

ALLIANZ MALAYSIA BERHAD (12428-W)

UNAUDITED QUARTERLY RESULTS
FOR THE PERIOD ENDED 31 MARCH 2019

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of financial position
as at 31 March 2019 - unaudited**

| | 31 March 2019 RM'000 | ← Audited → 31 December 2018 RM'000 |
|---|-------------------------------------|--|
| Assets | | |
| Property, plant and equipment | 92,429 | 113,528 |
| Right-of-use assets | 84,107 | - |
| Intangible assets | 352,691 | 359,264 |
| Investment properties | 19,914 | 19,914 |
| Deferred tax assets | 10,512 | 14,051 |
| Reinsurance assets | 903,660 | 904,004 |
| Investments | 14,955,966 | 14,249,398 |
| Derivative financial assets | 40,964 | 26,059 |
| Current tax assets | 5,032 | 6,461 |
| Insurance receivables | 374,403 | 228,103 |
| Other receivables, deposits and prepayments | 169,793 | 149,117 |
| Deferred acquisitions costs | 98,514 | 95,060 |
| Cash and cash equivalents | 940,726 | 1,239,635 |
| Total assets | 18,048,711 | 17,404,594 |

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of financial position
as at 31 March 2019 - unaudited (continued)**

| | 31 March 2019 RM'000 | ← Audited → 31 December 2018 RM'000 |
|---|-------------------------------------|--|
| Equity | | |
| Share capital: | | |
| Ordinary Shares | 232,216 | 231,964 |
| Irredeemable Convertible Preference Shares ("ICPS") | 538,813 | 539,065 |
| Reserves | 2,713,990 | 2,590,668 |
| Total equity attributable to owners of the Company | 3,485,019 | 3,361,697 |
| Liabilities | | |
| Insurance contract liabilities | 12,866,119 | 12,323,590 |
| Deferred tax liabilities | 283,901 | 250,267 |
| Derivative financial liabilities | 839 | 2,413 |
| Lease liabilities | 65,332 | - |
| Insurance payables | 405,459 | 427,770 |
| Other payables and accruals | 418,044 | 569,367 |
| Life insurance benefits and claims liabilities | 514,897 | 466,283 |
| Current tax liabilities | 9,101 | 3,207 |
| Total liabilities | 14,563,692 | 14,042,897 |
| Total equity and liabilities | 18,048,711 | 17,404,594 |
| Net asset per ordinary share (RM) | 19.72 | 19.03 |
| Diluted net asset per ordinary share (RM) | 10.07 | 9.71 |

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 2019 - unaudited**

| | Note (Part B) | Individual period Three months ended 31 March | | Cumulative period Three months ended 31 March | |
|---|------------------|---|------------------|---|------------------|
| | | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Operating revenue * | | 1,344,295 | 1,271,406 | 1,344,295 | 1,271,406 |
| Gross earned premiums | | 1,183,445 | 1,123,048 | 1,183,445 | 1,123,048 |
| Premiums ceded to reinsurers | | (83,191) | (97,228) | (83,191) | (97,228) |
| Net earned premiums | | 1,100,254 | 1,025,820 | 1,100,254 | 1,025,820 |
| Investment income | 4 | 160,850 | 148,358 | 160,850 | 148,358 |
| Realised gains and losses | 5 | (27,869) | 41,717 | (27,869) | 41,717 |
| Fair value gains and losses | 6 | 195,560 | (23,947) | 195,560 | (23,947) |
| Fee and commission income | | 10,174 | 8,582 | 10,174 | 8,582 |
| Other operating income | | 10,767 | 11,853 | 10,767 | 11,853 |
| Other income | | 349,482 | 186,563 | 349,482 | 186,563 |
| Gross benefits and claims paid | | (588,737) | (617,956) | (588,737) | (617,956) |
| Claims ceded to reinsurers | | 47,710 | 37,750 | 47,710 | 37,750 |
| Gross change in contract liabilities | | (422,198) | (172,059) | (422,198) | (172,059) |
| Change in contract liabilities ceded to reinsurers | | 4,758 | (7,488) | 4,758 | (7,488) |
| Net benefits and claims | | (958,467) | (759,753) | (958,467) | (759,753) |
| Fee and commission expense | | (176,526) | (172,814) | (176,526) | (172,814) |
| Management expenses | | (151,868) | (135,747) | (151,868) | (135,747) |
| Interest expense | | (629) | (115) | (629) | (115) |
| Other operating expenses | | (11,006) | (16,324) | (11,006) | (16,324) |
| Other expenses | | (340,029) | (325,000) | (340,029) | (325,000) |
| Profit before tax | 7 | 151,240 | 127,630 | 151,240 | 127,630 |
| Tax expense | 8 | (52,323) | (40,398) | (52,323) | (40,398) |
| Profit for the period | | 98,917 | 87,232 | 98,917 | 87,232 |
| Profit for the period attributable to: Owners of the Company | | 98,917 | 87,232 | 98,917 | 87,232 |
| Basic earnings per ordinary share (sen) | 12(a) | 55.97 | 49.79 | 55.97 | 49.79 |
| Diluted earnings per ordinary share (sen) | 12(b) | 28.57 | 25.22 | 28.57 | 25.22 |

