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新华人寿保险股份有限公司

New China Life Insurance Company Ltd.

# 2014 Interim Results Announcement



August 2014

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In the first half of 2014, the Company continued to implement to a “customer-centric” development strategy and further established the strategic system of “ten major systems, three core capabilities.” Strategically, it further defined the concept of and specific approaches to achieving strategic transformation, and optimized the organizational reform of the sales management system. The Company also promoted the sale of products with liberalized guarantee rates, enhanced the performance of distribution channels and institutions, and optimized its resource allocation. Through the proactive adjustments and endeavors of the above strategies, the Company was able to achieve rapid business growth while continuing to optimize its business structure and further refine its management system.

- Seized market trend and adopted a multi-stage product strategy
- Made significant efforts to improve the activity rate and structure of the individual agent team
- Enhanced ability to retain and serve new and existing customers through continuous effort to establish a whole life-cycle customer service system, customer management proved to be effective to a certain extent
- Achieved initial results in all aspects of strategic transition

# Key financial & business indicators







Unit: RMB million	1H2014	1H2013	Change (%)
<b>Gross written premiums</b>	66,817	51,344	↑ 30.1%
<b>Market share</b>	8.7%	8.2%	↑ 0.5 pts
<b>Net profit attributable to shareholders of the Company</b>	3,748	2,187	↑ 71.4%
<b>Total investment income<sup>1</sup></b>	13,775	10,616	↑ 29.8%
<b>Total investment yield (annualized)</b>	5.1%	4.6%	↑ 0.5 pts
<b>Net investment yield (annualized)</b>	5.1%	4.8%	↑ 0.3 pts
<b>Basic earnings per share (RMB)</b>	1.2	0.7	↑ 71.4%
<b>Weighted ROAE</b>	9.04%	5.95%	↑ 3.1 pts
<b>Value of half year's new business</b>	2,472	2,091	↑ 18.2%

Note

1. Total investment income = net investment income + realized gains/(losses) + unrealized gains / (losses) + impairment losses on investment assets + share of results of associates

2. Value of first half year's new business is recalculated based on the assumption as of 31 December 2013

# Key financial & business indicators (cont'd)

Unit: RMB million	30 June 2014	31 December 2013	Change (%)	
<b>Total assets</b>	<b>612,004</b>	<b>565,849</b>		<b>8.2%</b>
<b>Shareholders' equity attributable to the Company</b>	<b>43,291</b>	<b>39,312</b>		<b>10.1%</b>
<b>Investment assets</b>	<b>594,762</b>	<b>549,596</b>		<b>8.2%</b>
<b>Net assets per share (RMB)</b>	<b>13.88</b>	<b>12.60</b>		<b>10.2%</b>
<b>Embedded value</b>	<b>73,141</b>	<b>64,407</b>		<b>13.6%</b>
<b>Solvency margin</b>	<b>175.14%</b>	<b>169.66%</b>		<b>5.48 pts</b>

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# Overall insurance performance

## Gross written premiums

(RMB million)

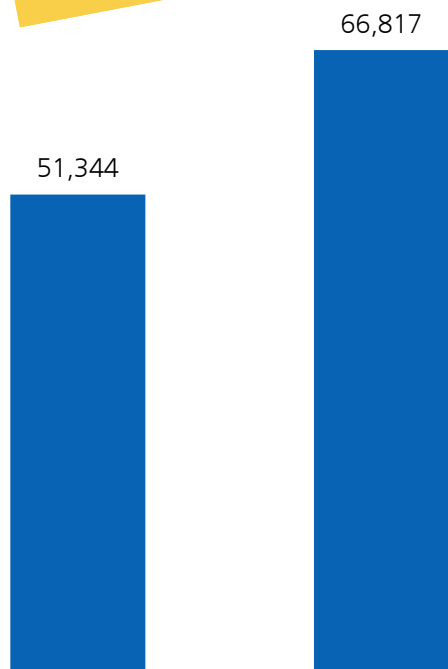
NCI ranking<sup>1</sup>: **4**

**3**

Market share<sup>1</sup>: **8.2%**

**8.7%**

Increase: 30.1%



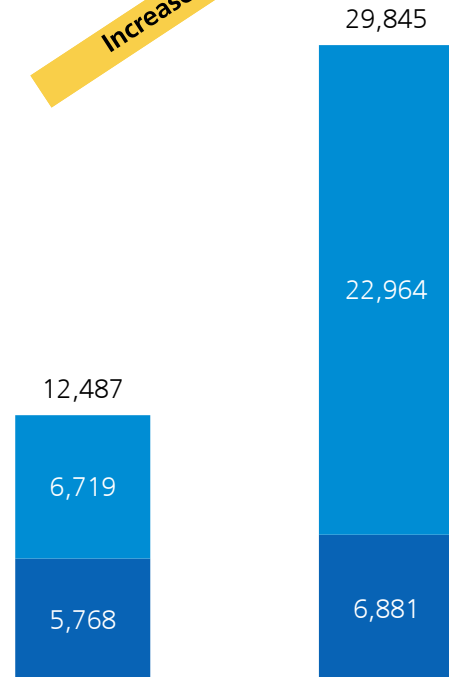
1H2013

1H2014

## First year premiums (FYP)

(RMB million)

Increase: 139.0%



1H2013

1H2014

■ Regular

■ Single

## Renewal premiums

(RMB million)

