

ALLIANZ MALAYSIA BERHAD (12428-W)

UNAUDITED QUARTERLY RESULTS
FOR THE PERIOD ENDED 31 MARCH 2018

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of financial position
as at 31 March 2018 - unaudited**

	31 March 2018 RM'000	← Audited → 31 December 2017 RM'000
Assets		
Property, plant and equipment	119,519	119,853
Intangible assets	361,424	360,600
Investment properties	19,914	19,914
Deferred tax assets	25,503	23,275
Reinsurance assets	893,399	908,436
Investments	13,746,245	13,598,570
Derivative financial assets	34,509	25,537
Current tax assets	-	803
Insurance receivables	305,140	250,125
Other receivables, deposits and prepayments	281,810	260,971
Deferred acquisitions costs	97,929	94,056
Cash and cash equivalents	926,253	934,537
Total assets	16,811,645	16,596,677

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of financial position
as at 31 March 2018 - unaudited (continued)**

	31 March 2018 RM'000	← Audited → 31 December 2017 RM'000
Equity		
Share capital:		
Ordinary Shares	228,241	225,268
Irredeemable Convertible Preference Shares ("ICPS")	542,788	545,761
Reserves	2,449,408	2,364,484
Total equity attributable to owners of the Company	3,220,437	3,135,513
Liabilities		
Insurance contract liabilities	12,160,473	11,957,065
Deferred tax liabilities	241,167	234,743
Derivative financial liabilities	1,894	5,251
Other financial liabilities	1,676	20,710
Insurance payables	432,375	430,764
Other payables and accruals	374,318	473,745
Benefits and claims liabilities	357,925	331,296
Current tax liabilities	21,380	7,590
Total liabilities	13,591,208	13,461,164
Total equity and liabilities	16,811,645	16,596,677
Net asset per ordinary share (RM)	18.35	17.96
Diluted net asset per ordinary share (RM)	9.30	9.06

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 2018 - unaudited**

	Note (Part B)	Individual period Three months ended 31 March		Cumulative period Three months ended 31 March	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Operating revenue *		1,271,406	1,208,937	1,271,406	1,208,937
Gross earned premiums		1,123,048	1,079,146	1,123,048	1,079,146
Premiums ceded to reinsurers		(97,228)	(122,392)	(97,228)	(122,392)
Net earned premiums		1,025,820	956,754	1,025,820	956,754
Investment income	4	148,358	129,791	148,358	129,791
Realised gains and losses	5	41,717	33,387	41,717	33,387
Fair value gains and losses	6	(23,947)	113,290	(23,947)	113,290
Fee and commission income		8,582	10,344	8,582	10,344
Other operating income		11,853	6,822	11,853	6,822
Other income		186,563	293,634	186,563	293,634
Gross benefits and claims paid		(617,956)	(573,646)	(617,956)	(573,646)
Claims ceded to reinsurers		37,750	102,340	37,750	102,340
Gross change in contract liabilities		(172,059)	(281,770)	(172,059)	(281,770)
Change in contract liabilities ceded to reinsurers		(7,488)	(70,752)	(7,488)	(70,752)
Net benefits and claims		(759,753)	(823,828)	(759,753)	(823,828)
Fee and commission expense		(172,814)	(162,152)	(172,814)	(162,152)
Management expenses		(135,747)	(148,125)	(135,747)	(148,125)
Other operating expenses		(16,439)	(7,620)	(16,439)	(7,620)
Other expenses		(325,000)	(317,897)	(325,000)	(317,897)
Profit before tax	7	127,630	108,663	127,630	108,663
Tax expense	8	(40,398)	(41,489)	(40,398)	(41,489)
Profit for the period		87,232	67,174	87,232	67,174

