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中國太平洋保險(集團)股份有限公司

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 02601)

OVERSEAS REGULATORY ANNOUNCEMENT

This overseas regulatory announcement is made pursuant to Rule 13.09 and Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The announcement is attached hereof for information purpose only.

By Order of the Board
China Pacific Insurance (Group) Co., Ltd.
KONG Qingwei
Chairman

Hong Kong, 27 March 2023

As at the date of this announcement, the Executive Directors of the Company are Mr. KONG Qingwei and Mr. FU Fan; the Non-executive Directors are Mr. HUANG Dinan, Mr. WANG Tayu, Mr. WU Junhao, Mr. CHEN Ran, Mr. ZHOU Donghui, Ms. LU Qiaoling and Mr. John Robert DACEY; and the Independent Non-executive Directors are Ms. LIU Xiaodan, Mr. CHEN Jizhong, Ms. LAM Tyng Yih, Elizabeth, Mr. WOO Ka Biu, Jackson, and Mr. JIANG Xuping.

Summary of Quarterly Solvency Report (Excerpts)

Pacific Health Insurance Co., Ltd.

4th Quarter of 2022

Company overview and contact information

Company name (Chinese):	太平洋健康保险股份有限公司
Company name (English):	Pacific Health Insurance Co., Ltd.
Legal representative:	MA Xin
Registered address	13th Floor, Building No. 1, 1229 Century Avenue, China (Shanghai) Pilot Free Trade Zone, Shanghai, the PRC
Registered capital	3.6 billion yuan
Business license number	00000117
Date opening for business	December 2014
Business scope	Health and personal accident insurance denominated in RMB yuan and foreign currencies; health insurance commissioned by the government or supplementary to state medical insurance policies; reinsurance of the above said insurance; health insurance-related agency and consulting business; insurance funds investment as approved by relevant laws and regulations; other business as approved by the CIRC.
Business territories	Shanghai, Beijing, Guangdong Province, Sichuan Province.
Contact person:	XIA Bing
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Contents

I. BOARD AND MANAGEMENT STATEMENT.....	4
II. BASIC INFORMATION.....	5
III. MAIN INDICATORS.....	12
IV. RISK MANAGEMENT CAPABILITIES.....	14
V. INTEGRATED RISK RATING (DIFFERENTIATED SUPERVISION).....	33
VI. MANAGEMENT ANALYSIS AND DISCUSSIONS.....	34

I. Board and management statement

The report has been approved by the board of directors. The board and the senior management of the Company warrant that the contents of this report are true, accurate and complete and have fully complied with applicable laws and regulations, and that there is no false representation, misleading statement or material omissions; and they severally and jointly accept responsibility for the contents of this report while each of them being directly responsible for the reporting items within their respective responsibilities.

1. Voting results by directors

Name of directors	For	Against	Abstain
MA Xin	✓		
WANG Mingchao	✓		
WANG Yong	✓		
ZHANG Weidong	✓		
ZHANG Yuanhan	✓		
PAN Yanhong	✓		
Total	6		

Note: Mark “✓” in corresponding blanks according to opinions of directors.

2. Are there directors who can not warrant that the contents of this report are true, accurate and complete and have fully complied with applicable laws and regulations, or who have raised issues in this regard? (yes no)

II. Basic information

(I) Ownership structure and shareholders

1. Ownership structure

Shares held by	Shares or contribution as at the end of reporting period (unit: 10,000 shares)	Percentage (%)	Shares or contribution as at the beginning of reporting period (unit: 10,000 shares)	Percentage (%)
Domestic legal persons	360,000.00	100.00	170,000.00	100.00
Domestic natural persons	-	-	-	-
Foreign	-	-	-	-
Others	-	-	-	-
Total	360,000.00	100.00	170,000.00	100.00

2. Top 5 shareholders as at the end of the reporting period

Names of shareholders	Shares held or contribution made as at the end of the reporting period (unit: 10,000 shares)	Shareholding percentage at the end of the reporting period (%)
China Pacific Insurance (Group) Co., Ltd.	306,183.60	85.051
China Pacific Life Insurance Co., Ltd.	53,816.40	14.949

3. Shareholding by directors, supervisors and senior management

Did any of them hold any shares of the Company during the reporting period? (Yes No)

4. Share transfer during the reporting period

Did any share transfer occur during the reporting period? (Yes No)

(II) Controlling shareholder or de facto controller

China Pacific Insurance (Group) Co., Ltd.

(III) Directors, supervisors and senior management

1. Directors (6 in total)

Mr. MA Xin, born in April 1973, has a master's degree. He has been serving as Chairman of the Company since January 2021 (approval document: CBIRC Approval [2021] No.4). Mr. MA currently serves as Vice President of CPIC Group, Director of CPIC Life and Changjiang Pension respectively. He previously served as Manager of Individual Business Department and Assistant General Manager of CPIC Life Xi'an Branch, Deputy General Manager and General Manager of CPIC Life Shaanxi Branch, Transformation Director, Head of Strategic Transformation Office and General Manager of the Strategic Planning Department of CPIC Group, Board Secretary of CPIC Group, Director of CPIC P/C, and Acting Responsible Person of the Company..

Mr. WANG Mingchao, born in October 1976, holds a master's degree and title of Senior Human Resources Professional. He has been serving as Director of the Company (approval document: CBIRC [2019] No.856) since October 2019. Mr. WANG currently also serves as Deputy Marketing Officer of CPIC Group. Previously, he served as Head of Cadre's Section of Human Resources Department of CPIC Life, Assistant General Manager of Human Resources Department of CPIC Life, Deputy Head and Head of Party Affairs Department/Organization and Cadre Department of CPIC Life, Senior Deputy General Manager of CPIC Life Shanghai Branch, General Manager of Cooperation Business Department, General Manager of Shanghai Branch (Operations Department) and Head of Sales of the Company, Head of Individual Life Insurance Cooperation Business Centre (SBU) of the Company, Board Secretary of CPIC P/C, and Head of Board Office of CPIC Group.

Mr. WANG Yong, born in July 1974, holds a master's degree. He has been serving as Director of the Company (approval document: CBIRC [2021] No.942) since December 2021. Mr. WANG currently serves as Head of the Strategic Research Center of CPIC Group. He previously served as Assistant General Manager of the Human Resources Department of CPIC Life, Secretary to Chairman of the CPIC Group, Head of the Party Affairs Department of CPIC Group, General Manager of Employee Affairs Department

of CPIC Group, Deputy Head of the Party Committee Office of CPIC Group, Head of the Party and People Department of CPIC Group, General Manager of CPIC P/C Tianjin Branch, Deputy Party Secretary of the Information Technology Center of the CPIC Group, and Senior Deputy General Manager of CPIC Life Suzhou Branch.

Mr. ZHANG Weidong, born in October 1970, holds a bachelor's degree. He has been serving as Director of the Company since May 2021 (approval document: CBIRC [2021] No.341). Mr. ZHANG currently serves as Compliance Responsible Person and General Counsel of CPIC Group, and Director of CPIC P/C, CPIC Life, CPIC AMC and Changjiang Pension respectively. Mr. ZHANG previously served as General Manager of Legal Compliance Department and Risk Management Department, Risk & Compliance Officer and Chief Risk Officer of CPIC Group, Head of Board Office of CPIC Group, and Board Secretary of CPIC P/C, CPIC Life and CPIC AMC.

