

2023 Interim Results Announcement

China Pacific Insurance (Group) Co., Ltd.

August 28, 2023

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Overview

In the first half of 2023, China's economy gradually recovered and demonstrated resilience. However, the process advances amid difficulties and it takes time for full recovery and restructuring. Meanwhile, favourable national initiatives and government policies, improving consumer demand for insurance and reform of China's financial regulatory system all present opportunities for insurers' long-term development, and call for further improvement in insurers' corporate governance and business management.

CPIC stayed focused on core business of insurance, remained committed to value growth and long-termism. We achieved encouraging overall business results and enhanced comprehensive strength. CPIC Life deepened the Changhang Transformation, and achieved balanced business development and steady value growth. CPIC P/C pursued precise business management, with sustained improvement of business quality and mix. Asset management further improved sustainable ALM system, and reported solid investment results. In the meantime, we constantly optimised customer-oriented business operation, implemented strategies in health care & elderly care management, business development in key regions and technology empowerment, achieving notable breakthroughs in value creation and capability building.

Steady improvement of overall business performance with sustained growth of comprehensive strength

(unit: RMB yuan)

Group insurance
revenue

134.064bn

+7.4% ↗

Group OPAT^{Note1,2}

21.537bn

+2.5% ↗

Group net profit^{Note1,2}

18.332bn

-8.7%

Group EV

537.114bn

+3.4% ↗

Group Number
of customers

171mn

staying stable

Group AuM^{Note2}

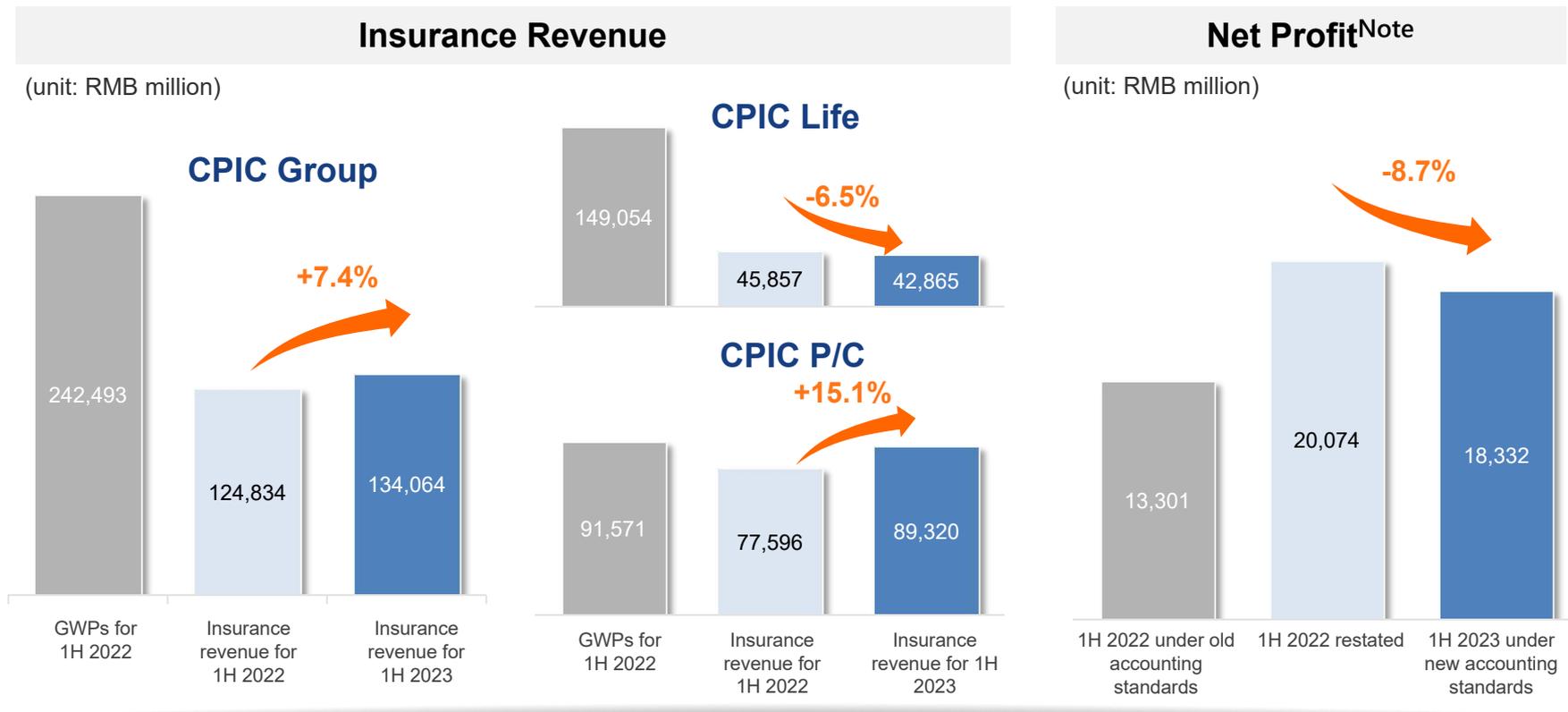
2,836.924bn

+6.9% ↗

Notes:1) Attributable to shareholders of the parent.

2) Due to adoption of the New Accounting Standards, figures for comparative period were restated.

Comparison of key metrics under old and new accounting standards



Note: Attributable to shareholders of the parent.