* 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 2018 - unaudited**

	Note (Part B)	Individual period Three months ended 31 March		Cumulative period Three months ended 31 March	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit for the period attributable to owners of the Company		87,232	67,174	87,232	67,174
Other comprehensive income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Fair value of available-for-sale ("AFS") financial assets		(3,036)	5,703	(3,036)	5,703
Tax effects thereon		728	(1,364)	728	(1,364)
		<u>(2,308)</u>	<u>4,339</u>	<u>(2,308)</u>	<u>4,339</u>
Total other comprehensive (loss)/income for the period, net of tax		<u>(2,308)</u>	<u>4,339</u>	<u>(2,308)</u>	<u>4,339</u>
Total comprehensive income for the period, net of tax		<u>84,924</u>	<u>71,513</u>	<u>84,924</u>	<u>71,513</u>
Profit for the year attributable to: Owners of the Company		<u>87,232</u>	<u>67,174</u>	<u>87,232</u>	<u>67,174</u>
Total comprehensive income for the period attributable to: Owners of the Company		<u>84,924</u>	<u>71,513</u>	<u>84,924</u>	<u>71,513</u>
Basic earnings per ordinary share (sen)	12(a)	<u>49.79</u>	<u>38.67</u>	<u>49.79</u>	<u>38.67</u>
Diluted earnings per ordinary share (sen)	12(b)	<u>25.22</u>	<u>19.40</u>	<u>25.22</u>	<u>19.40</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 2018 - unaudited

	←————— Attributable to owners of the Company —————→							Total equity
	←————— Non-distributable —————→					Distributable		
	Ordinary shares	Preference shares	Share premium ¹	Revaluation reserve	Fair value reserve	Life non-participating fund surplus ²	Retained earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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 ICPS to ordinary shares	46	(46)	-	-	-	-	-	-
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

ALLIANZ MALAYSIA BERHAD (12428-W)
Condensed consolidated statement of changes in equity for the period ended 31 March 2018 - unaudited (continued)

	←————— Attributable to owners of the Company —————→							Total equity
	←————— Non-distributable —————→					Distributable		
	Ordinary shares	Preference shares	Share premium ¹	Revaluation reserve	Fair value reserve	Life non-participating fund surplus ²	Retained earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018	225,268	545,761	-	41,934	10,169	611,845	1,700,536	3,135,513
Fair value of AFS financial assets	-	-	-	-	(2,308)	-	-	(2,308)
Total other comprehensive (loss)/ income for the period	-	-	-	-	(2,308)	-	-	(2,308)
Profit for the period	-	-	-	-	-	24,456	62,776	87,232
Total comprehensive (loss)/income for the period	-	-	-	-	(2,308)	24,456	62,776	84,924
Contributions by and distributions to owners of the Company								
Conversion of ICPS to ordinary shares	2,973	(2,973)	-	-	-	-	-	-
Total transactions with owners of the Company	2,973	(2,973)	-	-	-	-	-	-
At 31 March 2018	228,241	542,788	-	41,934	7,861	636,301	1,763,312	3,220,437

¹ 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 in fourth quarter of 2017. Pursuant to subsection 618(3) of the New Act, Allianz Malaysia Berhad ("AMB" or "the Company") and its subsidiaries (AMB and its subsidiaries are collectively referred to as 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.

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 2018 - unaudited**

	Three months ended 31 March 2018 RM'000	Three months ended 31 March 2017 RM'000
Cash flows from operating activities		
Profit before tax	127,630	108,663
<i>Adjustments for:</i>		
Investment income	(148,358)	(129,791)
Interest income	(169)	(1,438)
Interest expense	938	1,063
Realised gains recorded in profit or loss	(41,717)	(33,274)
Fair value gains on financial investments recorded in profit or loss	9,935	(114,729)
Purchases of financial investments	(541,766)	(671,951)
Maturity of financial investments	146,987	52,000
Proceeds from sale of financial investments	173,034	570,291
Change in loans and receivables	73,359	(147,459)
Non-cash items:		
Change in fair value of AFS financial assets	3,390	(70,023)
Unrealised foreign exchange loss	1,088	47
Depreciation of property, plant and equipment	3,625	3,785
Amortisation of intangible assets	3,785	4,393
Gain on disposal of property, plant and equipment	-	(113)
Impairment loss on AFS financial investments	14,012	1,439
Property, plant and equipment written off	15	4
Insurance and other receivables:		
- Allowance for impairment loss	1,671	10,892
- Bad debts recovered	(290)	(18)
Changes in working capital:		
Change in reinsurance assets	15,037	86,143
Change in insurance receivables	(56,411)	(48,013)
Change in other receivables, deposits and prepayments	(22,874)	(16,966)
Change in insurance contract liabilities	203,408	388,647
Change in deferred acquisition costs	(3,873)	(5,582)
Change in other financial liabilities	(19,034)	44,827
Change in insurance payables	1,611	(17,154)
Change in other payables and accruals	787	(6,437)
Change in benefits and claims liabilities	26,629	3,907
Cash (used in)/generated from operations	(27,551)	13,153

