



**China Reinsurance (Group) Corporation  
(1508.HK)  
2016 Annual Results Announcement**

**March 2017**



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# Agenda

**1**

**Overview of 2016 Results**

**2**

**Review of Key Business Segments**

**3**

**Strategies and Initiatives**



## Overview: Maintained a stable leading market position with solid operating performance and decreased net profit

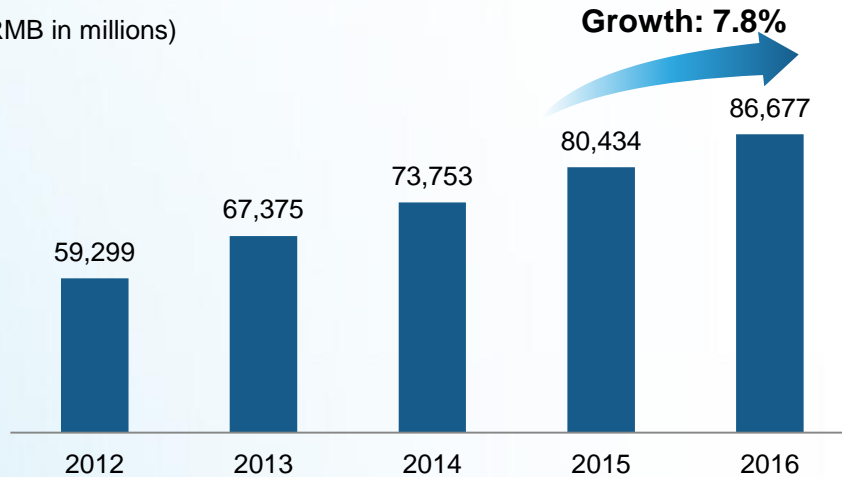
1	<b>Solid industry leading position</b>	<ul style="list-style-type: none"><li>▪ In the face of volatile external environment and internal restructuring, sustained leading market share in terms of premium ceded in domestic re-insurance market (including both P&amp;C and life)</li><li>▪ Ranked No.6 in the primary P&amp;C insurance market in the PRC, with YoY growth rate higher than industry average by 10.2 ppts, marking the highest growth among top 10 P&amp;C insurers</li></ul>
2	<b>Positive achievements in reform and development</b>	<ul style="list-style-type: none"><li>▪ Formulated the Thirteenth Five Year Plan, which specified the major outline of “One Core, Three Breakthroughs and Five Leapfrog Developments”</li><li>▪ Solidly promote the transformation upgrade of business structures and operation models, protection-type reinsurance achieved a year-on-year growth of 43.8%, from RMB 3.64 billion to RMB 5.24 billion; facultative reinsurance and international P&amp;C reinsurance business maintained a good momentum; China Continent Insurance accelerated development of telesales and online sales channels and achieved breakthroughs</li></ul>
3	<b>Sufficient solvency adequacy</b>	<ul style="list-style-type: none"><li>▪ Both the core and comprehensive solvency margins of China Re Group reached 258%</li><li>▪ China Re Group, Group Company and each reinsurance and insurance subsidiaries all had an adequate solvency ratio above 200% as of 31 Dec 2016</li></ul>
4	<b>Stable investment return and robust asset quality</b>	<ul style="list-style-type: none"><li>▪ Prudently optimized and adjusted the allocation structure against market fluctuations, maintained healthy assets quality; total investment yield and net investment yield was 5.48% and 5.13% for 2016, respectively</li></ul>
5	<b>Decreased net profit</b>	<ul style="list-style-type: none"><li>▪ Impacted by overall capital market, net profit attributable to Shareholders of China Re Group decreased to RMB 5.146 billion, down 32.1%, the decline was narrowed down by 26.9 ppts compared to the YoY decline of 2016 interim result</li></ul>



# Group performance overview

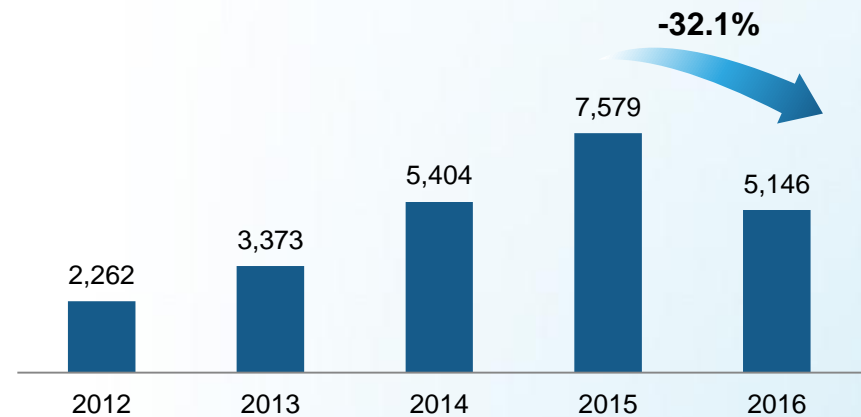
## Stable growth of GWP

(RMB in millions)



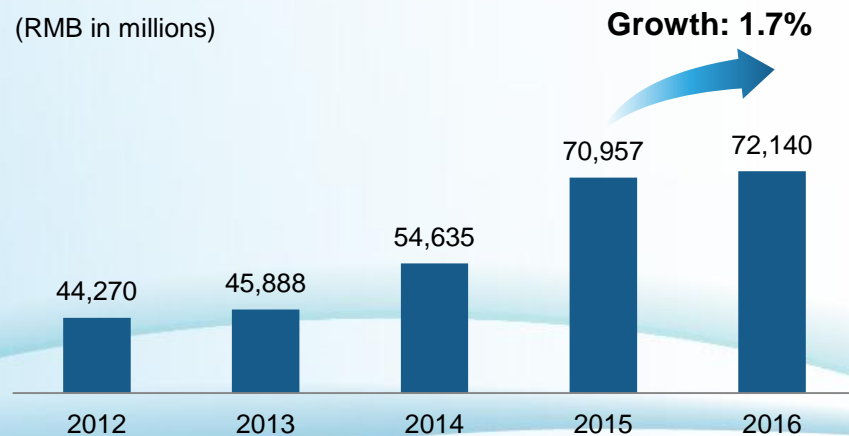
## Impacted by capital markets, net profit attributable to shareholders of the Company decreased

(RMB in millions)



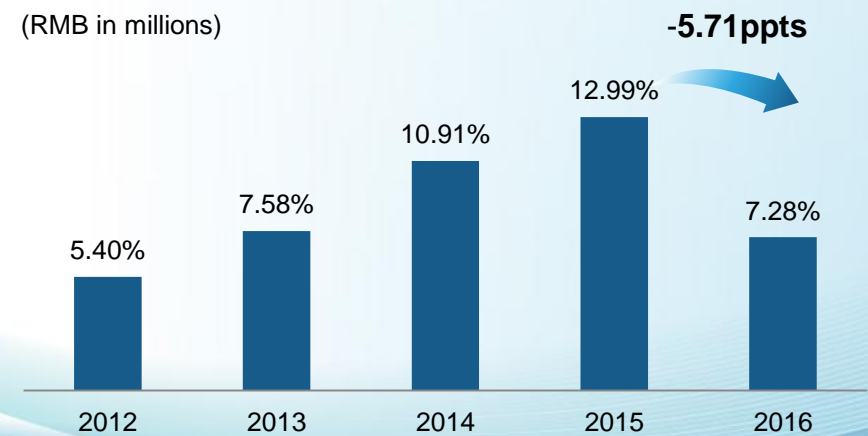
## Net assets slightly increased

(RMB in millions)



## Weighted ROAE decreased due to decline in net profit

(RMB in millions)

