

Allianz Malaysia Berhad
(12428-W)

Financial Results
4Q 2018


Analyst Briefing
22 February 2019



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AMB Group Results

Profitable growth from diversification



Operating revenue

- Group operating revenue of RM5.18 billion, an increase of 7.9% as compared to corresponding period of RM4.80 billion due to higher gross earned premiums and investment income by RM313.3 million and RM67.6 million respectively.
- General business recorded an operating revenue of RM2.35 billion, an increase of 4.1% compared to corresponding period of RM2.25 billion.
- Life business recorded an operating revenue of RM2.82 billion, an increase of 11.4% compared to corresponding period of RM2.53 billion.

Profitability

- Group profit before tax of RM519.0 million increased by 18.7% compared to corresponding period of RM437.3 million.
- General business contributed a profit before tax of RM320.6 million (12M 2017: RM266.9 million).
- Life insurance business recorded a profit before tax of RM204.4 million (12M2017: RM172.9 million).

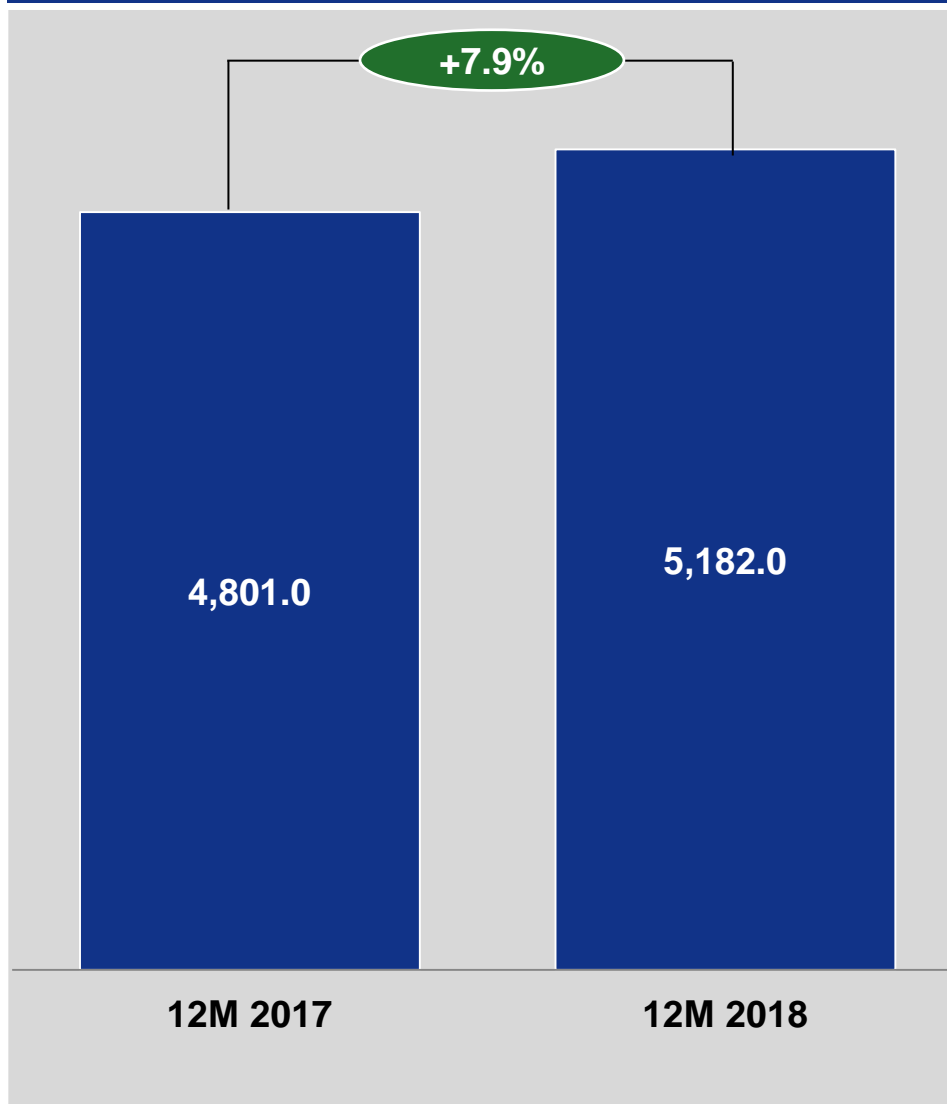
Earnings per ordinary share

- Basic earnings per ordinary share at 167.90 sen (12M 2017: 151.19 sen).[^]
- Diluted earnings per ordinary share at 109.09 sen (12M 2017: 83.28 sen).

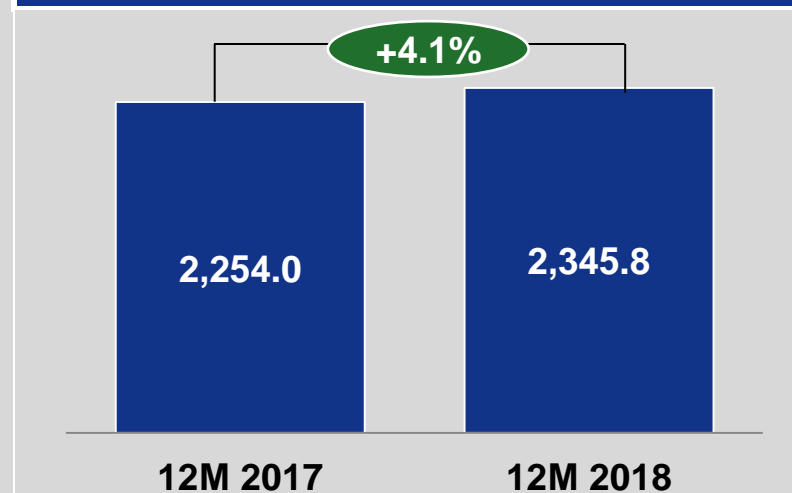
[^] The calculation of basic earnings per ordinary share was based on the profit attributable to ordinary shareholders adjusted for preference dividends.

Financial Highlights 12M 2018

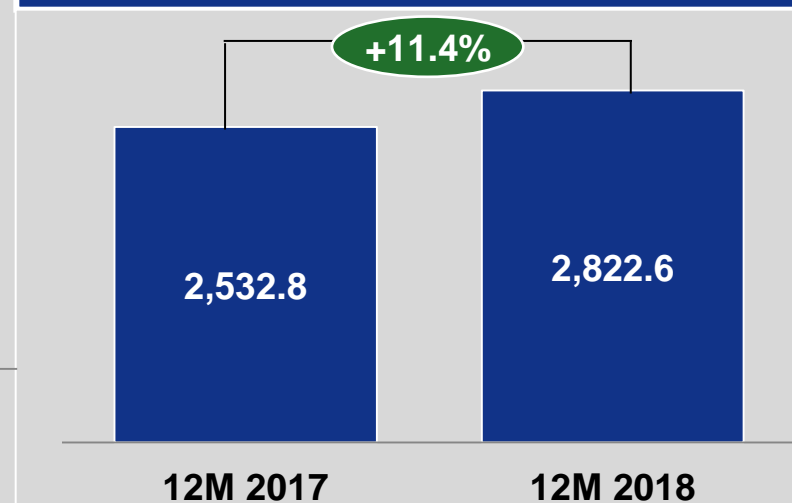
Group Operating Revenue (RM'mil)



General Business (RM'mil)

