

# 2021 Interim Results Announcement

31 August 2021





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# Agenda



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**Results Overview**

02

**Business Analysis**

03

**Outlook**

01

# Results Overview



# Results Overview | Rapid growth of profit with prudent risk management



**Profit grew rapidly**



**Business structure was continuously optimized**



**Investment result outperformed the market**



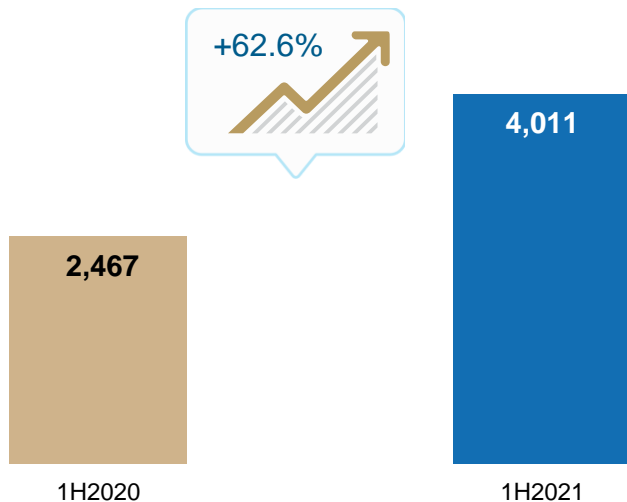
**Risk management remained prudent**



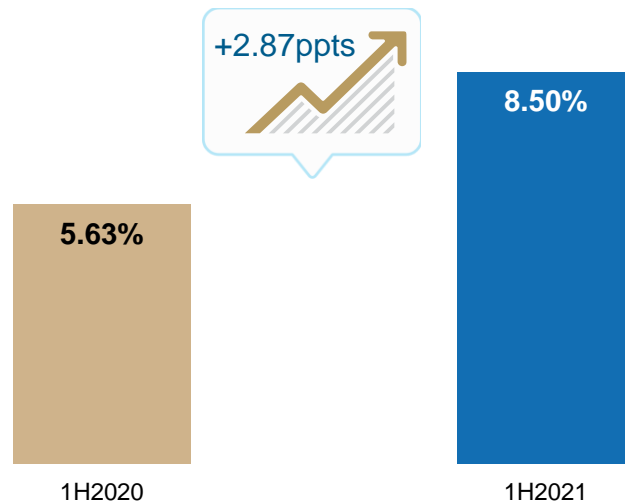
**Strategic achievements were implemented**



## Net profit attributable to equity shareholders of the parent company (RMB m)



## Annualized weighted average return on equity<sup>1</sup>



1. Annualized weighted average return on equity = net profit attributable to equity shareholders of the parent company ÷ balance of weighted average equity × 2



## Solid market position

China Re entered Fortune Global 500 in 2021, ranking **4th**<sup>1</sup> among global reinsurance companies and maintaining its reinsurance leadership

Gross written premiums of the Group in 1H2021

(RMB m)

**83,277**

## Optimized business structure

**+2.1** *ppts*

% of domestic P&C facultative reinsurance

**+5.4** *ppts*

% of overseas P&C reinsurance<sup>2</sup>

**+10.8** *ppts*

% of domestic L&H protection-type reinsurance

**-4.9** *ppts*

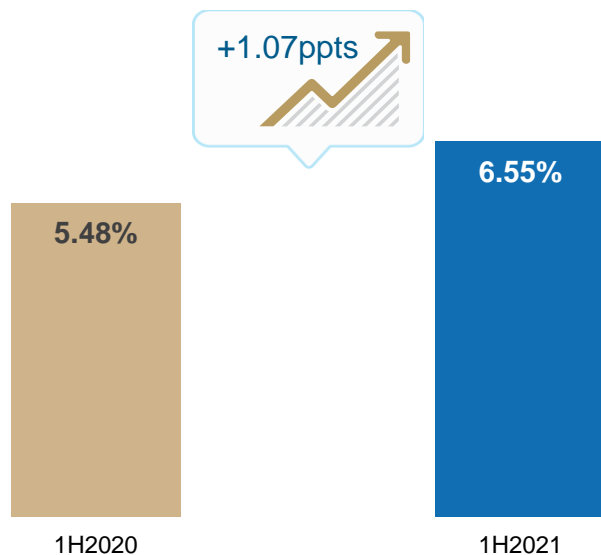
% of domestic L&H financial reinsurance

1. Ranked by operating revenue of 2020 (USD 24,376 million)

2. Proportion of overseas P&C reinsurance = gross written premiums of overseas P&C reinsurance and Chaucer business ÷ gross written premiums of P&C reinsurance business (excluding inter-segment eliminations)



## A rising annualized total investment yield<sup>1</sup>



## Equity investment outperforming the market

**600+ bps**

**Comprehensive yield in domestic and overseas secondary equity markets outperformed the benchmark<sup>2</sup>**

1. Annualized total investment yield = total investment income ÷ average of total investment assets as at the beginning and end of the period x 2

