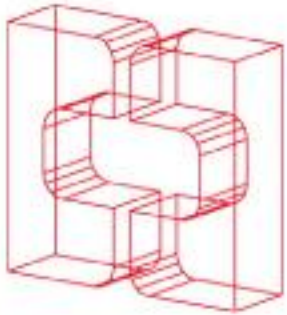


China Life Insurance Co., Ltd.

June 2011



Embedded Value

Investment Return

(Same as 2009)

For Traditional Policies:

Year 1 ~ Year 6 : **3.75% ~ 5.15%**

After Year 7 : **5.25%**

For Interest Sensitive Policies:

Year 1 ~ Year 6 : **2.75%~4.5%**

After Year 7 : **4.6%**

Risk Discount Rate (RDR)

(Same as 2009)

Risk Discount Rate : **10.5%**

Cost of Capital (CoC)

Based on capital requirement maintaining at least RBC = 200% with K-value= 0.5 (additional 10% C3 risk capital requirement was considered)

Other Assumptions

1. Mortality: Based on company experience and considering future trends
2. Morbidity: Based on company experience and considering future trends
3. Lapses: Based on company experience and considering future trends
4. Expense: Based on company experience ; the actual commission rate is used for commission assumption

External Reviewer

PricewaterhouseCoopers Asia Actuarial Services provides an independent review of the assumptions on EV

YoY of Embedded Value

Unit: NT\$ Million (NT\$ Per Share)

| Valuation Date | 2009/12/31 | 2010/12/31 | YoY % |
|--------------------------|------------------|------------------|--------------|
| Adjusted Net Worth | 33,135 | 48,099 | 45.2% |
| Value of In Force | 28,550 | 35,996 | 26.1% |
| Cost of Capital | (12,266) | (12,956) | 5.6% |
| Embedded Value | 49,419 | 71,138 | 43.9% |
| # of Outstanding Shares | 1,501 | 1,709 | - |
| EV Per Share | NT\$32.92 | NT\$41.64 | - |
| V1NB (after CoC)* | 6,015 | 6,882 | 14.4% |

* V1NB = Value of last 12 months new business

2010 Embedded Value

Unit: NT\$ Million (NT\$ Per Share)

| Valuation Date | 2010/12/31 | 2011/5/20 * |
|----------------------------|------------------|------------------|
| Adjusted Net Worth (ANW) | 48,099 | 55,599 |
| Value of In Force (VIF) | 35,996 | 35,996 |
| Cost of Capital (CoC) | 12,956 | 12,956 |
| Embedded Value (EV) | 71,138 | 78,638 |
| # of Outstanding Shares | 1,709 | 2,009 |
| EV Per Share | NT\$41.64 | NT\$39.15 |
| V1NB (After CoC) | 6,882 | 6,882 |

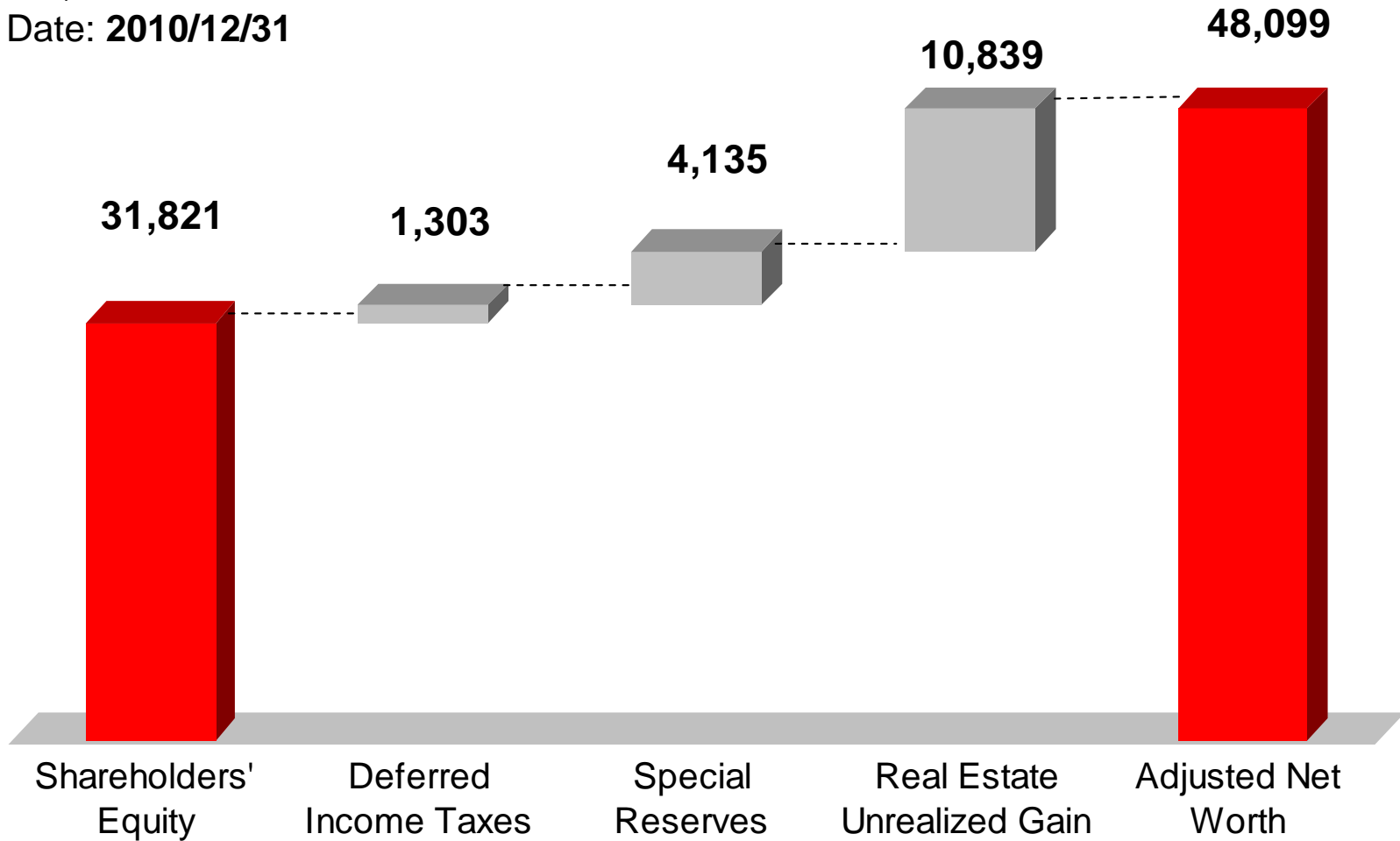
■ 2011/5 reflects changes on NT\$7.5billion net worth increase and # of outstanding shares after capital injection. VIF and CoC are assumed unchanged after capital injection

■ Calculation of EV per share for 2011/05/20:

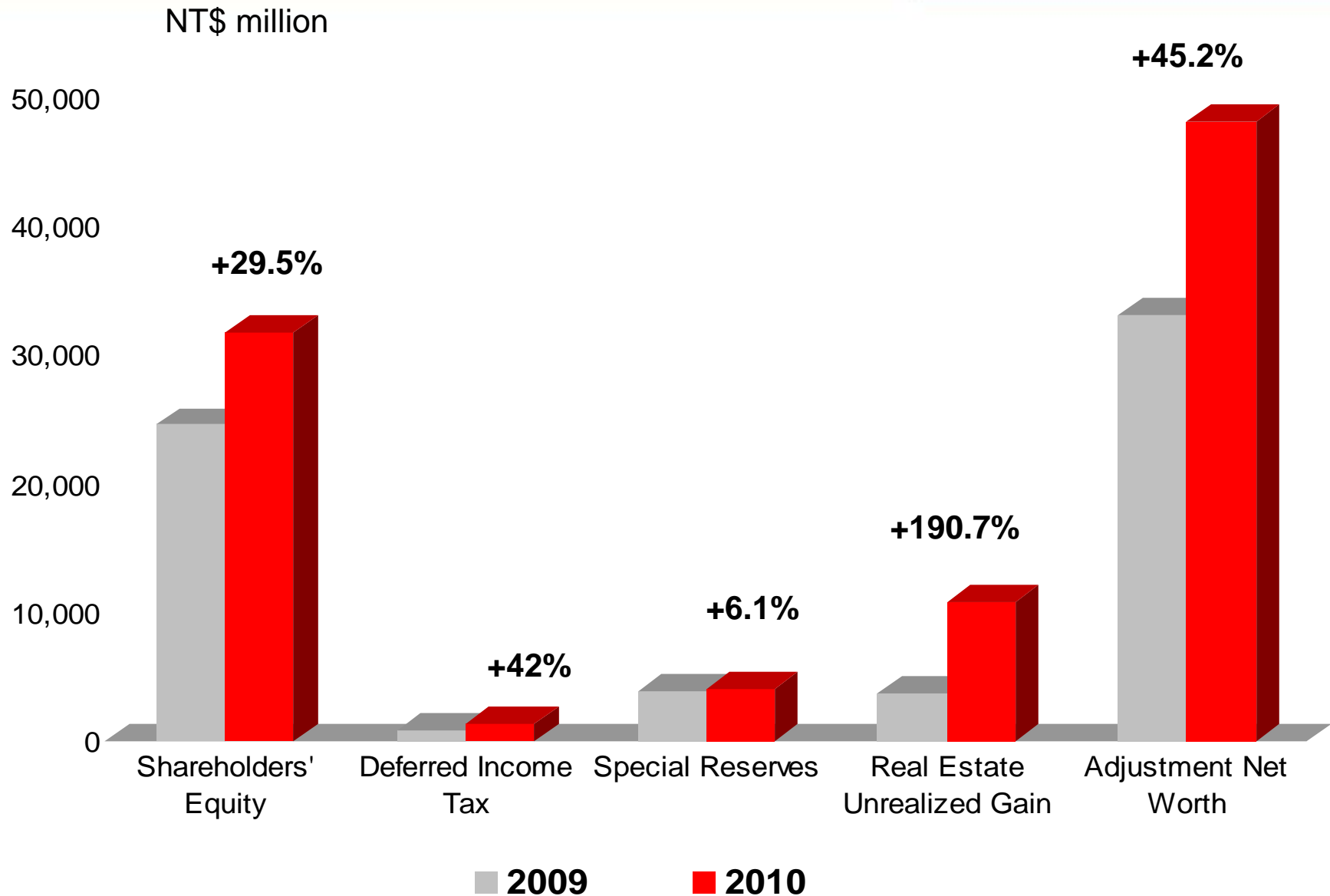
$\$71,138 + (300 \text{ million shares} * \$25 \text{ per share}) / 2,009 \text{ million outstanding shares} = \39.15

Components of 2010 Adjusted Net Worth

NT\$ million
Date: 2010/12/31



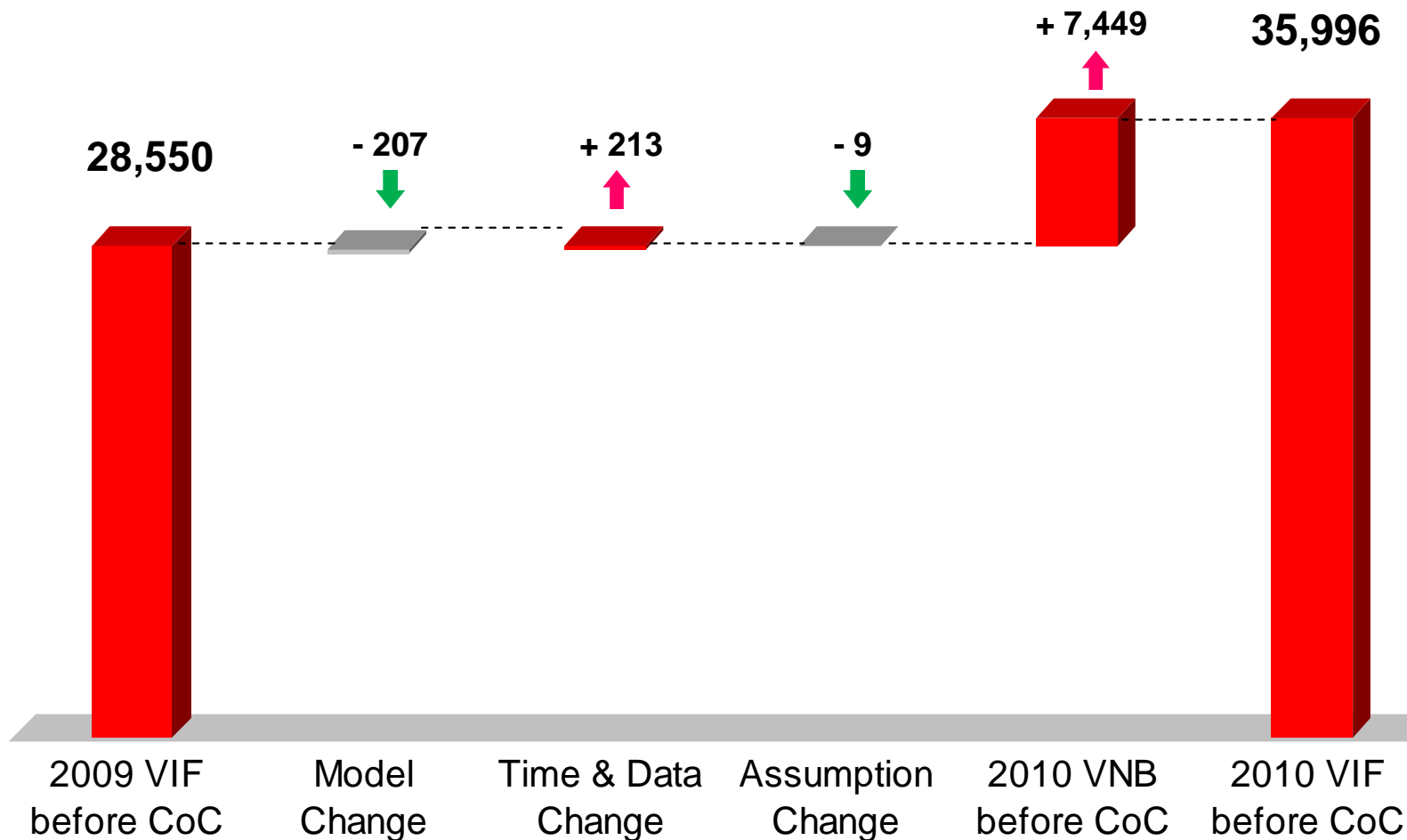
YoY of Adjusted Net Worth



Movement Analysis for Value of In-Force (Before CoC)

