

AIA Group Ltd. (1299 HK)

1H25 review: Resilient VONB uptrend with optimistic outlook on China Growth Strategy

AIA reported resilient 1H25 results. VONB rose 14% (CER) YoY to US\$2.84bn, in line with our estimate of US\$2.85bn and translating to 2Q VONB growth at 17% (CER, vs. 1Q25: 13%). This uplift was mainly driven by margin expansion, as VONB margin grew 3.9pct YoY to 57.7% in 1H25, a record high since FY23, with a surprise from AIA China's VONB margin, which was up 2.0pct YoY to 58.6%, the highest post pandemic. We see continued positive trends in product mix as 89% of total VONB was from protection and fee-based insurance products with low or no guarantees ([Fig.1](#)). The promising trend of AIA China's VONB margin can be attributed to 1) all long-term savings products sold in agency were shifted to par (vs. 1-2M25: >80%); 2) proactive repricing; and 3) lengthening policy payment periods. **The unique AIA China growth strategy is the key highlight of the results and AIA targets a 40% VONB CAGR in FY25-30E for the 9 new geographies entered post-2019.** Operating RoEV and Operating ROE both hit a record to 17.8%/16.2%, up 2.9pct/1.4pct YoY, thanks to profitable new business and solid earnings growth. In 1H25, dividends and buybacks totalled US\$3.7bn, up 10% YoY with the shareholder capital ratio down 17pct from year-start to 219%. Maintain BUY, with target price based on appraisal value at HK\$89.0 (unchanged),

■ **VONB growth varied across markets.** In 1H25, Group VONB rose 14% YoY to US\$2,838mn with performances differing across markets. AIA HK still contributed the largest portion of total VONB (35%), up 24% YoY to US\$1.06bn, with the MCV and domestic segments each up 30%/18%. We expect 2H VONB to sustain high growth with a newly launched [long-term savings plan](#) catering to customers' demands for money flexibility and wealth accumulation. In HK, VONB channel mix has become more balanced, with IFA/Broker sequentially rebounding by 33% in 2Q25. AIA CN VONB jumped 15% YoY in 2Q25 (1Q25: +8%) prior to the effects of economic assumption changes. We estimate the 1H25 VONB growth before assumption changes was roughly 11% YoY; and expect the interest rate sensitivity to improve in 2H25E given a more benign policy environment. AIA TH VONB surged by 35% (CER), thanks to the front-loading demands in 1Q25 prior to life product repricing. We estimate Thailand's VONB growth could ease in 2H25E, partially offset by a continued high product margin. AIA MY VONB declined 3% YoY (CER) in 1H25 due to sluggish agency performance, and we expect this trend to sustain till year-end upon the repricing of health/takaful products. AIA SG rose 16% YoY in 1H25, driven by a strong ANP (+31%) offset by a margin retreat (-5pct). **Considering geographic mix, we raise our FY25E VONB growth forecast to 15% YoY.**

■ **Operating ROE/ROEV hit a record.** OPAT per share was up 12% in 1H25, driven by robust CSM release (+9%) and enhanced operating variances (+2x), offset by the Global Minimum Tax's (GMT) first time top-up effect (-US\$136mn). New business CSM grew 15% to US\$4.4bn in line with VONB, propelling the growth of OPAT. Operating ROE grew 1.4pct YoY to 16.2%, driven by robust earnings and improved operating efficiency. EV operating profit per share jumped 15% YoY in 1H25, resulting in a 2.9pct increase of operating RoEV to 17.8%, a record high. **We revise up our forecasts on FY25-27E OPAT per share by 2%/2%/3% to US\$0.67/0.75/0.84 ([table](#))** given improved claims experience and a higher mix of par products that require low guarantees for investment return aided by a disciplined financial management.

