

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD
Company No. 200601015674 (735426-V)
(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED
FOR THE FINANCIAL PERIOD FROM
1 JANUARY 2021 TO 30 SEPTEMBER 2021

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

Company No. 200601015674 (735426-V)

(Incorporated in Malaysia)

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ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

Company No. 200601015674 (735426-V)

(Incorporated in Malaysia)

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

	Note	30.9.2021 RM'000	31.12.2020 RM'000
Assets			
Property, plant and equipment	5	81,644	77,560
Right-of-use assets		27,674	35,603
Intangible assets		88,471	94,780
Deferred tax assets		18,005	-
Investments	6	5,421,848	5,200,487
Reinsurance assets	7	813,688	827,433
Insurance receivables	8	172,935	142,070
Loans and receivables		83,508	84,305
Deferred acquisition costs		120,331	116,171
Current tax assets		3,971	12,937
Cash and cash equivalents		144,105	325,251
Total assets		6,976,180	6,916,597
Equity and liabilities			
Share capital		379,168	379,168
Retained earnings		1,964,940	1,722,412
Other reserves		57,551	145,269
Total equity		2,401,659	2,246,849
Insurance contract liabilities	9	4,112,868	3,900,796
Insurance payables	10	223,417	236,595
Other payables and accruals		217,729	477,268
Lease liabilities		20,507	30,012
Deferred tax liabilities		-	25,077
Total liabilities		4,574,521	4,669,748
Total equity and liabilities		6,976,180	6,916,597

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

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

Company No. 200601015674 (735426-V)

(Incorporated in Malaysia)

Condensed statement of profit or loss**for the 9 month period ended 30 September 2021 - unaudited**

	Note	9 months period ended 30.9.2021 RM'000	9 months period ended 30.9.2020 RM'000
Operating revenue		1,945,643	1,833,658
Gross earned premiums		1,812,320	1,693,572
Premiums ceded to reinsurers		(199,153)	(185,896)
Net earned premiums		1,613,167	1,507,676
Investment income		133,323	140,086
Realised gains and losses		428	950
Fee and commission income		33,399	22,083
Other operating income		1,501	1,817
Other income		168,651	164,936
Gross claims paid		(719,181)	(708,630)
Claims ceded to reinsurers		51,760	51,535
Gross change in claims liabilities		(237,337)	(286,469)
Change in claims liabilities ceded to reinsurers		(27,206)	73,294
Net claims incurred		(931,964)	(870,270)
Fee and commission expense		(228,186)	(216,428)
Management expenses		(295,632)	(287,001)
Finance cost		(487)	(1,017)
Other operating expenses		(2,431)	(1,714)
Other expenses		(526,736)	(506,160)
Profit before tax		323,118	296,182
Tax expense		(80,590)	(80,283)
Profit for the period		242,528	215,899
Profit attributable to:			
Owners of the Company		242,528	215,899
Basic earnings per ordinary share (sen)	12	64.0	56.9

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

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

Company No. 200601015674 (735426-V)

(Incorporated in Malaysia)

**Condensed statement of profit or loss and other comprehensive income
for the 9 month period ended 30 September 2021 - unaudited**

	9 months period ended 30.9.2021 RM'000	9 months period ended 30.9.2020 RM'000
Profit for the period	242,528	215,899
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss		
Fair value of available-for-sale ("AFS") financial assets		
- Net unrealised (losses)/ gains arising during the year	(120,910)	92,147
- Realised losses/ (gains) transferred to income statement	(427)	(875)
	<u>(121,337)</u>	<u>91,272</u>
Tax effect thereon	29,121	(21,905)
	<u>(92,216)</u>	<u>69,367</u>
Item that may not be reclassified subsequently to profit or loss		
Revaluation reserve	5,742	-
Tax effects thereon	(1,244)	-
Reversal of deferred tax on revaluation surplus of land and buildings upon disposal	-	732
	<u>4,498</u>	<u>732</u>
Total other comprehensive (loss)/ income for the period	<u>(87,718)</u>	<u>70,099</u>
Total comprehensive income for the period	<u>154,810</u>	<u>285,998</u>
Total comprehensive income attributable to: Owners of the Company	<u>154,810</u>	<u>285,998</u>

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

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

Company No. 200601015674 (735426-V)

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**Condensed statement of changes in equity
for the 9 month period ended 30 September 2021 - unaudited**

