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2015 年年度业绩发布会

2015 Annual Results Announcement

2016.03.30



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In 2015, the Company adhered to the strategic direction of "returning to the essence of insurance" and focused on the two working themes of "business development" and "strategic transformation". Dedicated to the implementation of its strategic principles, NCI has over-fulfilled annual targets set by the board of directors and realized continued and steady growth in 2015.

- Business plan fully accomplished, with significant growth seen in new policies and first year regular premiums
- Product structure continuously optimized, with health insurance and products with payment periods of ten years or above driving value creation
- Significant headway made in sales team building as the individual agent team kept expanding and per capita productivity hit new record
- Breakthrough achieved in technology application, leading to dramatic coverage expansion by mobile device and innovative businesses platforms being launched
- Asset management performed well as demonstrated in strict asset risk control and great investment returns

We believe NCI's business development and strategic transformation will continued to be recognized by the capital market.

Key financial & business indicators

Unit: RMB million	2015/ End of 2015	2014/ End of 2014	Change (%)
Gross written premiums	111,859	109,868	 1.8%
Market share	7.1%	8.7%	 1.6 pts
Net profit attributable to shareholders of the Company	8,601	6,406	 34.3%
Total assets	660,560	643,709	 2.6%
Equity attributable to shareholders of the Company	57,835	48,359	 19.6%
Basic earnings per share (RMB)	2.76	2.05	 34.6%
Net assets per share (RMB)	18.54	15.50	 19.6%
Weighted ROAE	16.20%	14.63%	 1.57 pts

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

Key financial & business indicators (cont'd)

Unit: RMB million		2015/ End of 2015	2014/ End of 2014	Change (%)
Investment assets		635,688	625,718	↑ 1.6%
Total investment income		45,603	32,323	↑ 41.1%
Total investment yield		7.5%	5.8%	↑ 1.7 pts
Net investment yield		4.9%	5.2%	↓ 0.3 pts
Embedded value		103,280	85,260	↑ 21.1%
Value of one-year's new business		6,621	4,912	↑ 34.8%
Solvency margin	Solvency I	227.43%	226.53%	↑ 0.9 pts
	Solvency II	248.54% (Core)	N.A.	
		280.96% (Aggregated)	N.A.	

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Overall insurance performance

Gross written premiums

(RMB million)

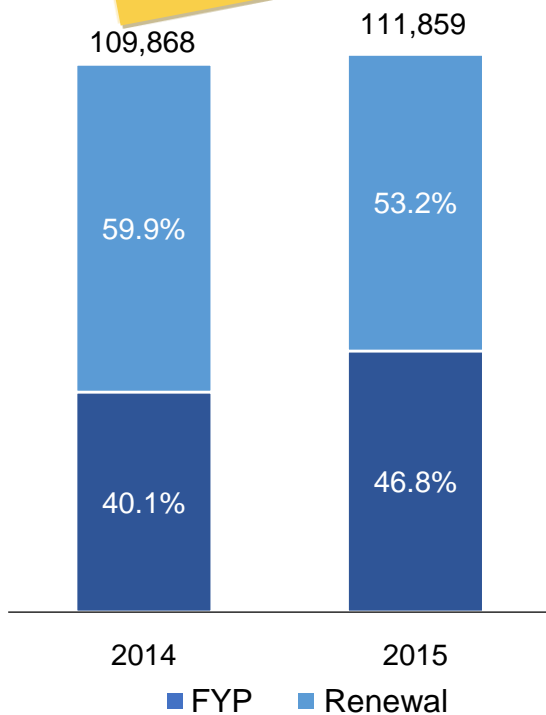
NCI ranking¹: **3**

Market share: **8.7%**

3

7.1%

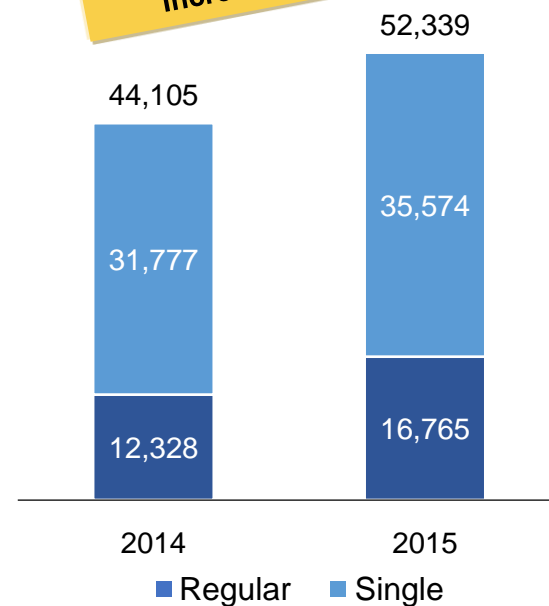
Increase : 1.8%



First year premiums (FYP)

(RMB million)

