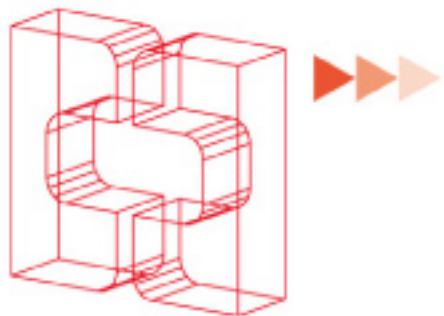


# China Life Insurance Co., Ltd.

May 2012

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# Embedded Value

## Investment Return

**2011**

### Traditional Policies

Year 1 ~ Year 10 : **3.75% ~ 5.14%**  
After Year 11 : **5.15%**

### Interest Sensitive Policies

Year 1 ~ Year 10 : **2.75% ~ 4.4%**  
After Year 11 : **4.5%**

**2010**

### Traditional Policies

Year 1 ~ Year 6 : **3.75% ~ 5.15%**  
After Year 7 : **5.25%**

### Interest Sensitive Policies

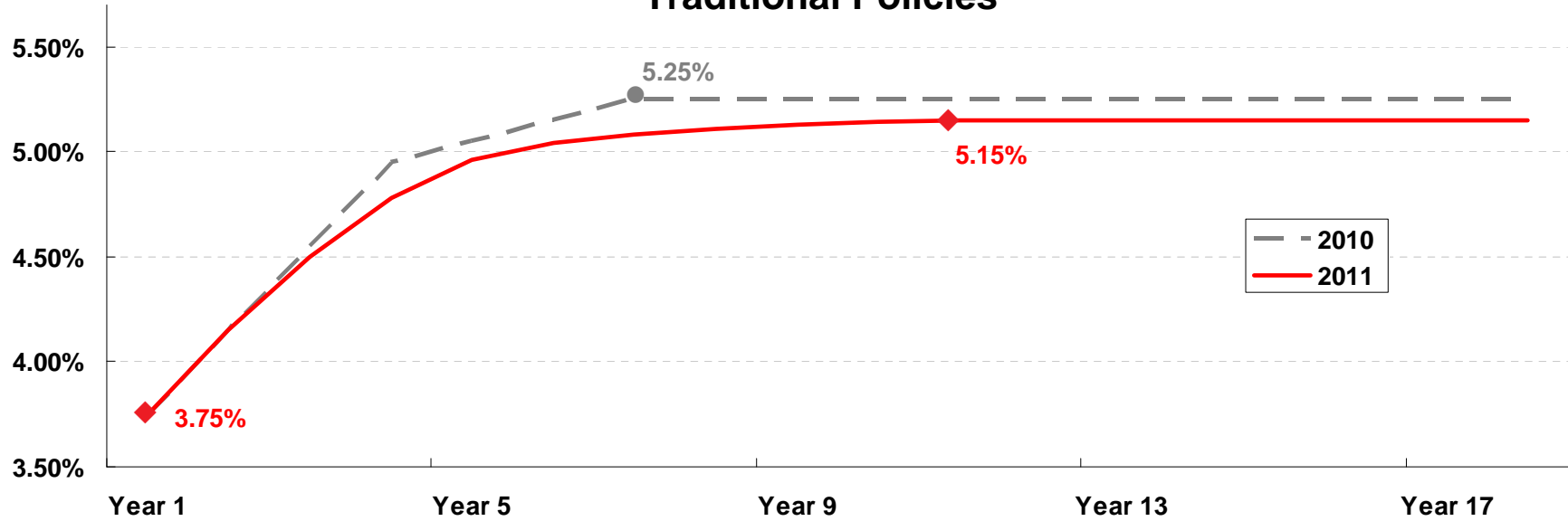
Year 1 ~ Year 6 : **2.75% ~ 4.5%**  
After Year 7 : **4.6%**

## Risk Discount Rate

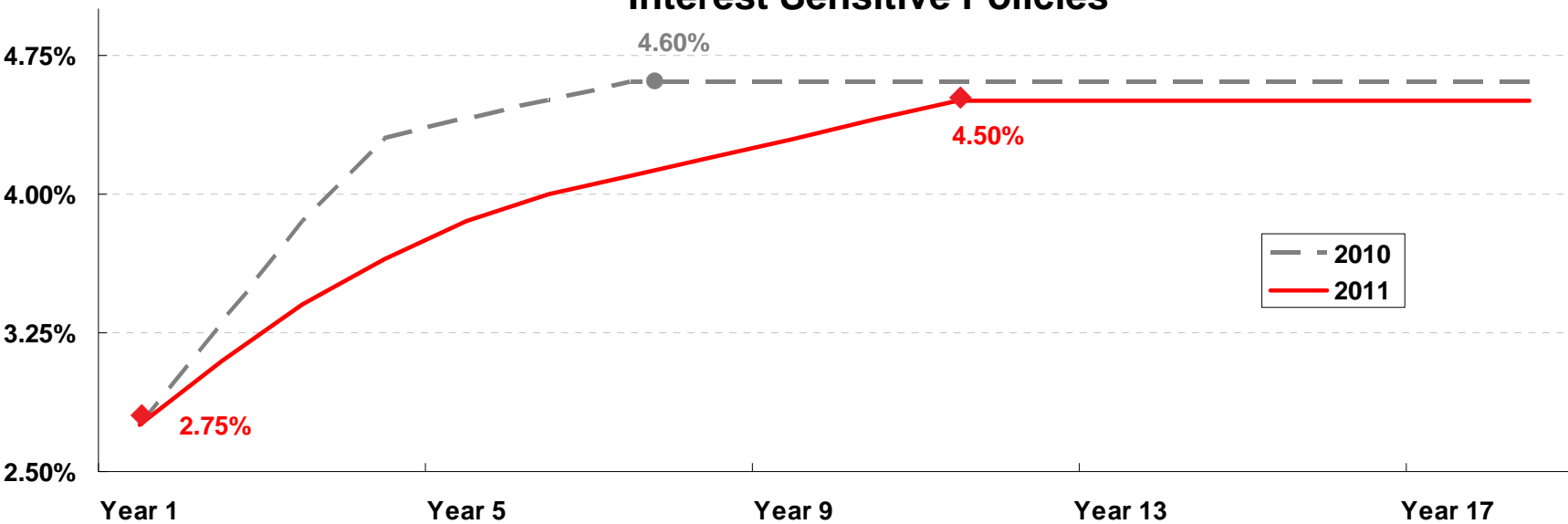
Same as 2010: **10.5%**

# Investment Return Comparison

## Traditional Policies



## Interest Sensitive Policies



## 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 and considering future trends

## External Reviewer

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

# YoY Embedded Value

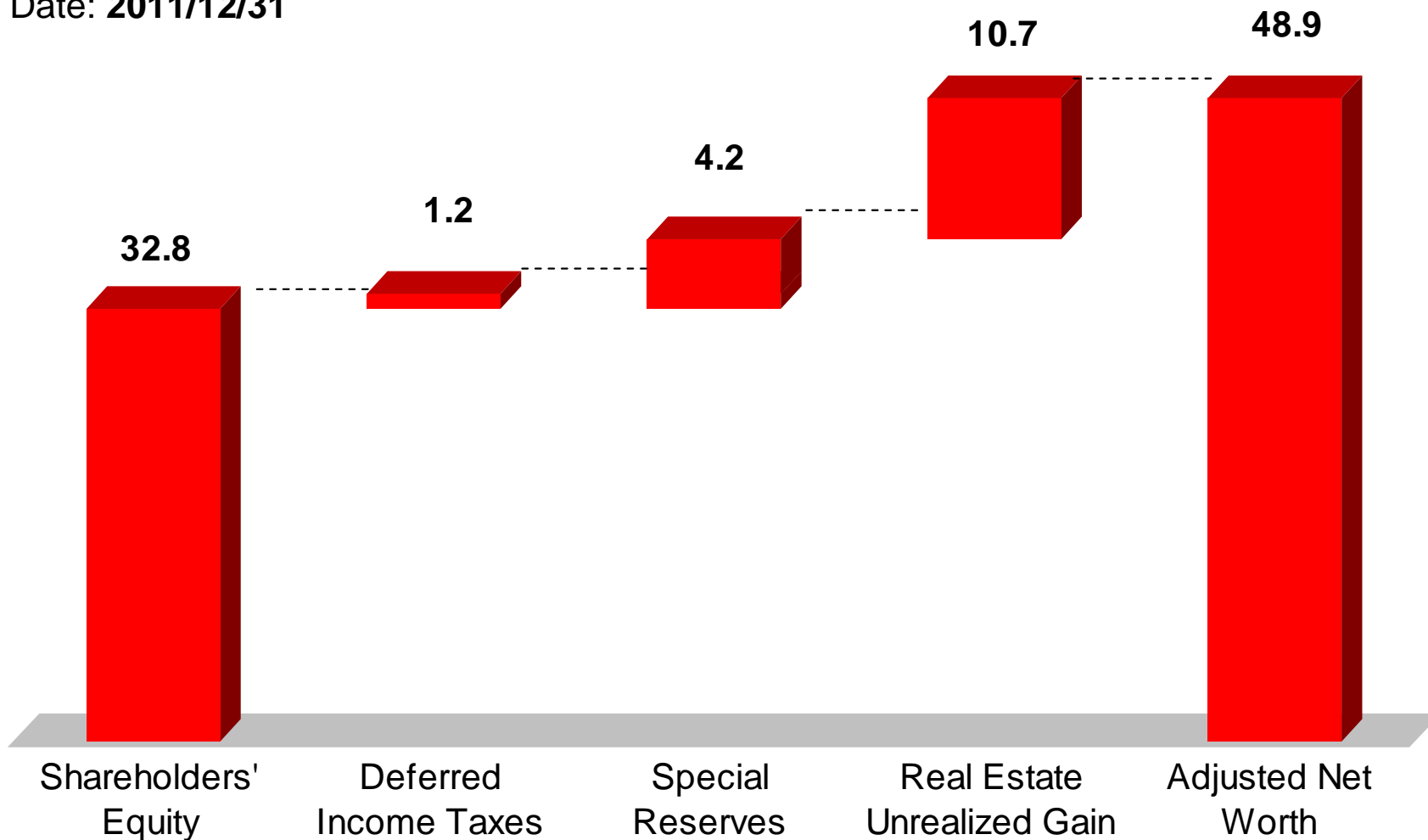
Unit: NT\$ Million (NT\$ Per Share)

