

**RESILIENT
& DEFENSIVE**



**ALLIANZ MALAYSIA
BERHAD (197201000819)**

**FINANCIAL RESULTS
2Q 2020**

**ANALYST BRIEFING
28 AUGUST 2020**


Allianz 



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AMB Group Results

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



Operating revenue

- Group operating revenue of RM2.89 billion, an increase of 6.6% compared to corresponding period of RM2.71 billion due to higher gross earned premiums and investment income by RM155.9 million and RM22.6 million respectively.
- General business recorded an operating revenue of RM1.20 billion, an increase of 4.3% compared to corresponding period of RM1.15 billion.
- Life business recorded an operating revenue of RM1.68 billion, an increase of 8.4% compared to corresponding period of RM1.55 billion.

Profitability

- Group profit before tax of RM340.5 million increased by 3.5% (6M 2019: RM329.0 million). Group core profit was RM322.7 million, increased by 17.4%.
- General business contributed a profit before tax of RM193.9 million (6M 2019: RM177.2 million).¹
- Life business recorded a profit before tax of RM155.1 million (6M 2019: RM157.6 million).² Life core profit was RM137.3 million, increase of 32.8%.

Earnings per ordinary share

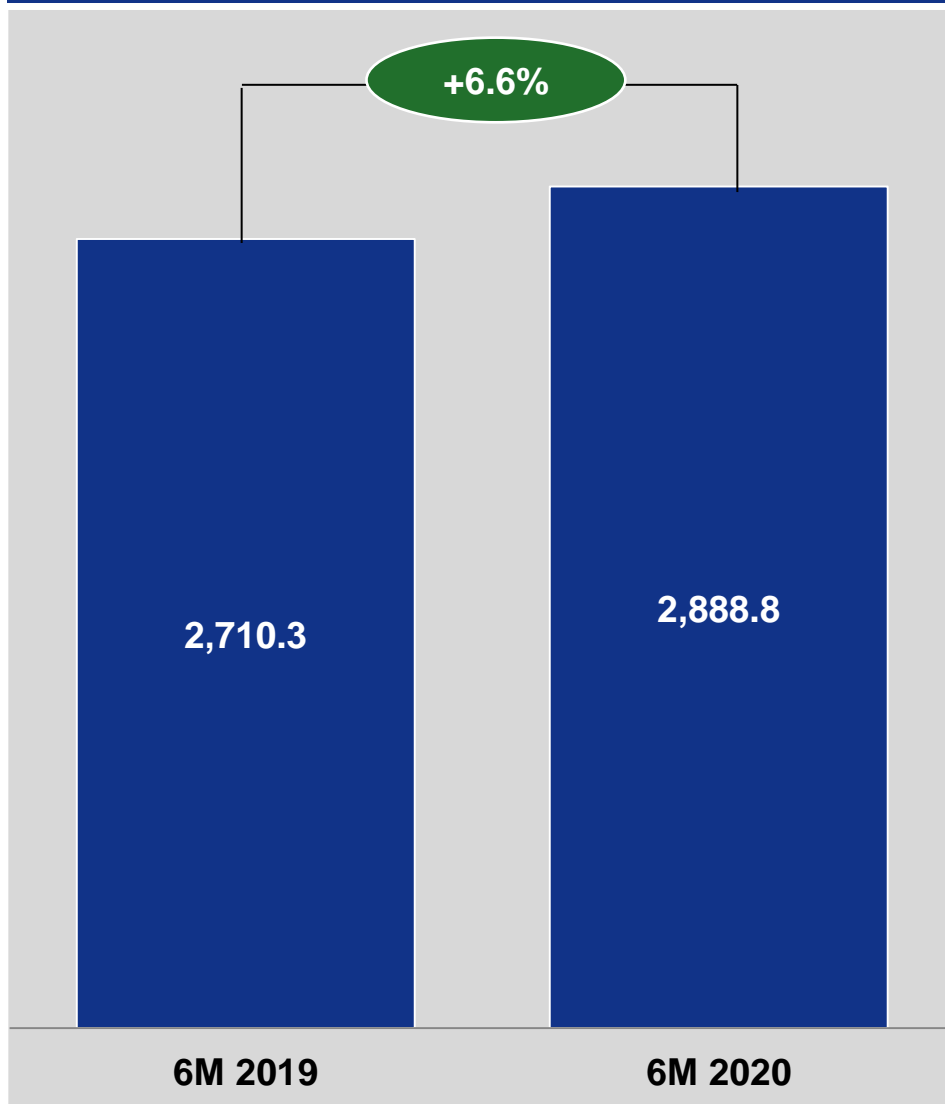
- Basic earnings per ordinary share at 139.77 sen (6M 2019: 122.54 sen).
- Diluted earnings per ordinary share at 71.41 sen (6M 2019: 62.56 sen).

¹ An increase of 9.4% which was attributable to higher underwriting profit, mainly driven by lower motor claims ratio during movement control order period. Net combined ratio was 90.1% as at 6M 2020 (6M 2019: 90.8%).

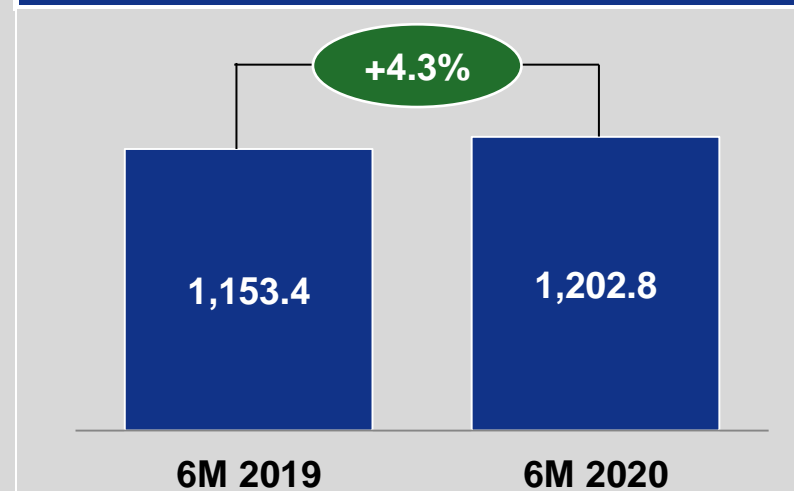
² A decrease of 1.6% which was attributable to lower valuation on equity investment.

Financial Highlights 6M 2020

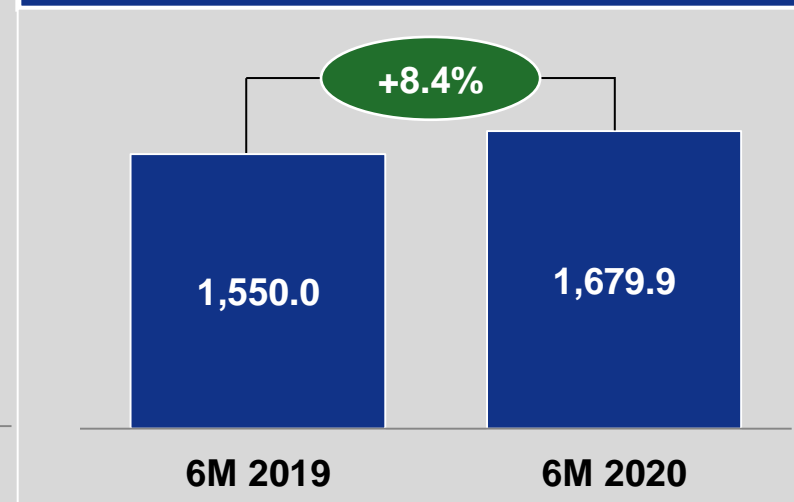
Operating Revenue (RM'mil)



General Business (RM'mil)

