

ALLIANZ MALAYSIA BERHAD (12428-W)

AUDITED QUARTERLY RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2019

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of financial position
as at 31 December 2019**

	31 December 2019 RM'000	← Audited → 31 December 2018 RM'000
Assets		
Property, plant and equipment	87,284	113,528
Right-of-use assets	74,335	-
Intangible assets	370,580	359,264
Investment properties	20,155	19,914
Deferred tax assets	-	14,051
Reinsurance assets	926,586	904,004
Investments	16,085,347	14,249,398
Derivative financial assets	62,177	26,059
Current tax assets	12,584	6,461
Insurance receivables	195,352	228,103
Other receivables, deposits and prepayments	164,196	149,117
Deferred acquisitions costs	111,423	95,060
Cash and cash equivalents	1,600,053	1,239,635
Total assets	19,710,072	17,404,594

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of financial position
as at 31 December 2019 (continued)**

	31 December 2019 RM'000	← Audited → 31 December 2018 RM'000
Equity		
Share capital:		
Ordinary Shares	232,597	231,964
Irredeemable Convertible Preference Shares ("ICPS")	538,432	539,065
Reserves	2,902,540	2,590,668
Total equity attributable to owners of the Company	3,673,569	3,361,697
Liabilities		
Insurance contract liabilities	14,422,224	12,789,873
Deferred tax liabilities	356,014	250,267
Derivative financial liabilities	1,244	2,413
Lease liabilities	57,124	-
Insurance payables	424,051	427,770
Other payables and accruals	769,750	569,367
Current tax liabilities	6,096	3,207
Total liabilities	16,036,503	14,042,897
Total equity and liabilities	19,710,072	17,404,594
Net asset per ordinary share (RM)	20.77	19.03
Diluted net asset per ordinary share (RM)	10.61	9.71

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

The condensed consolidated statement of financial position should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2019.

ALLIANZ MALAYSIA BERHAD (12428-W)
**Condensed consolidated statement of profit or loss
For the year ended 31 December 2019**

The figures for the individual quarters have not been audited but figures for the cumulative quarters have been audited.

	Note (Part B)	Individual period Three months ended 31 December		Cumulative period Twelve months ended 31 December	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Operating revenue *		1,405,471	1,302,173	5,534,374	5,181,929
Gross earned premiums		1,231,195	1,141,555	4,848,449	4,547,016
Premiums ceded to reinsurers		(87,012)	(89,441)	(346,188)	(366,724)
Net earned premiums		1,144,183	1,052,114	4,502,261	4,180,292
Investment income	4	174,276	160,618	685,925	634,913
Realised gains and losses	5	3,365	(39,204)	(8,710)	(21,192)
Fair value gains and losses	6	(21,550)	(166,181)	340,447	(313,675)
Fee and commission income		26,848	4,338	55,437	28,675
Other operating income		17,192	6,590	51,826	29,363
Investment and other income		200,131	(33,839)	1,124,925	358,084
Gross benefits and claims paid		(636,684)	(642,619)	(2,494,310)	(2,448,915)
Claims ceded to reinsurers		25,526	54,480	172,269	211,441
Gross change in contract liabilities		(184,295)	(12,867)	(1,242,316)	(503,073)
Change in contract liabilities ceded to reinsurers		46,875	32,476	42,755	(104)
Net benefits and claims		(748,578)	(568,530)	(3,521,602)	(2,740,651)
Fee and commission expense		(196,741)	(170,650)	(737,626)	(685,462)
Management expenses		(192,320)	(141,683)	(617,971)	(554,879)
Interest expense		(1,167)	-	(2,541)	(115)
Other operating expenses		(17,350)	(9,575)	(55,302)	(38,285)
Other expenses		(407,578)	(321,908)	(1,413,440)	(1,278,741)
Profit before tax	7	188,158	127,837	692,144	518,984
Tax expense	8	(55,076)	(27,797)	(199,666)	(141,963)
Profit for the year		133,082	100,040	492,478	377,021
Profit for the year attributable to: Owners of the Company		133,082	100,040	492,478	377,021
Basic earnings per ordinary share (sen)	12(a)	0.57	10.69	203.87	167.90
Diluted earnings per ordinary share (sen)	12(b)	38.46	29.07	142.29	109.09

* Operating revenue consists of gross earned premiums and investment income.

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

ALLIANZ MALAYSIA BERHAD (12428-W)
**Condensed consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2019**

The figures for the individual quarters have not been audited but figures for the cumulative quarters have been audited.

