



Key Sector Data

Average PER (x)	17.8
Average PBV (x)	1.9
Average PEV (x)	1.2
Average VNB (x)	3.7
Average Dividend Yield (%)	0.9

Sector Market cap (HK\$bnn)	1,565
Average 30-day avg vol (HK\$mn)	1,794
Sector Weighting in MSCI China	~ 8%

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

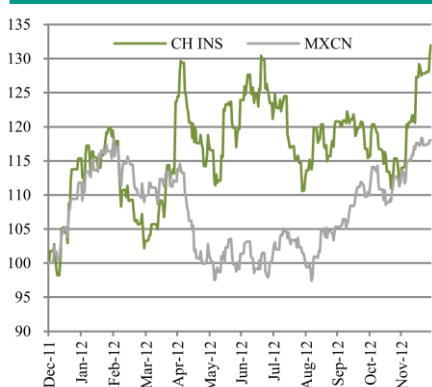
Sector performance (%)

	Absolute	Relative*
1-mth	16.24	10.95
3-mth	9.26	(2.79)
6-mth	6.45	(9.98)

Source: Bloomberg

*Relative to MSCI China

1 year relative performance vs MSCI China



Source: Bloomberg

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China Insurance Sector - Overweight
Life & Health Insurance Industry

A-share rebound fostered sector EV

With a sturdy rally of A-share markets towards year-end, China Insurance sector outperformed Hang Seng Index by 6.5ppt in 4Q12. CSI 300 rose by 6.6% in 4Q12, and 15.9% since the recent low on 2 Dec 2012. In turn, we estimate China insurers' EV and book values to jump 3.4% and 8.1% respectively from 1H12. Currently, the sector still trades at an attractive valuation of 1.22x 2013E PEV and 3.6x 2013E VNB. Entering 2013, we expect the sector to recover further on the back of better underwriting performance and A-share markets. As of now, we favor China Life and China Pacific, mainly due to their better performance in life operations.

China Life - 3.3% up in EV. Per our estimates, China Life may record valuation gains of Rmb11.1bn on equities, which is equivalent to 3.3% of 1H12 EV and 5.2% of 2012E BV.

Ping An - 3.4% up in EV. Per our estimates, Ping An may record valuation gains of Rmb8.7bn on equities, which is equivalent to 3.4% of 1H12 EV and 5.9% of 2012E BV.

China Pacific - 3.4% up in EV. Per our estimates, China Pacific may record valuation gains of Rmb4.1bn on equities, which is equivalent to 3.4% of 1H12 EV and 4.2% of 2012E BV.

China Taiping - 3.0% up in EV. Per our estimates, China Taiping may record valuation gains of HK\$617mn on equities, which is equivalent to 3.0% of 1H12 EV and 4.2% of 2012E BV.

New China Life - 3.9% up in EV. Per our estimates, New China Life may record valuation gains of Rmb2.2bn on equities, which is equivalent to 3.9% of 1H12 EV and 5.9% of 2012E BV.

Maintain OVERWEIGHT; Top picks: China Life & China Pacific. We remain optimistic on the continuous strength of A-share markets and further turnaround of life underwriting. As such, we reiterate our Overweight rating on China Insurance. Our top picks are China Life and China Pacific. Our SELL is Ping An. Also, we have a HOLD rating on New China Life and a BUY rating on China Taiping.

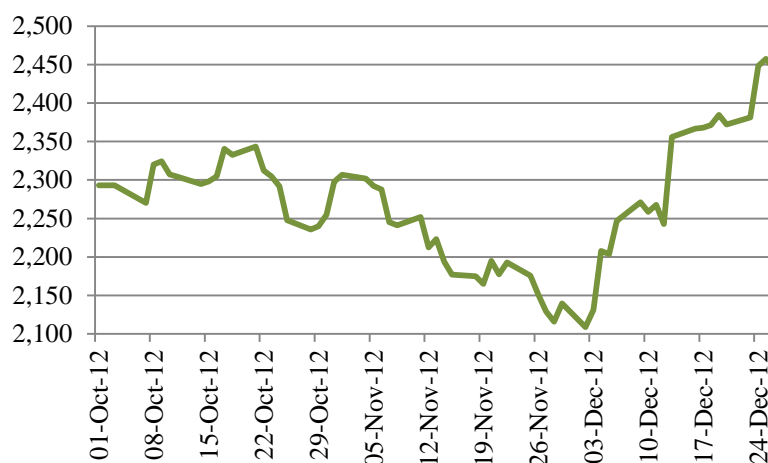
Risk factors: worse-than-expected underwriting and investment performance, tighter-than-expected regulations for the sector

