

# Allianz Malaysia Berhad

(1163 | ALLZ MK) Financial Services | Finance

**Initiate with BUY**
**Well Positioned in a Competitive Space**
**Target Price: RM23.37**

## KEY INVESTMENT HIGHLIGHTS

- We initiate coverage on Allianz with BUY call and a TP of RM23.37 based on SOTP valuation
- Fundamentally sound – still posting above average general and life insurance growth
- Where it stands out: Market leading position and global presence gives it an edge within an oversaturated industry
- Also: Regional development center helps it hold its own against upcoming digital insurers and InsurTech players
- Solid dividend yields

**Verdict: Solid dividend yields, while fundamentally strong and well equipped to handle future challenges**

Yays	
	1. Industry leading position offers an edge in the competitive insurance space.
	2. Can leverage support, branding and knowledge sharing from Allianz SE (parent company) and fellow subsidiaries.
	3. Recently set up regional development centre to aid digitisation process.
	4. Low insurance penetration among Malaysians.
	5. Demographics, macro-trends and government-led initiatives work in Allianz's favour.
	6. Lower-than-average management expense ratio (for AGIM) – attributable to economies of scale.
	7. General GWP and Life ANP growth constantly outperform the rest of industry.
	8. ROE seems to be recovering once again.
	9. ALIM retains healthy persistency ratios.
	10. Excellent dividend yields of 6-7%.

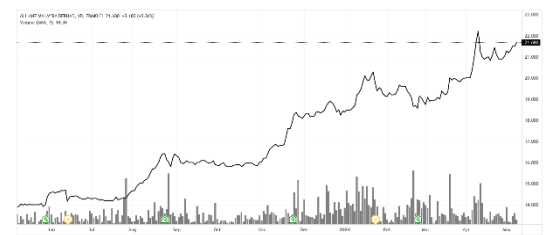
Nays	
	1. Competes in highly competitive insurance space.
	2. Still highly dependent on distribution agents, which can be pricey.

OKs	
	1. AGIM's combined ratio is close to industry average.

## RETURN STATISTICS

Price @ 9 May 2024 (RM)	21.68
Expected share price return (%)	+7.8
Expected dividend yield (%)	+6.9
Expected total return (%)	+14.7

## SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-2.3	-5.3
3 months	8.5	5.5
12 months	55.7	38.7

## INVESTMENT STATISTICS

FYE Dec	FY24F	FY25F	FY26F
<b>Core NP (RM m)</b>	<b>767</b>	<b>805</b>	<b>847</b>
CNP growth (%)	5	5	5
<b>Div yield (%)</b>	<b>6.6</b>	<b>6.9</b>	<b>7.2</b>
Gross DPS (sen)	142.1	149.3	157.1
<b>P/BV (x)</b>	<b>1.3</b>	<b>1.2</b>	<b>1.1</b>
BVPS (RM)	16.3	17.9	19.5
<b>ROE (%)</b>	<b>14.2</b>	<b>13.6</b>	<b>13.1</b>
<b>MIDF/Street CNP (%)</b>	<b>101</b>	<b>101</b>	<b>102</b>

## KEY STATISTICS

FBM KLCI	1,601.22
Issue shares (m)	177.97
Estimated free float (%)	17.00
Market Capitalisation (RM'm)	3,858.37
52-wk price range	RM13.8 - RM22.4
3-mth avg daily volume (m)	0.05
3-mth avg daily value (RM'm)	0.90
Top Shareholders (%)	
Allianz SE	64.82
EPF Board	6.73
KWPD	3.25

**Analyst**

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## A. COMPANY BACKGROUND

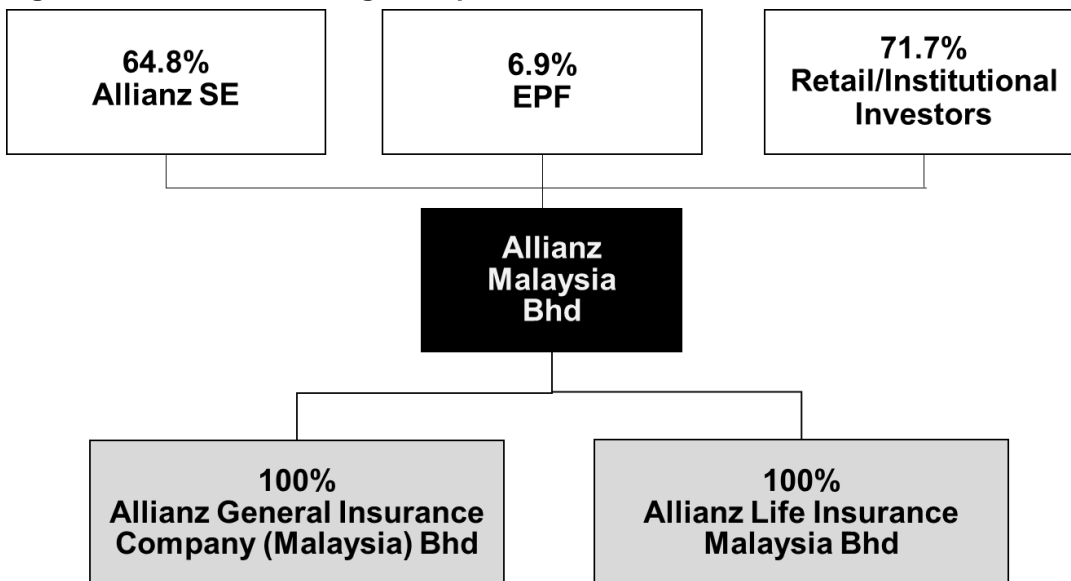
### COMPANY BACKGROUND

Allianz Malaysia Berhad (Allianz) is part of Allianz Group in Germany. Allianz is an investment holding company that has two wholly owned subsidiaries - Allianz Life Insurance Malaysia Berhad (ALIM) and Allianz General Insurance Company (Malaysia) Berhad (AGIM).

Allianz Group was founded in 1890 in Germany. With approximately 147,000 employees worldwide, the Allianz Group serves more than 100 million customers in more than 70 countries. Allianz Group officially stepped foot in Malaysia in 2001 when it became the controlling shareholder of Allianz General Insurance Malaysia Berhad. In 2007, the general insurance business of AGIM was transferred to its wholly owned subsidiary, AGIM. Following the completion of the transfer of the general insurance business, AGIM changed its name to Allianz Malaysia Berhad.

AGIM is one of the leading general insurers in Malaysia and has a broad spectrum of services in motor insurance, personal lines, small to medium enterprise businesses and large industrial risks. ALIM offers a comprehensive range of life and health insurance as well as investment-linked products and is one of the fastest-growing life insurers in Malaysia.

**Fig 1: ALLIANZ Shareholding & Corporate Structure**



Source: Allianz MY, MIDFR

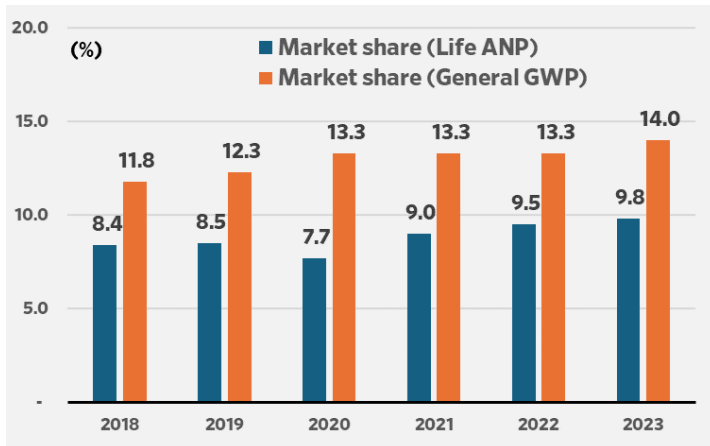
## B. BUSINESS OVERVIEW

### 1. COMPOSITE INSURANCE PLAYER – LARGE SIZE OFFERS COMPETITIVE EDGE

Allianz is one of the largest insurance players in Malaysia:

- a. AGIM is the largest local general insurance provider domestically, with a market share of 14.0% (for GWP).
- b. ALIM is the 4th largest local life insurance provider, with a market share of 9.8% (for ANP). What's responsible for this growth is ALIM's efforts to bolster its agency recruitment.
- c. In both cases (though more prominently displayed by ALIM), Allianz is slowly but surely growing its market share.