	Note (Part B)	Individual period		Cumulative period	
		Three months ended 31 December		Twelve months ended 31 December	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit for the year attributable to owners of the Company		133,082	100,040	492,478	377,021
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 (losses)/gains arising during the year		(12,815)	3,554	304,972	(72,290)
- Net realised gain transferred to profit or loss		(8,098)	(62,353)	(17,468)	(31,922)
Gains on cash flow hedge		(4,939)	(748)	20,960	3,220
Tax effects thereon		3,135	5,040	(38,574)	7,813
Change in insurance contract liabilities arising from net fair value change on:					
- AFS financial assets		14,243	57,028	(200,584)	105,813
- Cash flow hedge reserve		4,939	748	(20,960)	(3,220)
Tax effects thereon		(1,534)	(4,622)	17,724	(8,207)
Items that will not be reclassified subsequently to profit or loss					
Revaluation of property, plant and equipment and right-of-use assets		1,500	-	1,500	-
Tax effects thereon		(120)	-	(120)	-
Change in insurance contract liabilities arising from revaluation		(1,099)	-	(1,099)	-
Tax effects thereon		88	-	88	-
Total other comprehensive income for the year, net of tax	1.5	(4,700)	(1,353)	66,439	1,207
Total comprehensive income for the year, net of tax		128,382	98,687	558,917	378,228
Total comprehensive income for the year attributable to:					
Owners of the Company		128,382	98,687	558,917	378,228

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

The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2019.

ALLIANZ MALAYSIA BERHAD (12428-W)

Condensed consolidated statement of changes in equity for the year ended 31 December 2019

	←————— Attributable to owners of the Company —————→						Total equity
	←————— Non-distributable —————→			————— Distributable —————			
	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 year	-	-	-	1,207	-	-	1,207
Profit for the year	-	-	-	-	141,058	235,963	377,021
Total comprehensive income for the year	-	-	-	1,207	141,058	235,963	378,228
Contributions by and distributions to owners of the Company							
Conversion of ICPS to ordinary shares	6,696	(6,696)	-	-	-	-	-
Dividends to owners of the Company	-	-	-	-	-	(152,044)	(152,044)
Total transactions with owners of the Company	6,696	(6,696)	-	-	-	(152,044)	(152,044)
At 31 December 2018	231,964	539,065	41,934	11,376	752,903	1,784,455	3,361,697

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

	←————— Attributable to owners of the Company —————→						Total equity RM'000
	←————— <i>Non-distributable</i> —————→				<i>Distributable</i>		
	Ordinary shares RM'000	Irredeemable Convertible Preference Shares RM'000	Revaluation reserve RM'000	Fair value reserve RM'000	Retained earnings Life non- participating fund surplus ¹ RM'000	Retained earnings 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 year	-	-	369	66,070	-	-	66,439
Profit for the year	-	-	-	-	218,994	273,484	492,478
Total comprehensive income for the year	-	-	369	66,070	218,994	273,484	558,917
Contributions by and distributions to owners of the Company							
Conversion of ICPS to ordinary shares	633	(633)	-	-	-	-	-
Dividends to owners of the Company	-	-	-	-	-	(247,045)	(247,045)
Total transactions with owners of the Company	633	(633)	-	-	-	(247,045)	(247,045)
At 31 December 2019	232,597	538,432	42,303	77,446	971,897	1,810,894	3,673,569

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 interim financial statements.

The condensed consolidated statement of changes in equity should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2019.

Condensed consolidated statement of cash flows
For the year ended 31 December 2019

	Year ended 31 December 2019 RM'000	Year ended 31 December 2018 RM'000
Cash flows from operating activities		
Profit before tax	692,144	518,984
<i>Adjustments for:</i>		
Investment income	(685,925)	(634,913)
Interest income	(706)	(662)
Interest expense	2,541	115
Realised losses from financial assets recorded in profit or loss	9,115	21,190
Fair value (gains)/losses on financial assets recorded in profit or loss	(359,293)	236,871
Purchases of financial assets	(2,904,373)	(2,830,058)
Maturity of financial assets	1,096,308	916,988
Proceeds from sale of financial assets	964,462	1,096,200
Change in loans and receivables	(385,861)	(132,287)
Change in fair value of investment properties	(241)	-
Unrealised foreign exchange (gain)/loss	(238)	902
Depreciation of property, plant and equipment	15,488	16,618
Depreciation of right-of-use assets	18,154	-
Amortisation of intangible assets	20,110	17,631
(Gain)/Loss on disposal of property, plant and equipment	(405)	2
Impairment loss on AFS financial assets	19,087	76,804
Property, plant and equipment written off	1,128	509
Insurance and other receivables:		
- Allowance for/(Reversal of) impairment loss	3,007	(13)
- Bad debts recovered	(54)	(83)
- Bad debts written off	236	3,080
Changes in working capital:		
Change in reinsurance assets	(22,582)	4,432
Change in insurance receivables	32,649	20,308
Change in other receivables, deposits and prepayments	(13,483)	(23,791)
Change in insurance contract liabilities	1,427,520	595,898
Change in deferred acquisition costs	(16,363)	(1,004)
Change in insurance payables	(3,719)	(2,994)
Change in other payables and accruals	105,382	23,954
Cash generated from/(used) in operations	14,088	(75,319)

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of cash flows
For the year ended 31 December 2019 (continued)**

	Year ended 31 December 2019 RM'000	Year ended 31 December 2018 RM'000
Cash flows from operating activities (continued)		
Dividends received	82,734	57,687
Interest income received	595,235	570,115
Interest paid on lease liabilities	(2,541)	-
Tax paid	(121,796)	(119,443)
Net cash from operating activities	567,720	433,040
Investing activities		
Proceeds from disposal of property, plant and equipment	5,185	173
Acquisition of property, plant and equipment	(14,827)	(14,823)
Acquisition of intangible assets	(35,692)	(12,449)
Proceeds from disposal of intangible assets	6,375	-
Net cash used in investing activities	(38,959)	(27,099)
Financing activities		
Dividends paid	(152,044)	(45,649)
Interest paid	-	(1,254)
Repayment of advance to holding company	-	(54,300)
Repayment of lease liabilities	(16,299)	-
Net cash used in financing activities	(168,343)	(101,203)
Net increase in cash and cash equivalents	360,418	304,738
Cash and cash equivalents at 1 January	1,239,635	934,897
Cash and cash equivalents at 31 December	1,600,053	1,239,635
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions (with maturity less than three months)	1,538,291	1,163,241
Cash and bank balances	61,762	76,394
	1,600,053	1,239,635

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

The condensed consolidated statement of cash flows should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2019.

