



AmInvestment Bank

Company report

ALLIANZ MALAYSIA

(ALLZ MK EQUITY, AINM.KL)

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Strengthening new business value and contractual service margin in the life segment

BUY

(Upgraded)

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Rationale for report: Company result

Price	RM17.90
Target Price	RM21.80
52-week High/Low	RM21.06/RM16.50

Key Changes

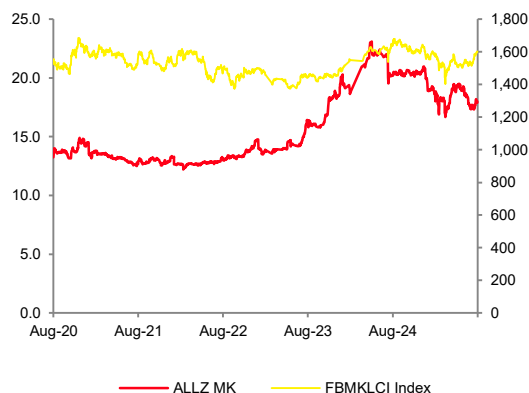
Fair value	⇄
EPS	⇄

YE to Dec	FY24	FY25F	FY26F	FY27F
Insurance Revenue (RMmil)	5,651	6,008	6,342	6,709
Core net profit (RMmil)	770	785	840	887
FD Core EPS (Sen)	223	227	243	257
FD Core EPS growth (%)	5.7	2.0	7.0	5.6
Consensus net profit (RMmil)		793	829	857
DPS (Sen)	90	110	118	124
BV/share (RM)	32.6	34.7	36.9	39.2
PE (x)	8.0	7.9	7.4	0.0
Div yield (%)	5.0	6.1	6.6	6.9
P/BV (x)	0.5	0.5	0.5	0.5
ROE (%)	14.0	13.1	13.1	13.0
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	180.2
Market Cap (RMmil)	3,225.6
Book Value (RM/share)	32.6
P/BV (x)	0.5
ROE (%)	14.0
Net Gearing (%)	-
Major Shareholders	Allianz SE (63.8%) Employees Provident Fund (6.6%)
Free Float	29.9
Avg Daily Value (RMmil)	1.1

Price performance	3mth	6mth	12mth
Absolute (%)	(4.8)	(0.6)	(11.5)
Relative (%)	(8.8)	(2.7)	(9.6)



Investment Highlights

Allianz Malaysia's 6M25 earnings were in line, supported by strong results from its general/life insurance segments, AGIC/ALIM. AGIC saw improved claims experience, lowering its combined ratio, while ALIM's new business value surged on stronger agency sales of new co-payment life products. This lifted the CSM balance to RM3.65bil, reflecting healthy future profit potential. The life segment outlook improved, supported by affordable product offerings that help manage rising medical claims. Market share gains in general (15.1%) and life (12.1%) insurance further strengthened earnings momentum.

- Recommendation and valuation.** We upgrade Allianz to BUY (from HOLD), maintaining our TP at RM21.80. The upgrade reflects a stronger earnings outlook for its life insurance segment and attractive valuation, trading at FY26F PB of 0.5x and PE of 7.4x. The stock also offers a compelling dividend yield of 6.6%.
- 6MFY25 core earnings were in line, making up 54.4% of our forecast and 53.8% of consensus.** Earnings rose 19.7% YoY to RM427mil, driven by a 27.2% YoY increase in insurance service results, supported by 12.6% growth in insurance revenue. This was partially offset by a sharp drop in net investment income (-66.8% YoY). 6M25 saw a stronger new business value from the life insurance Agency channel and co-payment product launches. QoQ, net profit was flat (+1.1%) at RM214mil, with weaker insurance service results offset by stronger investment income.
- GWP growth accelerated, led by stronger performance in both general and life segments.** Allianz's GWP rose 8.5% YoY in 6MFY25, driven by strong growth in both general (+11.3%) and life (+6.1%) segments. Life ANP returned to positive growth (+0.6% YoY) in 6MFY25, supported by stronger agency sales (+4.5%) and a 13.3% rise in employee benefits ANP. AGIC's claim ratio improved to 62.7%, bringing the combined ratio down to 86.9% (-1.5pts YoY) for the 6MFY25.
- Stronger life and general insurance earnings supported overall performance.** AGIC PBT rose 26.4% YoY to RM314mil in 6MFY25, driven by better claims experience in fire and engineering, and stronger investment results. ALIM's PBT grew 12.1% YoY to RM257mil, supported by higher insurance revenue, though partially offset by increased claims and acquisition costs. Life business CSM rose 3% YTD to RM3.65bil, reflecting solid future profit potential. New business value for life segment surged 22.4% YoY to RM228.6mil, while CSM release increased to RM245.2mil in 6MFY25.

