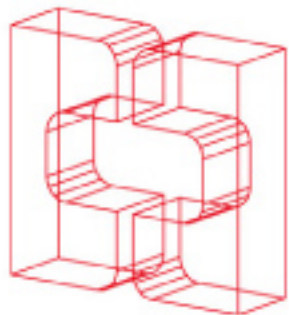


# China Life Insurance Co., Ltd.

November 2012

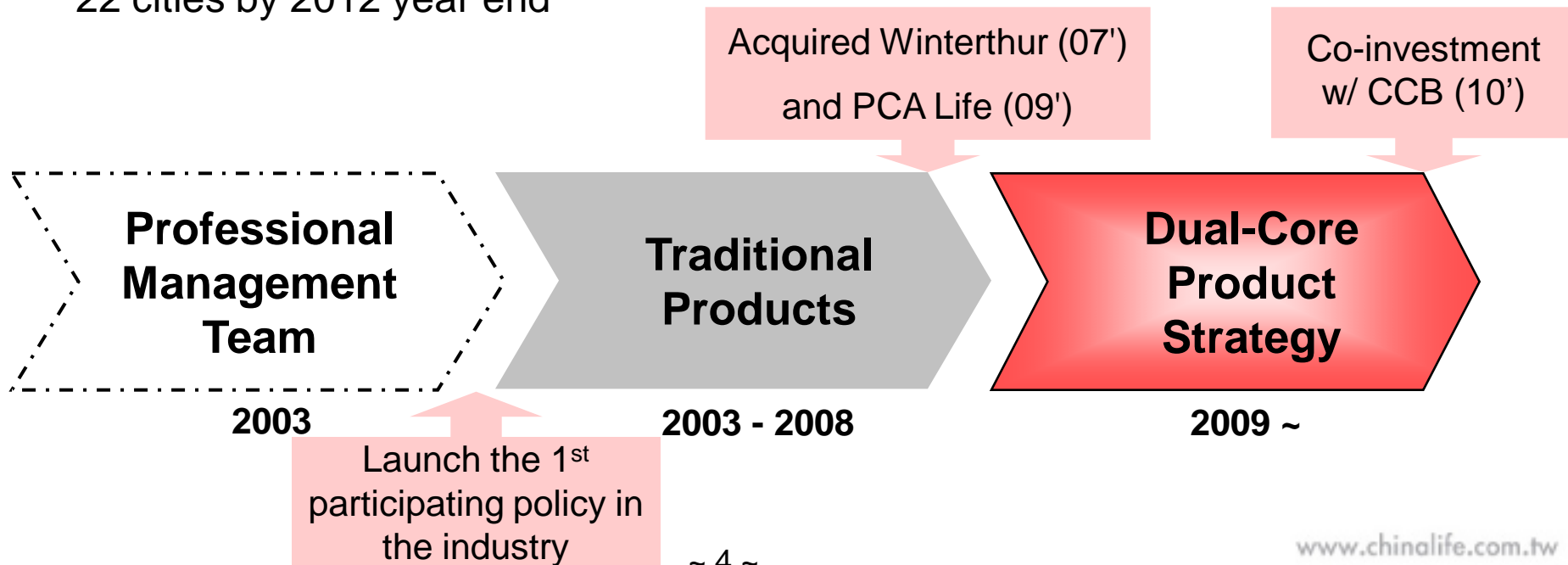
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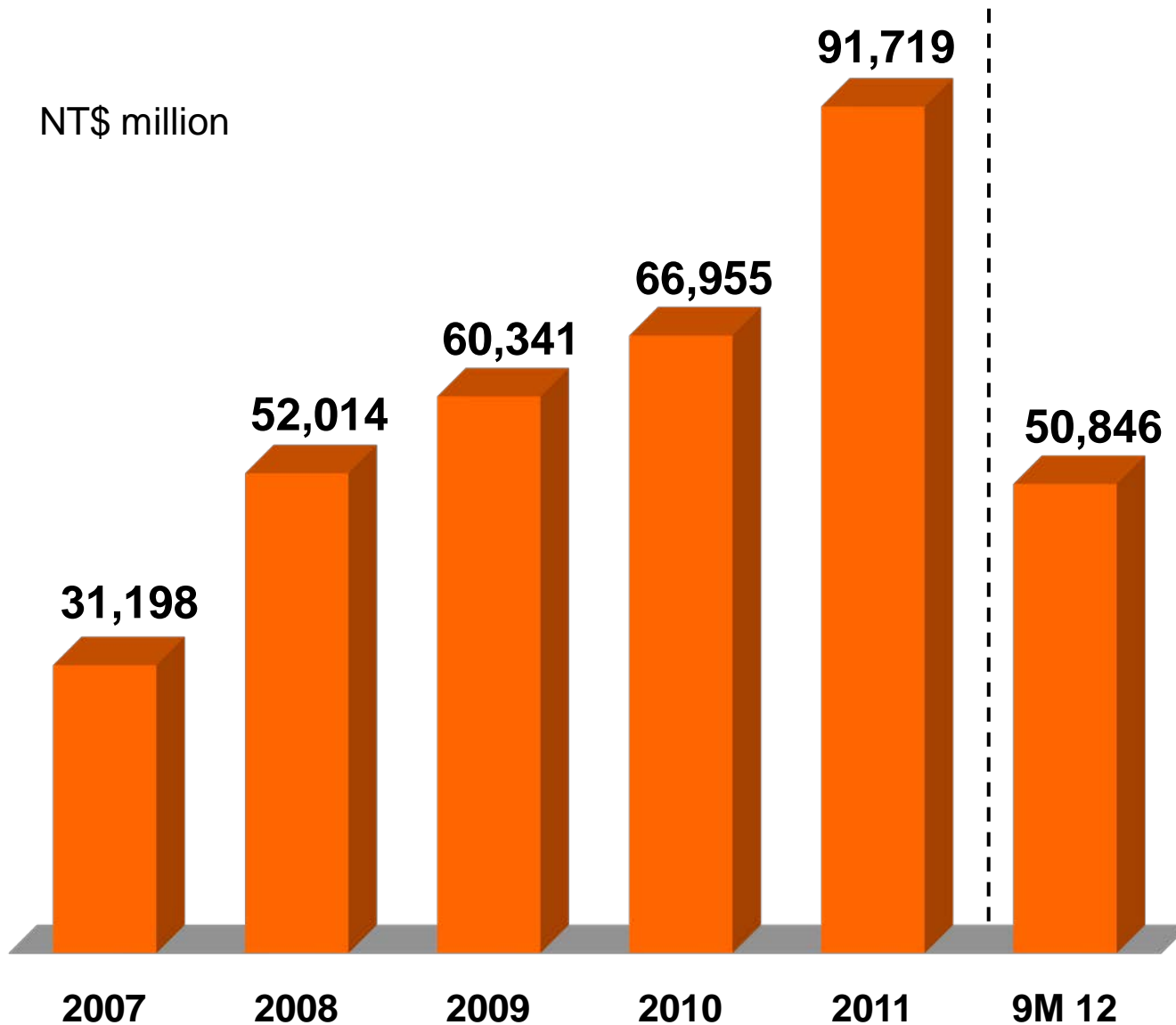
# Business Performance

# Business Strategies

- ❑ Keep promoting traditional policies to further average down cost of liability (COL)
- ❑ Focus on long-term regular paid policies & high EV contribution products
- ❑ Entered into an agreement with China Construction Bank in 2010, to invest in CCB Life; Currently it has 8 branches in Shanghai, Guangdong, Jiangsu, Beijing, Shandong, Qingdao, Suzhou, and Shenzhen, with business permits in 19 cities, and is expected to have operations in 22 cities by 2012 year end

