

**ALLIANZ MALAYSIA BERHAD (12428-W)**

UNAUDITED QUARTERLY RESULTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

**ALLIANZ MALAYSIA BERHAD (12428-W)**

---

**Condensed consolidated statement of financial position  
as at 30 September 2019 - unaudited**

	<b>30 September 2019 RM'000</b>	<b>← Audited → 31 December 2018 RM'000</b>
<b>Assets</b>		
Property, plant and equipment	92,251	113,528
Right-of-use assets	78,946	-
Intangible assets	346,542	359,264
Investment properties	20,155	19,914
Deferred tax assets	-	14,051
Reinsurance assets	876,825	904,004
Investments	15,811,200	14,249,398
Derivative financial assets	65,872	26,059
Current tax assets	9,102	6,461
Insurance receivables	293,620	228,103
Other receivables, deposits and prepayments	162,152	149,117
Deferred acquisitions costs	108,253	95,060
Cash and cash equivalents	1,374,279	1,239,635
<b>Total assets</b>	<b>19,239,197</b>	<b>17,404,594</b>

**ALLIANZ MALAYSIA BERHAD (12428-W)**

---

**Condensed consolidated statement of financial position  
as at 30 September 2019 - unaudited (continued)**

	<b>30 September 2019 RM'000</b>	<b>← Audited → 31 December 2018 RM'000</b>
<b>Equity</b>		
Share capital:		
Ordinary Shares	232,579	231,964
Irredeemable Convertible Preference Shares ("ICPS")	538,450	539,065
Reserves	3,021,203	2,590,668
<b>Total equity attributable to owners of the Company</b>	<b>3,792,232</b>	<b>3,361,697</b>
<b>Liabilities</b>		
Insurance contract liabilities	14,191,292	12,789,873
Deferred tax liabilities	339,950	250,267
Derivative financial liabilities	3,649	2,413
Lease liabilities	60,698	-
Insurance payables	397,399	427,770
Other payables and accruals	450,332	569,367
Current tax liabilities	3,645	3,207
<b>Total liabilities</b>	<b>15,446,965</b>	<b>14,042,897</b>
<b>Total equity and liabilities</b>	<b>19,239,197</b>	<b>17,404,594</b>
<b>Net asset per ordinary share (RM)</b>	<b>21.44</b>	<b>19.03</b>
<b>Diluted net asset per ordinary share (RM)</b>	<b>10.95</b>	<b>9.71</b>

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 2019 - unaudited**

	Note (Part B)	Individual period Three months ended 30 September		Cumulative period Nine months ended 30 September	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Operating revenue *		1,418,593	1,301,578	4,128,903	3,879,756
Gross earned premiums		1,239,010	1,135,234	3,617,254	3,405,461
Premiums ceded to reinsurers		(86,072)	(89,789)	(259,176)	(277,283)
<b>Net earned premiums</b>		<b>1,152,938</b>	<b>1,045,445</b>	<b>3,358,078</b>	<b>3,128,178</b>
Investment income	4	179,583	166,344	511,649	474,295
Realised gains and losses	5	8,803	(20,794)	(12,075)	18,012
Fair value gains and losses	6	38,058	142,342	361,997	(147,494)
Fee and commission income		8,629	8,423	28,589	24,337
Other operating income		13,985	10,816	34,634	22,773
<b>Other income</b>		<b>249,058</b>	<b>307,131</b>	<b>924,794</b>	<b>391,923</b>
Gross benefits and claims paid		(648,362)	(578,516)	(1,857,626)	(1,806,296)
Claims ceded to reinsurers		51,689	68,329	146,743	156,961
Gross change in contract liabilities		(267,652)	(359,046)	(1,058,021)	(490,206)
Change in contract liabilities ceded to reinsurers		(24,427)	(18,424)	(4,120)	(32,580)
<b>Net benefits and claims</b>		<b>(888,752)</b>	<b>(887,657)</b>	<b>(2,773,024)</b>	<b>(2,172,121)</b>
Fee and commission expense		(183,523)	(169,525)	(540,885)	(514,812)
Management expenses		(138,326)	(138,034)	(425,651)	(413,196)
Interest expense		(451)	-	(1,374)	(115)
Other operating expenses		(15,913)	(9,684)	(37,952)	(28,710)
<b>Other expenses</b>		<b>(338,213)</b>	<b>(317,243)</b>	<b>(1,005,862)</b>	<b>(956,833)</b>
<b>Profit before tax</b>	7	<b>175,031</b>	<b>147,676</b>	<b>503,986</b>	<b>391,147</b>
Tax expense	8	(32,219)	(47,797)	(144,590)	(114,166)
<b>Profit for the period</b>		<b>142,812</b>	<b>99,879</b>	<b>359,396</b>	<b>276,981</b>
Profit for the period attributable to: Owners of the Company		142,812	99,879	359,396	276,981
<b>Basic earnings per ordinary share (sen)</b>	12(a)	<b>80.83</b>	<b>56.54</b>	<b>203.33</b>	<b>157.46</b>
<b>Diluted earnings per ordinary share (sen)</b>	12(b)	<b>41.27</b>	<b>28.85</b>	<b>103.85</b>	<b>80.18</b>