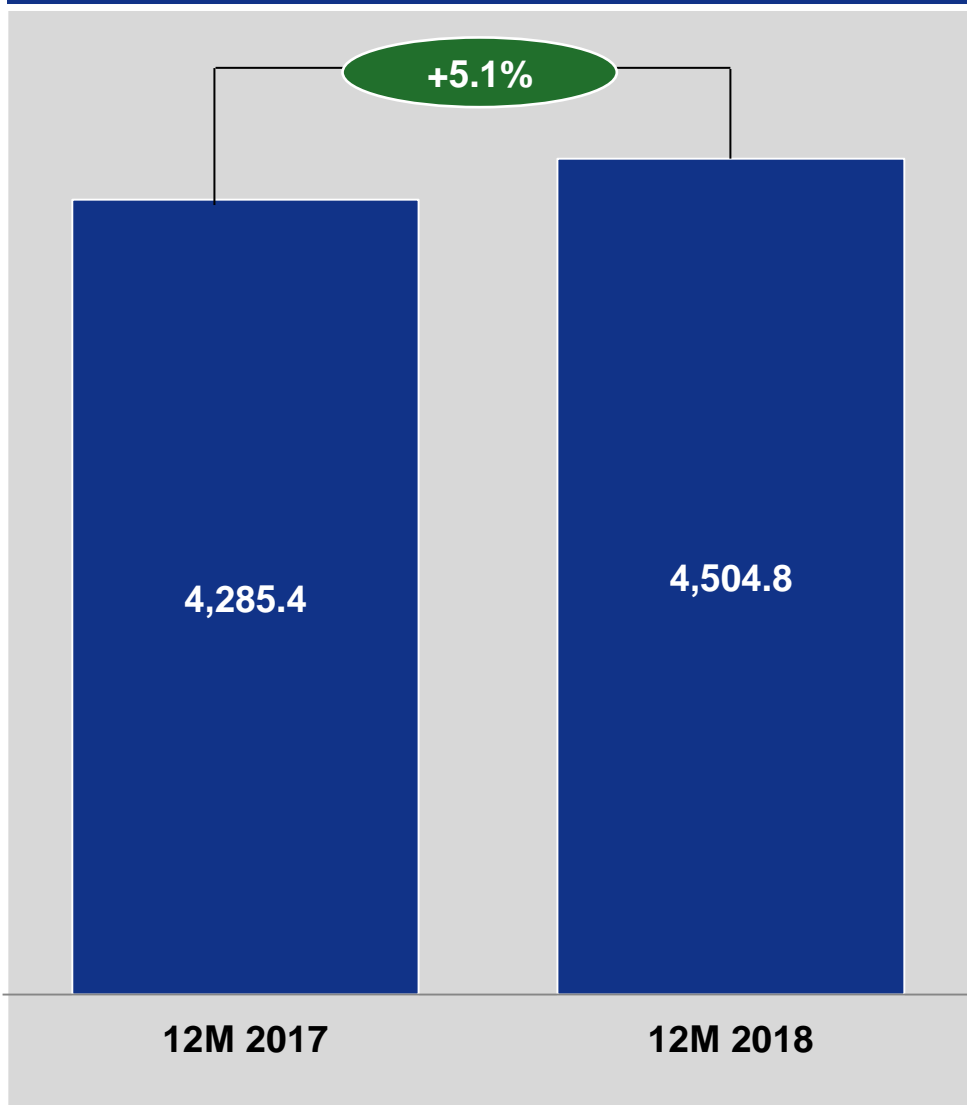


Life Business (RM'mil)

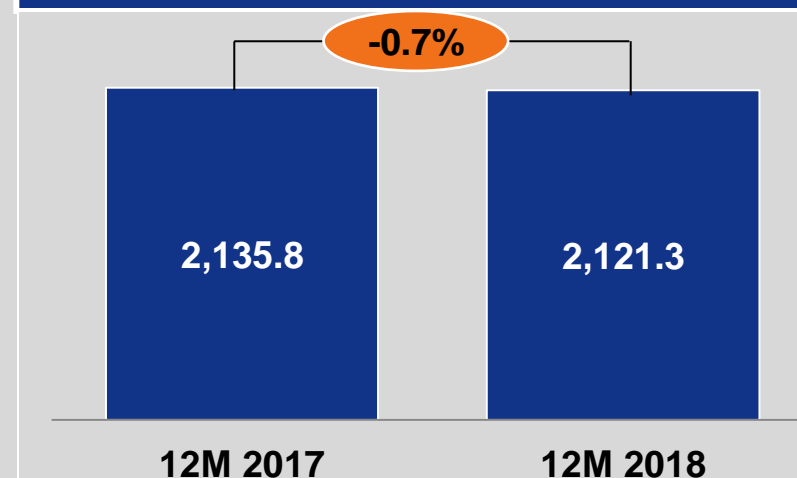


Financial Highlights 12M 2018

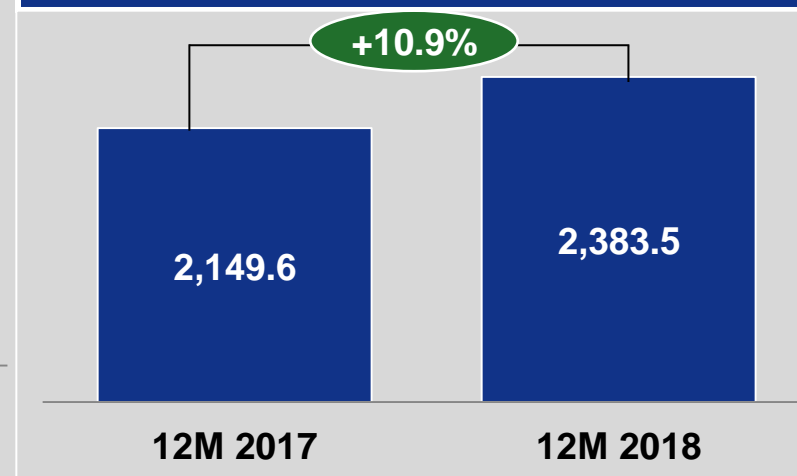
Group Gross Written Premiums (“GWP”) (RM’mil)



General Business (RM'mil)

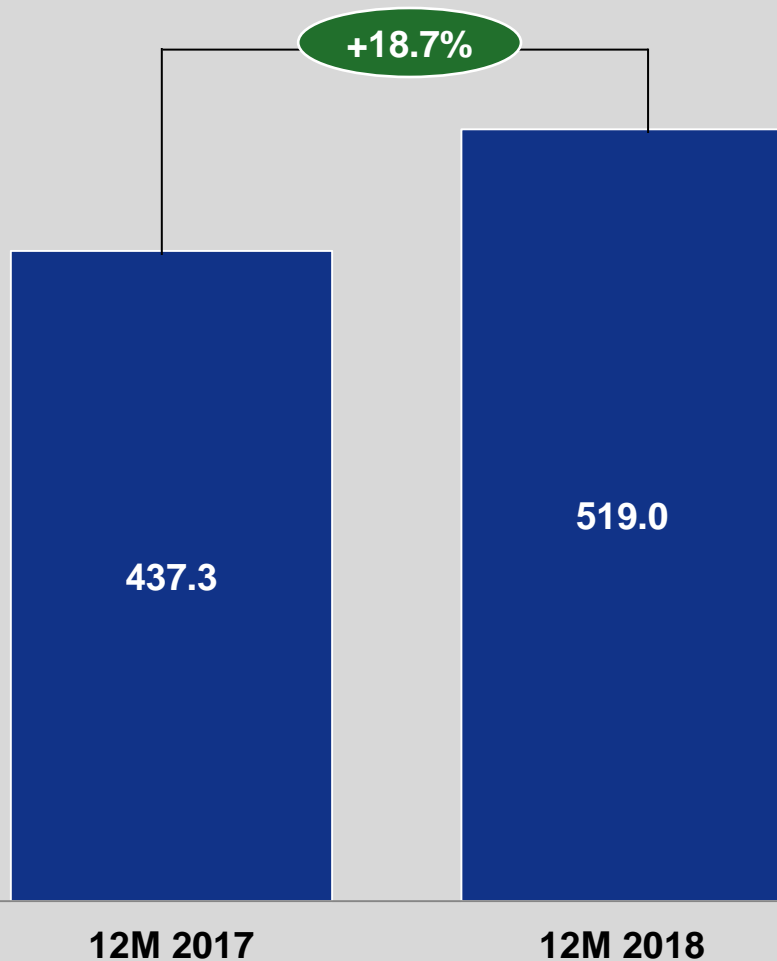


Life Business (RM'mil)

