PIMCO NEW YORK MUNICIPAL INCOME FUND
Form N-CSRS
December 28, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED

MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-10381

PIMCO New York Municipal Income Fund

(Exact name of registrant as specified in charter)

1633 Broadway, New York, NY	**10019**
(Address of principal executive offices)	**(Zip code)**

Lawrence G. Altadonna 1633 Broadway, New York, NY 10019

(Name and address of agent for service)

Registrant s telephone number, including area code: 212-739-3371

Date of fiscal year end: April 30, 2013

Date of reporting period: October 31, 2012

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Item 1. REPORT TO SHAREHOLDERS

Semi-Annual Report

October 31, 2012

PIMCO Municipal Income Fund

PIMCO California Municipal Income Fund

PIMCO New York Municipal Income Fund

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Hans W. Kertess

Chairman

Brian S. Shlissel

President & CEO

Dear Shareholder:

The municipal bond market benefitted from attractive valuations and solid demand during the fiscal six-month reporting period ended October 31, 2012. Longer-term, lower credit municipals were particularly favorable during the period.

For the fiscal six-month period ended October 31, 2012:

PIMCO Municipal Income Fund advanced 10.07% on net asset value (NAV) and 11.16% on market price.

PIMCO California Municipal Income Fund rose 8.16% on NAV and 8.41% on market price.

PIMCO New York Municipal Income Fund increased 8.67% on NAV and 10.18% on market price.

The Fiscal Six-Month Period in Review

The fiscal six-month reporting period began with gross domestic product (GDP), the value of goods and services

produced in the country, the broadest measure of economic activity and the principal indicator of economic performance, expanding at an annual pace of 1.3%. GDP growth accelerated to an annual rate of 2.0% (preliminary estimate) between July and September 2012.

The Federal Reserve (the Fed) revealed that it would launch a third round of quantitative easing. The Fed agreed to purchase $40 billion of mortgage securities each month for the foreseeable future, the objective of which is to lower already record low mortgage rates in an effort to boost the housing market. The Fed also indicated that it would continue Operation Twist, the program involving the sale of debt obligations with short-term maturities and the purchase of debt obligations with longer-term maturities. The Fed also announced that it expected to keep the Fed Funds rate in the 0.0% to 0.25% range well into 2015, longer than previously stated.

Yields on U.S. Treasury bonds trended lower during the fiscal six-month reporting period. The benchmark ten-year Treasury bond began the fiscal period yielding 1.95% and ended the period at 1.72%. At one point, the yield on the benchmark 10-year Treasury bond fell to 1.43%. This downward trend reflected a variety of concerns, including Europe s ongoing sovereign debt crisis and uncertainty over future levels of federal taxes and spending.

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Since interest rates on municipal bonds tend to track interest rates on comparable Treasury bonds, many issuers of municipal securities refinanced existing bonds during the six-month reporting period. For instance in October, 2012, the last month of the six-month fiscal period, refinancings were 24% greater than during October 2011, reported *Bond Buyer.* Furthermore, issuance of new municipal securities was quite modest.

Outlook

The U.S. election is over, but the division of power that produced so much political gridlock in recent years remains. Republicans continue to have control in the House of Representatives, Democrats hold a majority in the Senate and President Obama was re-elected. The government must act prior to the end of the year to help prevent the U.S. economy from falling off the fiscal cliff a series of tax cuts scheduled to expire on December 31, 2012 and major spending reductions planned to begin in January

2013. Higher taxes, reduced spending, or both, would likely have a negative impact on the economy in 2013.

For specific information on the Funds and their performance, please review the following pages. If you have any questions regarding the information provided, we encourage you to contact your financial advisor or call the Funds shareholder servicing agent at (800) 254-5197. In addition, a wide range of information and resources is available on our website, www.allianzinvestors.com/closedendfunds.

Together with Allianz Global Investors Fund Management LLC, the Funds investment manager, and Pacific Investment Management Company LLC (PIMCO), the Funds sub-adviser, we thank you for investing with us.

We remain dedicated to serving your investment needs.

Sincerely,

Hans W. Kertess	Brian S. Shlissel
Chairman	President & CEO

Receive this report electronically and eliminate paper mailings. To enroll, go to www.allianzinvestors.com/ edelivery.

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PIMCO Municipal Income Funds Fund Insights

October 31, 2012 (unaudited)

For the fiscal six-months ended October 31, 2012, PIMCO Municipal Income Fund returned 10.07% on net asset value (NAV) and 11.16% on market price.

For the fiscal six-months ended October 31, 2012, PIMCO California Municipal Income Fund returned 8.16% on NAV and 8.41% on market price.

For the fiscal six-months ended October 31, 2012, PIMCO New York Municipal Income Fund returned 8.67% on NAV and 10.18% on market price.

The municipal bond market generated positive results during the six-month reporting period ended October 31, 2012. While there were several periods of weakness within the municipal market, these proved to be temporary setbacks. The overall municipal market, as measured by the Barclays Municipal Bond Index (the benchmark), posted positive returns during five of the six-months of the period. Supporting the market were strengthening municipal fundamentals, including rising tax revenues and modest new issuance. In addition, demand was generally strong as investors sought higher incremental yield in the low interest rate environment. All told, during the six-month period the benchmark returned 3.34%. In comparison, the overall taxable fixed income market, as measured by the Barclays U.S. Aggregate Bond Index, gained 2.75% during the same period.

The Funds benefited from having a greater allocation to revenue bonds than general obligation bonds. This contributed to results as revenue bonds outperformed general obligation bonds during the reporting period.

The Funds overweight position to the Tobacco sector was beneficial for results as these securities outperformed the benchmark. Municipal Income and New York Municipal Income benefited from overweight positions in the strong performing corporate-backed sector. New York Municipal Income was also rewarded for having an overweighting to the Education sector. Municipal Income benefited from having an overweighting to Health Care and California Municipal Income was rewarded for having an overweighting to the lease-backed sector.

Municipal Income and New York Municipal Income s underweight to the special tax sector detracted from results. California Municipal Income s underweighting to the Water and Sewer Utility sector was detrimental as this sector outperformed the benchmark. During the reporting period, a shorter duration than that of the benchmark detracted from all three Funds performance, as municipal yields declined during the six-month period.

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PIMCO Municipal Income Funds Performance & Statistics

October 31, 2012 (unaudited)

Municipal Income:

Total Return[1]:	**Market Price**	**NAV**
Six Month	11.16%	10.07%
1 Year	28.15%	25.89%
5 Year	8.12%	8.37%
10 Year	8.61%	7.51%
Commencement of Operations (6/29/01) to 10/31/12	8.10%	7.36%

Market Price/NAV Performance:

Commencement of Operations (6/29/01) to 10/31/12

Market Price/NAV:	
Market Price	$16.45
NAV	$13.72
Premium to NAV	19.90%
Market Price Yield[2]	5.93%
Leverage Ratio[3]	37.20%

Moody s Rating

(as a % of total investments)

California Municipal Income:

Total Return[1]:	**Market Price**	**NAV**
Six Month	8.41%	8.16%
1 Year	30.22%	23.95%
5 Year	6.73%	7.80%
10 Year	7.66%	7.38%
Commencement of Operations (6/29/01) to 10/31/12	7.30%	7.12%

Market Price/NAV Performance:

Commencement of Operations (6/29/01) to 10/31/12

Market Price/NAV:

Market Price	$15.58
NAV	$14.39
Premium to NAV	8.27%
Market Price Yield[2]	5.93%
Leverage Ratio[3]	40.59%

Moody s Rating

(as a % of total investments)

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PIMCO Municipal Income Funds Performance & Statistics

October 31, 2012 (unaudited) (continued)

New York Municipal Income:

Total Return[1]:	**Market Price**	**NAV**
Six Month	10.18%	8.67%
1 Year	26.55%	21.14%
5 Year	6.00%	4.59%
10 Year	5.12%	4.98%
Commencement of Operations (6/29/01) to 10/31/12	4.83%	4.87%

Market Price/NAV Performance:

Commencement of Operations (6/29/01) to 10/31/12

Market Price/NAV:	
Market Price	$12.56
NAV	$12.01
Premium to NAV	4.58%
Market Price Yield[2]	5.45%
Leverage Ratio[3]	38.43%

Moody s Rating

(as a % of total investments)

(1) **Past performance is no guarantee of future results.** Total return is calculated by determining the percentage change in NAV or market price (as applicable) in the specified period. The calculation assumes that all income dividends and capital gain distributions, if any, have been reinvested. Total return does not reflect broker commissions or sales charges in connection with the purchase or sale of Fund shares. Total return for a period of less than one year is not annualized. Total return for a period of more than one year represents the average annual total return.

Performance at market price will differ from results at NAV. Although market price returns typically reflect investment results over time, during shorter periods returns at market price can also be influenced by factors such as changing views about the Funds, market conditions, supply and demand for each Fund s shares, or changes in each Fund s dividends.

An investment in the Funds involves risk, including the loss of principal. Total return, market price, market price yield and NAV will fluctuate with changes in market conditions. This data is provided for information purposes only and is not intended for trading purposes. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one time public offering and once issued, shares of closed-end funds are traded in the open market through a stock exchange.

NAV is equal to total assets attributable to common shareholders less total liabilities divided by the number of common shares outstanding. Holdings are subject to change daily.

(2) Market Price Yield is determined by dividing the annualized current monthly dividend per common share (comprised of net investment income) by the market price per common share at October 31, 2012.

(3) Represents Floating Rate Notes Issued in tender option bond transactions and Preferred Shares (collectively Leverage) outstanding, as a percentage of total managed assets. Total managed assets refer to total assets (including assets attributable to Leverage) minus accrued liabilities (other than liabilities representing Leverage).

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PIMCO Municipal Income Fund Schedule of Investments

October 31, 2012 (unaudited)

Principal Amount (000s)		Value
MUNICIPAL BONDS & NOTES 97.7%		
	Alabama 0.5%	
	Huntsville-Redstone Village Special Care Facs. Financing Auth. Rev., Redstone Village Project,	
$ 250	5.50%, 1/1/28	$ 253,498
885	5.50%, 1/1/43	848,529
1,350	Montgomery Medical Clinic Board Rev., Jackson Hospital & Clinic, 5.25%, 3/1/31	1,392,606
		2,494,633
	Alaska 0.8%	
3,280	Borough of Matanuska-Susitna Rev., Goose Creek Correctional Center, 6.00%, 9/1/32 (AGC)	3,938,854
900	Industrial Dev. & Export Auth. Rev., Boys & Girls Home, 6.00%, 12/1/36 (b)(e)	297,000
		4,235,854
	Arizona 5.1%	
	Health Facs. Auth. Rev.,	
2,050	Banner Health, 5.50%, 1/1/38, Ser. D	2,267,238
2,750	Beatitudes Campus Project, 5.20%, 10/1/37	2,530,467
1,500	Maricopa Cnty. Pollution Control Corp. Rev., Southern California Edison Co., 5.00%, 6/1/35, Ser. A	1,652,685
	Pima Cnty. Industrial Dev. Auth. Rev., Tucson Electric Power Co., Ser. A,	
750	5.25%, 10/1/40	818,288
4,150	6.375%, 9/1/29	4,194,654
5,000	Salt River Project Agricultural Improvement & Power Dist. Rev., 5.00%, 1/1/39, Ser. A (h)	5,602,800
9,200	Salt Verde Financial Corp. Rev., 5.00%, 12/1/37	10,695,828
		27,761,960
	Arkansas 0.3%	
5,500	Dev. Finance Auth. Rev., Arkansas Cancer Research Center Project, zero coupon, 7/1/36 (AMBAC)	1,778,700
	California 13.0%	
	Bay Area Toll Auth. Rev., San Francisco Bay Area,	
2,875	5.00%, 10/1/34	3,202,002
3,255	5.00%, 10/1/42	3,603,773
3,000	Chula Vista Rev., San Diego Gas & Electric, 5.875%, 2/15/34, Ser. B	3,524,610
1,500	Golden State Tobacco Securitization Corp. Rev., 5.75%, 6/1/47, Ser. A-1	1,345,800
	Health Facs. Financing Auth. Rev.,	
2,000	Catholic Healthcare West, 6.00%, 7/1/39, Ser. A	2,341,040
1,500	Sutter Health, 6.00%, 8/15/42, Ser. B	1,788,225
5,300	Los Angeles Community College Dist., GO, 5.00%, 8/1/32, Ser. A (FGIC-NPFGC)	5,992,233
2,000	Los Angeles Unified School Dist., GO, 5.00%, 7/1/30, Ser. E (AMBAC)	2,169,520
4,175	Montebello Unified School Dist., GO, 5.00%, 8/1/33 (AGM)	4,570,539
2,000	M-S-R Energy Auth. Rev., 6.125%, 11/1/29, Ser. C	2,584,000
1,525	Municipal Finance Auth. Rev., Azusa Pacific Univ. Project, 7.75%, 4/1/31, Ser. B	1,807,537

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PIMCO Municipal Income Fund Schedule of Investments

October 31, 2012 (unaudited) (continued)

Principal Amount (000s)		Value
	California (continued)	
$ 5,000	Orange Cnty. Airport Rev., 5.25%, 7/1/39, Ser. A	$ 5,635,400
1,600	San Marcos Unified School Dist., GO, 5.00%, 8/1/38, Ser. A	1,801,072
	State, GO,	
700	5.00%, 11/1/32	781,599
1,200	5.00%, 6/1/37	1,298,604
2,300	5.125%, 8/1/36	2,543,041
1,250	5.25%, 3/1/38	1,386,050
1,900	5.25%, 11/1/40	2,174,094
500	5.50%, 3/1/40	576,630
3,200	6.00%, 4/1/38	3,813,120
	Statewide Communities Dev. Auth. Rev.,	
690	California Baptist Univ., 6.50%, 11/1/21	845,478
845	Catholic Healthcare West, 5.50%, 7/1/31, Ser. E	940,781
	Methodist Hospital Project (FHA),	
2,600	6.625%, 8/1/29	3,279,614
9,500	6.75%, 2/1/38	11,704,095
2,000	Whittier Union High School Dist., GO, zero coupon, 8/1/25	1,051,820
		70,760,677
	Colorado 1.2%	
500	Confluence Metropolitan Dist. Rev., 5.45%, 12/1/34	406,305
450	Denver Health & Hospital Auth. Rev., 5.625%, 12/1/40	500,666
2,500	Health Facs. Auth. Rev., Catholic Health Initiatives, 5.00%, 2/1/41, Ser. A	2,723,300
500	Public Auth. for Colorado Energy Rev., 6.50%, 11/15/38	681,970
400	Regional Transportation Dist., CP, 5.375%, 6/1/31, Ser. A	454,056
1,500	Univ. of Colorado Rev., 5.375%, 6/1/38, Ser. A	1,755,885
		6,522,182
	Connecticut 1.5%	
	State Health & Educational Fac. Auth. Rev.,	
5,000	Hartford Healthcare, 5.00%, 7/1/41, Ser. A	5,381,450
2,500	Stamford Hospital, 5.00%, 7/1/42, Ser. J	2,723,575
		8,105,025
	District of Columbia 1.2%	
2,500	Dist. of Columbia Rev., Brookings Institution, 5.75%, 10/1/39	2,834,000
3,390	Tobacco Settlement Financing Corp. Rev., 6.25%, 5/15/24	3,469,089
		6,303,089
	Florida 2.2%	
790	Beacon Lakes Community Dev. Dist., Special Assessment, 6.00%, 5/1/38, Ser. A	799,883
4,000	Broward Cnty. Water & Sewer Utility Rev., 5.25%, 10/1/34, Ser. A (h)	4,595,640
300	Dev. Finance Corp. Rev., Renaissance Charter School, 6.50%, 6/15/21, Ser. A	339,450

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PIMCO Municipal Income Fund Schedule of Investments

October 31, 2012 (unaudited) (continued)

Principal Amount (000s)		Value
	Florida (continued)	
$ 500	Lee Cnty. Industrial Dev. Auth. Rev.,	
	Lee Community Charter Foundation, 5.375%, 6/15/37, Ser. A	$ 505,760
1,250	Miami-Dade Cnty. School Board, CP, 5.375%, 2/1/34, Ser. A (AGC)	1,411,637
3,900	State Board of Education, GO, 5.00%, 6/1/38, Ser. D (h)	4,451,226
		12,103,596
	Georgia 0.4%	
2,300	Medical Center Hospital Auth. Rev., Spring Harbor Green Island Project, 5.25%, 7/1/37	2,277,851
	Illinois 2.6%	
5,000	Chicago, GO, 5.00%, 1/1/34, Ser. C (h)	5,434,950
	Finance Auth. Rev.,	
400	OSF Healthcare System, 7.125%, 11/15/37, Ser. A	482,404
	Univ. of Chicago,	
190	5.25%, 7/1/41, Ser. 05-A	190,175
5,000	5.50%, 7/1/37, Ser. B (h)	6,011,300
1,900	Springfield Electric Rev., 5.00%, 3/1/36	1,991,105
		14,109,934
	Indiana 1.6%	
	Finance Auth. Rev.,	
3,000	5.00%, 6/1/32, Ser. A	3,234,090
1,500	Duke Energy Indiana, Inc., 6.00%, 8/1/39, Ser. B	1,737,915
1,000	Municipal Power Agcy. Rev., 6.00%, 1/1/39, Ser. B	1,195,350
1,900	Vigo Cnty. Hospital Auth. Rev., Union Hospital, Inc., 7.50%, 9/1/22	2,484,250
		8,651,605
	Iowa 1.8%	
	Finance Auth. Rev.,	
4,890	Deerfield Retirement Community, Inc., 5.50%, 11/15/37, Ser. A	4,327,748
	Edgewater LLC Project,	
3,500	6.75%, 11/15/37	3,672,620
1,500	6.75%, 11/15/42	1,568,640
		9,569,008
	Kansas 0.4%	
1,000	Dev. Finance Auth. Rev., Adventist Health, 5.75%, 11/15/38	1,165,500
1,000	Lenexa City, Tax Allocation, Center East Project, 6.00%, 4/1/27	580,000
650	Manhattan Rev., Meadowlark Hills Retirement, 5.125%, 5/15/42, Ser. B	653,770
		2,399,270
	Kentucky 0.4%	
1,000	Economic Dev. Finance Auth. Rev.,	
	Owensboro Medical Healthcare Systems, 6.375%, 6/1/40, Ser. A	1,190,490
1,000	Ohio Cnty. Pollution Control Rev., Big Rivers Electric Corp. Project, 6.00%, 7/15/31, Ser. A	1,065,770

2,256,260

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PIMCO Municipal Income Fund Schedule of Investments

October 31, 2012 (unaudited) (continued)

Principal Amount (000s)		Value
	Louisiana 5.6%	
	Local Gov t Environmental Facs. & Community Dev. Auth. Rev.,	
$ 1,680	Capital Projects & Equipment Acquisition, 6.55%, 9/1/25 (ACA) (b)	$ 1,870,310
400	Westlake Chemical Corp., 6.50%, 11/1/35, Ser. A-2	468,404
750	Woman s Hospital Foundation, 5.875%, 10/1/40, Ser. A	851,543
2,000	Public Facs. Auth. Rev., Ochsner Clinic Foundation Project, 6.50%, 5/15/37	2,403,080
24,395	Tobacco Settlement Financing Corp. Rev., 5.875%, 5/15/39, Ser. 2001-B	25,038,784
		30,632,121
	Maryland 0.5%	
1,500	Economic Dev. Corp. Rev., 5.75%, 6/1/35, Ser. B	1,688,760
650	Health & Higher Educational Facs. Auth. Rev., Charlestown Community, 6.25%, 1/1/41	746,005
		2,434,765
	Massachusetts 0.5%	
	Dev. Finance Agcy. Rev.,	
750	Foxborough Regional Charter School, 7.00%, 7/1/42, Ser. A	861,337
	Linden Ponds, Inc. Fac.,	
103	zero coupon, 11/15/56, Ser. B (b)	1,452
21	5.50%, 11/15/46, Ser. A-2 (b)	13,989
388	6.25%, 11/15/39, Ser. A-1	301,314
1,500	State College Building Auth. Rev., 5.50%, 5/1/39, Ser. A	1,709,190
		2,887,282
	Michigan 2.2%	
5,000	Detroit Water and Sewerage Department Rev., 5.25%, 7/1/39, Ser. A	5,454,400
1,500	Royal Oak Hospital Finance Auth. Rev., William Beaumont Hospital, 8.25%, 9/1/39	1,927,905
5,000	Tobacco Settlement Finance Auth. Rev., 6.00%, 6/1/48, Ser. A	4,405,900
		11,788,205
	Minnesota 0.4%	
95	Agricultural & Economic Dev. Board Rev., Health Care Systems, 6.375%, 11/15/29, Ser. A	95,415
100	Duluth Housing & Redev. Auth. Rev., 5.875%, 11/1/40, Ser. A	102,527
1,500	St. Louis Park Rev., Nicollett Health Services, 5.75%, 7/1/39	1,704,480
500	Washington Cnty. Housing & Redev. Auth. Rev.,	
	Birchwood & Woodbury Projects, 5.625%, 6/1/37, Ser. A	507,105
		2,409,527
	Missouri 0.3%	
1,000	Joplin Industrial Dev. Auth. Rev., Christian Homes, Inc., 5.75%, 5/15/26, Ser. F	1,066,260
475	Lee s Summit, Tax Allocation, Summit Fair Project, 5.625%, 10/1/23	506,607
		1,572,867
	Nevada 3.9%	
	Clark Cnty., GO,	

5,000	4.75%, 6/1/30 (AGM)	5,376,750
5,230	4.75%, 11/1/35 (FGIC-NPFGC) (h)	5,538,152

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PIMCO Municipal Income Fund Schedule of Investments

October 31, 2012 (unaudited) (continued)

Principal Amount (000s)		Value
	Nevada (continued)	
$ 9,755	Washoe Cnty., Water & Sewer, GO, 5.00%, 1/1/35 (NPFGC)	$ 10,456,482
		21,371,384
	New Jersey 8.0%	
16,550	Economic Dev. Auth., Special Assessment, Kapkowski Road Landfill Project, 5.75%, 4/1/31	18,521,436
2,000	Economic Dev. Auth. Rev., School Facs. Construction, 5.50%, 12/15/34, Ser. Z (AGC)	2,294,060
500	Health Care Facs. Financing Auth. Rev., AHS Hospital Corp., 6.00%, 7/1/37	619,170
2,000	State Turnpike Auth. Rev., 5.25%, 1/1/40, Ser. E	2,263,140
	Tobacco Settlement Financing Corp. Rev., Ser. 1-A,	
6,600	4.75%, 6/1/34	5,716,458
7,000	5.00%, 6/1/41	6,117,230
7,000	Transportation Trust Fund Auth. Rev., 5.00%, 6/15/42, Ser. B	7,935,970
		43,467,464
	New Mexico 1.5%	
1,000	Farmington Pollution Control Rev., 5.90%, 6/1/40, Ser. D	1,118,190
6,400	Hospital Equipment Loan Council Rev., Presbyterian Healthcare, 5.00%, 8/1/39	6,931,584
		8,049,774
	New York 11.7%	
14,000	Hudson Yards Infrastructure Corp. Rev., 5.25%, 2/15/47, Ser. A	15,608,320
	Liberty Dev. Corp. Rev., Goldman Sachs Headquarters,	
7,500	5.25%, 10/1/35	8,909,925
3,000	5.50%, 10/1/37	3,689,070
3,000	Metropolitan Transportation Auth. Rev., 5.00%, 11/15/36, Ser. D	3,363,000
4,200	Nassau Cnty. Industrial Dev. Agcy. Rev., Amsterdam at Harborside, 6.70%, 1/1/43, Ser. A	2,478,084
3,000	New York City Municipal Water Finance Auth. Water & Sewer Rev., Second Generation Resolutions, 5.00%, 6/15/39, Ser. GG-1	3,424,890
	New York Liberty Dev. Corp. Rev.,	
10,000	1 World Trade Center Project, 5.00%, 12/15/41	11,353,300
10,000	4 World Trade Center Project, 5.00%, 11/15/44	11,046,500
3,500	State Dormitory Auth. Rev., The New School, 5.50%, 7/1/40	4,014,465
		63,887,554
	North Carolina 0.3%	
1,500	Medical Care Commission Rev., Village at Brookwood, 5.25%, 1/1/32	1,504,335
	Ohio 1.9%	
2,000	American Municipal Power, Inc. Rev., Fremont Energy Center Project, 5.00%, 2/15/42, Ser. B	2,210,780
4,250	Buckeye Tobacco Settlement Financing Auth. Rev., 5.875%, 6/1/47, Ser. A-2	3,654,320
3,000	Hamilton Cnty. Healthcare Rev., Christ Hospital Project, 5.00%, 6/1/42	3,224,190
500	Higher Educational Fac. Commission Rev., Univ. Hospital Health Systems, 6.75%, 1/15/39, Ser. 2009-A (Pre-refunded @ $100, 1/15/15) (c)	568,820

