

ALLIANZ MALAYSIA BERHAD (12428-W)

UNAUDITED QUARTERLY RESULTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of financial position
as at 30 September 2018 - unaudited**

	30 September 2018 RM'000	← Audited → 31 December 2017 RM'000
Assets		
Property, plant and equipment	118,141	119,853
Intangible assets	359,167	360,600
Investment properties	19,914	19,914
Deferred tax assets	27,150	23,275
Reinsurance assets	854,165	908,436
Investments	14,365,065	13,598,570
Derivative financial assets	28,198	25,537
Current tax assets	-	803
Insurance receivables	262,692	250,125
Other receivables, deposits and prepayments	318,999	260,971
Deferred acquisitions costs	95,804	94,056
Cash and cash equivalents	1,051,805	934,537
Total assets	17,501,100	16,596,677

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of financial position
as at 30 September 2018 - unaudited (continued)**

	30 September 2018 RM'000	← Audited → 31 December 2017 RM'000
Equity		
Share capital:		
Ordinary Shares	231,868	225,268
Irredeemable Convertible Preference Shares ("ICPS")	539,161	545,761
Reserves	2,644,025	2,364,484
Total equity attributable to owners of the Company	3,415,054	3,135,513
Liabilities		
Insurance contract liabilities	12,407,846	11,957,065
Deferred tax liabilities	256,100	234,743
Derivative financial liabilities	957	5,251
Other financial liabilities	72,571	20,710
Insurance payables	457,616	430,764
Other payables and accruals	465,698	473,745
Benefits and claims liabilities	403,801	331,296
Current tax liabilities	21,457	7,590
Total liabilities	14,086,046	13,461,164
Total equity and liabilities	17,501,100	16,596,677
Net asset per ordinary share (RM)	19.33	17.96
Diluted net asset per ordinary share (RM)	9.86	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 30 September 2018 - unaudited**

	Note (Part B)	Individual period Three months ended 30 September		Cumulative period Nine months ended 30 September	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Operating revenue *		1,301,578	1,188,389	3,879,756	3,591,123
Gross earned premiums		1,135,234	1,044,782	3,405,461	3,175,749
Premiums ceded to reinsurers		(89,789)	(10,193)	(277,283)	(237,663)
Net earned premiums		1,045,445	1,034,589	3,128,178	2,938,086
Investment income	4	166,344	143,607	474,295	415,374
Realised gains and losses	5	(20,794)	(287)	18,012	68,805
Fair value gains and losses	6	142,342	8,112	(147,494)	173,026
Fee and commission income		8,423	5,469	24,337	23,452
Other operating income		10,816	8,049	22,773	18,748
Other income		307,131	164,950	391,923	699,405
Gross benefits and claims paid		(578,516)	(656,540)	(1,806,296)	(1,765,471)
Claims ceded to reinsurers		68,329	120,551	156,961	271,030
Gross change in contract liabilities		(359,046)	(303,525)	(490,206)	(876,773)
Change in contract liabilities ceded to reinsurers		(18,424)	54,486	(32,580)	(11,914)
Net benefits and claims		(887,657)	(785,028)	(2,172,121)	(2,383,128)
Fee and commission expense		(169,525)	(161,630)	(514,812)	(481,846)
Management expenses		(138,034)	(147,269)	(413,196)	(437,329)
Other operating expenses		(9,684)	(8,364)	(28,825)	(24,290)
Other expenses		(317,243)	(317,263)	(956,833)	(943,465)
Profit before tax	7	147,676	97,248	391,147	310,898
Tax expense	8	(47,797)	(29,722)	(114,166)	(109,718)
Profit for the period		99,879	67,526	276,981	201,180

* 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 30 September 2018 - unaudited**

