Corporate Update

Allianz Malaysia Berhad

(1163 | ALLZ MK) Financial Services | Finance

FTSE4Good ESG 3 Stars

Maintain **BUY**

Unchanged Target Price **RM26.77**

2QFY26 Results Review Briefing Strong Growth Rebound

Salient Points

Decent set of earnings, as forecasted.

Management's tone: Cautiously +ve

Expect: Some headwinds, but nothing significant enough to derail the strong trajectory.

Our Verdict

We remain optimistic on ALLZ's overall growth trajectory, considering a strong macroeconomic outlook. Most promising is a huge rebound in TIV figures, given AGIC's high reliance on the new car segment. There are short-term headwinds: Some weakness in AGIC's non-motor GWP growth, as well as claims inflation affecting medical and motor segments.

Valuations

A revised SOTP-TP of RM 26.77

AGIC: FY27F P/BV of 1.5x

ALIM: FY27F P/CE of 0.6x

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

The company is trading at a forward P/BV of 1.02x and has a 4.1% dividend yield.

Themes

1. ▲ AGIC to maintain its aggressive growth, capitalising on economies of scale and market-leading position. A strong macroeconomic backdrop and recovery in TIV figures bode well for the motor segment, but the non-motor segment has been weaker lately.
2. ▲ ALIM has also seen solid growth recovery: Like AGIC, ALIM's growth is rapidly outpacing the rest of the industry. Core drivers are bancassurance and employee benefits segments, away from its usual agency preference.
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. ► Moderate dividend yields. Unfortunately, capital constraints will likely persist as ALLZ's high growth levels put pressure on solvency.
5. ▼ Claims inflation should pressure both AGIC's and ALIM's claims ratio. The worst hit are motor and medical segments, which ALLZ is highly exposed to. So far, AGIC has been able to circumvent motor claims inflation very well.

Results in a nutshell:

► **6MFY26's Core NP of RM446m was *Within*/*Within* our/street forecasts: *47%*/*47%* of full-year forecasts.**

RETURN STATISTICS	
Price @ 24 August 2026 (RM)	21.70
Expected share price return (%)	+23.4
Expected dividend yield (%)	+4.1
Expected total return (%)	**+27.5**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	7.6	6.9
3 months	5.3	3.4
12 months	26.9	15.8

INVESTMENT STATISTICS

FYE Dec	FY26F	FY27F	FY28F
Core NP (RM m)	**948**	**961**	**1,027**
CNP growth (%)	(1)	1	7
Div yield (%)	**4.1**	**4.1**	**4.4**
Gross DPS (sen)	88.5	89.7	95.8
P/BV (x)	**1.1**	**1.0**	**0.9**
BVPS (RM)	20.1	21.9	23.9
ROE (%)	**14.4**	**13.3**	**13.1**
% Street CNP (%)	**100**	**98**	**100**

KEY STATISTICS

FBM KLCI	1,736.33
Issue shares (m)	181.5
Estimated free float (%)	31.9
Market Capitalisation (RM'm)	4,090.6
52-wk price range	RM17.5 – RM23.3
3-mth average daily volume (m)	0.1
3-mth average daily value (RM'm)	1.3
Top Shareholders (%)	
Allianz SE	63.8
EPF Board	6.6
Kumpulan Wang Persaraan Diperbadan	3.2

Analyst

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► **No dividend announcement.**

▲ **6MFY26's Core net profit (NP) of RM446m up by 4%yoy.** The increase was driven by better insurance revenue, investment returns, and reinsurance expenses; this offset higher claims and insurance finance expenses.

▼ **2QFY26's Core NP of RM219m down by -4%qoq.** The decrease was driven by higher insurance expenses and insurance finance expenses, which offset lower reinsurance costs and better investment returns.

▲ **6MFY26's GWP of RM298m up by 12%yoy.** AGIC's GWP of RM2,002m up by **7**%yoy, while ALIM's GWP of RM2,364m up by **16**%yoy.

▼ **AGIC's 6MFY26 PBT of RM298m was down by -5%yoy.** The weakness came largely from a higher claims ratio, which offset the increase in insurance revenue and lower reinsurance expenses.

▼ **AGIC's 6MFY26 Combined ratio of 88.3% up by +0.9%yoy.** This is largely attributable to the higher claims ratio seen this quarter.

▲ **ALIM's 6MFY26 PBT of RM294m up by 14%yoy.** There were improvements in insurance revenue and investment returns, which offset higher claims and insurance finance expenses.

Have a look at:

▲ **Brighter outlook for motor segment, which still hasn't faced much claims inflation.** AGIC saw some growth weakness in the motor segment this quarter, but they expect a rebound in subsequent months. The reasoning for this is due to TIV figures, which saw a huge rebound in June (to the point it hit record highs) – before that, it was seeing negative growth. The positive growth momentum has been well maintained thus far.