* 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 2019 - unaudited**

| | Note (Part B) | Individual period | | Cumulative period | |
|---|------------------|--------------------|----------|--------------------|----------|
| | | Three months ended | | Three months ended | |
| | | 31 March | | 31 March | |
| | | 2019 | 2018 | 2019 | 2018 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit for the period attributable to owners of the Company | | 98,917 | 87,232 | 98,917 | 87,232 |
| 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 | | | | | |
| - Net gains arising during the year | | 103,065 | 5,757 | 103,065 | 5,757 |
| - Net realised gains transferred to income statement | | 25,381 | (14,032) | 25,381 | (14,032) |
| Gains on cash flow hedge | | 9,678 | 1,554 | 9,678 | 1,554 |
| Tax effects thereon | | (16,183) | 1,023 | (16,183) | 1,023 |
| Change in insurance contract liabilities arising from net fair value change on: | | | | | |
| - AFS financial assets | | (96,339) | 5,239 | (96,339) | 5,239 |
| - Cash flow hedge reserve | | (9,678) | (1,554) | (9,678) | (1,554) |
| Tax effects thereon | | 8,481 | (295) | 8,481 | (295) |
| Total other comprehensive income/(loss) for the period, net of tax | 1.5 | 24,405 | (2,308) | 24,405 | (2,308) |
| Total comprehensive income for the period, net of tax | | 123,322 | 84,924 | 123,322 | 84,924 |
| Total comprehensive income for the period attributable to: | | | | | |
| Owners of the Company | | 123,322 | 84,924 | 123,322 | 84,924 |

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 2019 - unaudited

| | ←————— Attributable to owners of the Company —————→ | | | | | | Total equity |
|---|---|--|---------------------|-----------------------------------|--|-------------------|--------------|
| | ←————— <i>Non-distributable</i> —————→ | | | ————— <i>Distributable</i> —————→ | | | |
| | Ordinary shares | Irredeemable Convertible Preference Shares | Revaluation reserve | Fair value reserve | Retained earnings Life non-participating fund surplus ¹ | Retained earnings | Total equity |
| | 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 |
| Total other comprehensive loss 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 |

ALLIANZ MALAYSIA BERHAD (12428-W)
Condensed consolidated statement of changes in equity for the period ended 31 March 2019 - unaudited (continued)

| | ←————— Attributable to owners of the Company —————→ | | | | | | Total equity |
|---|---|---|------------------------|-----------------------------|--|----------------------|--------------|
| | ←————— <i>Non-distributable</i> —————→ | | | —————→ <i>Distributable</i> | | | |
| | Ordinary shares | Irredeemable Convertible Preference Shares | Revaluation reserve | Fair value reserve | Retained earnings Life non- participating fund surplus ¹ | Retained earnings | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2019 | 231,964 | 539,065 | 41,934 | 11,376 | 752,903 | 1,784,455 | 3,361,697 |
| Total other comprehensive income for the period | - | - | - | 24,405 | - | - | 24,405 |
| Profit for the period | - | - | - | - | 38,901 | 60,016 | 98,917 |
| Total comprehensive income for the period | - | - | - | 24,405 | 38,901 | 60,016 | 123,322 |
| Contributions by and distributions to owners of the Company | | | | | | | |
| Conversion of ICPS to ordinary shares | 252 | (252) | - | - | - | - | - |
| Total transactions with owners of the Company | 252 | (252) | - | - | - | - | - |
| At 31 March 2019 | 232,216 | 538,813 | 41,934 | 35,781 | 791,804 | 1,844,471 | 3,485,019 |

¹ Non-distributable retained earnings comprise of non-participating fund surplus, net of deferred tax, which is wholly attributable to the shareholders. This amount is only distributable upon the actual transfer of surplus from the life non-participating fund to the Shareholder's fund as recommended by the Appointed Actuary and approved by the Board of Directors of the life insurance subsidiary.

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 2019 - unaudited**

| | Three months ended 31 March 2019 RM'000 | Three months ended 31 March 2018 RM'000 |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before tax | 151,240 | 127,630 |
| <i>Adjustments for:</i> | | |
| Investment income | (160,850) | (148,358) |
| Interest income | (148) | (169) |
| Interest expense | 629 | 115 |
| Realised losses/(gains) recorded in profit or loss | 27,869 | (41,717) |
| Fair value (gains)/losses on financial assets recorded in profit or loss | (195,981) | 9,935 |
| Purchases of financial assets | (931,201) | (541,766) |
| Maturity of financial assets | 210,000 | 146,987 |
| Proceeds from sale of financial assets | 444,807 | 173,034 |
| Change in loans and receivables | (127,581) | 73,359 |
| Unrealised foreign exchange (gains)/losses | (42) | 1,088 |
| Depreciation of property, plant and equipment | 3,087 | 3,625 |
| Depreciation of right-of-use assets | 4,451 | - |
| Amortisation of intangible assets | 4,532 | 3,785 |
| Impairment loss on AFS financial assets | 421 | 14,012 |
| Property, plant and equipment written off | 2 | 15 |
| Insurance and other receivables: | | |
| - Allowance for impairment loss | 12,649 | 1,671 |
| - Bad debts recovered | (8) | (290) |
| Changes in working capital: | | |
| Change in reinsurance assets | 344 | 15,037 |
| Change in insurance receivables | (158,834) | (56,411) |
| Change in other receivables, deposits and prepayments | (24,557) | (22,874) |
| Change in insurance contract liabilities | 444,993 | 206,798 |
| Change in deferred acquisition costs | (3,454) | (3,873) |
| Change in insurance payables | (22,311) | 1,611 |
| Change in other payables and accruals | 721 | (17,424) |
| Change in life insurance benefits and claims liabilities | 48,614 | 26,629 |
| Cash used in operations | (270,608) | (27,551) |

