

Allianz Malaysia Berhad  
(12428-W)

Financial Results  
2Q 2019

Analyst Briefing  
**23 August 2019**



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AMB Group Results

# Profitable growth from Diversification in Two Strong Pillars of Businesses

## Operating revenue

- Group operating revenue of RM2.71 billion, an increase of 5.1% as compared to corresponding period of RM2.58 billion due to higher gross earned premiums and investment income by RM108.0 million and RM24.1 million respectively.
- General business recorded an operating revenue of RM1.15 billion, a decrease of 2.1% compared to corresponding period of RM1.18 billion.
- Life business recorded an operating revenue of RM1.55 billion, an increase of 11.3% compared to corresponding period of RM1.39 billion.

## Profitability

- Group profit before tax of RM329.0 million increased by 35.1% compared to corresponding period of RM243.5 million.
- General business contributed a profit before tax of RM177.2 million (6M 2018: RM165.4 million).<sup>1</sup>
- Life insurance business recorded a profit before tax of RM157.6 million (6M 2018: RM82.0 million).<sup>2</sup>

## Earnings per ordinary share

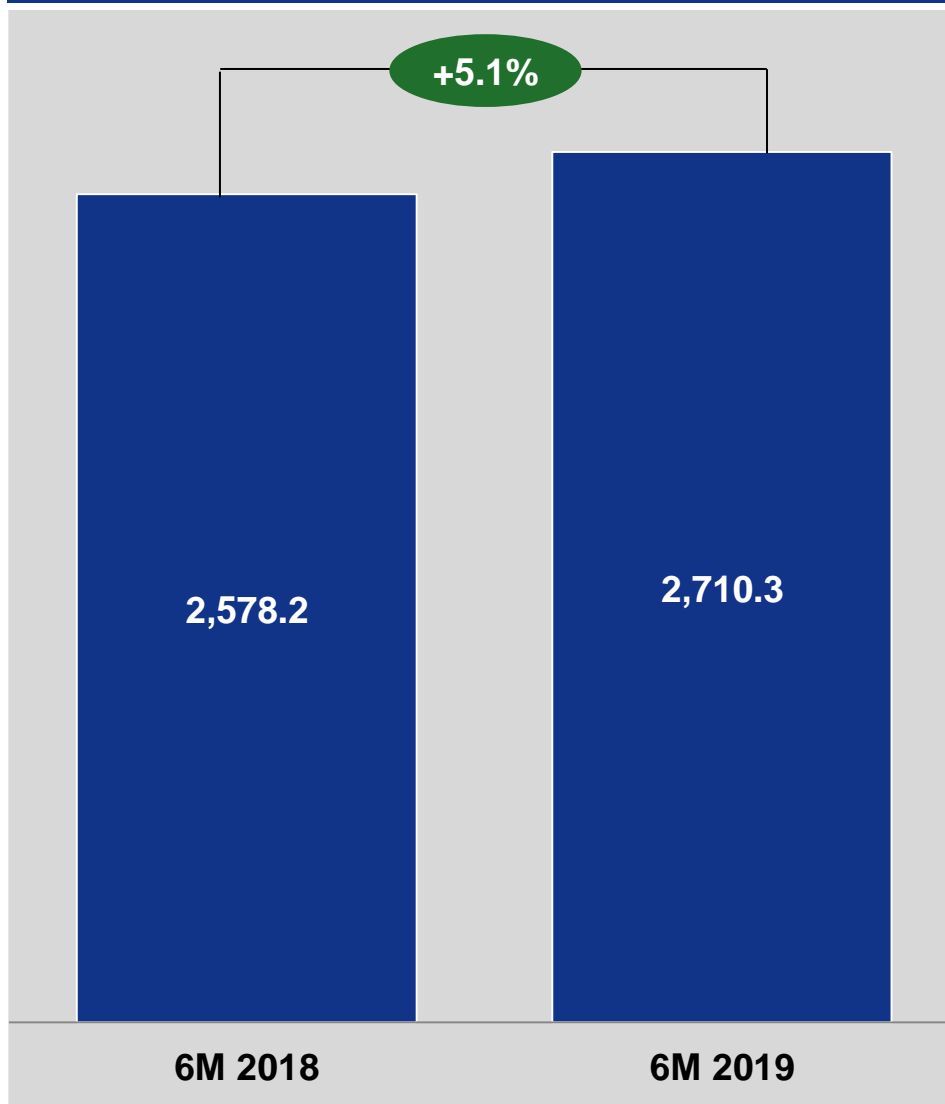
- Basic earnings per ordinary share at 122.54 sen (6M 2018: 100.89 sen).
- Diluted earnings per ordinary share at 62.56 sen (6M 2018: 51.32 sen).

<sup>1</sup> An increase of 7.1% which was attributable to higher underwriting profit. Net combined ratio was 90.8% as at 6M 2019 (6M 2018: 91.8%).

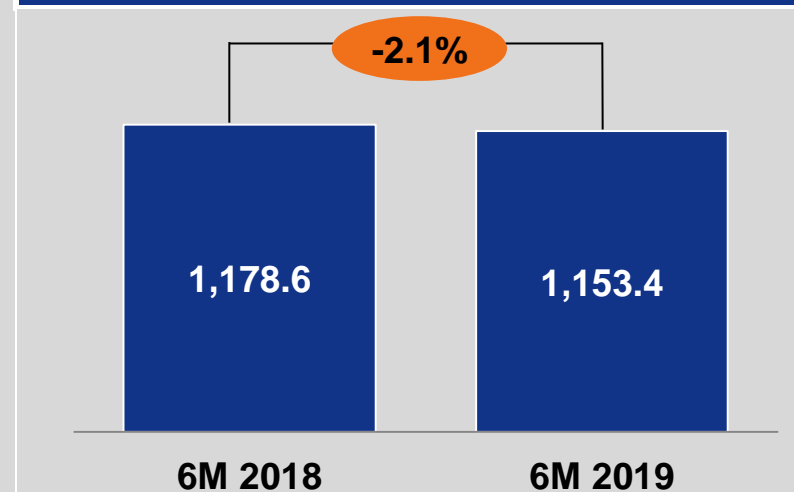
<sup>2</sup> An increase of 92.2% which was attributable to fair value gains arising from change in interest rate.

# Financial Highlights 6M 2019

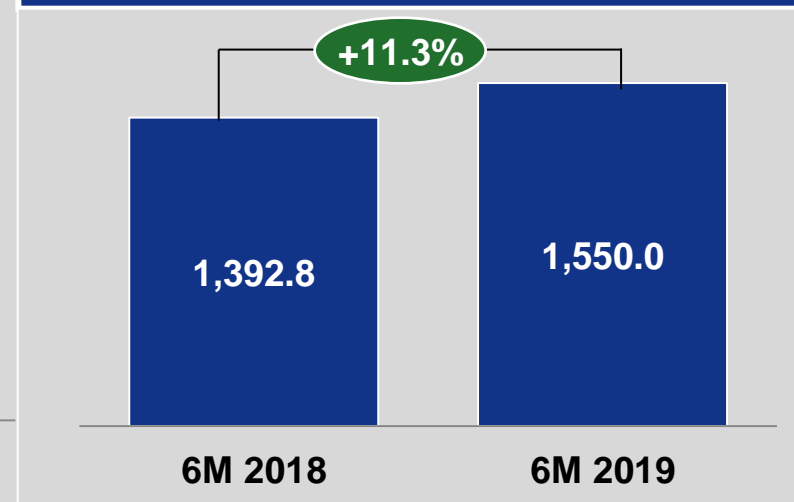
## Operating Revenue (RM'mil)



