Corporate Update

Allianz Malaysia Berhad

(1163 | ALLZ MK) Financial Services | Finance

FTSE4Good ESG 3 Stars

Maintain **BUY**

Revised Target Price **RM23.12**
(from RM21.59)

2QFY25 Results Review
Solid Growth

To Conclude	**Strong set of earnings, much better than expected. Insurance expenses are so far well controlled.**
Our Verdict	**Admittedly, the sector faces serious headwinds. However, ALLIANZ's cheap price point, attractive dividend yields, aggressive market share take-up, and encouraging progress in working against one of its major overhangs (healthcare inflation) make the company a very attractive pick, in our view.**
Valuations	**Current P/BV of 0.59x is inexpensive, trading below -1SD of the 5-year P/BV mean of 0.71x with a 5.6% dividend yield.**
Yays	1. AGIC continues to aggressively grow its market share. 2. Last quarter, ALIM seemed to be tackling the healthcare issue well. Co-pay programs have promising take-up rates – this quarter's persistency ratios were very high.
Nays	1. Healthcare inflation and related issues remain a prominent overhang and may continue to impact the business.
Okays	1. Uncertainty about dividend payouts.

Results in a nutshell:

▲ **6MFY25's Core NP of RM461m was *Above/Above* our/street forecasts: *57%/59%* of full-year forecasts.** While investment returns were not as high as we expected, insurance expense and net insurance finance expenses came in lower than expected.

► **No dividend announcement.**

▲ **6MFY25's Core net profit (NP) of RM461m up by 29%yoy.** There was a huge increase in insurance revenue, which offset higher insurance and reinsurance expenses.

▲ **2QFY25's Core NP of RM249m up by 18%qoq.** A far superior investment result offset higher insurance expenses.

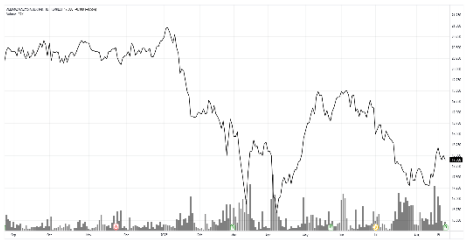
▲ **AGIC's 6MFY25's PBT of RM313m up by 26%yoy.** Some normalisation in the combined ratio (as guided) was seen, though overall insurance service result was well maintained.

▲ **AGIC's 2QFY25's PBT of RM153m down by -4%qoq.**

RETURN STATISTICS

Price @ 25 August 2025 (RM)	17.90
Expected share price return (%)	+29.2
Expected dividend yield (%)	+5.6
Expected total return (%)	**+34.8**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.3	-1.8
3 months	-5.8	-8.0
12 months	-11.0	-8.8

INVESTMENT STATISTICS

FYE Dec	FY25F	FY26F	FY27F
Core NP (RM m)	**843**	**864**	**887**
CNP growth (%)	9	2	3
Div yield (%)	**5.5**	**5.6**	**5.8**
Gross DPS (sen)	97.9	100.3	103.0
P/BV (x)	**1.0**	**0.9**	**0.8**
BVPS (RM)	18.2	19.6	21.1
ROE (%)	**13.9**	**13.2**	**12.6**
% Street CNP (%)	**106**	**104**	**103**

KEY STATISTICS

FBM KLCI	1,602.45
Issue shares (m)	178.7
Estimated free float (%)	19.4
Market Capitalisation (RM'm)	3,268.2
52-wk price range	RM16.5 – RM21.0
3-mth average daily volume (m)	0.1
3-mth average daily value (RM'm)	1.1
Top Shareholders (%)	
Allianz SE	63.8
EPF Board	6.6
Kumpulan Wang Persaraan Diperbadan	3.2

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▲ **ALIM's 6MFY25's PBT of RM257m up by 12%yoy.** Insurance service results saw some improvement (as a result of better insurance revenue). Weaker investment returns were offset by better net insurance finance expenses. Encouragingly enough, GWP and ANP growth remained exceptionally strong.

▲ **ALIM's 2QFY25's PBT of RM130m up by 3%qoq.** This was largely driven by a strong investment result, which offset a much weaker insurance service result (though we think the weakness is seasonal).

Forecasts revised: FY25F/FY26F/FY27F Core NP adjusted by +5%/+2%/+2%. To reflect stronger insurance revenues, lower insurance expenses, and lower investment incomes.
Key downside risks. *(1) Weak GWP growth, (2) Higher-than-expected claims ratio, (3) Drag from investment income.*

Maintain BUY call: Revised SOTP-TP of RM 23.12 ***(from RM21.59)***. This is to reflect altered earnings prospects and valuations.