	← Non distributable		Available-for-sale →		Distributable	
	Share capital	Capital reserve	fair value	Asset revaluation	Retained	Total equity
	RM'000	RM'000	reserve	reserve	earnings	RM'000
			RM'000	RM'000	RM'000	
At 1 January 2020	379,168	4,523	71,411	15,542	1,645,705	2,116,349
Fair value of available-for-sale financial assets	-	-	69,367	-	-	69,367
Disposal of land and buildings	-	-	-	(3,739)	3,739	-
Reversal of deferred tax on revaluation surplus	-	-	-	-	732	732
Total other comprehensive income for the period	-	-	69,367	(3,739)	4,471	70,099
Profit for the period	-	-	-	-	215,899	215,899
Total comprehensive income for the period	-	-	69,367	(3,739)	220,370	285,998
At 30 September 2020	379,168	4,523	140,778	11,803	1,866,075	2,402,347
At 1 January 2021	379,168	4,523	128,943	11,803	1,722,412	2,246,849
Fair value of available-for-sale financial assets	-	-	(92,216)	-	-	(92,216)
Revaluation for property, plant and equipment and right-of-use assets	-	-	-	4,498	-	4,498
Total other comprehensive income for the period	-	-	(92,216)	4,498	-	(87,718)
Profit for the period	-	-	-	-	242,528	242,528
Total comprehensive income for the period	-	-	(92,216)	4,498	242,528	154,810
At 30 September 2021	379,168	4,523	36,727	16,301	1,964,940	2,401,659

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

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

Company No. 200601015674 (735426-V)

(Incorporated in Malaysia)

Condensed statement of cash flows**for the 9 month period ended 30 September 2021 - unaudited**

	9 months period ended 30.9.2021 RM'000	9 months period ended 30.9.2020 RM'000
Operating activities		
Profit before tax	323,118	296,182
Investment income	(133,323)	(140,086)
Realised gains recorded in profit or loss	(427)	(875)
Realised gain on disposal of property, plant and equipment	(1)	(75)
Rental income of property, plant and equipment	(197)	(202)
Purchases of financial investments	(1,048,146)	(1,152,834)
Placement of fixed deposits	(228,481)	(170,928)
Maturity of fixed deposits	225,380	185,876
Proceeds from disposal of financial investments	111,760	130,852
Maturity of financial investments	595,000	208,333
Non-cash items:		
Depreciation of property, plant and equipment	6,723	6,157
Depreciation of right-of-use assets	10,760	10,311
Amortisation of intangible assets	11,897	12,157
Allowance for impairment loss on receivables	7,878	5,013
Reversal of impairment loss on reinsurance assets	(3)	(3)
Bad debts recovered	(18)	(109)
Property, plant and equipment written off	-	61
Bad debts written off on receivables	(1)	1,192
Interest expense	416	754
Interest on lease liabilities	487	1,017
Changes in working capital:		
Change in reinsurance assets	13,748	(72,852)
Change in insurance receivables	(38,723)	(39,630)
Change in loans and receivables	(1,215)	15,295
Change in deferred acquisition costs	(4,159)	(10,100)
Change in insurance contract liabilities	212,072	390,204
Change in insurance payables	(13,179)	(9,596)
Change in other payables and accruals	(10,082)	943
	<u>41,284</u>	<u>(332,943)</u>
Dividend income from unquoted unit trust	20,669	24,455
Interest income received	116,863	116,035
Rental income received	197	202
Bad debt recovered	18	109
Interest on lease liabilities	(487)	(1,017)
Income tax paid	(86,830)	(75,568)
Net cash flows from/ (used in) operating activities	<u>91,714</u>	<u>(268,727)</u>

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Condensed statement of cash flows (continued)**for the 9 month period ended 30 September 2021 - unaudited**

	9 months period ended 30.9.2021 RM'000	9 months period ended 30.9.2020 RM'000
Investing activities		
Proceeds from disposal of property, plant and equipment	1,454	839
Purchase of property, plant and equipment	(8,091)	(3,561)
Proceeds from disposal of right-of-use assets	-	1,670
Purchase of intangible assets	(5,589)	(7,288)
Net cash flows used in investing activities	(12,226)	(8,340)
Financing activities		
Dividend paid to owners of the Company	(249,872)	(199,822)
Repayment of lease liabilities	(10,762)	(10,242)
Net cash flows used in financing activities	(260,634)	(210,064)
Net decrease in cash and cash equivalents	(181,146)	(487,131)
Cash and cash equivalents at beginning of period	325,251	690,190
Cash and cash equivalents at end of period	<u>144,105</u>	<u>203,059</u>
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institution (with maturity of less than three months)	139,686	202,092
Cash and bank balances	4,419	967
	<u>144,105</u>	<u>203,059</u>

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ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

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Notes to the condensed interim financial statements

1. Basis of preparation

Statement of compliance

The condensed interim financial statements of the Company as at and for the nine month period ended 30 September 2021 are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") 134, *Interim Financial Reporting* and International Accounting Standards ("IAS") 34, *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2020.