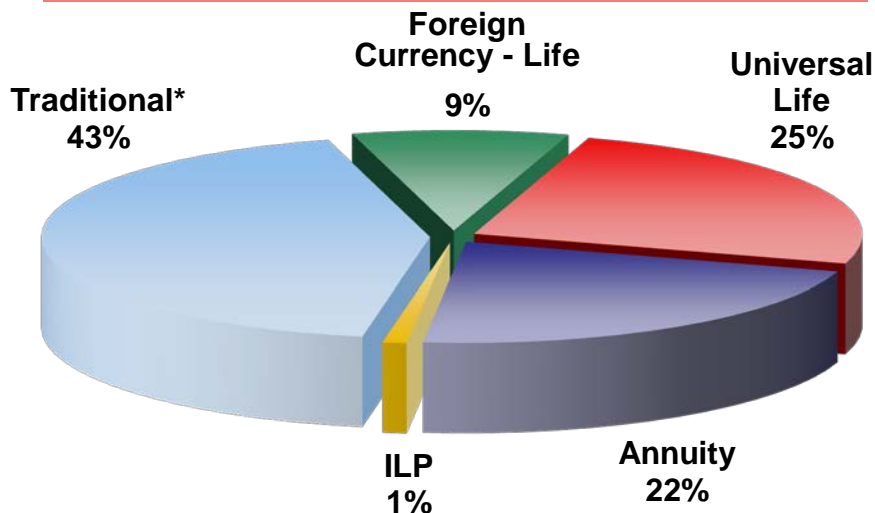


# ▶▶ First Year Premium (FYP)

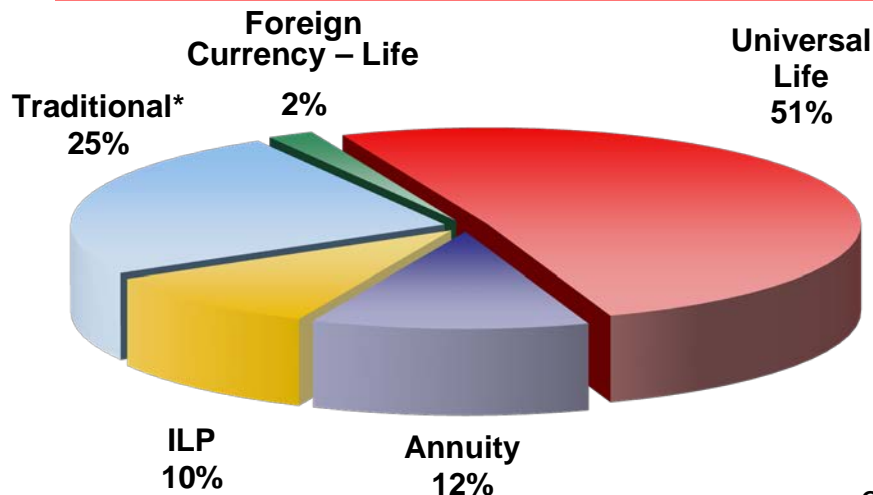


# ▶ Product Mix (YoY Comparison)

## 9M 12 - FYP



## 9M 11 - FYP



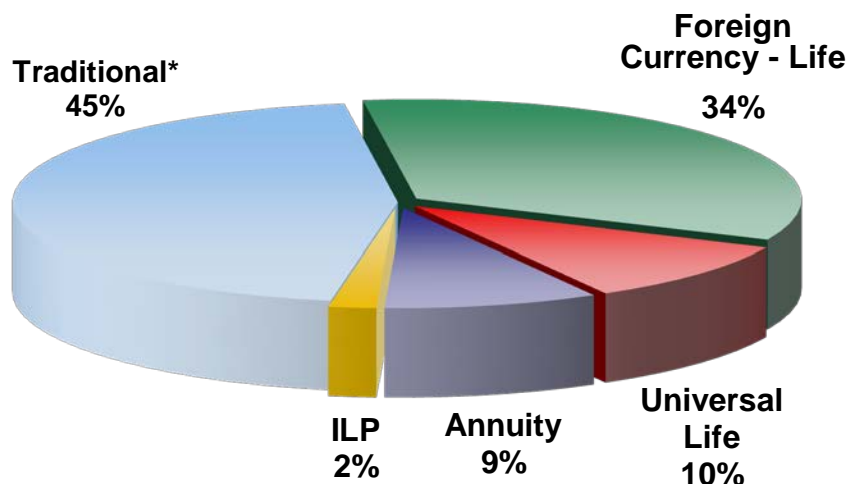
- ❑ Keep developing diverse product offering and target at high margin regular paid products
- ❑ Build up a complete investment linked product (ILP) platform to satisfy customers with different risk preference
- ❑ Increase the sale of protection-based foreign currency policies to enhance clients' portfolio diversification

### \*Traditional:

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

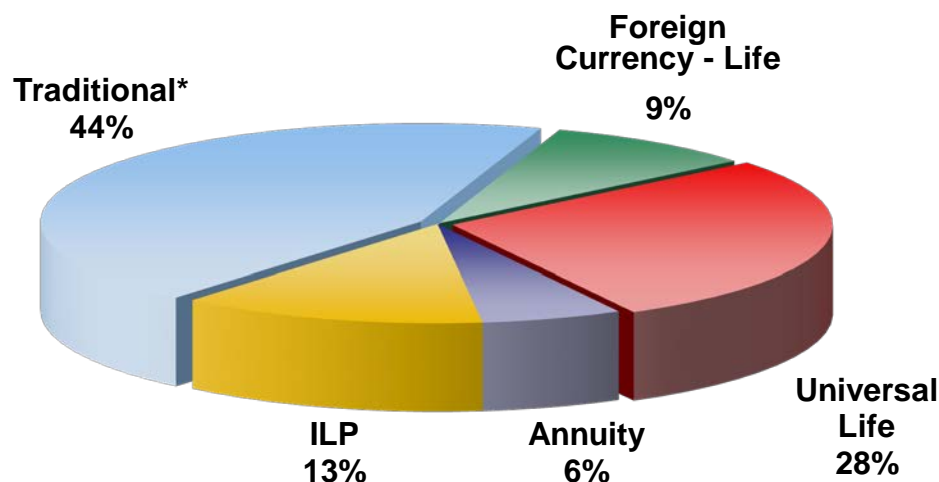
# ▶ Product Mix (APE Comparison)

## 9M 12 - 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

## 9M 11 - FYP by APE



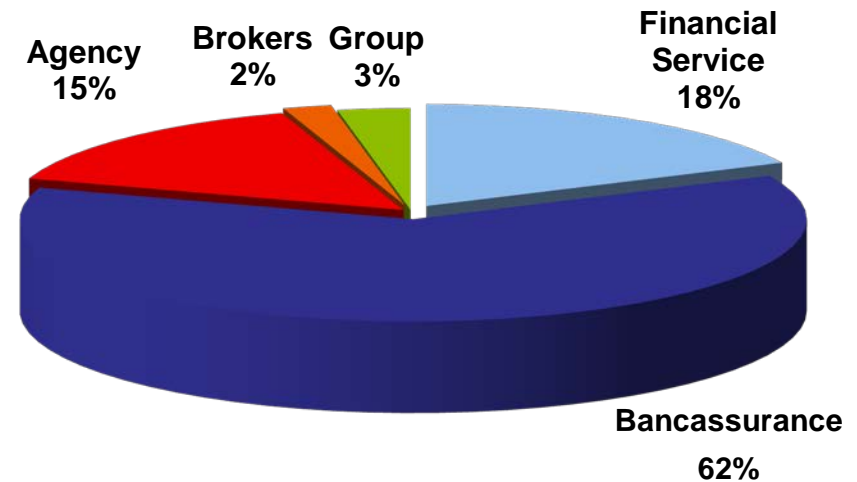
\* **Traditional:**  
incl. Participating, Non-participating, Interest sensitive life, A&H, riders, & short term etc.