ALLIANZ MALAYSIA BERHAD (12428-W)**Condensed consolidated statement of cash flows
For the period ended 31 March 2019 - unaudited (continued)**

| | Three months ended 31 March 2019 RM'000 | Three months ended 31 March 2018 RM'000 |
|--|---|---|
| Cash flows from operating activities (continued) | | |
| Dividends received | 14,105 | 12,265 |
| Interest income received | 137,452 | 136,658 |
| Interest paid | (629) | - |
| Tax paid | (24,010) | (20,585) |
| Net cash (used in)/from operating activities | (143,690) | 100,787 |
| Investing activities | | |
| Acquisition of property, plant and equipment | (2,750) | (3,734) |
| Acquisition of intangible assets | (3,228) | (4,181) |
| Proceeds from disposal of intangible assets | 6,374 | - |
| Net cash from/(used in) investing activities | 396 | (7,915) |
| Financing activities | | |
| Dividends paid | (152,044) | (45,664) |
| Interest paid | - | (1,192) |
| Repayment of advance to holding company | - | (54,300) |
| Repayment of lease liabilities | (3,571) | - |
| Net cash used in financing activities | (155,615) | (101,156) |
| Net decrease in cash and cash equivalents | (298,909) | (8,284) |
| Cash and cash equivalents at 1 January | 1,239,635 | 934,537 |
| Cash and cash equivalents at 31 March | 940,726 | 926,253 |
| Cash and cash equivalents comprise: | | |
| Fixed and call deposits with licensed financial institutions (with maturity less than three months) | 862,191 | 863,478 |
| Cash and bank balances | 78,535 | 62,775 |
| | 940,726 | 926,253 |

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

Part A: Explanatory notes to the condensed consolidated financial statements

1. Basis of preparation

These condensed consolidated quarterly financial statements ("the Report") of Allianz Malaysia Berhad ("AMB" or "the Company") and its subsidiaries (AMB and its subsidiaries are collectively referred to as the "Group") as at and for the financial period ended 31 March 2019 have been prepared in accordance with:

- (a) The requirements of Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting and 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 2018.

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 2018, except for the adoption of the following:

| MFRSs/ Amendments/ Interpretation | Effective date |
|--|-----------------------|
| MFRS 16, <i>Leases</i> | 1 January 2019 |
| IC Interpretation 23, <i>Uncertainty over Income Tax Treatments</i> | 1 January 2019 |
| Amendments to MFRS 3, <i>Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i> | 1 January 2019 |
| Amendments to MFRS 11, <i>Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i> | 1 January 2019 |
| Amendments to MFRS 112, <i>Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i> | 1 January 2019 |
| Amendments to MFRS 123, <i>Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i> | |
| Amendments to MFRS 128, <i>Investments in Associates and Joint Ventures – Long-term Interests</i> | 1 January 2019 |
| <i>in Associates and Joint Ventures</i> | 1 January 2019 |
| Amendments to MFRS 119, <i>Employee Benefits – Plan Amendment, Curtailment or Settlement</i> | 1 January 2019 |

MFRS 16, Leases

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

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116, *Property, Plant and Equipment* and the lease liability is accreted over time with interest expense recognised in profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group adopted MFRS 16 using the modified retrospective approach and measured the right-of-use assets equals to the lease liabilities as at 1 January 2019 with no restatement of comparative information.

Part A: Explanatory notes to the condensed consolidated financial statements

2. Statement of compliance (continued)

MFRS 16, Leases (continued)

The adoption of MFRS 16, Leases has resulted in changes in the Group's accounting policies. The effect arising from these changes on the statement of financial position of the Group are as follow:

| | 31 December 2018 RM'000 | Effects on adoption of MFRS 16 RM'000 | 1 January 2019 RM'000 |
|-------------------------------|--|--|--------------------------------------|
| Assets | | | |
| Property, plant and equipment | 113,528 | (19,338) | 94,190 |
| Right of use assets | - | 84,399 | 84,399 |
| | - | - | - |
| Liabilities | | | |
| Lease liabilities | - | 65,061 | 65,061 |

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities and on hedge accounting, effective for annual periods beginning on or after 1 January 2018. The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

The Group has applied the temporary exemption under Amendments to MFRS 4 - Applying MFRS 9, *Financial Instruments* with MFRS 4, *Insurance Contracts* which enables eligible entities to defer the implementation date of MFRS 9 to annual periods beginning before 1 January 2021 at the latest. Hence, the Group has not adopted MFRS 9 for the financial year beginning on or after 1 January 2018.

Amendments to MFRS 4 - Applying MFRS 9, Financial Instruments with MFRS 4, Insurance Contract

The amendments allow entities to avoid temporary volatility in profit or loss that might result from adopting MFRS 9 before the forthcoming new insurance contracts standard.

The amendments provide 2 different approaches for the Group:

- (i) temporary exemption from MFRS 9 for entities that meet specific requirements; and
- (ii) the overlay approach. Both approaches are optional.

The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 to annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from MFRS 9 if its activities are predominantly connected with insurance whilst the overlay approach allows an entity to adjust profit or loss for eligible financial assets by removing any accounting volatility to other comprehensive income that may arise from applying MFRS 9.

An entity can apply the temporary exemption from MFRS 9 from annual periods beginning on or after 1 January 2018 and may start applying the overlay approach when it applies MFRS 9 for the first time.

The Group's business activity is predominantly insurance as the liabilities connected with the Group's insurance businesses made up of more than 90% of the Group's total liabilities. Hence, the Group qualifies for the temporary exemption from applying MFRS 9 and will defer and adopt MFRS 9 together with MFRS 17 for the financial year beginning on or after 1 January 2021.

Part A: Explanatory notes to the condensed consolidated financial statements
2. Statement of compliance (continued)
Amendments to MFRS 4 - Applying MFRS 9, *Financial Instruments* with MFRS 4, *Insurance Contract* (continued)

