ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

(Company No. 200601015674)

(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED
FOR THE FINANCIAL PERIOD FROM
1 JANUARY 2023 TO 30 JUNE 2023

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD
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(Incorporated in Malaysia)

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Condensed statement of financial position as at 30 June 2023 - unaudited

	Note	30.06.2023 RM'000	31.12.2022 RM'000 (Restated)
Assets			
Property, plant and equipment		81,511	78,514
Right-of-use assets		13,872	21,107
Intangible assets		80,214	83,162
Deferred tax assets		-	11,635
Investments		5,750,465	5,398,864
Reinsurance contract that are assets	6	598,874	547,207
Current tax assets		38,091	12,157
Other assets		68,791	58,147
Cash and cash equivalents		256,322	527,840
Total assets		6,888,140	6,738,633
Share capital		379,168	379,168
Retained earnings		2,084,963	1,982,836
Reserves		24,430	(2,666)
Total equity attributable to owners of the Company		2,488,561	2,359,338
Insurance contract liabilities	5	4,005,494	3,855,026
Deferred tax liabilities		10,709	-
Lease liabilities		8,652	16,319
Other liabilities		374,724	507,950
Total liabilities		4,399,579	4,379,295
Total equity and liabilities		6,888,140	6,738,633

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

Condensed statement of profit or loss
for the 6 month period ended 30 June 2023 - unaudited

	Note	6 months period ended 30.06.2023 RM'000	6 months period ended 30.06.2022 RM'000 (Restated)
Insurance revenue		1,327,404	1,236,270
Insurance service expenses		(943,848)	(934,544)
Net expenses from reinsurance contracts held		(161,589)	(93,351)
Insurance service result		221,967	208,375
Interest income on financial assets not measured at FVTPL		86,400	77,340
Net gains on investments in debt securities measured at FVOCI reclassified to profit or loss on disposal		-	364
Net gain/(losses) on FVTPL investments		34,559	(10,782)
Net credit impairment loss on financial assets		(180)	(2,353)
Investment return		120,779	64,569
Net finance expenses from insurance contracts		(44,469)	(40,788)
Net finance income from reinsurance contracts		9,861	12,209
Net insurance finance expenses		(34,608)	(28,579)
Net insurance and investment results		308,138	244,365
Other operating income		385	290
Other operating expenses		(30,829)	(29,462)
Profit before tax		277,694	215,193
Tax expense		(67,504)	(67,220)
Net profit for the period		210,190	147,973
Profit attributable to:			
Owner of the Company		210,190	147,973
Basic earnings per ordinary share (sen)	7	55.4	39.0

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ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD
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Condensed statement of profit or loss and other comprehensive income
for the 6 month period ended 30 June 2023 - unaudited

	6 months period ended 30.06.2023 RM'000	6 months period ended 30.06.2022 RM'000 (Restated)
Net profit for the period	210,190	147,973
Other comprehensive income, net of tax:		
Items that may be reclassified subsequently to profit or loss:		
Net gains/(losses) on investments in debt securities measured at FVOCI	50,703	(108,888)
Net realised gains transferred to profit or loss	-	(364)
Tax effects thereon	(12,169)	26,221
Expected credit losses	184	2,361
Tax effects thereon	(44)	(567)
Finance (expense)/income from insurance contract liabilities	(19,315)	37,821
Tax effects thereon	4,636	(9,077)
Finance income/ (expense) from reinsurance contract liabilities	4,081	(9,351)
Tax effects thereon	(980)	2,244
Total other comprehensive loss for the period, net of tax	27,096	(59,600)
Total comprehensive income for the period attributable to owner of the Company	237,286	88,373

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ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD
(Company No. 200601015674)
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Condensed statement of changes in equity
for the 6 month period ended 30 June 2023 - unaudited

	Attributable to owner of the Company						
	Non-distributable					*Distributable*	
	Share capital RM'000	Fair value reserves RM'000	Insurance finance reserves RM'000	Other reserves RM'000	Total other reserves RM'000	Retained earnings RM'000	Total equity RM'000
At 31 December 2021, as previously reported	379,168	18,304	-	20,936	39,240	1,814,776	2,233,184
Impact arising from adoption of MFRS 17 and MFRS 9	-	2,176	(4,178)	1,518	(484)	61,808	61,324
At 1 January 2022, Restated	379,168	20,480	(4,178)	22,454	38,756	1,876,584	2,294,508
Unrealised losses on Investments	-	(83,031)	-	-	(83,031)	-	(83,031)
Insurance/Reinsurance reserves	-	-	21,637	-	21,637	-	21,637
Expected credit loss reserves	-	-	-	1,794	1,794	-	1,794
Total other comprehensive losses for the period	-	(83,031)	21,637	1,794	(59,600)	-	(59,600)
Profit for the period	-	-	-	-	-	147,973	147,973
Total comprehensive income for the period	-	(83,031)	21,637	1,794	(59,600)	147,973	88,373
Contributions by and distributions to owners of the Company							
- Dividends payable during the period	-	-	-	-	-	(70,525)	(70,525)
Total transactions with owners of the Company	-	-	-	-	-	(70,525)	(70,525)
At 30 June 2022	379,168	(62,551)	17,459	24,248	(20,844)	1,954,032	2,312,356

