

ALLIANZ MALAYSIA BERHAD (197201000819)

UNAUDITED QUARTERLY RESULTS
FOR THE PERIOD ENDED 31 MARCH 2022

ALLIANZ MALAYSIA BERHAD (197201000819)

**Condensed consolidated statement of financial position
as at 31 March 2022 - unaudited**

	31 March 2022 RM'000	← Audited → 31 December 2021 RM'000
Assets		
Property, plant and equipment	110,194	110,148
Right-of-use assets	39,245	41,530
Intangible assets	346,484	348,456
Deferred tax assets	27,382	34,404
Reinsurance assets	1,113,495	1,126,083
Investments	20,220,069	19,941,622
Derivative financial assets	31,005	45,516
Current tax assets	27,048	9,856
Insurance receivables	391,614	191,207
Other receivables, deposits and prepayments	182,153	151,396
Deferred acquisitions costs	136,789	123,661
Cash and cash equivalents	1,289,588	1,519,608
Total assets	23,915,066	23,643,487

ALLIANZ MALAYSIA BERHAD (197201000819)**Condensed consolidated statement of financial position
as at 31 March 2022 - unaudited (continued)**

	31 March 2022 RM'000	← Audited → 31 December 2021 RM'000
Equity		
Share capital:		
Ordinary Shares	236,005	234,573
Irredeemable Convertible Preference Shares ("ICPS")	535,024	536,456
Reserves	3,430,035	3,373,124
Total equity attributable to owners of the Company	4,201,064	4,144,153
Liabilities		
Insurance contract liabilities	18,010,476	17,648,547
Deferred tax liabilities	393,210	391,257
Derivative financial liabilities	595	1,641
Lease liabilities	21,904	24,788
Insurance payables	614,877	584,557
Other payables and accruals	662,929	834,973
Current tax liabilities	10,011	13,571
Total liabilities	19,714,002	19,499,334
Total equity and liabilities	23,915,066	23,643,487
Net asset per ordinary share (RM)	23.61	23.35
Diluted net asset per ordinary share (RM)	12.13	11.97

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 31 March 2022 - unaudited**

	Note (Part B)	Individual period Three months ended 31 March		Cumulative period Three months ended 31 March	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Operating revenue *		1,707,677	1,606,552	1,707,677	1,606,552
Gross earned premiums		1,499,160	1,411,382	1,499,160	1,411,382
Premiums ceded to reinsurers		(100,351)	(100,814)	(100,351)	(100,814)
Net earned premiums		1,398,809	1,310,568	1,398,809	1,310,568
Investment income	4	208,517	195,170	208,517	195,170
Realised gains and losses	5	18,863	49,270	18,863	49,270
Fair value gains and losses	6	(146,252)	(414,079)	(146,252)	(414,079)
Fee and commission income		9,056	9,078	9,056	9,078
Other operating income		14,097	13,834	14,097	13,834
Investment and other income		104,281	(146,727)	104,281	(146,727)
Gross benefits and claims paid		(716,021)	(492,471)	(716,021)	(492,471)
Claims ceded to reinsurers		86,518	33,974	86,518	33,974
Gross change in contract liabilities		(281,149)	(203,333)	(281,149)	(203,333)
Change in contract liabilities ceded to reinsurers		(42,606)	(54,441)	(42,606)	(54,441)
Net benefits and claims		(953,258)	(716,271)	(953,258)	(716,271)
Fee and commission expense		(211,069)	(204,566)	(211,069)	(204,566)
Management expenses		(167,918)	(164,712)	(167,918)	(164,712)
Interest expense		(170)	(318)	(170)	(318)
Other operating expenses		(18,875)	(10,594)	(18,875)	(10,594)
Other expenses		(398,032)	(380,190)	(398,032)	(380,190)
Profit before tax	7	151,800	67,380	151,800	67,380
Tax expense	8	(50,485)	(4,122)	(50,485)	(4,122)
Profit for the period		101,315	63,258	101,315	63,258
Profit for the period attributable to: Owners of the Company		101,315	63,258	101,315	63,258
Basic earnings per ordinary share (sen)	12(a)	56.99	35.74	56.99	35.74
Diluted earnings per ordinary share (sen)	12(b)	29.28	18.28	29.28	18.28