The following additional disclosures, required by Amendments to MFRS 4 for entity qualified and elected the temporary exemption from applying MFRS 9, present the Group's financial assets by their contractual cash flows characteristics, which indicate if they are solely payments of principal and interest on the principal outstanding ("SPPI"):

| | Financial assets with SPPI cash flows RM'000 | All other financial assets RM'000 | Total* RM'000 |
|--|---|--|--------------------------|
| Fair value as at 31 March 2019 | | | |
| Investments | 6,629,010 | 8,236,317 | 14,865,327 |
| Malaysian government securities and government guaranteed bonds | 4,382,312 | 2,891,734 | 7,274,046 |
| Unquoted bonds of corporations | 1,550,996 | 3,182,765 | 4,733,761 |
| Quoted equity securities and unit trusts | - | 1,624,982 | 1,624,982 |
| Unquoted equity securities and unit trusts | - | 444,253 | 444,253 |
| Negotiable certificates of deposits and structured deposits | 41,335 | 92,583 | 133,918 |
| Government guaranteed loans | 192,638 | - | 192,638 |
| Fixed and call deposits with licensed banks | 461,729 | - | 461,729 |
| Derivative financial assets | - | 40,964 | 40,964 |
| Other receivables and deposits | 169,793 | - | 169,793 |
| Cash and cash equivalents | 940,726 | - | 940,726 |
| | <u>7,739,529</u> | <u>8,277,281</u> | <u>16,016,810</u> |
| | Financial assets with SPPI cash flows RM'000 | All other financial assets RM'000 | Total* RM'000 |
| Changes in fair value during the period | | | |
| Investments | | | |
| Malaysian government securities and government guaranteed bonds | 99,809 | 73,639 | 173,448 |
| Unquoted bonds of corporations | 7,880 | 33,247 | 41,127 |
| Quoted equity securities and unit trusts | - | 104,025 | 104,025 |
| Unquoted equity securities and unit trusts | - | 1,005 | 1,005 |
| Negotiable certificates of deposits and structured deposits | (33) | 118 | 85 |
| Government guaranteed loans | - | - | - |
| Mortgage loans | - | - | - |
| Fixed and call deposits with licensed banks | - | - | - |
| Derivative financial assets | - | 14,415 | 14,415 |
| Other receivables and deposits | - | - | - |
| Cash and cash equivalents | - | - | - |
| | <u>107,656</u> | <u>226,449</u> | <u>334,105</u> |

* Insurance receivables, reinsurance assets, policy loans, automatic premium loans and deferred acquisition cost have been excluded from the above assessment as they will be under the scope of MFRS 17, *Insurance Contracts*. Other than the financial assets listed in the table above and the assets that are within the scope of MFRS 17, *Insurance Contracts*, all other assets in the statement of financial position are non-financial assets.

ALLIANZ MALAYSIA BERHAD (12428-W)

Part A: Explanatory notes to the condensed consolidated financial statements

2. Statement of compliance (continued)

Amendments to MFRS 4 - Applying MFRS 9, *Financial Instruments* with MFRS 4, *Insurance Contracts* (continued)

Financial assets with SPPI cash flows*

| | AAA RM'000 | AA RM'000 | A RM'000 | BBB RM'000 | Non- investment grade RM'000 | Non-rated RM'000 | Investment- linked funds RM'000 | Total RM'000 |
|---|------------------|------------------|---------------|---------------|---------------------------------------|---------------------|---------------------------------------|------------------|
| Gross carrying amounts under MFRS 139 by credit risk rating grades | | | | | | | | |
| Investments | | | | | | | | |
| Malaysian government securities and government guaranteed bonds | - | - | - | - | - | 4,382,312 | - | 4,382,312 |
| Unquoted bonds of corporations | 896,888 | 629,868 | 20,439 | 11,097 | - | - | - | 1,558,292 |
| Negotiable certificates of deposits and structured deposits | 41,335 | - | - | - | - | - | - | 41,335 |
| Government guaranteed loans | - | - | - | - | - | 192,638 | - | 192,638 |
| Mortgage loans | - | - | - | - | - | - | - | - |
| Fixed and call deposits with licensed banks | 237,108 | 110,904 | - | - | - | - | 113,717 | 461,729 |
| Other receivables and deposits | - | - | - | - | - | 169,791 | 2 | 169,793 |
| Cash and cash equivalents | 304,882 | 459,674 | - | - | - | 640 | 175,530 | 940,726 |
| | <u>1,480,213</u> | <u>1,200,446</u> | <u>20,439</u> | <u>11,097</u> | <u>-</u> | <u>4,745,381</u> | <u>289,249</u> | <u>7,746,825</u> |

* Credit risk of these financial assets is considered low for the purpose of MFRS 9.

Except as disclosed above, the adoption of new standards, amendments to standards and interpretations by the Group for the first time for the financial year beginning on 1 January 2019 did not have any material impact on the current and/or prior periods.

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

3. Items of an unusual nature

The results of the Group for the financial 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 2019.

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 2018.

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 2019

RM'000

Property, plant and equipment:

Contracted but not provided for

2,367

9. Related party transactions

Significant related party transactions are as follows:

| | Transactions value | |
|--|---------------------------|---------------|
| | Three months ended | |
| | 31 March | |
| | 2019 | 2018 |
| | RM'000 | RM'000 |
| Related companies* | | |
| Payment of reinsurance premium ceded, net of commission income | (58,544) | (57,458) |

* 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. Due to the changes of the Members of Commission who heard AGIC's Oral Representation, AGIC's solicitors had requested MyCC to hold *de novo* (new) proceedings in relation to the AGIC's Oral Representation before the new Members of Commission. AGIC's Oral Representation sessions which took place on 19 and 20 February 2019 have concluded. PIAM had commenced its Oral Representation on 21 February 2019. BNM's Oral Representation took place on 13 May 2019 followed by Oral Representations by several counsel representing 6 insurers. The session on 14 May 2019 was vacated and the Oral Representation by PIAM's Competition Economist (RBB Economics) and the remaining insurers' counsel will be heard over 17 and 18 June 2019.