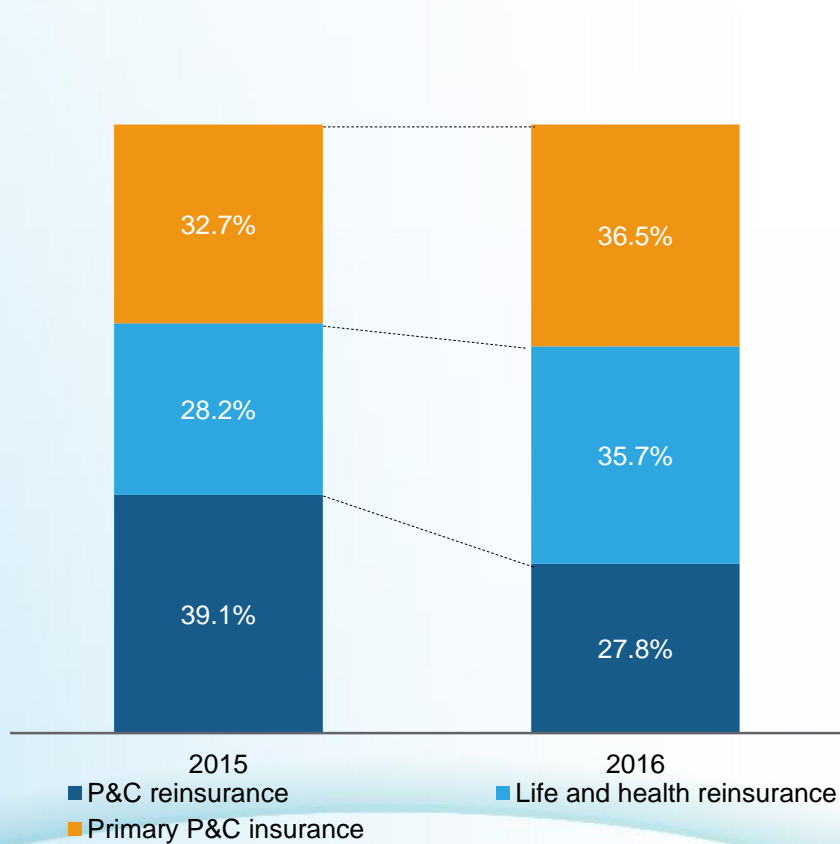






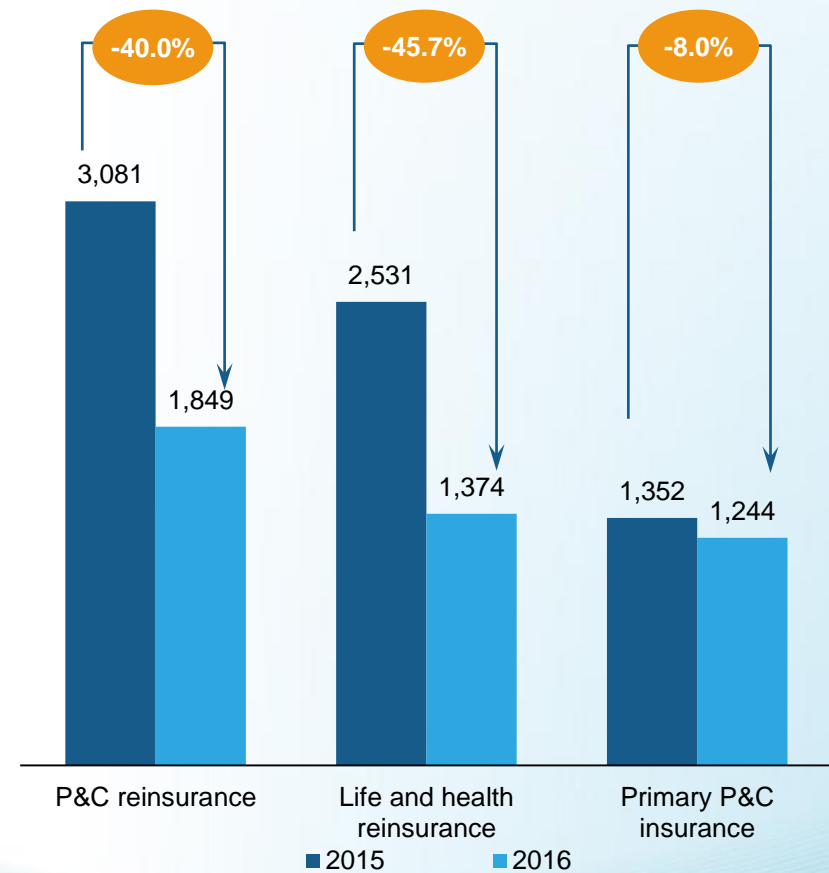
# Group performance overview

## % GWPs of each business segment



## Net profit of each business segment decreased due to the YoY decrease in investment income

(RMB in millions)

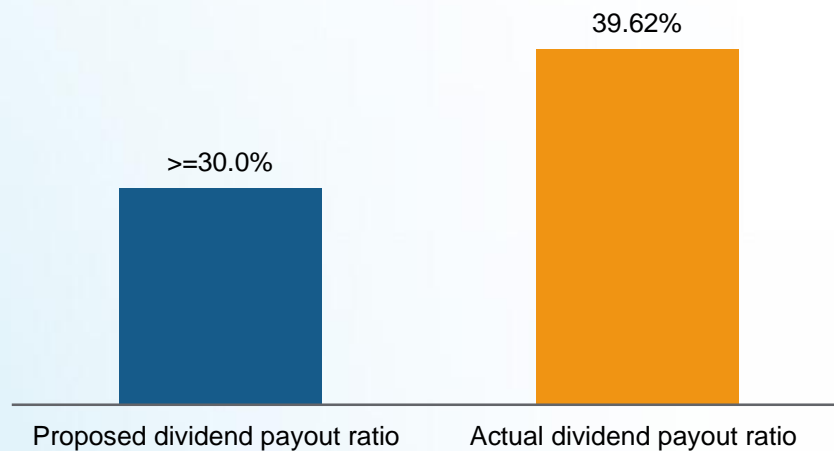


Notes: Percentage of GWPs is calculated as segment GWPs/ the Group's consolidated GWP before elimination

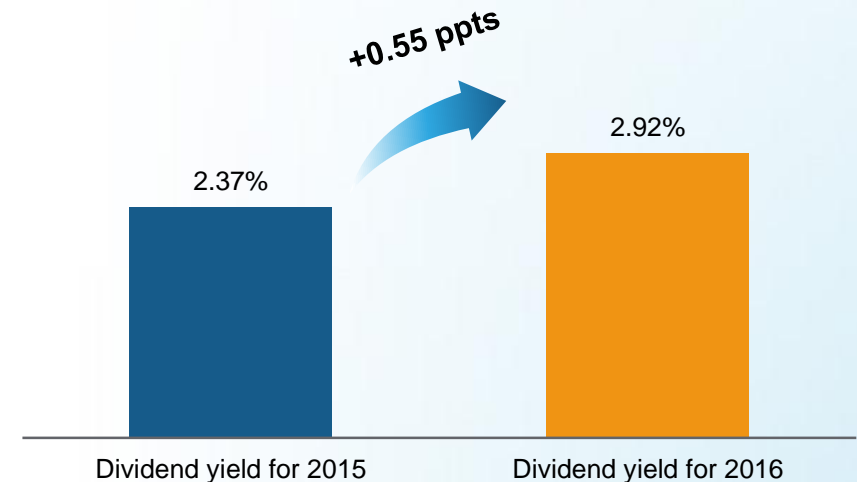


# Dividend distribution for financial year 2016

## Dividend payout ratio for 2016



## Dividend yield steadily improved



### 2016 final dividend distribution plan

- The Board proposed the distribution of final dividend for the year ended 31 December 2016 of RMB 0.048 yuan/share (tax inclusive), totaling approximately RMB 2,039,030,788.08 yuan
- The 2016 final dividend distribution is subject to the shareholders' approval at the 2016 annual general meeting, and the board suggests it to be paid to the shareholders included in the register of the members of the Company as at Thursday, 29 June 2017 on Thursday, 17 August 2017

Notes: 2015 dividend yield = 2015 dividend per share (tax inclusive) / closing share price as of 31 December 2015;  
2016 dividend yield = 2016 dividend per share (tax inclusive) / closing share price as of 30 December 2016.



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# P&C Reinsurance (1/4)

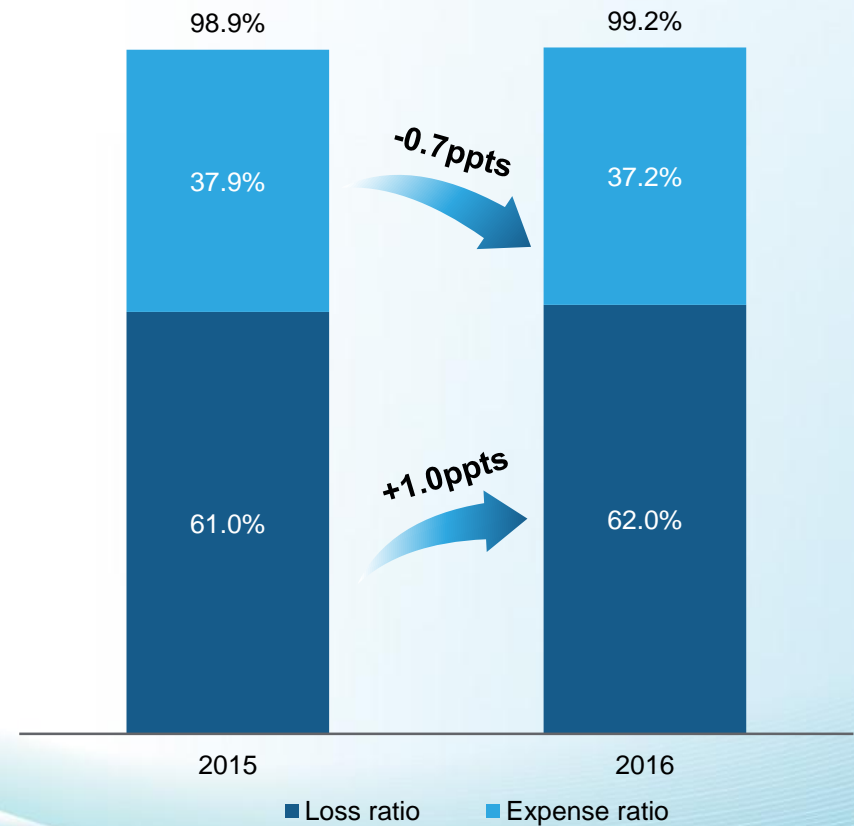
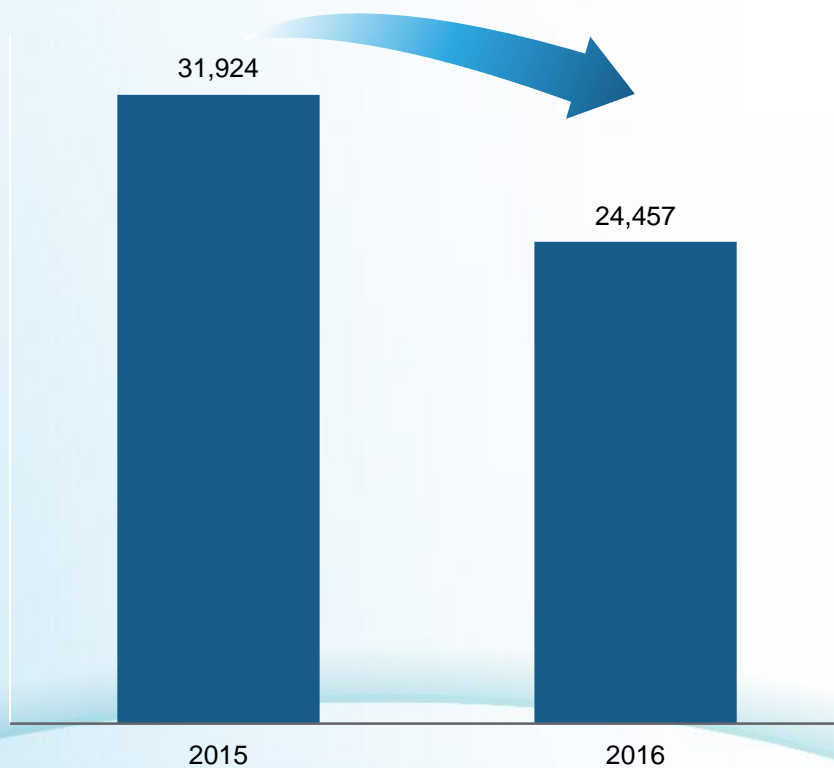
Impacted by C-ROSS implementation, reinsurance premium income decreased, combined ratio remained largely stable