■ **Valuation/Key risks.** The stock is trading at 1.3x FY25E P/EV, or 2.2x P/B with dividend yield at 2.6%. We expect the total shareholder return to be 5.1% in FY25E (2.6% dividend + 2.5% buyback). The insurer raised interim DPS by 10% to US\$49 cents, but did not announce buybacks in 2H25E on the call. We think the market is more convinced to a growth story of AIA, rather than a high-yield stock. Thus, the ambitious China Growth Strategy (40% VONB CAGR in FY25-30E for the 9 new geographies after 2019) will be an appealing catalyst. Maintain BUY with TP (unchanged) at HK\$89, which implies 1.6x FY25E P/EV.

BUY (Maintain)

Target Price	HK\$89.00
Up/Downside	21.2%
Current Price	HK\$73.45

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Stock Data

Mkt Cap (HK\$ mn)	792,745.9
Avg 3 mths t/o (HK\$ mn)	2,371.5
52w High/Low (HK\$)	76.90/49.95
Total Issued Shares (mn)	10793.0

Source: FactSet

Shareholding Structure

JPMorgan Chase & Co.	7.8%
Bank of New York Mellon Corp.	7.1%

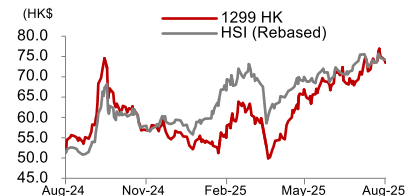
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	5.9%	5.4%
3-mth	11.4%	5.7%
6-mth	26.6%	18.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Auditor: PwC

Related reports:

- [Decent VONB growth across ex-China markets; buybacks to complete faster than expected](#), May 2, 2025
- [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
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- [FY24 preview: OPAT back to growth trajectory; resilient VNB despite modest slowdown in 2H](#), Feb 24, 2025
- [1H24 VNB beat with margin recovery; expect total >US\\$7bn cash returns to shareholders in FY24](#), Aug 26, 2024
- [FY23 VNB +33% in line; strong MCV momentum sustained to 1-2M24](#), Mar 18, 2024

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Net profit (US\$ mn)	3,781	6,853	6,658	6,376	7,034
EPS (Reported)(US\$)	0.54	0.60	0.67	0.75	0.84
Consensus EPS (US\$)	n.a	n.a	0.66	0.73	0.83
P/B (x)	2.6	2.5	2.2	2.0	1.8
P/Embedded value (x)	1.6	1.5	1.3	1.1	1.0
Dividend yield (%)	2.2	2.4	2.6	2.9	3.2
ROE (%)	14.5	16.2	16.7	16.8	16.8

Source: Company data, Bloomberg, CMBIGM estimates

■ Future catalysts

- 1) Better-than-expected interest rate movements and equity market performances;
- 2) Rapid margin expansions amid strong momentum in premium sales growth;
- 3) On track delivery of AIA China's Growth Strategy, and faster-than-expected new regions expansion (current annual target: 1-2 regions);
- 4) Sir Mark Tucker's on-board as the Group Board Chairman in Oct, 2025 to bring a new clear-cut top-down strategy;
- 5) Prudent capital management to maintain shareholder capital ratio well above 200% (1H25: 219%, down 17pct from year-start), etc.

■ Downside risks

- 1) Heightened stock market fluctuations and unexpected shock to interest rates and FX movements;
- 2) Prolonged low interest rate in mainland China;
- 3) Sluggish sales momentum and margin retreats;
- 4) Significant drop in shareholder capital ratio and free surplus balance;
- 5) Tightened underwriting policies across AIA's operating markets, etc.

