



Rating  
**Buy**

Asia  
China

Banking / Finance  
Life Insurance

Company  
**China Life Alert**

Reuters 2628.HK	Bloomberg 2628 HK	Exchange HSI	Ticker 2628
ADR Ticker LFC	ISIN US16939P1066		

Date  
24 March 2015

## Results

Price at 24 Mar 2015 (HKD)	33.15
Price target-12mth (HKD)	37.10
52-week range (HKD)	33.65 - 19.78
HANG SENG INDEX	24,495

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## FY14 results – Steady VNB expansion with improved outlook for 2015

### In-line with DB, which is at top-end of consensus

China Life reported 2014 results with EV of Rmb454,906mn (+32.9% yoy, +16.5% hoh), VNB of Rmb23,253mn (+9.2%, implying 2H14 growth of 12.4% yoy), both are in-line with our forecasts which are at high-end of consensus range. Net profit grew 30.1% to Rm32,211mn, in-line with pre-announcement. Capital position was very strong with a solvency margin ratio of 295% (vs. 241% in 1H14), and the company declared a final dividend of Rmb0.4/share (+33.3%). Agency number grew 13.8% (2H14 +16.1% hoh), reversing a declining trend since 2009 and should bode well for 2015 VNB growth. We see upside to consensus 2015E VNB of 10-12% (vs. our 15%). Maintain Buy.

### Agency-driven VNB growth; Bancassurance improved in 2H14

The VNB growth of 9.2% yoy (2H14: +12.4% yoy) was driven by 12.8% yoy growth in FYP APE, which more than offset a slight deterioration in NB margin (-1.4ppt to 41.4%). We note the margin decline was mainly driven by bancassurance (-1.7ppt) and group (-6.5ppt) while agency margin improved 1.2ppt yoy to 62.6%. In term of growth by channel, agency VNB +10.7% yoy (2H14 +6.3% yoy), bancassurance -7.2% (2H14 +151.0% from a low base) and group -12.8% (2H14 +25.0%). Agency accounted for 93% of 2014 VNB, with bancassurance at 5% and group at 2%. Agency number grew 13.8% yoy (+16.1% hoh) to 743k. Strong EV of Rmb454,906mn (+32.9%) was helped by an investment variance and market value adjustment of Rmb63,796mn (contributing to 18.6% growth). 14M persistency ratio remained stable at 89.0% (vs. 89.0% in 2013) while 26M slightly deteriorated to 86.0% (vs. 88.0%). Surrender rate increased to 5.46% (vs. 3.86%).

### Capital and investments

Solvency margin ratio continued to improve to 295% (from 241% in 1H14 and 226% in 2013) thanks to the significant increase in comprehensive income (+21 times). Net investment yield improved to 4.71% (vs. 4.54% in 2013) while total investment yield to 5.36% (vs. 4.86%) thanks to lower impairment. Comprehensive investment yield was 8.56% (vs. 3.17%) thanks to FV gains from AFS assets. Exposure to non-standard investment (debt investment plan and trust scheme) was relatively low at 4.32% (vs. 3.14% in 2013).

### Maintain Buy, PT unchanged at HK\$37.1/share

Given the in-line results, we have maintained our 2015E EV and VNB forecasts unchanged and our PT of HK\$37.1/share implies a target 2015E P/EV of 1.6x and NB multiple of 12.2x.

### Key changes

Net earned prem (FYE)	324,722.7 to 348,647.6	↑	7.4%
Op earnings (FYE)	-30,199.2 to 32,424.2	↓	7.4%
Net profit (FYE)	38,374.7 to 38,455.7	↑	0.2%

Source: Deutsche Bank

### Stock data

Market Cap (HKDm)	246,675
Market Cap (USDm)	31,807
Shares outstanding (m)	28,264.7
Major Shareholders	CLIC (68.37%)
Free float (%)	28
Avg daily value traded (USDm)	168.0

Source: Deutsche Bank

### Key data

FYE 12/31	2014A	2015E	2016E
Group EV(CNYm)	454,906	511,756	576,598
VNB (CNYm)	23,253	26,821	31,059
Net Profit	32,211	38,456	45,763
P/EV (x)	1.6	1.5	1.3
Implied NB multiple (x)	12.5	8.9	5.6

Source: Deutsche Bank

Deutsche Bank AG/Hong Kong

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