



**China Reinsurance (Group) Corporation
(1508.HK)
2018 Interim Results Announcement**

August 2018



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Agenda

1

Overview of Results

2

Review of Insurance Business

3

Review of Investment Business

Overview: market position remaining steady and business mix significantly optimized



- P&C reinsurance business rebounded with **14.1%** growth, steadily holding No.1 position in P&C reinsurance market
- Domestic protection-type life and health reinsurance business recorded strong growth of **75.1%**, solidifying No.1 position in life reinsurance market
- Primary P&C insurance business grew by **17.4%**, achieving the fastest growth among the top eight market players; our market share steadily increased
- Overseas P&C reinsurance business grew by **38.4%** year-on-year
- Domestic facultative P&C reinsurance business grew by **51.0%** year on year
- Domestic protection-type life and health reinsurance business grew by **75.1%** year on year
- Non-motor primary P&C insurance business grew by **51.2%** year-on-year
- Total investment income reached **RMB5,069m**, up by **1.2%** year-on-year
- Annualized net investment yield reached **5.29%**, up by **0.70 ppt** year-on-year
- Performance of domestic listed equity was markedly superior to market indices, and annualized total investment yield was **5.21%**, which is higher than industry average
- The Group's consolidated aggregated solvency adequacy ratio was 207%
- Aggregated solvency adequacy ratios of China Re P&C, China Re Life and China Continent Insurance were 209%, 208% and 486% respectively
- Maintained credit ratings of "A (Excellent)" by A.M. Best and "A" by S&P Global Ratings

Notes:

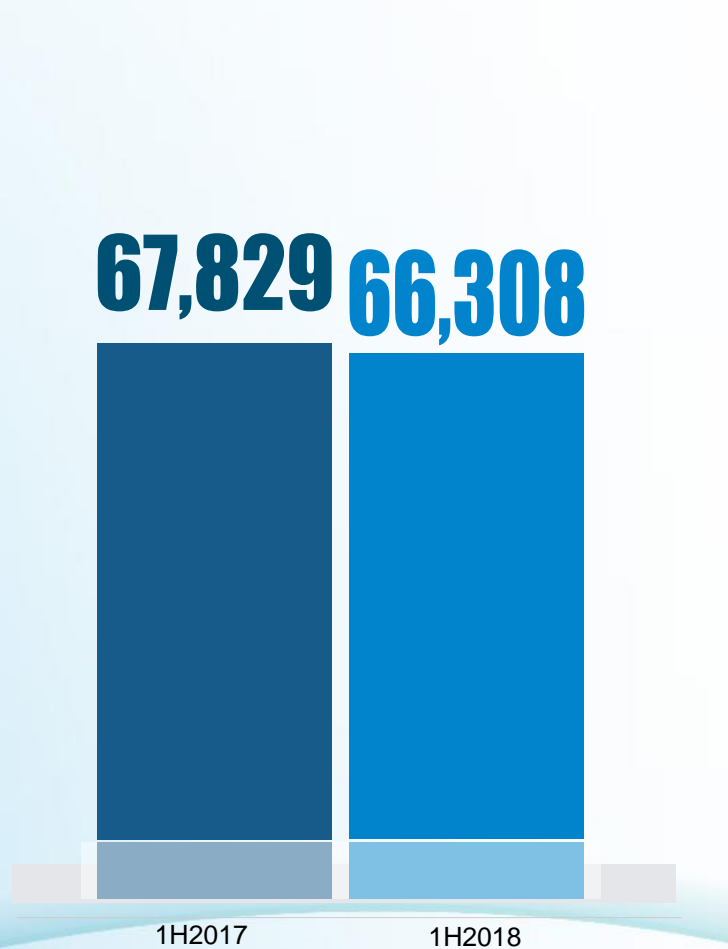
1. Life and health reinsurance premiums include China Re Life data only.
2. Annualized total investment yield = Total investment income ÷ average of investment assets as at the beginning and end of the period × 2
3. Annualized net investment yield = Net investment income ÷ average of investment assets as at the beginning and end of the period × 2



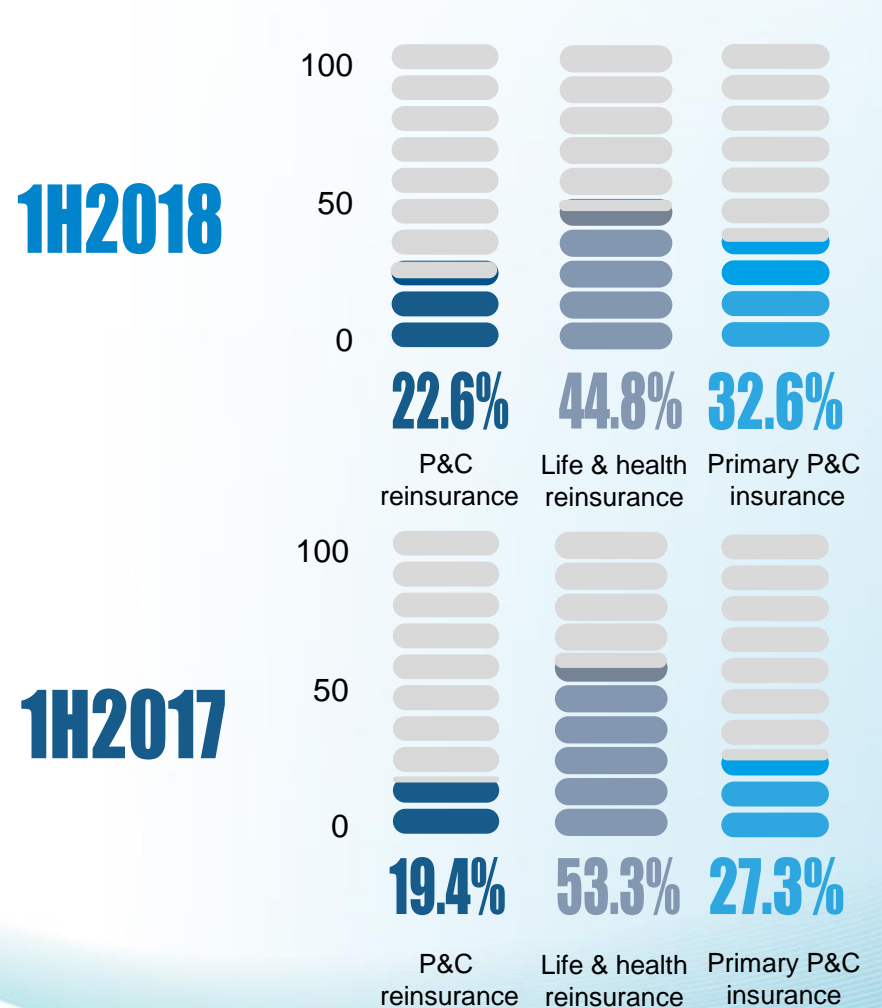
Financial Performance (1/2)

Stable gross written premiums

(RMB in millions)



Gross written premiums breakdown by business segment



Note: % of Group GWP = Business segment GWP ÷ group consolidated GWP before intra-segment eliminations

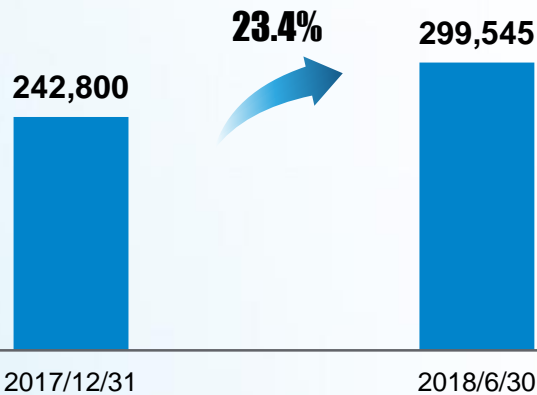


Financial Performance (2/2)

Key financial indicators

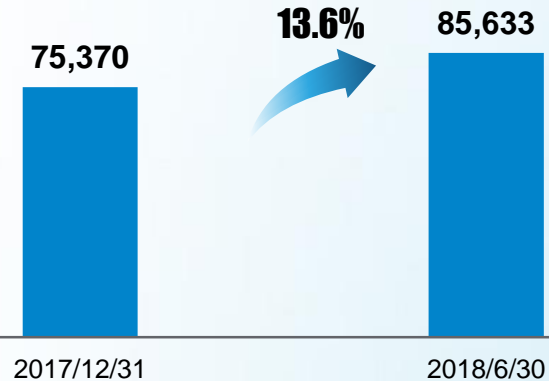
Total assets

(RMB in millions)