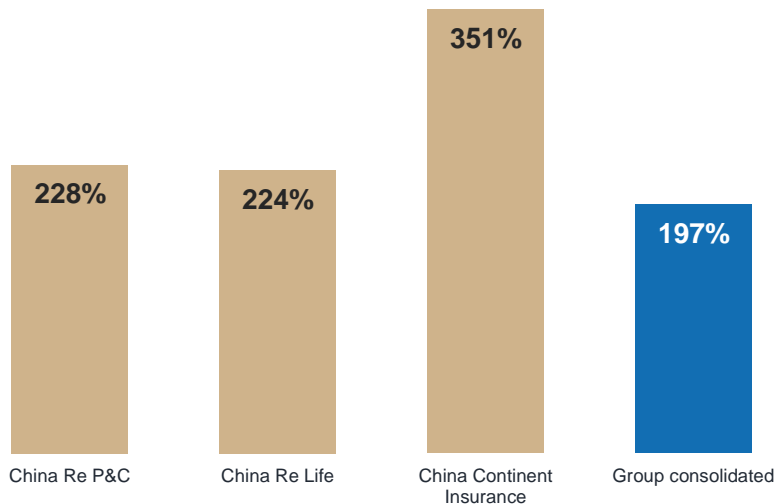
2. Benchmark = change in CSI 300 Index x 80% + change in Hang Seng Index x 20%. Secondary equity investment excludes high dividend portfolios that aim to obtain dividends when compared with index performance.





## Risk management was comprehensively strengthened without new major risk events

### Adequate aggregated solvency



### Stable international ratings<sup>1</sup>

**S&P Global**  
Ratings

Financial Strength Rating of **A**  
and **Stable** outlook



Best's Financial Strength  
Rating of **A (Excellent)** and  
**Stable** outlook

1. S&P Global Rating certified that China Re Group, China Re P&C, China Re Life and China Re HK have a financial strength rating of A and Stable outlook in 2020. A.M. Best Company certified that China Re Group, China Re P&C, China Re Life, China Continent Insurance and Chaucer Insurance Company have a Best's Financial Strength Rating of A (Excellent) and Stable outlook in 2020.



## Opportunities from national initiatives were seized to constantly cultivate new business growth



### Construction of national governance system

- Deeply participated in catastrophe pilot projects in 16 provinces, cities and regions across the country, and acted as the chief or sole reinsurer in more than **80%** of the projects.
- Completed the development of typhoon catastrophe model 2.0 with expert certification, filling the gap in China and reaching the advanced level internationally.
- Premiums of IDI<sup>1</sup> was **503** million yuan in 1H2021 with a YoY increase of **72.9%**; the construction of IDI platforms in Beijing, Shanghai, Hainan, Guangdong and other places was promoted and the platform realized a cumulative premiums of **5,434** million yuan with a total protected area of about **130** million square meters.



### Belt and Road construction

- Promoted the establishment of China Belt and Road Reinsurance Pool and served as the chairman and managing agency, which accumulatively underwrote **12** projects and protected overseas assets of **10.1** billion yuan in total.
- Chaucer launched a Belt and Road Consortium at Lloyd's, which initially underwrites political violence risks. The Consortium was led and managed by Chaucer.
- A total of **32** Belt and Road cooperation memorandums have been signed. The cooperation network has covered **136** countries and regions, providing risk protection of about **350** billion yuan for more than **600** projects.



### Healthy China initiative

- Domestic health reinsurance market share maintained **No.1**. A new model of integration of commercial insurance and social security was created with "Products + Specific Drugs" and "Specific Drugs + Social Security".
- Provided reinsurance support for local inclusive health insurance plans, covering **41** million people in **85** cities, playing a leading role in the market.
- Participated in the first domestic long-term care insurance pilots, developed insurance products including long-term care and critical illness, etc. Launched the first Greater Bay Area cross-border medical insurance and exclusive critical illness insurance.



### Green development strategy

- Provided reinsurance support for environmental pollution liability insurance schemes in many cities
- Provided nuclear insurance for all domestic nuclear power units of nearly 1 trillion yuan nuclear related assets and over 10,000 frontline workers in nuclear related enterprises
- Independently developed agrometeorological index insurance product research and development platform, providing the industry with **26** innovative product solutions for meteorological indexes and providing risk protection capabilities of more than **400** million yuan

1. IDI: Inherent defects insurance

02

# Business Analysis





## Gross written premiums<sup>1</sup>

**25,403** million  
-6.2%

Domestic: 15,672 million (-13.0%)

Overseas: 9,667 million (+9.1%)