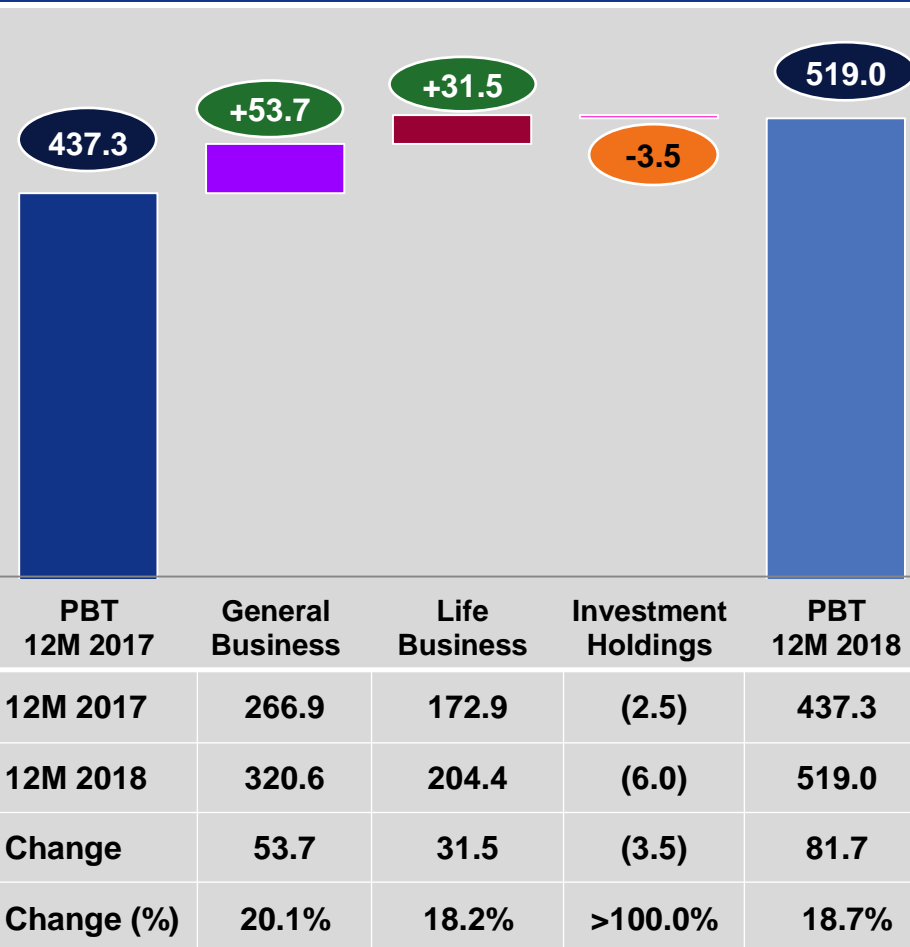


Financial Highlights 12M 2018

Group Profit Before Tax (RM'mil)



PBT Drivers (RM'mil)



Financial Overview

RM'mil	2015	2016	2017	2018	3 YEAR CAGR
Gross Written Premiums	4,132.7	4,182.6	4,285.4	4,504.8	2.9%
Management Expenses	464.8	513.2	603.8	554.9	6.1%
Expense Ratio (Non Life)	16.9%	17.4%	20.3%	18.4%	(1.5) pts
Expense Ratio (Life) ¹	9.9%	11.3%	12.1%	10.0%	(0.1) pts
Local Consolidated PBT	438.2	454.6	437.3	519.0	5.8%
Total Assets	13,617.4	14,912.4	16,596.7	17,404.6	8.5%
Shareholders' Equity	2,621.3	2,879.5	3,135.5	3,361.7	8.6%
Dividends declared	24.80	34.26	45.65	152.04	83.0%
Diluted earnings per ordinary share (sen)	89.37	90.80	83.28	109.09	6.9%

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

Summary of audited Financial Results

RM'mil	12M 2017	12M 2018	△18/17 %
Operating revenue	4,801.0	5,182.0	7.9%
Gross earned premiums	4,233.7	4,547.0	7.4%
Premiums ceded to reinsurers	(305.4)	(366.7)	(20.1%)
Net earned premiums ("NEP")	3,928.3	4,180.3	6.4%
Net change in benefits and claims paid ("Claim")	(1,974.1)	(2,237.6)	(4.6%)
Net change in contract liabilities ("Reserve")	(1,100.3)	(503.2)	54.3%
Management expenses ("ME")	(603.8)	(554.9)	8.1%
Net fee and commission expense	(613.8)	(656.5)	(7.0%)
Fair value gains and losses	193.8	(313.7)	(>100.0%)
Net investment results	619.0	613.7	(0.9%)
Net other operating expenses	(11.8)	(9.1)	22.9%
Profit before tax	437.3	519.0	18.7%
Tax expense	(149.3)	(142.0)	4.9%
Profit after tax	288.0	377.0	30.9%
ME / NEP ratio	15.4%	13.3%	2.1 pts
Claim & Reserve / NEP ratio	78.3%	65.6%	12.7 pts



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General Business

General Business



Gross written premiums

- Gross written premium declined by 0.7% as compared to prior year.

Profitability

- Higher profit before tax due to higher underwriting profit.

Net investment results

- Stable growth in investment income.

Combined ratio

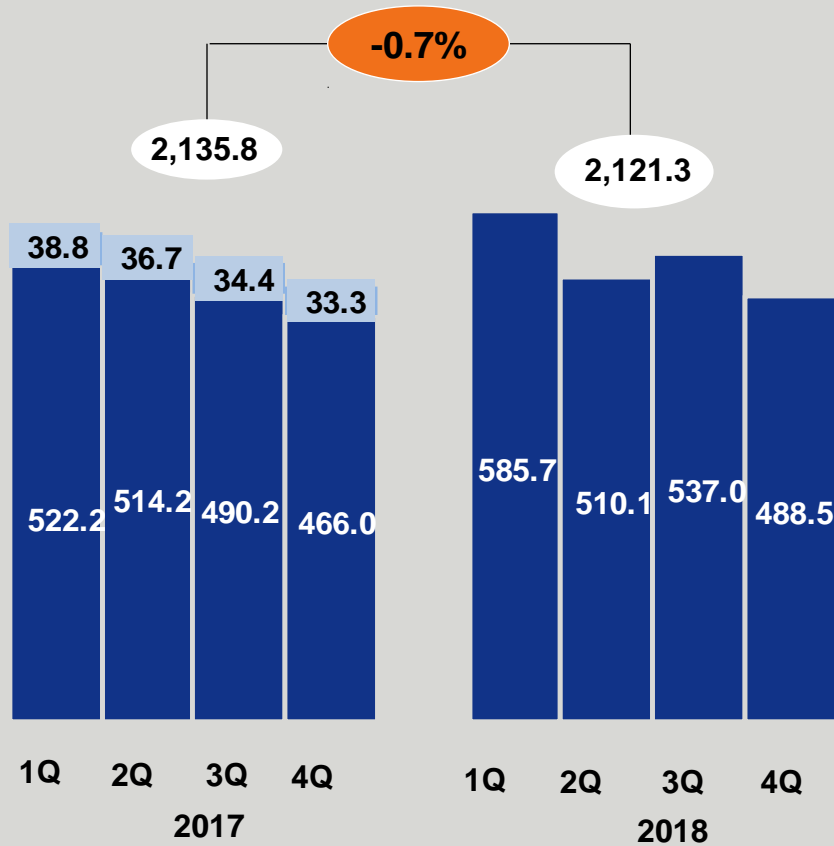
- Lower combined ratio due to lower expense ratio

Market growth

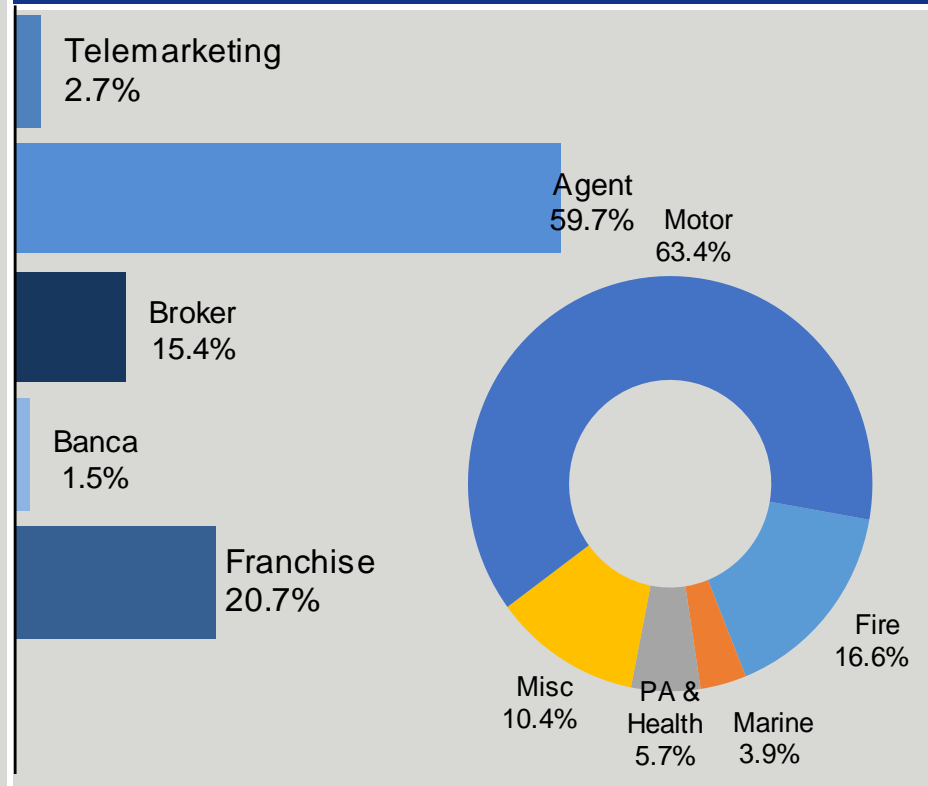
- Market share of 12M 2018 stood at 11.8% (12M 2017: 12.1%).

