

China Life (2628 HK)

3Q net earnings almost doubled on a high base

China Life reported a strong set of 3Q earnings, with 3Q25 net profit almost doubled on top of a high base in 3Q24 to RMB 126.9bn, marking a rise of 92% YoY and lifting the 9M25 result up by 61% YoY to RMB 167.8bn, close to the mid-point of [profit alert](#). The surge outpaced listed peers and was propelled by both insurance service results (benefiting from a rising yield, i.e. CNGB10YR up 22.7bps in 3Q25) and investment results (thanks to the strong rally in A/H shares, i.e. CSI 300/HSI +18%/+16%). We mentioned in our [last note](#) that the dip in 2Q caused by increasing losses on onerous contracts which adversely impacted insurance service expense (ISE) is likely to be short-term, and in 3Q, as we see spot interest rate rebound, the insurer's ISE largely dropped by 79% YoY to RMB 7.5bn (vs. 3Q24: RMB 36.2bn), accelerating the growth of insurance service results by 2.1x YoY to RMB 47bn, a quarterly high. NBV jumped 41.8% like-for-like in 9M25, more than doubled from the rise of 20.3% in 1H25, and we think 3Q NBV could have doubled, driven by both 53% increase of FYP and margin expansion. Looking ahead to 4Q25E, we think a low base of insurance service result could benefit an earnings uptick. To reflect the strong 3Q earnings, we revise up our FY25-27E EPS estimates to RMB 6.03/4.41/4.95. Maintain BUY, with TP raised to HK\$31, implying 0.5x FY25E P/EV.

■ **Equity investment gains as the key earnings driver.** In 9M25, total investment income grew 41% YoY to RMB 369bn, translating into 73% YoY increase in 3Q25. Total investment yield reached 6.42%, up 1.04 pct YoY thanks to the strong equity market performance. **Mgmt. mentioned in call that they had increased the scale of open-market equity by >RMB 380bn from year-start, equivalent to RMB 230bn increment in 3Q25 (vs. 1H25: >RMB 150bn).** We estimate a larger proportion of this amount was assigned to TPL stocks rather than OCI to capture 3Q's growth stock momentum. As of 1H25, the insurer's mix of TPL/OCI stocks was 77% vs. 23%, with a higher TPL share than most peers; and the share of OCI stocks/TPL stocks/funds accounted for 2.0%/6.7%/4.9% of total investment assets. Considering enhanced equity investment scale in 3Q, we expect the mix of TPL/OCI stocks to maintain or slightly improve to be more balanced. Looking ahead, we expect the scale of equity allocation to enjoy growth headroom; and its portfolio tilting to TPL stocks would enhance earnings flexibility.

■ **NBV likely more than doubled in 3Q25.** NBV was up by 41.8% LFL in 9M25, doubled from 20.3% in 1H25. We estimate the 3Q NBV could be more-than-doubled on a LFL basis, driven by a strong FYP increase of 53% YoY to RMB 56.8bn in 3Q25 and margin expansion. The liability structure remained in balance, with FYP of life/annuity/health insurance at 32%/32%/31%. The proportion of FYRP from floating-yield products increased over 45pct YoY, marking a significant increase amid progressive transition to par products. The number of life agents increased 2.5% QoQ to 607k, broadly stable. For 4Q25E, we think the PIR cut from Sep could further improve the NBV margin amid strong bancassurance NBV. We lift our FY25E NBV growth forecast to 38% YoY.

■ **Insurance service result hit a record high.** Insurance service expenses dropped 20% YoY to RMB 95.7bn in 9M25, implying 79% reduction in 3Q due to the uptick in spot interest rate yield. In 3Q, China's 10YR govt. bond yield rose 22.7bps to 1.88% which likely reduced the liability costs of VFA contracts and boosted the CSM balance, aiding the reversal of losses on onerous contracts. In 1Q/2Q25, ISE was down 33%/up 42% YoY with spot interest rate up 14bps/down 17bps respectively, which caused insurance service results up 124%/down 175% YoY. Looking forward, as the proportion of par products expands, we think the insurer's earnings sensitivity to interest rate movement could increase. In 4Q25E, a low base of insurance service result could lead to an earnings uptick in our view.