Part A: Explanatory notes to the condensed consolidated financial statements

1. Basis of preparation

These condensed consolidated interim 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 year ended 31 December 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 2019.

The preparation of the condensed consolidated interim financial statements/condensed consolidated quarterly financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities as at the date of the condensed consolidated interim financial statements, and the reported amount of income and expenses during the year. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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 9, <i>Financial Instruments – Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 11, <i>Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to MFRS 112, <i>Income Taxes (Annual Improvements to MFRS 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
<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.

Part A: Explanatory notes to the condensed consolidated financial statements

2. Statement of compliance (continued)

MFRS 16, Leases (continued)

The Group has applied MFRS 16 with the date of initial application of 1 January 2019 by applying the simplified retrospective transition method. On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had been previously classified as 'operating leases' under the principles of MFRS 117. 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.

Under the simplified retrospective transition method, the 2018 comparative information was not restated. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117, *Leases* and IC Interpretation 4, *Determining whether an Arrangement Contains a Lease*.

In applying MFRS 16 for the first time, 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, and
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

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:

	Group		
	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	(19,339)	94,189
Right of use assets	-	88,671	88,671
Liabilities			
Lease liabilities	-	69,332	69,332

The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was as 3.86% per annum.

The reconciliation between the operating lease commitment as at 31 December 2018 and lease liabilities recognised at 1 January 2019 is as follows:

	RM'000
Operating lease commitments as at 31 December 2018	25,189
Discounted at the incremental borrowing rate as at 1 January 2019	(5,911)
Add: Adjustments as a result of a different treatment of extension options	50,928
Less: Low-value leases recognised on a straight-line basis as expense	(146)
Contract reassessed as service agreement	(728)
Lease liabilities as at 1 January 2019	69,332

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

Part A: Explanatory notes to the condensed consolidated financial statements

2. Statement of compliance (continued)

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 approximately 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 December 2019			
Investments	6,700,251	9,297,232	15,997,483
Malaysian government securities and government guaranteed bonds	4,401,000	3,248,571	7,649,571
Unquoted bonds of corporations	1,358,854	3,342,893	4,701,747
Quoted equity securities and unit trusts	-	1,982,927	1,982,927
Unquoted equity securities and unit trusts	-	649,389	649,389
Negotiable certificates of deposits and structured deposits	20,348	73,452	93,800
Government guaranteed loans	190,504	-	190,504
Fixed and call deposits with licensed banks	729,545	-	729,545
Derivative financial assets	-	62,177	62,177
Other receivables and deposits	164,196	-	164,196
Cash and cash equivalents	1,600,053	-	1,600,053
	<u>8,464,500</u>	<u>9,359,409</u>	<u>17,823,909</u>
	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
Changes in fair value during the year			
Investments			
Malaysian government securities and government guaranteed bonds	243,060	178,503	421,563
Unquoted bonds of corporations	29,586	117,014	146,600
Quoted equity securities and unit trusts	-	60,511	60,511
Unquoted equity securities and unit trusts	-	3,486	3,486
Negotiable certificates of deposits and structured deposits	(107)	(97)	(204)
Government guaranteed loans	-	-	-
Fixed and call deposits with licensed banks	-	-	-
Derivative financial assets	-	35,801	35,801
Other receivables and deposits	-	-	-
Cash and cash equivalents	-	-	-
	<u>272,539</u>	<u>395,218</u>	<u>667,757</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.

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	-	-	-	-	-	4,401,000	-	4,401,000
Unquoted bonds of corporations	823,438	500,881	30,786	11,097	-	-	-	1,366,202
Negotiable certificates of deposits and structured deposits	20,348	-	-	-	-	-	-	20,348
Government guaranteed loans	-	-	-	-	-	190,504	-	190,504
Fixed and call deposits with licensed banks	263,674	352,558	-	-	-	-	113,313	729,545
Other receivables and deposits	-	-	-	-	-	163,474	722	164,196
Cash and cash equivalents	887,462	522,913	1,658	-	-	295	187,725	1,600,053
	<u>1,994,922</u>	<u>1,376,352</u>	<u>32,444</u>	<u>11,097</u>	<u>-</u>	<u>4,755,273</u>	<u>301,760</u>	<u>8,471,848</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 year under review were not substantially affected by any item, transaction or event of a material and unusual nature.

4. Changes in estimates

There were no material changes in estimates of amounts reported in the prior financial year that have a material effect in the current year.