(1) **For AGIC, we use a FY25F P/BV of 1.4x.** *(unchanged, rolled on from FY25F)*
(2) **For ALIM, we use an FY25F P/CE of 0.5x.** *(unchanged, rolled on from FY25F)*

FIG 1: SOTP Valuation

Companies	Equity Value (RM mil)	Equity Value basis	Multiple (X)	Valuation basis	Valuation (RM mil)
AGIC	**3,325**	FY26 P/BV	**1.4**	P/BV	**4,654**
ALIM	**5,596**	FY26F P/CE	**0.6**	P/CE	**3,358**
Total sum-of-parts					**8,012**
(÷) Diluted ALLZ Share Base (mil)					345
Fair value (RM)					**23.20**

Source: Company, MBSBR

FIG 2: Quarterly results

FYE Dec (RM m)	2Q FY25	1Q FY25	2Q FY24	Yoy (%)	Qoq (%)	1H FY25	1H FY24	Yoy (%)
Insurance revenue	1,520	1,529	1,371	11	-1	3,049	2,708	13
Insurance expenses	(1,203)	(1,119)	(1,234)	-3	7	(2,322)	(2,242)	4
Claims	*(867)*	*(774)*	*(899)*	*-4*	*12*	*(1,641)*	*(1,583)*	*4*
Acquisitions & Admin exp	*(335)*	*(339)*	*(335)*	*0*	*-1*	*(674)*	*(654)*	*3*
Onerous contracts	*(1)*	*(5)*	*(1)*	*0*	*-88*	*(6)*	*(4)*	*38*
Reinsurance	(69)	(94)	25	-376	-27	(163)	(50)	226
Insurance service result	**249**	**316**	**162**	54	-21	**564**	**416**	36
Investment return	427	(113)	427	0	-477	314	951	-67
Net insurance finance exp	(281)	126	(323)	-13	-323	(155)	(821)	-81
Net ins & inv result	**395**	**145**	**137**	189	172	**723**	**546**	33
Other income/OPEX	(76)	(45)	(41)	87	70	(121)	(70)	73
Associates	-	-	-	n.m.	n.m.	-	-	n.m.
PBT	**318**	**284**	**225**	**42**	**12**	**602**	**476**	**27**
Tax	(69)	(72)	(58)	20	-4	(141)	(119)	19
NCI	-	-	-	n.m.	n.m.	-	-	n.m.
Reported NP	**249**	**212**	**167**	**49**	**18**	**461**	**357**	**29**
Core NP	**249**	**212**	**167**	**49**	**18**	**461**	**357**	**29**
Gross DPS (sen)	**-**	**-**	**-**	**n.m.**	**n.m.**	**-**	**26.5**	**n.m.**
Core EPS (sen)	72.3	61.3	48.4	50	18	133.7	103.3	29

Ratios (%)	2Q FY25	1Q FY25	2Q FY24	Yoy (ppts)	Qoq (ppts)	1H FY25	1H FY24	Yoy (ppts)
ROE (Ann.)	**16.3**	**13.9**	**12.4**	**4.0**	**2.4**	**15.1**	**13.2**	**1.9**
Underwriting margin	**16.4**	**20.6**	**11.8**	**4.5**	**-4.3**	**18.5**	**15.4**	**3.1**
Combined	**88.7**	**82.3**	**91.2**	**-2.5**	**6.4**	**85.5**	**87.2**	**-1.7**
Claims	57.1	51.0	65.6	-8.5	6.1	54.0	58.6	-4.6
Reinsurance	4.5	6.2	(1.8)	6.4	-1.6	5.3	1.8	3.5
Expense	27.1	25.1	27.4	-0.4	1.9	26.1	26.8	-0.7

Source: Company, MBSBR

FIG 3: Quarterly results (General)