■ **Valuation.** The stock is trading at 0.4x FY25E P/EV and 1.0x FY25E P/B. We lift our FY25-27E EPS estimates to RMB 6.03/4.41/4.95 (previous: RMB 2.99/3.23/3.67) to reflect the strong 3Q profitability and improved investment strategy. We lift our TP to HK\$31 (previous: HK\$29) based on P/EV vs. RoEV, implying 0.5x FY25 P/EV and 1.24x FY25E P/B. Maintain BUY.

BUY (Maintain)

Target Price	HK\$31.00
(Previous TP)	HK\$29.00)
Up/Downside	26.4%
Current Price	HK\$24.52

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Stock Data

Mkt Cap (HK\$ mn)	693,057.8
Avg 3 mths t/o (HK\$ mn)	1,786.4
52w High/Low (HK\$)	25.22/12.72
Total Issued Shares (mn)	28265.0

Source: FactSet

Shareholding Structure

Ping An Insurance (Group)	8.3%
BlackRock, Inc.	5.9%

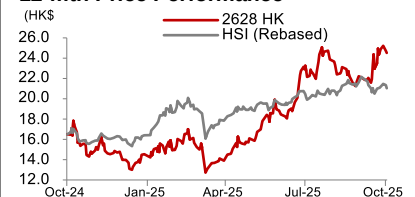
Source: HKEX

Share Performance

	Absolute	Relative
1-mth	11.0%	15.0%
3-mth	7.8%	3.1%
6-mth	72.7%	47.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Auditor: KPMG

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- [Highest VNB growth in years; net profit decline narrowed on track](#), May 2, 2024
- [4Q net loss markedly narrowed; VNB grew in low-teens despite revised EV assumptions](#), Apr 8, 2024

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Net profit (RMB mn)	47,547	108,940	174,220	127,281	142,806
EPS (Reported)(RMB)	1.63	3.78	6.03	4.41	4.95
Consensus EPS (RMB)	n.a	n.a	3.91	3.77	4.10
P/B (x)	1.3	1.2	1.0	0.9	0.8
P/Embedded value (x)	0.5	0.5	0.4	0.4	0.3
Dividend yield (%)	1.9	2.9	4.6	4.7	4.9
ROE (%)	9.7	21.7	29.5	18.3	18.4

Source: Company data, Bloomberg, CMBIGM estimates

Downside risks: 1) significant interest rate shock; 2) heightened equity market volatilities; 3) slower-than-expected new business sales or transition to par products; 4) weaker-than-expected jumpstart sales in 4Q25, etc.