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD
(Company No. 200601015674)
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Condensed statement of changes in equity
for the 6 month period ended 30 June 2023 - unaudited (continued)

	Attributable to owner of the Company						
	Non-distributable					*Distributable*	
	Share capital RM'000	**Fair value reserves RM'000**	**Insurance finance reserves RM'000**	**Other reserves RM'000**	**Total other reserves RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 31 December 2022, as previously reported	379,168	(31,529)	-	19,643	(11,886)	1,873,000	2,240,282
Impact arising from adoption of MFRS 17 and MFRS 9	-	(12,052)	19,773	1,499	9,220	109,836	119,056
At 1 January 2023, Restated	379,168	(43,581)	19,773	21,142	(2,666)	1,982,836	2,359,338
Unrealised losses on Investments	-	38,534	-	-	38,534	-	38,534
Insurance/Reinsurance reserves	-	-	(11,578)	-	(11,578)	-	(11,578)
Expected credit loss reserves	-	-	-	140	140	-	140
Total other comprehensive income for the period	-	38,534	(11,578)	140	27,096	-	27,096
Profit for the period	-	-	-	-	-	210,190	210,190
Total comprehensive income for the period	-	38,534	(11,578)	140	27,096	210,190	237,286
Contributions by and distributions to owners of the Company							
- Dividends paid during the period	-	-	-	-	-	(108,063)	(108,063)
Total transactions with owners of the Company	-	-	-	-	-	(108,063)	(108,063)
At 30 June 2023	379,168	(5,047)	8,195	21,282	24,430	2,084,963	2,488,561

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

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD
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Condensed statement of cash flows
for the 6 month period ended 30 June 2023 - unaudited

	6 months period ended 30.06.2023 RM'000	6 months period ended 30.06.2022 RM'000 (Restated)
Cash flows from operating activities		
Profit before tax	277,694	215,193
Adjustments for:		
Investment income	(99,563)	(91,706)
Interest expense	313	330
Rental income received	(385)	(290)
Interest on lease liabilities	200	215
Fair value (gain)/loss on investments recorded in profit or loss	(21,984)	24,648
Realised gains recorded in profit or loss	-	(364)
Placement of fixed deposits	(223,290)	(141,435)
Maturity of fixed deposits	26,924	284,661
Purchase for financial assets at FVOCI	(468,072)	(442,262)
Maturity of financial assets at FVOCI	390,000	245,000
Proceeds from sale of financial assets at FVOCI	-	10,364
Purchase for financial assets at FVTPL	(8,274)	(6,323)
Allowance for expected credit losses	161	2,362
Amortisation of intangible assets	7,444	7,676
Depreciation of property, plant and equipment	4,526	4,786
Depreciation of right-of-use assets	8,485	7,043
Gain on disposal of property, plant and equipment	(2)	(15)
Property, plant and equipment written off	205	84
Reversal of impairment loss on reinsurance asset	-	(2,575)
Allowance/ (reversal) for impairment loss on receivables	3,058	(27,840)
Bad debts recovered on receivables	(6)	(28)
Operating (loss)/ gain before changes in working capital	**(102,566)**	**89,524**
Changes in working capital:		
Change in reinsurance contract liabilities	(47,586)	12,038
Change in other assets	(11,657)	4,616
Change in insurance contract liabilities	128,100	(30,818)
Change in other liabilities	38,603	12,558
Cash generated from operations	**4,894**	**87,918**

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Condensed statement of cash flows
for the 6 month period ended 30 June 2023 - unaudited (continued)

	6 months period ended 30.06.2023 RM'000	6 months period ended 30.06.2022 RM'000 (Restated)
Cash flows from operating activities (continued)		
Tax paid	(79,650)	(60,758)
Dividends received	12,575	12,996
Interest income received	91,822	83,192
Interest paid on lease liabilities	(200)	(215)
Rental income	385	290
Net cash generated from operating activities	29,826	123,423
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	4	24
Acquisition of property, plant and equipment	(7,730)	(6,197)
Acquisition of intangible assets	(4,496)	(7,807)
Net cash used in investing activities	(12,222)	(13,980)
Cash flows from financing activities		
Dividend paid	(280,205)	(239,634)
Repayment of lease liabilities	(8,917)	(8,476)
Net cash used in financing activities	(289,122)	(248,110)
Net decrease in cash and cash equivalents	(271,518)	(138,667)
Cash and cash equivalents at 1 January	527,840	349,874
Cash and cash equivalents at 30 June	256,322	211,207
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions (with maturity three months or less)	253,214	209,895
Cash and bank balances	3,108	1,312
	256,322	211,207

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

Notes to the condensed interim financial statements

1. Basis of preparation

These condensed interim financial statements ("the Report") of the Company as at and for the financial period ended 30 June 2023 have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting and International Accounting Standard ("IAS") 34: Interim Financial Reporting.