Interestingly, AGIC mentions that it hasn't seen any claims inflation in the motor segment, despite an increase in accidents and motor part costs as of late. They attribute it to their superior underwriting standards, which allowed them to avoid vehicle segments that are more accident-prone (such as e-hailing drivers). Of the claims, there is a ratio of 75:25 between repair costs and bodily claims.

▼ **However, non-motor segments aren't performing as well (though still outperforming the industry).** The fire segment was affected by reduced Large & Specialised risk (LSR) take-up – a global phenomenon. AGIC still sees single-digit-level growth in the retail fire segment, and it will double down on it in 2HFY26.

Aside from that, weakness in the engineering segment was due to high base effects (there was more data-centre-related activity in 1HFY25). MAT continues to be weak as the ongoing Middle East conflict persists. A large part of the industry's weaker GWP performance in 1HCY26 was due to delays brought about by O&G and cargo uncertainties.

▲ **AGIC's FY26 expense ratio is expected to remain flattish.** AGIC's FY25 expense ratio was ~25% and will remain at this level in FY26. While there was a fair amount of expense ratio uptick seen in 1HFY26 on a sequential year basis, this is due to 1HFY25's expense ratio being abnormally low – AGIC backloaded most of FY25's expenses into the latter part of the year.

▲ **Excellent growth, with a gradual switch to non-agency distribution channels.** ALIM is pleased with its performance this quarter – it was able to report both positive growth and higher profitability this quarter, something which most peers were able to do. The Group is doubling down on employee benefit and bancassurance products (HSBC is a standout on this front). The EB segment has the most consistent performance in recent quarters.

In contrast, agency business ANPs saw market share contraction and weaker new business margins. Management is shifting priority away from this segment and is already happy if agency ANPs show positive growth.

▼ **Medical inflation to inflate claims.** Unfortunately, a combination of continual logistical issues (which affect the transport of drug raw materials and medical equipment) and a spike in acute diseases this year should result in higher medical claims – so expect elevated health loss ratios in 2HFY26.

► **Too early to make assumptions on MediAsas.** As of now, the programme is still confined to a couple of GLIC accounts. Management maintained that there is only a small overlap between pre-existing products and MediAsas. Hence, there is limited room for cannibalisation, as pre-existing products are mainly catered for the T20 customer base. In fact, customers that would have normally dropped out from pre-existing products due to premium inflation pressures now have the option to switch to MediAsas instead, allowing for better retention rates.

Forecasts unchanged. We make no changes to our earnings forecasts.
Key downside risks. *(1) High claim inflation pressure persists, (2) Poor investment gains, (3) Weaker-than-expected dividend payout.*

Maintain BUY call: Unchanged SOTP-TP of RM 26.77. We make no changes to our valuation base.

(1) **For AGIC, we use a FY27F P/BV of 1.5x.**
(2) **For ALIM, we use an FY27F P/CE of 0.6x.**

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	**1.5**	P/BV	**5,532**
ALIM	**6,105**	FY27F P/CE	**0.6**	P/CE	**3,663**
Total sum-of-parts					**9,195**
(÷) Diluted ALLZ Share Base (mil)					344
Fair value (RM)					**26.77**

Source: Company, MBSBR

FIG 2: Quarterly results

FYE Dec (RM m)	2Q FY26	1Q FY26	2Q FY25	Yoy (%)	Qoq (%)	1H FY26	1H FY25	Yoy (%)
Insurance revenue	1,630	1,631	1,520	7	-0	3,261	3,049	7
Insurance expenses	(1,414)	(1,241)	(1,237)	14	14	(2,656)	(2,356)	13
Claims	*(1,020)*	*(856)*	*(867)*	18	19	*(1,877)*	*(1,641)*	14
Acquisitions & Admin exp	*(397)*	*(383)*	*(371)*	7	4	*(780)*	*(710)*	10
Onerous contracts	*3*	*(2)*	*1*	361	-238	*1*	*(5)*	-116
Reinsurance	16	(69)	(69)	-123	-123	(53)	(163)	-67
Insurance service result	**231**	**321**	**214**	8	-28	**552**	**530**	4
Investment return	516	115	427	21	350	631	314	101
Net insurance finance exp	(390)	(105)	(281)	39	272	(494)	(155)	219
Net ins & inv result	**357**	**151**	**146**	144	137	**689**	**689**	0
Other income/OPEX	(46)	(47)	(76)	-40	-2	(93)	(121)	-23
Associates	-	-	-	n.m.	n.m.	-	-	n.m.
PBT	**311**	**284**	**284**	**10**	**9**	**595**	**567**	**5**
Tax	(93)	(57)	(69)	34	63	(149)	(138)	8
NCI	-	-	-	n.m.	n.m.	-	-	n.m.
Reported NP	**219**	**227**	**215**	**2**	**-4**	**446**	**429**	**4**
Core NP	**219**	**227**	**215**	**2**	**-4**	**446**	**429**	**4**
Gross DPS (sen)	**-**	**35.5**	**-**	**n.m.**	**n.m.**	**35.5**	**-**	**n.m.**
Core EPS (sen)	63.2	65.7	62.2	1	-4	128.8	124.5	4
GWP	**2,080**	**2,285**	**1,905**	**9**	**-9**	**4,365**	**3,914**	**12**
General	938	1,064	898	4	-12	2,002	1,876	7
Life	1,143	1,221	1,007	13	-6	2,364	2,038	16