**Fig 2: Allianz's Domestic market share, FY23**



Source: Allianz MY, MIDFR

As most of its local peers with similar business profiles are not publicly listed locally, Allianz is the only Bursa-listed company providing exposure to the lucrative, large-scale insurance space with exposure to both general and life insurance segments.

Also, Allianz's large-cap status provides benefits when facing the competitive local insurance environment, especially following the de-tariffication of fire and motor premiums and the rising popularity of digital insurance and takaful operators (DITOs):

- a. Its larger capital base increases its risk appetite, allowing it to take on larger clients and projects.
- b. With its larger reserves, it can afford to price its premiums more competitively. This is crucial in growing market share, especially as the increasing prominence of online aggregators promotes price transparency within the industry.
- c. Its larger capital base also supports executing a loss-leader strategy – i.e. tapping less profitable premium/customer segments to prioritise cross-selling.
- d. As management expenses are mostly fixed costs by nature, the firm would have greater economies of scale as its fixed costs are spread over a larger number of policies than its smaller counterparts. As a result, Allianz's management expense ratios are said to be lower than the industry average.
- e. Its larger earnings base allows for more aggressive marketing, especially when direct sales are fast becoming a key distribution channel – allowing for deeper penetration, even among well-saturated demographics.

### 2. SUPPORT AND KNOWLEDGE SHARING FROM ALLIANZ SE

Allianz's parent company is Allianz SE, which is based in Munich, Germany. It has offices in 44 countries and operations in 78 countries. It is one of the leading integrated financial services providers worldwide. Some factoids about Allianz SE:

- a. The largest Life insurance provider in the world (by reserves).

- b. The 4<sup>th</sup> largest Property & Casualty insurance provider globally (by premiums).
- c. Strong Credit ratings: AA, Aa2, A+ by S&P, Moody's and A.M Best respectively.
- d. The 10<sup>th</sup> largest asset manager in the world (by AUM).

As part of Allianz SE, Allianz can benefit from the renowned brand name and tap into its parent's fellow subsidiaries' customers in Malaysia. There are also knowledge-sharing benefits, especially from its other businesses within the Asia-Pacific region, notably, its subsidiaries in Japan, Australia, and Taiwan, where the key distribution channels are via direct sales. It seems that this is a direction that Malaysia seems to be moving towards. This is particularly relevant with the recent addition of the Regional Development Centre (RDC), which centralises all IT supply competencies within Southeast Asia which allows a consolidation of best practices.

**Fig 3: Asia-Pacific Insurance Key Distribution Channels**

	Australia	HK	Japan	SG	S Korea	Taiwan	China	India	Indonesia	Malaysia	Philippines	Thailand	Vietnam
<b>Life</b>	Direct Sales	Banca	Direct Sales	Agency & Brokers	Banca	Banca	Agency & Brokers	Agency & Brokers	Banca	Agency & Brokers	Agency & Brokers	Agency & Brokers	Banca
<b>General</b>	Direct Sales	Agency & Brokers	Agency & Brokers	Agency & Brokers	Agency & Brokers	Direct Sales	Agency & Brokers	Agency & Brokers	Agency & Brokers	Agency & Brokers	Agency & Brokers	Agency & Brokers	Banca

Source: KPMG, MIDFR

### **3. REGIONAL DEVELOPMENT CENTRE HELPS AGAINST RISING DIGITISATION TREND**

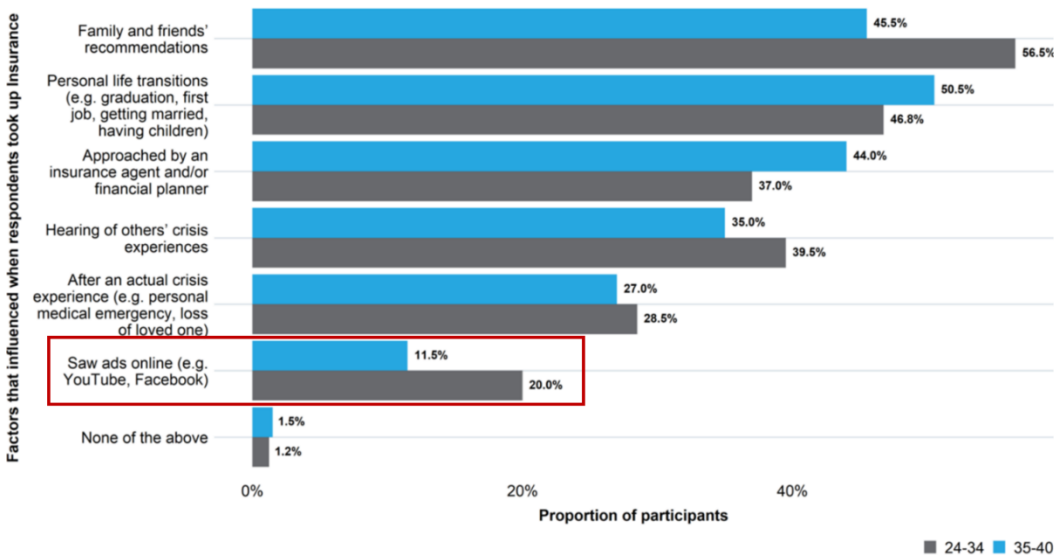
BNM is proactively supporting digitisation in insurance to form a more inclusive financial system. Some initiatives include:

1. The intention to issue 5 DITO licenses to close protection gaps within the population. These will be given to applicants that demonstrate their commitment to championing inclusion, competition, and efficiency. These function differently from incumbent players – there is more focus on online ecosystem providers and the usage of microinsurance, a cheaper, bite-sized alternative that appeals better to the more price-conscious underinsured segment.
2. A "Green Lane" for the Fintech Regulatory Sandbox (introduced Feb-24), which expedites the application process – reducing the time needed for potential DITO competitors and InsurTech companies to come online. 34% of the 120 sandbox applicants are insurance-sector related.

Hence, incumbent insurance players could face a faster ramp-up in competition from two main sources:

1. **DITOs.** These have seen great success abroad, reporting much sharper growth than traditional insurers. Being 100% on the cloud gives the flexibility to scale up faster and customised APIs for partners. They are also able to price more competitively, benefiting from a low OPEX and non-intermediary model.
2. **InsurTech companies.** These are tech innovations designed to find cost savings and efficiency from the current insurance industry model – levelling the playing field for smaller players and reducing the barriers to entry for newer entrants.

The rising importance of digital channels is supported by a study by PIDM on the insurance behaviour of two age groups: younger millennials (aged 24-34) and an older cohort (aged 35-40). Insurance take-up decisions of the younger cohort were far more influenced by online ads than the older cohort, and the degree of influence will only increase as digitisation becomes even more widespread. In short, while Malaysia is still dominated by bancassurance and agencies, insurers and distributors have increased the adoption of online channels (online aggregators and e-wallet tie-ins) for direct sale in recent years, especially for the auto sector (which makes up the brunt of the overall sector and AGIM's general premiums).

**Fig 4: Factors influencing Life Insurance take-up decisions (Local)**


Source: PIDM, MIDFR

In line with the developments above, Allianz Asia Pacific (AZAP) established a regional tech hub based in Kuala Lumpur back in Oct-23. The RDC is slated to “transform AZAP’s IT services and capabilities into a standardised and industrialised operating model to deliver best-in-class customer experience, accelerate innovation, and outperform competition” – which focuses on customer personalisation and expanding Allianz’s online footprint and outreach, aside from driving operational efficiency. The cost impact is stipulated to be neutral over the short term but expects savings in the long run.

