

Allianz Malaysia Berhad
(12428-W)

Financial Results
4Q 2019

Analyst Briefing
28 February 2020



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AMB Group Results

Profitable growth from Diversification in Two Strong Pillars of Businesses

Operating revenue

- Group operating revenue of RM5.53 billion, an increase of 6.8% compared to corresponding period of RM5.18 billion due to higher gross earned premiums and investment income by RM301.4 million and RM51.1 million respectively.
- General business recorded an operating revenue of RM2.31 billion, a decrease of 1.4% compared to corresponding period of RM2.35 billion.
- Life business recorded an operating revenue of RM3.21 billion, an increase of 13.6% compared to corresponding period of RM2.82 billion.

Profitability

- Group profit before tax of RM692.1 million increased by 33.4% compared to corresponding period of RM519.0 million backed by business growth and fair value gains. Core profit excluding fair value gains and non-recurring items increased by 14.2% instead.
- General business contributed a profit before tax of RM362.4 million (12M 2018: RM320.6 million).¹
- Life insurance business recorded a profit before tax of RM340.7 million (12M 2018: RM204.4 million).²

Earnings per ordinary share

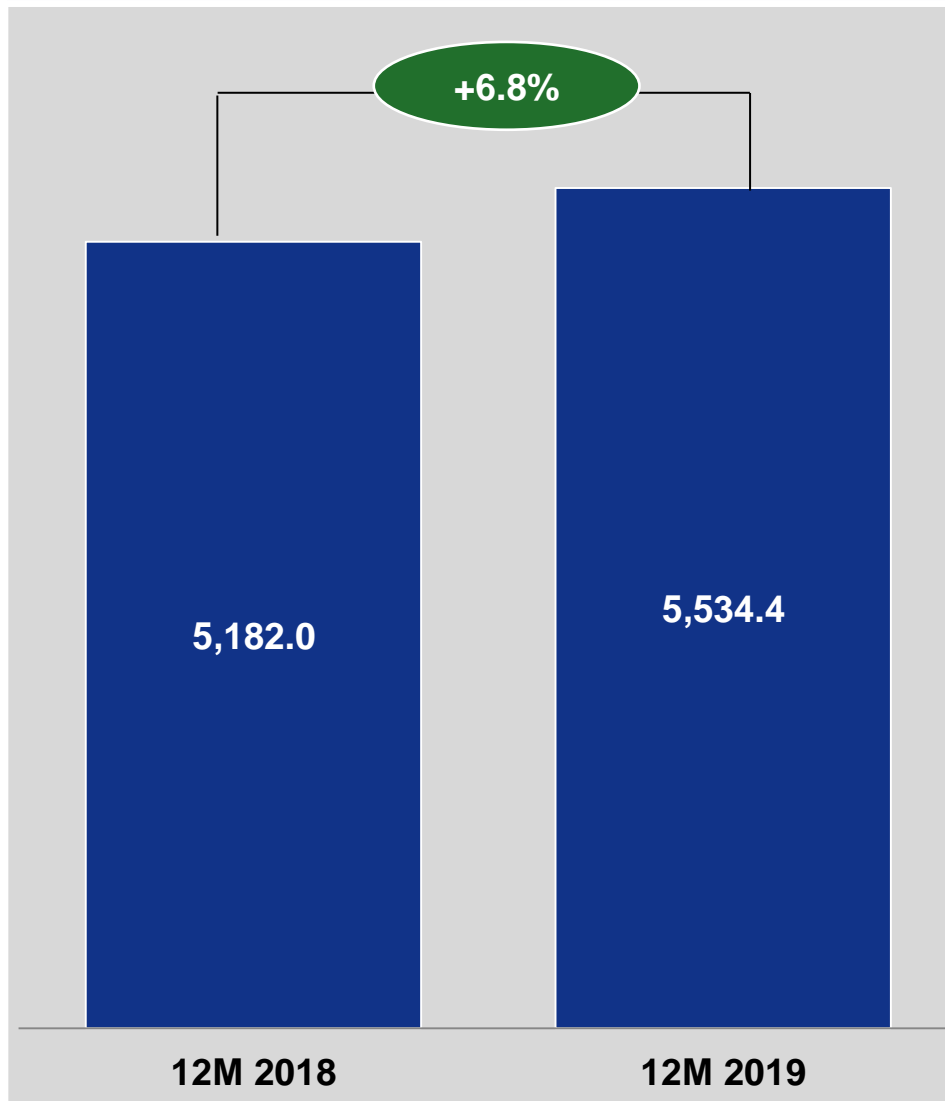
- Basic earnings per ordinary share at 203.87 sen (12M 2018: 167.90 sen).
- Diluted earnings per ordinary share at 142.29 sen (12M 2018: 109.09 sen).

¹ An increase of 13.0% which was attributable to higher reinsurance profit commission income and lower claims. Net combined ratio was 91.0% as at 12M 2019 (12M 2018: 92.8%)

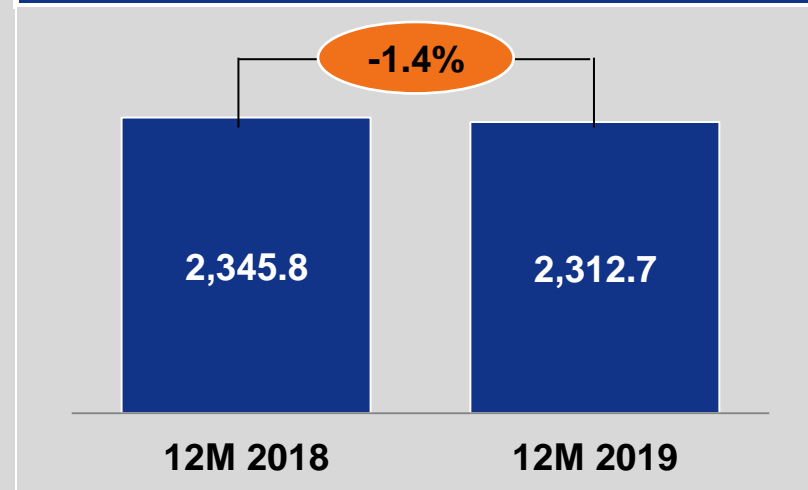
² An increase of 66.7% which was attributable to fair value gains arising from change in interest rate and contribution from protection business.

Financial Highlights 12M 2019

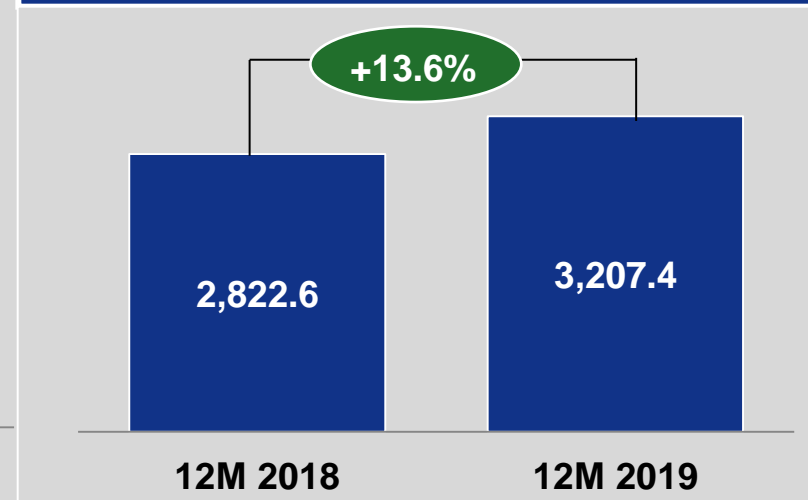
Operating Revenue (RM'mil)



General Business (RM'mil)

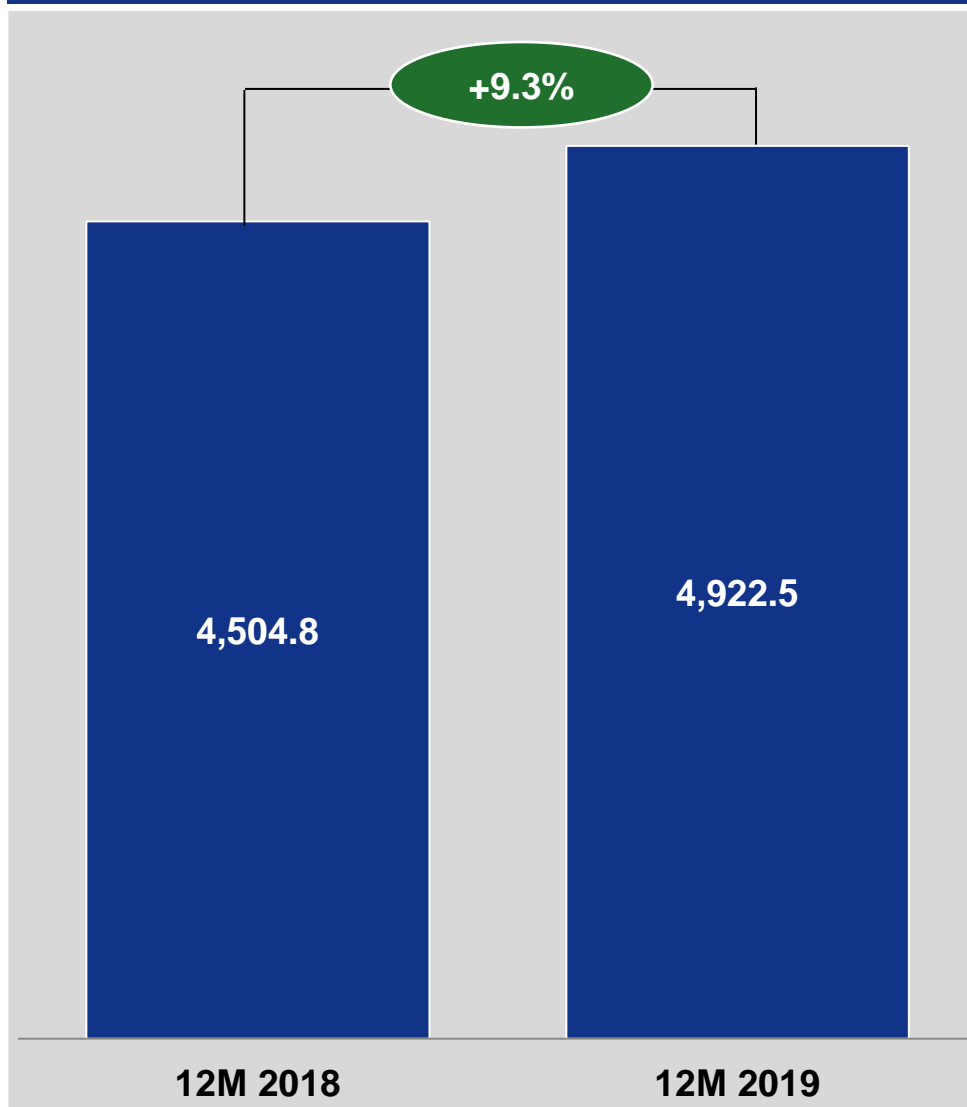


Life Business (RM'mil)

