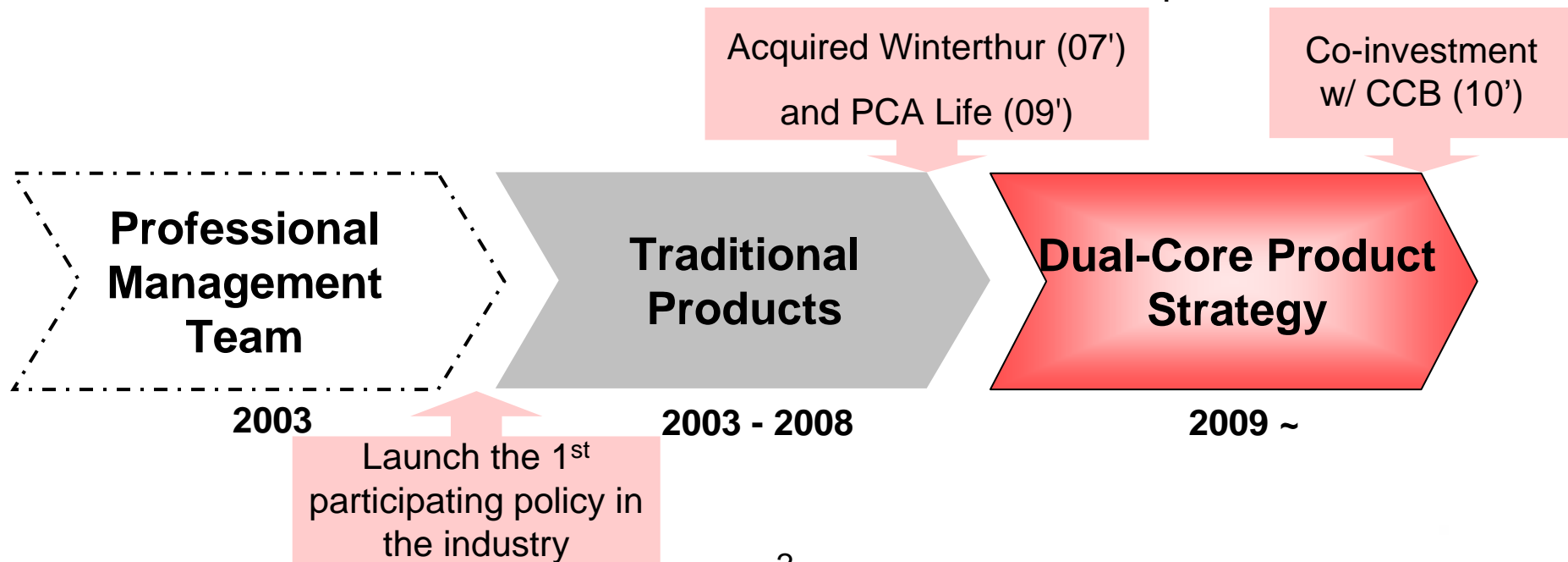


# China Life Insurance Co., Ltd.

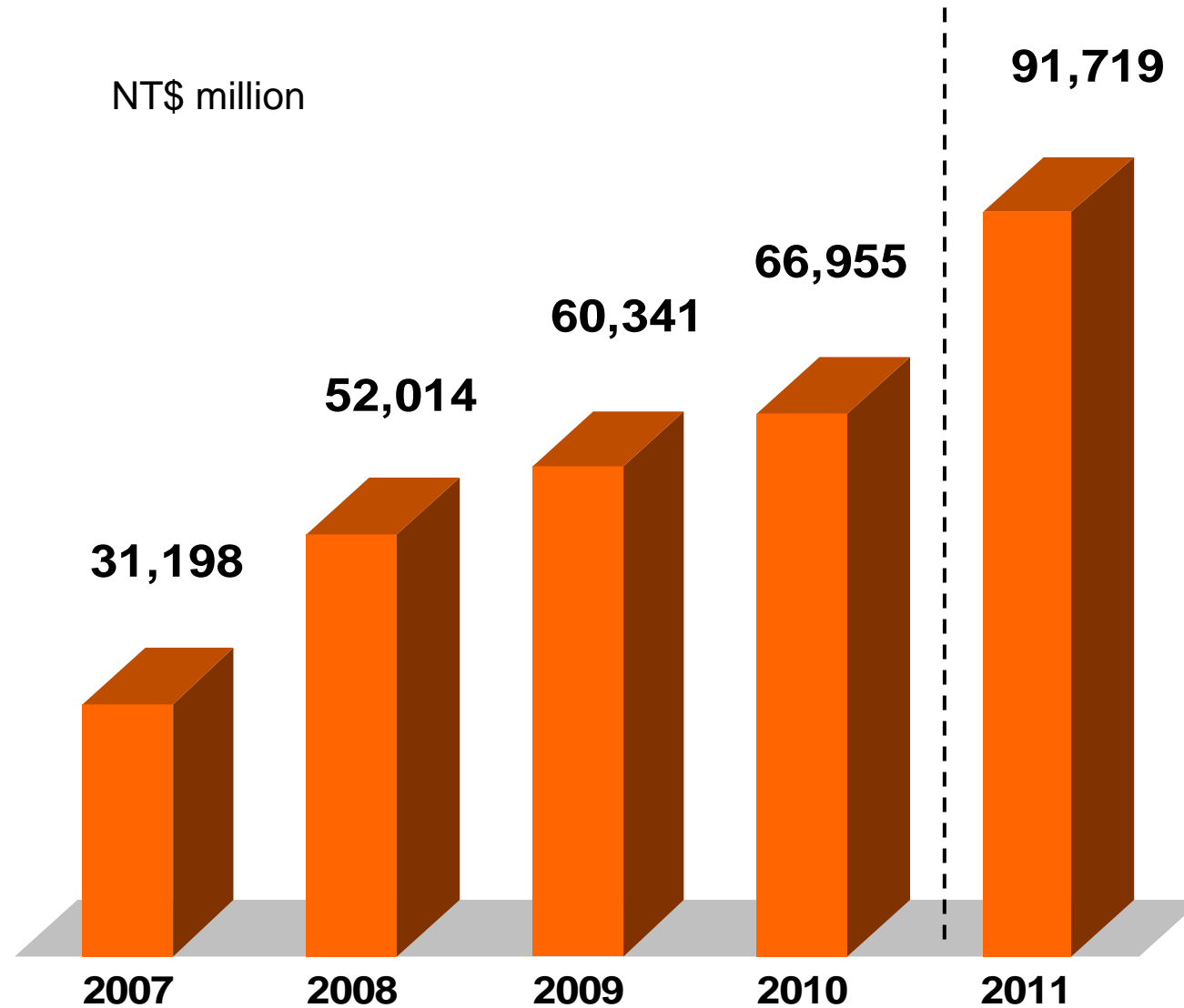
February 2012

# 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
- ❑ To fortify corporate governance and transparency in financial disclosures, an Audit Committee and a Remuneration Committee were set up



