

**RESILIENT
& DEFENSIVE**



**ALLIANZ MALAYSIA
BERHAD (197201000819)**

**FINANCIAL RESULTS
3Q 2020**

**ANALYST BRIEFING
27 NOVEMBER 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 RM4.42 billion, an increase of 7.0% compared to corresponding period of RM4.13 billion due to higher gross earned premiums and investment income by RM273.0 million and RM17.7 million respectively.
- General business recorded an operating revenue of RM1.83 billion, an increase of 6.2% compared to corresponding period of RM1.73 billion.
- Life business recorded an operating revenue of RM2.58 billion, an increase of 7.8% compared to corresponding period of RM2.39 billion.

Profitability

- Group profit before tax of RM542.8 million, increased by 7.7% (9M 2019: RM504.0 million). Group core profit was RM498.8 million, increased by 14.2%.
- General business contributed a profit before tax of RM301.6 million (9M 2019: RM242.7 million).¹
- Life business recorded a profit before tax of RM254.1 million (9M 2019: RM268.1 million).² Life core profit was RM210.1 million, increase of 4.7%.

Earnings per ordinary share

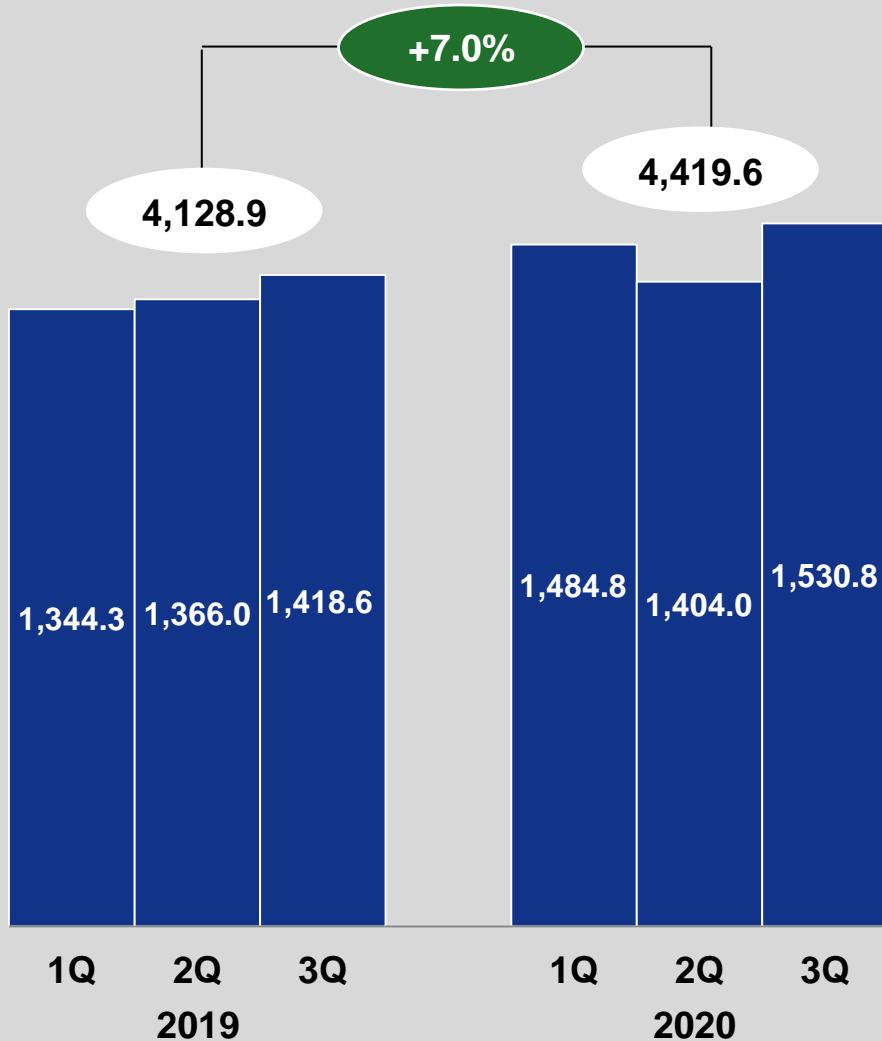
- Basic earnings per ordinary share at 212.73 sen (9M 2019: 203.33 sen).
- Diluted earnings per ordinary share at 108.69 sen (9M 2019: 103.85 sen).

¹ An increase of 24.3% which was attributable to higher underwriting profit, driven by savings in motor claims from less traffic during various MCO. Net combined ratio was 89.7% as at 9M 2020 (9M 2019: 92.6%).

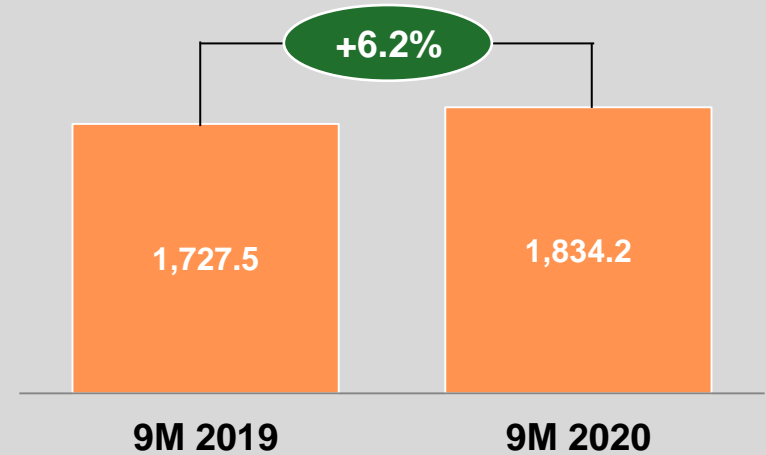
² A decrease of 5.2% which was attributable to fair value losses arising from changes in interest rate.

Financial Highlights 9M 2020

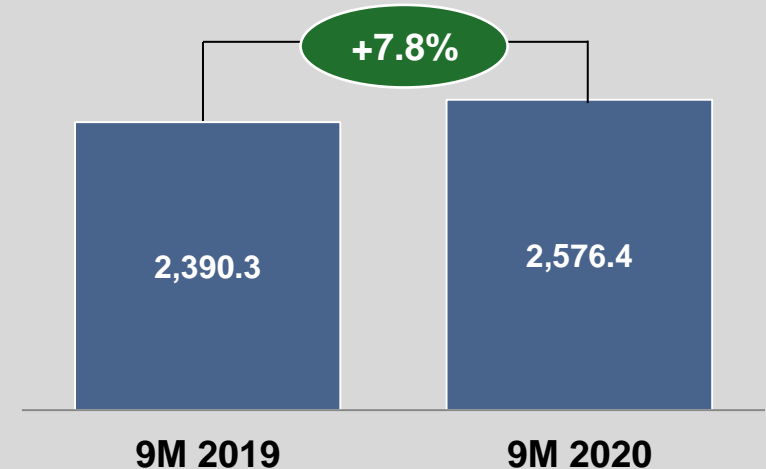
Operating Revenue (RM'mil)



General Business (RM'mil)

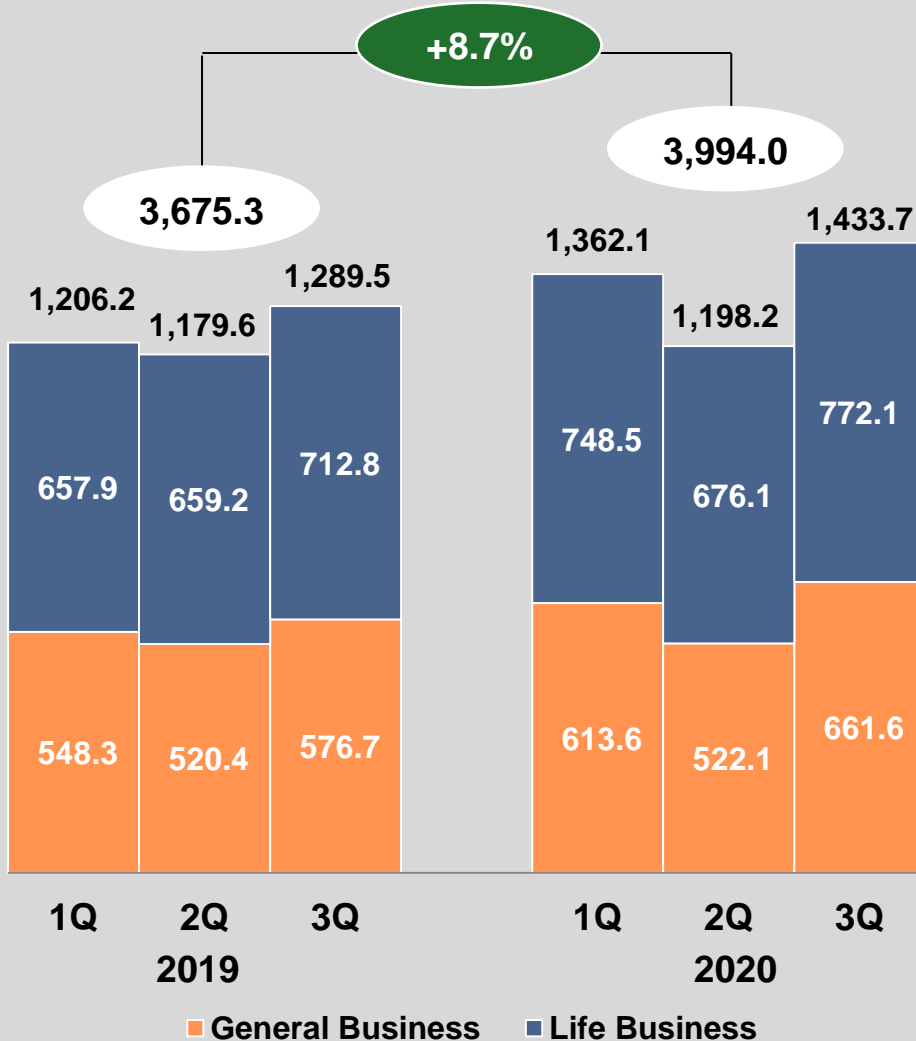


Life Business (RM'mil)