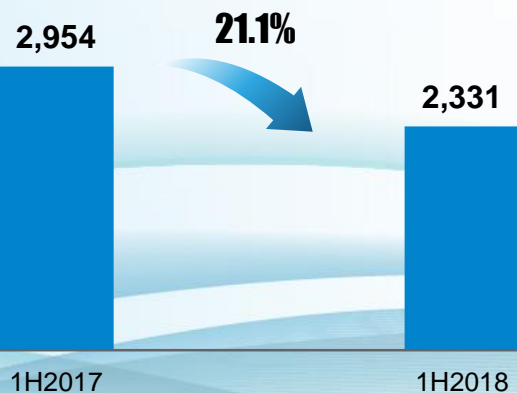
Net assets

(RMB in millions)



Net profit attributable to equity shareholders of the parent company

(RMB in millions)



Reasons for the decrease in net profit

- In the first half of 2017, we recorded relatively higher profit resulting from the one-off gain of RMB727m on the disposal of an investment property (Shanghai World Plaza)
- The underwriting profits decreased as a result of the fierce competition in the insurance market and increase in cost



Strategy Implementation (1/2)

Business growth driven by innovation

Mechanism innovation

- Established project management mechanism for key innovative initiatives, and incentivized projects which materially help boost operational performance. The first batch includes 58 projects in a variety of areas including product, service and technology innovation
- Launched the "Spark Program" to fully support forward-looking research at the group level. Under the program, over 160 studies were initiated and nearly a hundred achievements were recorded

Technological innovation

- Established the Group's Information Technology Centre, and released the "Digital China Re" strategy
- Substantially completed construction of the new core business systems of China Continent Insurance, representing the first-ever large-scale insurance business systems to run on a "private cloud" platform and bringing a "generational advantage"
- Achieved significant progress in blockchain research and application and published *Reinsurance Blockchain (RIC) White Paper* together with peer firms to push forward the development of ReNet, a blockchain technology-based and industry-wide reinsurance information sharing platform

Business innovation

- Promoted piloting of inherent defects insurance (IDI) for buildings in China and successfully built a dedicated information management platform, driving year-on-year premiums increase of 480%
- Introduced satellite remote sensing and monitoring technology and completed the design of snow disaster index-based products which will be piloted in Xunhua County, Qinghai
- Jointly developed "insurance + futures + reinsurance" products, agricultural weather index insurance and agricultural products price index insurance with primary insurance clients
- Promoted pilot programs for compulsory environmental pollution liability insurance in full collaboration with public environmental protection agencies
- Accelerated the development of an integrated and intelligent underwriting platform for Million Medical Care and fostered hot-selling mid-end online medical insurance products in partnership with primary insurers and well-known Internet enterprises



Strategy Implementation (2/2)

Remarkable results in catastrophe platform construction

- Released China's first independent intellectual property earthquake catastrophe model which includes more than RMB300 million Seismic random events' data, providing key technical support for earthquake catastrophe insurance pricing
- Established China Re Catastrophe Risk Management Company, devoting to enhancing the industry's capability of catastrophe risk management through professional big-data platform
- Acted as sole or leading reinsurer for 90% of local catastrophe insurance pilot projects, with market share of catastrophe reinsurance business over 65%
- The “Re-view” and “Re-business” catastrophe service platforms have received 62 applications that mainly from insurance institution clients

Global layout of Belt and Road Initiative (BRI)

- Signed cooperation memoranda with 27 major overseas insurance companies to provide localized services for China's overseas interests in 121 countries and regions around the world
- Developed the first overseas network service platform system that provides customers with billing, claims channel and information inquiry services. Provided insurance coverage for BRI construction projects
- Signed Cooperation Agreement of BRI Insurance Consortium Engineering Insurance Group in Singapore
- Held Sino-UK BRI International Insurance Cooperation Forum in London



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Review of Investment Business



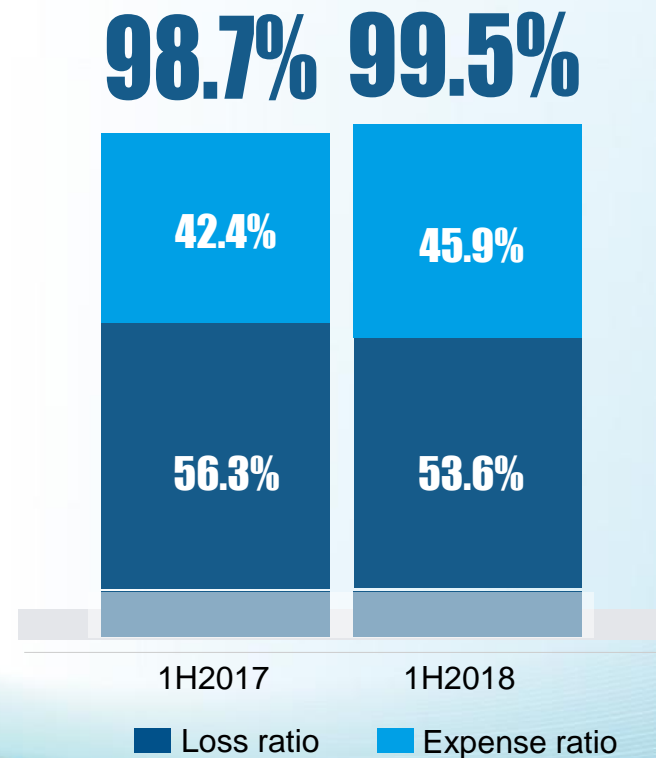
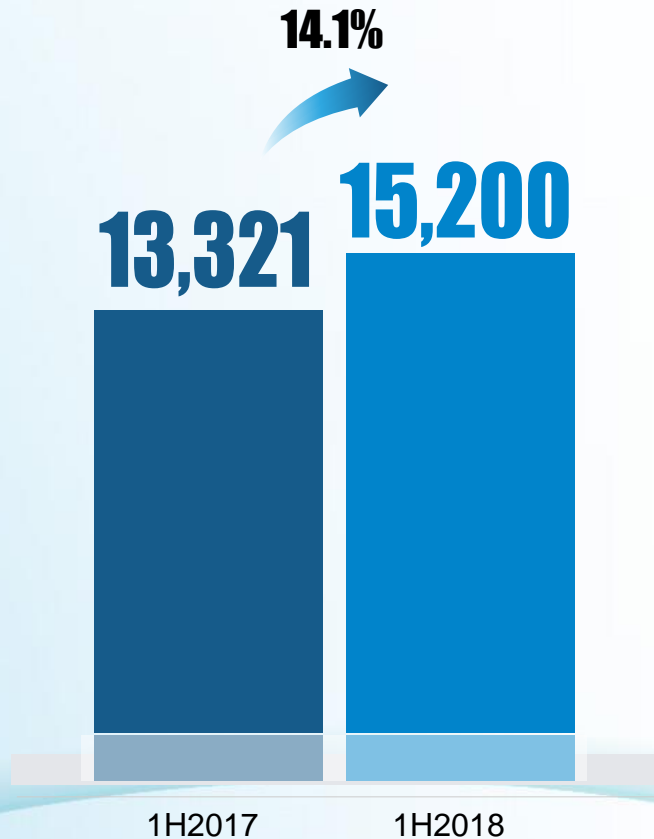
P&C Reinsurance (1/4)

The growth rate of reinsurance premium income recorded a highest level in the last two years with the impact of C-ROSS almost eliminated

Reinsurance premium income remained stable increase

Combined ratio increased slightly

(RMB in millions)



Note: Premium income of this segment does not consider inter-segment eliminations.

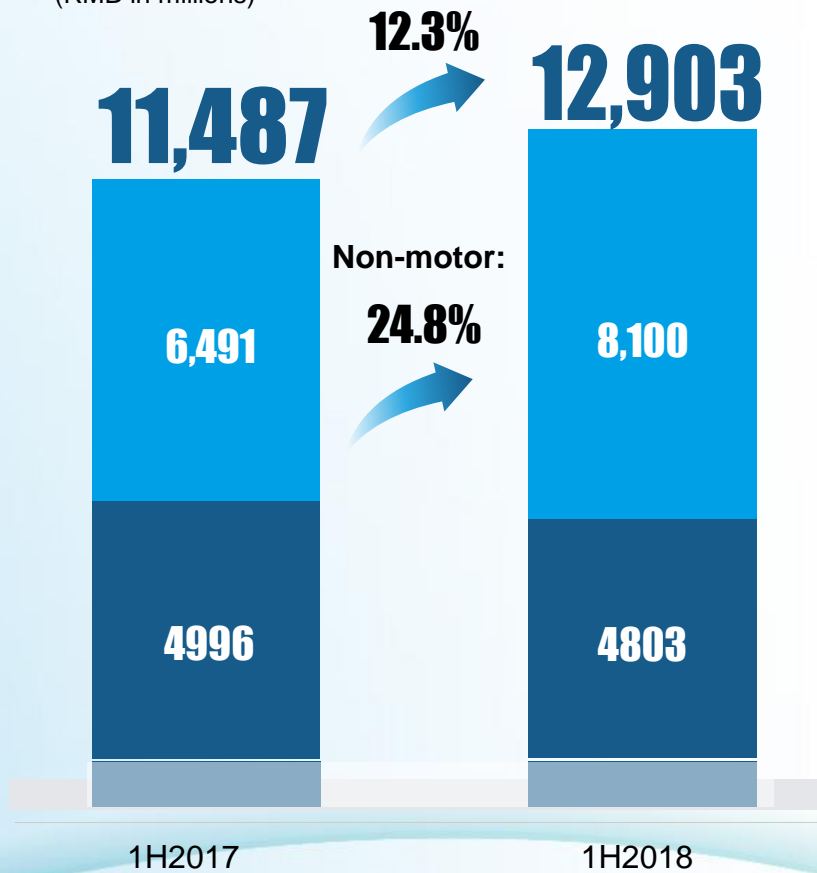


P&C Reinsurance (2/4) - Domestic Business

Reinsurance premium recorded a year on year increase of 12.3% with the combined ratio remaining stable

