13 Aug 2026

CMB International Global Markets | Equity Research | Company Update

招银国际 CMB INTERNATIONAL

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AIA Group Ltd. (1299 HK)

1H26 preview: 2Q VONB moderate while OPAT on track; 3Q high base looms in AIA HK/China

BUY (Maintain)

Target Price	**HK$112.00**
Up/Downside	**53.7%**
Current Price	**HK$72.85**

China Insurance

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Stock Data

Mkt Cap (HK$ mn)	789,111.2
Avg 3 mths t/o (HK$ mn)	2,790.6
52w High/Low (HK$)	90.95/69.05
Total Issued Shares (mn)	10832.0

Source: FactSet

Shareholding Structure

JPMorgan Chase & Co.	8.9%
The Bank of New York Mellon Corp.	7.2%

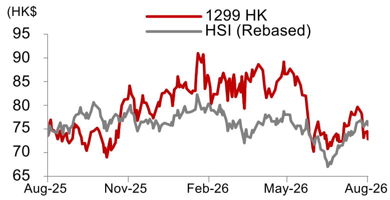
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	0.3%	-5.5%
3-mth	-15.9%	-13.4%
6-mth	-14.8%	-9.5%

Source: FactSet

12-mth Price Performance



Source: FactSet

Auditor: PwC

Related reports:

1. Asia Insurance - Offshore insurance tax sell-off likely overdone, Aug 7, 2026
2. US$1.7bn buyback a +VE surprise; lift TP to HK$11, Mar 23, 2026
3. 1H25 review: Resilient VONB uptrend with optimistic outlook on China Growth Strategy, Aug 22, 2025
4. Decent VONB growth across ex-China markets; buybacks to complete faster than expected, May 2, 2025
5. 新业务价值增长具备韧性，新一轮回购计划提升股东回报至 6%, Mar 18, 2025
6. Robust VONB growth in-line; new buyback of US$1.6bn implying 6% total S/H returns, Mar 18, 2025
7. FY24 preview: OPAT back to growth trajectory; resilient VNB despite modest slowdown in 2H, Feb 24, 2025

AIA is scheduled to report 1H26 earnings on Aug 20 (HKT), pre-market. We expect Group VONB to rise 12%/15% YoY on a CER/AER basis in 1H26, translating into 10% YoY growth (CER) in 2Q26 (vs. 1Q26: +13% CER). The 2Q moderation is likely due to a high base of participating sales in HK prior to the illustration rate cap adjustment in July 2025. We expect HK VONB to grow 14% YoY (CER) in 1H (vs. 1Q26: +21%). AIA China may see a slight deceleration in 2Q, affected by more stringent regulations on bancassurance commission while maintaining a robust 1H rise of 20% YoY (CER, vs. +26% in 1Q26). ASEAN markets saw sales recover in 2Q, whereas geographic dynamics were worth of notice. For Thailand, we forecast a 7% YoY VONB decline in 1H26, led by a rebound in 2Q sales partially offset by margin normalization to >90%. For Singapore/Malaysia, we estimate VONB to rise by 10%/12% YoY (CER) in 1H26, driven by sustained volume momentum against an easier base. For Other Markets, India, Vietnam and the Philippines could be the key drivers, offset by weaker-performing Australia and Indonesia, and we estimate Other Markets to grow 18% YoY (CER) in 1H26. **Looking ahead, despite 2Q moderation, we see 3Q26E as the most challenging for AIA HK/China, as the insurer will face an even higher base led by strong cross-border sales momentum and a pull forward of demand prior to the PIR cuts in Sep 2025 (i.e. AIA HK/China VONB +40%/+27% YoY in 9M25).** We anticipate mgmt. guidance on cross-border sales outlook for MCVs in HK and clarity on recent news of offshore insurance tax (*link*) during the briefing call.

