

2018 Annual Results Presentation

China Pacific Insurance (Group) Co., Ltd.

March 26, 2019



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2018 was a year when we prepared and “geared up” for Transformation 2.0. In the past year, we adhered to high-quality development, stayed focused on the core business of insurance, and **achieved steady development on the back of bold steps in the implementation of transformation.**

Solid business performance in the context of high-quality development

Group Operating Revenue

354.363 RMB billion

+10.8% 

Group Net Profit

18.019 RMB billion

+22.9% 

Group Embedded Value

336.141 RMB billion

+17.5% 

Group Total Number of Customers

126 million

+10.89 million 

Life Insurance NBV Margin

43.7%

+4.3pt 

Life Insurance One-year NBV

27.120 RMB billion

+1.5% 

Combined Ratio of P/C Insurance

98.4%

-0.3pt 

Comprehensive Investment Yield

5.1%

+0.3pt 

Group Comprehensive Solvency Margin Ratio

301%

+17pt 

CPIC Life Comprehensive Solvency Margin Ratio

261%

+16pt 

CPIC P/C Comprehensive Solvency Margin Ratio

306%

+39pt 

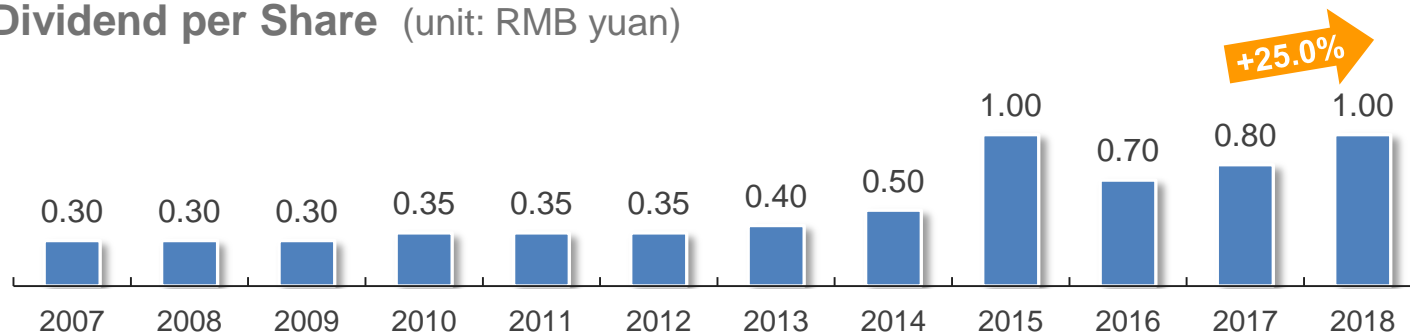
Notes: 1) Group operating revenue is based on Chinese GAAP.

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

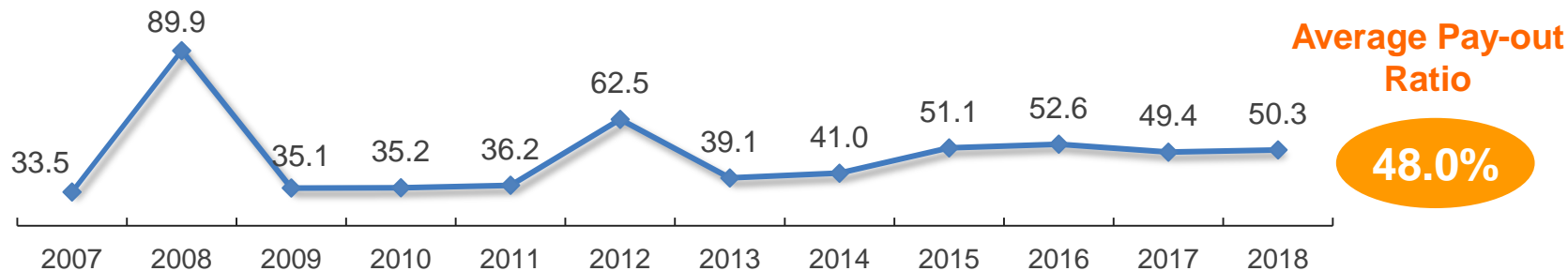
3) P/C insurance includes CPIC P/C, Anxin Agricultural and CPIC Hong Kong.

Shareholder dividend on steady increase since IPO

Dividend per Share (unit: RMB yuan)



Pay-out Ratio (unit: %)



Note: The dividend in 2018 is subject to approval of the shareholders' general meeting.

“Geared up” for implementation of Transformation 2.0



Headquarters positioned to drive value growth via enhanced synergy, facilitating a new round of transformation

- Strengthening the system of meritocracy



- Successively started 13 projects, with definition of the targets, responsible person and quarterly milestones for each and everyone of them.



- Execution mechanisms in place, including regular tracking and follow-ups and specially-designed incentive & performance evaluation system.

Collaboration added greatly to our service capabilities

Cross-sell premiums of auto insurance by life agents



+14.3%

Penetration ratio of individual customers of our life operation by short-term medical insurance products



+4.7pt

Market share in pilot areas of tax-deferred pension



Top 1

Bidding success ratio for occupational annuity programs by Changjiang Pension



100%

Agreements of strategic co-operation with provincial governments and large companies



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Entrench the culture of collaboration, improve the eco-system and create more value

- We deepened mechanisms for promoting intra-Group synergy, advanced the programs of “100 Exemplary Bases for Cross-sell” and “100 Major Account Ecosystem”, established the model for collaboration, with necessary tools and systems, including the pricing and incentive system for “one customer with multiple insurance policies”, and one unified customer interface supporting integrated services.

Investment in new business areas expanded our scope of service



- **A retirement community in Chengdu**, the first of its kind in our history, has started its construction, marking a firm step forward in the building of “CPIC Home” series of retirement communities, with projects in Shanghai and Dali well underway.



- We joined hands with a world leading provider of elderly care and established **the Pacific Orpea Elderly Care Operation Company Limited**, combining our local market insights with expertise in old-age care and nursing services of our foreign partner, seeking to emulate international best practices.

Dedicated insurance products



High-end retirement estates



Professional service

Digitalization empowered growth

Over 20mn
downloads

- Launched the **CPIC APP**, the unified portal for customer access.

A minimum of
12 minutes

- The **Lingxi robot** series provides insurance service under multiple scenarios, and reduces the claims turnaround considerably.

Over 6.5
million visits

- **AlphaInsurance**, an AI insurance advisor, was on display at the World Artificial Intelligence Conference.

Reduced the
loss ratio of
vehicles by 39%

- **Taihaobao**, a smart risk management platform, helped commercial lines customers better manage risks

Big data + AI

- Sifted through huge amounts of data, established mechanism for big data sharing; explored more personalized, dynamic and real-time delineation of customer profiles, as well as products customization; centering on customer footprints, pushed forward scale application of new technologies in marketing, service, risk control and operation.