The accounting policies and presentation adopted by the Company for the condensed interim financial statements are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 2020, except for the adoption of the following:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

Amendments to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

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 Company 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 Company 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 Contracts

The amendments allow entities to avoid temporary volatility in profit or loss that might result from adopting MFRS 9, *Financial Instruments* before the forthcoming new insurance contracts standard.

The amendments provide 2 different approaches for the Company:

- (i) temporary exemption from MFRS 9 for entities that meet specific requirements; and
- (ii) the overlay approach. Both approaches are optional

1. Basis of preparation (continued)**Amendments to MFRS 4 - Applying MFRS 9 - Financial Instruments with MFRS 4 - Insurance Contracts (continued)**

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.

The Company's business activity is predominantly insurance as the liabilities connected with the Company's insurance businesses made up of more than 90% of the Company's total liabilities. Hence, the Company qualifies for the temporary exemption from applying MFRS 9 and will defer and adopt MFRS 9 together with MFRS 17, Insurance Contracts for the financial year beginning on or after 1 January 2023.

The following additional disclosures, required by MFRS 9 for company qualified and elected the temporary exemption from applying MFRS 9, present the Company'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"):

	Fair value as at 30.9.2021	Change in fair value	Cash flows characteristic
	RM'000	RM'000	
Financial assets			
Malaysian government securities	1,962,025	(49,111)	SPPI
Malaysian government guaranteed bonds	652,412	(21,863)	SPPI
Unquoted debt securities	1,409,098	(25,714)	SPPI
Unquoted unit trust in Malaysia	1,218,764	(24,649)	Non-SPPI
Fixed deposits with licensed banks	179,549	-	SPPI
Loans and other receivables	83,508	-	SPPI
Cash and cash equivalents	144,105	-	SPPI
	<u>5,649,461</u>	<u>(121,337)</u>	

* Insurance receivables and reinsurance assets have been excluded from the above assessment as they will be under the scope of MFRS 17, Insurance Contracts.

Other than the financial assets included in the table above and assets that are within the scope of MFRS 17, Insurance Contract, all other assets in the statement of financial position are non-financial assets.

1. Basis of preparation (continued)
Amendments to MFRS 4 - Applying MFRS 9 - Financial Instruments with MFRS 4 - Insurance Contracts (continued)

	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
Changes in fair value during the year			
<u>Investments</u>			
Malaysian government securities	(49,111)	-	(49,111)
Malaysian government guaranteed bonds	(21,863)	-	(21,863)
Unquoted debt securities	(25,714)	-	(25,714)
Unquoted unit trust in Malaysia	-	(24,649)	(24,649)
	<u>(96,688)</u>	<u>(24,649)</u>	<u>(121,337)</u>

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1. Basis of preparation (continued)**Amendments to MFRS 4 - Applying MFRS 9 - Financial Instruments with MFRS 4 - Insurance Contracts (continued)****Financial assets with SPPI cash flows****Gross carrying amounts under MFRS 139 by credit risk rating grades****Investments**

	AAA	AA	A	BBB	Non- investment grade	Non-rated	Past-due but not impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysian government securities	-	-	-	-	-	1,962,025	-	1,962,025
Malaysian government guaranteed bonds	-	-	-	-	-	652,412	-	652,412
Unquoted debt securities	732,366	672,930	-	11,097	-	-	-	1,416,393
Fixed deposits	41,852	137,697	-	-	-	-	-	179,549
Loans and other receivables	-	-	-	-	-	83,508	-	83,508
Cash and cash equivalents	104,437	39,586	-	-	-	82	-	144,105
	<u>878,655</u>	<u>850,213</u>	<u>-</u>	<u>11,097</u>	<u>-</u>	<u>2,698,027</u>	<u>-</u>	<u>4,437,992</u>

* All financial assets with SPPI cash flows of the Company as at 30 September 2021 have low credit risk.

Except as disclosed above, the adoption of new standards, amendments to standards and interpretations by the Company for the first time for the financial year beginning on or after 1 January 2021 did not have any material impact on the current and/or prior periods and is not likely to affect future periods.

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2. Items of an unusual nature

The results of the Company for the current interim period were not substantially affected by any item, transaction or event of a material and unusual nature.

3. Changes in estimates

There were no significant changes in basis used for amounts reported in prior financial year that have a material effect for the financial period under review.