We view this as an important milestone in Allianz’s effort to remain competitive, especially when newer consumer needs and behaviours require a massive revamp in expertise and approach – a luxury most smaller insurance players would not be able to afford. More specifically, the RDC can maintain Allianz’s competitive edge by focusing on these aspects:

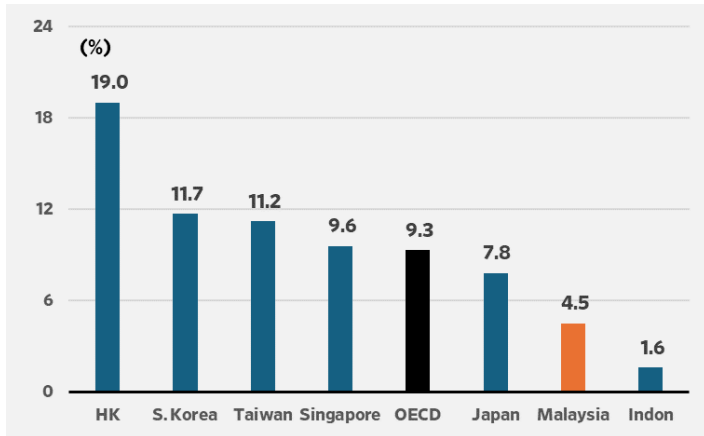
1. **Big data and real-time risk assessment.** Especially important for microinsurance which leverages on customer behaviour and real-time actions. Microinsurance is attractive due to its cheaper costs, smaller premiums and sums assured, simpler design and easy-to-understand features but has yet to fully take off locally.
2. **Better ad personalisation and outreach.** Appealing to the younger demographic that is increasingly influenced by online ads.
3. **Bridging knowledge gaps and correcting biases.** PIDM attributes these as some of the largest disincentives towards getting insurance. Price transparency is increasingly important as online aggregators take precedence.
4. **Retain InsurTech involvement.** While many InsurTechs still rely on incumbent insurance players to underwrite risks, the introduction of DITO licenses may change that – these will likely give InsurTechs better control over the entire value chain while building their underwriting capabilities based on advanced data analytics. If Allianz is somehow able to provide these capabilities to InsurTech providers, it could retain their services better.

#### 4. UNDER-PENETRATED MALAYSIAN MARKET

The statistics imply further room for penetration within the Malaysian insurance space:

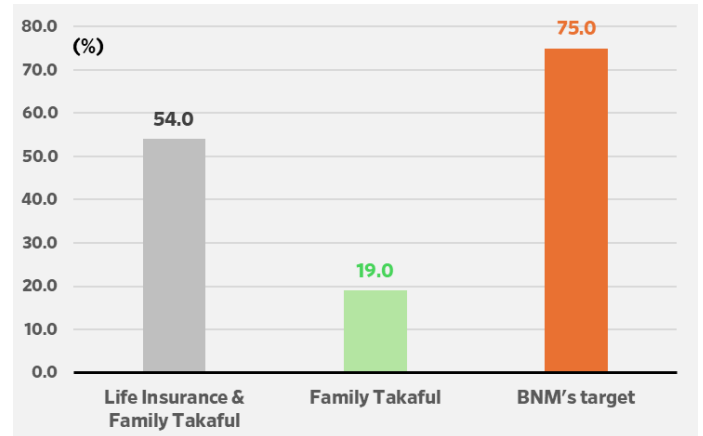
1. In terms of insurance spending as a percentage of GDP, Malaysia lags behind its more developed Asian OECD peers.
2. Life insurance penetration rate of 54% in 2021 remains well below BNM’s 75% goal.

**Fig 5: Insurance Spending as % of GDP 2022**



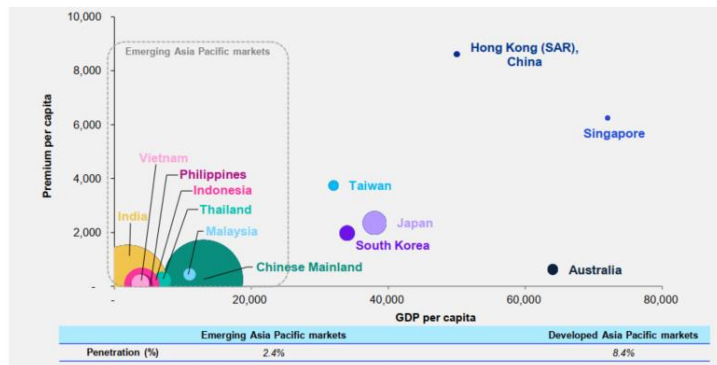
Source: Allianz MY, MIDFR

**Fig 6: Local Life Insurance Market Penetration rate 2021**



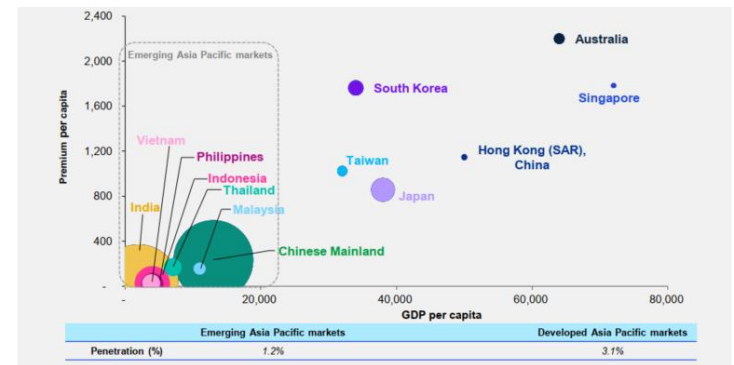
Source: Allianz MY, MIDFR

**Fig 7: Asia-Pacific Life Insurance Peer comparison**



Source: KPMG, MIDFR

**Fig 8: Asia-Pacific General Insurance Peer comparison**



Source: KPMG, MIDFR

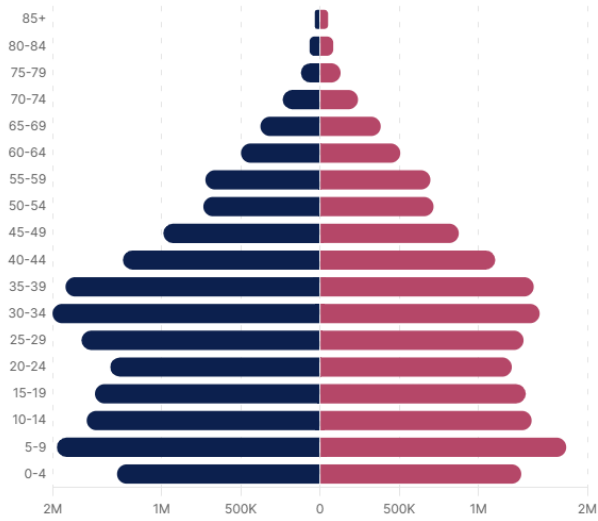
**5. FAVOURABLE DEMOGRAPHIC AND MACRO-TRENDS**

Malaysia exhibits favourable demographic patterns:

- Another population surge towards working age.** The population tree in 2021 (though outdated) suggests that there is a sizeable portion of the population is heading towards working age – when insurance take-up peaks. We believe there is also some pent-up demand even among individuals of more than 30 years old, due to pandemic-induced income shortages delaying insurance uptake.
- Inclusion initiatives by government and GLCs.** A good example is the Perlindungan Tenang programme (Allianz is a participant), which provides more affordable protection plans to financially strapped individuals.
- Medical inflation rates are outstripping headline inflation rates in most countries (Malaysia included).** In 2023, local medical inflation was 15.0% while headline inflation was 2.5%. Coupled with an overburdened public health system, improved overall health awareness, and rising non-infectious disease rates, the prospect of health insurance (despite its rates) only gets more attractive over time.