## General Business (RM'mil)

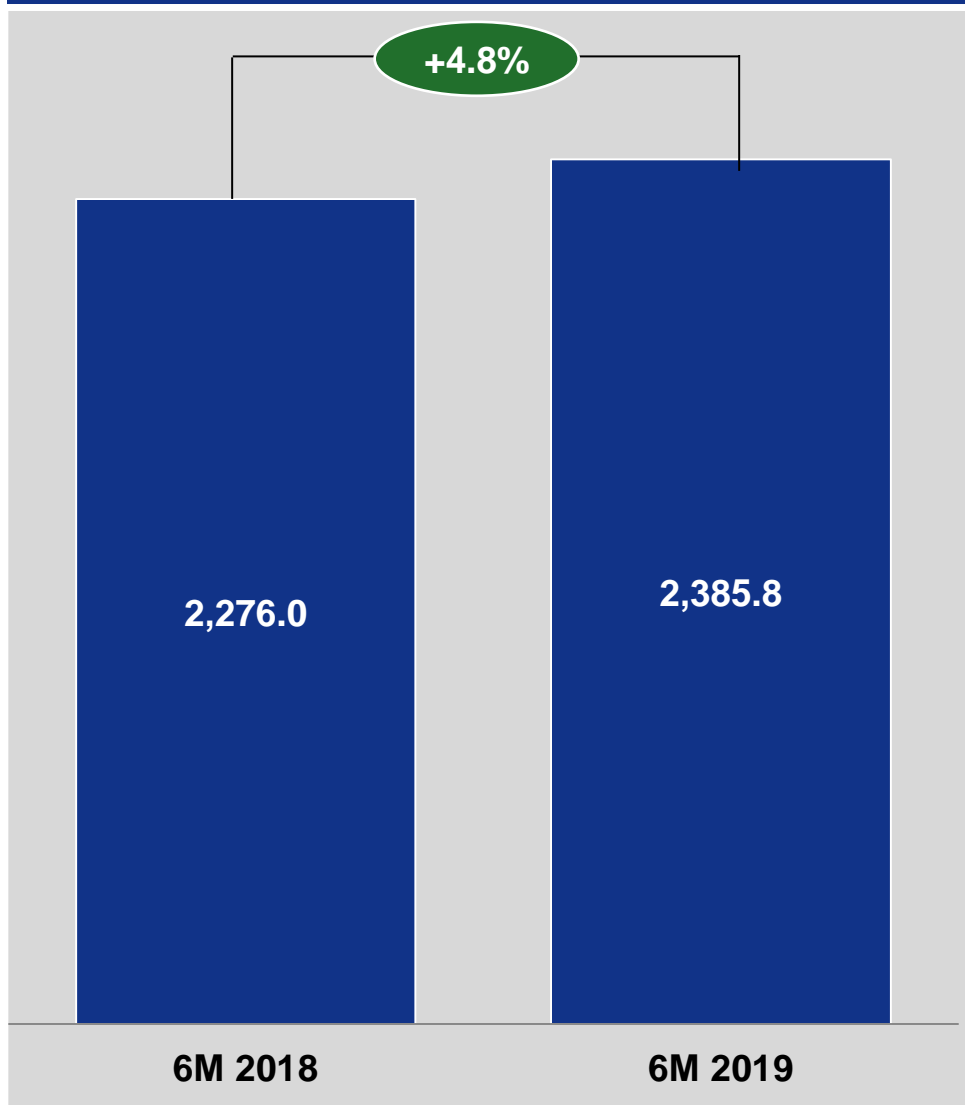


## Life Business (RM'mil)

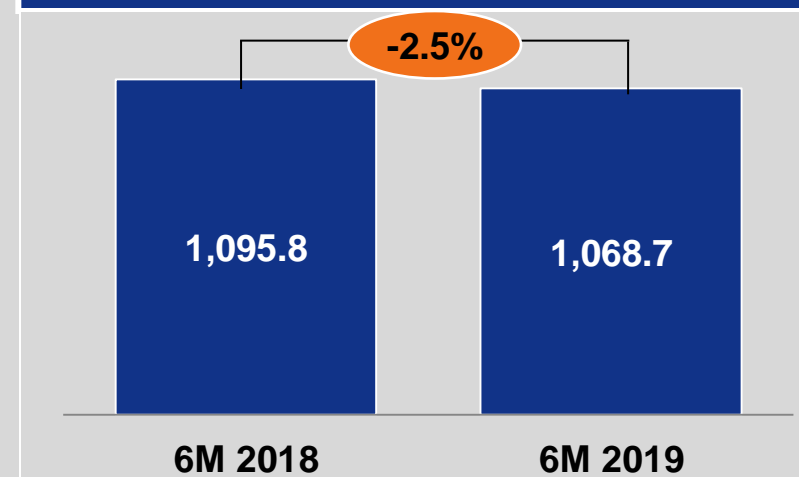


# Financial Highlights 6M 2019

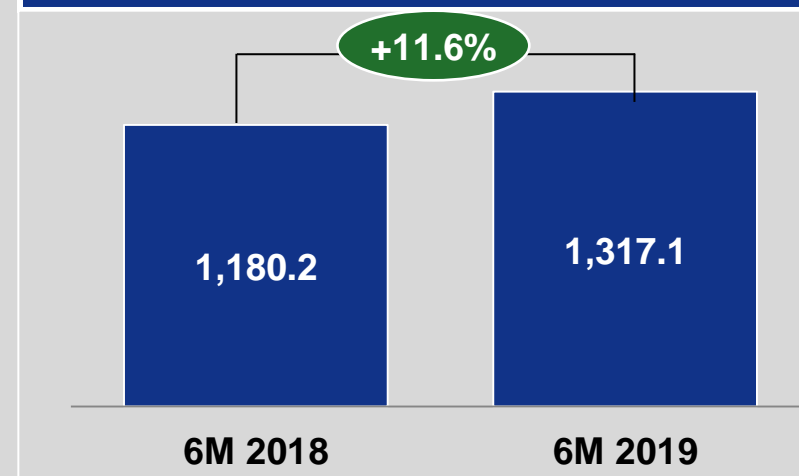
## Gross Written Premiums (“GWP”) (RM’mil)



