

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

CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED
FOR THE FINANCIAL PERIOD FROM
1 JANUARY 2017 TO 30 SEPTEMBER 2017

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

(Company No. 735426-V)

(Incorporated in Malaysia)

Contents	Page
Condensed statement of financial position - unaudited	1
Condensed statement of profit or loss - unaudited	2
Condensed statement of profit or loss and other comprehensive income - unaudited	3
Condensed statement of changes in equity - unaudited	4
Condensed statement of cash flows - unaudited	5-6
Notes to the condensed interim financial statements	7-25
Statement by Directors	26

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

(Company No. 735426-V)

(Incorporated in Malaysia)

Condensed statement of financial position as at 30 September 2017 - unaudited

	Note	30.9.2017 RM'000	31.12.2016 RM'000
Assets			
Property, plant and equipment	5	76,453	82,930
Investment properties	6	26,497	26,497
Intangible assets		81,091	10,725
Deferred tax assets		16,496	14,613
Investments	7	4,029,894	3,944,542
Reinsurance assets	8	900,593	920,936
Insurance receivables	9	255,808	219,515
Loans and receivables		132,529	124,131
Deferred acquisition costs		95,157	86,928
Current tax assets		10,743	-
Cash and cash equivalents		173,599	174,017
Total assets		5,798,860	5,604,834
Equity and liabilities			
Share capital		379,168	379,168
Retained earnings		1,529,964	1,376,249
Other reserves		33,361	17,747
Total equity		1,942,493	1,773,164
Insurance contract liabilities	10	3,476,703	3,420,542
Insurance payables	11	247,108	219,576
Other payables and accruals		132,556	190,895
Current tax liabilities		-	657
Total liabilities		3,856,367	3,831,670
Total equity and liabilities		5,798,860	5,604,834

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

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

(Company No. 735426-V)

(Incorporated in Malaysia)

Condensed statement of profit or loss**for the 9 month period ended 30 September 2017 - unaudited**

		9 months period ended 30.9.2017 RM'000	9 months period ended 30.9.2016 RM'000
	Note		
Operating revenue		<u>1,699,720</u>	<u>1,686,883</u>
Gross earned premiums		1,573,579	1,568,883
Premiums ceded to reinsurers		<u>(204,925)</u>	<u>(262,089)</u>
Net earned premiums		<u>1,368,654</u>	<u>1,306,794</u>
Investment income		126,141	118,000
Realised gains and losses		1,220	2,329
Fee and commission income		23,243	50,436
Other operating income		<u>3,771</u>	<u>3,545</u>
Other income		<u>154,375</u>	<u>174,310</u>
Gross claims paid		(1,056,840)	(973,560)
Claims ceded to reinsurers		207,854	186,256
Gross change in claims liabilities		6,734	62,733
Change in claims liabilities ceded to reinsurers		<u>(6,089)</u>	<u>(86,155)</u>
Net claims incurred		<u>(848,341)</u>	<u>(810,726)</u>
Fee and commission expense		(194,597)	(193,452)
Management expenses		(272,666)	(221,260)
Other operating expenses		<u>(2,045)</u>	<u>(2,355)</u>
Other expenses		<u>(469,308)</u>	<u>(417,067)</u>
Profit before tax		205,380	253,311
Tax expense		<u>(51,665)</u>	<u>(63,508)</u>
Profit for the period		<u>153,715</u>	<u>189,803</u>
Profit attributable to:			
Owners of the Company		<u>153,715</u>	<u>189,803</u>
Basic earnings per ordinary share (sen)	12	<u>40.5</u>	<u>50.1</u>

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

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

(Company No. 735426-V)

(Incorporated in Malaysia)

**Condensed statement of profit or loss and other comprehensive income
for the 9 month period ended 30 September 2017 - unaudited**

	9 months period ended 30.9.2017 RM'000	9 months period ended 30.9.2016 RM'000
Profit for the period	153,715	189,803
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss		
Available-for-sale fair value reserve	20,545	52,972
Tax effect thereon	(4,931)	(12,713)
	<u>15,614</u>	<u>40,259</u>
Total other comprehensive income for the period, net of tax	15,614	40,259
Total comprehensive income for the period, net of tax	<u>169,329</u>	<u>230,062</u>
Total comprehensive income attributable to:		
Owners of the Company	<u>169,329</u>	<u>230,062</u>

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

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

(Company No. 735426-V)

(Incorporated in Malaysia)

