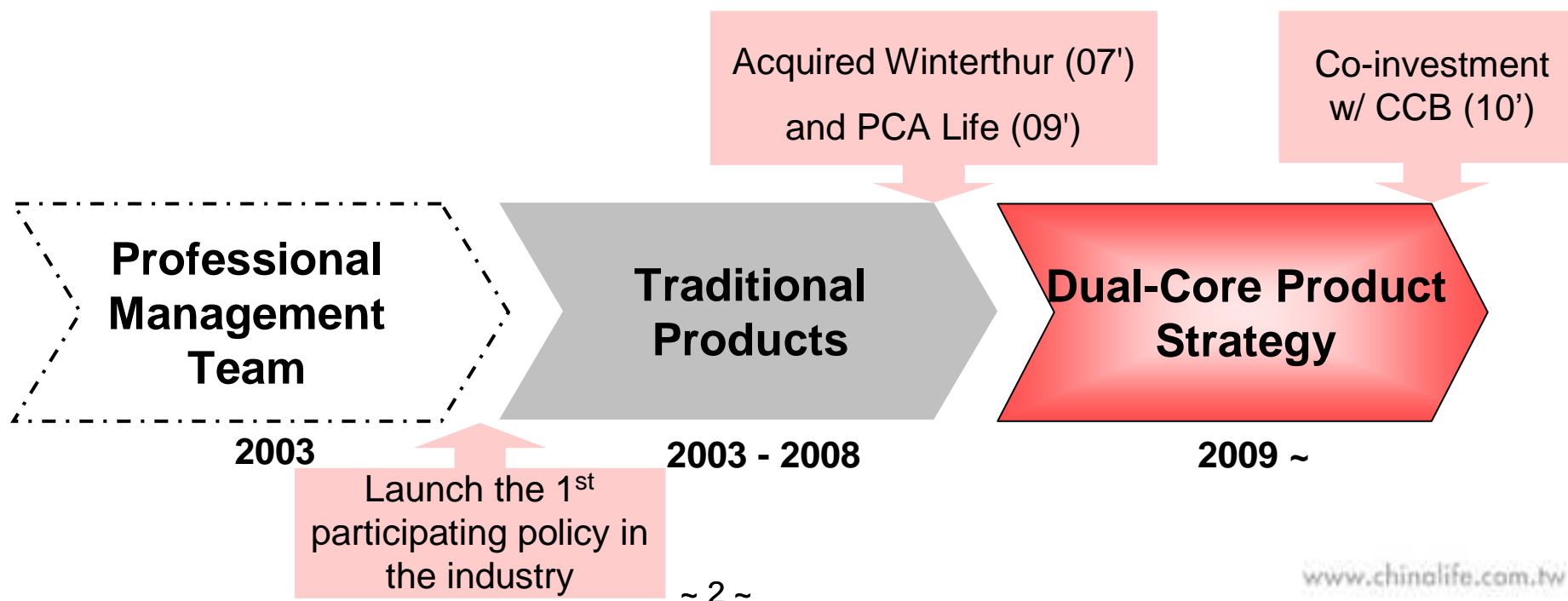


# China Life Insurance Co., Ltd.

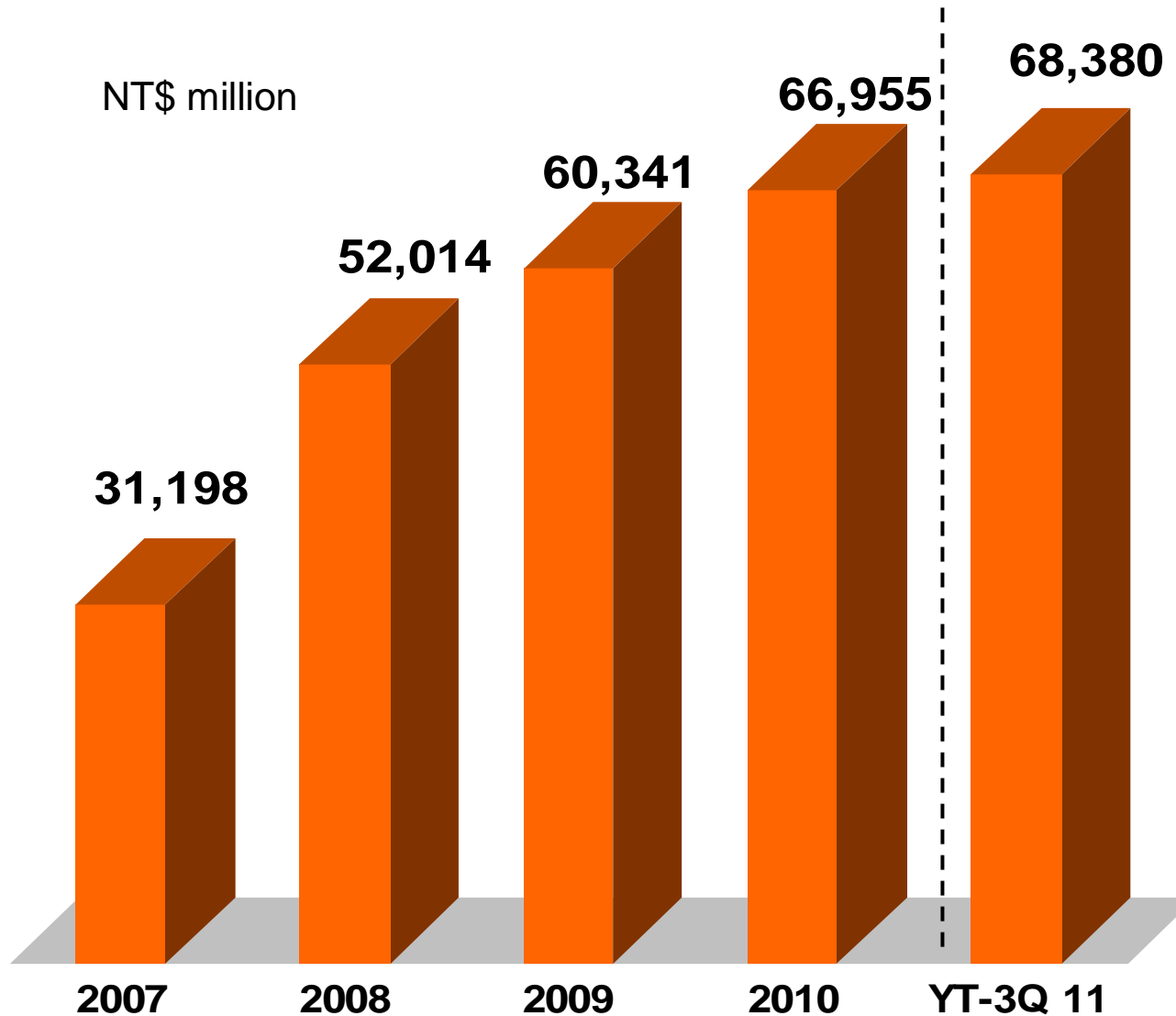
November 2011

# 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 an agreement with China Construction Bank in 2010, to invest in CCB Life; has received regulatory approval for Beijing Branch set up preparation
- ❑ To fortify corporate governance and transparency in financial disclosures, an Audit Committee and a Remuneration Committee were set up



