

ALLIANZ MALAYSIA BERHAD (197201000819)

UNAUDITED QUARTERLY RESULTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

ALLIANZ MALAYSIA BERHAD (197201000819)

**Condensed consolidated statement of financial position
as at 30 September 2020 - unaudited**

	30 September 2020 RM'000	← Audited → 31 December 2019 RM'000
Assets		
Property, plant and equipment	105,351	87,284
Right-of-use assets	61,105	74,335
Intangible assets	361,536	370,580
Investment properties	-	20,155
Reinsurance assets	991,819	926,586
Investments	18,213,242	16,085,347
Derivative financial assets	81,423	62,177
Current tax assets	5,541	12,584
Insurance receivables	253,795	195,352
Other receivables, deposits and prepayments	177,240	164,196
Deferred acquisitions costs	121,522	111,423
Cash and cash equivalents	961,787	1,600,053
Total assets	21,334,361	19,710,072

ALLIANZ MALAYSIA BERHAD (197201000819)

**Condensed consolidated statement of financial position
as at 30 September 2020 - unaudited (continued)**

	30 September 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	3,349,774	2,902,540
Total equity attributable to owners of the Company	4,120,803	3,673,569
Liabilities		
Insurance contract liabilities	15,716,740	14,422,224
Deferred tax liabilities	440,164	356,014
Derivative financial liabilities	2,248	1,244
Lease liabilities	45,890	57,124
Insurance payables	432,860	424,051
Other payables and accruals	565,192	769,750
Current tax liabilities	10,464	6,096
Total liabilities	17,213,558	16,036,503
Total equity and liabilities	21,334,361	19,710,072
Net asset per ordinary share (RM)	23.30	20.77
Diluted net asset per ordinary share (RM)	11.90	10.61

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

**Condensed consolidated statement of profit or loss
For the period ended 30 September 2020 - unaudited**

	Note (Part B)	Individual period Three months ended 30 September		Cumulative period Nine months ended 30 September	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Operating revenue *		1,530,803	1,418,593	4,419,614	4,128,903
Gross earned premiums		1,356,153	1,239,010	3,890,300	3,617,254
Premiums ceded to reinsurers		(91,004)	(86,072)	(257,430)	(259,176)
Net earned premiums		1,265,149	1,152,938	3,632,870	3,358,078
Investment income	4	174,650	179,583	529,314	511,649
Realised gains and losses	5	76,734	8,803	1,596	(12,075)
Fair value gains and losses	6	79,177	38,058	(38,831)	361,997
Fee and commission income		10,312	8,629	23,287	28,589
Other operating income		2,473	13,985	24,434	34,634
Investment and other income		343,346	249,058	539,800	924,794
Gross benefits and claims paid		(660,743)	(648,362)	(1,652,037)	(1,857,626)
Claims ceded to reinsurers		41,899	51,689	91,927	146,743
Gross change in contract liabilities		(489,812)	(267,652)	(1,064,008)	(1,058,021)
Change in contract liabilities ceded to reinsurers		67,661	(24,427)	72,766	(4,120)
Net benefits and claims		(1,040,995)	(888,752)	(2,551,352)	(2,773,024)
Fee and commission expense		(202,097)	(183,523)	(577,757)	(540,885)
Management expenses		(157,204)	(138,326)	(469,334)	(425,651)
Interest expense		(378)	(451)	(1,406)	(1,374)
Other operating expenses		(5,590)	(15,913)	(30,045)	(37,952)
Other expenses		(365,269)	(338,213)	(1,078,542)	(1,005,862)
Profit before tax	7	202,231	175,031	542,776	503,986
Tax expense	8	(73,166)	(32,219)	(166,479)	(144,590)
Profit for the period		129,065	142,812	376,297	359,396
Profit for the period attributable to: Owners of the Company		129,065	142,812	376,297	359,396
Basic earnings per ordinary share (sen)	12(a)	72.96	80.83	212.73	203.33
Diluted earnings per ordinary share (sen)	12(b)	37.28	41.27	108.69	103.85

* 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 (197201000819)
**Condensed consolidated statement of profit or loss and other comprehensive income
For the period ended 30 September 2020 - unaudited**

	Note (Part B)	Individual period Three months ended 30 September		Cumulative period Nine months ended 30 September	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit for the period attributable to owners of the Company		129,065	142,812	376,297	359,396
Other comprehensive income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Fair value of available-for-sale ("AFS") financial assets					
- Net gains arising during the period		97,940	84,991	197,515	317,787
- Net realised gains transferred to profit or loss		(19,716)	(6,483)	(24,328)	(9,370)
Gain/(Loss) on cash flow hedge		1,422	8,087	(4,050)	25,899
Tax effects thereon		(8,625)	(11,284)	(26,042)	(41,709)
Change in insurance contract liabilities of participating fund arising from net fair value change on:					
- AFS financial assets		(48,414)	(51,279)	(83,278)	(214,827)
- Cash flow hedge reserve		(1,422)	(8,087)	4,050	(25,899)
Tax effects thereon		3,987	4,749	6,338	19,258
Items that will not be reclassified subsequently to profit or loss					
Reversal of deferred tax on revaluation surplus of land and buildings upon disposal		732	-	732	-
Total other comprehensive income for the period, net of tax	1.5	25,904	20,694	70,937	71,139
Total comprehensive income for the period, net of tax		154,969	163,506	447,234	430,535
Total comprehensive income for the period attributable to: Owners of the Company		154,969	163,506	447,234	430,535