## General Business (RM'mil)

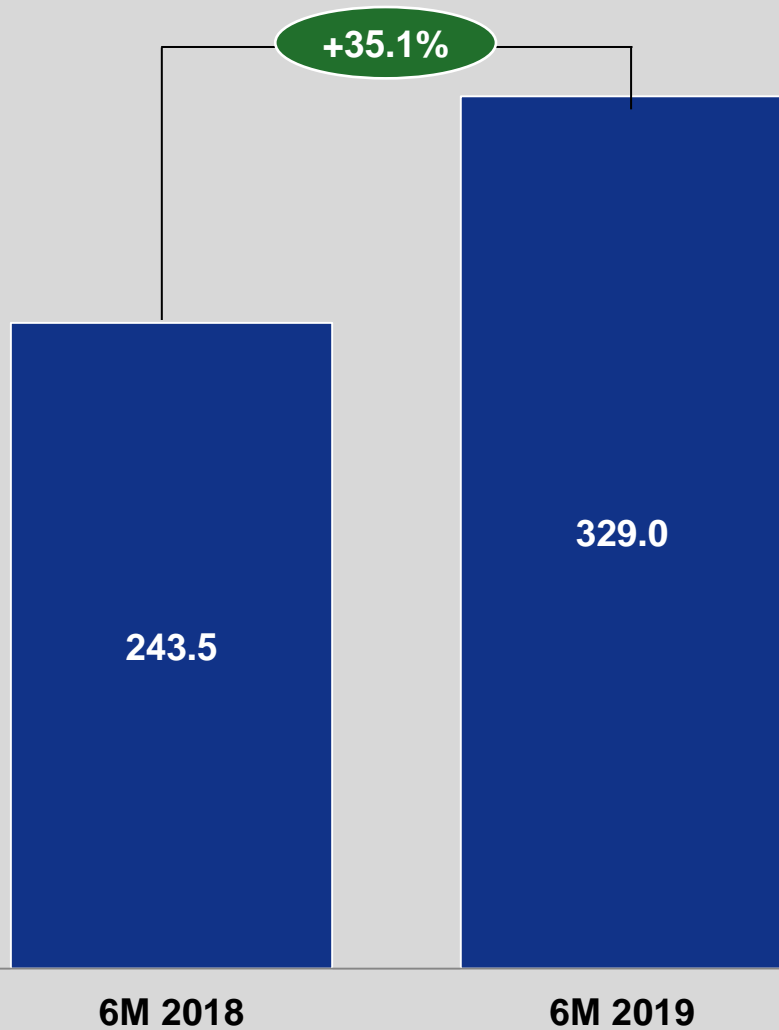


## Life Business (RM'mil)

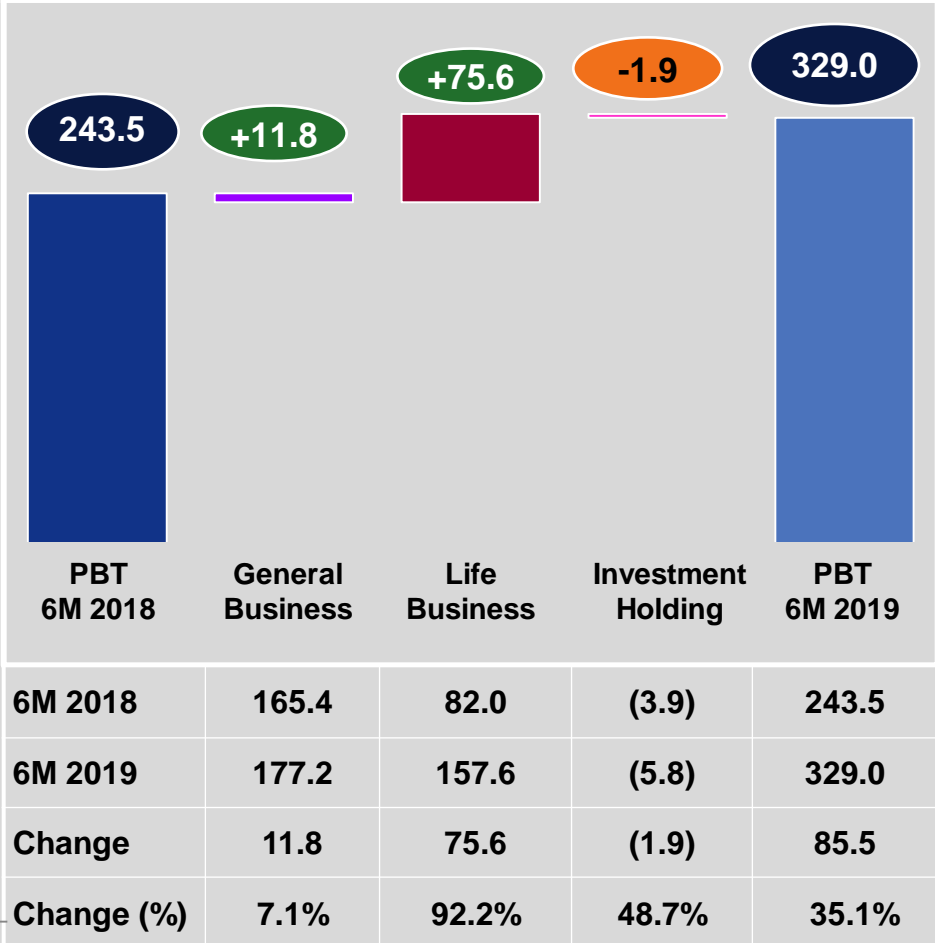


# Financial Highlights 6M 2019

## Profit Before Tax (RM'mil)



## PBT Drivers (RM'mil)



## Financial Overview

RM'mil	2016	2017	2018	3 YEAR CAGR	6M 2018	6M 2019
Gross Written Premiums	4,182.6	4,285.4	4,504.8	2.9%	2,276.0	2,385.8
Management Expenses	513.2	603.8	554.9	6.1%	275.2	287.3
Expense Ratio (Non Life)	17.4%	20.3%	18.4%	(1.5) pts	17.3%	18.8%
Expense Ratio (Life) <sup>1</sup>	11.3%	12.1%	10.0%	(0.1) pts	11.3%	10.3%
Local Consolidated PBT	454.6	437.3	519.0	5.8%	243.5	329.0
Total Assets	14,912.4	16,596.7	17,404.6	8.5%	16,778.6	18,829.1
Shareholders' Equity	2,879.5	3,135.5	3,361.7	8.6%	3,297.5	3,628.7
Dividends declared	34.26	45.65	152.04	83.0%	-	-
Diluted earnings per ordinary share (sen)	90.80	83.28	109.09	6.9%	51.32	62.56

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

## Summary of unaudited Financial Results

RM'mil	6M 2018	6M 2019	△19/18 %
<b>Operating revenue</b>	<b>2,578.2</b>	<b>2,710.3</b>	<b>5.1%</b>
Gross earned premiums	2,270.2	2,378.2	4.8%
Premiums ceded to reinsurers	(187.5)	(173.1)	7.7%
Net earned premiums ("NEP")	2,082.7	2,205.1	5.9%
Net change in benefits and claims paid ("Claim")	(1,139.1)	(1,114.2)	2.2%
Net change in contract liabilities ("Reserve")	(145.3)	(770.1)	(>100.0%)
Management expenses ("ME")	(275.2)	(287.3)	(4.4%)
Net fee and commission expense	(329.4)	(337.4)	(2.4%)
Fair value gains and losses	(289.8)	323.9	>100.0%
Net investment results	346.8	311.2	(10.3%)
Net other operating expenses	(7.2)	(2.2)	69.4%
<b>Profit before tax</b>	<b>243.5</b>	<b>329.0</b>	<b>35.1%</b>
Tax expense	(66.4)	(112.4)	(69.3%)
<b>Profit after tax</b>	<b>177.1</b>	<b>216.6</b>	<b>22.3%</b>
<b>ME / NEP ratio</b>	<b>13.2%</b>	<b>13.0%</b>	<b>0.2 pts</b>
<b>Claim &amp; Reserve / NEP ratio</b>	<b>61.7%</b>	<b>85.5%</b>	<b>(23.8 pts)</b>





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General Business

## General Business



### **Gross written premiums**

- Gross written premium declined by 2.5% 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**

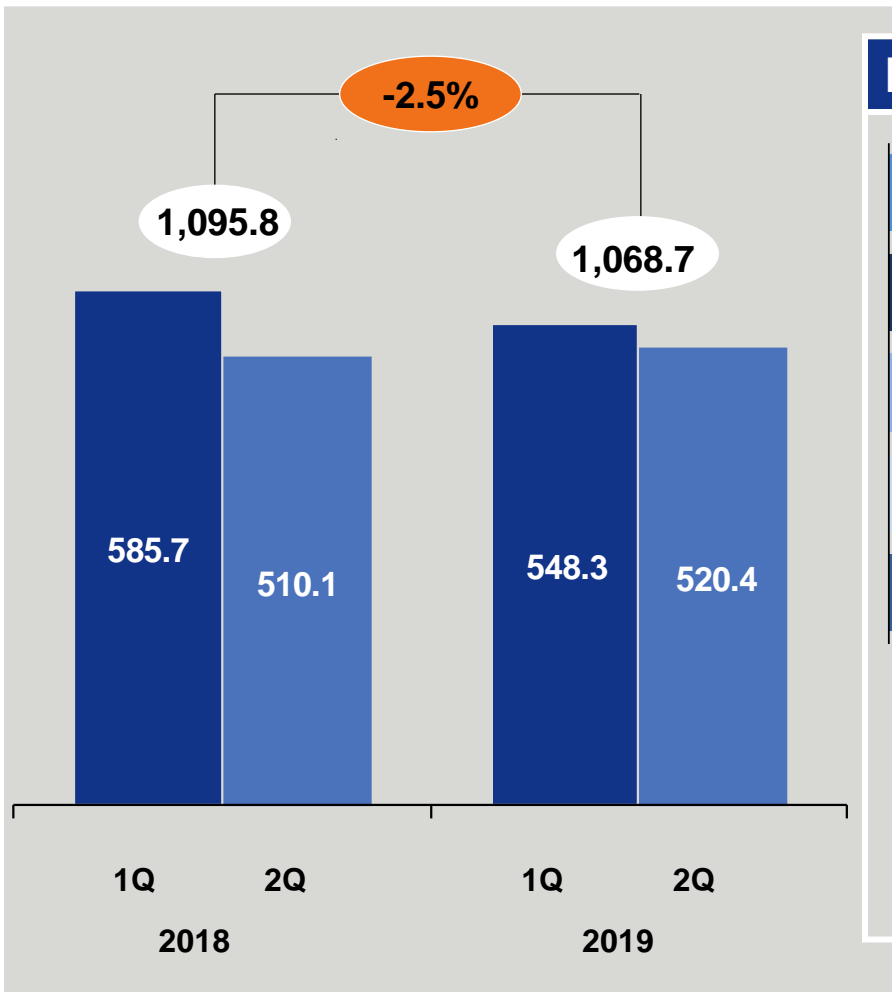
- Lower combined ratio due to lower claims ratio