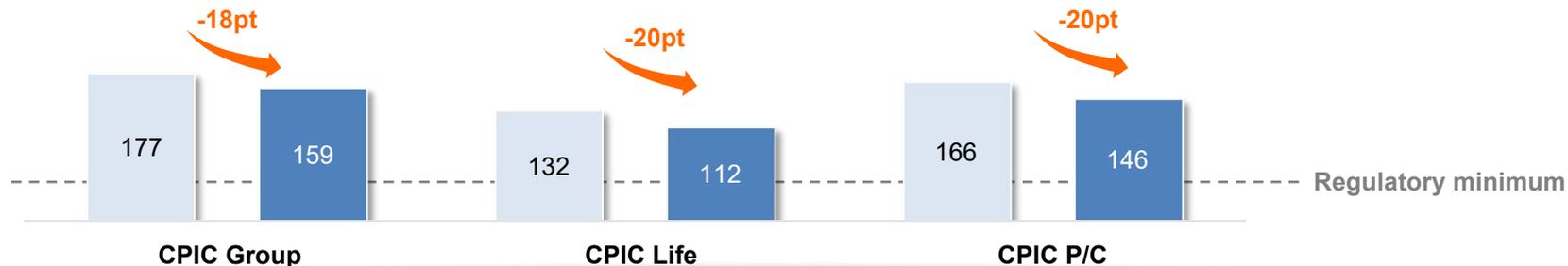
Maintained overall sound solvency positions under C-ROSS II

Comprehensive Solvency Margin Ratio

(unit: %)



Core Solvency Margin Ratio

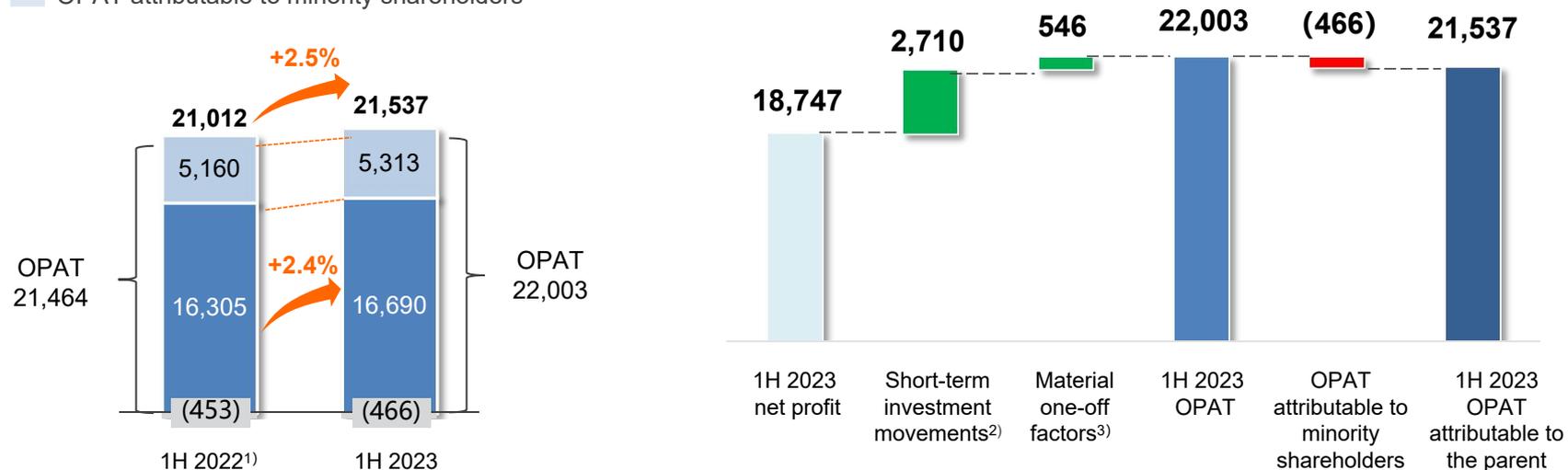


Group OPAT delivered steady growth

(unit: RMB million)

- Others and consolidation cancelling-out
- Life insurance
- OPAT attributable to minority shareholders

OPAT = net profits – short-term investment movements – material one-off factors



Notes: 1) Due to adoption of the New Accounting Standards, figures for comparative period were restated.

2) Short-term investment movements refer to the difference between actual investment income and long-term investment assumption (5%) of life insurance business other than that based on variable fee approach (VFA), while considering the impact of corporate income tax.

3) Material one-off factors refer to material one-off projects that management deemed not belong to daily operations.

4) Numbers may not totally add up due to rounding.

Steady growth of Group embedded value(1/2)