**Fig 9: MyCensus Population Tree, 2020**

**Gender and Age Distribution**



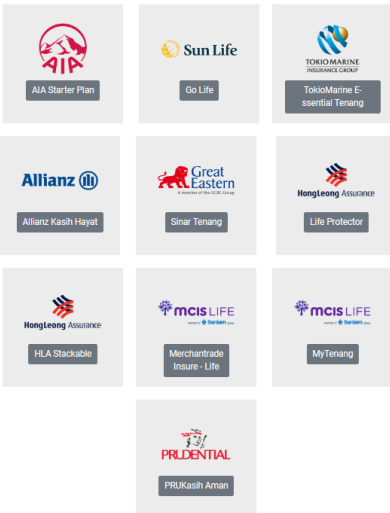
Source: DOSM, MIDFR

**Fig 10: Global Medical Inflation rates**

AON	2022			2023		
	Annual General Inflation Rate	Annual Medical Trend Rates		Annual General Inflation Rate	Annual Medical Trend Rates	
		Gross	Net		Gross	Net
Asia-Pacific	2.4	8.2	5.8	3.0	9.2	6.2
Australia	1.6	3.1	1.5	2.7	3.7	1.0
Bangladesh	5.6	8.0	2.4	6.2	6.2	0.0
China	1.9	7.0	5.1	1.8	7.5	5.7
Hong Kong	1.9	5.6	3.7	2.1	7.0	4.9
India	4.1	13.0	8.9	4.8	12.0	7.2
Indonesia	3.1	12.2	9.1	3.3	12.7	9.4
Japan	0.7	0.0	(0.7)	0.8	0.4	(0.4)
Kazakhstan	5.0	15.0	10.0	7.1	15.0	7.9
Malaysia	2.0	12.0	10.0	2.4	15.0	12.8
Mongolia	6.4	7.5	1.1	14.5	16.4	1.9
New Zealand	1.6	7.5	5.9	3.5	8.0	4.5
Pakistan	8.0	20.5	12.5	10.5	24.0	13.5
Papua New Guinea	4.7	10.0	5.3	5.4	9.0	3.6
Philippines	3.0	8.0	5.0	3.7	9.0	5.3
Singapore	0.8	7.0	6.2	2.0	12.0	10.0
South Korea	0.9	8.0	7.1	2.4	7.5	5.1
Taiwan	1.2	8.0	6.8	2.2	10.0	7.8
Thailand	1.0	11.7	10.7	2.8	12.3	9.5
Vietnam	3.9	5.5	1.6	3.2	6.5	3.3

Source: Aon, MIDFR

**Fig 11: Perlindungan Tenang Life Insurance Products**



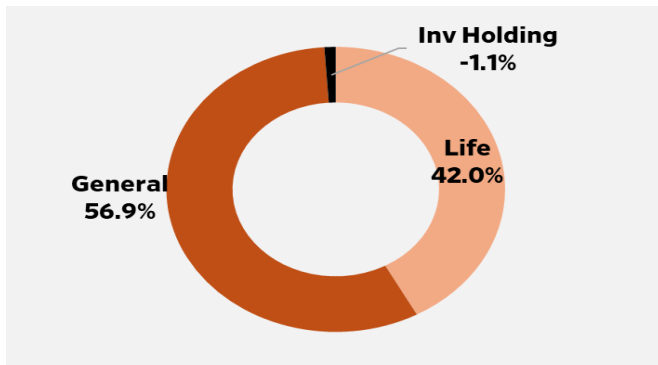
Source: MyCoverage, MIDFR

## C. FINANCIALS (GROUP)

### 1. BY SEGMENT

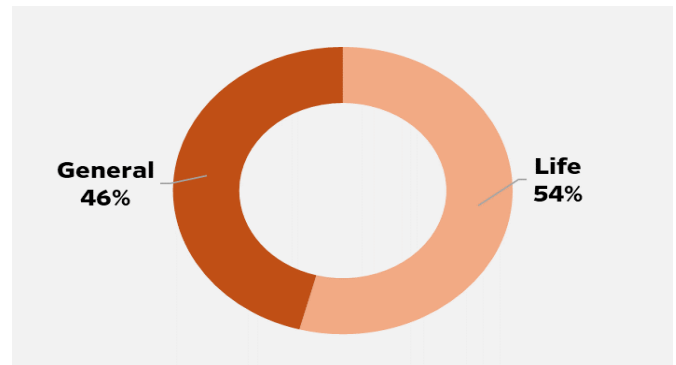
Despite life insurance premiums taking a larger share of GWP, AGIM contributes a larger portion to PBT. This is due to life insurance being linked to higher agency costs and the more spread-out nature of recurring premium cash flows, which can weigh down on short-term profitability.

Fig 12: PBT mix FY23



Source: Allianz MY, MIDFR

Fig 13: GWP mix FY23

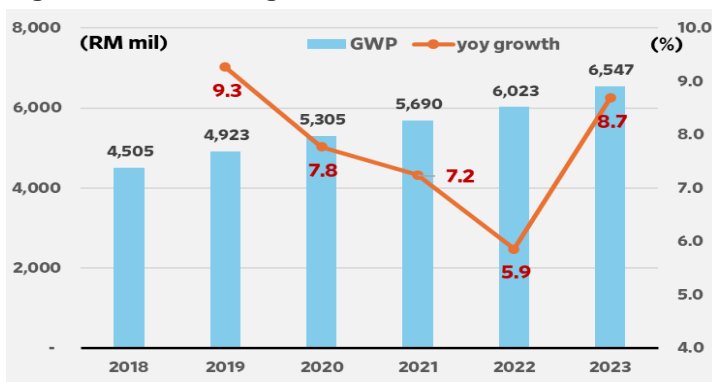


Source: Allianz MY, MIDFR

### 2. STRONG GWP AND PBT GROWTH

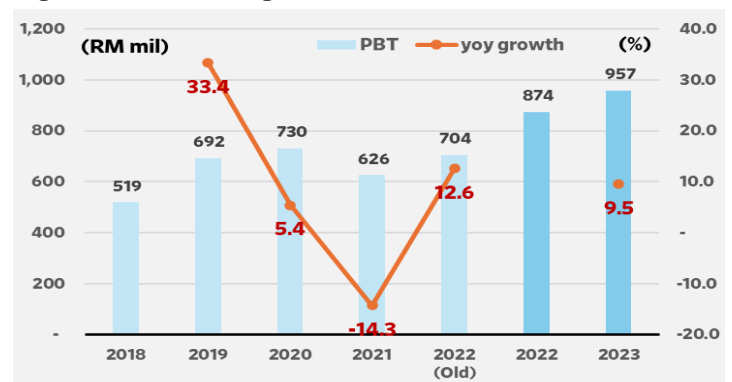
Unfortunately, pandemic distortions make it difficult to gauge any reliable CAGR values in the last five years. Regardless, Allianz has reported strong GWP and PBT growth post-pandemic.

Fig 14: Allianz GWP growth



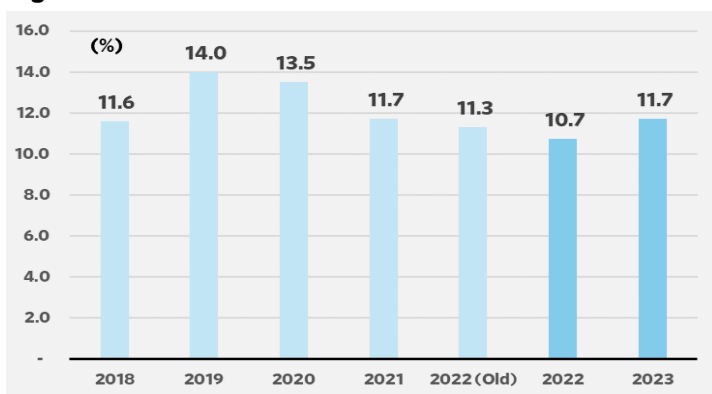
Source: Allianz MY, MIDFR

Fig 15: Allianz PBT growth



Source: Allianz MY, MIDFR

Fig 16: Allianz ROE



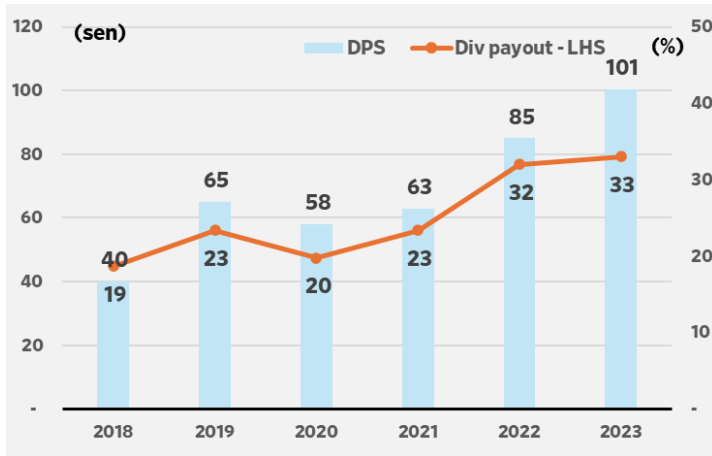
Source: Allianz MY, MIDFR



**3. SOLID DIVIDEND PAYOUTS**

Allianz tries to maintain a ~30% dividend payout, which currently translates to healthy dividend yields of 6-7%.