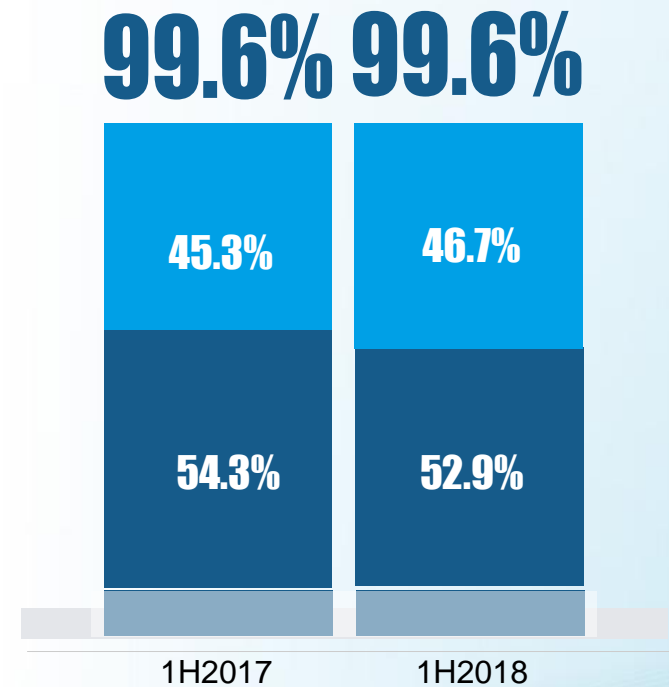
Reinsurance premium income increased rapidly

(RMB in millions)



Motor insurance
Non-motor insurance

Combined ratio remained stable



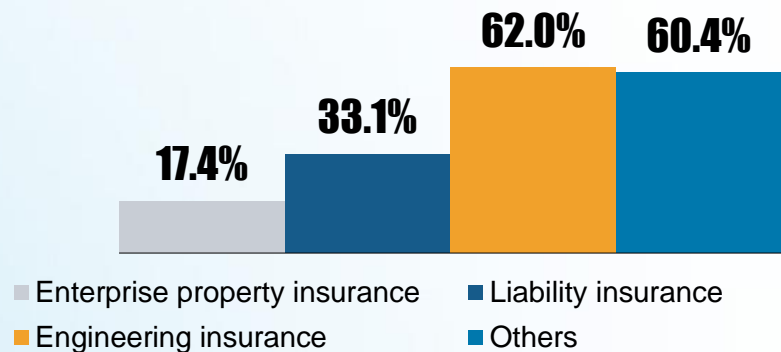
Loss ratio
Expense ratio

P&C Reinsurance (3/4) - Domestic Business



Non-motor and facultative reinsurance business improved rapidly, representing optimized insurance structure

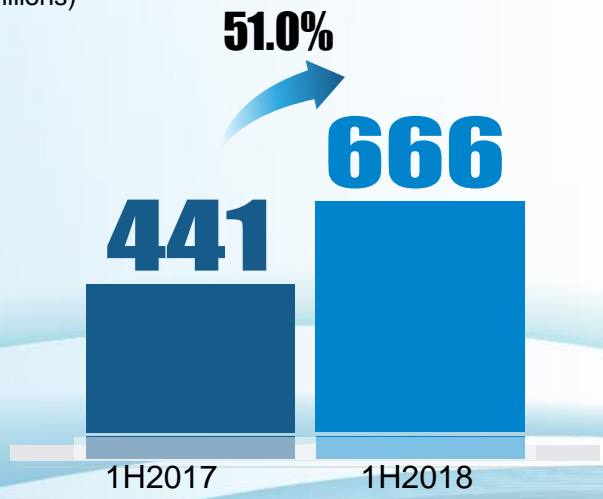
Main non-motor insurance increased at double-digit rate



- ### Reasons
- Benefitted from rapid growth of non-motor business of primary insurance market
 - Made efforts to enhance expansion of non-motor reinsurance, such as commercial property insurance ,liability insurance, engineering insurance, etc.

Facultative reinsurance business increased rapidly

(RMB in millions)



- ### Reasons
- With newly-founded IDI team and accident & health insurance team, technology resources of underwriting new reinsurances could be well integrated. Thus facultative reinsurance business was driven by new business rapidly.

Notes:

1. Domestic premium data on this page refers to P&C Reinsurance specifically.
2. Others include cargo reinsurance, speciality reinsurance, vessel reinsurance, accident reinsurance and credit reinsurance, etc.

P&C Reinsurance (4/4) - Overseas Business



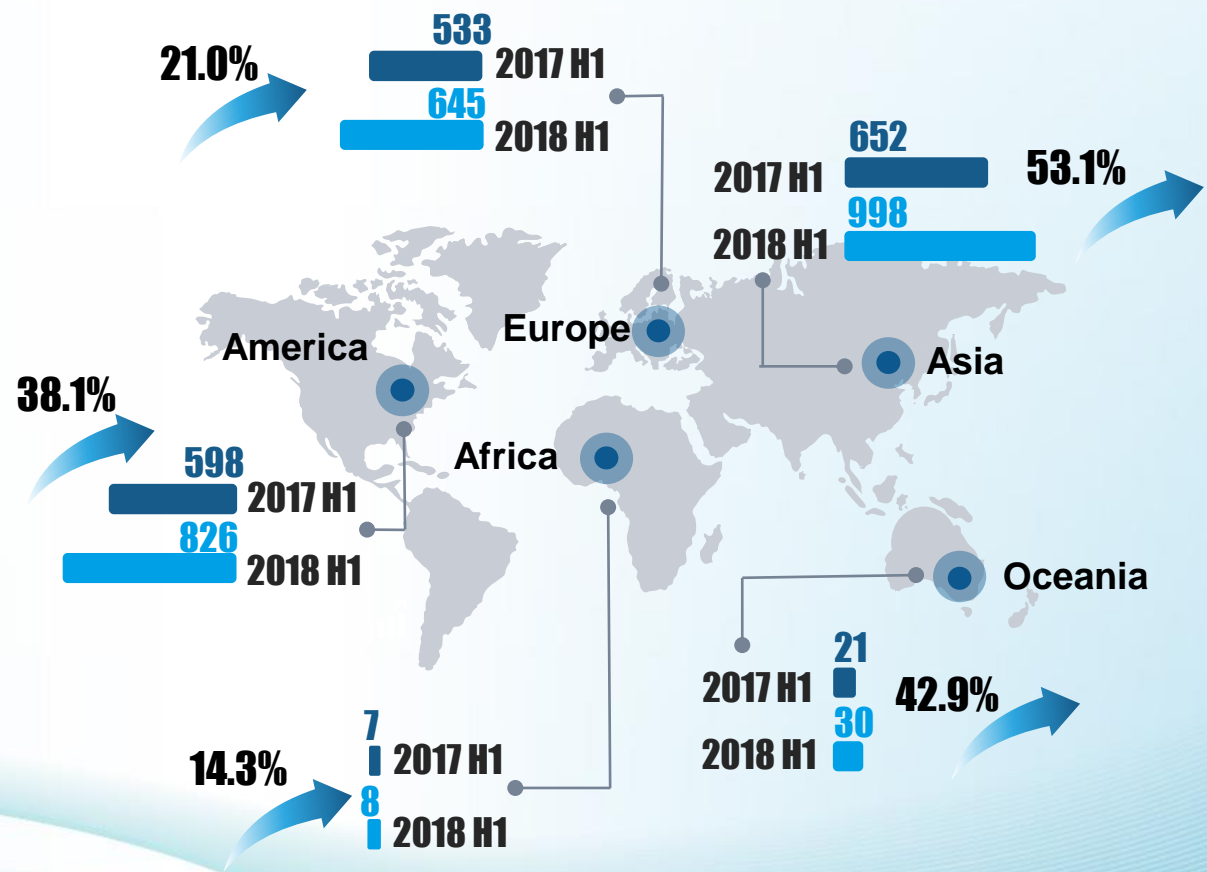
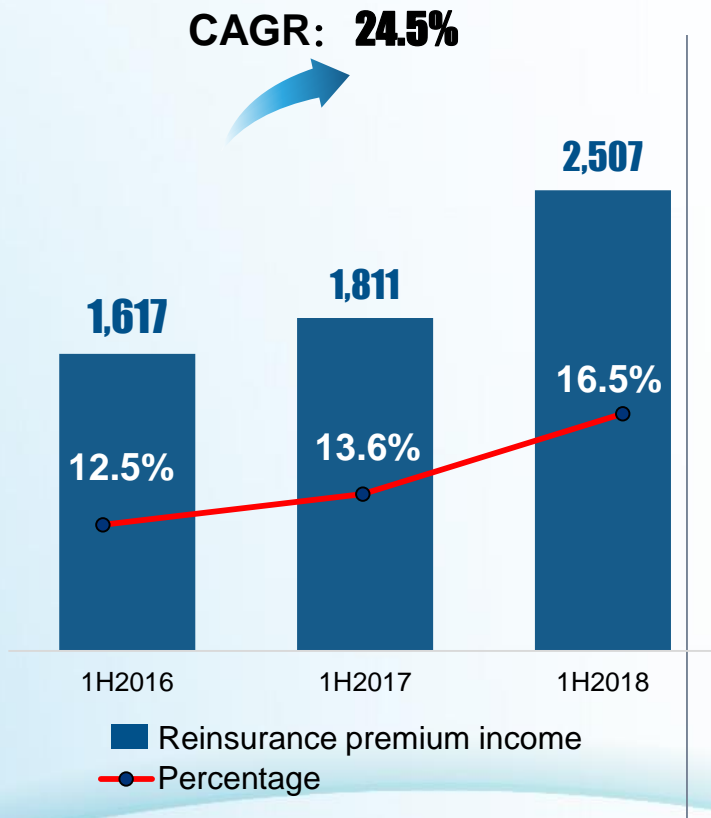
Reinsurance premium income maintained rapid growth with the main markets staying flourishing