The Report does not include all information required for disclosure in the annual financial statements, and should be read in conjunction with the audited financial statements of the Company as at and for the financial year ended 31 December 2022, except for the financial results relating to the adoption of MFRS 17 Insurance contracts and MFRS 9 Financial instruments. The comparative information and disclosures have been prepared in accordance with MFRSs and restated where relevant to reflect the initial adoption of new accounting standards, MFRS 17 and MFRS 9.

The preparation of the condensed interim financial statement 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 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.

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 2022, except for the adoption of the following:

MFRSs/ Amendments/ Interpretation

The accounting policies 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 2022, except for the adoption of the following:

Amendments to MFRS101, *Classification of liabilities and current or non-current*
Amendments to MFRS 101, *MFRS Practice Statement 2 and MFRS 108 on disclosure of Accounting Policies and Definition of Accounting Estimate*
Amendments to MFRS 112, *Deferred tax related to Assets and Liabilities arising from single transaction*
MFRS 17, *Insurance Contracts*
Amendment to MFRS 17 *"Initial Application of MFRS 17 and MFRS 9 - Comparative Information"*

The adoption of the above did not have any significant effects on the interim report upon their initial application, other than as disclosed below:

MFRS 17, Insurance Contracts

MFRS 17 replaces the guidance in MFRS 4, Insurance Contracts.

MFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes MFRS 4.

MFRS 17 provides comprehensive guidance on accounting for insurance contracts issued, reinsurance contracts held, and investment contracts with discretionary participation features. It introduces three new measurement models, reflecting a different extent of policyholder participation in investment performance or overall insurance entity performance.

Notes to the condensed interim financial statements (continued)

1. Basis of preparation (continued)

MFRSs/ Amendments/ Interpretation (continued)

MFRS 17, Insurance Contracts (continued)

The general measurement model, also known as the building block approach, consists of the fulfillment cash flows ("FCF") and the contractual service margin. The FCF represent the risk-adjusted present value of an entity's rights and obligations to the policyholders, comprising estimates of expected cash flows, discounting and an explicit risk adjustment for non-financial risk. The contractual service margin represents the unearned profit from in-force contracts that an entity will recognise as it provides services over the coverage period.

At inception, the contractual service margin cannot be negative. If the FCF lead to a negative contractual service margin at inception, it will be set to zero and the negative amount will be recorded immediately in the statement of profit or loss. At the end of a reporting period, the carrying amount of a group of insurance contracts is the sum of the liability for remaining coverage and the liability of incurred claims. The liability for remaining coverage ("LRC") consists of the FCF related to future services and the contractual service margin, while the liability for incurred claims ("LIC") consists of the FCF related to past services. The contractual service margin gets adjusted for changes in cash flows related to future services and for the interest accretion at interest rates locked-in at initial recognition of the group of contracts. A release from the contractual service margin is recognised in profit or loss for each period to reflect the services provided in that period based on "coverage units".

The variable fee approach is a mandatory modification of the general measurement model regarding the treatment of the contractual service margin in order to accommodate direct participating contracts.

The premium allocation approach is a simplified approach for the measurement of the liability of remaining coverage an entity may choose to use when the premium allocation approach provides a measurement which is not materially different from that under the general measurement model or if the coverage period of each contract in the group of insurance contracts is one year or less. Under the premium allocation approach, the liability for remaining coverage is measured as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognised in profit or loss over the expired portion of the coverage period based on the passage of time. The measurement of the liability for incurred claims is identical under all three measurement models, apart from the determination of locked-in interest rates used for discounting.

MFRS 17 requires the separation of embedded derivatives, investment components, and performance obligations to provide non-insurance goods and services, if certain conditions are met. The separated components need to be accounted for separately according to MFRS 9 (embedded derivatives, investment components) or MFRS 15(non-insurance goods and services). Measurement is not carried out at the level of individual contracts, but on the basis of groups of contracts. To allocate individual insurance contracts to groups of contracts, an entity first needs to define portfolios which include contracts with similar risks that are managed together.

For non-life insurance contracts, the Company expects that all business qualifies for the premium allocation approach eligibility. The premium allocation approach has similar mechanics as the current approach under MFRS 4 Insurance Contracts and therefore only limited impact on main result drivers and limited judgmental areas for the underwriting result. The estimation of the expected claims in the loss reserves is the main area of judgment for general business and remains unaffected by the introduction of MFRS 17.

The main changes for non-life insurance contracts comprise the mandatory discounting of loss reserves, higher transparency of loss-making portfolios due to more granular onerous contract testing, and the introduction of risk adjustment ("RA") for non-financial risk which is similar to the Provision of Risk Margin for Adverse Deviation under MFRS 4 claims liabilities. The standard requires the discount rates to be determined using observable market data based on a risk-free base curve and portfolio specific adjustments to reflect the illiquidity of insurance obligations.

