

ALLIANZ MALAYSIA BERHAD (197201000819)

UNAUDITED QUARTERLY RESULTS
FOR THE PERIOD ENDED 30 JUNE 2022

ALLIANZ MALAYSIA BERHAD (197201000819)

**Condensed consolidated statement of financial position
as at 30 June 2022 - unaudited**

	30 June 2022 RM'000	← Audited → 31 December 2021 RM'000
Assets		
Property, plant and equipment	113,559	110,148
Right-of-use assets	35,982	41,530
Intangible assets	428,033	348,456
Deferred tax assets	44,721	34,404
Reinsurance assets	1,052,493	1,126,083
Investments	19,760,244	19,941,622
Derivative financial assets	17,186	45,516
Current tax assets	19,748	9,856
Insurance receivables	371,692	191,207
Other receivables, deposits and prepayments	153,019	151,396
Deferred acquisitions costs	135,299	123,661
Cash and cash equivalents	1,595,157	1,519,608
Total assets	23,727,133	23,643,487

ALLIANZ MALAYSIA BERHAD (197201000819)**Condensed consolidated statement of financial position
as at 30 June 2022 - unaudited (continued)**

	30 June 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	3,414,158	3,373,124
Total equity attributable to owners of the Company	4,185,187	4,144,153
Liabilities		
Insurance contract liabilities	17,851,502	17,648,547
Deferred tax liabilities	359,390	391,257
Derivative financial liabilities	3,161	1,641
Lease liabilities	17,841	24,788
Insurance payables	553,877	584,557
Other payables and accruals	743,974	834,973
Current tax liabilities	12,201	13,571
Total liabilities	19,541,946	19,499,334
Total equity and liabilities	23,727,133	23,643,487
Net asset per ordinary share (RM)	23.52	23.35
Diluted net asset per ordinary share (RM)	12.09	11.97

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

**Condensed consolidated statement of profit or loss
For the period ended 30 June 2022 - unaudited**

	Note (Part B)	Individual period Three months ended 30 June		Cumulative period Six months ended 30 June	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Operating revenue *		1,654,503	1,568,664	3,362,180	3,175,216
Gross earned premiums		1,460,060	1,386,687	2,959,220	2,798,069
Premiums ceded to reinsurers		(85,806)	(93,302)	(186,157)	(194,116)
Net earned premiums		1,374,254	1,293,385	2,773,063	2,603,953
Investment income	4	194,443	181,977	402,960	377,147
Realised gains and losses	5	19,254	(21,068)	38,117	28,202
Fair value gains and losses	6	(447,969)	48,621	(594,221)	(365,458)
Fee and commission income		10,268	11,814	19,324	20,892
Other operating income		29,087	8,542	43,184	22,376
Investment and other income		(194,917)	229,886	(90,636)	83,159
Gross benefits and claims paid		(766,722)	(595,327)	(1,482,743)	(1,087,798)
Claims ceded to reinsurers		30,562	41,159	117,080	75,133
Gross change in contract liabilities		88,064	(437,038)	(193,085)	(640,371)
Change in contract liabilities ceded to reinsurers		(54,487)	48,873	(97,093)	(5,568)
Net benefits and claims		(702,583)	(942,333)	(1,655,841)	(1,658,604)
Fee and commission expense		(197,713)	(200,720)	(408,782)	(405,286)
Management expenses		(140,288)	(162,631)	(308,206)	(327,343)
Interest expense		(144)	(285)	(314)	(603)
Other operating expenses		(19,968)	(11,023)	(38,843)	(21,617)
Other expenses		(358,113)	(374,659)	(756,145)	(754,849)
Profit before tax	7	118,641	206,279	270,441	273,659
Tax expense	8	(22,021)	(60,869)	(72,506)	(64,991)
Profit for the period		96,620	145,410	197,935	208,668
Profit for the period attributable to: Owners of the Company		96,620	145,410	197,935	208,668
Basic earnings per ordinary share (sen)	12(a)	36.16	82.17	93.12	117.79
Diluted earnings per ordinary share (sen)	12(b)	27.92	42.07	57.19	60.34

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

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

**Condensed consolidated statement of profit or loss and other comprehensive income
For the period ended 30 June 2022 - unaudited**