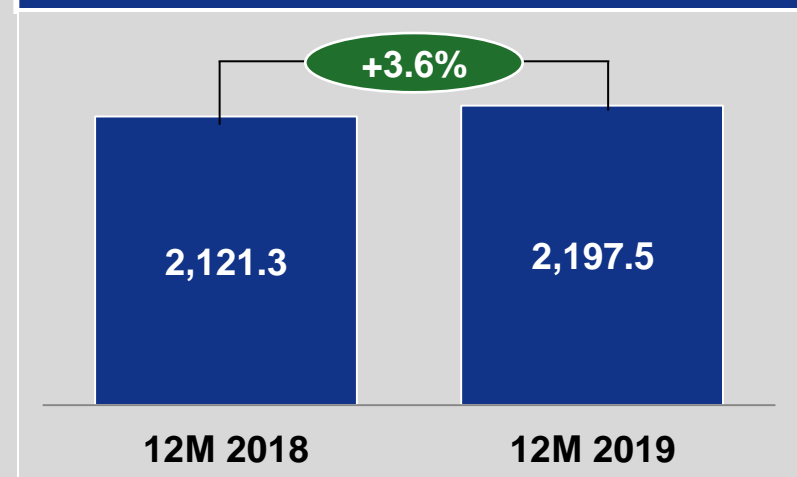


Financial Highlights 12M 2019

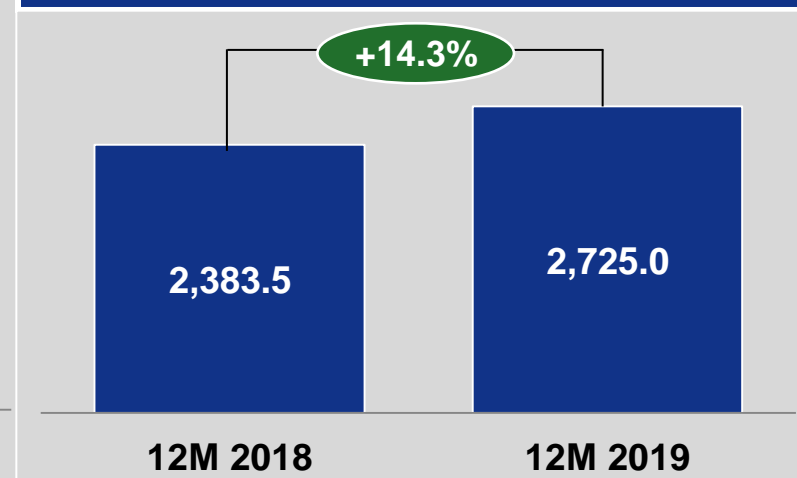
Gross Written Premiums (“GWP”) (RM’mil)



General Business (RM'mil)

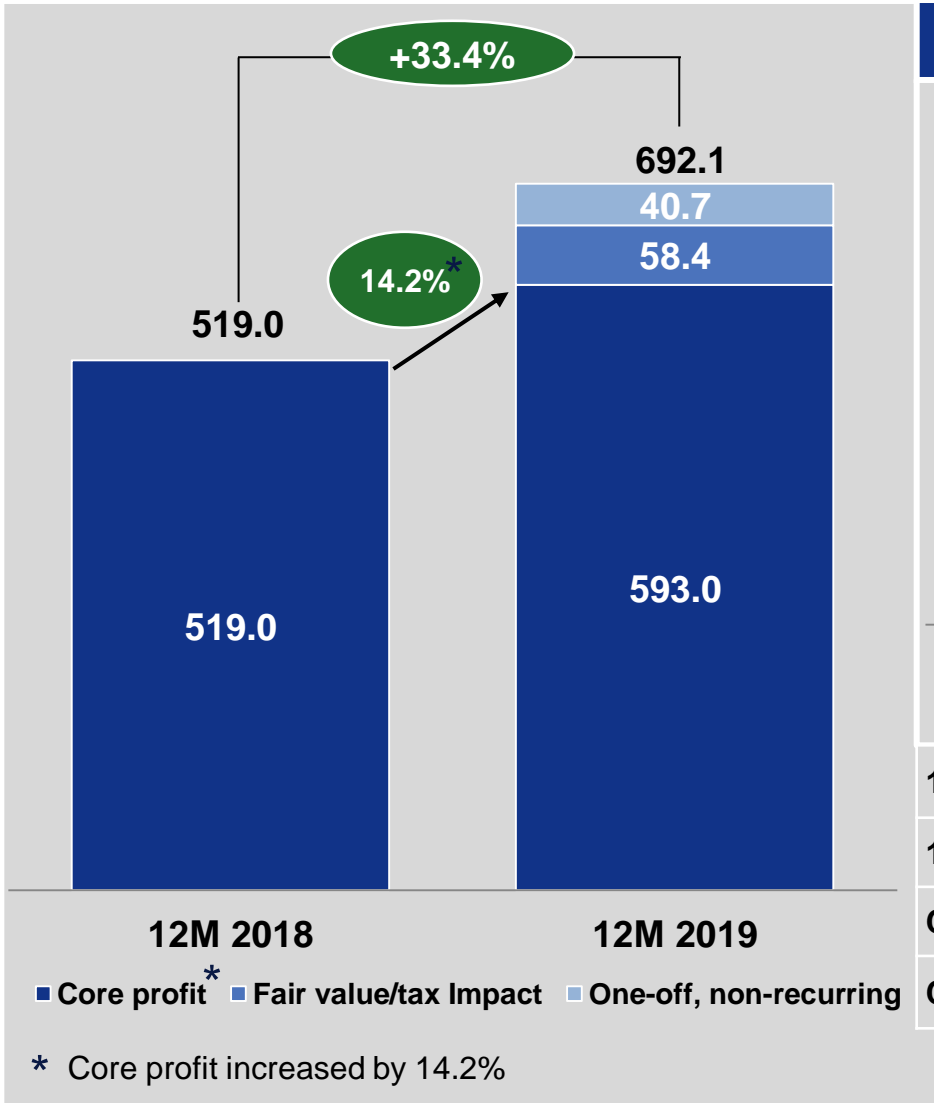


Life Business (RM'mil)

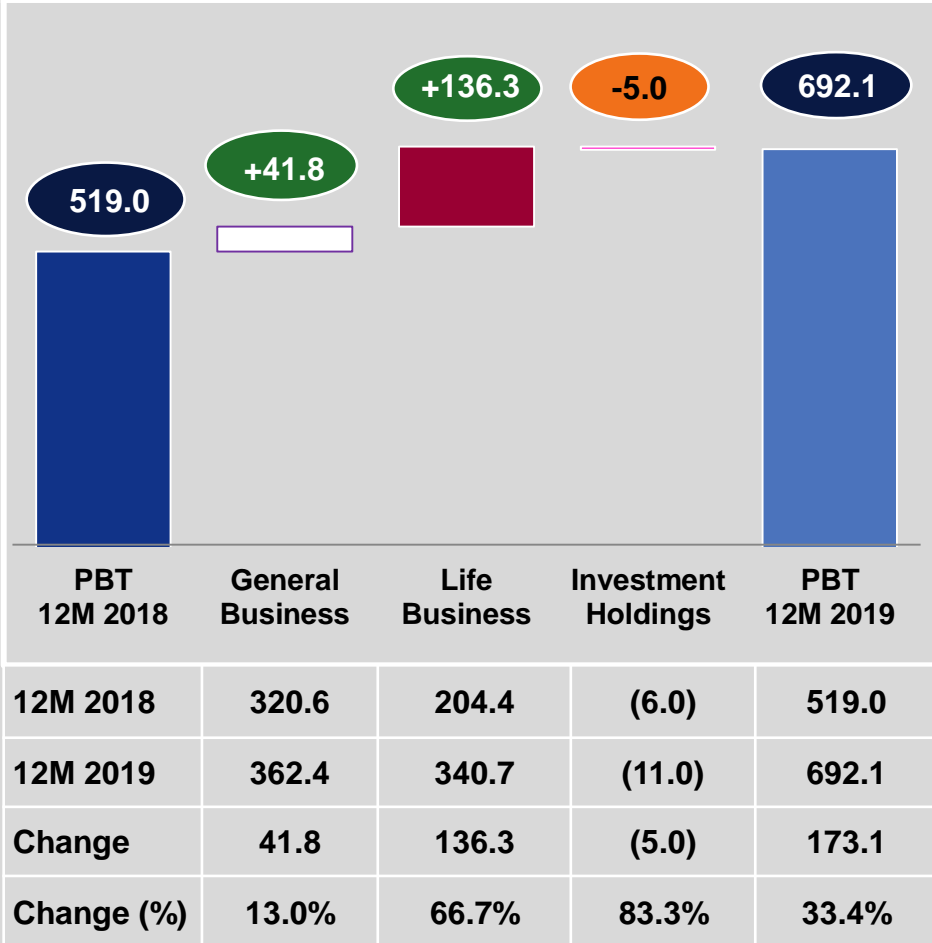


Financial Highlights 12M 2019

Profit Before Tax (RM'mil)

