

# China Life (2628 HK)

## 4Q slowdown as expected; DPS exceeded >50%

China Life reported in-line full-year results, with net profit up 132% YoY to RMB 106.9 bn under IFRS (or up 107% YoY to RMB 108.9bn under ASBE), at the mid-point per profit alert which expected to rise 122-144% (IFRS) and 100%-120% (ABSE), yet underperformed our forecast of RMB109bn under IFRS ([link](#)). 4Q net profit came in at RMB2.4bn, at low-end of our preview, down 70% YoY. Net asset value dropped 10% QoQ in 4Q24 to RMB509.7bn, reflecting the rapid interest rate decline in last quarter with 10yr CN govt. bond yield down by 49bps. NBV outgrew our forecast (+19%) up by 24.3% like-for-like, and down 8.5% YoY on actual basis, as the insurer revised economic assumptions including 1) a 50bps cut in long-term investment return to 4.0% (prev. 4.5%), and 2) apply 8.0%/7.2% risk-adjusted discount rate for traditional/floating-rate products (prev. 8.0%). We see the impact to NBV/agency NBV/others NBV at -26%/-24%/-50%; and per sensitivity disclosure, we reckon the change to EV as almost negligible (-0.5%), better than the 50bps cut in LT investment return last year that dragged EV by 2.5%. DPS was RMB 0.65, up 51.2% YoY, implying a payout of 17%, down 9pct. Looking ahead, we expect the insurance and investment seasonality to ease backed by an improved product mix and strengthened allocations to FVOCI debt (+26%) and equities (+25%). **But in the short term, we think the stock price may be under pressure as investors eye on dividends, for which the insurer links the policy to net profit that is likely to undertake fluctuations.** Maintain BUY with TP of HK\$20.0.

■ **NBV outgrew.** FY24 NBV was up by 24.3% like-for-like to RMB45.8bn based on end-FY23 assumptions, surpassing our estimate of 19%. NBV of agency and others jumped 18.4%/116.3% like-for-like for better-than-expected margin expansion, of which the agency/others NBV margin was up 5.0pct/+10.6pct based on FYP (CMBI est). We calculate the impact of economic assumptions to total NBV/agency NBV/others NBV to be -26%/-24%-50%. Agency force scaled back 4% QoQ/ 3% YoY to 0.62bn. We think this could be due to a seasonal factor at year-end, and expect the number to stabilize in FY25E. EV was almost unaffected at RMB1.4tn (-0.5% for assumption changes), up by 11.2% YoY, thanks to 1) RMB 64bn positive investment variance (vs FY23: -RMB 73.8bn); 2) RMB 106.5bn MTM adjustment, +187% YoY; and 3) 20% increase of EV expected return, jointly offsetting the RMB 146.5bn decline for model and assumption changes. Looking ahead, we expect bancassurance and others NBV to enjoy sufficient upside as current contributions made up only 7% of total. **We project NBV to grow at 14% in FY25E on heightened NBV margins.**

■ **Bottom-line surge underpinned by strong investments.** Net profit was more than doubled to RMB107bn under IFRS, first time exceeding RMB 100bn on an annual basis. To breakdown, we see investment income was enhanced by 1) realized gains from FVOCI debt (+133%), 2) unrealized gains from FVTPL assets (up RMB 152bn YoY) and 3) dividends from stocks under FVOCI (+32%) and FVTPL (+16%), capturing the opportunities amid an interest rate downturn (10yr CN govt. bond yield -88bps) and an equity uptrend (CSI 300 +14.7%). For investment funds, total investment income surged 150% YoY to RMB308bn, with 4Q TII up 140% YoY to RMB 47bn, driving the total yield up by 3.1pct to 5.5%. **Investors now address on the fair value movement on both asset and liability sides of B/S to testify insurers' A/L mgmt.** 4Q tumbled interest rates (-49bps, vs 1Q/2Q/3Q: 26bps/-10bps/-1bp) surged the accumulated OCI by 71% QoQ, causing a negative effect on China Life's NAV, down by 10% QoQ.