5. Seasonal or cyclical factors

The operations of the Group for the financial year under review were not significantly affected by seasonality or cyclical factors.

6. Property, plant and equipment

The Group's property, plant and equipment are stated at cost/valuation less any accumulated depreciation and any accumulated impairment losses. During the financial year under review, the Group has revalued its property, plant and equipment and the revaluation surpluses amounting to:

	RM'000
Life insurance segment	401
	401

7. Changes in group composition

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

8. Capital commitments

As at 31 December 2019	RM'000
Property, plant and equipment:	
Contracted but not provided for	4,426
	4,426
Software development:	
Contracted but not provided for	479
	479

9. Related party transactions

Significant related party transactions are as follows:

	Transactions value	
	Twelve months ended	
	31 December	
	2019	2018
	RM'000	RM'000
Related companies*		
Payment of reinsurance premium ceded, net of commission income	(208,052)	(191,982)
	(208,052)	(191,982)

* 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 ("BNM")'s 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 took place on 19 and 20 February 2019. 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 199,200 ordinary shares pursuant to the conversion of the ICPS, there were no other issuances of shares, shares buy-backs and repayment of debt and equity securities by the Group during the financial year under review.

12. Subsequent event

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

13. Dividend paid

- (a) 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.
- (b) A single tier interim dividend of 51.00 sen per ordinary share and a single tier interim dividend of 61.2 sen per ICPS for the financial year ended 31 December 2019 were paid on 14 February 2020 to the entitled ordinary shareholders and ICPS holders of the Company respectively.
- (c) A single tier special dividend of 14.00 sen per ordinary share and a single tier special dividend of 16.8 sen per ICPS for the financial year ended 31 December 2019 were paid on 14 February 2020 to the entitled ordinary shareholders and ICPS holders of the Company respectively.

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

14. Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. For each of the strategic business units, the Chief Executive Officer of the Company reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

Reportable segments	Principal activities
Investment holding	Investment holding
General insurance	Underwriting of all classes of general insurance business
Life insurance	Underwriting of all classes of life insurance and investment-linked business

Information about reportable segments
For the year ended 31 December 2019

	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	14,298	13,557	2,312,678	2,345,789	3,207,398	2,822,583	5,534,374	5,181,929
Inter-segment operating revenue	(202,265)	(162,074)	(423)	-	(118)	-	(202,806)	(162,074)
Segment results	(11,015)	(6,027)	362,416	320,569	340,743	204,442	692,144	518,984
Segment assets	612,259	553,340	6,459,334	6,053,386	12,638,479	10,797,868	19,710,072	17,404,594
Segment liabilities	267,138	164,558	4,105,877	3,836,004	11,663,488	10,042,335	16,036,503	14,042,897

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

1. Review of results

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

RM'million	Individual Period				Cumulative period			
	Three months ended		Changes		Twelve months ended		Changes	
	2019	2018	Amount	%	2019	2018	Amount	%
	31 December				31 December			
Operating revenue	1,405.5	1,302.2	103.3	7.9%	5,534.4	5,181.9	352.5	6.8%
Profit before tax	188.2	127.8	60.4	47.3%	692.1	519.0	173.1	33.4%
Profit after tax	133.1	100.0	33.1	33.1%	492.5	377.0	115.5	30.6%
Profit for the period attributable to owners of the Company	133.1	100.0	33.1	33.1%	492.5	377.0	115.5	30.6%

RM'million	Individual Period				Cumulative period			
	Three months ended		Changes		Twelve months ended		Changes	
	2019	2018	Amount	%	2019	2018	Amount	%
	31 December				31 December			
Operating Revenue by segments								
General insurance	585.2	580.2	5.0	0.9%	2,312.7	2,345.8	(33.1)	(1.4%)
Gross earned premiums	536.0	532.5	3.5	0.7%	2,123.4	2,163.5	(40.1)	(1.9%)
Investment income	49.2	47.7	1.5	3.1%	189.3	182.3	7.0	3.8%
Life insurance	817.2	718.7	98.5	13.7%	3,207.4	2,822.6	384.8	13.6%
Gross earned premiums	695.2	609.1	86.1	14.1%	2,725.0	2,383.5	341.5	14.3%
Investment income	122.0	109.6	12.4	11.3%	482.4	439.1	43.3	9.9%
Investment holding								
Investment income	3.1	3.3	(0.2)	(6.1%)	14.3	13.5	0.8	5.9%
Total Operating Revenue	1,405.5	1,302.2	103.3	7.9%	5,534.4	5,181.9	352.5	6.8%

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

1. Review of results (continued)

1.1 Operating revenue of the current year quarter against preceding year corresponding quarter (Fourth Quarter 2019 versus Fourth Quarter 2018)

For the fourth quarter ended 31 December 2019, the Group recorded an operating revenue of RM1.41 billion, an increase of 7.9% or RM103.3 million as compared to the preceding year quarter ended 31 December 2018 of RM1.30 billion due mainly to higher gross earned premiums and investment income by RM89.6 million and RM13.7 million respectively.

For the quarter under review, the general insurance segment recorded an operating revenue of RM585.2 million, an increase of 0.9% or RM5.0 million as compared to the preceding year quarter ended 31 December 2018 of RM580.2 million due to increase in gross earned premiums and investment income by RM3.5 million and RM1.5 million respectively.

