



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

August 2016





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# Agenda

**1**

**Overview of 1H2016 Results**

**2**

**Financial Performance**

**3**

**Review of Key Business Segments**

**4**

**2H2016 Business Outlook**

# Maintained leading market position with solid operating performance



1	Solid industry leading position	<ul style="list-style-type: none"> <li>▪ The core reinsurance business maintained a stable market position. We continued to have the leading market share in terms of Premiums Ceded in the PRC P&amp;C reinsurance market and life and health reinsurance market</li> <li>▪ In terms of original premium income, we ranked No.6 in the primary P&amp;C insurance market in the PRC, with 3.4% market share in 1H2016, representing an increase of 0.3 percentage point from 1H2015</li> </ul>
2	Stable growth of premium income	<ul style="list-style-type: none"> <li>▪ Although the industry's overall ceding ratio of motor insurance decreased due to the implementation of C-ROSS, the gross written premiums of the Group in 1H2016 still achieved a growth of 16.9%             <ul style="list-style-type: none"> <li>– Premium income from primary P&amp;C insurance business segment recorded a year-on-year increase of 18.7%</li> <li>– Non-motor business of P&amp;C reinsurance segment developed at a faster pace; our property, agriculture and liability reinsurance premium incomes recorded year-on-year increases of 6.6%, 21.4% and 14.4%, respectively</li> <li>– For life and health reinsurance business, we continued to develop our business through innovation, achieved strong growth for both domestic and overseas business. The reinsurance premium income from the life and health reinsurance segment increased by 43.7% <small>(Note)</small></li> </ul> </li> </ul>
3	Good underwriting performance	<ul style="list-style-type: none"> <li>▪ The Group's underwriting performance maintained stable in 1H2016 and achieved good underwriting profit:             <ul style="list-style-type: none"> <li>– Our core reinsurance business maintained a stable underwriting performance</li> <li>– In 1H2016, although the combined ratio of the overall P&amp;C insurance industry increased, the combined ratio of our primary P&amp;C insurance business decreased, representing a year-on-year underwriting profit increase</li> </ul> </li> </ul>
4	Sufficient solvency adequacy	<ul style="list-style-type: none"> <li>▪ As at June 30, 2016, both the core solvency adequacy ratio and aggregate solvency adequacy ratio of China Re Group reached 281%, which are significantly higher than the requirements under C-ROSS             <ul style="list-style-type: none"> <li>– The aggregate solvency adequacy ratio of the Group Company reached 769%</li> <li>– The aggregate solvency adequacy ratio of China Re P&amp;C, China Re Life and China Continent Insurance reached 215%, 289% and 262%, respectively</li> </ul> </li> </ul>
5	Prudent investment allocation	<ul style="list-style-type: none"> <li>▪ In 1H2016, the asset allocation of the Group maintained stable with optimized asset structure</li> <li>▪ Impacted by soft capital market, our total investment yield in 1H2016 was 2.38%, representing a year-on-year decrease over the same period in 2015. Net investment yield remained largely steady at 2.64%. Our overall changes in investment income and asset allocation were generally in line with the industry trends</li> </ul>
6	Decreased net profit on a year-on-year basis	<ul style="list-style-type: none"> <li>▪ Due to the year-on-year decrease in the investment income, net profit attributable to the equity shareholders of the parent company decreased by 59.0% from RMB6,578 million in 1H2015 to RMB2,699 million in 1H2016</li> </ul>

Note: refers to China Re Life specifically





# Operating highlights in 1H2016

- We actively develop our non-motor business and our reinsurance premium income from facultative reinsurance business achieved fast growth.
- The policy-related businesses continued to develop and achieved breakthrough. We actively participated in the design of the first residential building earthquake insurance product, and acted as the leading reinsurer of this product. We proactively developed the emerging agricultural reinsurance business benefitting rural areas
- Innovative businesses achieved remarkable results. We made breakthroughs in various products including construction inherent defect insurance, construction performance bond insurance, unmanned aerial vehicle insurance and cyber insurance etc.

## P&C reinsurance

- We actively captured the industry opportunities, maximized the strength of data and client resources, strengthened cooperation on the product development to proactively expand domestic protection-type business
- We adhered to our strategy of “cost control, stability, and pro-cyclical”, and proactively developed the reinsurance business of cross-border RMB in-force policies and foreign currency new policies such as US-dollar policies to achieve balanced development of domestic and foreign-currency savings-type businesses
- Facing the complex technology requirements, we further increased our innovation efforts, and developed a new business model for financial reinsurance business under C-ROSS, which further increased the market share and profits of the Company

## Life and health reinsurance

## Primary P&C insurance

- Primary P&C insurance maintained rapid growth while ensuring good profitability
- Our branches maintained strong performance. The number of branches which delivered a higher-than-industry-average growth and a lower-than-industry-average combined ratio further increased
- We smoothly finished the comprehensive conversion of the premium rate reform for commercial motor insurance. Personal loan surety insurance business has developed rapidly
- We continued to comprehensively enhance customer satisfaction. We had lowest number of complaints per a hundred million premium income among the top 10 P&C insurance companies

## Asset management

- We adhered to our stable, prudent and long-term investment philosophy
- We actively promote product innovation and gradually increased the allocation of financial products and long-term equity investments; our medium-and-long term portfolio structure were further optimized
- The asset-liability linkage mechanism achieved strong results and contributed to generate a mutual benefits with our life and health reinsurance businesses



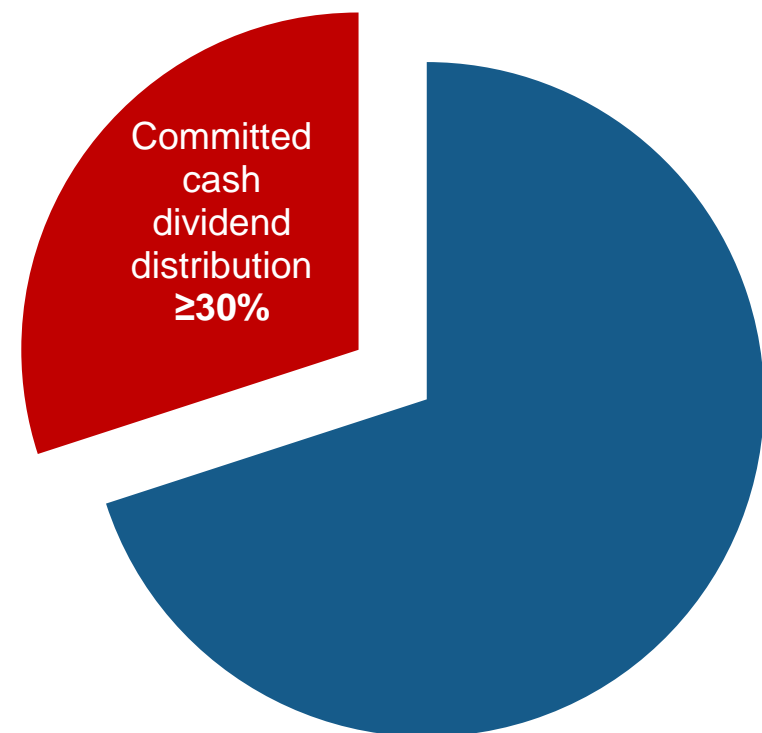
# Dividends to shareholders: voluntary commitment to dividends, consistent efforts to realize shareholder return

## Dividend policy

- The dividend policy of the Company was approved at the Board meeting held on 21 July 2016
- The Company shall distribute dividends once a year and the dividends distributed in form of cash shall be no less than 30% of the consolidated net profit attributable to the equity shareholders of the Company realized for the year, in consideration of interests and desires of the shareholders of the Company, the financial position, the business development needs, plans of the Group for future development and in accordance with the relevant statutory and regulatory requirements



## Net profit attributable to equity shareholders of the Company





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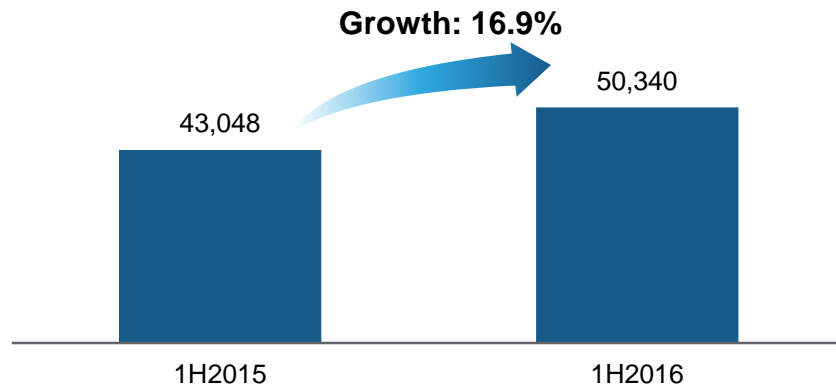
**2H2016 Business Outlook**



