

**RESILIENT
& DEFENSIVE**



**ALLIANZ MALAYSIA
BERHAD (12428-W)**

**FINANCIAL RESULTS
1Q 2020**

**ANALYST BRIEFING
17 JUNE 2020**


Allianz 



1

AMB Group Results

Restoring Revenue Growth and Resilient Earnings from Diversification in Two Strong Pillars of Businesses



Operating revenue

- Group operating revenue of RM1.48 billion, an increase of 10.4% compared to corresponding period of RM1.34 billion due to higher gross earned premiums and investment income by RM122.7 million and RM17.7 million respectively.
- General business recorded an operating revenue of RM604.6 million, an increase of 5.8% compared to corresponding period of RM571.4 million.
- Life business recorded an operating revenue of RM876.8 million, an increase of 14.0% compared to corresponding period of RM769.2 million.

Profitability

- Group profit before tax of RM91.9 million decreased by 39.2% (3M 2019: RM151.2 million). Group core profit was RM116.3 million, declined by 10.2%.
- General business contributed a profit before tax of RM74.5 million (3M 2019: RM85.6 million).¹
- Life insurance business recorded a profit before tax of RM23.5 million (3M 2019: RM68.9 million)². Life core profit was RM48.0 million, increase of 2.1%.

Earnings per ordinary share

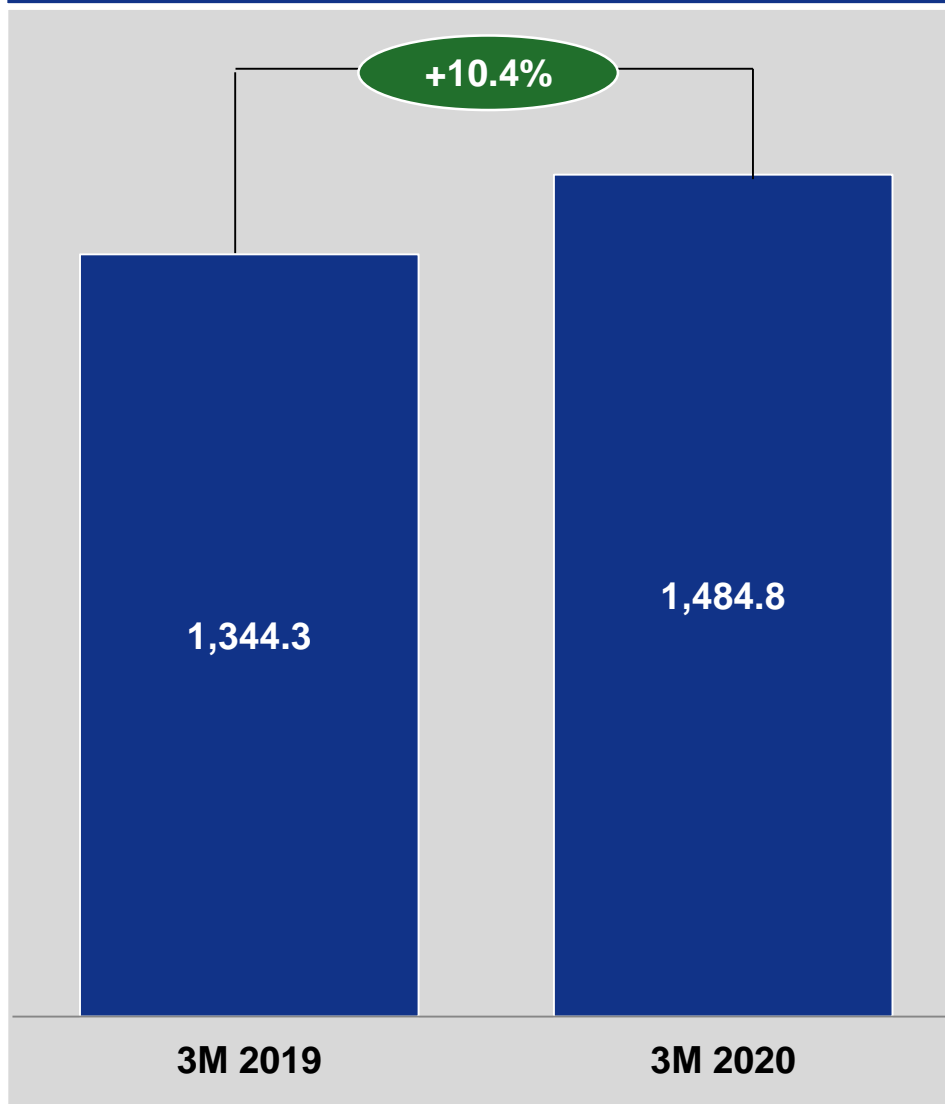
- Basic earnings per ordinary share at 44.94 sen (3M 2019: 55.97 sen).
- Diluted earnings per ordinary share at 22.96 sen (3M 2019: 28.57 sen).

¹ A decrease of 13.0% which was attributable to higher claims. Net combined ratio was 94.8% as at 3M 2020 (3M 2019: 91.3%).

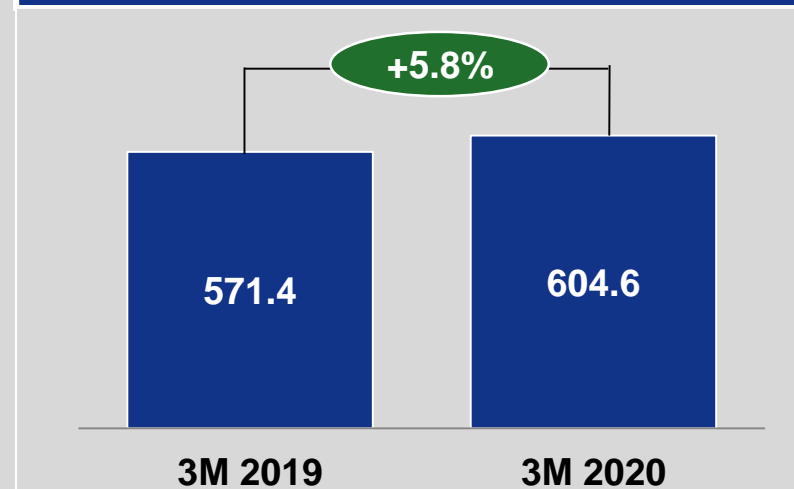
² A decrease of 65.9% which was attributable to the volatile financial market which has resulted in lower valuation on investment and changes in insurance contract liabilities arising from interest rate movement from the currently volatile financial market.

Financial Highlights 3M 2020

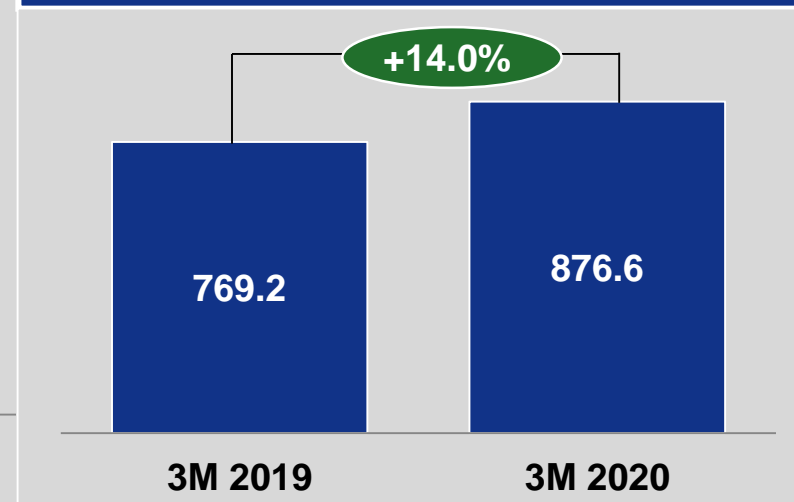
Operating Revenue (RM'mil)



General Business (RM'mil)

