

China Life (2628 HK)

4Q net loss dragged by fair value contraction; DPS rose 31.7% ahead of expectations

BUY (Maintain)

Target Price **HK\$33.00**
 (Previous TP) **HK\$31.00**
Up/Downside **31.8%**
Current Price **HK\$25.04**

China Insurance

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Stock Data

Mkt Cap (HK\$ mn)	707,755.6
Avg 3 mths t/o (HK\$ mn)	2,129.3
52w High/Low (HK\$)	35.52/12.72
Total Issued Shares (mn)	28,265.0

Source: FactSet

Shareholding Structure

Ping An Insurance (Group)	10.1%
BlackRock, Inc.	6.9%

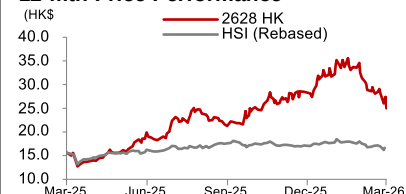
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-20.2%	-15.3%
3-mth	-12.0%	-8.5%
6-mth	17.9%	23.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

Auditor: KPMG

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China Life reported FY25 results, with net profit rising 44.1% YoY to RMB154bn, translating into a net loss of RMB13.7bn in 4Q25 due to enlarged fair value losses against the backdrop of turbulent stock and bond markets over the last quarter. Net asset value climbed 16.8% YoY to RMB595.2bn, and ROE rose 6.2pct YoY to 27.8%. DPS was RMB0.86 per share, up 31.7% YoY, ahead of our expectations which implied a payout of 15.7% (FY24: 17.2%). VNB jumped 35.7% YoY to RMB45.8bn, underpinned by growth in both agency (+25.5% YoY, 86% mix) and bancassurance and other channels (+1.69x YoY, 14% mix). EV was up 4.8% to RMB1.47tn, aided by positive investment variance (+RMB 67.3bn) but partially offset by negative market value adjustment due to fair value losses on debt instruments (-RMB96.2bn). Total investment asset rose 12.3% YoY to RMB7.42tn with the mix of stocks and equity funds rising to 16.9% as of year-end (vs. 1H25: 13.6%). OCI/ TPL stocks amounted to RMB232bn/RMB603bn by end-FY25 (mix: 28%/72%). Maintain BUY. We lift our TP to HK\$33 (prev. HK\$31) implying 0.52x FY26E P/EV.

■ **4Q net loss dragged by fair value contraction.** China Life's net investment results achieved RMB123.9bn in FY25, up 31% YoY, aided by realized gains from TPL assets (RMB121bn vs. FY24: -RMB28bn) but offset by reduced gains from OCI debt instrument (-69% YoY) and TPL fair value change (-46% YoY). In 4Q25, net investment results recorded at negative RMB20.1bn (vs. 4Q24: +RMB2.3bn) dragged by fair value contraction amid heightened volatilities in equity and bond markets during the last quarter. Insurance service result was RMB64.9bn in FY25, up by 132% YoY, with insurance service expense (ISE) down 17.6% YoY to RMB148.7bn owing to a rising yield (+21bps) in 2H25. Reversals of losses on onerous contracts, a key ISE component, significantly dropped to RMB4.98bn (FY24: RMB390.4bn) thanks to the rising discount rate for VFA contracts that refers to the spot interest rate. DPS jumped 31.7% YoY to RMB0.86, ahead of our expectations and implying 15.7% payout in FY25.

■ **NBV saw increase of 36% YoY with agency still the core contributor.** In FY25, NBV rose 35.7% YoY to RMB45.8bn underpinned by growth in agency (+25.5% YoY, 86% mix) and bancassurance & other channels (+1.69x YoY, 14% mix). FYP grew 9.3% YoY to RMB234bn with agency/bancassurance/group & others each making up 47%/25%/28%. NBV margin (FYP basis) was 19.5% by FY25, of which agency NBM grew 9.3pct YoY to 35% as reported.