General Business: GWP is marginally below prior year

Gross Written Premiums (RM'mil)



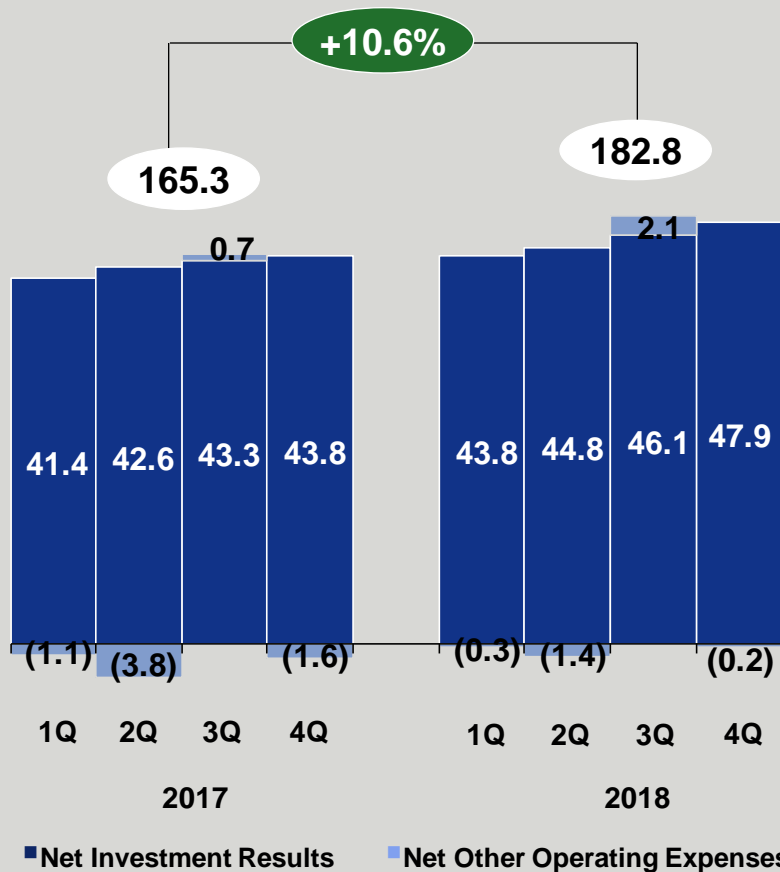
Distribution Channel & Portfolio Mix



■ CIMB portfolio
■ GWP excluding CIMB portfolio

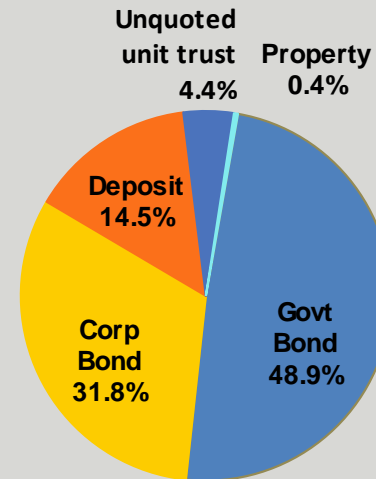
General Business: Stable growth in investment income

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



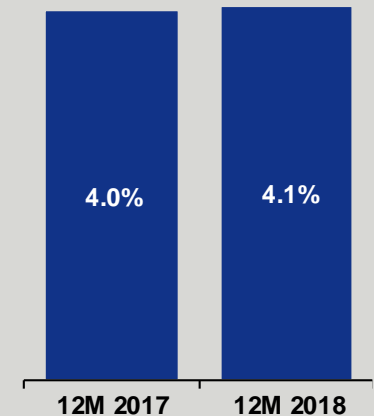
Portfolio Mix and Investment Yield (Annualized)

Portfolio Mix



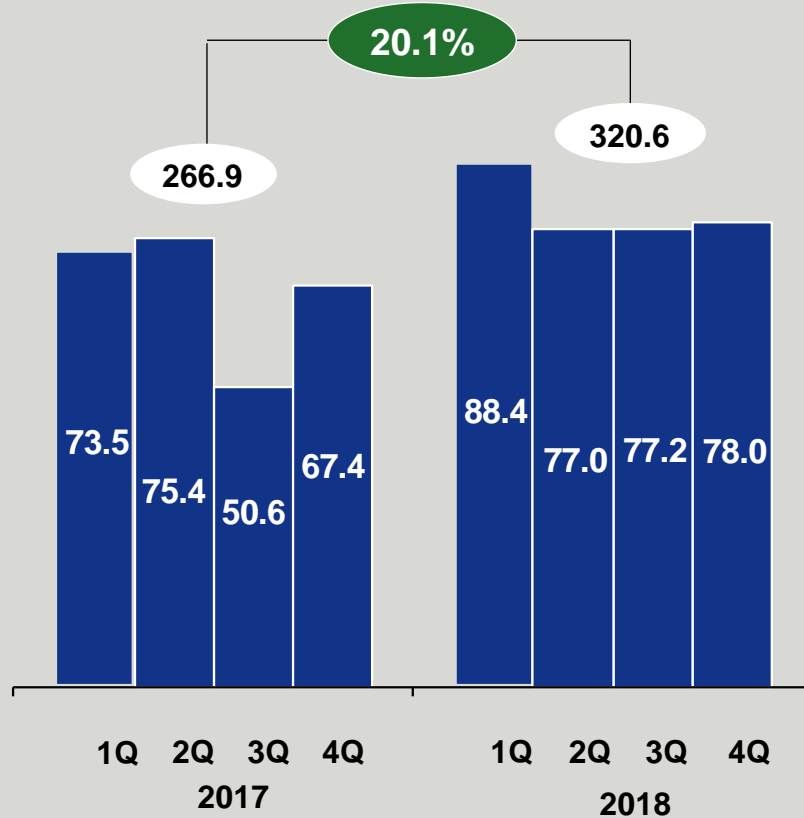
As at 31 December 2018

Investment Yield

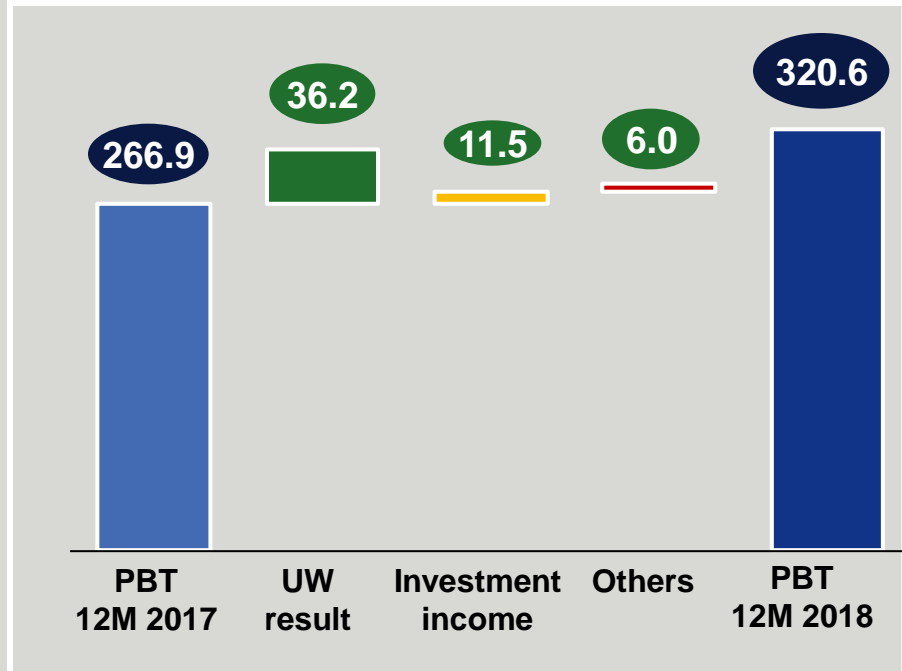


General Business: Higher PBT due to higher underwriting profit

Profit Before Tax (RM'mil)



PBT Drivers (RM'mil)