\*\* **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

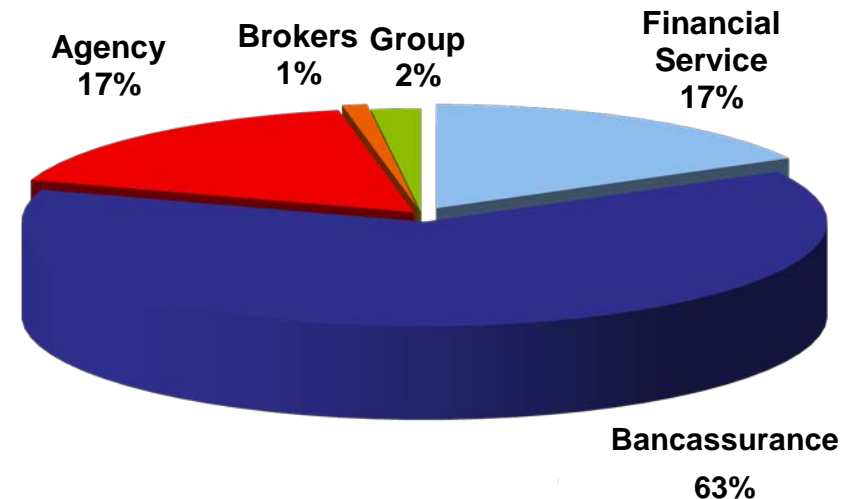
# ►► Distribution Channels (by YoY)

- ❑ 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

## 9M 12 – FYP



## 9M 11 – FYP

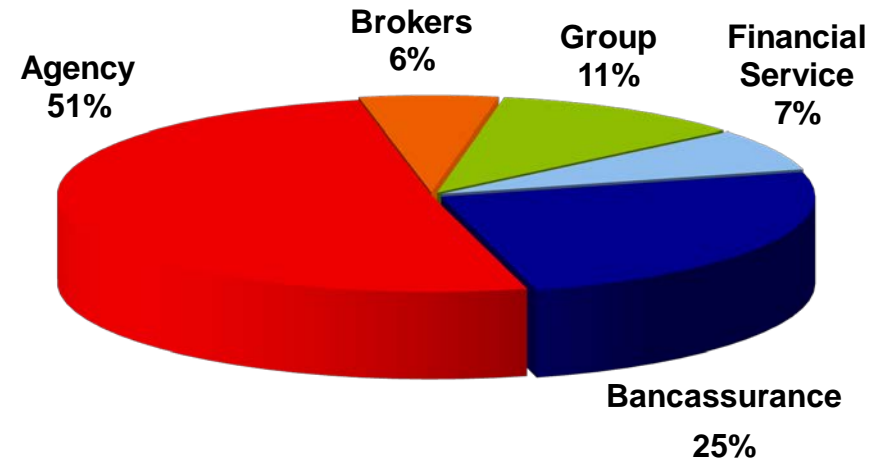




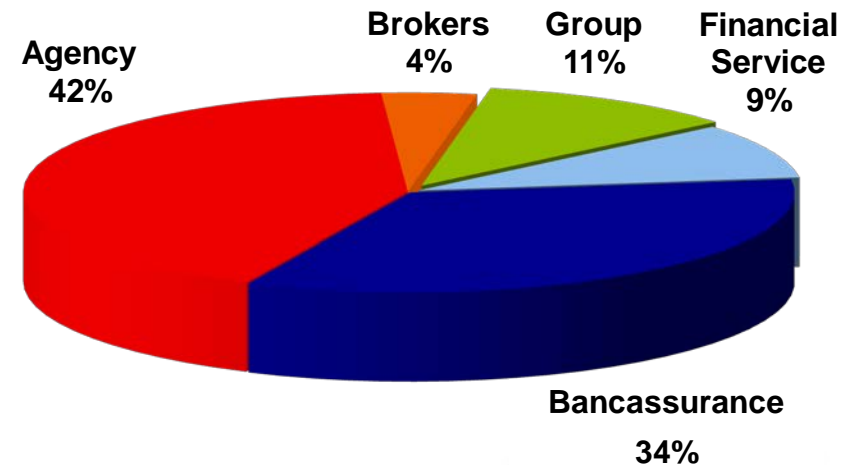
# ▶▶▶ Distribution Channels (by APE)

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

## 9M 12 - FYP by APE

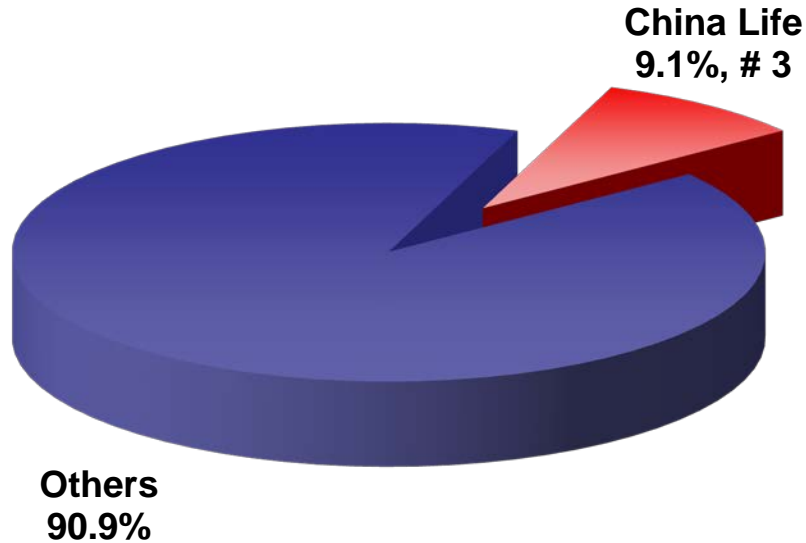


## 9M 11 – FYP by APE

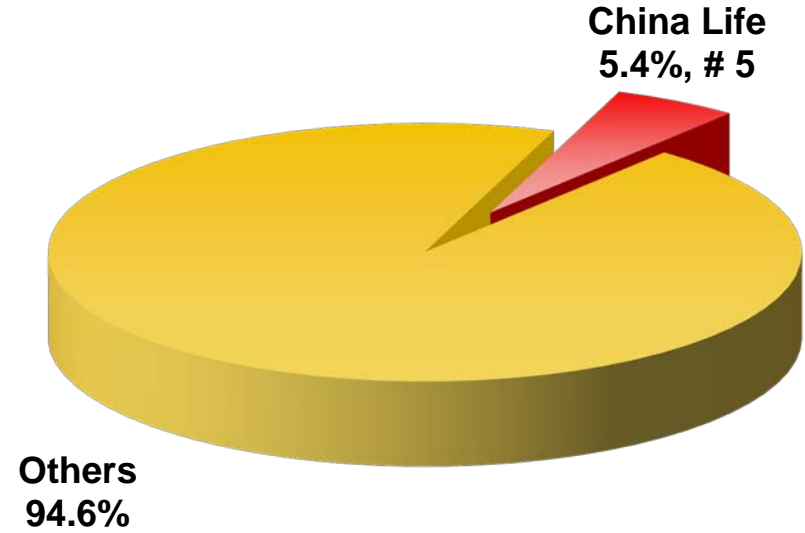


**\*APE (Annual Premium Equivalent)**  
= Total amount of regular premiums from new business + 10% of the total amount of single premiums on business written during the period