<b>Valuation Date</b>	<b>2010/12/31</b>	<b>2011/12/31</b>	<b>YoY %</b>
Adjusted Net Worth	48,099	48,946	2%
Value of In Force	35,996	45,032	25%
Cost of Capital	(12,956)	(14,407)	11%
<b>Embedded Value</b>	<b>71,138</b>	<b>79,571</b>	<b>12%</b>
# of Outstanding Shares	1,709	2,199	-
<b>EV Per Share</b>	<b>NT\$41.64</b>	<b>NT\$36.18</b>	<b>-</b>
<b>V1NB (after CoC)*</b>	<b>6,882</b>	<b>11,363</b>	<b>65%</b>

\* V1NB = Value of last 12 months new business

# Components of 2011 ANW

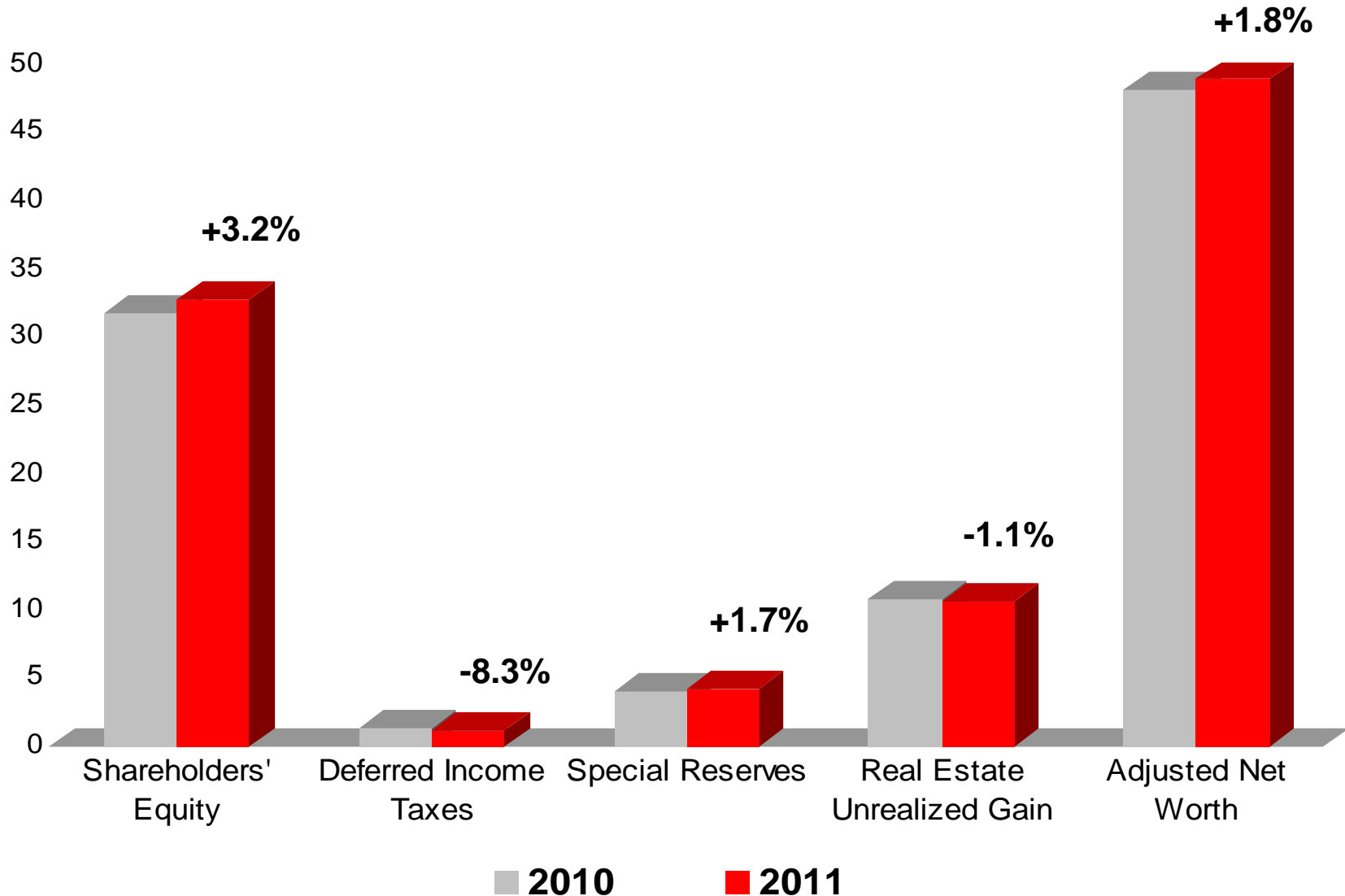
Unit: NT\$ Billion  
Date: 2011/12/31





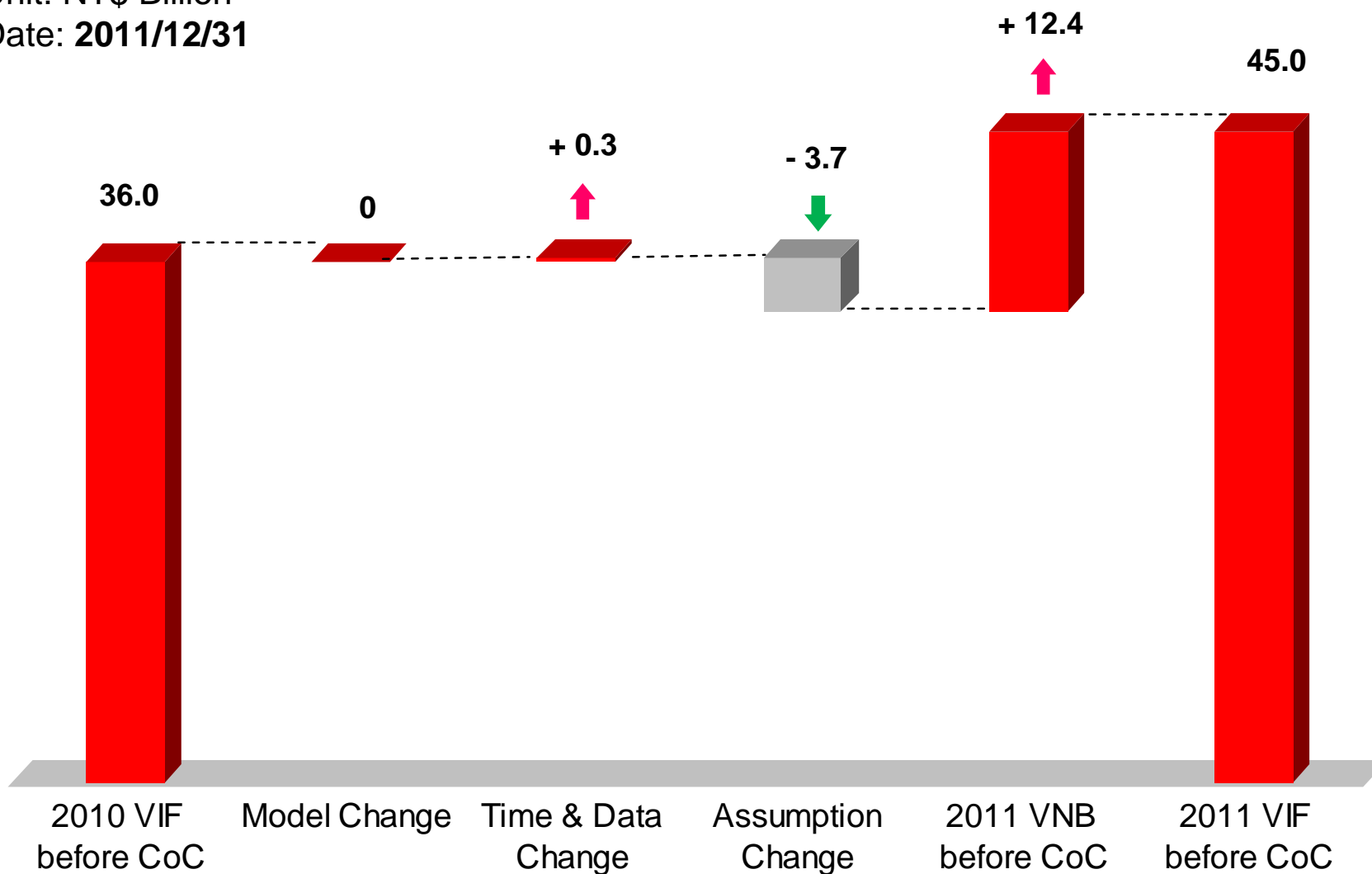
# YoY of Adjusted Net Worth

Unit: NT\$ Billion



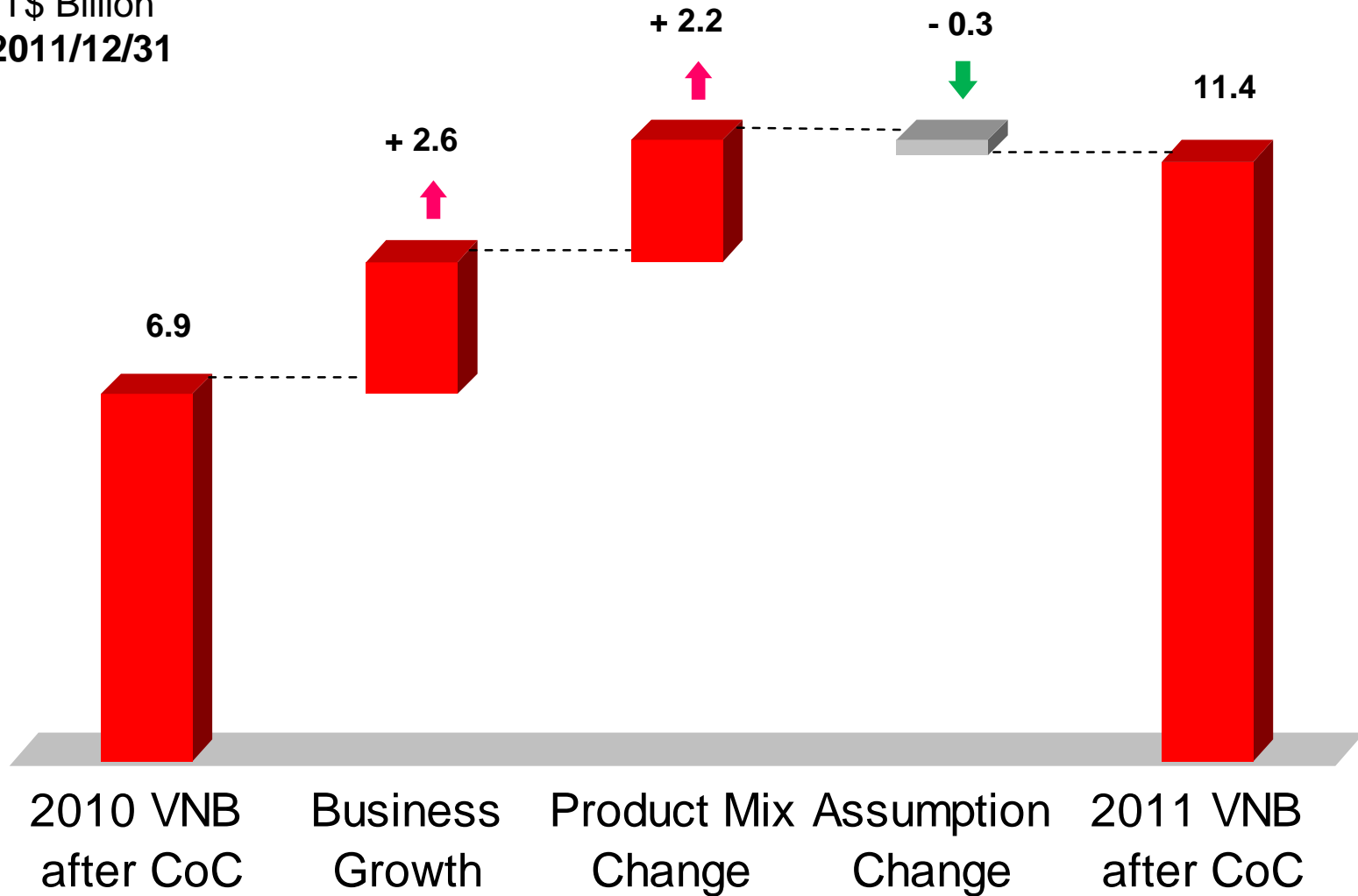
# Movement Analysis for VIF (Before CoC)

Unit: NT\$ Billion  
Date: 2011/12/31



