

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 2020 TO 30 SEPTEMBER 2020

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 2020 - unaudited

	Note	30.9.2020 RM'000	31.12.2019 RM'000
Assets			
Property, plant and equipment	5	76,882	63,988
Right-of-use assets		39,529	49,951
Investment properties	6	-	16,315
Intangible assets		97,041	101,910
Investments	7	5,170,503	4,282,862
Reinsurance assets	8	930,325	857,473
Insurance receivables	9	176,446	143,020
Loans and receivables		84,109	96,603
Deferred acquisition costs		121,523	111,423
Current tax assets		5,541	12,584
Cash and cash equivalents		203,059	690,190
Total assets		6,904,958	6,426,319
Equity and liabilities			
Share capital		379,168	379,168
Retained earnings		1,866,075	1,645,705
Other reserves		157,104	91,476
Total equity		2,402,347	2,116,349
Insurance contract liabilities	10	4,048,759	3,658,555
Insurance payables	11	196,722	206,318
Other payables and accruals		190,517	388,645
Lease liabilities		33,961	42,644
Deferred tax liabilities		32,652	13,808
Total liabilities		4,502,611	4,309,970
Total equity and liabilities		6,904,958	6,426,319

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 2020 - unaudited**

	Note	9 months period ended 30.9.2020 RM'000	9 months period ended 30.9.2019 RM'000
Operating revenue		1,833,658	1,727,886
Gross earned premiums		1,693,572	1,587,353
Premiums ceded to reinsurers		(185,896)	(200,814)
Net earned premiums		1,507,676	1,386,539
Investment income		140,086	140,533
Realised gains and losses		950	2,120
Fair value gains and losses		-	241
Fee and commission income		22,083	28,630
Other operating income		1,817	4,064
Other income		164,936	175,588
Gross claims paid		(708,630)	(893,052)
Claims ceded to reinsurers		51,535	97,096
Gross change in claims liabilities		(286,469)	(55,453)
Change in claims liabilities ceded to reinsurers		73,294	(4,401)
Net claims incurred		(870,270)	(855,810)
Fee and commission expense		(216,428)	(199,576)
Management expenses		(287,001)	(257,745)
Finance cost		(1,017)	(1,469)
Other operating expenses		(1,714)	(3,029)
Other expenses		(506,160)	(461,819)
Profit before tax		296,182	244,498
Tax expense		(80,283)	(56,275)
Profit for the period		215,899	188,223
Profit attributable to:			
Owners of the Company		215,899	188,223
Basic earnings per ordinary share (sen)	12	56.9	49.6

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 2020 - unaudited**

	9 months period ended 30.9.2020 RM'000	9 months period ended 30.9.2019 RM'000
Profit for the period	215,899	188,223
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss		
Fair value of available-for-sale ("AFS") financial assets		
- Net unrealised gain arising during the year	92,147	84,811
- Realised gain transferred to income statement	(875)	2,116
	<u>91,272</u>	<u>86,927</u>
Tax effect thereon	(21,905)	(20,862)
	<u>69,367</u>	<u>66,065</u>
Item that may not be reclassified subsequently to profit or loss		
Reversal of deferred tax on revaluation surplus of land and buildings upon disposal	<u>732</u>	-
	<u>732</u>	-
Total other comprehensive income for the period	70,099	66,065
Total comprehensive income for the period	<u>285,998</u>	<u>254,288</u>
Total comprehensive income attributable to: Owners of the Company	<u>285,998</u>	<u>254,288</u>

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 changes in equity
for the 9 month period ended 30 September 2020 - 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 2019	379,168	4,523	10,083	15,542	1,570,973	1,980,289
Fair value of available-for-sale financial assets	-	-	66,065	-	-	66,065
Total other comprehensive income for the period	-	-	66,065	-	-	66,065
Profit for the period	-	-	-	-	188,223	188,223
Total comprehensive income for the period	-	-	66,065	-	188,223	254,288
At 30 September 2019	379,168	4,523	76,148	15,542	1,759,196	2,234,577
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

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ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

Company No. 200601015674 (735426-V)