	Note (Part B)	Individual period Three months ended 30 June		Cumulative period Six months ended 30 June	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit for the period attributable to owners of the Company		96,620	145,410	197,935	208,668
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		(179,351)	61,989	(278,010)	(219,155)
- Net realised gains transferred to profit or loss		(8,280)	(5,767)	(21,103)	(19,912)
Losses on cash flow hedge		(1,251)	(1,288)	(7,838)	(10,291)
Tax effects thereon		24,230	(7,648)	41,799	31,645
Change in insurance contract liabilities of participating fund arising from net fair value change on:					
- AFS financial assets		121,501	(30,191)	175,888	144,141
- Cash flow hedge reserve		1,251	1,288	7,838	10,291
Tax effects thereon		(9,820)	2,312	(14,698)	(12,355)
Total other comprehensive (loss)/income for the period, net of tax	1.7	<u>(51,720)</u>	<u>20,695</u>	<u>(96,124)</u>	<u>(75,636)</u>
Total comprehensive income for the period, net of tax		<u>44,900</u>	<u>166,105</u>	<u>101,811</u>	<u>133,032</u>
Total comprehensive income for the period attributable to:					
Owners of the Company		<u>44,900</u>	<u>166,105</u>	<u>101,811</u>	<u>133,032</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 30 June 2022 - unaudited

	←————— Attributable to owners of the Company —————→						Total equity
	←————— Non-distributable —————→			—————→ Distributable			
	Ordinary shares	Irredeemable Convertible Preference Shares	Revaluation reserve	Fair value reserve	Retained earnings Life non-participating fund surplus ¹	Retained earnings	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	-	-	-	(75,636)	-	-	(75,636)
Profit for the period	-	-	-	-	64,316	144,352	208,668
Total comprehensive (loss)/income for the period	-	-	-	(75,636)	64,316	144,352	133,032
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 June 2021	234,573	536,456	38,565	59,130	1,201,636	2,094,178	4,164,538

ALLIANZ MALAYSIA BERHAD (197201000819)
Condensed consolidated statement of changes in equity for the period ended 30 June 2022 - unaudited (continued)

	←————— Attributable to owners of the Company —————→						Total equity
	←————— Non-distributable —————→			Distributable			
	Ordinary shares	Irredeemable Convertible Preference Shares	Revaluation reserve	Fair value reserve	Retained earnings Life non-participating fund surplus ¹	Retained earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 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	-	-	-	(96,124)	-	-	(96,124)
Profit for the period	-	-	-	-	73,831	124,104	197,935
Total comprehensive (loss)/income for the period	-	-	-	(96,124)	73,831	124,104	101,811
Contributions by and distributions to owners of the Company							
Conversion of ICPS to ordinary shares	1,432	(1,432)	-	-	-	-	-
Dividends to owners of the Company	-	-	-	-	-	(60,777)	(60,777)
Total transactions with owners of the Company	1,432	(1,432)	-	-	-	(60,777)	(60,777)
At 30 June 2022	236,005	535,024	43,175	(92,471)	1,315,349	2,148,105	4,185,187

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 30 June 2022 - unaudited

	Six months ended 30 June 2022 RM'000	Six months ended 30 June 2021 RM'000
Cash flows from operating activities		
Profit before tax	270,441	273,659
<i>Adjustments for:</i>		
Investment income	(402,960)	(377,147)
Interest income	(236)	(219)
Interest expense	314	603
Realised gains from financial assets recorded in profit or loss	(38,106)	(28,202)
Fair value losses on financial assets recorded in profit or loss	563,437	340,430
Purchases of financial assets	(2,528,221)	(3,234,463)
Maturity of financial assets	615,009	724,926
Proceeds from sale of financial assets	1,002,844	1,264,748
Decrease in loans and receivables	262,688	354,854
Unrealised foreign exchange gains	(18,144)	(4,360)
Depreciation of property, plant and equipment	7,501	6,596
Depreciation of right-of-use assets	9,049	9,180
Amortisation of intangible assets	12,553	11,483
Gain on disposal of property, plant and equipment	(11)	-
Impairment loss on AFS financial assets	30,784	25,028
Property, plant and equipment written off	266	-
Intangible assets written off	9,090	-
Reversal of impairment loss on reinsurance asset	(2,575)	-
Insurance and other receivables:		
- (Reversal of)/Allowance of impairment loss	(28,076)	5,960
- Bad debts recovered	(32)	(19)
Changes in working capital:		
Decrease/(Increase) in reinsurance assets	76,165	(39,330)
Increase in insurance receivables	(152,377)	(68,448)
Decrease/(Increase) in other receivables, deposits and prepayments	441	(5,242)
Increase in deferred acquisition costs	(11,638)	(3,435)
Increase in insurance contract liabilities	371,983	676,038
(Decrease)/Increase in insurance payables	(30,680)	30,944
Increase/(Decrease) in other payables and accruals	87,574	(34,771)
Cash generated/(used in) from operations	107,083	(71,187)