	Note (Part B)	Individual period Three months ended 30 September		Cumulative period Nine months ended 30 September	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit for the period attributable to owners of the Company		99,879	67,526	276,981	201,180
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		20,236	3,815	3,373	23,121
Tax effects thereon		(4,853)	(916)	(813)	(5,544)
		<u>15,383</u>	<u>2,899</u>	<u>2,560</u>	<u>17,577</u>
Total other comprehensive income for the period, net of tax		<u>15,383</u>	<u>2,899</u>	<u>2,560</u>	<u>17,577</u>
Total comprehensive income for the period, net of tax		<u>115,262</u>	<u>70,425</u>	<u>279,541</u>	<u>218,757</u>
Profit for the year attributable to: Owners of the Company		<u>99,879</u>	<u>67,526</u>	<u>276,981</u>	<u>201,180</u>
Total comprehensive income for the period attributable to: Owners of the Company		<u>115,262</u>	<u>70,425</u>	<u>279,541</u>	<u>218,757</u>
Basic earnings per ordinary share (sen)	12(a)	<u>56.54</u>	<u>38.73</u>	<u>157.46</u>	<u>115.59</u>
Diluted earnings per ordinary share (sen)	12(b)	<u>28.85</u>	<u>19.51</u>	<u>80.18</u>	<u>58.19</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 30 September 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	Total equity
	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	-	-	-	-	17,577	-	-	17,577
Total other comprehensive income for the period	-	-	-	-	17,577	-	-	17,577
Profit for the period	-	-	-	-	-	56,969	144,211	201,180
Total comprehensive income for the period	-	-	-	-	17,577	56,969	144,211	218,757
Contributions by and distributions to owners of the Company								
Conversion of ICPS to ordinary shares	796	(796)	-	-	-	-	-	-
Total transactions with owners of the Company	796	(796)	-	-	-	-	-	-
At 30 September 2017	174,503	171,703	424,823	41,934	14,069	581,485	1,689,763	3,098,280

ALLIANZ MALAYSIA BERHAD (12428-W)
Condensed consolidated statement of changes in equity for the period ended 30 September 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	-	-	-	-	2,560	-	-	2,560
Total other comprehensive income for the period	-	-	-	-	2,560	-	-	2,560
Profit for the period	-	-	-	-	-	105,156	171,825	276,981
Total comprehensive income for the period	-	-	-	-	2,560	105,156	171,825	279,541
Contributions by and distributions to owners of the Company								
Conversion of ICPS to ordinary shares	6,600	(6,600)	-	-	-	-	-	-
Total transactions with owners of the Company	6,600	(6,600)	-	-	-	-	-	-
At 30 September 2018	231,868	539,161	-	41,934	12,729	717,001	1,872,361	3,415,054

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 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.

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.

Condensed consolidated statement of cash flows
For the period ended 30 September 2018 - unaudited

	Nine months ended 30 September 2018 RM'000	Nine months ended 30 September 2017 RM'000
Cash flows from operating activities		
Profit before tax	391,147	310,898
<i>Adjustments for:</i>		
Investment income	(474,295)	(415,374)
Interest income	(503)	(546)
Interest expense	2,615	3,049
Realised gains recorded in profit or loss	(18,054)	(68,695)
Fair value losses/(gains) on financial investments recorded in profit or loss	101,133	(177,459)
Purchases of financial investments	(2,235,763)	(2,479,817)
Maturity of financial investments	736,988	460,412
Proceeds from sale of financial investments	618,030	988,571
Change in loans and receivables	(61,036)	198,326
Non-cash items:		
Change in fair value of AFS financial assets	41,232	(88,976)
Unrealised foreign exchange loss	1,038	-
Depreciation of property, plant and equipment	11,848	11,921
Amortisation of intangible assets	12,580	14,257
Loss/(Gain) on disposal of property, plant and equipment	42	(110)
Impairment loss on AFS financial investments	46,361	4,433
Property, plant and equipment written off	108	9
Insurance and other receivables:		
- Allowance for impairment loss	10,670	30,091
- Bad debts recovered	(77)	(179)
- Bad debts written off	1,353	712
Changes in working capital:		
Change in reinsurance assets	54,271	26,167
Change in insurance receivables	(24,530)	(87,469)
Change in other receivables, deposits and prepayments	(57,674)	67
Change in insurance contract liabilities	450,781	1,028,676
Change in deferred acquisition costs	(1,748)	(8,229)
Change in other financial liabilities	51,861	(29)
Change in insurance payables	26,852	63,183
Change in other payables and accruals	90,489	20,001
Change in benefits and claims liabilities	72,505	83,225
Cash generated from operations	(151,776)	(82,885)

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of cash flows
For the period ended 30 September 2018 - unaudited (continued)**