■ **Core equity scaled up to >RMB1.2tn with a mix of 16.9%.** Total investment assets amounted to RMB7.42tn in FY25, rising 12.3% YoY, with debts/core equities comprising 70.5%/16.9% in FY25 (FY24: 74.3%/12.2%). In 2H25, the insurer increased RMB286bn in core equities (i.e. stocks + equity funds), representing 16.9% of total investment assets. FVOCI stocks increased 66% from 1H25 or 2.86x YoY to RMB232.4bn, driving the OCI/TPL stock mix to 28%/72% in FY25 (FY24: 12%/88%). Mgmt. guided the effective asset-liability duration gap was <1.5yrs in FY25, leaving room for allocation to bonds once seeing an upward movement in long-term interest rate in 2026. On the equity front, the insurer would focus on value stocks featuring high payout and attractive valuations, and scale up exposure to selective growth sectors.

■ **Valuation:** The stock is trading at 0.4x FY26E P/EV and 0.9x FY26E P/B. We roll forward our estimates to FY28E, and adjust our FY26-27E EPS forecasts to RMB4.75/5.14 (previous: RMB4.41/4.95). We revise our TP to HK\$33 (prev. HK\$31), which implies 0.52x FY26E P/EV and 1.17x FY26E P/B. Maintain BUY.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
EPS (Reported)(RMB)	3.78	5.45	4.75	5.14	5.52
Consensus EPS (RMB)	n.a	n.a	4.57	5.00	5.40
P/B (x)	1.2	1.0	0.9	0.8	0.7
P/Embedded value (x)	0.4	0.4	0.4	0.4	0.3
Dividend yield (%)	2.9	3.9	4.1	4.3	4.5
ROE (%)	21.7	27.9	20.7	19.0	17.5

Source: Company data, Bloomberg, CMBIGM estimates

- **Key risks:** 1) prolonged low-interest rate environment and significant interest rate shock; 2) heightened equity market volatilities; 3) slower-than-expected new business sales or transitions to participating policy sales, etc.

China Life: FY25/4Q25 Earnings Snapshots

(RMB mn, %)	2025	2024	YoY%	4Q25	4Q24	YoY%	3Q25	3Q24	YoY%
P&L:									
Net profit to shareholders	154,078	106,935	44.1%	(13,726)	2,412	n.a	126,873	66,245	91.5%
Insurance revenue	214,136	208,161	2.9%	52,727	50,312	4.8%	54,535	51,227	6.5%
Insurance service expense	(148,736)	(180,544)	-17.6%	(53,056)	(60,503)	-12.3%	(7,478)	(36,219)	-79.4%
Insurance service results	64,898	27,995	131.8%	(266)	(9,105)	-97.1%	47,004	15,169	209.9%
Interest income, net	128,286	120,958	6.1%	33,187	31,371	5.8%	32,412	30,174	7.4%
Investment income (excl. AJVs)	192,104	58,301	229.5%	65,399	42,150	55.2%	69,734	7,193	869.5%
Change in fair value (G/L)	63,307	118,160	-46.4%	(73,098)	(29,495)	147.8%	135,376	99,877	35.5%
Credit impairment loss	(3,426)	(1,404)	144.0%	(3,359)	(1,415)	137.4%	(101)	157	-164.3%
Net investment results	123,923	94,586	31.0%	(20,084)	3,037	-761.3%	116,524	62,784	85.6%
B/S:									
	9M25	2024	Chg.%	1H25	2024	Chg.%	1Q25	2024	Chg.%
Net asset value to shareholder	625,828	509,675	22.8%	523,619	509,675	2.7%	532,507	509,675	4.5%
Insurance contract liabilities	6,322,362	5,825,026	8.5%	6,285,132	5,825,026	7.9%	6,008,003	5,825,026	3.1%
Core life metrics:									
	2025	2024	YoY%	2H25	2H24	YoY%	1H25	1H24	YoY%
New business value	45,752	33,709	35.7%	17,206	9,980	72.4%	28,546	23,729	20.3%
Agency NBV	39,299	31,313	25.5%						
Mix%	85.9%	92.9%	-7.0pct						
Bancassurance & Other NBV	6,453	2,396	169.3%						
Mix%	14.1%	7.1%	7.0pct						
FYP	234,079	214,172	9.3%	16,045	16,663	-3.7%	56,779	37,243	52.5%
Agency FYP	109,505	119,210	-8.1%						
Bancassurance FYP	58,506	29,902	95.7%						
Group & Others FYP	66,068	65,060	1.5%						
First-year regular premiums (FYRP)	116,205	119,077	-2.4%						
10 yrs+ FYRP	52,197	56,603	-7.8%						
as a % of FYP	44.9%	47.5%	-2.6pct						
First-year single premiums (FYSP)	36,298	13,129	176.5%						
Short-term premiums (ST)	81,576	81,966	-0.5%	6,427	8,299	-22.6%	61,987	60,272	2.8%
Renewals	495,808	457,285	8.4%	44,197	46,543	-5.0%	87,778	81,442	7.8%
No. of life sales agents (k)									
	2025	2024	YoY%	4Q25	4Q24	YoY%	3Q25	3Q24	YoY%
	587	615	-4.6%	587	615	-4.6%	607	641	-5.3%
Surrender rate (%)									
	2025	2024	YoY%	9M25	9M24	YoY%	1H25	1H24	YoY%
	0.95%	1.01%	-0.06pct	0.74%	0.74%	0.00pct	0.52%	0.48%	0.04pct
CROSS-II Solvency ratio:									
	2025	2024	YoY%	4Q25	3Q25	QoQ%	3Q25	2Q25	QoQ%
Core solvency ratio (%)	128.8%	153.3%	-24.6pct	128.8%	137.5%	-8.7pct	137.5%	139.5%	-2.0pct
Comprehensive solvency ratio (%)	174.0%	207.8%	-33.8pct	174.0%	183.9%	-9.9pct	183.9%	190.9%	-7.0pct
Investment funds portfolio:									
	2025	2024	YoY%	9M25	9M24	YoY%	1H25	1H24	YoY%
Total investment yield (%)	6.09%	5.50%	0.59pct	6.42%	5.38%	1.04pct	3.29%	3.59%	-0.30pct
Total investment income (RMB mn)									
	2025	2024	Chg.%	4Q25	3Q25	Chg.%	3Q25	2Q25	QoQ%
	387,694	308,251	25.8%	19,143	46,832	-59.1%	241,117	139,053	73.4%