Mr. ZHANG Yuanhan, born in November 1967, holds a master's degree and is a member of Society of Actuaries and American Academy of Actuaries respectively, and director of China Association of Actuaries. He has been serving as Director of the Company since April 2021 (approval document: CBIRC [2021] No.280). Mr. ZHANG currently serves as Chief Actuary, Finance Responsible Person of CPIC Group, and Director of CPIC P/C, CPIC Life, and CPIC Private Equity, respectively. Mr. ZHANG previously served as Chief Actuary of the Company, acting Chief Actuary, Chief Risk Officer of the Company, Deputy General Manager, CFO, Chief Actuary of Sun Life Everbright Life Insurance Co., Ltd., Director of Sun Life Everbright Asset Management Co., Ltd, Chief Actuary of Sino Life Insurance Co., Ltd., Chief Actuary, Deputy General Manager and Vice President of MetLife Insurance Company Limited (Shanghai), and Chief Actuary of Citi Group TRV-Citi Insurance headquarters.

Ms. PAN Yanhong, born in August 1969, holds a master's degree and title of senior accountant and is a Chinese CPA. She has been serving as Director of the Company since March 2015 (approval document: CIRC [2015] No.263). Ms. PAN currently serves as Chairman of CPIC Life, and Director of Changjiang Pension and CPIC AMC respectively. Ms. PAN previously served as Executive Vice President and Finance Responsible Person of CPIC Group, Director of CPIC P/C, and Deputy General Manager, General Manager of Finance Department of CPIC Life, Deputy Head of Finance, Executive Member of Business Management Committee, Head of Finance, Deputy General Manager, General Manager, and Vice Chairman of CPIC Life.

2. Supervisors (3 in total):

Mr. GU Qiang, born in January 1967, holds a master's degree and title of senior accountant. He has been serving as Chairman of the Board of Supervisors of the Company (approval document: CBIRC [2021] No.165) since March 2021. Mr. GU currently serves as Employee Representative Supervisor of CPIC Group, Chairman of the Board of Supervisors of CPIC AMC and Chairman of the Board of Supervisors of Changjiang Pension. Mr. GU formerly was a lecturer at the Department of Finance and Insurance of Shanghai University of Finance and Economics, senior auditor of Pricewaterhouse Da Hua Certified Public Accountants, Manager of the International Business Department of Wanguo Securities Co., Ltd., Vice President and CFO of Shanghai Branch of American International Underwriters, served as Deputy Chief Accountant, CFO, Finance Responsible Person and Deputy General Manager of CPIC P/C, Vice President and Finance Responsible Person of China Pacific Anxin Agricultural Insurance Co., Ltd.

Ms. HU Shuangzhu, born in September 1980, holds a master's degree, is a certified internal auditor, certified information system auditor, financial risk manager, and has CRMA qualification. She has been serving as Supervisor of the Company since August 2016 (approval document: CIRC [2016] No.814). Ms. HU currently serves as Chief Auditor of Audit Technology Division, Internal Audit Center of CPIC Group. Previously, Ms. HU served as Senior Manager of PricewaterhouseCoopers Business Consulting (Shanghai) Co., Ltd., and Chief Auditor of Internal Audit Business Division of Internal Audit Center of CPIC Group.

Ms. XUE Yongxian, born in November 1976, holds a master's degree. She has been serving as Supervisor (employee representative) of the Company (approval document: CIRC [2017] No.161) since February 2017. Ms. XUE currently serves as General Manager of Shanghai Branch and Senior Director of Key Account Business Center of the Company. Previously, she served as General Manager of Sales Management Department of the Company, General Manager of Individual Life Insurance Cooperation Business Centre of the Company, Deputy General Manager of Group Business Department Planning and Training Division of CPIC Life, Assistant General Manager of Group Business Department Accident Insurance Division of CPIC Life, Assistant General Manager and Senior Manager of Group Business Department Direct Sales Supervision Division of CPIC Life, and Section Head of Group Business Department of CPIC Life.

3. Senior management (6 in total)

Mr. LI Jieqing, born in November 1968, holds a bachelor's degree. He has been serving as Deputy General Manager of the Company (approval document: CIRC [2016] No.450) since May 2016 and has been serving as Chief Risk Officer of the Company since August 2021 (no approval document). Previously, Mr. LI served as Director of Risk and Compliance, Compliance Responsible Person and General Manger of Risk Management Department of CPIC Group, Director of CPIC P/C, CPIC Life, CPIC AMC and the Company.

Mr. ZHOU Bin, born in April 1966, has received a post-graduate education. He has been serving as Deputy General Manager of the Company (approval document: CIRC [2016] No.450) since May 2016. Mr. Zhou is currently head of Health Care Eco-system Business Centre, head of Health Service Business Centre, and also Council Member of Shanghai Pacific Blue Charity Foundation. Previously, Mr. ZHOU served as General Manager of Human Resources and Comprehensive Management Department of Information Technology Center of CPIC Group, Deputy Head of Cadre and Personnel Division of Shanghai Municipal Commission of Financial Industry (temporary post), General Manager of Human Resources Department of CPIC Group and Chief Risk Officer of the Company.

Mr. SONG Quanhua, born in February 1973, holds a master's degree. He has been serving as Deputy General Manager of the Company (approval document: CBIRC [2021] No.691) since September 2021. Mr. SONG is also head of Individual Customer Cooperation Business Centre and head of Key Account Business Center of the Company. He previously served as secretary of the Secretariat of the General Office of China Pacific Insurance Company, Deputy General Manager of CPIC Life Ningbo Branch, General Manager of CPIC Life Dalian Branch, Director of Party Affairs Department of CPIC Life Headquarters, General Manager of New Channel Business Department of CPIC Life, General Manager of Corporate Channel Business Marketing Department of CPIC Life, Deputy General Manager of Health and Elderly Care Business Center of CPIC Life, Deputy General Manager of Group Business Center of CPIC Life, and General Manager of Pacific Medical & Healthcare Management Co., Ltd.

Ms. YIN Yanling, born in June 1972, holds a master's degree and is a member of China Association of Actuaries. She has been serving as Finance Responsible Person of the Company since September 2021 (approval document: CBIRC [2021] No.729), serving

as the Chief Actuary of the Company since August 2022 (approval document: CBIRC [2022] No.532) and Board Secretary the Company since August 2022 (no approval document). She also serves as head of the Technology Centre of the Company. Previously, she served as head of the Actuarial Management Section of Planning and Finance Department of CPIC Group, Assistant General Manager of Planning and Finance Department of CPIC Group, Deputy General Manager (in charge) of Financial Investment Department/Actuarial Department, Deputy General Manager (in charge) of Financial Management Department/Actuarial Department, Deputy General Manager of Risk Management Department/Risk Monitoring Department, General Manager of Financial Management Department/Actuarial Department, and General Manager of Actuarial Department of CPIC Group, General Manager of Actuarial Department of CPIC Life, and Acting Finance Responsible Person and Acting Actuarial Responsible Person of the Company.

