Corporate Update

Allianz Malaysia Berhad

(1163 | ALLZ MK) Financial Services | Finance

FTSE4Good ESG 3 Stars

Maintain **BUY**

Revised Target Price **RM25.69**
(from RM23.74)

Briefing Note
Incredible Momentum

Salient Points

Solid set of earnings, as forecasted.

Management's tone: Cautiously optimistic

Expect: Some headwinds, but it shouldn't be enough to derail ALLZ's tremendous trajectory.

Our Verdict

ALLZ continues to perform exceptionally well, though global cost inflation slightly softens its outlook. We think the Group has excellent strategic advantages, growth prospects, margins, and decent dividend yields.

Valuations

A revised SOTP-TP of RM 25.69 *(formerly RM23.74)*

AGIC: FY27F P/BV of 1.4x *(formerly 1.4x)*

ALIM: FY27F P/CE of 0.6x *(formerly 0.6x)*

Current P/BV of 0.61x is inexpensive, trading near -1SD of the 10-year P/BV mean of 0.76x.

Themes

1. ▲ AGIC to maintain its aggressive growth, capitalising on economies of scale and market-leading position. Management warns of growth headwinds (such as lower TIV), but we doubt this will derail momentum by a significant amount.
2. ▲ ALIM has also seen tremendous growth recovery, though this may normalise slightly in subsequent quarters. Like AGIC, ALIM's growth is rapidly outpacing the rest of the industry. While preferring the agency distribution channel, ALIM is making considerable headway in both the bancassurance and employee benefits segments.
3. ▲ ALIM has been managing healthcare inflation very well, with its health loss ratios showing considerable improvement from last year. Solid take-up in co-pay products should help maintain this excellent performance.
4. ▲ Decent dividend yields. Unfortunately, capital constraints will likely persist as ALLZ's high level of growth puts pressure on solvency.
5. ▼ Cost inflation should hurt both AGIC's and ALIM's claims ratio, as equipment and raw materials become pricier.

Results in a nutshell:

► **3MFY26's Core NP of RM227m was *Within/Within* our/street forecasts: *24%/24%* of full-year forecasts.**

▲ **Dividends announced.** Technically, the DPS of 35.5 sen is meant for 2QFY26 rather than 1QFY26. We feel that this dividend was supposed to be announced way back in FY25, but the approval process went on longer than expected.

RETURN STATISTICS	
Price @ 26 May 2026 (RM)	20.80
Expected share price return (%)	+23.5
Expected dividend yield (%)	+4.3
Expected total return (%)	**+27.8**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.1	0.5
3 months	2.7	-2.6
12 months	11.9	0.5

INVESTMENT STATISTICS

FYE Dec	FY26F	FY27F	FY28F
Core NP (RM m)	**948**	**961**	**1,027**
CNP growth (%)	(1)	1	7
Div yield (%)	**4.3**	**4.3**	**4.6**
Gross DPS (sen)	88.5	89.7	95.8
P/BV (x)	**1.0**	**0.9**	**0.9**
BVPS (RM)	20.1	21.9	23.9
ROE (%)	**14.4**	**13.3**	**13.1**
% Street CNP (%)	**100**	**97**	**99**

KEY STATISTICS

FBM KLCI	1,699.02
Issue shares (m)	181.5
Estimated free float (%)	31.9
Market Capitalisation (RM'm)	3,876.8
52-wk price range	RM17.2 – RM23.3
3-mth average daily volume (m)	0.1
3-mth average daily value (RM'm)	1.7
Top Shareholders (%)	
Allianz SE	63.8
EPF Board	6.6
Kumpulan Wang Persaraan Diperbadan	3.2

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▲ **3MFY26's Core net profit (NP) of RM227m up by +7%yoy.** The increase was driven by higher insurance revenue, which offset the higher insurance expenses.

▼ **1QFY26's Core NP of RM227m down by -24%qoq.** The decrease was driven by weaker investment returns and a return to normalised tax expenses (as opposed to net writebacks last quarter).

▼ **AGIC's 3MFY26 PBT of RM154m down by -3%yoy.** Although the group saw improved revenue and lower reinsurance charges, higher insurance expenses provided the downside pressure.

▲ **AGIC's 1QFY26 PBT of RM154m up by +6%qoq.** Lower insurance expenses and higher investment returns offset higher reinsurance and net insurance finance expenses.

► **ALIM's 3MFY26 PBT of RM128m up by +1%yoy.** Higher insurance revenue and investment returns were offset by higher insurance expenses.

▼ **ALIM's 1QFY26 PBT of RM128m down by -2%qoq.** Higher insurance expenses offset improved insurance revenue and reinsurance expenses.

Have a look at:

▼ **AGIC's strong showing could face some headwinds.** AGIC's growth is still outstripping industry figures, and it has somehow gained more market share despite already achieving its target back in FY25. However, in light of a poorer economic outlook, do expect hiccups, primarily from the motor segment as TIV is set to decline. The restrictive new regulation on foreign EVs is also a negative development.

