

ALLIANZ MALAYSIA BERHAD (197201000819)

UNAUDITED QUARTERLY RESULTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022

ALLIANZ MALAYSIA BERHAD (197201000819)

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

	30 September 2022 RM'000	← Audited → 31 December 2021 RM'000
Assets		
Property, plant and equipment	112,403	110,148
Right-of-use assets	40,136	41,530
Intangible assets	425,258	348,456
Deferred tax assets	55,682	34,404
Reinsurance assets	986,802	1,126,083
Investments	19,781,722	19,941,622
Derivative financial assets	13,834	45,516
Current tax assets	17,265	9,856
Insurance receivables	315,548	191,207
Other receivables, deposits and prepayments	154,285	151,396
Deferred acquisitions costs	133,247	123,661
Cash and cash equivalents	1,801,234	1,519,608
Total assets	23,837,416	23,643,487

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

	30 September 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	3,510,094	3,373,124
Total equity attributable to owners of the Company	4,281,123	4,144,153
Liabilities		
Insurance contract liabilities	18,039,444	17,648,547
Deferred tax liabilities	364,659	391,257
Derivative financial liabilities	4,444	1,641
Lease liabilities	23,721	24,788
Insurance payables	547,868	584,557
Other payables and accruals	573,266	834,973
Current tax liabilities	2,891	13,571
Total liabilities	19,556,293	19,499,334
Total equity and liabilities	23,837,416	23,643,487
Net asset per ordinary share (RM)	24.06	23.35
Diluted net asset per ordinary share (RM)	12.37	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 September 2022 - unaudited**

	Note (Part B)	Individual period Three months ended 30 September		Cumulative period Nine months ended 30 September	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Operating revenue *		1,706,909	1,584,546	5,069,089	4,759,762
Gross earned premiums		1,486,677	1,391,182	4,445,897	4,189,251
Premiums ceded to reinsurers		(80,120)	(106,392)	(266,277)	(300,508)
Net earned premiums		1,406,557	1,284,790	4,179,620	3,888,743
Investment income	4	220,232	193,364	623,192	570,511
Realised gains and losses	5	12,891	(22,051)	51,008	6,151
Fair value gains and losses	6	(114,422)	28,580	(708,643)	(336,878)
Fee and commission income		8,045	12,576	27,369	33,468
Other operating income		32,820	10,938	76,004	33,314
Investment and other income		159,566	223,407	68,930	306,566
Gross benefits and claims paid		(851,105)	(592,487)	(2,333,848)	(1,680,285)
Claims ceded to reinsurers		95,577	52,256	212,657	127,389
Gross change in contract liabilities		(179,912)	(407,901)	(372,997)	(1,048,272)
Change in contract liabilities ceded to reinsurers		(49,487)	(13,224)	(146,580)	(18,792)
Net benefits and claims		(984,927)	(961,356)	(2,640,768)	(2,619,960)
Fee and commission expense		(208,029)	(208,996)	(616,811)	(614,282)
Management expenses		(188,810)	(165,644)	(497,016)	(492,987)
Interest expense		(335)	(181)	(649)	(784)
Other operating expenses		(17,519)	(13,118)	(56,362)	(34,735)
Other expenses		(414,693)	(387,939)	(1,170,838)	(1,142,788)
Profit before tax	7	166,503	158,902	436,944	432,561
Tax expense	8	(57,945)	(43,747)	(130,451)	(108,738)
Profit for the period		108,558	115,155	306,493	323,823
Profit for the period attributable to: Owners of the Company		108,558	115,155	306,493	323,823
Basic earnings per ordinary share (sen)	12(a)	61.02	64.96	154.13	182.68
Diluted earnings per ordinary share (sen)	12(b)	31.36	33.29	88.55	93.60

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

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

ALLIANZ MALAYSIA BERHAD (197201000819)
**Condensed consolidated statement of profit or loss and other comprehensive income
For the period ended 30 September 2022 - unaudited**