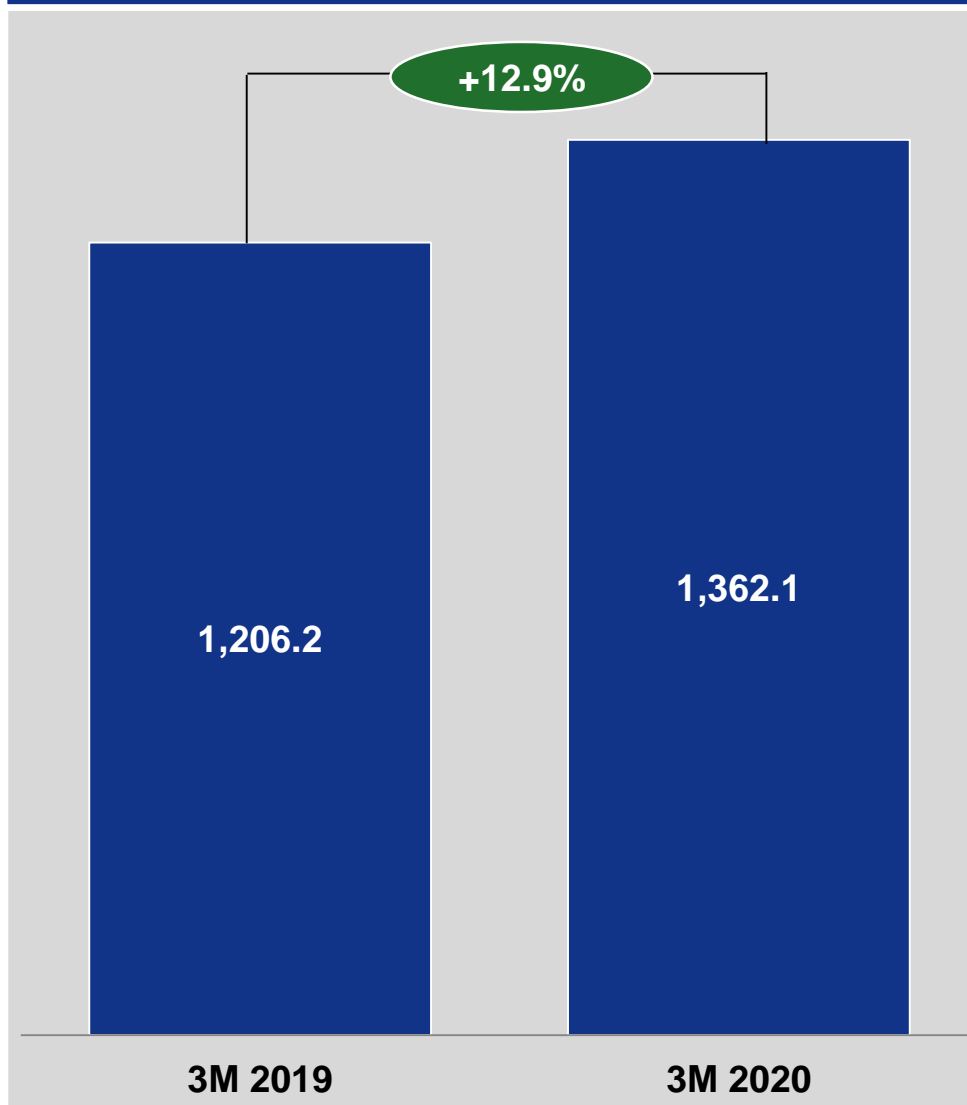


Life Business (RM'mil)

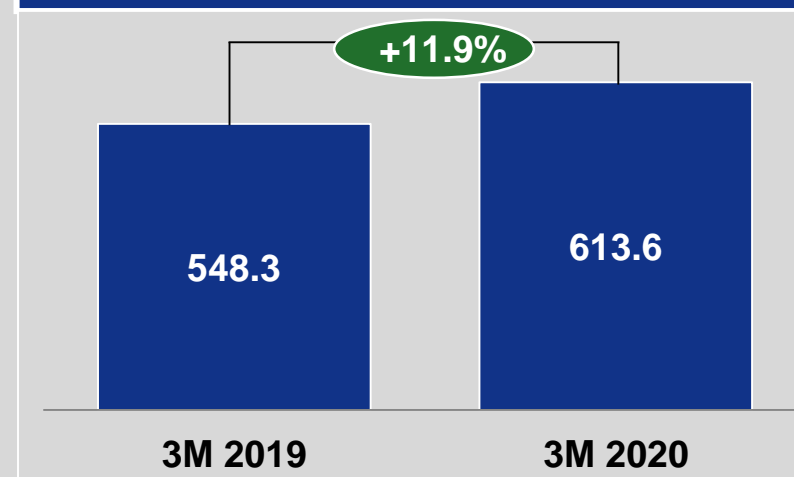


Financial Highlights 3M 2020

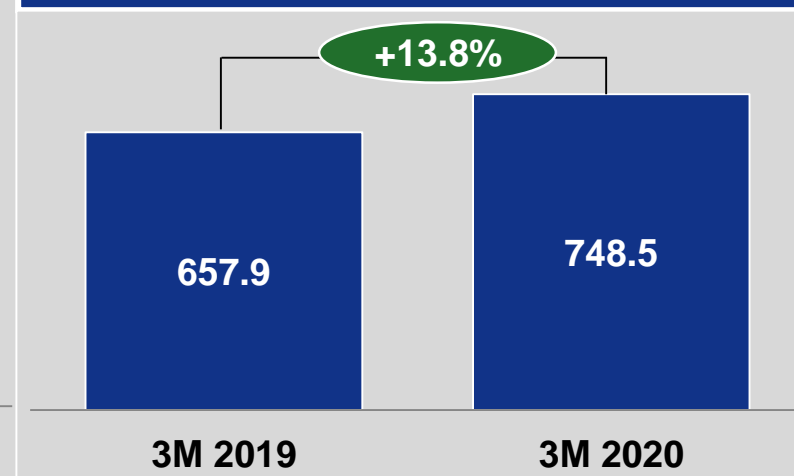
Gross Written Premiums (“GWP”) (RM’mil)



General Business (RM'mil)

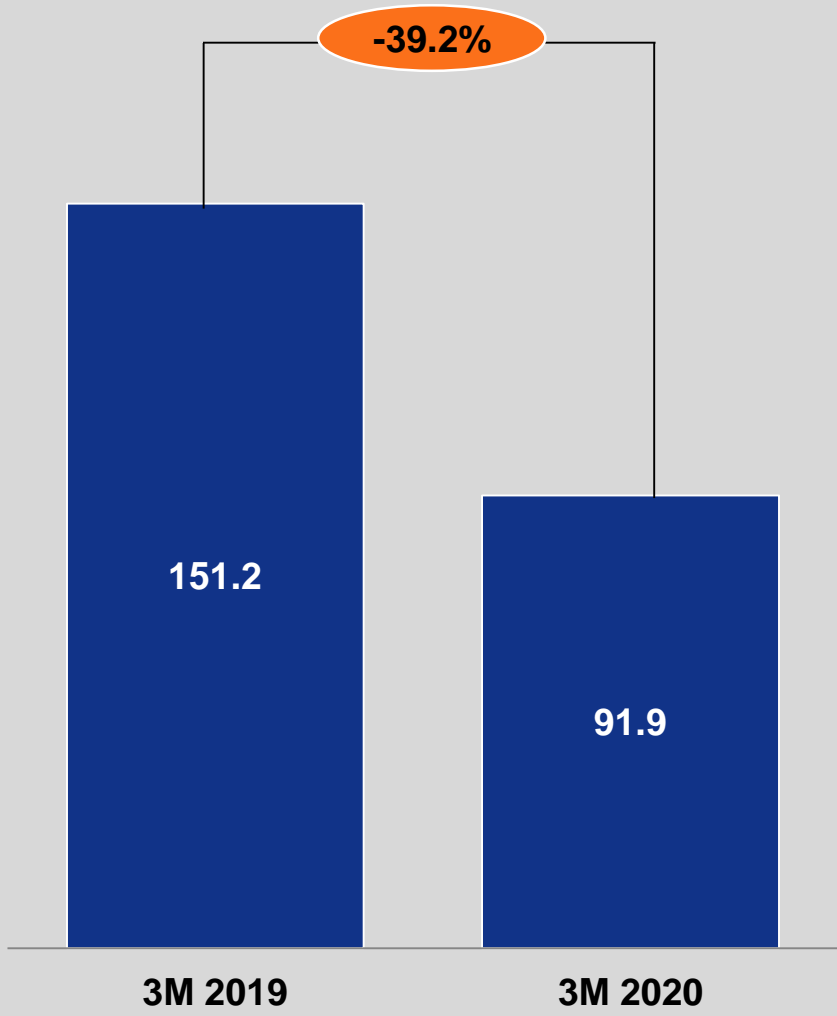


Life Business (RM'mil)

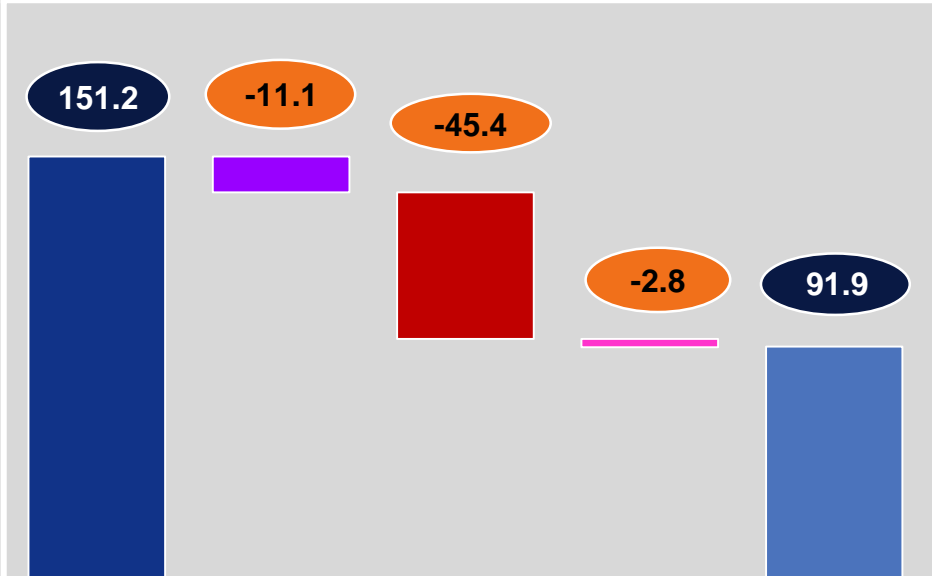


Financial Highlights 3M 2020

Profit Before Tax (RM'mil)



