# AIA Group Ltd. (1299 HK)

## 3Q VONB high-base headwinds cleared; softer 4Q base sets the stage for recovery

**BUY (Maintain)**

| | |
|---|---|
| **Target Price** | **HK$112.00** |
| **Up/Downside** | **56.3%** |
| **Current Price** | **HK$71.65** |

AIA reported 3Q26 operating results. Group VONB declined 5%/4% YoY (CER/AER) in 3Q26 to US$1.42bn, slightly behind our estimate (*-4%/-3%, link*), mainly weighed by the strong comparatives in AIA China/HK specifically centering on sales in Jul-Aug 2025. In Sep, as the high-base effects faded, Group VONB returned to a positive growth trajectory by rising 25% YoY with the strong momentum expected to sustain in 4Q26. VONB of ex-Greater China markets grew 18% YoY (CER) in 3Q26, effectively offsetting the declines from HK and Chinese mainland markets reinforcing the strengths of AIA's geographical diversification strategy. VONB margin marked a positive surprise by up 5.3% pct YoY to 63.5% in 3Q26, recording the highest quarterly print post-pandemic thanks to favourable product mix shifts towards protection (46% of agency VNB) in Chinese mainland market. ANP slid 13% YoY to US$2.24bn in 3Q26 dragged by the slowdown in sales on high bases. **We maintain our view that the 3Q VONB weakness could be a one-off, as underlying momentum has remained resilient across markets, boosted by a Sep recovery and a softer base in 4Q25.** On the geographic front, AIA TH/SG's VONB exceeded our estimates, up 9%/22% YoY (vs. *CMBI est: -2%/+14%),* reflecting AIA's competitive edge in the ASEAN market amid a successful transition of AIA TH to mitigate the high-base impact from the critical illness repricing practice in 1Q25. **We expect Group VONB to rise 10% YoY (AER) in FY26E, implying a robust uplift of 21% YoY (AER) in 4Q26.** Maintain BUY, with our price target based on appraisal value at HK$112 (unchanged).

- **AIA China/HK 3Q high-base headwinds cleared; 4Q poised for a solid rebound.** AIA HK's VONB slid 3% YoY (CER) in 3Q26, in line with our forecast, dragged by a strong sales comparative in Jul 2025. The growth momentum rebounded in Aug-Sep 2026, with the two-month combined VONB up by 20% YoY (CER). In 3Q26, VONB from domestic segment stayed robust given a successful execution of the company's growth initiatives and that of the Chinese Mainland Visitor segment saw greater-than-expected resilience, as its quarterly VONB outgrew each quarter of 2024 by a double-digit percentage. AIA China's VONB declined 33% YoY (CER) in 3Q26, weighed by the high-base in sales while partially offset by a growing margin from a shift towards protection products (46% of agency VONB). We expect AIA HK/China's 4Q VONB growth to rebound on 1) 4Q base normalization; 2) resilient underlying momentum; 3) AIA China's product mix shifts towards protection underpinning margin expansion; and 4) strong 4Q growth push amid the ramp-up of the 2027 jumpstart sales.
- **Ex-Greater China markets led VONB growth in 3Q26.** VONB of the ex-Greater China markets grew 18% YoY (CER) in 3Q, offsetting the underwriting softness from AIA HK and mainland China. AIA TH's VONB grew 9% YoY (CER) in 3Q26, above our estimate (*CMBI est: -2%*) reflecting the market's solid underwriting demands from a successful product transition to a combination of traditional protections & unit-linked products at mix of 93%. With a rising proportion of UL products, we expect AIA TH's margin to slide YoY but to be overall stable HoH in FY26E. VONB from AIA SG/MY/ Other Markets grew 22%/10%/14% YoY in 3Q26 (vs. *CMBI est: +14%/+12%/+11%)* with strengths in India, Taiwan and Vietnam markets. We see AIA's competitive edge in ASEAN markets to sustain, with the region's VONB mix to arrive at 35% by FY26E.
- **Limited EV and Group shareholder capital ratio sensitivities to the US rate hike.** The Group estimates that a 50bps increase in the US interest rate would lead to an approx. 1% decline in Group EV, and a minimal uplift in the shareholder capital ratio, implying manageable impact to the Group's organic growth and shareholder returns.
- **Continuous southbound inflows underpin a share price rebound.** As of Oct 30, the southbound shareholding as a % of shares outstanding amounted to 4.95% (*Fig. 1*), implying a progressive increase from end-July 2026 (<2.8%). With an anticipated 4Q recovery, we expect the southbound inflows to accelerate on 1) a solid underlying momentum, 2) undemanding valuation, and 3) consistent OPAT-pegged dividends.
- **Valuation:** The stock is trading at 1.06x FY26E P/EV and 2.2x FY26E P/B, close to its 3yr historical average. We believe the 3Q high-base headwinds have cleared, and expect a 4Q VONB recovery on top of softer bases and intact underlying momentum. Maintain BUY with our TP at HK$112 (unchanged), which implies 1.7x FY26E P/EV.