## Profitability

Net profit

**2,056** million

YoY growth

**+194.1%**

Annualized weighted  
average return on equity

**15.38%**

YoY growth

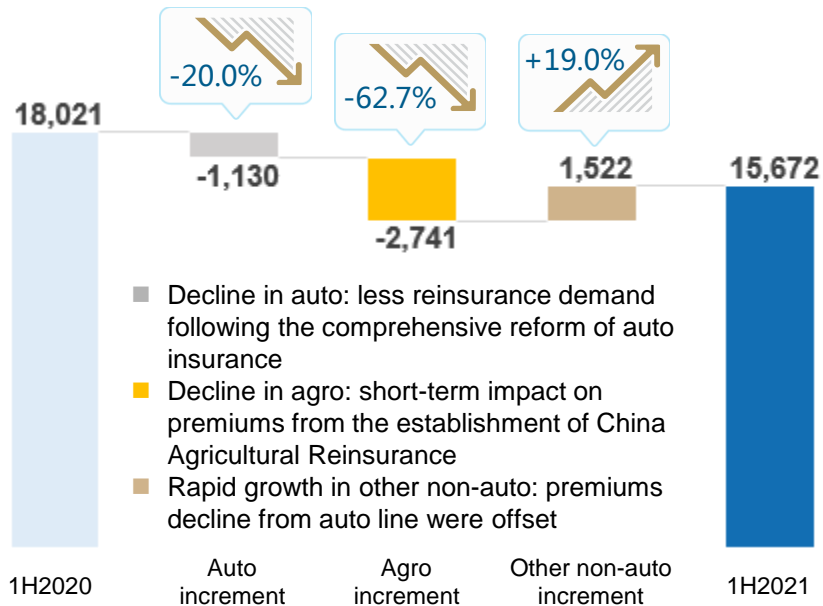
**+9.60** pts

1. Inter-segment eliminations are excluded.

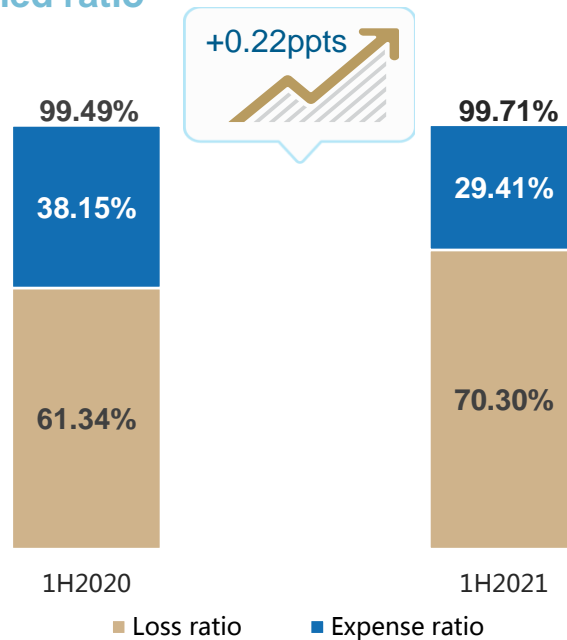
# Domestic P&C Reinsurance | Rapid premiums growth of non-auto lines (excl. agro) with stable underwriting result



## Reinsurance premiums (RMB m)



## Combined ratio<sup>1</sup>



1. Data criteria has been changed from the financial statement criteria of China Re P&C to the management criteria after reinstating affiliated transactions within the segments to reflect the actual operation more realistically.

# Domestic P&C Reinsurance | Optimization in business mix with highlighted advantages of emerging lines



## Business mix

Lines	Proportion	YoY growth
Non-auto <sup>1</sup>	71.2%	+2.5ppts
Of which:		
Emerging lines <sup>2</sup>	9.3%	+1.5ppts
Type of reinsurance arrangement		
Facultative reinsurance <sup>3</sup>	9.3%	+2.1ppts

## Premiums growth of major emerging lines

Chinese interest abroad projects insurance	+97.3%
Construction surety bond insurance	+62.1%
Short-term health insurance	+60.6%
Inherent defects insurance	+20.4%

1. Proportion of non-auto lines = reinsurance premiums from non-auto lines of domestic P&C reinsurance ÷ reinsurance premiums from domestic P&C reinsurance
2. Proportion of emerging lines = reinsurance premiums from emerging lines ÷ reinsurance premiums from non-auto lines of domestic P&C reinsurance
3. Proportion of facultative reinsurance = reinsurance premiums from domestic P&C facultative reinsurance ÷ reinsurance premiums from domestic P&C reinsurance



# Overseas P&C Reinsurance<sup>1</sup> | Grasping the opportunity of rising rates with different strategies in different business sectors



## Gross written premiums and growth (RMB m)

	Gross written premiums	YoY growth
Overseas P&C Re in total	9,667	+9.1%
Of which:		
Chaucer	7,386	+15.1%
Other overseas P&C Re	2,281	-6.6%