\* 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 2019 - unaudited**

	Note (Part B)	Individual period		Cumulative period	
		Three months ended		Nine months ended	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
<b>Profit for the period attributable to owners of the Company</b>		142,812	99,879	359,396	276,981
<b>Other comprehensive income, net of tax</b>					
<b>Items that are or may be reclassified subsequently to profit or loss</b>					
Fair value of available-for-sale ("AFS") financial assets					
- Net gain/(loss) arising during the year		84,991	33,755	317,787	(75,975)
- Net realised (loss)/gain transferred to income statement		(6,483)	53,649	(9,370)	30,562
Gains on cash flow hedge		8,087	4,484	25,899	3,967
Tax effects thereon		(11,284)	(11,069)	(41,709)	2,773
Change in insurance contract liabilities arising from net fair value change on:					
- AFS financial assets		(51,279)	(64,134)	(214,827)	48,786
- Cash flow hedge reserve		(8,087)	(4,484)	(25,899)	(3,968)
Tax effects thereon		4,749	5,490	19,258	(3,585)
<b>Total other comprehensive income for the period, net of tax</b>	1.5	20,694	17,691	71,139	2,560
<b>Total comprehensive income for the period, net of tax</b>		163,506	117,570	430,535	279,541
Total comprehensive income for the period attributable to:					
Owners of the Company		163,506	117,570	430,535	279,541

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 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 <sup>1</sup>	Retained earnings	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>At 1 January 2018</b>	225,268	545,761	41,934	10,169	611,845	1,700,536	3,135,513
Total other comprehensive loss for the period	-	-	-	2,560	-	-	2,560
Profit for the period	-	-	-	-	105,156	171,825	276,981
<b>Total comprehensive income for the period</b>	-	-	-	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)	-	-	-	-	-
<b>Total transactions with owners of the Company</b>	6,600	(6,600)	-	-	-	-	-
<b>At 30 September 2018</b>	231,868	539,161	41,934	12,729	717,001	1,872,361	3,415,054

**ALLIANZ MALAYSIA BERHAD (12428-W)**
**Condensed consolidated statement of changes in equity for the period ended 30 September 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 <sup>1</sup>	Retained earnings	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2019</b>	231,964	539,065	41,934	11,376	752,903	1,784,455	3,361,697
Total other comprehensive income for the period	-	-	-	71,139	-	-	71,139
Profit for the period	-	-	-	-	180,442	178,954	359,396
<b>Total comprehensive income for the period</b>	-	-	-	71,139	180,442	178,954	430,535
Contributions by and distributions to owners of the Company							
Conversion of ICPS to ordinary shares	615	(615)	-	-	-	-	-
<b>Total transactions with owners of the Company</b>	615	(615)	-	-	-	-	-
<b>At 30 September 2019</b>	232,579	538,450	41,934	82,515	933,345	1,963,409	3,792,232

<sup>1</sup> 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 30 September 2019 - unaudited**

	Nine months ended 30 September 2019 RM'000	Nine months ended 30 September 2018 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	503,986	391,147
<i>Adjustments for:</i>		
Investment income	(511,649)	(474,295)
Interest income	(522)	(503)
Interest expense	1,374	115
Realised losses/(gains) recorded in profit or loss	12,079	(18,054)
Fair value (gains)/losses on financial assets recorded in profit or loss	(371,139)	101,133
Purchases of financial assets	(2,097,804)	(2,235,763)
Maturity of financial assets	755,000	736,988
Proceeds from sale of financial assets	794,961	618,030
Change in loans and receivables	(361,227)	(61,036)
Unrealised foreign exchange losses	668	1,038
Depreciation of property, plant and equipment	10,792	11,848
Depreciation of right-of-use assets	13,756	-
Amortisation of intangible assets	14,141	12,580
(Gain)/Loss on disposal of property, plant and equipment	(4)	42
Impairment loss on AFS financial assets	9,383	46,361
Property, plant and equipment written off	938	108
Insurance and other receivables:		
- Allowance for impairment loss	7,976	10,670
- Bad debts recovered	(50)	(77)
- Bad debts written off	-	1,353
<b>Changes in working capital:</b>		
Change in reinsurance assets	27,179	54,271
Change in insurance receivables	(72,937)	(24,530)
Change in other receivables, deposits and prepayments	(38,794)	(57,674)
Change in insurance contract liabilities	1,179,951	564,518
Change in deferred acquisition costs	(13,193)	(1,748)
Change in insurance payables	(30,371)	26,852
Change in other payables and accruals	33,009	144,850
<b>Cash used in operations</b>	<b>(132,738)</b>	<b>(151,776)</b>



**ALLIANZ MALAYSIA BERHAD (12428-W)****Condensed consolidated statement of cash flows  
For the period ended 30 September 2019 - unaudited (continued)**

