Presentation Material on New Accounting Standards & Adjustments to Actuarial Assumptions

April 8, 2024

太平洋保险
CPIC

1. Impact of accounting standard switch -- Smooth transition with limited impact

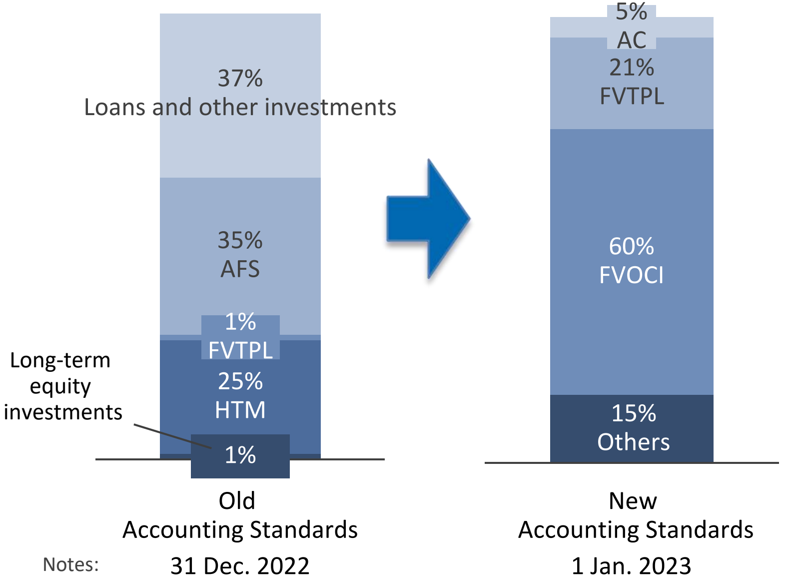
1 Jan. 2023 (RMB billion)	Old Accounting Standards[note1]	New Accounting Standards[note2]	Impact of Switch
Total assets	2,176.3	2,105.7	-3.2%
Total Liabilities	1,942.2	1,869.7	-3.7%
Net Assets	234.1	236.0	0.8%
Retained profits	105.2	106.8	1.5%

Notes:

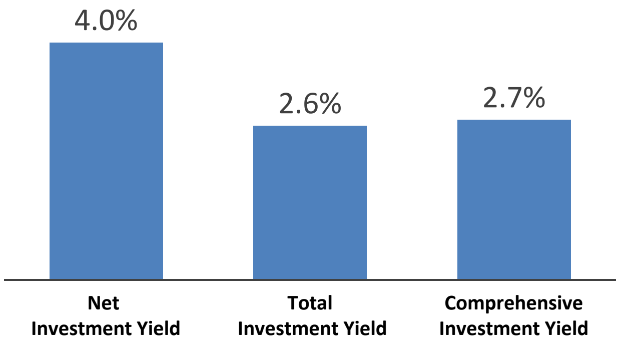
1. The old accounting standards refer to the old insurance standard and the old financial instruments standards.
2. The new accounting standards refer to the new insurance standard and the new financial instruments standards.

1. Impact of accounting standard switch -- Reclassification of financial assets by considering matching in measurement of assets and liabilities, and a faithful view of investment performance by adjusting the calculation of investment yields

Classification of Group Financial Assets under Old vs New Accounting Standards



Investment Metrics in 2023



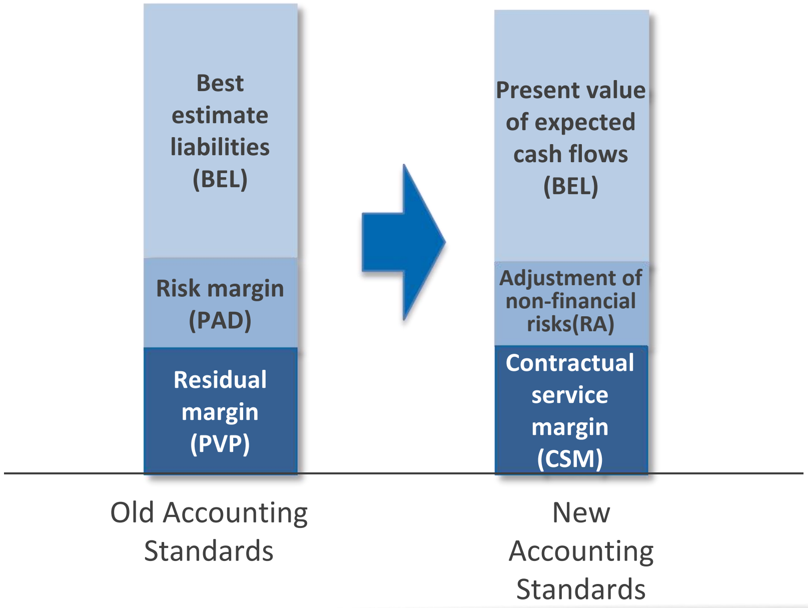
- Majority of fixed income assets of life insurance are classified as FVOCI to ensure matching in measurement of assets and liabilities.
- Dividend-yield stocks in equity assets are classified as FVOCI to mitigate impact of capital market volatility.
- To present a more faithful view of investment performance, fair value change in debt securities investments classified as FVOCI are excluded from numerators/ denominators in the calculation of investment yields.