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PIMCO Municipal Income Fund Schedule of Investments

October 31, 2012 (unaudited) (continued)

Principal Amount (000s)		Value
	Ohio (continued)	
$ 500	Montgomery Cnty. Rev., Miami Valley Hospital, 6.25%, 11/15/39, Ser. A	$ 533,670
		10,191,780
	Oregon 0.6%	
2,000	Oregon Health & Science Univ. Rev., 5.75%, 7/1/39, Ser. A	2,346,640
600	State Department of Administrative Services, CP, 5.25%, 5/1/39, Ser. A	667,836
		3,014,476
	Pennsylvania 5.5%	
3,500	Berks Cnty. Municipal Auth. Rev., Reading Hospital Medical Center, 5.00%, 11/1/40, Ser. A	3,884,965
5,000	Geisinger Auth. Rev., 5.25%, 6/1/39, Ser. A	5,581,100
2,000	Harrisburg Auth. Rev., Harrisburg Univ. of Science, 6.00%, 9/1/36, Ser. B (e)	1,591,100
	Higher Educational Facs. Auth. Rev.,	
500	Edinboro Univ. Foundation, 6.00%, 7/1/43	566,060
350	Thomas Jefferson Univ., 5.00%, 3/1/40	384,111
5,000	Hospitals & Higher Education Facs. Auth. Rev., Temple Univ. Health System, 5.625%, 7/1/36, Ser. A	5,355,350
	Lancaster Cnty. Hospital Auth. Rev., Brethren Village Project,	
750	6.25%, 7/1/26, Ser. A	807,458
85	6.375%, 7/1/30, Ser. A	91,436
1,100	Luzerne Cnty. Industrial Dev. Auth. Rev., Pennsylvania American Water Co., 5.50%, 12/1/39	1,227,985
7,000	Philadelphia, GO, 5.25%, 12/15/32, Ser. A (AGM)	7,786,450
500	Philadelphia Water & Sewer Rev., 5.25%, 1/1/36, Ser. A	556,835
2,000	Turnpike Commission Rev., 5.125%, 12/1/40, Ser. D	2,191,500
		30,024,350
	Puerto Rico 0.6%	
3,000	Sales Tax Financing Corp. Rev., 5.375%, 8/1/38, Ser. C	3,210,180
	Rhode Island 4.5%	
23,800	Tobacco Settlement Financing Corp. Rev., 6.25%, 6/1/42, Ser. A	24,299,324
	South Carolina 0.5%	
450	Jobs-Economic Dev. Auth. Rev., Lutheran Homes, 5.50%, 5/1/28	464,598
2,200	State Ports Auth. Rev., 5.25%, 7/1/40	2,465,914
		2,930,512
	Tennessee 2.2%	
940	Memphis Health Educational & Housing Fac. Board Rev., Wesley Housing Corp. Project, 6.95%, 1/1/20 (a)(b)(e)(i) (acquisition cost-$935,300; purchased 6/29/01)	472,350
	Tennessee Energy Acquisition Corp. Rev.,	
370	5.00%, 2/1/21, Ser. C	408,850
5,000	5.00%, 2/1/27, Ser. C	5,532,750
5,000	5.25%, 9/1/24, Ser. A	5,809,350

12,223,300

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PIMCO Municipal Income Fund Schedule of Investments

October 31, 2012 (unaudited) (continued)

Principal Amount (000s)		Value
	Texas 10.2%	
$ 1,200	Dallas Rev., Dallas Civic Center, 5.25%, 8/15/38 (AGC)	$ 1,347,984
3,000	Harris Cnty. Cultural Education Facs. Finance Corp. Rev.,	
	Baylor College of Medicine, 5.00%, 11/15/37	3,383,190
2,000	Love Field Airport Modernization Corp. Rev., Southwest Airlines Co. Project, 5.25%, 11/1/40	2,169,500
	North Harris Cnty. Regional Water Auth. Rev.,	
4,200	5.25%, 12/15/33	4,669,392
4,200	5.50%, 12/15/38	4,685,310
	North Texas Tollway Auth. Rev.,	
2,750	5.00%, 1/1/38	3,005,640
3,000	5.25%, 1/1/44, Ser. C	3,211,110
600	5.50%, 9/1/41, Ser. A	717,540
6,050	5.625%, 1/1/33, Ser. A	6,837,044
600	5.75%, 1/1/33, Ser. F	666,732
250	San Juan Higher Education Finance Auth. Rev., 6.70%, 8/15/40, Ser. A	292,895
	State Public Finance Auth. Charter School Finance Corp. Rev., Ser. A	
400	5.875%, 12/1/36	432,396
2,000	Cosmos Foundation, 5.375%, 2/15/37	2,101,920
4,000	Tarrant Cnty. Cultural Education Facs. Finance Corp. Rev.,	
	Baylor Health Care Systems Project, 6.25%, 11/15/29	4,834,480
	Texas Municipal Gas Acquisition & Supply Corp. I Rev.,	
6,500	5.25%, 12/15/23, Ser. A	7,455,500
6,500	6.25%, 12/15/26, Ser. D	8,243,040
1,000	Uptown Dev. Auth., Tax Allocation, Infrastructure Improvement Facs., 5.50%, 9/1/29	1,074,520
500	Wise Cnty. Rev., Parker Cnty. Junior College Dist., 8.00%, 8/15/34	580,375
		55,708,568
	U. S. Virgin Islands 0.1%	
500	Virgin Islands Public Finance Auth. Rev., 5.00%, 10/1/39, Ser. A-1	519,185
	Utah 1.5%	
7,000	Salt Lake Cnty. Rev., IHC Health Services, 5.125%, 2/15/33 (AMBAC)	8,118,040
	Virginia 0.6%	
1,000	Fairfax Cnty. Industrial Dev. Auth. Rev., Inova Health Systems, 5.50%, 5/15/35, Ser. A	1,147,840
1,985	Peninsula Town Center Community Dev. Auth. Rev., 6.45%, 9/1/37	2,119,940
		3,267,780
	Washington 1.3%	
	Health Care Facs. Auth. Rev.,	
700	Multicare Health Systems, 6.00%, 8/15/39, Ser. B (AGC)	816,221
250	Seattle Cancer Care Alliance, 7.375%, 3/1/38	308,652
2,000	Virginia Mason Medical Center, 6.125%, 8/15/37, Ser. A	2,208,640

PIMCO Municipal Income Fund Schedule of Investments

October 31, 2012 (unaudited) (continued)

Principal Amount (000s)		Value
	Washington (continued)	
	State Housing Finance Commission Rev., Skyline at First Hill Project, Ser. A,	
$ 275	5.25%, 1/1/17	$ 284,405
3,600	5.625%, 1/1/38	3,568,608
		7,186,526
	West Virginia 0.2%	
1,000	Hospital Finance Auth. Rev., Highland Hospital, 9.125%, 10/1/41	1,219,850
	Wisconsin 0.1%	
500	Health & Educational Facs. Auth. Rev., Prohealth Care, Inc., 6.625%, 2/15/39	592,605
	Total Municipal Bonds & Notes (cost-$466,736,503)	531,841,398
VARIABLE RATE NOTES (a)(d)(f)(g) **2.3%**		
	Texas 0.4%	
600	JPMorgan Chase Putters/Drivers Trust Rev., 8.429%, 10/1/31, Ser. 3227	818,538
1,000	JPMorgan Chase Putters/Drivers Trust, GO, 7.907%, 2/1/17, Ser. 3480	1,341,640
		2,160,178
	Washington 1.9%	
6,670	JPMorgan Chase Putters/Drivers Trust, GO, 11.471%, 8/1/28, Ser. 3388	10,166,280
	Total Variable Rate Notes (cost-$8,164,909)	12,326,458
	Total Investments (cost-$474,901,412) **100.0%**	**$ 544,167,856**

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PIMCO Municipal Income Fund Schedule of Investments

October 31, 2012 (unaudited) (continued)

Industry classification of portfolio holdings as a percentage of total investments at October 31, 2012 were as follows:

Revenue Bonds:		
Health, Hospital, Nursing Home Revenue	22.3%	
Tobacco Settlement Funded	13.9	
Natural Gas Revenue	8.3	
Miscellaneous Revenue	7.2	
College & University Revenue	4.6	
Port, Airport & Marina Revenue	4.3	
Electric Power & Lighting Revenue	4.2	
Water Revenue	3.7	
Industrial Revenue	3.1	
Highway Revenue Tolls	3.0	
Miscellaneous Taxes	2.9	
Sewer Revenue	1.0	
Lease (Appropriation)	0.7	
Transit Revenue	0.6	
Sales Tax Revenue	0.6	
Ad Valorem Property Tax	0.5	
Tobacco & Liquor Taxes	0.1	
Local or Government Housing	0.1	
Total Revenue Bonds		81.1%
General Obligation		14.4
Special Assessment		3.6
Certificates of Participation		0.5
Tax Allocation		0.4
Total Investments		100.0%

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PIMCO California Municipal Income Fund Schedule of Investments

October 31, 2012 (unaudited)

Principal Amount (000s)		Value
CALIFORNIA MUNICIPAL BONDS & NOTES 91.2%		
$ 10,000	Bay Area Toll Auth. Rev., San Francisco Bay Area, 5.00%, 4/1/34, Ser. F-1	$ 11,213,500
5,000	Chula Vista Rev., San Diego Gas & Electric, 5.875%, 2/15/34, Ser. B	5,874,350
720	City & Cnty. of San Francisco Redev. Agcy., Special Tax, 6.125%, 8/1/31, Ser. B	721,656
650	City & Cnty. of San Francisco, Capital Improvement Projects, CP, 5.25%, 4/1/31, Ser. A	726,602
350	Contra Costa Cnty. Public Financing Auth., Tax Allocation, 5.85%, 8/1/33, Ser. A	350,238
5,000	Desert Community College Dist., GO, 5.00%, 8/1/37, Ser. C (AGM)	5,404,000
310	Dublin Unified School Dist., GO, zero coupon, 8/1/23, Ser. E	204,966
6,300	Eastern Municipal Water Dist., CP, 5.00%, 7/1/35, Ser. H	6,885,585
	Educational Facs. Auth. Rev.,	
10,200	Claremont McKenna College, 5.00%, 1/1/39 (h)	11,229,996
10,000	Univ. of Southern California, 5.00%, 10/1/39, Ser. A (h)	11,364,400
2,975	El Dorado Irrigation Dist. & El Dorado Cnty. Water Agcy., CP, 5.75%, 8/1/39, Ser. A (AGC)	3,211,483
14,425	El Monte, Department of Public Social Services Fac., Phase II, CP, 5.25%, 1/1/34 (AMBAC)	14,471,737
1,000	Folsom Redev. Agcy., Tax Allocation, 5.50%, 8/1/36	1,038,650
	Fremont Community Facs. Dist. No. 1, Special Tax,	
165	6.00%, 9/1/18	166,241
505	6.00%, 9/1/19	508,651
3,500	6.30%, 9/1/31	3,516,170
	Golden State Tobacco Securitization Corp. Rev.,	
3,000	5.00%, 6/1/35, Ser. A (FGIC)	3,085,110
6,000	5.00%, 6/1/38, Ser. A (FGIC)	6,152,460
1,600	5.00%, 6/1/45 (AMBAC-TCRS)	1,637,904
8,300	5.125%, 6/1/47, Ser. A-1	6,716,941
25,175	5.75%, 6/1/47, Ser. A-1	22,587,010
	Health Facs. Financing Auth. Rev.,	
	Adventist Health System, Ser. A,	
4,265	5.00%, 3/1/33	4,306,157
2,000	5.75%, 9/1/39	2,247,660
	Catholic Healthcare West, Ser. A,	
2,000	6.00%, 7/1/34	2,142,140
4,000	6.00%, 7/1/39	4,682,080
750	Children s Hospital of Los Angeles, 5.25%, 7/1/38 (AGM)	795,510
1,000	Children s Hospital of Orange Cnty., 6.50%, 11/1/38, Ser. A	1,219,190
1,450	Scripps Health, 5.00%, 11/15/36, Ser. A	1,597,740
3,400	Stanford Hospital, 5.25%, 11/15/40, Ser. A-2	3,896,808
	Sutter Health,	
1,000	5.00%, 8/15/35, Ser. D	1,120,500
1,600	5.00%, 11/15/42, Ser. A (IBC-NPFGC)	1,682,048
2,800	6.00%, 8/15/42, Ser. B	3,338,020

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PIMCO California Municipal Income Fund Schedule of Investments

October 31, 2012 (unaudited) (continued)

Principal Amount (000s)		Value
$ 1,000	Imperial Irrigation Dist. Rev., 5.00%, 11/1/41, Ser. C	$ 1,096,450
10,590	Kern Cnty., Capital Improvements Projects, CP, 5.75%, 8/1/35, Ser. A (AGC)	11,708,198
7,000	La Quinta Redev. Agcy., Tax Allocation, 5.10%, 9/1/31 (AMBAC)	7,021,840
500	Lancaster Redev. Agcy. Rev., Capital Improvements Projects, 5.90%, 12/1/35	543,750
500	Lancaster Redev. Agcy., Tax Allocation, 6.875%, 8/1/39	564,300
5,500	Long Beach Airport Rev., 5.00%, 6/1/40, Ser. A	5,964,530
	Long Beach Bond Finance Auth. Rev., Long Beach Natural Gas, Ser. A,	
1,000	5.50%, 11/15/27	1,195,810
3,900	5.50%, 11/15/37	4,742,439
	Los Angeles Department of Water & Power Rev.,	
5,000	4.75%, 7/1/30, Ser. A-2 (AGM) (h)	5,309,700
2,000	5.00%, 7/1/41, Ser. A	2,278,080
1,500	5.00%, 7/1/43, Ser. B	1,732,125
3,000	5.375%, 7/1/34, Ser. A (h)	3,450,360
7,000	5.375%, 7/1/38, Ser. A (h)	7,982,660
	Los Angeles Unified School Dist., GO,	
10,000	5.00%, 7/1/29, Ser. I (h)	11,610,200
3,500	5.00%, 1/1/34, Ser. I	3,978,135
5,000	5.00%, 1/1/34, Ser. I (h)	5,683,050
250	5.30%, 1/1/34, Ser. D	288,688
700	Malibu, City Hall Project, CP, 5.00%, 7/1/39, Ser. A	760,529
1,900	M-S-R Energy Auth. Rev., 6.50%, 11/1/39, Ser. B	2,675,732
	Municipal Finance Auth. Rev.,	
1,145	Azusa Pacific Univ. Project, 7.75%, 4/1/31, Ser. B	1,357,134
2,900	Biola Univ., 5.875%, 10/1/34	3,167,757
2,145	Patterson Public Financing Auth. Rev.,	
	Waste Water System Financing Project, 5.50%, 6/1/39 (AGC)	2,364,434
1,250	Peralta Community College Dist., GO, 5.00%, 8/1/39, Ser. C	1,363,975
	Pollution Control Financing Auth. Rev.,	
1,250	American Water Capital Corp. Project, 5.25%, 8/1/40 (a)(d)	1,305,375
2,000	San Jose Water Co. Projects, 5.10%, 6/1/40	2,179,260
	San Diego Cnty. Water Auth., CP,	
350	5.00%, 5/1/32, Ser. A (NPFGC)	354,532
6,250	5.00%, 5/1/38, Ser. 2008-A (AGM)	6,772,875
3,285	San Diego Regional Building Auth. Rev.,	
	Cnty. Operations Center & Annex, 5.375%, 2/1/36, Ser. A	3,688,004
12,610	San Francisco Public Utilities Commission Water Rev., 5.00%, 11/1/43	14,488,260
	San Joaquin Hills Transportation Corridor Agcy. Rev., Ser. A,	
5,000	5.50%, 1/15/28	5,013,050
5,000	5.70%, 1/15/19	5,189,050
230	San Jose, Special Assessment, 5.60%, 9/2/17, Ser. 24-Q	238,094

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PIMCO California Municipal Income Fund Schedule of Investments

October 31, 2012 (unaudited) (continued)

Principal Amount (000s)		Value
$ 1,500	San Jose Hotel Tax Rev., Convention Center Expansion, 6.50%, 5/1/36	$ 1,795,125
1,200	San Marcos Unified School Dist., GO, 5.00%, 8/1/38, Ser. A	1,350,804
1,815	Santa Clara, Central Park Library Project, CP, 5.00%, 2/1/32 (AMBAC)	1,822,968
3,500	Santa Clara Cnty. Financing Auth. Rev., El Camino Hospital, 5.75%, 2/1/41, Ser. A (AMBAC)	3,831,310
1,300	Santa Cruz Cnty. Redev. Agcy., Tax Allocation, Live Oak/Soquel Community, 7.00%, 9/1/36, Ser. A	1,539,265
	State, GO,	
5,885	5.00%, 9/1/35	6,377,692
100	5.00%, 6/1/37	108,217
3,000	5.00%, 12/1/37	3,271,440
2,400	5.25%, 11/1/40	2,746,224
1,500	5.50%, 3/1/40	1,729,890
2,000	6.00%, 4/1/38	2,383,200
2,000	6.00%, 11/1/39	2,427,720
	State Public Works Board Rev.,	
2,000	5.75%, 10/1/30, Ser. G-1	2,320,400
2,000	California State Univ., 6.00%, 11/1/34, Ser. J	2,361,940
1,500	Judicial Council Projects, 5.00%, 12/1/29, Ser. D	1,678,515
2,000	Regents Univ., 5.00%, 4/1/34, Ser. E	2,193,600
	Statewide Communities Dev. Auth. Rev.,	
1,000	American Baptist Homes West, 6.25%, 10/1/39	1,093,530
900	California Baptist Univ., 5.50%, 11/1/38, Ser. A	935,946
845	Catholic Healthcare West, 5.50%, 7/1/31, Ser. D	940,781
10,000	Cottage Health, 5.00%, 11/1/40	11,022,800
13,050	Henry Mayo Newhall Memorial Hospital, 5.125%, 10/1/30, Ser. A (CA Mtg. Ins.)	13,059,004
1,000	Kaiser Permanente, 5.25%, 3/1/45, Ser. B	1,063,750
1,000	Lancer Student Housing Project, 7.50%, 6/1/42	1,149,990
3,000	Los Angeles Jewish Home, 5.50%, 11/15/33 (CA Mtg. Ins.)	3,045,450
	Methodist Hospital Project (FHA),	
2,100	6.625%, 8/1/29	2,648,919
7,700	6.75%, 2/1/38	9,486,477
	St. Joseph Health System,	
100	5.125%, 7/1/24 (NPFGC)	112,804
3,200	5.75%, 7/1/47, Ser. A (FGIC)	3,561,152
2,000	Sutter Health, 6.00%, 8/15/42, Ser. A	2,384,300
8,000	The Internext Group, CP, 5.375%, 4/1/30	8,020,240
	Univ. of California Irvine E. Campus,	
4,000	5.125%, 5/15/31	4,401,280
4,500	5.375%, 5/15/38	4,922,910
910	Windrush School, 5.50%, 7/1/37 (b)(e)	482,300
6,300	Torrance Rev., Memorial Medical Center, 5.00%, 9/1/40, Ser. A	6,736,716

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PIMCO California Municipal Income Fund Schedule of Investments

October 31, 2012 (unaudited) (continued)

Principal Amount (000s)		Value
$ 2,000	Turlock, Emanuel Medical Center, CP, 5.50%, 10/15/37, Ser. B	$ 2,077,840
	Univ. of California Rev.,	
2,000	5.00%, 5/15/33, Ser. A (AMBAC)	2,044,460
10,000	5.00%, 5/15/36, Ser. A (AMBAC)	10,192,300
4,000	5.00%, 5/15/42, Ser. G	4,604,960
1,000	Westlake Village, CP, 5.00%, 6/1/39	1,055,780
	Total California Municipal Bonds & Notes (cost-$355,815,086)	403,145,878
OTHER MUNICIPAL BONDS & NOTES 6.5%		
	Iowa 1.9%	
8,600	Tobacco Settlement Auth. Rev., 5.60%, 6/1/34, Ser. B	8,348,278
	Louisiana 0.0%	
250	Tobacco Settlement Financing Corp. Rev., 5.875%, 5/15/39, Ser. 2001-B	256,597
	Ohio 1.0%	
4,000	American Municipal Power, Inc. Rev., Fremont Energy Center Project, 5.00%, 2/15/42, Ser. B	4,421,560
	Puerto Rico 2.3%	
	Sales Tax Financing Corp. Rev.,	
7,000	5.00%, 8/1/46, Ser. C	7,490,210
2,500	5.25%, 8/1/43, Ser. A-1	2,635,925
		10,126,135
	Texas 1.3%	
5,000	Wood Cnty. Central Hospital Dist. Rev., East Texas Medical Center Quitman Project, 6.00%, 11/1/41	5,692,100
	Total Other Municipal Bonds & Notes (cost-$28,133,090)	28,844,670
CALIFORNIA VARIABLE RATE NOTES (a)(d)(f)(g) **2.3%**		
	Health Facs. Financing Auth. Rev.,	
1,000	7.95%, 11/15/36, Ser. 3193	1,245,120
6,000	9.76%, 11/15/42, Ser. 3255	6,714,660
	Sacramento Cnty. Sanitation Dists. Financing Auth. Rev.,	
1,670	11.442%, 8/1/13, Ser. 1034 (NPFGC)	2,138,886
	Total California Variable Rate Notes (cost-$6,382,891)	10,098,666
	Total Investments (cost-$390,331,067) **100.0%**	**$ 442,089,214**

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PIMCO California Municipal Income Fund Schedule of Investments

October 31, 2012 (unaudited) (continued)

Industry classification of portfolio holdings as a percentage of total investments at October 31, 2012 were as follows:

Revenue Bonds:		
Health, Hospital, Nursing Home Revenue	22.3%	
Tobacco Settlement Funded	11.0	
College & University Revenue	10.4	
Water Revenue	7.6	
Highway Revenue Tolls	4.8	
Natural Gas Revenue	3.3	
Lease (Abatement)	2.9	
Electric Power & Lighting Revenue	2.4	
Local or Government Housing	2.4	
Sales Tax Revenue	2.3	
Port, Airport & Marina Revenue	1.4	
Sewer Revenue	1.0	
Hotel Occupancy Tax	0.4	
Private Schools	0.1	
Total Revenue Bonds		72.3%
Certificates of Participation		13.1
General Obligation		11.1
Tax Allocation		2.4
Special Tax		1.1
Total Investments		100.0%

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PIMCO New York Municipal Income Fund Schedule of Investments