Impacted by the decline in motor insurance premium ceded, reinsurance premium income decreased

Combined ratio remained largely stable

(RMB in millions)

Growth: -23.4%





# P&C Reinsurance (2/4) — domestic business

Non-motor reinsurance premium grew rapidly, partly offset the negative impacts from motor business decline, with business structure optimized

Adapting to industry adjustments, aiming to maintain the leading position

## Motor insurance

- Due to the implementation of the C-ROSS and as effected by adjustment of ceding structures by certain major primary insurance companies and the decreasing ceding proportion for motor insurance, the premium income from motor insurance for the year amounted to RMB9,427 million, representing a year-on-year decrease of 48.1%

## Commercial property and household insurance

- Recorded premium income from commercial property and household insurance of RMB4,214 million, representing a year-on-year increase of 5.2%

## Agricultural insurance

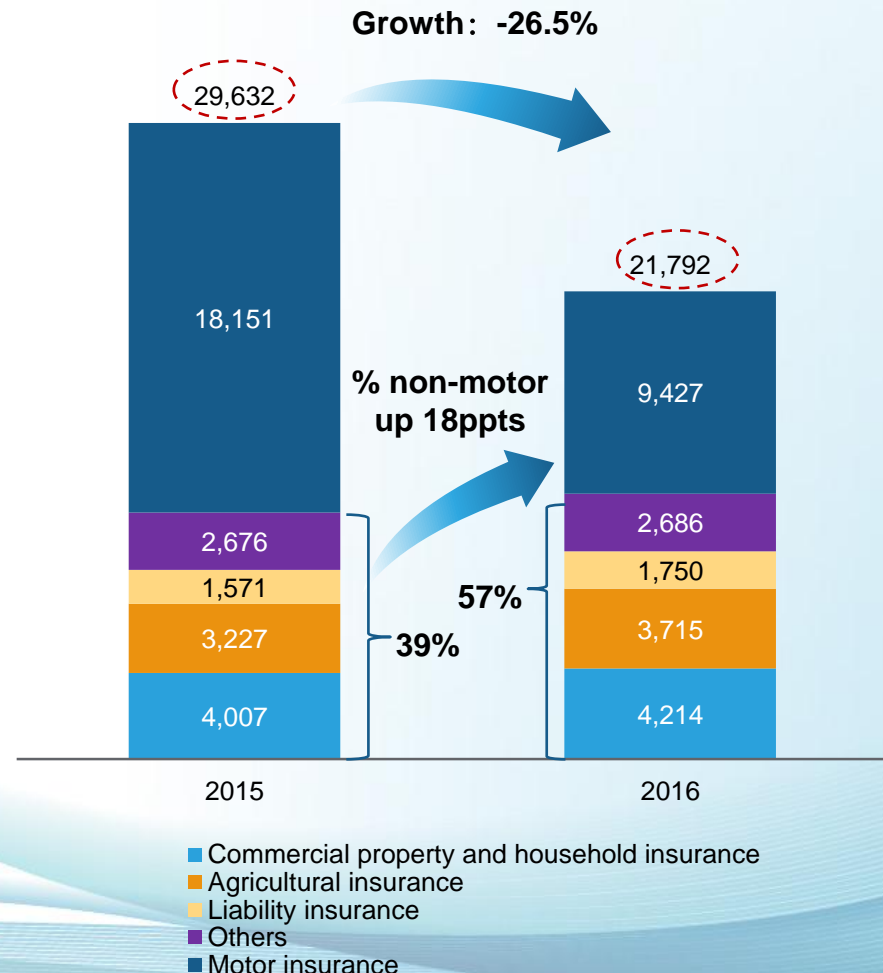
- Seized the development opportunities of agricultural insurance business and enlarged the business development, and recorded the reinsurance premium income from agriculture insurance line of RMB3,715 million, representing a year-on-year increase of 15.1%

## Liability insurance

- As a result of strengthened marketing of liability insurance and rapid growth of primary insurance market, we recorded premium income from liability insurance of RMB1,750 million, representing a year-on-year increase of 11.4%

In terms of lines of business, proportion of premium income from non-motor reinsurance increased

(RMB in millions)



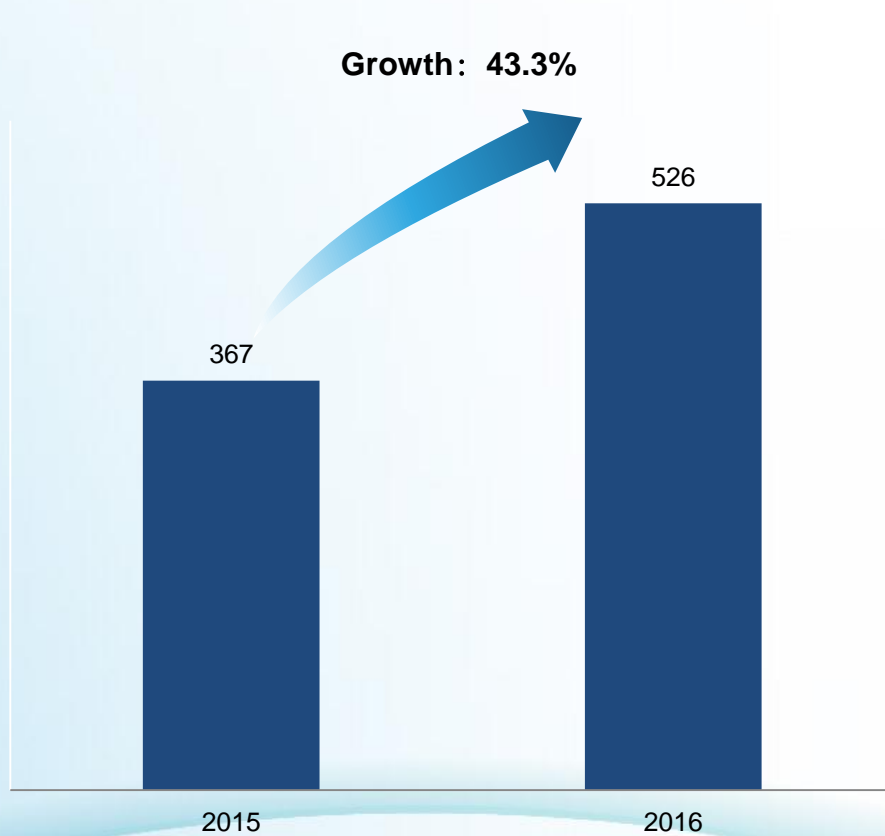


# P&C Reinsurance (3/4) - domestic business

From relatively small base, facultative reinsurance and non-proportional reinsurance business grew rapidly as the result of greater efforts

## Facultative reinsurance premium income

(RMB in millions)



■ Facultative reinsurance

## Non-proportional reinsurance premium income

(RMB in millions)