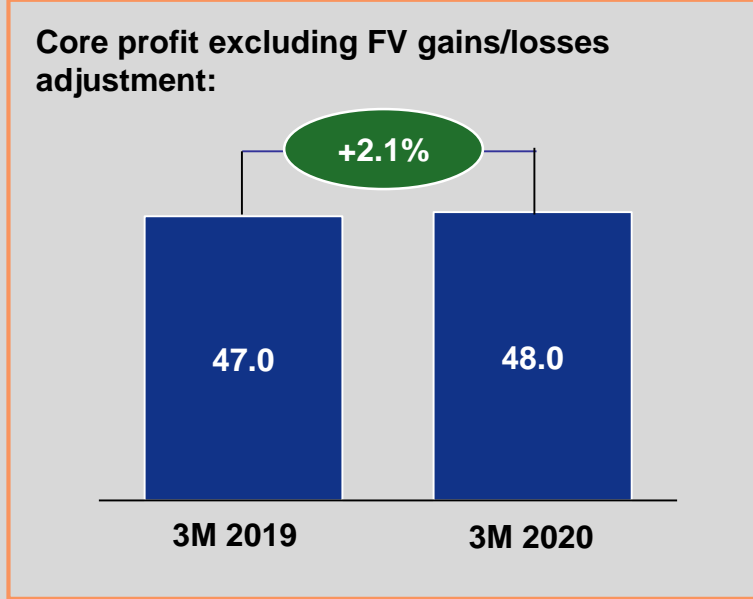
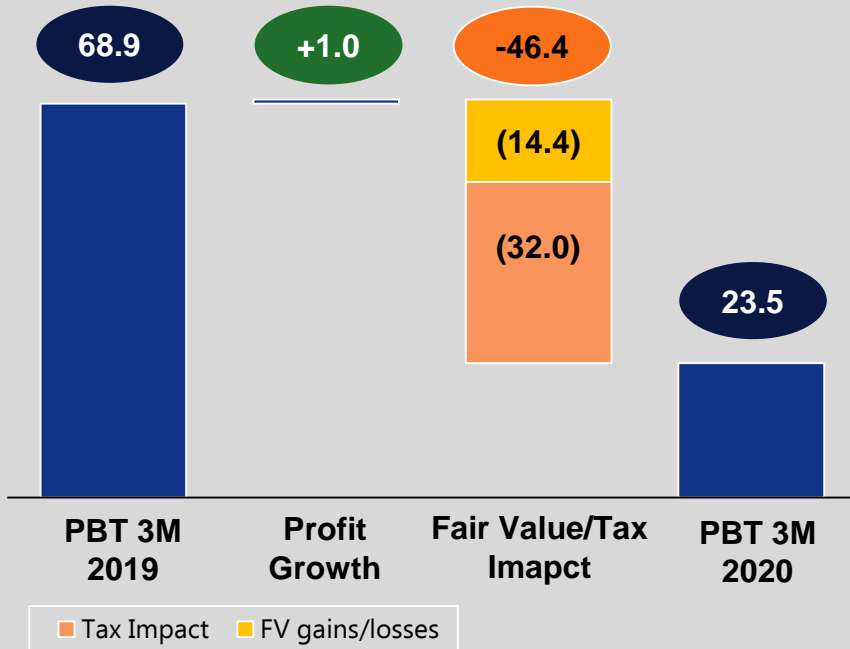
PBT Drivers (RM'mil)



	PBT 3M 2019	General Business	Life Business	Investment Holdings	PBT 3M 2020
3M 2019	151.2	85.6	68.9	(3.3)	151.2
3M 2020	91.9	74.5	23.5	(6.1)	91.9
Change	(59.3)	(11.1)	(45.4)	(2.8)	(59.3)
Change (%)	(39.2%)	(13.0%)	(65.9%)	(84.9%)	(39.2%)

Life Business: Lower PBT driven by volatile financial market but core profit remains strong

Profit Before Tax Drivers (RM'mil)

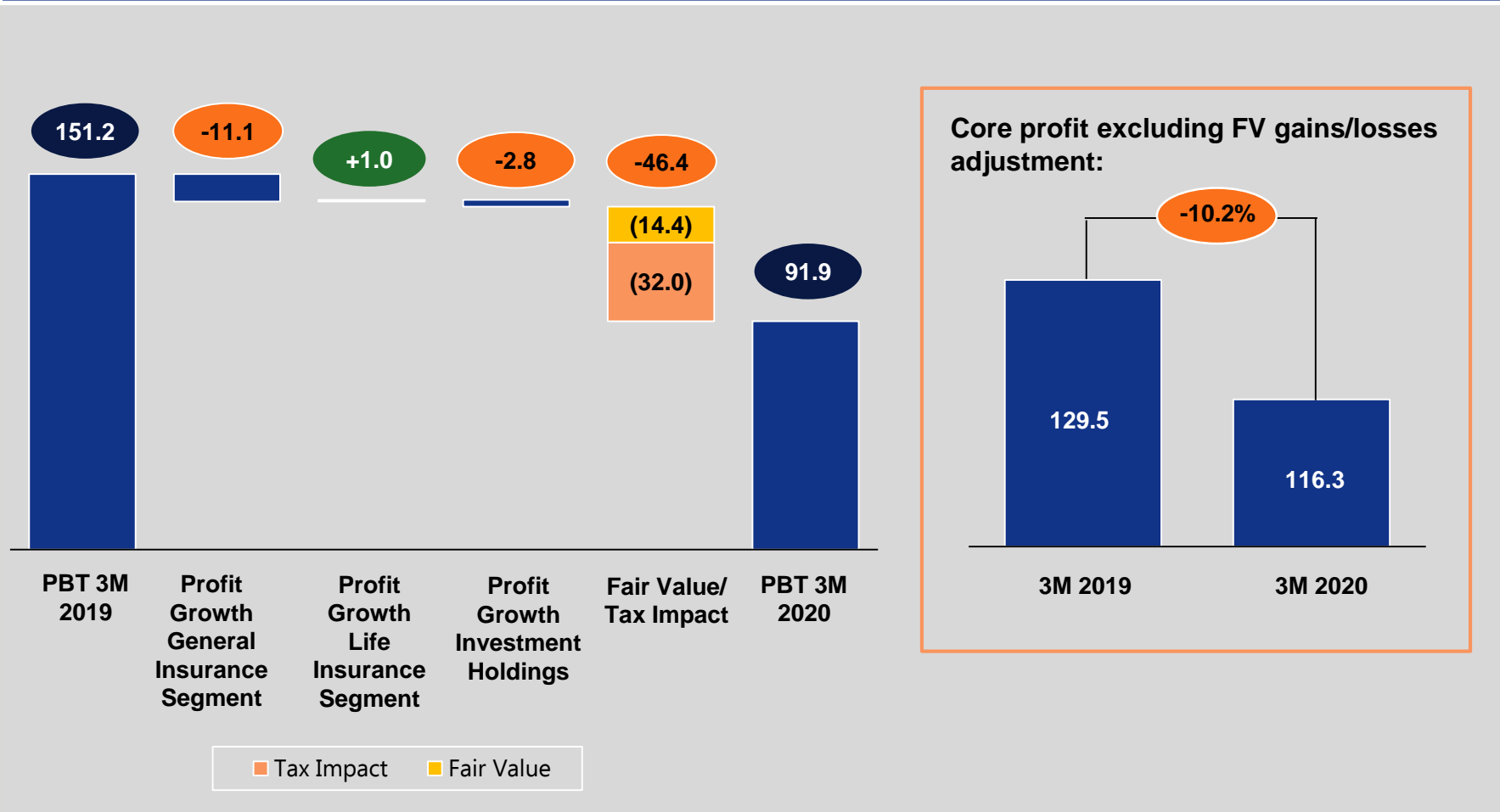


Interest rate 10 years MGS			
Dec 2019	3.33%	Dec 2018	4.14%
Mar 2020	3.46%	Mar 2019	3.78%
Changes	+0.13%	Changes	-0.36%

Bursa Malaysia KLCI Index			
Dec 2019	1,588	Dec 2018	1,691
Mar 2020	1,350	Mar 2019	1,644
Changes	-15.0%	Changes	-2.8%

Group: Despite the challenging operating environment, Group's earnings remain resilient

Profit Before Tax Drivers (RM'mil)



Financial Overview

RM'mil	2017	2018	2019	3 YEAR CAGR (2016-2019)	3M 2019	3M 2020
Gross Written Premiums	4,285.4	4,504.8	4,922.5	5.6%	1,206.2	1,362.1
Management Expenses	603.8	554.9	618.0	6.4%	151.9	178.7
Expense Ratio (Non Life)	20.3%	18.4%	20.2%	5.1 pts	20.4%	19.9%
Expense Ratio (Life) ¹	12.1%	10.0%	10.5%	(2.4) pts	11.0%	11.3%
Local Consolidated PBT	437.3	519.0	692.1	15.0%	151.2	91.9
Total Assets	16,596.7	17,404.6	19,710.1	9.7%	18,048.7	19,329.1
Shareholders' Equity	3,135.5	3,361.7	3,673.6	8.5%	3,485.0	3,738.9
Dividends declared	45.65	152.04	247.05	93.2%	-	-
Diluted earnings per ordinary share (sen)	83.28	109.09	142.29	16.2%	28.57	22.96

Note 1 : Expense ratio for Life insurance segment weighted for 10% of Single Premium.