Another pressing issue is cost inflation (primarily for motor parts), which could be affected by logistical issues and raw material price spikes. These parts tend to be created overseas. We saw something similar during the pandemic. But management seems optimistic – even in May, there has been very limited impact on claims.

▲ **Of limited impact: MAT exposure.** AGIC's exposure to the segment is limited, let alone to vehicles set to travel past conflict zones.

▲ **Of limited impact: PERKESO's new 24hr policy.** AGIC's main PA insurance customers are blue-collar workers whose livelihood is highly dependent on working hours. The payout and coverage of PERKESO's new policy is too limited – hence AGIC isn't expecting any competition from this new policy. Group-wide PA policies (such as for marathons) are likely to be similarly untouched.

▲ **ALIM shows tremendous growth, but should see some normalisation.** ALIM's growth this quarter was significant, far outperforming the industry, particularly in the agency and bancassurance segments. But there are low base effects: Recall that 1QFY25 was a very weak quarter due to the ongoing medical insurance controversies at that time. 2QFY25 showed considerable recovery – hence expect 2QFY26's growth to show a more moderate sequential year gain. Something helpful: More customers are now on direct debit, which allows for stickier persistency ratios.

While agency has been ALIM's distribution channel of choice, they've made considerable headway into the bancassurance and employee benefit (EB) space. They've seen good retention of large customers in the EB space. However, keep in mind that agency premiums have the higher margins – the majority of them are investment-linked.

► **Health loss ratios continue to outperform, but tough times may be ahead.** ALLZ's health claims remain very low. Management attributes it to technical excellence and new tech – particularly their AI health claims co-pilot, which they believe will assist with larger health bills, allowing for a more accurate, profitable claims process. However, we caution that rising medical inflation due to supply chain issues and raw material price hikes has remerged. Hence, ALIM could face narrowing margins ahead. Perhaps DRG rollout could be good in the medium-term, but management does not expect any short-term benefit to the initiative.

► **Post-FY26, we should see premium repricing once more, allowing ALIM to pass on costs to the consumer.** This is when BNM's cap on premium inflation ends. However, we expect a more moderate quantum of increase despite the current levels of elevated medical inflation. This is due to the heavy adoption of co-pay policies, which limit the need for repricing.

▲ **Looking forward to base MHIT products.** Management does not foresee this product cannibalising any other product line. As mentioned previously, ALLZ's customer base primarily comprises the T20 demographic, which may find the terms and payout of base MHIT products too restrictive. Instead, management is excited that the rollout of this product could allow them to capture an entirely different, lower-income customer base.

▲ **Reduced tax in subsequent quarters.** Last quarter saw a one-off tax writeback due to reclassification. We can expect further instances in subsequent quarters, though this will probably only result in reduced tax rather than a full-on writeback. This is a one-off and should normalise by 4QFY26.

Forecasts revised: FY26F/FY27F/FY28F Core NP adjusted by -1%/-1%/-1%. We tweak our earnings to incorporate a slightly higher claims ratio in light of global cost inflation.
Key downside risks. *(1) Economic slowdown leads to weakened growth, (2) Higher-than-expected claims, (3) Further regulatory hurdles.*

Maintain BUY call: Revised SOTP-TP of RM 25.69 ***(from RM23.74)***. This is to reflect altered earnings prospects and valuations as we roll our valuation base to FY27F.

(1) **For AGIC, we use a FY27F P/BV of 1.4x.** *(formerly 1.4x, rolled on from FY26F)*
(2) **For ALIM, we use an FY27F P/CE of 0.6x.** *(formerly 0.6x, rolled on from FY26F)*

FIG 1: SOTP Valuation

Companies	Equity Value (RM mil)	Equity Value basis	Multiple (X)	Valuation basis	Valuation (RM mil)
AGIC	**3,688**	FY27F P/BV	**1.4**	P/BV	**5,163**
ALIM	**6,105**	FY27F P/CE	**0.6**	P/CE	**3,663**
Total sum-of-parts					**8,826**
(÷) Diluted ALLZ Share Base (mil)					344
Fair value (RM)					**25.69**