Notes to the condensed interim financial statements (continued)

1. Basis of preparation (continued)

MFRSs/ Amendments/ Interpretation (continued)

MFRS 17, Insurance Contracts (continued)

MFRS 17 requires expected losses over a contract's lifetime to be reflected at initial recognition in the statement of profit or loss and the statement of financial position as a loss component. The approach to determine loss component is very similar to the current premium deficiency testing, but MFRS 17 requires the calculation on a more granular level. As offsetting with profitable groups of insurance contracts is not allowed, the increasing granularity leads to an increasing number of onerous group of contracts.

MFRS 17 does not prescribe a specific approach for determining the risk adjustment for non-financial risk. The Company applies the commonly accepted percentile approach to determine risk adjustment as it is allowed by the standard, consistent with local regulatory requirements.

In the statement of financial position, deferred acquisition costs and insurance related receivables will no longer be presented separately but as part of the insurance liabilities. This change in presentation will lead to a reduction in total assets, offset by a reduction in total liabilities. The amounts presented in the statement of profit or loss need to be disaggregated into an insurance service result, consisting of the insurance revenue and the insurance service expenses, and insurance finance income and expenses. Income or expenses from reinsurance contracts held need to be presented separately from the expenses or income from insurance contracts issued.

MFRS 17 will change the presentation of insurance contract revenue; gross written premium will no longer be presented in the statement of profit or loss. Insurance contract revenue is defined in such a way as to achieve comparability with the revenue of other industries and, investment components may not be recognised as part of insurance contract revenue. The combined ratio will remain the main KPI for the general segment and will be defined as the sum of insurance service expenses, the reinsurance result and non-directly attributable expenses, divided by insurance revenue.

For non-life insurance contracts, the Company expects that all business qualifies for the premium allocation approach eligibility at transition. As such, the full retrospective approach will be applied to all groups of insurance and reinsurance contracts, except for groups with exposure in 2017 and prior. Due to the unavailability of locked-in interest rate curves for 2017 and prior, the fair value approach will be applied to these groups.

Generally, the Company expects only limited impact on the operating result. There will be a positive impact on underwriting result from the discounting of loss reserves, but, while the operating investment income will remain almost unchanged, the interest accretion on historical loss reserves will notably decrease the investment result. MFRS 17 contains an accounting policy option to recognise changes in financial parameters either in profit or loss or in other comprehensive income ("OCI").

This "OCI option" can be exercised at the level of individual portfolios. The Company generally will make use of this option. Under this option, loss reserves are discounted for profit or loss with locked-in interest rates from the respective accident years and the discounting effect needs to be recognised as interest accretion in the investment result until the claims reserves run-off.

The combined effect on the Company's statement of financial position on transition to MFRS 9 and MFRS 17 as at 1 January 2022 is to improve total equity and total shareholders' allocated equity measured under MFRS 17 by approximately 3%. The results of the 2022 comparative and the 1 January 2023 results under the new standard is in this report.

Notes to the condensed interim financial statements (continued)

1. Basis of preparation (continued)

MFRSs/ Amendments/ Interpretation (continued)

MFRS 17, Insurance Contracts (continued)

Financial impact
Based on assessments, the Company's impact on its balance sheet by MFRS 17 and MFRS 9 to be as follows:

Opening balance sheet

	1 January 2022 RM'000 (Restated)
Assets	
Property, plant and equipment	81,050
Right-of-use assets	24,234
Intangible assets	85,683
Deferred tax assets	15,276
Investments	5,461,090
Reinsurance contract that are assets	757,945
Current tax assets	9,856
Other assets	64,248
Cash and cash equivalents	349,874
Total assets	6,849,256
Equity	
Share capital	379,168
Retained earnings	1,876,583
Reserves	38,757
Total equity attributable to owners of the Company	2,294,508
Liabilities	
Insurance contract liabilities	4,013,595
Lease liabilities	17,082
Other liabilities	524,071
Total liabilities	4,554,748
Total equity and liabilities	6,849,256

Notes to the condensed interim financial statements (continued)

1. Basis of preparation (continued)

MFRSs/ Amendments/ Interpretation (continued)

MFRS 17, Insurance Contracts (continued)

Reinsurance contract that are assets

	1 January 2022 RM'000 (Restated)
Liability for remaining coverage	
Premium allocation approach	105,730
Liability for incurred claims	890,376
Net liability from deposits and others	(238,161)
Total	757,945

Insurance contract liabilities

	1 January 2022 RM'000 (Restated)
Liability for remaining coverage	
Premium allocation approach	1,078,823
Liability for incurred claims	3,103,380
Net assets from receivables and payables for insurance business and others	(168,608)
Total	4,013,595

Notes to the condensed interim financial statements (continued)

1. Basis of preparation (continued)

MFRSs/ Amendments/ Interpretation (continued)

MFRS 9, Financial Instruments

MFRS 9 'Financial Instruments' replaces 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. However, as the Company qualifies for the temporary exemption under the guidance on Amendments to MFRS 4 - *Applying MFRS 9, Financial Instruments with MFRS 4, Insurance Contracts* from applying MFRS 9 and has deferred and adopted MFRS 9 together with MFRS 17, Insurance Contracts for the financial year beginning on or after 1 January 2023.