The increase in gross earned premiums of the general insurance segment was attributable to higher premiums from motor business.

For the quarter under review, the life insurance segment registered an operating revenue of RM817.2 million, an increase of 13.7% or RM98.5 million as compared to the preceding year quarter ended 31 December 2018 of RM718.7 million due to increase in gross earned premiums and investment income by RM86.1 million and RM12.4 million respectively.

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

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

The Group recorded an operating revenue of RM5.53 billion for the financial year ended 31 December 2019, an increase of 6.8% or RM352.5 million as compared to the preceding financial year ended 31 December 2018 of RM5.18 billion due mainly to higher gross earned premiums and investment income by RM301.4 million and RM51.1 million respectively.

The general insurance segment recorded an operating revenue of RM2.31 billion for the financial year ended 31 December 2019, a decrease of 1.4% or RM33.1 million as compared to the preceding financial year ended 31 December 2018 of RM2.35 billion due mainly to decrease in gross earned premiums by RM40.1 million and offset by increase in investment income by RM7.0 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 RM3.21 billion for the financial year ended 31 December 2019, an increase of 13.6% or RM384.8 million as compared to the preceding financial year ended 31 December 2018 of RM2.82 billion due to increase in gross earned premiums and investment income by RM341.5 million and RM43.3 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 year to date (continued)

RM'million	Individual Period		Changes		Cumulative period		Changes	
	Three months ended 31 December 2019	2018	Amount	%	Twelve months ended 31 December 2019	2018	Amount	%
Profit Before Tax by segments								
General insurance	119.7	78.0	41.7	53.5%	362.4	320.6	41.8	13.0%
Life Insurance	72.7	50.3	22.4	44.5%	340.7	204.4	136.3	66.7%
Investment holding	(4.2)	(0.5)	(3.7)	>100.0%	(11.0)	(6.0)	(5.0)	83.3%
Total Profit before tax	188.2	127.8	60.4	47.3%	692.1	519.0	173.1	33.4%
General Insurance								
Commission ratio	9.9%	12.6%	N/A	2.7 pts	11.7%	12.3%	N/A	0.6 pts
Claims ratio	51.6%	61.0%	N/A	9.4 pts	59.1%	62.1%	N/A	3.0 pts
Expense ratio	24.5%	20.0%	N/A	(4.5 pts)	20.2%	18.4%	N/A	(1.8 pts)
Combined ratio	86.0%	93.6%	N/A	7.6 pts	91.0%	92.8%	N/A	1.8 pts
Life Insurance								
Annualised new premium ("ANP")	176.7	135.3	41.4	30.6%	594.8	512.8	82.0	16.0%
Expense ratio	12.3%	8.4%	N/A	(3.9 pts)	10.5%	10.0%	N/A	(0.5 pts)
Lapse ratio	14.8%	10.5%	N/A	(4.3 pts)	9.8%	12.9%	N/A	3.1 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 (Fourth Quarter 2019 versus Fourth Quarter 2018)

For the fourth quarter ended 31 December 2019, the Group recorded a profit before tax of RM188.2 million, an increase of 47.3% or RM60.4 million as compared to the preceding year quarter ended 31 December 2018 of RM127.8 million.

For the quarter under review, the general insurance segment recorded a profit before tax of RM119.7 million, an increase of 53.5% or RM41.7 million as compared to a profit before tax of the preceding year quarter ended 31 December 2018 of RM78.0 million. The higher profit before tax was due mainly to higher reinsurance profit commission income and lower claims.

For the quarter under review, the life insurance segment recorded a higher profit before tax of RM72.7 million, an increase of 44.5% or RM22.4 million as compared to a profit before tax of the preceding year quarter ended 31 December 2018 of RM50.3 million due mainly to higher contribution from protection business.

For the quarter under review, the investment holding segment registered a loss before tax of RM4.2 million as compared to a loss before tax of the preceding year quarter ended 31 December 2018 of RM0.5 million due mainly to higher 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 RM692.1 million for the year ended 31 December 2019, an increase of 33.4% or RM173.1 million as compared to the preceding year ended 31 December 2018 of RM519.0 million due mainly to higher profit contribution from life insurance segment.

The general insurance segment delivered a profit before tax of RM362.4 million for the year ended 31 December 2019, an increase of 13.0% or RM41.8 million compared to the preceding year ended 31 December 2018 of RM320.6 million. The higher profit before tax was due mainly to higher reinsurance profit commission income and lower claims.

The life insurance segment recorded a higher profit before tax of RM340.7 million for the year ended 31 December 2019, an increase of 66.7% or RM136.3 million as compared to the preceding year ended 31 December 2018 of RM204.4 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 RM11.0 million for the year ended 31 December 2019, as compared to loss before tax of RM6.0 million for the preceding year ended 31 December 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 31 December 2019	Immediate Preceding Quarter 30 September 2019	Changes	
			Amount	%
Operating revenue	1,405.5	1,418.6	(13.1)	(0.9%)
Profit before tax	188.2	175.0	13.2	7.5%
Profit after tax	133.1	142.8	(9.7)	(6.8%)
Profit for the period attributable to owners of the Company	133.1	142.8	(9.7)	(6.8%)

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

The Group recorded an operating revenue of RM1.41 billion for the quarter under review, a decrease of 0.9% or RM13.1 million as compared to the preceding quarter ended 30 September 2019 of RM1.42 billion.