Company profile

Allianz commenced operations in Malaysia in 2001 by acquiring Malaysia British Assurance (MBA) Berhad and MBA Life Assurance Berhad from the Lion Group. Subsequently in 2007, the group took over Commerce Assurance Berhad (CAB), the property and casualty insurance arm of Bumiputra Commerce Holdings Berhad (BCHB). The acquisition of CAB entailed a 10-year (2007-2017) bancassurance agreement with CIMB Bank Berhad (CIMB Bank). The banca partnership with CIMB Bank was subsequently terminated upon expiry of the contract in 2017.

Allianz Malaysia Berhad (holding company) holds 100.0% in both Alliance General Insurance Company (Malaysia) Bhd (AGIC) and Alliance Life Insurance Malaysia Bhd (ALIM) operating the general and life insurance business respectively. Allianz General is one of the leading general insurers in Malaysia with a market share of 15.1%, ranking no.1. Allianz Life offers a comprehensive range of life and health insurance as well as investment-linked products with a market share of 12.1% as of 6MFY25 in terms of ANP.

Investment thesis and catalysts

We upgrade our rating to a BUY with unchanged target price of RM21.80 per share based on a sum-of-parts valuation. The dividend yield remains attractive at 6.6% for FY26F. The upgrade reflects a stronger earnings outlook for its life insurance segment and attractive valuation, trading at FY26F PB of 0.5x and PE of 7.4x

Valuation methodology

Our valuation of Allianz Malaysia follows a sum-of-parts approach, applying a price-to-book value (P/BV) multiple of 1.2x to AGIC's forecasted FY26 shareholders' funds and a 1x multiple to ALIM's projected FY26 contractual service margin (CSM).

Risk factors

Potential risks to our projections include:

- i) Slower-than-anticipated economic expansion, which could hinder growth in Gross Written Premium (GWP).
- ii) A surge in unforeseen claims, negatively affecting insurance service performance.
- iii) Prolonged high interest rates in developed markets, leading to a reduced valuation of bond and securities portfolios, thereby impacting investment income.

EXHIBIT 1: FINANCIAL HIGHLIGHTS OF ALLIANZ MALAYSIA (GROUP LEVEL)

Income Statement (RM Mil, FYE 31 Dec)	2Q24	1Q25	2Q25	% QoQ	% YoY	6M24	6M25	% YoY
Insurance revenue	1,371	1,529	1,520	-0.6	10.9	2,708	3,049	12.6
Insurance service expenses	-1,234	-1,119	-1,237	10.6	0.3	-2,242	-2,356	5.1
Insurance service result before reinsurance	137	410	283	-31.0	106.5	466	693	48.5
Net expense from reinsurance contracts	25	-94	-69	-26.8	>-100	-50	-163	225.7
Insurance service result	162	316	214	-32.2	32.1	416	530	27.2
Investment income	137	195	146	-24.9	7.1	276	293	6.5
Net realised gains and losses	1	2	4	110.1	>100	0	6	>100
Net fair value gains and losses on financial assets	263	-310	252	-181.4	-4.0	602	-58	-109.7
Others	27	0	24	>-100	-8.7	73	74	1.4
Total investment income	427	-113	427	>-100	0.1	951	315	-66.8
Finance expenses from insurance contracts	-327	122	-287	>-100	-12.3	-830	-165	-80.1
Finance income from reinsurance contracts	4	4	6	37.4	29.7	8	10	15.4
Net insurance finance expenses	-323	126	-281	>-100	-12.9	-821	-155	-81.1
Other operating income	0	0	0	-45.9	-2.6	5	1	-86.3
Other operating expenses	-41	-45	-77	69.9	87.3	-75	-123	62.8
Profit before tax and zakat	225	284	283	-0.2	26.0	476	568	19.4
Tax expense	-58	-72	-69	-4.0	19.6	-119	-141	18.5
Net profit after tax	167	212	214	1.1	28.2	357	427	19.7
MI	0	0	0	n.m.	n.m.	0	0	n.m.
PATAMI	167	212	214	1.1	28.2	357	427	19.7
Core EPS (sen)	64	118	119	1.1	86.7	170	168	-1.6
Segmental PBT								
Investment holding	1	-3	0	-93.1	-114.1	-2	-3	44.0
General insurance	116	160	153	-4.1	31.7	249	314	26.4
Life insurance	107	127	130	2.6	21.5	229	257	12.1
Group PBT	225	284	283	-0.2	25.9	476	568	19.4

Source: Company, AmlInvestment Bank

EXHIBIT 2: FINANCIAL HIGHLIGHTS OF GENERAL INSURANCE BUSINESS (AGIC)

