

ALLIANZ MALAYSIA BERHAD (12428-W)

UNAUDITED QUARTERLY RESULTS
FOR THE PERIOD ENDED 31 MARCH 2020

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of financial position
as at 31 March 2020 - unaudited**

	31 March 2020 RM'000	← Audited → 31 December 2019 RM'000
Assets		
Property, plant and equipment	85,828	87,284
Right-of-use assets	69,768	74,335
Intangible assets	366,680	370,580
Investment properties	20,155	20,155
Reinsurance assets	928,612	926,586
Investments	16,037,568	16,085,347
Derivative financial assets	80,143	62,177
Current tax assets	30,751	12,584
Insurance receivables	332,228	195,352
Other receivables, deposits and prepayments	195,400	164,196
Deferred acquisitions costs	116,290	111,423
Cash and cash equivalents	1,065,698	1,600,053
Total assets	19,329,121	19,710,072

ALLIANZ MALAYSIA BERHAD (12428-W)**Condensed consolidated statement of financial position
as at 31 March 2020 - unaudited (continued)**

	31 March 2020 RM'000	← Audited → 31 December 2019 RM'000
Equity		
Share capital:		
Ordinary Shares	232,601	232,597
Irredeemable Convertible Preference Shares ("ICPS")	538,428	538,432
Reserves	2,967,863	2,902,540
Total equity attributable to owners of the Company	3,738,892	3,673,569
Liabilities		
Insurance contract liabilities	14,250,166	14,422,224
Deferred tax liabilities	341,836	356,014
Derivative financial liabilities	3,930	1,244
Lease liabilities	52,685	57,124
Insurance payables	408,042	424,051
Other payables and accruals	528,248	769,750
Current tax liabilities	5,322	6,096
Total liabilities	15,590,229	16,036,503
Total equity and liabilities	19,329,121	19,710,072
Net asset per ordinary share (RM)	21.14	20.77
Diluted net asset per ordinary share (RM)	10.80	10.61

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
For the period ended 31 March 2020 - unaudited**

	Note (Part B)	Individual period Three months ended 31 March		Cumulative period Three months ended 31 March	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Operating revenue *		1,484,706	1,344,295	1,484,706	1,344,295
Gross earned premiums		1,306,126	1,183,445	1,306,126	1,183,445
Premiums ceded to reinsurers		(78,441)	(83,191)	(78,441)	(83,191)
Net earned premiums		1,227,685	1,100,254	1,227,685	1,100,254
Investment income	4	178,580	160,850	178,580	160,850
Realised gains and losses	5	(71,056)	(27,869)	(71,056)	(27,869)
Fair value gains and losses	6	(486,101)	195,560	(486,101)	195,560
Fee and commission income		6,874	10,174	6,874	10,174
Other operating income		23,985	10,767	23,985	10,767
Investment and other income		(347,718)	349,482	(347,718)	349,482
Gross benefits and claims paid		(564,228)	(588,737)	(564,228)	(588,737)
Claims ceded to reinsurers		25,573	47,710	25,573	47,710
Gross change in contract liabilities		125,688	(422,198)	125,688	(422,198)
Change in contract liabilities ceded to reinsurers		8,674	4,758	8,674	4,758
Net benefits and claims		(404,293)	(958,467)	(404,293)	(958,467)
Fee and commission expense		(188,413)	(176,526)	(188,413)	(176,526)
Management expenses		(167,004)	(151,868)	(167,004)	(151,868)
Interest expense		(538)	(629)	(538)	(629)
Other operating expenses		(27,772)	(11,006)	(27,772)	(11,006)
Other expenses		(383,727)	(340,029)	(383,727)	(340,029)
Profit before tax	7	91,947	151,240	91,947	151,240
Tax expense	8	(12,447)	(52,323)	(12,447)	(52,323)
Profit for the period		79,500	98,917	79,500	98,917
Profit for the period attributable to: Owners of the Company		79,500	98,917	79,500	98,917
Basic earnings per ordinary share (sen)	12(a)	44.94	55.97	44.94	55.97
Diluted earnings per ordinary share (sen)	12(b)	22.96	28.57	22.96	28.57

* 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 period ended 31 March 2020 - unaudited**

