

Key Sector Data

Average PER (x)	23.8
Average PBV (x)	2.1
Average PEV (x)	1.5
Average VNB (x)	6.4
Average Dividend Yield (%)	0.8

Sector Market cap (HK\$bnn)	1,410
Average 30-day avg vol (HK\$mn)	1,750

Source: Company, Bloomberg, ABCI Securities

Sector Premium composition in 2011 (%)

Life	60.6
Health	4.8
Personal Accident	2.3
Property & Casualty	32.2

Source: Companies, CIRC

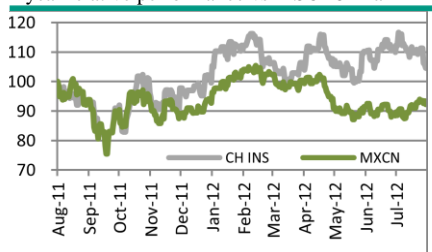
Sector performance (%)

	Absolute	Relative*
1-mth	(5.0)	(9.5)
3-mth	(2.4)	(3.7)
6-mth	(5.5)	5.0

Source: Bloomberg

*Relative to MSCI China

1 year relative performance vs MSCI China



Source: Bloomberg

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China Insurance Sector - Unrated Life & Health Industry

1H12 / 2012 consensus implying an industry turnaround

China Insurance sector will kick off its 1H12 results season from 20 Aug 2012 onwards. China insurers have undergone a period of weak performance since early 2011, in light of clogged sales channels and poor investment markets. Notwithstanding, we witness growing market optimism towards the sector, implied from 1H12 consensus. The street expects Chinese insurers to report an average growth of 6.2% HoH in EV and 0.4% YoY in VNB for the first half. Most importantly, 2012E consensus implied 14.6% YoY growth in EV and 6.0% YoY growth in VNB. This indicates sell-side's confidence on an industry turnaround.

Ping An & New China Life to top EV growth. Per Bloomberg consensus, Ping An and New China Life will report 8.7% and 7.0% HoH growth in EV for 1H12. These two reported better than peers EV operating margins of 23.6% and 31.1% respectively in 2011. This is followed by China Taiping (6.6% HoH), China Life (5.7% HoH) and China Pacific (3.2% HoH) for the half. Consensus also implied Ping An and New China Life to top EV growth YoY at 15.9% and 16.8% respectively in 2012E. We consider the prospective EV growth the key valuation driver for Chinese insurers.

China Pacific to lead VNB growth. The street estimated China Pacific to report 8.8% YoY growth in VNB in 1H12E. This is better than 1.1% of China Life and YoY decline by peers. Per our channel check, China Pacific successfully launched its new critical illness product, of high new business margins, as riders on existing participating products. This helps to increase its VNB. Meanwhile, the new product of Kang Ning Critical Illness will lift China Life's VNB in the same half, we believe.

Investment return still the key. While A-share markets are still in a bad shape, improving bond prices will lift insurers' investment performance. Chinese insurers reported higher gross yields in 1Q12 than in 2011 in general. China government bond yields have declined by approximately 40bps since 2Q12. In turn, bond prices may rise by about 1.0%.

Risk factors: better/worse-than-expected investment and underwriting performance, looser/tighter-than-expected regulations

Sector Valuation Summary

Companies	Code	Price (HK\$)	PER	PBV	PEV	VNB	Div Yield
(Valuation on 2011 data)							
China Life	2628 hk	21.2	26.8	2.6	1.7	9.6	1.5%
Ping An	2318 hk	59.8	19.9	2.3	1.6	9.3	0.8%
China Pacific	2601 hk	24.9	21.2	2.3	1.6	6.3	1.7%
New China Life	1336 hk	23.9	15.8	1.9	1.2	2.8	0.0%
China Taiping	0966 hk	10.3	35.4	1.5	1.3	4.0	0.0%
Sector Average			23.8	2.1	1.5	6.4	0.8%

Source: Company, Bloomberg, ABCI Securities



CH INS: Embedded Values (EV) & Value of New Business (VNB) forecast (1H12E)

