

China Life (2628 HK)

NBV surge a strong beat, outweighing 1Q net profit dip

China Life reported mixed 1Q26 results, with net profit down 32.3% YoY to RMB19.5bn, below our estimate of RMB20.4bn, mainly due to fair value losses from TPL equities amid equity market turbulence. Net asset value modestly grew 0.5% from year-start to RMB598.3bn, supported by higher retained earnings. NBV surged 75.5% YoY in 1Q26, significantly beating market and our estimates, reflecting continued progress in shifting underwriting toward longer-duration and regular-paid products. Premiums from long-term new policies reached a record RMB85.7bn (+29.9% YoY), the highest since 2017. Within this, first-year regular premiums (FYRP) grew 41.4% YoY, with the share of 10yr+ FYRP rising 4.4pct YoY. Participating FYRP accounted for over 90% of total FYRP in 1Q26, implying a surge from 51.7% in 1Q25. Mgmt. highlighted in the call that both agency and bancassurance NBV margins expanded YoY in 1Q26, driven by improved underwriting mix and lower guaranteed costs, with the agency showing a larger margin increase than bancassurance. On the investment front, the insurer scaled up its bond allocation in 1Q26, with the YTD additions exceeding the full-year increase of 2025, per mgmt. **Looking ahead, we remain constructive on an equity rebound to bring earnings upside for China Life in 2Q26E**, in addition to its 1) leading asset-liability duration match; 2) a more balanced product mix (~1/3 from traditional/par/protection-typed policies); and 3) continued NBV uptick with guaranteed costs already reduced to below 2.9% by 1Q26. Maintain BUY, with our 12-month forward TP at HK\$34 (previous: HK\$33), mainly reflecting a stronger CNY/HKD exchange rate.

■ 1Q26 Key highlights:

1) NBV surged 75.5% YoY, a strong beat to market estimates. In 1Q26, both agency and bancassurance delivered double-digit YoY NBV increases according to mgmt., supported by strong new business sales and margin expansion. FYRP rose 41.4% YoY, a key driver for long-term first-year premium growth (+29.9%). Beyond robust sales momentum, mgmt. noted that the reasons for NBV margin expansion were twofold: a) the rollout of longer-duration products, and b) a rising mix of floating-yield, i.e. participating, policies, whose FYRP share surged to over 90% (vs. 1Q25: 51.7%) of total in 1Q26. **Looking ahead into 2026E, we expect full-year NBV to rise 20.3% YoY, despite against a high base in 3Q26E.**

2) YTD bond investment surpassed the total increase in 2025. On investment front, China Life scaled up its bond allocation in 1Q26 to capture the periodic peak in long-term yields. By 2025, bonds accounted for 57.4% of total investment assets, down 1.7pct YoY. With a steepening yield curve expected by mgmt., we see potential for a further increase in the bond allocation share as of end-FY26E.

3) Life core solvency up 28.1pct from year-start. Life core solvency ratio rose 28.1pct from year-start to 156.87%, marking a notable return to the level of 2024 (153.34%). Comprehensive solvency ratio increased 28.3pct from year-start to 202.31%, surpassing the 200% threshold. The improvement is primarily attributable to the reclassification of bonds under amortized cost, which allows related assets to capture fair value upside amid a prolonged low-interest rate environment, thereby boosting core and actual capital levels. Mgmt. noted in the call that maintaining core/comprehensive solvency ratio above 150%/200% would support new business expansion and allow greater investment flexibility.

4) Equity exposure is expected to remain relatively stable in the near term, but with room for a future increase, according to mgmt. As of FY25, stocks accounted for 11.3% of total investment assets, with a TPL/OCI mix of 72%/28%.

5) Negative income tax expense lifted net profit. In 1Q26, China Life recorded a negative RMB608mn income tax expense, as tax-exempt revenues exceeded pre-tax income, per mgmt., resulting in no current tax payable. The reversal of deferred tax assets (DTA) under prudent mgmt. guidance contributed to this negative tax expense, lifting 1Q net profit. We view this as a one-off adjustment, with no sustainable impact on the insurer's underlying fundamental value.

