

LIBERTY INSURANCE BERHAD
197301003242 (16688-K)
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

16688-K

LIBERTY INSURANCE BERHAD
(Incorporated in Malaysia)

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LIBERTY INSURANCE BERHAD
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UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Note	As at 30.6.2022 Unaudited RM'000	As at 31.12.2021 Audited RM'000
ASSETS			
Property and equipment		58,080	59,457
Right-of-use assets		929	1,074
Intangible assets - software		3,547	3,598
Investment properties	10	33,612	33,612
Financial assets at fair value through other comprehensive income	11	829,104	665,112
Financial assets at fair value through profit or loss	12	265,214	270,849
Financial assets at amortised cost	13	277,612	454,753
Reinsurance assets	14	248,807	251,531
Insurance receivables	15	64,814	24,120
Other receivables	16	52,355	49,188
Deferred acquisition costs		30,827	29,971
Deferred tax assets		14,672	9,776
Cash and short term deposits		41,033	70,050
Total assets		<u>1,920,606</u>	<u>1,923,091</u>
EQUITY AND LIABILITIES			
Share capital		100,000	100,000
Other reserves		(4,143)	12,165
Retained earnings		672,778	658,340
Total equity		<u>768,635</u>	<u>770,505</u>
LIABILITIES			
Insurance contract liabilities	17	996,591	996,401
Tax liabilities		564	6,919
Deferred acquisition costs - reinsurance		5,035	4,458
Insurance payables		71,143	53,823
Other payables		77,689	89,886
Lease liabilities		949	1,099
Total liabilities		<u>1,151,971</u>	<u>1,152,586</u>
Total equity and liabilities		<u>1,920,606</u>	<u>1,923,091</u>

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

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UNAUDITED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

		6 months ended 30.6.2022 Unaudited RM'000	6 months ended 30.6.2021 Unaudited RM'000
	Note		
Gross written premiums		293,100	292,753
Change in premium liabilities		(5,113)	9,833
Gross earned premiums (a)		<u>287,987</u>	<u>302,586</u>
Reinsurance premiums ceded		(62,944)	(57,639)
Change in premium liabilities		1,811	2,808
Premiums ceded to reinsurers (b)		<u>(61,133)</u>	<u>(54,831)</u>
Net earned premiums (a) - (b)		<u>226,854</u>	<u>247,755</u>
Investment income		18,723	17,582
Realised (losses)/gains		(19)	468
Fair value losses		(5,866)	(2,944)
Commission income		11,025	11,039
Other operating income		331	-
Other revenue		<u>24,194</u>	<u>26,145</u>
Gross claims paid	17	(171,440)	(156,351)
Claims ceded to reinsurers	17	39,400	19,166
Gross change to claims liabilities	17	4,924	(45,869)
Change in claims liabilities ceded to reinsurers	17	(4,537)	44,327
Net claims incurred		<u>(131,653)</u>	<u>(138,727)</u>
Commission expense		(34,159)	(35,427)
Management expenses		(59,908)	(62,199)
Other operating expenses		(4,297)	(1,994)
Other expenses		<u>(98,364)</u>	<u>(99,620)</u>
Profit before taxation		21,031	35,553
Tax expense		<u>(6,594)</u>	<u>(9,109)</u>
Net profit for the period		<u>14,437</u>	<u>26,444</u>
Basic and diluted earnings per share (sen)		<u>14.4</u>	<u>26.4</u>

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

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UNAUDITED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

	6 months ended 30.6.2022 Unaudited RM'000	6 months ended 30.6.2021 Unaudited RM'000
Net profit for the period	<u>14,437</u>	<u>26,444</u>
Other comprehensive income:		
Item that may be subsequently reclassified to profit or loss:		
<u>Fair value through other comprehensive income ("FVOCI")</u>		
Fair value losses on debt instruments designated at FVOCI	(21,458)	(11,741)
Tax effect on fair value loss of FVOCI financial assets	<u>5,150</u>	<u>2,819</u>
	<u>(16,308)</u>	<u>(8,922)</u>
Total comprehensive (loss)/income for the period	<u>(1,871)</u>	<u>17,522</u>

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

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UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

