



**China Reinsurance (Group) Corporation
(1508.HK)
2017 Interim Results Announcement**

August 2017



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Agenda

1

Overview of 1H2017 Results

2

Financial Performance

3

Review of Key Business Segments

4

Business Outlook



Maintained a stable leading market position with solid and improving operating performance

1	Rapid growth of premium income	<ul style="list-style-type: none">▪ The gross written premiums of the Group maintained a growth of 34.7%<ul style="list-style-type: none">– The P&C reinsurance business stabilized and achieved positive premium growth with the yoy premium income increase of 3.2%. Facultative reinsurance business and overseas reinsurance business enjoyed strong growth momentum– Life and health reinsurance business¹ grew steadily with a 64.4% increase yoy in reinsurance premium income– Primary P&C insurance business continued to grow rapidly. Original premium income from the primary P&C insurance segment rose by 18.4% yoy, outperforming the market by 4.5 pts
2	Steady investment return	<ul style="list-style-type: none">▪ Through our prudent and long-term investment philosophy and enhanced risk controls, we maintained steady investment return with improved investment yield▪ Our annualized total investment yield² was 5.70%, up 0.95 pts yoy, and our annualized net investment yield³ was 4.59%
3	Stabilized and Improved net profit	<ul style="list-style-type: none">▪ Net profit attributable to shareholders of the parent company reached RMB2,954 million, up 9.4% yoy
4	Solid industry leading position	<ul style="list-style-type: none">▪ We maintained a solid industry position with a leading market share in both P&C reinsurance and life and health reinsurance markets in China▪ Our primary P&C insurance business reached a market share of 3.53%, up 0.14 pts yoy, and sustained as one of the top 6 players in the industry
5	Sufficient solvency adequacy	<ul style="list-style-type: none">▪ The core and aggregated solvency adequacy ratios of the Group were 199%▪ The aggregated solvency adequacy ratio of Group Company (on a standalone basis) was 563%• The aggregated solvency adequacy ratio of China Re P&C, China Re Life, China Continent Insurance was 207%, 223% and 294%, respectively

Notes:

1. Life and health reinsurance business refers to China Re Life

2. Annualized total investment yield = total investment income/ average of investment assets as at the beginning and end of the period x 2

3. Annualized net investment yield = net investment income/ average of investment assets as at the beginning and end of the period x 2



Operating highlights

Major clients strategy

- Entered into strategic partnership agreements with Inner Mongolia, Tibet, Chongqing and other provincial governments
- Advancing strategic cooperation with over 10 provincial governments and enterprises

Catastrophe system

- Established China Reinsurance Catastrophe Research Center
- China Re P&C launched China Earthquake Risk and Insurance Laboratory together with partners
- Launched catastrophe insurance projects in 13 cities

Inter-segment synergy

- Asset liability coordination mechanism performed effectively, providing strong support for China Re Life's savings-type business growth
- Connected investment with insurance underwriting. Some investment projects successfully brought premium income to China Continent Insurance



New platforms

- Proactively explored ways to support the "Belt and Road" Initiative
- China Re P&C and Huatai Insurance Agency participated in the launch of Shanghai Inherent Defect Insurance(IDI) Platform

Digital China Re

- IT planning project has been launched
- A dual-track "traditional + innovative" mode focusing on existing system optimization and frontier technological applications
- NCR system (our reinsurance core business system) proceeded smoothly

Overseas business

- The Singapore Branch effectively developed our APAC market business, with the proportion of reinsurance premium income from Asian international business rising to 50.6% from 34.7% yoy
- Reinsurance premium income from overseas business increased considerably by 12.0%
- Took initiatives in exploring quality businesses with good underwriting results



Innovative breakthroughs

"Belt and Road" Initiative

- Signed strategic cooperation agreement with China Security Community
- Launched kidnap & ransom insurance, and accident insurance for overseas staff as part of our efforts to develop a national brand of "China Citizens and China Insurance"

Strategic transformations

- Reinsurance business: "Data + Technologies + Services"; improve customer services through client manager system
- Primary insurance business: client-oriented strategic transformation with launch of the CICS program (China Continent Insurance Core Strategy program)

Catastrophe database platform

- Signed strategic cooperation agreement with China Meteorological Administration and China Earthquake Administration for comprehensive cooperation over data and technologies
- Explore to build an industry catastrophe database platform, commenced research of China's own catastrophe model and accelerated catastrophe-related products development

Product innovations

- China Re P&C further expanded its coverage by developing China's first-ever income insurance product in the form of "insurance + futures + reinsurance" jointly with its primary insurance clients
- China Re P&C launched China's first comprehensive liability insurance for applications of new materials jointly with its primary insurance clients
- China Continent Insurance launched China's first-ever aircraft residual value insurance policy
- China Re Life reviewed the development of personal insurance products over the past 20 years and supported its clients to develop dedicated wealth management insurance products; helped clients develop or upgrade over 14 products, including critical illness, middle-end medical care and principal-guaranteed insurance for self-drive travelers



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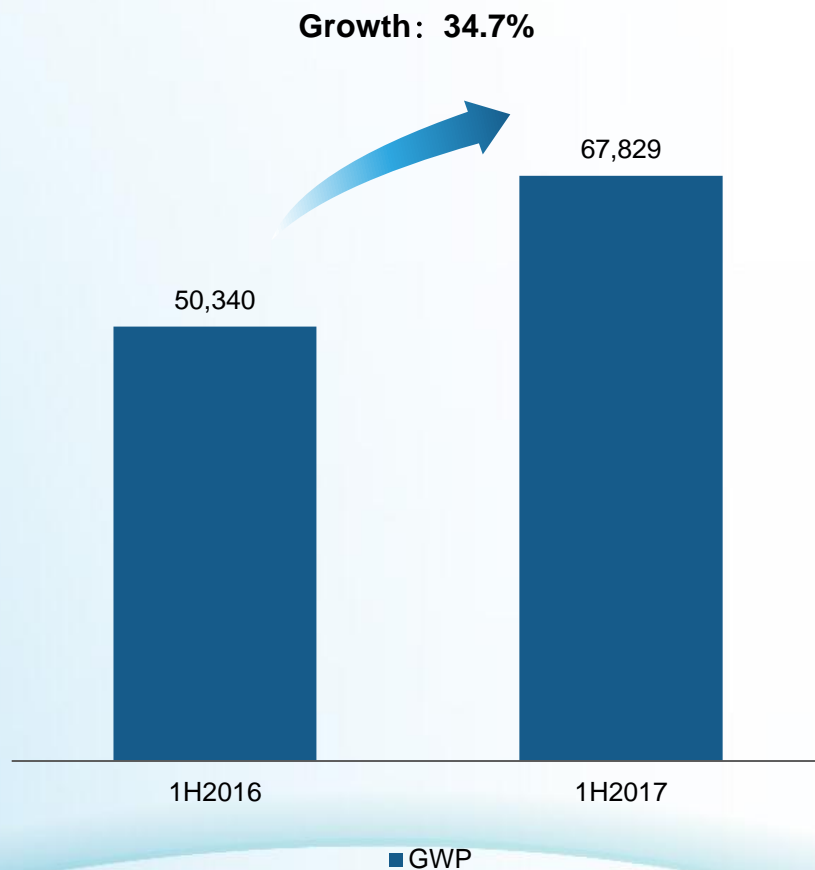
Business Outlook



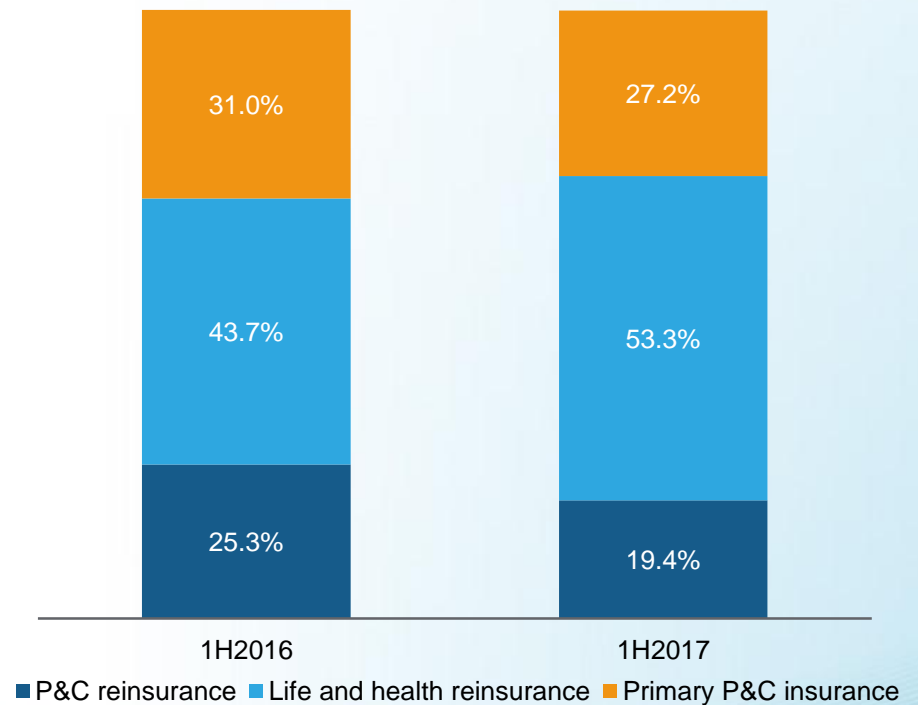
Overview of the Financial Performance(1/2)