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

ALLIANZ MALAYSIA BERHAD (197201000819)

Condensed consolidated statement of changes in equity for the period ended 30 September 2020 - unaudited

	←————— Attributable to owners of the Company —————→						→
	←————— Non-distributable —————→			Distributable			
	Irredeemable Convertible		Retained earnings				Total equity
	Ordinary shares	Preference Shares	Revaluation reserve	Fair value reserve	Life non- participating fund surplus ¹	Retained earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	231,964	539,065	41,934	11,376	752,903	1,784,455	3,361,697
Total other comprehensive income for the period	-	-	-	71,139	-	-	71,139
Profit for the period	-	-	-	-	180,442	178,954	359,396
Total comprehensive income for the period	-	-	-	71,139	180,442	178,954	430,535
Contributions by and distributions to owners of the Company							
Conversion of ICPS to ordinary shares	615	(615)	-	-	-	-	-
Total transactions with owners of the Company	615	(615)	-	-	-	-	-
At 30 September 2019	232,579	538,450	41,934	82,515	933,345	1,963,409	3,792,232

ALLIANZ MALAYSIA BERHAD (197201000819)
Condensed consolidated statement of changes in equity for the period ended 30 September 2020 - unaudited (continued)

	←————— Attributable to owners of the Company —————→						Total equity RM'000
	←————— Non-distributable —————→			————— Distributable —————→			
	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 2020	232,597	538,432	42,303	77,446	971,897	1,810,894	3,673,569
Fair value of AFS financial assets	-	-	-	70,205	-	-	70,205
Disposal of land and buildings	-	-	(3,738)	-	-	3,738	-
Reversal of deferred tax on revaluation surplus	-	-	-	-	-	732	732
Total other comprehensive income for the period	-	-	(3,738)	70,205	-	4,470	70,937
Profit for the period	-	-	-	-	167,720	208,577	376,297
Total comprehensive income for the period	-	-	(3,738)	70,205	167,720	213,047	447,234
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 30 September 2020	232,601	538,428	38,565	147,651	1,139,617	2,023,941	4,120,803

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.

Condensed consolidated statement of cash flows
For the period ended 30 September 2020 - unaudited

	Nine months ended 30 September 2020 RM'000	Nine months ended 30 September 2019 RM'000
Cash flows from operating activities		
Profit before tax	542,776	503,986
<i>Adjustments for:</i>		
Investment income	(529,314)	(511,649)
Interest income	(420)	(522)
Interest expense	1,406	1,374
Realised (gains)/losses from financial assets recorded in profit or loss	(1,521)	12,079
Fair value gains on financial assets recorded in profit or loss	(74,763)	(371,139)
Purchases of financial assets	(4,212,744)	(2,097,804)
Maturity of financial assets	481,391	755,000
Proceeds from sale of financial assets	1,748,182	794,961
Change in loans and receivables	(26,646)	(361,227)
Change in fair value of investment properties	-	(241)
Unrealised foreign exchange gains	887	668
Depreciation of property, plant and equipment	10,061	10,792
Depreciation of right-of-use assets	13,282	13,756
Amortisation of intangible assets	17,249	14,141
Gain on disposal of property, plant and equipment	(75)	(4)
Impairment loss on AFS financial assets	113,594	9,383
Property, plant and equipment written off	61	938
Insurance and other receivables:		
- Allowance for impairment loss	8,427	7,976
- Bad debts recovered	(108)	(50)
- Bad debts written off	1,192	-
Changes in working capital:		
Change in reinsurance assets	(65,233)	27,179
Change in insurance receivables	(66,365)	(72,937)
Change in other receivables, deposits and prepayments	(11,069)	(38,794)
Change in insurance contract liabilities	1,221,626	1,179,951
Change in deferred acquisition costs	(10,099)	(13,193)
Change in insurance payables	8,809	(30,371)
Change in other payables and accruals	42,488	33,009
Cash used in operations	(786,926)	(132,738)

Condensed consolidated statement of cash flows
For the period ended 30 September 2020 - unaudited (continued)