Source: Company data, CMBIGM

(RMB mn, %)	2025	2024	YoY%	9M25	2024	Chg%	1H25	2024	Chg%
Total investment assets	7,423,705	6,611,071	12.3%	7,282,982	6,611,071	10.2%	7,127,153	6,611,071	7.8%
Asset types:									
FVTPL	2,067,288	1,908,098	8.3%	2,067,288	2,127,924	-2.8%	2,127,924	1,949,205	9.2%
AC	173,992	196,754	-11.6%	173,992	183,037	-4.9%	183,037	191,224	-4.3%
FVOCI-D	3,926,042	3,458,895	13.5%	3,926,042	3,795,067	3.5%	3,795,067	3,811,103	-0.4%
FVOCI-E	317,876	171,817	85.0%	317,876	263,039	20.8%	263,039	252,792	4.1%
Stocks mix:									
FVOCI stocks	232,447	60,153	286.4%	232,447	140,263	65.7%	140,263	60,153	133.2%
~mix%	27.8%	12.0%	15.8pct	27.8%	22.6%	5.2pct	22.6%	12.0%	10.6pct
FVTPL stocks	602,895	440,930	36.7%	602,895	479,874	25.6%	479,874	440,930	8.8%
~mix%	72.2%	88.0%	-15.8pct	72.2%	77.4%	-5.2pct	77.4%	88.0%	-10.6pct
Per share data:									
EPS, basic	5.45	3.78	44.2%	5.94	3.70	60.5%	1.45	1.35	7.4%
ROE (%)	27.81	21.59	6.2pct	29.27	19.95	9.3pct	7.83	7.79	0.04pct
DPS	0.86	0.65	31.7%	n.a	n.a	n.a	0.24	0.20	19.0%
Dividend payout (%)	15.7%	17.2%	-1.5pct	n.a	n.a	n.a	16.4%	14.8%	1.7pct