9M 11



9M 12

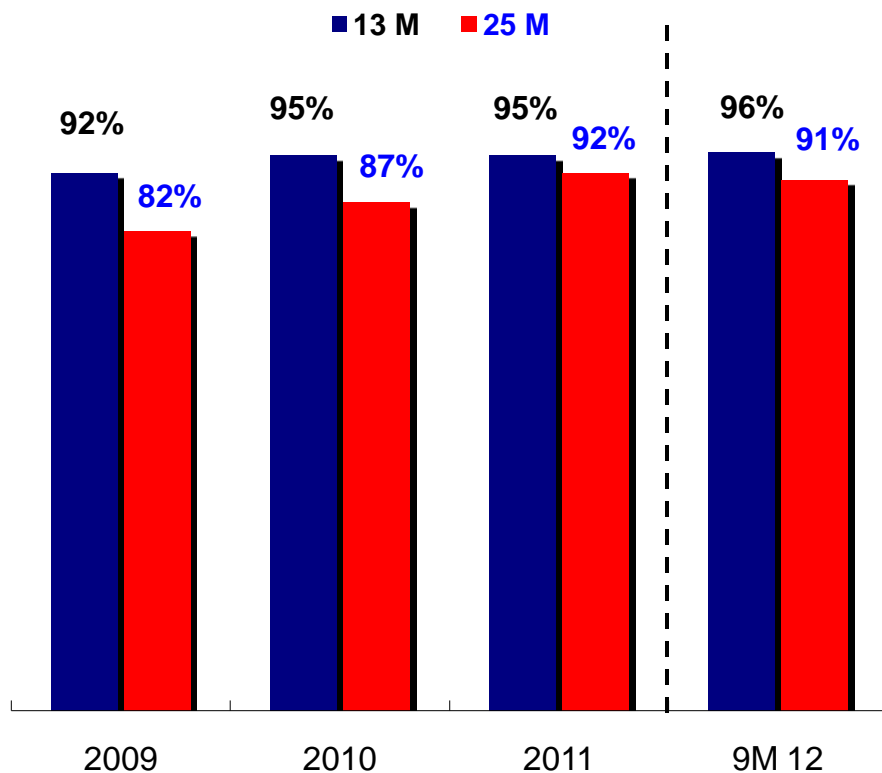


- ❑ Provide segregated products according to different channel customer demands
- ❑ Combine traditional & investment linked products to enjoy cross-sell benefits
- ❑ Target at high net worth individuals to provide wealth management services
- ❑ Strengthen protection on accident & medical policies

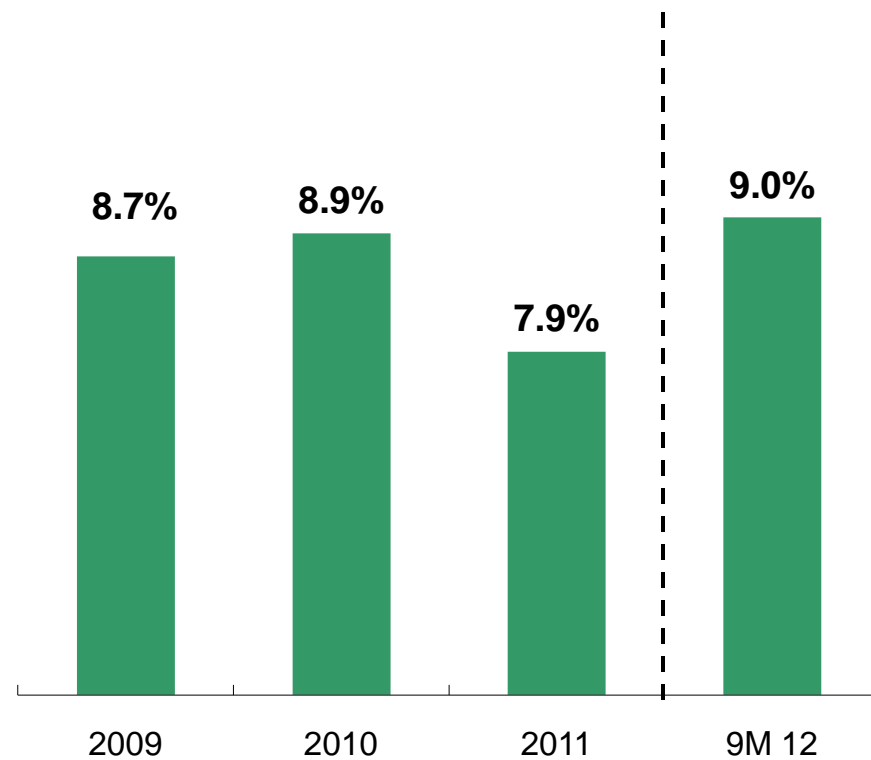
# Financial Highlights

NT\$ million	2011	9M 11	9M 12	+/- %
First Year Premium	91,719	68,380	50,846	-26%
Total Premium	144,789	107,131	91,711	-14%
Investment Income	24,151	18,612	19,997	7%
Profit before Tax	4,444	4,029	4,265	6%
Income Tax	(237)	(26)	(256)	885%
<b>Net Profit</b>	<b>4,207</b>	<b>4,003</b>	<b>4,009</b>	0%
Basic EPS	2.01	1.95	1.71	-12%
Total Asset	730,326	717,082	797,774	11%
Paid-in Capital	21,994	21,994	23,878	9%
Net worth	32,831	33,039	37,947	15%

## Persistency Ratio



## Expense Ratio



## ❑ Fixed Income

- Accounts for more than 80% of total invested assets
- Emphasizes on Asset Liability Matching principle
- Domestic fixed income accounts for 41% of total portfolio; Largely allocated in long duration government or state-owned bonds