* 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 2022 - unaudited**

	Note (Part B)	Individual period Three months ended 31 March		Cumulative period Three months ended 31 March	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit for the period attributable to owners of the Company		101,315	63,258	101,315	63,258
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		(98,659)	(281,144)	(98,659)	(281,144)
- Net realised gains transferred to profit or loss		(12,823)	(14,145)	(12,823)	(14,145)
Losses on cash flow hedge		(6,587)	(9,003)	(6,587)	(9,003)
Tax effects thereon		17,569	39,293	17,569	39,293
Change in insurance contract liabilities of participating fund arising from net fair value change on:					
- AFS financial assets		54,387	174,332	54,387	174,332
- Cash flow hedge reserve		6,587	9,003	6,587	9,003
Tax effects thereon		(4,878)	(14,667)	(4,878)	(14,667)
Total other comprehensive loss for the period, net of tax	1.5	<u>(44,404)</u>	<u>(96,331)</u>	<u>(44,404)</u>	<u>(96,331)</u>
Total comprehensive income/(loss) for the period, net of tax		<u>56,911</u>	<u>(33,073)</u>	<u>56,911</u>	<u>(33,073)</u>
Total comprehensive income/(loss) for the period attributable to:					
Owners of the Company		<u>56,911</u>	<u>(33,073)</u>	<u>56,911</u>	<u>(33,073)</u>

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 2022 - 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	Total equity 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

ALLIANZ MALAYSIA BERHAD (197201000819)
Condensed consolidated statement of changes in equity for the period ended 31 March 2022 - 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 2022	234,573	536,456	43,175	3,653	1,241,518	2,084,778	4,144,153
Total other comprehensive loss for the period	-	-	-	(44,404)	-	-	(44,404)
(Loss)/Profit for the period	-	-	-	-	51,337	49,978	101,315
Total comprehensive (loss)/income for the period	-	-	-	(44,404)	51,337	49,978	56,911
Contributions by and distributions to owners of the Company							
Conversion of ICPS to ordinary shares	1,432	(1,432)	-	-	-	-	-
Total transactions with owners of the Company	1,432	(1,432)	-	-	-	-	-
At 31 March 2022	236,005	535,024	43,175	(40,751)	1,292,855	2,134,756	4,201,064

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.

The condensed consolidated statement of changes in equity should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2021.

**Condensed consolidated statement of cash flows
For the period ended 31 March 2022 - unaudited**

	Three months ended 31 March 2022 RM'000	Three months ended 31 March 2021 RM'000
Cash flows from operating activities		
Profit before tax	151,800	67,380
<i>Adjustments for:</i>		
Investment income	(208,517)	(195,170)
Interest income	(128)	(107)
Interest expense	170	318
Realised gains from financial assets recorded in profit or loss	(18,374)	(49,270)
Fair value losses on financial assets recorded in profit or loss	139,921	402,827
Purchases of financial assets	(1,300,879)	(1,926,711)
Maturity of financial assets	161,390	568,249
Proceeds from sale of financial assets	505,664	788,087
Decrease in loans and receivables	135,982	289,095
Unrealised foreign exchange gains	(2,306)	(4,462)
Depreciation of property, plant and equipment	3,487	3,135
Depreciation of right-of-use assets	4,567	4,588
Amortisation of intangible assets	5,734	5,537
Gain on disposal of property, plant and equipment	(489)	-
Impairment loss on AFS financial assets	6,331	11,252
Property, plant and equipment written off	664	-
Reversal of impairment loss on reinsurance asset	(459)	(3)
Insurance and other receivables:		
- Allowance for impairment loss	382	3,683
- Bad debts recovered	(12)	(3)
Changes in working capital:		
Decrease in reinsurance assets	13,047	15,780
Increase in insurance receivables	(200,774)	(115,693)
Decrease in other receivables, deposits and prepayments	(34,806)	(17,745)
Increase in deferred acquisition costs	(13,128)	(11,858)
Increase in insurance contract liabilities	418,025	283,770
Increase in insurance payables	30,320	56,731
Increase/(Decrease) in other payables and accruals	67,303	(40,432)
Cash (used in)/generated from operations	(135,085)	138,978

Condensed consolidated statement of cash flows
For the period ended 31 March 2022 - unaudited (continued)

	Three months ended 31 March 2022 RM'000	Three months ended 31 March 2021 RM'000
Cash flows from operating activities (continued)		
Dividends received	42,421	40,034
Interest income received	159,490	162,323
Interest paid on lease liabilities	(170)	(318)
Tax paid	(44,693)	(39,834)
Net cash generated from operating activities	21,963	301,183
Investing activities		
Proceeds from disposal of property, plant and equipment	19	425
Acquisition of property, plant and equipment	(4,193)	(4,833)
Acquisition of intangible assets	(3,296)	(1,872)
Modification/ termination of lease	-	(108)
Net cash used in investing activities	(7,470)	(6,388)
Financing activities		
Dividends paid	(239,347)	(220,440)
Repayment of lease liabilities	(5,166)	(4,439)
Net cash used in financing activities	(244,513)	(224,879)
Net (decrease)/increase in cash and cash equivalents	(230,020)	69,916
Cash and cash equivalents at 1 January	1,519,608	1,175,963
Cash and cash equivalents at 31 March	1,289,588	1,245,879
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions (with maturity less than three months)	1,174,328	1,168,286
Cash and bank balances	115,260	77,593
	1,289,588	1,245,879

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 2022 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 2021.