Ratios (%)	2Q FY26	1Q FY26	2Q FY25	Yoy (ppts)	Qoq (ppts)	1H FY26	1H FY25	Yoy (ppts)
ROE (Ann.)	**13.3**	**14.0**	**14.1**	**-0.7**	**-0.7**	**13.6**	**14.1**	**-0.5**
Underwriting margin	**14.2**	**19.7**	**14.1**	**0.1**	**-5.5**	**16.9**	**17.4**	**-0.4**
Combined	**88.7**	**83.2**	**91.0**	**-2.3**	**5.5**	**85.9**	**86.6**	**-0.7**
Claims	62.4	52.6	57.0	5.4	9.8	57.5	54.0	3.5
Reinsurance	(1.0)	4.2	4.5	-5.5	-5.2	1.6	5.3	-3.7
Expense	27.2	26.4	29.4	-2.2	0.8	26.8	27.3	-0.5

Source: Company, MBSBR

FIG 3: Quarterly results (General)

FYE Dec (RM m)	2Q FY26	1Q FY26	2Q FY25	Yoy (%)	Qoq (%)	1H FY26	1H FY25	Yoy (%)
Insurance revenue	926	918	886	5	1	1,844	1,748	5
Insurance expenses	(832)	(720)	(710)	17	16	(1,552)	(1,361)	14
Claims	*(611)*	*(505)*	*(504)*	*21*	*21*	*(1,116)*	*(968)*	*15*
Acquisitions & Admin exp	*(221)*	*(214)*	*(205)*	*8*	*3*	*(436)*	*(392)*	*11*
Onerous contracts	*1*	*(2)*	*(0)*	*<-500*	*-144*	*(1)*	*(2)*	*-42*
Reinsurance	29	(65)	(50)	-158	-144	(36)	(128)	-72
Insurance service result	**123**	**133**	**127**	-3	-8	**256**	**259**	-1
Investment return	70	70	77	-9	1	140	144	-3
Net insurance finance exp	(29)	(29)	(26)	12	1	(58)	(52)	12
Net ins & inv result	**164**	**174**	**178**	-8	-6	**338**	**351**	-4
Other income	1	0	0	n.m.	n.m.	1	1	n.m.
Other OPEX	(21)	(20)	(25)	-17	4	(41)	(39)	5
PBT	**144**	**154**	**153**	-6	-7	**298**	**313**	-5

Ratios (%)	2Q FY26	1Q FY26	2Q FY25	Yoy (ppts)	Qoq (ppts)	1H FY26	1H FY25	Yoy (ppts)
Underwriting margin	**13.2**	**14.5**	**14.3**	**-1.1**	**-1.2**	**13.9**	**14.8**	**-0.9**
Combined	**88.9**	**87.7**	**88.5**	**0.4**	**1.3**	**88.3**	**87.4**	**0.9**
Claims	65.9	55.1	56.9	9.0	10.8	60.6	55.4	5.1
Reinsurance	(3.1)	7.1	5.6	-8.7	-10.2	2.0	7.3	-5.4
Expense	26.1	25.5	26.0	0.1	0.6	25.8	24.6	1.2

Source: Company, MBSBR

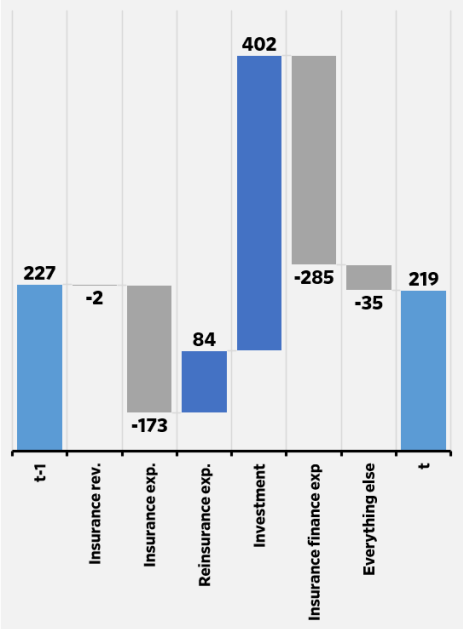
FIG 4: Quarterly results (Life)