Ms. WEN Qin, born in October 1975, holds a bachelor's degree and has legal professional qualification. She has been serving as Compliance Responsible Person of the Company since September 2019 (approval document: CBIRC [2019] No.796). Ms. WEN is also Legal Responsible Person and General Manager of Risk and Compliance Department (Discipline Inspection Office) of the Company. Previously, she served as Legal Responsible Person and General Manager and Legal & Compliance Department of Lujiazui Cathay Life Insurance Co., Ltd. and Assistant General Manager and Legal Responsible Person of Legal & Compliance Department of Cathay Life Insurance Co., Ltd.

Mr. JIANG Honglang, born in November 1964, holds a doctoral degree and title of senior auditor. He has been serving as Internal Auditing Responsible Person of the Company since January 2019 (approval document: CBIRC [2019] No.128). Mr. JIANG currently serves as General Manager of Digital Audit Technology Department of CPIC Group. Previously, he served as Senior Auditor of Internal Audit Department of CPIC Group, Deputy General Manager of Internal Audit Management Department of CPIC Group, and General Manager of Remote Internal Audit Department of CPIC Group. Prior to that, he served as associate professor of Institute of Applied Mathematics of Guizhou University of Technology.

Note: Ms. WEN Qin, Compliance Responsible Person of the Company, resigned on 30 December 2022.

4. Information on compensation of directors, supervisors and senior management of headquarters

(1) Distribution of directors, supervisors and senior management of headquarters across different compensation levels

Compensation range	Number of directors	Number of supervisors	Number of senior executives
Above 10mn yuan			
5mn yuan-10mn yuan			
1mn yuan-5mn yuan		1	4
0.5mn yuan-1mn yuan			1
Below 0.5mn yuan			
Total		1	5

(2) Highest compensation: 2.1792mn yuan

(3) Status of share option: (Yes No)

(4) Incentives linked to profits, and total amounts paid in the year: (Yes No)

Annual performance-based bonus of the Company is linked to all-around evaluation via a series of metrics, and there is no incentives tied to profits.

(IV) Subsidiaries, joint ventures or associate ventures (Yes No)

One associate venture: Shanghai Proton & Heavy Ion Hospital. The Company completed an investment of RMB100 million in its equity in January 2016, holding 20% of its shares.

There was no change during the reporting period.

(IV) Breaches and administrative penalties during the reporting period (Yes No)

None during the reporting period.

III. Main indicators

(I) Solvency margin ratios

unit: 10,000 RMB yuan

Items	As at the end of this quarter	As at the end of last quarter	Next quarter estimates
Admitted assets	993,030.41	1,104,691.71	1,080,005.82
Admitted liabilities	670,483.13	789,040.64	760,438.26
Available capital	322,547.28	315,651.07	319,567.56
Tier-1 core capital	306,929.98	301,754.26	287,410.31
Tier-2 core capital	1,962.26	-	4,239.31
Tier-1 supplement capital	13,655.04	13,896.81	27,917.94
Tier-2 supplement capital	-	-	-
Minimum capital	121,578.75	114,526.85	132,672.33
Minimum capital for quantifiable risks	119,927.56	112,971.43	130,870.47
Minimum capital for control risk	1,651.19	1,555.42	1,801.86
Minimum capital for supplement capital	-	-	-
Solvency margin surplus			
Core solvency margin surplus	187,313.49	187,227.41	158,977.29
Comprehensive solvency margin surplus	200,968.53	201,124.22	186,895.23
Core solvency margin ratio (%)	254	263	220
Comprehensive solvency margin ratio (%)	265	276	241

(II) Regulatory indicators and indicators for monitoring of liquidity risk

Indicators	Reporting quarter	Last quarter
Actual cash flow (unit:10,000 yuan)	20,459.68	-39,141.13
Retrospective adverse deviation ratio of net cash flows from business activities (%)	21	-631
Overall liquidity coverage ratio under base scenario (3 months)(%)	117	121
Overall liquidity coverage ratio under base scenario (12 months)(%)	104	191
Overall liquidity coverage ratio under mandatory stress scenario (3 months)(%)	573	855
Overall liquidity coverage ratio under mandatory stress scenario (12 months)(%)	140	222
Overall liquidity coverage ratio under self-assessment stress scenario (3 months)(%)	548	758
Overall liquidity coverage ratio under self-assessment stress scenario (12 months)(%)	229	304
Overall liquidity coverage ratio before asset disposal under mandatory stress scenario (3 months)(%)	242	180
Overall liquidity coverage ratio before asset disposal under mandatory stress scenario (12 months)(%)	68	55

Overall liquidity coverage ratio before asset disposal under self-assessment stress scenario (3 months)(%)	279	187
Overall liquidity coverage ratio before asset disposal under self-assessment stress scenario (12 months)(%)	173	194
Net cash flow from business activities (unit: 10,000 yuan)	-33,976.16	-44,757.83
GWP year-on-year growth (%)	79.16	4.76
Comprehensive surrender ratio	0.04	0.02
Share of cash flow and liquidity management tools (%)	3.72	1.45
Quarterly average financial leverage ratio (%)	4.20	3.44
Share of domestic fixed income assets rated AA and below (%)	-	-
Share of investments in listed stocks where the Company holds a stake of 5% or above	-	-
Share of receivables (%)	13.84	22.37
Share of related party assets held by the Company (%)	4.04	3.62

(III) Key business metrics

Indicators	unit: 10,000 yuan	
	As at the end of this quarter/during this quarter	As at the end of this quarter/YTD
Gross written premiums	146,580.33	528,471.40
Net profits	1,748.99	6,583.83
Total assets	1,003,874.63	1,003,874.63
Net assets	330,511.19	330,511.19
Insurance contract liabilities	352,776.89	352,776.89
Basic earnings per share (yuan)	-	-
ROE (%)	0.53	2.79
ROA (%)	0.16	0.65
Investment yield (%)	0.98	3.94
Comprehensive investment yield (%)	0.85	2.54

IV. Risk management capabilities

(I) Company category

The Company was incorporated in December 2014. As of the end of December 2022, its gross written premiums amounted to 5,284.7140 million yuan (primary premiums: 869.9906 million yuan, inwardly ceded premiums: 4,414.7234 million yuan), and its total assets stood at 10.0387463 billion yuan. It has 4 provincial-level branch offices, and according to Solvency Regulatory Standards of Insurance Companies No.12: Solvency-aligned Risk Management Requirement and Assessment, the Company is in Category II.

The Company was rated BB at the IRR (differentiated supervision) for both Q3 and Q4 of 2022.

(II) Measures taken to improve risk management and the latest status

In the fourth quarter of 2022, in accordance with the requirements for the building of C-ROSS II risk management system and its annual risk management programme, the Company continued to optimise its risk management system, used risk appetite system for control of various risks. In Q4, the following steps were taken::

1. Pushed for rectification as per feed-back and key concerns of SARMRA on-site assessment, organised step-by-step amendments to basic risk management regulations in line with organisational restructuring.
2. As per regulatory communications on IRR, stepped up monitoring of metrics which may indicate “major risks”, while maintaining stable status of other metrics.
3. Conducted amendments to 2022 annual emergency contingency plan and review of drills, including the master plan and 15 component plans, based on amended contingency plans of the Group, with a review of drills for emergencies in solvency, liquidity and reputational risks.
4. Carried out 2022 annual risk management self-assessment, reviewing progress in building of the risk management system, and made rectification plans for 2023.

In the fourth quarter of 2022, the Company’s risk management work proceeded smoothly based on relevant regulations and processes. Under the implementation of the Company’s risk management and risk appetite systems, no major risk events occurred in the quarter.