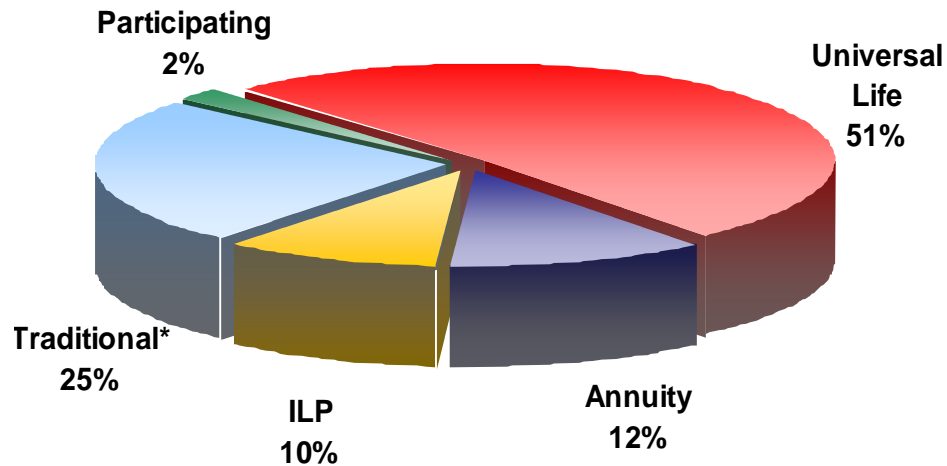
# First Year Premium (FYP)



FYP YoY growth:  
**China Life: 45%**  
Industry: (-17%)

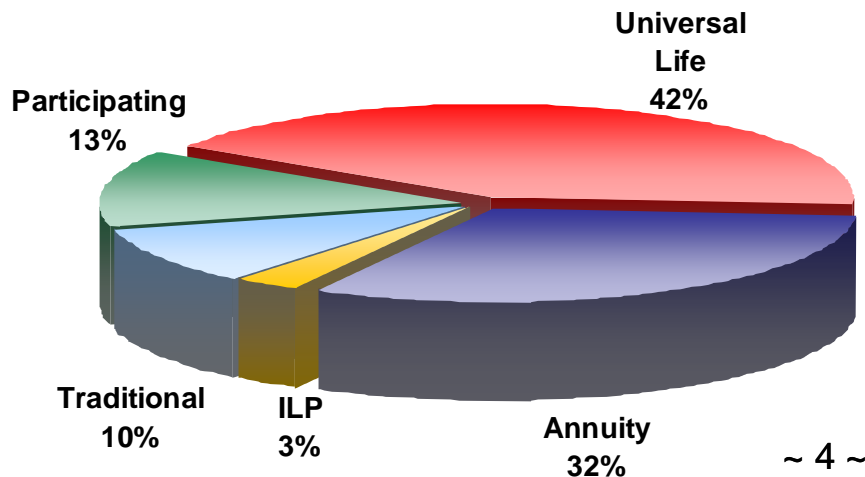
# Product Mix (YoY Comparison)

## YT-3Q 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

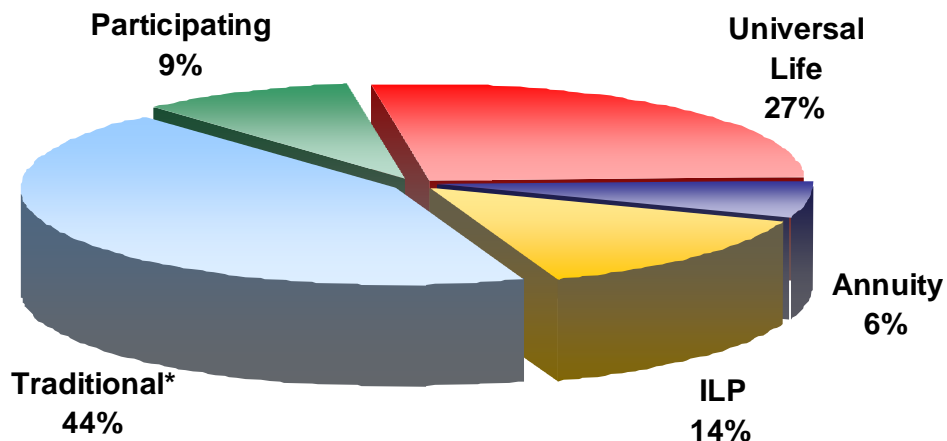
## YT-3Q 10 - FYP



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

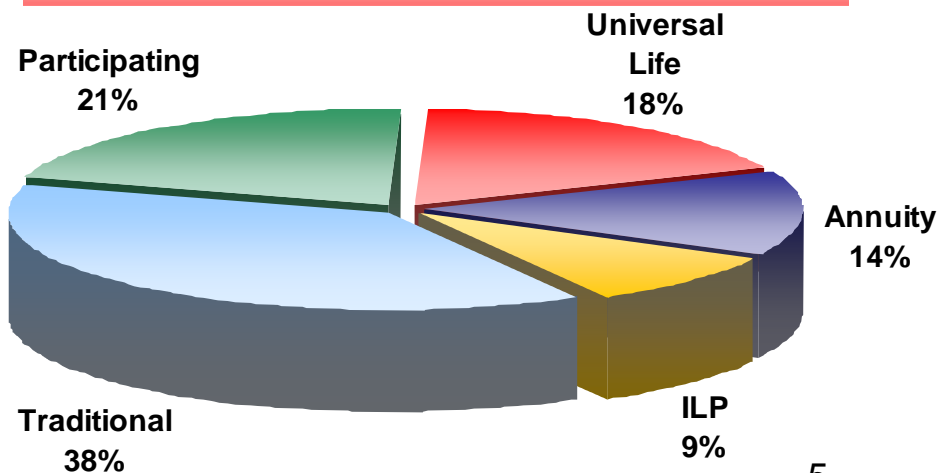
# Product Mix (APE Comparison)

## YT-3Q 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

## YT-3Q 10 – FYP by APE



### \* Traditional:

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

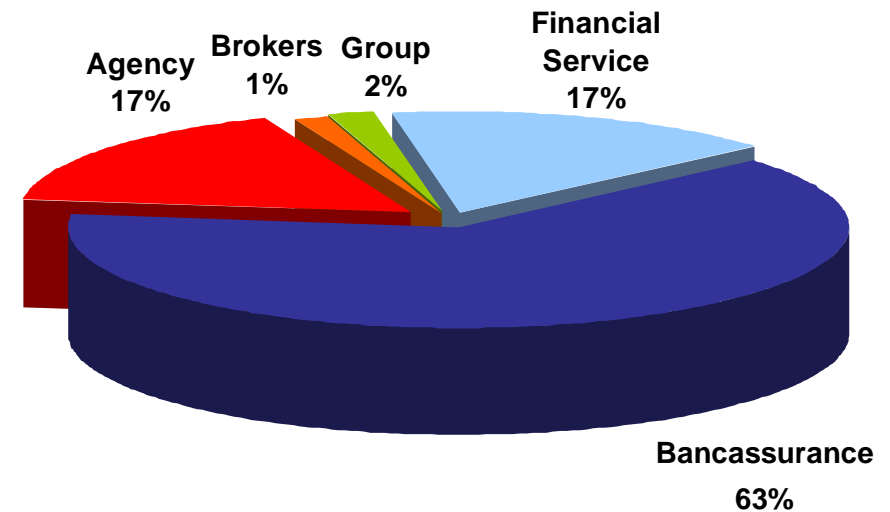
### \*\* APE (Annual Premium Equivalent)

= Total amount of regular premiums from new business + 10% of the total amount of single premiums on business written during the period