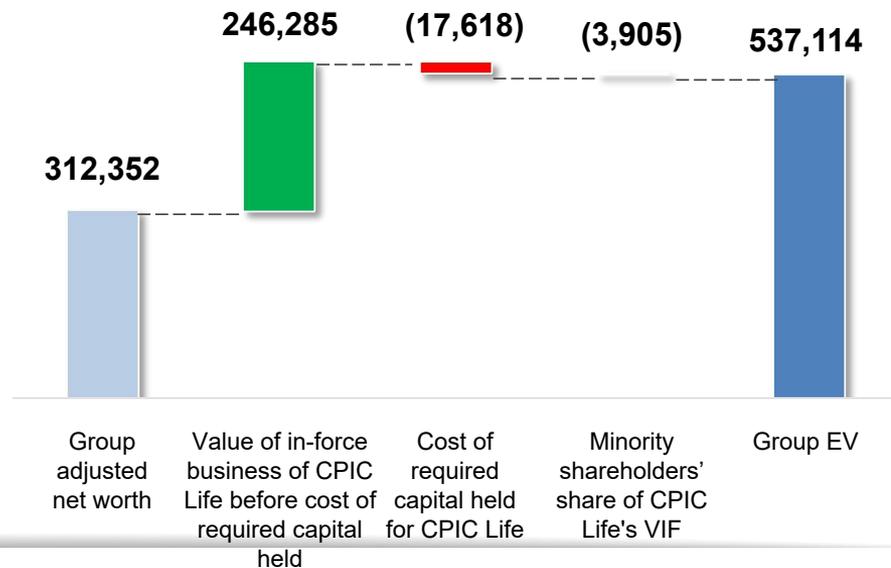
Group EV

(unit: RMB million)



Composition of EV as at 30 June 2023

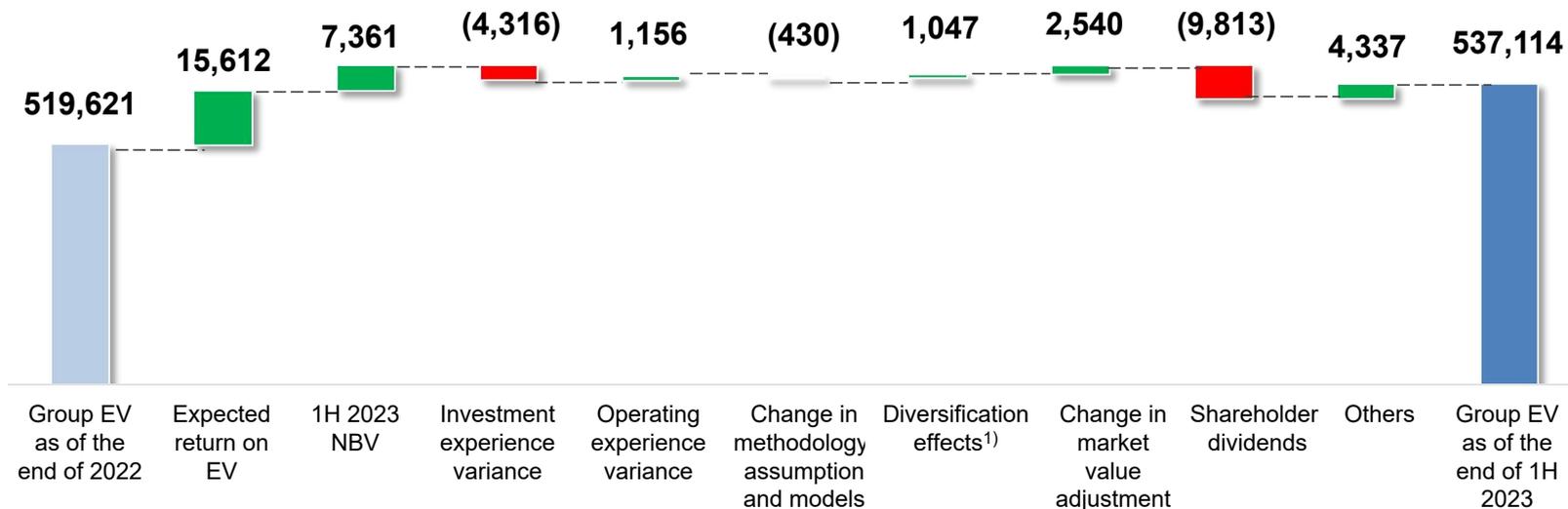
(unit: RMB million)



Steady growth of Group embedded value(2/2)

Movement of Embedded Value in 1H 2023

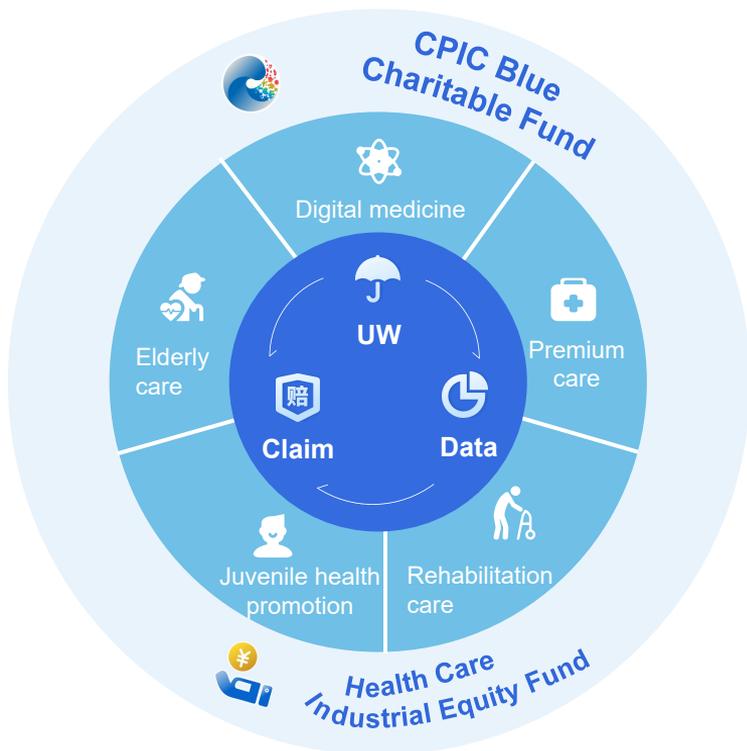
(unit: RMB million)



Notes: 1) Diversification effect refers to the impact on cost of required capital of new business and business change.