	Note (Part B)	Individual period		Cumulative period	
		Three months ended		Three months ended	
		31 March		31 March	
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
Profit for the period attributable to owners of the Company		79,500	98,917	79,500	98,917
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 period		(146,106)	103,065	(146,106)	103,065
- Net realised gain transferred to profit or loss		14,252	25,381	14,252	25,381
Gains on cash flow hedge		198	9,678	198	9,678
Tax effects thereon		12,413	(16,183)	12,413	(16,183)
Change in insurance contract liabilities of participating fund arising from net fair value change on:					
- AFS financial assets		114,400	(96,339)	114,400	(96,339)
- Cash flow hedge reserve		(198)	(9,678)	(198)	(9,678)
Tax effects thereon		(9,136)	8,481	(9,136)	8,481
Total other comprehensive income for the period, net of tax	1.5	(14,177)	24,406	(14,177)	24,405
Total comprehensive income for the period, net of tax		65,323	123,322	65,323	123,322
Total comprehensive income for the period attributable to:					
Owners of the Company		65,323	123,322	65,323	123,322

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

ALLIANZ MALAYSIA BERHAD (12428-W)

Condensed consolidated statement of changes in equity for the period ended 31 March 2020 - unaudited

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

ALLIANZ MALAYSIA BERHAD (12428-W)
Condensed consolidated statement of changes in equity for the period ended 31 March 2020 - unaudited (continued)

	←————— Attributable to owners of the Company —————→						
	←————— <i>Non-distributable</i> —————→			————— <i>Distributable</i> —————→			
	Ordinary shares	Irredeemable Convertible Preference Shares	Revaluation reserve	Fair value reserve	Retained earnings Life non- participating fund surplus ¹	Retained earnings	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2020	232,597	538,432	42,303	77,446	971,897	1,810,894	3,673,569
Total other comprehensive income for the period	-	-	-	(14,177)	-	-	(14,177)
Profit for the period	-	-	-	-	29,038	50,462	79,500
Total comprehensive income for the period	-	-	-	(14,177)	29,038	50,462	65,323
Contributions by and distributions to owners of the Company							
Conversion of ICPS to ordinary shares	4	(4)	-	-	-	-	-
Total transactions with owners of the Company	4	(4)	-	-	-	-	-
At 31 March 2020	232,601	538,428	42,303	63,269	1,000,935	1,861,356	3,738,892

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.

ALLIANZ MALAYSIA BERHAD (12428-W)**Condensed consolidated statement of cash flows
For the period ended 31 March 2020 - unaudited**

	Three months ended 31 March 2020 RM'000	Three months ended 31 March 2019 RM'000
Cash flows from operating activities		
Profit before tax	91,947	151,240
<i>Adjustments for:</i>		
Investment income	(178,580)	(160,850)
Interest income	(173)	(148)
Interest expense	538	629
Realised losses from financial assets recorded in profit or loss	71,055	27,869
Fair value losses/(gains) on financial assets recorded in profit or loss	394,871	(195,981)
Purchases of financial assets	(1,125,393)	(931,201)
Maturity of financial assets	125,000	210,000
Proceeds from sale of financial assets	507,056	444,807
Change in loans and receivables	(172,395)	(127,581)
Unrealised foreign exchange loss/(gain)	1,689	(42)
Depreciation of property, plant and equipment	3,088	3,087
Depreciation of right-of-use assets	4,519	4,451
Amortisation of intangible assets	5,512	4,532
Loss on disposal of property, plant and equipment	1	-
Impairment loss on AFS financial assets	91,230	421
Property, plant and equipment written off	26	2
Insurance and other receivables:		
- Allowance for impairment loss	970	12,649
- Bad debts recovered	(7)	(8)
- Bad debts written off	634	-
Changes in working capital:		
Change in reinsurance assets	(2,026)	344
Change in insurance receivables	(138,475)	(158,834)
Change in other receivables, deposits and prepayments	(24,794)	(24,557)
Change in insurance contract liabilities	(66,992)	493,607
Change in deferred acquisition costs	(4,867)	(3,454)
Change in insurance payables	(16,008)	(22,311)
Change in other payables and accruals	5,544	721
Cash used in operations	(426,030)	(270,608)

ALLIANZ MALAYSIA BERHAD (12428-W)**Condensed consolidated statement of cash flows
For the period ended 31 March 2020 - unaudited (continued)**