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Condensed statement of cash flows**for the 9 month period ended 30 September 2020 - unaudited**

	9 months period ended 30.9.2020 RM'000	9 months period ended 30.9.2019 RM'000
Operating activities		
Profit before tax	296,182	244,498
Investment income	(140,086)	(140,533)
Realised gains recorded in profit or loss	(950)	(2,120)
Rental income of property, plant and equipment	(202)	-
Change in fair value of investment properties	-	(241)
Purchases of financial investments	(1,152,834)	(791,641)
Placement of fixed deposits	(170,928)	(157,354)
Maturity of fixed deposits	185,876	102,251
Proceeds from disposal of financial investments	130,852	168,437
Maturity of financial investments	208,333	489,000
Non-cash items:		
Depreciation of property, plant and equipment	6,157	6,504
Depreciation of right-of-use assets	10,311	10,968
Amortisation of intangible assets	12,157	9,313
Allowance of impairment loss on receivables	5,013	6,563
Allowance for impairment loss on reinsurance assets	(3)	-
Bad debts recovered	(109)	(50)
Property, plant and equipment written off	61	815
Bad debts written off on receivables	1,192	-
Interest expense	754	352
Interest on lease liabilities	1,017	1,469
Changes in working capital:		
Change in reinsurance assets	(72,852)	28,477
Change in insurance receivables	(39,521)	(47,822)
Change in loans and receivables	15,295	4,475
Change in deferred acquisition costs	(10,100)	(13,193)
Change in insurance contract liabilities	390,204	113,532
Change in insurance payables	(9,596)	(15,947)
Change in other payables and accruals	943	(1,999)
	<u>(332,834)</u>	<u>15,754</u>
Dividend income from unquoted unit trust	24,455	13,728
Interest income received	116,035	126,691
Interest on lease liabilities	(1,017)	(1,469)
Rental income received	202	377
Income tax paid	(75,568)	(62,408)
Net cash flows (used in)/ generated from operating activities	<u>(268,727)</u>	<u>92,673</u>

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Condensed statement of cash flows (continued)**for the 9 month period ended 30 September 2020 - unaudited**

	9 months period ended 30.9.2020 RM'000	9 months period ended 30.9.2019 RM'000
Investing activities		
Proceeds from disposal of property, plant and equipment	839	85
Proceeds from disposal of intangible assets	-	6,393
Purchase of property, plant and equipment	(3,561)	(6,045)
Proceeds from disposal of ROU	1,670	-
Purchase of intangible assets	(7,288)	(5,564)
Net cash flows used in investing activities	(8,340)	(5,131)
Financing activities		
Dividend paid to owners of the Company	(199,822)	(159,630)
Repayment of lease liabilities	(10,242)	(9,620)
Net cash flows used in financing activities	(210,064)	(169,250)
Net decrease in cash and cash equivalents	(487,131)	(81,708)
Cash and cash equivalents at beginning of period	690,190	490,036
Cash and cash equivalents at end of period	<u>203,059</u>	<u>408,328</u>
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institution (with maturity of less than three months)	202,092	405,180
Cash and bank balances	967	3,148
	<u>203,059</u>	<u>408,328</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 2020 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 2019.

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 2019, except for the adoption of the following:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

The Conceptual Framework for Financial Reporting (Revised 2018)

Amendments to MFRS 3, *Definition of a Business*

Amendments to MFRS 101, *Presentation of Financial Statements*, and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*