# Movement Analysis for VNB (After CoC)

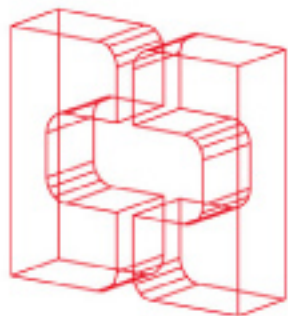
Unit: NT\$ Billion  
Date: 2011/12/31



# ▶▶ Sensitivity Analysis - VIF

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

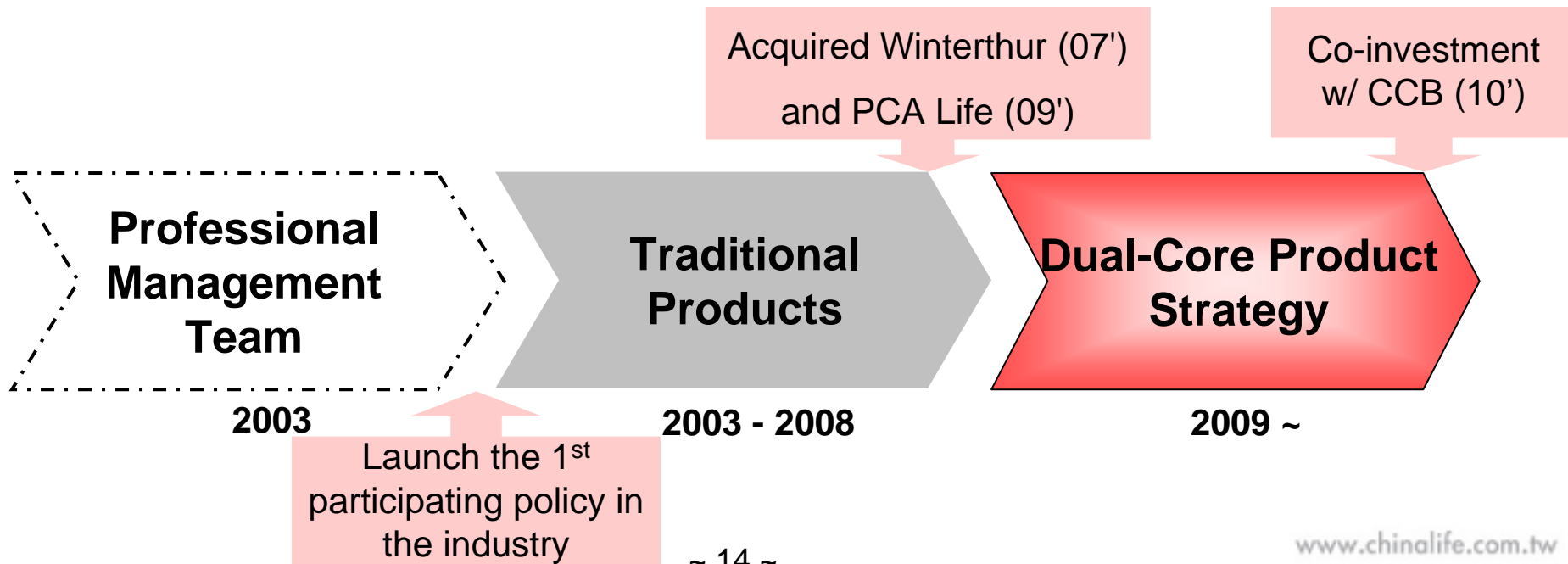
Valuation Date: <b>2011/12/31</b>	All else equal except		Base Case Scenario	All else equal except	
	Inv Yield	Inv Yield	Inv Yield 3.75% ~ 5.15% <u>Int Sen: 2.75%~4.5%</u> RDR: 10.5%	RDR	RDR
Solvency Basis: <b>RBC=200%</b>	- 0.25%	+ 0.25%		10.8%	10.2%
Adjusted Net Worth	48,946	48,946	48,946	48,946	48,946
Value of In-Force	36,598	53,438	45,032	44,082	45,839
Cost of Capital	(15,039)	(13,776)	(14,407)	(14,802)	(14,063)
<b>Embedded Value</b>	<b>70,505</b>	<b>88,607</b>	<b>79,571</b>	<b>78,226</b>	<b>80,722</b>
<b>EV per share</b>	<b>\$32.06</b>	<b>\$40.29</b>	<b>NT\$36.18</b>	<b>\$35.57</b>	<b>\$36.70</b>



