Investors' Newsletter（May 17, 2018） Vol. No. 6 in 2018

CPIC（SH601601, HK02601）

Stock Data (ending Apr 30, 2018)

Total equity base (in million)	9,062
A-share	6,287
H-share	2,775
Total Cap（in RMB million）	276,927
A-share	198,669
H-share（in HKD million）	96,986
6-mth highest/lowest	
A-share (in RMB)	47.76/31.17
H-share (in HKD)	41.85/33.55

Investor Relations Calendar

May 15-18, 2018

Citic Interim Strategy Conference

Hangzhou

May 30- June 1, 2018

The 4th Morgan Stanley China Summit

Beijing

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CONTENTS

Premium Income (Unit: in RMB million)

	Jan.-Apr.	Changes	Apr.	Changes
P&C	40,890	18.26%	9,596	15.56%
Life	98,085	18.66%	8,761	13.22%

Company Updates

- **CPIC acquires the Guolian'An Mutual Fund Company**

The Guolian'An Fund Management Company recently announced its ownership structure changes. As approved by CSRC, CPIC AMC became the majority shareholder of the fund manager, with 51% of the stake, and Allianz owns the remaining 49%. The share transfer lasted for 2 years, and its closing added a new member to the CPIC family, making Guolian'An China's first mutual fund manager jointed owned by 2 insurance companies.

Guolian'An was established in 2003, and is China's first sino-foreign joint venture fund manager. With this acquisition, CPIC can further diversify its business scope in asset management, enhance its core competitiveness and facilitate the implementation of its asset management strategies.

- **CPIC unveils its comprehensive solutions for tax-deferred pension**

On April 28th, CPIC hosted a press conference for the release of its comprehensive solutions of tax-deferred private pension schemes. Present at the meeting were officials from CIRC Shanghai Branch, Shanghai State-owned Assets Supervision Commission, the Financial Services Office of the Shanghai Government, the Shanghai Bureau of Human Resources and Social Security, and the Shanghai Insurance Association, together with nearly 300 representatives from the media and large- and medium-sized firms. Company chairman KONG Qingwei, president HE Qing, as well as other senior management of the Group and its subsidiaries also attended the event.

As one of the sites first chosen for the pilot program, Shanghai boasted a favorable socio-economic environment, such as a relatively developed financial services market, an aging population and strong government support. As a major insurance group with nation-wide business headquartered in Shanghai, CPIC is committed to fulfilling its corporate social responsibilities, improving the well-being of the Chinese people and strives to set a good example in healthy and steady development of the industry. On April 5, the company became the first insurer which passed the on-site inspection by the regulator and is well prepared for the trial which started on May 1.

- **CPIC management conducts a global NDR**

In the wake of its Annual Results Announcement, company management chairman KONG Qingwei, president HE Qing and board secretary MA Xin respectively led delegations on a global NDR in Europe, the Middle East, the US, Hong Kong and Beijing, covering 18 overseas institutional investors, 2 domestic ones and 18 potential investors.

During the visits, company management exchanged views with investors on a wide range of topics such as the impact of financial regulation and further opening-up of the insurance industry, the

Jump-start performance and 2018 outlook for life insurance, development strategy of long-term protection business, productivity and retention of the agency channel, measures to improve the combined ratio and its outlook, the impact of deregulation for commercial automobile insurance, stability of investment yields and investment risk control.

Overall, there was positive feedback from the investors, including the recognition of the company's business results for 2017, and its commitment to the "pure-player" strategy and pursuit of high-quality development. Investors also expressed satisfaction with the company's determination to continue transformation, prudence in business strategies and transparency in management communication, and hoped that CPIC could deliver an even better performance under the leadership of the new board.

Regulatory Updates

- **CBIRC answers questions on *The Guidelines on the Development of Tax-deferred Private Pension Products***

Recently, CBIRC issued *The Guidelines on the Development of Tax-deferred Private Pension Products* jointly promulgated by CBIRC, the Ministry of Finance, the Ministry of Human Resources and Social Security, and the General Administration of Taxation. Officials of CBIRC answered questions in an interview with the press.