Summary of Unaudited Financial Results

RM'mil	3M 2019	3M 2020	△20/19 %
Operating revenue	1,344.3	1,484.8	10.5%
Gross earned premiums	1,183.4	1,306.1	10.4%
Premiums ceded to reinsurers	(83.2)	(78.4)	5.8%
Net earned premiums ("NEP")	1,100.2	1,227.7	11.6%
Net change in benefits and claims paid ("Claim")	(541.0)	(538.6)	0.5%
Net change in contract liabilities ("Reserve")	(417.4)	134.4	>100%
Management expenses ("ME")	(151.9)	(167.1)	(10.0%)
Net fee and commission expense	(166.4)	(181.6)	(9.1%)
Fair value gains and losses	195.6	(486.1)	(>100%)
Net investment results	133.0	107.7	(19.0%)
Net other operating expenses	(0.9)	(4.5)	(>100%)
Profit before tax	151.2	91.9	(39.2%)
Tax expense	(52.3)	(12.4)	76.3%
Profit after tax	98.9	79.5	(19.6%)
ME / NEP ratio	13.8%	13.6%	0.2 pts
Claim & Reserve / NEP ratio	87.1%	32.9%	54.2 pts



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General Business

General Business



Gross written premiums

- Gross written premium increased by 11.9% as compared to prior year.

Profitability

- Lower profit before tax due to lower underwriting profit.

Net investment results

- Stable growth in investment income.

Combined ratio

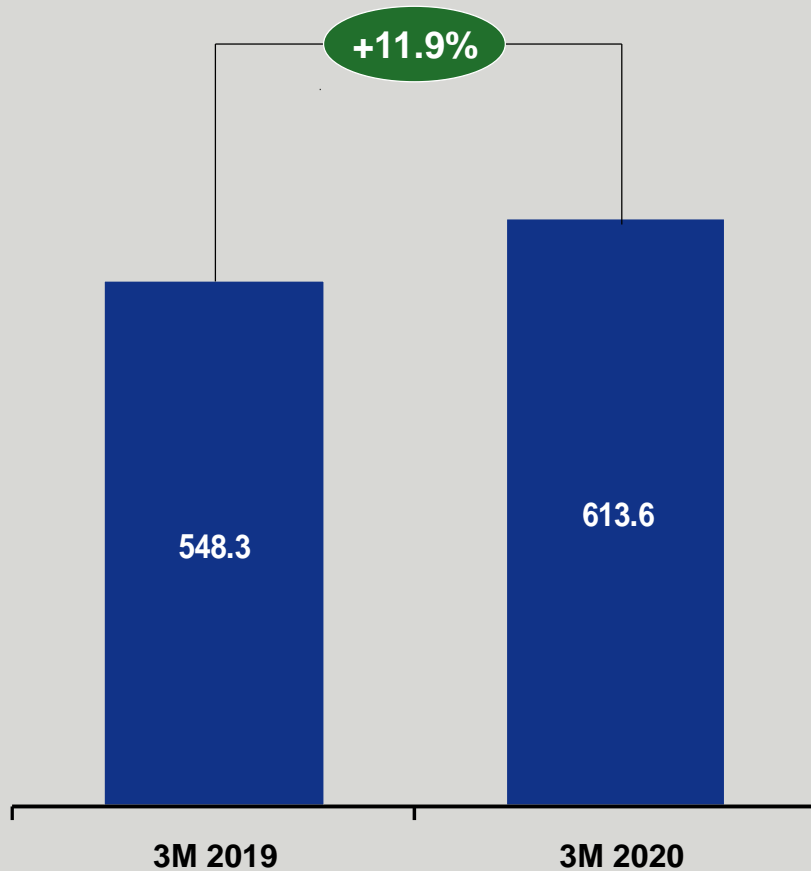
- Higher combined ratio by 3.5 pts due to higher claims ratio.

Market growth

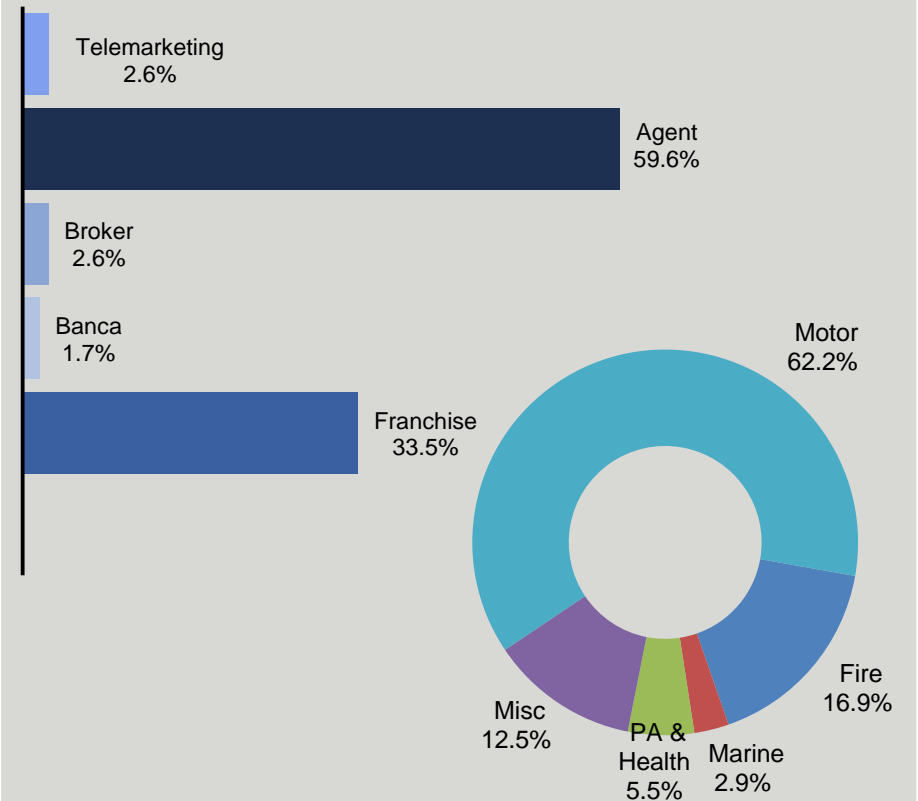
- Market share of 3M 2020 stood at 12.9% (3M 2019: 11.6%)

General Business: GWP is 11.9% higher than prior year

Gross Written Premiums (RM'mil)

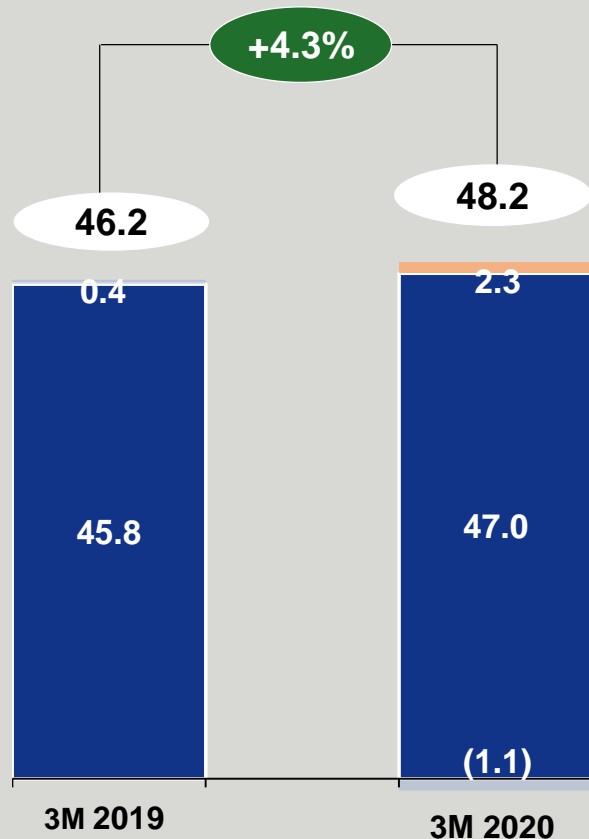


Distribution Channel & Portfolio Mix



General Business: Stable growth in investment income

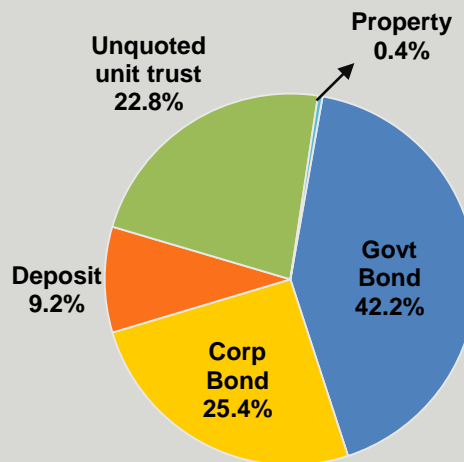
Net Investment Results/Net Operating Expenses (RM'mil)



- Net Investment Income
- Net Other Operating Income/ (Expenses)
- Realised gains/ (loss)

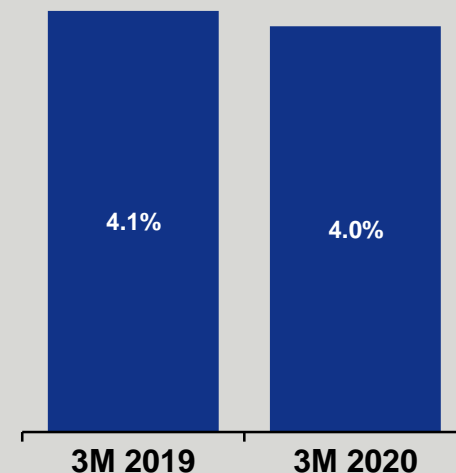
Portfolio Mix and Investment Yield (Annualised)