■ Non-proportional reinsurance

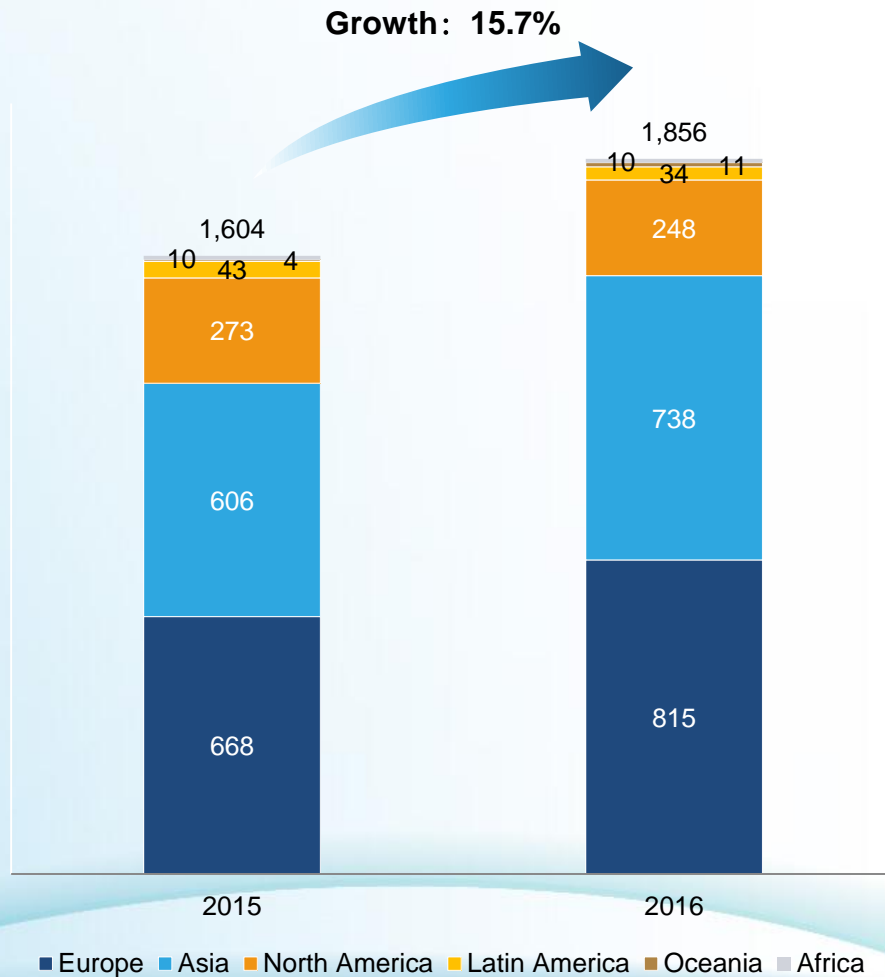


# P&C reinsurance (4/4) - international business

## International business recorded steady growth

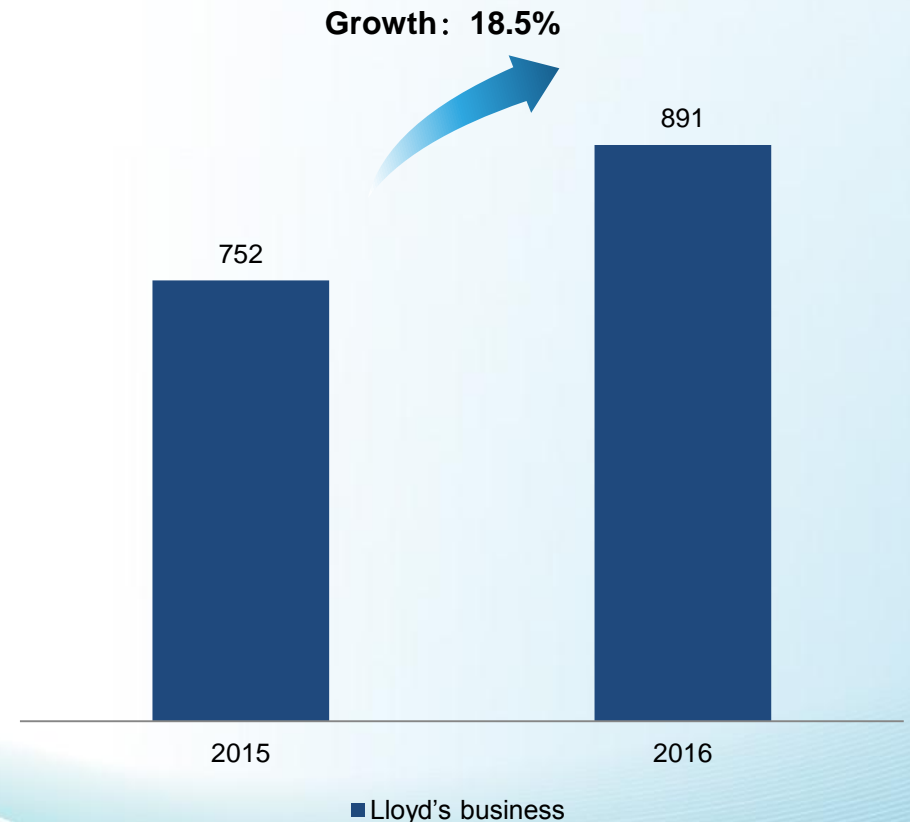
### International P&C reinsurance premium income

(RMB in millions)



### Reinsurance premium income from Lloyd's business

(RMB in millions)



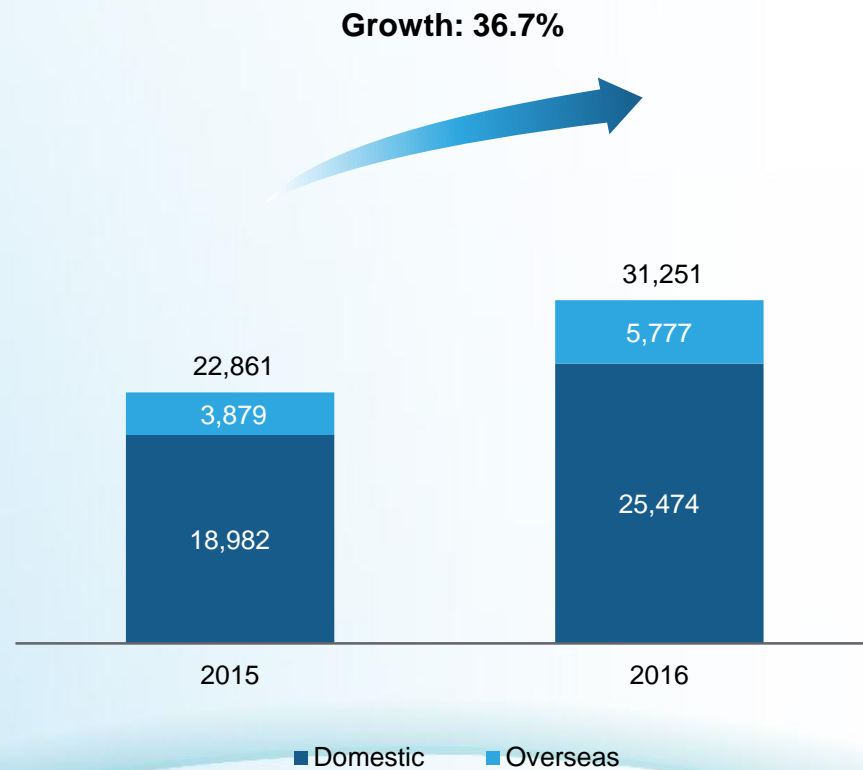


# Life and health reinsurance business (1/4)

## Steady growth of premium income with concurrent development of domestic and overseas business

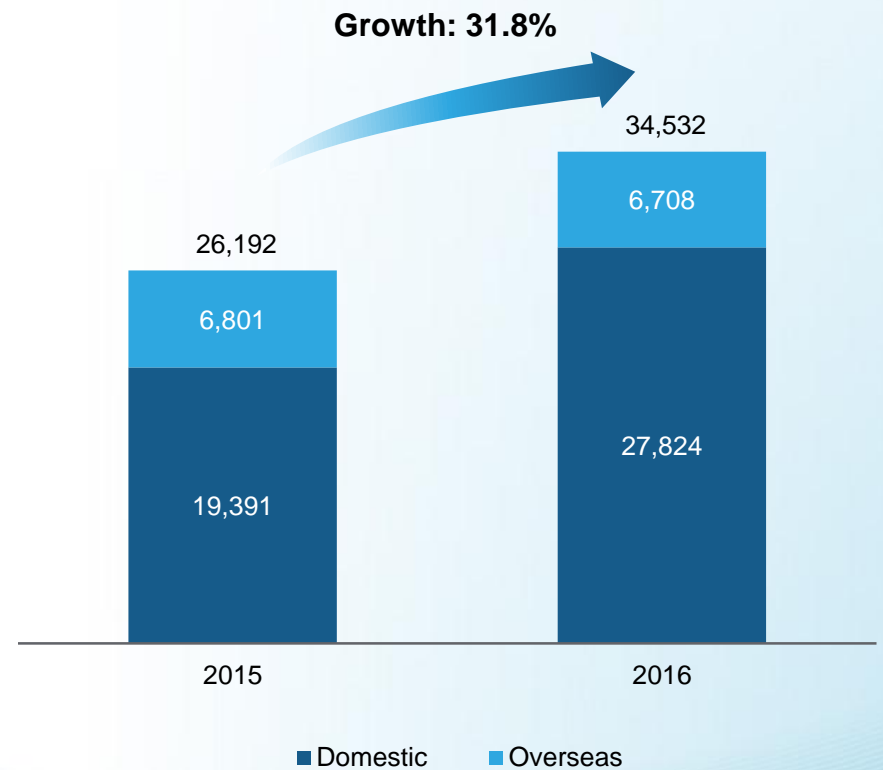
### Reinsurance premium income

(RMB in millions)



### Total written premiums (TWPs)

(RMB in millions)



Note: Premium data in this page refers to China Re Life specifically, with TWPs including premium income from savings-type business that could not pass the significant insurance risk test





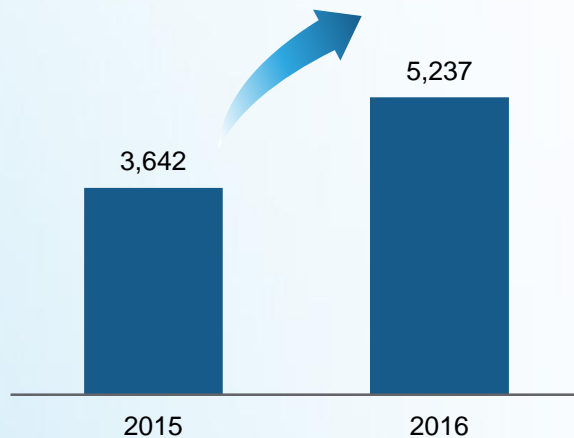
# Life and health reinsurance business (2/4) — Domestic

Proactively capture industry opportunities and optimise business structure, with our domestic business achieving a year-on-year growth of 34.2%

## Protection-type reinsurance

(RMB in millions)

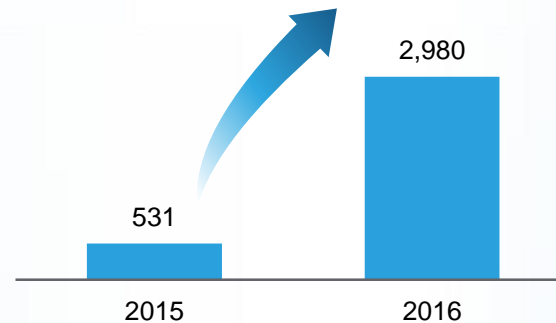
Reinsurance premium income  
Growth: 43.8%



## Savings-type reinsurance

(RMB in millions)

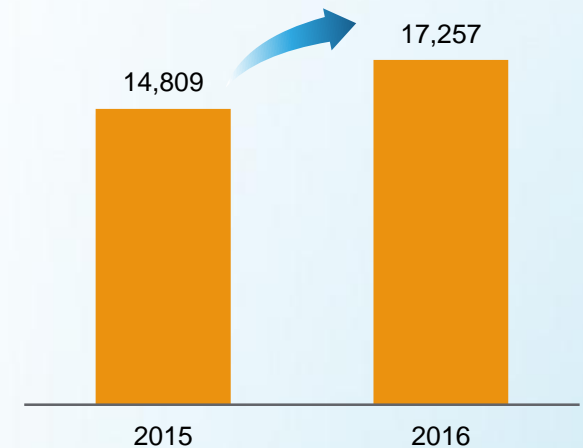
Reinsurance premium income  
Growth: 461.2%



## Financial reinsurance

(RMB in millions)

Reinsurance premium income  
Growth: 16.5%



■ For protection-type reinsurance, we reinforced the upgrade of critical illness and cancer reinsurance as well as new types of accident insurance through data analysis, to achieve effective growth in both business volume and value

■ For savings-type reinsurance, we selected proper opportunities and explored business opportunities with effective support from asset allocation

■ For financial reinsurance, we developed a new business model for financial reinsurance business under C-ROSS, to further increase the market share and profits