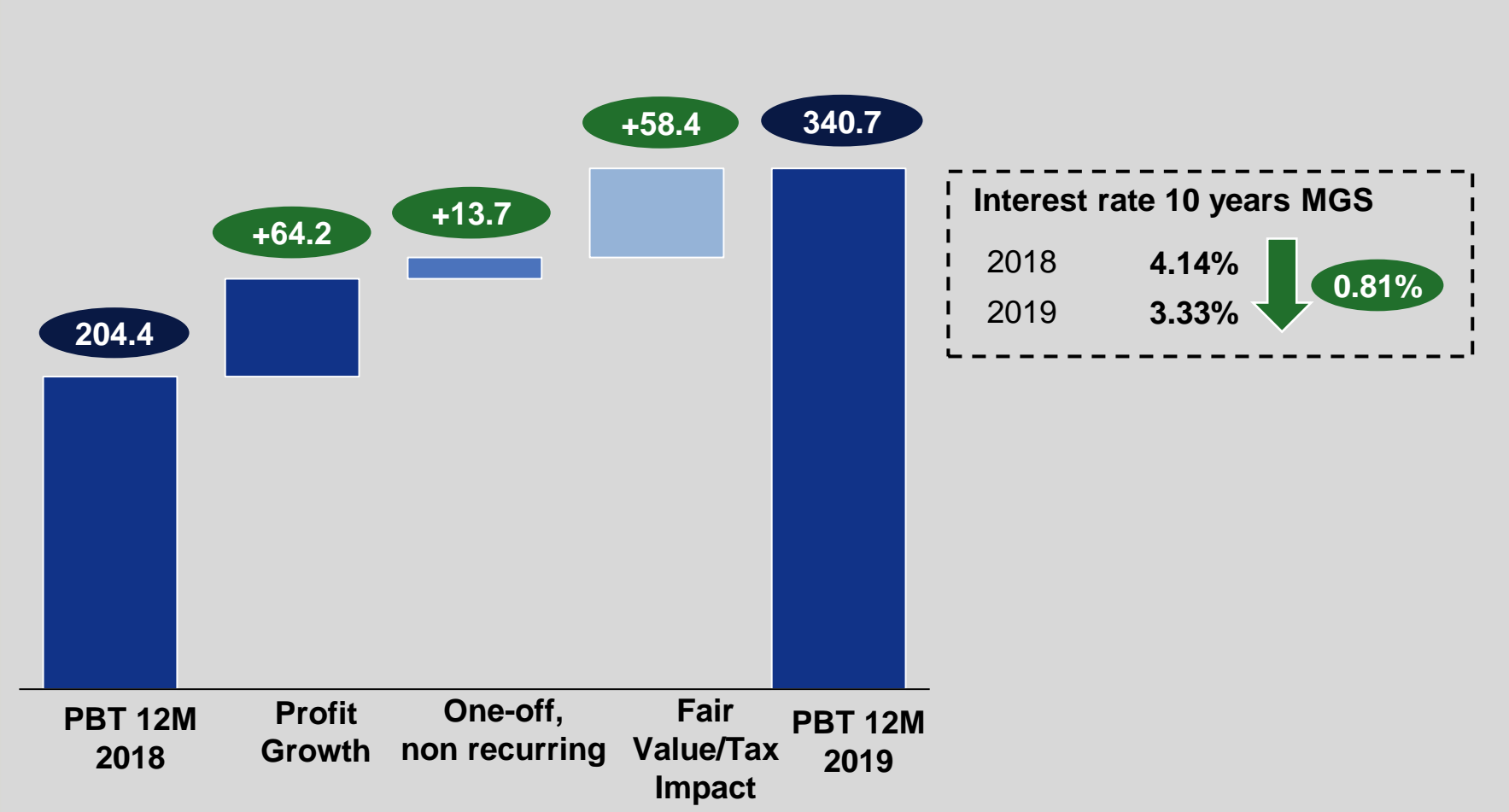


PBT Drivers (RM'mil)



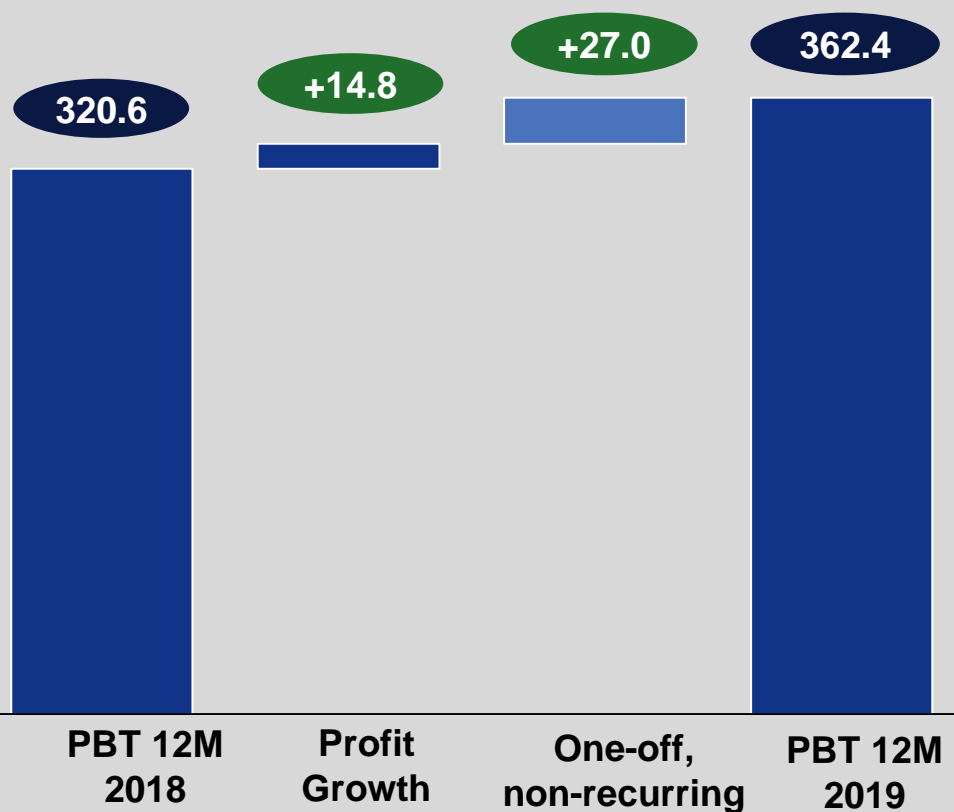
Life Business: Higher PBT driven by fair value gains from change in interest rate and contribution from protection business

Profit Before Tax Drivers (RM'mil)



General Business: One-off impacts contributed to higher profit before tax

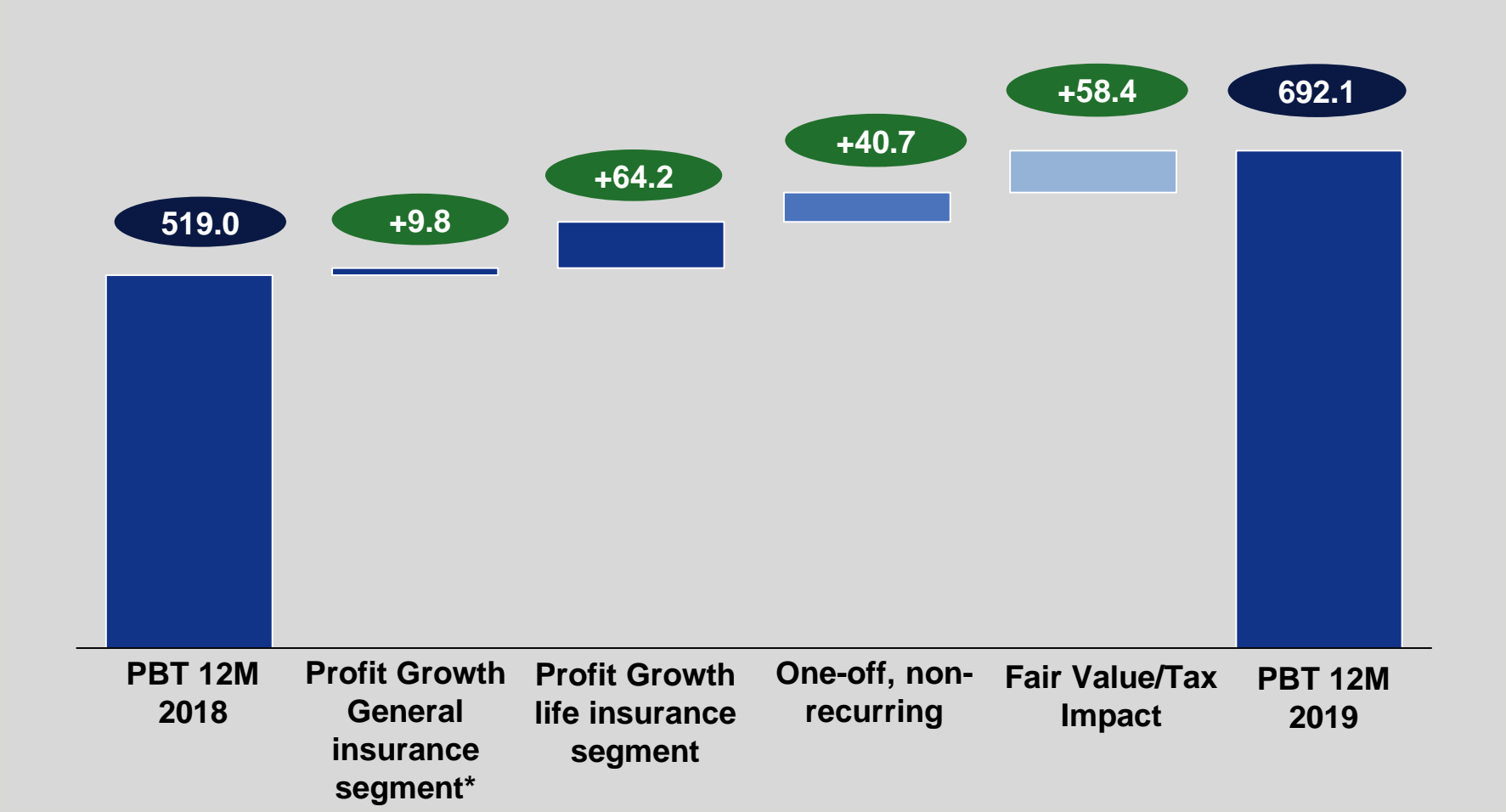
Profit Before Tax Drivers (RM'mil)