# Group performance overview

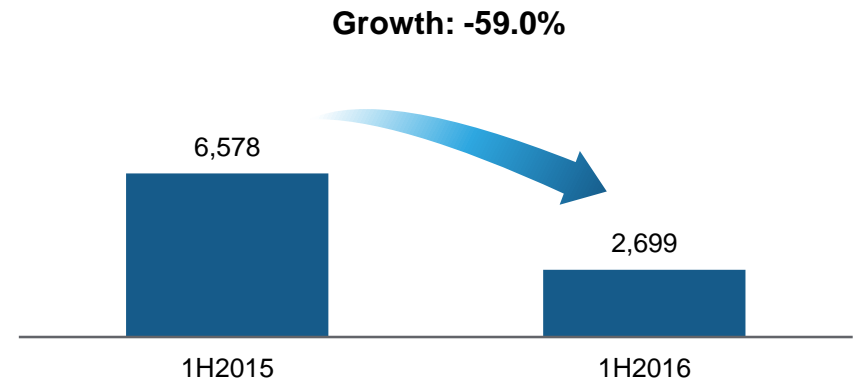
## GWP maintained steady growth

(RMB in millions)



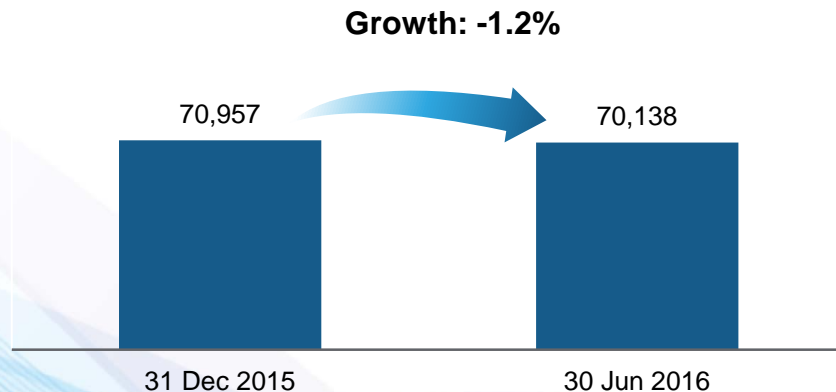
## Net profit attributable to the Shareholders decreased due to the YoY decrease in investment income

(RMB in millions)



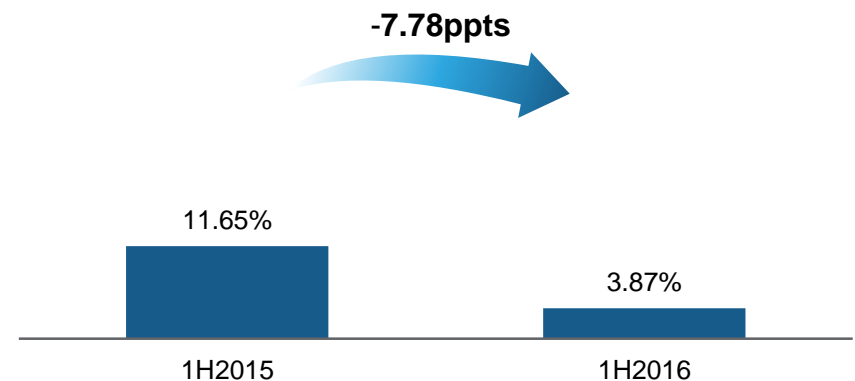
## Slight decrease in net assets compared with end of 2015 due to dividends distribution, etc.

(RMB in millions)



## Weighted ROAE decreased due to the decrease of net profit

(Non-annualized)

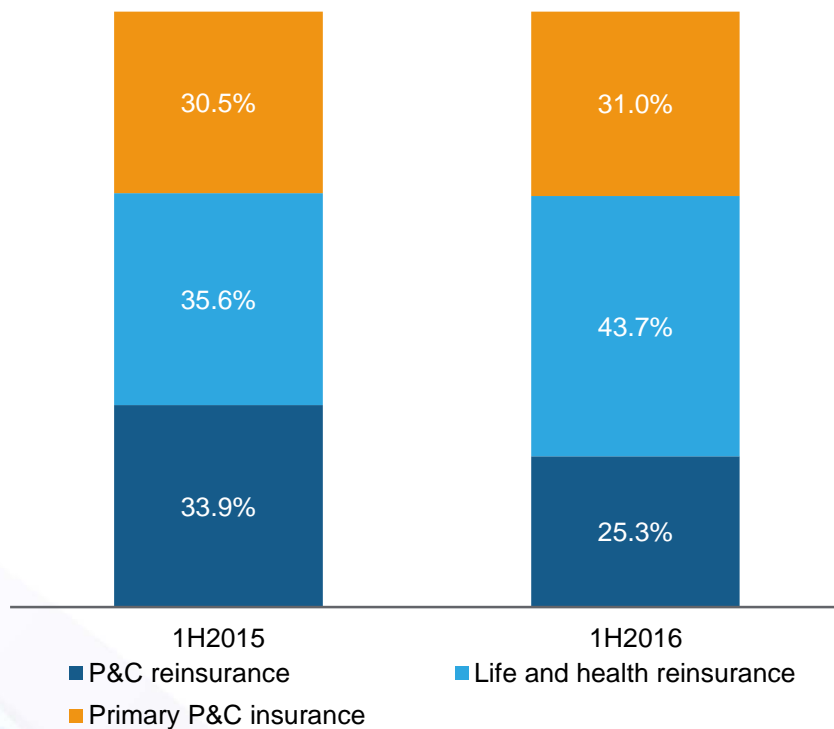






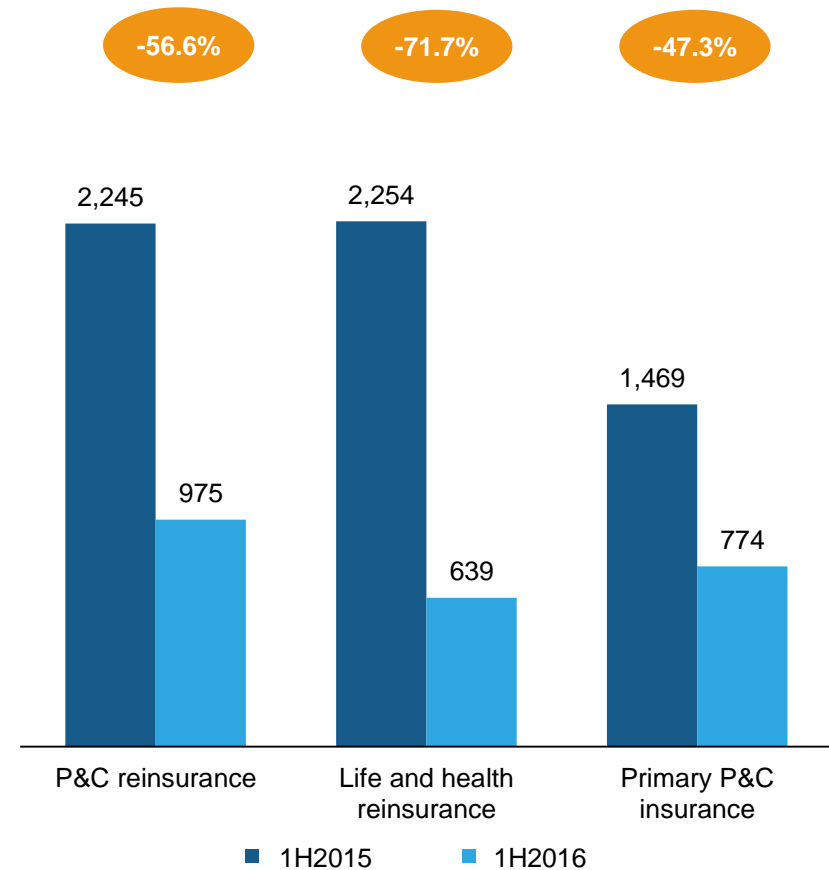
# Group performance overview

## % GWPs of each business segment



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

(RMB in millions)



Note: percentage of GWPs is calculated as segment GWPs / the Group's consolidated GWPs before elimination



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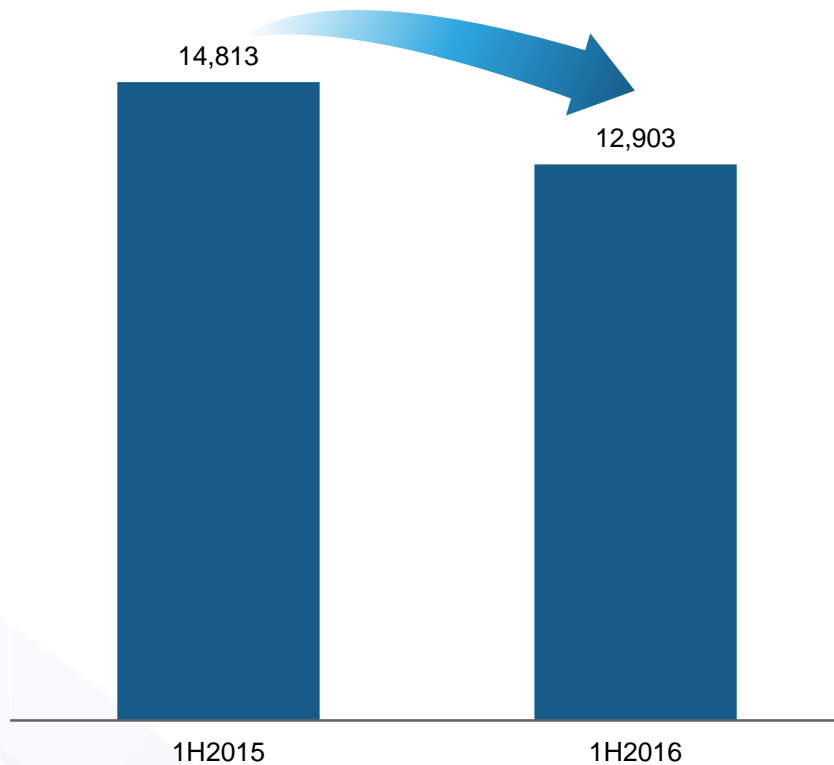
# P&C Reinsurance (1/4)