	Nine months ended 30 September 2018 RM'000	Nine months ended 30 September 2017 RM'000
Cash flows from operating activities (continued)		
Tax paid	(79,238)	(92,995)
Dividends received	48,896	37,537
Interest income received	421,975	377,118
	<hr/>	<hr/>
Net cash from operating activities	239,857	238,775
Investing activities		
Proceeds from disposal of property, plant and equipment	112	1,586
Acquisition of property, plant and equipment	(11,612)	(6,469)
Acquisition of intangible assets	(9,933)	(75,334)
	<hr/>	<hr/>
Net cash used in investing activities	(21,433)	(80,217)
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	117,268	123,103
Cash and cash equivalents at 1 January	934,537	625,304
	<hr/>	<hr/>
Cash and cash equivalents at 30 September	1,051,805	748,407
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions (with maturity less than three months)	1,011,141	679,191
Cash and bank balances	40,664	69,216
	<hr/>	<hr/>
	1,051,805	748,407
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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 ("the Report") of Allianz Malaysia Berhad ("AMB" or "the Company") and its subsidiaries (AMB and its subsidiaries are collectively referred to as the "Group") as at and for the financial period ended 30 September 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 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 upon their first adoption.

MFRS 9, *Financial Instruments* is effective for annual periods beginning 1 January 2018. The Group's business activities are predominantly insurance and hence qualifies for the temporary exemption from applying MFRS 9 under the Amendments to MFRS 4, *Insurance Contracts*. Hence, the Group will defer and adopt MFRS 9 together with MFRS 17, *Insurance Contracts* on 1 January 2021.

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 30 September 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 period under review were not significantly affected by seasonality or cyclical factors.

6. Property, plant and equipment

The Group's property, plant and equipment are stated at cost/valuation less accumulated depreciation and accumulated impairment losses, if any. There were no changes in the valuation of property, plant and equipment that were brought forward from the Group's audited financial statements for the financial year ended 31 December 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 30 September 2018

RM'000

Property, plant and equipment:

Contracted but not provided for

1,748

Software development:

Contracted but not provided for

2,817

9. Related party transactions

Significant related party transactions are as follows:

	Transactions value	
	Nine months ended	
	30 September	
	2018	2017
	RM'000	RM'000
Related companies*		
Reinsurance premium and commission	(163,108)	(109,260)

* 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.

Saved as disclosed above, the Group does not have any other contingent assets and liabilities since the last annual balance sheet date.

11. Debt and equity securities

Save for the issuance of 2,075,551 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 (2017: 9.00 sen) per ordinary share under single tier system and an interim preference share dividend of 14.40 sen (2017: 10.80 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 period ended 30 September 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	10,095	10,607	1,765,617	1,699,720	2,104,044	1,880,796	3,879,756	3,591,123
Inter-segment revenue	(1,828)	(1,828)	-	-	-	-	(1,828)	(1,828)
Segment results	(5,554)	(1,997)	242,559	199,452	154,142	113,443	391,147	310,898
Segment assets	400,987	407,436	6,245,729	6,037,967	10,854,384	9,883,130	17,501,100	16,328,533
Segment liabilities	30,772	72,906	3,920,560	3,858,381	10,134,714	9,298,966	14,086,046	13,230,253

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		Nine months ended		Changes	
	2018	2017	Amount	%	2018	2017	Amount	%
	30 September				30 September			
Operating revenue	1,301.6	1,188.4	113.2	9.5%	3,879.8	3,591.1	288.7	8.0%
Profit before tax	147.7	97.2	50.5	52.0%	391.1	310.9	80.2	25.8%
Profit after tax	99.9	67.5	32.4	48.0%	277.0	201.2	75.8	37.7%
Profit for the period attributable to owners of the Company	99.9	67.5	32.4	48.0%	277.0	201.2	75.8	37.7%