Reinsurance premium income maintained rapid growth

(RMB in millions)

The main markets staying flourishing

(RMB in millions)



Notes:

- Percentage of premium income from overseas business is calculated as segment overseas business / the P&C Reinsurance's consolidated premium income without inter-segment eliminations.
- Premium income of this segment does not consider inter-segment eliminations.

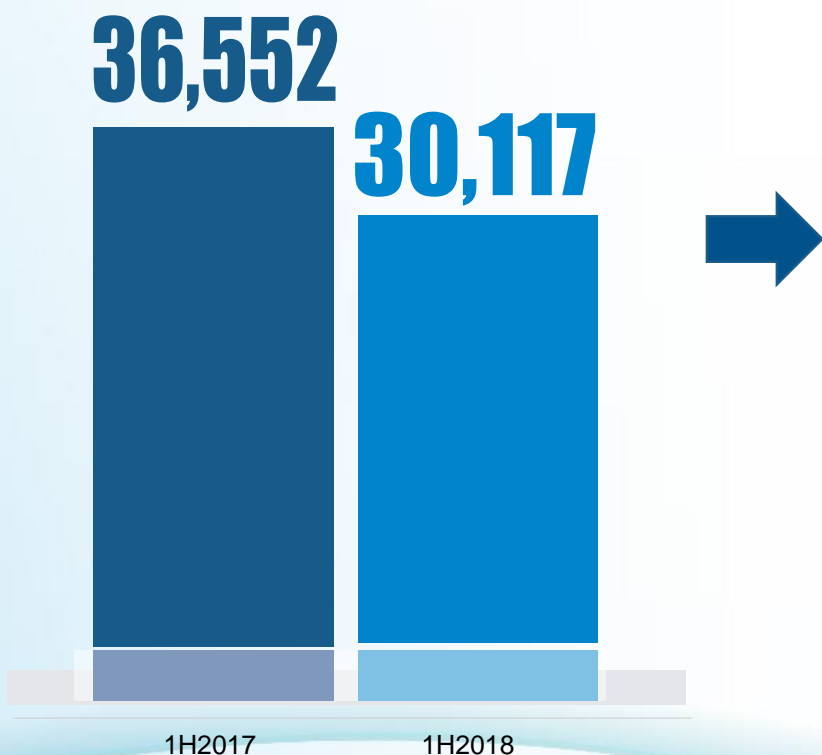
Life and Health Reinsurance Business (1/4)



Reinsurance premium income declined as affected by the pace of business development

Reinsurance premium income

(RMB in millions)



Reasons for changes of reinsurance premium income

Main reason

- Financial reinsurance business achieved abnormally strong results in 1H2017: Domestic financial reinsurance premium income amounted to RMB 23,826m, of which RMB 23,725m was recorded in the first half of 2017

Other reasons

- Savings-type reinsurance business under pressure: Affected by regulatory supervision and the acceleration of industry transformation, costs of savings-type business remain high. We strictly selected business opportunities and stick to the bottom line of costs, resulting in a decline in premium volume
- Rapid growth in protection-type reinsurance business: Protection-type business realized strong growth as a result of insurance industry returning to the fundamental purpose of protection and we effectively implemented the “Data+” and “Technology+” strategy

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

Life and Health Reinsurance Business (2/4)

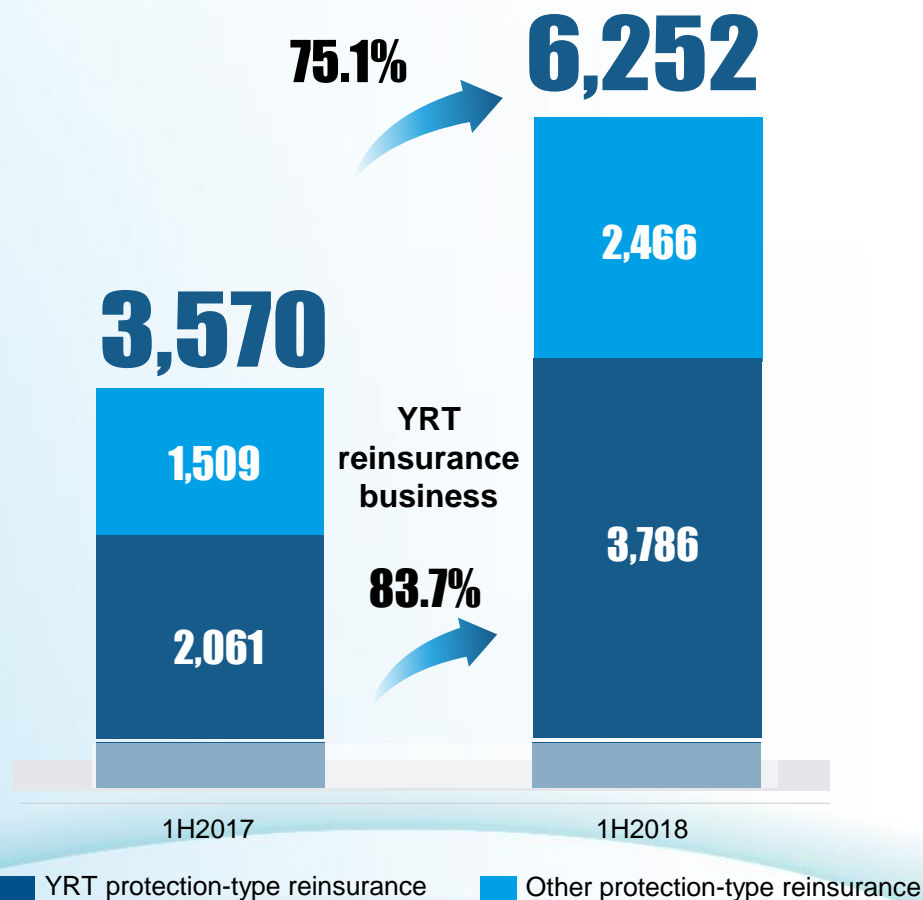


Protection-type business grew robustly with notable structural optimization



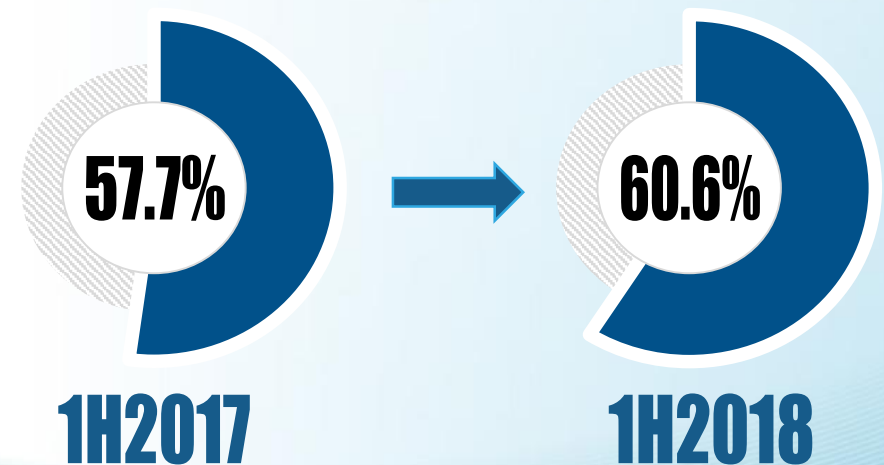
Protection-type reinsurance

(RMB in millions)