Motor reinsurance premium income decreased, overall combined ratio remained stable

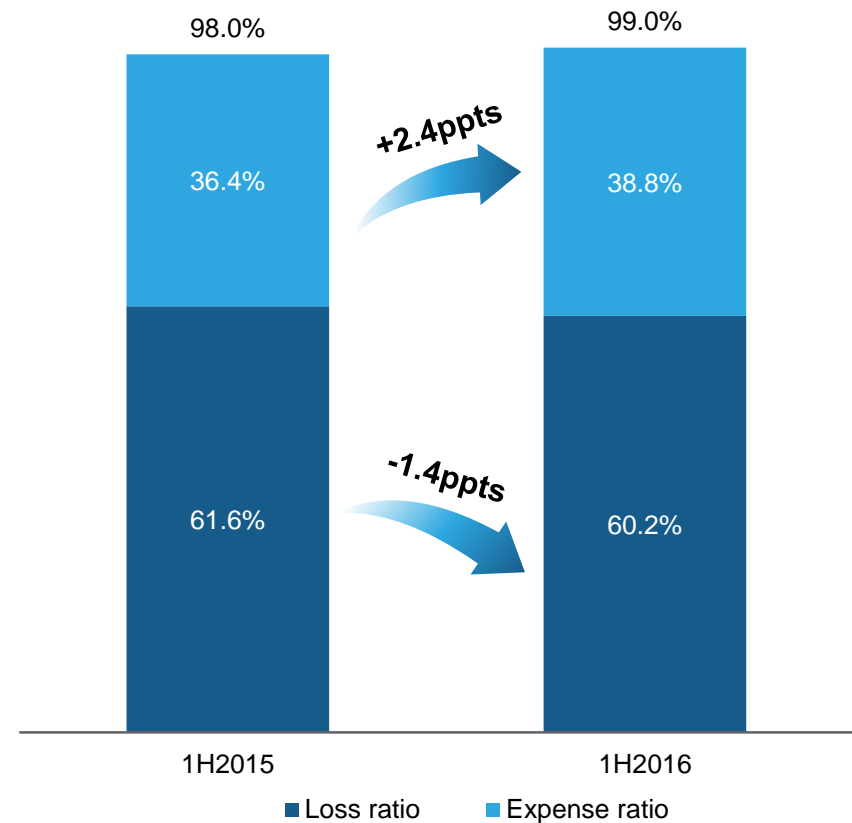
## Reinsurance premium income

(RMB in millions)

Growth: -12.9%



## Combined ratio





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

Accurately grasp the industry trend to maintain our leading market position

Insightful understanding of the industry dynamics to maintain our market leading position

## Motor insurance

- Impacted by the implementation of C-ROSS, ceding ratio of motor insurance in domestic P&C insurance market decreased in general. In 1H2016, we recorded the reinsurance premium income of RMB4,819 million, representing a year-on-year decrease of 34.1% as compared with 1H2015 (overall trend is within our expectation)

## Commercial property and household insurance

- We put more efforts on property reinsurance and recorded the reinsurance premium income of RMB2,344 million in 1H2016, representing a year-on-year increase of 6.6% as compared with 1H2015

## Agricultural insurance

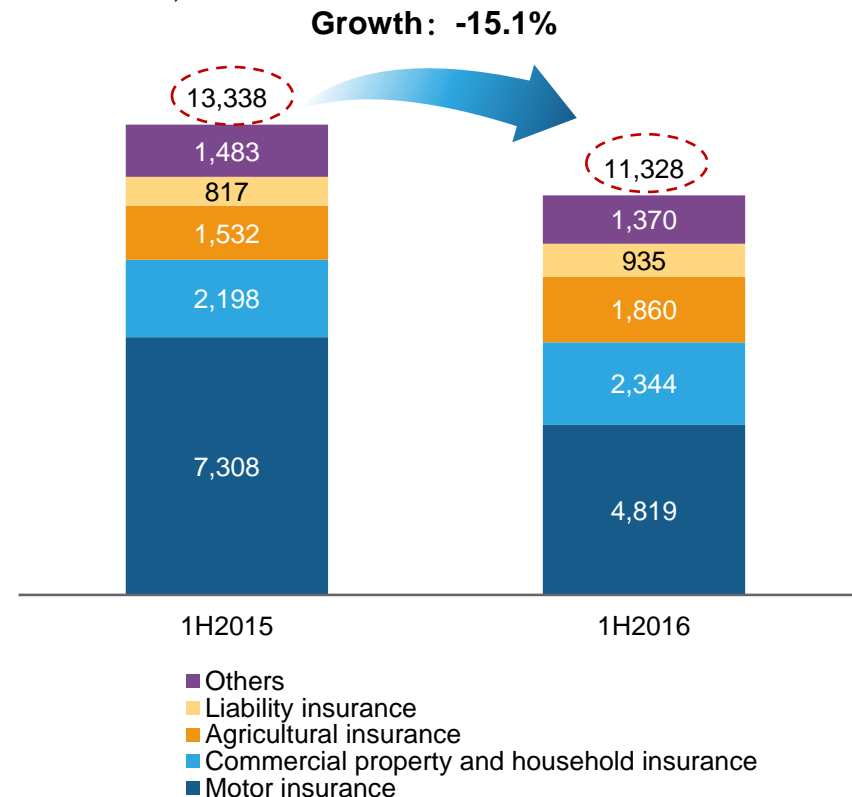
- We expanded our business by seizing the growth opportunity in agricultural insurance sector. We recorded the reinsurance premium income of RMB1,860 million in 1H2016, representing a year-on-year increase of 21.4% as compared with 1H2015

## Liability insurance

- We put more efforts into the development of liability reinsurance. We recorded the reinsurance premium income of RMB935 million in 1H2016, representing a year-on-year increase of 14.4% as compared with 1H2015

Reinsurance premium income structure remains stable in terms of types of reinsurance arrangement and lines of business; In terms of lines of business, proportion of premium income from non-motor reinsurance increased

(RMB in millions)



Note: Premium data on this page refers to China Re P&C specifically



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

## Achieved significant results through innovation-driven strategy, and led the development of domestic P&C insurance industry

Achieved multiple breakthroughs in domestic innovative business with a leading role in the industry

Policy-related business	Catastrophe insurance	In China Residential Building Earthquakes Catastrophe Insurance Pool, we were in charge of the design and development of the first nationwide residential building earthquake insurance product. This product have been officially launched in 30 provinces and municipalities (except Sichuan) in July 2016, and we acted as the leading reinsurer of this product
	Agricultural insurance	We actively respond to government's requirement to support and benefit agricultural industry. Apart from continuously increasing the coverage of traditional agricultural insurance, we also engaged in emerging agricultural insurance business, such as weather and price index insurance, farm house and machinery insurance and agricultural bond insurance, etc.
Innovative business	Construction inherent defects insurance	We have built in-depth cooperation with well-known domestic universities and research institutions. We actively participated in the design of the construction inherent defects insurance plan for residential construction projects in Beijing and Shanghai
	Construction performance bond insurance	We actively promoted the product with ceding companies and provided technical support including product development, terms drafting and pricing services. We participated in reinsurance arrangements with a significant portion
	Cyber security insurance	We led the development of the international cyber security insurance business, and leveraged on international market experience to launch cyber security insurance in China with our domestic clients' cooperation
	Unmanned aerial vehicle ("UAV") insurance	We maximized our strength of talents and technologies, designed and developed the pricing model for UAV insurance products, and became a major reinsurer in the domestic UAV insurance market



