CMB International Global Markets | Equity Research | Company Update

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China Life (2628 HK)

Strong underwriting and investment gains drive interim DPS beat; Raise TP to HK$39

BUY (Maintain)

China Life posted strong 1H26 results, balancing quality underwriting expansion and equity fair value gains. Group 1H net profit surged 2.29x YoY to RMB134.5bn, at the mid-point of previously announced profit alert (*link*), translating into RMB115.0bn in 2Q, up 8.48x YoY. We attribute the bottom-line growth to 1) RMB23.0bn increase in insurance service results (+1.27x YoY); 2) RMB182.2bn increase from investment income (+3.14x YoY), of which net and realized fair value gains reached RMB47.4bn (+83% YoY, 26% mix) and unrealized gains from TPL assets elevated 131x YoY to RMB134.8bn (74% mix), as shown in *table*. **Mgmt. guided that excluding short-term fluctuations from open-market equities, net profit still grew 12.7% YoY to RMB57.6bn.** Interim DPS surged 50.4% YoY to RMB0.358 per share following the significant bottom-line achievement, which is a strong beat to market estimates. NAV grew 11.6% HoH, with ROE edging up to 21.1% (+13.2pct YoY). NBV maintained industry-leading growth of 33.7% YoY (vs. Ping An: +11.2%/CPIC: +12.7%/NCL: +11.9%), driven by double-digit FYP growth and margin expansion across both agency (+37.5%) and bancassurance & other channels (+11.7%). We see the insurer's improved asset-liability management to drive continued growth in core metrics, highlighted with the effective A/L duration gap narrowed to <1.3yrs and guaranteed liability cost of in-force/new book fell to <2.9%/~1.73% as of 1H26. Considering improving business quality and outperformed earnings growth, we lift our FY26-28E EPS forecasts to RMB7.67/6.10/6.55 (*table*) and raise TP to HK$39.

- **NBV strength backed by double-digit FYP increase and margin expansions.** In 1H26, China Life achieved 33.7% YoY increase in new business value (NBV) to RMB38.2bn supported by robust volume growth and margin expansion, leading key industry peers. Total FYP/FYRP grew 12%/25% YoY to RMB180bn/101bn, and NBV margin yielded at 22.9% (+3.6pct YoY, *CMBI est*), led by agency margin enhancement. Agency remained the key contributor with its NBV rising 37.5% YoY to RMB33.5bn (88% mix) in 1H26, driven by FYP/FYRP uplift (+16.6%/+17.9% YoY) and margin expansion to 38.4% (+6pct YoY). Agency 10yr+ FYRP amounted to RMB36.1bn (47.8% mix, +0.5pct YoY) showcasing an improving liability structure. Bancassurance & others NBV grew 11.7% YoY, with FYP/FYRP up 16.1%/49.3% YoY amid a stabilized margin. We see 3Q26 against a high base of sales volumes in Jul-Aug 2025, which we expect the NBV growth to moderate into a single-digit.
- **OCI stocks ramped up 69% HoH with core equity exposure up to 19.2%.** Total investment assets amounted to RMB7.95tn by 1H26, up 7% HoH, with core equity (incl. stocks and equity funds) exposure rising to RMB1.52tn (19.2% mix, +21.1% HoH). Among which, OCI stocks surged 69% HoH to RMB393bn (38% stock mix) while TPL stocks up 7% HoH to RMB645bn (62% stock mix). Total investment income elevated 147% YoY to RMB314.5bn, with 2Q TII up 2.78x YoY (vs. 1Q26: -34% YoY) mainly led by unrealized fair value gains from TPL assets (+131x YoY, 43% mix). Total investment yield (TIY) increased 2.29pct YoY to 5.58%, while NIY slightly dropped to 2.71% (*CMBI est, 0.07pct*). The insurer expects to increase its equity exposure alongside the expansion of its floating yield-based in-force book.
- **Valuation:** The stock is trading at 0.43x FY26E P/EV and 1.0x FY26E P/B, close to its 2-year mean+1STD with a yield of 3.7% (*CMBI est*). Considering improving business quality and outperformed 1H26 earnings growth, we raise our FY26-28E EPS forecasts to RMB7.67/6.10/6.55, and raise our price target based on Gordon Growth model to HK$39, implying 0.6x FY26E P/EV and 1.3x FY26E P/B.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
EPS (Reported)(RMB)	3.78	5.45	7.67	6.10	6.55
Consensus EPS (RMB)	n.a	n.a	5.23	5.13	5.68
P/B (x)	1.4	1.2	1.0	0.8	0.7
P/Embedded value (x)	0.5	0.5	0.4	0.4	0.4
Dividend yield (%)	2.6	3.4	3.7	3.9	4.2
ROE (%)	21.7	27.9	32.6	21.3	19.2