# Life and health reinsurance business (3/4) — Overseas

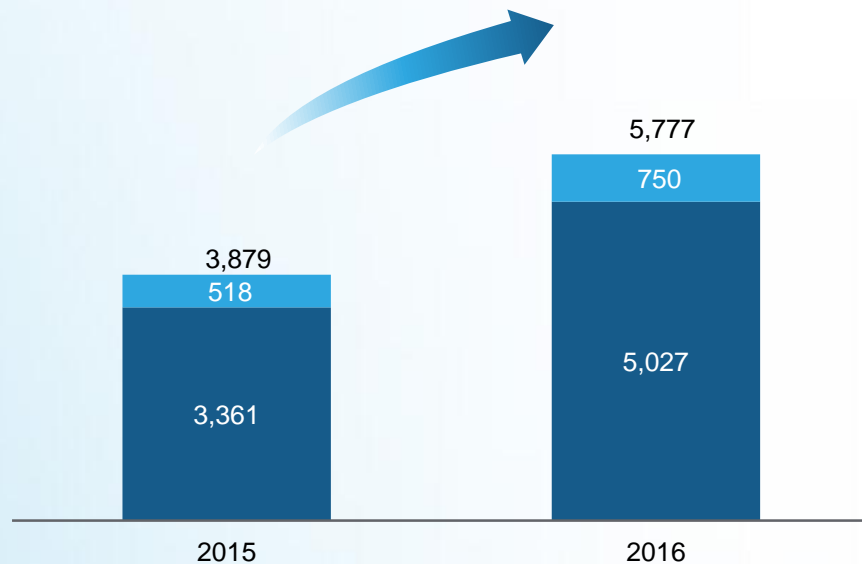
Proactively adapt to exchange fluctuations and develop foreign currency business to achieve steady growth in the overseas business

Overseas business with a focus on savings-type reinsurance and 48.9% growth in reinsurance premium income

(RMB in millions)

Reinsurance premium income

Growth: 48.9%

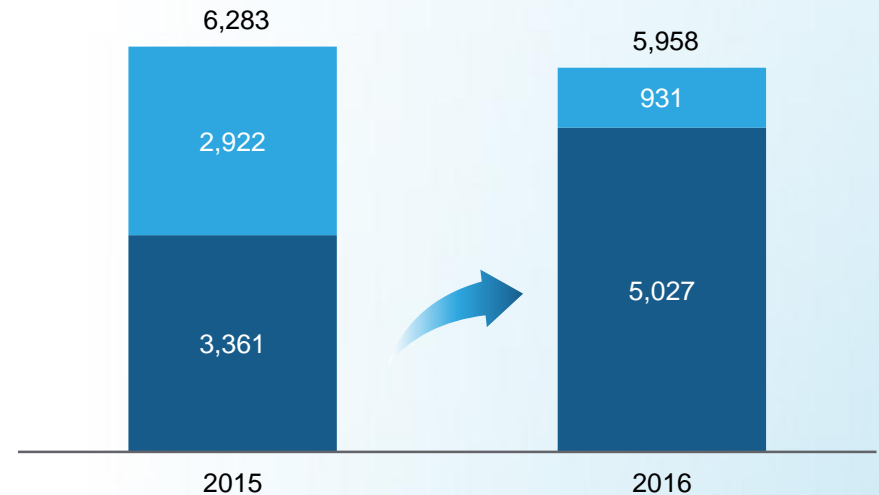


■ Overseas savings-type ■ Other overseas businesses

Significant decrease in overseas universal reinsurance business and stable overall TWP

(RMB in millions)

Savings-type reinsurance total written premiums (TWP)



■ Traditional savings-type ■ Universal

Note: Premium data on this page refers to China Re Life specifically



# Life and health reinsurance business (4/4)

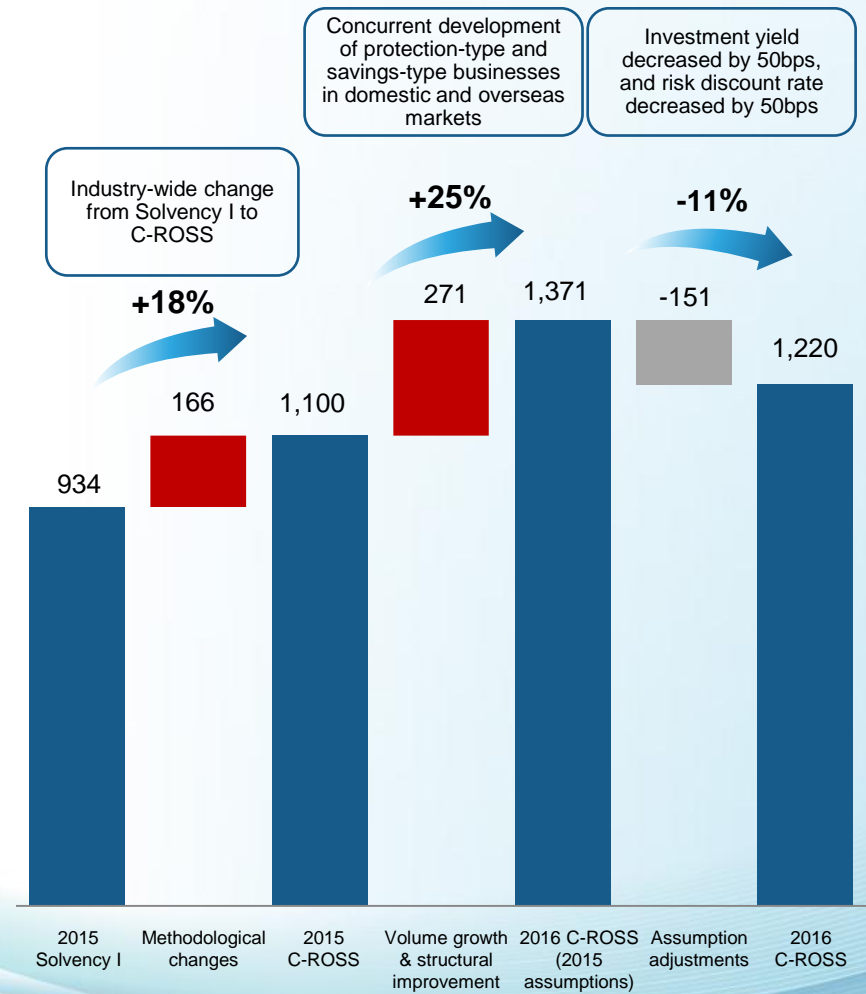
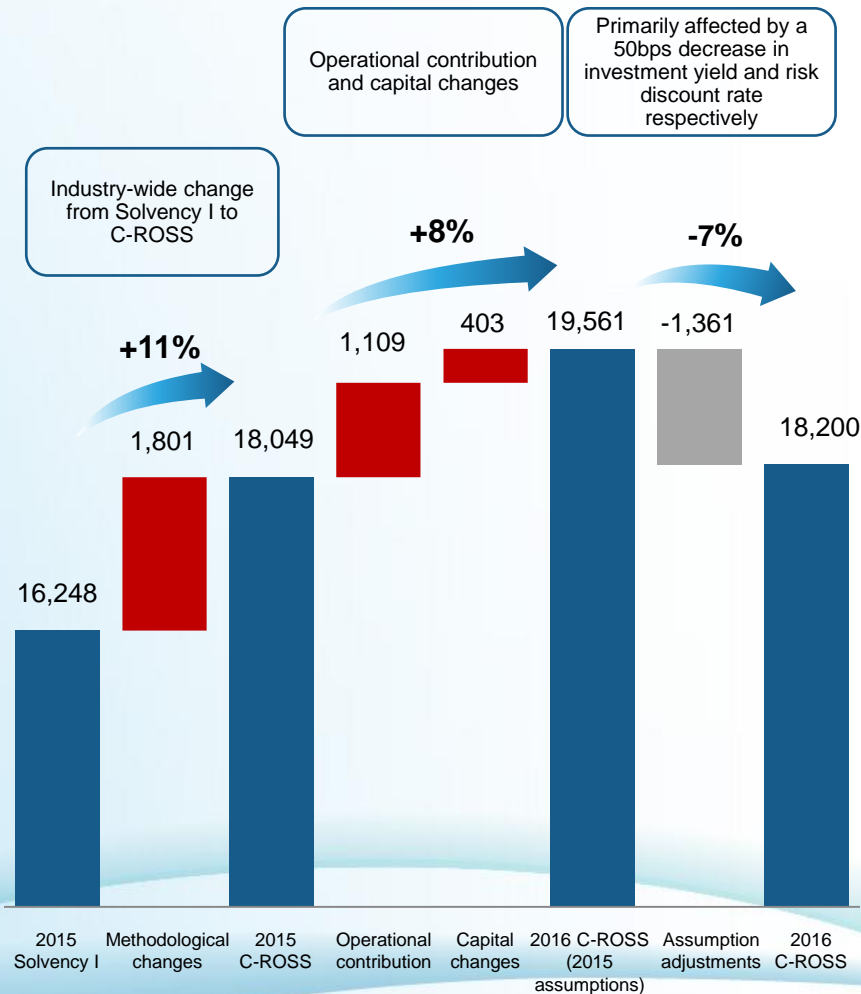
## Actuarial results based on the new standards

### Embedded value

### Value of one year's new business

(RMB in millions)

(RMB in millions)



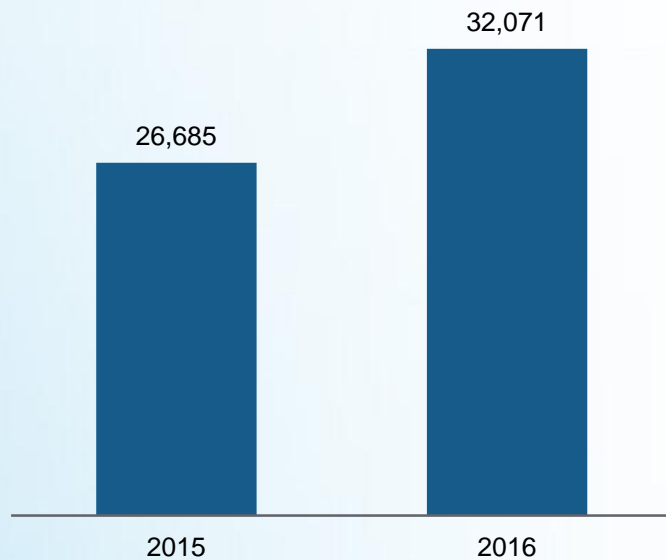


# Primary P&C insurance (1/3)

Further increase in market share with the above-industry premium income growth which ranked first among the top ten P&C insurance companies