Rapid growth of GWP

(RMB in millions)



% GWPs of each business segment



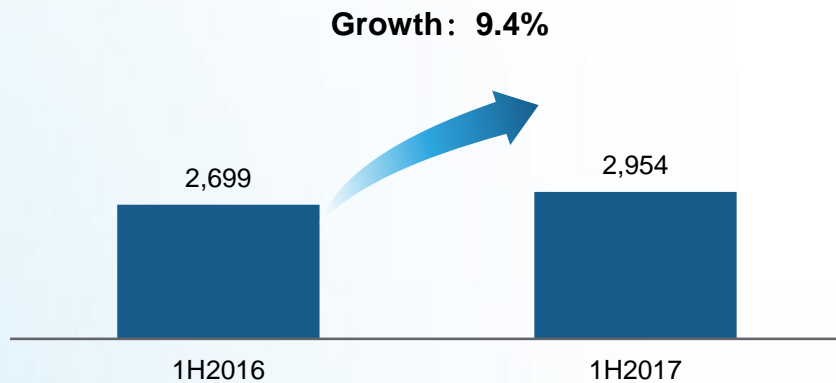
Notes: Percentage of GWPs is calculated as segment GWPs/ the Group's consolidated GWP before elimination



Overview of the Financial Performance (2/2)

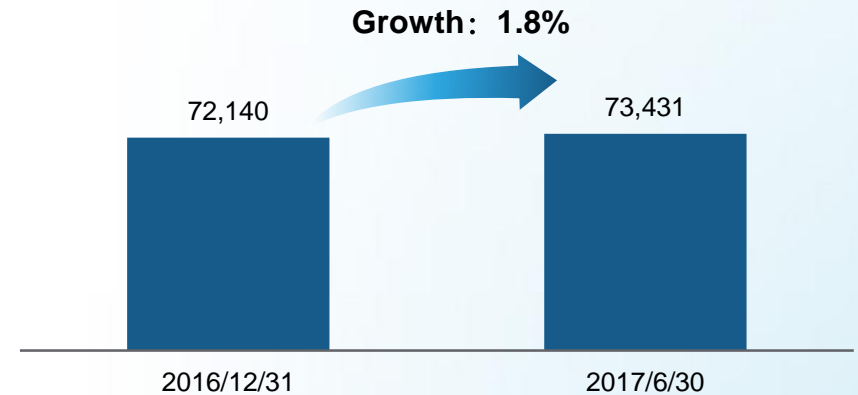
Net profit attributable to equity shareholders of the parent company increased

(RMB in millions)

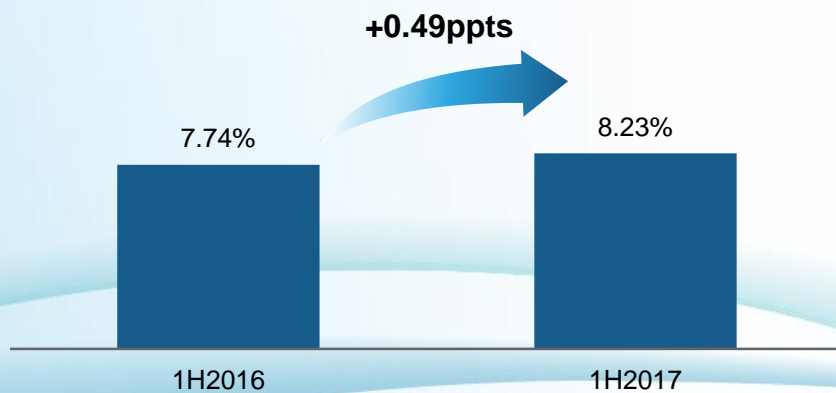


Net assets slightly increased

(RMB in millions)

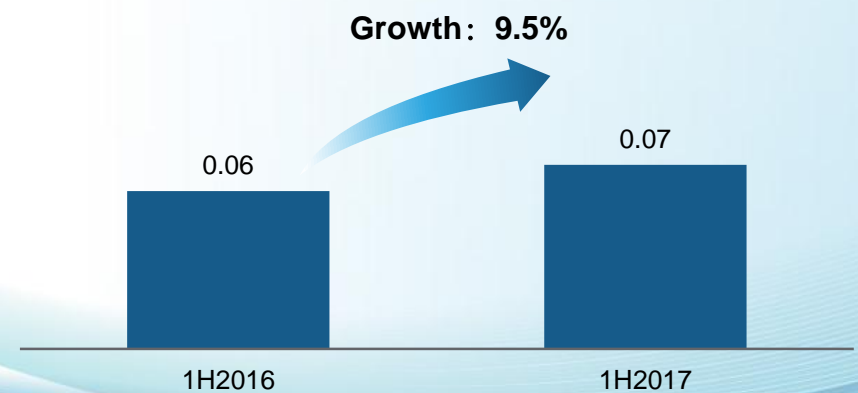


Annualized weighted ROAE increased



EPS stably increased

(RMB)



Notes: Annualized weighted ROAE = Net profit attributable to equity shareholders of the parent company/ balance of weighted average net assets x 2



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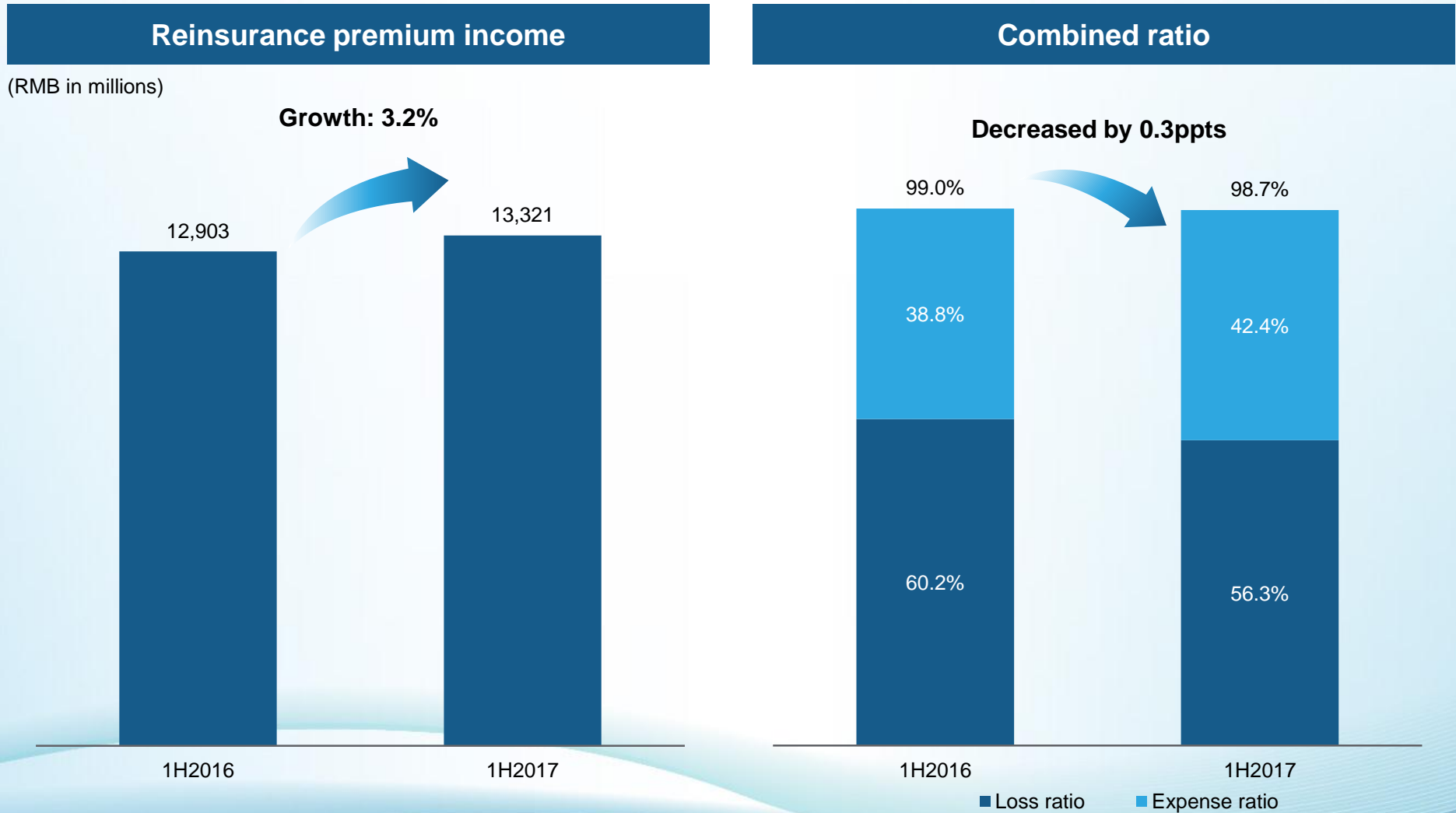
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Business Outlook