FYE Dec (RM m)	2Q FY25	1Q FY25	2Q FY24	Yoy (%)	Qoq (%)	1H FY25	1H FY24	Yoy (%)
Insurance revenue	886	862	780	14	3	1,748	1,535	14
Insurance expenses	(710)	(652)	(719)	-1	9	(1,361)	(1,310)	4
Claims	*(504)*	*(463)*	*(538)*	-6	9	*(968)*	*(951)*	2
Acquisitions & Admin exp	*(205)*	*(187)*	*(179)*	15	10	*(392)*	*(355)*	10
Onerous contracts	*(0)*	*(1)*	*(1)*	-95	-95	*(2)*	*(4)*	-57
Reinsurance	(50)	(79)	31	-260	-37	(128)	(28)	352
Insurance service result	**127**	**132**	**92**	38	-4	**259**	**196**	32
Investment return	77	67	61	27	16	144	121	19
Net insurance finance exp	(26)	(26)	(22)	19	1	(52)	(43)	19
Net ins & inv result	**178**	**173**	**131**	36	3	**351**	**273**	28
Other income	0	0	0	n.m.	n.m.	1	1	n.m.
Other OPEX	(25)	(14)	(15)	70	85	(39)	(25)	54
PBT	**153**	**160**	**116**	**32**	**-4**	**313**	**249**	**26**

Ratios (%)	2Q FY25	1Q FY25	2Q FY24	Yoy (ppts)	Qoq (ppts)	1H FY25	1H FY24	Yoy (ppts)
Underwriting margin	**14.3**	**15.3**	**11.8**	**2.5**	**-1.0**	**14.8**	**12.8**	**2.0**
Combined	**88.5**	**86.2**	**90.1**	**-1.6**	**2.3**	**87.4**	**88.8**	**-1.4**
Claims	56.9	53.9	69.2	-12.3	3.0	55.4	62.2	-6.8
Reinsurance	5.6	9.1	(4.0)	9.6	-3.5	7.3	1.9	5.5
Expense	26.0	23.2	24.8	1.1	2.8	24.6	24.7	-0.1

Source: Company, MBSBR

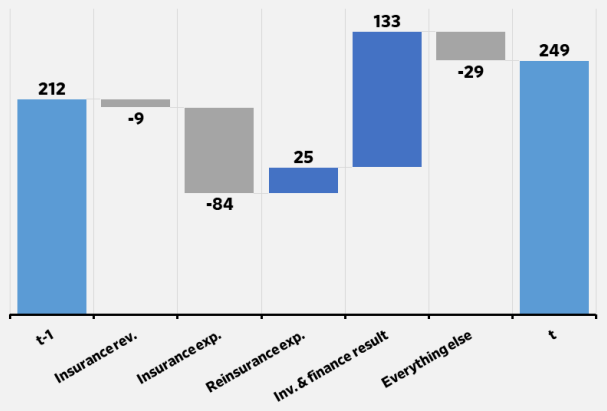
FIG 4: Quarterly results (Life)

FYE Dec (RM m)	2Q FY25	1Q FY25	2Q FY24	Yoy (%)	Qoq (%)	1H FY25	1H FY24	Yoy (%)
Insurance revenue	634	666	591	7	-5	1,301	1,173	11
Insurance expenses	(528)	(467)	(515)	2	13	(995)	(932)	7
Claims	*(363)*	*(311)*	*(360)*	1	17	*(674)*	*(632)*	7
Acquisitions & Admin exp	*(166)*	*(152)*	*(156)*	6	9	*(318)*	*(299)*	6
Onerous contracts	*1*	*(4)*	*1*	-20	-117	*(3)*	*(1)*	326
Reinsurance	(19)	(15)	(6)	208	24	(35)	(22)	60
Insurance service result	**87**	**184**	**70**	25	-52	**271**	**220**	23
Investment return	345	(184)	362	-5	-288	161	823	-80
Net insurance finance exp	(255)	152	(301)	-15	-268	(103)	(778)	-87
Net ins & inv result	**177**	**152**	**131**	35	16	**329**	**265**	24
Other income	0	0	0	n.m.	n.m.	0	11	n.m.
Other OPEX	(47)	(25)	(24)	98	86	(72)	(46)	54
PBT	**130**	**127**	**107**	**22**	**3**	**257**	**229**	**12**

Ratios (%)	2Q FY25	1Q FY25	2Q FY24	Yoy (ppts)	Qoq (ppts)	1H FY25	1H FY24	Yoy (ppts)
Block persistency	**93.1**	**84.3**	**82.9**	**10.2**	**8.8**	**11.4**	**11.7**	**-0.3**
Underwriting margin	**13.8**	**27.6**	**11.8**	**1.9**	**-13.8**	**20.9**	**18.8**	**2.1**
Combined (Estimates)	**93.6**	**76.2**	**92.1**	**1.4**	**17.4**	**84.6**	**84.2**	**0.4**
Claims	57.1	47.2	60.8	-3.7	9.8	52.0	53.9	-1.8
Reinsurance	3.0	2.3	1.1	2.0	0.7	2.7	1.8	0.8
Expense	33.4	26.6	30.3	3.1	6.8	29.9	28.5	1.4