9M25/3Q25 key metrics snapshots

9M/3Q25 earnings snapshots (RMB mn, %)	9M25	9M24	YoY%	3Q25	3Q24	YoY%
Net profit to shareholders	167,804	104,523	60.5%	126,873	66,245	91.5%
Insurance revenue	161,409	157,849	2.3%	54,535	51,227	6.5%
Insurance service expense	(95,680)	(120,041)	-20.3%	(7,478)	(36,219)	-79.4%
Insurance service results	65,164	37,100	75.6%	47,004	15,169	209.9%
Interest income, net	95,099	89,587	6.2%	32,412	30,174	7.4%
Investment income (excl. AJVs)	126,705	16,151	684.5%	69,734	7,193	869.5%
Change in fair value (G/L)	136,405	147,655	-7.6%	135,376	99,877	35.5%
Credit impairment loss	(67)	11	-709.1%	(101)	157	-164.3%
Net investment results	144,347	91,715	57.4%	114,562	60,800	88.4%
	9M25	2024	Chg%	1H25	2024	Chg%
Shareholders' equity	625,828	509,675	22.8%	523,619	509,675	2.7%
Insurance contract liabilities	6,322,362	5,825,026	8.5%	6,285,132	5,825,026	7.9%
New Business Value:	9M25	1H25	1Q25			
New business value like-for-like	41.8%	20.3%	4.8%			
Premiums:	9M25	9M24	YoY%	3Q25	3Q24	YoY%
Gross written premiums (GWP)	669,645	608,251	10.1%	144,557	118,685	21.8%
First-year premiums (FYP)	218,034	197,509	10.4%	56,779	37,243	52.5%
Short-term premiums (ST)	75,149	73,667	2.0%	61,987	60,272	2.8%
Renewals	451,611	410,742	10.0%	87,778	81,442	7.8%
Surrender rate (%)	0.74%	0.74%	0.00pct	0.52%	0.48%	0.04pct
	3Q25	2024	Chg%	2Q25	2024	Chg%
No. of life insurance agents (k)	607	615	-1.3%	592	615	-3.7%
CROSS-II Solvency ratio:	3Q25	2024	Chg%	2Q25	2024	Chg%
Core solvency ratio (%)	137.5%	153.3%	-15.8pct	139.5%	153.3%	-13.8pct
Comprehensive solvency ratio (%)	183.9%	207.8%	-23.8pct	190.9%	207.8%	-16.8pct
Insurance portfolio funds:	9M25	9M24	YoY%	1H25	1H24	YoY%
Total investment yield (%)	6.42%	5.38%	1.04pct	3.29%	3.59%	-0.30pct
Total investment income (RMB mn)	368,551	261,419	41.0%	241,117	139,053	73.4%
Total investment assets	7,282,982	6,611,071	10.2%	7,127,153	6,611,071	7.8%
FVTPL	2,127,924	1,908,098	11.5%	1,949,205	1,908,098	2.2%
AC	183,037	196,754	-7.0%	191,224	196,754	-2.8%
FVOCI-D	3,795,067	3,458,895	9.7%	3,811,103	3,458,895	10.2%
FVOCI-E	263,039	171,817	53.1%	252,792	171,817	47.1%
Stock mix by OCI/TPL:	1H25	2024	Chg%			
FVOCI stocks	140,263	60,153	133.2%			
mix%	22.6%	12.0%				
FVTPL stocks	479,874	440,930	8.8%			
mix%	77.4%	88.0%				
Per share data:	9M25	9M24	YoY%	1H25	1H24	YoY%
EPS, basic	5.94	3.70	60.5%	1.45	1.35	7.4%
BVPS	22.14	20.05	10.4%	18.53	17.47	6.0%
ROE (%)	29.27	19.95	9.32pct	7.83	7.79	0.04pct

Source: Company data, CMBIGM

Valuation

We decide to change the valuation method from P/B-ROE to P/EV-RoEV based on Gordon Growth Model for China Life, as the insurer's book value is subject to increasing sensitivity to interest rate movements and equity market fluctuations based on the IFRS 9/17 policies. In 3Q25, the insurer's net asset value increased 22.8% from year-start, driven by the surge in 3Q net earnings. In our view, the equity market performance and spot yield movement are key earnings drivers and would likely result in higher volatility of the long-run valuation

Key assumptions of our P/EV-RoEV valuation: 1) 2.5% risk-free rate, 2) a beta of 1.7x, 3) 550bps of risk premium, 4) 2% terminal growth, and 5) a 15% Group discount ratio.

Our new TP is at HK\$31.0, implying 0.5x FY25E P/EV and 1.24x FY25E P/B, with an upside of 26%.

(RMB bn, %)	FY25E	FY26E	FY27E
Embedded value, unadjusted	1,590	1,715	1,857
EVPS (RMB), unadjusted	56.3	60.7	65.7
Adjustment reflecting risk discount rate	(249)	(268)	(291)
Adjustment reflecting investment return change	(2.9)	(3.1)	(3.4)
Embedded value, adjusted (CMBI)	1,338	1,443	1,563
EVPS (RMB), adjusted	47.4	51.1	55.3
Fair value P/EV (x)	0.58x	0.55x	0.55x
Cost of equity	11.9%	12.0%	12.1%
Operating RoEV (forward 3yr. avg)	8.7%	8.5%	8.5%
Long-term growth	2.0%	2.0%	2.0%
Group discount ratio	-15.0%		
Fair value (RMB bn)	774	800	857
Fair value per share (HK\$)	29.9	30.9	33.1
12-month forward price target (HK\$)	31.0		
Implied P/EV (x)	0.50x	0.47x	
Implied P/B (x)	1.24x	1.12x	
Previous TP (HK\$)	29.0		
TP Change (%)	6.9%		
Upside (%)	26.4%		