Key forecast changes

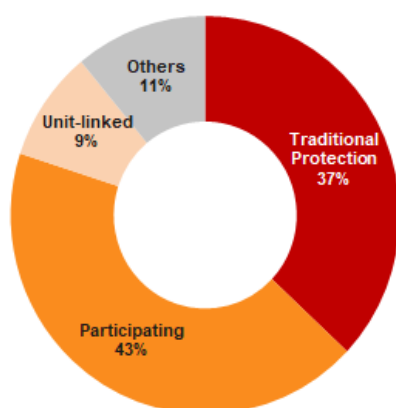
Key metrics		Current				Old			Chg (% , pct)		
(US\$ mn, %)	FY24	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	
VONB	4,712	5,394	6,080	6,899	5,350	6,071	6,916	1%	0%	0%	
VONB margin	54.5%	57.1%	57.9%	58.9%	55.8%	56.9%	58.0%	1.3pct	1.1pct	0.9pct	
ANP	8,606	9,461	10,509	11,724	9,556	10,652	11,906	-1%	-1%	-2%	
OPAT to shareholders	6,605	7,086	7,736	8,459	6,816	7,398	8,053	4%	5%	5%	
Basic OPAT per share	0.60	0.67	0.75	0.84	0.66	0.73	0.81	2%	2%	3%	
Operating ROE	16.2%	16.7%	16.8%	16.8%	15.7%	15.0%	14.1%	1.0pct	1.8pct	2.7pct	
EV operating profit per share	6.40	7.18	8.18	9.35	7.15	7.80	8.57	0%	5%	9%	
Operating ROEV	14.9%	16.8%	16.9%	17.0%	15.5%	16.2%	16.8%	1.3pct	0.7pct	0.2pct	
UFSG	6,327	6,719	7,478	8,363	6,381	6,738	7,214	5%	11%	16%	
Basic UFSG per share	0.57	0.64	0.72	0.83	0.62	0.67	0.73	3%	9%	13%	
DPS (US\$ cents)	22.50	24.75	27.24	29.97	0.2475	0.2722	0.2994	0%	0%	0%	
Dividend yield (%)	2.4%	2.6%	2.9%	3.2%	2.6%	2.9%	3.2%	0.0pct	0.0pct	0.0pct	

Source: CMBIGM estimates

Note: dividend yield is calculated by stock price data as of market close on Aug 21, 2025.

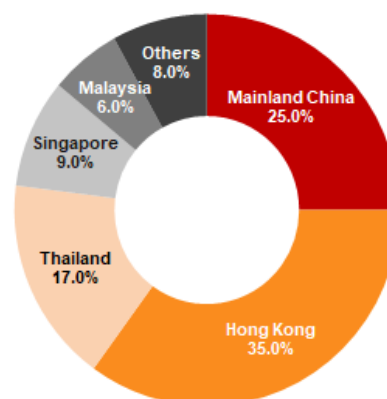
Charts

Figure 1: 1H25 VONB breakdown by products



Source: Company data, CMBIGM

Figure 2: 1H25 VONB breakdown by geographies



Source: Company data, CMBIGM

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Insurance revenue	16,319	17,514	19,314	21,434	23,591	26,034
Contracts not measured under PAA:	14,524	15,107	16,361	17,925	19,380	20,981
Contracts measured under PAA	1,795	2,407	2,953	3,509	4,211	5,053
Insurance service expenses	(10,434)	(12,104)	(13,205)	(14,316)	(15,797)	(17,489)
Contracts not measured under PAA:	(8,869)	(9,775)	(10,256)	(10,842)	(11,819)	(12,715)
Contracts measured under PAA	(1,565)	(2,329)	(2,949)	(3,315)	(3,978)	(4,774)
Net expenses from reinsurance contracts held	(419)	(286)	(418)	(468)	(515)	(569)
Insurance service results	5,466	5,124	5,691	6,649	7,279	7,977
Net finance (expenses)/income from insurance contracts	31,122	(10,512)	(6,743)	(10,257)	(11,185)	(12,226)
Net investment results	3,597	3,581	3,528	3,527	3,727	3,950
Other expenses	(1,512)	(1,451)	(1,439)	(1,426)	(1,469)	(1,513)
Other results	(1,438)	(1,472)	(1,455)	(1,476)	(1,521)	(1,566)
Operating profit before tax	7,504	7,235	7,751	8,699	9,485	10,359
Income taxes	(1,050)	(1,007)	(1,119)	(1,585)	(1,719)	(1,866)
Operating profit after tax	6,454	6,228	6,632	7,114	7,766	8,493
Operating profit attributable to shareholders	6,421	6,213	6,605	7,086	7,736	8,459