### **Market growth**

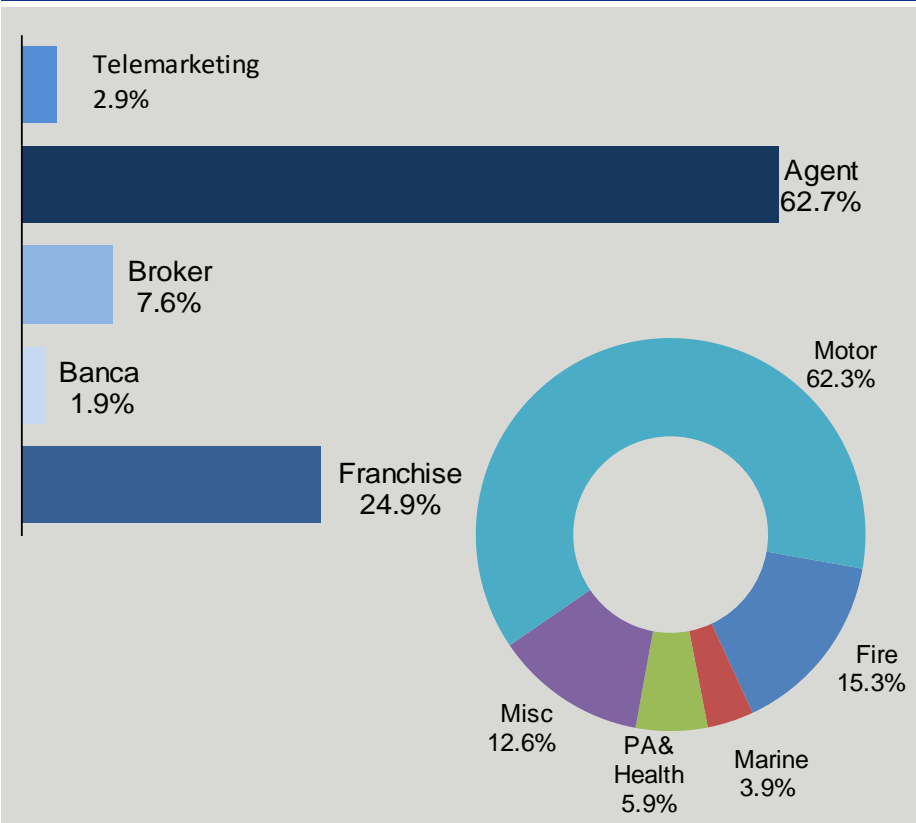
- Market share of 6M 2019 stood at 11.7%. (6M 2018: 11.9%)

# General Business: GWP is 2.5% below prior year

## Gross Written Premiums (RM'mil)



## Distribution Channel & Portfolio Mix

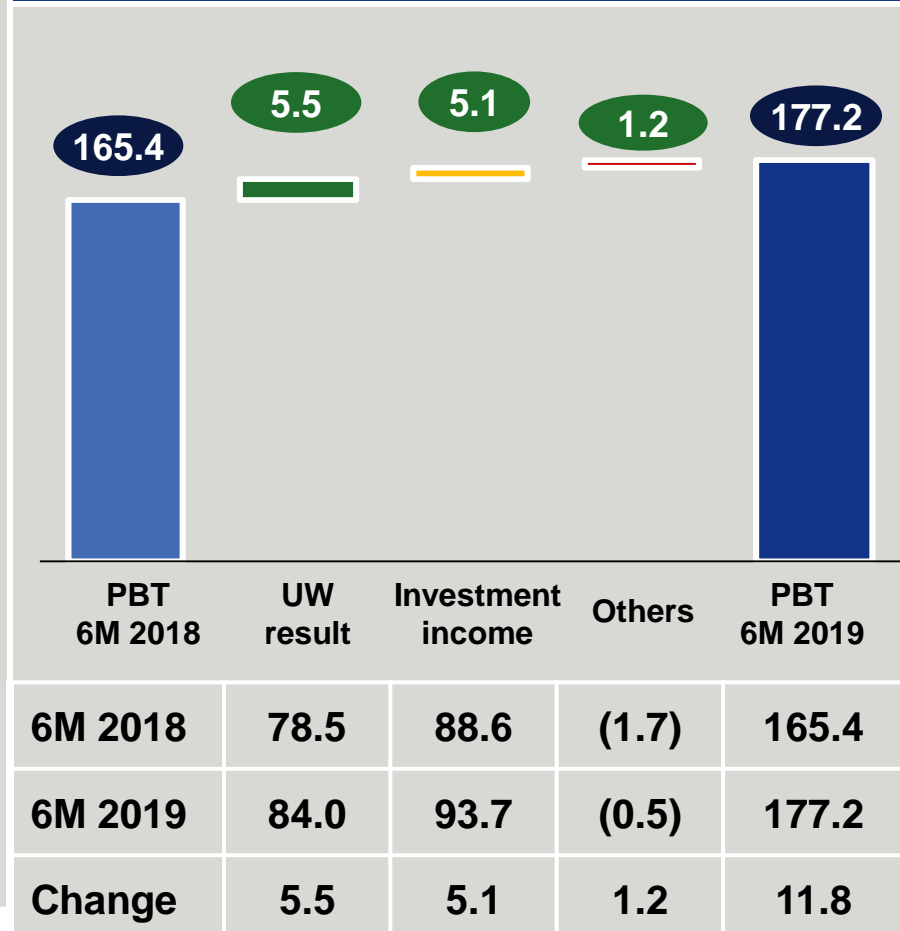


# General Business: Higher PBT due to higher underwriting profit

## Profit Before Tax (RM'mil)

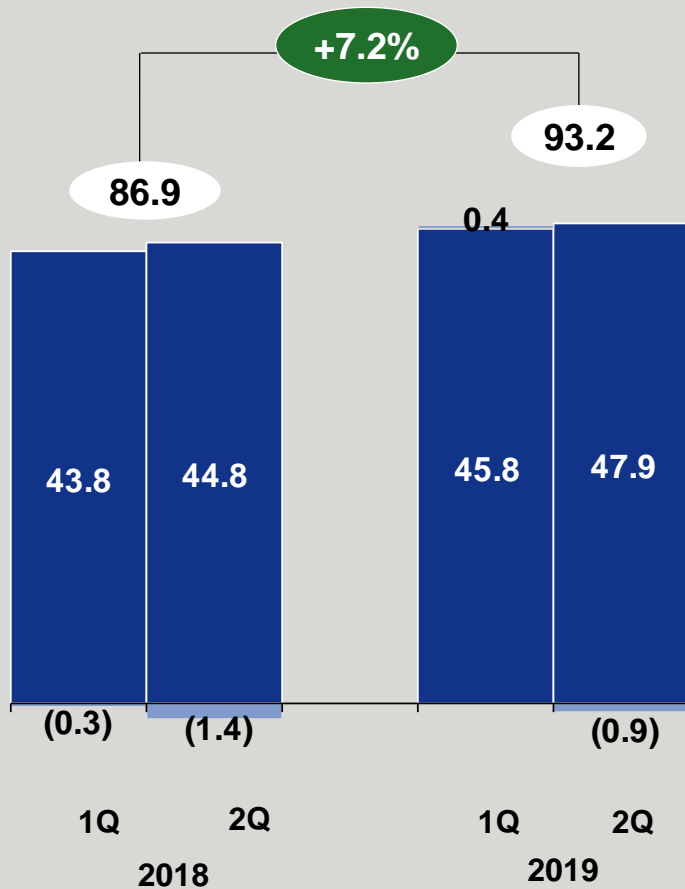


## PBT Drivers (RM'mil)



# General Business: Stable growth in investment income

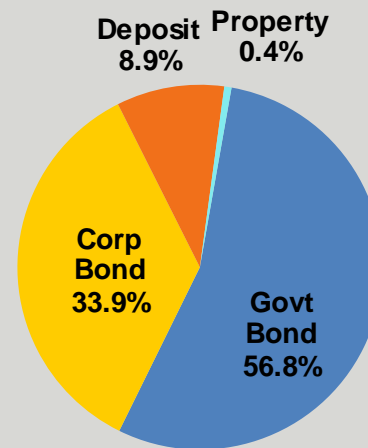
## Net Investment Results/Net Operating Expenses (RM'mil)



■ Net Investment Results   ■ Net Other Operating Expenses

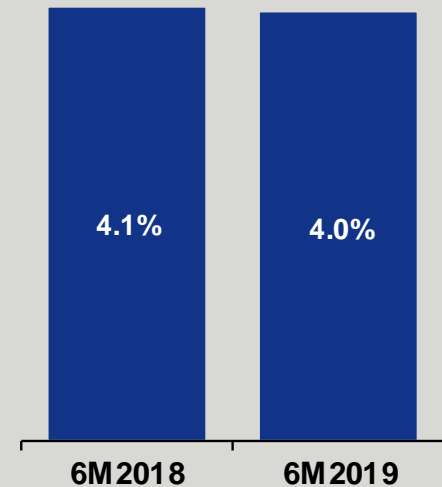
## Portfolio Mix and Investment Yield (Annualised)

