



Key Sector Data

Average PER (x)	24.7
Average PBV (x)	2.1
Average PEV (x)	1.4
Average VNB (x)	5.7
Average Dividend Yield (%)	0.9

Sector Market cap (HK\$bnn)	1,362
Average 30-day avg vol (HK\$mn)	1,782

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

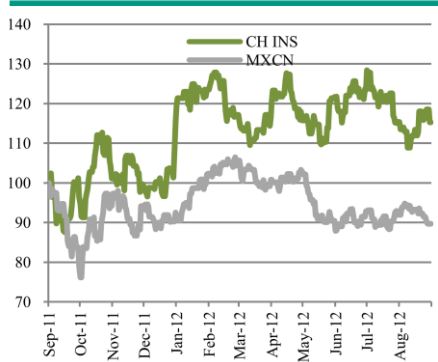
Sector performance (%)

	Absolute	Relative*
1-mth	(0.0)	2.5
3-mth	(4.9)	(6.8)
6-mth	1.1	14.8

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 Insurance Industry

Aug premiums implying mild sector recovery

China Insurance sector reported premiums figures for Aug 2012 lately. Four insurers reported sequentially better life and P&C premium growth. Together with a slight recovery of A-share markets, the sector traded up 3.1% month to date in Sep. Currently, China insurers have slightly recovered in valuation, trading at an average of 1.21x 2012E PEV and 3.7x 2012E VNB. We expect the sector to outperform the market for the rest of 2012. We favor China Life and China Pacific currently, mainly due to their substantial NBM improvement in 1H12.

China Life's downtrend reversing. Aug life premiums reached Rmb229.3bn, down 3.2% YoY (down 5.6% YoY year to Jul) during the period. Monthly Aug premiums recorded Rmb26.0bn, up 20.1% YoY, reversing from down 10.0% YoY for the month of Jul. We consider this a strong set of premium figures so far.

Ping An with slight sequential improvement. Aug life premiums reached Rmb91.9bn, up 6.6% YoY (up 5.7% YoY year to Jul) during the period. P&C premium was reported at Rmb64.7bn, up 19.9% YoY (up 19.6% YoY year to Jul) during the period. We consider this a slightly better result sequentially.

China Pacific holding up well. Aug life premiums reached Rmb66.9bn, flattish YoY (up 0.9% YoY year to Jul) during the period. P&C premium was reported at Rmb5.2bn, up 10.5% YoY (up 9.7% YoY year to Jul) during the period. In our view, P&C reported better premiums than Life for China Pacific. We consider this an above-average set of premium figures.

Taiping life better off. Aug life premiums reached Rmb23.5bn, up 7.0% YoY (up 7.3% YoY year to Jul) during the period. Meanwhile, the product mix further improves, with 82.1% of total premium sales as regular. This is compared to 79.9% in 2011. As such, we expect its new business margins to hold up well in 2H12 (1H12 -31.9%, 2011 - 26.5%).

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	22.9	28.9	2.8	1.8	11.8	1.7%
Ping An	2318 hk	59.0	19.7	2.2	1.6	8.5	0.8%
China Pacific	2601 hk	23.4	19.9	2.1	1.5	4.2	1.8%
New China Life	1336 hk	22.1	14.6	1.8	1.2	1.7	0.0%
China Taiping	0966 hk	11.7	40.3	1.8	1.2	2.5	0.0%
Sector Average			24.7	2.1	1.4	5.7	0.9%

Source: Company, Bloomberg, ABCI Securities

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Definition of equity rating

Rating	Definition
Buy	Stock return \geq Market return rate
Hold	Market return $- 6\% \leq$ Stock return $<$ Market return rate
Sell	Stock return $<$ Market return $- 6\%$

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Market return: 5-year average market return rate from 2007-2011

Time horizon of share price target: 12-month

Definition of share price risk

Rating	Definition
Very high	$2.6 \leq$ 180 day volatility/180 day benchmark index volatility
High	$1.5 \leq$ 180 day volatility/180 day benchmark index volatility $<$ 2.6
Medium	$1.0 \leq$ 180 day volatility/180 day benchmark index volatility $<$ 1.5
Low	180 day volatility/180 day benchmark index volatility $<$ 1.0

We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index.

Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

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