Sector Valuation Summary

Companies	Code	Price (HK\$)	MCap (HK\$ bn)	ABCI Rec.	TP (HK\$)	PER 2013E	PBV 2013E	PEV 2013E	VNB 2013E	Yield 2013E
China Life	2628 hk	24.55	694	BUY	26.45	18.9	2.4	1.4	7.9	1.8%
Ping An	2318 hk	63.70	504	SELL	58.01	14.2	1.8	1.2	5.1	1.1%
China Pacific	2601 hk	27.75	251	BUY	27.92	23.1	1.9	1.3	2.8	1.6%
New China Life	1336 hk	28.70	90	HOLD	24.85	16.8	1.7	1.0	0.6	0.0%
China Taiping	0966 hk	15.30	26	BUY	13.42	15.8	1.5	1.1	1.9	0.0%
Sector Average						17.8	1.9	1.2	3.7	0.9%

Source: Company, Bloomberg, ABCI Securities

CSI 300 performance in 4Q12



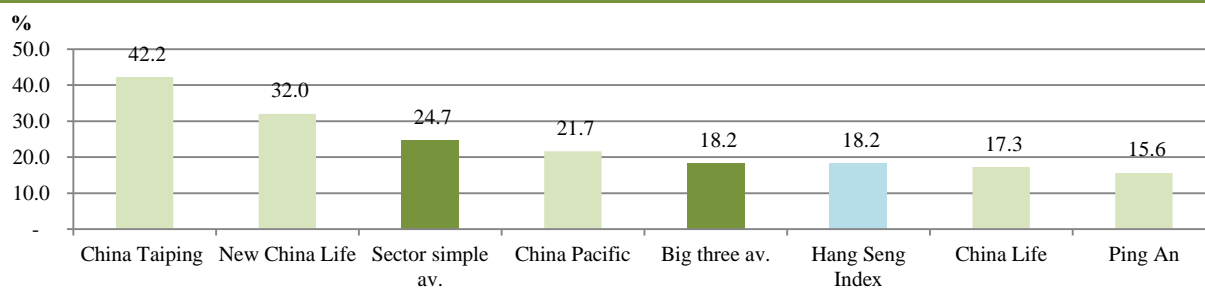
Source: Bloomberg, ABCI Securities

China Insurance: EV & Book Value sensitivities to CSI 300 (4Q12 / since market low on 2 Dec 2012)

(Rmb mn, HK\$ mn for China Taiping)	China Life	Ping An	China Pacific	New China Life	China Taiping
	3Q12	3Q12	3Q12	3Q12	1H12
Total Investments	1,694,304	1,085,419	586,610	453,725	90,983
% of Equity Inv't	9.9	12.2	10.6	7.4	10.3
Total Equity Inv't	167,736	132,445	62,354	33,456	9,340
Valuation Gains on Equities (4Q12, based on CSI 300)	11,080	8,749	4,119	2,210	617
Valuation Gains on Equities (Since low on 2 Dec 12, based on CSI 300)	26,704	21,086	9,927	5,326	1,487
1H12 Embedded Value	334,326	259,005	121,833	56,149	20,505
Equity gains as % in 4Q12	3.3	3.4	3.4	3.9	3.0
Equity gains as % since low on 2 Dec 12	8.0	8.1	8.1	9.5	7.3
2012E Embedded Value	348,533	286,743	136,341	60,536	20,725
Equity gains as % in 4Q12	3.2	3.1	3.0	3.7	3.0
Equity gains as % since low on 2 Dec 12	7.7	7.4	7.3	8.8	7.2
2012E Book Value	211,890	148,580	98,154	37,240	14,761
Equity gains as % in 4Q12	5.2	5.9	4.2	5.9	4.2
Equity gains as % since low on 2 Dec 12	12.6	14.2	10.1	14.3	10.1

Source: Company data, Bloomberg, ABCI Securities

China Insurance: relative performance versus Hang Seng Index since 5 Sep



Source: Bloomberg, ABCI Securities

Disclosures

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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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