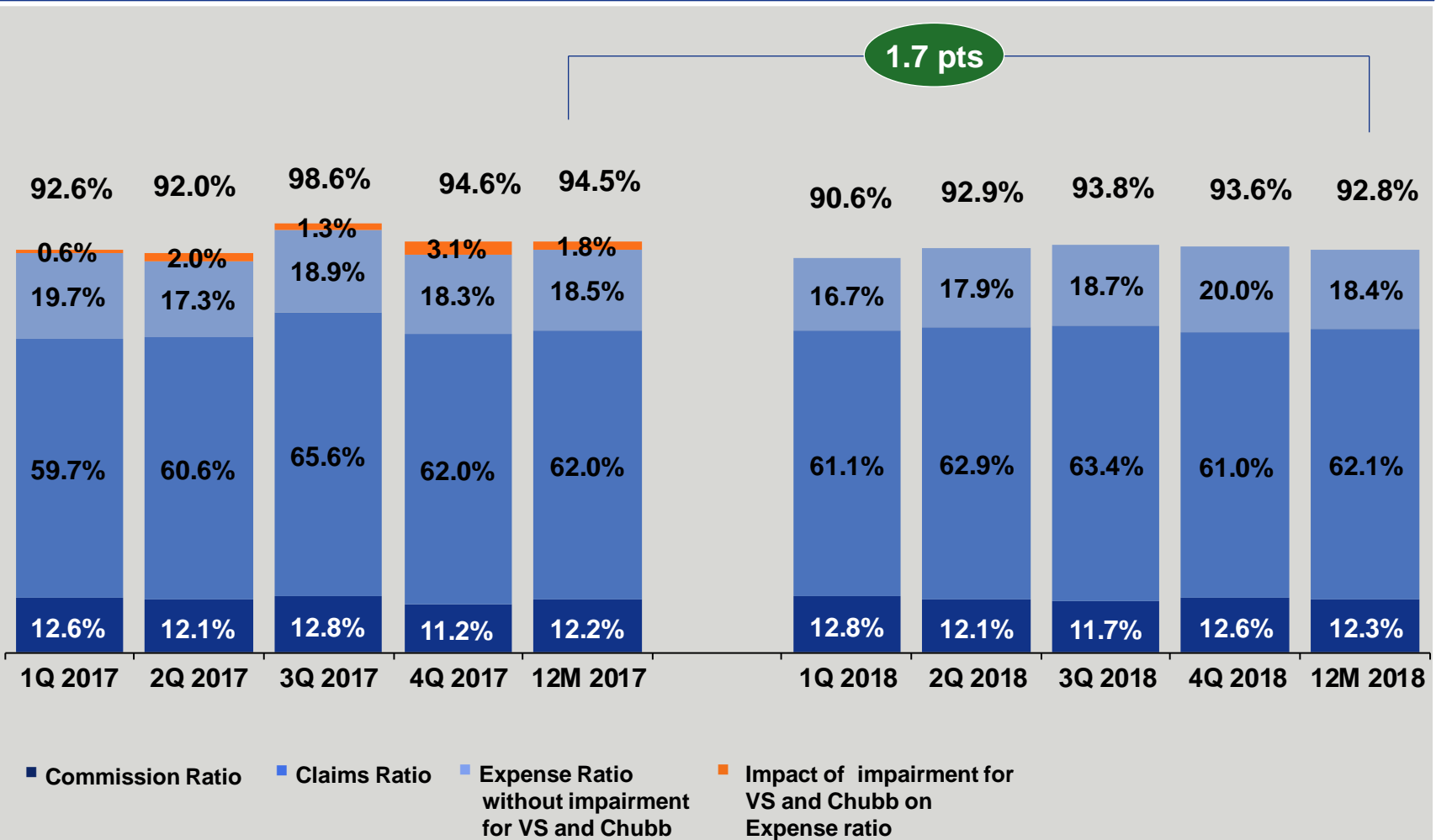


Impairment (RM'm)	1Q2017	2Q2017	3Q2017	4Q2017	12M2017
VS	2.5	5.0	6.0	14.5	28.0
Chubb	-	4.3	-	-	4.3
Total	2.5	9.3	6.0	14.5	32.3

	12M 2017	12M 2018	Change
PBT	266.9	320.6	53.7
UW result	101.6	137.8	36.2
Investment income	171.1	182.6	11.5
Others	(5.8)	0.2	6.0

General Business: Lower combined ratio due to lower expense ratio

Combined Ratio



General Business: Audited financial results at a glance

RM'mil	12M 2017	12M 2018	△18/17 %
Gross written premiums	2,135.8	2,121.3	(0.7)%
Gross earned premiums	2,084.1	2,163.5	3.8%
Net earned premiums	1,831.8	1,897.0	3.6%
Net change in claims incurred	(1,135.3)	(1,177.8)	(3.7%)
Management expenses	(371.7)	(347.8)	6.4%
Net fee and commission expenses	(223.2)	(233.6)	(4.7%)
Underwriting result	101.6	137.8	35.6%
Net investment results	171.1	182.6	6.7%
Net other operating expenses	(5.8)	0.2	>100.0%
Profit before tax (after consolidation adjustment)	266.9	320.6	20.1%
Commission ratio	12.2%	12.3%	(0.1 pts)
Claims ratio	62.0%	62.1%	(0.1 pts)
Expense ratio	20.3%	18.4%	1.9 pts
Combined ratio	94.5%	92.8%	1.7 pts

General Business: Performance compared to Industry (Jan-Dec 2018)

KPIs	AGIC 12M 2018	AGIC (excl. CIMB) 12M 2018	Industry ¹ 12M 2018	Takaful ² 12M 2018
GWP growth	-0.7%	6.7%	1.5%	8.9%
Commission ratio	12.3%		9.9%	4.1%
Claims ratio				
• Overall	62.1%		58.2%	51.0%
• Motor	67.3%		70.3%	66.5%
Expense ratio	18.4%		23.5%	23.4%
Combined ratio	92.8%		91.7%	78.5%

Market Share (12M 2018) ¹

11.8%

Market Ranking (12M 2018) ³

No. 1

Notes:

1) Source: ISM Market Performance Report Jan-Dec 2018

2) Source: ISM Takaful Market Performance Report Jan-Dec 2018

3) Based on AGIC Revenue by account & ISM Market Performance Report Jan-Dec 2018



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Life Business

Life Business

Gross written premiums

- Gross written premiums grew by 10.9%.

Distribution

- Strong performance from Agency channels.
- Agency ANP achieved 14.9% growth. Remain focus on building professional and productive agency force.

Product mix

- Focus on sales of investment-linked products with protection rider which provide higher margins.
- Investment-Linked ANP and GWP grew by 4.0% and 17.5% respectively.
- 73.4% of Agency new business derived from Investment-Linked business.

Profitability

- Profit before tax increased by 18.2% mainly due to contribution from protection business.
- New business value after overrun increase by 16.8%.

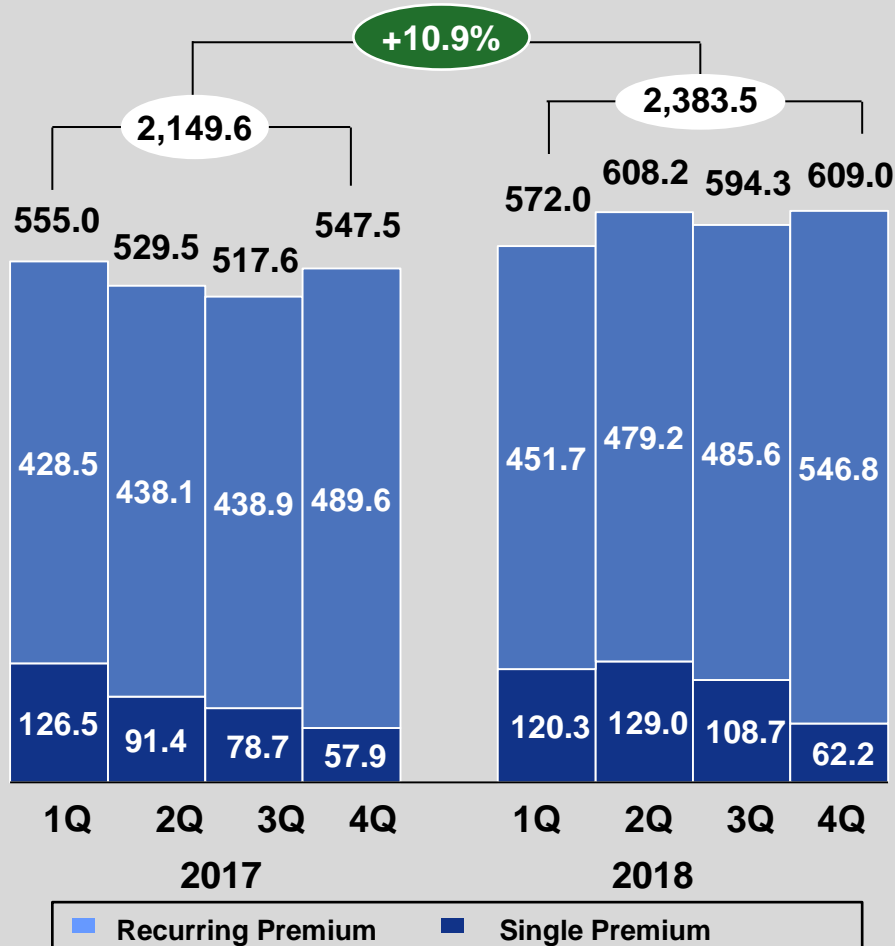
Market growth

- ANP outperformed market with growth of 14.2% vs market of 1.0%.
- Market share stood at 8.4% (12M 2017: 7.4%).