		Non-distributable		Distributable	
	Issued and fully paid ordinary shares RM'000	Asset revaluation reserve RM'000	FVOCI reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2021	100,000	19,665	13,842	606,251	739,758
Total comprehensive income for the financial year	-	-	(8,922)	26,444	17,522
At 30 June 2021	<u>100,000</u>	<u>19,665</u>	<u>4,920</u>	<u>632,695</u>	<u>757,280</u>
At 1 January 2022	100,000	14,983	(2,818)	658,341	770,506
Total comprehensive income for the financial year	-	-	(16,308)	14,437	(1,871)
At 30 June 2022	<u>100,000</u>	<u>14,983</u>	<u>(19,126)</u>	<u>672,778</u>	<u>768,635</u>

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UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

	Note	6 months ended 30.6.2022 Unaudited RM'000	6 months ended 30.6.2021 Unaudited RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period		14,437	26,444
<u>Adjustment for non-cash items:</u>			
Property and equipment			
- depreciation		1,924	1,975
- loss from disposal		8	-
- adjustment		6	8
Amortisation of intangible assets		596	500
Depreciation of right-of-use assets		464	476
Net fair value losses from FVTPL financial assets		5,866	2,944
Interest and distribution income		(20,338)	(11,696)
Net rental (income)/expenses paid received		(236)	311
Net amortisation		1,850	1,160
Allowance/(Write-back) for impairment of insurance receivables		55	(223)
Bad debts written-off, net recoveries		(2)	-
Interest expense on lease liability		13	16
Tax expense		6,595	9,109
		<u>11,238</u>	<u>31,024</u>
Interest and distribution income received		21,003	16,766
Net rental income received /(expenses paid)		236	(311)
Decrease/(Increase) in reinsurance assets	14	2,726	(47,135)
Increase in insurance receivables	15	(40,748)	(8,677)
(Increase)/Decrease in deferred acquisition costs		(856)	2,408
(Increase)/Decrease in other receivables	16	(3,398)	648
Increase in insurance contract liabilities	17	189	36,035
Increase in insurance payables		17,319	7,831
Decrease in other payables		(12,201)	(10,974)
Increase in deferred acquisition costs - reinsurance		577	537
Cash (paid)/generated from operating activities		<u>(3,915)</u>	<u>28,152</u>
Income tax paid		(12,692)	(15,009)
Net cash (outflows)/inflows from operating activities		<u>(16,607)</u>	<u>13,143</u>

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UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022 (CONTINUED)

		6 months ended 30.6.2022 Unaudited RM'000	6 months ended 30.6.2021 Unaudited RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of FVOCI financial assets	11	(215,824)	(155,401)
Proceeds from maturity of FVOCI financial assets	11	30,000	30,000
Proceeds from maturity of amortised cost financial assets	13	175,000	130,000
Purchase of property and equipment		(561)	(1,497)
Purchase of intangible assets - software		(544)	(1,160)
Net cash (outflows)/inflows from investing activities		<u>(11,929)</u>	<u>1,942</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liability		(481)	(493)
Net cash outflows from financing activities		<u>(481)</u>	<u>(493)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(29,017)	14,592
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		70,050	38,089
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		<u>41,033</u>	<u>52,681</u>

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2022

1. SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PREPARATION

The unaudited condensed interim financial statements of the Company are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 - Interim Financial Reporting as issued by Malaysian Accounting Standard Board ("MASB") and International Accounting Standard ("IAS") 34 - Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB").

The unaudited condensed interim financial statements do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the financial year ended 31 December 2021.

The Company has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework issued by Bank Negara Malaysia ("BNM").

The unaudited condensed interim financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

(b) CHANGES IN ACCOUNTING POLICIES

(i) Amendments to Malaysian Financial Reporting Standards

The accounting policies adopted by the Company for the unaudited condensed interim financial statements are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 2021, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 January 2022.

Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2018–2020"

Amendments to MFRS 3 Business Combinations
(Reference to the Conceptual Framework)

Amendments to MFRS 116 Property, Plant and Equipment
(Property, Plant and Equipment – Proceeds before Intended Use)

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets
(Onerous Contracts – Cost of Fulfilling a Contract)

The adoption of the above did not have any significant effects on the unaudited condensed interim financial statements upon their initial application.

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1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(ii) Standards issued but not yet effective

The following are standards, amendments to Standards and Interpretations issued by the Malaysian Accounting Standards Board ("MASB"), but not yet effective, up to the date of issuance of the Company's financial statements. The Company intends to adopt these standards, amendments to standards and interpretation, if applicable, when they become effective:

Description	Effective for annual financial periods beginning on or after
MFRS 17 Insurance Contracts and amendments	1 January 2023
Amendments to MFRS 101 Presentation of Financial Statements (Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies)	1 January 2023
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)	1 January 2023
Amendments to MFRS 112 Income Taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)	1 January 2023
Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The above new and amended standards and interpretation are not expected to have any material effect on the unaudited condensed interim financial statements in the period of initial application except as discussed below:

MFRS 17 Insurance Contracts

In August 2017, the MASB issued MFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which will replace MFRS 4 Insurance Contracts.