	Note (Part B)	Individual period Three months ended 30 September		Cumulative period Nine months ended 30 September	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit for the period attributable to owners of the Company		108,558	115,155	306,493	323,823
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		(34,608)	(15,233)	(312,618)	(234,388)
- Net realised gains transferred to profit or loss		(6,658)	(14,572)	(27,761)	(34,484)
Gains/(Losses) on cash flow hedge		-	910	(7,838)	(9,381)
Tax effects thereon		5,703	7,003	47,502	38,648
Change in insurance contract liabilities of participating fund arising from net fair value change on:					
- AFS financial assets		24,936	(6,832)	200,824	137,309
- Cash flow hedge reserve		-	(910)	7,838	9,381
Tax effects thereon		(1,995)	620	(16,693)	(11,735)
Items that will not be reclassified subsequently to profit or loss					
Revaluation of property, plant and equipment and right-of-use assets		-	5,742	-	5,742
Tax effects thereon		-	(1,244)	-	(1,244)
Total other comprehensive loss for the period, net of tax	1.7	(12,622)	(24,516)	(108,746)	(100,152)
Total comprehensive income for the period, net of tax		95,936	90,639	197,747	223,671
Total comprehensive income for the period attributable to:					
Owners of the Company		95,936	90,639	197,747	223,671

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

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

	←————— Attributable to owners of the Company —————→						Total equity RM'000
	←————— Non-distributable —————→			Distributable			
	Ordinary shares RM'000	Irredeemable Convertible Preference Shares RM'000	Revaluation reserve RM'000	Fair value reserve RM'000	Retained earnings Life non- participating fund surplus ¹ RM'000	Retained earnings RM'000	
At 1 January 2021	232,601	538,428	38,565	134,766	1,137,320	1,949,826	4,031,506
Fair value of AFS financial assets	-	-	-	(104,650)	-	-	(104,650)
Revaluation of property, plant and equipment and right-of-use assets	-	-	4,498	-	-	-	4,498
Total other comprehensive income/(loss) for the period	-	-	4,498	(104,650)	-	-	(100,152)
Profit for the period	-	-	-	-	105,144	218,679	323,823
Total comprehensive income/(loss) for the period	-	-	4,498	(104,650)	105,144	218,679	223,671
Contributions by and distributions to owners of the Company							
Conversion of ICPS to ordinary shares	1,972	(1,972)	-	-	-	-	-
Total transactions with owners of the Company	1,972	(1,972)	-	-	-	-	-
At 30 September 2021	234,573	536,456	43,063	30,116	1,242,464	2,168,505	4,255,177

ALLIANZ MALAYSIA BERHAD (197201000819)
Condensed consolidated statement of changes in equity for the period ended 30 September 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	-	-	-	(108,746)	-	-	(108,746)
Profit for the period	-	-	-	-	121,446	185,047	306,493
Total comprehensive (loss)/income for the period	-	-	-	(108,746)	121,446	185,047	197,747
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 September 2022	236,005	535,024	43,175	(105,093)	1,362,964	2,209,048	4,281,123

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 September 2022 - unaudited**

	Nine months ended 30 September 2022 RM'000	Nine months ended 30 September 2021 RM'000
Cash flows from operating activities		
Profit before tax	436,944	432,561
<i>Adjustments for:</i>		
Investment income	(623,192)	(570,511)
Interest income	(407)	(305)
Interest expense	649	784
Realised gains from financial assets recorded in profit or loss	(50,995)	(6,150)
Fair value losses on financial assets recorded in profit or loss	668,894	302,884
Purchases of financial assets	(3,477,836)	(4,829,890)
Maturity of financial assets	900,070	1,118,913
Proceeds from sale of financial assets	1,428,396	1,776,885
Decrease in loans and receivables	380,226	375,812
Unrealised foreign exchange gains	(39,296)	(5,125)
Depreciation of property, plant and equipment	11,522	10,504
Depreciation of right-of-use assets	15,861	13,999
Amortisation of intangible assets	19,462	17,769
Gain on disposal of property, plant and equipment	(13)	(1)
Impairment loss on AFS financial assets	39,749	33,994
Property, plant and equipment written off	267	-
Intangible assets written off	9,087	-
Reversal of impairment loss on reinsurance asset	(2,575)	(3)
Insurance and other receivables:		
- (Reversal of)/Allowance for impairment loss	(20,836)	8,971
- Bad debts recovered	(47)	(19)
Changes in working capital:		
Decrease/(Increase) in reinsurance assets	141,856	(18,654)
Increase in insurance receivables	(103,458)	(79,138)
Increase in other receivables, deposits and prepayments	(6,324)	(5,749)
Increase in deferred acquisition costs	(9,586)	(4,160)
Increase in insurance contract liabilities	582,866	1,114,753
(Decrease)/Increase in insurance payables	(36,689)	51,656
(Decrease)/Increase in other payables and accruals	(22,355)	23,586
Cash generated/(used in) from operations	242,240	(236,634)

