



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

# 2012 Annual Results Announcement



March 2013

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As the global economy gradually recovered in 2012, the Chinese economy remained stable alongside steady social and economic progress. Against the backdrop of milder growth and tightened regulation, the life insurance sector in China continued its transformation on the back of 2011, with the balanced development between value and scale emerging as the new guiding principle for the sector.

In 2012, New China Life Insurance (NCI) – while ensuring the priority of steady business growth – pressed ahead with a strategic transformation toward a "value-based" path of balanced development, driving progress through a multitude of areas including high-level direction, business growth and comprehensive management. First, NCI established a central operational principle that places equal importance on both value and scale; second, NCI further optimized the business mix of various channels, increased the marketing efforts for high-value products and long-term products, and enhanced its new business margin; third, NCI further cemented the foundation for value management, and continued to improve its comprehensive management capability by optimizing the budget management model, the performance and executive management system, as well as the operating efficiency of support staff.

# Key financial & business indicators

Unit: RMB million	2012	2011	Change (%)	
Gross written premiums	97,719	94,797	↑	3.1%
Market share	9.8%	9.9%	↓	0.1 ppt
Net profit attributable to shareholders of the Company	2,933	2,799	↑	4.8%
Total assets	493,693	386,771	↑	27.6%
Shareholders' equity attributable to the Company	35,870	31,306	↑	14.6%
Basic earnings per share (RMB)	0.94	1.24	↓	24.2%
Net assets per share attributable to shareholders of the Company	11.50	10.04	↑	14.5%
Weighted ROAE	8.7%	16.8%	↓	8.1 ppts

# Key financial & business indicators (cont'd)

Unit: RMB million	2012	2011	Change(%)
<b>Investment assets</b>	<b>478,481</b>	<b>373,958</b>	 <b>28.0%</b>
<b>Total investment income<sup>1</sup></b>	<b>13,539</b>	<b>12,677</b>	 <b>6.8%</b>
<b>Total investment yield</b>	<b>3.2%</b>	<b>3.8%</b>	 <b>0.6 pts</b>
<b>Net investment yield</b>	<b>4.7%</b>	<b>4.1%</b>	 <b>0.6 pts</b>
<b>Embedded value</b>	<b>56,870</b>	<b>48,991</b>	 <b>16.1%</b>
<b>Value of one year's new business</b>	<b>4,172</b>	<b>4,360</b>	 <b>4.3%</b>
<b>Solvency margin</b>	<b>192.56%</b>	<b>155.95%</b>	 <b>36.6 pts</b>

Note:

1. Total investment income = interest income from cash and cash equivalents, term deposits, debt securities and other investment assets + dividend income from equity securities + realized gains/(losses) + unrealized gains/(losses) + impairment losses on financial assets

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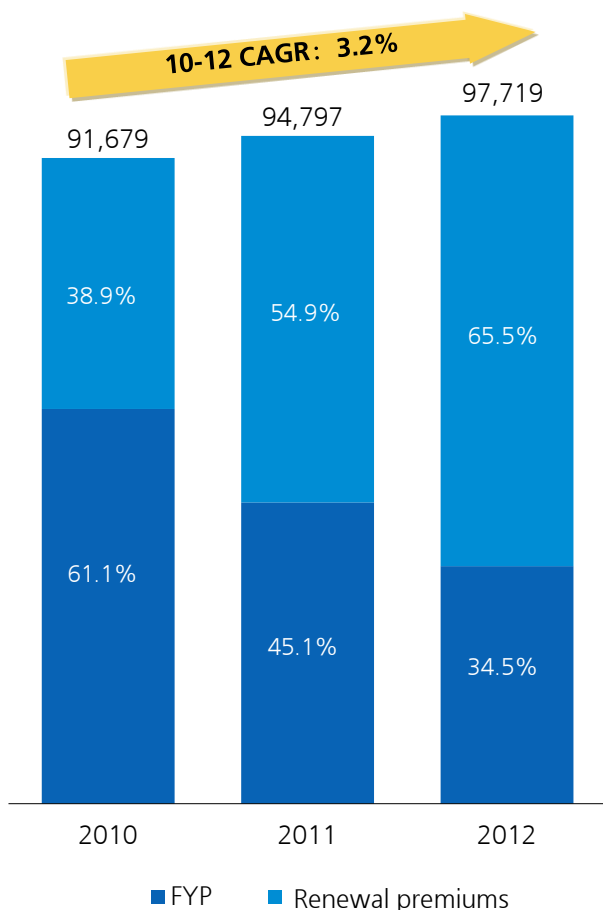
# Premium growth maintains while market position remains strong

## Gross written premiums

(RMB million)

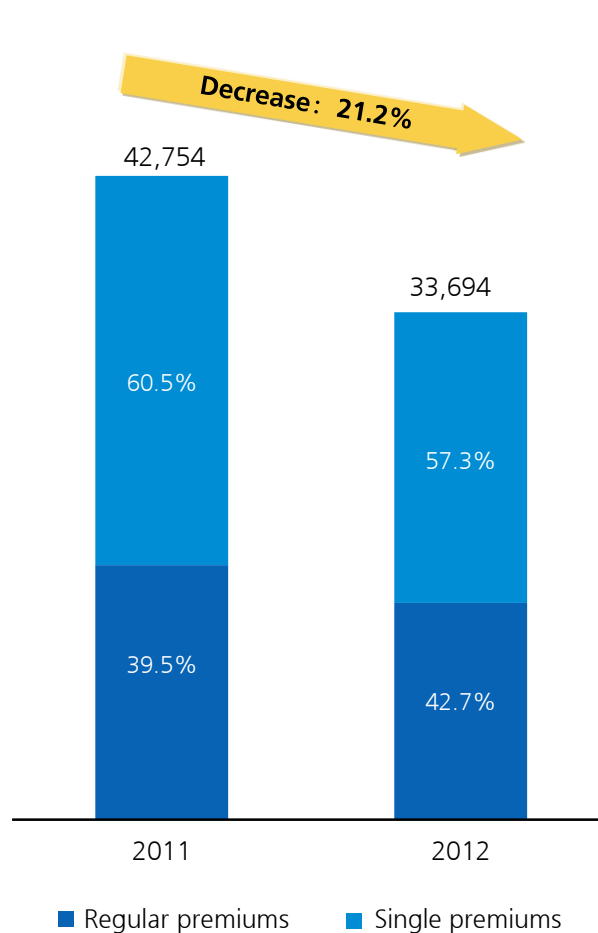
NCI ranking<sup>1</sup> : **3** **3** **3**

Market share<sup>1</sup>: **8.9%** **9.9%** **9.8%**



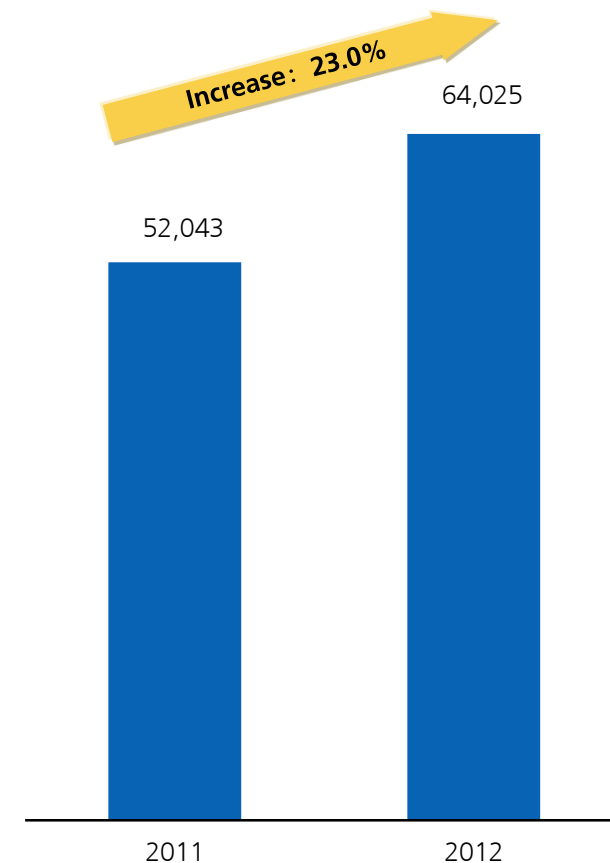
## First year premiums (FYP)

