

AIA Group Ltd. (1299 HK)

Decent VONB growth across ex-China markets; buybacks to complete faster than expected

AIA reported decent 1Q25 growth with VONB up by 13% YoY (CER) on top of a high prior-year base (1Q24: +31%), driven by both margin expansion (+3pct) and ANP increase (+7%). VONB margin jumped to 57.5%, a quarter high since FY22, thanks to progressive shift in product mix to participating-type long-term savings offset by the change of economic assumptions by end-FY24. The rise of new business CSM (+16%) outgrew VONB for the first time (+13%), boding well for a profitable stock of future earnings to propel for Group OPAT growth. Agency VONB edged up 21% YoY to US\$1.22bn (75% mix), of which we think AIA TH and HK could be the main drivers. Partnership VONB grew 2% YoY to US\$0.4bn, dragged by the decline in HK's IFA and China's bancassurance amid intense competition and regulatory tightening. By markets, AIA HK/TH/Other markets achieved robust VONB growth in 1Q, whereas CN was affected by the EV assumption change at end-FY24 against a high base, and Malaysia was tugged by the slowdown in agency recruitment. [The US\\$1.6bn buyback commenced on Apr. 14](#) is expected to complete over three months, faster than previously planned within the year, showcasing AIA's emphasis on S/H return. We estimate total shareholder return to be 6.2% in FY25E, with dividend/buyback yields at 3.3%/2.9% and 11% OPAT per share CAGR in FY23-26E. Maintain BUY, with TP (unchanged) at HK\$89.0 based on appraisal value, implying 1.6x FY25 P/EV.

■ **VONB grew amid diversifications.** Group VONB jumped 13% YoY (CER) to US\$1.5bn in 1Q25, thanks to margin expansion by 3pct to 57.5% and a 7% rise in ANP. Agency VONB rose in sales momentum of traditional and participating products to US\$1.22bn (75% mix), up 21% YoY. Partnership VONB growth retreated to 2% (vs 1Q24: +70%), affected by falling China bancassurance and HK IFA VONB amid intensified competition. If excluding China, bancassurance VONB elevated 21% YoY in 1Q25. For CN, VONB grew 8% like-for-like prior to the assumption adjustments, a beat to our expectation, as we concerned on margin pressure and a high base (1Q24: +38%). CN VONB slid 7% YoY on an actual basis. HK VONB lifted 16% YoY with domestic and MCV segments rising on balance. Thailand VONB accelerated in 1Q25 as clients rushed to purchase individual medical insurance ahead of the co-payment initiative that took effect from Mar 20. Malaysia VONB grew in bancassurance offset by a slowdown in agency. We expect VONB to rise in mid-teens in FY25E with a steady margin.

■ **Share buybacks to complete earlier than expected.** The US\$1.6bn buyback commenced on Apr 14, 2025 announced to finish by FY25 in meeting of annual results. In Apr, the insurer updated to [complete the program over three months](#), meaning the total will be used up by July. We reckon that US\$281mn has been used YTD, with average daily buyback amount at US\$28.2mn (8.7% of 30-day ADT) implying a repurchase acceleration could potentially take effect from now on. **Investors eye on additional buybacks, if any, to be announced in 1H25, yet we think this may not follow suit**, as the insurer focuses on the net FSG for capital mgmt. which already factored in the US\$1.6bn buybacks. **Additional capital returns would consume the free surplus, and drag shareholder capital ratio (SCR) to slide more from the pro-forma 223% by end-FY24.**

■ **Valuation:** The stock is trading at 1.05x FY25E P/EV and 1.65x FY25E P/B, with 15% forward 3yr operating ROE (CMBI est). We remain positive on AIA's profitable new business growth translating into Group OPAT. Maintain BUY, with TP (unchanged) at HK\$89 on appraisal value, implying 1.6x FY25E P/EV.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
OPAT (US\$ mn)	6,213	6,605	6,816	7,398	8,053
Operating EPS (US\$)	0.54	0.60	0.66	0.73	0.81
Consensus EPS (US\$)	n.a	n.a	0.66	0.72	0.81
P/B (x)	2.1	2.0	1.7	1.4	1.2
P/Embedded value (x)	1.3	1.2	1.1	1.0	0.9
Dividend yield (%)	2.8	3.0	3.3	3.6	4.0
ROE (%)	14.5	16.2	15.7	15.0	14.1

Source: Company data, Bloomberg, CMBIGM estimates | Note: stock price by market close on Apr 30.

