



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

**April 2018**



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# Agenda

**1**

**Overview of 2017 Results**

**2**

**Review of Insurance Business**

**3**

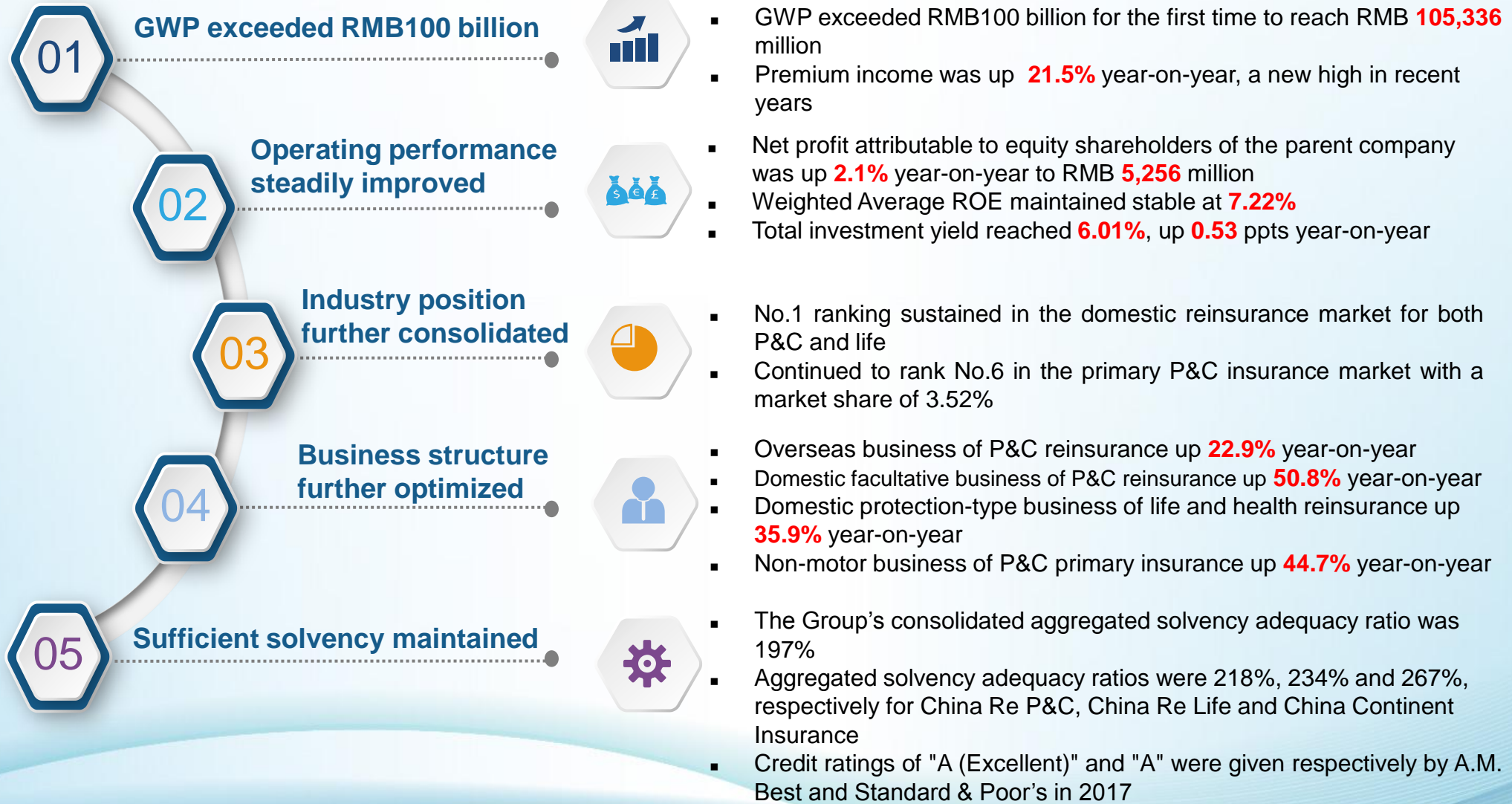
**Review of Investment Business**

**4**

**2018 Outlook**



# Overview: a stable performance with good momentum for growth and further optimization of business structure



Note: Premium data for life and health insurance refers to China Re Life specifically

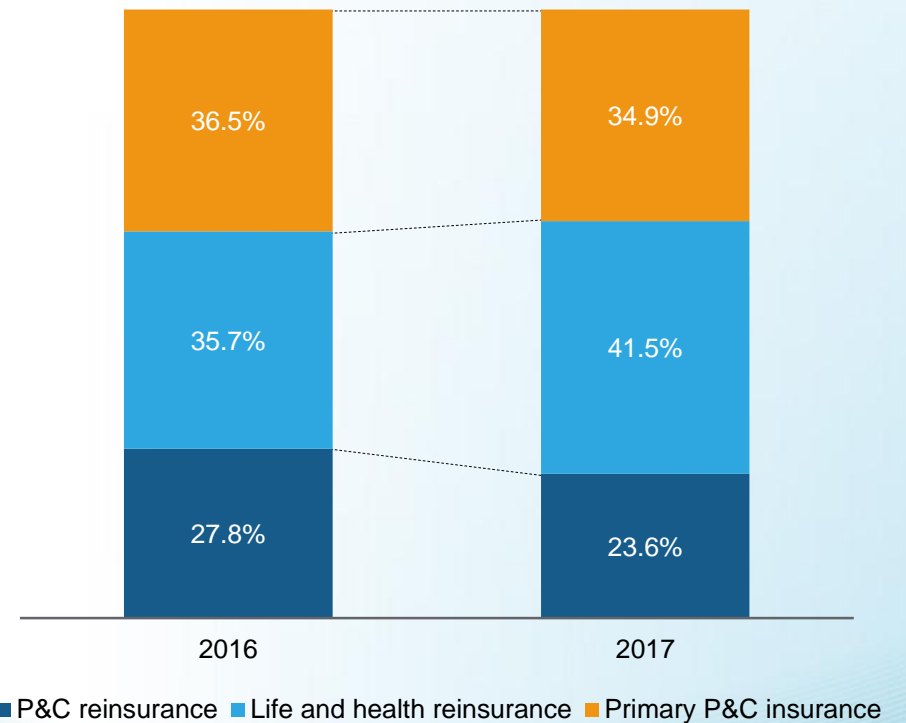
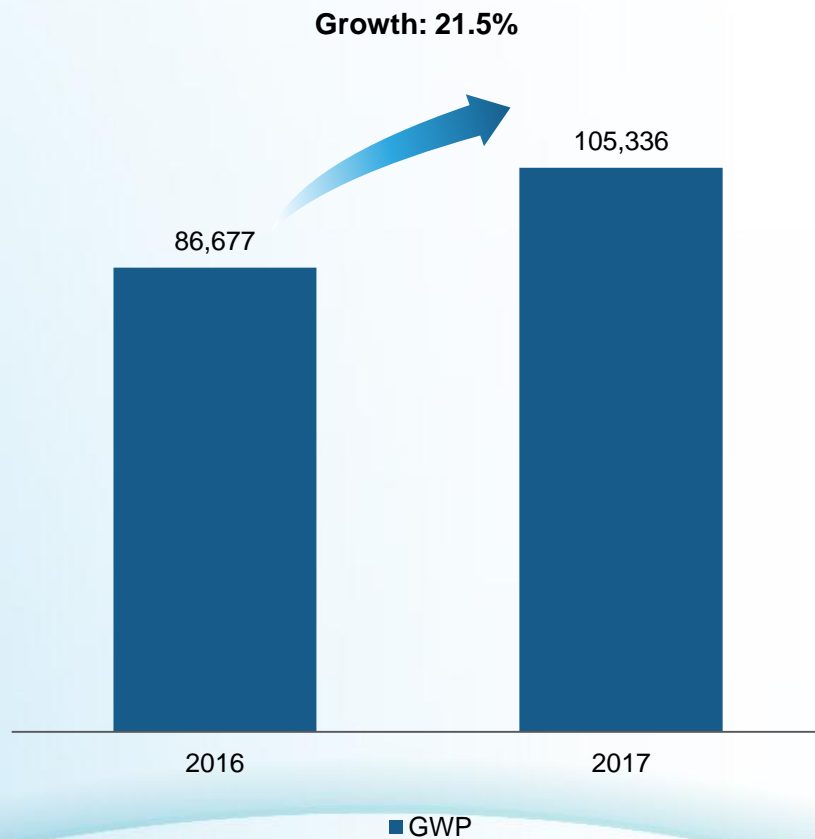


# Financial Performance (1/2)

GWP grew quickly and exceeded RMB100 billion

% GWPs of each business segment

(RMB in millions)



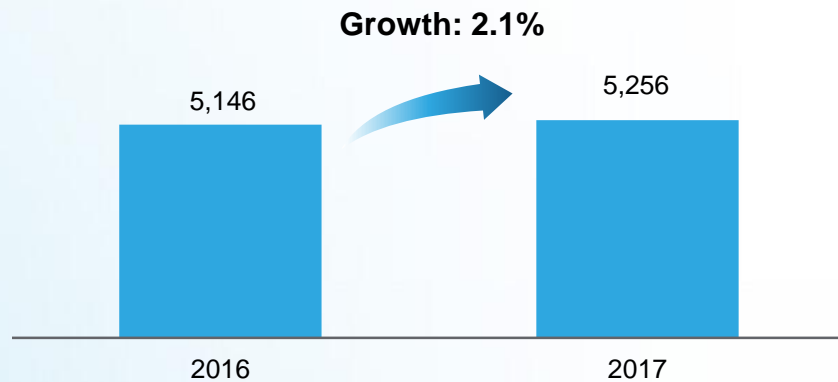
Note: Percentage of GWPs is calculated as segment GWPs/ the Group's consolidated GWP before elimination



# Financial Performance (2/2)

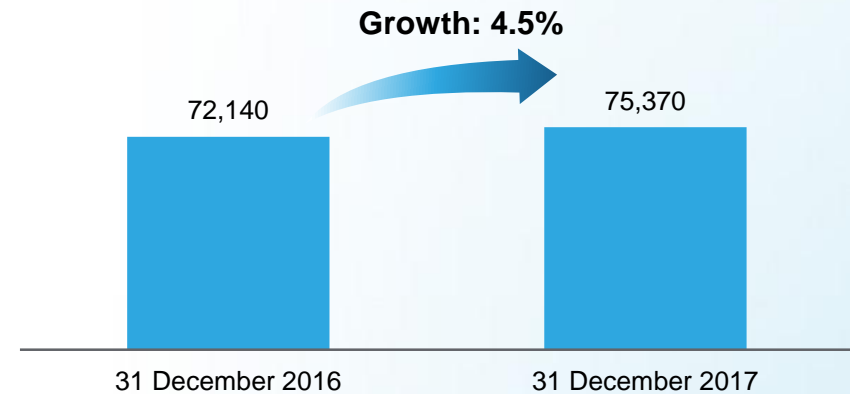
## Net profit attributable to equity shareholders of the parent company increased

