

2023 Annual Results Announcement China Pacific Insurance (Group) Co., Ltd.

March 29, 2024

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Overview

In 2023, China's economic recovery stayed on track. Government supportive policies help unlock the potential of economic development. The China's economy boasts potential, resilience and dynamism, with increasingly positive outlook in the long term. Meanwhile, the reform of China's financial regulatory system supports the return of the industry's value proposition to protection, effectively prevents and mitigates major risks, and is conducive to industry's healthy and sustainable development.

In the face of challenges and opportunities, we adhered to high-quality development, deepened transformation, and delivered a stable business performance, with improved market share, steady progress in value-creating capabilities and further breakthroughs in key areas, which consolidated the foundation of sustainable development. We stayed committed to serving customer needs, forged ahead in a pioneering spirit, with greater resilience for development and an even more reassuring outlook for long-term value growth.

Stable overall business performance with continued growth of comprehensive strength

(unit: RMB yuan)

Group insurance
revenue

266.167bn

+6.6% ↗

Group OPAT^{note1,2}

35.518bn

-0.4% ↘

Group net profit^{note1,2}

27.257bn

-27.1% ↘

Group EV

529.493bn

+1.9% ↗

Group number
of customers

180mn

+5.5% ↗

Group AuM^{note2}

2,922.308bn

+10.1% ↗

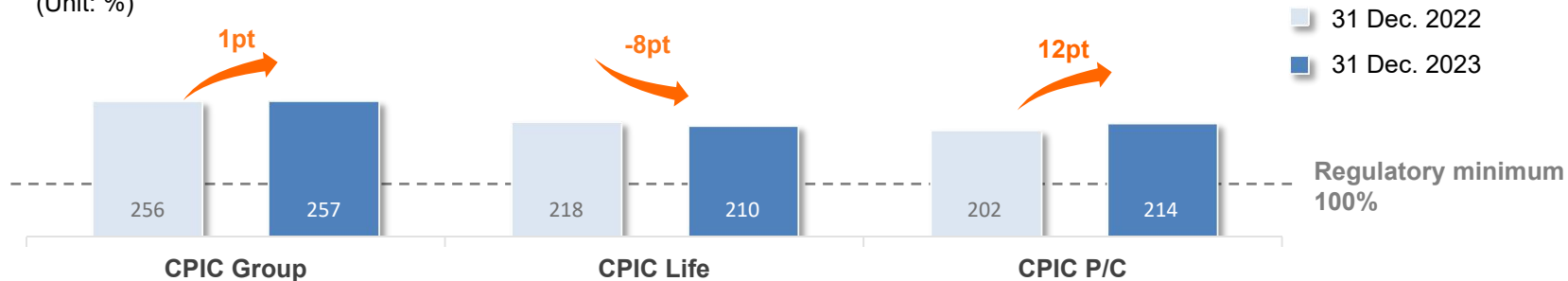
Notes: 1) Attributable to shareholders of the parent.

2) Figures for comparative periods have been restated.

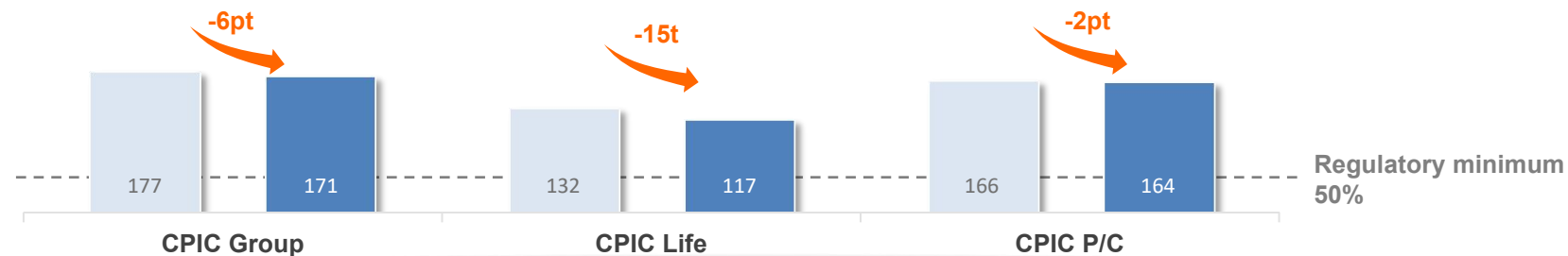
Sound solvency positions under C-ROSS II

Comprehensive Solvency Margin Ratio

(Unit: %)