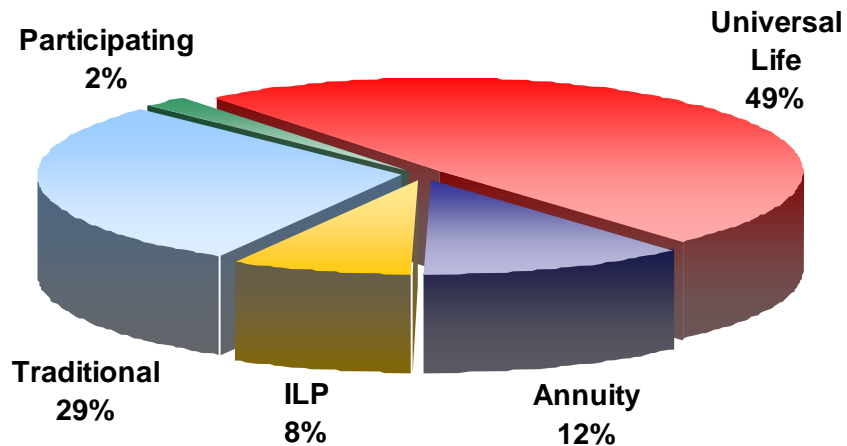
# ▶▶▶ First Year Premium (FYP)



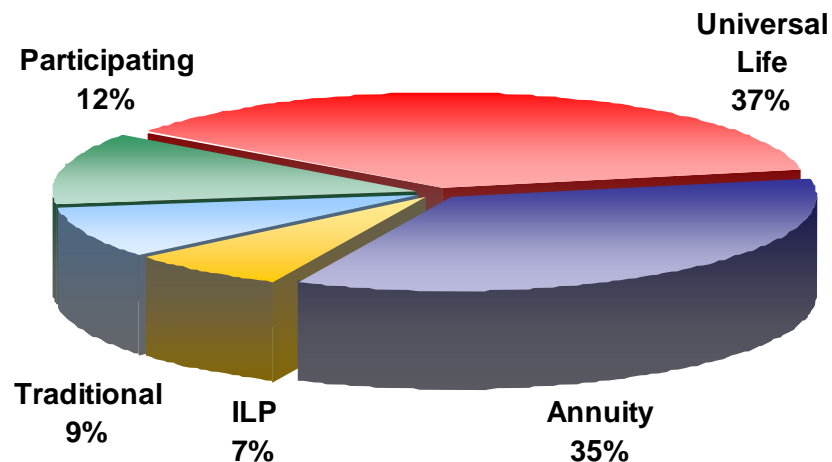
FYP YoY growth:  
**China Life: 37%**  
Industry: (-14%)

# Product Mix (YoY Comparison)

## 2011 - FYP



## 2010 - FYP

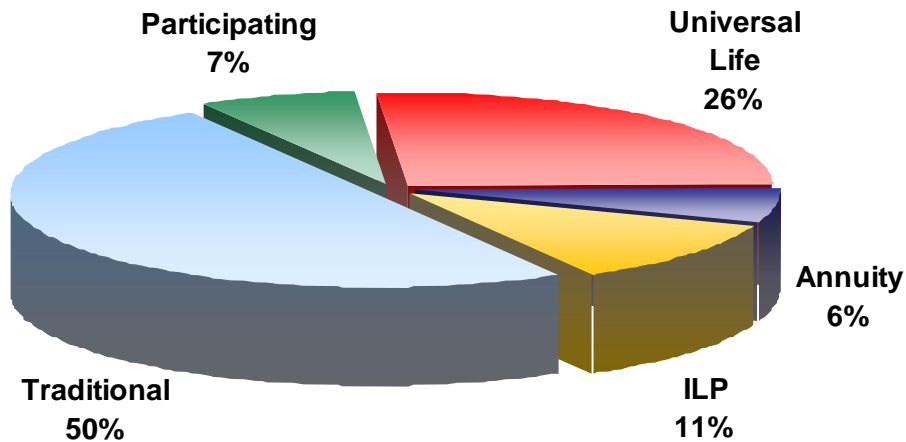


- ❑ Build up a complete investment linked product (ILP) platform to satisfy customers with different risk preference
- ❑ Keep developing diverse product offering and target at high net worth individuals
- ❑ Increase the sale of protection-based foreign currency policies to enhance clients' portfolio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

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

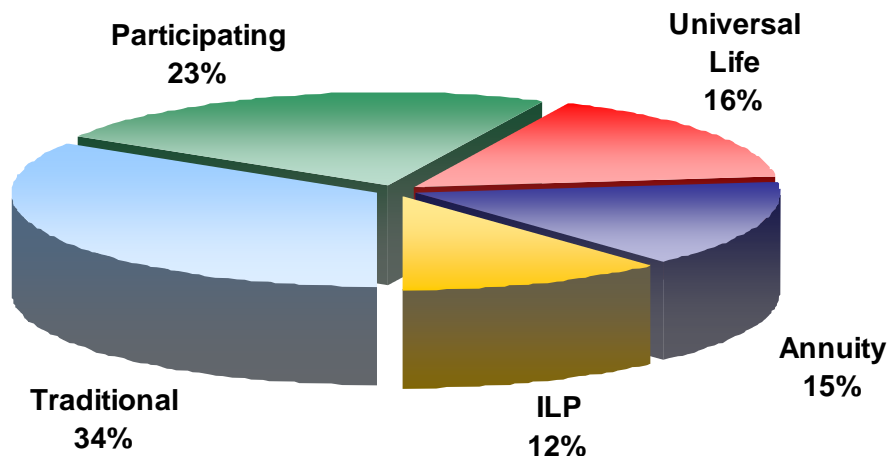
# ▶▶ Product Mix (APE Comparison)