2) Numbers may not totally add up due to rounding.

Unveiled “352” health care strategy roadmap to improve “insurance + health management” system



Insurance payment

- Focused on protection coverage and claims payment, upgraded product and service system underpinned by high-quality health-care big data to enhance insurance payment capabilities

Service empowerment

- Provided integrated “insurance + health + retirement” solutions in response to diverse customer needs, empowering core insurance business via competitive service offering



Building ecosystems

- Built health care ecosystems via industrial equity fund and charitable fund to better support real economy and people’s well-being

A differentiated approach towards Regional Integrated Development and innovation in insurance supply to boost development drivers



Focused on Greater Bay Area, with reach extended to Hong Kong and Macao, innovation in products and service boosted our visibility and competitiveness

- Rolled out “Motor Insurance Service Connect” programme between Macao and the mainland, and between Hong Kong and the mainland, with Operational Centre in South China providing integrated and specialised customer service
- Hong Kong residents also have access to CPIC Home and CPIC Family Doctor, which enhanced the competitiveness of our insurance products in Hong Kong

Contributed to green insurance and the value chain of NEV

- Launched insurance against losses from carbon emissions reduction, green buildings malfunction, and income loss of PV power generation to promote green insurance development
- New business model for NEV up and running, contributing to roll-out of vertical business management system and integrated sales and service system nation-wide



Built technology innovation centre, with scenario-based application of frontier technology

- Leveraged R&D Centre and Data Centre in Chengdu, formulated mechanisms for collaboration in innovation with technology team of business units, and explored scenario-based application of frontier technology

Explored new model in supply of health protection, diversified offering in health care and elderly care

- Joined hands with China West Hospital to explore trials of inclusive health insurance with complementarity of social and commercial insurance, offered personalised solutions for substandard risks, i.e., people in sub-health, with illnesses or chronic illnesses, as well as key customer segments of the elderly and children

Accelerated digitalisation via big data, diversified scenario-based application to empower core insurance business



CRM

Developed integrated digital solution for individual customers, which enabled targeted customer insights from Group's perspective and dynamic matching of business strategies.



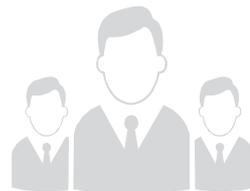
Smart claims management

Independently developed control platform for unmanned aerial vehicles. The platform can generate and execute aerial photography according to location of land under coverage, with accurate results of loss-adjustment returned in 3-5 seconds, which effectively empowered agricultural insurance in cost reduction and efficiency improvement.



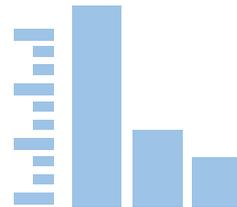
Smart operation

Continued to roll out RPA application, with establishment of professional, intelligent "smart factories" on a large scale which require no men on duty, replacing a monthly average of 400 workers.



Digital employee

Launched a digital employee for IA quality control based on large-scaled AI modelling, which can take on and accomplish internal auditing tasks through natural language dialogues, marking a milestone in digitalisation of labour force.



Risk control of asset management

All-around automation via multiple AI technologies of traditional manual work, such as collection of information on adverse publicity, financial analysis, analysis of financial data risk warning, prompting a shift of business model of asset management from "passive defense" to "pro-active service".

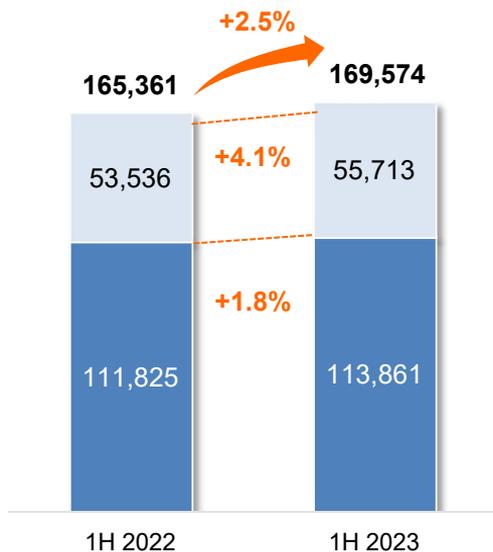
Performance Analysis

Life Insurance(1/3)

Steady premium growth, with robust NBV performance

Written Premiums

(unit: RMB million)



- Renewed premiums
- New business premiums

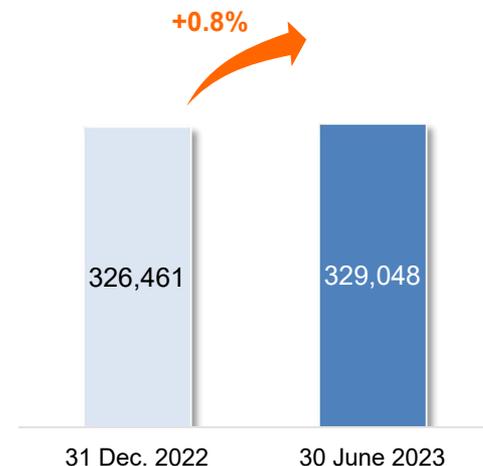
NBV

(unit: RMB million)