**Fig 17: Allianz Dividends**



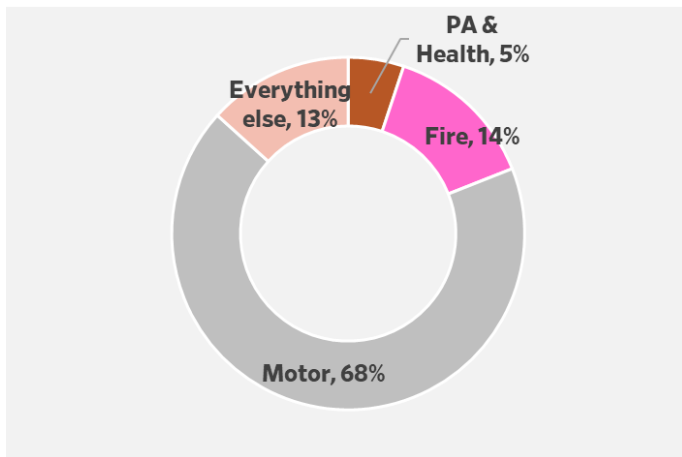
Source: Allianz MY, MIDFR

**D. FINANCIALS AND PORTFOLIO BREAKDOWN (AGIM)**

**1. PORTFOLIO MIX**

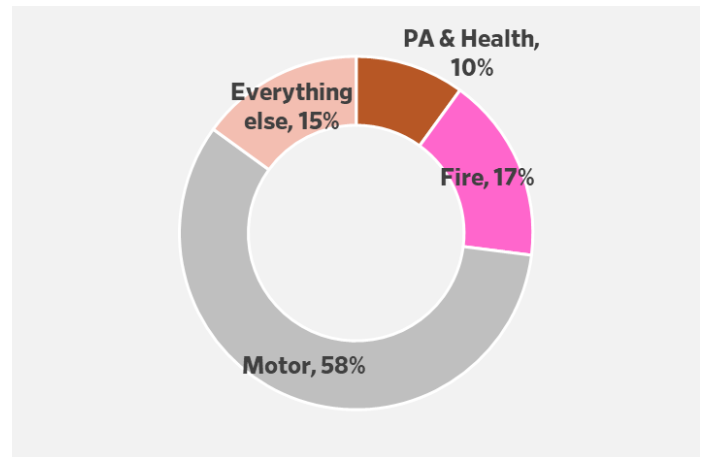
AGIM’s portfolio mix has a clear winner: Its exposure to the motor segment is larger than the sector average.

**Fig 18: AGIM GWP mix FY23**



Source: Allianz MY, MIDFR

**Fig 19: Sector GWP mix CY23**

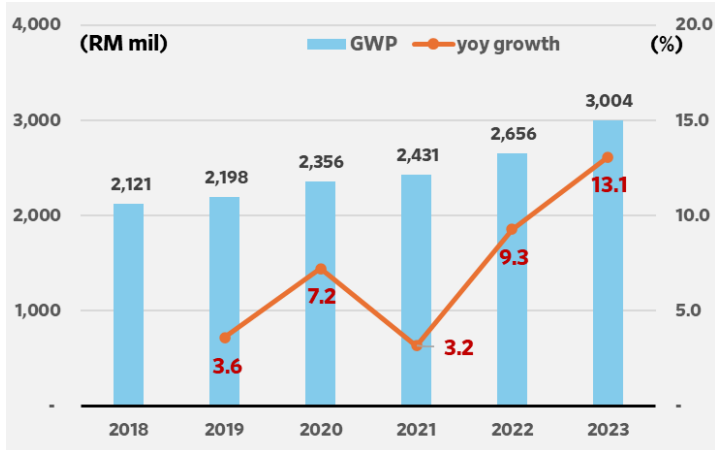


Source: Allianz MY, MIDFR

**2. STRONG GWP AND PBT GROWTH**

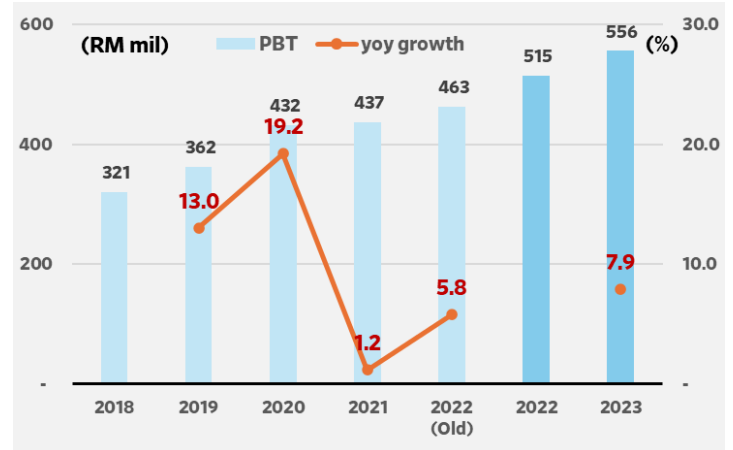
AGIM’s GWP took a dip during the pandemic (in line with its peers) but seems to be showing a strong recovery. It usually beats industry growth figures. While PBT has yet to return to the strong levels of pre-pandemic growth, note that growth never dipped into negative territory, even during the pandemic.

Fig 20: AGIM GWP growth



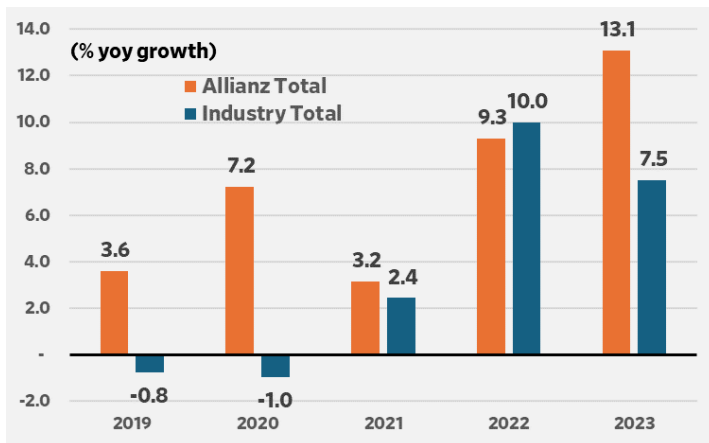
Source: Allianz MY, MIDFR

Fig 21: AGIM PBT growth



Source: Allianz MY, MIDFR

Fig 22: AGIM vs INDUSTRY GWP growth



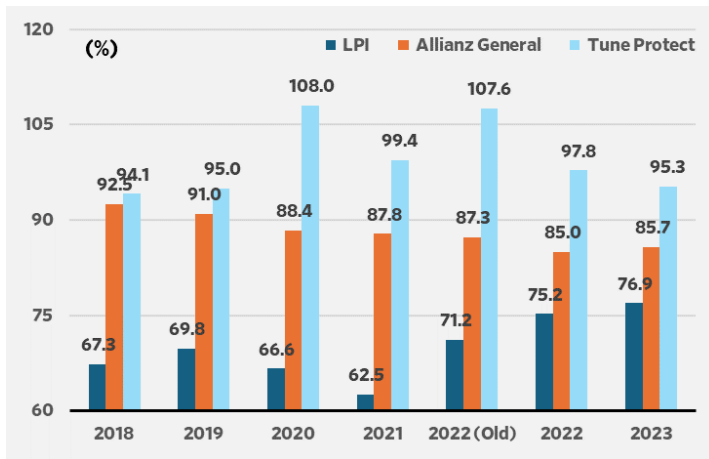
Source: Allianz MY, MIDFR

### 3. COMBINED RATIO

While the IFRS 17 regime has made it harder to compare Allianz's ratios with those of the wider industry, its combined ratio is said to be close to the industry average, while its management expense ratio was said to be consistently lower than average.