Source: Company data, Bloomberg, CMBIGM estimates

Target Price	**HK$39.00**
(Previous TP	HK$34.00)
Up/Downside	**33.0%**
Current Price	**HK$29.32**

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Stock Data

Mkt Cap (HK$ mn)	828,729.8
Avg 3 mths t/o (HK$ mn)	1,496.4
52w High/Low (HK$)	35.52/21.24
Total Issued Shares (mn)	28265.0

Source: FactSet

Shareholding Structure

Ping An Asset Management Co.,Ltd	17.1%
Citigroup Inc	6.1%

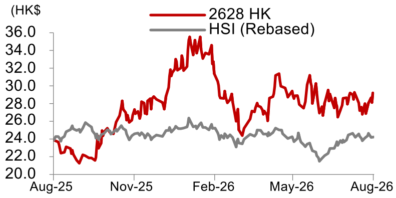
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	2.3%	0.9%
3-mth	1.7%	0.7%
6-mth	-7.2%	-3.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

1. NBV surge a strong beat, outweighing 1Q net profit dip, May 4, 2026
2. 4Q net loss dragged by fair value contraction; DPS rose 31.7% ahead of expectations, Mar 27, 2026
3. 4Q net profit could decline despite better capital market, Jan 27, 2025
4. 3Q NPAT boosted by net fair value gains; expect resilient full-year NBV upswing, 5 Nov, 2024
5. Strong lift in banca NBV margin; investment income may continue to rebound in 2H24, Sep 2, 2024
6. Highest VNB growth in years; net profit decline narrowed on track, May 2, 2024
7. 4Q net loss markedly narrowed; VNB grew in low-teens despite revised EV assumptions, Apr 8, 2024

- **Core/comprehensive solvency stayed robust QoQ at 156.8%/197.8%,** which leave ample room for organic business growth and expansion in equity allocations.
- **Key highlights from analyst briefing call:**
  1) By 1H26, the effective asset-liability duration gap narrowed to <1.3yrs (best-performed among peers, i.e. Ping An's at ~2yrs), with the guaranteed cost of liability for in-force/new book sliding to 2.88%/1.73%, from 2.9%/2.1% in FY25.
  2) The guaranteed cost of liability for new business dropped 61bps/39bps in FY25/1H26 per mgmt, and that of in-force book peaked at 2.9% by FY25, with the decline expected to further accelerate from FY27E and onwards, per mgmt.
  3) If excluding short-term fluctuations from open-market equities, Group net profit would still grow 12.7% YoY from RMB51.1bn to RMB57.6bn in 1H26.
  4) Equity investments in the new quality productive forces exceeded RMB540bn as of 1H26, making up 6.8% of total investment funds, which included in forms of unlisted equity, private equity, FOF, buyout funds and S-funds, etc.
  5) Insurance service expense dropped 20.1% YoY to RMB70.4bn, mainly due to the RMB4.2bn decrease in losses and reversals of losses on onerous contracts, which was driven by the increasing investment returns from assets mirrored to liability contracts measured under VFA approach.
  6) Core equity exposure rose to 19.2% by 1H26, up 2.2pct from year-start, largely in line with the company's expected range for equity allocation target.

- **Key risks:** 1) intensified equity market volatilities; 2) tightening regulatory scrutiny; 3) a prolonged low-interest rate environment with significant economic shocks; 4) slower-than-expected new business sales; and 5) margin deterioration, etc.