■ **Valuation.** The stock is trading at FY25E 0.3x P/EV and 0.7x P/B, with 3yr forward ROE at >14%. Considering eased investment seasonality, strengthened allocations to FVOCI assets (55%, vs FY23: 51%), and lengthened asset duration through investing in 10yr+ govt. bonds (>40% in FY24), we are positive on the insurer's investment income to underpin for net profit increase, and revise up FY25-27E EPS estimates by 7%/11%/15% to RMB 2.86/3.12/3.39. Maintain BUY, with TP unchanged at HK\$20.0, implying FY25E 0.4x P/EV and 0.92x P/B.

**BUY (Maintain)**

**Target Price** HK\$20.00  
**Up/Downside** 29.0%  
**Current Price** HK\$15.50

### China Insurance

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#### Stock Data

|                          |            |
|--------------------------|------------|
| Mkt Cap (HK\$ mn)        | 438,107.5  |
| Avg 3 mths t/o (HK\$ mn) | 940.9      |
| 52w High/Low (HK\$)      | 20.55/8.77 |
| Total Issued Shares (mn) | 282,65     |

Source: FactSet

#### Shareholding Structure

|                 |      |
|-----------------|------|
| BlackRock, Inc. | 6.4% |
| Citigroup Inc.  | 6.0% |

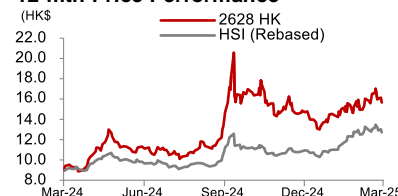
Source: HKEx

#### Share Performance

|       | Absolute | Relative |
|-------|----------|----------|
| 1-mth | -1.8%    | -1.2%    |
| 3-mth | 5.4%     | -10.2%   |
| 6-mth | 5.4%     | -7.7%    |

Source: FactSet

#### 12-mth Price Performance



Source: FactSet

#### Related reports:

- 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 ([link](#))
- China Life (2628 HK) - Strong lift in banca NBV margin; investment income may continue to rebound in 2H24M, Sep 2, 2024 ([link](#))
- China Life (2628 HK) - Highest VNB growth in years; net profit decline narrowed on track, May 2, 2024 ([link](#))
- China Life (2628 HK) - 4Q net loss markedly narrowed; VNB grew in low-teens despite revised EV assumptions, Apr 8, 2024 ([link](#))
- China Life (2628 HK) - 3Q NP dragged by investment setbacks; first-in -sector steady agent scale props up 2024 NBV, Oct 31, 2023 ([link](#))

## Earnings Summary

| (YE 31 Dec)          | FY23A  | FY24A   | FY25E  | FY26E  | FY27E  |
|----------------------|--------|---------|--------|--------|--------|
| Net profit (RMB mn)  | 47,547 | 108,940 | 82,493 | 89,929 | 97,808 |
| EPS (Reported)(RMB)  | 1.63   | 3.78    | 2.86   | 3.12   | 3.39   |
| Consensus EPS (RMB)  | n.a    | n.a     | 2.82   | 3.04   | 2.96   |
| P/B (x)              | 0.9    | 0.8     | 0.7    | 0.7    | 0.6    |
| P/Embedded value (x) | 0.3    | 0.3     | 0.3    | 0.2    | 0.2    |
| Dividend yield (%)   | 3.0    | 4.5     | 5.9    | 6.5    | 7.0    |
| ROE (%)              | 9.7    | 21.7    | 14.9   | 14.7   | 14.9   |

Source: Company data, Bloomberg, CMBIGM estimates | Note: stock price data quoted by market close on 27/3/2025.

