

2018 Interim Results Presentation

China Pacific Insurance (Group) Co., Ltd.

August 27, 2018



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In the first half of 2018, in the face of complicated and ever-changing business environment, CPIC stayed focused on insurance, “seeking changes while maintaining steady performance” in pursuit of quality development, and delivered sustained value growth and overall stable business results for the reporting period.

Steady performance in market position, development quality and risk management

Group Operating Revenue

204.694 RMB billion

+15.3% 

Group Net Profit

8.254 RMB billion

+26.8% 

Group Embedded Value

309.242 RMB billion

+8.1% 

Group Total Number of Customers

123 million

+7 million 

Life Insurance NBV Margin

41.4%

+0.8pt 

Life Insurance Residual Margin

263.470 RMB billion

+15.4% 

Combined Ratio of P/C Insurance

98.6%

-0.1pt 

Annualized Comprehensive Investment Yield

4.8%

+0.3pt 

Group Comprehensive Solvency Margin Ratio

292%

+8pt 

CPIC Life Comprehensive Solvency Margin Ratio

253%

+8pt 

CPIC P/C comprehensive Solvency Margin Ratio

273%

+6pt 

Notes: 1) Group operating revenue is based on Chinese GAAP.

2) Group net profit is attributable to equity holders of the parent company.

3) P/C insurance includes CPIC P/C, Anxin Agricultural and CPIC Hong Kong.

Changes under Transformation 2.0, with customers experiencing better services



Expansion in business portfolios

- Achieved “ice-breaking” in elderly care, with projects underway in Chengdu, Shanghai, Yunnan and other places. Working on **a new business model** combining exclusive insurance products, high-end community and quality services.
- **CPIC Fund Management** officially became a member of the Group, which will further enrich the product line-up for individual customers, and enhance our active investment management capabilities.



Enhanced synergy within the Group

- Started the projects of **“Eco-system Building of 100 Major Corporate Clients”** and **“100 Model Sites for Cross-sell”** to improve mechanisms of deepened collaboration.
- Auto insurance premiums from life agents grew by **20.0%**, and health insurance premiums of CPIC Allianz Health from life agents increased by **184.0%**.



Rapid development of emerging business

- Promoted **the innovation of price index insurance**, covering more regions and a larger variety of farm produce, including sugar canes in Guangxi, eggs in Shandong, and cotton in Xinjiang, offering ever-improving risk protection to our customers, with rapid premium growth and a fast increasing market share.
- Among **the first** insurers to obtain the business qualification for tax-deferred pension, issued the first tax-deferred insurance policy in China with a leading market share in pilot regions by the end of June 2018.



Application of innovative technologies

- **“Tai Hao Bao”**, a risk management project for commercial lines automobile insurance of CPIC P/C, has become a smart risk control platform helping customers reduce losses, as well as improving our own business quality.
- **“Lingxi No.1”** by CPIC Life, a hospital robot, offers services including general inquiry, appointment booking, and fast-track claims. With voice navigation, it helps to reduce the whole claims turnaround to as little as 12 minutes.

Looking ahead

Meet the challenges

- The chronic issue of highly uneven growth of life business across the year.
- Foundation of underwriting profitability for non-auto insurance remains weak.
- Pressure on investment yields covering cost of liabilities.

Reform and upgrade

- With objectives of “being the best in customer experience, business quality and risk control capability”, we will follow through on strategies and plans of Transformation 2.0, and strive to achieve the vision of “becoming a leader in the healthy and stable development of the industry”.