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 2021, except for the adoption of the following:

MFRSs/ Amendments/ Interpretation	Effective date
Amendment to MFRS 16, <i>COVID-19-Related Rent Concessions beyond 30 June 2021</i>	1 April 2021
Amendments to MFRS 116, <i>Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 3, <i>Reference to Conceptual Framework</i>	1 January 2022
Annual Improvements to MFRS 1, <i>Subsidiary as First-time Adopter</i>	1 January 2022
Annual Improvements to Illustrative Example accompanying MFRS 16 Leases: Lease Incentives	1 January 2022
Annual Improvements to MFRS 141, <i>Taxation in Fair Value Measurements</i>	1 January 2022
Annual Improvements to MFRS 9, <i>Fees in the '10 percent' test for Derecognition of Financial Liabilities</i>	1 January 2022
Amendments to MFRS 137, <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022

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 31 March 2022			
Investments	7,221,750	12,915,161	20,136,911
Malaysian government securities and government guaranteed bonds	5,227,498	5,233,474	10,460,972
Unquoted bonds of corporations	1,627,436	3,862,580	5,490,016
Quoted equity securities and unit trusts	-	3,057,469	3,057,469
Unquoted equity securities and unit trusts	-	761,638	761,638
Fixed and call deposits with licensed banks	366,816	-	366,816
Derivative financial assets	-	31,005	31,005
Other receivables and deposits	182,153	-	182,153
Cash and cash equivalents	1,289,588	-	1,289,588
	<u>8,693,491</u>	<u>12,946,166</u>	<u>21,639,657</u>

	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
Fair value as at 31 December 2021			
Investments	7,328,539	12,528,825	19,857,364
Malaysian government securities and government guaranteed bonds	5,217,534	5,059,284	10,276,818
Unquoted bonds of corporations	1,608,670	3,787,532	5,396,202
Quoted equity securities and unit trusts	-	2,934,460	2,934,460
Unquoted equity securities and unit trusts	-	747,549	747,549
Fixed and call deposits with licensed banks	502,335	-	502,335
Derivative financial assets	-	45,516	45,516
Other receivables and deposits	151,396	-	151,396
Cash and cash equivalents	1,519,608	-	1,519,608
	<u>8,999,543</u>	<u>12,574,341</u>	<u>21,573,884</u>

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

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

2. Statement of compliance (continued)

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

As at 31 March 2022	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	(114,958)	(117,731)	(232,689)
Unquoted bonds of corporations	(14,171)	(47,684)	(61,855)
Quoted equity securities and unit trusts	-	51,022	51,022
Unquoted equity securities and unit trusts	-	(1,003)	(1,003)
Structured deposits	-	-	-
Fixed and call deposits with licensed banks	-	-	-
Derivative financial assets	-	(13,467)	(13,467)
Other receivables and deposits	-	-	-
Cash and cash equivalents	-	-	-
	<u>(129,129)</u>	<u>(128,863)</u>	<u>(257,992)</u>

As at 31 March 2021	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	(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>

* 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 2022 *

	AAA RM'000	AA RM'000	A RM'000	BB 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	-	-	-	-	-	5,227,498	-	5,227,498
Unquoted bonds of corporations	852,235	767,364	-	11,097	-	3,968	-	1,634,664
Fixed and call deposits with licensed banks	36,370	268,878	-	-	-	-	61,568	366,816
Other receivables and deposits	-	-	-	-	-	164,765	17,388	182,153
Cash and cash equivalents	505,535	486,596	5,129	-	-	216	292,112	1,289,588
	<u>1,394,140</u>	<u>1,522,838</u>	<u>5,129</u>	<u>11,097</u>	<u>-</u>	<u>5,396,447</u>	<u>371,068</u>	<u>8,700,719</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 2021 *

	AAA RM'000	AA RM'000	A RM'000	BB 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	-	-	-	-	-	5,217,534	-	5,217,534
Unquoted bonds of corporations	850,169	745,436	-	11,097	-	9,315	-	1,616,017
Fixed and call deposits with licensed banks	86,053	349,103	-	-	-	-	67,179	502,335
Other receivables and deposits	-	-	-	-	-	142,199	9,197	151,396
Cash and cash equivalents	685,408	568,230	2,372	-	-	472	263,126	1,519,608
	<u>1,621,630</u>	<u>1,662,769</u>	<u>2,372</u>	<u>11,097</u>	<u>-</u>	<u>5,369,520</u>	<u>339,502</u>	<u>9,006,890</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 2021.