	Nine months ended 30 September 2019 RM'000	Nine months ended 30 September 2018 RM'000
<b>Cash flows from operating activities (continued)</b>		
Dividends received	63,385	48,896
Interest income received	466,055	421,975
Interest paid	(1,374)	-
Tax paid	(84,768)	(79,238)
<b>Net cash from operating activities</b>	<b>310,560</b>	<b>239,857</b>
<b>Investing activities</b>		
Proceeds from disposal of property, plant and equipment	85	112
Acquisition of property, plant and equipment	(11,777)	(11,612)
Acquisition of intangible assets	(6,152)	(9,933)
Proceeds from disposal of intangible assets	6,393	-
<b>Net cash used in investing activities</b>	<b>(11,451)</b>	<b>(21,433)</b>
<b>Financing activities</b>		
Dividends paid	(152,044)	(45,664)
Interest paid	-	(1,192)
Repayment of advance to holding company	-	(54,300)
Repayment of lease liabilities	(12,421)	-
<b>Net cash used in financing activities</b>	<b>(164,465)</b>	<b>(101,156)</b>
<b>Net increase in cash and cash equivalents</b>	<b>134,644</b>	<b>117,268</b>
Cash and cash equivalents at 1 January	1,239,635	934,537
<b>Cash and cash equivalents at 30 September</b>	<b>1,374,279</b>	<b>1,051,805</b>
<b>Cash and cash equivalents comprise:</b>		
Fixed and call deposits with licensed financial institutions (with maturity less than three months)	1,304,801	1,011,141
Cash and bank balances	69,478	40,664
	<b>1,374,279</b>	<b>1,051,805</b>

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 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:

<b>MFRSs/ Amendments/ Interpretation</b>	<b>Effective date</b>
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>	1 January 2019
Amendments to MFRS 128, <i>Investments in Associates and Joint Ventures – Long-term Interests</i>	1 January 2019
Amendments to MFRS 128, <i>Investments in Associates and Joint Ventures – Long-term Interests</i> <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. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rates as at 1 January 2019.

The group has applied the following practical expedients permitted by MFRS 16:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

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 effects arising from these changes on the statement of financial position of the Group are as follows:

	31 December 2018 RM'000	Effects on adoption of MFRS 16 RM'000	1 January 2019 RM'000
<b>Assets</b>			
Property, plant and equipment	113,528	(19,338)	94,190
Right of use assets	-	84,399	84,399
<b>Liabilities</b>			
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"):

	<b>Financial assets with SPPI cash flows RM'000</b>	<b>All other financial assets RM'000</b>	<b>Total* RM'000</b>
<b>Fair value as at 30 September 2019</b>			
Investments	6,847,215	8,874,515	15,721,730
Malaysian government securities and government guaranteed bonds	4,481,438	3,051,789	7,533,227
Unquoted bonds of corporations	1,451,331	3,341,448	4,792,779
Quoted equity securities and unit trusts	-	1,759,713	1,759,713
Unquoted equity securities and unit trusts	-	648,675	648,675
Negotiable certificates of deposits and structured deposits	20,164	72,890	93,054
Government guaranteed loans	192,662	-	192,662
Fixed and call deposits with licensed banks	701,620	-	701,620
Derivative financial assets	-	65,872	65,872
Other receivables and deposits	162,152	-	162,152
Cash and cash equivalents	1,374,279	-	1,374,279
	<u>8,383,646</u>	<u>8,940,387</u>	<u>17,324,033</u>
	<b>Financial assets with SPPI cash flows RM'000</b>	<b>All other financial assets RM'000</b>	<b>Total* RM'000</b>
<b>Changes in fair value during the period</b>			
Investments			
Malaysian government securities and government guaranteed bonds	276,784	197,044	473,828
Unquoted bonds of corporations	34,409	132,662	167,071
Quoted equity securities and unit trusts	-	20,658	20,658
Unquoted equity securities and unit trusts	-	2,834	2,834
Negotiable certificates of deposits and structured deposits	(73)	210	137
Government guaranteed loans	-	-	-
Fixed and call deposits with licensed banks	-	-	-
Derivative financial assets	-	40,926	40,926
Other receivables and deposits	-	-	-
Cash and cash equivalents	-	-	-
	<u>311,120</u>	<u>394,334</u>	<u>705,454</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
<b>Gross carrying amounts under MFRS 139 by credit risk rating grades</b>								
<b>Investments</b>								
Malaysian government securities and government guaranteed bonds	-	-	-	-	-	4,481,438	-	4,481,438
Unquoted bonds of corporations	917,420	477,373	44,459	19,375	-	-	-	1,458,627
Negotiable certificates of deposits and structured deposits	20,164	-	-	-	-	-	-	20,164
Government guaranteed loans	-	-	-	-	-	192,662	-	192,662
Fixed and call deposits with licensed banks	218,205	324,284	-	-	-	-	159,131	701,620
Other receivables and deposits	-	-	-	-	-	161,672	480	162,152
Cash and cash equivalents	807,547	390,546	-	-	-	357	175,829	1,374,279
	<u>1,963,336</u>	<u>1,192,203</u>	<u>44,459</u>	<u>19,375</u>	<u>-</u>	<u>4,836,129</u>	<u>335,440</u>	<u>8,390,942</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 30 September 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 30 September 2019**