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of cash flows
For the period ended 31 March 2018 - unaudited (continued)**

	Three months ended 31 March 2018 RM'000	Three months ended 31 March 2017 RM'000
Cash flows from operating activities (continued)		
Tax paid	(20,585)	(30,362)
Dividends received	12,265	8,395
Interest income received	136,658	126,218
	<hr/>	<hr/>
Net cash from operating activities	100,787	117,404
	<hr/>	<hr/>
Investing activities		
Proceeds from disposal of property, plant and equipment	-	412
Acquisition of property, plant and equipment	(3,734)	(1,812)
Acquisition of intangible assets	(4,181)	(2,938)
	<hr/>	<hr/>
Net cash used in investing activities	(7,915)	(4,338)
	<hr/>	<hr/>
Financing activities		
Dividends paid to owners of the Company	(45,664)	(34,263)
Interest paid	(1,192)	(1,192)
Repayment of term loan to holding company	(54,300)	-
	<hr/>	<hr/>
Net cash used in financing activities	(101,156)	(35,455)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	(8,284)	77,611
Cash and cash equivalents at 1 January	934,537	625,304
	<hr/>	<hr/>
Cash and cash equivalents at 31 March	926,253	702,915
	<hr/>	<hr/>
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions (with maturity less than three months)	863,478	649,799
Cash and bank balances	62,775	53,116
	<hr/>	<hr/>
	926,253	702,915
	<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 ("Report") of the Group as at and for the financial period ended 31 March 2018 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 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 2017, except for the adoption of the following:

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

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 2018.

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

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

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

8. Capital commitments

As at 31 March 2018	RM'000
Property, plant and equipment: Contracted but not provided for	3,670
Software development: Contracted but not provided for	3,693

9. Related party transactions

Significant related party transactions are as follows:

	Transactions value	
	Three months ended	
	31 March	
	2018	2017
	RM'000	RM'000
Related companies*		
Reinsurance premium and commission	(57,458)	(65,153)

* 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 934,900 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 period under review.

12. 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.

13. Dividend paid

An interim ordinary share dividend of 12.00 sen per ordinary share under single tier system (2017: 9.00 sen) and an interim preference share dividend of 14.40 sen per ICPS (2017: 10.80 sen) 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 period ended 31 March 2018 - unaudited

	Investment holding		General insurance		Life insurance		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment revenue	3,440	3,431	594,833	565,347	673,133	640,159	1,271,406	1,208,937
Inter-segment revenue	(603)	(603)	-	-	-	-	(603)	(603)
Segment results	(2,207)	(1,146)	88,347	73,485	41,490	36,324	127,630	108,663
Segment assets	399,548	415,715	6,027,579	5,768,231	10,384,518	9,196,470	16,811,645	15,380,416
Segment liabilities	25,221	80,419	3,820,455	3,693,909	9,745,532	8,655,052	13,591,208	12,429,380

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 period to date

RM'mil	Individual Period				Cumulative period			
	Three months ended		Changes		Three months ended		Changes	
	2018	2017	Amount	%	2018	2017	Amount	%
	31 March				31 March			
Operating revenue	1,271.4	1,208.9	62.5	5.2%	1,271.4	1,208.9	62.5	5.2%
Profit before tax	127.6	108.7	18.9	17.4%	127.6	108.7	18.9	17.4%
Profit after tax	87.2	67.2	20.0	29.8%	87.2	67.2	20.0	29.8%
Profit for the period attributable to owners of the Company	87.2	67.2	20.0	29.8%	87.2	67.2	20.0	29.8%