- Rapid growth in premium volume: “Data+” and “Technology+” strategy effectively implemented
- Proportion of YRT business remained stable: formed strong support for premiums growth
- Increase in proportion of profitable businesses: business of mid-end medical care and private accident insurance for drivers and passengers of private owned motor vehicles grew rapidly, achieving a y-o-y increase of 172.5%
- Active and effective risk management and control: enhance risk warning and monitoring of critical illness and cancer business

Proportion of YRT business



Notes:

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

Life and Health Reinsurance Business (3/4)



Selectively develop savings-type reinsurance business and innovate financial reinsurance business

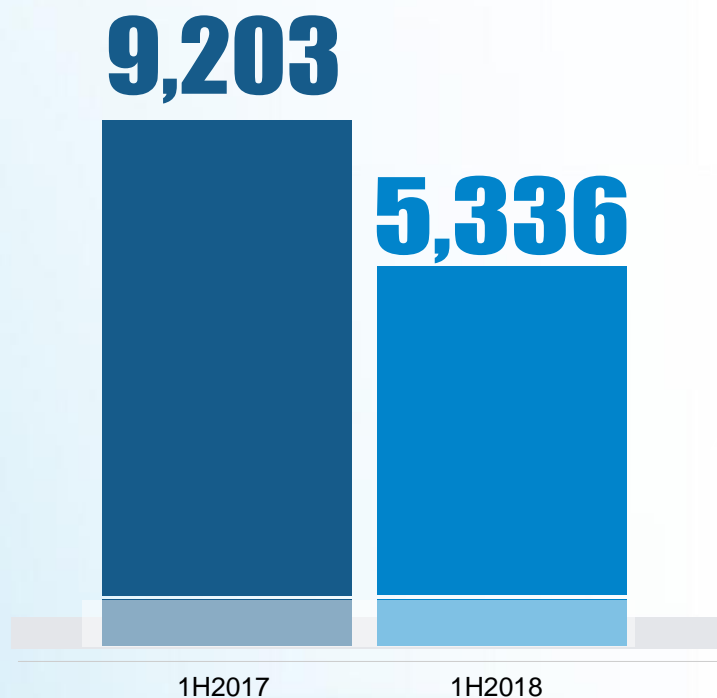


Savings-type business

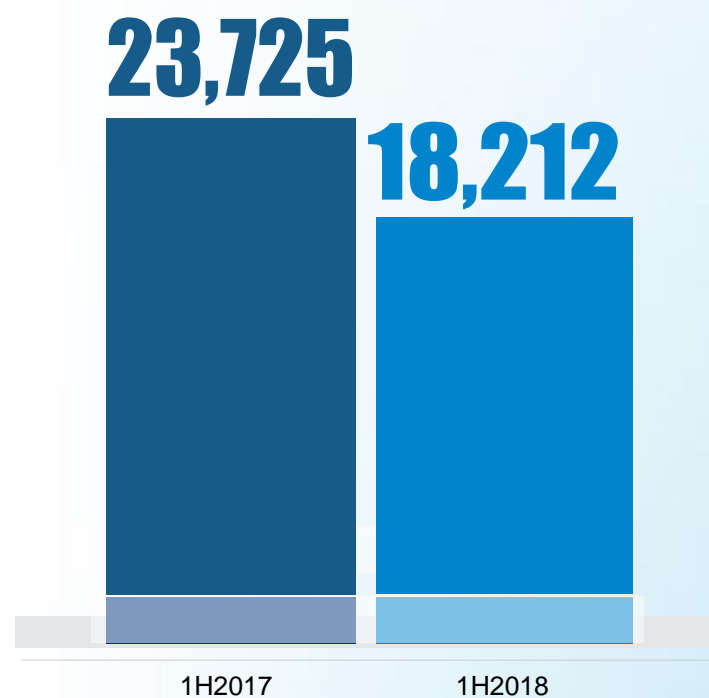


Financial reinsurance business

(RMB in millions)



(RMB in millions)



Notes:

1. Premium data on this page refers to China Re Life specifically.
2. Savings-type business on this page includes both domestic and overseas savings-type business.