	Nine months ended 30 September 2020 RM'000	Nine months ended 30 September 2019 RM'000
Cash flows from operating activities (continued)		
Dividends received	65,447	63,385
Interest income received	455,342	466,055
Interest paid on lease liabilities	(1,406)	(1,374)
Tax paid	(96,228)	(84,768)
Net cash (used in)/from operating activities	(363,771)	310,560
Investing activities		
Proceeds from disposal of property, plant and equipment	839	85
Proceeds from disposal of right-of-use assets	1,671	-
Acquisition of property, plant and equipment	(9,303)	(11,777)
Acquisition of intangible assets	(7,700)	(6,152)
Proceeds from disposal of intangible assets	-	6,393
Net cash used in investing activities	(14,493)	(11,451)
Financing activities		
Dividends paid	(247,045)	(152,044)
Repayment of lease liabilities	(12,957)	(12,421)
Net cash used in financing activities	(260,002)	(164,465)
Net (decrease)/increase in cash and cash equivalents	(638,266)	134,644
Cash and cash equivalents at 1 January	1,600,053	1,239,635
Cash and cash equivalents at 30 September	961,787	1,374,279
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions (with maturity less than three months)	892,286	1,304,801
Cash and bank balances	69,501	69,478
	961,787	1,374,279

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 30 September 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 and 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 30 September 2020			
Investments	7,623,783	10,504,730	18,128,513
Malaysian government securities and government guaranteed bonds	5,131,885	3,953,946	9,085,831
Unquoted bonds of corporations	1,487,344	3,586,821	5,074,165
Quoted equity securities and unit trusts	-	2,184,857	2,184,857
Unquoted equity securities and unit trusts	-	706,013	706,013
Negotiable certificates of deposits and structured deposits	-	73,093	73,093
Fixed and call deposits with licensed banks	1,004,554	-	1,004,554
Derivative financial assets	-	81,423	81,423
Other receivables and deposits	177,240	-	177,240
Cash and cash equivalents	961,787	-	961,787
	<u>8,762,810</u>	<u>10,586,153</u>	<u>19,348,963</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	132,025	116,485	248,510
Unquoted bonds of corporations	27,356	104,691	132,047
Quoted equity securities and unit trusts	-	(161,398)	(161,398)
Unquoted equity securities and unit trusts	-	9,479	9,479
Negotiable certificates of deposits and structured deposits	(50)	(1,103)	(1,153)
Fixed and call deposits with licensed banks	-	-	-
Derivative financial assets	-	20,036	20,036
Other receivables and deposits	-	-	-
Cash and cash equivalents	-	-	-
	<u>159,331</u>	<u>88,190</u>	<u>247,521</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	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	-	-	-	-	-	-	5,131,885	-	5,131,885
Unquoted bonds of corporations	787,066	604,612	31,223	-	11,097	-	60,642	-	1,494,640
Negotiable certificates of deposits and structured deposits	-	-	-	-	-	-	-	-	-
Government guaranteed loans	-	-	-	-	-	-	-	-	-
Fixed and call deposits with licensed banks	151,229	625,811	-	-	-	-	104,549	122,965	1,004,554
Other receivables and deposits	-	-	-	-	-	-	169,228	8,012	177,240
Cash and cash equivalents	317,007	459,007	2,429	-	-	-	50,836	132,508	961,787
	<u>1,255,302</u>	<u>1,689,430</u>	<u>33,652</u>	<u>-</u>	<u>11,097</u>	<u>-</u>	<u>5,517,140</u>	<u>263,485</u>	<u>8,770,106</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 period.

5. **Seasonal or cyclical factors**

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

6. **Property, plant and equipment**

The Group's property, plant and equipment are stated at cost/valuation less accumulated depreciation and accumulated impairment losses, if any. There were no changes in the valuation of property, plant and equipment that were brought forward from the Group's audited financial statements for the financial year ended 31 December 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 30 September 2020

RM'000

Property, plant and equipment:
 Contracted but not provided for
 Software development:
 Contracted but not provided for

1,345

2,065

9. **Related party transactions**

Significant related party transactions are as follows:

	Transactions value	
	Nine months ended	
	30 September	
	2020	2019
	RM'000	RM'000
Related companies*		
Payment of reinsurance premium ceded, net of commission income	(179,545)	(160,463)

* 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.

On 25 September 2020, AGIC's solicitors received the Decision that parties have infringed the prohibition under section 4 of the CA and which imposes on each of the 22 general insurers financial penalties for the said infringement.

In view of the impact of the Covid-19 pandemic, MyCC granted a reduction of 25% of the financial penalties imposed on the 22 general insurers and a moratorium period of up to 6 months for the payment of the financial penalties to be made by 6 equal monthly instalments. The financial penalty imposed on AGIC, taking into account the 25% reduction amounts to RM18,549,595.97.

AGIC had on 13 October 2020 filed a Notice of Appeal with the Competition Appeal Tribunal ("CAT") against the Decision, pursuant to Section 52 of the CA ("Notice of Appeal"). On 23 October 2020, AGIC filed a Stay Application with the CAT pursuant to Section 53 of the CA for the grant of a stay of the Decision particularly in respect of the financial penalty imposed on AGIC and at CAT's request, a formal Notice of Application was filed in relation to the stay of the Decision on 12 November 2020.

