China Life’s Development Strategy and Business Plan

November 26, 2014  Ningbo
Agenda

Section I  Characteristics and Opportunities of Life Insurance Industry

Section II  3Q Business Development

Section III  Development Strategy and Business Plan
Section I: Characteristics and Opportunities of Life Insurance Industry
Driven by bancassurance business, the life insurance industry realized rapid growth.

**Industry premiums (2014.1-9)**

- **2013.1-9**: RMB 859,574
- **2014.1-9**: RMB 1,031,260 (19.7% growth)

**Industry bancassurance premiums (2014.1-9)**

- **2013.1-9**: RMB 315,355
- **2014.1-9**: RMB 413,242 (31.0% growth)

**Industry premiums by month (2014.1-9)**

- Jan: 88.1%
- Feb: 24.3%
- Mar: 9.9%
- Apr: -5.4%
- May: 5.3%
- Jun: -12.7%
- Jul: 6.9%
- Aug: 17.3%
- Sep: 12.3%

Source: CIRC website, Company Research
Driven by the growth of small and medium-sized companies, market concentration decreased.

**Market concentration change**

<table>
<thead>
<tr>
<th>Year</th>
<th>Top 7</th>
<th>SMEs</th>
</tr>
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<tbody>
<tr>
<td>2013.1-9</td>
<td>81%</td>
<td>19%</td>
</tr>
<tr>
<td>2014.1-9</td>
<td>73%</td>
<td>27%</td>
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**Premiums growth (Jan-Sep)**

- **Top 7**
  - Premiums: 753,462
  - Change: 8.7%
- **SMEs**
  - Premiums: 277,799
  - Change: 66.8%

Bancassurance accounted for 69%

1. Source: CIRC website, Company Research
2. Top 7: China Life, Pingan Life, CPIC Life, NCL, Taikang, PICC Life, Taiping
The “National Ten” ushered in a new era for the development of insurance industry

A New Era for the Development of Insurance Industry

Demand of the Times

Historic Opportunities

Strong Foundation

Development opportunities

- Aging Care Industry
- Health Service Industry
- Government Procurement of Insurance
- Insurance for Agriculture, Farmers and Rural Areas
- Insurance Fund Investment

Industry Company Strategy
Section II: 3Q Business Development
Development strategy since early 2014

- Position business value as the core objective of the Company, vigorously develop value-driven business, strengthen cost control, and improve overall business results.

- Innovate in sales force development, and implement strategic input to ensure our leading position in sales force.

- Focus on the growth of regular premiums, especially the growth of 5-year-or-longer payment regular premiums to enhance business sustainability.

- Implement strategic management of the agent channel, maintain strategic input consistency, optimize the allocation of resources and performance appraisals.

- Focus on the urban markets, while strengthening our first mover advantages in the rural market to increase competitiveness.
Rapid growth in first year regular premiums and further reduced the share of single premiums

First year regular premiums (FYRP) change YoY

- FYRP: +17%
- 3 years: -31%
- 5-9 years: +36%
- 10-year-and-longer: +27%
FYRP mix further improved

FYRP mix

SEP 2013

- 3 years: 50.5%
- 5-9 years: 24.9%
- 10-year-and-longer: 24.6%

SEP 2014

- 3 years: 54.6%
- 5-9 years: 30.9%
- 10-year-and-longer: 15.4%
Agent force development 2014 (Jan-Sep)

Agent force development in 10 thousand

Beginning of the year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep
---|---|---|---|---|---|---|---|---|---
65.3 | 62.8 | 61.3 | 60.6 | 60.4 | 61.4 | 64.0 | 65.5 | 69.4 | 72.6
A rapid development of bancassurance financial planner team

Rapid development, high quality and strong productivity, broad prospects for development

- Insurance financial planner team developed rapidly with headcount increasing over 30% YTD.
- A high caliber team with over 60% college degree or above.
- Productivity of regular premiums improved significantly, contributing more than 1/3 of the regular premiums of bancassurance businesses.
Policy-sponsored businesses developed steadily, maintaining industry-leading advantage

- In 3Q, the Company won 73 projects for supplementary major medical insurance, adding coverage for 130 million urban and rural residents.
- The Company provided insurance coverage for a combined 300 million urban and rural residents across 28 provinces and municipalities.
- As at the end of Q3, the company provided one-stop settlement services at 3,500 hospitals at county levels or higher, and 6,000 sub-county level hospitals.

- In 3Q, the Company gained 16 policy-sponsored medical insurance administrative service projects. Currently, more than 200 policy-sponsored medical insurance administrative service has commenced across 185 counties in 20 provinces in China.
- In 2014, approximately RMB 6.3 billion of funds were under custody and approximately 43 million person-time claims was settled.
Better investment performance

**Seized opportunities in investment allocation**

The Company seized allocation opportunities, actively increased position in corporate bonds and financial bonds with acceptable returns, and increased the yield level of stock assets. Net investment yield increased 32 bps YoY.