Source: Company, MBSBR

FIG 2: Quarterly results

FYE Dec (RM m)	1Q FY26	4Q FY25	1Q FY25	Yoy (%)	Qoq (%)	3M FY26	3M FY25	Yoy (%)
Insurance revenue	1,631	1,604	1,529	7	2	1,631	1,529	7
Insurance expenses	(1,241)	(1,336)	(1,119)	11	-7	(1,241)	(1,119)	11
Claims	*(856)*	*(944)*	*(774)*	11	-9	*(856)*	*(774)*	11
Acquisitions & Admin exp	*(383)*	*(404)*	*(339)*	13	-5	*(383)*	*(339)*	13
Onerous contracts	*(2)*	*12*	*(5)*	-62	-117	*(2)*	*(5)*	-62
Reinsurance	(69)	(47)	(94)	-27	47	(69)	(94)	-27
Insurance service result	**321**	**221**	**316**	2	45	**321**	**316**	2
Investment return	115	230	(113)	-201	-50	115	(113)	-201
Net insurance finance exp	(105)	(114)	126	-183	-9	(105)	126	-183
Net ins & inv result	**331**	**149**	**145**	128	123	**331**	**329**	1
Other income/OPEX	(47)	(58)	(45)	5	-19	(47)	(45)	5
Associates	-	-	-	n.m.	n.m.	-	-	n.m.
PBT	**284**	**278**	**284**	**0**	**2**	**284**	**284**	**0**
Tax	(57)	19	(72)	-21	-396	(57)	(72)	-21
NCI	-	-	-	n.m.	n.m.	-	-	n.m.
Reported NP	**227**	**298**	**212**	**7**	**-24**	**227**	**212**	**7**
Core NP	**227**	**298**	**212**	**7**	**-24**	**227**	**212**	**7**
Gross DPS (sen)	**35.5**	**89.5**	**-**	**n.m.**	**n.m.**	**35.5**	**-**	**n.m.**
Core EPS (sen)	65.7	87.0	61.3	7	-25	65.7	61.3	7

Ratios (%)	1Q FY26	4Q FY25	1Q FY25	Yoy (ppts)	Qoq (ppts)	3M FY26	3M FY25	Yoy (ppts)
ROE (Ann.)	**14.0**	**18.9**	**13.9**	**0.1**	**-4.9**	**14.0**	**13.9**	**0.1**
Underwriting margin	**19.7**	**13.8**	**20.6**	**-0.9**	**5.9**	**19.7**	**20.6**	**-0.9**
Combined	**83.2**	**89.9**	**82.3**	**0.9**	**-6.7**	**83.2**	**82.3**	**0.9**
Claims	52.6	58.1	51.0	1.6	-5.5	52.6	51.0	1.6
Reinsurance	4.2	2.9	6.2	-1.9	1.3	4.2	6.2	-1.9
Expense	26.4	28.9	25.1	1.2	-2.5	26.4	25.1	1.2

Source: Company, MBSBR

FIG 3: Quarterly results (General)

FYE Dec (RM m)	1Q FY26	4Q FY25	1Q FY25	Yoy (%)	Qoq (%)	3M FY26	3M FY25	Yoy (%)
Insurance revenue	918	919	862	6	-0	918	862	6
Insurance expenses	(720)	(749)	(652)	11	-4	(720)	(652)	11
Claims	*(505)*	*(528)*	*(463)*	9	-4	*(505)*	*(463)*	9
Acquisitions & Admin exp	*(214)*	*(232)*	*(187)*	15	-8	*(214)*	*(187)*	15
Onerous contracts	*(2)*	*11*	*(1)*	8	-115	*(2)*	*(1)*	8
Reinsurance	(65)	(40)	(79)	-18	62	(65)	(79)	-18
Insurance service result	**133**	**130**	**132**	1	2	**133**	**132**	1
Investment return	70	61	67	5	15	70	67	5
Net insurance finance exp	(29)	(12)	(26)	12	133	(29)	(26)	12
Net ins & inv result	**174**	**179**	**173**	1	-3	**174**	**173**	1
Other income	0	1	0	n.m.	n.m.	0	0	n.m.
Other OPEX	(20)	(34)	(14)	47	-41	(20)	(14)	47
PBT	**154**	**145**	**160**	-3	6	**154**	**160**	-3

Ratios (%)	1Q FY26	4Q FY25	1Q FY25	Yoy (ppts)	Qoq (ppts)	3M FY26	3M FY25	Yoy (ppts)
Underwriting margin	**14.5**	**14.2**	**15.3**	**-0.8**	**0.3**	**14.5**	**15.3**	**-0.8**
Combined	**87.7**	**89.5**	**86.2**	**1.4**	**-1.8**	**87.7**	**86.2**	**1.4**
Claims	55.1	56.2	53.9	1.2	-1.1	55.1	53.9	1.2
Reinsurance	7.1	4.4	9.1	-2.1	2.7	7.1	9.1	-2.1
Expense	25.5	28.9	23.2	2.3	-3.4	25.5	23.2	2.3

Source: Company, MBSBR

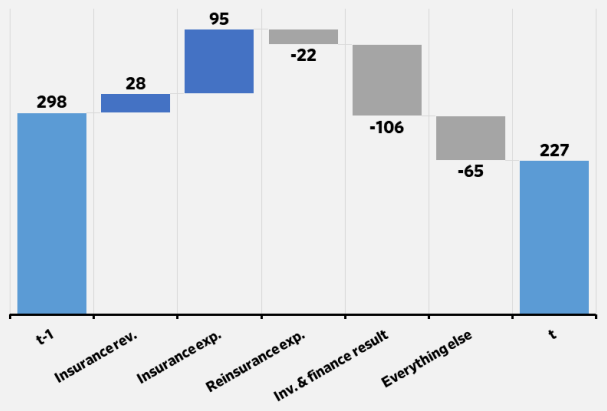
FIG 4: Quarterly results (Life)