ALLIANZ MALAYSIA BERHAD (197201000819)

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

	Nine months ended 30 September 2022 RM'000	Nine months ended 30 September 2021 RM'000
Cash flows from operating activities (continued)		
Dividends received	107,337	94,975
Interest income received	516,654	490,437
Interest paid on lease liabilities	(649)	(784)
Tax paid	(148,916)	(112,084)
Net cash generated from operating activities	716,666	235,910
Investing activities		
Proceeds from disposal of property, plant and equipment	25	1,453
Acquisition of property, plant and equipment	(14,747)	(16,759)
Acquisition of intangible assets	(104,660)	(6,183)
Net cash used in investing activities	(119,382)	(21,489)
Financing activities		
Dividends paid	(300,124)	(220,440)
Repayment of lease liabilities	(15,534)	(13,771)
Net cash used in financing activities	(315,658)	(234,211)
Net increase/(decrease) in cash and cash equivalents	281,626	(19,790)
Cash and cash equivalents at 1 January	1,519,608	1,175,963
Cash and cash equivalents at 30 September	1,801,234	1,156,173
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions (with maturity three months or less)	1,649,862	1,029,656
Cash and bank balances	151,372	126,517
	1,801,234	1,156,173

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

Part A: Explanatory notes to the condensed consolidated financial statements

1. Basis of preparation

These condensed consolidated interim financial statements ("the Report") of Allianz Malaysia Berhad ("AMB" or "the Company") and its subsidiaries (AMB and its subsidiaries are collectively referred to as "the Group") as at and for the financial period ended 30 September 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 period. 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 September 2022			
Investments	6,893,990	12,807,435	19,701,425
Malaysian government securities and government guaranteed bonds	5,058,806	5,343,365	10,402,171
Unquoted bonds of corporations	1,701,293	4,001,510	5,702,803
Quoted equity securities and unit trusts	-	2,703,722	2,703,722
Unquoted equity securities and unit trusts	-	758,838	758,838
Fixed and call deposits with licensed banks	133,891	-	133,891
Derivative financial assets	-	13,834	13,834
Other receivables and deposits	154,285	-	154,285
Cash and cash equivalents	1,801,234	-	1,801,234
	<u>8,849,509</u>	<u>12,821,269</u>	<u>21,670,778</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)

	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
As at 30 September 2022			
Changes in fair value during the period			
Investments			
Malaysian government securities and government guaranteed bonds	(261,005)	(273,529)	(534,534)
Unquoted bonds of corporations	(40,914)	(142,984)	(183,898)
Quoted equity securities and unit trusts	-	(213,450)	(213,450)
Unquoted equity securities and unit trusts	-	(49,968)	(49,968)
Structured deposits	-	-	-
Fixed and call deposits with licensed banks	-	-	-
Derivative financial assets	-	(35,260)	(35,260)
Other receivables and deposits	-	-	-
Cash and cash equivalents	-	-	-
	<u>(301,919)</u>	<u>(715,191)</u>	<u>(1,017,110)</u>