## 2011 - 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

## 2010 – FYP by APE



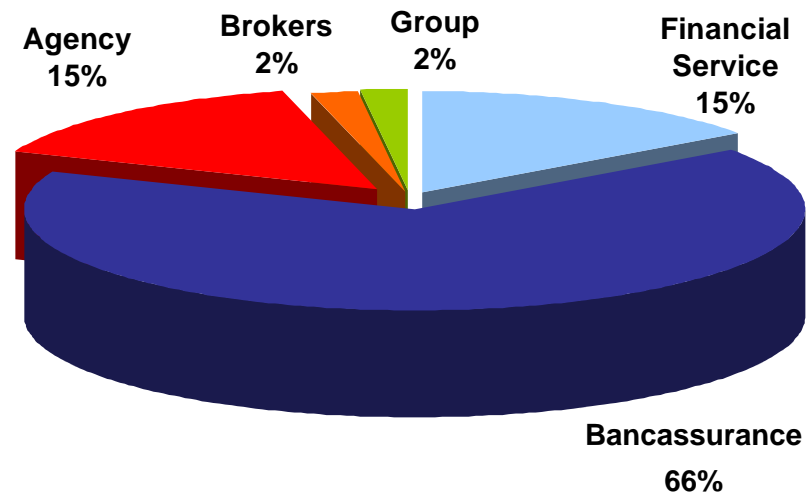
\* **Traditional:**  
incl. Non-participating, A&H, riders, & short term etc.

\*\* **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

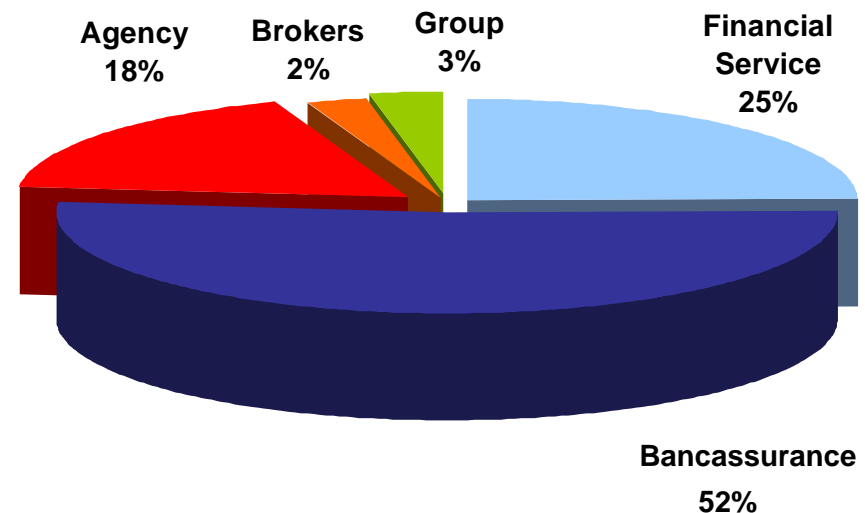
## ▶▶▶ Distribution Channels (by YoY)

- ❑ 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 2011, 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

### 2011 – FYF



### 2010 – FYF

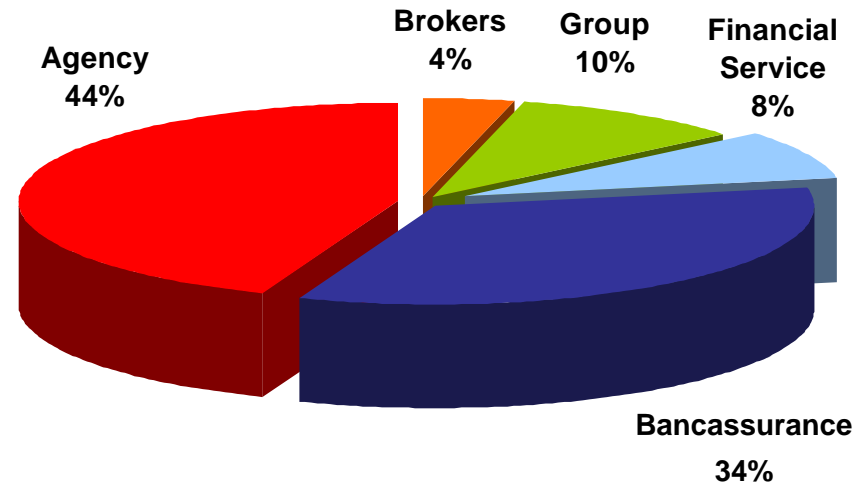


# ▶▶▶ Distribution Channels (by APE)

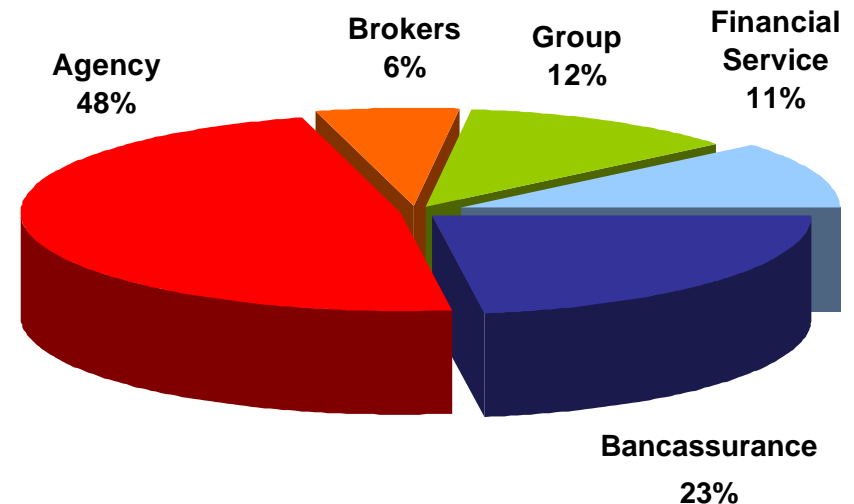
- ❑ Expand and broaden multi-channel platform to tap on different segment customers
- ❑ Increased agency channel contribution significantly post PCA Life acquisition
- ❑ Enlarge sales from high profit margin channels and maximize cross-selling opportunities