The key changes to the Company's accounting policies resulting from its adoption of MFRS 9 are summarised below.

(i) Classification of financial assets and financial liabilities

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVOCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in other comprehensive income ("OCI") (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is:

- For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss.

The Company has classified and measured equity instruments and bond investments that are not held for trading at FVOCI. The financial assets of the Company are for the purpose of backing insurance liabilities, hence the hold and sell business model is adopted with FVOCI as a relevant measurement approach.

There will be no significant changes to the Company's accounting for financial liabilities as it largely retains the MFRS 139 requirements.

(ii) Impairment of financial assets

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The new impairment model requires the recognition of impairment allowances based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, lease receivables, loan commitments, financial guarantee contracts and other loan commitments.

Notes to the condensed interim financial statements (continued)

1. Basis of preparation (continued)

MFRSs/ Amendments/ Interpretation (continued)

MFRS 9, Financial Instruments

(ii) Impairment of financial assets (continued)

Under MFRS 9, impairment will be measured on each reporting date according to a three-stage ECL impairment model:

Stage 1 – from initial recognition of a financial assets to the date on which the credit risk of the asset has increased significantly relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months (12-month ECL).

Stage 2 – following a significant increase in credit risk relative to the initial recognition of the financial assets, a loss allowance is recognised equal to the credit losses expected over the remaining life of the financial asset (Lifetime ECL).

Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses is to be recognised (Lifetime ECL).

Hedge accounting

Under MFRS 9, the general hedge accounting requirements have been simplified for hedge effectiveness testing and permit hedge accounting to be applied to a greater variety of hedging instruments and risks. The Company do not expect a significant impact arising from the changes in the hedge accounting requirements.

Notes to the condensed interim financial statements (continued)

1. Basis of preparation (continued)

MFRSs/ Amendments/ Interpretation (continued)

MFRS 9, Financial Instruments (continued)

Disclosure

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Company has applied the new rules retrospectively from 1 January 2023, with the restated financial results on comparatives for 2022.

In summary, the impact from classification and measurement is expected to be as follows:

Classification of financial assets and financial liabilities

The following table and the accompanying notes below explain the original measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2023.

Financial assets

	Note	Original classification under MFRS	New classification under MFRS 9	Original carrying amount MFRS 139 RM'000	New carrying amount MFRS 9 RM'000
Other investments	(a)	Available-for-sale ("AFS")	FVTPL	1,120,241	1,120,241
Investment in debt securities	(b)	AFS	FVOCI	4,250,008	4,250,008
Investments in debt securities	(b)	Loans and Receivables	FVOCI	-	15,869
Other assets		L&R	AC	74,180	58,147
Cash and cash equivalents		L&R	AC	527,885	527,840
Fixed deposits with licensed banks	(c)	L&R	FVOCI	12,746	12,746
Total financial assets				5,985,060	5,984,851

Notes to the condensed interim financial statements (continued)

1. Basis of preparation (continued)

MFRSs/ Amendments/ Interpretation (continued)

MFRS 9, Financial Instruments (continued)

The application of these policies resulted in the reclassifications set out in the table above and explained below.

(a) Investment in unquoted unit trusts were classified as AFS under MFRS 139. On the adoption of MFRS 9, these assets are mandatory classified as FVTPL because they do not give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding under MFRS 9.

(b) Debts securities were designated as AFS upon initial recognition under MFRS139. On the adoption of MFRS9, these assets meet the criteria for mandatory measurement of FVOCI because the contractual cash flows of these assets are solely payments of principal and interest on the principal outstanding.

(c) Liquid investments were classified as loans and receivables under MFRS 139. On the adoption of MFRS 9, the liquid investments meet the criteria for mandatory measurement of FVOCI because the contractual cash flows of these deposits are solely payments of principal and interest on the principal outstanding.

The following table reconciles the carrying amounts of financial assets under MFRS 139 to the carrying amounts under MFRS 9 on the transition to MFRS 9 on 1 January 2023.

	31 December 2022		1 January 2023 Classification under MFRS 9		
	MFRS 139	Reclassification	FVTPL	FVOCI	AC
	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
AFS					
Other investments	1,120,241	-	1,120,241	-	-
Investment in debt securities	4,250,008	-	-	4,250,008	-
L&R					
Investments in debt securities	-	15,869	-	15,869	-
Other assets	74,180	(16,033)	-	-	58,147
Cash and cash equivalents	527,885	(45)	-	-	527,840
Fixed deposits with licensed banks	12,746	-	-	12,746	-
	5,985,060	(209)	1,120,241	4,278,623	585,987

Financial liabilities
There were no changes to the Company's classification and measurement of the financial liabilities on the adoption of MFRS 9.