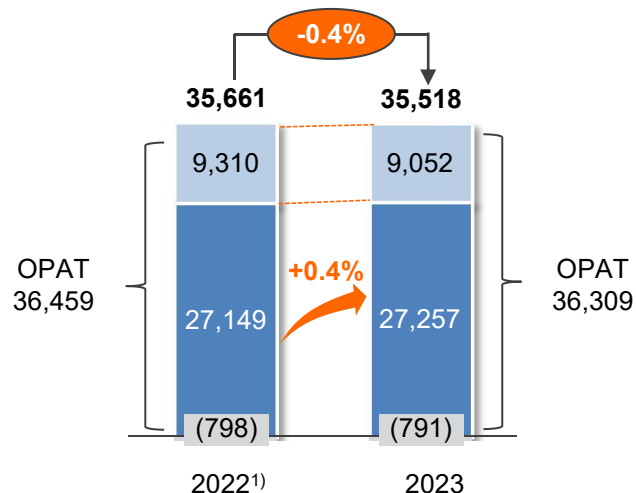
Core Solvency Margin Ratio



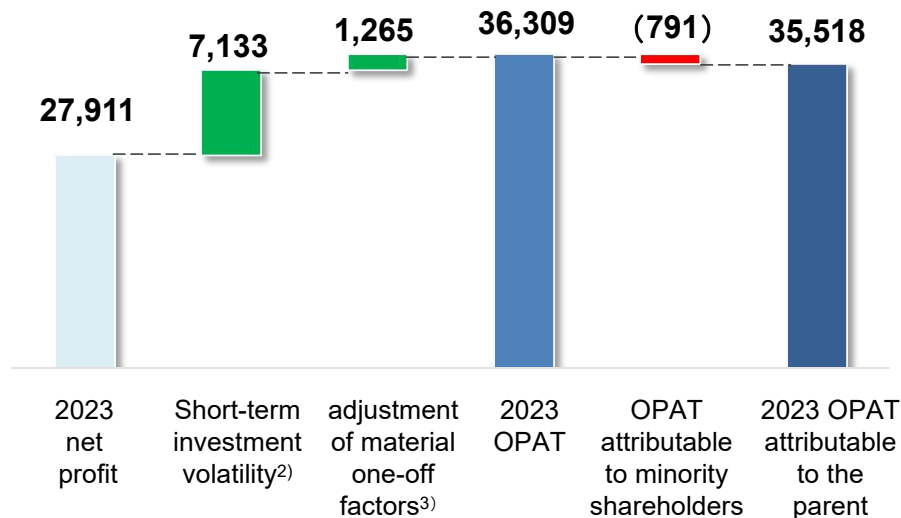
Group OPAT remained stable

(unit: RMB million)

- Others and consolidation offsets
- Life insurance
- OPAT attributable to minority shareholders



OPAT = Net profit - short-term investment volatility - adjustment of material one-off factors



Notes: 1) Figures for comparative periods have been restated.

2) Short-term investment volatility applies to business of CPIC Life, CPIC P/C and CPIC Health, etc., while excluding business based on VFA; it refers to the difference between actual investment income and long-term investment assumptions, while considering the impact of income tax.

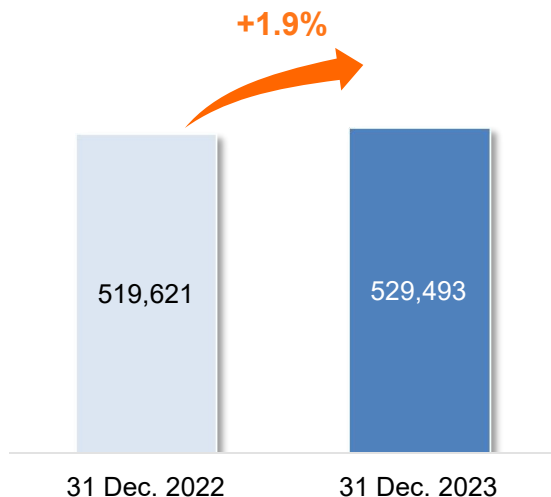
3) Adjustment of material one-off factors includes the difference between deductible amounts for pre-tax profit of the current period and the average deductible amounts for pre-tax profit of the preceding years.

4) Numbers may not add up due to rounding.

Steady growth of Group embedded value(1/2)

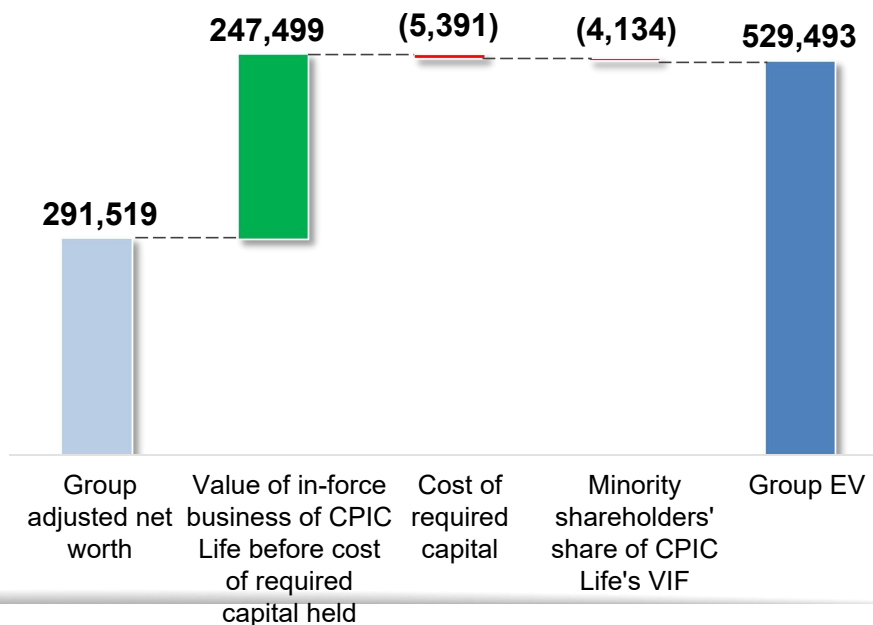
Group EV

(unit: RMB million)