Condensed consolidated statement of cash flows
For the period ended 30 June 2022 - unaudited (continued)

	Six months ended	Six months ended
	30 June	30 June
	2022	2021
	RM'000	RM'000
Cash flows from operating activities (continued)		
Dividends received	65,723	64,329
Interest income received	349,394	332,292
Interest paid on lease liabilities	(314)	(603)
Tax paid	(84,156)	(76,405)
	<hr/>	<hr/>
Net cash generated from operating activities	437,730	248,426
	<hr/>	<hr/>
Investing activities		
Proceeds from disposal of property, plant and equipment	23	1,007
Acquisition of property, plant and equipment	(11,757)	(11,831)
Acquisition of intangible assets	(100,653)	(4,202)
Modification/ termination of lease	-	434
	<hr/>	<hr/>
Net cash used in investing activities	(112,387)	(14,592)
	<hr/>	<hr/>
Financing activities		
Dividends paid	(239,347)	(220,440)
Repayment of lease liabilities	(10,447)	(9,581)
	<hr/>	<hr/>
Net cash used in financing activities	(249,794)	(230,021)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	75,549	3,813
Cash and cash equivalents at 1 January	1,519,608	1,175,963
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	1,595,157	1,179,776
	<hr/>	<hr/>
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions (with maturity less than three months)	1,447,424	1,072,528
Cash and bank balances	147,733	107,248
	<hr/>	<hr/>
	1,595,157	1,179,776
	<hr/>	<hr/>

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

Part A: Explanatory notes to the condensed consolidated financial statements

1. Basis of preparation

These condensed consolidated interim financial statements ("the Report") of Allianz Malaysia Berhad ("AMB" or "the Company") and its subsidiaries (AMB and its subsidiaries are collectively referred to as "the Group") as at and for the financial period ended 30 June 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
Amendments to MFRS 137, <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to MFRS Standards 2018 - 2020	
- Illustrative Example accompanying MFRS 16 Leases: Lease Incentives	1 January 2022
- MFRS 141, <i>Taxation in Fair Value Measurements</i>	1 January 2022
- MFRS 9, <i>Fees in the '10 percent' test for Derecognition of Financial Liabilities</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 30 June 2022			
Investments	7,084,693	12,593,492	19,678,185
Malaysian government securities and government guaranteed bonds	5,143,523	5,151,730	10,295,253
Unquoted bonds of corporations	1,674,382	3,889,850	5,564,232
Quoted equity securities and unit trusts	-	2,816,469	2,816,469
Unquoted equity securities and unit trusts	-	735,443	735,443
Fixed and call deposits with licensed banks	266,788	-	266,788
Derivative financial assets	-	17,186	17,186
Other receivables and deposits	153,019	-	153,019
Cash and cash equivalents	1,595,157	-	1,595,157
	<u>8,832,869</u>	<u>12,610,678</u>	<u>21,443,547</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 30 June 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	(230,057)	(237,795)	(467,852)
Unquoted bonds of corporations	(37,253)	(125,007)	(162,260)
Quoted equity securities and unit trusts	-	(186,134)	(186,134)
Unquoted equity securities and unit trusts	-	(24,271)	(24,271)
Structured deposits	-	-	-
Fixed and call deposits with licensed banks	-	-	-
Derivative financial assets	-	(29,871)	(29,871)
Other receivables and deposits	-	-	-
Cash and cash equivalents	-	-	-
	(267,310)	(603,078)	(870,388)

As at 30 June 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	(186,286)	(173,426)	(359,712)
Unquoted bonds of corporations	(22,931)	(91,442)	(114,373)
Quoted equity securities and unit trusts	-	(76,717)	(76,717)
Unquoted equity securities and unit trusts	-	(10,759)	(10,759)
Structured deposits	-	722	722
Fixed and call deposits with licensed banks	-	-	-
Derivative financial assets	-	(28,950)	(28,950)
Other receivables and deposits	-	-	-
Cash and cash equivalents	-	-	-
	(209,217)	(380,572)	(589,789)