# Business Performance

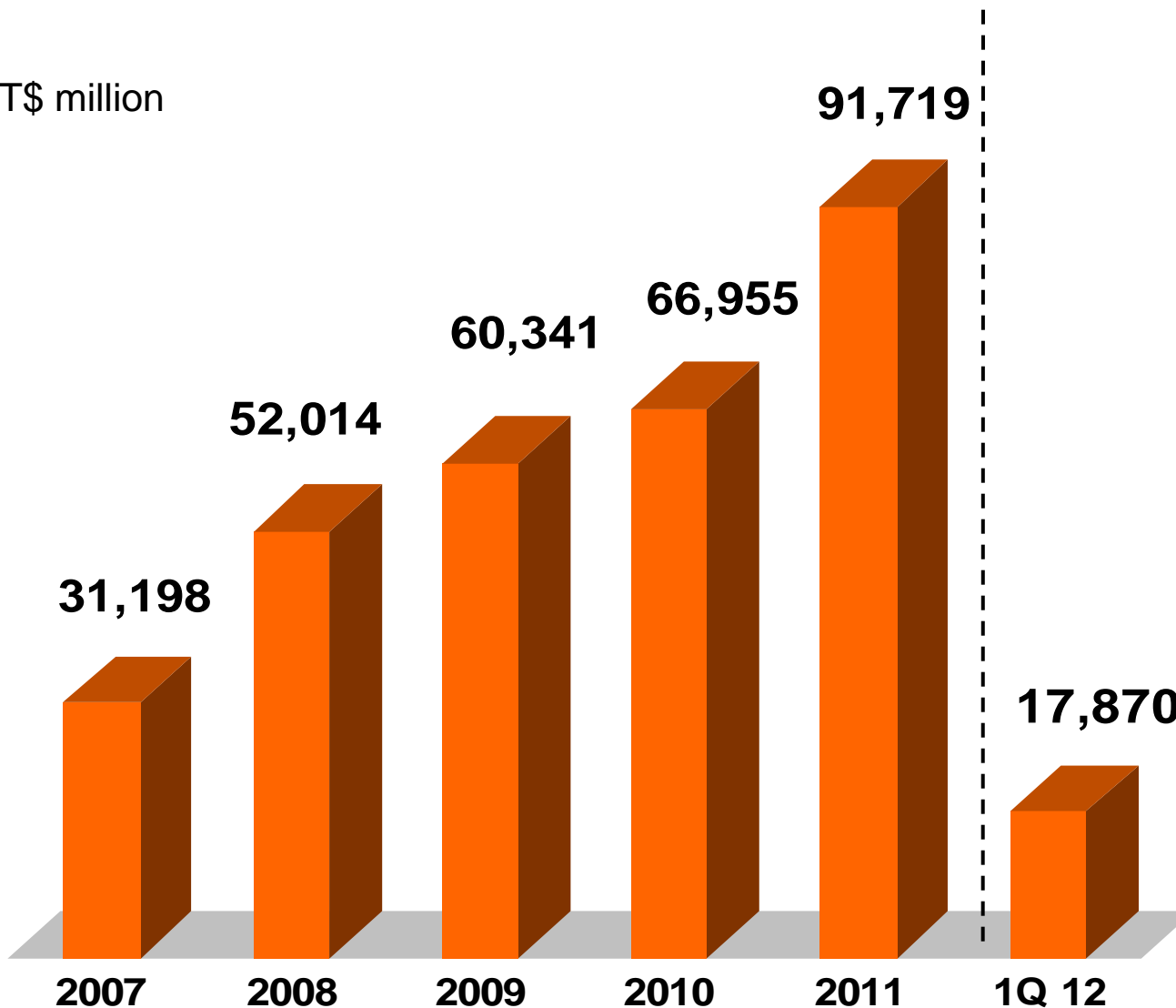
# Business Strategies

- ❑ 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 an agreement with China Construction Bank in 2010, to invest in CCB Life; Currently it has five Branches in Shanghai, Guangdong, Jiangsu, Beijing and Shandong, and received regulatory approval for Qingdao branch setup



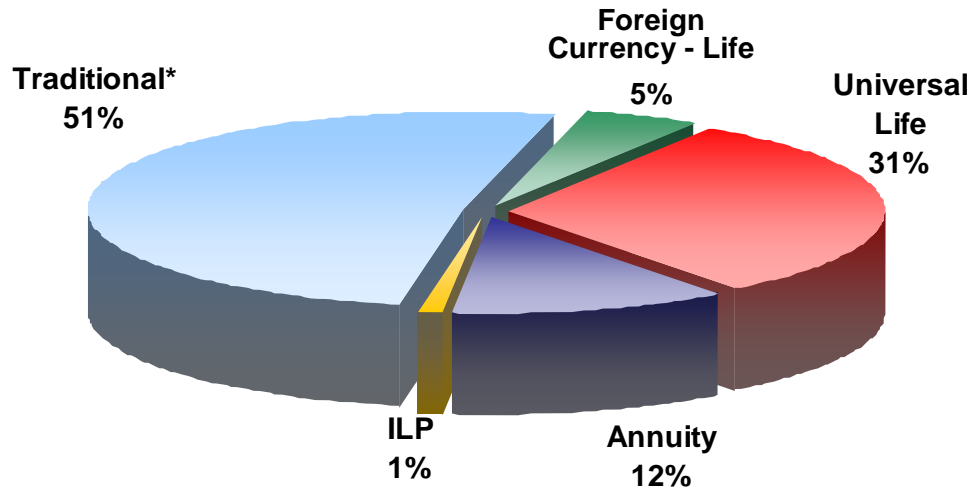
# First Year Premium (FYP)

NT\$ million

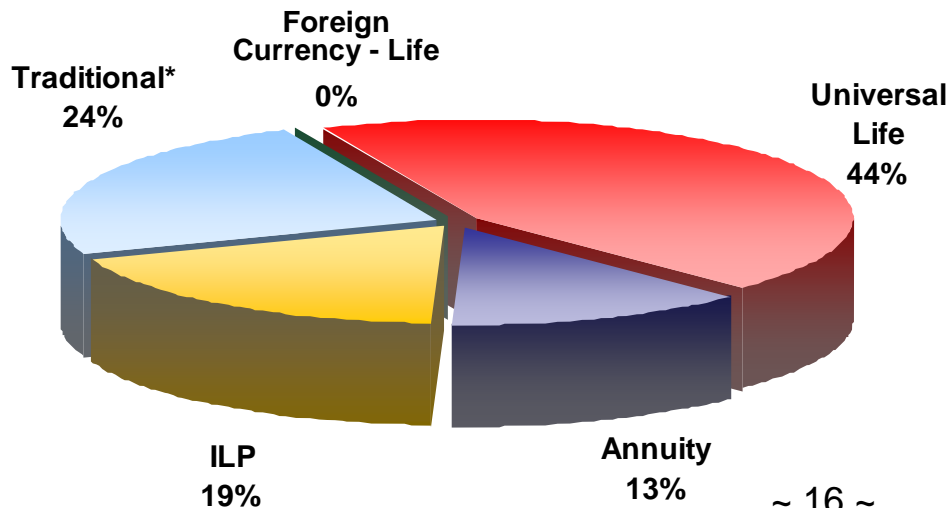


# Product Mix (YoY Comparison)

## 1Q 12 - FYP



## 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
- ❑ Increase the sale of protection-based foreign currency policies to enhance clients' portfolio diversification

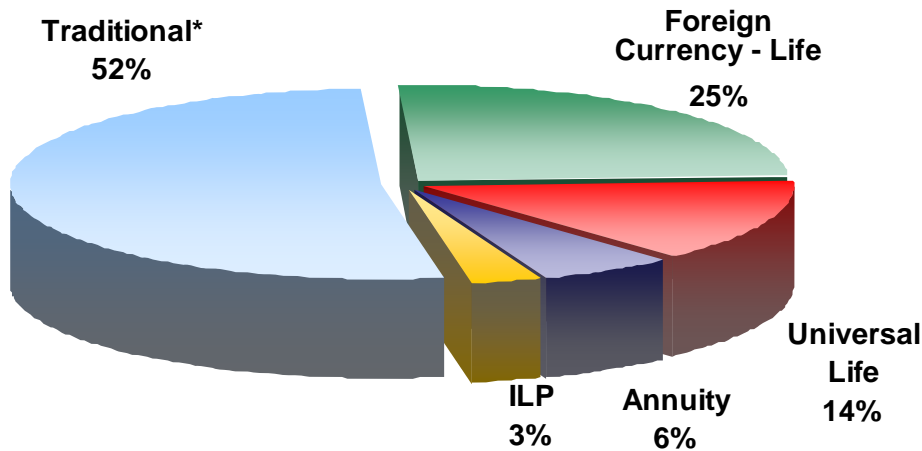
### \*Traditional:

incl. Participating, Non-participating, Interest sensitive life, A&H, riders, & short term etc.