## ❑ Domestic Equities

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

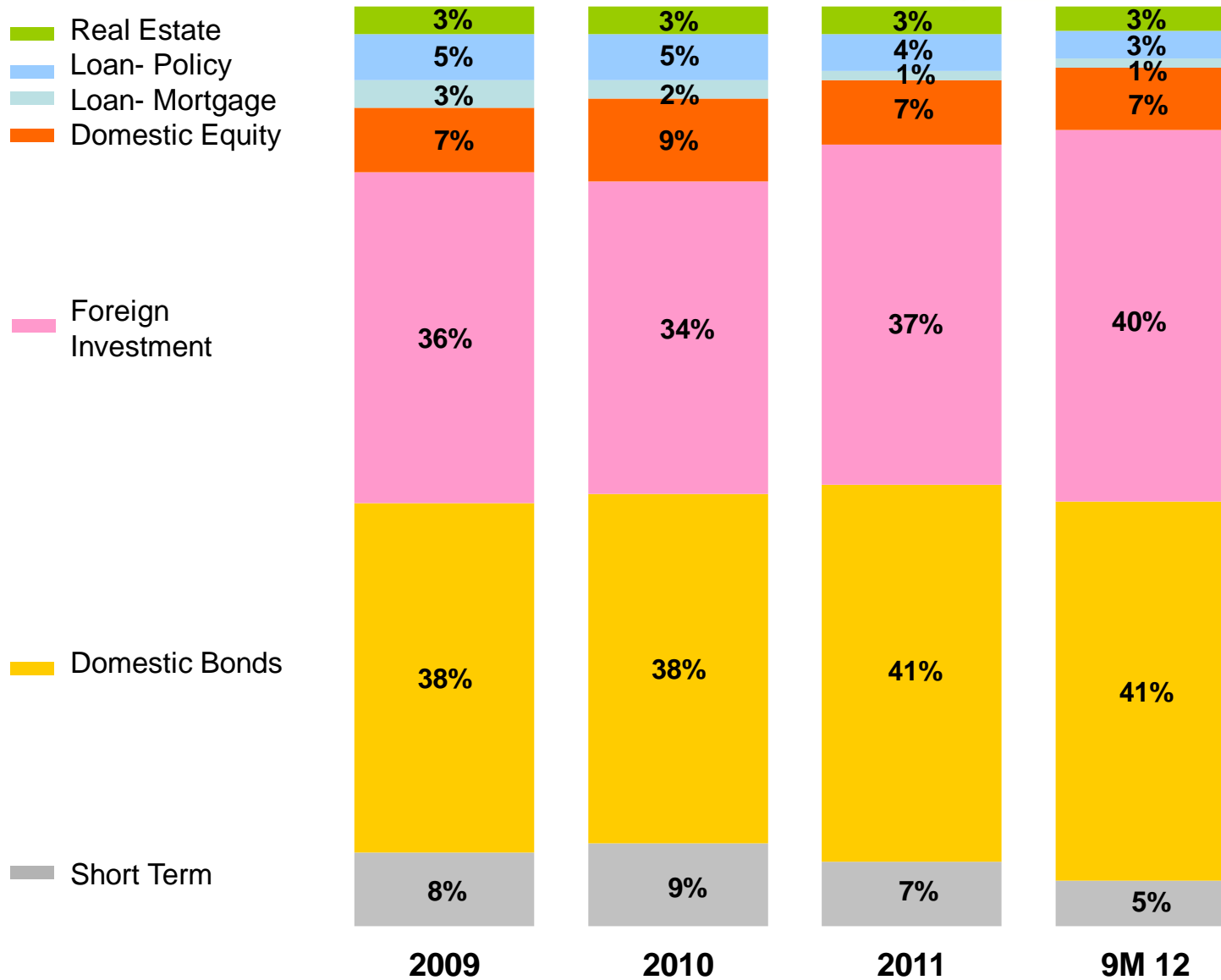
## ❑ Foreign Investment

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

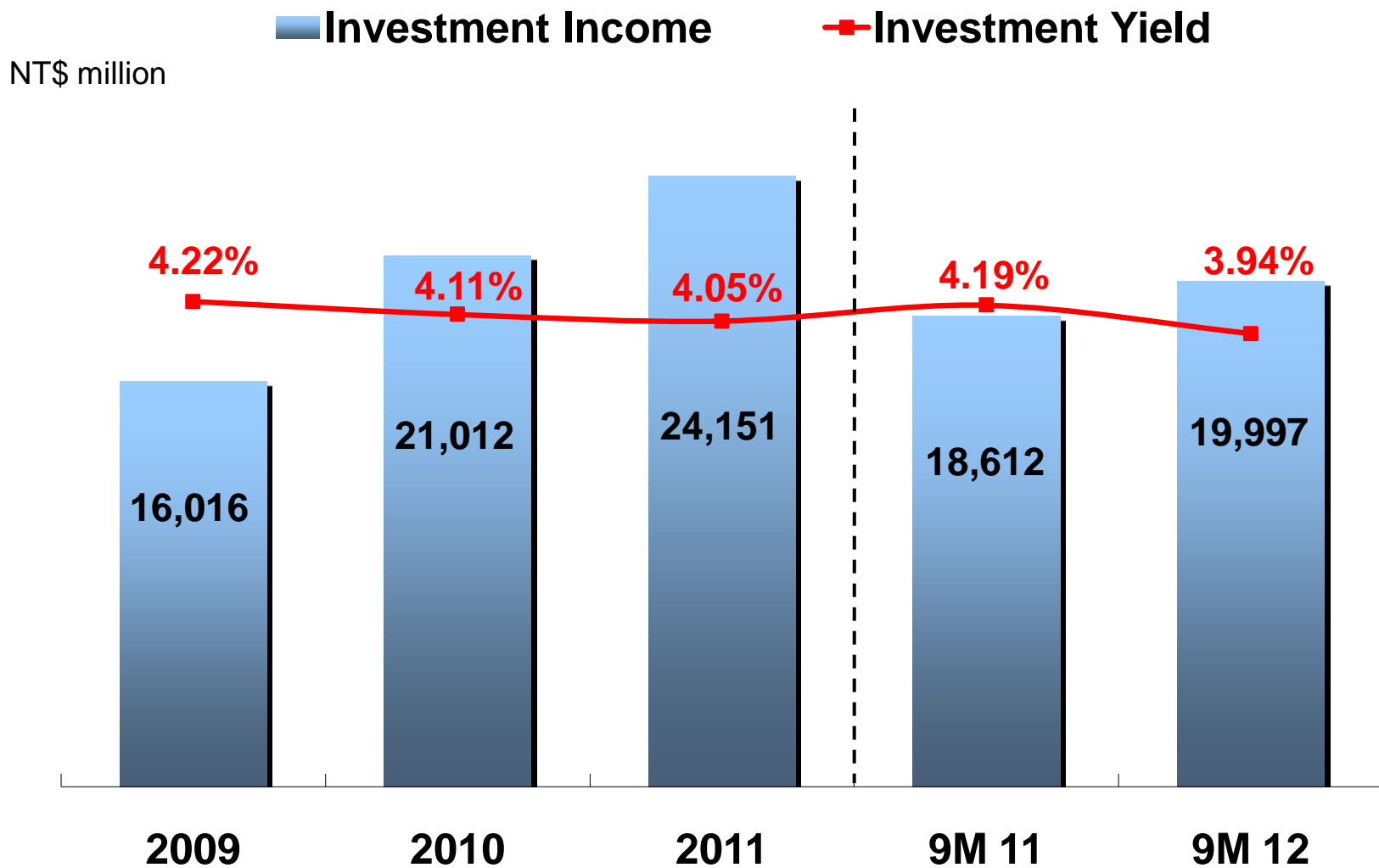
## ❑ Real Estate

- 3% of total assets
- Target at Grade A commercial buildings with 2.5%+ rental yield
- Select areas with high appreciation potential