* 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 June 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	-	-	-	-	-	5,143,523	-	5,143,523
Unquoted bonds of corporations	912,272	748,401	-	11,097	-	9,959	-	1,681,729
Fixed and call deposits with licensed banks	60,818	163,757	-	-	-	-	42,213	266,788
Other receivables and deposits	-	-	-	-	-	135,631	17,388	153,019
Cash and cash equivalents	677,575	562,671	5,814	-	-	206	348,891	1,595,157
	<u>1,650,665</u>	<u>1,474,829</u>	<u>5,814</u>	<u>11,097</u>	<u>-</u>	<u>5,289,319</u>	<u>408,492</u>	<u>8,840,216</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

	Transactions value Six months ended 30 June	
	2022	2021
	RM'000	RM'000
Property, plant and equipment: Contracted but not provided for	4,993	3,321
Software development: Contracted but not provided for	3,092	1,801

9. Related party transactions

Significant related party transactions are as follows:

	Transactions value Six months ended 30 June	
	2022	2021
	RM'000	RM'000
Related companies* Payment of reinsurance premium ceded, net of commission income	(146,860)	(142,017)

* 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. CAT had then indicated that its judgement would likely be delivered at the end of June 2022. Despite CAT's earlier indication that its judgement may be delivered at the end of June 2022, to date its judgement has yet to be delivered.

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) 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.

(b) A single tier interim dividend of 16.00 sen per ordinary share and a single tier interim dividend of 19.2 sen per ICPS for the financial year ending 31 December 2022 were paid on 5 August 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 30 June 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	6,461	6,032	1,332,339	1,298,389	2,023,380	1,870,795	3,362,180	3,175,216
Inter-segment operating revenue	(70,761)	(199)	(6,323)	(5,339)	(200)	-	(77,284)	(5,538)
Segment results	(24,377)	(10,635)	218,856	207,613	75,962	76,681	270,441	273,659
Segment assets	626,702	435,139	7,402,367	7,099,136	15,698,064	14,757,178	23,727,133	22,291,453
Segment liabilities	217,848	48,831	4,944,484	4,525,701	14,379,614	13,552,383	19,541,946	18,126,915

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		Six months ended		Changes	
	2022	2021	Amount	%	2022	2021	Amount	%
	30 June				30 June			
Operating revenue	1,654.5	1,568.7	85.8	5.5%	3,362.2	3,175.2	187.0	5.9%
Profit before tax	118.6	206.3	(87.7)	(42.5%)	270.4	273.7	(3.3)	(1.2%)
Profit after tax	96.6	145.4	(48.8)	(33.6%)	197.9	208.7	(10.8)	(5.2%)
Profit for the period attributable to owners of the Company	96.6	145.4	(48.8)	(33.6%)	197.9	208.7	(10.8)	(5.2%)

RM'million	Individual Period				Cumulative period			
	Three months ended		Changes		Six months ended		Changes	
	2022	2021	Amount	%	2022	2021	Amount	%
	30 June				30 June			
Operating Revenue by segments								
General insurance	675.4	666.9	8.5	1.3%	1,332.3	1,298.4	33.9	2.6%
Gross earned premiums	628.4	622.2	6.2	1.0%	1,238.8	1,208.0	30.8	2.5%
Investment income	47.0	44.7	2.3	5.1%	93.5	90.4	3.1	3.4%
Life insurance	975.8	898.7	77.1	8.6%	2,023.4	1,870.8	152.6	8.2%
Gross earned premiums	831.6	764.5	67.1	8.8%	1,720.4	1,590.1	130.3	8.2%
Investment income	144.2	134.2	10.0	7.5%	303.0	280.7	22.3	7.9%
Investment holding								
Investment income	3.3	3.1	0.2	6.5%	6.5	6.0	0.5	8.3%
Total Operating Revenue	1,654.5	1,568.7	85.8	5.5%	3,362.2	3,175.2	187.0	5.9%

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 (Second Quarter 2022 versus Second Quarter 2021)

For the second quarter ended 30 June 2022, the Group recorded an operating revenue of RM1.65 billion, an increase of 5.5% or RM85.8 million as compared to the preceding year quarter ended 30 June 2021 of RM1.57 billion due mainly to higher gross earned premiums and investment income by RM73.3 million and RM12.5 million respectively.