7. **Changes in group composition**

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

8. **Capital commitments**

Property, plant and equipment:
Contracted but not provided for

Software development:
Contracted but not provided for

Transactions value Three months ended 31 March	
2022	2021
RM'000	RM'000
6,455	4,381
4,885	2,446

9. **Related party transactions**

Significant related party transactions are as follows:

Related companies*
Payment of reinsurance premium ceded, net of commission income

Transactions value Three months ended 31 March	
2022	2021
RM'000	RM'000
(73,516)	(73,718)

* 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 its proposed decision ("Proposed Decision") that AGIC and all the other 21 general insurers who are PIAM members had infringed one of the prohibitions under Part II of the CA. The Proposed Decision included a proposed financial penalty of RM213,454,814 on all the 22 general insurers. AGIC, as one of the members of PIAM, had a share of RM27,480,883 of the proposed penalty.

Following the parties' submission of their respective written representations and the Hearing of the Oral Representations, on 25 September 2020, AGIC's solicitors received MyCC's Decision that parties had 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 had 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")

On 13 October 2020, AGIC filed a Notice of Appeal against the Decision ("Appeal") with the Competition Appeal Tribunal ("CAT") and a formal Notice of Application was filed in relation to the stay of the Decision on 12 November 2020 ("Stay Application:").

In response to AGIC's Notice of Appeal, MyCC filed a Statement in Reply ("SIR") and AGIC filed its Reply to the SIR on 11 December 2020.

Upon conclusion of the hearing of the respective parties' submissions, on 23 March 2021 CAT allowed the Stay Application, pending the disposal of the Appeal.

As for the appeal proceedings before CAT, MyCC as well as several other insurers have presented their oral submissions on hearing dates in March and April 2022. AGIC presented its submissions in reply on 21 April 2022 and 22 April 2022 whereupon all parties' submissions concluded. The CAT had thereafter indicated that their judgement would likely be delivered at the end of June 2022.

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. AGIC filed its Notice of Hearing of Application for Judicial Review at the High Court on 9 May 2021 and MyCC then filed an application against the orders granting AGIC leave to apply for judicial review and interim stay ("MyCC's Setting Aside Application").

On conclusion of the parties' submissions, the High Court decided on 20 October 2021 to allow MyCC's Setting Aside Application. On its solicitors' recommendation, AGIC filed a Notice of Appeal against the said decision on 18 November 2021. The matter is now fixed for further case management on 8 September 2022.

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 450,300 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 63.00 sen per ordinary share and a single tier interim dividend of 75.6 sen per ICPS for the financial year ended 31 December 2021 were paid on 18 February 2022 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 2022 - unaudited**

	Investment holding		General insurance		Life insurance		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment operating revenue	3,201	2,990	656,899	631,477	1,047,577	972,085	1,707,677	1,606,552
Inter-segment operating revenue	(39)	(156)	(1,013)	(4,166)	(200)	-	(1,252)	(4,322)
Segment results	(18,090)	(5,067)	102,225	92,621	67,665	(20,174)	151,800	67,380
Segment assets	496,284	443,943	7,535,320	7,010,690	15,883,462	14,251,427	23,915,066	21,706,060
Segment liabilities	87,309	53,522	5,039,226	4,542,651	14,587,467	13,111,454	19,714,002	17,707,627

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	
	2022	2021	Amount	%	2022	2021	Amount	%
Operating revenue	1,707.7	1,606.6	101.1	6.3%	1,707.7	1,606.6	101.1	6.3%
Profit before tax	151.8	67.4	84.4	>100%	151.8	67.4	84.4	>100%
Profit after tax	101.3	63.3	38.0	60.0%	101.3	63.3	38.0	60.0%
Profit for the period attributable to owners of the Company	101.3	63.3	38.0	60.0%	101.3	63.3	38.0	60.0%