## Business strategy

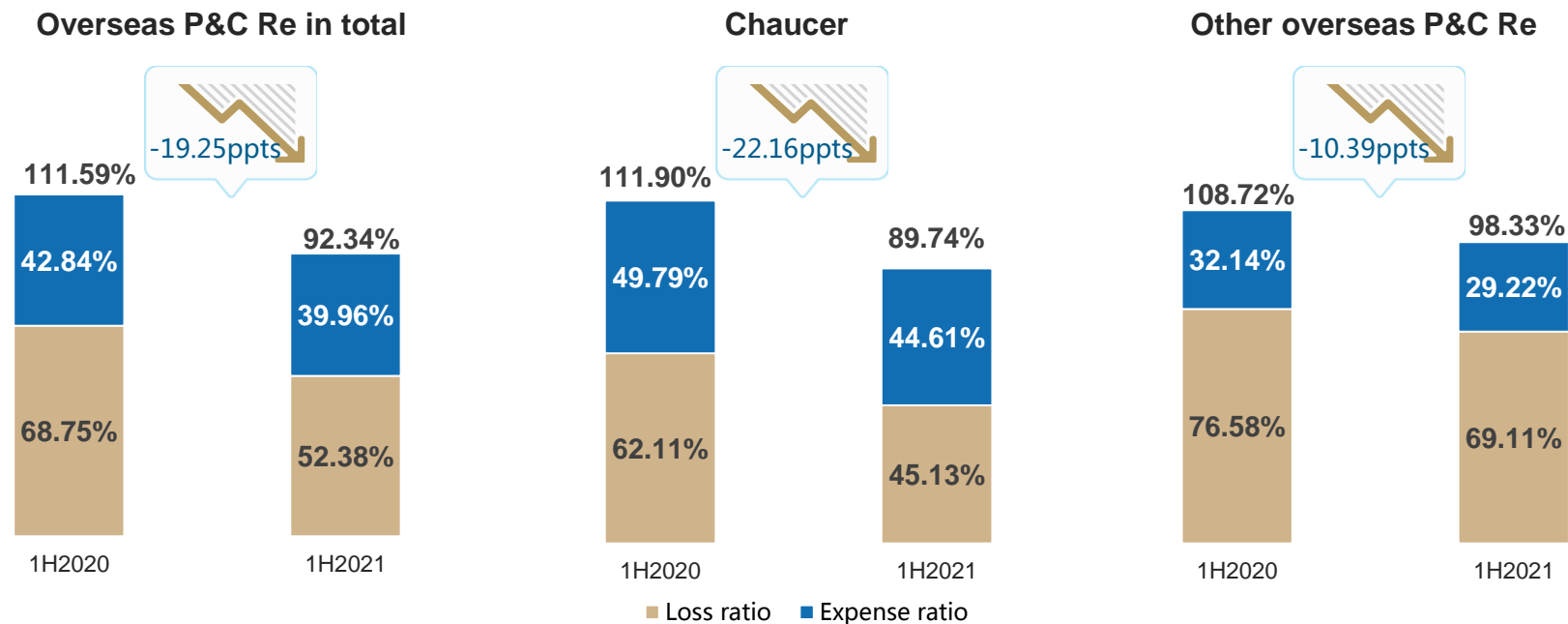
- **Chaucer:** The hardening market opportunity was seized to further expand quality business so that growth in multiple lines has been achieved.
- **Beijing Platform:** Business that was poorly performed and with not-as-expected rate increase was actively reduced; the opportunity of rising rates was seized to continuously expand business in Europe and North America.
- **Singapore Branch:** Poorly performing business was actively reduced and business structure has been constantly optimized.

1. Data criteria has been changed from the financial statement criteria of overseas P&C reinsurance and Chaucer platforms to the management criteria after reinstating affiliated transactions within the segments to reflect the actual operation more realistically.

# Overseas P&C Reinsurance<sup>1</sup> | Improvement of underwriting result from each business sector



## Combined ratio



1. Data criteria has been changed from the financial statement criteria of overseas P&C reinsurance and Chaucer platforms to the management criteria after reinstating affiliated transactions within the segments to reflect the actual operation more realistically.



## Key financial indicators

Reinsurance premiums

**35,439 million**

YoY growth

**-29.8%**

Net profit

**1,567 million**

YoY growth

**+79.1%**

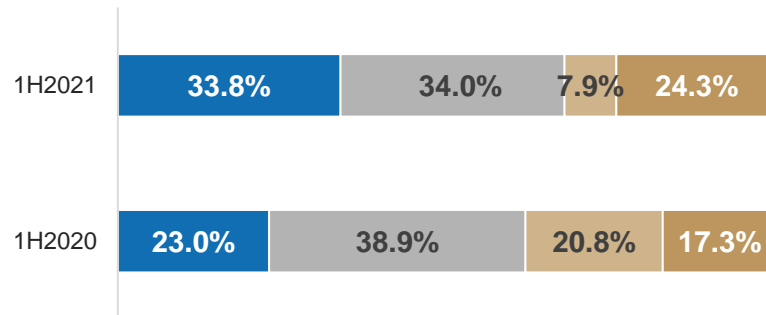
Annualized weighted average return on equity

**11.86%**

YoY growth

**+4.76 ppts**

## Business mix<sup>1</sup>



- Domestic protection-type business
- Domestic financial reinsurance
- Domestic savings-type business
- Overseas business

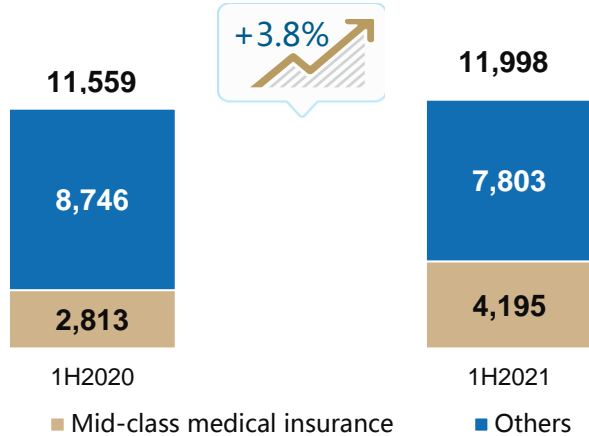
- Proportion of domestic protection-type business increased by **10.8** ppts year on year
- Proportion of overseas business increased by **7.0** ppts year on year

1. Premiums data only refer to China Re Life (including China Re HK)

# L&H Reinsurance<sup>1</sup> | Active adjustment of protection-type business mix with premiums and underwriting result remaining stable