P&C reinsurance (1/4)

The growth of reinsurance premium income stabilized and achieved positive growth with combined ratio remained stable





P&C reinsurance (2/4) – domestic business

Seized industry opportunities and optimized our business structure

Liability reinsurance

- We captured opportunities arising from rapid growth of primary insurance market, made efforts to enhance expansion of liability reinsurance line. Our reinsurance premium income increased by 35.8% year-on-year to RMB1.27 billion

Engineering reinsurance

- We seized opportunities brought by the “Belt and Road Initiative” and other national strategies as well as large-scale projects and continued to expand the business. Our reinsurance premium income increased by 14.5% year-on-year to RMB552 million

Motor reinsurance

- We further strengthened business cooperation with major ceding companies in China. Our reinsurance premium income increased by 3.7% year-on-year to RMB4.996 billion

Commercial and household property reinsurance

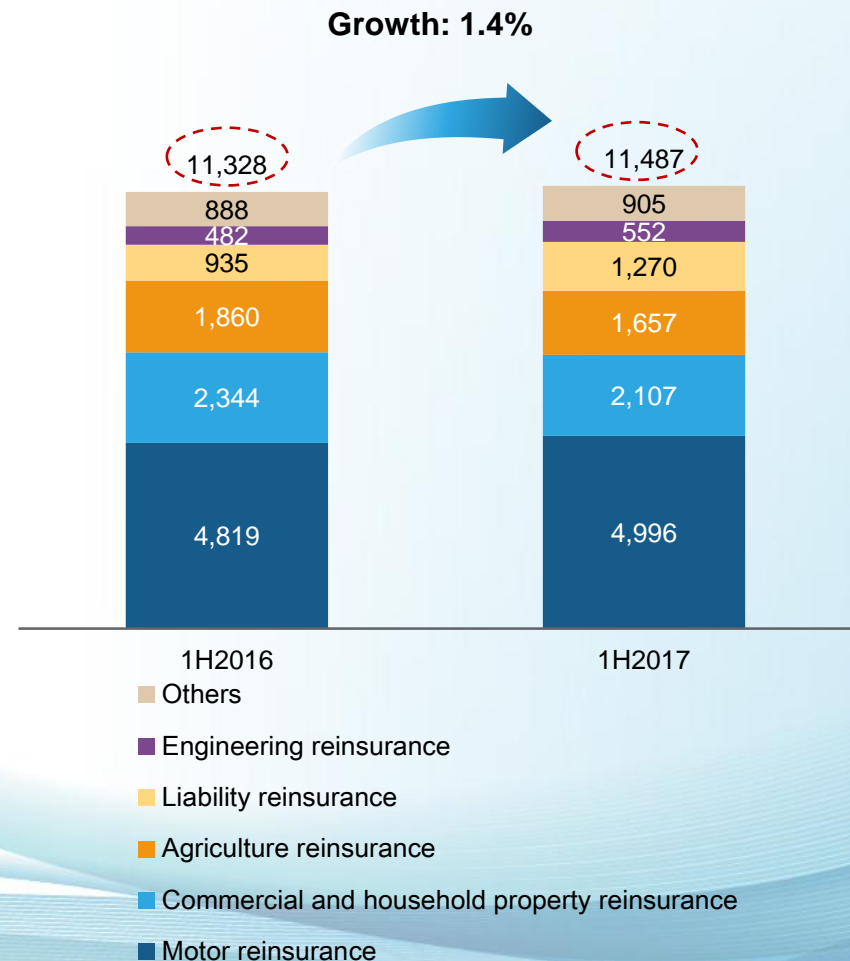
- We adjusted our business structure and enhanced the screening process of high-risk business and exerted strict control over business quality and accumulation of catastrophe liability. Our reinsurance premium income decreased by 10.1% year-on-year to RMB2.107 billion

Agriculture reinsurance

- We exerted strict control over business quality and adjusted our business structure. Our reinsurance premium income decreased by 10.9% year-on-year to RMB1.657 billion

Reinsurance premium income structure by type

(RMB in millions)



Notes: All premiums refer to premiums from Chine Re P&C

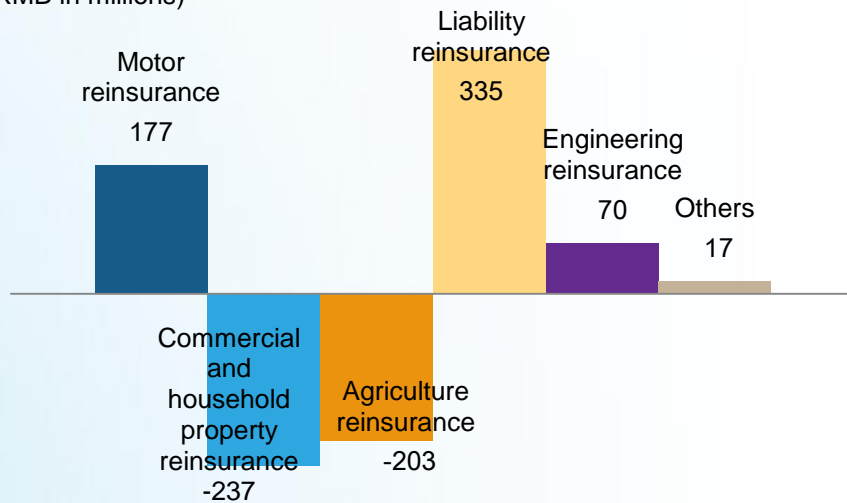


P&C reinsurance (3/4) – domestic business

Rapid growth from liability reinsurance and facultative reinsurance

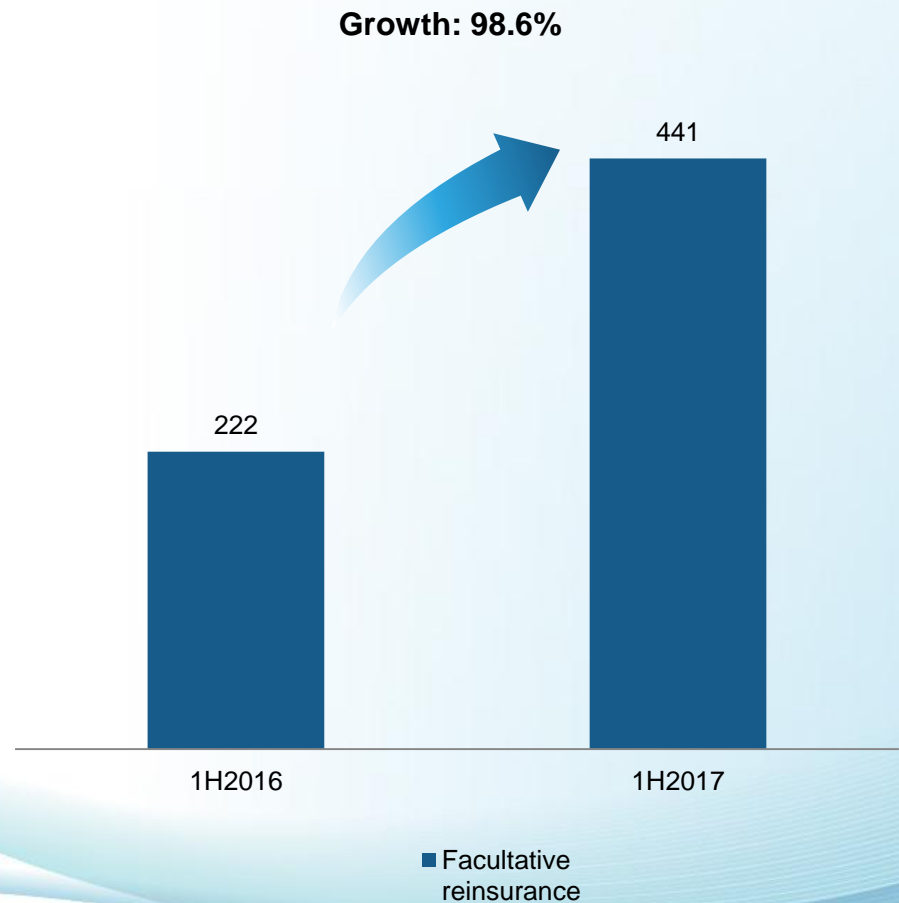
Incremental contribution by type

(RMB in millions)