Composition of EV as at 31 December 2023

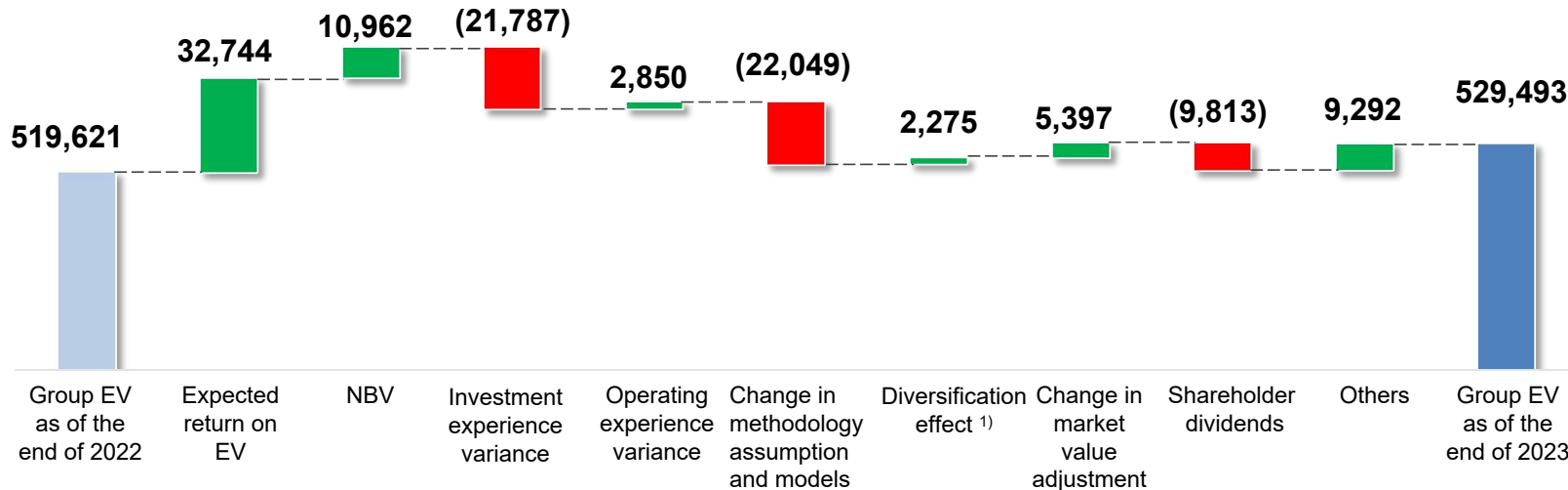
(unit: RMB million)



Steady growth of Group embedded value(2/2)

Movement of Embedded Value in 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 add up due to rounding.

Diversified offering of health service to empower the core business of insurance

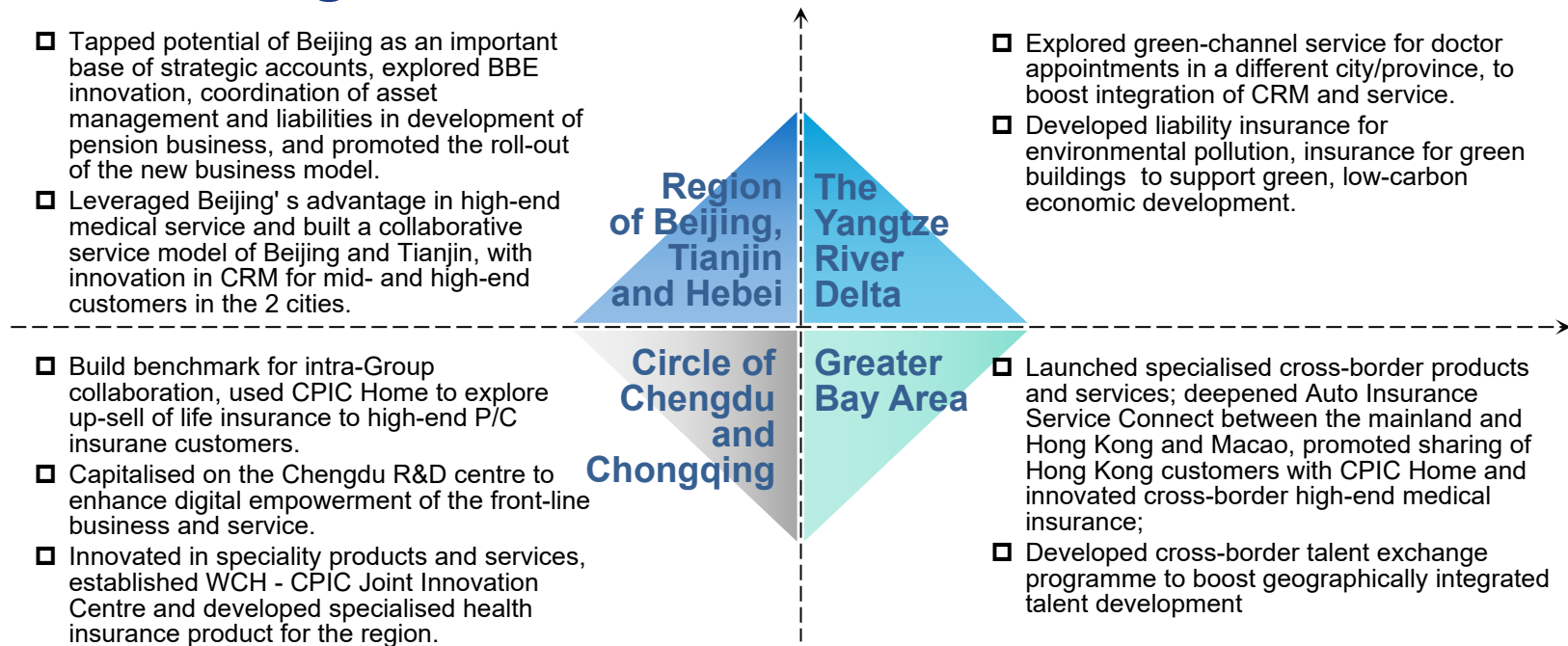
- Upgraded the “*Jinsheng Wuyou*” CI product suite, which can satisfy customers' need for tailor-made products.
- Upgraded “*Lan Yi Bao*”, debuted a tax deferred online medical insurance product for whole-life cancer protection under Lan Yi Bao.
- Launched “*Jia An Xin*”, a medical insurance product for sub-standard risks, covering both healthy people and those with 5 types of chronic illnesses, filling protection gaps of sub-standard risks.



- Supported elderly care based on customer segmentation: as of the end of 2023, 8 **CPIC Home** retirement communities opened for business, including those in Hangzhou and Shanghai; debut of ***Bai Sui Ju***, a one-stop, integrated smart solution for home-based, old-age nursing.
- Increased use of specialty service programmes, particularly health management service for individual customers and households; upgraded **CPIC Blue Passport** and launched *Wuyou Guanjia* full-process on-line pro-active service; upgraded **CPIC Family Doctor**, and unveiled Digital Medical Files.
- Heightened cooperation with renowned care providers such as **Ruijin Hospital**, **West China Hospital** and **UFH** for supply of diversified and high-quality medical care.