Life and Health Reinsurance Business (4/4) – Embedded Value

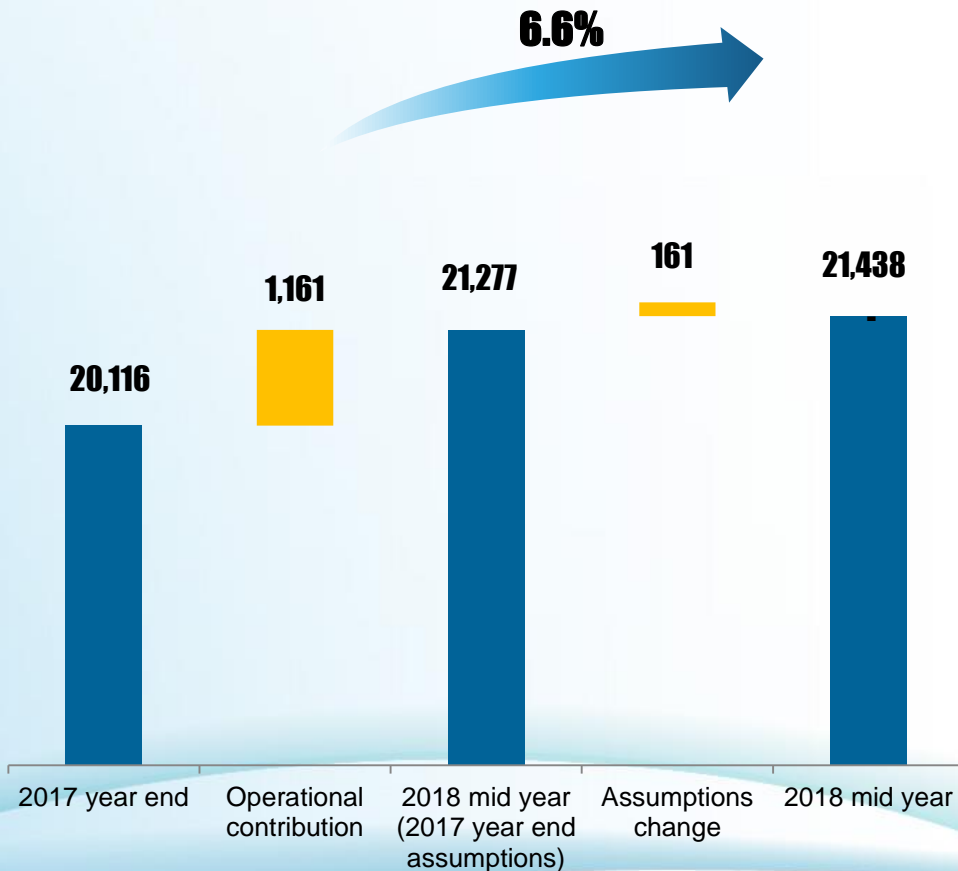


Embedded Value

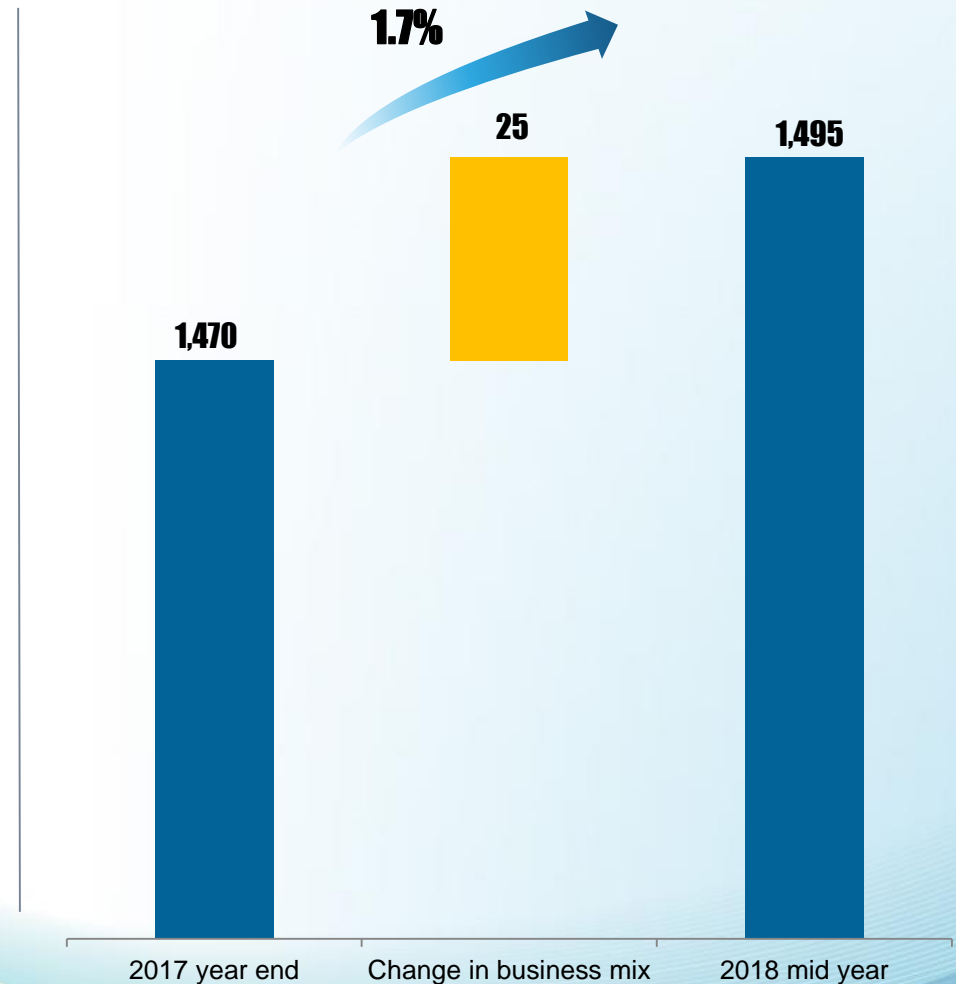


Value of one year's new business

(RMB in millions)



(RMB in millions)

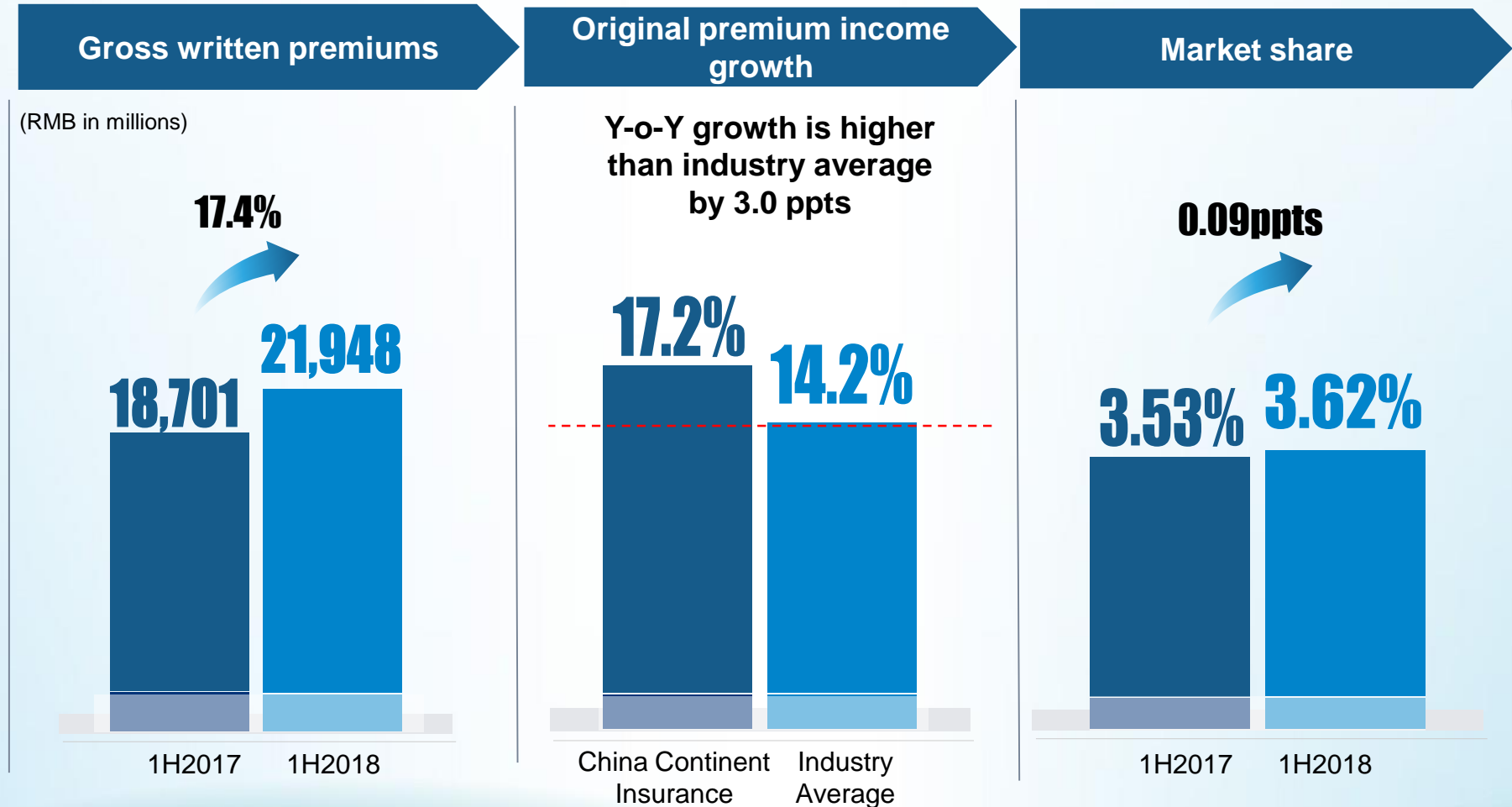


Note: Figures related to life and health reinsurance business only include China Re Life, which accounts for more than 99.5% of total life and health reinsurance business.



Primary P&C Insurance (1/3)

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



Primary P&C Insurance (2/3)

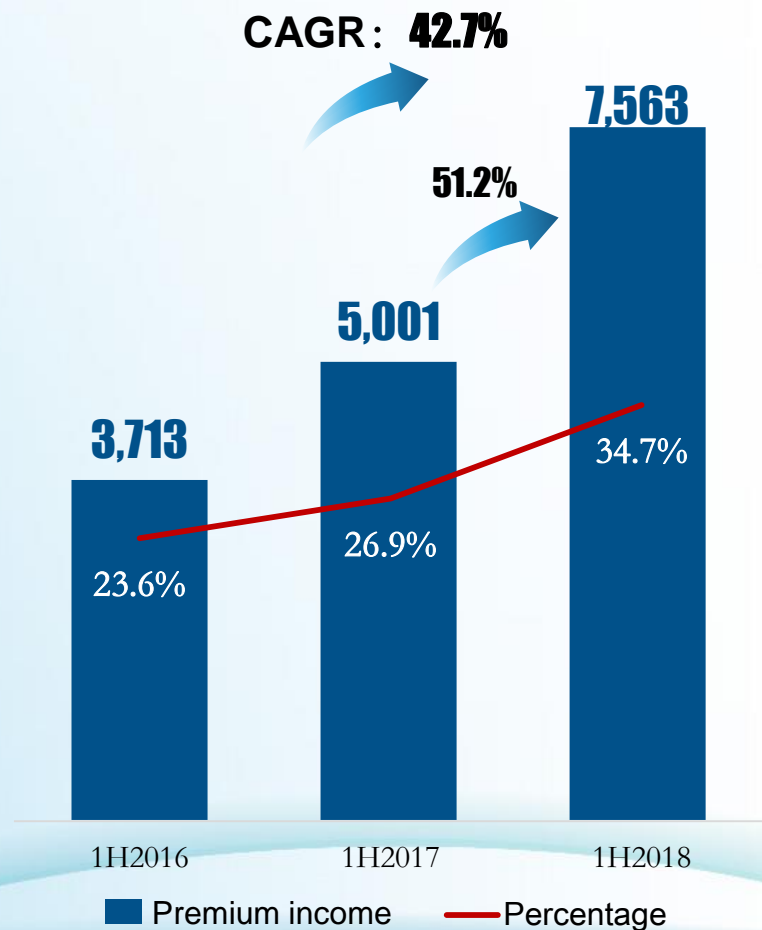


Non-auto business achieved fast growth and business mix optimized

Non-auto business achieved fast growth

(RMB in millions)