RM'million	Individual Period				Cumulative period			
	Three months ended		Changes		Three months ended		Changes	
	2022	2021	Amount	%	2022	2021	Amount	%
Operating Revenue by segments								
General insurance	656.9	631.5	25.4	4.0%	656.9	631.5	25.4	4.0%
Gross earned premiums	610.4	585.8	24.6	4.2%	610.4	585.8	24.6	4.2%
Investment income	46.5	45.7	0.8	1.8%	46.5	45.7	0.8	1.8%
Life insurance	1,047.6	972.1	75.5	7.8%	1,047.6	972.1	75.5	7.8%
Gross earned premiums	888.8	825.6	63.2	7.7%	888.8	825.6	63.2	7.7%
Investment income	158.8	146.5	12.3	8.4%	158.8	146.5	12.3	8.4%
Investment holding								
Investment income	3.2	3.0	0.2	6.7%	3.2	3.0	0.2	6.7%
Total Operating Revenue	1,707.7	1,606.6	101.1	6.3%	1,707.7	1,606.6	101.1	6.3%

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	
	2022	2021	Amount	%	2022	2021	Amount	%
Profit Before Tax by segments								
General insurance	102.2	92.6	9.6	10.4%	102.2	92.6	9.6	10.4%
Life Insurance	67.7	(20.2)	87.9	>100%	67.7	(20.2)	87.9	>100%
Investment holding	(18.1)	(5.0)	(13.1)	(>100%)	(18.1)	(5.0)	(13.1)	(>100%)
Total Profit before tax	151.8	67.4	84.4	>100%	151.8	67.4	84.4	>100%
General Insurance								
Commission ratio	13.2%	12.4%	N/A	(0.8 pts)	13.2%	12.4%	N/A	(0.8 pts)
Claims ratio	57.6%	59.7%	N/A	2.1 pts	57.6%	59.7%	N/A	2.1 pts
Expense ratio	18.1%	18.4%	N/A	0.3 pts	18.1%	18.4%	N/A	0.3 pts
Combined ratio	88.9%	90.5%	N/A	1.6 pts	88.9%	90.5%	N/A	1.6 pts
Life Insurance								
Annualised new premium ("ANP")	147.1	171.3	(24.2)	(14.1%)	147.1	171.3	(24.2)	(14.1%)
Expense ratio	9.4%	10.0%	N/A	0.6 pts	9.4%	10.0%	N/A	0.6 pts
Block persistency ratio	87.3%	90.8%	N/A	(3.5 pts)	87.3%	90.8%	N/A	(3.5 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 2022 versus First Quarter 2021)

The Group recorded an operating revenue of RM1.71 billion for the financial period ended 31 March 2022, an increase of 6.3% or RM101.1 million as compared to the preceding financial period ended 31 March 2021 of RM1.61 billion due mainly to higher gross earned premiums and investment income by RM87.8 million and RM13.3 million respectively.

The general insurance segment recorded an operating revenue of RM656.9 million for the financial period ended 31 March 2022, an increase of 4.0% or RM25.4 million as compared to the preceding financial period ended 31 March 2021 of RM631.5 million due mainly to increase in gross earned premiums and investment income by RM24.6 million and RM0.8 million respectively.

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

The life insurance segment recorded an operating revenue of RM1.05 billion for the financial period ended 31 March 2022, an increase of 7.8% or RM75.5 million as compared to the preceding financial period ended 31 March 2021 of RM972.1 million due to increase in gross earned premiums and investment income by RM63.2 million and RM12.3 million respectively.

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

1.2 Profit before tax of the current quarter/year-to-date (YTD) against preceding year corresponding quarter/YTD (First Quarter 2022 versus First Quarter 2021)

The Group recorded a profit before tax of RM151.8 million for the three months ended 31 March 2022, an increase of more than 100% or RM84.4 million as compared to the preceding three months ended 31 March 2021 of RM67.4 million due mainly to profit contribution from both insurance segments.

The general insurance segment delivered a profit before tax of RM102.2 million for the three months ended 31 March 2022, an increase of 10.4% or RM9.6 million as compared to the preceding three months ended 31 March 2021 of RM92.6 million. The higher profit before tax was mainly driven by higher underwriting profit. Combined ratio improved by 1.6 percentage points as compared to the preceding year.

The life insurance segment recorded a higher profit before tax of RM67.7 million for the three months ended 31 March 2022, an increase of more than 100% or RM87.9 million as compared to a loss before tax of RM20.2 million for the preceding three months ended 31 March 2021 due mainly to lower fair value losses on investment and higher contribution from protection business.