- Joined hands with Ruijin Hospital to develop service team with capabilities in health management service and elderly care and a brand-new professional image, which is part of the effort to build a career-based, professional agency force.
- Improved customer recognition and supported sales activities of agents via platforms like CPIC Blue, a charity foundation.

Strategy of Regional Integrated Development delivered increasingly tangible benefits as emerging drivers of business growth



Digital Empowerment boosted shift of growth drivers and enhanced high-quality development



Data centre

Based on structure of “3 data centres in 2 places” , achieved cloud computing capacity of “responses within seconds to hundreds of millions of users and real-time computing of all data” .



Smart Operation

Established integrated disaster mitigation and response system, with fast-track loss-adjustment to allocate resources, which improved information transparency, timeliness of rescue efforts and accuracy of claims payment.



Smart Service

Launched Xin Shuang Lu, a remote visual interactive technology, which enabled cloud-based meeting of sales personnel and customers and improved customer experience.



Digital & Intelligent Management

Completed carbon footprint verification of the entire organisation for the first time, established a visualised platform for footprint management on the operation side, with operation carbon footprint management system initially in shape.



Digital Employees

Our 1st Digital Labour up and running in IA, equal to manpower of over 150 IA staff, with efficiency improved by 10%.

Promoted CPIC Service and delivered steady increase in customer value contribution

Expanding reach and penetration of individual customer service

- Group number of individual customers
178mn +5.6%
- Number of customers with 2 insurance policies and above
39.55mn +6.8%
- Number of customers with insurance policies by multiple subsidiaries
11.26mn +6.1%
- Number of customers with annualised premiums of over RMB15,000 and above on long-term insurance of CPIC Life
+3.5%
- Number of customers with SA on TPL of auto insurance for family vehicles of RMB1 million and above of CPIC P/C
+6.0%



Optimised service for strategic accounts with innovation in service mode

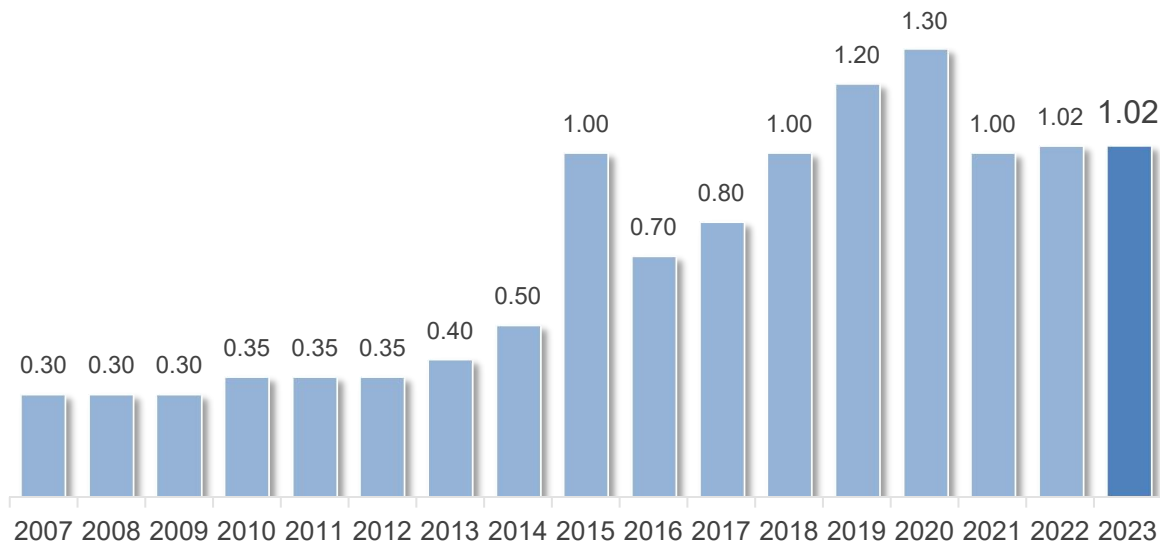
- Number of strategic accounts under Group collaborative development mode
1,009 +207
- Proportion of strategic accounts in agreements with multiple CPIC subsidiaries
61.4% +10.2pt
- Proceeded with the programme of Customised Solutions for Strategic Accounts, built BBE product/service system, which provides off-line experience scenarios and on-line direct access.

CPIC P/C and CPIC Life both ranked high at the regulatory evaluation of consumer rights protection and the Insurance Service Quality Index.

Maintained steady and prudent dividend levels since listing

DPS

(unit: RMB yuan)



We are committed to generating long-term, stable returns for shareholders, with cumulative dividends paid out totalling **RMB108.891bn** since IPO in 2007, creating sustained value for shareholders.

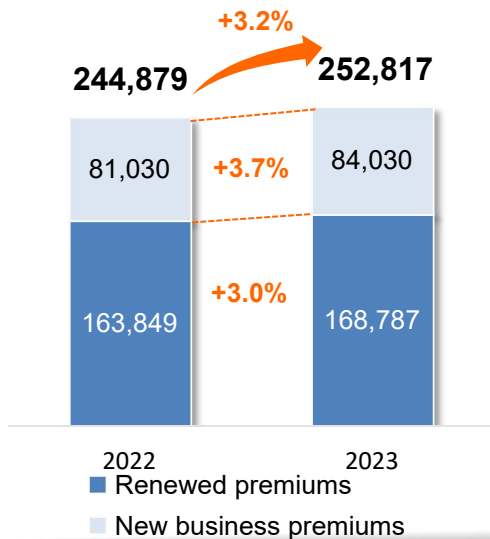
Performance Analysis

Life Insurance (1/3)

Deepened Changhang Transformation, with steady premium growth and robust NBV performance