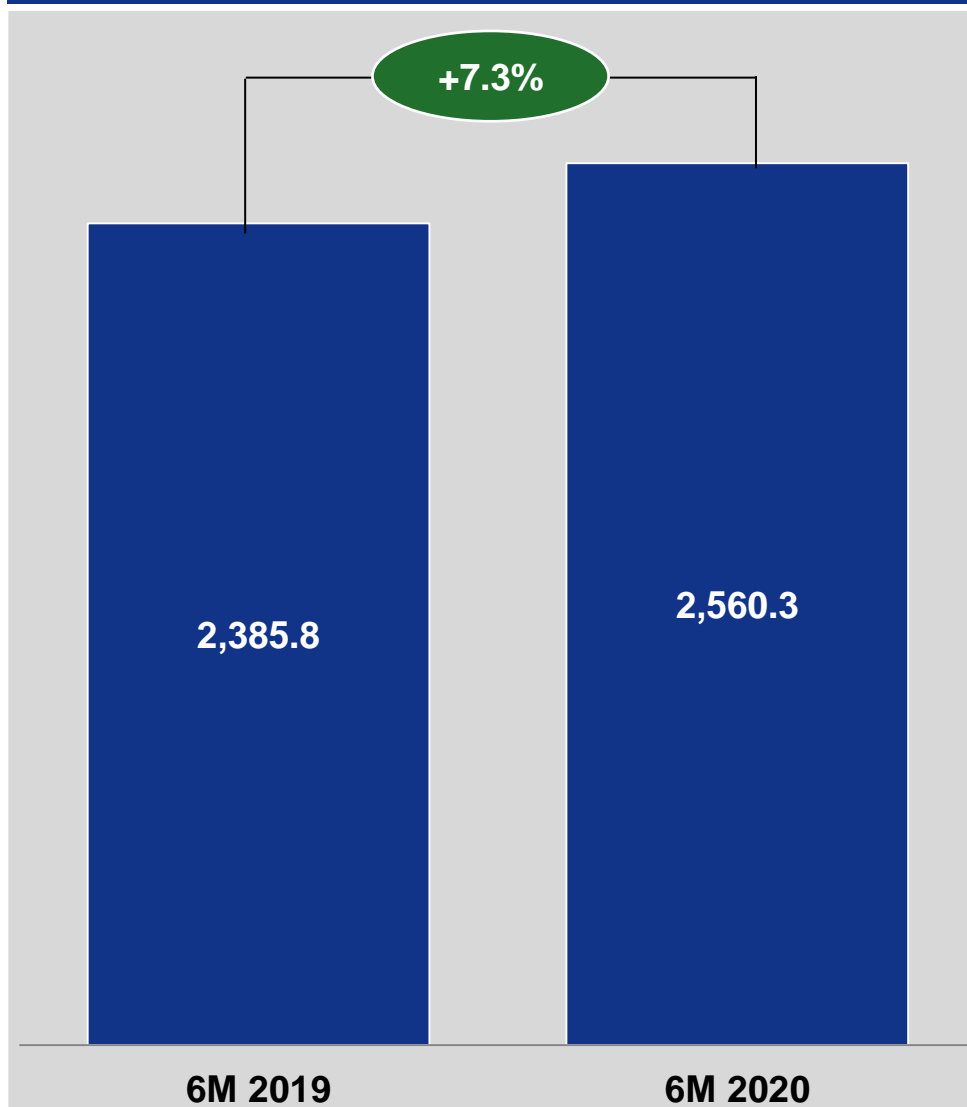


Life Business (RM'mil)

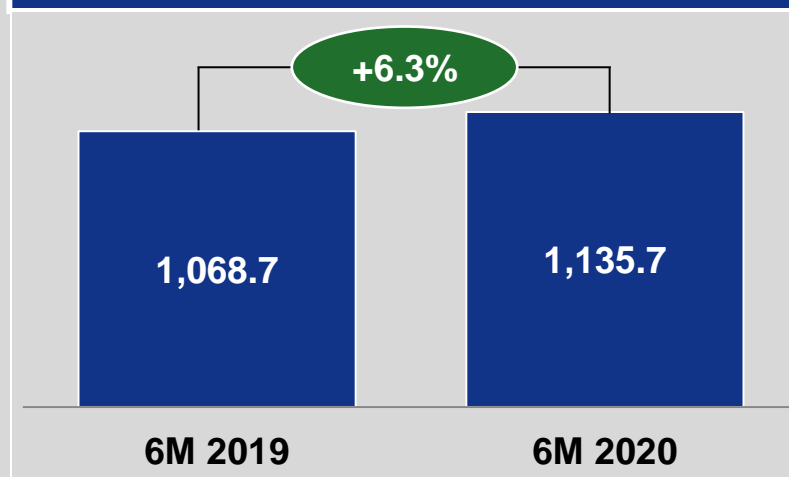


Financial Highlights 6M 2020

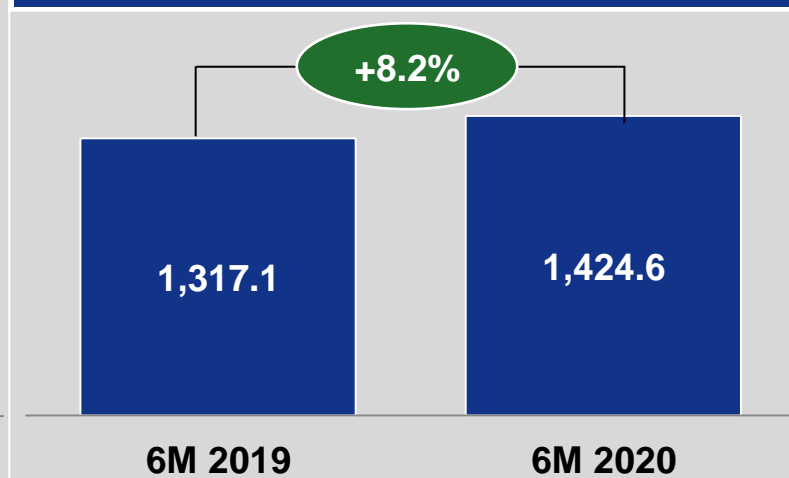
Gross Written Premiums ("GWP") (RM'mil)



General Business (RM'mil)

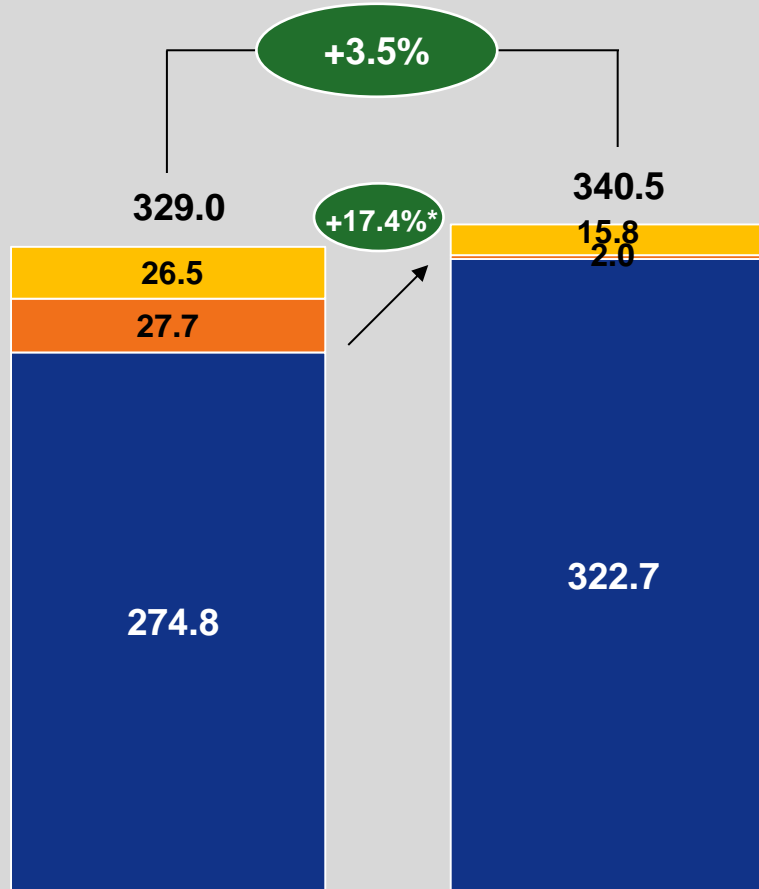


Life Business (RM'mil)



Financial Highlights 6M 2020

Profit Before Tax (RM'mil)