FYE Dec (RM m)	1Q FY26	4Q FY25	1Q FY25	Yoy (%)	Qoq (%)	3M FY26	3M FY25	Yoy (%)
Insurance revenue	713	684	666	7	4	713	666	7
Insurance expenses	(521)	(587)	(467)	11	-11	(521)	(467)	11
Claims	*(351)*	*(415)*	*(311)*	13	-15	*(351)*	*(311)*	13
Acquisitions & Admin exp	*(169)*	*(173)*	*(152)*	11	-2	*(169)*	*(152)*	11
Onerous contracts	*(0)*	*1*	*(4)*	-89	-133	*(0)*	*(4)*	-89
Reinsurance	(4)	(7)	(15)	-75	-42	(4)	(15)	-75
Insurance service result	**189**	**91**	**184**	3	107	**189**	**184**	3
Investment return	40	162	(184)	-122	-75	40	(184)	-122
Net insurance finance exp	(76)	(102)	152	-150	-26	(76)	152	-150
Net ins & inv result	**153**	**151**	**152**	1	1	**153**	**152**	1
Other income	0	0	0	n.m.	n.m.	0	0	n.m.
Other OPEX	(25)	(20)	(25)	-1	22	(25)	(25)	-1
PBT	**128**	**131**	**127**	1	-2	**128**	**127**	1

Ratios (%)	1Q FY26	4Q FY25	1Q FY25	Yoy (ppts)	Qoq (ppts)	3M FY26	3M FY25	Yoy (ppts)
Block persistency	**83.0**	**83.5**	**80.7**	**2.3**	**-0.5**	**10.2**	**11.3**	**-1.1**
Underwriting margin	**26.5**	**13.3**	**27.6**	**-1.1**	**13.2**	**26.5**	**27.6**	**-1.1**
Combined (Estimates)	**77.0**	**89.7**	**76.2**	**0.8**	**-12.7**	**77.0**	**76.2**	**0.8**
Claims	49.3	60.5	47.2	2.1	-11.2	49.3	47.2	2.1
Reinsurance	0.5	1.0	2.3	-1.8	-0.4	0.5	2.3	-1.8
Expense	27.1	28.2	26.6	0.5	-1.1	27.1	26.6	0.5