\* **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

## 2011 - FYP by APE

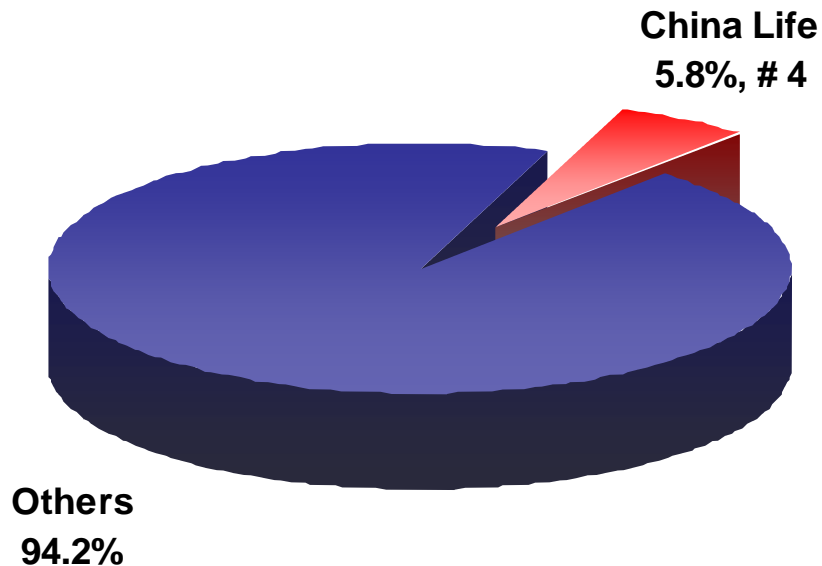


## 2010 – FYP by APE

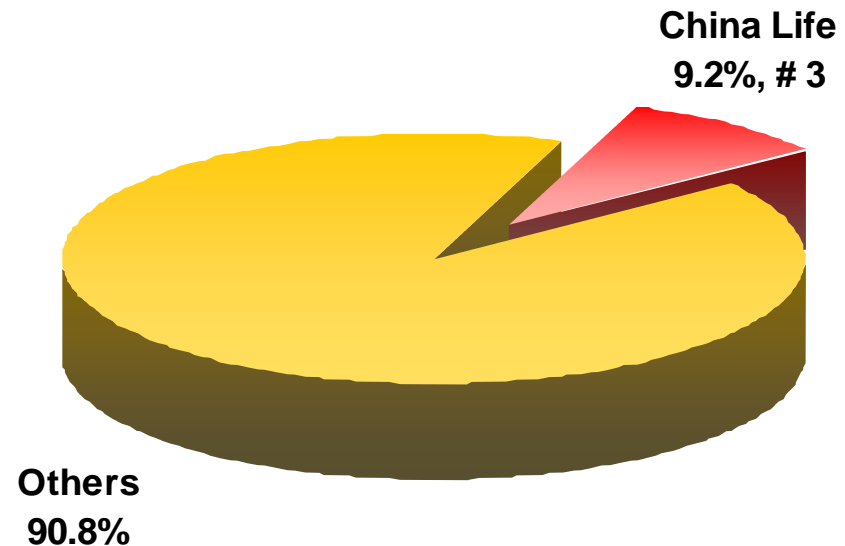


# Market Share - FYP

2010



2011



- ❑ 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

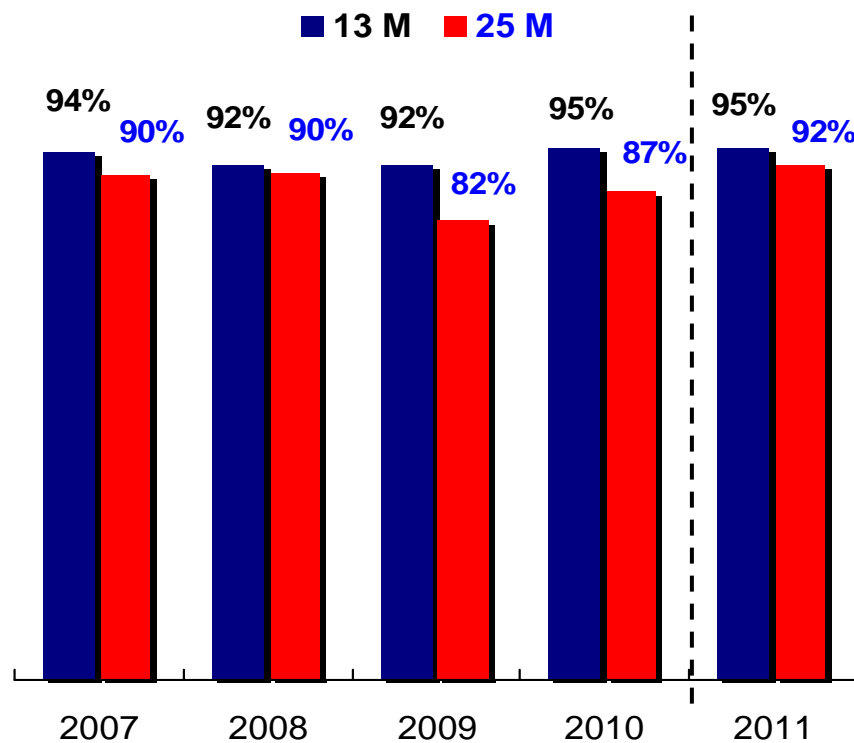


# ▶▶▶ Financial Highlights

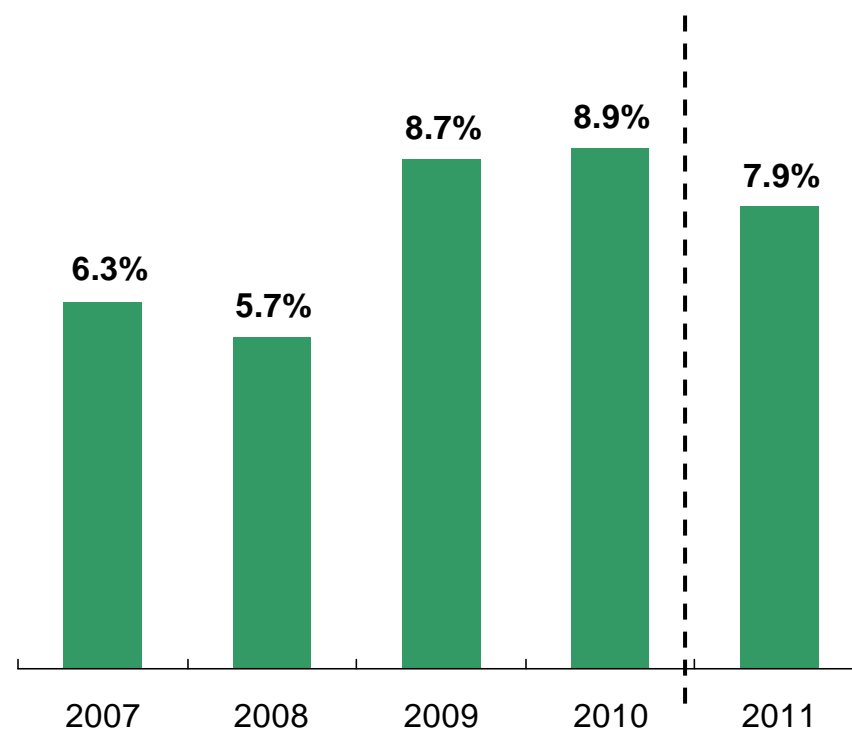
NT\$ million	2010	YT-3Q 10	YT-3Q 11	+/- %
First Year Premium	66,955	47,078	68,380	45%
Total Premium	120,278	85,342	107,131	26%
Investment Income	21,012	15,717	18,612	18%
Profit before Tax	2,452	2,988	4,029	35%
Income Tax	911	(109)	(26)	-76%
<b>Net Profit</b>	<b>3,363</b>	<b>2,879</b>	<b>4,003</b>	39%
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%

- China Life reported an unaudited financial report for year 2011: net profit after tax was NT\$ 4,206 million, with Basic EPS after tax of \$2.01