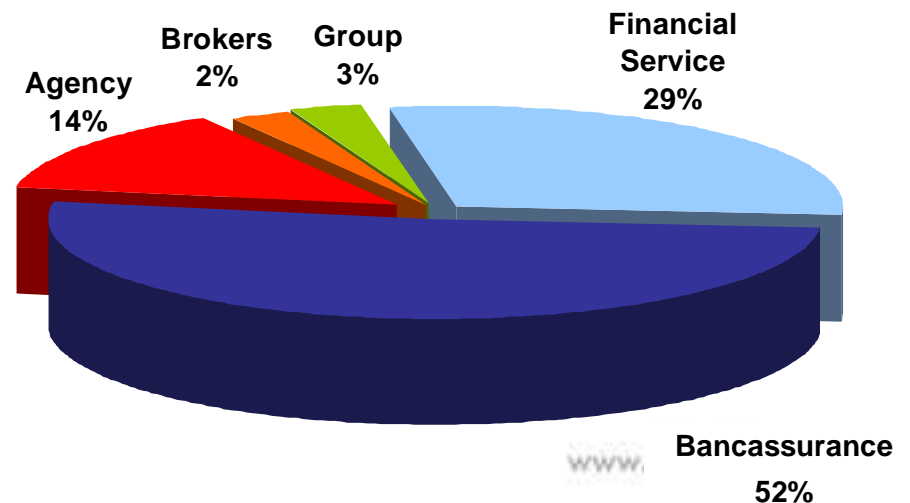
# Distribution Channels (by YoY)

- ❑ 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

## YT-3Q 11 – FYP



## YT-3Q 10 – FYP

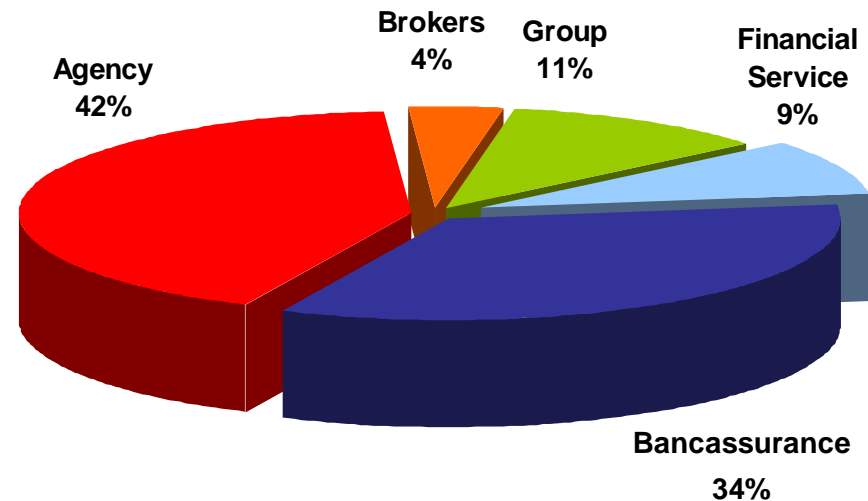


# Distribution Channels (by APE)

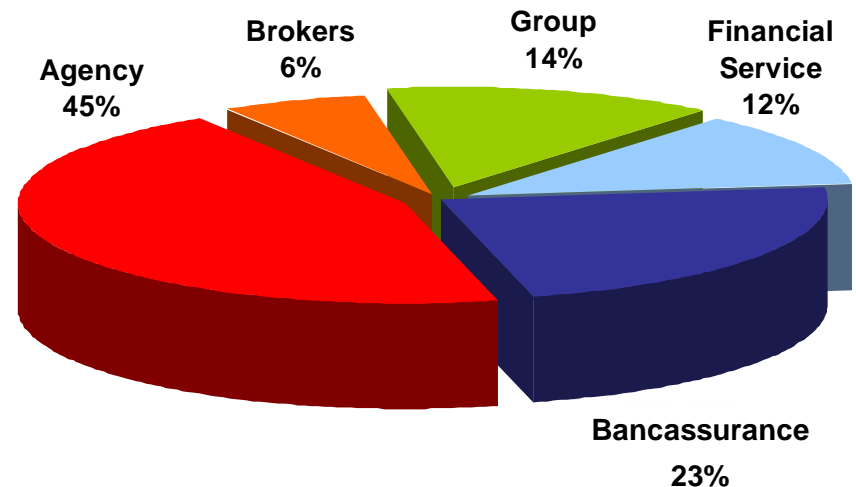
- Expand and broaden multi-channel platform to tap on different segment customers
- Increased agency channel contribution significantly post PCA Life acquisition
- Enlarge sales from high profit margin channels and maximize cross-selling opportunities