October 31, 2012 (unaudited)

Principal Amount (000s)		Value
NEW YORK MUNICIPAL BONDS & NOTES 95.3%		
$ 1,600	Erie Cnty. Industrial Dev. Agcy. Rev., Orchard Park, Inc. Project, 6.00%, 11/15/36, Ser. A	$ 1,637,792
	Hudson Yards Infrastructure Corp. Rev., Ser. A,	
2,000	5.25%, 2/15/47,	2,229,760
4,000	5.75%, 2/15/47,	4,726,840
	Liberty Dev. Corp. Rev.,	
2,000	1 World Trade Center Project, 5.00%, 12/15/41	2,270,660
6,000	4 World Trade Center Project, 5.75%, 11/15/51	7,077,900
1,500	Bank of America Tower at One Bryant Park Project, 6.375%, 7/15/49	1,743,090
	Goldman Sachs Headquarters,	
120	5.25%, 10/1/35	142,559
11,290	5.25%, 10/1/35 (h)	13,412,407
1,925	5.50%, 10/1/37	2,367,153
	Long Island Power Auth. Rev., Ser. A,	
750	5.00%, 9/1/34, (AMBAC)	782,625
4,500	5.75%, 4/1/39	5,360,580
1,175	Metropolitan Transportation Auth. Rev., 5.25%, 11/15/31, Ser. E	1,176,657
1,600	Nassau Cnty. Industrial Dev. Agcy. Rev., Amsterdam at Harborside, 6.70%, 1/1/43, Ser. A	944,032
3,500	New York City Health & Hospital Corp. Rev., 5.00%, 2/15/30, Ser. A	3,959,340
	New York City Industrial Dev. Agcy. Rev.,	
1,000	Liberty Interactive Corp., 5.00%, 9/1/35	1,023,430
900	Pilot Queens Baseball Stadium, 6.50%, 1/1/46 (AGC)	1,052,100
3,200	Yankee Stadium, 7.00%, 3/1/49 (AGC)	3,868,416
2,000	New York City Municipal Water Finance Auth. Rev.,	
	Second Generation Resolutions, 5.00%, 6/15/32, Ser. HH	2,342,900
	New York City Municipal Water Finance Auth. Water & Sewer Rev.,	
2,500	5.00%, 6/15/40, Ser. FF-2	2,836,225
5,000	Second Generation Resolutions, 4.75%, 6/15/35, Ser. DD (h)	5,542,150
5,000	New York City Transitional Finance Auth. Rev., 5.25%, 1/15/39, Ser. S-3	5,571,600
1,000	Niagara Falls Public Water Auth. Water & Sewer Rev., 5.00%, 7/15/34, Ser. A (NPFGC)	1,008,710
600	Onondaga Cnty. Rev., Syracuse Univ. Project, 5.00%, 12/1/36	687,498
	Port Auth. of New York & New Jersey Rev.,	4,417,519
4,300	5.00%, 9/1/38, Ser. 132	
1,000	JFK International Air Terminal, 6.00%, 12/1/36	1,174,450
	State Dormitory Auth. Rev.,	
500	5.00%, 7/1/35, Ser. A	567,560
1,000	5.00%, 3/15/38, Ser. A	1,159,540
1,110	5.00%, 3/15/42, Ser. B	1,277,266
1,000	Fordham Univ., 5.50%, 7/1/36, Ser. A	1,166,060

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PIMCO New York Municipal Income Fund Schedule of Investments

October 31, 2012 (unaudited) (continued)

Principal Amount (000s)		Value
$ 2,000	Mount Sinai Hospital, 5.00%, 7/1/31, Ser. A	$ 2,194,080
1,300	Mount Sinai School of Medicine, 5.125%, 7/1/39	1,417,143
4,500	New York Univ., 5.00%, 7/1/38, Ser. C	4,954,950
1,225	NYU Hospitals Center, 6.00%, 7/1/40, Ser. A	1,479,310
1,000	Pratt Institute, 5.125%, 7/1/39, Ser. C (AGC)	1,096,930
	Sloan-Kettering Center Memorial,	
2,500	4.50%, 7/1/35, Ser. A-1	2,669,500
4,000	5.00%, 7/1/34, Ser. 1 (Pre-refunded @ $100, 7/1/13) (c)	4,125,440
	Teachers College,	
1,800	5.50%, 3/1/39	1,991,754
1,250	The New School, 5.50%, 7/1/40	1,433,738
2,850	Univ. Dormitory Facs., 5.00%, 7/1/42, Ser. A	3,278,212
1,275	Winthrop Univ. Hospital Assoc., 5.25%, 7/1/31, Ser. A (AMBAC)	1,275,714
	State Thruway Auth. Rev., Ser. I,	
2,000	5.00%, 1/1/37	2,270,080
6,145	5.00%, 1/1/42	6,948,889
1,800	State Urban Dev. Corp. Rev., 5.00%, 3/15/36, Ser. B-1 (h)	2,105,766
3,000	Triborough Bridge & Tunnel Auth. Rev., 5.25%, 11/15/34, Ser. A-2 (h)	3,562,290
3,000	Troy Capital Res. Corp. Rev., Rensselaer Polytechnic Institute Project, 5.125%, 9/1/40, Ser. A	3,317,940
5,860	Troy Industrial Dev. Auth. Rev., Rensselaer Polytechnic Institute Project, 4.625%, 9/1/26	6,622,210
1,455	TSACS, Inc. Rev., 5.125%, 6/1/42, Ser. 1	1,185,447
2,945	Warren & Washington Cntys. Industrial Dev. Agcy. Rev., Glens Falls Hospital Project, 5.00%, 12/1/27, Ser. C (AGM)	3,022,365
910	Westchester Cnty. Healthcare Corp. Rev., 6.125%, 11/1/37, Ser. C-2	1,071,061
200	Yonkers Economic Dev. Corp. Rev., Charter School of Educational Excellence Project, 6.00%, 10/15/30, Ser. A	210,830
400	Yonkers Industrial Dev. Agcy. Rev., Sarah Lawrence College Project, 6.00%, 6/1/41, Ser. A	456,732
	Total New York Municipal Bonds & Notes (cost-$125,262,155)	138,217,200
OTHER MUNICIPAL BONDS & NOTES 4.7%		
	Louisiana 0.5%	
750	Tobacco Settlement Financing Corp. Rev., 5.875%, 5/15/39, Ser. 2001-B	769,792
	Ohio 1.2%	
2,000	Buckeye Tobacco Settlement Financing Auth. Rev., 5.875%, 6/1/47, Ser. A-2	1,719,680
	Puerto Rico 2.6%	
1,000	Aqueduct & Sewer Auth. Rev., 6.00%, 7/1/44, Ser. A	1,046,650

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PIMCO New York Municipal Income Fund Schedule of Investments

October 31, 2012 (unaudited) (continued)

Principal Amount (000s)		Value
	Sales Tax Financing Corp. Rev.,	
$ 1,000	5.25%, 8/1/43, Ser. A-1	$ 1,054,370
1,500	5.75%, 8/1/37, Ser. A	1,649,895
		3,750,915
	U. S. Virgin Islands 0.4%	
500	Virgin Islands Public Finance Auth. Rev., 5.00%, 10/1/39, Ser. A-1	519,185
	Total Other Municipal Bonds & Notes (cost-$5,993,704)	6,759,572
	Total Investments (cost-$131,255,859) **100.0%**	**$ 144,976,772**

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PIMCO New York Municipal Income Fund Schedule of Investments

October 31, 2012 (unaudited) (continued)

Industry classification of portfolio holdings as a percentage of total investments at October 31, 2012 were as follows:

Revenue Bonds:		
College & University Revenue	18.6%	
Miscellaneous Revenue	14.1	
Health, Hospital, Nursing Home Revenue	13.4	
Industrial Revenue	9.8	
Highway Revenue Tolls	8.8	
Water Revenue	8.8	
Port, Airport & Marina Revenue	5.4	
Miscellaneous Taxes	4.8	
Electric Power & Lighting Revenue	4.2	
Income Tax Revenue	3.1	
Recreational Revenue	2.7	
Tobacco Settlement Funded	2.5	
Sales Tax Revenue	1.9	
Transit Revenue	0.8	
Economic Development Revenue	0.7	
Tobacco & Liquor Taxes	0.4	
Total Revenue Bonds		100.0%
Total Investments		100.0%

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PIMCO Municipal Income Funds Notes to Schedules of Investments

October 31, 2012 (unaudited) (continued)

(a) Private Placement Restricted as to resale and may not have a readily available market. Securities with an aggregate value of $12,798,808 and $11,404,041, representing 2.4% and 2.6% of total investments in Municipal and California Municipal, respectively.
(b) Illiquid.
(c) Pre-refunded bonds are collateralized by U.S. Government or other eligible securities which are held in escrow and used to pay principal and interest and retire the bonds at the earliest refunding date (payment date) and/or whose interest rates vary with changes in a designated base rate (such as the prime interest rate).
(d) 144A Exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, typically only to qualified institutional buyers. Unless otherwise indicated, these securities are not considered to be illiquid.
(e) In default.
(f) Inverse Floater The interest rate shown bears an inverse relationship to the interest rate on another security or the value of an index. The interest rate disclosed reflects the rate in effect on October 31, 2012.
(g) Variable Rate Notes Instruments whose interest rates change on specified date (such as a coupon date or interest payment date) and/or whose interest rates vary with changes in a designated base rate (such as the prime interest rate). The interest rate disclosed reflects the rate in effect on October 31, 2012.
(h) Residual Interest Bonds held in Trust Securities represent underlying bonds transferred to a separate securitization trust established in a tender option bond transaction in which each Fund acquired the residual interest certificates. These securities serve as collateral in a financing transaction.
(i) Restricted security in Municipal. The aggregate acquisition cost of such security is $935,300; the aggregate market value is $472,350, representing 0.1% of total investments.

Glossary:

ACA	-	insured by American Capital Access Holding Ltd.
AGC	-	insured by Assured Guaranty Corp.
AGM	-	insured by Assured Guaranty Municipal Corp.
AMBAC	-	insured by American Municipal Bond Assurance Corp.
CA Mtg. Ins.	-	insured by California Mortgage Insurance
CP	-	Certificates of Participation
FGIC	-	insured by Financial Guaranty Insurance Co.
FHA	-	insured by Federal Housing Administration
GO	-	General Obligation Bond
IBC	-	Insurance Bond Certificate
NPFGC	-	insured by National Public Finance Guarantee Corp.
TCRS	-	Temporary Custodian Receipts

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PIMCO Municipal Income Funds Statements of Assets and Liabilities

October 31, 2012 (unaudited)

	Municipal	California Municipal	New York Municipal
Assets:			
Investments, at value (cost-$474,901,412, $390,331,067 and $131,255,859, respectively)	$544,167,856	$442,089,214	$144,976,772
Cash	141,898	452,665	438,268
Interest receivable	9,000,020	7,136,598	2,492,732
Receivable for investments sold	1,771,325	99,047	997,475
Prepaid expenses and other assets	117,851	40,782	1,902,889
Total Assets	555,198,950	449,818,306	150,808,136
Liabilities:			
Payable for Floating Rate Notes issued	15,563,277	31,765,500	10,476,876
Dividends payable to common and preferred shareholders	2,064,723	1,430,219	440,157
Investment management fees payable	295,529	228,660	76,641
Interest payable	40,493	63,562	618,966
Accrued expenses and other liabilities	161,543	282,596	96,583
Total Liabilities	18,125,565	33,770,537	11,709,223
Preferred Shares ($0.00001 par value and $25,000 liquidation preference per share applicable to an aggregate of 7,600, 6,000 and 1,880 shares issued and outstanding, respectively)	190,000,000	150,000,000	47,000,000
Net Assets Applicable to Common Shareholders	$347,073,385	$266,047,769	$92,098,913
Composition of Net Assets Applicable to Common Shareholders:			
Common Shares (no par value):			
Paid-in-capital	$344,309,355	$250,415,736	$101,939,809
Undistributed net investment income	4,911,456	10,429,474	2,309,381
Accumulated net realized loss	(71,432,797)	(46,552,890)	(26,093,196)
Net unrealized appreciation of investments	69,285,371	51,755,449	13,942,919
Net Assets Applicable to Common Shareholders	$347,073,385	$266,047,769	$92,098,913
Common Shares Issued and Outstanding	25,294,400	18,489,134	7,671,600
Net Asset Value Per Common Share	$13.72	$14.39	$12.01

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PIMCO Municipal Income Funds Statements of Operations

Six Months ended October 31, 2012 (unaudited)

	Municipal	California Municipal	New York Municipal
Investment Income:			
Interest	$14,133,830	$11,239,608	$3,306,863
Expenses:			
Investment management fees	1,726,634	1,340,980	448,255
Interest expense	223,612	247,801	31,279
Auction agent fees and commissions	155,518	120,743	38,276
Custodian and accounting agent fees	52,005	54,176	26,871
Audit and tax services	37,794	33,369	23,802
Transfer agent fees	22,140	21,938	20,168
Trustees fees and expenses	22,087	16,934	5,871
Shareholder communications	19,994	9,416	11,062
Legal fees	6,739	1,840	3,350
Insurance expense	5,402	4,428	2,299
New York Stock Exchange listing fees			12,879
Miscellaneous expense	7,359	6,882	6,373
Total Expenses	2,279,284	1,858,507	630,485
Less: investment management fees waived	(43,441)	(33,870)	(11,285)
custody credits earned on cash balances	(3,407)	(5,488)	(1,992)
Net Expenses	2,232,436	1,819,149	617,208
Net Investment Income	11,901,394	9,420,459	2,689,655
Realized and Change in Unrealized Gain (Loss):			
Net realized gain (loss) on:			
Investments	(1,008,454)	1,823,030	412,571
Futures contracts	(808,633)	(646,907)	(161,727)
Swaps		(100)	
Net change in unrealized appreciation/depreciation of:			
Investments	22,058,623	9,711,527	4,496,704
Futures contracts	351,605	281,284	70,321
Net realized and change in unrealized gain on investments, futures contracts and swaps	20,593,141	11,168,834	4,817,869
Net Increase in Net Assets Resulting from Investment Operations	32,494,535	20,589,293	7,507,524
Dividends on Preferred Shares from Net Investment Income	(264,267)	(208,438)	(65,464)
Net Increase in Net Assets Applicable to Common Shareholders Resulting from Investment	$32,230,268	$20,380,855	$7,442,060

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PIMCO Municipal Income Funds Statements of Changes in Net Assets

Applicable to Common Shareholders

	Municipal	
	Six Months ended October 31, 2012 (Unaudited)	Year ended April 30, 2012
Investment Operations:		
Net investment income	$11,901,394	$25,313,915
Net realized gain (loss) on investments, futures contracts and swaps	(1,817,087)	(3,383,329)
Net change in unrealized appreciation/depreciation of investments, futures contracts and swaps	22,410,228	58,651,802
Net increase in net assets resulting from investment operations	32,494,535	80,582,388
Dividends on Preferred Shares from Net Investment Income	(264,267)	(438,548)
Net increase in net assets applicable to common shareholders resulting from investment operations	32,230,268	80,143,840
Dividends to Common Shareholders from Net Investment Income	(12,325,141)	(24,597,218)
Common Share Transactions:		
Reinvestment of dividends	427,504	1,278,223
Total increase in net assets applicable to common shareholders	20,332,631	56,824,845
Net Assets Applicable to Common Shareholders:		
Beginning of period	326,740,754	269,915,909
End of period (including undistributed net investment income of $4,911,456 and $5,599,470; $10,429,474 and $9,754,846; $2,309,381 and $2,307,100; respectively)	$347,073,385	$326,740,754
Common Shares Issued in Reinvestment of Dividends	28,465	98,255

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PIMCO Municipal Income Funds Statements of Changes in Net Assets

Applicable to Common Shareholders (continued)

	California Municipal		New York Municipal	
	Six Months ended October 31, 2012 (Unaudited)	Year ended April 30, 2012	Six Months ended October 31, 2012 (Unaudited)	Year ended April 30, 2012
	$9,420,459	$20,030,549	$2,689,655	$5,719,322
	1,176,023	(11,194,239)	250,844	(881,234)
	9,992,811	53,279,271	4,567,025	11,620,949
	20,589,293	62,115,581	7,507,524	16,459,037
	(208,438)	(347,737)	(65,464)	(107,654)
	20,380,855	61,767,844	7,442,060	16,351,383
	(8,537,393)	(17,034,147)	(2,621,910)	(5,232,071)
	334,063	989,256	153,009	278,520
	12,177,525	45,722,953	4,973,159	11,397,832
	253,870,244	208,147,291	87,125,754	75,727,922
	$266,047,769	$253,870,244	$92,098,913	$87,125,754
	22,856	79,651	12,929	26,484

PIMCO Municipal Income Funds Notes to Financial Statements

October 31, 2012 (unaudited)

1. Organization and Significant Accounting Policies

PIMCO Municipal Income Fund (Municipal), PIMCO California Municipal Income Fund (California Municipal) and PIMCO New York Municipal Income Fund (New York Municipal) (each a Fund and collectively referred to as the Funds or PIMCO Municipal Income Funds), were organized as Massachusetts business trusts on May 10, 2001. Prior to commencing operations on June 29, 2001, the Funds had no operations other than matters relating to their organization and registration as non-diversified, closed-end management investment companies registered under the Investment Company Act of 1940; as amended, and the rules and regulations thereunder. Allianz Global Investors Fund Management LLC (the Investment Manager) and Pacific Investment Management Company LLC (PIMCO or the Sub-Adviser) serve as the investment manager and Sub-Adviser, respectively, and are indirect, wholly-owned subsidiaries of Allianz Asset Management of America L.P. (AAM) AAM is an indirect, wholly-owned subsidiary of Allianz SE, a publicly traded European insurance and financial services company. Each Fund has an unlimited amount of no par value per share of common shares authorized.

Under normal market conditions, Municipal invests substantially all of its assets in a portfolio of municipal bonds, the interest from which is exempt from U.S. federal income taxes. Under normal market conditions, California Municipal invests substantially all of its assets in municipal bonds which pay interest that is exempt from federal and California state income taxes. Under normal market conditions, New York Municipal invests substantially all of its assets in municipal bonds which pay interest that is exempt from federal, New York State and New York City income taxes. There can be no assurance that the Funds will meet their stated objectives. The Funds will generally seek to avoid investing in bonds generating interest income which could potentially subject individuals to alternative minimum tax. The issuers abilities to meet their obligations may be affected by economic and political developments in a specific state or region.

The preparation of the Funds financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in each Fund s financial statements. Actual results could differ from those estimates.

In the normal course of business, the Funds enter into contracts that contain a variety of representations that provide general indemnifications. The Funds maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Funds that have not yet occurred.

In December 2011, the Financial Accounting Standards Board issued Accounting Standards Update No. 2011-11, Disclosures About Offsetting Assets and Liabilities , which requires enhanced disclosures that will enable users to evaluate the effect or potential effect of netting arrangements on an entity s financial position, including the effect or potential effect of rights of setoff associated with certain financial instruments and derivative instruments. The amendments are effective for fiscal years beginning on or after January 1, 2013. The Funds management is currently evaluating the effect that the guidance may have on the Funds financial statements.

The following is a summary of significant accounting policies consistently followed by the Funds:

(a) Valuation of Investments

Portfolio securities and other financial instruments for which market quotations are readily available are stated at market value. Market value is generally determined on the basis of last reported sales prices, or if no sales are reported, on the basis of quotes obtained from a quotation reporting system, established market makers, or independent pricing services. The Funds investments are valued daily using prices supplied by an independent pricing service or dealer quotations, or by using the last sale price on the exchange that is the primary market for such securities, or the mean between the last quoted bid and ask price.

Independent pricing services use information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics.

The Board of Trustees (the Board) has adopted procedures for valuing portfolio securities and other financial derivative instruments in circumstances where market quotes are not readily available, and has delegated the responsibility for applying the valuation methods to the Investment Manager and Sub-Adviser, an affiliate of the Investment Manager. The Funds Valuation Committee was established by the Board to oversee the implementation of the Funds valuation methods and to make fair value determinations on behalf of the Board, as instructed. The Sub-Adviser monitors the

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PIMCO Municipal Income Funds Notes to Financial Statements

October 31, 2012 (unaudited)

1. Organization and Significant Accounting Policies (continued)

continued appropriateness of methods applied and determines if adjustments should be made in light of market changes, events affecting the issuer, or other factors. If the Sub-Adviser determines that a valuation method may no longer be appropriate, another valuation method may be selected, or the Valuation Committee will be convened to consider the matter and take any appropriate action in accordance with procedures set forth by the Board. The Board shall review the appropriateness of the valuation methods and these methods may be amended or supplemented from time to time by the Valuation Committee.

Short-term securities maturing in 60 days or less are valued at amortized cost, if their original term to maturity was 60 days or less, or by amortizing their value on the 61st day prior to maturity, if the original term to maturity exceeded 60 days.

The prices used by the Funds to value securities may differ from the value that would be realized if the securities were sold, and these differences could be material to the Funds financial statements. Each Fund s net asset value (NAV) is normally determined as of the close of regular trading (normally, 4:00 p.m. Eastern time) on the New York Stock Exchange (NYSE) on each day the NYSE is open for business.

(b) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (*i.e.* the exit price) in an orderly transaction between market participants. The three levels of the fair value hierarchy are described below:

Level 1 quoted prices in active markets for identical investments that the Funds have the ability to access

Level 2 valuations based on other significant observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates or other market corroborated inputs

Level 3 valuations based on significant unobservable inputs (including the Sub-Adviser s or Valuation Committee s own assumptions and single broker quotes in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following are certain inputs and techniques that the Funds generally use to evaluate how to classify each major category of assets and liabilities for Level 2 and Level 3, in accordance with Generally Accepted Accounting Principles (GAAP).

Municipal Bonds & Notes and Variable Rate Notes Municipal bonds & notes and variable rate notes are valued by independent pricing services based on pricing models that take into account, among other factors, information received from market makers and broker-dealers, current trades, bid-want lists, offerings, market movements, the callability of the bond, state of issuance, benchmark yield curves, and bond or note insurance. To the extent that these inputs are observable, the values of municipal bonds & notes and variable rate notes are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

The valuation techniques used by the Funds to measure fair value during the year ended October 31, 2012 were intended to maximize the use of observable inputs and to minimize the use of unobservable inputs.

The Funds policy is to recognize transfers between levels at the end of the reporting period. An investment asset s or liability s level within the fair value hierarchy is based on the lowest level input, individually or in aggregate, that is significant to the fair value measurement. The objective of fair value measurement remains the same even when there is a significant decrease in the volume and level of activity for an asset or liability and regardless of the valuation techniques used. Assets categorized as Level 1 or 2 as of period end may have been transferred between Levels 1 and 2 since the prior period due to changes in the valuation method utilized in valuing the investments.

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PIMCO Municipal Income Funds Notes to Financial Statements

October 31, 2012 (unaudited)

1. Organization and Significant Accounting Policies (continued)

A summary of the inputs used at October 31, 2012 in valuing Municipal s assets and liabilities is listed below (refer to the Schedule of Investments for more detailed information on Investments in Securities):

Municipal:

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Value at 10/31/12
Investments in Securities Assets				
Municipal Bonds & Notes:				
Alaska		$ 3,938,854	$ 297,000	$ 4,235,854
Tennessee		11,750,950	472,350	12,223,300
All Other		515,382,244		515,382,244
Variable Rate Notes		12,326,458		12,326,458
Total Investments		$ 543,398,506	$ 769,350	$ 544,167,856

At October 31, 2012, there were no transfers between Levels 1 and 2.