## 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

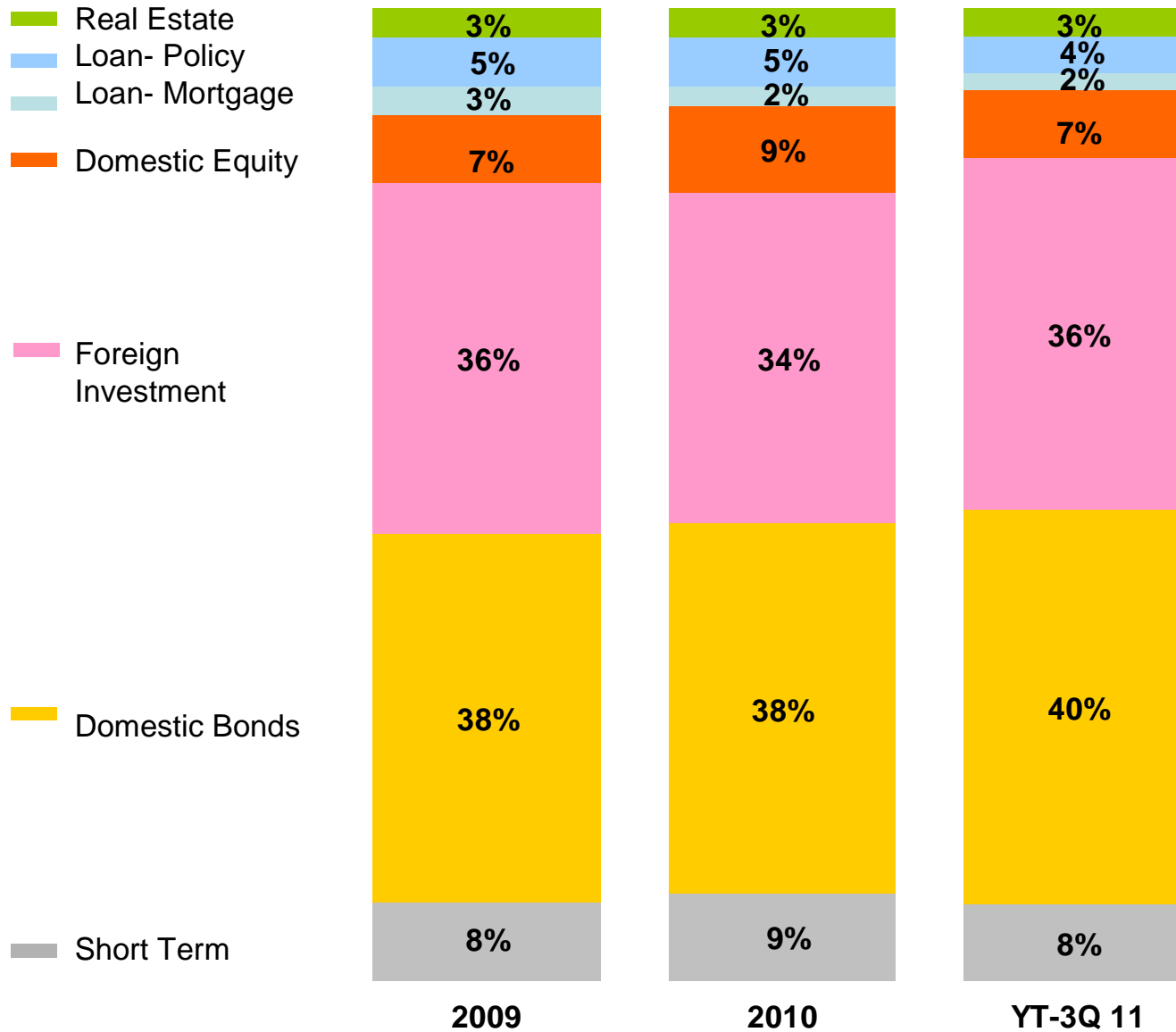
## ❑ Foreign Investment

- 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

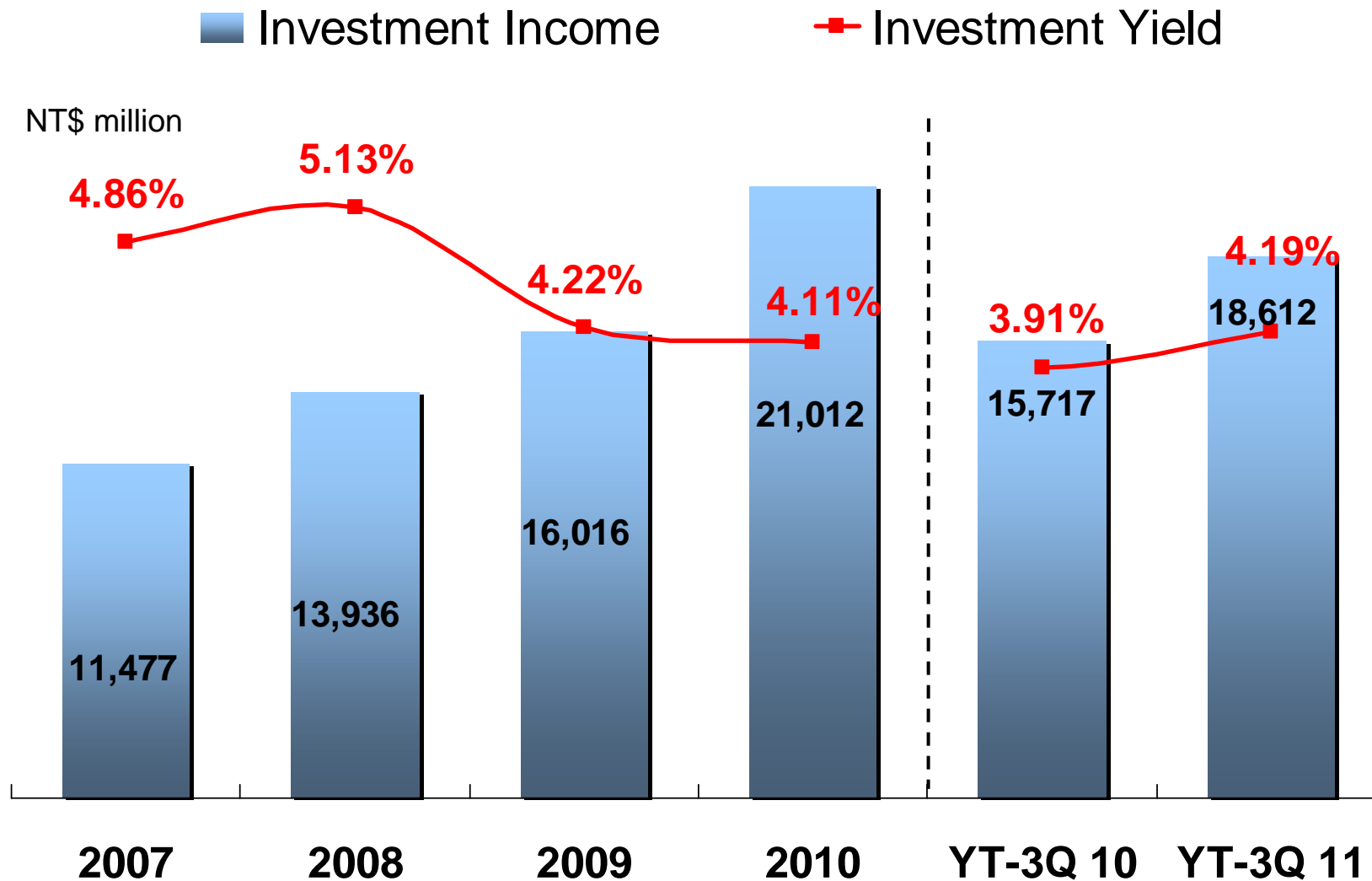
## ❑ Real Estate

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

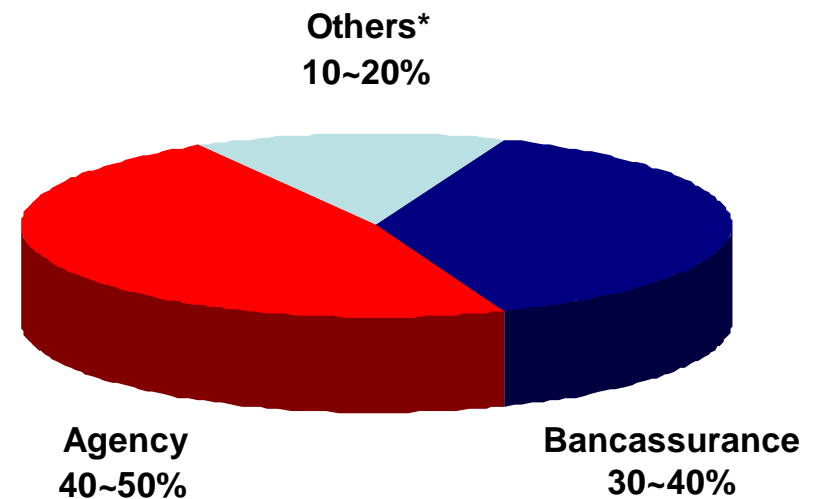