(RMB million)



## Renewal premiums

(RMB million)



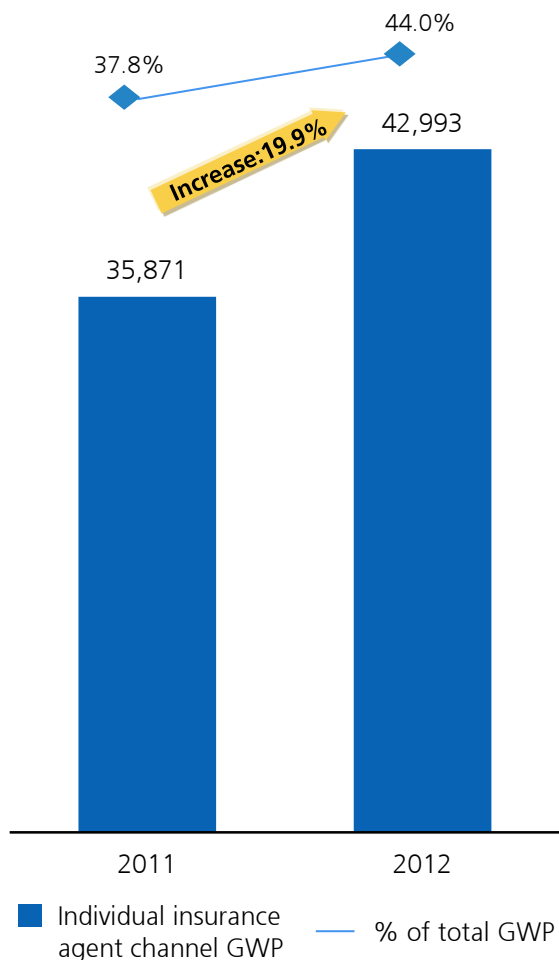
Note: 1. Market ranking and market share data derived from CIRC



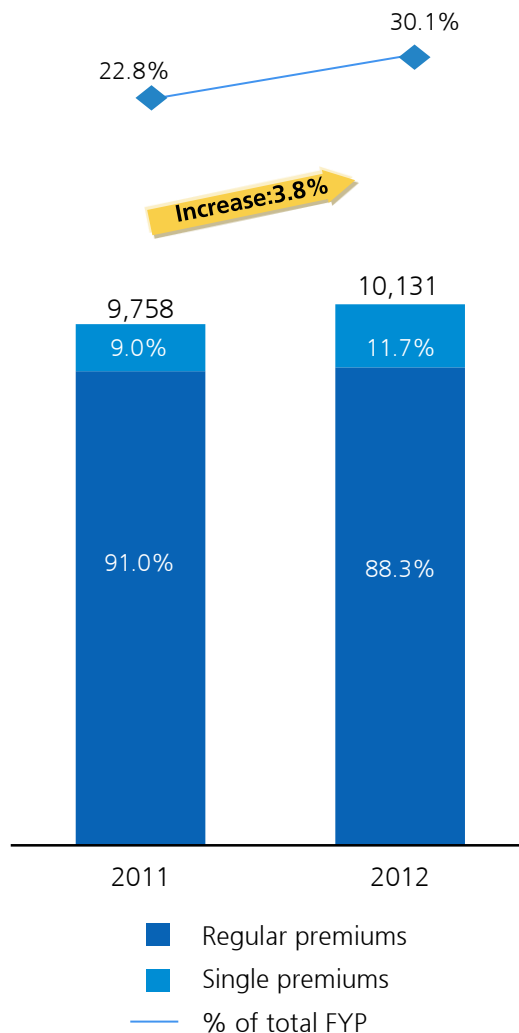
# Individual insurance agent channel

— Focused on value-based growth and sustained optimization of term structure

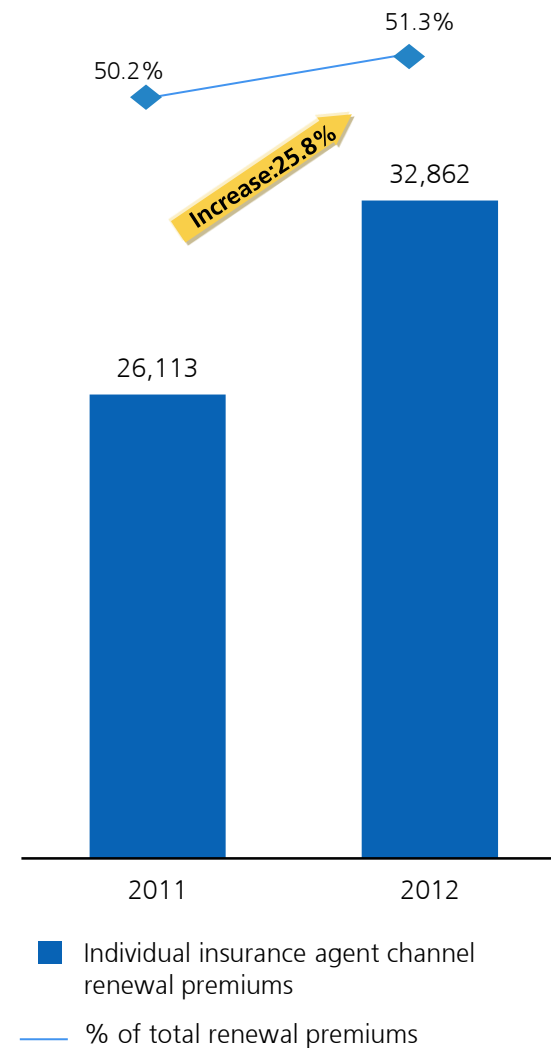
### Individual insurance agent channel GWP