### Portfolio Mix



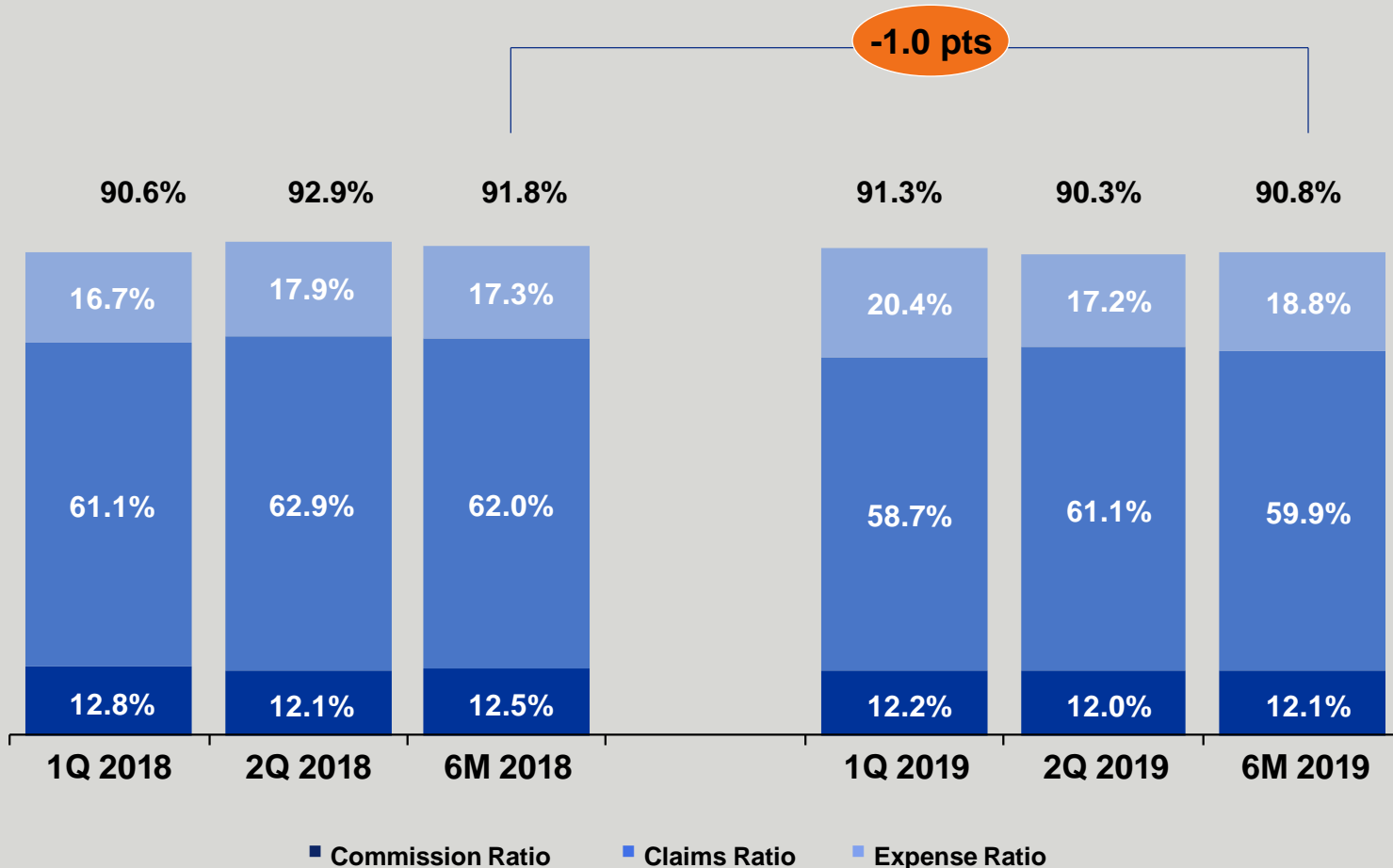
As at 30 June 2019

### Investment Yield



# General Business: Lower Combined ratio due to lower Claims ratio

## Combined Ratio



## General Business: Unaudited financial results at a glance

RM'mil	6M 2018	6M 2019	△19/18 %
Gross written premiums	1,095.8	1,068.7	(2.5%)
Gross earned premiums	1,090.0	1,061.1	(2.7%)
Net earned premiums	952.9	920.8	(3.4%)
Net change in claims incurred	(590.5)	(551.6)	6.6%
Management expenses	(165.0)	(173.7)	(5.3%)
Net fee and commission expenses	(118.9)	(111.5)	6.2%
Underwriting result	78.5	84.0	7.0%
Net investment results	88.6	93.7	5.8%
Net other operating expenses	(1.7)	(0.5)	70.6%
<b>Profit before tax (after consolidation adjustment)</b>	<b>165.4</b>	<b>177.2</b>	<b>7.1%</b>
Commission ratio	12.5%	12.1%	0.4 pts
Claims ratio	62.0%	59.9%	2.1 pts
Expense ratio	17.3%	18.8%	(1.5 pts)
Combined ratio <sup>^</sup>	91.8%	90.8%	1.0 pts

<sup>^</sup>Combined ratio is at entity level

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

KPIs	AGIC 6M 2019	Industry <sup>1</sup> 6M 2019	Takaful <sup>2</sup> 6M 2019
<b>GWP growth</b>	<b>-2.5%</b>	<b>-1.7%</b>	<b>16.4%</b>
<b>Commission ratio</b>	<b>12.1%</b>	<b>10.2%</b>	<b>9.7%</b>
<b>Claims ratio</b>			
• Overall	<b>59.9%</b>	<b>58.9%</b>	<b>56.6%</b>
• Motor	<b>63.7%</b>	<b>69.8%</b>	<b>70.6%</b>
<b>Expense ratio</b>	<b>18.8%</b>	<b>24.1%</b>	<b>33.0%</b>
<b>Combined ratio</b>	<b>90.8%</b>	<b>93.2%</b>	<b>99.3%</b>

**Market Share (6M 2019) <sup>3</sup>** **11.7%**

**Market Ranking (6M 2019) <sup>3</sup>** **No. 1**

Notes:

- 1) Source: ISM Market Performance Report Jan-June 2019
- 2) Source: ISM Takaful Market Performance Report Jan-June 2019
- 3) Based on AGIC Revenue by account & ISM Market Performance Report Jan-June 2019





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Life Business

## Life Business

### Gross written premiums

- Gross written premiums grew by 11.6%.

### Distribution

- Total Company ANP grew by 14.7%
- Agency ANP achieved 10.4% growth. Remain focus on building professional and productive agency force.
- Bancassurance performed very well, recorded a growth of 38.7%, while Employee Benefits grew by 19.4%

### Product mix

- Focus on sales of investment-linked products with protection rider which provide higher margins.
- Investment-Linked ANP and GWP grew by 18.7% and 13.2% respectively.
- 75.1% of Agency new business derived from Investment-Linked business.

### Profitability

- Profit before tax increased by 92.2% mainly due to fair value gains from changes in interest rate.
- New business value increased by 34.2%.

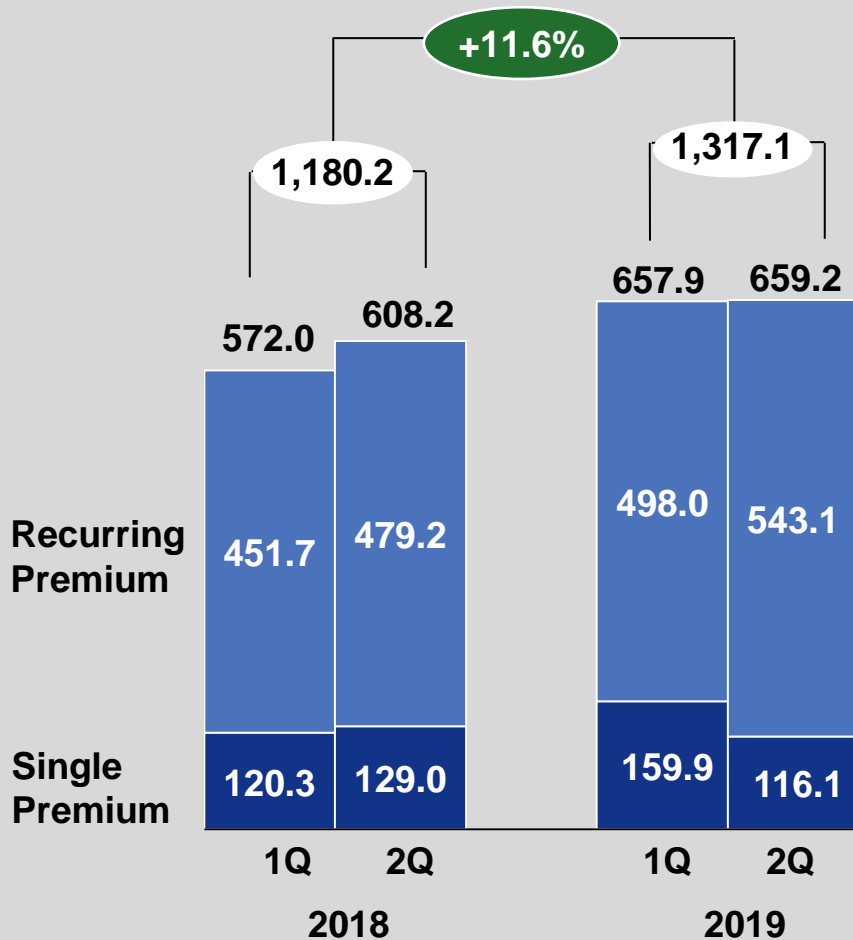
### Market growth

- Market share 6M 2019 stood at 8.6% (6M 2018: 8.7%).