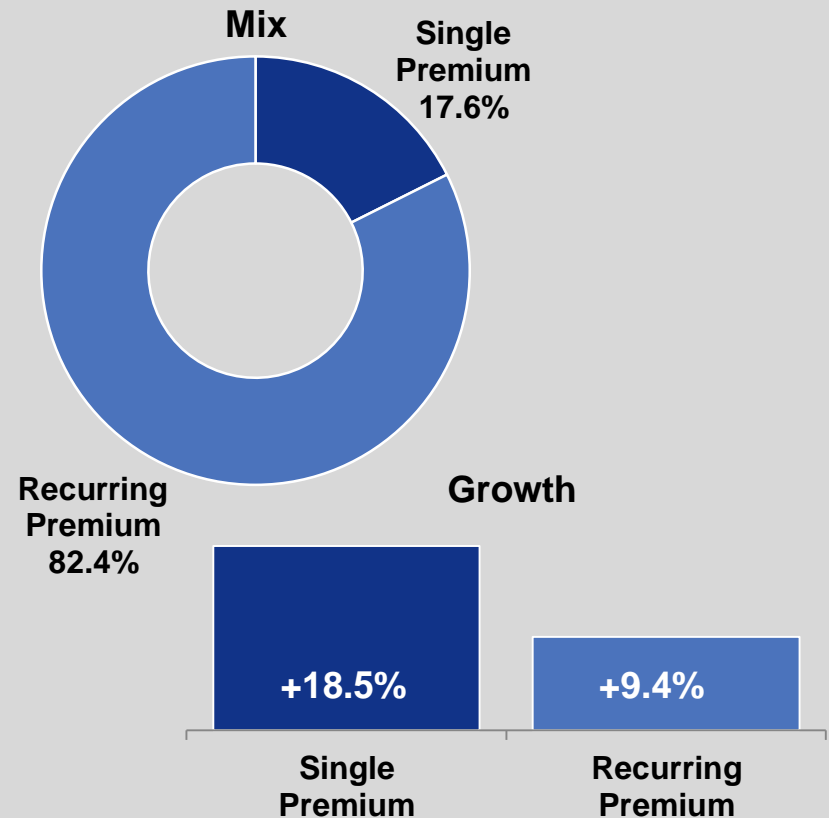


Life Business: Growth in both Single Premium and Recurring Premium

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

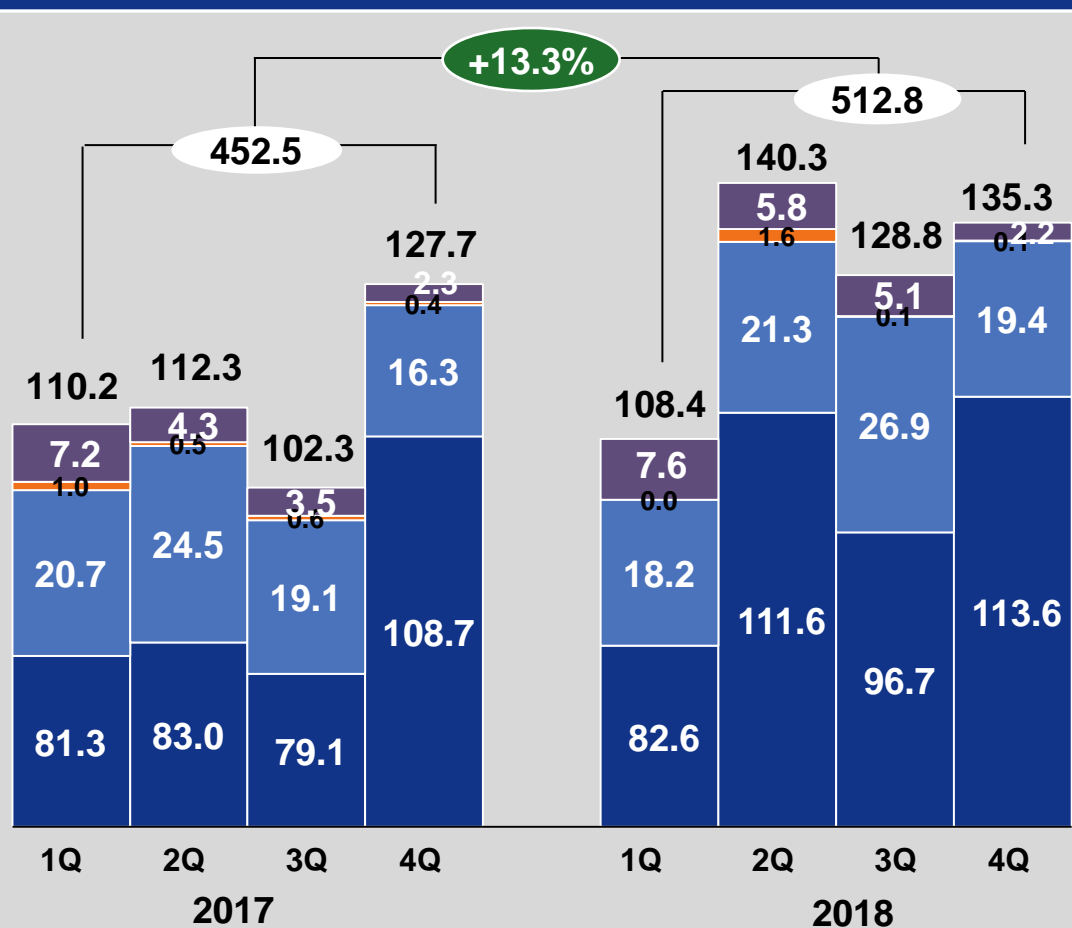


GWP Mix & Growth (%) (12M 2018)

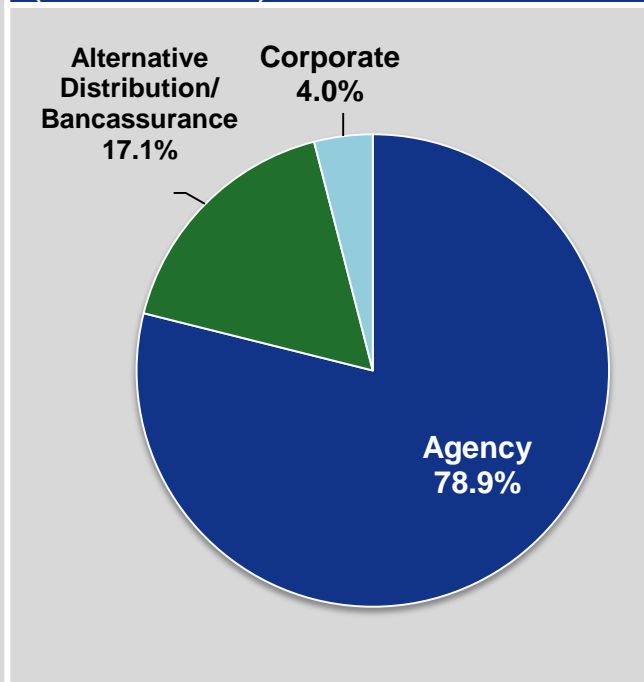


Life Business: Growth in ANP driven by Agency, Bancassurance and Employee Benefits channels

Annualised New Premiums ("ANP") (RM'mil)