**China Insurance**

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**Stock Data**

| | |
|---|---|
| Mkt Cap (HK$ mn) | 776,112.8 |
| Avg 3 mths t/o (HK$ mn) | 2,219.9 |
| 52w High/Low (HK$) | 90.95/68.80 |
| Total Issued Shares (mn) | 10832.0 |

Source: FactSet

**Shareholding Structure**

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

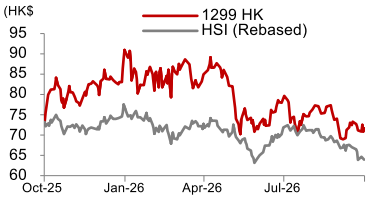
Source: HKEx

**Share Performance**

| | Absolute | Relative |
|---|---|---|
| 1-mth | -3.0% | 3.6% |
| 3-mth | -8.3% | 3.1% |
| 6-mth | -15.7% | -4.1% |

Source: FactSet

**12-mth Price Performance**




Source: FactSet

**Auditor: PwC**

**Related reports:**

1. Expect a moderate decline in 3Q VONB; southbound inflows underpin recent share price, Oct 16, 2026
2. 1H26 first take: VONB largely in line; OPAT lift a slight beat, with no additional 2H26 buyback, Aug 20, 2026
3. 2Q VONB moderate while OPAT on track; 3Q high base looms in AIA HK/China, Aug 13, 2026
4. Asia Insurance - Offshore insurance tax sell-off likely overdone, Aug 7, 2026
5. US$1.7bn buyback a +VE surprise; lift TP to HK$112, Mar 23, 2026
6. 1H25 review: Resilient VONB uptrend with optimistic outlook on China Growth Strategy, Aug 22, 2025
7. Decent VONB growth across ex-China markets; buybacks to complete faster than expected, May 2, 2025

## Earnings Summary

| (YE 31 Dec) | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Operating EPS (diluted, US$)** | 0.60 | 0.68 | 0.79 | 0.88 | 0.97 |
| **Consensus EPS (US$)** | n.a | n.a | 0.78 | 0.86 | 0.97 |
| **P/B (x)** | 2.4 | 2.2 | 2.2 | 2.1 | 2.1 |
| **P/Embedded value (x)** | 1.4 | 1.2 | 1.1 | 1.0 | 0.9 |
| **Dividend yield (%)** | 2.5 | 2.7 | 3.0 | 3.3 | 3.6 |
| **ROE (%)** | 14.8 | 15.5 | 16.4 | 16.4 | 16.1 |

Source: Company data, Bloomberg, CMBIGM estimates | Note: the stock price data quoted by market close on Oct 30 (Fri), 2026.

8. 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

- **Key risks:** 1) Weaker-than-expected new business sales across operating markets; 2) faster- and stricter-than-expected offshore insurance taxes; 3) heightened cross-border regulatory scrutiny and capital controls; 4) margin deterioration on increasing medical inflation or negative economic shocks; 5) lower-than-expected transfer of distributable earnings from in-force to free surplus; and 6) prolonged low interest yield in mainland China, continued US treasury sell-off, and significant equity market volatilities and forex movements, etc.
- **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 at 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.