The general insurance segment recorded an operating revenue of RM585.2 million for the quarter under review, an increase of 1.9% or RM11.2 million as compared to the preceding quarter ended 30 September 2019 of RM574.0 million due mainly to higher gross earned premiums in the current quarter.

The life insurance segment registered an operating revenue of RM817.2 million for the quarter under review, a decrease of 2.8% or RM23.2 million as compared to the preceding quarter ended 30 September 2019 of RM840.4 million due mainly to higher gross earned premiums from bancassurance and employee benefits channels in previous quarter.

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

The Group recorded a profit before tax of RM188.2 million for the quarter under review, an increase of 7.5% or RM13.2 million as compared to the preceding quarter ended 30 September 2019 of RM175.0 million.

The profit before tax of general insurance segment for the quarter under review of RM119.7 million, an increase of 82.7% or RM54.2 million as compared to the preceding quarter ended 30 September 2019 of RM65.5 million. The higher profit before tax was due mainly to higher underwriting profit as a result of higher reinsurance profit commission income and lower claims.

The profit before tax of life insurance segment for the quarter under review of RM72.7 million, a decrease of 34.2% or RM37.8 million as compared to the preceding quarter ended 30 September 2019 of RM110.5 million due mainly to higher medical claims and higher management expenses in current quarter.

The investment holding segment registered a loss before tax of RM4.2 million as compared to a loss before tax of RM1.0 million in the preceding quarter ended 30 September 2019 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)

1.7 Review of other comprehensive income

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

RM'million	Individual period		Cumulative period	
	Three months ended		Twelve months ended	
	31 December		31 December	
	2019	2018	2019	2018
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 (losses)/gains arising during the year	(12.7)	3.6	305.0	(72.3)
- Net realised gains transferred to profit or loss	(8.1)	(62.4)	(17.6)	(31.9)
Gains on cash flow hedge	(4.9)	(0.7)	21.0	3.2
Tax effects thereon	3.1	5.0	(38.6)	7.8
Change in insurance contract liabilities arising from net fair value change on:				
- AFS financial assets	14.2	57.0	(200.6)	105.8
- Cash flow hedge reserve	4.9	0.7	(20.9)	(3.2)
Tax effects thereon	(1.5)	(4.6)	17.7	(8.2)
Items that will not be reclassified subsequently to profit or loss				
Revaluation of property, plant and equipment and right-of-use assets	1.5	-	1.5	-
Tax effects thereon	(0.1)	-	(0.1)	-
Change in insurance contract liabilities arising from revaluation	(1.1)	-	(1.1)	-
Tax effects thereon	0.1	-	0.1	-
Total other comprehensive (loss)/income for the year, net of tax	(4.6)	(1.4)	66.4	1.2

The Group recorded a total other comprehensive income of RM66.4 million for the twelve months ended 31 December 2019, an increase of RM65.2 million as compared to the total other comprehensive income of the preceding twelve months ended 31 December 2018 of RM1.2 million due to fair value gains from AFS financial assets, mainly from the general insurance segment for the financial year under review.

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

1. Review of results (continued)

1.8 Review of Statements of Financial Position

Table 4: Review of assets and liabilities

RM'million	As at	As at	Changes	
	31 December 2019	31 December 2018	Amount	%
Total assets	19,710.1	17,404.6	2,305.5	13.2%
Total liabilities	16,036.5	14,042.9	1,993.6	14.2%
Total equity	3,673.6	3,361.7	311.9	9.3%

Total assets

As at 31 December 2019, the Group's total assets increased by RM2.31 billion to RM19.71 billion from RM17.40 billion as at 31 December 2018, mainly attributable to increase in financial investments for the financial year under review. The increase was in line with the Group's business growth.

Total liabilities

As at 31 December 2019, the Group's total liabilities increased by RM1.99 billion to RM16.03 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 December 2019 increased by 9.3% or RM311.9 million to RM3.67 billion from RM3.36 billion as at 31 December 2018. This is mainly attributable to the net profit generated for the year ended 31 December 2019.

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

2. Current year prospect

The Malaysian economy expanded by 4.3% in 2019. Going into 2020, growth, particularly in the first quarter of the year, will be affected by the coronavirus outbreak. The impact will be felt largely in tourism-related sectors, and to a certain extent, in the manufacturing sector through disruptions within the global supply chain and the expected slowdown in China. The overall impact on the Malaysian economy will, however, depend on the duration and spread of the outbreak as well as policy responses by authorities.