NT\$ million

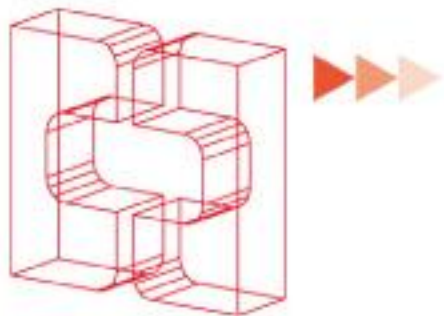
Date: 2010/12/31



▶▶ Sensitivity Analysis - VIF

Unit: NT\$ Million / NT\$ Per Share

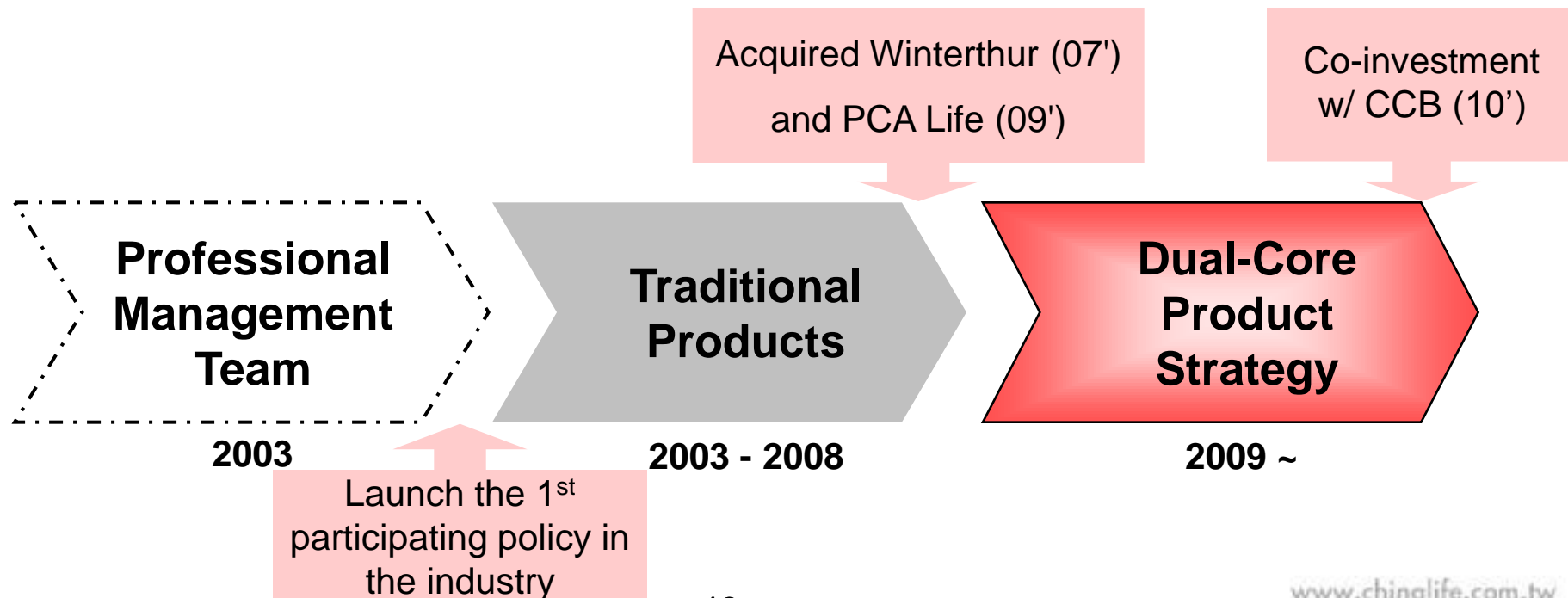
| Valuation Date: 2010/12/31 | All else equal except | | Base Case Scenario | All else equal except | |
|--------------------------------------|-----------------------------|-----------------------------|---|-----------------------|----------------------|
| | Inv Yield - 0.25% | Inv Yield + 0.25% | Inv Yield: 3.75% ~ 5.25% RDR: 10.5% | RDR 10.79% | RDR 10.21% |
| Adjusted Net Worth | 48,099 | 48,099 | 48,099 | 48,099 | 48,099 |
| Value of In-Force | 27,087 | 45,250 | 35,996 | 35,082 | 36,949 |
| Cost of Capital | (13,547) | (12,364) | (12,956) | (13,276) | (12,617) |
| Embedded Value | 61,638 | 80,985 | 71,138 | 69,905 | 72,431 |
| EV per share | NT\$36.08 | NT\$47.40 | NT\$41.64 | NT\$40.91 | NT\$42.39 |