Outlook

2019 will be a year to overcome difficulties. We will concentrate resources to accelerate the shift of the development mode, and achieve breakthroughs in priorities on the transformation agenda. We will enhance CPIC branding, improve service capabilities and move firmly towards industry leadership for steady and healthy development.

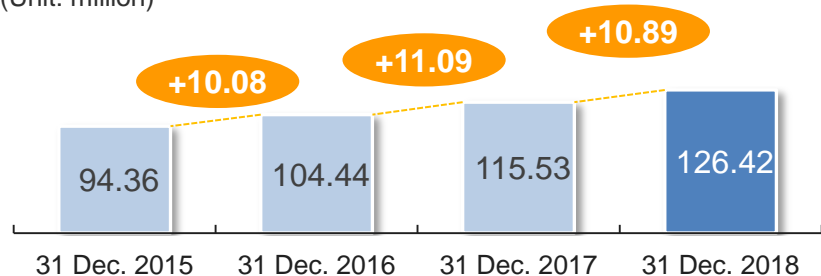
- To further motivate CPIC employees through market-based incentive mechanisms;
- To drive sustainable value growth of life insurance by increasing the productivity and income of the agency channel;
- To boost growth of emerging business lines in property and casualty insurance through the focus on the advanced manufacturing industry;
- To roll out application of insurance technologies centering on big data and AI;
- To step up the building of integrated risk management system with the focus on infrastructure management and grass-root branch offices.

Performance Analysis

Group customers grew by over 10 million annually for the past 3 consecutive years, with continued increase in the level of protection

Group Number of Customers

(Unit: million)



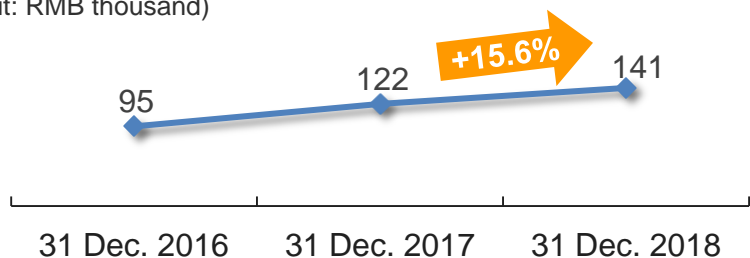
Number of customers with 2 insurance policies or above



20.26 million **+28.1%**

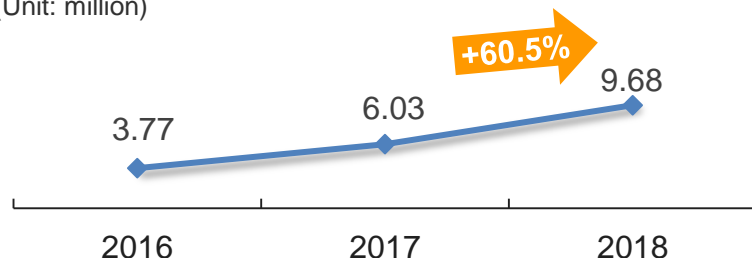
Average SA on Critical Illness per Customer

(Unit: RMB thousand)



Number of Customers with SA above One Million for Third Party Liability Insurance

(Unit: million)



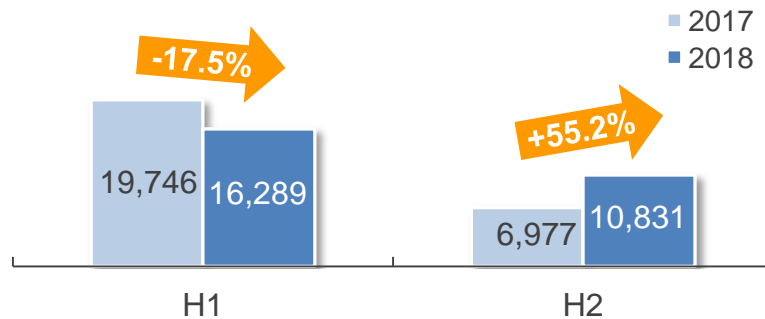
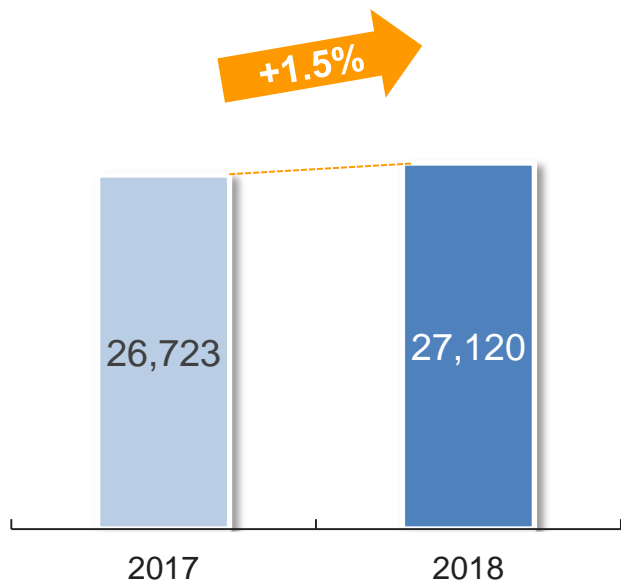
Note: The number of Group customers refers to the number of applicants and insureds who hold at least one insurance policy within the insurance period issued by one or any of CPIC subsidiaries as at the end of the reporting period. In the event that the applicants and insureds are the same person, they shall be deemed as one customer.

Life Business (1/4)

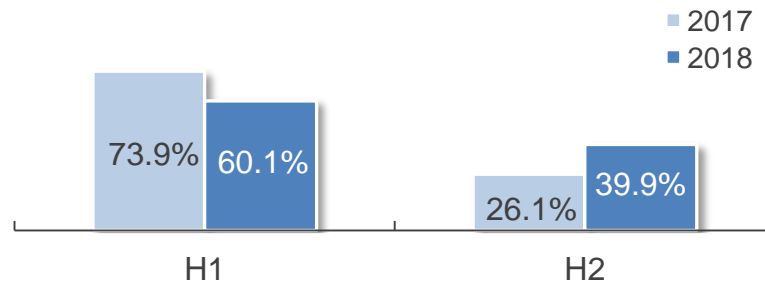
NBV growth recovered in second half and turned positive for the whole year, with growth more balanced

New Business Value

(Unit: RMB million)