Income Statement (RM Mil, FYE 31 Dec)	2Q24	1Q25	2Q25	% QoQ	% YoY	6M24	6M25	% YoY
Insurance revenue	780	863	886	2.7	13.6	1,535	1,749	13.9
Claims and benefits	-538	-463	-504.2	8.8	-6.4	-951	-968	1.7
Acquisition and administrative expenses (net)	-179	-187	-205.3	9.8	14.6	-355	-392	10.4
Losses on onerous contracts	-2	-2	0.0	-100.0	-100.0	-4	-2	-58.3
Insurance service expenses	-719	-652	-710	8.9	-1.3	-1,310	-1,361	3.9
Insurance service result before reinsurance	61	211	177	-16.3	190.3	225	387	72.4
Reinsurance result	31	-79	-50	-36.8	-259.8	-29	-128	350.5
Insurance service result	92	132	127	-4.0	38.0	196	259	32.0
Total investment income	60	67	79	18.0	31.3	121	145	20.3
Net insurance finance expenses	-22	-26	-26	0.8	19.9	-43	-52	18.9
Other operating income	0	1	0	-60.0	0.0	1	1	40.0
Other operating expenses	-15	-14	-25	84.7	70.9	-25	-39	54.8
Profit before tax and zakat	116	160	154	-3.4	33.6	249	314	26.4
Ratios								
Claims incurred ratio (%)	65.2	60.9	62.5			64.1	62.8	
Expense ratio (%)	24.9	28.6	26.0			24.8	24.7	
Combined ratio (%)	90.1	89.5	88.5			88.9	87.4	

Source: Company, AmInvestment Bank

EXHIBIT 3: FINANCIAL HIGHLIGHTS OF LIFE INSURANCE BUSINESS (ALIM)

Income Statement (RM Mil, FYE 31 Dec)	2Q24	1Q25	2Q25	% QoQ	% YoY	6M24	6M25	% YoY
Insurance revenue	591	666	634	-4.8	7.3	1,173	1,300	10.8
Claims and benefits	-360	-311	-363	16.6	0.7	-632	-674	6.6
Acquisition and administrative expenses (net)	-156	-152	-166	8.7	6.4	-299	-318	6.2
Losses on onerous contracts	1	-3.8	1	>-100	-33.3	-1	-3	357.1
Insurance service expenses	-515	-467	-528	13.0	2.4	-932	-995	6.8
Insurance service result before reinsurance	76	199	107	-46.5	39.9	242	306	26.5
Reinsurance result	-6	-15	-19	24.7	214.8	-22	-35	60.9
Insurance service result	70	184	87	-52.4	24.7	220	271	23.1
Total investment income	362	-184	345	-287.6	-4.7	823	161	-80.4
Net insurance finance expenses	-301	152	-255	-268.1	-15.2	-778	-103	-86.7
Other operating expenses	-24	-25	-47	87.1	97.5	-35	-72	102.5
Profit before tax and zakat	107	127	130	2.7	21.7	229	257	12.1
Ratios								
Block persistency ratio (%)	82.2	84.3	88.7			82.2	88.7	

Source: Company, AmInvestment Bank

EXHIBIT 4: VALUATION: ALLIANZ

SOP per share for AGIC (general business)	RM10.60
SOP per share for ALIM (life business)	RM11.20
ESG Premium	0% premium
12-month target price	RM21.80

Source: AmInvestment Bank

EXHIBIT 5: VALUATIONS

Companies	Shareholders' funds (RM Mil)	Equity Stake	Book Value Multiple	Basis	Valuation (RM mil)	SOP per share (RM)
Allianz General (AGIC)	3,185	100%	1.2	Based on forecast for FY26	3,663	10.6
Allianz Life (ALIM)	4,070	100%	0.9	1x projected contractual service margin for FY26	3,858	11.2
SOP Valuation					7,521	21.8
No of ordinary shares					180	
Effects of conversion of ICPS					166	
Diluted number of ordinary shares					346	
TP					21.80	