	2019 (Excl one-off)	2019 (Incl one-off)	2018
Net Combined Ratio	92.5%	91.0%	92.8%

Group: Higher PBT driven by contribution from life insurance segment and fair value impact

Profit Before Tax Drivers (RM'mil)



*Profit Growth for general insurance segment include results from investment holding

Financial Overview

RM'mil	2016	2017	2018	2019	3 YEAR CAGR (2016-2019)
Gross Written Premiums	4,182.6	4,285.4	4,504.8	4,922.5	5.6%
Management Expenses	513.2	603.8	554.9	618.0	6.4%
Expense Ratio (Non Life)	17.4%	20.3%	18.4%	20.2%	5.1 pts
Expense Ratio (Life) ¹	11.3%	12.1%	10.0%	10.5%	(2.4) pts
Local Consolidated PBT	454.6	437.3	519.0	692.1	15.0%
Total Assets	14,912.4	16,596.7	17,404.6	19,710.1	9.7%
Shareholders' Equity	2,879.5	3,135.5	3,361.7	3,673.6	8.5%
Dividends declared	34.26	45.65	152.04	247.05	93.2%
Diluted earnings per ordinary share (sen)	90.80	83.28	109.09	142.29	16.2%

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

Summary of Audited Financial Results

RM'mil	12M 2018	12M 2019	△19/18 %
Operating revenue	5,182.0	5,534.4	6.8%
Gross earned premiums	4,547.0	4,848.4	6.6%
Premiums ceded to reinsurers	(366.7)	(346.2)	5.6%
Net earned premiums ("NEP")	4,180.3	4,502.2	7.7%
Net change in benefits and claims paid ("Claim")	(2,237.6)	(2,322.0)	(3.8%)
Net change in contract liabilities ("Reserve")	(503.2)	(1,199.6)	(>100%)
Management expenses ("ME")	(554.9)	(618.0)	(11.4%)
Net fee and commission expense	(656.5)	(682.2)	(3.9%)
Fair value gains and losses	(313.7)	340.5	>100%
Net investment results	613.7	677.2	10.3%
Net other operating expenses	(9.1)	(6.0)	34.1%
Profit before tax	519.0	692.1	33.4%
Tax expense	(142.0)	(199.6)	(40.6%)
Profit after tax	377.0	492.5	30.6%
ME / NEP ratio	13.3%	13.7%	(0.4 pts)
Claim & Reserve / NEP ratio	65.6%	78.2%	(12.6 pts)



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General Business

General Business



Gross written premiums

- Gross written premium increased by 3.6% as compared to prior year.

Profitability

- Higher profit before tax from higher underwriting profit.

Net investment results

- Stable growth in investment income.

Combined ratio

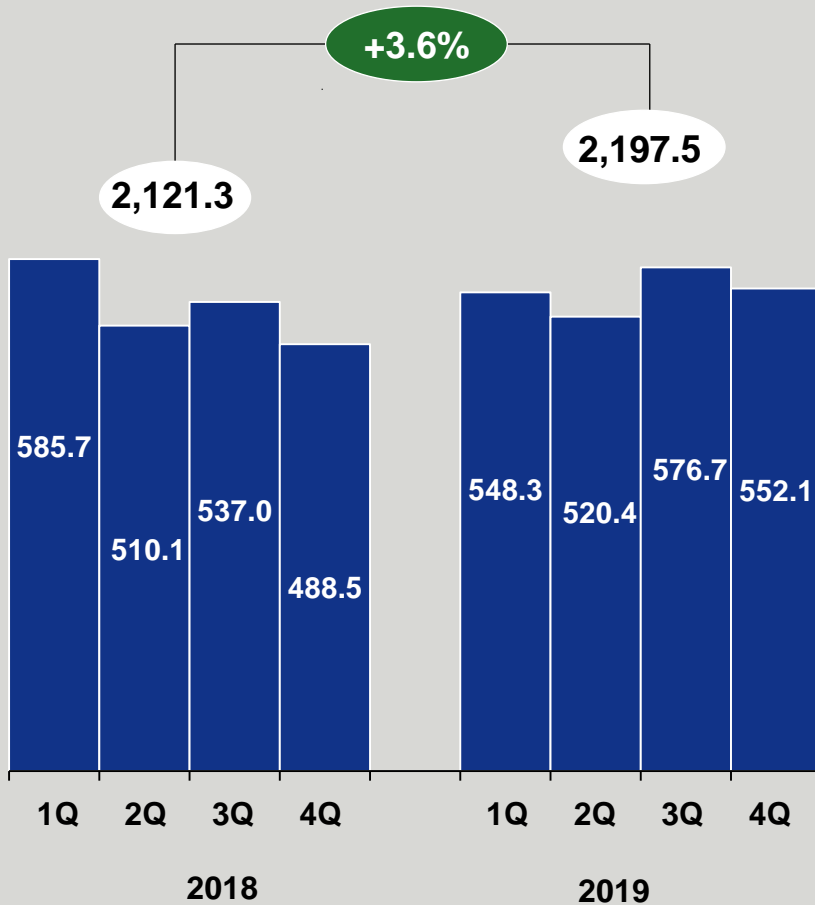
- Lower combined ratio by 1.8 pts due to lower claims ratio.

Market growth

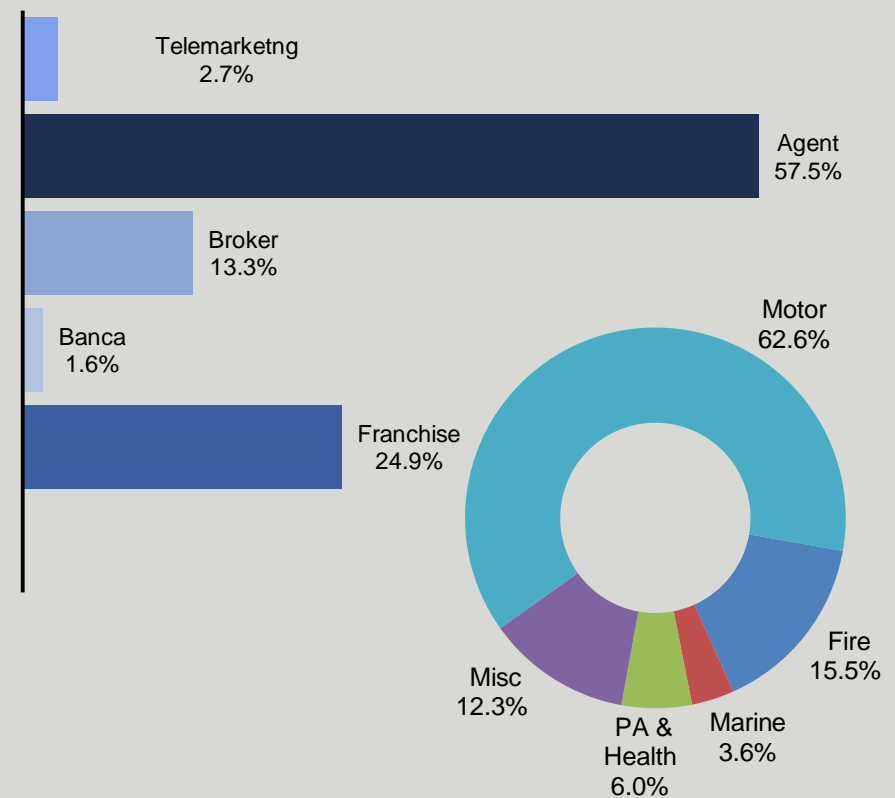
- Market share of 9M 2019 stood at 12.1% (12M 2018: 11.8%)

General Business: GWP is 3.6% higher than prior year

Gross Written Premiums (RM'mil)