For the quarter under review, the general insurance segment recorded an operating revenue of RM675.4 million, an increase of 1.3% or RM8.5 million as compared to the preceding year quarter ended 30 June 2021 of RM666.9 million due to increase in gross earned premiums and investment income by RM6.2 million and RM2.3 million respectively.

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

For the quarter under review, the life insurance segment registered an operating revenue of RM975.8 million, an increase of 8.6% or RM77.1 million as compared to the preceding year quarter ended 30 June 2021 of RM898.7 million due to increase in gross earned premiums and investment income by RM67.1 million and RM10.0 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 Operating revenue of the current year-to-date (YTD) against preceding YTD

The Group recorded an operating revenue of RM3.36 billion for the financial period ended 30 June 2022, an increase of 5.9% or RM187.0 million as compared to the preceding financial period ended 30 June 2021 of RM3.18 billion due mainly to higher gross earned premiums and investment income by RM161.1 million and RM25.9 million respectively.

The general insurance segment recorded an operating revenue of RM1.33 billion for the financial period ended 30 June 2022, an increase of 2.6% or RM33.9 million as compared to the preceding financial period ended 30 June 2021 of RM1.30 billion due mainly to increase in gross earned premiums and investment income by RM30.8 million and RM3.1 million respectively.

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

The life insurance segment recorded an operating revenue of RM2.02 billion for the financial period ended 30 June 2022, an increase of 8.2% or RM152.6 million as compared to the preceding financial period ended 30 June 2021 of RM1.87 billion due to increase in gross earned premiums and investment income by RM130.3 million and RM22.3 million respectively.

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

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (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 30 June		Changes		Cumulative period Six months ended 30 June		Changes	
	2022	2021	Amount	%	2022	2021	Amount	%
Profit Before Tax by segments								
General insurance	116.7	115.0	1.7	1.5%	218.9	207.6	11.3	5.4%
Life Insurance	8.3	96.9	(88.6)	(91.4%)	76.0	76.7	(0.7)	(0.9%)
Investment holding	(6.4)	(5.6)	(0.8)	14.3%	(24.5)	(10.6)	(13.9)	(>100%)
Total Profit before tax	118.6	206.3	(87.7)	(42.5%)	270.4	273.7	(3.3)	(1.2%)
General Insurance								
Commission ratio	11.9%	11.6%	N/A	(0.3 pts)	12.6%	12.0%	N/A	(0.6 pts)
Claims ratio	61.5%	58.1%	N/A	(3.4 pts)	59.6%	58.9%	N/A	(0.7 pts)
Expense ratio	11.5%	17.5%	N/A	6.0 pts	14.7%	18.0%	N/A	3.3 pts
Combined ratio	84.9%	87.2%	N/A	2.3 pts	86.9%	88.9%	N/A	2.0 pts
Life Insurance								
Annualised new premium ("ANP")	155.9	152.0	3.9	2.6%	303.0	323.3	(20.3)	(6.3%)
Expense ratio	10.1%	9.3%	N/A	(0.8 pts)	9.8%	9.6%	N/A	(0.2 pts)
Block persistency ratio	87.5%	90.5%	N/A	(3.0 pts)	87.4%	90.6%	N/A	(3.2 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 (Second Quarter 2022 versus Second Quarter 2021)

For the second quarter ended 30 June 2022, the Group recorded a profit before tax of RM118.6 million, a decrease of 42.5% or RM87.7 million as compared to the preceding year quarter ended 30 June 2021 of RM206.3 million.

For the quarter under review, the general insurance segment recorded a higher profit before tax of RM116.7 million, an increase of 1.5% or RM1.7 million as compared to a profit before tax of the preceding year quarter ended 30 June 2021 of RM115.0 million. The higher profit before tax was mainly contributed by higher underwriting profit and lower management expenses.

For the quarter under review, the life insurance segment recorded a lower profit before tax of RM8.3 million, a decrease of 91.4% or RM88.6 million as compared to a profit before tax of the preceding year quarter ended 30 June 2021 of RM96.9 million due mainly to higher claims and fair value losses on investment in current quarter.

For the quarter under review, the investment holding segment registered a loss before tax of RM6.4 million as compared to a loss before tax of the preceding year quarter ended 30 June 2021 of RM5.6 million due mainly to higher expenses in the current quarter.