4. Seasonal or cyclical factors

The operations of the Company for the current interim period were not significantly affected by seasonality or cyclical factors.

5. Property, plant and equipment

The Company's property, plant and equipment are stated at cost/valuation less any accumulated depreciation and any accumulated impairment losses. During the financial period under review, the Company has revalued its property, plant and equipment and the revaluation surpluses amounting to RM4,168,632.

6. Investments

	30.9.2021	31.12.2020
	RM'000	RM'000
Malaysian government securities	1,962,025	1,731,564
Malaysian government guaranteed bonds	652,412	719,862
Unquoted debt securities	1,409,098	1,285,836
Unquoted equity securities	*	*
Unquoted unit trust in Malaysia	1,218,764	1,284,907
Fixed deposits	179,549	178,318
	<u>5,421,848</u>	<u>5,200,487</u>

* Denotes RM 4

The Company's financial investments are summarised by categories as follows:

	Total	
	30.9.2021	31.12.2020
	RM'000	RM'000
Loans and receivables ("L&R")	179,549	178,318
Available-for-sale financial assets ("AFS")	5,242,299	5,022,169
	<u>5,421,848</u>	<u>5,200,487</u>

6. Investments (continued)

The Company's financial investments are summarised by categories as follows (continued):

	30.9.2021		31.12.2020	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Loans and receivables				
Fixed deposits	179,549	179,549	178,318	178,318
Available-for-sale				
Malaysian government securities	1,962,025	1,962,025	1,731,564	1,731,564
Malaysian government guaranteed bonds	652,412	652,412	719,862	719,862
Unquoted debt securities	1,409,098	1,409,098	1,285,836	1,285,836
Unquoted equity securities	*	-	*	-
Unquoted unit trust in Malaysia	1,218,764	1,218,764	1,284,907	1,284,907
	5,242,299	5,242,299	5,022,169	5,022,169
	5,421,848	5,421,848	5,200,487	5,200,487

* Denotes RM 4

6. Investments (continued)

The carrying values of the financial investments are stated as follows:

	L&R	AFS	Total
	RM'000	RM'000	RM'000
At 1 January 2020	203,011	4,079,851	4,282,862
Purchases	194,676	1,342,138	1,536,814
Maturities	(219,748)	(328,333)	(548,081)
Disposals	-	(145,043)	(145,043)
Fair value loss recorded in other comprehensive income	-	75,700	75,700
Accretion	-	1,698	1,698
Amortisation	-	(2,941)	(2,941)
Movement in income due and accrued	379	(901)	(522)
At 31 December 2020/ 1 January 2021	178,318	5,022,169	5,200,487
Purchases	228,481	1,048,146	1,276,627
Maturities	(225,380)	(595,000)	(820,380)
Disposals	-	(111,333)	(111,333)
Fair value gains recorded in other comprehensive income	-	(121,337)	(121,337)
Accretion	-	794	794
Amortisation	-	(5,004)	(5,004)
Movement in income due and accrued	(1,870)	3,864	1,994
At 30 September 2021	179,549	5,242,299	5,421,848

7. Reinsurance assets

	Note	30.9.2021 RM'000	31.12.2020 RM'000
Non-current			
Reinsurance of insurance contracts			
Claims liabilities		247,759	257,251
Current			
Reinsurance of insurance contracts			
Claims liabilities		462,429	480,146
Allowance for impairment		(2,575)	(2,578)
Premium liabilities		106,075	92,614
		<u>565,929</u>	<u>570,182</u>
	9	<u>813,688</u>	<u>827,433</u>

8. Insurance receivables

		30.9.2021 RM'000	31.12.2020 RM'000
Current			
Due premiums including agent, brokers and co-insurers balances		164,496	134,238
Due from reinsurers and cedants		61,556	55,561
		<u>226,052</u>	<u>189,799</u>
Allowance for impairment		(61,294)	(53,415)
		<u>164,758</u>	<u>136,384</u>
Due from related companies	8.1	8,177	5,686
		<u>172,935</u>	<u>142,070</u>

8. Insurance receivables (continued)

	30.9.2021 RM'000	31.12.2020 RM'000
Movement in allowance for impairment		
Balance at the beginning of the period/year	53,415	54,451
Impairment loss recognised/(reversed)	7,879	(1,036)
Balance at the end of the period/year	<u>61,294</u>	<u>53,415</u>

8.1 Amount due from related companies

The amounts due from related companies are unsecured.