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

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

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

2. Statement of compliance (continued)

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

Financial assets with SPPI cash flows at 30 September 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	-	-	-	-	-	5,058,806	-	5,058,806
Unquoted bonds of corporations	933,836	763,586	-	11,097	-	-	-	1,708,519
Fixed and call deposits with licensed banks	39,650	93,508	-	-	-	-	733	133,891
Other receivables and deposits	-	-	-	-	-	142,106	12,179	154,285
Cash and cash equivalents	758,067	526,921	5,484	-	-	172	510,590	1,801,234
	<u>1,731,553</u>	<u>1,384,015</u>	<u>5,484</u>	<u>11,097</u>	<u>-</u>	<u>5,201,084</u>	<u>523,502</u>	<u>8,856,735</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 period 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 Nine months ended 30 September	
	2022	2021
	RM'000	RM'000
Property, plant and equipment: Contracted but not provided for	7,073	3,209
Software development: Contracted but not provided for	3,636	2,492

9. Related party transactions

Significant related party transactions are as follows:

	Transactions value Nine months ended 30 September	
	2022	2021
	RM'000	RM'000
Related companies* Payment of reinsurance premium ceded, net of commission income	(193,945)	(203,166)

* 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.

On 2 September 2022, the CAT unanimously allowed AGIC's appeal along with the appeals of PIAM and the other 21 general insurers ("CAT's Decision") thereby setting aside MyCC's Decision.

This matter will be kept in view in the event of any appeal by MyCC against CAT's decision.

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 was then fixed for further case management on 8 September 2022.

In light of the CAT's Decision, AGIC through its solicitors have filed the necessary cause papers to withdraw MyCC's Setting Aside Application since the same has been superseded by the CAT's Decision, thereby vacating the 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.

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

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.

14. Operating segments

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

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

Information about reportable segments
For the period ended 30 September 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	9,451	9,095	2,041,428	1,948,601	3,018,210	2,802,066	5,069,089	4,759,762
Inter-segment operating revenue	(70,789)	(318)	(7,063)	(8,534)	(200)	-	(78,052)	(8,852)
Segment results	(37,022)	(22,552)	331,594	322,695	142,372	132,418	436,944	432,561
Segment assets	455,369	426,766	7,401,146	7,218,362	15,980,901	15,267,565	23,837,416	22,912,693
Segment liabilities	59,023	54,485	4,882,432	4,581,107	14,614,838	14,021,924	19,556,293	18,657,516

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		Nine months ended		Changes	
	2022	2021	Amount	%	2022	2021	Amount	%
	30 September				30 September			
Operating revenue	1,706.9	1,584.5	122.4	7.7%	5,069.1	4,759.8	309.3	6.5%
Profit before tax	166.5	158.9	7.6	4.8%	436.9	432.6	4.3	1.0%
Profit after tax	108.6	115.2	(6.6)	(5.7%)	306.5	323.8	(17.3)	(5.3%)
Profit for the period attributable to owners of the Company	108.6	115.2	(6.6)	(5.7%)	306.5	323.8	(17.3)	(5.3%)

RM'million	Individual Period				Cumulative period			
	Three months ended		Changes		Nine months ended		Changes	
	2022	2021	Amount	%	2022	2021	Amount	%
	30 September				30 September			
Operating Revenue by segments								
General insurance	709.1	650.2	58.9	9.1%	2,041.4	1,948.6	92.8	4.8%
Gross earned premiums	659.2	604.3	54.9	9.1%	1,898.0	1,812.3	85.7	4.7%
Investment income	49.9	45.9	4.0	8.7%	143.4	136.3	7.1	5.2%
Life insurance	994.8	931.3	63.5	6.8%	3,018.2	2,802.1	216.1	7.7%
Gross earned premiums	827.5	786.9	40.6	5.2%	2,547.9	2,377.0	170.9	7.2%
Investment income	167.3	144.4	22.9	15.9%	470.3	425.1	45.2	10.6%
Investment holding								
Investment income	3.0	3.0	-	-	9.5	9.1	0.4	4.4%
Total Operating Revenue	1,706.9	1,584.5	122.4	7.7%	5,069.1	4,759.8	309.3	6.5%

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

1. Review of results (continued)

1.1 Operating revenue of the current year quarter against preceding year corresponding quarter (Third Quarter 2022 versus Third Quarter 2021)

For the third quarter ended 30 September 2022, the Group recorded an operating revenue of RM1.71 billion, an increase of 7.7% or RM122.4 million as compared to the preceding year quarter ended 30 September 2021 of RM1.58 billion due mainly to higher gross earned premiums and investment income by RM95.5 million and RM26.9 million respectively.