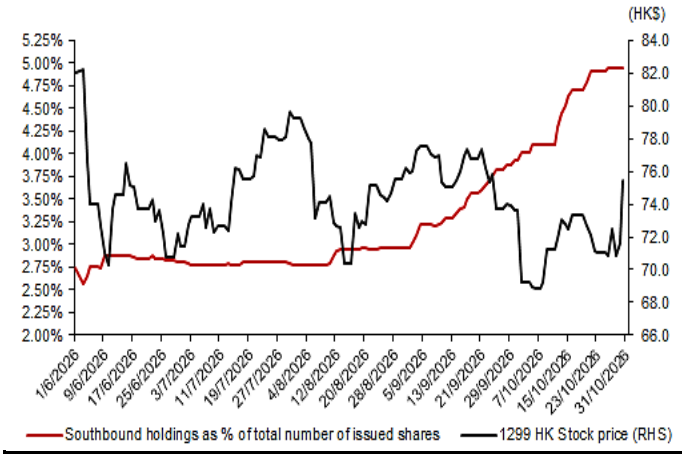
## 3Q25/26 VONB growth by operating markets

| VONB YoY% growth: | 3Q25 (reported) | 3Q26 (reported) | 9M26 (reported) |
|---|---|---|---|
| AIA China | *27%* | *-33%* | |
| AIA HK | *40%* | *-3%* | |
| AIA TH | *20%* | *9%* | |
| AIA SG | - | *22%* | |
| AIA MY | - | *10%* | |
| AIA Other Markets | - | *14%* | |
| **Group VONB (CER)** | ***25%*** | ***-5%*** | ***5%*** |
| **Group VONB (AER)** | ***27%*** | ***-4%*** | ***7%*** |
| **Foreign exchange effect** | ***2pct*** | ***1pct*** | ***2pct*** |

Source: Company data, CMBIGM estimates | Note: All VONB growth data was based on the company disclosure on a CER basis.

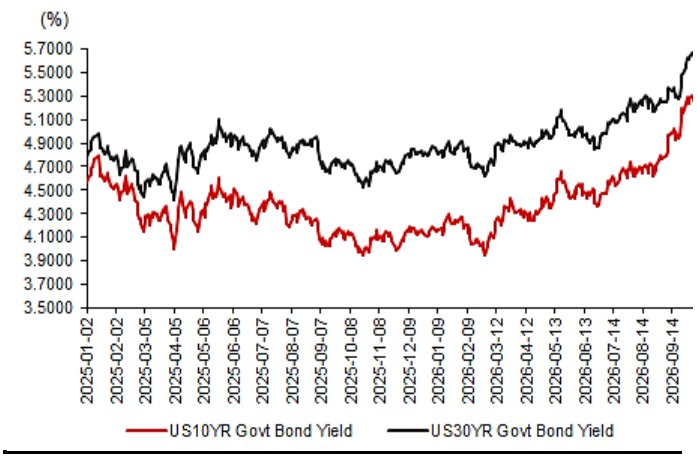
# Focus Charts

### Fig.1:Southbound shareholding as a % of total shares



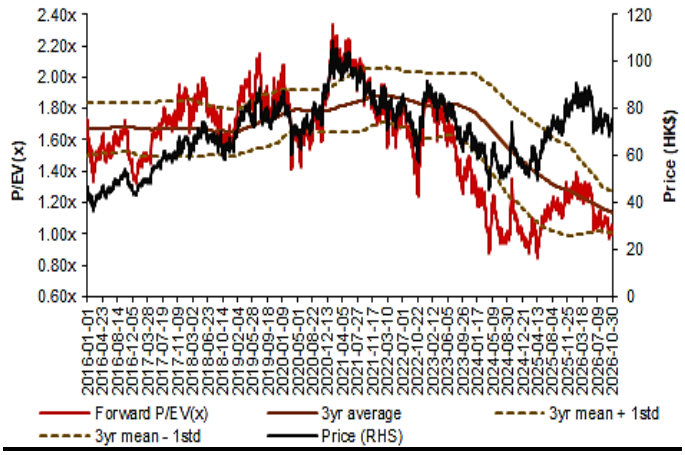

Source: HKEx, Wind, CMBIGM | Note: Data quoted by market close on Oct 30 (Fri), 2026.