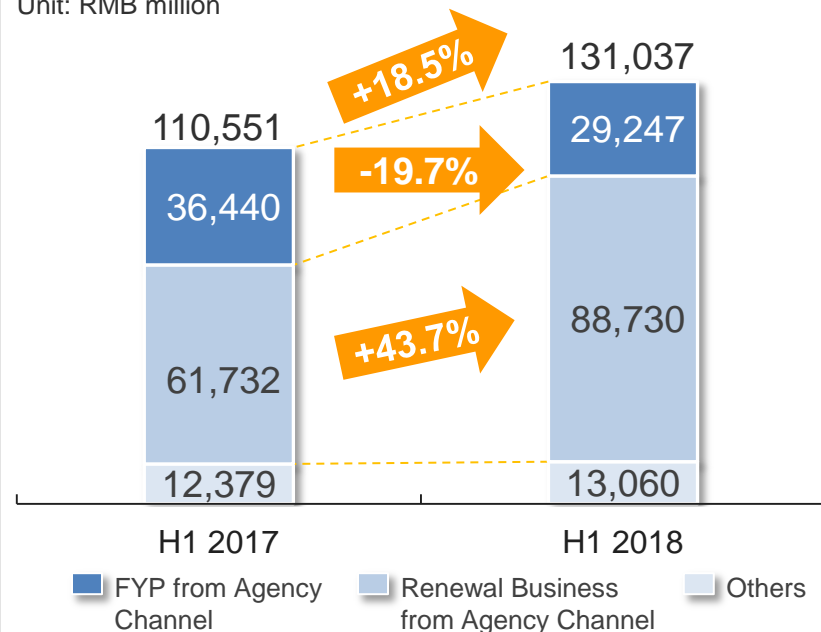
Performance Analysis

Life Business (1/4)

Fast growth of total premiums driven by renewal business, with business quality maintained at high levels