For the quarter under review, the general insurance segment recorded an operating revenue of RM709.1 million, an increase of 9.1% or RM58.9 million as compared to the preceding year quarter ended 30 September 2021 of RM650.2 million due to increase in gross earned premiums and investment income by RM54.9 million and RM4.0 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 RM994.8 million, an increase of 6.8% or RM63.5 million as compared to the preceding year quarter ended 30 September 2021 of RM931.3 million due to increase in gross earned premiums and investment income by RM40.6 million and RM22.9 million respectively.

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

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

The Group recorded an operating revenue of RM5.07 billion for the financial period ended 30 September 2022, an increase of 6.5% or RM309.3 million as compared to the preceding financial period ended 30 September 2021 of RM4.76 billion due mainly to higher gross earned premiums and investment income by RM256.6 million and RM52.7 million respectively.

The general insurance segment recorded an operating revenue of RM2.04 billion for the financial period ended 30 September 2022, an increase of 4.8% or RM92.8 million as compared to the preceding financial period ended 30 September 2021 of RM1.95 billion due mainly to increase in gross earned premiums and investment income by RM85.7 million and RM7.1 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 RM3.02 billion for the financial period ended 30 September 2022, an increase of 7.7% or RM216.1 million as compared to the preceding financial period ended 30 September 2021 of RM2.80 billion due to increase in gross earned premiums and investment income by RM170.9 million and RM45.2 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 September		Changes		Cumulative period Nine months ended 30 September		Changes	
	2022	2021	Amount	%	2022	2021	Amount	%
Profit Before Tax by segments								
General insurance	112.7	115.1	(2.4)	(2.1%)	331.6	322.7	8.9	2.8%
Life Insurance	66.4	55.7	10.7	19.2%	142.4	132.4	10.0	7.6%
Investment holding	(12.6)	(11.9)	(0.7)	(5.9%)	(37.1)	(22.5)	(14.6)	(64.9%)
Total Profit before tax	166.5	158.9	7.6	4.8%	436.9	432.6	4.3	1.0%
General Insurance								
Commission ratio	13.0%	12.3%	N/A	(0.7 pts)	12.7%	12.1%	N/A	(0.6 pts)
Claims ratio	56.8%	55.4%	N/A	(1.4 pts)	58.6%	57.8%	N/A	(0.8 pts)
Expense ratio	19.2%	19.1%	N/A	(0.1 pts)	16.3%	18.3%	N/A	2.0 pts
Combined ratio	89.0%	86.8%	N/A	(2.2 pts)	87.6%	88.2%	N/A	0.6 pts
Life Insurance								
Annualised new premium ("ANP")	163.5	159.4	4.1	2.6%	466.5	482.7	(16.2)	(3.4%)
Expense ratio	9.9%	8.6%	N/A	(1.3 pts)	9.8%	9.3%	N/A	(0.5 pts)
Block persistency ratio	85.6%	85.0%	N/A	0.6 pts	86.8%	88.7%	N/A	(1.9 pts)

pts - percentage points

N/A - Not Applicable

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

1. Review of results (continued)

1.3 Profit before tax of the current year quarter against preceding year corresponding quarter (Third Quarter 2022 versus Third Quarter 2021)

For the third quarter ended 30 September 2022, the Group recorded a profit before tax of RM166.5 million, an increase of 4.8% or RM7.6 million as compared to the preceding year quarter ended 30 September 2021 of RM158.9 million.

For the quarter under review, the general insurance segment recorded a lower profit before tax of RM112.7 million, a decrease of 2.1% or RM2.4 million as compared to a profit before tax of the preceding year quarter ended 30 September 2021 of RM115.1 million. The lower profit before tax was mainly contributed by higher claims in current quarter.

For the quarter under review, the life insurance segment recorded a higher profit before tax of RM66.4 million, an increase of 19.2% or RM10.7 million as compared to a profit before tax of the preceding year quarter ended 30 September 2021 of RM55.7 million due mainly to higher contribution from protection business in current quarter.