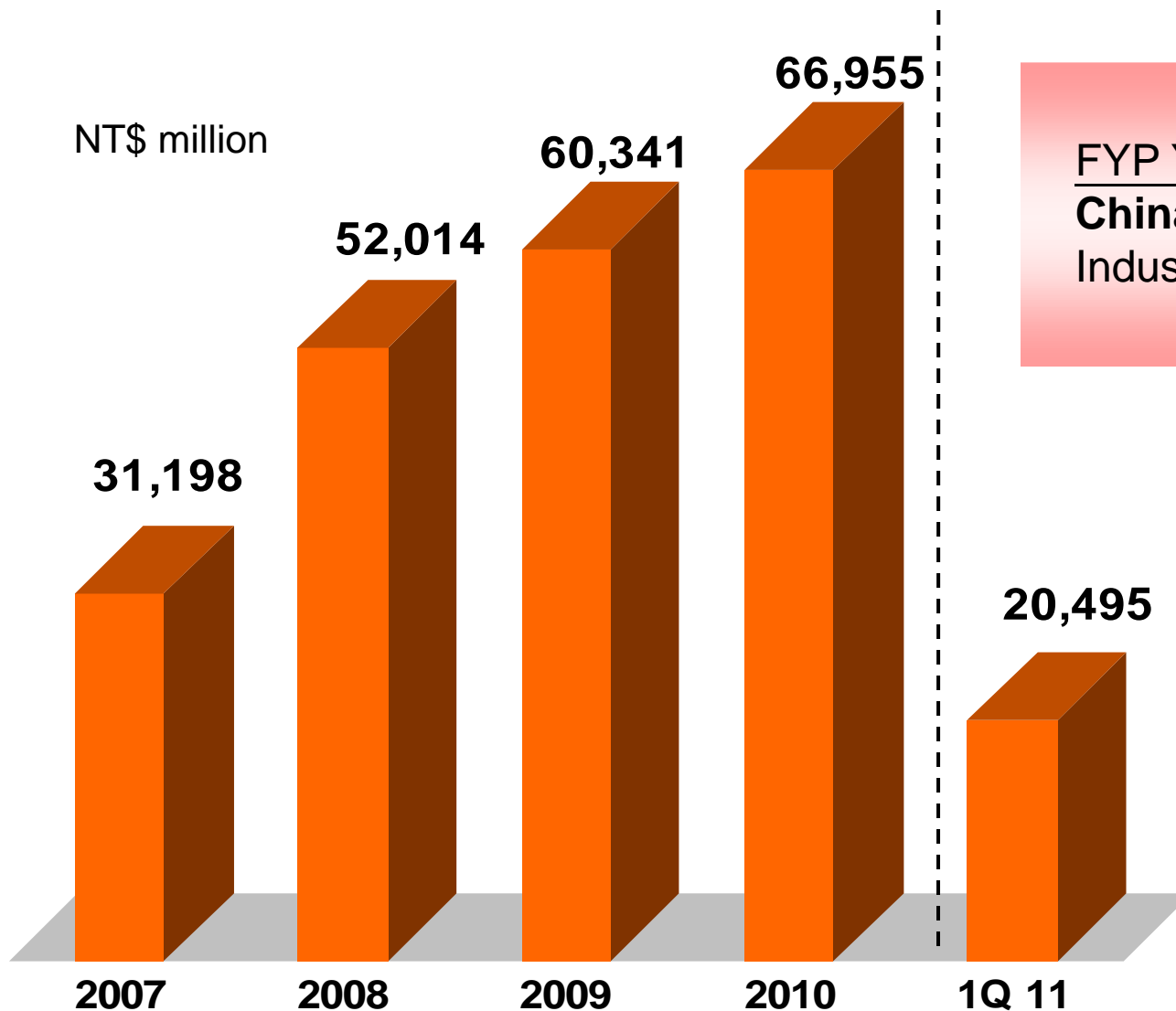
Business Performance

Business Strategies

- ❑ Keep promoting traditional policies to further average down cost of liability (COL)
- ❑ Expand product lines to regular premium investment linked products (ILP) with fee income contribution.
- ❑ Entered into a joint investment agreement with China Construction Bank (CCB), to begin developing the insurance market in Mainland China.
- ❑ To fortify corporate governance and transparency in financial disclosures, an Audit Committee and a Remuneration Committee are proposed to be set up.



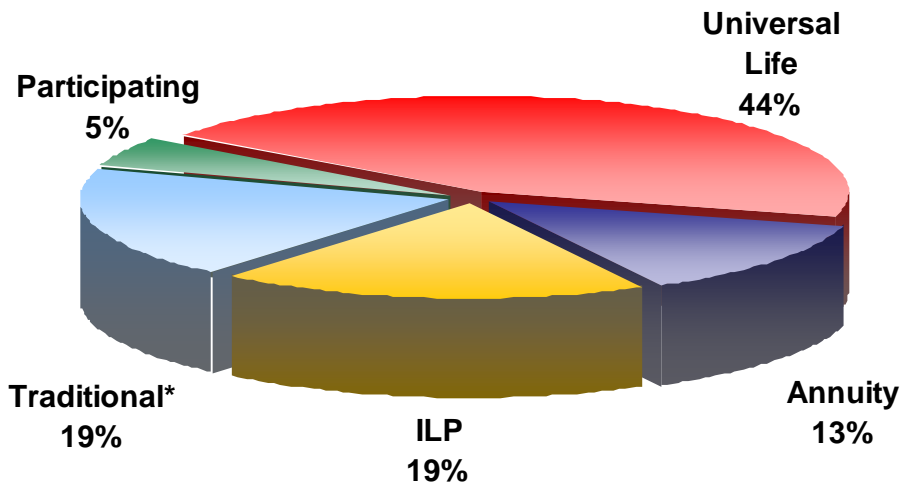
First Year Premium



FYP YoY growth:
China Life: 41%
Industry: (-2%)

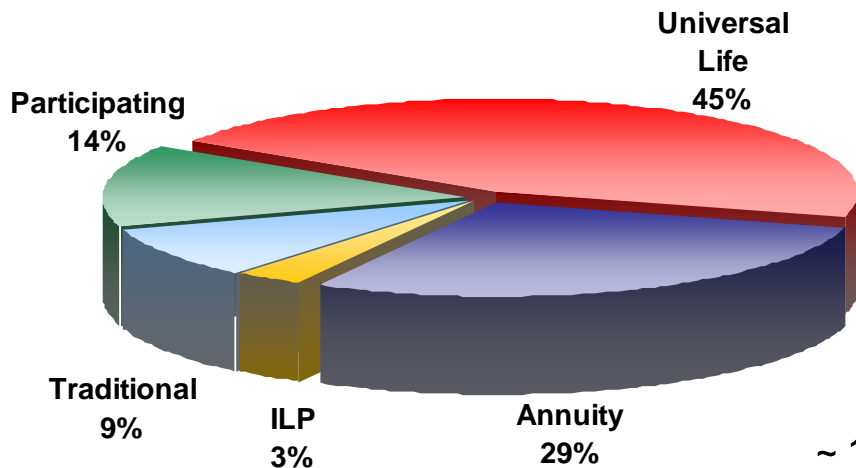
Product Mix (YoY Comparison)

1Q 11 - FYP



- ❑ Build up a complete investment linked product (ILP) platform to satisfy customers with different risk preference
- ❑ Keep developing diverse product offering and target at high net worth individuals

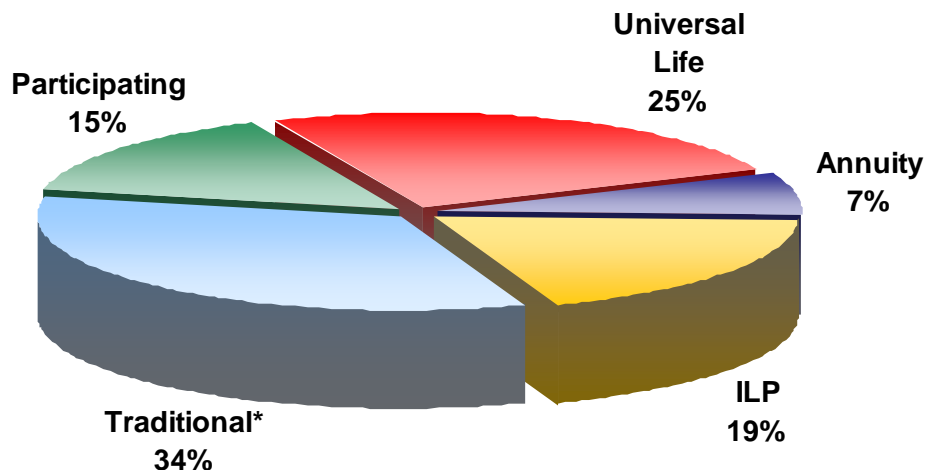
1Q 10 - FYP



* Traditional:
incl. Non-participating, A&H, riders,
& short term etc.

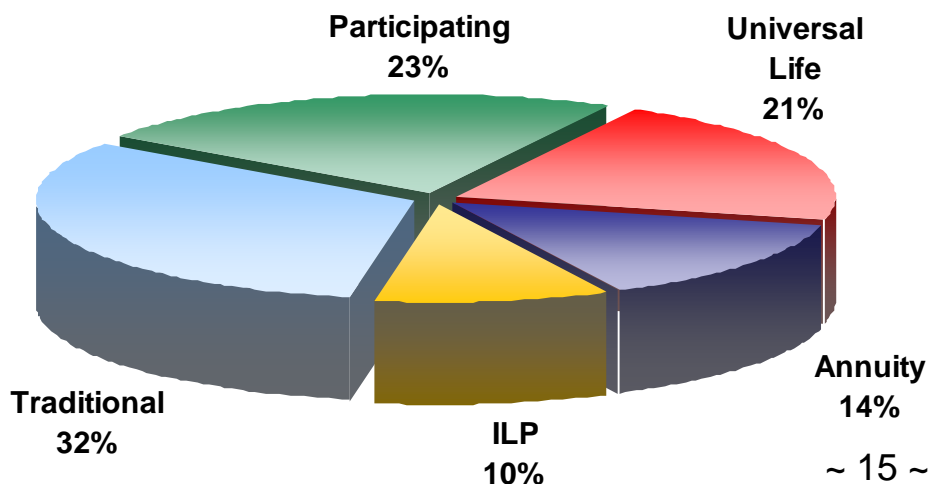
Product Mix (APE Comparison)

