



China Pacific Insurance (Group) Co., Ltd

2012 Interim Results

20 August 2012

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Business Overview

2012 is a challenging year for the insurance industry

Economic Environment

- Slowing economic growth and lack of momentum for insurance business growth
- Equity markets continue to be weighed down, with lackluster equity investment returns
- Yield of fixed income assets approaching the inflection point with declining interest rates

Industry Environment

- Life insurance industry entering a transitional period after years of high growth
 - Constraints on existing channels and sales models
 - Lack of product differentiation and intense industry competition
- P&C business growth momentum weakening
- Rising operating costs of insurance companies
- Impending policies expected to facilitate expansion of pension insurance business

Adhered to the strategy of focusing on main insurance business and sustainable value enhancing growth

■ Life insurance: focus on agency channel and regular premium business

- expansion of productive agent force and effective productivity enhancement
- Focus on growing regular premium business
- Implement differentiated urban market breakthrough strategies
- Explore and drive the transformation of bancassurance business

■ P&C: seek sustained underwriting profitability

- Focus on specialized channel development and increase business contribution from new channels
- Strengthen renewal management and customer service
- Strengthen cost control and continue to improve input-output ratio

■ Investment: seek to match asset investment return with cost of liabilities, focus on net value growth

Actively promoted the customer demand oriented transformation

Vision: “The insurance company by your side”

Focus on customer needs

- Through customer data management and analysis, focus on customer needs and promote product as well as service innovation

Improve customer interface

- Build and improve online, direct sales and agency channels through internal process optimization, and deepen customer engagement

Enhance customer experience

- Utilize mobile and internet new technologies to improve and expand service capabilities for better customer experience

Actively promoting 12 initiatives to “increase customer insight, resource-sharing and value from target customers”.

Key Value Metrics

Unit: RMB million

	1H2012	1H2011	Change (%)
Life insurance 1H new business value	4,061	3,830	↑ 6.0
Life insurance new business margin ⁽¹⁾	15.4%	11.9%	↑ 3.5pt
P&C combined ratio	94.2%	91.1%	↑ 3.1pt
Net asset value growth rate of investment assets	5.3%	3.2%	↑ 2.1pt
Group net assets ⁽²⁾⁽⁴⁾	81,748	76,796	↑ 6.4
Value of in-force business ⁽³⁾⁽⁴⁾	45,008	40,900	↑ 10.0
Group embedded value ⁽⁴⁾	121,833	113,564	↑ 7.3

Note:

(1) Life insurance new business margin= new business value/ life insurance FYP

(2) Attributable to shareholders of the parent company

(3) In-force value of life insurance attributable to the Group after deducting cost of solvency margin

(4) As of Jun 30, 2012 and Dec 31, 2011

Key Financial Metrics

Unit: RMB million	1H2012	1H2011	Change (%)
Gross Written Premium	90,511	86,875	↑ 4.2
Life insurance	55,229	54,574	↑ 1.2
P&C insurance	35,246	32,267	↑ 9.2
Total investment yield	3.9%	4.4%	↓ (0.5pt)
Net investment yield	4.9%	4.4%	↑ 0.5pt
Net profit ⁽¹⁾	2,638	5,816	↓ (54.6)
Group solvency margin ⁽²⁾	271%	284%	↓ (13pt)
Changjiang Pension total entrusted assets ⁽²⁾	29,438	27,258	↑ 8.0
Changjiang Pension total AUM ⁽²⁾	20,915	18,104	↑ 15.5

Note:

(1) Attributable to shareholders of the parent company

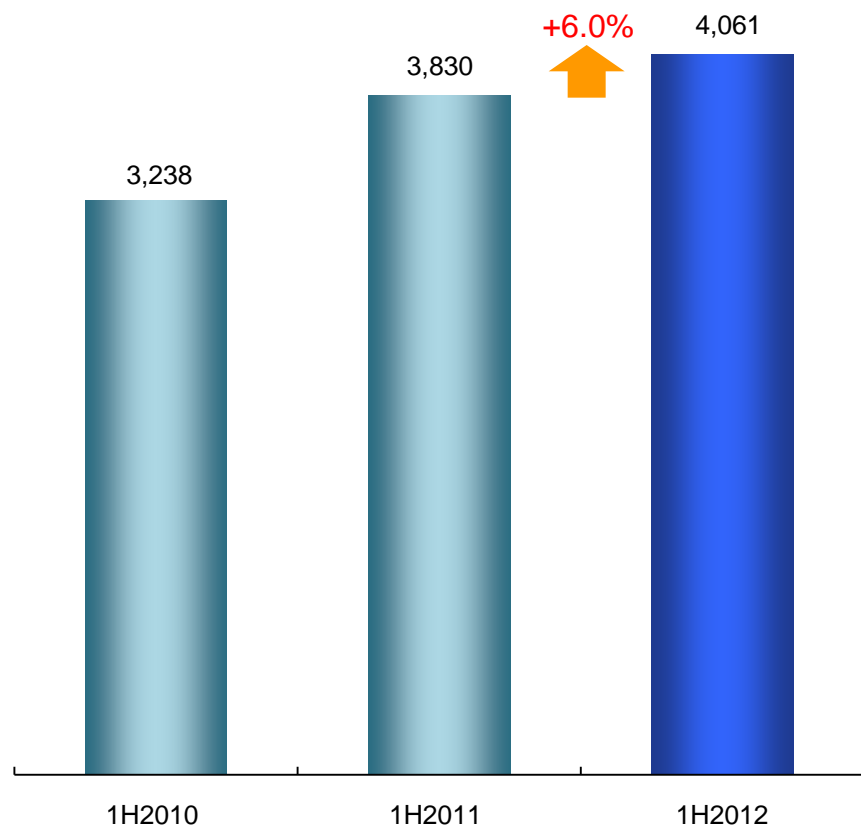
(2) As of Jun 30, 2012 and Dec 31, 2011

Business Review

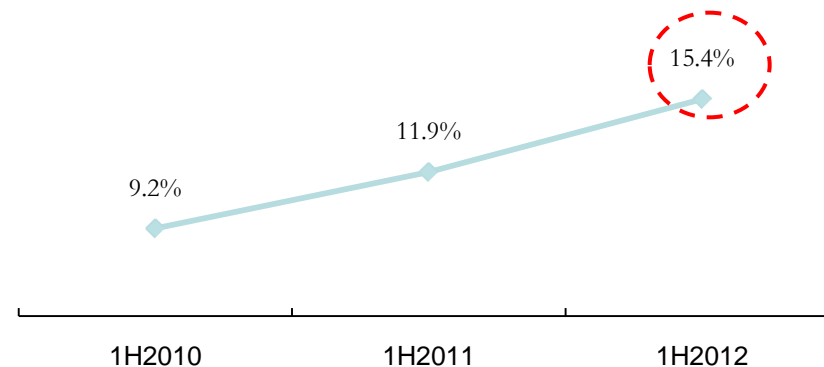
Increase in value and margin of life insurance