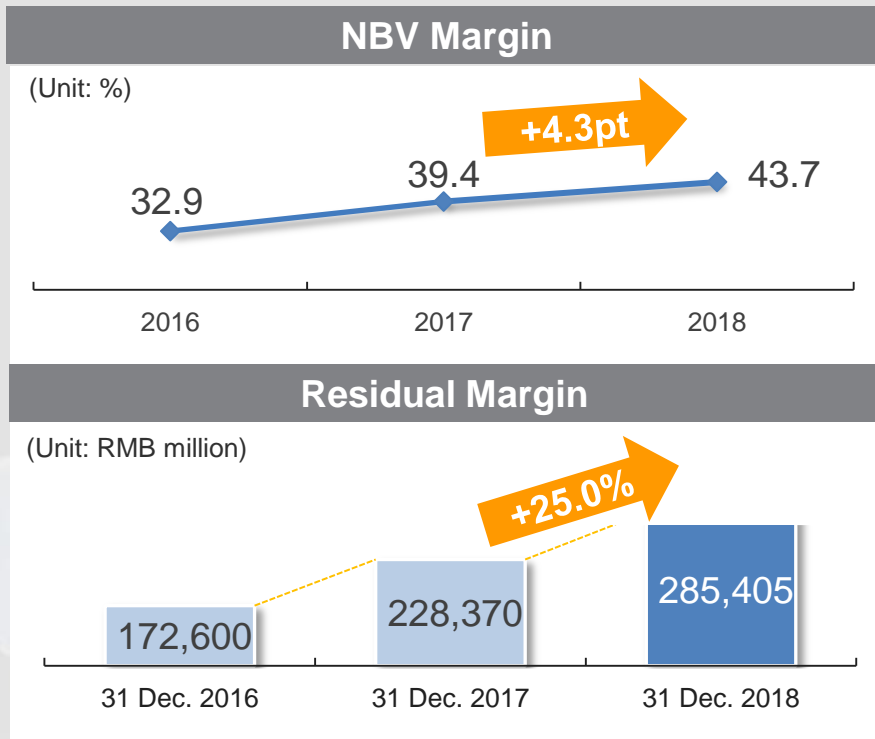
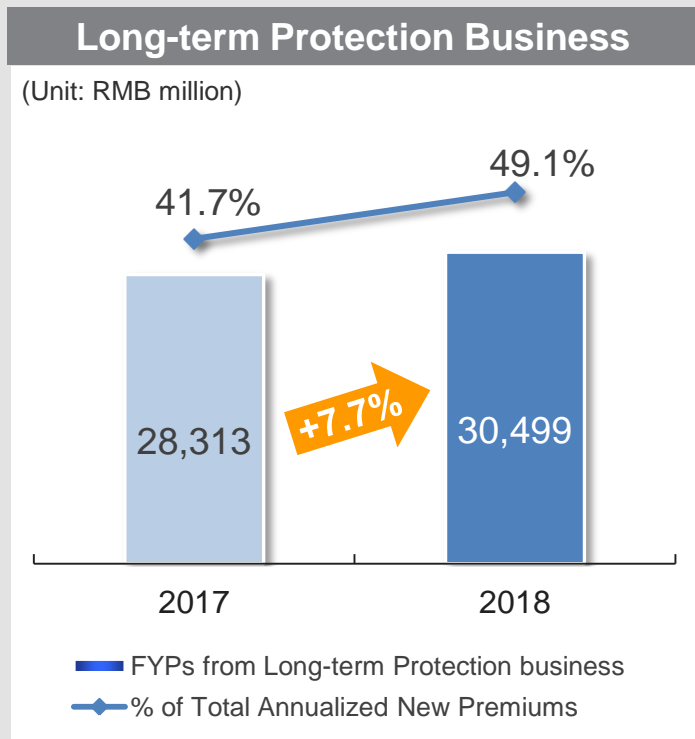


Share of Full Year NBV



Life Business (2/4)

Business mix improved, with sustained increase in NBV margin and fast growth of residual margin



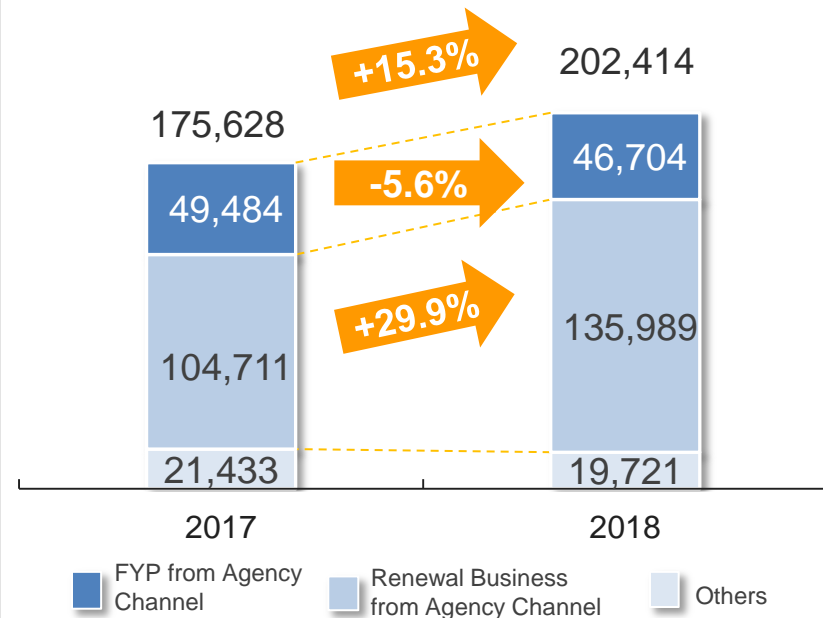
Note: NBV margin=NBV/ annualized first year premiums. Long-term protection business includes whole life insurance, term life insurance, long-term health and accident insurance.

Life Business (3/4)

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

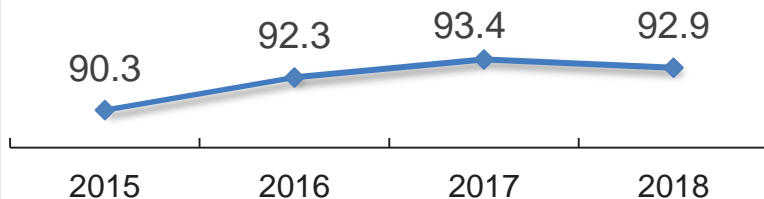
Gross Written Premiums

(Unit: RMB million)



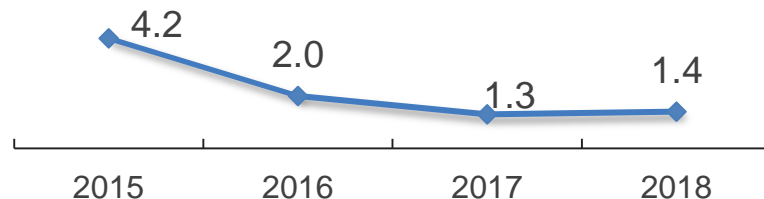
13-Month Policy Persistency Ratio

(Unit: %)



Surrender Rate

(Unit: %)

