

ALLIANZ MALAYSIA BERHAD (197201000819)

UNAUDITED QUARTERLY RESULTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2021

**Condensed consolidated statement of financial position
as at 30 September 2021 - unaudited**

	30 September 2021 RM'000	← Audited → 31 December 2020 RM'000
Assets		
Property, plant and equipment	110,530	107,478
Right-of-use assets	46,838	58,042
Intangible assets	352,824	358,490
Deferred tax assets	18,005	-
Reinsurance assets	914,210	895,553
Investments	19,704,277	18,729,603
Derivative financial assets	50,578	81,738
Current tax assets	3,971	12,972
Insurance receivables	269,834	199,651
Other receivables, deposits and prepayments	165,123	161,085
Deferred acquisitions costs	120,330	116,170
Cash and cash equivalents	1,156,173	1,175,963
Total assets	22,912,693	21,896,745

ALLIANZ MALAYSIA BERHAD (197201000819)**Condensed consolidated statement of financial position
as at 30 September 2021 - unaudited (continued)**

	30 September 2021 RM'000	← Audited → 31 December 2020 RM'000
Equity		
Share capital:		
Ordinary Shares	234,573	232,601
Irredeemable Convertible Preference Shares ("ICPS")	536,456	538,428
Reserves	3,484,148	3,260,477
Total equity attributable to owners of the Company	4,255,177	4,031,506
Liabilities		
Insurance contract liabilities	17,033,070	16,053,272
Deferred tax liabilities	401,251	434,972
Derivative financial liabilities	2,273	301
Lease liabilities	30,236	42,785
Insurance payables	540,773	489,117
Other payables and accruals	640,527	837,381
Current tax liabilities	9,386	7,411
Total liabilities	18,657,516	17,865,239
Total equity and liabilities	22,912,693	21,896,745
Net asset per ordinary share (RM)	23.97	22.79
Diluted net asset per ordinary share (RM)	12.29	11.64

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
For the period ended 30 September 2021 - unaudited**

	Note (Part B)	Individual period Three months ended 30 September		Cumulative period Nine months ended 30 September	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Operating revenue *		1,584,546	1,530,803	4,759,762	4,419,614
Gross earned premiums		1,391,182	1,356,153	4,189,251	3,890,300
Premiums ceded to reinsurers		(106,392)	(91,004)	(300,508)	(257,430)
Net earned premiums		1,284,790	1,265,149	3,888,743	3,632,870
Investment income	4	193,364	174,650	570,511	529,314
Realised gains and losses	5	(22,051)	76,734	6,151	1,596
Fair value gains and losses	6	28,580	79,177	(336,878)	(38,831)
Fee and commission income		12,576	10,312	33,468	23,287
Other operating income		10,938	2,473	33,314	24,434
Investment and other income		223,407	343,346	306,566	539,800
Gross benefits and claims paid		(592,487)	(660,743)	(1,680,285)	(1,652,037)
Claims ceded to reinsurers		52,256	41,899	127,389	91,927
Gross change in contract liabilities		(407,901)	(489,812)	(1,048,272)	(1,064,008)
Change in contract liabilities ceded to reinsurers		(13,224)	67,661	(18,792)	72,766
Net benefits and claims		(961,356)	(1,040,995)	(2,619,960)	(2,551,352)
Fee and commission expense		(208,996)	(202,097)	(614,282)	(577,757)
Management expenses		(165,644)	(157,204)	(492,987)	(469,334)
Interest expense		(181)	(378)	(784)	(1,406)
Other operating expenses		(13,118)	(5,590)	(34,735)	(30,045)
Other expenses		(387,939)	(365,269)	(1,142,788)	(1,078,542)
Profit before tax	7	158,902	202,231	432,561	542,776
Tax expense	8	(43,747)	(73,166)	(108,738)	(166,479)
Profit for the period		115,155	129,065	323,823	376,297
Profit for the period attributable to: Owners of the Company		115,155	129,065	323,823	376,297
Basic earnings per ordinary share (sen)	12(a)	64.96	72.96	182.68	212.73
Diluted earnings per ordinary share (sen)	12(b)	33.29	37.28	93.60	108.69

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

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

ALLIANZ MALAYSIA BERHAD (197201000819)
**Condensed consolidated statement of profit or loss and other comprehensive income
For the period ended 30 September 2021 - unaudited**

	Note (Part B)	Individual period Three months ended 30 September		Cumulative period Nine months ended 30 September	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit for the period attributable to owners of the Company		115,155	129,065	323,823	376,297
Other comprehensive income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Fair value of available-for-sale ("AFS") financial assets					
- Net (losses)/gains arising during the period		(15,233)	97,940	(234,388)	197,515
- Net realised gains transferred to profit or loss		(14,572)	(19,716)	(34,484)	(24,328)
Gains/(Losses) on cash flow hedge		910	1,422	(9,381)	(4,050)
Tax effects thereon		7,003	(8,625)	38,648	(26,042)
Change in insurance contract liabilities of participating fund arising from net fair value change on:					
- AFS financial assets		(6,832)	(48,414)	137,309	(83,278)
- Cash flow hedge reserve		(910)	(1,422)	9,381	4,050
Tax effects thereon		620	3,987	(11,735)	6,338
Items that will not be reclassified subsequently to profit or loss					
Revaluation of property, plant and equipment and right-of-use assets		5,742	-	5,742	-
Tax effects thereon		(1,244)	-	(1,244)	-
Reversal of deferred tax on revaluation surplus of land and buildings upon disposal		-	732	-	732
Total other comprehensive (loss)/income for the period, net of tax	1.7	(24,516)	25,904	(100,152)	70,937
Total comprehensive income for the period, net of tax		90,639	154,969	223,671	447,234
Total comprehensive income for the period attributable to: Owners of the Company		90,639	154,969	223,671	447,234