**Continued to allocate to alternative investments**

The Company continued to increase its alternative investment allocation. Based on credit enhancement measures, we increased investment in urban industry funds and recorded steady and higher returns.

The Company participated in SOE reforms and accumulated investment experience. We also captured overseas investment opportunities and achieved breakthroughs in both commercial real estate investment and private equity investment.
Challenges

- Rapid growth of bancassurance businesses of SMEs is putting pressure on the Company’s market share.
- Competition from wealth management products resulted in the escalating of surrenders of bancassurance products.
- The downward trend of risk-free rate increased the difficulty for new investment.
- The “National Ten” proposed deepening market-oriented pricing reform, which demands higher level of product innovation in the future.
Section III : Development Strategy and Business Plan
Our view on operating environment in 2015

- Under the “New economic norm”, the insurance industry will maintain a fast growth, and major insurers will step up their transformation efforts.

- Market players are expected to operate in a more rational manner, however the pressure from market competition will be aggravated.

- Aging care and health service will become the major areas of competition, and value chain will expand at an accelerated pace.

- Government procurement of insurance services will continue to grow rapidly, imposing higher requirements on professional services and management capability.
Business roadmap for 2015

- Business development strategy
  - Emphasizing value
  - Strengthening sales force
  - Optimizing structure
  - Achieving stable growth
- Sales force development strategy
- Product strategy
- Appraisal and incentive policy
- Professional investment management
Business development strategy

- Making efforts to develop risk protection and long-term savings businesses, continuing new business value growth.
- Maintaining a steady growth of business scale, strengthening the company’s position as a market leader.
- Achieving faster growth for FYRP, accelerating the pace of development of medium-to-long-term businesses.
- Keep a rapid growth of short-term business, increasing the share of accident insurance business in short-term business.
The Company aims to enhance both the quantity and quality of our sales force, transform and upgrade individual agent force and leverage the salary based team as a new growth driver. We will target the needs of potential major consumer groups, reinforce regional competitive strength, and consolidate traditional advantages in rural market.

**Agent team**
Continue to reinforce policy measures such as appraisal guidelines and strategic investment. Unleash the potential of sales force development by focusing on the development of agent manager team. At the same time, the Company will continue to make efforts in recruitment and development to transform and upgrade its agent team.

**Salary based team**
This team aims to integrate and leverage the company’s client pool by providing enhanced service, targeting the needs of potential major consumer groups, and reinforcing its competitive advantages in urban areas. The company will further expand the salary based team as a new growth driver.
Guiding ideology

Following the general requirement of “high standards, high quality and high performance”, Bancassurance sales force will continue to focus on professional management and training to achieve development objectives. The Company will enhance the quality of account manager team and boost the headcount and quality of financial planner team.

Account Manager

Maintaining a stable scale, enhancing ability to operate bank outlets and prospect clients, and increasing productivity and income.

Financial Planner

Expanding team scale while enhancing productivity.

- Strengthening institutional construction
- Expanding team scale
- Enhancing education and training
- Leveraging honors and incentives
Effort will be made in product innovation, with pension and healthcare products as the main direction. Product packaging strategy will be adopted to satisfy all-round needs of clients.

- **Agent Channel**
  - Developing protection-oriented products, optimizing long-term saving products, and expanding into healthcare and pension markets.
  - Enhancing business-to-market response, segmenting client groups, and rolling out product series according to the company’s development strategy.

- **Bancassurance Channel**
  - Pushing forward the structural adjustment of bancassurance product mix, strengthening regular premium business.
  - Intensify research and development of protection-oriented products.
  - Developing product packages, optimizing protection features.

- **Group Channel**
  - Developing medical insurance products to target specific groups.
  - Further segmenting accident insurance market.
Appraisal and incentive policy

KPI

- Value growth
- Stable scale
- FYRP
- Agent force
- Big-and-medium-sized cities
- Cost control
Investment management – further optimizing a market-oriented and professional mechanism

Upstream institutional investor:

- Professional + market-oriented investment management
- Diversified + international asset class

![Diagram showing strategic and tactical allocation for domestic market, international market, and alternative asset class with entrusted investment and rebalancing of asset allocation.]
Investment management – continued efforts to bring in market-oriented mechanism

**Purposes of market-oriented entrusted investment**

- Enhancing efficiency
- Efficiency led by market competition
- Complementing the company’s long-term investment style
- Facilitating global asset allocation

**Prospects of follow-up work**

- Accumulating entrusted investment management experience
- Expanding the asset class of entrusted investment
- Gradually expanding the scale of market-oriented entrusted investment
- Creating synergy between external and internal entrusted investment
Q&A