Except as disclosed above on MFRS 17 and MFRS 9, 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 2023 did not have any material impact on the current and/or prior periods.

Notes to the condensed interim financial statements (continued)

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 the 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 Insurance contract liabilities

Insurance contracts

A. Movements in carrying amounts

Analysis by remaining coverage and incurred claims

	2023				
	LRC		LIC		
	Excluding loss component RM'000	Loss component RM'000	Present value of FCF RM'000	RA for non-financial risk RM'000	Total RM'000
As at 1 January 2023	916,175	58,173	2,663,566	217,112	3,855,026
Insurance revenue	(1,327,404)	-	-	-	(1,327,404)
Insurance service expenses	273,803	5,500	637,797	(11,241)	905,859
Incurred claims and other directly attributable expenses	-	-	874,441	39,844	914,285
Changes that relate to past service – changes in the FCF relating to the LIC	-	-	(236,644)	(51,085)	(287,729)
Losses on onerous contracts and reversals of those losses	-	5,500	-	-	5,500
Insurance acquisition cash flows amortisation	273,803	-	-	-	273,803
Insurance service result	(1,053,601)	5,500	637,797	(11,241)	(421,545)
Finance expenses from insurance contracts issued	-	-	58,960	4,824	63,784
Total amounts recognised in comprehensive income	(1,053,601)	5,500	696,757	(6,417)	(357,761)
Cash flows					
Premium received	1,454,700	-	-	-	1,454,700
Claims and other directly attributable expenses paid	-	-	(652,739)	-	(652,739)
Insurance acquisition cash flows	(292,231)	-	-	-	(292,231)
Total cash flows	1,162,469	-	(652,739)	-	509,730
Changes on payables and receivables	(1,501)	-	-	-	(1,501)
As at 30 June 2023	1,023,542	63,673	2,707,584	210,695	4,005,494

5 Insurance contract liabilities (continued)

Insurance contracts (continued)

A. Movements in carrying amounts (continued)

Analysis by remaining coverage and incurred claims (continued)

	2022				
	LRC		LIC		
	Excluding loss component RM'000	Loss component RM'000	Present value of FCF RM'000	RA for non-financial risk RM'000	Total RM'000
As at 1 January 2022	841,122	69,093	2,844,582	258,798	4,013,595
Insurance revenue	(2,597,781)	-	-	-	(2,597,781)
Insurance service expenses	510,545	(10,920)	1,302,170	(43,211)	1,758,584
Incurred claims and other directly attributable expenses	-	-	1,726,747	74,306	1,801,053
Changes that relate to past service – changes in the FCF relating to the LIC	-	-	(424,577)	(117,517)	(542,094)
Losses on onerous contracts and reversals of those losses	-	(10,920)	-	-	(10,920)
Insurance acquisition cash flows amortisation	510,545	-	-	-	510,545
Insurance service result	(2,087,236)	(10,920)	1,302,170	(43,211)	(839,197)
Finance expenses from insurance contracts issued	-	-	13,477	1,525	15,002
Total amounts recognised in comprehensive income	(2,087,236)	(10,920)	1,315,647	(41,686)	(824,195)
Cash flows					
Premium received	2,687,679	-	-	-	2,687,679
Claims and other directly attributable expenses paid	-	-	(1,496,663)	-	(1,496,663)
Insurance acquisition cash flows	(534,202)	-	-	-	(534,202)
Total cash flows	2,153,477	-	(1,496,663)	-	656,814
Changes on payables and receivables	8,812	-	-	-	8,812
As at 31 December 2022	916,175	58,173	2,663,566	217,112	3,855,026

6 Reinsurance contract liabilities

Reinsurance contracts

(a) Movements in carrying amounts

Analysis by remaining coverage and incurred claims

	2023				
	Remaining coverage		Incurred claims		
	Excluding loss recovery component RM'000	Loss recovery component RM'000	Present value of FCF RM'000	RA for non-financial risk RM'000	Total RM'000
As at 1 January 2023	(208,331)	18,992	648,115	88,431	547,207
Reinsurance expenses	(137,901)	-	-	-	(137,901)
Incurred claims recovery	-	-	47,187	6,564	53,751
Changes that relate to past service – changes in the FCF relating to incurred claims recovery	-	-	(60,567)	(18,136)	(78,703)
Income on initial recognition of onerous underlying contracts	-	225	-	-	225
Net expenses from reinsurance contracts held	(137,901)	225	(13,380)	(11,572)	(162,628)
Finance income from reinsurance contracts held	-	-	12,028	1,914	13,942
Total amounts recognised in comprehensive income	(137,901)	225	(1,352)	(9,658)	(148,686)
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	189,474	-	-	-	189,474
Claims and other directly attributable expenses paid	-	-	(62,273)	-	(62,273)
Total cash flows	189,474	-	(62,273)	-	127,201
Changes on payables and receivables	87,369	-	(14,217)	-	73,152
As at 30 June 2023	(69,389)	19,217	570,273	78,773	598,874