In response to AGIC's Notice of Appeal, MyCC has filed a Statement in Reply dated 20 November 2020 with the CAT. AGIC's solicitors are currently reviewing the same and would be advising on the next steps.

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 period under review.

12. Subsequent event

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

13. Dividend paid

- (a) 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 30 September 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	9,000	11,052	1,834,193	1,727,516	2,576,421	2,390,335	4,419,614	4,128,903
Inter-segment operating revenue	(304)	(1,828)	(8,432)	(370)	(82)	(92)	(8,818)	(2,290)
Segment results	(12,904)	(6,830)	301,625	242,684	254,055	268,132	542,776	503,986
Segment assets	375,183	408,526	7,141,964	6,461,395	13,817,214	12,369,276	21,334,361	19,239,197
Segment liabilities	40,250	24,036	4,498,799	3,989,713	12,674,509	11,433,216	17,213,558	15,446,965

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

1. Review of results

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

RM'million	Individual Period				Cumulative period			
	Three months ended		Changes		Nine months ended		Changes	
	2020	2019	Amount	%	2020	2019	Amount	%
	30 September				30 September			
Operating revenue	1,530.8	1,418.6	112.2	7.9%	4,419.6	4,128.9	290.7	7.0%
Profit before tax	202.2	175.0	27.2	15.5%	542.8	504.0	38.8	7.7%
Profit after tax	129.1	142.8	(13.7)	(9.6%)	376.3	359.4	16.9	4.7%
Profit for the period attributable to owners of the Company	129.1	142.8	(13.7)	(9.6%)	376.3	359.4	16.9	4.7%

RM'million	Individual Period				Cumulative period			
	Three months ended		Changes		Nine months ended		Changes	
	2020	2019	Amount	%	2020	2019	Amount	%
	30 September				30 September			
Operating Revenue by segments								
General insurance	631.4	574.0	57.4	10.0%	1,834.2	1,727.5	106.7	6.2%
Gross earned premiums	584.1	526.2	57.9	11.0%	1,693.6	1,587.4	106.2	6.7%
Investment income	47.3	47.8	(0.5)	(1.0%)	140.6	140.1	0.5	0.4%
Life insurance	896.5	840.4	56.1	6.7%	2,576.4	2,390.3	186.1	7.8%
Gross earned premiums	772.1	712.8	59.3	8.3%	2,196.7	2,029.9	166.8	8.2%
Investment income	124.4	127.6	(3.2)	(2.5%)	379.7	360.4	19.3	5.4%
Investment holding								
Investment income	2.9	4.2	(1.3)	(31.0%)	9.0	11.1	(2.1)	(18.9%)
Total Operating Revenue	1,530.8	1,418.6	112.2	7.9%	4,419.6	4,128.9	290.7	7.0%

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

1. Review of results (continued)

1.1 Operating revenue of the current year quarter against preceding year corresponding quarter (Third Quarter 2020 versus Third Quarter 2019)

For the third quarter ended 30 September 2020, the Group recorded an operating revenue of RM1.53 billion, an increase of 7.9% or RM112.2 million as compared to the preceding year quarter ended 30 September 2019 of RM1.42 billion due mainly to increase in gross earned premiums by RM117.2 million offset by a decrease in investment income by RM5.0 million.

For the quarter under review, the general insurance segment recorded an operating revenue of RM631.4 million, an increase of 10.0% or RM57.4 million as compared to the preceding year quarter ended 30 September 2019 of RM574.0 million due to increase in gross earned premiums by RM57.9 million offset by a decrease in investment income by RM0.5 million.

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 RM896.5 million, an increase of 6.7% or RM56.1 million as compared to the preceding year quarter ended 30 September 2019 of RM840.4 million due to increase in gross earned premiums by RM59.3 million offset by a decrease in investment income by RM3.2 million.

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

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

The Group recorded an operating revenue of RM4.42 billion for the financial period ended 30 September 2020, an increase of 7.0% or RM290.7 million as compared to the preceding financial period ended 30 September 2019 of RM4.13 billion due mainly to higher gross earned premiums and investment income by RM273.0 million and RM17.7 million respectively.

The general insurance segment recorded an operating revenue of RM1.83 billion for the financial period ended 30 September 2020, an increase of 6.2% or RM106.7 million as compared to the preceding financial period ended 30 September 2019 of RM1.73 billion due mainly to increase in gross earned premiums and investment income by RM106.2 million and RM0.5 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 RM2.58 billion for the financial period ended 30 September 2020, an increase of 7.8% or RM186.1 million as compared to the preceding financial period ended 30 September 2019 of RM2.39 billion due to increase in gross earned premiums and investment income by RM166.8 million and RM19.3 million respectively.