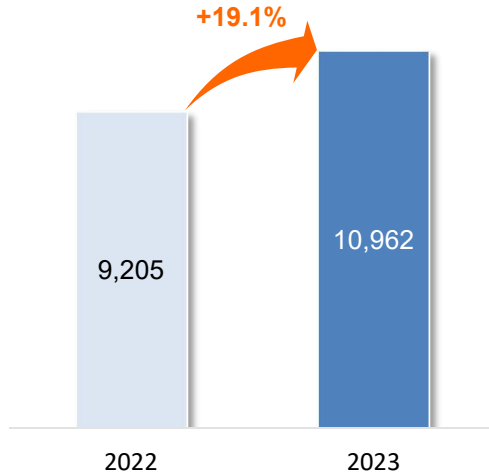
Written Premiums

(unit: RMB million)



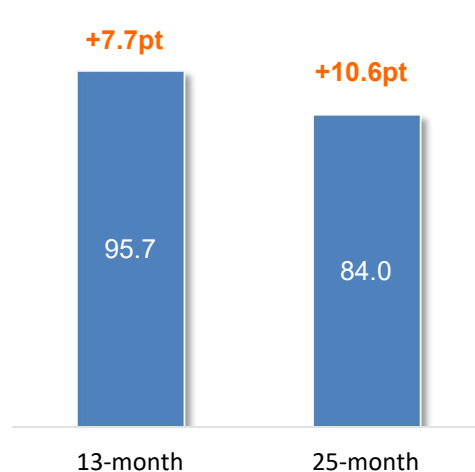
NBV^{note}

(unit: RMB million)



Policy Persistency Ratio of Individual Customers

(unit: %)



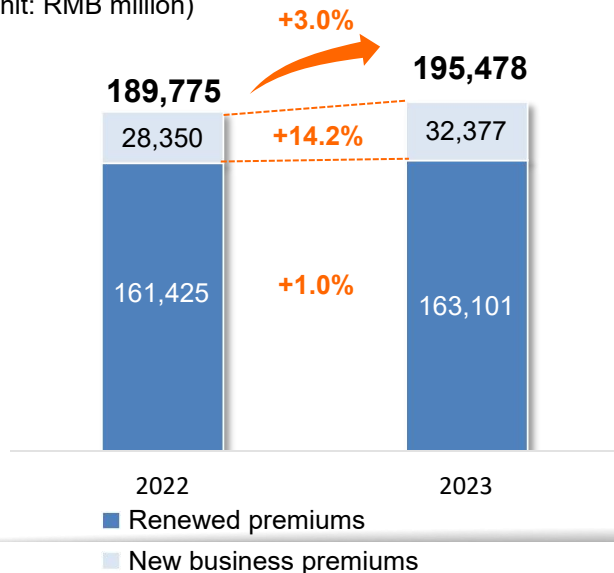
Note: NBV grew by 30.8% before adjusting for changes to economic assumptions and evaluation methods at the end of 2023.

Life Insurance (2/3)

Agency channel committed to supply of personalised products/services, with better agency force quality and mix, helping with steady business growth

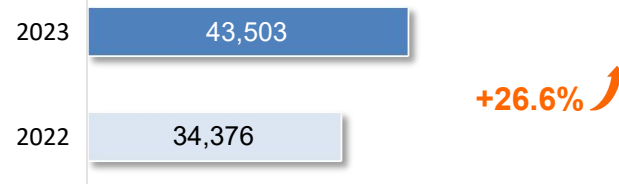
Written Premiums from Agency Channel

(unit: RMB million)



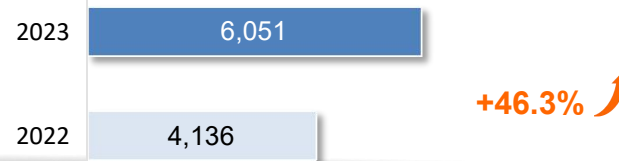
Monthly Average FYP per Core Agent

(Unit: RMB yuan)



Monthly Average FYC per Core Agent

(Unit: RMB yuan)

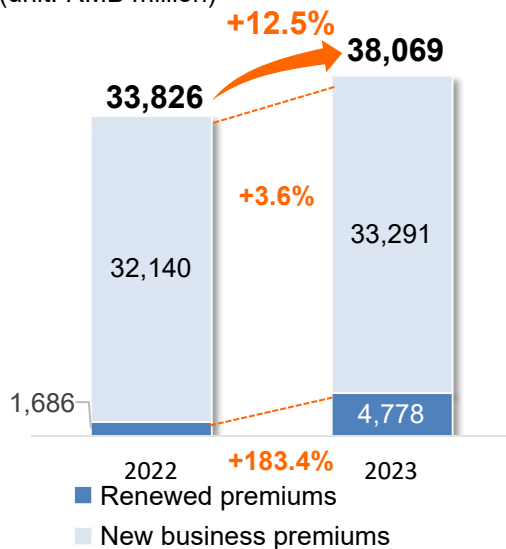


Life Insurance (3/3)

Bancassurance stayed focused on value creation, fostered new value growth drivers with diversification of customer segments

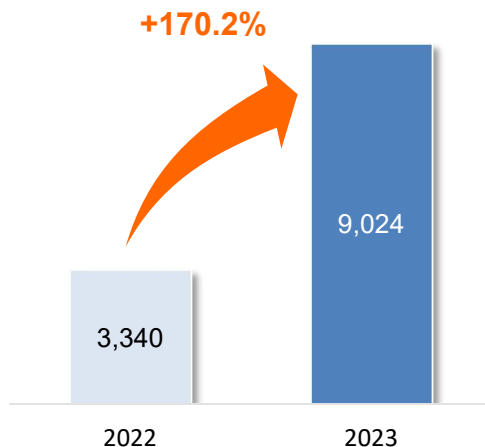
Written Premiums from Bancassurance

(unit: RMB million)