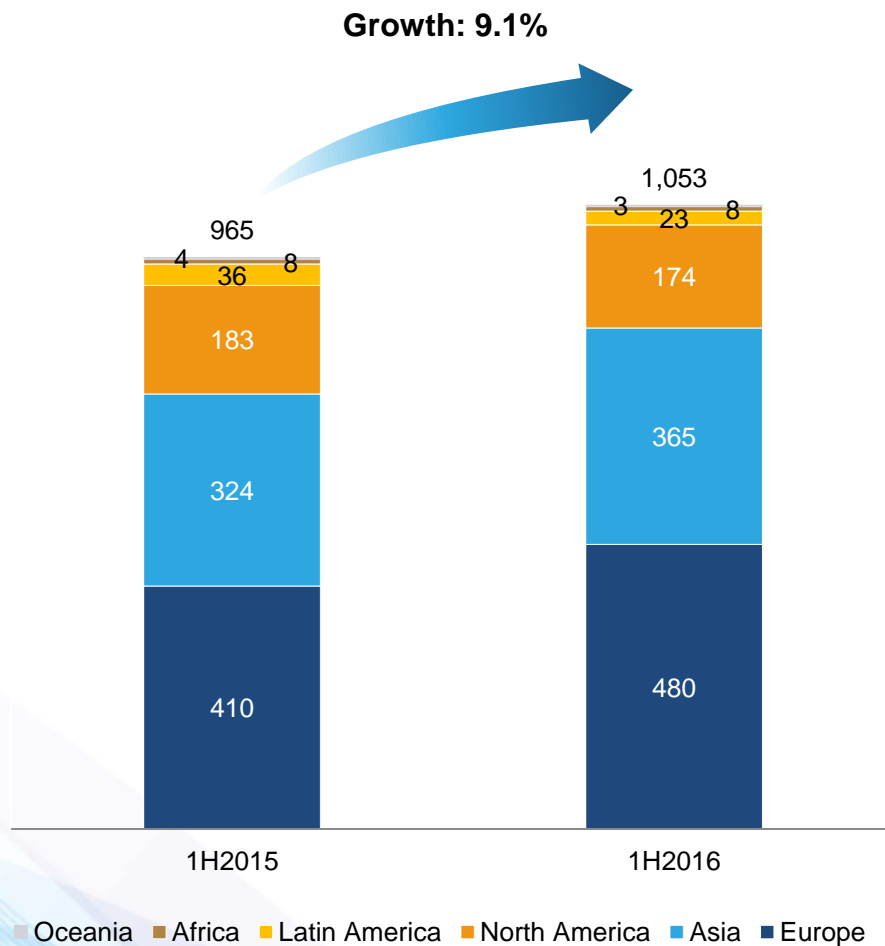


# P&C reinsurance (4/4) - International business

## Steady growth of premium income and further expanded international footprint

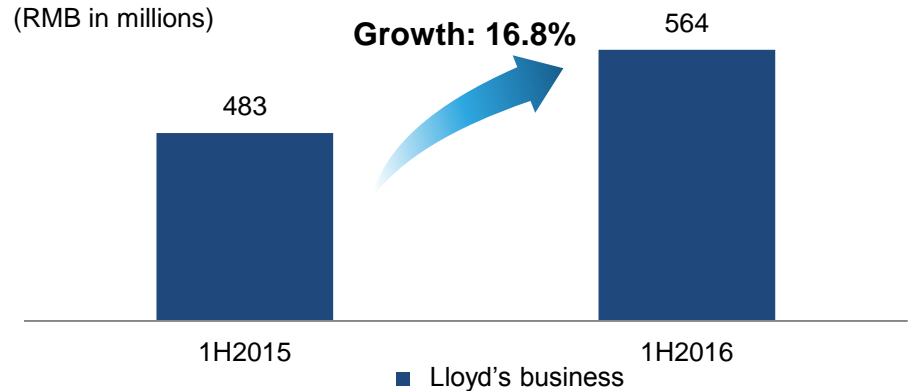
### International P&C reinsurance premium income

(RMB in millions)



### Reinsurance premium income from Lloyd's business

(RMB in millions)



### International footprint further expanded with the establishment of our Singapore Branch



- China Re Singapore Branch officially commenced operation in July 2016 and will be an important footprint for the Group to grow its P&C reinsurance business in APAC. The Group's international network was further expanded



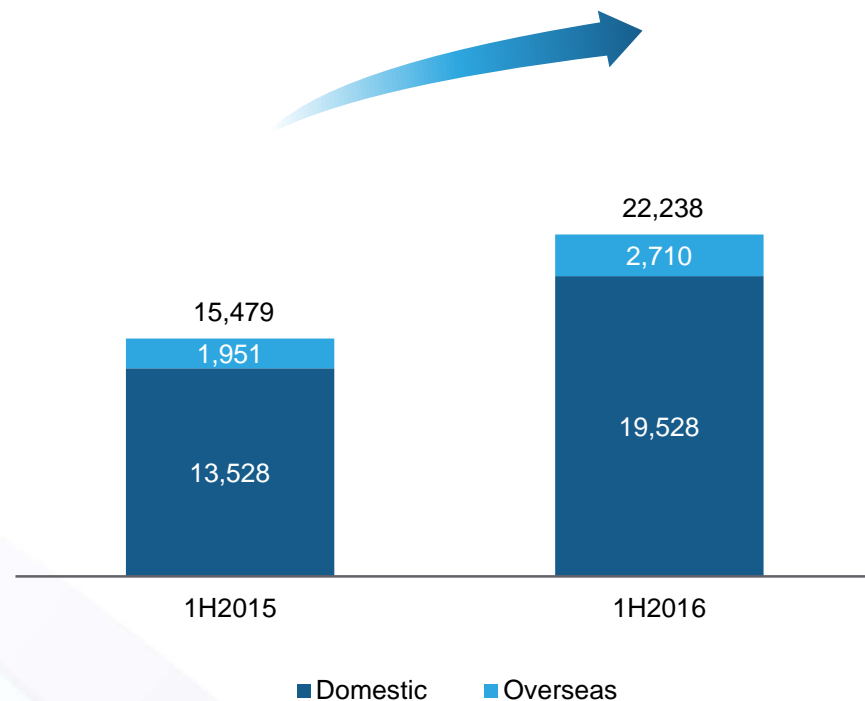
# Life and health reinsurance business (1/4)

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

### Reinsurance premium income

(RMB in millions)

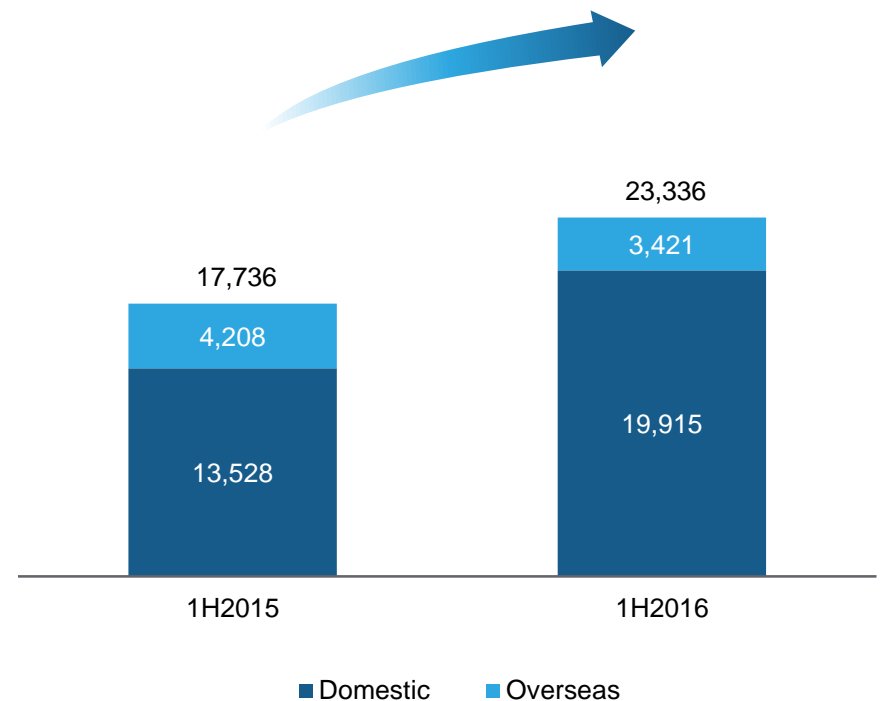
Growth: 43.7%



### Total written premiums (TWPs)

(RMB in millions)

Growth: 31.6%



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 (2/4) — Domestic

Promote development with innovation and our domestic TWPs achieved a year-on-year growth of 47.2%

Development in protection-type and financial reinsurance supporting the rapid domestic business growth

### Protection-type reinsurance

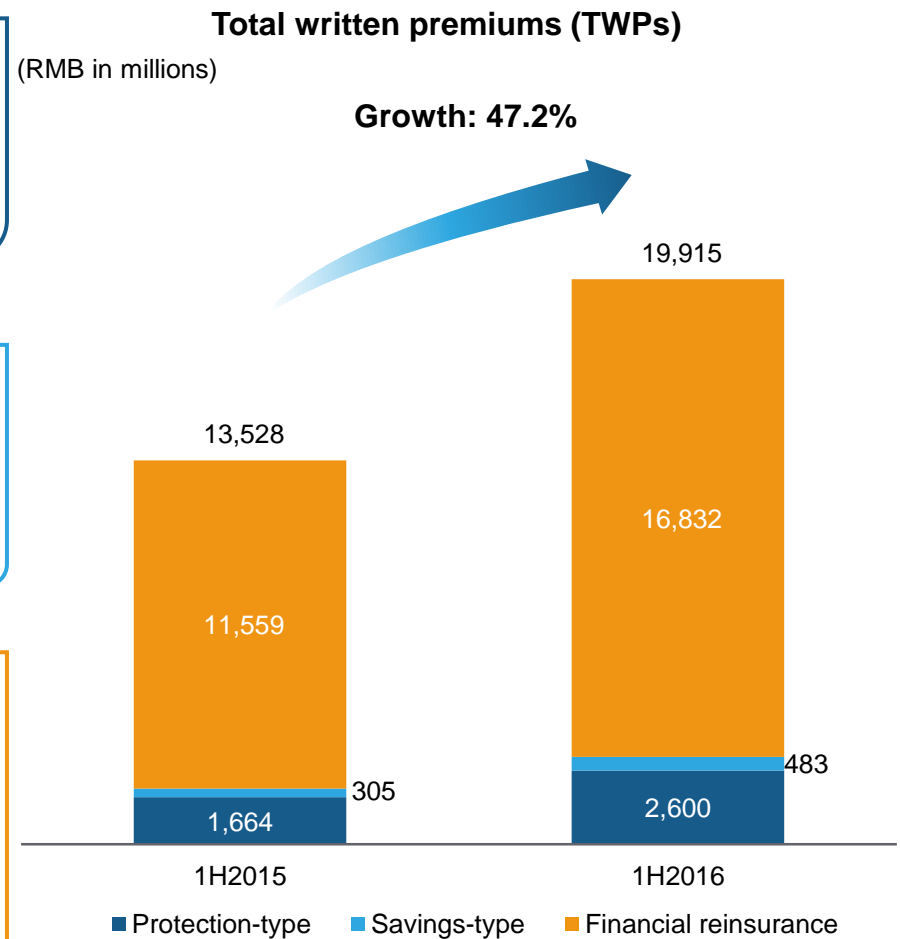
- Strengthened cancer and self-drive insurance continuously, while protection-type reinsurance realized significant growth in business volume as compared to 1H2015
- Enhanced data analysis, focused on risk control, monitored business quality, and promptly adjusted conditions of reinsurance contracts to achieve effective growth