(III) The latest result of Solvency Aligned Risk Management Requirements and Assessment (SARMRA) of the Company

As per the notification from CBIRC, the Company used its SARMRA assessment result from 2017 for the year of 2022, which was 78.96 points. To be specific, it consisted of 14.07 points for risk management infrastructure and environment, 7.54 points for risk management objectives and tools, 8.02 points for insurance risk management, 8.00 points for market risk management, 8.00 points for credit risk management, 8.36 points for operational risk management, 8.08 points for strategic risk management, 8.22 points for reputational risk management, and 8.68 points for liquidity risk management.

(IV) 2022 annual SARMRA self-assessment

The self-assessment focused on two dimensions: soundness of rules and effectiveness of adherence. The result was 87.76 points out of a full mark of 100.

Infrastructure and environment: 18.47 out of 20.

Objectives and tools: 8.19 out of 10.

Insurance risk management: 8.80 out of 10.

Market risk management: 8.73 out of 10.

Credit risk management: 8.95 out of 10.

Operational risk management: 8.67 out of 10.

Strategic risk management: 8.42 out of 10.

Reputational risk management: 8.84 out of 10.

Liquidity risk management: 8.69 out of 10.

Based on the feedback from the last SARMRA regulatory assessment in 2017, the results of the SARMRA internal audit in 2022, and its own risk level and risk management status, the Company conducted a gap analysis of the solvency risk management system in 2022, and formulated a risk management work plan for 2022, setting up the overall annual objective of its solvency risk management system construction and priorities of rectification. During the year, under the leadership of the Board of Directors and the Management Committee, and in line with the Group's integrated risk control framework, the Company stepped up the construction of its solvency risk management system under C-ROSS II.

In compliance with SARMRA requirements, under the guidance of C-ROSS II and based on its own risk profile and management needs, the Company took the opportunity of the assessment and set up a steering committee and work team for solvency risk management capacity-building, further improved the organizational structure and relevant regulations of

its risk management system, optimized risk management performance evaluation rules, and strengthened the execution of risk management process. It made preparations for filing of comprehensive and detailed materials, closely cooperated with regulators. Under regulatory guidance and supervision, the Company further improved its risk management awareness and capability. The details of the SARMRA self-assessment for 2022 are as follows.

1. Infrastructure and environment

Soundness of rules:

In 2022, the Company revised and improved Solvency Risk Management Policy. The organizational structure of the Company's risk management includes the Board of Directors, the Risk Management Committee under the Board of Directors, the Board of Supervisors, the Management Committee, the Risk Management Working Commission under the Management Committee, the Assets and Liabilities Working Group, and the Risk and Compliance Department of the Company and its branches.

This year, the Company continued to improve the matrix-based organization structure of its risk management system, thus refining the vertical management structure (from the decision-making level to the execution level) and the horizontal management structure (from pre-incident to post-incident management).

The vertical management structure is the risk governance structure of the Company under the ultimate responsibility of the Board of Directors and the direct leadership of the Management Committee, with the Assets and Liabilities Working Group being responsible for quantitative risk management, the Risk Management Working Commission for non-quantitative risk management, the Risk and Compliance Department as the lead department, and all headquarters departments and branches cooperating in risk control according to risk management requirements, covering all business units.

The horizontal management structure refers to the Company's three lines of defense.

The first line of defense consists of the functional departments of the headquarters and branches and all the business units, responsible for identifying, assessing, controlling and reporting risks in earlier business stages.

The second line consists of the special committee under the Board of Directors responsible for risk management and the Risk Management Department. It is responsible for effective

and objective supervision of the various risks managed by the Company and assisting the Management Committee in controlling each risk so that it is in line with the Company's risk appetite.

The third line refers to the Audit Center of CPIC Group entrusted by the Company to monitor the effectiveness of the Company's risk management process and risk control procedures and activities.

By 2022, the Company had fully established all the systems related to infrastructure and environment, and the self-assessment indicated that the status in soundness of rules was in full compliance with standards of the assessment.

Effectiveness of adherence

The self-assessment of the effectiveness of adherence of risk management by the Company's Board of Directors, Board of Supervisors, senior management and Risk Management Department in 2022 is as follows.

(1) Board of Directors

During 2022, the Company's Board of Directors approved the updated version of its annual risk appetite, risk management policy and risk management regulations for 7 categories of risks; paid continuous attention to the Company's solvency risk status by reviewing monthly information updates for directors and supervisors, quarterly solvency reports, interim and annual risk management reports; urged senior management to enhance the effectiveness of risk management and supervised the implementation; and approved the quarterly solvency reports for Q4 2021 and Q2 2022 in accordance with the Rules of Procedure. The Board diligently assumed its responsibility for risk management and actively performed its decision-making duties relating to risk management.

(2) Risk Management Committee of the Board of Directors

The special committee under the Board of Directors in charge of risk management, i.e., the Audit, Risk Management and Related Party Transaction Committee is chaired by a director with rich experience in risk management. In 2022, the committee reviewed the Company's risk appetite, risk tolerance, interim and annual risk management reports; evaluated the risks relating to the Company's major operation and management matters; paid continuous attention to the various types of risks faced by the Company and their management status; reviewed the audit and assessment report on solvency risk management system; and assessed the implementation effectiveness of the solvency risk management system. The committee diligently performed all its duties.

(3) Board of Supervisors

During 2022, the Board of Supervisors reviewed reports approved by the Board of Directors

on the Company's risk appetite, risk tolerance, interim and annual risk management reports, etc. The Board of Supervisors effectively supervised the risk management performance of the Company's Board of Directors and senior management.

(4) Senior management

In 2022, the Company's Management Committee, following the management and approval process set forth in the Solvency Risk Management Policy, led and organized the implementation of the risk management work. The committee reviewed the risk appetite statement and approved the risk limit system, evaluated the solvency risk status based on quarterly solvency reports and quarterly risk management reports; organized the implementation of measures for breaches of risk limits; organized special meetings on a regular basis to formulate solutions to solvency risk events; and invested resources to develop tools for risk management, including the risk rating system, risk management big data visualization platform, risk monitoring platform, risk management information system and media monitoring system. The Company's senior management fully performed its risk management duties.

(5) Risk management departments and their responsibilities

In 2022, the Company's Risk and Compliance Department was staffed with two risk management personnel, meeting relevant requirements. The above-mentioned personnel had more than three years of experience in risk management. The risk management departments of provincial branches in Shanghai, Beijing, Guangdong and Sichuan have at least one full-time risk management personnel at all times. The Company's risk management departments and team are stable and operating effectively.

As per relevant assessment requirements and its risk profile, the Company formulated 14 major risk management regulations: 3 risk governance-related regulations, 7 level-1 risk management regulations, and 4 basic management rules. Assessment confirmed that the Company updated its solvency risk management system in 2022 based on C-ROSS II and its organizational structure and risk level.

The Company's risk management system currently consists of three levels.

Level 1: General framework. The Company has formulated the Solvency Risk Management Policy and the Measures for Risk Appetite Management, clarifying requirements on risk management organizational structure, risk appetite system, risk classification, risk management standards and processes, emergency response, assessment and accountability, etc.