Portfolio Mix



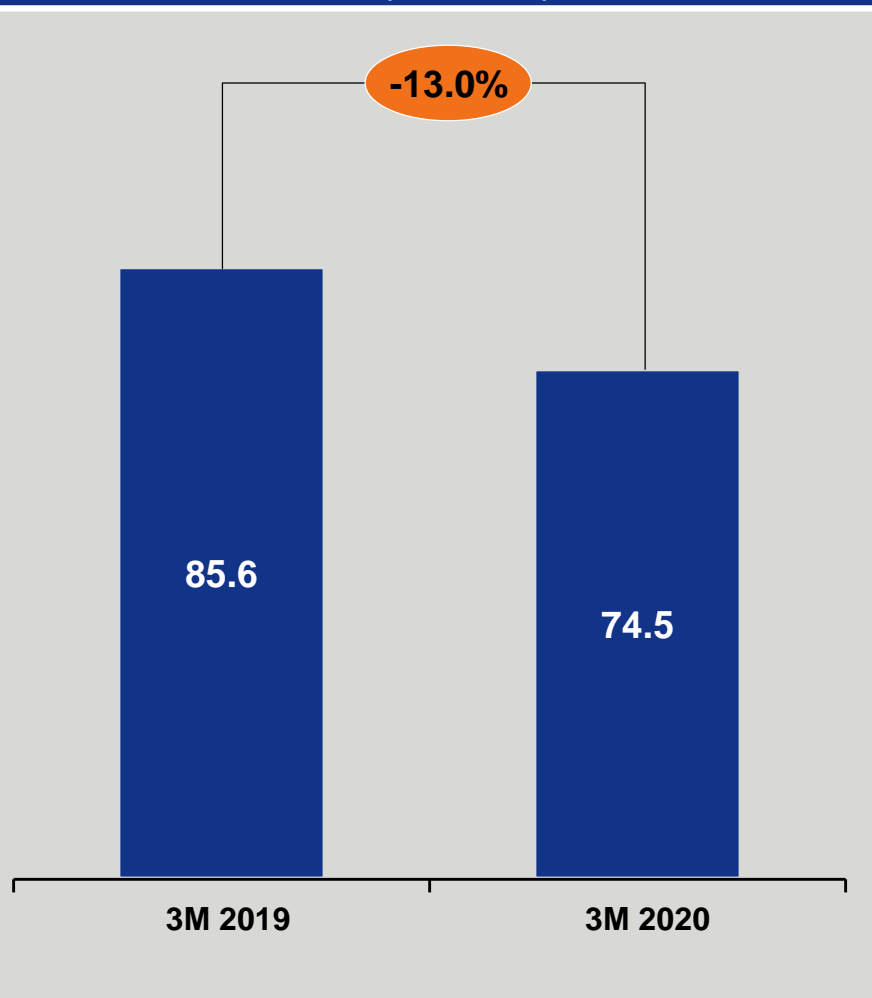
As at 31 March 2020

Investment Yield

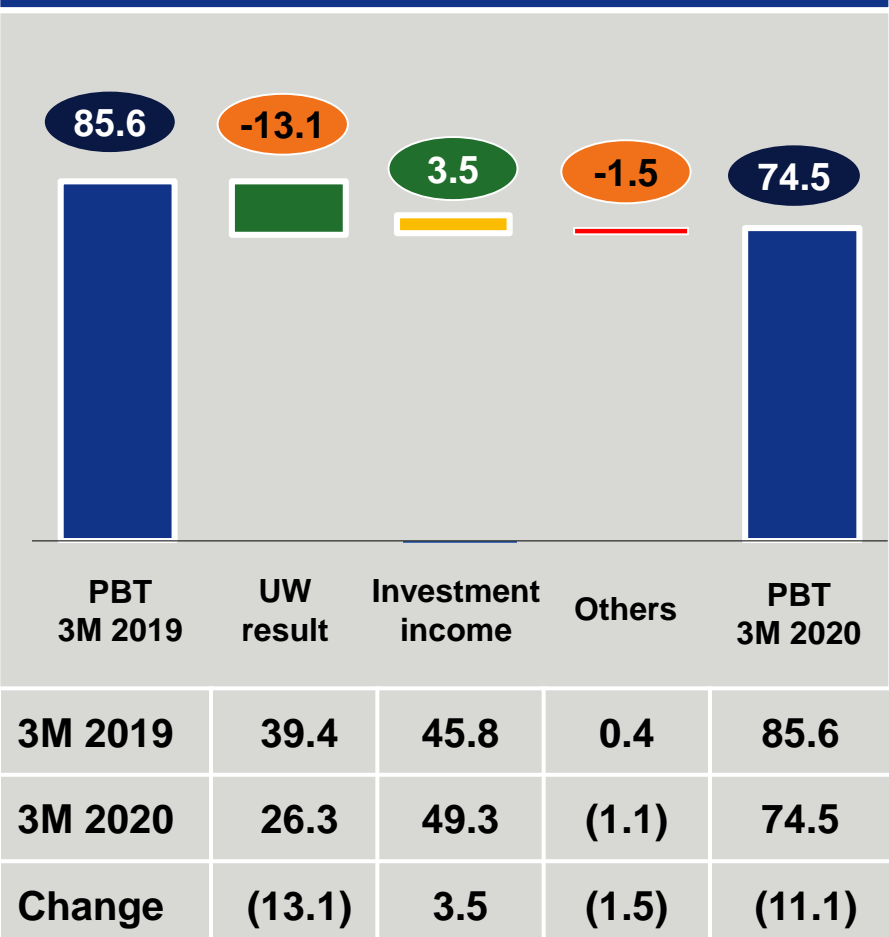


General Business: Lower profit before tax due to lower underwriting profit.

Profit Before Tax (RM'mil)

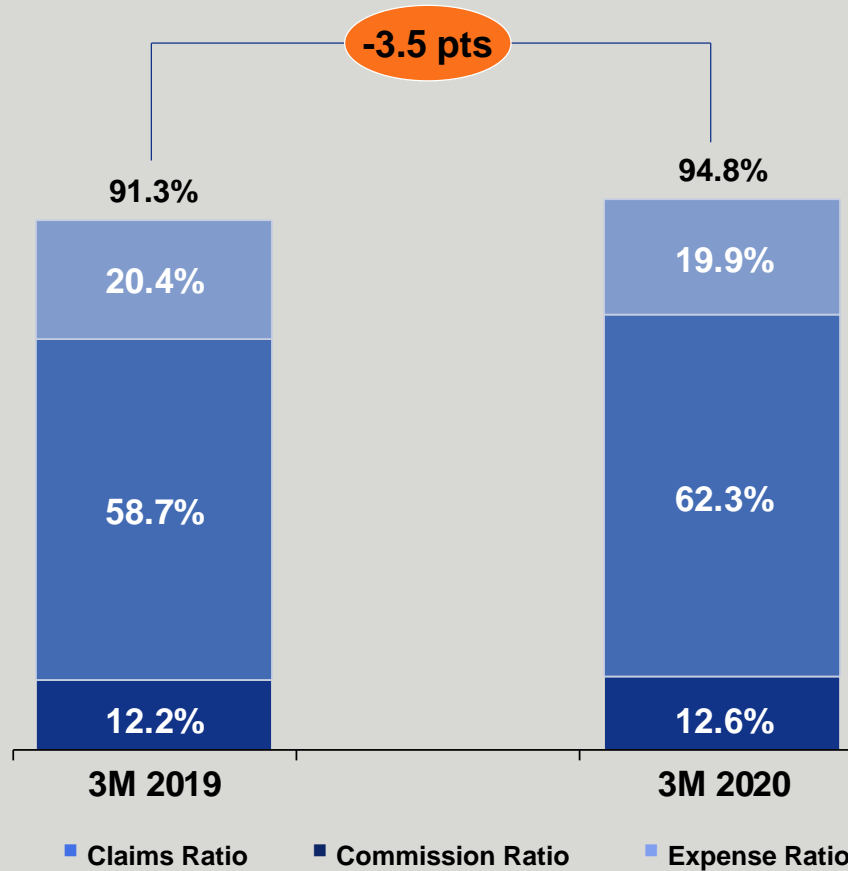


PBT Drivers (RM'mil)



General Business: Higher combined ratio due to higher claims ratio

Combined Ratio



General Business: Unaudited financial results at a glance

RM'mil	3M 2019	3M 2020	△20/19 %
Gross written premiums	548.3	613.6	11.9%
Gross earned premiums	525.5	557.6	6.1%
Net earned premiums	458.1	500.5	9.3%
Net change in claims incurred	(268.9)	(311.8)	(16.0%)
Management expenses	(93.9)	(99.4)	(5.9%)
Net fee and commission expenses	(55.9)	(63.0)	(12.7%)
Underwriting result	39.4	26.3	(33.2%)
Net investment results	45.8	49.3	(7.6%)
Net other operating expenses	0.4	(1.1)	(>100%)
Profit before tax (after consolidation adjustment)	85.6	74.5	(13.0%)
Commission ratio	12.2%	12.6%	(0.4 pts)
Claims ratio	58.7%	62.3%	(3.6 pts)
Expense ratio	20.4%	19.9%	0.5 pts
Combined ratio	91.3%	94.8%	(3.5 pts)

General Business: Performance compared to Industry (Jan-Mar 2020)

KPIs	AGIC 3M 2020	Industry ¹ 3M 2020	Takaful ² 3M 2020
GWP growth	11.9%	0.9%	5.0%
Commission ratio	12.6%	9.8%	8.7%
Claims ratio			
• Overall	62.3%	59.4%	59.8%
• Motor	67.2%	70.5%	78.2%
Expense ratio	19.9%	24.8%	32.6%
Combined ratio	94.8%	94.0%	101.1%

Market Share (3M 2020) ³ **12.9%**

Market Ranking (3M 2020) ³ **No. 1**

Source:

- 1) ISM Market Performance Report Jan-Mar 2020
- 2) ISM Takaful Market Performance Report Jan-Mar 2020
- 3) AGIC and ISM Market Share by Line of Business Report Jan-Mar 2020



3

Life Business

Life Business

Gross written premiums

- Gross written premiums grew by 13.8%.