1H/2Q26 Earnings Snapshot

1H26/2Q26 earnings snapshots	1H26	1H25	YoY%	2Q26	2Q25	YoY%	1Q26	1Q25	YoY%
P/L breakdown:									
Insurance revenue	112,525	106,874	*5.3%*	57,729	52,663	*9.6%*	54,796	54,211	*1.1%*
Insurance service expense	(70,442)	(88,202)	*-20.1%*	(40,747)	(60,619)	*-32.8%*	(29,695)	(27,583)	*7.7%*
Insurance service results	**41,177**	**18,160**	***126.7%***	**16,812**	**(7,753)**	***-316.8%***	**24,365**	**25,913**	***-6.0%***
Interest income, net	66,635	62,687	*6.3%*	33,737	31,787	*6.1%*	32,898	30,900	*6.5%*
Investment income (excl. AJVs)	**104,342**	**56,971**	***83.1%***	**60,892**	**35,120**	***73.4%***	**43,450**	**21,851**	***98.8%***
Change in fair value (G/L)	135,835	1,029	*13100.7%*	178,697	3,463	*5060.2%*	(42,862)	(2,434)	*1661.0%*
Credit impairment loss	166	34	*388.2%*	(840)	(49)	*1614.3%*	(23)	83	*-127.7%*
Net investment results	**126,814**	**27,543**	***360.4%***	**129,906**	**19,670**	***560.4%***	**(3,092)**	**7,873**	***-139.3%***
Net profit to shareholders	**134,489**	**40,931**	***228.6%***	**114,984**	**12,129**	***848.0%***	**19,505**	**28,802**	***-32.3%***
B/S metrics:	**1H26**	**2025**	***Chg%***	**1Q26**	**2025**	***Chg%***	**2025**	**2024**	***Chg%***
Net asset value to shareholder	**664,203**	**595,205**	***11.6%***	**598,260**	**595,205**	***0.5%***	**595,205**	**509,675**	***16.8%***
Insurance contract liabilities	6,910,741	6,376,114	*8.4%*	6,616,793	6,376,114	*3.8%*	6,376,114	5,825,026	*9.5%*
Life insurance metrics:	**1H26**	**1H25**	**YoY%**						
New business value (NBV)	**38,167**	**28,546**	***33.7%***						
Agency NBV	33,464	24,337	*37.5%*						
Mix%	*87.7%*	*85.3%*	*2.4pct*						
Bancassurance & Other NBV	4,703	4,210	*11.7%*						
Mix%	*12.3%*	*14.7%*	*-2.4pct*						
NBV margin (FYP basis, CMBI est)	**32.1%**	**28.2%**	***3.9pct***						
Agency NBV margin (%)	38.4%	32.4%	*6.0pct*						
Bancassurance & other NBV margin (%)	5.0%	4.8%	*0.2pct*						
Gross written premiums (GWP)	536,634	525,088	*2.2%*						
First-year premiums (FYP)	**180,039**	**161,255**	***11.6%***						
Agency FYP	86,165	73,885	*16.6%*						
Bancassurance FYP	41,661	35,873	*16.1%*						
Group & Others FYP	52,213	51,497	*1.4%*						
First-year regular premiums (FYRP)	**101,294**	**81,249**	***24.7%***						
Agency FYRP	75,526	64,085	*17.9%*						
Agency 10 yrs+ FYRP	36,094	30,280	*19.2%*						
as a % of Agency FYRP	*47.8%*	*47.2%*	*0.5pct*						
Bancassurance FYRP	25,435	17,032	*49.3%*						
Group & Others FYRP	333	132	*152.3%*						
First-year single premiums (FYSP)	**17,696**	**20,031**	***-11.7%***						
Short-term premiums (ST)	61,049	59,975	*1.8%*						
Renewals	356,595	363,833	*-2.0%*						
Agent headcount:	**1H26**	**2025**	**HoH%**	**2Q26**	**1Q26**	**QoQ%**	**1Q26**	**4Q25**	**QoQ%**
No. of life sales agents (k)	610	587	*3.9%*	610	594	*2.7%*	594	587	*1.2%*
CROSS-II Solvency ratio:	**1H26**	**2025**	**HoH%**	**2Q26**	**1Q26**	***QoQ%***	**1Q26**	**4Q25**	***QoQ%***
Core solvency ratio (%)	**156.80**	**128.77**	***28.0pct***	**156.80**	**156.87**	***-0.1pct***	**156.9**	**128.8**	***28.1pct***
Comprehensive solvency ratio (%)	197.78	174.01	*23.8pct*	197.78	202.31	*-4.5pct*	202.3	174.0	*28.3pct*