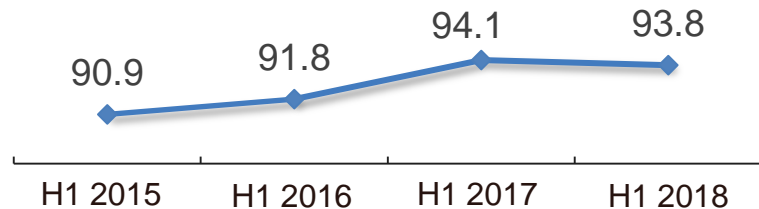
Gross Written Premiums

Unit: RMB million



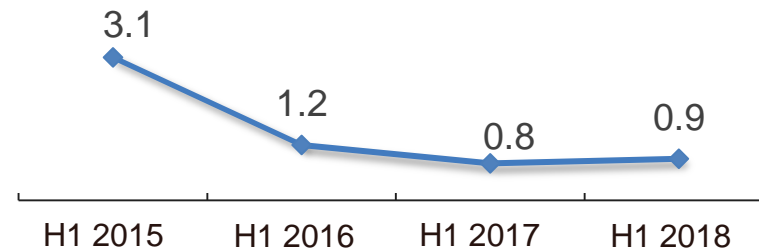
13-Month Policy Persistency Ratio

Unit: %



Surrender Rate

Unit: %



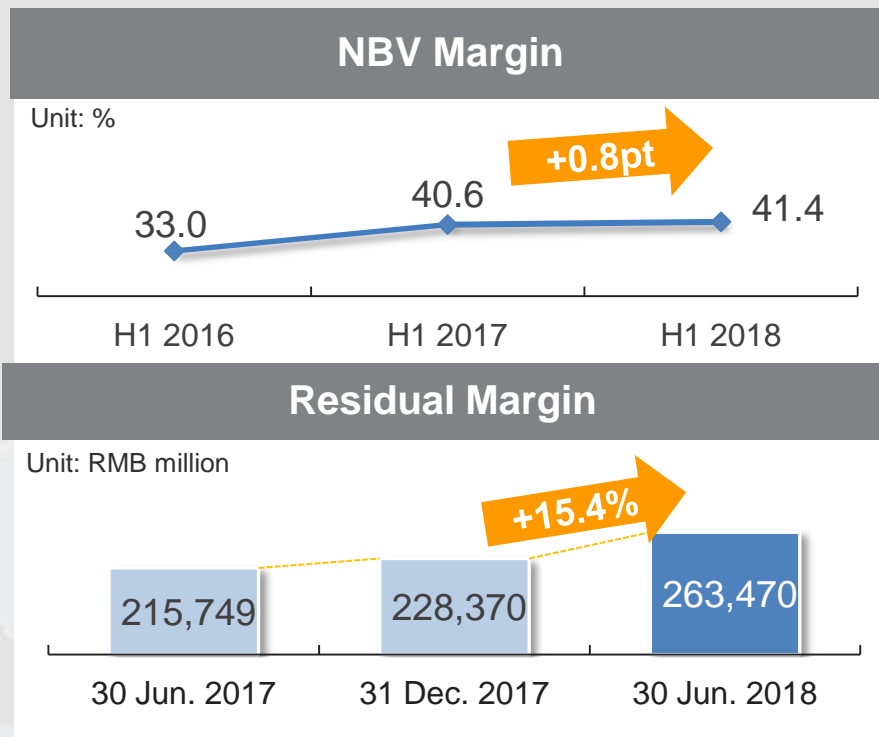
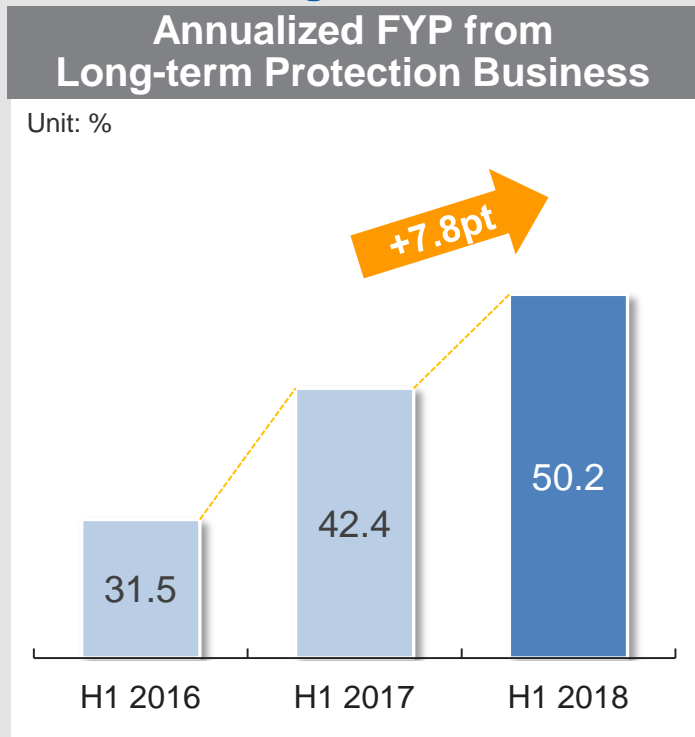
Notes:

(1) 13-month persistency ratio: premiums from in-force policies 13 months after their issuance as a percentage of premiums from policies which entered into force during the same period.

(2) Surrender rate = Surrendered amounts for the reporting period / (life insurance liability reserves at the beginning of the reporting period + long-term health insurance liability reserves at the beginning of the reporting period + long-term insurance premiums)

Life Business (2/4)

Improved business mix, with sustained increase in NBV margin and fast growth of residual margin



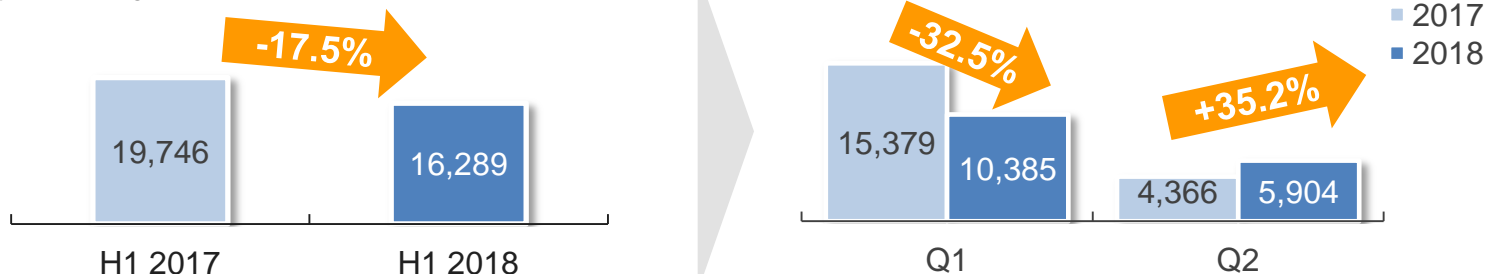
Note: NBV margin= NBV/ annualized first year premiums. Long-term protection business includes whole life insurance, term life insurance, long-term health and accident insurance.