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

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

1. Review of results (continued)

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

RM'million	Individual Period Three months ended 30 September		Changes		Cumulative period Nine months ended 30 September		Changes	
	2020	2019	Amount	%	2020	2019	Amount	%
Profit Before Tax by segments								
General insurance	107.7	65.5	42.2	64.4%	301.6	242.7	58.9	24.3%
Life Insurance	99.0	110.5	(11.5)	(10.4%)	254.1	268.1	(14.0)	(5.2%)
Investment holding	(4.5)	(1.0)	(3.5)	>100.0%	(12.9)	(6.8)	(6.1)	89.7%
Total Profit before tax	202.2	175.0	27.2	15.5%	542.8	504.0	38.8	7.7%
General Insurance								
Commission ratio	12.7%	12.8%	N/A	0.1 pts	12.9%	12.3%	N/A	(0.6 pts)
Claims ratio	56.3%	65.3%	N/A	9.0 pts	57.7%	61.7%	N/A	4.0 pts
Expense ratio	19.9%	18.3%	N/A	(1.6 pts)	19.1%	18.6%	N/A	(0.5 pts)
Combined ratio	88.9%	96.4%	N/A	7.5 pts	89.7%	92.6%	N/A	2.9 pts
Life Insurance								
Annualised new premium ("ANP")	150.7	132.8	17.9	13.5%	364.1	418.1	(54.0)	(12.9%)
Expense ratio	8.3%	8.7%	N/A	0.4 pts	9.8%	9.8%	N/A	0.0 pts
Lapse ratio	13.9%	1.8%	N/A	(12.1 pts)	11.7%	7.9%	N/A	(3.8 pts)

pts - percentage points

N/A - Not Applicable

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

1. Review of results (continued)

1.3 Profit before tax of the current year quarter against preceding year corresponding quarter (Third Quarter 2020 versus Third Quarter 2019)

For the third quarter ended 30 September 2020, the Group recorded a profit before tax of RM202.2 million, an increase of 15.5% or RM27.2 million as compared to the preceding year quarter ended 30 September 2019 of RM175.0 million.

For the quarter under review, the general insurance segment recorded a profit before tax of RM107.7 million, an increase of 64.4% or RM42.2 million as compared to a profit before tax of the preceding year quarter ended 30 September 2019 of RM65.5 million. The higher profit before tax was due mainly to lower motor claims ratio.

For the quarter under review, the life insurance segment recorded a lower profit before tax of RM99.0 million, a decrease of 10.4% or RM11.5 million as compared to a profit before tax of the preceding year quarter ended 30 September 2019 of RM110.5 million due mainly to higher claims and higher insurance contract liabilities arising from changes in interest rate.

For the quarter under review, the investment holding segment registered a loss before tax of RM4.5 million as compared to a loss before tax of the preceding year quarter ended 30 September 2019 of RM1.0 million due mainly to higher 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 RM542.8 million for the nine months ended 30 September 2020, an increase of 7.7% or RM38.8 million as compared to the preceding nine months ended 30 September 2019 of RM504.0 million due mainly to higher profit contribution from general insurance segment.

The general insurance segment delivered a profit before tax of RM301.6 million for the nine months ended 30 September 2020, an increase of 24.3% or RM58.9 million compared to the preceding nine months ended 30 September 2019 of RM242.7 million. The higher profit before tax was due mainly to higher underwriting profit, driven by savings in motor claims from less traffic during various MCO.

The life insurance segment recorded a lower profit before tax of RM254.1 million for the nine months ended 30 September 2020, a decrease of 5.2% or RM14.0 million as compared to the preceding nine months ended 30 September 2019 of RM268.1 million due mainly to fair value losses arising from changes in interest rate.

The investment holding segment registered a loss before tax of RM12.9 million for the nine months ended 30 September 2020 as compared to loss before tax of RM6.8 million for the preceding nine months ended 30 September 2019 due mainly to higher expenses.

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

1. Review of results (continued)

Table 2: Financial review for current quarter as compared with immediate preceding quarter

RM'million	Current Year Quarter 30 September 2020	Immediate Preceding Quarter 30 June 2020	Changes	
			Amount	%
Operating revenue	1,530.8	1,404.1	126.7	9.0%
Profit before tax	202.2	248.6	(46.4)	(18.7%)
Profit after tax	129.1	167.7	(38.6)	(23.0%)
Profit for the period attributable to owners of the Company	129.1	167.7	(38.6)	(23.0%)

1.3 Operating revenue of the current quarter against the preceding quarter (Third Quarter 2020 versus Second Quarter 2020)

The Group recorded an operating revenue of RM1.53 billion for the quarter under review, an increase of 9.0% or RM126.7 million as compared to the preceding quarter ended 30 June 2020 of RM1.40 billion.

The general insurance segment recorded an operating revenue of RM631.4 million for the quarter under review, an increase of 5.5% or RM33.2 million as compared to the preceding quarter ended 30 June 2020 of RM598.2 million due mainly to higher gross earned premiums in the current quarter.

The life insurance segment registered an operating revenue of RM896.5 million for the quarter under review, an increase of 11.6% or RM93.4 million as compared to the preceding quarter ended 30 June 2020 of RM803.1 million due mainly to higher gross earned premiums from agency and bancassurance channels in the current quarter.