1Q 11 - FYP by APE



- Penetrate to regular premium, long duration products with higher profit margin
- Focus on dual-core product strategy to help policyholders with comprehensive wealth management and retirement plans

1Q 10 - FYP by APE



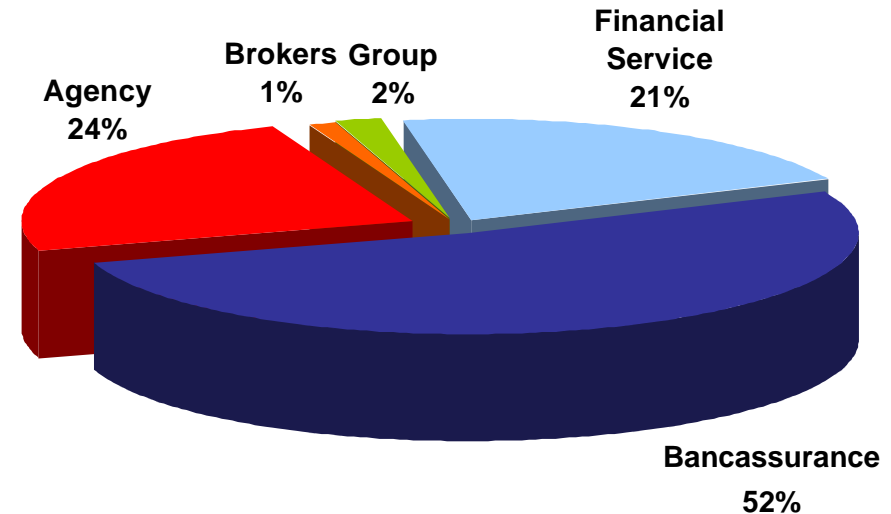
* **Traditional:**
incl. Non-participating, A&H, riders, & short term etc.

** **APE (Annual Premium Equivalent)**
= Total amount of regular premiums from new business + 10% of the total amount of single premiums on business written during the period

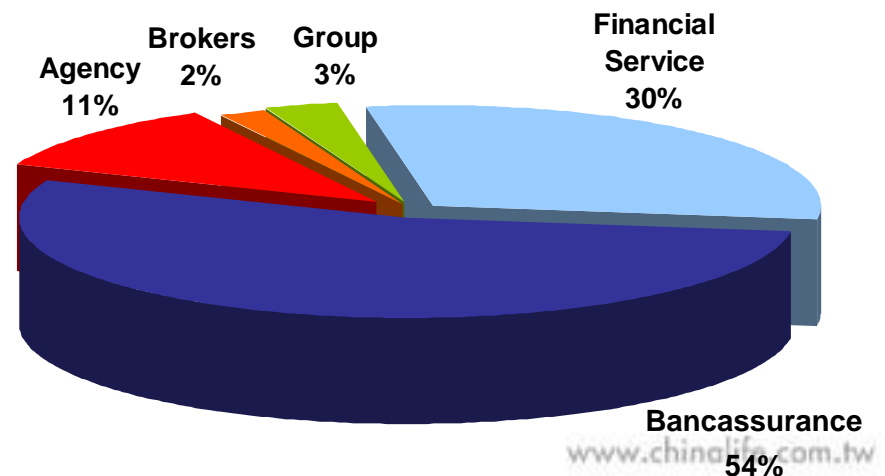
Distribution Channels (by YoY)

- ❑ Contribution from agency and high profit margin channel surged post PCA Life acquisition
- ❑ Led the market to start bancassurance business in 2000 without support from a holding company. As of 2010, the company has penetrated to 34 banks countrywide
- ❑ Introduced an exclusive low-cost, high-productivity financial services team in 1989 to focus on 8,000 high net worth clients, and provide wealth management services to build up loyalty through professionally trained sales team

1Q 11 - FYP



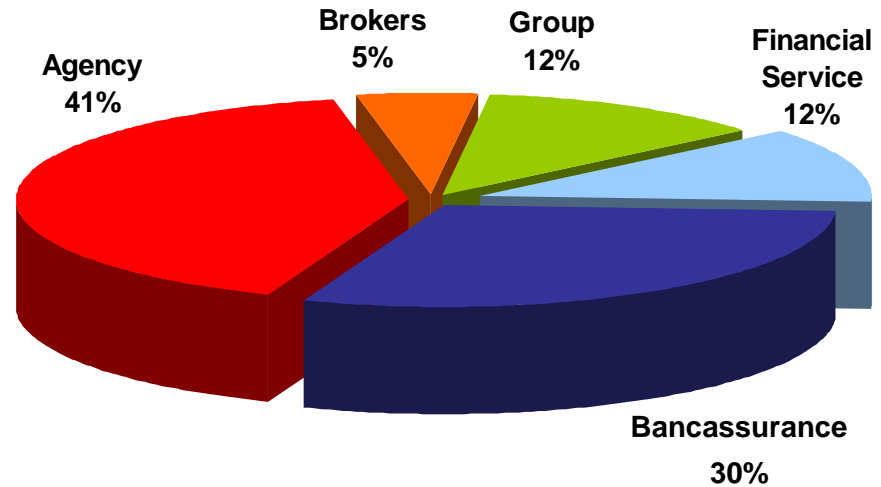
1Q 10 - FYP



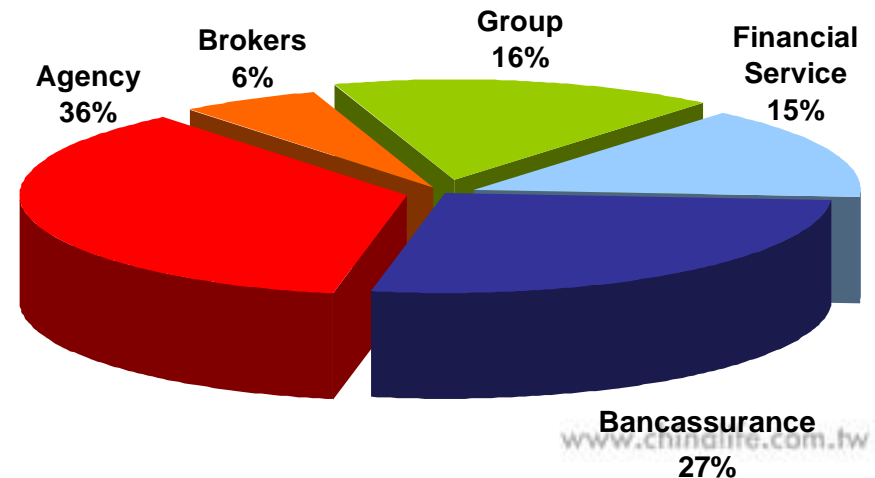
Distribution Channels (by APE)

- ❑ Expand and broaden multi-channel platform to tap on different segment customers
- ❑ Increased agency channel contribution significantly post PCA Life acquisition
- ❑ Enlarge sales from high profit margin channels and maximize cross-selling opportunities