- **Solid new business CSM to support OPAT growth.** In 1H26, we anticipate contractual service margin (CSM) to rise by 6.5% HoH to US$69bn, supported by new business contribution and favourable equity market and FX changes. Robust CSM release could drive a healthy OPAT lift by 10%/12% YoY (CER/ AER) in 1H26 by our estimate, with OPAT per share likely to grow by 12%/15% YoY (CER/AER), on track vs. mgmt. guidance of 9%-11% CAGR in FY23-26E.
- **Group EV benefits from investment return variances.** Group EV could rise at 6% HoH to US$81bn in 1H26, supported by upside of investment return variances given 1) overall better-performing equity markets, i.e. CSI 300/SETI +8%/+26% in 1H26; 2) 0.8% USD depreciation against local currencies weighted by a geographic split of Group EV as of end-FY25; and 3) rising bond yields in the US (+30bps) and Thailand (+31bps), partially offset by the decline in mainland China (-11bps). We expect the Group's operating RoEV to reach 16.4% by 1H26.
- **1H shareholder returns topped US$3.6bn.** Upon the completion of US$1.7bn buyback in June, AIA has returned a total of US$3.6bn to shareholders, including US$1.9bn of dividends, in 1H26. Although the market has now been more convinced to a growth narrative rather than a high-yield pitch for AIA, we think the Group's effort of maintaining effective capital management should enhance shareholder return outlook. We expect total shareholder return (TSR) over the next 12 months to be ~4.0% (3.1% dividend + 0.9% buyback), with no additional buyback included for 2H26E. Net free surplus generation could reach US$2.6bn as of 1H26, with shareholder capital ratio (SCR) landing at 216% (*CMBI est*).
- **Valuation/Key Catalysts:** The stock is currently trading at 1.1x FY26E P/EV and 11.9x FY26E P/OPAT, close to its historical trough of 1.0x and ~10x. We think the recent tightening of cross-border regulations and news on offshore insurance tax intensified a sentiment-driven pullback, and expect catalysts on clarity of 1) mgmt. guidance on cross-border sales to MCVs in HK; 2) timeline or implementation plan for offshore insurance tax levies; and 3) prospects on FY27E shareholder returns. Maintain BUY with our TP at HK$112 (unchanged), implying 1.7x FY26E P/EV.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Operating EPS (diluted, US$)	0.60	0.68	0.78	0.86	0.96
Consensus EPS (US$)	n.a	n.a	0.77	0.85	0.96
P/Embedded value (x)	1.5	1.3	1.1	1.0	0.9
Dividend yield (%)	2.4	2.7	2.9	3.2	3.5
Operating ROE (%)	14.8	15.5	16.5	17.0	17.6

Source: Company data, Bloomberg, CMBIGM estimates

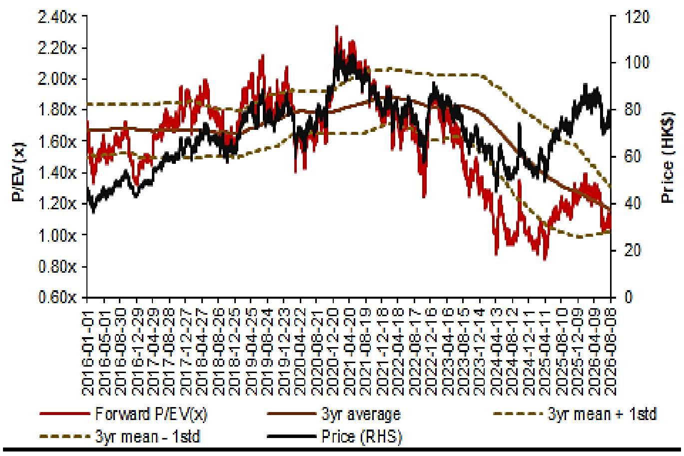
- **Key risks:** 1) Weaker-than-expected new business sales across key markets; 2) faster- and stricter-than-expected offshore insurance tax enforcement by Chinese tax authorities; 3) heightened cross-border regulatory scrutiny and capital controls; 4) margin deterioration due to increasing medical inflation or negative economic shocks; 5) lower-than-expected transfer of distributable earnings from in-force to free surplus generation; and 6) prolonged low interest yield in mainland market, and significant volatilities in equity market returns and forex movements, etc.

- **Price target of HK$112 (unchanged).** Our price target of HK$112 is derived from a multi-stage growth model based on appraisal value to project VONB and EV for each geographic markets on locally-specific economic assumptions, i.e. the risk discount rate (RDR) and long-term equity investment returns, which yields an implied new business multiple of 9.4x for the Group. On valuation basis, our price target implies 1.7x FY26E P/EV and 18x FY26E P/OPAT, vs. the company trading at 1.1x FY26E P/EV and 11.9x FY26E P/OPAT. We fine-tune our operating EPS forecasts to US$0.78/0.86/0.96 (vs. previous: US$0.77/0.86/0.95) in FY26-28E to reflect a likely better-than-expected outlook on equity/bond/FX investment returns.

