

ALLIANZ MALAYSIA BERHAD (197201000819)

AUDITED QUARTERLY RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020

ALLIANZ MALAYSIA BERHAD (197201000819)

**Condensed consolidated statement of financial position
as at 31 December 2020 - audited**

	31 December 2020 RM'000	← Audited → 31 December 2019 RM'000
Assets		
Property, plant and equipment	107,478	87,284
Right-of-use assets	58,042	74,335
Intangible assets	358,490	370,580
Investment properties	-	20,155
Reinsurance assets	895,553	926,586
Investments	18,729,603	16,085,347
Derivative financial assets	81,738	62,177
Current tax assets	12,972	12,584
Insurance receivables	199,651	195,352
Other receivables, deposits and prepayments	161,085	164,196
Deferred acquisitions costs	116,170	111,423
Cash and cash equivalents	1,175,963	1,600,053
Total assets	21,896,745	19,710,072

ALLIANZ MALAYSIA BERHAD (197201000819)

**Condensed consolidated statement of financial position
as at 31 December 2020 - audited (continued)**

	31 December 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	3,260,477	2,902,540
Total equity attributable to owners of the Company	4,031,506	3,673,569
Liabilities		
Insurance contract liabilities	16,053,272	14,422,224
Deferred tax liabilities	434,972	356,014
Derivative financial liabilities	301	1,244
Lease liabilities	42,785	57,124
Insurance payables	489,117	424,051
Other payables and accruals	837,381	769,750
Current tax liabilities	7,411	6,096
Total liabilities	17,865,239	16,036,503
Total equity and liabilities	21,896,745	19,710,072
Net asset per ordinary share (RM)	22.79	20.77
Diluted net asset per ordinary share (RM)	11.64	10.61

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

The condensed consolidated statement of financial position should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2020.

ALLIANZ MALAYSIA BERHAD (197201000819)
**Condensed consolidated statement of profit or loss
For the year ended 31 December 2020 - audited**

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

	Note (Part B)	Individual period Three months ended 31 December		Cumulative period Twelve months ended 31 December	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Operating revenue *		1,526,097	1,405,471	5,945,711	5,534,374
Gross earned premiums		1,342,940	1,231,195	5,233,240	4,848,449
Premiums ceded to reinsurers		(105,154)	(87,012)	(362,584)	(346,188)
Net earned premiums		1,237,786	1,144,183	4,870,656	4,502,261
Investment income	4	183,157	174,276	712,471	685,925
Realised gains and losses	5	28,695	3,365	30,291	(8,710)
Fair value gains and losses	6	78,764	(21,550)	39,933	340,447
Fee and commission income		7,850	26,848	31,137	55,437
Other operating income		10,446	17,192	34,880	51,826
Investment and other income		308,912	200,131	848,712	1,124,925
Gross benefits and claims paid		(634,932)	(636,684)	(2,286,969)	(2,494,310)
Claims ceded to reinsurers		27,805	25,526	119,732	172,269
Gross change in contract liabilities		(280,351)	(184,295)	(1,344,359)	(1,242,316)
Change in contract liabilities ceded to reinsurers		(90,178)	46,875	(17,412)	42,755
Net benefits and claims		(977,656)	(748,578)	(3,529,008)	(3,521,602)
Fee and commission expense		(196,827)	(196,741)	(774,584)	(737,626)
Management expenses		(172,104)	(192,320)	(641,438)	(617,971)
Interest expense		(327)	(1,167)	(1,733)	(2,541)
Other operating expenses		(12,930)	(17,350)	(42,975)	(55,302)
Other expenses		(382,188)	(407,578)	(1,460,730)	(1,413,440)
Profit before tax	7	186,854	188,158	729,630	692,144
Tax expense	8	(42,826)	(55,076)	(209,305)	(199,666)
Profit for the year		144,028	133,082	520,325	492,478
Profit for the year attributable to: Owners of the Company		144,028	133,082	520,325	492,478
Basic earnings per ordinary share (sen)	12(a)	14.80	0.57	227.53	203.87
Diluted earnings per ordinary share (sen)	12(b)	41.60	38.46	150.29	142.29

* 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 year ended 31 December 2020 - audited**

	Note (Part B)	Individual period Three months ended 31 December		Cumulative period Twelve months ended 31 December	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit for the year attributable to owners of the Company		144,028	133,082	520,325	492,478
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/(losses) arising during the year		62,916	(12,815)	260,431	304,972
- Net realised gains transferred to profit or loss		(23,790)	(8,098)	(48,118)	(17,468)
(Losses)/Gains on cash flow hedge		(35)	(4,939)	(4,085)	20,960
Tax effects thereon		(928)	3,135	(26,970)	(38,574)
Change in insurance contract liabilities of participating fund arising from net fair value change on:					
- AFS financial assets		(55,522)	14,243	(138,800)	(200,584)
- Cash flow hedge reserve		35	4,939	4,085	(20,960)
Tax effects thereon		4,439	(1,534)	10,777	17,724
Items that will not be reclassified subsequently to profit or loss					
Revaluation of property, plant and equipment and right-of-use assets		-	1,500	-	1,500
Tax effects thereon		-	(120)	-	(120)
Change in insurance contract liabilities arising from revaluation		-	(1,099)	-	(1,099)
Tax effects thereon		-	88	-	88
Reversal of deferred tax on revaluation surplus of land and buildings upon disposal		-	-	732	-
Total other comprehensive income for the year, net of tax	1.7	(12,885)	(4,700)	58,052	66,439
Total comprehensive income for the year, net of tax		131,143	128,382	578,377	558,917
Total comprehensive income for the year attributable to: Owners of the Company		131,143	128,382	578,377	558,917