RM'mil	Individual Period				Cumulative period			
	Three months ended		Changes		Three months ended		Changes	
	2018	2017	Amount	%	2018	2017	Amount	%
	31 March				31 March			
Operating Revenue by segments								
General insurance	594.8	565.3	29.5	5.2%	594.8	565.3	29.5	5.2%
Gross earned premiums	551.0	524.2	26.8	5.1%	551.0	524.2	26.8	5.1%
Investment income	43.8	41.1	2.7	6.6%	43.8	41.1	2.7	6.6%
Life insurance	673.1	640.2	32.9	5.1%	673.1	640.2	32.9	5.1%
Gross earned premiums	572.0	554.9	17.1	3.1%	572.0	554.9	17.1	3.1%
Investment income	101.1	85.3	15.8	18.5%	101.1	85.3	15.8	18.5%
Investment holding								
Investment income	3.5	3.4	0.1	2.9%	3.5	3.4	0.1	2.9%
Total Operating Revenue	1,271.4	1,208.9	62.5	5.2%	1,271.4	1,208.9	62.5	5.2%

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 period to date (continued)

RM'mil	Individual Period Three months ended 31 March		Changes		Cumulative period Three months ended 31 March		Changes	
	2018	2017	Amount	%	2018	2017	Amount	%
Profit Before Tax by segments								
General insurance	88.3	73.5	14.8	20.1%	88.3	73.5	14.8	20.1%
Life Insurance	41.5	36.3	5.2	14.3%	41.5	36.3	5.2	14.3%
Investment holding	(2.2)	(1.1)	(1.1)	100.0%	(2.2)	(1.1)	(1.1)	100.0%
Total Profit before tax	127.6	108.7	18.9	17.4%	127.6	108.7	18.9	17.4%
General Insurance								
Commission ratio	12.8%	12.6%	N/A	(0.2 pts)	12.8%	12.6%	N/A	(0.2 pts)
Claims ratio	61.1%	59.7%	N/A	(1.4 pts)	61.1%	59.7%	N/A	(1.4 pts)
Expense ratio	16.7%	20.3%	N/A	3.6 pts	16.7%	20.3%	N/A	3.6 pts
Combined ratio	90.6%	92.6%	N/A	2.0 pts	90.6%	92.6%	N/A	2.0 pts
Life Insurance								
Annualised new premium ("ANP")	108.4	110.2	(1.8)	(1.6%)	108.4	110.2	(1.8)	(1.6%)
Expense ratio	11.7%	12.3%	N/A	0.6 pts	11.7%	12.3%	N/A	0.6 pts
Lapse ratio	14.6%	13.7%	N/A	(0.9 pts)	14.6%	13.7%	N/A	(0.9 pts)

N/A - Not Applicable

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

1. Review of results (continued)

1.1 Operating revenue of the current quarter/year-to-date (YTD) against preceding year corresponding quarter/YTD (First Quarter 2018 versus First Quarter 2017)

The Group recorded an operating revenue of RM1.27 billion for the three months ended 31 March 2018, an increase of 5.2% or RM62.5 million as compared to the preceding three months ended 31 March 2017 of RM1.21 billion due mainly to higher gross earned premiums and investment income by RM43.9 million and RM18.6 million respectively.

The general insurance segment recorded an operating revenue of RM594.8 million for the three months ended 31 March 2018, an increase of 5.2% or RM29.5 million as compared to the preceding three months ended 31 March 2017 of RM565.3 million due mainly to the increase in gross earned premiums and investment income by RM26.8 million and RM2.7 million respectively.

The increase in gross earned premiums of the general insurance segment was attributable to higher premiums from motor business. The increase in investment income was due mainly to higher investment asset base.

The life insurance segment recorded an operating revenue of RM673.1 million for the three months ended 31 March 2018, an increase of 5.1% or RM32.9 million as compared to the preceding three months ended 31 March 2017 of RM640.2 million due to the increase in gross earned premiums and investment income by RM17.1 million and RM15.8 million respectively.

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

1.2 Profit before tax of the current quarter/year-to-date (YTD) against preceding year corresponding quarter/YTD (First Quarter 2018 versus First Quarter 2017)

The Group recorded a profit before tax of RM127.6 million for the three months ended 31 March 2018, an increase of 17.4% or RM18.9 million as compared to the preceding three months ended 31 March 2017 of RM108.7 million due mainly to higher contribution from both insurance segments.

General insurance segment delivered a profit before tax of RM88.3 million for the three months ended 31 March 2018, an increase of 20.1% or RM14.8 million as compared to the preceding three months ended 31 March 2017 of RM73.5 million. The higher profit before tax mainly contributed by higher underwriting profit. Lower net combined ratio by 2.0 percentage points mainly from lower management expense ratio. The decrease in management expense ratio is due mainly from lower impairment of insurance receivable by approximately RM9.0 million as compared to the preceding three months ended 31 March 2017.