\***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

## YT-3Q 11 - FYP by APE

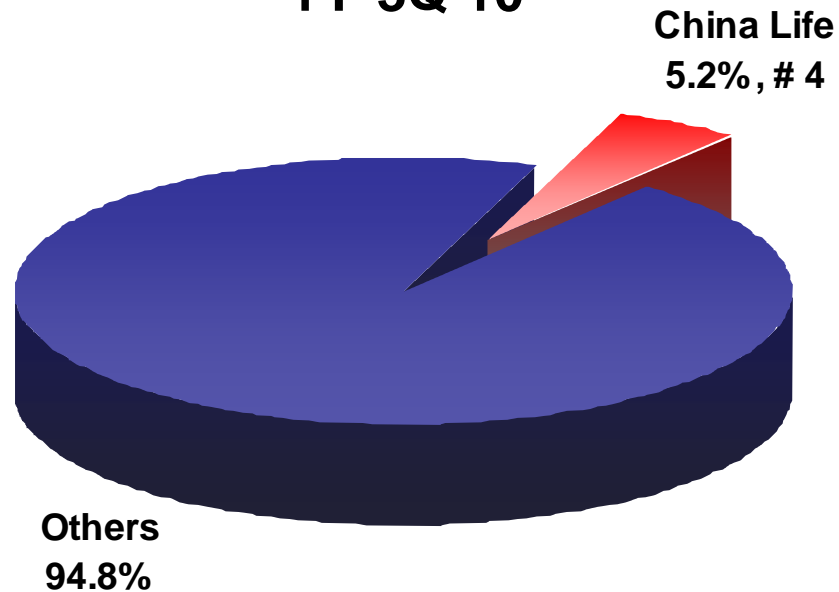


## YT-3Q 10 – FYP by APE

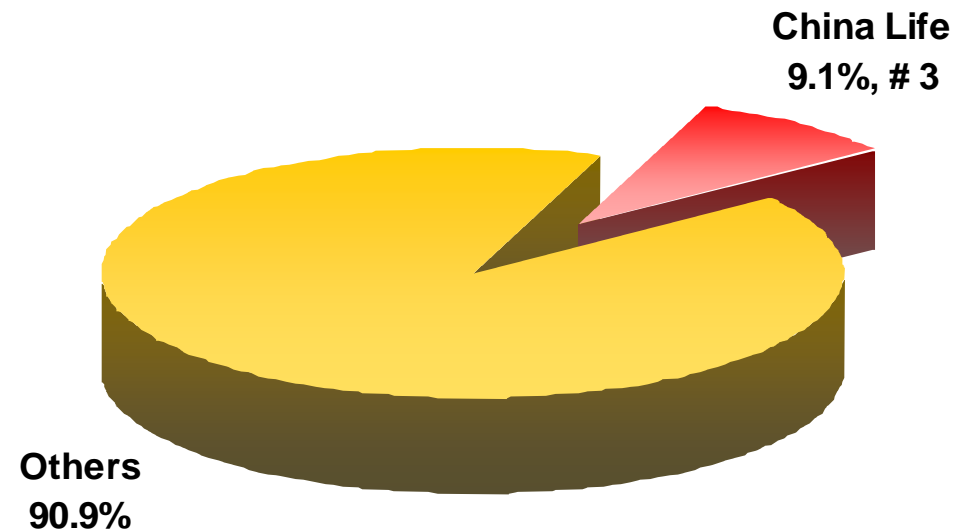


# Market Share - FYP

### YT-3Q 10



### YT-3Q 11



- ❑ 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

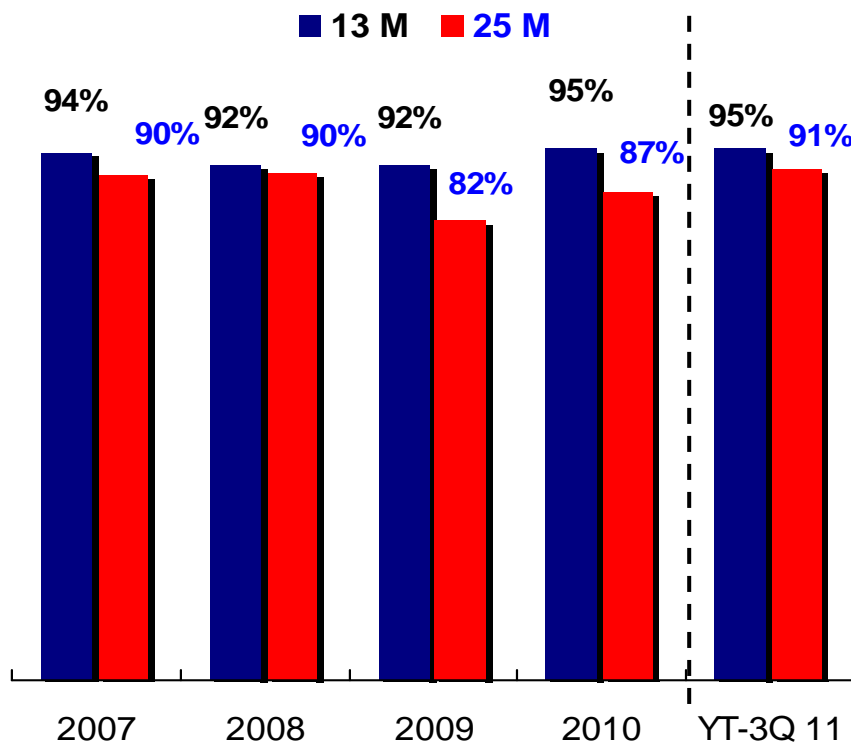


# Financial Highlights

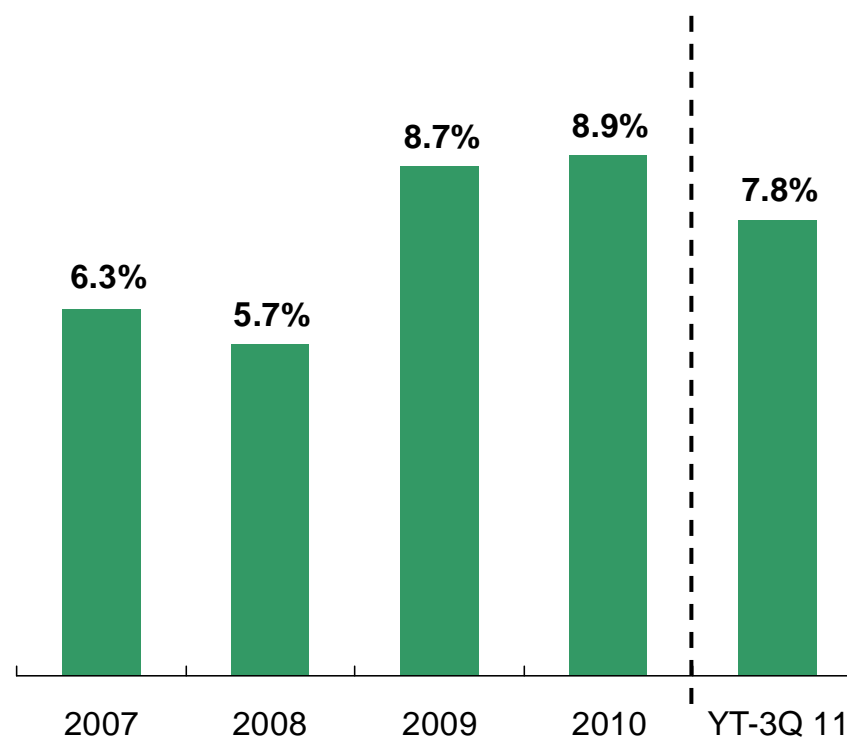


NT\$ million	2010	YT-3Q 10	YT-3Q 11	+/- %
First Year Premium	66,955	47,078	68,380	45%
Total Premium	120,278	85,342	107,131	26%
Investment Income	21,012	15,717	18,612	18%
Profit before Tax	2,452	2,988	4,029	35%
Income Tax	911	(109)	(26)	-76%
<b>Net Profit</b>	<b>3,363</b>	<b>2,879</b>	<b>4,003</b>	39%
Basic EPS	1.97	1.68	1.95	16%
Total Asset	648,753	620,441	717,082	16%
Paid-in Capital	17,086	17,086	21,994	29%
Net worth	31,821	26,619	33,039	24%

## Persistency Ratio



## Expense Ratio



## Fixed Income

- Accounts for more than 77% of total invested assets
- Emphasis on Asset Liability Matching principal
- Domestic fixed income accounts for 40% of total portfolio; Largely allocate at long duration bonds 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