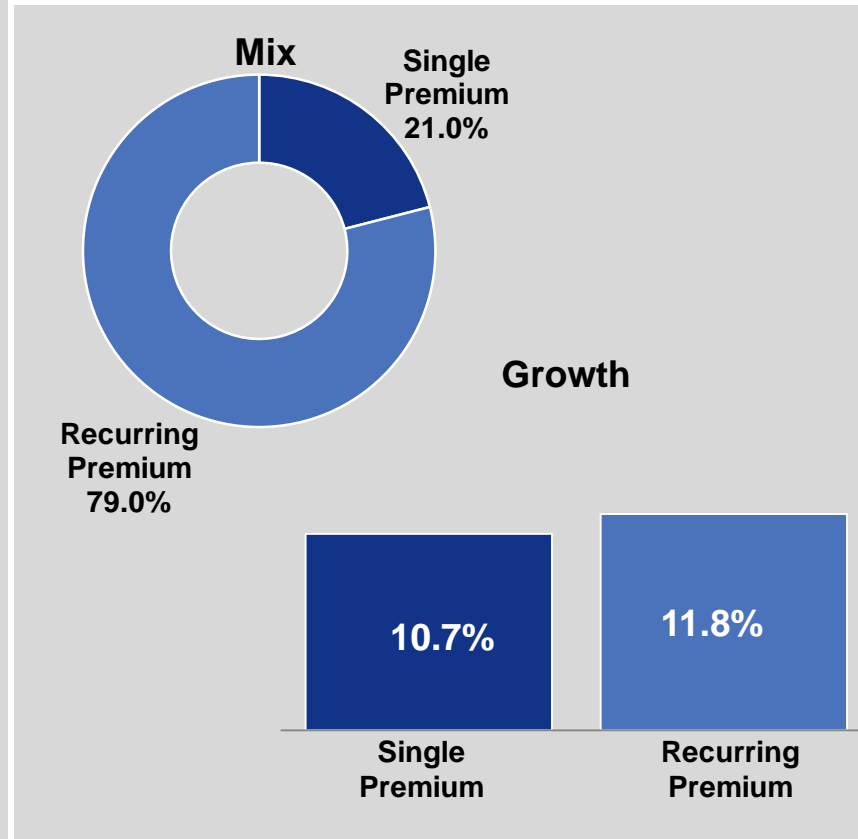


# Life Business: Y-o-Y growth in both Single Premium and Recurring Premium

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

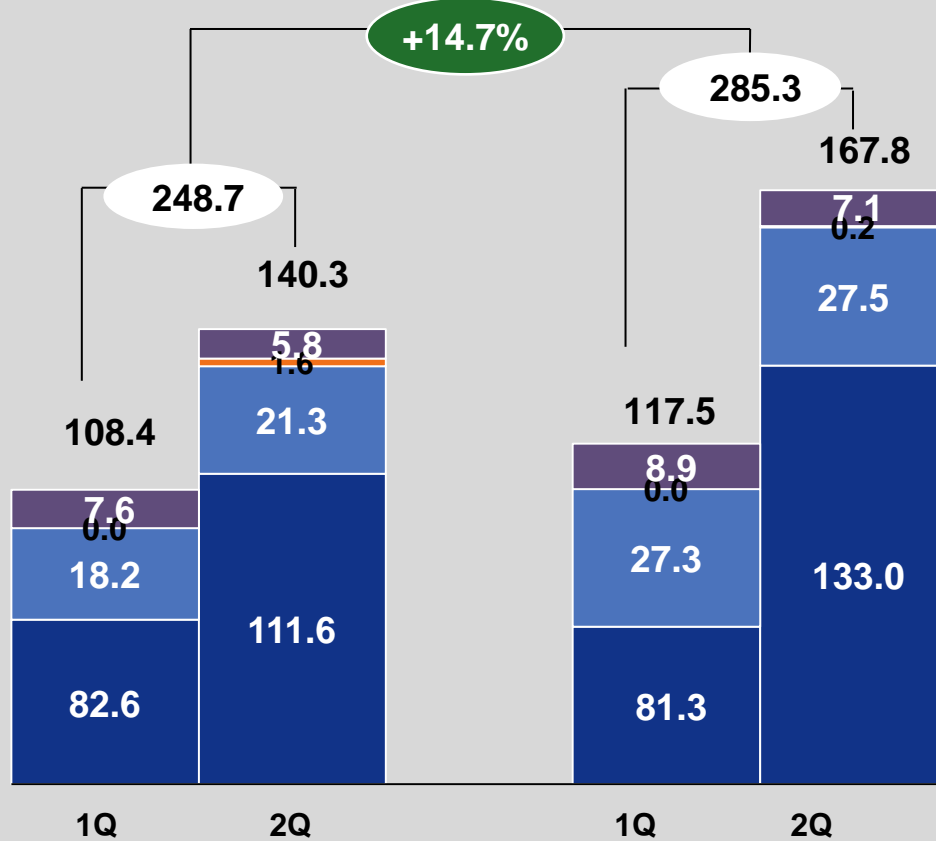


## GWP Mix & Growth (%) (6M 2019)

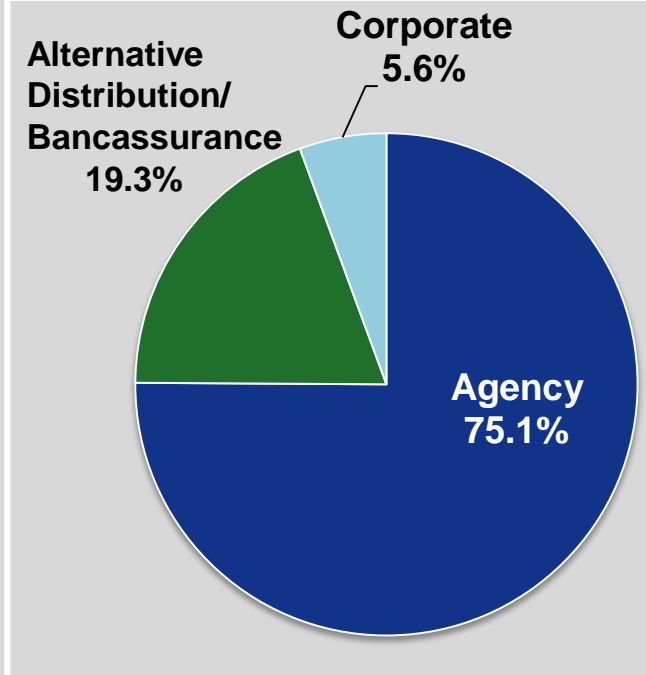


# Life Business: Growth in ANP driven by Agency, Bancassurance and Employee Benefits channels

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



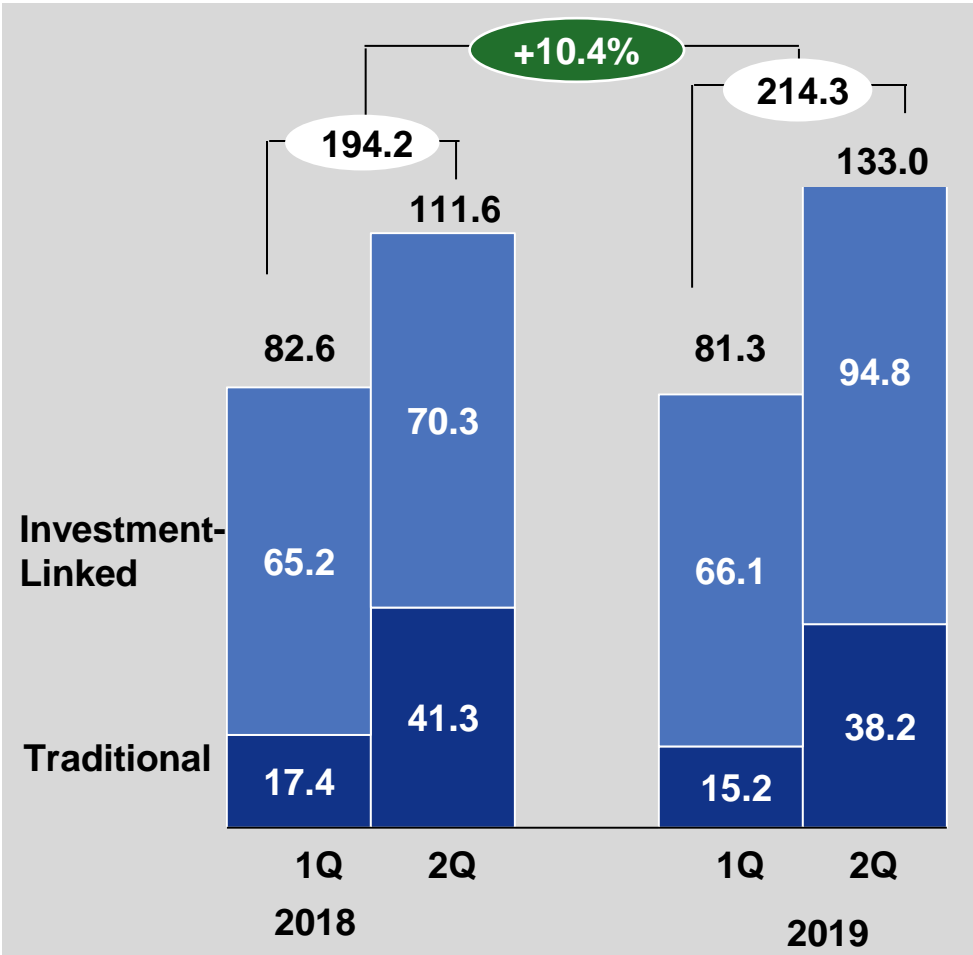
ANP Channel Mix (%) (6M 2019)



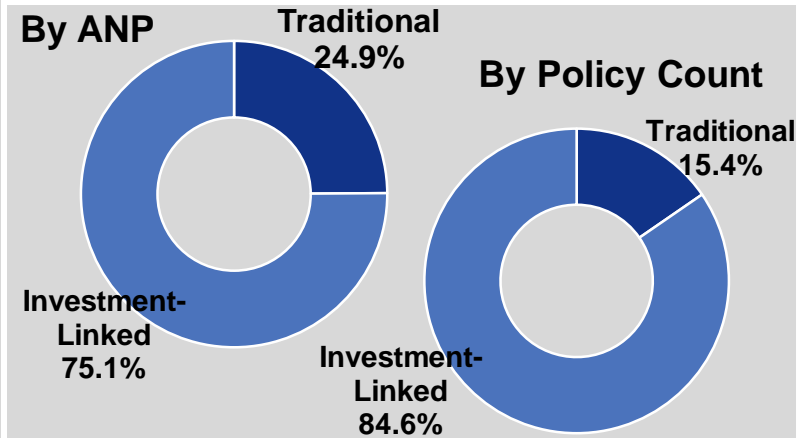
■ Agency 
 ■ Bancassurance 
 ■ Direct Marketing 
 ■ Employee Benefits

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

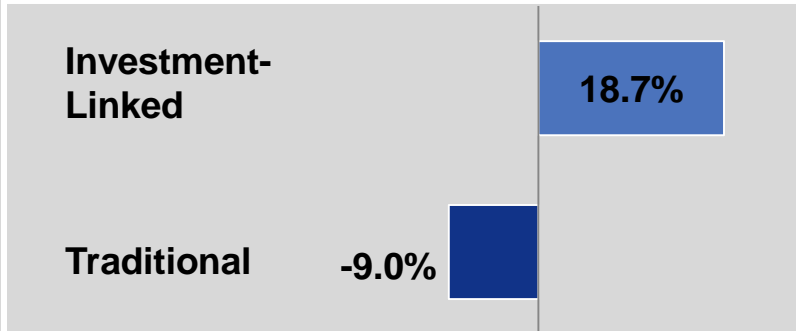
## Agency Annualised New Premiums (RM'mil)