Amendments to MFRS 9, MFRS 139 and MFRS 7: *Interest Rate Benchmark Reform*

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 30.9.2020 RM'000	Change in fair value RM'000	Cash flows characteristic
Financial assets			
Malaysian government securities	1,677,837	30,291	SPPI
Malaysian government guaranteed bonds	725,221	18,720	SPPI
Unquoted bonds of corporations	1,297,791	24,030	SPPI
Unquoted unit trust in Malaysia	1,282,519	18,281	Non-SPPI
Negotiable certificates of deposits	-	(50)	SPPI
Fixed deposits with licensed banks	187,135	-	SPPI
Loans and other receivables	84,109	-	SPPI
Cash and cash equivalents	203,059	-	SPPI
	<u>5,457,671</u>	<u>91,272</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	30,291	-	30,291
Malaysian government guaranteed bonds	18,720	-	18,720
Unquoted debt securities	24,030	-	24,030
Unquoted unit trust in Malaysia	-	18,281	18,281
Negotiable certificates of deposits	(50)	-	(50)
	<u>72,991</u>	<u>18,281</u>	<u>91,272</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	-	-	-	-	-	1,677,837	-	1,677,837
Malaysian government guaranteed bonds	-	-	-	-	-	725,221	-	725,221
Unquoted debt securities	701,141	561,626	31,223	11,097	-	-	-	1,305,087
Fixed deposits	55,720	131,415	-	-	-	-	-	187,135
Loans and other receivables	-	-	-	-	-	84,109	-	84,109
Cash and cash equivalents	159,862	43,111	-	-	-	86	-	203,059
	<u>916,723</u>	<u>736,152</u>	<u>31,223</u>	<u>11,097</u>	<u>-</u>	<u>2,487,253</u>	<u>-</u>	<u>4,182,448</u>

* All financial assets with SPPI cash flows of the Company as at 30 September 2020 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 2020 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.

6. Investment properties

	30.9.2020	31.12.2019
	RM'000	RM'000
Balance at the beginning of period/year	16,315	16,315
Transfer to property, plant and equipment	(16,315)	-
Balance at the end of period/year	<u>-</u>	<u>16,315</u>

Included in the above are:

	30.9.2020	31.12.2019
	RM'000	RM'000
At fair value:		
Freehold land and buildings	<u>-</u>	<u>16,315</u>

7. Investments

	30.9.2020	31.12.2019
	RM'000	RM'000
Malaysian government securities	1,677,837	1,462,250
Malaysian government guaranteed bonds	725,221	736,147
Unquoted debt securities	1,297,791	1,255,005
Unquoted equity securities	*	*
Unquoted unit trust in Malaysia	1,282,519	606,101
Fixed deposits	187,135	203,011
Structured deposits and negotiable instruments of deposit with licensed financial institutions	-	20,348
	<u>5,170,503</u>	<u>4,282,862</u>

* Denotes RM 4

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

	Total	
	30.9.2020	31.12.2019
	RM'000	RM'000
Loans and receivables ("L&R")	187,135	203,011
Available-for-sale financial assets ("AFS")	4,983,368	4,079,851
	<u>5,170,503</u>	<u>4,282,862</u>

7. Investments (continued)

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

	30.9.2020		31.12.2019	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Loans and receivables				
Fixed deposits	187,135	187,135	203,011	203,011
Available-for-sale				
Malaysian government securities	1,677,837	1,677,837	1,462,250	1,462,250
Malaysian government guaranteed bonds	725,221	725,221	736,147	736,147
Unquoted debt securities	1,297,791	1,297,791	1,255,005	1,255,005
Unquoted equity securities	*	-	*	-
Unquoted unit trust in Malaysia	1,282,519	1,282,519	606,101	606,101
Negotiable certificates of deposits and structured deposits with licensed financial institutions	-	-	20,348	20,348
	4,983,368	4,983,368	4,079,851	4,079,851
	5,170,503	5,170,503	4,282,862	4,282,862

* Denotes RM 4

7. 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 2019	123,828	3,996,640	4,120,468
Purchases	231,840	902,708	1,134,548
Maturities	(153,779)	(669,000)	(822,779)
Disposals	-	(226,321)	(226,321)
Fair value loss recorded in other comprehensive income	-	80,696	80,696
Accretion	-	766	766
Amortisation	-	(986)	(986)
Movement in income due and accrued	1,122	(4,652)	(3,530)
At 31 December 2019/ 1 January 2020	203,011	4,079,851	4,282,862
Purchases	170,928	1,152,834	1,323,762
Maturities	(185,876)	(208,333)	(394,209)
Disposals	-	(129,977)	(129,977)
Fair value gains recorded in other comprehensive income	-	91,272	91,272
Accretion	-	123	123
Amortisation	-	(528)	(528)
Movement in income due and accrued	(928)	(1,874)	(2,802)
At 30 September 2020	187,135	4,983,368	5,170,503