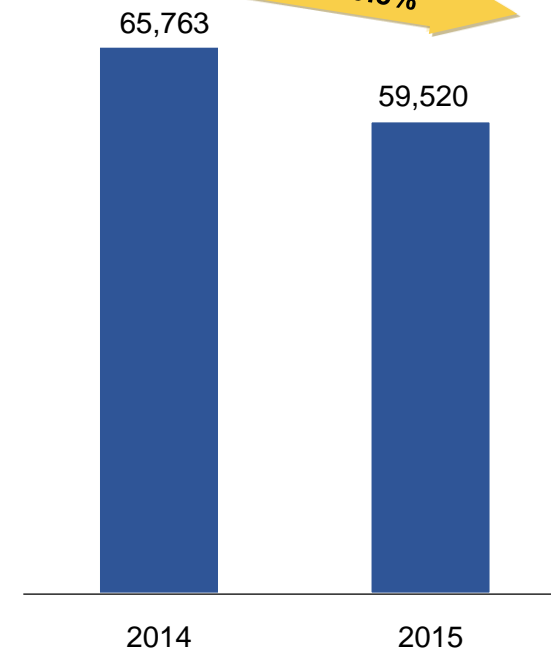
Increase : 18.7%



Renewal premiums

(RMB million)

Decrease : 9.5%



Note

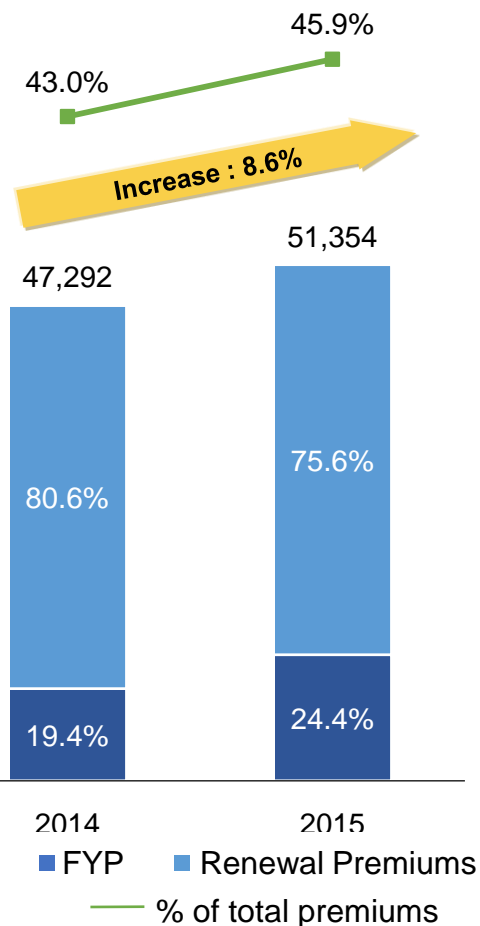
1. Market ranking and market share data derived from CIRC

Individual insurance agent channel

Rapid premium growth and significant increase in channel contribution

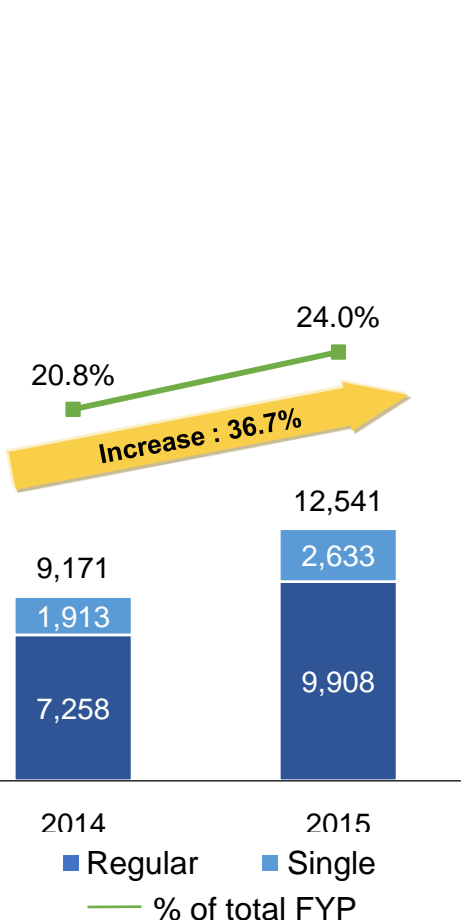
Individual insurance agent channel GWP

(RMB million)



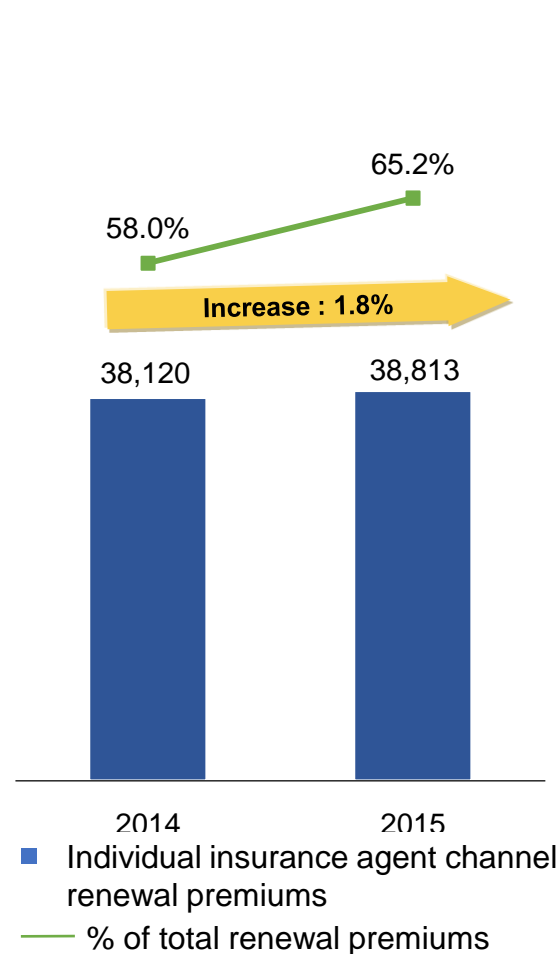
Individual insurance agent channel FYP

(RMB million)