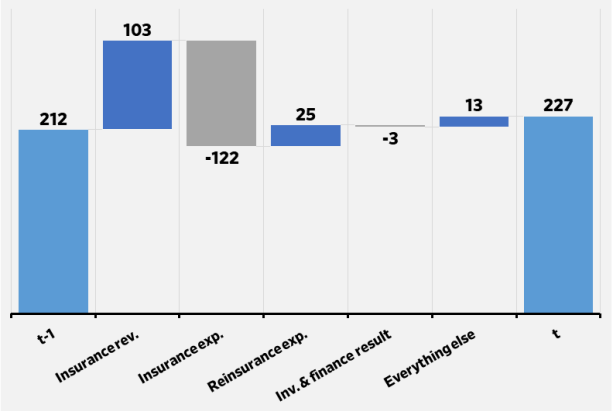
Source: Company, MBSBR

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



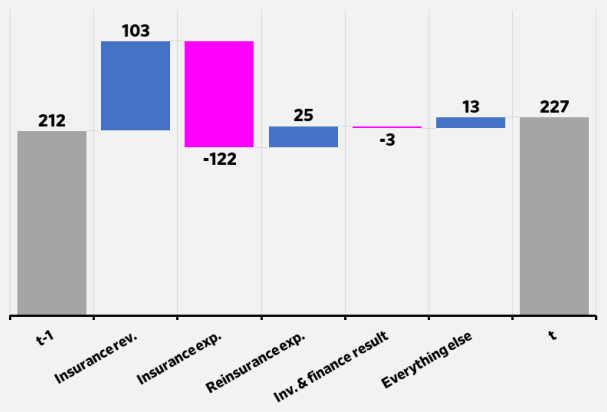
Source: Company, MBSBR

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



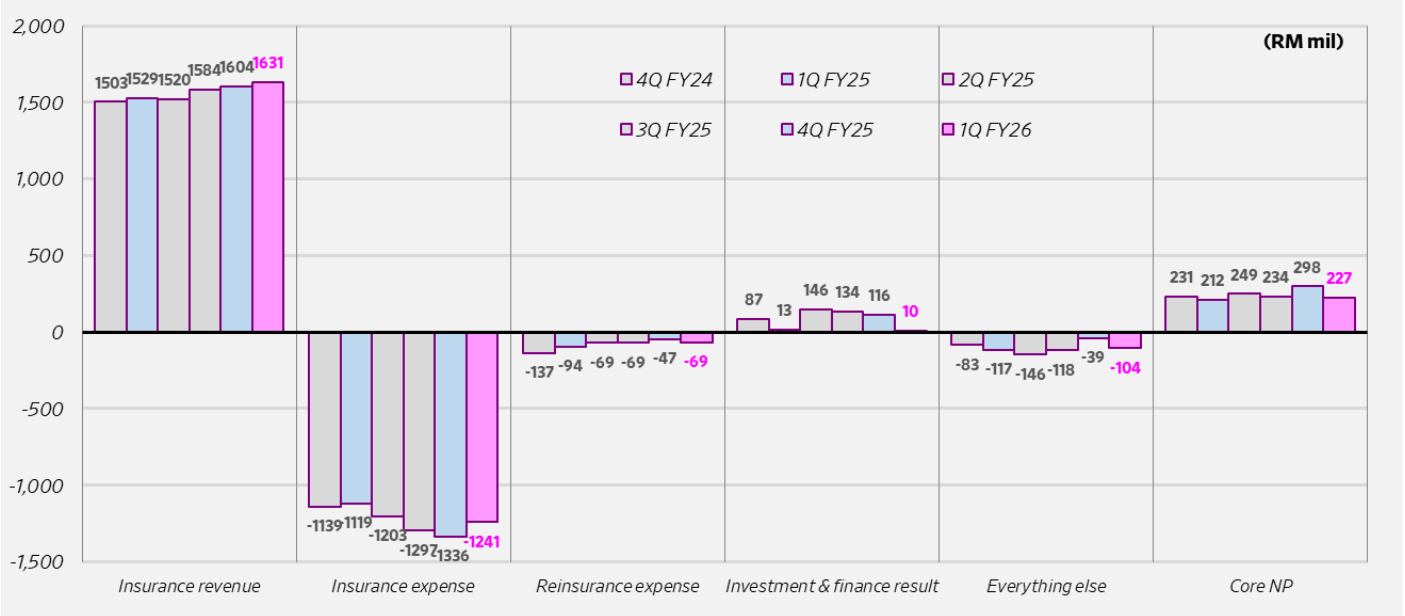
Source: Company, MBSBR

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



Source: Company, MBSBR

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

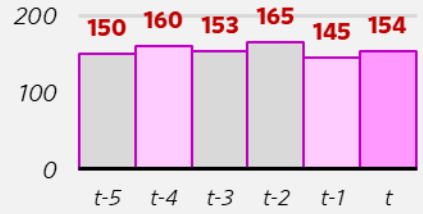


Source: Company, MBSBR

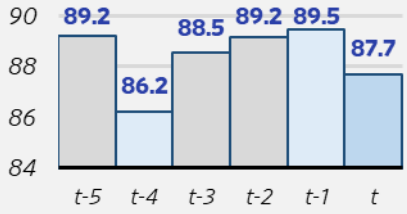
FIG 9: Quarterly Insurance Service Result Performance by Segment

1. General	Overall: ▲Strong | Qtr: +6%qoq, -3%yoy | Cum: -3%yoy

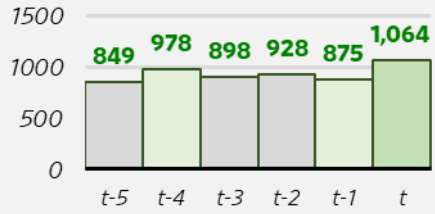
PBT (RM m)



Combined Ratio (%)



GWP (RM m)

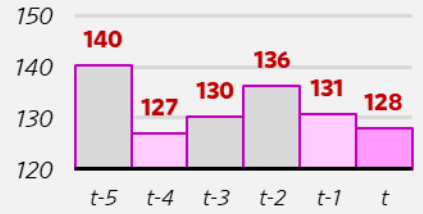


Commentary: Very strong GWP growth and a low combined ratio (both claims and reinsurance costs were well controlled) led to a moderately strong quarter.

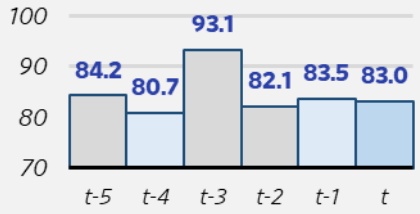
Management does warn of tougher times ahead, from a growth standpoint (slower economy lowers TIV, amid other things), as well as potential threats to claims (as logistical issues and rising oil prices elevate the price of car spare parts).

