

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

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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%

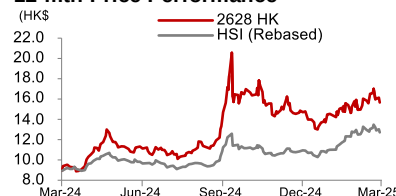
Source: HKEx

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
YE 31 Dec						
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
YE 31 Dec						
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
YE 31 Dec						
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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