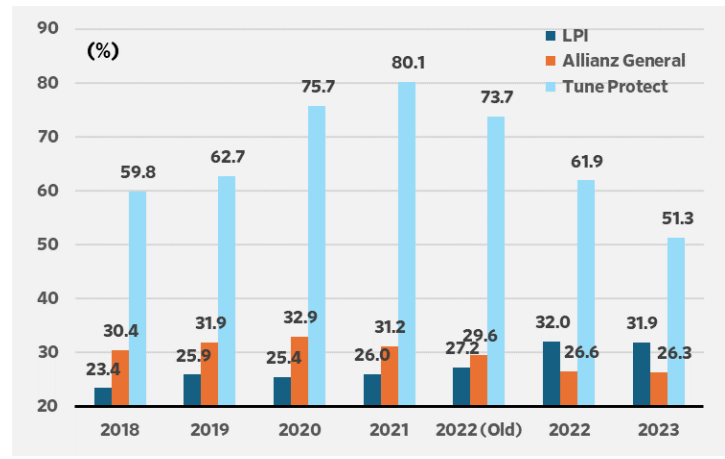
Indeed, this has only improved post-IFRS 17 implementations, with their latest expense ratios moving a tier lower from pre-IFRS 17 times (though this could be attributable to lower reinsurance costs – there isn't enough transparent data for a direct comparison) – while their latest claims ratios show negligible change. The lower expense ratio may have to do with economies of scale, given AGIM's market leader status – management expense ratios are largely fixed costs after all.

**Fig 23: Industry Combined Ratios**



Source: Allianz MY, MIDFR

**Fig 24: Industry Expense ratios– primarily Management and Reinsurance expenses**



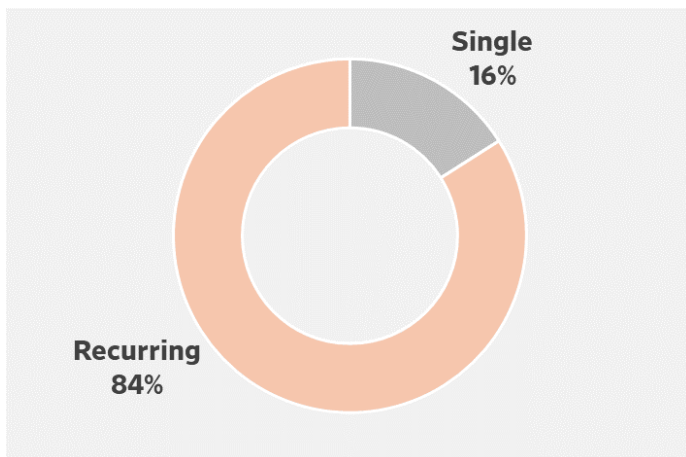
Source: Allianz MY, MIDFR

**E. FINANCIALS AND PORTFOLIO BREAKDOWN (ALIM)**

**1. PORTFOLIO MIX**

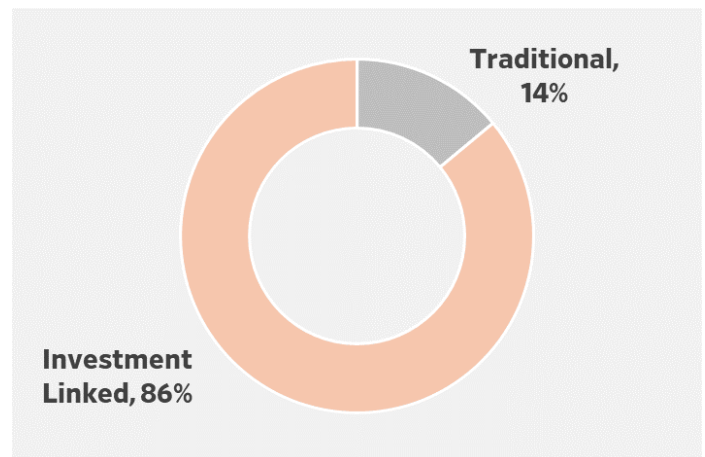
ALIM’s GWP is typical for a life insurance company heavily dependent on agency – it remains heavily skewed towards recurring premiums (with recurring premiums growing at a much quicker rate than single premiums also). Its agency portfolio consists primarily of investment-linked products.

**Fig 25: GWP Mix FY23**



Source: Allianz MY, MIDFR

**Fig 26: Agency Product Mix by Policy Mix**

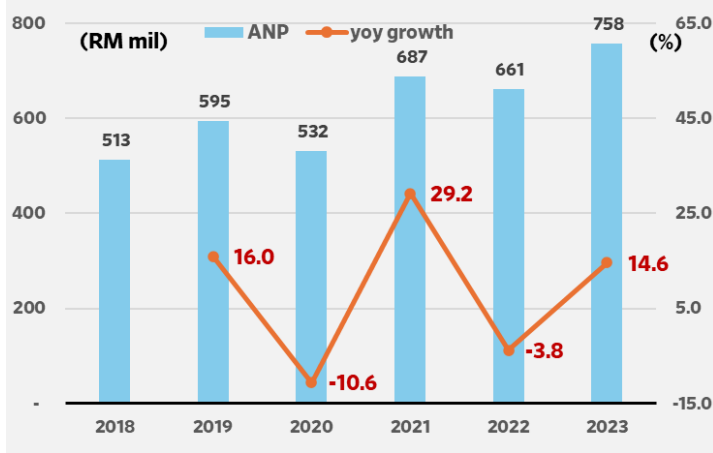


Source: Allianz MY, MIDFR

**2. STRONG ANP AND PBT GROWTH**

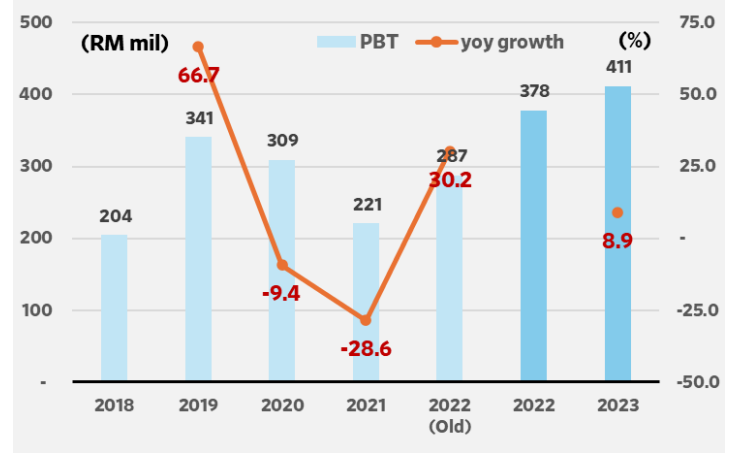
ALIM’s FY23 ANP growth of 14.6% was greater than the industry’s 11.1%. The excellent performance was likely due to several factors, most notably an active attempt to bolster their agency recruitment (resulting in a 56% increase in overall new recruits’ headcount in FY23). Marketing initiatives such as free sum assured, and loyalty bonuses were also beneficial.

**Fig 27: ALIM ANP growth**



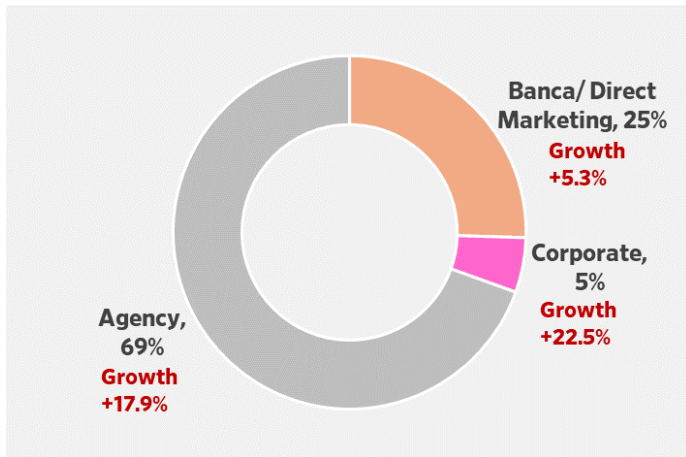
Source: Allianz MY, MIDFR

**Fig 28: ALIM PBT growth**



Source: Allianz MY, MIDFR

**Fig 29: ANP Channel Breakdown and growth**

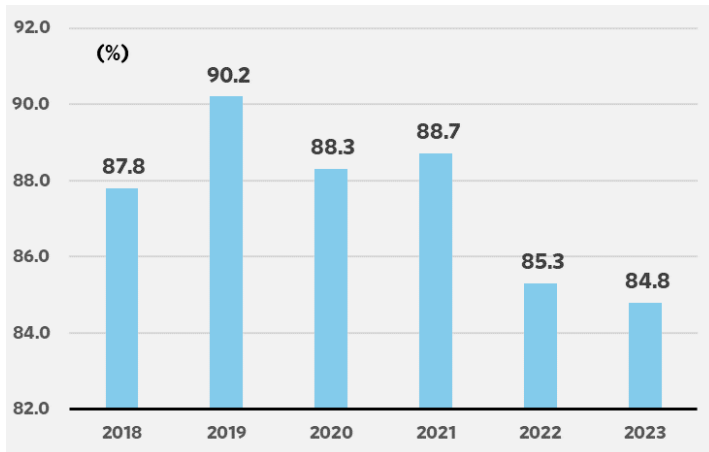


Source: Allianz MY, MIDFR

**3. PERSISTENCY RATIO**

ALIM's persistency ratio remains on the higher side, though it has dipped post-pandemic.

