



AmInvestment Bank

Company report

ALLIANZ MALAYSIA

(ALLZ MK EQUITY, AINM.KL)

26 May 2025

Slower sales expansion coupled with challenges in life insurance investment returns

HOLD

(Maintained)

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Rationale for report: Company result

Price	RM18.80
Fair Value	RM21.80
52-week High/Low	RM23.68/RM17.54

Key Changes

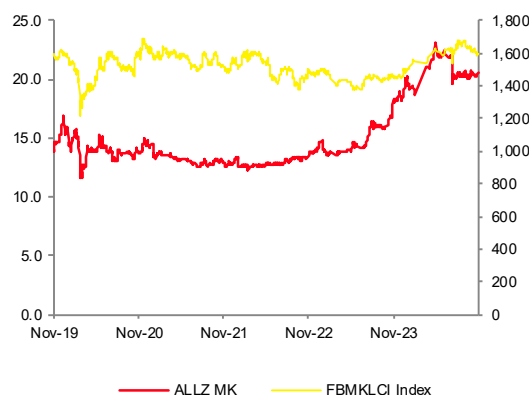
Fair value	⬇️
EPS	⬆️

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)		787	816	837
DPS (Sen)	90	110	118	124
BV/share (RM)	32.6	34.7	36.9	39.2
PE (x)	8.4	8.3	7.7	0.0
Div yield (%)	4.8	5.8	6.3	6.6
P/BV (x)	0.6	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)	179.1
Market Cap (RMmil)	3,367.1
Book Value (RM/share)	32.6
P/BV (x)	0.6
ROE (%)	14.0
Net Gearing (%)	-
Major Shareholders	Allianz SE (63.8%) Employees Provident Fund (6.6%)
Free Float	29.5
Avg Daily Value (RMmil)	0.5

Price performance	3mth	6mth	12mth
Absolute (%)	1.4	(10.9)	16.5
Relative (%)	4.7	(9.1)	6.7

**Investment Highlights**

Allianz Malaysia's 1Q25 earnings were in line with expectations. AGIC's combined ratio improved due to lower expenses, securing its leading position in general insurance. However, overall GWP (gross written premium) growth slowed, reflecting weaker premium growth in both general and life insurance. The life segment's premium growth decline is expected to persist amid cautious market sentiment and regulated medical premium hikes, impacting insurance demand. New business value and CSM (contractual service margin) growth for life insurance moderated in 1Q25. These factors reinforce our HOLD recommendation on the stock.

- **Recommendation and valuation.** We maintain HOLD on Allianz, revising TP to RM21.80 from RM22.20 due to lower life insurance valuation. This accounts for a downward adjustment in the projected CSM within our sum-of-parts valuation. FY25F/26F earnings have been adjusted by 2.3%/0.4% to align with revised projections for insurance service results and investment income.
- **1Q25 core earnings were in line with expectations, comprising about 27% of both our and consensus projections.** Earnings in 1Q25 grew 11.5% YoY to RM212mil, driven by higher insurance revenue (+14.3% YoY). This was partly offset by increased insurance service expenses (+11.0% YoY) and a sharp decline in net investment income (> -100% YoY). QoQ, net profit fell 8.2% due to fair value losses on financial assets, despite stronger insurance service results.
- **Overall GWP growth slowed, with a slower growth from general and life business, while claims stayed high.** Allianz's GWP growth slowed to 5.5% YoY in 1Q25 (from 10.7% YoY in 4Q24), with AGIC at 10.6% YoY and ALIM at 1.1% YoY. ANP for life insurance fell 9.1% YoY due to weaker agency and bancassurance performance, while employee benefits saw moderate growth. Claims rose 12.2% YoY for AGIC and 14.6% YoY for ALIM. Claim ratio of AGIC was 63% in 1Q25 (1Q24: 62.9%).
- **Subdued life insurance earnings while general insurance profit was supported by a lower combined ratio.** AGIC's PBT grew 20.7% YoY to RM159.7mil, aided by stronger insurance service results and investment income. Its combined ratio improved 1.2ppts to 85.8% from lower acquisition costs. ALIM's PBT rose 3.8% YoY to RM126.9mil, driven by higher insurance revenue, though offset by increased costs and weaker investment income. Life business CSM dipped 0.4% to RM3.53bil YTD. New business value fell 6.4% YoY to RM96.3mil, impacted by lower sales due to rising medical premiums despite regulatory caps on the hikes. CSM release reached RM122.3mil, up from RM115.6mil in 1Q24.

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 14.9%, 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 11.8% as of 1Q25 in terms of ANP.

Investment thesis and catalysts

We uphold our HOLD rating with a revised target price of RM21.80 per share, down from RM22.20 per share, based on a sum-of-parts valuation. The dividend yield remains attractive at 6.3% for FY26F. However, near-term earnings growth is expected to be constrained by elevated claims, rising acquisition and administrative costs, as well as a slowdown in Gross Written Premium (GWP) growth.