Company	Stock Code	Embedded Value (EV)			Value of New Business (NBV)		
		2011	1H12E	HoH (%)	1H11	1H12E	YoY (%)
(Rmb mn)							
China Life	2628 hk	292,854	309,690	5.7	12,186	12,321	1.1
Ping An	2318 hk	235,677	256,166	8.7	10,148	9,889	(2.5)
China Pacific	2601 hk	113,564	117,186	3.2	3,830	4,166	8.8
New China Life	1336 hk	48,991	52,402	7.0	2,558	2,470	(3.5)
China Taiping (HK\$ mn)	0966 hk	17,074	18,203	6.6	1,253	1,232	(1.7)
Average				6.2			0.4
(Per share - HK\$)							
China Life	2628 hk	12.74	13.48		0.53	0.54	
Ping An	2318 hk	38.05	41.36		1.64	1.60	
China Pacific	2601 hk	16.24	16.76		0.55	0.60	
New China Life	1336 hk	19.31	20.66		1.01	0.97	
China Taiping	0966 hk	12.25	13.06		0.90	0.88	

Source: Bloomberg consensus, companies, ABCI Securities

CH INS: Embedded Values (EV) & Value of New Business (VNB) forecast (2012-13E)

Company	Stock Code	2011	2012E	2013E	2011	2012E	2013E
China Life	2628 hk	292,854	333,917	376,084	20,199	21,157	23,030
- YoY chg (%)			14.0	12.6		4.7	8.8
Ping An	2318 hk	235,677	273,246	316,846	16,822	17,870	19,169
- YoY chg (%)			15.9	16.0		6.2	7.3
China Pacific	2601 hk	113,564	127,502	142,708	6,714	7,397	8,086
- YoY chg (%)			12.3	11.9		10.2	9.3
New China Life	1336 hk	48,991	57,207	66,051	4,681	4,759	5,264
- YoY chg (%)			16.8	15.5		1.7	10.6
China Taiping (HK\$ mn)	0966 hk	17,074	19,447	23,356	2,244	2,403	2,592
- YoY chg (%)			13.9	20.1		7.1	7.9
AV YoY Chg (%)			14.6	15.2		6.0	8.8

Source: Bloomberg consensus, companies, ABCI Securities

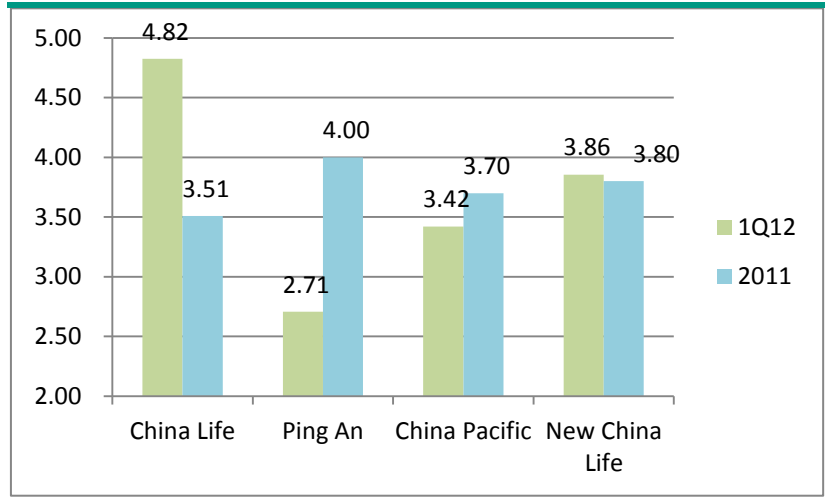
CH INS: Net profit forecast (1H12E & 2012E)

Company	Stock Code	1Q12	YoY (%)	1H11	1H12E	YoY (%)	2011	2012E	YoY (%)
(Rmb mn)									
China Life	2628 hk	5,678	(29.2)	12,964	8,906	(31.3)	18,331	25,054	36.7
Ping An	2318 hk	6,064	4.3	12,757	13,092	2.6	19,475	24,822	27.5
China Pacific	2601 hk	656	(81.0)	5,816	2,604	(55.2)	8,313	9,216	10.9
New China Life	1336 hk	768	(35.7)	1,775	1,432	(19.3)	2,799	3,438	22.8
China Taiping (HK\$ mn)	0966 hk			726	358	(50.7)	495	1,263	155.0