**Fig 30: Persistency ratio**



Source: Allianz MY, MIDFR

## F. VALUATIONS

We initiate coverage on Allianz with a **BUY** recommendation and a **TP of RM23.37** based on SOTP valuation. This represents an upside of +7.8% of Allianz's current price of RM21.68. As Allianz is a composite insurer, we employ a SOTP valuation methodology to value the stock.

For AGIM, we apply an FY25F P/BV of 1.3x on an equity value assumption of RM3.5b. Our P/BV target is slightly conservative, as the last two M&A transactions involving domestic players were made at valuations of 1.4-2.0x.

For ALIM, we apply an FY25F P/EV of 1.0x on an embedded value (EV) assumption as per management's latest guidance.

Fig 31: SOTP valuation

Companies	Equity Value (RM mil)	Equity Value basis	Multiple (X)	Valuation basis	Valuation (RM mil)
AGIC	3,469	1x FY25F P/BV	1.3	P/BV	4,509
ALIM	3,581	1x FY25F CSM	1.0	P/EV	3,581
<b>Total sum-of-parts</b>					<b>8,090</b>
(÷) Diluted ALLZ Share Base (mil)					346
<b>Fair value (RM)</b>					<b>23.37</b>

Source: Allianz MY, MIDFR

## G. KEY RISKS

- 1. Fire and motor insurance de-tariffication.** The ongoing process is expected to further impact pricing and competition in the landscape.
- 2. Slowdown in GDP and loan growth will impact growth in premiums.** Weaker economic activity will reduce insurance premium growth.
- 3. Unexpected rise in claims and other form of expenses.** This will ultimately lead to a higher combined ratio, which will impact earnings.
- 4. Heightened competition from DITOs.** Adding further pressure in an already competitive environment.

## i. APPENDIX 1: BOARD OF DIRECTORS

Name	Description
<b>Zakri Bin Mohd Khir</b> <i>(Chairman/ Non-Independent Non-Executive Director)</i>	<p>Zakri has over 30 years of experience in the insurance industry. He joined Allianz Malaysia Berhad (“AMB”) in 2000 as the Head of Industrial Business and was subsequently appointed as the Head of Technical Division in 2004. He was the Head of Operations Division of Allianz General Insurance Company (Malaysia) Berhad (“Allianz General”) before he assumed the position of Chief Executive Officer (“CEO”) of Allianz General on 16 December 2010 and CEO of AMB on 3 September 2014. He was also the Executive Director of Allianz General from 3 September 2014 to 31 December 2021. He retired as the CEO of Allianz General on 30 June 2021 and CEO of AMB on 31 December 2021. Following his retirement, Zakri provides consultancy and advisory services and support to Allianz SE Singapore Branch (“AZAP”) on matters relating to all Property &amp; Casualty entities in the AZAP region effective 1 January 2022. Prior to his employment with AMB and its subsidiaries, he was the General Manager of the American Malaysian Insurance Berhad.</p>
<b>Goh Ching Yin</b> <i>(Independent Non-Executive Director)</i>	<p>Goh Ching Yin started his investment banking career at RHB Sakura Merchant Bankers Berhad as a General Manager for Corporate Finance. Subsequently, he assumed the roles as the Managing Director of Corporate Finance with the BNP Paribas Group in Malaysia from 2000 to 2004, and as Chief Executive Officer of Southern Investment Bank of the Southern Bank Group from 2005 to 2007. He was also the Head of the Continuing Professional Education Advisory Group and represented the Securities Commission Malaysia on the Audit Licensing Committee within the Accountant General’s office of the Ministry of Finance. Goh Ching Yin was appointed by the Government of Malaysia as a Director of Khazanah Nasional Berhad in July 2018.</p>
<b>Peter Ho Kok Wai</b> <i>(Independent Non-Executive Director)</i>	<p>Peter Ho joined KPMG Kuala Lumpur in 1987 where he progressed to Head of Department in 1992. He was transferred to KPMG Ipoh in 1993 to head the branch and was admitted as Partner in 1995. He was transferred back to KPMG Kuala Lumpur in 2005, where he had, at various times, headed the Technical Committee, Audit Function and Marketing Department. Peter retired from KPMG in December 2014.</p>
<b>Gerard Lim Kim Meng</b> <i>(Non-Independent Non-Executive Director)</i>	<p>Gerard Lim has consulted and delivered award-winning solutions for Sony, Intel, Hewlett Packard, Motorola University, General Electric, Petronas, Measat, Maxis, Digi, Ministry of Education Singapore, Fraunhofer Institute Germany and DST Brunei. Gerard Lim has worked at the Malaysia Digital Economy Corporation, Axiata Digital, Telekom Malaysia, and his most recent role as Chief Digital Officer at the Malaysian Communications and Multimedia Commission. He is also a specialist writer and regular seminar speaker sharing his thought leadership on the subject of digital directions, innovation and entrepreneurship for a better world.</p>
<b>Tan Sri Datuk Zainun Binti Ali</b> <i>(Independent Non-Executive Director)</i>	<p>Tan Sri Datuk Zainun was appointed as Legal Officer of the Ministry of Labour and Attorney General’s Chambers in 1976. She was appointed Chief Registrar of the Federal Court of Malaysia in November 1994 and Judicial Commissioner of the High Court of Malaya, Kuala Lumpur in August 1996. She served as High Court Judge in Shah Alam, Johor and Kuala Lumpur from 1998 to 2001. In 2006, she was elevated to be Court of Appeal Judge and served until 2012. She was appointed as Federal Court Judge on 4 April 2012. Tan Sri Datuk Zainun retired from the Malaysian Judiciary in October 2018.</p>
<b>Dr. Muhammed bin Abdul Khalid</b> <i>(Independent Non-Executive Director)</i>	<p>Dr. Muhammed is currently a Research Fellow at the Institute of Malaysian and International Studies of University Kebangsaan Malaysia, a Member of the Board of Trustees of the Malaysian Institute of Economic Research at the Center for Policy Research and International Studies of University Sains Malaysia. He had also served as Director of Research at Khazanah Research Institute, Head of Economics at the Securities Commission Malaysia. He was also a Senior Technical Advisor at the UNDP Malaysia.</p>
<b>Anusha A/P Thavarajah</b> <i>(Non-Independent Non-Executive Director)</i>	<p>Anusha Thavarajah is Allianz’s Regional Chief Executive Officer for Asia Pacific since 1 December 2021. She is also a member of Allianz Asia’s Regional Executive Board, which is responsible for setting and executing Allianz’s growth strategy in Asia. Anusha was previously Allianz’s Regional Chief Executive Officer, Life &amp; Health for Asia Pacific. Anusha was also the first female President of the Life Insurance Association of Malaysia, Chairperson of The Malaysian Insurance Institute as well as the first female Chief Executive Officer in the AIA Group when she was appointed to head AIA Malaysia in June 2015. Anusha also serves as a member of the Monetary Authority of Singapore (“MAS”)’s Financial Centre Advisory Panel, which advised the MAS on Singapore’s financial sector reforms and strategies.</p>