Source: Company data, CMBIGM

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Insurance revenue	212,445	208,161	214,136	221,787	229,896	239,465
Insurance service expenses	(150,353)	(180,544)	(148,736)	(153,912)	(159,299)	(165,682)
Net expenses from reinsurance contracts held	(288)	378	(502)	(517)	(530)	(547)
Insurance service results	61,804	27,995	64,898	67,358	70,067	73,236
Net finance (expenses)/income from insurance contracts	(127,923)	(209,952)	(258,858)	(223,722)	(248,043)	(270,420)
Net finance (expenses)/income from reinsurance contracts	616	671	655	0	0	0
Interest income	122,994	120,958	128,286	138,312	148,012	156,820
Net investment income	(9,375)	176,461	255,411	186,531	211,710	235,299
Credit impairment losses	1,217	(1,404)	(3,426)	(166)	(183)	(201)
Net investment results	(12,471)	86,734	122,068	100,954	111,496	121,499
Other income	10,603	10,970	11,879	12,473	13,097	13,751
Other expenses	(18,131)	(18,363)	(19,411)	(20,382)	(21,401)	(22,471)
Other results	(12,836)	(11,593)	(11,690)	(12,039)	(12,421)	(12,837)
Profit before tax	44,576	115,213	181,629	159,059	171,956	184,740
Income taxes	2,971	(6,273)	(25,077)	(22,019)	(23,637)	(25,440)
Net profit	47,547	108,940	156,552	137,040	148,320	159,300
Net profit attributable to shareholders	46,181	106,935	154,078	134,300	145,353	156,114

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	544,279	602,346	660,285
Balances with central bank and statutory deposits	6,520	6,591	6,620	9,955	11,017	12,076
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	55,885	57,008	58,154
Investment property	12,753	12,319	11,702	13,074	14,469	15,860
Reinsurance contract assets	25,846	30,738	30,014	36,674	40,475	44,607
Financial investments:	4,798,898	5,735,564	6,485,198	7,245,469	8,018,455	8,789,744
At amortized cost:	211,349	196,754	173,992	194,389	215,128	235,821
At fair value through other comprehensive income:	2,882,174	3,630,712	4,243,918	4,749,389	5,264,878	5,780,946
At fair value through profit or loss:	1,705,375	1,908,098	2,067,288	2,301,690	2,538,449	2,772,977
Deferred tax assets	24,431	40,026	34,431	29,618	25,478	21,917
Other assets	37,369	32,124	48,527	(33,601)	19,039	151,304
Cash and cash equivalents	149,305	85,505	142,373	119,244	131,966	144,660
Total assets	5,802,086	6,769,546	7,591,004	8,331,464	9,234,228	10,215,722
LIABILITIES						
Insurance contract liabilities	4,859,175	5,825,026	6,376,114	6,949,980	7,670,239	8,453,365
Borrowings	12,857	12,758	56	57	58	59
Obligations under repurchase agreements	216,851	151,564	331,863	365,879	403,382	444,728
Deferred tax liabilities	0	147	1,480	1,480	1,480	1,480
Current tax liabilities	309	237	298	375	471	592
Bonds payable	36,166	35,194	35,195	35,195	35,195	35,195
Other liabilities	189,506	223,212	237,293	258,130	280,997	306,100
Total liabilities	5,315,052	6,248,298	6,982,611	7,611,096	8,391,822	9,241,519
EQUITIES						
Share capital	28,265	28,265	28,265	28,265	28,265	28,265
Reserves	145,933	119,033	81,337	82,040	82,884	83,881
Retained profits	302,895	362,377	485,603	595,035	714,131	842,541
Total shareholders' equity	477,093	509,675	595,205	705,340	825,280	954,687
Non-controlling interests	9,941	11,573	13,188	15,028	17,126	19,515
Total equity	487,034	521,248	608,393	720,368	842,406	974,203
Total liabilities & equity	5,802,086	6,769,546	7,591,004	8,331,464	9,234,228	10,215,722

PER SHARE DATA	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
DPS	0.43	0.65	0.86	0.90	0.95	0.99
EPS (Reported)	1.63	3.78	5.45	4.75	5.14	5.52
Consensus EPS	n.a	n.a	n.a	4.57	5.00	5.40
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)	9.7%	21.7%	27.9%	20.7%	19.0%	17.5%
Return on embedded value (ROEV)	9.7%	10.6%	8.7%	9.1%	8.9%	8.7%
NBV margin (FYP basis)	17.5%	15.7%	19.5%	22.0%	22.5%	23.0%
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/Embedded value (x)	0.5	0.4	0.4	0.4	0.4	0.3
P/B(x)	1.3	1.2	1.0	0.9	0.8	0.7
Dividend yield (%)	1.9	2.9	3.9	4.1	4.3	4.5

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

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