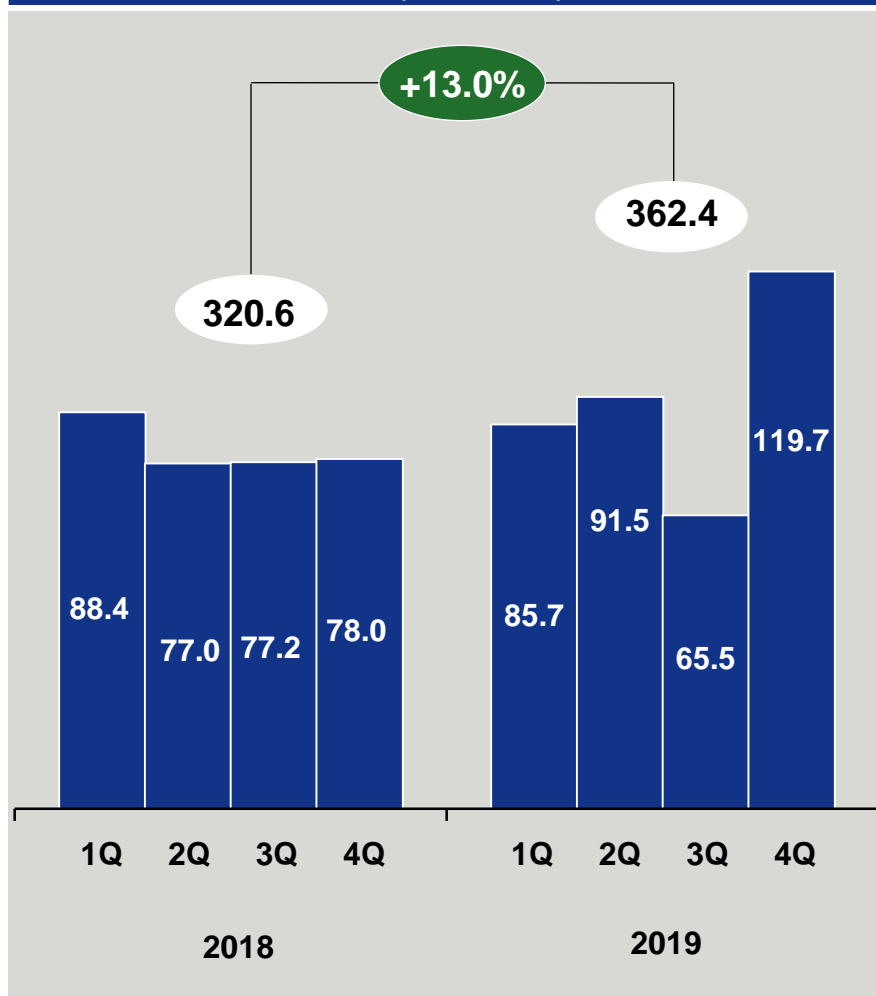


Distribution Channel & Portfolio Mix

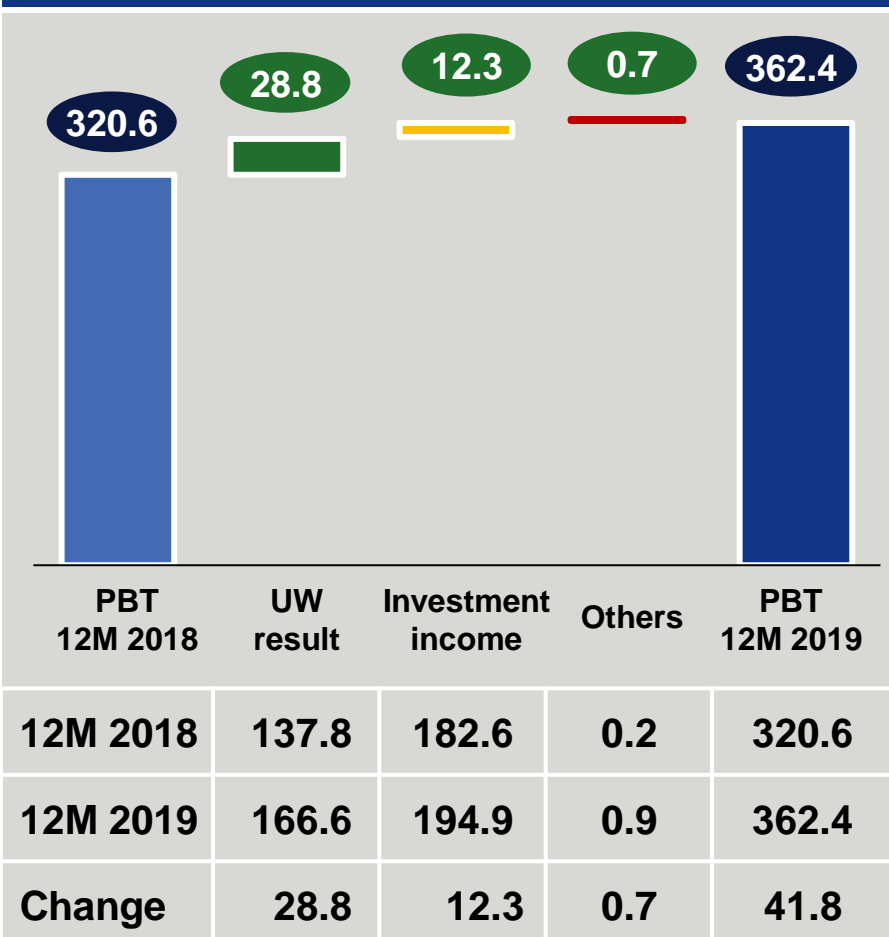


General Business: Higher profit before tax from higher underwriting profit.

Profit Before Tax (RM'mil)

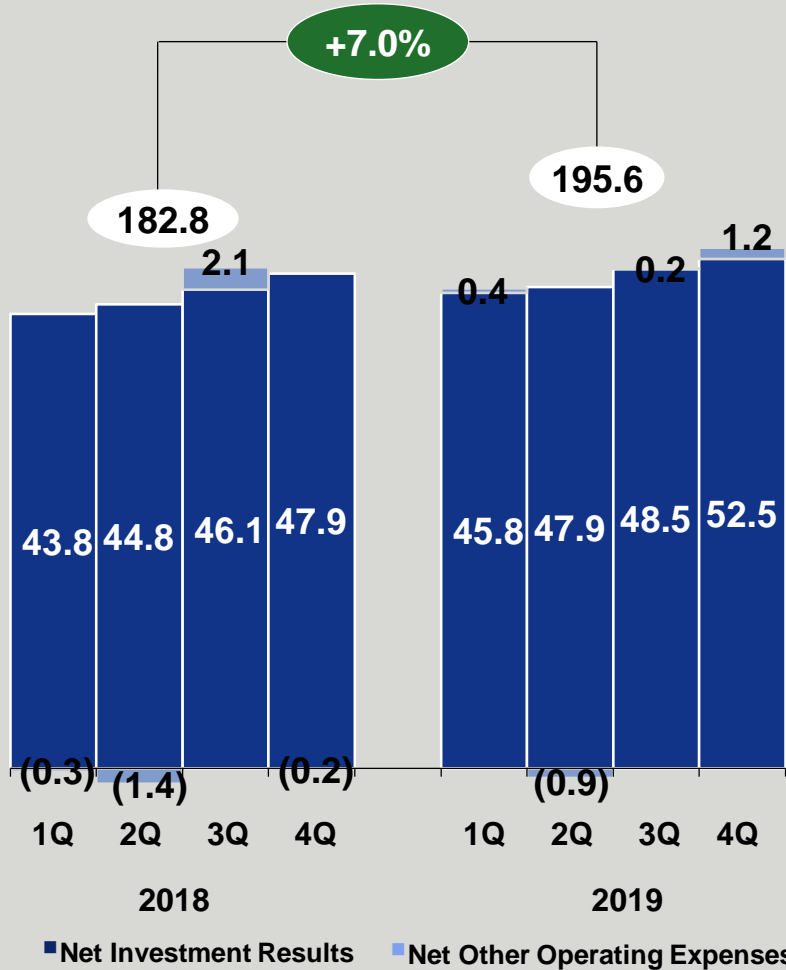


PBT Drivers (RM'mil)



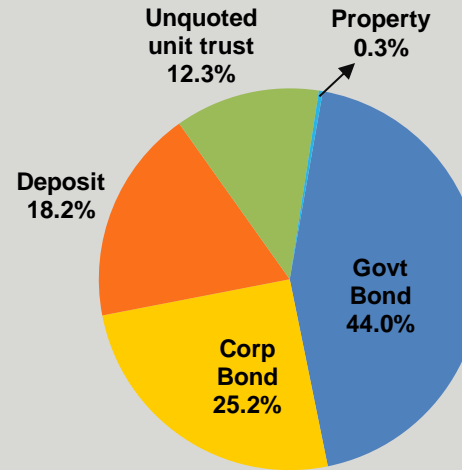
General Business: Stable growth in investment income

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

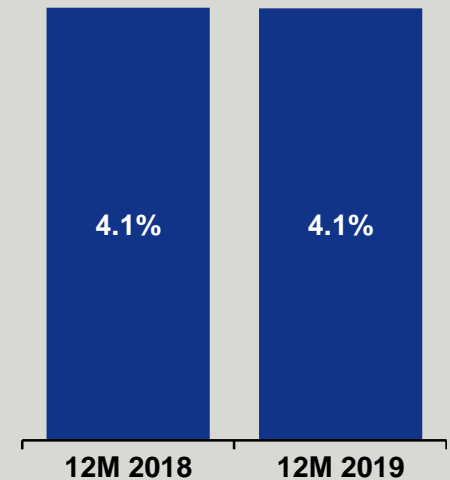


Portfolio Mix and Investment Yield (Annualised)

Portfolio Mix

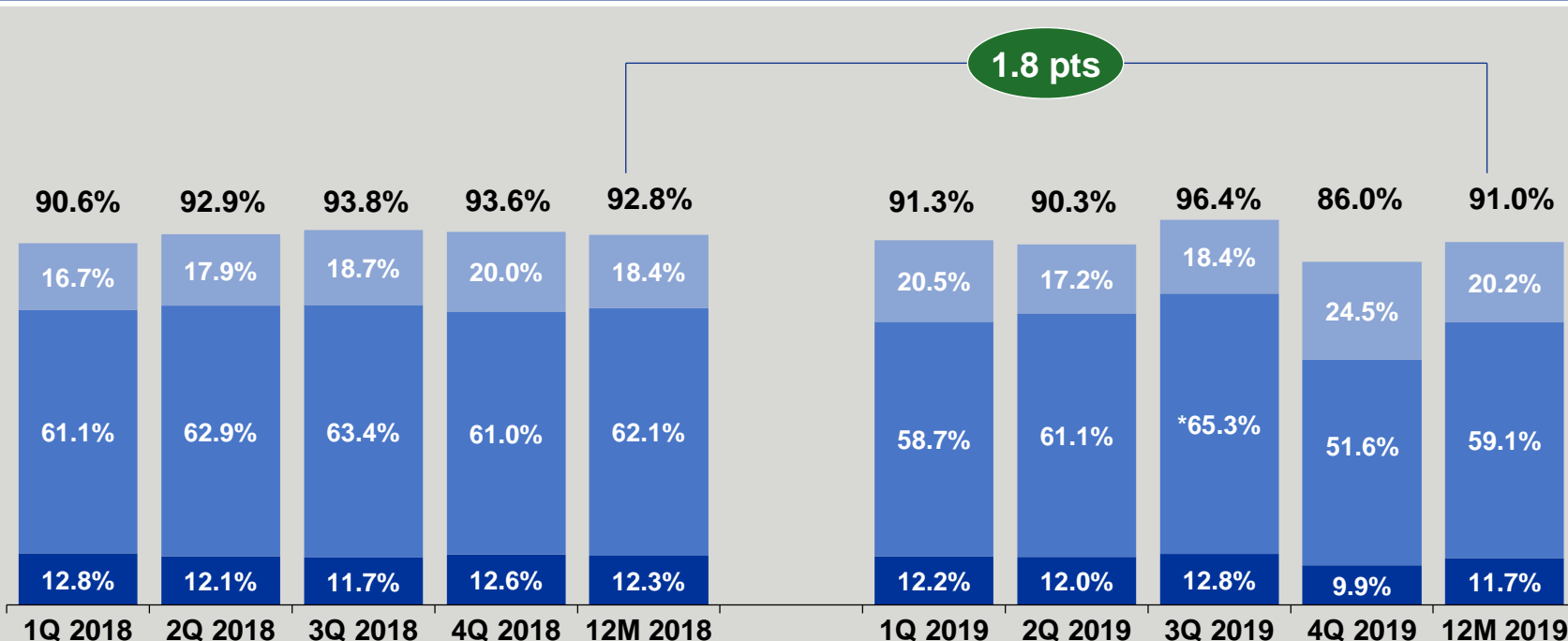


Investment Yield



General Business: Lower Combined ratio due to lower Claims ratio

Combined Ratio



Net Combine Ratio exclude one-off impact:

	4Q 2019	12M 2019
Expense Ratio	24.5%	20.2%
Claim Ratio	53.7%	59.7%
Commission Ratio	13.5%	12.6%
Net Combined Ratio	91.7%	92.5%

*3Q 2019 claims ratio affected by major Fire claim

General Business: Audited financial results at a glance

RM'mil	12M 2018	12M 2019	△19/18 %
Gross written premiums	2,121.3	2,197.5	3.6%
Gross earned premiums	2,163.5	2,123.4	(1.9%)
Net earned premiums	1,897.0	1,858.4	(2.0%)
Net change in claims incurred	(1,177.8)	(1,063.7)	9.7%
Management expenses	(347.8)	(375.1)	(7.8%)
Net fee and commission expenses	(233.6)	(217.5)	6.9%
Underwriting result	137.8	166.6	20.9%
Fair value gains and losses	-	0.2	>100%
Net investment results	182.6	194.7	6.6%
Net other operating expenses	0.2	0.9	(>100%)
Profit before tax (after consolidation adjustment)	320.6	362.4	13.0%
Commission ratio	12.3%	11.7%	0.6 pts
Claims ratio	62.1%	59.1%	3.0 pts
Expense ratio	18.4%	20.2%	(1.8 pts)
Combined ratio	92.8%	91.0%	1.8 pts

General Business: Performance compared to Industry (Jan-Dec 2019)

KPIs	AGIC 12M 2019	Industry ¹ 12M 2019	Takaful ² 12M 2019
GWP growth	3.6%	-0.8%	18.8%
Commission ratio	11.7%	10.0%	9.4%
Claims ratio			
• Overall	59.1%	58.1%	58.1%
• Motor	63.6%	70.1%	72.7%
Expense ratio	20.2%	24.7%	31.0%
Combined ratio	91.0%	92.8%	98.5%

Market Share (9M 2019) ³ **12.1%**

Market Ranking (9M 2019) ³ **No. 1**

Notes:

1) Source: ISM Market Performance Report Jan-Dec 2019

2) Source: ISM Takaful Market Performance Report Jan-Dec 2019

3) Based on Industry's gross written premium of the ISM Market Share by Line of Business Report Jan-September 2019



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Life Business

Life Business

Gross written premiums

- Gross written premiums grew by 14.3%.

Market position

- ALIM ANP grew by 16.3%, outpacing industry growth of 14.8%.
- Market share 12M 2019 increased to 8.5% (12M 2018: 8.4%).

Distribution

- Total Company ANP grew by 16.0%
- Agency ANP achieved 12.2% growth. Remain focus on building professional and productive agency force.
- Bancassurance performed very well, recorded a growth of 35.2%, while Employee Benefits grew by 18.4%.

Product mix

- Focus on sales of investment-linked products with protection rider which provide higher margins.
- Investment-Linked ANP and GWP grew by 12.2% and 15.2% respectively.
- 73.1% of Agency new business derived from Investment-Linked business.

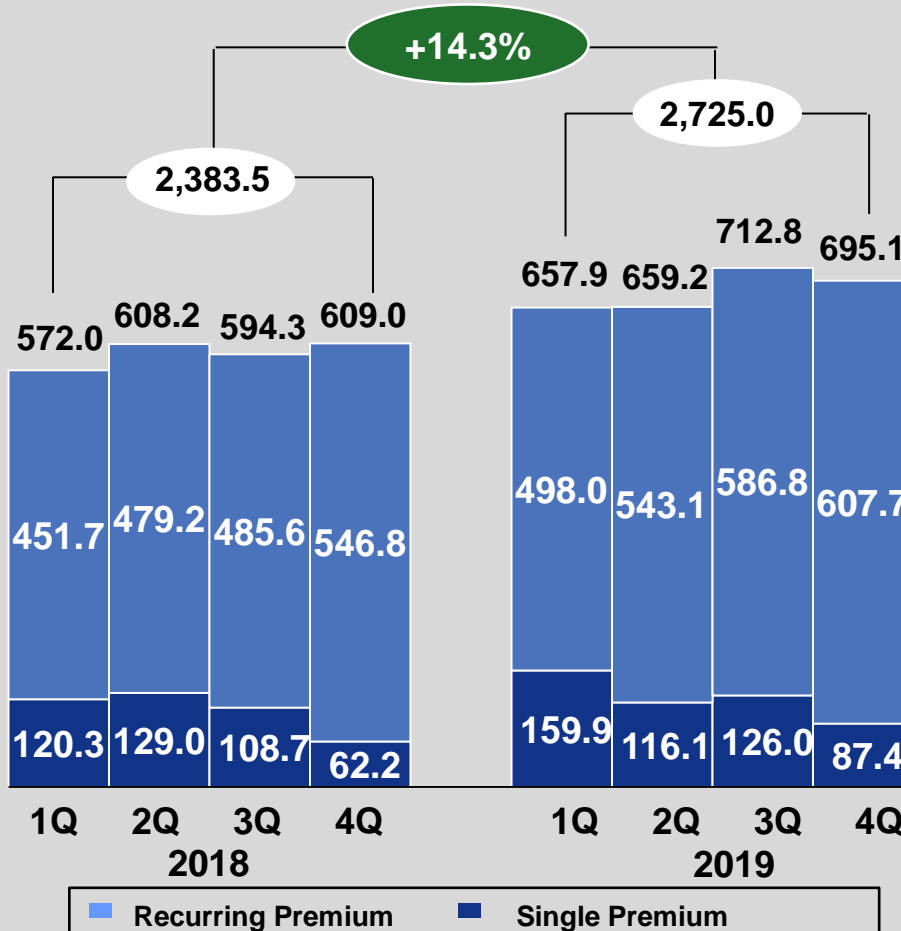
Profitability

- Profit before tax increased by 66.7% backed by business growth and fair value gains. Core profit excluding fair value gains and non-recurring items increased by 31.4%.
- New business value increased by 29.6%.

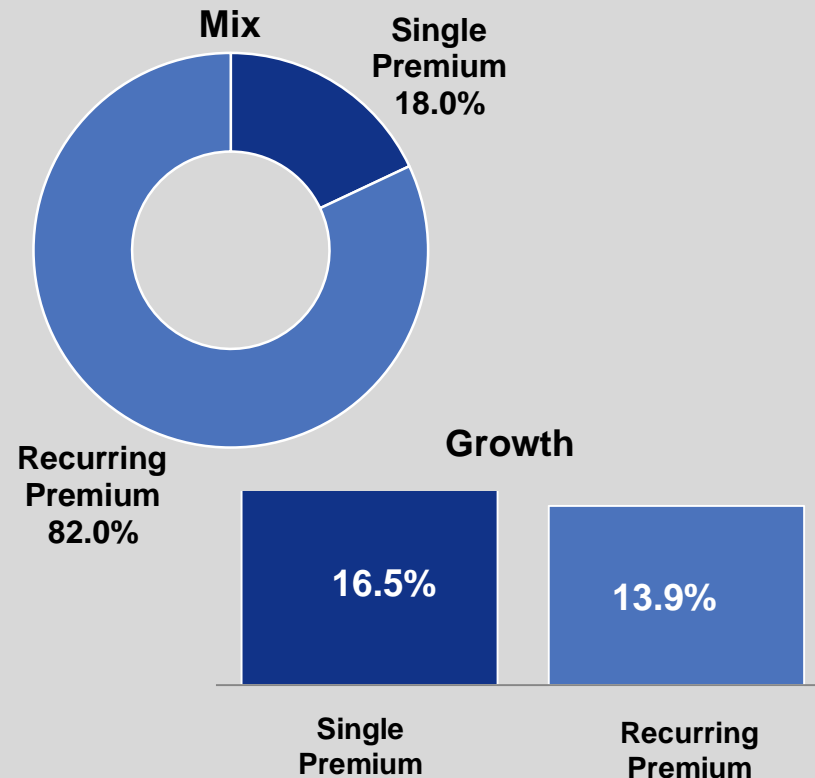


Life Business: Y-o-Y growth in both Single Premium and Recurring Premium

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

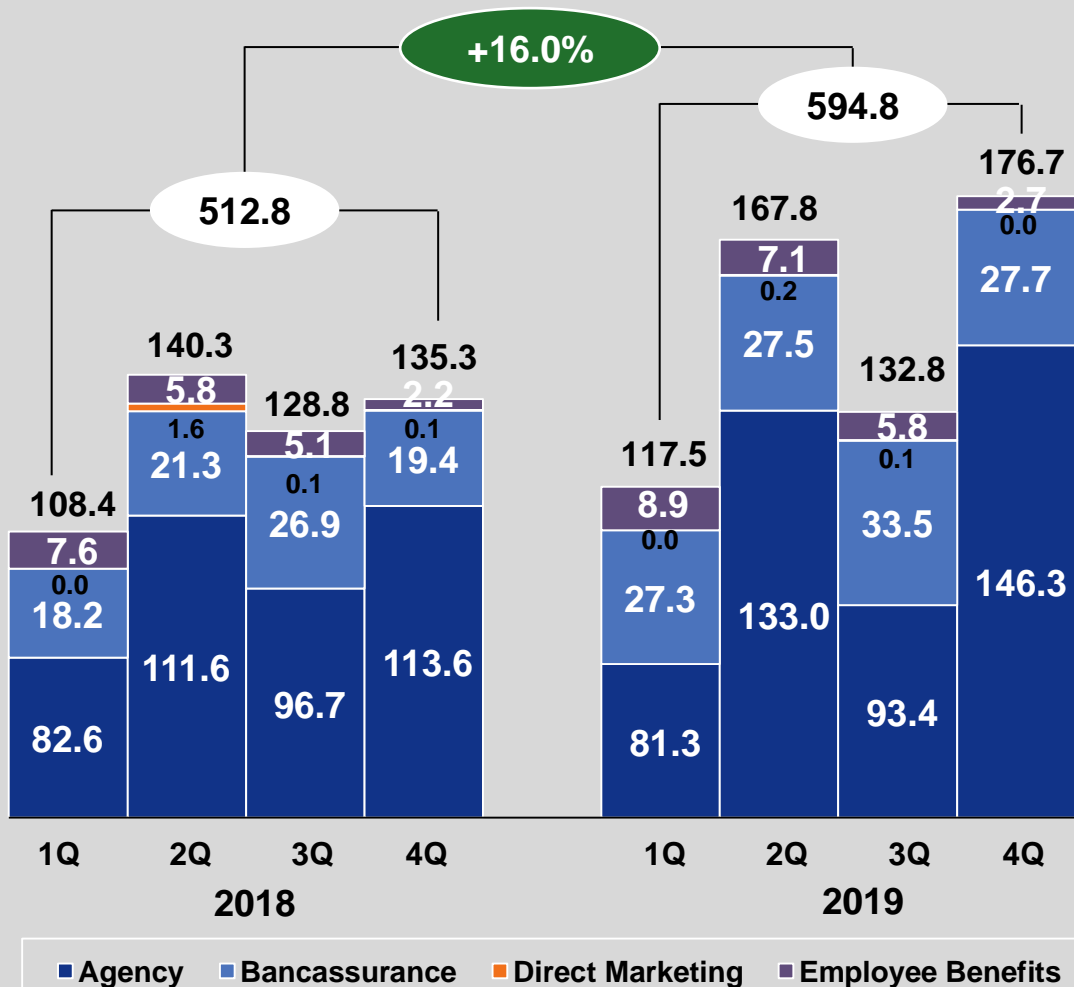


GWP Mix & Growth (%) (12M 2019)