### Savings-type reinsurance

- While emphasizing business selection and cost control as well as promoting single premium universal life reinsurance business amidst the downward trend of RMB-denominated asset return, the TWPs from domestic savings-type reinsurance business maintained steady growth

### Financial reinsurance

- Captured the business opportunities emerging from the implementation of C-ROSS, leveraged technical strengths, and took the lead in the innovation of financial reinsurance business model
- Achieved significant growth in financial reinsurance business in terms of both business volume and return, and further consolidated our leading position in the financial reinsurance market



Note: Premium data on this page refers to China Re Life specifically, and savings-type business includes domestic savings-type universal life reinsurance



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

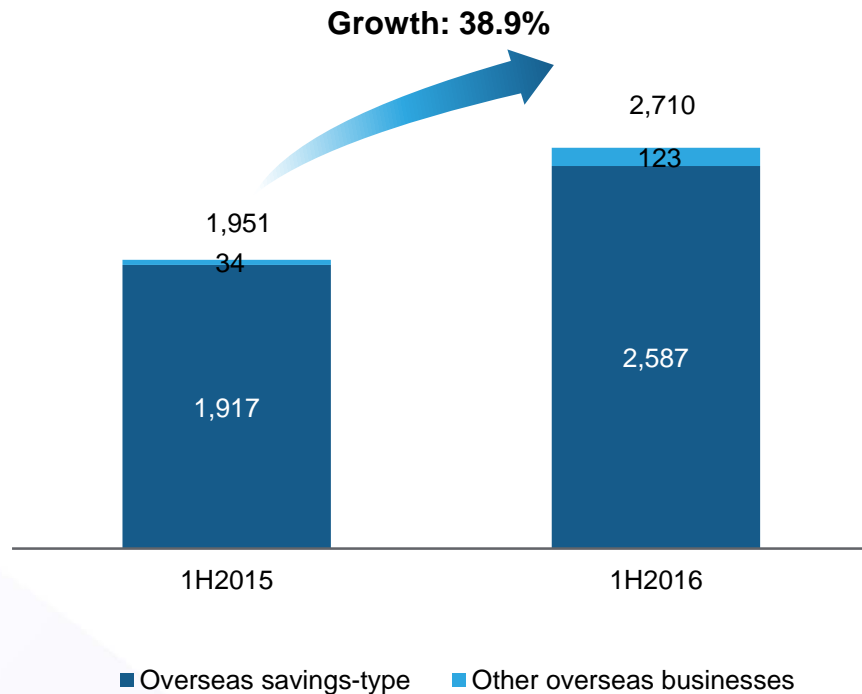
## Actively develop foreign currency business and achieved significant growth of overseas traditional savings-type reinsurance business

Overseas business with a focus on savings-type reinsurance

Significant growth of overseas traditional savings-type reinsurance driven by foreign currency denominated contracts

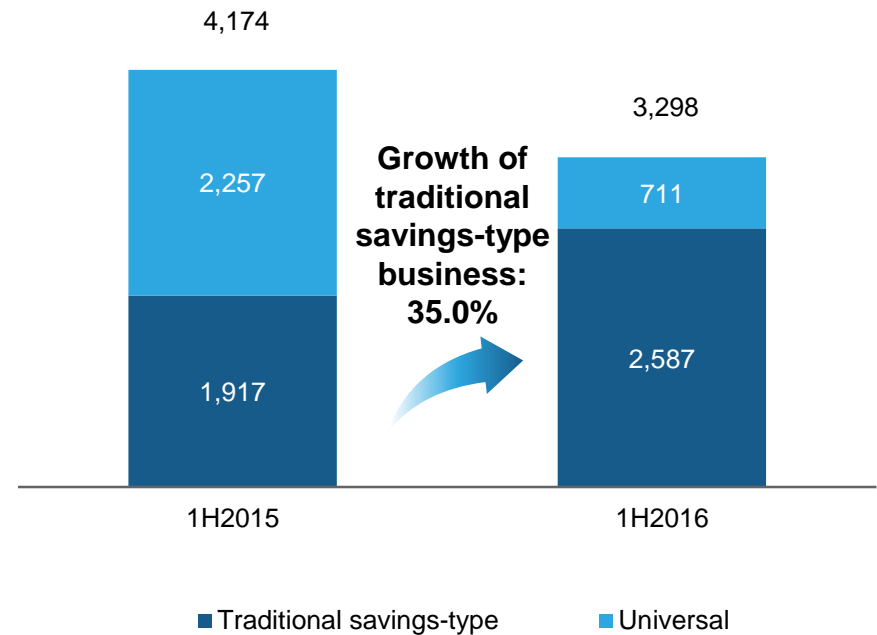
(RMB in millions)

Reinsurance premium income



(RMB in millions)

Total written premiums (TWPs)



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



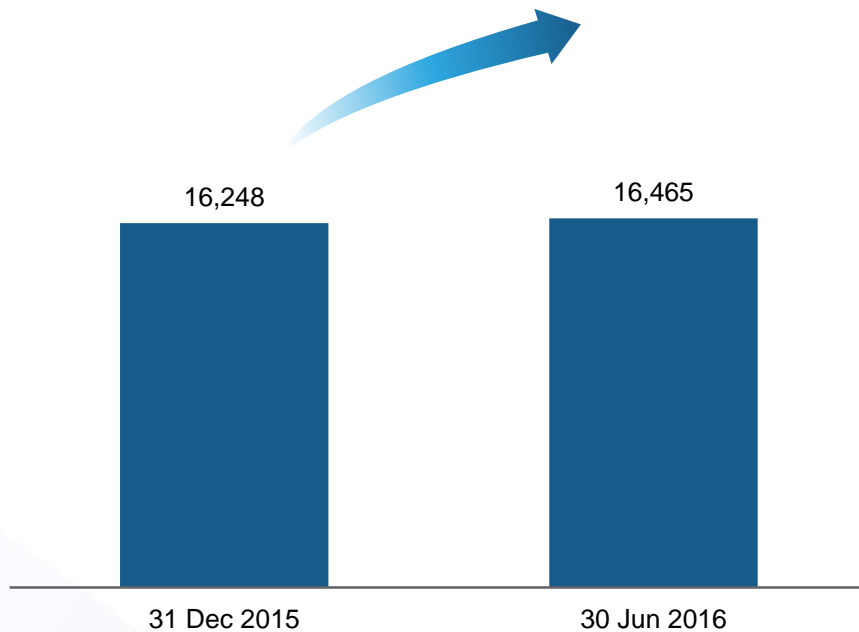
# Life and health reinsurance business (4/4)

An increase of 1.3% in embedded value from 2015YE and 7.9% growth in the value of one year's new business

## Embedded value

(RMB in millions)

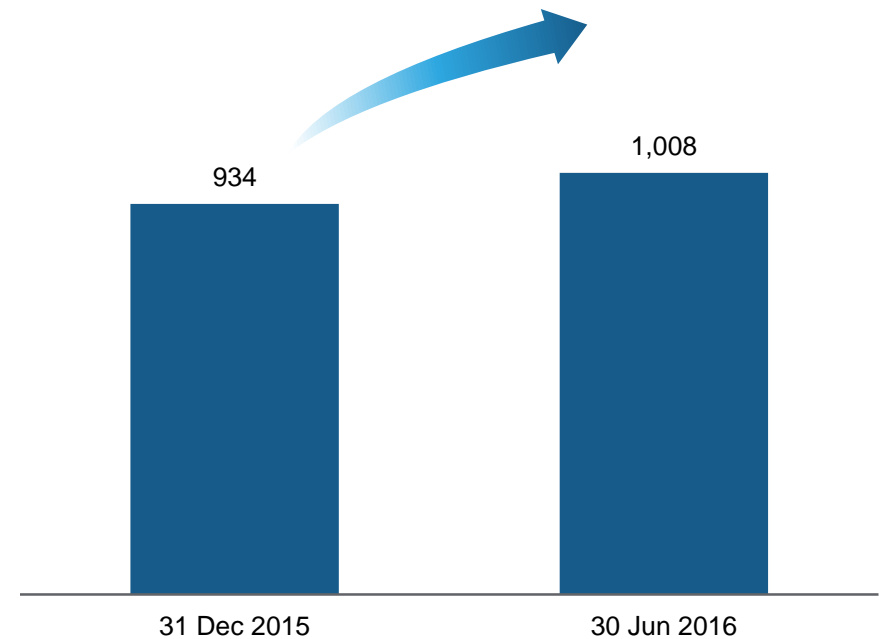
Growth: 1.3%



## The value of one year's new business

(RMB in millions)