9. Insurance contract liabilities

General insurance contract liabilities consist of:

	←	30.9.2021	→	←	31.12.2020	→
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for claims reported by policyholders	2,086,511	(459,117)	1,627,394	1,992,729	(526,197)	1,466,532
Provision for incurred but not reported claims ("IBNR")	875,381	(251,071)	624,310	731,826	(211,200)	520,626
(i)	<u>2,961,892</u>	<u>(710,188)</u>	<u>2,251,704</u>	<u>2,724,555</u>	<u>(737,397)</u>	<u>1,987,158</u>
Allowance for impairment	-	2,575	2,575	-	2,578	2,578
Provision for outstanding claims (i)	2,961,892	(707,613)	2,254,279	2,724,555	(734,819)	1,989,736
Provision for unearned premiums (ii)	1,150,976	(106,075)	1,044,901	1,176,241	(92,614)	1,083,627
(ii)	<u>4,112,868</u>	<u>(813,688)</u>	<u>3,299,181</u>	<u>3,900,796</u>	<u>(827,433)</u>	<u>3,073,363</u>
		Note 7			Note 7	

9. Insurance contract liabilities (continued)

(i) Provision for outstanding claims

	← 30.9.2021 →	← 31.12.2020 →				
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At the beginning of period/year	2,724,555	(734,819)	1,989,736	2,554,244	(757,770)	1,796,474
Claims incurred in the current accident period/year	1,201,116	(125,391)	1,075,725	1,429,162	(155,329)	1,273,833
Other movements in claims incurred in prior accident period/years	(244,598)	100,836	(143,762)	(262,734)	113,459	(149,275)
Claims paid during the period/year	(719,181)	51,761	(667,420)	(996,117)	64,821	(931,296)
At the end of period/year	<u>2,961,892</u>	<u>(707,613)</u>	<u>2,254,279</u>	<u>2,724,555</u>	<u>(734,819)</u>	<u>1,989,736</u>

(ii) Provision for unearned premiums

	← 30.9.2021 →	← 31.12.2020 →				
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At the beginning of period/year	1,176,241	(92,613)	1,083,628	1,104,311	(99,703)	1,004,608
Premiums written in the period/year	1,787,055	(212,615)	1,574,440	2,356,052	(249,876)	2,106,176
Premiums earned during the period/year	(1,812,320)	199,153	(1,613,167)	(2,284,122)	256,965	(2,027,157)
At the end of period/year	<u>1,150,976</u>	<u>(106,075)</u>	<u>1,044,901</u>	<u>1,176,241</u>	<u>(92,614)</u>	<u>1,083,627</u>
	Note 7			Note 7		

10. Insurance payables

	Note	30.9.2021 RM'000	31.12.2020 RM'000
Non-current			
Performance bond deposits	10.1	19,980	15,992
Current			
Due to reinsurers and cedants		73,839	66,062
Due to agents and intermediaries		38,735	48,088
Performance bond deposits	10.1	52,123	53,126
Due to related companies	10.2	38,740	53,327
		<u>203,437</u>	<u>220,603</u>
		<u>223,417</u>	<u>236,595</u>

10.1 Performance bond deposits

Performance bond deposits are collateral deposits received from policyholders for guarantees issued on behalf of policyholders.

10.2 Amount due to related companies

The amount due to related companies are unsecured.

11. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

	30.9.2021	30.9.2020
Profit for the period attributable to ordinary shareholders (RM'000)	242,528	215,899
Weighted average number of ordinary shares ('000)	379,168	379,168
Basic earnings per ordinary share (sen)	64.0	56.9

Diluted earnings per share are not presented as there were no dilutive potential ordinary shares as at the end of the reporting period.

There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these condensed interim financial statements.

12. Capital commitments

	30.9.2021 RM'000	31.12.2020 RM'000
Property, plant and equipment		
Contracted but not provided for	1,942	1,120
Intangible assets		
Contracted but not provided for	1,801	83

13. Related party transactions

Significant related party transactions are as follows:

	Amount transacted for the period ended 30 September	
	2021 RM'000	2020 RM'000
Trade		
Related companies*		
Reinsurance premiums	(125,572)	(122,984)
Reinsurance commission	10,560	11,304

*Related companies are companies within the Allianz SE Group.

14. 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 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 the Company 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, the Company received MyCC’s notice of proposed decision (“Proposed Decision”) that the Company and all the other 21 general insurers who are members of PIAM have infringed one of the prohibitions under Part II of the CA. The Proposed Decision includes a proposed financial penalty of RM213,454,814 on all the 22 general insurers. The Company, as one of the members of PIAM, will have a share of RM27,480,883 of the proposed penalty.