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

The Group recorded a profit before tax of RM270.4 million for the six months ended 30 June 2022, a decrease of 1.2% or RM3.3 million as compared to the preceding six months ended 30 June 2021 of RM273.7 million due mainly to lower profit contribution from life insurance segment.

The general insurance segment delivered a profit before tax of RM218.9 million for the six months ended 30 June 2022, an increase of 5.4% or RM11.3 million as compared to the preceding six months ended 30 June 2021 of RM207.6 million. The higher profit before tax was mainly driven by higher underwriting profit and lower management expenses. Combined ratio improved by 2.0 percentage points compared to the preceding year corresponding quarter.

The life insurance segment recorded a lower profit before tax of RM76.0 million for the six months ended 30 June 2022, a decrease of 0.9% or RM0.7 million as compared to the preceding six months ended 30 June 2021 of RM76.7 million due mainly to higher fair value losses on investment arising from higher interest rate.

The investment holding segment registered a loss before tax of RM24.5 million for the six months ended 30 June 2022 as compared to a loss before tax of RM10.6 million for the preceding six months ended 30 June 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 30 June 2022	Preceding Quarter 31 March 2022	Amount	%
Operating revenue	1,654.5	1,707.7	(53.2)	(3.1%)
Profit before tax	118.6	151.8	(33.2)	(21.9%)
Profit after tax	96.6	101.3	(4.7)	(4.6%)
Profit for the period attributable to owners of the Company	96.6	101.3	(4.7)	(4.6%)

1.5 Operating revenue of the current quarter against the preceding quarter (Second Quarter 2022 versus First Quarter 2022)

The Group recorded an operating revenue of RM1.65 billion for the quarter under review, a decrease of 3.1% or RM53.2 million as compared to the preceding quarter ended 31 March 2022 of RM1.71 billion.

The general insurance segment recorded an operating revenue of RM675.4 million for the quarter under review, an increase of 2.8% or RM18.5 million as compared to the preceding quarter ended 31 March 2022 of RM656.9 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 RM975.8 million for the quarter under review, a decrease of 6.9% or RM71.8 million as compared to the preceding quarter ended 31 March 2022 of RM1.05 billion due mainly to lower gross earned premiums from agency and bancassurance channels in the current quarter.

1.6 Profit before tax of the current quarter against the preceding quarter (Second Quarter 2022 versus First Quarter 2022)

The Group recorded a profit before tax of RM118.6 million for the quarter under review, a decrease of 21.9% or RM33.2 million as compared to the preceding quarter ended 31 March 2022 of RM151.8 million.

The profit before tax of general insurance segment for the quarter under review of RM116.7 million, an increase of 14.2% or RM14.5 million as compared to the preceding quarter ended 31 March 2022 of RM102.2 million. The higher profit before tax was mainly contributed by higher underwriting profit.

The profit before tax of life insurance segment for the quarter under review of RM8.3 million, a decrease of 87.7% or RM59.4 million as compared to the preceding quarter ended 31 March 2022 of RM67.7 million due mainly to higher claims and fair value losses on investments in the current quarter.

The investment holding segment registered a loss before tax of RM6.4 million as compared to a loss before tax of RM18.1 million in the preceding quarter ended 31 March 2022 due to lower expenses in the current quarter.

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

1. Review of results (continued)

1.7 Review of other comprehensive income

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

RM'million	Individual period Three months ended 30 June		Cumulative period Six months ended 30 June	
	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)/gains arising during the period	(179.3)	62.0	(278.0)	(219.1)
- Net realised gains transferred to profit or loss	(8.3)	(5.8)	(21.1)	(19.9)
Losses on cash flow hedge	(1.3)	(1.3)	(7.8)	(10.3)
Tax effects thereon	24.2	(7.6)	41.8	31.6
Change in insurance contract liabilities arising from net fair value change on:				
- AFS financial assets	121.5	(30.2)	175.9	144.1
- Cash flow hedge reserve	1.3	1.3	7.8	10.3
Tax effects thereon	(9.8)	2.3	(14.7)	(12.3)
Total other comprehensive (loss)/income for the period, net of tax	(51.7)	20.7	(96.1)	(75.6)

The Group recorded a total other comprehensive loss of RM96.1 million for the period ended 30 June 2022, a decrease of RM20.5 million as compared to the total other comprehensive loss of the preceding period ended 30 June 2021 of RM75.6 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 June 2022	31 December 2021	Amount	%
Total assets	23,727.1	23,643.5	83.6	0.4%
Total liabilities	19,541.9	19,499.3	42.6	0.2%
Total equity	4,185.2	4,144.2	41.0	1.0%

Total assets

As at 30 June 2022, the Group's total assets increased by RM83.6 million to RM23.73 billion from RM23.64 billion as at 31 December 2021, mainly attributable to increase in intangible assets and insurance receivables for the financial period under review.

