

# China Life (2628 HK)

## 2Q earnings dip could be short-term; DPS uptrend a bright spot

China Life reported mixed 1H25 results with net profit up by 7% YoY to RMB40.9bn, implying that 2Q's bottom-line retreated 31% YoY (vs. 1Q25: +40% YoY), dragged by increased insurance service expense (ISE) due to a downward-trending interest rate in 2Q25 (-17bps vs. 1Q25/2Q24: +14bps/-10bps). ISE rose 42% YoY to RMB 60.6bn in 2Q25, as a result of increasing losses on onerous contracts (+33% YoY). 2Q insurance service results ended at a RMB 7.8bn loss, down 175% YoY. Despite quarterly fluctuations, **we expect the volatility on ISE to ease in 3Q/2H25E given a rebound in China's 10Y govt. bond yield (up by 17bps in 3Q-to-date), and the plunge in interest rate in 4Q24 (-51bps QoQ) leading to a low base for insurance service result recovery in 2H25E, in our view.** DPS grew 19% YoY to RMB 0.24, outpacing net profit growth. NBV grew 20.3% like-for-like in 1H25 to RMB 28.5bn, driven by bancassurance surge (+179% YoY) amid margin expansion. Bancassurance FYP surged 111% YoY in 1H25, aiding the NBV uptrend. Agency FYP fell 22% YoY in 1H25, which we think could be due to a product mix change to par sales (>50% agency FYRP). Core equities edged up 1.4pct from FY24, with investment income bolstered by realized spread income (+2.7x YoY). Considering improved UW structure and optimized asset allocation to match liability features, **we raise our FY25E-27E EPS forecasts by 5%/4%/8% to RMB 2.99/3.23/3.67, and raise our TP to HK\$29.0, which implies 0.5x FY25E P/EV. Maintain BUY.**

■ **NBV uptick in-line, driven by bancassurance outperformance.** In 1H25, NBV grew 20.3% like-for-like to RMB 28.5bn with agency/banca and other channels' NBV rising 10%/ 179% LFL to RMB 24.3bn/4.2bn, making up 85%/15% of total. Bancassurance FYP surged 111% YoY, with FYRP up by 34% to RMB 17bn, compensating for 22%/24% YoY decrease in agency FYP/FYRP respectively. We think the agency premium slowdown was due to the product transformation to par policies, and channel optimization for agent training. Total number of agents was largely stable at 592k at end-Jun, -0.3%/-3.7% QoQ/HoH. Agency par FYRP made up over 50% of total FYRP, in line with key peers. NBV margin expanded 2.9pct YoY to 17.7%, mainly driven by a 9.2pct LFL increase of agency NBVM to 32.4% (FYP basis) in 1H25. Other channel NBV margin could have more than doubled on our estimate. **Given a more balanced UW structure focusing on par and protection-typed policies, we project FY25E NBV rise to stay at high-teens.**

■ **Core equities enhanced; investment income boosted by spread income.** In 1H25, investment assets increased 7.8% HoH to RMB 7.1bn, on par with GWP growth of 7.3% YoY to RMB 525bn, a record half-year scale. NIY/TIY dipped 0.3pct/ 0.3pct YoY to 2.78%/3.29%. Core equities (incl. stocks and equity funds) represented 13.6% of total balance, up 1.4pct HoH to RMB971bn. OCI stocks more than doubled to RMB140bn in 1H25 (2% mix, vs. FY24: 0.9%). The rising high-yield stock balance contributed to a 79% YoY surge of OCI stocks' dividend income. TPL stocks and equity funds comprised 11.6% of total funds, with each balance up 9%/15% vs. FY24, which contributed to the 2.7x YoY surge in spread income.

■ **Valuation:** The stock is trading at 0.39x FY25E P/EV or 1.1x FY25E P/B, with a yield at 3.4%. We think the insurer's 2Q profit dip could be a short-term impact on share price, and is likely to rebound in 3Q/2H25E as interest rate movement eases. We remain prudent on EPS forecasts vs. consensus, given a high investment base of fair value gains and stock market rally in 2H24. We raise our FY25-27E EPS estimates to RMB 2.99/3.23/3.67, up 5%/4%/8%, and our new TP based on P/B-ROE is HK\$29.0, implying 0.5x FY25E P/EV ([Fig](#)). Maintain BUY.

### Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Net profit (RMB mn)	47,547	108,940	86,470	93,228	105,886
EPS (Reported)(RMB)	1.63	3.78	2.99	3.23	3.67
Consensus EPS (RMB)	n.a	n.a	3.14	3.25	3.79
P/B (x)	1.3	1.2	1.1	1.0	0.9
P/Embedded value (x)	0.5	0.4	0.4	0.4	0.3
Dividend yield (%)	2.0	3.0	3.4	3.6	4.1
ROE (%)	9.7	21.7	15.8	15.3	15.5

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

**Target Price** HK\$29.00  
 (Previous TP) HK\$20.00  
**Up/Downside** 24.3%  
**Current Price** HK\$23.34

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#### Stock Data

Mkt Cap (HK\$ mn)	659,705.1
Avg 3 mths t/o (HK\$ mn)	1,982.4
52w High/Low (HK\$)	25.06/11.08
Total Issued Shares (mn)	28265.0

Source: FactSet

#### Shareholding Structure

Ping An Asset Management	7.1%
BlackRock, Inc.	6.3%

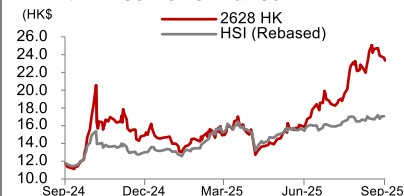
Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	5.4%	1.3%
3-mth	47.2%	33.7%
6-mth	56.2%	40.6%

Source: FactSet

#### 12-mth Price Performance



Source: FactSet

#### Auditor: KPMG

#### Related reports:

- China Life (2628 HK) - [Profit beat: net asset turned to positive growth for improved asset-liability matching](#), May 2, 2025
- China Life (2628 HK) - [4Q slowdown as expected: DPS exceeded >50%](#), Mar 28, 2025
- China Life (2628 HK) - [4Q net profit could decline despite better capital market](#), Jan 27, 2025 ([link](#))
- China Life (2628 HK) - [3Q NPAT boosted by net fair value gains: expect resilient full-year NBV upswing](#), 5 Nov, 2024
- China Life (2628 HK) - [Strong lift in banca NBV margin: investment income may continue to rebound in 2H24M](#), Sep 2, 2024
- China Life (2628 HK) - [Highest VNB growth in years: net profit decline narrowed on track](#), May 2, 2024
- China Life (2628 HK) - [4Q net loss markedly narrowed: VNB grew in low-teens despite revised EV assumptions](#), Apr 8, 2024

## Key forecast change

(RMB bn, %)	Current				Old			Chg. (% , pct)		
	FY24	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
EPS (RMB)	3.78	2.99	3.23	3.67	2.86	3.12	3.39	5%	4%	8%
Group NPAT	106.9	84.6	91.4	103.8	80.8	88.1	95.9	5%	4%	8%
NBV	33.7	40.1	44.2	49.1	38.4	43.2	48.7	4%	2%	1%
BVPS (RMB)	18.0	19.9	22.3	25.0	20.3	23.2	25.8	-2%	-4%	-3%
Shareholders' equity	510	561	630	705	575	655	729	-2%	-4%	-3%
EVPS (RMB)	49.6	54.6	59.6	65.1	55.2	59.5	63.6	-1%	0%	2%
Embedded value	1,401	1,542	1,684	1,840	1,560	1,683	1,797	-1%	0%	2%

Source: Company data, CMBIGM estimates

## Valuation

### P/B-ROE based on Gordon Growth Model

(RMB bn, %)	FY25E	FY26E
Shareholders' equity (RMB bn)	561.2	630.0
BVPS (RMB)	19.85	22.29
<b>Fair value P/B (x)</b>	<b>1.25x</b>	<b>1.23x</b>
Cost of equity	11.2%	11.3%
ROE (3-yr forward)	15.5%	15.4%
Long-term growth	2.0%	2.0%
Group discount (%)	-15.0%	-15.0%
Fair value (RMB bn)	704.1	774.4
<b>Fair value per share (HK\$)</b>	<b>27.0</b>	<b>30.0</b>
12mth forward target price (HK\$)	<b>29.0</b>	
<b>Implied P/EV (x)</b>	<b>0.49x</b>	<b>0.45x</b>
<b>Implied P/B (x)</b>	<b>1.34x</b>	<b>1.19x</b>