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)	1Q24	4Q24	1Q25	% QoQ	% YoY
Insurance revenue	1,337	1,503	1,529	1.7	14.3
Insurance service expenses	-1,008	-1,139	-1,119	-1.8	11.0
Insurance service result before reinsurance	329	364	410	12.7	24.4
Net expense from reinsurance contracts	-75	-137	-94	-31.2	25.5
Insurance service result	254	227	316	39.2	24.1
Investment income	185	155	195	26.0	5.3
Net realised gains and losses	0	6	2	-64.8	>-100
Net fair value gains and losses on financial assets	340	130	-310	-337.7	-191.3
Others	0	31	0	-100.6	82.0
Total investment income	524	322	-113	-135.2	-121.6
Finance expenses from insurance contracts	-503	-237	122	-151.4	-124.3
Finance income from reinsurance contracts	4	3	4	45.3	0.2
Net insurance finance expenses	-499	-235	126	-153.8	-125.3
Other operating income	11	38	0	-98.7	-95.8
Other operating expenses	-40	-67	-45	-32.3	12.7
Profit before tax and zakat	251	285	284	-0.3	13.0
Tax expense	-61	-54	-72	33.8	17.7
Net profit after tax	190	231	212	-8.2	11.5
MI	0	0	0	n.m.	n.m.
PATAMI	190	231	212	-8.2	11.5
Core EPS (sen)	107	129	118	-8.8	10.4
Segmental PBT					
Investment holding	-4	-6	-3	-48.2	-19.4
General insurance	132	150	160	6.6	20.7
Life insurance	122	140	127	-9.6	3.8
Group PBT	251	285	284	-0.3	13.0

Source: Company, AmlInvestment Bank

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

Income Statement (RM Mil, FYE 31 Dec)	1Q24	4Q24	1Q25	% QoQ	% YoY
Insurance revenue	755	857	863	0.6	14.3
Claims and benefits	-413	-408	-463	13.7	12.2
Acquisition and administrative expenses (net)	-176	-212	-187	-11.9	6.3
Losses on onerous contracts	-2	11	-2	-114.3	-28.6
Insurance service expenses	-591	-609	-652	7.0	10.3
Insurance service result before reinsurance	164	248	211	-15.0	28.7
Reinsurance result	-60	-125	-79	-37.1	32.0
Insurance service result	104	123	132	7.5	26.8
Total investment income	60	67	67	-0.7	11.2
Net insurance finance expenses	-22	-10	-26	162.2	19.0
Other operating income	0	2	1	-79.2	66.7
Other operating expenses	-10	-33	-14	-58.1	31.7
Profit before tax and zakat	132	150	160	6.6	20.7
Ratios					
Claims incurred ratio (%)	62.9	60.9	63.0		
Expense ratio (%)	24.7	28.6	23.3		
Combined ratio (%)	87.6	89.5	86.3		

Source: Company, AmlInvestment Bank

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

Income Statement (RM Mil, FYE 31 Dec)	1Q24	4Q24	1Q25	% QoQ	% YoY
Insurance revenue	582	646	666	3.2	14.4
Claims and benefits	-271	-374	-311	-16.8	14.6
Acquisition and administrative expenses (net)	-144	-157	-152	-2.8	6.1
Losses on onerous contracts	-2	1	-4	>-100	137.5
Insurance service expenses	-417	-530	-467	-11.9	12.1
Insurance service result before reinsurance	166	116	199	72.2	20.3
Reinsurance result	-15	-12	-15	31.6	0.0
Insurance service result	150	104	184	76.8	22.4
Total investment income	461	248	-184	-174.2	-139.9
Net insurance finance expenses	-477	-225	152	-167.5	-131.8
Other operating expenses	-12	14	-25	-283.1	112.8
Profit before tax and zakat	122	140	127	-9.6	3.8
Ratios					
Block persistency ratio (%)	82.9	87.5	84.3		

Source: Company, AmlInvestment Bank

EXHIBIT 4: VALUATION: ALLIANZ

SOP per share for AGIC (general business)	RM10.60
SOP per share for ALIM (life business)	RM11.20 (from RM11.80)
ESG Premium	0% premium
12-month target price	RM21.80 (from RM22.20)

Source: AmlInvestment 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	
Fair Value					21.80	

Source: Company, AmlInvestment Bank

EXHIBIT 6: CHANGE IN EARNINGS

RMmil	FY25F			FY26F		
	Old	New	%	Old	New	%
Net profit	767	785	2.3	837	840	0.4
Insurance Service Results	1,015	1,078	6.2	1,097	1,086	-1.0
Investment income	952	1,035	8.7	974	1,106	13.5

Source: Company, AmlInvestment Bank

EXHIBIT 7: 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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