1H new business value

Unit: RMB million



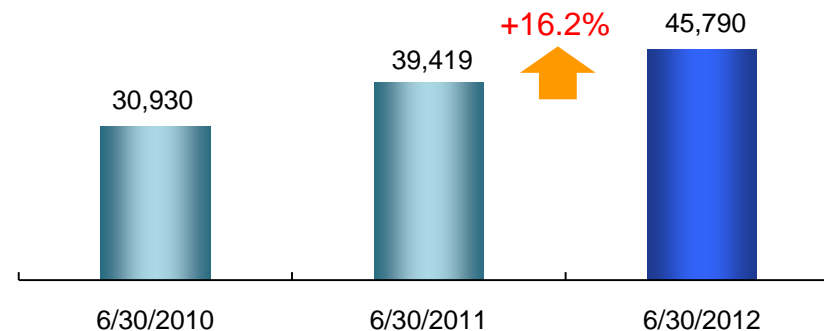
New business margin*



* New business margin = new business value / life insurance FYP

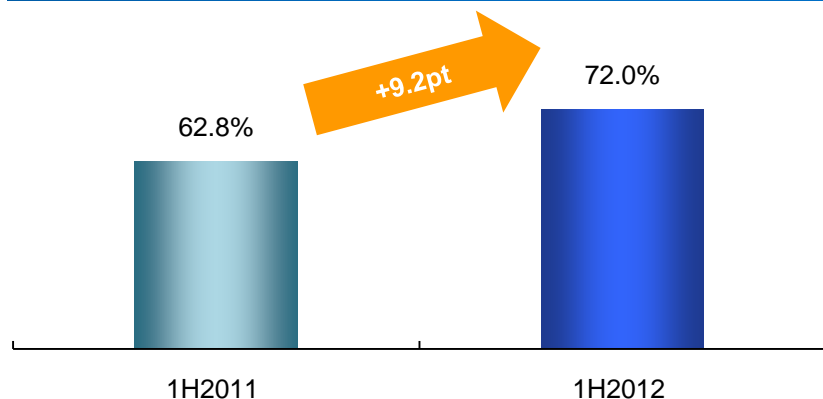
Life insurance VIF

Unit: RMB million

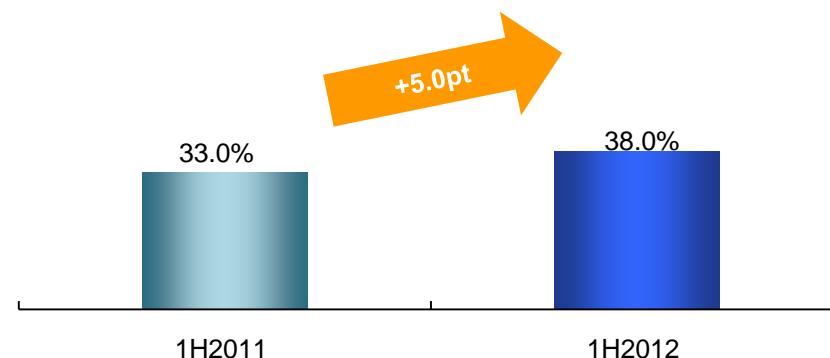


Continued business portfolio optimization

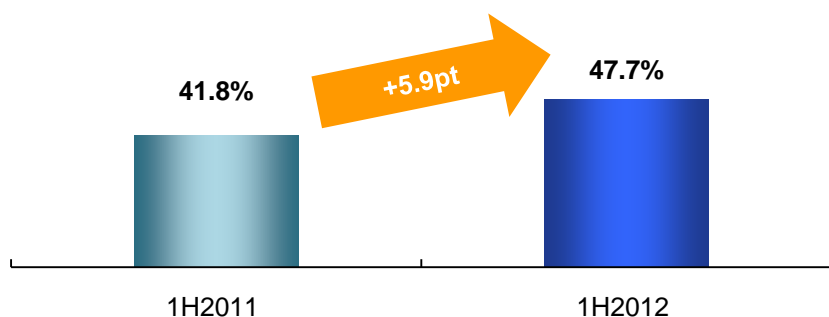
Percentage of regular premium ⁽¹⁾



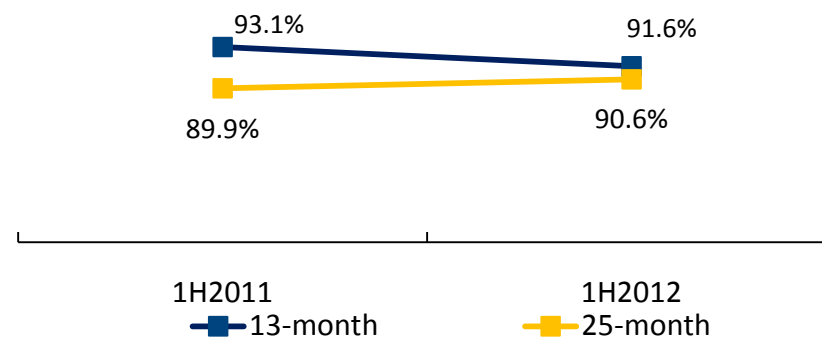
Percentage of new business regular premium ⁽²⁾



Percentage of regular premium with payment term of at least 10 years ⁽³⁾



Persistency ratio of individual life policyholders



Note:

(1) Percentage of regular premium = (new business regular premium+ renewal premium)/ gross written premium

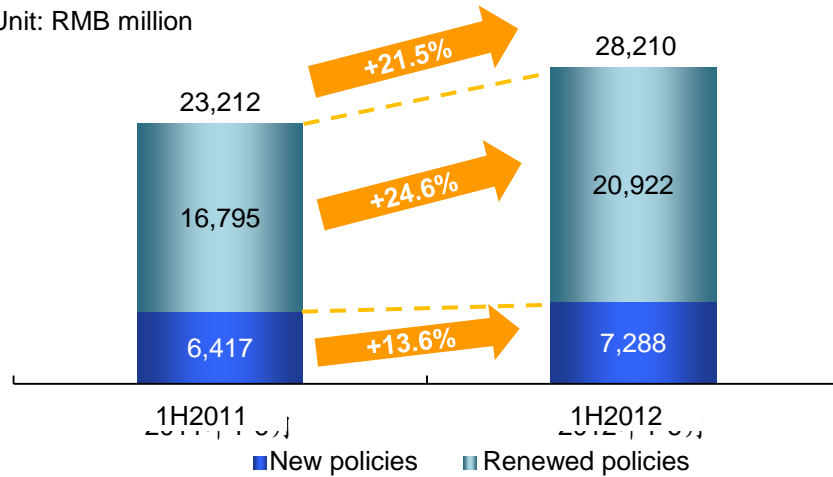
(2) Percentage of new business regular premium = new business regular premium / first year premium

(3) Percentage of regular premium with payment term of at least 10 years= premium from policies with payment term of at least10 years/ new business regular premium.