## ii. APPENDIX 2: SENIOR MANAGEMENT

Name	Description
<b>Sean Wang Wee Keong</b> <i>(CEO of Allianz and Allianz General)</i>	<p>Wang Wee Keong has over 21 years of experience in the insurance industry. He started his professional career as an auditor in Price Waterhouse Coopers in 1997. In 1998, Sean joined American Malaysian Insurance as the Head of Healthcare and Personal Accident, responsible for underwriting, claims and policy management. In 2001, he joined ING Insurance Berhad and assumed responsibility for sales in Employee Benefits, managing direct clients and brokers. On 17 May 2004, Sean joined the Company as Head of Personal Lines, being responsible for underwriting and introduction of retail products. He then moved on to become Head of Branch Operations in 2007, managing 31 branches nationwide. Sean was the Chief Operations Officer of Allianz Life in 2010 and the Chief Operations Officer of both Allianz General and the Company from 2011 until 2021. He assumed his current positions as the CEO of the Company on 1 January 2022 and CEO of Allianz General on 1 July 2021. In addition, he was appointed as Non-Independent Executive Director of Allianz General effective 1 January 2022.</p>
<b>Charles Ong Eng Chow</b> <i>(CEO of Allianz Life)</i>	<p>Ong Eng Chow has more than 34 years of experience in the financial services industry, of which 27 years have been in the insurance industry. Charles joined Hume Industries (Malaysia) Berhad as the Group Accountant, responsible for the preparation of financial information for Merger and Acquisitions activities and group planning process and tax planning. In 1993, he was transferred to Akoko Sdn Bhd, a newly acquired subsidiary of Hong Leong Industries Bhd and assumed the position as Finance Manager responsible for the overall financial functions of Akoko Sdn Bhd. He joined Allianz Life on 1 June 1999 as Financial Controller and was promoted to Chief Financial Officer in 2003. In addition to his role as Chief Financial Officer of Allianz Life, he was the Chief Risk Officer of Allianz Life from 2005 to 2010. He was appointed as Chief Financial Officer of the Company in 2008, to oversee the financial management of the Company and its insurance subsidiaries (collectively, "Group") and part of the leadership driving business growth, profitability and financial sustainability of Group. He relinquished his positions as Chief Financial Officer of Allianz Life and the Company on 31 March 2022 before he assumed his current position as CEO of Allianz Life on 1 April 2022.</p>
<b>Stefan Ritz</b> <i>(COO and Chief Digital Officer of Allianz and Allianz Life)</i>	<p>Stefan Ritz has 26 years of work experience, of which 24 years have been in the insurance industry. He joined Allianz in Germany in 1998 as Information Technology consultant and was assigned to Allianz Life Korea from 2000 where he held various project lead and management roles. In April 2012, he joined Allianz Life as Head of Operations and was subsequently appointed as Chief Operations Officer on 1 January 2013 before his appointment as Chief Digital Officer in 2016. In 2017, he re-assumed responsibility as Chief Operations Officer of Allianz Life in addition to his Chief Digital Officer role. He was appointed the role of Chief Operations Officer of the Company in July 2021.</p>
<b>Andrew Sim Kok Soon</b> <i>(COO of Allianz General)</i>	<p>Andrew Sim has 31 years of work experience, of which 29 years have been in the insurance industry. He joined Allianz General in 2008 as Head of Bancassurance until 2016 with a change of portfolio from sales to operation as Head of Operations from thereon. He was appointed as Chief Operations Officer on 1 July 2021.</p>
<b>Horst Hermann Habbig</b> <i>(Chief Sales Officer of Allianz General)</i>	<p>Horst Habbig has 40 years of work experience, of which 40 years have been in the insurance industry. He joined the Company in 1999 as Technical Advisor and was subsequently appointed as Chief Operations Officer in 2002. He was redesignated as the Head of Marketing Division in 2008 before he assumed his current position as Chief Sales Officer of Allianz General on 1 April 2010.</p>
<b>Raymond Cheah Sin Beng</b> <i>(Chief Sales Officer, Agency Distribution of Allianz Life)</i>	<p>Raymond has 30 years of work experience, of which ten years have been in the insurance industry. He joined Allianz Life on 15 July 2013 as Deputy Chief Sales Officer. He was appointed as Chief Sales Officer on 1 January 2021.</p>



## FINANCIAL SUMMARY

### INCOME STATEMENT

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Insurance revenue	4,419	4,942	5,110	5,524	5,975
Insurance service expenses	(3,348)	(3,897)	(3,954)	(4,269)	(4,611)
Reinsurance expense	(277)	(229)	(381)	(419)	(461)
<b>Insurance service result</b>	<b>794</b>	<b>817</b>	<b>775</b>	<b>837</b>	<b>904</b>
Investment return	621	1,142	922	943	964
Net finance result	(369)	(832)	(579)	(607)	(636)
<b>Total ins, inv &amp; financial result</b>	<b>1,046</b>	<b>1,126</b>	<b>1,118</b>	<b>1,172</b>	<b>1,231</b>
Other income	1	1	-	-	-
Other OPEX	(174)	(170)	(38)	(38)	(38)
Associates	-	-	-	-	-
<b>PBT</b>	<b>874</b>	<b>957</b>	<b>1,080</b>	<b>1,134</b>	<b>1,193</b>
Tax	(260)	(226)	(313)	(329)	(346)
NCI	-	-	-	-	-
<b>Reported NP</b>	<b>614</b>	<b>731</b>	<b>767</b>	<b>805</b>	<b>847</b>
<b>Core NP</b>	<b>614</b>	<b>731</b>	<b>767</b>	<b>805</b>	<b>847</b>

### BALANCE SHEET

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash & ST funds	2,259	1,562	1,562	1,562	1,562
Investment securities	20,329	23,052	24,205	25,415	26,686
Other assets	1,401	1,308	1,310	1,439	1,596
<b>Total assets</b>	<b>23,990</b>	<b>25,922</b>	<b>27,076</b>	<b>28,416</b>	<b>29,843</b>
Insurance contracts	18,012	19,316	20,282	21,296	22,361
Other liabilities	1,301	1,465	1,140	926	722
<b>Total liabilities</b>	<b>19,313</b>	<b>20,781</b>	<b>21,422</b>	<b>22,222</b>	<b>23,082</b>
Share capital	236	236	236	236	236
Reserves	3,906	4,370	4,883	5,423	5,990
<b>Total equity</b>	<b>4,677</b>	<b>5,141</b>	<b>5,654</b>	<b>6,194</b>	<b>6,761</b>
<b>Total L&amp;E</b>	<b>23,990</b>	<b>25,922</b>	<b>27,076</b>	<b>28,416</b>	<b>29,843</b>

Source: Allianz MY, MIDFR

### FINANCIAL RATIOS

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
<b>Profitability (%)</b>					
ROE	10.7	11.7	14.2	13.6	13.1
ROA	2.0	3.0	2.9	2.9	2.9
<b>Combined ratio (%)</b>	<b>82.0</b>	<b>83.5</b>	<b>84.8</b>	<b>84.9</b>	<b>84.9</b>
Claims	51.5	53.5	54.0	53.9	53.8
Expenses	24.2	25.3	23.4	23.4	23.4
Reinsurance	6.3	4.6	7.4	7.6	7.7
<b>Growth (%)</b>					
Insurance revenue		11.8	3.4	8.1	8.2
Insurance expense		16.4	1.5	8.0	8.0
Insurance service result		2.9	-5.1	7.9	8.0
Net ins & investment result		7.6	-0.7	4.9	5.0
PBT		9.5	12.8	5.1	5.2
Core NP		19.1	4.9	5.1	5.2
<b>Valuation metrics</b>					
Core EPS (sen)	177.3	211.1	221.4	232.6	244.7
Gross DPS (sen)	85.0	100.5	142.1	149.3	157.1
Div payout (%)	32	33	33	33	33
BVPS (RM)	13.5	14.8	16.3	17.9	19.5
Core P/E (x)	12.2	10.3	9.8	9.3	8.9
<b>Div yield (%)</b>	<b>3.9</b>	<b>4.6</b>	<b>6.6</b>	<b>6.9</b>	<b>7.2</b>
P/BV (x)	1.6	1.5	1.3	1.2	1.1



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### MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
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	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### 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