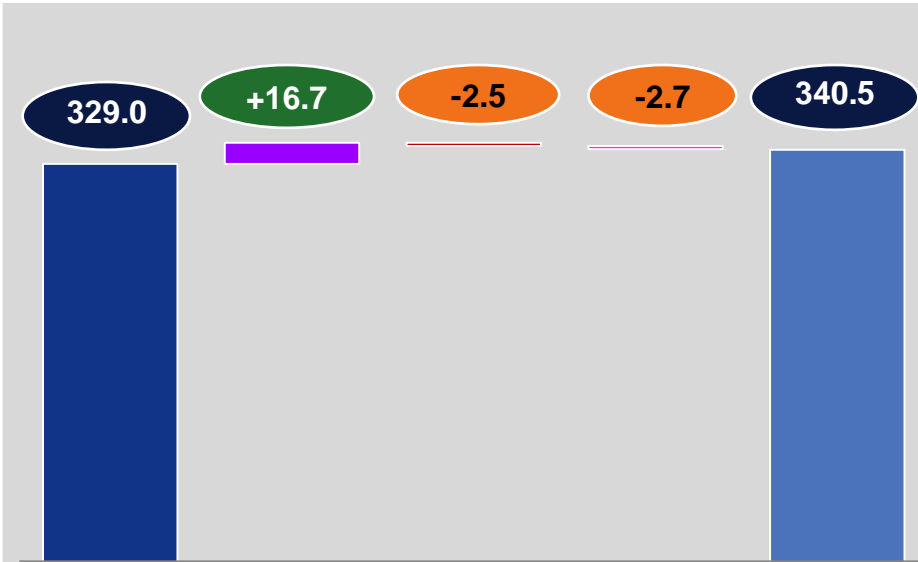
6M 2019

6M 2020

■ Core Profit ■ Tax Impact ■ Fair Value

*Core profit increase by 17.4%

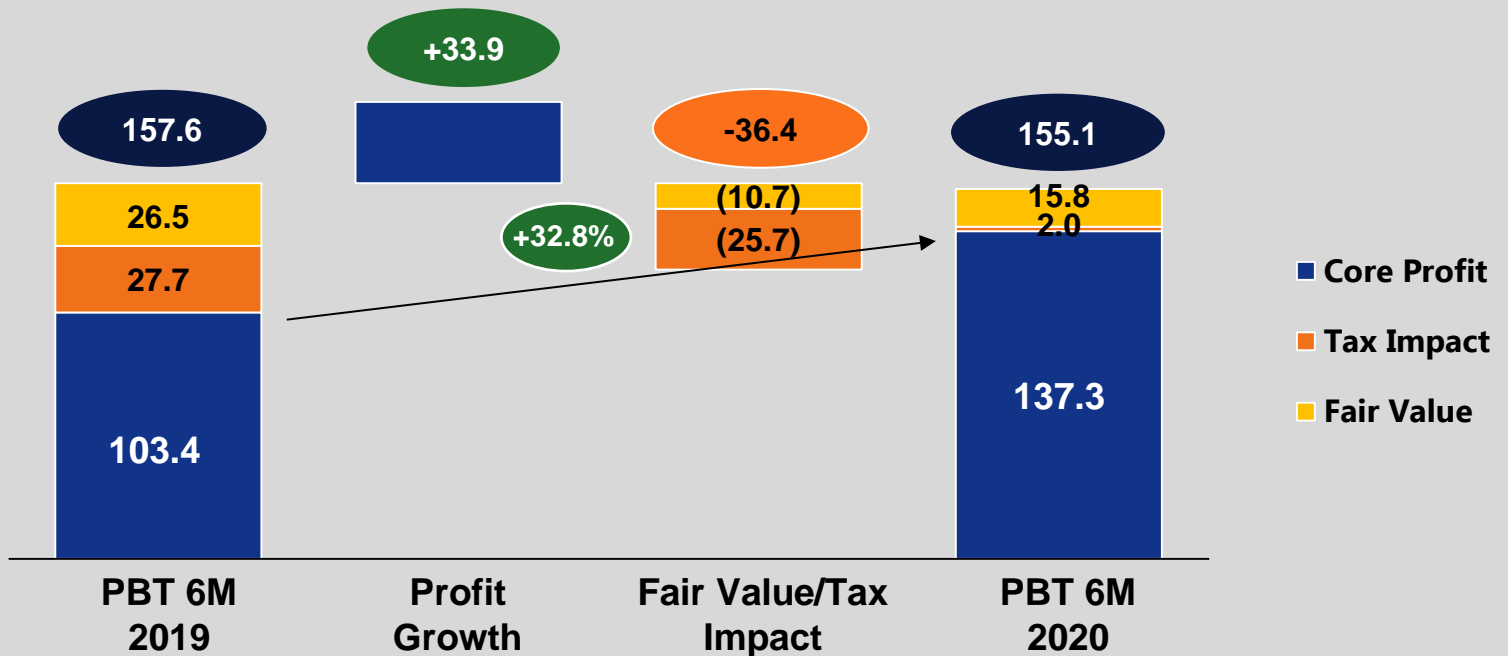
PBT Drivers (RM'mil)



	PBT 6M 2019	General Business	Life Business	Investment Holdings	PBT 6M 2020
6M 2019	329.0	177.2	157.6	(5.8)	329.0
6M 2020	340.5	193.9	155.1	(8.5)	340.5
Change	11.5	16.7	(2.5)	(2.7)	11.5
Change (%)	3.5%	9.4%	(1.6%)	(46.6%)	3.5%

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

Profit Before Tax Drivers (RM'mil)

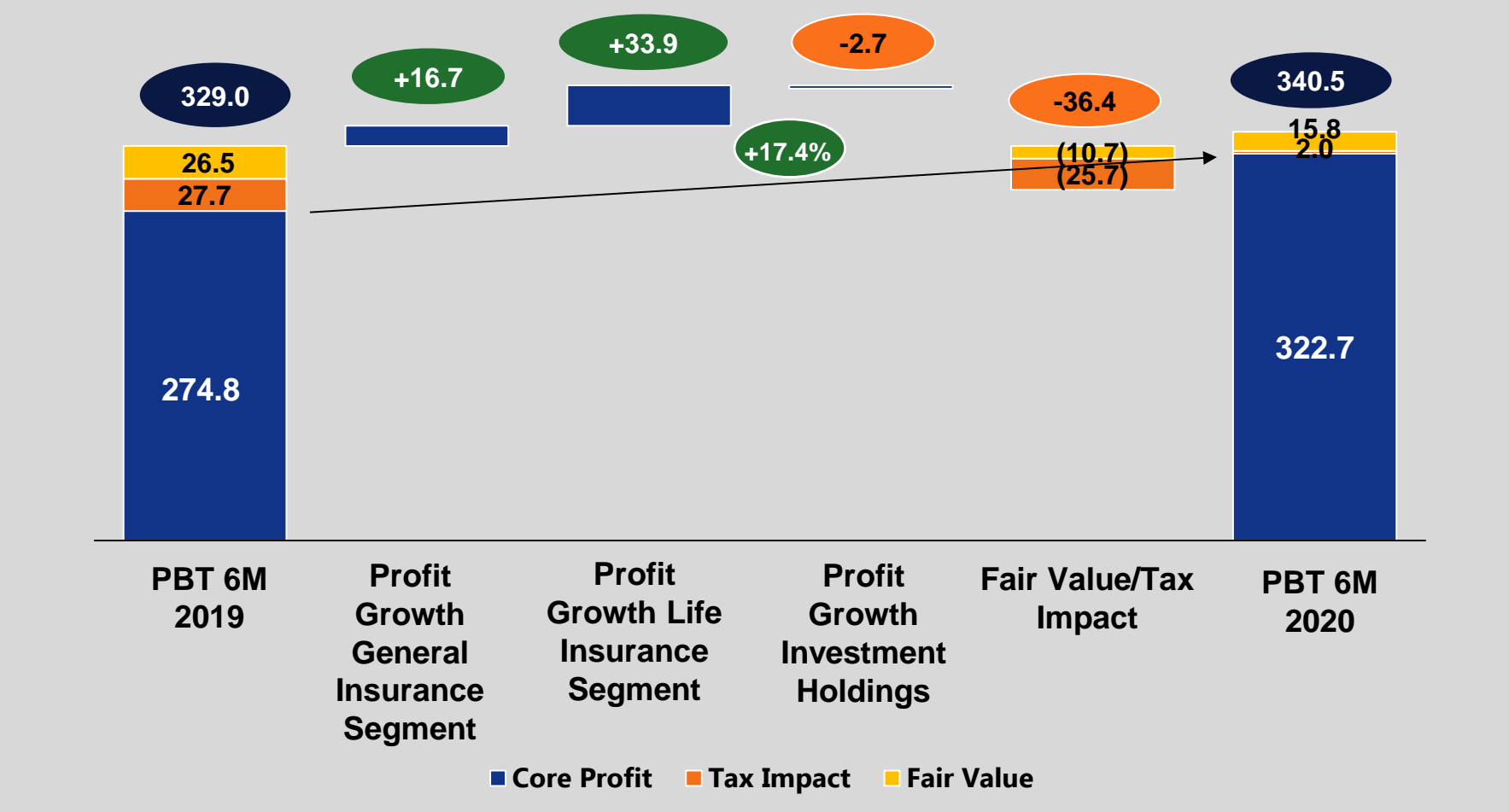


Interest rate 10 years MGS			
Dec 2019	3.33%	Dec 2018	4.14%
Jun 2020	2.99%	Jun 2019	3.65%
Changes	-0.34%	Changes	-0.49%

Bursa Malaysia KLCI Index			
Dec 2019	1,588	Dec 2018	1,691
Jun 2020	1,501	Jun 2019	1,672
Changes	-5.48%	Changes	-1.12%

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)	6M 2019	6M 2020
Gross Written Premiums	4,285.4	4,504.8	4,922.5	5.6%	2,385.8	2,560.3
Management Expenses	603.8	554.9	618.0	6.4%	287.3	312.1
Expense Ratio (Non Life)	20.3%	18.4%	20.2%	5.1 pts	18.8%	18.7%
Expense Ratio (Life) ¹	12.1%	10.0%	10.5%	(2.4) pts	10.3%	10.7%
Local Consolidated PBT	437.3	519.0	692.1	15.0%	329.0	340.5
Total Assets	16,596.7	17,404.6	19,710.1	9.7%	18,829.1	20,509.2
Shareholders' Equity	3,135.5	3,361.7	3,673.6	8.5%	3,628.7	3,965.8
Dividends declared	45.65	152.04	247.05	93.2%	-	-
Diluted earnings per ordinary share (sen)	83.28	109.09	142.29	16.2%	62.56	71.41

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

Summary of Unaudited Financial Results

RM'mil	6M 2019	6M 2020	△20/19 %
Operating revenue	2,710.3	2,888.8	6.6%
Gross earned premiums	2,378.2	2,534.1	6.6%
Premiums ceded to reinsurers	(173.1)	(166.4)	3.9%
Net earned premiums ("NEP")	2,205.1	2,367.7	7.4%
Net change in benefits and claims paid ("Claim")	(1,114.2)	(941.3)	15.5%
Net change in contract liabilities ("Reserve")	(770.1)	(569.1)	26.1%
Management expenses ("ME")	(287.3)	(312.1)	(8.6%)
Net fee and commission expense	(337.4)	(362.7)	(7.5%)
Fair value gains and losses	323.9	(118.0)	(>100%)
Net investment results	311.2	279.5	10.2%
Net other operating expenses	(2.2)	(3.5)	(59.1%)
Profit before tax	329.0	340.5	3.5%
Tax expense	(112.4)	(93.3)	17.0%
Profit after tax	216.6	247.2	14.1%
ME / NEP ratio	13.0%	13.2%	(0.2 pts)
Claim & Reserve / NEP ratio	85.5%	63.8%	21.7 pts