	Three months ended 31 March 2020 RM'000	Three months ended 31 March 2019 RM'000
Cash flows from operating activities (continued)		
Dividends received	24,897	14,105
Interest income received	155,440	137,452
Interest paid on lease liabilities	(538)	(629)
Tax paid	(33,418)	(24,010)
Net cash used in operating activities	(279,649)	(143,690)
Investing activities		
Proceeds from disposal of property, plant and equipment	1	-
Acquisition of property, plant and equipment	(1,735)	(2,750)
Acquisition of intangible assets	(1,536)	(3,228)
Proceeds from disposal of intangible assets	-	6,374
Net cash (used in)/from investing activities	(3,270)	396
Financing activities		
Dividends paid	(247,045)	(152,044)
Repayment of lease liabilities	(4,391)	(3,571)
Net cash used in financing activities	(251,436)	(155,615)
Net increase in cash and cash equivalents	(534,355)	(298,909)
Cash and cash equivalents at 1 January	1,600,053	1,239,635
Cash and cash equivalents at 31 March	1,065,698	940,726
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions (with maturity less than three months)	978,376	862,191
Cash and bank balances	87,322	78,535
	1,065,698	940,726

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

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 period ended 31 March 2020 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 2019, except for the adoption of the following:

MFRSs/ Amendments/ Interpretation	Effective date
The Conceptual Framework for Financial Reporting (Revised 2018)	1 January 2020
Amendments to MFRS 101, Presentation of Financial Statements – Definition of Material	1 January 2020
Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material	1 January 2020
Amendments to MFRS 3, Business Combinations – Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139, MFRS 7 – Interest Rate Benchmark Reform	1 January 2020

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 2023 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 2023 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 2023.

Part A: Explanatory notes to the condensed consolidated financial statements

2. Statement of compliance (continued)

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

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

	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
Fair value as at 31 March 2020			
Investments	7,030,797	8,921,739	15,952,536
Malaysian government securities and government guaranteed bonds	4,514,667	3,275,048	7,789,715
Unquoted bonds of corporations	1,398,862	3,368,130	4,766,992
Quoted equity securities and unit trusts	-	1,461,285	1,461,285
Unquoted equity securities and unit trusts	-	743,756	743,756
Negotiable certificates of deposits and structured deposits	20,624	73,520	94,144
Government guaranteed loans	192,661	-	192,661
Fixed and call deposits with licensed banks	903,983	-	903,983
Derivative financial assets	-	80,143	80,143
Other receivables and deposits	195,400	-	195,400
Cash and cash equivalents	1,065,698	-	1,065,698
	<u>8,291,895</u>	<u>9,001,882</u>	<u>17,293,777</u>
	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
Changes in fair value during the period			
Investments			
Malaysian government securities and government guaranteed bonds	(56,524)	(42,755)	(99,279)
Unquoted bonds of corporations	(8,082)	(27,036)	(35,118)
Quoted equity securities and unit trusts	-	(409,661)	(409,661)
Unquoted equity securities and unit trusts	-	(5,469)	(5,469)
Negotiable certificates of deposits and structured deposits	62	140	202
Government guaranteed loans	-	-	-
Fixed and call deposits with licensed banks	-	-	-
Derivative financial assets	-	22,797	22,797
Other receivables and deposits	-	-	-
Cash and cash equivalents	-	-	-
	<u>(64,544)</u>	<u>(461,984)</u>	<u>(526,528)</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	AA- 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	-	-	-	-	-	-	4,514,667	-	4,514,667
Unquoted bonds of corporations	819,816	489,403	31,096	3,016	11,097	-	51,730	-	1,406,158
Negotiable certificates of deposits and structured deposits	20,624	-	-	-	-	-	-	-	20,624
Government guaranteed loans	-	-	-	-	-	-	192,661	-	192,661
Fixed and call deposits with licensed banks	213,364	608,312	-	-	-	-	-	82,307	903,983
Other receivables and deposits	-	-	-	-	-	-	194,678	722	195,400
Cash and cash equivalents	327,298	436,995	6,349	-	-	-	34,391	260,665	1,065,698
	<u>1,381,102</u>	<u>1,534,710</u>	<u>37,445</u>	<u>3,016</u>	<u>11,097</u>	<u>-</u>	<u>4,988,127</u>	<u>343,694</u>	<u>8,299,191</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 2020 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 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 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 2019.

7. Changes in group composition

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

8. Capital commitments

As at 31 March 2020

RM'000

Property, plant and equipment:

Contracted but not provided for

1,120

Software development:

Contracted but not provided for

218

9. Related party transactions

Significant related party transactions are as follows:

	Transactions value	
	Three months ended	
	31 March	
	2020	2019
	RM'000	RM'000
Related companies*		
Payment of reinsurance premium ceded, net of commission income	(42,063)	(58,544)

* 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 1,200 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 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.

