中国太平洋保险(集团)股份有限公司
China Pacific Insurance (Group) Co.,Ltd.

Investors' Newsletter（June 25, 2018） Vol. No. 7 in 2018

CPIC（SH601601, HK02601）

Stock Data (ending May 31, 2018)

Total equity base (in million)	9,062
A-share	6,287
H-share	2,775
Total Cap（in RMB million）	286,045
A-share	209,169
H-share（in HKD million）	94,073
6-mth highest/lowest	
A-share (in RMB)	44.09/31.17
H-share (in HKD)	41.85/33.55

Investor Relations Calendar

July 4, 2018
Merchant Securities Interim Investor Conference
Shenzhen

July 5, 2018
Citi Greater China Corporate Day 2018
Hong Kong

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Premium Income (Unit: in RMB million)

	Jan.-May	Changes	May	Changes
P&C	50,540	17.15%	9,650	12.68%
Life	110,468	17.84%	12,383	11.68%

Company Updates

- **CPIC issues first insurance policy under China's tax-deferred pension program**

On June 7, CPIC hosted the ceremony for the issuance of China's first insurance policy of tax-deferred pension program. Chairman KONG Qingwei presented the policy to the customer. Present at the event were officials and representatives of CIRC Shanghai Branch, the Shanghai Financial Services Office, Shanghai Tax Bureau, Shanghai Insurance Association and the media.

President HE Qing made an opening speech on behalf of the company. He said that the launch of the program is a milestone event in the development of China's pension system, where the insurance industry plays an increasingly important part, and CPIC was proud to be the first to issue the insurance policy. The whole company will pull its weight behind this program to ensure satisfaction of all stakeholders including customers and the regulators.

- **SAFE grants QDII quota to CPIC Life and CPIC P/C**

China's foreign exchange regulator recently approved the application for QDII overseas securities investments by CPIC Life and CPIC P/C, with an investment quota of USD 1.68 billion and USD 210 million respectively. The approval will help with CPIC's overseas asset allocation and risk diversification.

Briefing

CPIC hosts its 2017
Annual Shareholders' General Meeting (SGM)

The SGM was held in Changsha of Hu'nan Province on June 15. Chairman KONG Qingwei presided over the meeting. The Board of Directors, the Board of Supervisors and the Board Secretary attended the session, while some of the company's senior executives were also present. The meeting reviewed and passed resolutions such as *The 2017 Board of Directors Report*, *The 2017 Board of Supervisors Report*, *The 2017 Financial Statements Report* and *The 2017 Profit Distribution Report*.

During the meeting, Chairman KONG presented the Report on the Work of the Board of Directors. President HE Qing gave an update on the business performance in 2018, followed by a review of the company's solvency status for 2017 by CFO PAN Yanhong. The management also took questions from shareholders. Below please see the summary of some of the questions and answers:

1.Q: Recently you have issued China's first tax-deferred pension

insurance policy. How do you think of the potential of the business? What is your competitive advantage? Could you give us more color on product design?

A: The program was up and running on a trial basis on May 1, after 11 years of study and preparations. We are honored to be among the first batch of insurers obtaining the qualification for the business and the approval for its products. We also issued China's first tax-deferred pension insurance policy on June 7. As a government-sponsored program, it marks an important milestone in the development of the 3rd pillar of China's multi-tiered pension system, and will present many business opportunities for the insurance companies.

As early as 2007, we joined the task force for the topical research into the program and have been part of the effort all along. Our first-mover advantage rests on our overall comprehensive strength, and our involvement in the industry preparations and research, which offered us profound insights into Chinese people's demand for old-age provisions and the program itself.

Next, we will vigorously push forward the business as per guidelines of the government.

1）Product development will adhere to the principle of "steady return, long-term lock-up, whole life withdrawal and actuarial break even", balancing between investment safety, investment return and long-term management of the fund. We have launched a full range of products, including type A (with a fixed yield), type B (with a minimum guaranteed interest rate and further divided into B1 for monthly settlement and B2 for quarterly settlement), and type C (no guaranteed yield), in order to meet customers' diverse needs.