Level 2: differentiated management. The Company has formulated rules such as the risk management regulations for major risk categories including insurance, market, credit,

operational, liquidity, strategic, and reputational risks, regulations on insurance fraud risks and money laundering risks, measures for risk management performance appraisal, work procedures for risk management and reporting, measures for integrated risk rating, etc. Corresponding risk management regulations are specific to different risk classifications and work flows, covering the responsibilities, identification, analysis, evaluation, control, monitoring and reporting of different risks.

Level 3: Supportive regulations. In 2022, the Company's business lines and functional departments revised their risk management rules within their scope of responsibilities in accordance with the requirements from the solvency risk management capability assessment.

As of the end of 2022, all the regulatory requirements relating to risk management system and relevant implementation were met; corresponding departments were designated for different solvency risk management processes; and all the departments implemented their risk management processes as per relevant regulations.

(6) Appraisal

In January 2022, the Company conducted an appraisal of all the headquarters departments and units on their risk management performance in 2021 according to regulations such as the Solvency Risk Management Policy, the Measures for Risk Management Performance Appraisal and the 2021 Plan for Risk Control and Compliance Performance Appraisal. According to the Plan, both regulatory indicators and internal indicators were used in the performance appraisal, each with a weighting of 50%, with the regulatory indicators being the regulatory assessment results for solvency risk management in soundness of rules and effectiveness of adherence. The performance appraisal of the Company's senior management was conducted by CPIC Group, and the appraisal indicators included the regulatory assessment results for solvency risk management system in soundness of rules and effectiveness of adherence. In 2022, the Company carried out the risk management performance appraisal for 2021 in strict accordance with regulatory rules.

(7) Training

In 2022, the Company implemented various forms of training on risk management. During the year, it organized risk management training for new employees, training on C-ROSS II, risk appetite system, and reputational risk management for heads of headquarters departments and units, etc., and sent personnel to participate in external training on risk management. The Company's Chief Risk Officer and head of the risk management department attended at least one such training recognized by the regulators. In 2022, the

Company conducted a self-assessment of its training on risk management which indicated full adherence with relevant regulatory requirements.

2. Objectives and tools

Soundness of rules: The Company has formulated the Solvency Risk Management Policy and the Management Measures of Risk Appetite System, where the processes relating to objectives and tools are stipulated, covering all the processes required by C-ROSS II. In the self-assessment, the Company found that further process refinement and clarification of responsibilities are needed for regulations relating to incorporating solvency risk management objectives into the assets and liabilities management process, and for rules on capital management.

Effectiveness of adherence:

(1) Risk appetite system

In 2022, the Company further strengthened the application of the Company's risk appetite system through the Solvency Risk Management Policy and the Measures for Risk Appetite System Management. Its regulations and major decisions were all assessed in terms of risk appetite before being approved to ensure that risk appetite has a substantial restraining effect on the Company's business decisions, and risk control measures were taken without delay for matters that may have a negative impact on risk appetite. In 2022, the Company reviewed the Risk Appetite Statement for 2021 and the implementation of its risk appetite in 2021, assessed the effectiveness of the risk tolerance and risk limit indicators in 2021, and based on the assessment results and the Company's strategic objectives in 2022, formulated the Risk Appetite Statement for 2022, where it partially adjusted and optimized the risk appetite statement and risk tolerance. The risk tolerance covers overall risks, quantitative risks and non-quantitative risks. After being approval by the Board of Directors, the Risk Limit System for 2022 covering all the Company's business lines was approved by the Company's senior management. The Risk and Compliance Department tracks the implementation of the risk appetite on a quarterly basis, formulates response plans for risk limit breaches, and submits foreseeable breaches to senior management for approval in advance following relevant procedures. In 2022, the management of the Company's risk appetite system was led by the Risk and Compliance Department, with step-by-step implementation by all departments, and no breach of risk appetite occurred. The overall risk level of the Company was under control and within expected range. The self-assessment found that more work is needed to ensure the integration of the risk appetite system into the Company's business decision-making.

(2) Risk management tools

1) Business planning and comprehensive budgeting

In 2022, amid business transformation, the Company made meticulous planning, and formulated a comprehensive budget. During the formulation process, testing procedures such as profit testing models and multiple-scenario stress testing were fully evaluated and applied, and all relevant working papers were filed for future reference. The Company's Risk and Compliance Department conducted an independent risk assessment of the comprehensive budget based on risk appetite requirements and prepared a risk assessment report for submission to the Chief Risk Officer, who approved this report and the business planning and budget report before the comprehensive budget was submitted to the Board of Directors.

2) Assets and liabilities management

In 2022, the Company conducted both qualitative and quantitative assessments on adherence in accordance with regulatory requirements, monitored matching in duration, cash flows and risk and reward on a quarterly basis, and prepared quarterly and annual assets and liabilities management reports. Decisions relating to major assets and liabilities management matters were all made following procedures stipulated in relevant regulations. The Risk and Compliance Department is responsible for identifying risks in assets and liabilities matching, as well as giving early warnings and risk control recommendations. The self-assessment found that Company shall further improve assets and liabilities matching, which is indicative of the effectiveness of assets and liabilities management.

3) Capital planning and allocation

The Company has formulated a three-year rolling capital plan for 2022-2024 in accordance with its three-year business plan and development strategy, and submitted it to regulators in a timely manner. The self-assessment found that the uncertainty of the Company's capital planning is still relatively high, and the capital planning work needs to be further strengthened.

4) Stress testing

In 2022, the Company completed various solvency stress testing processes in accordance with the Management Measures for Solvency Stress Testing and proposed control measures to senior management based on the testing results. The self-assessment found that the Company should further improve the application of the results and take more effective management measures.

(3) Credit rating and emergency management

External credit rating requirements are set out in the Company's risk management policies.

In 2022, the Company formulated and implemented the Measures for External Credit Rating Management. In emergency management, in 2022, the Company developed a master plan for emergency response and sub-plans, organized drills on solvency deterioration, liquidity contingency plan and reputation risk events, and formed summary reports and updated response measures. The Company's solvency emergency response was further improved. The self-assessment found that the Company's emergency response capability still needs strengthening.

3. Insurance risk management

Soundness of rules.

The Company has formulated Measures on Insurance Risk Management, which specified the insurance risk management responsibilities of relevant departments and positions and stipulates the procedures for setting of limits, measurement, monitoring and reporting of insurance risks. The Measures covered all the relevant regulatory requirements and the Company's actual needs for insurance risk management.

Effectiveness of adherence:

In 2022, the Company improved regulations and optimized their implementation in areas including underwriting, post-sales service, claims and reinsurance, and the Risk and Compliance Department conducted quarterly measurement, monitoring, evaluation and reporting of insurance risks. The self-assessment found that the Company needs further improvement in terms of responsible persons and approval process of the above-mentioned areas, implementation of regulations in those areas, management of outstanding claims, sales policy and underwriting policy, etc.

4. Market risk management

Soundness of rules.

The Company has developed Measures on Market Risk Management, which specified the market risk management responsibilities of relevant departments. When developing market risk management regulations, many factors were taken into consideration including the Company's investment management model, investment assets, and the nature, scale and risk characteristics of the its business, etc. It refined and standardized the processes and their implementation in risk limits management, internal control, risk measurement and monitoring, assets and liabilities management, risk management work flow, interest

rate risk management, equity price risk management, real estate price risk management, and overseas asset price management, etc. In terms of soundness of rules, the Measures covered all relevant regulatory requirements and the Company's actual needs for market risk management. Due to the special nature of entrusted investment, the Company needs to further refine the implementation rules for equity price risk management to enhance their enforceability.