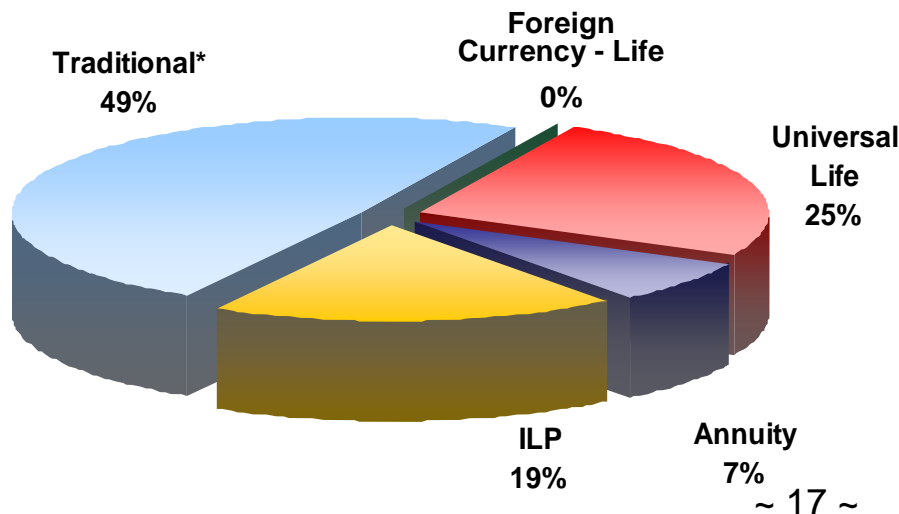


# ▶ Product Mix (APE Comparison)

## 1Q 12 - FYP by APE



## 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

### \* Traditional:

incl. Participating, Non-participating, Interest sensitive life, A&H, riders, & short term etc.

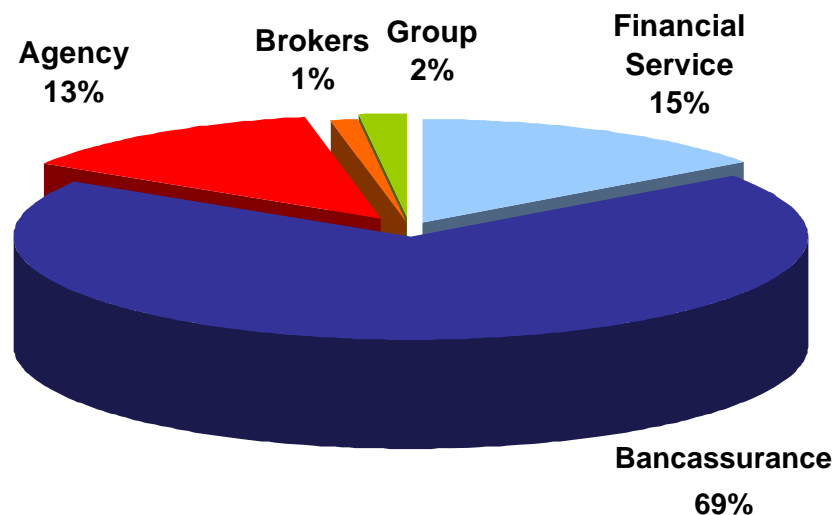
### \*\* APE (Annual Premium Equivalent)

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

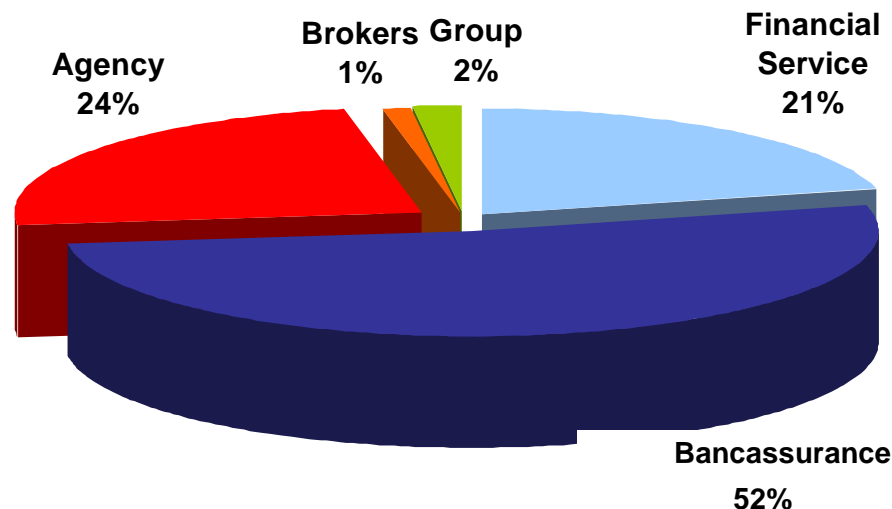
# ▶▶ Distribution Channels (by YoY)

- ❑ Led the market to start bancassurance business in 2000 without support from a holding company. As of 2012, 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 12 – FYP



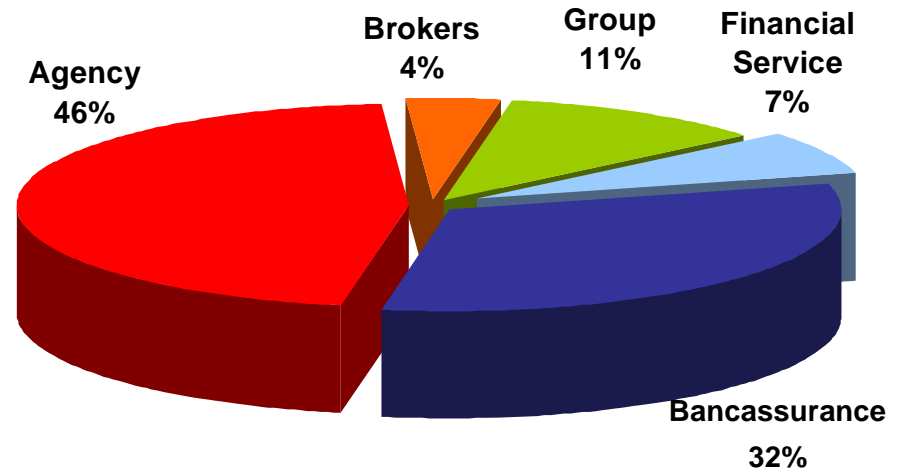
## 1Q 11 – FYP



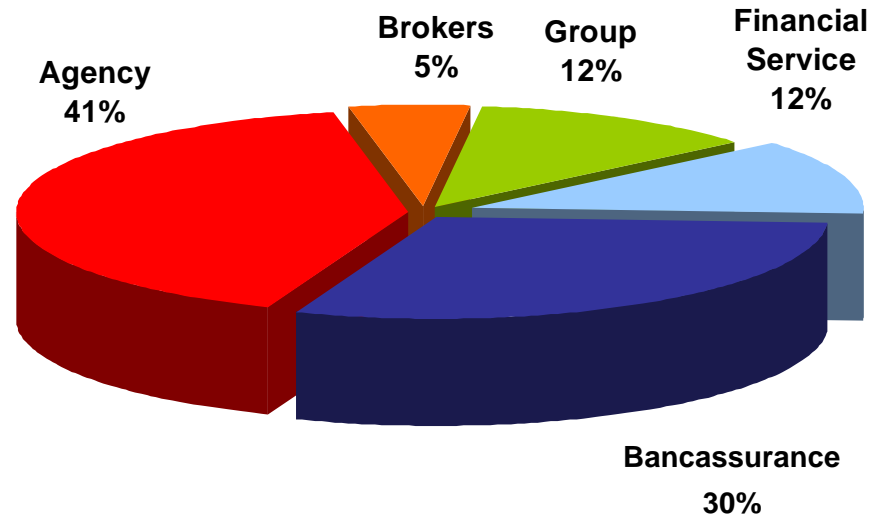
# ▶▶ Distribution Channels (by APE)