For the quarter under review, the investment holding segment registered a loss before tax of RM12.6 million as compared to a loss before tax of the preceding year quarter ended 30 September 2021 of RM11.9 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 RM436.9 million for the nine months ended 30 September 2022, an increase of 1.0% or RM4.3 million as compared to the preceding nine months ended 30 September 2021 of RM432.6 million due mainly to higher profit contribution from both insurance segments.

The general insurance segment delivered a profit before tax of RM331.6 million for the nine months ended 30 September 2022, an increase of 2.8% or RM8.9 million as compared to the preceding nine months ended 30 September 2021 of RM322.7 million. The higher profit before tax was mainly driven by higher underwriting profit and lower management expenses. Combined ratio improved by 0.6 percentage points compared to the preceding year corresponding quarter.

The life insurance segment recorded a higher profit before tax of RM142.4 million for the nine months ended 30 September 2022, an increase of 7.6% or RM10.0 million as compared to the preceding nine months ended 30 September 2021 of RM132.4 million due mainly to higher contribution from protection business.

The investment holding segment registered a loss before tax of RM37.1 million for the nine months ended 30 September 2022 as compared to a loss before tax of RM22.5 million for the preceding nine months ended 30 September 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 September 2022	Preceding Quarter 30 June 2022	Amount	%
Operating revenue	1,706.9	1,654.5	52.4	3.2%
Profit before tax	166.5	118.6	47.9	40.4%
Profit after tax	108.6	96.6	12.0	12.4%
Profit for the period attributable to owners of the Company	108.6	96.6	12.0	12.4%

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

The Group recorded an operating revenue of RM1.71 billion for the quarter under review, an increase of 3.2% or RM52.4 million as compared to the preceding quarter ended 30 June 2022 of RM1.65 billion.

The general insurance segment recorded an operating revenue of RM709.1 million for the quarter under review, an increase of 5.0% or RM33.7 million as compared to the preceding quarter ended 30 June 2022 of RM675.4 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 RM994.8 million for the quarter under review, an increase of 1.9% or RM19.0 million as compared to the preceding quarter ended 30 June 2022 of RM975.8 million due mainly to higher investment income of RM23.2 million, offset by lower gross earned premiums of RM4.2 million in the current quarter.

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

The Group recorded a profit before tax of RM166.5 million for the quarter under review, an increase of 40.4% or RM47.9 million as compared to the preceding quarter ended 30 June 2022 of RM118.6 million.

The profit before tax of general insurance segment for the quarter under review of RM112.7 million, a decrease of 3.4% or RM4.0 million as compared to the preceding quarter ended 30 June 2022 of RM116.7 million. The lower profit before tax was mainly contributed by lower underwriting profit and higher management expenses.

The profit before tax of life insurance segment for the quarter under review of RM66.4 million, an increase of more than 100.0% or RM58.1 million as compared to the preceding quarter ended 30 June 2022 of RM8.3 million due mainly to lower fair value losses on investments in the current quarter.

The investment holding segment registered a loss before tax of RM12.6 million as compared to a loss before tax of RM6.4 million in the preceding quarter ended 30 June 2022 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)

1.7 Review of other comprehensive income

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

RM'million	Individual period Three months ended 30 September		Cumulative period Nine months ended 30 September	
	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	(34.5)	(15.2)	(312.5)	(234.3)
- Net realised gains transferred to profit or loss	(6.7)	(14.6)	(27.8)	(34.5)
Gains/(Losses) on cash flow hedge	-	0.9	(7.8)	(9.4)
Tax effects thereon	5.7	7.0	47.5	38.6
Change in insurance contract liabilities arising from net fair value change on:				
- AFS financial assets	24.9	(6.8)	200.8	137.3
- Cash flow hedge reserve	-	(0.9)	7.8	9.4
Tax effects thereon	(2.0)	0.6	(16.7)	(11.7)
Items that will not be reclassified subsequently to profit or loss				
Revaluation of property, plant and equipment and right-of-use assets	-	5.7	-	5.7
Tax effects thereon	-	(1.2)	-	(1.2)
Total other comprehensive loss for the period, net of tax	(12.6)	(24.5)	(108.7)	(100.1)

The Group recorded a total other comprehensive loss of RM108.7 million for the period ended 30 September 2022, a decrease of RM8.6 million as compared to the total other comprehensive loss of the preceding period ended 30 September 2021 of RM100.1 million due to fair value loss from AFS financial assets, mainly from the general insurance segment for the financial period under review.