**Condensed statement of changes in equity
for the 9 month period ended 30 September 2017 - unaudited**

	← Non distributable →				Distributable	
	Share Capital RM'000	Capital reserve RM'000	Available-for-sale		Retained earnings RM'000	Total equity RM'000
fair value reserve RM'000			Asset revaluation reserve RM'000			
At 1 January 2016	379,168	4,523	628	7,666	1,218,058	1,610,043
Fair value of available-for-sale financial assets	-	-	40,259	-	-	40,259
Total other comprehensive income for the period	-	-	40,259	-	-	40,259
Profit for the period	-	-	-	-	189,803	189,803
Total comprehensive income for the period	-	-	40,259	-	189,803	230,062
<i>Contributions by and distributions to owners of the Company</i>						
- Dividends paid to the owners of the Company	-	-	-	-	(25,025)	(25,025)
Total transactions with owners of the Company	-	-	-	-	(25,025)	(25,025)
At 30 September 2016	379,168	4,523	40,887	7,666	1,382,836	1,815,080
At 1 January 2017	379,168	4,523	(2,318)	15,542	1,376,249	1,773,164
Fair value of available-for-sale financial assets	-	-	15,614	-	-	15,614
Total other comprehensive income for the period	-	-	15,614	-	-	15,614
Profit for the period	-	-	-	-	153,715	153,715
Total comprehensive income for the period	-	-	15,614	-	153,715	169,329
At 30 September 2017	379,168	4,523	13,296	15,542	1,529,964	1,942,493

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

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

(Company No. 735426-V)

(Incorporated in Malaysia)

Condensed statement of cash flows**for the 9 month period ended 30 September 2017 - unaudited**

	9 months period ended 30.9.2017 RM'000	9 months period ended 30.9.2016 RM'000
Operating activities		
Profit before tax	205,380	253,311
Investment income	(126,141)	(118,000)
Realised gains recorded in profit or loss	(1,220)	(2,329)
Change in fair value of investment properties	-	804
Purchases of financial investments	(551,518)	(595,635)
Placement of fixed deposits	(4,586)	(164,400)
Maturity of fixed deposits	144,400	30,000
Proceeds from disposal of financial investments	163,585	267,827
Maturity of financial investments	187,000	349,000
Non-cash items:		
Depreciation of property, plant and equipment	8,254	8,789
Amortisation of intangible assets	4,329	1,628
Allowance of impairment loss on receivables	30,455	3,404
Allowance of impairment loss on other receivables	-	1,245
Bad debts recovered	(179)	(99)
Property, plant and equipment written off	5	18
Bad debts written off on receivables	712	363
Interest (income)/ expense	(300)	435
Changes in working capital:		
Change in reinsurance assets	20,343	93,323
Change in insurance receivables	(67,281)	(43,634)
Change in loans and receivables	(11,020)	11,488
Change in deferred acquisition costs	(8,229)	(7,487)
Change in insurance contract liabilities	56,161	(16,078)
Change in insurance payables	27,532	(8,944)
Change in other payables and accruals	1,949	5,838
Cash generated from operations	79,631	70,867
Interest income received	126,494	118,566
Rental income received	61	61
Income tax paid	(69,879)	(71,159)
Net cash flows generated from operating activities	136,307	118,335

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

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Condensed statement of cash flows (continued)**for the 9 month period ended 30 September 2017 - unaudited**

	9 months period ended 30.9.2017 RM'000	9 months period ended 30.9.2016 RM'000
Investing activities		
Proceeds from disposal of property, plant and equipment	1,236	11
Purchase of property, plant and equipment	(2,978)	(4,776)
Purchase of intangible assets	(74,695)	(4,444)
Net cash flows used in investing activities	(76,437)	(9,209)
Financing activities		
Dividend paid to owners of the Company	(60,288)	(25,025)
Net cash flows used in financing activities	(60,288)	(25,025)
Net (decrease)/increase in cash and cash equivalents	(418)	84,101
Cash and cash equivalents at beginning of period	174,017	162,557
Cash and cash equivalents at end of period	173,599	246,658
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institution (with maturity of less than three months)	173,161	246,084
Cash and bank balances	438	574
	173,599	246,658

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

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 2017 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 2016.

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 2016, except for the adoption of the following:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*

Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

The initial application of the aforesaid applicable accounting standards, amendments or interpretations do not have any material financial impact to the current and prior periods' financial statements upon their first adoption.