Facultative reinsurance premium income

(RMB in millions)



Incremental contribution by reinsurance arrangement

(RMB in millions)





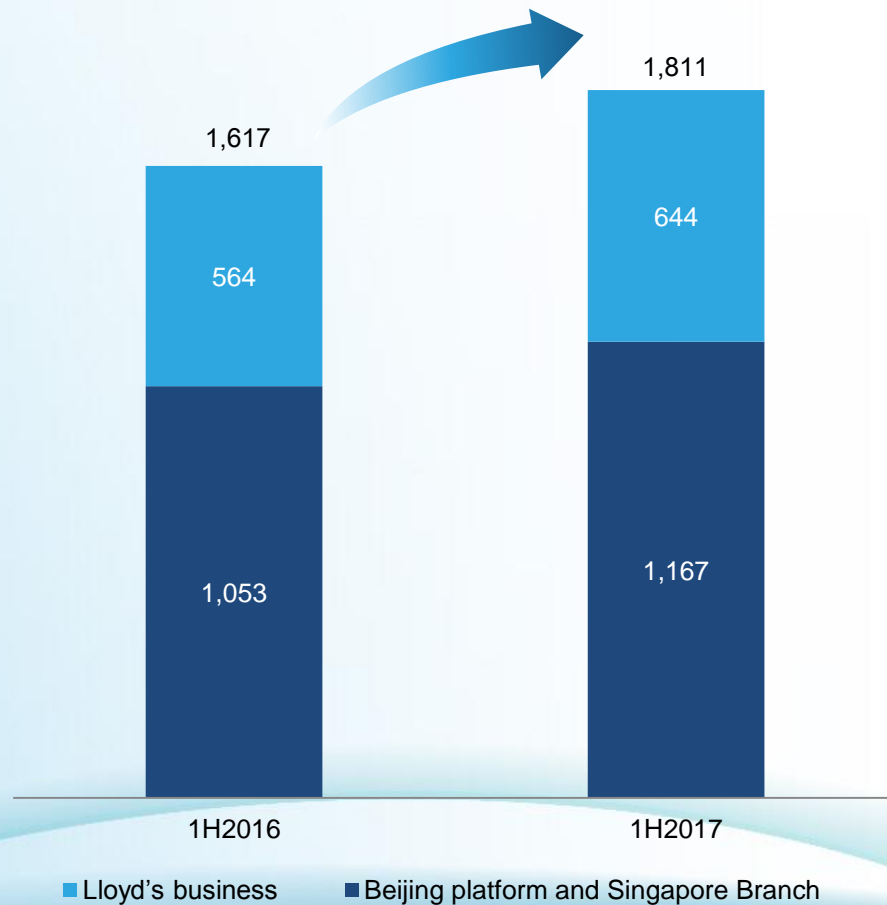
P&C reinsurance (4/4) – overseas business

Reinsurance premium income amounted to RMB1,811 million, with a 12.0% yoy increase and a combined ratio of 92.5%

Overseas P&C reinsurance premium income

(RMB in millions)

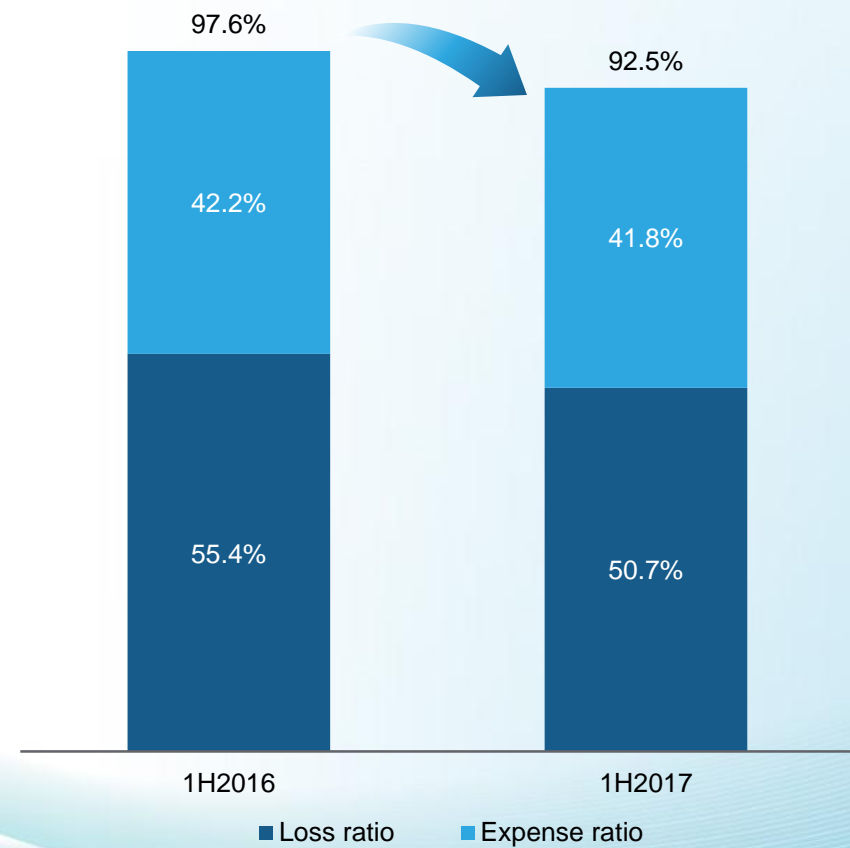
Growth: 12.0%



Combined ratio of overseas P&C reinsurance business

(RMB in millions)

Decreased by 5.1pts



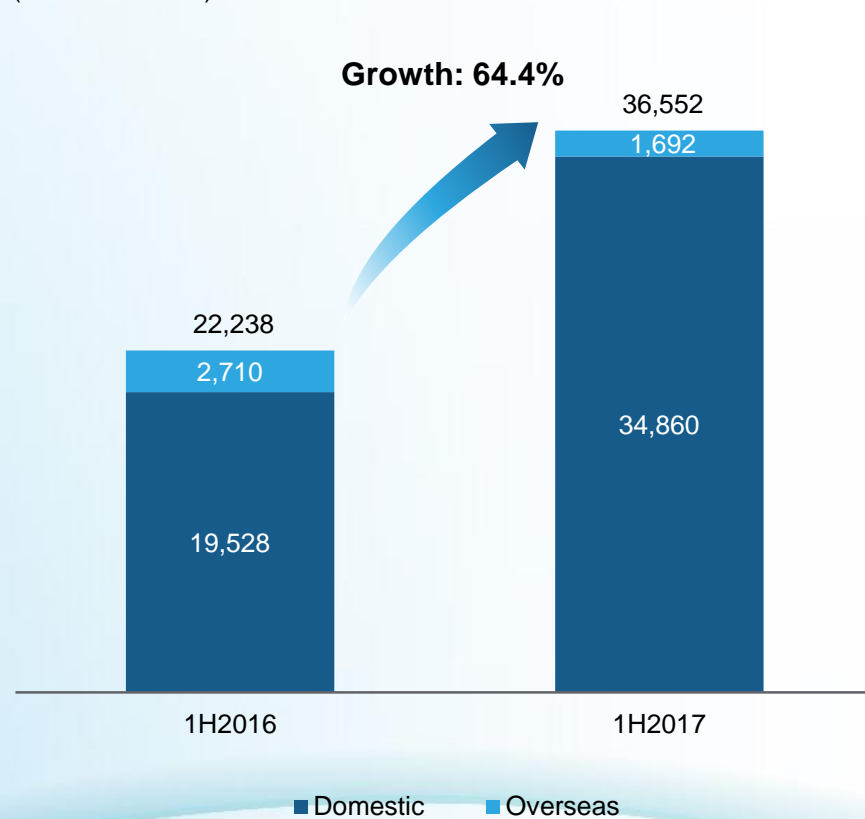


Life and health reinsurance business (1/3)