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General Business

General Business



Gross written premiums

- Gross written premium increased by 6.3% 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

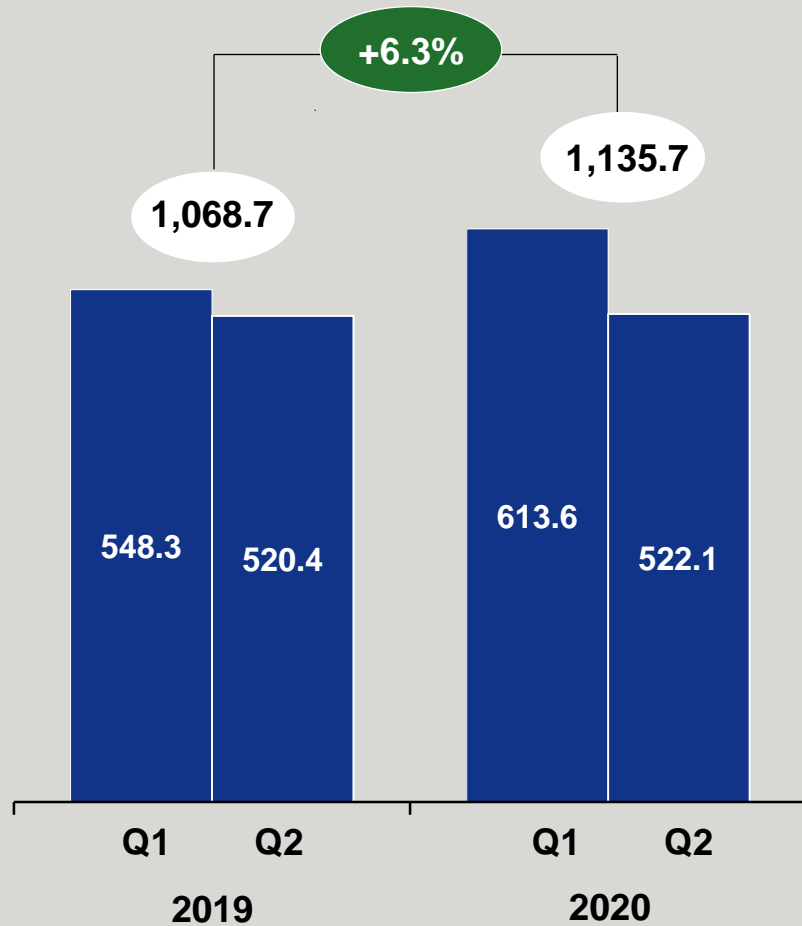
- Lower combined ratio by 0.7 pts due to lower claims ratio.

Market growth

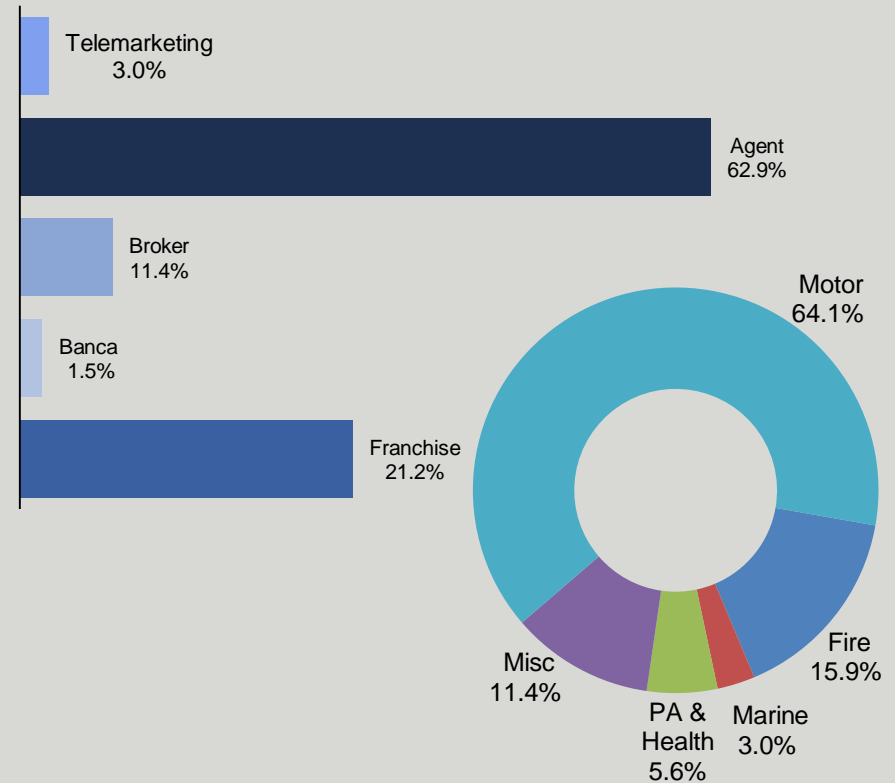
- Market share of 3M 2020 stood at 12.9% (6M 2019: 11.7%)

General Business: GWP is 6.3% higher than prior year

Gross Written Premiums (RM'mil)

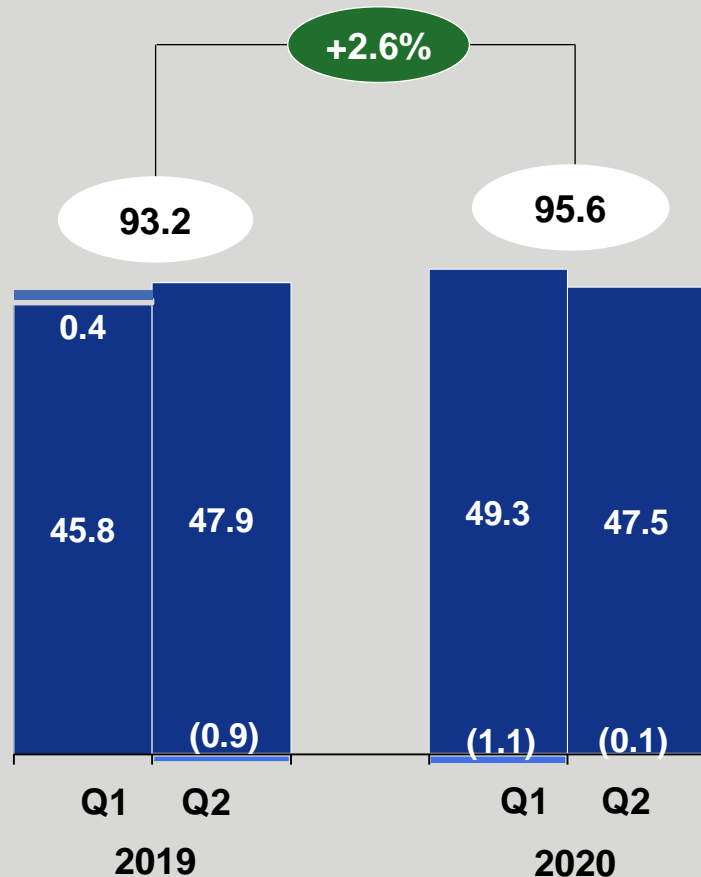


Distribution Channel & Portfolio Mix



General Business: Stable growth in investment income

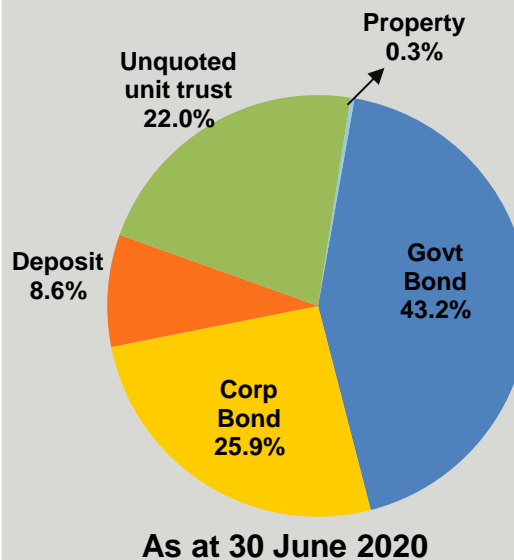
Net Investment Results/Net Operating Expenses (RM'mil)



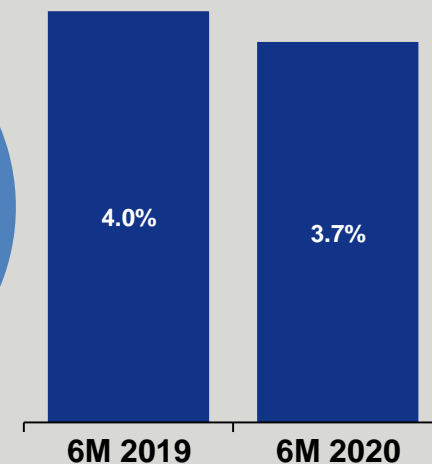
- Net Investment Income
- Net Other Operating Income/ (Expenses)

Portfolio Mix and Investment Yield (Annualised)