Source: Bloomberg consensus, companies, ABCI Securities

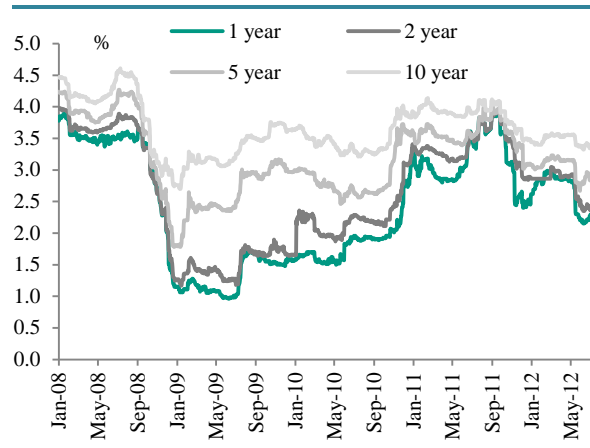


CH INS: Gross investment yield (1Q12 & 2011)



Source: companies, ABCI Securities

China: government bond yields (Jan 2008 - present)



Source: Bloomberg, chinabonds.com.cn

China: financial & corporate bond return indices (Oct 2008 - present)



Source: Bloomberg, chinabonds.com.cn



CH INS: Life and P&C premiums (2010 – Jul 2012)

Life Insurers	Stock Code	Cumulative Premium Growth (YoY)					Comments
		2010	2011	May-12	Jun-12	Jul-12	
China Life	2628 HK	12.9%	-4.4%	-7.5%	-5.1%	-5.6%	Flattish
Ping An Life	2318 HK	20.2%	-25.2%	3.2%	4.4%	5.7%	Accelerates
China Pacific Life	2601 HK	36.1%	1.3%	-1.8%	1.2%	0.8%	Flattish
New China Life	1336 HK	40.2%	1.2%	11.8%	10.4%		Decelerates
PICC Life	Not Listed	57.2%	-14.6%	-9.1%	-2.4%		Accelerates
China Taiping	966 HK	46.2%	-4.7%	9.3%	8.9%	7.3%	Decelerates
Taikang Life	Not Listed	29.5%	-21.7%	-8.4%	-7.8%		Accelerates
Industry		28.9%	-9.0%	0.3%	2.1%		Accelerates

P&C Insurers	Stock Code	Cumulative Premium Growth (YoY)					Comments
		2010	2011	May-12	Jun-12	Jul-12	
PICC	2328 HK	28.9%	12.6%	10.4%	10.6%	10.3%	Flattish
Ping An P&C	2318 HK	61.4%	34.2%	19.3%	19.7%	19.6%	Flattish
China Pacific P&C	2601 HK	50.5%	19.5%	8.2%	9.2%	9.8%	Accelerates
Industry		34.5%	18.7%	14.8%	14.7%		Flattish

Life Insurers	Stock Code	Monthly Premium Growth (YoY)					Comments
		Jan-12	Feb-12	May-12	Jun-12	Jul-12	
China Life	2628 HK	11.9%	-25.6%	-0.2%	8.5%	-10.0%	Decelerates
Ping An Life	2318 HK	16.5%	6.6%	10.3%	14.4%	19.4%	Accelerates
China Pacific Life	2601 HK	4.2%	-3.4%	4.1%	18.5%	-2.7%	Decelerates
New China Life	1336 HK	19.6%	15.0%	0.0%	3.2%		Accelerates
PICC Life	Not Listed	-0.4%	-10.2%	-10.2%	30.7%		Accelerates
China Taiping	966 HK	10.7%	9.6%	3.8%	6.3%	-5.3%	Decelerates
Taikang Life	Not Listed	3.6%	-13.5%	-12.6%	-4.7%		Accelerates
Industry		12.7%	-6.5%	3.3%	12.1%		Accelerates

P&C Insurers	Stock Code	Monthly Premium Growth (YoY)					Comments
		Jan-12	Feb-12	May-12	Jun-12	Jul-12	
PICC	2328 HK	-0.5%	30.6%	15.7%	11.5%	7.8%	Decelerates
Ping An P&C	2318 HK	9.4%	39.3%	22.5%	21.7%	19.3%	Decelerates
China Pacific P&C	2601 HK	2.0%	29.8%	13.3%	14.5%	13.5%	Decelerates
Industry		3.9%	38.5%	19.4%	14.1%		Decelerates

Source: CIRC, companies, ABCI Securities



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