(RMB in millions)

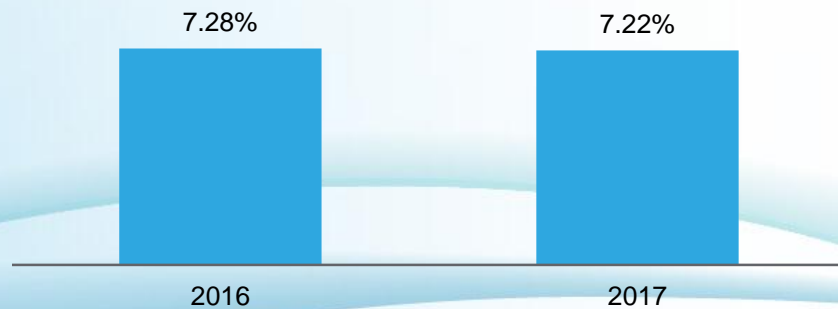


## Net assets increased

(RMB in millions)

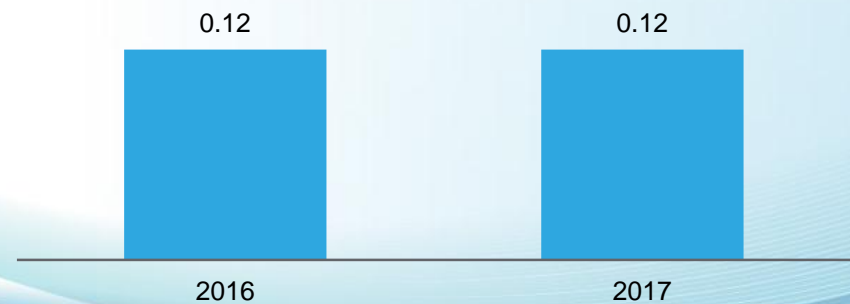


## Weighted Average ROE maintained stable



## Earnings per share maintained stable

(RMB)





# Strategies Implementation(1/6)

## – New progress in core reinsurance business

### Develop “the Belt and Road” business

- Entrusted by the China Insurance Regulatory Commission (CIRC) to complete research on building “the Belt and Road” international insurance and reinsurance pool
- Accepted the invitation of Monetary Authority of Singapore to serve as the administration institution for “the Belt and Road Insurance Consortium” of Singapore
- Signed 26 memorandums of cooperation with external partners with cooperation network covering 118 countries and regions
- Provided risk coverage for landmark projects of “the Belt and Road Initiative”, such as China-Laos railway project and Pakistan photovoltaic project

### Lead industry development based on insurance pools

#### **China Agriculture Reinsurance Pool:**

- Strengthened the risk management function of agricultural catastrophes, and promoted the improvements on CARP’s operation mechanism
- Developed new products to expand the insurance coverage for agriculture-related catastrophic risks

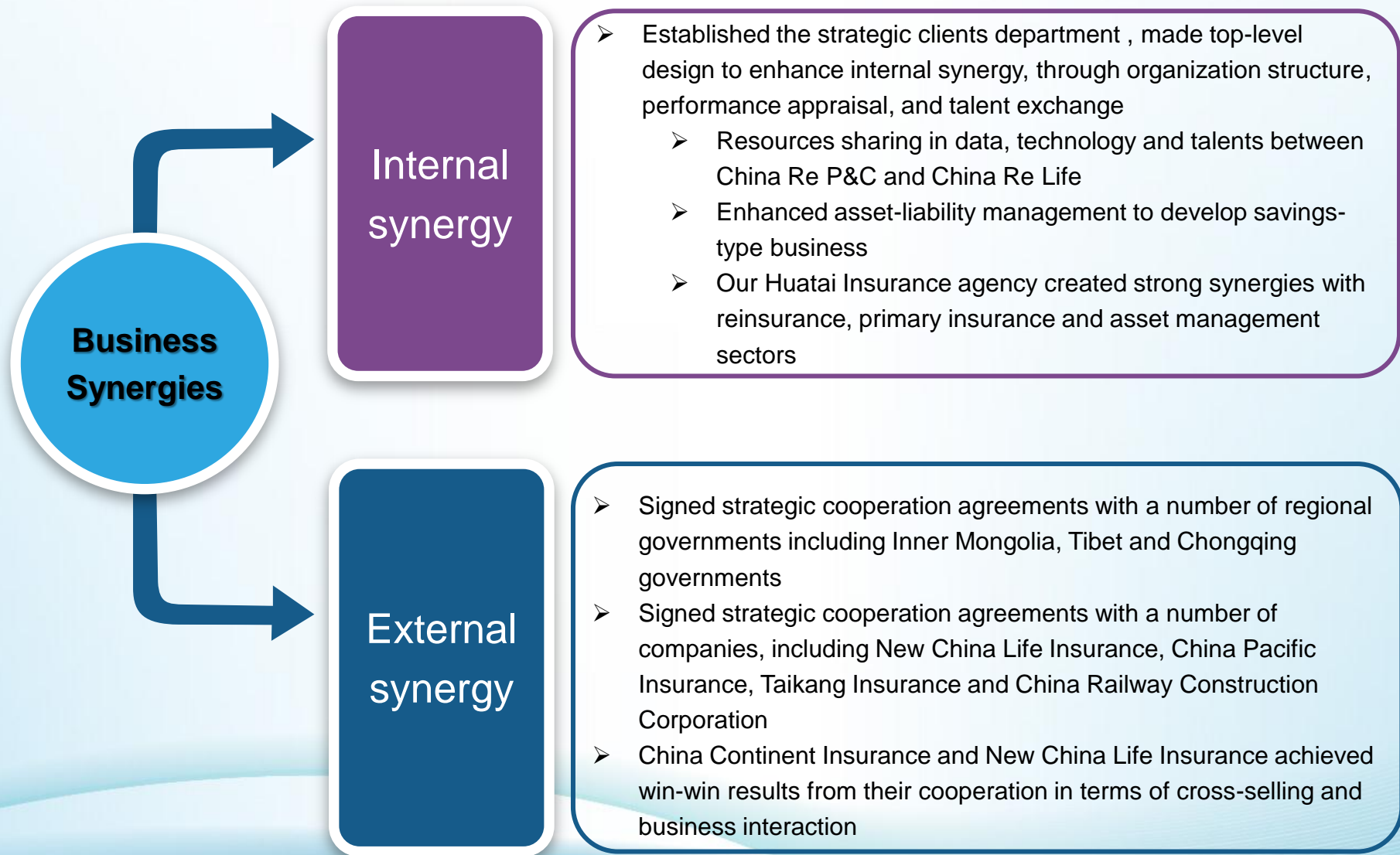
#### **China Nuclear Insurance Pool:**

- Participated in drafting the “Nuclear Safety Law” and designing catastrophe reserves system for nuclear insurance
- Joined the “go-out” alliance related to the nuclear power equipment
- Launched new insurance products, including liability insurance for radiation source pollution



## Strategies Implementation(2/6)

### – New growth momentum in business synergies





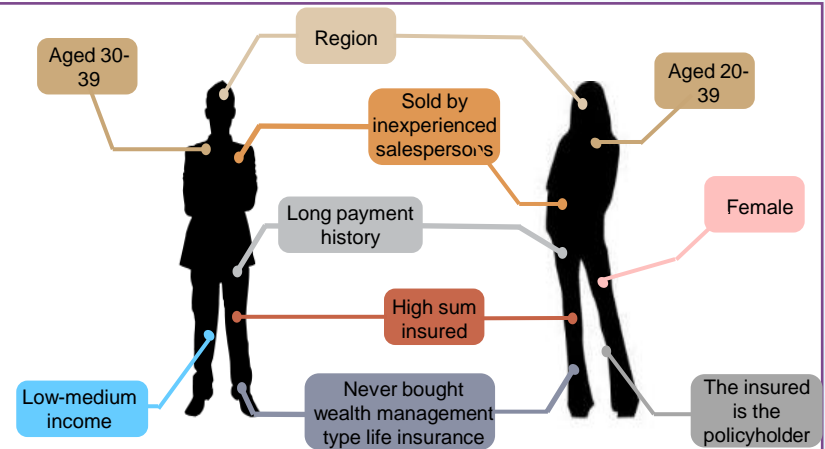


# Strategies Implementation(3/6)

## – New highlights from innovative business

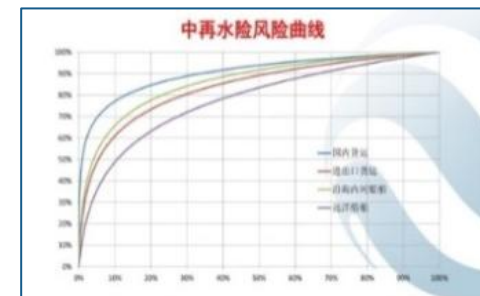
### Business model

- ◆ China Re P&C launched its customer manager system to enhance development of its reinsurance business and improve customer services
- ◆ China Re Life made key progress in its “Data+” strategy, with wider applications of data mining technologies, such as GLM and NLP
- ◆ China Continent Insurance launched CICS, its core strategic program, moving forward with transformation of its business model toward integrated customer-oriented operation system



### Service innovation

- ◆ Released the first set of risk curves for marine insurance for the Chinese insurance industry
- ◆ Assisted local governments in building inherent defects insurance (IDI) risk management platforms and created a role model for national promotion
- ◆ Cooperated with the Ministry of Environmental Protection and CIRC to promote the environmental pollution liability insurance and build its pricing model
- ◆ Established the health management service platform, and set up the first core data base for accident insurance
- ◆ New products including the mid-end medical insurance, the Return of Premium rental car insurance as well as the critical illnesses and cancer insurance generated over RMB1 billion revenues for the protection-type reinsurance business
- ◆ Innovative products including return shipping insurance and the “Million Medical Care” medical insurance received premiums of RMB300 million