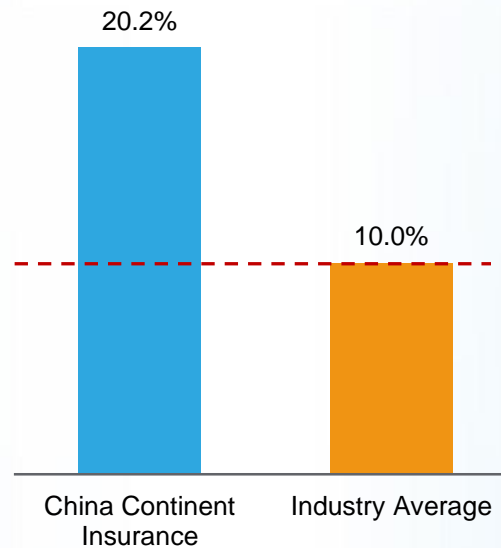
## Gross written premiums

(RMB in millions)



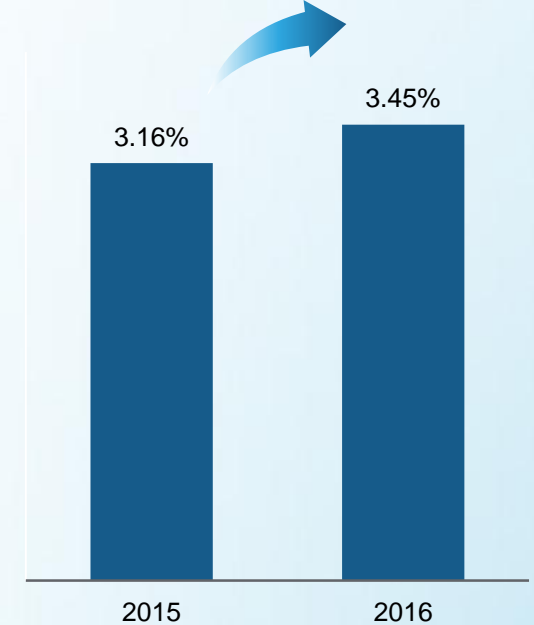
## Original premium income growth

Original premium income y-o-y growth is higher than industry average by 10.2 ppts



## Market share

Further increase in market share by 0.29ppts



Note: the original premium income data for the calculation of the original premium income y-o-y growth and the market share of China Continent Insurance in the charts above are sourced from the data of P&C insurance companies original premium income in 2016 published by the CIRC.



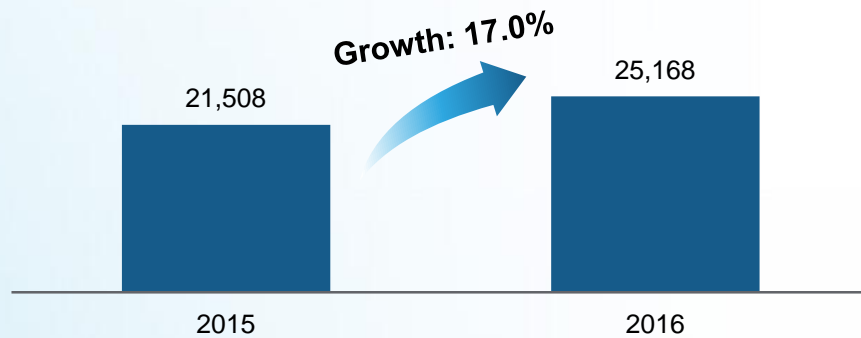
# Primary P&C insurance (2/3)

## Comprehensive development in all product business

### Motor insurance: optimization of business structure with the improved quality

(RMB in millions)

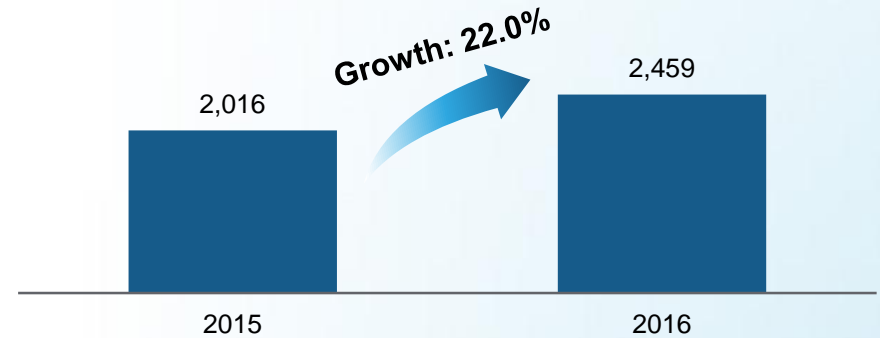
#### Gross written premiums



### Accident and short-term health insurance: rapid growth by development of innovative business

(RMB in millions)

#### Gross written premiums



### Surety insurance: rapid growth in personal loan surety insurance business from relatively low base

(RMB in millions)

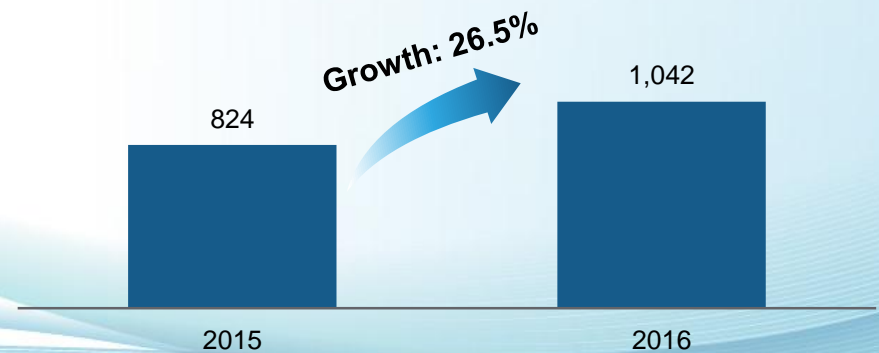
#### Gross written premiums



### Liability insurance: rapid growth through product innovations

(RMB in millions)

#### Gross written premiums

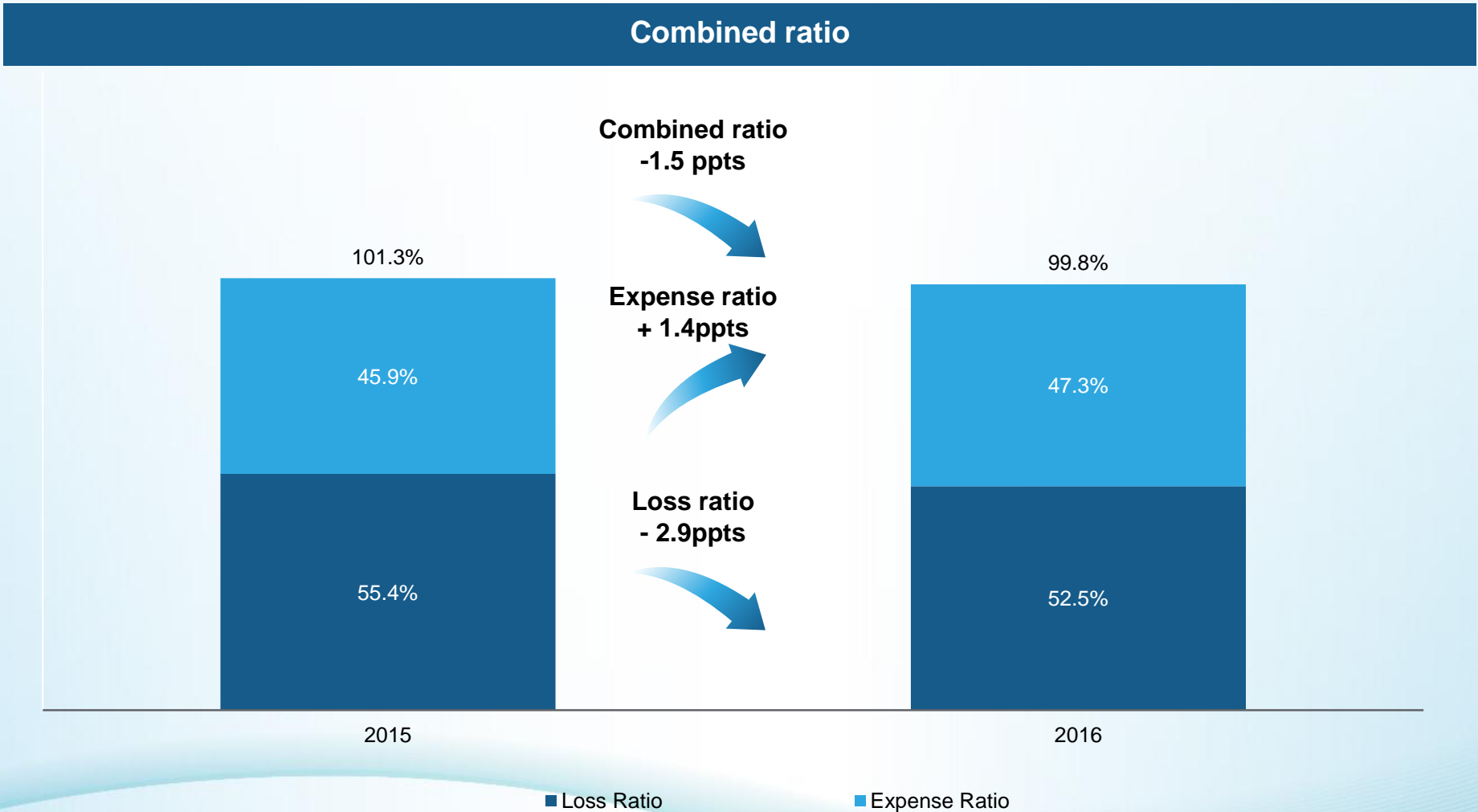






# Primary P&C insurance (3/3)

Further optimization in business quality with the lowest volume of regulatory complaints per one hundred million premium income among the top ten P&C insurance companies