1.4 Profit before tax of the current quarter against the preceding quarter (Third Quarter 2020 versus Second Quarter 2020)

The Group recorded a profit before tax of RM202.2 million for the quarter under review, a decrease of 18.7% or RM46.4 million as compared to the preceding quarter ended 30 June 2020 of RM248.6 million.

The profit before tax of general insurance segment for the quarter under review of RM107.7 million, a decrease of 9.8% or RM11.7 million as compared to the preceding quarter ended 30 June 2020 of RM119.4 million. The lower profit before tax was due mainly to higher claims from fire business and higher management expenses.

The profit before tax of life insurance segment for the quarter under review of RM99.0 million, a decrease of 24.8% or RM32.6 million as compared to the preceding quarter ended 30 June 2020 of RM131.6 million due mainly to fair value losses arising from changes in interest rate and higher medical claims in current quarter.

The investment holding segment registered a loss before tax of RM4.5 million as compared to a loss before tax of RM2.4 million in the preceding quarter ended 30 June 2020 due to higher expenses in 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		Cumulative period	
	Three months ended 30 September		Nine months ended 30 September	
	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 gains arising during the year	97.9	85.0	197.5	317.8
- Net realised gains transferred to profit or loss	(19.7)	(6.5)	(24.3)	(9.5)
Gain/(Loss) on cash flow hedge	1.4	8.1	(4.1)	25.9
Tax effects thereon	(8.6)	(11.3)	(26.0)	(41.7)
Change in insurance contract liabilities arising from net fair value change on:				
- AFS financial assets	(48.4)	(51.3)	(83.3)	(214.8)
- Cash flow hedge reserve	(1.4)	(8.1)	4.1	(25.9)
Tax effects thereon	4.0	4.7	6.3	19.3
Items that will not be reclassified subsequently to profit or loss				
Reversal of deferred tax on revaluation surplus of land and buildings upon disposal	0.7	-	0.7	-
Total other comprehensive income for the period, net of tax	25.9	20.6	70.9	71.1

The Group recorded a total other comprehensive income of RM70.9 million for the nine months ended 30 September 2020, a decrease of RM0.2 million as compared to the total comprehensive income of the preceding nine months ended 30 September 2019 of RM71.1 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 30 September 2020	As at 31 December 2019	Changes	
			Amount	%
Total assets	21,334.4	19,710.1	1,624.3	8.2%
Total liabilities	17,213.6	16,036.5	1,177.1	7.3%
Total equity	4,120.8	3,673.6	447.2	12.2%

Total assets

As at 30 September 2020, the Group's total assets increased by RM1.62 billion to RM21.33 billion from RM19.71 billion as at 31 December 2019, mainly attributable to increase in investments for the financial period under review. The increase was in line with the Group's business growth.

Total liabilities

As at 30 September 2020, the Group's total liabilities increased by RM1.18 billion to RM17.21 billion from RM16.04 billion as at 31 December 2019 due mainly to increase in insurance contract liabilities from both insurance segments. The increase in insurance contract liabilities was in line with the Group's business growth.

Total equity

The Group's total equity as at 30 September 2020 increased by 12.2% or RM447.2 million to RM4.12 billion from RM3.67 billion as at 31 December 2019. This is mainly attributable to the net profit generated for the period ended 30 September 2020.

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)**2. Current year prospect**

COVID-19 continues to disrupt economies and capital markets worldwide. This has led to a more subdued outlook on the local economy with annual Gross Domestic Product projected to contract for the year 2020.

The general insurance segment recorded premium growth of 9.2% in the third quarter of 2020 outperforming the general industry growth of -0.9% due mainly to its new partnership tied up. Life insurance segment annualised new business declined by 11.9% against the life insurance industry decline of 7.0% in the third quarter of 2020 due mainly to decline in agency sales affected by the various Movement Control Order imposed by the government to contain the spread of the COVID-19 pandemic.

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. The Group will continue to closely monitor and respond to the impact of the pandemic. For the remainder of the year, the Group will continue to enhance and accelerate digital capabilities, optimize product portfolio and expand distribution capabilities to adapt to the current environment and better support our customers during the pandemic. The Group is also investing in technology to better engage and deliver outstanding experience to customers.