# Strategies Implementation(4/6)

## – New breakthroughs in catastrophe insurance system

### Catastrophe insurance system

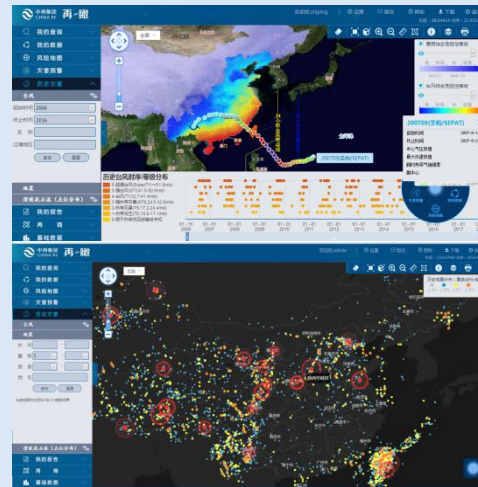
Established China Reinsurance Catastrophe Insurance Risk Research Center, and cooperated with China Meteorological Administration, China Earthquake Administration and the Chinese Academy of Agricultural Sciences to establish China earthquake, flood and agricultural risk and insurance laboratory

Actively expanded our catastrophe insurance business, and acted as sole or lead reinsurer for 90% of local catastrophe insurance pilot projects

Launched the China Re catastrophe insurance platform “Zai Kan” with functions including risk identification, disaster early warning and cumulative risk control

Launched the China Re catastrophic risk consultation platform “Zai Shang”

### Catastrophe insurance platform 1.0 “Zai Kan (China Re - Monitoring)”



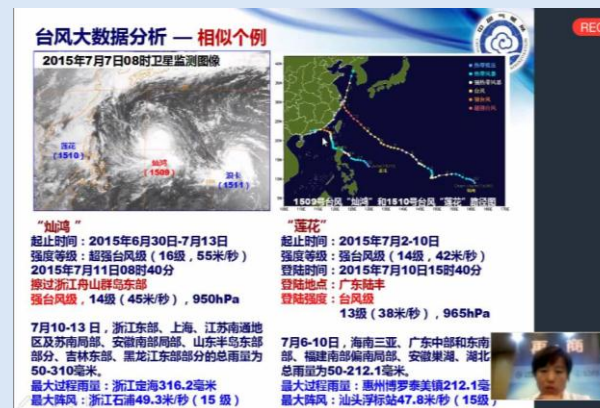
6 core functions 9 major catastrophes

Disaster data for 2,284 typhoons, over 6,000 earthquakes, and more than 100,000 landslides and mudslides

68 insurance companies(branches), brokerage companies, and

6 government agencies, universities, and institutions have applied to use the platform

### Catastrophe insurance platform 1.0 “Zai Shang (China Re - Consultation)”



Provided consultation and guidance on disaster prevention and damage control with respect to typhoons, floods, earthquakes and other natural disasters in the forms of expert discussion, consultation and Q&A sessions, and has organized 4 events to provide consulting services for more than 20 insurance companies (branches)








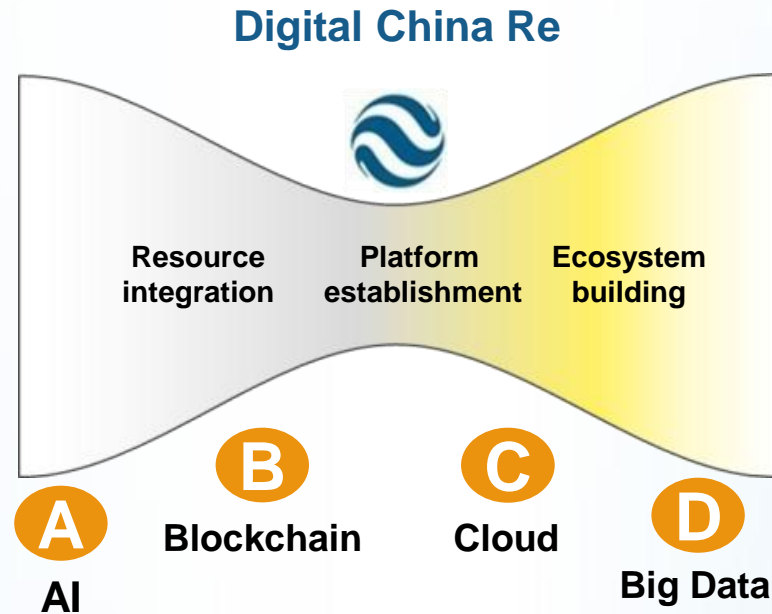
# Strategies Implementation(5/6)




## – New blueprint for “Digital China Re”

### Resource integration

### Service provision

-  China Re Group
-  Government agencies
-  Research institutions
-  Modeling companies
-  Operators, Internet of things...



- Primary insurance companies 
- Consumers 
- Government agencies 
- Industry associations 
- China Re Group 
- ...

<b>New blueprint</b>	Launched IT-based strategic consulting projects and developed a new strategic blueprint for “Digital China Re”
<b>Traditional business</b>	Fully implemented the NCR system (reinsurance core business system)
<b>Innovation business</b>	Furthered our efforts in establishing the cross-industry blockchain alliance and in implementing the applications of AI, cloud computing and other new technologies; established business platforms including catastrophe reinsurance and IDI to better serve customers



## Strategies Implementation(6/6)

### – New landscape in fundamental management



We have achieved sound corporate governance, established “list-approach” authorization system, and have been assigned an “excellent” rating by CIRC in the 2017 corporate governance evaluation



We have strengthened capital management and asset-liability management, enriching the financing channel via flexible capital operation means



We have continued to improve our risk prevention and control system, and established a risk monitoring and early warning system centered on 23 core risk monitoring indicators



We have continued to build up our talent pool, completed the reform of the market-based compensation management system, achieved remarkable results in the “Double Hundred Talents” Program for the reinsurance segment and the “Thousand Talents” Program for the primary insurance segment, and re-launched the postdoctoral workstation



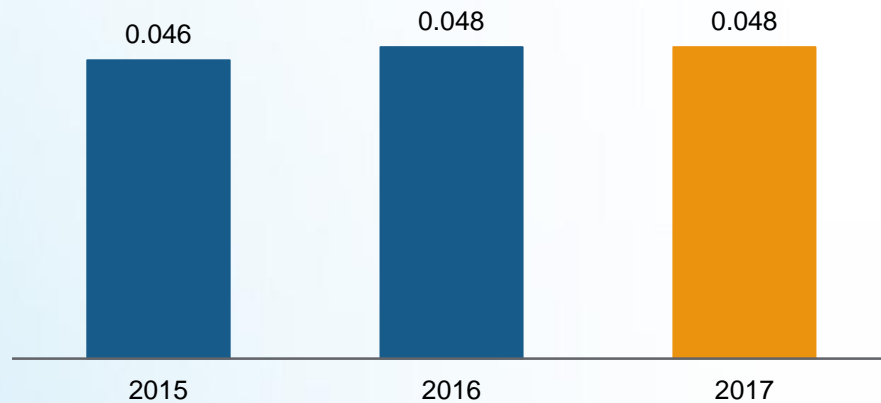
We have continued to strengthen the corporate culture and achieved remarkable results in the “1+N” targeted poverty alleviation program



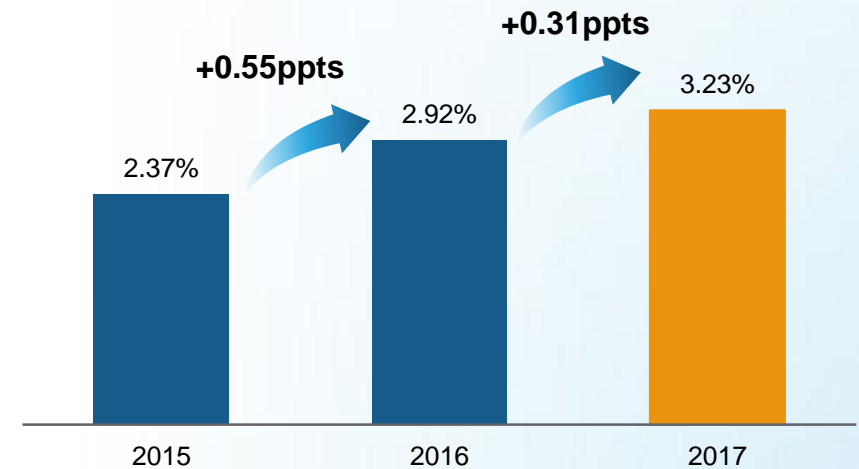
# Dividend distribution for financial year 2017

## Stable dividend per share

(RMB)



## Dividend yield steadily improved



### 2017 final dividend distribution plan

- The Board proposed the distribution of final dividend for the year ended 31 December 2017 of RMB 0.048/share (tax inclusive), totaling approximately RMB 2,039,030,788.08
- With a dividend payout ratio of 38.79%, we have well satisfied the requirement under our dividend payout policy that the profit distributed in cash shall be not less than 30% of the consolidated net profit realized in the current year that is attributable to equity shareholders of the parent company

Note: 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;  
2017 dividend yield = 2017 dividend per share (tax inclusive) / closing share price as of 29 December 2017.