Portfolio Mix

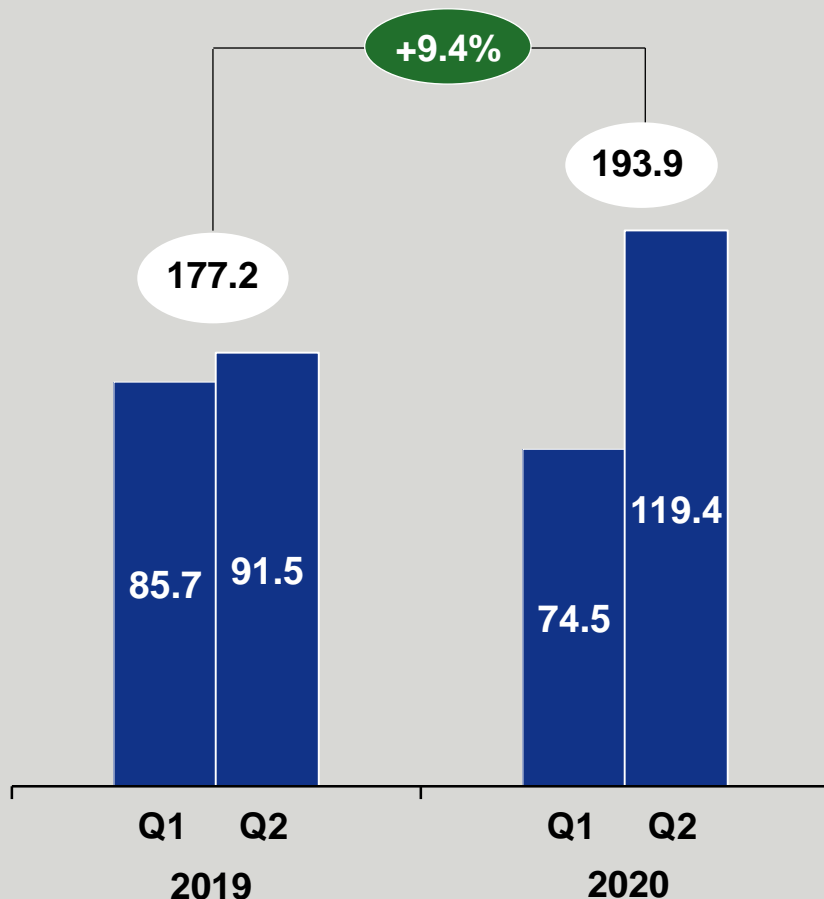


Investment Yield

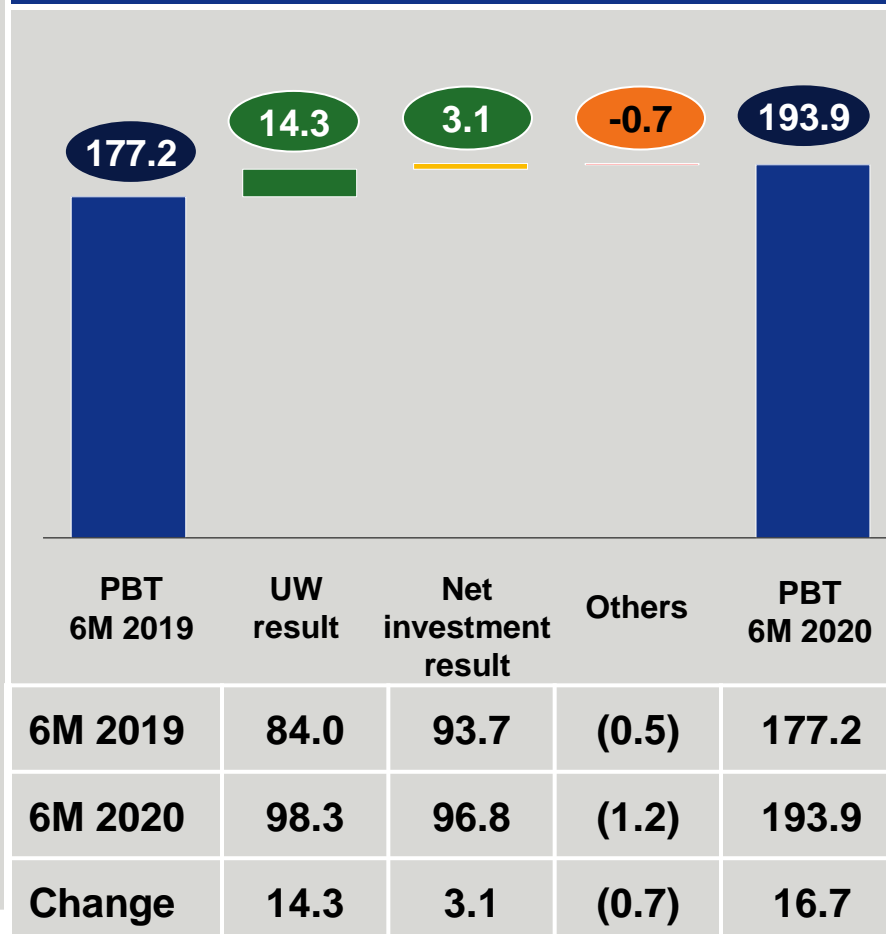


General Business: Higher profit before tax due to higher underwriting profit

Profit Before Tax (RM'mil)

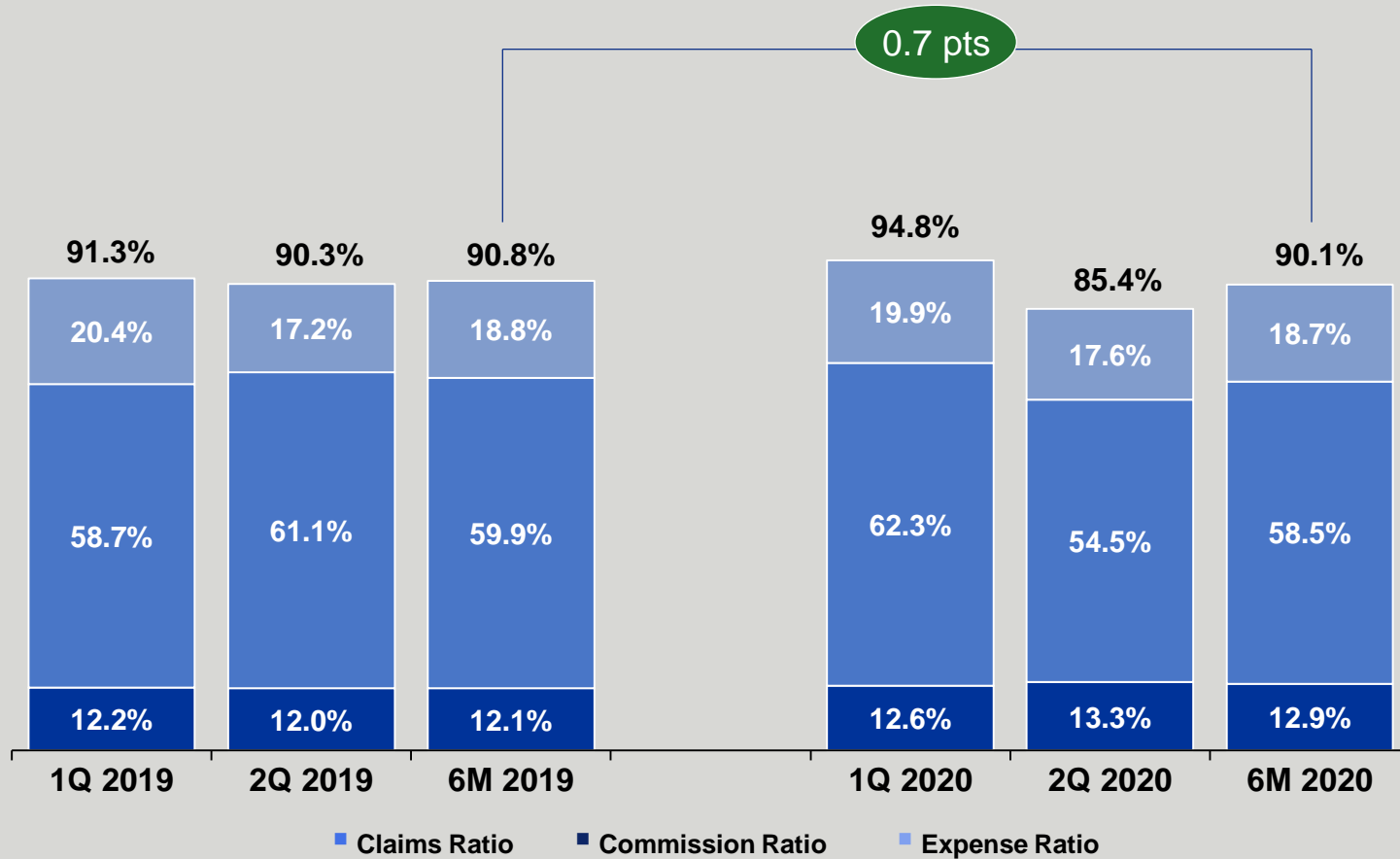


PBT Drivers (RM'mil)



General Business: Lower combined ratio due to lower claims ratio

Combined Ratio



General Business: Unaudited financial results at a glance

RM'mil	6M 2019	6M 2020	△20/19 %
Gross written premiums	1,068.7	1,135.7	6.3%
Gross earned premiums	1,061.1	1,109.5	4.6%
Net earned premiums	920.8	992.8	7.8%
Net change in claims incurred	(551.6)	(580.3)	(5.2%)
Management expenses	(173.7)	(185.9)	(7.0%)
Net fee and commission expenses	(111.5)	(128.3)	(15.1%)
Underwriting result	84.0	98.3	17.0%
Net investment results	93.7	96.8	3.3%
Net other operating expenses	(0.5)	(1.2)	(>100%)
Profit before tax (after consolidation adjustment)	177.2	193.9	9.4%
Commission ratio	12.1%	12.9%	(0.8 pts)
Claims ratio	59.9%	58.5%	1.4 pts
Expense ratio	18.8%	18.7%	0.1 pts
Combined ratio	90.8%	90.1%	0.7 pts

General Business: Performance compared to Industry (Jan-Jun2020)

KPIs	AGIC 6M 2020	Industry ¹ 6M 2020	Takaful ² 6M 2020
GWP growth	6.3%	-3.1%	0.6%
Commission ratio	12.9%	9.5%	8.2%
Claims ratio			
• Overall	58.5%	53.9%	53.3%
• Motor	61.8%	62.4%	65.8%
Expense ratio	18.7%	24.9%	30.3%
Combined ratio	90.1%	88.3%	91.8%

Market Share (3M 2020) ³ **12.9%**

Market Ranking (3M 2020) ³ **No. 1**

Source:

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



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Life Business

Life Business

Gross written premiums

- Gross written premiums grew by 8.2%.

