)



### Service and business development channel Renewal Premiums

(RMB million)



Note: Beginning from 2014, the service and business development channel was presented separately. The premiums of each channel have been adjusted accordingly. The comparative figures have been recalculated on the base line of this period

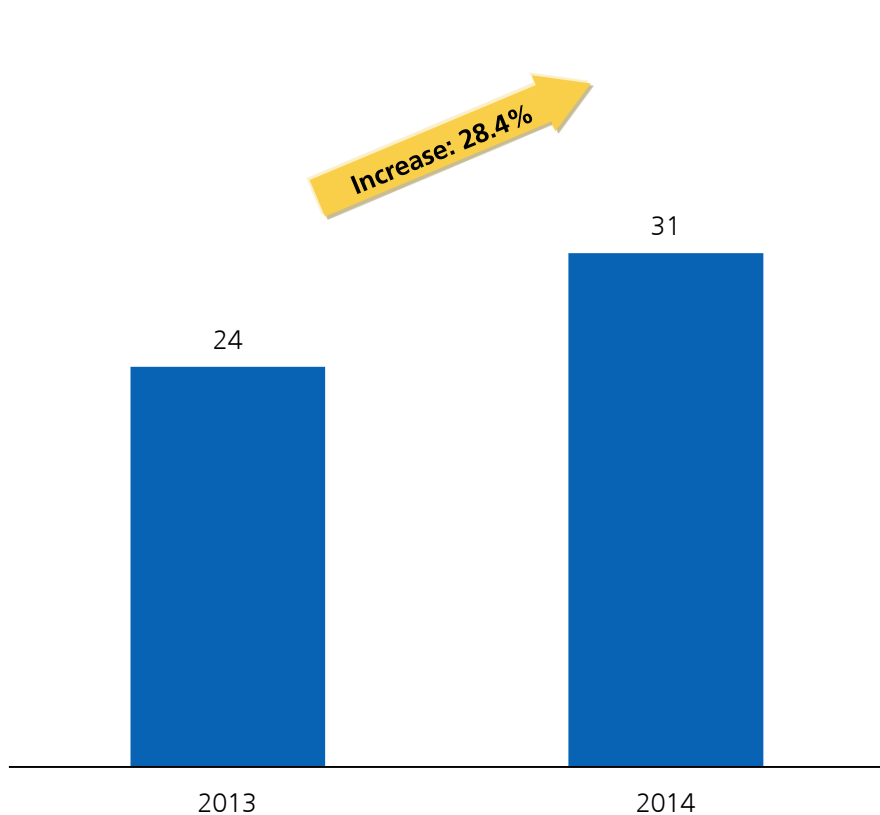
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# Service and business development channel (cont'd)

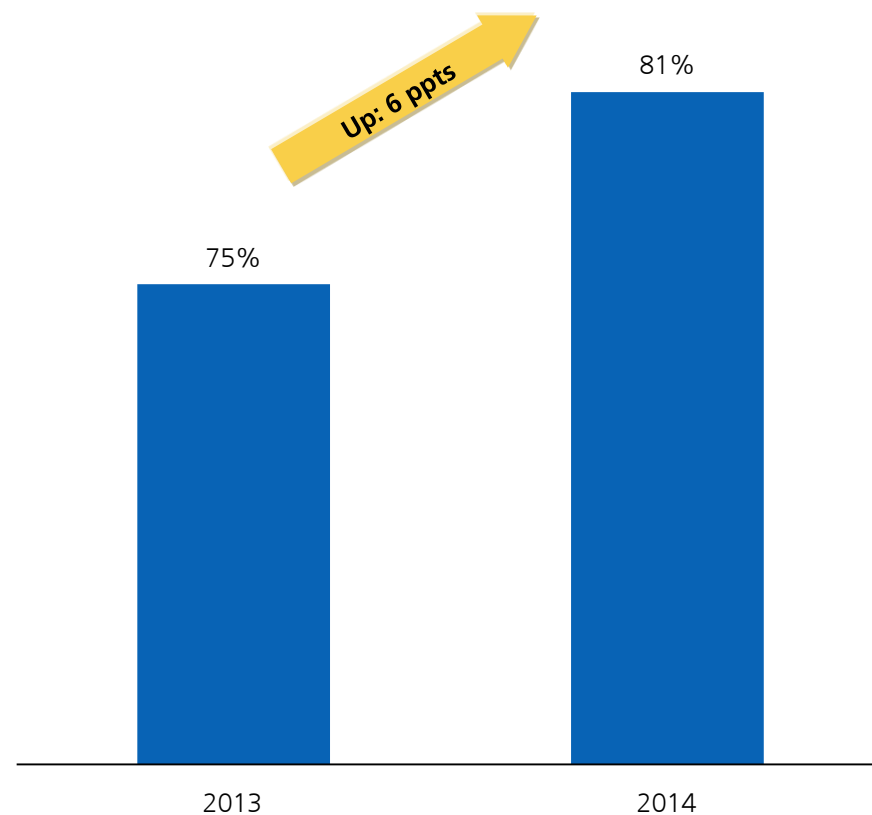
## Sustainable growth of team

### Service and business development channel agents

('000)