RM'mil	Individual Period				Cumulative period			
	Three months ended		Changes		Nine months ended		Changes	
	2018	2017	Amount	%	2018	2017	Amount	%
	30 September				30 September			
Operating Revenue by segments								
General insurance	587.0	570.4	16.6	2.9%	1,765.6	1,699.7	65.9	3.9%
Gross earned premiums	541.0	527.1	13.9	2.6%	1,631.0	1,573.6	57.4	3.6%
Investment income	46.0	43.3	2.7	6.2%	134.6	126.1	8.5	6.7%
Life insurance	711.2	614.3	96.9	15.8%	2,104.0	1,880.8	223.2	11.9%
Gross earned premiums	594.3	517.7	76.6	14.8%	1,774.5	1,602.1	172.4	10.8%
Investment income	116.9	96.6	20.3	21.0%	329.5	278.7	50.8	18.2%
Investment holding								
Investment income	3.4	3.7	(0.3)	(8.1%)	10.2	10.6	(0.4)	(3.8%)
Total Operating Revenue	1,301.6	1,188.4	113.2	9.5%	3,879.8	3,591.1	288.7	8.0%

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 (Third Quarter 2018 versus Third Quarter 2017)

For the third quarter ended 30 September 2018, the Group recorded an operating revenue of RM1.30 billion, an increase of 9.5% or RM113.2 million as compared to the preceding year quarter ended 30 September 2017 of RM1.19 billion due mainly to higher gross earned premiums and investment income by RM90.5 million and RM22.7 million respectively.

For the quarter under review, the general insurance segment recorded an operating revenue of RM587.0 million, an increase of 2.9% or RM16.6 million as compared to the preceding year quarter ended 30 September 2017 of RM570.4 million due to increase in gross earned premiums and investment income by RM13.9 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.

For the quarter under review, the life insurance segment registered an operating revenue of RM711.2 million, an increase of 15.8% or RM96.9 million as compared to the preceding year quarter ended 30 September 2017 of RM614.3 million due to increase in gross earned premiums and investment income by RM76.6 million and RM20.3 million respectively.

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

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

The Group recorded an operating revenue of RM3.88 billion for the nine months ended 30 September 2018, an increase of 8.0% or RM288.7 million as compared to the preceding nine months ended 30 September 2017 of RM3.59 billion due mainly to higher gross earned premiums and investment income by RM229.8 million and RM58.9 million respectively.

The general insurance segment recorded an operating revenue of RM1.77 billion for the nine months ended 30 September 2018, an increase of 3.9% or RM65.9 million as compared to the preceding nine months ended 30 September 2017 of RM1.70 billion due mainly to increase in gross earned premiums and investment income by RM57.4 million and RM8.5 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 RM2.10 billion for the nine months ended 30 September 2018, an increase of 11.9% or RM223.2 million as compared to the preceding nine months ended 30 September 2017 of RM1.88 billion due to increase in gross earned premiums and investment income by RM172.4 million and RM50.8 million respectively.

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

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 30 September		Changes		Cumulative period Nine months ended 30 September		Changes	
	2018	2017	Amount	%	2018	2017	Amount	%
Profit Before Tax by segments								
General insurance	77.2	50.7	26.5	52.3%	242.6	199.5	43.1	21.6%
Life Insurance	72.1	46.5	25.6	55.1%	154.1	113.4	40.7	35.9%
Investment holding	(1.6)	-	(1.6)	>100%	(5.6)	(2.0)	(3.6)	>100%
Total Profit before tax	147.7	97.2	50.5	52.0%	391.1	310.9	80.2	25.8%
General Insurance								
Commission ratio	11.7%	12.8%	N/A	1.1 pts	12.2%	12.5%	N/A	0.3 pts
Claims ratio	63.4%	65.6%	N/A	2.2 pts	62.5%	62.0%	N/A	(0.5 pts)
Expense ratio	18.7%	20.2%	N/A	1.5 pts	17.8%	19.9%	N/A	2.1 pts
Combined ratio	93.8%	98.6%	N/A	4.8 pts	92.5%	94.4%	N/A	1.9 pts
Life Insurance								
Annualised new premium ("ANP")	128.8	102.3	26.5	25.9%	377.5	324.8	52.7	16.2%
Expense ratio	9.5%	11.1%	N/A	1.6 pts	10.7%	11.6%	N/A	0.9 pts
Lapse ratio	12.2%	15.1%	N/A	2.9 pts	13.8%	14.7%	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)

1.3 Profit before tax of the current year quarter against preceding year corresponding quarter (Third Quarter 2018 versus Third Quarter 2017)

For the third quarter ended 30 September 2018, the Group recorded a profit before tax of RM147.7 million, an increase of 52.0% or RM50.5 million as compared to the preceding year quarter ended 30 September 2017 of RM97.2 million.