The general insurance industry growth remains weak with only a slight pick-up in the second half of the year, and reported a decline in Gross Written Premium by -0.8% for the year ended 31 December 2019 (first three quarters of 2019: -1.0%). This is mainly due to a decline in Health and Miscellaneous lines of business. Growth for the general insurance industry is expected to remain challenging in the medium term amid moderation in both global and local economic growth and pending the next phase of liberalisation of Motor and Fire Tariffs. Nevertheless, the general insurance segment remains focused on optimising business margins by exploring growth opportunities and 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 14.8% in annualized new premium for the year ended 31 December 2019 (first three quarters of 2019: 13.9%). Notwithstanding the double digit growth in 2019, the life insurance segment is cautious on the impact of slower global growth arising from the coronavirus outbreak in the beginning of 2020 to local economic activities and its impact to the life insurance segment's growth and investment performance. Nonetheless, the life insurance segment will continue to execute its strategic initiatives of expanding distribution channels and focus on product profitability. It will remain focused on expanding agency force, uplifting productivity through recruitment, training and performance management and optimising product portfolios.

The Group remains cautious in delivering satisfactory results to its shareholders in 2020 amid the uncertainties in current economic environment.

3. Profit forecast

The Group did not issue any profit forecast or profit guarantee as at the date of the Report.

4. Investment income

	Individual period		Cumulative period	
	Three months ended		Twelve months ended	
	31 December		31 December	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Interest income	154,989	149,480	599,125	566,353
Dividend income	17,994	8,550	81,379	57,446
Accretion of discounts	284	3,344	5,340	9,999
Amortisation of premiums	(141)	(2,610)	(5,079)	(5,675)
Other income	1,150	1,854	5,160	6,790
	<u>174,276</u>	<u>160,618</u>	<u>685,925</u>	<u>634,913</u>

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

	Individual period		Cumulative period	
	Three months ended		Twelve months ended	
	31 December		31 December	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
Realised gains on disposal	401	55	405	55
Realised losses on disposal	-	(15)	-	(57)
Total net realised gains/(losses) for property, plant and equipment	401	40	405	(2)
Financial assets				
Realised gains on disposal:				
Malaysian government securities	1,363	538	11,504	577
Malaysian government guaranteed bonds	317	73	1,656	73
Quoted equity securities of corporations in Malaysia	6,459	12,317	23,767	96,157
Quoted equity securities of corporations outside Malaysia	-	-	824	790
Quoted unit trusts in Malaysia	-	15	498	15
Unquoted unit trusts in Malaysia	-	318	350	318
Unquoted unit trusts outside Malaysia	-	20	25	20
Unquoted bonds of corporations in Malaysia	5,199	(108)	6,802	-
Realised losses on disposal:				
Malaysian government securities	-	(9)	(3)	(9)
Malaysian government guaranteed bonds	-	(6)	-	(6)
Quoted equity securities of corporations in Malaysia	(10,293)	(52,349)	(53,057)	(118,632)
Quoted equity securities of corporations outside Malaysia	(13)	(14)	(1,241)	(365)
Unquoted unit trusts outside Malaysia	(68)	(2)	(240)	(91)
Unquoted bonds of corporations in Malaysia	-	(37)	-	(37)
Total net realised gains/(losses) for financial assets	2,964	(39,244)	(9,115)	(21,190)
Total net realised gains/(losses)	3,365	(39,204)	(8,710)	(21,192)

6. Fair value gains and losses

	Individual period		Cumulative period	
	Three months ended		Twelve months ended	
	31 December		31 December	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Investment properties				
Fair value losses on investment properties	-	-	241	-
Financial instruments				
Held for trading financial assets	(138)	(135,595)	221,671	(247,818)
Designated upon initial recognition financial assets	(11,522)	2,721	122,781	8,096
Derivatives financial assets	865	(3,589)	15,892	2,126
Derivatives financial liabilities	(1,051)	725	(1,051)	725
Total fair value gains/(losses) on financial instruments at Fair Value Through Profit or Loss	(11,846)	(135,738)	359,293	(236,871)
Impairment loss on AFS financial investments	(9,704)	(30,443)	(19,087)	(76,804)
Total net fair value gains/(losses)	(21,550)	(166,181)	340,447	(313,675)

The gains or losses arising from fair value changes of derivative financial assets/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 year under review is arrived at after charging/(crediting):

	Individual period		Cumulative period	
	Three months ended		Twelve months ended	
	31 December		31 December	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	5,969	5,051	20,110	17,631
Depreciation of property, plant and equipment	4,696	4,770	15,488	16,618
Depreciation of right-of-use assets	4,398	-	18,154	-
Insurance and other receivables:				
- (Reversal of)/Allowance for impairment loss	(4,969)	(10,683)	3,007	(13)
- Bad debts recovered	(4)	(6)	(54)	(83)
- Bad debts written off	236	1,727	236	3,080
Interest expense	1,167	-	2,541	115
Interest income	(184)	(159)	(706)	(662)
Property, plant and equipment written off	190	401	1,128	509
Unrealised foreign exchange (gains)/losses	(906)	(136)	(238)	902

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

8. Tax expense

	Individual period		Cumulative period	
	Three months ended		Twelve months ended	
	31 December		31 December	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit before tax	188,158	127,837	692,144	518,984
Tax expense				
Income tax	35,997	15,539	118,562	109,402
Deferred tax	19,079	12,258	81,104	32,561
Total tax expense	55,076	27,797	199,666	141,963
Effective tax rate	29%	22%	29%	27%

The Group's effective tax rate for the financial year ended 31 December 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.