FYE Dec (RM m)	2Q FY26	1Q FY26	2Q FY25	Yoy (%)	Qoq (%)	1H FY26	1H FY25	Yoy (%)
Insurance revenue	704	713	634	11	-1	1,417	1,301	9
Insurance expenses	(582)	(521)	(528)	10	12	(1,103)	(995)	11
Claims	*(409)*	*(351)*	*(363)*	*13*	*16*	*(760)*	*(674)*	*13*
Acquisitions & Admin exp	*(175)*	*(169)*	*(166)*	*6*	*4*	*(344)*	*(318)*	*8*
Onerous contracts	*2*	*(0)*	*1*	*211*	*<-500*	*2*	*(3)*	*-152*
Reinsurance	(13)	(4)	(19)	-32	238	(17)	(35)	-51
Insurance service result	**109**	**189**	**87**	24	-42	**297**	**271**	10
Investment return	440	40	345	28	>500	480	161	199
Net insurance finance exp	(361)	(76)	(255)	41	375	(437)	(103)	322
Net ins & inv result	**188**	**153**	**177**	6	23	**341**	**329**	4
Other income	0	0	0	n.m.	n.m.	0	0	n.m.
Other OPEX	(22)	(25)	(47)	-53	-11	(47)	(72)	-35
PBT	**166**	**128**	**130**	**28**	**30**	**294**	**257**	**14**
ANP	**225**	**263**	**235**	-4	-15	**488**	**448**	9

Ratios (%)	2Q FY26	1Q FY26	2Q FY25	Yoy (ppts)	Qoq (ppts)	1H FY26	1H FY25	Yoy (ppts)
Block persistency	**80.1**	**83.0**	**88.9**	**-8.8**	**-2.9**	**10.8**	**11.4**	**-0.6**
Underwriting margin	**15.4**	**26.5**	**13.8**	**1.6**	**-11.0**	**21.0**	**20.9**	**0.1**
Combined (Estimates)	**87.7**	**77.0**	**93.6**	**-5.9**	**10.7**	**82.3**	**84.6**	**-2.3**

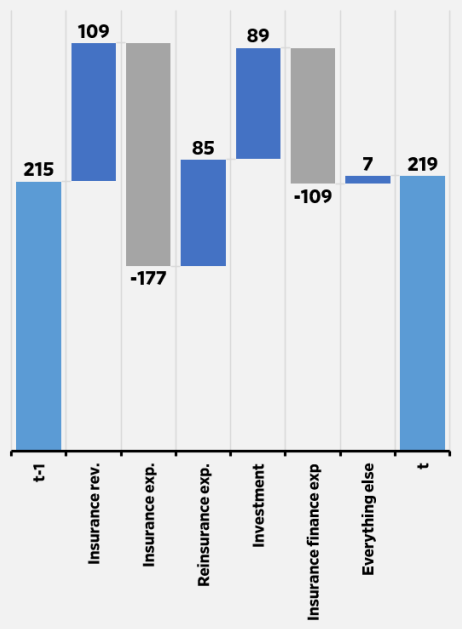
Source: Company, MBSBR

FIG 5: QoQ P/L walk (Quarterly)



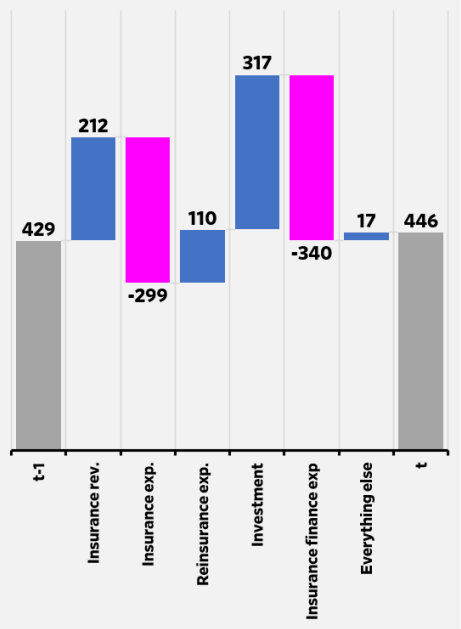
Source: Company, MBSBR

FIG 6: YoY P/L walk (Quarterly)