For the quarter under review, the general insurance segment recorded a profit before tax of RM77.2 million, an increase of 52.3% or RM26.5 million as compared to a profit before tax of the preceding year quarter ended 30 September 2017 of RM50.7 million. The higher profit before tax was mainly contributed by higher underwriting profit from motor business. The better underwriting profit was due to lower claims and lower management expenses.

For the quarter under review, the life insurance segment recorded a higher profit before tax of RM72.1 million, an increase of 55.1% or RM25.6 million as compared to a profit before tax of the preceding year quarter ended 30 September 2017 of RM46.5 million due mainly to higher contribution from protection business.

For the quarter under review, the investment holding segment registered a loss before tax of RM1.6 million due mainly to higher agency commission being paid from the Shareholder's fund 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 RM391.1 million for the nine months ended 30 September 2018, an increase of 25.8% or RM80.2 million as compared to the preceding nine months ended 30 September 2017 of RM310.9 million due mainly to higher contribution from both insurance segments.

General insurance segment delivered a profit before tax of RM242.6 million for the nine months ended 30 September 2018, an increase of 21.6% or RM43.1 million as compared to the preceding nine months ended 30 September 2017 of RM199.5 million. The higher profit before tax was due mainly to higher underwriting profit as a result of lower management expenses. The decrease in management expenses was due mainly to lower impairment of insurance receivables.

The life insurance segment recorded a higher profit before tax of RM154.1 million for the nine months ended 30 September 2018, an increase of 35.9% or RM40.7 million as compared to a profit before tax of the preceding nine months ended 30 September 2017 of RM113.4 million due mainly to higher contribution from protection business.

The investment holding segment registered a loss before tax of RM5.6 million for the nine months ended 30 September 2018 as compared to a loss of RM2.0 million for the preceding nine months ended 30 September 2017 due mainly to agency commission being paid from the Shareholder's fund 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	
	30.09.2018	30.06.2018	Amount	%
Operating revenue	1,301.6	1,306.8	(5.2)	(0.4%)
Profit before tax	147.7	115.8	31.9	27.5%
Profit after tax	99.9	89.9	10.0	11.1%
Profit for the period attributable to owners of the Company	99.9	89.9	10.0	11.1%

1.5 Operating revenue of the current quarter against the preceding quarter (Third Quarter 2018 versus Second Quarter 2018)

The Group recorded an operating revenue of RM1.30 billion for the quarter under review, a marginal decrease of 0.4% or RM5.2 million as compared to the preceding quarter ended 30 June 2018 of RM1.31 billion due to lower gross earned premiums by RM11.9 million.

The general insurance segment recorded an operating revenue of RM587.0 million for the quarter under review, an increase of 0.5% or RM3.2 million as compared to the preceding quarter ended 30 June 2018 of RM583.8 million due mainly to higher gross earned premiums in the current quarter.

The life insurance segment registered an operating revenue of RM711.2 million for the quarter under review, a decrease of 1.2% or RM8.5 million as compared to the preceding quarter ended 30 June 2018 of RM719.7 million due mainly to lower gross earned premiums by RM13.9 million in the current quarter. This is mainly due to lower premiums from Employee Benefits and Bancassurance channels.

1.6 Profit before tax of the current quarter against the preceding quarter (Third Quarter 2018 versus Second Quarter 2018)

The Group recorded a profit before tax of RM147.7 million for the quarter under review, an increase of 27.5% or RM31.9 million as compared to the preceding quarter ended 30 June 2018 of RM115.8 million due mainly to higher contribution from life insurance segment.

The profit before tax of general insurance segment for the quarter under review of RM77.2 million, an increase of 0.1% or RM0.1 million as compared to the preceding quarter ended 30 June 2018 of RM77.1 million. The higher profit before tax was due to higher investment income recorded in current quarter.

The profit before tax of life insurance segment for the quarter under review of RM72.1 million, an increase of 78.0% or RM31.6 million as compared to the preceding quarter ended 30 June 2018 of RM40.5 million due mainly to fair value gains recorded in the current quarter and higher contribution from protection business.