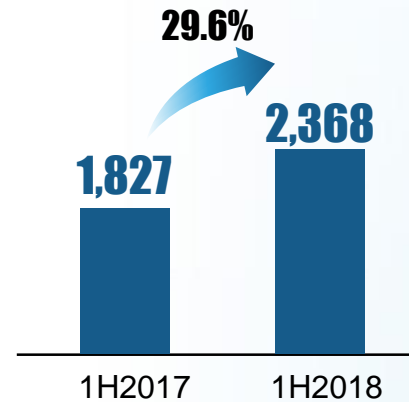
Proportion and growth rate of premium income



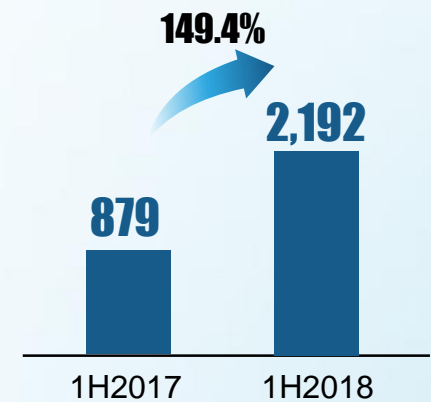
Key non-auto insurance growth

(RMB in millions)

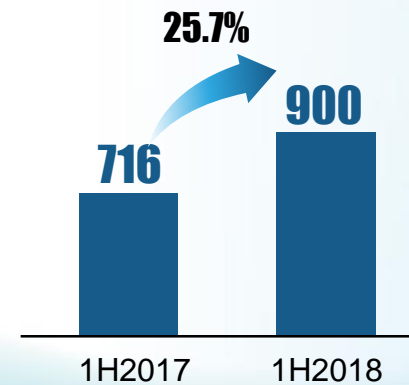
Accident and short-term health



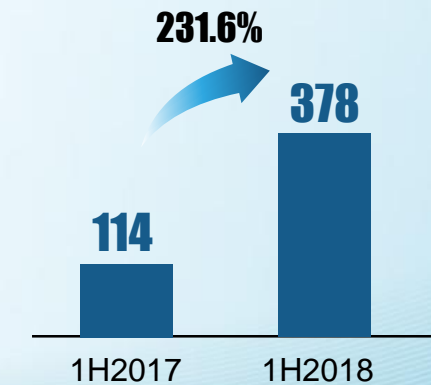
Surety



Liability



Cargo transportation





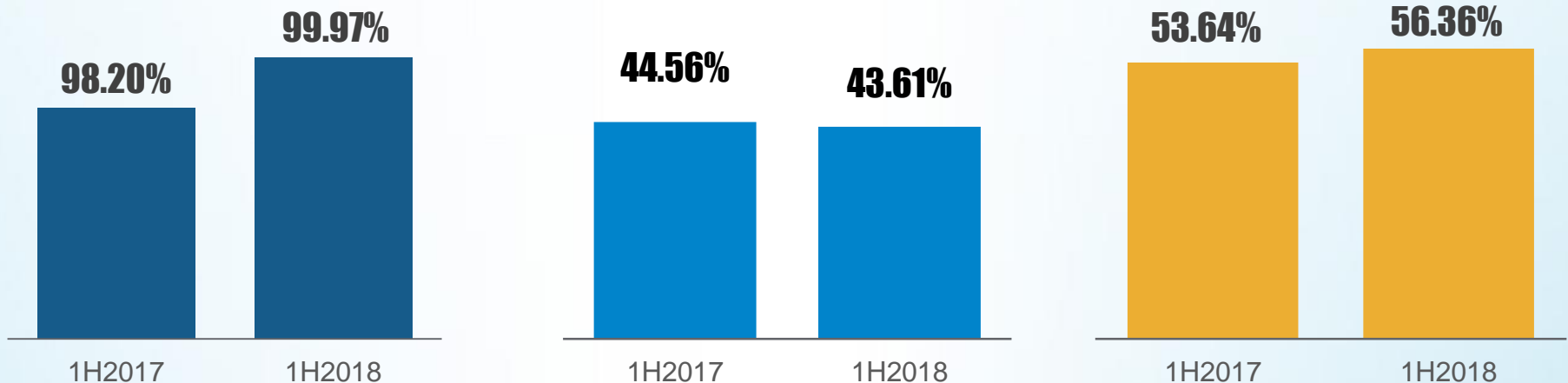
Primary P&C Insurance (3/3)

Combined ratio increased

Combined ratio

Expense ratio

Loss ratio



Reason for the changes of combined ratio

With the intensified market-oriented reform of commercial auto insurance rates, the adequacy ratio of the premium from motor insurance declined, and in order to deal with change of market environment, we prudently set aside premium deficiency reserve for motor insurance, resulting in loss ratio increase



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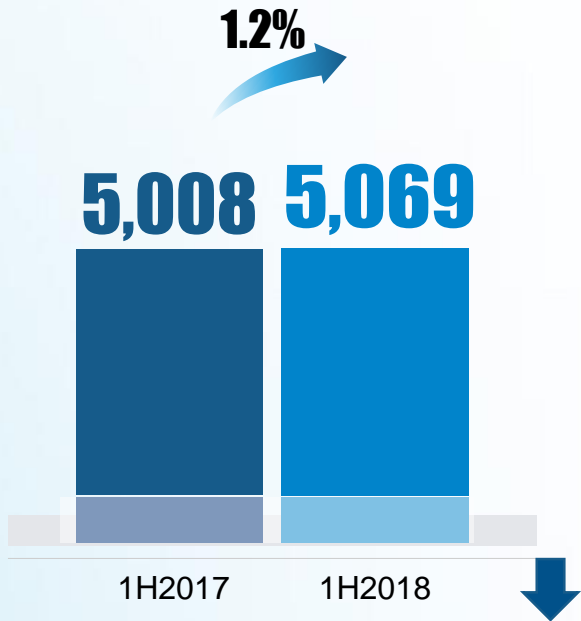


Asset Management (1/3)

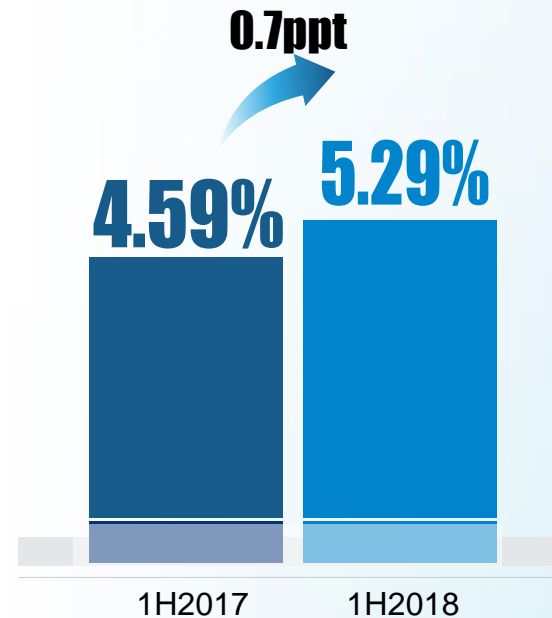
Stable and improving investment performance

Total investment income

(RMB in millions)



Annualized net investment yield



Reasons for change in total investment income

- First, we significantly increased our allocation of fixed-income investments in 2017 and early 2018, with a year-on-year increase in interest income
- Second, we proactively seized market opportunities and strengthened active management, resulting in a year-on-year increase in gains from equity and funds

Notes:

1. Total investment income = Investment income + share of profit of associates - interest expenses on securities sold under agreements to repurchase
2. Investment assets equals the sum of 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, derivative financial instruments and investment properties, net of securities sold under agreements to repurchase.
3. Annualized net investment yield = Net investment income \div average of investment assets as at the beginning and end of the period \times 2
4. Net investment income equals to the sum of interest, dividends, rental income and investment income from investment in associates.