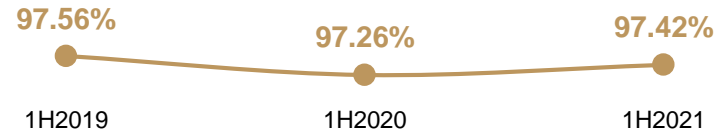
## Protection-type reinsurance premiums (RMB m)



- Active adjustment of existing business: renewal of business with poor benefits was terminated
- Active development of profitable business: reinsurance premiums from mid-class medical insurance increased by **49.1%** year on year, and the proportion increased by **10.7** pts

## Combined ratio of short-term protection-type reinsurance<sup>2</sup>

Underwriting profit: **227 million**



- Actively promoted development of new critical illness insurance and long-term medical insurance; cultivated new business growth such as long-term care insurance, etc.; business structure has been continuously optimized
- Actively prevented and resolved business risk through experience analysis, product iteration, data co-creation, risk control model development, etc.
- Deeply studied risk control mechanism of long-term medical insurance and further deepened "Data + Risk Prevention and Control"

1. Business data only refer to China Re Life, and protection-type business only refers to the domestic.  
 2. Combined ratio is calculated after retrocession excluding business management fee.



## “Product+” and industry integration



Promoting the integration of insurance products and health industry in terms of services, data, categories and scenarios using specific drugs as pilot projects

### “Products + Specific Drugs” provided one-stop solutions

- In Beijing Inclusive Insurance Plan, insurance liability and drug lists were customized for clients, and specific drugs provided from Boao Hope city, Hainan were first introduced.

### Drug usage data were applied to risk pricing to control risk of cost

- Incidence control was replaced by medical expense control based on drug data insights. New areas such as chronic diseases and cancer-carrying policyholders have been explored and the market for the elderly has been expanded, which has formed a product solution.

### Specific drug model was extended to medical devices

- A breast prosthesis product for breast cancer protection and a "fully implantable analgesic pump" product were firstly launched.

### Full cycle of medical service was expanded from single insurance scenario

- Insurance products through "hospital rehabilitation + after-hospital care + long-term care" were developed so that new insurance scenarios were expanded.

## “Data+”



### Industry fundamental research

- Took the responsibility of industry fundamental research and led the compilation of the industry accident insurance rate table.

### Data asset development

- The transfer of data resources to data assets of the company was promoted to expand data analysis dimensions, understand risk trends, and improve pricing capabilities.

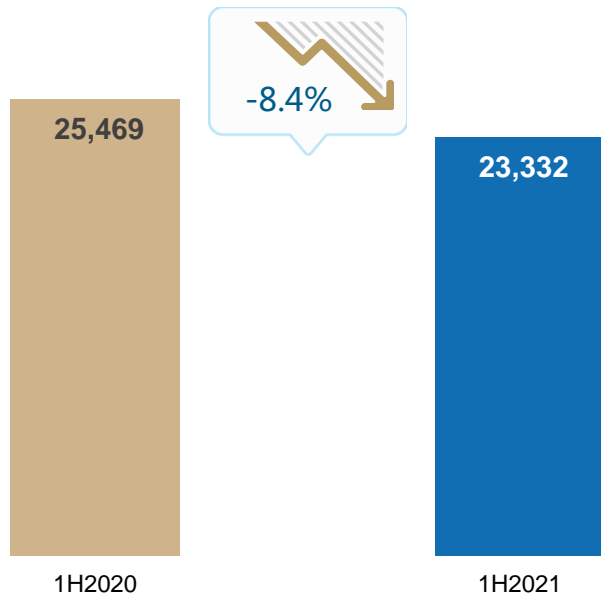
### Medical insurance data linkage

- Data linkage and co-creation between commercial insurance and social security was promoted in several provinces to expand data sources and improve risk control capabilities.

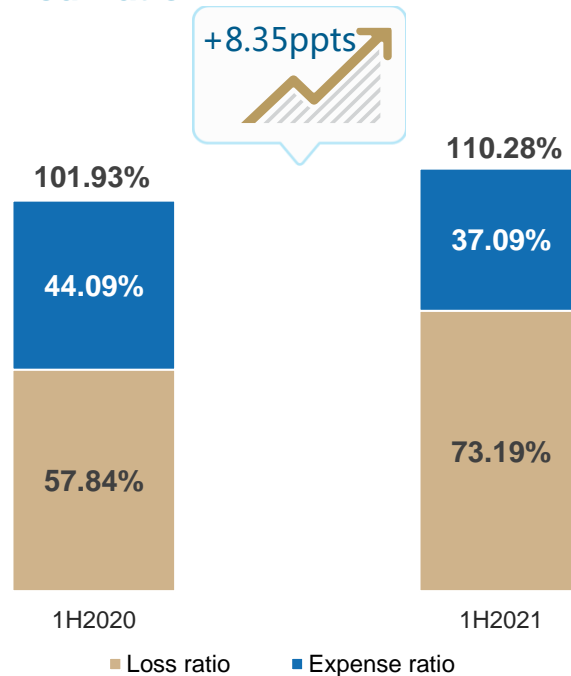
# Primary P&C Insurance | Decrease in premiums with an increase in business cost