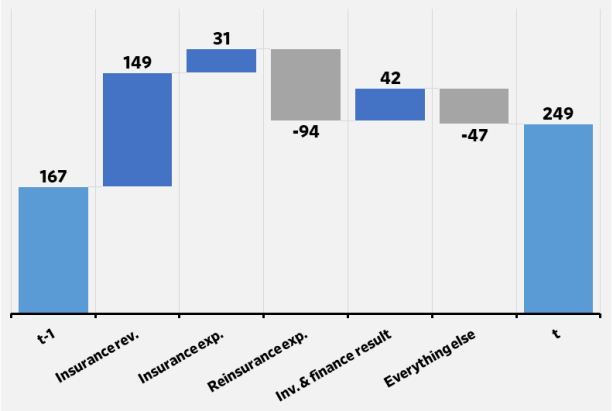
Source: Company, MBSBR

FIG 5: QoQ P/L walk (Quarterly results)



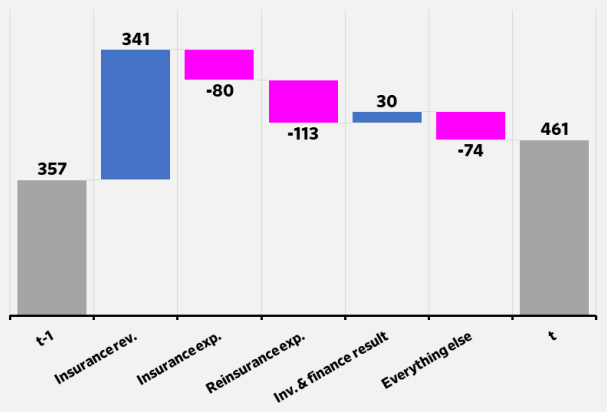
Source: Company, MBSBR

FIG 6: YoY P/L walk (Quarterly results)



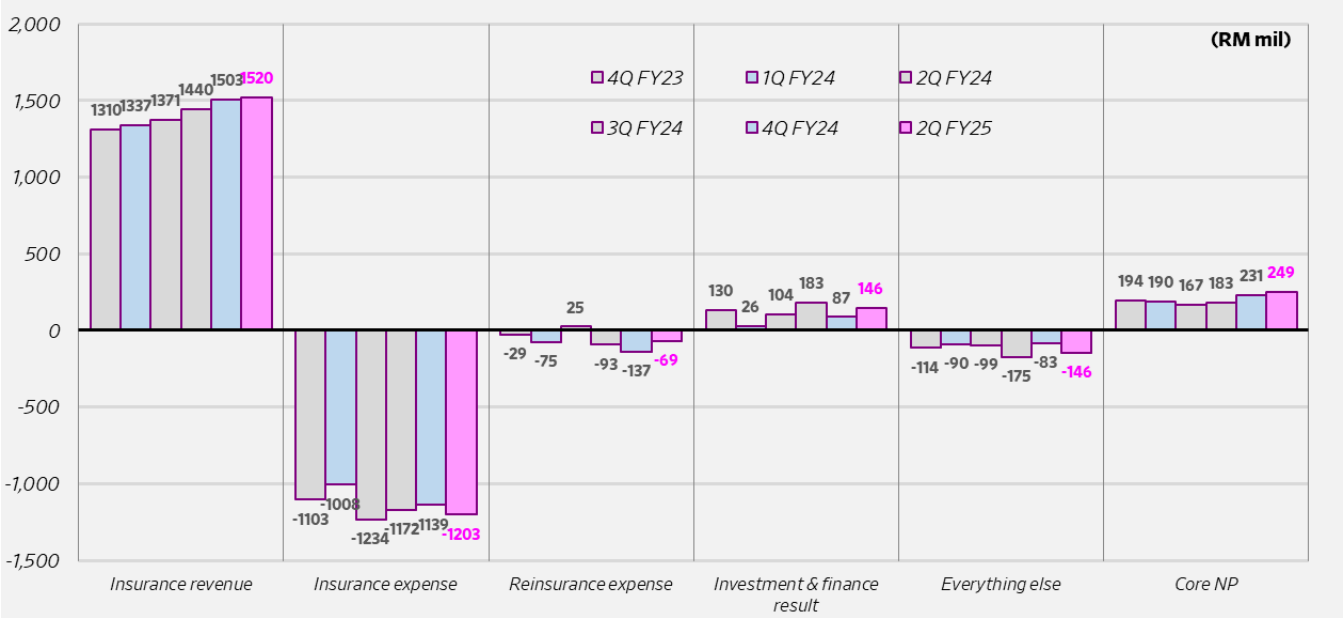
Source: Company, MBSBR

FIG 7: YoY P/L walk (Cumulative results)