**RM'000**

Property, plant and equipment:

Contracted but not provided for

4,626

Software development:

Contracted but not provided for

664

**9. Related party transactions**

Significant related party transactions are as follows:

	<b>Transactions value</b>	
	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Related companies*</b>		
Payment of reinsurance premium ceded, net of commission income	(160,463)	(163,108)

\* 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 were heard over 17 and 18 June 2019. No indication was given as to the timeline of the delivery of the 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 193,450 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 30 September 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	11,052	10,095	1,727,516	1,765,617	2,390,335	2,104,044	4,128,903	3,879,756
Inter-segment operating revenue	(1,828)	(1,828)	(370)	-	(92)	-	(2,290)	(1,828)
Segment results	(6,830)	(5,554)	242,684	242,559	268,132	154,142	503,986	391,147
Segment assets	408,526	400,987	6,461,395	6,245,729	12,369,276	10,854,384	19,239,197	17,501,100
Segment liabilities	24,036	30,772	3,989,713	3,920,560	11,433,216	10,134,714	15,446,965	14,086,046



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		Nine months ended		Changes	
	2019	2018	Amount	%	2019	2018	Amount	%
	30 September				30 September			
<b>Operating revenue</b>	1,418.6	1,301.6	117.0	9.0%	4,128.9	3,879.8	249.1	6.4%
<b>Profit before tax</b>	175.0	147.7	27.3	18.5%	504.0	391.1	112.9	28.9%
<b>Profit after tax</b>	142.8	99.9	42.9	42.9%	359.4	277.0	82.4	29.7%
<b>Profit for the period attributable to owners of the Company</b>	142.8	99.9	42.9	42.9%	359.4	277.0	82.4	29.7%

RM'million	Individual Period				Cumulative period			
	Three months ended		Changes		Nine months ended		Changes	
	2019	2018	Amount	%	2019	2018	Amount	%
	30 September				30 September			
<b>Operating Revenue by segments</b>								
<b>General insurance</b>	574.0	587.0	(13.0)	(2.2%)	1,727.5	1,765.6	(38.1)	(2.2%)
Gross earned premiums	526.2	541.0	(14.8)	(2.7%)	1,587.4	1,631.0	(43.6)	(2.7%)
Investment income	47.8	46.0	1.8	3.9%	140.1	134.6	5.5	4.1%
<b>Life insurance</b>	840.4	711.2	129.2	18.2%	2,390.3	2,104.0	286.3	13.6%
Gross earned premiums	712.8	594.3	118.5	19.9%	2,029.9	1,774.5	255.4	14.4%
Investment income	127.6	116.9	10.7	9.2%	360.4	329.5	30.9	9.4%
<b>Investment holding</b>								
Investment income	4.2	3.4	0.8	23.5%	11.1	10.2	0.9	8.8%
<b>Total Operating Revenue</b>	1,418.6	1,301.6	117.0	9.0%	4,128.9	3,879.8	249.1	6.4%

**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 2019 versus Third Quarter 2018)**

For the third quarter ended 30 September 2019, the Group recorded an operating revenue of RM1.42 billion, an increase of 9.0% or RM117.0 million as compared to the preceding year quarter ended 30 September 2018 of RM1.30 billion due mainly to higher gross earned premiums and investment income by RM103.7 million and RM13.3 million respectively.

For the quarter under review, the general insurance segment recorded an operating revenue of RM574.0 million, a decrease of 2.2% or RM13.0 million as compared to the preceding year quarter ended 30 September 2018 of RM587.0 million due to decrease in gross earned premiums by RM14.8 million and offset by increase in investment income by RM1.8 million.

The decrease in gross earned premiums of the general insurance segment was attributable to lower premiums from fire business.

For the quarter under review, the life insurance segment registered an operating revenue of RM840.4 million, an increase of 18.2% or RM129.2 million as compared to the preceding year quarter ended 30 September 2018 of RM711.2 million due to increase in gross earned premiums and investment income by RM118.5 million and RM10.7 million respectively.

The increase in gross earned premiums of the life insurance segment was mainly contributed by higher premiums from agency and bancassurance channels.

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

The Group recorded an operating revenue of RM4.13 billion for the financial period ended 30 September 2019, an increase of 6.4% or RM249.1 million as compared to the preceding financial period ended 30 September 2018 of RM3.88 billion due mainly to higher gross earned premiums and investment income by RM211.8 million and RM37.3 million respectively.