Robust growth in overall business

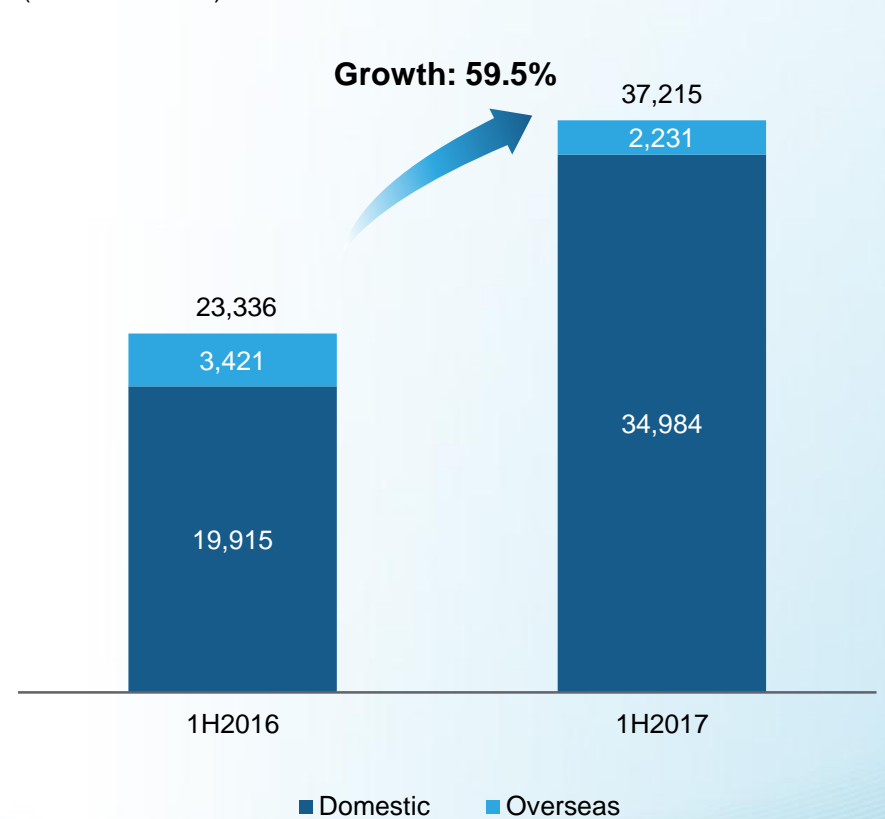
Reinsurance premium income

(RMB in millions)



Total written premiums (TWPs)

(RMB in millions)



Note: Premium data on this page refers to China Re Life specifically, with TWPs including revenue from savings-type universal life reinsurance



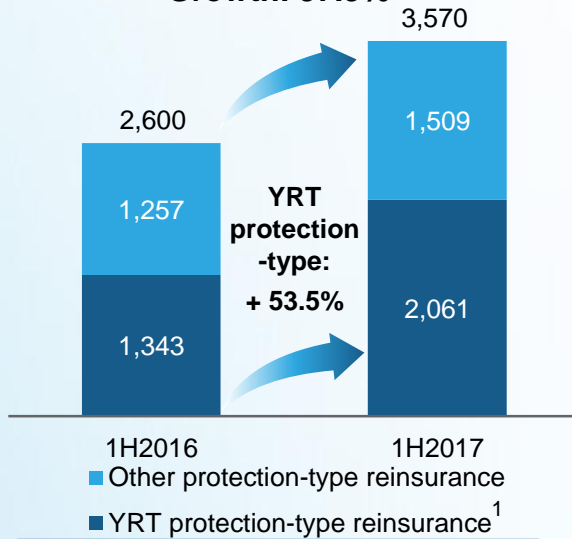
Life and health reinsurance business (2/3) – Domestic

75.7% yoy growth in domestic TWP and further structural optimization of protection-type business

Protection-type reinsurance

(RMB in millions)

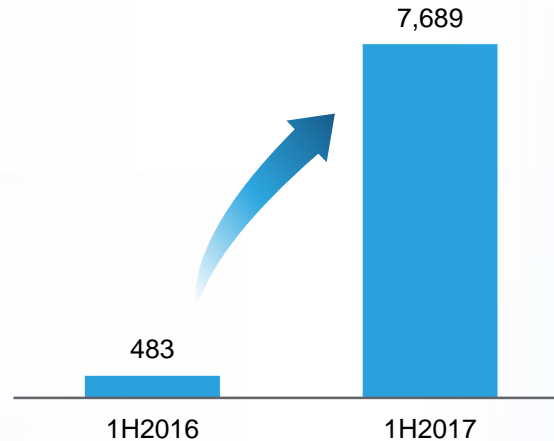
Reinsurance premium income
Growth: 37.3%



Savings-type reinsurance

(RMB in millions)

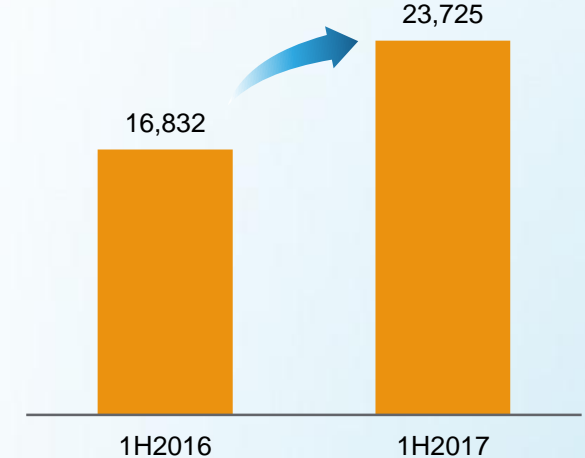
Total written premiums (TWP)
Growth: 1491.9%



Financial reinsurance

(RMB in millions)

Reinsurance premium income
Growth: 41.0%



- We enhanced business expansion of long-term accident protection products and strengthened risk control of critical illness and cancer business through data analysis, leading to effective growth in both the business volume and value.
- We achieved notable structural optimization with a yoy increase of 53.5% in reinsurance premium income from YRT protection-type business and a 6.1 pts increase in representation.

- We understood the requirement of new policies on product supervision and seized the window period of opportunities arising from asset allocation. We enhanced domestic business expansion with effective support from asset allocation, met customers' demand on comprehensive reinsurance service, and promoted the development of domestic savings-type business.

- We timely acted in accordance with the latest regulatory requirements, adjusted and optimized as well as innovated our financial reinsurance business initiatives. We conducted detailed analysis on customers' demand, formulated personalized solution, implemented effective control of credit risk, and promoted the growth in scale of financial reinsurance business.

Note:

1. YRT (Yearly Renewable Term) protection-type reinsurance: refers to yearly renewable protection-type reinsurance business, which is a kind of reinsurance arrangements entered into by ceding companies based on a certain proportion of net amount at risk at an annual rate
2. Premium data on this page refers to China Re Life specifically

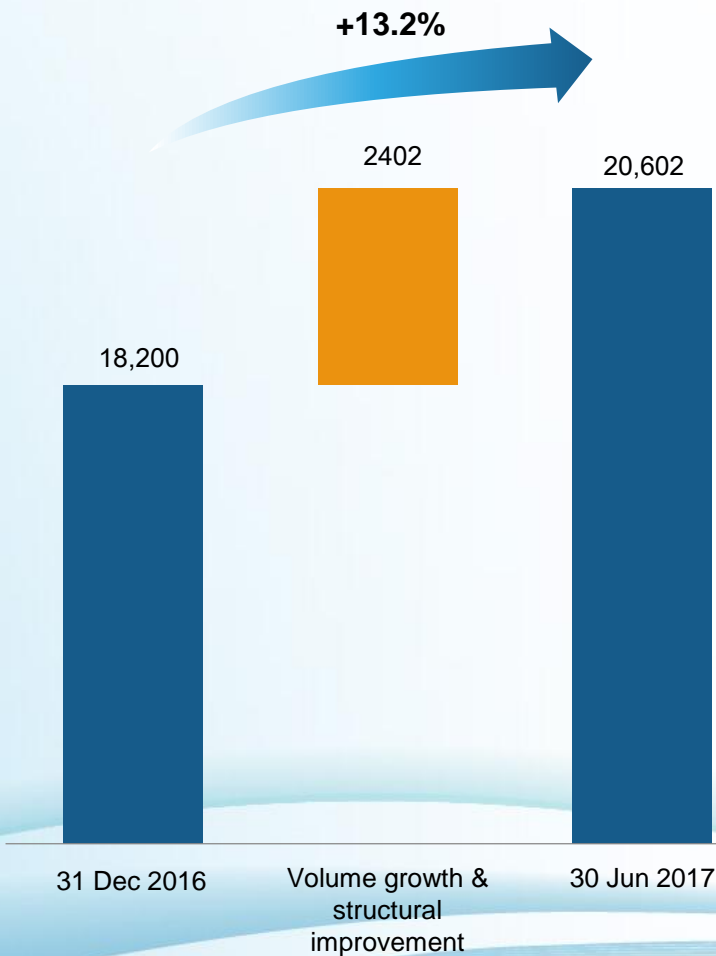


Life and health reinsurance business (3/3)

13.2% and 43.0% growth in embedded value and value of one year's new business compared to the end of 2016

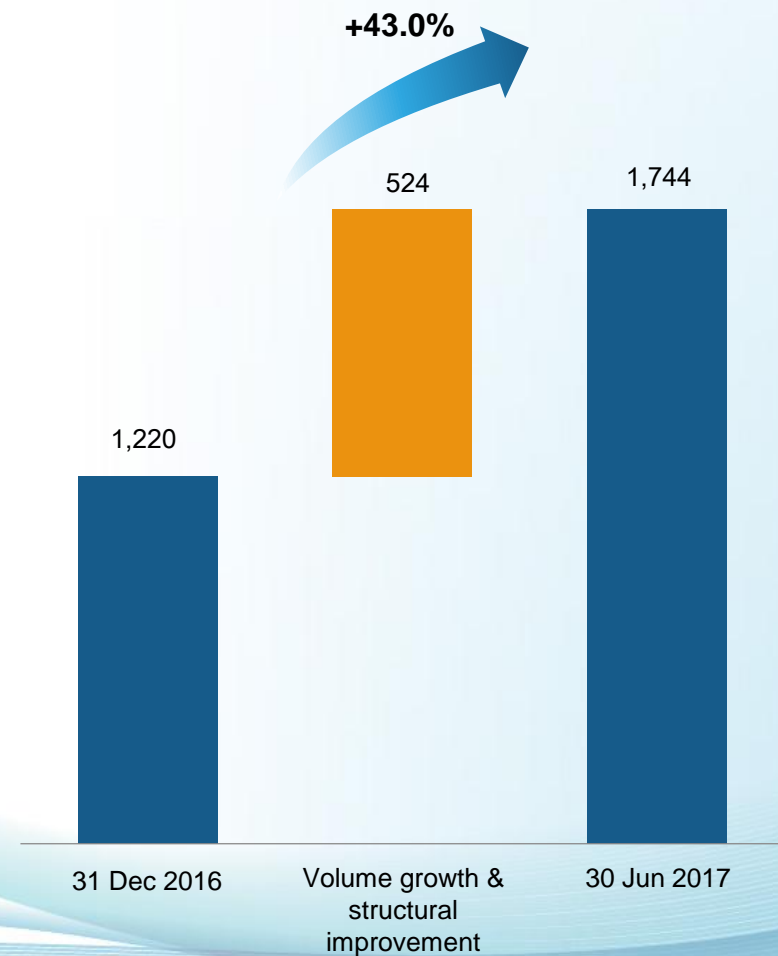
Embedded value

(RMB in millions)



Value of one year's new business

(RMB in millions)





Primary P&C insurance (1/3)

Further increase in market share with the above-industry premium income growth

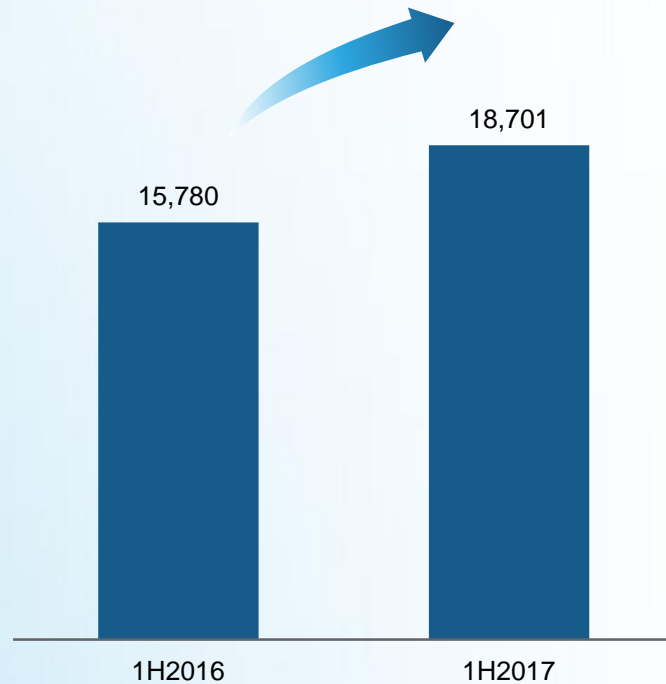
Gross written premiums

Original premium income growth

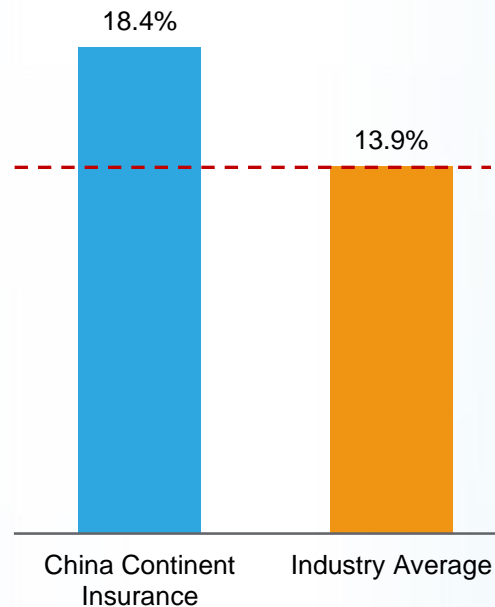
Market share

(RMB in millions)

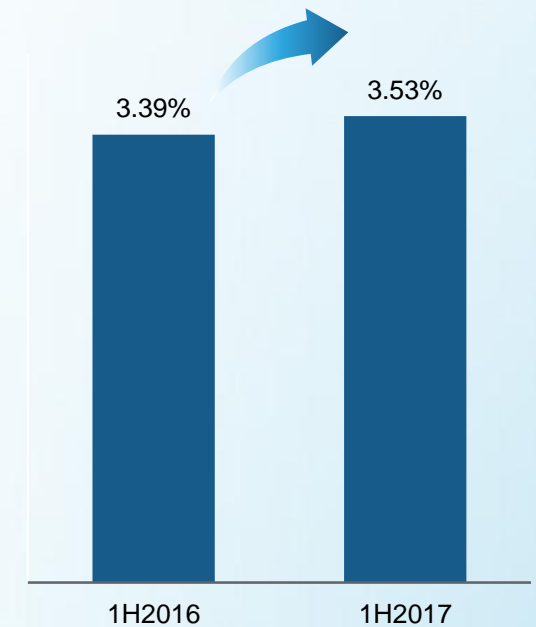
Growth: 18.5%



Original premium income yoy growth is higher than industry average by 4.5 ppts



Further increase in market share by 0.14ppts



Note: The industrial original premium income data for the calculation of the industrial original premium income yoy 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 the first half of 2017 published by the CIRC

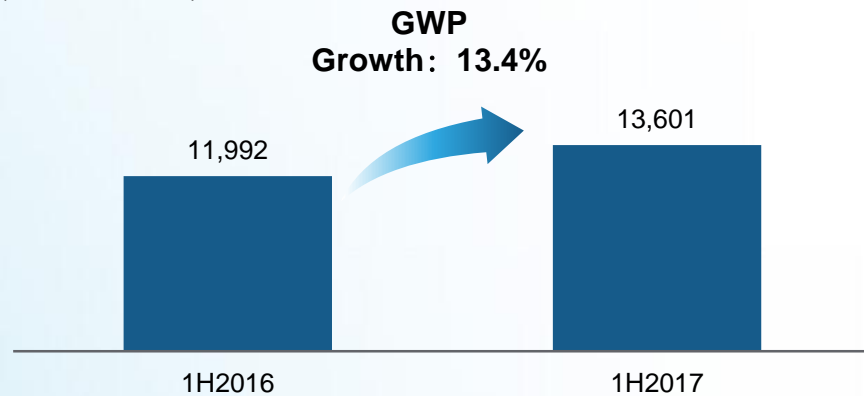


Primary P&C insurance (2/3)

Comprehensive development in all product business

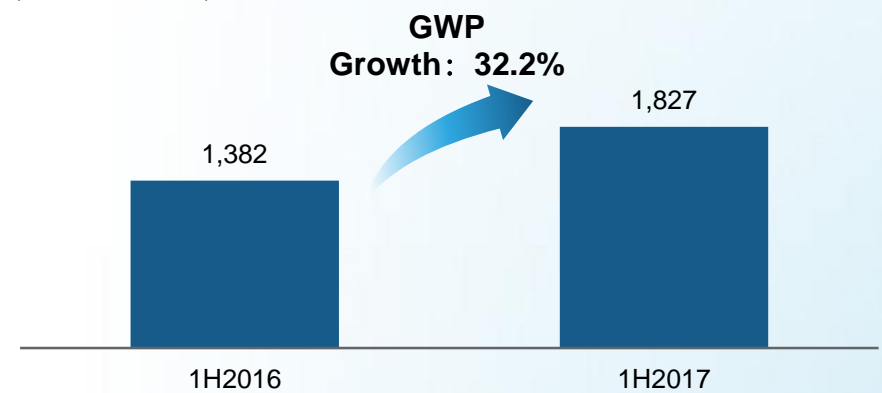
Motor insurance: optimization of business structure with continuous healthy growth

(RMB in millions)



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

(RMB in millions)



Liability insurance: rapid growth through product innovations

(RMB in millions)



Surety insurance: rapid growth in personal loan surety insurance business

(RMB in millions)





Primary P&C insurance (3/3)

Stable combined ratio

Combined ratio

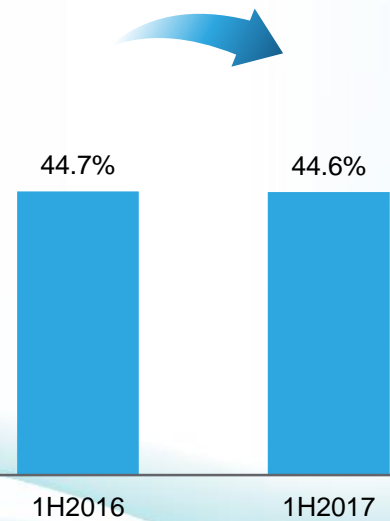
Expense ratio

Loss ratio

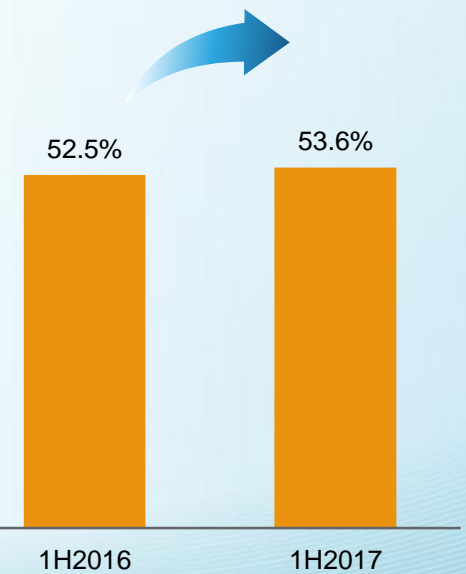
Increased by 1.0ppts



Decreased by 0.1ppts



Increased by 1.1ppts

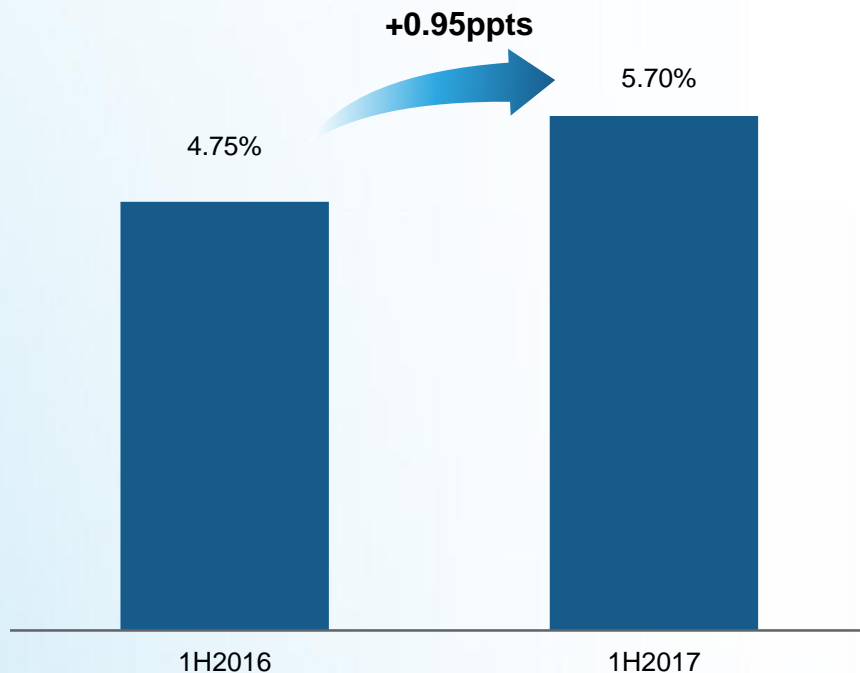




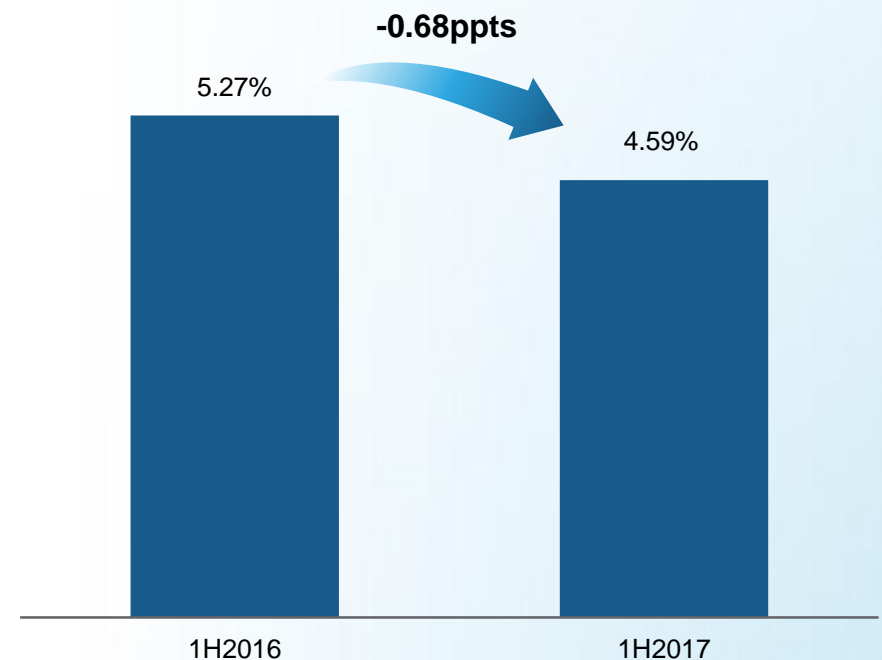
Asset management (1/3)

Annualized total investment yield increased while annualized net investment yield experienced a slight decrease

Annualized total investment yield



Annualized net investment yield



Note:

1. Annualized total investment yield = total investment income / the average of investment assets as at the beginning and end of the period $\times 2$
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
2. Annualized net investment yield = net investment income / the average of investment assets as at the beginning and end of the period $\times 2$

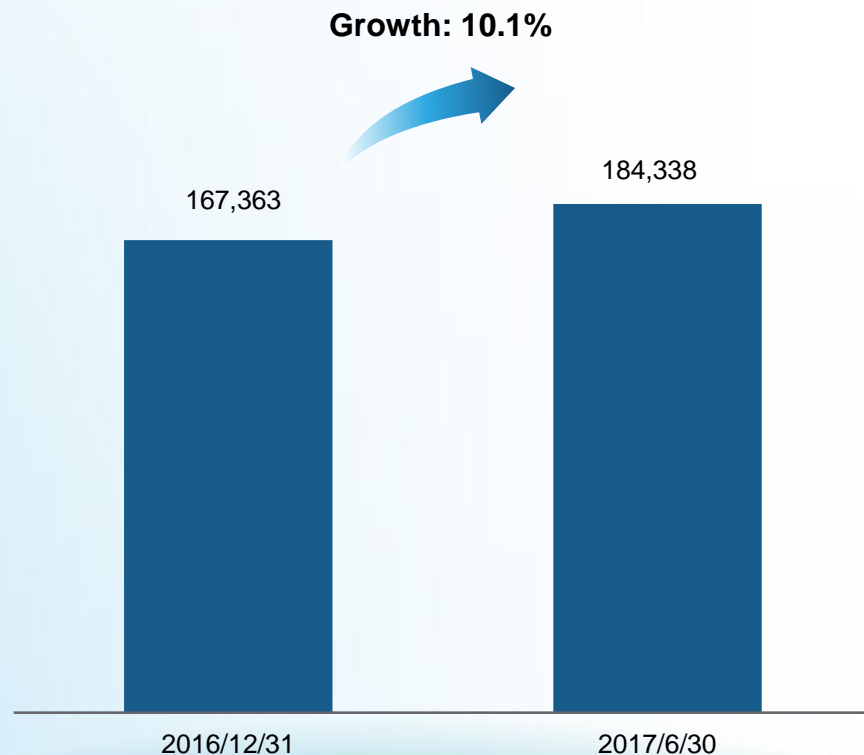


Asset management (2/3)

Prudent asset allocation with a further improved investment portfolio

Total investment assets

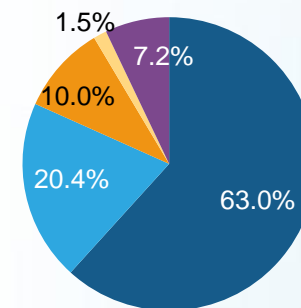
(RMB in millions)



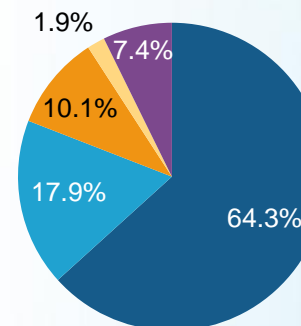
Asset allocation structure

Total investment assets by asset class¹

As of 30 June 2017



As of 31 December 2016



- Fixed-income investments
- Equity and investment funds²
- 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

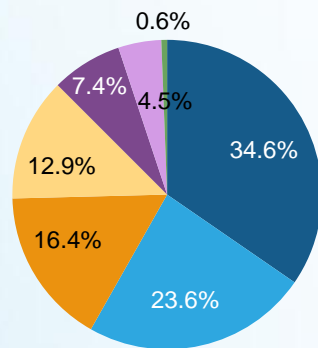


Asset management (3/3)

Prudent fixed-income asset and equity investment allocation

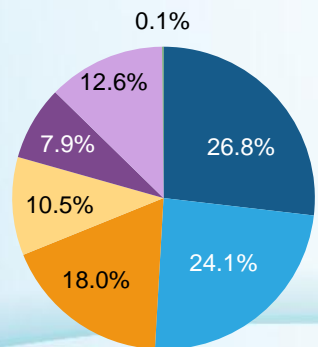
Breakdown of fixed-income investments

As of 30 June 2017



- Enterprise (corporate) bonds
- Investments classified as loans and receivables
- Other fixed-income investments¹
- Financial bonds
- Subordinated bonds
- Time deposits
- Government bonds

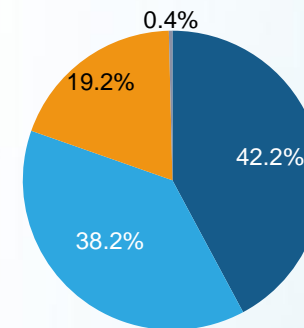
As of 31 December 2016



- Enterprise (corporate) bonds
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- Other fixed-income investments
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- Time deposits
- Government bonds

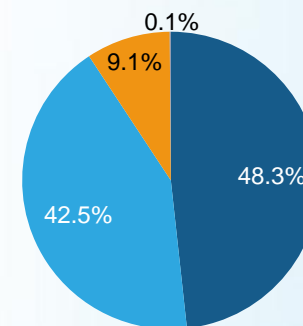
Breakdown of equity and investment funds

As of 30 June 2017



- Investment funds²
- Stocks
- Unlisted equity shares³
- Derivatives

As of 31 December 2016



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 include monetary funds and the senior tranche of structured index funds
3. Unlisted equity shares include assets management products, unlisted equity investments and equity investment schemes



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Policy environment and development strategy

National Financial Work Conference

Three tasks

- ◆ Serve the real economy
- ◆ Contain financial risks
- ◆ Deepen financial reforms

Four principles

- ◆ Return to the fundamental purpose
- ◆ Optimize structure
- ◆ Strengthen supervision
- ◆ Be market-oriented

"1+4" Insurance Regulatory Documents

"1" *Notice of CIRC on Further Strengthening Insurance Supervision and Safeguarding Stable Development of Insurance Industry*

"4"

- ◆ *CIRC Guidelines on Insurance Industry's Support to Real Economy*
- ◆ *Notice of CIRC on the Construction of a Strict and Effective Insurance Supervision System*

- ◆ *Notice of CIRC on Strengthening Insurance Supervision, Struggling against Illegal Activities and Regulating Market Chaos*

- ◆ *Notice of CIRC on Further Strengthening Risk Prevention and Control of Insurance Industry*

"One-Three-Five" Strategy is in line with policy requirements



Promote "One-Three-Five" Strategy & Accelerate business layout and tap deeper into the market within each segment



Industry transformation and upgrade
Opportunities and challenges co-exist



Business Outlook (1/2)



Capture new growth opportunities and optimize business structure

National strategy oriented business

- Develop new products exclusively to support the "Belt and Road" initiative
- Accelerate implementation of catastrophe insurance projects and database building

Domestic commercial business

- Promote facultative insurance business
- Strive for greater breakthroughs in construction inherent defects insurance, insurance on first set of major technical equipment, integrated liability insurance of the first application of new materials and short-term accident and health insurance

Overseas business

- Speed up the construction of development platforms for overseas business to promote the business



Capture market opportunities and return to protection nature

Enhance core capabilities

- Enhance core capabilities including data analysis, product development and model innovation, assist clients to promote upgrade of critical illness and cancer products, to explore business resources
- Strengthen third-party cooperation, and nurture service capabilities of healthy management and new technology

Optimize structure and strive for breakthroughs

- Improve risk tracking and quality management of protection-type reinsurance business
- Enhance business expansion of self-drive accident insurance, and actively follow social welfare protection business including critical illness insurance



Business Outlook (2/2)

Primary P&C insurance

Cope with the commercial motor second insurance premium rate marketisation reform and expand new room for growth

Cope with the second insurance premium rate marketisation reform

- Enrich sales model of motor insurance , increasing renewal rate and implementing linkage between cost and price
- Expand new room for growth of non-motor insurance businesses and developing accident and short-term health insurance and liability insurance
- Develop telesales and online sales channels, strengthen the cooperation with internet platform and technological innovation

Accelerate transition to customer-oriented strategies

- Speed up the implementation of CICS (China Continent Insurance's core strategy) and put into force customer-oriented management

Insure compliance and achieve better performance

- In the premise of business compliance, achieve both GWP and underwriting profit better than the market average

Asset management

Comprehensively enhance investment management and risk control

Implement comprehensive risk management

- Maintain a prudent investment philosophy and effectively control credit risks and significant equity market risks

Optimize allocation and strengthen synergies

- Continue to optimize allocation of financial products and long-term equity investments
- Strengthen synergies between assets and liabilities as well as underwriting to promote interactions between investments and insurance business



Q&A



Appendix: key operating and financial data

Unit: in RMB millions (unless otherwise specified)	1H2017	1H2016	Change
Gross written premiums	67,829	50,340	34.7%
P&C reinsurance	13,321	12,903	3.2%
Life and health reinsurance	36,612	22,302	64.2%
Primary P&C insurance	18,701	15,780	18.5%
Net profit	3,004	2,754	9.1%
Net profit attributable to equity shareholders of the parent company	2,954	2,699	9.4%
Earnings per share (RMB)	0.07	0.06	9.5%
Annualized weighted average return on equity (%)	8.23%	7.74%	0.49ppts
Annualized total investment yield (%)	5.70%	4.75%	0.95ppts



Appendix: key operating and financial data (cont'd)

Unit: in RMB millions (unless otherwise specified)	1H2017	1H2016	Change
Total assets	309,620	211,207	46.6%
Total liabilities	236,189	139,067	69.8%
Total equity	73,431	72,140	1.8%
Net assets per share attributable to equity shareholders of the parent company (RMB)	1.70	1.68	1.7%
Core solvency adequacy ratio	199%	258%	(59)ppts
Aggregated solvency adequacy ratio	199%	258%	(59)ppts
Embedded value of life and health reinsurance business	20,602	18,200	13.2%
Value of one year's new business after CoC	1,744	1,220	43.0%
Total investment assets	184,338	167,363	10.1%

Note:

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