### Actual turnover rate of Service and business development channel agents<sup>1</sup> (monthly average)



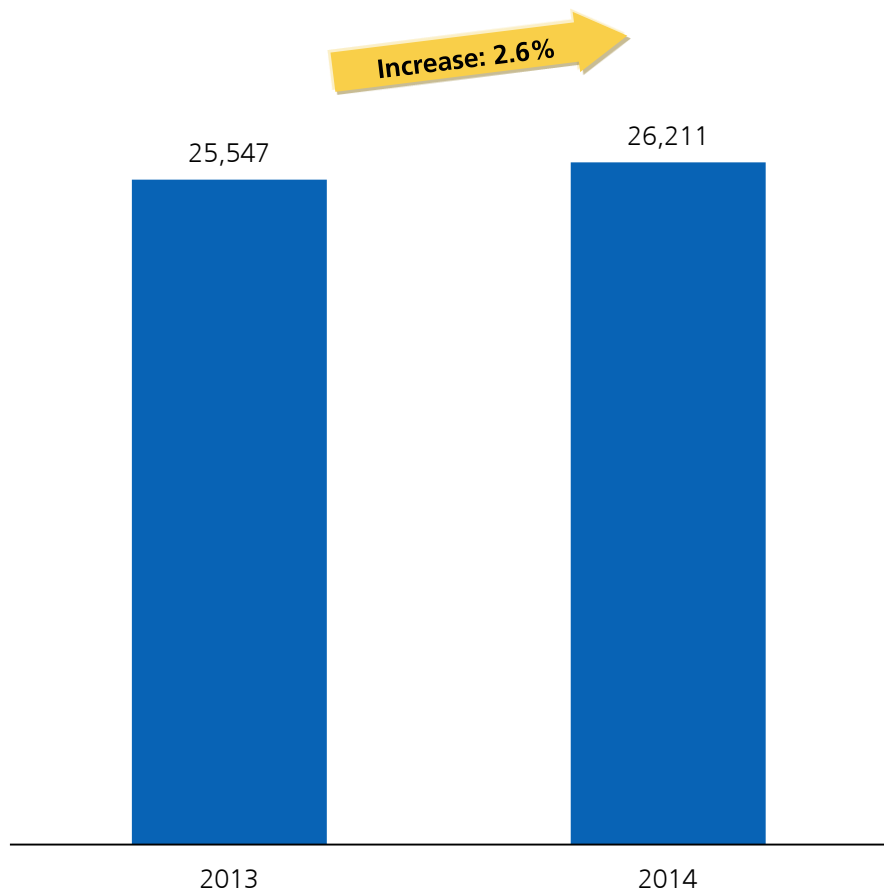
Note:

1. Effective activity rate = # of effective agents within reporting period / monthly average agents \* 100%, effective agent refers to those who sold at least one insurance policy by the number of months in the reporting period, and first year commission is not less than RMB210

# Customer base and structure

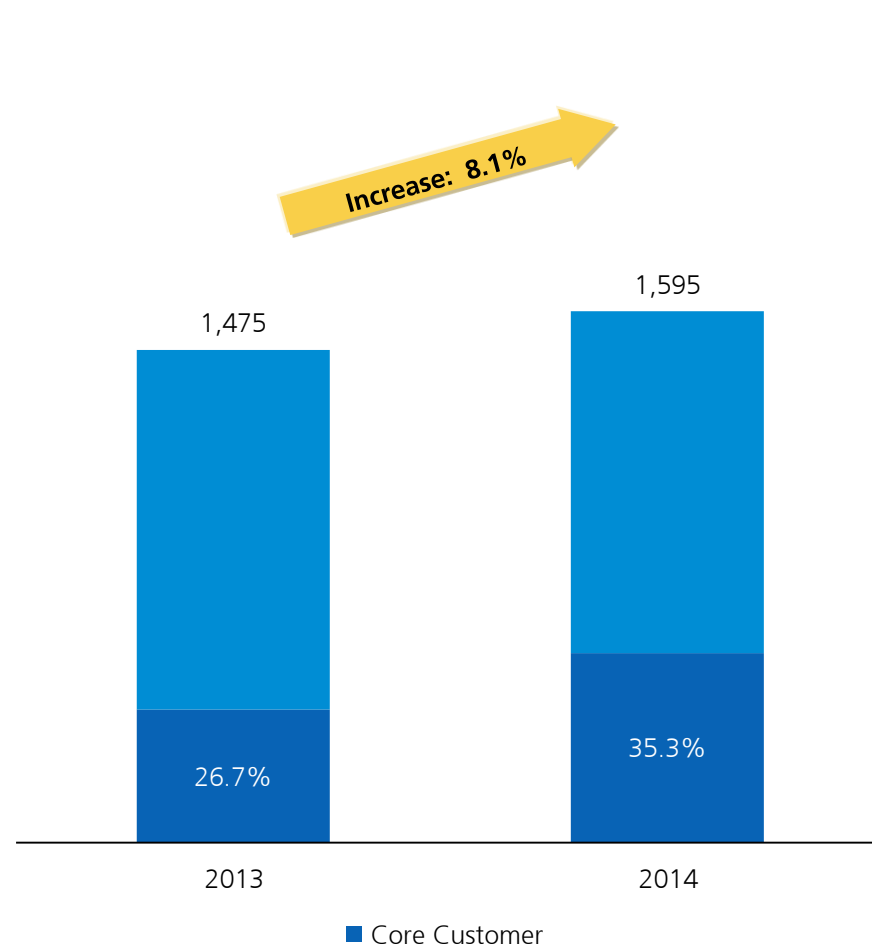
## Number of customers

('000)



## New customers

('000)



Note: The Company has developed and launched its customer analysis system, reorganizing the basic data of individual customers and statistical rules, in order to comprehensively promote the transformation of its customer strategy. The comparative figures have been recalculated on the base line of this period

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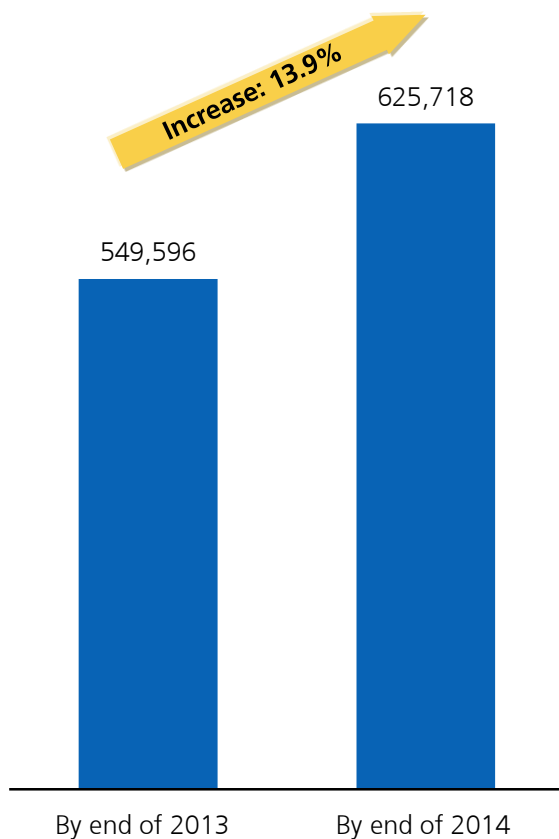


# Investment strategy and performance

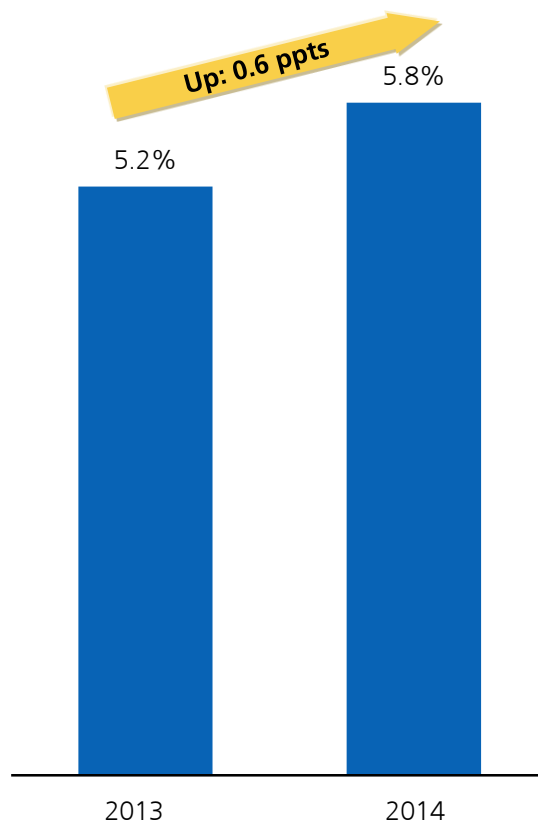
## Significant enhancement in investment yield

### Investment assets

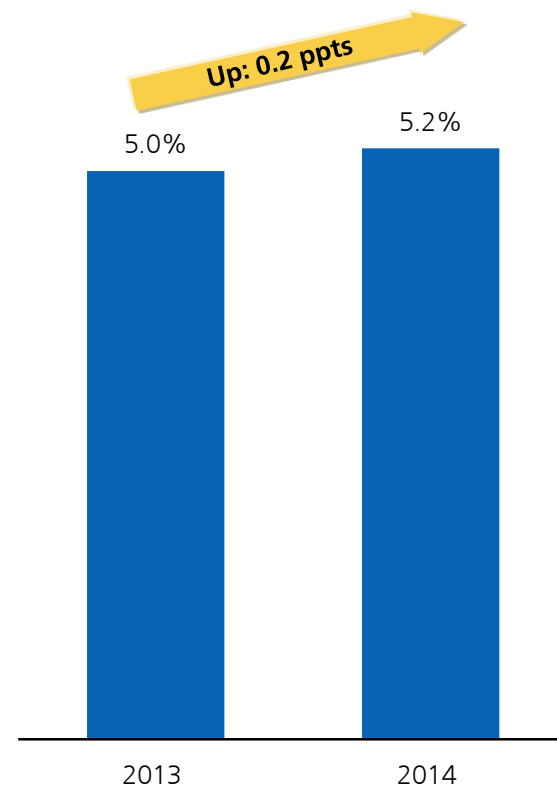
(RMB million)



### Total investment yield



### Net investment yield



# Investment strategy and performance (cont'd)

## Stable asset allocation structure

### Investment Portfolio

Unit: RMB million	31 Dec. 2014	31 Dec. 2013	Change (%)
<b>Investment assets<sup>1</sup></b>	<b>625,718</b>	<b>549,596</b>	<b>↑ 13.9%</b>
<b>Term deposits<sup>2</sup></b>	<b>167,297</b>	<b>163,137</b>	<b>↑ 2.6%</b>
<b>Debt securities</b>	<b>345,518</b>	<b>305,558</b>	<b>↑ 13.1%</b>
– Bonds	237,403	245,438	↓ 3.3%
– Trust plan	59,475	25,641	↑ 132.0%
– Bond plan <sup>3</sup>	24,823	4,380	↑ 466.7%
– Project asset support plan	20,000	20,000	-
– Others <sup>4</sup>	3,817	10,099	↓ 62.2%
<b>Equity securities</b>	<b>70,553</b>	<b>41,589</b>	<b>↑ 69.6%</b>
– Funds	22,309	13,067	↑ 70.7%
– Stocks <sup>5</sup>	34,141	19,118	↑ 78.6%
– Investments in associates	10,150	9,404	↑ 7.9%
– Others <sup>6</sup>	3,953	-	-
<b>Cash &amp; cash equivalents<sup>2</sup></b>	<b>14,503</b>	<b>18,570</b>	<b>↓ 21.9%</b>
<b>Other investment assets<sup>7</sup></b>	<b>27,847</b>	<b>20,742</b>	<b>↑ 34.3%</b>

Note

1. Investment assets consist of the investment assets as included in separate accounts

2. Cash and cash equivalents include term deposits with maturity of 3 months or less, while term deposits exclude those with maturity of 3 months or less

3. Debt plans mainly consist of infrastructure and real estate investment projects

4. Other debt investments include asset management plans and wealth management products

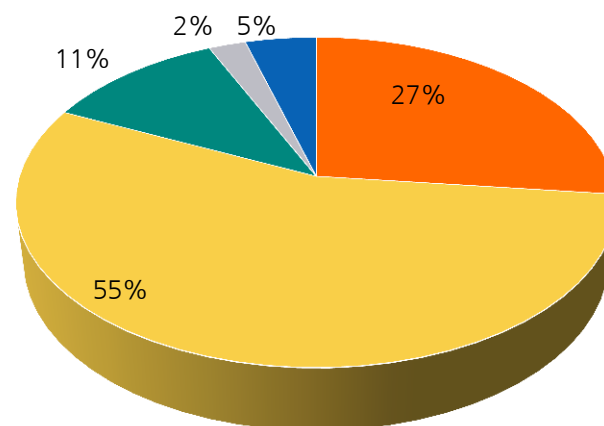
5. Stocks include common stocks and prefer stocks

6. Other equity investments include asset management plans, private equities, trust plans and wealth management products

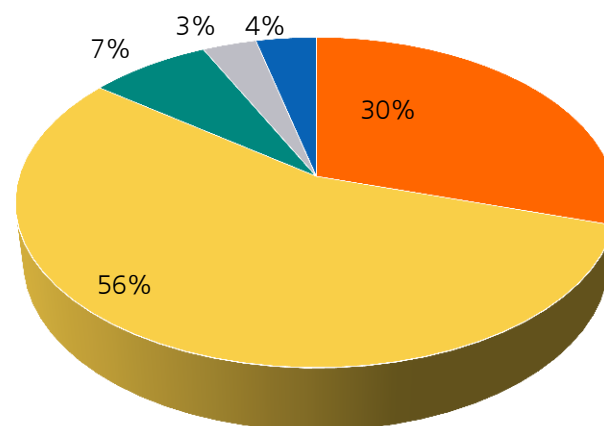
7. Other investments include capital margin deposits, policy pledge loans, financial assets purchased under agreements to resale, dividends and interest receivable, etc.

### Investment Breakdown

2014



2013



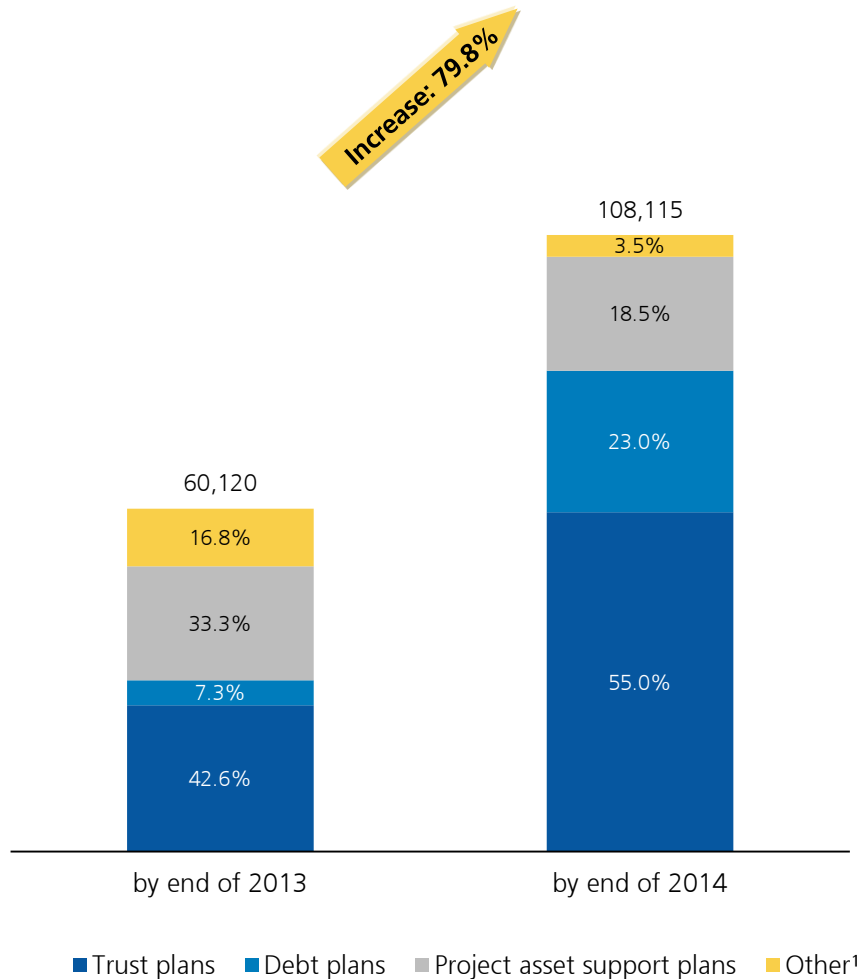
■ Debt investments   
 ■ Term deposits   
 ■ Equity investments  
■ Cash & cash equivalents   
 ■ Other investments

# Investment strategy and performance (cont'd)

Increasing allocation in high-yield non-standard assets on the basis of prudent risk management

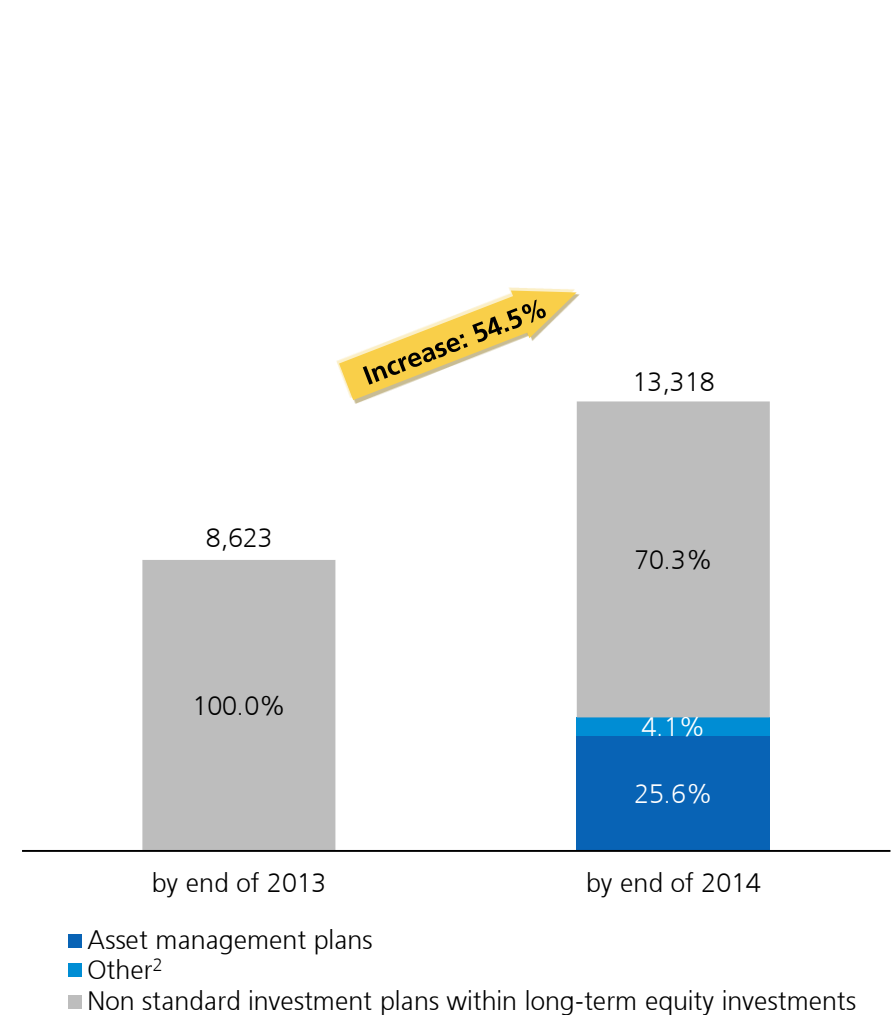
## Non-standard debt investments

(RMB million)



## Non-standard equity investments

(RMB million)



Note

1. Other non-standard debt investments include asset management plans and wealth management products
2. Other non-standard equity investments include trust plans, wealth management products and private equities

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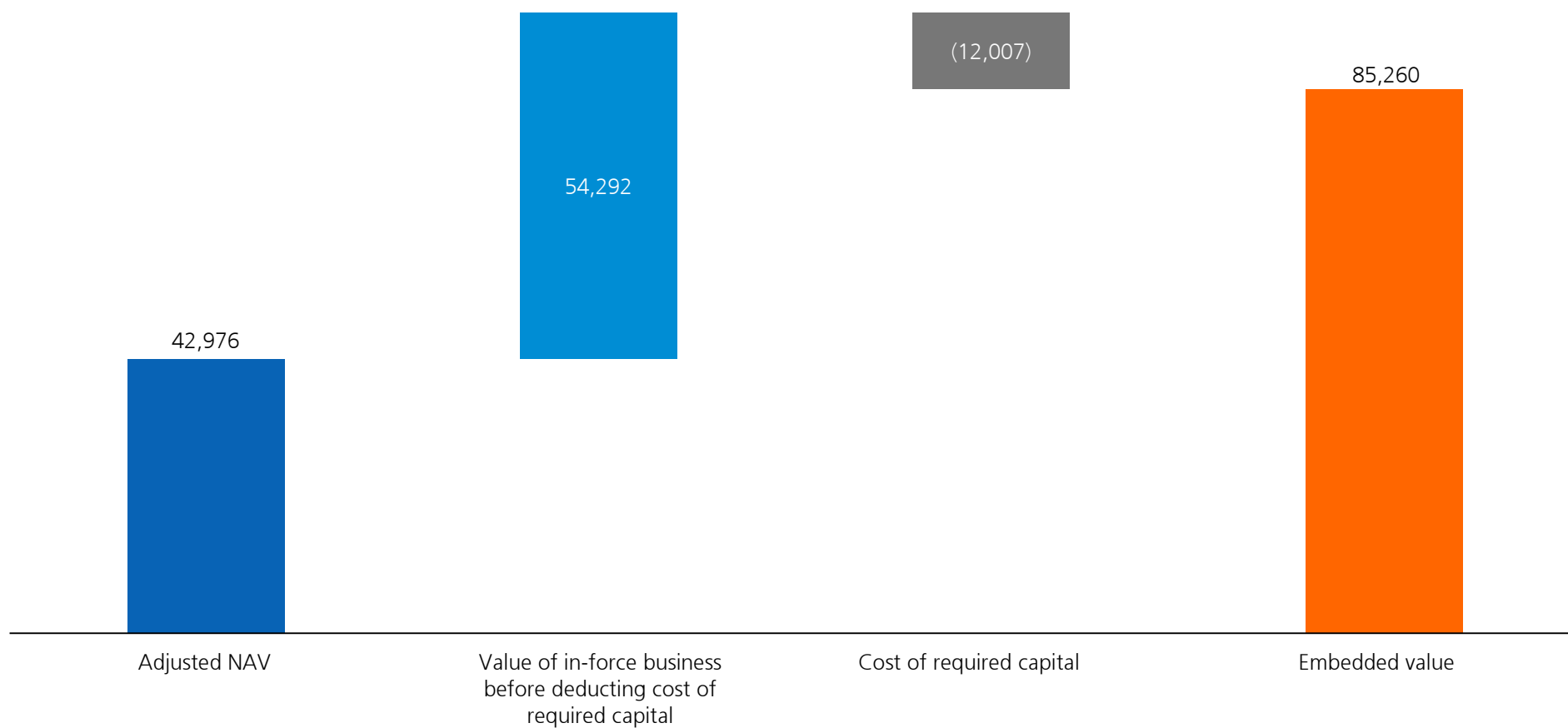
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Strategy and outlook



# Embedded value – composition analysis

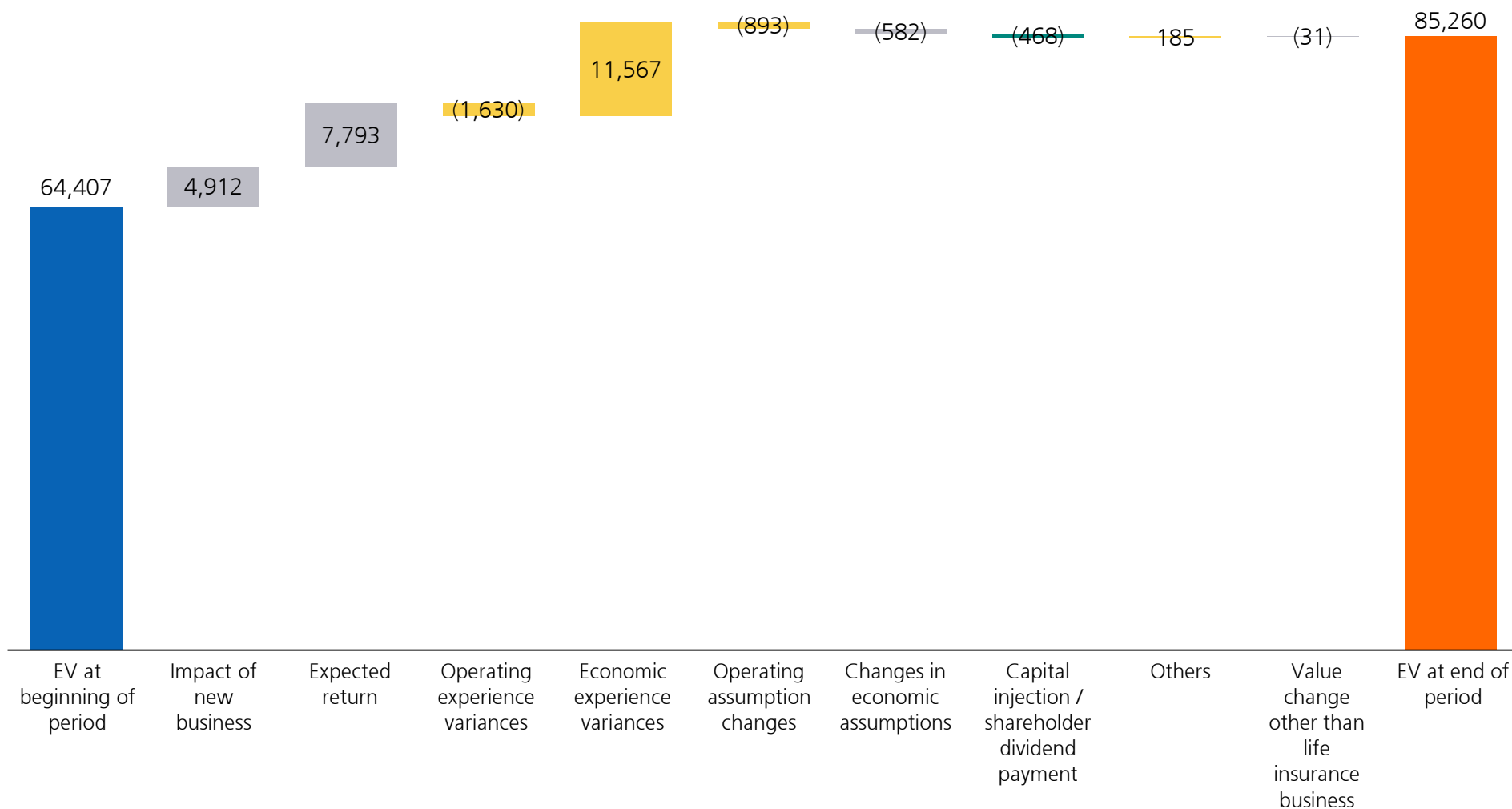
(RMB million)



Note: Summing numbers may be different from stated due to rounding

# Embedded value – analysis of change

(RMB million)



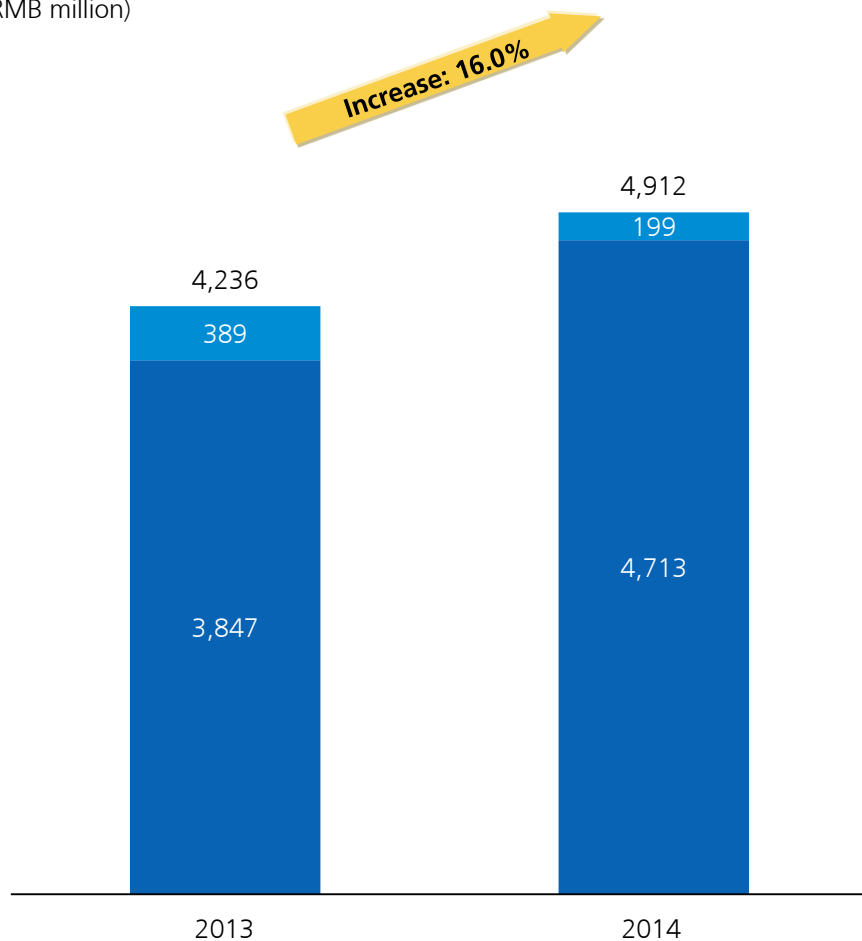
Note: Summing numbers may be different from stated due to rounding



# Value of a whole year's new business

## Value of one year's new business

(RMB million)



- New business value from individual insurance agent channel<sup>1</sup>
- Others<sup>2</sup>

Note:

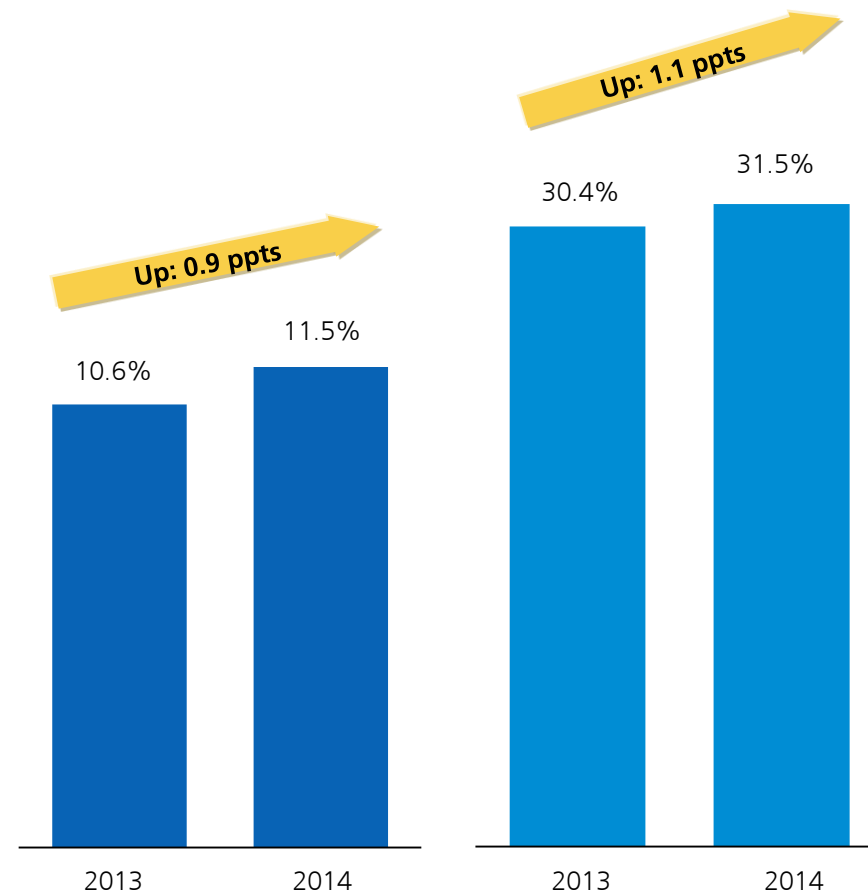
1. One-year new business value from service and business development channel was included in that from the individual insurance agent channel

2. Others include NBV from bancassurance and group business channels

3. New business margin based on FYP = value of a whole year's new business / FYP

4. New business margin based on APE = value of a whole year's new business / (100% \* first year regular premiums + 10% \* first year single premiums)

## New business value margin



- Based on first year premium<sup>3</sup> (FYP)
- Based on annual premium equivalent<sup>4</sup> (APE)

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## Optimization of traditional modes

- Encouraging progress has been made in the construction of ten major systems centering on "whole-life-cycle customer service system" construction:  
For "whole-life-cycle customer service system" construction, successes have been achieved after three years of trial through the service and business development channel. A whole set of customer service and management mechanisms, procedures and measures has emerged. Meanwhile, the construction of the other nine systems (policy, team, institution, training, product, operation, IT, risk control and finance) has been started around the "whole life-cycle customer service system", forming a larger system of strategic measures that interact and interconnect with each other and gradually transforming business operation from the "self-centered" traditional model to the "customer-centric" new model.
- A basic layout has been formatted in the two synergetic health and senior care sectors:  
A few flagship projects of NCI's senior care sector have begun development in Beijing and Bo'ao. The health sector of NCI has built health management centers in 12 Chinese cities, while the construction of Beijing Rehabilitation Hospital and Shanghai Life Medical Center steadily advancing.

## Exploration of innovative business model

- Comprehensive implementation of digitization strategy has been commenced:  
The construction of "One Pad, Two Backup Bases and Six Major Platforms" starts to bear fruit.
- Study of digital marketing has been rolled out.

## Opportunities and Challenges

In 2015, from a macroeconomic perspective, the economy of China will attain a new normal from high GDP growth in the past to growth driven by structural upgrade. Monetary easing policy and the upturn of the capital market will further facilitate the growth of life insurance business and increase investment income. Pursuant to Several Opinions of the State Council on Accelerating the Development of the Modern Insurance Service Industry, the implementation of various policies will bring the industry to a new phase of fast growth.

While presenting opportunities, the policies also bring about challenges to the operation of life insurance company in many aspects. Firstly, the gradual implementation of insurance premium rates marketization policies will result in fiercer market competition. Secondly, facing such new opportunities, major life insurance companies will have to lay a stronger foundation and make further improvement in various areas including overall layout, management and innovation. Thirdly, risk management remains an imminent issue. Prominent issues including maturity, surrender and sales of third party wealth management products all pose challenges to the operation and management of life insurance companies.

## Mitigating Strategy

Facing future opportunities and challenges, the Company will endeavor to promote customer strategy transformation and accelerate the development of the whole life cycle service system for customers to facilitate the fundamental change in the operating model of customers and build a healthy and sustainable business foundation. Meanwhile, through effectively combining the core channel strategies and resource allocation, the Company will actively adjust the asset allocation strategy in response to the changing market trends, strictly monitor credit risks and continue to promote steady value growth. The Company will insist on balanced development between value and scale. On one hand, the Company will focus on the development of regular premium business, endeavor to increase the percentage of core businesses and optimize business structure. On the other hand, the Company will stabilize overall scale through management of scale-oriented products from the bancassurance channel in order to achieve steady growth in GWP, new business value and net profit in 2015.

## Innovations

In the future, the Company will continue to research and actively explore strategies for synergistic cooperation between the insurance and Internet businesses. We will consistently study the internet thinking and their operation and management modes, while introducing our marketing of traditional life insurance products into the internet ecosystem. Only then can we connect traditional financial products with the internet seamlessly, creating a more viable business model that further promotes and implements the Company's strategic vision for transformation



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## Q & A