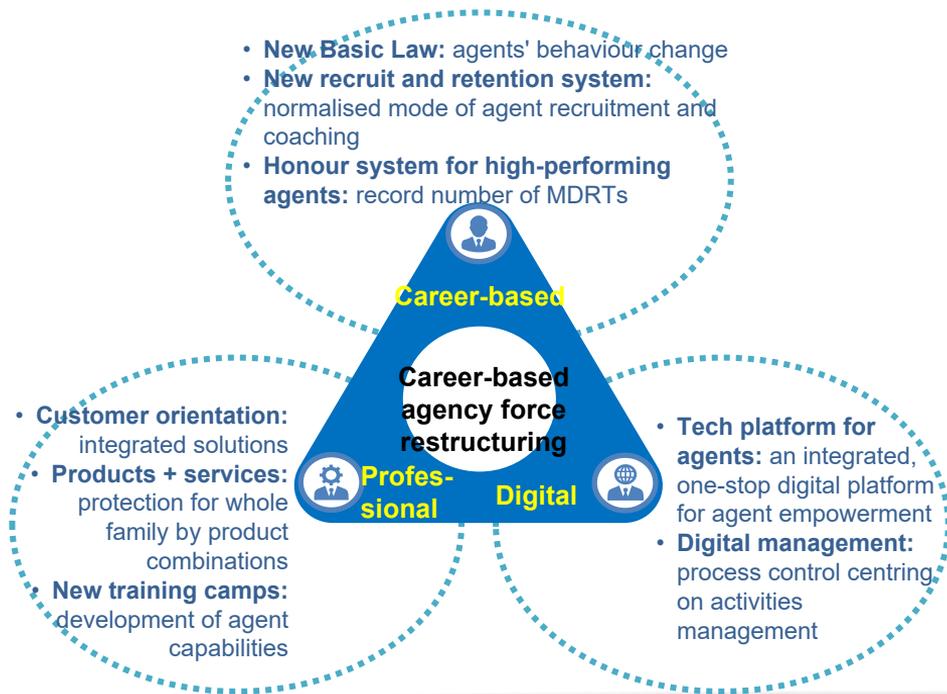
CSM

(unit: RMB million)



Life Insurance(2/3)

Deepened Changhang Transformation, with marked improvement in both core manpower productivity and income



Monthly average FYP per core agent

(unit: RMB yuan)



Monthly average FYC per core agent

(unit: RMB yuan)

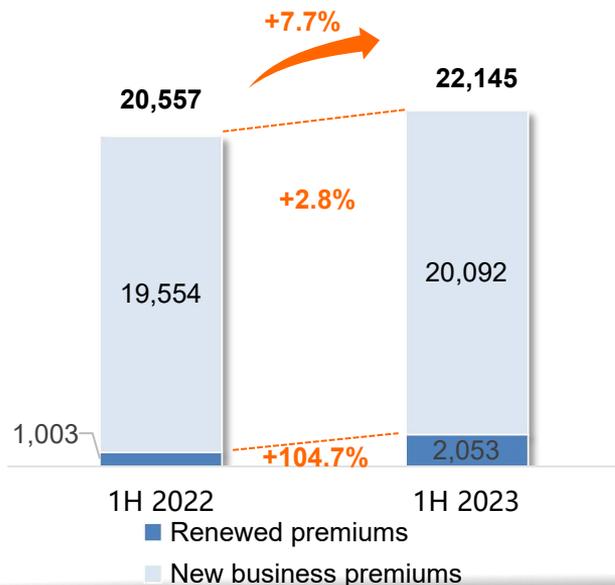


Life Insurance(3/3)

Bancassurance focused on value, with considerable improvement in value contribution

Written Premiums from Bancassurance

(unit: RMB million)



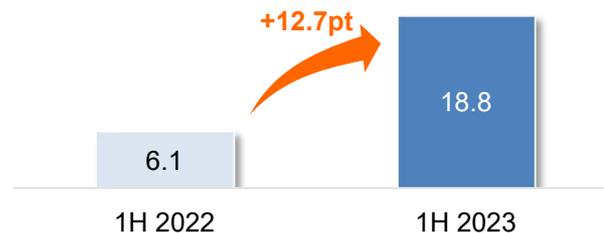
NBV from Bancassurance

(unit: RMB million)



Bancassurance's Share of NBV

(unit: %)

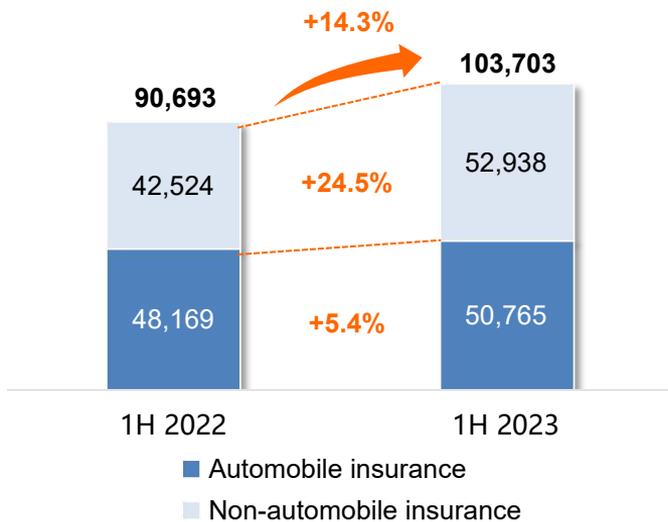


P/C Insurance(1/3)