2. Life	Overall: ► Moderate | Qtr: -2%qoq, +1%yoy | Cum: +1%yoy

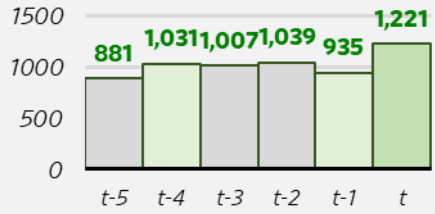
PBT (RM m)



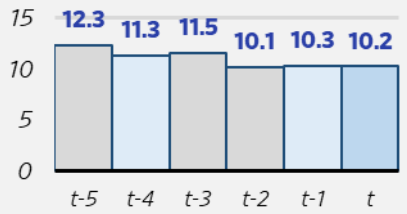
Block Persistency Ratio (%)



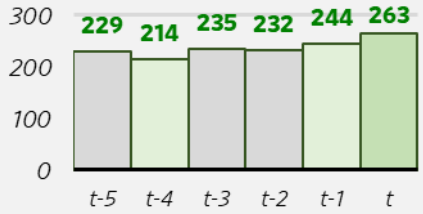
GWP (RM m)



Expense Ratio (%)



Annualised New Premium (RM m)

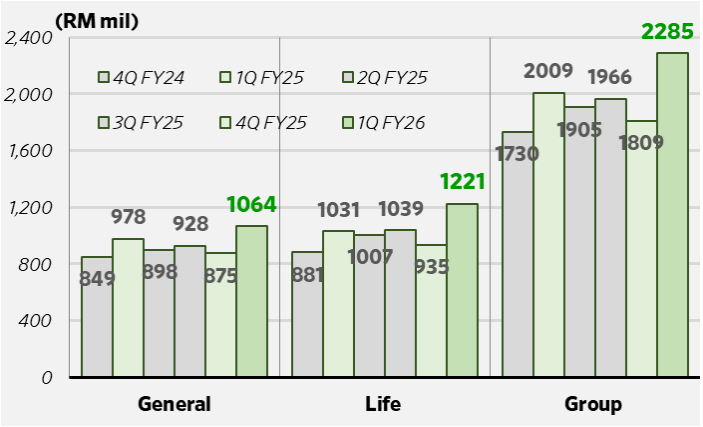


Commentary: Despite strong insurance revenue performance, weak investment returns and net insurance finance expense dragged the segment. Otherwise, ALIM's GWP growth is phenomenally strong, well above the rest of the industry. While agency has always been the Group's strongest (and preferred) distribution channel, it is making significant headway into the bancassurance and employee benefits distribution channels.

Source: Company, MBSBR

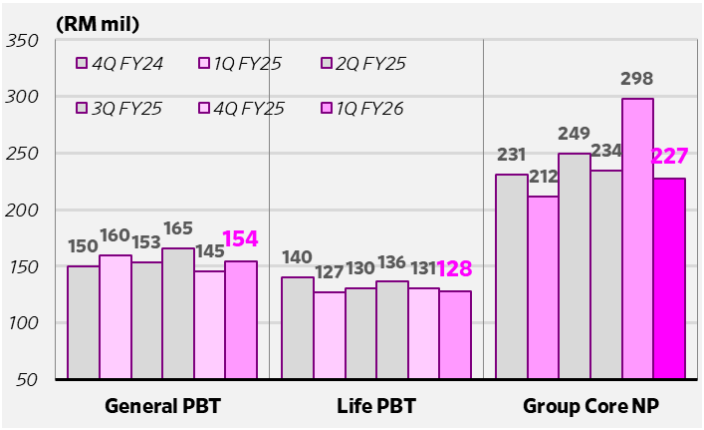
SEGMENTAL BREAKDOWN

FIG 10: GWP by Segment (Quarterly)