Source: Company, MBSBR

FIG 8: QoQ P/L walk (Multiple Quarters)

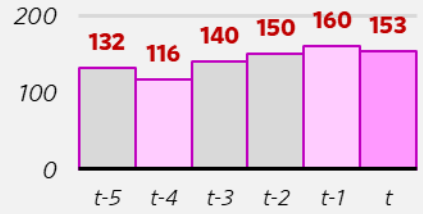


Source: Company, MBSBR

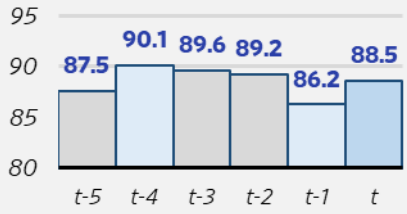
FIG 9: Quarterly Insurance Service Result Performance by Segment

1. General	Overall: ▲Strong | Qtr: -4%qoq, +32%yoy | Cum: +26%yoy

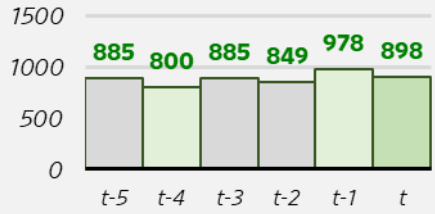
PBT (RM m)



Combined Ratio (%)



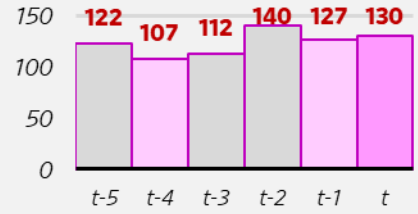
GWP (RM m)



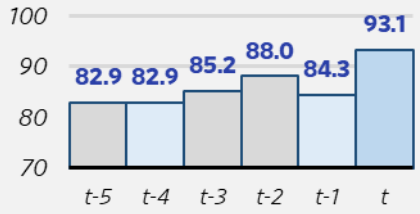
Commentary: Some normalisation in the combined ratio (as guided), though higher insurance revenue was able to offset higher insurance expenses. A strong investment result helped preserve earnings strength.

2. Life	Overall: ▲Strong | Qtr: +3%qoq, +22%yoy | Cum: +12%yoy

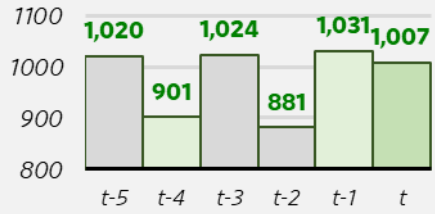
PBT (RM m)



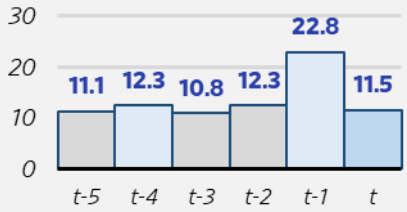
Block Persistency Ratio (%)



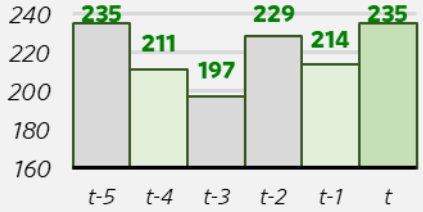
GWP (RM m)



Expense Ratio (%)



Annualised New Premium (RM m)