Life Business (3/4)

NBV and FYP declined, yet with recovery in second quarter

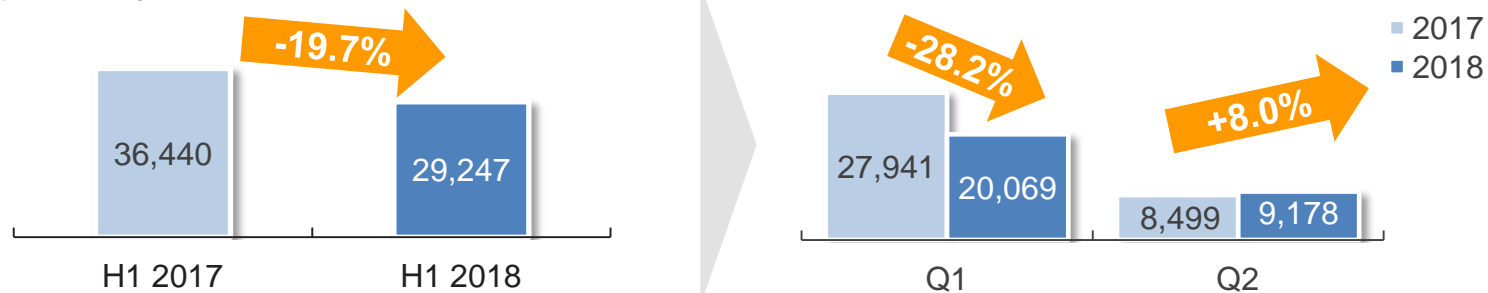
New Business Value

Unit: RMB million



FYP from Agency Channel