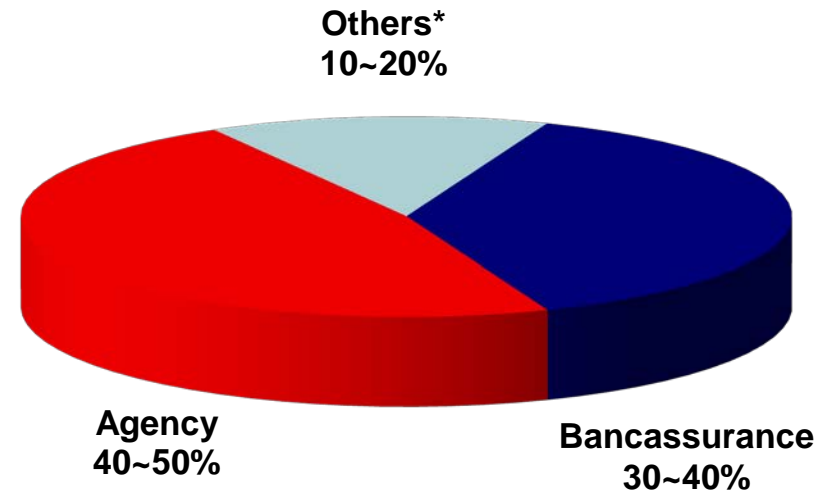
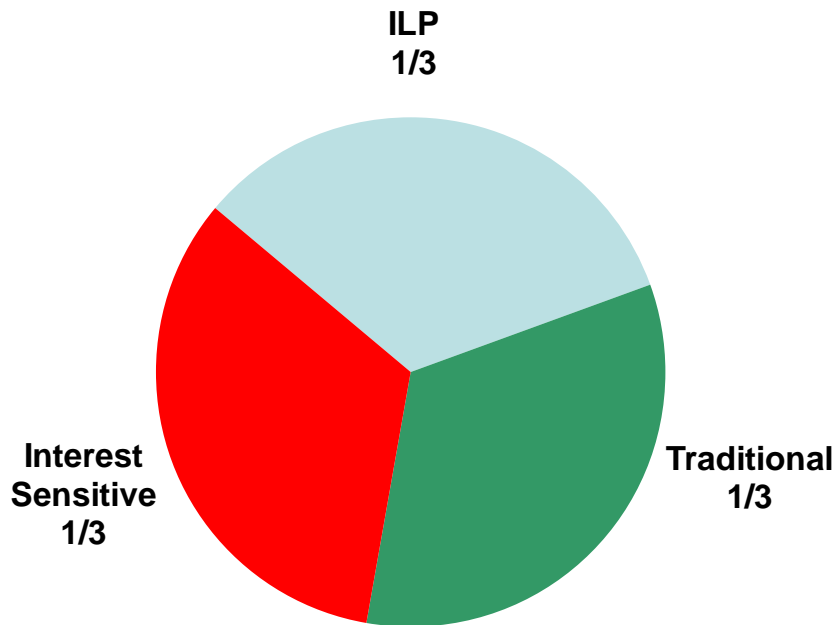
# Asset Portfolio



# ▶▶▶ 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:



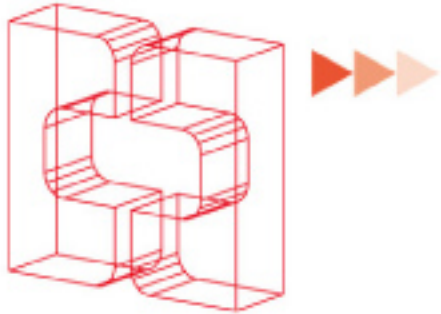
\* Others include financial services team, group insurance and brokers



# ▶▶ Financial Summary

NT\$ million

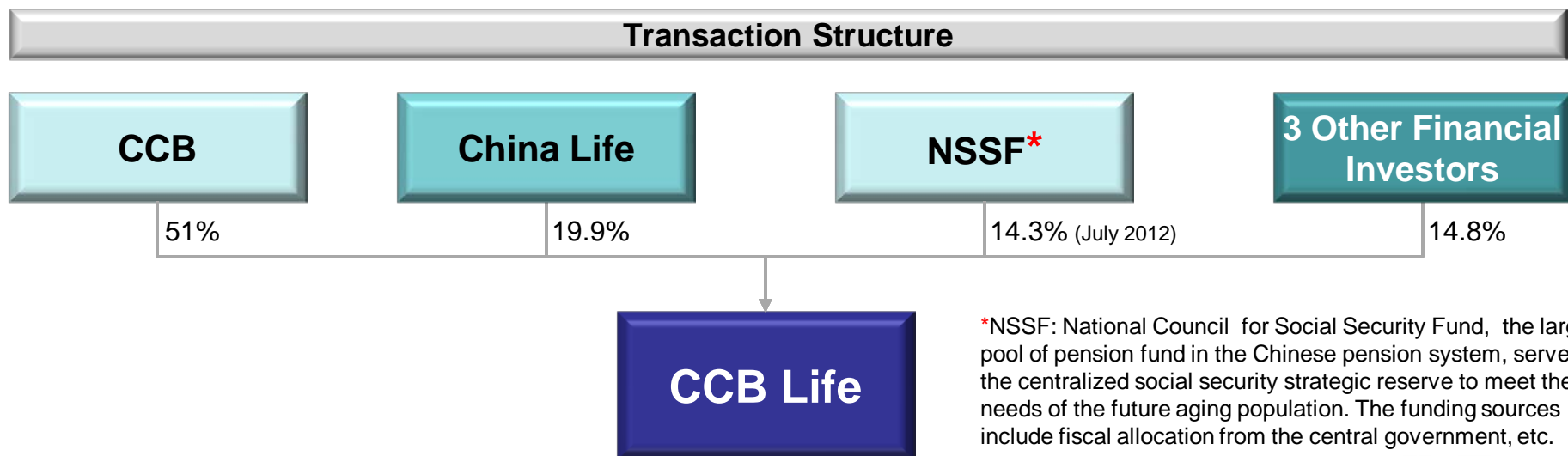
<u>Income Statement Data</u>	<u>2010</u>	<u>2011</u>	<u>Variance</u>	<u>9M 11</u>	<u>9M 12</u>	<u>Variance</u>
Premium Income	107,384	128,923	20.1%	93,765	84,437	-9.9%
Net Investment Income	21,012	24,151	14.9%	18,612	19,997	7.4%
Other Revenue - separate account	18,456	5,151	-72.1%	3,983	7,698	93.3%
Miscellaneous Income	749	1,787	138.6%	1,386	908	-34.5%
Benefits to Policyholders and Beneficiaries	38,259	55,836	45.9%	38,577	35,745	-7.3%
Acquisition and Operation Expenses	9,113	9,871	8.3%	7,149	7,448	4.2%
Change in Actuarial Liabilities	78,577	83,857	6.7%	63,372	57,206	-9.7%
Other Operating Cost - separate account	18,456	5,151	-72.1%	3,983	7,698	93.3%
Miscellaneous Expenses	744	853	14.7%	636	678	6.6%
Net Profit Before Tax	2,452	4,444	81.2%	4,029	4,265	5.9%
<b>Net Profit</b>	<b>3,363</b>	<b>4,207</b>	<b>25.1%</b>	<b>4,003</b>	<b>4,009</b>	<b>0.1%</b>
<b>Basic EPS</b>	<b>1.97</b>	<b>2.01</b>	<b>2.0%</b>	<b>1.95</b>	<b>1.71</b>	<b>-12.3%</b>
<b><u>Balance Sheet Data</u></b>						
Total Assets	648,753	730,326	12.6%	717,082	797,774	11.3%
Total Liabilities	616,932	697,495	13.1%	684,043	759,827	11.1%
Total Stockholders' Equity	31,821	32,831	3.2%	33,039	37,947	14.9%



# CCB Life Business Overview

# CCB Life Introduction

- **China Life** holds **19.9%** stake of CCB Life, with a total investment amount of NTD\$7.4 billion (RMB\$1.58 billion), and obtained one director seat, a supervisory seat, and nominated one independent director. China Life will continue to fully assist in providing insurance expertise and technical support to CCB Life
- CCB Life currently has 8 branches in Shanghai, Guangdong, Jiangsu, Beijing, Shandong, Qingdao, Suzhou, and Shenzhen, with business permits in 19 cities, and is expected to have operations in 22 cities by 2012 year end
- As of Sep 2012, CCB Life's total assets amounted to RMB\$15.8 billion, with paid-in capital of \$4.5 billion, total premium income of \$4.4 billion, and net profit after tax of \$ 33 million; in terms of paid-in capital, CCB Life became 9<sup>th</sup> largest life insurance company