A roll forward of fair value measurements using significant unobservable inputs (Level 3) for Municipal for the six months ended October 31, 2012, was as follows:

Municipal:

	Beginning Balance 4/30/12	Purchases	Sales	Accrued Discounts (Premiums)	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation/ Depreciation	Transfers into Level 3	Transfers out of Level 3	Ending Balance 10/31/12
Investments in Securities Assets									
Municipal Bonds & Notes:									
Alaska	$ 482,850			$ 856		$ (186,706)			$ 297,000
Tennessee	472,350								472,350
Total Investments	$ 955,200			$ 856		$ (186,706)			$ 769,350

The following table presents additional information about valuation techniques and inputs used for investments in Municipal that are measured at fair value and categorized within Level 3 at October 31, 2012:

Municipal:

	Ending Balance at 10/31/12	Valuation Techniques Used	Unobservable Inputs	Input Values
Investment in Securities Assets				
Municipal Bonds & Notes:				
Alaska	$ 297,000	Third-Party Pricing Vendor	Stale Pricing	$ 33.00
Tennessee	472,350	Third-Party Pricing Vendor	Broker Quote	50.25
Total Investments	$ 769,350			

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PIMCO Municipal Income Funds Notes to Financial Statements

October 31, 2012 (unaudited)

1. Organization and Significant Accounting Policies (continued)

A summary of the inputs used at October 31, 2012 in valuing California Municipal s assets and liabilities is listed below (refer to the Schedule of Investments for more detailed information on Investments in Securities):

California Municipal:

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Value at 10/31/12
Investments in Securities Assets				
California Municipal Bonds & Notes		$ 402,663,578	$ 482,300	$ 403,145,878
Other Municipal Bonds & Notes		28,844,670		28,844,670
California Variable Rate Notes		10,098,666		10,098,666
Total Investments		$ 441,606,914	$ 482,300	$ 442,089,214

At October 31, 2012, there were no transfers between Levels 1 and 2.

A roll forward of fair value measurements using significant unobservable inputs (Level 3) for California Municipal for the six months ended October 31, 2012, was as follows:

California Municipal:

	Beginning Balance 4/30/12	Purchases	Sales	Accrued Discounts (Premiums)	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation/ Depreciation	Transfers into Level 3	Transfers out of Level 3	Ending Balance 10/31/12
Investments in Securities Assets									
California Municipal Bonds & Notes:	$ 627,900					$ [145,600]			$ 482,300
Total Investments	$ 627,900					$ [145,600]			$ 482,300

The following table presents additional information about valuation techniques and inputs used for investments in California Municipal that are measured at fair value and categorized within Level 3 at October 31, 2012:

California Municipal:

	Ending Balance at 10/31/12	Valuation Techniques Used	Unobservable Inputs	Input Values
Investment in Securities Assets				
California Municipal Bonds & Notes:	$ 482,300	Third-Party Pricing Vendor	Stale Pricing	$ 53.00

A summary of the inputs used at October 31, 2012 in valuing New York Municipal s assets and liabilities is listed below (refer to the Schedule of Investments for more detailed information on Investments in Securities):

New York Municipal:

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Value at 10/31/12
Investments in Securities Assets				
New York Municipal Bonds & Notes		$ 138,217,200		$ 138,217,200
Other Municipal Bonds & Notes		6,759,572		6,759,572
Total Investments		$ 144,976,772		$ 144,976,772

At October 31, 2012, there were no transfers between Levels 1 and 2.

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PIMCO Municipal Income Funds Notes to Financial Statements

October 31, 2012 (unaudited)

1. Organization and Significant Accounting Policies (continued)

The net change in unrealized appreciation/depreciation of Level 3 investments which Municipal and California Municipal held at October 31, 2012, was $(186,706) and $(145,600), respectively.

Net change in unrealized depreciation is reflected on the Statements of Operations.

(c) Investment Transactions and Investment Income

Investment transactions are accounted for on the trade date. Realized gains and losses on investments are determined on an identified cost basis. Interest income adjusted for the accretion of discount and amortization of premium is recorded on an accrual basis. Discounts or premiums on debt securities purchased are accreted or amortized, respectively, to interest income.

(d) Federal Income Taxes

The Funds intend to distribute all of their taxable income and to comply with the other requirements of Subchapter M of the U.S. Internal Revenue Code of 1986, as amended, applicable to regulated investment companies. Accordingly, no provision for U.S. federal income taxes is required.

Accounting for uncertainty in income taxes establishes for all entities, including pass-through entities such as the Funds, a minimum threshold for financial statement recognition of the benefit of positions taken in filing tax returns (including whether an entity is taxable in a particular jurisdiction), and requires certain expanded tax disclosures. The Funds management has determined that its evaluation has resulted in no material impact to the Funds financial statements at October 31, 2012. The Funds federal tax returns for the prior three years remain subject to examination by the Internal Revenue Service.

(e) Dividends and Distributions Common Shares

The Funds declare dividends from net investment income to common shareholders monthly. Distributions of net realized capital gains, if any, are paid at least annually. The Funds record dividends and distributions on the ex-dividend date. The amount of dividends from net investment income and distributions from net realized capital gains is determined in accordance with federal income tax regulations, which may differ from GAAP. These book-tax differences are considered either temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their federal income tax treatment; temporary differences do not require reclassification. To the extent dividends and/or distributions exceed current and accumulated earnings and profits for federal income tax purposes, they are reported as dividends and/or distributions to shareholders from return of capital.

(f) Inverse Floating Rate Transactions Residual Interest Municipal Bonds (RIBs) / Residual Interest Tax Exempt Bonds (RITEs)

The Funds invest in RIBs and RITEs (Inverse Floaters), whose interest rates bear an inverse relationship to the interest rate on another security or the value of an index. In inverse floating rate transactions, the Funds sell a fixed rate municipal bond (Fixed Rate Bond) to a broker who places the Fixed Rate Bond in a special purpose trust (Trust) from which floating rate bonds (Floating Rate Notes) and Inverse Floaters are issued. The Funds simultaneously or within a short period of time, purchase the Inverse Floaters from the broker. The Inverse Floaters held by the Funds provide the Funds with the right to: (1) cause the holders of the Floating Rate Notes to tender their notes at par, and (2) cause the broker to transfer the Fixed-Rate Bond held by the Trust to the Funds, thereby collapsing the Trust. The Funds account for the transaction described above as a secured borrowing by including the Fixed Rate Bond in their Schedules of Investments, and account for the Floating Rate Notes as a liability under the caption Payable for Floating Rate Notes issued in the Funds Statements of Assets and Liabilities. The Floating Rate Notes have interest rates that generally reset weekly and their holders have the option to tender their notes to the broker for redemption at par at each reset date.

The Funds may also invest in Inverse Floaters without transferring a fixed rate municipal bond into a Trust, which are not accounted for as secured borrowings. The Funds may also invest in Inverse Floaters for the purpose of increasing leverage.

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PIMCO Municipal Income Funds Notes to Financial Statements

October 31, 2012 (unaudited)

1. Organization and Significant Accounting Policies (continued)

The Inverse Floaters are created by dividing the income stream provided by the underlying bonds to create two securities, one short-term and one long-term. The interest rate on the short-term component is reset by an index or auction process typically every 7 to 35 days. After income is paid on the short-term securities at current rates, the residual income from the underlying bond(s) goes to the long-term securities. Therefore, rising short-term rates result in lower income for the long-term component and vice versa. The longer-term bonds may be more volatile and less liquid than other municipal bonds of comparable maturity. Investments in Inverse Floaters typically will involve greater risk than in an investment in Fixed Rate Bonds.

The Funds restrictions on borrowings do not apply to the secured borrowings deemed to have occurred for accounting purposes. Inverse Floaters held by the Funds are exempt from registration under Rule 144A of the Securities Act of 1933.

In addition to general market risks, the Funds investments in Inverse Floaters may involve greater risk and volatility than an investment in a fixed rate bond, and the value of Inverse Floaters may decrease significantly when market interest rates increase. Inverse Floaters have varying degrees of liquidity, and the market for these securities may be volatile. These securities tend to underperform the market for fixed rate bonds in a rising interest rate environment, but tend to outperform the market for fixed rate bonds when interest rates decline or remain relatively stable. Although volatile, Inverse Floaters typically offer the potential for yields exceeding the yields available on fixed rate bonds with comparable credit quality, coupon, call provisions and maturity. Trusts in which Inverse Floaters may be held could be terminated due to market, credit or other events beyond the Funds control, which could require the Funds to reduce leverage and dispose of portfolio investments at inopportune times and prices.

(g) Restricted Securities

The Funds are permitted to invest in securities that are subject to legal or contractual restrictions on resale. These securities generally may be resold in transactions exempt from registration or to the public if the securities are registered. Disposal of these securities may involve time-consuming negotiations and expenses, and prompt sale at an acceptable price may be difficult.

(h) Interest Expense

Interest expense primarily relates to the Funds participation in Floating Rate Notes held by third parties in conjunction with Inverse Floater transactions.

(i) Custody Credits on Cash Balances

The Funds benefit from an expense offset arrangement with their custodian bank, whereby uninvested cash balances may earn credits that reduce monthly custodian and accounting agent expenses. Had these cash balances been invested in income-producing securities, they would have generated income for the Funds. Cash overdraft charges, if any, are included in custodian and accounting agent fees.

2. Principal Risks

In the normal course of business, the Funds trade financial instruments and enter into financial transactions where risk of potential loss exists due to, among other things, changes in the market (market risk) or failure of the other party to a transaction to perform (counterparty risk). The Funds are also exposed to other risks such as, but not limited to, interest rate, credit and leverage risks.

Interest rate risk is the risk that fixed income securities will decline in value because of changes in interest rates. As nominal interest rates rise, the value of certain fixed income securities held by the Funds are likely to decrease. A nominal interest rate can be described as the sum of a real interest rate and an expected inflation rate. Fixed income securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. Duration is used primarily as a measure of the sensitivity of a fixed income security s market price to interest rate (*i.e.* yield) movements.

Variable and floating rate securities generally are less sensitive to interest rate changes but may decline in value if their interest rates do not rise as much, or as quickly, as interest rates in general. Conversely, floating rate securities will not generally increase in value if interest rates decline. Inverse floating rate securities may decrease in value if interest rates

PIMCO Municipal Income Funds Notes to Financial Statements

October 31, 2012 (unaudited)

2. Principal Risks (continued)

increase. Inverse floating rate securities may also exhibit greater price volatility than a fixed rate obligation with similar credit quality. When a Fund holds variable or floating rate securities, a decrease (or, in the case of inverse floating rate securities, an increase) in market interest rates will adversely affect the income received from such securities and the NAV of the Funds shares.

The Funds are exposed to credit risk, which is the risk of losing money if the issuer or guarantor of a fixed income security is unable or unwilling, or is perceived (whether by market participants, rating agencies, pricing services or otherwise) as unable or unwilling, to make timely principal and/or interest payments, or to otherwise honor its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings.

The market values of securities may decline due to general market conditions (market risk) which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment. They may also decline due to factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Equity securities and equity-related investments generally have greater market price volatility than fixed income securities.

The Funds are exposed to counterparty risk, or the risk that an institution or other entity with which the Funds have unsettled or open transactions will default. The potential loss to the Funds could exceed the value of the financial assets recorded in the Funds financial statements. Financial assets, which potentially expose the Funds to counterparty risk, consist principally of cash due from counterparties and investments. The Sub-Adviser, seeks to minimize the Funds counterparty risk by performing reviews of each counterparty and by minimizing concentration of counterparty risk by undertaking transactions with multiple customers and counterparties on recognized and reputable exchanges. Delivery of securities sold is only made once the Funds have received payment. Payment is made on a purchase once the securities have been delivered by the counterparty. The trade will fail if either party fails to meet its obligation.

The Funds are exposed to risks associated with leverage. Leverage may cause the value of the Funds shares to be more volatile than if the Funds did not use leverage. This is because leverage tends to exaggerate the effect of any increase or decrease in the value of the Funds portfolio securities. The Funds may engage in transactions or purchase instruments that give rise to forms of leverage. In addition, to the extent the Funds employ leverage, interest costs may not be recovered by any appreciation of the securities purchased with the leverage proceeds and could exceed the Funds investment returns, resulting in greater losses.

The Funds are party to International Swaps and Derivatives Association, Inc. Master Agreements (ISDA Master Agreements) with select counterparties that govern transactions, over-the-counter derivatives and foreign exchange contracts entered into by the Funds and those counterparties. The ISDA Master Agreements contain provisions for general obligations, representations, agreements, collateral and events of default or termination. Events of termination include conditions that may entitle counterparties to elect to terminate early and cause settlement of all outstanding transactions under the applicable ISDA Master Agreement. Any election to terminate early could be material to the financial statements of the Funds.

3. Financial Derivative Instruments

Disclosure about derivatives and hedging activities requires qualitative disclosure regarding objectives and strategies for using derivatives, quantitative disclosure about fair value amounts of gains and losses on derivatives, and disclosure about credit-risk-related contingent features in derivative agreements. The disclosure requirements distinguish between derivatives, which are accounted for as hedges , and those that do not qualify for such accounting. Although the Funds sometimes use derivatives for hedging purposes, the Funds reflect derivatives at fair value and recognize changes in fair value through the Funds Statements of Operations, and such derivatives do not qualify for hedge accounting treatment.

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PIMCO Municipal Income Funds Notes to Financial Statements

October 31, 2012 (unaudited)

3. Financial Derivative Instruments (continued)

(a) Futures Contracts

The Funds use futures contracts to manage their exposure to the securities markets or the movements in interest rates and currency values. A futures contract is an agreement between two parties to buy and sell a financial instrument at a set price on a future date. Upon entering into such a contract, the Funds are required to pledge to the broker an amount of cash or securities equal to the minimum initial margin requirements of the exchange. Pursuant to the contracts, the Funds agree to receive from or pay to the broker an amount of cash or securities equal to the daily fluctuation in the value of the contracts. Such receipts or payments are known as variation margin and are recorded by the Funds as unrealized appreciation or depreciation. When the contracts are closed, the Funds record a realized gain or loss equal to the difference between the value of the contracts at the time they were opened and the value at the time they were closed. Any unrealized appreciation or depreciation recorded is simultaneously reversed. The use of futures transactions involves various risks, including the risk of an imperfect correlation in the movements in the price of futures contracts, interest rates and underlying hedging assets, and possible inability or unwillingness of counterparties to meet the terms of their contracts.

(b) Swap Agreements

Swap agreements are bilaterally negotiated agreements between the Funds and a counterparty to exchange or swap investment cash flows, assets, foreign currencies or market or event-linked returns at specified, future intervals. Swap agreements may be privately negotiated in the over-the-counter market (OTC swaps) or may be executed in a multilateral or other trade facility platform, such as a registered commodities exchange (centrally cleared swaps). The Funds may enter into credit default, cross-currency, interest rate, total return, variance and other forms of swap agreements in order, among other things, to manage their exposure to credit, currency and interest rate risk. In connection with these agreements, securities may be identified as collateral or margin in accordance with the terms of the respective swap agreements to provide assets of value and recourse in the event of default or bankruptcy/insolvency.

OTC swap payments received or made at the beginning of the measurement period are reflected as such on the Funds Statements of Assets and Liabilities and represent payments made or received upon entering into the swap agreement to compensate for differences between the stated terms of the swap agreement and prevailing market conditions (credit spreads, currency exchange rates, interest rates, and other relevant factors). These upfront payments are recorded as realized gains or losses on the Funds Statements of Operations upon termination or maturity of the swap. A liquidation payment received or made at the termination of the swap is recorded as realized gain or loss on the Funds Statements of Operations. Net periodic payments received or paid by the Funds are included as part of realized gains or losses on the Funds Statements of Operations. Changes in market value, if any, are reflected as a component of net changes in unrealized appreciation/depreciation on the Funds Statement of Operations. Daily changes in valuation of centrally cleared swaps, if any, are recorded as a receivable or payable, as applicable, for variation margin on centrally cleared swaps on the Funds Statements of Assets and Liabilities.

Entering into these agreements involves, to varying degrees, elements of credit, legal, market and documentation risk in excess of the amounts recognized on the Funds Statements of Assets and Liabilities. Such risks include the possibility that there will be no liquid market for these agreements, that the counterparties to the agreements may default on their obligation to perform or disagree as to the meaning of contractual terms in the agreements and that there may be unfavorable changes in interest rates.

Interest Rate Swap Agreements Interest rate swap agreements involve the exchange by the Funds with a counterparty of their respective commitments to pay or receive interest, e.g., an exchange of floating rate payments for fixed rate payments, with respect to the notional amount of principal. Certain forms of interest rate swap agreements may include: (i) interest rate caps, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates exceed a specified rate, or cap , (ii) interest rate floors, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates fall below a specified rate, or floor , (iii) interest rate collars, under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels, (iv) callable interest rate swaps, under which the counterparty may terminate the swap transaction in whole at zero cost by a predetermined date and time prior

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PIMCO Municipal Income Funds Notes to Financial Statements

October 31, 2012 (unaudited)

3. Financial Derivative Instruments (continued)

to the maturity date, (v) spreadlocks, which allow the interest rate swap users to lock in the forward differential (or spread) between the interest rate swap rate and a specified benchmark, or (vi) basis swaps, under which two parties can exchange variable interest rates based on different money markets.

The following is a summary of the fair valuation of the Funds derivatives categorized by risk exposure.

The effect of derivatives on the Statements of Operations for the six months ended October 31, 2012:

Municipal:

Location	Interest Rate Contracts
Net realized loss on:	
Futures contracts	$ (808,633)
Net change in unrealized appreciation/depreciation of:	
Futures contracts	$ 351,605

California Municipal:

Location	Interest Rate Contracts
Net realized loss on:	
Futures contracts	$ (646,907)
Swaps	(100)
Total net realized loss	$ (647,007)
Net change in unrealized appreciation/depreciation of:	
Futures contracts	$ 281,284

New York Municipal:

Location	Interest Rate Contracts
Net realized loss on:	
Futures contracts	$ (161,727)
Net change in unrealized appreciation/depreciation of:	
Futures contracts	$ 70,321

The average volume (measured at each fiscal quarter-end) of derivative activity during the six months ended October 31, 2012:

	Futures Contracts[1] Short
Municipal	(17)
California Municipal	(13)
New York Municipal	(3)

(1) Number of contracts

4. Investment Manager/Sub-Adviser

Each Fund has an Investment Management Agreement (each an Agreement) with the Investment Manager. Subject to the supervision of each Fund s Board, the Investment Manager is responsible for managing, either directly or through others selected by it, the Funds investment activities, business affairs and administrative matters. Pursuant to each Agreement, the Investment Manager receives an annual fee, payable monthly, at an annual rate of 0.65% of each Fund s

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PIMCO Municipal Income Funds Notes to Financial Statements

October 31, 2012 (unaudited)

4. Investment Manager/Sub-Adviser (continued)

average daily net assets, inclusive of net assets attributable to any Preferred Shares that were outstanding. For the period July 1, 2011 through June 30, 2012, the Investment Manager voluntarily agreed to waive a portion of its fee for each Fund at the annual rate of 0.05% of each Fund s average daily net assets, inclusive of net assets attributable to any Preferred Shares that were outstanding. For the six months ended October 31, 2012, each Fund paid investment management fees at an effective rate of 0.63% of each Fund s average daily net assets, inclusive of net assets attributable to any Preferred Shares that were outstanding.

The Investment Manager has retained the Sub-Adviser to manage the Funds investments. Subject to the supervision of the Investment Manager, the Sub-Adviser is responsible for making all of the Funds investment decisions. The Investment Manager, not the Funds, pays a portion of the fees it receives as Investment Manager to the Sub-Adviser in return for its services.

5. Investments in Securities

For the six months ended October 31, 2012, purchases and sales of investments, other than short-term securities were:

	Purchases	Sales
Municipal	$ 29,007,330	$ 42,701,412
California Municipal	35,396,851	38,547,617
New York Municipal	14,752,684	14,304,727

Floating Rate Notes for the six months ended October 31, 2012:

The weighted average daily balance of Floating Rate Notes outstanding during the six months ended October 31, 2012 for Municipal, California Municipal and New York Municipal was $15,563,277, $32,069,848 and $10,476,876 at a weighted average interest rate, including fees, of 1.44%, 0.77% and 0.30%, respectively.

6. Income Tax Information

At October 31, 2012, the aggregate cost basis of investments and the net unrealized appreciation of investments for federal income tax purposes were:

	Cost of Investments	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Net Unrealized Appreciation
Municipal	$ 458,850,278	$ 74,105,301	$ 4,341,604	$ 69,763,697
California Municipal	359,467,190	51,349,469	679,601	50,669,868
New York Municipal	122,455,359	14,520,578	655,968	13,864,610

Differences, if any, between book and tax cost basis were primarily attributable to Inverse Floaters transactions.

7. Auction-Rate Preferred Shares

Municipal has 1,520 shares of Preferred Shares Series A, 1,520 shares of Preferred Shares Series B, 1,520 shares of Preferred Shares Series C, 1,520 shares of Preferred Shares Series D and 1,520 shares of Preferred Shares Series E outstanding, each with a liquidation preference of $25,000 per share plus any accumulated, unpaid dividends.

California Municipal has 2,000 shares of Preferred Shares Series A, 2,000 shares of Preferred Shares Series B and 2,000 shares of Preferred Shares Series C outstanding, each with a liquidation preference of $25,000 per share plus any accumulated, unpaid dividends.

New York Municipal has 1,880 shares of Preferred Shares Series A outstanding, with a liquidation preference of $25,000 per share plus any accumulated, unpaid dividends.

Dividends are accumulated daily at an annual rate (typically re-set every seven days) through auction procedures (or through default procedures in the event of failed auctions). Distributions of net realized capital gains, if any, are paid annually.

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PIMCO Municipal Income Funds Notes to Financial Statements

October 31, 2012 (unaudited)

7. Auction-Rate Preferred Shares (continued)

For the six months ended October 31, 2012, the annualized dividend rates ranged from:

	High	Low	At October 31, 2012
Municipal:			
Series A	0.350%	0.229%	0.320%
Series B	0.381%	0.229%	0.320%
Series C	0.381%	0.229%	0.320%
Series D	0.381%	0.229%	0.320%
Series E	0.381%	0.229%	0.320%
California Municipal:			
Series A	0.350%	0.229%	0.320%
Series B	0.381%	0.229%	0.320%
Series C	0.381%	0.229%	0.320%
New York Municipal:			
Series A	0.381%	0.229%	0.320%

The Funds are subject to certain limitations and restrictions while Preferred Shares are outstanding. Failure to comply with these limitations and restrictions could preclude the Funds from declaring or paying any dividends or distributions to common shareholders or repurchasing common shares and/or could trigger the mandatory redemption of Preferred Shares at their liquidation preference plus any accumulated, unpaid dividends.

Preferred shareholders, who are entitled to one vote per share, generally vote together with the common shareholders but vote separately as a class to elect two Trustees and on any matters affecting the rights of the Preferred Shares.