8. Reinsurance assets

	Note	30.9.2020 RM'000	31.12.2019 RM'000
Non-current			
Reinsurance of insurance contracts			
Claims liabilities		293,888	268,049
Current			
Reinsurance of insurance contracts			
Claims liabilities		539,763	492,307
Allowance for impairment		(2,583)	(2,586)
Premium liabilities		99,257	99,703
		<u>636,437</u>	<u>589,424</u>
	10	<u>930,325</u>	<u>857,473</u>

9. Insurance receivables

		30.9.2020 RM'000	31.12.2019 RM'000
Current			
Due premiums including agent, brokers and co-insurers balances		175,691	138,586
Due from reinsurers and cedants		57,742	57,852
		<u>233,433</u>	<u>196,438</u>
Allowance for impairment		(60,688)	(55,675)
		<u>172,745</u>	<u>140,763</u>
Due from related companies	9.1	3,701	2,257
		<u>176,446</u>	<u>143,020</u>

9. Insurance receivables (continued)

	30.9.2020 RM'000	31.12.2019 RM'000
Movement in allowance for impairment		
Balance at the beginning of the period/year	55,675	54,451
Impairment loss recognised/(reversed)	5,013	1,224
Balance at the end of the period/year	60,688	55,675

9.1 Amount due from related companies

The amounts due from related companies are unsecured.

10. Insurance contract liabilities

General insurance contract liabilities consist of:

	←	30.9.2020	→	←	31.12.2019	→
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders	2,075,936	(584,670)	1,491,266	1,872,966	(537,797)	1,335,169
Provision for incurred but not reported claims ("IBNR")	764,777	(248,981)	515,796	681,278	(222,559)	458,719
(i)	2,840,713	(833,651)	2,007,062	2,554,244	(760,356)	1,793,888
Allowance for impairment	-	2,583	2,583	-	2,586	2,586
Provision for outstanding claims (i)	2,840,713	(831,068)	2,009,645	2,554,244	(757,770)	1,796,474
Provision for unearned premiums (ii)	1,208,046	(99,257)	1,108,789	1,104,311	(99,703)	1,004,608
	4,048,759	(930,325)	3,118,434	3,658,555	(857,473)	2,801,082
		Note 8			Note 8	

10. Insurance contract liabilities (continued)

(i) Provision for outstanding claims

	← 30.9.2020 →	← 31.12.2019 →				
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At the beginning of period/year	2,554,244	(757,770)	1,796,474	2,475,391	(714,461)	1,760,930
Claims incurred in the current accident period/year	1,157,775	(166,829)	990,946	1,505,454	(230,305)	1,275,149
Other movements in claims incurred in prior accident period/years	(162,676)	41,996	(120,680)	(256,986)	81,075	(175,911)
Claims paid during the period/year	(708,630)	51,535	(657,095)	(1,169,615)	105,921	(1,063,694)
At the end of period/year	<u>2,840,713</u>	<u>(831,068)</u>	<u>2,009,645</u>	<u>2,554,244</u>	<u>(757,770)</u>	<u>1,796,474</u>

(ii) Provision for unearned premiums

	← 30.9.2020 →	← 31.12.2019 →				
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At the beginning of period/year	1,104,311	(99,703)	1,004,608	1,030,227	(122,965)	907,262
Premiums written in the period/year	1,797,307	(185,450)	1,611,857	2,197,501	(241,747)	1,955,754
Premiums earned during the period/year	(1,693,572)	185,896	(1,507,676)	(2,123,417)	265,009	(1,858,408)
At the end of period/year	<u>1,208,046</u>	<u>(99,257)</u>	<u>1,108,789</u>	<u>1,104,311</u>	<u>(99,703)</u>	<u>1,004,608</u>
	Note 9			Note 9		

11. Insurance payables

	Note	30.9.2020 RM'000	31.12.2019 RM'000
Non-current			
Performance bond deposits	12.1	16,327	24,292
Current			
Due to reinsurers and cedants		52,263	54,303
Due to agents and intermediaries		35,547	36,978
Performance bond deposits	12.1	52,187	44,799
Due to related companies	12.2	40,398	45,946
		<u>180,395</u>	<u>182,026</u>
		<u>196,722</u>	<u>206,318</u>

11.1 Performance bond deposits

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

11.2 Amount due to related companies

The amount due to related companies are unsecured.