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

ALLIANZ MALAYSIA BERHAD (197201000819)
Condensed consolidated statement of changes in equity for the period ended 30 September 2021 - unaudited

	←————— 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	
At 1 January 2020	232,597	538,432	42,303	77,446	971,897	1,810,894	3,673,569
Fair value of AFS financial assets	-	-	-	70,205	-	-	70,205
Disposal of land and buildings	-	-	(3,738)	-	-	3,738	-
Reversal of deferred tax on revaluation surplus	-	-	-	-	-	732	732
Total other comprehensive (loss)/income for the period	-	-	(3,738)	70,205	-	4,470	70,937
Profit for the period	-	-	-	-	167,720	208,577	376,297
Total comprehensive (loss)/income for the period	-	-	(3,738)	70,205	167,720	213,047	447,234
Contributions by and distributions to owners of the Company							
Conversion of ICPS to ordinary shares	4	(4)	-	-	-	-	-
Total transactions with owners of the Company	4	(4)	-	-	-	-	-
At 30 September 2020	232,601	538,428	38,565	147,651	1,139,617	2,023,941	4,120,803

ALLIANZ MALAYSIA BERHAD (197201000819)

Condensed consolidated statement of changes in equity for the period ended 30 September 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
Fair value of AFS financial assets	-	-	-	(104,650)	-	-	(104,650)
Revaluation of property, plant and equipment and right-of-use assets	-	-	4,498	-	-	-	4,498
Total other comprehensive income/(loss) for the period	-	-	4,498	(104,650)	-	-	(100,152)
Profit for the period	-	-	-	-	105,144	218,679	323,823
Total comprehensive income/(loss) for the period	-	-	4,498	(104,650)	105,144	218,679	223,671
Contributions by and distributions to owners of the Company							
Conversion of ICPS to ordinary shares	1,972	(1,972)	-	-	-	-	-
Total transactions with owners of the Company	1,972	(1,972)	-	-	-	-	-
At 30 September 2021	234,573	536,456	43,063	30,116	1,242,464	2,168,505	4,255,177

¹ Non-distributable retained earnings comprise of non-participating fund surplus, net of deferred tax, which is wholly attributable to the shareholders. This amount is only distributable upon the actual transfer of surplus from the life non-participating fund to the shareholder's fund as recommended by the Appointed Actuary and approved by the Board of Directors of the life insurance subsidiary.

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

Condensed consolidated statement of cash flows
For the period ended 30 September 2021 - unaudited

	Nine months ended 30 September 2021 RM'000	Nine months ended 30 September 2020 RM'000
Cash flows from operating activities		
Profit before tax	432,561	542,776
<i>Adjustments for:</i>		
Investment income	(570,511)	(529,314)
Interest income	(305)	(420)
Interest expense	784	1,406
Realised gains from financial assets recorded in profit or loss	(6,150)	(1,521)
Fair value losses/(gains) on financial assets recorded in profit or loss	302,884	(74,763)
Purchases of financial assets	(4,829,890)	(4,212,744)
Maturity of financial assets	1,118,913	481,391
Proceeds from sale of financial assets	1,776,885	1,748,182
Decrease/(Increase) in loans and receivables	375,812	(26,646)
Unrealised foreign exchange (gains)/losses	(5,125)	887
Depreciation of property, plant and equipment	10,504	10,061
Depreciation of right-of-use assets	13,999	13,282
Amortisation of intangible assets	17,769	17,249
Gain on disposal of property, plant and equipment	(1)	(75)
Impairment loss on AFS financial assets	33,994	113,594
Property, plant and equipment written off	-	61
Reversal of impairment loss on reinsurance asset	(3)	-
Insurance and other receivables:		
- Allowance for impairment loss	8,971	8,427
- Bad debts recovered	(19)	(108)
- Bad debts written off	-	1,192
Changes in working capital:		
Increase in reinsurance assets	(18,654)	(65,233)
Increase in insurance receivables	(79,138)	(66,365)
Increase in other receivables, deposits and prepayments	(5,749)	(11,069)
Increase in deferred acquisition costs	(4,160)	(10,099)
Increase in insurance contract liabilities	1,114,753	1,221,626
Increase in insurance payables	51,656	8,809
Increase in other payables and accruals	23,586	42,488
Cash used in operations	(236,634)	(786,926)

**Condensed consolidated statement of cash flows
For the period ended 30 September 2021 - unaudited (continued)**

	Nine months ended 30 September 2021 RM'000	Nine months ended 30 September 2020 RM'000
Cash flows from operating activities (continued)		
Dividends received	94,975	65,447
Interest income received	490,437	455,342
Interest paid on lease liabilities	(784)	(1,406)
Tax paid	(112,084)	(96,228)
Net cash generated from/(used in) operating activities	235,910	(363,771)
Investing activities		
Proceeds from disposal of property, plant and equipment	1,453	839
Proceeds from disposal of right-of-use assets	-	1,671
Acquisition of property, plant and equipment	(16,759)	(9,303)
Acquisition of intangible assets	(6,183)	(7,700)
Net cash used in investing activities	(21,489)	(14,493)
Financing activities		
Dividends paid	(220,440)	(247,045)
Repayment of lease liabilities	(13,771)	(12,957)
Net cash used in financing activities	(234,211)	(260,002)
Net decrease in cash and cash equivalents	(19,790)	(638,266)
Cash and cash equivalents at 1 January	1,175,963	1,600,053
Cash and cash equivalents at 30 September	1,156,173	961,787
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions (with maturity less than three months)	1,029,656	892,286
Cash and bank balances	126,517	69,501
	1,156,173	961,787