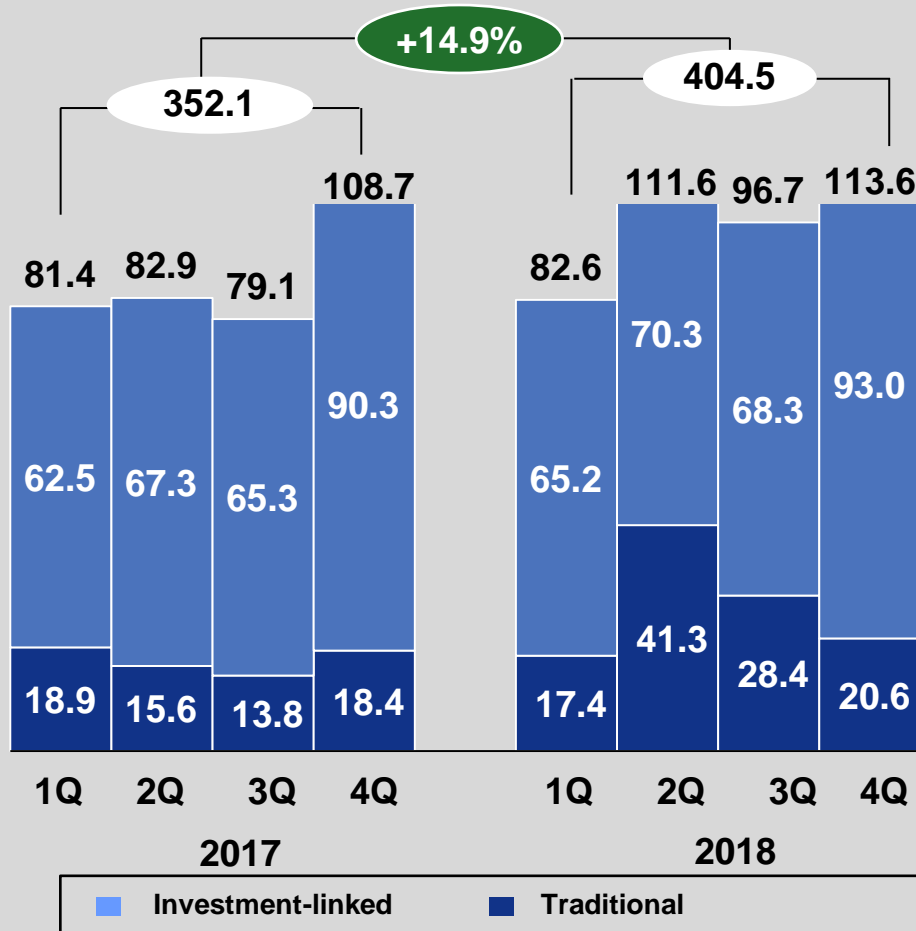
ANP Channel Mix (%) (12M 2018)



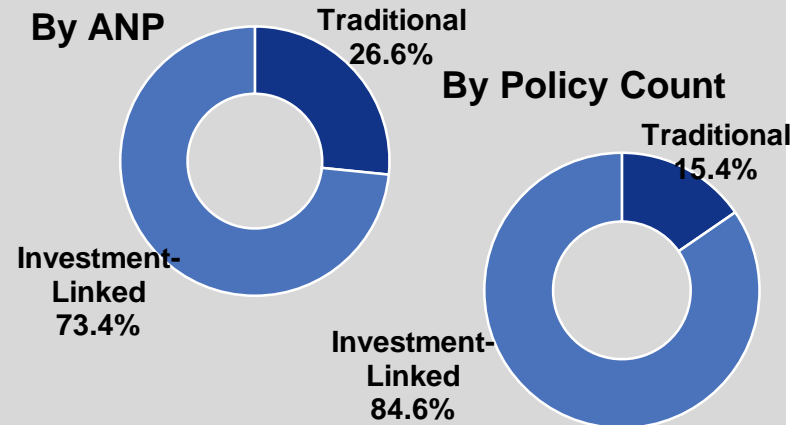
■ Agency ■ Bancassurance ■ Direct Marketing ■ Employee Benefits

Life Business (Agency): Continue focus on profitable regular Investment-Linked products with contribution from traditional business

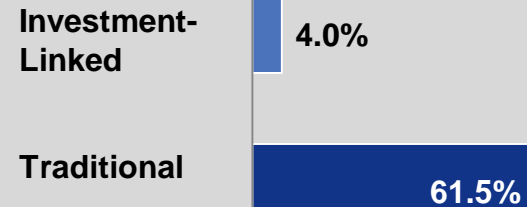
Agency Annualised New Premiums (RM'mil)



Agency Product Mix (%) (12M 2018)

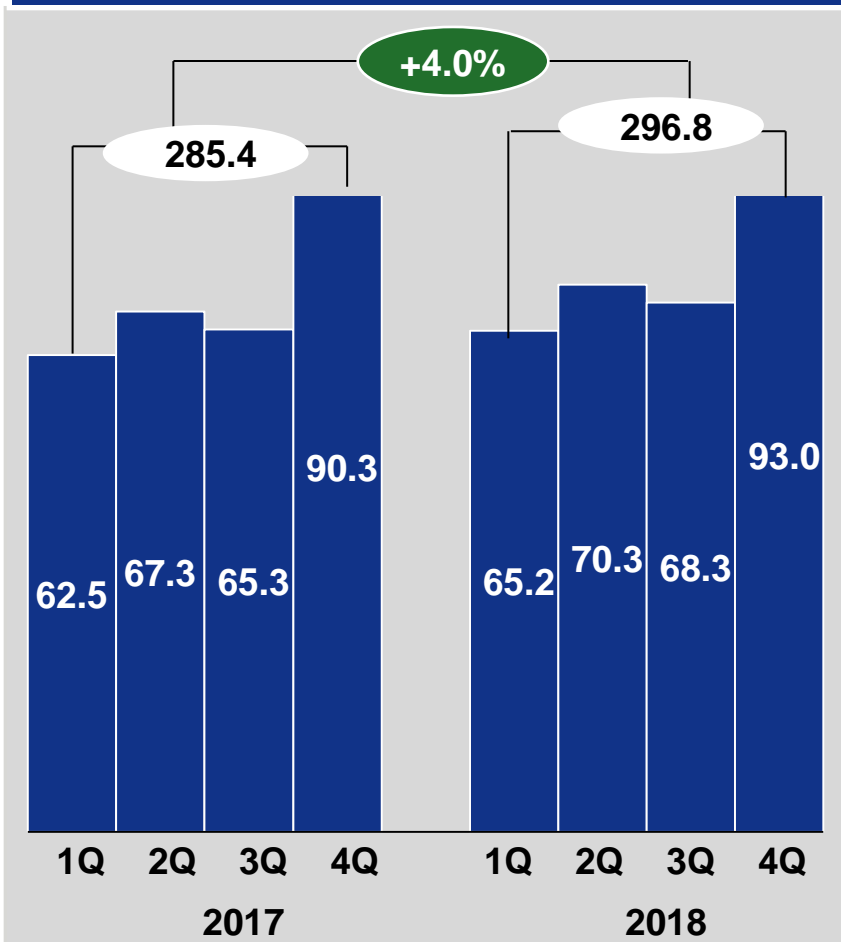


Agency ANP Growth (%) (12M 2018)