(b) 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 period ended 31 March 2020 - unaudited

	Investment holding		General insurance		Life insurance		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment operating revenue	3,383	3,685	604,571	571,364	876,752	769,246	1,484,706	1,344,295
Inter-segment operating revenue	(48)	(603)	(536)	(150)	(51)	(30)	(635)	(783)
Segment results	(6,016)	(3,178)	74,457	85,560	23,506	68,858	91,947	151,240
Segment assets	389,704	419,822	6,662,805	6,216,691	12,276,612	11,412,198	19,329,121	18,048,711
Segment liabilities	51,814	32,920	4,265,658	3,913,045	11,272,757	10,617,727	15,590,229	14,563,692

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

1. Review of results

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

RM'million	Individual Period				Cumulative period			
	Three months ended		Changes		Three months ended		Changes	
	2020	2019	Amount	%	2020	2019	Amount	%
	31 March				31 March			
Operating revenue	1,484.7	1,344.3	140.4	10.4%	1,484.7	1,344.3	140.4	10.4%
Profit before tax	91.9	151.2	(59.3)	(39.2%)	91.9	151.2	(59.3)	(39.2%)
Profit after tax	79.5	98.9	(19.4)	(19.6%)	79.5	98.9	(19.4)	(19.6%)
Profit for the period attributable to owners of the Company	79.5	98.9	(19.4)	(19.6%)	79.5	98.9	(19.4)	(19.6%)

RM'million	Individual Period				Cumulative period			
	Three months ended		Changes		Three months ended		Changes	
	2020	2019	Amount	%	2020	2019	Amount	%
	31 March				31 March			
Operating Revenue by segments								
General insurance	604.6	571.4	33.2	5.8%	604.6	571.4	33.2	5.8%
Gross earned premiums	557.6	525.5	32.1	6.1%	557.6	525.5	32.1	6.1%
Investment income	47.0	45.9	1.1	2.4%	47.0	45.9	1.1	2.4%
Life insurance	876.8	769.2	107.6	14.0%	876.8	769.2	107.6	14.0%
Gross earned premiums	748.5	657.9	90.6	13.8%	748.5	657.9	90.6	13.8%
Investment income	128.3	111.3	17.0	15.3%	128.3	111.3	17.0	15.3%
Investment holding								
Investment income	3.3	3.7	(0.4)	(10.8%)	3.3	3.7	(0.4)	(10.8%)
Total Operating Revenue	1,484.7	1,344.3	140.4	10.4%	1,484.7	1,344.3	140.4	10.4%

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

1. Review of results (continued)

Table 1: Financial review for current quarter and financial period to date (continued)

RM'million	Individual Period Three months ended 31 March		Changes		Cumulative period Three months ended 31 March		Changes	
	2020	2019	Amount	%	2020	2019	Amount	%
Profit Before Tax by segments								
General insurance	74.5	85.6	(11.1)	(13.0%)	74.5	85.6	(11.1)	(13.0%)
Life Insurance	23.5	68.9	(45.4)	(65.9%)	23.5	68.9	(45.4)	(65.9%)
Investment holding	(6.1)	(3.3)	(2.8)	84.8%	(6.1)	(3.3)	(2.8)	84.8%
Total Profit before tax	91.9	151.2	(59.3)	(39.2%)	91.9	151.2	(59.3)	(39.2%)
General Insurance								
Commission ratio	12.6%	12.2%	N/A	(0.4 pts)	12.6%	12.2%	N/A	(0.4 pts)
Claims ratio	62.3%	58.7%	N/A	(3.6 pts)	62.3%	58.7%	N/A	(3.6 pts)
Expense ratio	19.9%	20.4%	N/A	0.5 pts	19.9%	20.4%	N/A	0.5 pts
Combined ratio	94.8%	91.3%	N/A	(3.5 pts)	94.8%	91.3%	N/A	(3.5 pts)
Life Insurance								
Annualised new premium ("ANP")	122.6	117.5	5.1	4.3%	122.6	117.5	5.1	4.3%
Expense ratio	11.3%	11.0%	N/A	(0.3 pts)	11.3%	11.0%	N/A	(0.3 pts)
Lapse ratio	8.6%	10.6%	N/A	2.0 pts	8.6%	10.6%	N/A	2.0 pts

pts - percentage points

N/A - Not Applicable

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

1. Review of results (continued)

1.1 Operating revenue of the current quarter/year-to-date (YTD) against preceding year corresponding quarter/YTD (First Quarter 2020 versus First Quarter 2019)

The Group recorded an operating revenue of RM1.48 billion for the financial period ended 31 March 2020, an increase of 10.4% or RM140.4 million as compared to the preceding financial period ended 31 March 2019 of RM1.34 billion due mainly to higher gross earned premiums and investment income by RM122.7 million and RM17.7 million respectively.