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

1. Review of results (continued)

1.8 Review of Statement of Financial Position

Table 4: Review of assets and liabilities

RM'million	As at	As at	Changes	
	30 September 2022	31 December 2021	Amount	%
Total assets	23,837.4	23,643.5	193.9	0.8%
Total liabilities	19,556.3	19,499.3	57.0	0.3%
Total equity	4,281.1	4,144.2	136.9	3.3%

Total assets

As at 30 September 2022, the Group's total assets increased by RM193.9 million to RM23.84 billion from RM23.64 billion as at 31 December 2021, mainly attributable to increase in insurance receivables and intangible assets for the financial period under review.

Total liabilities

As at 30 September 2022, the Group's total liabilities increased by RM57.0 million to RM19.56 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 September 2022 increased by 3.3% or RM136.9 million to RM4.28 billion from RM4.14 billion as at 31 December 2021. This is mainly attributable to the net profit generated for the period ended 30 September 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 14.2% in the third quarter of 2022 (2Q 2022: 8.9%). While there were base effects from the negative growth in the third quarter of 2021, growth was also driven by strong domestic demand, underpinned by improvements in labour market and income conditions, as well as ongoing policy support. Overall, the Malaysian economy expanded by 9.3% in the first three quarters of 2022.

The general insurance segment recorded premium growth of 12.3% for the period ended 30 September 2022 which is higher than industry growth of 10.8% coming from both Motor and Non-Motor business. Meanwhile, the life insurance segment annualised new business decreased by 0.6% as compared to the industry growth of -5.6% for the period ended 30 September 2022.

While the Malaysia economy will continue to expand in the fourth quarter of 2022, the growth will be at a more moderate pace. The expected slower pace of growth reflects the more challenging global environment. The last quarter of 2022 will likely continue to be challenging for both the general and life insurance segment with ongoing 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 capabilities while also maintaining focus on product profitability. The Group continues to make investments in talent and technology in order to 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 value for shareholders. 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		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Interest income	183,969	167,137	532,565	487,682
Dividend income	41,614	30,646	107,337	94,975
Accretion of discounts	1,091	1,195	2,870	3,344
Amortisation of premiums	(7,671)	(6,947)	(23,453)	(19,145)
Other income	1,229	1,333	3,873	3,655
	<u>220,232</u>	<u>193,364</u>	<u>623,192</u>	<u>570,511</u>

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

	Individual period		Cumulative period	
	Three months ended		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
Realised gains on disposal	-	1	15	1
Realised gains/(losses) on disposal	2	-	(2)	-
Total net realised gains for property, plant and equipment	2	1	13	1
Financial assets				
Realised gains on disposal:				
Malaysian government securities	548	457	552	1,527
Malaysian government guaranteed bonds	-	1,226	344	7,630
Quoted equity securities of corporations in Malaysia	25,833	29,660	106,245	117,169
Quoted equity securities of corporations outside Malaysia	1,768	42	12,566	7,860
Quoted unit trusts in Malaysia	10	-	54	462
Unquoted unit trusts outside Malaysia	-	46	41	72
Unquoted bonds of corporations in Malaysia	385	2,106	2,140	3,036
Realised losses on disposal:				
Malaysian government securities	-	-	(7,806)	-
Malaysian government guaranteed bonds	-	(1,959)	(441)	(6,680)
Quoted equity securities of corporations in Malaysia	(15,331)	(53,066)	(56,610)	(122,034)
Quoted equity securities of corporations outside Malaysia	-	(559)	(4,402)	(2,873)
Quoted unit trusts in Malaysia	-	(4)	-	(4)
Unquoted unit trusts outside Malaysia	(307)	(1)	(611)	(15)
Unquoted bonds of corporations in Malaysia	(17)	-	(1,077)	-
Total net realised gains/(losses) for financial assets	12,889	(22,052)	50,995	6,150
Total net realised gains/(losses)	12,891	(22,051)	51,008	6,151