### Fig. 2: US 10YR/30YR Govt. bond yield (%)



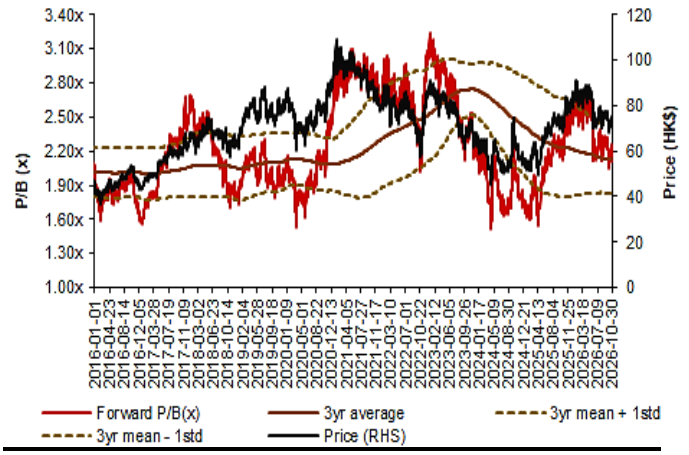

Source: Bloomberg, CMBIGM | Note: Data quoted by market close on Oct 30 (Fri), 2026

### Fig. 3: AIA (1299 HK) - P/EV(x) valuation band




Source: Bloomberg, Company data, CMBIGM estimates | Note: Stock price data quoted by market close on Oct 30 (Fri), 2026.

### Fig. 4: AIA (1299 HK) - P/B(x) valuation band




Source: Bloomberg, Company data, CMBIGM estimates | Note: Stock price data quoted by market close on Oct 30 (Fri), 2026.

### Fig 5: Equity index performance by operating markets

| | 1Q25 | 2Q25 | 3Q25 | 4Q25 | 1Q26 | 2Q26 | 3Q26 |
|---|---|---|---|---|---|---|---|
| CN - CSI 300 Index | -1.2% | 1.3% | 17.9% | -0.2% | -3.9% | 11.9% | -12.5% |
| HK - HSI Index | 15.3% | 4.1% | 11.6% | -4.6% | -3.3% | -7.7% | 7.6% |
| TH - SET Index | -17.3% | -5.9% | 16.9% | -1.1% | 15.0% | 9.9% | -2.0% |
| SG - STI Index | 4.9% | -0.2% | 8.5% | 8.0% | 5.1% | 5.8% | 9.8% |
| MY - KLCI Index | -7.8% | 1.3% | 5.1% | 4.2% | 0.6% | -1.6% | -0.8% |
| **Other markets:** | | | | | | | |
| Indonesia - JKSE Index | -8.0% | 6.4% | 16.4% | 7.3% | -18.5% | -19.9% | 7.6% |
| Philippines - PSEI Index | -5.3% | 3.0% | -6.5% | 1.7% | -1.7% | 1.5% | -5.9% |
| Vietnam - VNI Index | 3.2% | 5.3% | 20.8% | 7.4% | -6.2% | 11.1% | -4.9% |
| Australia - ASX200 Index | -3.9% | 8.9% | 3.9% | -1.4% | -3.1% | 3.6% | 0.0% |
| New Zealand - NZX 50 Index | -6.4% | 2.7% | 5.5% | 1.9% | -4.7% | 5.5% | 1.6% |
| FTSE APAC ex Japan Index | 0.3% | 11.6% | 9.1% | 3.4% | -1.1% | 22.3% | -0.9% |
| **AIA stock price return (%)** | **4.1%** | **20.1%** | **6.0%** | **7.0%** | **6.2%** | **-15.8%** | **3.0%** |

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

### Fig. 6: Forex movements by major operating markets

| (Local FX per USD) | FY25 | 1H26 | 1Q26 | 2Q26 | 3Q26 YoY% | 3Q26 QoQ% |
|---|---|---|---|---|---|---|
| HK - HKD | 0.3% | 0.7% | 0.7% | 0.0% | 0.8% | 0.0% |
| TH - THB | -8.0% | 5.4% | 4.3% | 1.0% | 3.7% | 1.0% |
| SG - SGD | -5.4% | 0.6% | 0.3% | 0.3% | -1.0% | -1.4% |
| MY - MYR | -9.3% | 0.3% | -0.4% | 0.8% | -3.1% | 0.2% |
| CN - CNY | -4.2% | -2.9% | -1.2% | -1.8% | -5.8% | -1.2% |
| **Other markets:** | | | | | | |
| Indonesia - IDR | 3.6% | 7.2% | 1.9% | 5.2% | 7.3% | 0.0% |
| Philippines - PHP | 1.9% | 4.1% | 3.1% | 1.0% | 7.6% | 2.1% |
| Taiwan - TWD | -4.2% | 1.4% | 1.9% | -0.5% | 4.7% | 0.3% |
| South Korea - KRW | -2.2% | 7.9% | 6.3% | 1.6% | -3.6% | -13.0% |
| Australia - AUD | -7.0% | -2.8% | -2.6% | -0.2% | -5.4% | -1.4% |
| New Zealand - NZD | -2.8% | 1.3% | 0.4% | 0.9% | 2.9% | 0.8% |

Source: Bloomberg, CMBIGM | Note: Area in pink indicates US dollar depreciation against local currencies.