Agency channel maintained relatively fast growth

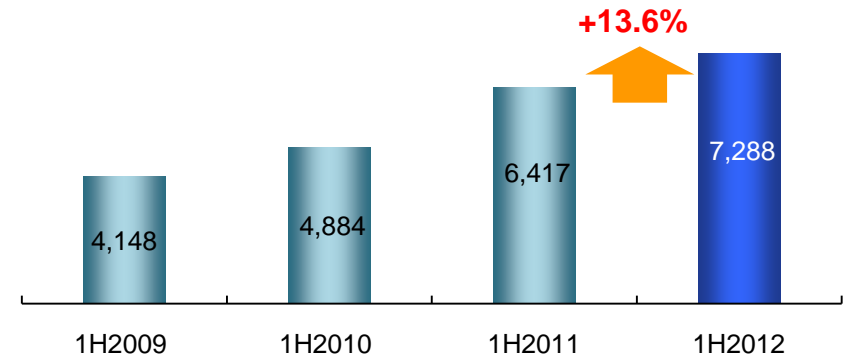
Agency channel gross written premium

Unit: RMB million

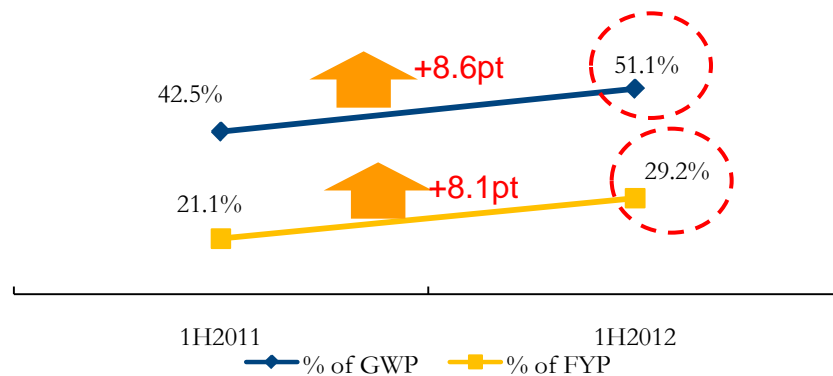


Agency channel new business premium

Unit: RMB million

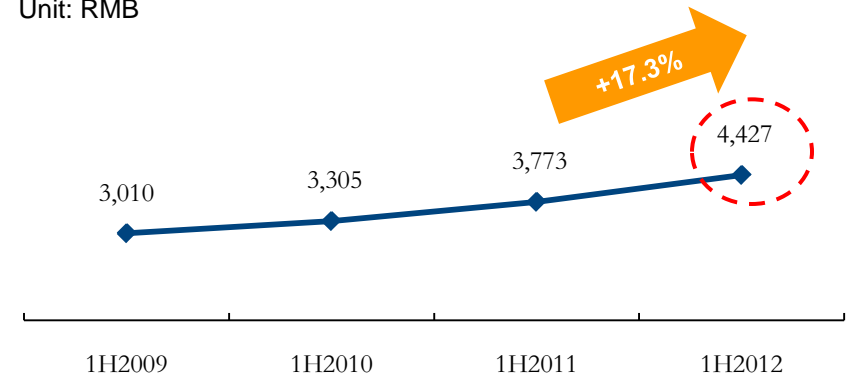


Percentage of GWP through agency channel



Monthly FYP per agent

Unit: RMB



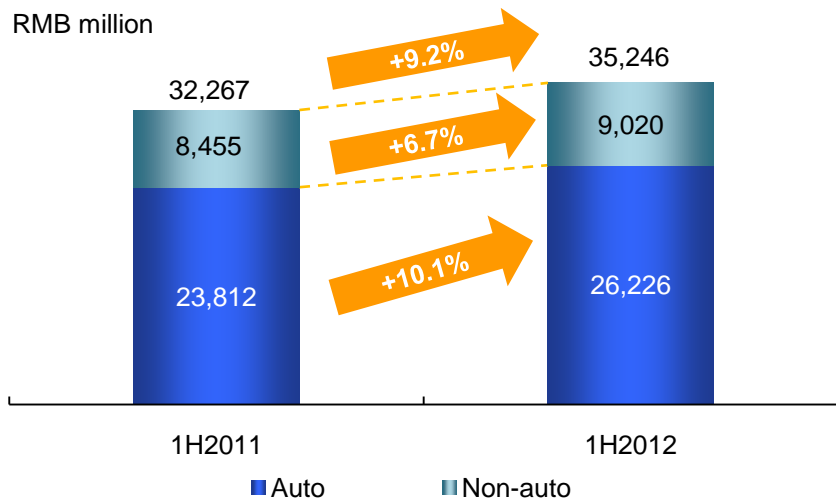
Bancassurance, direct sales and new channels

Unit: RMB million	1H2012	1H2011	Change (%)
Bancassurance			
GWP	21,709	28,006	↓ (22.5)
New policies	12,582	20,718	↓ (39.3)
Renewed policies	9,127	7,288	↑ 25.2
Direct sales			
GWP	4,906	3,178	↑ 54.4
New policies	4,836	3,112	↑ 55.4
Renewed policies	70	66	↑ 6.1
New channels			
GWP	404	178	↑ 127.0
New policies	236	106	↑ 122.6
Renewed policies	168	72	↑ 133.3

