



James T. Morris, FSA
Chairman, President & CEO

September 6, 2011

The attached Pacific Life Midyear 2011 Investment Quality Review goes into considerable detail demonstrating the strong investment performance we have achieved through June of this year. I also want to assure you that throughout July and August our positive investment results have continued despite the turbulent markets we have all been witnessing.

Pacific Life has remained protected against volatile market swings by our risk management strategies, our disciplined, long-term investment approach, and high-quality asset mix. Additionally, we do not expect to incur any negative effect on our ratings as a result of Standard & Poor's recent downgrade of the long-term sovereign credit rating of the United States of America. Pacific Life continues to maintain strong financial strength ratings and stable outlooks from all four major rating agencies.

In fact, because of the current economic climate and the desire of our customers to focus on financial security, we have broadened our offering of life insurance, annuity, and mutual fund products, while preserving our conservative investment and financial profile.

A few highlights of Pacific Life's latest Investment Quality Review include:

- Our corporate bond portfolio's investment quality remains strong, with only 6% rated non-investment grade.
- Our exposure to weaker European economies is limited, with just 1.4% of our total investments invested in Ireland, Spain, Italy, Portugal, and Greece.
- An approximate \$5.0 billion residential mortgage-backed securities (RMBS) portfolio, of which 96% of the RMBS are in the senior tranches of the securitization's capital structure.
- We have achieved strong performance in our mortgage loan portfolio with only \$3 million in losses during the past five years on a \$7 billion portfolio.

For more information about our financial strength and our ratings, please visit www.PacificLife.com/Financials and www.PacificLife.com/Ratings.

Sincerely,



Investment Quality Review

June 30, 2011

A Company Positioned for the Long-Term Pacific Life's structure is relatively unique among insurance companies. We are organized under a mutual holding company with our policyholders as members. We have no publicly traded stock—we are an independent company that remains focused on long-term strategies, our financial strength, and on making decisions that benefit our policyholders and clients. This long-term commitment, combined with Pacific Life's disciplined investment philosophy, has prepared us well to stay the course even during volatile times.

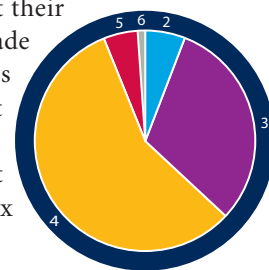
Distribution of Investments Pacific Life's distribution of investments demonstrates a high-quality asset mix.

Investment Profile	Dollars In Millions	
Investment Grade Corporate Bonds	\$17,315	38%
Mortgage Loans	7,135	15
Residential Mortgage-Backed Securities	4,970	11
Cash & Cash Equivalents	2,293	5
Non-Investment Grade Corporate Bonds	1,179	3
Private Equity	1,129	3
Taxable Municipal Bonds	1,032	2
Commercial Mortgage-Backed Securities	866	2
Other Invested Assets	834	2
US Treasury Bonds	640	1
Asset-Backed Securities	587	1
Real Estate	509	1
Preferred Stock	481	1
Foreign Government Bonds	462	1
Derivatives	38	0
Subtotal	39,470	86
Policy Loans	6,688	14
Total Investments	\$46,158	100%

Bonds, including mortgage-backed and asset-backed securities, and preferred stock are reflected at amortized cost.

Investment Philosophy Pacific Life follows a principled investment process and employs risk management guidelines that require a diversified investment portfolio. This approach limits our exposure to any single industry, issuer, or asset type and ensures that we are prepared to fulfill our commitments to our clients. Pacific Life has consistently approached investing by seeking outstanding investment returns without compromising either asset quality or our high standards for safety and risk management.

Corporate Bond Portfolio Quality Corporate bonds are generally grouped into two major categories: investment grade and non-investment grade. Investment grade corporate bonds are regarded as higher quality and more likely to meet their payment obligations. Non-investment grade corporate bonds provide higher yields but carry a higher risk that payment obligations will not be met. As of 6/30/11, our corporate bond portfolio's investment quality remained strong, with only six percent rated non-investment grade.