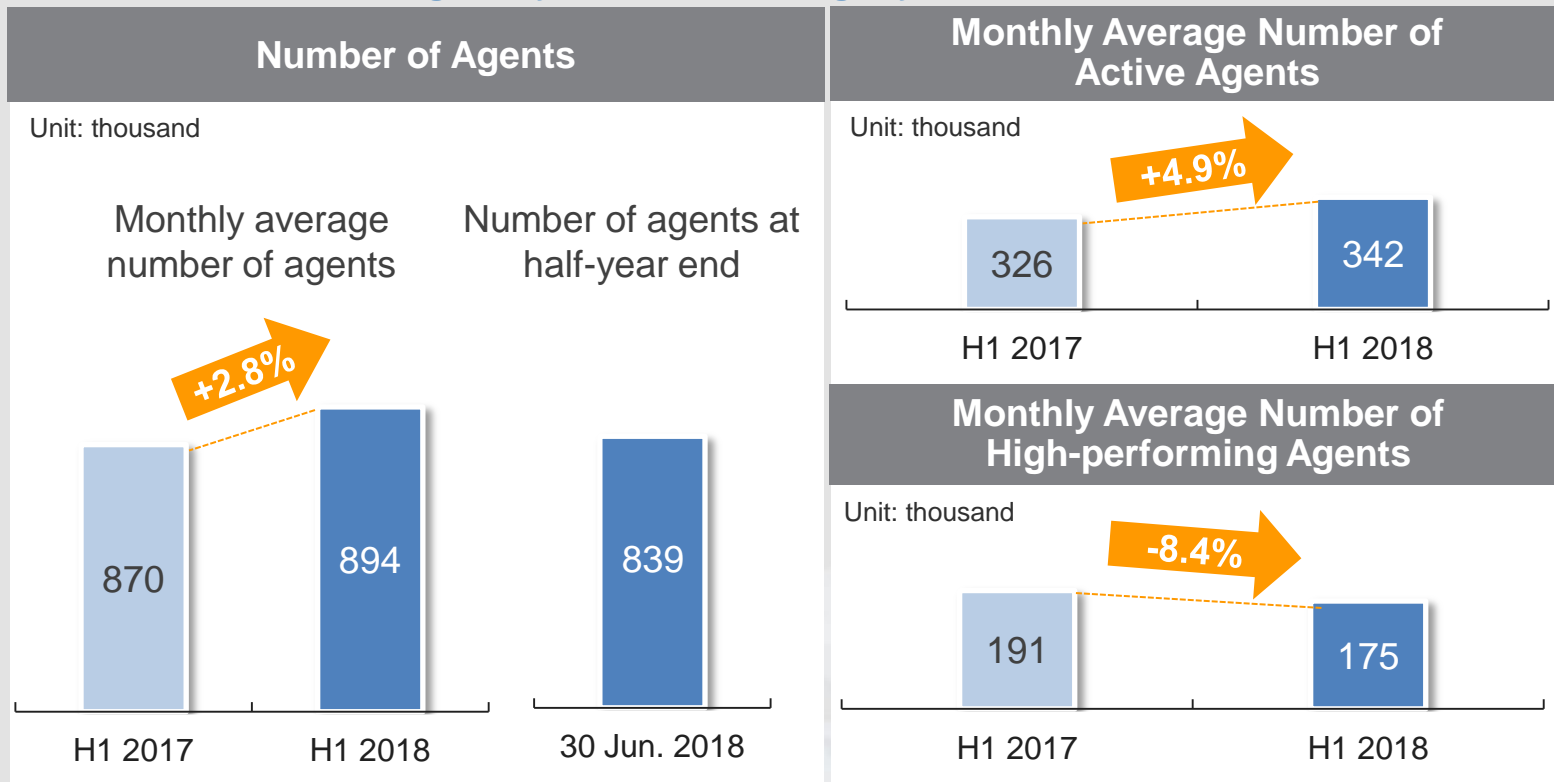
Unit: RMB million



Note: Quarterly results may not totally add up due to rounding.

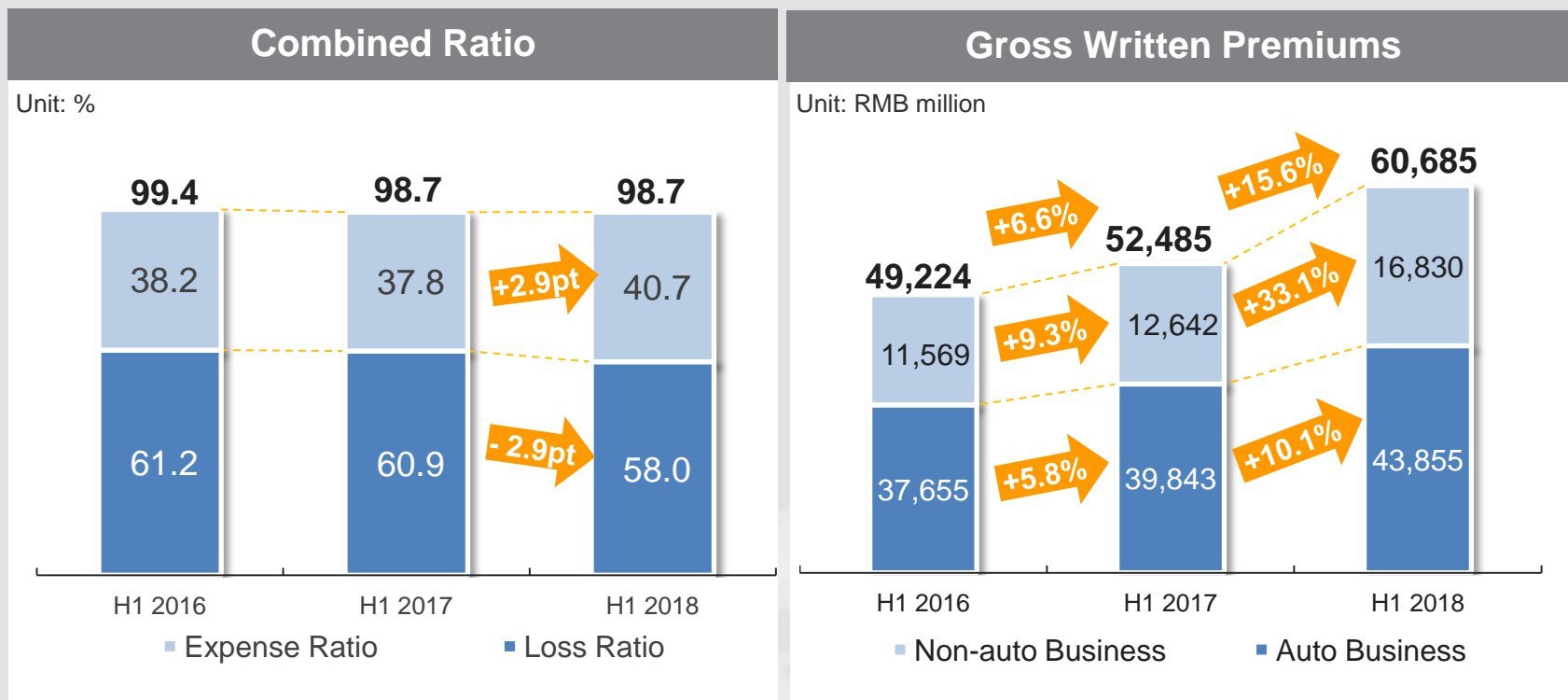
Life Business (4/4)

