

ALLIANZ MALAYSIA BERHAD (197201000819)

UNAUDITED QUARTERLY RESULTS
FOR THE PERIOD ENDED 31 MARCH 2021

ALLIANZ MALAYSIA BERHAD (197201000819)

**Condensed consolidated statement of financial position
as at 31 March 2021 - unaudited**

	31 March 2021 RM'000	← Audited → 31 December 2020 RM'000
Assets		
Property, plant and equipment	107,948	107,478
Right-of-use assets	53,387	58,042
Intangible assets	355,628	358,490
Deferred tax assets	2,379	-
Reinsurance assets	879,776	895,553
Investments	18,366,242	18,729,603
Derivative financial assets	54,155	81,738
Current tax assets	19,659	12,972
Insurance receivables	311,809	199,651
Other receivables, deposits and prepayments	181,170	161,085
Deferred acquisitions costs	128,028	116,170
Cash and cash equivalents	1,245,879	1,175,963
Total assets	21,706,060	21,896,745

ALLIANZ MALAYSIA BERHAD (197201000819)

**Condensed consolidated statement of financial position
as at 31 March 2021 - unaudited (continued)**

	31 March 2021 RM'000	← Audited → 31 December 2020 RM'000
Equity		
Share capital:		
Ordinary Shares	233,492	232,601
Irredeemable Convertible Preference Shares ("ICPS")	537,537	538,428
Reserves	3,227,404	3,260,477
Total equity attributable to owners of the Company	3,998,433	4,031,506
Liabilities		
Insurance contract liabilities	16,168,374	16,053,272
Deferred tax liabilities	364,842	434,972
Derivative financial liabilities	2,281	301
Lease liabilities	38,171	42,785
Insurance payables	545,848	489,117
Other payables and accruals	576,509	837,381
Current tax liabilities	11,602	7,411
Total liabilities	17,707,627	17,865,239
Total equity and liabilities	21,706,060	21,896,745
Net asset per ordinary share (RM)	22.57	22.79
Diluted net asset per ordinary share (RM)	11.55	11.64

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 31 March 2021 - unaudited**

	Note (Part B)	Individual period Three months ended 31 March		Cumulative period Three months ended 31 March	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Operating revenue *		1,606,552	1,484,706	1,606,552	1,484,706
Gross earned premiums		1,411,382	1,306,126	1,411,382	1,306,126
Premiums ceded to reinsurers		(100,814)	(78,441)	(100,814)	(78,441)
Net earned premiums		1,310,568	1,227,685	1,310,568	1,227,685
Investment income	4	195,170	178,580	195,170	178,580
Realised gains and losses	5	49,270	(71,056)	49,270	(71,056)
Fair value gains and losses	6	(414,079)	(486,101)	(414,079)	(486,101)
Fee and commission income		9,078	6,874	9,078	6,874
Other operating income		13,834	23,985	13,834	23,985
Investment and other income		(146,727)	(347,718)	(146,727)	(347,718)
Gross benefits and claims paid		(492,471)	(564,228)	(492,471)	(564,228)
Claims ceded to reinsurers		33,974	25,573	33,974	25,573
Gross change in contract liabilities		(203,333)	125,688	(203,333)	125,688
Change in contract liabilities ceded to reinsurers		(54,441)	8,674	(54,441)	8,674
Net benefits and claims		(716,271)	(404,293)	(716,271)	(404,293)
Fee and commission expense		(204,566)	(188,413)	(204,566)	(188,413)
Management expenses		(164,712)	(167,004)	(164,712)	(167,004)
Interest expense		(318)	(538)	(318)	(538)
Other operating expenses		(10,594)	(27,772)	(10,594)	(27,772)
Other expenses		(380,190)	(383,727)	(380,190)	(383,727)
Profit before tax	7	67,380	91,947	67,380	91,947
Tax expense	8	(4,122)	(12,447)	(4,122)	(12,447)
Profit for the period		63,258	79,500	63,258	79,500
Profit for the period attributable to: Owners of the Company		63,258	79,500	63,258	79,500
Basic earnings per ordinary share (sen)	12(a)	35.74	44.94	35.74	44.94
Diluted earnings per ordinary share (sen)	12(b)	18.28	22.96	18.28	22.96

* 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 31 March 2021 - unaudited**

	Note (Part B)	Individual period Three months ended 31 March		Cumulative period Three months ended 31 March	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit for the period attributable to owners of the Company		63,258	79,500	63,258	79,500
Other comprehensive income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Fair value of available-for-sale ("AFS") financial assets					
- Net losses arising during the period		(281,144)	(146,106)	(281,144)	(146,106)
- Net realised (gains)/losses transferred to profit or loss		(14,145)	14,252	(14,145)	14,252
(Losses)/Gains on cash flow hedge		(9,003)	198	(9,003)	198
Tax effects thereon		39,293	12,413	39,293	12,413
Change in insurance contract liabilities of participating fund arising from net fair value change on:					
- AFS financial assets		174,332	114,400	174,332	114,400
- Cash flow hedge reserve		9,003	(198)	9,003	(198)
Tax effects thereon		(14,667)	(9,136)	(14,667)	(9,136)
Total other comprehensive loss for the period, net of tax	1.5	(96,331)	(14,177)	(96,331)	(14,177)
Total comprehensive (loss)/income for the period, net of tax		(33,073)	65,323	(33,073)	65,323
Total comprehensive (loss)/income for the period attributable to:					
Owners of the Company		(33,073)	65,323	(33,073)	65,323

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 31 March 2021 - 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 2020	232,597	538,432	42,303	77,446	971,897	1,810,894	3,673,569
Total other comprehensive loss for the period	-	-	-	(14,177)	-	-	(14,177)
Profit for the period	-	-	-	-	29,038	50,462	79,500
Total comprehensive (loss)/income for the period	-	-	-	(14,177)	29,038	50,462	65,323
Contributions by and distributions to owners of the Company							
Conversion of ICPS to ordinary shares	4	(4)	-	-	-	-	-
Total transactions with owners of the Company	4	(4)	-	-	-	-	-
At 31 March 2020	232,601	538,428	42,303	63,269	1,000,935	1,861,356	3,738,892

ALLIANZ MALAYSIA BERHAD (197201000819)
Condensed consolidated statement of changes in equity for the period ended 31 March 2021 - 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 2021	232,601	538,428	38,565	134,766	1,137,320	1,949,826	4,031,506
Total other comprehensive loss for the period	-	-	-	(96,331)	-	-	(96,331)
(Loss)/Profit for the period	-	-	-	-	(545)	63,803	63,258
Total comprehensive (loss)/income for the period	-	-	-	(96,331)	(545)	63,803	(33,073)
Contributions by and distributions to owners of the Company							
Conversion of ICPS to ordinary shares	891	(891)	-	-	-	-	-
Total transactions with owners of the Company	891	(891)	-	-	-	-	-
At 31 March 2021	233,492	537,537	38,565	38,435	1,136,775	2,013,629	3,998,433

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 31 March 2021 - unaudited

	Three months ended 31 March 2021 RM'000	Three months ended 31 March 2020 RM'000
Cash flows from operating activities		
Profit before tax	67,380	91,947
<i>Adjustments for:</i>		
Investment income	(195,170)	(178,580)
Interest income	(107)	(173)
Interest expense	318	538
Realised (gains)/losses from financial assets recorded in profit or loss	(49,270)	71,055
Fair value losses on financial assets recorded in profit or loss	402,827	394,871
Purchases of financial assets	(1,926,711)	(1,125,393)
Maturity of financial assets	568,249	125,000
Proceeds from sale of financial assets	788,087	507,056
Decrease/(Increase) in loans and receivables	289,095	(172,395)
Unrealised foreign exchange (gains)/losses	(4,462)	1,689
Depreciation of property, plant and equipment	3,135	3,088
Depreciation of right-of-use assets	4,588	4,519
Amortisation of intangible assets	5,537	5,512
Loss on disposal of property, plant and equipment	-	1
Impairment loss on AFS financial assets	11,252	91,230
Property, plant and equipment written off	-	26
Reversal of impairment loss on reinsurance asset	(3)	-
Insurance and other receivables:		
- Allowance for impairment loss	3,683	970
- Bad debts recovered	(3)	(7)
- Bad debts written off	-	634
Changes in working capital:		
Decrease/(Increase) in reinsurance assets	15,780	(2,026)
Increase in insurance receivables	(115,693)	(138,475)
Increase in other receivables, deposits and prepayments	(17,745)	(24,794)
Increase in deferred acquisition costs	(11,858)	(66,992)
Increase/(Decrease) in insurance contract liabilities	283,770	(4,867)
Increase/(Decrease) in insurance payables	56,731	(16,008)
(Decrease)/Increase in other payables and accruals	(40,432)	5,544
Cash generated from/(used in) operations	138,978	(426,030)

ALLIANZ MALAYSIA BERHAD (197201000819)**Condensed consolidated statement of cash flows
For the period ended 31 March 2021 - unaudited (continued)**

	Three months ended 31 March 2021 RM'000	Three months ended 31 March 2020 RM'000
Cash flows from operating activities (continued)		
Dividends received	40,034	24,897
Interest income received	162,323	155,440
Interest paid on lease liabilities	(318)	(538)
Tax paid	(39,834)	(33,418)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	301,183	(279,649)
Investing activities		
Proceeds from disposal of property, plant and equipment	425	1
Acquisition of property, plant and equipment	(4,833)	(1,735)
Acquisition of intangible assets	(1,872)	(1,536)
Modification/ termination of lease	(108)	-
	<hr/>	<hr/>
Net cash used in investing activities	(6,388)	(3,270)
Financing activities		
Dividends paid	(220,440)	(247,045)
Repayment of lease liabilities	(4,439)	(4,391)
	<hr/>	<hr/>
Net cash used in financing activities	(224,879)	(251,436)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	69,916	(534,355)
Cash and cash equivalents at 1 January	1,175,963	1,600,053
	<hr/>	<hr/>
Cash and cash equivalents at 31 March	1,245,879	1,065,698
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions (with maturity less than three months)	1,168,286	978,376
Cash and bank balances	77,593	87,322
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	1,245,879	1,065,698
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The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Part A: Explanatory notes to the condensed consolidated financial statements

1. Basis of preparation

These condensed consolidated interim financial statements ("the Report") of Allianz Malaysia Berhad ("AMB" or "the Company") and its subsidiaries (AMB and its subsidiaries are collectively referred to as "the Group") as at and for the financial period ended 31 March 2021 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 2020, except for the adoption of the following:

MFRSs/ Amendments/ Interpretation	Effective date
Amendments to MFRS 16, <i>COVID-19 Related Rent Concessions beyond 30 June 2021</i>	1 April 2021
Amendments to MFRS 9, <i>Financial Instruments</i> , MFRS 139, <i>Financial Instruments: Recognition and Measurement</i> , MFRS 7, <i>Financial Instruments: Disclosures</i> , MFRS 4, <i>Insurance Contracts</i> and MFRS 16, <i>Leases – Interest Rate Benchmark Reform – Phase 2</i>	1 January 2021

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*

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

	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
Fair value as at 31 March 2021			
Investments	6,962,537	11,318,908	18,281,445
Malaysian government securities and government guaranteed bonds	5,042,126	4,442,015	9,484,141
Unquoted bonds of corporations	1,338,952	3,450,813	4,789,765
Quoted equity securities and unit trusts	-	2,673,688	2,673,688
Unquoted equity securities and unit trusts	-	752,392	752,392
Structured deposits	-	-	-
Fixed and call deposits with licensed banks	581,459	-	581,459
Derivative financial assets	-	54,155	54,155
Other receivables and deposits	181,170	-	181,170
Cash and cash equivalents	1,245,879	-	1,245,879
	<u>8,389,586</u>	<u>11,373,063</u>	<u>19,762,649</u>
	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
Fair value as at 31 December 2020			
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>

* 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*

	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
As at 31 March 2021			
Changes in fair value during the period			
Investments			
Malaysian government securities and government guaranteed bonds	(237,401)	(223,282)	(460,683)
Unquoted bonds of corporations	(33,546)	(129,649)	(163,195)
Quoted equity securities and unit trusts	-	(44,286)	(44,286)
Unquoted equity securities and unit trusts	-	(11,175)	(11,175)
Structured deposits	-	722	722
Fixed and call deposits with licensed banks	-	-	-
Derivative financial assets	-	(28,501)	(28,501)
Other receivables and deposits	-	-	-
Cash and cash equivalents	-	-	-
	<u>(270,947)</u>	<u>(436,171)</u>	<u>(707,118)</u>
	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
As at 31 December 2020			
Changes in fair value in previous period			
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)
Fixed and call deposits with licensed banks	-	-	-
Derivative financial assets	-	20,560	20,560
Other receivables and deposits	-	-	-
Cash and cash equivalents	-	-	-
	<u>138,778</u>	<u>247,089</u>	<u>385,867</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 Contracts* (continued)

Financial assets with SPPI cash flows at 31 March 2021 *

	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	-	-	-	-	-	5,042,126	-	5,042,126
Unquoted bonds of corporations	566,048	749,585	10,247	11,097	-	9,271	-	1,346,248
Structured deposits	-	-	-	-	-	-	-	-
Fixed and call deposits with licensed banks	56,422	428,089	-	-	-	-	96,948	581,459
Other receivables and deposits	-	-	-	-	-	170,768	10,402	181,170
Cash and cash equivalents	652,659	286,417	2,371	-	-	45,546	258,886	1,245,879
	<u>1,275,129</u>	<u>1,464,091</u>	<u>12,618</u>	<u>11,097</u>	<u>-</u>	<u>5,267,711</u>	<u>366,236</u>	<u>8,396,882</u>

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

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
Structured deposits	-	-	-	-	-	-	-	-
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 2021 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 2020.

7. **Changes in group composition**

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

8. **Capital commitments**

	Transactions value Three months ended 31 March	
	2021	2020
	RM'000	RM'000
Property, plant and equipment:		
Contracted but not provided for	4,381	1,120
Software development:		
Contracted but not provided for	2,446	218

9. **Related party transactions**

Significant related party transactions are as follows:

	Transactions value Three months ended 31 March	
	2021	2020
	RM'000	RM'000
Related companies*		
Payment of reinsurance premium ceded, net of commission income	(73,718)	(42,063)

* 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.

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

10. Changes in contingent liabilities (continued)

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 CAT was then rescheduled to 25 February 2021. Whilst the hearing of the stay applications of the rest of the insurers took place on 25 February 2021, AGIC's oral submissions were heard in a confidential session on 26 February 2021. As MyCC's counsel requested for a new hearing date for MyCC's reply, CAT fixed 5 March 2021 on which date, MyCC's counsel submitted their reply and CAT also heard AGIC's reply submission. On 12 March 2021, the reply submissions of the other insurers were concluded and CAT then set the afternoon of 23 March 2021 to deliver its decision on the Stay Application. On 23 March 2021, CAT allowed the Stay Application, pending the disposal of the Appeal.

Separately, on 26 April 2021 the High Court of Malaya granted AGIC leave to apply for Judicial Review of MyCC's Decision and an interim stay of the Decision until the hearing of any objection or application by MyCC to set it aside. (This was in relation to AGIC's ex-parte application for leave for Judicial Review and application for a stay filed at the High Court on 24 December 2020 but given the discreet nature of the ex-parte application, it was not disclosed earlier.) AGIC has since filed its Notice of Hearing of Application for Judicial Review at the High Court on 9 May 2021.

At the case management before CAT on 30 April 2021, AGIC's solicitors raised certain preliminary issues that would need to be addressed prior to the hearing of the Appeal and CAT then fixed the following dates to hear the same:-

- a. 27 May 2021 as the next case management to hear parties in relation to the said preliminary issues;
- b. 4 June 2021 for AGIC to update CAT on the Judicial Review proceedings as well as the interim stay granted by the High Court; and
- c. 2 July 2021 for the hearing of BNM's appeal.

The management of AGIC believes that the criteria to disclose the above as a contingent liability are met. Save 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 280,100 ordinary shares pursuant to the conversion of the ICPS, there were no other issuances of shares, shares buy-backs and repayment of debt and equity securities by the Group during the financial period under review.

12. Subsequent event

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

13. Dividend paid

A single tier interim dividend of 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 period ended 31 March 2021 - unaudited

	Investment holding		General insurance		Life insurance		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment operating revenue	2,990	3,383	631,477	604,571	972,085	876,752	1,606,552	1,484,706
Inter-segment operating revenue	(156)	(48)	(4,166)	(536)	-	(51)	(4,322)	(635)
Segment results	(5,067)	(6,016)	92,621	74,457	(20,174)	23,506	67,380	91,947
Segment assets	443,943	389,704	7,010,690	6,662,805	14,251,427	12,276,612	21,706,060	19,329,121
Segment liabilities	53,522	51,814	4,542,651	4,265,658	13,111,454	11,272,757	17,707,627	15,590,229

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

1. Review of results

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

RM'million	Individual Period				Cumulative period			
	Three months ended		Changes		Three months ended		Changes	
	2021	2020	Amount	%	2021	2020	Amount	%
	31 March				31 March			
Operating revenue	1,606.6	1,484.7	121.9	8.2%	1,606.6	1,484.7	121.9	8.2%
Profit before tax	67.4	91.9	(24.5)	(26.7%)	67.4	91.9	(24.5)	(26.7%)
Profit after tax	63.3	79.5	(16.2)	(20.4%)	63.3	79.5	(16.2)	(20.4%)
Profit for the period attributable to owners of the Company	63.3	79.5	(16.2)	(20.4%)	63.3	79.5	(16.2)	(20.4%)

RM'million	Individual Period				Cumulative period			
	Three months ended		Changes		Three months ended		Changes	
	2021	2020	Amount	%	2021	2020	Amount	%
	31 March				31 March			
Operating Revenue by segments								
General insurance	631.5	604.6	26.9	4.4%	631.5	604.6	26.9	4.4%
Gross earned premiums	585.8	557.6	28.2	5.1%	585.8	557.6	28.2	5.1%
Investment income	45.7	47.0	(1.3)	(2.8%)	45.7	47.0	(1.3)	(2.8%)
Life insurance	972.1	876.8	95.3	10.9%	972.1	876.8	95.3	10.9%
Gross earned premiums	825.6	748.5	77.1	10.3%	825.6	748.5	77.1	10.3%
Investment income	146.5	128.3	18.2	14.2%	146.5	128.3	18.2	14.2%
Investment holding								
Investment income	3.0	3.3	(0.3)	(9.1%)	3.0	3.3	(0.3)	(9.1%)
Total Operating Revenue	1,606.6	1,484.7	121.9	8.2%	1,606.6	1,484.7	121.9	8.2%

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 period to date (continued)

RM'million	Individual Period Three months ended 31 March		Changes		Cumulative period Three months ended 31 March		Changes	
	2021	2020	Amount	%	2021	2020	Amount	%
Profit Before Tax by segments								
General insurance	92.6	74.5	18.1	24.3%	92.6	74.5	18.1	24.3%
Life Insurance	(20.2)	23.5	(43.7)	(186.0%)	(20.2)	23.5	(43.7)	(186.0%)
Investment holding	(5.0)	(6.1)	1.1	18.0%	(5.0)	(6.1)	1.1	18.0%
Total Profit before tax	67.4	91.9	(24.5)	(26.7%)	67.4	91.9	(24.5)	(26.7%)
General Insurance								
Commission ratio	12.4%	12.6%	N/A	0.2 pts	12.4%	12.6%	N/A	0.2 pts
Claims ratio	59.7%	62.3%	N/A	2.6 pts	59.7%	62.3%	N/A	2.6 pts
Expense ratio	18.4%	19.9%	N/A	1.5 pts	18.4%	19.9%	N/A	1.5 pts
Combined ratio	90.5%	94.8%	N/A	4.3 pts	90.5%	94.8%	N/A	4.3 pts
Life Insurance								
Annualised new premium ("ANP")	171.3	122.6	48.7	39.7%	171.3	122.6	48.7	39.7%
Expense ratio	10.0%	11.3%	N/A	1.3 pts	10.0%	11.3%	N/A	1.3 pts
Block persistency ratio	90.8%	91.4%	N/A	(0.6 pts)	90.8%	91.4%	N/A	(0.6 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)

1.1 Operating revenue of the current quarter/year-to-date (YTD) against preceding year corresponding quarter/YTD (First Quarter 2021 versus First Quarter 2020)

The Group recorded an operating revenue of RM1.61 billion for the financial period ended 31 March 2021, an increase of 8.2% or RM121.9 million as compared to the preceding financial period ended 31 March 2020 of RM1.48 billion due mainly to higher gross earned premiums and investment income by RM105.3 million and RM16.6 million respectively.

The general insurance segment recorded an operating revenue of RM631.5 million for the financial period ended 31 March 2021, an increase of 4.4% or RM26.9 million as compared to the preceding financial period ended 31 March 2020 of RM604.6 million due mainly to increase in gross earned premiums by RM28.2 million offset by a decrease in investment income by RM1.3 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 RM972.1 million for the financial period ended 31 March 2021, an increase of 10.9% or RM95.3 million as compared to the preceding financial period ended 31 March 2020 of RM876.8 million due to increase in gross earned premiums and investment income by RM77.1 million and RM18.2 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 Profit before tax of the current quarter/year-to-date (YTD) against preceding year corresponding quarter/YTD (First Quarter 2021 versus First Quarter 2020)

The Group recorded a profit before tax of RM67.4 million for the three months ended 31 March 2021, a decrease of 26.7% or RM24.5 million as compared to the preceding three months ended 31 March 2020 of RM91.9 million due mainly to lower profit contribution from life insurance segment.

The general insurance segment delivered a profit before tax of RM92.6 million for the three months ended 31 March 2021, an increase of 24.3% or RM18.1 million compared to the preceding three months ended 31 March 2020 of RM74.5 million. The higher profit before tax was mainly driven by lower expenses and savings from motor claims from less traffic during the movement restriction imposed in the first quarter of 2021.

The life insurance segment recorded a loss before tax of RM20.2 million for the three months ended 31 March 2021, a decrease of 186.0% or RM43.7 million as compared to a profit before tax of RM23.5 million for the preceding three months ended 31 March 2020 mainly due to higher fair value losses on investments arising from higher interest rate.

The investment holding segment registered a loss before tax of RM5.0 million for the three months ended 31 March 2021 as compared to loss before tax of RM6.1 million for the preceding three months ended 31 March 2020 due mainly to lower 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 March 2020	31 December 2020	Amount	%
Operating revenue	1,606.6	1,526.1	80.5	5.3%
Profit before tax	67.4	186.9	(119.5)	(63.9%)
Profit after tax	63.3	144.0	(80.7)	(56.0%)
Profit for the period attributable to owners of the Company	63.3	144.0	(80.7)	(56.0%)

1.3 Operating revenue of the current quarter against the preceding quarter (First Quarter 2021 versus Fourth Quarter 2020)

The Group recorded an operating revenue of RM1.61 billion for the quarter under review, an increase of 5.3% or RM80.5 million as compared to the preceding quarter ended 31 December 2020 of RM1.53 billion.

The general insurance segment recorded an operating revenue of RM631.5 million for the quarter under review, a decrease of 0.9% or RM5.9 million as compared to the preceding quarter ended 31 December 2020 of RM637.4 million due mainly to lower gross earned premiums in the current quarter.

The life insurance segment registered an operating revenue of RM972.1 million for the quarter under review, an increase of 9.7% or RM86.3 million as compared to the preceding quarter ended 31 December 2020 of RM885.8 million due mainly to higher gross earned premiums from bancassurance and employee benefits channel in the current quarter.

1.4 Profit before tax of the current quarter against the preceding quarter (First Quarter 2021 versus Fourth Quarter 2020)

The Group recorded a profit before tax of RM67.4 million for the quarter under review, a decrease of 63.9% or RM119.5 million as compared to the preceding quarter ended 31 December 2020 of RM186.9 million.

The profit before tax of general insurance segment for the quarter under review of RM92.6 million, a decrease of 29.0% or RM37.9 million as compared to the preceding quarter ended 31 December 2020 of RM130.5 million. The lower profit before tax was due mainly to higher claims as compared to preceding quarter.

The loss before tax of life insurance segment for the quarter under review of RM20.2 million, a decrease of 137.0% or RM74.8 million as compared to a profit before tax of RM54.6 million in the preceding quarter ended 31 December 2020 due mainly to higher fair value losses on investments in the current quarter and actuarial surplus transfer in the fourth quarter of 2020.

The investment holding segment registered a loss before tax of RM5.0 million as compared to a profit before tax of RM1.8 million in the preceding quarter ended 31 December 2020 due to higher expenses in current quarter.

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

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 31 March		Three months ended 31 March	
	2021	2020	2021	2020
Other comprehensive income, net of tax				
Items that are or may be reclassified subsequently to profit or loss				
Fair value of available-for-sale ("AFS") financial assets				
- Net losses arising during the year	(281.1)	(146.1)	(281.1)	(146.1)
- Net realised (gains)/losses transferred to profit or loss	(14.1)	14.3	(14.1)	14.3
(Losses)/Gains on cash flow hedge	(9.0)	0.2	(9.0)	0.2
Tax effects thereon	39.3	12.4	39.3	12.4
Change in insurance contract liabilities arising from net fair value change on:				
- AFS financial assets	174.3	114.4	174.3	114.4
- Cash flow hedge reserve	9.0	(0.2)	9.0	(0.2)
Tax effects thereon	(14.7)	(9.1)	(14.7)	(9.1)
Total other comprehensive loss for the period, net of tax	(96.3)	(14.1)	(96.3)	(14.1)

The Group recorded a total other comprehensive loss of RM96.3 million for the period ended 31 March 2021, a decrease of RM82.2 million as compared to the total comprehensive loss of the preceding period ended 31 March 2020 of RM14.1 million due to fair value loss from AFS financial assets, mainly from the general insurance segment for the financial period under review.

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

1. Review of results (continued)

1.6 Review of Statements of Financial Position

Table 4: Review of assets and liabilities

RM'million	As at 31 March 2021	As at 31 December 2020	Changes Amount	%
Total assets	21,706.1	21,896.7	(190.6)	-0.9%
Total liabilities	17,707.7	17,865.2	(157.5)	-0.9%
Total equity	3,998.4	4,031.5	(33.1)	-0.8%

Total assets

As at 31 March 2021, the Group's total assets decreased by RM190.6 million to RM21.71 billion from RM21.90 billion as at 31 December 2020, mainly attributable to lower valuation from investments for the financial period under review.

Total liabilities

As at 31 March 2021, the Group's total liabilities decreased by RM157.5 million to RM17.71 billion from RM17.87 billion as at 31 December 2020 due mainly to decrease in other payables and accruals, which was mainly contributed by dividend payment of RM220.4 million to the entitled shareholders on 18 February 2021.

Total equity

The Group's total equity as at 31 March 2021 decreased by 0.8% or RM33.1 million to RM4.00 billion from RM4.03 billion as at 31 December 2020. This is mainly attributable to the profit generated for the period of RM63.3 million, offset by the decrease in fair value reserves of RM96.3 million for the period ended 31 March 2021.

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

Bank Negara Malaysia in its 2020 annual report has projected Malaysia's Gross Domestic Product to grow between 6.0% to 7.5% in 2021. The key factors supporting growth recovery are improving external demand amid a technology upcycle, less stringent containment measures and the Covid-19 vaccine roll-out. Additionally, the ongoing expansionary monetary policy and loose financial conditions globally would continue to ease domestic financial conditions, particularly in emerging market economies, further supporting the economic recovery. Risk to 2021 growth remains tilted to the downside arising primarily from pandemic-related factors.

The general insurance segment recorded premium growth of 7.0% in the first quarter of 2021, outperforming the general industry growth of 3.9% due mainly to its partnership tie up. Meanwhile, the life insurance segment annualised new business grew by 39.1% and outpace the industry growth of 29.0% in the first quarter of 2021.

The year 2021 is expected to be another challenging year for the general and life insurance industries as COVID-19 remains a significant variable and any sound economic recovery would need to be underpinned by an effective vaccination programme.

The Group will continue with its strategic initiatives to expand its distribution channel, strengthen its agency force and build diversified product portfolio. The strong and diversified distribution channel and portfolio mix has enabled the Group to deliver solid first quarter results for 2021 despite significant headwinds. The Group will continue to emphasise on investment into digital initiatives to engage customer and deliver superior customer experience. The Group will also invest into digital infrastructure for our distribution channels to allow for remote sales and be able to digitally connect to our customers.

In these unprecedented times, the Group remains cautious that by pursuing its strategic initiatives, the Group will be able to continue to deliver profitable results to its shareholders in 2021.

3. Profit forecast

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

4. Investment income

	Individual period		Cumulative period	
	Three months ended		Three months ended	
	31 March		31 March	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Interest income	158,468	152,367	158,468	152,367
Dividend income	40,034	24,897	40,034	24,897
Accretion of discounts	1,233	1,999	1,233	1,999
Amortisation of premiums	(5,705)	(1,788)	(5,705)	(1,788)
Other income	1,140	1,105	1,140	1,105
	<u>195,170</u>	<u>178,580</u>	<u>195,170</u>	<u>178,580</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 31 March		Three months ended 31 March	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
Realised losses on disposal	-	(1)	-	(1)
Total net realised losses for property, plant and equipment	-	(1)	-	(1)
Financial assets				
Realised gains on disposal:				
Malaysian government securities	-	2,906	-	2,906
Malaysian government guaranteed bonds	5,426	317	5,426	317
Quoted equity securities of corporations in Malaysia	68,747	14,299	68,747	14,299
Quoted equity securities of corporations outside Malaysia	1,331	-	1,331	-
Quoted unit trusts in Malaysia	269	1,120	269	1,120
Unquoted unit trusts outside Malaysia	19	25	19	25
Unquoted bonds of corporations in Malaysia	157	(317)	157	(317)
Realised losses on disposal:				
Malaysian government securities	(13)	-	(13)	-
Malaysian government guaranteed bonds	(2,951)	-	(2,951)	-
Quoted equity securities of corporations in Malaysia	(23,031)	(89,335)	(23,031)	(89,335)
Quoted equity securities of corporations outside Malaysia	(671)	(9)	(671)	(9)
Unquoted unit trusts outside Malaysia	(13)	(61)	(13)	(61)
Total net realised gains/(losses) for financial assets	49,270	(71,055)	49,270	(71,055)
Total net realised gains/(losses)	49,270	(71,056)	49,270	(71,056)

6. Fair value gains and losses

	Individual period		Cumulative period	
	Three months ended 31 March		Three months ended 31 March	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Financial instruments				
Held for trading financial assets	(235,109)	(398,966)	(235,109)	(398,966)
Designated upon initial recognition financial assets	(162,918)	(16,391)	(162,918)	(16,391)
Derivatives financial assets	(4,800)	20,486	(4,800)	20,486
Total fair value losses on financial instruments at Fair Value Through Profit or Loss	(402,827)	(394,871)	(402,827)	(394,871)
Impairment loss on AFS financial investments	(11,252)	(91,230)	(11,252)	(91,230)
Total net fair value losses	(414,079)	(486,101)	(414,079)	(486,101)

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

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

7. Profit before tax

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

	Individual period		Cumulative period	
	Three months ended		Three months ended	
	31 March		31 March	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	5,537	5,512	5,537	5,512
Depreciation of property, plant and equipment	3,135	3,088	3,135	3,088
Depreciation of right-of-use assets	4,588	4,519	4,588	4,519
Insurance and other receivables:				
- Allowance for impairment loss	3,683	970	3,683	970
- Bad debts recovered	(3)	(7)	(3)	(7)
- Bad debts written off	-	634	-	634
Interest expense	318	538	318	538
Interest income	(107)	(173)	(107)	(173)
Property, plant and equipment written off	-	26	-	26
Unrealised foreign exchange (gains)/losses	(4,462)	1,689	(4,462)	1,689

Other than as disclosed in Notes 6 and 7, there are no exceptional items for the financial period ended 31 March 2021.

8. Tax expense

	Individual period		Cumulative period	
	Three months ended		Three months ended	
	31 March		31 March	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Profit before tax	67,380	91,947	67,380	91,947
Tax expense				
Income tax	37,338	14,477	37,338	14,477
Deferred tax	(33,216)	(2,030)	(33,216)	(2,030)
Total tax expense	4,122	12,447	4,122	12,447
Effective tax rate	6%	14%	6%	14%

The Group's consolidated effective tax rate for the financial period under review is lower than the statutory tax rate of 24% (2020: 24%) due mainly to recognition of deferred tax assets arising from the fair value loss of financial assets from life insurance segment.

9. Status of corporate proposal announced/implemented

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

10. Borrowings and debts securities

The Group has no outstanding borrowings and debts securities for the financial 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’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. However, on 2 February 2021, the Hearing was adjourned to a date to be fixed later as several other cases were also fixed for hearing that day. The next case management has now been fixed for 19 August 2021 whilst the Hearing is fixed for 3 September 2021.

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

12. Earnings per ordinary share

(a) Basic earnings per ordinary share

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

		Individual period		Cumulative period	
		Three months ended		Three months ended	
		31 March		31 March	
		2021	2020	2021	2020
Profit attributable to ordinary shareholders	(RM'000)	63,258	79,500	63,258	79,500
Weighted average number of ordinary shares in issue	('000)	176,977	176,889	176,977	176,889
Basic earnings per ordinary share	(sen)	35.74	44.94	35.74	44.94

(b) Diluted earnings per ordinary share

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

		Individual period		Cumulative period	
		Three months ended		Three months ended	
		31 March		31 March	
		2021	2020	2021	2020
Profit attributable to ordinary shareholders	(RM'000)	63,258	79,500	63,258	79,500
Weighted average number of ordinary shares in issue	('000)	176,977	176,889	176,977	176,889
Effect of conversion of ICPS	('000)	169,037	169,317	169,037	169,317
Diluted weighted average number of ordinary shares during the period	('000)	346,014	346,206	346,014	346,206
Diluted earnings per ordinary share	(sen)	18.28	22.96	18.28	22.96

13. Dividend

The Board of Directors declared a single tier interim dividend of 58.0 sen per ordinary share and a single tier interim dividend of 69.6 sen per ICPS 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.

No dividend has been proposed or declared for the first quarter of 2021 (2020: Nil).

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

14. Derivatives Financial Instruments

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

As at 31 March 2021	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	-	-	43,580	43,580	-	-	-	-
Cross currency swap	-	-	98,740	98,740	458	-	2,245	2,703	-	-	2,281	2,281
Derivatives used for hedging												
Forward purchase agreements	90,000	10,000	-	100,000	7,091	781	-	7,872	-	-	-	-
Total	90,000	10,000	498,740	598,740	7,549	781	45,825	54,155	-	-	2,281	2,281
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

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

14. Derivatives Financial Instruments (continued)

As at 31 March 2021, 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 RM54,155,000 (2020: RM81,738,000). 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 RM46,966,000 (2020: RM77,504,000) on the derivative contracts.

(iv) There have been no changes since the end of the previous financial period in respect of the following:

- the types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts;
- the risk management policies in place for mitigating and controlling the risks associated with these financial derivative contracts; and
- the related accounting policies.

(v) Fair value changes of financial liabilities

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

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

15. Insurance receivables

Additional Disclosure Information

The Group has not provided the credit risk analysis for the financial assets of the investment-linked funds. This is due to the fact that, in investment-linked business, the liability to policyholders is linked to the performance and value of the assets that back those liabilities and the shareholders have no direct exposure to any credit risk in those assets.

(i) Past-due but not impaired financial assets

Age analysis of financial assets past-due but not impaired

The Group maintains an ageing analysis in respect of insurance receivables only. The ageing of insurance receivables that are past-due but not impaired as at the reporting date is as follows:

	1 to 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	> 91 days RM'000	Total RM'000
31 March 2021					
Insurance receivables	4,134	4,493	2,583	9,564	20,774
31 December 2020					
Insurance receivables	8,638	5,768	6,849	8,837	30,092

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 March 2021 RM'000	31 December 2020 RM'000	31 March 2021 RM'000	31 December 2020 RM'000	31 March 2021 RM'000	31 December 2020 RM'000
At the beginning of the period/year	55,865	59,624	2,578	2,586	742	4,558
Impairment loss recognised/(reversed)	3,537	(2,415)	(3)	(8)	146	2,045
Written off during the year	-	(1,344)	-	-	-	(5,861)
At the end of the period/year	59,402	55,865	2,575	2,578	888	742

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 2020 was not qualified.

BY ORDER OF THE BOARD

Ng Siew Gek
Company Secretary

Kuala Lumpur
19 May 2021