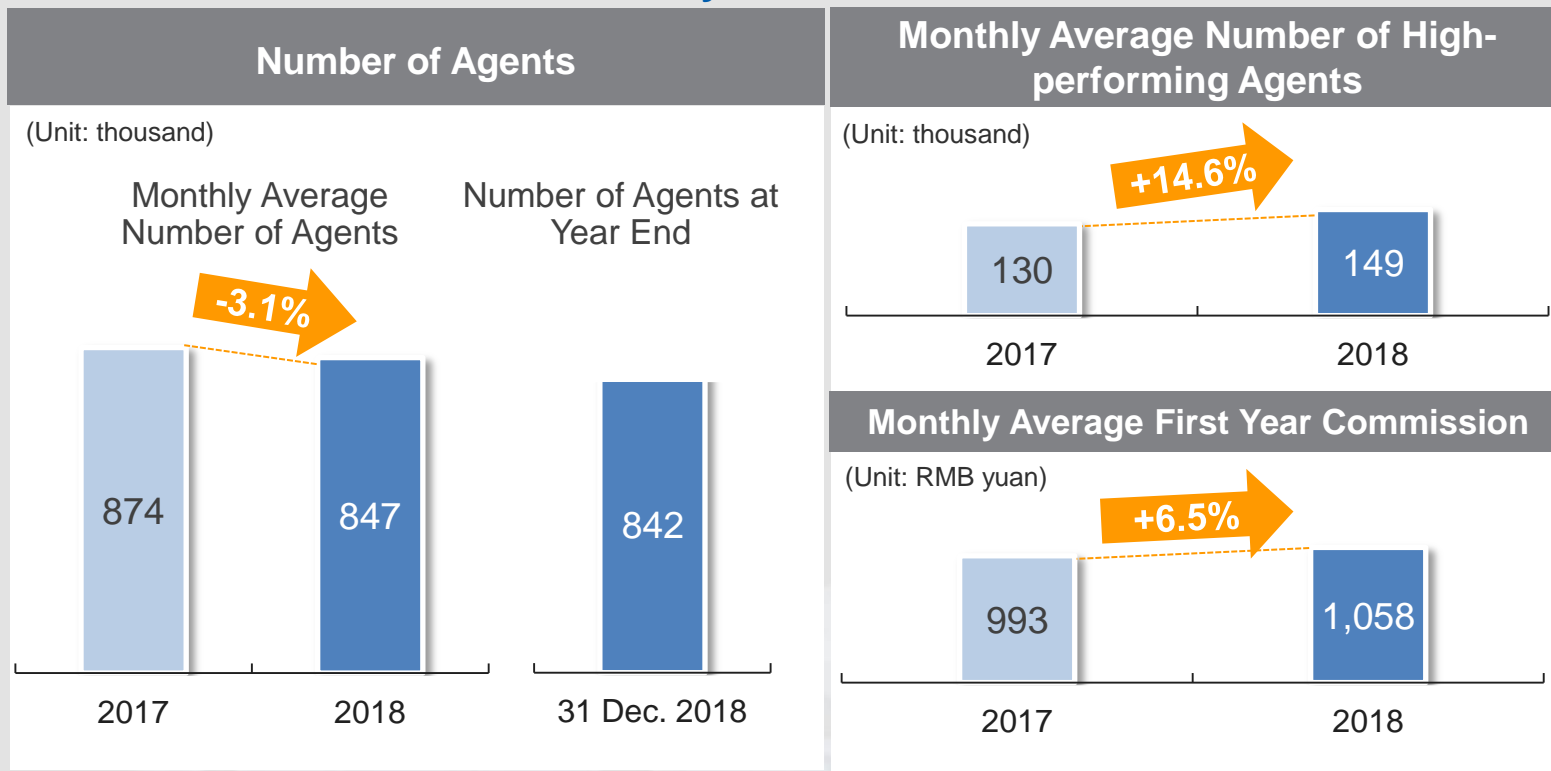


Notes: 1) Agency channel refers to that of the individual business in this report.
 2) 13-month persistency ratio: premiums from in-force policies 13 months after their issuance as a percentage of premiums from policies which entered into force during the same period.

3) 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 (4/4)

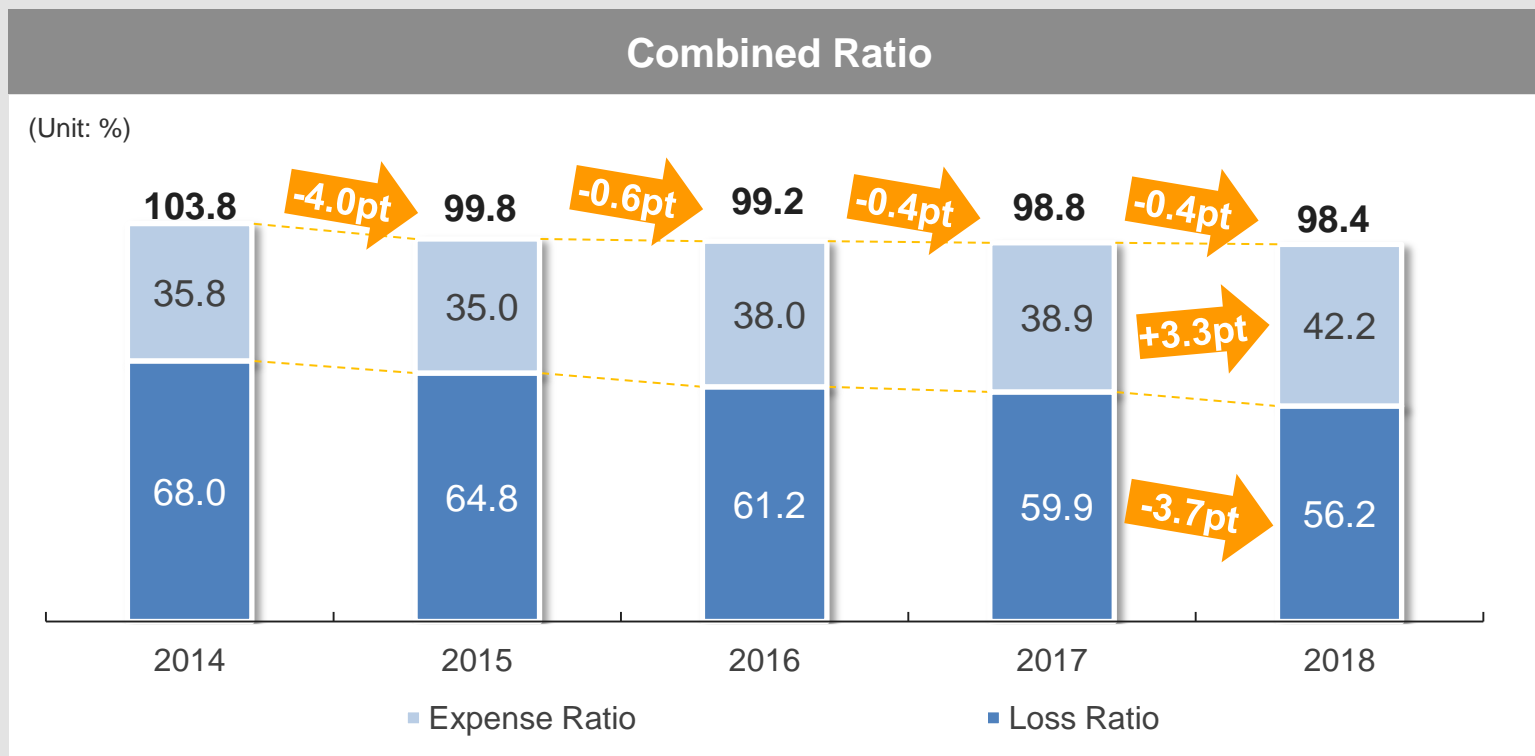
Core sales force maintained stability



Note: Figures of for the same period of the previous year about monthly average number of high-performing agents and monthly average first year commission have been restated.