6 Reinsurance contract liabilities (continued)

Reinsurance contracts (continued)

(a) Movements in carrying amounts (continued)
Analysis by remaining coverage and incurred claims (continued)

	2022				
	Remaining coverage		Incurred claims		
	Excluding loss recovery component RM'000	Loss recovery component RM'000	Present value of FCF RM'000	RA for non-financial risk RM'000	Total RM'000
As at 1 January 2022	(171,308)	18,568	781,377	129,308	757,945
Reinsurance expenses	(230,976)	-	-	-	(230,976)
Incurred claims recovery	-	-	107,315	15,850	123,165
Changes that relate to past service – changes in the FCF relating to incurred claims recovery	-	-	(120,791)	(57,646)	(178,437)
Income on initial recognition of onerous underlying contracts	-	424	-	-	424
Net income (expenses) from reinsurance contracts held	(230,976)	424	(13,476)	(41,796)	(285,824)
Finance income from reinsurance contracts held	-	-	5,227	919	6,146
Total amounts recognised in comprehensive income	(230,976)	424	(8,249)	(40,877)	(279,678)
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	238,637	-	-	-	238,637
Recoveries from reinsurance	-	-	(209,808)	-	(209,808)
Total cash flows	238,637	-	(209,808)	-	28,829
Changes on payables and receivables	(44,684)	-	84,795	-	40,111
As at 31 December 2022	(208,331)	18,992	648,115	88,431	547,207

7. Earnings per ordinary share

Basic earnings per ordinary share

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

	30.06.2023	30.06.2022 (Restated)
Profit attributable to ordinary shareholders (RM'000)	210,190	147,973
Weighted average number of ordinary shares in issue ('000)	379,168	379,168
Basic earnings per ordinary share (sen)	55.4	39.0

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

8. Capital commitments

	30.06.2023 RM'000	30.06.2022 RM'000
Property, plant and equipment:		
Contracted but not provided for	1,923	1,547
Software development:		
Contracted but not provided for	2,315	2,760

9. Related party transactions

Significant related party transactions are as follows:

	Amount transacted for the period ended 30 June	
	2023 RM'000	2022 RM'000
Reinsurance premium and commission	(86,059)	(92,258)

* Related companies are companies within the Allianz SE group.

10. Changes in Company's composition

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

11. Debt and equity securities

There were no other issuance of shares, shares buy-back and repayment of debt and equity securities by the Company during the financial period under review.

12. 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.

13. 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 on the 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 PIAM members had 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, 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, the Company'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 ("MyCC's Decision").

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 the Company, taking into account the 25% reduction amounts to RM18,549,595.97.

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

On 13 October 2020, the Company 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 the Company's Notice of Appeal, MyCC filed a Statement in Reply ("SIR") and the Company then 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 presented their oral submissions on hearing dates in March and April 2022. The Company presented its submissions in reply on 21 April 2022 and 22 April 2022 whereupon all parties' submissions concluded.

On 2 September 2022, the CAT unanimously allowed the Company's appeal along with the appeals of PIAM and the other 21 general insurers ("CAT's Decision") thereby setting aside MyCC'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 the Company leave to apply for Judicial Review of MyCC's Decision and an interim stay of MyCC's Decision until the hearing of any objection or application by MyCC to set it aside. The Company filed its Notice of Hearing of Application for Judicial Review at the High Court on 9 May 2021 ("AGIC's JR Proceedings") and MyCC then filed an application against the orders granting the Company leave to apply for judicial review and interim stay ("MyCC's Setting Aside Application").

13. Changes in contingent liabilities (continued)

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, the Company filed a Notice of Appeal against the said decision on 18 November 2021 ("AGIC's Appeal"). The matter was then fixed for further case management on 8 September 2022.

In light of the CAT's Decision, the Company through its solicitors have filed the necessary cause papers to withdraw AGIC's Appeal since the same was superseded by the CAT's Decision. The case management earlier fixed for 8 September 2022 was vacated thereby bringing AGIC's JR Proceedings to an end.

MYCC's application for leave for Judicial Review filed at the High Court of Malaya

On 1 December 2022, MyCC filed an application at the High Court of Malaya seeking leave to apply for Judicial Review against CAT's Decision ("MyCC's Leave Application") and the Company's solicitors filed an Affidavit on the Company's behalf to object to the said application.

MyCC in turn filed a further affidavit on 17 April 2023 and in response thereto, on 2 May 2023, its solicitors filed a further affidavit on behalf of the Company.

MyCC's Leave Application initially fixed for Hearing on 8 May 2023 was converted into a case management at which the Court fixed a further case management for 16 May 2023 for parties to fix a new Hearing date for MyCC's Leave Application. At the case management on 16 May 2023, the Court fixed the Hearing for MyCC's Leave Application on 30 November 2023.