Growth: 7.9%



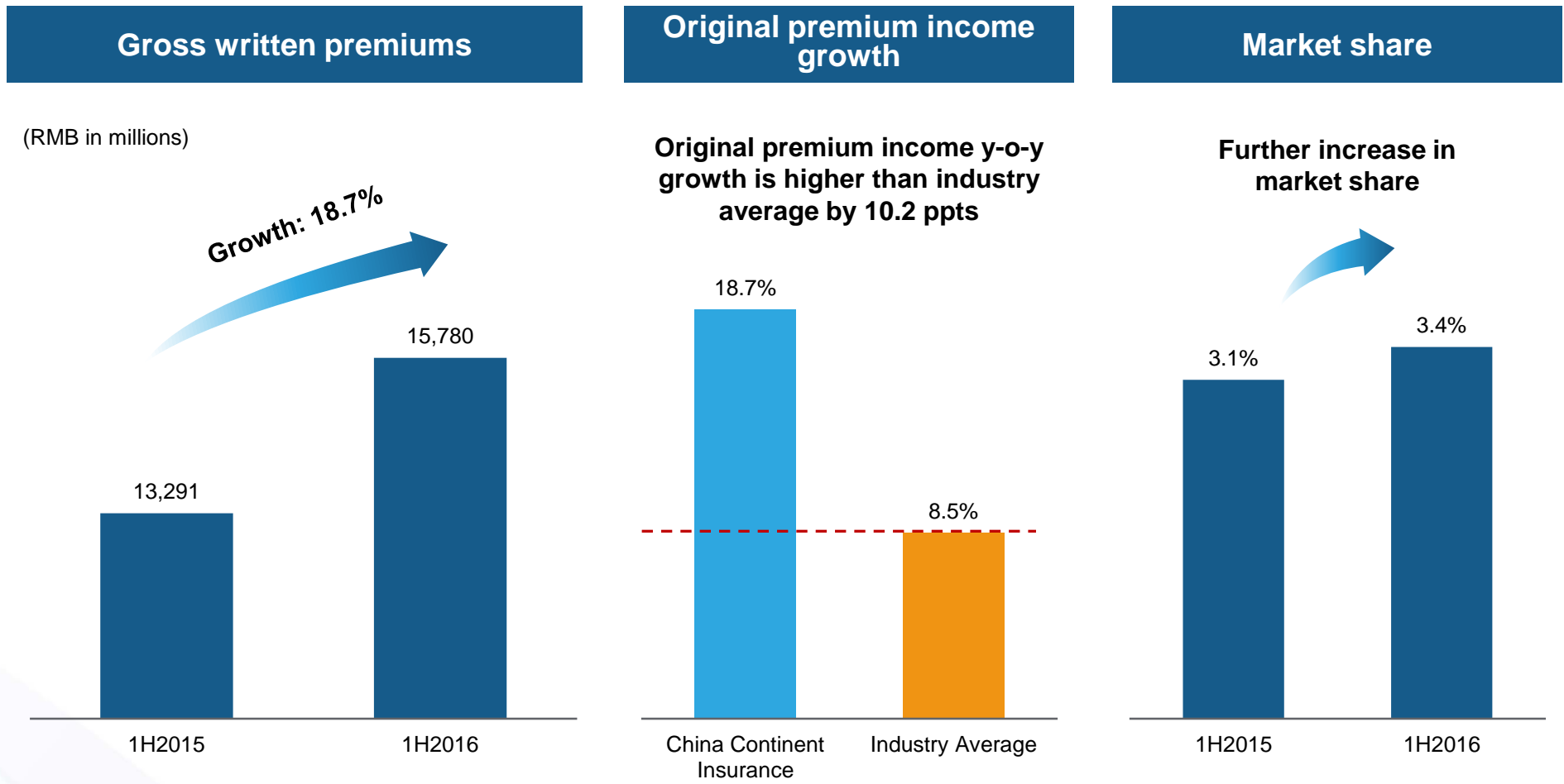
Note: Assuming risk discount rate as 11%





# Primary P&C insurance (1/3)

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



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.

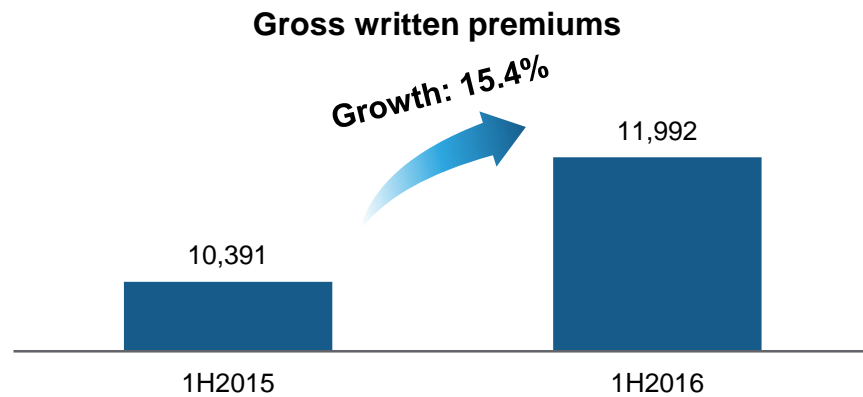


# Primary P&C insurance (2/3)

## Comprehensive development in all product business

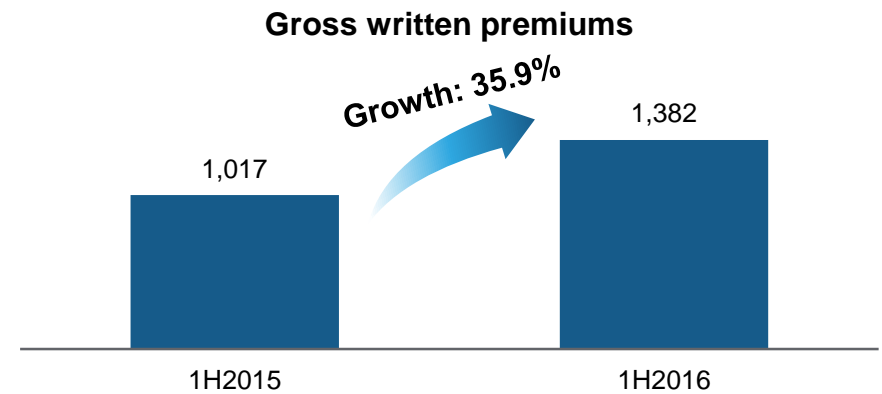
### Motor insurance: optimization of business structure with the healthy growth of motor insurance

(RMB in millions)



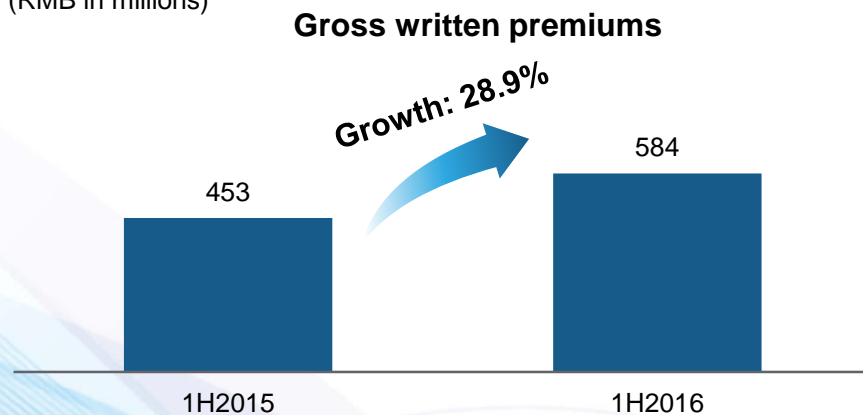
### Accident and short-term health insurance: rapid growth by development of innovative business

(RMB in millions)



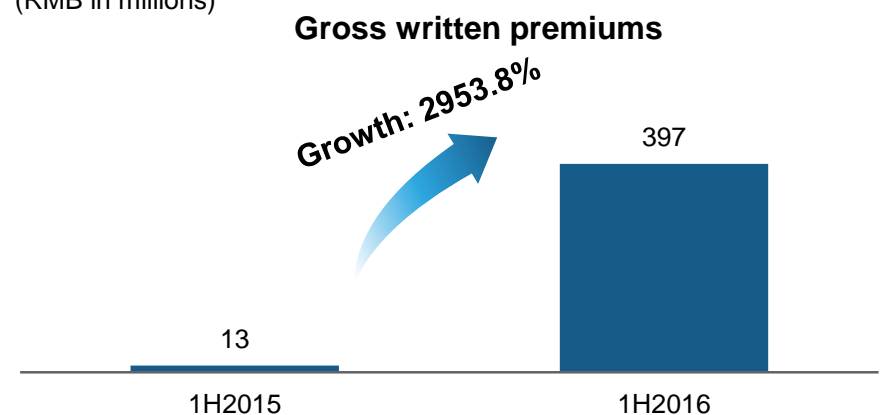
### Liability insurance: rapid growth through product innovations

(RMB in millions)