Since mid-February 2008, holders of auction-rate preferred shares (ARPS) issued by the Funds have been directly impacted by an unprecedented lack of liquidity, which has similarly affected ARPS holders in many of the nation s closed-end funds. Since then, regularly scheduled auctions for ARPS issued by the Funds have consistently failed because of insufficient demand (bids to buy shares) to meet the supply (shares offered for sale) at each auction. In a failed auction, ARPS holders cannot sell all, and may not be able to sell any, of their shares tendered for sale. While repeated auction failures have affected the liquidity for ARPS, they do not constitute a default or automatically alter the credit quality of the ARPS, and the ARPS holders have continued to receive dividends at the defined maximum rate equal to the higher of the 30-day AA Composite Commercial Paper Rate multiplied by 110% or the Taxable Equivalent of the Short-Term Municipal Obligations Rate-defined as 90% of the quotient of (A) the per annum rate expressed on an interest equivalent basis equal to the Kenny S&P 30-day High Grade Index divided by (B) 1.00 minus the Marginal Tax Rate (expressed as a decimal) multiplied by 110% (which is a function of short-term interest rates and typically higher than the rate that would have otherwise been set through a successful auction). If the Funds ARPS auctions continue to fail and the maximum rate payable on the ARPS rises as a result of changes in short-term interest rates, returns for the Funds common shareholders could be adversely affected. S&P Evaluation Services has announced that it will discontinue providing the S&P Weekly High Grade Municipal Bond Index (formerly, the Kenny S&P 30-day High Grade Municipal Bond Index) (the Prior Index) effective January 1, 2013. The Funds Boards approved the use of the S&P Municipal 7 Day High Grade Rate Index in replacement of the Prior Index to calculate ARPS dividend rates on and after January 1, 2013. The Funds bylaws will be amended effective January 1, 2013, to reflect this change.

In July 2012, Moody s Investor Service downgraded its ratings for each series of the Funds Preferred Shares from Aaa to Aa2.

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PIMCO Municipal Income Funds Notes to Financial Statements

October 31, 2012 (unaudited)

8. Transfer Agent Change

American Stock Transfer & Trust Company, LLC (AST) assumed responsibility as the Funds transfer agent effective September 17, 2012 (the Effective Date). The amended Dividend Reinvestment Plan (the Plan) and AST s role as transfer agent for Participants under the Plan commenced as of the Effective Date.

9. Subsequent Events

On November 1, 2012, the following dividends were declared to common shareholders payable December 3, 2012 to shareholders of record on November 13, 2012:

Municipal	$0.08125 per common share
California Municipal	$0.077 per common share
New York Municipal	$0.057 per common share

On December 3, 2012, the following dividends were declared to common shareholders payable January 2, 2013 to shareholders of record on December 13, 2012:

Municipal	$0.08125 per common share
California Municipal	$0.077 per common share
New York Municipal	$0.057 per common share

There were no other subsequent events that require recognition or disclosure. In preparing these financial statements, the Funds management has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

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PIMCO Municipal Income Fund Financial Highlights

For a common share outstanding throughout each period:

	Six Months ended October 31, 2012 (unaudited)	Year ended April 30, 2012	2011	2010	2009	2008
Net asset value, beginning of period	$12.93	$10.72	$11.76	$9.38	$12.96	$14.85
Investment Operations:						
Net investment income	0.47	1.01	1.07	1.18	1.13	1.12
Net realized and change in unrealized gain (loss) on investments, futures contracts, options written and swaps	0.82	2.20	(1.10)	2.22	(3.53)	(1.74)
Total from investment operations	1.29	3.21	(0.03)	3.40	(2.40)	(0.62)
Dividends on Preferred Shares from Net Investment Income	(0.01)	(0.02)	(0.03)	(0.04)	(0.20)	(0.29)
Net increase (decrease) in net assets applicable to common shareholders resulting from investment operations	1.28	3.19	(0.06)	3.36	(2.60)	(0.91)
Dividends to Common Shareholders from Investment Income	(0.49)	(0.98)	(0.98)	(0.98)	(0.98)	(0.98)
Net asset value, end of period	$13.72	$12.93	$10.72	$11.76	$9.38	$12.96
Market price, end of period	$16.45	$15.28	$12.92	$13.72	$11.40	$16.46
Total Investment Return (1)	11.16%	27.20%	1.54%	30.34%	(24.58)%	(2.47)%
RATIOS/SUPPLEMENTAL DATA:						
Net assets applicable to common shareholders, end of period (000s)	$347,073	$326,741	$269,916	$294,457	$233,507	$321,268
Ratio of expenses to average net assets, including interest expense (2)(3)(4)	1.32%(5)(6)	1.28%(5)	1.44%	1.46%(5)	1.64%(5)	1.51%(5)
Ratio of expenses to average net assets, excluding interest expense (2)(3)	1.18%(5)(6)	1.22%(5)	1.34%	1.34%(5)	1.42%(5)	1.20%(5)
Ratio of net investment income to average net assets (2)	7.01%(5)(6)	8.42%(5)	9.43%	10.77%(5)	10.65%(5)	8.07%(5)
Preferred shares asset coverage per share	$70,665	$67,990	$60,514	$63,743	$55,722	$65,143
Portfolio turnover rate	5%	18%	15%	11%	60%	32%

(1) Total investment return is calculated assuming a purchase of a common share at the market price on the first day and a sale of a common share at the market price on the last day of each period reported. Dividends and distributions, if any, are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Fund s dividend reinvestment plan. Total investment return does not reflect brokerage commissions or sales charges in connection with the purchase or sale of Fund shares. Total investment return for a period of less than one year is not annualized.
(2) Calculated on the basis of income and expenses applicable to both common and preferred shares relative to the average net assets of common shareholders.
(3) Inclusive of expenses offset by custody credits earned on cash balances at the custodian bank (See Note 1(i) in Notes to Financial Statements).
(4) Interest expense primarily relates to the liability for Floating Rate Notes issued in connection with Inverse Floater transactions and/or participation in reverse repurchase agreement transactions.
(5) During the periods indicated above, the Investment Manager waived a portion of its fees. The effect of such waivers relative to the average net assets of common shareholders was 0.03% (annualized), 0.07%, 0.01%, 0.10%, and 0.17% for the six months ended October 31, 2012 and the years ended April 30, 2012, April 30, 2010, April 30, 2009, and April 30, 2008, respectively.
(6) Annualized.

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PIMCO California Municipal Income Fund Financial Highlights

For a common share outstanding throughout each period:

	Six Months ended October 31, 2012 (unaudited)	Year ended April 30, 2012	2011	2010	2009	2008
Net asset value, beginning of period	$13.75	$11.32	$12.84	$10.61	$13.62	$14.84
Investment Operations:						
Net investment income	0.51	1.08	1.12	1.21	1.08	1.07
Net realized and change in unrealized gain (loss) on investments, futures contracts, options written and swaps	0.60	2.29	(1.69)	1.98	(2.96)	(1.09)
Total from investment operations	1.11	3.37	(0.57)	3.19	(1.88)	(0.02)
Dividends on Preferred Shares from Net Investment Income	(0.01)	(0.02)	(0.03)	(0.04)	(0.21)	(0.28)
Net increase (decrease) in net assets applicable to common shareholders resulting from investment operations	1.10	3.35	(0.60)	3.15	(2.09)	(0.30)
Dividends to Common Shareholders from Investment Income	(0.46)	(0.92)	(0.92)	(0.92)	(0.92)	(0.92)
Net asset value, end of period	$14.39	$13.75	$11.32	$12.84	$10.61	$13.62
Market price, end of period	$15.58	$14.83	$11.99	$13.29	$12.18	$15.83
Total Investment Return (1)	8.41%	32.94%	(2.79)%	17.72%	(16.72)%	(4.88)%
RATIOS/SUPPLEMENTAL DATA:						
Net assets applicable to common shareholders, end of period (000s)	$266,048	$253,870	$208,147	$234,792	$192,849	$246,613
Ratio of expenses to average net assets, including interest expense (2)(3)(4)	1.40%(5)(6)	1.36%(5)	1.48%	1.49%(5)	1.66%(5)	1.41%(5)
Ratio of expenses to average net assets, excluding interest expense (2)(3)	1.21%(5)(6)	1.25%(5)	1.34%	1.34%(5)	1.39%(5)	1.15%(5)
Ratio of net investment income to average net assets (2)	7.21%(5)(6)	8.63%(5)	9.21%	10.15%(5)	9.42%(5)	7.57%(5)
Preferred shares asset coverage per share	$69,339	$67,310	$59,689	$64,130	$57,140	$66,086
Portfolio turnover rate	8%	9%	19%	8%	42%	14%

(1) Total investment return is calculated assuming a purchase of a common share at the market price on the first day and a sale of a common share at the market price on the last day of each period reported. Dividends and distributions, if any, are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Fund s dividend reinvestment plan. Total investment return does not reflect brokerage commissions or sales charges in connection with the purchase or sale of Fund shares. Total investment return for a period of less than one year is not annualized.
(2) Calculated on the basis of income and expenses applicable to both common and preferred shares relative to the average net assets of common shareholders.
(3) Inclusive of expenses offset by custody credits earned on cash balances at the custodian bank (See Note 1(i) in Notes to Financial Statements).
(4) Interest expense primarily relates to the liability for Floating Rate Notes issued in connection with Inverse Floater transactions and/or participation in reverse repurchase agreement transactions.
(5) During the periods indicated above, the Investment Manager waived a portion of its fees. The effect of such waiver relative to the average net assets of common shareholders was 0.03% (annualized), 0.07%, 0.01%, 0.10%, and 0.17% for the six months ended October 31, 2012 and the years ended April 30, 2012, April 30, 2010, April 30, 2009, and April 30, 2008, respectively.
(6) Annualized.

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PIMCO New York Municipal Income Fund Financial Highlights

For a common share outstanding throughout each period:

	Six Months ended October 31, 2012 (unaudited)	Year ended April 30, 2012	2011	2010	2009	2008
Net asset value, beginning of period	$11.38	$9.92	$10.67	$9.19	$12.70	$13.74
Investment Operations:						
Net investment income	0.35	0.74	0.80	0.88	0.87	0.97
Net realized and change in unrealized gain (loss) on investments, futures contracts, options written and swaps	0.63	1.41	(0.84)	1.31	(3.50)	(1.03)
Total from investment operations	0.98	2.15	(0.04)	2.19	(2.63)	(0.06)
Dividends on Preferred Shares from Net Investment Income	(0.01)	(0.01)	(0.03)	(0.03)	(0.20)	(0.30)
Net increase (decrease) in net assets applicable to common shareholders resulting from investment operations	0.97	2.14	(0.07)	2.16	(2.83)	(0.36)
Dividends to Common Shareholders from Investment Income	(0.34)	(0.68)	(0.68)	(0.68)	(0.68)	(0.68)
Net asset value, end of period	$12.01	$11.38	$9.92	$10.67	$9.19	$12.70
Market price, end of period	$12.56	$11.73	$9.89	$11.18	$9.90	$13.06
Total Investment Return (1)	10.18%	26.36%	(5.57)%	20.76%	(18.80)%	(8.31)%
RATIOS/SUPPLEMENTAL DATA:						
Net assets applicable to common shareholders, end of period (000s)	$92,099	$87,126	$75,728	$81,074	$69,482	$95,691
Ratio of expenses to average net assets, including interest expense (2)(3)(4)	1.37%(5)(6)	1.37%(5)	1.51%	1.52%(5)	1.86%(5)	2.00%(5)
Ratio of expenses to average net assets, excluding interest expense (2)(3)	1.30%(5)(6)	1.31%(5)	1.42%	1.41%(5)	1.62%(5)	1.32%(5)
Ratio of net investment income to average net assets (2)	5.94%(5)(6)	7.00%(5)	7.70%	8.71%(5)	8.49%(5)	7.41%(5)
Preferred shares asset coverage per share	$73,986	$71,341	$65,279	$68,123	$61,957	$62,969
Portfolio turnover rate	10%	21%	29%	11%	37%	14%

(1) Total investment return is calculated assuming a purchase of a common share at the market price on the first day and a sale of a common share at the market price on the last day of each period reported. Dividends and distributions, if any, are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Fund s dividend reinvestment plan. Total investment return does not reflect brokerage commissions or sales charges in connection with the purchase or sale of Fund shares. Total investment return for a period of less than one year is not annualized.
(2) Calculated on the basis of income and expenses applicable to both common and preferred shares relative to the average net assets of common shareholders.
(3) Inclusive of expenses offset by custody credits earned on cash balances at the custodian bank (See Note 1(i) in Notes to Financial Statements).
(4) Interest expense primarily relates to the liability for Floating Rate Notes issued in connection with Inverse Floater transactions and/or participation in reverse repurchase agreement transactions.
(5) During the periods indicated above, the Investment Manager waived a portion of its fees. The effect of such waiver relative to the average net assets of common shareholders was 0.02% (annualized), 0.07%, 0.01%, 0.10%, and 0.18% for the six months ended October 31, 2012 and the years ended April 30, 2012, April 30, 2010, April 30, 2009, and April 30, 2008, respectively.
(6) Annualized.

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PIMCO Municipal Income Funds

Proxy Voting Policies & Procedures (unaudited)

A description of the policies and procedures that the Funds have adopted to determine how to vote proxies relating to portfolio securities and information about how the Funds voted proxies relating to portfolio securities held during the most recent twelve month period ended June 30 is available (i) without charge, upon request, by calling the Funds shareholder servicing agent at (800) 254-5197; (ii) on the Funds website at www.allianzinvestors.com/closedendfunds; and (iii) on the Securities and Exchange Commission website at www.sec.gov.

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PIMCO Municipal Income Funds

Matters Relating to the Trustees Consideration of the Investment Management & Portfolio Management Agreements (unaudited)

The Investment Company Act of 1940, as amended, requires that both the full Board of Trustees (the Trustees) and a majority of the non-interested Trustees (the Independent Trustees), voting separately, approve each Fund s Management Agreement with the Investment Manager (the Advisory Agreement) and Portfolio Management Agreement between the Investment Manager and the Sub-Adviser (the Sub-Advisory Agreement , and together with the Advisory Agreement, the Agreements). The Trustees met in person on June 26-27, 2012 (the contract review meeting) for the specific purpose of considering whether to approve the continuation of the Advisory Agreement and the Sub-Advisory Agreement. The Independent Trustees were assisted in their evaluation of the Agreements by independent legal counsel, from whom they received separate legal advice and with whom they met separately from Fund management during the contract review meeting.

Based on their evaluation of factors that they deemed to be material, including those factors described below, the Trustees, including a majority of the Independent Trustees, concluded that the continuation of each Funds Advisory Agreement and the Sub-Advisory Agreement should be approved for a one-year period commencing July 1, 2012.

In connection with their deliberations regarding the continuation of the Agreements, the Trustees, including the Independent Trustees, considered such information and factors as they believed, in light of the legal advice furnished to them and their own business judgment, to be relevant. As described below, the Trustees considered the nature, quality, and extent of the various investment management, administrative and other services performed by the Investment Manager or the Sub-Adviser under the applicable Agreement.

In connection with their contract review meetings, the Trustees received and relied upon materials provided by the Investment Manager which included, among other items: (i) information provided by Lipper Inc. (Lipper) on the total return investment performance (based on net assets) of the Funds for various time periods, the investment performance of a group of funds with substantially similar investment classifications/objectives as the Funds identified by Lipper and the performance of an applicable benchmark index, (ii) information provided by Lipper on the Funds management fees and other expenses and the management fees and other expenses of comparable funds identified by Lipper, (iii) information regarding the investment performance and management fees of any comparable portfolios of other clients of the Sub-Adviser, (iv) the estimated profitability to the Investment Manager from its relationship with the Funds for the one-year period ended December 31, 2011, (v) descriptions of various functions performed by the Investment Manager and the Sub-Adviser for the Funds, such as portfolio management, compliance monitoring and portfolio trading practices, and (vi) information regarding the overall organization of the Investment Manager and the Sub-Adviser, including information regarding senior management, portfolio managers and other personnel providing investment management, administrative and other services to the Funds.

The Trustees conclusions as to the continuation of the Agreements were based on a comprehensive consideration of all information provided to the Trustees and were not the result of any single factor. Some of the factors that figured particularly in the Trustees deliberations are described below, although individual Trustees may have evaluated the information presented differently from one another, attributing different weights to various factors.

As part of their review, the Trustees examined the Investment Manager s and the Sub-Adviser s abilities to provide high quality investment management and other services to the Funds. The Trustees considered the investment philosophy and research and decision-making processes of the Sub-Adviser; the experience of key advisory personnel of the Sub-Adviser responsible for portfolio management of the Funds; the ability of the Investment Manager and the Sub-Adviser to attract and retain capable personnel; the capability and integrity of the senior management and staff of the Investment Manager and the Sub-Adviser; and the level of skill required to manage the Funds. In addition, the Trustees reviewed the quality of the Investment Manager s and the Sub-Adviser s services with respect to regulatory compliance and compliance with the investment policies of the Funds; the nature and quality of certain administrative services the Investment Manager is responsible for providing to the Funds; and conditions that might affect the Investment Manager s or the Sub-Adviser s ability to provide high quality services to the Funds in the future under the Agreements, including each organization s respective business reputation, financial condition and operational stability. Based on the foregoing, the Trustees concluded that the Sub-Adviser s investment process, research capabilities and philosophy were well suited to each of the Funds given its investment objective and policies, and that the Investment Manager and the Sub-Adviser would be able to continue to meet any reasonably foreseeable obligations under the Agreements.

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PIMCO Municipal Income Funds

Matters Relating to the Trustees Consideration of the Investment Management & Portfolio Management Agreements (unaudited) (continued)

Based on information provided by Lipper, the Trustees also reviewed each Fund s total return investment performance as well as the performance of comparable funds identified by Lipper. In the course of their deliberations, the Trustees took into account information provided by the Investment Manager in connection with the contract review meeting, as well as during investment review meetings conducted with portfolio management personnel during the course of the year regarding each Fund s performance.

In assessing the reasonableness of each Fund s fees under the Agreements, the Trustees considered, among other information, each Fund s management fee and its total expense ratio as a percentage of average net assets attributable to common shares, preferred shares and other forms of leverage and the management fee and total expense ratios of comparable funds identified by Lipper.

The Trustees specifically took note of how each Fund compared to its Lipper peers as to performance, management fee expense and total net expenses. The Trustees noted that while the Funds are not charged a separate administration fee, it was not clear whether the peer funds in the Lipper categories were separately charged such a fee by their investment managers, so that the total expense ratio (rather than any individual expense component) represented the most relevant comparison. It was noted that the total expense ratio reflects the effect of expense waivers/reimbursements (although none exist for the Funds) and does not reflect interest expense.

Municipal Income

The Trustees noted that the expense group for the Fund provided by Lipper consisted of a total of eleven closed-end funds, including the Fund and two other peer Funds managed by the Investment Manager. The Trustees noted that only leveraged closed-end funds were considered for inclusion in the group. The Trustees also noted that average net assets of the common shares of the eleven funds in the peer group ranged from $237.2 million to $620.6 million, and that eight of the funds are larger in asset size than the Fund. The Trustees also noted that the Fund was ranked eighth out of eleven funds in the expense peer group for total expense ratio based on common share assets, fourth out of eleven funds in the expense peer group for total expense ratio based on common share and leveraged assets combined, tenth out of eleven funds in actual management fees based on common share assets and eighth out of eleven funds in actual management fees based on common share and leveraged assets combined (with funds ranked first having the lowest fees/expenses and ranked eleventh having the highest fees/expenses in the peer group).

With respect to Fund performance (based on net asset value), the Trustees noted that the Fund had first quintile performance for the one-year period and three-year periods, fourth quintile performance for the five-year period and third quintile performance for the ten-year period ended February 29, 2012.

California Municipal Income

The Trustees noted that the expense group for the Fund provided by Lipper consisted of a total of nine closed-end funds, including the Fund and two other peer Funds managed by the Investment Manager. The Trustees noted that only leveraged closed-end funds were considered for inclusion in the group. The Trustees also noted that average net assets of the common shares of the nine funds in the peer group ranged from $28.4 million to $300.5 million, and that three of the funds are larger in asset size than the Fund. The Trustees also noted that the Fund was ranked fourth out of nine funds in the expense peer group for total expense ratio based on common share assets, sixth out of nine funds in the expense peer group for total expense ratio based on common share and leveraged assets combined, seventh out of nine funds in actual management fees based on common share assets and based on common share and leveraged assets combined (with funds ranked first having the lowest fees/expenses and ranked ninth having the highest fees/expenses in the peer group).

With respect to Fund performance (based on net asset value), the Trustees noted that the Fund had first quintile performance for the one-year period and three-year periods and third quintile performance for the five-year and ten-year periods ended February 29, 2012.

New York Municipal Income

The Trustees noted that the expense group for the Fund provided by Lipper consisted of a total of eight closed-end funds, including the Fund and two other peer Funds managed by the Investment Manager. The Trustees noted that only

PIMCO Municipal Income Funds

Matters Relating to the Trustees Consideration of the Investment Management & Portfolio Management Agreements (unaudited) (continued)

leveraged closed-end funds were considered for inclusion in the group. The Trustees also noted that average net assets of the common shares of the eight funds in the peer group ranged from $47.6 million to $112.2 million, and that two of the funds are larger in asset size than the Fund. The Trustees also noted that the Fund was ranked fourth out of eight funds in the expense peer group for total expense ratio based on common share assets, fifth out of eight funds in the expense peer group for total expense ratio based on common share and leveraged assets combined, fifth out of eight funds in actual management fees based on common share assets and sixth out of eight funds in actual management fees based on common share and leveraged assets combined (with funds ranked first having the lowest fees/expenses and ranked eighth having the highest fees/expenses in the peer group).

With respect to Fund performance (based on net asset value), the Trustees noted that the Fund had first quintile performance for the one-year and three-year periods and fifth quintile performance for the five-year and ten-year periods ended February 29, 2012.

In addition to their review of Fund performance based on net asset value, the Trustees also considered the market value performance of each Fund s common shares and related share price premium and/or discount information based on the materials provided by Lipper and management.

The Trustees also considered the management fees charged by Sub-Adviser to other clients, including accounts with investment strategies similar to those of the Funds. The Trustees noted that the management fees paid by the Funds are generally higher than the fees paid by the open-end funds offered for comparison but were advised that there are additional portfolio management challenges in managing the Funds, such as those associated with the use of leverage and meeting a regular dividend.

The Trustees also took into account that the Funds have preferred shares outstanding, which increases the amount of fees received by the Investment Manager and the Sub-Adviser under the Agreements (because the fees are calculated based on the Funds net assets, including assets attributable to preferred shares). In this regard, the Trustees took into account that the Investment Manager and the Sub-Adviser have a financial incentive for the Funds to continue to have preferred shares outstanding, which may create a conflict of interest between the Investment Manager and the Sub-Adviser, on one hand, and the Funds common shareholders, on the other. In this regard, the Trustees considered information provided by the Investment Manager and the Sub-Adviser indicating that each Fund s use of leverage through preferred shares continues to be appropriate and in the interests of the Funds common shareholders.

Based on a profitability analysis provided by the Investment Manager, the Trustees also considered the estimated profitability of the Investment Manager and the Sub-Adviser from their relationship with each Fund and determined that such profitability did not appear to be excessive.

The Trustees also took into account that, as closed-end investment companies, the Funds do not currently intend to raise additional assets, so the assets of the Funds will grow (if at all) only through the investment performance of each Fund. Therefore, the Trustees did not consider potential economies of scale as a principal factor in assessing the fee rates payable under the Agreements.

Additionally, the Trustees considered so-called fall-out benefits to the Investment Manager and the Sub-Adviser, such as reputational value derived from serving as Investment Manager and Sub-Adviser to the Funds.

After reviewing these and other factors described herein, the Trustees concluded with respect to each Fund, within the context of their overall conclusions regarding the Agreements and based on the information provided and related representations made by management, that the fees payable under the Agreements represent reasonable compensation in light of the nature and quality of the services being provided by the Investment Manager and Sub-Adviser to the Funds.

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Investment Manager

Allianz Global Investors Fund Management LLC

1633 Broadway

New York, NY 10019

Sub-Adviser

Pacific Investment Management Company LLC

840 Newport Center Drive

Newport Beach, CA 92660

Custodian & Accounting Agent

State Street Bank & Trust Co.