- ❑ 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 12 - FYP by APE



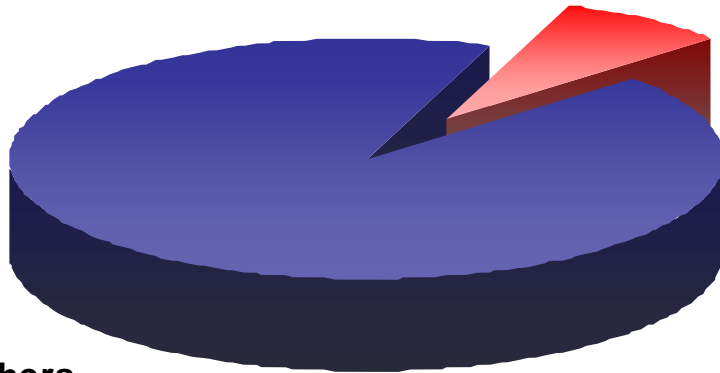
## 1Q 11 – FYP by APE



**\*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 11

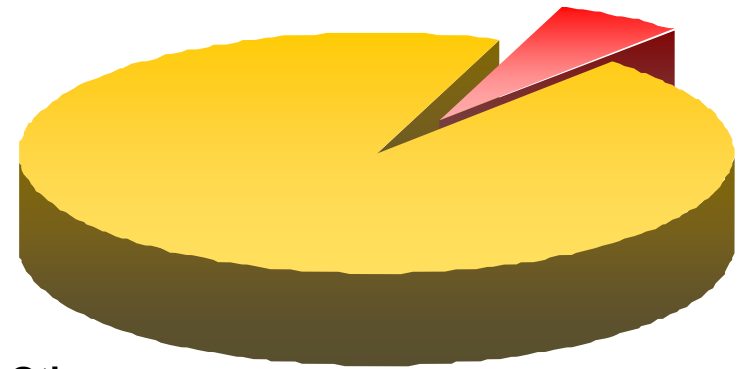
China Life  
7.7%, # 4



Others  
92.3%

1Q 12

China Life  
5.8%, # 4



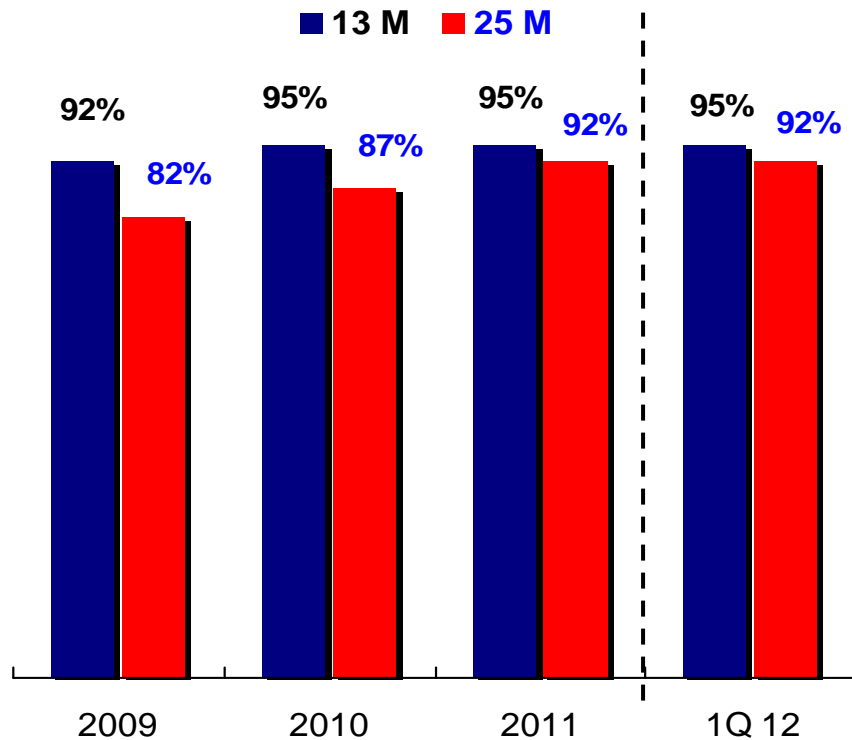
Others  
94.2%

- ❑ 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

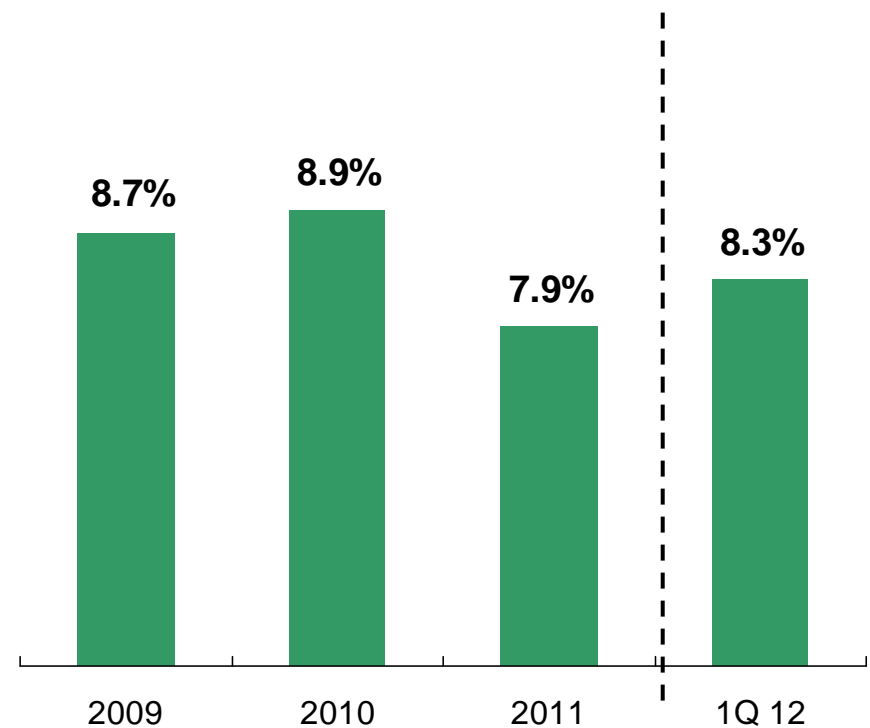
# Financial Highlights

NT\$ million	2011	1Q 11	1Q 12	+/- %
First Year Premium	91,719	20,495	17,870	-13%
Total Premium	144,789	33,413	32,031	-4%
Investment Income	24,151	6,679	5,640	-16%
Profit before Tax	4,444	2,401	1,128	-53%
Income Tax	(237)	(182)	(118)	-35%
<b>Net Profit</b>	<b>4,207</b>	<b>2,219</b>	<b>1,010</b>	<b>-54%</b>
Basic EPS	2.01	1.30	0.46	-65%
Total Asset	730,326	670,370	753,957	12%
Paid-in Capital	21,994	17,086	21,994	29%
Net worth	32,831	31,400	34,354	9%