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 year ended 31 December 2020 - audited

	←————— Attributable to owners of the Company —————→						→
	←————— 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	Total equity RM'000
At 1 January 2019	231,964	539,065	41,934	11,376	752,903	1,784,455	3,361,697
Total other comprehensive income for the year	-	-	369	66,070	-	-	66,439
Profit for the year	-	-	-	-	218,994	273,484	492,478
Total comprehensive income for the year	-	-	369	66,070	218,994	273,484	558,917
Contributions by and distributions to owners of the Company	-	-	-	-	-	-	-
Conversion of ICPS to ordinary shares	633	(633)	-	-	-	-	-
Dividends to owners of the Company	-	-	-	-	-	(247,045)	(247,045)
Total transactions with owners of the Company	633	(633)	-	-	-	(247,045)	(247,045)
At 31 December 2019	232,597	538,432	42,303	77,446	971,897	1,810,894	3,673,569

ALLIANZ MALAYSIA BERHAD (197201000819)
Condensed consolidated statement of changes in equity for the year ended 31 December 2020 - audited (continued)

	←————— Attributable to owners of the Company —————→						
	←————— 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	Total equity 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	-	-	-	57,320	-	-	57,320
Disposal of land and buildings	-	-	(3,738)	-	-	3,738	-
Reversal of deferred tax on revaluation surplus	-	-	-	-	-	732	732
Total other comprehensive income for the year	-	-	(3,738)	57,320	-	4,470	58,052
Profit for the year	-	-	-	-	165,423	354,902	520,325
Total comprehensive income for the year	-	-	(3,738)	57,320	165,423	359,372	578,377
Contributions by and distributions to owners of the Company							
Conversion of ICPS to ordinary shares	4	(4)	-	-	-	-	-
Dividends to owners of the Company	-	-	-	-	-	(220,440)	(220,440)
Total transactions with owners of the Company	4	(4)	-	-	-	(220,440)	(220,440)
At 31 December 2020	232,601	538,428	38,565	134,766	1,137,320	1,949,826	4,031,506

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 year ended 31 December 2020 - audited

	Year ended 31 December 2020 RM'000	Year ended 31 December 2019 RM'000
Cash flows from operating activities		
Profit before tax	729,630	692,144
<i>Adjustments for:</i>		
Investment income	(712,471)	(685,925)
Interest income	(511)	(706)
Interest expense	1,733	2,541
Realised (gains)/losses from financial assets recorded in profit or loss	(30,113)	9,115
Fair value gains on financial assets recorded in profit or loss	(177,639)	(359,293)
Purchases of financial assets	(5,525,736)	(2,904,373)
Maturity of financial assets	805,705	1,096,308
Proceeds from sale of financial assets	2,287,857	964,462
Decrease/(Increase) in loans and receivables	48,324	(385,861)
Decrease/(Increase) in fair value of investment properties	140	(241)
Unrealised foreign exchange losses/(gains)	2,904	(238)
Depreciation of property, plant and equipment	14,001	15,488
Depreciation of right-of-use assets	17,877	18,154
Amortisation of intangible assets	23,580	20,110
Gain on disposal of property, plant and equipment	(178)	(405)
Impairment loss on AFS financial assets	137,566	19,087
Property, plant and equipment written off	81	1,128
Allowance for impairment loss on reinsurance asset	(8)	-
Insurance and other receivables:		
- (Reversal of)/Allowance for impairment loss	(7,575)	3,007
- Bad debts recovered	(119)	(54)
- Bad debts written off	7,205	236
Changes in working capital:		
Decrease/(Increase) in reinsurance assets	31,041	(22,582)
(Increase)/Decrease in insurance receivables	(2,223)	32,649
Decrease/(Increase) in other receivables, deposits and prepayments	2,525	(13,483)
Increase in deferred acquisition costs	(4,747)	(16,363)
Increase in insurance contract liabilities	1,507,110	1,427,520
Increase/(Decrease) in insurance payables	65,066	(3,719)
Increase in other payables and accruals	94,236	105,382
Cash (used in)/generated from operations	(684,739)	14,088

Condensed consolidated statement of cash flows
For the year ended 31 December 2020 - audited (continued)