Investment-Grade Corporate Bonds		Dollars In Millions	
1	Aaa	\$ 81	0%
2	Aa	1,100	6
3	A	5,676	31
4	Baa	10,458	57
		17,315	94
Non-Investment-Grade Corporate Bonds			
5	Ba	951	5
6	B and Below	228	1
		\$18,494	100%

Investment grade ratings in this report are consistent with scales from independent rating agencies.



Pacific Life has always followed a disciplined investment process that limits our exposure to risky investments. We have a diversified investment portfolio that limits exposure to any single industry, issuer, or asset type.

Residential Mortgage-Backed Securities (RMBS) Every mortgage-backed security we own goes through a rigorous analysis of its underlying collateral and structure. We utilize state-of-the-art software and databases to underwrite all purchases as well as our existing holdings. Each security is modeled under various stress scenarios, and the cash flows produced are used to estimate principal and interest that will be paid. Cash flow modeling is performed at time of purchase and monthly thereafter.

RMBS by Tranche Type						
Dollars In Millions	Agency	Prime	Alt-A	Subprime	Total	
Gov't Guaranteed	\$1,059	\$ 0	\$ 0	\$ 0	\$1,059	21%
Super Senior	0	1,811	539	12	2,362	48
Senior	0	826	244	290	1,360	27
Senior Support	0	85	10	0	95	2
Mezzanine	0	2	2	76	80	2
Subordinate	0	7	0	7	14	0
Total	\$1,059	\$2,731	\$ 795	\$ 385	\$ 4,970	100%

Pacific Life's investments in RMBS are typically in the senior tranches of the securitization's capital structure. Of our subprime RMBS, 99 percent are backed by loans originated in 2005 or earlier. Approximately \$8 million of our RMBS are backed by Option ARMS.

Mortgage Loan Portfolio Pacific Life's mortgage loan portfolio continues to have excellent performance with only two small loans (balances less than 0.2% of the portfolio) currently in default. There have been only three defaults in the portfolio in over five years.

We focus on "best in class" assets, lending against the highest quality properties within given submarkets. Our underwriting standards favor property types and geographic markets that exhibit stability relative to supply/demand characteristics and demographic trends. We also underwrite our borrowing entities, requiring committed, well-qualified sponsorship.

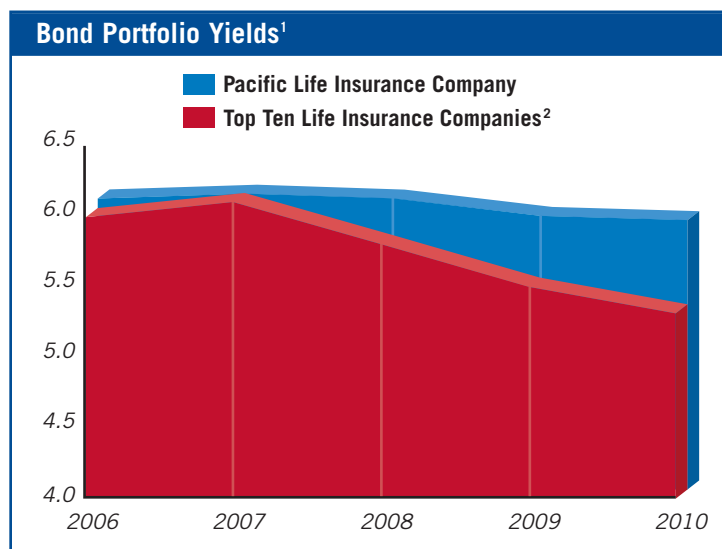
Throughout the past 25 years a flexible focus on niche and specialized property types, specific markets and submarkets, and loan types has resulted in consistent portfolio growth, good diversification, and solid risk-adjusted performance.