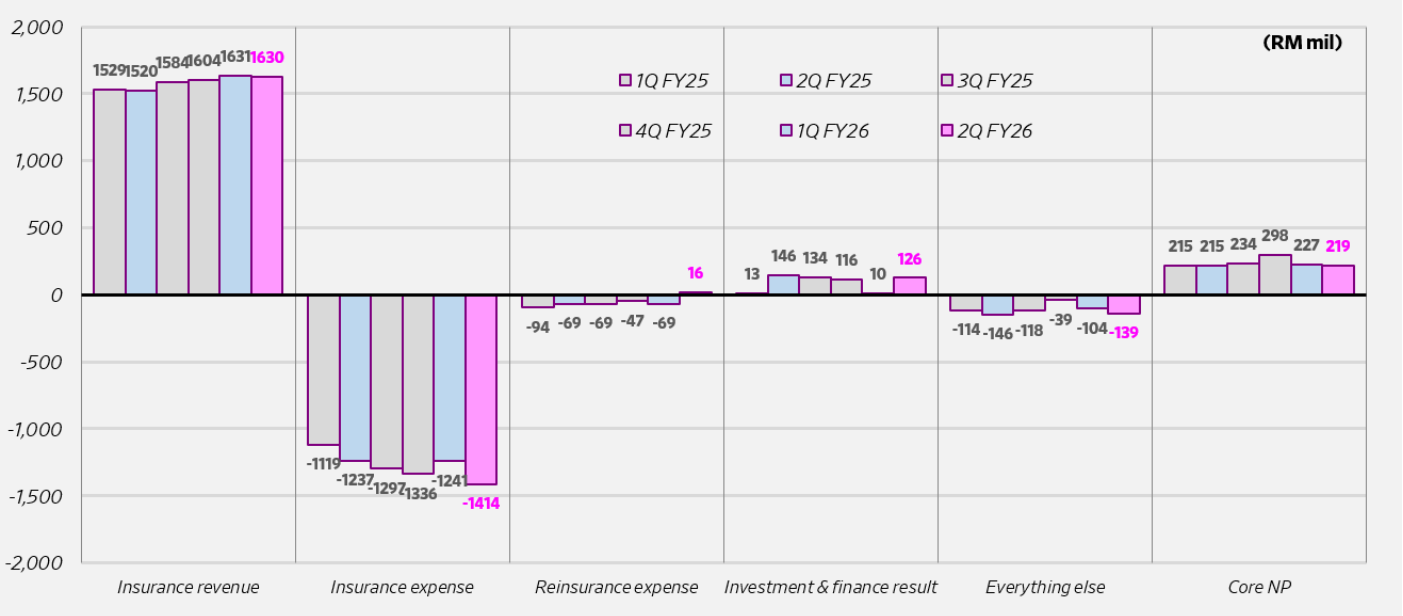
Source: Company, MBSBR

FIG 7: YoY P/L walk (Cumulative)



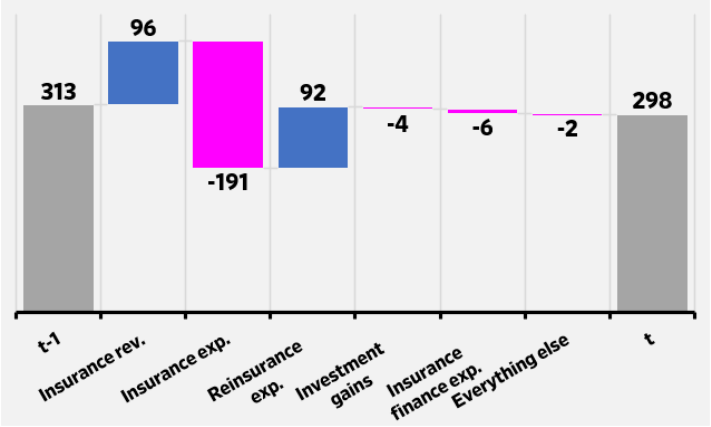
Source: Company, MBSBR

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



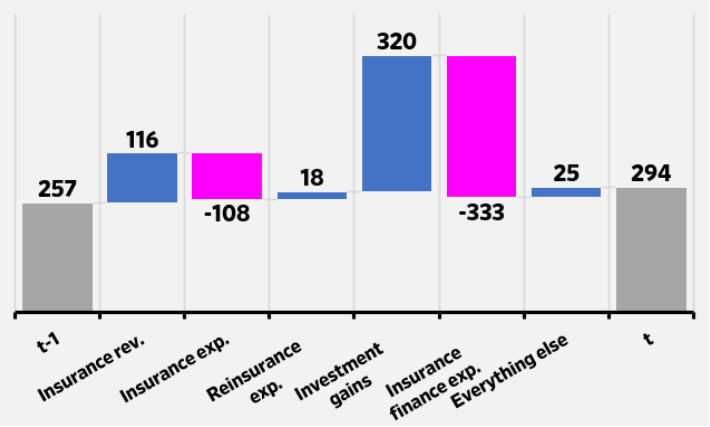
Source: Company, MBSBR

FIG 9: General Segment YoY PBT walk (Cumulative)