### Individual insurance agent channel FYP



### Individual insurance agent channel renewal premiums

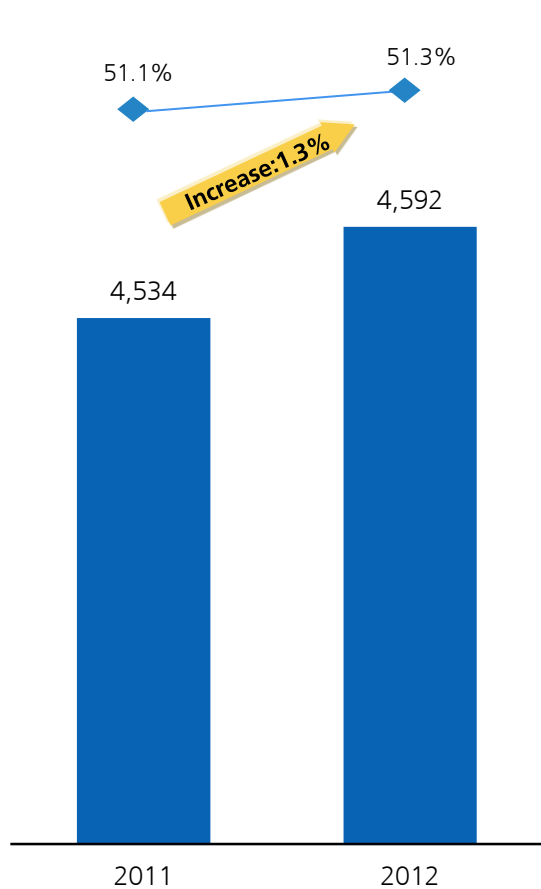


# Individual insurance agent channel (cont'd)

— Focused on value-based growth and sustained optimization of term structure

## FYP from regular products with payment period of 20 years or above

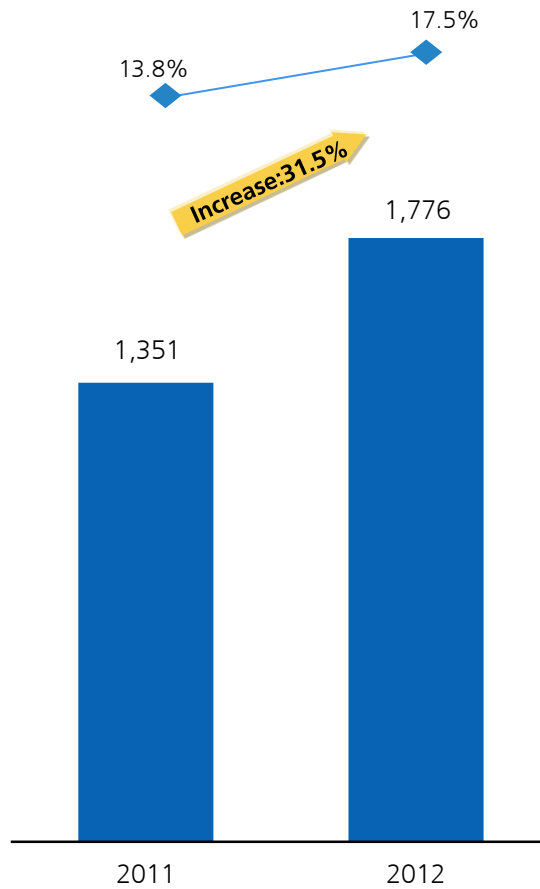
(RMB million)



■ Premiums — % of agent channel FYP

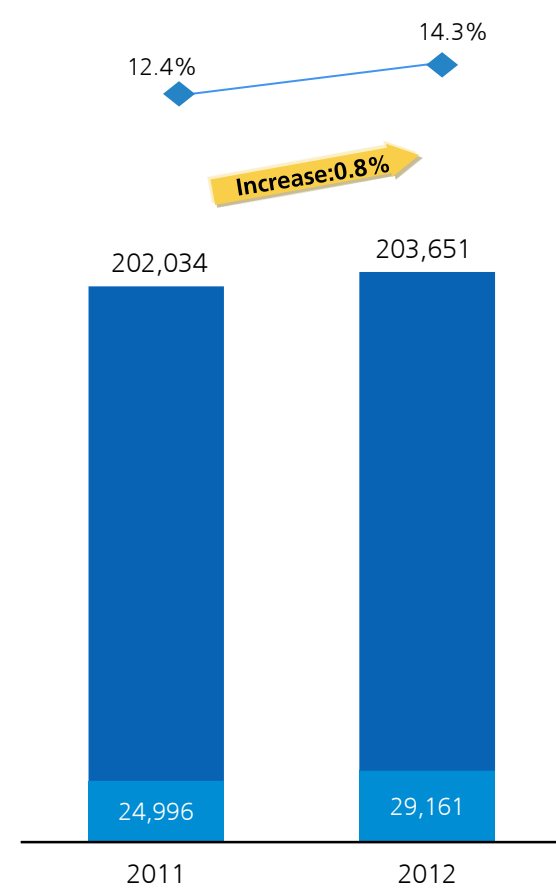
## Agent channel FYP generated by renewal team

(RMB million)



■ Agent channel FYP generated by renewal team  
— % of agent channel FYP

## Number of agents



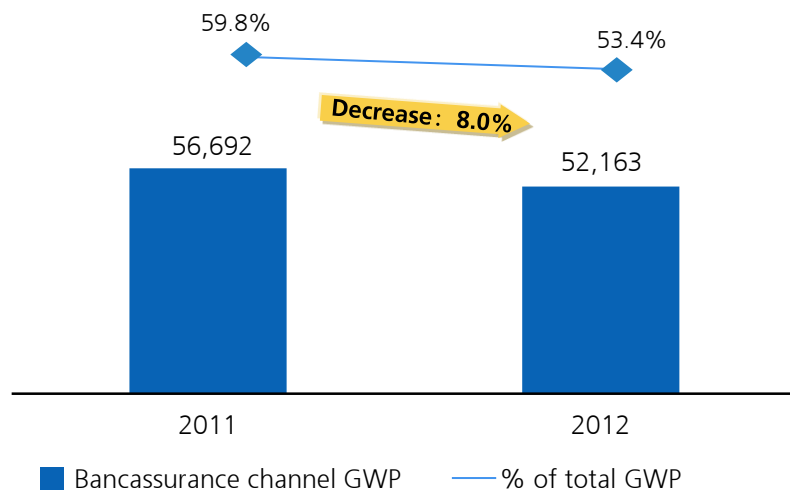
■ Number of high-performing agents  
— High-performing agents as % of total number of agents

# Bancassurance channel

## — Optimizing product mix in response to industry-wide adjustments

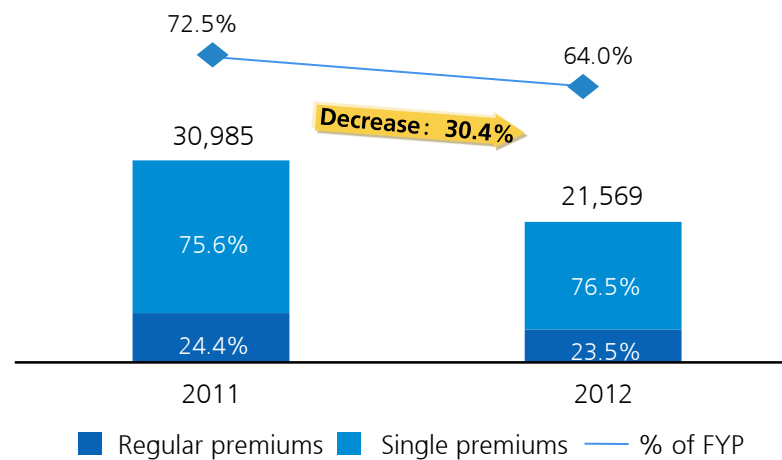
### Bancassurance channel GWP

(RMB million)



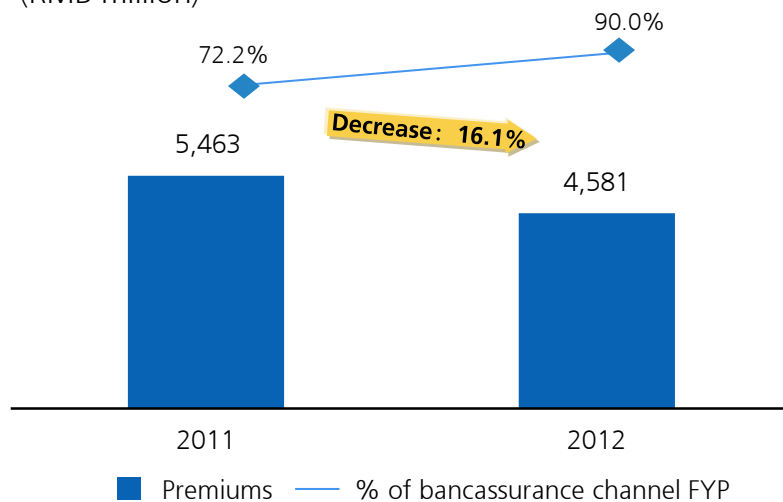
### Bancassurance channel FYP

(RMB million)



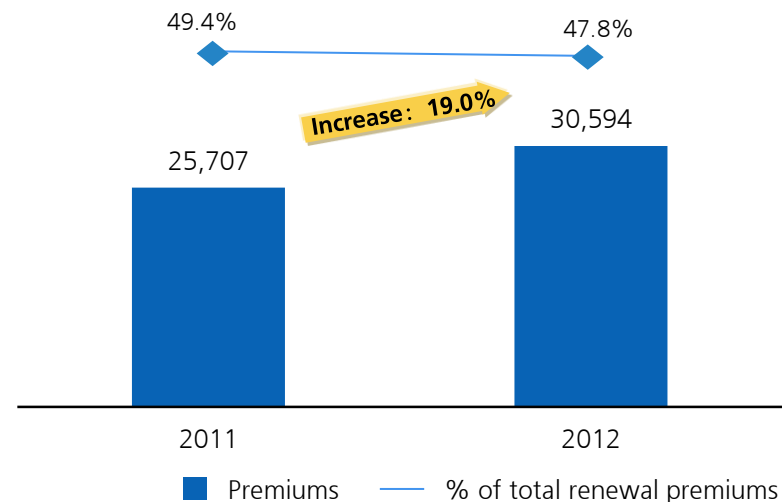
### FYP from regular products with payment period of 5 years or above