## ❑ Strong Premium Growth:

Total Premium income has accelerated from CCB Life's grand opening in July 2011. As of September 2012, It has generated RMB\$ 4.4 billion premium income, with net income of RMB\$ 33 million, already surpassed the full year result last year, and targets at reaching \$6 billion premium income by year end

## ❑ Market Share Ranking Leap:

Market share ranking climbed from #40 in July 2011, to #34 in the end of 2011, and further leaped to #19 as of September 2012

## ❑ Diversified Distribution Network:

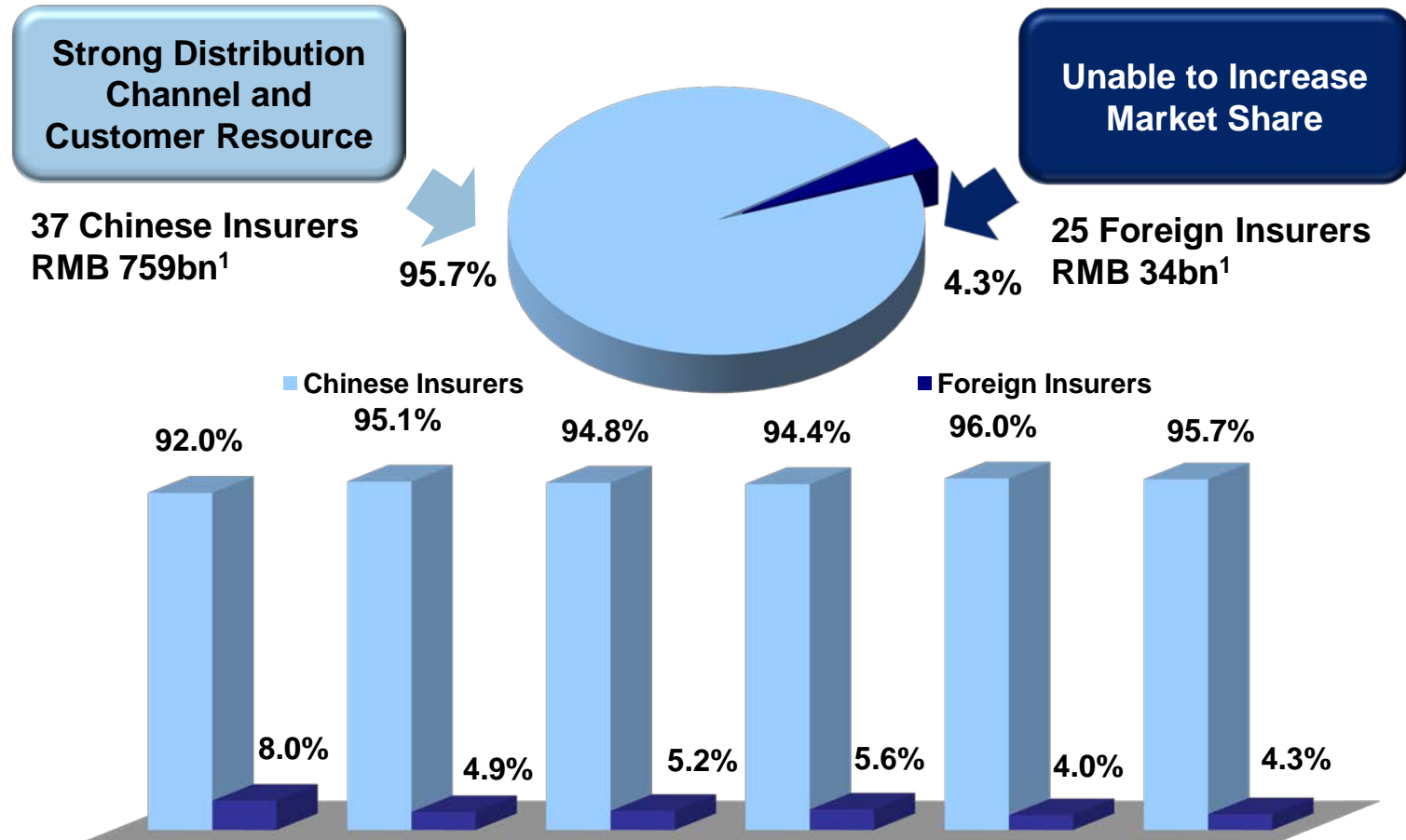
Add telemarketing and credit card cross-selling to the existing bancassurance, agency, and group insurance channels; and for bancassurance channel expansion, on top of the original CCB network, CCB Life enters into business agreements with 5 other banks

## ❑ Rapid Branch Expansion:

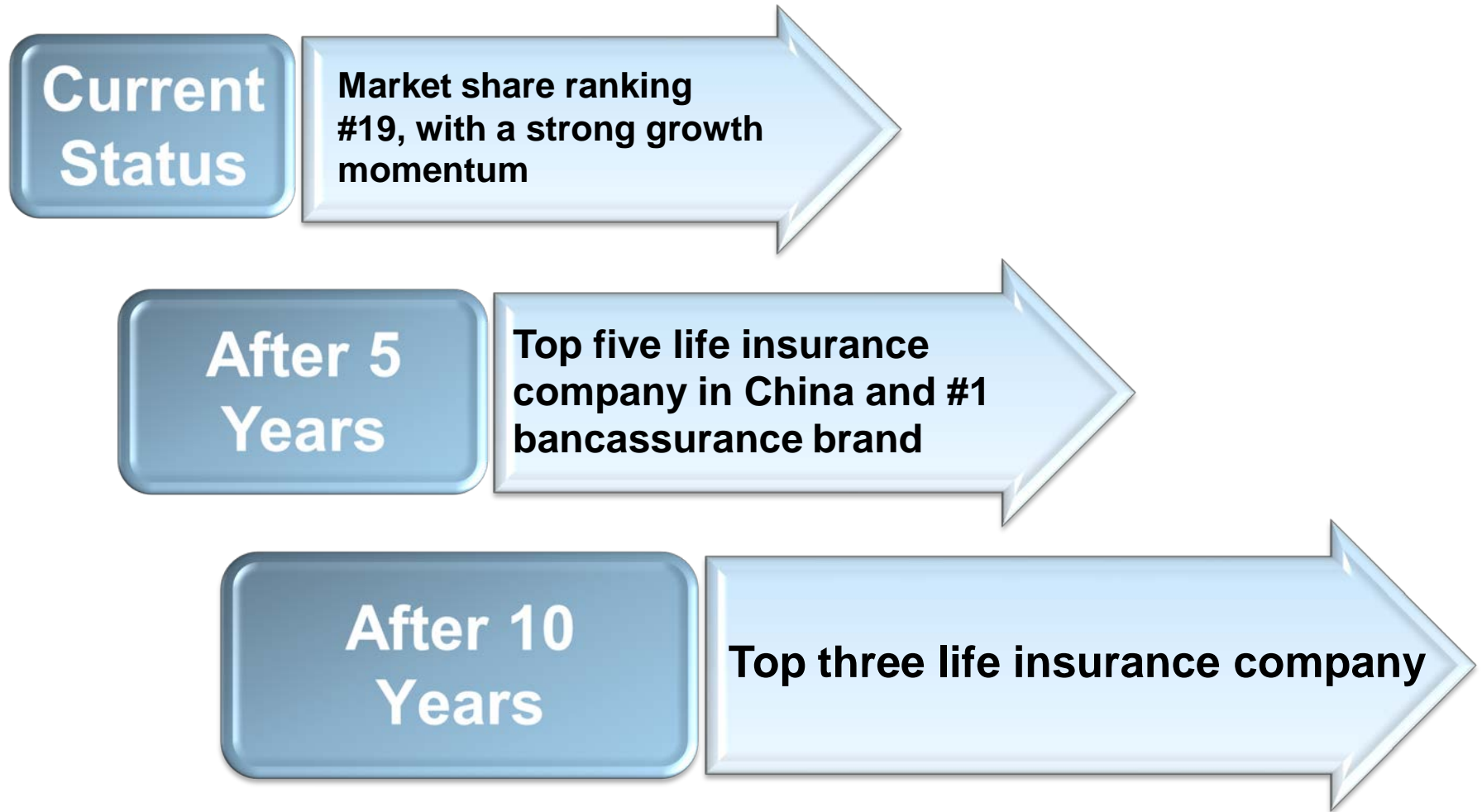
CCB Life currently has 8 branches nationwide, with business permits in 19 cities, and is expected to have operations in 22 cities by the end of 2012