On 5 April and 25 April 2017, the Company submitted the written representations as requested by MyCC. The first session for the Hearing of the Oral Representation took place on 16 October 2017 (on preliminary issues) and 17 October 2017 (on PIAM’s Oral Representation). The second session took place on 12 December 2017 and 14 December 2017 wherein other insurers had submitted their Oral Representations. The Company’s Oral Representation took place on 29 January 2018 and the remaining insurers submitted their Oral Representations on 30 January 2018, bringing the Oral Representations of all insurers to a close. Due to the changes of the Members of Commission who heard the Company’s Oral Representation, the Company’s solicitors had requested MyCC to hold de novo (new) proceedings in relation to the Company’s Oral Representation before the new Members of Commission. The Company’s Oral Representation sessions took place on 19 and 20 February 2019. PIAM had commenced its Oral Representation on 21 February 2019. BNM’s Oral Representation took place on 13 May 2019 followed by Oral Representations by several counsel covering 6 insurers. The session on 14 May 2019 was vacated and the Oral Representation of PIAM’s Competition Economist (RBB Economics) and the remaining insurers’ counsel were heard over 17 and 18 June 2019.

On 25 September 2020, the Company’s solicitors received the Decision that parties have infringed the prohibition under section 4 of the CA and which imposes on each of the 22 general insurers financial penalties for the said infringement.

In view of the impact of the COVID-19 pandemic, MyCC granted a reduction of 25% of the financial penalties imposed on the 22 general insurers and a moratorium period of up to 6 months for the payment of the financial penalties to be made by 6 equal monthly instalments. The financial penalty imposed on the Company, taking into account the 25% reduction amounts to RM18,549,595.97.

Appeal filed with the Competition Appeal Tribunal (“CAT”)

The Company had on 13 October 2020 filed a Notice of Appeal with the CAT against the Decision, pursuant to Section 52 of the CA (“Appeal”). On 23 October 2020, the Company filed a Stay Application with the CAT pursuant to Section 53 of the CA for the grant of a stay of the Decision particularly in respect of the financial penalty imposed on the Company and at CAT’s request, a formal Notice of Application was filed in relation to the stay of the Decision on 12 November 2020.

In response to the Company’s Notice of Appeal, MyCC had filed a Statement in Reply (“SIR”) dated 20 November 2020 with the CAT. The Company then filed its Reply to the SIR on 11 December 2020 to put on record that except for statements of fact, the Company denies the remaining contents of the SIR and also to reiterate that all issues raised by MyCC had already been addressed in the Company’s Notice of Appeal.

14. Changes in contingent liabilities (continued)

CAT in a letter dated 20 January 2021 informed all parties that the initial case management date for the Appeal and Hearing of the Stay Application fixed for 27 January 2021 was rescheduled to 18 February 2021. The case management and Hearing date earlier fixed for 18 February 2021 before CAT was then rescheduled to 25 February 2021. Whilst the hearing of the stay applications of the rest of the insurers took place on 25 February 2021, the Company's oral submissions were heard in a confidential session on 26 February 2021. As MyCC's counsel requested for a new hearing date for MyCC's reply, CAT fixed 5 March 2021 on which date, MyCC's counsel submitted their reply and CAT also heard the Company's reply submission. On 12 March 2021, the reply submissions of the other insurers were concluded and CAT then set the afternoon of 23 March 2021 to deliver its decision on the Stay Application. On 23 March 2021, CAT allowed the Stay Application, pending the disposal of the Appeal.

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

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

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

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

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

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

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

Separately, on 26 April 2021 the High Court of Malaya granted the Company leave to apply for Judicial Review of MyCC's Decision and an interim stay of the Decision until the hearing of any objection or application by MyCC to set it aside. (This was in relation to the Company's ex-parte application for leave for Judicial Review ("Judicial Review Application") and application for a stay filed at the High Court on 24 December 2020 but given the discreet nature of the ex-parte application, it was not disclosed earlier.) The Company filed its Notice of Hearing of Application for Judicial Review at the High Court on 9 May 2021 and MyCC then filed an affidavit in support of its striking out application against the orders granting the Company leave to apply for judicial review and interim stay ("MyCC's Setting Aside Application"). The Company had filed a reply affidavit on 27 May 2021 opposing the same and MyCC's Setting Aside Application was fixed for hearing on 21 July 2021.

14. Changes in contingent liabilities (continued)

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

The management of the Company believes that the criteria to disclose the above as a contingent liability are met. Saved as disclosed above, the Company does not have any other contingent assets and liabilities since the last annual balance sheet date.

15. Debt and equity securities

There were no issuances of shares, shares buy-backs and repayments of debt and equity securities by the Company during the financial period under review.