6. Fair value gains and losses

	Individual period		Cumulative period	
	Three months ended		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Financial instruments				
Held for trading financial assets	(75,993)	72,178	(466,450)	(139,093)
Designated upon initial recognition financial assets	(24,075)	(29,337)	(175,022)	(139,838)
Derivatives financial assets	(4,107)	(4,728)	(23,432)	(21,908)
Derivatives financial liabilities	(1,282)	(567)	(3,990)	(2,045)
Total fair value (losses)/gains on financial instruments at Fair Value Through Profit or Loss	(105,457)	37,546	(668,894)	(302,884)
Impairment loss on AFS financial investments	(8,965)	(8,966)	(39,749)	(33,994)
Total net fair value (losses)/gains	(114,422)	28,580	(708,643)	(336,878)

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

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)
7. Profit before tax

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

	Individual period		Cumulative period	
	Three months ended		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	6,909	6,286	19,462	17,769
Depreciation of property, plant and equipment	4,021	3,908	11,522	10,504
Depreciation of right-of-use assets	6,812	4,819	15,861	13,999
Insurance and other receivables:				
- Allowance for/(Reversal of) impairment loss	7,240	3,011	(20,836)	8,971
- Bad debts recovered	(15)	-	(47)	(19)
Interest expense	335	181	649	784
Interest income	(171)	(86)	(407)	(305)
Property, plant and equipment written off	1	-	267	-
Intangible assets written off	(3)	-	9,087	-
Unrealised foreign exchange gains	(21,152)	(765)	(39,296)	(5,125)

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

8. Tax expense

	Individual period		Cumulative period	
	Three months ended		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Profit before tax	166,503	158,902	436,944	432,561
Tax expense				
Income tax	57,933	40,854	130,827	123,060
Deferred tax	12	2,893	(376)	(14,322)
Total tax expense	57,945	43,747	130,451	108,738
Effective tax rate	35%	28%	30%	25%

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

There were no material litigation in the current quarter.

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		Nine months ended	
		30 September		30 September	
		2022	2021	2022	2021
Profit attributable to ordinary shareholders	(RM'000)	108,558	115,155	306,493	323,823
Adjustment:					
- Preference dividends declared		-	-	(32,303)	-
Adjusted profit attributable to ordinary shareholders		108,558	115,155	274,190	323,823
Weighted average number of ordinary shares in issue	('000)	177,894	177,265	177,894	177,265
Basic earnings per ordinary share	(sen)	61.02	64.96	154.13	182.68

(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		Nine months ended	
		30 September		30 September	
		2022	2021	2022	2021
Profit attributable to ordinary shareholders	(RM'000)	108,558	115,155	306,493	323,823
Weighted average number of ordinary shares in issue	('000)	177,894	177,265	177,894	177,265
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)	346,141	345,962	346,141	345,962
Diluted earnings per ordinary share	(sen)	31.36	33.29	88.55	93.60

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 September 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	-	-	13,241	13,241	-	-	-	-
Cross currency swap	-	8,037	90,703	98,740	-	593	-	593	-	-	4,444	4,444
Derivatives used for hedging												
Forward purchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	8,037	490,703	498,740	-	593	13,241	13,834	-	-	4,444	4,444
As at 31 December 2021												
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 September 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 RM13,834,000 (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 RM6,055,000 (2021: RM40,191,000) 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 September 2022					
Insurance receivables	9,595	5,611	11,355	7,019	33,580
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 September 2022 RM'000	31 December 2021 RM'000	30 September 2022 RM'000	31 December 2021 RM'000	30 September 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	(20,905)	739	(2,575)	(3)	-	796
Written off	-	(227)	-	-	-	-
At 30 September/31 December	35,472	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
23 November 2022