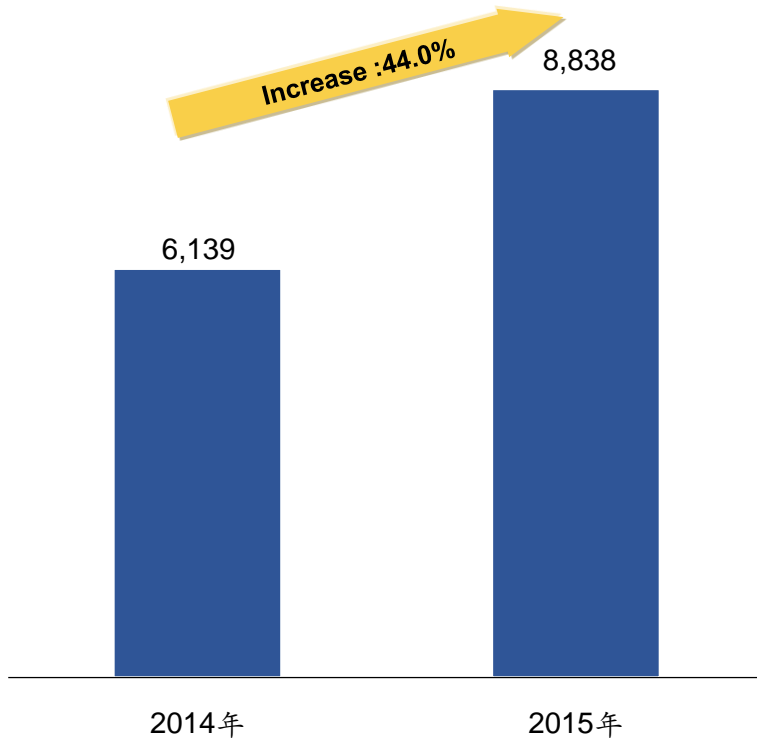
Individual insurance agent channel renewal premiums

(RMB million)



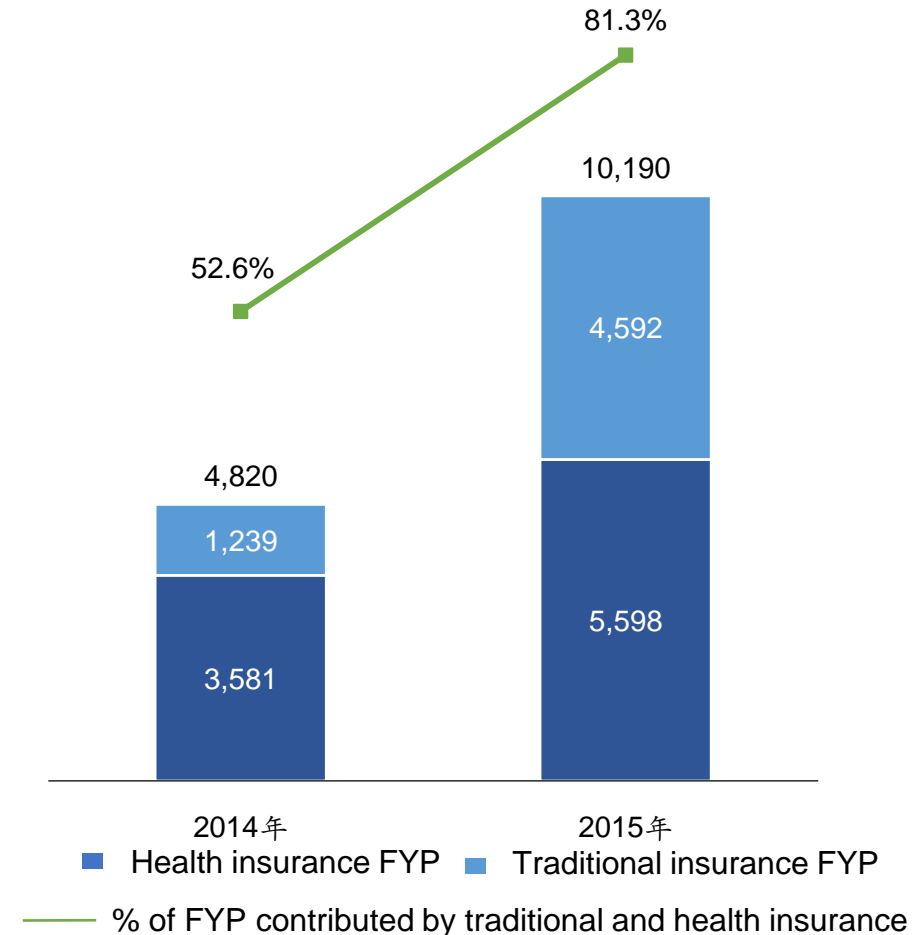
FYP from regular products with payment period of 10 years or above