In contrast to the requirements in MFRS 4, which was an interim standard and are largely based on alterations of previous local accounting policies for measurement purposes, MFRS 17 provides a comprehensive model (the general measurement model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration contracts which are expected to typically apply to certain non-life insurance contracts.

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1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(ii) Standards issued but not yet effective (continued)

The main features of the new accounting model for insurance contracts are as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured at every reporting period (the fulfilment cash flows).
- A Contractual Service Margin ("CSM") that is equal and opposite to any day one gain in the fulfilment cash flows of a Company of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period).
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period.
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period.
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the statement of financial position.
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense.
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

MFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies MFRS 9 and MFRS 15 on or before the date it first applies MFRS 17. Retrospective application is required. However, if full retrospective application for a Company's insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

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1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(ii) Standards issued but not yet effective (continued)

MFRS 17 Insurance Contracts (continued)

The Company plans to adopt the new standard on the required effective date. The Company expects that the new standard will result in changes to the accounting policies for insurance contract liabilities of the Company and is likely to have a significant impact on its financial position, results and equity, together with significant changes to presentation and disclosure. The Company had completed the data requirements relating to MFRS 17. The Company is currently in progress of completing the system requirements for MFRS 17 and to undergo user acceptance testing.

2. COMMENTS ON SEASONALITY OR CYCLICALITY

The business operations of the Company are subject to the sales cycle of the insurance business as Malaysia transitioned to endemic phase of COVID-19 effective 1 April 2022.

3. UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim period ended 30 June 2022.

4. CHANGES IN ESTIMATES

There were no material changes in the basis used for accounting estimates for the interim period ended 30 June 2022.

5. DEBTS AND EQUITY SECURITIES

There were no issuances, repurchase or repayment of debt and equity securities by the Company during the interim period ended 30 June 2022.

6. DIVIDENDS PAID

No dividends have been paid or declared by the Company for the interim period ended 30 June 2022.

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7. EVENTS AFTER THE INTERIM PERIOD

There were no material events after the interim period that have not been reflected in the unaudited condensed interim financial statements for the interim period 30 June 2022.

8. EFFECT OF CHANGES IN COMPOSITION OF THE COMPANY

There were no changes in the composition of the Company during the interim period ended 30 June 2022.

9. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

The Company does not have any contingent assets or liabilities.

10. INVESTMENT PROPERTIES

	Freehold land and building RM'000	Leasehold land and building RM'000	Total RM'000
At fair value:			
At 1 January 2021	9,000	19,720	28,720
Net fair value gains/(losses)	400	(2,108)	(1,708)
Transferred from non-current assets held for sale	6,600	-	6,600
At 31 December 2021/30 June 2022	<u>16,000</u>	<u>17,612</u>	<u>33,612</u>

During the financial year ended 31 December 2021, the Company revalued its freehold and long term leasehold properties which are held as investment properties based on independent valuations performed by Rahim & Co. Chartered Surveyors Sdn. Bhd., an independent accredited valuer.

The above table presents the reconciliation for all investment properties measured at fair value from opening balance to closing balance based on significant unobservable inputs (Level 3).

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10. INVESTMENT PROPERTIES (CONTINUED)

Recurring fair value measurements

All freehold and long-term leasehold properties of the Company are classified within Level 3 of the fair value hierarchy. The fair values for all the properties have been derived using either the sales comparison approach or the income approach as allowed under MFRS 13 *Fair Value Measurement*. Sales prices of comparable land and buildings, rentals and yields of similar properties in close proximity are adjusted for differences in key attributes such as property size, location and quality of the building. The most significant input used in the sales comparison approach is price per square foot of comparable properties while the most significant inputs used in the income approach are yields and rental rates per square foot of comparable properties.

The titles to the freehold land and buildings included in investment properties of the Company with a carrying value of RM16,000,000 (2021: RM16,000,000) are in the process of being transferred to the Company. Risks, rewards and effective titles to these properties have been passed to the Company upon unconditional completion of the acquisition of those properties. The Company has submitted the relevant documents to the land authorities for transfer of legal titles to the Company and is awaiting the process and finalisation of this transfer to be completed.