The life insurance segment recorded a higher profit before tax of RM41.5 million for the three months ended 31 March 2018, an increase of 14.3% or RM5.2 million as compared to a profit before tax of the preceding three months ended 31 March 2017 of RM36.3 million due mainly to higher contribution from protection business.

The investment holding segment registered a loss before tax of RM2.2 million for the three months ended 31 March 2018 as compared to a loss of RM1.1 million for the preceding three months ended 31 March 2017 due to higher operating expenses for the financial period 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	
	31.03.2018	31.12.2017	Amount	%
Operating revenue	1,271.4	1,209.9	61.5	5.1%
Profit before tax	127.6	126.4	1.2	0.9%
Profit after tax	87.2	86.8	0.4	0.5%
Profit for the period attributable to owners of the Company	87.2	86.8	0.4	0.5%

1.3 Operating revenue of the current quarter against the preceding quarter (First Quarter 2018 versus Fourth Quarter 2017)

The Group recorded an operating revenue of RM1.27 billion for the quarter under review, an increase of 5.1% or RM61.5 million as compared to the preceding quarter ended 31 December 2017 of RM1.21 billion due to higher gross earned premiums of RM65.0 million and offset by the decrease in investment income of RM3.5 million.

The general insurance segment recorded an operating revenue of RM594.8 million for the quarter under review, an increase of 7.3% or RM40.6 million as compared to the preceding quarter ended 31 December 2017 of RM554.2 million due mainly to higher gross earned premiums in current quarter.

The life insurance segment registered an operating revenue of RM673.1 million for the quarter under review, an increase of 3.2% or RM21.1 million as compared to the preceding quarter ended 31 December 2017 of RM652.0 million due mainly to increase of gross earned premiums by RM24.5 million in the current quarter. This is mainly due to higher premiums generated from bancassurance and employee benefits channel in first quarter of the year.

1.4 Profit before tax of the current quarter against the preceding quarter (First Quarter 2018 versus Fourth Quarter 2017)

The Group recorded a profit before tax of RM127.6 million for the quarter under review, an increase of 0.9% or RM1.2 million as compared to the preceding quarter ended 31 December 2017 of RM126.4 million due mainly to higher profit from general insurance segment.

The profit before tax of general insurance segment for the quarter under review of RM88.3 million, an increase of 31.0% or RM20.9 million as compared to the preceding quarter ended 31 December of RM67.4 million. The higher profit before tax was due mainly to lower management expenses as compared to preceding quarter.

The profit before tax of life insurance segment for the quarter under review of RM41.5 million, a decrease of 30.1% or RM17.9 million as compared to the preceding quarter ended 31 March 2017 of RM59.4 million due mainly to annual surplus transfer of RM11.8 million in the last quarter of 2017.

The investment holding segment registered a loss before tax of RM2.2 million as compared to a loss before tax of the preceding quarter ended 31 December of RM0.4 million due to higher management expenses in the current quarter.

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

1. Review of results (continued)

1.5 Review of other comprehensive income

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

RM'mil	Individual period Three months ended 31 March		Cumulative period Three months ended 31 March	
	2018	2017	2018	2017
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
AFS financial assets	(3.0)	5.7	(3.0)	5.7
Tax effects thereon	0.7	(1.4)	0.7	(1.4)
Total other comprehensive (loss)/income for the year, net of tax	(2.3)	4.3	(2.3)	4.3

The Group recorded a total other comprehensive loss of RM2.3 million for the three months ended 31 March 2018, a decrease of RM6.6 million as compared to a total other comprehensive income of the preceding three months ended 31 March 2017 of RM4.3 million due to fair value losses from AFS financial assets, mainly from the general insurance segment in the financial period under review.

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

1. Review of results (continued)

1.6 Review of Statements of Financial Position

Table 4: Review of assets and liabilities

RM'mil	As at	As at	Changes	
	31.03.2018	31.12.2017	Amount	%
Total assets	16,811.6	16,596.7	214.9	1.3%
Total liabilities	13,591.2	13,461.2	130.0	1.0%
Total equity	3,220.4	3,135.5	84.9	2.7%

Total assets

As at 31 March 2018, the Group's total assets increased by RM214.9 million to RM16.81 billion from RM16.60 billion as at 31 December 2017, mainly attributable to increase in financial investments of RM147.7 million for the financial period under review. The increase was mainly attributable to new purchases of financial investments.