Source: Company, MBSBR

FIG 10: Life Segment YoY PBT walk (Cumulative)

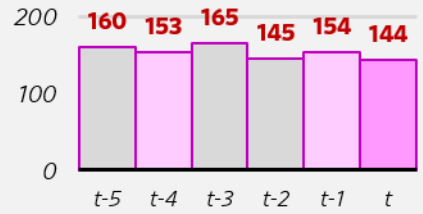


Source: Company, MBSBR

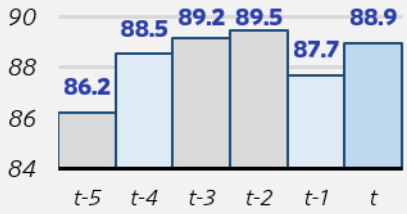
FIG 11: Quarterly Performance by Segment

1. General — Overall: ► Moderate | Qtr: -7%qoq, -6%yoy | Cumulative: -5%yoy

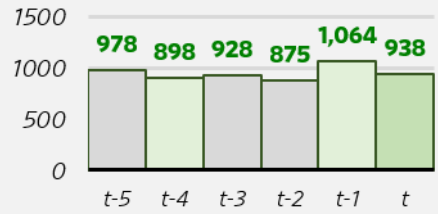
PBT (RM m)



Combined Ratio (%)



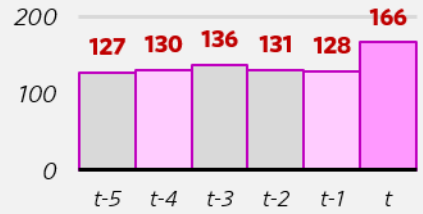
GWP (RM m)



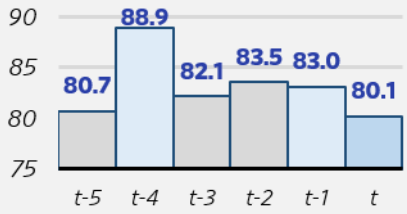
Commentary: Even with the notable uptick in claims ratio this quarter, PBT was well preserved, attributable to slightly stronger insurance revenue and positive reinsurance outflow.

2. Life — Overall: ▲Strong | Qtr: +30%qoq, +28%yoy | Cumulative: +14%yoy

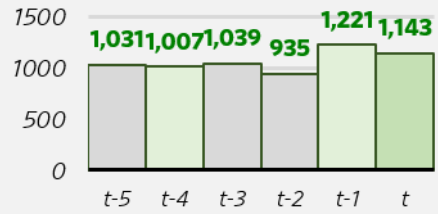
PBT (RM m)



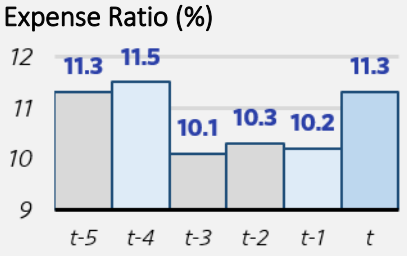
Block Persistency Ratio (%)



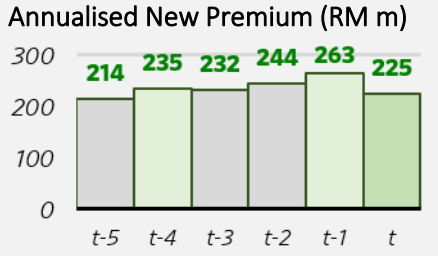
GWP (RM m)



Expense Ratio (%)



Annualised New Premium (RM m)

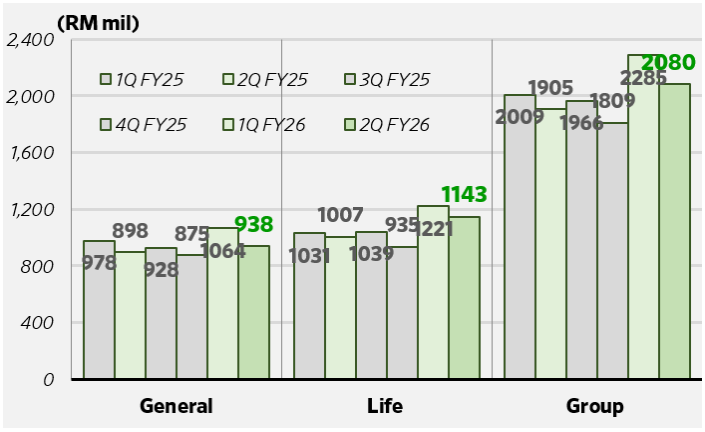


Commentary: An exceptional quarter, driven by strong insurance revenue and investment returns, which offset higher claims and insurance finance expenses.