Property and Casualty Insurance (1/4)

Combined ratio continued to improve



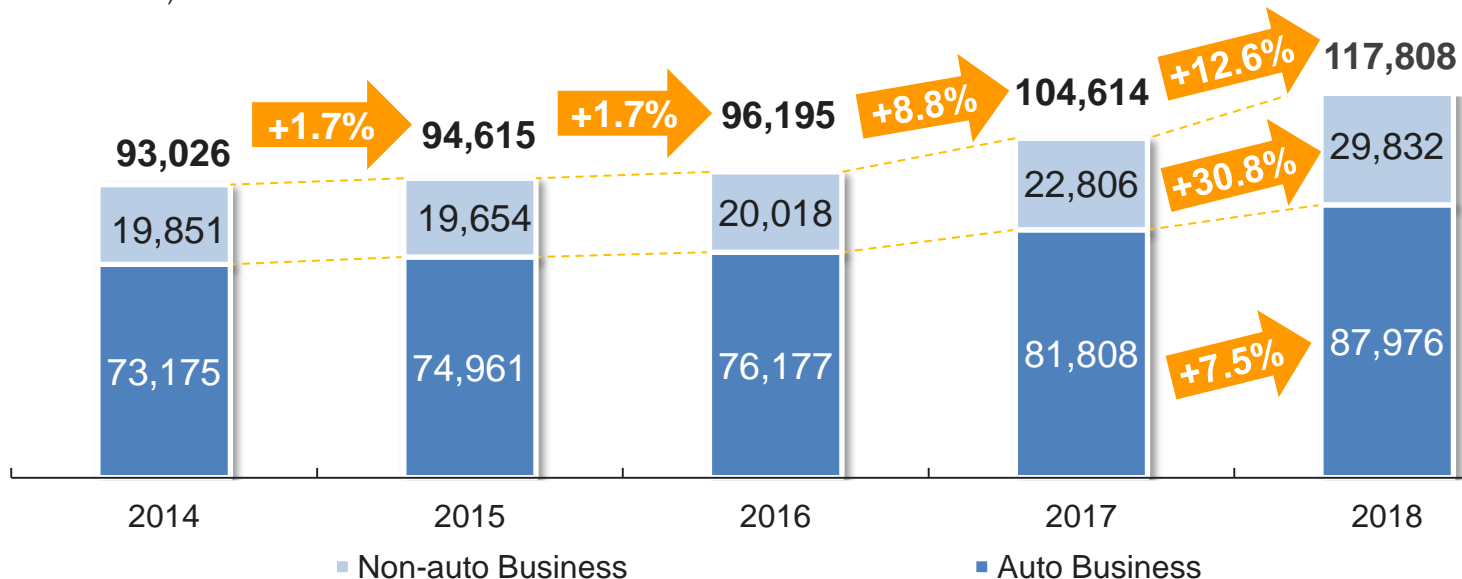
Note: The property and casualty business on this slide refers only to CPIC P/C.

Property and Casualty Insurance (2/4)

Top-line growth recovered considerably

Gross Written Premiums

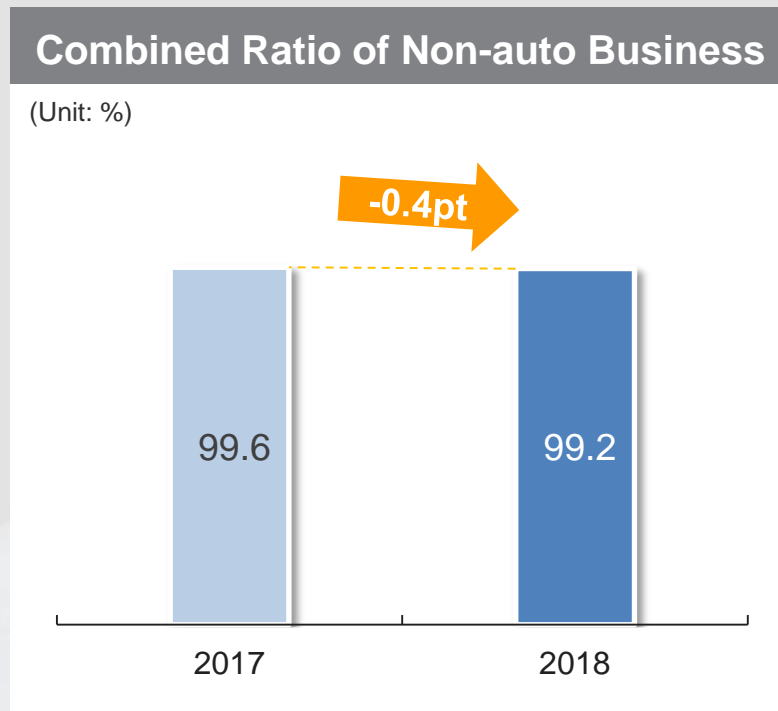
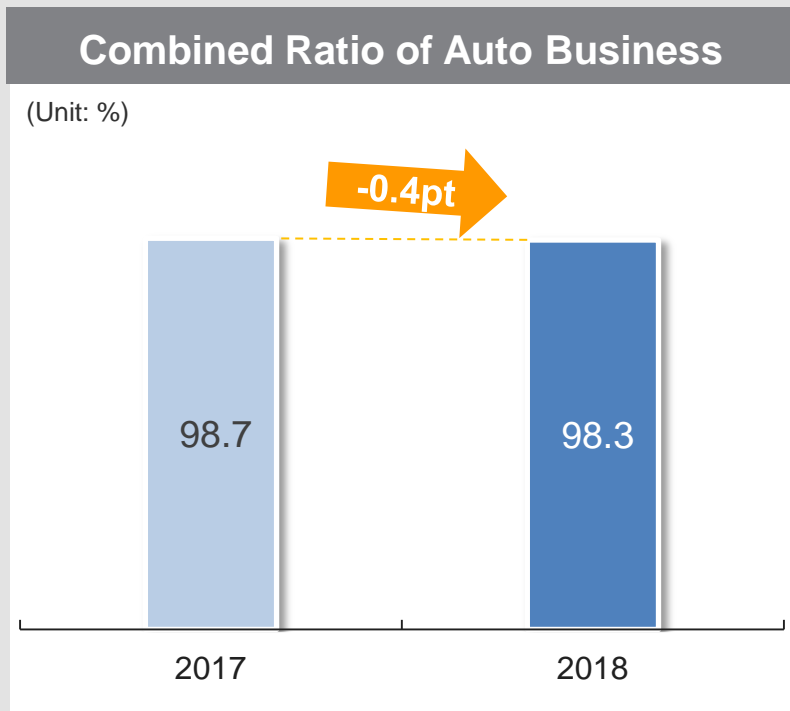
(Unit: RMB million)