## Agency Product Mix (%) (6M 2019)

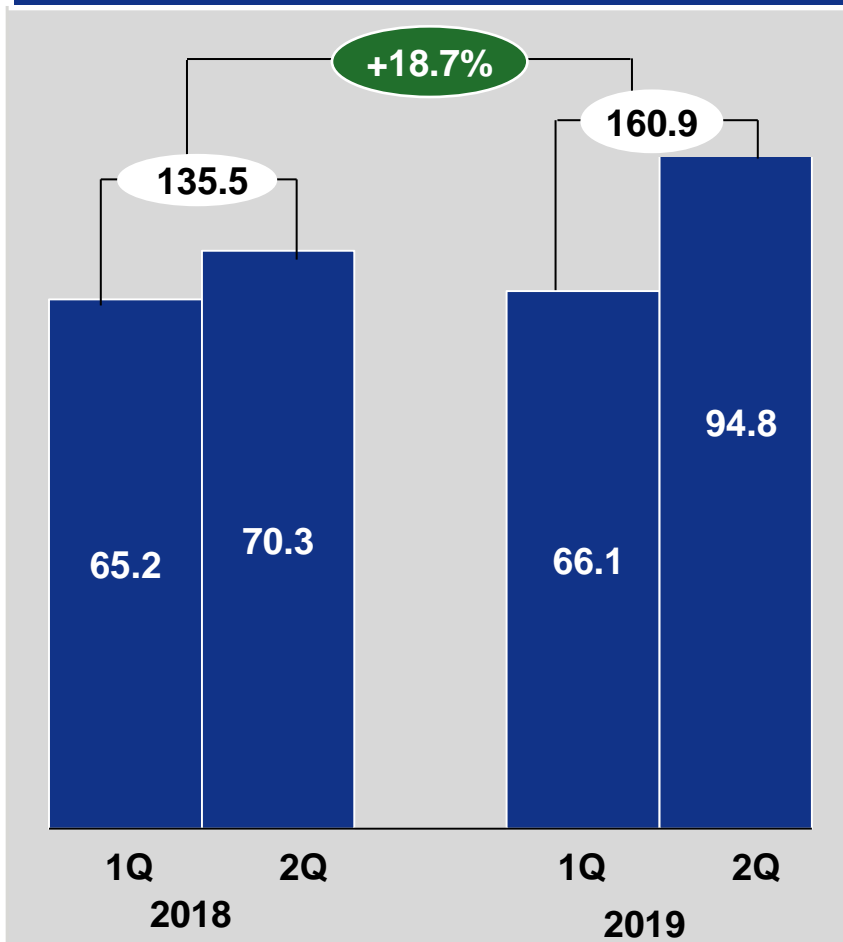


## Agency ANP Growth (%) (3M 2019)

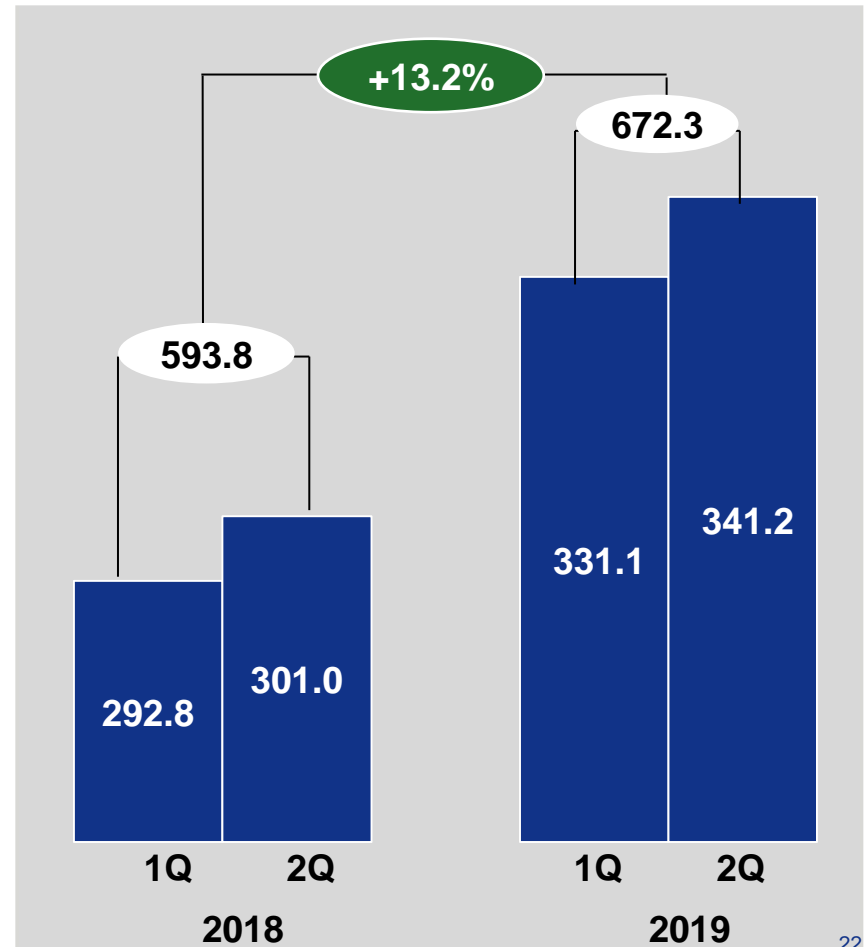


# Life Business: Protection Business (Investment-Linked) continues to grow

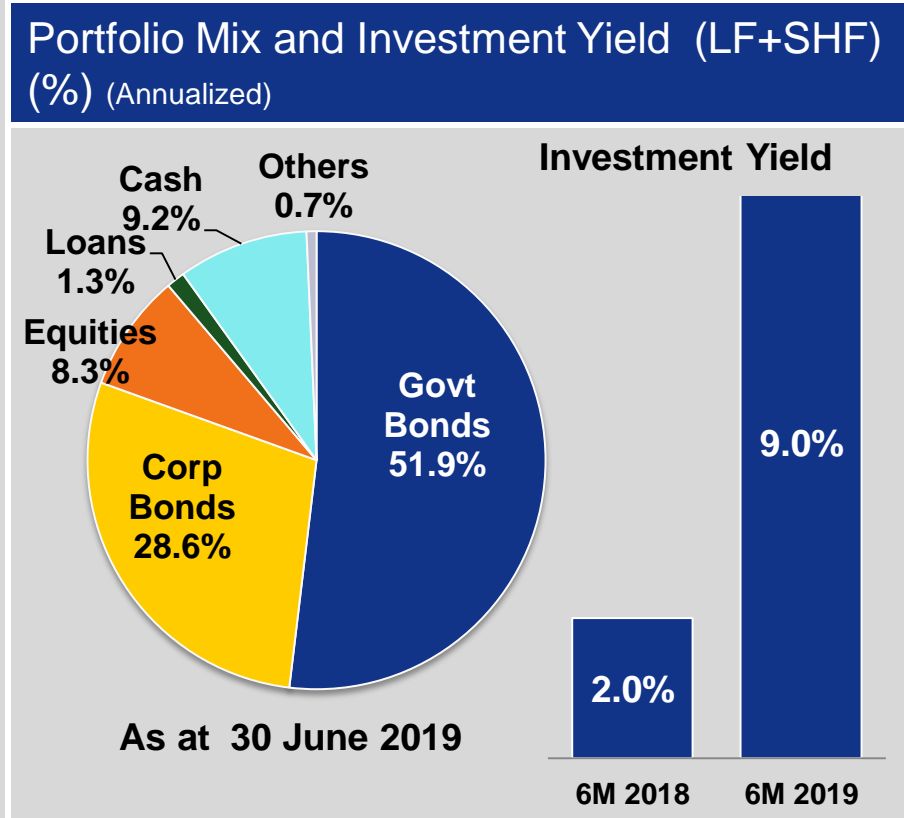
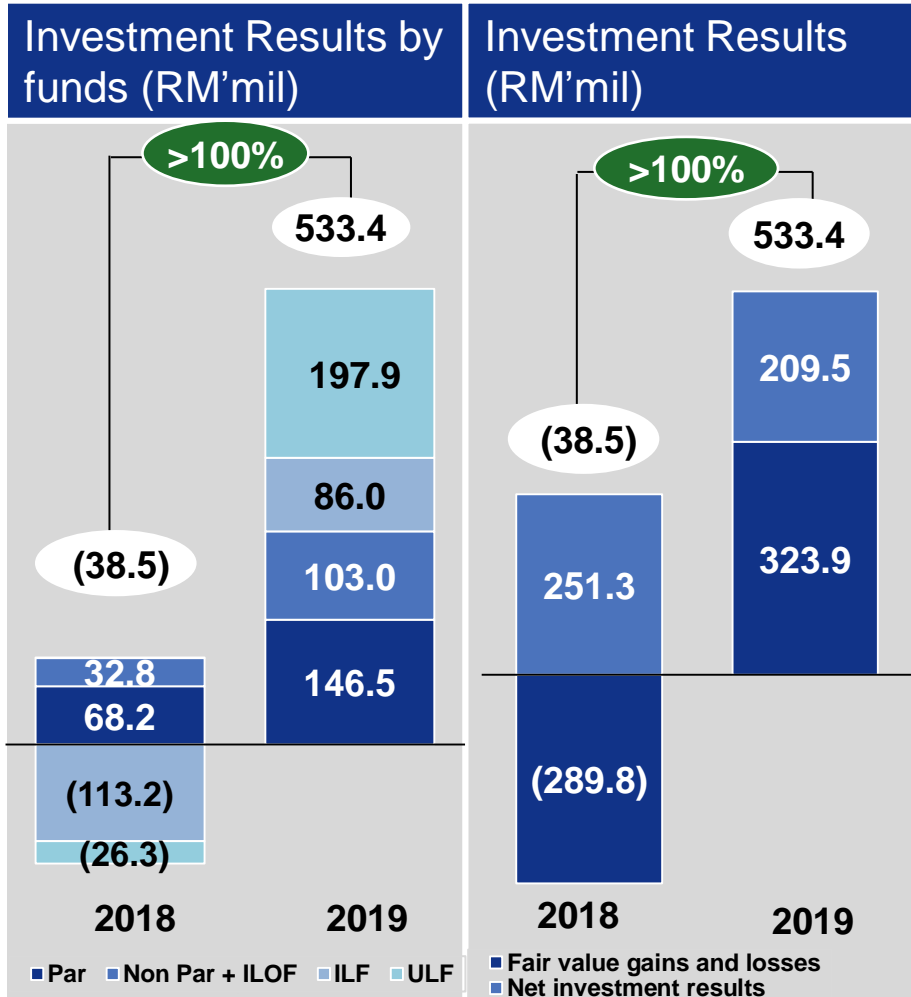
Annualised New Premiums (RM'mil)



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: Unaudited financial results at a glance

RM'mil	6M 2018	6M 2019	△19/18 %
Gross written premiums	1,180.2	1,317.1	11.6%
Premiums ceded to reinsurers	(50.4)	(32.8)	34.9%
Net earned premiums	1,129.8	1,284.3	13.7%
Net change in benefits and claims paid	(532.7)	(603.3)	(13.3%)
Net change in contract liabilities	(161.2)	(729.4)	(>100%)
Management expenses	(102.5)	(103.6)	(1.1%)
Net fee and commission expenses	(209.3)	(222.5)	(6.3%)
Fair value gains and losses	(289.8)	323.9	>100.0%
Net investment results	251.3	209.5	(16.6%)
Net other operating expenses	(3.6)	(1.3)	63.9%
<b>Profit before tax</b> (after consolidation adjustment)	<b>82.0</b>	<b>157.6</b>	<b>92.2%</b>
