

ALLIANZ MALAYSIA BERHAD (12428-W)

UNAUDITED QUARTERLY RESULTS
FOR THE PERIOD ENDED 31 MARCH 2017

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of financial position
as at 31 March 2017 - unaudited**

	31 March	< Audited >
	2017	31 December
	RM'000	2016
		RM'000
Assets		
Property, plant and equipment	115,473	118,864
Intangible assets	293,575	293,915
Investment properties	30,337	30,337
Deferred tax assets	16,614	14,613
Reinsurance assets	894,767	980,910
Investments	12,639,050	12,218,075
Derivative financial assets	18,856	15,425
Current tax assets	614	170
Insurance receivables	307,312	270,173
Other receivables, deposits and prepayments	268,393	257,663
Deferred acquisitions costs	92,510	86,928
Cash and cash equivalents	702,915	625,304
Total assets	15,380,416	14,912,377

ALLIANZ MALAYSIA BERHAD (12428-W)**Condensed consolidated statement of financial position
as at 31 March 2017 - unaudited (continued)**

	31 March 2017 RM'000	< Audited > 31 December 2016 RM'000
Equity		
Share capital:		
Ordinary Shares	173,753	173,707
Irredeemable Convertible Preference Shares ("ICPS")	172,453	172,499
Reserves	2,604,830	2,533,317
Total equity attributable to owners of the Company	2,951,036	2,879,523
Liabilities		
Insurance contract liabilities	11,157,151	10,768,504
Deferred tax liabilities	201,572	181,861
Derivative financial liabilities	11,244	13,873
Other financial liabilities	50,173	5,346
Insurance payables	355,296	372,450
Other payables and accruals	385,656	427,752
Benefits and claims liabilities	257,633	253,726
Current tax liabilities	10,655	9,342
Total liabilities	12,429,380	12,032,854
Total equity and liabilities	15,380,416	14,912,377
Net asset per ordinary share (RM)	16.98	16.58
Diluted net asset per ordinary share (RM)	8.52	8.32

The accompanying notes form an integral part of these condensed consolidated financial statements.

ALLIANZ MALAYSIA BERHAD (12428-W)
**Condensed consolidated statement of profit or loss
For the period ended 31 March 2017 - unaudited**

	Note (Part B)	Individual period Three months ended 31 March		Cumulative period Three months ended 31 March	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Operating revenue *		1,208,937	1,167,293	1,208,937	1,167,293
Gross earned premiums		1,079,146	1,050,656	1,079,146	1,050,656
Premiums ceded to reinsurers		(122,392)	(121,810)	(122,392)	(121,810)
Net earned premiums		956,754	928,846	956,754	928,846
Investment income	4	129,791	116,637	129,791	116,637
Realised gains and losses	5	33,387	30,537	33,387	30,537
Fair value gains and losses	6	113,290	76,374	113,290	76,374
Fee and commission income		10,344	12,639	10,344	12,639
Other operating income		6,822	5,170	6,822	5,170
Other income		293,634	241,357	293,634	241,357
Gross benefits and claims paid		(573,646)	(518,291)	(573,646)	(518,291)
Claims ceded to reinsurers		102,340	87,027	102,340	87,027
Gross change in contract liabilities		(281,770)	(338,603)	(281,770)	(338,603)
Change in contract liabilities ceded to reinsurers		(70,752)	(10,964)	(70,752)	(10,964)
Net benefits and claims		(823,828)	(780,831)	(823,828)	(780,831)
Fee and commission expense		(162,152)	(153,435)	(162,152)	(153,435)
Management expenses		(148,125)	(113,336)	(148,125)	(113,336)
Other operating expenses		(7,620)	(7,604)	(7,620)	(7,604)
Other expenses		(317,897)	(274,375)	(317,897)	(274,375)
Profit before tax	7	108,663	114,997	108,663	114,997
Tax expense	8	(41,489)	(41,818)	(41,489)	(41,818)
Profit for the period		67,174	73,179	67,174	73,179

* Operating revenue consists of gross earned premiums and investment income.

The accompanying notes form an integral part of these condensed consolidated financial statements.

ALLIANZ MALAYSIA BERHAD (12428-W)
**Condensed consolidated statement of profit or loss and other comprehensive income
For the period ended 31 March 2017 - unaudited**

	Note (Part B)	Individual period Three months ended 31 March		Cumulative period Three months ended 31 March	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Profit for the period attributable to owners of the Company		67,174	73,179	67,174	73,179
Items that are or may be reclassified subsequently to profit or loss					
Fair value of available-for-sale ("AFS") financial assets		5,703	21,296	5,703	21,296
Tax effects thereon		(1,364)	(5,130)	(1,364)	(5,130)
		<u>4,339</u>	<u>16,166</u>	<u>4,339</u>	<u>16,166</u>
Total other comprehensive income for the period, net of tax		<u>4,339</u>	<u>16,166</u>	<u>4,339</u>	<u>16,166</u>
Total comprehensive income for the period, net of tax		<u>71,513</u>	<u>89,345</u>	<u>71,513</u>	<u>89,345</u>
Profit attributable to:					
Owners of the Company		<u>67,174</u>	<u>73,179</u>	<u>67,174</u>	<u>73,179</u>
Total comprehensive income for the period attributable to:					
Owners of the Company		<u>71,513</u>	<u>89,345</u>	<u>71,513</u>	<u>89,345</u>
Basic earnings per ordinary share (sen)	12(a)	<u>38.67</u>	<u>43.22</u>	<u>38.67</u>	<u>43.22</u>
Diluted earnings per ordinary share (sen)	12(b)	<u>19.40</u>	<u>21.14</u>	<u>19.40</u>	<u>21.14</u>

The accompanying notes form an integral part of these condensed consolidated financial statements.

ALLIANZ MALAYSIA BERHAD (12428-W)
Condensed consolidated statement of changes in equity for the period ended 31 March 2017 - unaudited

	←————— Attributable to owners of the Company —————→							Total equity RM'000
	←————— Non-distributable —————→				Distributable			
	Ordinary shares RM'000	Preference shares RM'000	Share premium ¹ RM'000	Revaluation reserve RM'000	Fair value reserve RM'000	Life non- participating fund surplus ² RM'000	Retained earnings RM'000	
At 1 January 2016	169,309	176,897	424,823	34,058	(770)	449,104	1,367,899	2,621,320
Fair value of AFS financial assets	-	-	-	-	16,166	-	-	16,166
Total other comprehensive income for the period	-	-	-	-	16,166	-	-	16,166
Profit for the period	-	-	-	-	-	8,486	64,693	73,179
Total comprehensive income for the period	-	-	-	-	16,166	8,486	64,693	89,345
Contributions by and distributions to owners of the Company								
Conversion of Irredeemable Convertible Preference Shares to ordinary shares	-	-	-	-	-	-	-	-
Total transactions with owners of the Company	-	-	-	-	-	-	-	-
At 31 March 2016	169,309	176,897	424,823	34,058	15,396	457,590	1,432,592	2,710,665

ALLIANZ MALAYSIA BERHAD (12428-W)
Condensed consolidated statement of changes in equity for the period ended 31 March 2017 - unaudited (continued)

	←————— Attributable to owners of the Company —————→							Total equity RM'000
	←————— Non-distributable —————→					Distributable		
	Ordinary shares RM'000	Preference shares RM'000	Share premium ¹ RM'000	Revaluation reserve RM'000	Fair value reserve RM'000	Life non- participating fund surplus ² RM'000	Retained earnings RM'000	
At 1 January 2017	173,707	172,499	424,823	41,934	(3,508)	524,516	1,545,552	2,879,523
Fair value of AFS financial assets	-	-	-	-	4,339	-	-	4,339
Total other comprehensive income for the period	-	-	-	-	4,339	-	-	4,339
Profit for the period	-	-	-	-	-	14,225	52,949	67,174
Total comprehensive income for the period	-	-	-	-	4,339	14,225	52,949	71,513
Contributions by and distributions to owners of the Company								
Conversion of Irredeemable Convertible Preference Shares to ordinary shares	46	(46)	-	-	-	-	-	-
Dividends to owners of the Company	-	-	-	-	-	-	-	-
Total transactions with owners of the Company	46	(46)	-	-	-	-	-	-
At 31 March 2017	173,753	172,453	424,823	41,934	831	538,741	1,598,501	2,951,036

¹ Pursuant to Section 618(3) of the Companies Act 2016 ("CA 2016"), the right to use the credit standing in the share premium account must be exercised within 24 months after the commencement of CA 2016.

² The Life non-participating fund surplus amount is net of deferred tax. This amount is only distributable when the surplus is transferred from the life fund to the shareholders' fund.

The accompanying notes form an integral part of these condensed consolidated financial statements.

ALLIANZ MALAYSIA BERHAD (12428-W)
Condensed consolidated statement of cash flows
For the period ended 31 March 2017 - unaudited

	Three months ended 31 March 2017 RM'000	Three months ended 31 March 2016 RM'000
Cash flows from operating activities		
Profit before tax	108,663	114,997
<i>Adjustments for:</i>		
Investment income	(129,791)	(116,637)
Interest (income)/expense	(205)	845
Realised gains recorded in profit or loss	(33,274)	(30,537)
Fair value gains on financial investments recorded in profit or loss	(114,729)	(87,847)
Purchases of financial investments	(671,951)	(594,500)
Maturity of financial investments	52,000	55,000
Proceeds from sale of financial investments	570,291	676,883
Change in loans and receivables	(147,459)	(110,388)
Non-cash items:		
Change in fair value of AFS financial assets	(70,023)	(41,183)
Unrealised foreign exchange loss	47	-
Depreciation of property, plant and equipment	3,785	3,757
Amortisation of intangible assets	4,393	3,840
Gain on disposal of property, plant and equipment	(113)	-
Impairment loss on AFS financial investments	1,439	11,473
Property, plant and equipment written off	4	4
Insurance and other receivables:		
- Allowance for impairment loss	10,892	2,690
- Bad debts recovered	(18)	(33)
- Bad debts written off	-	152
Changes in working capital:		
Change in reinsurance assets	86,143	11,676
Change in insurance receivables	(48,013)	(12,265)
Change in other receivables, deposits and prepayments	(16,966)	(15,733)
Change in insurance contract liabilities	388,647	401,553
Change in deferred acquisition costs	(5,582)	(4,374)
Change in other financial liabilities	44,827	8,474
Change in insurance payables	(17,154)	(19,656)
Change in other payables and accruals	(6,437)	(14,735)
Change in benefits and claims liabilities	3,907	25,120
Cash generated from operations	13,323	268,576

ALLIANZ MALAYSIA BERHAD (12428-W)**Condensed consolidated statement of cash flows
For the period ended 31 March 2017 - unaudited (continued)**

	Three months ended 31 March 2017 RM'000	Three months ended 31 March 2016 RM'000
Cash flows from operating activities (continued)		
Tax paid	(30,362)	(29,710)
Dividends received	8,395	7,236
Interest income received	126,048	112,385
	<hr/>	<hr/>
Net cash from operating activities	117,404	358,487
	<hr/>	<hr/>
Investing activities		
Proceeds from disposal of property, plant and equipment	412	-
Acquisition of property, plant and equipment	(1,812)	(3,451)
Acquisition of intangible assets	(2,938)	(510)
	<hr/>	<hr/>
Net cash used in investing activities	(4,338)	(3,961)
	<hr/>	<hr/>
Financing activities		
Dividends paid to owners of the Company	(34,263)	-
Interest paid	(1,192)	(1,177)
	<hr/>	<hr/>
Net cash used in financing activities	(35,455)	(1,177)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	77,611	353,349
Cash and cash equivalents at 1 January	625,304	621,648
	<hr/>	<hr/>
Cash and cash equivalents at 31 March	702,915	974,997
	<hr/>	<hr/>
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions (with maturity less than three months)	649,799	936,337
Cash and bank balances	53,116	38,660
	<hr/>	<hr/>
	702,915	974,997
	<hr/>	<hr/>

The accompanying notes form an integral part of these condensed consolidated financial statements.

Part A: Explanatory notes to the condensed consolidated financial statements

1. Basis of preparation

These condensed consolidated quarterly financial statements ("the Report") of Allianz Malaysia Berhad ("AMB" or "the Company") and its subsidiaries (AMB and its subsidiaries are collectively referred to as the "Group") as at and for the financial period ended 31 March 2017 have been prepared in accordance with:

- (a) The requirements of Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting and with IAS 34: Interim Financial Reporting; and
- (b) Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Report does not include all information required for disclosure in the annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the financial year ended 31 December 2016.

2. Statement of compliance

The accounting policies and presentation adopted by the Group for the Report are consistent with those adopted in the Group's consolidated audited financial statements for the financial year ended 31 December 2016, except for the adoption of the following:

MFRSs/ Amendments/ Interpretation	Effective date
Amendments to MFRS 12, <i>Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)</i>	1 January 2017
Amendments to MFRS 107, <i>Statement of Cash Flows – Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 112, <i>Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Company upon their first adoption.

3. Items of an unusual nature

The results of the Group for the financial period under review were not substantially affected by any item, transaction or event of a material and unusual nature.

4. Changes in estimates

There were no material changes in the basis used for accounting estimates for the financial period ended 31 March 2017.

5. Seasonal or cyclical factors

The operations of the Group for the financial period under review were not significantly affected by seasonality or cyclical factors.

6. Property, plant and equipment

The Group's property, plant and equipment are stated at cost/valuation less accumulated depreciation and accumulated impairment losses, if any. There were no changes in the valuation of property, plant and equipment that were brought forward from the Group's audited financial statements for the financial year ended 31 December 2016.

7. Changes in group composition

There were no changes in the composition of the Group during the financial period under review.

Part A: Explanatory notes to the condensed consolidated financial statements (continued)

8. Capital commitments

As at 31 March 2017	RM'000
Property, plant and equipment:	
Approved but not contracted for	16,619
Contracted but not provided for	2,965
Software development:	
Approved but not contracted for	51,310
Contracted but not provided for	3,717

9. Related party transactions

Significant related party transactions are as follows:

	Transactions value	
	Three months ended	
	31 March	
	2017	2016
	RM'000	RM'000
Related companies*		
Reinsurance premium and commission	(65,153)	(73,354)

* Related companies are companies within the Allianz SE Group.

10. Changes in contingent liabilities

On 10 August 2016, the Malaysia Competition Commission ("MyCC") commenced an investigation into an alleged infringement by Persatuan Insurans Am Malaysia ("PIAM") and all 22 general insurers including the Company's general insurance subsidiary, Allianz General Insurance Company (Malaysia) Berhad ("AGIC") of Section 4(2)(a) of the Competition Act 2010 ("CA"). The alleged infringement is in relation to the agreement reached between PIAM and the Federation Of Automobile Workshop Owners' Association Of Malaysia ("FAWOAM") in relation to trade discount rates for parts for certain vehicle makes and labour hourly rates for PIAM Approved Repairers Scheme workshops. These rates were applied by AGIC pursuant to a members' circular issued by PIAM, which arose from Bank Negara Malaysia's ("BNM") directive to PIAM to engage FAWOAM to resolve the issues of parts trade discounts and labour hourly rate.

On 22 February 2017, AGIC received MyCC's notice of proposed decision ("Proposed Decision") that AGIC and all the other 21 general insurers who are members of PIAM have infringed one of the prohibitions under Part II of the CA. The Proposed Decision includes a proposed financial penalty of RM213,454,814 on all the 22 general insurers. AGIC, as one of the members of PIAM, will have a share of RM27,480,883 of the proposed penalty.

On 5 April and 25 April 2017, AGIC submitted the written representations as requested by MyCC. A date for oral representation has yet to be fixed by MyCC.

The Proposed Decision is not final as at the date of this report, and AGIC in consultation with its legal advisers will take such appropriate actions to defend its position that it has not been in infringement of Section 4(2)(a) of the CA.

11. Debt and equity securities

Save for the issuance of 45,600 ordinary shares of RM1.00 each pursuant to the conversion of the ICPS, there were no other issuances of shares, shares buy-backs and repayment of debt and equity securities by the Group during the financial period under review.

12. Significant event

AGIC and Standard Chartered Bank Malaysia Berhad ("SCB") entered into a 15-year bancassurance agreement for the distribution of general insurance products; the agreement was signed on 21 April 2017. The bancassurance arrangement commences on 1 July 2017 or such other date as may be mutually agreed between AGIC and SCB.

13. Subsequent event

There were no significant events subsequent to the end of the financial period under review that have not been reported in the Report.

Part A: Explanatory notes to the condensed consolidated financial statements (continued)

14. Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. For each of the strategic business units, the Chief Executive Officer of the Company reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

Reportable segments	Principal activities
Investment holding	Investment holding
General insurance	Underwriting of all classes of general insurance business
Life insurance	Underwriting of all classes of life insurance and investment-linked business

Information about reportable segments

For the period ended 31 March 2017 - unaudited

	Investment holding		General insurance		Life insurance		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment revenue	3,431	3,211	565,347	563,747	640,159	600,335	1,208,937	1,167,293
Inter-segment revenue	(603)	(609)	-	-	-	-	(603)	(609)
Segment results	(1,146)	(880)	73,485	90,024	36,324	25,853	108,663	114,997
Segment assets	415,715	378,857	5,768,231	5,751,854	9,196,470	7,990,308	15,380,416	14,121,019
Segment liabilities	80,419	70,674	3,693,909	3,809,611	8,655,052	7,530,069	12,429,380	11,410,354

Part A: Explanatory notes to the condensed consolidated financial statements (continued)

15. Dividend paid

For the quarter under review, an interim ordinary share dividend of 9.00 sen per ordinary share under single tier system (2016: nil) and an interim preference share dividend of 10.80 sen per ICPS under single tier system (2016: nil) for the financial year ended 31 December 2016 were paid on 21 February 2017 to the entitled ordinary shareholders and ICPS holders of the Company respectively whose names appeared on the Register of Members and/or Record of Depositors on 3 February 2017.

The Company paid the first and final ordinary share dividend of 6.50 sen per ordinary share under single tier system and first and final preference share dividend of 7.80 sen per ICPS under single tier system for the financial year ended 31 December 2015 on 15 June 2016.

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities

1. Review of results

1.1 Results of the current year-to-date (YTD) against preceding YTD (YTD First Quarter 2017 versus YTD First Quarter 2016)

Operating revenue

The Group recorded an operating revenue of RM1.21 billion for the three months ended 31 March 2017, an increase of 3.6% or RM41.6 million as compared to the preceding three months ended 31 March 2016 of RM1.17 billion due to higher gross earned premiums and investment income by RM28.5 million and RM13.1 million respectively.

The general insurance operation recorded an operating revenue of RM565.3 million for the three months ended 31 March 2017, an increase of 0.3% or RM1.6 million as compared to the preceding three months ended 31 March 2016 of RM563.7 million mainly due to the increase in investment income by RM2.6 million and offset by the decrease in gross earned premiums by RM1.0 million. The increase in investment income was due mainly to higher investment asset base.

The life insurance operation recorded an operating revenue of RM640.2 million for the three months ended 31 March 2017, an increase of 6.6% or RM39.9 million as compared to the preceding three months ended 31 March 2016 of RM600.3 million due to the increase in gross earned premiums and investment income by RM29.5 million and RM10.4 million respectively.

The increase in gross earned premiums of the life insurance operation was attributable to higher premium from all key distribution channels.

Profit before tax

The Group recorded a profit before tax of RM108.7 million for the three months ended 31 March 2017, a decrease of 5.5% or RM6.3 million as compared to the preceding three months ended 31 March 2016 of RM115.0 million.

General insurance operation delivered a profit before tax of RM73.5 million for the three months ended 31 March 2017, a decrease of 18.3% or RM16.5 million as compared to the preceding three months ended 31 March 2016 of RM90.0 million. The decrease in profit was due mainly to lower underwriting profit arising from investment in digital assets and the provision of impairment on insurance receivables.

The life insurance operation recorded a higher profit before tax of RM36.3 million for the three months ended 31 March 2017, an increase of 40.2% or RM10.4 million as compared to the preceding three months ended 31 March 2016 of RM25.9 million due mainly to higher contribution from protection business.

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)

1. Review of results (continued)

1.1 Results of the current year-to-date (YTD) against preceding YTD (YTD First Quarter 2017 versus YTD First Quarter 2016) (continued)

Profit before tax (continued)

The investment holding segment registered a loss before tax of RM1.1 million for the three months ended 31 March 2017 as compared to a loss of RM0.9 million for the preceding three months ended 31 March 2016 due to higher management expenses for the three months under review.

1.2 Results of the current quarter against the preceding quarter (First Quarter 2017 versus Fourth Quarter 2016)

Operating revenue

The Group recorded an operating revenue of RM1.21 billion for the quarter under review, similar to the preceding quarter ended 31 December 2016 of RM1.21 billion.

The general insurance operation recorded an operating revenue of RM565.3 million for the quarter under review, an increase of 1.7% or RM9.4 million as compared to the preceding quarter ended 31 December 2016 of RM555.9 million due mainly to higher gross earned premium in the current quarter.

The life insurance operation registered an operating revenue of RM640.2 million for the quarter under review, a decrease of 1.8% or RM11.7 million as compared to the preceding quarter ended 31 December 2016 of RM651.9 million due mainly to lower gross earned premiums by RM12.8 million in the current quarter. This is mainly due to lower renewal premium in first quarter of the year.

Profit before tax

The Group recorded a profit before tax of RM108.7 million for the quarter under review, a decrease of 10.2% or RM12.3 million as compared to the preceding quarter ended 31 December 2016 of RM121.0 million due mainly to lower contribution from both insurance operations.

The profit before tax of general insurance operation for the quarter under review of RM73.5 million, a decrease of 0.5% or RM0.4 million as compared to the preceding quarter ended 31 December 2016 of RM73.9 million due mainly to lower underwriting profit in the current quarter arising from the provision of impairment on insurance receivables.

The profit before tax of life insurance operation for the quarter under review of RM36.3 million, a decrease of 25.0% or RM12.1 million as compared to the preceding quarter ended 31 December 2016 of RM48.4 million due mainly to annual surplus transfer of RM10.9 million in the last quarter of 2016.

The investment holding segment registered a loss before tax of RM1.1 million as compared to a loss before tax of the preceding quarter ended 31 December 2016 of RM1.3 million due to lower operating expenses in the current quarter.

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)

2. Current year prospect

Bank Negara Malaysia ("BNM") has projected in its Annual Report 2016 that the global economy will improve in 2017 and the Malaysia economy is projected to register a growth of 4.3% to 4.8% in 2017 (2016: 4.2%) with the stronger global economy and continued growth in domestic demand. However, BNM cautioned that there are several downside risks including potential retreat from globalisation and free trade in the advanced economies and uncertainty over geopolitical developments.

The first phase of the motor and fire detariff is to commence in July 2017, with premium rates for these products to be determined by the market and with competition expected to intensify for such general insurance business.

The general insurance subsidiary will continue to focus on its strength in quality services and multi-distribution channel capabilities to underwrite sound business and sustain its profitability. Motor will remain the major contributor to the general insurance business and it will continue monitoring its motor profitability via a comprehensive portfolio management. The general insurance subsidiary will also leverage on its strong base of motor customers to expand into other non-motor products.

The life insurance subsidiary will continue to strengthen its distribution capabilities in all channels and its portfolio management. It will remain focus on enlarging and building a professional and productive agency force. It will also focus on the sale of investment-linked regular premium products with rider attachments which provide higher margins.

Both the insurance subsidiaries will continue to focus on customer value through investment in digital assets.

The Board is confident that the Group will perform satisfactory for the remaining year and continue to deliver long term value to its stakeholders.

3. Profit forecast

The Group did not issue any profit forecast or profit guarantee as at the date of the Report.

4. Investment income

	Individual period		Cumulative period	
	Three months ended		Three months ended	
	31 March		31 March	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Interest income	117,513	106,448	117,513	106,448
Dividend income	8,395	7,236	8,395	7,236
Accretion of discounts	2,403	1,624	2,403	1,624
Amortisation of premiums	(819)	(919)	(819)	(919)
Rental income	53	50	53	50
Other income	2,246	2,198	2,246	2,198
	<u>129,791</u>	<u>116,637</u>	<u>129,791</u>	<u>116,637</u>

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)
5. Realised gains and losses

	Individual period		Cumulative period	
	Three months ended		Three months ended	
	31 March		31 March	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
Realised gains on disposal	113	-	113	-
Financial assets				
Realised gains on disposal:				
Malaysian government securities	2,197	8,958	2,197	8,958
Quoted equity securities of corporations in Malaysia	36,352	50,477	36,352	50,477
Quoted equity securities of corporations outside Malaysia	2,674	119	2,674	119
Quoted unit trusts in Malaysia	1,048	2,571	1,048	2,571
Unquoted unit trusts outside Malaysia	107	137	107	137
Realised losses on disposal:				
Quoted equity securities of corporations in Malaysia	(5,337)	(31,493)	(5,337)	(31,493)
Quoted equity securities of corporations outside Malaysia	(3,629)	(116)	(3,629)	(116)
Unquoted unit trusts outside Malaysia	(62)	(116)	(62)	(116)
Unquoted bonds of corporations in Malaysia	(76)	-	(76)	-
Total net realised gains for financial assets	33,274	30,537	33,274	30,537
Total net realised gains	33,387	30,537	33,387	30,537

6. Fair value gains and losses

	Individual period		Cumulative period	
	Three months ended		Three months ended	
	31 March		31 March	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Financial assets				
Held for trading financial assets	104,760	48,797	104,760	48,797
Designated upon initial recognition financial assets	6,681	24,356	6,681	24,356
Derivatives	3,288	14,694	3,288	14,694
Total fair value gains on financial assets at Fair Value Through Profit or Loss	114,729	87,847	114,729	87,847
Impairment loss on AFS financial investments	(1,439)	(11,473)	(1,439)	(11,473)
Total net fair value gains	113,290	76,374	113,290	76,374

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)
7. Profit before tax

Profit before tax for the financial period under review is arrived at after charging/(crediting):

	Individual period		Cumulative period	
	Three months ended		Three months ended	
	31 March		31 March	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	4,393	3,840	4,393	3,840
Depreciation of property, plant and equipment	3,785	3,757	3,785	3,757
Insurance and other receivables:				
- Allowance for impairment loss	10,892	2,690	10,892	2,690
- Bad debts recovered	(18)	(33)	(18)	(33)
- Bad debts written off	-	152	-	152
Interest (income)/expense	(205)	845	(205)	845
Property, plant and equipment written off	4	4	4	4
Unrealised foreign exchange loss	47	-	47	-

Other than as disclosed in Notes 6 and 7, there are no exceptional items for the financial period ended 31 March 2017.

8. Tax expense

	Individual period		Cumulative period	
	Three months ended		Three months ended	
	31 March		31 March	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Profit before tax	108,663	114,997	108,663	114,997
Tax expense				
Income tax	31,231	32,713	31,231	32,713
Deferred tax	10,258	9,105	10,258	9,105
Total tax expense	41,489	41,818	41,489	41,818
Effective tax rate	38%	36%	38%	36%

The Group's consolidated effective tax rate for the financial period under review is higher than the statutory tax rate of 24% (2016: 24%) due mainly to the following:

- In addition to the 24% income tax on the assessable income of the Shareholders' Fund, there is also an 8% income tax on the assessable investment income net of allowable deductions of the Life Fund; and
- Effects of certain non-deductible expenses.

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)

9. Status of corporate proposal announced

The Group has discontinued its negotiations with the shareholders of HSBC Amanah Takaful (Malaysia) Berhad ("the company") namely, HSBC Insurance (Asia Pacific) Holdings Limited, JAB Capital Berhad and the Employees Provident Fund Board in connection with the proposed acquisition of up to 100% equity interest in the company.

10. Borrowings and debts securities

Save as disclosed below, the Group has no other outstanding borrowings and debts securities for the financial period under review.

As at 31 March 2017

RM'000

Interest Bearing

Amount due to holding company

54,300

11. Changes in material litigation

Virginia Surety Company Labuan Branch ("VSC") had provided reinsurance support to Commerce Assurance Berhad (now known as Bright Mission Berhad) ("CAB") previously in respect of CAB's Extended Warranty Program ("EWP").

AGIC took over the general insurance business of CAB on 1 January 2009 and this included the reinsurance business relating to the EWP.

A dispute arose between both parties on the continuing subsistence of the reinsurance agreement from 1 October 2011 onwards. AGIC's legal position is that the reinsurance continued to remain in force from 1 October 2011 and determined only on 30 September 2013. This is disputed by VSC who claim that the treaty reinsurance lapsed on 30 September 2011.

On 11 December 2013, AGIC commenced arbitration proceedings against VSC seeking, inter alia:

- (a) A declaration that the reinsurance subsisted until 30 September 2013;
- (b) A declaration that VSC will pay and/or indemnify AGIC for its claims and losses arising from the reinsurance for the period from 1 October 2011 to 30 September 2013; and
- (c) Damages to be assessed including for loss of profits and breach of contract.

The hearing on liability has concluded and the latest timelines for filing and exchange of the Closing Submissions and Reply Submissions are 31 May 2017 and 28 June 2017 respectively. A date for oral submissions has yet to be fixed.

AGIC's solicitors, Niru & Co LLC of Singapore and Suflan TH Liew & Partners in Kuala Lumpur, have advised that it has reasonably good prospects of succeeding in the action against VSC.

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)

12. Earnings per ordinary share

(a) Basic earnings per ordinary share

Basic earnings per ordinary share of the Group are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue.

		Individual period		Cumulative period	
		Three months ended		Three months ended	
		31 March		31 March	
		2017	2016	2017	2016
Profit attributable to ordinary shareholders	(RM'000)	67,174	73,179	67,174	73,179
Weighted average number of ordinary shares in issue	('000)	173,722	169,309	173,722	169,309
Basic earnings per ordinary share	(sen)	38.67	43.22	38.67	43.22

(b) Diluted earnings per ordinary share

Diluted earnings per ordinary share of the Group are calculated by dividing the net diluted profit attributable to shareholders by the diluted weighted average number of ordinary shares in issue.

		Individual period		Cumulative period	
		Three months ended		Three months ended	
		31 March		31 March	
		2017	2016	2017	2016
Profit attributable to ordinary shareholders	(RM'000)	67,174	73,179	67,174	73,179
Weighted average number of ordinary shares in issue	('000)	173,722	169,309	173,722	169,309
Effect of conversion of ICPS	('000)	172,453	176,897	172,453	176,897
Diluted weighted average number of ordinary shares during the period	('000)	346,175	346,206	346,175	346,206
Diluted earnings per ordinary share	(sen)	19.40	21.14	19.40	21.14

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)

13. Dividend

No dividend has been proposed or declared for the first quarter of 2017 (2016: Nil).

14. Disclosure of realised and unrealised earnings

The breakdown of the retained earnings of the Group as at 31 March 2017, into realised and unrealised profit or loss, is as follow:

	As at 31.03.2017 RM'000	As at 31.12.2016 RM'000
Total retained earnings of the Group:		
- Realised	2,286,214	2,217,954
- Unrealised	(148,972)	(147,886)
	2,137,242	2,070,068

The disclosure of realised and unrealised profit or loss above is solely for complying with the disclosure requirements of Bursa Securities and should not be applied for any other purposes.

The determination of realised and unrealised profit or loss is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities' Listing Requirements*, issued by Malaysian Institute of Accountants on 20 December 2010.

15. Auditors' report on preceding annual financial statements

The auditors' report of the Group's audited financial statements for the financial year ended 31 December 2016 was not qualified.

BY ORDER OF THE BOARD

Ng Siew Gek
Company Secretary

Kuala Lumpur
 30 May 2017