(RMB million)



FYP contributed by traditional insurance and health insurance





(RMB million)



Individual insurance agent channel (cont'd)

Sales team expanded while promoting for better performance

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(Unit: '000)	2015/ End of 2015	2014/ End of 2014	Change (%)
Number of insurance agents	259	175	 47.6%
Number of qualified individual insurance agents¹ (monthly average)	94	74	 26.2%
Productivity of qualified individual insurance agent (monthly average)	10.3	9.2	 11.4%
Number of high performing individual insurance agents² (monthly average)	46.3	33.3	 38.9%

Note

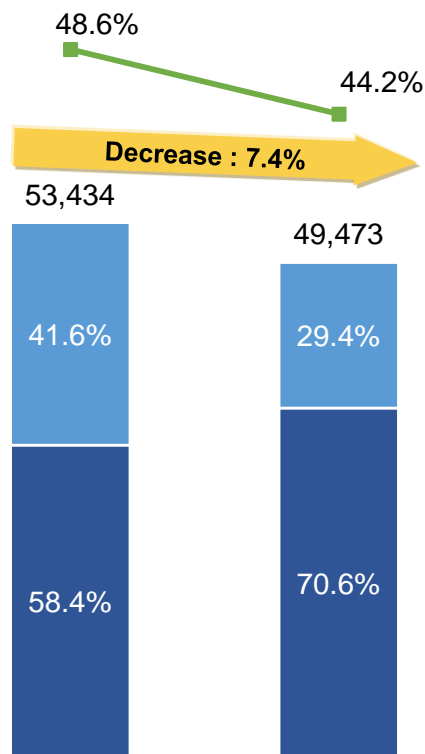
1. Qualified individual insurance agents refers to those who sold at least one insurance policy calculated on a monthly basis on an individual basis, of which the payment term is more than one year
2. High performing individual insurance agents refers to those who sold at least one insurance policy with protection period over 1 year and first year commissions over 2,000, calculated on a monthly basis on an individual basis

Bancassurance channel

Regular premium growth driven by innovative model

Bancassurance channel GWP

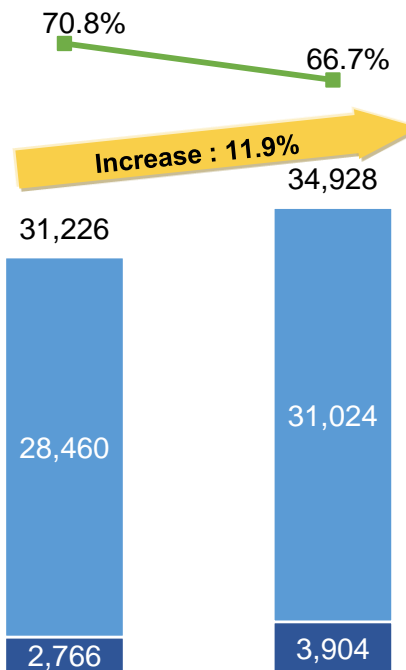
(RMB million)



2014 2015
 ■ FYP ■ Renewal
 — % of total premiums

Bancassurance channel FYP

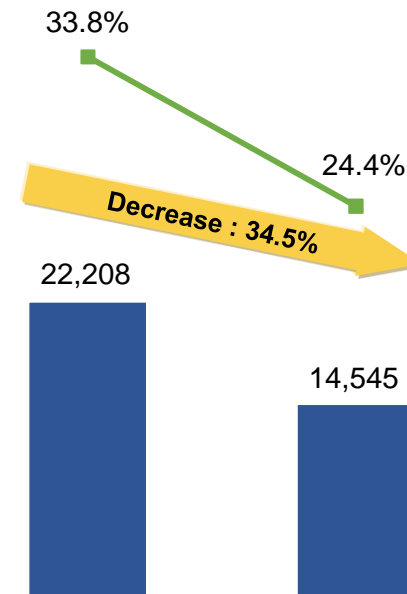
(RMB million)



2014 2015
 ■ Regular ■ Single
 — % of total FYP

Bancassurance channel renewal premiums

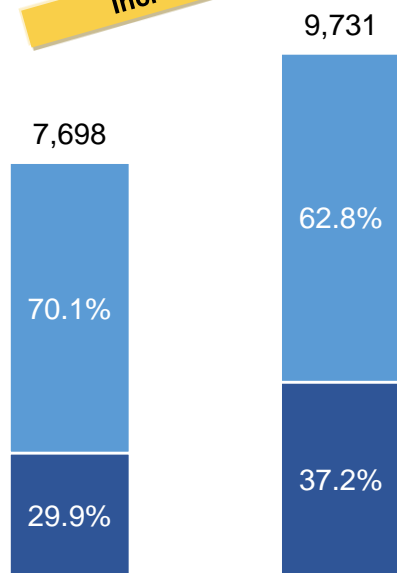
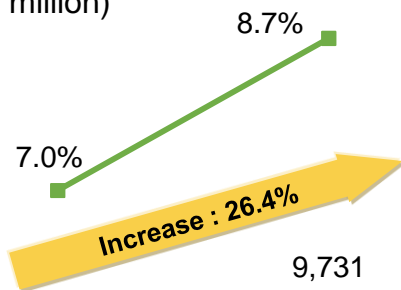
(RMB million)