	Year ended 31 December 2020 RM'000	Year ended 31 December 2019 RM'000
Cash flows from operating activities (continued)		
Dividends received	68,125	82,734
Interest income received	638,456	595,235
Interest paid on lease liabilities	(1,733)	(2,541)
Tax paid	(155,658)	(121,796)
	<hr/>	<hr/>
Net cash (used in)/generated from operating activities	(135,549)	567,720
Investing activities		
Proceeds from disposal of property, plant and equipment	995	5,185
Proceeds from disposal of right-of-use assets	1,812	-
Acquisition of property, plant and equipment	(15,954)	(14,827)
Acquisition of right of use asset	(117)	-
Acquisition of intangible assets	(10,614)	(35,692)
Proceeds from disposal of intangible assets	-	6,375
	<hr/>	<hr/>
Net cash used in investing activities	(23,878)	(38,959)
Financing activities		
Dividends paid	(247,045)	(152,044)
Repayment of lease liabilities	(17,618)	(16,299)
	<hr/>	<hr/>
Net cash used in financing activities	(264,663)	(168,343)
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(424,090)	360,418
Cash and cash equivalents at 1 January	1,600,053	1,239,635
	<hr/>	<hr/>
Cash and cash equivalents at 31 December	1,175,963	1,600,053
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions (with maturity less than three months)	1,119,267	1,538,291
Cash and bank balances	56,696	61,762
	<hr/>	<hr/>
	1,175,963	1,600,053
	<hr/>	<hr/>

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 year ended 31 December 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 2020.

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 (continued)

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 (continued)

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
Changes in fair value during the year			
Investments	7,508,670	11,136,211	18,644,881
Malaysian government securities and government guaranteed bonds	5,180,262	4,110,273	9,290,535
Unquoted bonds of corporations	1,445,731	3,643,747	5,089,478
Quoted equity securities and unit trusts	-	2,552,203	2,552,203
Unquoted equity securities and unit trusts	-	756,840	756,840
Structured deposits	-	73,148	73,148
Fixed and call deposits with licensed banks	882,677	-	882,677
Derivative financial assets	-	81,738	81,738
Other receivables and deposits	161,085	-	161,085
Cash and cash equivalents	1,175,963	-	1,175,963
	<u>8,845,718</u>	<u>11,217,949</u>	<u>20,063,667</u>
	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
Changes in fair value in the previous year			
Investments	6,700,251	9,297,232	15,997,483
Malaysian government securities and government guaranteed bonds	4,401,000	3,248,571	7,649,571
Unquoted bonds of corporations	1,358,854	3,342,893	4,701,747
Quoted equity securities and unit trusts	-	1,982,927	1,982,927
Unquoted equity securities and unit trusts	-	649,389	649,389
Negotiable certificates of deposits and structured deposits	20,348	73,452	93,800
Government guaranteed loans	190,504	-	190,504
Fixed and call deposits with licensed banks	729,545	-	729,545
Derivative financial assets	-	62,177	62,177
Other receivables and deposits	164,196	-	164,196
Cash and cash equivalents	1,600,053	-	1,600,053
	<u>8,464,500</u>	<u>9,359,409</u>	<u>17,823,909</u>

* 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 (continued)

2. Statement of compliance (continued)

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

As at 31 December 2020	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
Changes in fair value during the year			
Investments			
Malaysian government securities and government guaranteed bonds	117,451	99,421	216,872
Unquoted bonds of corporations	21,377	86,142	107,519
Quoted equity securities and unit trusts	-	36,201	36,201
Unquoted equity securities and unit trusts	-	6,700	6,700
Negotiable certificates of deposits and structured deposits	(50)	(1,935)	(1,985)
Government guaranteed loans	-	-	-
Mortgage loans	-	-	-
Fixed and call deposits with licensed banks	-	-	-
Derivative financial assets	-	20,560	20,560
Other receivables and deposits	-	-	-
Cash and cash equivalents	-	-	-
	138,778	247,089	385,867
As at 31 December 2019	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
Changes in fair value in previous year			
Investments			
Malaysian government securities and government guaranteed bonds	243,060	178,503	421,563
Unquoted bonds of corporations	29,586	117,014	146,600
Quoted equity securities and unit trusts	-	60,511	60,511
Unquoted equity securities and unit trusts	-	3,486	3,486
Negotiable certificates of deposits and structured deposits	(107)	(97)	(204)
Government guaranteed loans	-	-	-
Mortgage loans	-	-	-
Fixed and call deposits with licensed banks	-	-	-
Derivative financial assets	-	35,801	35,801
Other receivables and deposits	-	-	-
Cash and cash equivalents	-	-	-
	272,539	395,218	667,757

* 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 (continued)

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 at 31 December 2020 *

	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non- investment grade RM'000	Non-rated RM'000	Investment- linked funds RM'000	Total RM'000
Gross carrying amounts under MFRS 139 by credit risk rating grades								
Investments								
Malaysian government securities and government guaranteed bonds	-	-	-	-	-	5,180,262	-	5,180,262
Unquoted bonds of corporations	718,121	688,311	25,744	11,097	-	9,806	-	1,453,079
Negotiable certificates of deposits and structured deposits	-	-	-	-	-	-	-	-
Government guaranteed loans	-	-	-	-	-	-	-	-
Fixed and call deposits with licensed banks	71,937	687,175	-	-	-	-	123,565	882,677
Other receivables and deposits	-	-	-	-	-	154,652	6,433	161,085
Cash and cash equivalents	674,825	306,200	4,211	-	-	336	190,391	1,175,963
	<u>1,464,883</u>	<u>1,681,686</u>	<u>29,955</u>	<u>11,097</u>	<u>-</u>	<u>5,345,056</u>	<u>320,389</u>	<u>8,853,066</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)