Total liabilities

As at 30 June 2022, the Group's total liabilities increased by RM42.6 million to RM19.54 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 30 June 2022 increased by 1.0% or RM41.0 million to RM4.19 billion from RM4.14 billion as at 31 December 2021. This is mainly attributable to the net profit generated for the period ended 30 June 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 stronger growth of 8.9% in the second quarter of 2022 (1Q 2022: 5.0%). While the Gross Domestic Product was lifted to some extent by the low base from the Full Movement Control Order in June 2021, growth in April and May 2022 was particularly robust. Overall economic growth is forecast to expand between 5.3% and 6.3% in 2022.

The general insurance segment recorded premium growth of 13.2% for the period ended 30 June 2022 which is higher than industry growth of 9.6% coming from both Motor and Non-Motor business. Meanwhile, the life insurance segment annualised new business decreased by 3.2% as compared to the industry growth of -7.0% for the period ended 30 June 2022.

The second half of 2022 will likely be challenging for both the general and life insurance segments with the ongoing global uncertainties that pose challenges to Malaysia's economic outlook including supply chain disruptions, higher inflation and lower real disposable income. The higher inflation may impact claim costs while lower disposable income may impact consumers' purchasing power and spending on longer-term commitments such as insurance products.

To remain competitive, the Group will continue to execute its strategic initiatives of expanding its distribution channel. On 29 June 2022, the Group renewed its strategic partnership with HSBC Bank Malaysia Berhad ("the Bank") in an exclusive tie-up that extends to year 2036. The Bank will distribute Allianz insurance products in areas of protection, education, retirement, wealth, and legacy needs. The Group continues to make investment in talent, digital and distribution channels and execute its strategic initiatives. The Group will also focus on accelerating digital capabilities to ensure scalability as the business grows and to create timely customer focused solutions.

The Group is committed to generating shareholders value. The solid foundation of the Group from its diverse business and strong execution of its strategic initiatives will position the Group to deliver sustainable profitable growth.

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		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Interest income	176,890	162,077	348,596	320,545
Dividend income	23,302	24,295	65,723	64,329
Accretion of discounts	905	916	1,779	2,149
Amortisation of premiums	(7,954)	(6,493)	(15,782)	(12,198)
Other income	1,300	1,182	2,644	2,322
	<u>194,443</u>	<u>181,977</u>	<u>402,960</u>	<u>377,147</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		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
Realised gains on disposal	(476)	-	15	-
Realised losses on disposal	(2)	-	(4)	-
Total net realised (losses)/gains for property, plant and equipment	(478)	-	11	-
Financial assets				
Realised gains on disposal:				
Malaysian government securities	-	1,083	4	1,070
Malaysian government guaranteed bonds	44	978	344	6,404
Quoted equity securities of corporations in Malaysia	36,676	18,762	80,412	87,509
Quoted equity securities of corporations outside Malaysia	9,819	6,487	10,798	7,818
Quoted unit trusts in Malaysia	44	195	44	464
Unquoted unit trusts outside Malaysia	25	7	41	26
Unquoted bonds of corporations in Malaysia	(338)	773	1,391	930
Quoted bonds of corporations in Malaysia	364	-	364	-
Realised losses on disposal:				
Malaysian government securities	(5,300)	-	(7,806)	-
Malaysian government guaranteed bonds	(441)	(1,770)	(441)	(4,721)
Quoted equity securities of corporations in Malaysia	(17,167)	(45,937)	(41,279)	(68,968)
Quoted equity securities of corporations outside Malaysia	(4,357)	(1,643)	(4,402)	(2,314)
Quoted unit trusts in Malaysia	601	(2)	-	(2)
Unquoted unit trusts outside Malaysia	(239)	(1)	(304)	(14)
Unquoted bonds of corporations in Malaysia	1	-	(1,060)	-
Total net realised gains/(losses) for financial assets	19,732	(21,068)	38,106	28,202
Total net realised gains/(losses)	19,254	(21,068)	38,117	28,202