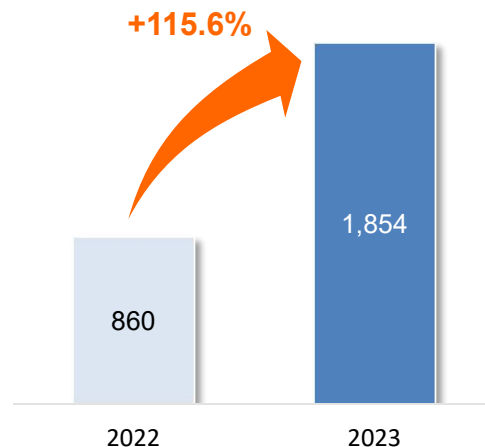
First-year Regular-pay Written Premiums from Bancassurance

(unit: RMB million)



NBV from Bancassurance

(unit: RMB million)

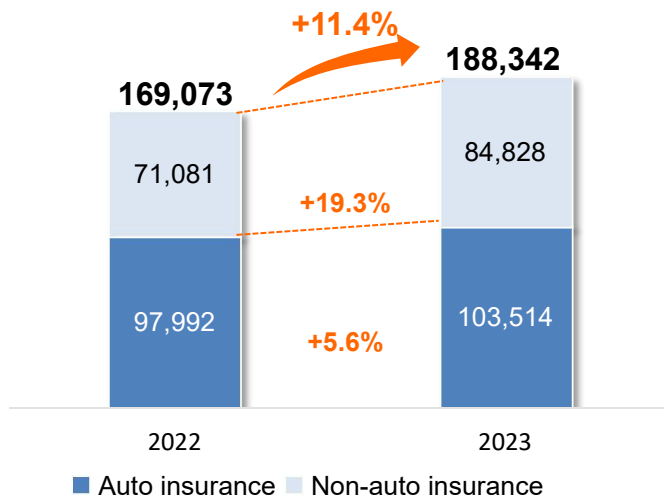


P/C Insurance (1/3)

Accelerated sustainable development strategy, with rapid premium growth and solid underwriting profitability

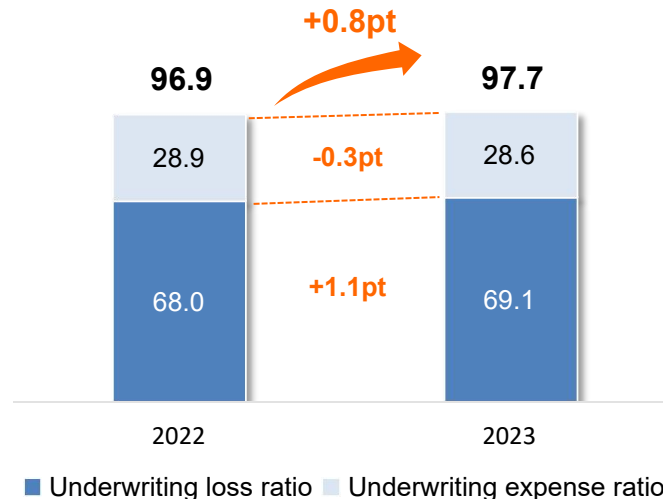
Primary Premium Income

(unit: RMB million)



Underwriting Combined Ratio

(unit: %)



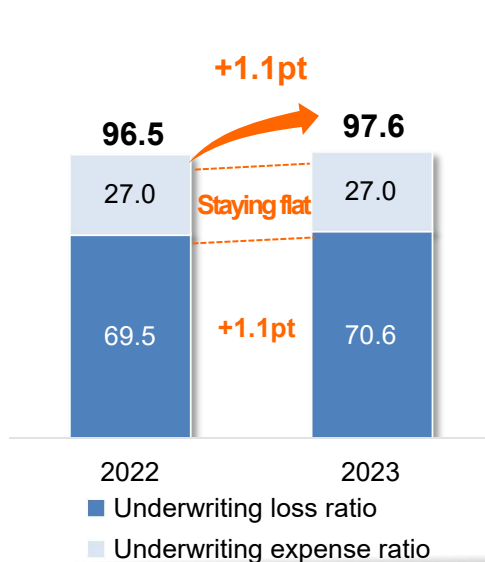
Note: The property and casualty insurance on this slide refers only to CPIC P/C.

P/C Insurance (2/3)

Maintained sound profitability in auto insurance, with improvement in precise management

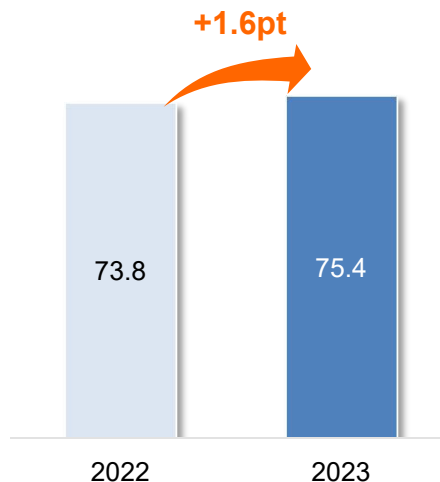
Underwriting Combined Ratio of Auto Insurance

(unit: %)



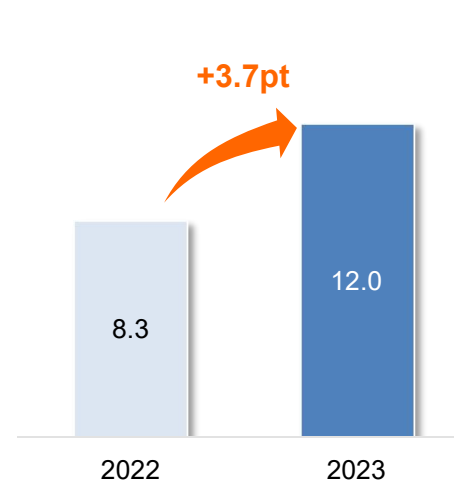
Renewal Ratio of Auto Insurance for Individual Customers

(unit: %)



Share of NEV Premiums

(unit: %)