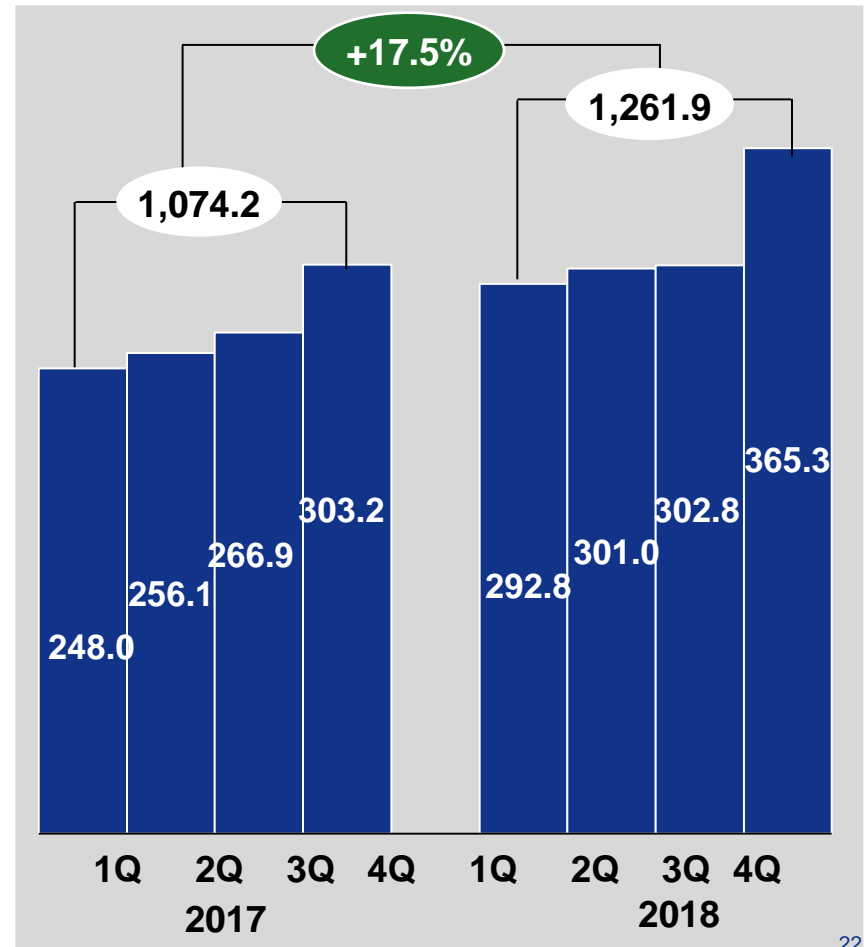


Life Business: Protection Business (Investment-Linked) continues to grow

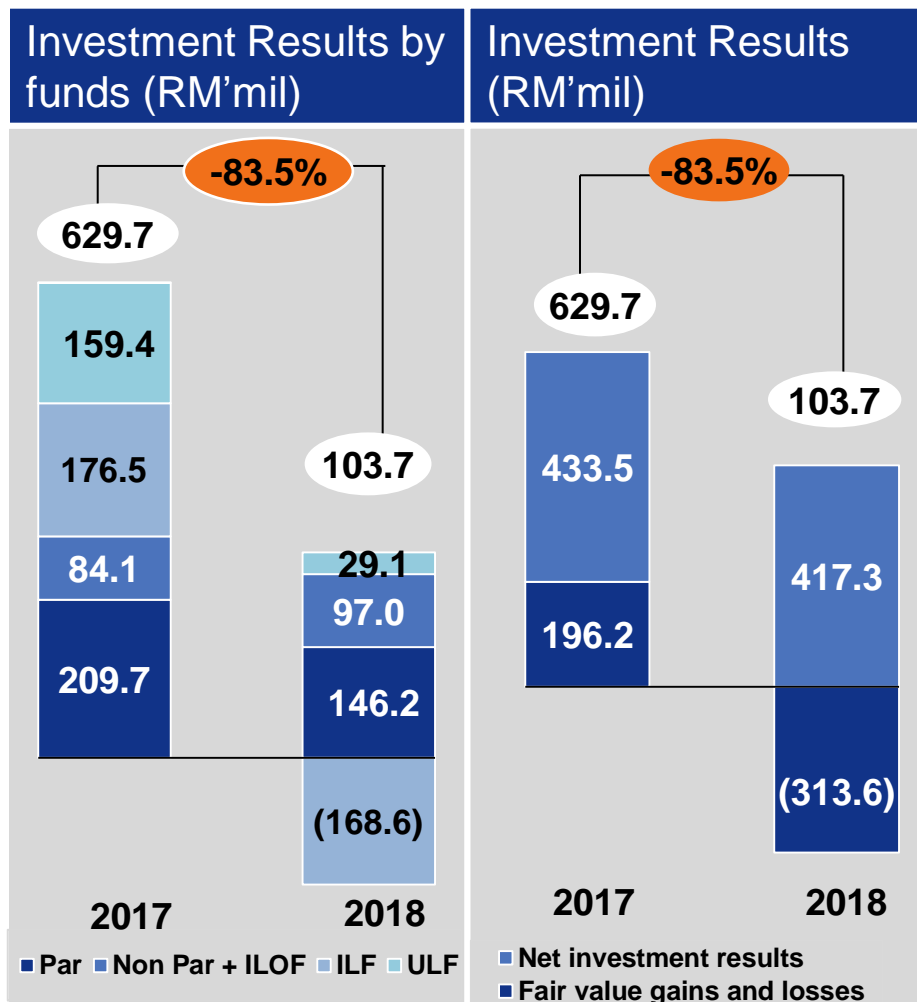
Annualised New Premiums (RM'mil)



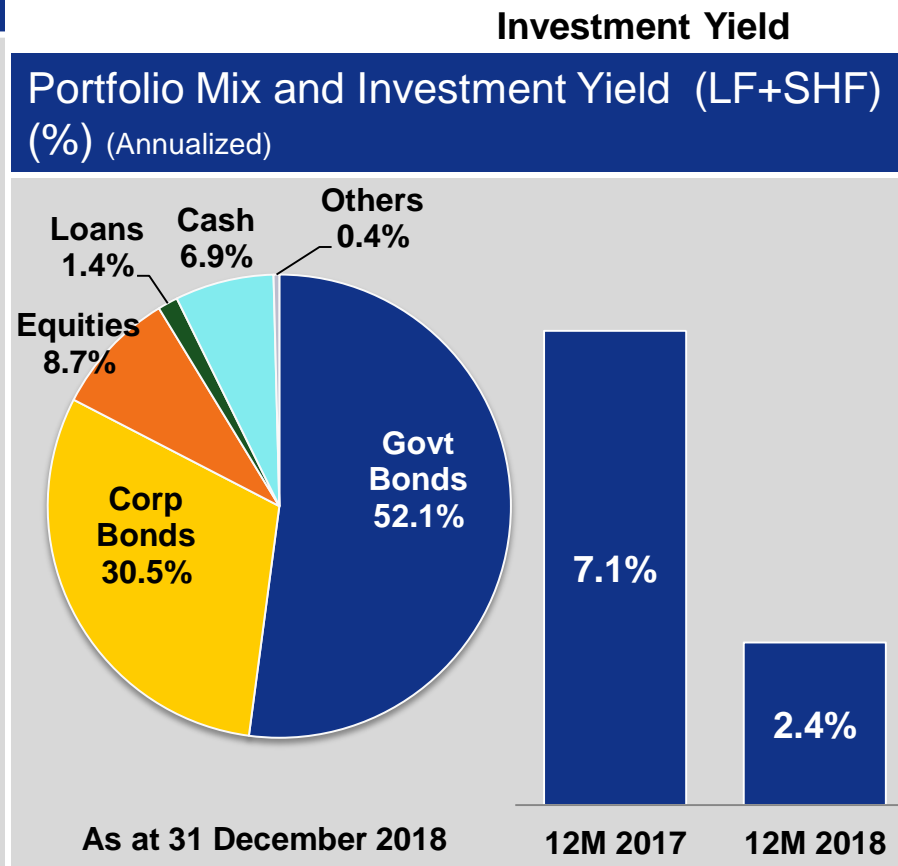
Gross Written Premiums (RM'mil)



Life Business: Lower net investment results due to fair value losses



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



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

Life Business: Audited financial results at a glance

RM'mil	12M 2017	12M 2018	△18/17 %
Gross written premiums	2,149.6	2,383.5	10.9%
Premiums ceded to reinsurers	(53.1)	(100.2)	(88.7%)
Net earned premiums	2,096.5	2,283.3	8.9%
Net change in benefits and claims paid	(899.2)	(1,114.1)	(23.9%)
Net change in contract liabilities	(1,039.8)	(448.7)	56.8%
Management expenses	(213.6)	(193.7)	9.3%
Net fee and commission expenses	(390.6)	(419.7)	(7.5%)
Fair value gains and losses	196.2	(313.6)	(>100.0%)
Net investment results	433.5	417.3	(3.7%)
Net other operating expenses	(10.1)	(6.4)	36.6%
Profit before tax (after consolidation adjustment)	172.9	204.4	18.2%
Annualised new premiums	452.5	512.8	13.3%
Expense ratio (LF+SHF)	12.1%	10.0%	2.1 pts
Local investment yield (LF+SHF)	7.1%	2.4%	(4.6 pts)
Lapse ratio (total company)	15.2%	12.9%	2.3 pts
Persistency (13th month by premium)	86.2%	87.8%	1.6 pts

Allianz Life: Outperformance against market led by Agency and Employee Benefits channel

Market growth analysis (12M 2018)

Annualised New Business

Distribution Channel	← 12M 2018 Growth →				12M 2017 Growth		5-year CAGR (2013-2018)	
	ALIM (% Growth)	Industry (% Growth)	Market Share	Market Rank	ALIM (% Growth)	Industry (% Growth)	ALIM	Industry
Agency (Traditional)	60.0%	1.3%	13.1%	3	-13.1%	-34.6%	0.2%	-9.9%
Agency (IL)	5.5%	-1.9%	9.6%	5	11.4%	9.2%	9.3%	6.9%
Agency (Total)	16.5%	-1.2%	10.4%	5	5.4%	-4.9%	6.3%	1.5%
Bancassurance	3.7%	4.9%	4.6%	8	89.3%	19.0%	20.5%	17.4%
Employee Benefits	21.4%	6.9%	8.1%	4	8.8%	8.1%	8.2%	11.2%
Total	14.2%	1.0%	8.4%	5	15.3%	1.9%	8.2%	5.6%

Thank You
for Your Attention

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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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