BUY (Maintain)

Target Price HK\$89.00
Up/Downside 53.2%
Current Price HK\$58.10

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Stock Data

Mkt Cap (HK\$ mn)	629,339.2
Avg 3 mths t/o (HK\$ mn)	2,550.5
52w High/Low (HK\$)	74.55/49.95
Total Issued Shares (mn)	10832.0

Source: FactSet

Shareholding Structure

Bank of New York Mellon Corp.	9.9%
JPMorgan Chase & Co.	6.7%

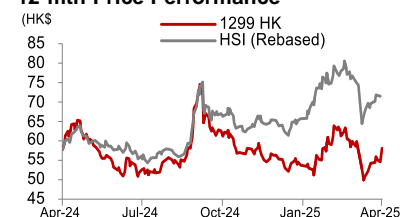
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-0.9%	3.6%
3-mth	7.1%	-2.1%
6-mth	-5.5%	-13.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Auditor: PricewaterhouseCoopers

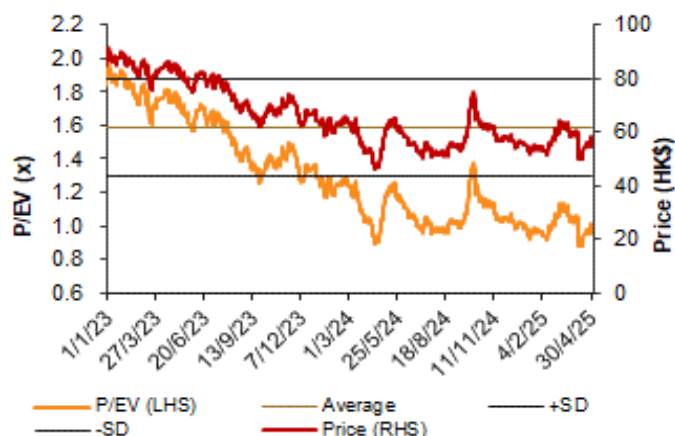
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Key risks: 1) prolonged interest rate down-cycle across operating markets; 2) heightened FX movements and equity market volatilities; and 3) worse-off operating variances, etc.