Effectiveness of adherence:

In terms of effectiveness of adherence, the Company has set risk limits for each asset class within the constraints of risk appetite, and broken them down into level-1 limits and level-2 limits. It also has developed and implemented methods for setting limits and procedures for adjustment and breach approval, etc. The Company engages external parties to manage its investment, and conducts internal control of market risks in accordance with the Interim Measures on Investment Management. In 2022, external investment managers strictly followed the risk management process relating to interest rate, equity, and others, and the Company, shouldering primary responsibility, measured, monitored, evaluated and reported on market risks on a quarterly basis. The self-assessment found that the Company, to ensure compliance, studied the macroeconomic conditions and monetary policies, analyzing the characteristics and change patterns of interest rate risks using methods such as duration, convexity, residual maturity, scenario analysis, and VAR, etc. The investment manager plays an important role in market risk management, and it is difficult for the Company to fully control the effectiveness of market risk management on its own.

5. Credit risk management

Soundness of rules:

The Company has formulated Measures on Credit Risk Management, which specified the credit risk management responsibilities of relevant departments and set out stipulations on aspects of credit risks such as the internal credit-rating system, credit risk limits management, investment counter-party management, reinsurance counter-party management, management of premiums receivables and other receivables, as well as the identification, measurement, monitoring and reporting of credit risks. The Measures covered all the relevant regulatory requirements as well as the Company's actual needs for credit risk management.

Effectiveness of adherence:

The Company has set the overall credit risk limits under the the constraints of risk appetite and broken them down into level-1 limits and level-2 limits. It also has developed methods for setting limits and procedures for adjustment and breach approval, etc. It has formulated and implemented regulations relating to credit risks including Interim Measures for Management of Investment-related Credit Risks, Measures for Reinsurance Counter-party Credit Management, and Measures for Management of Receivables. The Risk and Compliance Department measures, monitors, evaluates and reports on credit risks on a quarterly basis. The Financial Management Department continued to improve the premium receivables management platform and strengthen the IT systems for risk management. The self-assessment found that in terms of compliance, the Company has difficulty in establishing its own database of counter-parties due to the special nature of the entrusted investment, and that it needs to further strengthen early warning of credit risks and enhance performance appraisal of premium receivables collection.

6. Operational risk management

Soundness of rules:

The Company has formulated Measures on Operational Risk Management, which specified the responsibilities of lead departments and supportive departments for operational risk management and set out stipulations in management methods and processes, identification, analysis, monitoring and reporting mechanisms, management norms, and differentiated management standards, etc. It also has formulated the Internal Control Management Measures for Public Disclosure of Solvency Information covering all aspects of solvency information disclosure. The above two regulations fully cover all relevant regulatory requirements and the Company's actual needs for operational risk management.

Effectiveness of adherence:

The Company organizes its departments to identify and analyze operational risks through risk limits (key risk indicators) and collection of operational risk-related loss events on a quarterly basis. In 2022, the Risk and Compliance Department conducted risk reviews on operational risk matters, organized annual internal control and risk control self-assessment on operation, identified high-risk areas and significant business matters and worked out key control measures. Each department of the Company has developed work management regulations and processes for their business lines in accordance with the basic guidelines for internal control. The Company has established the information system required for its operations, the HO and branch authorization system, and training and job-rotation rules. It

measures, monitors, evaluates and reports on operational risks on a quarterly basis, and completes quarterly solvency reports, annual solvency reports and other information disclosures in a timely, comprehensive and accurate manner. It also collects operational risk-related loss events on a quarterly basis and includes them in a database after approval. In terms of compliance, the self-assessment found that the Company, being aware that it can't possibly identify all the existing operational risks, focuses on identifying and analyzing factors that may lead to operational risks such as business processes, personnel, systems and external events. In 2022, the Company made continuous improvements in loss events collection and analysis and operational risk control. More comprehensive operational risk identification tools are needed for the Company to better control operational risks in high-risk areas, thus further enhancing operational risk management effectiveness.

7. Strategic risk management

Soundness of rules:

The Company has formulated Measures on Strategic Risk Management, which specified the management structure and division of responsibilities in strategic risk management, the management process for strategy formulation and implementation, and the work flows. In June 2022, the Company formulated Management Measures for Development Planning, which specified the processes for formulation, implementation, evaluation and control of strategic planning, and set out the "eight elements" of the Company's development planning. In terms of soundness of rules, the Measures fully covered all the relevant regulatory requirements and the Company's actual needs for strategic risk management.

Effectiveness of adherence:

Strategic risk management is an integral part of the Company's solvency risk management system, and the Company follows the basic risk management processes for risk identification, analysis, assessment and control in its daily management. In 2022, the Company assessed the implementation of its development plan for 2021, and completed all the reporting procedures of the Board of Directors and Board of Supervisors in accordance with regulatory requirements. The Board of Directors attached great importance to and supervised the implementation of the development plan. The Annual General Manager's Work Report analyzed the opportunities and challenges faced by the Company, taking into account the macroeconomic situation, policy developments and changes in the industry and market environment, and clarified the key tasks for 2022. The Company summarizes and analyses its business operation status on a quarterly basis. Due to the implementation

of regulatory requirements and increase in capital, the Company revised the Development Plan for 2021-2023 and submitted it to regulators in November 2022 to ensure that the Company's strategy matches the changes to the Company and the business environment. The self-assessment found that the new risk management performance assessment system which was established under C-ROSS II needs to be tested, and the Company needs to further implement its business strategy and investment strategy in relevant areas.

8. Reputational risk management

Soundness of rules:

The Company has formulated Measures on Reputational Risk Management and the Implementation Rules for Reputational Risk Management, which specified the reputational risk management responsibilities of the Board of Directors, Board of Supervisors, senior management, lead/supportive departments, and branch offices. The Company has set up a full-process closed-loop management system for reputational risk management that covers areas including pre-event assessment, risk monitoring, risk classification, response and handling, information reporting, appraisal and accountability, and constantly improves the system. The Measures on Reputational Risk Management covered all the relevant regulatory requirements and the Company's actual needs for reputational risk management.

Effectiveness of adherence:

The Company carries out real-time media monitoring through third-party service suppliers and CPIC Group and organises risk screening and evaluation on a regular basis to effectively prevent reputation risks. The Company has established a reputational risk monitoring team consisting of part-time reputational risk managers from all functional departments and units, and carries out training and drills to enhance reputational risk awareness and strengthen response and handling capabilities. In 2022, no level-1 or level-2 reputational risk events occurred, and no major potential reputational risks was found in the Company. Public opinion of the Company was of a positive or neutral nature. The self-assessment found that the Company fully considered reputational risks and kept assessment records when doing reputational risk management work, and that the Company needs to further strengthen pre-event assessment and accumulate experience and resources for risk incident handling.