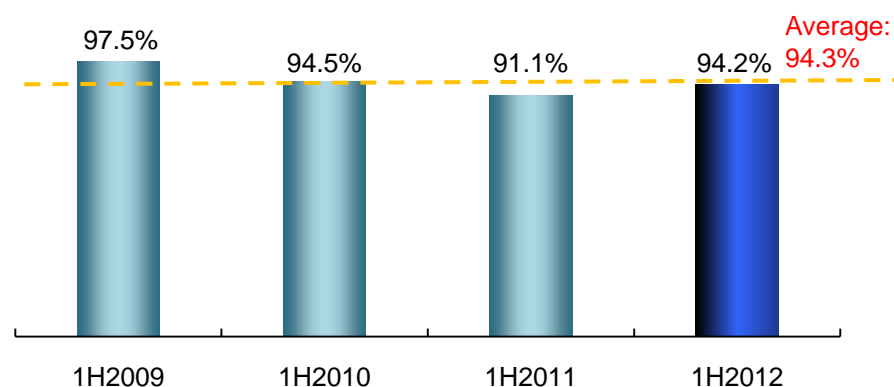
P&C GWP steadily increased with combined ratio at a healthy level

P&C insurance GWP

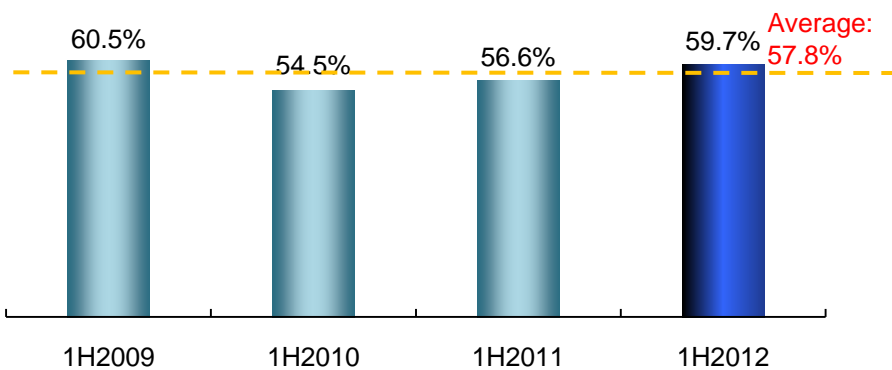
RMB million



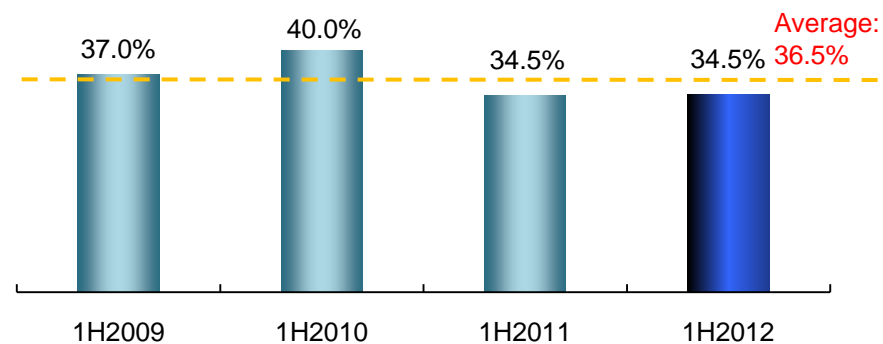