(RMB million)



### Bancassurance channel renewal premiums

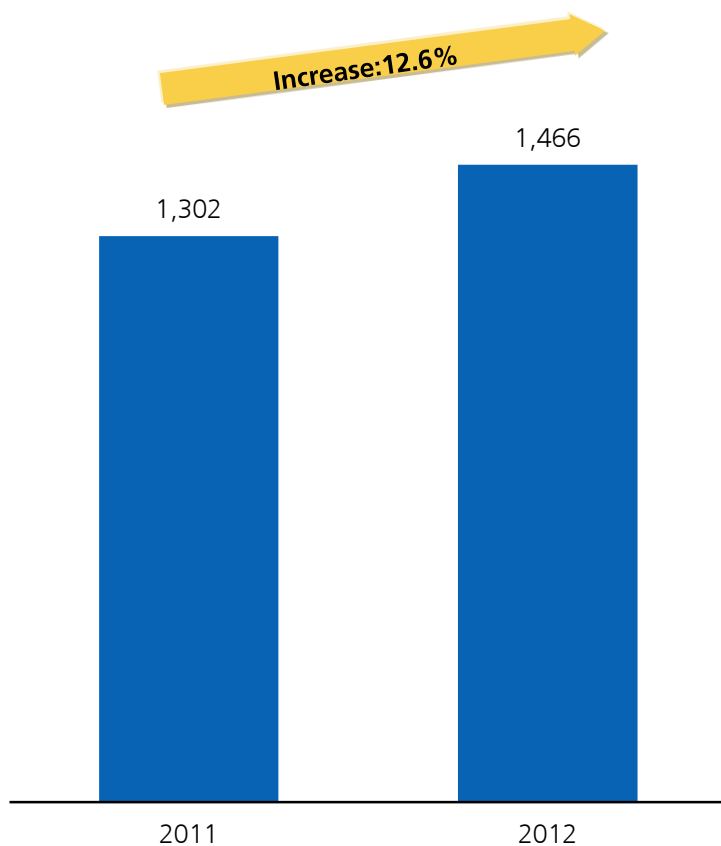
(RMB million)



# Group insurance business & wealth management channel

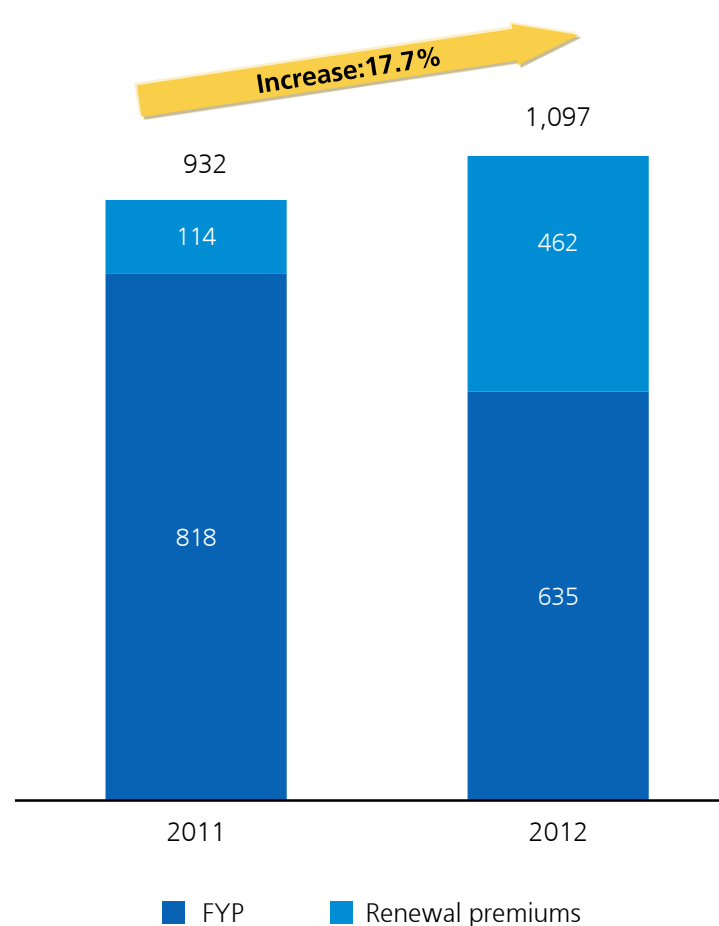
## Group insurance business GWP

(RMB million)



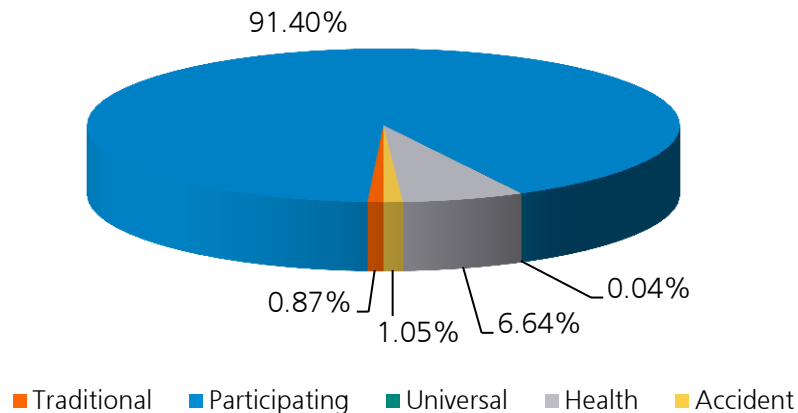
## Wealth management channel GWP

(RMB million)