- **Company description:** AIA is the leading pan-Asian life insurance group with a 90-year legacy operating across 18 markets globally. The company is the largest life insurer in some of its key operating markets including Hong Kong (China), Singapore, and Thailand. Mainland China, ASEAN and India (a 49% joint venture TATA AIA) markets are important geographic drivers in delivering robust VONB and earnings outlook. We rate AIA BUY given its 1) Premiere Agency strategy continues leading over peers to drive profitable new business growth; and 2) China growth strategy with a 40% CAGR target for new regions launched after 2019 likely to accelerate the regions' VONB growth with more licenses acquired; 3) solid operating ROE at an average of >17% over FY26-28E; and 4) robust capital management to drive progressive increase in shareholder returns, which leads to our estimate of a ~4% NTM yield.

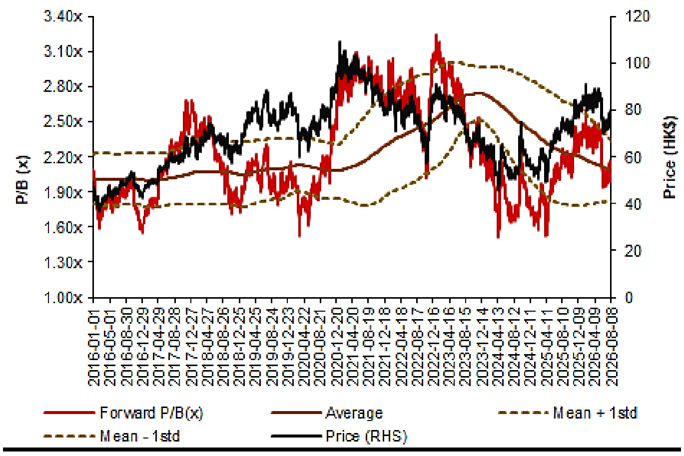
Focus Charts

Fig 1: AIA P/EV Valuation Band



Source: Bloomberg, CMBIGM estimates

Fig 2: AIA P/B Valuation Band



Source: Bloomberg, CMBIGM estimates

Fig 3: Equity index performance by operating market

	1H25	2H25	FY25	1H26	1Q26	2Q26
CN - CSI 300 Index	0.0%	17.6%	17.7%	7.5%	-3.9%	11.9%
HK - HSI Index	20.0%	6.5%	27.8%	-10.7%	-3.3%	-7.7%
TH - SET Index	-22.2%	15.6%	-10.0%	26.3%	15.0%	9.9%
SG - STI Index	4.7%	17.2%	22.7%	11.3%	5.1%	5.8%
MY - KLCI Index	-6.7%	9.6%	2.3%	-1.0%	0.6%	-1.6%
Other markets:						
Indonesia - JKSE Index	22.1%	-8.0%	22.1%	-8.0%	-8.0%	6.4%
Philippines - PSEI Index	-7.3%	-5.3%	-7.3%	-5.3%	-5.3%	3.0%
Vietnam - VNI Index	40.9%	3.2%	40.9%	3.2%	3.2%	5.3%
Australia - ASX 200 Index	7.2%	-3.9%	7.2%	-3.9%	-3.9%	8.9%
New Zealand - NZX 50 Index	3.3%	-6.4%	3.3%	-6.4%	-6.4%	2.7%
FTSE APAC ex Japan Index	26.3%	0.3%	26.3%	0.3%	0.3%	11.6%
AIA stock price return (%)	**25.0%**	**13.5%**	**41.9%**	**-10.6%**	**6.2%**	**-15.8%**

Source: Bloomberg, CMBIGM | Note: area in green shows index return outperformed AIA (1299 HK) share price.

Fig 4: FX movements by operating market

(Local FX per USD)	1H25	2H25	FY25	1H26	1Q26	2Q26
HK - HKD	1.1%	-0.8%	0.3%	0.7%	0.7%	0.0%
TH - THB	-5.1%	-3.0%	-8.0%	5.4%	4.3%	1.0%
SG - SGD	-6.2%	0.9%	-5.4%	0.6%	0.3%	0.3%
MY - MYR	-5.8%	-3.7%	-9.3%	0.3%	-0.4%	0.8%
CN - CNY	-1.8%	-2.5%	-4.2%	-2.9%	-1.2%	-1.8%
Other markets:						
Indonesia - IDR	0.9%	2.7%	3.6%	7.2%	1.9%	5.2%
Philippines - PHP	-2.6%	4.6%	1.9%	4.1%	3.1%	1.0%
Taiwan - TWD	-10.7%	7.3%	-4.2%	1.4%	1.9%	-0.5%
South Korea - KRW	-8.1%	6.4%	-2.2%	7.9%	6.3%	1.6%
Australia - AUD	-4.8%	-2.3%	-7.0%	-2.8%	-2.6%	-0.2%
New Zealand - NZD	-8.3%	5.9%	-2.8%	1.3%	0.4%	0.9%

Source: Bloomberg, CMBIGM | Note: area in pink indicates USD depreciation against local currencies.