16. Significant events

There were no significant event subsequent to the end of the financial period under review that have not been reported in this report for the financial period under review.

17. Regulatory capital requirements

The Risk Based Capital (“RBC”) Framework came into effect on 1 January 2009. Under the RBC Framework, insurance companies need to maintain a capital adequacy level that commensurate with their risk profiles. All insurance companies are required to maintain a minimum Capital Adequacy Ratio (“CAR”) of 130% and an internal target capital level determined by BNM or level determined under the Internal Capital Adequate Process. The internal target will include additional capacity to absorb unexpected losses beyond those that are covered under the minimum required CAR.

The Company has been in compliance with the said requirement.

The capital structure of the Company as at 30 September 2021, as prescribed under the RBC Framework is provided below:

	30.9.2021	31.12.2020
	RM'000	RM'000
Tier 1 Capital		
Paid up share capital	379,168	379,168
Retained earnings	1,964,939	1,722,412
	<u>2,344,107</u>	<u>2,101,580</u>
Tier 2 Capital		
Reserves	57,551	145,269
	<u>57,551</u>	<u>145,269</u>
Amounts deducted from capital	(106,476)	(94,780)
Total capital available	<u><u>2,295,182</u></u>	<u><u>2,152,069</u></u>

18. Events after the interim period

There were no material events after the interim period that have not been reflected in the condensed interim financial statements for the current interim period.

19. Dividend paid

An interim dividend of 65.9 sen per ordinary share under single tier system amounting to RM249,871,839.19 for the financial year ended 31 December 2020 was paid to the entitled shareholder of the Company on 19 January 2021.

20. Changes in material litigations

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

The Company 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. The Company 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.

20. Changes in material litigations (continued)

A dispute arose between the Parties on the continuing subsistence of the reinsurance agreement from 1 October 2011 onwards. The Company's legal position is that the reinsurance continued to remain in force from 1 October 2011 and determined only on 30 September 2013. This is disputed by VSC who claim that the treaty reinsurance lapsed on 30 September 2011.

On 11 December 2013, the Company commenced arbitration proceedings against VSC seeking, inter alia:

- (a) A declaration that the reinsurance subsisted until 30 September 2013;
- (b) A declaration that VSC will pay and/or indemnify the Company for its claims and losses arising from the reinsurance for the period from 1 October 2011 to 30 September 2013; and
- (c) Damages to be assessed including for loss of profits and breach of contract.

The Closing Submissions and Reply Submissions were filed on 30 August 2017 and 27 September 2017 respectively and the Oral Submissions took place on 12 October 2017 and 13 October 2017. Both Parties then filed further written submissions bringing the arbitration proceedings to an end.

An Arbitration Award dated 8 February 2018 was received on 20 February 2018. The award, made by 2 arbitrators of the Panel of 3 arbitrators, was in favour of VSC ("Award") whilst the Dissenting Arbitrator found in favour of the Company.

The Award ordered the Company to pay the following:

- (a) RM30,593.64 as reimbursement of payment in respect of the Kuala Lumpur Regional Centre for Arbitration's administrative expenses;
- (b) RM425,324.32 as reimbursement of payment in respect of fees and expenses of the arbitral tribunal;
- (c) RM668,160, 69 for costs and expenses incurred by VSC; and
- (d) USD10,969.31 as reimbursement for costs incurred in respect of VSC's ex-employee.

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

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

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

20. Changes in material litigations (continued)

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

At the case management for the AGIC's Appeal on 13 January 2020, the Court of Appeal fixed a further case management for 19 February 2020 as the Company's solicitors had yet to receive the High Court's substantive Grounds of Decision ("Grounds"). On 17 February 2020, the Court of Appeal wrote to the Parties' solicitors to reschedule the earlier fixed case management date to 26 February 2020. On this date, the Court of Appeal was informed that the Company's solicitors had still not received the Grounds so another case management was fixed for 8 April 2020. Just before the effective date of the Movement Control Order, the High Court notified that the Grounds were ready for collection but since the Company's solicitors were unable to collect the Grounds, at the e-review of the matter on 8 April 2020, a new date for case management was fixed for 15 May 2020.