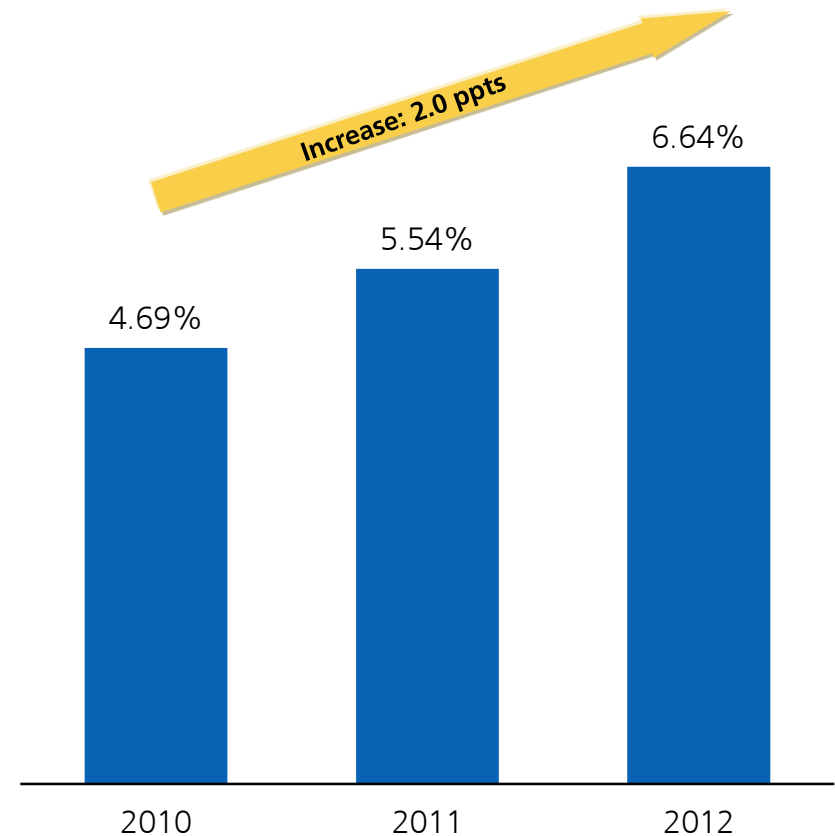


# Enhanced product offering and focus on high-value products

## 2012 premium breakdown by product



## Health insurance premiums as % of total GWP



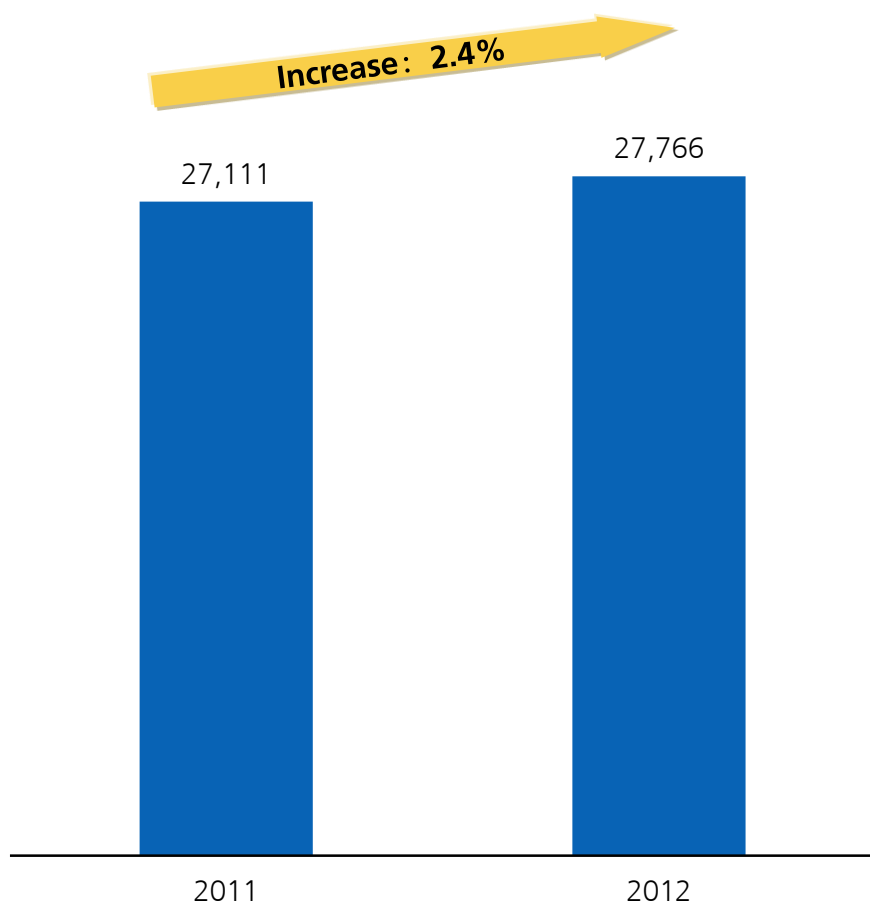
- In 2012, NCI's product mix is still primarily composed of participating insurance products, which contributed to 91.4% of total GWP
- Health insurance products generated RMB6,491 million of premium in 2012, an increase of 23.5% YoY, achieving much faster growth than overall GWP
- Health insurance premiums as % of total GWP increased from 5.5% in 2011 to 6.6% in 2012, reflecting the Company's strategic focus on value enhancement through product transformation

# Customer base & customer service quality

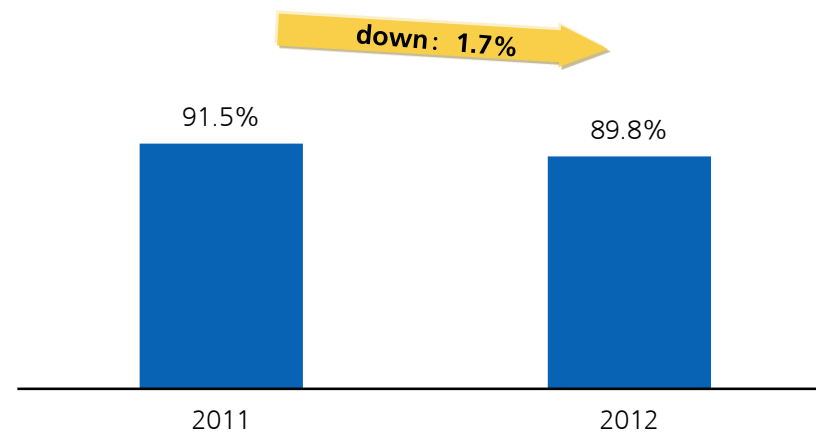
— Customer base maintains steady growth and persistency ratio remains stable

## Amount of customers

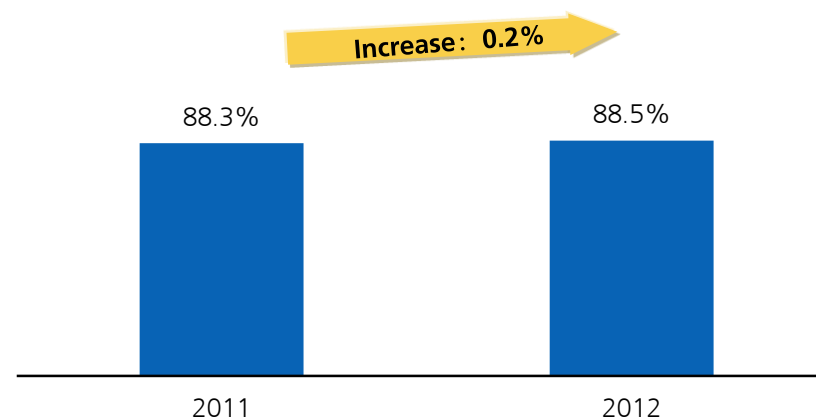
(thousand persons)



## 13-month persistency ratio



## 25-month persistency ratio



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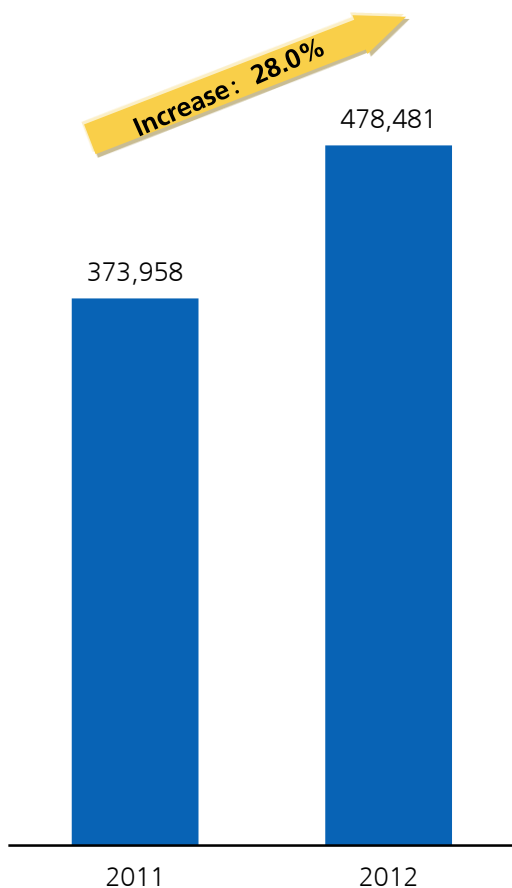