## Persistency Ratio



## Expense Ratio



## ❑ Fixed Income

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

## ❑ Domestic Equities

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

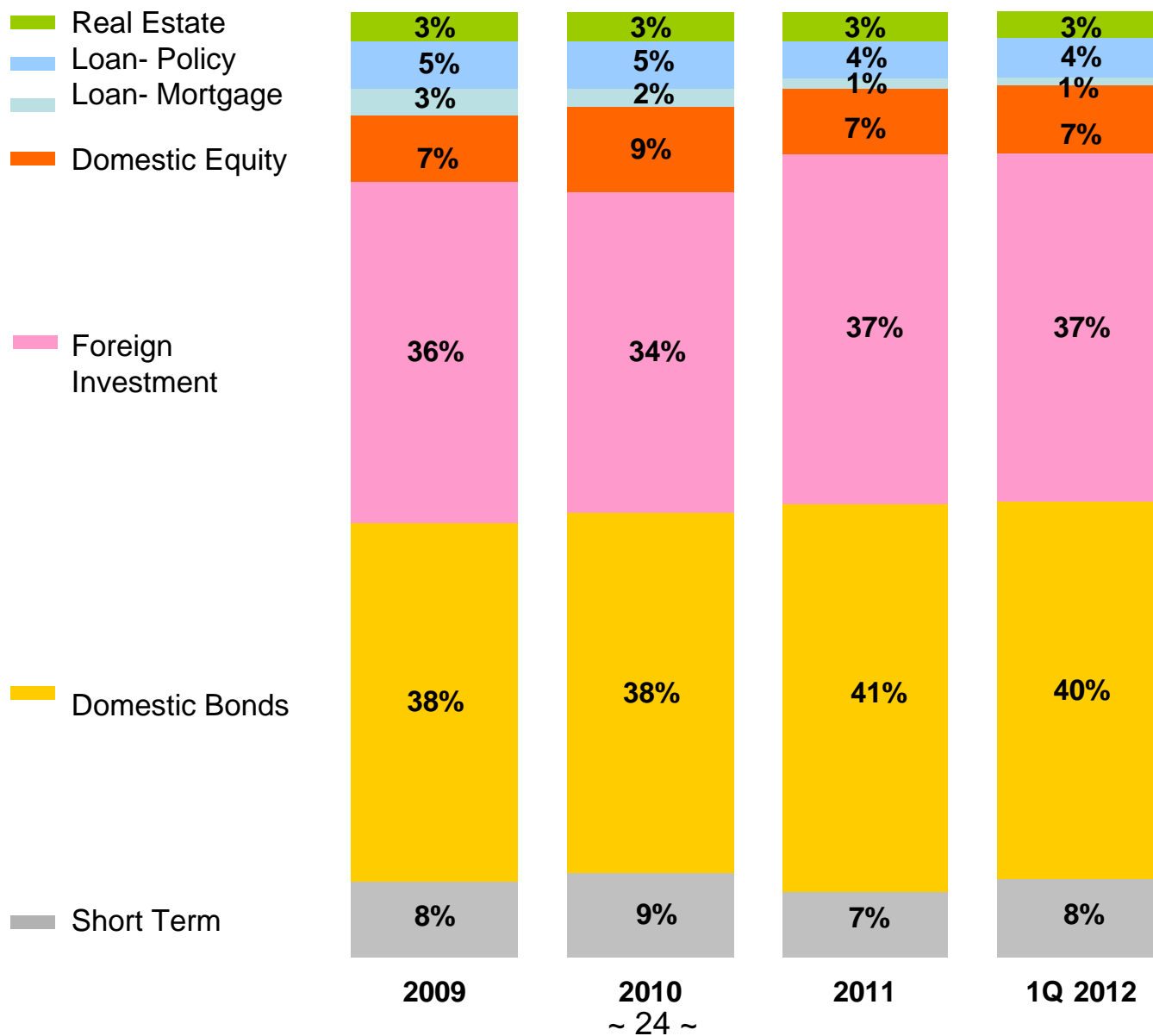
## ❑ Foreign Investment

- 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

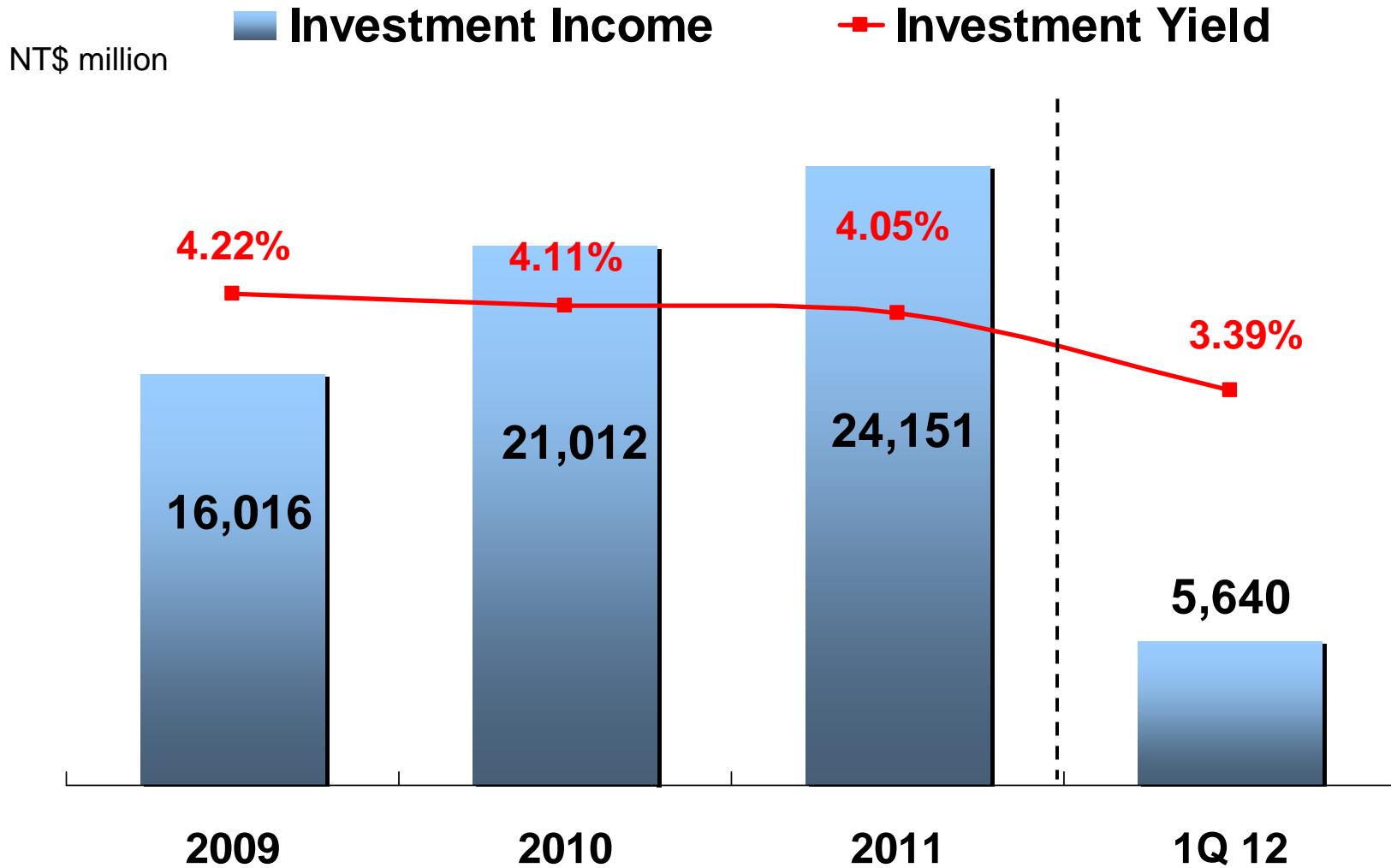
- 3% of total assets
- Targeting Grade A commercial buildings with 2.5%+ rental yield
- Selection of areas with high appreciation potential

# Asset Portfolio

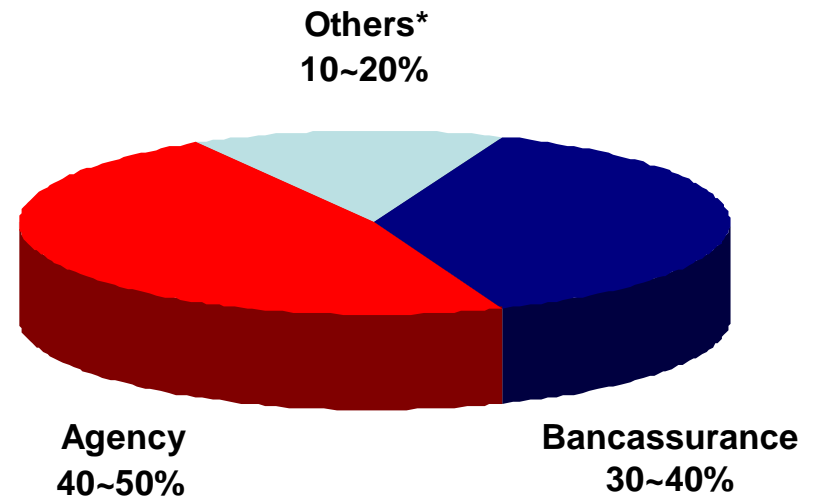
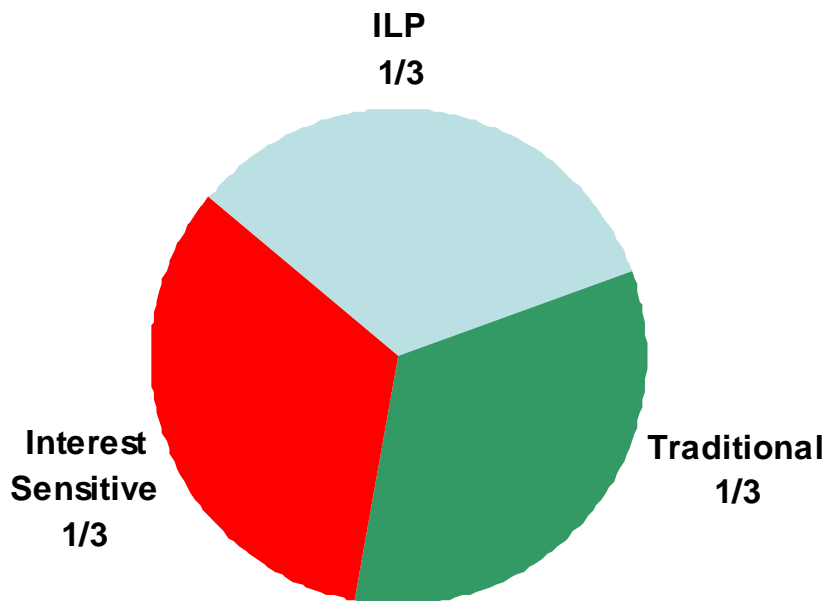




# ▶▶ Investment Income



- 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

# Financial Summary

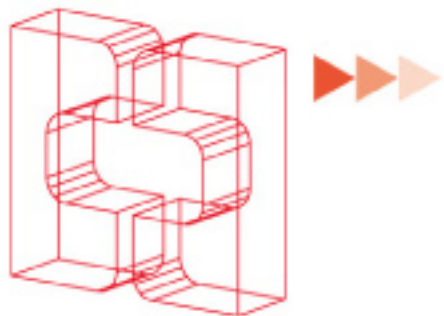
NT\$ million

## Income Statement Data

	<u>2010</u>	<u>2011</u>	<u>Variance</u>	<u>1Q 11</u>	<u>1Q 12</u>	<u>Variance</u>
Premium Income	107,384	128,923	20.1%	27,607	29,654	7.4%
Net Investment Income	21,012	24,151	14.9%	6,679	5,640	-15.6%
Other Revenue - separate account	18,456	5,151	-72.1%	4,420	4,184	-5.3%
Miscellaneous Income	749	1,787	138.6%	338	391	15.7%
Benefits to Policyholders and Beneficiaries	38,259	55,836	45.9%	10,382	11,089	6.8%
Acquisition and Operation Expenses	9,113	9,871	8.3%	2,377	2,403	1.1%
Change in Actuarial Liabilities	78,577	83,857	6.7%	19,251	20,838	8.2%
Other Operating Cost - separate account	18,456	5,151	-72.1%	4,420	4,184	-5.3%
Miscellaneous Expenses	744	853	14.7%	213	227	6.6%
Net Profit Before Tax	2,452	4,444	81.2%	2,401	1,128	-53.0%
<b>Net Profit</b>	<b>3,363</b>	<b>4,207</b>	<b>25.1%</b>	<b>2,219</b>	<b>1,010</b>	<b>-54.5%</b>
<b>Basic Earnings Per Share</b>	<b>1.97</b>	<b>2.01</b>	<b>2.0%</b>	<b>1.30</b>	<b>0.46</b>	<b>-64.6%</b>