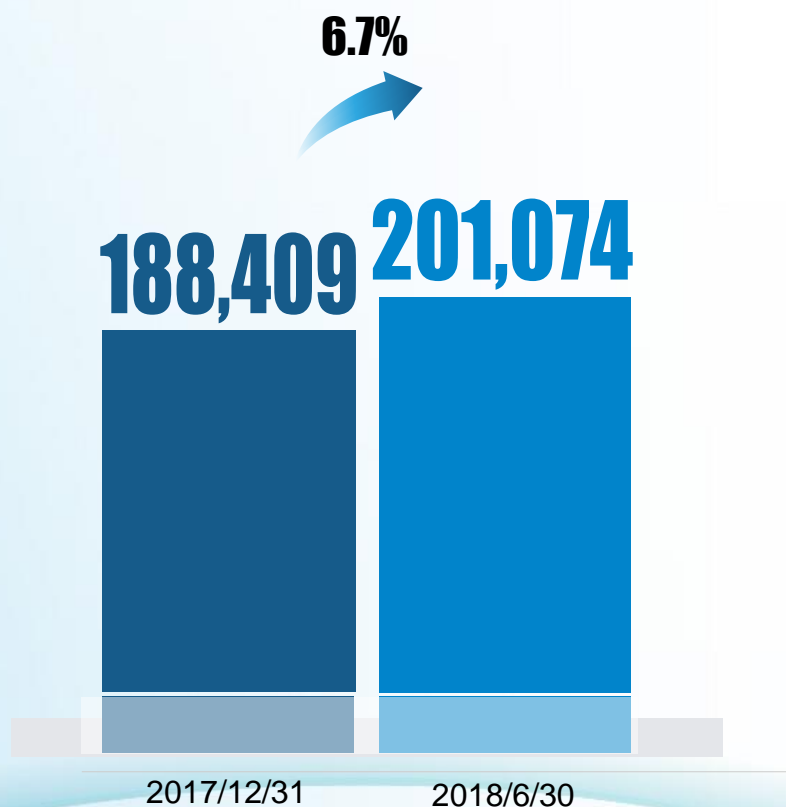


Asset Management (2/3)

Steady increase of investment assets and significantly increased allocation of fixed-income investments

Total investment assets

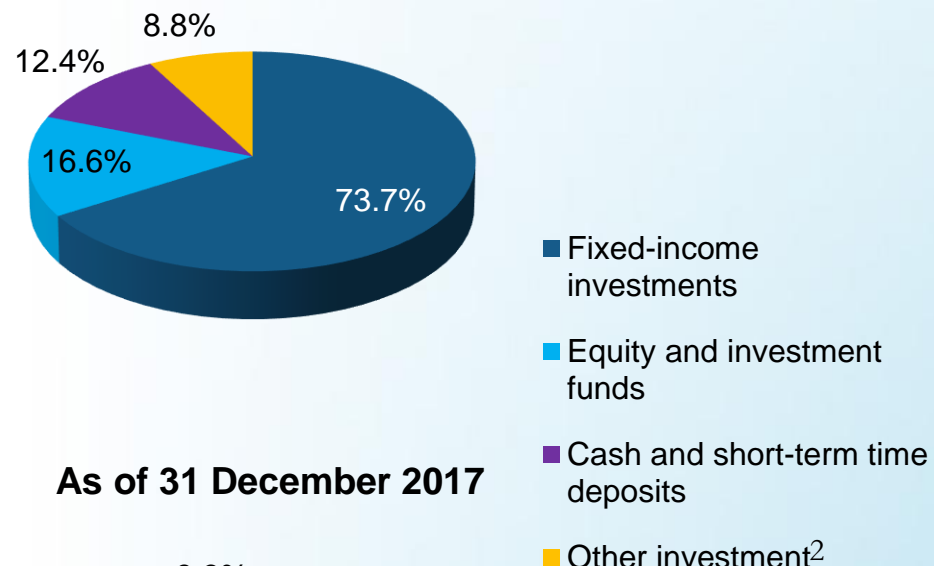
(RMB in millions)



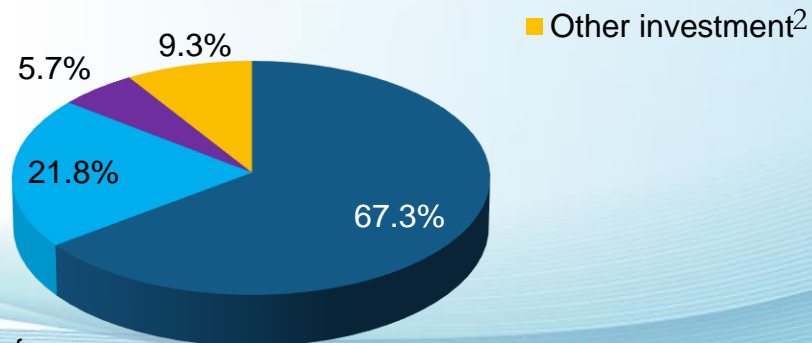
Asset allocation structure

Total investment assets by asset class¹

As of 30 June 2018



As of 31 December 2017



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. Including investments in associates, investment properties, derivative financial instruments, etc.

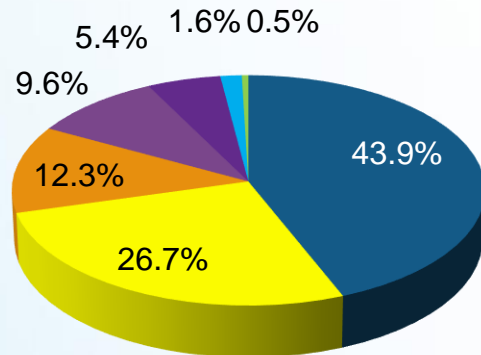


Asset Management (3/3)

Prudent allocation of fixed-income and equity investments

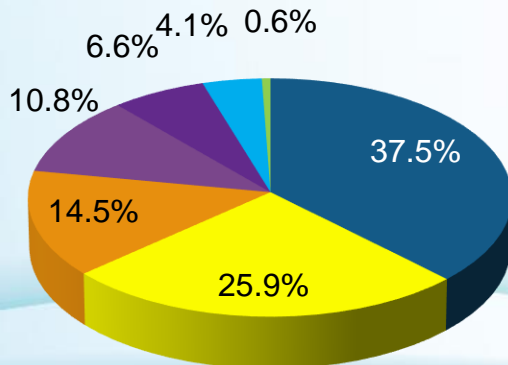
Breakdown of fixed-income investments

As of 30 June 2018



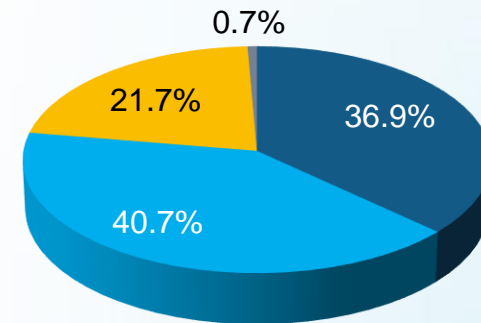
- Enterprise (corporate) bonds
- Investments classified as loans and receivables
- Other fixed-income investments¹
- Financial bonds
- Subordinated bonds
- Time deposits
- Government bonds

As of 31 December 2017



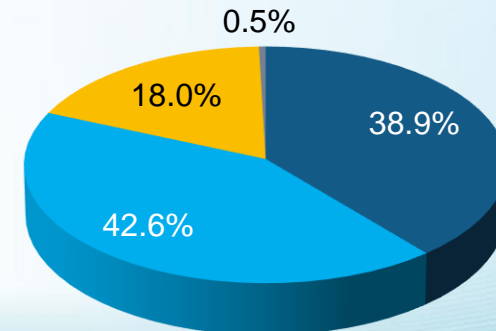
Breakdown of equity and investment funds

As of 30 June 2018



- Investment funds²
- Stocks
- Unlisted equity investments³
- Derivatives

As of 31 December 2017



Notes:

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



Q&A

Appendix: key operating and financial data



Unit: in RMB millions (unless otherwise specified)	1H2018	1H2017	Change
Gross written premiums	66,308	67,829	(2.2%)
P&C reinsurance	15,200	13,321	14.1%
Life and health reinsurance	30,165	36,612	(17.6%)
Primary P&C insurance	21,948	18,701	17.4%
Net profit	2,368	3,004	(21.2%)
Net profit attributable to equity shareholders of the parent company	2,331	2,954	(21.1%)
Earnings per share (RMB)	0.05	0.07	(21.1%)
Annualized weighted average return on equity (%)	6.21%	8.23%	(2.02ppts)
Annualized total investment yield (%)	5.21%	5.70%	(0.49ppts)

Notes:

1. Annualized weighted average return on equity = Net profit attributable to equity shareholders of the parent company \div balance of weighted average net assets \times 2.
2. Annualized total investment yield = Total investment income \div average of investment assets as at the beginning and end of the period \times 2.

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



Unit: in RMB millions (unless otherwise specified)	2018/6/30	2017/12/31	Change
Total assets	299,545	242,800	23.4%
Total liabilities	213,912	167,430	27.8%
Total equity	85,633	75,370	13.6%
Net assets per share (RMB)	1.80	1.75	3.0%
Core solvency adequacy ratio	207%	197%	10ppts
Aggregated solvency adequacy ratio	207%	197%	10ppts
Embedded value of life and health reinsurance business	21,438	20,116	6.6%
Value of one year's new business of life and health reinsurance business	1,495	1,470	1.7%
Total investment assets	201,074	188,409	6.7%

Notes:

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.
3. Figures related to life and health reinsurance business only include China Re Life, which accounts for more than 99.5% of total life and health reinsurance business.