The general insurance segment recorded an operating revenue of RM604.6 million for the financial period ended 31 March 2020, an increase of 5.8% or RM33.2 million as compared to the preceding financial period ended 31 March 2019 of RM571.4 million due mainly to increase in gross earned premiums and investment income by RM32.1 million and RM1.1 million respectively.

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

The life insurance segment recorded an operating revenue of RM876.8 million for the financial period ended 31 March 2020, an increase of 14.0% or RM107.6 million as compared to the preceding financial period ended 31 March 2019 of RM769.2 million due to increase in gross earned premiums and investment income by RM90.6 million and RM17.0 million respectively.

The increase in gross earned premiums of the life insurance segment was mainly contributed by growth in all key distribution channels.

Whilst the Group recorded growth in gross earned revenue during the quarter under review, the imposition of the Movement Control Order arising from the COVID-19 pandemic has impacted business from mid March 2020.

1.2 Profit before tax of the current quarter/year-to-date (YTD) against preceding year corresponding quarter/YTD (First Quarter 2020 versus First Quarter 2019)

The Group recorded a profit before tax of RM91.9 million for the three months ended 31 March 2020, a decrease of 39.2% or RM59.3 million as compared to the preceding three months ended 31 March 2019 of RM151.2 million due mainly to lower profit from general and life insurance segments.

The general insurance segment delivered a profit before tax of RM74.5 million for the three months ended 31 March 2020, a decrease of 13.0% or RM11.1 million compared to the preceding three months ended 31 March 2019 of RM85.6 million. The lower profit before tax was due mainly to higher claims.

The life insurance segment recorded a lower profit before tax of RM23.5 million for the three months ended 31 March 2020, a decrease of 65.9% or RM45.4 million as compared to the preceding three months ended 31 March 2019 of RM68.9 million due mainly to the volatile financial market which has resulted in lower valuation on investment and changes in insurance contract liabilities arising from interest rate movement from the currently volatile financial markets.

The life insurance segment profit before tax excluding lower investment valuation and movement in insurance contract liabilities was RM48.0 million for the three months ended 31 March 2020, a marginal increase of 2.1% or RM1.0 million as compared to the preceding three months ended 31 March 2019 of RM47.0 million.

The investment holding segment registered a loss before tax of RM6.1 million for the three months ended 31 March 2020 as compared to loss before tax of RM3.3 million for the preceding three months ended 31 March 2019 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 March 2020	Immediate Preceding Quarter 31 December 2019	Changes	
			Amount	%
Operating revenue	1,484.7	1,405.5	79.2	5.6%
Profit before tax	91.9	188.2	(96.3)	(51.2%)
Profit after tax	79.5	133.1	(53.6)	(40.3%)
Profit for the period attributable to owners of the Company	79.5	133.1	(53.6)	(40.3%)

1.3 Operating revenue of the current quarter against the preceding quarter (First Quarter 2020 versus Fourth Quarter 2019)

The Group recorded an operating revenue of RM1.48 billion for the quarter under review, an increase of 5.6% or RM79.2 million as compared to the preceding quarter ended 31 December 2019 of RM1.41 billion.

The general insurance segment recorded an operating revenue of RM604.6 million for the quarter under review, an increase of 3.3% or RM19.4 million as compared to the preceding quarter ended 31 December 2019 of RM585.2 million due mainly to higher gross earned premiums in the current quarter.

The life insurance segment registered an operating revenue of RM876.8 million for the quarter under review, an increase of 7.3% or RM59.6 million as compared to the preceding quarter ended 31 December 2019 of RM817.2 million due mainly to higher gross earned premiums from all key distribution channels in the current quarter.

1.4 Profit before tax of the current quarter against the preceding quarter (First Quarter 2020 versus Fourth Quarter 2019)

The Group recorded a profit before tax of RM91.9 million for the quarter under review, a decrease of 51.2% or RM96.3 million as compared to the preceding quarter ended 31 December 2019 of RM188.2 million.