The investment holding segment registered a loss before tax of RM1.6 million as compared to a loss before tax of the preceding quarter ended 30 June 2018 of RM1.8 million due to lower 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)

1.7 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 30 September		Cumulative period Nine months ended 30 September	
	2018	2017	2018	2017
Other comprehensive income, net of tax				
Items that are or may be reclassified subsequently to profit or loss				
AFS financial assets	20.2	3.8	3.4	23.1
Tax effects thereon	(4.9)	(0.9)	(0.8)	(5.5)
Total other comprehensive income for the period, net of tax	15.3	2.9	2.6	17.6

The Group recorded a total other comprehensive income of RM2.6 million for the nine months ended 30 September 2018, a decrease of RM15.0 million as compared to a total other comprehensive income of the preceding nine months ended 30 September 2017 of RM17.6 million due to lower fair value gains 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)

1.8 Review of Statements of Financial Position

Table 4: Review of assets and liabilities

RM'mil	As at	As at	Changes	
	30.09.2018	31.12.2017	Amount	%
Total assets	17,501.1	16,596.7	904.4	5.4%
Total liabilities	14,086.0	13,461.2	624.8	4.6%
Total equity	3,415.1	3,135.5	279.6	8.9%

Total assets

As at 30 September 2018, the Group's total assets increased by RM904.4 million to RM17.50 billion from RM16.60 billion as at 31 December 2017, mainly attributable to increase in financial investments for the financial period under review. The increase was in line with the Group's business growth.

Total liabilities

As at 30 September 2018, the Group's total liabilities increased by RM624.8 million to RM14.09 billion from RM13.46 billion as at 31 December 2017 due mainly to increase in insurance contract liabilities from both insurance segments. The increase in insurance contract liabilities was in line with the Group's business growth.

Total equity

The Group's total equity as at 30 September 2018 increased by 8.9% or RM279.6 million to RM3.42 billion from RM3.14 billion in 2017. This is mainly attributable to net profit generated for the period.

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 4.5% for the third quarter in 2018, mainly supported by domestic demand, particularly private sector expenditure. It is expected to record a steady growth for the rest of the year, with GDP growth forecasted for 2018 at 5.0%.

The general insurance industry reported a marginal growth of 0.7% in Gross Written Premium for the first half of 2018. We anticipate industry growth to be subdued arising from economic policies uncertainty as well as intensifying competition with the ongoing liberalisation of Motor and Fire Tariffs which is expected to put further pressure on the industry's revenue and profits. However, the general insurance segment will continue to offer innovative products and services and further expand its multi-distribution model to maintain its market leadership.

The life insurance industry reported a marginal growth of 0.4% in Annualised New Premium for the first half of 2018. The life insurance segment will continue to leverage on the strength of its multi-distribution channels, increase productivity across distribution channels to generate growth. It will also invest into digital initiatives to support the growth and be able to adapt in increasingly competitive market.

The Group remains confident to deliver satisfactory results for the remaining year.

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		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Interest income	144,693	126,732	416,873	367,551
Dividend income	19,347	13,486	48,896	37,537
Accretion of discounts	1,764	2,740	6,655	7,316
Amortisation of premiums	(1,025)	(1,271)	(3,065)	(3,098)
Rental income	79	54	317	160
Other income	1,486	1,866	4,619	5,908
	166,344	143,607	474,295	415,374

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		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
Realised gains on disposal	-	-	-	129
Realised losses on disposal	(35)	-	(42)	(19)
Total net realised (losses)/gains for property, plant and equipment	(35)	-	(42)	110
Financial assets				
Realised gains on disposal:				
Malaysian government securities	39	41	39	4,102
Quoted equity securities of corporations in Malaysia	10,058	9,860	83,840	85,434
Quoted equity securities of corporations outside Malaysia	52	2,251	790	5,856
Quoted unit trusts in Malaysia	-	-	-	1,048
Unquoted unit trusts outside Malaysia	-	89	-	379
Unquoted bonds of corporations in Malaysia	-	-	108	-
Realised losses on disposal:				
Quoted equity securities of corporations in Malaysia	(30,755)	(11,285)	(66,283)	(22,459)
Quoted equity securities of corporations outside Malaysia	(95)	(1,189)	(351)	(5,402)
Unquoted unit trusts outside Malaysia	(58)	(54)	(89)	(187)
Unquoted bonds of corporations in Malaysia	-	-	-	(76)
Total net realised (losses)/gains for financial assets	(20,759)	(287)	18,054	68,695
Total net realised (losses)/gains	(20,794)	(287)	18,012	68,805