(i) Fair value hierarchy of Investment Properties

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3 of the fair value hierarchy):

31.12.2021/ 30.06.2022

Description	Fair Value RM'000	Valuation technique	Unobservable input	Range of values
Leasehold land and buiding	17,612	Income approach	Rental p.s.f. per month	RM3.30 - RM9.00
			Discount rate	4.5% - 6.5%
Freehold land	16,000	Comparison approach	Estimated value p.s.f.	RM104 - RM350

An increase or decrease in the unobservable inputs used in the valuation might result in a correspondingly higher or lower fair value measurement.

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11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

(i) Financial assets at FVOCI comprise the following investments:

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
Malaysian government papers ("MGS")	552,123	413,537
Unquoted corporate debt securities ("CDS") in Malaysia	276,981	251,575
Unquoted equity securities in Malaysia*	-	-
	829,104	665,112

*This denotes that the fair value of unquoted equities as at 30 June 2022 and 31 December 2021 is RM1.

(ii) Fair value hierarchy of financial assets at FVOCI

Recurring fair value measurements

The Company categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used in the Company's valuation techniques for determining the fair value of the financial instruments.

A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three-level hierarchy is defined as follows:

Level 1 - Fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date. Valuations are based on quoted prices reflecting market transactions involving assets or liabilities identical to those being measured.

Level 2 - Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Those include quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc) and inputs that are derived from or corroborated by observable market data.

Level 3 - Fair value measurements using significant non-market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which is not market observable, including assumptions about risk. There are no readily available prices for unquoted stocks. Adjusted Net Tangible Assets ("NTA") method was used to value the stocks whereby adjusted net assets are divided by the share capital to obtain the price per share.

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11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI") (CONTINUED)

(ii) Fair value hierarchy of financial assets at FVOCI (continued)

Recurring fair value measurements (continued)

The following table show financial assets at FVOCI at 30 June 2022 and 31 December 2021 recorded at fair value analysed by the different bases of fair values as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30 June 2022				
Malaysian government papers	-	552,123	-	552,123
Unquoted equity securities in Malaysia*	-	-	-	-
Unquoted corporate debt securities in Malaysia	-	276,981	-	276,981
	<u>-</u>	<u>829,104</u>	<u>-</u>	<u>829,104</u>
31 December 2021				
Malaysian government papers	-	413,537	-	413,537
Unquoted equity securities in Malaysia*	-	-	-	-
Unquoted corporate debt securities in Malaysia	-	251,575	-	251,575
	<u>-</u>	<u>665,112</u>	<u>-</u>	<u>665,112</u>

*This denotes that the fair value of unquoted equities as at 30 June 2022 and 31 December 2021 is RM1.

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12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
At fair value:		
Collective Investment Schemes	265,214	270,849

Details of the Company's investment in collective investment schemes in Malaysia are as follows:

Name of wholesale unit trust fund	Principal activities	% of ownership interest held by the Company	
		2022	2021
United Institutional Income Fund 2	Investment in debt securities	48.40%	50.80%
Opus Institutional Income Fund	Investment in debt securities	4.10%	3.60%
Hong Leong Wholesale Bond Fund	Investment in debt securities	24.60%	18.90%

The fair value hierarchy of the collective investment schemes is level 2. The three-level hierarchy is defined in Note 11(ii).

13. FINANCIAL ASSETS AT AMORTISED COST

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
Fixed and call deposits with licensed banks held for investment purposes	276,300	451,300
Accrued interest	1,312	3,453
Total financial assets at amortised cost	<u>277,612</u>	<u>454,753</u>

14. REINSURANCE ASSETS

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
Reinsurance of insurance contracts:		
Claims liabilities (Note 17)	211,733	216,268
Premium liabilities (Note 17)	37,074	35,263
	<u>248,807</u>	<u>251,531</u>

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15. INSURANCE RECEIVABLES

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
Due premium including agents, brokers and co-insurers balance	41,143	10,226
Due from reinsurers and cedants	25,031	15,444
	<u>66,174</u>	<u>25,670</u>
Accumulated impairment losses	(1,958)	(1,903)
	<u>64,216</u>	<u>23,767</u>
Knock-for-knock claims recoveries due from other insurers	598	353
	<u>64,814</u>	<u>24,120</u>

The carrying amounts disclosed above approximate fair values at the date of the statement of financial position due to their short-term maturity.

