

# AIA Group Ltd. (1299 HK)

## FY24 preview: OPAT back to growth trajectory; resilient VNB despite modest slowdown in 2H

AIA's share price underperformed the market and CN insurers despite resilient VNB growth and a solid financial position underpinning attractive shareholder returns. The stock price fell 17.3% in FY24, lagging behind key benchmarks as HSI (+18%), CSI 300 (+15%) and FTSE APAC ex-Japan (+7%) ([Fig.1](#)). We attribute the market's under-appreciation of this regional top-player to 1) sustainable VNB growth in long run, and 2) whether such VNB momentum across segments could translate into a resilient uptrend in earnings, cash and shareholder return, incl. both dividends and buybacks. **We expect AIA's full-year VNB to rise 20% on a CER\* basis (or up 18% AER\*).** Group OPAT and EV could grow 7%/6% YoY in FY24, back to a healthy growth trajectory. Total shareholder return could rise to ~8% in FY24, with 3% on dividend and ~5% return on buybacks. On Feb 12, AIA finished the US\$12bn buyback program (initiated US\$10bn in Mar 2022 and added US\$2bn in Apr 2024), and **investors expect a new buyback to be announced in mid-Mar 2025, possibly during the FY24 earnings release.** We see potential fund inflows could be catalysed on sufficient shareholder returns. Maintain BUY, with TP unchanged at HK\$94.0 based on appraisal value approach, implying 1.6x FY25E P/EV.

■ **Full-year VNB up 20% despite a 2H slowdown by quarters.** We expect VNB of US\$4.77bn in FY24, up 20% on a CER basis (or up 18% AER), with 2H growth at 16% (CER), down from a 25% (CER) increase in 1H24. 4Q VNB could rise 14% YoY (CER), slightly down from 16% growth in 3Q24. We expect to see double-digit VNB growth in HK, mainland China and Other markets in 2H24, whereas the ASEAN markets, i.e., Thailand and Singapore, in face of a high base and weakening demands given the repricing of medical insurance product, could end up with single-digit growth in 2H24. AIA HK and AIA China should continue to be two key drivers of total VNB, which we expect to see a rise of 24%/24% (CER) in FY24, or 21%/19% (CER) in 2H24. For Other markets, TATA AIA Life (a JV in India) and Vietnam could return to positive growth, and we estimate the segment's VNB up 11%/21% (CER) in FY24/2H24.

■ **IFRS OPAT up 7% in FY24 underpins DPS to grow 11% YoY.** Group OPAT would return to an uptrend by rising 7% YoY (CER) in FY24, supported by a better insurance service result and improved investment. With accumulated profitable new business, we expect CSM release, the core contributor of OPAT, to grow 7.2% YoY in FY24, driving insurance revenue up 10% YoY. 2H24 equity returns outperformed 1H across major markets, with CN/SGN/HK/TH stock indices rising 14%/14%/13%/8% in 2H24 (vs 1H: +1%/3%/4%/-9%, [Fig.1](#)). Bond yields were mixed yet showed double-digit declines in 2H for most operating markets ([Fig.2](#)). OPAT per share would be up 10% YoY, thanks to the share buybacks. FY24 DPS would rise 11% YoY to US\$0.23, implying a 38.5% payout (+0.2pct).

■ **Shareholder return remains a key focus of mgmt. actions.** AIA finished the US\$12bn share buyback program on Feb 12, with a total of 1,409mn shares repurchased. We see the early finish of buyback (US\$2bn announced in Apr 2024 was set to finish in Apr 2025) augur well for the insurer's priority on shareholder returns, and arouse market expectation for a new program in mid-Mar. We expect >US\$3.5bn was used for buybacks in FY24, translating to ~5% S/H returns. Including dividends, we estimate total shareholder return will reach ~8% in FY24. Underlying free surplus generation (UFSG) of US\$6.7bn, up 11% YoY, could enhance the Group's capital position for incremental S/H paybacks. We factor in another US\$2bn buyback to be completed within one year in our model.