9. Liquidity risk management

Soundness of rules:

The Company has formulated Measures on Liquidity Risk Management, which specified the liquidity risk management responsibilities of the Board of Directors, senior management and relevant departments, and sets out stipulations in aspects of liquidity risk management such as risk appetite and limits management, performance appraisal and accountability, daily cash flow management, liquidity assessment for insurance business, liquidity assessment for financing, liquidity assessment for investment business, liquidity assessment for reinsurance business, liquidity assessment for various risks, significant matters assessment, cash flow stress testing, liquidity contingency plan, the identification, analysis, monitoring, assessment and reporting of liquidity risks. The Measures covered all the relevant regulatory requirements and the Company's actual needs for liquidity risk management. The Company needs to further refine its regulations on liquidity stress testing and clarify the analysis methods and assumption criteria.

Effectiveness of adherence:

The Company's Board of Directors and senior management approved Measures on Liquidity Risk Management and the liquidity risk appetite, assume respective responsibilities for liquidity risk management, familiarize themselves with liquidity risk assessment results through various channels such as solvency information, comprehensive risk rating information and financial statements on a quarterly basis, and approve liquidity risk information disclosure. In 2022, the senior management organized the handling of breaches of liquidity risk limits. The liquidity risk management work is led by the Financial Management Department and divided among relevant departments, mainly including cash flow monitoring, liquid assets ratio control, reinsurance tools application, quarterly cash flow stress testing, updating of liquidity contingency plan and conducting drills, etc. The Company measures, monitors, evaluates and reports liquidity risks on a quarterly basis. The self-assessment found that the Company needs to refine and strengthen work in areas including the construction of liquidity management information system, daily cash flow needs forecast, pre-event liquidity risk assessment for insurance, investment and financing business, liquidity risk correlation assessment between different risks, and liquidity risk assessment for significant matters.

Status of rectification as per 2017 regulatory assessment:

In early 2018, the Company received Letter on Results of 2017 SAMRA Assessment of CPIC

Allianz Health Insurance Co. Ltd. from the regulator (CBIRC Hebei Letter [2018] No. 125), which recognised the effort of the Company in establishing the risk management framework, risk management rules and mechanisms, formulating risk management systems, and implementing risk management objectives and regulations in practice. At the same time, the regulator highlighted gaps in soundness of rules and effectiveness of adherence, as well as in infrastructure & environment and tools & objectives. As per regulatory feed-backs, the Company drafted detailed rectification plan for increasing commitment to risk management, enhancing the system of rules and regulations, stepping up implementation, and increasing the use of risk management tools, which, upon approval of senior management, cascaded down to departments and branch offices. The status of correction is as follows:

Dimensions of assessment	Management items	Findings	Status of rectification
1. Infrastructure & environment	1.1 Board Risk Management Committee	1.1.1 Not yet established, short of regulatory requirements	Already established under 2nd board of directors
	1.2 Risk management rules	1.2.1 Certain rules were issued at a date later than required by regulator, meaning gaps in soundness of rules	Risk management rules updated annually in a timely manner
		1.2.2 Only Policies of Solvency Risk Management vested the board with relevant responsibilities.	Amended Articles of Association
		1.2.3 Means, methods, and processes for integration of risk appetite into business decision-making of the Company, and response in cases of breach of risk limits need further defining	Put in place process for risk appetite evaluation, specified work process for transmission of risk appetite into business decision-making, and set out detailed operational process in cases of breach of limits
2. Objectives and tools	2.1 Risk appetite	2.1.1 Mechanisms of risk appetite need improving, especially in setting business objectives, identifying risks that must be prevented, and enhancing constraints, with transmission to be further strengthened.	Amended Policies on Solvency Risk Management, which added work process for transmission of risk appetite into business decision-making.

		2.1.2 Use of risk appetite system in business management needs strengthening, especially by decision-making bodies of the Company	Assessment of risk appetite conducted for decision-making of all significant matters and regulations.
	2.2 Risk management tools	2.2.1 Absence of certain regulations, such as business planning and approval of comprehensive budgeting, engagement of third-party entities for credit-rating, assessment of risk appetite, and assessment of risk management information system	Amended Policies on Solvency Risk Management, which added requirements for approval for budgets, engagement of credit-rating agencies, and assessment of risk appetite and management information systems
3. Insurance risk	3.1 Evaluation of claims reserve	Concrete processes and method yet to be defined	Specified process for evaluation of claims reserve, amended relevant regulations, issued Notice on Circulating Provisions on Management of Evaluation of Insurance Contract Reserves
	3.2 Evaluation of products on offer	Concrete processes and method yet to be defined	Optimised and implemented evaluation process of products on offer or withdrawn, issued Notice on Circulation of Provisions Regulations on Product Development and Operation
	3.3 Insurance risk limits	Insurance risk tolerance and upper limits not specific enough, yet to be incorporated into business management	Risk limits system expanded into all business lines, distribution channels and product types of insurance risk
	3.4 U/W and claims management	Certain irregularities in implementation of U/W and claims management policies	Partial updating of U/W and claims management policies every year
4. Market risk	4.1 Relationship between policies	4.1.1 Need to clarify relationship between policies and regulations	Amended Provisions on Market Risk Management, clarifying relationship between market risk management policies and relevant component rules
	4.2 Interest rate risk	4.2.1 No distinction between management tools and analytical tools for interest rate risk	Formulated Provisions on Interest Rate Risk Management, setting out management tools and analytical

			tools for interest rate risk and their application process
		4.2.2 Regulations on management of interest rate risk yet to be established	Drafted separate rules on management of interest rate risk
5.Credit risk	5.1 Reinsurance	Credit risk management in reinsurance needs improving	Formulated management rules on reinsurance counter-parties
	5.2 Management of funds receivables	Credit risk management in funds receivables needs improving	Updated management rules on funds receivables
	5.3 Upper limits management	Upper limits for credit risk initially in place, but granularity not enough, such as by products. Yet to be integrated into business decision-making.	Upper limits break down by investment and insurance products.
6.Operational risk	6.1 Internal control process	Need to be reviewed in light of C-ROSS II. Not entirely compatible with C-ROSS II.Relevant concepts and standards need clarifying.	Amended Provisions on Operational Risk Management, seeking to clarify definition in tandem with concepts and standards of internal control
	6.2 Risk definitions	No breakdown by operational risk manifestations	Amended Provisions on Operational Risk Management, breaking down by types of incidents, types of impacts and magnitude in the list of operational risk incidents
	6.3 Risk evaluation	Rules on assessment of operational risk not detailed enough in cases of new business, new products and major changes to management processes	Amended Provisions on Operational Risk Management, with definition of assessment process, and implementation
7.Strategic risk	7.1 System of rules	System of rules on strategic risk needs improving	Amended Provisions on Strategic Risk Management, integrating health management, digital capacity and service innovation into the scope of assessment
	7.2 Implementation	Certain gaps in implementation	Implemented processes as stipulated in Provisions on Strategic Risk Management
8.Reputational risk	8.1 Rules and regulations yet to be more detailed	Yet to add details to rules. Rules yet to be more aligned with realities of business operation to	Amended Provisions on Reputational Risk Management, with more granularity in definition

		be better implemented	of roles and responsibilities of the board, management committee, departments and branches based on profiles of reputational risk
	8.2 Risk definitions	Board yet to play a more important role in foster culture and formulation of training plans for reputational risk	Formulated training plans to be submitted to board annually
	8.3 Risk assessment	Lack of supportive materials in implementation of reputational risk regulations and assessment of the risk	Conducted assessment of reputational risk prior to submission of resolutions to the board and management committee, and public release of information and news reports
9. Liquidity risk	9.1 Supportive rules	Certain regulations lack detailed supportive rules.	Cash flow management, liquidity impact assessment, liquidity from investment and financing activities, liquidity management of reinsurance are contained in Provisions on Liquidity Risk Management
	9.2 Risk monitoring	9.2.1 Lacking in monitoring of cash inflows and outflows regarding par business, separate accounts of unit-linked and universal products	Not applicable in 2022
		9.2.2 Lacking in monitoring of cash inflows and outflows of branch offices	Process and tools for monitoring of cash flows of branch offices now in place
		9.2.3 Lacking in risk monitoring in cases of material adjustment of business plans, withdrawal of products, development or adjustment of channels	No material adjustment of business plans or withdrawal of products in 2022. Conducted liquidity risk monitoring and assessment when doing new business.