12. 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:

	30.9.2020	30.9.2019
Profit for the period attributable to ordinary shareholders (RM'000)	215,899	188,223
Weighted average number of ordinary shares ('000)	379,168	379,168
Basic earnings per ordinary share (sen)	56.9	49.6

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.

13. Capital commitments

	30.9.2020 RM'000	31.12.2019 RM'000
Property, plant and equipment		
Contracted but not provided for	2,059	1,120
Intangible assets		
Contracted but not provided for	337	83

14. Related party transactions

Significant related party transactions are as follows:

	Amount transacted for the period ended 30 September	
	2020 RM'000	2019 RM'000
Trade		
Related companies*		
Reinsurance premiums	(122,984)	(113,389)
Reinsurance commission	11,304	9,019

*Related companies are companies within the Allianz SE Group.

15. 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.

The Company had on 13 October 2020 filed a Notice of Appeal with the Competition Appeal Tribunal ("CAT") against the Decision, pursuant to Section 52 of the CA ("Notice of 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 has filed a Statement in Reply dated 20 November 2020 with the CAT. The Company's solicitors are currently reviewing the same and would be advising on the next steps.

Saved as disclosed above, the Company does not have any other contingent assets and liabilities since the last annual balance sheet date.

16. 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.

17. 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.

18. 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 2020, as prescribed under the RBC Framework is provided below:

	30.9.2020	31.12.2019
	RM'000	RM'000
Tier 1 Capital		
Paid up share capital	379,168	379,168
Retained earnings	1,866,075	1,645,705
	<u>2,245,243</u>	<u>2,024,873</u>
Tier 2 Capital		
Reserves	157,104	91,476
	<u>157,104</u>	<u>91,476</u>
Amounts deducted from capital	(97,041)	(101,928)
Total capital available	<u><u>2,305,306</u></u>	<u><u>2,014,421</u></u>

19. 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.

20. Dividend paid

An interim dividend of 52.7 sen per ordinary share under single tier system amounting to RM199,821,637.71 for the financial year ended 31 December 2019 was paid to the entitled shareholder of the Company on 14 January 2020.

21. Changes in material litigations

Virginia Surety Company Labuan Branch ("VSC") had provided reinsurance support to Commerce Assurance Berhad (now known as Bright Mission Berhad and which has since wound up) ("CAB") previously in respect of CAB's Extended Warranty Program ("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.

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

On 11 December 2013, 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 AGIC 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
- (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.

21. Changes in material litigations (continued)

AGIC's Originating Summons – High Court

AGIC's solicitors were of the view that there were reasonable grounds to seek a review of the Award, including to set aside the Award. An Originating Summons was filed at 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 ("Act") and for a Reference of Questions of law under Section 42 of the Act. AGIC's solicitors presented their Oral Submissions at the Hearing on 18 February 2019. The Hearing continued on 13 March 2019 during which VSC's solicitor presented its oral arguments and Further Written Submissions. AGIC's solicitors filed the response to VSC's Further Written Submissions on 10 April 2019 and VSC filed its Reply Submissions on 17 April 2019. The Hearing continued and concluded on 18 April 2019. On 28 June 2019, the Court declined the application to set aside the Award ("Decision").

AGIC's solicitors filed a Notice of Appeal to the Court of Appeal against the Decision on 15 July 2019 ("Appeal"). At the first case management on 4 September 2019, the Court of Appeal fixed the next case management for 9 October 2019 and directed the filing of the Record of Appeal by 26 September 2019.