I. What are the principles to be followed in the development of tax-deferred pension products? What is the thinking behind these principles?

The full life-cycle of a pension product may be divided into premium contribution, investment accumulation and then withdrawal of funds, and may well stretch over decades. It mainly faces investment risk and longevity risk. Thus, the principles in product development are defined as "stable return, long-term lock-up, whole-life withdrawal and actuarial balance".

1. Stable return means the products will mainly provide a fixed return or a minimum guaranteed interest rate during the accumulation period, and a long-term guaranteed interest rate during the withdrawal so as to ensure the safety and steady value growth of the pension fund and mitigate the investment risk.

2. Long-term lock-up. Given the tax incentives and the long-term nature of old-age provisions, policy-holders can only make withdrawals when reaching the mandatory retirement age, or in the event of full disability or terminal illnesses as agreed in the insurance contract.

3. Whole-life withdrawal. The product shall specify modes of withdrawals which must include, among others, the whole-life option, i.e., the payment of monthly or yearly annuity to the insured upon their

reaching the mandatory retirement age or an agreed age (not earlier than the retirement age) till their death. This is similar to social security pension and could effectively complement it.

Under the Product Guidelines, the withdrawal shall ensure the full return of the accumulated funds to the insured or their heirs no matter how long the insured may survive. Even when the withdrawals exceed the total value of funds, the insured can still receive annuity payment from the insurance companies at an agreed rate till their death.

Apart from whole life withdrawal, given diverse customer needs, the product may also provide other options no shorter than 15 years, say, a fixed period of 15 years (monthly or yearly) or 20 years.

4. Actuarial balance. Insurance companies shall determine amounts to be withdrawn under various modes scientifically based on actuarial principles and regulatory requirements, set aside reserves and conduct reserve adequacy testing regularly so as to ensure fulfillment of its insurance obligations.

II. What are the main product types?

To satisfy diverse customer needs, the rules provide for multiple product types so that both customers and insurers can have more choices.

There are 3 types and 4 products. First is the fixed return type (Type A), which offers a fixed rate of return (annual compound) during the accumulation period. Type B provides a minimum guaranteed interest rate (annual compound), with possible extra income depending on investment results. This may be further divided into B1 for monthly settlement of returns and B2 for quarterly settlement. Type C is entirely floating, i.e., return fully linked to investment performance. Customers may choose one of several of the above-mentioned products, and so may insurers.

III. What are the main features of its management model? What about the management fee? Will it be transparent?

The product adopts an account-based management model. The account provides multiple product options, and supports real-time enquiries regarding the paid premiums, fees charged, investment income, fund balance and withdrawals.

Given its positioning as a quasi-public utility, the product balances between giving back more to consumers and commercial viability. The Guidelines specifies charge items and their respective fee caps. Insurance companies are also required to disclose information on fees and incorporate relevant clauses into the contract. Compared with similar products on the market, the tax-deferred pension product is competitive in both the number of charge items and fee levels.

IV. What are the main insurance benefits of this product? How do they compare with similar products on the market?

The tax-deferred pension scheme provides payment of retirement annuities, and covers against full disability and death. Annuity payment is common among all pension products on the market, not unique to this product. It is also the primary benefit of a pension product. Apart from this, to increase the level of protection, the product also provides disability and death cover. To be more specific, in the event of full disability and death of the insured before the withdrawal age (60 years), the insurer will pay out the full accumulated fund in the individual account plus an additional benefit equal to 5% of the account value. This is a unique feature of tax-deferred product，and creates more value for customers.

V. Does this product allow for a lump-sum withdrawal?

Normally no. The withdrawal can only be made when the insured reach the mandatory retirement age. But there are exceptions. The insured may apply for claims payment in the case of full disability or death, or surrenders in the event of full disability or death, or dread diseases as agreed in the insurance contract. The Guidelines clearly specifies the scope and definition of full disability and dread diseases.

VI. Can policy-holders switch between different products and insurance companies?

To encourage competitions and give consumers more choices, the product does provide an option for policy-holders to switch to other products offered by the same insurance company or to other insurance companies, before the age of withdrawal.