Rectification plan for 2023

The self-assessment indicates that the risk management system of the Company is essentially in line with requirements of C-ROSS II. Next, the key is to enhance effectiveness of adherence. Based on gaps identified in the self-assessment, the Company formulated an initial rectification plan for improvement of solvency risk management capabilities in 2023.

1. Infrastructure & environment

The Company will continue to strengthen risk handling, foster risk awareness and culture, and further restructure its risk management systems and organisations in step with its reform and transformation.

2. Objectives & tools

The Company will further optimise its risk appetite system, continuously push for its integration into business decision-making, leverage the role of ALM in business operation, step up use of stress testing results, and enhance capability for capital planning.

3. Insurance risk management

It will improve insurance risk management in terms of designation of responsible persons and approval process, implementation of risk management policies, risk assessment of new products, and management of products on offer.

4. Market risk management

The Company will seek improvement in internal control process for market risk, interest rate risk management, asset liability risk management and overall market risk management.

5. Credit risk management

The Company will further enhance execution of credit risk management, and the credit risk management system for funds receivables as well.

6. Operational risk management

The Company strives for increased management effectiveness via application of more comprehensive risk identification tools covering identification & analysis of operational risk, collection and analysis of events leading to losses, continued improvement of potential operational risks and focused control of high-risk areas.

7. Strategic risk management

The Company formulated 2021-2023 Annual Development Plan in 2022, and will strictly enforce various processes for strategic management as per SARMRA requirements and its own regulations.

8. Reputational risk management

The Company will strengthen coordination between reputational risk and other risks at both headquarters and branch offices, step up assessment in advance, and continue to accumulate experience and resources in the handling of reputational crisis or potential risks.

9. Liquidity risk management

The Company will improve information systems for liquidity risk management. At the same time, business centres will be involved as a key player of liquidity risk management,

supervising functional departments, communicate management philosophies, and enhance liquidity risk assessment of insurance business, investment & financing activities and significant matters.

V. Integrated risk rating (differentiated supervision)

(I) The last two IRR results

The Company was rated BB at the IRR (differentiated supervision) for Q3 and Q4 of 2022.

(II) Measure taken or to be taken for improvement

In Q4 2022, the Company continued to control various risks in light of regulatory briefing on IRR results and targets for improvement. It enhanced monitoring of various IRR indicators to ensure their stable status and prevent major risks.

(III) Findings of self-assessment of operational, strategic and reputational risks

Liquidity risk of the Company mainly stems from claims and maturity payments on insurance contracts, daily expenditures and investment asset impairment. As of the end of Q4, there were no events which may trigger liquidity risk. The Company maintained a high proportion of highly-liquid assets in investments, with needs for liquidity arising from daily business operation far below the current size of liquidity assets, i.e., sources of liquidity far outweighing needs for liquidity, indicating a low level of liquidity risk.

Operational risk: In terms of compliance and internal control, the Company didn't violate any regulations or receive administrative penalties from regulators in Q4 2022. There was zero violation per 100 million yuan in standard premiums and zero regulatory penalty per 100 million yuan in standard premiums for the Company. There was no major operational risk incidents, and no occurrence of insurance frauds or cases of money-laundering. Cases of litigation remained at a low level, with zero litigation cases where the Company lost in Q4.

Reputational risk: The Company's media monitoring system includes CPIC Group's own system, and third-party monitoring services, which can effectively monitor negative publicity of the Company and its insurance and investment counter-parties. In daily work, the Company strictly implements various reputational risk management processes covering assessment, risk handling and post-crisis accountability. In Q4 2022, the Company did not

experience any reputational risk incidents on mainstream or other types of media.

Strategic risk: The Company formulated its strategic development objectives in light of macro-economic conditions, market trends, its own positioning and the objectives of the Group. Based on its 2021-2023 Development Plans and Annual Business Targets, the Company worked out specific tasks, reviewed business performance on a regular basis, analysed market conditions and its own strengths, and drafted strategies aligned with market environment in a timely manner, which enabled constant identification, assessment and control of strategic risk. In 2022, in view of regulatory requirements and its own capital increase, the Company revised and filed 2021-2023 Development Plans with the regulator, which added content on consumer protection and green finance, updated related business data for 2022 and 2023, and correspondingly adjusted solvency and asset liability projections, with adaption and adjustment of industry data, corporate vision, organisation and risk management. As of Q4 2022, its strategic objectives were mostly met, and no occurrence of strategic risk events.

VI. Management analysis and discussions

(I) Solvency Analysis

1. Available capital

As at 31 December 2022, the Company's net assets was 3,305.1119 million yuan, and after deducting items such as intangible assets other than land use rights, long-term deferred expenses, and the differences in reserves under the accounting standards and C-ROSS II standards (which in total amounting to 79.6390 million yuan), the available capital stood at 3,225.4728 million yuan, an increase of 68.9621 million yuan from the previous quarter, mainly due to change to difference in reserves for medium and long-term products as part of the admitted liabilities between accounting and C-ROSS II .

2. Minimum capital

The minimum capital of the Company at the end of Q4 was 1,215.7875 million yuan, rising by 6.16% from the previous quarter, mainly as a result of fast growth of long-term insurance business, which in turn led to increase in life insurance risk; of this, minimum capital for insurance risk of life business was 628.8463 million yuan, that for insurance risk of non-life business was 674.7005 million yuan, that for market risk 234.1064 million yuan, that for credit risk 306.3208 million yuan, diversification effect for quantifiable risk

644.6983 million yuan, that for control risk 16.5119 million yuan.

3. Solvency margin ratio

As at 31 December 2022, the Company's core solvency margin surplus was 1,873.1349 million yuan, and the core solvency margin ratio was 254%; comprehensive solvency margin surplus was 2,009.6853 million yuan, and the comprehensive solvency margin ratio was 265%. In Q4 of 2022, the core and comprehensive solvency margin ratios fell by 9pt and 10pt respectively from the previous quarter, mainly due to increase in minimum capital from business operation.

(II) Liquidity risk

For this quarter, net cash flow was 205million yuan, mainly because of reinsurance premiums and recovery of investment assets; the differential between actual net cash flow from operating activity and the estimate was 19 million yuan, meaning an adverse deviation of 21%, meeting regulatory standards; as of the end of Q4, all LCRs under various scenarios and all liquidity indicators were within regulatory limits.

The Company will strictly follow the regulatory requirements on solvency cash flow forecasting, comprehensively consider factors such as business development and market changes, regularly evaluate the effectiveness of its liquidity risk management mechanisms and systems, and make appropriate adjustments to ensure a reasonable liquidity risk level.