■ **Valuation.** The stock is trading at 1.0x FY25E P/EV, near the historical trough (vs 3yr/5yr avg. at 1.3x/1.5x, [Fig.4](#)), with FY24-26E operating ROE at above 16%. The stock trading was beta-driven, and yet **we think investors could be more convinced if long-term value growth were to sustain, and translate into solid capital and financial metrics to make room for further buybacks.** Maintain BUY, with TP at HK\$94.0, implying 1.6x FY25E P/EV and 9.0x NBM\*.

**BUY (Maintain)**

**Target Price** HK\$94.00  
**Up/Downside** 62.1%  
**Current Price** HK\$58.00

### Insurance (Regional)

#### Nika MA

(852) 3900 0805  
 nikama@cmbi.com.hk

### Stock Data

Mkt Cap (HK\$ mn)	627,515.0
Avg 3 mths t/o (HK\$ mn)	1,764.3
52w High/Low (HK\$)	74.55/46.00
Total Issued Shares (mn)	11399.0

Source: FactSet

### Shareholding Structure

Bank of New York Mellon Corp.	10.7%
JPMorgan Chase & Co.	7.7%

Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	0.4%	-11.4%
3-mth	-4.1%	-16.3%
6-mth	5.7%	-18.0%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

### Related Reports:

1. AIA Group (1299 HK) - FY23 VNB +33% in line; strong MCV momentum sustained to 1-2M24, Mar 18, 2024 ([link](#))
2. AIA Group (1299 HK) - AIA Group Ltd. (1299 HK) - 1H24 VNB beat with margin recovery; expect total >US\$7bn cash returns to shareholders in FY24, Aug 26, 2024 ([link](#))

## Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
OPAT (US\$ mn)	6,454	6,228	6,639	7,206	7,995
Operating EPS (US\$)	0.54	0.54	0.59	0.67	0.76
Consensus EPS (US\$)	n.a	n.a	0.60	0.67	0.75
VNB/share (US\$)	0.26	0.36	0.44	0.52	0.63
Group EV / share (US\$)	5.9	5.9	6.6	7.5	8.6
P/B (x)	1.9	2.0	1.9	1.7	1.5
P/Embedded value (x)	1.2	1.2	1.1	1.0	0.9
Dividend yield (%)	2.6	2.8	3.1	3.4	4.0
Operating ROE (%)	12.8	14.5	16.1	16.5	16.2

Source: Company data, Bloomberg, CMBIGM estimates | Note: Stock price data quoted by market close on Feb 21, 2025.

- **Key risks:** 1) geopolitical and macroeconomic volatilities; 2) weaker-than-expected new business momentum; 3) lower-than-anticipated margin expansion; 4) lagged provincial branch approvals by CN regulators; 5) significant FX movements, etc.
- The company will report FY24 annual results on Friday, Mar 14, pre-open, and the earnings call will be held at 9:00am (HKT) on the day through webcast ([link](#))

## Key Charts

**Fig 1: 2H equities outperformed 1H in most markets**

	1H24	2H24	FY24
CN - CSI 300 Index	0.9%	13.7%	14.7%
HK - HSI Index	3.9%	13.2%	17.7%
TH - SET Index	-8.1%	7.6%	-1.1%
SG - STI Index	2.9%	13.6%	16.9%
MY - KLCI Index	9.3%	3.3%	12.9%
<b>Other markets:</b>			
Indonesia - JKSE Index	-2.9%	0.2%	-2.7%
Philippines - PSEI Index	-0.6%	1.8%	1.2%
Vietnam - VNI Index	10.2%	1.7%	12.1%
Australia - ASX 200 Index	2.3%	5.1%	7.5%
New Zealand - NZX 50 Index	-0.5%	11.9%	11.4%
FTSE APAC ex Japan Index	6.9%	0.4%	7.3%
<b>AIA stock price return (%)</b>	<b>-22.1%</b>	<b>6.2%</b>	<b>-17.3%</b>

Source: Bloomberg, CMBIGM | Note: area in green implies the 2H equity returns higher than 1H.