While the results for the ninth month of the year have remained resilient, the Group remains cautious in maintaining the same level of profitability for the remainder of the year amidst ongoing uncertainties to the economy 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		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Interest income	157,162	150,559	463,217	444,136
Dividend income	18,427	27,566	65,447	63,385
Accretion of discounts	393	1,154	3,005	5,056
Amortisation of premiums	(2,517)	(931)	(5,758)	(4,938)
Other income	1,185	1,235	3,403	4,010
	<u>174,650</u>	<u>179,583</u>	<u>529,314</u>	<u>511,649</u>

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

	Individual period Three months ended 30 September		Cumulative period Nine months ended 30 September	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Property, plant and equipment				
Realised gains on disposal	76	-	76	4
Realised losses on disposal	-	-	(1)	-
Total net realised gains for property, plant and equipment	76	-	75	4
Financial assets				
Realised gains on disposal:				
Malaysian government securities	8,215	4,175	17,603	10,141
Malaysian government guaranteed bonds	(317)	337	7,131	1,339
Quoted equity securities of corporations in Malaysia	81,540	5,334	125,820	17,308
Quoted equity securities of corporations outside Malaysia	7,586	7	7,586	824
Quoted unit trusts in Malaysia	260	131	1,510	498
Unquoted unit trusts in Malaysia	-	-	-	350
Unquoted unit trusts outside Malaysia	-	-	25	25
Unquoted bonds of corporations in Malaysia	535	337	947	1,603
Realised losses on disposal:				
Malaysian government securities	-	-	-	(3)
Quoted equity securities of corporations in Malaysia	(17,347)	(554)	(155,206)	(42,764)
Quoted equity securities of corporations outside Malaysia	(3,786)	(915)	(3,806)	(1,228)
Unquoted unit trusts outside Malaysia	(28)	(49)	(89)	(172)
Total net realised gains/(losses) for financial assets	76,658	8,803	1,521	(12,079)
Total net realised gains/(losses)	76,734	8,803	1,596	(12,075)

6. Fair value gains and losses

	Individual period Three months ended 30 September		Cumulative period Nine months ended 30 September	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Investment properties				
Fair value losses on investment properties	-	241	-	241
Financial instruments				
Held for trading financial assets	50,444	(3,054)	(54,818)	221,809
Designated upon initial recognition financial assets	43,494	41,381	105,495	134,303
Derivatives financial assets	3,212	5,598	24,272	15,027
Derivatives financial liabilities	493	-	(186)	-
Total fair value gains on financial instruments at Fair Value Through Profit or Loss	97,643	43,925	74,763	371,139
Impairment loss on AFS financial investments	(18,466)	(6,108)	(113,594)	(9,383)
Total net fair value gains/(losses)	79,177	38,058	(38,831)	361,997

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		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	6,038	4,882	17,249	14,141
Depreciation of property, plant and equipment	3,764	3,921	10,061	10,792
Depreciation of right-of-use assets	4,253	4,470	13,282	13,756
Insurance and other receivables:				
- Allowance for/(Reversal of) impairment loss	5,507	(255)	8,427	7,976
- Bad debts recovered	(34)	(12)	(108)	(50)
- Bad debts written off	-	-	1,192	-
Interest expense	378	451	1,406	1,374
Interest income	(120)	(210)	(420)	(522)
Property, plant and equipment written off	35	3	61	938
Unrealised foreign exchange gains	1,080	1,005	887	668

Other than as disclosed in Notes 6 and 7, there are no exceptional items for the financial period ended 30 September 2020.

8. Tax expense

	Individual period		Cumulative period	
	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Profit before tax	202,231	175,031	542,776	503,986
Tax expense				
Income tax	52,460	24,538	107,639	82,565
Deferred tax	20,706	7,681	58,840	62,025
Total tax expense	73,166	32,219	166,479	144,590
Effective tax rate	36%	18%	31%	29%

The Group's consolidated effective tax rate for the financial year under review is higher than the statutory tax rate of 24% (2019: 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.

9. Status of corporate proposal announced/implemented

As at the date of the Report, there are no corporate proposals announced by the Group.

10. Borrowings and debts securities

The Group has no outstanding borrowings and debts securities for the financial period under review.

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

11. Changes in material litigation

Virginia Surety Company Labuan Branch (“VSC”) had provided reinsurance support to Commerce Assurance Berhad (now known as Bright Mission Berhad and which has since been wound up) (“CAB”) previously in respect of CAB’s Extended Warranty Program (“EWP”).

AGIC took over the general insurance business of CAB on 1 January 2009 and this included the reinsurance business relating to the EWP.

A dispute arose between both parties on the continuing subsistence of the reinsurance agreement from 1 October 2011 onwards. AGIC’s legal position is that the reinsurance continued to remain in force from 1 October 2011 and determined only on 30 September 2013. This is disputed by VSC who claim that the treaty reinsurance lapsed on 30 September 2011.

On 11 December 2013, AGIC commenced arbitration proceedings against VSC seeking, inter alia:

- (a) A declaration that the reinsurance subsisted until 30 September 2013;
- (b) A declaration that VSC will pay and/or indemnify AGIC for its claims and losses arising from the reinsurance for the period from 1 October 2011 to 30 September 2013; and
- (c) Damages to be assessed including for loss of profits and breach of contract.

The 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.

AGIC’s Originating Summons – High Court

AGIC’s solicitors were of the view that there were reasonable grounds to seek a review of the Award, including to set aside the Award. An Originating Summons was filed at 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. AGIC’s solicitors presented their Oral Submissions at the Hearing on 18 February 2019. The Hearing continued on 13 March 2019 during which VSC’s solicitor presented its oral arguments and Further Written Submissions. AGIC’s solicitors filed the response to VSC’s Further Written Submissions on 10 April 2019 and VSC filed its Reply Submissions on 17 April 2019. The Hearing continued and concluded on 18 April 2019. On 28 June 2019, the Court declined the application to set aside the Award (“Decision”).