2014 2015
 ■ Bancassurance channel renewal premiums
 — % of total renewal premiums

Service and business development channel GWP

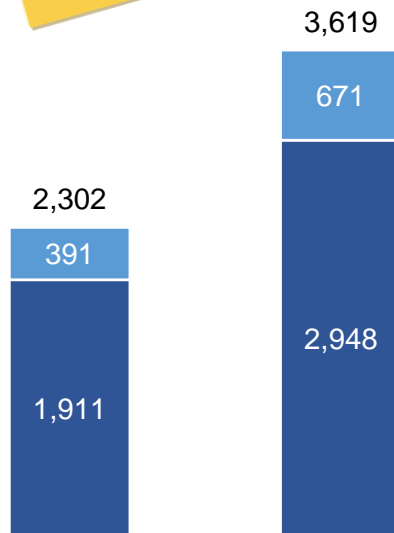
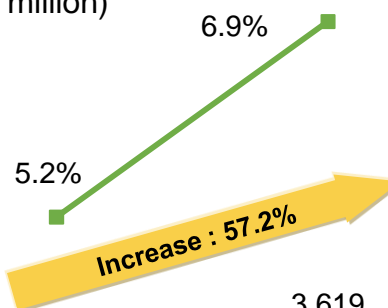
(RMB million)



2014 2015
■ FYP ■ Renewal
— % of total premiums

Service and business development channel FYP

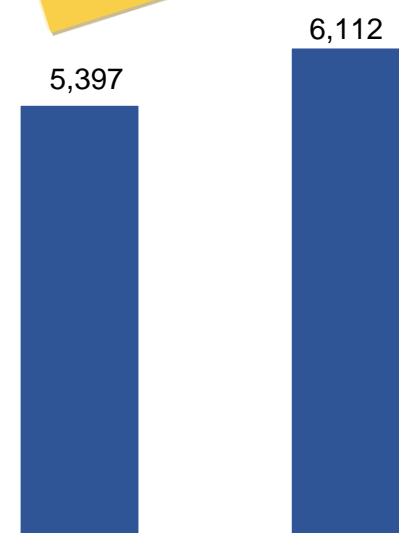
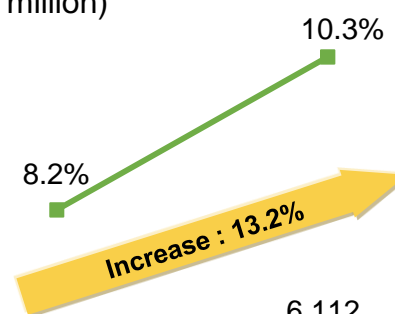
(RMB million)



2014 2015
■ Regular ■ Single
— % of total FYP

Service and business development channel Renewal Premiums

(RMB million)



2014 2015
■ Service and business development channel renewal premiums
— % of total renewal premiums

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Investment strategy and performance

Significant enhancement in investment yield

Investment assets

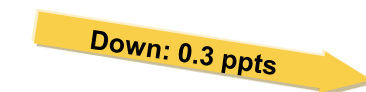
(RMB million)



Total investment yield



Net investment yield



Unit: RMB million	End of 2015		End of 2014		Change	
	Amount	Percentage	Amount	Percentage	Percentage (ppts)	
Term deposits¹	127,679	20.1%	167,297	26.7%	↓	6.6 ppts
Debt securities	348,281	54.8%	345,518	55.2%	↓	0.4 ppts
– Bonds	229,235	36.1%	237,403	37.9%	↓	1.8 ppts
– Trust plan	49,903	7.9%	59,475	9.5%	↓	1.6 ppts
– Debt plan ²	29,299	4.6%	24,823	4.0%	↑	0.6 ppts
– Project asset support plan	20,000	3.1%	20,000	3.2%	↓	0.1 ppts
– Others ³	19,844	3.1%	3,817	0.6%	↑	2.5 ppts
Equity securities	114,322	18.0%	70,553	11.3%	↑	6.7 ppts
– Funds	52,271	8.2%	22,309	3.6%	↑	4.6 ppts
– Stocks ⁴	33,499	5.3%	34,141	5.5%	↓	0.2 ppts
– Investments in associates	3,626	0.6%	10,150	1.6%	↓	1.0 ppts
– Others ⁵	24,926	3.9%	3,953	0.6%	↑	3.3 ppts
Cash & cash equivalents¹	13,904	2.2%	14,503	2.3%	↓	0.1 ppts
Other investment assets⁶	31,502	4.9%	27,847	4.5%	↑	0.4 ppts

Note

1. 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
2. Debt plans mainly consist of infrastructure and real estate investment projects
3. Other debt investments include asset management plans and wealth management products
4. Stocks include common stocks and prefer shares
5. Other equity investments include asset management plans, private equities, trust plans and wealth management products
6. Other investments include capital margin deposits, policy pledge loans, financial assets purchased under agreements to resale, dividends and interest receivable, etc.