2）In customer services, we took a host of measures to improve scheme transparency and bring ease and convenience to customers. For example, we developed an app known as The Calculator, which displays the tax payment saved on the program and the after-tax benefits based on inputs of age, gender and income of the insured. There are multiple modes of access to the program, including direct application by corporate clients, application on platforms built by companies, third-party platforms, or purchase by employee's family members. Upon completion of insurance application, customers may transfer account value and make amendments to premium payment frequency, beneficiaries, mode/ duration of withdrawals and venue of tax-filing. Besides, we have integrated a face recognition function into mobile apps to save customers the trouble of travelling and enhance their experience. As an insurance holding group, we can provide a wide range of services such as nursing, health care and rehabilitation to satisfy diverse needs of our customers.

3）On the side of investment, we boast an experienced team of investment management, which ensures the safety and stable returns of the fund. We will continue to leverage our expertise in asset liability management, enhance the matching of assets and liabilities in a bid to generate long-term and steady yields for our customers.

2.Q: Your P/C business saw strong recovery in Q1, and why? Is it sustainable? Would this put pressure on your combined ratio?

A: In Q1, our property and casualty business experienced a steep recovery of top-line growth, reaching 19.5%. Of this, non-auto insurance grew by 34.7%, being the major driver, and auto insurance 14.1%, also higher than the market average.

The recovery was mostly driven by agricultural business, personal lines non-auto business and emerging business. Guarantee insurance, liability insurance, agricultural and health insurance were the main contributors. To be more specific, performance guarantee insurance for personal loans, critical illness insurance for urban and rural residents, product liability insurance and liability insurance for major technical equipment (first set) drove rapid growth of non-auto business. As a matter of fact, personal lines, government-sponsored programs and emerging business have become the pillars of non-auto business growth, which, given strong market demand, are projected to see sustainable strong growth in the future.

The growth drivers of auto business include, first, in the context of deepening commercial auto insurance deregulation, our brand and customer service are increasingly a competitive advantage. We were rated AA at the regulator's customer service evaluation for 2017, and our programs of value-added service such as *Taihaopei* and *Jinyaoshi* have been well received by our customers; second, with the deepening of Transformation 2.0, Group-wise synergy has been promoted, delivering rapid growth of cross-sell, which, in turn, drove auto business growth; third, given efforts to eliminate high loss-ratio business and more stringent business quality control, top-line growth was subdued over the past 3 years. But the efforts also laid the foundation for recovery. We will strive for increased market share to the extent that a healthy combined ratio can be ensured, and on this indicator we will aim higher and benchmark ourselves against our listed peers, no longer the market average, so as to further close the gap with leading players in the industry.

3.Q: We have seen increasing defaults on the market recently. Does that impact your corporate bond investments? How do you mitigate the rising credit risk?

A: Recently there have been a flurry of defaults on the market, but none on our investment portfolios since the beginning of the year.

We persist in prudence and stability in bond investment, with stringent control of credit risks for corporate and enterprise bonds. And the overall credit risk exposure is low. Over 90% of our holdings have an external credit-rating of AAA, mainly in sectors of transport, public utilities and construction. The issuers tend to have strong shareholders backing, and boast competitive advantage in the sector or the region, with stable and resilient business performance.

In compliance with the regulator's requirements for credit risk management, we have put in place an entire risk management system for corporate and enterprise bonds, with sound risk management mechanisms covering the full process of the investment, from internal credit rating prior to investments to the tracking of the rating afterwards. For high-risk industries and bonds, on the one hand, we increase the frequency of monitoring, with a risk labeling system depending on the severity of risk. On the other hand, we established a process for the disposal of high risk bonds, including early warning and risk mitigation measures of bonds with expected deterioration of credit-rating.

Regulatory Updates

- **Regulator amends rules on actuarial reporting to step up liability regulation**

Recently CBIRC issued *Standards on the Preparation of Actuarial Report of Life and Health Insurance Companies*. The new rules are based on the core principle of prudential regulation, provide a more comprehensive and accurate view of life/health insurers' liabilities and will help the industry to forestall major risks and improve long-term and prudent business management.

First, it improves the reporting of reserves and enhances liabilities regulation. For example, the framework for the preparation of the reserve evaluation report has been improved, more aligned with actuarial regulations and documents on the reform of pricing interest rates to enhance the foundation for prevention of reserve-related risks. Second, it requires reporting on asset liability matching to promote their co-ordination. The intention is to encourage insurance companies to control the cost of liabilities via the matching of duration, cost and yield, and cash flows. Third, it strengthens rules on cash flows stress testing in order to prevent liquidity risk. In particular, it focuses on the stress testing of cash flows on the side of liabilities so that insurers can more effectively plan for asset liquidity to mitigate the risk of asset liability mismatch and negative spread.