20 Aug 2026

CMB International Global Markets | Equity Research | Company Flash Note

AIA Group Ltd. (1299 HK)

1H26 first take: VONB largely in line; OPAT lift a slight beat, with no additional 2H26 buyback

FLASH

AIA reported 1H26 results, with **Group VONB** rising 10%/13% YoY (CER/AER) to US$3,212mn, translating into 7% YoY growth (CER) in 2Q26 (vs. 1Q26: +13%). The Group VONB print was 2%/1% below our estimate of US$3,265mn (*link*) and Bloomberg consensus of US$3,254bn. **Group OPAT** grew 11%/15% YoY (CER/AER) to US$4,163mn in 1H26, 3%/6% above our estimate of US$4,057mn/BBG consensus of US$3,935mn. **OPAT/share** edged up 13%/18% YoY (CER/AER) to US$0.40 in 1H26, slightly ahead of our estimate of US$0.39 and outpacing mgmt. guidance of 9%-11% annual CAGR target in FY23-26E. **Underlying free surplus generation (UFSG)/Net FSG** grew 8%/10% YoY (CER) to US$3.9bn/US$2.8bn, or 10%/12% YoY per share in 1H26, leading the **shareholder capital ratio (TSR)** to 210%, down 11pct HoH. The interim DPS grew 10% YoY to HK$0.54, with no additional buyback budget announced for 2H26 as we expected, given that the insurer reviews its capital mgmt. policy on basis of annual net FSG results. We maintain our total shareholder return (TSR) estimate over the next 12 months at ~4.0% (3.1% dividend + 0.9% buyback). Maintain BUY with our TP unchanged at HK$112.

Key highlights:

- **1H VONB geographic diversification:** 1) **HK VONB** grew 10% YoY (CER) to US$1.17bn, lower than our estimate of US$1.21bn (+14% YoY), with the domestic/MCV segment's VONB was up 23%/broadly stable YoY against a high base. VONB margin was 72%, up 6.2pct YoY, reflecting a high-quality product focus. 2) **AIA China's VONB** was up 20% YoY (CER) to US$937mn (vs *CMBI est: +20% YoY, CER*), mainly supported by 30% YoY increase of ANP offset by a 4.5pct YoY dip in margin, given higher exposure to participating products. Bancassurance VONB was down 6% YoY in 1H26, largely in-line, due to more intensified competitions amid tightening regulatory rules. VONB from the nine new regions reached US$103mn (11% mix), up 69% YoY, outpacing the 40% CAGR target. 3) **AIA TH VONB** fell 6% YoY (CER) to US$514mn (*vs. CMBI est: -7% YoY*), with margin normalized to 96.9% in 1H26 (vs. 1H25/FY25: 116%/111%), in line with the guidance, for higher exposure to par & unit-linked (UL) products. 4) **AIA SG VONB** increased 10% YoY (CER) to US$294mn *(vs. CMBI est: +10% YoY)*, driven by robust demand for UL long-term savings products to the high-net-worth clients, partially offset by margin compression of 1.7pct YoY to 45.6%. 5) **AIA MY VONB** rose 10% YoY (CER) to US$232mn *(vs. CMBI est: +12% YoY),* with continued recovery in agency sales. 6) **Other Markets VONB** grew 7% YoY (CER) to US$260mn *(vs CMBI est: +18% YoY)*, with major highlights from India, Vietnam and the Philippines. In 1H26, TATA AIA (India's JV) VONB remained robust up in double-digit led by agency ANP.
- **OPAT/share growth outpacing the 9%-11% CAGR target.** OPAT per share grew 13%/18% YoY (CER/AER) to US$0.4/share in 1H26, driven by 1) robust CSM release of US$3.39bn (+8% YoY, CER); 2) positive operating variances (+18% YoY, CER); and 3) better net investment results up 6% YoY (CER). In 1H26, contractual service margin (CSM) grew 4% HoH to US$67.8bn in 1H26 *(CMBI est: US$69.1bn),* supported by new business contribution (+11%) and expected return on in-force. Operating margin was 15.2%, up 0.1pct YoY, and operating ROE reached a record 17.5%, up 2pct YoY driven by strong OPAT.
- **EV grew 5% HoH by VONB and positive investment variances.** Group EV grew 5% HoH to US$80.6bn in 1H26, driven by 1) 13% YoY increase in EV operating profit to US$6.6bn given solid VONB and positive operating variances; and 2) US$1.0bn investment return variances (vs. 1H25: a loss of US$1.4bn); Before the US$3,649mn shareholder capital returns, Group EV was up 8% HoH, and operating RoEV reached a record 18% in 1H26, up 2.2pct YoY.