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 79,150 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

A single tier interim dividend of 40.00 sen per ordinary share and a single tier interim dividend of 48.0 sen per ICPS for the financial year ended 31 December 2018 were paid on 15 February 2019 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 2019 - unaudited

| | Investment holding | | General insurance | | Life insurance | | Consolidated | |
|---------------------------------|--------------------|---------|-------------------|-----------|----------------|------------|--------------|------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Segment operating revenue | 3,685 | 3,440 | 571,364 | 594,833 | 769,246 | 673,133 | 1,344,295 | 1,271,406 |
| Inter-segment operating revenue | (603) | (603) | (150) | - | (30) | - | (783) | (603) |
| Segment results | (3,178) | (2,207) | 85,560 | 88,347 | 68,858 | 41,490 | 151,240 | 127,630 |
| Segment assets | 419,822 | 399,548 | 6,216,691 | 6,027,579 | 11,412,198 | 10,384,518 | 18,048,711 | 16,811,645 |
| Segment liabilities | 32,920 | 25,221 | 3,913,045 | 3,820,455 | 10,617,727 | 9,745,532 | 14,563,692 | 13,591,208 |

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'million | Individual Period | | | | Cumulative period | | | |
|--|--------------------|---------|---------|-------|--------------------|---------|---------|-------|
| | Three months ended | | Changes | | Three months ended | | Changes | |
| | 2019 | 2018 | Amount | % | 2019 | 2018 | Amount | % |
| | 31 March | | | | 31 March | | | |
| Operating revenue | 1,344.3 | 1,271.4 | 72.9 | 5.7% | 1,344.3 | 1,271.4 | 72.9 | 5.7% |
| Profit before tax | 151.2 | 127.6 | 23.6 | 18.5% | 151.2 | 127.6 | 23.6 | 18.5% |
| Profit after tax | 98.9 | 87.2 | 11.7 | 13.4% | 98.9 | 87.2 | 11.7 | 13.4% |
| Profit for the period attributable to owners of the Company | 98.9 | 87.2 | 11.7 | 13.4% | 98.9 | 87.2 | 11.7 | 13.4% |

| RM'million | Individual Period | | | | Cumulative period | | | |
|--------------------------------------|--------------------|---------|---------|--------|--------------------|---------|---------|--------|
| | Three months ended | | Changes | | Three months ended | | Changes | |
| | 2019 | 2018 | Amount | % | 2019 | 2018 | Amount | % |
| | 31 March | | | | 31 March | | | |
| Operating Revenue by segments | | | | | | | | |
| General insurance | 571.4 | 594.8 | (23.4) | (3.9%) | 571.4 | 594.8 | (23.4) | (3.9%) |
| Gross earned premiums | 525.5 | 551.0 | (25.5) | (4.6%) | 525.5 | 551.0 | (25.5) | (4.6%) |
| Investment income | 45.9 | 43.8 | 2.1 | 4.8% | 45.9 | 43.8 | 2.1 | 4.8% |
| Life insurance | 769.2 | 673.1 | 96.1 | 14.3% | 769.2 | 673.1 | 96.1 | 14.3% |
| Gross earned premiums | 657.9 | 572.0 | 85.9 | 15.0% | 657.9 | 572.0 | 85.9 | 15.0% |
| Investment income | 111.3 | 101.1 | 10.2 | 10.1% | 111.3 | 101.1 | 10.2 | 10.1% |
| Investment holding | | | | | | | | |
| Investment income | 3.7 | 3.5 | 0.2 | 5.7% | 3.7 | 3.5 | 0.2 | 5.7% |
| Total Operating Revenue | 1,344.3 | 1,271.4 | 72.9 | 5.7% | 1,344.3 | 1,271.4 | 72.9 | 5.7% |

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'million | Individual Period Three months ended 31 March | | Changes | | Cumulative period Three months ended 31 March | | Changes | |
|--------------------------------------|---|--------------|-------------|------------------|---|--------------|-------------|------------------|
| | 2019 | 2018 | Amount | % | 2019 | 2018 | Amount | % |
| Profit Before Tax by segments | | | | | | | | |
| General insurance | 85.6 | 88.3 | (2.7) | (3.1%) | 85.6 | 88.3 | (2.7) | (3.1%) |
| Life Insurance | 68.9 | 41.5 | 27.4 | 66.0% | 68.9 | 41.5 | 27.4 | 66.0% |
| Investment holding | (3.3) | (2.2) | (1.1) | 50.0% | (3.3) | (2.2) | (1.1) | 50.0% |
| Total Profit before tax | 151.2 | 127.6 | 23.6 | 18.5% | 151.2 | 127.6 | 23.6 | 18.5% |
| General Insurance | | | | | | | | |
| Commission ratio | 12.2% | 12.8% | N/A | 0.6 pts | 12.2% | 12.8% | N/A | 0.6 pts |
| Claims ratio | 58.7% | 61.1% | N/A | 2.4 pts | 58.7% | 61.1% | N/A | 2.4 pts |
| Expense ratio | 20.4% | 16.7% | N/A | (3.7 pts) | 20.4% | 16.7% | N/A | (3.7 pts) |
| Combined ratio | 91.3% | 90.6% | N/A | (0.7 pts) | 91.3% | 90.6% | N/A | (0.7 pts) |
| Life Insurance | | | | | | | | |
| Annualised new premium ("ANP") | 117.5 | 108.4 | 9.1 | 8.4% | 117.5 | 108.4 | 9.1 | 8.4% |
| Expense ratio | 11.0% | 11.7% | N/A | 0.7 pts | 11.0% | 11.7% | N/A | 0.7 pts |
| Lapse ratio | 10.6% | 14.6% | N/A | 4.0 pts | 10.6% | 14.6% | N/A | 4.0 pts |

pts - percentage points

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 2019 versus First Quarter 2018)

The Group recorded an operating revenue of RM1.34 billion for the three months ended 31 March 2019, an increase of 5.7% or RM72.9 million as compared to the preceding three months ended 31 March 2018 of RM1.27 billion due mainly to higher gross earned premiums and investment income by RM60.4 million and RM12.5 million respectively.

The general insurance segment recorded an operating revenue of RM571.4 million for the three months ended 31 March 2019, a decrease of 3.9% or RM23.4 million as compared to the preceding three months ended 31 March 2018 of RM594.8 million due mainly to decrease in gross earned premiums by RM25.5 million and offset by increase in investment income by RM2.1 million.