Market position

- ALIM ANP grew by 2.9%, outpacing industry growth of 0.7%.
- Market share 3M 2020 increased to 8.2% (3M 2019: 8.0%).

Distribution

- Bancassurance performed very well, recorded a growth of 31.9%, and Employee Benefits grew by 15.7%.
- Agency ANP declined by 6.2%. Remain focus on building professional and productive agency force.

Product mix

- Remain focus on sales of investment-linked products with protection rider which provide higher margins but increase demand for saving business.
- Investment-Linked GWP grew by 15.5% but ANP declined by 14.2%.
- 73.8% of Agency new business derived from Investment-Linked business.

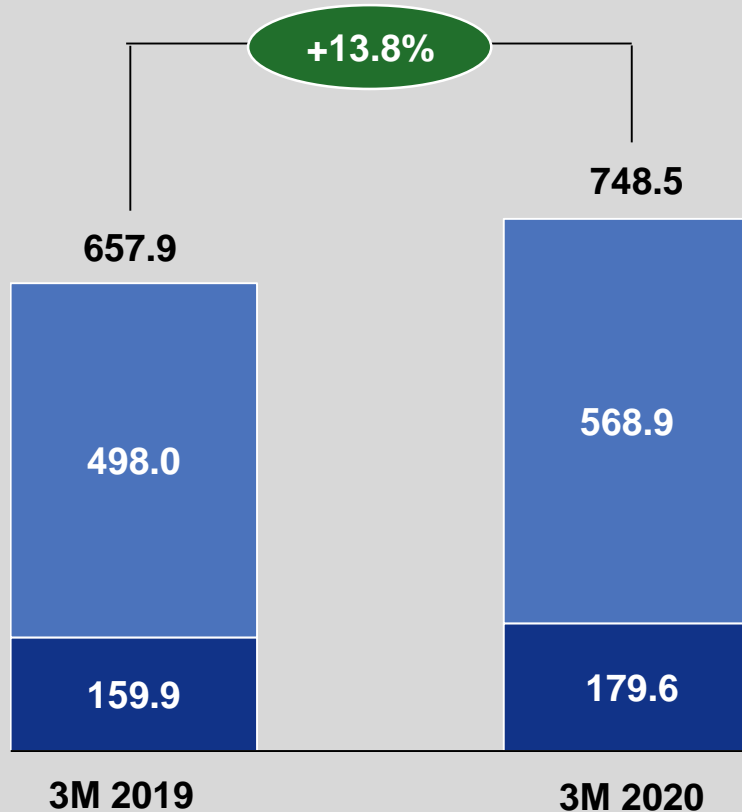
Profitability

- Profit before tax (PBT) decreased by 65.9% due to lower valuation on investment and changes in insurance contract liabilities arising from interest rate movement.
- Excluding the 2 factors above, core profit is RM48.0 million, an increase of 2.1% from preceding quarter on a comparable basis.
- New business value was RM 50.1 million, increase by 2.0%.



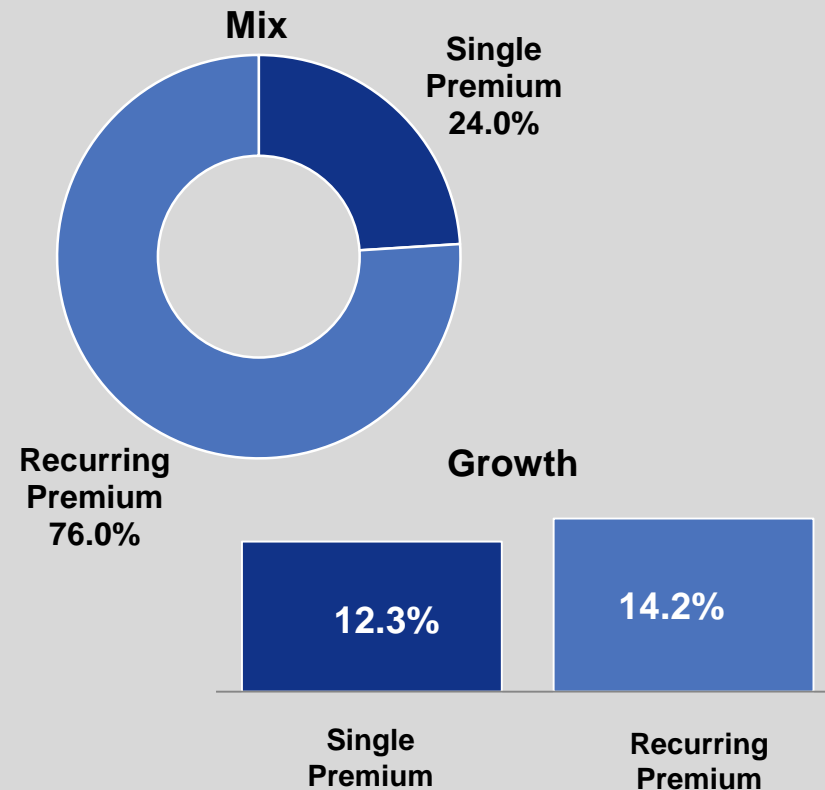
Life Business: Y-o-Y growth in both Single Premium and Recurring Premium

Gross Written Premiums ("GWP") (RM'mil)



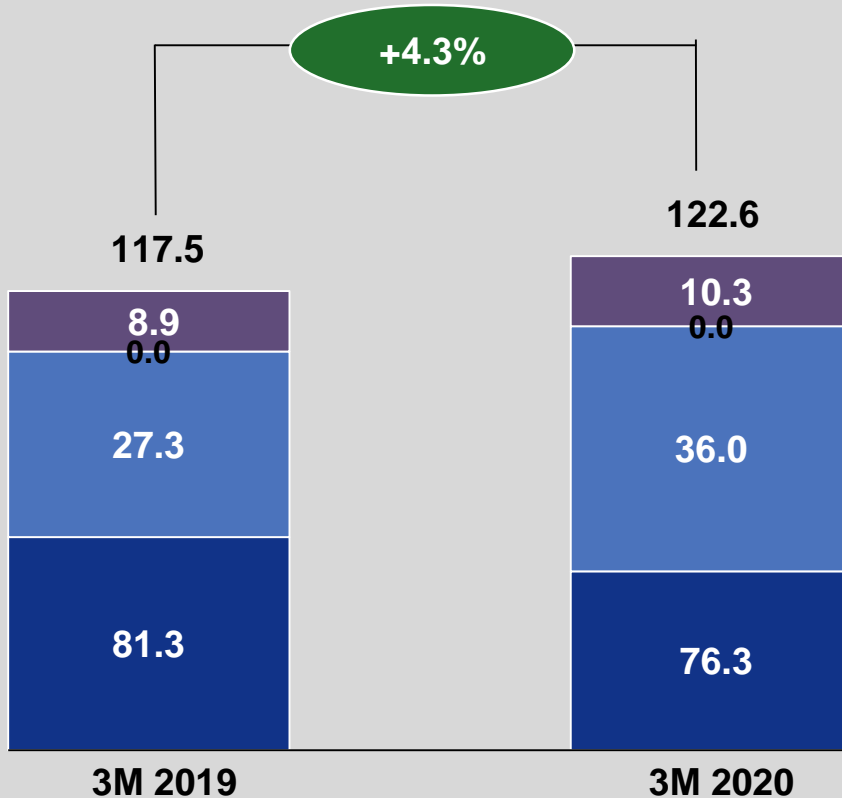
■ Recurring Premium ■ Single Premium

GWP Mix & Growth (%) (3M 2020)

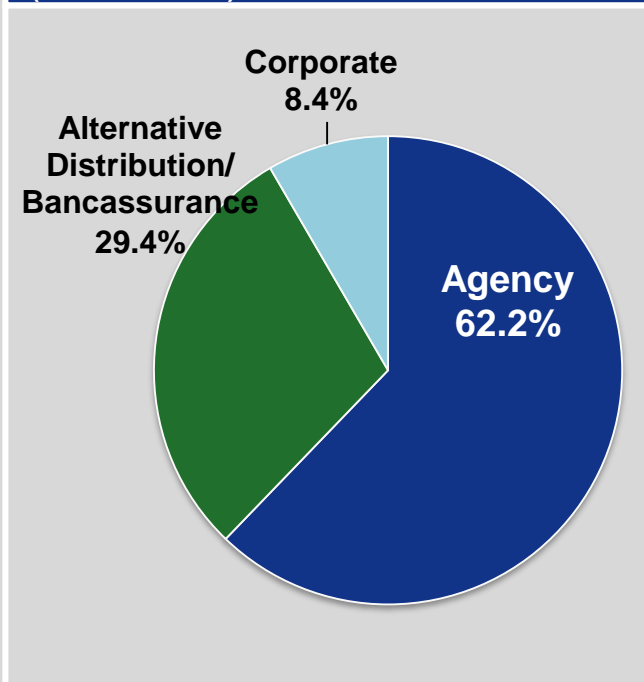


Life Business: Growth in ANP driven by Bancassurance and Employee Benefits Channels