**Fig 2: Bond yield movements mixed across markets**

(bps)	1H24	2H24	FY24
US	48	22	70
HK	31	20	51
CN	(36)	(53)	(89)
SG	50	(35)	15
TH	(0)	(42)	(42)
MY	(2)	(9)	(11)
<b>Other markets:</b>			
Indonesia	57	(3)	54
Philippines	59	(49)	10
Vietnam	49	23	73
South Korea	(8)	(57)	(64)
Australia	35	5	41

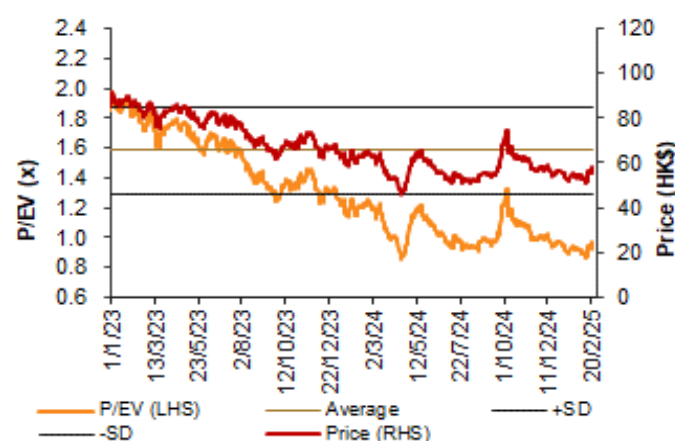
Source: Bloomberg, CMBIGM | Note: China, Malaysia and Thailand government bond yields were down 11-90bps; while others were up 10-70bps in FY24.

**Fig 3: FX change against US dollars across markets**

(Local FX per USD)	1H24	2H24	FY24
HK - HKD	0%	-1%	-1%
TH - THB	7%	-7%	0%
SG - SGD	3%	0%	3%
MY - MYR	3%	-5%	-3%
CN - CNY	2%	0%	3%
<b>Other markets:</b>			
Indonesia - IDR	6%	-2%	5%
Philippines - PHP	6%	-1%	4%
Taiwan - TWD	6%	1%	7%
South Korea - KRW	6%	7%	14%
Australia - AUD	3%	7%	10%
New Zealand - NZD	4%	9%	13%

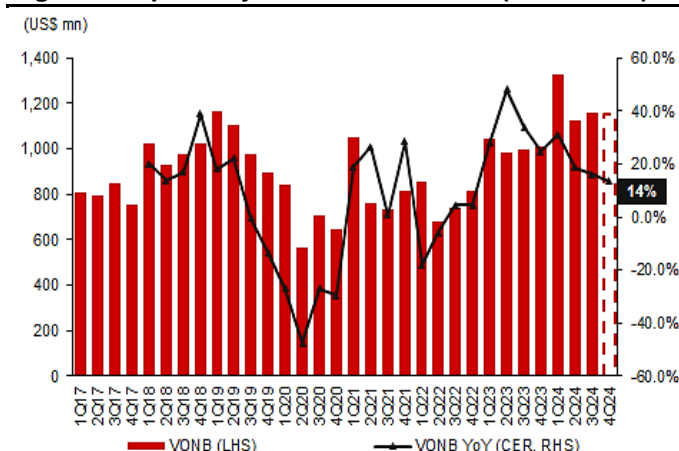
Source: Bloomberg, CMBIGM | Note: area marked in red means local currency appreciation versus US dollars during the period.

**Fig 4: AIA (1299 HK) - 12-month forward P/EV band**



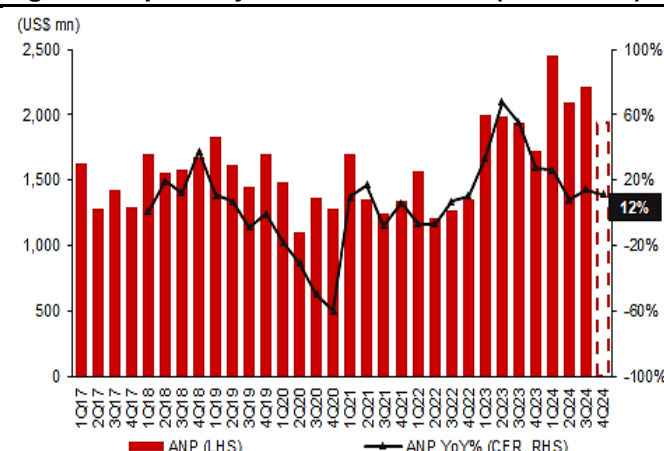
Source: Company data, Bloomberg, CMBIGM estimates