Separately, VSC's solicitors filed an Originating Summons dated 11 September 2019 ("VSC's OS") to recognise and enforce the Award against AGIC, which if allowed, would have resulted in AGIC having to pay VSC all the costs ordered by the Award.

Update on VSC's OS Application

At the first case management on VSC's OS on 26 September 2019, AGIC's solicitors informed the Court that as the Appeal was pending before the Court of Appeal, VSC's OS was premature. The Court then fixed the matter for further case management for VSC's solicitors to address the issue of holding over of VSC's OS, pending the determination of the Appeal. AGIC's solicitors filed a stay application on VSC's OS and on 7 November 2019, the Judge allowed AGIC'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 the appeal), and since VSC agreed to withdraw the matter, the Judge ordered that VSC's OS be struck out with liberty to file afresh.

21. Changes in material litigations (continued)

Update on AGIC's Appeal

At the case management on AGIC's Appeal on 9 October 2019, a further case management was fixed on 20 November 2019. On 20 November 2019, a further case management was fixed on 13 January 2020, pending the High Court's substantive Grounds of Decision ("Grounds"). At the case management on 13 January 2020, the Court of Appeal fixed a further case management on 19 February 2020, as AGIC's solicitors had yet to receive the Grounds. On 17 February 2020, the Court of Appeal wrote to parties' solicitors to give notice that the case management fixed for 19 February 2020 was rescheduled to 26 February 2020. On 26 February 2020, the Court of Appeal was informed that AGIC's solicitors had yet to receive the Grounds. As such, a further 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 AGIC'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, AGIC's solicitors informed the Court of Appeal that the Grounds had since been collected and the Court of Appeal 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 the Appeal for Hearing on 2 February 2021 and there will be a further Case Management on 26 January 2021 for the Court to monitor compliance with all appeal directions.

22. Financial instruments

22.1 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.

22. Financial instruments (continued)

22.2 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.

30.9.2020	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	-	1,677,837	-	1,677,837	-	-	-	-	1,677,837	1,677,837
Malaysian government guaranteed bonds	-	725,221	-	725,221	-	-	-	-	725,221	725,221
Unquoted debt securities	-	1,297,791	-	1,297,791	-	-	-	-	1,297,791	1,297,791
Unquoted unit trust in Malaysia	-	1,282,519	-	1,282,519	-	-	-	-	1,282,519	1,282,519
	-	4,983,368	-	4,983,368	-	-	-	-	4,983,368	4,983,368

22. Financial instruments (continued)

22.2 Fair value information (continued)

31.12.2019	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 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Financial assets										
Malaysian government securities	-	1,462,250	-	1,462,250	-	-	-	-	1,462,250	1,462,250
Malaysian government guaranteed bonds	-	736,147	-	736,147	-	-	-	-	736,147	736,147
Unquoted debt securities	-	1,255,005	-	1,255,005	-	-	-	-	1,255,005	1,255,005
Unquoted unit trust in Malaysia	-	606,101	-	606,101	-	-	-	-	606,101	606,101
Structured deposits and negotiable instruments of deposit with licensed financial institutions	-	20,348	-	20,348	-	-	-	-	20,348	20,348
	-	4,079,851	-	4,079,851	-	-	-	-	4,079,851	4,079,851

22. Financial instruments (continued)

22.2 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 2020 (2019: no transfer in either directions).

Level 3 fair value

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

23. Implication of COVID-19 on the company business

The World Health Organisation ("WHO") had on 11 March 2020 declared COVID-19 as a pandemic and it has caused one of the most severe economic and financial market turmoil.

COVID-19 continues to disrupt economies and capital markets worldwide. The operating environment continues to be challenging in the near term as consumer and retailer sentiments are expected to remain subdued against the backdrop of economic uncertainties.

While the results of the Company for the nine months of the year have remained resilient, the Company remains cautious in maintaining the same level of profitability for the remainder of the year amid ongoing uncertainties to the economy arising from the COVID-19 pandemic.

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 2020 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:

Tan Sri Datuk (Dr.) Rafiah Binti Salim

Zakri Bin Mohd Khir

Kuala Lumpur,

Date: 26 November 2020