Fundamentals of agency channel largely stable



Property and Casualty Insurance (1/3)

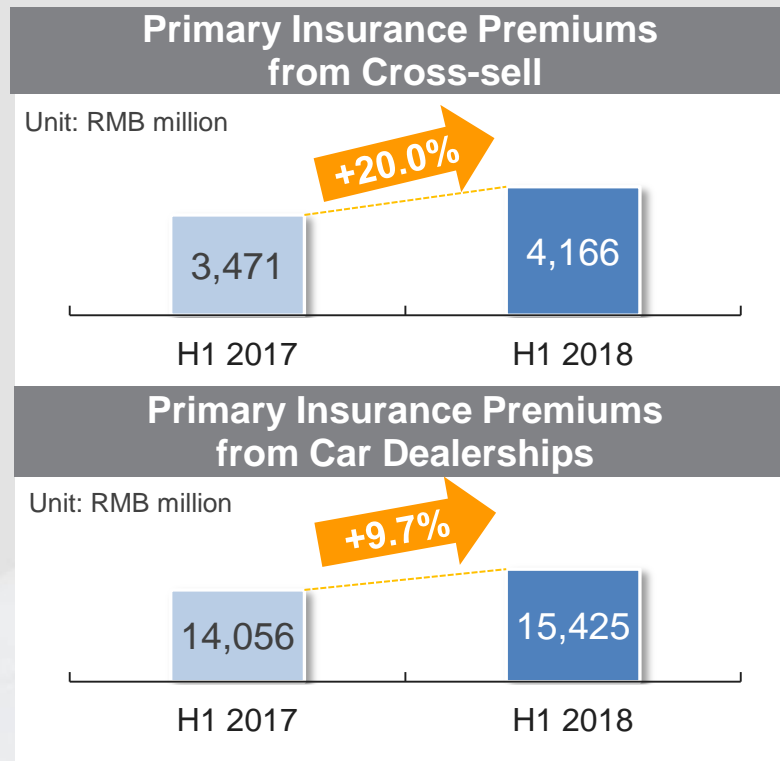
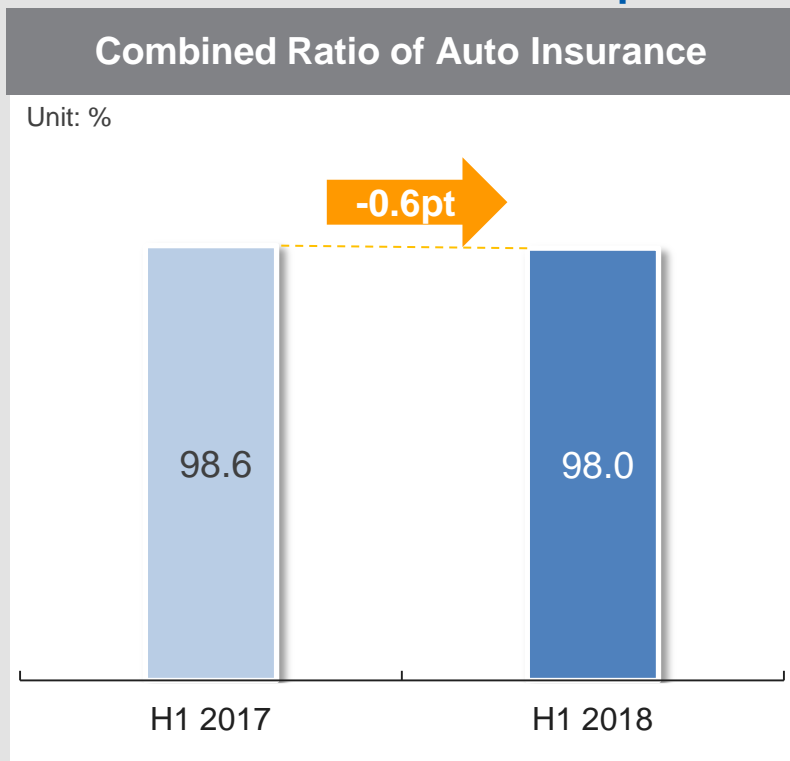
Stable combined ratio, with a strong recovery of top-line growth