# Investment strategy and performance

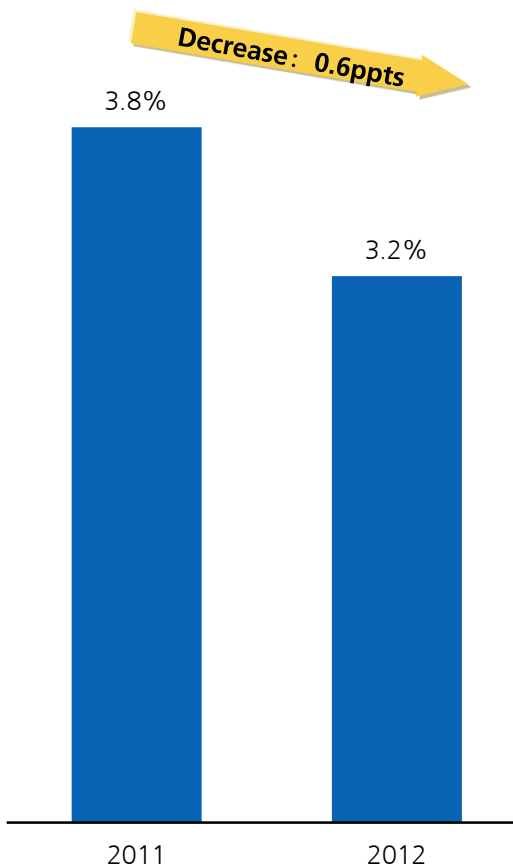
## —Superior asset allocation and effective risk control

### Investment assets

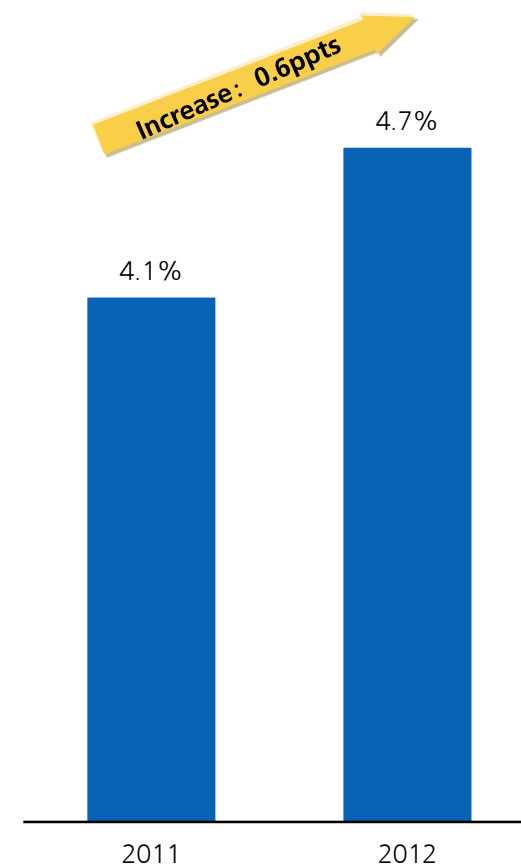
(RMB million)



### Total investment yield



### Net investment yield



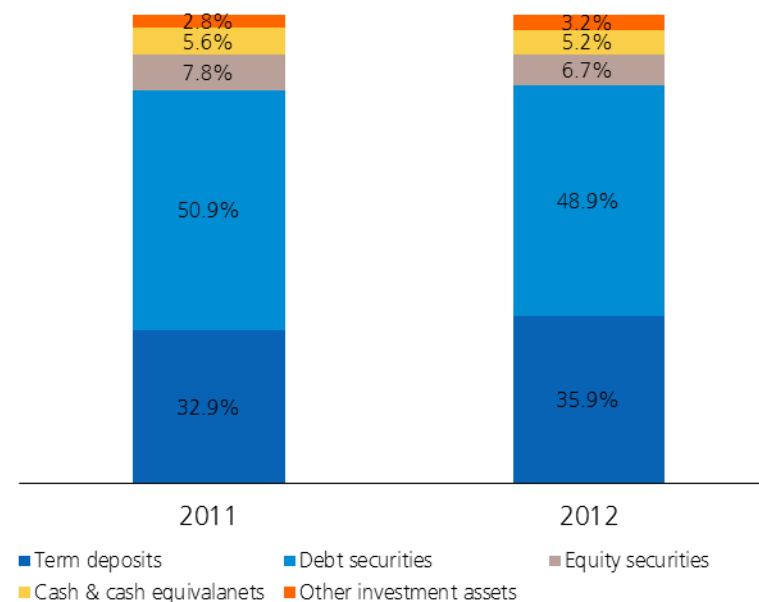
# Investment strategy and performance

## —Superior asset allocation and effective risk control (cont'd)

### Investment portfolio

Unit: RMB million	2012	2011	Change (%)
<b>Investment assets</b>	<b>478,481</b>	<b>373,958</b>	<b>↑ 28.0%</b>
Term deposits	171,853	122,949	↑ 39.8%
Debt securities	234,130	190,464	↑ 22.9%
Equity	32,085	29,051	↑ 10.4%
— Funds	15,869	12,077	↑ 31.4%
— Stocks	16,216	16,974	↓ 4.5%
Cash & cash equivalents	25,066	21,095	↑ 18.8%
Other investment assets	15,347	10,399	↑ 47.6%

### Asset allocation



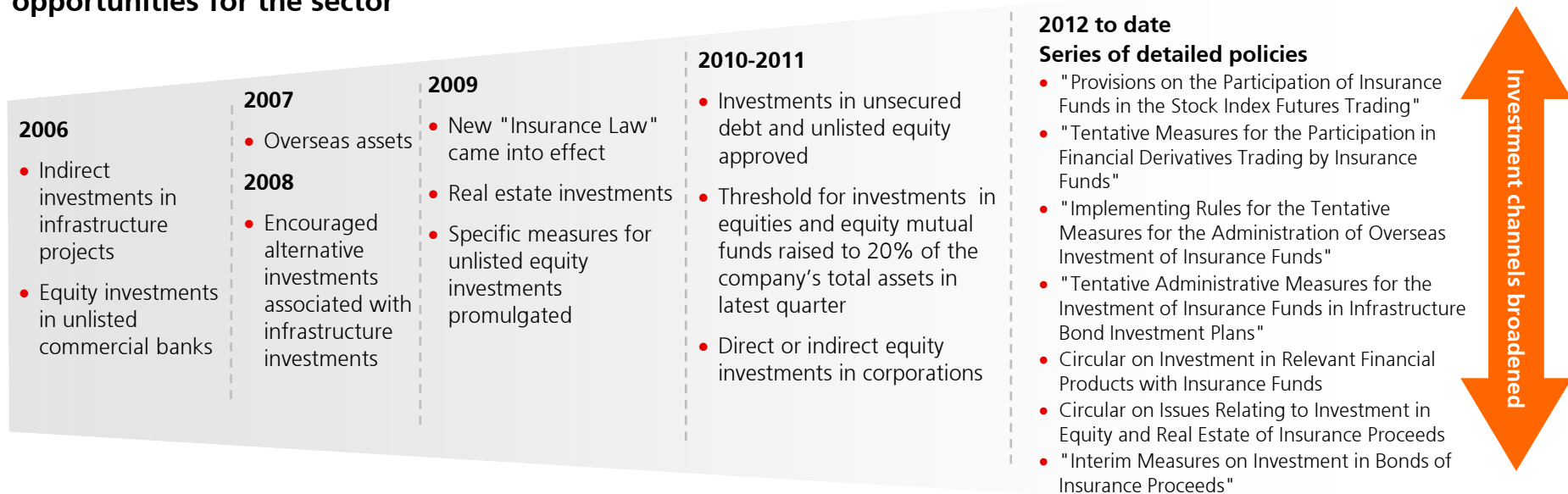
### Investment strategy

- 1 Asset liability management as the foundation while preserving the security, liquidity and profitability of its managed funds
- 2 Maximize the investment portfolio returns on the basis of sound asset allocation and effective risk control

# Investment strategy and performance

## —Broadening of investment channels

Regulatory bodies have gradually broadened the investment channels for insurance funds in recent years, conducive to the development of asset management businesses for the insurance industry, and ushering in new growth opportunities for the sector



NCI swiftly responded to regulatory policy changes and proactively applied for investment licenses, successfully obtaining licenses to undertake overseas investments, equity and real estate investments from the CIRC in 2012, along with a newly granted USD500 million quota for overseas investments from SAFE, both of which significantly broadened the Company's investment channels. Overseas investments, equity and real estate investment businesses are experiencing proactive and steady progress