225 Franklin Street

Boston, MA 02110

Transfer Agent, Dividend Paying Agent and Registrar

American Stock Transfer & Trust Company, LLC

6201 15th Avenue

Brooklyn, NY 11219

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP

300 Madison Avenue

New York, NY 10017

Legal Counsel

Ropes & Gray LLP

Prudential Tower

800 Boylston Street

Boston, MA 02199

This report, including the financial information herein, is transmitted to the shareholders of PIMCO Municipal Income Fund, PIMCO California Municipal Income Fund and PIMCO New York Municipal Income Fund for their information. It is not a prospectus, circular or representation intended for use in the purchase of shares of the Funds or any securities mentioned in this report.

The financial information included herein is taken from the records of the Funds without examination by an independent registered public accounting firm, who did not express an opinion herein.

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that from time to time the Funds may purchase their common shares in the open market.

The Funds file their complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of their fiscal year on Form N-Q. Each Fund s Form N-Q are available on the SEC s website at www.sec.gov and may be reviewed and copied at the SEC s Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330. The information on Form N-Q is also available on the Funds website at www.allianzinvestors.com/closedendfunds.

Information on the Funds is available at www.allianzinvestors.com/closedendfunds or by calling the Funds shareholder servicing agent at (800) 254-5197.

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Allianz Global Investors Distributors LLC.

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AGI-2012-11-01-4983

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ITEM 2. CODE OF ETHICS

Not required in this filing.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT

Not required in this filing.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Not required in this filing.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANT

Not required in this filing.

ITEM 6. INVESTMENTS

(a) The registrant s Schedule of Investments is included as part of the report to shareholders filed under Item 1 of this form.

(b) Not applicable

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not required in this filing.

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES

Not required in this filing.

ITEM 9. Purchase of Equity Securities by Closed-End Management Investment Company and Affiliated Companies

None

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There have been no material changes to the procedures by which shareholders may recommend nominees to the Fund s Board of Trustees since the Fund last provided disclosure in response to this item.

ITEM 11. CONTROLS AND PROCEDURES

(a) The registrant s President and Chief Executive Officer and Treasurer, Principal Financial & Accounting Officer have concluded that the registrant s disclosure controls and procedures (as defined in Rule 30a-3(c) under the Act (17 CFR 270.30a-3(c))), are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this document.

(b) There were no significant changes in internal control over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR 270.30a-3(d))) that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant s internal control over financial reporting.

ITEM 12. EXHIBITS

(a) (1) Not required in this filing.

(a) (2) Exhibit 99.302 Cert. Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

(a) (3) Not Applicable

(b) Exhibit 99.906 Cert. Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PIMCO New York Municipal Income Fund

By: /s/ Brian S. Shlissel
President & Chief Executive Officer

Date: December 28, 2012

By: /s/ Lawrence G. Altadonna
Treasurer, Principal Financial & Accounting Officer

Date: December 28, 2012
Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Brian S. Shlissel
President & Chief Executive Officer

Date: December 28, 2012

By: /s/ Lawrence G. Altadonna
Treasurer, Principal Financial & Accounting Officer

Date: December 28, 2012
adding-top: 1px"> 4.8
Confirmation Letter to Renew Policy Management Agreement(5)

4.9

Agreement for Assignment of Rights and Obligations under Property Leasing Agreement(5)

4.10

Capital Injection Agreement between China Life Insurance Company Limited and China Life Pension Insurance Company Limited(5)

4.11

Capital Injection Agreement between China Life Insurance Company Limited and China Life Property and Casualty Insurance Company Limited(5)

4.12

Capital Injection Agreement among China Life Insurance Company Limited, China Life Insurance (Group) Company and China Life Asset Management Company Limited[5]	
	4.13
Entrustment and Account Management Agreement for Corporate Annuity Fund	
	8.1
List of subsidiaries of the Registrant	
	11.1
Code of Business Conduct and Ethics[3]	
	12.1
Certification pursuant to Rule 13a-14(a)	
	12.2
Certification pursuant to Rule 13a-14(a)	
	13.1
Certification pursuant to Rule 13a-14(a) and Section 1350 of Chapter 63 of Title 18 of the United States Code	

(1) Incorporated by reference to the Registration Statement on Form F-1 (File No. 333-110615), filed with the Commission on December 9, 2003.

(2) Incorporated by reference to the Registration Statement on Form F-6 (File No. 333-164005), filed with the Commission on January 4, 2010.

(3) Incorporated by reference to the Annual Report on

Form 20-F for the fiscal year ended December 31, 2004, filed with the Commission on May 27, 2005.

(4) Incorporated by reference to the Annual Report on Form 20-F for the fiscal year ended December 31, 2005, filed with the Commission on May 30, 2006.

(5) Incorporated by reference to the Annual Report on Form 20-F for the fiscal year ended December 31, 2008, filed with the Commission on April 28, 2009.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

China Life Insurance Company Limited

By: /s/ Wan Feng
Name: Wan Feng
Title: President and Executive Director

Date: April 29, 2010

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CHINA LIFE INSURANCE COMPANY LIMITED

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Historical Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
China Life Insurance Company Limited

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flow present fairly, in all material respects, the financial position of China Life Insurance Company Limited and its subsidiaries (hereinafter the Group) at December 31, 2009 and December 31, 2008, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2009 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Group s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s Report on Internal Control over Financial Reporting appearing under Item 15 of the 2009 Annual Report to shareholders. Our responsibility is to express opinions on these financial statements and on the Group s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers
Hong Kong, April 7, 2010

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CHINA LIFE INSURANCE COMPANY LIMITED
Consolidated Statement of Financial Position
As at 31 December 2009

	Note	**As at 31 December 2009 RMB million**	As at 31 December 2008 RMB million	As at 1 January 2008 RMB million
ASSETS				
Property, plant and equipment	6	17,467	16,720	15,506
Investments in associates	7	8,470	7,891	6,449
Financial assets				
Held-to-maturity securities	8.1	235,099	211,929	195,703
Loans	8.2	23,081	17,926	7,144
Term deposits	8.3	344,983	228,272	168,594
Statutory deposits-restricted	8.4	6,153	6,153	5,773
Available-for-sale securities	8.5	517,499	424,939	417,515
Securities at fair value through income	8.6	9,133	14,099	25,110
Securities purchased under agreements to resell	8.7			5,053
Accrued investment income	8.8	14,208	13,149	9,857
Premiums receivable	10	6,818	6,433	6,218
Reinsurance assets	11	832	940	1,111
Other assets	12	6,317	4,957	4,990
Cash and cash equivalents		36,197	34,085	25,317
Total assets		**1,226,257**	987,493	894,340

The notes on pages F-11 to F-79 form an integral part of these consolidated financial statements.

CHINA LIFE INSURANCE COMPANY LIMITED
Consolidated Statement of Financial Position
As at 31 December 2009

	Note	**As at 31 December 2009 RMB million**	As at 31 December 2008 RMB million	As at 1 January 2008 RMB million
LIABILITIES AND EQUITY				
Liabilities				
Insurance contracts	13	818,164	662,865	527,507
Financial liabilities				
Investment contracts	14	67,326	65,063	53,424
Securities sold under agreements to repurchase	15	33,553	11,390	100
Policyholder dividends payable		54,587	43,178	64,473
Annuity and other insurance balances payable		5,721	4,980	4,059
Premiums received in advance		1,804	1,811	2,201
Other liabilities	16	11,978	11,057	10,135
Deferred tax liabilities	24	16,361	10,344	22,997
Current income tax liabilities		3,850	1,668	8,312
Statutory insurance fund	17	137	266	122
Total liabilities		**1,013,481**	**812,622**	**693,330**
Shareholders equity				
Share capital	29	28,265	28,265	28,265
Reserves	30	102,787	84,447	111,276
Retained earnings		80,020	61,235	60,593
Total shareholders equity		**211,072**	**173,947**	**200,134**
Minority interests		1,704	924	876
Total equity		**212,776**	**174,871**	**201,010**
Total liabilities and equity		**1,226,257**	**987,493**	**894,340**

Approved and authorized for issue by the Board of Directors on April 7, 2010.
The notes on pages F-11 to F-79 form an integral part of these consolidated financial statements.

CHINA LIFE INSURANCE COMPANY LIMITED
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2009

	Note	**2009** **RMB million**	2008 RMB million
REVENUES			
Gross written premiums		275,970	265,656
Less: premiums ceded to reinsurers		(158)	(156)
Net written premiums		275,812	265,500
Net change in unearned premium reserves		(735)	(323)
Net premiums earned		275,077	265,177
Investment income	18	38,890	44,946
Net realised gains/(losses) on financial assets	19	21,244	(5,964)
Net fair value gains/(losses) on assets at fair value through income	20	1,449	(7,194)
Other income		2,630	3,420
Total revenues		**339,290**	**300,385**
BENEFITS, CLAIMS AND EXPENSES			
Insurance benefits and claims			
Life insurance death and other benefits	21	(74,858)	(89,659)
Accident and health claims and claim adjustment expenses	21	(7,808)	(7,641)
Increase in insurance contracts liabilities	21	(154,372)	(134,649)
Investment contract benefits	22	(2,142)	(1,931)
Policyholder dividends resulting from participation in profits		(14,487)	(1,671)
Underwriting and policy acquisition costs		(22,936)	(24,200)
Administrative expenses		(18,719)	(16,652)
Other operating expenses		(2,390)	(3,409)
Statutory insurance fund		(537)	(558)
Total benefits, claims and expenses		**(298,249)**	**(280,370)**
Share of results of associates	7	704	(56)
Net profit before income tax expenses	23	41,745	19,959
Income tax expenses	24	(8,709)	(685)

Net profit			33,036		19,274
Attributable to:					
- shareholders of the Company			32,881		19,137
- minority interests			155		137
Basic and diluted earnings per share	25	RMB	1.16	RMB	0.68

The notes on pages F-11 to F-79 form an integral part of these consolidated financial statements.

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CHINA LIFE INSURANCE COMPANY LIMITED
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2009

	Note	**2009 RMB million**	2008 RMB million
Other comprehensive income/(loss)			
Available-for-sale financial assets			
Arising from available-for-sale securities		39,470	(61,622)
Reclassification adjustment for gains included in profit or loss		(21,040)	4,878
Impact from available-for-sale securities on other assets and liabilities		(3,999)	11,702
Share of other comprehensive income/(loss) of associates		(70)	291
Others			(3)
Income tax relating to components of other comprehensive income/(loss)	24	(3,607)	11,260
Other comprehensive income/(loss) for the year		10,754	(33,494)
Total comprehensive income/(loss) for the year		43,790	(14,220)
Attributable to:			
- shareholders of the Company		43,626	(14,316)
- minority interests		164	96

The notes on pages F-11 to F-79 form an integral part of these consolidated financial statements.

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CHINA LIFE INSURANCE COMPANY LIMITED
Consolidated Statement of Changes in Equity
For the year ended 31 December 2009

	Attributable to shareholders of the Company				
	Share capital RMB million (Note 29)	**Reserves** RMB million (Note 30)	**Retained earnings** RMB million	**Minority interests** RMB million	**Total** RMB million
As at 1 January 2008	28,265	111,276	60,593	876	201,010
Net profit			19,137	137	19,274
Other comprehensive loss for the year		(33,453)		(41)	(33,494)
Total comprehensive income/(loss)		(33,453)	19,137	96	(14,220)
Transactions with owners					
Capital contribution				45	45
Appropriation to reserve		6,624	(6,624)		
Dividends paid			(11,871)		(11,871)
Dividends to minority interests				(93)	(93)
Total transactions with owners		6,624	(18,495)	(48)	(11,919)
As at 31 December 2008	28,265	84,447	61,235	924	174,871

The notes on pages F-11 to F-79 form an integral part of these consolidated financial statements.

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CHINA LIFE INSURANCE COMPANY LIMITED
Consolidated Statement of Changes in Equity
For the year ended 31 December 2009

	Attributable to shareholders of the Company				
	Share capital RMB million (Note 29)	**Reserves** RMB million (Note 30)	**Retained earnings** RMB million	**Minority interests** RMB million	**Total** RMB million
As at 1 January 2009	28,265	84,447	61,235	924	174,871
Net profit			32,881	155	33,036
Other comprehensive income for the period		10,745		9	10,754
Total comprehensive income		10,745	32,881	164	43,790
Transactions with owners					
Capital contribution				720	720
Appropriation to reserve		7,595	(7,595)		
Dividends paid			(6,501)		(6,501)
Dividends to minority interest				(104)	(104)
Total transactions with owners		7,595	(14,096)	616	(5,885)
As at 31 December 2009	28,265	102,787	80,020	1,704	212,776

The notes on pages F-11 to F-79 form an integral part of these consolidated financial statements.

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CHINA LIFE INSURANCE COMPANY LIMITED
Consolidated Statement of Cash Flow
For the year ended 31 December 2009

	2009 RMB million	2008 RMB million
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax expenses:	41,745	19,959
Adjustments for:		
Investment income	(38,890)	(44,946)
Net realised and unrealised (gains)/losses on financial assets	(22,693)	13,158
Insurance contracts	155,252	135,284
Depreciation and amortisation	1,560	1,363
Amortisation of premiums and discounts	10	(156)
Loss on foreign exchange and impairments	28	907
Changes in operational assets and liabilities:		
Financial assets at fair value through income	6,435	3,977
Receivables and payables	9,917	4,484
Cash generated from operating activities		
Income tax paid	(3,995)	(8,583)
Interest received	291	101
Dividends received	40	529
Net cash inflow from operating activities	149,700	126,077
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales and maturities:		
Sales of debt securities	95,197	19,594
Maturities of debt securities	25,730	4,187
Sales of equity securities	101,112	59,855
Property, plant and equipment	420	247
Purchases:		
Debt securities	(148,559)	(119,989)
Equity securities	(149,523)	(49,480)
Property, plant and equipment	(3,261)	(2,950)
Investment in associate		(1,200)
Term deposits, net	(116,711)	(60,095)
Securities purchased under agreements to resell, net	8	5,142
Interest received	34,139	30,378
Dividends received	3,159	9,563
Other	(5,462)	(11,162)
Net cash outflow from investing activities	(163,751)	(115,910)

The notes on pages F-11 to F-79 form an integral part of these consolidated financial statements.

CHINA LIFE INSURANCE COMPANY LIMITED
Consolidated Statement of Cash Flow
For the year ended 31 December 2009

	2009 RMB million	2008 RMB million
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from investment in securities sold under agreements to repurchase, net	22,163	11,290
Interest paid	(111)	(437)
Contribution from minority shareholders	720	
Dividends paid to the Company s shareholders	(6,501)	(11,871)
Dividends paid to minority interests	(104)	(93)
Net cash inflow/(outflow) from financing activities	16,167	(1,111)
Foreign currency losses on cash and cash equivalents	(4)	(288)
Net increase in cash and cash equivalents	2,112	8,768
Cash and cash equivalents		
Beginning of year	34,085	25,317
End of year	36,197	34,085
Analysis of balance of cash and cash equivalents		
Cash at bank and in hand	23,640	20,841
Short-term bank deposits	12,557	13,244

The notes on pages F-11 to F-79 form an integral part of these consolidated financial statements.

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CHINA LIFE INSURANCE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DEC 2009

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

China Life Insurance Company Limited (the Company) was established in the People s Republic of China (China or PRC) on 30 June 2003 as a joint stock company with limited liability as part of a group restructuring of China Life Insurance (Group) Company (formerly China Life Insurance Company) (CLIC) and its subsidiaries (the Restructuring). The Company and its subsidiaries are hereinafter collectively referred to as the Group . The Group s principal activity is the writing of life insurance business, providing life, annuities, accident and health insurance products in China.

The Company is a limited liability company incorporated and located in China. The address of its registered office is: 16 Chaowai Avenue, Chaoyang District, Beijing, PRC. The Company is listed on the Stock Exchange of Hong Kong, the New York Stock Exchange and the Shanghai Stock Exchange.

These consolidated financial statements are presented in millions of Renminbi (RMB million) unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 7 April 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

2.1 First-time Adoption of International Financial Reporting Standards and Statement of Compliance

The Group prepared these consolidated financial statements in accordance with all applicable International Financial Reporting Standards (IFRS), its amendments and interpretations issued by the International Accounting Standards Board (IASB).

Prior to 2009, as a listing entity on stock exchanges with different filing requirements, the Group prepared its consolidated financial statements in accordance with the following generally accepted accounting principles (GAAP):

Stock Exchange	GAAP
Stock Exchange of Hong Kong	Hong Kong Financial Reporting Standards (HKFRS)
New York Stock Exchange	HKFRS with reconciliations to accounting principles generally accepted in the US (US GAAP)
Shanghai Stock Exchange	China Accounting Standards (CAS)

To improve efficiency in operational and financial reporting processes in compliance with the various filing requirements, the Group adopted IFRS in 2009. These are the Group s first consolidated financial statements under IFRS. In accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards, 31 December 2009 represents the Group s first IFRS reporting date.

As a PRC-incorporated entity, the Group maintains statutory books and records on CAS basis. In previous years, the Group carried out period-end journal entry adjustments to derive the consolidated financial statements under HKFRS and the reconciliation to US GAAP. The Group considers CAS to be its Previous GAAP when evaluating applicable transitional exemptions that IFRS 1 permits and elected by the Group.

The Group applied all standards, amendments and interpretations issued by the IASB that were effective as of 31 December 2009. In addition, the Group early adopted IAS 24 Related Party Disclosures (Revised 2009), which was not effective but allowed for early adoption.

The Group is required to determine its IFRS accounting polices and apply them retrospectively to establish its opening balance sheet as of 1 January 2008 under IFRS.

CHINA LIFE INSURANCE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DEC 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 First-time Adoption of International Financial Reporting Standards and Statement of Compliance (continued)

The Group has applied the following exemptions as permitted by IFRS 1:

1. Property, Plant and Equipment (PPE).

As permitted by IFRS 1, property, plant and equipment are stated at deemed cost , which was determined based on a revaluation to fair value as of 30 June 2003 when the Company was established in preparation for the Company s IPO. The re-valued amount becomes deemed cost at the date of revaluation. Depreciation was applied from the date of revaluation up to the date of transition to IFRS.

2. Insurance Contracts

As permitted by IFRS 1 and in accordance with the transitional exemption under IFRS 4, the Group continues to apply existing accounting policies under CAS to account for its insurance contracts. The Group also has the option to make improvements to its policies. In December 2009, the Ministry of Finance (MoF) issued a new guidance to insurance contract accounting under CAS which modifies the recognition and measurement insurance contracts on a retrospective basis. Before the adoption of this guidance, as accepted by MoF, the Group accounts for insurance contracts that transfer insurance risk in accordance with statutory requirements on actuarial reserving methodologies and assumptions as promulgated by Chinese Insurance Regulatory Commission (CIRC). Upon the adoption of the guidance, the Group is required to 1)recognize insurance premiums/benefits only from the contracts that transfer significant insurance risks ; 2)value insurance reserves based on expected future net cash flows from guaranteed benefits, non-guaranteed benefits, expenses, premiums and other charges with considerations of margin and discounting effects. CIRC guidance remains applicable for PRC regulatory reporting such as solvency calculation.

(1) The reconciliations of total assets, liabilities, equity and net profit between CAS(before adoption of MoF new guidance) and CAS(after adoption of MoF new guidance) are as follows:

	As at 31 December 2008		
	Assets RMB million	Liabilities RMB million	Equity RMB million
Under CAS(before adoption of MoF new guidance)	990,164	854,283	135,881
Insurance contracts	16	(52,004)	52,020
Tax implication	(2,661)	10,343	(13,004)
Share of insurance associate, net of tax	(26)		(26)
Under CAS(after adoption of MoF new guidance)	987,493	812,622	174,871

	As at 1 January 2008		
	Assets RMB million	Liabilities RMB million	Equity RMB million
Under CAS(before adoption of MoF new guidance)	894,601	723,512	171,089

Insurance contracts	(260)	(40,155)	39,895
Tax implication		9,973	(9,973)
Share of insurance associate, net of tax	(1)		(1)
Under CAS(after adoption of MoF new guidance)	894,340	693,330	201,010

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CHINA LIFE INSURANCE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DEC 2009
2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
2.1 First-time Adoption of International Financial Reporting Standards and Statement of Compliance (continued)

	For the year ended 31 December 2008 Net profit RMB million
Under CAS(before adoption of MoF new guidance)	10,205
Insurance contracts	12,125
Tax implication	(3,031)
Share of insurance associate, net of tax	(25)
Under CAS(after adoption of MoF new guidance)	19,274

Upon adoption of IFRS, there are no reconciling differences between CAS(after adoption of MoF new guidance) and IFRS on the equity as of January 1, 2008, its transition date to IFRS, or as of and for the year ended December 31, 2008.

(2) The reconciliations of equity and net profit between HKFRS and IFRS are as follows:

The impacts on the Group s previously stated equity as of 31 December and 1 January 2008 and the Group s previous stated net profits under HKFRS as the result of first-time adoption of IFRS are as follow:

	Equity		Net profit
	As at 31 December 2008 RMB million	As at 1 January 2008 RMB million	For the year ended 31 December 2008 RMB million
Under HKFRS	181,573	206,376	21,414
Adjustments:			
PPE	1,239	1,344	(105)
Insurance contracts	(9,881)	(8,498)	(2,465)
Tax implication	2,154	1,789	643
Share of insurance associate, net of tax	(214)	(1)	(213)
Upon first-time adoption of IFRS	174,871	201,010	19,274

(a) Property, plant and equipment

Under HKFRS, PPE re-valued on 30 June 2003 when the Company was established are stated at historic cost in accordance with HKFRS 16, while under IFRS, these assets are stated at deemed cost as permitted by an exemption under IFRS 1.

(b) Insurance contracts

Under HKFRS, contracts issued by the Group are classified as short-term insurance contracts, long-term traditional insurance contracts, long-term investment type insurance contracts, investment contracts with discretionary participating features (DPF) and investment contracts without DPF.

For short-term insurance contracts, premiums/benefits are recognized as revenue/expenses and liabilities arising from these contracts including unearned premium reserves which represent the portion of premiums written relating to the unexpired terms of coverage and claims and claim adjustment expenses reserves which represent the estimates of future payments of reported and unreported claims for losses and related expenses.

For long-term traditional insurance contracts, premiums/benefits are recognized as revenue/expenses and liabilities arising from these contracts are recognized and measured based on relevant valuation methodologies and actuarial assumptions as to mortality, persistency, expenses, withdrawals and investment returns.

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CHINA LIFE INSURANCE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DEC 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 First-time Adoption of International Financial Reporting Standards and Statement of Compliance (continued)

For long-term investment type insurance contracts and investment contracts with DPF, which are also considered as insurance contracts under HKFRS 4, the liabilities are recognized as accumulation of deposits received less charges plus interests credited. Revenue from these contracts consist of various charges including policy fee and cost of insurance.

For investment contracts without DPF, which are not considered to be insurance contracts under HKFRS4, the liabilities are accounted for as financial liabilities.

The costs of acquiring new and renewal business are deferred and amortized.

Under IFRS, contracts issued by the Group are classified as investment contracts and insurance contracts. Insurance contracts include short-term insurance contracts, long-term insurance contracts, etc.

For short-term insurance contracts, premiums/benefits are recognized as revenue/expenses. Liabilities arising from these contracts including unearned premium reserves which represent the portion of premiums written net of certain acquisition cost relating to the unexpired terms of coverage. Claims and claim adjustment expenses reserves which represent the estimates of future payments of reported and unreported claims for losses and associated expenses, with the consideration of applicable margin.

For long-term insurance contracts, premiums/benefits are recognized as revenue/expenses. The reserve of long-term insurance contracts represents the present value of future payouts that will be required to fulfil the contractual obligations, taking account of margin. These reserves are based on various assumptions at the end of each reporting period, including mortality rates, morbidity rates, lapse rates, discount rate, and expenses assumption.

Revenue from investment contracts is policy fee income and the liabilities are recognized as financial liabilities.