Market position

- ALIM ANP declined by 24.8% while industry growth declined by 19.2%.
- Market share 6M 2020 stood at 8.0% (6M 2019: 8.6%).

Distribution

- Employee Benefits grew by 10.6%.
- Agency ANP declined by 31.3% while Bancassurance declined by 11.5% amidst a challenging business environment during the MCO.
- 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 13.4% but ANP declined by 37.6%.
- 67.9% of Agency new business derived from Investment-Linked business.

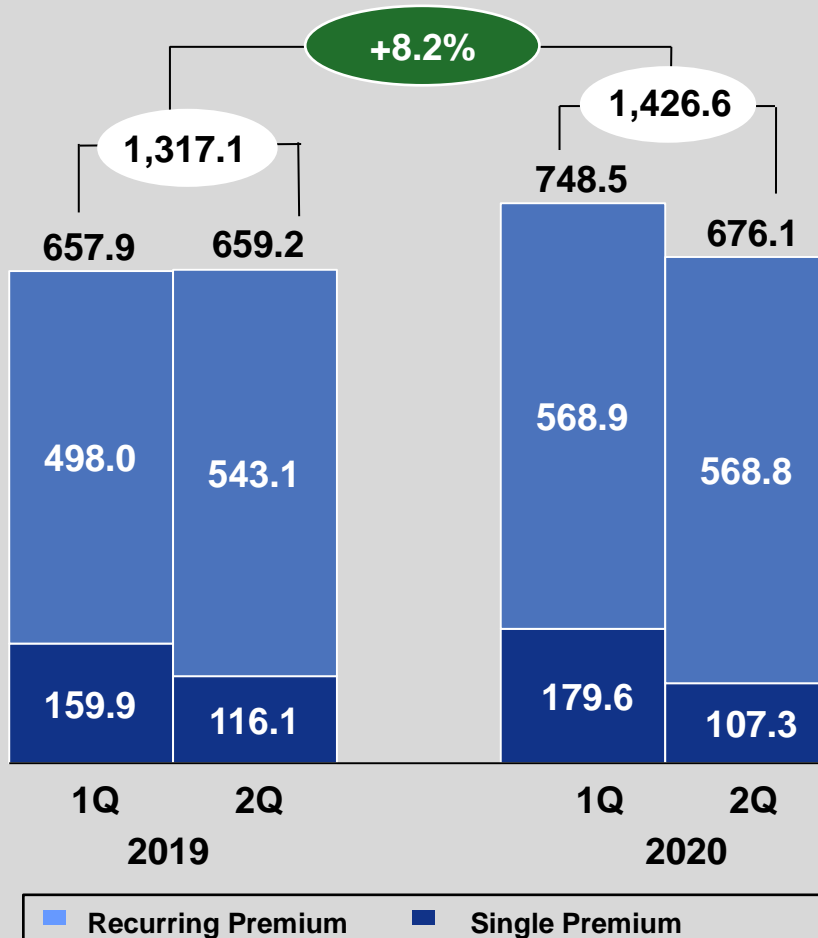
Profitability

- Profit before tax (PBT) decreased by 1.6% due to lower valuation on equity investment.
- The core profit is RM137.3 million, an increase of 32.8% from preceding period on a comparable basis.
- New business value was RM 85.1 million, declined by 30%.

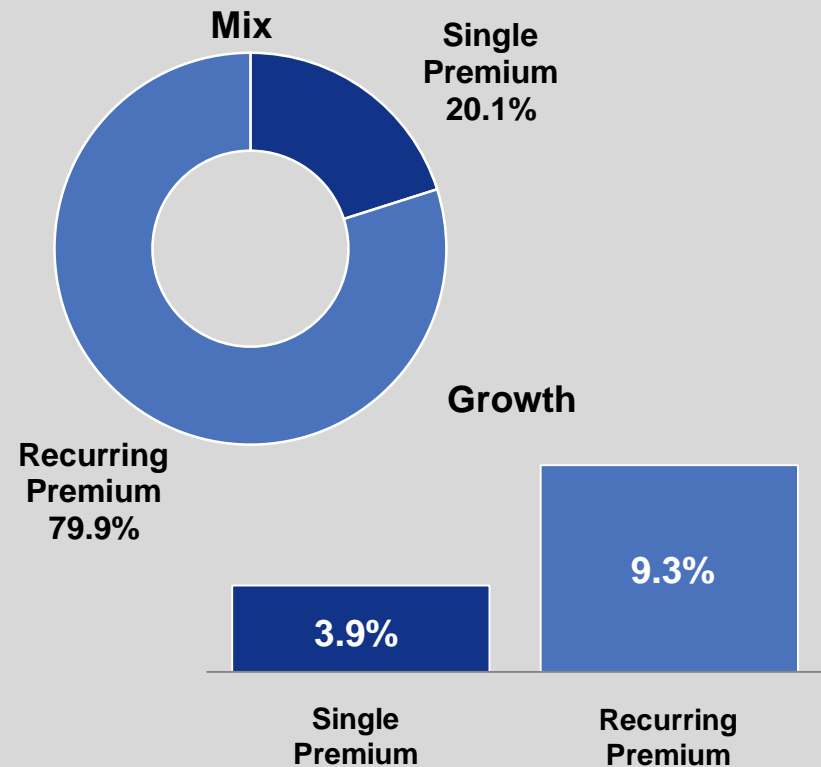


Life Business: Y-o-Y growth in both Single Premium and Recurring Premium

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

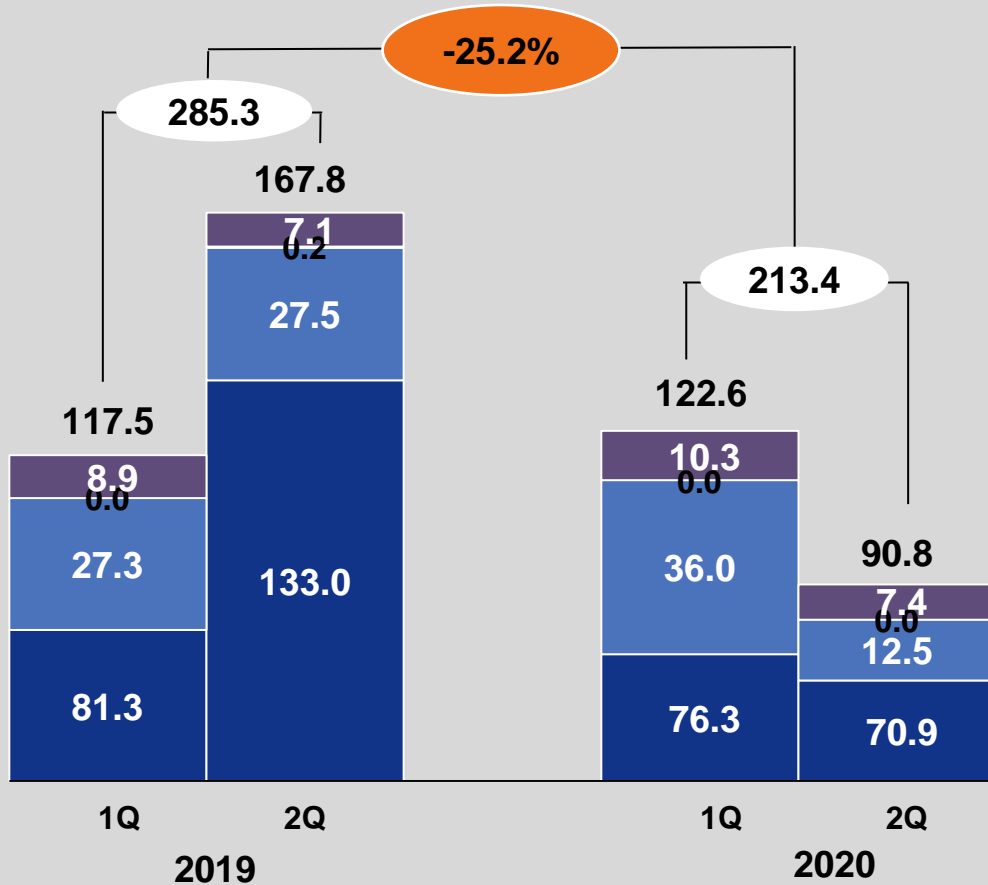


GWP Mix & Growth (%) (6M 2020)