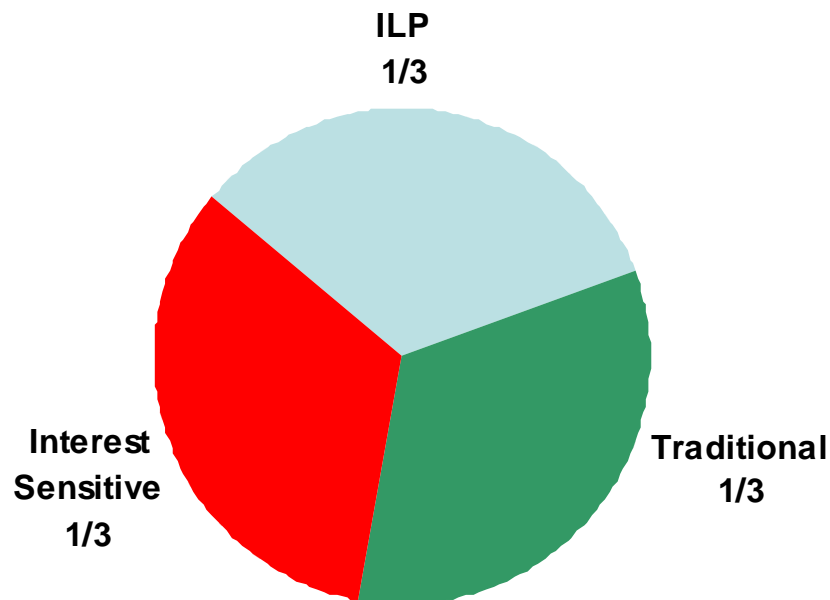
# Asset Portfolio



# 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 : <b>3.75% ~ 5.15%</b> After Yr7 : <b>5.25%</b> (Int. Sensitive <b>2.75%~4.6%</b> )		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>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:  