Combined ratio



Loss ratio



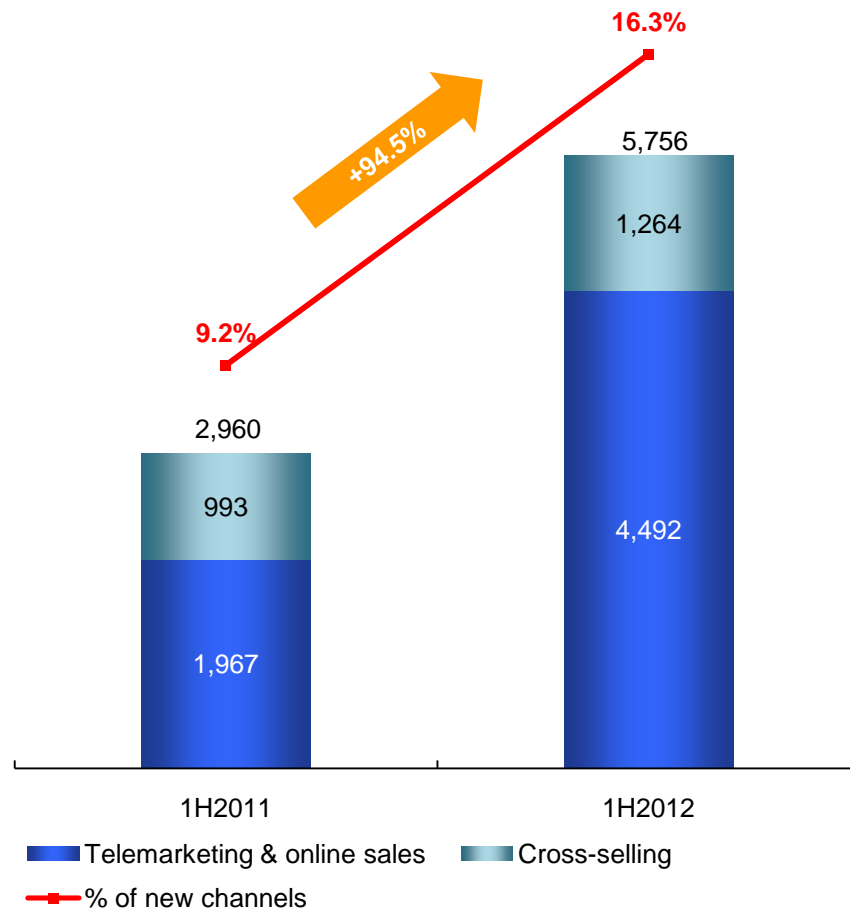
Expense ratio



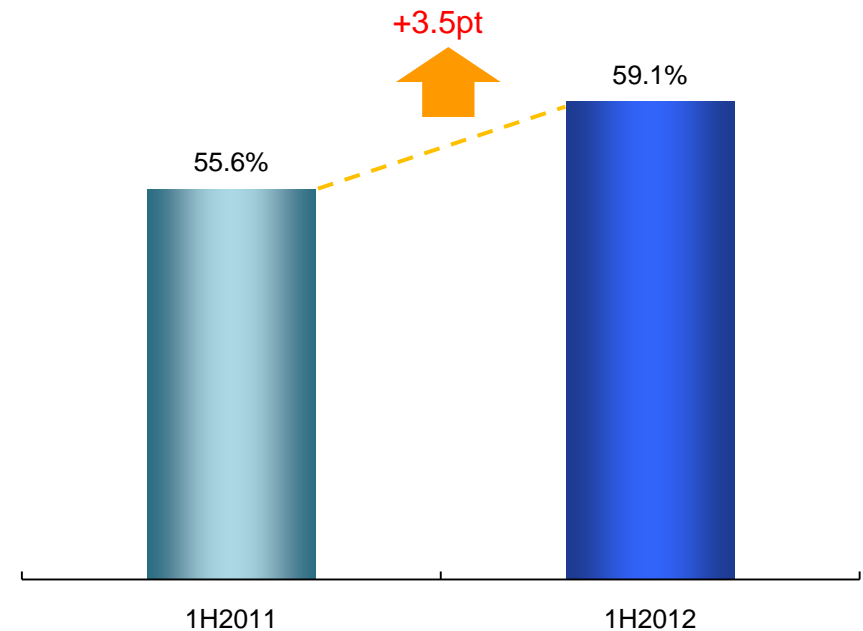
Accelerated new channels development and increased customer loyalty