Note: The property and casualty business on this slide refers only to CPIC P/C.

Property and Casualty Insurance (2/3)

Underwriting profitability of auto business improved slightly, with rapid growth of cross-sell and car dealerships



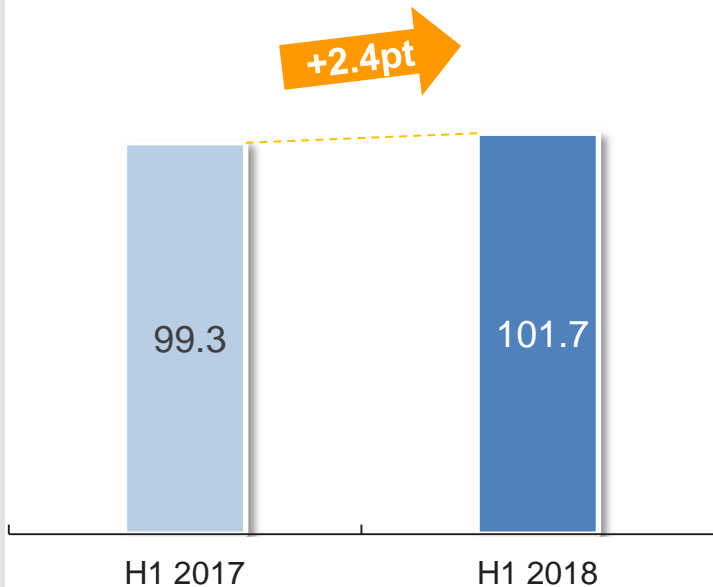
Note: The property and casualty business on this slide refers only to CPIC P/C.

Property and Casualty Insurance (3/3)

Non-auto business incurred underwriting loss, with considerable increase in its share of total premiums

Combined Ratio of Non-auto Insurance

Unit: %



Non-auto Insurance as a Share of GWPs

Unit: %



Distribution of Incremental GWPs from Non-auto Insurance

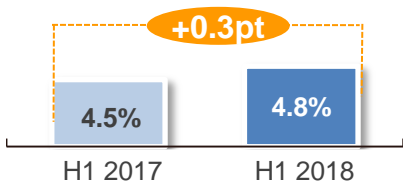
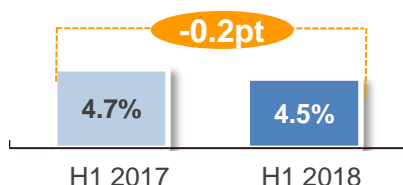
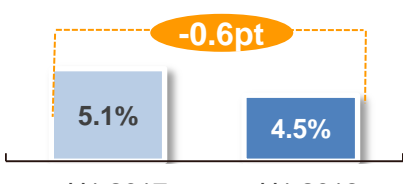
Unit: RMB million



Note: The property and casualty business on this slide refers only to CPIC P/C.