16. OTHER RECEIVABLES

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
Malaysian Motor Insurance Pool ("MMIP") balance	43,273	45,114
MMIP commission receivable	71	143
Deposits	1,099	896
Prepayments	1,974	806
Other receivables	5,938	2,229
	<u>52,355</u>	<u>49,188</u>

The carrying amounts of the other receivables (excluding prepayments) disclosed above approximate fair values at the date of the statement of financial position due to their short-term maturity, except for share of MMIP's assets.

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17. INSURANCE CONTRACT LIABILITIES

	← 30.06.2022 →			← 31.12.2021 →		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
General insurance	996,591	(248,807)	747,784	996,401	(251,531)	744,870

The general insurance contract liabilities and the movement during the period/year are further analysed as follows:

	← 30.06.2022 →			← 31.12.2021 →		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
Provision for claims	517,154	(162,404)	354,750	504,491	(150,313)	354,178
Provision for incurred but not reported ("IBNR") claims	181,398	(49,329)	132,069	198,984	(65,955)	133,029
Claims liabilities (i),(ii)	698,552	(211,733)	486,819	703,475	(216,268)	487,207
Premium liabilities (iii)	298,039	(37,074)	260,965	292,926	(35,263)	257,663
	996,591	(248,807)	747,784	996,401	(251,531)	744,870

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17. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(i) Claims liabilities

	←	30.06.2022	→	←	31.12.2021	→
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2022/2021	703,475	(216,268)	487,207	556,390	(68,843)	487,547
Claims incurred for the current accident period/year (direct and facultative)	165,884	(20,982)	144,902	431,091	(165,598)	265,493
Adjustment to claims incurred in prior accident years (direct and facultative)	5,820	(14,612)	(8,792)	(18,356)	9,446	(8,910)
Claims incurred during the period/ year (treaty inwards claims)	(3,993)	-	(3,993)	(2,443)	-	(2,443)
Movement in PRAD of claims liabilities at 75% confidence level	(1,282)	729	(553)	24,043	(23,914)	129
Movement in claims handling expenses	88	-	88	630	-	630
Claims paid during the period/year	(171,440)	39,400	(132,040)	(287,880)	32,641	(255,239)
At 30 June 2022/31 December 2021	<u>698,552</u>	<u>(211,733)</u>	<u>486,819</u>	<u>703,475</u>	<u>(216,268)</u>	<u>487,207</u>

LIBERTY INSURANCE BERHAD
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17. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(ii) Claims liabilities by class of business

	← 30.06.2022 →			← 31.12.2021 →		
	Motor RM'000	Non-motor RM'000	Total RM'000	Motor RM'000	Non-motor RM'000	Total RM'000
Gross claims liabilities	478,257	220,295	698,552	478,871	224,604	703,475
Reinsurance	(26,310)	(185,423)	(211,733)	(24,895)	(191,373)	(216,268)
Net claims liabilities	<u>451,947</u>	<u>34,872</u>	<u>486,819</u>	<u>453,976</u>	<u>33,231</u>	<u>487,207</u>

(iii) Premium liabilities

	← 30.06.2022 →			← 31.12.2021 →		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
At 1 January 2022/2021	292,926	(35,263)	257,663	309,001	(31,373)	277,628
Premiums written during the period/year	293,100	(62,944)	230,156	580,961	(112,061)	468,900
Premiums earned during the period/year	(287,987)	61,133	(226,854)	(597,036)	108,171	(488,865)
At 30 June 2022/31 December 2021	<u>298,039</u>	<u>(37,074)</u>	<u>260,965</u>	<u>292,926</u>	<u>(35,263)</u>	<u>257,663</u>

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18. COMMITMENTS

(a) Capital expenditure not provided in the financial statements are as follows:

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
Authorised by the Directors and contracted for:		
- Property and equipment	<u>346</u>	<u>541</u>

(b) Operating lease commitments

(i) The Company as lessee

The Company has operating lease agreement entered into in respect of network charges. The future aggregate minimum lease payments under operating lease are as follows:

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
Not later than 1 year	<u>1,679</u>	<u>468</u>

(ii) The Company as lessor

The Company has entered into lease agreements on its properties. The leases have remaining lease terms of between 1 to 3 years. The future aggregate minimum lease receivables under the operating leases contracted for as at the reporting date but not recognised as assets, are as follows:

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
Not later than 1 year	904	806
Later than 1 year and no later than 3 years	257	259
	<u>1,161</u>	<u>1,065</u>

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19. SIGNIFICANT RELATED PARTY DISCLOSURES

RELATED PARTY DISCLOSURES - KOREAN REINSURANCE COMPANY,
SINGAPORE BRANCH, SINGAPORE

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
<u>Expenses/(income) :</u>		
Transaction with non-controlling shareholders		
Reinsurance ceded premium	3	11
Reinsurance commission received	(1)	(3)
Reinsurance claims recovery	(20)	(70)
	<u> </u>	<u> </u>
<u>Due from/(due to) :</u>		
Balance with non-controlling shareholder:		
Reinsurance receivables	16	10
Reinsurance payables	(1)	-
	<u> </u>	<u> </u>

RELATED PARTY DISCLOSURES - KOREAN REINSURANCE COMPANY, LABUAN
BRANCH, LABUAN, MALAYSIA

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
<u>Expenses/(income):</u>		
Transactions with non-controlling shareholder:		
Reinsurance ceded premium	1,368	3,946
Reinsurance commission received	(287)	(807)
Reinsurance claims recovery	(2,849)	(1,433)
	<u> </u>	<u> </u>
<u>Due from/(due to):</u>		
Balance with non-controlling shareholder:		
Reinsurance receivables	1,203	4
Reinsurance payables	(66)	340
	<u> </u>	<u> </u>

LIBERTY INSURANCE BERHAD
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19. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

RELATED PARTY DISCLOSURES - LIBERTY GROUP

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
<u>Expenses/(income) :</u>		
Transactions with Liberty Group Companies:		
Reinsurance ceded premium		
- Liberty Insurance Pte Ltd, Singapore	8,516	12,799
- Liberty Specialty Markets Singapore Pte Limited (Labuan Branch)	10,457	9,747
- Liberty Mutual Insurance Co Boston	3,826	7,313
- Liberty Mutual Insurance Co Australia	-	9
	<u>22,799</u>	<u>29,868</u>
Reinsurance commission received		
- Liberty Insurance Pte. Ltd, Singapore	(1,082)	(1,608)
- Liberty Specialty Markets Singapore Pte Limited (Labuan Branch)	(2,668)	(2,363)
- Liberty Mutual Insurance Co Boston	(550)	(1,343)
	<u>(4,300)</u>	<u>(5,314)</u>
Reinsurance claims recovery		
- Liberty Insurance Pte. Ltd, Singapore	(4,152)	(5,619)
- Liberty Specialty Markets Singapore Pte Limited (Labuan Branch)	(35)	(173)
- Liberty Mutual Insurance Co Boston	(5,679)	(2,215)
	<u>(9,867)</u>	<u>(8,007)</u>
EDP expenses		
- Liberty Mutual Insurance Company	320	338
Business acquisition expense		
- Liberty Mutual Insurance Company	-	11,027
Staff salaries and others		
- Liberty Mutual Insurance Company	(4,857)	(1,603)
- Liberty Specialty Markets Singapore Pte Limited (Labuan Branch)	(837)	(1,219)
	<u>(5,694)</u>	<u>(2,822)</u>

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19. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

RELATED PARTY DISCLOSURES - LIBERTY GROUP (CONTINUED)

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
<u>Due from/(due to) :</u>		
Balances with Liberty Group comprises:		
Reinsurance receivables		
- Liberty Insurance Pte. Ltd, Singapore	11,443	11,809
- Liberty Mutual Insurance Co Boston	4,044	11
- Liberty Specialty Markets Singapore Pte Limited (Labuan Branch)	33	333
	<u>15,520</u>	<u>12,153</u>
Reinsurance payables		
- Liberty Insurance Pte Ltd, Singapore	(1,414)	(1,722)
- Liberty Specialty Markets Singapore Pte Limited (Labuan Branch)	(6,212)	(1,693)
- Liberty Specialty Markets Singapore Pte Limited	-	-
- Liberty Specialty Markets, Australia	(9)	(9)
- Liberty Mutual Insurance Co Boston	(579)	(446)
	<u>(8,214)</u>	<u>(3,870)</u>
Other receivables/(payables)		
- Liberty Mutual Insurance Company	5,489	1,599
- Liberty Specialty Markets Singapore Pte Limited (Labuan Branch)	78	72
	<u>5,568</u>	<u>1,671</u>

The balances with the related parties above are unsecured, interest free, repayable in accordance with the terms of the relevant contracts or on demand and are included in insurance receivables, other receivables and insurance payables.