The profit before tax of general insurance segment for the quarter under review of RM74.5 million, a decrease of 37.8% or RM45.2 million as compared to the preceding quarter ended 31 December 2019 of RM119.7 million. The lower profit before tax was due mainly to higher claims and lower reinsurance profit commission income as compared to preceding quarter.

The profit before tax of life insurance segment for the quarter under review of RM23.5 million, a decrease of 67.7% or RM49.2 million as compared to the preceding quarter ended 31 December 2019 of RM72.7 million due mainly to lower valuation on investment in the current quarter and annual actuarial surplus transfer in the fourth quarter of 2019.

The life insurance segment profit before tax excluding lower investment valuation and movement in insurance contract liabilities was RM48.0 million for the three months ended 31 March 2020, a decrease of 15.0% or RM8.5 million as compared to the preceding three months ended 31 December 2019 of RM56.5 million on a comparable basis.

The investment holding segment registered a loss before tax of RM6.1 million as compared to a loss before tax of RM4.2 million in the preceding quarter ended 31 December 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)

1.5 Review of other comprehensive income

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

RM'million	Individual period Three months ended 31 March		Cumulative period Three months ended 31 March	
	2020	2019	2020	2019
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	(146.1)	103.1	(146.1)	103.1
- Net realised gains transferred to profit or loss	14.3	25.3	14.3	25.3
Gains on cash flow hedge	0.2	9.7	0.2	9.7
Tax effects thereon	12.4	(16.2)	12.4	(16.2)
Change in insurance contract liabilities arising from net fair value change on:				
- AFS financial assets	114.4	(96.3)	114.4	(96.3)
- Cash flow hedge reserve	(0.2)	(9.7)	(0.2)	(9.7)
Tax effects thereon	(9.1)	8.5	(9.1)	8.5
Items that will not be reclassified subsequently to profit or loss				
Revaluation of property, plant and equipment and right-of-use assets	-	-	-	-
Tax effects thereon	-	-	-	-
Change in insurance contract liabilities arising from revaluation	-	-	-	-
Tax effects thereon	-	-	-	-
Total other comprehensive (loss)/income for the year, net of tax	(14.1)	24.4	(14.1)	24.4

The Group recorded a total other comprehensive loss of RM14.1 million for the three months ended 31 March 2020, a decrease of RM38.5 million as compared to the total comprehensive income of the preceding three months ended 31 March 2019 of RM24.4 million due to fair value loss from AFS financial assets, mainly from the life insurance segment for the financial period under review.

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

1. Review of results (continued)

1.6 Review of Statements of Financial Position

Table 4: Review of assets and liabilities

RM'million	As at	As at	Changes	
	31 March 2020	31 December 2019	Amount	%
Total assets	19,329.1	19,710.1	(381.0)	-1.9%
Total liabilities	15,590.2	16,036.5	(446.3)	-2.8%
Total equity	3,738.9	3,673.6	65.3	1.8%

Total assets

As at 31 March 2020, the Group's total assets decreased by RM381.0 million to RM19.33 billion from RM19.71 billion as at 31 December 2019, mainly attributable to fair value loss from investments for the financial period under review.

Total liabilities

As at 31 March 2020, the Group's total liabilities decreased by RM446.3 million to RM15.59 billion from RM16.04 billion as at 31 December 2019 due mainly to decrease in insurance contract liabilities from both general and life insurance segments.

Total equity

The Group's total equity as at 31 March 2020 increased by 1.8% or RM65.3 million to RM3.74 billion from RM3.67 billion as at 31 December 2019. This is mainly attributable to the net profit generated for the period ended 31 March 2020.

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

2. Current year prospect

The growth rate of Malaysian economy moderated sharply to 0.7% in the first quarter of 2020 (fourth quarter of 2019: 3.6%). Bank Negara Malaysia has revised Malaysia's GDP growth to be between -2.0% to +0.5% in 2020 (2019: 4.3%), weighed by output loss from coronavirus disease (COVID-19), Movement Control Order (MCO) and supply disruptions. The outcome would have been a lot worse if not for the strong fiscal and monetary measures undertaken by the government. The total stimulus package will raise the government's fiscal deficit to 4.7% due to government spendings and lower tax revenue.