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

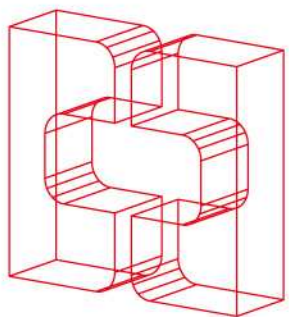


# Financial Summary



NT\$ million

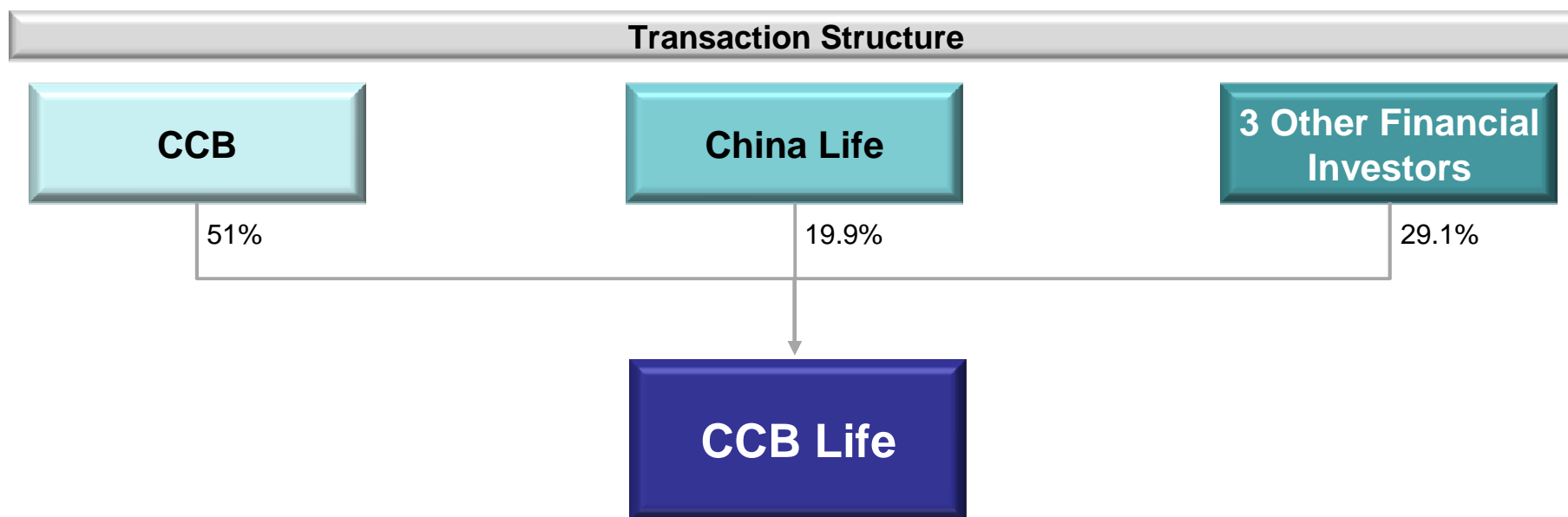
	<u>2009</u>	<u>2010</u>	<u>Variance</u>	<u>YT-3Q 10</u>	<u>YT-3Q 11</u>	<u>Variance</u>
<b><u>Income Statement Data</u></b>						
Premium Income	91,683	107,384	17.1%	77,586	93,765	20.9%
Net Investment Income	16,016	21,012	31.2%	15,717	18,612	18.4%
Other Revenue - separate account	15,199	18,456	21.4%	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 CCB Life**

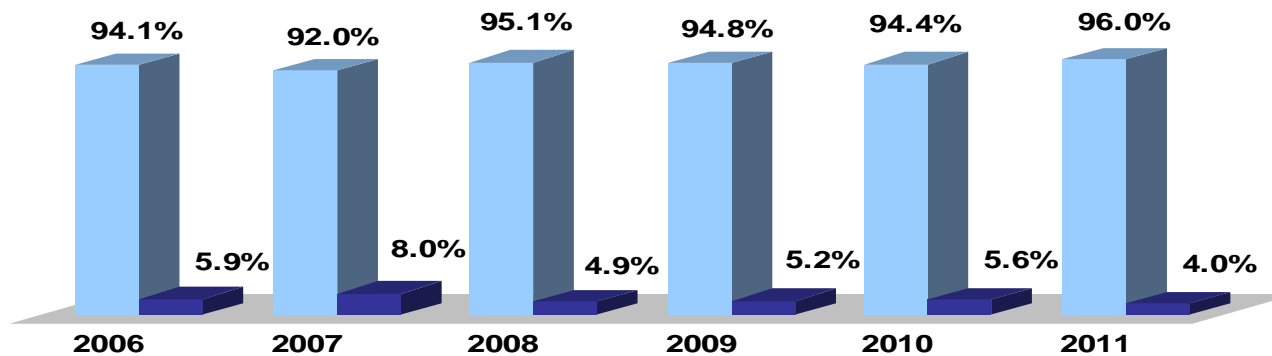
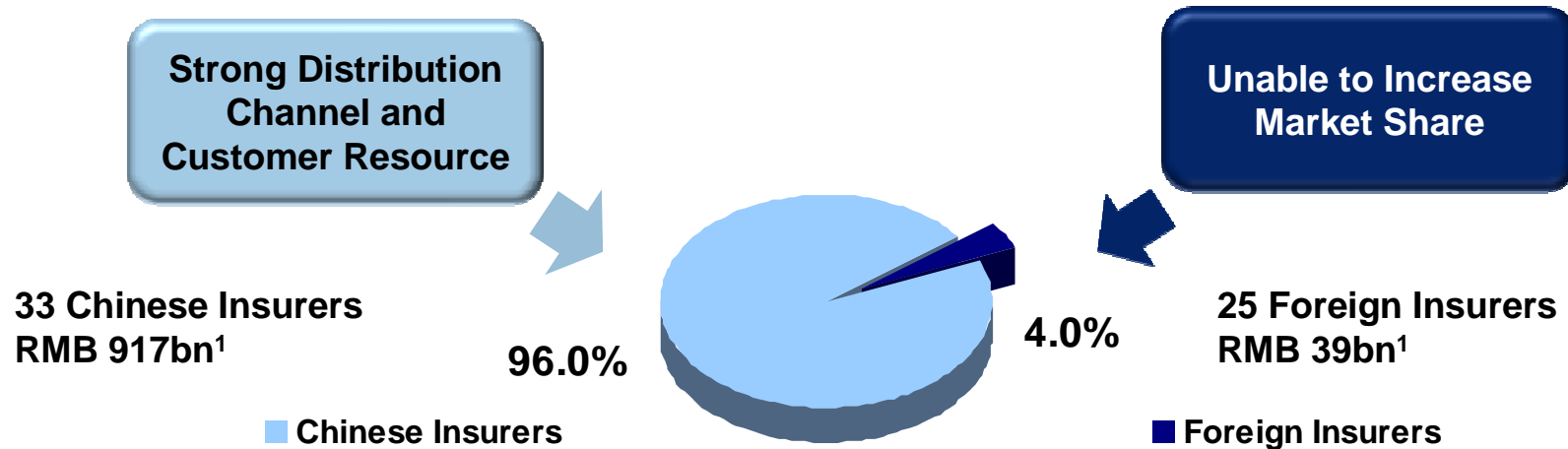
# Transaction Structure