Source: Company, AmlInvestment Bank

EXHIBIT 6: ESG SCORE

	Environmental assessment	Parameters	Weightage	Rating					Rationale
1	Allocation of investments in high risk ESG sectors	% of total investments allocated	40%	*	*	*			
2	Scope 1 GHG Emissions to insurance service results	t/Co2e/RM'Mil	15%	*	*	*	*		0.05 in 2024 vs. 0.04 in 2023
3	Scope 2 GHG Emissions to insurance service results	t/Co2e/RM'Mil	15%	*	*	*	*		Zero in 2024 and 2023
4	Scope 3 GHG Emissions to insurance service results	t/Co2e/RM'Mil	15%	*	*				3.75 in 2024 vs. 1.81 in 2023
5	Electricity consumption to insurance service results	MWh/RM'Mil	10%	*	*	*			
6	Water consumption to insurance service results	m3/RM'Mil	5%	*	*				43.0 in 2024 vs 38.5 in 2023
	Weighted score for environmental assessment		100%	*	*	*			
	Social assessment								
1	Customer policy renewal ratio	%	30%	*	*	*			
2	Corporate Social Responsibility investments or spend	% of total insurance service results	25%	*	*	*			RM2.55mil in 2024 vs. RM2mil in 2023
3	Claims settlement ratio	%	20%	*	*	*			
4	Workforce diversity - women in managerial role (excluding board directors)	% of total workforce	15%	*	*	*	*		60.7% in 2024 vs. 58.9% in 2023
5	Average training hours per employee	hours	10%	*	*				71 in 2024 vs. 95.7 in 2023
	Weighted score for social assessment		100%	*	*	*			
	Governance assessment								
1	Board age diversity	% under the 61 to 70 years old category	20%	*	*	*			38%
2	Board women representation	% of total board directors	15%	*	*				25% representation
3	Directors with tenure of 3-6 years	% in the 3 to 6 years or more category	15%	*	*	*			
4	Independent board directors	% of total board directors	20%	*	*	*	*		75% independent directors in 2024
5	Remuneration to directors	% of insurance service expenses	10%	*	*	*			
6	Cybersecurity, Privacy and Data Protection	Confirmed incidents	20%	*	*				4 in 2024 and 2 in 2023
	Weighted score for governance assessment		100%	*	*	*			
	Environmental score		40%	*	*	*			
	Social score		25%	*	*	*			
	Governance score		35%	*	*	*			
	Overall ESG Score		100%	*	*	*			

Source: Company, AmInvestment Bank

EXHIBIT 8: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Insurance revenue	4,942	5,651	6,008	6,342	6,709
Insurance service expenses	(3,897)	(4,553)	(4,629)	(4,939)	(5,156)
Insurance service result before reinsurance	1,045	1,098	1,379	1,403	1,553
Net expense/income from reinsurance contracts held	(229)	(280)	(300)	(317)	(335)
Insurance service result	817	818	1,078	1,086	1,218
Investment income	520	711	1,035	1,106	1,214
Realised gains and losses	(2)	5	-	-	-
Fair value gains and lossesv and other income	476	860	-	-	-
Other income	148	0	-	-	-
Total investment income	1,142	1,577	1,035	1,106	1,214
Net finance results	(832)	(1,177)	(958)	(996)	(1,053)
Other operating income	1	5	81	100	-
Other operating expenses	(170)	(217)	(179)	(198)	(219)
Finance costs	-	-	-	-	-
Share of profit after tax of equity accounted associate company	-	-	-	-	-
Profit before tax	957	1,005	1,057	1,098	1,159
Tax expense	(226)	(235)	(272)	(258)	(272)
Net profit	731	771	785	840	887
Core net profit	731	771	785	840	887
Balance Sheet (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Cash & deposits with FIs	1,562	2,027	6,549	5,017	6,550
Loans & receivables	-	-	-	-	-
Insurance receivables	126	180	168	157	146
Investment securities	23,052	25,121	27,971	31,143	34,676
Investment properties	-	-	-	-	-
Reinsurance assets	542	525	544	562	582
Fixed assets	117	124	122	120	119
Other assets	523	511	416	419	423
Total assets	25,922	28,488	35,769	37,419	42,496
Insurance contract liabilities	19,316	21,220	23,424	25,856	28,541
Reinsurance contract liabilities	70	132	145	160	176
Borrowings	-	-	-	-	-
Deferred tax liabilities	539	615	717	835	974
Other liabilities	852	673	5,280	3,972	5,776
Total liabilities	20,776	22,639	29,565	30,823	35,467
Share capital	236	241	241	241	241
Reserves	4,905	5,587	5,963	6,355	6,770
Shareholders' funds	5,141	5,828	6,204	6,596	7,011
Key Ratios (YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
ROE (%)	15	14	13	13	13
ROA (%)	3	3	2	2	2
Insurance service result (%)	3	0	32	1	12
Core net profit growth (%)	19	5	2	7	6
EPS growth (%)	19	5	2	7	6
Book value per share growth (%)	10	13	6	6	6
Key Assumptions (YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Net claims incurred ratio (%)	58	57	57	57	55
Expense ratio (%)	27	25	25	24	24
Combined ratio (%)	85	82	81	82	79
Yield from investment portfolio (%)	4	4	4	4	4

Source: Company, AmInvestment Bank Bhd estimates

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