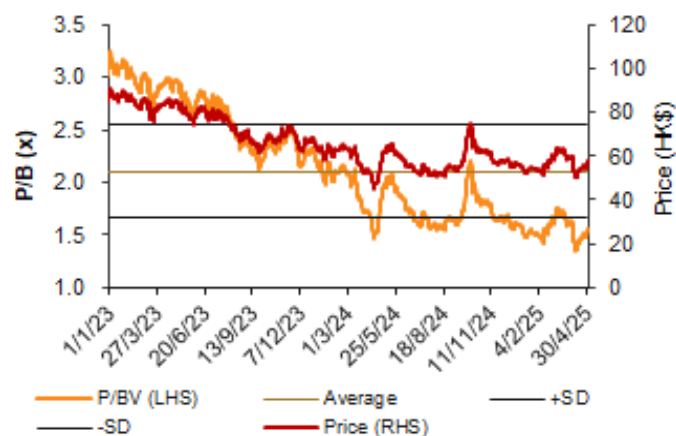
Focus Charts

Figure 1: AIA's P/EV valuation band vs stock price



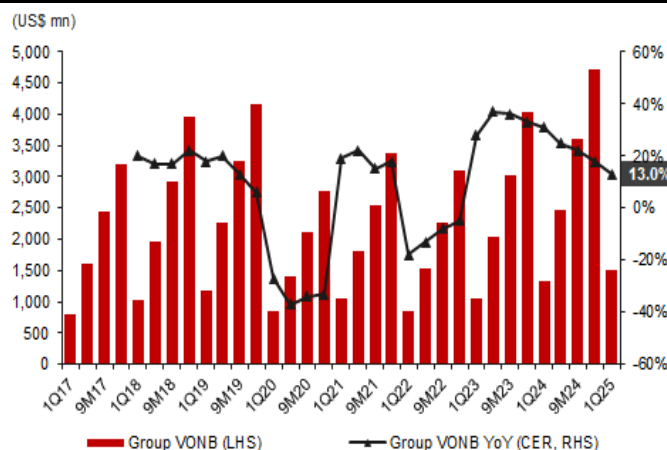
Source: Company data, CMBIGM estimates

Figure 2: AIA's P/B valuation band vs stock price



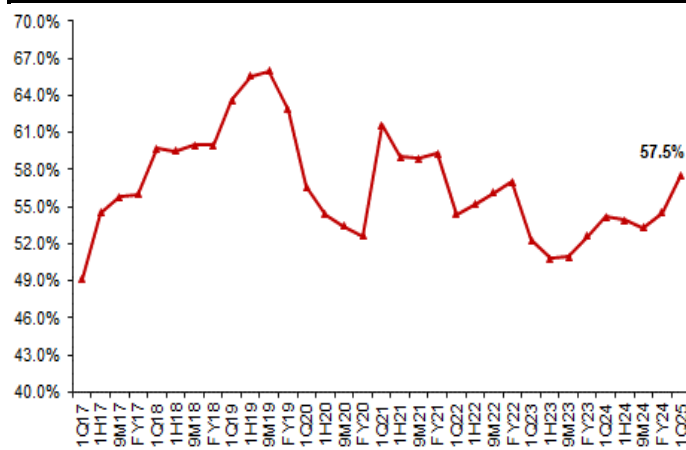
Source: Company data, CMBIGM estimates

Figure 3: AIA Group VONB & YoY (CER basis)



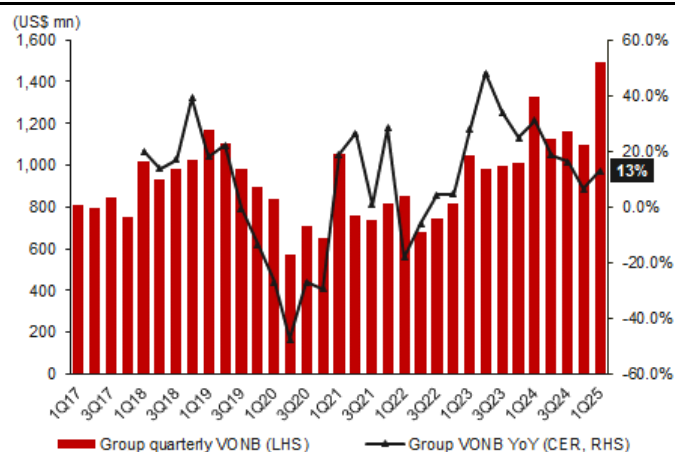
Source: Company data, CMBIGM estimates | Note: CER stands for constant exchange rates.

Figure 4: AIA Group VONB margin (ANP basis)



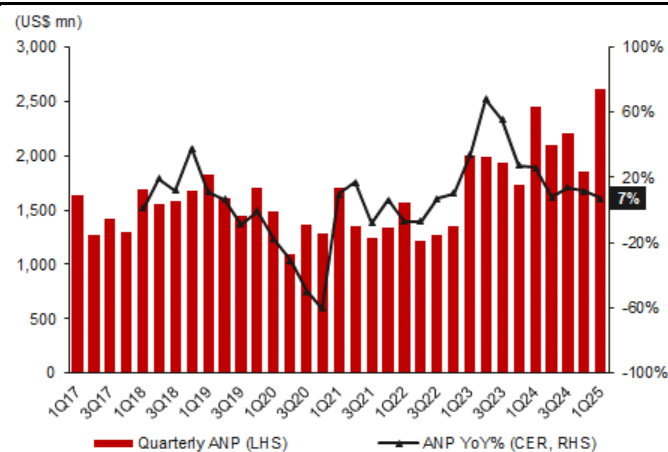
Source: Company data, CMBIGM estimates times

Figure 5: AIA quarterly VONB & YoY (CER basis)



Source: Company data, CMBIGM estimates | Note: CER stands for constant exchange rates.

Figure 6: AIA quarterly ANP & YoY (CER basis)



Source: Company data, CMBIGM estimates | Note: ANP represents 100% of annualised first year premiums and 10% of single premiums, before reinsurance ceded and excluding pension business.

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Insurance revenue	16,319	17,514	19,314	21,279	23,694	26,429
Contracts not measured under PAA:	14,524	15,107	16,361	17,735	19,442	21,326
Contracts measured under PAA	1,795	2,407	2,953	3,544	4,252	5,103
Insurance service expenses	(10,434)	(12,104)	(13,205)	(14,572)	(16,261)	(18,168)
Contracts not measured under PAA:	(8,869)	(9,775)	(10,256)	(11,116)	(12,114)	(13,191)
Contracts measured under PAA	(1,565)	(2,329)	(2,949)	(3,456)	(4,147)	(4,977)
Net expenses from reinsurance contracts held	(419)	(286)	(418)	(460)	(506)	(556)
Insurance service results	5,466	5,124	5,691	6,247	6,928	7,705
Net finance (expenses)/income from insurance contracts	31,122	(10,512)	(6,743)	(10,386)	(12,000)	(13,555)
Net investment results	3,597	3,581	3,528	3,292	3,369	3,413
Other expenses	(1,512)	(1,451)	(1,439)	(1,482)	(1,527)	(1,572)
Other results	(1,438)	(1,472)	(1,455)	(1,499)	(1,544)	(1,590)
Operating profit before tax	7,504	7,235	7,751	8,028	8,739	9,514
Income taxes	(1,050)	(1,007)	(1,119)	(1,184)	(1,311)	(1,427)
Operating profit after tax	6,454	6,228	6,632	6,844	7,428	8,087
Operating profit attributable to shareholders	6,421	6,213	6,605	6,816	7,398	8,053
Net profit	3,365	3,781	6,853	6,705	7,253	7,873
Net profit attributable to shareholders	3,331	3,764	6,836	6,689	7,235	7,854