Investment strategy and performance (cont'd)

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

Unit: RMB million	End of 2015	End of 2014	Change(%)
Non-standard debt investments	119,046	108,115	↑ 10.1%
Trust plans	49,903	59,475	↓ 16.1%
Debt plans	29,299	24,823	↑ 18.0%
Project asset support plans	20,000	20,000	-
Others¹	19,844	3,817	↑ 419.9%
Non-standard equity investments	24,926	13,318	↑ 87.2%
Asset management plans	10,552	3,413	↑ 209.2%
Others²	14,374	540	↑ 2561.9%
Non standard investment plans within long-term equity investments	0	9,365	↓ 100.0%

To strengthen the risk management measures regarding investment in non-standard assets, the Company has been more prudent on non-standard assets investment. The non-standard assets invested by the Company generally possess high credit rating, of which **AAA rating accounted 99.27%** (excluding equity financial products and commercial banking wealth management products), representing a **increase of 3.69 ppts compared to the end of last year**

Note

1. Other non-standard debt investments include asset management plans and wealth management products
2. The large rise in other non-standard equity investments is mainly attributable to that the project investment in Phase I&II of Petro China Natural Gas transmission from West to East Pipelines has been re-categorized as private equities than long-term equity investments, as well as the increase in asset management plans

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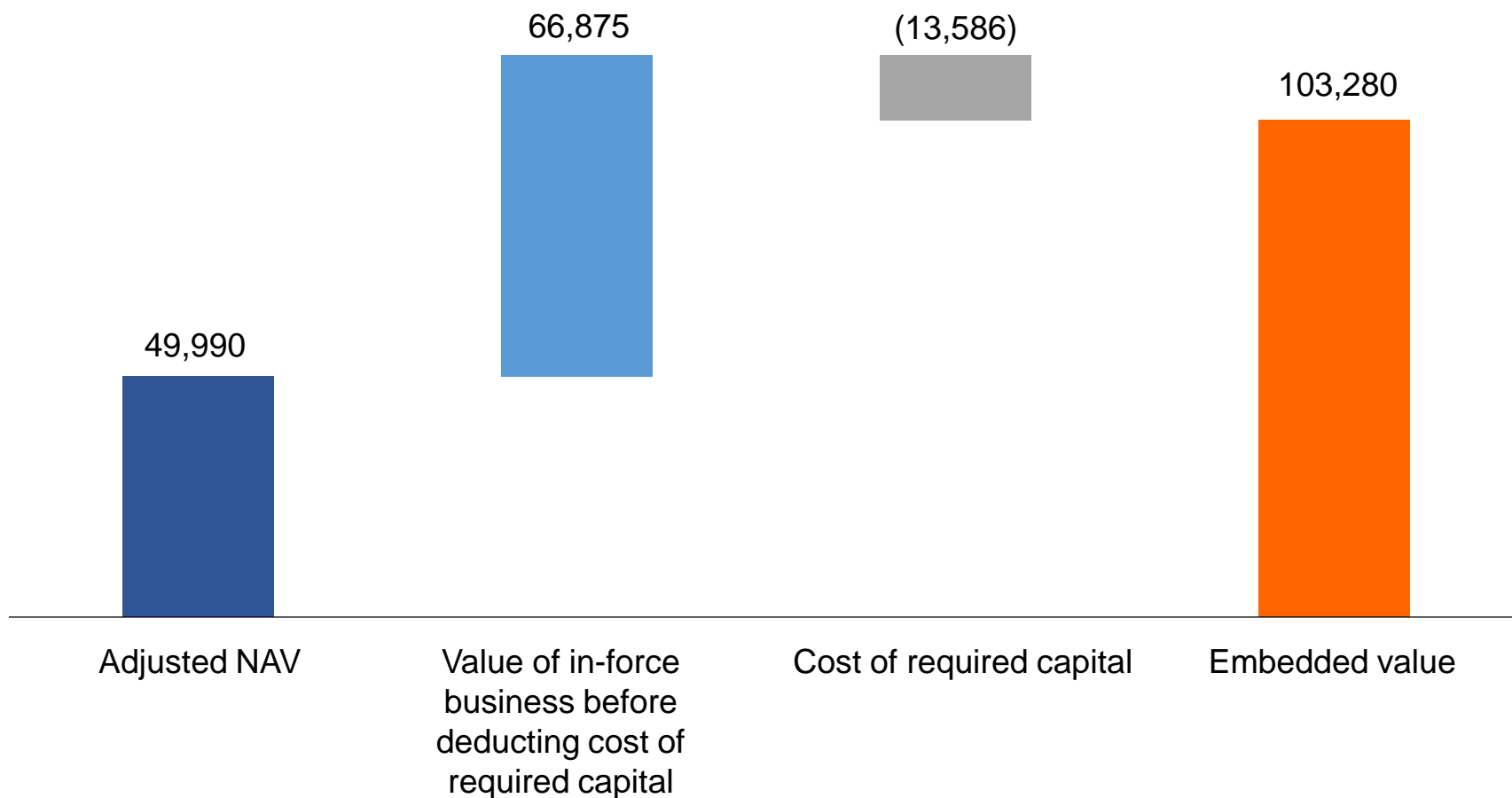
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Embedded value—composition analysis