Rapid top-line growth, with healthy underwriting profitability

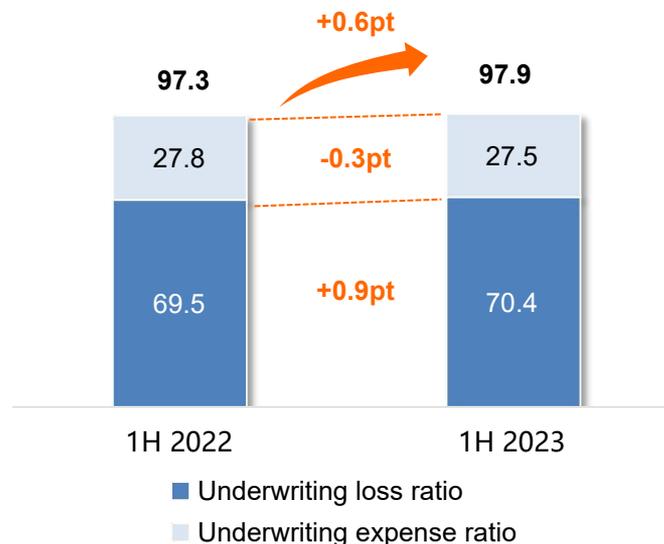
Primary Premium Income

(unit: RMB million)



Underwriting Combined Ratio

(unit: %)



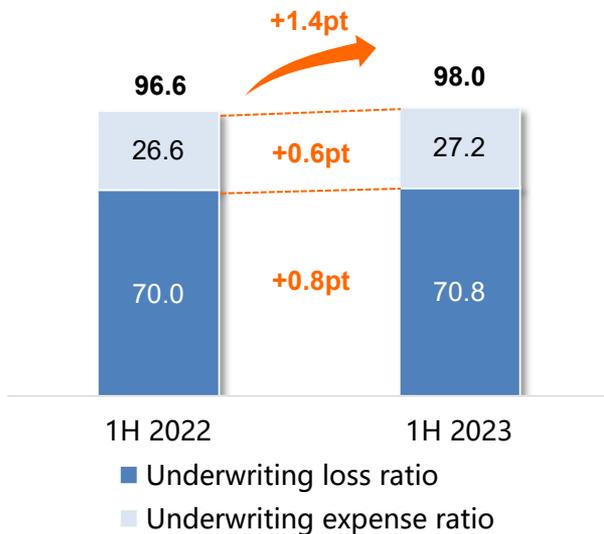
Note: The property and casualty insurance on this slide refers only to CPIC P/C

P/C Insurance(2/3)

Maintained decent auto insurance profitability, with increased premium contribution from NEV business

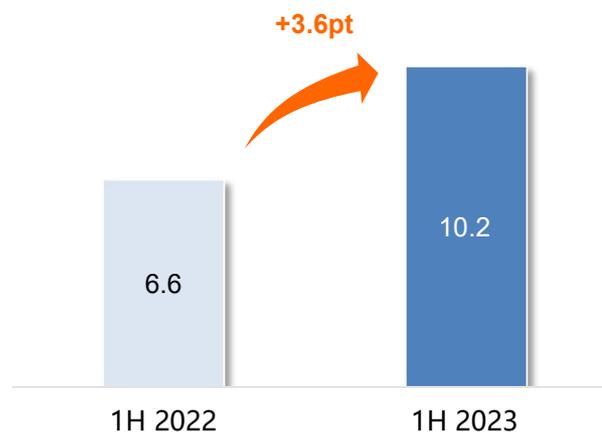
Underwriting CoR of Auto Insurance

(unit: %)



Share of NEV premiums

(unit: %)



Notes: 1) The property and casualty insurance on this slide refers only to CPIC P/C.

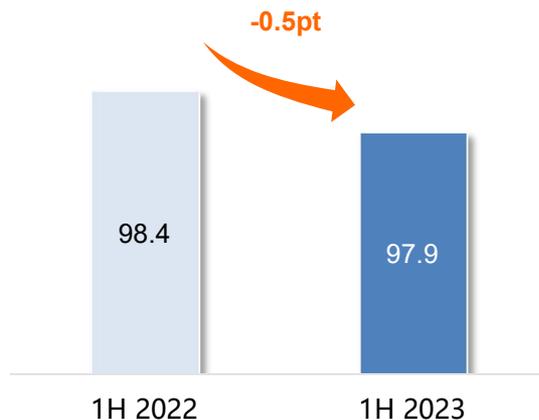
2) NEV business refers to new energy vehicle business.

P/C Insurance(3/3)

Continuously cemented foundation of underwriting profitability of non-auto insurance and maintained rapid growth of emerging business lines

Underwriting CoR of Non-auto Insurance

(unit: %)



Health Insurance

Primary Premium Income

RMB13.293bn

+26.3%

Further tapped into niche market business such as long-term care, chronic illness insurance and Huiminbao, and stepped up development of mid- and high-end commercial health insurance



Agricultural Insurance

Primary Premium Income

RMB12.434bn

+33.9%

Participated in trials of full-cost indemnity insurance, promoted business development of “insurance + futures” and “insurance + credit” innovative business, and continued to strengthen its product supply for “sannong”(agriculture, rural areas and farmers) insurance



Liability Insurance

Primary Premium Income

RMB11.143bn

+35.1%

Strived to provide specialised, differentiated and customised insurance products in areas of smart transport, environment protection, technology innovation, cyber-security, life sciences and people's well-being