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**2018 Outlook**

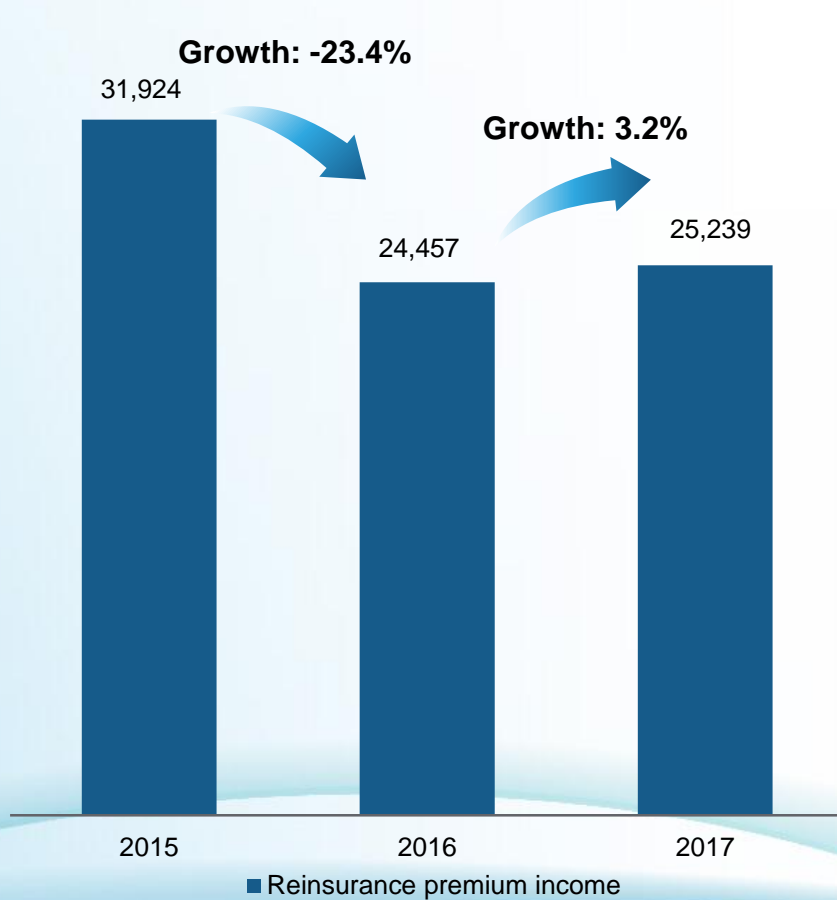


# P&C Reinsurance (1/4)

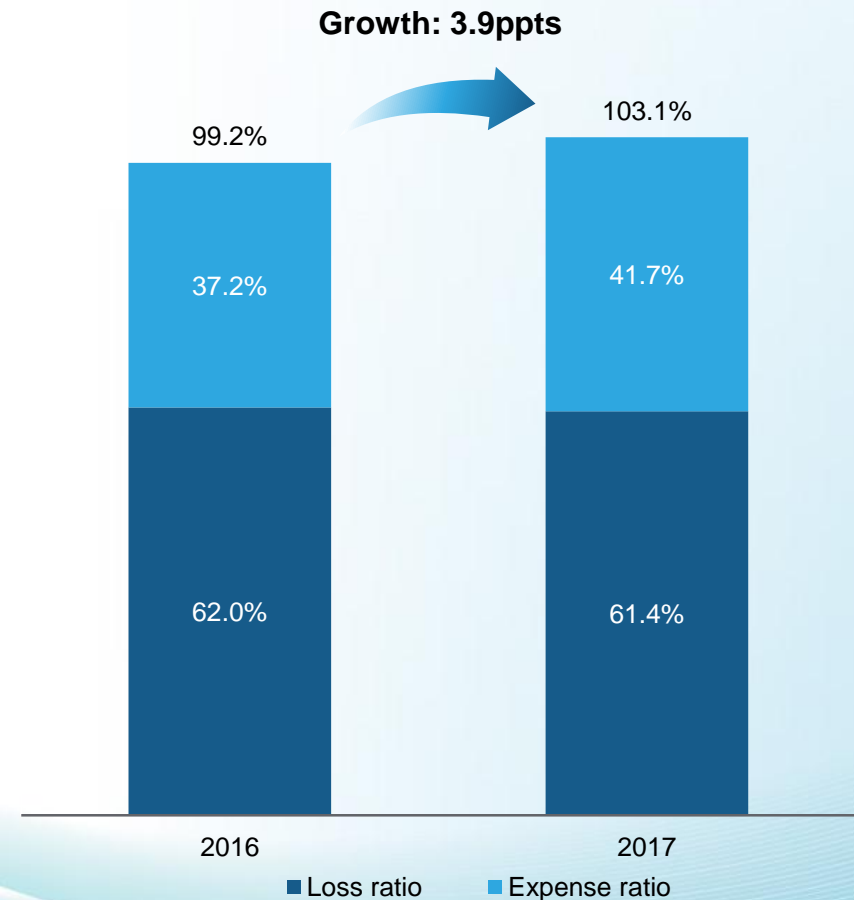
## Reinsurance premium income recovered and remained stable

**Reinsurance premium income recovered and remained stable**

(RMB in millions)



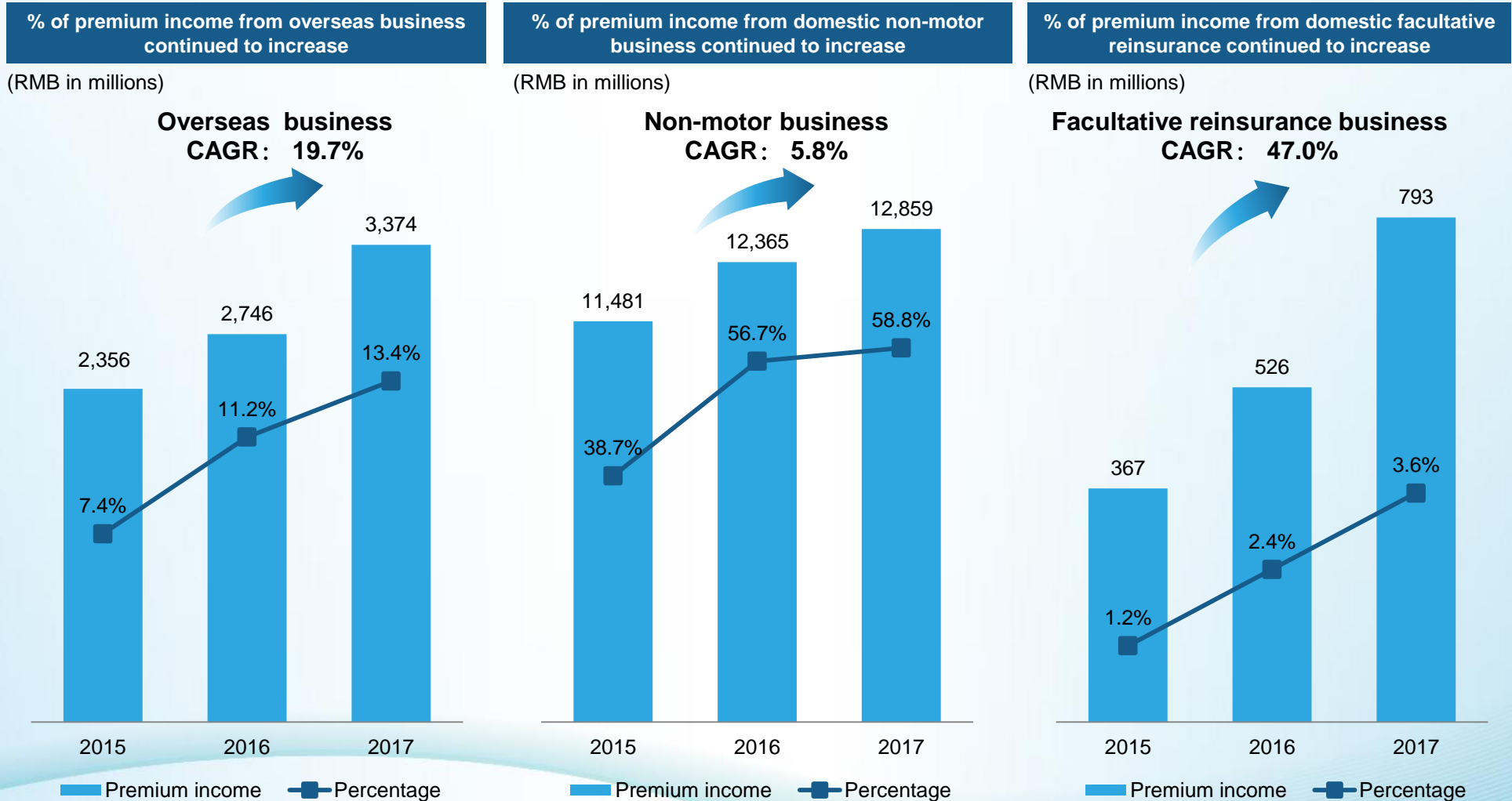
**Combined ratio increased**





# P&C Reinsurance (2/4)

Business structure further optimized, with percentage of premium income from overseas, domestic non-motor and facultative reinsurance business increased



Note:

- Domestic premium data on this page refers to P&C Reinsurance specifically
- Percentage of premium income from overseas business is calculated as segment overseas business premium income / the P&C Reinsurance's consolidated premium income after elimination



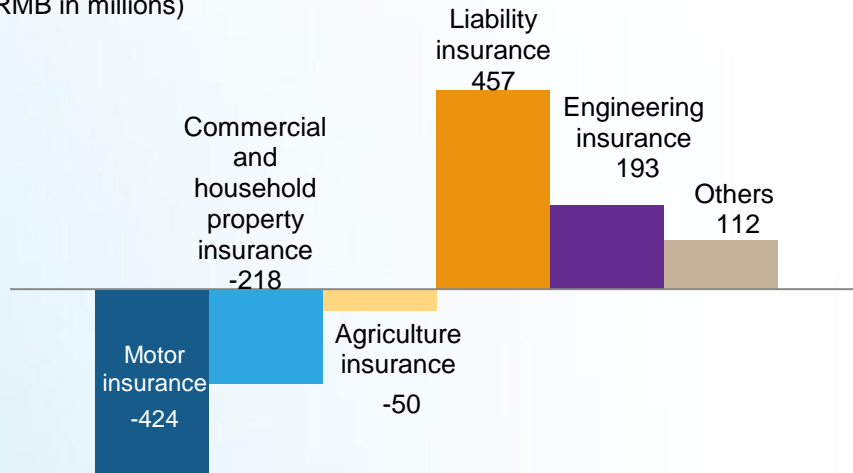


# P&C Reinsurance (3/4) - Domestic business

## Non-motor and facultative reinsurance business brought new momentum to the development of domestic business

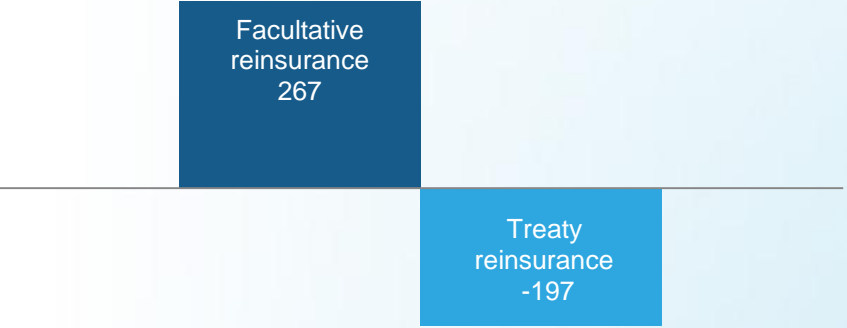
### Incremental contribution analysis : by lines of reinsurance

(RMB in millions)



### Incremental contribution analysis : by reinsurance arrangement

(RMB in millions)



**Liability insurance**

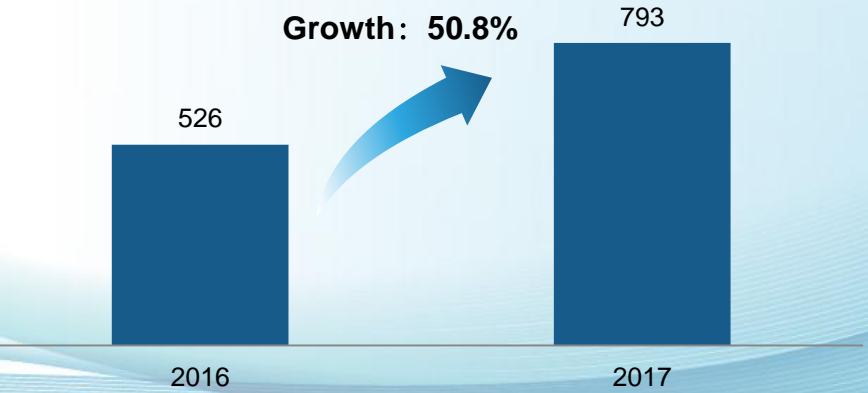
As a result of strengthened marketing of liability insurance and rapid growth of primary insurance market, we recorded premium income from liability insurance of RMB2,207 million, representing a year-on-year increase of 26.1%