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

The life insurance segment recorded an operating revenue of RM769.2 million for the three months ended 31 March 2019, an increase of 14.3% or RM96.1 million as compared to the preceding three months ended 31 March 2018 of RM673.1 million due mainly to increase in gross earned premiums and investment income by RM85.9 million and RM10.2 million respectively.

The increase in gross earned premiums of the life insurance segment was mainly contributed by growth in agency, bancassurance and employee benefits channels.

1.2 Profit before tax of the current quarter/year-to-date (YTD) against preceding year corresponding quarter/YTD (First Quarter 2019 versus First Quarter 2018)

The Group recorded a profit before tax of RM151.2 million for the three months ended 31 March 2019, an increase of 18.5% or RM23.6 million as compared to the preceding three months ended 31 March 2018 of RM127.6 million due mainly to higher profit contribution from life insurance segment.

The general insurance segment delivered a profit before tax of RM85.6 million for the three months ended 31 March 2019, a decrease of 3.1% or RM2.7 million as compared to the preceding three months ended 31 March 2018 of RM88.3 million. The decrease in profit was due mainly to lower underwriting profit as a result of higher management expenses from impairment of insurance receivables.

The life insurance segment recorded a higher profit before tax of RM 68.9 million for the three months ended 31 March 2019, an increase of 66.6% or RM27.4 million as compared to the preceding three months ended 31 March 2018 of RM41.5 million due mainly to fair value gain arising from change in interest rate.

The investment holding segment registered a loss before tax of RM3.3 million for the three months ended 31 March 2019 as compared to loss before tax of RM2.2 million for the preceding three months ended 31 March 2018 due mainly to higher management 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'million | Current Year Quarter 31 March 2019 | Immediate Preceding Quarter 31 December 2018 | Changes | |
|--|---|--|---------|--------|
| | | | Amount | % |
| Operating revenue | 1,344.3 | 1,302.2 | 42.1 | 3.2% |
| Profit before tax | 151.2 | 127.8 | 23.4 | 18.3% |
| Profit after tax | 98.9 | 100.0 | (1.1) | (1.1%) |
| Profit for the period attributable to owners of the Company | 98.9 | 100.0 | (1.1) | (1.1%) |

1.3 Operating revenue of the current quarter against the preceding quarter (First Quarter 2019 versus Fourth Quarter 2018)

The Group recorded an operating revenue of RM1.34 billion for the quarter under review, an increase of 3.2% or RM42.1 million as compared to the preceding quarter ended 31 December 2018 of RM1.30 billion.

The general insurance segment recorded an operating revenue of RM571.4 million for the quarter under review, a decrease of 1.5% or RM8.8 million as compared to the preceding quarter ended 31 December 2018 of RM580.2 million due mainly to lower gross earned premiums in the current quarter.

The life insurance segment registered an operating revenue of RM769.2 million for the quarter under review, an increase of 7.0% or RM50.5 million as compared to the preceding quarter ended 31 December 2018 of RM718.7 million due mainly to higher premiums generated from bancassurance and employee benefits channel.

1.4 Profit before tax of the current quarter against the preceding quarter (First Quarter 2019 versus Fourth Quarter 2018)

The Group recorded a profit before tax of RM151.2 million for the quarter under review, an increase of 18.3% or RM23.4 million as compared to the preceding quarter ended 31 December 2018 of RM127.8 million due mainly to higher profit contribution from life insurance segment.

The profit before tax of general insurance segment for the quarter under review of RM85.6 million, an increase of 9.7% or RM7.6 million as compared to the preceding quarter ended 31 December 2018 of RM78.0 million. The higher profit before tax was due to lower claims ratio in current quarter.

The profit before tax of life insurance segment for the quarter under review of RM68.9 million, an increase of 37.0% or RM18.6 million as compared to the preceding quarter ended 31 December 2018 of RM50.3 million due mainly to higher fair value gain arising from change in interest rate.

The investment holding segment registered a loss before tax of RM3.3 million as compared to a loss before tax of RM0.5 million in the preceding quarter ended 31 December 2018 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'million | Individual period Three months ended 31 March | | Cumulative period Three months ended 31 March | |
|---|---|--------------|---|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| Other comprehensive income/(loss), net of tax | | | | |
| Items that are or may be reclassified subsequently to profit or loss | | | | |
| Fair value of available-for-sale ("AFS") financial assets | | | | |
| - Net gains arising during the year | 103.1 | 5.8 | 103.1 | 5.8 |
| - Net realised gain transferred to income statement | 25.4 | (14.0) | 25.4 | (14.0) |
| Gains on cash flow hedge | 9.7 | 1.6 | 9.7 | 1.6 |
| Tax effects thereon | (16.2) | 1.0 | (16.2) | 1.0 |
| Change in insurance contract liabilities arising from net fair value change on: | | | | |
| - AFS financial assets | (96.3) | 5.2 | (96.3) | 5.2 |
| - Cash flow hedge reserve | (9.8) | (1.6) | (9.8) | (1.6) |
| Tax effects thereon | 8.5 | (0.3) | 8.5 | (0.3) |
| Total other comprehensive income/(loss) for the year, net of tax | 24.4 | (2.3) | 24.4 | (2.3) |

The Group recorded a total other comprehensive income of RM24.4 million for the three months ended 31 March 2019, an increase of RM 26.7 million as compared to the total other comprehensive loss of the preceding three months ended 31 March 2018 of RM2.3 million due to fair value gains from AFS financial assets, mainly from the general insurance segment 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)

1.6 Review of Statements of Financial Position

Table 4: Review of assets and liabilities

| RM'million | As at | As at | Changes | |
|-------------------|------------------|---------------------|---------|------|
| | 31 March 2019 | 31 December 2018 | Amount | % |
| Total assets | 18,048.7 | 17,404.6 | 644.1 | 3.7% |
| Total liabilities | 14,563.7 | 14,042.9 | 520.8 | 3.7% |
| Total equity | 3,485.0 | 3,361.7 | 123.3 | 3.7% |

Total assets

As at 31 March 2019, the Group's total assets increased by RM644.1 million to RM18.05 billion from RM17.40 billion as at 31 December 2018, 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 31 March 2019, the Group's total liabilities increased by RM520.8 million to RM14.56 billion from RM14.04 billion as at 31 December 2018 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 31 March 2019 increased by 3.7% or RM123.3 million to RM3.49 billion from RM3.36 billion in 2018. This is mainly attributable to the net profit generated for the period ended 31 March 2019.