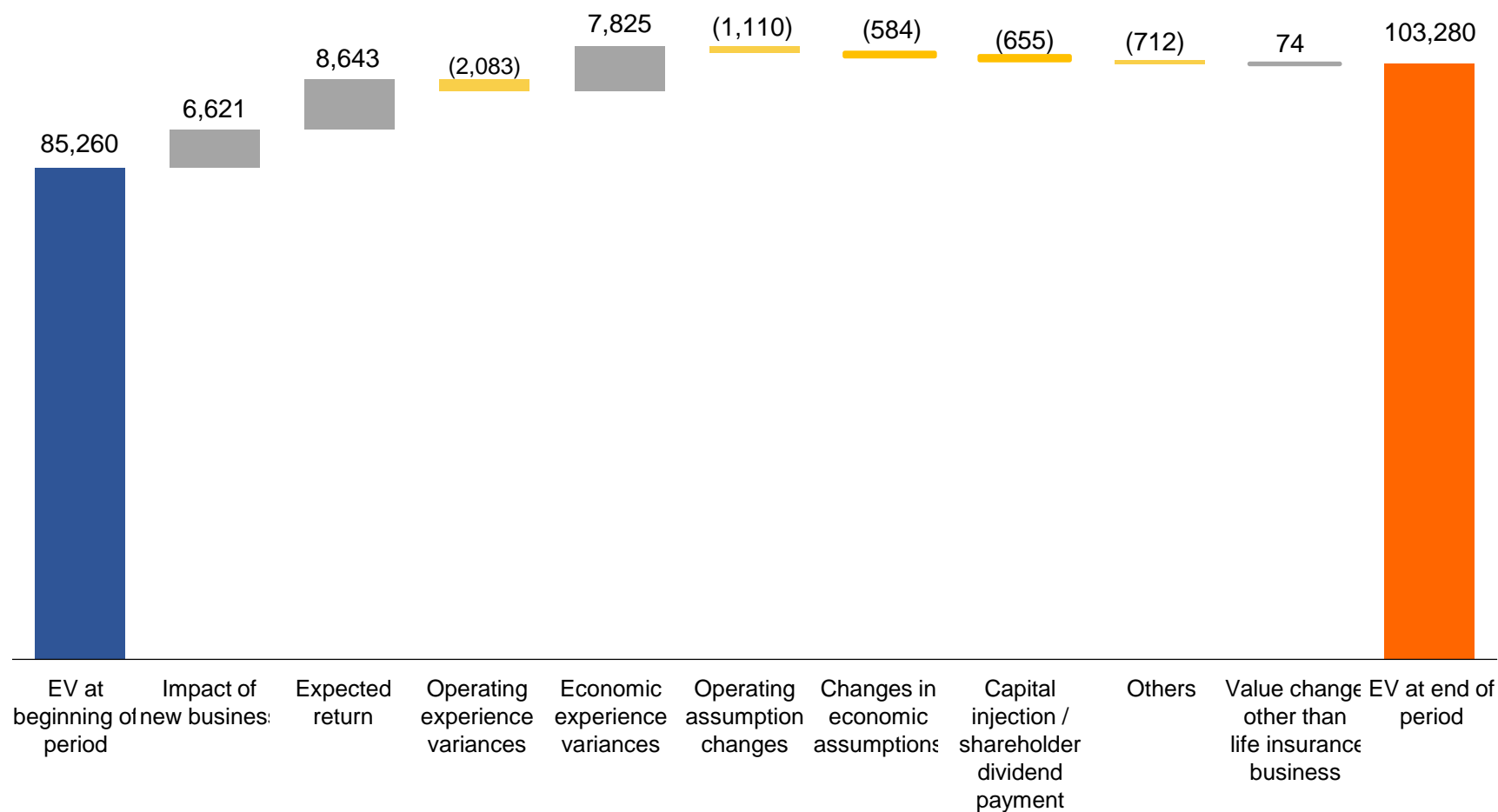
(RMB million)



Note: Figures may not match totals due to rounding

Embedded value—movement analysis

(RMB million)