LIBERTY INSURANCE BERHAD
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20. FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at FVOCI RM'000	Financial assets at FVTPL RM'000	Financial assets at amortised cost RM'000	Assets not in scope of MFRS 9 RM'000	Total RM'000
As at 30.06.2022					
Assets					
Property and equipment	-	-	-	58,080	58,080
Right-of-use assets	-	-	-	929	929
Intangible assets - software	-	-	-	3,547	3,547
Investment properties	-	-	-	33,612	33,612
Financial assets at FVOCI	829,104	-	-	-	829,104
Financial assets at FVTPL	-	265,214	-	-	265,214
Financial assets at amortised cost	-	-	277,612	-	277,612
Reinsurance assets	-	-	-	248,807	248,807
Insurance receivables	-	-	64,814	-	64,814
Other receivables	-	-	50,381	1,974	52,355
Deferred acquisition costs	-	-	-	30,827	30,827
Deferred tax assets	-	-	-	14,672	14,672
Cash and short term deposits	-	-	-	41,033	41,033
Total assets	829,104	265,214	392,807	433,481	1,920,606
Liabilities not					
Other financial liabilities in scope of					
			Other financial liabilities	in scope of	Total
			RM'000	MFRS 9	RM'000
				RM'000	
Liabilities					
Insurance contract liabilities			-	996,591	996,591
Tax liabilities			-	564	564
Deferred acquisition costs - reinsurances			-	5,035	5,035
Insurance payables			71,143	-	71,143
Other payables			53,142	24,547	77,689
Lease liabilities			-	949	949
Total liabilities			124,285	1,027,686	1,151,971

LIBERTY INSURANCE BERHAD
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20. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Financial assets at FVOCI RM'000	Financial assets at FVTPL RM'000	Financial assets at amortised cost RM'000	Assets not in scope of MFRS 9 RM'000	Total RM'000
As at 31.12.2021					
Assets					
Property and equipment	-	-	-	59,457	59,457
Right-of-use assets	-	-	-	1,074	1,074
Intangible assets - software	-	-	-	3,598	3,598
Investment properties	-	-	-	33,612	33,612
Financial assets at FVOCI	665,112	-	-	-	665,112
Financial assets at FVTPL	-	270,849	-	-	270,849
Financial assets at amortised cost	-	-	454,753	-	454,753
Reinsurance assets	-	-	-	251,531	251,531
Insurance receivables	-	-	24,120	-	24,120
Other receivables	-	-	48,382	806	49,188
Deferred acquisition costs	-	-	-	29,971	29,971
Cash and short term deposits	-	-	70,050	-	70,050
Total assets	665,112	270,849	597,305	389,825	1,923,091
Liabilities not Other financial in scope of liabilities MFRS 9 RM'000 RM'000 Total RM'000					
Liabilities					
Insurance contract liabilities	-	-	-	996,401	996,401
Tax liabilities	-	-	-	6,919	6,919
Deferred acquisition costs - reinsurances	-	-	-	4,458	4,458
Insurance payables	-	-	53,823	-	53,823
Other payables	-	-	56,707	33,179	89,886
Lease liabilities	-	-	-	1,099	1,099
Total liabilities	-	-	110,530	1,042,056	1,152,586

LIBERTY INSURANCE BERHAD
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21. REGULATORY CAPITAL REQUIREMENTS

The total capital available of the Company as at 30 June 2022, as prescribed under the RBC Framework is provided below:

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
Eligible Tier 1 Capital:		
Share capital (paid up)	100,000	100,000
Retained earnings	672,778	658,340
	<u>772,778</u>	<u>758,340</u>
Tier 2 Capital:		
Asset revaluation reserve	14,983	14,983
FVOCI reserve	(19,126)	(2,818)
	<u>(4,143)</u>	<u>12,165</u>
Amounts deducted from capital	<u>(15,659)</u>	<u>(17,740)</u>
Total capital available	<u>752,976</u>	<u>752,765</u>

22. LEGAL UPDATES

Malaysian Competition Commission ("MyCC")

On 22 February 2017, the Malaysian Competition Commission ("MyCC") issued its Proposed Decision (PD) under "Proposed decision by the Commission" S36(1) of the Competition Act 2010 ("CA") that the Company along with PIAM and the other 21 Insurers had infringed the prohibition under "Prohibited horizontal and vertical agreement" S4(2)(a) of the CA and had indicated a financial penalty of RM213 million on all 22 insurers. PIAM and its 22 member insurers denied the alleged infringement and maintained that they were following BNM directive to PIAM to engage with the Federation of Automobile Workshop Owner's Association of Malaysia ("FAWOAM") in order to resolve issues related to parts trade discounts and labour hourly rates.