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 at 31 December 2019 *

	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non- investment grade RM'000	Non-rated RM'000	Investment- linked funds RM'000	Total RM'000
Gross carrying amounts under MFRS 139 by credit risk rating grades								
Investments								
Malaysian government securities and government guaranteed bonds	-	-	-	-	-	4,401,000	-	4,401,000
Unquoted bonds of corporations	823,438	500,881	30,786	11,097	-	-	-	1,366,202
Negotiable certificates of deposits and structured deposits	20,348	-	-	-	-	-	-	20,348
Government guaranteed loans	-	-	-	-	-	190,504	-	190,504
Fixed and call deposits with licensed banks	263,674	352,558	-	-	-	-	113,313	729,545
Other receivables and deposits	-	-	-	-	-	163,474	722	164,196
Cash and cash equivalents	887,462	522,913	1,658	-	-	295	187,725	1,600,053
	<u>1,994,922</u>	<u>1,376,352</u>	<u>32,444</u>	<u>11,097</u>	<u>-</u>	<u>4,755,273</u>	<u>301,760</u>	<u>8,471,848</u>

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

Except as disclosed above, the adoption of new standards, amendments to standards and interpretations by the Group for the first time for the financial year beginning on 1 January 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 year under review were not substantially affected by any item, transaction or event of a material and unusual nature.

4. Changes in estimates

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

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

During the financial year under review, the Company's insurance subsidiaries, Allianz General Insurance Company (Malaysia) Berhad and Allianz Life Insurance Malaysia Berhad holds a 96.5% and 3.5% stake in collective investment scheme, namely, Affin Hwang Income Fund 5, which consist of RM596,242,522 unitholders' capital. The principal activities of the fund is to invest in debt instruments and money market instruments whose objective is to provide investors with a steady income over the medium to long-term investment horizon.

The Group determines that it has control over Affin Hwang Income Fund 5 and accordingly, the investment in Affin Hwang Income 5 has been consolidated at Group level.

8. Capital commitments

	Transactions value	
	Twelve months ended	
	31 December	
	2020	2019
	RM'000	RM'000
Property, plant and equipment:		
Contracted but not provided for	1,171	4,426
Software development:		
Contracted but not provided for	3,076	479

9. Related party transactions

Significant related party transactions are as follows:

	Transactions value	
	Twelve months ended	
	31 December	
	2020	2019
	RM'000	RM'000
Related companies*		
Payment of reinsurance premium ceded, net of commission income	(244,370)	(208,052)

* 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 ("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 had filed a Statement in Reply ("SIR") dated 20 November 2020 with the CAT. AGIC then filed with the CAT on 11 December 2020 its Reply to the SIR to put on record that except for statements of fact, AGIC denies the remaining contents of the SIR and also to reiterate that all issues raised by MyCC had already been addressed in AGIC's Notice of Appeal.

CAT in a letter dated 20 January 2021 informed all parties that the initial case management date for the Appeal and Hearing of the Stay Application fixed for 27 January 2021 was rescheduled to 18 February 2021. The case management and Hearing date earlier fixed for 18 February 2021 before the CAT has now been rescheduled to 25 February 2021 and this would be a virtual session.

The management of AGIC believes that the criteria to disclose the above as a contingent liability are met. Saved as disclosed above, the Group does not have any other contingent assets and liabilities since the last annual balance sheet date.

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

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.
- (c) A single tier interim dividend of 58.00 sen per ordinary share and a single tier interim dividend of 69.6 sen per ICPS for the financial year ended 31 December 2020 were paid on 18 February 2021 to the entitled ordinary shareholders and ICPS holders of the Company respectively.

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

14. Operating segments

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

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

Information about reportable segments
For the year ended 31 December 2020 - audited

	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	11,939	14,298	2,471,604	2,312,678	3,462,168	3,207,398	5,945,711	5,534,374
Inter-segment operating revenue	(280,238)	(202,265)	(14,053)	(423)	(92)	(118)	(294,383)	(202,806)
Segment results	(11,180)	(11,015)	432,093	362,416	308,717	340,743	729,630	692,144
Segment assets	650,106	612,259	6,872,326	6,459,334	14,374,313	12,638,479	21,896,745	19,710,072
Segment liabilities	246,048	267,138	4,385,384	4,105,877	13,233,807	11,663,488	17,865,239	16,036,503

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

1. Review of results

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

RM'million	Individual Period				Cumulative period			
	Three months ended		Changes		Twelve months ended		Changes	
	2020	2019	Amount	%	2020	2019	Amount	%
Operating revenue	1,526.1	1,405.5	120.6	8.6%	5,945.7	5,534.4	411.3	7.4%
Profit before tax	186.9	188.2	(1.3)	(0.7%)	729.6	692.1	37.5	5.4%
Profit after tax	144.0	133.1	10.9	8.2%	520.3	492.5	27.8	5.6%
Profit for the period attributable to owners of the Company	144.0	133.1	10.9	8.2%	520.3	492.5	27.8	5.6%