On 15 May 2020, the Company's solicitors informed the Court of Appeal that the Grounds had been collected and the Court directed for the Memorandum of Appeal and Supplementary Record of Appeal to be filed before the next case management fixed for 9 July 2020. On 9 July 2020, the Court of Appeal fixed a further case management date on 19 August 2020 as the Notes of Proceedings were still pending. At the case management on 19 August 2020, the Court of Appeal fixed AGIC's Appeal for Hearing on 2 February 2021 and a further Case Management on 26 January 2021 for the Court to monitor compliance with all appeal directions. On 26 January 2021, the Court of Appeal was updated that all appeal directions had been complied with and the Court then directed that the Hearing on 2 February 2021 be conducted virtually via Zoom. However, on 2 February 2021, the Hearing was adjourned to a date to be fixed later as several other cases were also fixed for hearing that day. The next case management has now been fixed for 19 August 2021 whilst the Hearing was fixed for 3 September 2021. On 19 August 2021, the Court of Appeal confirmed that the Hearing fixed for 3 September 2021 would proceed virtually via Zoom. On 3 September 2021, the Court of Appeal heard and dismissed the Company's Appeal. As the Company's solicitors had strongly recommended that the Company files a leave application to appeal to the Federal Court on this matter ("Leave Application"), the Company had on 1 October 2021 filed the said Leave Application. On 20 October 2021, VSC's solicitors filed and served on the Company's solicitors an Affidavit in response to the Leave Application. At the case management on 12 November 2021, the Company's solicitors objected to VSC's Affidavit as VSC had taken the position that it would rely on its earlier Affidavit filed in the High Court. VSC's solicitors then informed the Court that VSC would file an application for extension of time to file a proper Reply Affidavit and the Court directed that the said application be filed by 26 November 2021.

21. Financial instruments

21.1 Fair value of financial instruments

The basis of estimation of fair values for financial instruments is as follows:

- (a) The fair values of structured deposits and negotiable instruments of deposit with licensed financial institutions are based on the indicative market prices from the issuing banks.
- (b) The fair values of Malaysian government securities, Malaysian government guaranteed bonds, Ringgit denominated bonds by foreign issuers in Malaysia and unquoted bonds of corporations are based on the fair values provided by its custodian bank.
- (c) The carrying amount of government guaranteed loans is assumed to reasonably approximate their fair values.
- (d) The carrying amounts of cash and cash equivalents, insurance receivables and other receivables, other financial liabilities, insurance payables, and other payables and accruals reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

Estimating the fair values of Malaysian government securities, Malaysian government guaranteed bonds and loans and unquoted bonds of corporations are based on the fair values provided by its custodian bank which involve projections of market yields based on past transactions. There are elements of uncertainty in projecting the expected market yields and these uncertainties arise from changes in the underlying risk and overall economic conditions. As such, the projected market yields may be different from the actual market yields in future.

It was not practicable to estimate the fair value of the Company's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

21. Financial instruments (continued)**21.2 Fair value information**

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

30.9.2021	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Financial assets										
Malaysian government securities	-	1,962,025	-	1,962,025	-	-	-	-	1,962,025	1,962,025
Malaysian government guaranteed bonds	-	652,412	-	652,412	-	-	-	-	652,412	652,412
Unquoted debt securities	-	1,409,098	-	1,409,098	-	-	-	-	1,409,098	1,409,098
Unquoted unit trust in Malaysia	-	1,218,764	-	1,218,764	-	-	-	-	1,218,764	1,218,764
	-	5,242,299	-	5,242,299	-	-	-	-	5,242,299	5,242,299

21. Financial instruments (continued)

21.2 Fair value information (continued)

31.12.2020	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Financial assets										
Malaysian government securities	-	1,731,564	-	1,731,564	-	-	-	-	1,731,564	1,731,564
Malaysian government guaranteed bonds	-	719,862	-	719,862	-	-	-	-	719,862	719,862
Unquoted debt securities	-	1,285,836	-	1,285,836	-	-	-	-	1,285,836	1,285,836
Unquoted unit trust in Malaysia	-	1,284,907	-	1,284,907	-	-	-	-	1,284,907	1,284,907
	-	5,022,169	-	5,022,169	-	-	-	-	5,022,169	5,022,169

21. Financial instruments (continued)

21.2 Fair value information (continued)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the current interim period ended 30 September 2021 (2020: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable input for the financial assets and liabilities.

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

Company No. 200601015674 (735426-V)

(Incorporated in Malaysia)

Statement by Directors

In the opinion of the Directors, the condensed interim financial statements set out on pages 1 to 29 are drawn up in accordance with MFRS 134, *Interim Financial Reporting* and IAS 34, *Interim Financial Reporting* so as to present fairly the financial position of the Company as of 30 September 2021 and of its financial performance and cash flows for the period then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Dr. Muhammed Bin Abdul Khalid

Zakri Bin Mohd Khir

Kuala Lumpur,

Date: 24 November 2021