The general insurance segment recorded an operating revenue of RM1.73 billion for the financial period ended 30 September 2019, a decrease of 2.2% or RM38.1 million as compared to the preceding financial period ended 30 September 2018 of RM1.77 billion due mainly to decrease in gross earned premiums by RM43.6 million and offset by increase in investment income by RM5.5 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 RM2.39 billion for the financial period ended 30 September 2019, an increase of 13.6% or RM286.3 million as compared to the preceding financial period ended 30 September 2018 of RM2.10 billion due to increase in gross earned premiums and investment income by RM255.4 million and RM30.9 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.

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 30 September		Changes		Cumulative period Nine months ended 30 September		Changes	
	2019	2018	Amount	%	2019	2018	Amount	%
<b>Profit Before Tax by segments</b>								
General insurance	65.5	77.2	(11.7)	(15.2%)	242.7	242.6	0.1	0.0%
Life Insurance	110.5	72.1	38.4	53.3%	268.1	154.1	114.0	74.0%
Investment holding	(1.0)	(1.6)	0.6	(37.5%)	(6.8)	(5.6)	(1.2)	21.4%
<b>Total Profit before tax</b>	<b>175.0</b>	<b>147.7</b>	<b>27.3</b>	<b>18.5%</b>	<b>504.0</b>	<b>391.1</b>	<b>112.9</b>	<b>28.9%</b>
<b>General Insurance</b>								
Commission ratio	12.8%	11.7%	N/A	(1.1 pts)	12.3%	12.2%	N/A	(0.1 pts)
Claims ratio	65.3%	63.4%	N/A	(1.9 pts)	61.7%	62.5%	N/A	0.8 pts
Expense ratio	18.3%	18.7%	N/A	0.4 pts	18.6%	17.8%	N/A	(0.8 pts)
<b>Combined ratio</b>	<b>96.4%</b>	<b>93.9%</b>	<b>N/A</b>	<b>(2.5 pts)</b>	<b>92.6%</b>	<b>92.5%</b>	<b>N/A</b>	<b>(0.1 pts)</b>
<b>Life Insurance</b>								
Annualised new premium ("ANP")	132.8	128.8	4.0	3.1%	418.1	377.5	40.6	10.8%
Expense ratio	8.7%	9.5%	N/A	0.8 pts	9.8%	10.7%	N/A	1.0 pts
Lapse ratio	1.8%	12.2%	N/A	10.4 pts	7.9%	13.8%	N/A	5.9 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)**

**1.3 Profit before tax of the current year quarter against preceding year corresponding quarter (Third Quarter 2019 versus Third Quarter 2018)**

For the third quarter ended 30 September 2019, the Group recorded a profit before tax of RM175.0 million, an increase of 18.5% or RM27.3 million as compared to the preceding year quarter ended 30 September 2018 of RM147.7 million.

For the quarter under review, the general insurance segment recorded a profit before tax of RM65.5 million, a decrease of 15.2% or RM11.7 million as compared to a profit before tax of the preceding year quarter ended 30 September 2018 of RM77.2 million. The lower profit before tax was due mainly to higher commission and higher claims.

For the quarter under review, the life insurance segment recorded a higher profit before tax of RM110.5 million, an increase of 53.3% or RM38.4 million as compared to a profit before tax of the preceding year quarter ended 30 September 2018 of RM72.1 million due mainly to higher contribution from protection business.

For the quarter under review, the investment holding segment registered a loss before tax of RM1.0 million as compared to a loss before tax of the preceding year quarter ended 30 September 2018 of RM1.6 million due mainly to lower management expenses in the current quarter.

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

The Group recorded a profit before tax of RM504.0 million for the nine months ended 30 September 2019, an increase of 28.9% or RM112.9 million as compared to the preceding nine months ended 30 September 2018 of RM391.1 million due mainly to higher profit contribution from life insurance segment.

The general insurance segment delivered a profit before tax of RM242.7 million for the nine months ended 30 September 2019, relatively stable with investment income compensate for shortfall in underwriting profit compared to the preceding nine months ended 30 September 2018 of RM242.6 million.

The life insurance segment recorded a higher profit before tax of RM 268.1 million for the nine months ended 30 September 2019, an increase of 74.0% or RM114.0 million as compared to the preceding nine months ended 30 September 2018 of RM154.1 million due mainly to fair value gain arising from change in interest rate and contribution from protection business.

The investment holding segment registered a loss before tax of RM6.8 million for the nine months ended 30 September 2019 as compared to loss before tax of RM5.6 million for the preceding nine months ended 30 September 2018 due mainly to higher management expenses.

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 30 September 2019	Immediate Preceding Quarter 30 June 2019	Changes	
			Amount	%
Operating revenue	1,418.6	1,366.0	52.6	3.9%
Profit before tax	175.0	177.7	(2.7)	(1.5%)
Profit after tax	142.8	117.7	25.1	21.3%
Profit for the period attributable to owners of the Company	142.8	117.7	25.1	21.3%

1.5 Operating revenue of the current quarter against the preceding quarter (Third Quarter 2019 versus Second Quarter 2019)

The Group recorded an operating revenue of RM1.42 billion for the quarter under review, an increase of 3.9% or RM52.6 million as compared to the preceding quarter ended 30 June 2019 of RM1.37 billion.