Source: Company, MBSBR

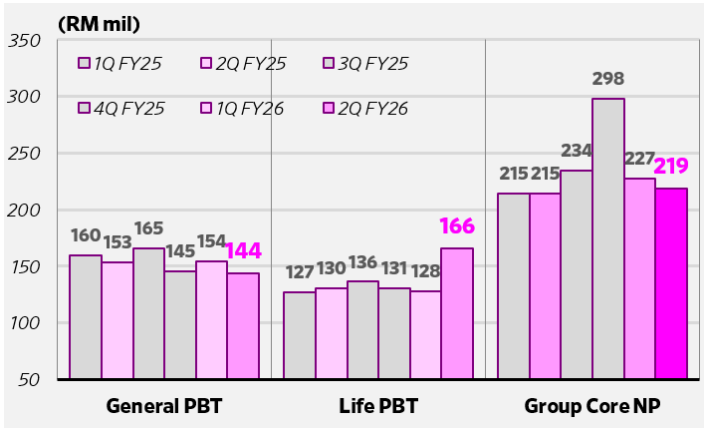
SEGMENTAL BREAKDOWN

FIG 12: GWP by Segment (Quarterly)



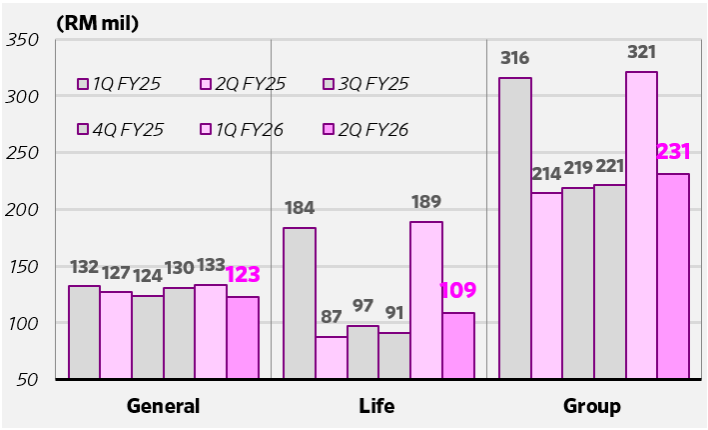
Source: Company, MBSBR

FIG 13: PBT by Segment, with Group Core NP (Quarterly)



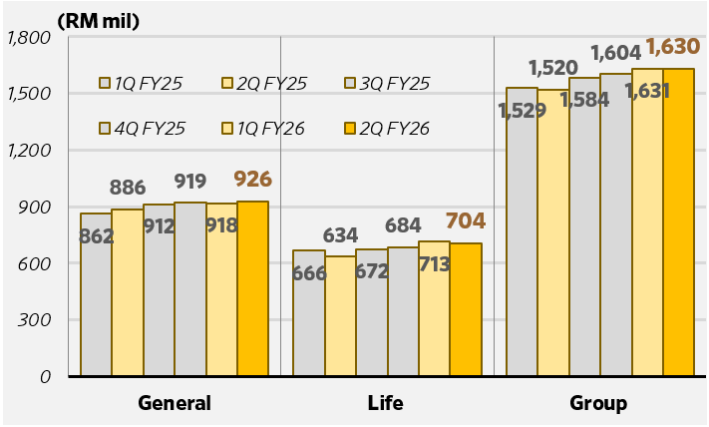
Source: Company, MBSBR

FIG 14: Insurance Service Result by Segment (Quarterly)



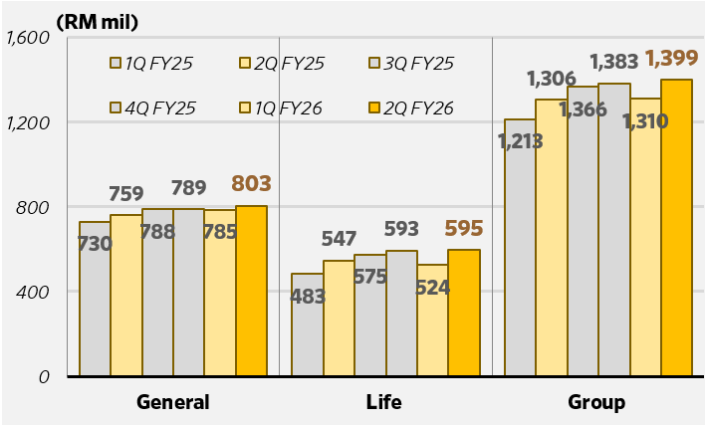
Source: Company, MBSBR

FIG 15: Insurance Revenue by Segment (Quarterly)