Decrease: 4.9%



1H2013

1H2014

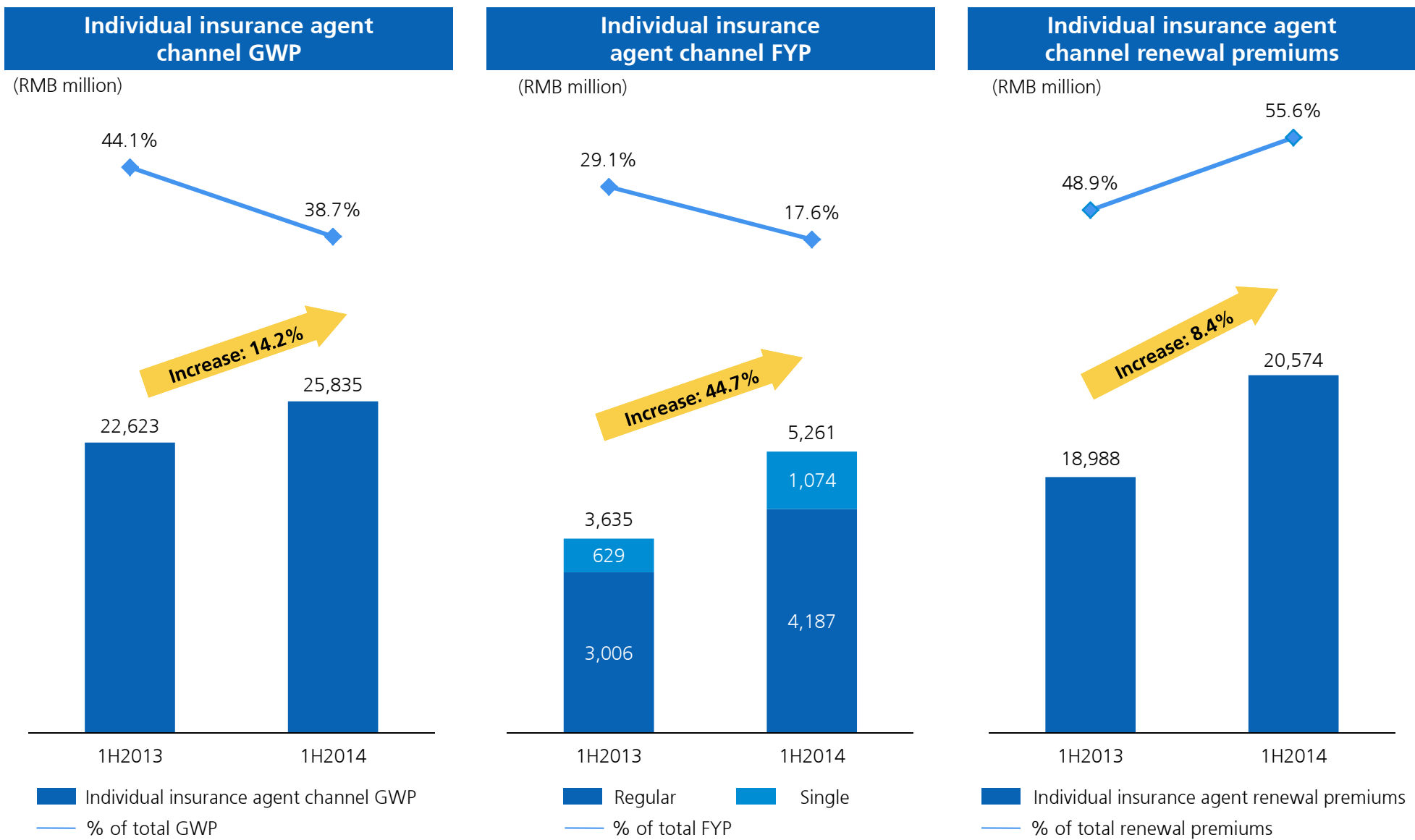
Note

1. Market ranking and market share data derived from CIRC



# Individual insurance agent and service and business development channels

## Stable growth of premiums

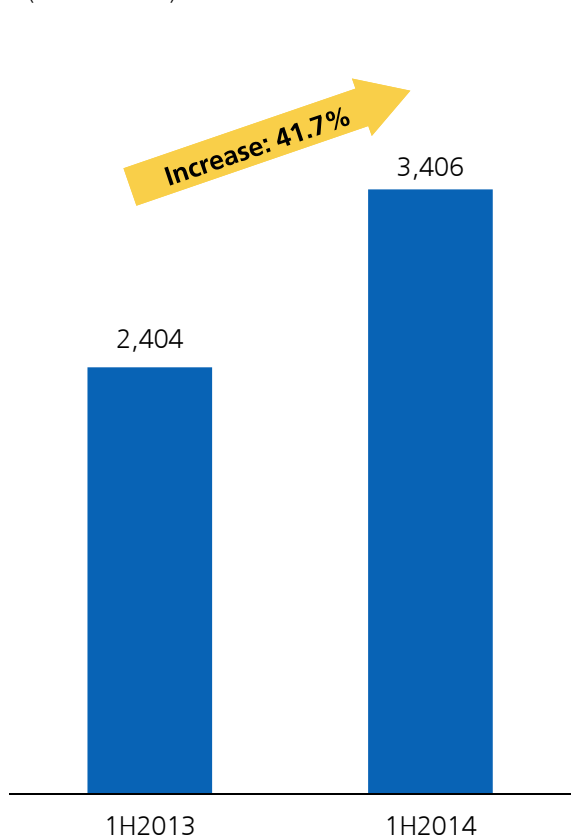


# Individual insurance agent and service and business development channels (cont'd)

## Optimized terms and products structure

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

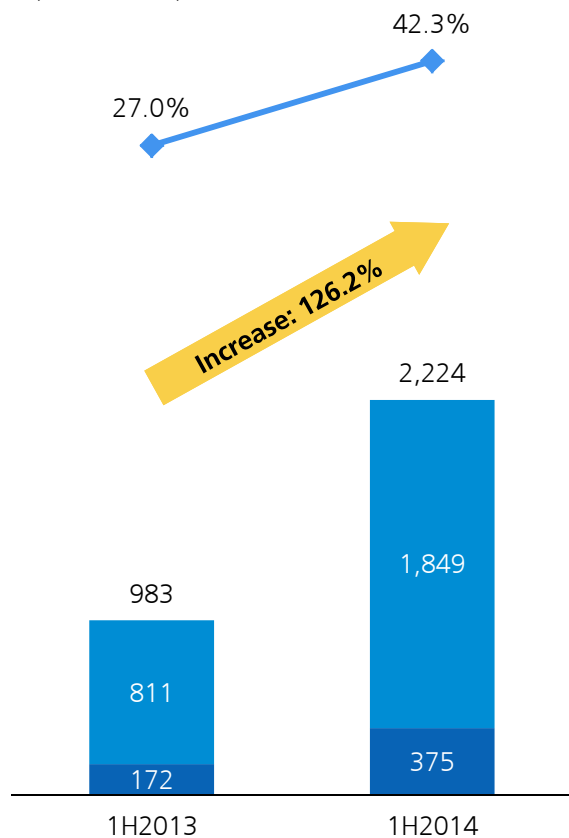
(RMB million)



FYP from regular products with payment of 10+ years

### FYP contributed by traditional insurance and health insurance

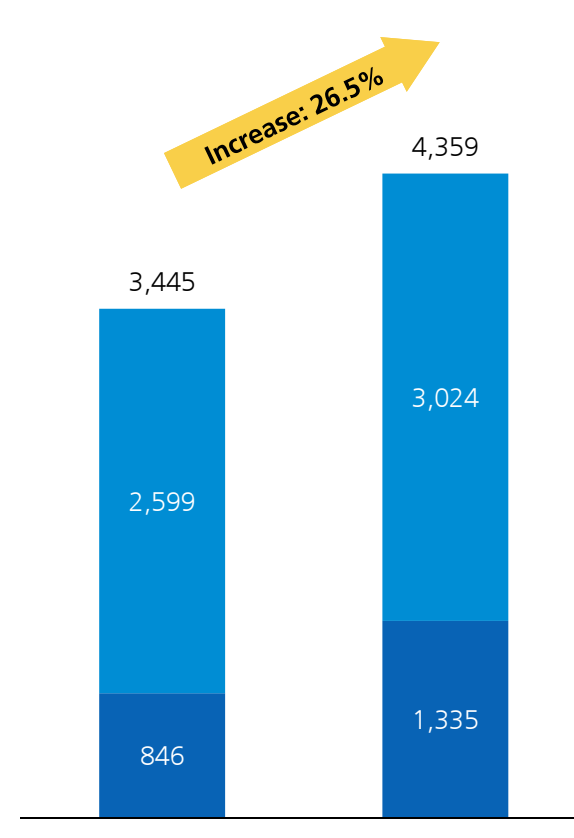
(RMB million)



Traditional insurance FYP  
Health insurance FYP  
FYP contributed by traditional and health insurance

### Service and business development channel premiums<sup>1</sup>

(RMB million)



FYP Renewal premiums

Note

1. 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

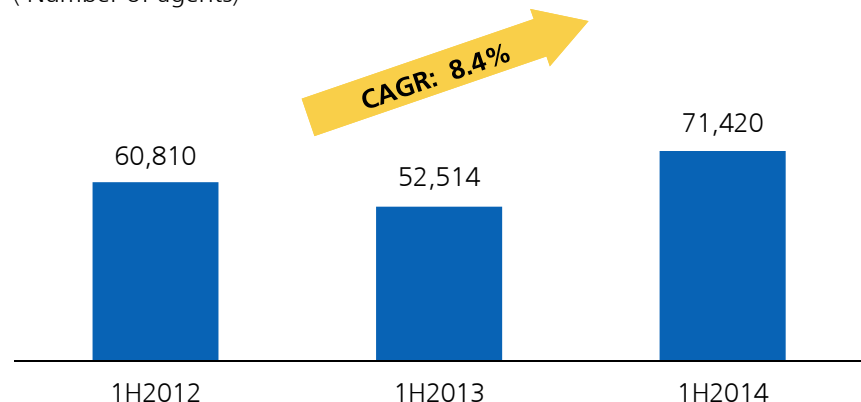
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# Individual insurance agent and service and business development channels (cont'd)

## Qualified and high performing individual insurance agents lead to increase of average agent productivity

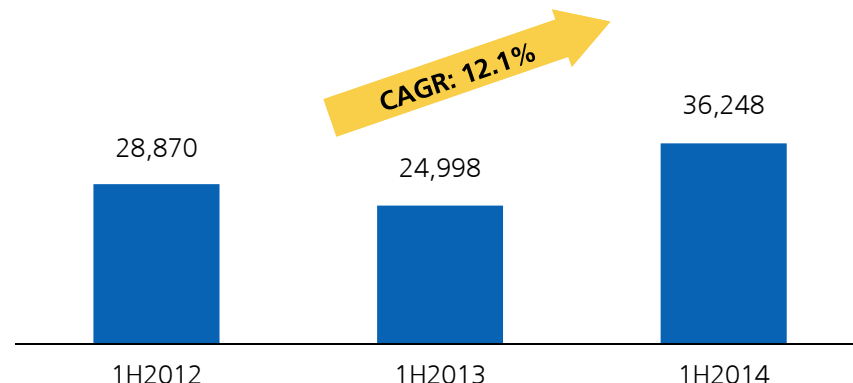
### Qualified individual insurance agents<sup>1</sup>

(Number of agents)



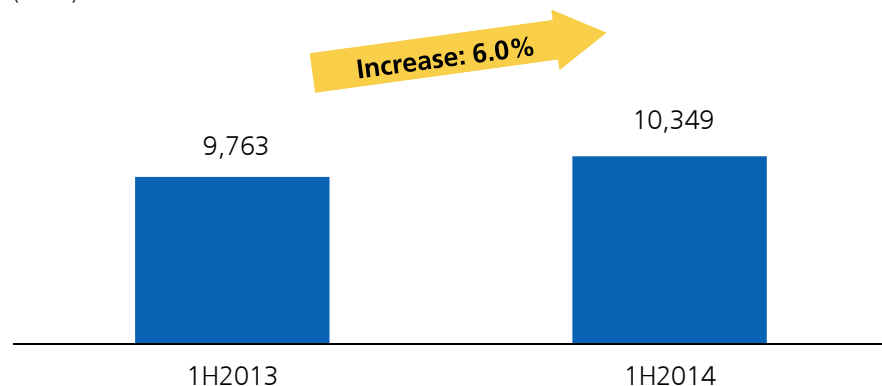
### High performing individual insurance agents<sup>2</sup>

(Number of agents)



### Agent productivity (monthly premium income per capita)

(RMB)



- The individual insurance agent channel was the Company's main channel for driving value growth, with its core development focusing on continuous effort in team building
- As of the end of the first half year, the number of the Company's insurance agents was approximately 176,000. Number of qualified and high performing individual insurance agents has increased significantly, effective activity rate increased by 9 ppts

Note

1. The number of qualified individual insurance agents refers to those who sold at least one insurance policy by the number of months in the reporting period on an individual basis, of which the payment term is more than one year and individual insurance first year commission of not less than RMB800