Notes:

1. Loans and other investments under Old Accounting Standards mainly include investments classified as loans and receivables, term deposits, cash at bank and on hand, securities purchased under agreements to resell, policy loan, restricted statutory deposits and investment properties, etc.
2. Others under New Accounting Standards mainly include long-term equity investments, cash at bank and on hand, securities purchased under agreements to resell, term deposits, restricted statutory deposits and investment properties, etc.
3. Numbers may not add up due to rounding.

1. Impact of accounting standard switch -- Changes in insurance contract liabilities under new accounting standards

Reserves and Insurance Contract Liabilities under Old vs New Accounting Standards



Scope of Measurement Expanded

Certain accounting items under the old accounting standards, such as premiums receivable, commissions & fees payable, claims payable, and policy loans, etc., are accounted as insurance contract liabilities.

CSM Absorption Mechanism

- Under the old accounting standards, assumptions of PVP calculation are locked up upon policy issuance.
- Under the new accounting standards, in follow-up measurement, CSM will absorb investment component experience variances, non-economic assumption changes, investment volatility of business applicable to VFA, etc.

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1. Impact of accounting standard switch -- Financial impact of measurement methods under new accounting standards

	Old Accounting Standards	New Accounting Standards		
		Building Block Approach (BBA) - Long-term traditional insurance	**Variable Fee Approach (VFA)** - Long-term participating /universal products	**Financial Impact** note
Equity market movement	Small part P&L Mostly OCI	Mostly P&L Small part OCI	CSM	Under BBA, directly impact P&L, or recognised as OCI; Under VFA, absorbed by CSM, limited impact on P&L
Impact on assets of interest rate movement	Little impact on P&L, and no impact on OCI since majority are debt investments classified as AC	fail to pass SPPI, directly impact P&L Reclassify eligible AC debt investments into FVOCI, the fair value changes recognised in OCI		Under BBA, directly impact P&L, or recognised as OCI; Under VFA, absorbed by CSM, limited impact on P&L
Impact on liabilities of interest rate movement	P&L	OCI	CSM	Booked as OCI or absorbed by CSM, limited impact on P&L
Experience variance of investment components	P&L	CSM		Absorbed by CSM, limited impact on P&L
Non-economic Assumptions including morbidity,maintenance expense ratio, lapse,etc.	P&L	CSM		Absorbed by CSM, limited impact on P&L
Experience variance of insurance components and maintenance expense	P&L	P&L		Direct impact on P&L

Note: Under PPA, changes to various factors will directly impact P&L.

1. Impact of accounting standard switch -- Presentation of profit sources under new accounting standards

P&L Statement (Old Accounting Standards)

Operating income

Gross written premiums

Investment income

Other income

Operating expenses

Surrenders, claims & maturity payment, expenses

Changes in insurance contract reserves

Other expenses

Total profit

Net profit

P&L Statement (New Accounting Standards)

Operating income

Insurance revenue

Investment income

Other income

Operating expenses

Insurance service expenses

Insurance finance expense for insurance contracts issued

Other expenses

Total profit

Net profit

P&L under the new accounting standards is more transparent and better structured, but admittedly more complicated.

- ✓ **Income and expenses are split into insurance components and investment components.** The latter refers to amounts returned to policyholders irrespective of occurrence of claims events, such as surrendered amounts, maturity payments, etc.
- ✓ **Changes in reserves are also split into** insurance components and investment components, and the latter will be absorbed by CSM.