6. Fair value gains and losses

	Individual period		Cumulative period	
	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Financial instruments				
Held for trading financial assets	119,455	5,221	(112,223)	144,099
Designated upon initial recognition financial assets	27,430	447	5,375	20,570
Derivatives financial asset	1,231	5,166	5,715	12,790
Total fair value gains/(losses) on financial instruments at Fair Value Through Profit or Loss	148,116	10,834	(101,133)	177,459
Impairment loss on AFS financial investments	(5,774)	(2,722)	(46,361)	(4,433)
Total net fair value gains/(losses)	142,342	8,112	(147,494)	173,026

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

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

7. Profit before tax

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

	Individual period		Cumulative period	
	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	4,740	5,314	12,580	14,257
Depreciation of property, plant and equipment	4,301	4,261	11,848	11,921
Insurance and other receivables:				
- Allowance for impairment loss	8,222	11,114	10,670	30,091
- Bad debts recovered	(30)	(27)	(77)	(179)
- Bad debts written off	1,247	506	1,353	712
Interest expense	888	685	2,615	3,049
Interest income	(184)	(192)	(503)	(546)
Property, plant and equipment written off	77	4	108	9
Unrealised foreign exchange (gains)/ losses	(15)	(127)	1,038	-

Other than as disclosed in Notes 6 and 7, there are no exceptional items for the financial period ended 30 September 2018.

8. Tax expense

	Individual period		Cumulative period	
	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit before tax	147,676	97,248	391,147	310,898
Tax expense				
Income tax	32,427	26,946	93,863	84,580
Deferred tax	15,370	2,776	20,303	25,138
Total tax expense	47,797	29,722	114,166	109,718
Effective tax rate	32%	31%	29%	35%

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/implemented

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 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 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 22 November 2018. The court has also directed parties to file and exchange their respective Written Submissions by 15 November 2018 and any Reply Submissions by 22 November 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		Nine months ended	
		30 September		30 September	
		2018	2017	2018	2017
Profit attributable to ordinary shareholders	(RM'000)	99,879	67,526	276,981	201,180
Weighted average number of ordinary shares in issue	('000)	176,658	174,345	175,901	174,044
Basic earnings per ordinary share	(sen)	56.54	38.73	157.46	115.59

(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		Nine months ended	
		30 September		30 September	
		2018	2017	2018	2017
Profit attributable to ordinary shareholders	(RM'000)	99,879	67,526	276,981	201,180
Weighted average number of ordinary shares in issue	('000)	176,658	174,345	175,901	174,044
Effect of conversion of ICPS	('000)	169,547	171,703	169,547	171,703
Diluted weighted average number of ordinary shares during the period	('000)	346,205	346,048	345,448	345,747
Diluted earnings per ordinary share	(sen)	28.85	19.51	80.18	58.19

13. Dividend

No dividend has been proposed or declared for the third 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 30 September 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	-	-	6,487	6,487	-	-	-	-
Collateralised interest rate swap	-	-	200,000	200,000	-	-	12,306	12,306	-	-	-	-
Cross currency swap	-	-	119,750	119,750	-	-	7,701	7,701	-	-	-	-
Derivatives used for hedging through profit or loss												
Forward purchase agreements	30,000	100,000	60,000	190,000	88	410	1,206	1,704	34	923	-	957
Total	30,000	100,000	579,750	709,750	88	410	27,700	28,198	34	923	-	957
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 30 September 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 RM28,198,000 (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 RM23,075,000 (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
30.09.2018						
Insurance receivables	4,414	2,514	9,442	3,852	-	20,222
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 30 September 2018, based on combination of collective and individual assessment of receivables, there are impaired insurance receivables amounting to RM71,098,000 (31.12.2017: RM59,166,000) and other receivables of RM760,000 (31.12.2017: RM2,022,000) 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	
	30.09.2018 RM'000	31.12.2017 RM'000	30.09.2018 RM'000	31.12.2017 RM'000
At 1 January	59,166	21,644	2,022	1,987
Impairment loss recognised/(reversed)	11,932	37,522	(1,262)	35
At 30 September	<u>71,098</u>	<u>59,166</u>	<u>760</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
22 November 2018