The general insurance segment recorded an operating revenue of RM574.1 million for the quarter under review, a decrease of 1.4% or RM8.0 million as compared to the preceding quarter ended 30 June 2019 of RM582.1 million due mainly to lower gross earned premiums in the current quarter.

The life insurance segment registered an operating revenue of RM840.3 million for the quarter under review, an increase of 7.6% or RM59.6 million as compared to the preceding quarter ended 30 June 2019 of RM780.7 million due mainly to higher gross earned premiums from agency and bancassurance channel in the current quarter.

1.6 Profit before tax of the current quarter against the preceding quarter (Third Quarter 2019 versus Second Quarter 2019)

The Group recorded a profit before tax of RM175.0 million for the quarter under review, a decrease of 1.5% or RM2.7 million as compared to the preceding quarter ended 30 June 2019 of RM177.7 million.

The profit before tax of general insurance segment for the quarter under review of RM65.5 million, a decrease of 28.6% or RM26.2 million as compared to the preceding quarter ended 30 June 2019 of RM91.7 million. The lower profit before tax was due mainly to lower underwriting profit as a result of higher claims.

The profit before tax of life insurance segment for the quarter under review of RM110.5 million, an increase of 25.0% or RM22.1 million as compared to the preceding quarter ended 30 June 2019 of RM88.4 million due mainly to higher contribution from protection business.

The investment holding segment registered a loss before tax of RM1.0 million as compared to a loss before tax of RM2.4 million in the preceding quarter ended 30 June 2019 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'million	Individual period Three months ended 30 September		Cumulative period Nine months ended 30 September	
	2019	2018	2019	2018
<b>Other comprehensive income, net of tax</b>				
<b>Items that are or may be reclassified subsequently to profit or loss</b>				
Fair value of available-for-sale ("AFS") financial assets				
- Net gain/(loss) arising during the year	85.0	33.8	317.8	(76.0)
- Net realised (loss)/gain transferred to income statement	(6.5)	53.6	(9.5)	30.6
Gains on cash flow hedge	8.1	4.5	25.9	4.0
Tax effects thereon	(11.3)	(11.1)	(41.7)	2.8
Change in insurance contract liabilities arising from net fair value change on:				
- AFS financial assets	(51.3)	(64.1)	(214.8)	48.8
- Cash flow hedge reserve	(8.1)	(4.5)	(25.9)	(4.0)
Tax effects thereon	4.7	5.5	19.3	(3.6)
<b>Total other comprehensive income for the year, net of tax</b>	<b>20.6</b>	<b>17.7</b>	<b>71.1</b>	<b>2.6</b>

The Group recorded a total other comprehensive income of RM71.1 million for the nine months ended 30 September 2019, an increase of RM68.5 million as compared to the total other comprehensive loss of the preceding nine months ended 30 September 2018 of RM2.6 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)

1.8 Review of Statements of Financial Position

Table 4: Review of assets and liabilities

RM'million	As at	As at	Changes	
	30 September 2019	31 December 2018	Amount	%
Total assets	19,239.2	17,404.6	1,834.6	10.5%
Total liabilities	15,447.0	14,042.9	1,404.1	10.0%
Total equity	3,792.2	3,361.7	430.5	12.8%

**Total assets**

As at 30 September 2019, the Group's total assets increased by RM1.83 billion to RM19.24 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 30 September 2019, the Group's total liabilities increased by RM1.40 billion to RM15.44 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 30 September 2019 increased by 12.8% or RM430.5 million to RM3.79 billion from RM3.36 billion in 2018. This is mainly attributable to the net profit generated for the period ended 30 September 2019.

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

**2. Current year prospect**

Malaysia's economic growth moderated to 4.4% in the third quarter of 2019 (second quarter of 2019: 4.9%) and registered an average growth of 4.6% in the first three quarters of 2019 amid increasing uncertainties in the external environment.

The general insurance industry growth remains weak and reported a decline in Gross Written Premium by -1.0% for the first three quarters of 2019 mainly due to decline in health and miscellaneous non-motor business. The general insurance industry growth is expected to remain challenging in the medium term. 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 moderated growth of 13.9% in Annualised New Premium for the first three quarters of 2019 (first two quarters of 2019: 16.0%). Nonetheless, the life insurance segment is anticipating the growth rate to soften for the last quarter of 2019 amidst the ongoing liberalisation of the industry. The life insurance segment will continue its growth momentum by enhancing its distribution capabilities and product portfolio. It will also remain focused on expanding agency force and uplifting productivity through a robust process for recruitment, training and performance management.