Rating	**BUY**
Target Price	**HK$112.00**
Up/Downside	**53.4%**
Current Price	**HK$73.00**

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Related reports:

1. 2Q VONB moderate while OPAT on track; 3Q high base looms in AIA HK/China, Aug 13, 2026
2. Asia Insurance - Offshore insurance tax sell-off likely overdone, Aug 7, 2026
3. US$1.7bn buyback a +VE surprise; lift TP to HK$11, Mar 23, 2026
4. 1H25 review: Resilient VONB uptrend with optimistic outlook on China Growth Strategy, Aug 22, 2025
5. Decent VONB growth across ex-China markets; buybacks to complete faster than expected, May 2, 2025
6. 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
7. Robust VONB growth in-line; new buyback of US$1.6bn implying 6% total S/H returns, Mar 18, 2025
8. FY24 preview: OPAT back to growth trajectory; resilient VNB despite modest slowdown in 2H, Feb 24, 2025

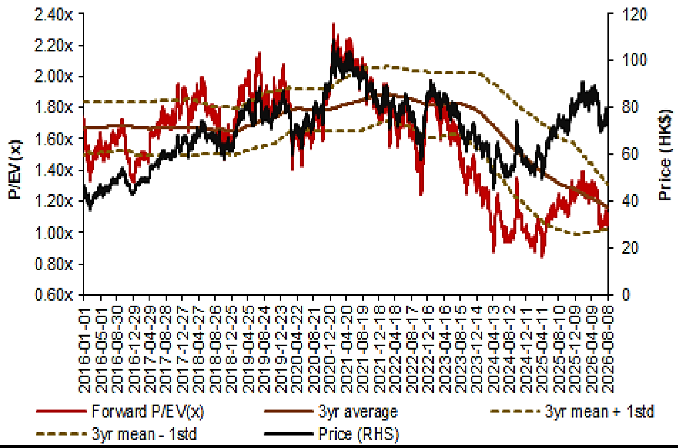
- **Completed US$3.6bn S/H returns; No additional buyback in 2H.** In 1H26, DPS grew 10% YoY to HK$0.54/share, resulting in US$1,906mn dividends. Including the completed US$1.7bn buyback, AIA has returned US3,649mn to shareholders. The Group did not announce additional buyback for 2H26E, in line with our expectation, which we think this could be already factored in the stock price, as AIA's capital mgmt. policy relies on its annual net FSG review.

What to watch in Analyst Briefing Call:

- The insurer will hold 1H26 analyst briefing call at 9:00-11:00am (HKT) on 20 Aug (Thu) through the webcast of: *https://aiagroup.zoom.us/webinar/register/WN_O_fowib2T-iBO6U0Zxq2vA#/registration*
- **Key market concerns may centre around:**
  1) AIA HK's VONB breakdown by domestic/MCV segment in 1H26;
  2) Cross-border new business sales outlook for the MCV segment in HK;
  3) Implications and implementation timeline for offshore insurance tax levies proposed by Chinese tax authorities;
  4) Trajectory of change for shareholder capital ratio (SCR) to balance between continued shareholder returns and the mgmt. guided SCR at >200%;
  5) Prospect of AIA China's bancassurance VONB growth on the backdrop of tightening regulatory oversight, and approvals on geographic expansions;
  6) Margin normalization in ASEAN markets and impact on VONB growth, etc.

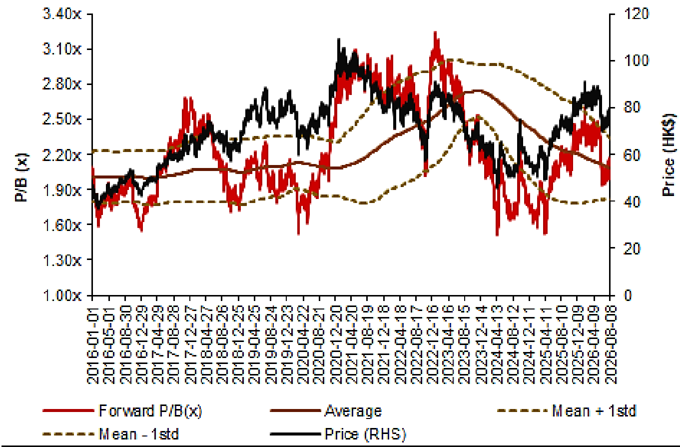
Focus Charts

Fig 1: AIA P/EV Valuation Band



Source: Bloomberg, CMBIGM estimates

Fig 2: AIA P/B Valuation Band



Source: Bloomberg, CMBIGM estimates

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