Annualised New Premiums (“ANP”) (RM’mil)



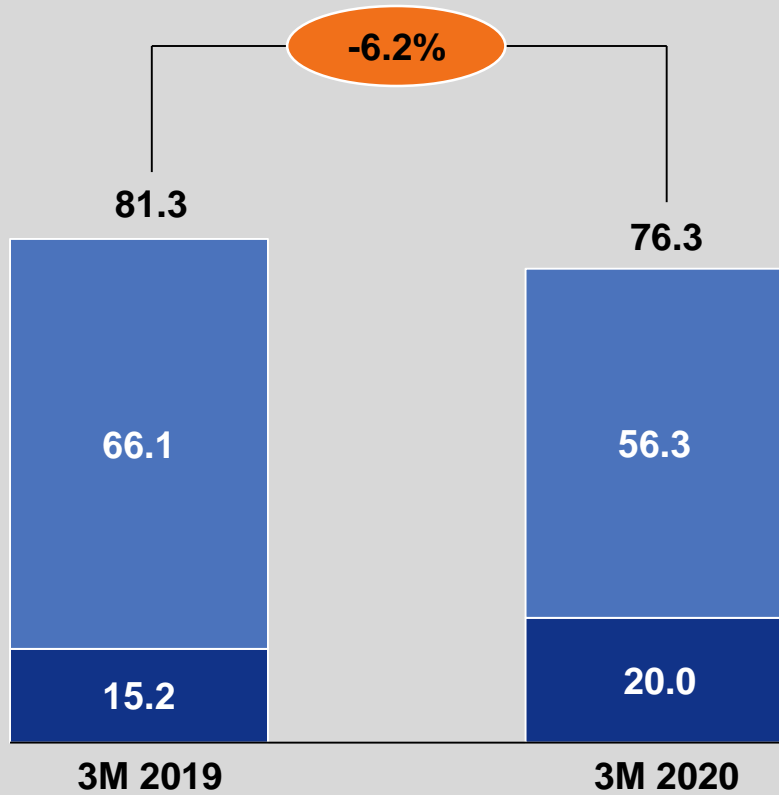
ANP Channel Mix (%) (3M 2020)



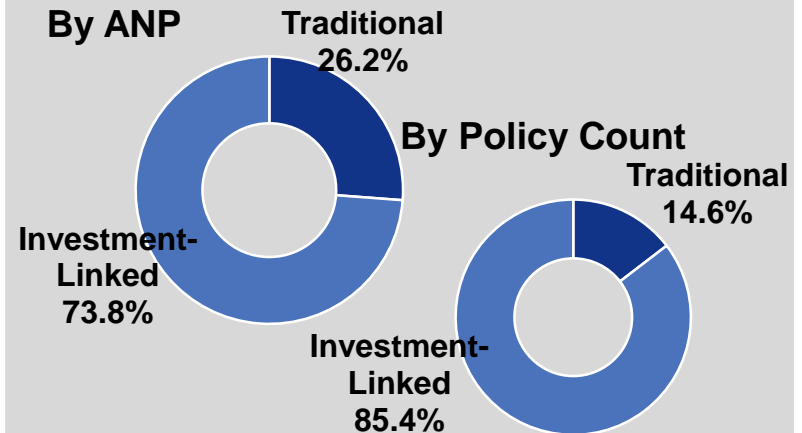
■ Agency ■ Bancassurance ■ Direct Marketing ■ Employee Benefits

Life Business (Agency): Continue focus on profitable regular Investment-Linked products

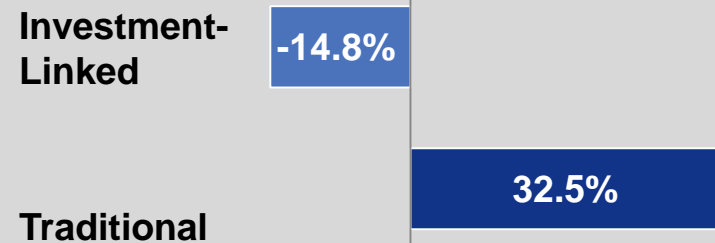
Agency Annualised New Premiums (RM'mil)



Agency Product Mix (%) (3M 2020)

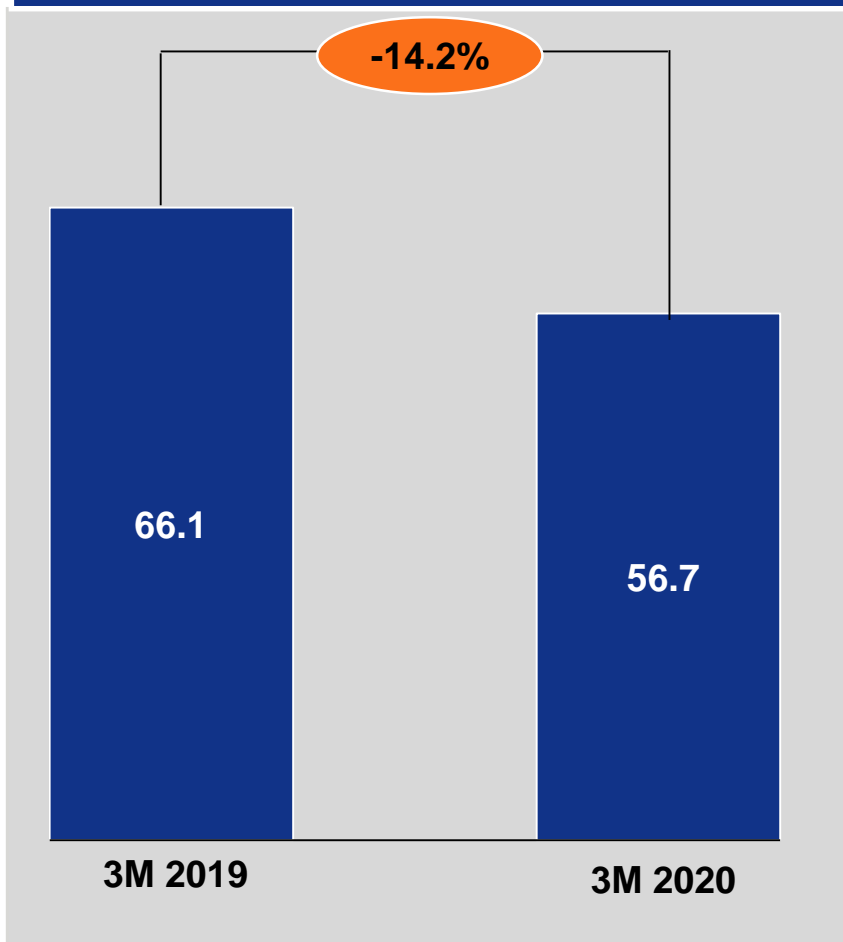


Agency ANP Growth (%) (3M 2020)