The general insurance segment recorded gross written premium growth of 12.3% in the first quarter of 2020 outperforming the general insurance industry growth of 0.9%. Similarly, life insurance segment annualised new business grew by 2.3% and outpaced the life insurance industry growth of 0.7% in the first quarter of 2020.

Nonetheless, outlook for both general insurance and life insurance industries are expected to remain challenging in the medium term amid weak consumer sentiment and subdued domestic economic activity arising from COVID-19. Domestic growth prospects can be expected to improve from the latter part of the year and subsequently in 2021, in line with the projected recovery in global demand and continued support from government policy measures but downside risks will remain from a prolonged COVID-19 pandemic and its effects on the global and domestic economy.

The Group is closely monitoring and responding to the impact arising from COVID-19 and MCO on business and investment performance. The Group will continue to execute its strategic initiatives and adapt its strategy to operate to the new normal by leveraging on the strengths of the Allianz brand, deliver affordable and value added products, enable agency's digital connectivity and recruiting, and accelerate radical transformation by simplifying and digitalizing product, sales, claims and operations. The Group's aim is to become a simple, digital, and scalable organisation that is fully customer-centric.

The Group remains cautious in delivering profitable results to its shareholders in 2020 amid the uncertainties in current economic environment arising from the COVID-19 pandemic.

3. Profit forecast

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

4. Investment income

	Individual period		Cumulative period	
	Three months ended		Three months ended	
	31 March		31 March	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Interest income	152,367	145,201	152,367	145,201
Dividend income	24,897	14,105	24,897	14,105
Accretion of discounts	1,999	2,774	1,999	2,774
Amortisation of premiums	(1,788)	(2,658)	(1,788)	(2,658)
Other income	1,105	1,428	1,105	1,428
	<u>178,580</u>	<u>160,850</u>	<u>178,580</u>	<u>160,850</u>

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

	Individual period		Cumulative period	
	Three months ended		Three months ended	
	31 March		31 March	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
Realised losses on disposal	(1)	-	(1)	-
Total net realised gains/(losses) for property, plant and equipment	(1)	-	(1)	-
Financial assets				
Realised gains on disposal:				
Malaysian government securities	2,906	3,526	2,906	3,526
Malaysian government guaranteed bonds	317	999	317	999
Quoted equity securities of corporations in Malaysia	14,299	7,258	14,299	7,258
Quoted equity securities of corporations outside Malaysia	-	62	-	62
Quoted unit trusts in Malaysia	1,120	367	1,120	367
Unquoted unit trusts in Malaysia	-	350	-	350
Unquoted unit trusts outside Malaysia	25	-	25	-
Unquoted bonds of corporations in Malaysia	(317)	-	(317)	-
Realised losses on disposal:				
Malaysian government securities	-	(3)	-	(3)
Quoted equity securities of corporations in Malaysia	(89,335)	(40,340)	(89,335)	(40,340)
Quoted equity securities of corporations outside Malaysia	(9)	(32)	(9)	(32)
Unquoted unit trusts outside Malaysia	(61)	(35)	(61)	(35)
Unquoted bonds of corporations in Malaysia	-	(21)	-	(21)
Total net realised gains/(losses) for financial assets	(71,055)	(27,869)	(71,055)	(27,869)
Total net realised gains/(losses)	(71,056)	(27,869)	(71,056)	(27,869)

6. Fair value gains and losses

	Individual period		Cumulative period	
	Three months ended		Three months ended	
	31 March		31 March	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Financial instruments				
Held for trading financial assets	(398,966)	147,593	(398,966)	147,593
Designated upon initial recognition financial assets	(16,391)	43,651	(16,391)	43,651
Derivatives financial assets	21,537	6,278	21,537	6,278
Derivatives financial liabilities	(1,051)	(1,541)	(1,051)	(1,541)
Total fair value (losses)/gains on financial instruments at Fair Value Through Profit or Loss	(394,871)	195,981	(394,871)	195,981
Impairment loss on AFS financial investments	(91,230)	(421)	(91,230)	(421)
Total net fair value (losses)/gains	(486,101)	195,560	(486,101)	195,560

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 period under review is arrived at after charging/(crediting):

	Individual period		Cumulative period	
	Three months ended		Three months ended	
	31 March		31 March	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	5,512	4,532	5,512	4,532
Depreciation of property, plant and equipment	3,088	3,087	3,088	3,087
Depreciation of right-of-use assets	4,519	4,451	4,519	4,451
Insurance and other receivables:				
- (Reversal of)/Allowance for impairment loss	970	12,649	970	12,649
- Bad debts recovered	(7)	(8)	(7)	(8)
- Bad debts written off	634	-	634	-
Interest expense	538	629	538	629
Interest income	(173)	(148)	(173)	(148)
Property, plant and equipment written off	26	2	26	2
Unrealised foreign exchange (gains)/losses	1,689	(42)	1,689	(42)

Other than as disclosed in Notes 6 and 7, there are no exceptional items for the financial period ended 31 March 2020.