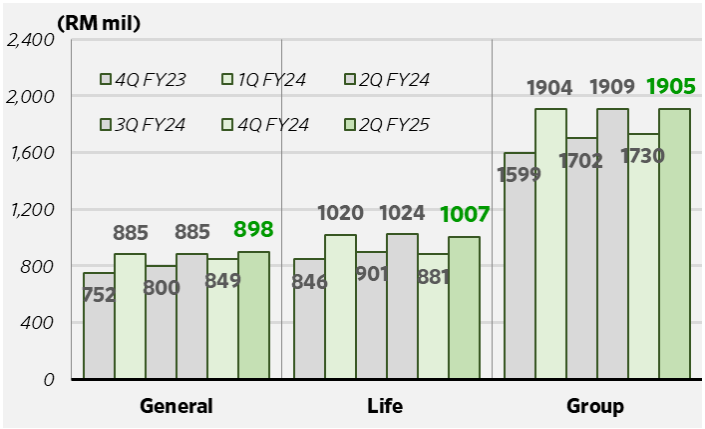


Commentary: Although the result seems strong, note that a lot of it was driven by strong investment returns. Persistency ratio was high – GWP and ANP growth were very well preserved. On the other hand, the insurance service result was dragged by weaker insurance revenue and higher insurance expense – we think part of this is due to seasonal effects.

Source: Company, MBSBR

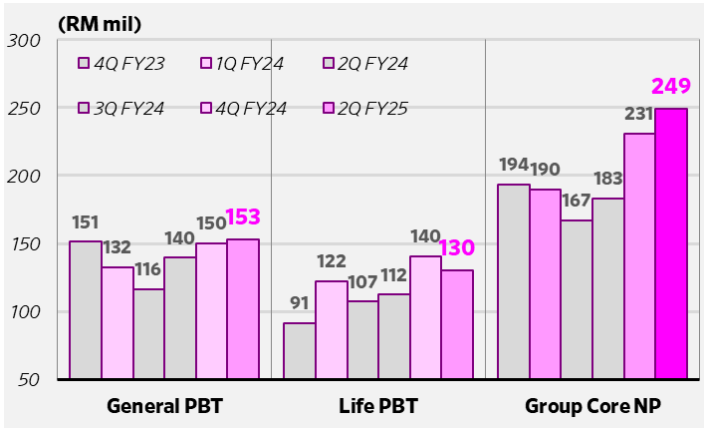
SEGMENTAL BREAKDOWN

FIG 10: GWP by Segment (Quarterly)



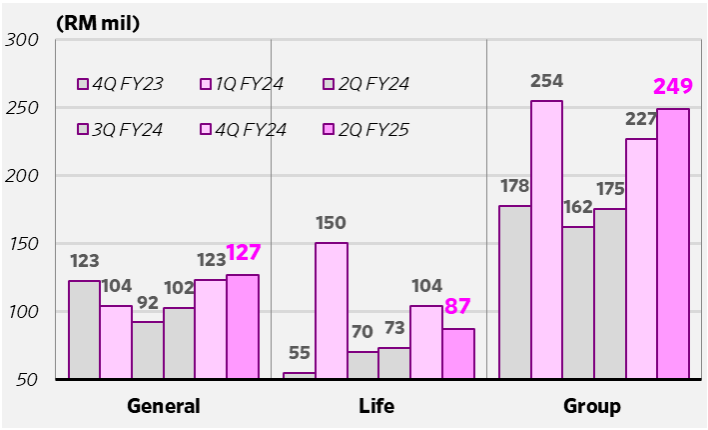
Source: Company, MBSBR

FIG 11: PBT by Segment, with Group Core NP (Quarterly)



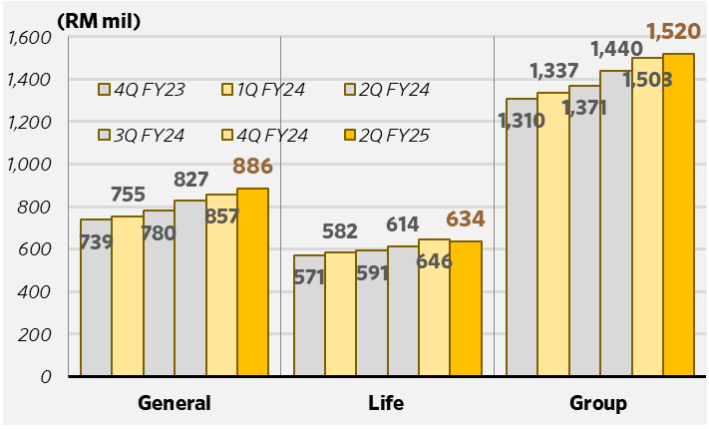
Source: Company, MBSBR

FIG 12: Insurance Service Result by Segment (Quarterly)