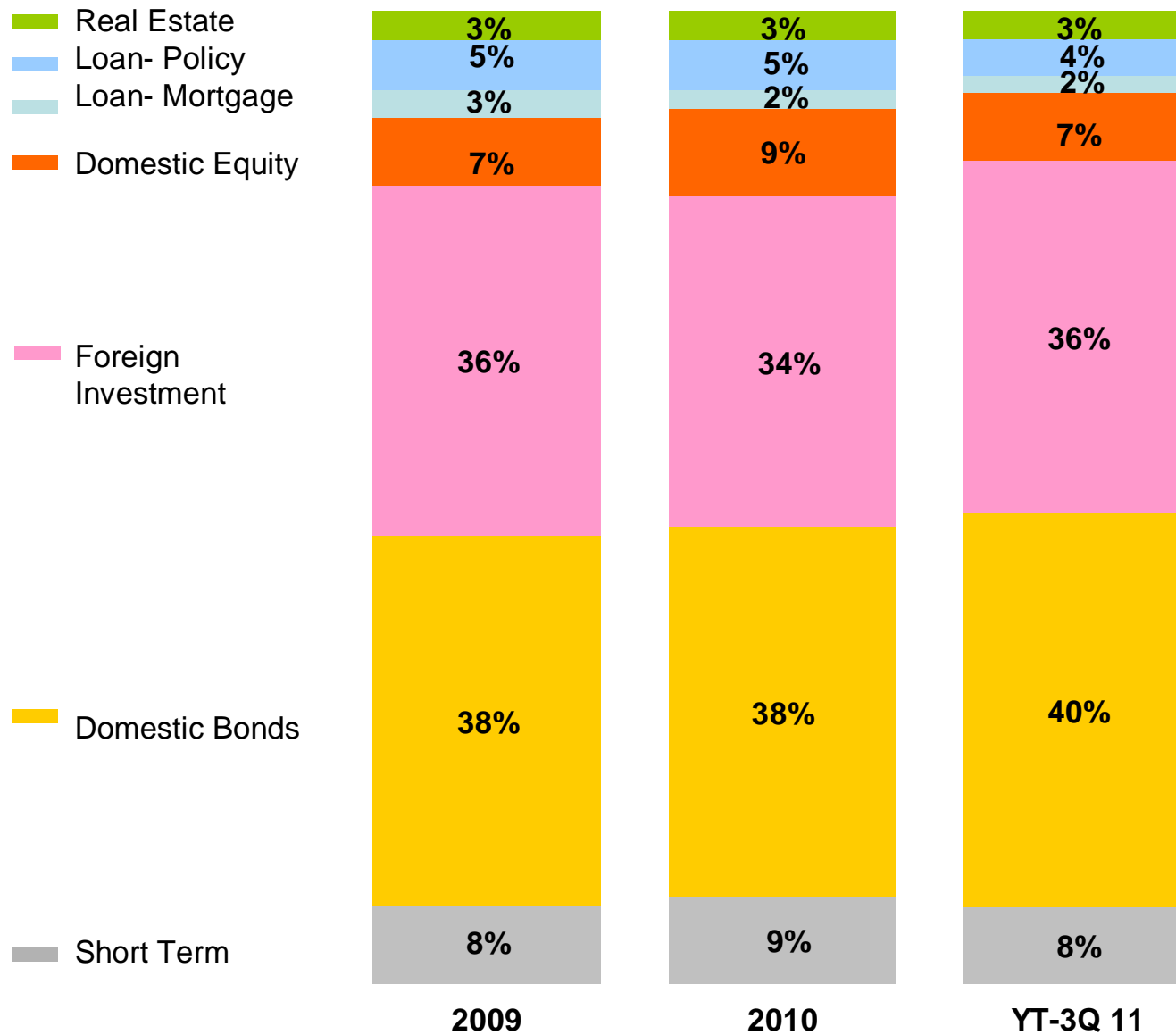
## Foreign Investment

- Received regulatory approval to increase overseas investment limit to 45%
- Assumption of selective interest rate risk; minimum credit rating requirement A or above
- Utilization of direct hedge and dynamically adjust hedging ratio
- Further increase overseas investment to enhance yield pick-up