RM'million	Individual Period				Cumulative period			
	Three months ended		Changes		Twelve months ended		Changes	
	2020	2019	Amount	%	2020	2019	Amount	%
Operating Revenue by segments								
General insurance	637.4	585.2	52.2	8.9%	2,471.6	2,312.7	158.9	6.9%
Gross earned premiums	590.5	536.0	54.5	10.2%	2,284.1	2,123.4	160.7	7.6%
Investment income	46.9	49.2	(2.3)	(4.7%)	187.5	189.3	(1.8)	(1.0%)
Life insurance	885.8	817.2	68.6	8.4%	3,462.2	3,207.4	254.8	7.9%
Gross earned premiums	752.4	695.2	57.2	8.2%	2,949.1	2,725.0	224.1	8.2%
Investment income	133.4	122.0	11.4	9.3%	513.1	482.4	30.7	6.4%
Investment holding								
Investment income	2.9	3.1	(0.2)	(6.5%)	11.9	14.3	(2.4)	(16.8%)
Total Operating Revenue	1,526.1	1,405.5	120.6	8.6%	5,945.7	5,534.4	411.3	7.4%

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

1. Review of results (continued)

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

For the fourth quarter ended 31 December 2020, the Group recorded an operating revenue of RM1.53 billion, an increase of 8.6% or RM120.6 million as compared to the preceding year quarter ended 31 December 2019 of RM1.41 billion due mainly to higher gross earned premiums and investment income by RM111.7 million and RM8.9 million respectively.

For the quarter under review, the general insurance segment recorded an operating revenue of RM637.4 million, an increase of 8.9% or RM52.2 million as compared to the preceding year quarter ended 31 December 2019 of RM585.2 million due to increase in gross earned premiums by RM54.5 million offset by a decrease in investment income by RM2.3 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 RM885.8 million, an increase of 8.4% or RM68.6 million as compared to the preceding year quarter ended 31 December 2019 of RM817.2 million due to increase in gross earned premiums and investment income by RM57.2 million and RM11.4 million respectively.

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

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

The Group recorded an operating revenue of RM5.95 billion for the financial year ended 31 December 2020, an increase of 7.4% or RM411.3 million as compared to the preceding financial year ended 31 December 2019 of RM5.53 billion due mainly to higher gross earned premiums and investment income by RM384.8 million and RM26.5 million respectively.

The general insurance segment recorded an operating revenue of RM2.47 billion for the financial year ended 31 December 2020, an increase of 6.9% or RM158.9 million as compared to the preceding financial year ended 31 December 2019 of RM2.31 billion due mainly to increase in gross earned premiums by RM160.7 million offset by a decrease in investment income by RM1.8 million.

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 RM3.46 billion for the financial year ended 31 December 2020, an increase of 7.9% or RM254.8 million as compared to the preceding financial year ended 31 December 2019 of RM3.21 billion due to increase in gross earned premiums and investment income by RM224.1 million and RM30.7 million respectively.

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

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

1. Review of results (continued)

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

RM'million	Individual Period Three months ended 31 December		Changes		Cumulative period Twelve months ended 31 December		Changes	
	2020	2019	Amount	%	2020	2019	Amount	%
Profit Before Tax by segments								
General insurance	130.5	119.7	10.8	9.0%	432.1	362.4	69.7	19.2%
Life Insurance	54.6	72.7	(18.1)	(24.9%)	308.7	340.7	(32.0)	(9.4%)
Investment holding	1.8	(4.2)	6.0	>100%	(11.2)	(11.0)	(0.2)	(1.8%)
Total Profit before tax	186.9	188.2	(1.3)	(0.7%)	729.6	692.1	37.5	5.4%
General Insurance								
Commission ratio	13.6%	9.9%	N/A	(3.7 pts)	13.1%	11.7%	N/A	(1.4 pts)
Claims ratio	49.0%	51.6%	N/A	2.6 pts	55.5%	59.1%	N/A	3.6 pts
Expense ratio	21.6%	24.5%	N/A	2.9 pts	19.8%	20.2%	N/A	0.4 pts
Combined ratio	84.2%	86.0%	N/A	1.8 pts	88.4%	91.0%	N/A	2.6 pts
Life Insurance								
Annualised new premium ("ANP")	167.7	176.7	(9.0)	(5.1%)	531.8	594.8	(63.0)	(10.6%)
Expense ratio	8.4%	12.3%	N/A	3.9 pts	9.4%	10.5%	N/A	1.1 pts
Block persistency ratio	88.3%	85.2%	N/A	3.1 pts	88.3%	90.2%	N/A	(1.9 pts)

pts - percentage points

N/A - Not Applicable

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

1. Review of results (continued)

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

For the fourth quarter ended 31 December 2020, the Group recorded a profit before tax of RM186.9 million, a decrease of 0.7% or RM1.3 million as compared to the preceding year quarter ended 31 December 2019 of RM188.2 million.