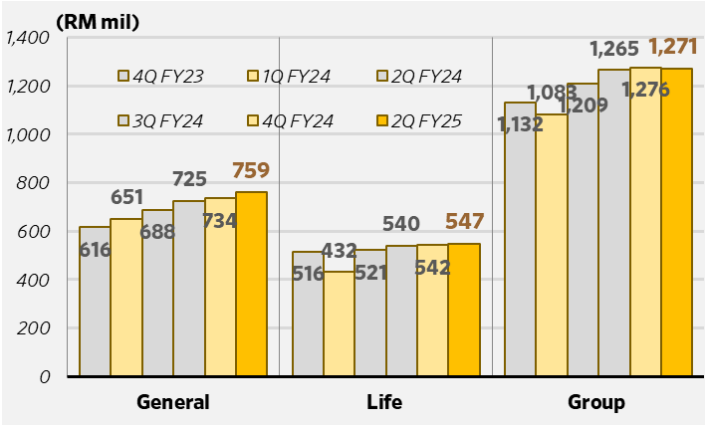
Source: Company, MBSBR

FIG 13: Insurance Revenue by Segment (Quarterly)



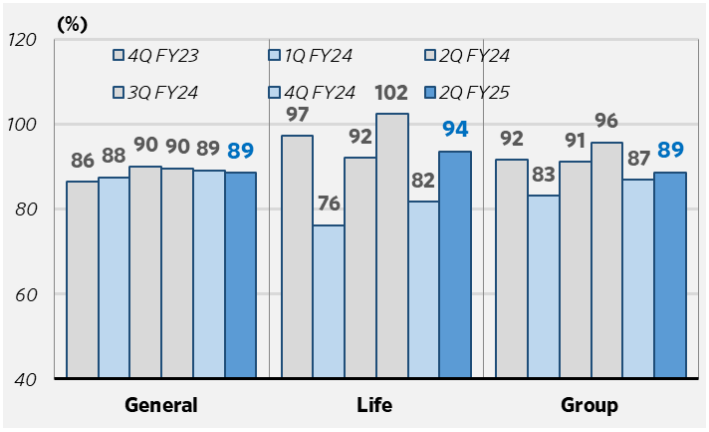
Source: Company, MBSBR

FIG 14: Insurance & Reinsurance Expenses by Segment (Quarterly)



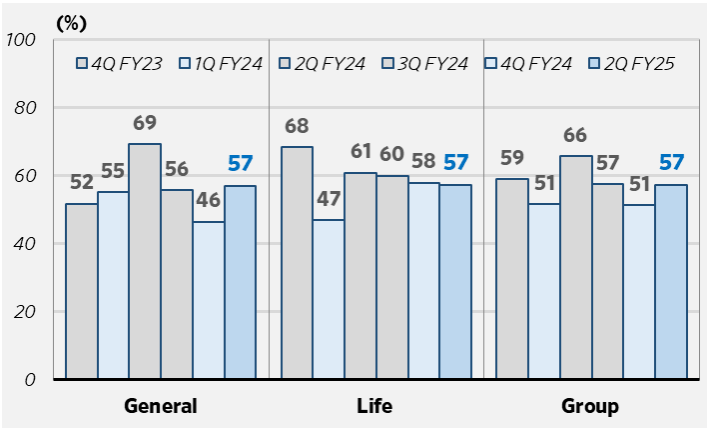
Source: Company, MBSBR

FIG 15: Combined Ratio by Segment (Quarterly)



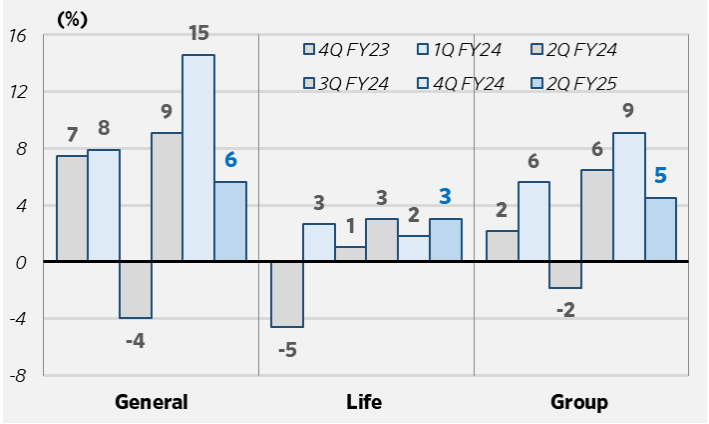
Source: Company, MBSBR

FIG 16: Claims Ratio by Segment (Quarterly)