Commercial Property Insurance

Primary Premium Income

RMB3.706bn

+4.0%

Persisted in high-quality development, pro-actively supported the real economy, and promoted stable business development

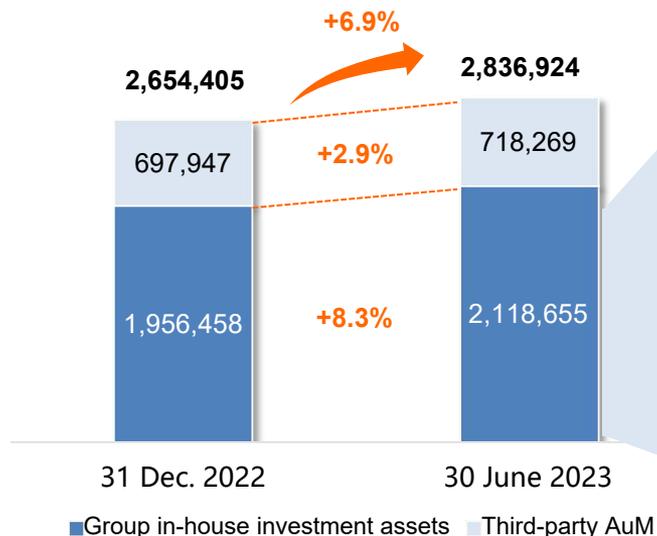
Note: The property and casualty insurance on this slide refers only to CPIC P/C.

Asset Management(1/3)

Steady increase in Group AuM, with continued SAA improvement

Group AuM

(unit: RMB million)



Notes: 1) Debt investment plans mainly include infrastructure and real estate funding projects.

2) Wealth management products mainly include wealth management products issued by commercial banks, products by insurance asset management companies, collective trust plans by trust firms, special asset management plans by securities firms and credit assets backed securities by banking institutions, etc.

3) Other investments mainly include restricted statutory deposits and derivative financial assets, etc.

4) Due to adoption of the New Accounting Standards, figures for comparative period were restated.

Group in-house investment assets	30 June 2023(%)	Change(pt)
Cash and cash equivalents	2.8	0.1
Term deposits	8.0	(2.4)
Debt category financial assets	72.5	3.4
Debt securities	48.3	5.3
Bond funds	0.7	0.1
Preferred shares	2.3	(0.1)
Debt investment plans ¹⁾	12.3	(1.1)
Wealth management products ²⁾	5.3	(1.0)
Others	3.6	0.2
Equity category financial assets	14.5	(0.3)
Stocks	9.0	-
Equity funds	2.1	(0.4)
Wealth management products ²⁾	0.5	(0.3)
Others	2.9	0.4
Long-term equity investments	1.2	(0.1)
Investment properties	0.5	(0.1)
Other investments³⁾	0.5	(0.6)

Asset Management(2/3)

Pro-actively adapted to market volatility, with solid investment performance

Key Indexes of Equity Markets



Investment Yield

(unit: %)

Investment yield	1H 2023	1H 2022
Net investment yield	2.0	2.1
Total investment yield	2.0	2.1
Comprehensive investment yield	2.1	1.5

Note: Net/total investment yield, or comprehensive investment yield was not annualised.

Asset Management(3/3)

Overall credit risk of investment assets manageable

External Credit Ratings of Enterprise and Non-government-sponsored Financial Bonds

Share of AAA

95.2%

Share of AA and above

99.3%

External Credit Ratings of Non-public Financing Instruments

Share of AAA

97.4%

Share of AA+ and above

99.6%

Mix and distribution of yields of NPFIs

Sectors	Share of investments (%)	Nominal yield(%)	Average duration (year)	Average remaining duration (year)
Infrastructure	40.6	4.7	8.3	5.6
Communications & transport	15.8	4.6	9.2	6.1
Real estate	15.7	4.8	6.7	4.1
Non-bank financial institutions	12.5	4.9	5.0	1.8
Energy and manufacturing	4.6	4.7	6.9	4.5
Others	10.8	4.7	7.5	4.9
Total	100.0	4.7	7.6	4.8

Note: Non-public financing instruments include wealth management products issued by commercial banks, debt investment plans, collective trust plans by trust firms, special asset management plans by securities firms and credit assets backed securities by banking institutions, etc.

Outlook

Since the beginning of the year, China's economy gradually recovers with orderly advancement of restructuring and improving insurance consumption confidence, which paves the way for industry's quality development and growth in the future. Financial regulators attach greater importance to industry's value proposition in risk protection and contribution to China's development. We are confident that we can facilitate the country's social and economic transitioning via accelerating supply-side reform and meeting customers' diverse needs in health care & elderly care management, and wealth management, and achieve high-quality development of the Company in the process.

Going forward, under the guidance of the New Development Philosophy, CPIC will accelerate capacity-building, persist in value creation, adhere to customer-oriented business operation, stay focused on long-termism, step up technology empowerment to boost drivers of development, promote collaboration and synergy to unlock potential, and strengthen risk management to secure achievements. We will stay confident and patient, move forward in response to trends of our times and needs of our customers, to attain industry leadership in high-quality development.