Asset Management (1/2)

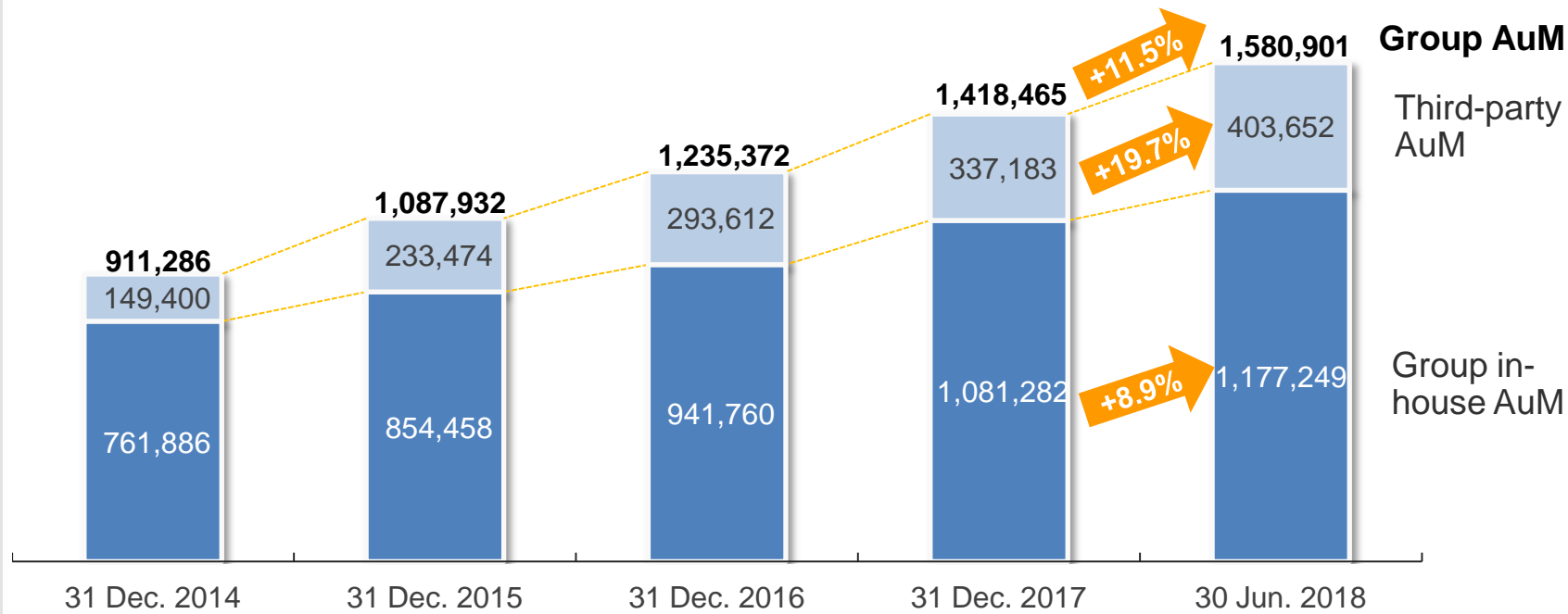
SAA aligned with profiles of liabilities, with increase in comprehensive investment yield

Group In-house AuM	Group in-house investment portfolio	30 Jun. 2018 (%)	Change (pt)
Annualized Comprehensive Investment Yield	Fixed income investments	83.3	1.5
	Bonds	46.7	(1.5)
	Term deposits	10.6	1.0
	Debt investment schemes	10.5	1.9
	Wealth management products ⁽¹⁾	8.4	0.1
	Preferred shares	2.7	(0.2)
	Other fixed income investments ⁽²⁾	4.4	0.2
Annualize Total Investment Yield	Equity investments	13.2	(1.4)
	Equity funds	1.9	-
	Bond funds	1.2	(0.3)
	Stocks	4.8	(0.7)
	Wealth management products ⁽¹⁾	1.0	(0.9)
	Preferred shares	0.6	(0.1)
	Other equity investments ⁽³⁾	3.7	0.6
Annualized Net Investment Yield	Investment properties	0.7	(0.1)
	Cash, cash equivalents and others	2.8	-
	Notes:		
	(1) Wealth management products include wealth management products issued by commercial banks, collective trust plans by trust firms, special asset management plans by securities firms and loan assets backed securities by banks, etc.		
	(2) Other fixed income investments include restricted statutory deposits and policy loans, etc.		
	(3) Other equity investments include unlisted equities, etc.		

Asset Management (2/2)

Steady increase in Group assets under management, with third-party AuM exceeding the mark of RMB400 billion

Unit: RMB million



Q & A

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