8. Tax expense

	Individual period		Cumulative period	
	Three months ended		Three months ended	
	31 March		31 March	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Profit before tax	91,947	151,240	91,947	151,240
Tax expense				
Income tax	14,477	31,333	14,477	31,333
Deferred tax	(2,030)	20,990	(2,030)	20,990
Total tax expense	12,447	52,323	12,447	52,323
Effective tax rate	14%	35%	14%	35%

The Group's effective tax rate for the financial period ended 31 March 2020 is lower than the statutory tax rate of 24% (2019: 24%) due mainly to recognition of deferred tax assets arising from the fair value loss of financial assets from 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 year 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 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 had yet to receive the High Court's substantive Grounds of Decision ("Grounds"). 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 had been rescheduled to 26 February 2020. On 26 February 2020, the Court of Appeal was informed that AGIC's solicitors have had yet to receive the Grounds so another. As such, a further case management was fixed for 8 April 2020. Just before the effective date of the Movement Control Order, the High Court notified that the Grounds were ready for collection but since AGIC's solicitors were unable to collect the Grounds, at the e-review of the matter on 8 April 2020, a new date for case management has been fixed for 15 May 2020. On 15 May 2020, AGIC's solicitors informed the Court of Appeal that the Grounds have been collected and the Court of Appeal directed for the Memorandum of Appeal and Supplementary Record of Appeal to be filed before the next case management on 9 July 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		Three months ended	
		31 March		31 March	
		2020	2019	2020	2019
Profit attributable to ordinary shareholders	(RM'000)	79,500	98,917	79,500	98,917
Weighted average number of ordinary shares in issue	('000)	176,889	176,728	176,889	176,728
Basic earnings per ordinary share	(sen)	44.94	55.97	44.94	55.97

(b) Diluted earnings per ordinary share

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

		Individual period		Cumulative period	
		Three months ended		Three months ended	
		31 March		31 March	
		2020	2019	2020	2019
Profit attributable to ordinary shareholders	(RM'000)	79,500	98,917	79,500	98,917
Weighted average number of ordinary shares in issue	('000)	176,889	176,728	176,889	176,728
Effect of conversion of ICPS	('000)	169,317	169,439	169,317	169,439
Diluted weighted average number of ordinary shares during the period	('000)	346,206	346,168	346,206	346,168
Diluted earnings per ordinary share	(sen)	22.96	28.57	22.96	28.57

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

No dividend has been proposed or declared for the first quarter of 2020 (2019: Nil).

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

14. Derivatives Financial Instruments

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

As at 31 March 2020	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	-	-	57,290	57,290	-	-	-	-
Cross currency swap	-	21,010	98,740	119,750	-	-	1,694	1,694	-	221	3,709	3,930
Derivatives used for hedging												
Forward purchase agreements	60,000	100,000	-	160,000	7,681	13,478	-	21,159	-	-	-	-
Total	60,000	121,010	498,740	679,750	7,681	13,478	58,984	80,143	-	221	3,709	3,930
As at 31 December 2019												
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

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

14. Derivatives Financial Instruments (continued)

As at 31 March 2020, 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 RM80,143,000 (2019: RM62,177,000). 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 RM64,726,000 (2019: RM55,465,000) 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 March 2020					
Insurance receivables	2,095	1,699	1,206	4,876	9,876
31 December 2019					
Insurance receivables	5,609	2,738	2,881	6,114	17,342

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

Based on combination of collective and individual assessment of receivables, there are impaired financial assets as presented in the table below. 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	59,624	59,704	2,586	2,615	4,558	1,471
Impairment loss recognised/(reversed)	970	(80)	(3)	(29)	-	3,087
At 31 March	60,594	59,624	2,583	2,586	4,558	4,558

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 2019 was not qualified.

BY ORDER OF THE BOARD

Ng Siew Gek
Company Secretary

Kuala Lumpur
16 June 2020