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

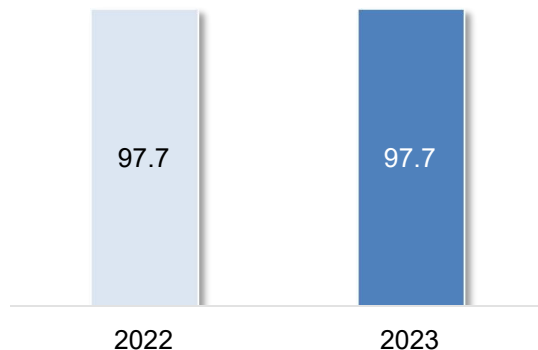
P/C Insurance (3/3)

Cemented foundation of underwriting profitability of non-auto insurance with stable business quality

Underwriting Combined Ratio of Non-auto Insurance

(unit: %)

Staying flat



Health Insurance

Primary Premium Income

RMB17.361bn

+18.6%

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



Liability Insurance

Primary Premium Income

RMB19.657bn

+31.4%

Provided specialised, differentiated and customised insurance products in areas of workplace safety, environmental protection, technology innovation, cyber-security, life sciences and people's well-being.



Agricultural Insurance

Primary Premium Income

RMB17.721bn

+28.8%

Participated in trials of full-cost indemnity insurance, promoted innovative business of "insurance + futures" and "insurance + credit", and continued to strengthen product supply for "sannong".



Commercial Property Insurance

Primary Premium Income

RMB6.813bn

+7.5%

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

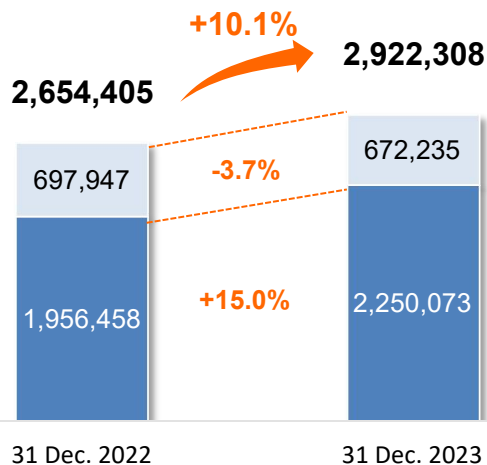
Note: The property and casualty insurance on this slide refers only to CPIC P/C.

Asset Management (1/3)

Steady increase in Group AuM, with SAA sound and stable

Group AuM ¹⁾

(unit: RMB million)



■ Group in-house investment assets

■ Third-party AuM

Notes: 1) Figures for comparative periods have been restated.

2) Debt investment plans mainly include infrastructure and real estate funding projects.

3) 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.

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

5) Refer to differences of data between the end and the start of 2023.

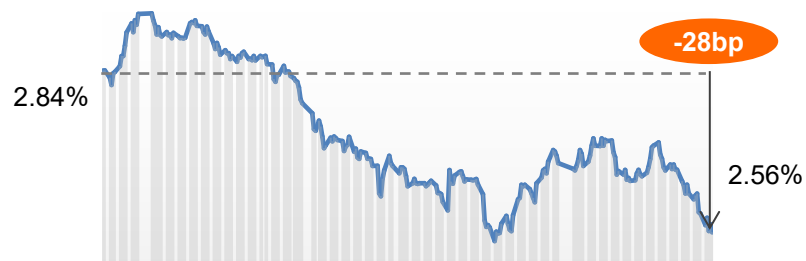
Group in-house investment assets	31 Dec. 2023(%)	Change ⁵⁾ (pt)
Cash and cash equivalents	1.5	(1.2)
Term deposits	7.3	(3.1)
Debt category financial assets	74.5	5.4
Debt securities	51.7	8.7
Bond funds	0.5	(0.1)
Preferred shares	2.1	(0.3)
Debt investment plans ²⁾	13.2	(0.2)
Wealth management products ³⁾	5.0	(1.3)
Others	2.0	(1.4)
Equity category financial assets	14.5	(0.3)
Stocks	8.4	(0.6)
Equity funds	2.3	(0.2)
Wealth management products ³⁾	0.9	0.1
Others	2.9	0.4
Long-term equity investments	1.0	(0.3)
Investment properties	0.5	(0.1)
Other investments⁴⁾	0.7	(0.4)

Asset Management (2/3)

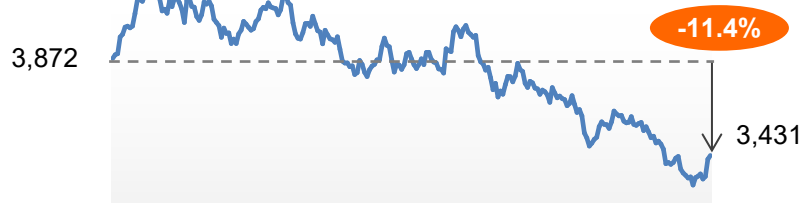
Pro-actively adapted to market volatility, with resilient investment performance

Key Indexes of Capital Market in 2023

Maturity yields on 10-year T-bonds of ChinaBond



CSI 300 Index



Investment Performance^{note}

(unit: %)

	2023	2022
Net investment yield	4.0	4.3
Total investment yield	2.6	4.1
Comprehensive investment yield	2.7	2.3

Note: Certain comparative figures have been adjusted to conform to the presentation of the current period.