Investment funds portfolio:	1H26	1H25	YoY%	2Q26	2Q25	YoY%	1Q26	1Q25	YoY%
Net investment yield (%)	2.71%	2.78%	*-0.07pct*						
Total investment yield (%)	**5.58%**	**3.29%**	***2.29pct***						
Total investment income (RMB bn)	**314.5**	**127.5**	***146.7%***	**279.0**	**73.7**	***278.3%***	**35.5**	**53.8**	***-33.9%***
Investment asset breakdown:	**1H26**	**2025**	***Chg%***	**1Q26**	**2025**	***Chg%***	**2025**	**2024**	***Chg%***
Total investment assets (RMB bn)	**7,946**	**7,424**	***7.0%***	**7,553**	**7,424**	***1.7%***	**7,424**	**6,611**	***12.3%***
Asset types:									
FVTPL	2,127	2,067	*2.9%*	2,016	2,067	*-2.5%*	2,067	1,908	*8.3%*
AC	162	174	*-6.9%*	167	174	*-4.1%*	174	197	*-11.6%*
FVOCI-D	4,238	3,926	*7.9%*	4,034	3,926	*2.8%*	3,926	3,459	*13.5%*
FVOCI-E	472	318	*48.4%*	387	318	*21.7%*	318	172	*85.0%*
Stocks mix by TPL/OCI:	**1H26**	**2025**	***Chg%***	**2025**	**1H25**	***Chg%***	**1H25**	**2024**	***Chg%***
FVOCI stocks	**392.7**	**232.4**	***68.9%***	**232.4**	**140.3**	***65.7%***	**140.3**	**60.2**	***133.2%***
~mix%	*37.8%*	*27.8%*	*10.0pct*	*27.8%*	*22.6%*	*5.2pct*	*22.6%*	*12.0%*	*10.6pct*
FVTPL stocks	**645.1**	**602.9**	***7.0%***	**602.9**	**479.9**	***25.6%***	**479.9**	**440.9**	***8.8%***
~mix%	*62.2%*	*72.2%*	*-10.0pct*	*72.2%*	*77.4%*	*-5.2pct*	*77.4%*	*88.0%*	*-10.6pct*
Per share data:	**1H26**	**1H25**	**YoY%**	**2Q26**	**2Q25**	**YoY%**	**1Q26**	**1Q25**	**YoY%**
EPS, basic	4.76	1.45	*228.3%*	4.07	0.43	*846.5%*	0.69	1.02	*-32.4%*
ROE (%)	21.07	7.83	*13.2pct*						
DPS	0.36	0.24	*50.4%*						
Dividend payout (%)	*7.5%*	*16.4%*	*-8.9pct*						

Source: Company data, CMBIGM

Earnings & key forecast revision

(RMB bn, %)	FY25	Current			Old			Chg (%, pct)		
		FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
EPS (RMB)	5.45	7.67	6.10	6.55	6.18	5.14	5.52	*24%*	*19%*	*19%*
Group NPAT	154.1	216.8	172.4	185.3	174.6	145.4	156.1	*24%*	*19%*	*19%*
DPS (RMB)	0.86	0.92	0.98	1.05	0.90	0.95	0.99	*2%*	*3%*	*5%*
New business value (NBV)	45.8	56.6	63.5	71.6	55.1	60.5	66.9	*3%*	*5%*	*7%*
Shareholders' equity (NAV)	595	735	885	1,048	705	825	955	*4%*	*7%*	*10%*
EVPS (RMB)	51.9	58.9	63.2	67.8	55.9	60.1	64.6	*5%*	*5%*	*5%*
Embedded value (EV)	1,468	1,664	1,786	1,915	1,581	1,700	1,826	*5%*	*5%*	*5%*