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		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Interest income	150,559	144,693	444,136	416,873
Dividend income	27,566	19,347	63,385	48,896
Accretion of discounts	1,154	1,764	5,056	6,655
Amortisation of premiums	(931)	(1,025)	(4,938)	(3,065)
Other income	1,235	1,565	4,010	4,936
	<u>179,583</u>	<u>166,344</u>	<u>511,649</u>	<u>474,295</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		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<b>Property, plant and equipment</b>				
Realised gains on disposal	-	-	4	-
Realised losses on disposal	-	(35)	-	(42)
<b>Total net realised (losses)/gains for property, plant and equipment</b>	<b>-</b>	<b>(35)</b>	<b>4</b>	<b>(42)</b>
<b>Financial assets</b>				
Realised gains on disposal:				
Malaysian government securities	4,175	39	10,141	39
Malaysian government guaranteed bonds	337	-	1,339	-
Quoted equity securities of corporations in Malaysia	5,334	10,058	17,308	83,840
Quoted equity securities of corporations outside Malaysia	7	52	824	790
Quoted unit trusts in Malaysia	131	-	498	-
Unquoted unit trusts in Malaysia	-	-	350	-
Unquoted unit trusts outside Malaysia	-	-	25	-
Unquoted bonds of corporations in Malaysia	337	-	1,603	108
Realised losses on disposal:				
Malaysian government securities	-	-	(3)	-
Quoted equity securities of corporations in Malaysia	(554)	(30,755)	(42,764)	(66,283)
Quoted equity securities of corporations outside Malaysia	(915)	(95)	(1,228)	(351)
Unquoted unit trusts outside Malaysia	(49)	(58)	(172)	(89)
<b>Total net realised gains/(losses) for financial assets</b>	<b>8,803</b>	<b>(20,759)</b>	<b>(12,079)</b>	<b>18,054</b>
<b>Total net realised gains/(losses)</b>	<b>8,803</b>	<b>(20,794)</b>	<b>(12,075)</b>	<b>18,012</b>

**6. Fair value gains and losses**

	Individual period		Cumulative period	
	Three months ended		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<b>Investment properties</b>				
Fair value losses on investment properties	241	-	241	-
<b>Financial instruments</b>				
Held for trading financial assets	(3,054)	119,455	221,809	(112,223)
Designated upon initial recognition financial assets	41,381	27,430	134,303	5,375
Derivatives financial assets	5,598	1,231	15,027	5,715
<b>Total fair value gains/(losses) on financial instruments at Fair Value Through Profit or Loss</b>	<b>43,925</b>	<b>148,116</b>	<b>371,139</b>	<b>(101,133)</b>
Impairment loss on AFS financial investments	(6,108)	(5,774)	(9,383)	(46,361)
<b>Total net fair value gains/(losses)</b>	<b>38,058</b>	<b>142,342</b>	<b>361,997</b>	<b>(147,494)</b>

The gains or losses arising from fair value changes of derivative financial assets 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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	4,882	4,740	14,141	12,580
Depreciation of property, plant and equipment	3,921	4,301	10,792	11,848
Depreciation of right-of-use assets	4,470	-	13,756	-
Insurance and other receivables:				
- Allowance for impairment loss	(255)	8,222	7,976	10,670
- Bad debts recovered	(12)	(30)	(50)	(77)
- Bad debts written off	-	1,247	-	1,353
Interest expense	451	-	1,374	115
Interest income	(210)	(184)	(522)	(503)
Property, plant and equipment written off	3	77	938	108
Unrealised foreign exchange losses/(gains)	1,005	(15)	668	1,038

Other than as disclosed in Notes 6 and 7, there are no exceptional items for the financial period ended 30 September 2019.

8. Tax expense

	Individual period		Cumulative period	
	Three months ended		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit before tax	175,031	147,676	503,986	391,147
<b>Tax expense</b>				
Income tax	24,538	32,427	82,565	93,863
Deferred tax	7,681	15,370	62,025	20,303
Total tax expense	32,219	47,797	144,590	114,166
Effective tax rate	18%	32%	29%	29%

The Group's effective tax rate for the financial period ended 30 September 2019 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.

The lower effective tax rate for the current quarter under review is due mainly to the initial recognition of deferred tax assets arising from Section 110B tax credit set off in the life insurance segment.

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.

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

**11. Changes in material litigation**

Virginia Surety Company Labuan Branch ("VSC") had provided reinsurance support to Commerce Assurance Berhad (now known as 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 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:

- (a) RM30,593.64 as reimbursement of payment in respect of the Kuala Lumpur Regional Centre for Arbitration's administrative expenses;
- (b) RM425,324.32 as reimbursement of payment in respect of fees and expenses of the arbitral tribunal;
- (c) RM668,160.69 for costs and expenses incurred by VSC; and
- (d) 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 was 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 ("Act") and for a Reference of Questions of law under section 42 of the Act. The Court had fixed the Hearing date on 18 February 2019 and directed parties to file and exchange their respective Written Submissions by 11 February 2019. At the Hearing on 18 February 2019, the Company's solicitors presented their Oral Submissions and the Hearing continued on 13 March 2019 for VSC's solicitors to present their oral arguments. The Company'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 but on 28 May 2019, the Court notified parties that it was not yet ready to deliver its Decision and rescheduled the delivery of its Decision to 28 June 2019. On 28 June 2019, the Court declined AGIC's application to set aside the Award. The Company's solicitors had on 15 July 2019 filed a Notice of Appeal to the Court of Appeal against the Decision. At the first case management on 4 September 2019, the Court of Appeal fixed the next case management for 9 October 2019. At the case management on 9 October 2019 before the Court of Appeal, a further case management was fixed on 20 November 2019. On 20 November 2019, the Court of Appeal fixed a further case management on 13 January 2020, pending the High Court's substantive Grounds of Decision.