Life insurance

Insurance service results
= Insurance revenue - Insurance service expenses

P/C insurance

Underwriting profit
=Insurance revenue - Insurance service expenses - Net income/(losses) from reinsurance contracts held - Underwriting finance losses and others

1. Impact of accounting standard switch -- Precise management more important

Adoption of new accounting standards does not change the nature of insurance business

- Our target of pursuing sustainable and steady value growth remains the same.
- Business logic remains the same.

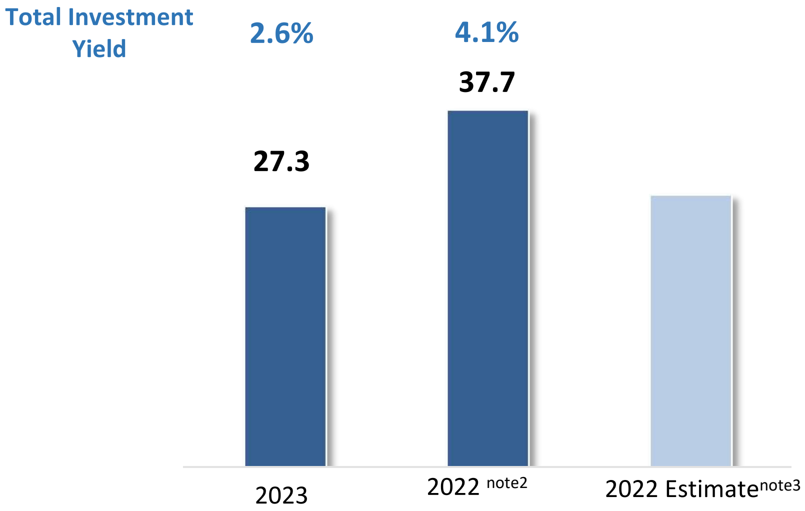
New accounting standards improve transparency, which makes precise management capabilities even more important

- Capital market and company management have a clearer and more direct view of operational variances in financial statements, which calls for improvement in precise management.
- On the basis of measurement units of contract groups as required by the new accounting standards, we fostered capabilities for analysis of profit source variances at product level, which paves the way for more granular review and analysis of business operation.

2. Operational results - Resilience in Group net profit attributable to parent

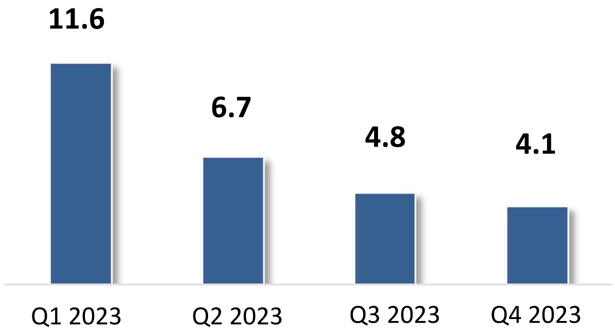
Group Net Profit attributable to Parent in 2023

(unit: RMB billion)



Net Profit attributable to Parent by Quarters in 2023

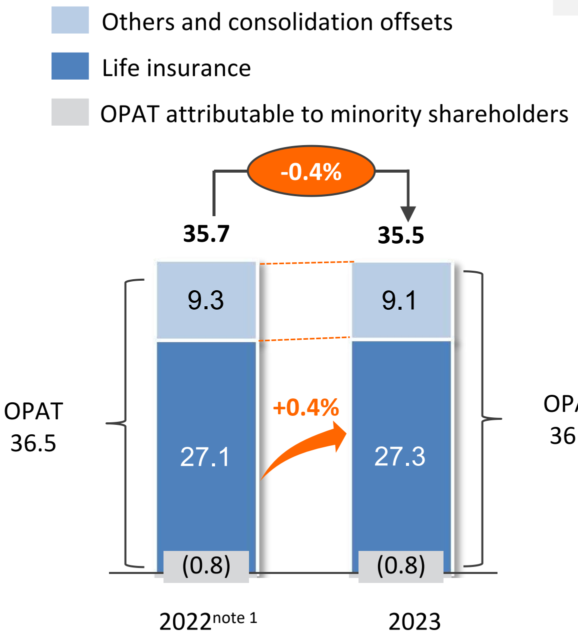
(unit: RMB billion)