Source: Company data, CMBIGM estimates

Valuation

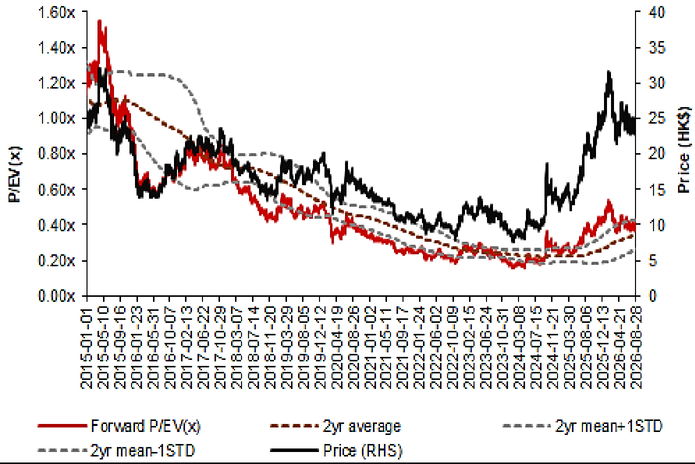
(RMB bn, %)	FY26E	FY27E
Embedded value, unadjusted	1,664	1,786
EVPS (RMB), unadjusted	58.9	63.2
Adjustment reflecting risk discount rate change	*(270)*	*(290)*
Adjustment reflecting investment return change	*(3)*	*(3)*
Embedded value, adjusted	**1,391**	**1,493**
EVPS (RMB), adjusted	49.2	52.8
Fair value P/EV (x)	***0.66x***	***0.63x***
Cost of equity	12.0%	12.0%
Operating RoEV (forward 3yr avg)	9.0%	9.0%
Long-term growth	2.0%	2.0%
Target valuation (RMB bn)	**917.3**	**944.4**
Target price (HK$)	**38.1**	**39.2**
12-month forward price target (HK$)	**39.0**	
Implied P/EV (x)	***0.6x***	***0.5x***
Implied P/B (x)	*1.3x*	*1.1x*
Old TP (HK$)	34.0	
Change (%)	*14.7%*	

Key assumptions:	
Cost of equity (COE)	**12.0%**
Risk-free	2.5%
Beta	1.7x
Risk premium	550bps
Terminal growth (%)	
No. of shares outstanding (mn)	28,265
HKD/CNY assumption	0.86

Source: CMBIGM estimates

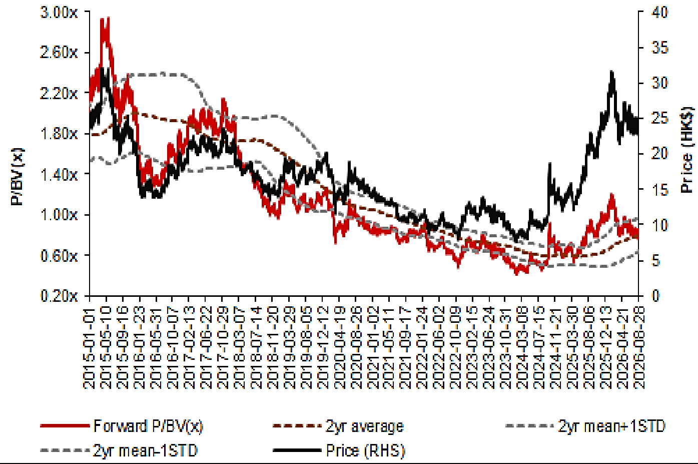
Focus Charts

Figure 1: China Life-H P/EV valuation band



Source: Bloomberg, CMBIGM estimates | Note: stock price quoted by market close on Aug 28, 2026 (Thu).

Figure 2: China Life-H P/BV valuation band



Source: Bloomberg, CMBIGM estimates | Note: stock price quoted by market close on Aug 28, 2026 (Thu).