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 material changes in the basis used for accounting estimates for the current interim period ended 30 September 2017.

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

	30.9.2017	31.12.2016
	RM'000	RM'000
Balance at the beginning of period/year	26,497	46,186
Impairment	-	(2,008)
Transfer to Property, plant and equipment	-	(17,681)
Balance at the end of period/year	<u>26,497</u>	<u>26,497</u>

Included in the above are:

	30.9.2017	31.12.2016
	RM'000	RM'000
At fair value:		
Freehold land and buildings	<u>26,497</u>	<u>26,497</u>

The fair values of investment properties are determined by Rahim & Co, an independent professional qualified valuer using the comparison method. The investment properties are for capital appreciation and do not generate any rental income.

Fair value information

Fair value of investment properties are categorised as follows:

30.9.2017

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Freehold land and buildings	-	26,497	-	<u>26,497</u>

6. Investment properties (continued)**Fair value information (continued)****31.12.2016**

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Freehold land and buildings	-	26,497	-	26,497

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 investment properties 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 investment properties, either directly or indirectly.

Level 2 fair value of land and buildings has been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

Transfer between Level 1 and 2 fair values

There is no transfer between Level 1 and 2 fair values during the current interim period ended 30 September 2017. (2016: no transfer in either directions)

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment properties.

7. Investments

	30.9.2017	31.12.2016
	RM'000	RM'000
Malaysian government securities	1,663,548	1,631,429
Malaysian government guaranteed bonds	730,597	684,583
Unquoted debt securities	1,428,585	1,281,943
Unquoted equity securities	*	*
Fixed deposits	114,586	254,400
Structured deposits with licensed financial institutions	92,578	92,187
	<u>4,029,894</u>	<u>3,944,542</u>

* Denotes RM 4

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

	Total	
	30.9.2017	31.12.2016
	RM'000	RM'000
Loans and receivables ("L&R")	114,586	254,400
Available-for-sale financial assets ("AFS")	3,915,308	3,690,142
	<u>4,029,894</u>	<u>3,944,542</u>

7. Investments (continued)

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

	30.9.2017		31.12.2016	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Loans and receivables				
Fixed deposits	114,586	114,586	254,400	254,400
Available-for-sale				
Malaysian government securities	1,663,548	1,663,548	1,631,429	1,631,429
Malaysian government guaranteed bonds	730,597	730,597	684,583	684,583
Unquoted debt securities	1,428,585	1,428,585	1,281,943	1,281,943
Unquoted equity securities	*	-	*	-
Structured deposits with licensed financial institutions	92,578	92,578	92,187	92,187
	<u>3,915,308</u>	<u>3,915,308</u>	<u>3,690,142</u>	<u>3,690,142</u>
	<u>4,029,894</u>	<u>4,029,894</u>	<u>3,944,542</u>	<u>3,944,542</u>

* Denotes RM 4

7. Investments (continued)

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

	L&R RM'000	AFS RM'000	Total RM'000
At 1 January 2016	120,000	3,565,932	3,685,932
Purchases	164,400	974,147	1,138,547
Maturities	(30,000)	(504,500)	(534,500)
Disposals	-	(343,555)	(343,555)
Impairment	-	-	-
Fair value loss recorded in other comprehensive income	-	(3,877)	(3,877)
Accretion	-	4,084	4,084
Amortisation	-	(2,089)	(2,089)
At 31 December 2016	254,400	3,690,142	3,944,542
Purchases	4,586	551,518	556,104
Maturities	(144,400)	(187,000)	(331,400)
Disposals	-	(162,405)	(162,405)
Fair value gains recorded in other comprehensive income	-	20,545	20,545
Accretion	-	3,744	3,744
Amortisation	-	(1,236)	(1,236)
At 30 September 2017	114,586	3,915,308	4,029,894

8. Reinsurance assets

	Note	30.9.2017 RM'000	31.12.2016 RM'000
Non-current			
Reinsurance of insurance contracts			
Claims liabilities		298,094	300,522
Current			
Reinsurance of insurance contracts			
Claims liabilities		449,679	453,340
Premium liabilities		152,820	167,074
		<u>602,499</u>	<u>620,414</u>
	10	<u>900,593</u>	<u>920,936</u>

9. Insurance receivables

		30.9.2017 RM'000	31.12.2016 RM'000
Current			
Due premiums including agent, brokers and co-insurers balances		190,008	151,896
Due from reinsurers and cedants		89,247	69,970
		<u>279,255</u>	<u>221,866</u>
Allowance for impairment		(46,527)	(16,072)
		<u>232,728</u>	<u>205,794</u>
Due from related companies	9.1	23,080	13,721
		<u>255,808</u>	<u>219,515</u>