The investment holding segment registered a loss before tax of RM18.1 million for the three months ended 31 March 2022 as compared to a loss before tax of RM5.0 million for the preceding three months ended 31 March 2021 due mainly to higher expenses.

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

1. Review of results (continued)

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

RM'million	Current Year	Immediate	Changes	
	Quarter 31 March 2022	Preceding Quarter 31 December 2021	Amount	%
Operating revenue	1,707.7	1,671.3	36.4	2.2%
Profit before tax	151.8	193.0	(41.2)	(21.3%)
Profit after tax	101.3	154.7	(53.4)	(34.5%)
Profit for the period attributable to owners of the Company	101.3	154.7	(53.4)	(34.5%)

1.3 Operating revenue of the current quarter against the preceding quarter (First Quarter 2022 versus Fourth Quarter 2021)

The Group recorded an operating revenue of RM1.71 billion for the quarter under review, an increase of 2.2% or RM36.4 million as compared to the preceding quarter ended 31 December 2021 of RM1.67 billion.

The general insurance segment recorded an operating revenue of RM656.9 million for the quarter under review, an increase of 1.6% or RM10.1 million as compared to the preceding quarter ended 31 December 2021 of RM646.8 million due mainly to higher gross earned premiums from motor and personal accident business in the current quarter.

The life insurance segment registered an operating revenue of RM1.05 billion for the quarter under review, an increase of 2.6% or RM26.3 million as compared to the preceding quarter ended 31 December 2021 of RM1.02 billion due mainly to higher gross earned premiums from employee benefits channel and higher investment income in the current quarter.

1.4 Profit before tax of the current quarter against the preceding quarter (First Quarter 2022 versus Fourth Quarter 2021)

The Group recorded a profit before tax of RM151.8 million for the quarter under review, a decrease of 21.3% or RM41.2 million as compared to the preceding quarter ended 31 December 2021 of RM193.0 million.

The profit before tax of general insurance segment for the quarter under review of RM102.2 million, a decrease of 10.7% or RM12.3 million as compared to the preceding quarter ended 31 December 2021 of RM114.5 million. The lower profit before tax was mainly contributed by higher claims.

The profit before tax of life insurance segment for the quarter under review of RM67.7 million, a decrease of 23.2% or RM20.4 million as compared to the preceding quarter ended 31 December 2021 of RM88.1 million due mainly to higher fair value losses on investments in the current quarter and actuarial surplus transfer in the fourth quarter of 2021.

The investment holding segment registered a loss before tax of RM18.1 million as compared to a loss before tax of RM9.6 million in the preceding quarter ended 31 December 2021 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 Three months ended 31 March		Cumulative period Three months ended 31 March	
	2022	2021	2022	2021
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	(98.7)	(281.1)	(98.7)	(281.1)
- Net realised gains transferred to profit or loss	(12.8)	(14.1)	(12.8)	(14.1)
Losses on cash flow hedge	(6.6)	(9.0)	(6.6)	(9.0)
Tax effects thereon	17.6	39.3	17.6	39.3
Change in insurance contract liabilities arising from net fair value change on:				
- AFS financial assets	54.4	174.3	54.4	174.3
- Cash flow hedge reserve	6.6	9.0	6.6	9.0
Tax effects thereon	(4.9)	(14.7)	(4.9)	(14.7)
Total other comprehensive loss for the period, net of tax	(44.4)	(96.3)	(44.4)	(96.3)

The Group recorded a total other comprehensive loss of RM44.4 million for the period ended 31 March 2022 as compared to the total other comprehensive loss of the preceding period ended 31 March 2021 of RM96.3 million due to lower 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	As at	Changes	
	31 March 2022	31 December 2021	Amount	%
Total assets	23,915.1	23,643.5	271.6	1.1%
Total liabilities	19,714.0	19,499.3	214.7	1.1%
Total equity	4,201.1	4,144.2	56.9	1.4%

Total assets

As at 31 March 2022, the Group's total assets increased by RM271.6 million to RM23.92 billion from RM23.64 billion as at 31 December 2021, 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 31 March 2022, the Group's total liabilities increased by RM214.7 million to RM19.71 billion from RM19.50 billion as at 31 December 2021 due mainly to increase in insurance contract liabilities from both insurance segments. The increase in insurance contract liabilities was in line with the Group's business growth.

Total equity

The Group's total equity as at 31 March 2022 increased by 1.4% or RM56.9 million to RM4.20 billion from RM4.14 billion as at 31 December 2021. This is mainly attributable to the net profit generated for the period ended 31 March 2022.