1Q 11 - FYP by APE



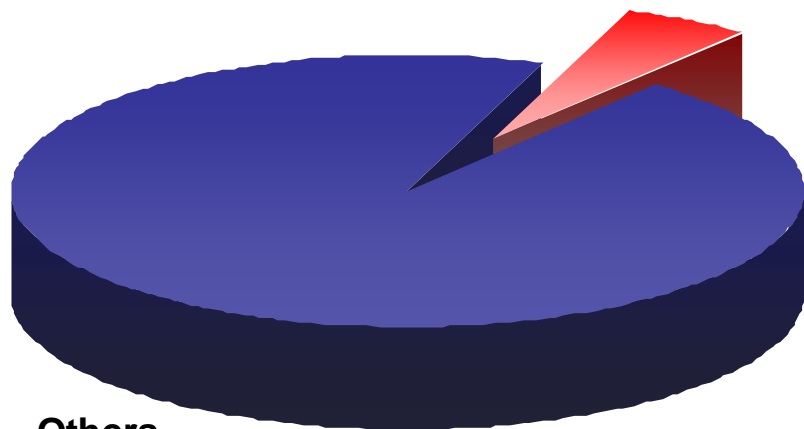
1Q 10 - FYP by APE



***APE (Annual Premium Equivalent)**
= Total amount of regular premiums from new business + 10% of the total amount of single premiums on business written during the period

1Q 10

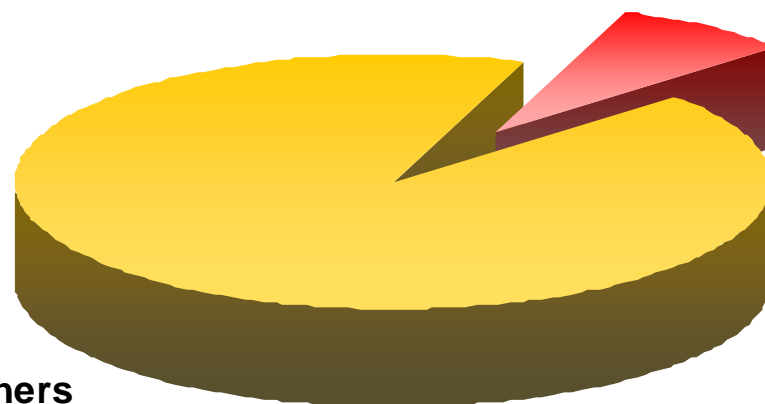
China Life
5.3%, # 5



Others
94.7%

1Q 11

China Life
7.7%, # 4



Others
92.3%

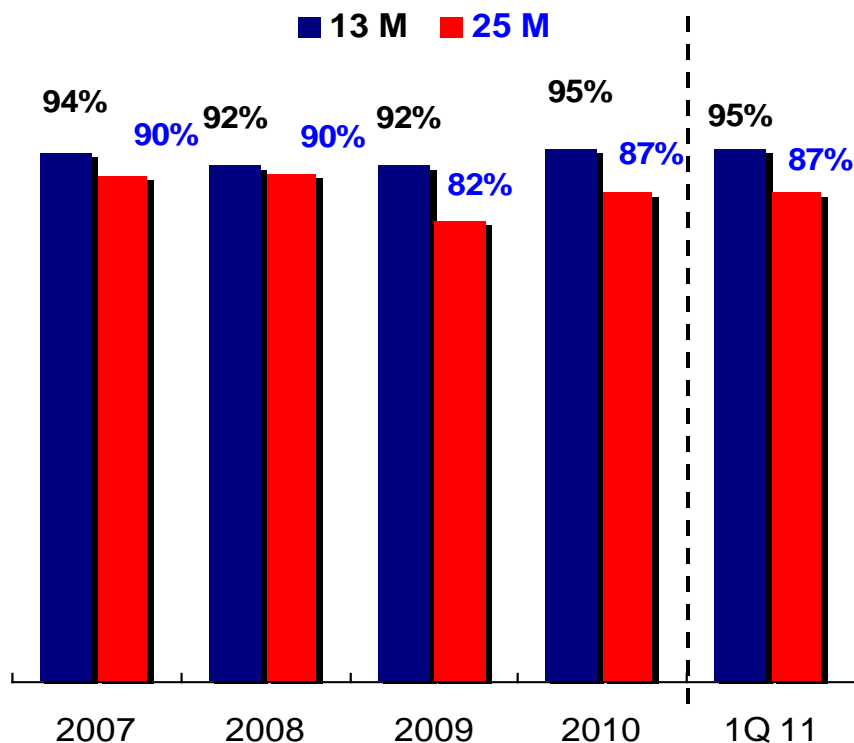
- ❑ Provide segregated products according to different channel customer demands
- ❑ Combine traditional & investment linked products to enjoy cross-sell benefits
- ❑ Target at high net worth individuals to provide wealth management services
- ❑ Strengthen protection on accident & medical policies
- ❑ Enlarge protection amount and develop preferred life policies

Financial Highlights

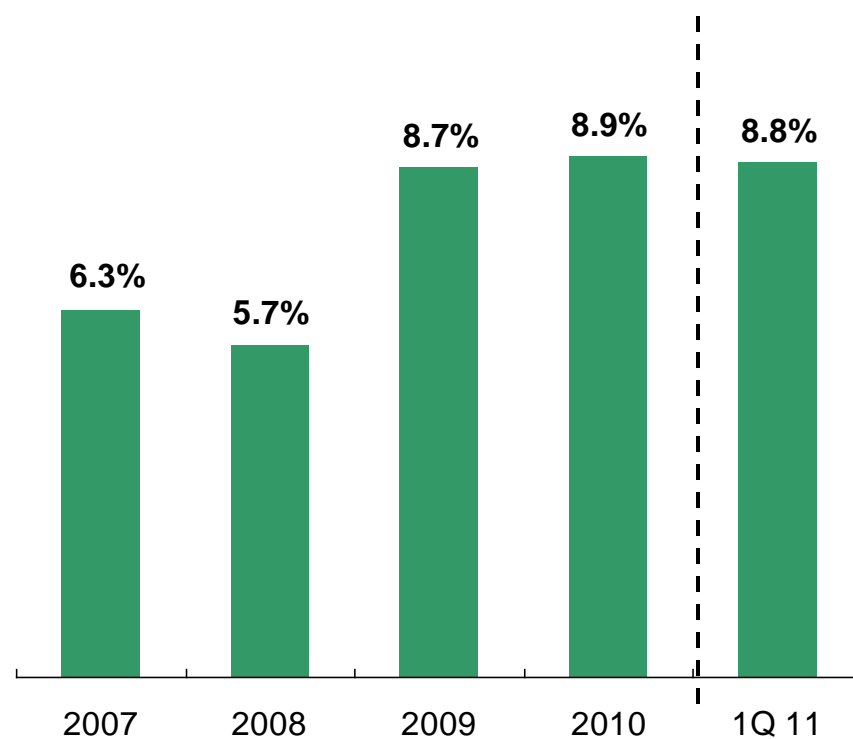
| NT\$ million | 2010 | 1Q 10 | 1Q 11 | +/- % |
|--------------------|--------------|------------|--------------|-------|
| First Year Premium | 66,955 | 14,529 | 20,495 | 41% |
| Total Premium | 120,278 | 27,482 | 33,413 | 22% |
| Investment Income | 21,012 | 4,523 | 6,679 | 48% |
| Profit before Tax | 2,452 | 643 | 2,401 | 273% |
| Income Tax | 911 | (40) | (182) | 355% |
| Net Profit | 3,363 | 603 | 2,219 | 268% |
| Basic EPS | 1.97 | 0.40 | 1.30 | 225% |
| Total Asset | 648,753 | 578,037 | 670,370 | 16% |
| Paid-in Capital | 17,086 | 15,014 | 17,086 | 14% |
| Net worth | 31,821 | 22,687 | 31,400 | 38% |