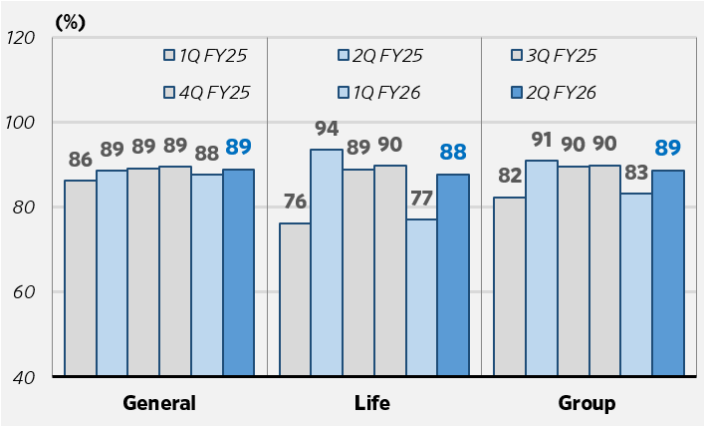
Source: Company, MBSBR

FIG 16: Insurance & Reinsurance Expenses by Segment (Quarterly)



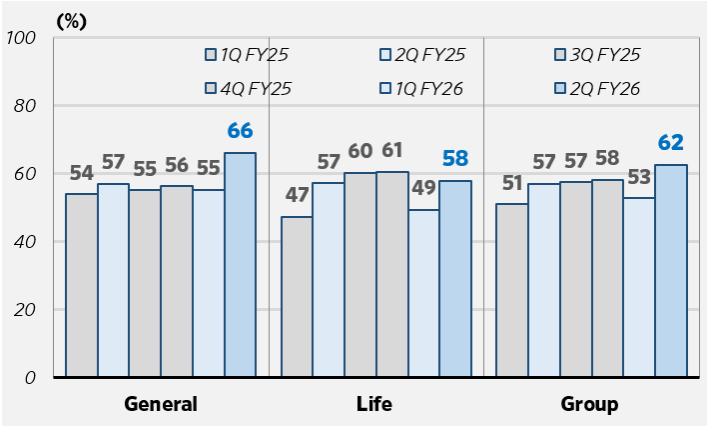
Source: Company, MBSBR

FIG 17: Combined Ratio by Segment (Quarterly)



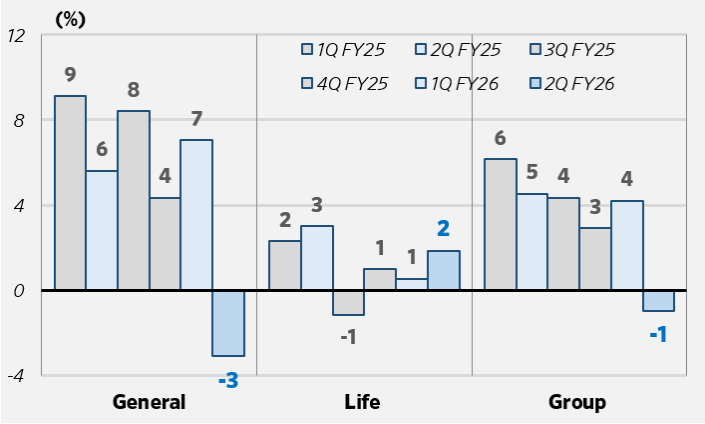
Source: Company, MBSBR

FIG 18: Claims Ratio by Segment (Quarterly)



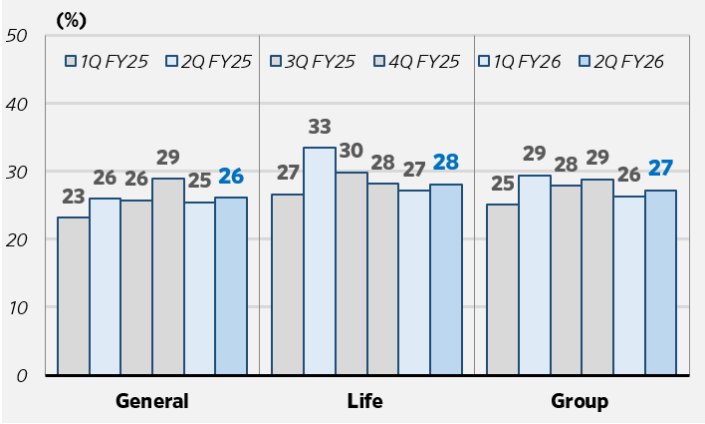
Source: Company, MBSBR

FIG 19: Reinsurance Ratio by Segment (Quarterly)



Source: Company, MBSBR

FIG 20: 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**

FINANCIAL RATIOS

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Profitability (%)					
ROE	14.1	15.8	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)	9.7	7.8	7.9	7.8	7.3
Div yield (%)	**4.1**	**4.1**	**4.1**	**4.1**	**4.4**
P/BV (x)	1.3	1.2	1.1	1.0	0.9

Source: Company, MBSBR

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MBSB 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