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

The Malaysian economy registered a positive growth of 5.0% in the first quarter of 2022 (4Q 2021: 3.6%). Growth was mainly supported by improving domestic demand as economic activity continued to normalise with the easing of containment measures. Overall economic growth is forecast to expand between 5.3% and 6.3% in 2022.

The general insurance segment recorded premium growth of 11.8% for the period ended 31 March 2022 which is higher than industry growth of 6.5% due to stronger growth in personal accident business. Meanwhile, the life insurance segment annualised new business decreased by 11.2% as compared to the industry growth of -15.7% for the period ended 31 March 2022.

The Group will continue with its strategic initiatives to strengthen its agency force and to invest in building scalable distribution capabilities. Products and services are continuously enhanced to meet the evolving needs of customers. The strong and diversified distribution and product mix have provided a solid base to deliver profitable business growth. The Group will also focus on accelerating digital capabilities to ensure scalability as the business grows and to enhance customer experience.

The Group remains cautious that by pursuing its strategic initiatives, the Group will strive to maintain profitability to its shareholders in 2022.

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	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Interest income	171,706	158,468	171,706	158,468
Dividend income	42,421	40,034	42,421	40,034
Accretion of discounts	874	1,233	874	1,233
Amortisation of premiums	(7,828)	(5,705)	(7,828)	(5,705)
Other income	1,344	1,140	1,344	1,140
	<u>208,517</u>	<u>195,170</u>	<u>208,517</u>	<u>195,170</u>

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

	Individual period Three months ended 31 March		Cumulative period Three months ended 31 March	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Property, plant and equipment				
Realised gains on disposal	491	-	491	-
Realised losses on disposal	(2)	-	(2)	-
Total net realised gains for property, plant and equipment	489	-	489	-
Financial assets				
Realised gains on disposal:				
Malaysian government securities	4	-	4	-
Malaysian government guaranteed bonds	300	5,426	300	5,426
Quoted equity securities of corporations in Malaysia	43,736	68,747	43,736	68,747
Quoted equity securities of corporations outside Malaysia	979	1,331	979	1,331
Quoted unit trusts in Malaysia	-	269	-	269
Unquoted unit trusts outside Malaysia	16	19	16	19
Unquoted bonds of corporations in Malaysia	1,729	157	1,729	157
Realised losses on disposal:				
Malaysian government securities	(2,506)	(13)	(2,506)	(13)
Malaysian government guaranteed bonds	-	(2,951)	-	(2,951)
Quoted equity securities of corporations in Malaysia	(24,112)	(23,031)	(24,112)	(23,031)
Quoted equity securities of corporations outside Malaysia	(45)	(671)	(45)	(671)
Quoted unit trusts in Malaysia	(601)	-	(601)	-
Unquoted unit trusts outside Malaysia	(65)	(13)	(65)	(13)
Unquoted bonds of corporations in Malaysia	(1,061)	-	(1,061)	-
Total net realised gains for financial assets	18,374	49,270	18,374	49,270
Total net realised gains	18,863	49,270	18,863	49,270

6. Fair value gains and losses

	Individual period Three months ended 31 March		Cumulative period Three months ended 31 March	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Financial instruments				
Held for trading financial assets	(67,576)	(235,109)	(67,576)	(235,109)
Designated upon initial recognition financial assets	(65,465)	(147,001)	(65,465)	(147,001)
Derivatives financial assets	(5,879)	(18,670)	(5,879)	(18,670)
Derivatives financial liabilities	(1,001)	(2,047)	(1,001)	(2,047)
Total fair value losses on financial instruments at Fair Value Through Profit or Loss	(139,921)	(402,827)	(139,921)	(402,827)
Impairment loss on AFS financial investments	(6,331)	(11,252)	(6,331)	(11,252)
Total net fair value losses	(146,252)	(414,079)	(146,252)	(414,079)

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 Three months ended 31 March		Cumulative period Three months ended 31 March	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Amortisation of intangible assets	5,734	5,537	5,734	5,537
Depreciation of property, plant and equipment	3,487	3,135	3,487	3,135
Depreciation of right-of-use assets	4,567	4,588	4,567	4,588
Insurance and other receivables:				
- Allowance for impairment loss	382	3,683	382	3,683
- Bad debts recovered	(12)	(3)	(12)	(3)
Interest expense	170	318	170	318
Interest income	(128)	(107)	(128)	(107)
Property, plant and equipment written off	664	-	664	-
Unrealised foreign exchange gains	(2,306)	(4,462)	(2,306)	(4,462)

Other than as disclosed in Notes 6 and 7, there are no exceptional items for the financial period ended 31 March 2022.