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
ASSETS						
Intangible assets	3,277	3,615	3,478	3,548	3,619	3,692
Investments in associates and joint ventures	2,056	1,331	1,710	1,779	1,851	1,926
Property	2,844	4,058	4,447	4,536	4,628	4,721
Investment property	4,600	4,504	4,570	4,755	4,947	5,147
Insurance contract assets	2,037	1,457	972	1,021	1,072	1,125
Reinsurance contract assets	5,763	6,047	5,730	6,017	6,317	6,633
Financial investments:	232,711	248,958	272,151	294,547	321,890	348,361
At amortized cost	6,353	5,888	6,169	6,677	7,296	7,896
At fair value through other comprehensive income	86,060	88,612	98,289	106,377	116,253	125,813
At fair value through profit or loss	140,298	154,458	167,693	181,493	198,341	214,651
Deferred tax assets	229	301	549	560	571	583
Current tax recoverable	117	207	219	223	228	232
Other assets	4,524	4,316	3,527	3,598	3,670	3,744
Cash and cash equivalents	8,020	11,525	8,101	8,762	9,568	10,349
Assets in disposal group held for sale	4,293	0	0	0	0	0
Total assets	270,471	286,319	305,454	329,345	358,361	386,512
LIABILITIES						
Insurance contract liabilities	181,851	203,271	221,412	241,214	263,471	288,191
Investment contract liabilities	9,092	9,170	6,967	7,681	8,468	9,336
Borrowings	11,206	11,800	13,329	14,695	16,201	17,862
Obligations under repurchase agreements	1,748	3,461	4,616	4,802	4,997	5,198
Derivative financial instruments	8,638	8,035	8,615	8,963	9,325	9,702
Provisions	153	174	202	210	219	227
Deferred tax liabilities	3,409	3,204	4,116	4,282	4,455	4,635
Current tax liabilities	467	387	220	229	238	248
Other liabilities	4,264	4,887	4,909	446	(2,529)	(11,610)
Liabilities in disposal group held for sale	4,111	0	0	0	0	0
Total liabilities	225,323	244,725	264,641	282,802	305,149	324,122
EQUITIES						
Share capital	14,171	14,176	14,183	14,192	14,201	14,212
Retained profits	46,499	44,333	44,691	46,742	49,404	54,237
Total shareholders' equity	44,672	41,111	40,490	46,139	52,719	61,799
Non-controlling interests	476	483	323	405	494	590
Total equity	45,148	41,594	40,813	46,544	53,213	62,390
Total liabilities & equity	270,471	286,319	305,454	329,345	358,361	386,512

PER SHARE DATA	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
DPS (US\$)	0.20	0.21	0.22	0.25	0.27	0.30
EPS (Reported) (US\$)	0.54	0.54	0.60	0.66	0.73	0.81
Diluted EPS (US\$)	0.54	0.54	0.60	0.66	0.73	0.81
Consensus EPS (US\$)	n.a	n.a	n.a	0.66	0.72	0.81
Group embedded value/share (US\$)	5.85	5.92	6.38	7.15	7.80	8.57
VNB/share (US\$)	0.26	0.36	0.44	0.53	0.62	0.72
No. of shares basic (mn)	11,781	11,399	10,832	10,168	9,933	9,720
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Operating return on equity (%)	12.8%	14.5%	16.2%	15.7%	15.0%	14.1%
Operating RoEV (%)	9.0%	13.0%	14.9%	15.5%	16.2%	16.8%
VNB margin (ANP basis)	57.0%	52.6%	54.5%	55.8%	56.9%	58.0%
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/Embedded value (x)	1.3	1.3	1.2	1.1	1.0	0.9
P/B (x)	2.0	2.1	2.0	1.7	1.4	1.2
Dividend yield (%)	2.6	2.8	3.0	3.3	3.6	4.0
Dividend payout (Operating payout, %)	36.6	38.4	37.7	37.6	37.2	36.8

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets. | Note: stock price quoted by market close on 30/4/2025.

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