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

2. Current year prospect

Bank Negara Malaysia has projected in its Annual Report 2018 that the global economy is expected to moderate towards its long-term trend, characterised by slower growth in both advanced and major emerging economies. The Malaysian economy is expected to sustain its growth momentum, expanding by 4.3% - 4.8% in 2019.

The general insurance industry reported a decline in Gross Written Premium by 7.6% for the first quarter of 2019, mainly driven by the non-motor business. The general insurance segment is anticipating a challenging year in 2019 amidst concerns of trade wars between the US and China, weak consumer sentiment and subdued domestic economic activity. However, the general insurance segment remains focused on optimising business margins by shifting into profitable business segments, executing technical excellence in claims management, operating efficiently and prioritising customer needs.

The life insurance industry reported a growth of 7.3% in Annualised New Premium for the first quarter of 2019. Nonetheless, the life insurance segment is expecting a challenging year in 2019 with the ongoing liberalisation of the industry. The life insurance segment will continue to strengthen its multi-distribution channels through building a professional agency force and enhancing the value proposition of its products and services. It will also continue its growth momentum by focusing on operational efficiency and digital capabilities to service customers.

The Group will remain focused on delivering satisfactory results to its shareholders in 2019.

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 | |
| | 2019 | 2018 | 2019 | 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income | 145,201 | 132,694 | 145,201 | 132,694 |
| Dividend income | 14,105 | 12,265 | 14,105 | 12,265 |
| Accretion of discounts | 2,774 | 2,560 | 2,774 | 2,560 |
| Amortisation of premiums | (2,658) | (906) | (2,658) | (906) |
| Other income | 1,428 | 1,745 | 1,428 | 1,745 |
| | <u>160,850</u> | <u>148,358</u> | <u>160,850</u> | <u>148,358</u> |

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

| | Individual period | | Cumulative period | |
|---|--------------------|---------|--------------------|---------|
| | Three months ended | | Three months ended | |
| | 31 March | | 31 March | |
| | 2019 | 2018 | 2019 | 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial assets | | | | |
| Realised gains on disposal: | | | | |
| Malaysian government securities | 3,526 | - | 3,526 | - |
| Malaysian government guaranteed bonds | 999 | - | 999 | - |
| Quoted equity securities of corporations in Malaysia | 7,258 | 43,545 | 7,258 | 43,545 |
| Quoted equity securities of corporations outside Malaysia | 62 | 343 | 62 | 343 |
| Quoted unit trusts in Malaysia | 367 | - | 367 | - |
| Unquoted unit trusts in Malaysia | 350 | - | 350 | - |
| Realised losses on disposal: | | | | |
| Malaysian government securities | (3) | - | (3) | - |
| Quoted equity securities of corporations in Malaysia | (40,340) | (2,118) | (40,340) | (2,118) |
| Quoted equity securities of corporations outside Malaysia | (32) | (41) | (32) | (41) |
| Unquoted unit trusts outside Malaysia | (35) | (12) | (35) | (12) |
| Unquoted bonds of corporations in Malaysia | (21) | - | (21) | - |
| Total net realised (losses)/gains | (27,869) | 41,717 | (27,869) | 41,717 |

6. Fair value gains and losses

| | Individual period | | Cumulative period | |
|--|--------------------|----------|--------------------|----------|
| | Three months ended | | Three months ended | |
| | 31 March | | 31 March | |
| | 2019 | 2018 | 2019 | 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial instruments | | | | |
| Held for trading financial assets | 147,593 | (10,715) | 147,593 | (10,715) |
| Designated upon initial recognition financial assets | 43,651 | (4,023) | 43,651 | (4,023) |
| Derivatives financial asset | 6,278 | 4,803 | 6,278 | 4,803 |
| Derivatives financial liabilities | (1,541) | - | (1,541) | - |
| Total fair value gains/(losses) on financial instruments at Fair Value Through Profit or Loss | 195,981 | (9,935) | 195,981 | (9,935) |
| Impairment loss on AFS financial investments | (421) | (14,012) | (421) | (14,012) |
| Total net fair value gains/(losses) | 195,560 | (23,947) | 195,560 | (23,947) |

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

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

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

| | Individual period | | Cumulative period | |
|---|--------------------|--------|--------------------|--------|
| | Three months ended | | Three months ended | |
| | 31 March | | 31 March | |
| | 2019 | 2018 | 2019 | 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Amortisation of intangible assets | 4,532 | 3,785 | 4,532 | 3,785 |
| Depreciation of property, plant and equipment | 3,087 | 3,625 | 3,087 | 3,625 |
| Depreciation of right-of-use assets | 4,451 | - | 4,451 | - |
| Insurance and other receivables: | | | | |
| - Allowance for impairment loss | 12,649 | 1,671 | 12,649 | 1,671 |
| - Bad debts recovered | (8) | (290) | (8) | (290) |
| Interest expense | 629 | 115 | 629 | 115 |
| Interest income | (148) | (169) | (148) | (169) |
| Property, plant and equipment written off | 2 | 15 | 2 | 15 |
| Unrealised foreign exchange (gains)/ losses | (42) | 1,088 | (42) | 1,088 |

Other than as disclosed in Notes 6 and 7, there are no exceptional items for the financial period ended 31 March 2019.