Source: CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Insurance revenue	182,578	212,445	208,161	209,907	215,834	223,471
Insurance service expenses	(131,614)	(150,353)	(180,544)	(178,871)	(181,759)	(185,956)
Net expenses from reinsurance contracts held	2,155	(288)	378	(2,389)	(4,816)	(4,986)
Insurance service results	53,119	61,804	27,995	28,647	29,259	32,529
Net finance (expenses)/income from insurance contracts	(148,700)	(127,923)	(209,952)	(222,249)	(257,535)	(294,418)
Net finance (expenses)/income from reinsurance contracts	583	616	671	336	0	0
Interest income	0	122,994	120,958	131,039	156,124	179,485
Net investment income	175,360	(9,375)	176,461	155,420	180,003	204,683
Credit impairment losses	(3,150)	1,217	(1,404)	422	465	511
Net investment results	24,093	(12,471)	86,734	64,968	79,056	90,261
Other income	8,944	10,603	10,970	11,329	11,895	12,490
Other expenses	(15,212)	(18,131)	(18,363)	(19,723)	(20,709)	(21,744)
Other results	(11,131)	(12,836)	(11,593)	(11,817)	(11,178)	(10,887)
Profit before tax	70,060	44,576	115,213	94,727	109,680	124,571
Income taxes	(1,948)	2,971	(6,273)	(8,257)	(16,452)	(18,686)
Net profit	68,112	47,547	108,940	86,470	93,228	105,886
Net profit attributable to shareholders	66,680	46,181	106,935	84,556	91,364	103,768

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
ASSETS						
Cash and amount due from banks and other financial institutions	524,100	433,014	469,015	520,532	601,287	688,122
Balances with central bank and statutory deposits	6,333	6,520	6,591	8,639	9,980	11,421
Investments in associates and joint ventures	262,488	258,760	302,077	305,098	308,149	311,230
Property	56,369	55,190	55,587	55,081	55,480	55,885
Investment property	13,193	12,753	12,319	13,182	15,227	17,426
Reinsurance contract assets	24,096	25,846	30,738	34,644	39,115	44,033
Financial investments:	3,878,185	4,798,898	5,735,564	6,687,162	7,724,603	8,840,162
At amortized cost:	n.a	211,349	196,754	203,639	235,231	269,202
At fair value through other comprehensive income:	n.a	2,882,174	3,630,712	4,258,850	4,919,564	5,630,029
At fair value through profit or loss:	n.a	1,705,375	1,908,098	2,224,674	2,569,808	2,940,931
Deferred tax assets	46,126	24,431	40,026	94,127	221,353	520,542
Other assets	71,584	37,369	32,124	(146,570)	(556,235)	(1,101,951)
Cash and cash equivalents	127,594	149,305	85,505	110,336	127,453	145,860
Total assets	5,010,068	5,802,086	6,769,546	7,682,231	8,546,412	9,532,731
LIABILITIES						
Insurance contract liabilities	4,266,947	4,859,175	5,825,026	6,565,254	7,412,568	8,344,542
Borrowings	12,774	12,857	12,758	0	0	0
Obligations under repurchase agreements	148,958	216,851	151,564	283,686	198,277	138,582
Deferred tax liabilities	272	0	147	1,078	1,078	1,078
Current tax liabilities	238	309	237	95	38	15
Bonds payable	34,997	36,166	35,194	35,568	35,568	35,568
Other liabilities	170,749	189,506	223,212	222,815	255,029	292,424
Total liabilities	4,635,095	5,315,052	6,248,298	7,108,496	7,902,558	8,812,210
EQUITIES						
Share capital	28,265	28,265	28,265	28,265	28,265	28,265
Reserves	99,033	145,933	119,033	104,002	102,434	96,580
Retained profits	238,723	302,895	362,377	428,889	499,287	580,387
Total shareholders' equity	366,021	477,093	509,675	561,156	629,985	705,232
Non-controlling interests	8,952	9,941	11,573	12,579	13,868	15,290
Total equity	374,973	487,034	521,248	573,735	643,854	720,522
Total liabilities & equity	5,010,068	5,802,086	6,769,546	7,682,231	8,546,412	9,532,731

PER SHARE DATA	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
DPS	0.49	0.43	0.65	0.72	0.78	0.88
EPS (Reported)	2.36	1.63	3.78	2.99	3.23	3.67
Consensus EPS	n.a	n.a	n.a	3.14	3.25	3.79
No. of shares basic (mn)	28,265	28,265	28,265	28,265	28,265	28,265
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
Return on equity (ROE)	17.3%	9.7%	21.7%	15.8%	15.3%	15.5%
Return on asset (ROA)	1.4%	0.9%	1.7%	1.2%	1.1%	1.1%
Return on life embedded Value	3.8%	3.6%	12.6%	11.5%	10.6%	10.6%
VNB margin (FYP APE basis)	17.8%	17.5%	21.4%	0.0%	0.0%	0.0%
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
P/Embedded value (x)	0.5	0.5	0.4	0.4	0.4	0.3
P/B (x)	1.6	1.3	1.2	1.1	1.0	0.9
Dividend yield (%)	2.3	2.0	3.0	3.4	3.6	4.1

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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