For the quarter under review, the general insurance segment recorded a profit before tax of RM130.5 million, an increase of 9.0% or RM10.8 million as compared to a profit before tax of the preceding year quarter ended 31 December 2019 of RM119.7 million. The higher profit before tax was mainly contributed by higher underwriting profit from lower management expenses and claims. Current quarter combined ratio improved by 1.8 percentage points compared to the preceding year corresponding quarter.

For the quarter under review, the life insurance segment recorded a lower profit before tax of RM54.6 million, a decrease of 24.9% or RM18.1 million as compared to a profit before tax of the preceding year quarter ended 31 December 2019 of RM72.7 million due mainly to higher insurance contract liabilities arising from changes in interest rate and additional claims provision being setup during the year.

For the quarter under review, the investment holding segment registered a profit before tax of RM1.8 million as compared to a loss before tax of the preceding year quarter ended 31 December 2019 of RM4.2 million due mainly to lower management expenses in the current quarter.

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

The Group recorded a profit before tax of RM729.6 million for the year ended 31 December 2020, an increase of 5.4% or RM37.5 million as compared to the preceding year ended 31 December 2019 of RM692.1 million due mainly to higher profit contribution from general insurance segment.

The general insurance segment delivered a profit before tax of RM432.1 million for the year ended 31 December 2020, an increase of 19.2% or RM69.7 million compared to the preceding year ended 31 December 2019 of RM362.4 million. The higher profit before tax was due mainly to higher underwriting profit, mainly driven by savings on motor claims from less traffic during various Movement Control Order.

The life insurance segment recorded a lower profit before tax of RM308.7 million for the year ended 31 December 2020, a decrease of 9.4% or RM32.0 million as compared to the preceding year ended 31 December 2019 of RM340.7 million due mainly to higher insurance contract liabilities arising from changes in interest rate and additional claims provision being setup during the year.

The investment holding segment registered a loss before tax of RM11.2 million for the year ended 31 December 2020, as compared to loss before tax of RM11.0 million for the preceding year ended 31 December 2019 due mainly to higher expenses.

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

1. Review of results (continued)

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

RM'million	Current Year Quarter	Immediate Preceding Quarter	Changes	
	31 December 2020	30 September 2020	Amount	%
Operating revenue	1,526.1	1,530.8	(4.7)	(0.3%)
Profit before tax	186.9	202.2	(15.3)	(7.6%)
Profit after tax	144.0	129.1	14.9	11.5%
Profit for the period attributable to owners of the Company	144.0	129.1	14.9	11.5%

1.5 Operating revenue of the current quarter against the preceding quarter (Fourth Quarter 2020 versus Third Quarter 2020)

The Group recorded an operating revenue of RM1.53 billion for the quarter under review, a decrease of 0.3% or RM4.7 million as compared to the preceding quarter ended 30 September 2020 of RM1.53 billion.

The general insurance segment recorded an operating revenue of RM637.4 million for the quarter under review, an increase of 1.0% or RM6.0 million as compared to the preceding quarter ended 30 September 2020 of RM631.4 million due mainly to higher gross earned premiums in the current quarter.

The life insurance segment registered an operating revenue of RM885.8 million for the quarter under review, a decrease of 1.2% or RM10.7 million as compared to the preceding quarter ended 30 September 2020 of RM896.5 million due mainly to lower gross earned premiums from bancassurance and employee benefits channel in the current quarter.

1.6 Profit before tax of the current quarter against the preceding quarter (Fourth Quarter 2020 versus Third Quarter 2020)

The Group recorded a profit before tax of RM186.9 million for the quarter under review, a decrease of 7.6% or RM15.3 million as compared to the preceding quarter ended 30 September 2020 of RM202.2 million.

The profit before tax of general insurance segment for the quarter under review of RM130.5 million, an increase of 21.2% or RM22.8 million as compared to the preceding quarter ended 30 September 2020 of RM107.7 million. The higher profit before tax was contributed by better claims in current quarter.

The profit before tax of life insurance segment for the quarter under review of RM54.6 million, a decrease of 44.8% or RM44.4 million as compared to the preceding quarter ended 30 September 2020 of RM99.0 million due mainly to lower fair value gains on investments.

The investment holding segment registered a profit before tax of RM1.8 million as compared to a loss before tax of RM4.5 million in the preceding quarter ended 30 September 2020 due to lower management expenses in the current quarter.

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

1. Review of results (continued)

1.7 Review of other comprehensive income

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

RM'million	Individual period		Cumulative period	
	Three months ended 31 December		Twelve months ended 31 December	
	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/(losses) arising during the year	62.9	(12.8)	260.4	305.0
- Net realised gains transferred to profit or loss	(23.8)	(8.1)	(48.0)	(17.6)
(Losses)/Gains on cash flow hedge	-	(4.9)	(4.1)	21.0
Tax effects thereon	(0.9)	3.1	(27.0)	(38.6)
Change in insurance contract liabilities arising from net fair value change on:				
- AFS financial assets	(55.5)	14.2	(138.8)	(200.5)
- Cash flow hedge reserve	-	4.9	4.1	(21.0)
Tax effects thereon	4.4	(1.5)	10.8	17.7
Items that will not be reclassified subsequently to profit or loss				
Revaluation of property, plant and equipment and right-of-use assets	-	1.5	-	1.5
Tax effects thereon	-	(0.1)	-	(0.1)
Change in insurance contract liabilities arising from revaluation	-	(1.1)	-	(1.1)
Tax effects thereon	-	0.1	-	0.1
Reversal of deferred tax on revaluation surplus of land and buildings upon disposal	-	-	0.7	-
Total other comprehensive income for the year, net of tax	(12.9)	(4.7)	58.1	66.4

The Group recorded a total other comprehensive income of RM58.1 million for the year ended 31 December 2020, a decrease of RM8.3 million as compared to the total comprehensive income of the preceding year ended 31 December 2019 of RM66.4 million due to fair value loss from AFS financial assets, mainly from the general insurance segment for the financial year under review.