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

Part A: Explanatory notes to the condensed consolidated financial statements

1. Basis of preparation

These condensed consolidated interim financial statements ("the Report") of Allianz Malaysia Berhad ("AMB" or "the Company") and its subsidiaries (AMB and its subsidiaries are collectively referred to as "the Group") as at and for the financial period ended 30 September 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 Contract* (continued)

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

	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
Fair value as at 30 September 2021			
Investments	7,232,402	12,386,849	19,619,251
Malaysian government securities and government guaranteed bonds	5,172,661	5,004,730	10,177,391
Unquoted bonds of corporations	1,569,980	3,759,418	5,329,398
Quoted equity securities and unit trusts	-	2,865,373	2,865,373
Unquoted equity securities and unit trusts	-	757,328	757,328
Structured deposits	-	-	-
Fixed and call deposits with licensed banks	489,761	-	489,761
Derivative financial assets	-	50,578	50,578
Other receivables and deposits	165,123	-	165,123
Cash and cash equivalents	1,156,173	-	1,156,173
	<u>8,553,698</u>	<u>12,437,427</u>	<u>20,991,125</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 Contract* (continued)

As at 30 September 2021	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
Changes in fair value during the period			
Investments			
Malaysian government securities and government guaranteed bonds	(217,472)	(208,750)	(426,222)
Unquoted bonds of corporations	(29,901)	(105,567)	(135,468)
Quoted equity securities and unit trusts	-	25,979	25,979
Unquoted equity securities and unit trusts	-	(12,814)	(12,814)
Structured deposits	-	722	722
Fixed and call deposits with licensed banks	-	-	-
Derivative financial assets	-	(33,335)	(33,335)
Other receivables and deposits	-	-	-
Cash and cash equivalents	-	-	-
	<u>(247,373)</u>	<u>(333,765)</u>	<u>(581,138)</u>

As at 30 September 2020	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
Changes in fair value in previous period			
Investments			
Malaysian government securities and government guaranteed bonds	132,025	116,485	248,510
Unquoted bonds of corporations	27,356	104,691	132,047
Quoted equity securities and unit trusts	-	(161,398)	(161,398)
Unquoted equity securities and unit trusts	-	9,479	9,479
Negotiable certificates of deposits and structured deposits	(50)	(1,103)	(1,153)
Fixed and call deposits with licensed banks	-	-	-
Derivative financial assets	-	20,036	20,036
Other receivables and deposits	-	-	-
Cash and cash equivalents	-	-	-
	<u>159,331</u>	<u>88,190</u>	<u>247,521</u>

* Insurance receivables, reinsurance assets, policy loans, automatic premium loans and deferred acquisition cost have been excluded from the above assessment as they will be under the scope of MFRS 17, *Insurance Contracts*. Other than the financial assets listed in the table above and the assets that are within the scope of MFRS 17, *Insurance Contracts*, all other assets in the statement of financial position are non-financial assets.

Part A: Explanatory notes to the condensed consolidated financial statements (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 30 September 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	-	-	-	-	-	5,172,661	-	5,172,661
Unquoted bonds of corporations	802,425	754,417	-	11,097	-	9,335	-	1,577,274
Structured deposits	-	-	-	-	-	-	-	-
Fixed and call deposits with licensed banks	126,415	291,714	-	-	-	-	71,632	489,761
Other receivables and deposits	-	-	-	-	-	155,104	10,019	165,123
Cash and cash equivalents	558,731	389,043	3,481	-	-	203	204,715	1,156,173
	<u>1,487,571</u>	<u>1,435,174</u>	<u>3,481</u>	<u>11,097</u>	<u>-</u>	<u>5,337,303</u>	<u>286,366</u>	<u>8,560,992</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 any accumulated depreciation and any accumulated impairment losses. During the financial period under review, the Group has revalued its property, plant and equipment and the revaluation surpluses amounting to:

	RM'000
General insurance segment	4,169

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 Nine months ended 30 September	
	2021	2020
	RM'000	RM'000
Property, plant and equipment:		
Contracted but not provided for	3,209	1,345
Software development:		
Contracted but not provided for	2,492	2,065

9. **Related party transactions**

Significant related party transactions are as follows:

	Transactions value Nine months ended 30 September	
	2021	2020
	RM'000	RM'000
Related companies*		
Payment of reinsurance premium ceded, net of commission income	(203,166)	(179,545)

* 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.

Appeal filed with the Competition Appeal Tribunal ("CAT")

AGIC had on 13 October 2020 filed a Notice of Appeal with the 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 its Reply to the SIR on 11 December 2020 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.

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 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.

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

10. Changes in contingent liabilities (continued)

The case management before CAT on 27 May 2021 was held in a confidential session with BNM and MyCC in attendance whilst the case management fixed for 4 June 2021 for AGIC to update CAT on the Judicial Review proceedings was postponed to 29 July 2021 and the hearing of BNM's appeal on 2 July 2021 was adjourned due to the Full Movement Control Order.

On 29 July 2021, AGIC's solicitors attended the case management before CAT which directed as follows:

- a. the appellants (i.e. all the 22 insurers) and MyCC are to collectively file a common list of issues to be tried;
- b. each appellant may elect to file a further separate list of issues that are specific to the facts of their appeal; and
- c. appellants intending to call witnesses are to provide CAT with the list of witnesses they intend to call and the reason/relevance for calling such witnesses.

Common dates in November 2021 had been earlier fixed for the hearing of the insurers' appeals before the CAT. The appeal proceedings fixed for 12 November 2021, 15 November 2021, 16 November 2021, 19 November 2021 and 26 November 2021 are currently on going.

Application for leave for Judicial Review filed at the High Court of Malaya

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 ("Judicial Review Application") 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 filed its Notice of Hearing of Application for Judicial Review at the High Court on 9 May 2021 and MyCC then filed an affidavit in support of its striking out application against the orders granting AGIC leave to apply for judicial review and interim stay ("MyCC's Setting Aside Application"). AGIC had filed a reply affidavit on 27 May 2021 opposing the same and MyCC's Setting Aside Application was fixed for hearing on 21 July 2021.

The hearing of MyCC's Setting Aside Application on 21 July 2021 commenced with parties' oral submissions and the continued hearing was fixed for 4 August 2021. As MyCC filed an affidavit on the eve ("Delayed Affidavit"), at the continued hearing on 4 August 2021, AGIC's solicitors made an oral application to expunge the Delayed Affidavit as it had been filed after the commencement of submissions. On 26 August 2021, the Judge decided to allow MyCC's Delayed Affidavit to remain on record. In order to not delay further the proceedings, AGIC's solicitors elected not to file any further affidavit in reply but instead put on record that they did not admit to nor accept the contents of MyCC's Delayed Affidavit and proceeded with oral submissions in reply against MyCC's Setting Aside Application. MyCC's final submissions in reply were heard on 15 September 2021 and as certain new issues were raised by MyCC, AGIC's submissions in reply thereto were heard on 27 September 2021. On 20 October 2021, the High Court decided to allow MyCC's Setting Aside Application and on its solicitors' recommendation, AGIC has since filed a Notice of Appeal against the said decision on 18 November 2021.

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.

11. Debt and equity securities

Save for the issuance of 620,100 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 30 September 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	9,095	9,000	1,948,601	1,834,193	2,802,066	2,576,421	4,759,762	4,419,614
Inter-segment operating revenue	(318)	(304)	(8,534)	(8,432)	-	(82)	(8,852)	(8,818)
Segment results	(22,552)	(12,904)	322,695	301,625	132,418	254,055	432,561	542,776
Segment assets	426,766	375,183	7,218,362	7,141,964	15,267,565	13,817,214	22,912,693	21,334,361
Segment liabilities	54,485	40,250	4,581,107	4,498,799	14,021,924	12,674,509	18,657,516	17,213,558

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		Changes		Cumulative period		Changes	
	Three months ended		Amount	%	Nine months ended		Amount	%
	2021	2020			2021	2020		
	30 September				30 September			
Operating revenue	1,584.5	1,530.8	53.7	3.5%	4,759.8	4,419.6	340.2	7.7%
Profit before tax	158.9	202.2	(43.3)	(21.4%)	432.6	542.8	(110.2)	(20.3%)
Profit after tax	115.2	129.1	(13.9)	(10.8%)	323.8	376.3	(52.5)	(14.0%)
Profit for the period attributable to owners of the Company	115.2	129.1	(13.9)	(10.8%)	323.8	376.3	(52.5)	(14.0%)

RM'million	Individual Period		Changes		Cumulative period		Changes	
	Three months ended		Amount	%	Nine months ended		Amount	%
	2021	2020			2021	2020		
	30 September				30 September			
Operating Revenue by segments								
General insurance	650.2	631.4	18.8	3.0%	1,948.6	1,834.2	114.4	6.2%
Gross earned premiums	604.3	584.1	20.2	3.5%	1,812.3	1,693.6	118.7	7.0%
Investment income	45.9	47.3	(1.4)	(3.0%)	136.3	140.6	(4.3)	(3.1%)
Life insurance	931.3	896.5	34.8	3.9%	2,802.1	2,576.4	225.7	8.8%
Gross earned premiums	786.9	772.1	14.8	1.9%	2,377.0	2,196.7	180.3	8.2%
Investment income	144.4	124.4	20.0	16.1%	425.1	379.7	45.4	12.0%
Investment holding								
Investment income	3.0	2.9	0.1	3.4%	9.1	9.0	0.1	1.1%
Total Operating Revenue	1,584.5	1,530.8	53.7	3.5%	4,759.8	4,419.6	340.2	7.7%

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 (Third Quarter 2021 versus Third Quarter 2020)

For the third quarter ended 30 September 2021, the Group recorded an operating revenue of RM1.58 billion, an increase of 3.5% or RM53.7 million as compared to the preceding year quarter ended 30 September 2020 of RM1.53 billion due mainly to higher gross earned premiums and investment income by RM35.0 million and RM18.7 million respectively.

For the quarter under review, the general insurance segment recorded an operating revenue of RM650.2 million, an increase of 3.0% or RM18.8 million as compared to the preceding year quarter ended 30 September 2020 of RM631.4 million due to increase in gross earned premiums by RM20.2 million offset by a decrease in investment income by RM1.4 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 RM931.3 million, an increase of 3.9% or RM34.8 million as compared to the preceding year quarter ended 30 September 2020 of RM896.5 million due to increase in gross earned premiums and investment income by RM14.8 million and RM20.0 million respectively.

The increase in gross earned premiums of the life insurance segment was mainly contributed by higher premiums from agency channel.

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

The Group recorded an operating revenue of RM4.76 billion for the financial period ended 30 September 2021, an increase of 7.7% or RM340.2 million as compared to the preceding financial period ended 30 September 2020 of RM4.42 billion due mainly to higher gross earned premiums and investment income by RM299.0 million and RM41.2 million respectively.

The general insurance segment recorded an operating revenue of RM1.95 billion for the financial period ended 30 September 2021, an increase of 6.2% or RM114.4 million as compared to the preceding financial period ended 30 September 2020 of RM1.83 billion due mainly to increase in gross earned premiums by RM118.7 million offset by a decrease in investment income by RM4.3 million.

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

The life insurance segment recorded an operating revenue of RM2.80 billion for the financial period ended 30 September 2021, an increase of 8.8% or RM225.7 million as compared to the preceding financial period ended 30 September 2020 of RM2.58 billion due to increase in gross earned premiums and investment income by RM180.3 million and RM45.4 million respectively.

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

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

1. Review of results (continued)

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

RM'million	Individual Period		Changes		Cumulative period		Changes	
	Three months ended 30 September		Amount	%	Nine months ended 30 September		Amount	%
	2021	2020			2021	2020		
Profit Before Tax by segments								
General insurance	115.1	107.7	7.4	6.9%	322.7	301.6	21.1	7.0%
Life Insurance	55.7	99.0	(43.3)	(43.7%)	132.4	254.1	(121.7)	(47.9%)
Investment holding	(11.9)	(4.5)	(7.4)	(>100%)	(22.5)	(12.9)	(9.6)	(74.4%)
Total Profit before tax	158.9	202.2	(43.3)	(21.4%)	432.6	542.8	(110.2)	(20.3%)
General Insurance								
Commission ratio	12.3%	12.7%	N/A	0.4 pts	12.1%	12.9%	N/A	0.8 pts
Claims ratio	55.4%	56.3%	N/A	0.9 pts	57.8%	57.7%	N/A	(0.1 pts)
Expense ratio	19.1%	19.9%	N/A	0.8 pts	18.3%	19.1%	N/A	0.8 pts
Combined ratio	86.8%	88.9%	N/A	2.1 pts	88.2%	89.7%	N/A	1.5 pts
Life Insurance								
Annualised new premium ("ANP")	159.4	150.7	8.7	5.8%	482.7	364.1	118.6	32.6%
Expense ratio	8.6%	8.3%	N/A	(0.3 pts)	9.3%	9.8%	N/A	0.5 pts
Block persistency ratio	85.0%	86.1%	N/A	(1.1 pts)	88.7%	88.3%	N/A	0.4 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 (Third Quarter 2021 versus Third Quarter 2020)

For the third quarter ended 30 September 2021, the Group recorded a profit before tax of RM158.9 million, a decrease of 21.4% or RM43.3 million as compared to the preceding year quarter ended 30 September 2020 of RM202.2 million.

For the quarter under review, the general insurance segment recorded a higher profit before tax of RM115.1 million, an increase of 6.9% or RM7.4 million as compared to a profit before tax of the preceding year quarter ended 30 September 2020 of RM107.7 million. The higher profit before tax was mainly contributed by higher underwriting profit from lower management expenses in current quarter.

For the quarter under review, the life insurance segment recorded a lower profit before tax of RM55.7 million, a decrease of 43.7% or RM43.3 million as compared to a profit before tax of the preceding year quarter ended 30 September 2020 of RM99.0 million due mainly to higher claims provision and fair value losses on investment in current quarter.

For the quarter under review, the investment holding segment registered a loss before tax of RM11.9 million as compared to a loss before tax of the preceding year quarter ended 30 September 2020 of RM4.5 million due mainly to higher management expenses in the current quarter.

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

The Group recorded a profit before tax of RM432.6 million for the nine months ended 30 September 2021, a decrease of 20.3% or RM110.2 million as compared to the preceding nine months ended 30 September 2020 of RM542.8 million due mainly to lower profit contribution from life insurance segment.

The general insurance segment delivered a profit before tax of RM322.7 million for the nine months ended 30 September 2021, an increase of 7.0% or RM21.1 million as compared to the preceding nine months ended 30 September 2020 of RM301.6 million. The higher profit before tax was mainly driven by higher underwriting profit. Combined ratio improved by 1.5 percentage points as compared to the preceding year.

The life insurance segment recorded a lower profit before tax of RM132.4 million for the nine months ended 30 September 2021, a decrease of 47.9% or RM121.7 million as compared to the preceding nine months ended 30 September 2020 of RM254.1 million due mainly to higher claims provision and higher fair value losses on investment arising from higher interest rate.

The investment holding segment registered a loss before tax of RM22.5 million for the nine months ended 30 September 2021 as compared to a loss before tax of RM12.9 million for the preceding nine months ended 30 September 2020 due mainly to higher management 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 30 September 2021	Immediate Preceding Quarter 30 June 2021	Changes	
			Amount	%
Operating revenue	1,584.5	1,568.7	15.8	1.0%
Profit before tax	158.9	206.3	(47.4)	(23.0%)
Profit after tax	115.2	145.4	(30.2)	(20.8%)
Profit for the period attributable to owners of the Company	115.2	145.4	(30.2)	(20.8%)

1.5 Operating revenue of the current quarter against the preceding quarter (Third Quarter 2021 versus Second Quarter 2021)

The Group recorded an operating revenue of RM1.58 billion for the quarter under review, an increase of 1.0% or RM15.8 million as compared to the preceding quarter ended 30 June 2021 of RM1.57 billion.

The general insurance segment recorded an operating revenue of RM650.2 million for the quarter under review, a decrease of 2.5% or RM16.7 million as compared to the preceding quarter ended 30 June 2021 of RM666.9 million due mainly to lower gross earned premiums in the current quarter.

The life insurance segment registered an operating revenue of RM931.3 million for the quarter under review, an increase of 3.6% or RM32.6 million as compared to the preceding quarter ended 30 June 2021 of RM898.7 million due mainly to higher gross earned premiums from bancassurance and employee benefits channels in the current quarter.

1.6 Profit before tax of the current quarter against the preceding quarter (Third Quarter 2021 versus Second Quarter 2021)

The Group recorded a profit before tax of RM158.9 million for the quarter under review, a decrease of 23.0% or RM47.4 million as compared to the preceding quarter ended 30 June 2021 of RM206.3 million.

The profit before tax of general insurance segment for the quarter under review of RM115.1 million, an increase of 0.1% or RM0.1 million as compared to the preceding quarter ended 30 June 2021 of RM115.0 million. The higher profit before tax was contributed by higher investment income.

The profit before tax of life insurance segment for the quarter under review of RM55.7 million, a decrease of 42.5% or RM41.2 million as compared to the preceding quarter ended 30 June 2021 of RM96.9 million due to fair value losses on investments in current quarter.

The investment holding segment registered a loss before tax of RM11.9 million as compared to a loss before tax of RM5.6 million in the preceding quarter ended 30 June 2021 due to higher management expenses in current quarter.

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

1. Review of results (continued)

1.7 Review of other comprehensive income

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

RM'million	Individual period Three months ended 30 September		Cumulative period Nine months ended 30 September	
	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)/gains arising during the period	(15.2)	97.9	(234.3)	197.5
- Net realised gains transferred to profit or loss	(14.6)	(19.7)	(34.5)	(24.3)
Gains/(Losses) on cash flow hedge	0.9	1.4	(9.4)	(4.1)
Tax effects thereon	7.0	(8.6)	38.6	(26.0)
Change in insurance contract liabilities arising from net fair value change on:				
- AFS financial assets	(6.8)	(48.4)	137.3	(83.3)
- Cash flow hedge reserve	(0.9)	(1.4)	9.4	4.1
Tax effects thereon	0.6	4.0	(11.7)	6.3
Items that will not be reclassified subsequently to profit or loss				
Revaluation of property, plant and equipment and right-of-use assets	5.7	-	5.7	-
Tax effects thereon	(1.2)	-	(1.2)	-
Reversal of deferred tax on revaluation surplus of land and buildings upon disposal	-	0.7	-	0.7
Total other comprehensive (loss)/income for the period, net of tax	(24.5)	25.9	(100.1)	70.9

The Group recorded a total other comprehensive loss of RM100.1 million for the period ended 30 September 2021, a decrease of RM171.0 million as compared to the total comprehensive income of the preceding period ended 30 September 2020 of RM70.9 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)

1.8 Review of Statements of Financial Position

Table 4: Review of assets and liabilities

RM'million	As at	As at	Changes	
	30 September 2021	31 December 2020	Amount	%
Total assets	22,912.7	21,896.7	1,016.0	4.6%
Total liabilities	18,657.5	17,865.2	792.3	4.4%
Total equity	4,255.2	4,031.5	223.7	5.5%

Total assets

As at 30 September 2021, the Group's total assets increased by RM1.02 billion to RM22.91 billion from RM21.90 billion as at 31 December 2020, mainly attributable to increase in investment assets for the financial period under review. The increase was in line with the Group's business growth.

Total liabilities

As at 30 September 2021, the Group's total liabilities increased by RM792.3 million to RM18.66 billion from RM17.87 billion as at 31 December 2020 due mainly to increase in insurance contract liabilities from both insurance segments. The increase in insurance contract liabilities was in line with the Group's business growth.

Total equity

The Group's total equity as at 30 September 2021 increased by 5.5% or RM223.7 million to RM4.26 billion from RM4.03 billion as at 31 December 2020. This is mainly attributable to the net profit generated for the period ended 30 September 2021.

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

2. Current year prospects

Malaysia's Gross Domestic Product ("GDP") increased by 3.0% in the first nine months of 2021, compared to a 6.4% contraction in the same period last year. This is despite the fact that the GDP contracted by 4.5% year-on-year in the third quarter of 2021, reflecting challenges caused by strict containment measures to stem the surge in new cases caused by more virulent COVID-19 variants of concern. Overall economic growth is expected to expand between 3% and 4% in 2021 and forecast to expand between 5.5% and 6.5% in 2022. The favourable outlook is predicated on successful containment of the pandemic, effective National COVID-19 Immunisation Programme implementation and strong global economic prospects.

The general insurance segment reported a decline in Gross Written Premium by -0.6% in the third quarter of 2021 compared to industry growth of 1.1%. The decline for the general insurance segment is due to a drop in Motor business which is also seen at an industry level; however industry also grew significantly in Engineering business partly due to project extensions, and this has offset the drop in Motor. Meanwhile, the life insurance segment annualised new business grew by 32.0% and outpace the industry growth of 14.5% in the third quarter of 2021.

The Group will continue with its strategic initiatives to strengthen its agency force and to invest in building distribution capabilities. The strong and diversified distribution channels and portfolio mix have provided a solid base to deliver resilience and profitable growth in third quarter of 2021 despite the challenging and uncertain environment. The Group will focus on accelerating digital capabilities, investment into IT infrastructure and focus on operations efficiency to improve productivity and increase customer satisfaction.

In these unprecedented times, the Group remains cautious and by pursuing its strategic initiatives, the Group will strive to maintain profitability 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		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Interest income	167,137	157,162	487,682	463,217
Dividend income	30,646	18,427	94,975	65,447
Accretion of discounts	1,195	393	3,344	3,005
Amortisation of premiums	(6,947)	(2,517)	(19,145)	(5,758)
Other income	1,333	1,185	3,655	3,403
	<u>193,364</u>	<u>174,650</u>	<u>570,511</u>	<u>529,314</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		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
Realised gains on disposal	1	76	1	76
Realised losses on disposal	-	-	-	(1)
Total net realised gains for property, plant and equipment	1	76	1	75
Financial assets				
Realised gains on disposal:				
Malaysian government securities	457	8,215	1,527	17,603
Malaysian government guaranteed bonds	1,226	-	7,630	7,131
Quoted equity securities of corporations in Malaysia	29,660	81,540	117,169	125,820
Quoted equity securities of corporations outside Malaysia	42	7,586	7,860	7,586
Quoted unit trusts in Malaysia	-	260	462	1,510
Unquoted unit trusts outside Malaysia	46	-	72	25
Unquoted bonds of corporations in Malaysia	2,106	535	3,036	947
Realised losses on disposal:				
Malaysian government guaranteed bonds	(1,959)	(317)	(6,680)	-
Quoted equity securities of corporations in Malaysia	(53,066)	(17,347)	(122,034)	(155,206)
Quoted equity securities of corporations outside Malaysia	(559)	(3,786)	(2,873)	(3,806)
Quoted unit trusts in Malaysia	(4)	-	(4)	-
Unquoted unit trusts outside Malaysia	(1)	(28)	(15)	(89)
Total net realised (losses)/gains for financial assets	(22,052)	76,658	6,150	1,521
Total net realised (losses)/gains	(22,051)	76,734	6,151	1,596

6. Fair value gains and losses

	Individual period		Cumulative period	
	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Financial instruments				
Held for trading financial assets	72,178	50,444	(139,093)	(54,818)
Designated upon initial recognition financial assets	(29,337)	43,494	(139,838)	105,495
Derivatives financial assets	(4,728)	3,212	(21,908)	24,272
Derivatives financial liabilities	(567)	493	(2,045)	(186)
Total fair value gains/(losses) on financial instruments at Fair Value Through Profit or Loss	37,546	97,643	(302,884)	74,763
Impairment loss on AFS financial investments	(8,966)	(18,466)	(33,994)	(113,594)
Total net fair value gains/(losses)	28,580	79,177	(336,878)	(38,831)

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

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

7. Profit before tax

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

	Individual period		Cumulative period	
	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	6,286	6,038	17,769	17,249
Depreciation of property, plant and equipment	3,908	3,764	10,504	10,061
Depreciation of right-of-use assets	4,819	4,253	13,999	13,282
Insurance and other receivables:				
- Allowance for impairment loss	3,011	5,507	8,971	8,427
- Bad debts recovered	-	(34)	(19)	(108)
- Bad debts written off	-	-	-	1,192
Interest expense	181	378	784	1,406
Interest income	(86)	(120)	(305)	(420)
Property, plant and equipment written off	-	35	-	61
Unrealised foreign exchange (gains)/losses	(765)	1,080	(5,125)	887

Other than as disclosed in Notes 6 and 7, there are no exceptional items for the financial period ended 30 September 2021.

8. Tax expense

	Individual period		Cumulative period	
	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Profit before tax	158,902	202,231	432,561	542,776
Tax expense				
Income tax	40,854	52,460	123,060	107,639
Deferred tax	2,893	20,706	(14,322)	58,840
Total tax expense	43,747	73,166	108,738	166,479
Effective tax rate	28%	36%	25%	31%

The Group's consolidated effective tax rate for the financial period under review is higher than the statutory tax rate of 24% (2020: 24%) due mainly to the following:

- In addition to the 24% income tax on the assessable income of the Shareholders' Fund, there is also an 8% income tax on the assessable investment income net of allowable deductions of the Life Fund; and
- Effects of certain non-deductible expenses.

9. Status of corporate proposal announced/implemented

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

10. Borrowings and debts securities

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

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

11. Changes in material litigation

Virginia Surety Company Labuan Branch ("VSC") had provided reinsurance support to Bright Mission Berhad* (when it was known as Commerce Assurance Berhad ("CAB")) previously in respect of CAB's Extended Warranty Programme ("EWP").

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

The reinsurance transactions were initially on a facultative basis. However, as the business volume increased, the facultative arrangements became too expensive to administer. AGIC and VSC (collectively the "Parties") therefore negotiated and entered into a treaty reinsurance agreement upon terms, inter alia, that the reinsurance coverage was to be continuous subject to termination as provided for in the reinsurance agreement.

A dispute arose between the 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:-

- (i) A declaration that the reinsurance subsisted until 30 September 2013;
- (ii) 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
- (iii) 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:-

- (i) RM30,593.64 as reimbursement of payment in respect of the Kuala Lumpur Regional Centre for Arbitration's administrative expenses;
- (ii) RM425,324.32 as reimbursement of payment in respect of fees and expenses of the arbitral tribunal;
- (iii) RM668,160.69 for costs and expenses incurred by VSC; and
- (iv) USD10,969.31 as reimbursement for costs incurred in respect of VSC's ex-employee.

As AGIC's solicitors were of the view that there were reasonable grounds to seek a review of the majority decision, an Originating Summons was filed in the Kuala Lumpur High Court on 29 March 2018 to set aside the Award under section 37(2)(b)(ii) of the Arbitration Act 2005 ("Arbitration Act") and for a Reference of Questions of law under section 42 of the Arbitration Act. The matter was first heard on 18 February 2019 and hearing continued on 13 March 2019 and concluded on 18 April 2019. On 28 June 2019, the Court declined AGIC's application to set aside the Award ("Decision"). Based on AGIC's solicitors' advice, a Notice of Appeal against the Decision was filed on 15 July 2019 at the Court of Appeal ("AGIC's Appeal"). At the first case management on 4 September 2019, the Court of Appeal fixed the next case management for 9 October 2019.

In a separate action, VSC's solicitors filed an Originating Summons dated 11 September 2019 ("VSC's OS") to recognise and enforce the Award against AGIC requiring AGIC to pay VSC all the costs ordered by the Award. AGIC's solicitors then filed a stay application on VSC's OS. On 25 October 2019, as VSC's solicitors had no objections to AGIC's stay application, a further case management date was fixed for 7 November 2019 for the stay order to be formally recorded before a Judge. On 7 November 2019, the Judge allowed AGIC's stay application and ordered VSC's enforcement proceedings be stayed pending the final determination of the appeal at the Court of Appeal. As the Judge was of the view that VSC'S OS should be withdrawn and filed afresh (should VSC succeed in dismissing AGIC's Appeal), a further case management was fixed for 9 December 2019 in order for VSC's solicitors to obtain VSC's instructions.

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

11. Changes in material litigation (continued)

Meanwhile, AGIC's Appeal came up for case management on 20 November 2019 when a new case management date was set for 13 January 2020.

On VSC's OS, at the final case management on 9 December 2019, as VSC's solicitors confirmed that they had instructions to withdraw the matter, the Judge ordered that VSC's OS be struck out with liberty to file afresh.

At the case management for AGIC's Appeal on 13 January 2020, the Court of Appeal fixed a further case management for 19 February 2020 as AGIC's solicitors had yet to receive the High Court's substantive Grounds of Decision ("Grounds"). On 17 February 2020, the Court of Appeal wrote to the Parties' solicitors to reschedule the earlier fixed case management date to 26 February 2020. On this date, the Court of Appeal was informed that AGIC's solicitors had still not received the Grounds so another 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 been collected and the Court 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 AGIC's Appeal for Hearing on 2 February 2021 and a further Case Management on 26 January 2021 for the Court 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 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 was then fixed for 19 August 2021 whilst the Hearing was fixed for 3 September 2021. On 19 August 2021, the Court of Appeal confirmed that the Hearing fixed for 3 September 2021 would proceed virtually via Zoom. On 3 September 2021, the Court of Appeal heard and dismissed AGIC's Appeal. As AGIC's solicitors had strongly recommended that AGIC file a leave application to appeal to the Federal Court on this matter ("Leave Application"), AGIC had on 1 October 2021 filed the said Leave Application. On 20 October 2021, VSC's solicitors filed and served on AGIC's solicitors an Affidavit in response to the Leave Application. At the case management on 12 November 2021, AGIC's solicitors objected to VSC's Affidavit as VSC had taken the position that it would rely on its earlier Affidavit filed in the High Court. VSC's solicitors then informed the Court that VSC would file an application for extension of time to file a proper Reply Affidavit and the Court directed that the said application be filed by 26 November 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	Nine months ended	Nine months ended
		30 September	30 September	30 September	30 September
		2021	2020	2021	2020
Profit attributable to ordinary shareholders	(RM'000)	115,155	129,065	323,823	376,297
Weighted average number of ordinary shares in issue	('000)	177,265	176,890	177,265	176,890
Basic earnings per ordinary share	(sen)	64.96	72.96	182.68	212.73

(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	Nine months ended	Nine months ended
		30 September	30 September	30 September	30 September
		2021	2020	2021	2020
Profit attributable to ordinary shareholders	(RM'000)	115,155	129,065	323,823	376,297
Weighted average number of ordinary shares in issue	('000)	177,265	176,890	177,265	176,890
Effect of conversion of ICPS	('000)	168,697	169,317	168,697	169,317
Diluted weighted average number of ordinary shares during the period	('000)	345,962	346,207	345,962	346,207
Diluted earnings per ordinary share	(sen)	33.29	37.28	93.60	108.69

13. Dividend

No dividend has been proposed or declared for the third 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 30 September 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	-	-	40,919	40,919	-	-	-	-
Cross currency swap	21,010	-	98,740	119,750	223	-	1,940	2,163	-	-	2,273	2,273
Derivatives used for hedging												
Forward purchase agreements	60,000	-	-	60,000	7,496	-	-	7,496	-	-	-	-
Total	81,010	-	498,740	579,750	7,719	-	42,859	50,578	-	-	2,273	2,273

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 30 September 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 RM50,578,000 (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 RM45,069,000 (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
30 September 2021					
Insurance receivables	3,273	2,525	14,813	7,814	28,425
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	
	30 September 2021 RM'000	31 December 2020 RM'000	30 September 2021 RM'000	31 December 2020 RM'000	30 September 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)	8,971	(2,415)	(3)	(8)	-	2,045
Written off during the year	-	(1,344)	-	-	-	(5,861)
At the end of the period/year	64,836	55,865	2,575	2,578	742	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
24 November 2021