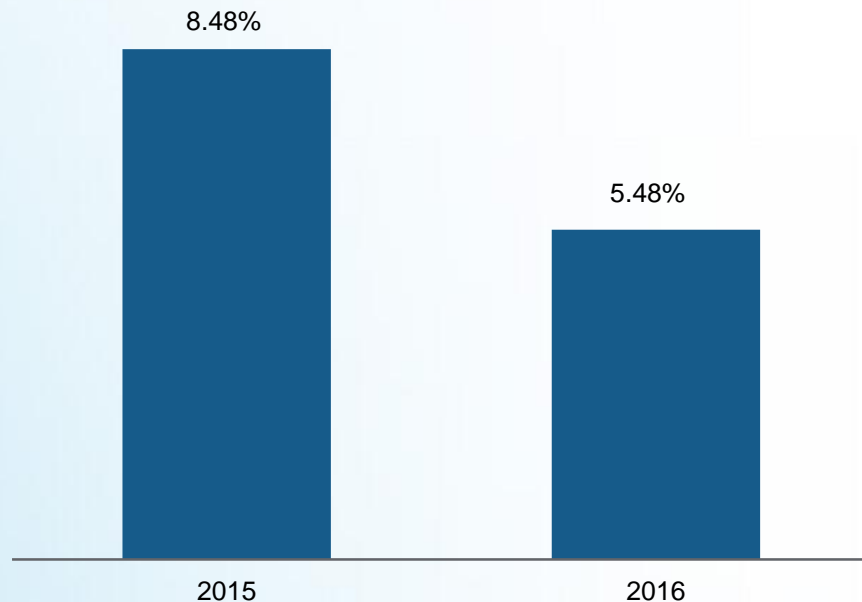




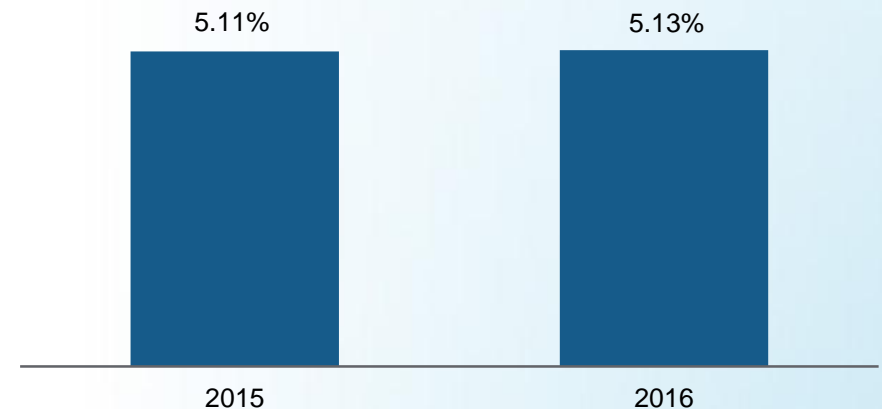
## Asset management (1/3)

Total investment yield decreased while net investment yield remained largely stable under the influence of the domestic capital market

Total investment yield



Net investment yield



Note:

Total investment yield = total investment income / the average of investment assets as at the beginning and end of the period

Total investment income = investment income + share of profit of associates – interest expenses on securities sold under agreements to repurchase. Total investment assets = cash and short-term time deposits + financial assets at fair value through profit or loss + financial assets held under resale agreements + time deposits + available-for-sale financial assets + held-to-maturity investments + investments classified as loans and receivables + policy loans + investments in associates + statutory deposits + investment property – securities sold under agreements to repurchase

Net investment yield = net investment income / the average of investment assets as at the beginning and end of the period. Net investment income = interest income + dividend income + rental income + share of profit of associates

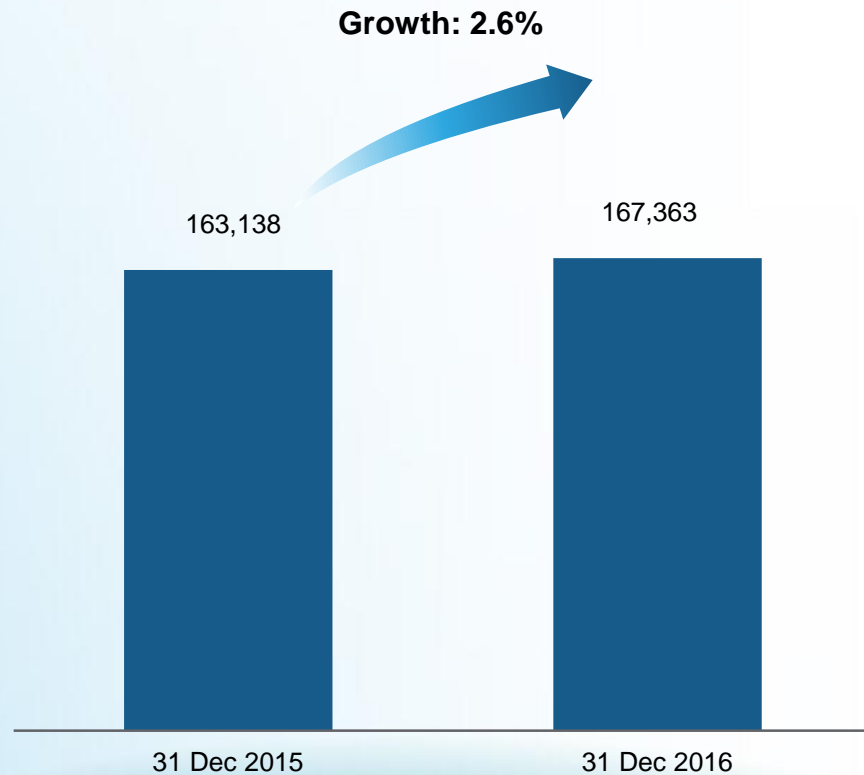


# Asset management (2/3)

## Prudent asset allocation with a further improved investment portfolio

### Total investment assets

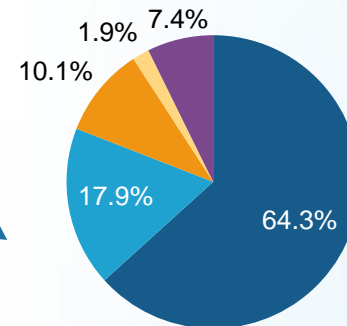
(RMB in millions)



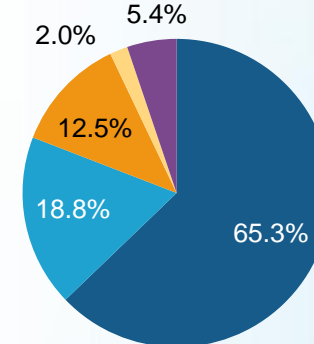
### Asset allocation structure

#### Total investment assets by asset class<sup>1</sup>

##### As of 31 December 2016



##### As of 31 December 2011



- Fixed-income investments
- Equity and investment funds<sup>2</sup>
- Cash and short-term time deposits
- Investment properties
- Investments in associates

Note:

1. Sum of percentages of all asset classes amounts to over 100% due to the subtraction of securities sold under agreements to repurchase from total investment assets
2. Investment funds include monetary funds and senior tranche of structured index funds

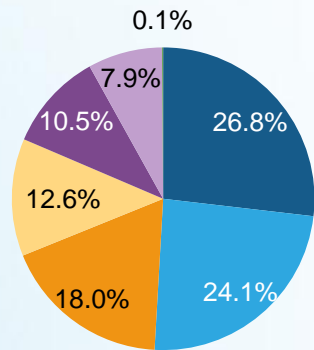


# Asset management (3/3)

## Prudent fixed-income asset and equity investment allocation with a further improved structure

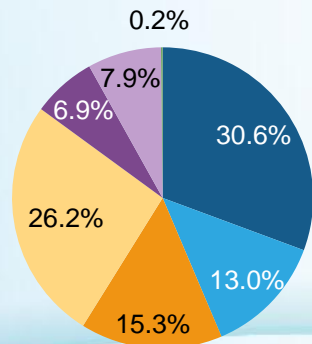
### Breakdown of fixed-income investments

As of 31 December 2016



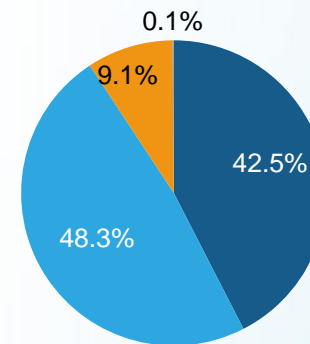
- Enterprise (corporate) bonds
- Investments classified as loans and receivables
- Other fixed-income investments<sup>1</sup>
- Time deposits
- Financial bonds
- Subordinated bonds
- Government bonds

As of 31 December 2015



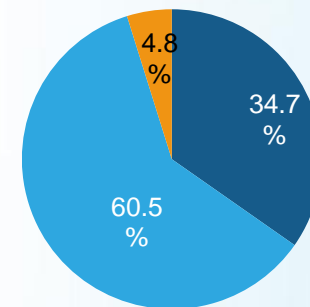
### Breakdown of equity and investment funds

As of 31 December 2016



- Stocks
- Investment funds<sup>2</sup>
- Unlisted equity shares<sup>3</sup>
- Derivatives

As of 31 December 2015



Note:

1. Other fixed-income investments primarily include financial assets held under resale agreements, statutory deposits and reinsurers' share of policy loans
2. Investment funds primarily include monetary funds and the senior tranche of structured index funds
3. Unlisted equity shares primarily include insurance assets management products, unlisted equity investments and equity investment schemes