## Financial Summary

| INCOME STATEMENT   | 2022A     | 2023A     | 2024A     | 2025E     | 2026E     | 2027E     |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| YE 31 Dec (RMB mn)                                       |           |           |           |           |           |           |
| Insurance revenue  | 182,578   | 212,445   | 208,161   | 209,315   | 212,061   | 216,042   |
| Insurance service expenses                               | (131,614) | (150,353) | (180,544) | (165,970) | (168,148) | (171,309) |
| Net expenses from reinsurance contracts held             | 2,155     | (288)     | 378       | (36)      | (458)     | (893)     |
| Insurance service results                                | 53,119    | 61,804    | 27,995    | 43,309    | 43,454    | 43,839    |
| Net finance (expenses)/income from insurance contracts   | (148,700) | (127,923) | (209,952) | (173,741) | (200,080) | (228,337) |
| Net finance (expenses)/income from reinsurance contracts | 583       | 616       | 671       | 0         | 0         | 0         |
| Interest income  | 0         | 122,994   | 120,958   | 131,051   | 150,890   | 172,199   |
| Net investment income                                    | 175,360   | (9,375)   | 176,461   | 95,246    | 109,702   | 125,179   |
| Credit impairment losses                                 | (3,150)   | 1,217     | (1,404)   | 228       | 250       | 276       |
| Net investment results                                   | 24,093    | (12,471)  | 86,734    | 52,785    | 60,762    | 69,316    |
| Other income   | 8,944     | 10,603    | 10,970    | 11,519    | 12,094    | 12,699    |
| Other expenses   | (15,212)  | (18,131)  | (18,363)  | (19,281)  | (20,245)  | (21,257)  |
| Other results  | (11,131)  | (12,836)  | (11,593)  | (10,663)  | (10,154)  | (9,942)   |
| Profit before tax  | 70,060    | 44,576    | 115,213   | 97,051    | 105,799   | 115,068   |
| Income taxes   | (1,948)   | 2,971     | (6,273)   | (14,558)  | (15,870)  | (17,260)  |
| Net profit   | 68,112    | 47,547    | 108,940   | 82,493    | 89,929    | 97,808    |
| Net profit attributable to shareholders                  | 66,680    | 46,181    | 106,935   | 80,843    | 88,130    | 95,852    |