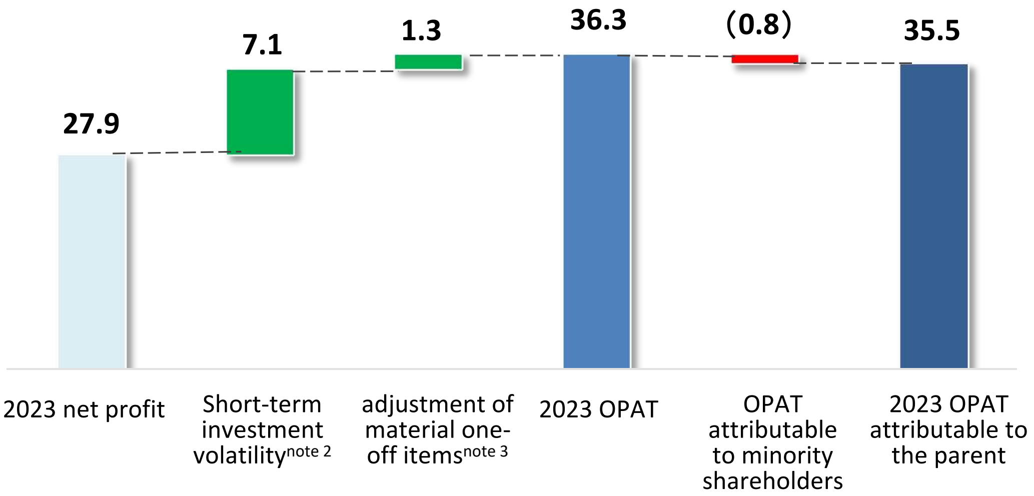
Note: 1. Numbers may not add up due to rounding.
2. According to requirements of the new insurance standard, the Company adjusted the figures related to insurance business. According to requirements of new financial instruments standards, the Company did not adjust figures related to investment business.
3. Figures related to insurance business and investment business are both restated.

2. Operational results - Group OPAT remained stable

(unit: RMB billion)



OPAT= Net profit - short-term investment volatility - adjustment of material one-off items



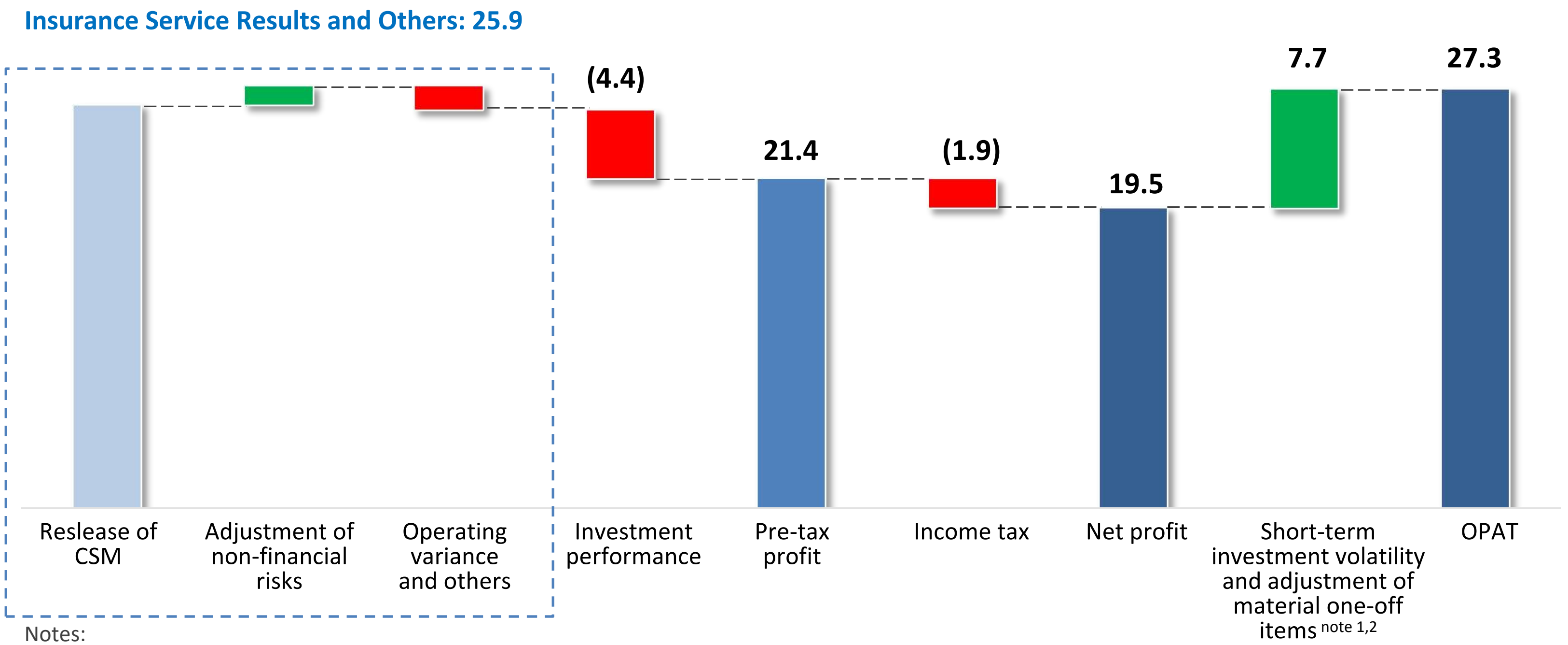
Notes:

1. Figures for comparative periods have been restated.
2. Short-term investment volatility applies to business of CPIC P/C, CPIC Life and CPIC Health, etc., while excluding business based on VFA; it refers to the difference between actual investment income and long-term investment assumptions, while considering the impact of income tax.
3. Adjustment of material one-off items includes the difference between deductible amounts for pre-tax profit of the current period and the average deductible amounts for pre-tax profit of the preceding years.
4. Numbers may not add up due to rounding.

2. Operational results - Release of CSM is the main source of future profits

Source of Profits of CPIC Life in 2023

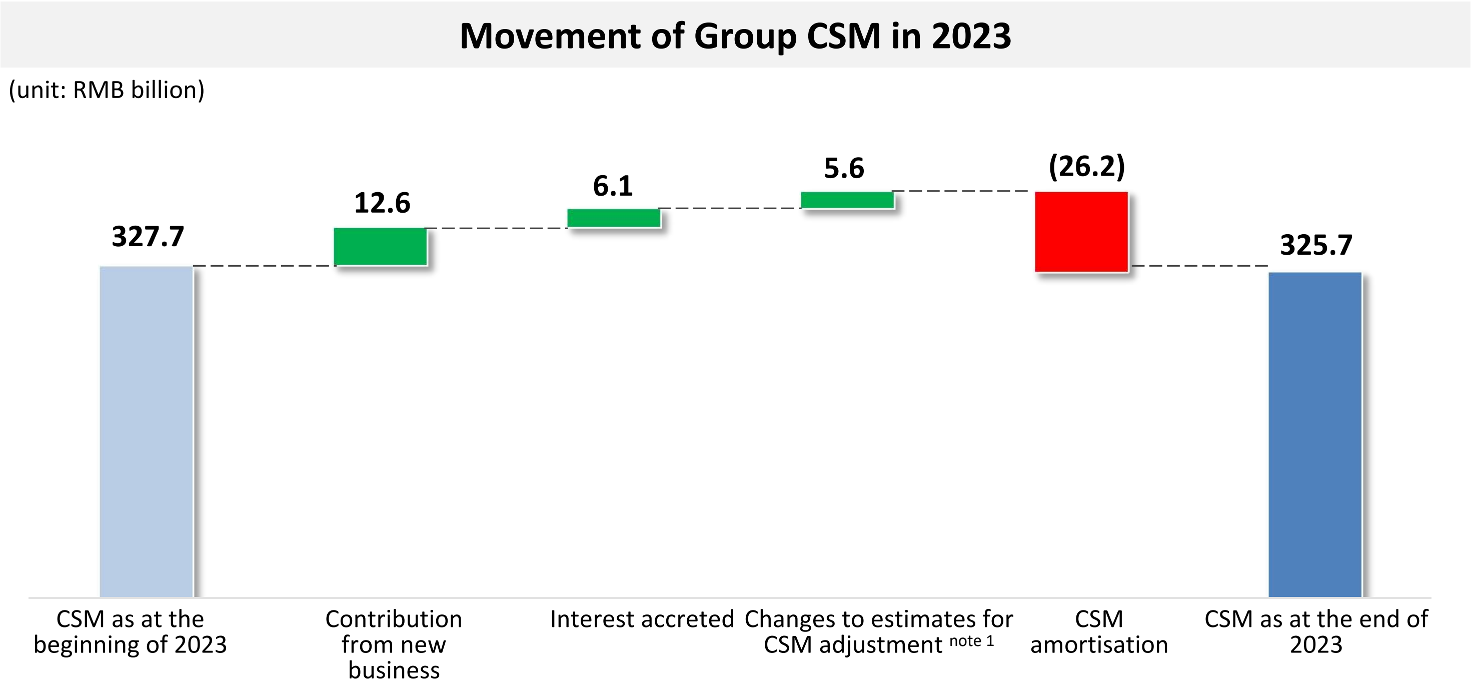
(unit: RMB billion)