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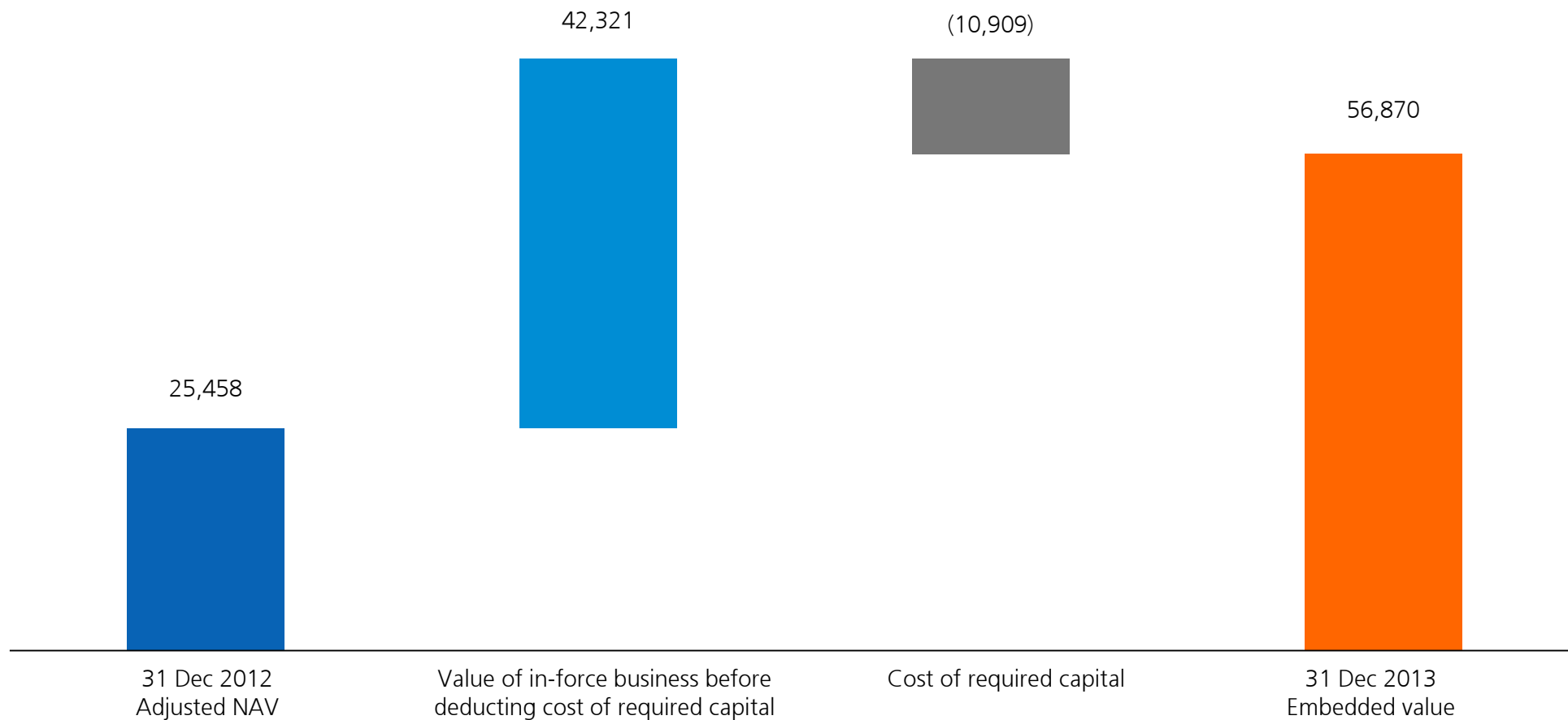
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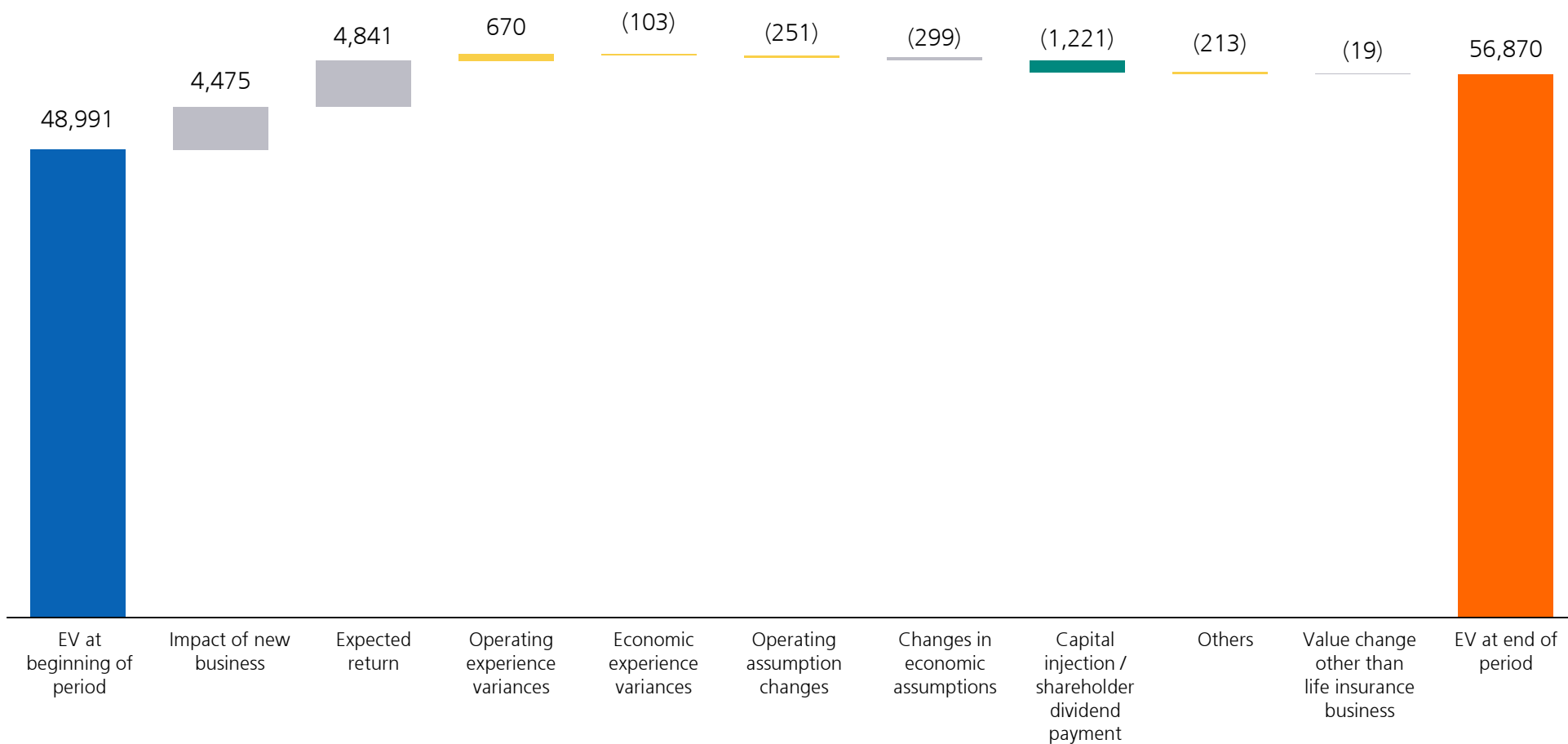
# Embedded value—composition analysis

(RMB million)