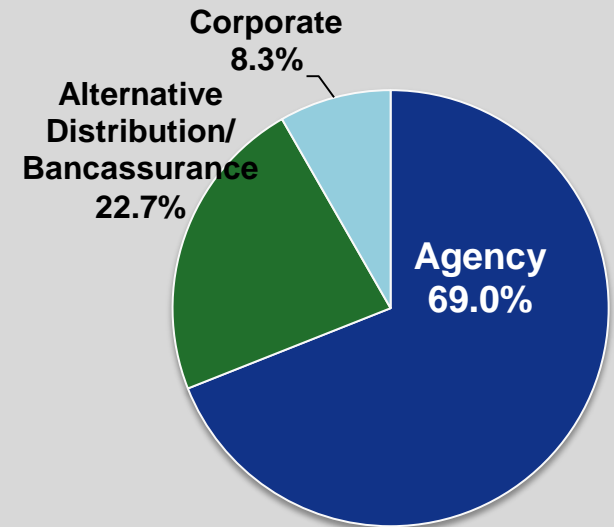


Life Business: ANP growth affected by COVID-19 and MCOs

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



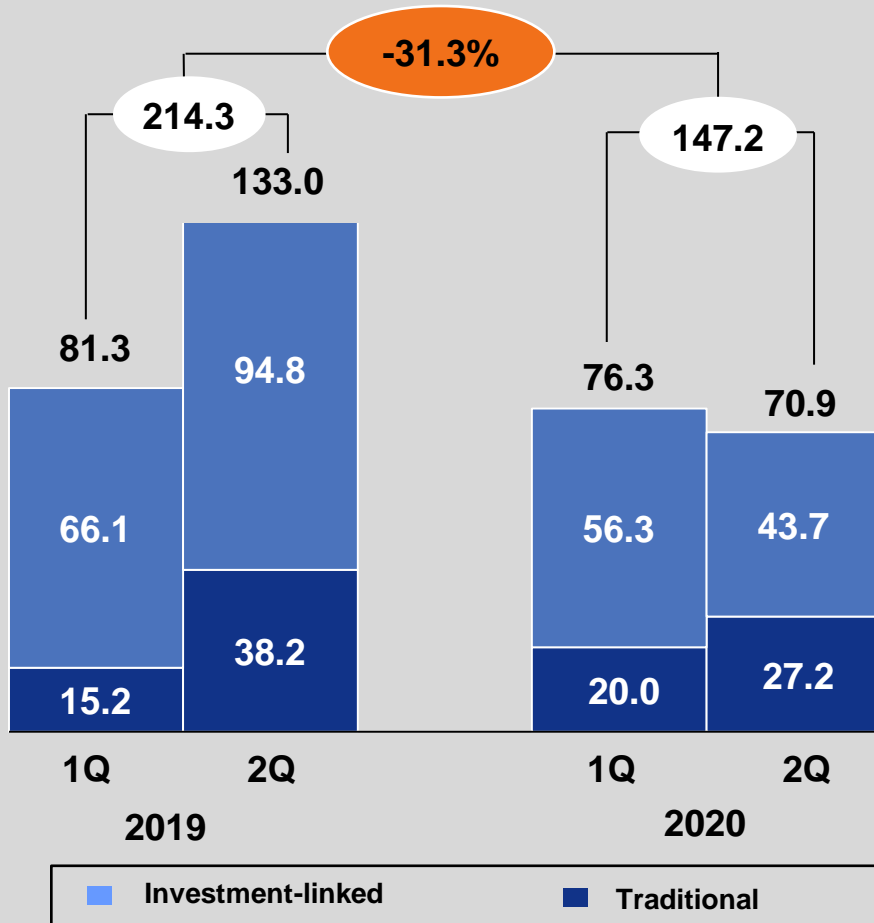
ANP Channel Mix (%) (6M 2020)



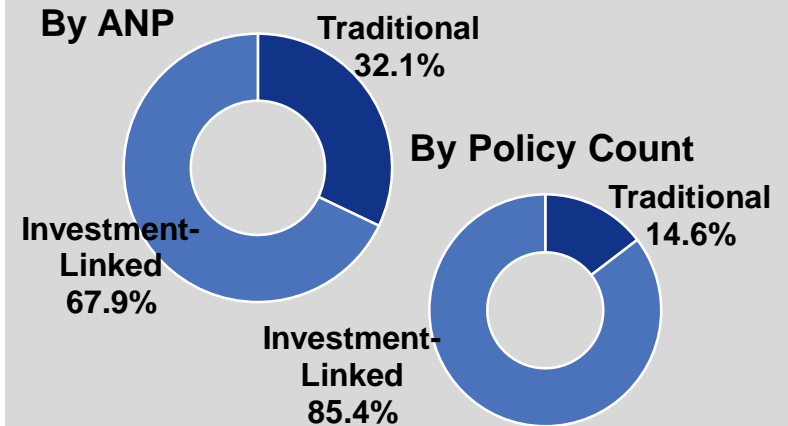
■ Agency ■ Bancassurance ■ Direct Marketing ■ Employee Benefits

Life Business (Agency): Agency's sale activities and movements restricted by MCOs

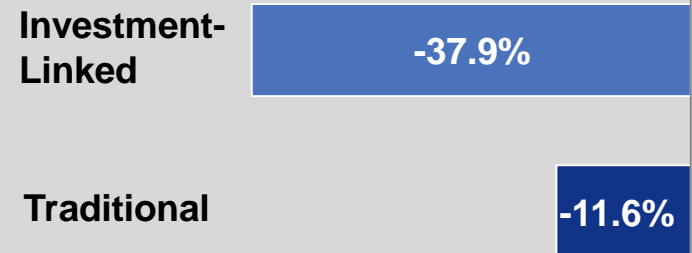
Agency Annualised New Premiums (RM'mil)



Agency Product Mix (%) (6M 2020)

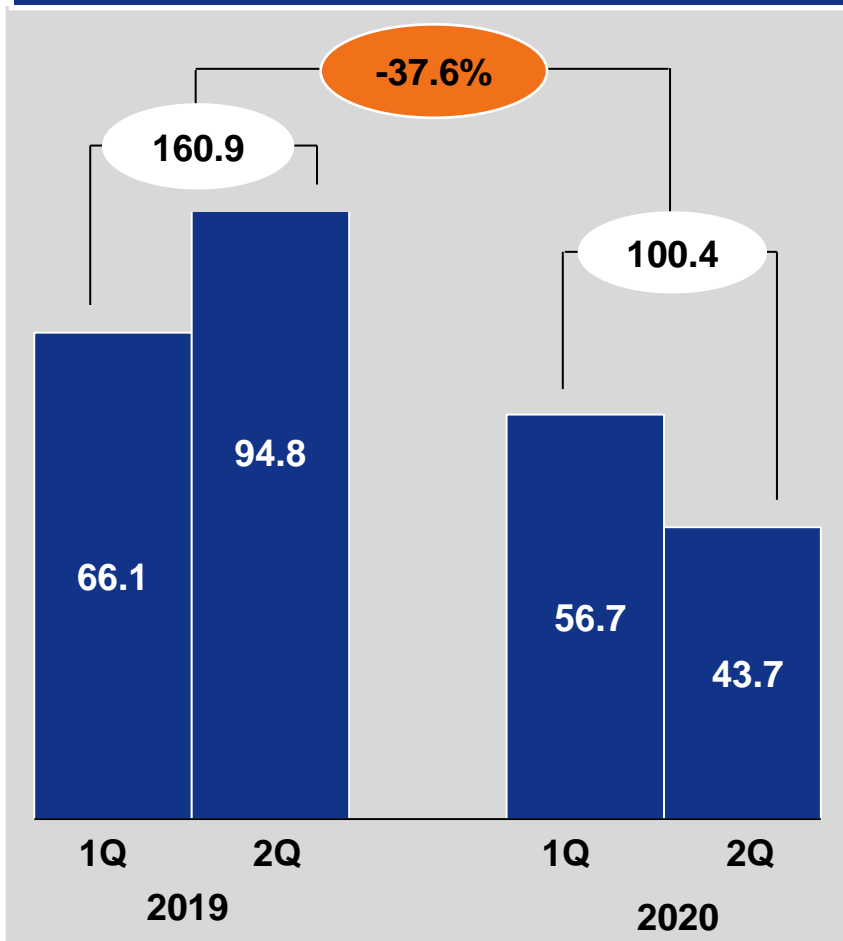


Agency ANP Growth (%) (6M 2020)