Mortgage Loans and Real Estate by Property Type		
Dollars In Millions		
1 Office Buildings	\$2,796	37%
2 Apartments	1,195	16
3 Resorts	1,108	14
4 Hotels	918	12
5 Retail	471	6
6 Industrial	388	5
7 Golf Courses	375	5
8 Mixed Use	246	3
9 Mobile Home Communities	147	2
Total	\$7,644	100%

Investment Write-downs In the first half of 2011, Pacific Life recognized other-than-temporary impairments (OTTI) of \$42 million, which is 0.1 percent of our total investments of \$46.2 billion.

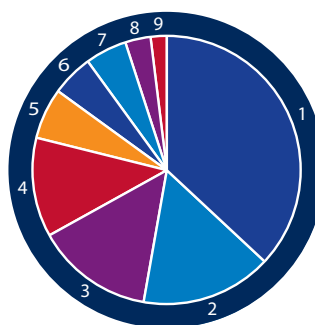
Dollars In Millions	GAAP Book Value	Pre-Tax OTTI
Corporate Bonds	\$ 18,494	(\$ 2)
Mortgage Loans	7,135	(3)
RMBS	4,970	(34)
Private Equity	1,129	(3)
Total	\$ 31,728	(\$ 42)

Bond Portfolio Yields Pacific Life continually strives to maintain competitive crediting rates. Our ability to offer attractive rates is predicated on the yield produced by our bond portfolio. In a declining interest rate environment, strategic management is the key to both minimizing losses and producing consistently high yields. Pacific Life's bond portfolio yield, as noted in the table below, has held up well in recent years.



¹ Bond portfolio yields calculated by Pacific Life as bond net investment income divided by average annual bond net admitted assets as reported in statutory Annual Statements.

² Top 10 Life Insurance Companies as measured by statutory general account cash and invested assets as of December 31, 2010.



“Our long-term view allows us to focus on the fundamentals of our financial strength and to position the company for solid growth for years to come. We have a focused approach where we devote our resources to those businesses and product lines where we have the greatest competitive strengths.”

Jim Morris, Chairman, President and CEO

Financial Ratings. Financial strength is a consideration in choosing an insurance company and is monitored by independent rating agencies such as A.M. Best, Standard & Poor’s, Fitch Ratings, and Moody’s. For more information about Pacific Life’s ratings, please visit www.PacificLife.com/Ratings.

Other Portfolio Statistics as of June 30, 2011

- *Our \$7.1 billion of foreign securities holdings are well-diversified (52 countries), high quality (95 percent rated investment-grade), and are focused on prominent multi-national corporations.*
- *Our exposure to weaker European economies is limited, with \$301 million invested in Ireland, \$153 million invested in Spain, \$132 million invested in Italy, \$49 million invested in Portugal, and \$4 million invested in Greece. Of these investments, the only direct government exposure is \$47 million with the government of Italy.*
- *99.5 percent of our portfolio of commercial mortgage-backed securities (CMBS) has the highest NAIC credit rating of NAIC 1.*

Our Strengths

- *Our mutual holding company structure enables us to have a long-term view which benefits policyholders, clients, and the company.*
- *Our investment risk management strategy limits our exposure to any single industry, issuer, or asset type.*
- *Our exposure to financial companies is low relative to others in our industry.*
- *We achieved strong performance in our mortgage loan portfolio, with only \$3 million in losses during the past five years.*
- *We have a talented team of employees that are among the most respected in the industry.*
- *Pacific Life has 144 years of experience.*



For questions about Pacific Life’s investment portfolio, contact Pacific Life’s Public Affairs Department at (949)219-3248 or send an email to PublicAffairs@PacificLife.com.

Pacific Life refers to Pacific Life Insurance Company and its affiliates, including Pacific Life & Annuity Company, Aviation Capital Group, College Savings Bank, and Pacific Life Re Limited unless otherwise noted. All Pacific Life financial data is as of June 30, 2011 unless otherwise noted. After June 30, 2011 there may have been further changes in the financial markets that could have an impact on the amounts reported.