### Surety insurance: breakthrough in personal loan surety insurance business

(RMB in millions)

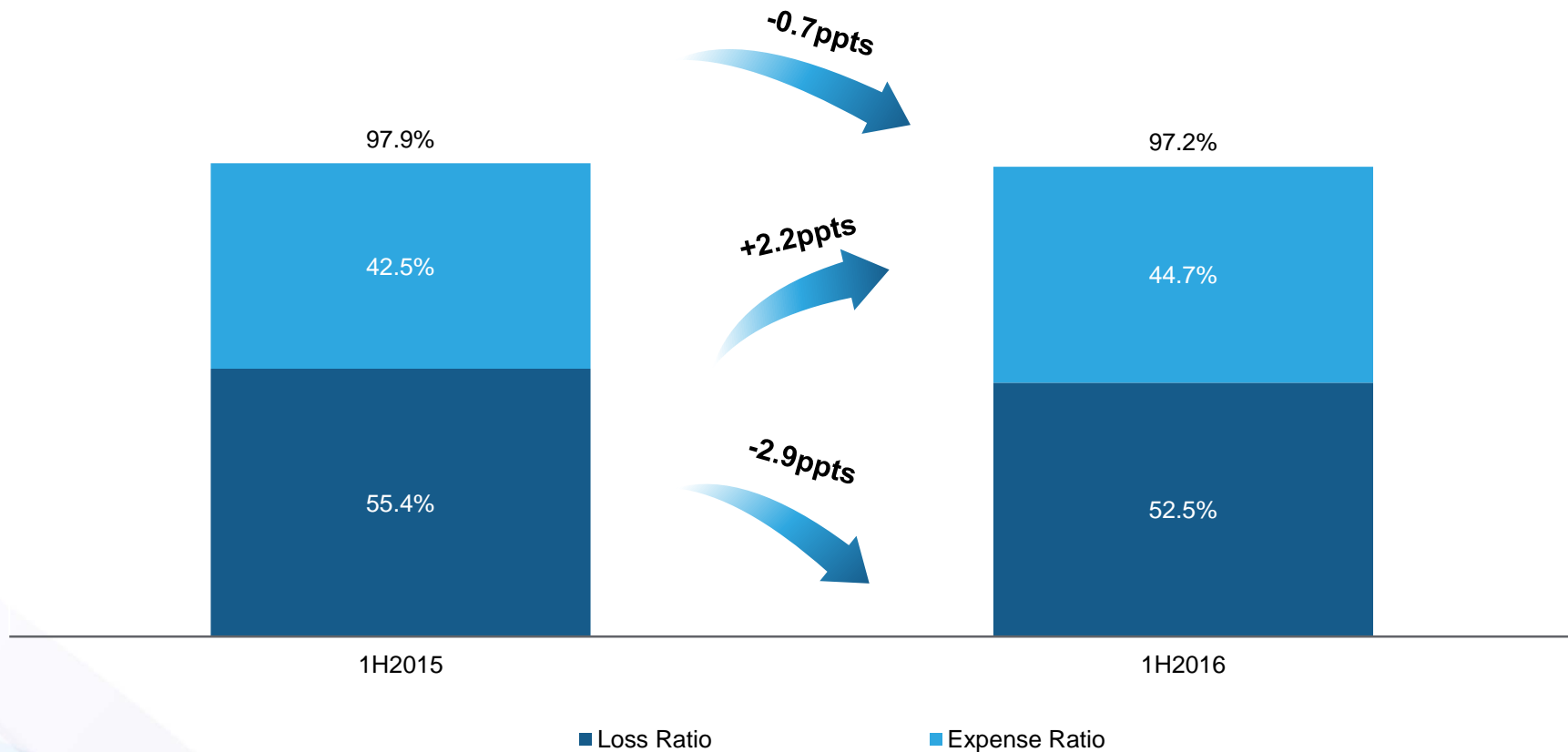




# Primary P&C insurance (3/3)

## Significant decrease in combined ratio due to the optimization of the business structure

### Combined ratio

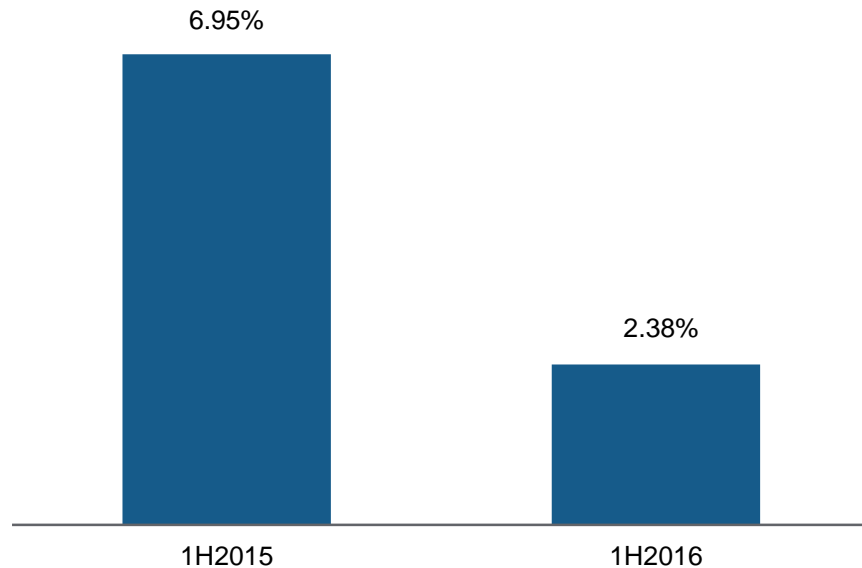




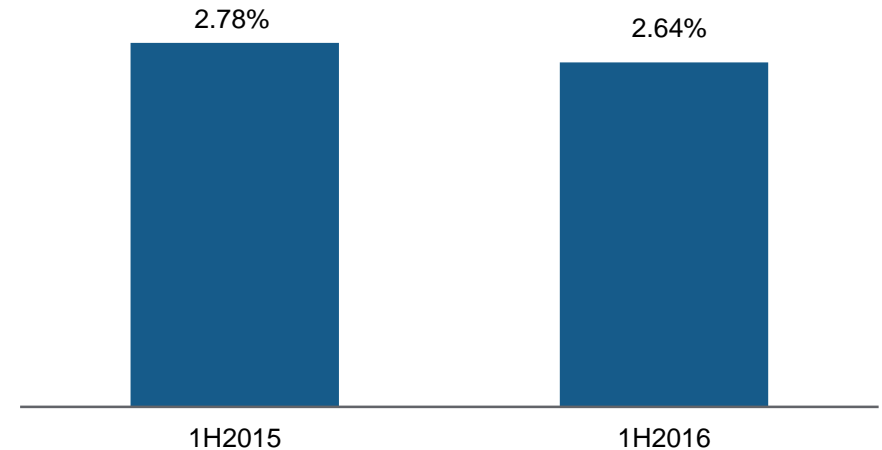
# Asset management (1/3)

## Total investment yield decreased while net investment yield remained largely stable

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, dividends and rental income + share of profit of associates

All investment yields are not annualized

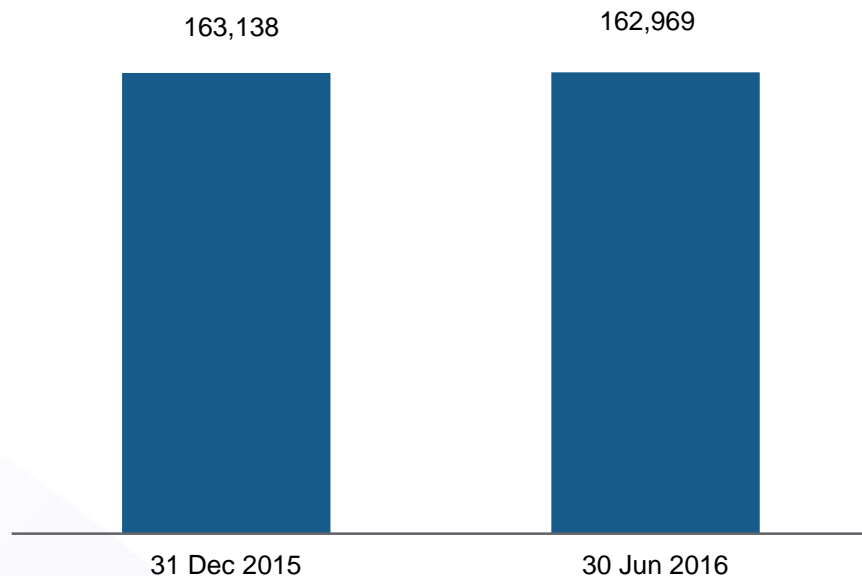


# Asset management (2/3)

## Prudent asset allocation with a further improved investment portfolio

### Total investment assets

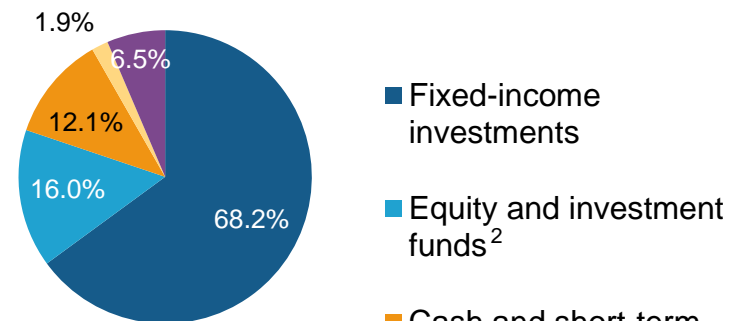
(RMB in millions)