9. Insurance receivables (continued)

	30.9.2017 RM'000	31.12.2016 RM'000
Movement in allowance for impairment		
Balance at the beginning of the period/year	16,072	16,455
Impairment loss recognised/(reversed)	30,455	(383)
Balance at the end of the period/year	<u>46,527</u>	<u>16,072</u>

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:

	← 30.9.2017 →			← 31.12.2016 →		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders	1,728,763	(533,530)	1,195,233	1,677,124	(544,462)	1,132,662
Provision for incurred but not reported claims ("IBNR")	664,325	(214,243)	450,082	722,698	(209,400)	513,298
Provision for outstanding claims (i)	2,393,088	(747,773)	1,645,315	2,399,822	(753,862)	1,645,960
Provision for unearned premiums (ii)	1,083,615	(152,820)	930,795	1,020,720	(167,074)	853,646
	<u>3,476,703</u>	<u>(900,593)</u>	<u>2,576,110</u>	<u>3,420,542</u>	<u>(920,936)</u>	<u>2,499,606</u>
	Note 8			Note 8		

10. Insurance contract liabilities (continued)

(i) Provision for outstanding claims

	← 30.9.2017 →	← 31.12.2016 →				
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At the beginning of period/year	2,399,822	(753,862)	1,645,960	2,460,011	(878,371)	1,581,640
Claims incurred in the current accident period/year	1,084,000	(142,518)	941,482	1,399,877	(205,960)	1,193,917
Other movements in claims incurred in prior accident period/years	(33,894)	(59,247)	(93,141)	(208,773)	93,009	(115,764)
Claims paid during the period/year	(1,056,840)	207,854	(848,986)	(1,251,293)	237,460	(1,013,833)
At the end of period/year	<u>2,393,088</u>	<u>(747,773)</u>	<u>1,645,315</u>	<u>2,399,822</u>	<u>(753,862)</u>	<u>1,645,960</u>

(ii) Provision for unearned premiums

	← 30.9.2017 →	← 31.12.2016 →				
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At the beginning of period/year	1,020,720	(167,074)	853,646	1,020,899	(185,859)	835,040
Premiums written in the period/year	1,636,474	(190,671)	1,445,803	2,082,923	(321,305)	1,761,618
Premiums earned during the period/year	(1,573,579)	204,925	(1,368,654)	(2,083,102)	340,090	(1,743,012)
At the end of period/year	<u>1,083,615</u>	<u>(152,820)</u>	<u>930,795</u>	<u>1,020,720</u>	<u>(167,074)</u>	<u>853,646</u>
	Note 8			Note 8		

11. Insurance Payables

	Note	30.9.2017 RM'000	31.12.2016 RM'000
Non-current			
Performance bond deposits	11.1	26,552	32,252
Current			
Due to reinsurers and cedants		59,288	66,508
Due to agents and intermediaries		61,250	38,220
Performance bond deposits	11.1	50,981	43,777
Due to related companies	11.2	49,037	38,819
		<u>220,556</u>	<u>187,324</u>
		<u>247,108</u>	<u>219,576</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:

	30.9.2017	30.9.2016
Profit for the period attributable to ordinary shareholders (RM'000)	153,715	189,803
Weighted average number of ordinary shares ('000)	379,168	379,168
Basic earnings per ordinary share (sen)	40.5	50.1

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 interim financial statements.

13. Capital commitments

	30.9.2017	31.12.2016
	RM'000	RM'000
Property, plant and equipment		
Approved but not contracted for	8,754	11,859
Contracted but not provided for	1,085	372
Intangible assets		
Approved but not contracted for	18,305	28,211
Contracted but not provided for	1,272	372

14. Operating leases

Leases as lessee

Total future minimum lease payments under operating leases are as follows:

	30.9.2017	31.12.2016
	RM'000	RM'000
Less than one year	4,553	7,128
Between one and five years	5,631	2,000
	<u>10,184</u>	<u>9,128</u>

The leases typically run for an initial period of three years, with an option to renew the leases. None of the leases included contingent rental.