## Primary premiums (RMB m)



## Combined Ratio<sup>1</sup>



1. Calculation of the expense ratio includes the effect of government grants.

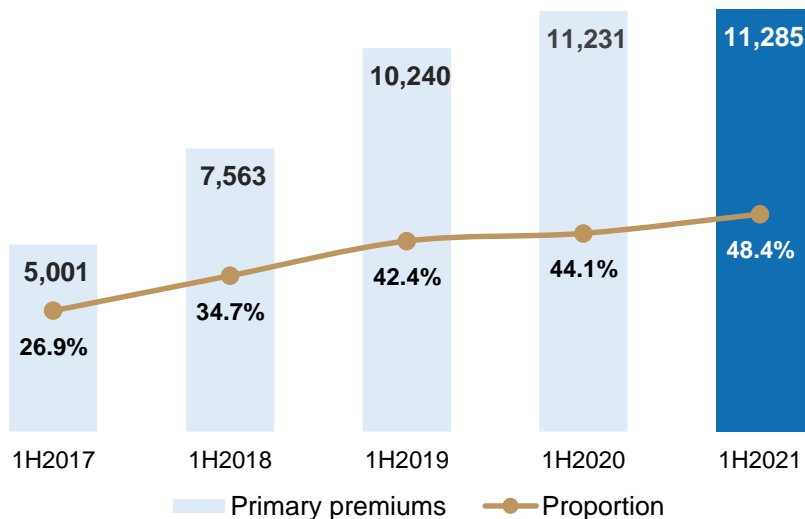


# Primary P&C Insurance | Constant growth of non-auto business with optimized business structure



## Primary premiums and proportion of non-auto business (RMB m)

CAGR: +22.6%



## Growth of major non-auto lines

**Accident & Health**

**4,436 million**  
+11.5%

**Liability**

**1,530 million**  
+24.0%

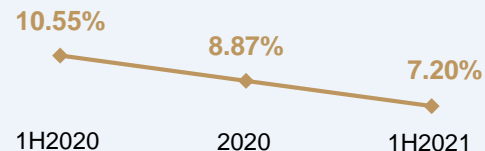
**Agriculture**

**569 million**  
+25.9%

**Surety**

**2,348 million**  
-27.8%

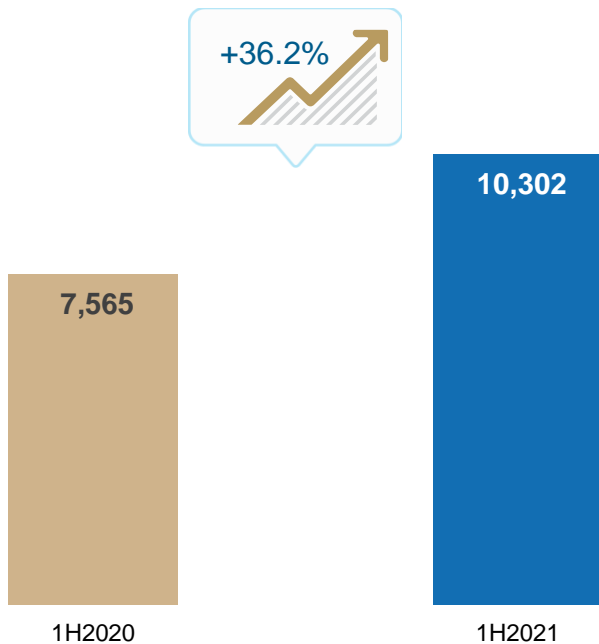
Surety line was actively adjusted with risk exposure further reduced so that **bad debt ratio was further dropping**



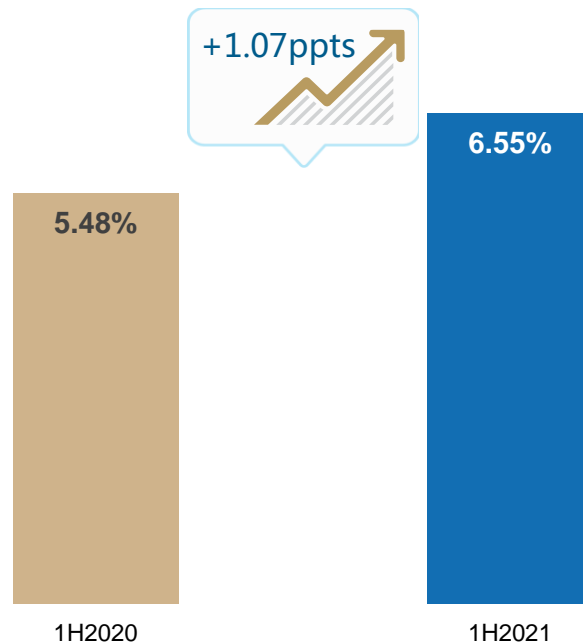
# Asset Management | Actively seizing market opportunities to achieve sound investment performance