Meanwhile, VSC's solicitors filed an Originating Summons dated 11 September 2019 ("VSC's OS") to recognise and enforce the Award against AGIC, which if allowed, would result in AGIC having to pay VSC all the costs ordered by the Award. At the first case management on 26 September 2019, AGIC's solicitors informed the Court that as the Appeal was pending before the Court of Appeal, VSC's OS was premature. The Court then fixed a further case management on 3 October 2019 for VSC's solicitors to address the issue of holding over of VSC's OS, pending the determination of the Appeal. At the case management on 3 October 2019, the Court fixed a further case management date on 25 October 2019 as VSC's solicitors required more time to obtain VSC's instructions on the holding over of VSC's OS. AGIC's solicitors then filed a stay application on VSC's OS. On 25 October 2019, as VSC's solicitors had no objections to AGIC's stay application, a further case management date was fixed for 7 November 2019, in order for the stay order to be formally recorded before a Judge. On 7 November 2019, the Judge allowed AGIC's stay application and ordered VSC's enforcement proceedings be stayed pending the final determination of the appeal at the Court of Appeal. As the Judge was of the view that VSC'S OS should be withdrawn and filed afresh (should VSC succeed in dismissing the appeal), a further case management was fixed for 9 December 2019 in order for VSC's solicitors to obtain VSC's instructions.

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		Nine months ended	
		30 September		30 September	
		2019	2018	2019	2018
Profit attributable to ordinary shareholders	(RM'000)	142,812	99,879	359,396	276,981
Weighted average number of ordinary shares in issue	('000)	176,689	176,658	176,754	175,901
Basic earnings per ordinary share	(sen)	80.83	56.54	203.33	157.46

(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	
		2019	2018	2019	2018
Profit attributable to ordinary shareholders	(RM'000)	142,812	99,879	359,396	276,981
Weighted average number of ordinary shares in issue	('000)	176,689	176,658	176,754	175,901
Effect of conversion of ICPS	('000)	169,324	169,547	169,324	169,547
Diluted weighted average number of ordinary shares during the period	('000)	346,013	346,206	346,078	345,448
Diluted earnings per ordinary share	(sen)	41.27	28.85	103.85	80.18

13. Dividend

No dividend has been proposed or declared for the third 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 30 September 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	-	-	498,740	498,740	-	-	38,327	38,327	-	-	-	-
Cross currency swap	-	21,010	98,740	119,750	-	279	1,367	1,646	-	-	3,649	3,649
Derivatives used for hedging												
Forward purchase agreements	-	-	30,000	30,000	9,529	16,370	-	25,899	-	-	-	-
<b>Total</b>	<b>-</b>	<b>21,010</b>	<b>627,480</b>	<b>648,490</b>	<b>9,529</b>	<b>16,649</b>	<b>39,694</b>	<b>65,872</b>	<b>-</b>	<b>-</b>	<b>3,649</b>	<b>3,649</b>
<b>As at 31 December 2018</b>												
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
<b>Total</b>	<b>30,000</b>	<b>121,010</b>	<b>558,740</b>	<b>709,750</b>	<b>182</b>	<b>949</b>	<b>24,928</b>	<b>26,059</b>	<b>121</b>	<b>1,473</b>	<b>819</b>	<b>2,413</b>

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

**14. Derivatives Financial Instruments (continued)**

As at 30 September 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 RM65,872,000 (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 RM57,558,000 (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:

	<b>1 to 30 days RM'000</b>	<b>31 to 60 days RM'000</b>	<b>61 to 90 days RM'000</b>	<b>&gt; 91 days RM'000</b>	<b>Total RM'000</b>
<b>30 September 2019</b>					
Insurance receivables	6,040	10,372	3,850	22,817	43,080
<b>31 December 2018</b>					
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 30 September 2019, based on combination of collective and individual assessment of receivables, there are impaired insurance receivables amounting to RM67,203,000 (2018: RM59,704,000), reinsurance assets of RM2,586,000 (2018: RM2,615,000) and other receivables of RM1,977,000 (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/(reversed)	7,499	2,373	(29)	2,615	506	694
Written off during the year	-	(1,835)	-	-	-	(1,245)
At 31 December	67,203	59,704	2,586	2,615	1,977	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  
27 November 2019