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

1. Review of results (continued)

1.8 Review of Statements of Financial Position

Table 4: Review of assets and liabilities

RM'million	As at 31 December 2020	As at 31 December 2019	Changes	
			Amount	%
Total assets	21,896.7	19,710.1	2,186.6	11.1%
Total liabilities	17,865.2	16,036.5	1,828.7	11.4%
Total equity	4,031.5	3,673.6	357.9	9.7%

Total assets

As at 31 December 2020, the Group's total assets increased by RM2.19 billion to RM21.90 billion from RM19.71 billion as at 31 December 2019, mainly attributable to increase in investments for the financial year under review. The increase was in line with the Group's business growth.

Total liabilities

As at 31 December 2020, the Group's total liabilities increased by RM1.83 billion to RM17.87 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 31 December 2020 increased by 9.7% or RM357.9 million to RM4.03 billion from RM3.67 billion as at 31 December 2019. This is mainly attributable to the net profit generated for the year ended 31 December 2020.

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

The Malaysian economy recorded a negative growth of 3.4% in the fourth quarter largely attributable to the imposition of the Conditional Movement Control Order on a number of states since mid-October 2020. Growth in 2021 will be affected by the re-introduction of stricter containment measures, the growth trajectory is projected to improve from the second quarter onwards. The improvement will be driven by the recovery in global demand, turnaround in public and private sector expenditure amid continued support from various government policy measures.

The balance of risks remains tilted to the downside, stemming mainly from ongoing uncertainties surrounding the dynamics of the pandemic and potential challenges that might affect the rollout of vaccines both globally and domestically.

The general insurance segment recorded premium growth of 7.2% for the year ended 2020 outperforming the general industry growth of -0.6% due mainly to its new partnership tie up. Life insurance segment annualised new business declined by 10.0% against the life insurance industry decline of 0.4% for the year ended 2020 due to sales being impacted during the period of lockdown imposed by the government during the year.

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 pandemic outbreak has also reinforced the need for digitalisation. Resilience, digitalisation and customer centricity remain the core values of the Group. The Group will continue to enhance and accelerate digital capabilities, optimise 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 accommodate future customer needs.

While the results for the year have remained resilient, the Group remains cautious in its ability to maintain the same level of profitability in 2021 amidst the uncertainties in the 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		Twelve months ended	
	31 December		31 December	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Interest income	182,688	154,989	645,905	599,125
Dividend income	2,678	17,994	68,125	81,379
Accretion of discounts	3,980	284	6,985	5,340
Amortisation of premiums	(7,410)	(141)	(13,168)	(5,079)
Other income	1,221	1,150	4,624	5,160
	<u>183,157</u>	<u>174,276</u>	<u>712,471</u>	<u>685,925</u>

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

	Individual period		Cumulative period	
	Three months ended		Twelve months ended	
	31 December		31 December	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
Realised gains on disposal	103	401	179	405
Realised losses on disposal	-	-	(1)	-
Total net realised gains for property, plant and equipment	103	401	178	405
Financial assets				
Realised gains on disposal:				
Malaysian government securities	(8,743)	1,363	8,860	11,504
Malaysian government guaranteed bonds	14,945	317	22,076	1,656
Quoted equity securities of corporations in Malaysia	62,573	6,459	188,393	23,767
Quoted equity securities of corporations outside Malaysia	-	-	7,586	824
Quoted unit trusts in Malaysia	(1,275)	-	235	498
Unquoted unit trusts in Malaysia	-	-	-	350
Unquoted unit trusts outside Malaysia	13	-	38	25
Unquoted bonds of corporations in Malaysia	246	5,199	1,193	6,802
Realised losses on disposal:				
Malaysian government securities	-	-	-	(3)
Malaysian government guaranteed bonds	(123)	-	(123)	-
Quoted equity securities of corporations in Malaysia	(38,568)	(10,293)	(193,774)	(53,057)
Quoted equity securities of corporations outside Malaysia	3	(13)	(3,803)	(1,241)
Quoted unit trusts in Malaysia	(315)	-	(315)	-
Unquoted unit trusts outside Malaysia	(82)	(68)	(171)	(240)
Unquoted bonds of corporations in Malaysia	(82)	-	(82)	-
Total net realised gains/(losses) for financial assets	28,592	2,964	30,113	(9,115)
Total net realised gains/(losses)	28,695	3,365	30,291	(8,710)