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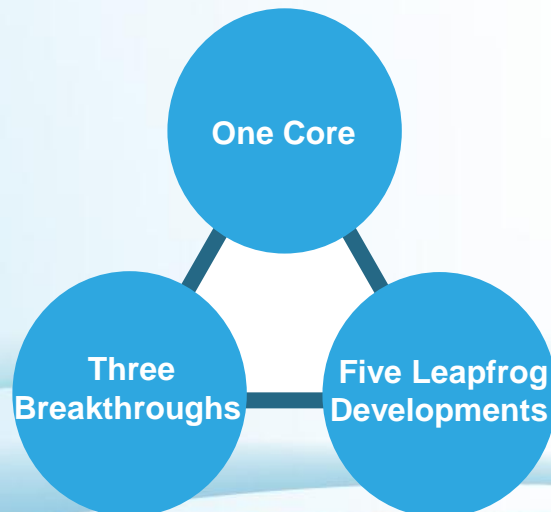


# Planning and implementation of the group strategy

## Strategic Planning

- In order to prepare “13th Five-Year Plan” scientifically, China Re Group engaged external party to launch the consulting program of group strategy and organizational framework review. The Group assembled more than 20 full-time employee and nearly a hundred part-time staff in the Group and spent 100 days to form its "One-Three-Five" group strategy
- China Re AMC as the pilot subsidiary, undertook the Group's strategic deployment and introduced external consultant to launch the project of strategy implementation and organizational structure adjustment
- Following the Group's strategic deployment, China Continental Insurance carried out its core business system construction and customer-oriented strategic advisory project to further promote the implementation of the group strategy
- Other subsidiaries also launched their respective projects to implement the group strategy

## “One-Three-Five” Group Strategy



## Strategic positioning of the Group

**A comprehensive reinsurance group with reinsurance as its core business**

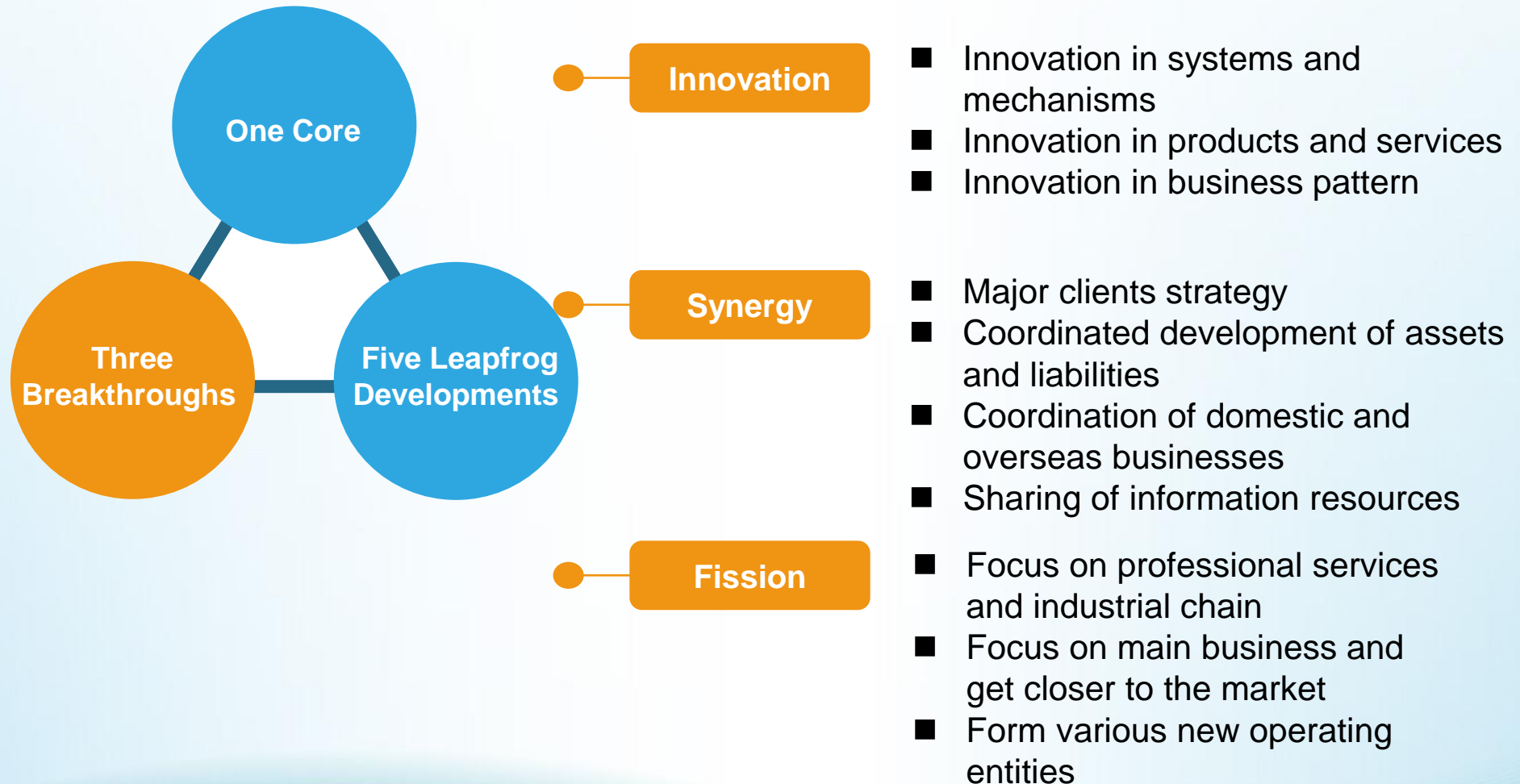


# One Core Business: China Re to be reinsurance-focused





# Three breakthroughs: innovation, synergy and fission





# Five leapfrog developments: scale, layout, technology, organization and culture





# Leading the industry development

## Catastrophe insurance system establishment

- In-depth cooperation with China Meteorological Administration and China Earthquake Administration
- To establish China Re catastrophe insurance risk research center
- To build China earthquake risk and insurance laboratory together with partners

## Insurance pools for the industry

- Promote the establishment of "Belt and Road Initiative" insurance pool
- Continue to steadily build up CARP and CNIP platforms
- Actively participate in CECIP platform

## Industry standard formulation

Deeply involved to formulate:

- The third mortality table of the industry
- Operating process guidelines of P&C reinsurance industry





# Strengthened risk management

A systematic construction of the Group's risk management system

## Improve risk appetite system

- Improvement of the 6-dimension risk appetite system
- Dynamic optimization of risk tolerance level and effective utilization of risk limits to maximize RAROC
- Maintain strong connection between risk appetite and the Group's business plan and strategic assets allocation
- Leverage on the Group's credit ratings to support business development

## Strengthen capabilities under C-ROSS

- Through the implementation of SAMARA, continue to improve risk management system and enhance execution effectiveness

## Improve risk monitoring system

- Improve risk monitoring and alert system; implement dynamic monitoring

## Improve risk evaluation system



# Platform fission

## Commence Operation

- Singapore Branch commenced operation
- China Re Capital Management Company received approval and commenced operation

## Prepare to set up

- China Re Life Hong Kong subsidiary
- China Continental Insurance Agency Company
- China Re AMC mutual fund subsidiary



# Organizational construction

## Optimize strategic governance and authorization mechanisms

- Position group company as a parent company focused on strategic governance and simplify its organization structure
- Adhere to the principles of "control front-ends and back-ends and loosen intermediate process"
- Standardize authorization system and streamlined decision-making procedures

## Build up talent and innovation mechanisms

- "Double Hundred Talents" Program for entities headquartered in Beijing and "Thousand Talents" Program for primary insurance segment
- Talent evaluation based on market-oriented performance
- Special reward scheme for business innovation and key projects participation
  - Special rewards were granted to 17 key projects in 2016

## Establish strategic client department in the Group

- Establish strategic client department with market-oriented recruitment and separate performance evaluation processes
- Has established comprehensive strategic cooperation relationship with China Merchant Group, China Development Bank, Government of Inner Mongolia Autonomous Region, China Insurance Corp. etc.



## 2017 outlook: full implementation of "One-Three-Five" strategy

2017 is a critical year for the implementation of China Re Group's 13<sup>th</sup> Five Year Plan. The Group will move ahead to fully implement its "One-Three-Five" strategy by continuous business expansion, strict risk control, mechanism optimization, capability improvement, culture guidance and employee motivation. The Group will continue to strengthen its reinsurance business as the core business, accelerate the establishment of comprehensive platform and demonstrate corporate value to jointly create a new state of reform and development



# Q&A





## Appendix: Key financials and operating data

Unit: RMB in millions (unless otherwise stated)	2016	2015	Change
Gross written premiums	86,677	80,434	7.8%
P&C reinsurance	24,457	31,924	(23.4)%
Life and health reinsurance	31,366	22,978	36.5%
Primary P&C insurance	32,071	26,685	20.2%
Net profit	5,233	7,675	(31.8)%
Net profit attributable to equity shareholders of the Company	5,146	7,579	(32.1)%
Earnings per share (RMB)	0.12	0.20	(40.1)%
Weighted average return on equity (%)	7.28%	12.99%	(5.71)ppts
Total investment yield (%)	5.48%	8.48%	(3.00)ppts



## Appendix: Key financials and operating data (cont'd)

Unit: RMB in millions (unless otherwise stated)	31 December 2016	31 December 2015	Change
Total assets	211,207	328,993	<b>(35.8)%</b>
Total liabilities	139,067	258,036	<b>(46.1)%</b>
Total equity	72,140	70,957	<b>1.7%</b>
Net assets per share (RMB)	1.68	1.65	<b>1.4%</b>
Core solvency adequacy ratio	258%	329%	<b>(71)ppts</b>
Aggregated solvency adequacy ratio	258%	329%	<b>(71)ppts</b>
Embedded value of life and health reinsurance business	18,200	18,049	<b>0.8%</b>
Value of one year's new business	1,220	1,100	<b>10.9%</b>
Total investment assets	167,363	163,138	<b>2.6%</b>

Note:

1. Net assets per share is attributable to equity shareholders of the Company
2. Assume the risk discount rate to be 10.5% for embedded value and new business value and based on EV standards under C-ROSS regime developed by CAA and issued in Nov 2016