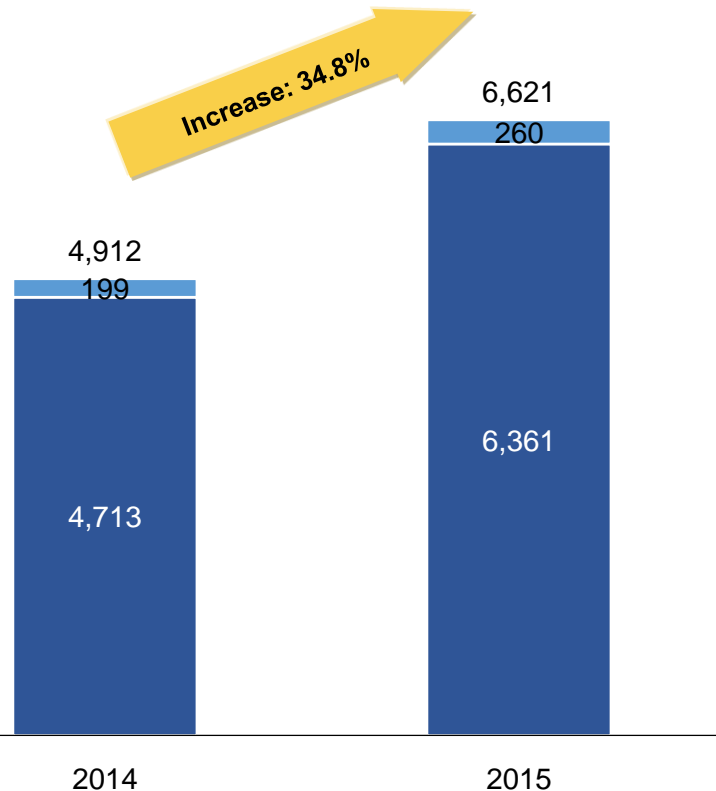


Note: Figures may not match totals due to rounding

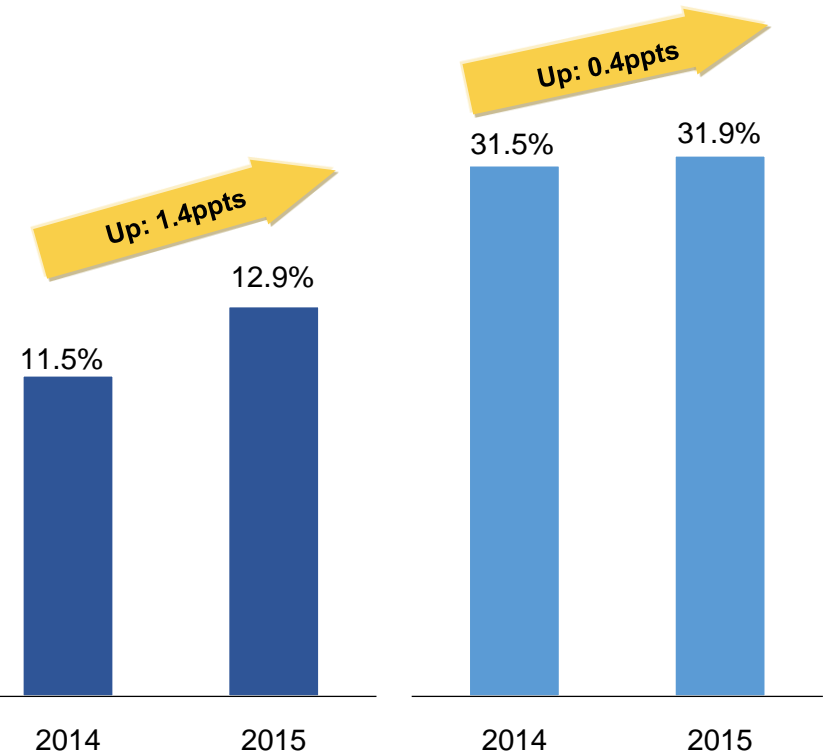
Value of one year's new business

Value of one year's new business

(RMB million)



New business value margin



■ New business value from individual insurance agent channel¹
 ■ Others²

■ Based on first year premium³ (FYP)
 ■ Based on annual premium equivalent⁴ (APE)

Note:

- One-year new business value from service and business development channel was included in that from the individual insurance agent channel
- Others include NBV from bancassurance and group business channels
- New business margin based on FYP = value of a whole year's new business / FYP
- New business margin based on APE = value of a whole year's new business / (100% * first year regular premiums + 10% * first year single premiums)

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In view of a more complex economic and social environment in 2016, as well as policy benefits brought by “New National Ten”, the sector faces both opportunities and challenges

- **As China's economy enters a new-normal stage, it is still under downward pressure suffering from weak investment and sluggish export in the short term. But in the long run, in terms of consumption, labor force and technology innovation, Chinese economy is still expected to have the chance to update its industries and optimize its structure. The outlook and fundamentals of Chinese economy are still positive**
- **Great policy benefits from “New National Ten” will be seen. Commercial health insurance has been positioned as backbone of social security, and tax benefit policies with the implementation procedures have been clarified. Pension, health and medical insurance will see significant growth and become long-term driver of the industry. More recently, with introduction of tax benefit commercial health insurance and the progress of launching tax-deferred commercial pension insurance, insurance sector will better serve the society with its protection function**
- **The regulatory environment is improving. The enforcement of Solvency II posed strict requirements for life insurers in terms of business development, capital management, investment decision making, risk control and internal compliance, facilitating the improvement of corporate management and healthy development of life insurers**
- **The insurance industry is becoming more developed. More and more life insurers are embracing the philosophy of sustainability. Focusing on insurance protection, respecting the insurance principles, and adhering to business transformation, the leading insurers will continuously improve their risk management capabilities and core competencies**

Outlook

In 2016, the Company will adhere to the "customer-centric" strategy and the principle of returning to the essence of insurance, uphold reform and innovation, proceed with strategic initiatives of "stabilizing volume, enhancing value, optimizing structure, and controlling risk", with focus on the below aspects

Business Development

- Further optimizing business structure while maintaining stable growth
- Development priorities in 2016 include: growth of regular premium business, which has been included in the management assessment in 2016; increasing percentage of protection-type products; and improving profitability through enhancing cost efficiency

Teambuilding

- Following the rules of teambuilding and focusing on performing ratio and productivity to improve the competitiveness of our sales team

Service System

- Improving customer experience with the focus to increase the service efficiency and through the use of mobile, internet, social media, and other digital platforms
- Aiming to achieve outstanding performance in light of various basic business metrics responsiveness, value-added services, sales services etc.

Management System

- Facilitating the integration of business plan, financial budget and incentive mechanism, and enhancing the self-management and profitability of branches
- Strengthening mechanisms and process designing, improving the comprehensive management platform and establishing an integrated, professional, standard and efficient management system

Risk Control

- Strictly monitoring cash flow risk, market risk, risks of misused insurance funds, and risks arising from abnormal surrender
- Strengthen internal control to achieve stringent compliance



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Q & A