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	210,756	217,950	226,777
Insurance service expenses	(131,614)	(150,353)	(180,544)	(160,920)	(166,369)	(173,065)
Net expenses from reinsurance contracts held	2,155	(288)	378	764	792	826
Insurance service results	53,119	61,804	27,995	50,600	52,373	54,538
Net finance (expenses)/income from insurance contracts	(148,700)	(127,923)	(209,952)	(295,723)	(214,917)	(252,800)
Net finance (expenses)/income from reinsurance contracts	583	616	671	336	0	0
Interest income	0	122,994	120,958	136,499	158,523	182,868
Net investment income	175,360	(9,375)	176,461	288,342	136,168	163,419
Credit impairment losses	(3,150)	1,217	(1,404)	422	465	511
Net investment results	24,093	(12,471)	86,734	129,876	80,239	93,999
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	181,592	133,980	150,322
Income taxes	(1,948)	2,971	(6,273)	(7,372)	(6,699)	(7,516)
Net profit	68,112	47,547	108,940	174,220	127,281	142,806
Net profit attributable to shareholders	66,680	46,181	106,935	170,551	124,736	139,950

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	521,256	607,721	701,982
Balances with central bank and statutory deposits	6,333	6,520	6,591	4,930	5,748	6,639
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	13,304	15,511	17,917
Reinsurance contract assets	24,096	25,846	30,738	35,136	39,779	44,957
Financial investments:	3,878,185	4,798,898	5,735,564	6,763,895	7,885,882	9,109,030
At amortized cost:		211,349	196,754	205,523	239,615	276,781
At fair value through other comprehensive income:		2,882,174	3,630,712	4,305,686	5,028,563	5,818,522
At fair value through profit or loss:		1,705,375	1,908,098	2,252,686	2,617,703	3,013,727
Deferred tax assets	46,126	24,431	40,026	94,127	221,353	520,542
Other assets	71,584	37,369	32,124	(42,701)	(509,791)	(1,113,204)
Cash and cash equivalents	127,594	149,305	85,505	111,357	129,829	149,966
Total assets	5,010,068	5,802,086	6,769,546	7,861,482	8,759,660	9,804,945
LIABILITIES						
Insurance contract liabilities	4,266,947	4,859,175	5,825,026	6,658,483	7,538,418	8,519,597
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	7,201,726	8,028,409	8,987,264
EQUITIES						
Share capital	28,265	28,265	28,265	28,265	28,265	28,265
Reserves	99,033	145,933	119,033	104,028	80,869	54,110
Retained profits	238,723	302,895	362,377	514,884	608,248	720,016
Total shareholders' equity	366,021	477,093	509,675	647,177	717,382	802,391
Non-controlling interests	8,952	9,941	11,573	12,579	13,868	15,290
Total equity	374,973	487,034	521,248	659,756	731,251	817,681
Total liabilities & equity	5,010,068	5,802,086	6,769,546	7,861,482	8,759,660	9,804,945

PER SHARE DATA	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
DPS	0.49	0.43	0.65	1.04	1.06	1.09
EPS (Reported)	2.36	1.63	3.78	6.03	4.41	4.95
Consensus EPS	n.a	n.a	n.a	3.91	3.77	4.10
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%	29.5%	18.3%	18.4%
Return on embedded Value (RoEV)	3.8%	3.6%	12.6%	14.9%	9.8%	10.0%
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/Embedded value (x)	0.5	0.5	0.5	0.4	0.4	0.3
P/B (x)	1.7	1.3	1.2	1.0	0.9	0.8
Dividend yield (%)	2.2	1.9	2.9	4.6	4.7	4.9

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

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