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
ASSETS						
Intangible assets	3,277	3,615	3,478	3,699	3,773	3,849
Investments in associates and joint ventures	2,056	1,331	1,710	1,753	1,824	1,898
Property	2,844	4,058	4,447	4,551	4,643	4,736
Investment property	4,600	4,504	4,570	4,673	4,861	5,058
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	294,629	318,863	345,083
At amortized cost:	6,353	5,888	6,169	6,679	7,228	7,822
At fair value through other comprehensive income:	86,060	88,612	98,289	106,407	115,159	124,629
At fair value through profit or loss:	140,298	154,458	167,693	181,543	196,476	212,632
Deferred tax assets	229	301	549	521	532	542
Current tax recoverable	117	207	219	148	151	154
Other assets	4,524	4,316	3,527	4,906	5,004	5,105
Cash and cash equivalents	8,020	11,525	8,101	8,762	9,477	10,250
Assets in disposal group held for sale	4,293	0	0	0	0	0
Total assets	270,471	286,319	305,454	330,679	356,517	384,433
LIABILITIES						
Insurance contract liabilities	181,851	203,271	221,412	253,695	281,335	311,365
Investment contract liabilities	9,092	9,170	6,967	7,836	8,639	9,525
Borrowings	11,206	11,800	13,329	15,037	16,578	18,278
Obligations under repurchase agreements	1,748	3,461	4,616	5,174	5,384	5,601
Derivative financial instruments	8,638	8,035	8,615	7,054	7,339	7,636
Provisions	153	174	202	219	228	237
Deferred tax liabilities	3,409	3,204	4,116	4,649	4,837	5,032
Current tax liabilities	467	387	220	424	441	459
Other liabilities	4,264	4,887	4,909	(8,198)	(17,108)	(27,338)
Liabilities in disposal group held for sale	4,111	0	0	0	0	0
Total liabilities	225,323	244,725	264,641	286,180	307,994	331,149
EQUITIES						
Share capital	14,171	14,176	14,183	14,205	14,229	14,255
Retained profits	46,499	44,333	44,691	46,419	48,137	50,308
Total shareholders' equity	44,672	41,111	40,490	44,117	48,081	52,775
Non-controlling interests	476	483	323	382	442	509
Total equity	45,148	41,594	40,813	44,499	48,524	53,284
Total liabilities & equity	270,471	286,319	305,454	330,679	356,517	384,433

PER SHARE DATA	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
DPS	0.20	0.21	0.22	0.25	0.27	0.30
EPS (Reported)	0.54	0.54	0.60	0.67	0.75	0.84
Diluted EPS	0.54	0.54	0.60	0.67	0.75	0.84
Consensus EPS	n.a	n.a	n.a	0.66	0.73	0.83
Group embedded value/share (HK\$)	5.85	5.94	6.40	7.18	8.18	9.35
VNB/share (HK\$)	0.26	0.36	0.44	0.52	0.60	0.69
No. of shares basic	11,781	11,362	10,793	10,479	10,254	10,051
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Operating ROE (%)	12.8%	14.5%	16.2%	16.7%	16.8%	16.8%
Operating RoEV	(1.8%)	6.7%	11.3%	14.9%	16.2%	16.3%
VNB margin (FYP ANP basis)	57.0%	52.6%	54.5%	57.1%	57.9%	58.9%
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/Embedded value (x)	1.6	1.6	1.5	1.3	1.1	1.0
P/B (x)	2.5	2.6	2.5	2.2	2.0	1.8
Dividend yield (%)	2.1	2.2	2.4	2.6	2.9	3.2

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

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