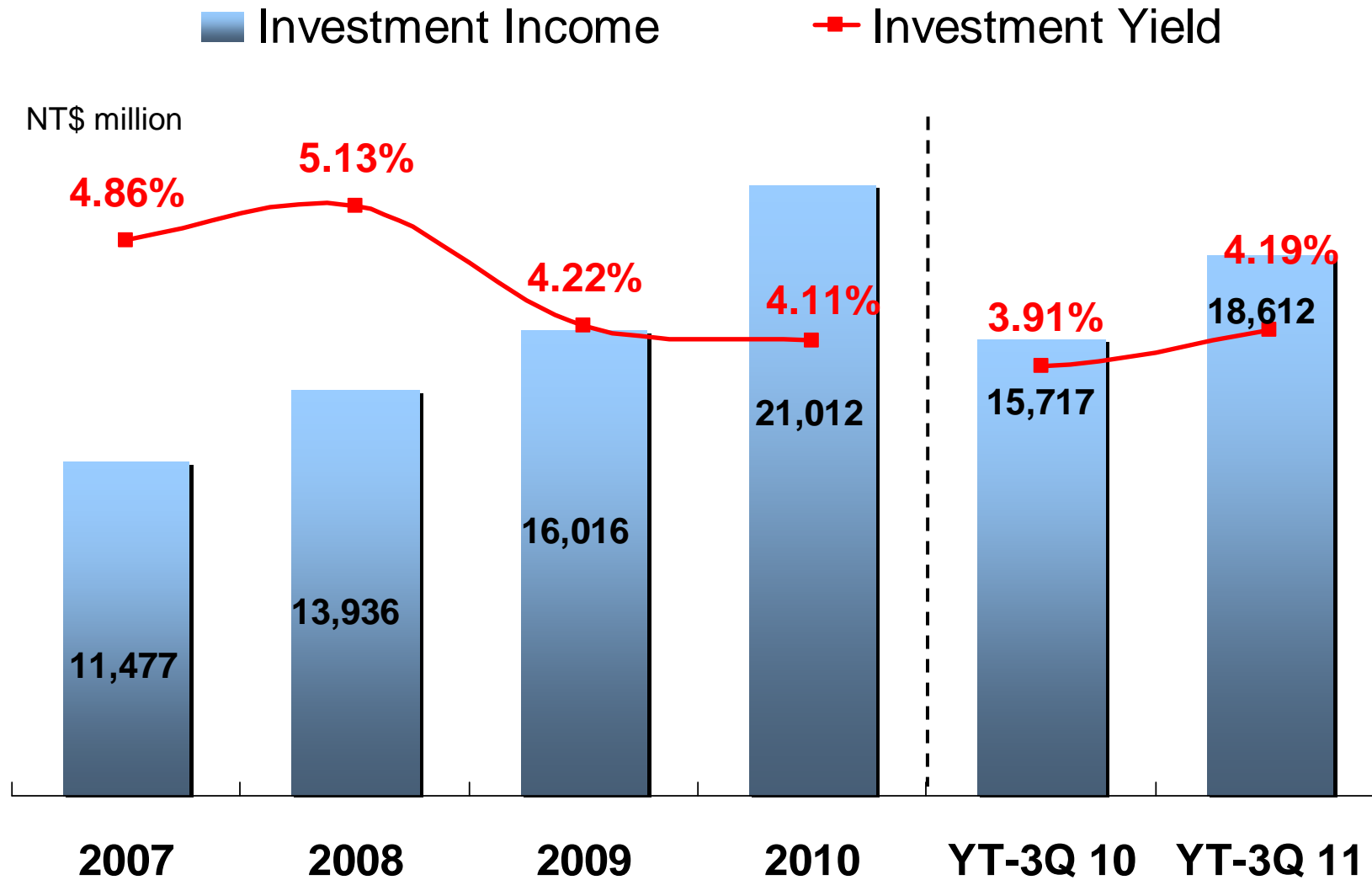
## Real Estate

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

# Asset Portfolio

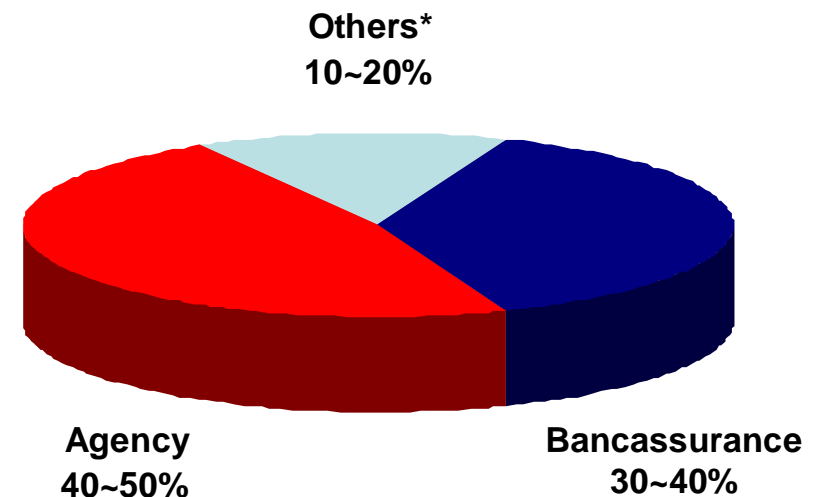
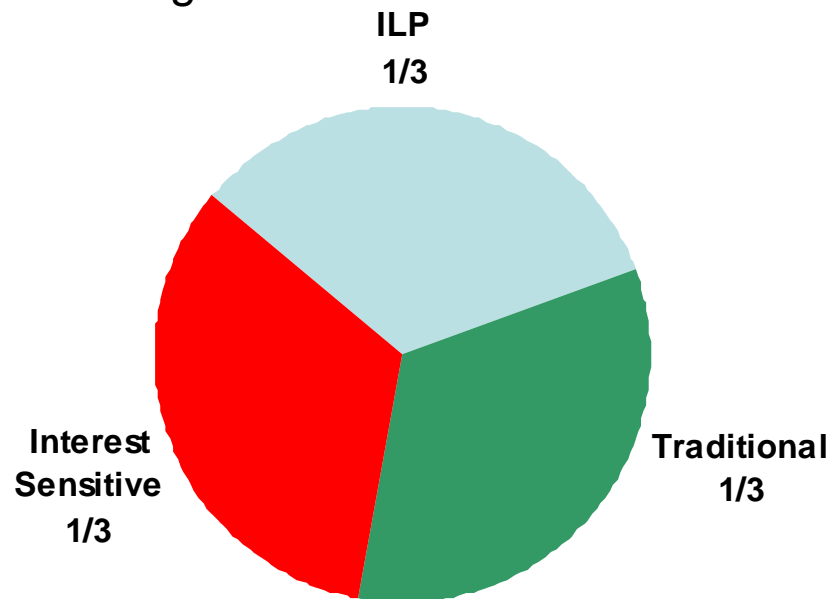


# Investment Income



- 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

# YoY of Embedded Value



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

Valuation Date	2009/12/31	2010/12/31	YoY
Solvency Basis	200% RBC		Unchanged
Rate of Investment Return	Yr1 ~ Yr6 : 3.75% ~ 5.15% After Yr7 : 5.25% (Int. Sensitive 2.75%~4.6%)		Unchanged
Risk Discount Rate	10.50%		Unchanged
Adjusted Net Worth	33,135	48,099	45%
Value of In Force	28,550	35,996	26%
Cost of Capital	(12,266)	(12,956)	6%
<b>Embedded Value</b>	<b>49,419</b>	<b>71,138</b>	<b>44%</b>
# of Outstanding Shares	1,501	1,709	-
<b>EV Per Share</b>	<b>NT\$32.92</b>	<b>NT\$41.64</b>	<b>-</b>
<b>V1NB (after CoC)*</b>	<b>6,015</b>	<b>6,882</b>	<b>14%</b>

\* V1NB = Value of last 12 months new business

# 2010 Embedded Value (After Capital Injection)



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)
<b>Embedded Value (EV)</b>	<b>71,138</b>	<b>78,638</b>
# of Outstanding Shares	1,709	2,009
<b>EV Per Share</b>	<b>NT\$41.64</b>	<b>NT\$39.15</b>
<b>V1NB (After CoC)</b>	<b>6,882</b>	<b>6,882</b>

❑ 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:

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

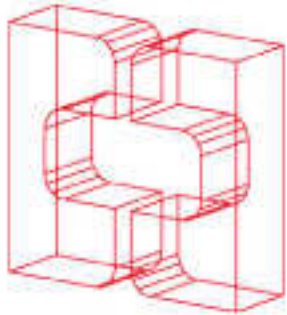


# Financial Summary



NT\$ million

	<u>2009</u>	<u>2010</u>	<u>Variance</u>	<u>YT-3Q 10</u>	<u>YT-3Q 11</u>	<u>Variance</u>
<b><u>Income Statement Data</u></b>						
Premium Income	91,683	107,384	17.1%	77,586	93,765	20.9%
Net Investment Income	16,016	21,012	31.2%	15,717	18,612	18.4%
Other Revenue - separate account	15,199	18,456	21.4%	11,740	3,983	-66.1%
Miscellaneous Income	1,114	749	-32.8%	1,503	1,386	-7.8%
Benefits to Policyholders and Beneficiaries	69,241	38,259	-44.7%	27,340	38,577	41.1%
Acquisition and Operation Expenses	7,633	9,113	19.4%	6,437	7,149	11.1%
Change in Actuarial Liabilities	28,592	78,577	174.8%	57,504	63,372	10.2%
Other Operating Cost - separate account	15,199	18,456	21.4%	11,740	3,983	-66.1%
Miscellaneous Expenses	581	744	28.1%	536	636	18.7%
Net Profit Before Tax	2,766	2,452	-11.4%	2,988	4,029	34.8%
<b>Net Profit</b>	<b>2,716</b>	<b>3,363</b>	<b>23.8%</b>	<b>2,879</b>	<b>4,003</b>	<b>39.0%</b>
<b>Basic Earnings Per Share</b>	<b>2.10</b>	<b>1.97</b>	<b>-6.2%</b>	<b>1.68</b>	<b>1.95</b>	<b>16.1%</b>
<b><u>Balance Sheet Data</u></b>						
Total Assets	561,611	648,753	15.5%	620,441	717,082	15.6%
Total Liabilities	537,019	616,932	14.9%	593,822	684,043	15.2%
Total Stockholders' Equity	24,592	31,821	29.4%	26,619	33,039	24.1%