Notes:

1. Short-term investment volatility applies to business of CPIC Life, while excluding business based on VFA ; it refers to the difference between actual investment income and long-term investment assumptions, while considering the impact of income tax.
2. Adjustment of material one-off items includes the difference between deductible amounts for pre-tax profit of the current period and the average deductible amounts for pre-tax profit of the preceding years.
3. Numbers may not add up due to rounding.

2. Operational results - Group CSM stayed largely stable



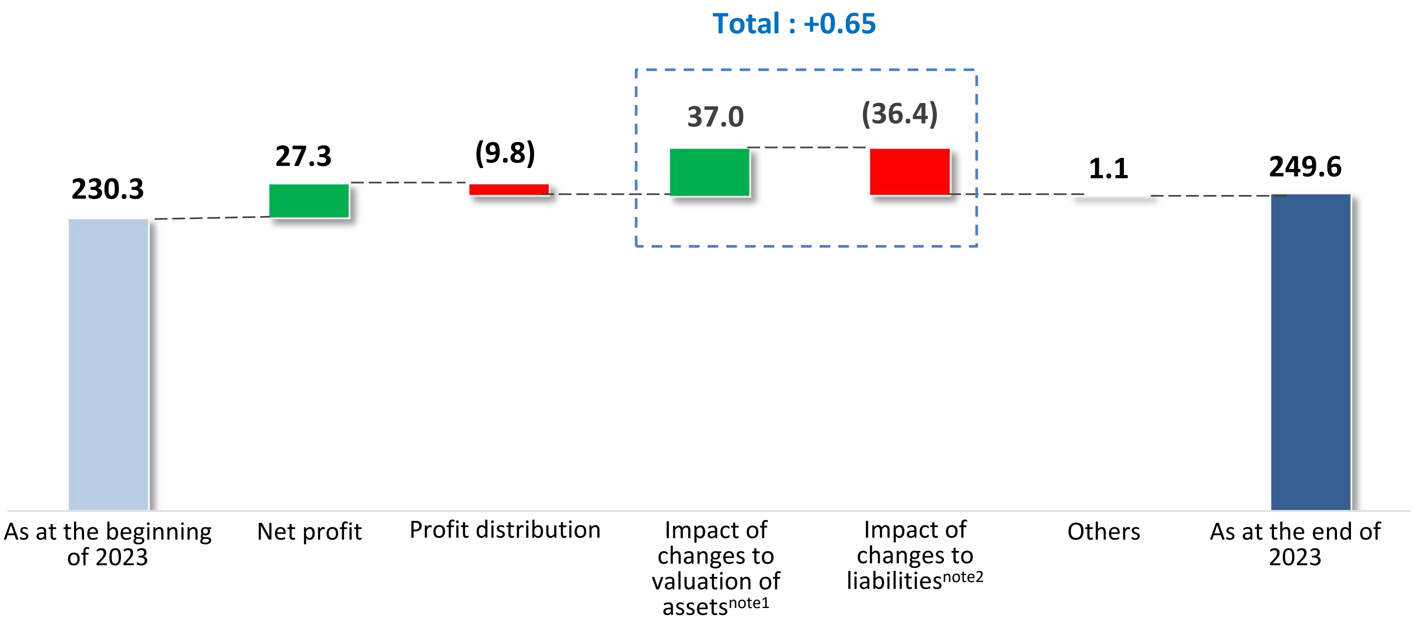
Notes:

1. Changes to estimates for CSM adjustment includes experience variances, changes to assumptions and investment volatility of business applicable to VFA, etc.
2. Numbers may not add up due to rounding.