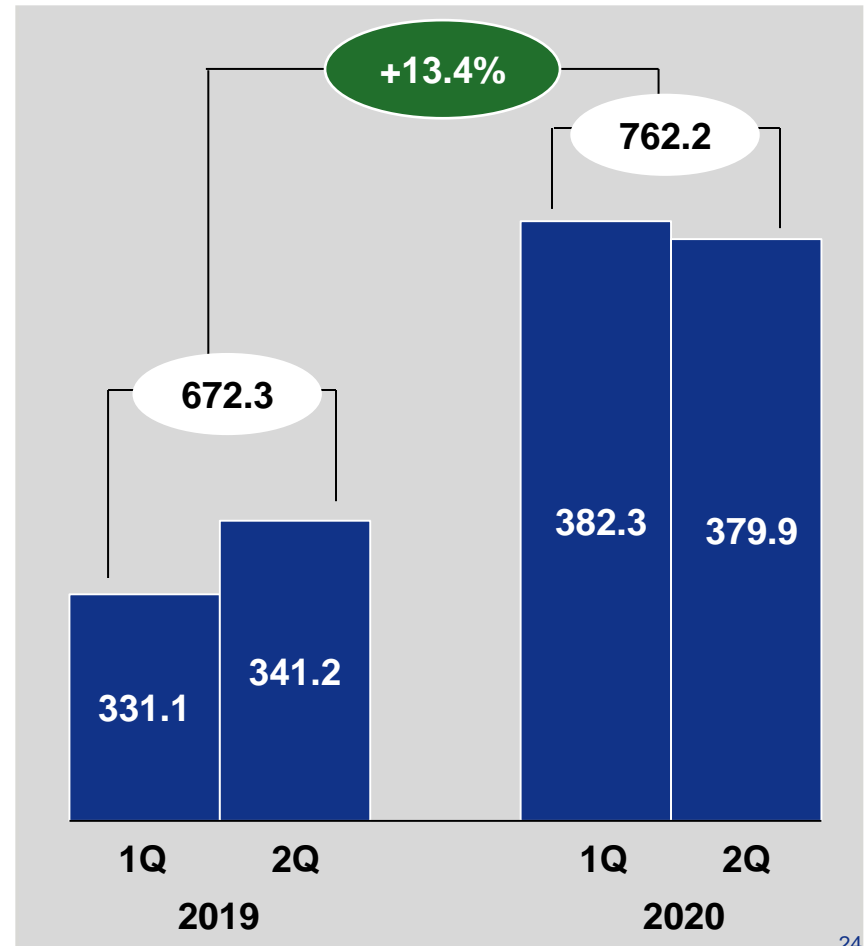


Life Business: Protection Business (Investment-Linked) GWP continues to grow, while ANP takes a breather

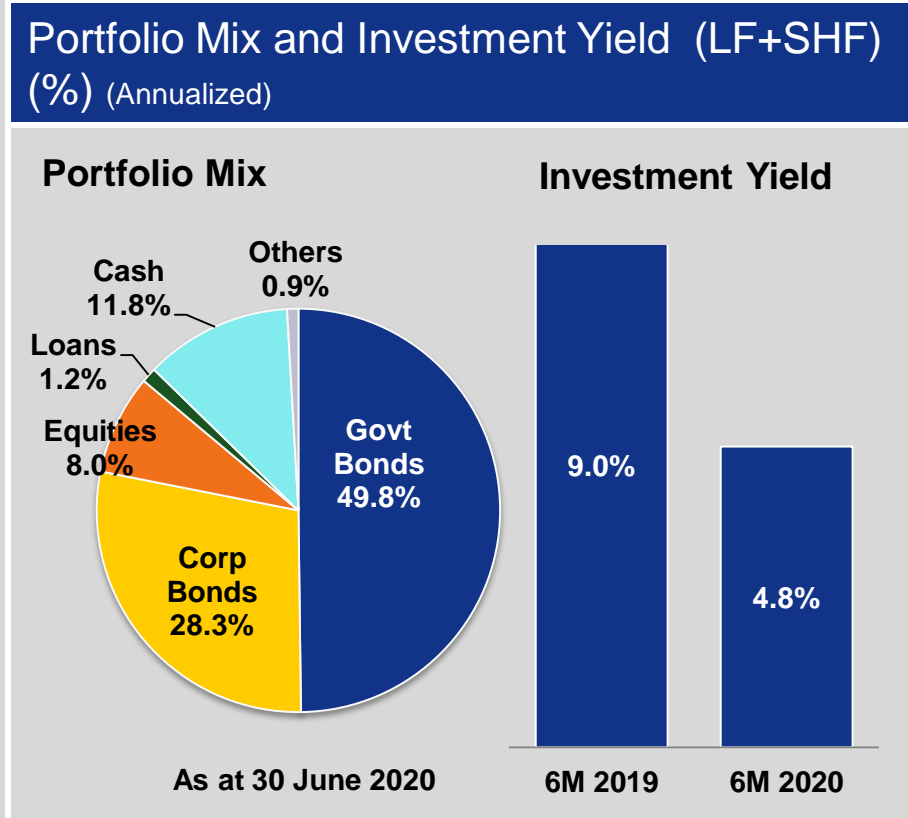
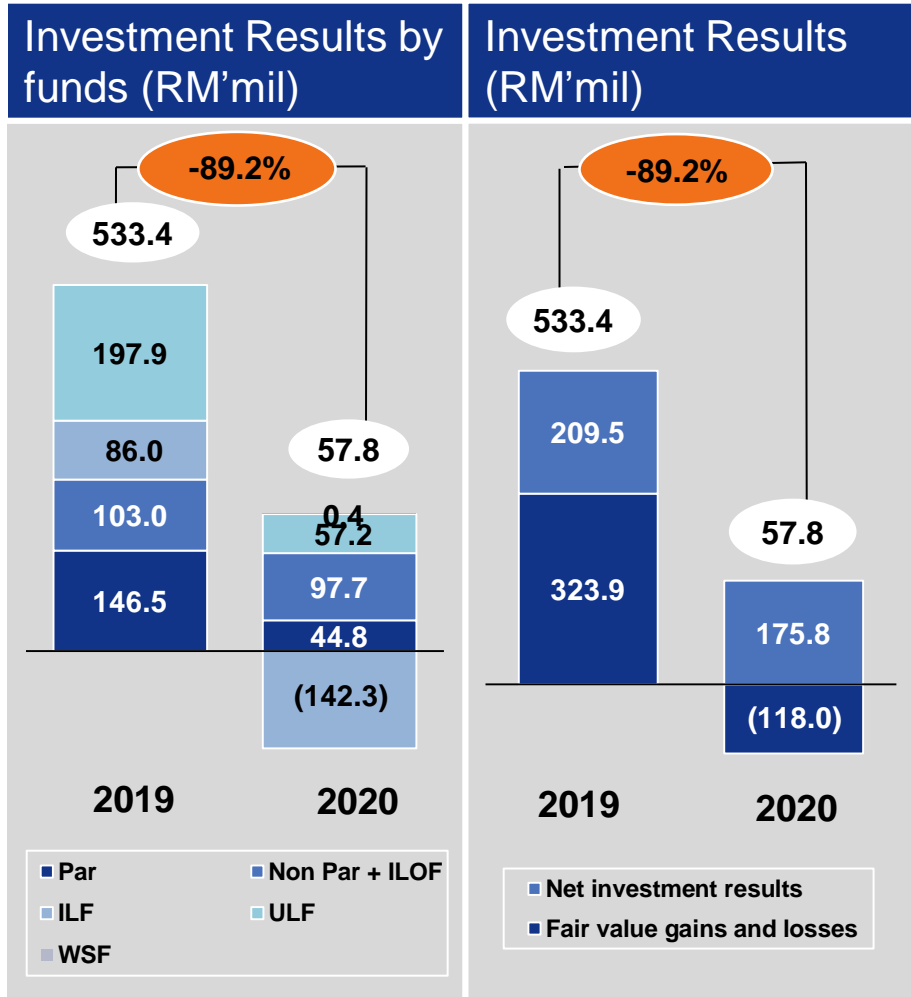
Annualised New Premiums (RM'mil)



Gross Written Premiums (GWP) (RM'mil)



Life Business: Lower net investment results while fair value losses reduced



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

Life Business: Unaudited financial results at a glance

RM'mil	6M 2019	6M 2020	△20/19 %
Gross written premiums	1,317.1	1,424.6	8.2%
Premiums ceded to reinsurers	(32.8)	(49.7)	(51.5%)
Net earned premiums	1,284.3	1,374.9	7.1%
Net change in benefits and claims paid	(603.3)	(545.4)	9.6%
Net change in contract liabilities	(729.4)	(384.6)	47.3%
Management expenses	(103.6)	(117.2)	(13.1%)
Net fee and commission expenses	(222.5)	(228.5)	(2.7%)
Fair value gains and losses	323.9	(118.0)	(>100%)
Net investment results	209.5	175.8	(16.1%)
Net other operating expenses	(1.3)	(1.9)	(46.2%)
Profit before tax (after consolidation adjustment)	157.6	155.1	(1.6%)
Annualised new premiums	285.3	213.4	(25.2%)
Expense ratio (LF+SHF)	10.3%	10.7%	(0.4 pts)
Local investment yield (LF+SHF)	9.0%	4.8%	(4.2 pts)
Lapse ratio (total company)	11.1%	10.5%	0.6 pts
Persistency (13th month by premium)	87.7%	87.8%	0.1 pts

ANP growth affected by COVID-19 and MCOs

Market growth analysis (6M 2020)

Annualised New Business

Distribution Channel	← 6M 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)	-11.3%	7.0%	12.4%	3	13.4%	2.3%	11.6%	-7.8%
Agency (IL)	-37.8%	-31.1%	8.9%	5	11.4%	14.4%	7.6%	8.4%
Agency (Total)	-30.9%	-24.0%	9.8%	5	12.0%	11.8%	8.6%	3.7%
Bancassurance	-11.8%	-15.0%	5.1%	8	35.2%	21.9%	21.5%	16.7%
Employee Benefits	11.5%	6.7%	9.1%	4	20.0%	6.6%	9.6%	11.1%
Total	-24.8%	-19.2%	8.0%	5	16.3%	14.8%	10.6%	7.5%

Thank You
for Your Attention

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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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