The accounting policies for recognition and measurement of insurance contracts, investment contracts and their revenue are described in Note 2.9 and Note 2.14.

The Group also modified its presentation in the consolidated statement of cash flow to comply with the requirements of IAS 7 Statement of Cash Flows. Cash flows related to investment contracts are now presented as operating and not financing activities.

2.2 Basis of preparation

The Group prepared the consolidated financial statements under the historical cost convention, as modified by financial assets and financial liabilities at fair value through profit or loss, available-for-sale financial assets, insurance contract liabilities and certain PPE at deemed cost. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

All amounts in the notes are shown in million of Chinese Renminbi (RMB), rounded to the nearest million, unless otherwise stated.

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CHINA LIFE INSURANCE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DEC 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of preparation (continued)

New accounting standards, amendments and interpretations pronouncements

The IASB issued the following standards, amendments and interpretations that are not yet effective. This is not intended to be a complete list as only those standards, interpretations and amendments that are anticipated to have a future impact upon the Group s financial statements have been discussed.

IFRS 2 (amendments) Group cash-settled share-based payment transactions
IFRS 3 (revised) Business combinations
IFRS 5 (amendment) Measurement of non-current assets (or disposal Groups) classified as held for sale
IFRS 9 Financial instruments
IAS 1 (amendment) Presentation of financial statements
IAS 27 (revised) Consolidated and separate financial statements
IAS 32 (amendment) Classification of rights issues
IAS 38 (amendment) Intangible Assets
IFRIC 17 Distribution of non-cash assets to owners
IFRIC 18 Transfers of assets from customers

The Group is in the process of making an assessment of the impact of the new accounting standards, amendments and interpretations.

2.3 Consolidation

Subsidiaries

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are those entities in which the Company controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the Board of Directors; or to cast the majority of votes at the meetings of the Board of Directors.

Inter-company transactions and balances within the Group are eliminated on consolidation. Minority interests represents the interest of outside shareholders in the operating results and net assets of subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the net profit from the date of acquisition or up to the date of disposal, as appropriate. The gains or losses on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group s share of its net assets together with any goodwill which was not previously charged or recognized in the net profit.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. The Group s investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group s share of its associates post-acquisition profits or losses is recognized in the net profit, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses unless it has incurred obligations or made payments on behalf of the associate.

Intragroup gains on transactions between the Group and its associates are eliminated to the extent of the Group s interest in the associates. Intragroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Associates accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

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CHINA LIFE INSURANCE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DEC 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Consolidation (continued)

Associates (continued)

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group s share of the net identifiable assets of acquired associate at the date of acquisition. Goodwill on acquisitions of associates is included in investments in associates and is tested annually for impairment as part of the overall balance. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2.4 Segment reporting

The Group s operating Segments are presented in a manner consistent with the internal management reporting provided to the president office for deciding how to allocate resources and for assessing performance.

Operating segment refers to the segment within the Group that satisfies following conditions: i) the segment generates income and incurs costs from daily operating activities; ii) management evaluate the operating results of the segment to make resource allocation decision and to evaluate the business performance; iii) the Group can obtain relevant financial information of the segment, including financial condition, operating results, cash flow and other financial performance indicators.

2.5 Foreign currency translation

The functional currencies of the Group s operations are RMB. Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at the end of the reporting period. Exchange differences arising in these cases are recognized in the net profit.

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CHINA LIFE INSURANCE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical costs less accumulated depreciations and any accumulated impairment losses, except that acquired prior to 30 June 2003, which are stated at deemed cost less accumulated depreciations and any accumulated impairment losses.

The historical costs of property, plant and equipment comprise its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. The cost of a major renovation is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group.

Assets under construction represent buildings and fixtures under construction and are stated at costs or deemed costs. Costs include construction and acquisition costs. No provision for depreciation is made on assets under construction until such time as the relevant assets are completed and ready for use.

Depreciation

Depreciation is computed on a straight-line basis to write down the cost of each asset to its residual value over its estimated useful life as follows:

	Estimated useful life
Buildings	15 to 35 years
Office equipment, furniture and fixtures	5 to 10 years
Motor vehicles	4 to 8 years
Leasehold improvements	Over the lesser of the remaining term of the lease or the useful life

The useful life and depreciation method is reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Impairment and gains or losses on sales

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the net profit for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset s net selling price and value in use.

The gain or loss on disposal of a property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the net profit.

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CHINA LIFE INSURANCE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DEC 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial assets

2.7.a Classification

The Group classifies its investments in securities into the following categories: held-to-maturity securities, securities at fair value through income and available-for-sale securities. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and depend on the purpose for which the securities are acquired. Financial assets other than investment in securities are loans and receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or available for sale. Loans and receivables mainly comprise term deposits, loans, securities purchased under agreements to resell, accrued investment income and receivables arising from the insurance contracts as presented separately in the statement of financial position.

(i) Held-to-maturity securities

Held-to-maturity securities are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of loans and receivables that the Group has the positive intention and ability to hold to maturity.

(ii) Securities at fair value through income

This category has two sub-categories: securities held for trading and those designated at fair value through income at inception. A financial asset is classified as held for trading at inception if acquired principally for the purpose of selling in the short term or if it forms part of a portfolio of financial assets in which there is evidence of short term profit-taking. Any other additional financial assets may be designated at fair value through income at inception by the Group.

(iii) Available-for-sale securities

Available-for-sale securities are non-derivative financial assets that are either designated in this category or not classified in either of the other categories.

2.7.b Recognition and measurement

Purchases and sales of investments are recognized on trade date, on which the Group commits to purchase or sell assets. Investments are initially recognized at fair value plus, in the case of all financial assets not carried at fair value through income, transaction costs that are directly attributable to their acquisition. Investments are derecognized when the rights to receive cash flows from the investments have expired or when they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

Available-for-sale securities and securities at fair value through income are carried at fair value. Held-to-maturity securities are carried at amortised cost using the effective interest method. Investment gains and losses on sales of securities are determined principally by specific identification. Realised and unrealised gains and losses arising from changes in the fair value of the securities at fair value through income category, and the change of available-for-sale debt securities fair value due to foreign exchange impact on the amortized cost are included in the net profit in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale securities are recognized in equity. When securities classified as available-for-sale securities are sold or impaired, the accumulated fair value adjustments are included in the net profit as realised gains or losses on financial assets.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

CHINA LIFE INSURANCE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DEC 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial assets (continued)

2.7.c Term deposits

Term deposits include both traditional bank deposits and structured deposits. Term deposits have fixed maturity dates and are stated at amortised cost.

2.7.d Loans

Loans originated by the Group are carried at amortised cost, net of provision for impairment in value.

2.7.e Securities purchased under agreements to resell

The Group enters into purchases of securities under agreements to resell substantially identical securities. These agreements are classified as secured loans and are recorded at amortised cost, i.e. their cost plus accrued interest at the end of the reporting period, which approximates fair value. The amounts advanced under these agreements are reflected as assets in the consolidated statement of financial position. The Group does not take physical possession of securities purchased under agreements to resell. Sales or transfers of the securities are not permitted by the respective clearing house on which they are registered while the loan is outstanding. In the event of default by the counterparty to repay the loan, the Group has the right to the underlying securities held by the clearing house.

2.7.f Impairment of financial assets other than at fair value through income

Financial assets other than those accounted for as at fair value through income are adjusted for impairments, where there are declines in value that are considered to be an impairment. In evaluating whether a decline in value is an impairment for debt securities and equity securities, the Group considers several factors including, but not limited to.

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties;

In evaluating whether a decline in value is impairment for equity securities, the Group also considers the extent or the duration of the decline. When the decline in value is considered impairment, Held-to-maturity debt securities are written down to their present value of estimated future cash flows discounted at the securities effective interest rates; Available-for-sale debt securities and equity securities are written down to their fair value, and the change is recorded in Net realised gains/(losses) on financial assets in the period the impairment is recognized. The impairment loss is reversed through the net profit if in a subsequent period the fair value of a debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized through the net profit. The impairment losses recognised in net profit on equity instruments are not reversed.

2.8 Cash and cash equivalents

Cash amounts represent cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments with original maturities of 90 days or less, whose carrying value approximates fair value.

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CHINA LIFE INSURANCE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DEC 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Insurance contracts and investment contracts

2.9.1 Classification

The Group issues contracts that transfer insurance risk or financial risk or both. The contracts issued by the Group are classified as insurance contracts and investment contacts. Insurance contracts are those contracts that transfer significant insurance risk. They may also transfer financial risk. Investment contracts are those contracts that transfer financial risk without significant insurance risk. A number of insurance and investment contracts contain a DPF. This feature entitles the policyholders to receive additional benefits or bonuses that are, at least in part, discretionary to the Group.

2.9.2 Insurance contracts

2.9.2.a Recognition and measurement

(i) Short-term insurance contracts

Premiums from the sale of short duration accident and health insurance products are recorded when written and are accreted to earnings on a pro-rata basis over the term of the related policy coverage. Claims and claim adjustment expenses are charged to the net profit as incurred. Reserves for short duration insurance products consist of unearned premium reserve and claims and claim adjustment expenses reserve.

The unearned premium reserve represents the portion of the premiums written net of certain acquisition costs relating to the unexpired terms of coverage.

Reserves for claims and claim adjustment expenses consist of the reserves for reported and unreported claims and reserves for claim expenses with respect to insured events. In developing these reserves, the Group considered the nature and distribution of the risks, claims cost development, and experiences in deriving the best estimated amount and the applicable margin. The methods used for reported claims include average cost per claim method, chain ladder method, etc. The Group calculated the reserves for claim expenses based on the best estimates of the future payments for claim expenses.

(ii) Long-term insurance contracts

Long-term insurance contracts include whole life and term life insurance, endowment insurance and annuities policies with significant life contingency risk. Premiums are recognized as revenue when due from policyholders.

The reserve of long-term insurance contracts represents the present value of future payouts that will be required to fulfil the contractual obligations, taking account of margin. The long-term insurance contracts liabilities are calculated using various assumptions, including assumptions on mortality rates, morbidity rates, lapse rates, discount rate, and expenses assumption, and based on the following principles:

(a) The reserves for long-term insurance contracts are recognised on the basis of best estimates of future payouts that will be required to fulfil the contractual obligations. These expenses refer to the expected net future cash outflows for the insurance contracts, which is the difference between the expected future cash outflows and the expected future cash inflows. The expected future cash inflows include cash inflows arising from the undertaking of insurance obligations. The expected future cash outflows are cash outflows incurred to fulfil contractual obligations, consisting of the following:

    The guaranteed benefits based on contractual terms, including payments for deaths, disabilities, diseases, survivals, maturities and surrenders.

    Additional non-guaranteed benefits, such as policyholder dividends.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
2.9.2 Insurance contracts (continued)
2.9.2.a Recognition and measurement (continued)

(ii) Long-term insurance contracts (continued)

Expenses incurred to manage insurance contracts or to process claims, including administration and claim settlement expenses, etc.

Various assumptions for the estimates will be reviewed at the end of each reporting period and any changes will be recognized in the net profit.

(b) Margin has been taken into consideration while computing the reserve of insurance contracts, measured separately and recognized in the net profit in each period over the life of the contracts. At the inception of the contracts, the Group doesn t recognize Day 1 gain, whereas on the other hand, Day 1 loss is recognized as incurred.

Margin comprises of risk margin and residual margin. Risk margin is the reserve accrued to compensate for the uncertain amount and timing of future cash flows. At the inception of the contract, the residual margin is calculated net of certain acquisition cost by the Group for not recognizing the Day 1 gain. The residual margin will be amortized over the life of the contracts. The subsequent measurement of residual margin is independent from best estimate of future discounted cash flows and risk margin. The assumption changes have no effect on the subsequent measurement of residual margin.

(c) The Group has considered the impact of time value on the reserve calculation for insurance contracts.

(iii) Universal life contracts and unit-linked contracts

Universal life contracts and unit-linked contracts are unbundled into the following components:

Insurance components

Non-insurance components

The insurance components are accounted for as insurance contracts; and the non-insurance components are accounted for as investment contracts (note 2.9.3), which are stated in the investment contracts liabilities.

2.9.2.b Liability adequacy test

The Group evaluates the adequacy of insurance contracts reserves using the available information at the end of each reporting period. If the reserves are inadequate, the insurance contracts reserves will be adjusted accordingly.

2.9.2.c Reinsurance contracts held

Contracts with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts with reinsurers that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognized as reinsurance assets. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

The Group assesses its reinsurance assets for impairment as at the end of reporting period. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the net profit.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Insurance contracts and investment contracts (continued)

2.9.3 Investment contracts

Revenue from investment contracts with or without DPF is policy fee income, which consists of various charges (policy fees, handling fees and management fees, etc.) during the period. Excess charges over certain acquisition cost are deferred as unearned revenue and amortized over the expected life of the contracts.

Except for unit-linked contracts, of which the liabilities are carried at fair value, the liabilities of investment contracts are carried at amortised cost.

2.9.4 DPF in long-term insurance contracts and investment contracts

DPF is contained in certain long-term insurance contracts and investment contracts. These contracts are collectively called participating contracts. The Group is obligated to pay to the policyholders of participating contracts as a group at 70% of accumulated surplus available, or at the rate specified in the contracts when higher. The amount and timing of distribution to individual policyholders of participating contracts are subject to future declarations by the Group. The accumulated surplus available mainly arises from net investment income, gains and losses arising from the assets supporting these contracts. To the extent unrealised gains or losses from available-for-sale securities affect the surplus owed to policyholders, shadow adjustments are recognized in other comprehensive income. If the surplus owed to policyholders has not been declared and paid, it is included in the policyholder dividends payable.

2.10 Securities sold with agreements to repurchase

Securities sold under agreements to repurchase, which are classified as secured borrowings, generally mature within 180 days from the transaction date. The Group may be required to provide additional collateral based on the fair value of the underlying securities. Securities sold under agreements to repurchase are recorded at amortised cost, i.e. their cost plus accrued interest at the end of the reporting period. It is the Group s policy to maintain effective control over securities sold under agreements to repurchase which includes maintaining physical possession of the securities. Accordingly, such securities continue to be carried on the consolidated statement of financial position.

2.11 Derivative instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. The resulting gain or loss of derivative financial instruments is recognized in net profit. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Embedded derivatives that are not closely related to their host contracts and meet the definition of a derivative are separated and fair valued through profit or loss. The Group does not separately measure embedded derivatives that meet the definition of an insurance contract or embedded options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate). All the other embedded derivatives held by the Group are deemed either to be closely related to the host contracts or measured at fair value with changes in fair value recognized in the net profit.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Employee benefits

Pension benefits

The full-time employees of the Group are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas. These government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. In addition to the government-sponsored pension plans, the Group established an employee annuity plan pursuant to the relevant laws and regulations in the PRC, whereby the Group are required to contribute to the schemes at fixed rates of the employees salary costs. Contributions to these plans are expensed as incurred. Under these plans, the Group has no legal or constructive obligation for retirement benefit beyond the contributions made.

Housing benefits

All full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group s liability in respect of these funds is limited to the contributions payable in each year.

Stock appreciation rights

Compensation under the stock appreciation rights is measured based on the fair value of the liabilities incurred and is expensed over the vesting period. Valuation techniques including option pricing models are used to estimate fair value of relevant liabilities. The liability is re-measured at the end of each reporting period to its fair value until settlement with all changes included in administrative expenses in the consolidated statement of comprehensive income. The related liability is included in other liabilities.

2.13 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

2.14 Revenue recognition

Turnover of the Group represents the total revenues.

Premiums

Premiums from long-term insurance contracts are recognized as revenue when due from the policyholders.

Premiums from the sale of short duration accident and health insurance products are recorded when written and are accreted to earnings on a pro-rata basis over the term of the related policy coverage. Contracts for which the period of risk differs significantly from the contract period recognize premiums over the period of risk in proportion to the amount of insurance protection provided.

Policy fee income

Revenue from investment contracts is recognized as policy fee income, which consists of various charges (policy fees, handling fees and management fees, etc.) over period service is provided. Excess charges over certain acquisition costs are deferred as unearned revenue and amortized over the expected life of the contracts. Policy fee income is presented as other income.

Investment income

Investment income is comprised of interest income from term deposits, cash and cash equivalents, debt securities, securities purchased under agreements to resell, loans, and dividend income from equity securities. Interest income is recorded on an accrual basis using the effective interest rate method. Dividend income is recognized when the right to receive dividend payment is established.

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CHINA LIFE INSURANCE COMPANY LIMITED
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Current and deferred income taxation

The tax expense for the period comprises current and deferred tax. Tax is recognized in the net profit, except to the extent that it relates to items recognized directly in other comprehensive income. In this case, the tax is also recognized in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the jurisdictions where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Substantively enacted tax rates are used in the determination of deferred income tax.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be recognized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments under operating leases are charged to the net profit on a straight-line basis over the lease periods.

2.17 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized in the statement of financial position but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably measured, it will then be recognized as a provision.

2.18 Dividend distribution

Dividend distribution to the Company s shareholders is recognized as a liability in the Group s financial statements in the year in which the dividends are approved by the Company s shareholders.

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CHINA LIFE INSURANCE COMPANY LIMITED
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3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Estimate of future benefit payments and premiums arising from long-term insurance contracts

The determination of the liabilities under long-term insurance contracts is based on estimates of future benefit payments, premiums and relevant expenses made by the Group, and the margin. Assumptions about mortality rates, morbidity rates, lapse rates, discount rate, and expenses assumption are made based on the most recent historical analysis and current and future economic conditions. The liability uncertainty arising from uncertain future benefits payments, premiums and relevant expenses, is reflected in the risk margin.

The residual margin relating to the long-term insurance contracts is amortized over the expected life of the contracts, based on the assumptions (mortality rates, morbidity rates, lapse rates, discount rate, and expenses assumption) that are determined at inception of the contracts and remain unchanged for the duration of the contracts.

The various assumptions are described in Note 13.

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3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (continued)

3.2 Investments

The Group s principal investments are debt securities, equity securities, term deposits and loans. The critical estimates and judgments are those associated with the recognition of impairment and the determination of fair value.

The Group considers a wide range of factors in the impairment assessment as described in Note 2.7.f.

Fair value is defined as the amount at which the financial assets and liabilities could be exchanged in a current transaction between knowledgeable willing parties in an arm s length transaction, rather than in a forced or liquidation sale. The methods and assumptions used by the Group in estimating the fair value of the financial assets are:

Debt securities: fair values are generally based upon current bid prices. Where current bid prices are not readily available, fair values are estimated using either prices observed in recent transactions, values obtained from current bid prices of comparable investments and valuation techniques when the market is not active.

Equity securities: fair values are generally based upon current bid prices. Where current bid prices are not readily available, fair values are estimated using either prices observed in recent transactions or commonly used market pricing model. Equity securities, for which fair values cannot be measured reliably, are recognized at cost less impairment.

Term deposits (excluding structured deposits), loans and securities purchased or sold under agreements to resell or repurchase: the carrying amounts of these assets in the statement of financial position approximate fair values.

Structured deposits: the market for structured deposits is not active and the Group establishes fair value by using discounted cash flow analysis and option pricing models as the valuation technique. The Group uses the US$ swap rate (the benchmark rate) to determine the fair value of financial instruments.

3.3 Income tax

The Group is subjected to income tax in various localities. During the normal course of business, there are great uncertainties for the tax treatment on many transactions on the business matters. The Group needs to exercise significant judgment when determining the income tax expenses. If the final settlement result of the tax matters are different from the amount booked, these differences will impact the final income tax expense and deferred tax for the period.

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4 Risk Management

Risk management is carried out by the Risk Management Committee under policies approved by the Board of Directors.

The Group issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Group manages them.

4.1 Insurance risk

4.1.1 Types of Insurance risks

The risk under any one insurance contract is the possibility that an insured event occurs and there is uncertainty about the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This occurs when the frequency or severity of claims and benefits exceeds the estimates. Insurance events are random and the actual number of claims and the amount of benefits paid will vary each year from estimates established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The Group manages insurance risk through underwriting strategy, reinsurance arrangements and claims handling.

The Group manages insurance risks through two types of reinsurance agreements, ceding on a quota share basis or a surplus basis, to cover insurance liability risk. The products reinsured include: life insurance, accident and health insurance or death, disability, accident, illness and assistance in terms of product category or function respectively. These reinsurances agreements spread insured risk to a certain extent and reduce the effect of potential losses to the Group. However, the Group s direct insurance liabilities to the policyholder are not eliminated because of credit risk associated with the failure of reinsurance companies to fulfil their responsibilities.

4.1.2 Concentration of insurance risks

The Group offers life insurance, annuity, accident and health insurance products. All operations of the Group are located in the PRC. There are no significant differences among the regions where the Group underwrites insurance contracts.

CHINA LIFE INSURANCE COMPANY LIMITED
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4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.1 Insurance risk (continued)

4.1.2 Concentration of insurance risks (continued)

The table below presents the Group s major products of long-term insurance contracts:

	2009		2008	
Product name	**RMB million**	%	RMB million	%
Premiums				
Hong Feng Endowment (a)	59,229	22.6%	105,343	41.7%
Hong Fu Endowment (b)	54,919	21.0%	8,169	3.2%
Kang Ning Whole Life (c)	30,151	11.5%	31,806	12.6%
Hong Tai Endowment (d)	11,300	4.3%	13,999	5.5%
Hong Rui Endowment (e)	674	0.3%	2,221	0.9%
Others (f)	105,632	40.3%	90,932	36.1%
Total	261,905	100.0%	252,470	100.0%
Insurance benefits				
Hong Feng Endowment (a)	464	0.9%	290	0.5%
Hong Fu Endowment (b)	36	0.1%	4	0.0%
Kang Ning Whole Life (c)	2,772	5.4%	2,466	3.8%
Hong Tai Endowment (d)	29,173	56.6%	7,343	11.4%
Hong Rui Endowment (e)	11,299	21.9%	26,168	40.8%
Others (f)	7,812	15.1%	27,920	43.5%
Total	51,556	100.0%	64,191	100.0%
Liabilities of long-term insurance contracts				
Hong Feng Endowment (a)	265,270	32.8%	213,103	32.5%
Hong Fu Endowment (b)	58,369	7.2%	7,570	1.2%
Kang Ning Whole Life (c)	85,260	10.5%	71,548	11.0%
Hong Tai Endowment (d)	28,757	3.6%	49,263	7.5%
Hong Rui Endowment (e)	13,186	1.6%	24,415	3.7%
Others (f)	358,381	44.3%	288,949	44.1%
Total	809,223	100.0%	654,848	100.0%

(a) Hong Feng is long-term individual endowment insurance contract with options for premium term of single. Insured period can be 5 years or 10 years. The insured can be benefited up to age of 65. Maturity benefit is paid at 100% of basic sum insured. Disease Death benefit incurred within one year after contract effective date is paid at premium received (without interest). Disease death benefit incurred exceed one year after contract effective date is paid at basic sum insured. Accident death benefit is paid at 300% of basic sum insured.

(b) Hong Fu is long-term individual endowment insurance contract with options for premium term of single and 3 year, designed for healthy policyholders of age between 30 days and 60 years old. Maturity benefit for lump sum premium is paid at 100% of basic sum insured. Maturity benefit for regular premium is paid at basic sum insured multiplied by number of year of premium payments. Disease Death benefit incurred within one year after contract effective date is paid at premium received (without interest). Disease death benefits incurred exceed one year after contract effective date are paid at basic sum insured and basic sum insured multiplied by number of year of premium payments for lump sum premium and regular premium respectively. Accident death benefit is paid at 300% of basic sum insured and 300% of basic sum insured multiplied by number of year of premium payments for lump sum premium and regular premium respectively.