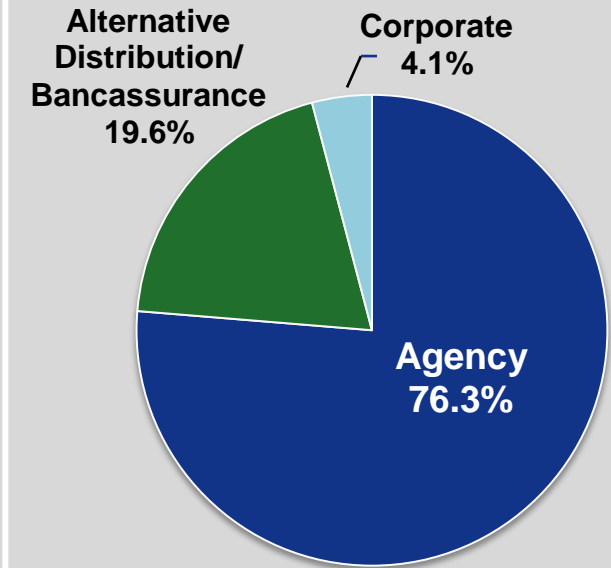


Life Business: Growth in ANP driven by Agency, Bancassurance and Employee Benefits Channel

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

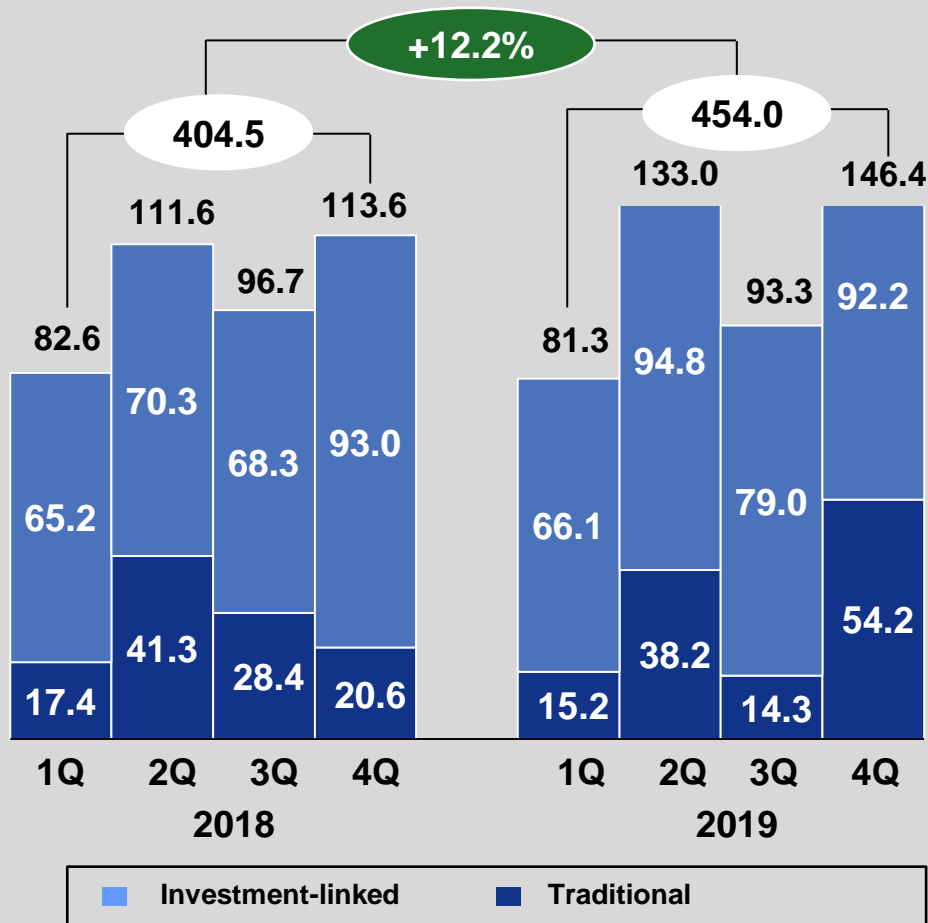


ANP Channel Mix (%) (12M 2019)

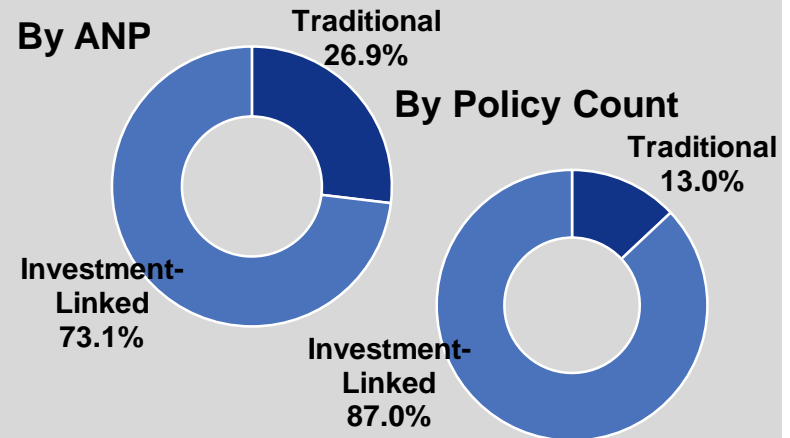


Life Business (Agency): Continue focus on profitable regular Investment-Linked products

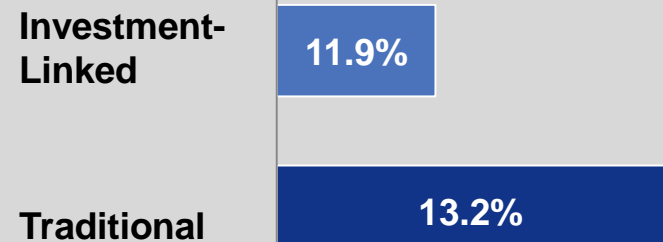
Agency Annualised New Premiums (RM'mil)



Agency Product Mix (%) (12M 2019)

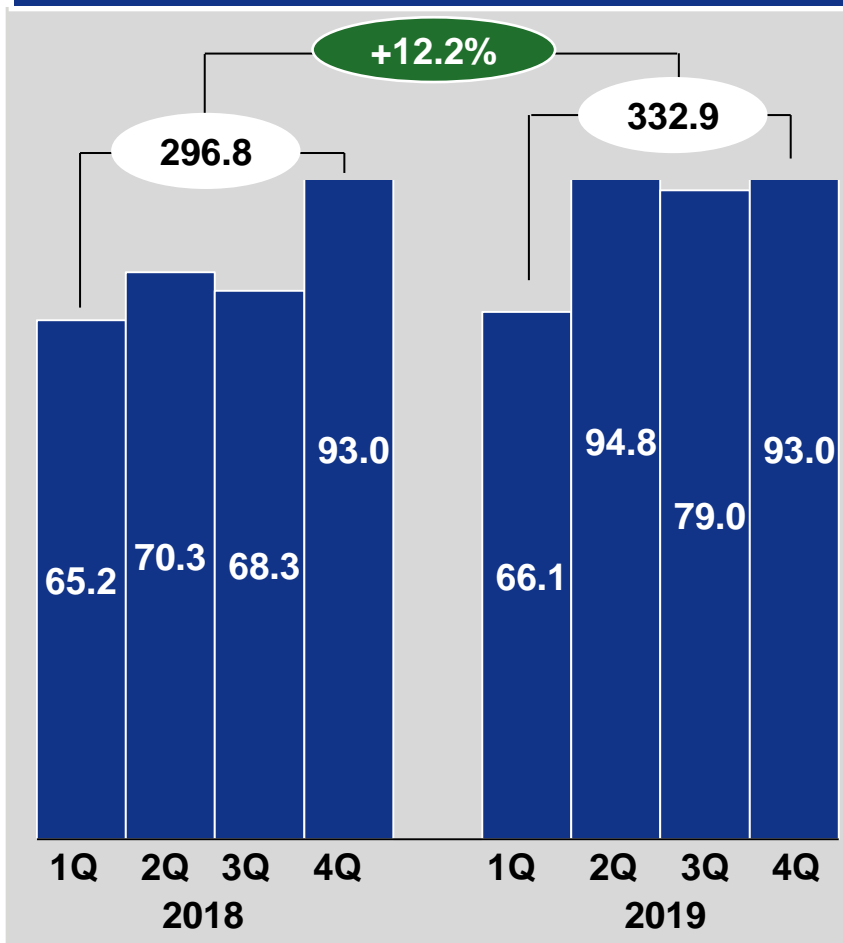


Agency ANP Growth (%) (12M 2019)