8. Tax expense

| | Individual period | | Cumulative period | |
|--------------------|--------------------|---------|--------------------|---------|
| | Three months ended | | Three months ended | |
| | 31 March | | 31 March | |
| | 2019 | 2018 | 2019 | 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit before tax | 151,240 | 127,630 | 151,240 | 127,630 |
| Tax expense | | | | |
| Income tax | 31,333 | 35,133 | 31,333 | 35,133 |
| Deferred tax | 20,990 | 5,265 | 20,990 | 5,265 |
| Total tax expense | 52,323 | 40,398 | 52,323 | 40,398 |
| Effective tax rate | 35% | 32% | 35% | 32% |

The Group's consolidated effective tax rate for the financial year under review is higher than the statutory tax rate of 24% (2018: 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 by the Group.

10. Borrowings and debts securities

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 been 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 Court has fixed the latest Hearing Date on 18 February 2019 and has also directed parties to file and exchange their respective Written Submissions by 11 February 2019. AGIC's solicitors presented their Oral Submissions (partially) at the Hearing on 18 February 2019. The Hearing continued on 13 March 2019 during which VSC's solicitors presented its oral arguments and Further Written Submissions. AGIC's solicitors prepared and filed the response to VSC's Further Written Submissions on 10 April 2019 and VSC then filed its Reply Submissions on 17 April 2019. The Hearing continued and concluded on 18 April 2019. The Court then fixed 29 May 2019 to deliver its Decision.

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 adjusted for preference dividends by the weighted average number of ordinary shares in issue.

| | | Individual period | | Cumulative period | |
|---|----------|--------------------|---------|--------------------|---------|
| | | Three months ended | | Three months ended | |
| | | 31 March | | 31 March | |
| | | 2019 | 2018 | 2019 | 2018 |
| Profit attributable to ordinary shareholders | (RM'000) | 98,917 | 87,232 | 98,917 | 87,232 |
| Weighted average number of ordinary shares in issue | ('000) | 176,728 | 175,211 | 176,728 | 175,211 |
| Basic earnings per ordinary share | (sen) | 55.97 | 49.79 | 55.97 | 49.79 |

(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 | |
| | | 2019 | 2018 | 2019 | 2018 |
| Profit attributable to ordinary shareholders | (RM'000) | 98,917 | 87,232 | 98,917 | 87,232 |
| Weighted average number of ordinary shares in issue | ('000) | 176,728 | 175,211 | 176,728 | 175,211 |
| Effect of conversion of ICPS | ('000) | 169,439 | 170,688 | 169,439 | 170,688 |
| Diluted weighted average number of ordinary shares during the period | ('000) | 346,167 | 345,899 | 346,167 | 345,899 |
| Diluted earnings per ordinary share | (sen) | 28.57 | 25.22 | 28.57 | 25.22 |

13. Dividend

The Board of Directors declared a single tier interim dividend of 40.00 sen per ordinary share and a single tier interim dividend of 48.00 sen per ICPS for the financial year ended 31 December 2018 which were paid on 15 February 2019 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 25 January 2019.

No dividend has been proposed or declared for the first quarter of 2019 (2018: 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 2019 | 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 interest rate swap | - | - | 400,000 | 400,000 | - | - | 25,760 | 25,760 | - | - | - | - |
| Cross currency swap | - | 21,010 | 98,740 | 119,750 | - | 1,207 | 4,317 | 5,524 | - | - | 839 | 839 |
| Derivatives used for hedging | | | | | | | | | | | | |
| Forward purchase agreements | 30,000 | 150,000 | 10,000 | 190,000 | 1,758 | 7,120 | 802 | 9,680 | - | - | - | - |
| Total | 30,000 | 171,010 | 508,740 | 709,750 | 1,758 | 8,327 | 30,879 | 40,964 | - | - | 839 | 839 |
| As at 31 December 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 interest rate swap | - | - | 400,000 | 400,000 | - | - | 19,481 | 19,481 | - | - | - | - |
| Cross currency swap | - | 21,010 | 98,740 | 119,750 | - | 949 | 4,033 | 4,982 | - | - | 819 | 819 |
| Derivatives used for hedging | | | | | | | | | | | | |
| Forward purchase agreements | 30,000 | 100,000 | 60,000 | 190,000 | 182 | - | 1,414 | 1,596 | 121 | 1,473 | - | 1,594 |
| Total | 30,000 | 121,010 | 558,740 | 709,750 | 182 | 949 | 24,928 | 26,059 | 121 | 1,473 | 819 | 2,413 |

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

14. Derivatives Financial Instruments (continued)

As at 31 March 2019, 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 RM40,964,000 (2018: RM26,059,000). 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 RM30,281,000 (2018: RM20,864,000) 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 | Total RM'000 |
|-------------------------|------------------------|-------------------------|-------------------------|---------------------|-----------------|
| 31 March 2019 | | | | | |
| Insurance receivables | 17,406 | 4,828 | 3,114 | 7,817 | 33,165 |
| 31 December 2018 | | | | | |
| Insurance receivables | 7,004 | 11,150 | 2,190 | 10,577 | 30,921 |

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 2019, based on combination of collective and individual assessment of receivables, there are impaired insurance receivables amounting to RM72,247,000 (2018: RM59,704,000), reinsurance assets of RM2,615,000 (2018: 2,615,000) and other receivables of RM1,577,000 (2018: RM1,471,000) 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 | | Reinsurance assets | | Other receivables | |
|-----------------------------|-----------------------|----------------|--------------------|----------------|-------------------|----------------|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| At 1 January | 59,704 | 59,166 | 2,615 | - | 1,471 | 2,022 |
| Impairment loss recognised | 12,543 | 2,373 | - | 2,615 | 106 | 694 |
| Written off during the year | - | (1,835) | - | - | - | (1,245) |
| At 31 December | 72,247 | 59,704 | 2,615 | 2,615 | 1,577 | 1,471 |

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 2018 was not qualified.

BY ORDER OF THE BOARD

Ng Siew Gek
Company Secretary

Kuala Lumpur
23 May 2019