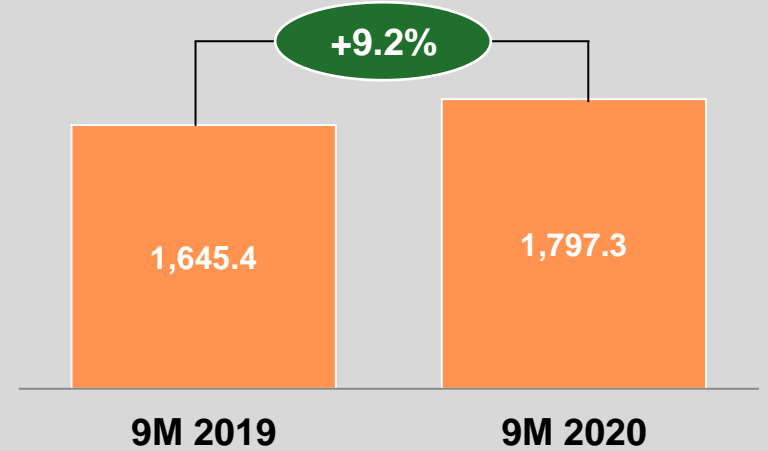


Financial Highlights 9M 2020

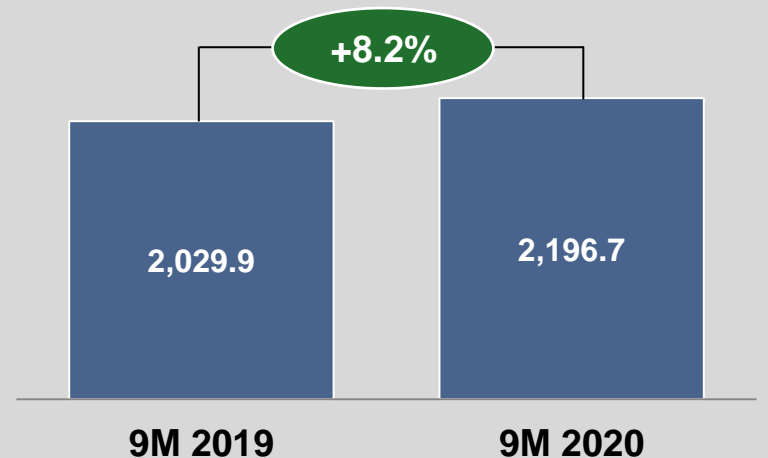
Gross Written Premiums (“GWP”) (RM’mil)



General Business (RM'mil)

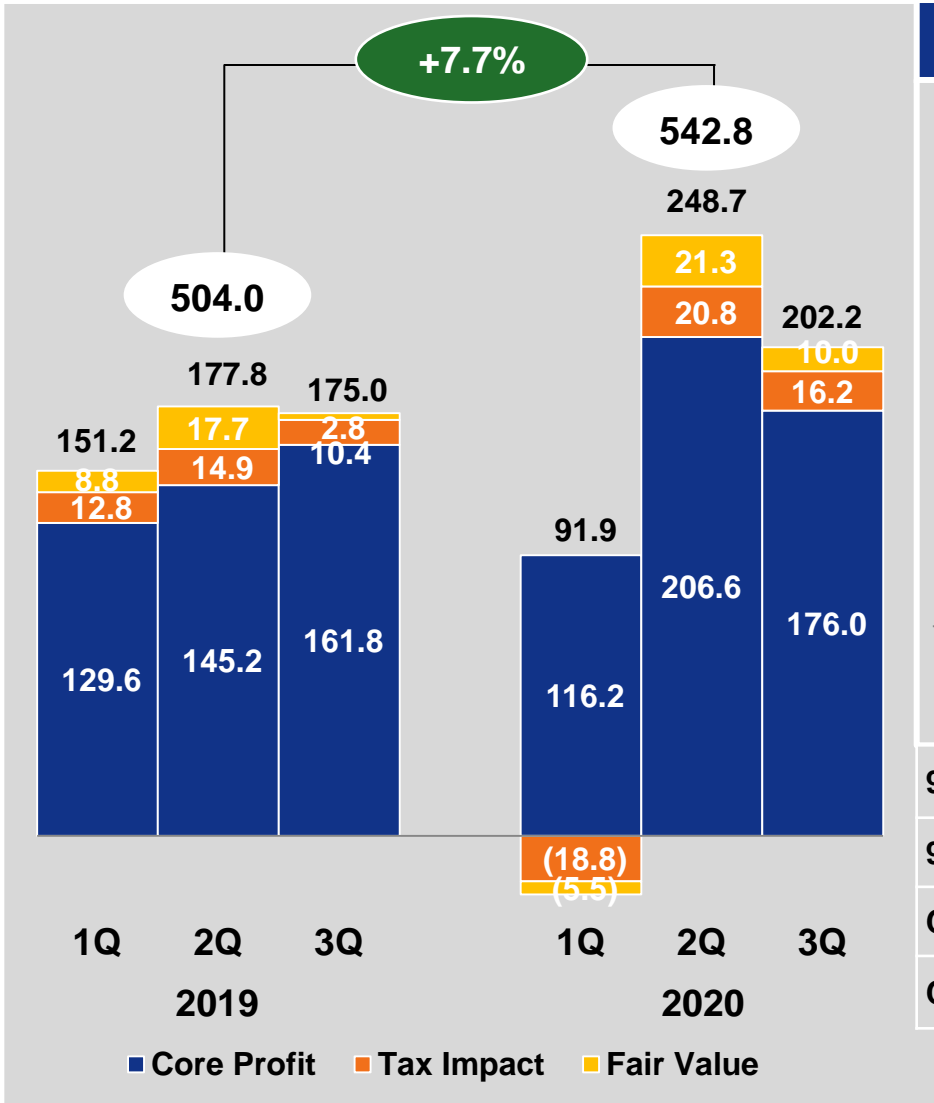


Life Business (RM'mil)

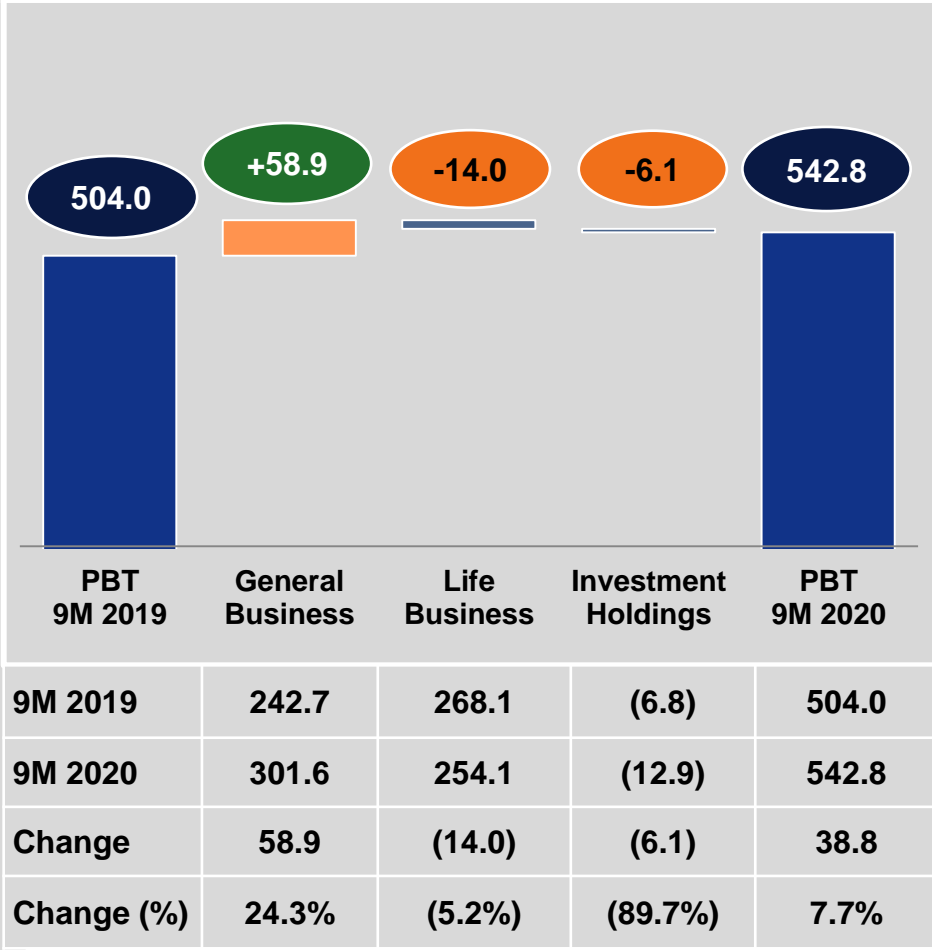


Financial Highlights 9M 2020

Profit Before Tax (RM'mil)

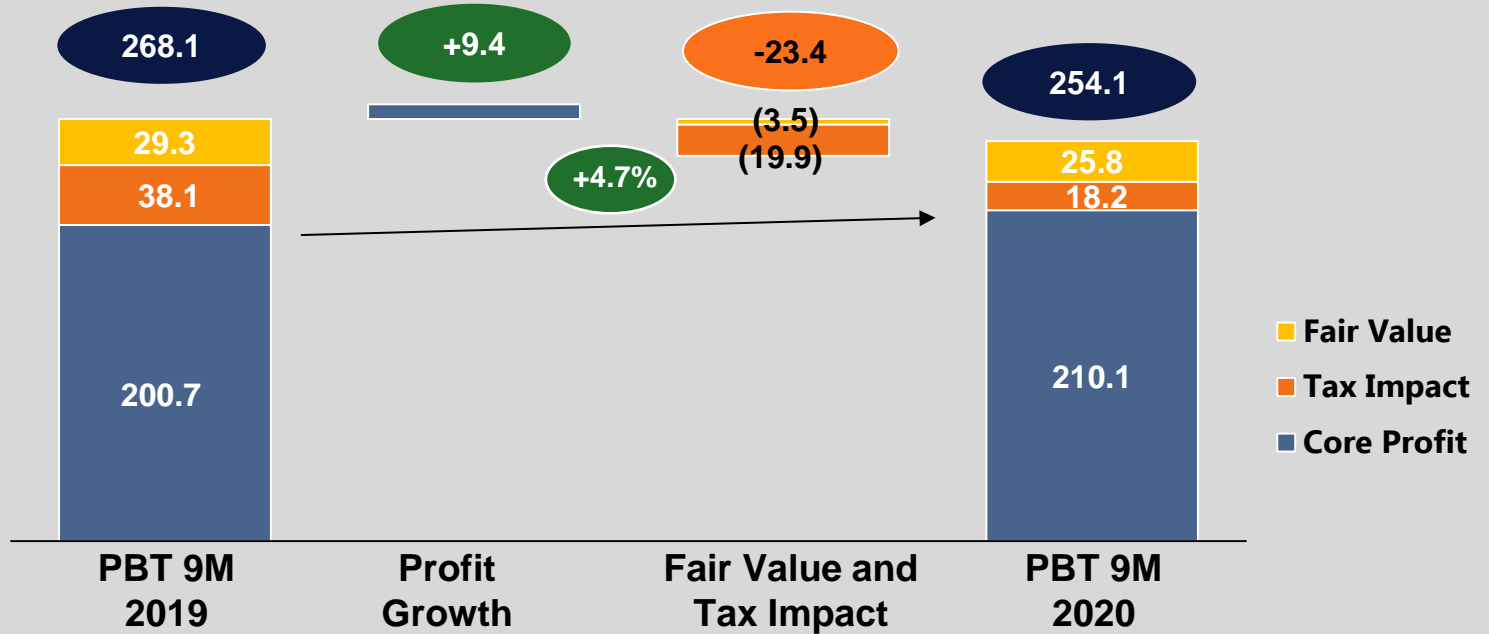


PBT Drivers (RM'mil)



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

Profit Before Tax Drivers (RM'mil)



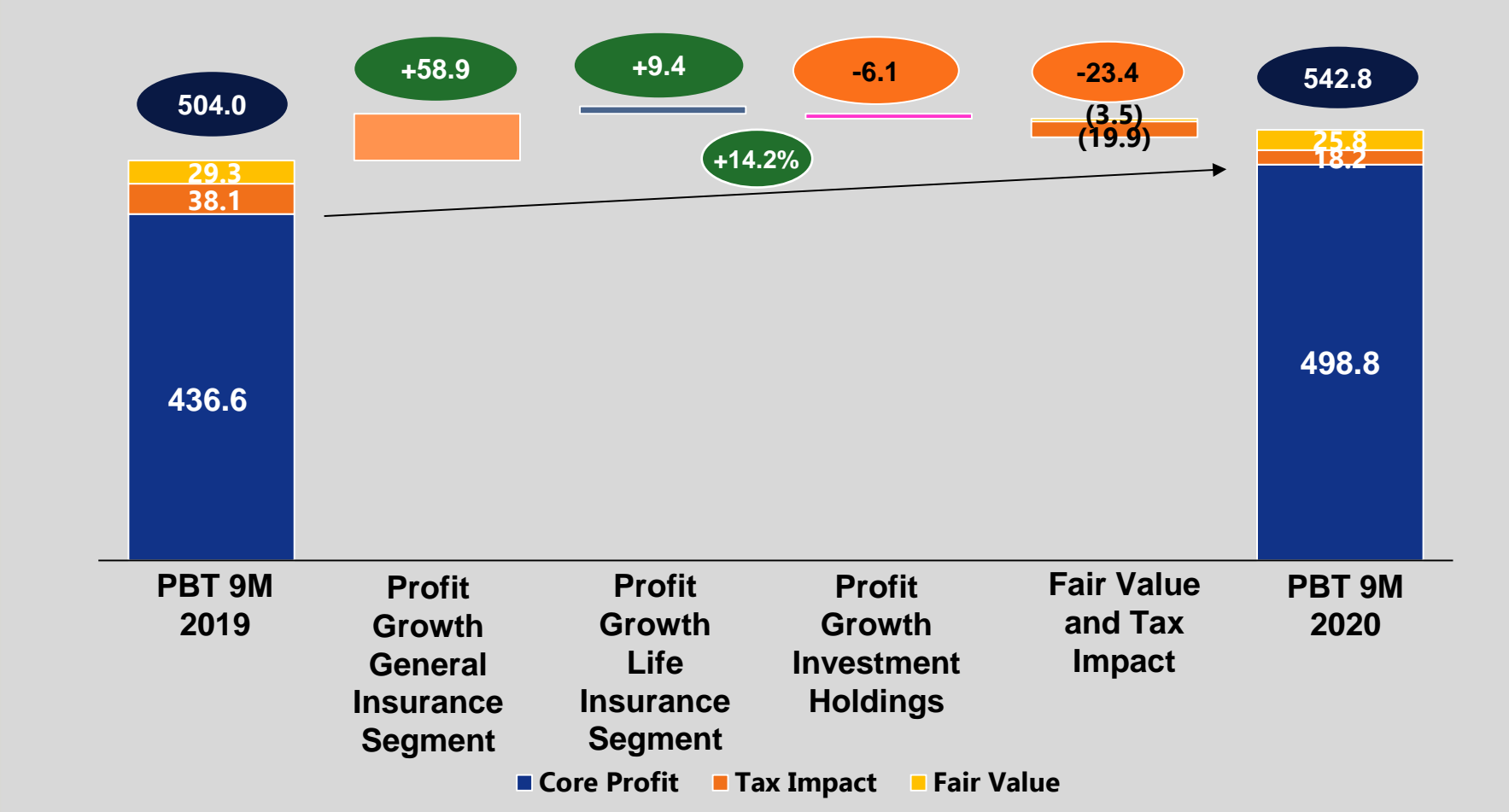
- Fair Value
- Tax Impact
- Core Profit

Interest rate 10 years MGS			
Dec 2019	3.33%	Dec 2018	4.14%
Sep 2020	2.56%	Sep 2019	3.33%
Changes	-0.77%	Changes	-0.81%

Bursa Malaysia KLCI Index			
Dec 2019	1,588	Dec 2018	1,691
Sep 2020	1,497	Sep 2019	1,584
Changes	-5.73%	Changes	-6.33%

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)	9M 2019	9M 2020
Gross Written Premiums	4,285.4	4,504.8	4,922.5	5.6%	3,675.3	3,994.0
Management Expenses	603.8	554.9	618.0	6.4%	425.6	469.3
Expense Ratio (Non Life)	20.3%	18.4%	20.2%	5.1 pts	18.6%	19.1%
Expense Ratio (Life) ¹	12.1%	10.0%	10.5%	(2.4) pts	9.8%	9.8%
Local Consolidated PBT	437.3	519.0	692.1	15.0%	504.0	542.8
Total Assets	16,596.7	17,404.6	19,710.1	9.7%	19,239.2	21,334.4
Shareholders' Equity	3,135.5	3,361.7	3,673.6	8.5%	3,792.2	4,120.8
Dividends declared	45.65	152.04	247.05	93.2%	-	-
Diluted earnings per ordinary share (sen)	83.28	109.09	142.29	16.2%	103.85	108.69

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

Summary of Unaudited Financial Results

RM'mil	9M 2019	9M 2020	△20/19 %
Operating revenue	4,128.9	4,419.6	7.0%
Gross earned premiums	3,617.3	3,890.3	7.5%
Premiums ceded to reinsurers	(259.2)	(257.4)	0.7%
Net earned premiums ("NEP")	3,358.1	3,632.9	8.2%
Net change in benefits and claims paid ("Claim")	(1,710.9)	(1,560.1)	8.8%
Net change in contract liabilities ("Reserve")	(1,062.2)	(991.3)	6.7%
Management expenses ("ME")	(425.6)	(469.3)	(10.3%)
Net fee and commission expense	(512.3)	(554.4)	(8.2%)
Fair value gains and losses	362.0	(38.8)	(>100%)
Net investment results	499.5	530.9	6.3%
Net other operating expenses	(4.6)	(7.1)	(54.3%)
Profit before tax	504.0	542.8	7.7%
Tax expense	(144.6)	(166.5)	(15.1%)
Profit after tax	359.4	376.3	4.7%
ME / NEP ratio	12.7%	12.9%	(0.2 pts)
Claim & Reserve / NEP ratio	82.6%	70.2%	12.4 pts



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General Business

General Business



Gross written premiums

- Gross written premium increased by 9.2% 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

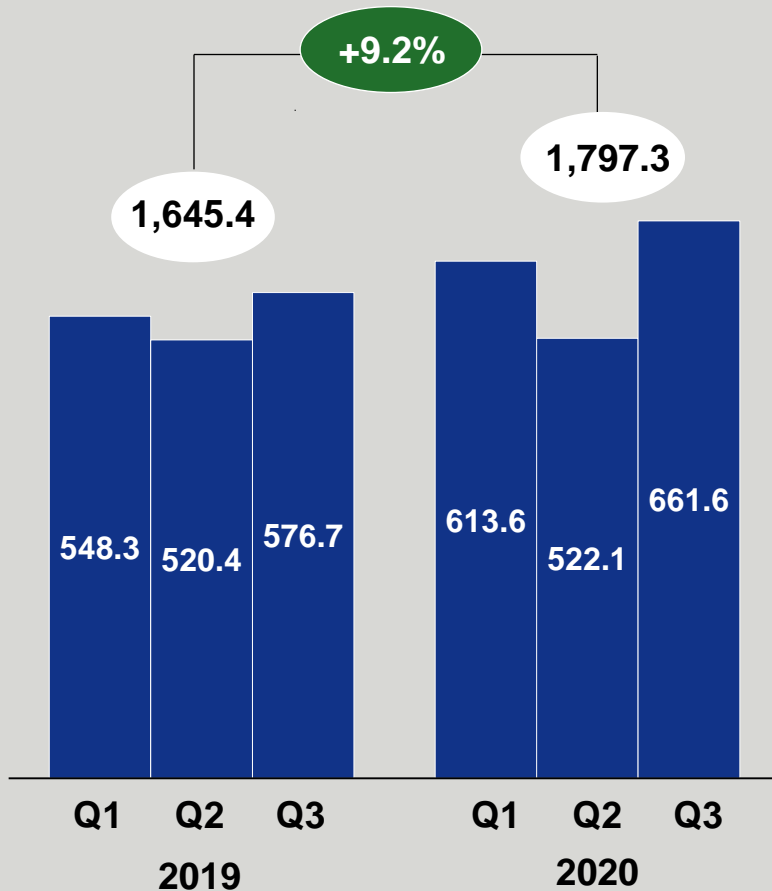
- Lower combined ratio by 2.9 pts due to lower claims ratio.

Market growth

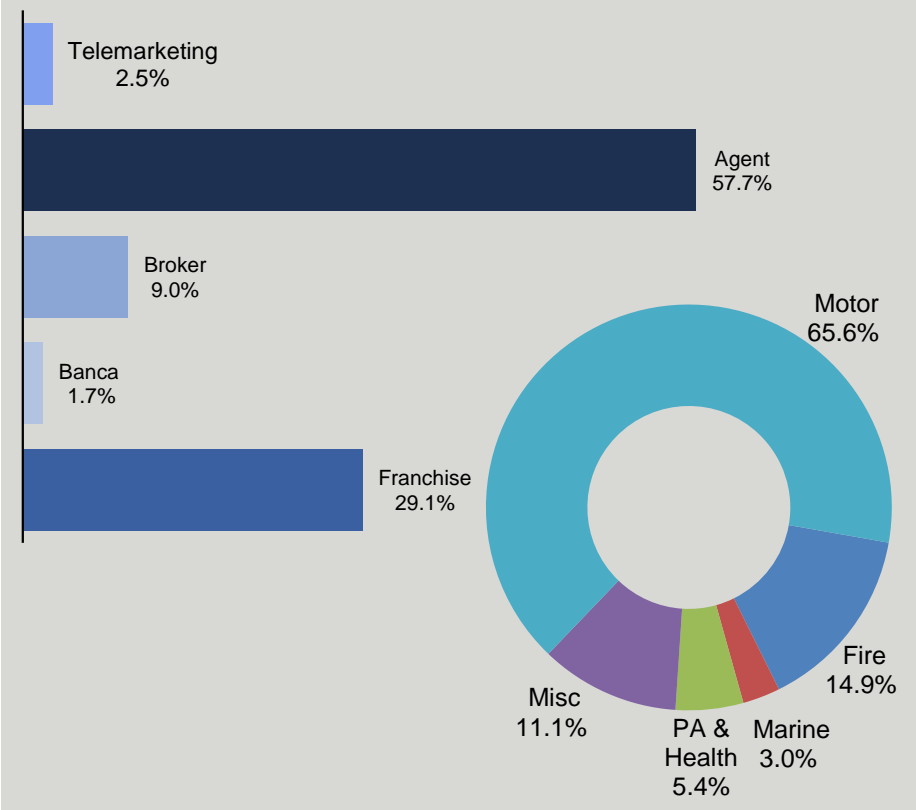
- Market share of 9M 2020 stood at 13.3% (9M 2019: 12.1%)

General Business: GWP is 9.2% higher than prior year

Gross Written Premiums (RM'mil)



Distribution Channel & Portfolio Mix



General Business: Stable growth in investment income

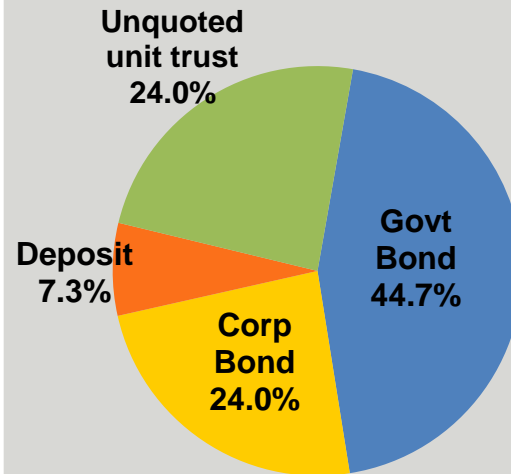
Net Investment Results/Net Operating Expenses (RM'mil)



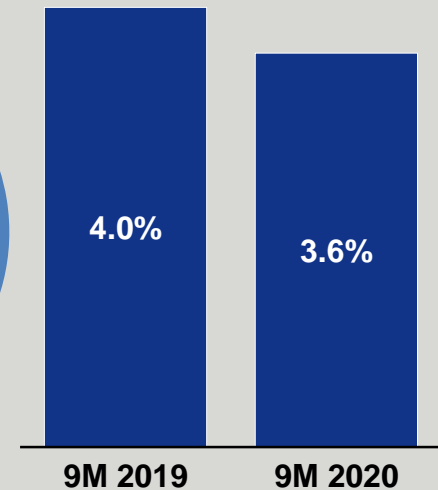
- Net Investment Income
- Net Other Operating Income/ (Expenses)

Portfolio Mix and Investment Yield (Annualised)

Portfolio Mix

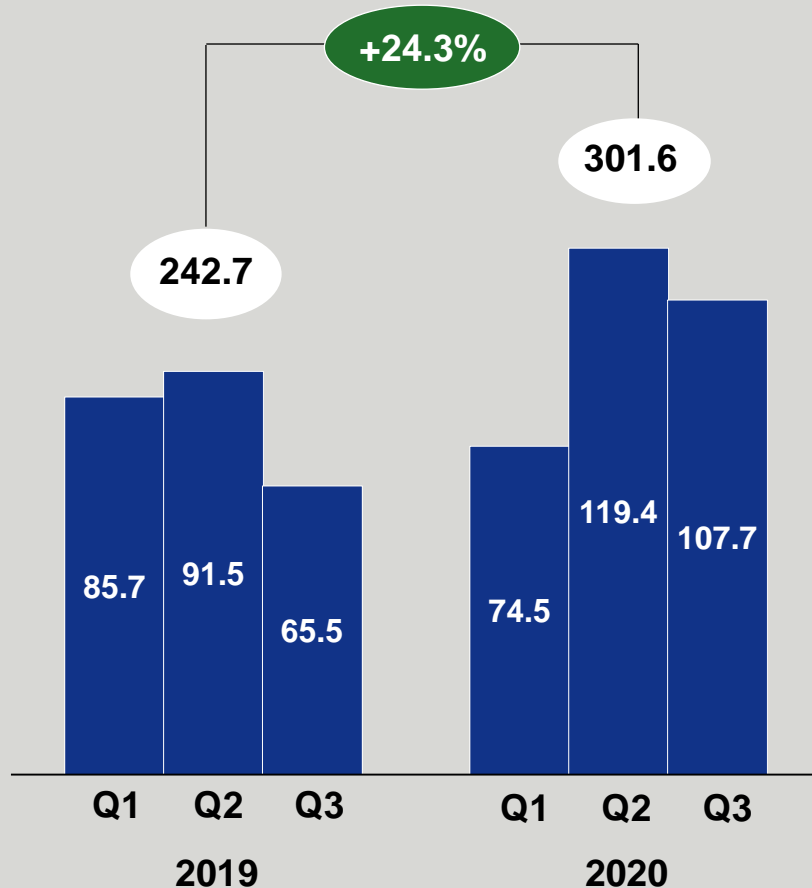


Investment Yield

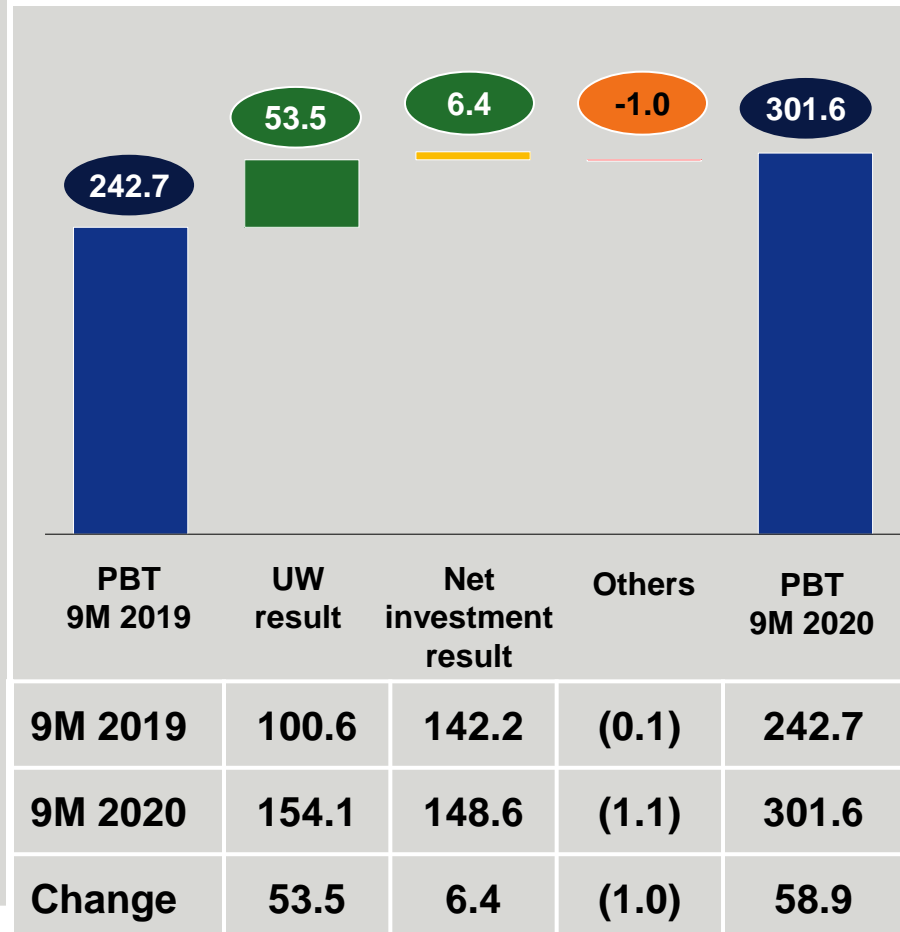


General Business: Higher profit before tax due to higher underwriting profit

Profit Before Tax (RM'mil)

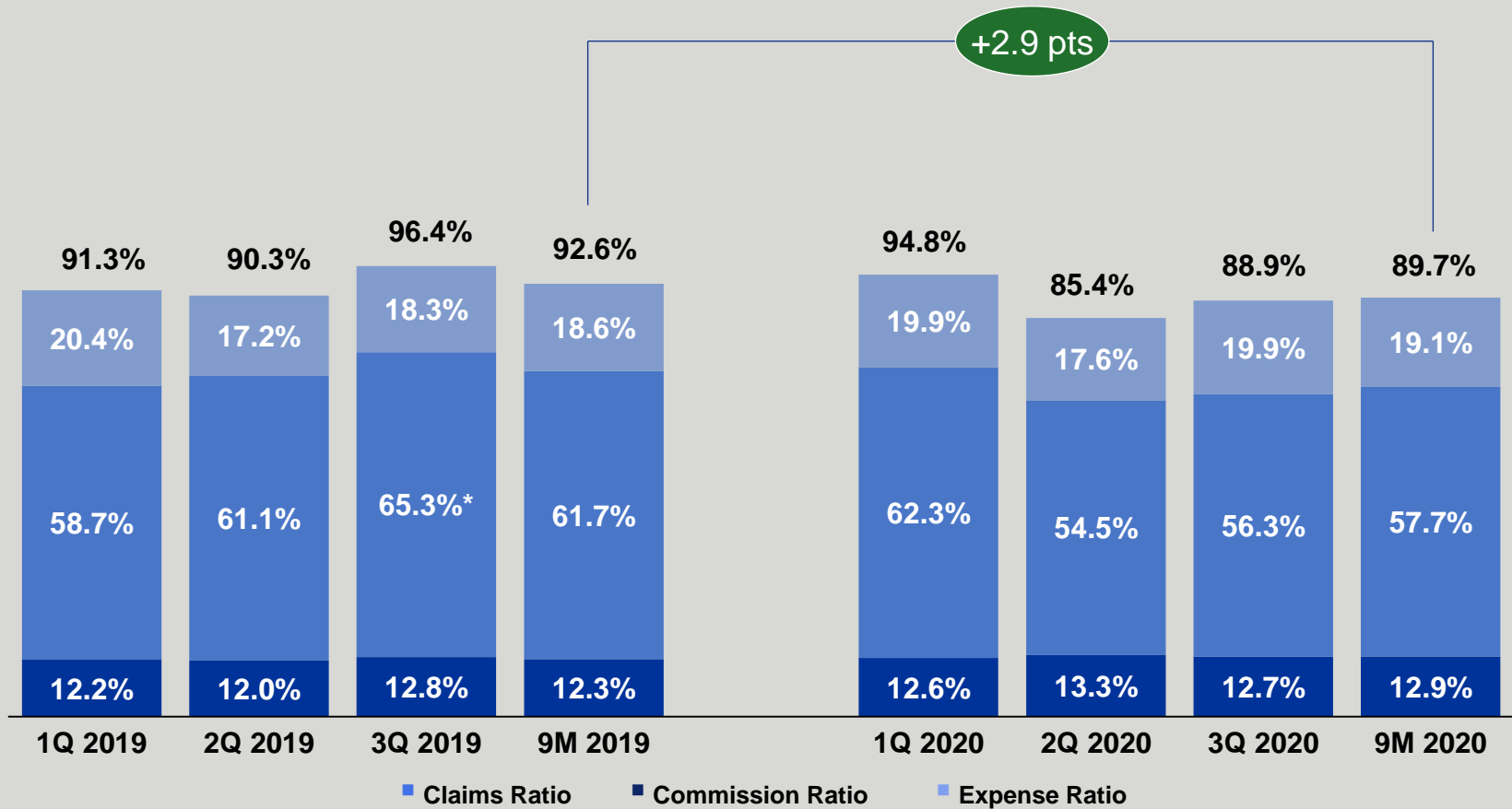


PBT Drivers (RM'mil)



General Business: Lower combined ratio due to lower claims ratio

Combined Ratio



*3Q 2019 claims ratio affected by major Fire claim

General Business: Unaudited financial results at a glance

RM'mil	9M 2019	9M 2020	△20/19 %
Gross written premiums	1,645.4	1,797.3	9.2%
Gross earned premiums	1,587.4	1,693.6	6.7%
Net earned premiums	1,386.6	1507.7	8.7%
Net change in claims incurred	(855.9)	(870.3)	(1.7%)
Management expenses	(259.2)	(289.0)	(11.5%)
Net fee and commission expenses	(170.9)	(194.3)	(13.7%)
Underwriting result	100.6	154.1	53.2%
Fair value gains and losses	0.2	-	(>100%)
Net investment results	142.2	148.6	4.5%
Net other operating expenses	(0.3)	(1.1)	(>100%)
Profit before tax (after consolidation adjustment)	242.7	301.6	24.3%
Commission ratio	12.3%	12.9%	(0.6 pts)
Claims ratio	61.7%	57.7%	4.0 pts
Expense ratio	18.6%	19.1%	(0.5 pts)
Combined ratio	92.6%	89.7%	2.9 pts

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

KPIs	AGIC 9M 2020	Industry ¹ 9M 2020	Takaful ² 9M 2020
GWP growth	9.2%	-0.9%	3.6%
Commission ratio	12.9%	9.9%	8.5%
Claims ratio			
• Overall	57.7%	54.4%	57.0%
• Motor	59.6%	63.3%	71.4%
Expense ratio	19.1%	25.1%	31.6%
Combined ratio	89.7%	89.4%	97.1%

Market Share (9M 2020) ³ **13.3%**

Market Ranking (9M 2020) ³ **No. 1**

Source:

- 1) ISM Market Performance Report Jan-Sep 2020
- 2) ISM Takaful Market Performance Report Jan-Sep 2020
- 3) AGIC and ISM Market Share by Line of Business Report Jan-Sep 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 11.9% while industry growth declined by 7.0%.
- Market share 9M 2020 stood at 7.9% (9M 2019: 8.4%).

Distribution

- Employee Benefits grew by 12.4%.
- Agency ANP declined by 16.5% while Bancassurance declined by 6.5% amidst a challenging business environment due to measures taken to curb COVID-19.
- 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 11.1% but ANP declined by 27.5%.
- 67.4% of Agency new business derived from Investment-Linked business.

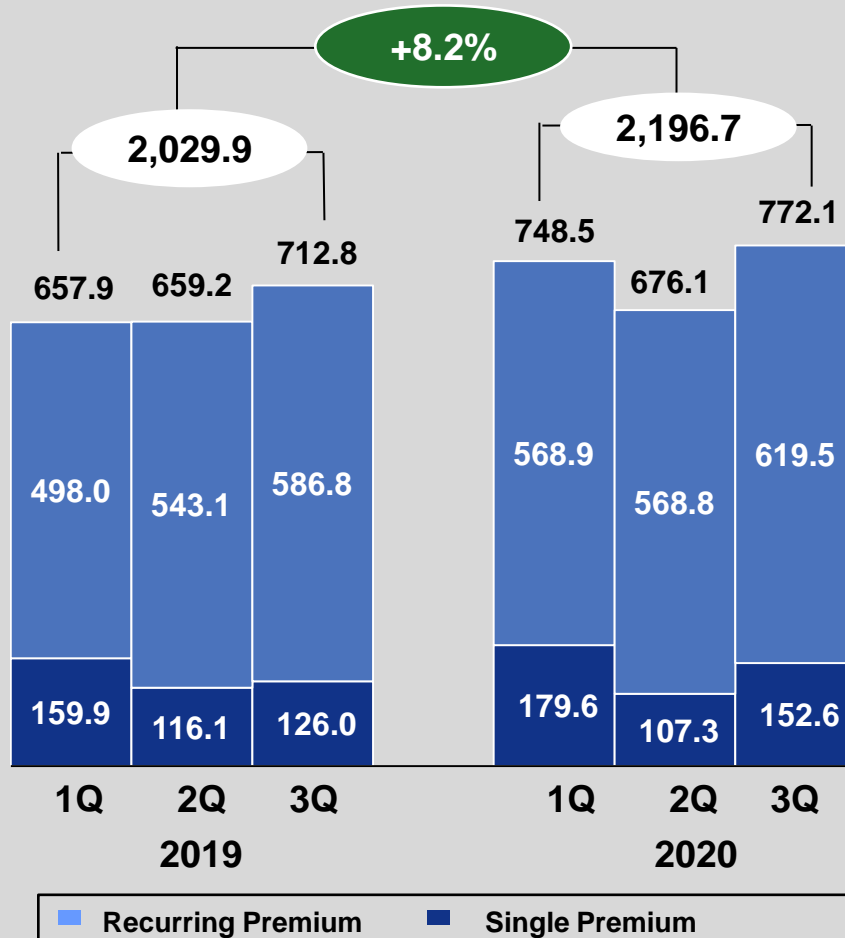
Profitability

- Profit before tax (PBT) decreased by 5.2% due to *fair value losses arising from changes in interest rate*.
- The core profit is RM210.1 million, an increase of 4.7% from preceding period on a comparable basis.
- New business value was RM 165.9 million, declined by 11.8%.

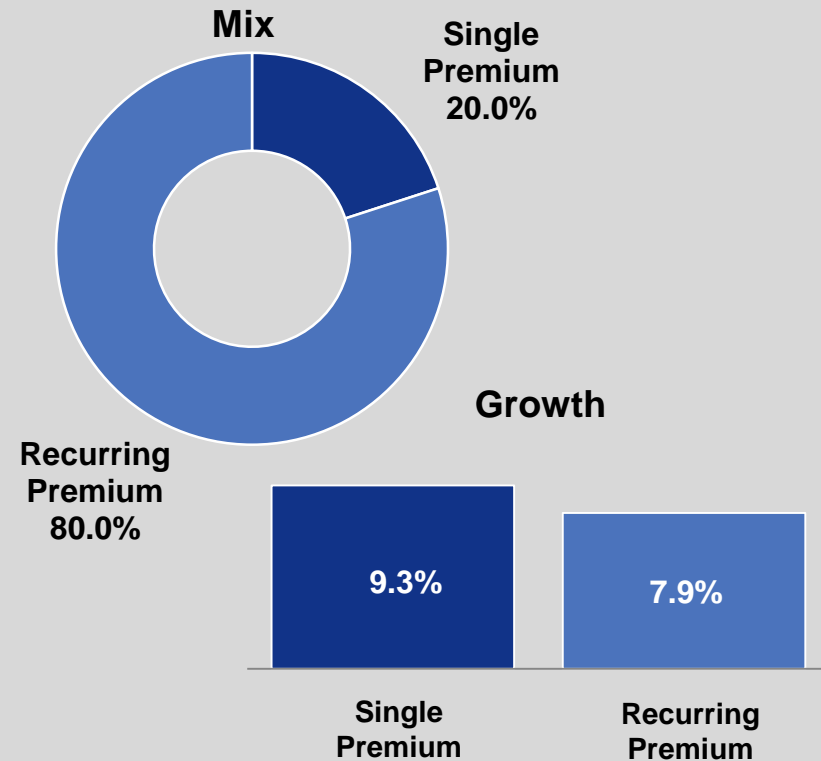


Life Business: Y-o-Y growth in both Single Premium and Recurring Premium

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

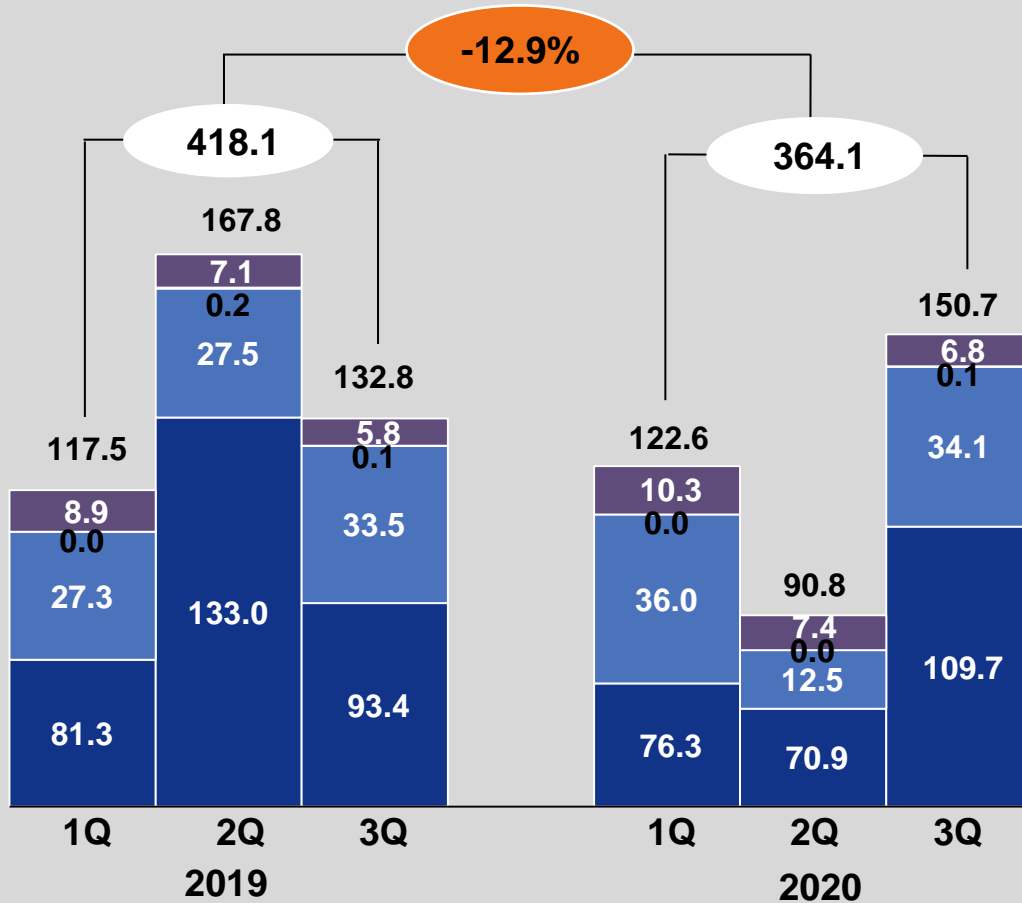


GWP Mix & Growth (%) (9M 2020)

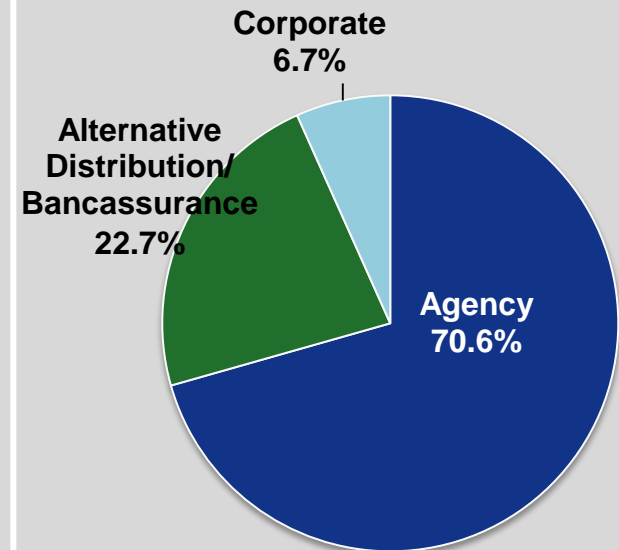


Life Business: ANP growth affected by COVID-19 and MCOs

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



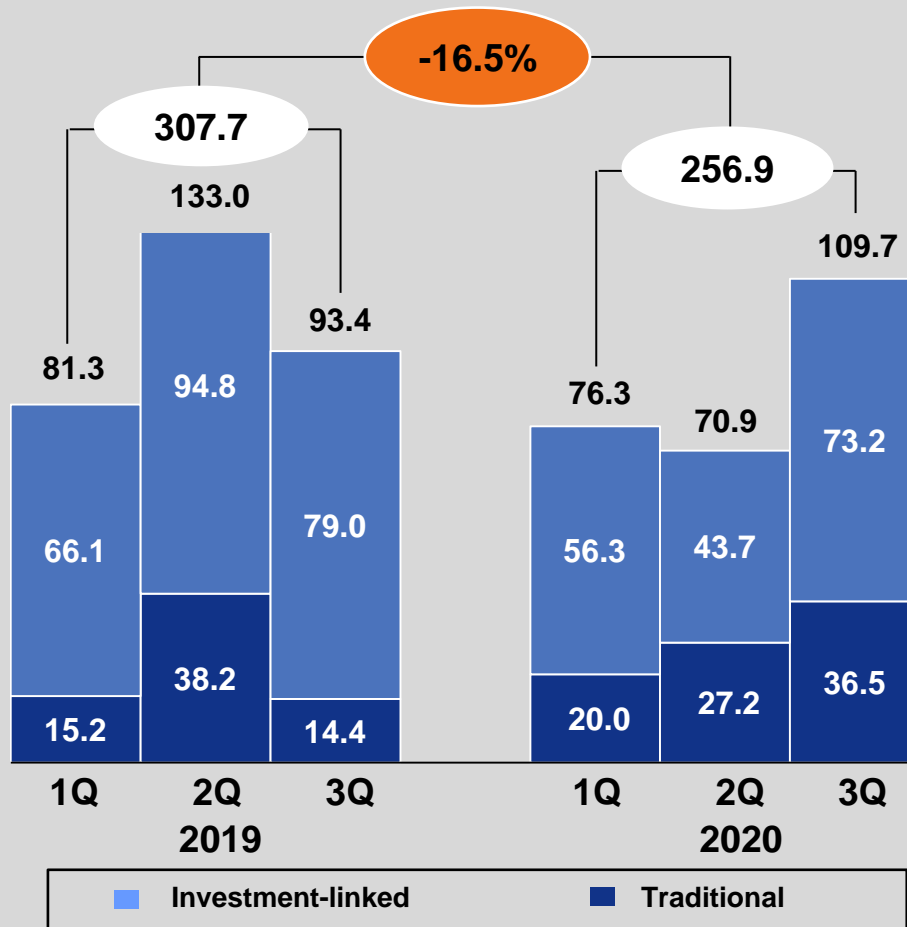
ANP Channel Mix (%) (9M 2020)



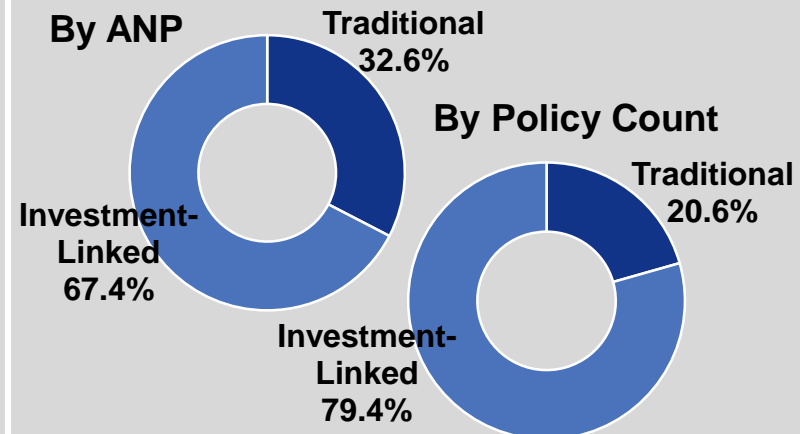
■ Agency ■ Bancassurance ■ Direct Marketing ■ Employee Benefits

Life Business (Agency): Strong recovery in Q3 as MCOs was partially lifted

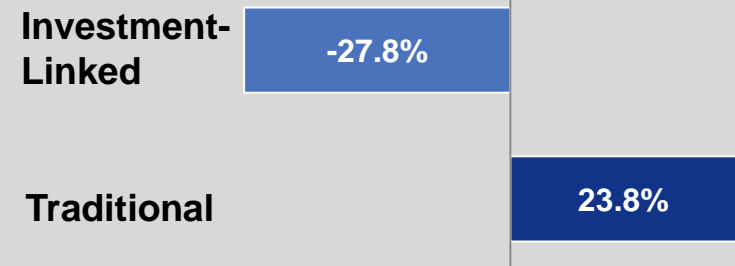
Agency Annualised New Premiums (RM'mil)



Agency Product Mix (%) (9M 2020)

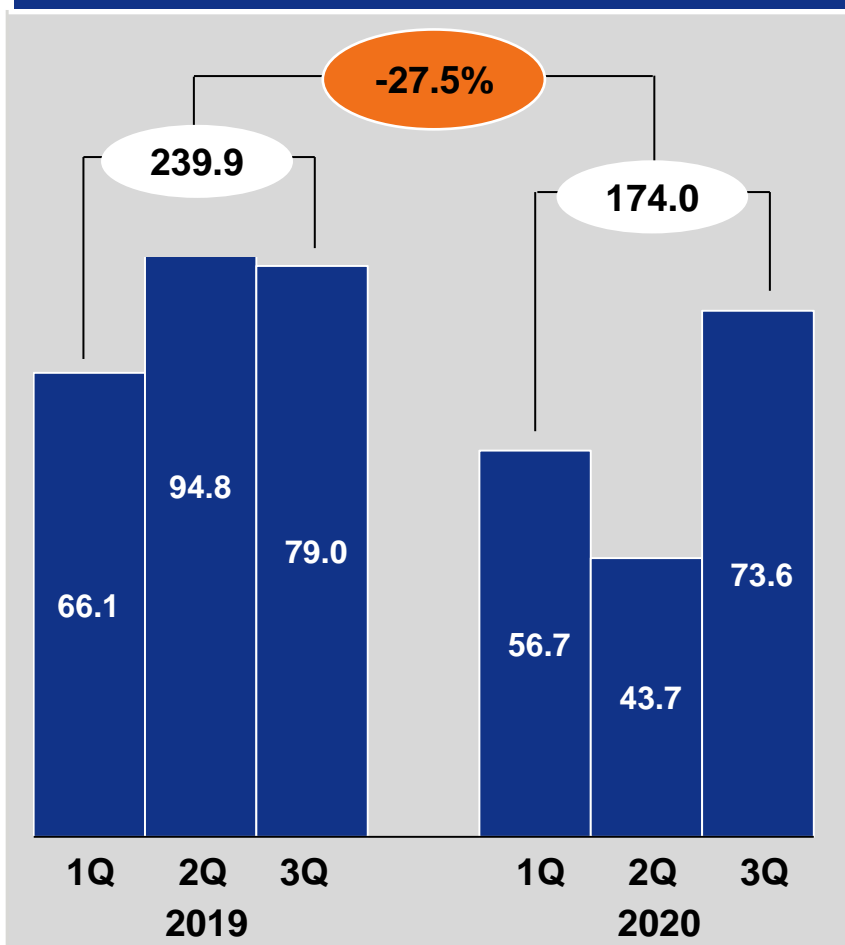


Agency ANP Growth (%) (9M 2020)

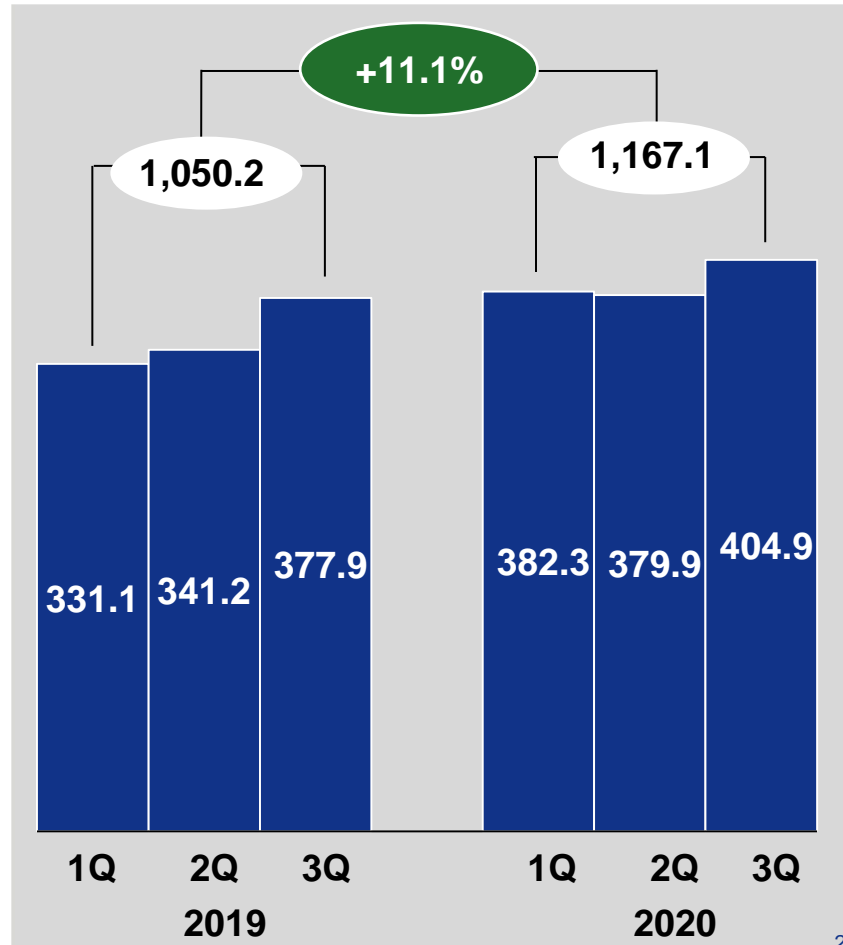


Life Business: Protection Business (Investment-Linked) GWP continues to grow, while ANP takes a breather

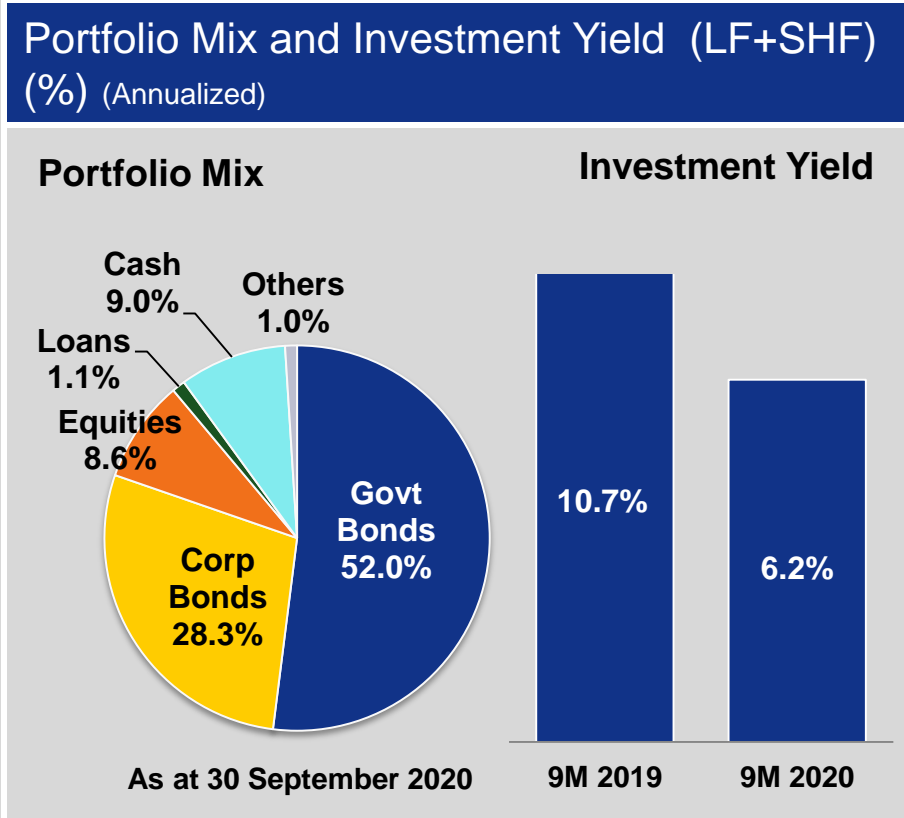
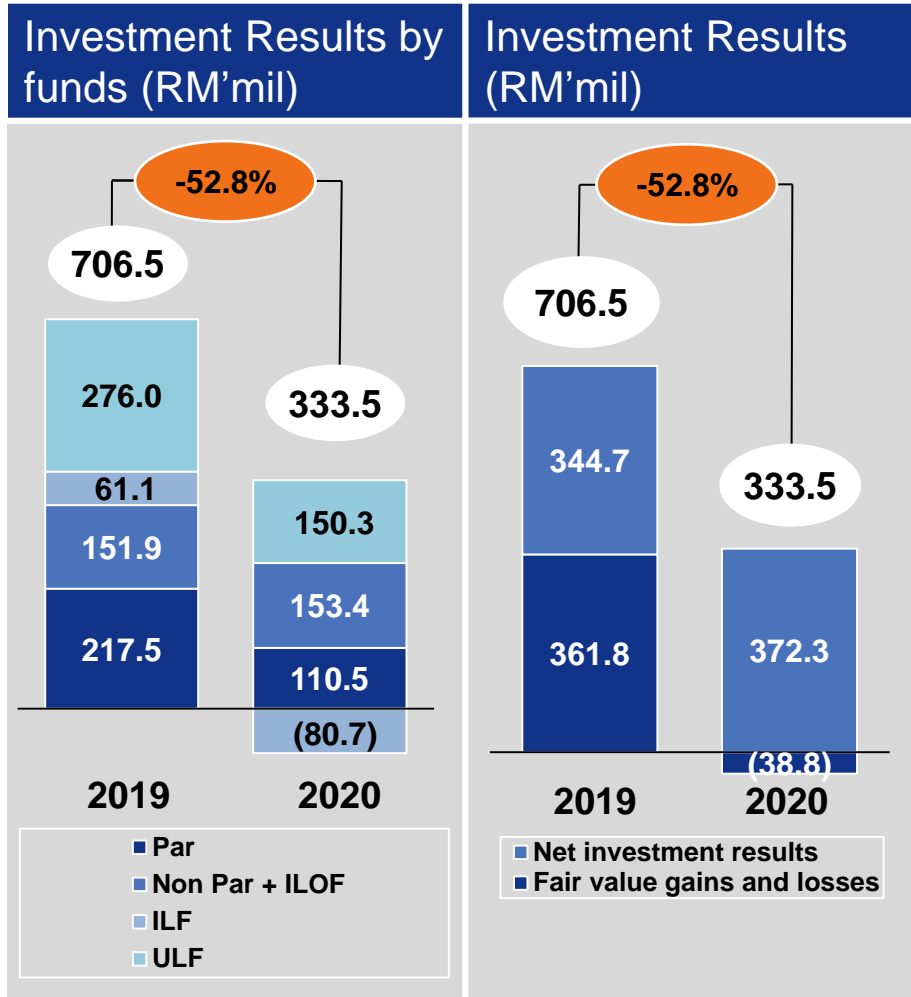
Annualised New Premiums (RM'mil)



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	9M 2019	9M 2020	△20/19 %
Gross written premiums	2,029.9	2,196.7	8.2%
Premiums ceded to reinsurers	(58.4)	(71.5)	(22.4%)
Net earned premiums	1,971.5	2,125.2	7.8%
Net change in benefits and claims paid	(914.8)	(903.0)	1.3%
Net change in contract liabilities	(1,002.3)	(778.1)	22.4%
Management expenses	(153.5)	(166.6)	(8.5%)
Net fee and commission expenses	(335.7)	(350.8)	(4.5%)
Fair value gains and losses	361.8	(38.8)	(>100%)
Net investment results	344.7	372.3	8.0%
Net other operating expenses	(3.6)	(6.1)	(69.4%)
Profit before tax (after consolidation adjustment)	268.1	254.1	(5.2%)
Annualised new premiums	418.1	364.1	(12.9%)
Expense ratio (LF+SHF)	9.8%	9.8%	0.0 pts
Local investment yield (LF+SHF)	10.7%	6.2%	(4.5 pts)
Lapse ratio (total company)	7.9%	11.7%	(3.8 pts)
Persistency (13th month by premium)	87.0%	87.4%	0.4 pts

ANP growth affected by COVID-19 and MCOs

Market growth analysis (9M 2020)

Annualised New Business

Distribution Channel	← 9M 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)	23.6%	28.4%	12.0%	3	13.4%	2.3%	11.6%	-7.8%
Agency (IL)	-27.1%	-18.8%	8.7%	5	11.4%	14.4%	7.6%	8.4%
Agency (Total)	-15.4%	-9.8%	9.6%	5	12.0%	11.8%	8.6%	3.7%
Bancassurance	-6.5%	-4.2%	5.0%	7	35.2%	21.9%	21.5%	16.7%
Employee Benefits	13.1%	6.5%	10.2%	4	20.0%	6.6%	9.6%	11.1%
Total	-11.9%	-7.0%	7.9%	5	16.3%	14.8%	10.6%	7.5%

Thank You
for Your Attention

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