1Q 11 quarterly profit was accomplished by the surging fee income from investment-linked product sales, substantial investment return and solid cost saving from the PCA Life acquisition. Both agency and bancassurance channels demonstrated strong sales growth

Persistency Ratio



Expense Ratio



- Product mix change and sales of regular premium high profit margin products led to higher variable (commission) expense
- Lower 25-month persistency ratio was resulted from PCA Life acquisition, whose in-force policies had a higher lapse ratio. The ratio presents a gradual improvement post integration

❑ Fixed Income

- Accounts for more than 74% of total invested assets
- Emphasis on Asset Liability Matching principal
- Domestic fixed income accounts for 39% of total portfolio; Largely allocate at long duration bonds in 4Q10 and 1Q 11 to enjoy rate hike benefit and enhance yield

❑ Domestic Equities

- Focus on equities with long-term upside potential & high dividend yield
- Select undervalued stocks with sustainable profitability growth

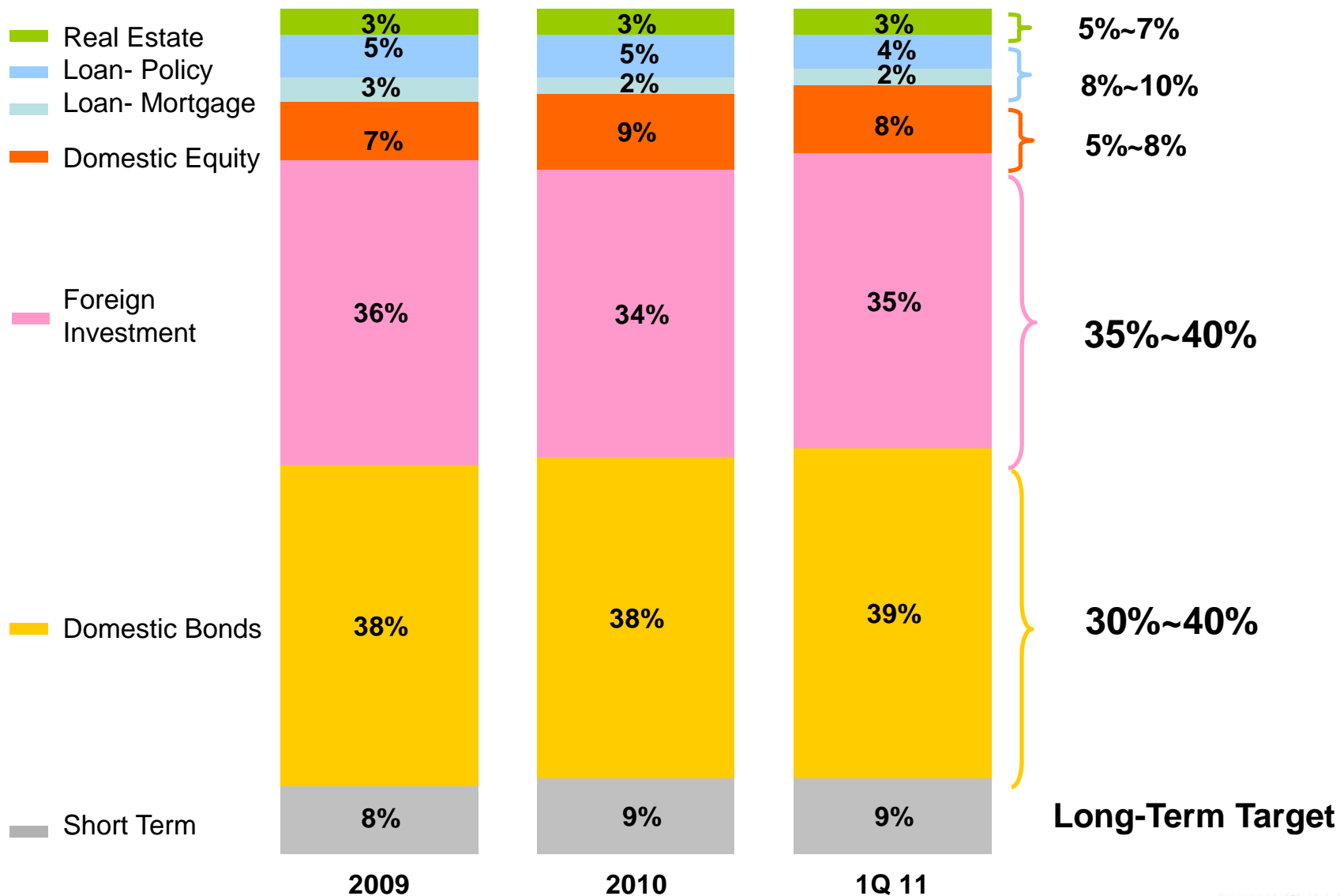
❑ Foreign Investment

- Assumption of selective interest rate risk
- Minimum credit rating requirement single A or above
- Utilization of direct hedge & proxy hedge and dynamically adjust hedging ratio
- Further increase overseas investment to enhance yield pick-up on the rate hike trend