■ **Valuation:** The stock is trading at 0.44x FY26E P/EV and 1.0x FY26E P/B, with a yield of 3.6% (CMBI est). We remain positive on the prospect of an equity market

BUY (Maintain)

Target Price **HK\$34.00**
 (Previous TP) **HK\$33.00**
Up/Downside **18.8%**
Current Price **HK\$28.62**

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Stock Data

Mkt Cap (HK\$ mn)	808,944.3
Avg 3 mths t/o (HK\$ mn)	1,709.4
52w High/Low (HK\$)	35.52/14.50
Total Issued Shares (mn)	28,265.0

Source: FactSet

Shareholding Structure

Ping An Asset Management Co., Ltd	12.1%
BlackRock, Inc.	6.9%

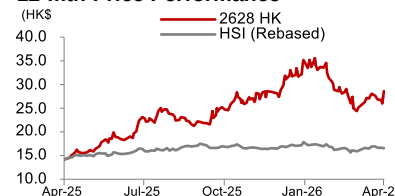
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	16.3%	11.9%
3-mth	-17.9%	-12.8%
6-mth	16.7%	17.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

Auditor: Ernst & Young

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rebound in 2Q26E to drive an earnings upside, alongside continued improvement in reduced guaranteed cost of liability (1Q26: below 2.9%) and a balanced product mix. Maintain BUY, with our TP at HK\$34 (from HK\$33), implying 0.53x FY26E P/EV.

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

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Net profit (RMB mn)	106,935	154,078	134,300	145,353	156,114
EPS (Reported)(RMB)	3.78	5.45	4.75	5.14	5.52
Consensus EPS (RMB)	n.a	n.a	4.52	4.97	5.44
P/B (x)	1.4	1.2	1.0	0.9	0.7
P/Embedded value (x)	0.5	0.5	0.4	0.4	0.4
Dividend yield (%)	2.6	3.4	3.6	3.8	4.0
ROE (%)	21.7	27.9	20.7	19.0	17.5

Source: Company data, Bloomberg, CMBIGM estimates

1Q26 Earnings Snapshot

(RMB mn, %)	1Q26	1Q25	YoY%
P/L breakdown:			
Insurance revenue	54,796	54,211	1.1%
Insurance service expense	(29,695)	(27,583)	7.7%
Insurance service results	24,365	25,913	-6.0%
Interest income, net	32,898	30,900	6.5%
Investment income (excl. AJVs)	43,450	21,851	98.8%
Change in fair value (G/L)	(42,862)	(2,434)	1661.0%
Credit impairment loss	(23)	83	-127.7%
Net investment results	(2,956)	8,072	-136.6%
Net profit to shareholders	19,505	28,802	-32.3%
B/S metrics:			
Net asset value to shareholder	598,260	595,205	0.5%
Insurance contract liabilities	6,616,793	6,376,114	3.8%
Life insurance metrics:			
New business value growth (%)	75.5%	35.7%	4.8%
Premiums:	1Q26	1Q25	YoY%
Gross written premiums (GWP)	358,478	354,409	1.1%
First-year premiums (FYP)	128,362	107,434	19.5%
First-year regular premiums (FYRP)			41.4%
as a % of FYP			4.4pct
Short-term premiums (ST)	42,702	41,494	2.9%
Renewals	230,116	246,975	-6.8%
Surrender rate (%)	0.24%	0.29%	-0.05pct
Agent headcount:	1Q26	2025	Chg%
No. of life sales agents ('000')	594	587	1.2%
CROSS-II Solvency ratio:			
Core solvency ratio (%)	156.9%	128.8%	28.1pct
Comprehensive solvency ratio (%)	202.3%	174.0%	28.3pct
Investment funds portfolio:			
Total investment yield (%)	2.21%	2.75%	-0.54pct
Total investment income (RMB mn)	35,536	53,767	-33.9%
Investment asset breakdown:	1Q26	2025	Chg%
Total investment assets	7,553,104	7,423,705	1.7%
FVTPL	2,015,827	2,067,288	-2.5%
FVOCI-D	4,034,416	3,926,042	2.8%
FVOCI-E	386,787	317,876	21.7%
AC	166,895	173,992	-4.1%
Stocks mix by TPL/OCI:	2025	2024	Chg%
FVOCI stocks	232,447	60,153	286.4%
<i>mix%</i>	27.8%	12.0%	15.8pct
FVTPL stocks	602,895	440,930	36.7%
<i>mix%</i>	72.2%	88.0%	-15.8pct
Per share data:			
EPS, basic	0.69	1.02	-32.4%
ROE (%)	3.27	5.53	-2.26pct

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 (RMB)	0.43	0.65	0.86	0.90	0.95	0.99
EPS (Reported, RMB)	1.63	3.78	5.45	4.75	5.14	5.52
Consensus EPS (RMB)	n.a	n.a	n.a	4.52	4.97	5.44
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 asset (ROA)	0.9%	1.7%	2.1%	1.7%	1.7%	1.6%
Return on life embedded Value	3.6%	12.6%	6.2%	9.4%	9.2%	9.0%
VNB margin (FYP APE 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)	0.6	0.5	0.5	0.4	0.4	0.4
P/B (x)	1.5	1.4	1.2	1.0	0.9	0.7
Dividend yield (%)	1.7	2.6	3.4	3.6	3.8	4.0

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

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