(c) Kang Ning Whole Life is long-term individual whole life insurance contract with options for premium term of single, 10 years or 20 years. Its critical illness benefit accounts for 200% of basic sum insured. Both death and disability benefit are paid at 300% of basic sum insured less any paid critical illness benefit.

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4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.1 Insurance risk (continued)

4.1.2 Concentration of insurance risks (continued)

(d) Hong Tai is long-term individual endowment insurance contract with options for premium term of single and 5 years, 10 years, 15 years and 20 years, designed for healthy policyholders of age between 30 days and 60 years old. Maturity benefit for lump sum premium is paid at 100% of basic sum insured. Maturity benefit for regular premium is paid at basic sum insured multiplied by number of year of premium payments. Disease Death benefit incurred within one year after contract effective date is paid at premium received (without interest).

Disease death benefits incurred exceed one year after contract effective date are paid at basic sum insured and basic sum insured multiplied by number of year of premium payments for lump sum premium and regular premium respectively.

(e) Hong Rui is long-term individual endowment insurance contract with options for premium term of single and 5 years. The insured can be benefited up to age of 70. Accident benefit is paid at basic sum insured for lumps sum premium and the accident benefit is paid at basic sum insured multiplied by number of year of premium payment if the accident happens within the first to the fourth year of insured or 500% of the basic sum insured if the accident happens after the fifth year of insured. The maturity benefit is paid at 100% and 500% of the basic sum insured, for lump sum premium and regular premium, respectively.

(f) Others consist of various long-term insurance contracts with no significant concentration.

4.1.3 Sensitivity Analysis

Sensitive analysis of long-term insurance contracts

Liabilities for long-term insurance contracts and the liabilities unbundled from universal life insurance contracts and unit-linked insurance contracts with insurance risk are calculated based on the assumptions on mortality rates, morbidity rates, lapse rates and discount rates.

Holding all other variable constant, if mortality rates and morbidity rates increase or decease from current best estimate by 10%, pre-tax profit for the year would have been RMB 8,899 or 9,290 million (2008: RMB 8,252 or 8,635 million) lower or higher.

Holding all other variable constant, if lapse rates increase or decease from current best estimate by 10%, pre-tax profit for the year would have been RMB 5,426 or 5,802 million (2008: RMB 4,435 or 4,744 million) lower or higher.

Holding all other variable constant, if the discount rates are 50 basis points higher or lower than current best estimate, pre-tax profit for the year would have been RMB 23,429 or 27,157 million (2008: RMB 22,428 or 26,177 million) higher or lower.

Sensitive analysis of short-term insurance contracts

The assumptions of reserves for claims and claim adjustment expenses may be affected by other variables such as claims payment of short term insurance contracts, which may result in the synchronous changes to reserves for claims and claim adjustment expenses.

Holding all other variable constant, if loss ratios are 100 basis points higher or lower than current assumption, pre-tax profit is expected to be RMB 132 million lower or higher (2008: RMB 127 million). Management believes that the 100 basis points deviation used in the sensitivity analysis represents a deviation in the expected level of claims that could be reasonably expected for this type of business.

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4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.1 Insurance risk (continued)

4.1.3 Sensitivity Analysis (continued)

The following table indicates the claim development for short-term insurance contracts without taking account of reinsurance impacts:

	Short-term insurance contracts (accident year)					
	2005	2006	2007	2008	2009	Total
Current year/End of the year	6,653	6,771	7,082	7,725	8,102	
Later than 1 year	7,039	6,074	6,891	7,591		
Later than 2 years	7,087	6,168	6,990			
Later than 3 years	7,087	6,168				
Later than 4 years	7,087					
Estimated accumulated claims	7,087	6,168	6,990	7,591	8,102	35,938
Accumulated paid claims	(7,087)	(6,168)	(6,990)	(7,271)	(5,478)	(32,994)
Unpaid claims				320	2,624	2,944

The following table indicates the claim development for short-term insurance contracts taking account of reinsurance impacts:

	Short-term insurance contracts (accident year)					
	2005	2006	2007	2008	2009	Total
Current year/End of the year	5,928	6,703	7,036	7,671	8,017	
Later than 1 year	6,314	6,013	6,847	7,538		
Later than 2 years	6,426	6,106	6,945			
Later than 3 years	6,426	6,106				
Later than 4 years	6,426					
Estimated accumulated claims	6,426	6,106	6,945	7,538	8,017	35,032
Accumulated paid claims	(6,426)	(6,106)	(6,945)	(7,221)	(5,421)	(32,119)
Unpaid claims				317	2,596	2,913

4.2 Financial risk

The Group s activities are exposed to a variety of financial risks. The key financial risk is that proceeds from the sale of financial assets will not be sufficient to fund obligations arising from the Group s insurance and investment contracts. The most important components of financial risk are market risk, credit risk and liquidity risk.

The Group s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by a designated department under policies approved by management. The responsible department identifies, evaluates and manages financial risks in close cooperation with the Group s operating units. The Group provides written principles for overall risk management, as well as written policies covering specific areas, such as managing market risk, credit risk, and liquidity risk.

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4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.2 Financial risk (continued)

The Group manages financial risk by holding an appropriately diversified investment portfolio as permitted by laws and regulations designed to reduce the risk of concentration in any one specific industry or issuer. The structure of the investment portfolio held by the Group is seen in Note 8 to the consolidated financial statements.

The sensitivity analyses below are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated (for example, change in interest rate and change in market values).

4.2.1 Market risk

(i) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group s financial assets are principally comprised of term deposits and debt securities. Changes in the level of interest rates can have a significant impact on the Group s overall investment return. Many of the Group s insurance policies offer guaranteed returns to policyholders. These guarantees expose the Group to interest rate risk.

The Group manages interest rate risk through adjustments to portfolio structure and duration, and, to the extent possible, by monitoring the mean duration of its assets and liabilities.

The sensitivity analysis for interest rate risk illustrates how changes in interest income and the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the end of the reporting period.

At 31 December 2009, if market interest rates had been 50 basis points higher or lower with all other variables held constant, pre-tax profit for the year would have been RMB 823 million (2008: RMB 626 million) higher or lower respectively, mainly as a result of higher or lower interest income on floating rate cash and cash equivalents, term deposits, statutory deposits-restricted and debt securities and the fair value losses or gains on debt securities assets at fair value through income, net of impact thereof on undistributed participating policyholders dividends. Pre-tax available-for sale reserve in equity would have been RMB 7,583 million (2008: RMB 8,474 million) lower or higher respectively as a result of a decrease or increase in the fair value of available-for-sale securities, net of impact thereof on undistributed participating policyholders dividends.

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4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.2 Financial risk (continued)

4.2.1 Market risk (continued)

(ii) Price risk

Price risk arises mainly from the volatility of prices of equity securities held by the Group. Prices of equity securities are determined by market forces. The Group is subject to increased price risk largely because China s stock markets are relatively volatile.

The Group manages price risk by holding an appropriately diversified investment portfolio as permitted by laws and regulations designed to reduce the risk of concentration in any one specific industry or issuer.

At 31 December 2009, if all the Group s equity securities prices had increased or decreased by 10% with all other variables held constant, pre-tax profit for the year would have been RMB 127 million (2008: RMB 452 million) higher or lower respectively, mainly as a result of an increase or decrease in fair value of equity securities excluding available-for-sale securities, net of impact thereof on undistributed participating policyholders dividends. Pre-tax available-for-sale reserve in equity would have been RMB 11,470 million higher or lower (2008: RMB 4,619 million) as a result of an increase or decrease in fair value of available-for-sale equity securities, net of impact thereof on undistributed participating policyholders dividends.

(iii) Currency risk

Currency risk is volatility of fair value or future cash flows of financial instruments resulting from changes in foreign currency exchange rates. The Group operates principally in the PRC except for limited exposure to foreign exchange rate risk arising primarily with respect to structured deposits, debt securities and common stocks denominated in US dollar (US$) or HK dollar (HK$).

The Group holds shares traded on the HK stock market, which are traded in HK dollars. Investment income from H share holdings have offset the adverse impact of the appreciation of the Renminbi and thus spread the risk indirectly.

The following table summaries financial assets denominated in currencies other than RMB as at 31 December 2009 and 2008.

As at 31 December 2009	US$ RMB million	HK$ RMB million	Total RMB million
Equity securities		13,570	13,570
- Available-for-sale securities		13,570	13,570
Debt securities	2,902	7	2,909
- Held-to-maturity securities	2,048	7	2,055
- Available-for-sale securities	854		854

Term deposits (excluding structured deposits)	6,814		6,814
Structured deposits	273		273
Cash and cash equivalents	1,911	1,538	3,449
Total	11,900	15,115	27,015

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4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.2 Financial risk (continued)

4.2.1 Market risk (continued)

(iii) Currency risk (continued)

As at 31 December 2008	US$ RMB million	HK$ RMB million	Total RMB million
Equity securities		2,410	2,410
- Available-for-sale securities		2,398	2,398
- Securities at fair value through income		12	12
Debt securities	2,905		2,905
- Held-to-maturity securities	2,051		2,051
- Available-for-sale securities	854		854
Term deposits (excluding structured deposits)	4,921		4,921
Structured deposits	2,905		2,905
Cash and cash equivalents	8,236	511	8,747
Total	18,967	2,921	21,888

Monetary assets are exposed to currency risk whereas non-monetary assets, such as equity securities, expose themselves to price risk. As at 31 December 2009, if RMB had strengthened or weakened by 10% against USD and HK dollar with all other variables held constant, pre-tax profit for the year would have been RMB 1,345 million (2008: RMB 1,948 million) lower or higher respectively, mainly as a result of foreign exchange losses or gains on translation of USD and HK dollar denominated financial assets other than the equity securities included in the table above.

4.2.2 Credit risk

Credit risk is the risk that one party to a financial transaction or the issuer of a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. Because the Group is limited in the types of investments as permitted by China Insurance Regulatory Commission (CIRC) and a significant portion of the portfolio is in government bonds, government agency bonds and term deposits with the state-owned commercial banks, the Group s overall exposure to credit risk is relatively low.

Credit risk is controlled by the application of credit approvals, limits and monitoring procedures. The Group manages credit risk through in-house fundamental analysis of the Chinese economy and the underlying obligors and transaction structures. Where appropriate, the Group obtains collateral in the form of rights to cash, securities, property and equipment.

Credit exposure

The carrying amount of financial assets included on the consolidated statement of financial position represents the maximum credit exposure without taking account of any collateral held or other credit enhancements attached. The Group has no credit risk exposures relating to off-statement of financial position items as at 31 December 2009 and 2008.

Collateral and other credit enhancements

Securities purchased under agreements to resell are pledged by counterpart s debt securities or term deposits of which the Group could take the ownership should the owner of the collateral default. Policy loans and premium receivables are collateralized by their policies cash value according to the terms and conditions of policy loan contracts and policy contracts respectively signed by the Group together with policyholders.

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4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.2 Financial risk (continued)

4.2.2 Credit risk (continued)

Credit quality

The Group s debt securities investment includes government bonds, government agency bonds, corporate bonds and subordinated bonds or debts, and most of the debt securities are guaranteed by either the Chinese government or a Chinese government controlled financial institution. As at 31 December 2009, 100% (as at 31 December 2008: 100%) of the corporate bonds held by the Group have credit rating of AA/A-2 or above. As at 31 December 2009, 99.5% (as at 31 December 2008: 99.3%) of the subordinated bonds or debts held by the Group either have credit rating of AA/A-2 or above, or were issued by national commercial banks. The bond or debt s credit rating is assigned by a qualified appraisal institution in the PRC at the time of its issuance.

As at 31 December 2009, 100% (as at 31 December 2008: 99.8%) of the Group s bank deposits are with the four largest state-owned commercial banks, other national commercial banks and China Securities Depository and Clearing Corporation Limited (CSDCC) in the PRC, and almost all of the reinsurance agreements of the Group are with a state-owned reinsurance company. The Group believes these commercial banks, SD&C and the reinsurance company have a high credit quality. As a result, the Group concludes credit risk associated with term deposits and accrued investment income thereof, statutory deposits-restricted, cash equivalents and reinsurance assets will not cause material impact on the Group s consolidated financial statements as at 31 December 2009 and 2008.

The credit risk associated with securities purchased under agreements to resell, policy loans and premium receivables will not cause a material impact on the Group s consolidated financial statements taking into consideration of their collateral held and maturity term of no more than one year as at 31 December 2009 and 2008.

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4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.2 Financial risk (continued)

4.2.3 Liquidity risk

Liquidity risk is the risk that the Group will not have access to sufficient funds to meet its liabilities as they become due.

In the normal course of business, the Group attempts to match the maturity of financial assets to the maturity of insurance and financial liabilities.

The following tables set forth the contractual and expected undiscounted cash flows for financial assets, insurance and financial liabilities:

			Contractual and expected cash flows (undiscounted)			
As at 31 December 2009	Carrying amount	Without maturity	Not later than 1 year	Later than 1 year but not later than 3 years	Later than 3 years but not later than 5 years	Later than 5 years
Financial assets						
Contractual cash flows in/(out)						
Equity securities	179,390	179,390				
Debt securities	582,285		27,803	91,257	85,720	686,923
Loans	23,081		14,448	1,234	1,234	12,746
Term deposits	344,983		91,552	79,100	149,936	65,405
Statutory deposits-restricted	6,153		191	2,319	4,406	
Accrued investment income	14,208		14,208			
Premiums receivable	6,818		6,818			
Cash and cash equivalent	36,176		36,176			
Subtotal	1,193,094	179,390	191,196	173,910	241,296	765,074
Financial and insurance liabilities						
Expected cash flows out/(in)						
Insurance contracts	818,164		(7,558)	34,103	118,673	1,335,276
Investment contracts	67,274		18,386	20,121	13,595	34,352

Contractual cash flows out/(in)						
Securities sold under agreements to repurchase	33,553		33,553			
Annuity and other insurance balances payable	5,721		5,721			
Subtotal	924,712		50,102	54,224	132,268	1,369,628
Total cash flows in/(out)	268,382	179,390	141,094	119,686	109,028	(604,554)

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4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.2 Financial risk (continued)

4.2.3 Liquidity risk (continued)

			Contractual and expected cash flows (undiscounted)			
As at 31 December 2008	Carrying amount	Without maturity	Not later than 1 year	Later than 1 year but not later than 3 years	Later than 3 years but not later than 5 years	Later than 5 years
Financial assets						
Contractual cash flows in/(out)						
Equity securities	75,075	75,075				
Debt securities	575,871		49,178	108,633	77,224	571,228
Loans	17,926		9,293	1,234	1,234	13,363
Term deposits	228,272		69,359	50,902	126,210	9,298
Statutory deposits-restricted	6,153		460	748	5,919	
Accrued investment income	13,149		13,149			
Premiums receivable	6,433		6,433			
Cash and cash equivalent	34,074		34,074			
Subtotal	956,953	75,075	181,946	161,517	210,587	593,889
Financial and insurance liabilities						
Expected cash flows out/(in)						
Insurance contracts	662,865		(2,367)	20,358	95,160	1,069,670
Investment contracts	65,050		18,079	18,582	9,979	37,430
Contractual cash flows out/(in)						
Securities sold under agreements to repurchase	11,390		11,390			
Annuity and other insurance balances payable	4,980		4,980			

Subtotal	744,285		32,082	38,940	105,139	1,107,100
Total cash flows in/(out)	212,668	75,075	149,864	122,577	105,448	(513,211)

The amounts set forth in the tables above for insurance and investment contracts in each column are the cash flows representing expected future benefit payments taking into consideration of future premiums payments or deposits from policyholders. The excess cash inflow from matured financial assets will be reinvested to cover any future liquidity exposures. The estimate is subject to assumptions related to mortality, morbidity, discount rate, loss ratio, expenses assumption and other assumptions. Actual experience may differ from estimates.

At 31 December 2009, declared dividends of RMB 23,833 million (2008: RMB 24,295 million) included in policyholder dividends payable have a maturity not later than one year. For the remaining policyholder dividends payable, the amount and timing of the cash flows are indeterminate due to the uncertainty of future experiences including investment returns and are subject to future declarations by the Group.

The other maturity analysis is conducted on the assumption that all investment contracts (with DPF and without DPF) and universal life insurance contracts were surrendered immediately. This would cause a cash outflow of RMB 50,365 million, RMB 1,482 million and RMB 14,891 million respectively for the period ended 31 December 2009 (2008: RMB 51,818 million, RMB 1,543 million and RMB 11,249 million respectively), payable within one year. Although contractually these options can be exercised immediately by all policyholders at once, the Group s expected cash flows as shown in the above tables are based on past experience and future expectations.

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4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.2 Financial risk (continued)

4.2.4 Capital management

The Group s objectives when managing capital, which is actual capital, calculated as the difference between admitted assets (defined by CIRC) and the admitted liabilities (defined by CIRC), are to comply with the insurance capital requirements required by the CIRC to meet the minimum capital and safeguard the Group s ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group is also subject to other local capital requirements, such as statutory deposits-restricted requirement and Statutory reserve fund requirement, discussed in detail under Note 8.4 and Note 30, respectively.

The Group ensures its continuous and full compliance with the regulations mainly through monitoring quarterly and annual static solvency margin, as well as the dynamic solvency margin, which predicts the solvency margin for the next three years based on different scenarios. It has complied with all the local capital requirements.

The table below summarises the solvency ratio of the Company, the regulatory capital held (represented by actual capital) against the minimum required capital (represented by minimum capital). The solvency ratio for the year ended 31 December 2008 was recalculated due to the adoption of MoF new guidance as disclosed in Note 2.1.

	As at 31 December 2009 RMB million	As at 31 December 2008 RMB million
Actual capital	147,119	124,561
Minimum capital	48,459	40,154
Solvency ratio	304%	310%

According to Solvency Regulations of Insurance Companies , the solvency ratio is computed by dividing the actual capital by the minimum capital. CIRC will closely monitor those insurance companies with solvency ratio less than 100% and may, depending on the individual circumstances, undertake certain regulatory measures, including but not limited to restricting the payment of dividends. Insurance companies with solvency ratio between 100% and 150% would be required to submit and implement plans preventing capital from being inadequate. And Insurance companies with solvency ratio above 100% but significant solvency risk noticed would be required to take necessary rectification action.

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4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.3 Fair value hierarchy

At 31 December 2009, investments classified as Level 1 comprise approximately 41.78% of financial assets measured at fair value on a recurring basis. Fair value measurements classified as Level 1 include certain debt securities, equity securities that are traded in an active exchange market or inter-bank market. The Group considers a combination of certain factors to determine whether a market for a financial instrument is active, including the occurrence of trades within the specific period, the respective trading volume, and the degree which the implied yields for a debt security for observed transactions differs from the Group s understanding of the current relevant market rates and information.

At 31 December 2009, investments classified as Level 2 comprise approximately 57.93% of financial assets measured at fair value on a recurring basis. They primarily include certain debt securities and equity securities. Valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyze and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities.

For the years ended 31 December 2009 and 2008, most of these prices obtained from the pricing services are for debt securities issued by the Chinese government and government controlled organizations. These pricing services utilize a discounted cash flow valuation model using market observable inputs, mainly interest rates, to determine a fair value. These debt securities are classified as Level 2.

Fair value provide by valuation service providers are subject to a number of validation procedures by management. These procedures include a review of the valuation models utilized and the results of these models, and as well as the recalculation of prices obtained from pricing services at the end of each reporting period.

Fair value is based on significant inputs, other than Level 1 quoted price, that are observable for the asset being measured, either directly or indirectly, for substantially the full term of the asset through corroboration with observable market data. Observable inputs generally used to measure the fair value of securities classified as Level 2 include quoted market prices for similar assets in active markets; quoted market prices in markets that are not active for identical or similar assets and other market observable inputs.

Under certain conditions, the Group may not received price from independent third party pricing services. In this instance, the Group may choose to apply internally developed values to the assets being measured. In such cases, the valuations are generally classified as Level 3. Key inputs involved in internal valuation services include, but are not limited to market price from recently completed transactions, interest yield curves, credit spreads, currency rates as well as assumptions made by management based on judgements and experiences.

At 31 December 2009, investments classified as Level 3 comprise approximately 0.29% of financial assets measured at fair value on a recurring basis. They primarily include subordinated debts, certain corporate and government agency bonds and certain equity securities. Prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques.

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4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.3 Fair value hierarchy (continued)

For the accounting policies regarding the determination of the fair values of financial assets and financial liabilities, see Note 3.2.

The following table presents the Group s assets and liabilities measured at fair value at 31 December 2009.

	Level 1	Level 2	Level 3	Total balance
Assets				
Available-for-sale securities				
Equity securities	172,383	3,053	1,238	176,674
Debt securities	42,308	298,216	301	340,825
Securities at fair value through income				
Equity securities	2,704	38		2,742
Debt securities	2,628	3,763		6,391
Total assets	220,023	305,070	1,539	526,632
Liabilities				
Investment contracts at fair value through income	(52)			(52)
Total liabilities	(52)			(52)

The following table presents the changes in Level 3 instruments for the year ended 31 December 2009.

	Available-for-sale Securities		Securities at fair value through income	
	Debt securities	Equity Securities	Equity Securities	Total assets
Opening balance	385	1,007	15	1,407
Total gains and losses recognized in				
Profit or loss	3		15	18
Other comprehensive income/(loss)	(3)	127		124
Transfer out of Level 3		(617)	(30)	(647)
Purchases		721		721
Settlements	(84)			(84)

Closing balance	301	1,238	1,539
Total gains for the period included in income for assets and liabilities held at the end of the reporting period			

In 2009, the Group transferred certain debt and equity securities between Level 1, Level 2 and Level 3. This was due to the change in the availability of market observable inputs.

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5 SEGMENT INFORMATION

5.1 Operating segments

The Group operates in four operating segments:

(i) Individual life insurance business

Individual life insurance business relates primarily to the sale of long-term life insurance contracts and universal life contracts to individuals and assumed individual reinsurance contracts.

(ii) Group life insurance business

Group life insurance business relates primarily to the sale of insurance contracts and investment contracts to group entities.

(iii) Short-term insurance business

Short-term insurance business relates primarily to the sale of short-term insurance contracts.

(iv) Corporate and other business

Corporate and other business relates primarily to income, tax expenses and allocated costs of insurance agency business in respect of the provision of the services to CLIC, as described in Note 28, share of results of associates, income and expenses of subsidiaries, unallocated incomes and expenditures of the Group.

5.2 Allocation basis of income and expenses

Investment income, net realised gains or losses on financial assets, net fair value gains or losses on assets at fair value through income and foreign exchange losses within other operating expenses are allocated among segments in proportion to each respective segment s average liabilities of insurance contracts and investment contracts at the beginning and end of the year. Administrative expenses and certain other operating expenses are allocated among segments in proportion to the unit cost of products in the respective segments. Except for those arising from investment contracts presented in corresponding segments, other income and other operating expenses are presented in Corporate & Other directly.

5.3 Allocation basis of assets and liabilities

Financial assets and securities sold under agreements to repurchase are allocated among segments in proportion to each respective segment s average liabilities of insurance contracts and investment contracts at the beginning and end of the year. Insurance liabilities are presented among segments respectively.

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CHINA LIFE INSURANCE COMPANY LIMITED
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5 SEGMENT INFORMATION (continued)

	For the year ended 31 December 2009					
	Individual life	Group life	Short-term	Corporate & other (RMB million)	Elimination	Total
Revenues						
Gross written premiums	261,715	190	14,065			275,970
- Term Life	805	112				
- Whole Life	37,860	60				
- Endowment	184,841					
- Annuity	38,209	18				
Net premiums earned	261,694	189	13,194			275,077
Investment income	35,693	2,614	408	175		38,890
Net realised gains on financial assets	19,522	1,430	222	70		