**Engineering insurance**

As a result of well seizing business opportunities brought by "The Belt and Road Initiative" and other domestic large scale projects, we recorded premium income from engineering insurance of RMB1,182 million, representing a year-on-year increase of 19.6%

### Premium income from facultative reinsurance

(RMB in millions)



Note: Domestic premium data on this page refers to P&C Reinsurance specifically



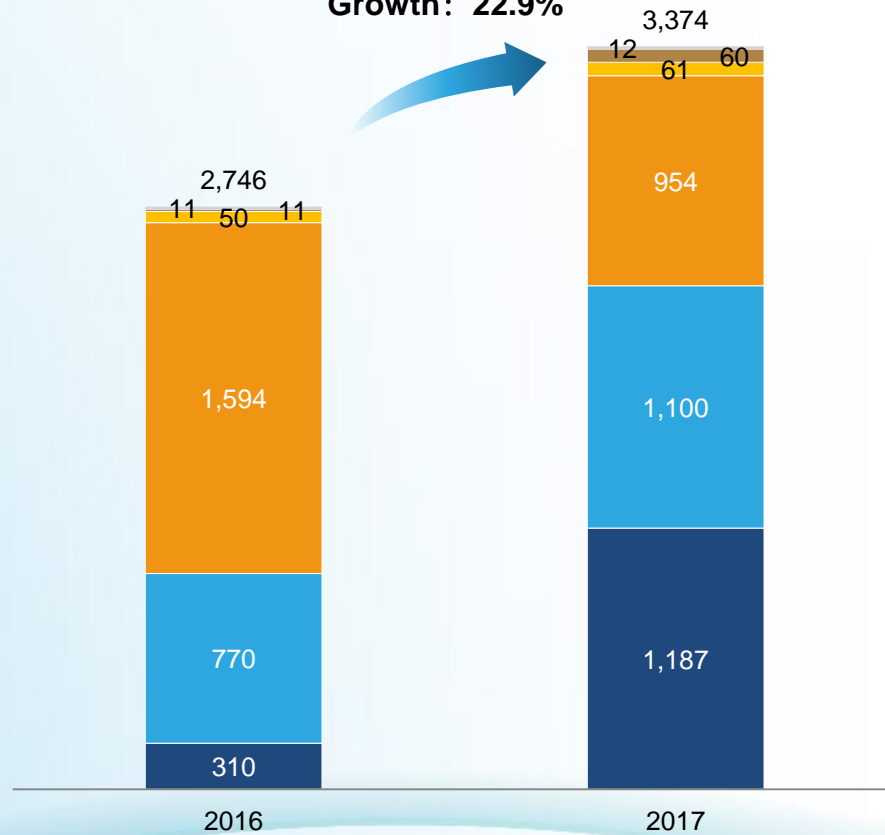
# P&C reinsurance (4/4) - Overseas business

## Overseas business recorded rapid growth

### Overseas P&C reinsurance premium income

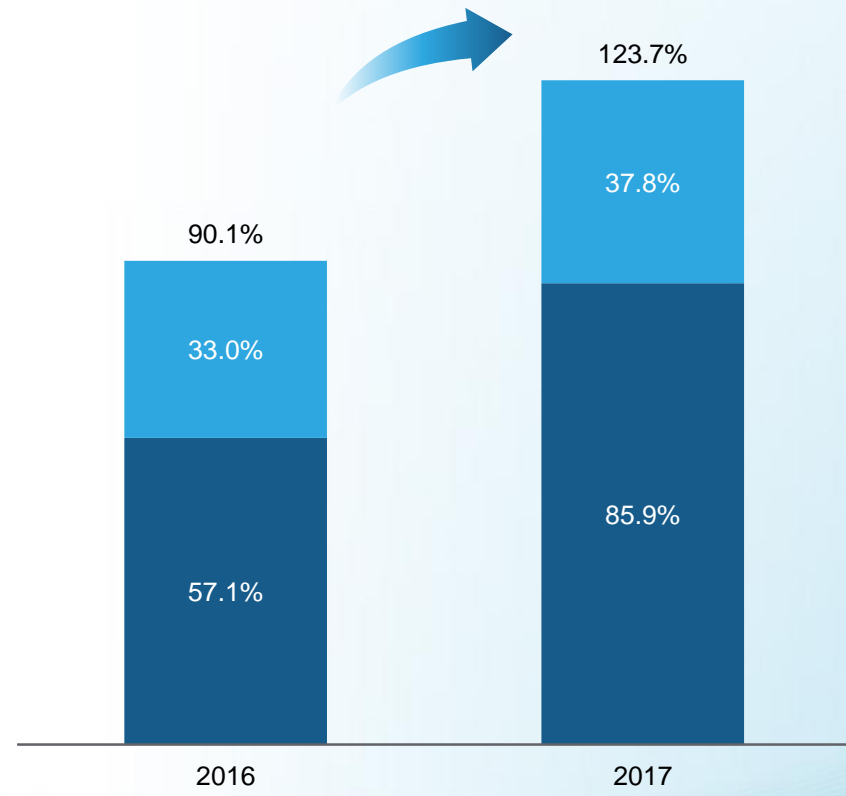
(RMB in millions)

Growth: 22.9%



### Overseas P&C reinsurance combined ratio

Increased 33.6 pts



■ North America ■ Asia ■ Europe ■ Latin America ■ Oceania ■ Africa

■ Loss ratio ■ Expense ratio

Note:

1. The expected total net loss due to three hurricanes and the earthquake in Mexico is approximately USD100 million. Such losses have been reflected in financial year of 2017.

2. Data on this page is before inter elimination of related transactions



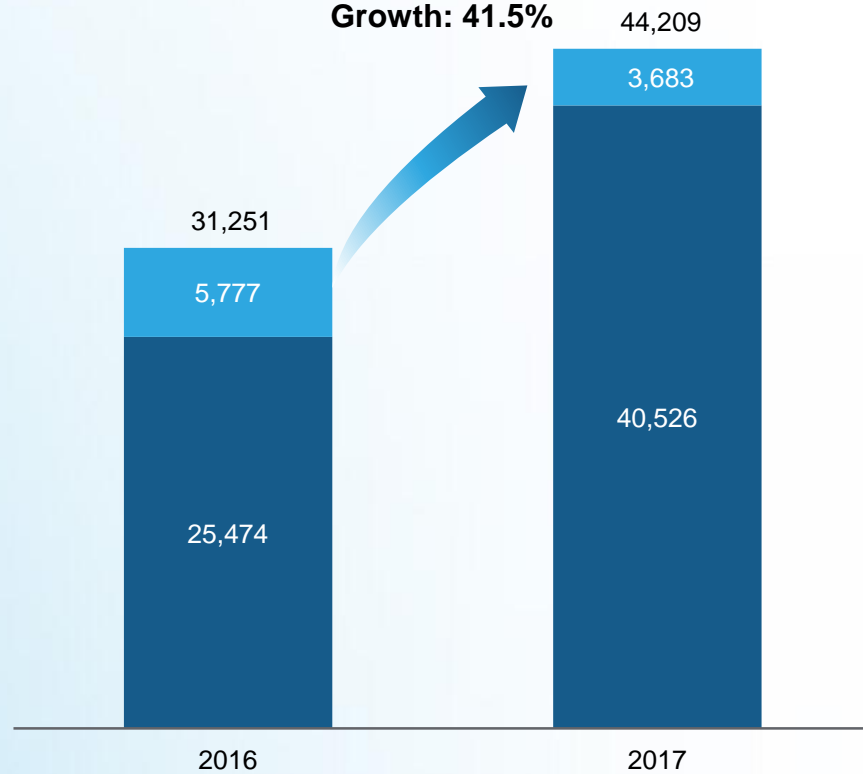
# Life and health reinsurance(1/3)

## Robust growth in overall business

### Reinsurance premium income

(RMB in millions)

Growth: 41.5%

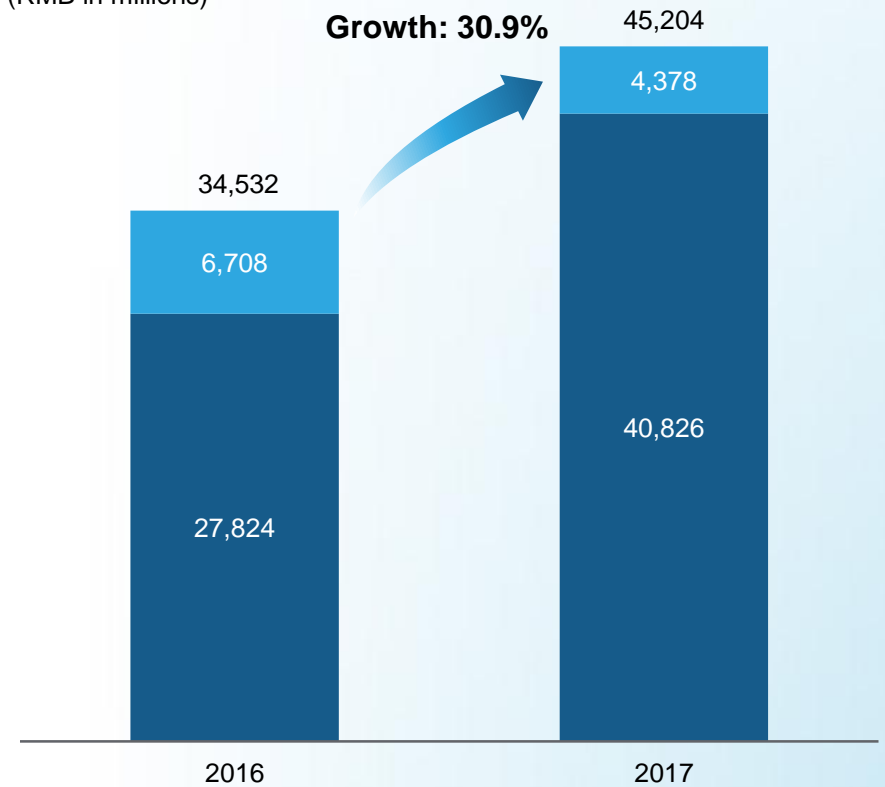


■ Domestic ■ Overseas

### Total written premiums (TWPs)

(RMB in millions)