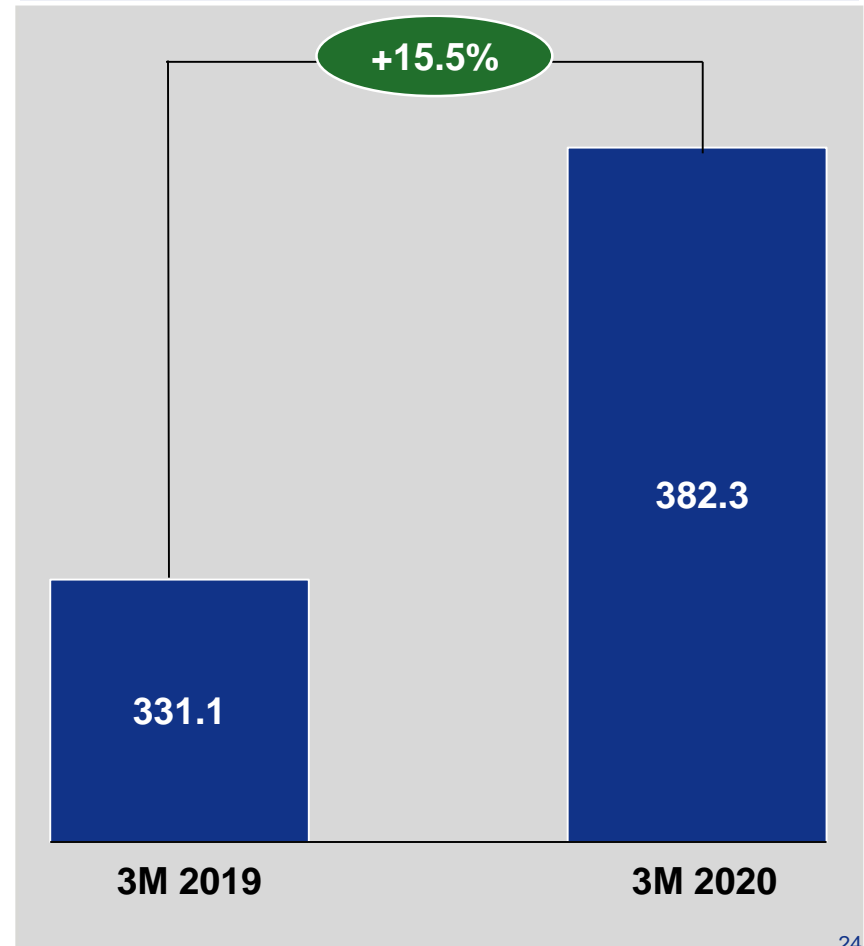


Life Business: Protection Business (Investment-Linked) continues to grow

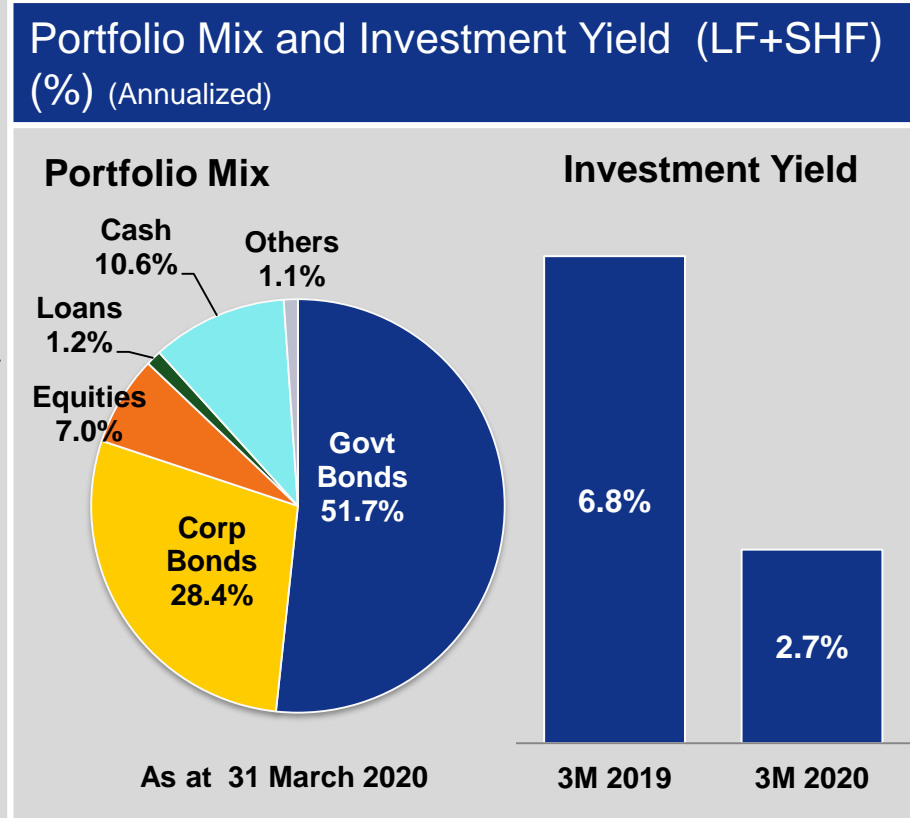
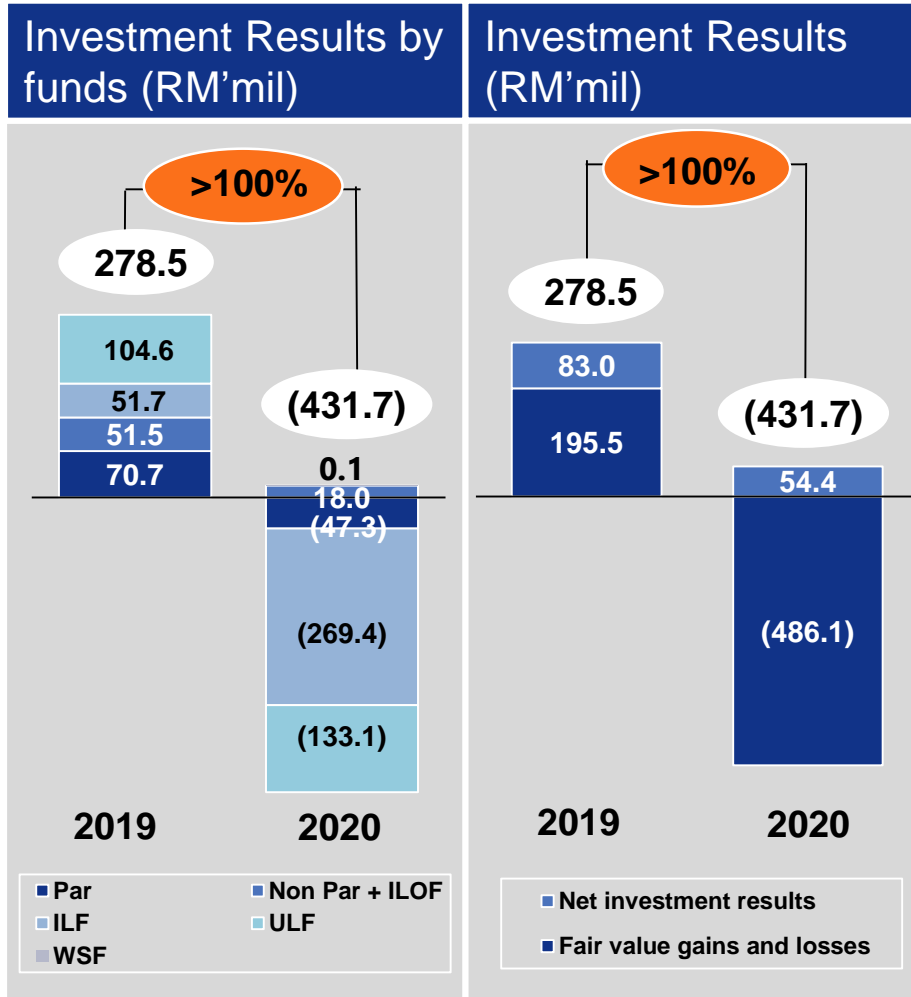
Annualised New Premiums (RM'mil)



Gross Written Premiums (RM'mil)



Life Business: Lower net investment results due to fair value losses from volatile financial market



Note: Net investment results include Investment Income and Realised Gains/(Losses).

Note: Yield % includes unrealised gains/losses from equities and fixed income.

Life Business: Unaudited financial results at a glance

RM'mil	3M 2019	3M 2020	△20/19 %
Gross written premiums	657.9	748.5	13.8%
Premiums ceded to reinsurers	(15.8)	(21.3)	(34.8%)
Net earned premiums	642.1	727.2	13.3%
Net change in benefits and claims paid	(293.5)	(305.4)	(4.0%)
Net change in contract liabilities	(395.9)	213.0	>100%
Management expenses	(52.4)	(61.1)	(16.6%)
Net fee and commission expenses	(109.0)	(115.7)	(6.1%)
Fair value gains and losses	195.5	(486.1)	(>100%)
Net investment results	83.0	54.4	(34.5%)
Net other operating expenses	(0.9)	(2.8)	(>100%)
Profit before tax (after consolidation adjustment)	68.9	23.5	(65.9%)
Annualised new premiums	117.5	122.6	4.3%
Expense ratio (LF+SHF)	11.0%	11.3%	(0.3 pts)
Local investment yield (LF+SHF)	6.8%	2.7%	(4.1 pts)
Lapse ratio (total company)	10.6%	8.6%	2.0 pts
Persistency (13th month by premium)	88.5%	88.5%	0.0 pts

Allianz Life: ANP growth driven by Bancassurance and Employee Benefits channels

Market growth analysis (3M 2020)

Annualised New Business

Distribution Channel	← 3M 2020 Growth →				12M 2019 Growth		5-year CAGR (2014-2019)	
	ALIM (% Growth)	Industry (% Growth)	Market Share	Market Rank	ALIM (% Growth)	Industry (% Growth)	ALIM	Industry
Agency (Traditional)	32.2%	20.3%	10.6%	3	13.4%	2.3%	11.6%	-7.8%
Agency (IL)	-18.3%	-10.8%	9.1%	5	11.4%	14.4%	7.6%	8.4%
Agency (Total)	-8.6%	-4.7%	9.5%	5	12.0%	11.8%	8.6%	3.7%
Bancassurance	32.0%	4.7%	6.6%	8	35.2%	21.9%	21.5%	16.7%
Employee Benefits	17.3%	18.9%	7.1%	4	20.0%	6.6%	9.6%	11.1%
Total	2.9%	0.7%	8.2%	5	16.3%	14.8%	10.6%	7.5%

Thank You
for Your Attention

Disclaimer

These assessments are, as always, subject to the disclaimer provided below.

Cautionary Note Regarding Forward-Looking Statements

The statements contained herein may include statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words "may", "will", "should", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Allianz Group's core business and core markets, (ii) performance of financial markets, including emerging markets, and including market volatility, liquidity and credit events (iii) the frequency and severity of insured loss events, including from natural catastrophes and including the development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency

levels, (vi) the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates including the Euro/U.S. Dollar exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including monetary convergence and the European Monetary Union, (xi) changes in the policies of central banks and/or foreign governments, (xii) the impact of acquisitions, including related integration issues, (xiii) reorganization measures, and (xiv) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

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