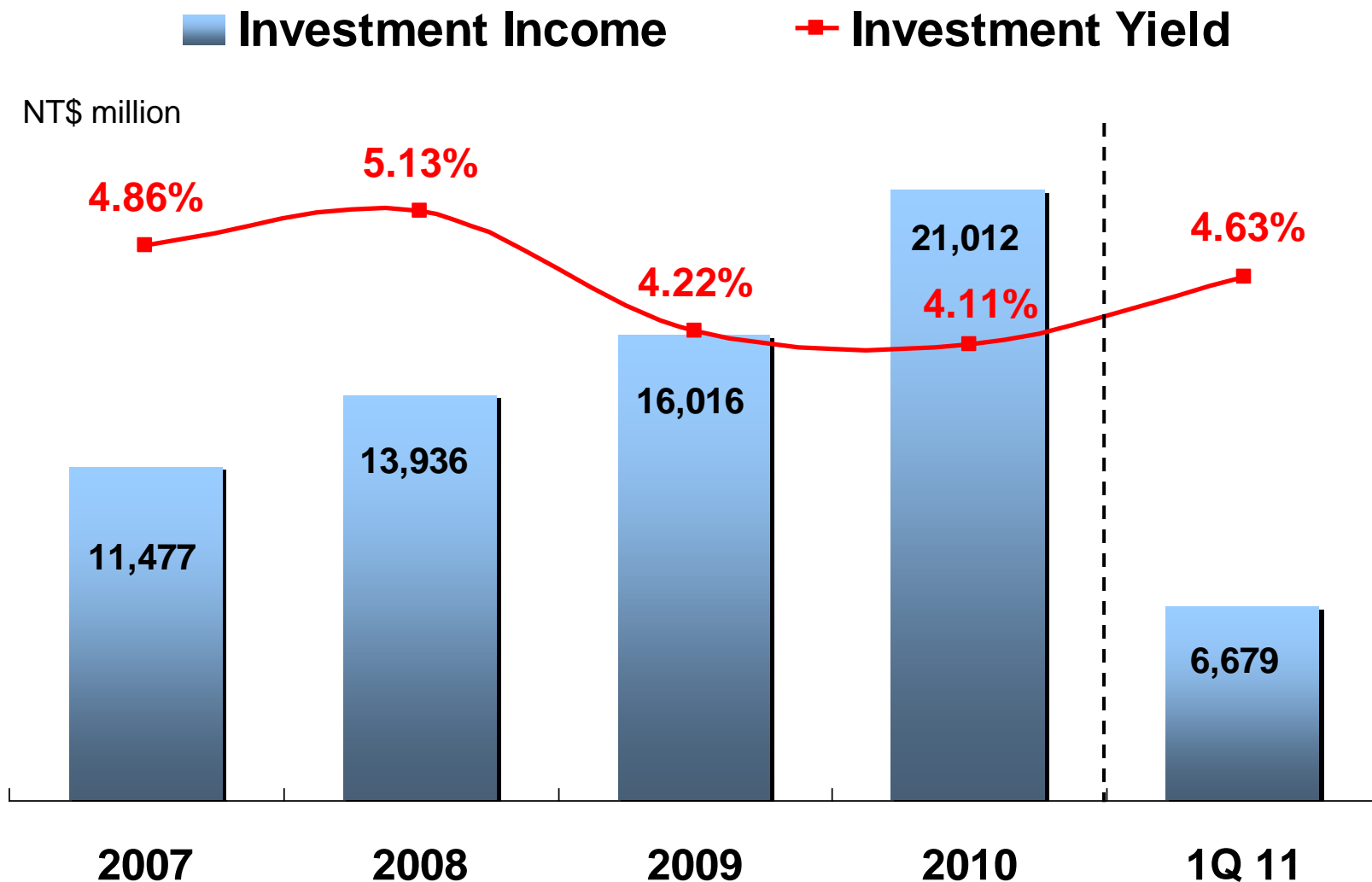
❑ Real Estate

- 3% of total assets
- Targeting Grade A commercial buildings with 3%+ rental yield
- Selection of areas with high appreciation potential

Asset Portfolio

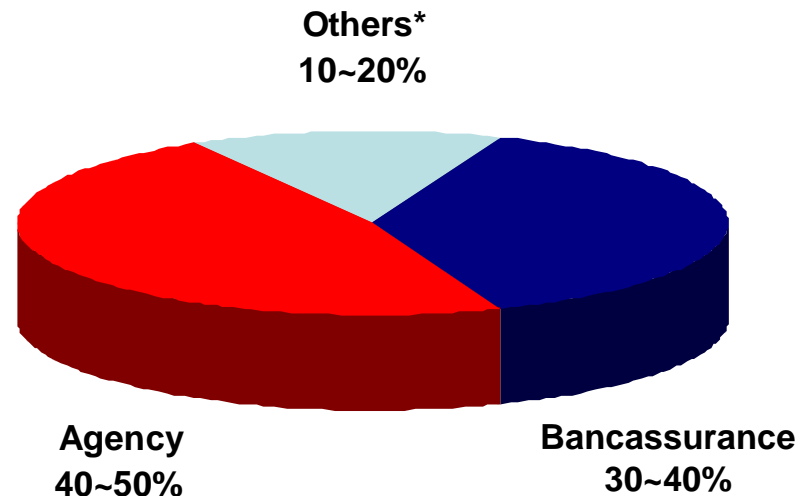
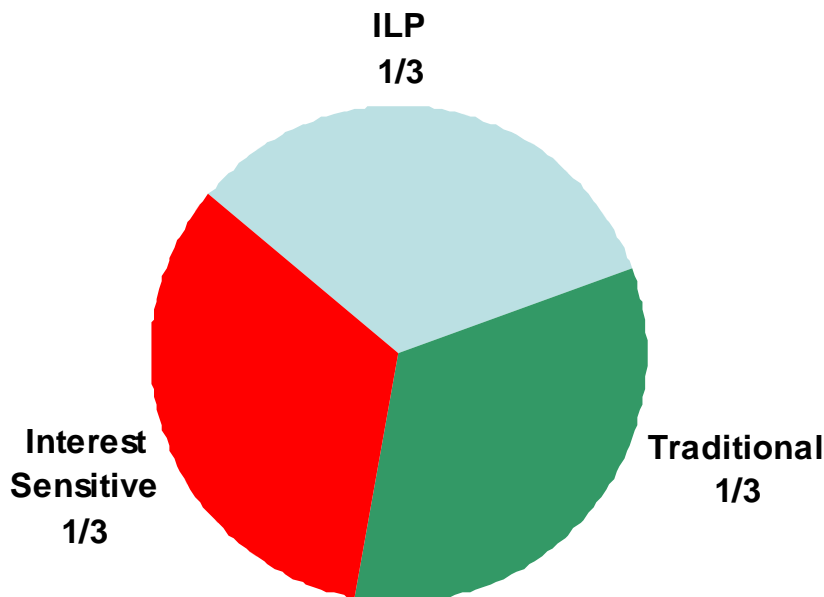


Investment Income



▶ Post- M&A Business Strategy

- ❑ Complementary products (China Life's American participating, interest sensitive, accident & medical policies with PCA Life's English participating, investment linked products (ILP), and high profit margin riders)
- ❑ More balanced and comprehensive product mix and distribution channels. Target at:



* Others include financial services team, group insurance and brokers

Financial Summary

NT\$ million

| | <u>2009</u> | <u>2010</u> | <u>Variance</u> | <u>1Q 10</u> | <u>1Q 11</u> | <u>Variance</u> |
|---|--------------|--------------|-----------------|--------------|--------------|-----------------|
| <u>Income Statement Data</u> | | | | | | |
| Premium Income | 91,683 | 107,384 | 17.1% | 25,025 | 27,607 | 10.3% |
| Net Investment Income | 16,016 | 21,012 | 31.2% | 4,523 | 6,679 | 47.7% |
| Other Revenue - separate account | 15,199 | 18,456 | 21.4% | 2,743 | 4,420 | 61.1% |
| Miscellaneous Income | 1,114 | 749 | -32.8% | 396 | 338 | -14.6% |
| Benefits to Policyholders and Beneficiaries | 69,241 | 38,259 | -44.7% | 7,346 | 10,382 | 41.3% |
| Acquisition and Operation Expenses | 7,633 | 9,113 | 19.4% | 2,074 | 2,377 | 14.6% |
| Change in Actuarial Liabilities | 28,592 | 78,577 | 174.8% | 19,738 | 19,251 | -2.5% |
| Other Operating Cost - separate account | 15,199 | 18,456 | 21.4% | 2,743 | 4,420 | 61.1% |
| Miscellaneous Expenses | 581 | 744 | 28.1% | 143 | 213 | 49.0% |
| Net Profit Before Tax | 2,766 | 2,452 | -11.4% | 643 | 2,401 | 273.4% |
| Net Profit | 2,716 | 3,363 | 23.8% | 603 | 2,219 | 268.0% |
| Basic Earnings Per Share | 2.10 | 1.97 | -6.2% | 0.40 | 1.30 | 225.0% |
| <u>Balance Sheet Data</u> | | | | | | |
| Total Assets | 561,611 | 648,753 | 15.5% | 578,037 | 670,370 | 16.0% |
| Total Liabilities | 537,019 | 616,932 | 14.9% | 555,350 | 638,970 | 15.1% |
| Total Stockholders' Equity | 24,592 | 31,821 | 29.4% | 22,687 | 31,400 | 38.4% |

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