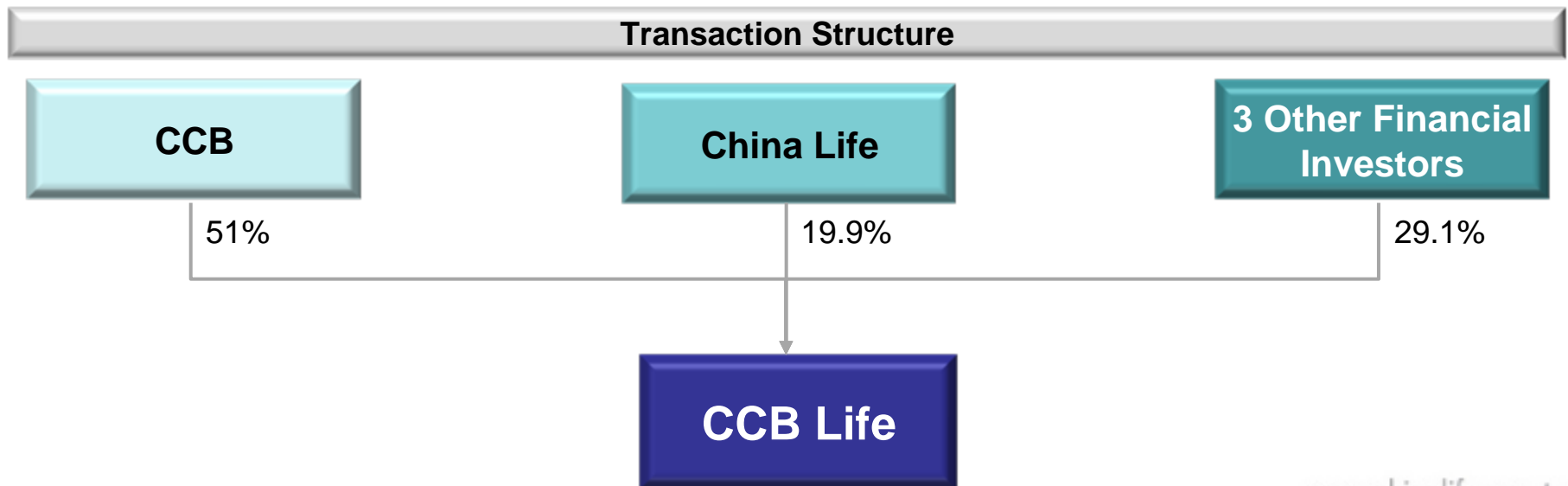
## Balance Sheet Data

Total Assets	648,753	730,326	12.6%	670,370	753,957	12.5%
Total Liabilities	616,932	697,495	13.1%	638,970	719,603	12.6%
Total Stockholders' Equity	31,821	32,831	3.2%	31,400	34,354	9.4%



# CCB Life Business Overview

- ❑ **China Life** holds **19.9%** of CCB Life stake with a total investment of NTD\$2.04 billion (RMB\$455 million), and has obtained one director seat, a supervisory seat, and nominated one independent director. China Life will continue fully assists in providing insurance expertise and technical support
- ❑ CCB Life has **5 provincial branches** in Shanghai, Guangdong, Jiangsu, Beijing and Shandong. Recently it received regulatory approval for Qingdao branch setup. The company plans to have 5 more branches in 2012, and expand to 28 branches at major locations in Mainland China by 2015.
- ❑ As of 2011, CCB Life's total assets amounted to RMB\$5.48 billion, with paid-in capital of RMB\$1.18 billion, total premium income of RMB\$1.28 billion, and net profit after tax of RMB\$ 33.2 million
- ❑ Strong Premium growth has been seen in CCB Life: total premium for 1Q 2012 was RMB\$1.46 billion, market share raking #20



## ❑ Strong Premium Growth:

Total Premium income has accelerated from CCB Life's grand opening in July 2011, representing a 127.7% growth in 2H11 from 1H11. Total premium income in 2011 was RMB\$1.28 billion, and in only the first quarter of 2012, total premium already amounted to \$1.46 billion

## ❑ Market Share Ranking Leap:

Market share ranking climbed from #40 in July 2011, to #34 in the end of 2011, and further leaped to #20 in the first quarter of 2012

## ❑ Superior Financial Structure:

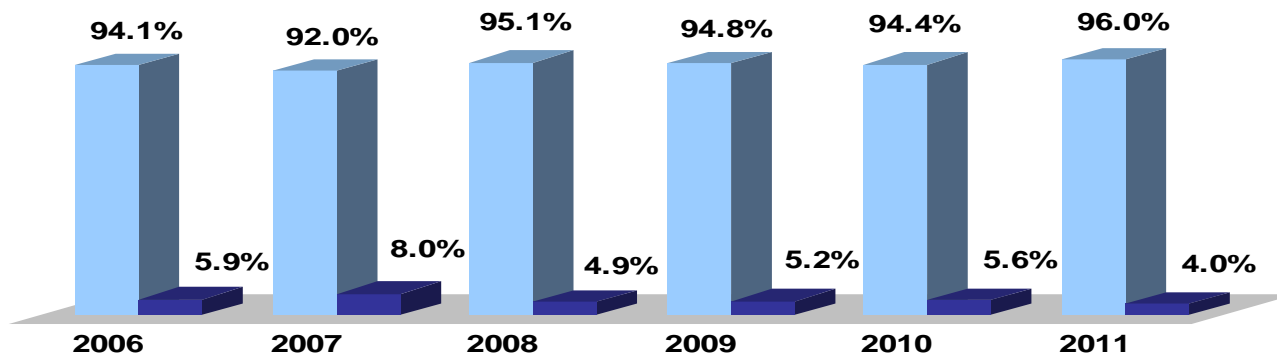
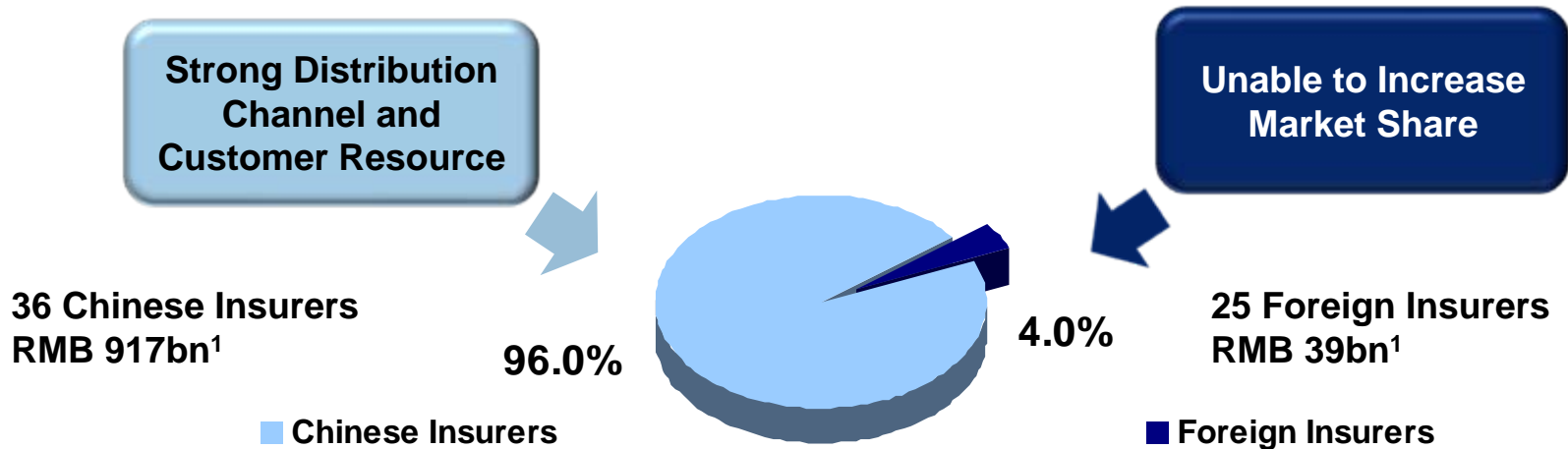
Solvency ratio reached 229% in 2011, far above the regulatory requirement of 100%, a substantial improvement from 132% in the same period last year

## ❑ Rapid Branch Expansion:

CCB Life currently has 29 operational locations, including 5 provincial branches

# ▶▶ 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



# Business Target