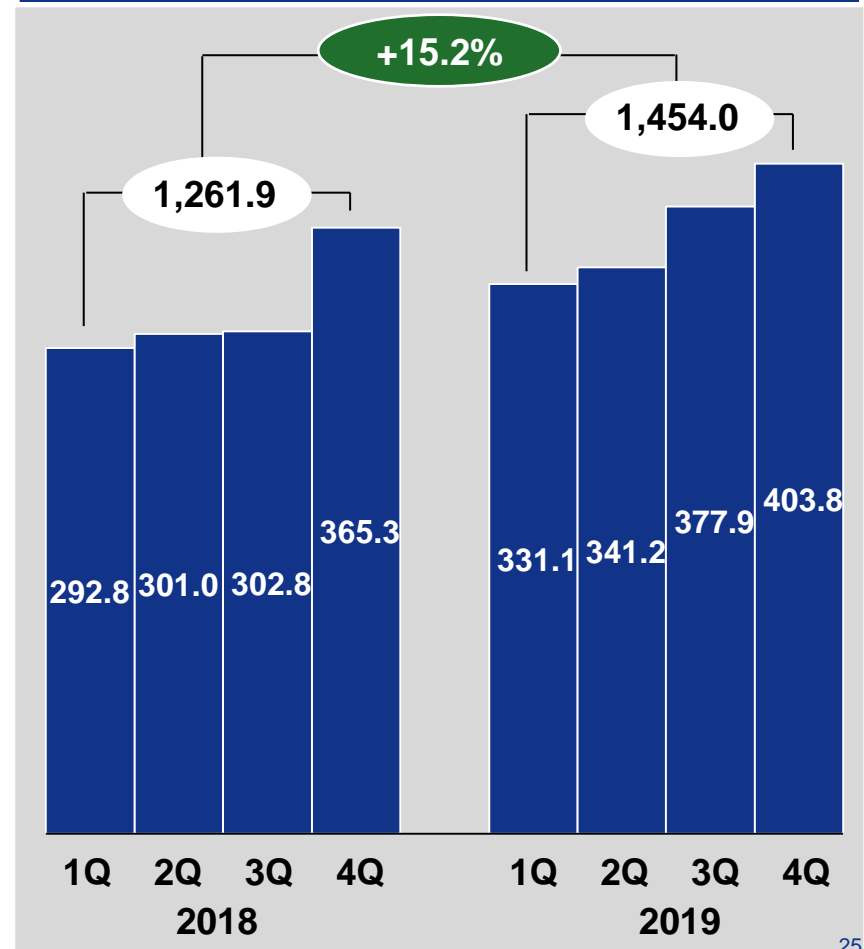


Life Business: Protection Business (Investment-Linked) continues to grow

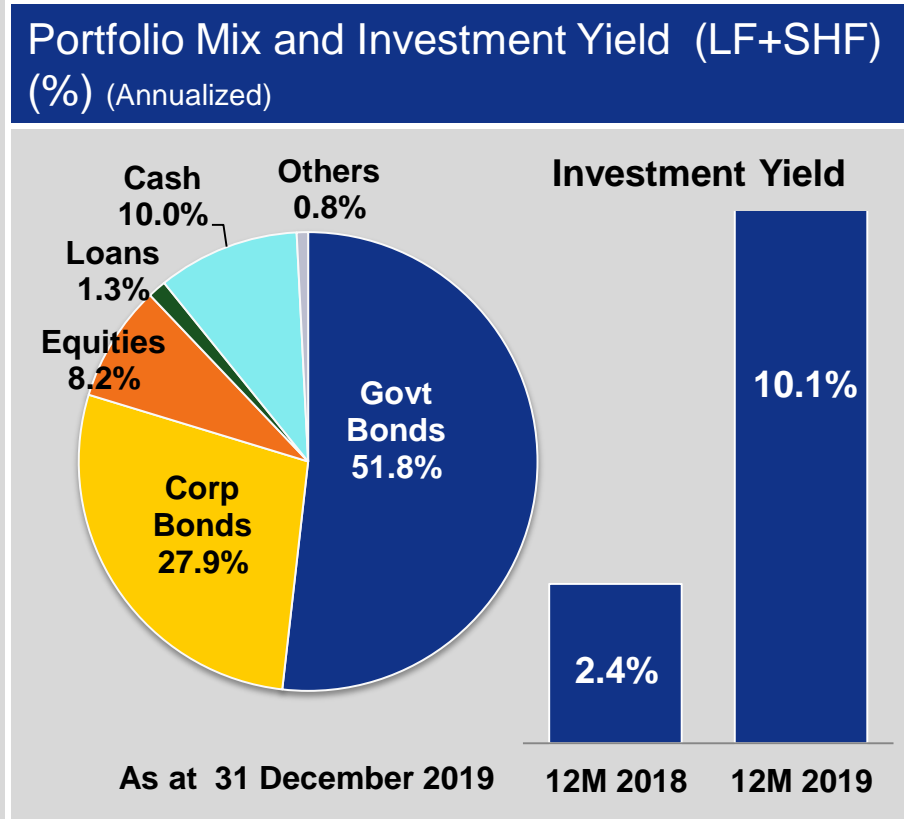
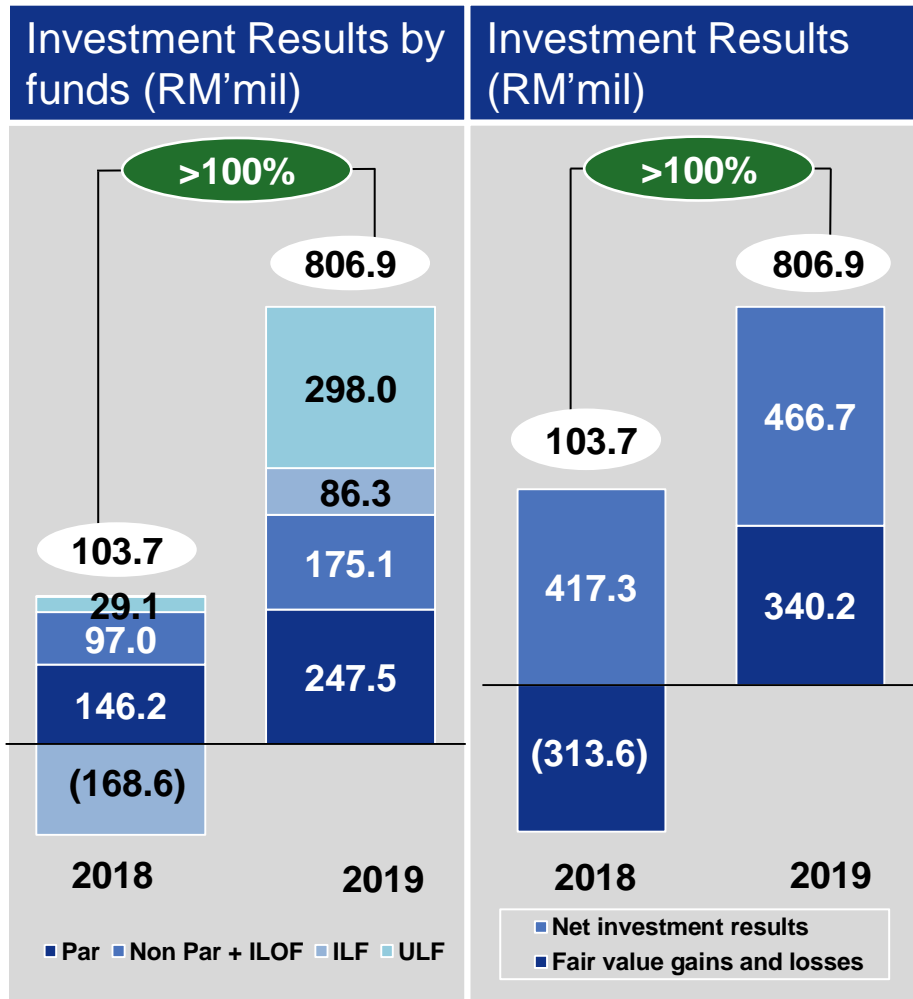
Annualised New Premiums (RM'mil)



Gross Written Premiums (RM'mil)



Life Business: Higher net investment results due to fair value gains



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 2018	12M 2019	△19/18 %
Gross written premiums	2,383.5	2,725.0	14.3%
Premiums ceded to reinsurers	(100.2)	(81.2)	19.0%
Net earned premiums	2,283.3	2,643.8	15.8%
Net change in benefits and claims paid	(1,114.1)	(1,258.3)	(12.9%)
Net change in contract liabilities	(448.7)	(1,164.0)	(>100%)
Management expenses	(193.7)	(225.3)	(16.3%)
Net fee and commission expenses	(419.7)	(456.2)	(8.7%)
Fair value gains and losses	(313.6)	340.2	>100%
Net investment results	417.3	466.7	11.8%
Net other operating expenses	(6.4)	(6.2)	3.1%
Profit before tax (after consolidation adjustment)	204.4	340.7	66.7%
Annualised new premiums	512.8	594.8	16.0%
Expense ratio (LF+SHF)	10.0%	10.5%	(0.5 pts)
Local investment yield (LF+SHF)	2.4%	10.1%	7.7 pts
Lapse ratio (total company)	12.9%	9.8%	3.1 pts
Persistency (13th month by premium)	87.8%	87.8%	0.0 pts

Allianz Life: ANP growth driven by all distribution channels

Market growth analysis (12M 2019)

Annualised New Business

Distribution Channel	← 12M 2019 Growth →				12M 2018 Growth		5-year CAGR (2014-2019)	
	ALIM (% Growth)	Industry (% Growth)	Market Share	Market Rank	ALIM (% Growth)	Industry (% Growth)	ALIM	Industry
Agency (Traditional)	13.4%	2.3%	14.5%	3	60.0%	1.3%	11.6%	-7.8%
Agency (IL)	11.4%	14.4%	9.3%	5	5.5%	-1.9%	7.6%	8.4%
Agency (Total)	12.0%	11.8%	10.4%	5	16.5%	-1.2%	8.6%	3.7%
Bancassurance	35.2%	21.9%	5.0%	8	3.7%	4.9%	21.5%	16.7%
Employee Benefits	20.0%	6.6%	9.1%	4	21.4%	6.9%	9.6%	11.1%
Total	16.3%	14.8%	8.5%	5	14.2%	1.0%	10.6%	7.5%

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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