Growth: 30.9%



■ Domestic ■ Overseas

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



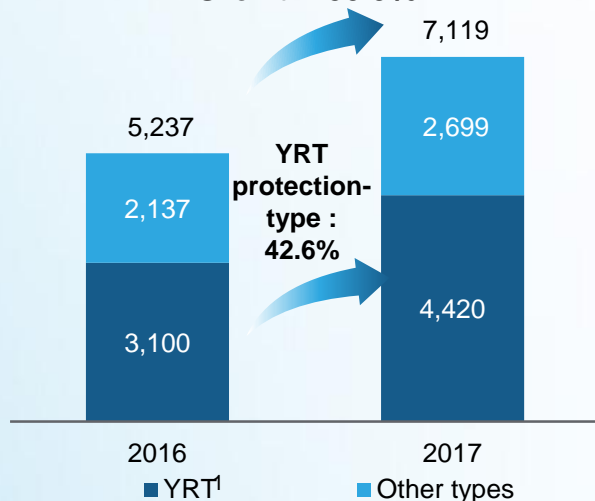
# Life and health reinsurance (2/3) – Domestic business

## Reinsurance premium income of domestic business achieved an increase of 59.1%; further optimization of the business structure of protection-type reinsurance

### Protection-type reinsurance

(RMB in millions)

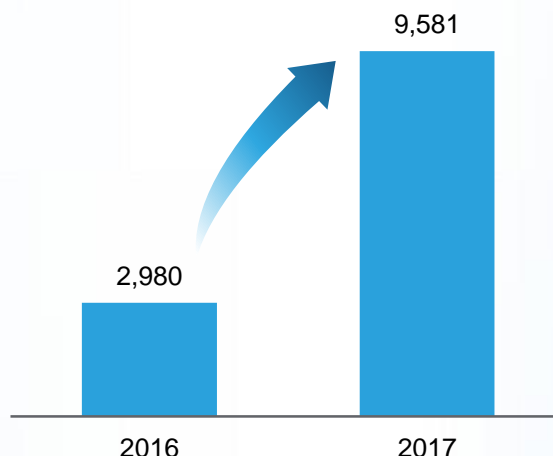
Reinsurance premium income  
Growth: 35.9%



### Savings-type reinsurance

(RMB in millions)

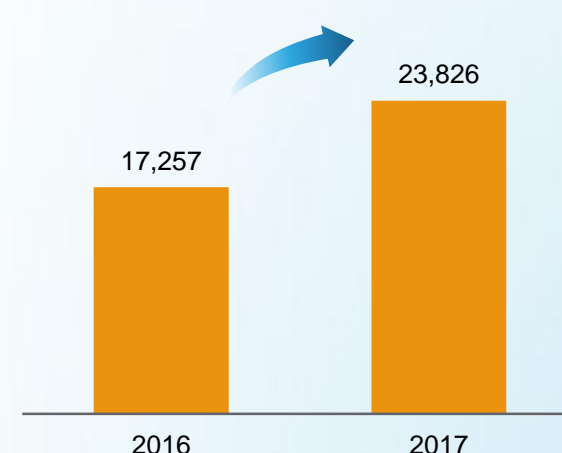
Reinsurance premium income  
Growth: 221.5%



### Financial reinsurance

(RMB in millions)

Reinsurance premium income  
Growth: 38.1%



- Strategy of “Data+”, “Technology+” effectively implemented
- Driven by product development
- Premium income of YRT protection-type reinsurance achieved a y-o-y growth of 42.6%, accounting for as much as 62.1%

- Seized window period
- Interest rate trend
- Asset-liability matching

- Customized services
- Credit risk control
- Capital management innovation

Notes:

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 (3/3)

## Stable growth of embedded value and value of one year's new business

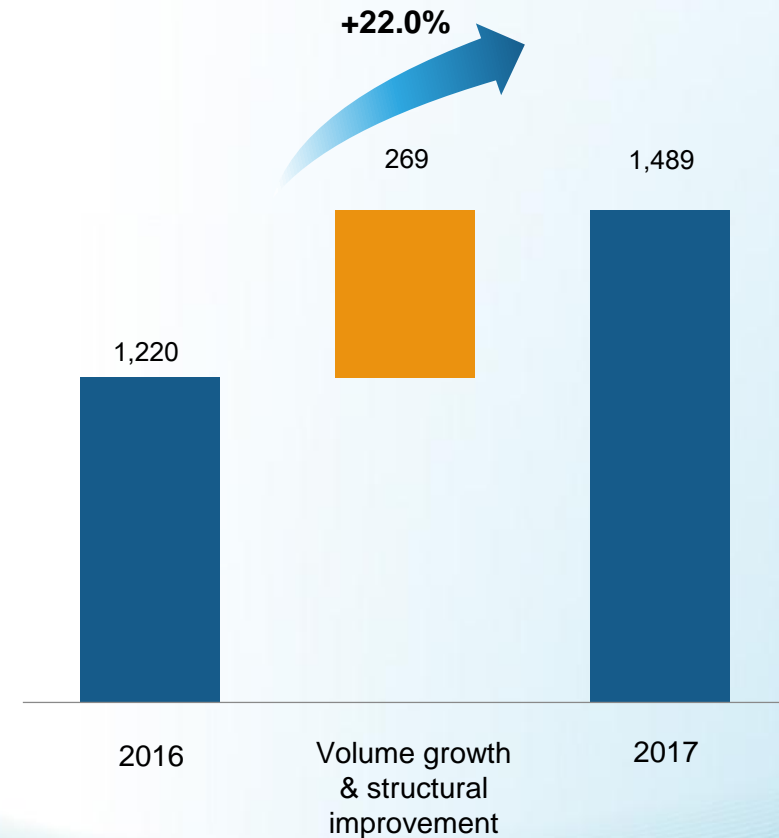
### Embedded value

(RMB in millions)



### Value of one year's new business

(RMB in millions)



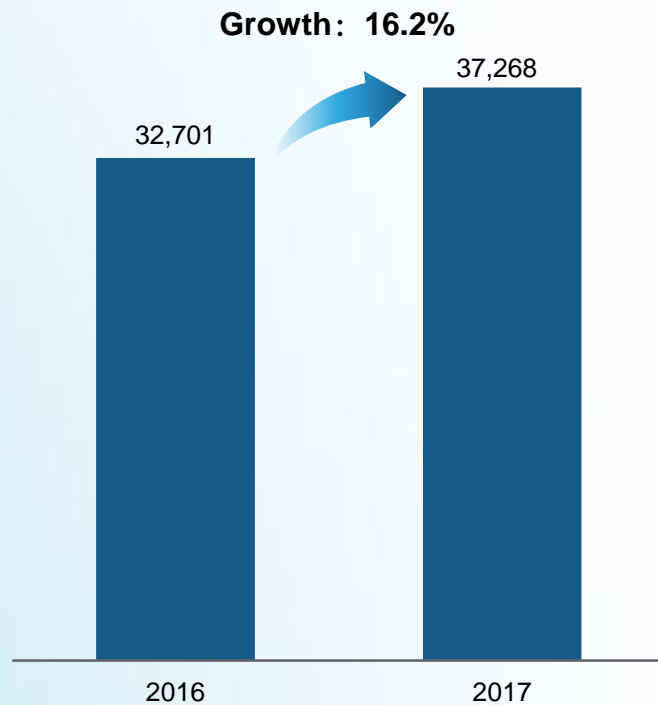


# Primary P&C insurance (1/4)

## Above-industry premium income growth

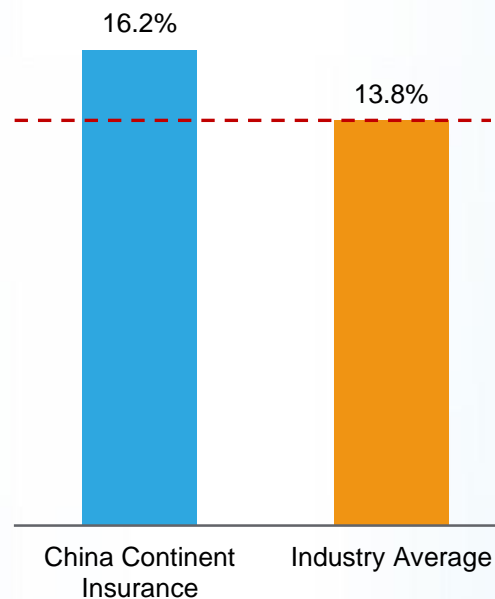
### Gross written premiums

(RMB in millions)



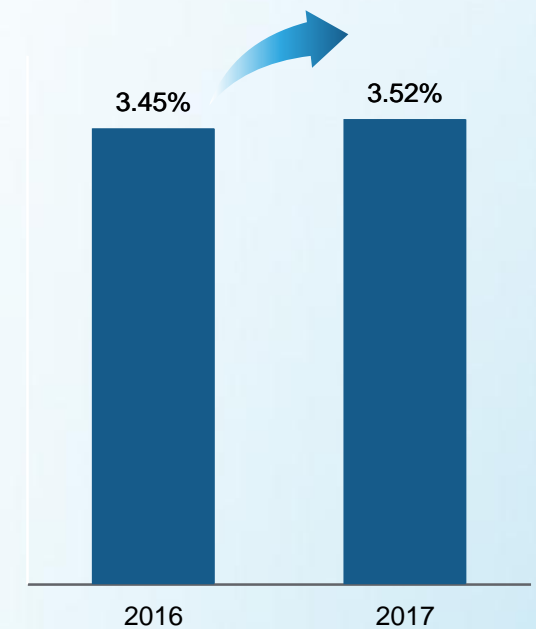
### Primary premium income growth

Primary premium income y-o-y growth is higher than industry average by 2.4ppts



### Market share

Increase in market share by 0.07ppts



Note: the primary premium income data for the calculation of the primary 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 primary premium income in 2017 published by the CIRC.