6. Fair value gains and losses

	Individual period		Cumulative period	
	Three months ended		Twelve months ended	
	31 December		31 December	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Investment properties				
Fair value (losses)/gains on investment properties	(140)	-	(140)	241
Financial instruments				
Held for trading financial assets	120,405	(138)	65,587	221,671
Designated upon initial recognition financial assets	(18,088)	(11,522)	87,407	122,781
Derivatives financial assets	559	865	24,831	15,892
Derivatives financial liabilities	-	(1,051)	(186)	(1,051)
Total fair value gains on financial instruments at Fair Value Through Profit or Loss	102,876	(11,846)	177,639	359,293
Impairment loss on AFS financial investments	(23,972)	(9,704)	(137,566)	(19,087)
Total net fair value gains/(losses)	78,764	(21,550)	39,933	340,447

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

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

7. Profit before tax

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

	Individual period		Cumulative period	
	Three months ended		Twelve months ended	
	31 December		31 December	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	6,331	5,969	23,580	20,110
Depreciation of property, plant and equipment	3,940	4,696	14,001	15,488
Depreciation of right-of-use assets	4,595	4,398	17,877	18,154
Insurance and other receivables:				
- (Reversal of)/Allowance for impairment loss	(16,002)	(4,969)	(7,575)	3,007
- Bad debts recovered	(11)	(4)	(119)	(54)
- Bad debts written off	6,013	236	7,205	236
Interest expense	327	1,167	1,733	2,541
Interest income	(91)	(184)	(511)	(706)
Property, plant and equipment written off	20	190	81	1,128
Unrealised foreign exchange gains	2,017	(906)	2,904	(238)

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

8. Tax expense

	Individual period		Cumulative period	
	Three months ended		Twelve months ended	
	31 December		31 December	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Profit before tax	186,854	188,158	729,630	692,144
Tax expense				
Income tax	48,946	35,997	156,585	118,562
Deferred tax	(6,120)	19,079	52,720	81,104
Total tax expense	42,826	55,076	209,305	199,666
Effective tax rate	23%	29%	29%	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.

For the quarter under review, the effective tax rate is lower than the statutory tax rate of 24% due mainly to the over provision of tax in prior year.

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.

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’s OS”) 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 a further case management on 26 January 2021 for the Court of Appeal to monitor compliance with all appeal directions. On 26 January 2021, the Court of Appeal was updated that all appeal directions had been complied with and the Court of Appeal then directed that the Hearing on 2 February 2021 be conducted virtually via Zoom. On 2 February 2021, the Hearing of the Appeal was adjourned to a date to be fixed later as several other cases were also fixed for hearing that day.

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	Twelve months ended	Twelve months ended
		31 December	31 December	31 December	31 December
		2020	2019	2020	2019
Profit attributable to ordinary shareholders	(RM'000)	144,028	133,082	520,325	492,478
Adjustment:					
- Preference dividends declared		(117,845)	(132,068)	(117,845)	(132,068)
Adjusted profit attributable to ordinary shareholders		26,183	1,014	402,480	360,410
Weighted average number of ordinary shares in issue	('000)	176,889	176,694	176,889	176,787
Basic earnings per ordinary share	(sen)	14.80	0.57	227.53	203.87

(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	Twelve months ended	Twelve months ended
		31 December	31 December	31 December	31 December
		2020	2019	2020	2019
Profit attributable to ordinary shareholders	(RM'000)	144,028	133,082	520,325	492,478
Weighted average number of ordinary shares in issue	('000)	176,889	176,694	176,889	176,787
Effect of conversion of ICPS	('000)	169,317	169,318	169,317	169,318
Diluted weighted average number of ordinary shares during the period	('000)	346,206	346,012	346,206	346,105
Diluted earnings per ordinary share	(sen)	41.60	38.46	150.29	142.29

13. Dividend

The Board of Directors declared the following single tier interim dividend for the financial year ended 31 December 2020 which were paid on 18 February 2021 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 26 January 2021:

- (a) 58.0 sen per ordinary share; and
- (b) 69.6 sen per ICPS.

The Board of Directors does not recommend any payment of final dividend for the financial year ended 31 December 2020.

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

14. Derivatives Financial Instruments

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

As at 31 December 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	-	-	59,496	59,496	-	-	-	-
Cross currency swap	-	-	98,740	98,740	1,030	-	4,337	5,367	-	-	301	301
Derivatives used for hedging												
Forward purchase agreements	40,000	60,000	-	100,000	6,613	10,262	-	16,875	-	-	-	-
Total	40,000	60,000	498,740	598,740	7,643	10,262	63,833	81,738	-	-	301	301
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 31 December 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.

(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 RM81,738,000 (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
31 December 2020					
Insurance receivables	8,638	5,768	6,849	8,837	30,092
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	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000	31 December 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 (reversed)/recognised	(2,415)	157	(8)	(29)	2,045	3,087
Written off during the year	(1,344)	(237)	-	-	(5,861)	-
At the end of the period/year	<u>55,865</u>	<u>59,624</u>	<u>2,578</u>	<u>2,586</u>	<u>742</u>	<u>4,558</u>

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
24 February 2021