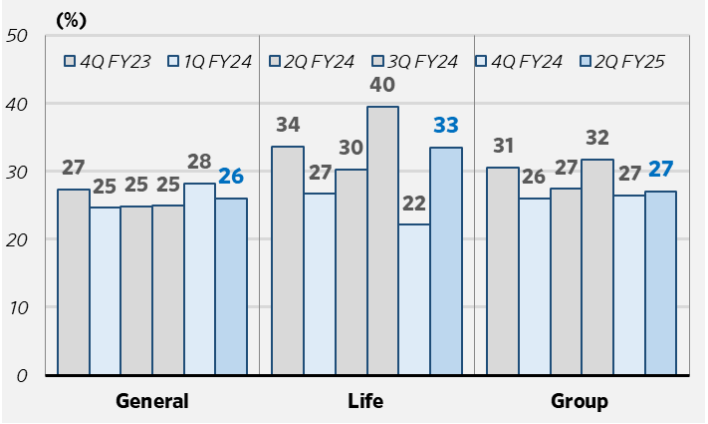
Source: Company, MBSBR

FIG 17: Reinsurance Ratio by Segment (Quarterly)



Source: Company, MBSBR

FIG 18: Expense Ratio by Segment (Quarterly)



Source: Company, MBSBR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Insurance revenue	4,942	5,651	6,163	6,743	7,377
Insurance service expenses	(3,897)	(4,553)	(4,794)	(5,246)	(5,741)
Reinsurance expense	(229)	(280)	(327)	(359)	(395)
Insurance service result	**817**	**818**	**1,043**	**1,138**	**1,241**
Investment return	1,142	1,577	901	865	823
Net finance result	(832)	(1,177)	(638)	(669)	(701)
Total ins, inv & financial result	**1,126**	**1,218**	**1,306**	**1,334**	**1,363**
Other income	1	5	12	11	11
Other OPEX	(170)	(217)	(217)	(217)	(217)
Associates	-	-	-	-	-
PBT	**957**	**1,005**	**1,100**	**1,127**	**1,157**
Tax	(226)	(235)	(257)	(263)	(270)
NCI	-	-	-	-	-
Reported NP	**731**	**771**	**843**	**864**	**887**
Core NP	**731**	**771**	**843**	**864**	**887**

BALANCE SHEET

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash & ST funds	1,562	2,027	2,027	2,027	2,027
Investment securities	23,052	25,121	26,377	27,696	29,081
Other assets	1,308	1,341	1,274	1,412	1,619
Total assets	**25,922**	**28,488**	**29,678**	**31,135**	**32,726**
Insurance contracts	19,316	21,220	22,281	23,395	24,565
Other liabilities	1,465	1,440	1,096	955	880
Total liabilities	**20,781**	**22,660**	**23,377**	**24,350**	**25,444**
Share capital	236	241	241	241	241
Reserves	4,370	5,057	5,530	6,014	6,511
Total equity	**5,141**	**5,828**	**6,301**	**6,785**	**7,282**
Total L&E	**25,922**	**28,488**	**29,678**	**31,135**	**32,726**

FINANCIAL RATIOS

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Profitability (%)					
ROE	11.7	11.7	13.9	13.2	12.6
ROA	3.0	3.0	2.9	2.8	2.8
Combined ratio (%)	**83.5**	**85.5**	**83.1**	**83.1**	**83.2**
Claims	53.5	56.4	53.6	53.6	53.6
Expenses	25.3	24.2	24.2	24.2	24.2
Reinsurance	4.6	5.0	5.3	5.3	5.4
Growth (%)					
Insurance revenue	11.8	14.4	9.1	9.4	9.4
Insurance expense	16.4	16.9	5.3	9.4	9.4
Insurance service result	2.9	0.2	27.4	9.1	9.1
Net ins & investment result	7.6	8.2	7.2	2.2	2.2
PBT	9.5	5.1	9.4	2.5	2.6
Core NP	19.1	5.4	9.4	2.5	2.6
Valuation metrics					
Core EPS (sen)	211.7	223.2	244.2	250.3	256.8
Gross DPS (sen)	100.5	89.5	97.9	100.3	103.0
Div payout (%)	48	40	40	40	40
BVPS (RM)	14.9	16.9	18.2	19.6	21.1
Core P/E (x)	8.5	8.0	7.3	7.2	7.0
Div yield (%)	**5.6**	**5.0**	**5.5**	**5.6**	**5.8**
P/BV (x)	1.2	1.1	1.0	0.9	0.8

Source: Company, MBSBR

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MBSB INVESTMENT BANK (formerly known MIDF INVESTMENT BANK): GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology