

ALLIANZ MALAYSIA BERHAD (12428-W)

AUDITED QUARTERLY RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2017

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of financial position
as at 31 December 2017 - audited**

	31 December 2017 RM'000	← Audited → 31 December 2016 RM'000
Assets		
Property, plant and equipment	119,853	118,864
Intangible assets	360,600	293,915
Investment properties	19,914	30,337
Deferred tax assets	23,275	14,613
Reinsurance assets	908,436	980,910
Investments	13,598,570	12,218,075
Derivative financial assets	25,537	15,425
Current tax assets	803	170
Insurance receivables	250,125	270,173
Other receivables, deposits and prepayments	260,971	257,663
Deferred acquisitions costs	94,056	86,928
Cash and cash equivalents	934,537	625,304
Total assets	16,596,677	14,912,377

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of financial position
as at 31 December 2017 - audited (continued)**

	31 December 2017 RM'000	← Audited → 31 December 2016 RM'000
Equity		
Share capital:		
Ordinary Shares*	225,268	173,707
Irredeemable Convertible Preference Shares ("ICPS")*	545,761	172,499
Reserves	2,364,484	2,533,317
Total equity attributable to owners of the Company	3,135,513	2,879,523
Liabilities		
Insurance contract liabilities	11,957,065	10,768,504
Deferred tax liabilities	234,743	181,861
Derivative financial liabilities	5,251	13,873
Other financial liabilities	20,710	5,346
Insurance payables	430,764	372,450
Other payables and accruals	473,745	427,752
Benefits and claims liabilities	331,296	253,726
Current tax liabilities	7,590	9,342
Total liabilities	13,461,164	12,032,854
Total equity and liabilities	16,596,677	14,912,377
Net asset per ordinary share (RM)	17.96	16.58
Diluted net asset per ordinary share (RM)	9.06	8.32

* With the Companies Act 2016 coming into effect on 31 January 2017, the credits standing in the share premium account has been transferred to the share capital account (see page 6).

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 year ended 31 December 2017 - audited**

	Note (Part B)	Individual period		Cumulative period	
		Three months ended		Twelve months ended	
		31 December		31 December	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Operating revenue *		1,209,867	1,210,975	4,800,990	4,678,486
Gross earned premiums		1,057,987	1,082,059	4,233,736	4,182,779
Premiums ceded to reinsurers		(67,790)	(117,435)	(305,453)	(492,279)
Net earned premiums		990,197	964,624	3,928,283	3,690,500
Investment income	4	151,880	128,916	567,254	495,707
Realised gains and losses	5	(17,031)	2,485	51,774	60,857
Fair value gains and losses	6	20,795	(134,246)	193,821	(27,258)
Fee and commission income		14,474	12,182	37,926	62,930
Other operating income		6,993	4,649	25,741	19,559
Other income		177,111	13,986	876,516	611,795
Gross benefits and claims paid		(574,701)	(485,262)	(2,340,172)	(2,024,262)
Claims ceded to reinsurers		95,061	86,267	366,091	363,906
Gross change in contract liabilities		(158,350)	(104,746)	(1,035,123)	(887,952)
Change in contract liabilities ceded to reinsurers		(53,254)	(41,989)	(65,168)	(129,610)
Net benefits and claims		(691,244)	(545,730)	(3,074,372)	(2,677,918)
Fee and commission expense		(169,910)	(160,840)	(651,756)	(623,698)
Management expenses		(166,496)	(143,122)	(603,825)	(513,252)
Other operating expenses		(13,273)	(7,914)	(37,563)	(32,836)
Other expenses		(349,679)	(311,876)	(1,293,144)	(1,169,786)
Profit before tax	7	126,385	121,004	437,283	454,591
Tax expense	8	(39,603)	(31,025)	(149,321)	(142,460)
Profit for the year		86,782	89,979	287,962	312,131

* 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 year ended 31 December 2017 - audited**

	Note (Part B)	Individual period Three months ended 31 December		Cumulative period Twelve months ended 31 December	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit for the year attributable to owners of the Company		86,782	89,979	287,962	312,131
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Revaluation of property, plant and equipment		-	9,342	-	9,342
Tax effects thereon		-	(1,466)	-	(1,466)
		-	7,876	-	7,876
Items that are or may be reclassified subsequently to profit or loss					
Fair value of available-for-sale ("AFS") financial assets		(5,134)	(62,203)	17,987	(3,604)
Tax effects thereon		1,234	14,946	(4,310)	866
		(3,900)	(47,257)	13,677	(2,738)
Total other comprehensive (loss)/income for the year net of tax		(3,900)	(39,381)	13,677	5,138
Total comprehensive income for the year, net of tax		82,882	50,598	301,639	317,269
Profit for the year attributable to: Owners of the Company		86,782	89,979	287,962	312,131
Total comprehensive income for the year attributable to: Owners of the Company		82,882	50,598	301,639	317,269
Basic earnings per ordinary share (sen)	12(a)	49.94	52.95	165.33	182.27
Diluted earnings per ordinary share (sen)	12(b)	25.13	26.28	83.28	90.80

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 year ended 31 December 2017 - audited

	←————— Attributable to owners of the Company —————→							Total equity RM'000
	←————— Non-distributable —————→					Distributable		
	Ordinary shares RM'000	Preference shares RM'000	Share premium RM'000	Revaluation reserve RM'000	Fair value reserve RM'000	Life non- participating fund surplus ¹ 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
Revaluation of property, plant and equipment	-	-	-	7,876	-	-	-	7,876
Fair value of AFS financial assets	-	-	-	-	(2,738)	-	-	(2,738)
Total other comprehensive income/(loss) for the year	-	-	-	7,876	(2,738)	-	-	5,138
Profit for the year	-	-	-	-	-	75,412	236,719	312,131
Total comprehensive income/(loss) for the year	-	-	-	7,876	(2,738)	75,412	236,719	317,269
Contributions by and distributions to owners of the Company								
Conversion of ICPS to ordinary shares	4,398	(4,398)	-	-	-	-	-	-
Dividends to owners of the Company	-	-	-	-	-	-	(59,066)	(59,066)
Total transactions with owners of the Company	4,398	(4,398)	-	-	-	-	(59,066)	(59,066)
At 31 December 2016	173,707	172,499	424,823	41,934	(3,508)	524,516	1,545,552	2,879,523

ALLIANZ MALAYSIA BERHAD (12428-W)
Condensed consolidated statement of changes in equity for the year ended 31 December 2017 - audited (continued)

	←————— Attributable to owners of the Company —————→							Total equity RM'000
	←————— Non-distributable —————→					Distributable		
	Ordinary shares RM'000	Preference shares RM'000	Share premium RM'000	Revaluation reserve RM'000	Fair value reserve RM'000	Life non- participating fund surplus ¹ 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
Revaluation of property, plant and equipment	-	-	-	-	-	-	-	-
Fair value of AFS financial assets	-	-	-	-	13,677	-	-	13,677
Total other comprehensive income for the period	-	-	-	-	13,677	-	-	13,677
Profit for the year	-	-	-	-	-	87,329	200,633	287,962
Total comprehensive income for the year	-	-	-	-	13,677	87,329	200,633	301,639
Contributions by and distributions to owners of the Company								
Conversion of ICPS to ordinary shares	2,786	(2,786)	-	-	-	-	-	-
Transfer in accordance with Section 618(2) of the Companies Act 2016 ²	48,775	376,048	(424,823)	-	-	-	-	-
Dividends to owners of the Company	-	-	-	-	-	-	(45,649)	(45,649)
Total transactions with owners of the Company	51,561	373,262	(424,823)	-	-	-	(45,649)	(45,649)
At 31 December 2017	225,268	545,761	-	41,934	10,169	611,845	1,700,536	3,135,513

¹ 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.

² With the Companies Act 2016 ("New Act") coming into effect on 31 January 2017, the credits standing in the share premium account of RM424,823,000 has been transferred to the share capital account. Pursuant to subsection 618(3) of the New Act, the Group may exercise its right to use the credit amounts being transferred from share premium account within 24 months from commencement of Section 74 of the New Act. The Board of Directors will make a decision thereon by 30 January 2019.

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 year ended 31 December 2017 - audited

	Year ended 31 December 2017 RM'000	Year ended 31 December 2016 RM'000
Cash flows from operating activities		
Profit before tax	437,283	454,591
<i>Adjustments for:</i>		
Investment income	(567,254)	(495,707)
Interest income	(905)	(636)
Interest expense	4,689	6,161
Realised gains recorded in profit or loss	(51,567)	(60,807)
Fair value gains on financial investments recorded in profit or loss	(202,812)	(4,154)
Purchases of financial investments	(3,129,742)	(3,796,227)
Maturity of financial investments	540,000	668,000
Proceeds from sale of financial investments	1,301,277	1,915,808
Change in loans and receivables	269,199	(155,271)
Non-cash items:		
Change in fair value of investment properties	2,409	2,008
Change in fair value of AFS financial assets	(101,770)	7,890
Unrealised foreign exchange loss/(gain)	2,008	(205)
Depreciation of property, plant and equipment	16,776	17,339
Amortisation of intangible assets	18,412	16,256
Gain on disposal of property, plant and equipment	(207)	(50)
Impairment loss on AFS financial investments	6,582	29,404
Property, plant and equipment written off	12	29
Insurance and other receivables:		
- Allowance for impairment loss	37,557	1,813
- Bad debts recovered	(193)	(160)
- Bad debts written off	1,517	1,284
Changes in working capital:		
Change in reinsurance assets	72,474	148,395
Change in insurance receivables	(18,798)	(13,020)
Change in other receivables, deposits and prepayments	(2,599)	(22,433)
Change in insurance contract liabilities	1,188,561	879,883
Change in deferred acquisition costs	(7,128)	(4,729)
Change in other financial liabilities	15,364	4,387
Change in insurance payables	58,314	(20,718)
Change in other payables and accruals	31,110	43,437
Change in benefits and claims liabilities	77,570	59,163
Cash used in operations	(1,861)	(318,269)

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of cash flows
For the year ended 31 December 2017 - audited (continued)**

	Year ended 31 December 2017 RM'000	Year ended 31 December 2016 RM'000
Cash flows from operating activities (continued)		
Tax paid	(120,646)	(116,979)
Dividends received	52,824	39,843
Interest income received	509,024	446,375
	<hr/>	<hr/>
Net cash from operating activities	439,341	50,970
Investing activities		
Proceeds from disposal of property, plant and equipment	510	57
Acquisition of property, plant and equipment	(13,666)	(15,687)
Acquisition of intangible assets	(81,497)	(5,704)
	<hr/>	<hr/>
Net cash used in investing activities	(94,653)	(21,334)
Financing activities		
Dividends paid to owners of the Company	(34,263)	(24,803)
Interest paid	(1,192)	(1,177)
	<hr/>	<hr/>
Net cash used in financing activities	(35,455)	(25,980)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	309,233	3,656
Cash and cash equivalents at 1 January	625,304	621,648
	<hr/>	<hr/>
Cash and cash equivalents at 31 December	934,537	625,304
	<hr/>	<hr/>
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions (with maturity less than three months)	837,022	558,972
Cash and bank balances	97,515	66,332
	<hr/>	<hr/>
	934,537	625,304
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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 ("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 year ended 31 December 2017 have been prepared in accordance with:

- (a) The requirements of Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting and with International Accounting Standard ("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 2017.

2. Statement of compliance

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group:

MFRSs/ Amendments/ Interpretation	Effective date
MFRS 9, <i>Financial Instruments (2014)</i>	1 January 2018
MFRS 15, <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarifications to MFRS 15, <i>Revenue from Contracts with Customers</i>	1 January 2018
IC Interpretation 22, <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 1, <i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)</i>	1 January 2018
Amendments to MFRS 2, <i>Share-based Payment – Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 4, <i>Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	1 January 2018
Amendments to MFRS 128, <i>Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)</i>	1 January 2018
Amendments to MFRS 140, <i>Investment Property – Transfers of Investment Property</i>	1 January 2018
MFRS 16, <i>Leases</i>	1 January 2019
IC Interpretation 23, <i>Uncertainty over Income Tax Incentives</i>	1 January 2019
Amendments to MFRS 3, <i>Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to MFRS 9, <i>Financial Instruments – Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 11, <i>Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to MFRS 112, <i>Income Taxes (Annual Improvements to MFRS 2015-2017 Cycle)</i>	1 January 2019
Amendments to MFRS 123, <i>Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to MFRS 128, <i>Investments in Associates and Joint Ventures – Long-term interests in Associates and Joint Ventures</i>	1 January 2019
MFRS 17, <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10, <i>Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and Associate or Joint Venture</i>	Yet to be confirmed

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

2. Statement of compliance (continued)

The Group plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 1, Amendments to MFRS 2 and Amendments to MFRS 128 which are not applicable to the Group and MFRS 9 which the Group is eligible for temporary exemption that permits, but does not require, the insurer to apply MFRS 139, *Financial Instruments: Recognition and Measurement* rather than MFRS 9 for annual period beginning before 1 January 2021.
- from the annual period beginning on 1 January 2019 for those accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019, Amendments to MFRS 11, Amendments to MFRS 123 and Amendments to MFRS 128 which are not applicable to the Group.
- from the annual period beginning on 1 January 2021 for the accounting standard that is effective for annual periods beginning on or after 1 January 2021.

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 except as mentioned below:

MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9 and the Group intends to adopt MFRS 9 together with MFRS 17 on 1 January 2021.

MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

MFRS 17, *Insurance Contracts*

MFRS 17 replaces the guidance in MFRS 4, *Insurance Contracts*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 17.

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

3. Items of an unusual nature

The results of the Group for the financial year 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 year ended 31 December 2017.

5. Seasonal or cyclical factors

The operations of the Group for the financial year 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 2017.

7. Changes in group composition

The final general meeting for the members' voluntary winding-up ("Final Meeting") of AMB's wholly-owned subsidiary, Bright Mission Berhad ("BMB") has been duly held on 25 September 2017. BMB has been dissolved on 26 December 2017 after the expiration of 3 months from the lodgement of the Return by Liquidator relating to Final Meeting of BMB on 26 September 2017 with the Companies Commission of Malaysia and Official Receiver.

8. Capital commitments

As at 31 December 2017	RM'000
Property, plant and equipment:	
Contracted but not provided for	4,738
Software development:	
Contracted but not provided for	5,490

9. Related party transactions

Significant related party transactions are as follows:

	Transactions value	
	Twelve months ended	
	31 December	
	2017	2016
	RM'000	RM'000
Related companies*		
Reinsurance premium and commission	(142,637)	(281,410)

* Related companies are companies within the Allianz SE Group.

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

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. The first session for the Hearing of the Oral Representation took place on 16 October 2017 (on preliminary issues) and 17 October 2017 (on PIAM's Oral Representation). The second session took place on 12 December 2017 and 14 December 2017 wherein other insurers had submitted their Oral Representations. AGIC's Oral Representation took place on 29 January 2018 and the remaining insurers submitted their Oral Representations on 30 January 2018, bringing the Oral Representations of all insurers to a close. MyCC has not provided an indicative timeline for delivery of its decision.

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 875,950 ordinary shares 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 year under review.

12. Subsequent event

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

13. Dividend paid

- (a) An interim ordinary share dividend of 9.00 sen per ordinary share under single tier system and an interim preference share dividend of 10.80 sen per ICPS under single tier system 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.
- (b) An interim ordinary share dividend of 12.00 sen per ordinary share under single tier system and an interim preference share dividend of 14.40 sen per ICPS under single tier system for the financial year ended 31 December 2017 were paid on 14 February 2018 to the entitled ordinary shareholders and ICPS holders of the Company respectively.

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 year ended 31 December 2017 - audited

	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	14,191	13,054	2,253,969	2,242,665	2,532,830	2,422,767	4,800,990	4,678,486
Inter-segment revenue	(82,069)	(87,763)	-	-	-	-	(82,069)	(87,763)
Segment results	(2,460)	(4,296)	266,879	320,520	172,864	138,367	437,283	454,591
Segment assets	498,435	443,649	5,959,009	5,789,498	10,139,233	8,679,230	16,596,677	14,912,377
Segment liabilities	121,557	107,476	3,814,906	3,773,312	9,524,701	8,152,066	13,461,164	12,032,854

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

1. Review of results

Table 1: Financial review for current quarter and financial year to date

RM'mil	Individual Period				Cumulative period			
	Three months ended		Changes		Twelve months ended		Changes	
	2017	2016	Amount	%	2017	2016	Amount	%
	31 December				31 December			
Operating revenue	1,209.9	1,211.0	(1.1)	(0.1%)	4,801.0	4,678.5	122.5	2.6%
Profit before tax	126.4	121.0	5.4	4.5%	437.3	454.6	(17.3)	(3.8%)
Profit after tax	86.8	90.0	(3.2)	(3.6%)	288.0	312.1	(24.1)	(7.7%)
Profit for the period attributable to owners of the Company	86.8	90.0	(3.2)	(3.6%)	288.0	312.1	(24.1)	(7.7%)

RM'mil	Individual Period				Cumulative period			
	Three months ended		Changes		Twelve months ended		Changes	
	2017	2016	Amount	%	2017	2016	Amount	%
	31 December				31 December			
Operating Revenue by segments								
General insurance	554.3	555.9	(1.6)	(0.3%)	2,254.0	2,242.7	11.3	0.5%
Gross earned premiums	510.5	514.2	(3.7)	(0.7%)	2,084.1	2,083.1	1.0	0.0%
Investment income	43.8	41.7	2.1	5.0%	169.9	159.6	10.3	6.5%
Life insurance	652.0	651.9	0.1	0.0%	2,532.8	2,422.7	110.1	4.5%
Gross earned premiums	547.5	567.9	(20.4)	(3.6%)	2,149.6	2,099.7	49.9	2.4%
Investment income	104.5	84.0	20.5	24.4%	383.2	323.0	60.2	18.6%
Investment holding								
Investment income	3.6	3.2	0.4	12.5%	14.2	13.1	1.1	8.4%
Total Operating Revenue	1,209.9	1,211.0	(1.1)	(0.1%)	4,801.0	4,678.5	122.5	2.6%

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

1. Review of results (continued)

1.1 Operating revenue of the current year quarter against preceding year corresponding quarter (Fourth Quarter 2017 versus Fourth Quarter 2016)

For the fourth quarter ended 31 December 2017, the Group recorded an operating revenue of RM1.21 billion, similar to the preceding year quarter ended 31 December 2016 of RM1.21 billion.

For the quarter under review, the general insurance operation recorded an operating revenue of RM554.3 million, a decrease of 0.3% or RM1.6 million as compared to the preceding year quarter ended 31 December 2016 of RM555.9 million due to decrease in gross earned premiums by RM3.7 million and offset by the increase in investment income by RM2.1 million respectively.

For the quarter under review, the life insurance operation registered an operating revenue of RM652.0 million, a marginal increase of RM0.1 million as compared to the preceding year quarter ended 31 December 2016 of RM651.9 million due to increase in investment income by RM20.5 million and offset by the decrease in gross earned premiums by RM20.4 million.

1.2 Operating revenue of the current year-to-date (YTD) against preceding YTD

The Group recorded an operating revenue of RM4.80 billion for the financial year ended 31 December 2017, an increase of 2.6% or RM122.5 million as compared to the preceding financial year ended 31 December 2016 of RM4.68 billion due to higher gross earned premiums and investment income by RM50.9 million and RM71.6 million respectively.

The general insurance operation recorded an operating revenue of RM2.25 billion for the financial year ended 31 December 2017, an increase of 0.5% or RM11.3 million as compared to the preceding financial year ended 31 December 2016 of RM2.24 billion mainly due to the increase in gross earned premiums and investment income by RM1.0 million and RM10.3 million respectively.

The increase in gross earned premiums of the general insurance operation was attributable to higher premiums from agency and franchise business. The increase in investment income was due mainly to higher investment asset base.

The life insurance operation recorded an operating revenue of RM2.53 billion for the financial year ended 31 December 2017, an increase of 4.5% or RM110.1 million as compared to the preceding financial year ended 31 December 2016 of RM2.42 billion due to the increase in gross earned premiums and investment income by RM49.9 million and RM60.2 million respectively.

The increase in gross earned premiums of the life insurance operation was mainly contributed by growth in regular premiums from agency and single premium from employee benefits channels.

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

1. Review of results (continued)

Table 1: Financial review for current quarter and financial year to date (continued)

RM'mil	Individual Period		Changes		Cumulative period		Changes	
	Three months ended 31 December 2017	2016	Amount	%	Twelve months ended 31 December 2017	2016	Amount	%
Profit Before Tax by segments								
General insurance	67.4	73.9	(6.5)	(8.8%)	266.9	320.5	(53.6)	(16.7%)
Life Insurance	59.5	48.4	11.1	22.9%	172.9	138.4	34.5	24.9%
Investment holding	(0.5)	(1.3)	0.8	(61.5%)	(2.5)	(4.3)	1.8	(41.9%)
Total Profit before tax	126.4	121.0	5.4	4.5%	437.3	454.6	(17.3)	(3.8%)
General Insurance								
Commission ratio	11.2%	11.8%	N/A	0.6 pts	12.2%	11.1%	N/A	(1.1 pts)
Claims ratio	62.0%	61.3%	N/A	(0.7 pts)	62.0%	61.9%	N/A	(0.1 pts)
Expense ratio	21.4%	18.9%	N/A	(2.5 pts)	20.3%	17.4%	N/A	(2.9 pts)
Combined ratio	94.6%	92.0%	N/A	(2.6 pts)	94.5%	90.4%	N/A	(4.1 pts)
Life Insurance								
Annualised new premium ("ANP")	127.7	124.1	3.6	2.9%	452.5	392.5	60.0	15.3%
Expense ratio	13.4%	11.8%	N/A	(1.6 pts)	12.1%	11.3%	N/A	(0.8 pts)
Lapse ratio	16.4%	13.2%	N/A	(3.2 pts)	15.2%	11.8%	N/A	(3.4 pts)

N/A - Not Applicable

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

1. Review of results (continued)

1.3 Profit before tax of the current quarter against preceding year corresponding quarter (Fourth Quarter 2017 versus Fourth Quarter 2016)

For the fourth quarter ended 31 December 2017, the Group recorded a profit before tax of RM126.4 million, an increase of 4.5% or RM5.4 million as compared to the preceding year quarter ended 31 December 2016 of RM121.0 million.

For the quarter under review, the general insurance operation recorded a profit before tax of RM67.4 million, a decrease of 8.8% or RM6.5 million as compared to a profit before tax of the preceding year quarter ended 31 December 2016 of RM73.9 million. Combined ratio increased by 2.6 percentage points due mainly to higher claims and management expense ratio. Higher claims ratio mainly contributed by flood event occurred in northern region during the period. Higher management expense ratio mainly contributed by higher provision for impairment of insurance receivable during the period as compared to same period last year.

For the quarter under review, the life insurance operation recorded a profit before tax of RM59.5 million, an increase of 22.9% or RM11.1 million as compared to a profit before tax of the preceding year quarter ended 31 December 2016 of RM48.4 million due mainly to higher contribution from protection business.

The investment holding segment registered a loss before tax of RM0.5 million as compared to a loss before tax of the preceding year quarter ended 31 December 2016 of RM1.3 million due to lower operating expenses in the current quarter.

1.4 Profit before tax of the current year-to-date (YTD) against preceding YTD

The Group recorded a profit before tax of RM437.3 million for the financial year ended 31 December 2017, a decrease of 3.8% or RM17.3 million as compared to the preceding financial year ended 31 December 2016 of RM454.6 million.

General insurance operation delivered a profit before tax of RM266.9 million for the financial year ended 31 December 2017, a decrease of 16.7% or RM53.6 million as compared to the preceding financial year ended 31 December 2016 of RM320.5 million. The decrease in profit was due mainly to lower underwriting profit, as a consequence of higher management expenses. The increase in management expenses is due mainly to investment in digital assets and impairment of insurance receivables.

The life insurance operation recorded a higher profit before tax of RM172.9 million for the financial year ended 31 December 2017, an increase of 24.9% or RM34.5 million as compared to a profit before tax of the preceding financial year ended 31 December 2016 of RM138.4 million due mainly to higher contribution from protection business and better investment results.

The investment holding segment registered a loss before tax of RM2.5 million for the financial year ended 31 December 2017 as compared to a loss of RM4.3 million for the preceding financial year ended 31 December 2016 due to lower operating expenses for the financial year under review.

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

1. Review of results (continued)

Table 2: Financial review for current quarter as compared with immediate preceding quarter

RM'mil	Current Year Quarter	Immediate Preceding Quarter	Changes	
	31.12.2017	30.09.2017	Amount	%
Operating revenue	1,209.9	1,188.4	21.5	1.8%
Profit before tax	126.4	97.2	29.2	30.0%
Profit after tax	86.8	67.5	19.3	28.6%
Profit for the period attributable to owners of the Company	86.8	67.5	19.3	28.6%

1.5 Operating revenue of the current quarter against the preceding quarter (Fourth Quarter 2017 versus Third Quarter 2017)

The Group recorded an operating revenue of RM1.21 billion for the quarter under review, an increase of 1.8% or RM21.5 million as compared to the preceding quarter ended 30 September 2017 of RM1.19 billion due to higher gross earned premiums of RM13.2 million.

The general insurance operation recorded an operating revenue of RM554.2 million for the quarter under review, a decrease of 2.8% or RM16.2 million as compared to the preceding quarter ended 30 September 2017 of RM570.4 million due mainly to lower gross earned premiums in current quarter.

The life insurance operation registered an operating revenue of RM652.0 million for the quarter under review, an increase of 6.1% or RM37.7 million as compared to the preceding quarter ended 30 September 2017 of RM614.3 million due mainly to increase of gross earned premiums by RM29.8 million in the current quarter. This is mainly due to higher premiums generated from agency channel from year end renewals.

1.6 Profit before tax of the current quarter against the preceding quarter (Fourth Quarter 2017 versus Third Quarter 2017)

The Group recorded a profit before tax of RM126.4 million for the quarter under review, an increase of 30.0% or RM29.2 million as compared to the preceding quarter ended 30 September 2017 of RM97.2 million due mainly to higher profit from both insurance operations.

The profit before tax of general insurance operation for the quarter under review of RM67.4 million, an increase of 32.9% or RM16.7 million as compared to the preceding quarter ended 30 September 2017 of RM50.7 million. The higher profit before tax was due mainly to lower insurance claims incurred and commission expenses.

The profit before tax of life insurance operation for the quarter under review of RM59.4 million, an increase of 27.7% or RM12.9 million as compared to the preceding quarter ended 30 September 2017 of RM46.5 million due mainly to surplus transferred from participating business.

The investment holding segment registered a loss before tax of RM0.4 million as compared to a profit before tax of the preceding quarter ended 30 September 2017 of RM0.1 million due to lower investment income and higher operating expenses in the current quarter.

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

1. Review of results (continued)

1.7 Review of other comprehensive income

Table 3: Other comprehensive income for current quarter and financial year to date

RM'mil	Individual period		Cumulative period	
	Three months ended 31 December		Twelve months ended 31 December	
	2017	2016	2017	2016
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Revaluation of property, plant and equipment	-	9.4	-	9.4
Tax effects thereon	-	(1.5)	-	(1.5)
Items that are or may be reclassified subsequently to profit or loss				
AFS financial assets	(5.1)	(62.2)	18.0	(3.7)
Tax effects thereon	1.2	14.9	(4.3)	0.9
Total other comprehensive income for the year, net of tax	(3.9)	(39.4)	13.7	5.1

The Group recorded a total other comprehensive income of RM13.7 million for the financial year ended 31 December 2017, an increase of RM8.6 million as compared to the preceding financial year ended 31 December 2016 of RM5.1 million due to higher fair value gains from AFS financial assets, mainly from the general insurance operations in the financial year under review.

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

1. Review of results (continued)

1.8 Review of Statements of Financial Position

Table 4: Review of assets and liabilities

RM'mil	As at	As at	Changes	
	31.12.2017	31.12.2016	Amount	%
Total assets	16,596.7	14,912.4	1,684.3	11.3%
Total liabilities	13,461.2	12,032.9	1,428.3	11.9%
Total equity	3,135.5	2,879.5	256.0	8.9%

Total assets

As at 31 December 2017, the Group's total assets increased by RM1.68 billion to RM16.60 billion from RM14.91 billion as at 31 December 2016, mainly attributable to increase in financial investments of RM1.38 billion for the financial year under review. The increase was mainly attributable to new purchases as well as net gains in market value of financial investments.

Total liabilities

As at 31 December 2017, the Group's total liabilities increased by RM1.43 billion to RM13.46 billion from RM12.03 billion as at 31 December 2016 due mainly to increase in insurance contract liabilities from both insurance subsidiaries. The increase in insurance contract liabilities was in line with the Group's business growth.

Total equity

The Group's total equity as at 31 December 2017 increased by 8.9% or RM256.0 million to RM3.14 billion from RM2.88 billion in 2016. This is mainly attributable to increase in distributable retained earnings of RM155.0 million and increase in non-participating fund surplus of RM87.3 million.

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

2. Current year prospect

The Malaysian economy registered a Gross Domestic Product (“GDP”) growth of 6.2% for the third quarter in 2017, exceeding the forecast of 5.2% to 5.7% for 2017. The growth was mainly driven by an improvement in both domestic and external demand. This trend is expected to continue into 2018 as GDP is forecasted to grow at 5.0% in 2018. However, insurance industry’s growth was lagging behind GDP growth and this trend will likely continue in 2018 as consumers prioritise consumption spendings over purchase of insurance products.

The Group expects competition to intensify in 2018 with the current phased liberalisation in the general insurance industry leading to full liberalisation in July 2019. Technological advancement and higher consumer expectations will also play a role in changing the competitive landscape. The Group’s general insurance operation will need to differentiate its product beyond pricing to improve customer satisfaction and to maintain customer loyalty. The general insurance operation will continue to protect its earnings and market share by offering superior products and differentiating its services to provide better values to customers. It will also expand its distribution capabilities including venturing into digital partnership and moving into online sales platform .

The life insurance operation will become more significant in terms of contribution to the Group’s earnings. It will remain focused on growing its topline while bolstering profitability. The life insurance operation will continue to adopt a multi-distribution strategy. It will expand its agency force with new recruitments while improving agency professionalism and ultimately uplifting the productivity of the agency force in line with the implementation of the Balanced Score Card system (“BSC”) beginning 1 January 2018 under the Life Insurance and Takaful Framework introduced by Bank Negara Malaysia. Under the BSC framework, agents remuneration will include qualitative measures such as quality of service and advice to customers. This serves to improve the quality of services and provide customised products to meet customer needs. Business from bancassurance channel is expected to continue to grow and contribute more significantly to the life insurance operation.

The Group will continue to focus on optimising the performance of its insurance businesses and deliver sustainable returns to its shareholders in 2018.

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		Twelve months ended	
	31 December		31 December	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Interest income	133,576	116,056	501,127	443,696
Dividend income	15,287	9,609	52,824	39,843
Accretion of discounts	3,950	2,057	11,266	7,208
Amortisation of premiums	(2,601)	(908)	(5,699)	(3,673)
Rental income	52	108	212	209
Other income	1,616	1,994	7,524	8,424
	<u>151,880</u>	<u>128,916</u>	<u>567,254</u>	<u>495,707</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		Twelve months ended	
	31 December		31 December	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
Realised gains on disposal	97	45	226	50
Realised losses on disposal	-	-	(19)	-
Total net realised gains for property, plant and equipment	97	45	207	50
Financial assets				
Realised gains on disposal:				
Malaysian government securities	181	194	4,283	12,527
Malaysian government guaranteed bonds	137	-	137	-
Quoted equity securities of corporations in Malaysia	15,100	9,399	100,534	86,983
Quoted equity securities of corporations outside Malaysia	34	87	5,890	416
Quoted unit trusts in Malaysia	-	1	1,048	3,546
Unquoted unit trusts outside Malaysia	55	160	434	9,835
Unquoted bonds of corporations in Malaysia	5	330	5	955
Realised losses on disposal:				
Malaysian government securities	(641)	2,016	(641)	(3,840)
Malaysian government guaranteed bonds	-	(1,963)	-	(2,373)
Quoted equity securities of corporations in Malaysia	(31,309)	(5,956)	(53,768)	(45,004)
Quoted equity securities of corporations outside Malaysia	(667)	(161)	(6,069)	(330)
Unquoted unit trusts outside Malaysia	(23)	(118)	(210)	(359)
Unquoted bonds of corporations in Malaysia	-	-	(76)	-
Put options	-	(1,549)	-	(1,549)
Total net realised (losses)/gains for financial assets	(17,128)	2,440	51,567	60,807
Total net realised (losses)/gains	(17,031)	2,485	51,774	60,857

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

6. Fair value gains and losses

	Individual period		Cumulative period	
	Three months ended		Twelve months ended	
	31 December		31 December	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Investment properties				
Fair value losses on investment properties	(2,409)	(1,204)	(2,409)	(2,008)
Financial instruments				
Held for trading financial assets	48,353	(57,711)	184,209	(9,322)
Designated upon initial recognition financial assets	(9,982)	(48,973)	10,588	11,551
Derivatives financial asset	(9,624)	(8,477)	6,919	11,487
Derivatives financial liabilities	(3,394)	(9,145)	1,096	(9,562)
Total fair value gains/(losses) on financial instruments at Fair Value Through Profit or Loss	25,353	(124,306)	202,812	4,154
Impairment loss on AFS financial investments	(2,149)	(8,736)	(6,582)	(29,404)
Total net fair value gains/(losses)	20,795	(134,246)	193,821	(27,258)

Fair value changes of financial liabilities arises from the Group's derivative financial liabilities. The gains or losses arising from fair value changes of derivative financial asset/(liabilities) are based on the indicative market prices from the issuing banks.

7. Profit before tax

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

	Individual period		Cumulative period	
	Three months ended		Twelve months ended	
	31 December		31 December	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	4,155	4,331	18,412	16,256
Depreciation of property, plant and equipment	4,855	5,138	16,776	17,339
Insurance and other receivables:				
- Allowance for/(Reversal of) impairment loss	7,466	(5,168)	37,557	1,813
- Bad debts recovered	(14)	(61)	(193)	(160)
- Bad debts written off	805	921	1,517	1,284
Interest expense	1,640	840	4,689	6,161
Interest income	(905)	(228)	(905)	(636)
Property, plant and equipment written off	3	6	12	29
Unrealised foreign exchange losses/(gains)	2,008	(205)	2,008	(205)

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

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

8. Tax expense

	Individual period		Cumulative period	
	Three months ended		Twelve months ended	
	31 December		31 December	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Profit before tax	126,385	121,004	437,283	454,591
Tax expense				
Income tax	33,681	30,853	118,261	114,210
Deferred tax	5,922	172	31,060	28,250
Total tax expense	39,603	31,025	149,321	142,460
Effective tax rate	31%	26%	34%	31%

The Group's consolidated effective tax rate for the financial year 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.

9. Status of corporate proposal announced

As at the date of the Report, there are no corporate proposals announced but not completed.

10. Borrowings and debts securities

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

As at 31 December 2017

RM'000

Interest Bearing

Amount due to holding company

54,300

A 5-year term loan from its holding company, Allianz SE, is unsecured and subject to interest of 4.3% per annum. The term loan has been fully repaid on 19 January 2018.

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

11. Changes in material litigation

Virginia Surety Company Labuan Branch (“VSC”) had provided reinsurance support to Commerce Assurance Berhad (now known as BMB) (“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 Closing Submissions and Reply Submissions are 30 August 2017 and 27 September 2017. The Oral Submissions took place on 12 October 2017 and 13 October 2017, during which the Tribunal sought some clarification in response to which AGIC’s solicitors prepared and filed AGIC’s Further Written Submissions. VSC’s solicitors then responded with VSC’s Further Written Submissions. AGIC’s solicitors then prepared and filed AGIC’s Rebuttal Submissions to clarify VSC’s citation of certain cases.

An Arbitration Award dated 8 February 2018 was received on 20 February 2018. The award, made by 2 arbitrators of the Panel of 3 arbitrators, was in favour of VSC (the “Award”) whilst the Dissenting Arbitrator found in favour of AGIC.

The Award ordered AGIC to pay the following:

1. RM30,593.64 as reimbursement of payment in respect of the Kuala Lumpur Regional Centre for Arbitration’s administrative expenses;
2. RM425,324.32 as reimbursement of payment in respect of fees and expenses of the arbitral tribunal;
3. RM668,160.69 for costs and expenses incurred by VSC; and
4. USD10,969.31 as reimbursement for costs incurred in respect of VSC’s ex-employee.

AGIC’s solicitors are of the view that there are reasonable grounds to seek a review of the majority decision, including to set aside the Award.

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		Twelve months ended	
		31 December		31 December	
		2017	2016	2017	2016
Profit attributable to ordinary shareholders	(RM'000)	86,782	89,979	287,962	312,131
Weighted average number of ordinary shares in issue	('000)	173,764	169,938	174,171	171,251
Basic earnings per ordinary share	(sen)	49.94	52.95	165.33	182.27

(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		Twelve months ended	
		31 December		31 December	
		2017	2016	2017	2016
Profit attributable to ordinary shareholders	(RM'000)	86,782	89,979	287,962	312,131
Weighted average number of ordinary shares in issue	('000)	173,764	169,938	174,171	171,251
Effect of conversion of ICPS	('000)	171,623	172,499	171,623	172,499
Diluted weighted average number of ordinary shares during the period	('000)	345,387	342,437	345,794	343,750
Diluted earnings per ordinary share	(sen)	25.13	26.28	83.28	90.80

13. Dividend

The Board of Directors declared an interim ordinary share dividend of 12.00 sen per ordinary share under single tier system (2016: 9.00 sen) and an interim preference share dividend of 14.40 sen per ICPS under single tier system (2016: 10.80 sen) for the financial year ended 31 December 2017 which were paid on 14 February 2018 to the entitled shareholders and ICPS holders of the Company respectively whose names appeared on the Register of Members and/or Record of Depositors on 26 January 2018.

The Board of Directors does not recommend any payment of final dividend for the financial year ended 31 December 2017.

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

14. Derivatives Financial Instruments

(i) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts are as follows:

As at 31 December 2017	Nominal value				Assets				Liabilities			
	< 1 year RM'000	1 - 3 years RM'000	>3 years RM'000	Total RM'000	< 1 year RM'000	1 - 3 years RM'000	>3 years RM'000	Total RM'000	< 1 year RM'000	1 - 3 years RM'000	>3 years RM'000	Total RM'000
Derivatives held for trading at fair value through profit or loss												
Collateralised forward starting interest rate swap	-	-	200,000	200,000	-	-	7,259	7,259	-	-	-	-
Collateralised interest rate swap	-	-	200,000	200,000	-	-	13,827	13,827	-	-	-	-
Cross currency swap	-	-	119,750	119,750	-	-	4,352	4,352	-	-	1,933	1,933
Derivatives used for hedging through profit or loss												
Forward purchase agreements	30,000	90,000	100,000	220,000	-	-	99	99	225	1,231	1,862	3,318
Total	30,000	90,000	619,750	739,750	-	-	25,537	25,537	225	1,231	3,795	5,251
As at 31 December 2016	Nominal value				Assets				Liabilities			
	< 1 year RM'000	1 - 3 years RM'000	>3 years RM'000	Total RM'000	< 1 year RM'000	1 - 3 years RM'000	>3 years RM'000	Total RM'000	< 1 year RM'000	1 - 3 years RM'000	>3 years RM'000	Total RM'000
Derivatives held for trading at fair value through profit or loss												
Collateralised forward starting interest rate swap	-	-	400,000	400,000	-	-	14,996	14,996	-	-	-	-
Cross currency swap	-	-	111,712	111,712	-	-	-	-	-	-	10,759	10,759
Derivatives used for hedging through profit or loss												
Forward purchase agreements	-	60,000	100,000	160,000	-	-	429	429	-	1,457	1,657	3,114
Total	-	60,000	611,712	671,712	-	-	15,425	15,425	-	1,457	12,416	13,873

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

14. Derivatives Financial Instruments (continued)

As at 31 December 2017, the Group has positions in the following types of derivative financial instruments:

Swaps

Swaps are contractual agreements between two parties to exchange exposures in foreign currency or interest rates.

Forwards

Forwards are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted over-the-counter market.

(ii) The Group's derivative financial instruments are subject to market, credit and liquidity risk, as follows:

Market Risk

The Group takes positions in derivatives for hedging purposes based on certain assumptions, analysis, outlook and other factors into consideration to conclude how an investment will likely perform in future. Risk of losses or opportunity cost occurs when market parameters moves in different directions from positions taken.

Credit Risk

Credit risk is the risk of a financial loss if the counterparties to the derivative financial instruments fail to meet its contractual obligations. As at the reporting date, the amount of credit risk in the Group, measured in terms of the cost to replace the profitable contracts, was RM25,537,000 (2016: RM15,425,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices. The credit risk exposure will be partly mitigated by collateral posting.

Liquidity Risk

Liquidity risk on derivatives is the risk that the derivative position cannot be closed out promptly. Exposure to liquidity risk is reduced through contracting derivatives where the underlying items are widely traded.

(iii) Cash Requirements of the Derivatives

Cash requirements of the derivatives may arise from margin requirements to post or receive cash collateral with counterparties as the fair value moves beyond the agreed upon threshold limits in the counterparties' favour. As at the reporting date, the Group had received cash collateral of RM12,128,000 (2016: RM1,011,000) on the derivative contracts.

(iv) There have been no changes since the end of the previous financial year in respect of the following:

- the types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts;
- the risk management policies in place for mitigating and controlling the risks associated with these financial derivative contracts; and
- the related accounting policies.

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

15. Insurance receivables

Additional Disclosure Information

The Group has not provided the credit risk analysis for the financial assets of the investment-linked funds. This is due to the fact that, in investment-linked business, the liability to policyholders is linked to the performance and value of the assets that back those liabilities and the shareholders have no direct exposure to any credit risk in those assets.

(i) Past-due but not impaired financial assets

Age analysis of financial assets past-due but not impaired

The Group maintains an ageing analysis in respect of insurance receivables only. The ageing of insurance receivables that are past-due but not impaired as at the reporting date is as follows:

	1 to 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	> 91 days RM'000	Investment-linked funds RM'000	Total RM'000
31.12.2017						
Insurance receivables	2,635	857	798	2,034	-	6,324
31.12.2016						
Insurance receivables	21,255	1,762	2,928	1,532	-	27,477

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

15. Insurance receivables (continued)

Additional Disclosure Information (continued)

(ii) Past-due and impaired financial assets

As at 31 December 2017, based on combination of collective and individual assessment of receivables, there are impaired insurance receivables amounting to RM59,166,000 (31.12.2016: RM21,644,000) and other receivables of RM2,022,000 (31.12.2016: RM1,987,000) respectively. No collateral is held as security for any past-due or impaired financial assets. The Group records impairment allowance for insurance receivables and other receivables in separate allowance for impairment accounts. A reconciliation of the allowance for impairment losses for the aforesaid insurance receivables and other receivables are as follows:

	Insurance receivables		Other receivables	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
At 1 January	21,644	21,076	1,987	742
Impairment loss recognised	37,522	568	35	1,245
At 31 December	<u>59,166</u>	<u>21,644</u>	<u>2,022</u>	<u>1,987</u>

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

16. Auditors' report on preceding annual financial statements

The auditors' report of the Group's audited financial statements for the financial year ended 31 December 2017 was not qualified.

BY ORDER OF THE BOARD

Ng Siew Gek
Company Secretary

Kuala Lumpur
22 February 2018