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

Property and Casualty Insurance (3/4)

Achieved underwriting profitability for both auto and non-auto business, with combined ratio continuing to improve



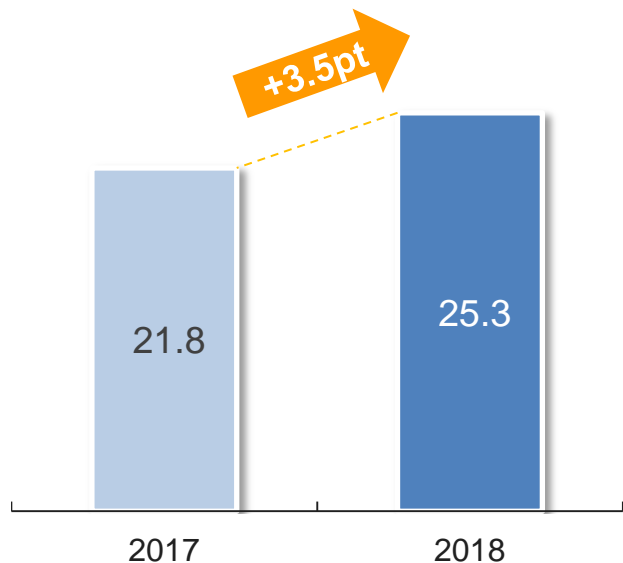
Note: The property and casualty business on this slide refers only to CPIC P/C.

Property and Casualty Insurance (4/4)

Emerging business such as agricultural insurance grew rapidly, with the share of non-auto business increasing considerably

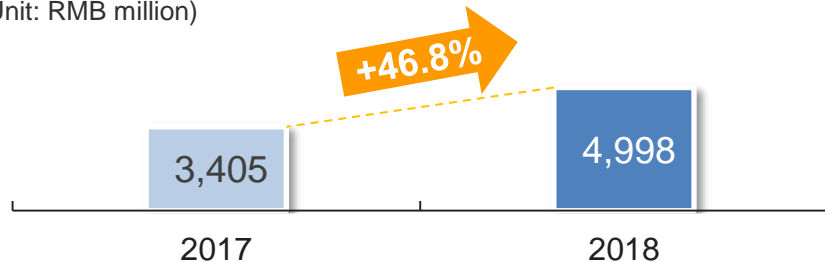
Non-auto Business as a Share of GWPs

(Unit: %)



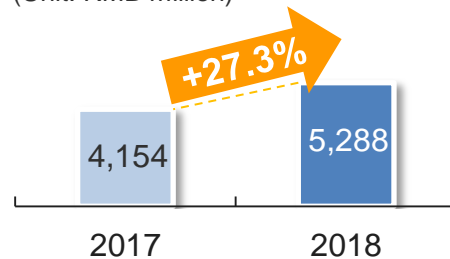
Primary Agricultural Insurance Premium

(Unit: RMB million)



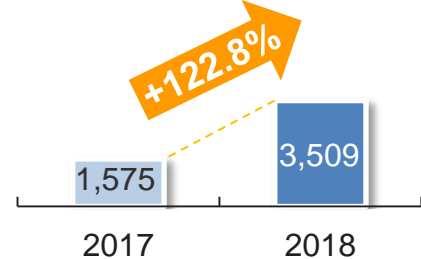
GWPs of Liability Insurance

(Unit: RMB million)



GWPs of Guarantee Insurance

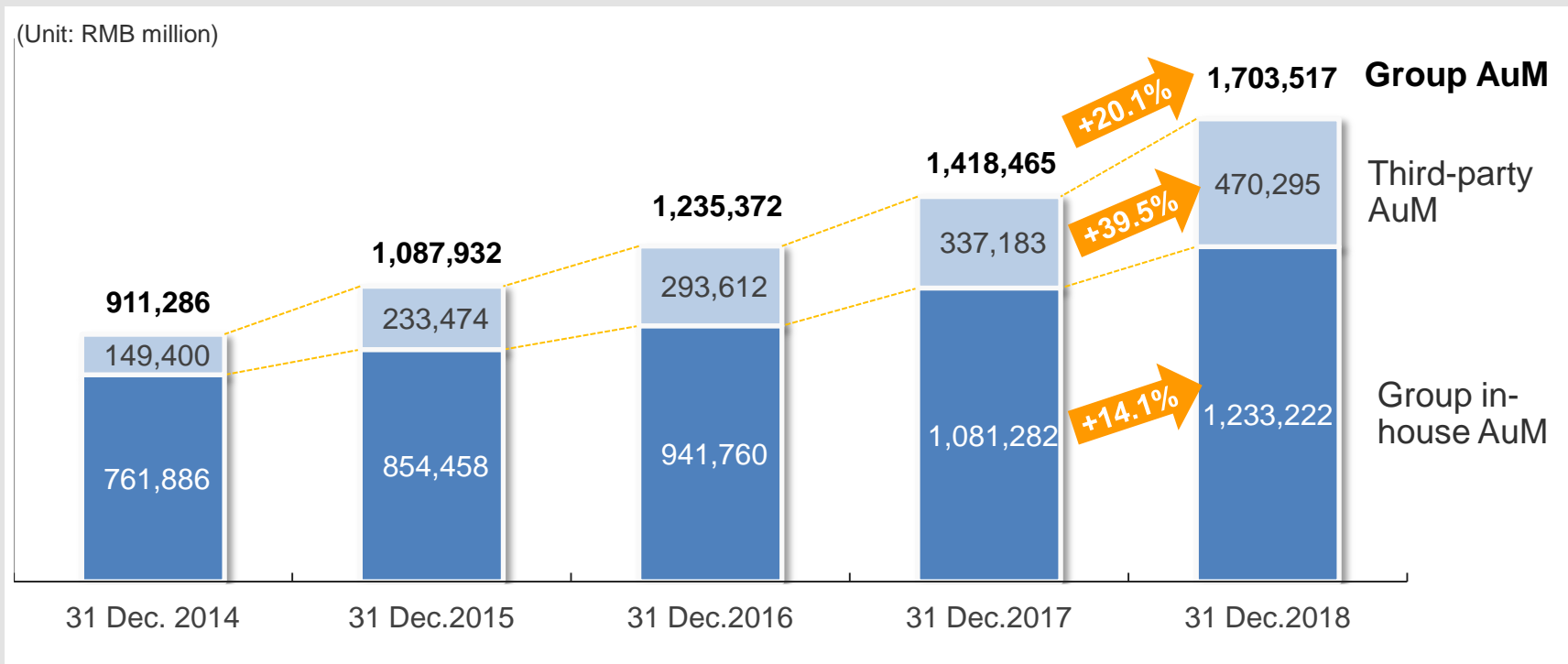
(Unit: RMB million)



Note: Primary agricultural insurance premiums on this slide includes CPIC P/C and Anxin Agricultural, and the other numbers refers only to CPIC P/C.