- ❑ **China Life's** initial equity investment was RMB379 million (approximately NT\$1.7 billion)
- ❑ Post-transaction **China Life** holds **19.9%** stake, while **CCB** holds 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 5 branches in Shanghai, Guangdong, Jiangsu, Beijing and Shandong, and will continue the expansion in major provinces/cities in China



# ▶▶▶ 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 : 2011 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**

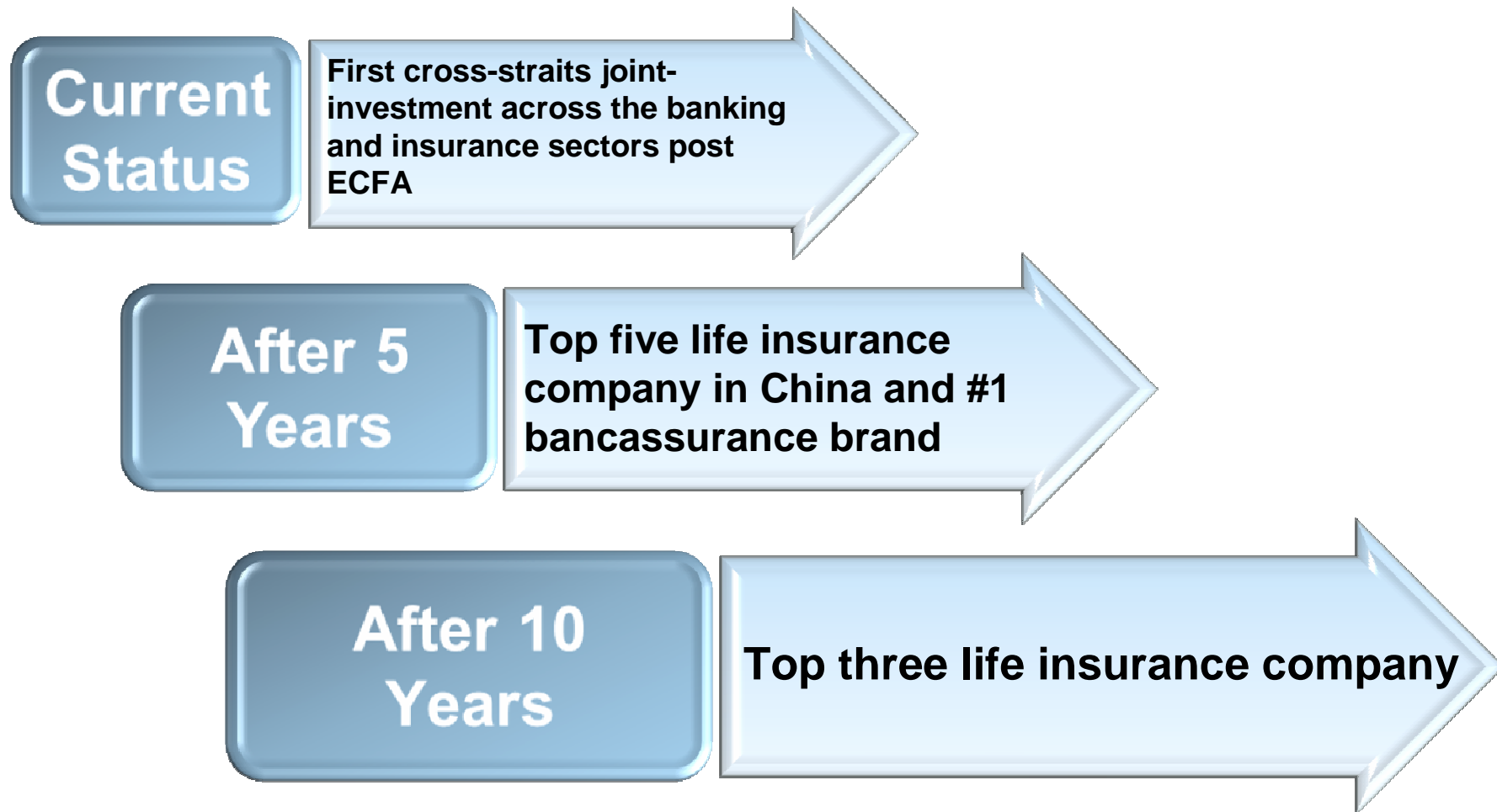
**Well Established Branch Network**

**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

*This presentation and the presentation materials distributed herewith contain time-sensitive information on the basis of unaudited financial data and forward-looking statements. These statements present management's expectations, beliefs, plans and objectives regarding future financial performance, and assumptions or judgments concerning such performance. China Life's actual results or developments may differ materially and adversely from those indicated by these statements as a result of various factors and uncertainties including, but not limited to (i) general economic conditions, (ii) performance of financial markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) interest rate levels, (vii) currency exchange rates, (viii) changes in laws and regulations, (ix) changes in the policies of central banks and/or foreign governments, (x) reorganization measures and (xi) general competitive factors. This document constitutes neither an offer nor a solicitation to purchase or sell securities or other financial products. China Life does not undertake any obligation to update or revise the statements, whether as a result of new information, future events or otherwise. The Company and its representatives assume no liability or responsibility for any damage or loss caused or alleged to be caused by or in connection with the use of the document or information contained herein.*