## Total investment income (RMB m)



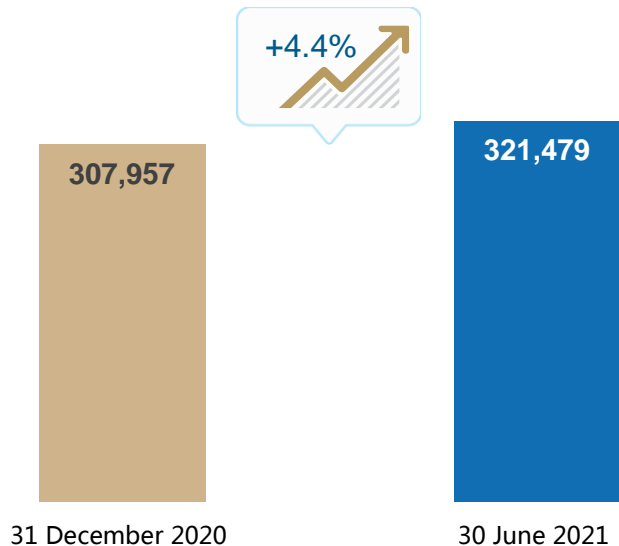
## Annualized total investment yield<sup>1</sup>



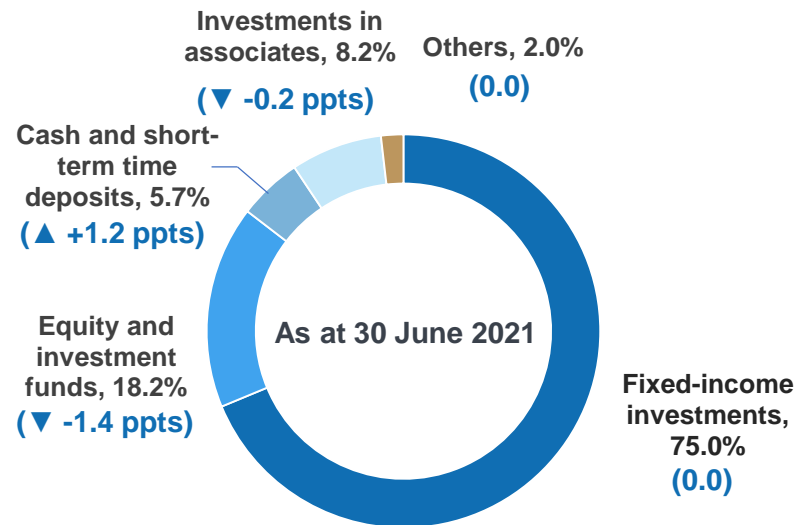
1. Annualized total investment yield = total investment income ÷ average of total investment assets as at the beginning and end of the period × 2



### Total investment assets<sup>1</sup> (RMB m)



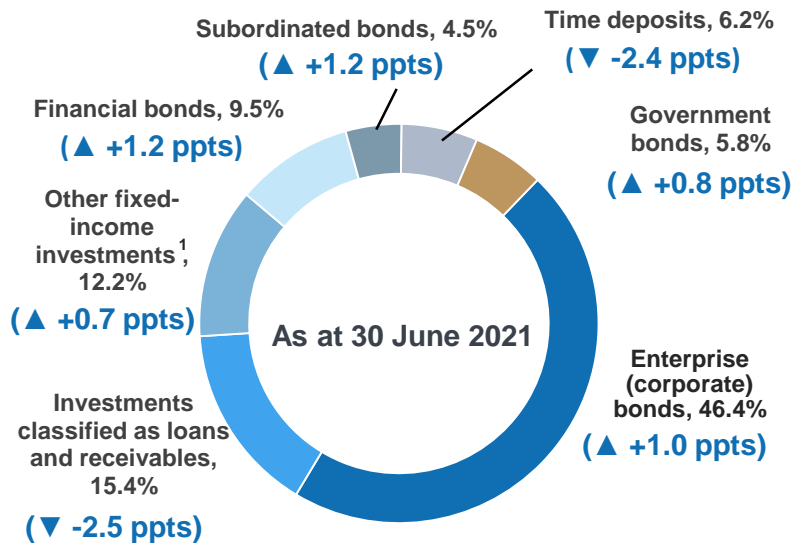
### Asset allocation structure<sup>2</sup>



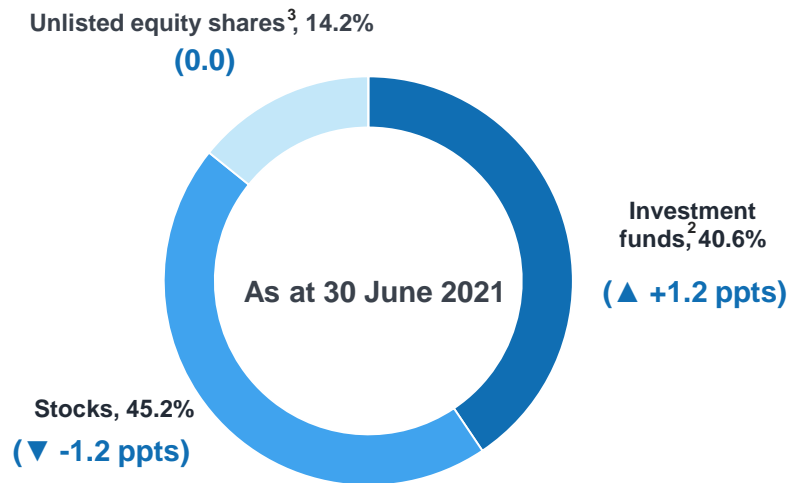
- Investment assets = Cash and short-term time deposits + financial assets at fair value through profit or loss + financial assets held under resale agreements + time deposits + available-for-sale financial assets + held-to-maturity investments + investments classified as loans and receivables + reinsurers' share of policy loans + investments in associates + statutory deposits + derivative financial instruments + investment properties – financial liabilities at fair value through profit or loss – securities sold under agreements to repurchase.
- 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. Percentage points in the label are the comparison with data as at 31 December 2020.
- Other investments include investment properties, currency swaps, etc.