Asset Management (1/3)

Steady increase in Group asset under management, with improvement in market competitiveness



Note: CPIC Fund consolidated for numbers of third-party AuM as at 31 December 2018, given its acquisition by CPIC AMC in the first half of 2018.

Asset Management (2/3)

Persisted in asset liability management, and optimised strategic asset allocation

Group in-house investment portfolio	31 Dec. 2018 (%)	Change (pt)
Fixed income investments	83.1	1.3
Bonds	46.3	(1.9)
Term deposits	10.4	0.8
Debt investment schemes	10.9	2.3
Wealth management products ⁽¹⁾	8.4	0.1
Preferred shares	2.6	(0.3)
Other fixed income investments ⁽²⁾	4.5	0.3
Equity investments	12.5	(2.1)
Equity funds	1.5	(0.4)
Bond funds	1.2	(0.3)
Stocks	4.1	(1.4)
Wealth management products ⁽¹⁾	0.6	(1.3)
Preferred shares	0.6	(0.1)
Other equity investments ⁽³⁾	4.5	1.4
Investment properties	0.7	(0.1)
Cash, cash equivalents and others	3.7	0.9

Notes:

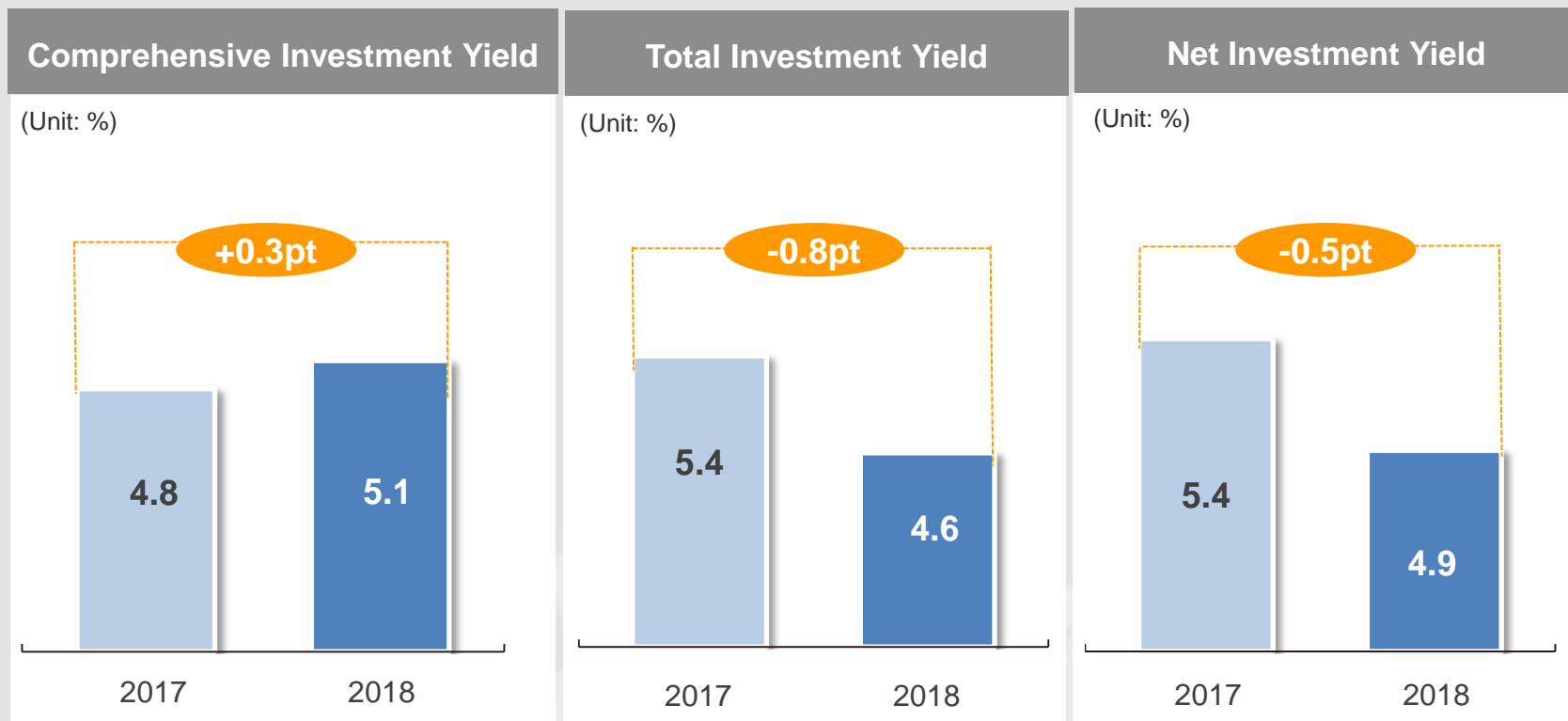
(1) Wealth management products include wealth management products issued by commercial banks, collective trust plans by trust firms, special asset management plans by securities firms and loan assets backed securities by banks, etc.

(2) Other fixed income investments include restricted statutory deposits and policy loans, etc.

(3) Other equity investments include unlisted equities, etc.

Asset Management (3/3)

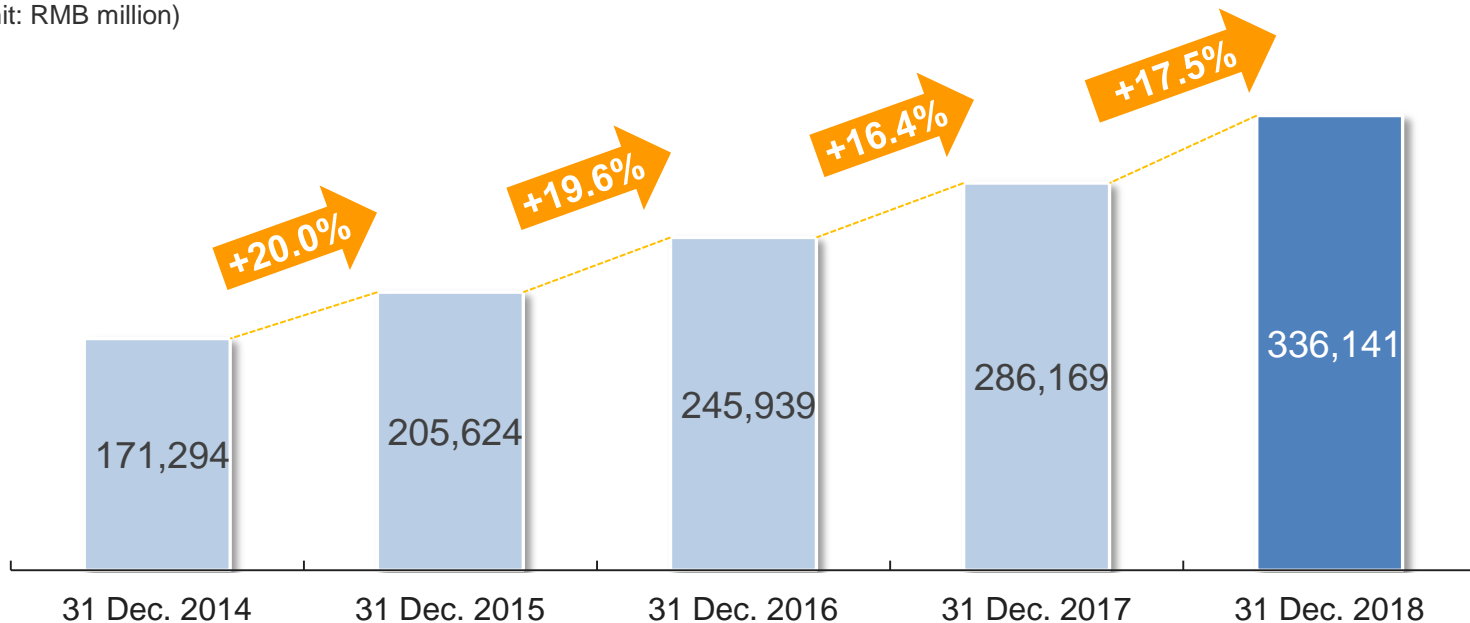
Effectively dealt with equity market volatility, with comprehensive investment yield steadily rising