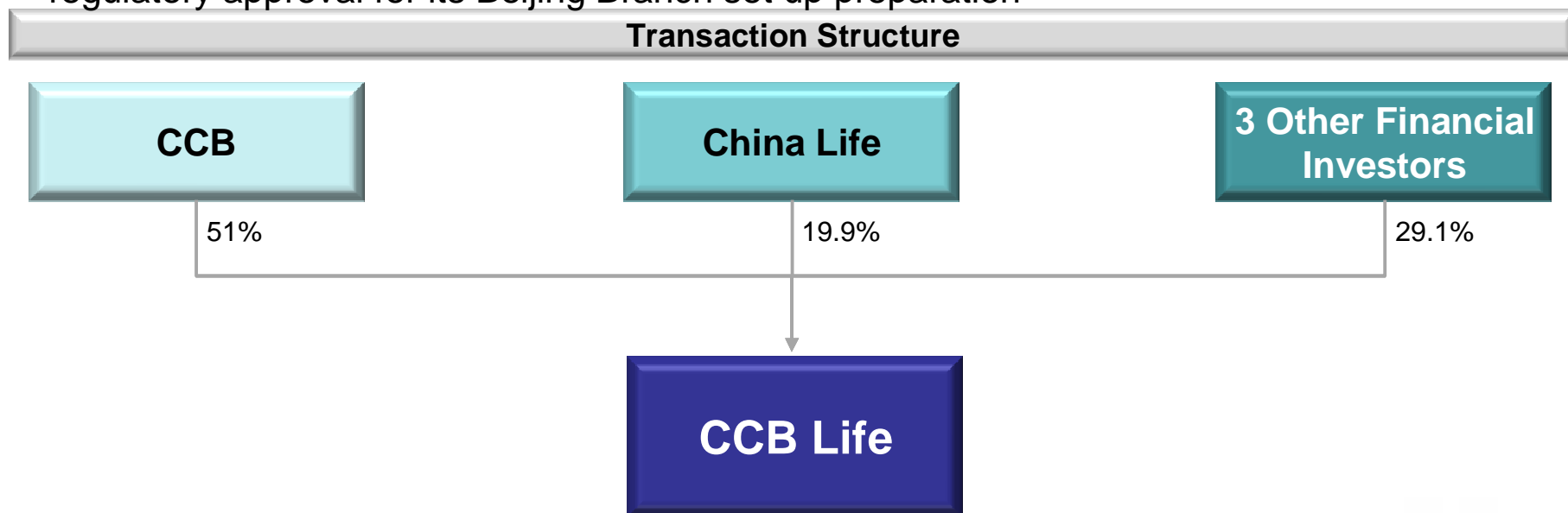


## **China Life and CCB Investment in Pacific Antai**

# Transaction Structure

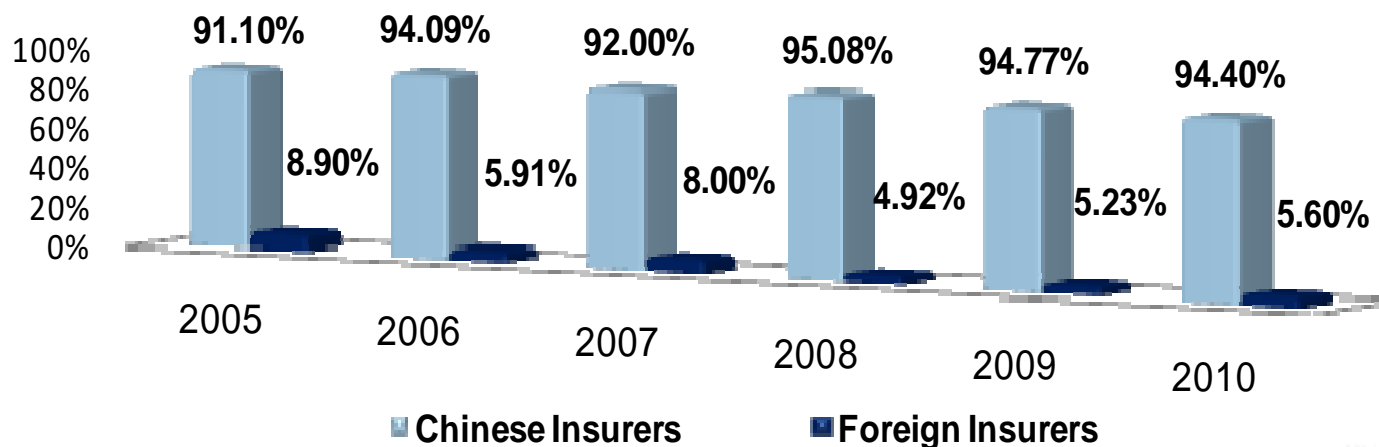
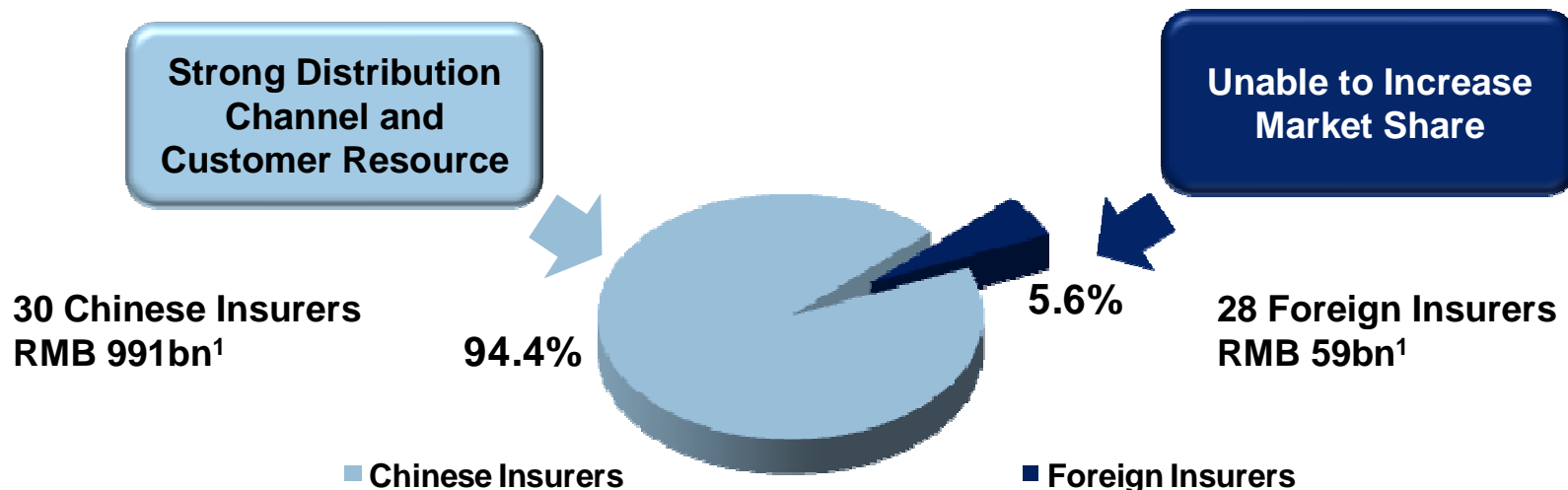


- ❑ **China Life's** initial equity investment was RMB379 million (approximately NT\$1.7 billion). Further capital injection of RMB\$ 1.2935 billion (NT\$ 6.468 billion) will be remitted to CCB Life in batches
- ❑ Post-transaction **China Life** holds **19.9%** stake, while **CCB** will hold a **51%** ownership
- ❑ **China Life** is the **only** foreign investor and strategic partner of **CCB Life**, and the transaction represents the **first** cross-straits joint-investment across banking & insurance sectors post ECFA
- ❑ China Life offers the insurance expertise and technical support to the new entity
- ❑ CCB Life has 3 branches in Shanghai, Guangdong and Jiangsu Province, and received regulatory approval for its Beijing Branch set up preparation



# Mainland China Strategy

- Team up with the most competitive partner to become a leading life insurer
- 19.9% equity investment in a Chinese insurer is superior to a 50% stake in a foreign insurer