Intervener Application in the Malaysia Airlines and AirAsia case

On a separate but related matter, MyCC filed an application for the Federal Court to review its previous decision in the Malaysia Airlines and AirAsia case ("Airlines case") wherein the Federal Court effectively held that MyCC is not allowed to apply for Judicial Review against its own appellate tribunal, the CAT.

As recommended by its solicitors and given its vested interest in the matter, the Company has through its solicitors filed an Intervener Application in the Airlines case with the Federal Court on 21 March 2023 ("AGIC's Intervener Application").

In response, MyCC filed its affidavit in Reply on 17 April 2023 and the Company in turn filed a further affidavit on 2 May 2023.

At the Hearing of AGIC's Intervener Application on 27 June 2023, whilst the Federal Court dismissed the same on the basis that the Company did not have direct interest in the Airlines case, the Company's solicitors have been allowed to hold a watching brief at the Hearing of the Airlines case which is now fixed for 4 October 2023.

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 last date of statement of financial position.

14. Regulatory capital requirement

The total capital available of the Company as prescribed under the Risk-Based Capital Framework is provided below:

	30.06.2023 RM'000	31.12.2022 RM'000
Tier 1 Capital		
Paid up share capital	379,168	379,168
Retained earnings	1,979,752	1,873,000
	2,358,920	2,252,168
Tier 2 Capital		
Reserves	16,234	(11,886)
Amount deducted from capital	(105,317)	(132,156)
Total capital available	2,269,837	2,108,126

15. 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.

16. Dividend paid

An interim dividend of 45.4 sen per ordinary share under single tier system amounting to RM172,142,359.62 for the financial year ended 31 December 2022 was paid to the entitled shareholder of the Company on 11 January 2023.

A final dividend of 28.5 sen per ordinary share under single tier system amounting to RM108,062,935.01 for the financial year ended 31 December 2022 was paid to the entitled shareholder of the Company on 8 June 2023.

17. Financial Instruments

17.1 Fair value of financial instruments

The Company's basis in estimation of fair values for financial instruments is as follows:

- The unquoted equity securities of corporations in Malaysia are stated at cost. Where in the opinion of the Directors, there is a decline other than temporary in value of unquoted equity securities, the allowance for impairment is recognised as an expense in the financial year in which the decline is identified;
- The fair values of Malaysian government securities, Malaysian government guaranteed bonds, unquoted bonds of corporations in Malaysia are based on the indicative market prices provided by its custodian bank;
- The fair values of unquoted unit trusts in Malaysia are based on the net asset values of the unit trusts as at the date of the statements of assets and liabilities obtained from fund managers;
- The carrying amount of mortgage loans and fixed and call deposits approximate their fair values; and
- The carrying amounts of cash and cash equivalents, other assets and deposits (current), and other liabilities (current) and accruals reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

Estimation of the fair values of Malaysian government securities, Malaysian government guaranteed bonds, unquoted bonds of corporations in Malaysia are based on the indicative market prices provided by its custodian bank which involve projections of the market yields based on past transactions. There are elements of uncertainty in projecting the expected market yields and these uncertainties arise from changes in 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 equity securities of corporations in Malaysia due to lack of comparable quoted market prices and inability to estimate fair value without incurring excessive costs.

17. Financial Instruments (continued)

17.2 Fair value information

The tables below analyse 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.

	Fair value of financial instruments carried at fair value					
					Total	Carrying
	Level 1	Level 2	Level 3	Total	fair value	amount
30 June 2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets						
Malaysian government securities	-	2,235,070	-	2,235,070	2,235,070	2,235,070
Malaysian government guaranteed bonds	-	549,788	-	549,788	549,788	549,788
Unquoted bonds of corporations in Malaysia	-	1,589,322	-	1,589,322	1,589,322	1,589,322
Unquoted unit trusts in Malaysia	-	1,150,499	-	1,150,499	1,150,499	1,150,499
	-	5,524,679	-	5,524,679	5,524,679	5,524,679
Financial liabilities						
Lease liabilities	-	8,652	-	8,652	8,652	8,652
	-	8,652	-	8,652	8,652	8,652

17. Financial Instruments (continued)

17.2 Fair value information (continued)

31 December 2022, Restated	Fair value of financial instruments carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
Financial assets						
Malaysian government securities	-	2,111,993	-	2,111,993	2,111,993	2,111,993
Malaysian government guaranteed bonds	-	600,498	-	600,498	600,498	600,498
Unquoted bonds of corporations in Malaysia	-	1,537,517	-	1,537,517	1,537,517	1,537,517
Unquoted unit trusts in Malaysia	-	1,120,241	-	1,120,241	1,120,241	1,120,241
	-	5,370,249	-	5,370,249	5,370,249	5,370,249
Financial liabilities						
Lease liabilities	-	16,319	-	16,319	16,319	16,319
	-	16,319	-	16,319	16,319	16,319

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2022: no transfer in either direction).