| 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   | 534,050   | 612,400    | 695,702    |
| Balances with central bank and statutory deposits               | 6,333     | 6,520     | 6,591     | 5,729     | 6,570      | 7,463      |
| 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    | 56,041    | 56,508     | 56,988     |
| Investment property   | 13,193    | 12,753    | 12,319    | 14,259    | 16,350     | 18,574     |
| Reinsurance contract assets                                     | 24,096    | 25,846    | 30,738    | 35,607    | 41,111     | 47,346     |
| Financial investments:  | 3,878,185 | 4,798,898 | 5,735,564 | 6,638,586 | 7,612,528  | 8,648,026  |
| At amortized cost:  | 0         | 211,349   | 196,754   | 227,731   | 261,142    | 296,664    |
| At fair value through other comprehensive income:               | 0         | 2,882,174 | 3,630,712 | 4,202,341 | 4,818,863  | 5,474,351  |
| At fair value through profit or loss:                           | 0         | 1,705,375 | 1,908,098 | 2,208,514 | 2,532,523  | 2,877,011  |
| Deferred tax assets   | 46,126    | 24,431    | 40,026    | 65,576    | 107,435    | 176,013    |
| Other assets  | 71,584    | 37,369    | 32,124    | 205,319   | 1,358,000  | 7,609,820  |
| Cash and cash equivalents                                       | 127,594   | 149,305   | 85,505    | 98,967    | 113,487    | 128,924    |
| Total assets  | 5,010,068 | 5,802,086 | 6,769,546 | 7,959,232 | 10,232,536 | 17,700,086 |
| LIABILITIES   |           |           |           |           |            |            |
| Insurance contract liabilities                                  | 4,266,947 | 4,859,175 | 5,825,026 | 6,747,779 | 7,790,834  | 8,972,376  |
| Borrowings  | 12,774    | 12,857    | 12,758    | 12,962    | 13,170     | 13,381     |
| Obligations under repurchase agreements                         | 148,958   | 216,851   | 151,564   | 105,933   | 74,040     | 51,749     |
| Deferred tax liabilities  | 272       | 0         | 147       | 147       | 147        | 147        |
| Current tax liabilities   | 238       | 309       | 237       | 176       | 131        | 97         |
| Bonds payable   | 34,997    | 36,166    | 35,194    | 35,194    | 35,194     | 35,194     |
| Other liabilities   | 170,749   | 189,506   | 223,212   | 467,257   | 1,676,567  | 7,941,314  |
| Total liabilities   | 4,635,095 | 5,315,052 | 6,248,298 | 7,369,448 | 9,590,082  | 17,014,257 |
| EQUITIES  |           |           |           |           |            |            |
| Share capital   | 28,265    | 28,265    | 28,265    | 28,265    | 28,265     | 28,265     |
| Reserves  | 99,033    | 145,933   | 119,033   | 116,404   | 101,357    | 70,473     |
| Retained profits  | 238,723   | 302,895   | 362,377   | 430,501   | 494,379    | 563,791    |
| Total shareholders' equity                                      | 366,021   | 477,093   | 509,675   | 575,170   | 624,001    | 662,529    |
| Non-controlling interests                                       | 8,952     | 9,941     | 11,573    | 14,613    | 18,452     | 23,300     |
| Total equity  | 374,973   | 487,034   | 521,248   | 589,784   | 642,453    | 685,829    |
| Total liabilities & equity                                      | 5,010,068 | 5,802,086 | 6,769,546 | 7,959,232 | 10,232,536 | 17,700,086 |

| PER SHARE DATA                    | 2022A  | 2023A  | 2024A  | 2025E  | 2026E  | 2027E  |
|-----------------------------------|--------|--------|--------|--------|--------|--------|
| <b>YE 31 Dec</b>                  |        |        |        |        |        |        |
| DPS                               | 0.49   | 0.43   | 0.65   | 0.86   | 0.94   | 1.02   |
| EPS (Reported)                    | 2.36   | 1.63   | 3.78   | 2.86   | 3.12   | 3.39   |
| Consensus EPS                     | n.a    | n.a    | n.a    | 2.82   | 3.04   | 2.96   |
| Group embedded value/share (HK\$) | 43.54  | 44.60  | 49.57  | 55.39  | 61.64  | 68.78  |
| VNB/share (HK\$)                  | 1.27   | 1.45   | 1.62   | 1.78   | 2.00   | 2.27   |
| No. of shares basic               | 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%  | 14.9%  | 14.7%  | 14.9%  |
| Return on asset (ROA)             | 1.4%   | 0.9%   | 1.7%   | 1.1%   | 1.0%   | 0.7%   |
| Return on life embedded Value     | 3.8%   | 3.6%   | 12.6%  | 12.6%  | 12.8%  | 13.1%  |
| VNB margin (FYP APE basis)        | 17.8%  | 17.5%  | 21.4%  | 21.9%  | 22.8%  | 23.7%  |
| VALUATION                         | 2022A  | 2023A  | 2024A  | 2025E  | 2026E  | 2027E  |
| <b>YE 31 Dec</b>                  |        |        |        |        |        |        |
| P/Embedded value (x)              | 0.3    | 0.3    | 0.3    | 0.3    | 0.2    | 0.2    |
| P/B (x)                           | 1.1    | 0.9    | 0.8    | 0.7    | 0.7    | 0.6    |
| Dividend yield (%)                | 3.4    | 3.0    | 4.5    | 5.9    | 6.5    | 7.0    |

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets. | Note: stock price data quoted by market close on 27/3/2025.

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