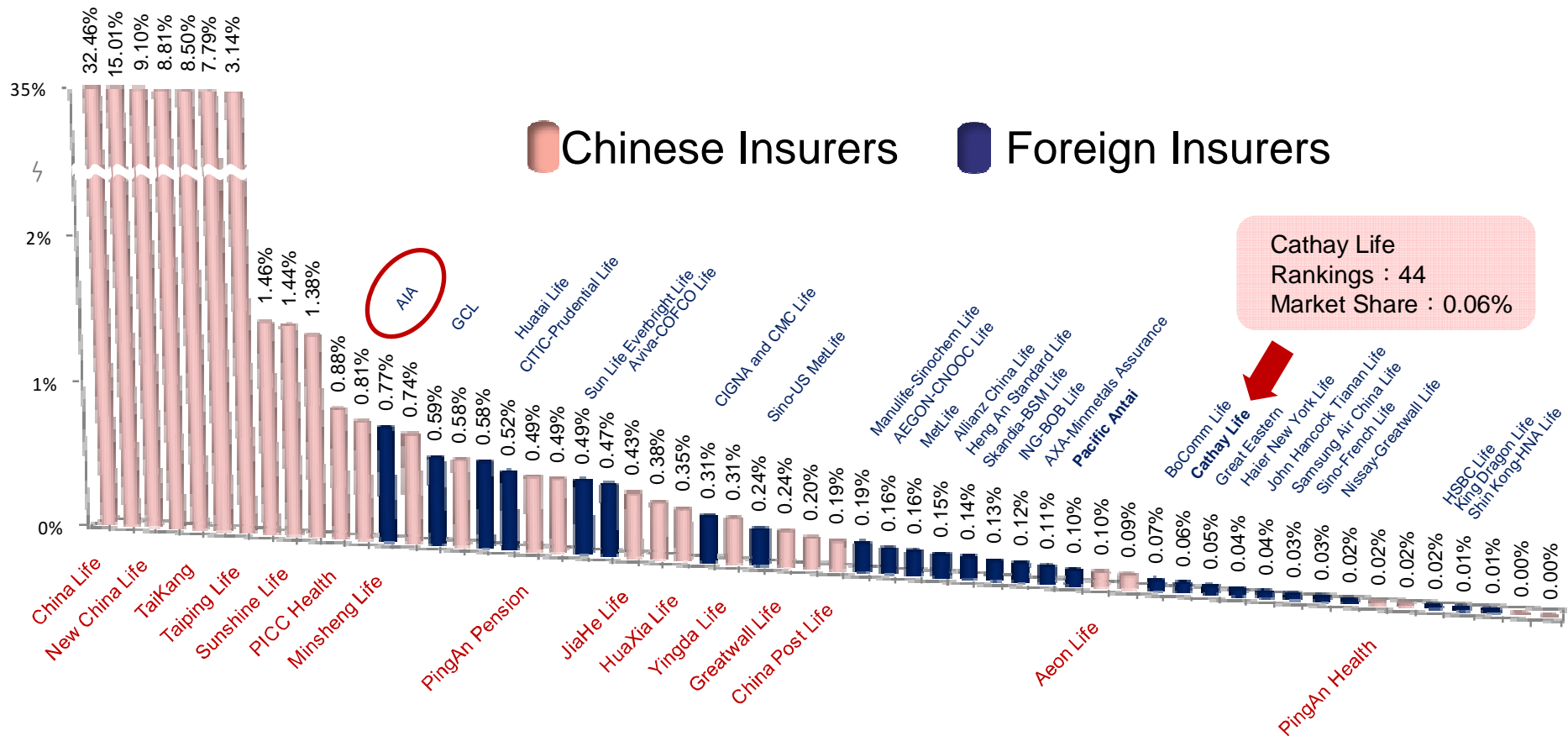


Note : 2010 total premiums.

# China Life Insurance Market Overview



- ❑ The two largest Chinese life insurers have nearly 50% market share amongst the 58 insurers in the market
- ❑ After years of operation, foreign insurers only make up 5.6% market share. The largest foreign insurer, AIA, has only 0.77% market share



Note : 2010 total premiums.

# ▶▶▶ Ideal Partners



**Top 5 Insurer in Taiwan**

**Forbes Asia Fab 50**

**Experienced Management Team**

**Bancassurance Leader**

**Leader in Participating Policy**

**Solid Financial Structure and Outstanding Performance**

**Advanced Risk Management**



**2<sup>nd</sup> Largest Bank Worldwide**

**Fortune Global 500**

**Solid Customer Base**

**2<sup>nd</sup> Most Profitable Among Global Commercial Banks**

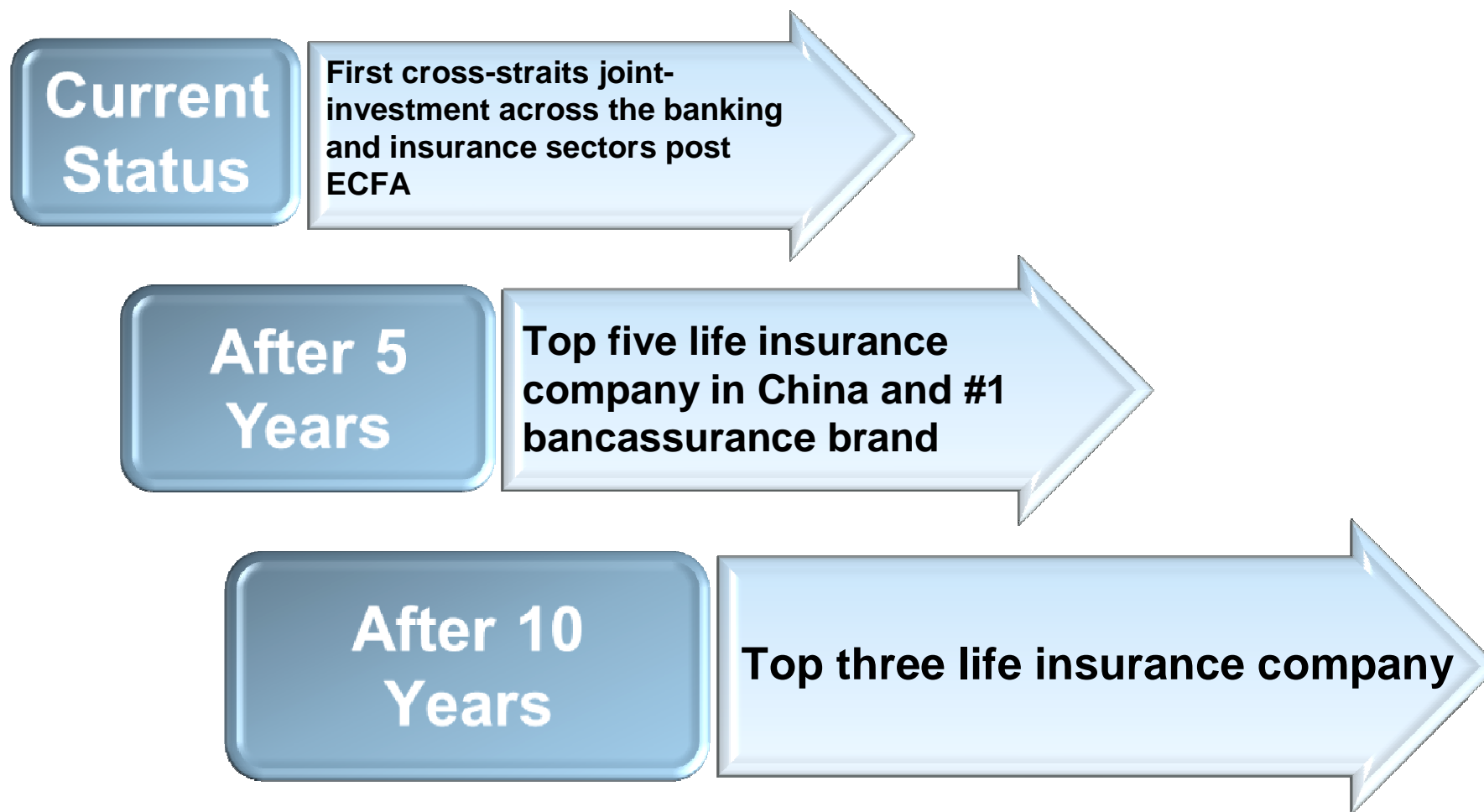
**Well Established Branch Network**

**Leader in Bancassurance**

**Strong Capital Capacity**

# Business Target

Pacific Antai (CCB Life) is the opportunity for China Life to build a leading bancassurance franchise in the Mainland China market



## ▶▶▶ Disclaimer



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