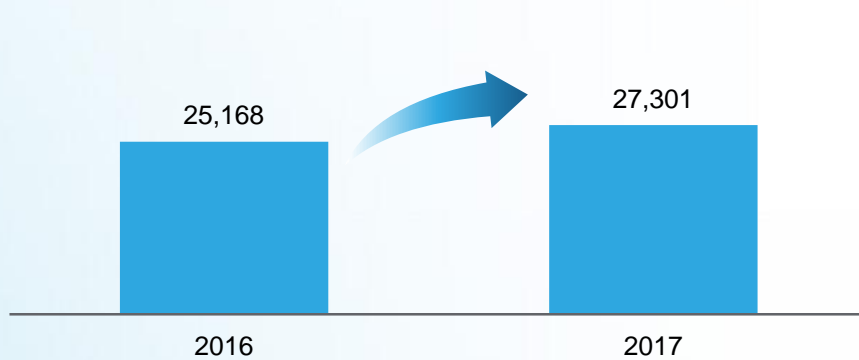
# Primary P&C insurance (2/4)

## Business structure further optimized, rapid growth in non-motor business

**Motor insurance: sound growth with optimization of business structure**

(RMB in millions)

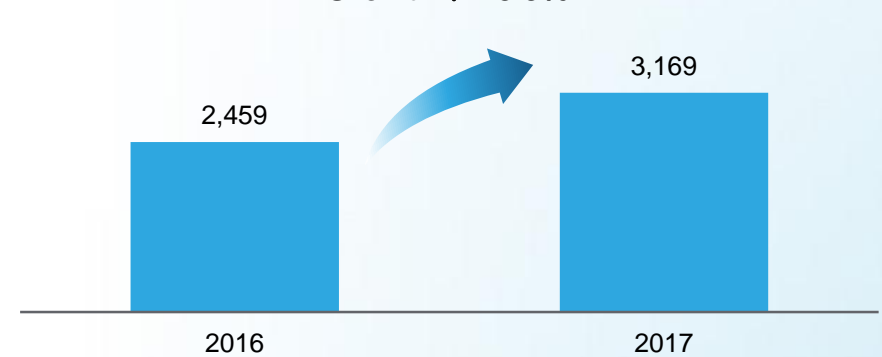
**Growth: 8.5%**



**Accident and Short-term Health insurance: rapid growth by development of innovative business**

(RMB in millions)

**Growth: 28.9%**



**Liability insurance: rapid growth through product innovations**

(RMB in millions)

**Growth: 27.3%**



**Surety insurance: strict risk control in personal loan surety insurance business with a bad debt ratio of 4.81%**

(RMB in millions)

**Growth: 122.1%**





# Primary P&C insurance (3/4)

## Combined ratio maintained stable

Combined ratio

Expense ratio

Loss ratio

Increased 0.1ppts

99.8%

99.9%

2016

2017

Decreased 3.3ppts

47.3%

44.0%

2016

2017

Increased 3.4ppts

52.5%

55.9%

2016

2017








# Primary P&C insurance (4/4)

## Introduction of Strategic Investors through Capital Increase

### Targets

- ◆ Enriching capital and ensuring the strategy implementation
- ◆ Optimizing the corporate governance structure
- ◆ Supporting the strategic transformation and value enhancement

### Deal Arrangements

Deal size: **RMB10,672 million**  Issue price: **RMB2.28** per share  Issue Price: **1.65x** based on net assets per share of China Continent Insurance as of 30 September 2017 

### Results

**New strategic investors**

Yunshan Capital, China Eastern Air Capital Holding, China Eastern Air Industry Investments, New China Life Insurance, SAIC Motor, CICC Qitong, Genertec, Navinfo

**Exerting strategic synergy**

-  Online + offline ecosystem
-  the Belt and Road Initiative
-  Insurance business resources
-  Asset management Cooperation
-  Insurance + technology business innovations
-  Experience of corporate governance

Note: This project has yet to be done in the rear of a number of preconditions, including the approval of the relevant regulatory authorities.



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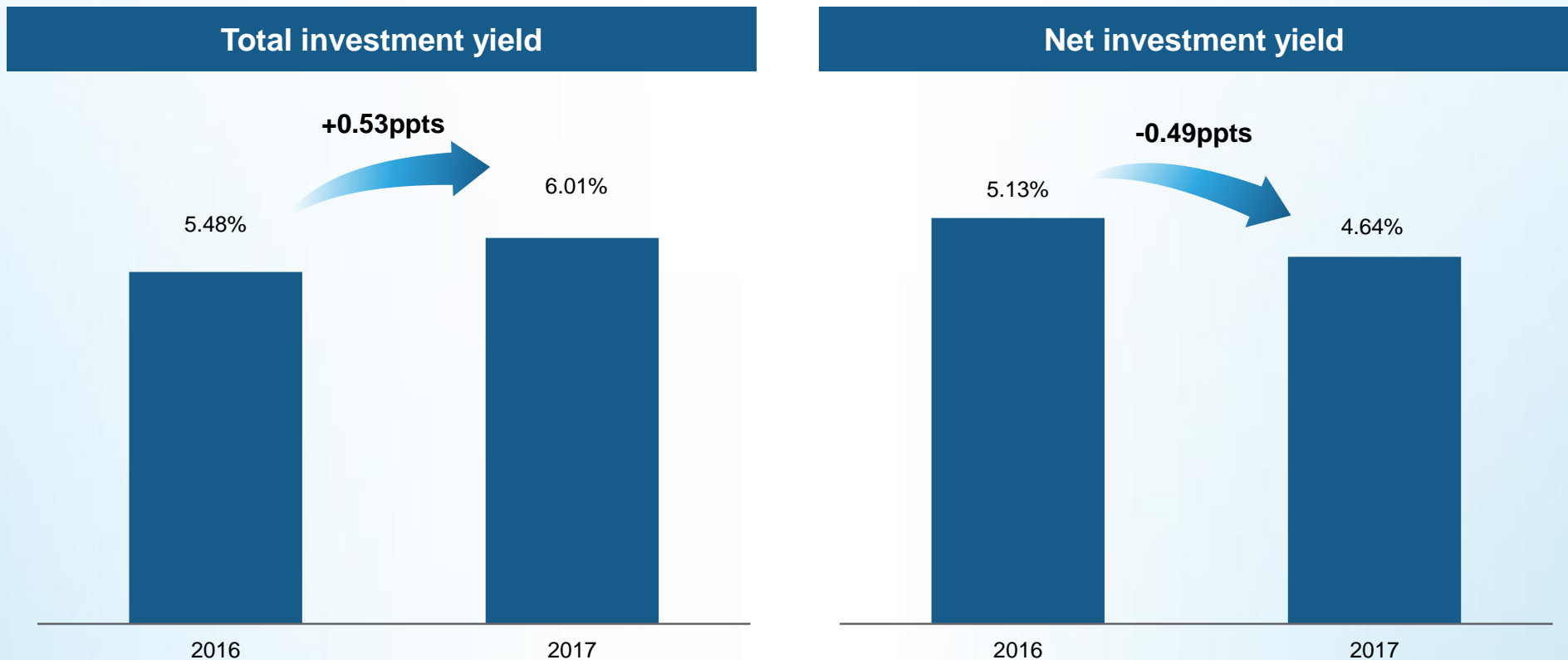
4

**2018 Outlook**



# Asset management (1/3)

Increased in total investment yield, decreased in net investment yield



## Notes:

- Total investment yield = total investment income  $\div$  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 + reinsurers' share of policy loans + investments in associates + statutory deposits + investment property - securities sold under agreements to repurchase.
- Net investment yield = net investment income  $\div$  average of total investment assets as at the beginning and end of the period.  
Net investment income = interest + dividend + rental income + share of profit of associates.

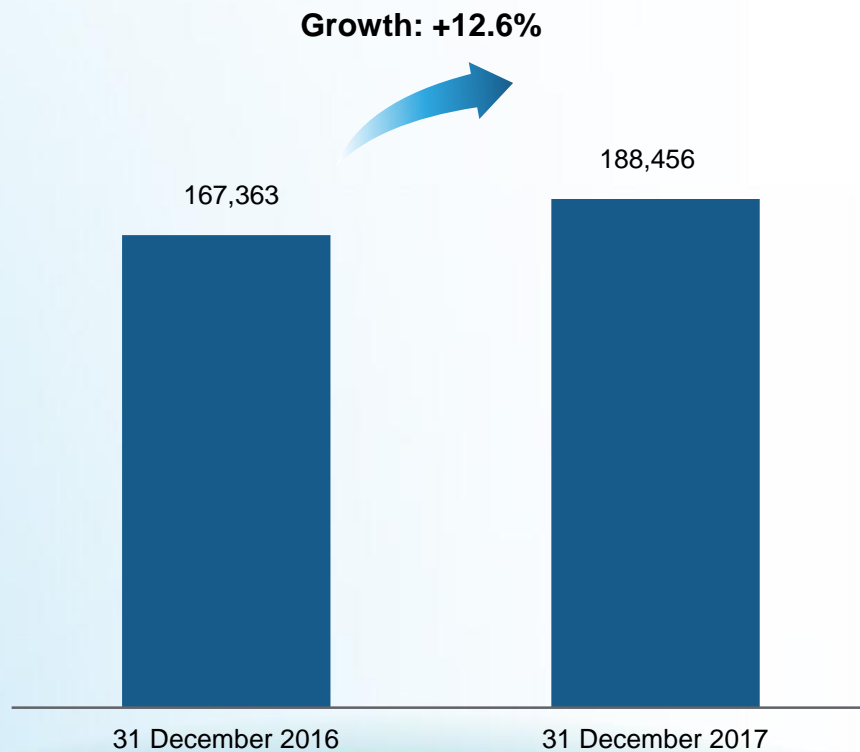


# Asset management (2/3)

## Prudent asset allocation

### Total investment assets

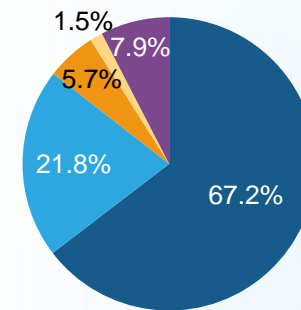
(RMB in millions)



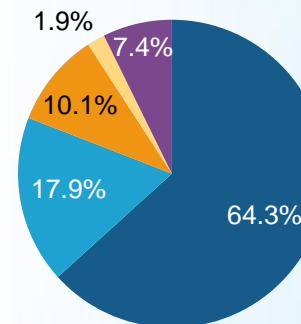
### Asset allocation structure

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

##### As of 31 December 2017



##### As of 31 December 2016



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

#### Notes:

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

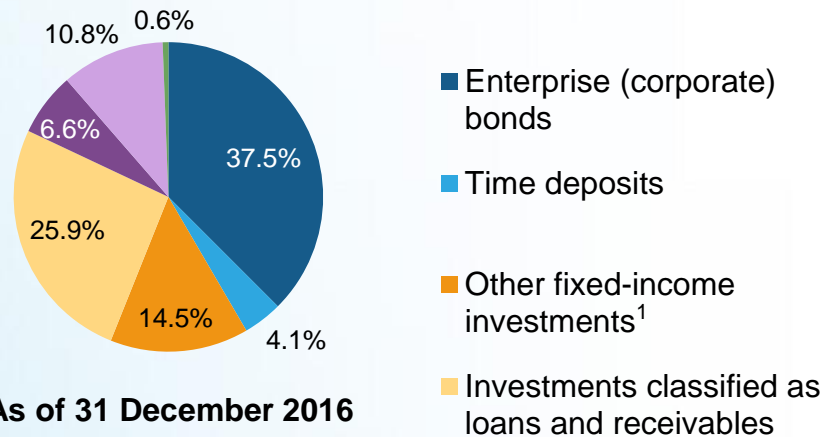


# Asset management (3/3)

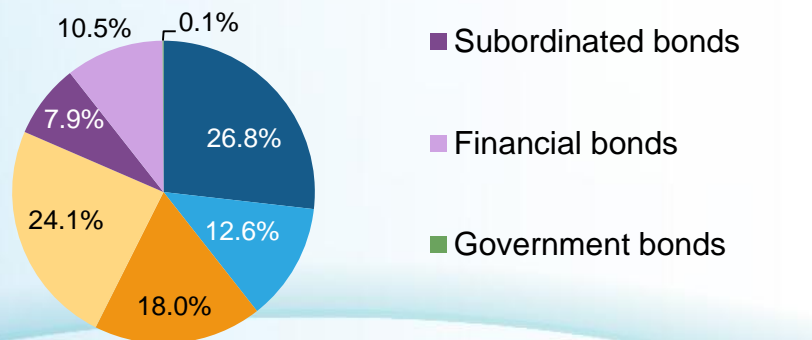
## Further optimized fixed-income asset portfolio structure