**Fig 5: AIA quarterly VNB & VNB YoY% (CER basis)**



Source: Company data, CMBIGM estimates

**Fig 6: AIA quarterly ANP & ANP YoY% (CER basis)**



Source: Company data, CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
<b>Insurance revenue</b>		<b>16,319</b>	<b>17,514</b>	<b>19,318</b>	<b>21,168</b>	<b>23,519</b>
Contracts not measured under PAA:		14,524	15,107	16,261	17,500	19,118
Contracts measured under PAA		1,795	2,407	3,056	3,668	4,401
<b>Insurance service expenses</b>		<b>(10,434)</b>	<b>(12,078)</b>	<b>(13,345)</b>	<b>(14,573)</b>	<b>(16,112)</b>
Contracts not measured under PAA:		(8,869)	(9,775)	(10,239)	(10,958)	(11,774)
Contracts measured under PAA		(1,565)	(2,303)	(3,013)	(3,615)	(4,338)
Net expenses from reinsurance contracts held		(419)	(345)	(395)	(435)	(478)
<b>Insurance service results</b>		<b>5,466</b>	<b>5,091</b>	<b>5,578</b>	<b>6,160</b>	<b>6,929</b>
Net finance (expenses)/income from insurance contracts		31,122	(10,301)	(8,794)	(7,640)	(8,415)
<b>Net investment results</b>		<b>3,597</b>	<b>3,792</b>	<b>3,765</b>	<b>3,893</b>	<b>4,186</b>
Other expenses		(1,512)	(1,534)	(1,582)	(1,630)	(1,679)
<b>Other results</b>		<b>(1,438)</b>	<b>(1,555)</b>	<b>(1,591)</b>	<b>(1,638)</b>	<b>(1,687)</b>
<b>Operating profit before tax</b>		<b>7,504</b>	<b>7,330</b>	<b>7,732</b>	<b>8,393</b>	<b>9,406</b>
Income taxes		(1,050)	(1,102)	(1,093)	(1,187)	(1,411)
<b>Operating profit after tax</b>		<b>6,454</b>	<b>6,228</b>	<b>6,639</b>	<b>7,206</b>	<b>7,995</b>
<b>Operating profit attributable to shareholders</b>		<b>6,421</b>	<b>6,213</b>	<b>6,615</b>	<b>7,181</b>	<b>7,967</b>
<b>Net profit</b>		<b>3,365</b>	<b>3,781</b>	<b>5,886</b>	<b>6,762</b>	<b>7,591</b>
<b>Net profit attributable to shareholders</b>		<b>3,331</b>	<b>3,764</b>	<b>5,860</b>	<b>6,733</b>	<b>7,558</b>