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Insurance revenue	**212,445**	**208,161**	**214,136**	**222,786**	**232,139**	**242,834**
Insurance service expenses	**(150,353)**	**(180,544)**	**(148,736)**	**(138,181)**	**(143,964)**	**(150,602)**
Net expenses from reinsurance contracts held	(288)	378	(502)	(896)	(928)	(966)
Insurance service results	**61,804**	**27,995**	**64,898**	**83,709**	**87,246**	**91,266**
Net finance (expenses)/income from insurance contracts	(127,923)	(209,952)	(258,858)	(288,437)	(212,346)	(231,882)
Net finance (expenses)/income from reinsurance contracts	616	671	655	372	0	0
Interest income	122,994	120,958	128,286	135,846	144,593	152,789
Net investment income	(9,375)	176,461	255,411	335,374	202,894	226,666
Credit impairment losses	1,217	(1,404)	(3,426)	(1,067)	(1,173)	(1,290)
Net investment results	**(12,471)**	**86,734**	**122,068**	**182,088**	**133,967**	**146,282**
Other income	10,603	10,970	11,879	13,657	14,340	15,057
Other expenses	(18,131)	(18,363)	(19,411)	(20,790)	(21,830)	(22,921)
Other results	**(12,836)**	**(11,593)**	**(11,690)**	**(11,364)**	**(11,932)**	**(12,529)**
Profit before tax	**44,576**	**115,213**	**181,629**	**263,783**	**210,874**	**226,627**
Income taxes	2,971	(6,273)	(25,077)	(43,756)	(34,979)	(37,592)
Net profit	**47,547**	**108,940**	**156,552**	**220,026**	**175,895**	**189,035**
Net profit attributable to shareholders	**46,181**	**106,935**	**154,078**	**216,832**	**172,377**	**185,255**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
ASSETS						
Cash and amount due from banks and other financial institutions	433,014	469,015	469,567	508,014	560,713	613,003
Balances with central bank and statutory deposits	6,520	6,591	6,620	23,343	25,764	28,167
Investments in associates and joint ventures	258,760	302,077	307,788	310,866	313,975	317,114
Property	55,190	55,587	54,784	54,160	55,249	56,359
Investment property	12,753	12,319	11,702	11,960	13,201	14,432
Reinsurance contract assets	25,846	30,738	30,014	37,194	40,104	43,272
Financial investments:	**4,798,898**	**5,735,564**	**6,485,198**	**7,226,256**	**7,975,886**	**8,719,678**
At amortized cost:	211,349	196,754	173,992	168,128	185,569	202,875
At fair value through other comprehensive income:	2,882,174	3,630,712	4,243,918	4,762,541	5,265,344	5,765,931
At fair value through profit or loss:	1,705,375	1,908,098	2,067,288	2,295,587	2,524,973	2,750,872
Deferred tax assets	24,431	40,026	34,431	17,707	9,107	4,683
Other assets	37,369	32,124	48,527	14,636	(48,123)	(42,956)
Cash and cash equivalents	149,305	85,505	142,373	118,928	131,265	143,506
Total assets	**5,802,086**	**6,769,546**	**7,591,004**	**8,323,063**	**9,077,141**	**9,897,258**
LIABILITIES						
Insurance contract liabilities	4,859,175	5,825,026	6,376,114	7,048,435	7,599,992	8,200,280
Borrowings	12,857	12,758	56	128	130	132
Obligations under repurchase agreements	216,851	151,564	331,863	235,074	259,169	285,734
Deferred tax liabilities	0	147	1,480	2,186	2,186	2,186
Current tax liabilities	309	237	298	365	448	550
Bonds payable	36,166	35,194	35,195	35,569	35,569	35,569
Other liabilities	189,506	223,212	237,293	251,698	277,312	305,545
Total liabilities	**5,315,052**	**6,248,298**	**6,982,611**	**7,573,456**	**8,174,805**	**8,829,995**
EQUITIES						
Share capital	28,265	28,265	28,265	28,265	28,265	28,265
Reserves	145,933	119,033	81,337	32,890	38,117	44,020
Retained profits	302,895	362,377	485,603	673,379	818,724	975,285
Total shareholders' equity	**477,093**	**509,675**	**595,205**	**734,533**	**885,106**	**1,047,571**
Non-controlling interests	9,941	11,573	13,188	15,074	17,229	19,693
Total equity	**487,034**	**521,248**	**608,393**	**749,607**	**902,335**	**1,067,263**
Total liabilities & equity	**5,802,086**	**6,769,546**	**7,591,004**	**8,323,063**	**9,077,141**	**9,897,258**

PER SHARE DATA	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
DPS (RMB)	0.43	0.65	0.86	0.92	0.98	1.05
EPS (Reported, RMB)	1.63	3.78	5.45	7.67	6.10	6.55
Consensus EPS (RMB)	n.a	n.a	n.a	5.23	5.13	5.68
No. of shares basic (mn)	28,265	28,265	28,265	28,265	28,265	28,265
PROFITABILITY	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Return on equity (ROE)	11.0%	21.7%	27.9%	32.6%	21.3%	19.2%
VNB margin (FYP basis)	17.5%	15.7%	19.5%	22.2%	23.0%	23.8%
Gearing ratio (%)	91.61	92.30	91.99	90.99	90.06	89.22
VALUATION	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
P/Embedded value (x)	0.6	0.5	0.5	0.4	0.4	0.4
P/B (x)	1.5	1.4	1.2	1.0	0.8	0.7
Dividend yield (%)	1.7	2.6	3.4	3.7	3.9	4.2

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

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