# Financial Summary

| INCOME STATEMENT | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|
| **YE 31 Dec (US$ mn)** | | | | | | |
| **Insurance revenue** | **17,514** | **19,314** | **21,618** | **24,048** | **26,064** | **28,349** |
| Contracts not measured under PAA: | 15,107 | 16,361 | 17,824 | 19,287 | 20,351 | 21,493 |
| Contracts measured under PAA | 2,407 | 2,953 | 3,794 | 4,761 | 5,713 | 6,856 |
| **Insurance service expenses** | **(12,104)** | **(13,205)** | **(14,455)** | **(15,975)** | **(17,337)** | **(18,897)** |
| Contracts not measured under PAA: | (9,775) | (10,256) | (10,699) | (11,424) | (12,089) | (12,600) |
| Contracts measured under PAA | (2,329) | (2,949) | (3,756) | (4,373) | (5,247) | (6,297) |
| Net expenses from reinsurance contracts held | (286) | (418) | (391) | (407) | (441) | (480) |
| **Insurance service results** | **5,124** | **5,691** | **6,772** | **7,666** | **8,287** | **8,973** |
| Net finance (expenses)/income from insurance contracts | (10,512) | (6,743) | (15,467) | (21,920) | (23,645) | (25,616) |
| **Net investment results** | **3,581** | **3,528** | **3,342** | **3,713** | **4,210** | **4,452** |
| Other expenses | (1,451) | (1,439) | (1,488) | (1,563) | (1,610) | (1,659) |
| **Other results** | **(1,472)** | **(1,455)** | **(1,560)** | **(1,667)** | **(1,716)** | **(1,768)** |
| **Operating profit before tax** | **7,235** | **7,751** | **8,552** | **9,714** | **10,781** | **11,657** |
| Income taxes | (1,007) | (1,119) | (1,381) | (1,475) | (1,641) | (1,775) |
| Operating profit after tax | 6,228 | 6,632 | 7,171 | 8,238 | 9,140 | 9,883 |
| **Operating profit attributable to shareholders** | **6,213** | **6,605** | **7,136** | **8,195** | **9,091** | **9,830** |
| Net profit | 3,781 | 6,853 | 6,267 | 8,896 | 10,125 | 10,919 |
| **Net profit attributable to shareholders** | **3,764** | **6,836** | **6,234** | **8,853** | **10,076** | **10,866** |