Total liabilities

As at 31 March 2018, the Group's total liabilities increased by RM130.0 million to RM13.59 billion from RM13.46 billion as at 31 December 2017 due mainly to increase in insurance contract liabilities from life insurance segment. 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 March 2018 increased by 2.7% or RM84.9 million to RM3.22 billion from RM3.14 billion in 2017. This is mainly attributable to increase in distributable retained earnings of RM62.8 million and increase in non-participating fund surplus of RM25.5 million.

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

2. Current year prospect

BNM has projected in its Annual Report 2017 that the global economy is projected to expand at a faster pace in 2018, driven largely by private consumption and boosted by investment activity in the advanced economies. Amid the stronger global economic conditions, the Malaysian economy is expected to grow by 5.5% to 6.0% in 2018.

The general insurance industry will likely see some volatility in a fully liberalised environment which can be expected to remain for up to two to three years, as seen in other markets where detariffication has taken place. Competition is likely to intensify in the run up to the anticipated next phase of liberalisation in 2019. The general insurance segment aims to maintain its market leadership in 2018 and will continue to drive initiatives to ensure a profitable portfolio and create value for its customers and distribution partners. It will also leverage on digital assets to enhance our processes and service proposition to customers.

The life insurance industry grew at a softer pace with total industry new business recorded a growth of 1.9% in 2017 and 3.1% in first quarter of 2018. It will see some changes from the implementation of Life Framework. The life insurance segment will continue to strengthen its agency force with a focus on increasing productivity. It will also aim to ride on its growth momentum with a focus on further developing its distribution through continued agency professionalisation and enhancing the value proposition of its products and services.

The Group will remain focused on delivering sustainable results of its insurance businesses 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		Three months ended	
	31 March		31 March	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Interest income	132,694	117,513	132,694	117,513
Dividend income	12,265	8,395	12,265	8,395
Accretion of discounts	2,560	2,403	2,560	2,403
Amortisation of premiums	(906)	(819)	(906)	(819)
Rental income	135	53	135	53
Other income	1,610	2,246	1,610	2,246
	148,358	129,791	148,358	129,791

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	
	2018	2017	2018	2017
	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	-	2,197
Quoted equity securities of corporations in Malaysia	43,545	36,352	43,545	36,352
Quoted equity securities of corporations outside Malaysia	343	2,674	343	2,674
Quoted unit trusts in Malaysia	-	1,048	-	1,048
Unquoted unit trusts outside Malaysia	-	107	-	107
Realised losses on disposal:				
Quoted equity securities of corporations in Malaysia	(2,118)	(5,337)	(2,118)	(5,337)
Quoted equity securities of corporations outside Malaysia	(41)	(3,629)	(41)	(3,629)
Unquoted unit trusts outside Malaysia	(12)	(62)	(12)	(62)
Unquoted bonds of corporations in Malaysia	-	(76)	-	(76)
Total net realised gains for financial assets	41,717	33,274	41,717	33,274
Total net realised gains	41,717	33,387	41,717	33,387

6. Fair value gains and losses

	Individual period		Cumulative period	
	Three months ended		Three months ended	
	31 March		31 March	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Financial instruments				
Held for trading financial assets	(10,715)	104,760	(10,715)	104,760
Designated upon initial recognition financial assets	(4,023)	6,681	(4,023)	6,681
Derivatives financial asset	4,803	3,288	4,803	3,288
Total fair value (losses)/gains on financial instruments at Fair Value Through Profit or Loss	(9,935)	114,729	(9,935)	114,729
Impairment loss on AFS financial investments	(14,012)	(1,439)	(14,012)	(1,439)
Total net fair value (losses)/gains	(23,947)	113,290	(23,947)	113,290

The gains or losses arising from fair value changes of derivative financial asset are based on the indicative market prices from the issuing banks.