MyCC delivered its final decision ("Final Decision") on 25 September 2020 in which MyCC concluded that PIAM and the 22 Insurers (which includes Liberty) as enterprises listed in the Final Decision have infringed the section 4 prohibition of the Competition Act 2010 ("the Act"). The Commission imposed a collective financial penalty of RM144 million on the 22 insurers, of which the Company's portion amounts to RM8,115,998. This sum was arrived at after a discount of 10% for mitigating circumstances (amongst others, having a compliance program in place) and a further 25% of this reduced sum in view of the COVID-19 pandemic.

On 23 March 2021, the Competition Appeal Tribunal ("COMPAT") panel unanimously decided to grant a stay of the financial penalties and the cease and desist order for all the 22 Insurers pending the disposal of the appeal on the merits. There is no order as to costs. The appeal at COMPAT proceeded on the 12th, 15th, 16th, 19th and 26th November 2021 and COMPAT has now fixed the 17th, 21st, 24th of March 2022 and 6th, 7th and 21th of April 2022 as the next dates for the continuation of the appeal. In addition to the appeal at COMPAT, the Company had also sought a judicial review in the High court against the unfairness and failure of due process by MyCC in arriving at their Final Decision. To this end, the Company's lawyer filed a judicial review leave application. On 20 October 2021, the High Court dismissed the said leave application and the Company have decided against appealing this decision to the Court of Appeal.

LIBERTY INSURANCE BERHAD
(Incorporated in Malaysia)**22. LEGAL UPDATES (CONTINUED)**

The hearing of the appeal by COMPAT was completed on 21st April 2022 and the COMPAT panel has yet to give their decision.

For prudence purposes, the Company has made provision for the purported financial penalty without any admission of liability, of which the Company denies in its entirety. The Company will continue to challenge and resist MyCC's decision as the Company takes the position that it has not committed any infringement of the Malaysian Competition law.

23. SIGNIFICANT AND SUBSEQUENT EVENTS**Acquisition of AmGeneral Insurance Berhad**

Following the receipt of regulatory approval from Bank Negara Malaysia ("BNM") and signing of the share sale and purchase agreement with AmGeneral Holdings Berhad ("AmGeneral Holdings"), Liberty Insurance Berhad ("LIB"), a subsidiary of Liberty Mutual Insurance Company ("LMIC"), had on 28 July 2022 completed the transaction to acquire AmGeneral Insurance Berhad ("AmGeneral") ("Completion"). The acquisition and subsequent merger of operations (which is subject to prior approval from BNM) is anticipated to position the combined entity as the largest motor insurer and a leading general insurer in Malaysia.

Prior to Completion, AmGeneral was wholly-owned by AmGeneral Holdings, which was in turn 51%-owned by AMAB Holdings Sdn. Bhd. ("AMAB") and 49%-owned by IAG International Pty Limited ("IAG"). On Completion, LIB had acquired 100% of the shares of AmGeneral. The purchase consideration with respect to this transaction was RM2,290 million and was satisfied by the: (a) issuance of 68,928,572 irredeemable non-cumulative convertible preference shares in LIB ("INCCPS") to AmGeneral Holdings at RM8.40 per share; (b) 42,857,143 ordinary shares in LIB to AmGeneral Holdings at RM8.40 per share; and (c) cash consideration of RM1,351 million. In order to fund the acquisition, LIB had also issued 160,833,333 INCCPS to LMIC for RM1,351 million. This resulted in LMIC holding a 70% direct interest in LIB and a 70% effective interest in AmGeneral, with AmGeneral Holdings holding the remaining 30% direct interest in LIB and 30% effective interest in AmGeneral. Due to time constraints between Completion and approval of the unaudited condensed interim financial statements, the Company is still in the process of establishing the fair value of the assets and liabilities acquired. As permitted by MFRS 3 Business Combination, this exercise will be completed within 12 months of Completion (i.e. the acquisition date).

As part of the transaction, the merged entity will enter into an exclusive 20-year bancassurance partnership with various entities within the AmBank Group to distribute general insurance products. The operations of AmGeneral and LIB will, at a subsequent date, be formally merged.