### Breakdown of fixed-income investments

As of 31 December 2017

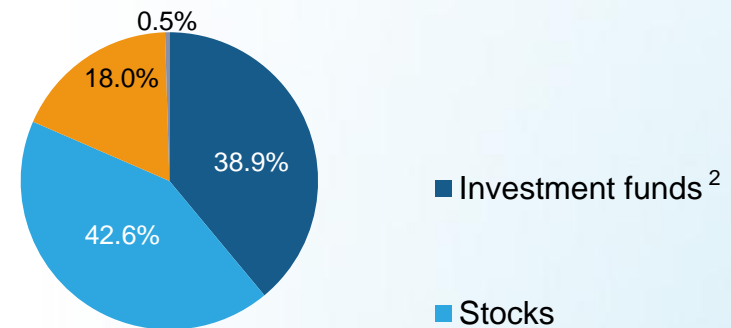


As of 31 December 2016

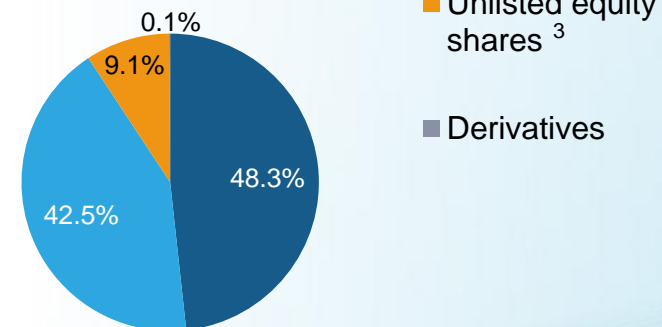


### Breakdown of equity and investment funds

As of 31 December 2017



As of 31 December 2016



Notes:

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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**Review of Insurance Business**

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**Review of Investment Business**

**4**

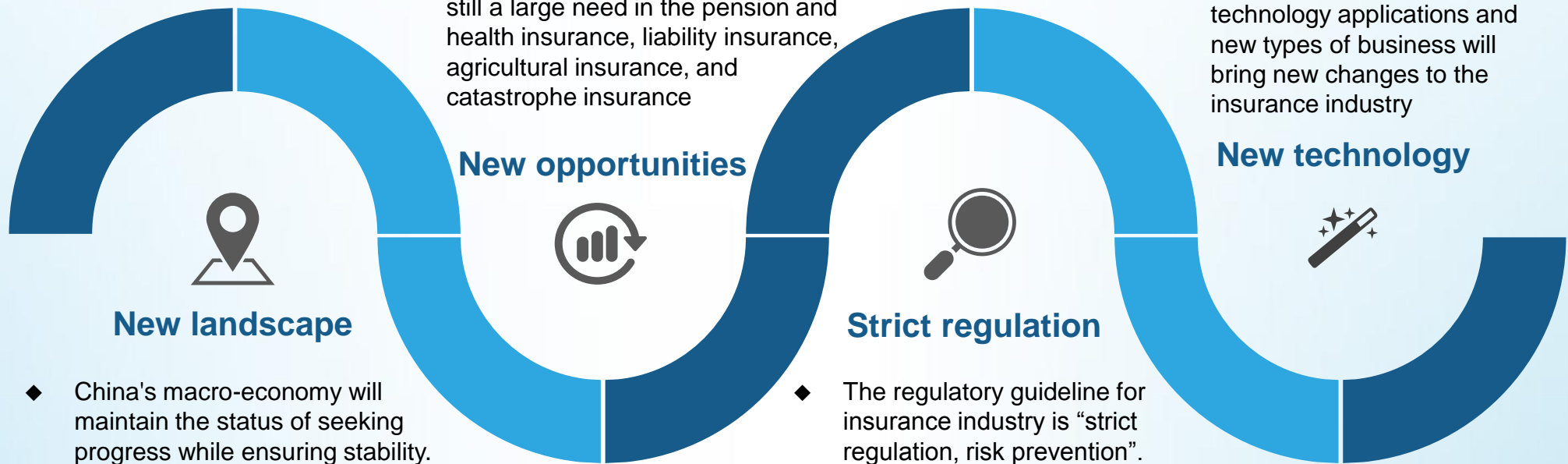
**2018 Outlook**



# Market environment

- ◆ The insurance demand in the new era is rapidly upgrading which requires the industry to accelerate supply-side reforms
- ◆ As the supply-side structural reforms continue to deepen, there is still a large need in the pension and health insurance, liability insurance, agricultural insurance, and catastrophe insurance

- ◆ The traditional business model faces greater challenges, and technological innovation creates new competitiveness
- ◆ Convergence of new technology applications and new types of business will bring new changes to the insurance industry



- ◆ China's macro-economy will maintain the status of seeking progress while ensuring stability. Insurance industry is still in a golden period
- ◆ Competition in insurance market will be further intensified, and competitive landscape will go through accelerated process of restructuring

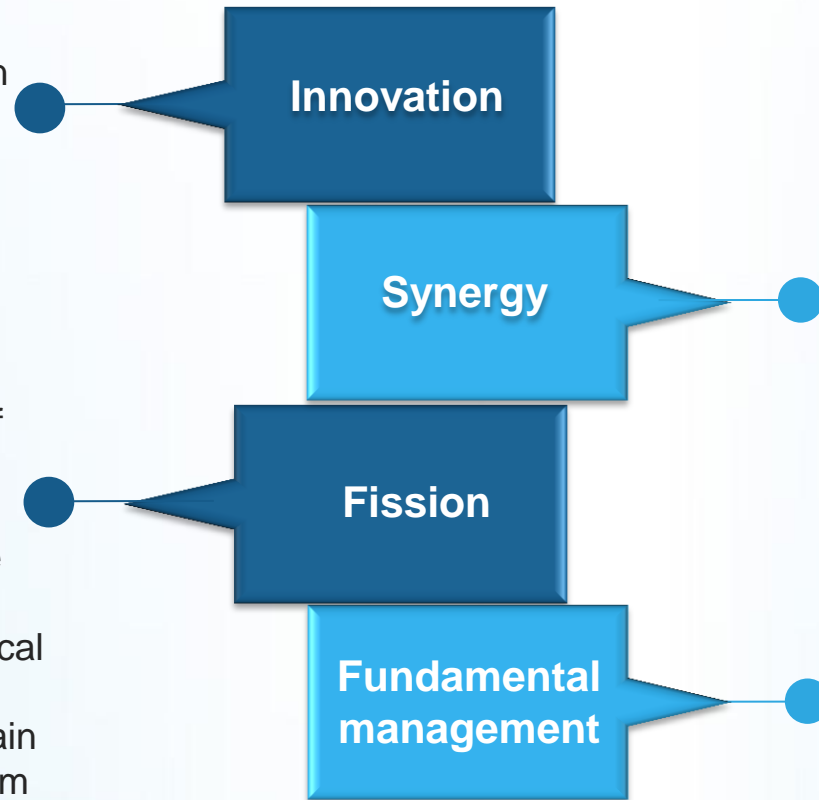
- ◆ The regulatory guideline for insurance industry is "strict regulation, risk prevention". Market participants which are compliant and have stable operations will benefit from this and become stronger
- ◆ Regulatory authorities promote the industry to return to its protection function, which will bring new market opportunities to reinsurers



# Business outlook

2018 will be a key year for China Re to win the “One-Three-Five” Strategy, and we will continue to seek high-quality development with risk controlled

- Take product innovation, model innovation and mechanism innovation as breakthrough
- Focus on the constructions of top mechanism, information system and data infrastructure
- Incubate kinds of new business and enhance its leading position in industry
- Speed up the layouts of domestic professional platforms, regional platforms as well as the international platforms.
- Promote the technological innovation strategies, extend the industry chain and create an ecosystem



- Improve the assessment mechanism, strengthen project management and build a cooperation culture
- Comprehensively promote the in-depth synergy among business sectors
- Build an open, flexible and diverse network with regard to internal and external cooperation
- “Control front and back-ends and loosen intermediate process”, optimize the Group’s control mechanism
- Improve the Group’s comprehensive risk control system
- Focus on “Digital China Re” to further implement the IT strategy
- Strengthen the construction of talent pool
- Strengthen the corporate culture and take social responsibility





# Q&A



## Appendix: Key financial and operating data

Unit: RMB in millions (unless otherwise stated)	2017	2016	Change
Gross written premiums	105,336	86,677	21.5%
P&C reinsurance	25,239	24,457	3.2%
Life and health reinsurance	44,311	31,366	41.3%
Primary P&C insurance	37,268	32,071	16.2%
Net profit	5,336	5,233	2.0%
Net profit attributable to equity shareholders of the Company	5,256	5,146	2.1%
Earnings per share (RMB)	0.12	0.12	2.1%
Weighted average return on equity (%)	7.22%	7.28%	(0.06) pts
Total investment yield (%)	6.01%	5.48%	0.53 pts



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

Unit: RMB in millions (unless otherwise stated)	31 December 2017	31 December 2016	Change
Total assets	242,800	211,207	15.0%
Total liabilities	167,430	139,067	20.4%
Total equity	75,370	72,140	4.5%
Net assets per share (RMB)	1.75	1.68	4.5%
Core solvency adequacy ratio	197%	258%	(61)Ppts
Aggregated solvency adequacy ratio	197%	258%	(61)ppts
Embedded value of life and health reinsurance business	20,484	18,200	12.5%
Value of one year's new business of life and health reinsurance business	1,489	1,220	22.0%
Total investment assets	188,456	167,363	12.6%

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