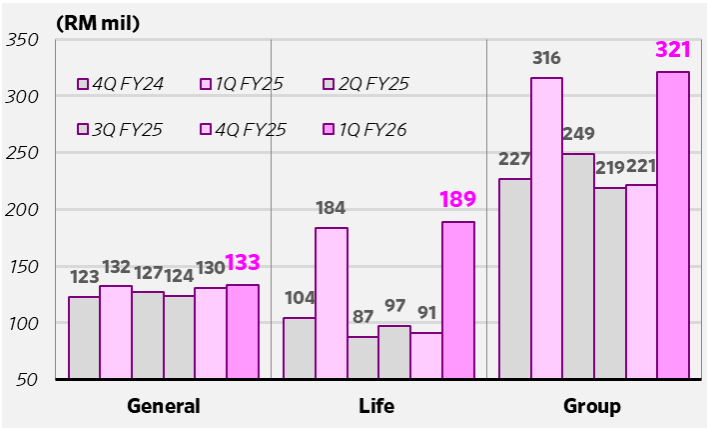
Source: Company, MBSBR

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



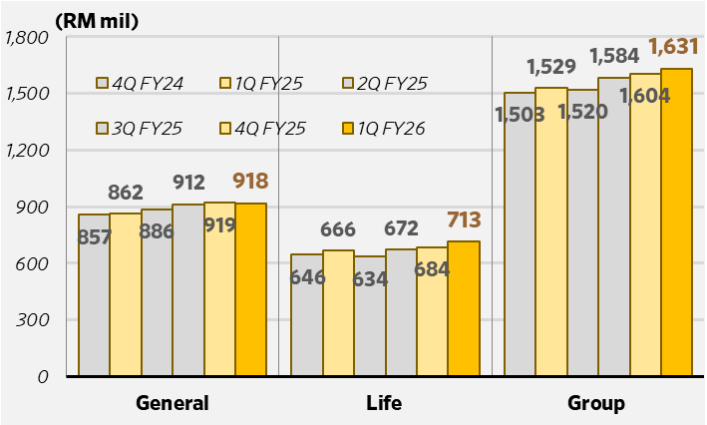
Source: Company, MBSBR

FIG 12: Insurance Service Result by Segment (Quarterly)



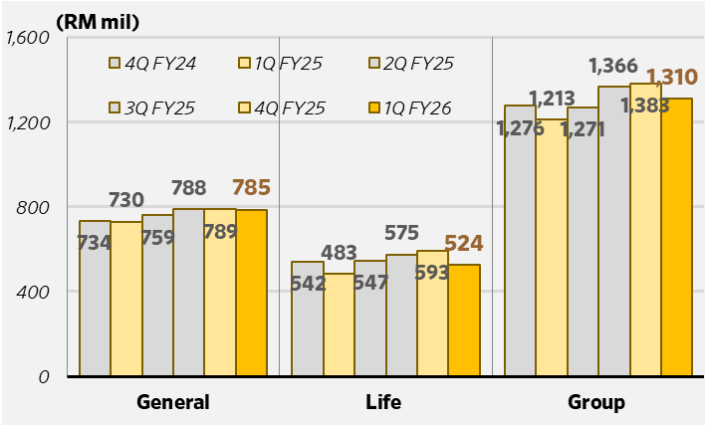
Source: Company, MBSBR

FIG 13: Insurance Revenue by Segment (Quarterly)



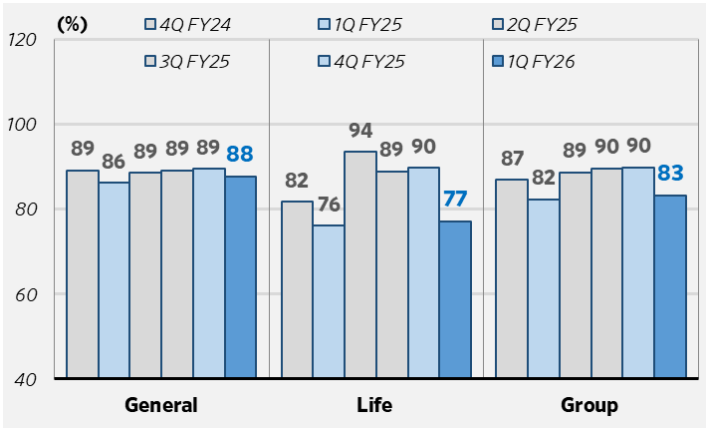
Source: Company, MBSBR

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



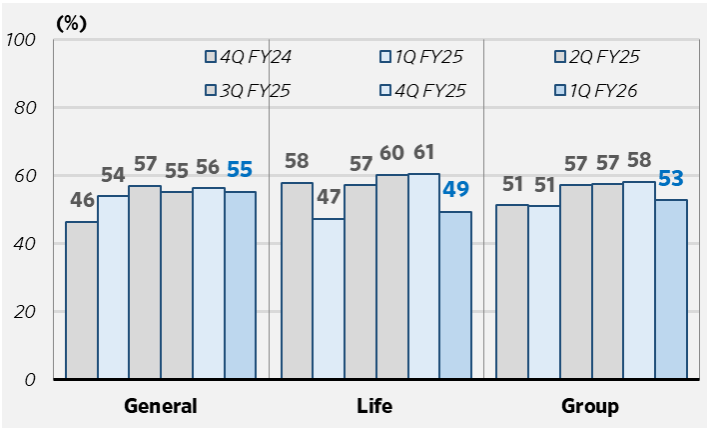
Source: Company, MBSBR

FIG 15: Combined Ratio by Segment (Quarterly)



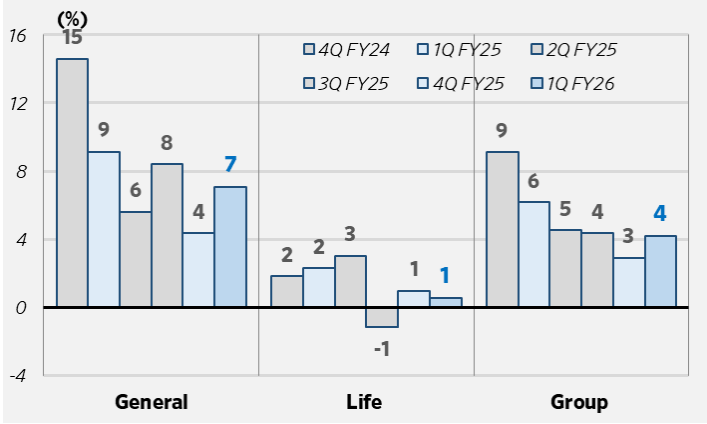
Source: Company, MBSBR

FIG 16: Claims Ratio by Segment (Quarterly)