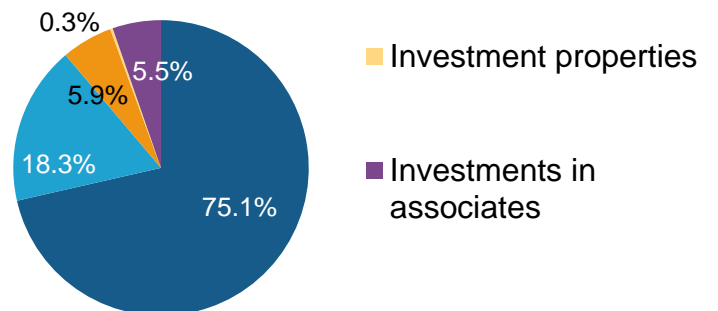
### Asset allocation structure

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

##### As of 30 June 2016



##### As of 30 June 2015



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



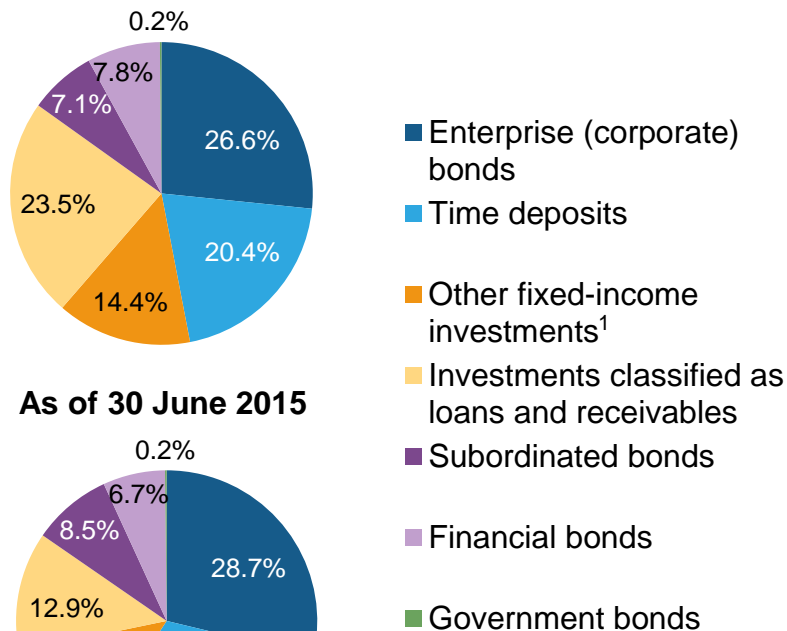


# Asset management (3/3)

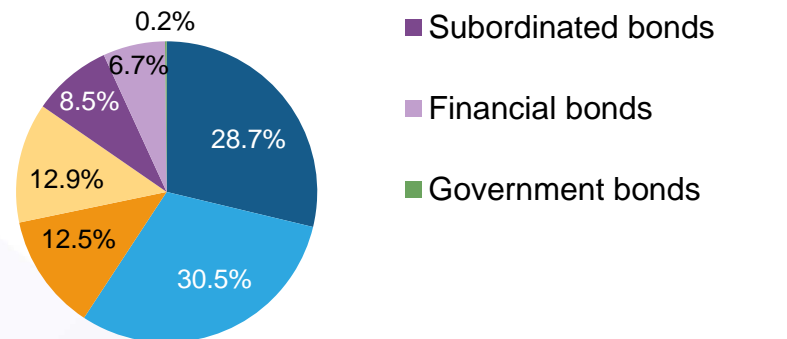
## Prudent fixed-income asset and equity investment allocation

### Breakdown of fixed-income investments

As of 30 June 2016

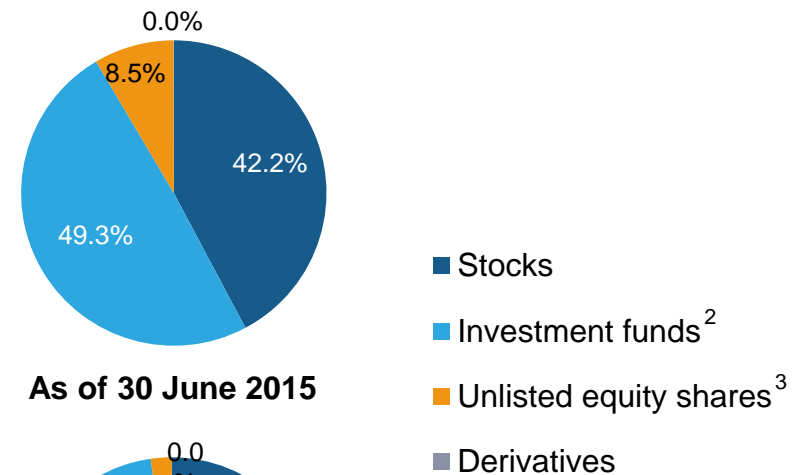


As of 30 June 2015

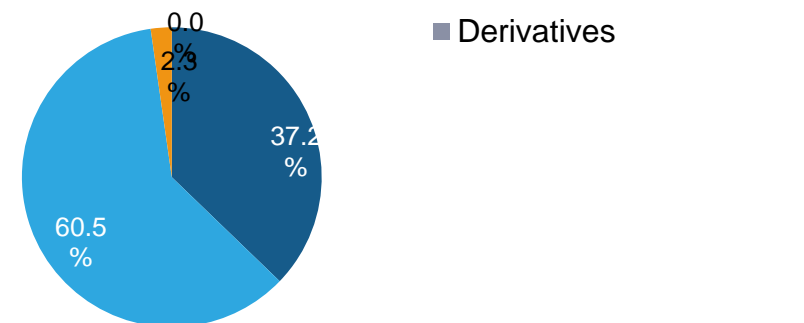


### Breakdown of equity and investment funds

As of 30 June 2016



As of 30 June 2015



Note:

1. Other fixed-income investments primarily include financial assets held under resale agreements, statutory deposits, policy loans, financial products, asset management products and debt investment schemes
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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# 2H2016 business outlook

## 2H2016 business outlook

Actively respond to the industry transformation and regulatory reform  
Strengthen competitive advantages of the traditional sectors, properly adjust the business risk strategies,  
and upgrade our business structure and operating model

Promote development by innovation to explore new business opportunities and growth points

### Key initiatives

#### Reinsurance segment

- Proactively develop high-value business, grasp the opportunity of market structure adjustment to optimize our business structure
- Actively participate in the design of the policy-support businesses, grasp the development opportunity in policy-support businesses and build up our industry platform to serve the entire insurance industry as the national reinsurance company
- Keep improving our understanding of clients' needs and provide better service, continuously provide quality and effective risk protection and solution to the clients, and to develop differentiated business cooperation model and development strategy under C-ROSS

#### Primary P&C insurance segment

- Enhance our market position and influence in the industry
- Actively build a comprehensive operating system to extend the industry's value chain
- Implement the strategic transition toward a "customer-oriented" business model and seize the opportunities of the "Internet +" initiative, to develop a featured business model with competitive advantages
- Focus on promoting channel specialization, integrating and balancing all business channels, and accelerating the development of personal loan surety insurance business and individual insurance agents business

#### Asset management segment

- Adhere to the healthy and prudent investment philosophy, and improve the investment risk management and control mechanism under C-ROSS
- Continue to optimize our investment assets portfolio, increase the portion of investment assets which are not impacted by secondary market fluctuation, and further enhance our medium-and-long term investment yield
- Further establish a market-oriented institutional mechanism, promote the establishment of professional platform and further enhance the professional investment ability

Provide long-term and competitive returns to our shareholders

# Q&A





## Appendix: Key financials and operating data

Unit: RMB in millions (unless otherwise stated)	1H2016	1H2015	Change
Gross written premiums	50,340	43,048	16.9%
P&C reinsurance	12,903	14,813	(12.9)%
Life and health reinsurance	22,302	15,543	43.5%
Primary P&C insurance	15,780	13,291	18.7%
Net profit	2,754	6,682	(58.8)%
Net profit attributable to equity shareholders of the Company	2,699	6,578	(59.0)%
Earnings per share (RMB)	0.06	0.18	(64.8)%
Weighted average return on equity	3.87%	11.65%	(7.78)ppts
Total investment yield	2.38%	6.95%	(4.57)ppts





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

Unit: RMB in millions (unless otherwise stated)	30 June 2016	31 December 2015	Change
Total assets	214,179	328,993	(34.9)%
Total liabilities	144,041	258,036	(44.2)%
Total equity	70,138	70,957	(1.2)%
Net assets per share (RMB)	1.63	1.65	(1.2)%
Core solvency adequacy ratio	281%	329%	(48)ppts
Aggregate solvency adequacy ratio	281%	329%	(48)ppts
Embedded value of life and health reinsurance business	16,465	16,248	1.3%
Value of one year's new business	1,008	934	7.9%
Total investment assets	162,969	163,138	-0.1%

Note:

1. Net assets per share is attributable to equity shareholders of the Company
2. Assume the risk discount rate to be 11.0% for embedded value and new business value