| BALANCE SHEET | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|
| **YE 31 Dec (US$ mn)** | | | | | | |
| **ASSETS** | | | | | | |
| Intangible assets | 3,615 | 3,478 | 3,680 | 3,648 | 3,721 | 3,796 |
| Investments in associates and joint ventures | 1,331 | 1,710 | 2,062 | 2,101 | 2,186 | 2,274 |
| Property | 4,058 | 4,447 | 4,700 | 4,729 | 4,824 | 4,921 |
| Investment property | 4,504 | 4,570 | 4,508 | 4,573 | 4,757 | 4,950 |
| 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** | **335,775** | **363,362** | **393,209** |
| At amortized cost: | 5,888 | 6,169 | 6,973 | 7,620 | 8,246 | 8,924 |
| At fair value through other comprehensive income: | 88,612 | 98,289 | 106,281 | 116,145 | 125,687 | 136,011 |
| At fair value through profit or loss: | 154,458 | 167,693 | 194,005 | 212,010 | 229,429 | 248,274 |
| Deferred tax assets | 301 | 549 | 525 | 498 | 508 | 518 |
| Current tax recoverable | 207 | 219 | 219 | 161 | 164 | 167 |
| Other assets | 4,316 | 3,527 | 4,102 | 4,974 | 5,074 | 5,176 |
| Cash and cash equivalents | 11,525 | 8,101 | 9,609 | 8,094 | 8,755 | 9,469 |
| Assets in disposal group held for sale | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total assets** | **286,319** | **305,454** | **345,423** | **373,749** | **403,009** | **434,620** |
| | | | | | | |
| **LIABILITIES** | | | | | | |
| Insurance contract liabilities | 203,271 | 221,412 | 256,480 | 292,913 | 332,606 | 375,596 |
| Investment contract liabilities | 9,170 | 6,967 | 7,560 | 7,792 | 8,591 | 9,471 |
| Borrowings | 11,800 | 13,329 | 14,245 | 14,587 | 16,082 | 17,730 |
| Obligations under repurchase agreements | 3,461 | 4,616 | 5,910 | 7,410 | 7,710 | 8,021 |
| Derivative financial instruments | 8,035 | 8,615 | 5,664 | 3,844 | 4,000 | 4,161 |
| Provisions | 174 | 202 | 235 | 233 | 242 | 252 |
| Deferred tax liabilities | 3,204 | 4,116 | 4,647 | 4,174 | 4,342 | 4,518 |
| Current tax liabilities | 387 | 220 | 404 | 736 | 766 | 797 |
| Other liabilities | 4,887 | 4,909 | 6,328 | (2,274) | (15,813) | (30,679) |
| Liabilities in disposal group held for sale | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total liabilities** | **244,725** | **264,641** | **301,815** | **329,860** | **359,032** | **390,439** |
| | | | | | | |
| **EQUITIES** | | | | | | |
| Share capital | 14,176 | 14,183 | 14,218 | 14,286 | 14,360 | 14,441 |
| Retained profits | 44,333 | 44,691 | 46,223 | 50,707 | 56,305 | 62,441 |
| **Total shareholders' equity** | **41,111** | **40,490** | **43,245** | **43,534** | **43,656** | **43,897** |
| Non-controlling interests | 483 | 323 | 363 | 355 | 321 | 284 |
| **Total equity** | **41,594** | **40,813** | **43,608** | **43,889** | **43,977** | **44,181** |
| **Total liabilities & equity** | **286,319** | **305,454** | **345,423** | **373,749** | **403,009** | **434,620** |

| PER SHARE DATA | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|
| **YE 31 Dec** | | | | | | |
| DPS (US$) | 0.21 | 0.22 | 0.25 | 0.27 | 0.30 | 0.33 |
| Operating EPS, basic (US$) | 0.54 | 0.60 | 0.68 | 0.79 | 0.88 | 0.97 |
| Operating EPS, diluted (US$) | 0.54 | 0.60 | 0.68 | 0.79 | 0.88 | 0.97 |
| Consensus EPS (US$) | n.a | n.a | n.a | 0.78 | 0.86 | 0.97 |
| Group embedded value/share (HK$) | 5.92 | 6.37 | 7.31 | 8.28 | 9.19 | 10.21 |
| VNB/share (HK$) | 0.36 | 0.44 | 0.53 | 0.59 | 0.67 | 0.76 |
| No. of shares outstanding, basic (mn) | 11,399 | 10,832 | 10,507 | 10,354 | 10,232 | 10,124 |
| **PROFITABILITY** | **2023A** | **2024A** | **2025A** | **2026E** | **2027E** | **2028E** |
| **YE 31 Dec** | | | | | | |
| DPS (US$) | 14.5% | 14.8% | 15.5% | 16.4% | 16.4% | 16.1% |
| Operating EPS, basic (US$) | 52.6% | 54.5% | 58.5% | 57.8% | 58.4% | 59.1% |
| **VALUATION** | **2023A** | **2024A** | **2025A** | **2026E** | **2027E** | **2028E** |
| **YE 31 Dec** | | | | | | |
| P/Embedded value (x) | 1.6 | 1.4 | 1.3 | 1.1 | 1.0 | 0.9 |
| P/B (x) | 2.6 | 2.5 | 2.2 | 2.2 | 2.2 | 2.1 |
| P/OPAT (x) | 17.1 | 15.5 | 13.7 | 11.7 | 10.5 | 9.6 |
| Dividend yield (%) | 2.2 | 2.4 | 2.7 | 3.0 | 3.2 | 3.6 |

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets. | Note: stock price data quoted by market close on Oct 30, 2026 (Fri).

# Disclosures & Disclaimers

## Analyst Certification

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## CMBIGM Ratings

| | |
|---|---|
| **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 |
| **MARKET-PERFORM** | : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months |
| **UNDERPERFORM** | : Industry expected to underperform the relevant broad market benchmark over next 12 months |

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