8. Tax expense

	Individual period Three months ended 31 March		Cumulative period Three months ended 31 March	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit before tax	151,800	67,380	151,800	67,380
Tax expense				
Income tax	23,941	37,338	23,941	37,338
Deferred tax	26,544	(33,216)	26,544	(33,216)
Total tax expense	50,485	4,122	50,485	4,122
Effective tax rate	33%	6%	33%	6%

The Group's consolidated effective tax rate for the financial period under review is higher than the statutory tax rate of 24% (2021: 24%) due mainly to following:

- Impact of Cukai Makmur for Year of Assessment 2022 (one-off tax of 33% that will be imposed on chargeable income in excess of RM100 million (2021:24%));
- 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;
- Effects of certain non-deductible expenses; and
- Recognition of deferred tax assets arising from the fair value loss of financial assets from life insurance segment in prior year.

9. Status of corporate proposal announced/implemented

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

10. Borrowings and debts securities

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

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

11. Changes in material litigation

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 was that the reinsurance continued to remain in force from 1 October 2011 and determined only on 30 September 2013. This was disputed by VSC who claimed 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.

Upon the conclusion of the arbitration proceedings, 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. 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").

On 3 September 2021, the Court of Appeal heard and dismissed AGIC's Appeal. On its solicitors' recommendation, AGIC filed a leave application to appeal to the Federal Court on 1 October 2021 which was heard and dismissed on 5 April 2022 thereby bringing the proceedings to an end.

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	
		2022	2021	2022	2021
Profit attributable to ordinary shareholders	(RM'000)	101,315	63,258	101,315	63,258
Weighted average number of ordinary shares in issue	('000)	177,780	176,977	177,780	176,977
Basic earnings per ordinary share	(sen)	56.99	35.74	56.99	35.74

(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	
		2022	2021	2022	2021
Profit attributable to ordinary shareholders	(RM'000)	101,315	63,258	101,315	63,258
Weighted average number of ordinary shares in issue	('000)	177,780	176,977	177,780	176,977
Effect of conversion of ICPS	('000)	168,247	169,037	168,247	169,037
Diluted weighted average number of ordinary shares during the year	('000)	346,027	346,014	346,027	346,014
Diluted earnings per ordinary share	(sen)	29.28	18.28	29.28	18.28

13. Dividend

The Board of Directors declared the following single tier interim dividend for the financial year ended 31 December 2021 which were paid on 18 February 2022 to the entitled shareholders and ICPS holders of the Company respectively whose names appeared on the Register of Members and/or Record of Depositors on 28 January 2022:

- (a) 63.0 sen per ordinary share; and
- (b) 75.6 sen per ICPS

No dividend has been proposed or declared for the first quarter of 2022 (2021: 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 2022

	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	-	-	26,538	26,538	-	-	-	-
Cross currency swap	-	-	98,740	98,740	-	-	3,216	3,216	-	-	595	595
Derivatives used for hedging												
Forward purchase agreements	10,000	-	-	10,000	1,251	-	-	1,251	-	-	-	-
Total	10,000	-	498,740	508,740	1,251	-	29,754	31,005	-	-	595	595

As at 31 December 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	-	-	35,642	35,642	-	-	-	-
Cross currency swap	-	-	98,740	98,740	-	-	2,037	2,037	-	-	1,641	1,641
Derivatives used for hedging												
Forward purchase agreements	60,000	-	-	60,000	7,837	-	-	7,837	-	-	-	-
Total	60,000	-	498,740	558,740	7,837	-	37,679	45,516	-	-	1,641	1,641

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

14. Derivatives Financial Instruments (continued)

As at 31 March 2022, 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 RM31,005,000 (2021: RM45,516,000). 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 RM21,930,000 (2021: 40,191,000) 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 2022					
Insurance receivables	1,364	3,441	2,764	4,171	11,740
31 December 2021					
Insurance receivables	3,853	3,354	3,954	3,690	14,851

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 2022 RM'000	31 December 2021 RM'000	31 March 2022 RM'000	31 December 2021 RM'000	31 March 2022 RM'000	31 December 2021 RM'000
At 1 January	56,377	55,865	2,575	2,578	1,538	742
Impairment loss recognised/(reversed)	378	739	(459)	(3)	-	796
Recovered/(Written off)	4	(227)	-	-	-	-
At 31 March/December	56,759	56,377	2,116	2,575	1,538	1,538

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 2021 was not qualified.

BY ORDER OF THE BOARD

Ng Siew Gek
Company Secretary

Kuala Lumpur
20 May 2022