# Embedded value—analysis of change

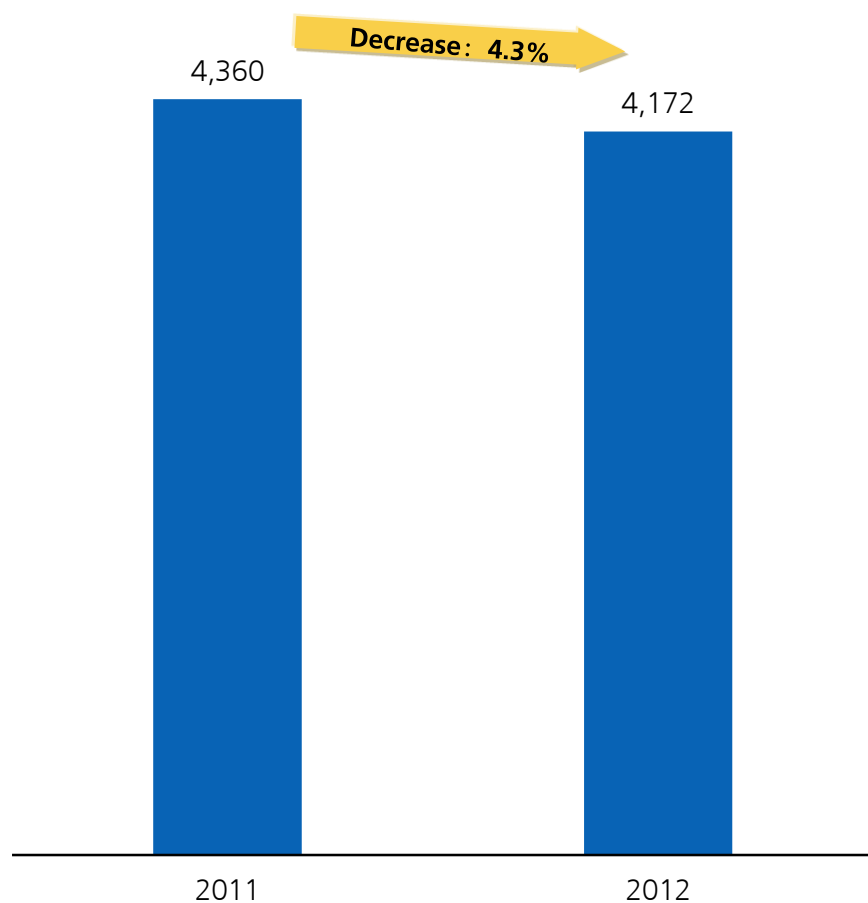
(RMB million)



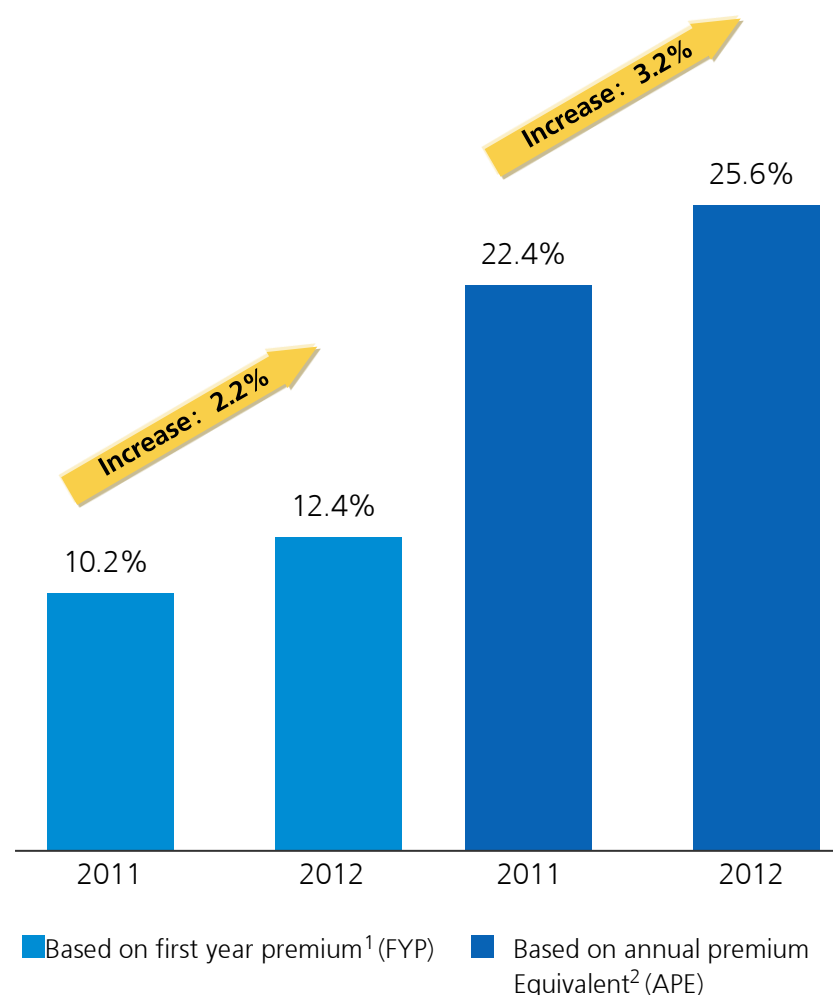
# New business value

## Value of one year's new business

(RMB million)



## New business margin



Note:

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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## Strategic transformation progress

### Research, evaluation, design and experimental results of NCI's transformation

1

#### Optimizing product portfolios and increasing new business margin

- Enhanced product planning system, re consolidated product portfolios, and established new product strategy
- Increased degree of structural adjustment, launching products with high new business margin

2

#### Exploring customer operation and business model changes

- Explored how to target high-end customers as well as new recruitment methods
- Continued to strengthen establishment of high performing agent force

3

#### Improving investment management

- Maintained prudent investment strategy to deliver stable return on overall assets
- Obtained licenses for equity, real estate and offshore investments, further broadening investment channels

4

#### Firmly expanding new businesses

- Established senior care management company, building the fundamental framework for senior care business
- Wuhan and Xi'an Clinics commenced operations with fundamentally established governance and organizational structure

NCI has deepened its understanding of the transformation process across all levels of the company, and undertook proactive efforts towards transformation, driving continued optimization of business structure and increase in new business margin, comprehensively confirming the direction of transformation

# 2013: turning challenges into opportunities

## Confronted with challenges

Hypercompetition in high-yield saving-substitute insurance products

Changes to competitive landscape of bancassurance business

Long-existing misleading sales practice and resulting continued attention

Pressure on cash flow and customer loss due to maturities and surrenders

**"Winning customers means winning the world"**

## Countermeasures

### Customer-centric

Closer to customers and markets

Simplify decision-making process, faster response to market changes

Optimize resource allocation efficiency

Better motivate front-line sales

The overall development trend of the life insurance industry is still not expected to be optimistic in 2013 with the co-existence of opportunities and challenges. Improvement in macro-economy and financial environment, opportunities arising from urbanization and aging population, release of demand in insurance such as health and pension, as well as the introduction of a series of new investment and regulatory policies will probably favor the development of life insurance industry in the long term. At the same time, factors such as the ongoing industry-wide adjustments in bancassurance and incoming peak of life insurance maturities claims would continue to present formidable challenges for life insurers.

In light of future opportunities and challenges, the Company will continue to uphold its “customer-centric” development strategies, sustain steady growth of its existing businesses, undertake reform and innovation, as well as emphasize on value and return to the essence of life insurance. Capturing the prevailing opportunities arising from urbanization and aging population, the Company will strive to build itself as the best financial services conglomerate in China with a core focus on comprehensive life insurance.

Through establishing a service system based on customers’ entire life cycle as well as ancillary policy system, institution system, sales team, training system, product system, operation system and information system with focus on core customer groups, the Company aims to establish and improve its “customer-centric” structures and operation system, and thus foster the shift of the Company’s customer base towards those of mid or higher income. At the same time, the Company plans to proactively explore innovative business development modes, while actively expand into internet sales business and utilize the extensive customer base on the internet with a view to effectively create a channel catering for emerging consumer groups and their consumption characteristics. The Company plans to constantly widen its investment channels to enhance its capabilities in utilizing funds. With the establishment of systematic risk control mechanism with rapid response, enhancement on IT system reform and innovation as well as risk prevention capabilities, continuous optimization of the construction of back office support such as risk control, operation and IT, the comprehensive management would be enhanced and thus promote the solid development of the Company. The Company strives to realize steady growth in GWP, business value and net profits in 2013 according to our plan.

We believe that through the united efforts of all NCI employees, with devoted management, determined reform, rational transformation, and passionate entrepreneurship, New China Life will steadily and surely enter into a bright, broad, and scenic landscape in the new era.

**Q & A**