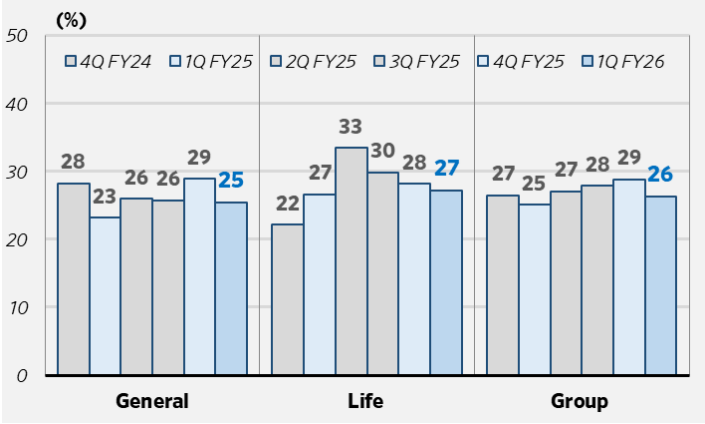
Source: Company, MBSBR

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)	FY24	FY25	FY26F	FY27F	FY28F
Insurance revenue	5,651	6,237	6,821	7,462	8,163
Insurance service expenses	(4,553)	(4,989)	(5,554)	(6,075)	(6,646)
Reinsurance expense	(280)	(279)	(319)	(351)	(386)
Insurance service result	**818**	**969**	**948**	**1,036**	**1,130**
Investment return	1,577	1,058	1,129	1,127	1,152
Net finance result	(1,177)	(660)	(676)	(708)	(742)
Total ins, inv & financial result	**1,218**	**1,367**	**1,401**	**1,455**	**1,540**
Other income	5	26	26	26	26
Other OPEX	(217)	(228)	(228)	(228)	(228)
Associates	-	-	-	-	-
PBT	**1,005**	**1,166**	**1,200**	**1,253**	**1,339**
Tax	(235)	(207)	(252)	(292)	(312)
NCI	-	-	-	-	-
Reported NP	**771**	**959**	**948**	**961**	**1,027**
Core NP	**771**	**959**	**948**	**961**	**1,027**

BALANCE SHEET

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash & ST funds	2,027	1,788	1,788	1,788	1,788
Investment securities	25,121	27,128	29,298	31,642	34,173
Other assets	1,341	1,579	1,571	1,745	1,938
Total assets	**28,488**	**30,495**	**32,657**	**35,175**	**37,899**
Insurance contracts	21,220	22,371	23,489	24,664	25,897
Other liabilities	1,440	1,837	2,265	2,984	3,809
Total liabilities	**22,660**	**24,208**	**25,755**	**27,648**	**29,706**
Share capital	241	256	256	256	256
Reserves	5,057	5,516	6,132	6,756	7,422
Total equity	**5,828**	**6,287**	**6,903**	**7,527**	**8,193**
Total L&E	**28,488**	**30,495**	**32,657**	**35,175**	**37,899**

Source: Company, MBSBR

FINANCIAL RATIOS

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Profitability (%)					
ROE	11.7	12.7	14.4	13.3	13.1
ROA	3.0	4.0	3.0	2.8	2.8
Combined ratio (%)	**85.5**	**84.5**	**86.1**	**86.1**	**86.2**
Claims	56.4	55.9	55.7	55.7	55.7
Expenses	24.2	24.1	25.7	25.7	25.7
Reinsurance	5.0	4.5	4.7	4.7	4.7
Growth (%)					
Insurance revenue	14.4	10.4	9.4	9.4	9.4
Insurance expense	16.9	9.6	11.3	9.4	9.4
Insurance service result	0.2	18.5	-2.1	9.2	9.2
Net ins & investment result	8.2	12.2	2.5	3.8	5.9
PBT	5.1	15.9	2.9	4.4	6.8
Core NP	5.4	24.4	-1.1	1.4	6.8
Valuation metrics					
Core EPS (sen)	224.4	279.1	276.0	279.9	298.9
Gross DPS (sen)	89.5	89.5	88.5	89.7	95.8
Div payout (%)	40	32	32	32	32
BVPS (RM)	17.0	18.3	20.1	21.9	23.9
Core P/E (x)	9.3	7.5	7.5	7.4	7.0
Div yield (%)	**4.3**	**4.3**	**4.3**	**4.3**	**4.6**
P/BV (x)	1.2	1.1	1.0	0.9	0.9

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MBSB INVESTMENT BANK (formerly known as 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