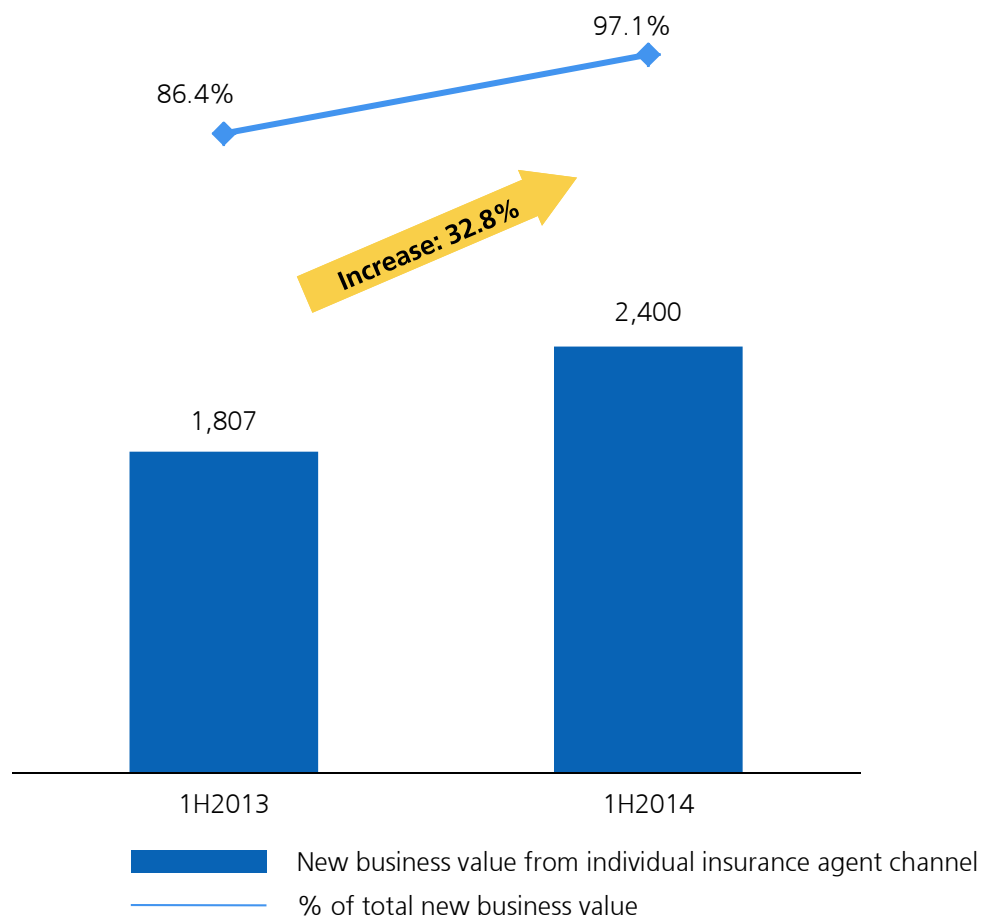
2. The number of high performing individual insurance agents refers to those who sold at least one insurance policy by the number of months in the reporting period on an individual basis, of which the payment term is more than one year and individual insurance first year commission of not less than RMB2,000

# Individual insurance agent and service and business development channels (cont'd)

## Significant increase of new business value and contribution rate

### New business value and contribution rate

(RMB million)



- The company has integrated high average premium with high value products, promoting growth of business scale through “Fuxiangyisheng” (福享一生), a life annuity insurance product, while promoting optimization of structure through “Jiankangfuxing” (健康福星), a critical illness insurance product, and its upgraded versions. As a result, the new business margin and the channels' contribution to value of new business have been greatly enhanced
- Service and business development channel will strive to build high performing teams and promote the quality of its services
- The Company will leverage on the new CRM technology to customize and localize the whole life-cycle service for customers. In the meantime, the Company will continue to conduct promotions aimed to further develop business with customers, promote the improvement of our team's customer management capability and explore customer value in-depth

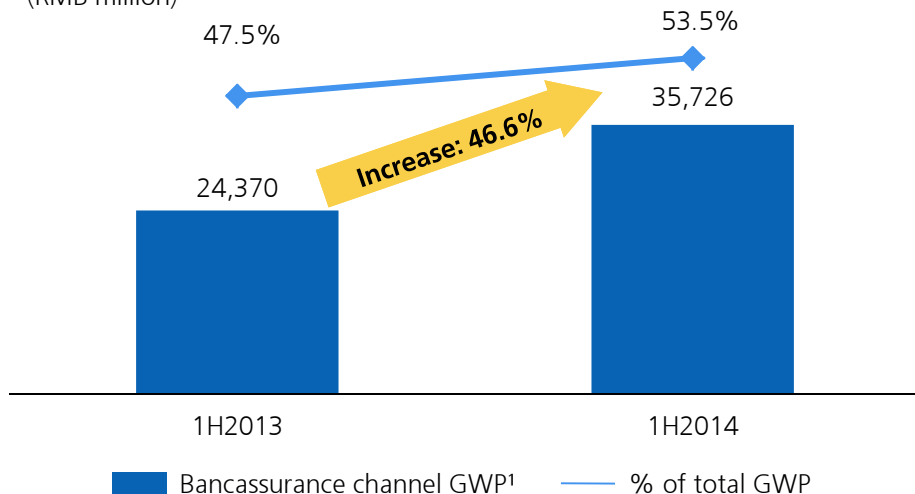


# Bancassurance channel

## Volume growth driven by launch of new products

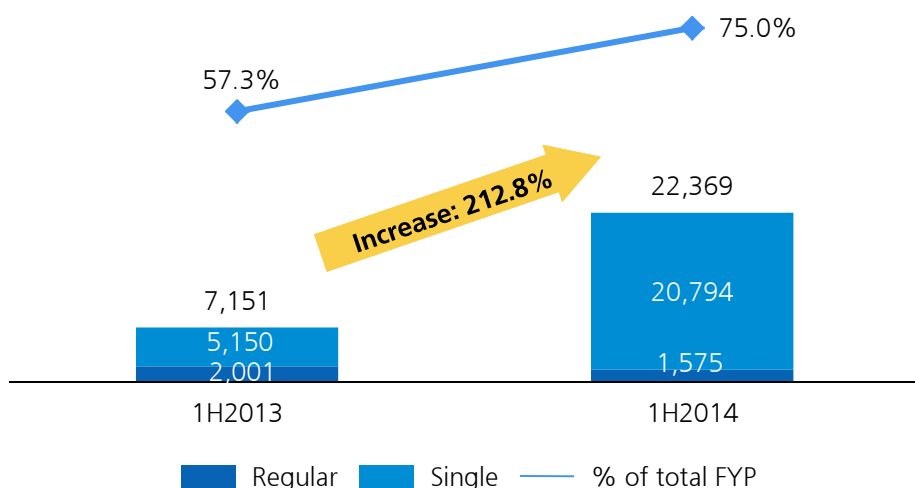
### Bancassurance channel GWP<sup>1</sup>

(RMB million)



### Bancassurance channel FYP

(RMB million)



- The bancassurance channel was one of the main channels for client acquisition and volume growth
- In the first half of 2014, the Company promoted the sale of “Huifubao” (惠福宝), a single premium product with liberalized guarantee rates, and “Huixinbao” (惠鑫宝), a regular premium product with liberalized guarantee rates. The promotion of these products increased premiums led to new customers and channels acquisitions. As of 30 June 2014, the number of clients of the bancassurance channel increased by **444,000**, and the total number of bancassurance channel network rebounded to **18,893**, representing an increase of **7%** as compared to the same period of last year
- In the first half of 2014, the bancassurance channel contributed RMB 1,160 million of new business value. Channel contribution has decreased as compared to the same period of last year
- In the second half of 2014, the bancassurance channel of the Company will focus on regular premium products and pursue an optimal balance between value and volume. Meanwhile, the Company will proactively explore future models and growth areas through various methods such as product innovation and innovation pilot programs for team models and customer service models

Note

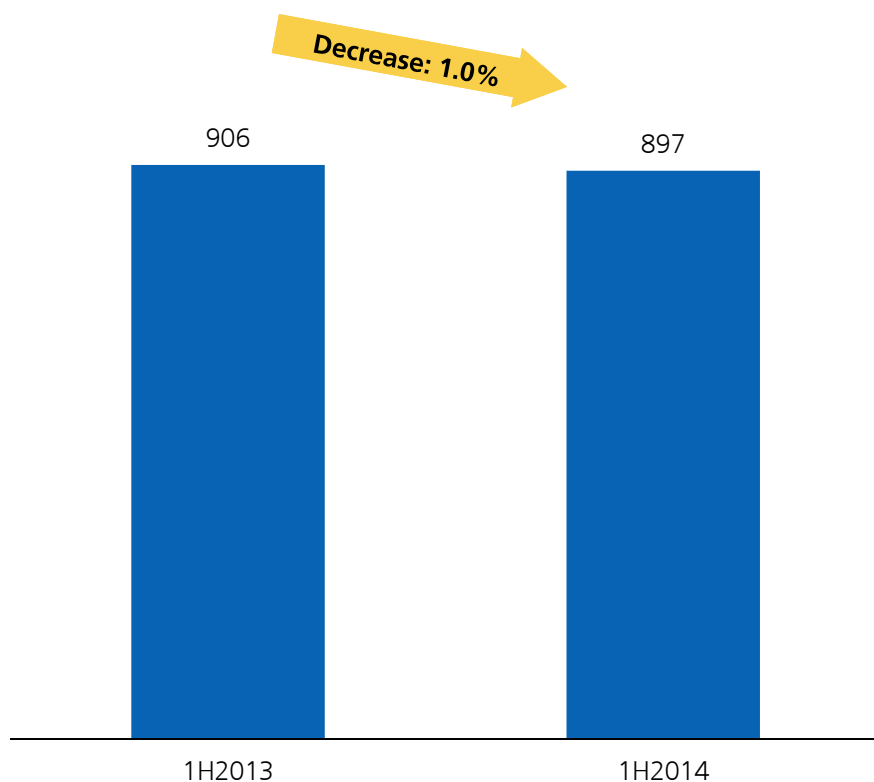
1. The bancassurance channel absorbs the pre-existing wealth channel. The comparative figures have been recalculated on the base line of this period

# Group insurance business

## Emphasize the balance of scale and efficiency

### Group insurance business GWP

(Thousand)

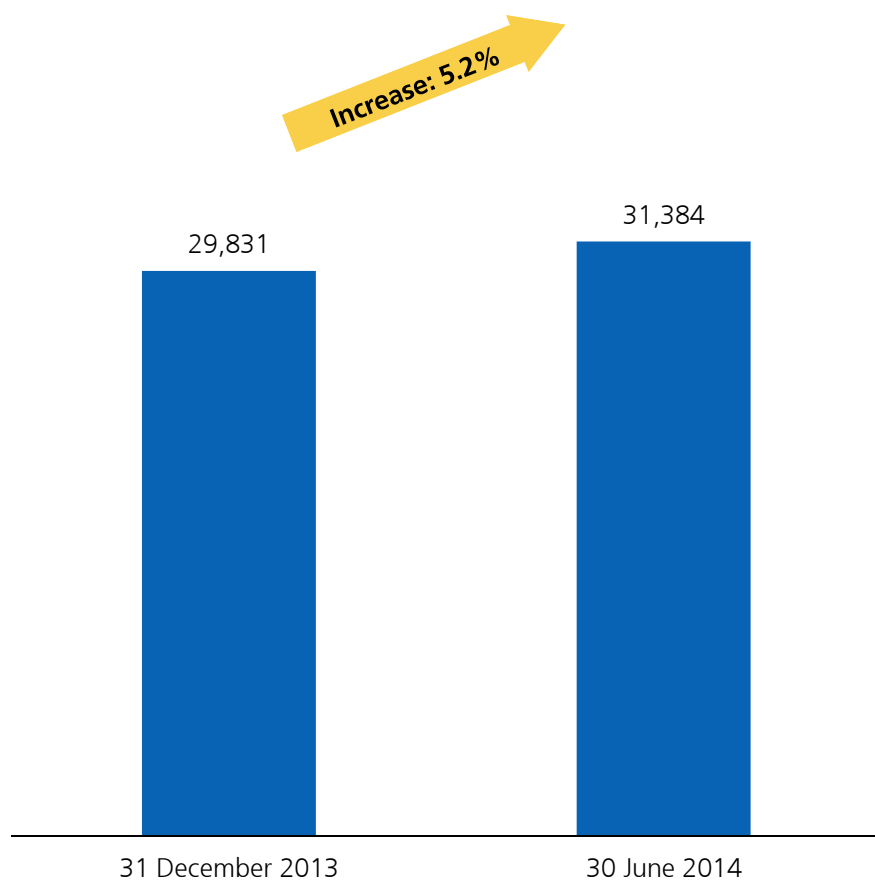


- The Company's group insurance business channel emphasizes the balance of scale and efficiency, especially the efficiency of its core businesses in borrowers' accident insurance, public transportation accident insurance and students' safety insurance
- In the first half of 2014, group insurance business contributed approximate RMB -45 million of new business value, representing an increase of RMB 16 million as compared to the same period of last year

# Customer base & customer service quality

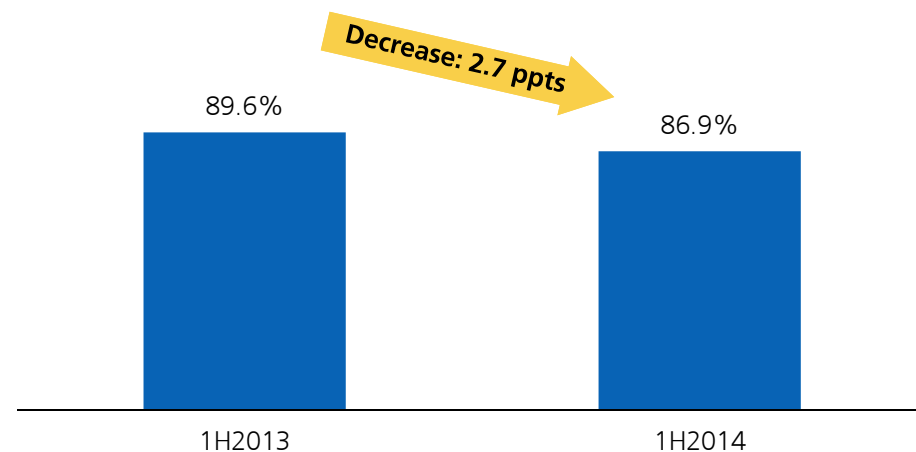
## Number of customers

(Thousand)



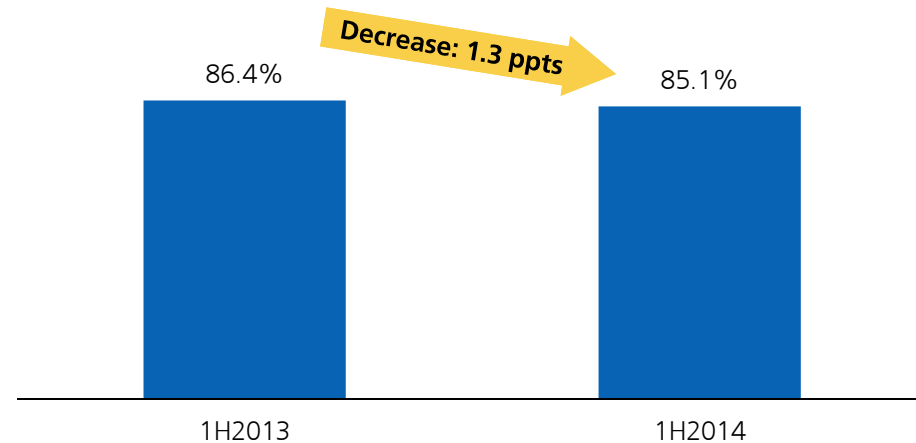
## 13-month persistency ratio

(%)



## 25-month persistency ratio

(%)



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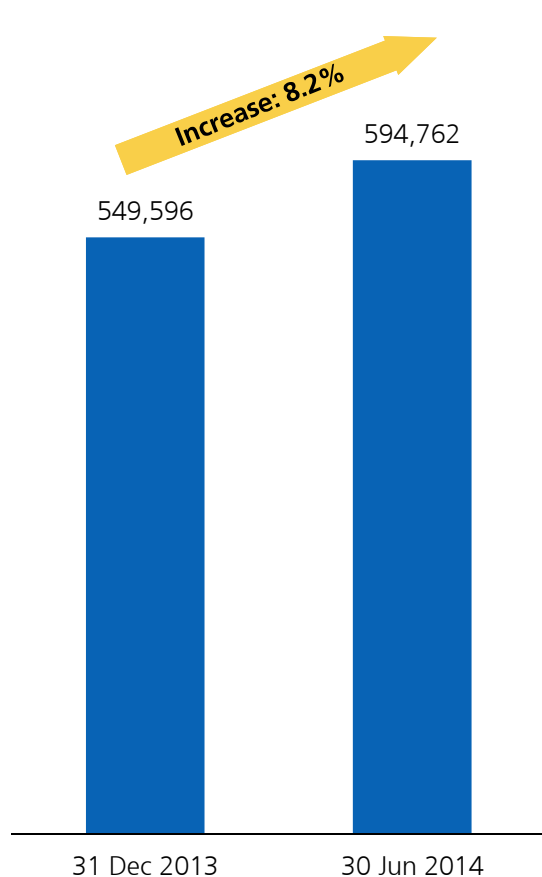


# Investment strategy and performance

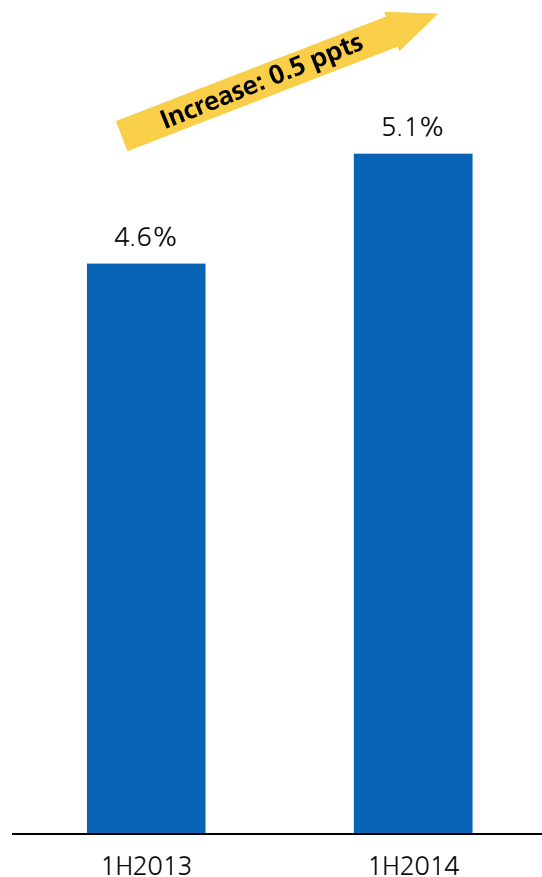
## Enhanced investment yield

### Investment assets

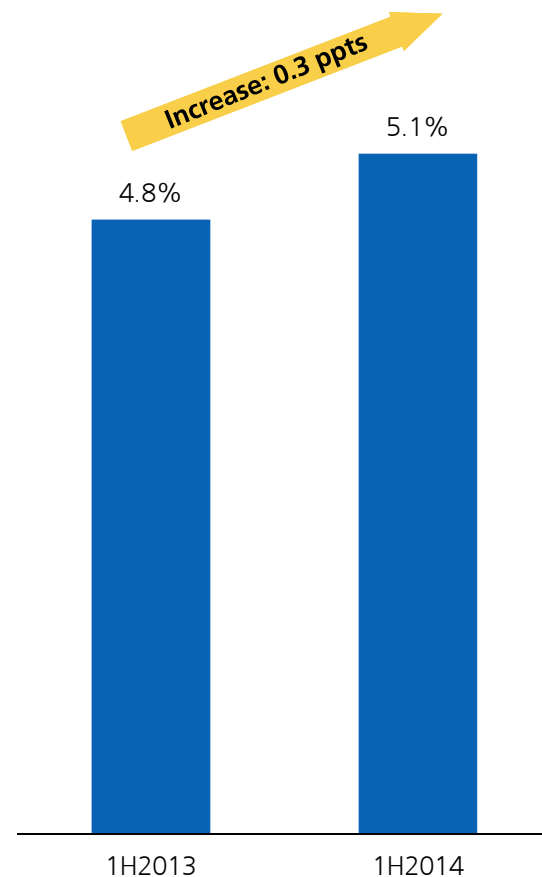
(RMB millions)



### Total investment yield (annualized)



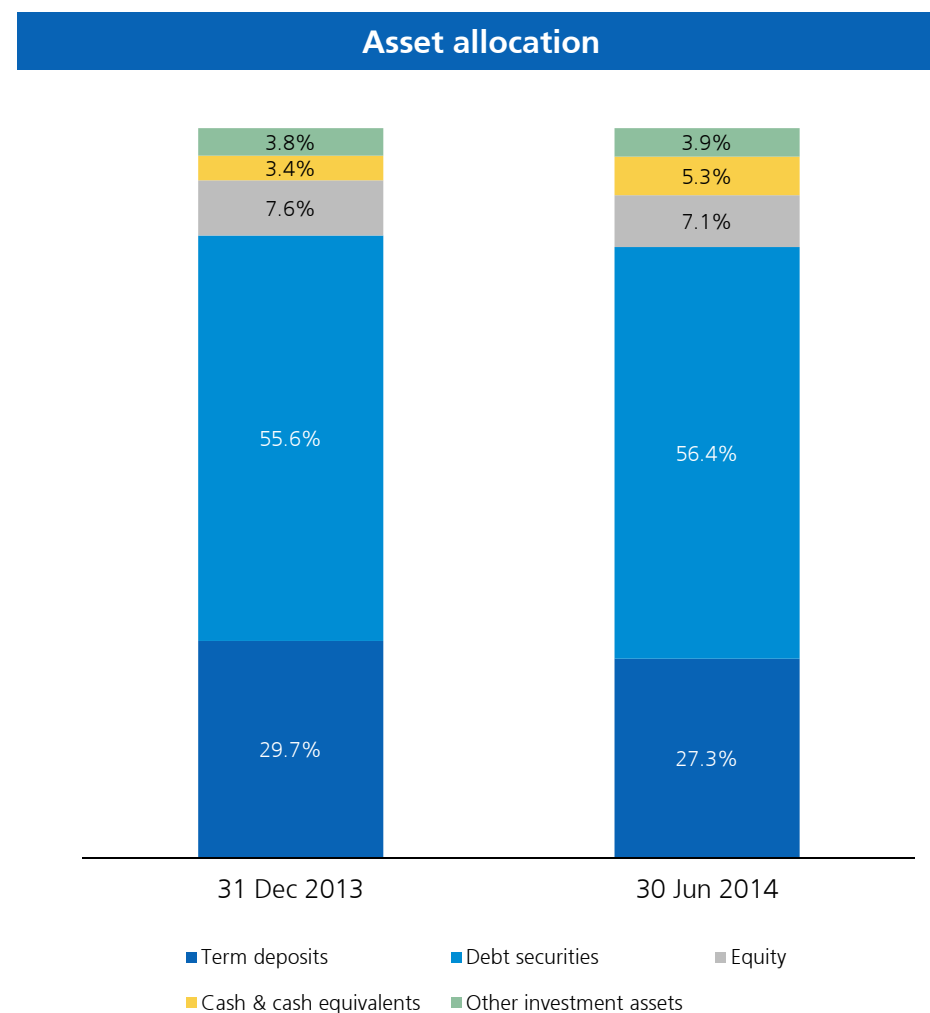
### Net investment yield (annualized)



# Investment strategy and performance

## Stable asset allocation structure

Investment portfolio			
Unit: RMB million	30 June 2014	31 December 2013	Change (%)
<b>Investment assets<sup>1</sup></b>	<b>594,762</b>	<b>549,596</b>	<b>↑ 8.2%</b>
<b>Term deposits<sup>2</sup></b>	<b>162,173</b>	<b>163,137</b>	<b>↓ -0.6%</b>
<b>Debt investments</b>	<b>335,605</b>	<b>305,558</b>	<b>↑ 9.8%</b>
— Regular debt securities <sup>3</sup>	245,270	245,438	↓ -0.1%
— Non-standard debt investments <sup>4</sup>	90,335	60,120	↑ 50.3%
<b>Equity</b>	<b>42,303</b>	<b>41,589</b>	<b>↑ 1.7%</b>
— Stocks	19,205	19,118	↑ 0.5%
— Funds	11,225	13,067	↓ -14.1%
— Other long-term equity investments <sup>5</sup>	777	781	↓ -0.5%
— Non-standard equity investments <sup>6</sup>	11,096	8,623	↑ 28.7%
<b>Cash &amp; cash equivalents<sup>7</sup></b>	<b>31,500</b>	<b>18,570</b>	<b>↑ 69.6%</b>
<b>Other investment assets<sup>8</sup></b>	<b>23,181</b>	<b>20,742</b>	<b>↑ 11.8%</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. Regular debt securities include government loans, financial debts, enterprise bonds and subordinated debts

4. Non-standard debt investments include asset management plans, trust plans, wealth management products, asset funding plans and debt investment plans

5. Not include non-standard equity investment that is categorized as long term equity investments

6. Non-standard equity investments include asset management plans, private equity, and non-standard equity investment that are categorized as long-term equity investments

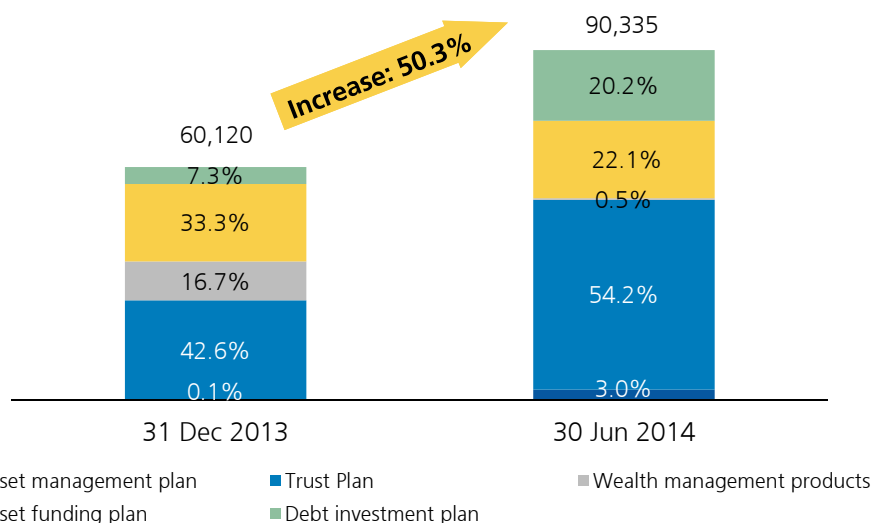
7. Other investment assets mainly include statutory deposits, policy loans, financial assets purchased under agreements to resell and accrued investment income, etc

8. Loans and other receivables mainly include term deposits, cash and cash equivalents, statutory deposits, policy loans, financial assets purchased under agreements to resell, accrued investment income and loans and receivables, etc

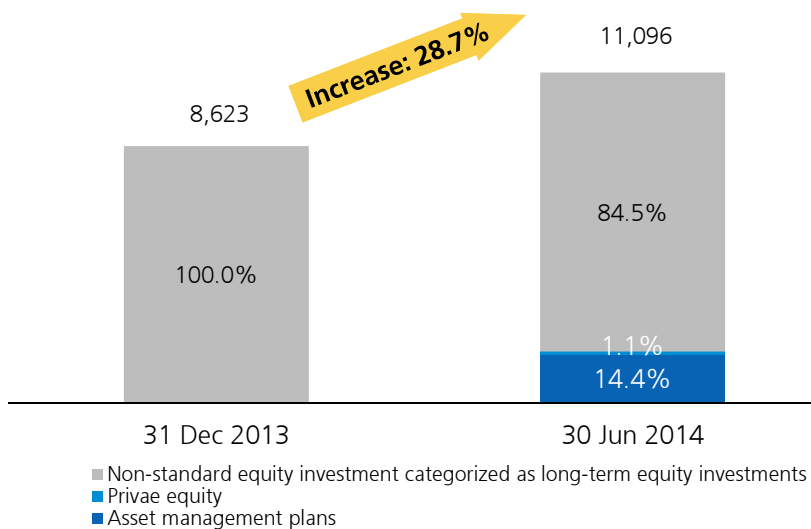
# Investment strategy and performance

## Stepped up allocation in financial products

### Non-standard debt securities



### Non-standard equity investments



- The Company's investment in non-standard debt securities include assembled fund trust plans, infrastructure, real estate investment plans, asset funding plan and special asset management plans. The assembled fund trust plans accounted for **54%** of total investment in financial products
- Financial products investment categorized by types of underlying asset covers different areas such as financial institutions, infrastructure and real estate, among which financial institutions and infrastructure facilities combined account for 74%
- Generally possess higher credit rating, of which AAA rating accounts for 95% and AA rating or above accounts for 99% (excluding equity typed financial products)
- Proper credit enhancement measure:
  - Assembled fund trust plans:
    - Leading enterprises
    - Guarantee, security and repurchase terms
  - Infrastructure and real estate investment plans: guaranteed by banks accounted for 94.86% of the total
  - Asset funding plans and special asset management plans: all incorporate credit enhancement arrangement
- Regarding non-standard equity investments, the Company chooses plans launched by large institutions with outstanding quality to ensure return-risk balance

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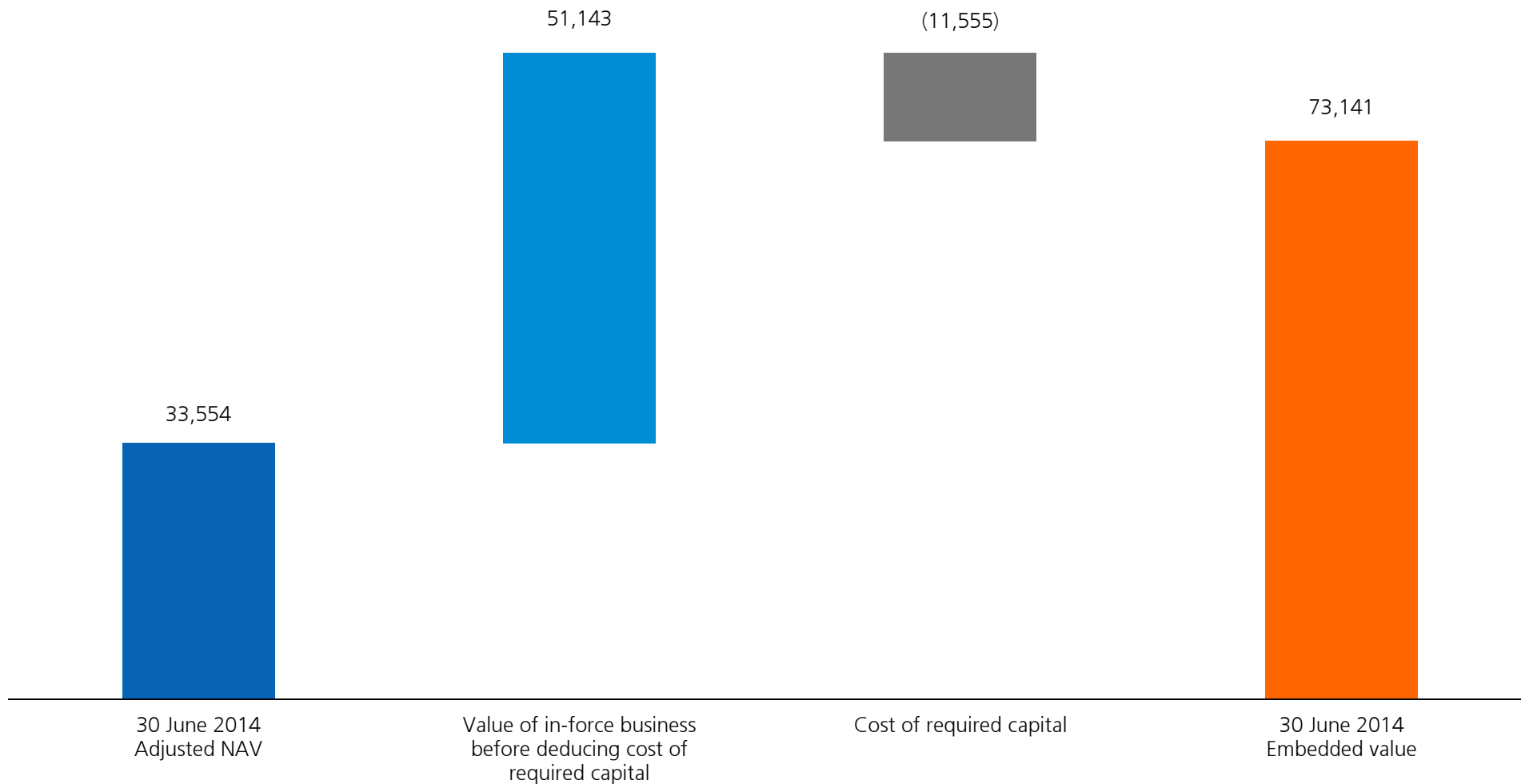
Strategy and outlook





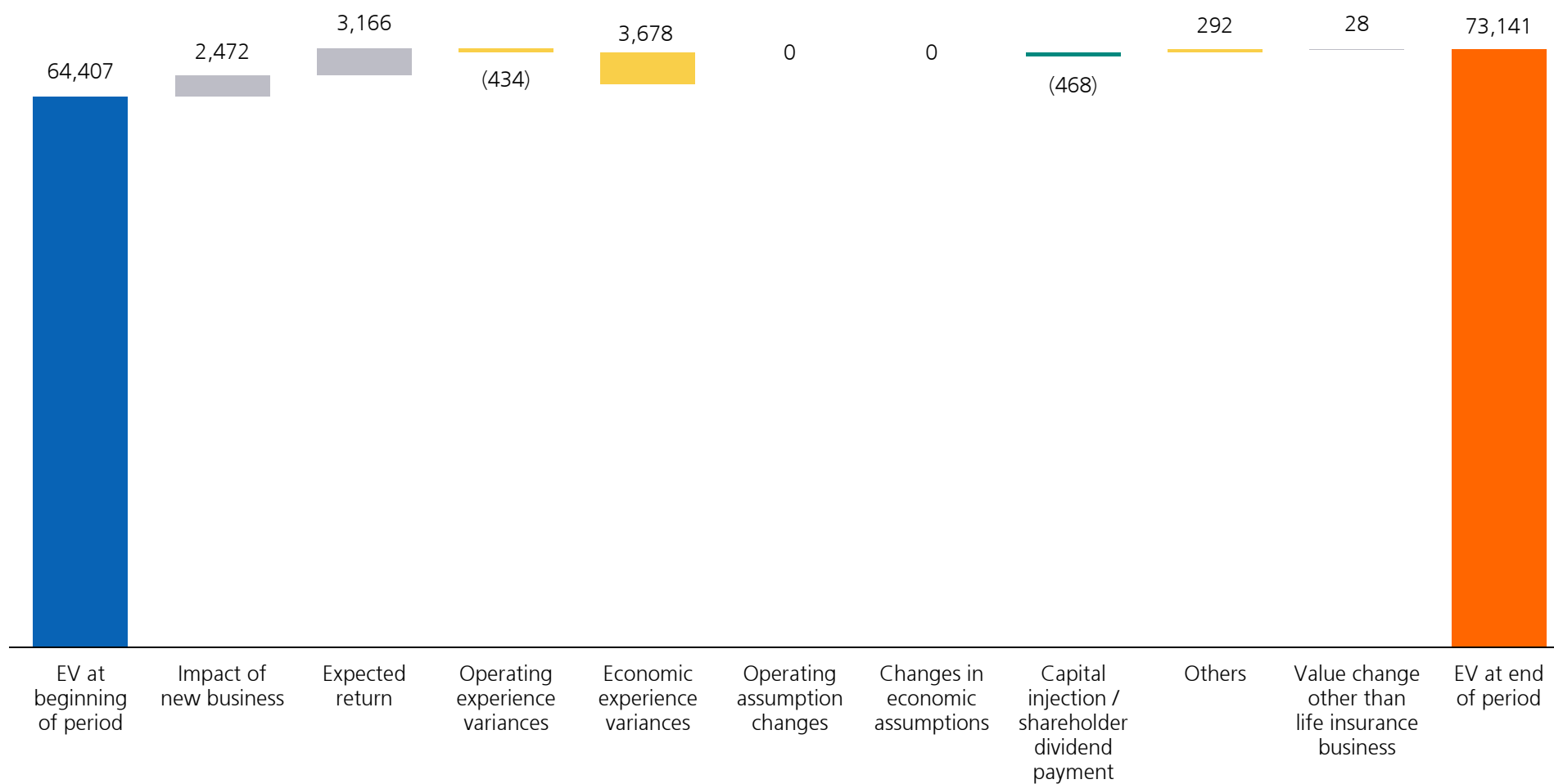
# Embedded value—composition analysis

(RMB million)



# Embedded value—analysis of change

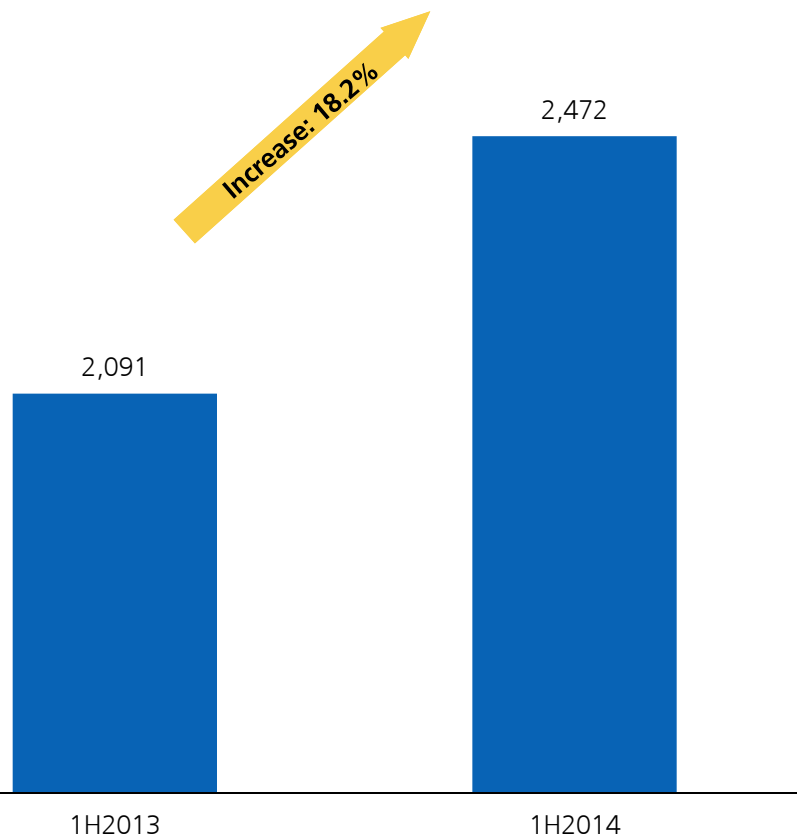
(RMB million)



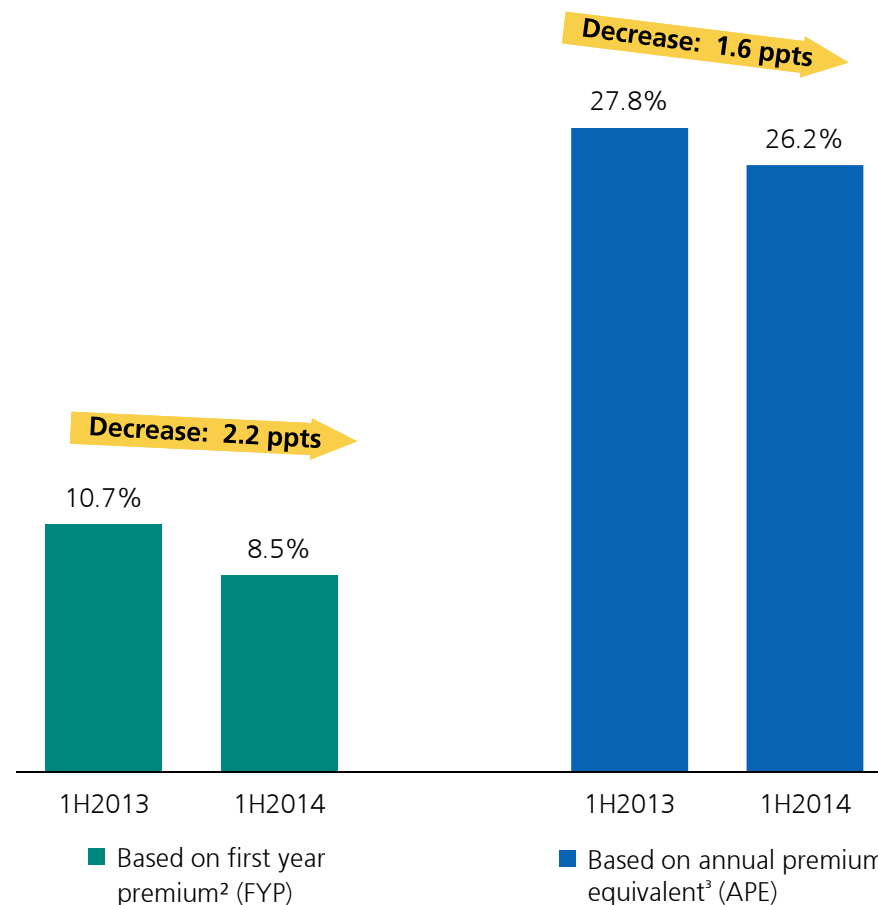
# Value of half year's new business

## Value of half year's new business<sup>1</sup>

(RMB million)



## New business value margin<sup>1</sup>



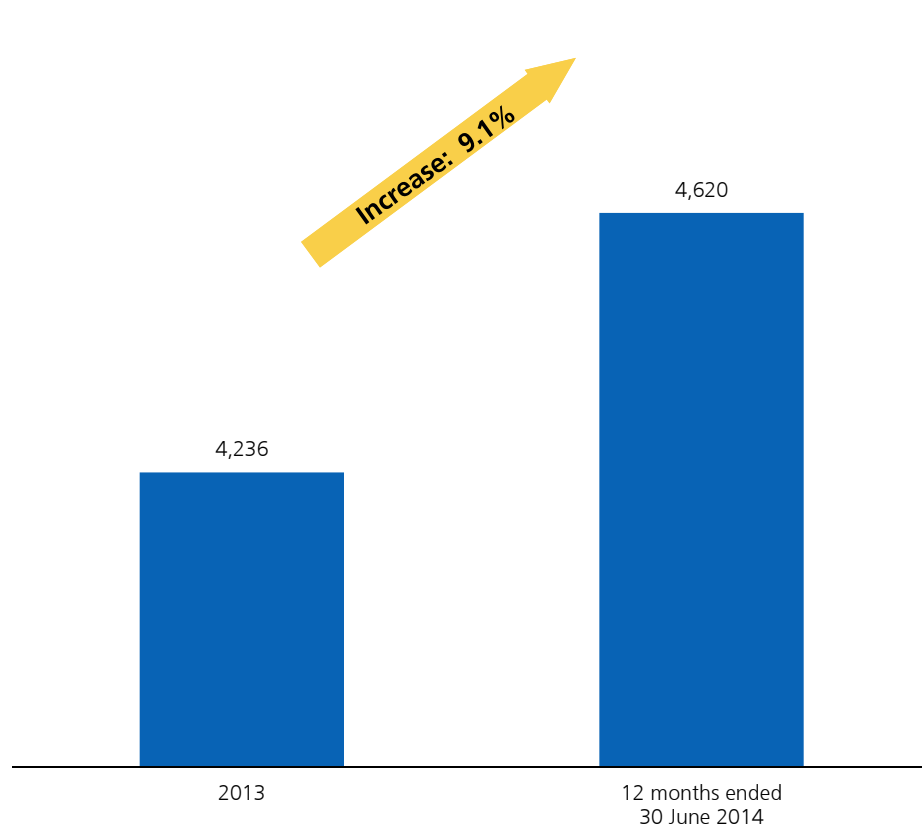
Notes:

- Value of first half year's new business as of 30 June 2013 was recalculated based on the assumption as of 31 December 2013
- New business margin based on FYP = value of half year's new business / FYP
- New business margin based on APE = value of half year's new business / (100% \* first year regular premiums + 10% \* first year single premiums)

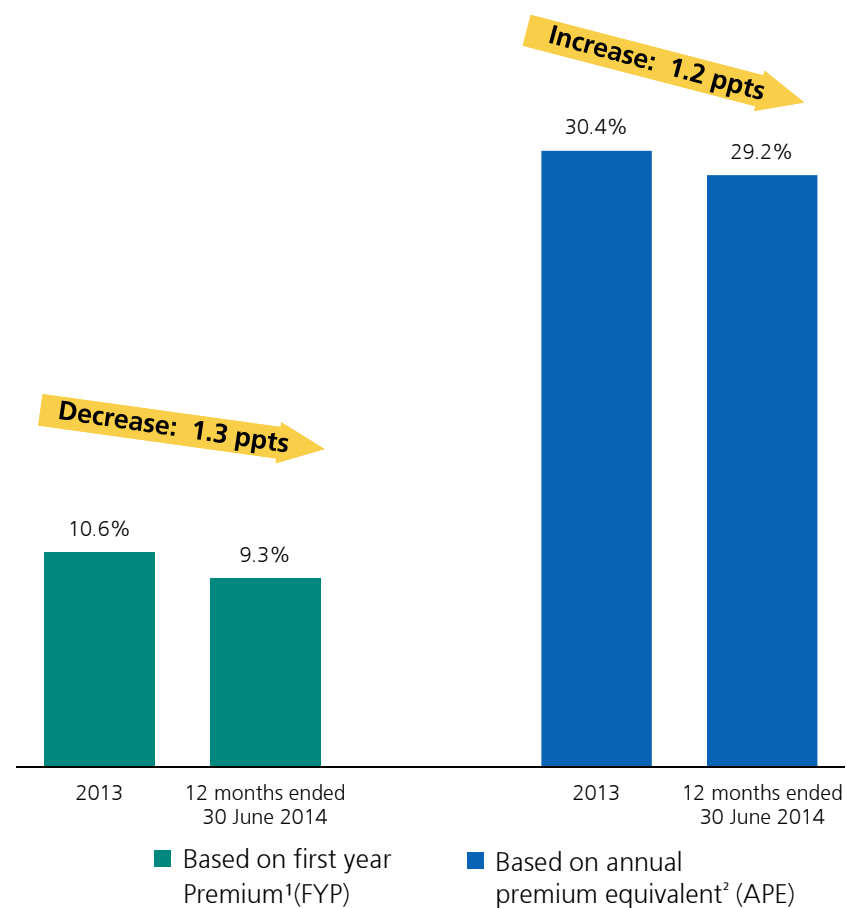
# Value of one year's new business

## Value of one year's new business

(RMB million)



## New business value margin



Notes:

1. New business margin based on FYP = value of one year's new business / FYP

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

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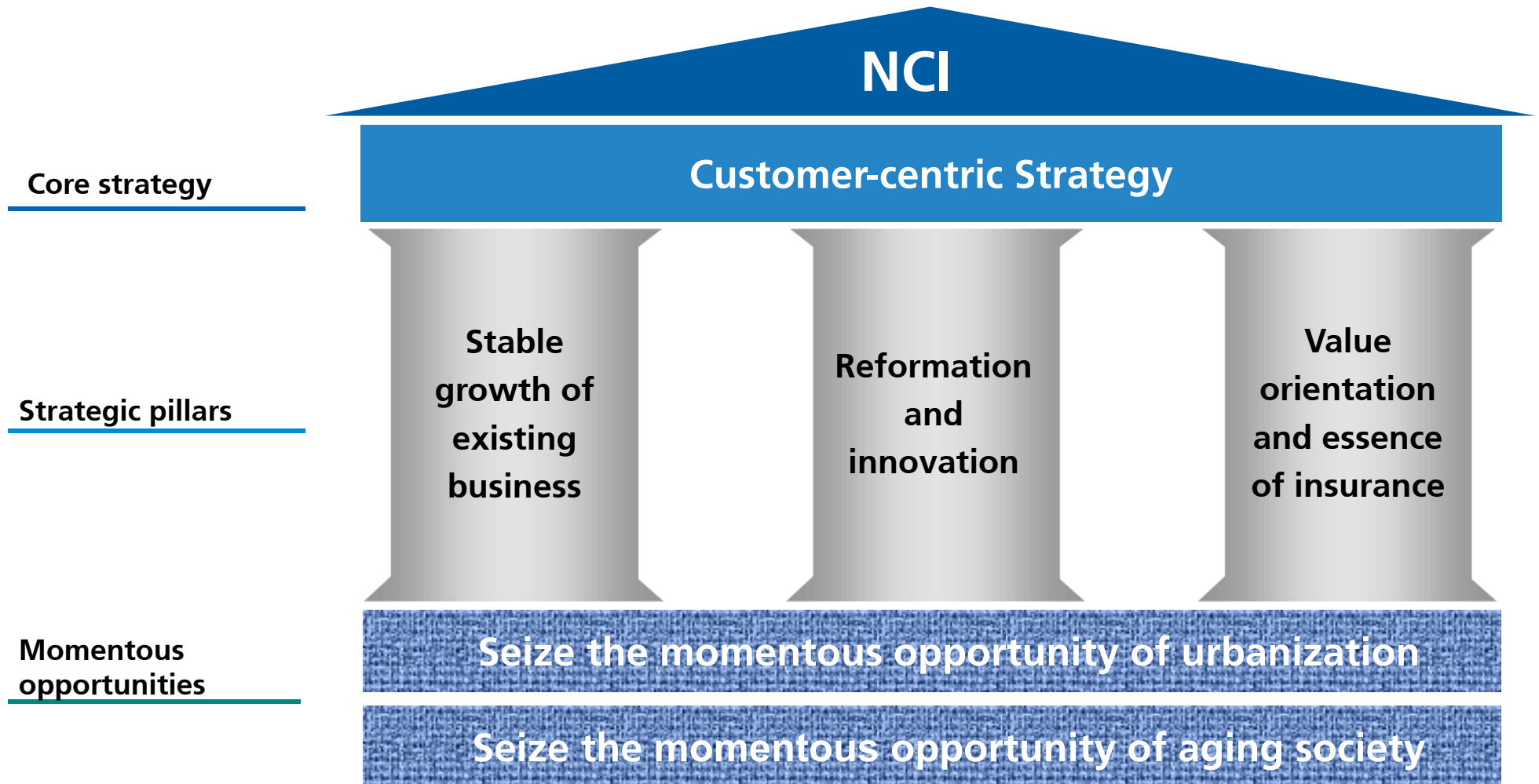
Embedded value

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Strategy & outlook

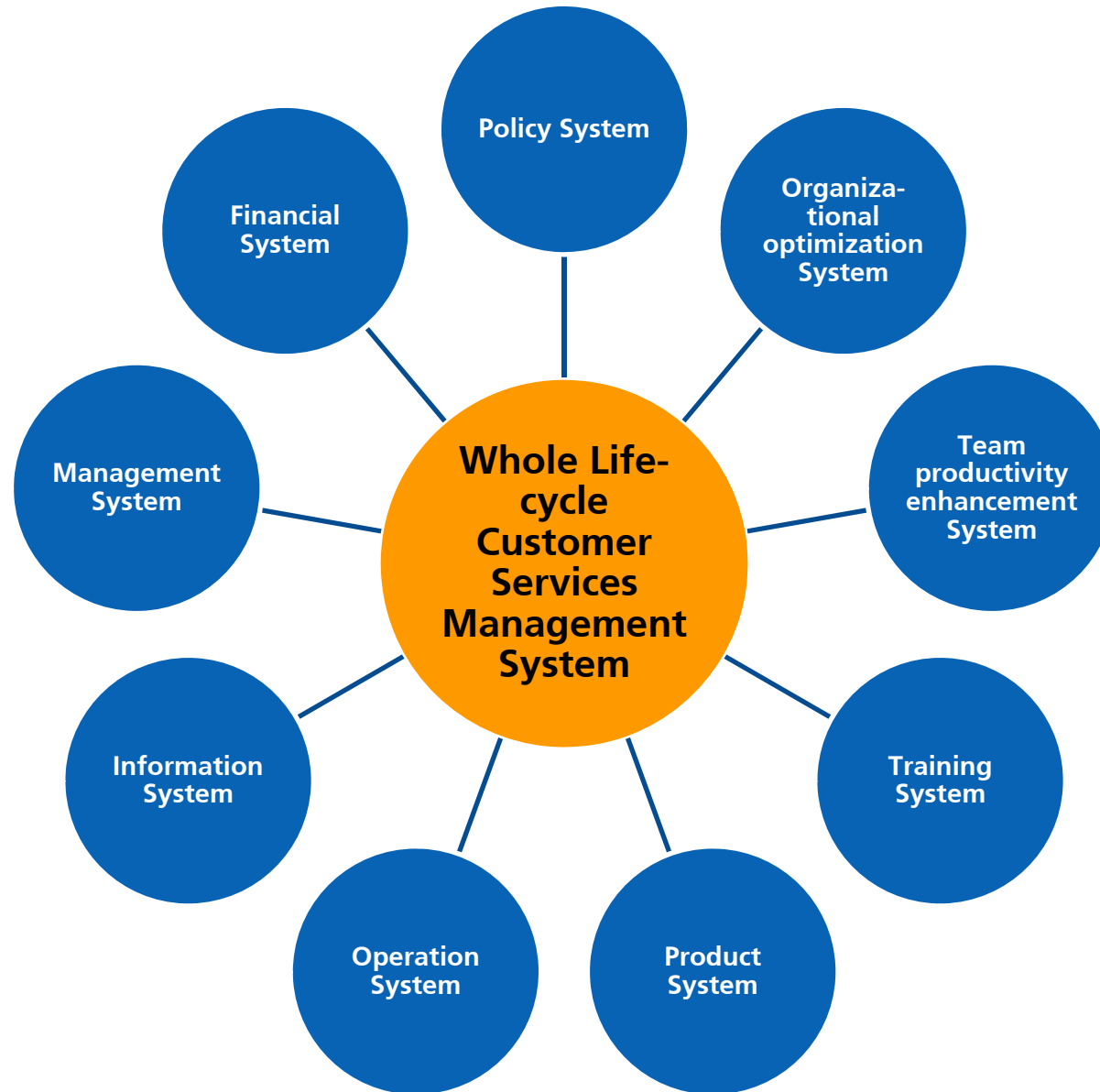


# Adhere to "Customer-centric" strategy





# Focus on "whole life-cycle customer services management system", implement strategic transformation initiatives



# Aims & expected results of "whole life-cycle customer services management" system

- 
- 1 Improve customer experience and increase customer satisfaction
  - 2 Increase multiple policies per customer rate, renewal rate and referral rate of existing customers
  - 3 Realize stable growth of customers and core-customer ratio
  - 4 Enhance team quality, productivity and stability
  - 5 Reinforce benign interaction between the team and customers
  - 6 Establish a strong supporting system for whole life-cycle customer services management
  - 7 Form a sound policy system for whole life-cycle customer services management
  - 8 Drive the Company on a sustainable, effective and healthy developing path

# Comprehensive transitions that we are achieving

<b>Team</b>	is turning from low retention rate, poor educational background, low productivity to better educated, more stable, more localized with higher productivity
<b>Branch location</b>	is turning from scattering in rural areas to gradually concentrating in urban districts
<b>Training System</b>	is turning from a dispersed, poorly-organized and weak system to a more professional, systematic and comprehensive training system
<b>Business</b>	is turning from relying on incentive campaigns to relying on fundamental management and customer development, from experiencing bumpy curves between peak and downside periods to a mild transition between different seasons based on stable team and productivity
<b>Operation</b>	is turning from an extensive and passive pattern to a lean and efficient operational system that fits customers' whole-life cycle management in the age of internet
<b>New Technology</b>	Obtain leading technology in industry, use the advanced technology to ensure and lead company development and management improvement; Improve mobility of the team, ensure to possess 70,000 Epad insurance system at the end of this year and renewal channel coverage ratio to approach 80%
<b>Other Transitions</b>	include transition in policy system, product system, financial system and risk management system, etc



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## Q & A