Group Embedded Value(1/3)

Group Embedded Value

(Unit: RMB million)

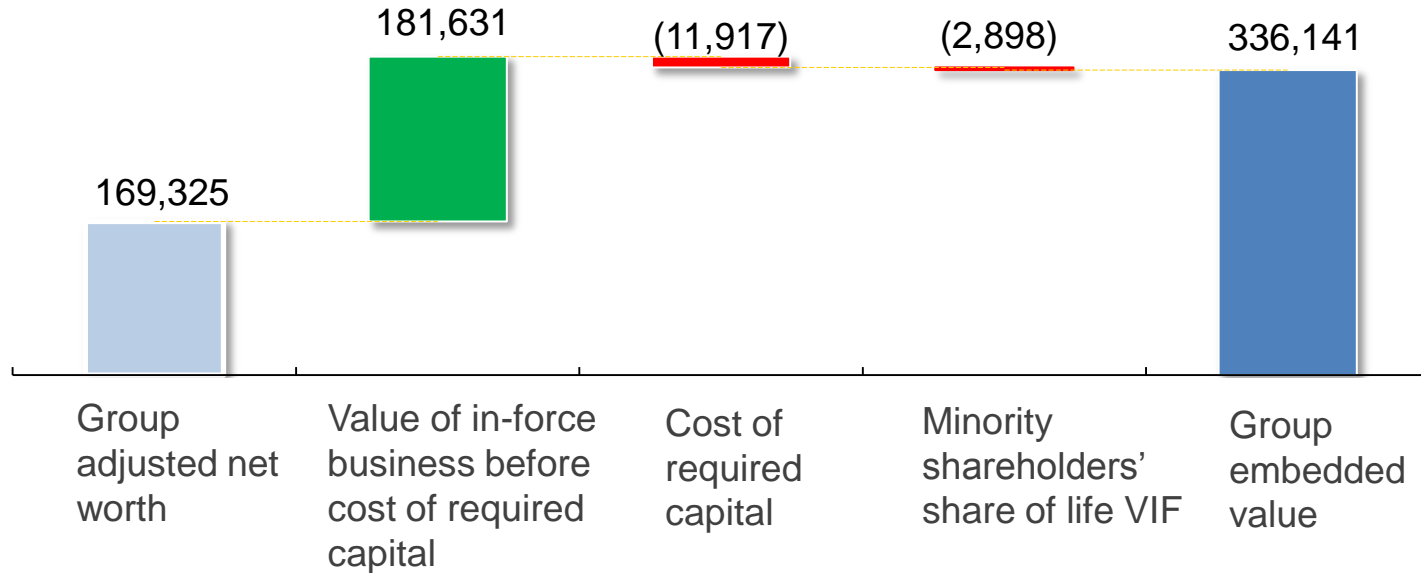


Note: Figures for 2016-2018 are calculated according to the CROSS requirement, and figures for 2014-2015 have not been restated.

Group Embedded Value(2/3)

Composition of EV as at 31 December 2018

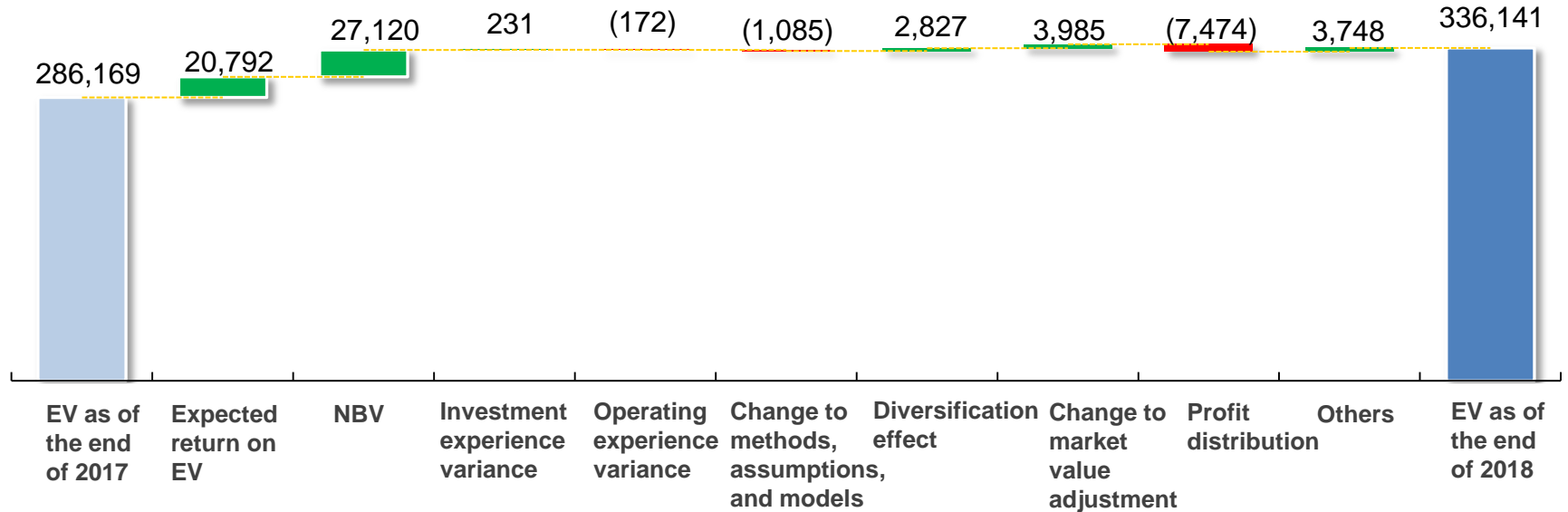
(Unit: RMB million)



Group Embedded Value(3/3)

Movement of Embedded Value

(Unit: RMB million)



Note: Diversification effect refers to the impact on cost of required capital of new business and business change.

Q & A

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难时拥有太平洋