Fig 5: Risk discount rate (RDR) by operating market

RDR	FY21	FY22	FY23	FY24	FY25
AIA Australia	6.41	7.43	7.93	7.92	7.43
AIA China	9.72	9.69	9.16	8.36	8.30
AIA Hong Kong	6.98	7.46	7.97	7.95	7.95
AIA Indonesia	12.98	13.09	13.17	12.08	11.53
AIA Korea	8.1	8.91	8.81	8.55	8.34
AIA Malaysia	8.56	8.92	8.80	8.20	7.83
AIA New Zealand	6.53	7.43	7.85	7.54	7.04
AIA Philippines	11.8	12.10	12.10	11.10	11.10
AIA Singapore	6.59	7.27	7.38	7.34	7.29
AIA Sri Lanka	14.7	21.00	14.70	14.70	14.70
AIA Taiwan	7.25	7.67	7.62	7.62	7.61
AIA Thailand	7.69	8.09	7.81	7.42	6.94
AIA Vietnam	9.16	9.57	9.54	9.86	9.88
Average	**8.96**	**9.89**	**9.45**	**9.13**	**8.92**
Average chg.(bps)		*93.5bps*	*-44.5bps*	*-32.3bps*	*-20.8bps*

Source: Company data, CMBIGM

Fig 6: Local equity investment return by market

Local equity investment return	FY21	FY22	FY23	FY24	FY25
AIA Australia	6.60	7.60	8.10	8.10	7.60
AIA China	9.30	9.30	8.80	8.00	8.00
AIA Hong Kong	7.00	7.50	8.00	8.00	8.00
AIA Indonesia	12.00	12.00	12.00	11.00	10.50
AIA Korea	6.50	7.30	7.30	7.30	7.30
AIA Malaysia	8.60	9.10	9.10	8.60	8.30
AIA New Zealand	6.80	7.80	8.30	8.00	7.50
AIA Philippines	10.50	10.80	10.80	9.80	9.80
AIA Singapore	6.70	7.40	7.60	7.60	7.60
AIA Sri Lanka	11.00	12.00	12.00	12.00	12.00
AIA Taiwan	5.60	6.10	6.10	6.10	6.10
AIA Thailand	7.70	8.20	8.10	7.80	7.40
AIA Vietnam	8.80	9.30	9.30	9.60	9.60
Average	**8.24**	**8.80**	**8.88**	**8.61**	**8.44**
Average chg.(bps)	*-11.5bps*	*56.2bps*	*8.5bps*	*-27.7bps*	*-16.9bps*

