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CPIC（SH601601, HK02601, LSE CPIC）

Stock Data (ending Jun. 30, 2022)

Total equity base (in million)	9, 620
A-share	6, 845
H-share	2, 775
Total Cap (in RMB million)	206, 507
A-share	161, 064
H-share (in HKD million)	53, 230
6-month highest/lowest	
A-share (in RMB)	28. 83/20. 06
H-share (in HKD)	23. 94/15. 66
GDR (in USD)	20. 43/14. 22

IR Calendar

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Premium Income (Unit: in RMB million)

	Jan.- Jun.	Changes	Jun.	Changes
P&C	91, 826	12. 25%	17, 748	24. 99%
Life	149, 053	5. 43%	21, 707	7. 43%

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Company News

● CPIC Home plans new retirement community in Sanya of Hainan Province

On June 27, CPIC Life acquired a plot of land in Haitang Bay of Sanya for construction of a retirement community seeking to provide high-quality health management service to holiday-makers, particularly travelling families. The project boasts an advantageous location, with floor space totalling 43,000 square metres and over 300 apartments.

With the launch of the Sanya project, CPIC Home now has 12 facilities in 11 Chinese cities, with those in Chengdu and Dali already open for business. In the second half of the year, the retirement community in Hangzhou will become operational, and the experience centres of those in Putuo of Shanghai and Xiamen of Fujian will open for visits.

● CPIC launches a rehab equity investment fund

The fund was set up on June 10, with CPIC Private Equity Investment Management Company Limited serving as the GP, and CPIC Life as an LP, which would contribute not more than 3bn yuan. Given the long-term nature of insurance money, the fund will boost deployment of CPIC along the rehab value chain, focusing on investment in rehab hospitals, rehab clinics and rehab centres.

Special Report

● Summary of CPIC Investor Meetings

Recently, CPIC hosted a few investor call conference. Below is a summary of the meetings.

1. Q: Net profits of insurance companies fell quite a lot across the board in Q1 due to equity market volatility. What is your guidance for H1 and FY22?

A: In Q1, net profits fell by 36.4% year-on-year, mainly due to lower investment income as a result of equity market volatility and high base from last year.In spite of a market rally in Q2, investment income for H1 dropped. This, coupled with the impact of the downswing of reserve discount rate curve, led to continued pressure on net profits for H1, though the decline narrowed from Q1. The outlook for the whole year still faces great uncertainty, what with the pandemic, geo-political tensions, global inflation and lower long-term interest rates.

2. Q: What is your guidance for NBV growth in H1 and FY22?

A: In Q1, due to high base from last year and different business arrangement of this year, regular-pay FYP from the agency channel fell by 44.5%; the decline considerably narrowed in Q2 compared with Q1. In H1, regular-pay FYP from the agency channel was down by 34.8%. At the same time, given changes to product mix and channel mix, NBV margin dropped. As a result, NBV in H1 would be under substantial pressure.

Transformation is a long-term endeavour, and given the economic uncertainties, NBV for the whole year would remain under pressure. But we expect to see incremental improvement in the second half of the year. In the medium and long term, with the implementation of transformation initiatives, key business metrics will gradually stabilise and improve, which would translate into better NBV results.

3. Q: What was the total agent headcount as of the end of Q2? Any progress in quality improvement? When do you expect recovery of headcount?

A: In the first half of this year, total agent headcount continued to fall, albeit more slowly than in last year. We focus more on the core manpower, as it accounts for over 90% of new business sales from the agency channel. The 1st Phase of Changhang Action Programme was kicked off in the year beginning, which would stretch a total of 18 months. In H1, we mainly focused on optimisation of existing agents, with the progress largely in line with our expectations, evidenced by stabilisation and growth of the share of core manpower, improvement in their FYP and FYC, and improvement in business quality metrics such as 13-month policy persistency ratio and claims ratio of long-term insurance. In H2, we will gradually roll out high-quality recruitment on a regular basis, ensuring stability and consistency, and we expect to see sustained improvement in indicators relating to core manpower.

4. Q: What is your guidance for premium growth and combined ratio for P/C business in H1 and FY22?

A: In Q1, as the high base effect from before the auto insurance reform diminished, total P/C premiums recorded double digit growth; in April and May, with the resurgence of the pandemic, premium growth slowed down, and rebounded strongly in June, as the pandemic situation improved. In H1, top-line growth was 12.2%. In terms of underwriting profitability, the combined ratio would improve year-on-year, as a result of better claims frequency of auto insurance in the context of intensified pandemic control measures and continued business quality control of non-auto insurance.

For the whole year, we expect to see less adverse impact from the pandemic, and auto insurance growth would continue to recover, with total premiums maintaining steady growth; on the other hand, as travel and economic activities return to normal, especially given higher frequency of natural disasters, loss ratio may go up. But the combined ratio for FY 2022 would be

largely stable.

5. Q: There has been a spate of "risk events" on the real estate market recently, such as the refusal of homeowners to repay their housing mortgage loans due to delays in construction. Would this impact your investment portfolios?

A: We have very limited exposure to the troubled property developers which includes both fixed income and equity investments. Of this, bond investments are secured with collateral. Overall, the property sector accounts for a small share of total investment assets. And those property developers we are exposed to generally boast strong financial strength, with credit risk under control. In short, our risk exposure to the sector is manageable.

We've also noticed the recent volatility of the banking sector on the secondary market as a result of these "risk incidents". We have adhered to value, long-term and prudent investing, with a diversified equity investment portfolio spreading across banking, electrical equipment, food & beverage and non-ferrous metal. We do not have an over-concentration in the banking sector. At the same time, authorities are coordinating efforts to resolve the risk, which includes guiding financial institutions to properly handle the issues; and many listed banks have also issued announcements indicating limited size of loans involved and "immaterial impact" on their business operation.

As a result, we expect limited impact from the recent defaults on personal housing mortgage loans.