Asset Management (3/3)

Overall credit risk of investment assets manageable

External Credit Ratings of Corporate and Non-government-sponsored Bank Financial Bonds

Share of AAA

96.5%

Share of AA and above

99.1%

External Credit Ratings of Non-public Financing Instruments

Share of AAA

97.6%

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	41.7	4.6	8.3	5.4
Communications & transport	16.8	4.5	9.1	5.8
Real estate	14.2	4.8	7.2	4.2
Non-bank financial institutions	12.4	4.9	5.1	1.4
Energy and manufacturing	5.1	4.6	6.8	4.2
Others	9.8	4.8	8.7	5.3
Total	100.0	4.7	7.8	4.7

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

In 2024, there will be both opportunities and challenges for world and China's economy. In the medium and long term, rising per capita income and bolstered consumer confidence will help improve insurance demand; reform and innovation in major area will sustain long-term industry development; the 5 Priorities in Financial Services, namely, technology, green transitioning, inclusive finance, elderly-care provision and digitalisation, and holistic financial regulation underpinned by supervision of institutions, behaviours, functionality, look-through, and continuous supervision, will help with long-term, healthy development of China's insurance market.

Going forward, we will stay committed to the vision of 'being the best in customer experience, business quality and risk control capabilities', and 'leadership in healthy and steady development of the insurance industry'. We'll press ahead with high-quality development, seek progress while ensuring stable fundamentals, enhance the core business segments and consolidate our competitive edge; deepen the 3 Key Strategies, i.e., health care & elderly care management, business development in key regions and technology empowerment to enhance our strategic edge; ensure the prevention of major risks to enhance resilience for sustainable development.

Q&A

Appendix 1: Profit analysis of CPIC Life

(Unit: RMB million)

For 12 months ended 31 December	2023	2022	Changes (%)
Insurance service performance and others	25,886	25,806	0.3
Insurance revenue	85,461	88,590	(3.5)
Insurance service expenses	(57,178)	(59,957)	(4.6)
Total investment income ²⁾	36,708	61,763	(40.6)
Finance underwriting gains/(losses) ³⁾	(41,153)	(56,587)	(27.3)
Investment performance	(4,445)	5,176	(185.9)
Pre-tax profit	21,441	30,982	(30.8)
Income tax	(1,909)	(1,508)	26.6
Net profit	19,532	29,474	(33.7)

- Notes: 1) CPIC Life adopted the new insurance standard and the new financial instruments standards from 1 January 2023. Comparative figures of the prior period are restated according to the requirements of the new standards. According to requirements of the new insurance standard, it adjusted comparative figures of the prior period which related to insurance business. According to requirements of new financial instruments standards, it did not adjust comparative figures of the prior period which related to investment business.
- 2) 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, other asset impairment losses, and taxes and surcharges applicable to investment business.
- 3) Finance underwriting gains/(losses) includes insurance finance expenses for insurance contracts issued and reinsurance finance income for reinsurance contracts held.

Appendix 2: Profit analysis of CPIC P/C

(Unit: RMB million)

For 12 months ended 31 December	2023	2022	Changes (%)
Insurance revenue	177,128	158,483	11.8
Insurance service expenses	(170,240)	(151,229)	12.6
Net income/(losses) from reinsurance contracts held ^{note 1}	(235)	(103)	128.2
Underwriting finance losses and others ²⁾	(2,513)	(2,243)	12.0
Underwriting profit	4,140	4,908	(15.6)
Underwriting combined ratio(%)	97.7	96.9	0.8pt
Total investment income ³⁾	4,780	6,411	(25.4)
Net of other income and expenses	(899)	(863)	4.2
Pre-tax profit	8,021	10,456	(23.3)
Income tax	(1,446)	(2,269)	(36.3)
Net profit	6,575	8,187	(19.7)

Notes: 1) Net income/(losses) from reinsurance contracts held include allocation of reinsurance premiums, 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.

Appendix 3: Sensitivity Analysis

The sensitivity results of the value of in-force business (VIF) and the new business value (NBV) of CPIC Life after cost of required capital held as at 31 December 2023

(Unit: RMB million)

	VIF business	NBV
Base	242,108	10,962
Risk discount rate “+50 basis points”	232,994	10,362
Risk discount rate “-50 basis points”	252,019	11,615
Investment return “+50 basis points”	293,364	14,929
Investment return “-50 basis points”	191,226	6,982
Mortality “+10%”	240,738	10,837
Mortality “-10%”	243,476	11,090
Morbidity “+10%”	233,834	10,670
Lapse and surrender rates “+10%”	244,122	10,844
Lapse and surrender rates “-10%”	239,987	11,096
Expenses “+10%”	238,589	10,395

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

Appendix 4: Honours & Awards

- ◆ CPIC Group maintained ranking of the 5th place among the World's 100 Most Valuable Insurance Brands in 2023 released by Brand Finance.
- ◆ CPIC Group won Outstanding Partner of Hangzhou Asian Games and Asian Para Games jointly granted by the General Administration of Sport of China, China Disabled Persons' Federation, CPC Zhejiang Provincial Committee and Zhejiang Provincial Government.
- ◆ CPIC Group was granted the Best Cases Award at the 2023 Best Practices of the Board of Directors of Listed Companies organised by the Chinese Association of Public Companies.
- ◆ CPIC P/C won the Green Action Annual Award at the 21st Finance and Economic Rankings by Hexun.com.
- ◆ CPIC Life won the Annual Insurance Service Award at the 2023 "Shangzheng - Jinlicai" Annual Awards sponsored by the Shanghai Securities News.
- ◆ CPIC P/C and CPIC Life both ranked high at the Insurance Service Quality Index for the first half of 2023 released by China Banking and Insurance Information Technology Co., Ltd.
- ◆ At the "3rd China Insurance Investment Golden Bull Awards" by China Securities Daily, CPIC AMC won the "Golden Bull Award for Insurance Investment". Its CPIC Excellence Dividend Value Equity Product won the "Golden Bull Award for Portfolio Insurance Asset Management Products (equity)" and CPIC Excellence Product No.9 (pure debt) won the "Golden Bull Award for Portfolio Insurance Asset Management Products (fixed income)".
- ◆ "Tong Xin Yuan", a charitable brand of CPIC Health, won the "2023 China Insurance Ark Award for Social Responsibility" sponsored by the Securities Times.
- ◆ Changjiang Pension won the "Pension Manager of the Year Award" at the 2023 China Financial Value Ranking held by YICAI.

Thanks!