15. Related party transactions

Significant related party transactions are as follows:

	Amount transacted for the period ended 30 September	
	2017	2016
	RM'000	RM'000
Trade		
Related companies*		
Reinsurance premiums	(107,894)	(132,851)
Reinsurance commission	10,497	17,323
	<u>10,497</u>	<u>17,323</u>

* Related companies are companies within the Allianz SE group.

16. 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's ("BNM") 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 next session is fixed on 12 December 2017 and 14 December 2017, for all insurers to submit their Oral Representations.

The Proposed Decision is not final as at the date of this report, and the Company in consultation with its legal advisers will take such appropriate actions to defend its position that it has not been in infringement of Section 4(2)(a) of the CA.

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

17. 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.

18. Significant events

The Company and Standard Chartered Bank Malaysia Berhad ("SCB") entered into a 15-year bancassurance agreement for the distribution of general insurance products; the agreement was signed on 21 April 2017. The bancassurance arrangement commenced on 1 July 2017 as mutually agreed between the Company and SCB. An upfront fee of RM67 million has paid for this bancassurance agreement and recognised as intangible assets.

19. 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 2017, as prescribed under the RBC Framework is provided below:

	30.9.2017	31.12.2016
	RM'000	RM'000
Tier 1 Capital		
Paid up share capital	379,168	379,168
Retained earnings	1,529,964	1,376,249
	<u>1,909,132</u>	<u>1,755,417</u>
Tier 2 Capital		
Reserves	33,361	17,747
	<u>33,361</u>	<u>17,747</u>
Amounts deducted from capital	(97,587)	(25,338)
Total capital available	<u><u>1,844,906</u></u>	<u><u>1,747,826</u></u>

20. 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.

21. Dividend paid

An interim dividend of 15.9 sen per ordinary share under single tier system amounting to RM60,287,743 for the financial year ended 31 December 2016 was paid to the entitled shareholder of the Company on 18 January 2017.

22. Changes in material litigations

Virginia Surety Company Labuan Branch (“VSC”) had provided reinsurance support to Commerce Assurance Berhad (now known as Bright Mission Berhad) (“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 is that the reinsurance continued to remain in force from 1 October 2011 and determined only on 30 September 2013. This is disputed by VSC who claim that the treaty reinsurance lapsed on 30 September 2011.

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

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

The hearing on liability has concluded and the latest timelines for filing and exchange of Closing Submissions and Reply Submissions are 30 August 2017 and 27 September 2017. The Oral Submissions took place on 12 October 2017 and 13 October 2017. The tribunal has reserved its decision for a later date and no indicative timeline has been given for delivery of its decision.

The Company’s solicitors, Niru & Co LLC of Singapore and Suflan TH Liew & Partners in Kuala Lumpur, have advised that it has reasonably good prospects of succeeding in the action against VSC.

23. Financial instruments

23.1 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.

23. Financial instruments (continued)

23.2 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.

30.9.2017	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	-	1,663,548	-	1,663,548	-	-	-	-	1,663,548	1,663,548
Malaysian government guaranteed bonds	-	730,597	-	730,597	-	-	-	-	730,597	730,597
Unquoted debt securities	-	1,428,585	-	1,428,585	-	-	-	-	1,428,585	1,428,585
Fixed deposits	-	-	-	-	-	114,586	-	114,586	114,586	114,586
Structured deposits and negotiable instruments of deposit with licensed financial institutions	-	92,578	-	92,578	-	-	-	-	92,578	92,578
	-	3,915,308	-	3,915,308	-	114,586	-	114,586	4,029,894	4,029,894

23. Financial instruments (continued)

23.2 Fair value information (continued)

31.12.2016	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	-	1,631,429	-	1,631,429	-	-	-	-	1,631,429	1,631,429
Malaysian government guaranteed bonds	-	684,583	-	684,583	-	-	-	-	684,583	684,583
Unquoted debt securities	-	1,281,943	-	1,281,943	-	-	-	-	1,281,943	1,281,943
Fixed deposits	-	-	-	-	-	254,400	-	254,400	254,400	254,400
Structured deposits and negotiable instruments of deposit with licensed financial institutions	-	92,187	-	92,187	-	-	-	-	92,187	92,187
	-	3,690,142	-	3,690,142	-	254,400	-	254,400	3,944,542	3,944,542

23. Fair value of financial instruments (continued)

23.2 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 2017 (2016: no transfer in either directions).

Level 3 fair value

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

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

(Company No. 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 25 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 2017 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 Razali Ismail

Zakri Bin Mohd Khir

Kuala Lumpur,

Date: 22 November 2017