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 year 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 Closing Submissions and Reply Submissions were filed on 30 August 2017 and 27 September 2017 respectively and the Oral Submissions took place on 12 October 2017 and 13 October 2017. Both parties then filed further written submissions bringing the arbitration proceedings to an end.

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 ("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.

As AGIC's solicitors were of the view that there are reasonable grounds to seek a review of the majority decision, 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 matter was first heard on 18 February 2019 and hearing continued on 13 March 2019 and concluded on 18 April 2019. On 28 June 2019, the Court declined AGIC's application to set aside the Award ("Decision"). Based on AGIC's solicitors' advice, a Notice of Appeal against the Decision was filed on 15 July 2019 at the Court of Appeal. At the first case management on 4 September 2019, the Court of Appeal fixed the next case management for 9 October 2019 and since then the matter has since come up for case management on 20 November 2019 and 13 January 2020. On 13 January 2020, the Court of Appeal fixed a further case management for 19 February 2020 as AGIC's solicitors have yet to receive the High Court's substantive Grounds of Decision. On 17 February 2020, the Court of Appeal wrote to parties' solicitors to give notice that the case management fixed for 19 February 2020 has been rescheduled to 26 February 2020. On 26 February 2020, the Court of Appeal was informed that AGIC's solicitors have yet to receive the High Court's substantive Grounds of Decision. As such, a further case management was fixed for 8 April 2020.

Meanwhile, VSC's solicitors had filed an Originating Summons dated 11 September 2019 ("VSC's OS") to recognise and enforce the Award against AGIC requiring AGIC to pay VSC all the costs ordered by the Award. 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. At the case management on 9 December 2019, as VSC's solicitors confirmed that they had instructions to withdraw VSC's OS, the Judge ordered that VSC'S OS be struck out with liberty to file afresh.

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		Twelve months ended	
		31 December		31 December	
		2019	2018	2019	2018
Profit attributable to ordinary shareholders	(RM'000)	133,082	100,040	492,478	377,021
Adjustment:					
- Preference dividends declared		(132,068)	(81,368)	(132,068)	(81,368)
Adjusted profit attributable to ordinary shareholders		1,014	18,672	360,410	295,653
Weighted average number of ordinary shares in issue	('000)	176,694	174,596	176,787	176,090
Basic earnings per ordinary share	(sen)	0.57	10.69	203.87	167.90

(b) Diluted earnings per ordinary share

Diluted earnings per ordinary share of the Group are calculated by dividing the net diluted profit attributable to shareholders by the diluted weighted average number of ordinary shares in issue.

		Individual period		Cumulative period	
		Three months ended		Twelve months ended	
		31 December		31 December	
		2019	2018	2019	2018
Profit attributable to ordinary shareholders	(RM'000)	133,082	100,040	492,478	377,021
Weighted average number of ordinary shares in issue	('000)	176,694	174,596	176,787	176,090
Effect of conversion of ICPS	('000)	169,318	169,518	169,318	169,518
Diluted weighted average number of ordinary shares during the period	('000)	346,012	344,114	346,105	345,608
Diluted earnings per ordinary share	(sen)	38.46	29.07	142.29	109.09

13. Dividend

The Board of Directors declared the following single tier interim dividend for the financial year ended 31 December 2019 which were paid on 14 February 2020 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 28 January 2020:

- (a) 51.0 sen per ordinary share; and
- (b) 61.2 sen per ICPS

In addition, the Board of Directors has also declared the following single tier special dividend for the financial year ended 31 December 2019 which were paid on 14 February 2020 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 28 January 2020:

- (a) 14.0 sen per ordinary share; and
- (b) 16.8 sen per ICPS

The Board of Directors does not recommend any payment of final dividend for the financial year ended 31 December 2019.

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

14. Derivatives Financial Instruments

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

As at 31 December 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	-	-	36,804	36,804	-	-	-	-
Cross currency swap	-	21,010	98,740	119,750	-	807	3,605	4,412	-	-	1,244	1,244
Derivatives used for hedging												
Forward purchase agreements	60,000	100,000	-	160,000	7,417	13,544	-	20,961	-	-	-	-
Total	60,000	121,010	498,740	679,750	7,417	14,351	40,409	62,177	-	-	1,244	1,244
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	-	-	19,482	19,482	-	-	-	-
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	181	-	1,414	1,595	121	1,473	-	1,594
Total	30,000	121,010	558,740	709,750	181	949	24,929	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 December 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 RM62,177,000 (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 RM55,465,000 (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.

(v) Fair value changes of financial liabilities

Other than fair value changes arising from derivatives which are classified as liabilities when they are at fair value loss position as at the end of the reporting period, there were no gains or losses arising from fair value changes of other financial liabilities.

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 December 2019					
Insurance receivables	5,609	2,738	2,881	6,114	17,342
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 December 2019, based on combination of collective and individual assessment of receivables, there are impaired insurance receivables amounting to RM59,624,000 (2018: RM59,704,000), reinsurance assets of RM2,586,000 (2018: RM2,615,000) and other receivables of RM4,558,000 (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)	157	2,373	(29)	2,615	3,087	694
Written off during the year	(237)	(1,835)	-	-	-	(1,245)
At 31 December	59,624	59,704	2,586	2,615	4,558	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 February 2020