6. Fair value gains and losses

	Individual period		Cumulative period	
	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Financial instruments				
Held for trading financial assets	(322,881)	23,838	(390,457)	(211,271)
Designated upon initial recognition financial assets	(85,482)	36,500	(150,947)	(110,501)
Derivatives financial assets	(13,446)	1,490	(19,325)	(17,180)
Derivatives financial liabilities	(1,707)	569	(2,708)	(1,478)
Total fair value (losses)/gains on financial instruments at Fair Value Through Profit or Loss	(423,516)	62,397	(563,437)	(340,430)
Impairment loss on AFS financial investments	(24,453)	(13,776)	(30,784)	(25,028)
Total net fair value (losses)/gains	(447,969)	48,621	(594,221)	(365,458)

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		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	6,819	5,946	12,553	11,483
Depreciation of property, plant and equipment	4,014	3,461	7,501	6,596
Depreciation of right-of-use assets	4,482	4,592	9,049	9,180
Insurance and other receivables:				
- (Reversal of)/Allowance of impairment loss	(28,458)	2,277	(28,076)	5,960
- Bad debts recovered	(20)	(16)	(32)	(19)
Interest expense	144	285	314	603
Interest income	(108)	(112)	(236)	(219)
Property, plant and equipment written off	(398)	-	266	-
Intangible assets written off	9,090	-	9,090	-
Unrealised foreign exchange (gains)/losses	(15,838)	102	(18,144)	(4,360)

Other than as disclosed in Notes 6 and 7, there are no exceptional items for the financial period ended 30 June 2022.

8. Tax expense

	Individual period		Cumulative period	
	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Profit before tax	118,641	206,279	270,441	273,659
Tax expense				
Income tax	48,953	44,868	72,894	82,206
Deferred tax	(26,932)	16,001	(388)	(17,215)
Total tax expense	22,021	60,869	72,506	64,991
Effective tax rate	19%	30%	27%	24%

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%));
- Recognition of deferred tax assets arising from the fair value loss of financial assets from life insurance segment;
- 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

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		Six months ended	
		30 June		30 June	
		2022	2021	2022	2021
Profit attributable to ordinary shareholders	(RM'000)	96,620	145,410	197,935	208,668
Adjustment:					
- Preference dividends declared		(32,303)	-	(32,303)	-
Adjusted profit attributable to ordinary shareholders		64,317	145,410	165,632	208,668
Weighted average number of ordinary shares in issue	('000)	177,865	176,966	177,865	177,147
Basic earnings per ordinary share	(sen)	36.16	82.17	93.12	117.79

(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		Six months ended	
		30 June		30 June	
		2022	2021	2022	2021
Profit attributable to ordinary shareholders	(RM'000)	96,620	145,410	197,935	208,668
Weighted average number of ordinary shares in issue	('000)	177,865	176,966	177,865	177,147
Effect of conversion of ICPS	('000)	168,247	168,697	168,247	168,697
Diluted weighted average number of ordinary shares during the year	('000)	346,112	345,663	346,112	345,844
Diluted earnings per ordinary share	(sen)	27.92	42.07	57.19	60.34

13. Dividend

The Board of Directors declared the following single tier interim dividend for the financial year ending 31 December 2022 which were paid on 5 August 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 19 July 2022:

- (a) 16.0 sen per ordinary share; and
- (b) 19.2 sen per ICPS

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 June 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	-	-	16,676	16,676	-	-	-	-
Cross currency swap	-	8,037	90,703	98,740	-	510	-	510	-	-	3,161	3,161
Derivatives used for hedging												
Forward purchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	8,037	490,703	498,740	-	510	16,676	17,186	-	-	3,161	3,161
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 30 June 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 RM17,186,000 (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 RM11,109,000 (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
30 June 2022					
Insurance receivables	40,822	2,886	4,036	6,251	53,995
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	
	30 June 2022 RM'000	31 December 2021 RM'000	30 June 2022 RM'000	31 December 2021 RM'000	30 June 2022 RM'000	31 December 2021 RM'000
At 1 January	56,377	55,865	2,575	2,578	1,538	742
Impairment loss (reversed)/recognised	(28,080)	739	(2,575)	(3)	-	796
Recovered/(Written off)	4	(227)	-	-	-	-
At 30 June/31 December	28,301	56,377	-	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
24 August 2022