Annualised new premiums	248.7	285.3	14.7%
Expense ratio (LF+SHF)	11.3%	10.3%	1.0 pts
Local investment yield (LF+SHF)	2.0%	9.0%	7.0 pts
Lapse ratio (total company)	14.6%	11.1%	3.5 pts
Persistency (13th month by premium)	87.3%	87.7%	0.4 pts



## Allianz Life: ANP growth driven by all distribution channels

### Market growth analysis (6M 2019)

Annualised New Business

Distribution Channel	← 6M 2019 Growth →				12M 2018 Growth		5-year CAGR (2013-2018)	
	ALIM (% Growth)	Industry (% Growth)	Market Share	Market Rank	ALIM (% Growth)	Industry (% Growth)	ALIM	Industry
Agency (Traditional)	-8.6%	-6.3%	14.9%	3	60.0%	1.3%	0.2%	-9.9%
Agency (IL)	18.1%	16.2%	9.8%	5	5.5%	-1.9%	9.3%	6.9%
Agency (Total)	9.8%	11.2%	10.8%	5	16.5%	-1.2%	6.3%	1.5%
Bancassurance	38.4%	25.6%	4.9%	8	3.7%	4.9%	20.5%	17.4%
Employee Benefits	20.7%	13.8%	8.7%	3	21.4%	6.9%	8.2%	11.2%
<b>Total</b>	<b>15.1%</b>	<b>16.0%</b>	<b>8.6%</b>	<b>5</b>	<b>14.2%</b>	<b>1.0%</b>	<b>8.2%</b>	<b>5.6%</b>

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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