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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	3,785	4,393	3,785	4,393
Depreciation of property, plant and equipment	3,625	3,785	3,625	3,785
Insurance and other receivables:				
- Allowance for impairment loss	1,671	10,892	1,671	10,892
- Bad debts recovered	(290)	(18)	(290)	(18)
Interest expense	938	1,063	938	1,063
Interest income	(169)	(1,438)	(169)	(1,438)
Property, plant and equipment written off	15	4	15	4
Unrealised foreign exchange loss	1,088	47	1,088	47

Other than as disclosed in Notes 6 and 7, there are no exceptional items for the financial period ended 31 March 2018.

8. Tax expense

	Individual period		Cumulative period	
	Three months ended		Three months ended	
	31 March		31 March	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit before tax	127,630	108,663	127,630	108,663
Tax expense				
Income tax	35,133	31,231	35,133	31,231
Deferred tax	5,265	10,258	5,265	10,258
Total tax expense	40,398	41,489	40,398	41,489
Effective tax rate	32%	38%	32%	38%

The Group's consolidated effective tax rate for the financial period under review is higher than the statutory tax rate of 24% (2017: 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

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

10. Borrowings and debts securities

The Group has on 19 January 2018 fully repaid the 5-year term loan facility of up to the principal amount of Euro equivalent of RM54.3 million to its holding company, Allianz SE.

Saved as disclosed above, the Group has no outstanding borrowings and debts securities for the financial period under review.

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 and which has since wound up) ("CAB") previously in respect of CAB's Extended Warranty

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 Closing Submissions and Reply Submissions were filed on 30 August 2017 and 27 September 2017 respectively. 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.

On this basis, an Originating Summons has been filed in the Kuala Lumpur High Court on 29 March 2018 to set aside the Award under section 37(2)(b)(ii) of the Arbitration Act 2005 ("the Act") and for a Reference of Questions of law under section 42 of the Act. The hearing date is fixed for 25 September 2018.

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	
		2018	2017	2018	2017
Profit attributable to ordinary shareholders	(RM'000)	87,232	67,174	87,232	67,174
Weighted average number of ordinary shares in issue	('000)	175,211	173,722	175,211	173,722
Basic earnings per ordinary share	(sen)	49.79	38.67	49.79	38.67

(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	
		2018	2017	2018	2017
Profit attributable to ordinary shareholders	(RM'000)	87,232	67,174	87,232	67,174
Weighted average number of ordinary shares in issue	('000)	175,211	173,722	175,211	173,722
Effect of conversion of ICPS	('000)	170,688	172,453	170,688	172,453
Diluted weighted average number of ordinary shares during the period	('000)	345,899	346,175	345,899	346,175
Diluted earnings per ordinary share	(sen)	25.22	19.40	25.22	19.40

13. Dividend

The Board of Directors declared 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 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.

No dividend has been proposed or declared for the first quarter of 2018 (2017: Nil).

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 March 2018	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	-	-	7,450	7,450	-	-	-	-
Collateralised interest rate swap	-	-	200,000	200,000	-	-	13,382	13,382	-	-	-	-
Cross currency swap	-	-	119,750	119,750	-	-	13,448	13,448	-	-	-	-
Derivatives used for hedging through profit or loss												
Forward purchase agreements	30,000	90,000	100,000	220,000	63	38	128	229	-	523	1,371	1,894
Total	30,000	90,000	619,750	739,750	63	38	34,408	34,509	-	523	1,371	1,894
As at 31 December 2017												
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

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

14. Derivatives Financial Instruments (continued)

As at 31 March 2018, 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 RM34,509,000 (2017: RM25,537,000). 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 RM25,216,000 (2017: RM12,128,000) on the derivative contracts.

(iv) There have been no changes since the end of the previous financial period 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
31.03.2018						
Insurance receivables	6,409	1,028	694	1,834	-	9,965
31.12.2017						
Insurance receivables	2,635	857	798	2,034	-	6,324

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 March 2018, based on combination of collective and individual assessment of receivables, there are impaired insurance receivables amounting to RM60,853,000 (31.12.2017: RM59,166,000) and other receivables of RM2,006,000 (31.12.2017: RRM2,022,000) 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	
	31.03.2018 RM'000	31.12.2017 RM'000	31.03.2018 RM'000	31.12.2017 RM'000
At 1 January	59,166	21,644	2,022	1,987
Impairment loss recognised/(reversed)	1,687	37,522	(16)	35
At 31 March	<u>60,853</u>	<u>59,166</u>	<u>2,006</u>	<u>2,022</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
28 May 2018