AGIC’s solicitors filed a Notice of Appeal to the Court of Appeal against the Decision on 15 July 2019 (“Appeal”). At the first case management on 4 September 2019, the Court of Appeal fixed the next case management for 9 October 2019 and directed the filing of the Record of Appeal by 26 September 2019.

Separately, VSC’s solicitors filed an Originating Summons dated 11 September 2019 (“VSC’sOS”) to recognise and enforce the Award against AGIC, which if allowed, would have resulted in AGIC having to pay VSC all the costs ordered by the Award.

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

11. Changes in material litigation (continued)

Update on VSC's OS Application

At the first case management on VSC's OS on 26 September 2019, AGIC's solicitors informed the Court that as the Appeal was pending before the Court of Appeal, VSC's OS was premature. The Court then fixed the matter for further case management for VSC's solicitors to address the issue of holding over of VSC's OS, pending the determination of the Appeal. AGIC's solicitors filed a stay application on VSC's OS and 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), and since VSC agreed to withdraw the matter, the Judge ordered that VSC's OS be struck out with liberty to file afresh.

Update on AGIC's Appeal

At the case management on AGIC's Appeal on 9 October 2019, a further case management was fixed on 20 November 2019. On 20 November 2019, a further case management was fixed on 13 January 2020, pending the High Court's substantive Grounds of Decision ("Grounds"). At the case management on 13 January 2020, the Court of Appeal fixed a further case management on 19 February 2020, as AGIC's solicitors had yet to receive the 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 was rescheduled to 26 February 2020. On 26 February 2020, the Court of Appeal was informed that AGIC's solicitors had yet to receive the Grounds. 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 was fixed for 15 May 2020. On 15 May 2020, AGIC's solicitors informed the Court of Appeal that the Grounds had since 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 fixed for 9 July 2020. On 9 July 2020, the Court of Appeal fixed a further case management date on 19 August 2020 as the Notes of Proceedings were still pending. At the case management on 19 August 2020, the Court of Appeal fixed the Appeal for Hearing on 2 February 2021 and there will be a further Case Management on 26 January 2021 for the Court to monitor compliance with all appeal directions.

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

12. Earnings per ordinary share

(a) Basic earnings per ordinary share

Basic earnings per ordinary share of the Group are calculated by dividing the net profit attributable to shareholders adjusted for preference dividends by the weighted average number of ordinary shares in issue.

		Individual period		Cumulative period	
		Three months ended		Nine months ended	
		30 September		30 September	
		2020	2019	2020	2019
Profit attributable to ordinary shareholders	(RM'000)	129,065	142,812	376,297	359,396
Weighted average number of ordinary shares in issue	('000)	176,890	176,689	176,890	176,754
Basic earnings per ordinary share	(sen)	72.96	80.83	212.73	203.33

(b) Diluted earnings per ordinary share

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

		Individual period		Cumulative period	
		Three months ended		Nine months ended	
		30 September		30 September	
		2020	2019	2020	2019
Profit attributable to ordinary shareholders	(RM'000)	129,065	142,812	376,297	359,396
Weighted average number of ordinary shares in issue	('000)	176,890	176,689	176,890	176,754
Effect of conversion of ICPS	('000)	169,317	169,325	169,317	169,325
Diluted weighted average number of ordinary shares during the period	('000)	346,207	346,013	346,207	346,078
Diluted earnings per ordinary share	(sen)	37.28	41.27	108.69	103.85

13. Dividend

No dividend has been proposed or declared for the third 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 30 September 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	-	-	61,367	61,367	-	-	-	-
Cross currency swap	-	21,010	98,740	119,750	-	516	2,629	3,145	-	-	2,248	2,248
Derivatives used for hedging												
Forward purchase agreements	40,000	60,000	-	100,000	6,066	10,845	-	16,911	-	-	-	-
Total	40,000	81,010	498,740	619,750	6,066	11,361	63,996	81,423	-	-	2,248	2,248
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

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

14. Derivatives Financial Instruments (continued)

As at 30 September 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

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 RM81,423,000 (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 RM77,504,000 (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
30 September 2020					
Insurance receivables	6,897	3,812	7,744	10,866	29,319
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	
	30 September 2020 RM'000	31 December 2019 RM'000	30 September 2020 RM'000	31 December 2019 RM'000	30 September 2020 RM'000	31 December 2019 RM'000
At the beginning of the period/year	59,624	59,704	2,586	2,615	4,558	1,471
Impairment loss recognised/(reversed)	6,840	157	(3)	(29)	1,587	3,087
Written off during the year	-	(237)	-	-	-	-
At the end of the period/year	66,464	59,624	2,583	2,586	6,145	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
26 November 2020