2. Operational results - Impact on assets and liabilities mutually offset in calculation of Group net assets attributable to parent

Movements of Group Net Assets attributable to Parent

(unit: RMB billion)



Notes:

1. Including fair value change in debt instruments classified as FVOCI, and fair value change of other equity instruments.
2. Including impact of interest rate movement under BBA, and fair value change in relevant underlying items under VFA.
3. Numbers may not add up due to rounding.

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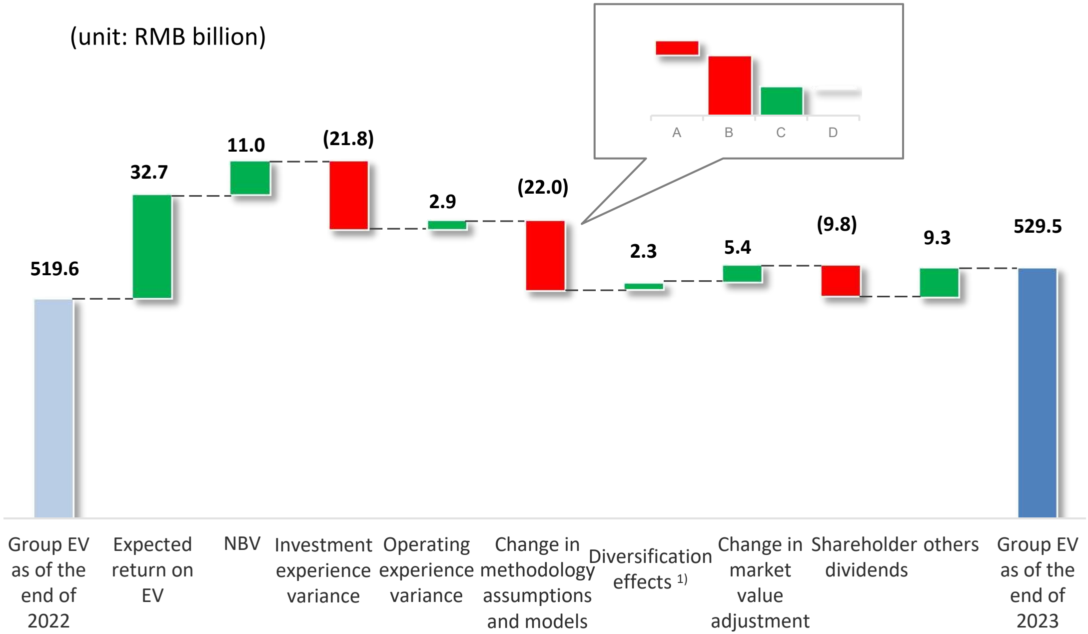
2. Operational results - Value metrics remained solid even with changes to economic assumptions

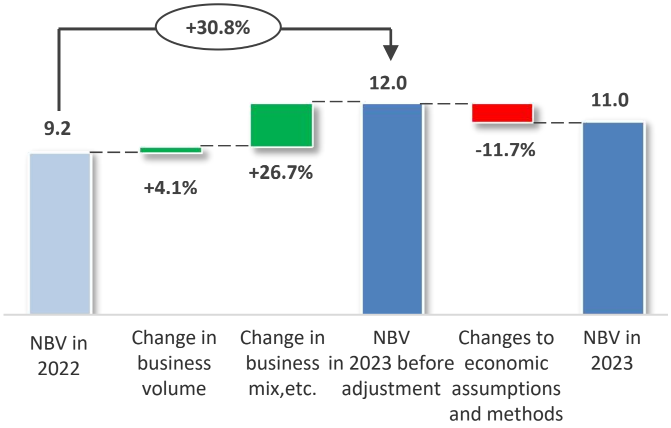
EV

(unit: RMB billion)



NBV

(unit: RMB billion)



Notes:

1.Diversification effects refer to the impact on cost of required capital of new business and business change.

2.Numbers may not add up due to rounding.

3. A, B, C, D refer to impact of changes to reserve discount rate, investment return, risk discount rate and valuation methods & other operating assumptions as used in valuation as at the end of 2023, respectively.

Q&A

THANKS

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