Source: Company data, CMBIGM

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US$ mn)						
Insurance revenue	**17,514**	**19,314**	**21,618**	**24,128**	**26,477**	**29,157**
Contracts not measured under PAA:	15,107	16,361	17,824	19,575	21,013	22,601
Contracts measured under PAA	2,407	2,953	3,794	4,553	5,463	6,556
Insurance service expenses	**(12,104)**	**(13,205)**	**(14,455)**	**(16,080)**	**(17,634)**	**(19,417)**
Contracts not measured under PAA:	(9,775)	(10,256)	(10,699)	(11,827)	(12,530)	(13,293)
Contracts measured under PAA	(2,329)	(2,949)	(3,756)	(4,253)	(5,103)	(6,124)
Net expenses from reinsurance contracts held	(286)	(418)	(391)	(437)	(480)	(528)
Insurance service results	**5,124**	**5,691**	**6,772**	**7,611**	**8,363**	**9,212**
Net finance (expenses)/income from insurance contracts	(10,512)	(6,743)	(15,467)	(17,035)	(18,612)	(20,318)
Net investment results	**3,581**	**3,528**	**3,342**	**3,648**	**3,861**	**4,087**
Other expenses	(1,451)	(1,439)	(1,488)	(1,533)	(1,579)	(1,626)
Other results	**(1,472)**	**(1,455)**	**(1,560)**	**(1,607)**	**(1,655)**	**(1,705)**
Operating profit before tax	**7,235**	**7,751**	**8,552**	**9,650**	**10,567**	**11,591**
Income taxes	(1,007)	(1,119)	(1,381)	(1,557)	(1,705)	(1,871)
Operating profit after tax	6,228	6,632	7,171	8,092	8,862	9,721
Operating profit attributable to shareholders	**6,213**	**6,605**	**7,136**	**8,053**	**8,818**	**9,673**
Net profit	3,781	6,853	6,267	6,704	7,405	8,192
Net profit attributable to shareholders	**3,764**	**6,836**	**6,234**	**6,669**	**7,366**	**8,149**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US$ mn)						
ASSETS						
Intangible assets	3,615	3,478	3,680	3,754	3,829	3,906
Investments in associates and joint ventures	1,331	1,710	2,062	2,145	2,232	2,322
Property	4,058	4,447	4,700	4,794	4,891	4,989
Investment property	4,504	4,570	4,508	4,690	4,880	5,077
Insurance contract assets	1,457	972	866	909	955	1,003
Reinsurance contract assets	6,047	5,730	7,893	8,288	8,702	9,137
Financial investments:	**248,958**	**272,151**	**307,259**	**332,517**	**359,844**	**389,408**
At amortized cost:	5,888	6,169	6,973	7,546	8,166	8,837
At fair value through other comprehensive income:	88,612	98,289	106,281	115,018	124,470	134,696
At fair value through profit or loss:	154,458	167,693	194,005	209,953	227,207	245,874
Deferred tax assets	301	549	525	536	546	557
Current tax recoverable	207	219	219	223	228	232
Other assets	4,316	3,527	4,102	4,184	4,269	4,354
Cash and cash equivalents	11,525	8,101	9,609	10,393	11,241	12,158
Assets in disposal group held for sale	0	0	0	0	0	0
Total assets	**286,319**	**305,454**	**345,423**	**372,434**	**401,616**	**433,145**
LIABILITIES						
Insurance contract liabilities	203,271	221,412	256,480	285,931	318,071	353,160
Investment contract liabilities	9,170	6,967	7,560	8,335	9,189	10,131
Borrowings	11,800	13,329	14,245	15,705	17,315	19,090
Obligations under repurchase agreements	3,461	4,616	5,910	6,149	6,397	6,656
Derivative financial instruments	8,035	8,615	5,664	5,893	6,131	6,379
Provisions	174	202	235	244	254	265
Deferred tax liabilities	3,204	4,116	4,647	4,835	5,030	5,233
Current tax liabilities	387	220	404	420	437	455
Other liabilities	4,887	4,909	6,328	(1,841)	(11,428)	(22,466)
Liabilities in disposal group held for sale	0	0	0	0	0	0
Total liabilities	**244,725**	**264,641**	**301,815**	**326,052**	**351,821**	**379,374**
EQUITIES						
Share capital	14,176	14,183	14,218	14,272	14,331	14,396
Retained profits	44,333	44,691	46,223	48,517	51,421	54,858
Total shareholders' equity	**41,111**	**40,490**	**43,245**	**45,978**	**49,345**	**53,270**
Non-controlling interests	483	323	363	405	450	501
Total equity	**41,594**	**40,813**	**43,608**	**46,382**	**49,796**	**53,771**
Total liabilities & equity	**286,319**	**305,454**	**345,423**	**372,434**	**401,616**	**433,145**

PER SHARE DATA	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
DPS	0.21	0.22	0.25	0.27	0.30	0.33
Operating EPS, basic (US$)	0.54	0.60	0.68	0.78	0.86	0.96
Operating EPS, diluted (US$)	0.54	0.60	0.68	0.78	0.86	0.96
Consensus EPS	n.a	n.a	n.a	0.77	0.85	0.96
Group embedded value/share (US$)	5.92	6.37	7.31	8.36	9.47	10.75
VNB/share (US$)	0.36	0.44	0.53	0.61	0.70	0.80
No. of shares basic	11,399	10,832	10,507	10,353	10,230	10,122
PROFITABILITY	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Operating ROE	14.5%	14.8%	15.5%	16.5%	17.0%	17.6%
VNB margin (ANP basis)	52.6%	54.5%	58.5%	57.8%	58.5%	59.1%
VALUATION	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
P/Embedded value (x)	1.6	1.5	1.3	1.1	1.0	0.9
P/B (x)	2.6	2.5	2.3	2.1	1.9	1.8
P/OPAT(x)	17.2	15.6	13.7	11.9	10.8	9.7
Dividend yield (%)	2.2	2.4	2.7	2.9	3.2	3.5
Dividend payout (%)	38.4	37.7	36.6	34.9	34.7	34.4

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets. | Note: stock price data quoted by market close on Aug 12, 2026 (Wed).

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BUY	: Stock with potential return of over 15% over next 12 months
HOLD	: Stock with potential return of +15% to -10% over next 12 months
SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM
OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
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