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
<b>ASSETS</b>						
Intangible assets	2,914	3,277	3,615	3,558	3,630	3,703
Investments in associates and joint ventures	831	2,056	1,331	1,568	1,631	1,697
Property	2,744	2,844	4,058	4,571	4,662	4,756
Investment property	4,716	4,600	4,504	4,507	4,689	4,879
Insurance contract assets	3,681	2,037	1,457	1,530	1,606	1,687
Reinsurance contract assets	6,436	5,763	6,047	6,349	6,667	7,000
<b>Financial investments:</b>	<b>278,231</b>	<b>232,711</b>	<b>248,958</b>	<b>264,230</b>	<b>285,977</b>	<b>312,528</b>
At amortized cost:	6,910	6,353	5,888	6,249	6,764	7,391
At fair value through other comprehensive income:	103,580	86,060	88,612	94,048	101,788	111,239
At fair value through profit or loss:	167,741	140,298	154,458	163,933	177,425	193,898
Deferred tax assets	104	229	301	334	341	348
Current tax recoverable	120	117	207	194	198	202
Other assets	6,486	4,524	4,316	4,450	4,540	4,631
Cash and cash equivalents	4,989	8,020	11,525	9,684	10,475	11,438
Assets in disposal group held for sale	0	4,293	0	0	0	0
<b>Total assets</b>	<b>311,252</b>	<b>270,471</b>	<b>286,319</b>	<b>300,976</b>	<b>324,416</b>	<b>352,869</b>
<b>LIABILITIES</b>						
Insurance contract liabilities	217,773	181,851	203,271	217,771	234,060	252,256
Investment contract liabilities	13,896	9,092	9,170	9,598	10,582	11,666
Borrowings	9,588	11,206	11,800	12,519	13,802	15,217
Obligations under repurchase agreements	1,588	1,748	3,461	3,370	3,506	3,648
Derivative financial instruments	1,392	8,638	8,035	8,406	8,745	9,099
Provisions	186	153	174	176	184	191
Deferred tax liabilities	4,103	3,409	3,204	3,461	3,601	3,746
Current tax liabilities	389	467	387	403	419	436
Other liabilities	5,121	4,264	4,887	3,827	2,719	3,344
Liabilities in disposal group held for sale	0	4,111	0	0	0	0
<b>Total liabilities</b>	<b>254,745</b>	<b>225,323</b>	<b>244,725</b>	<b>259,811</b>	<b>277,918</b>	<b>299,926</b>
<b>EQUITIES</b>						
Share capital	14,160	14,171	14,176	14,183	14,190	14,198
Reserves	(7,134)	(15,998)	(17,398)	(17,663)	(14,326)	(10,694)
Retained profits	48,997	46,499	44,333	44,312	46,248	48,993
<b>Total shareholders' equity</b>	<b>56,023</b>	<b>44,672</b>	<b>41,111</b>	<b>40,832</b>	<b>46,112</b>	<b>52,497</b>
Non-controlling interests	484	476	483	333	386	446
<b>Total equity</b>	<b>56,507</b>	<b>45,148</b>	<b>41,594</b>	<b>41,165</b>	<b>46,498</b>	<b>52,943</b>
<b>Total liabilities &amp; equity</b>	<b>311,252</b>	<b>270,471</b>	<b>286,319</b>	<b>300,976</b>	<b>324,416</b>	<b>352,869</b>

PER SHARE DATA	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Dec</b>						
DPS (US\$)	0.19	0.20	0.21	0.23	0.26	0.30
Operating EPS (Reported) (US\$)	0.53	0.54	0.54	0.59	0.67	0.76
Operating EPS, diluted (US\$)	0.53	0.54	0.54	0.59	0.67	0.76
Consensus EPS (US\$)	n.a	n.a	n.a	0.60	0.67	0.75
Group embedded value/share (US\$)	6.03	5.85	5.92	6.55	7.50	8.62
VNB/share (US\$)	0.28	0.26	0.36	0.44	0.52	0.63
No. of shares basic	12,097	11,781	11,399	10,931	10,632	10,391
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Dec</b>						
Operating return on equity (Operating ROE)	12.8%	14.5%	16.1%	16.5%	16.2%	12.8%
Return on embedded value	14.3%	(1.8%)	6.7%	13.9%	16.5%	16.8%
VNB margin (APE basis)	59.3%	57.0%	52.6%	54.7%	55.8%	56.9%
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Dec</b>						
P/Embedded value (x)	1.2	1.2	1.2	1.1	1.0	0.9
P/B (x)	1.5	1.9	2.0	1.9	1.7	1.5
Dividend yield (%)	2.5	2.6	2.8	3.1	3.4	4.0
Dividend payout (%)	35.2	36.6	38.4	38.5	38.6	39.0

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets. | Note: stock price data quoted by market close on Feb 21, 2025.



# Disclosures & Disclaimers

## Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report. Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

## 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

## CMB International Global Markets Limited

**Address:** 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

**CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)**

## Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM. Additional information on recommended securities is available upon request.

### For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

### For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

### For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.