### Breakdown of fixed-income investments



### Breakdown of equity and investment funds



1. Other fixed-income investments primarily include financial assets held under resale agreements, statutory deposits and reinsurers' share of policy loans and others.
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.
4. Percentage points in the label are the comparison with data as at 31 December 2020.

03

# Outlook

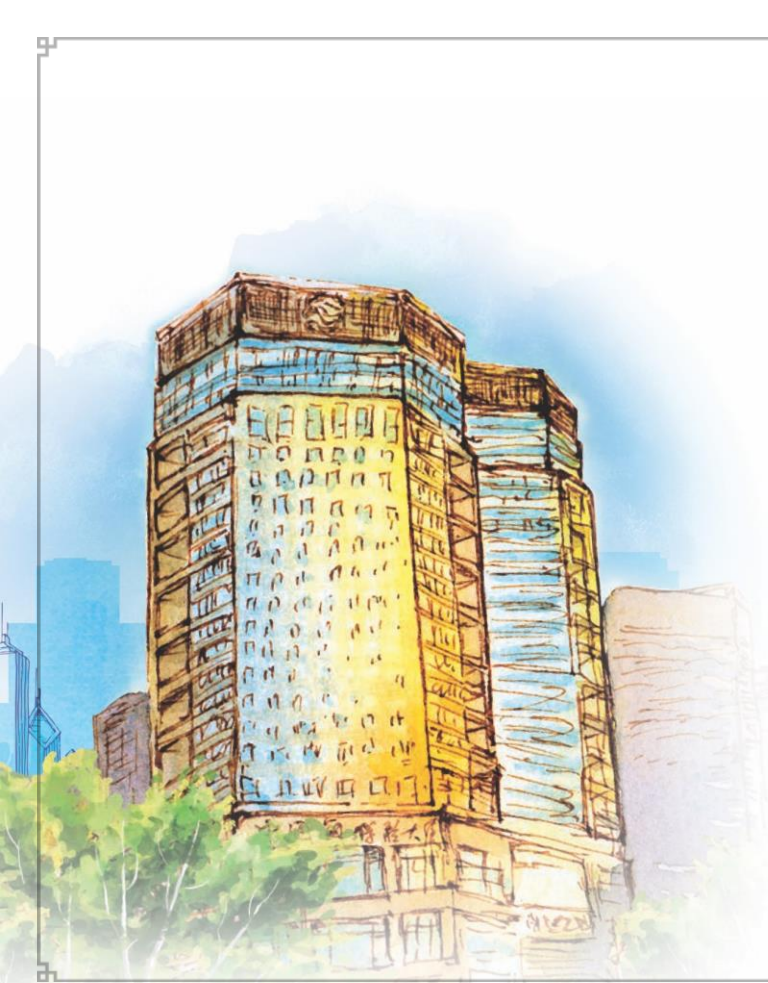


# 2021



From **premiums leap** in 13<sup>th</sup> Five-year Plan to **value improvement** in 14<sup>th</sup> Five-year Plan, China Re will insist on “profitable development, market benchmarks, risk compliance and digital transformation” and the business principle of “stabilizing growth, optimizing structure, controlling risk and improving profitability” to build a world-class comprehensive reinsurance group with sustainable development capability and core competitiveness!





# Q&A Session

## Appendix | Key financial and operating indicators



RMB m (unless otherwise stated)	Jan-Jun 2021	Jan-Jun 2020	Change
<b>Gross written premiums</b>	83,277	102,123	-18.5%
P&C reinsurance	25,403	27,078	-6.2%
L&H reinsurance	35,439	50,500	-29.8%
Primary P&C insurance	23,585	25,763	-8.5%
<b>Net profit</b>	3,977	2,749	44.7%
<b>Net profit attributable to equity shareholders of the parent company</b>	4,011	2,467	62.6%
<b>EPS (RMB)</b>	0.09	0.06	62.6%
<b>Annualized weighted average return on equity<sup>1</sup></b>	8.50%	5.63%	2.87ppts
<b>Annualized total investment yield<sup>2</sup></b>	6.55%	5.48%	1.07ppts

1. Annualized weighted average return on equity = net profit attributable to equity shareholders of the parent company ÷ balance of weighted average equity × 2

2. Annualized total investment yield = total investment income ÷ average of total investment assets as at the beginning and end of the period × 2



RMB m (unless otherwise stated)	30 June 2021	31 December 2020	Change
<b>Total assets</b>	528,327	453,577	16.5%
<b>Total liabilities</b>	424,758	350,676	21.1%
<b>Total equity</b>	103,569	102,901	0.6%
<b>Net assets per share attributable to equity shareholders of the parent company (RMB)</b>	2.21	2.19	0.9%
<b>Core solvency adequacy ratio</b>	172%	189%	-17ppts
<b>Aggregated solvency adequacy ratio</b>	197%	215%	-18ppts
<b>Total investment assets</b>	321,479	307,957	4.4%