P&C new channels GWP and percentage*

Unit: RMB million



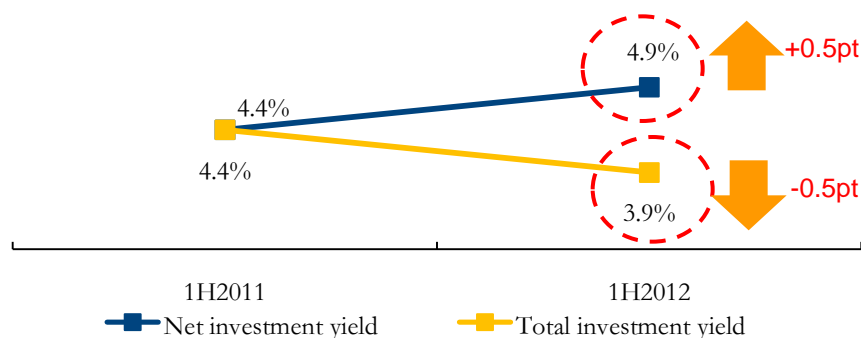
Commercial auto insurance renewal rate



* percentage of new channels = premiums written through new channels / P&C GWP

Allocation towards fixed income assets, steadily improving net investment yield

Investment Yield

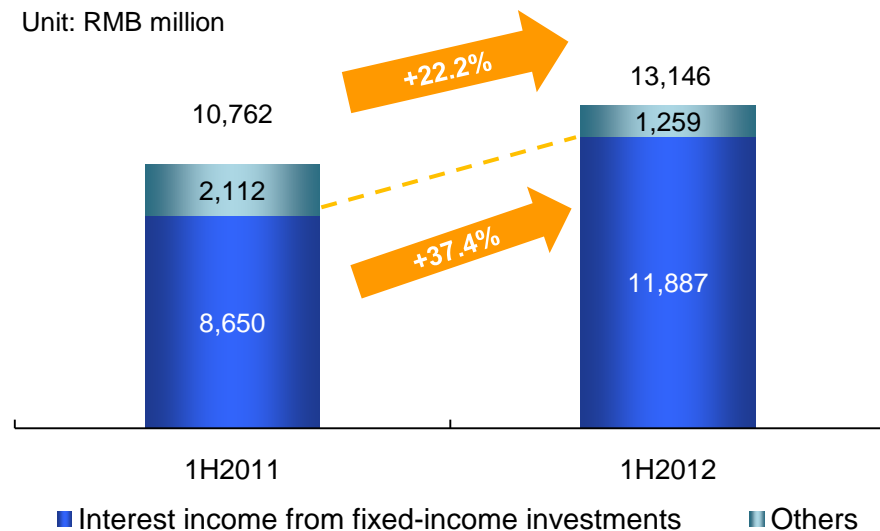


Investment assets portfolio

	2012 6/30	2011 12/31	Change (pt)
Fixed income investment ⁽¹⁾	83.5%	85.6%	(2.1)
Debt securities	49.0%	53.0%	(4.0)
Term deposits	28.8%	26.3%	2.5
Debt investment plans	4.3%	4.9%	(0.6)
Other fixed-income investments ⁽²⁾	1.4%	1.4%	-
Equity investment	10.6%	10.3%	0.3
Investment funds	4.9%	3.9%	1.0
Equity securities	4.7%	5.2%	(0.5)
Other equity investments ⁽³⁾	1.0%	1.2%	(0.2)
Investment properties	1.1%	1.2%	(0.1)
Cash & cash equivalents	4.8%	2.9%	1.9

Net investment income breakdown

Unit: RMB million



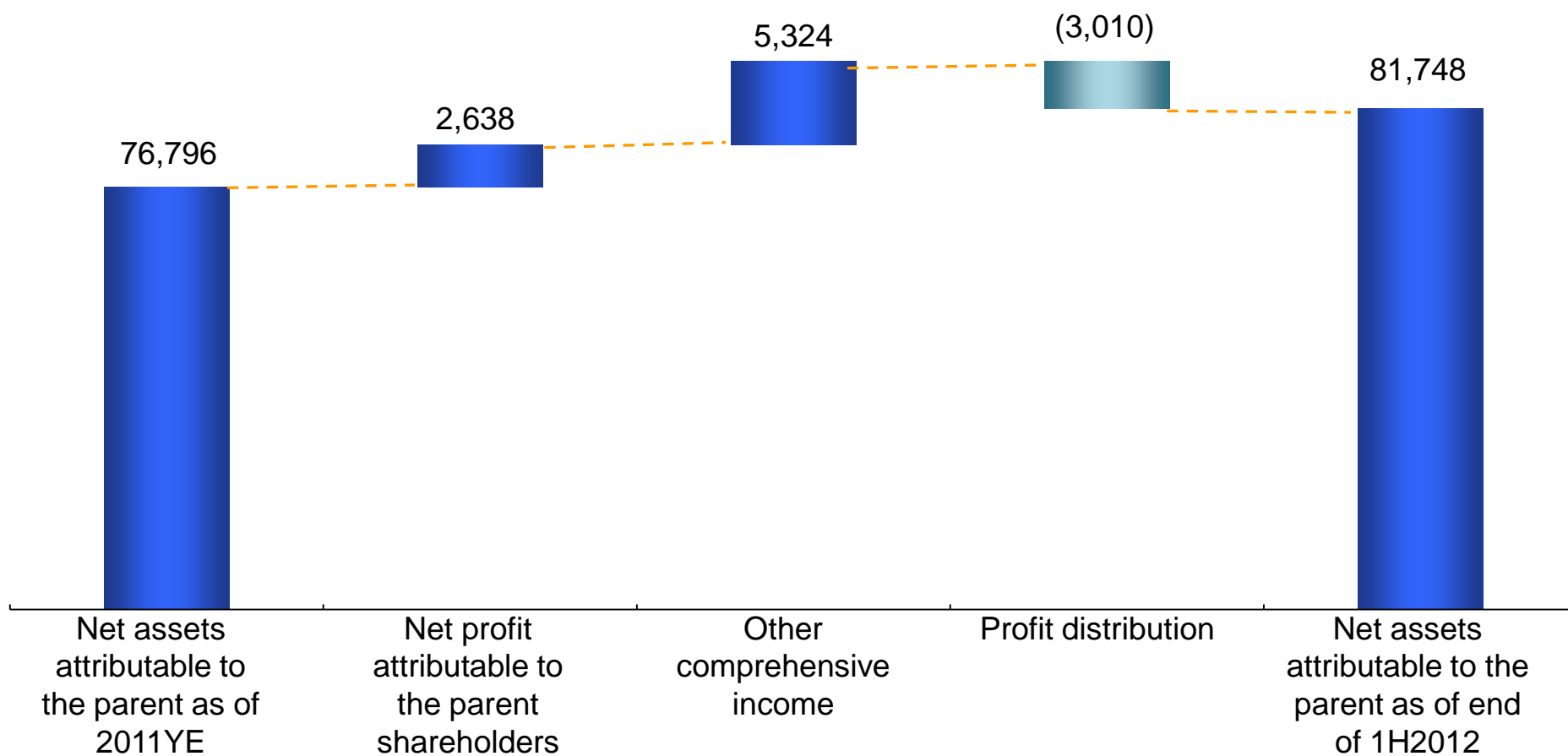
Note:

- (1) Fixed-income investments incl. debt securities, term deposits, debt investment plans, restricted statutory deposits, policy loans and wealth management products, etc.
- (2) Other fixed-income investments incl. restricted statutory deposits, policy loans and wealth management products, etc.
- (3) Other equity investments incl. unlisted equity securities

Analysis of changes in net assets

1H2012 changes in net assets

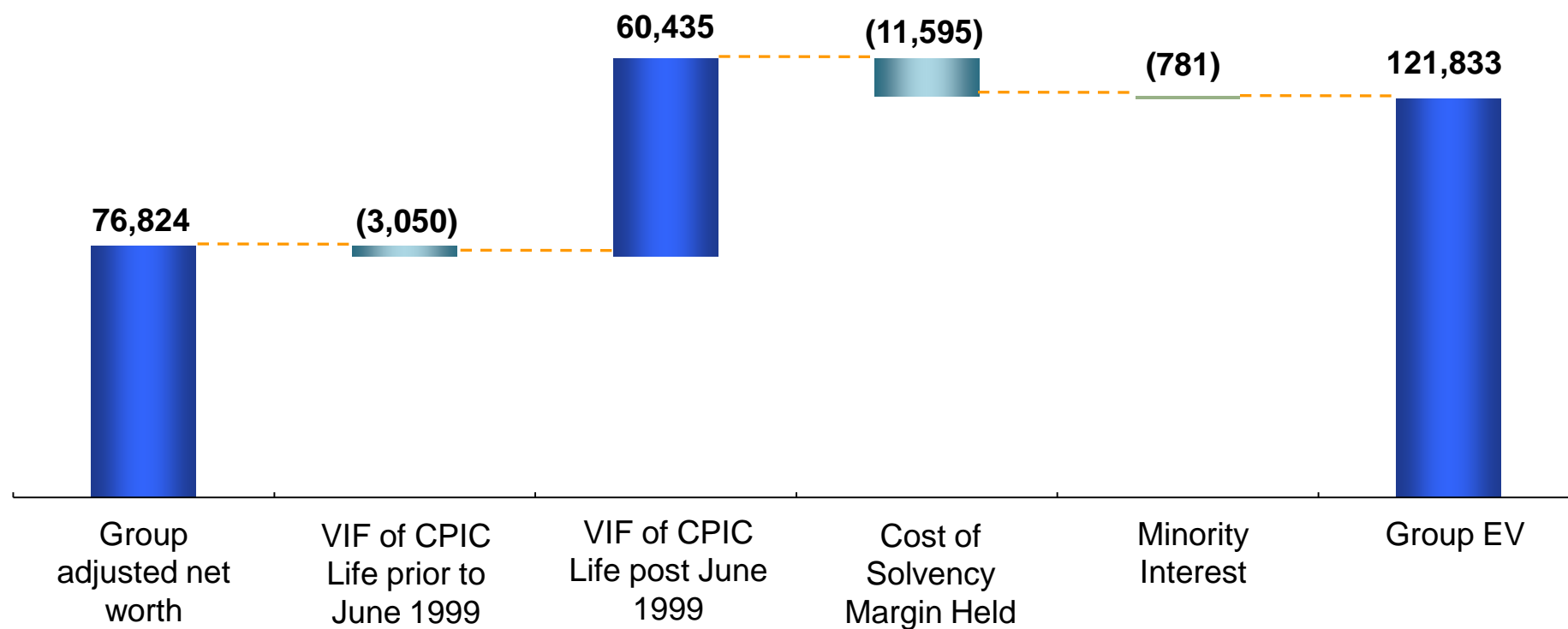
Unit: RMB million



Composition analysis of embedded value

Composition of embedded value as of Jun 30, 2012

Unit: RMB million



Q & A