Q&A

Appendix 1: Profit Analysis of Life Insurance Business

(unit: RMB million)

For 6 months ended 30 June	2023	2022	Changes(%)
Insurance service performance and others	14,478	14,953	(3.2)
Insurance revenue	42,865	45,857	(6.5)
Insurance service expenses	(27,613)	(29,524)	(6.5)
Total investment income ¹⁾	30,233	31,158	(3.0)
Finance underwriting gains/(losses) ²⁾	(27,895)	(28,255)	(1.3)
Investment performance	2,338	2,903	(19.5)
Profit before tax	16,816	17,856	(5.8)
Income tax	(2,793)	(1,835)	52.2
Net Profit	14,023	16,021	(12.5)

Notes: 1) Total investment income includes investment income, interest income, gains/(losses) arising from change in fair value, rental income from investment properties, interest expenses on securities sold under agreements to repurchase, impairment losses on financial assets and taxes and surcharges applicable to investment business, etc.

2) Finance underwriting gains/(losses) include insurance finance expenses for insurance contracts issued and reinsurance finance income for resinsurance contracts held.

3) Figures for comparative period were restated.

Appendix 2: Profit Analysis of P/C Insurance Business

(unit: RMB million)

For 6 months ended 30 June	2023	2022	Changes(%)
Insurance revenue	89,320	77,596	15.1
Insurance service expenses	(85,583)	(73,999)	15.7
Net income/(losses) from reinsurance contracts held ¹⁾	(84)	(25)	236.0
Underwriting finance losses and others ²⁾	(1,815)	(1,483)	22.4
Underwriting profit	1,838	2,089	(12.0)
Underwriting combined ratio(%)	97.9	97.3	0.6pt
Total investment income ³⁾	3,323	3,478	(4.5)
Net of other income and expenses	(77)	(154)	(50.0)
Profit before tax	5,084	5,413	(6.1)
Income tax	(1,043)	(1,213)	(14.0)
Net profit	4,041	4,200	(3.8)

Notes: 1) Net income/(losses) from reinsurance contracts held include allocation of reinsurance premiums paid, recoveries of insurance service expenses from reinsurers, reinsurance finance income or expenses, etc.

2) Underwriting finance losses and others include insurance finance income or expenses and changes in insurance premium reserves, etc.

3) Total investment income for 2023 includes investment income, interest income, gains/(losses) arising from change in fair value, rental income from investment properties, interest expenses on securities sold under agreements to repurchase, interest expense on capital replenishment bonds, taxes and surcharges applicable to investment business and impairment losses on financial assets, etc.; total investment income for 2022 includes investment income, gains/(losses) arising from change in fair value, rental income from investment properties, interest expenses on securities sold under agreements to repurchase, interest expense on capital replenishment bonds, taxes and surcharges applicable to investment business and other asset impairment losses.

4) Figures for comparative period were restated.

Appendix 3: Sensitivity Analysis

Sensitivity results of VIF business and NBV after cost of required capital held as at 30 June 2023

(unit: RMB million)

	VIF business	NBV
Base	228,667	7,361
Risk discount rate "+50 basis points"	220,833	6,976
Risk discount rate "-50 basis points"	237,141	7,776
Investment return "+50 basis points"	269,885	9,486
Investment return "-50 basis points"	187,237	5,226
Mortality "+10%"	227,483	7,291
Mortality "-10%"	229,851	7,433
Morbidity "+10%"	221,436	7,225
Lapse and surrender rates "+10%"	230,398	7,277
Lapse and surrender rates "-10%"	226,843	7,454
Expenses "+10%"	225,563	7,014

Note: The analysis of each scenario only adjusts assumptions of relevant cash flows and risk discount rates, other assumptions being the same.

Appendix 4: Honours & Awards

- ◆ CPIC Group was listed among Fortune Global 500 for the 13th consecutive year, ranking 192nd.
- ◆ CPIC Group ranked 5th among the World's 100 Most Valuable Insurance Brands in 2023 released by Brand Finance.
- ◆ CPIC P/C and CPIC Life won the "Golden Wealth Management" Annual Fintech Construction Award and the "Golden Wealth Management" Annual Insurance Protection Brand Award respectively in the 13th "Golden Wealth Management" Annual Awards sponsored by the Shanghai Securities News.
- ◆ CPIC P/C won the “2023 China Insurance Company Ark Award for Value-based Transformation” granted by the Securities Times.
- ◆ CPIC Life won the Company of the Year award in financial brand innovation granted by China Banking and Insurance Media Company for launching its ‘Xin’ service brand.
- ◆ CPIC AMC won the "Outstanding Insurance Asset Management Brand Award" in the "14th Fund and Wealth Management - Jiefu Award" organised by cashiv.com, and the company's "Pacific Premier Wealth Preferred 50 Fund-type Product", "Premier Wealth Dividend Value Equity-type Product" and "Pacific Premier Horizon 2" were awarded the "Outstanding Insurance Asset Management FOF Product", "Outstanding Equity-type Insurance Asset Management Product", "Outstanding Fixed-Income-type Insurance Asset Management Product", respectively.
- ◆ CPIC Health was granted the Medical Insurance Product of the Year award in the 2022-2023 Annual Insurance Product Selection Event organised by China Banking Insurance Media Company.
- ◆ Changjiang Pension won the “China, Best Occupational Annuity Manager” award, the “China, Fintech Innovation in Pensions” award, and the “China, Best Enterprise Annuity Scheme - Golden Sunshine Collective Enterprise Annuity Scheme” award in the “2023 Best of the Best Awards” held by the Asia Asset Management magazine.

Thanks!