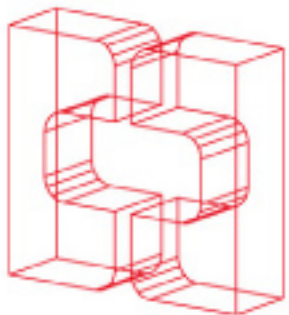
# ▶▶ Mainland China Strategy

- ❑ Team up with the most competitive partner with strong distribution advantage 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 1 : 2012 9M Total Premium (Source: CIRC website).





# Embedded Value

## Investment Return

**2011**

### Traditional Policies

Year 1 ~ Year 10 : **3.75% ~ 5.14%**

On and After Year 11 : **5.15%**

### Interest Sensitive Policies

Year 1 ~ Year 10 : **2.75% ~ 4.4%**

On and After Year 11 : **4.5%**

**2010**

### Traditional Policies

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

On and After Year 7 : **5.25%**

### Interest Sensitive Policies

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

On and After Year 7 : **4.6%**

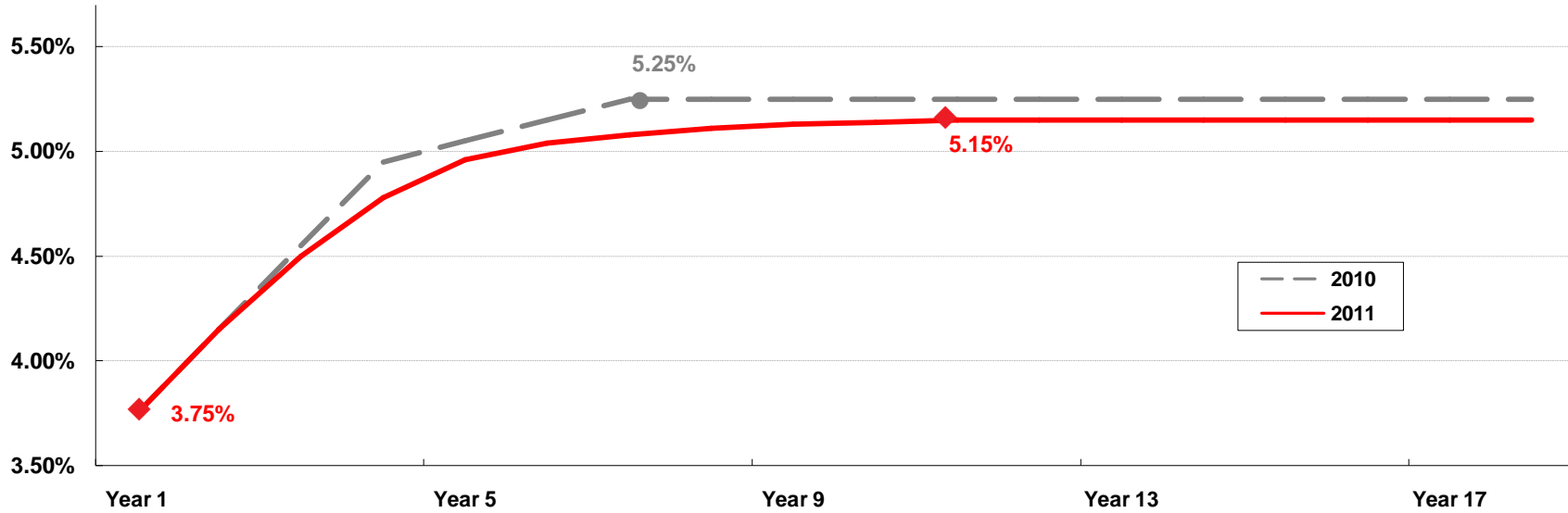
## Risk Discount Rate

Same as 2010: **10.5%**

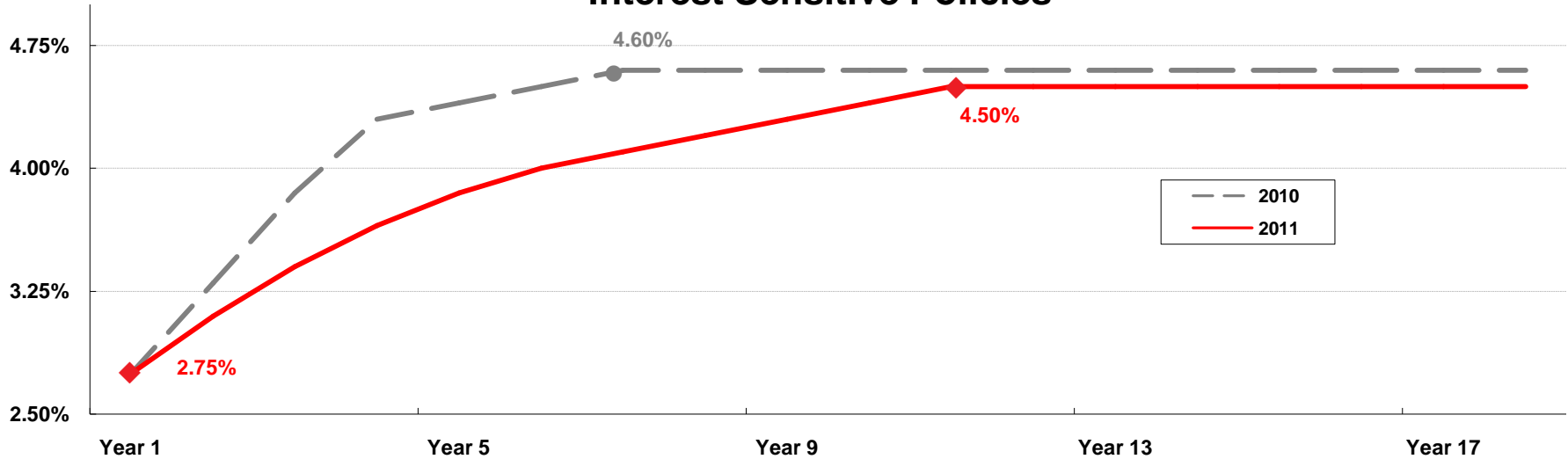


# ▶▶▶ Investment Return Comparison

## Traditional Policies



## Interest Sensitive Policies



# YoY Embedded Value

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

Valuation Date	2010/12/31	2011/12/31	YoY %
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